

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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 March 31, 2024

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-40863

---

**WOLFSPEED, INC.**

(Exact name of registrant as specified in its charter)

North Carolina

56-1572719

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

4600 Silicon Drive

Durham

North Carolina

27703

(Address of principal executive offices)

(Zip Code)

(919) 407-5300

(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, \$0.00125 par value	WOLF	New York Stock Exchange

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 Securities 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, par value \$0.00125 per share, as of April 26, 2024, was **125,854,819**.

---

**WOLFSPEED, INC.  
FORM 10-Q**

For the Quarterly Period Ended March 31, 2024

**Table of Contents**

Part I. Financial Information

<a href="#">Item 1. Financial Statements (Unaudited)</a>	<u>3</u>
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<u>32</u>
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>	<u>43</u>
<a href="#">Item 4. Controls and Procedures</a>	<u>43</u>

Part II. Other Information

<a href="#">Item 1. Legal Proceedings</a>	<u>44</u>
<a href="#">Item 1A. Risk Factors</a>	<u>45</u>
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	<u>61</u>
<a href="#">Item 3. Defaults Upon Senior Securities</a>	<u>61</u>
<a href="#">Item 4. Mine Safety Disclosures</a>	<u>61</u>
<a href="#">Item 5. Other Information</a>	<u>61</u>
<a href="#">Item 6. Exhibits</a>	<u>62</u>

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited)**

<a href="#">Consolidated Balance Sheets as of March 31, 2024 and June 25, 2023</a>	<u>4</u>
<a href="#">Consolidated Statements of Operations for the three and nine months ended March 31, 2024 and March 26, 2023</a>	<u>5</u>
<a href="#">Consolidated Statements of Comprehensive Loss for the three and nine months ended March 31, 2024 and March 26, 2023</a>	<u>6</u>
<a href="#">Consolidated Statements of Shareholders' Equity for the nine months ended March 31, 2024 and March 26, 2023</a>	<u>7</u>
<a href="#">Consolidated Statements of Cash Flows for the nine months ended March 31, 2024 and March 26, 2023</a>	<u>9</u>
<a href="#">Notes to Unaudited Consolidated Financial Statements</a>	<u>10</u>

[Table of Contents](#)

**WOLFSPEED, INC.**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**

*in millions of U.S. Dollars, except share data in thousands*

	<b>March 31, 2024</b>	<b>June 25, 2023</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$1,142.4	\$1,757.0
Short-term investments	1,408.5	1,197.9
Total cash, cash equivalents and short-term investments	2,550.9	2,954.9
Accounts receivable, net	124.3	154.8
Inventories	421.2	284.9
Income taxes receivable	0.8	0.8
Prepaid expenses	71.1	36.8
Other current assets	162.7	131.5
Current assets held for sale from discontinued operations	—	42.8
<b>Total current assets</b>	<b>3,331.0</b>	<b>3,606.5</b>
Property and equipment, net	3,221.9	2,165.5
Goodwill	359.2	359.2
Intangible assets, net	23.7	23.9
Long-term receivables	2.8	2.6
Other long-term investments	68.1	—
Deferred tax assets	1.2	1.2
Other assets	688.3	303.3
Long-term assets held for sale from discontinued operations	—	124.5
<b>Total assets</b>	<b>\$7,696.2</b>	<b>\$6,586.7</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$556.0	\$534.5
Accrued contract liabilities	55.8	39.0
Income taxes payable	10.0	9.6
Finance lease liabilities	0.5	0.5
Other current liabilities	104.7	35.7
Current liabilities held for sale from discontinued operations	—	8.6
<b>Total current liabilities</b>	<b>727.0</b>	<b>627.9</b>
Long-term liabilities:		
Long-term debt	2,631.7	1,149.5
Convertible notes, net	3,032.6	3,025.6
Deferred tax liabilities	10.8	3.9
Finance lease liabilities - long-term	9.1	9.2
Other long-term liabilities	262.4	143.4
Long-term liabilities held for sale from discontinued operations	—	5.3
<b>Total long-term liabilities</b>	<b>5,946.6</b>	<b>4,336.9</b>
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$0.01; 3,000 shares authorized at March 31, 2024 and June 25, 2023; none issued and outstanding	—	—
Common stock, par value \$0.00125; 400,000 shares authorized at March 31, 2024 and 200,000 shares authorized at June 25, 2023; 125,833 and 124,794 shares issued and outstanding at March 31, 2024 and June 25, 2023, respectively	0.2	0.2
Additional paid-in-capital	3,788.6	3,711.0
Accumulated other comprehensive loss	(12.7)	(25.1)
Accumulated deficit	(2,753.5)	(2,064.2)
<b>Total shareholders' equity</b>	<b>1,022.6</b>	<b>1,621.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$7,696.2</b>	<b>\$6,586.7</b>

*The accompanying notes are an integral part of the consolidated financial statements*



**WOLFSPEED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

<i>in millions of U.S. Dollars, except share data</i>	Three months ended		Nine months ended	
	March 31, 2024	March 26, 2023	March 31, 2024	March 26, 2023
Revenue, net	\$200.7	\$192.6	\$606.5	\$555.8
Cost of revenue, net	178.2	132.8	531.5	371.6
Gross profit	22.5	59.8	75.0	184.2
Operating expenses:				
Research and development	52.5	42.4	141.9	122.1
Sales, general and administrative	55.8	55.1	184.8	155.5
Factory start-up costs	14.4	44.6	33.3	120.6
Amortization of acquisition-related intangibles	0.3	0.2	0.9	1.3
Loss on disposal or impairment of other assets	0.6	1.7	1.0	1.9
Other operating expense	5.3	1.5	12.5	5.0
Operating loss	(106.4)	(85.7)	(299.4)	(222.2)
Non-operating expense (income), net	42.4	(2.9)	98.7	(53.4)
<b>Loss before income taxes</b>	<b>(148.8)</b>	<b>(82.8)</b>	<b>(398.1)</b>	<b>(168.8)</b>
Income tax expense	0.1	0.3	0.6	0.5
<b>Net loss from continuing operations</b>	<b>(148.9)</b>	<b>(83.1)</b>	<b>(398.7)</b>	<b>(169.3)</b>
Net loss from discontinued operations	—	(16.4)	(290.6)	(47.3)
<b>Net loss</b>	<b>(\$148.9)</b>	<b>(\$99.5)</b>	<b>(\$689.3)</b>	<b>(\$216.6)</b>
<b>Basic and diluted loss per share</b>				
Continuing operations	(\$1.18)	(\$0.67)	(\$3.18)	(\$1.36)
Net loss	(\$1.18)	(\$0.80)	(\$5.49)	(\$1.74)
<b>Weighted average shares - basic and diluted (in thousands)</b>	<b>125,830</b>	<b>124,439</b>	<b>125,514</b>	<b>124,273</b>

*The accompanying notes are an integral part of the consolidated financial statements*

**WOLFSPEED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

<i>(in millions of U.S. Dollars)</i>	Three months ended		Nine months ended	
	March 31, 2024	March 26, 2023	March 31, 2024	March 26, 2023
Net loss	(\$148.9)	(\$99.5)	(\$689.3)	(\$216.6)
Other comprehensive (loss) income:				
Net unrealized (loss) gain on available-for-sale securities	(0.5)	5.5	12.4	2.2
Comprehensive loss	<u><u>(149.4)</u></u>	<u><u>(94.0)</u></u>	<u><u>(676.9)</u></u>	<u><u>(214.4)</u></u>

