

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-39304

ADEIA INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

3025 Orchard Parkway, San Jose, California
(Address of Principal Executive Offices)

84-4734590
(I.R.S. Employer
Identification No.)

95134
(Zip Code)

(408) 473-2500
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value \$0.001 per share)	ADEA	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of October 25, 2024 was 109,264,937

ADEIA INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2024
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue	\$86,101	\$101,397	\$256,856	\$301,921
Operating expenses:				
Research and development	14,825	13,768	43,549	39,895
Selling, general and administrative	26,903	21,921	75,549	71,177
Amortization expense	13,600	23,386	56,787	70,725
Litigation expense	2,652	2,205	9,844	7,161
Total operating expenses	57,980	61,280	185,729	188,958
Operating income	28,121	40,117	71,127	112,963
Interest expense	(12,758)	(15,659)	(40,229)	(47,137)
Other income and expense, net	1,431	1,486	4,259	4,723
Loss on debt extinguishment	—	—	(453)	—
Income before income taxes	16,794	25,944	34,704	70,549
Provision for (benefit from) income taxes	(2,520)	1,712	6,109	15,877
Net income	\$19,314	\$24,232	\$28,595	\$54,672
Net income per share:				
Basic	\$0.18	\$0.23	\$0.26	\$0.51
Diluted	\$0.17	\$0.21	\$0.25	\$0.48
Weighted average number of shares used in per share calculations				
Basic	109,035	106,902	108,491	106,322
Diluted	113,124	112,929	112,881	112,765

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income	\$ 19,314	\$ 24,232	\$ 28,595	\$ 54,672
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation adjustment	—	—	—	9
Net unrealized gain (losses) on available-for-sale debt securities	247	12	159	(27)
Other comprehensive income (loss), net of tax	247	12	159	(18)
Total comprehensive income	<u>\$ 19,561</u>	<u>\$ 24,244</u>	<u>\$ 28,754</u>	<u>\$ 54,654</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ADEIA INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for par value)
(unaudited)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 60,698	\$ 54,560
Marketable securities	28,486	29,012
Accounts receivable, net of allowance for credit losses of \$713 and \$1,463, respectively	43,948	39,651
Unbilled contracts receivable, net	101,593	74,919
Other current assets	9,985	7,700
Total current assets	244,710	205,842
Long-term unbilled contracts receivable	62,880	73,843
Property and equipment, net	6,473	6,971
Operating lease right-of-use assets	8,817	9,484
Intangible assets, net	297,361	347,172
Goodwill	313,660	313,660
Long-term income tax receivable	120,391	120,338
Other long-term assets	28,873	28,246
Total assets	<u>\$ 1,083,165</u>	<u>\$ 1,105,556</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 7,717	\$ 9,623
Accrued legal fees	2,236	1,796
Accrued liabilities	16,237	17,342
Current portion of long-term debt	24,732	66,145
Deferred revenue	20,576	7,132
Total current liabilities	71,498	102,038
Deferred revenue, less current portion	24,474	17,672
Long-term debt, net	499,692	519,550
Noncurrent operating lease liabilities	9,180	9,730
Long-term income tax payable	82,422	81,834
Other long-term liabilities	17,684	18,110
Total liabilities	704,950	748,934
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock: \$0.001 par value; (2024: authorized 15,000 shares; 2023: authorized 15,000 shares and no shares issued and outstanding)	—	—
Common stock: \$0.001 par value; (2024: authorized 350,000 shares, issued 123,538 shares, outstanding 109,193 shares; 2023: authorized 350,000 shares, issued 120,730 shares, outstanding 107,384 shares)	124	121
Additional paid-in capital	639,727	635,331
Treasury stock at cost (2024: 14,345 shares; 2023: 13,346 shares)	(234,057)	(222,497)
Accumulated other comprehensive loss	151	(8)
Accumulated deficit	(27,730)	(56,325)
Total stockholders' equity	378,215	356,622
Total liabilities and equity	<u>\$ 1,083,165</u>	<u>\$ 1,105,556</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	September 30, 2024	September 30, 2023
Cash flows from operating activities:		
Net income	\$ 28,595	\$ 54,672
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,536	1,151
Amortization of intangible assets	56,787	70,725
Stock-based compensation expense	19,156	13,070
Deferred income taxes	(1,818)	2
Loss on debt extinguishment	453	—
Amortization of debt issuance costs	2,429	3,251
Other	(1,421)	107
Changes in operating assets and liabilities:		
Accounts receivable	(3,547)	13,728
Unbilled contracts receivable	(15,711)	(34,415)
Other assets	(481)	9,993
Accounts payable	(170)	265
Accrued and other liabilities	(1,053)	(14,515)
Deferred revenue	20,246	(4,719)
Net cash from operating activities	105,001	113,315
Cash flows from investing activities:		
Purchases of property and equipment	(1,274)	(1,936)
Purchases of intangible assets	(8,476)	(95)
Purchases of short-term investments	(25,094)	(33,598)
Proceeds from maturities of investments	26,450	3,800
Net cash from investing activities	(8,394)	(31,829)
Cash flows from financing activities:		
Dividends paid	(16,303)	(15,979)
Repayment of debt	(64,153)	(118,875)
Proceeds from employee stock purchase program and exercise of stock options	1,547	1,172
Repurchases of common stock for tax withholdings on equity awards	(11,560)	(10,504)
Net cash from financing activities	(90,469)	(144,186)
Net increase (decrease) in cash and cash equivalents	6,138	(62,700)
Cash and cash equivalents at beginning of period	54,560	114,555
Cash and cash equivalents at end of period	<u>\$ 60,698</u>	<u>\$ 51,855</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 36,221</u>	<u>\$ 43,507</u>
Income taxes paid, net of refunds	<u>\$ 7,694</u>	<u>\$ 3,431</u>
Unpaid purchases of property and equipment at the end of the period	<u>\$ 235</u>	<u>\$ 425</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except per share amount)
(unaudited)

<u>Three Months Ended September 30, 2024</u>	Common Stock		Addition al Paid-In Capital	Treasury Stock		Accumulated Other Comprehens ive Income (Loss)	Accumulat ed Deficit	Total Stockholders ' Equity
	Shares	Amount		Shares	Amount			
Balance at July 1, 2024	108,854	\$ 123	\$ 637,752	14,138	\$ (231,599)	\$ (96)	\$ (47,044)	\$ 359,136
Net income	—	—	—	—	—	—	19,314	19,314
Other comprehensive income	—	—	—	—	—	247	—	247
Cash dividends paid on common stock (\$0.05 per share)	—	—	(5,450)	—	—	—	—	(5,450)
Issuance of common stock in connection with exercise of stock options	1	—	6	—	—	—	—	6
Issuance of common stock in connection with employee stock purchase plan	—	—	—	—	—	—	—	—
Issuance of restricted stock, net of shares canceled	545	1	—	—	—	—	—	1
Withholding taxes related to net share settlement of restricted awards	(207)	—	—	207	(2,458)	—	—	(2,458)
Stock-based compensation expense	—	—	7,419	—	—	—	—	7,419
Balance at September 30, 2024	<u>109,193</u>	<u>\$ 124</u>	<u>\$ 639,727</u>	<u>14,345</u>	<u>\$ (234,057)</u>	<u>\$ 151</u>	<u>\$ (27,730)</u>	<u>\$ 378,215</u>

<u>Nine Months Ended September 30, 2024</u>	Common Stock		Addition al Paid-In Capital	Treasury Stock		Accumulated Other Comprehens ive Income (Loss)	Accumulat ed Deficit	Total Stockholders ' Equity
	Shares	Amount		Shares	Amount			
Balance at January 1, 2024	107,384	\$ 121	\$ 635,331	13,346	\$ (222,497)	\$ (8)	\$ (56,325)	\$ 356,622
Net income	—	—	—	—	—	—	28,595	28,595
Other comprehensive income	—	—	—	—	—	159	—	159
Cash dividends paid on common stock (\$0.15 per share)	—	—	(16,303)	—	—	—	—	(16,303)
Issuance of common stock in connection with exercise of stock options	54	—	568	—	—	—	—	568
Issuance of common stock in connection with employee stock purchase plan	120	—	975	—	—	—	—	975
Issuance of restricted stock, net of shares canceled	2,634	4	—	—	—	—	—	4
Withholding taxes related to net share settlement of restricted awards	(999)	(1)	—	999	(11,560)	—	—	(11,561)
Stock-based compensation expense	—	—	19,156	—	—	—	—	19,156
Balance at September 30, 2024	<u>109,193</u>	<u>\$ 124</u>	<u>\$ 639,727</u>	<u>14,345</u>	<u>\$ (234,057)</u>	<u>\$ 151</u>	<u>\$ (27,730)</u>	<u>\$ 378,215</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except per share amount)
(unaudited)

Total Company Stockholders' Equity

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Three Months Ended September 30, 2023	Shares	Amount		Shares	Amount			
Balance at July 1, 2023	106,606	\$ 119	\$ 634,954	12,989	\$ (218,714)	\$ (81)	\$ (93,257)	\$ 323,021
Net income	—	—	—	—	—	—	24,232	24,232
Other comprehensive income	—	—	—	—	—	12	—	12
Cash dividends paid on common stock (\$0.05 per share)	—	—	(5,343)	—	—	—	—	(5,343)
Issuance of common stock in connection with exercise of stock options	4	—	41	—	—	—	—	41
Issuance of restricted stock, net of shares canceled	760	1	—	—	—	—	—	1
Withholding taxes related to net share settlement of restricted awards	(274)	—	—	274	(3,013)	—	—	(3,013)
Stock-based compensation expense	—	—	4,874	—	—	—	—	4,874
Balance at September 30, 2023	<u>107,096</u>	<u>\$ 120</u>	<u>\$ 634,526</u>	<u>13,263</u>	<u>\$ (221,727)</u>	<u>\$ (69)</u>	<u>\$ (69,025)</u>	<u>\$ 343,825</u>

Total Company Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Nine Months Ended September 30, 2023	Shares	Amount		Shares	Amount			
Balance at January 1, 2023	105,167	\$ 117	\$ 636,266	12,225	\$ (211,223)	\$ (51)	\$ (123,697)	\$ 301,412
Net income	—	—	—	—	—	—	54,672	54,672
Other comprehensive loss	—	—	—	—	—	(18)	—	(18)
Cash dividends paid on common stock (\$0.15 per share)	—	—	(15,979)	—	—	—	—	(15,979)
Issuance of common stock in connection with exercise of stock options	42	—	450	—	—	—	—	450
Issuance of common stock in connection with employee stock purchase plan	87	—	719	—	—	—	—	719
Issuance of restricted stock, net of shares canceled	2,838	3	—	—	—	—	—	3
Withholding taxes related to net share settlement of restricted awards	(1,038)	—	—	1,038	(10,504)	—	—	(10,504)
Stock-based compensation expense	—	—	13,070	—	—	—	—	13,070
Balance at September 30, 2023	<u>107,096</u>	<u>\$ 120</u>	<u>\$ 634,526</u>	<u>13,263</u>	<u>\$ (221,727)</u>	<u>\$ (69)</u>	<u>\$ (69,025)</u>	<u>\$ 343,825</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ADEIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

Adeia Inc. (the “Company”), a Delaware corporation, is one of the industry’s largest intellectual property (“IP”) licensing platforms, with a diverse portfolio of media and semiconductor IP consisting of more than 11,750 patents and patent applications worldwide.

On October 1, 2022, the Company completed the previously announced separation (“the Separation”) of its product business into a separate, independent, publicly-traded company, Xperi Inc. (“Xperi Inc.”). The Separation was structured as a spin-off, which was achieved through the Company’s distribution of 100 percent of the outstanding shares of Xperi Inc.’s common stock to holders of the Company’s common stock as of the close of business on the record date of September 21, 2022 (the “Record Date”). Each Company stockholder of record received four shares of Xperi Inc. common stock for every ten shares of Company common stock that it held on the Record Date. Following the Separation, the Company retains no ownership in Xperi Inc., which is now listed under the ticker symbol “XPER” on the New York Stock Exchange. Effective at the open of business on October 3, 2022, the Company’s shares of common stock, par value \$0.001 per share, began trading on the Nasdaq Global Select Market under the new ticker symbol “ADEA”.

Additionally, as a result of the Separation, the Company changed its operational structure in the fourth quarter of 2022, resulting in one reportable segment, IP Licensing.