*The accompanying notes are an integral part of the consolidated financial statements*

**WOLFSPEED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

Common Stock						
(in millions of U.S. Dollars, except share data in thousands)	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at June 25, 2023</b>	<b>124,794</b>	<b>\$0.2</b>	<b>\$3,711.0</b>	<b>(\$2,064.2)</b>	<b>(\$25.1)</b>	<b>\$1,621.9</b>
Net loss	—	—	—	(395.7)	—	(395.7)
Unrealized gain on available-for-sale securities	—	—	—	—	1.9	1.9
Tax withholding on vested equity awards	—	—	(15.0)	—	—	(15.0)
Stock-based compensation	506	—	32.1	—	—	32.1
Exercise of stock options and issuance of shares	21	—	0.5	—	—	0.5
<b>Balance at September 24, 2023</b>	<b>125,321</b>	<b>\$0.2</b>	<b>\$3,728.6</b>	<b>(\$2,459.9)</b>	<b>(\$23.2)</b>	<b>\$1,245.7</b>
Net loss	—	—	—	(144.7)	—	(144.7)
Unrealized gain on available-for-sale securities	—	—	—	—	11.0	11.0
Tax withholding on vested equity awards	—	—	(2.0)	—	—	(2.0)
Stock-based compensation	104	—	29.8	—	—	29.8
Exercise of stock options and issuance of shares	360	—	10.4	—	—	10.4
<b>Balance at December 31, 2023</b>	<b>125,785</b>	<b>\$0.2</b>	<b>\$3,766.8</b>	<b>(\$2,604.6)</b>	<b>(\$12.2)</b>	<b>\$1,150.2</b>
Net loss	—	—	—	(148.9)	—	(148.9)
Unrealized loss on available-for-sale securities	—	—	—	—	(0.5)	(0.5)
Tax withholding on vested equity awards	—	—	(0.7)	—	—	(0.7)
Stock-based compensation	48	—	22.5	—	—	22.5
<b>Balance at March 31, 2024</b>	<b>125,833</b>	<b>\$0.2</b>	<b>\$3,788.6</b>	<b>(\$2,753.5)</b>	<b>(\$12.7)</b>	<b>\$1,022.6</b>

*The accompanying notes are an integral part of the consolidated financial statements*

**WOLFSPEED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

<b>Common Stock</b>						
<i>(in millions of U.S. Dollars, except share data in thousands)</i>	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at June 26, 2022</b>	<b>123,795</b>	<b>\$0.2</b>	<b>\$4,228.4</b>	<b>(\$1,764.0)</b>	<b>(\$25.3)</b>	<b>\$2,439.3</b>
Net loss	—	—	—	(26.2)	—	(26.2)
Unrealized loss on available-for-sale securities	—	—	—	—	(7.0)	(7.0)
Tax withholding on vested equity awards	—	—	(16.9)	—	—	(16.9)
Stock-based compensation	395	—	23.2	—	—	23.2
Exercise of stock options and issuance of shares	20	—	0.5	—	—	0.5
Adoption of ASU 2020-06	—	—	(333.0)	29.7	—	(303.3)
<b>Balance at September 25, 2022</b>	<b>124,210</b>	<b>\$0.2</b>	<b>\$3,902.2</b>	<b>(\$1,760.5)</b>	<b>(\$32.3)</b>	<b>\$2,109.6</b>
Net loss	—	—	—	(90.9)	—	(90.9)
Unrealized gain on available-for-sale securities	—	—	—	—	3.7	3.7
Tax withholding on vested equity awards	—	—	(0.4)	—	—	(0.4)
Stock-based compensation	—	—	21.4	—	—	21.4
Exercise of stock options and issuance of shares	203	—	10.7	—	—	10.7
Capped call transactions related to the issuance of convertible notes due December 1, 2029	—	—	(273.9)	—	—	(273.9)
<b>Balance at December 25, 2022</b>	<b>124,413</b>	<b>\$0.2</b>	<b>\$3,660.0</b>	<b>(\$1,851.4)</b>	<b>(\$28.6)</b>	<b>\$1,780.2</b>
Net loss	—	—	—	(99.5)	—	(99.5)
Unrealized gain on available-for-sale securities	—	—	—	—	5.5	5.5
Tax withholding on vested equity awards	—	—	(0.4)	—	—	(0.4)
Stock-based compensation	—	—	20.8	—	—	20.8
Exercise of stock options and issuance of shares	24	—	0.2	—	—	0.2
<b>Balance at March 26, 2023</b>	<b>124,437</b>	<b>\$0.2</b>	<b>\$3,680.6</b>	<b>(\$1,950.9)</b>	<b>(\$23.1)</b>	<b>\$1,706.8</b>

*The accompanying notes are an integral part of the consolidated financial statements*

[Table of Contents](#)

**WOLFSPEED, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions of U.S. Dollars)	Nine months ended	
	March 31, 2024	March 26, 2023
<b>Operating activities:</b>		
Net loss	(\$689.3)	(\$216.6)
Net loss from discontinued operations	(290.6)	(47.3)
Net loss from continuing operations	(398.7)	(169.3)
Adjustments to reconcile net loss to cash used in operating activities from continuing operations:		
Depreciation and amortization	135.7	104.5
Amortization of debt issuance costs and discount, net of non-cash capitalized interest	21.7	5.2
Stock-based compensation	63.9	56.3
Gain on equity investment	(7.3)	—
Loss on disposal or impairment of long-lived assets, including loss on disposal portion of factory start-up costs	1.0	3.7
Amortization of premium on investments, net	(21.4)	(1.3)
Deferred income taxes	0.1	0.5
Changes in operating assets and liabilities:		
Accounts receivable, net	30.5	(13.8)
Inventories	(132.9)	(54.4)
Prepaid expenses and other assets	(83.6)	(13.2)
Accounts payable	(48.2)	1.8
Accrued salaries and wages and other liabilities	(4.3)	(7.0)
Accrued contract liabilities	11.7	23.5
<b>Net cash used in operating activities of continuing operations</b>	<b>(431.8)</b>	<b>(63.5)</b>
Net cash used in operating activities of discontinued operations	(54.3)	(27.2)
<b>Cash used in operating activities</b>	<b>(486.1)</b>	<b>(90.7)</b>
<b>Investing activities:</b>		
Purchases of property and equipment	(1,629.7)	(524.9)
Purchases of patent and licensing rights	(4.3)	(3.6)
Proceeds from sale of property and equipment	0.4	1.7
Purchases of short-term investments	(1,488.6)	(1,020.5)
Proceeds from maturities of short-term investments	1,244.1	238.4
Proceeds from sale of short-term investments	52.7	81.8
Reimbursement of property and equipment purchases from long-term incentive agreement	178.4	131.0
Proceeds from sale of business	75.6	101.8
<b>Net cash used in investing activities of continuing operations</b>	<b>(1,571.4)</b>	<b>(994.3)</b>
Net cash used in investing activities of discontinued operations	(3.1)	(6.4)
<b>Cash used in investing activities</b>	<b>(1,574.5)</b>	<b>(1,000.7)</b>
<b>Financing activities:</b>		
Proceeds from long-term debt borrowings	1,500.0	—
Proceeds from convertible notes	—	1,750.0
Payments of debt issuance costs	(46.0)	(31.4)
Cash paid for capped call transactions	—	(273.9)
Proceeds from issuance of common stock	10.9	11.4
Tax withholding on vested equity awards	(17.5)	(17.7)
Payments on long-term debt borrowings, including finance lease obligations	(0.3)	(0.4)
Commitment fees on long-term incentive agreement	(1.0)	(1.0)
<b>Cash provided by financing activities</b>	<b>1,446.1</b>	<b>1,437.0</b>
Effects of foreign exchange changes on cash and cash equivalents	(0.1)	—
<b>Net change in cash and cash equivalents</b>	<b>(614.6)</b>	<b>345.6</b>
Cash and cash equivalents, beginning of period	1,757.0	449.5
<b>Cash and cash equivalents, end of period</b>	<b>\$1,142.4</b>	<b>\$795.1</b>

*The accompanying notes are an integral part of the consolidated financial statements*



**WOLFSPEED, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

<a href="#">Note 1</a>	<a href="#">Basis of Presentation and New Accounting Standards</a>	<a href="#">11</a>
<a href="#">Note 2</a>	<a href="#">Discontinued Operations</a>	<a href="#">12</a>
<a href="#">Note 3</a>	<a href="#">Revenue Recognition</a>	<a href="#">14</a>
<a href="#">Note 4</a>	<a href="#">Leases</a>	<a href="#">15</a>
<a href="#">Note 5</a>	<a href="#">Financial Statement Details</a>	<a href="#">17</a>
<a href="#">Note 6</a>	<a href="#">Investments</a>	<a href="#">20</a>
<a href="#">Note 7</a>	<a href="#">Fair Value of Financial Instruments</a>	<a href="#">22</a>
<a href="#">Note 8</a>	<a href="#">Goodwill and Intangible Assets</a>	<a href="#">23</a>
<a href="#">Note 9</a>	<a href="#">Long-term Debt</a>	<a href="#">24</a>
<a href="#">Note 10</a>	<a href="#">Loss Per Share</a>	<a href="#">28</a>
<a href="#">Note 11</a>	<a href="#">Stock-Based Compensation</a>	<a href="#">28</a>
<a href="#">Note 12</a>	<a href="#">Income Taxes</a>	<a href="#">30</a>
<a href="#">Note 13</a>	<a href="#">Commitments and Contingencies</a>	<a href="#">30</a>

## **Note 1 – Basis of Presentation and New Accounting Standards**

### **Overview**

Wolfspeed, Inc. (the Company) is an innovator of wide bandgap semiconductors, focused on silicon carbide materials and devices for power applications. The Company's product families include silicon carbide materials and power devices targeted for various applications such as electric vehicles, fast charging and renewable energy and storage.

Previously, the Company designed, manufactured and sold radio-frequency (RF) devices. As discussed more fully below in Note 2, "Discontinued Operations," on December 2, 2023, the Company completed its previously announced sale of certain assets comprising its RF product line.

The Company has classified the results and cash flows of the RF product line as discontinued operations in its consolidated statements of operations and consolidated statements of cash flows for all periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as held for sale as of June 25, 2023 in the consolidated balance sheets. Unless otherwise noted, discussion within these notes to the consolidated financial statements relates to the Company's continuing operations.

The Company's continuing operations consist of power devices, which are used in electric vehicles, motor drives, power supplies, solar and transportation applications, and silicon carbide and gallium nitride (GaN) materials, which are targeted for customers who use them to manufacture products for RF, power and other applications.

The majority of the Company's products are manufactured at production facilities located in North Carolina, New York and Arkansas. The Company also uses contract manufacturers for certain products and aspects of product fabrication, assembly and packaging. The Company operates research and development facilities in North Carolina, Arkansas and New York.

Wolfspeed, Inc. is a North Carolina corporation established in 1987, and its headquarters are in Durham, North Carolina.

### **Basis of Presentation**

The consolidated financial statements presented herein have been prepared by the Company and have not been audited. In the opinion of management, all normal and recurring adjustments necessary to fairly state the consolidated financial position, results of operations, comprehensive loss, shareholders' equity and cash flows at March 31, 2024, and for all periods presented, have been made. All material intercompany accounts and transactions have been eliminated. The consolidated balance sheet at June 25, 2023 has been derived from the audited financial statements as of that date.

Certain prior period amounts in the accompanying consolidated financial statements and notes have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net loss or shareholders' equity.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2023 (fiscal 2023). The results of operations for the three and nine months ended March 31, 2024 are not necessarily indicative of the operating results that may be attained for the entire fiscal year ending June 30, 2024 (fiscal 2024).

### **Recently Adopted Accounting Pronouncements**

None.

### **Accounting Pronouncements Pending Adoption**

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Tax Disclosures, which requires disaggregated information about an entity's income tax rate reconciliation as well as information regarding cash taxes paid both in the United States and foreign jurisdictions. The amendments should be applied prospectively, with retrospective application permitted. The amendments are effective for annual periods beginning after December 15, 2024 with early adoption permitted. The Company is currently evaluating the impacts of adopting this guidance on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Segment Reporting Disclosures, to update reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. In addition, this amendment will require annual disclosures to be provided on an interim basis. These disclosures are also required for entities with a single reportable segment. The amendments require retrospective application to all periods presented. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impacts of adopting this guidance on its financial statement disclosures.

## **Note 2 – Discontinued Operations**

### ***RF Business Divestiture***

On December 2, 2023, the Company completed the sale of its RF product line (the RF Business) to MACOM Technology Solutions Holdings, Inc. (MACOM) pursuant to the terms of the previously reported Asset Purchase Agreement (the RF Purchase Agreement). Pursuant to the RF Purchase Agreement, the Company received approximately \$75 million in cash and 711,528 shares of MACOM common stock (the MACOM Shares), which shares had a market value of approximately \$60.8 million based on the closing price for MACOM's common stock on December 1, 2023, the last trading day prior to the closing of the transaction (the RF Closing), as reported on the Nasdaq Global Select Market (the RF Business Divestiture).

In connection with the RF Business Divestiture, MACOM will assume control of Wolfspeed's 100mm gallium nitride wafer fabrication facility in Research Triangle Park, North Carolina (the RTP Fab) approximately two years following the RF Closing (the RTP Fab Transfer). The RTP Fab Transfer will occur in the future to accommodate the Company's relocation of certain production equipment currently located in the RTP Fab to its fabrication facility in Durham, North Carolina. Prior to the RTP Fab Transfer, the MACOM Shares are subject to restrictions on transfer. The Company will forfeit one-quarter of the MACOM Shares if the RTP Fab Transfer has not occurred by the fourth anniversary of the RF Closing.