The accompanying interim unaudited Condensed Consolidated Financial Statements have been prepared by the Company in accordance with generally accepted accounting principles (“GAAP”) in the United States (“U.S.”) and the applicable rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. The amounts as of December 31, 2023 have been derived from the Company’s annual audited Consolidated Financial Statements included in its Annual Report on Form 10-K for the year ended December 31, 2023, filed on February 23, 2024 (the “Form 10-K”). These Condensed Consolidated Financial Statements should be read in conjunction with the annual audited Consolidated Financial Statements and notes thereto included in the Form 10-K as of and for the year ended December 31, 2023.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments necessary (consisting of normal recurring adjustments) to state fairly the financial position of the Company and its results of operations and cash flows as of and for the periods presented. The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2024 or any future period and the Company makes no representations related thereto.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes in the Company’s significant accounting policies during the three and nine months ended September 30, 2024, as compared to the significant accounting policies described in the Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The accounting estimates and assumptions that require management's most significant, challenging, and subjective judgment include identifying the performance obligations in the contract, estimating variable consideration, estimating quarterly royalties prior to receiving the royalty reports from the licensee, determining standalone selling price, and allocating consideration in a contract with multiple performance obligations, the assessment of the recoverability of goodwill, the assessment of useful lives and recoverability of other intangible assets and long-lived assets, recognition and measurement of current and deferred income tax assets and liabilities, the assessment of unrecognized tax benefits and purchase accounting resulting from business combinations, among others. Actual results experienced by the Company may differ from management's estimates. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known.

Recently Adopted Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848 ("ASU 2022-06"), which deferred the application dates of Topic 848 to December 31, 2024. In the second quarter of 2023, the Company adopted Topic 848 and modified its debt agreement to reference the other rate. The adoption did not have a material impact to the Company's Condensed Consolidated Financial Statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"), which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-07.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"), which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-09.

NOTE 3 – REVENUE

Revenue Recognition

General

Revenue is recognized when control of the intellectual property (“IP”) rights is transferred to a customer in an amount that reflects the consideration the Company expects to be entitled to in exchange for the licensing of the Company’s IP, which may include various combinations of IP rights and services which are generally capable of being distinct and accounted for as separate performance obligations. In situations where foreign withholding taxes are withheld by the Company’s licensee, revenue is recognized gross of withholding taxes that are remitted directly by the licensee to a local tax authority.

Some of the Company’s contracts with customers contain multiple performance obligations. For these contracts, the individual performance obligations are separately accounted for if they are distinct. In a contract with multiple performance obligations, the transaction price is allocated among the separate performance obligations on a relative standalone selling price basis. The determination of standalone selling price considers market conditions, the size and scope of the contract, customer and geographic information, and other factors. When observable prices are not available, standalone selling price for separate performance obligations is based on the adjusted market assessment approach to estimate the price that a customer in the relevant market would be willing to pay for licensing the Company’s IP rights. The allocation of transaction price among performance obligations in a contract may impact the amount and timing of revenue recognized in the Consolidated Statements of Income during a given period.

When a contract with a customer includes variable consideration, an estimate of the consideration which the Company expects to be entitled to for transferring the promised IP rights or services is made at contract inception and in each subsequent reporting period until the uncertainty associated with the variable consideration is resolved. The amount of variable consideration is estimated by considering all available information (historical, current, and forecast) and is updated as additional information becomes available. The estimate of variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. When the uncertainty associated with variable consideration relates to potential price adjustments as a result of a legal contract dispute, the Company estimates variable consideration using the expected value method or the most likely amount method, whichever is more appropriate in the circumstances, and considers all available information, including historical data and experience. Estimating variable consideration related to potential future price adjustments requires significant judgment in evaluating the possible outcomes. Subsequent changes in the transaction price resulting from changes in the estimate of variable consideration are allocated to the performance obligations in the contract on the same basis as at contract inception.

When variable consideration is in the form of a sales-based or usage-based royalty in exchange for a license of IP, revenue is recognized at the later of when the subsequent sale or usage occurs or the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied or partially satisfied.

Description of Revenue-Generating Activities

IP License Arrangements

The Company licenses (i) its media patent portfolio (“Media IP licensing”) to multichannel video programming distributors, over-the-top video service providers, consumer electronics manufacturers, social media, and other new media companies and (ii) its semiconductor technologies and associated patent portfolio (“Semiconductor IP licensing”) to memory, logic, sensors, radio frequency component, and foundry companies. The Company generally licenses its IP portfolios under three models: (i) per-unit or per-subscriber Media IP or Semiconductor IP royalty licensing, (ii) fixed-fee Media IP licensing, and (iii) fixed-fee or minimum guarantee Semiconductor IP licensing.

Per-unit or per-subscriber Media IP or Semiconductor IP royalty licensing

The Company recognizes revenue from per-unit or per-subscriber IP royalty licenses in the period in which the licensee's sales or production are estimated to have occurred, which results in an adjustment to revenue when actual sales or production are subsequently reported by the licensee, which is generally in the month or quarter following usage or shipment. Estimating customers' monthly or quarterly royalties prior to receiving the royalty reports requires the Company to make significant assumptions and judgments related to forecasted trends and growth rates used to estimate quantities shipped or manufactured by customers, which could have a material impact on the amount of revenue it reports on a quarterly basis.

Fixed-fee Media IP licensing

The Company's long-term fixed-fee Media IP licensing contracts provide its customers with rights to future patented technologies over the term of the contract that are highly interdependent or highly interrelated to the patented technologies provided at the inception of the contract. The Company treats these rights as a single performance obligation with revenue recognized on a straight-line basis over the term of the fixed-fee license contract. The transaction price is adjusted for the effect of any significant financing components calculated using borrower-specific, risk-adjusted interest rates, with the related interest income or expense being recognized over time on an effective rate basis.

Fixed-fee or minimum guarantee Semiconductor IP licensing

The Company enters into Semiconductor IP licenses that have a fixed fee or a minimum guarantee, whereby licensees pay a fixed fee for the right to incorporate the Company's IP technologies in the licensee's products over the license term. In contracts with a minimum guarantee, the fixed fee component corresponds to a minimum number of units or dollars that the customer must produce or pay, with additional per-unit fees for any units or dollars exceeding the minimum. The Company generally recognizes the full fixed fee as revenue at the beginning of the license term when the customer has the right to use the IP and begins to benefit from the license, adjusted for the effect of any significant financing components calculated using borrower-specific, risk-adjusted interest rates, with the related interest income or expense being recognized over time on an effective rate basis. For minimum guarantee contracts where the customer exceeds the minimum, the Company recognizes revenue relating to any additional per-unit fees in the periods it believes the customer has exceeded the minimum and adjusts the revenue based on actual usage once that is reported by the customer.

IP license contracts with multiple performance obligations

At times, the Company enters into long-term license contracts with more than one performance obligation, which may include releases from past patent infringement claims or one or more prospective licenses. In these arrangements, the Company allocates the transaction price between releases for past patent infringement claims and prospective licenses based on their relative standalone selling prices, which requires significant management judgment.

In determining the standalone selling price of each performance obligation, the Company considers such factors as the number of past and projected future subscribers, units shipped, and units manufactured, as well as the per-subscriber or per-unit licensing rates the Company generally receives from licensees of comparable sizes in comparable markets and geographies.

As a release from past patent infringement claims is generally satisfied at execution of the contract, the transaction price allocated to the release from past patent infringement claims is generally recognized in the period the contract is executed. Transaction price allocated to prospective Media IP licenses is recognized ratably over the license term, and transaction price allocated to prospective Semiconductor IP licenses is recognized upon execution of the contract.

Practical Expedients and Exemptions

The Company applies a practical expedient to not perform an evaluation of whether a contract includes a significant financing component when the timing of revenue recognition differs from the timing of cash collection by one year or less.

The Company applies a practical expedient to expense costs to obtain a contract with a customer as incurred as a component of selling, general and administrative expenses when the amortization period would have been one year or less.

The Company applies a practical expedient when disclosing revenue expected to be recognized from unsatisfied performance obligations to exclude contracts with customers with an original duration of less than one year; amounts attributable to variable consideration arising from (i) a sales-based or usage-based royalty of an intellectual property license or (ii) when variable consideration is allocated entirely to a wholly unsatisfied performance obligation; or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

Revenue Details

Revenue Disaggregation

The following information depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors by disaggregating revenue by category, market vertical and geographic location (presented in "Note 15 – Segment and Geographic Information"). This information includes revenue recognized from contracts with customers and revenue from other sources, including sales-based or usage-based royalty revenues and fees associated with releases for past infringement.

Recurring and non-recurring revenue

Recurring revenue includes the following: (i) for fixed-fee Media IP license agreements, revenue associated with rights to existing and future patented technologies during reporting periods beginning with the reporting period in which the agreement is executed through the end of the term of the agreement, which are recognized on a straight-line basis; and (ii) for per-unit or per-subscriber Media IP or Semiconductor IP royalty license agreements, revenue associated with sales-based or usage-based royalties in exchange for a license of IP, which are recognized in the period such subsequent sales or usage occurs.

Non-recurring revenue includes the following: (i) for fixed-fee or minimum guarantee Semiconductor IP license agreements, revenue in the amount of such fixed fee or minimum guarantee associated with the right to use the IP, which is recognized upon execution of the agreement; and (ii) for all license agreements, revenue in the amount of the fees associated with releases for past patent infringement or licenses, in each case with respect to reporting periods prior to the execution of the agreement, which is recognized upon execution of the agreement.

Revenue disaggregated by recurring and non-recurring nature was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Recurring revenue	\$ 82,704	\$ 83,595	\$ 249,844	\$ 255,078
Non-recurring revenue	3,397	17,802	7,012	46,843
Total revenue	<u>\$ 86,101</u>	<u>\$ 101,397</u>	<u>\$ 256,856</u>	<u>\$ 301,921</u>

Revenue by market vertical

Revenue disaggregated by market vertical was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Media	\$ 82,177	\$ 95,748	\$ 246,240	\$ 259,027
Semiconductor	3,924	5,649	10,616	42,894
Total revenue	<u>\$ 86,101</u>	<u>\$ 101,397</u>	<u>\$ 256,856</u>	<u>\$ 301,921</u>

Contract Balances

Contracts Assets

Contract assets primarily consist of unbilled contracts receivable that are expected to be received from customers in future periods, where the revenue recognized to date exceeds the amount billed. The amount of unbilled contracts receivable may not exceed their net realizable value and are classified as long-term assets if the payments are expected to be received more than one year from the reporting date. Contract assets also include the incremental costs of obtaining a contract with a customer, principally sales commissions when the renewal commission is not commensurate with the initial commission.

Contract assets were recorded in the Condensed Consolidated Balance Sheets as follows (in thousands):

	September 30, 2024	December 31, 2023
Unbilled contracts receivable	\$ 101,593	\$ 74,919
Other current assets	701	620
Long-term unbilled contracts receivable	62,880	73,843
Other long-term assets	838	1,007
Total contract assets	<u>\$ 166,012</u>	<u>\$ 150,389</u>

Contract Liabilities

Contract liabilities are comprised of deferred revenue related to multi-period licensing arrangements for which the Company is paid in advance, while the underlying performance obligation is satisfied at a future date or over time.

Allowance for Credit Losses

The allowance for credit losses represents the Company's best estimate of lifetime expected credit losses inherent in accounts receivable and unbilled contracts receivable. The Company's long-term unbilled contracts receivable is derived from fixed-fee or minimum-guarantee Semiconductor IP licensing and is primarily comprised of contracts with large, well-capitalized companies. It is generally considered to be of high credit quality due to past collection history and the nature of the customers.

The allowance for credit losses at September 30, 2024 and December 31, 2023 was \$0.7 million and \$1.5 million, respectively and is presented as part of accounts receivable, net in the Condensed Consolidated Balance Sheets.

Additional Disclosures

The following table presents additional revenue and contract disclosures (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue recognized in the period from:				
Amounts included in deferred revenue at the beginning of the period	\$ 1,540	\$ 3,943	\$ 5,248	\$ 12,832
Performance obligations satisfied in previous periods ⁽¹⁾	\$ 3,137	\$ 16,896	\$ 6,127	\$ 13,143

⁽¹⁾ Performance obligations satisfied in previous periods consist mainly of fees associated with releases for past patent infringement, settlements of litigation during the period, and revenue from past royalties owed pursuant to expired or terminated IP license agreements. For long-term and multi-year revenue contracts, the Company recorded revenue from the releases for past infringement during the three and nine months ended September 30, 2024 and 2023 and expects to record revenue from the prospective license in future periods.

Remaining revenue under contracts with performance obligations represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) under certain of the Company's fixed fee arrangements (in thousands).