The Company and MACOM also entered into certain ancillary and related agreements, including (i) an Intellectual Property Assignment and License Agreement, which assigned to MACOM certain intellectual property owned by the Company and its affiliates and license to MACOM certain additional intellectual property owned by the Company, (ii) a Transition Services Agreement (the RF TSA), pursuant to which the Company provides MACOM certain limited transition services following the RF Closing, (iii) a Master Supply Agreement, pursuant to which Wolfspeed will continue to operate the RTP Fab and supply MACOM with Epi-wafers and fabrication services (the RF Master Supply Agreement) through the date on which the RTP Fab Transfer is complete (the RTP Fab Transfer Date), (iv) a Long-Term Epi Supply Agreement (the Long-Term Epi Supply Agreement), pursuant to which MACOM will purchase from the Company Epi-wafers from the RTP Fab Transfer Date until the fifth anniversary of the RTP Fab Transfer Date, (v) an Epi Research and Development Agreement, pursuant to which the Company will provide MACOM certain research and development activities and other technical manufacturing support services related to the RF Business during the period between the RF Closing and expiration of the Long-Term Epi Supply Agreement, and (vi) a Real Estate License Agreement (the RF RELA), which allows MACOM to use certain portions of the RTP Fab to conduct the RF Business through the RTP Fab Transfer Date. In connection with the RTP Fab Transfer, the Company and MACOM will enter into a Lease Agreement (the RTP Fab Lease Agreement), which allows MACOM to lease the premises of the RTP Fab for a period of 15 years after the RTP Fab Transfer Date.

Because the RF Business Divestiture represented a strategic shift that had and will continue to have a major effect on the Company's operations and financial results, the Company has classified the results of the RF Business as discontinued operations in the Company's consolidated statements of operations for all periods presented. The Company ceased recording depreciation and amortization of long-lived assets that conveyed in the RF Purchase Agreement upon classification as discontinued operations in August 2023. Additionally, the related assets and liabilities associated with the RF Business Divestiture, with the exception of current and long-term assets associated with the RTP Fab, are classified as held for sale from discontinued operations in the consolidated balance sheets as of June 25, 2023.

The RTP Fab is not considered within the RF Business Divestiture disposal group and the current and long-term assets associated with the RTP Fab are not classified as held for sale from discontinued operations in the consolidated balance sheets.

[Table of Contents](#)

The following table presents the financial results of the RF Business as loss from discontinued operations, net of income taxes in the Company's consolidated statements of operations:

(in millions of U.S. Dollars)	Three months ended		Nine months ended	
	March 26, 2023	March 31, 2024	March 26, 2023	March 31, 2024
Revenue, net	\$36.1	\$59.6	\$130.3	\$130.3
Cost of revenue, net	27.8	68.7	99.6	99.6
Gross profit (loss)	8.3	(9.1)	30.7	30.7
Operating expenses:				
Research and development	13.7	30.5	46.2	46.2
Sales, general and administrative	5.4	13.9	15.7	15.7
Amortization of intangibles	2.4	1.5	7.0	7.0
Loss on disposal of assets	—	0.3	—	—
Other operating expense	3.0	24.3	8.5	8.5
<b>Loss before income taxes and loss on sale</b>	<b>(16.2)</b>	<b>(79.6)</b>	<b>(46.7)</b>	<b>(46.7)</b>
Loss on sale	—	204.0	—	—
<b>Loss before income taxes</b>	<b>(16.2)</b>	<b>(283.6)</b>	<b>(46.7)</b>	<b>(46.7)</b>
Income tax expense	0.2	7.0	0.6	0.6
<b>Net loss</b>	<b>(\$16.4)</b>	<b>(\$290.6)</b>	<b>(\$47.3)</b>	<b>(\$47.3)</b>

In the first quarter of fiscal 2024, the Company recorded an impairment to assets held for sale associated with the RF Business Divestiture of \$144.6 million and an excess loss liability on assets held for sale of \$ 75.4 million.

During the first nine months of fiscal 2024, the Company recorded a total loss on sale of \$ 204.0 million, which was net against the impairments and excess loss liability on assets held for sale in the first quarter of fiscal 2024. The total cost of selling the RF Business was \$25.4 million, of which \$12.2 million was recognized in fiscal 2024.

At the inception of the RF Master Supply Agreement, the Company recorded a supply agreement liability of \$ 95.0 million, of which \$79.2 million was outstanding as of March 31, 2024. The supply agreement liability is recognized in other current liabilities and other long-term liabilities on the consolidated balance sheets. A receivable of \$6.1 million in connection with the RF Master Supply Agreement is included in other current assets in the consolidated balance sheet as of March 31, 2024.

Additionally, the Company recorded a supply agreement liability of \$ 58.0 million for the Long-Term Epi Supply Agreement and a liability of \$ 38.0 million for the future transfer of assets in connection with the RTP Fab Transfer. These liabilities are recognized in other long-term liabilities on the consolidated balance sheets.

The following table presents the assets and liabilities of the RF Business classified as discontinued operations as of June 25, 2023:

(in millions of U.S. Dollars)	June 25, 2023
<b>Assets (current and long-term)</b>	
Inventories	42.6
Other current assets	0.2
Property and equipment, net	25.9
Intangible assets, net	92.0
Other assets	6.6
<b>Assets held for sale from discontinued operations</b>	<b>167.3</b>
<b>Liabilities (current and long-term)</b>	
Accounts payable and accrued expenses	2.4
Accrued contract liabilities	4.0
Other current liabilities	2.2
Other long-term liabilities	5.3
<b>Liabilities held for sale of discontinued operations</b>	<b>13.9</b>

#### **LED Business Divestiture**

On March 1, 2021, the Company completed the sale of certain assets and subsidiaries comprising its former LED Products segment (the LED Business) to SMART Global Holdings, Inc. (SGH) and its wholly owned subsidiary CreeLED, Inc. (CreeLED and collectively with SGH, SMART) (the LED Business Divestiture) pursuant to the terms of the Asset Purchase Agreement (the LED Purchase Agreement), dated October 18, 2020, as amended.

In connection with the closing of the LED Business Divestiture, the Company and CreeLED also entered into certain ancillary and related agreements, including (i) an Intellectual Property Assignment and License Agreement, which assigned to CreeLED certain intellectual property owned by the Company and its affiliates and licensed to CreeLED certain additional intellectual property owned by the Company, (ii) a Transition Services Agreement (the LED TSA), (iii) a Wafer Supply and Fabrication Services Agreement (the Wafer Supply Agreement), pursuant to which the Company will supply CreeLED with certain silicon carbide materials and fabrication services for up to four years, and (iv) a Real Estate License Agreement (the LED RELA), which allowed CreeLED to use certain premises owned by the Company to conduct the LED Business for a period of up to 24 months after closing.

For the three and nine months ended March 26, 2023, the Company recognized \$ 0.6 million and \$2.4 million in administrative fees related to the LED RELA. Fees related to the LED RELA were recorded as lease income, see Note 4, "Leases." The LED RELA concluded in the third quarter of fiscal 2023.

For the three and nine months ended March 26, 2023, the Company recognized \$ 1.5 million and \$5.2 million in administrative fees related to the LED TSA, respectively. Fees related to the LED TSA were recorded as a reduction in expense within the line item in the consolidated statements of operations in which costs were incurred. The LED TSA concluded in the fourth quarter of fiscal 2023.

At the inception of the Wafer Supply Agreement, the Company recorded a supply agreement liability of \$ 31.0 million, none of which was outstanding as of March 31, 2024.

For the three and nine months ended March 31, 2024, the Company recognized a net loss of \$ 6.9 million and \$20.4 million, respectively, in non-operating expense (income), net related to the Wafer Supply Agreement, of which a receivable of \$2.0 million is included in other current assets in the consolidated balance sheet as of March 31, 2024. For the three and nine months ended March 26, 2023, the Company recognized a net loss of \$4.8 million and \$7.3 million, respectively, in non-operating expense (income), net related to the Wafer Supply Agreement.

#### **Note 3 – Revenue Recognition**

The Company follows a five-step approach for recognizing revenue, consisting of the following: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation.

Contract liabilities primarily include various rights of return and customer deposits, as well as a reserve on the Company's "ship and debit" program. Contract liabilities were \$81.6 million as of March 31, 2024 and \$ 69.8 million as of June 25, 2023. The increase was primarily due to increased ship and debit reserves. Contract liabilities are recorded within accrued contract liabilities and other long-term liabilities on the consolidated balance sheets.

#### **Product Line Revenue**

The Company's continuing operations sells products from within two product lines: Power Products and silicon carbide and GaN materials (Materials Products). Revenue from these two product lines is as follows:

<i>(in millions of U.S. Dollars)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>March 31, 2024</b>	<b>March 26, 2023</b>	<b>March 31, 2024</b>	<b>March 26, 2023</b>
Power Products	\$102.1	\$101.6	\$311.0	\$302.1
Materials Products	98.6	91.0	295.5	253.7
<b>Total</b>	<b>\$200.7</b>	<b>\$192.6</b>	<b>\$606.5</b>	<b>\$555.8</b>

### Geographic Information

The Company conducts business in several geographic areas. Revenue is attributed to a particular geographic region based on the shipping address for the products. Disaggregated continuing operations revenue from external customers by geographic area is as follows:

(in millions of U.S. Dollars)	Three months ended				Nine months ended			
	March 31, 2024		March 26, 2023		March 31, 2024		March 26, 2023	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Europe	\$79.7	39.7 %	\$67.9	35.3 %	\$227.7	37.5 %	\$199.1	35.8 %
Asia Pacific <sup>(1)</sup>	58.7	29.2 %	47.2	24.5 %	161.9	26.7 %	120.4	21.7 %
Hong Kong	24.2	12.1 %	42.1	21.9 %	97.6	16.1 %	116.8	21.0 %
United States	28.2	14.1 %	28.8	15.0 %	93.9	15.5 %	102.6	18.5 %
China	9.6	4.8 %	6.0	3.1 %	23.9	3.9 %	13.9	2.5 %
Other	0.3	0.1 %	0.6	0.2 %	1.5	0.3 %	3.0	0.5 %
<b>Total</b>	<b>\$200.7</b>		<b>\$192.6</b>		<b>\$606.5</b>		<b>\$555.8</b>	

<sup>(1)</sup> Excluding China and Hong Kong

### Note 4 – Leases

The Company primarily leases manufacturing and office spaces and bulk gas equipment. Lease agreements frequently include renewal provisions and require the Company to pay real estate taxes, insurance and maintenance costs. Variable costs include lease payments that were volume or usage-driven in accordance with the use of the underlying asset, as well as non-lease components incurred with respect to actual terms rather than contractually fixed amounts.

The Company's finance lease obligations primarily relate to contract manufacturing space in Malaysia and a 49-year ground lease on the Company's silicon carbide device fabrication facility in New York.

### Balance Sheet

Lease assets and liabilities are as follows (in millions of U.S. Dollars):

	March 31, 2024	June 25, 2023
Operating Leases:		
Right-of-use asset <sup>(1)</sup>	\$94.3	\$98.0
Current lease liability <sup>(2)</sup>	6.7	6.4
Non-current lease liability <sup>(3)</sup>	109.5	112.0
<b>Total operating lease liabilities</b>	<b>\$116.2</b>	<b>\$118.4</b>

### Finance Leases:

Finance lease assets <sup>(4)</sup>	\$9.3	\$9.5
Current portion of finance lease liabilities	0.5	0.5
Finance lease liabilities, less current portion	9.1	9.2
<b>Total finance lease liabilities</b>	<b>\$9.6</b>	<b>\$9.7</b>

<sup>(1)</sup> Within other assets on the consolidated balance sheets.

<sup>(2)</sup> Within other current liabilities on the consolidated balance sheets.

<sup>(3)</sup> Within other long-term liabilities on the consolidated balance sheets.

<sup>(4)</sup> Within property and equipment, net on the consolidated balance sheets.

## [Table of Contents](#)

### **Statement of Operations**

Operating lease expense was \$3.3 million and \$10.5 million for the three and nine months ended March 31, 2024, respectively, and \$ 2.3 million and \$6.1 million for the three and nine months ended March 26, 2023, respectively.

Finance lease amortization was \$0.2 million and \$0.6 million for the three and nine months ended March 31, 2024, respectively, and \$ 0.2 million and \$0.6 million for the three and nine months ended March 26, 2023, respectively. Interest expense for all periods presented was immaterial.

### **Cash Flows**

Cash flow information consisted of the following <sup>(1)</sup>:

(in millions of U.S. Dollars)	Nine months ended	
	March 31, 2024	March 26, 2023
<b>Cash (used in) provided by operating activities from continuing operations:</b>		
Cash paid for operating leases	(\$5.6)	(\$3.5)
Cash received for tenant allowance on operating lease	0.4	7.4
Cash paid for interest portion of financing leases	(0.2)	(0.2)
<b>Cash used in financing activities:</b>		
Cash paid for principal portion of finance leases	(0.4)	(0.4)

<sup>(1)</sup> See Note 5, "Financial Statement Details," for non-cash activities related to leases.

### **Lease Liability Maturities**

Maturities of operating and finance lease liabilities as of March 31, 2024 were as follows (in millions of U.S. Dollars):

Fiscal Year Ending	Operating Leases	Finance Leases	Total
June 30, 2024 (remainder of fiscal 2024)	\$3.5	\$0.2	\$3.7
June 29, 2025	13.6	0.8	14.4
June 28, 2026	13.2	0.8	14.0
June 27, 2027	12.1	0.5	12.6
June 25, 2028	11.6	0.2	11.8
Thereafter	104.4	14.0	118.4
<b>Total lease payments</b>	<b>158.4</b>	<b>16.5</b>	<b>174.9</b>
Future tenant improvement allowances	(4.6)	—	(4.6)
Imputed lease interest	(37.6)	(6.9)	(44.5)
<b>Total lease liabilities</b>	<b>\$116.2</b>	<b>\$9.6</b>	<b>\$125.8</b>

### **Supplemental Disclosures**

	Operating Leases	Finance Leases
Weighted average remaining lease term (in months) <sup>(1)</sup>	150	469
Weighted average discount rate <sup>(2)</sup>	4.36 %	2.70 %

<sup>(1)</sup> Weighted average remaining lease term of finance leases without the 49-year ground lease is 32 months.

<sup>(2)</sup> Weighted average discount rate of finance leases without the 49-year ground lease is 3.84%.

### **Lease Income**

On December 1, 2023 and in connection with the RF Business Divestiture discussed in Note 2, "Discontinued Operations," the Company entered into the RF RELA pursuant to which the Company leases to MACOM approximately 25,659 square feet of its property and certain facilities in the Research Triangle Park, North Carolina for a total of \$0.7 million per year. The lease term is the earlier of (i) 24 full fiscal months following the RF Closing or (ii) the date on which the Company and MACOM enter into the RTP Fab Lease Agreement. The Company in its sole discretion may extend the term for two additional periods of 12 months by providing notice to MACOM at least six months prior to the last day of the then-current term.