	As of September 30, 2024
Revenue from contracts with performance obligations expected to be satisfied in:	
2024 (remaining 3 months)	\$ 43,042
2025	167,877
2026	71,113
2027	57,239
2028	48,631
Thereafter	59,651
Total	<u>\$ 447,553</u>

NOTE 4 – COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Other current assets consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Prepaid income taxes	\$ 3,536	\$ 3,752
Prepaid expenses	1,954	2,185
Prepaid insurance	1,353	1,123
Other	3,142	640
Total other current assets	<u>\$ 9,985</u>	<u>\$ 7,700</u>

Property and equipment, net, consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Equipment, furniture and other	\$ 17,065	\$ 17,267
Leasehold improvements	6,277	5,037
Total property and equipment	23,342	22,304
Less: accumulated depreciation and amortization	(16,869)	(15,333)
Total property and equipment, net	<u>\$ 6,473</u>	<u>\$ 6,971</u>

Other long-term assets consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Long-term deferred tax assets	\$ 25,704	\$ 23,885
Other assets	3,169	4,361
Total other long-term assets	<u>\$ 28,873</u>	<u>\$ 28,246</u>

Accrued liabilities consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Employee compensation and benefits	\$ 8,699	\$ 8,378
Accrued expenses	3,750	3,601
Current portion of guarantee ⁽¹⁾	1,500	2,400
Current portion of operating lease liabilities	320	503
Accrued income taxes	47	325
Other	1,921	2,135
Total accrued liabilities	<u>\$ 16,237</u>	<u>\$ 17,342</u>

⁽¹⁾ Refer to "Note 14 – Commitments and Contingencies" for further detail on the nature of the guarantee.

Other long-term liabilities consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Long-term portion of guarantee ⁽¹⁾	\$ 15,583	\$ 16,135
Other	2,101	1,975
Total other long-term liabilities	<u>\$ 17,684</u>	<u>\$ 18,110</u>

⁽¹⁾ Refer to "Note 14 – Commitments and Contingencies" for further detail on the nature of the guarantee.

NOTE 5 – FINANCIAL INSTRUMENTS

The Company has investments in debt securities, which include corporate bonds and notes, treasury and agency notes and bills, commercial paper, and in equity securities consisting of money market funds. The Company classifies its debt securities as available-for-sale (“AFS”), which are accounted for at fair value with credit related losses recognized as a provision for credit losses in its Consolidated Statements of Income and all non-credit related unrealized gains and losses recognized in accumulated other comprehensive income or loss on the Consolidated Balance Sheets. Under ASU 2016-01 (Topic 321), equity securities are measured at fair value with unrealized gains and losses recognized in other income and expense, net, in the Consolidated Statements of Income.

The following is a summary of marketable securities at September 30, 2024 and December 31, 2023 (in thousands):

September 30, 2024					
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Values
Marketable securities					
Commercial paper	\$ 3,645	\$ 3	\$ —	\$ —	\$ 3,648
Corporate bonds and notes	20,446	182	(2)	—	20,626
Treasury and agency notes and bills	4,704	7	-	—	4,711
Total debt securities	28,795	192	(2)	—	28,985
Money market funds	7,169	—	—	—	7,169
Total equity securities	7,169	—	—	—	7,169
Total marketable securities	\$ 35,964	\$ 192	\$ (2)	\$ —	\$ 36,154
Reported in:					
Cash and cash equivalents					\$ 7,668
Marketable securities					\$ 28,486
Total marketable securities					\$ 36,154

December 31, 2023					
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Values
Marketable securities					
Commercial paper	\$ 12,421	\$ 5	\$ (4)	\$ —	\$ 12,422
Treasury and agency notes and bills	10,746	—	(1)	—	10,745
Corporate bonds and notes	5,813	34	(2)	—	5,845
Total debt securities	28,980	39	(7)	—	29,012
Money market funds	5,778	—	—	—	5,778
Total equity securities	5,778	—	—	—	5,778
Total marketable securities	\$ 34,758	\$ 39	\$ (7)	\$ —	\$ 34,790
Reported in:					
Cash and cash equivalents					\$ 5,778
Marketable securities					\$ 29,012
Total marketable securities					\$ 34,790

At September 30, 2024 and December 31, 2023, the Company had \$89.2 million and \$83.6 million, respectively, in cash and cash equivalents and short-term investments. A portion of these amounts was held in marketable securities, as shown above. The remaining balances of \$53.0 million and \$48.8 million at September 30, 2024 and December 31, 2023, respectively, consisted of cash held in operating accounts not included in the tables above.

Debt Securities

The gross realized gains and losses on sales of marketable debt securities were immaterial during the three and nine months ended September 30, 2024 and 2023. Unrealized losses on AFS debt securities were immaterial as of September 30, 2024 and December 31, 2023. The Company evaluated whether the decline in fair value has resulted from credit losses or other factors and concluded these amounts were related to temporary fluctuations in value of AFS securities and were due primarily to changes in interest rates and market conditions of the underlying securities. The Company did not recognize a provision for credit losses related to its AFS debt securities during the three and nine months ended September 30, 2024 and 2023, respectively.

The estimated fair value of AFS debt securities by contractual maturity at September 30, 2024 is shown below (in thousands). Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 15,822	\$ 15,855
Due in one to two years	8,956	9,064
Due in two to three years	4,017	4,066
Total	<u>\$ 28,795</u>	<u>\$ 28,985</u>

NOTE 6 – FAIR VALUE

The Company follows the authoritative guidance for fair value measurement and the fair value option for financial assets and financial liabilities. The Company carries its financial instruments at fair value with the exception of its long-term debt. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1* Quoted prices in active markets for identical assets.
- Level 2* Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When applying fair value principles in the valuation of assets, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculates the fair value of its Level 1 and Level 2 instruments based on the exchange traded price of similar or identical instruments, where available, or based on other observable inputs. There were no transfers into or out of Level 1 or Level 2 that occurred between December 31, 2023 and September 30, 2024.

The following sets forth the fair value, and classification within the hierarchy, of the Company's assets required to be measured at fair value on a recurring basis as of September 30, 2024 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities				
Commercial paper - debt securities ⁽¹⁾	\$ 3,648	\$ —	\$ 3,648	\$ —
Treasury and agency notes and bills - debt securities ⁽¹⁾	4,711	—	4,711	—
Corporate bonds and notes - debt securities ⁽²⁾	20,626	—	20,626	—
Money market funds - equity securities ⁽³⁾	7,169	7,169	—	—
Total Assets	\$ 36,154	\$ 7,169	\$ 28,985	\$ —

(1) Reported as AFS debt securities in the Condensed Consolidated Balance Sheet as these were purchased with original maturities of more than three months at date of purchase; otherwise reported as cash and cash equivalents.

(2) Reported as AFS debt securities in the Condensed Consolidated Balance Sheet.

(3) Reported as cash and cash equivalents in the Condensed Consolidated Balance Sheet.

The following sets forth the fair value, and classification within the hierarchy, of the Company's assets required to be measured at fair value on a recurring basis as of December 31, 2023 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities				
Commercial paper - debt securities ⁽¹⁾	\$ 12,422	\$ —	\$ 12,422	\$ —
Treasury and agency notes and bills - debt securities ⁽¹⁾	10,745	—	10,745	—
Corporate bonds and notes - debt securities ⁽²⁾	5,845	—	5,845	—
Money market funds - equity securities ⁽³⁾	5,778	5,778	—	—
Total Assets	\$ 34,790	\$ 5,778	\$ 29,012	\$ —

(1) Reported as AFS debt securities in the Condensed Consolidated Balance Sheet as these were purchased with original maturities of more than three months at date of purchase; otherwise reported as cash and cash equivalents.

(2) Reported as AFS debt securities in the Condensed Consolidated Balance Sheet.

(3) Reported as cash and cash equivalents in the Condensed Consolidated Balance Sheet.

Financial Instruments Not Recorded at Fair Value

The Company's long-term debt is carried at amortized cost and is measured at fair value on a quarterly basis for disclosure purposes. The carrying amounts and estimated fair values are as follows (in thousands):

	September 30, 2024		December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2021 Refinanced Term Loan B ⁽¹⁾	—	—	585,695	584,231
2024 Term Loan B ⁽¹⁾	524,424	524,424	—	—
Total long-term debt, net	<u>\$ 524,424</u>	<u>\$ 524,424</u>	<u>\$ 585,695</u>	<u>\$ 584,231</u>

⁽¹⁾ Carrying amounts of long-term debt are net of unamortized debt discount and issuance costs of \$12.7 million and \$15.6 million as of September 30, 2024 and December 31, 2023, respectively. See "Note 8 – Debt" for additional information.

If reported at fair value in the Condensed Consolidated Balance Sheets, the Company's debt would be classified within Level 2 of the fair value hierarchy. The fair value of the debt was estimated based on the quoted market prices for the same or similar issues.

NOTE 7 – GOODWILL AND IDENTIFIED INTANGIBLE ASSETS

Goodwill

The carrying value of goodwill at September 30, 2024 and December 31, 2023 was \$313.7 million. There were no changes to the carrying value of goodwill from January 1, through September 30, 2024. Goodwill at each reporting unit is evaluated for potential impairment annually, as of the beginning of the fourth quarter, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. The process of evaluating goodwill for potential impairment is subjective and requires significant estimates, assumptions and judgments particularly related to the identification of reporting units, the assignment of assets and liabilities to reporting units and estimating the fair value of each reporting unit. No impairment charges were recognized during the three and nine months ended September 30, 2024 and 2023.

Identified Intangible Assets

Identified intangible assets consisted of the following (in thousands):

	Average	September 30, 2024			December 31, 2023		
	Life (Years)	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
Finite-lived intangible assets:							
Acquired patents / core technology	3-10	\$ 661,336	\$ (363,975)	\$ 297,361	\$ 654,360	\$ (323,261)	\$ 331,099
Customer contracts and related relationships	3-9	155,900	(155,900)	—	155,900	(139,827)	16,073
Existing technology / content database	5-10	38,681	(38,681)	—	38,681	(38,681)	—
Trademarks/trade name	4-10	1,300	(1,300)	—	1,300	(1,300)	—
Total intangible assets		<u>\$ 857,217</u>	<u>\$ (559,856)</u>	<u>\$ 297,361</u>	<u>\$ 850,241</u>	<u>\$ (503,069)</u>	<u>\$ 347,172</u>

As of September 30, 2024, the estimated future amortization expense of total finite-lived intangible assets was as follows (in thousands):

	Amounts
2024 (remaining 3 months)	\$ 13,601
2025	54,397
2026	54,263
2027	53,911
2028	48,868
Thereafter	72,321
Total	\$ 297,361

NOTE 8 – DEBT

The outstanding amounts of debt were as follows (in thousands):

	September 30, 2024	December 31, 2023
2021 Refinanced Term Loan B	—	\$ 601,250
2024 Term Loan B	\$ 537,097	—
Unamortized debt discount and issuance costs	(12,673)	(15,555)
	524,424	585,695
Less: current portion, net of debt discount and issuance costs	(24,732)	(66,145)
Total long-term debt, net of current portion	\$ 499,692	\$ 519,550

Term Loan B

On June 8, 2021, the Company entered into Amendment No. 1 (“Amendment No. 1”) to that certain Credit Agreement dated June 1, 2020 by and among the Company, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the “2020 Credit Agreement”). The 2020 Credit Agreement initially provided for a five-year senior secured term loan B facility in an aggregate principal amount of \$1,050 million (the “2020 Term Loan B Facility”). Amendment No. 1 provided for, among other things, (i) a new tranche of term loans (the “2021 Refinanced Term Loan B”) in an aggregate principal amount of \$810.0 million, (ii) a reduction of the interest rate margin applicable to such loans to (x) in the case of base rate loans, 2.50% per annum and (y) in the case of Eurodollar loans, LIBOR plus a margin of 3.50% per annum, (iii) a prepayment premium of 1.00% in connection with any repricing transaction with respect to the 2021 Refinanced Term Loan B within six months of the closing date of Amendment No. 1, (iv) an extension of the maturity to June 8, 2028, and (v) certain additional amendments, including amendments to provide the Company with additional flexibility under the covenant governing restricted payments.

On May 30, 2023, the Company entered into Amendment No. 2 (“Amendment No. 2”) to the 2020 Credit Agreement, to replace the reference to LIBOR as the base rate with the reference to the Secured Overnight Financing Rate “SOFR” as administered by the Federal Reserve Bank of New York. The new reference rate was effective July 1, 2023.

On May 20, 2024, the Company entered into Amendment No. 3 (“Amendment No. 3”) to the 2020 Credit Agreement, which provided for, among other things, (i) a repricing of the 2020 Term Loan B Facility through a refinancing of the entire amount of the 2021 Refinanced Term Loan B with a new tranche of term loans (the “2024 Term Loan B”) in an aggregate principal amount of \$561.1 million, (ii) a reduction of the interest rate margin applicable to such loans to (x) in the case of SOFR loans, SOFR plus a margin of 3.00% per annum and (y) in the case of base rate loans, 2.00% per annum, (iii) a reduction in the excess cash flow mandatory payment thresholds

and (iv) a prepayment premium of 1.00% in connection with any repricing transaction with respect to the 2024 Term Loan B within six months of the closing date of Amendment No. 3. The 2024 Term Loan B will mature on June 8, 2028, the same date upon which the 2021 Refinanced Term Loan B matured prior to giving effect to Amendment No. 3.

The obligations under the 2020 Credit Agreement, inclusive of any changes by Amendment No. 1, Amendment No. 2 and Amendment No. 3, continue to be guaranteed by the Company's wholly-owned material domestic subsidiaries (collectively, the "Guarantors") and continue to be secured by a lien on substantially all of the assets of the Company and the Guarantors.

The 2020 Credit Agreement, as amended, contains customary events of default, upon the occurrence of which, after any applicable cure period, the lenders will have the ability to accelerate all outstanding loans thereunder. The 2020 Credit Agreement, as amended, also contains customary representations and warranties and affirmative and negative covenants that, among other things and subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create or incur certain liens, incur or guarantee additional indebtedness, merge or consolidate with other companies, transfer or sell assets and make restricted payments. The Separation did not require the Company to obtain any waivers under the 2020 Credit Agreement, and the Company completed the Separation in compliance with all of the covenants contained in the 2020 Credit Agreement. The 2020 Credit Agreement, as amended, requires the Company to maintain a total net leverage ratio of no greater than 3.00x in order access an annual basket from which to make restricted payments (such as dividend payments and share repurchases). The Company was in compliance with all requirements as of September 30, 2024. The 2020 Credit Agreement, as amended, also requires the Company to continue to make cash payments on an annual basis based on certain leverage ratios and excess cash flow generated for the immediately preceding fiscal year. The cash payments are applied to the remaining principal balance due at final maturity.

Interest Expense and Expected Principal Payments

At September 30, 2024, the Company had \$537.1 million in total debt outstanding. There were also \$12.7 million of unamortized debt discount and issuance costs recorded as a reduction from the carrying amount of the debt. The interest rate on the 2024 Term Loan B as of September 30, 2024, including the amortization of debt discount and issuance costs, was 9.2% and interest is payable monthly. Interest expense was \$12.5 million and \$39.6 million for the three and nine months ended September 30, 2024, respectively. Interest expense was \$15.5 million and \$46.8 million for the three and nine months ended September 30, 2023, respectively. Amortized debt discount and issuance costs, which were included in interest expense, amounted to \$0.9 million and \$2.4 million for the three and nine months ended September 30, 2024, respectively, and \$1.0 million and \$3.3 million for the three and nine months ended September 30, 2023, respectively.

As of September 30, 2024, future minimum principal payments for long-term debt, excluding any additional principal payment required by the excess cash flow provision, are summarized as follows (in thousands):

	Amounts	
2024 (remaining 3 months)	\$	7,014
2025		28,056
2026		28,056
2027		28,057
2028		445,914
Total	\$	<u>537,097</u>

NOTE 9 – NET INCOME PER SHARE

The following table sets forth the computation of net income per share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income	\$ 19,314	\$ 24,232	\$ 28,595	\$ 54,672
Denominator:				
Weighted average shares of common stock outstanding	109,035	106,902	108,491	106,322
Add: Effect of dilutive securities associated with options	—	1	2	—
Add: Effect of dilutive securities associated with restricted stock awards and units	4,086	6,025	4,383	6,442
Add: Effect of dilutive securities associated with employee stock purchase program	3	1	5	1
Weighted average common shares - dilutive	<u>113,124</u>	<u>112,929</u>	<u>112,881</u>	<u>112,765</u>
Basic net income per share	<u>\$ 0.18</u>	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ 0.51</u>
Diluted net income per share	<u>\$ 0.17</u>	<u>\$ 0.21</u>	<u>\$ 0.25</u>	<u>\$ 0.48</u>
Anti-dilutive employee stock-based awards, excluded	632	665	736	591

Basic net income per share is computed using the weighted average number of shares of common stock outstanding during the period, excluding any unvested restricted stock units that are subject to repurchase. Diluted net income per share is computed using the treasury stock method to calculate the weighted average number of shares of common stock and, if dilutive, potential common shares outstanding during the period. Potentially dilutive common shares include unvested restricted stock units and incremental common shares issuable upon the exercise of stock options, less shares repurchased from assumed proceeds. The assumed proceeds calculation includes actual proceeds to be received from the employee upon exercise and the average unrecognized stock compensation cost during the period.

NOTE 10 – STOCKHOLDERS' EQUITY

Equity Incentive Plans

The 2020 EIP

On June 1, 2020, the Company adopted the 2020 Equity Incentive Plan (the "2020 EIP"). Under the 2020 EIP, the Company may grant equity-based awards to employees, non-employee directors, and consultants for services rendered to the Company (or any parent or subsidiary) in the form of stock options, stock awards, restricted stock awards, restricted stock units, stock appreciation rights, dividend equivalents and performance awards (or any combination thereof).

At the Company's 2024 Annual Stockholders Meeting on May 9, 2024, the Company's stockholders approved an amendment and restatement of the 2020 EIP, which provided for (i) an increase of the number of shares reserved for issuance by 8,900,000 (from an initial share reserve of 16,800,000 under the prior 2020 EIP to 25,700,000 under the amended and restated 2020 EIP) and (ii) the removal of the "fungible share ratio" for future awards, such that all equity awards granted on or after May 9, 2024 will count on a one-to-one basis against the number of shares authorized for issuance under the 2020 EIP (whereas each share granted pursuant to "full value"

awards (i.e. stock awards, restricted stock awards, restricted stock units, performance awards and dividend equivalents) prior to May 9, 2024 are counted against shares available for issuance on a 1.5 to 1 ratio). As of September 30, 2024, there were approximately 8.1 million shares reserved for future grants under the 2020 EIP.

The 2020 EIP provides for option grants designed as either incentive stock options or non-statutory options. Options generally are granted with an exercise price not less than the value of the common stock on the grant date and have a term of ten years from the date of grant and vest over a four-year period.

The vesting criteria for restricted stock awards and restricted stock units is generally the passage of time or meeting certain performance-based objectives, and continued employment through the vesting period, which is generally four years for time-based awards.

Assumed Plans

On June 1, 2020, the Company assumed all then-outstanding stock options, awards, and shares available and reserved for issuance under all legacy Equity Incentive Plans of TiVo (collectively, the "Assumed Plans"). Stock options assumed from the Assumed Plans generally have vesting periods of four years and a contractual term of seven years. Awards of restricted stock and restricted stock units assumed from the Assumed Plans are generally subject to a four year vesting period. The Company has not issued any awards under these plans since the 2020 EIP was amended in 2022. The number of shares subject to stock options and restricted stock units outstanding under these plans are included in the tables below.

A summary of the stock option activity is presented below (in thousands, except per share amounts):

	Options Outstanding	
	Number of Shares Subject to Options	Weighted Average Exercise Price Per Share
Balance at December 31, 2023	213	\$ 14.26
Options granted	—	\$ —
Options exercised	(53)	\$ 10.62
Options canceled / forfeited / expired	(27)	\$ 12.39
Balance at September 30, 2024	<u>133</u>	<u>\$ 16.06</u>
Vested and exercisable at September 30, 2024	<u>133</u>	<u>\$ 16.06</u>

Restricted Stock Awards

Information with respect to outstanding restricted stock units (including both time-based vesting and performance-based vesting) as of September 30, 2024 is as follows (in thousands, except per share amounts):

	Restricted Stock Awards			Weighted Average Grant Date Fair Value Per Share
	Number of Shares Subject to Time- based Vesting	Number of Shares Subject to Performance- based Vesting	Total Number of Shares	
Balance at December 31, 2023	7,591	1,781	9,372	\$ 10.44
Awards granted	2,196	945	3,141	\$ 12.03
Awards vested / earned	(2,634)	—	(2,634)	\$ 9.76
Awards canceled / forfeited	(586)	(479)	(1,065)	\$ 12.95
Balance at September 30, 2024	<u>6,567</u>	<u>2,247</u>	<u>8,814</u>	\$ 10.92

Performance Awards

Performance awards may be granted to employees or consultants based upon, among other things, the contributions, responsibilities and other compensation of the particular employee or consultant. The value and the vesting of such performance awards are generally linked to one or more performance goals or certain market conditions determined by the Company, in each case on a specified date or dates or over any period or periods determined by the Company, and may range from zero to 200 percent of the grant. For performance awards subject to a market vesting condition ("market-based PSUs"), the fair value per award is fixed at the grant date and the amount of compensation expense is not adjusted during the performance period regardless of changes in the level of achievement of the market condition.

Employee Stock Purchase Plans

On June 1, 2020, the Company adopted the 2020 Employee Stock Purchase Plan (the "2020 ESPP"). The 2020 ESPP is implemented through consecutive overlapping 24-month offering periods, each of which is comprised of four six-month purchase periods. The first offering period commenced on September 1, 2020 and ended on August 31, 2022. Due to the Separation, the next offering period under the 2020 ESPP plan commenced on December 1, 2022. Each subsequent offering period under the 2020 ESPP will be twenty-four (24) months long and will commence on each December 1 with four six-month purchase periods. Participants may contribute up to 100% of their base earnings and commissions through payroll deductions, and the accumulated deductions will be applied to the purchase of shares on each semi-annual purchase date. The purchase price per share will equal 85% of the fair market value per share on the start date of the offering period or, if lower, 85% of the fair market value per share on the semi-annual purchase date.

An eligible employee's right to buy the Company's common stock under the 2020 ESPP may not accrue at a rate in excess of \$25,000 of the fair market value of such shares per calendar year for each calendar year of an offering period. If the fair market value per share of the Company's common stock on any purchase date during an offering period is less than the fair market value per share on the start date of the 24-month offering period, then that offering period will automatically terminate and a new 24-month offering period will begin on the next business day. All participants in the terminated offering will be transferred to the new offering period.

At the 2022 Annual Stockholders Meeting on April 29, 2022, the Company's stockholders approved an amendment to the 2020 ESPP and increased by 6.0 million the number of shares reserved for issuance. As of September 30, 2024, there were approximately 5.2 million shares reserved for grant under the Company's 2020 ESPP.

Modification of Equity Awards

In connection with the Separation and under the provisions of the existing plans described above, the Company's outstanding stock options and equity awards were converted to units denominated in the equity of the Company, Xperi Inc., or both. The number of units and exercise prices of outstanding stock options and equity awards were converted based on the conversion ratios established in the Employee Matters Agreement that the Company entered into in connection with the Separation. The intent of the conversion ratios was to preserve the value of the awards immediately before and after the Separation. Upon the Separation, employees holding stock options and equity awards denominated in the Company's pre-Separation stock received a number of otherwise-similar stock options and awards in post-Separation Company's stock and/or Xperi Inc.'s stock based on the conversion ratios outlined for each group of employees. For purposes of the vesting of these equity awards, continued employment or service with the Company or with Xperi Inc. is treated as continued employment for purposes of both the Company's and Xperi Inc.'s equity awards and the vesting terms of each converted grant remained unchanged. There were no changes to the plan terms described above with the exception that the price on the grant date, or October 1, 2022 was adjusted to exclude the value of Xperi Inc. based on the conversion ratios applied to other equity awards.

Dividends

Stockholders of the Company's common stock are entitled to receive dividends when declared by the Company's board of directors (the "Board"). During the periods ended September 30, 2024 and 2023, quarterly dividends declared were \$0.05 per common share, respectively. The capacity to pay dividends in the future depends on many factors, including the Company's financial condition, results of operations, capital requirements, capital structure, industry practice and other business conditions that the Board considers relevant.

Stock Repurchase Programs

On June 12, 2020 the Board authorized a new stock repurchase program providing for the repurchase of up to \$150.0 million of the Company's Common Stock dependent on market conditions, share prices and other factors. On April 22, 2021, the Board authorized an additional \$100.0 million of purchases under the existing stock repurchase plan.