## Table of Contents

Additionally, as mentioned in Note 2, "Discontinued Operations," on March 1, 2021 and in connection with the LED Business Divestiture, the Company entered into the LED RELA pursuant to which the Company leased to CreeLED approximately 58,000 square feet of the Company's property and certain facilities in Durham, North Carolina for a total of \$3.6 million per year. The lease term was 24 months and expired on February 26, 2023.

In addition, the Company leases space to a third party at one of its owned facilities.

The Company recognized lease income of \$0.3 million and \$0.7 million for the three and nine months ended March 31, 2024, respectively. The Company recognized lease income of \$0.6 million and \$2.4 million for the three and nine months ended March 26, 2023, respectively.

### **Note 5 – Financial Statement Details**

#### **Accounts Receivable, net**

Accounts receivable, net consisted of the following:

(in millions of U.S. Dollars)	March 31, 2024	June 25, 2023
Billed trade receivables	\$121.7	\$152.1
Unbilled contract receivables	2.1	2.3
Royalties	1.1	1.1
	124.9	155.5
Allowance for bad debts	(0.6)	(0.7)
Accounts receivable, net	\$124.3	\$154.8

Expected credit losses for the Company's receivables are evaluated on a collective (pool) basis and aggregated on the basis of similar risk characteristics. These aggregated risk pools are reassessed at each measurement date. A combination of factors is considered in determining the appropriate estimate of expected credit losses, including broad-based economic indicators as well as customers' financial strength, credit standing, payment history and any historical defaults.

#### **Inventories**

Inventories consisted of the following:

(in millions of U.S. Dollars)	March 31, 2024	June 25, 2023
Raw material	\$122.4	\$90.7
Work-in-progress	274.2	179.6
Finished goods	24.6	14.6
Inventories	\$421.2	\$284.9

In addition to inventory held by the Company associated with the power and materials product lines, the Company holds inventory associated with the Company's former RF product line (pursuant to the RF Master Supply Agreement). At the RF Closing, this inventory was reclassified to other current assets. As of June 25, 2023, \$25.7 million of the total inventory in the above table was related to the RF Master Supply Agreement.

[Table of Contents](#)

**Other Current Assets**

Other current assets consisted of the following:

(in millions of U.S. Dollars)	March 31, 2024	June 25, 2023
Reimbursement receivable on long-term incentive agreement	\$75.7	\$91.3
Receivables in connection with short-term investment maturities	15.0	—
Inventory related to the RF Master Supply Agreement	20.9	—
Accrued interest receivable	12.7	10.1
Short-term deposit on long-term incentive agreement	10.0	10.0
Other	28.4	20.1
Other current assets	<u>\$162.7</u>	<u>\$131.5</u>

**Other Assets**

Other assets consisted of the following:

(in millions of U.S. Dollars)	March 31, 2024	June 25, 2023
Investment tax credit receivable <sup>(1)</sup>	\$515.4	\$167.4
Right-of-use assets	94.3	98.0
Long-term advances to suppliers	44.0	8.7
Cloud computing assets, net	15.0	17.6
Other	19.6	11.6
Other assets	<u>\$688.3</u>	<u>\$303.3</u>

<sup>(1)</sup>The Company expects to receive refundable federal investment tax credits through the U.S. CHIPS and Science Act of 2022 (CHIPS) in connection with ongoing expansion projects. The Company has reduced property and equipment by \$515.4 million and \$167.4 million as of March 31, 2024 and June 25, 2023, respectively. The receivable recorded is an estimate based on the Company's interpretation of the Section 48D Advanced Manufacturing Investment Credit. The final guidance from the Internal Revenue Service and Department of Treasury may update the definition of qualifying capital expenditures to either exclude certain qualified property included in the estimate or include additional such property not currently reflected in the estimate. The Company may record a change in estimate in the period when final guidance is issued. The impact to cost of revenue from the investment tax credit as a result of a change in estimate is expected to have an immaterial impact to depreciation expense.

**Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consisted of the following:

(in millions of U.S. Dollars)	March 31, 2024	June 25, 2023
Accounts payable, trade	\$52.4	\$44.9
Accrued salaries and wages	61.3	63.9
Accrued property and equipment	407.2	328.4
Accrued expenses	35.1	97.3
Accounts payable and accrued expenses	<u>\$556.0</u>	<u>\$534.5</u>

**Other Operating Expense**

Other operating expense consisted of the following:

(in millions of U.S. Dollars)	Three months ended		Nine months ended	
	March 31, 2024	March 26, 2023	March 31, 2024	March 26, 2023
Project, transformation and transaction costs	5.3	0.9	\$12.5	\$2.9
Executive severance costs	—	0.6	—	1.9
Restructuring costs	—	—	—	0.2
Other operating expense	\$5.3	\$1.5	\$12.5	\$5.0

**Accumulated Other Comprehensive Loss, net of taxes**

Accumulated other comprehensive loss, net of taxes, consisted of \$ 12.7 million and \$25.1 million of net unrealized losses on available-for-sale securities as of March 31, 2024 and June 25, 2023, respectively. Amounts for both periods include a \$ 2.4 million loss related to tax on unrealized loss on available-for-sale securities.

**Reclassifications Out of Accumulated Other Comprehensive Loss**

Reclassifications out of accumulated other comprehensive loss were immaterial for all periods presented.

**Non-Operating Expense (Income), net**

The following table summarizes the components of non-operating expense (income), net:

(in millions of U.S. Dollars)	Three months ended		Nine months ended	
	March 31, 2024	March 26, 2023	March 31, 2024	March 26, 2023
Interest income	(30.1)	(22.2)	(108.9)	(38.1)
Interest expense, net of capitalized interest	59.5	14.1	185.5	26.7
Loss/(gain) on legal proceedings <sup>(1)(2)</sup>	7.7	—	7.7	(50.3)
Loss on Wafer Supply Agreement	6.9	4.8	20.4	7.3
Gain on equity investment	(1.9)	—	(7.3)	—
Other, net	0.3	0.4	1.3	1.0
Non-operating expense (income), net	\$42.4	(\$2.9)	\$98.7	(\$53.4)

<sup>(1)</sup>In the third quarter of fiscal 2024, the Company accrued a liability for payment of customs duties totaling approximately \$.7 million for alleged undervalued duties related to transactions by the Company's former Lighting Products business unit from 2012 to 2017.

<sup>(2)</sup>In fiscal 2023, the Company received an arbitration award in relation to a former customer failing to fulfill contractual obligations to purchase a certain amount of product over a period of time. The arbitration award is recognized as non-operating income, net of legal fees incurred.

**Statements of Cash Flows - non-cash activities**

(in millions of U.S. Dollars)	Nine months ended	
	March 31, 2024	March 26, 2023
Decrease in property, plant and equipment from investment tax credit receivables	\$348.0	\$106.0
Decrease in property, plant and equipment from long-term incentive related receivables	107.3	85.2
Proceeds on sale of business received in US corporation common stock	60.8	—
Receivables in connection with short-term investment maturities	15.0	—
Decrease in property, plant and equipment from insurance receivable	2.2	—
Lease asset and liability additions	1.8	26.7
Lease asset and liability modifications, net	0.9	0.2

Accrued property and equipment as of March 31, 2024 and March 26, 2023 was \$ 407.2 million and \$306.0 million, respectively.