There were no shares repurchased during the three and nine months ended September 30, 2024. As of September 30, 2024, the Company had repurchased a total of approximately 10.0 million shares of common stock, since inception of the plan, at an average price of \$17.24 per share for a total cost of \$172.2 million. The shares repurchased are recorded as treasury stock and are accounted for under the cost method. No expiration date has been specified for this plan. As of September 30, 2024, the total remaining amount available for repurchase under this plan was \$77.8 million. The Company may execute authorized repurchases from time to time under the plan.

The Company accounts for stock repurchases using the cost method and records retirement of treasury stock as a reduction of the cumulative treasury stock paid-in capital balance. Once the cumulative balance is reduced to zero, any remaining difference resulting from the retirement of treasury stock is recorded as a reduction of retained earnings.

The Company issues restricted stock awards as part of the equity incentive plans described above. For the majority of restricted awards, shares are withheld to satisfy required withholding taxes at the vesting date. Shares withheld to satisfy required withholding taxes in connection with the vesting of restricted awards are treated as common stock repurchases in the Condensed Consolidated Financial Statements because they reduce the number of shares that would have been issued on vesting. However, these withheld shares are not included in common stock repurchases under the Company's authorized share repurchase plan.

NOTE 11 – STOCK-BASED COMPENSATION EXPENSE

The effect of recording stock-based compensation (“SBC”) expense for the three and nine months ended September 30, 2024 and 2023 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Research and development	\$ 1,126	\$ 767	3,028	2,097
Selling, general and administrative	6,293	4,107	16,128	10,973
Total stock-based compensation expense	<u>\$ 7,419</u>	<u>\$ 4,874</u>	<u>\$ 19,156</u>	<u>\$ 13,070</u>

There were no options granted during the three and nine months ended September 30, 2024 and 2023.

The Company uses a Monte Carlo simulation to determine the grant date fair value of performance stock awards subject to market conditions, or market-based PSUs. The following assumptions were used to value the restricted stock units subject to market conditions granted during the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,	
	2024	2023
Expected life (years)	3.0	3.0
Risk-free interest rate	4.5 %	3.6 % - 4.5 %
Dividend yield	1.8 %	1.9 % - 2.3 %
Expected volatility	57.0 %	63.3 % - 68.5 %

Grants under the 2020 ESPP occur in June and December, as discussed in “Note 10 – *Stockholders’ Equity*”. The following assumptions were used to value the shares for these grants during the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,	
	2024	2023
Expected life (years)	2.0	2.0
Risk-free interest rate	4.8 %	4.3 %
Dividend yield	1.7 %	2.0 %
Expected volatility	57.0 %	63.5 %

NOTE 12 – INCOME TAXES

The Company’s income tax provision and effective tax rate for interim periods are based on its estimated annual effective tax rate adjusted for discrete items during the period. For the three and nine months ended September 30, 2024, the Company recorded income tax benefit of \$(2.5) million and expense of \$6.1 million, respectively. For the three and nine months ended September 30, 2023, the Company recorded income tax expense of \$1.7 million and \$15.9 million, respectively. The effective tax rate varies from the 21% U.S. federal tax rate primarily due to unrealized foreign exchange gain or loss on prior year South Korea withholding tax refund claims. The decrease in income tax expense for the nine months ended September 30, 2024, as compared to the same period in the prior year was primarily due to certain unrealized foreign exchange benefits associated with South Korea withholding tax refund claims.

NOTE 13 – LEASES

The Company leases office and research facilities and office equipment under operating leases which expire through 2032. The Company's leases have remaining lease terms of less than one year to eight years, some of which may include options to extend the leases for five years or longer, and some of which may include options to terminate the leases within the next five years or less. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets; expense for these leases is recognized on a straight-line basis over the lease term. Variable lease payments are expensed as incurred and are not included within the lease liability and right-of-use assets calculation. As a practical expedient, the Company elected, for all office and facility leases, not to separate non-lease components (e.g., common-area maintenance costs) from lease components (e.g., fixed payments including rent) and instead to account for each separate lease component and its associated non-lease components as a single lease component.

As most of the leases do not provide an implicit rate, the Company generally, for purposes of discounting lease payments, uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date.

The components of operating lease costs were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Fixed lease cost	\$ 512	\$ 561	\$ 1,535	1,671
Variable lease cost	207	171	689	468
Total operating lease cost	<u>\$ 719</u>	<u>\$ 732</u>	<u>\$ 2,224</u>	<u>\$ 2,139</u>

Other information related to leases was as follows (in thousands, except lease term and discount rate):

	Three Months Ended September 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 502	\$ 611
Weighted-average remaining lease term (years):		
Operating leases	7.72	8.35
Weighted-average discount rate:		
Operating leases	8.6 %	8.5 %

Future minimum lease payments and related lease liabilities as of September 30, 2024 were as follows (in thousands):

	Operating Lease Payments ⁽¹⁾
2024 (remaining 3 months)	\$ 502
2025	87
2026	1,709
2027	2,132
2028	1,887
Thereafter	7,772
Total lease payments	14,089
Less: imputed interest	(4,589)
Present value of lease liabilities:	\$ 9,500
Less: current obligations under leases (accrued liabilities)	320
Noncurrent operating lease liabilities	<u>\$ 9,180</u>

⁽¹⁾ Future minimum lease payments exclude short-term leases as well as payments to landlords for variable common area maintenance, insurance and real estate taxes.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Purchase and Other Contractual Obligations

In the ordinary course of business, the Company enters into contractual agreements with third parties that include non-cancelable payment obligations, for which it is liable in future periods. These arrangements primarily include unconditional purchase obligations to service providers. As of September 30, 2024, the Company's total future unconditional purchase obligations were approximately \$6.0 million, including \$1.6 million due in the remainder of 2024, \$2.3 million due in 2025 and \$2.1 million due thereafter.

Guarantee

Prior to the Separation, Adeia Media LLC, a subsidiary of the Company ("Adeia Media"), and a subsidiary of Xperi Inc. ("Xperi Sub") entered into an agreement (the "Specified Agreement") with a third party pursuant to which Adeia Media guarantees the performance of Xperi Sub under the Specified Agreement, including its payment obligations to such third party. In connection with the Separation, Adeia Media and Xperi Sub entered into a separate cross business agreement (the "Cross Business Agreement") effective as of October 1, 2022, under which Adeia Media agreed to make guarantee payments to Xperi Sub in amounts based on certain of its operating expenses and other minimum performance obligations under the Specified Agreement through 2031. Consequently, on October 1, 2022, the Company recognized a guarantee liability pursuant to ASC 460 "Guarantees" of \$19.7 million, which represents the fair value of Adeia Media's projected payments of such operating expenses during the term of the Cross Business Agreement. Subsequent changes to the carrying value of the guarantee are recognized as part of the Company's results of operations. The maximum potential amount of future payments subject to the guarantee is approximately \$7.5 million per annum between 2024 and 2031.

As of September 30, 2024 and December 31, 2023, the balance of the guarantee liability was \$17.1 million and 18.5 million, respectively.

Indemnifications

In the normal course of business, the Company provides indemnifications of varying scopes and amounts to certain of its licensees, customers, and business partners against claims made by third parties arising from the use of the Company's intellectual property, services or technologies. The Company cannot reasonably estimate the possible range of losses that may be incurred pursuant to its indemnification obligations, if any. Variables affecting any such assessment include, but are not limited to: the nature of the claim asserted; the relative merits of the claim; the financial ability of the party suing the indemnified party to engage in protracted litigation; the number of parties seeking indemnification; the nature and amount of damages claimed by the party suing the indemnified party; and the willingness of such party to engage in settlement negotiations. To date, no such claims have been filed against the Company and no liability has been recorded in the Company's financial statements.

As permitted under Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company believes, given the absence of any such payments in the Company's history, and the estimated low probability of such payments in the future, that the estimated fair value of these indemnification agreements is immaterial. In addition, the Company has directors' and officers' liability insurance coverage that is intended to reduce its financial exposure and may enable the Company to recover any payments under the indemnification agreements, should they occur.

Contingencies

At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of losses is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies.

Litigation related

On June 23, 2017, Adeia Guides Inc. (formerly known as Rovi Guides, Inc.) and Adeia Media Solutions Inc. (formerly known as TiVo Solutions Inc.) (together, "Adeia Media") filed a patent infringement complaint against Videotron Ltd. and Videotron G.P. (together, "Videotron") in Toronto, Canada, alleging infringement of six patents. On June 10, 2022, the Federal Court of Canada issued its decision in the case finding in favor of Videotron and its legacy "illico" platform. Specifically, the Court found invalid each of the asserted claims related to the four remaining patents involved in the case. In Canada, the prevailing party in patent litigation is entitled to reimbursement of certain of its costs and expenses. Accordingly, the Company paid \$2.5 million for expense reimbursement in the fourth quarter of 2022. On September 12, 2022, Adeia Media filed a notice of appeal with the Federal Court of Appeal of Canada appealing the decision of the Federal Court of Canada. On January 30, 2023, Adeia Media filed its opening memorandum of fact and law. Videotron filed its memorandum of fact and law on April 17, 2023. On November 28, 2023, the Federal Court of Appeal of Canada held a hearing on the appeal and took the matter under reserve. On August 6, 2024, the Federal Court of Appeal of Canada issued a judgment in the appeal in which it dismissed the appeal.

On January 19, 2018, Adeia Media filed a patent infringement complaint against Bell Canada (and four of its affiliates) (collectively, "Bell") in Toronto, Canada, alleging infringement of six patents. On February 2, 2018, Adeia Media filed a patent infringement complaint against Telus Corporation (and two of its affiliates) (collectively, "Telus") in Toronto, Canada, alleging infringement of the same six patents. Bell 1 and Telus 1 (each as defined herein) were heard together for purposes of pre-trial and trial proceedings. On October 7, 2022, the Federal Court of Canada issued its decision in the two cases finding in favor of Bell and Telus and their respective IPTV services, Bell Fibe TV and Telus Optik TV. Specifically, the Court found invalid each of the asserted claims of the four remaining patents involved in the case. In Canada, the prevailing party in patent litigation is entitled to reimbursement of certain of its costs and expenses. Accordingly, the Company paid \$2.8 million for expense reimbursement in the second quarter of 2023. On November 7, 2022, Adeia Media filed a notice of appeal with the Federal Court of Appeal of Canada appealing the decision of the Federal Court of Canada. On June 2, 2023, Adeia Media filed its opening memorandum of fact and law. Bell and Telus filed a combined memorandum of fact and law on August 18, 2023. On November 29, 2023, the Federal Court of Appeal of Canada held a hearing on the appeal and took the matter under reserve. On August 6, 2024, the Federal Court of Appeal of Canada issued a judgment in the appeal in which it dismissed the appeal.

The Company is unable to predict the final outcome of other lawsuits, including other patent infringement lawsuits, to which it is a party and therefore cannot determine the likelihood of loss nor estimate a range of possible losses. An adverse decision in any of these proceedings could significantly harm the Company's business and consolidated financial position, results of operations or cash flows.

The Company and its subsidiaries are involved in litigation matters and claims in the normal course of business. In the past, the Company and its subsidiaries have litigated to enforce their respective patents and other intellectual property rights, to enforce the terms of license agreements, to protect trade secrets, and to defend the Company's patents against claims of invalidity. The Company expects it or its subsidiaries will be involved in similar legal proceedings in the future, including proceedings regarding infringement of its patents, and proceedings to ensure proper and full payment of royalties by licensees under the terms of its license agreements.

NOTE 15 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company has one reportable segment: Intellectual Property ("IP") Licensing. Reportable segments are identified based on the Company's organizational structure and information reviewed by the Company's chief operating decision maker ("CODM") to evaluate performance and allocate resources. The Company's Chief Executive Officer is also the CODM as defined by the authoritative guidance on segment reporting.

A portion of the Company's revenue is derived from licensees headquartered outside of the U.S., and it is expected that this revenue will continue to account for a portion of total revenue in future periods. The table below lists the geographic revenue for the periods indicated (in thousands):

Three Months Ended September 30,						Nine Months Ended September 30,						
2024			2023			2024			2023			
U.S.	\$	68,304	79%	\$	74,495	74%	\$	208,351	81%	\$	225,560	75%
Asia		12,314	14		21,434	21		32,154	12		57,416	19
Canada		3,206	4		3,244	3		9,779	4		11,487	4
Europe and Middle East		1,809	2		1,773	2		5,198	2		6,156	2
Other		468	1		451	—		1,374	1		1,302	—
	\$	86,101	100%	\$	101,397	100%	\$	256,856	100%	\$	301,921	100%

For the three months ended September 30, 2024 and 2023, there were two and four customers, respectively, that each accounted for 10% or more of total revenue. For the nine months ended September 30, 2024 and 2023, there were two and two customers, respectively, that each accounted for 10% or more of total revenue.

The following table sets forth revenue generated from customers which comprise 10% or more of total revenue for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Customer A	20.0%	17.0%	20.1%	17.1%
Customer B	11.2%	10.5%	11.6%	10.9%
Customer C	*	10.7%	*	*
Customer D	*	16.6%	*	*

* denotes less than 10% of total revenue.

As of September 30, 2024, the Company had two customers representing 41% and 35% of aggregate accounts receivable, respectively. At December 31, 2023, the Company had two customers representing 42% and 28% of aggregate accounts receivable, respectively.

As of September 30, 2024 and December 31, 2023, property and equipment, net, was all located in the U.S.

NOTE 16 – SUBSEQUENT EVENTS

Declaration of Cash Dividends

On October 23, 2024, the Board declared a cash dividend of \$0.05 per share of common stock, payable on December 18, 2024 to the stockholders of record at the close of business on November 27, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to promote understanding of the results of operations and financial condition and should be read in conjunction with our condensed consolidated financial statements and notes thereto, and with our audited financial statements and notes thereto for the year ended December 31, 2023 found in the Form 10-K filed by us on February 23, 2023 (the "Form 10-K"). This section of this Form 10-Q generally discusses quarter over quarter comparisons of 2024 against 2023.

This quarterly report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on information available to the Company as of the date hereof, as well as the Company's current expectations, assumptions, estimates and projections that involve risks and uncertainties. In this context, forward-looking statements often address expected future business, financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "could," "seek," "see," "will," "may," "would," "might," "potentially," "estimate," "continue," "target," similar expressions or the negatives of these words or other comparable terminology that convey uncertainty of future events or outcomes. All forward-looking statements by their nature address matters that involve risks and uncertainties, many of which are beyond the Company's control, and are not guarantees of future results. Forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statements. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements and caution must be exercised in relying on forward-looking statements. Important risk factors that may cause such a difference include, but are not limited to: the Company's ability to implement its business strategy; the Company's ability to enter into new and renewal license agreements with customers on favorable terms; the Company's ability to retain and hire key personnel; uncertainty as to the long-term value of the Company's common stock; legislative, regulatory and economic developments affecting the Company's business; general economic and market developments and conditions; the Company's ability to grow and expand its patent portfolios; changes in technology and development of new technology in the industries in which the Company operates; the evolving legal, regulatory and tax regimes under which the Company operates; unforeseen liabilities and expenses; risks associated with the Company's indebtedness; the Company's ability to achieve the intended benefits of, and its ability to recognize the tax treatment of, the spin-off of its product business; unpredictability and severity of catastrophic events, including, but not limited to, acts of terrorism or outbreak of war or hostilities, natural disasters and future outbreaks or pandemics, each of which may have an adverse impact on the Company's business, results of operations, and financial condition.

Although forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks, uncertainties, and changes in condition, significance, value and effect, including those discussed under the heading "Risk Factors" hereof and other documents we file from time to time with the Securities and Exchange Commission (the "SEC"), such as our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed herein and in ways not readily foreseeable. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report and are based on information currently and reasonably known to us. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report, other than as required by law. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Business Overview

Adeia Inc. (formerly known as Xperi Holding Corporation) ("Adeia", "we") is a leading IP licensing platform in the consumer and entertainment space, with a diverse portfolio of media and semiconductor intellectual property and more than 11,750 patents and patent applications worldwide. In order to serve an increasingly connected world, we invent, develop, and license fundamental innovations that enhance billions of devices and shape the way millions of people explore and experience entertainment. Through our IP licensing business, we help enable extraordinary experiences at home and on the go for millions of consumers around the world, with IP that helps elevate content and improves how audiences connect with it in a way that is more intelligent, immersive and personal. Through providing the IP that helps to power smart devices, entertainment experiences and more, we have created a unified ecosystem that reaches highly-engaged consumers and uncovered new business opportunities.

On October 1, 2022, we completed the previously announced separation ("the Separation") of its product business into an independent, publicly-traded company, Xperi Inc. ("Xperi Inc."). The Separation was structured as a spin-off, which was achieved through Adeia's distribution of 100 percent of the outstanding shares of Xperi Inc.'s common stock to holders of Adeia's common stock as of the close of business on the record date of September 21, 2022 (the "Record Date"). Each Adeia stockholder of record received four shares of Xperi Inc. common stock for every ten shares of Adeia common stock that it held on the Record Date. Following the Separation, Adeia retains no ownership interest in Xperi Inc., which is now listed under the ticker symbol "XPER" on the New York Stock Exchange. Effective at the open of business on October 3, 2022, Adeia's shares of common stock, par value \$0.001 per share, began trading on the Nasdaq Global Select Market under the new ticker symbol "ADEA".

Headquartered in Silicon Valley with more than 35 years of operating experience, we have approximately 144 employees, with substantially all of our employees located in the U.S.

Macroeconomic Conditions

Macroeconomic conditions due to inflation, geopolitical instability and global health events may have an adverse impact on our business. For example, such conditions may continue to cause volatility in the markets we serve, particularly the broad consumer electronics market. Impacts from adverse macroeconomic conditions may negatively impact our financial condition and results of operations, which could result in an impairment of our long-lived assets, including goodwill, and increased credit losses.

Reportable Segments

We operate and report in one segment: IP Licensing. We believe that this structure reflects our current operational and financial management and provides the best structure for us to focus on growth opportunities. Our Chief Executive Officer has been determined to be the Chief Operating Decision Maker ("CODM") in consideration with the authoritative guidance on segment reporting.

We primarily license our innovations to leading companies in the broader media entertainment and semiconductor industries, and those companies developing new technologies that will help drive these industries forward. Licensing arrangements include access to one or more of our foundational patent portfolios and may also include access to some portions of our industry-leading technologies and know-how.

Financial Highlights

In evaluating our financial condition and operating performance, we primarily focus on revenue and cash flows from operations. For the three and nine months ended September 30, 2024, as compared to the same periods in 2023:

Three months ended September 30, 2024:

- Revenue decreased by \$15.3 million, or 15.1%, from \$101.4 million in 2023 to \$86.1 million in 2024.
- Recurring revenues decreased by \$0.9 million, or 1.1% from \$83.6 million in 2023 to \$82.7 million in 2024.
- Non-recurring revenues decreased by \$14.4 million, or 80.9% from \$17.8 million in 2023 to \$3.4 million in 2024.
- Cash provided by operating activities decreased by \$6.9 million, or 32.6% from \$21.2 million in 2023 to \$14.3 million in 2024.
- Made \$12.0 million in principal payments on our term loan, bringing the outstanding balance to \$537.1 million as of September 30, 2024.

Nine months ended September 30, 2024:

- Revenue decreased by \$45.1 million, or 14.9%, from \$301.9 million in 2023 to \$256.9 million in 2024.
- Recurring revenues decreased by \$5.2 million, or 2.1% from \$255.1 million in 2023 to \$249.8 million in 2024.
- Non-recurring revenues decreased by \$39.8 million, or 85.0% from \$46.8 million in 2023 to \$7.0 million in 2024.
- Cash provided by operating activities decreased by \$8.3 million, or 7.3%, from \$113.3 million in 2023 to \$105.0 million in 2024.
- Repriced our term loan which lowered our interest rate by 61 basis points and made \$64.2 million in principal payments, bringing the outstanding balance to \$537.1 million as of September 30, 2024.

Results of Operations

Revenue

We derive the majority of our revenue from the licensing of our intellectual property ("IP") rights to customers. For our revenue recognition policy, including descriptions of revenue-generating activities, refer to "Note 3 – Revenue" of the Notes to Condensed Consolidated Financial Statements.

The following table presents our operating results for the periods indicated as a percentage of revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	100 %	100 %	100 %	100 %
Operating expenses:				
Research and development	17	14	17	13
Selling, general and administrative	31	22	29	24
Amortization expense	16	23	22	23
Litigation expense	3	2	4	2
Total operating expenses	67	61	72	62
Operating income	33	39	28	38
Interest expense	(15)	(15)	(16)	(16)
Other income and expense, net	2	2	2	2
Loss on debt extinguishment	—	—	—	—
Income before income taxes	20	26	14	24
Provision for (benefit from) income taxes	(3)	2	2	5
Net income	23 %	24 %	12 %	19 %

The following table sets forth our revenue for the three and nine months ended September 30, 2024 and 2023 (in thousands, except for percentages):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Decrease	% Change	2024	2023	Decrease	% Change
Revenue	\$ 86,101	\$ 101,397	\$ (15,296)	(15)%	\$ 256,856	\$ 301,921	\$ (45,065)	(15)%

The decrease in revenue during the three months ended September 30, 2024, as compared to the same period in 2023, was primarily attributable to the execution of the long-term renewal of a license agreement with Samsung, revenue from the settlement of litigation and revenue from updated royalty audit recovery from an existing customer relating to prior periods, each of which occurred in the third quarter of 2023.

Recurring revenues decreased slightly to \$82.7 million during the three months ended September 30, 2024 from \$83.6 million in the same period in 2023.

Non-recurring revenues for the three months ended September 30, 2024 and 2023 were \$3.4 million and \$17.8 million, respectively. The decrease of \$14.4 million was primarily attributable to the recognition of revenue from periods prior to the execution of the long-term renewal of a license agreement with Samsung, revenue from the settlement of litigation and revenue from updated royalty audit recovery from an existing customer relating to prior periods, each of which occurred in the third quarter of 2023.

The decrease in revenue during the nine months ended September 30, 2024, as compared to the same period in 2023, was primarily attributable to the execution of two long-term license agreements with Kioxia and Western Digital in the first quarter of 2023, recognition of revenue from periods prior to the execution of the long-term renewal of a license agreement with Samsung in the third quarter of 2023, and a decline in royalty revenue from certain Pay-TV customers, partially offset by a multi-year agreement with X Corp. for access to our media portfolio that occurred in the second quarter of 2024.

Recurring revenue for the nine months ended September 30, 2024 and 2023 were \$249.8 million and \$255.1 million, respectively. The decrease of \$5.2 million was primarily attributable to a decrease in royalty revenue from certain Pay-TV customers.

Non-recurring revenues for the nine months ended September 30, 2024 and 2023 were \$7.0 million and \$46.8 million, respectively. The decrease of \$39.8 million was primarily attributable to the execution of long-term license agreements with Kioxia and Western Digital in the first quarter of 2023 and revenue from periods prior to the execution of the long-term renewal of a license agreement with Samsung in the third quarter of 2023, partially offset by a settlement agreement and multi-year renewal with X Corp. for access to our media portfolio that occurred in the second quarter of 2024.

Research and Development (in thousands, except for percentages):

Research and development expense ("R&D expense") consists primarily of personnel costs, stock-based compensation, outside engineering consulting expenses associated with new IP development, as well as costs related to patent applications and examinations, reverse engineering, materials, supplies and an allocation of facilities costs. All R&D expense is expensed as incurred. We intend to make a continued investment in our R&D efforts because we believe they are essential to grow our patent portfolios to maintain and improve our competitiveness.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Increase	% Change	2024	2023	Increase	% Change
Research and development	\$ 14,825	\$ 13,768	\$ 1,057	8%	\$ 43,549	\$ 39,895	\$ 3,654	9%

The increase in R&D expense during the three months ended September 30, 2024, as compared to the same period in 2023, was primarily due to an increase in patent prosecution, patent portfolio development costs and an increase in personnel related costs as a result of increased headcount.

The increase in R&D expense during the nine months ended September 30, 2024, as compared to the same period in 2023, was primarily due to an increase in personnel costs as a result of increased headcount and an increase in patent portfolio development costs, partially offset by a decrease in professional services costs.

Selling, General and Administrative (in thousands, except for percentages):

Selling, general and administrative ("SG&A") expenses consist primarily of personnel costs, sales commission, advertising, branding activities, stock-based compensation, professional services, facilities costs, and expenses related to our executive finance, human resource, legal, and information technology organizations.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Increase	% Change	2024	2023	Increase	% Change
Selling, general and administrative	\$ 26,903	\$ 21,921	\$ 4,982	23%	\$ 75,549	\$ 71,177	\$ 4,372	6%

The increase in SG&A expense during the three months ended September 30, 2024, as compared to the same period in 2023, was primarily due to an increase in personnel related costs as a result of increased headcount and an increase in professional services costs.

The increase in SG&A expense during the nine months ended September 30, 2024, as compared to the same period in 2023, was primarily due to an increase in personnel related costs as a result of increased headcount, an increase in professional services costs, an increase in certain administrative costs associated with the repricing of our credit facility in the second quarter of 2024, partially offset by decreases in separation costs that were incurred in 2023 but did not recur in 2024, lower insurance costs and recovery of certain bad debt expenses.