**Note 6 – Investments**

Short-term investments consisted of the following (in millions of U.S. Dollars):

	March 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Credit Loss Allowance	Estimated Fair Value
U.S. treasury securities	\$716.5	\$0.1	(\$0.5)	\$—	\$716.1
Corporate bonds	456.4	0.4	(8.0)	—	448.8
Municipal bonds	113.0	0.1	(2.4)	—	110.7
Commercial paper	53.2	—	—	—	53.2
Certificates of deposit	37.5	—	—	—	37.5
U.S. agency securities	15.0	—	—	—	15.0
Variable rate demand notes	27.2	—	—	—	27.2
Total short-term investments	<u>\$1,418.8</u>	<u>\$0.6</u>	<u>(\$10.9)</u>	<u>\$—</u>	<u>\$1,408.5</u>

	June 25, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Credit Loss Allowance	Estimated Fair Value
Corporate bonds	\$512.3	\$—	(\$16.7)	\$—	\$495.6
U.S. treasury securities	261.8	—	(1.4)	—	260.4
Municipal bonds	179.7	—	(4.4)	—	175.3
Certificates of deposit	112.3	—	—	—	112.3
U.S. agency securities	77.0	—	(0.2)	—	76.8
Commercial paper	50.2	—	—	—	50.2
Variable rate demand notes	27.3	—	—	—	27.3
Total short-term investments	<u>\$1,220.6</u>	<u>\$—</u>	<u>(\$22.7)</u>	<u>\$—</u>	<u>\$1,197.9</u>

All short-term investments are classified as available-for-sale.

[Table of Contents](#)

The following tables present the gross unrealized losses and estimated fair value of the Company's short-term investments, aggregated by investment type and the length of time that individual securities have been in a continuous unrealized loss position (in millions of U.S. Dollars):

	March 31, 2024					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	\$82.7	(\$0.2)	\$219.5	(\$7.8)	\$302.2	(\$8.0)
U.S. treasury securities	464.0	(0.3)	15.7	(0.2)	479.7	(0.5)
Municipal bonds	13.9	—	76.9	(2.4)	90.8	(2.4)
U.S. agency securities	19.7	—	10.0	—	29.7	—
<b>Total</b>	<b>\$580.3</b>	<b>(\$0.5)</b>	<b>\$322.1</b>	<b>(\$10.4)</b>	<b>\$902.4</b>	<b>(\$10.9)</b>
Number of securities with an unrealized loss		146		77		223

  

	June 25, 2023					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	\$151.5	(\$0.5)	\$324.1	(\$16.2)	\$475.6	(\$16.7)
U.S. treasury securities	229.3	(0.5)	31.1	(0.9)	260.4	(1.4)
Municipal bonds	61.4	(0.4)	105.9	(4.0)	167.3	(4.4)
U.S. agency securities	74.8	(0.2)	2.0	—	76.8	(0.2)
Commercial Paper	3.9	—	—	—	3.9	—
<b>Total</b>	<b>\$520.9</b>	<b>(\$1.6)</b>	<b>\$463.1</b>	<b>(\$21.1)</b>	<b>\$984.0</b>	<b>(\$22.7)</b>
Number of securities with an unrealized loss		95		234		329

Additionally, the Company held cash equivalent securities in unrealized loss positions as of June 25, 2023. As of June 25, 2023, the Company held two cash equivalent securities in unrealized loss positions with an aggregate fair value of \$18.5 million and an aggregate unrealized loss of less than \$0.1 million. All cash equivalents in unrealized loss positions as of June 25, 2023 had been in unrealized loss positions for less than 12 months. The Company did not hold cash equivalent securities in an unrealized loss position as of March 31, 2024.

The Company does not include accrued interest in estimated fair values of short-term investments and does not record an allowance for credit losses on receivables related to accrued interest. Accrued interest receivable was \$12.7 million and \$10.1 million as of March 31, 2024 and June 25, 2023, respectively, and is recorded in other current assets on the consolidated balance sheets. When necessary, write-offs of noncollectable interest income are recorded as a reversal to interest income. There were no write-offs of noncollectable interest income during the three and nine months ended March 31, 2024 and March 26, 2023.

The Company utilizes specific identification in computing realized gains and losses on the sale of investments. Realized gains and losses are included in non-operating expense (income), net in the consolidated statements of operations. Unrealized gains and losses are included as a separate component of equity, net of tax, unless the Company determines there is an expected credit loss.

The Company evaluates its investments for expected credit losses. The Company believes it is able to and intends to hold each of the investments held with an unrealized loss as of March 31, 2024 until the investments fully recover in market value. No allowance for credit losses was recorded as of March 31, 2024.

The contractual maturities of short-term investments as of March 31, 2024 were as follows:

(in millions of U.S. Dollars)	Within One Year	After One,	After Five,	After Ten Years	Total
		Within Five Years	Within Ten Years		
U.S. treasury securities	\$686.9	\$29.2	\$—	\$—	\$716.1
Corporate bonds	237.8	211.0	—	—	448.8
Municipal bonds	40.7	67.6	—	2.4	110.7
Commercial paper	53.2	—	—	—	53.2
Certificates of deposit	37.5	—	—	—	37.5
U.S. agency securities	15.0	—	—	—	15.0
Variable rate demand notes	—	—	10.7	16.5	27.2
Total short-term investments	<u>\$1,071.1</u>	<u>\$307.8</u>	<u>\$10.7</u>	<u>\$18.9</u>	<u>\$1,408.5</u>

#### Note 7 – Fair Value of Financial Instruments

Under U.S. GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches, including quoted market prices and discounted cash flows. U.S. GAAP also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability. The fair value hierarchy is categorized into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical instruments that the Company is able to access. Because valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The financial assets for which the Company performs recurring fair value remeasurements are cash equivalents and short-term and long-term investments. As of March 31, 2024 and June 25, 2023, financial assets utilizing Level 1 inputs included U.S. treasury securities, money market fund and U.S. corporation common stock, and financial assets utilizing Level 2 inputs included municipal bonds, corporate bonds, U.S. agency securities, commercial paper, certificates of deposit and variable rate demand notes. Level 2 assets are valued based on quoted prices in active markets for instruments that are similar or using a third-party pricing service's consensus price, which is a weighted average price based on multiple sources. These sources determine prices utilizing market income models which factor in, where applicable, transactions of similar assets in active markets, transactions of identical assets in infrequent markets, interest rates, bond or credit default swap spreads and volatility. The Company did not have any financial assets requiring the use of Level 3 inputs as of March 31, 2024 and June 25, 2023.