Amortization Expense (in thousands, except for percentages):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Decrease	% Change	2024	2023	Decrease	% Change
Amortization expense	\$ 13,600	\$ 23,386	\$ (9,786)	(42)%	\$ 56,787	\$ 70,725	\$ (13,938)	(20)%

The decrease in amortization expense during the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was primarily due to certain intangible assets becoming fully amortized during 2024. The decrease was partially offset by an increase in amortization expense as a result of patents acquired in 2024.

Litigation Expense (in thousands, except for percentages):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Increase	% Change	2024	2023	Increase	% Change
Litigation expense	\$ 2,652	\$ 2,205	\$ 447	20%	\$ 9,844	\$ 7,161	\$ 2,683	37%

The increase in litigation expense during the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was primarily due to increased activity in current litigation matters.

We expect that litigation expense will continue to be a significant portion of our operating expenses, as it is used to enforce and protect our IP and contract rights. Litigation expense may fluctuate between periods because of planned or ongoing litigation, as described in Part II, Item 1 – *Legal Proceedings*.

Interest Expense (in thousands, except for percentages):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Decrease	% Change	2024	2023	Decrease	% Change
Interest expense	\$ 12,758	\$ 15,659	\$ (2,901)	(19)%	\$ 40,229	\$ 47,137	\$ (6,908)	(15)%

The decrease in interest expense during the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was primarily due to lower debt balance and lower interest rates on our variable interest rate debt due to the repricing of our Term Loan B during the second quarter of 2024.

We anticipate interest expense will continue to decrease in 2024, when compared to 2023, as a result of a full year of a lower debt balance, the reduction of the interest rate margin benefited from the repricing of our Term Loan B during the second quarter of 2024, and the Federal Reserve interest rate cut during the third quarter of 2024.

Other Income and Expense, Net (in thousands, except for percentages):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Decrease	% Change	2024	2023	Decrease	% Change
Other income and expense, net	\$ 1,431	\$ 1,486	\$ (55)	(4)%	\$ 4,259	\$ 4,723	\$ (464)	(10)%

The decrease in other income and expense, net during the three and nine months ended September 30, 2024, as compared to the same periods in 2023, was primarily due to a decrease in interest income from significant financing components from certain revenue contracts.

Loss on Debt Extinguishment

During the nine months ended September 30, 2024, we recognized \$0.5 million associated with the repricing of our Term Loan B and there were no such costs in 2023. Refer to discussion below for further detail on the repricing of our Term Loan B.

Provision for Income Taxes

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	Decrease	% Change	2024	2023	Decrease	% Change
Provision for (benefit from) income taxes	\$ (2,520)	\$ 1,712	\$ (4,232)	(247)%	\$ 6,109	\$ 15,877	\$ (9,768)	(62)%

Our income tax provision for interim periods is based on the estimated annual effective tax rate adjusted for discrete items during the period. For the three months ended September 30, 2024, we recorded income tax benefit of \$2.5 million on pretax income of \$16.8 million, and for the nine months ended September 30, 2024, we recorded an income tax expense of \$6.1 million on pretax income of \$34.7 million, which resulted in effective tax rates of (14.9)% and 17.6%, respectively, for the three and nine months ended September 30, 2024. The decrease in income tax expense for the three months ended September 30, 2024, as compared to the same period in the prior year was primarily due to certain unrealized foreign exchange benefits associated with South Korea withholding tax refund claims. The decrease in income tax expense for the nine months ended September 30, 2024, as compared to the same period in the prior year was primarily due to certain unrealized foreign exchange benefits associated with South Korea withholding tax refund claims.

For the three months ended September 30, 2023, we recorded an income tax expense of \$1.7 million on pretax income of \$25.9 million, and for nine months ended September 30, 2023, we recorded an income tax expense of \$15.9 million on pretax income of \$70.5 million, which resulted in effective tax rates of 6.6% and 22.5%, respectively, for the three and nine months ended September 30, 2023.

The effective tax rate varies from the 21% U.S. federal tax rate primarily due to unrealized foreign exchange gain or loss on prior year South Korea withholding tax refund claims.

We periodically evaluate the realizability of our net deferred tax assets based on all available evidence, both positive and negative. After considering the evidence to assess the recoverability of our net deferred tax assets, we concluded that it was more-likely-than-not that we would realize our federal and certain state deferred tax assets.

Liquidity and Capital Resources

The following table presents selected financial information related to our liquidity and significant sources and uses of cash and cash equivalents for the nine months ended September 30, 2024 and 2023.

(in thousands)	As of	
	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 60,698	\$ 54,560
Marketable securities	28,486	29,012
Total cash, cash equivalents and marketable securities	<u>\$ 89,184</u>	<u>\$ 83,572</u>

	Nine Months Ended September 30,	
	2024	2023
Net cash from operating activities	\$ 105,001	\$ 113,315
Net cash from investing activities	\$ (8,394)	\$ (31,829)
Net cash from financing activities	\$ (90,469)	\$ (144,186)

Our primary sources of liquidity and capital resources are our operating cash flows and our short-term investments in marketable securities. Cash, cash equivalents and marketable securities were \$89.2 million at September 30, 2024, an increase of \$5.6 million from \$83.6 million at December 31, 2023. This increase primarily resulted from \$105.0 million of cash generated from operations, and \$1.5 million in proceeds from purchases through our employee stock purchase program and exercise of stock options, partially offset by \$64.2 million in repayment of our long-term debt, \$11.6 million in repurchases of common stock associated with tax withholdings on equity awards, \$16.3 million in dividends paid, \$1.3 million in purchases of property and equipment, and \$8.5 million in purchases of intangible assets.

The primary objectives of our investment activities are to preserve principal and to maintain liquidity, while at the same time capturing a market rate of return. To achieve these objectives, we maintain a diversified portfolio of securities including money market funds and debt securities such as corporate bonds and notes, municipal bonds and notes, commercial paper, treasury and agency notes and bills and certificates of deposit. Our marketable debt securities are classified as available-for-sale ("AFS") with credit losses recognized as a credit loss expense and non-credit related unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income or loss.

For information about our material cash requirements, see "Liquidity and Capital Resources" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023. Other than the principal payments of \$64.2 million made by us under the existing Term Loan B during the nine months ended September 30, 2024, our cash requirements have not materially changed since December 31, 2023.

We expect to continue to make additional payments on our existing debt from cash generated from operations. In addition to the cash requirements outlined above, we have returned cash to stockholders through both quarterly dividend payments and repurchases of our common stock under our stock repurchase plan.

Quarterly Dividends

In September 2024, we paid quarterly cash dividends of \$0.05 per share of common stock. In October 2024, our board of directors (the "Board") authorized payment of a quarterly cash dividend of \$0.05 per share, to be paid in December 2024.

Stock Repurchase Plan

On June 12, 2020, our Board terminated a prior stock repurchase program and approved a new stock repurchase plan (the "Plan"), which provides for the repurchase of up to \$150.0 million of our common stock dependent on market conditions, share price and other factors. No expiration has been specified for this Plan. On April 22, 2021, our Board authorized an additional \$100.0 million of purchases under the Plan. The stock repurchases may be made from time to time, through solicited or unsolicited transactions in the open market, in privately negotiated transactions, or pursuant to a Rule 10b5-1 plan. Since the inception of the Plan, and through September 30, 2024, we have repurchased an aggregate of approximately 10.0 million shares of common stock at a total cost of \$172.2 million at an average price of \$17.24. As of September 30, 2024, the total remaining amount available for repurchase under the Plan was \$77.8 million. We may continue to execute authorized repurchases from time to time under the Plan. The amount and timing of any repurchases under the Plan depend on a number of factors, including, but not limited to, the trading price, volume and availability of our common shares. There is no guarantee that such repurchases under the Plan will enhance the value of our common stock.

We believe that based on current levels of operations and anticipated growth, our cash from operations, together with cash and cash equivalents currently available, will be sufficient to satisfy our currently anticipated cash requirements through at least the next 12 months and thereafter for the foreseeable future. Poor financial results, unanticipated expenses, unanticipated acquisitions of technologies or businesses, or unanticipated strategic investments could give rise to additional financing requirements sooner than we expect. There can be no assurance that equity or debt financing will be available when needed or, if available, that such financing will be on terms satisfactory to us. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness could result in increased debt service obligations and may include covenants that would restrict our operations.

Cash Flows from Operating Activities

Cash flows provided by operations were \$105.0 million for the nine months ended September 30, 2024, were primarily due to our net income of \$28.6 million being adjusted for non-cash items of amortization of intangible assets of \$56.8 million, amortization of debt issuance costs of \$2.4 million, stock-based compensation expense of \$19.2 million, depreciation of property and equipment of \$1.5 million and \$(0.7) million in changes in operating assets and liabilities including payment during the period of employee bonuses earned in 2023.

Cash flows provided by operations were \$113.3 million for the nine months ended September 30, 2023, primarily due to our net income of \$54.7 million being adjusted for non-cash items of amortization of intangible assets of \$70.7 million, amortization of debt issuance costs of \$3.3 million and stock-based compensation expense of \$13.1 million. These increases were partially offset by \$29.6 million in changes in operating assets and liabilities including payment during the period of employee bonuses earned in 2022.

Cash Flows from Investing Activities

Net cash used in investing activities was \$8.4 million for the nine months ended September 30, 2024, primarily related to purchases of short-term investments of \$25.1 million, purchases of property and equipment of \$1.3 million, purchases of intangible assets of \$8.5 million, and proceeds from maturities of investments of \$26.5 million.

Net cash used in investing activities was \$31.8 million for the nine months ended September 30, 2023, primarily related to purchases of short-term investments of \$33.6 million, capital expenditures of \$1.9 million and proceeds from maturities of investments of \$3.8 million.

Capital Expenditures

Our capital expenditures for property and equipment consist primarily of leasehold improvements, purchases of computer hardware and software, information systems, and semiconductor production and test equipment. During the nine months ended September 30, 2024 and 2023, we spent \$1.3 million and \$1.9 million on capital expenditures, respectively, and we expect capital expenditures in the remainder of 2024 to be approximately \$1.0 million. Our capital expenditures for intangible assets consists primarily of acquired patents. During the nine months ended September 30, 2024, we spent \$8.5 million on purchases of intangible assets. These expenditures are expected to be financed with cash from operations, existing cash and cash equivalents and short-term investments. There can be no assurance that current expectations will be realized, and plans are subject to change upon further review of our capital expenditure needs.

Cash Flows from Financing Activities

Net cash used in financing activities was \$90.5 million for the nine months ended September 30, 2024 due to \$64.2 million in repayment of indebtedness, \$16.3 million in dividends paid, \$11.6 million in repurchases of common stock for tax withholdings on equity awards, partially offset by \$1.5 million in proceeds from purchases through our employee stock purchase program and exercise of stock options.

Net cash used in financing activities was \$144.2 million for the nine months ended September 30, 2023 due to \$118.9 million in repayment of indebtedness, \$16.0 million in dividends paid, \$10.5 million in repurchases of common stock for tax withholdings on equity awards, partially offset by \$1.1 million in proceeds from the issuance of common stock under our employee stock grant programs and employee stock purchase plans.

Long-term Debt

On June 8, 2021, we entered into Amendment No. 1 ("Amendment No. 1") to that certain Credit Agreement dated June 1, 2020 by and among us, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the "2020 Credit Agreement"). The 2020 Credit Agreement initially provided for a five-year senior secured term loan B facility in an aggregate principal amount of \$1,050 million (the "2020 Term Loan B Facility"). Amendment No. 1 provided for, among other things, (i) a new tranche of term loans (the "2021 Refinanced Term Loan B") in an aggregate principal amount of \$810.0 million, (ii) a reduction of the interest rate margin applicable to such loans to (x) in the case of base rate loans, 2.50% per annum and (y) in the case of Eurodollar loans, LIBOR plus a margin of 3.50% per annum, (iii) a prepayment premium of 1.00% in connection with any repricing transaction with respect to the 2021 Refinanced Term Loan B within six months of the closing date of Amendment No. 1, (iv) an extension of the maturity to June 8, 2028, and (v) certain additional amendments, including amendments to provide us with additional flexibility under the covenant governing restricted payments.

On May 30, 2023, we entered into Amendment No. 3 ("Amendment No. 2") to the 2020 Credit Agreement to replace the reference to LIBOR as the base rate with the reference to the Secured Overnight Financing Rate "SOFR" as administered by the Federal Reserve Bank of New York.

On May 20, 2024, we entered into Amendment No. 3 ("Amendment No. 3") to the 2020 Credit Agreement, which provided for, among other things, (i) a repricing of the 2020 Term Loan B Facility through a refinancing of the entire amount of the 2021 Refinanced Term Loan B with a new tranche of term loans (the "2024 Term Loan B") in an aggregate principal amount of \$561.1 million, (ii) a reduction of the interest rate margin applicable to such loans to (x) in the case of SOFR loans, SOFR plus a margin of 3.00% per annum and (y) in the case of base rate loans, 2.00% per annum, (iii) a reduction in the excess cash flow mandatory payment thresholds and (iv) a prepayment premium of 1.00% in connection with any repricing transaction with respect to the 2024 Term Loan B within six months of the closing date of Amendment No. 3. The 2024 Term Loan B will mature on June 8, 2028, the same date upon which the 2021 Refinanced Term Loan B matured prior to giving effect to Amendment No. 3.

At September 30, 2024, \$537.1 million was outstanding under the term loan B facility with an interest rate, including unamortized debt discount and issuance costs of \$12.7 million. Interest is payable monthly. Under the existing loan agreement, we have future minimum principal payments for our debt of \$7.0 million in the remainder of 2024, \$28.1 million each year from 2025 through 2027, with the remaining principal balance of \$445.9 million due in 2028. After the Separation, we own the debt under the term loan B facility. Additionally, we paid \$29.1 million during the nine months ended September 30, 2024, based on certain leverage ratios and our excess cash flow generated for the year ended December 31, 2023. We are obligated to continue to pay a portion of excess cash flows on an annual basis. The term loan B facility contains customary covenants, and as of September 30, 2024, we were in full compliance with such covenants. The 2020 Credit Agreement, as amended, also requires that we continue to make cash payments on an annual basis based on certain leverage ratios and excess cash flow generated for the immediately preceding fiscal year. The cash payments are applied to the remaining principal balance due at final maturity.

Critical Accounting Policies and Estimates

During the three and nine months ended September 30, 2024, there were no significant changes in our critical accounting policies and estimates. See "Note 2 – *Summary of Significant Accounting Policies*" of Notes to Condensed Consolidated Financial Statements for additional detail. For a discussion of our critical accounting policies and estimates, see Part II, Item 7 – *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K.

Recent Accounting Pronouncements

See "Note 2 – *Summary of Significant Accounting Policies*" of the Notes to Condensed Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoption.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our market risk, see Part II, Item 7A – *Quantitative and Qualitative Disclosures About Market Risk* in our Annual Report on Form 10-K.

Item 4. Controls and Procedures

Attached as exhibits to this Form 10-Q are certifications of Adeia Inc.'s Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Evaluation of Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the evaluation date). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the evaluation date that our disclosure controls and procedures were effective to provide reasonable assurance that the information relating to Adeia Inc., including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to Adeia Inc.'s management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, during the last fiscal quarter covered by this Quarterly Report on Form 10-Q that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of our business, we are involved in legal proceedings. In the past, we have litigated to enforce our patents and other intellectual property rights ("IP"), to enforce the terms of license agreements, to protect trade secrets and to defend our patents against claims of invalidity. We expect to continue to be involved in similar legal proceedings in the future, including proceedings regarding infringement of our patents and proceedings to ensure proper and full payment of royalties by licensees under the terms of our license agreements.

We cannot predict the outcome of any of the proceedings described below, other than to the extent such proceedings have concluded. An adverse decision in any of these proceedings could significantly harm our business and our consolidated financial position, results of operations, and cash flows.

Patent Infringement Litigation

In the ordinary course of our business, we engage in litigation to protect our IP from infringement. While litigation is never our preference, and we prefer to reach mutually agreeable commercial licensing arrangements with third parties, it is sometimes a necessary step to effectively protect our investment in our IP. As a result of these lawsuits, defendants have often filed Inter Partes Review ("IPR") petitions with the U.S. Patent Office's Patent Trial and Appeal Board (and other similar post-grant proceedings outside of the U.S.) seeking to invalidate one or more of our patents. We are currently engaged in multiple lawsuits with several third parties.

Videotron Patent Infringement Litigation

On June 23, 2017, Adeia Guides Inc. (formerly known as Rovi Guides, Inc.) and Adeia Media Solutions Inc. (formerly known as TiVo Solutions Inc.) (together, "Adeia Media") filed a patent infringement complaint against Videotron Ltd. and Videotron G.P. (together, "Videotron") in Toronto, Canada, alleging infringement of six patents ("Videotron 1"). On June 10, 2022, the Federal Court of Canada issued its decision in the case finding in favor of Videotron and its legacy "illico" platform. Specifically, the Court found invalid each of the asserted claims related to the four remaining patents involved in the case. In Canada, the prevailing party in patent litigation is entitled to reimbursement of certain of its costs and expenses. Accordingly, we paid \$2.5 million for expense reimbursement in the fourth quarter of 2022. On September 12, 2022, Adeia Media filed a notice of appeal with the Federal Court of Appeal of Canada appealing the decision of the Federal Court of Canada. On January 30, 2023, Adeia Media filed its opening memorandum of fact and law. Videotron filed its memorandum of fact and law on April 17, 2023. On November 28, 2023, the Federal Court of Appeal of Canada held a hearing on the appeal and took the matter under reserve. On August 6, 2024, the Federal Court of Appeal of Canada issued a judgment in the appeal in which it dismissed the appeal.

On May 21, 2021, Adeia Media filed a patent infringement complaint against Videotron in Toronto, Canada, alleging infringement of four patents ("Videotron 2"). On July 21, 2021, the Federal Court of Canada held a case management conference in Videotron 2, shortly before which Videotron filed a motion to strike various portions of the statement of claim. On March 22, 2022, the Court issued an order on Videotron's motion to strike, dismissing the motion in its entirety. On April 1, 2022, Videotron filed an appeal of the Court's order dismissing Videotron's motion to strike. On June 30, 2022, the Court of Appeal issued its decision in Videotron's appeal in which it ruled in Adeia Media's favor and dismissed Videotron's appeal. The trial is scheduled to start on January 20, 2025.

Bell and Telus Patent Infringement Litigation

On January 19, 2018, Adeia Media filed a patent infringement complaint against Bell Canada (and four of its affiliates) (collectively, "Bell") in Toronto, Canada, alleging infringement of six patents ("Bell 1"). On February 2, 2018, Adeia Media filed a patent infringement complaint against Telus Corporation (and two of its affiliates) (collectively, "Telus") in Toronto, Canada, alleging infringement of the same six patents ("Telus 1"). Bell 1 and Telus 1 were heard together for purposes of pre-trial and trial proceedings. On October 7, 2022, the Federal Court of Canada issued its decision in the two cases finding in favor of Bell and Telus and their respective IPTV services,

Bell Fibe TV and Telus Optik TV. Specifically, the Court found invalid each of the asserted claims of the four remaining patents involved in the case. In Canada, the prevailing party in patent litigation is entitled to reimbursement of certain of its costs and expenses. Accordingly, we paid \$2.8 million for expense reimbursement in the second quarter of 2023. On November 7, 2022, Adeia Media filed a notice of appeal with the Federal Court of Appeal of Canada appealing the decision of the Federal Court of Canada. On June 2, 2023, Adeia Media filed its opening memorandum of fact and law. Bell and Telus filed a combined memorandum of fact and law on August 18, 2023. On November 29, 2023, the Federal Court of Appeal of Canada held a hearing on the appeal and took the matter under reserve. On August 6, 2024, the Federal Court of Appeal of Canada issued a judgment in the appeal in which it dismissed the appeal.

On July 27, 2021, Adeia Media filed a patent infringement complaint against Bell Canada and four of its affiliates, Telefonaktiebolaget L M Ericsson, Ericsson Canada Inc., and MK Systems USA Inc. and MK Mediatech Canada Inc. (collectively, "Defendants") in Toronto, Canada, alleging infringement of four patents ("Bell 2"). The Defendants filed a motion to strike various portions of the statement of claim in Bell 2. On March 22, 2022, the Court issued an order on Defendants' motion to strike, dismissing-in-part and granting-in-part. On April 1, 2022, the Defendants filed a Notice of Motion to Appeal the Court's order on Defendants' motion to strike. On June 30, 2022, the Court of Appeal issued its decision in Defendants' appeal in which it ruled in Adeia Media's favor and dismissed Defendants' appeal. On September 30, 2022, Defendants filed a motion for bifurcation, asking the Federal Court of Canada to bifurcate the case into two phases: a first phase related to liability and injunction and second phase addressing damages if liability is found. The Court held a hearing on the motion for bifurcation on December 12, 2022. On February 15, 2023, the Court issued an order granting the motion for bifurcation in which the Court bifurcated the liability and injunction phase from the damages quantification phase of the case. Discovery in the case began in November 2022. The trial is scheduled to start on April 28, 2025.

Shaw Breach of Contract Litigation

On October 2, 2023, Adeia Guides Inc., Adeia Media Solutions Inc., and Adeia Media Holdings LLC (collectively, "Adeia Media") filed a complaint against Shaw Cablesystems G.P. and Shaw Satellite G.P. (together "Shaw") in the United States District Court for the Southern District of New York, alleging breach of contract by Shaw for failure to pay royalties owed to Adeia Media under the license agreement between the parties. On October 8, 2024, Shaw filed a motion to dismiss the complaint. On October 29, 2024, Adeia filed its response. Shaw's motion to dismiss reply brief is due on November 12, 2024. The trial date has not been set.

Disney Patent Infringement Litigation

On November 7, 2024, Adeia Technologies, Inc., Adeia Guides Inc., and Adeia Media Holdings LLC filed a complaint against The Walt Disney Company, Disney Media and Entertainment Distribution LLC, Disney DTC LLC, Disney Streaming Services LLC, Disney Entertainment & Sports LLC, Disney Platform Distribution, Inc., BAMTech, LLC, Hulu, LLC, and ESPN, Inc. in the United States District Court for the District of Delaware, alleging infringement of six patents.

On November 7, 2024, Adeia Solutions LLC ("Adeia Solutions") filed a complaint against The Walt Disney Company Benelux (BV), Disney Interactive Studios, Inc., and The Walt Disney Company Limited (collectively, "Disney Europe Defendants") in the Regional Court of Munich, Germany, alleging infringement of one patent.

On November 7, 2024, Adeia Guides Inc. ("Adeia Guides") filed a complaint against the Disney Europe Defendants in the Unified Patent Court ("UPC") Munich Local Division, Germany, alleging infringement of one patent.

On November 7, 2024, Adeia Guides filed a complaint against the Disney Europe Defendants in the UPC The Hague Local Division, The Netherlands, alleging infringement of one patent.

On November 11, 2024, Adeia Guides filed a complaint against The Walt Disney Company (Brasil) LTDA in Rio de Janeiro State Court, Brazil, alleging infringement of four patents.

No case schedule has been set yet.

Item 1A. Risk Factors

There were no material changes to the risk factors previously disclosed in Part 1, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2023, which is incorporated by reference herein.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three and nine months ended September 30, 2024, there were no Rule 10b5-1 plans or non-Rule 10b5-1 trading arrangements adopted, modified or terminated by any director or officer of the Company.

Item 6. Exhibits

Exhibit Number	Exhibit Title
4.1	<u>The Registrant's Amended and Restated 2020 Equity Incentive Plan (filed as Exhibit 4.4 to the Registrant's Registration Statement on Form S-8 filed with the SEC on May 9, 2024, and incorporated herein by reference)</u>
10.1	<u>Amendment No. 3 to Credit Agreement, dated as of May 20, 2024, among Adeia Inc., the subsidiaries of Adeia Inc. party thereto, Bank of America, N.A., as administrative agent and collateral agent, and the lenders party thereto (including Conformed Credit Agreement giving effect to Amendments) (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 20, 2024, and incorporated herein by reference)</u>
31.1	<u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
32.1	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 12, 2024

ADEIA INC.

By: /s/ Keith A. Jones
Keith A. Jones
Chief Financial Officer

**Certification of the Chief Executive Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Paul E. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Adeia Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Paul E. Davis

Paul E. Davis
Chief Executive Officer and President

**Certification of the Chief Financial Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Keith A. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Adeia Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Keith A. Jones

Keith A. Jones
Chief Financial Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Adeia Inc., a Delaware corporation (the "Company"), on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Paul E. Davis, Chief Executive Officer and President, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul E. Davis
Paul E. Davis
Chief Executive Officer and President
November 12, 2024

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Adeia Inc., a Delaware corporation (the "Company"), on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Keith A. Jones, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Keith A. Jones
Keith A. Jones
Chief Financial Officer
November 12, 2024

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.