[Table of Contents](#)

The following table sets forth financial instruments carried at fair value within the U.S. GAAP hierarchy:

(in millions of U.S. Dollars)	March 31, 2024			June 25, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Cash equivalents:</b>						
Money market funds	\$342.4	\$—	\$342.4	\$230.4	\$—	\$230.4
U.S. treasury securities	104.6	—	104.6	20.7	—	20.7
Commercial paper	—	—	—	—	7.0	7.0
<b>Total cash equivalents</b>	<b>447.0</b>	<b>—</b>	<b>447.0</b>	<b>251.1</b>	<b>7.0</b>	<b>258.1</b>
<b>Short-term investments:</b>						
U.S. treasury securities	716.1	—	716.1	260.4	—	260.4
Corporate bonds	—	448.8	448.8	—	495.6	495.6
Municipal bonds	—	110.7	110.7	—	175.3	175.3
Commercial paper	—	53.2	53.2	—	50.2	50.2
U.S. agency securities	—	15.0	15.0	—	76.8	76.8
Certificates of deposit	—	37.5	37.5	—	112.3	112.3
Variable rate demand notes	—	27.2	27.2	—	27.3	27.3
<b>Total short-term investments</b>	<b>716.1</b>	<b>692.4</b>	<b>1,408.5</b>	<b>260.4</b>	<b>937.5</b>	<b>1,197.9</b>
<b>Other long-term investments:</b>						
US corporation common stock	68.1	—	68.1	—	—	—
<b>Total assets</b>	<b>\$1,231.2</b>	<b>\$692.4</b>	<b>\$1,923.6</b>	<b>\$511.5</b>	<b>\$944.5</b>	<b>\$1,456.0</b>

Other long-term investments consists of the MACOM Shares which the Company received as partial consideration in connection with the RF Business Divestiture. These shares are remeasured to fair value each period with changes in the fair value of the shares recognized in non-operating expense (income), net.

**Note 8 – Goodwill and Intangible Assets**

**Goodwill**

There were no changes to goodwill during the nine months ended March 31, 2024.

**Intangible Assets, net**

The following table presents the components of intangible assets, net:

(in millions of U.S. Dollars)	March 31, 2024			June 25, 2023		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Acquisition related intangible assets <sup>(1)</sup>	24.0	(22.6)	1.4	24.0	(21.7)	2.3
Patent and licensing rights	48.4	(26.1)	22.3	55.5	(33.9)	21.6
<b>Total intangible assets</b>	<b>\$72.4</b>	<b>(\$48.7)</b>	<b>\$23.7</b>	<b>\$79.5</b>	<b>(\$55.6)</b>	<b>\$23.9</b>

<sup>(1)</sup> Relates to developed technology

Total amortization of acquisition-related intangibles assets was \$ 0.3 million and \$0.9 million for the three and nine months ended March 31, 2024, respectively, and \$0.2 million and \$1.3 million for the three and nine months ended March 26, 2023, respectively.

Total amortization of patents and licensing rights was \$ 1.0 million and \$3.3 million for the three and nine months ended March 31, 2024, respectively, and \$1.1 million and \$3.2 million for the three and nine months ended March 26, 2023, respectively.

[Table of Contents](#)

Total future amortization expense of intangible assets is estimated to be as follows:

(in millions of U.S. Dollars)

Fiscal Year Ending	Acquisition		
	Related Intangibles	Patents	Total
June 30, 2024 (remainder of fiscal 2024)	\$0.3	\$1.0	\$1.3
June 29, 2025	1.1	3.4	4.5
June 28, 2026	—	2.1	2.1
June 27, 2027	—	1.6	1.6
June 25, 2028	—	1.7	1.7
Thereafter	—	12.5	12.5
<b>Total future amortization expense</b>	<b>\$1.4</b>	<b>\$22.3</b>	<b>\$23.7</b>

**Note 9 – Long-term Debt**

*2026 Convertible Notes*

On April 21, 2020, the Company sold \$ 500.0 million aggregate principal amount of 1.75% convertible senior notes due May 1, 2026 to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act) and an additional \$ 75.0 million aggregate principal amount of such notes pursuant to the exercise in full of the over-allotment options of the underwriters (the 2026 Notes). The total net proceeds from the 2026 Notes offering was approximately \$561.4 million.

The Company used approximately \$144.3 million of the net proceeds from the sale of the 2026 Notes in April 2020 to repurchase approximately \$150.2 million aggregate principal amount of the then outstanding 0.875% convertible senior notes due September 1, 2023, including approximately \$0.2 million of accrued interest on such notes, in privately negotiated transactions.

*2028 Convertible Notes*

On February 3, 2022, the Company sold \$ 650.0 million aggregate principal amount of 0.25% convertible senior notes due February 15, 2028 to qualified institutional buyers pursuant to Rule 144A under the Securities Act and an additional \$ 100.0 million aggregate principal amount of such notes pursuant to the exercise in full of the over-allotment options of the underwriters (the 2028 Notes). The total net proceeds from the 2028 Notes offering was approximately \$732.3 million.

The Company used approximately \$108.2 million of the net proceeds from the 2028 Notes to fund the cost of entering into capped call transactions, as described below.

*Capped Call Transactions in relation to the 2028 Notes*

On January 31, 2022, in connection with the pricing of the 2028 Notes, the Company entered into privately negotiated capped call transactions with certain of the initial purchasers or affiliates thereof (the 2028 Notes Capped Call Counterparties). In connection with the exercise by the initial purchasers of their option to purchase additional notes, the Company entered into additional privately negotiated capped call transactions (such transactions, collectively, the 2028 Notes Capped Call Transactions) with each of the 2028 Notes Capped Call Counterparties. The 2028 Notes Capped Call Transactions initially cover, subject to customary anti-dilution adjustments, the aggregate number of shares of the Company's common stock that initially underlie the 2028 Notes. The 2028 Notes Capped Call Transactions are expected generally to reduce the potential dilutive effect on the common stock upon any conversion of 2028 Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted 2028 Notes, as the case may be, with such reduction and/or offset subject to a cap which initially is \$212.04 per share, representing a premium of 125% over the last reported sale price per share of the Company's common stock on January 31, 2022, subject to certain adjustments under the terms of the 2028 Notes Capped Call Transactions.

The 2028 Notes Capped Call Transactions are separate transactions entered into by the Company with each of the 2028 Notes Capped Call Counterparties, are not part of the terms of the 2028 Notes, and do not affect any holder's rights under the 2028 Notes. Holders of the 2028 Notes do not have any rights with respect to the 2028 Notes Capped Call Transactions.

## [Table of Contents](#)

### **2029 Convertible Notes**

On November 21, 2022, the Company sold \$1,525.0 million aggregate principal amount of 1.875% convertible senior notes due December 1, 2029 to qualified institutional buyers pursuant to Rule 144A under the Securities Act and an additional \$225.0 million aggregate principal amount of such notes pursuant to the exercise in full of the over-allotment options of the underwriters (the 2029 Notes). The total net proceeds from the 2029 Notes offering was approximately \$1,718.6 million.

The Company used approximately \$273.9 million of the net proceeds from the 2029 Notes to fund the cost of entering into capped call transactions, as described below.

#### *Capped Call Transactions in relation to the 2029 Notes*

On November 16, 2022, in connection with the pricing of the 2029 Notes, the Company entered into privately negotiated capped call transactions with certain of the initial purchasers or their affiliates and another financial institution (the 2029 Notes Capped Call Counterparties). In connection with the exercise by the initial purchasers of their option to purchase additional notes, the Company entered into additional privately negotiated capped call transactions (such transactions, collectively, the 2029 Notes Capped Call Transactions) with each of the 2029 Notes Capped Call Counterparties. The 2029 Notes Capped Call Transactions initially cover, subject to customary anti-dilution adjustments, the aggregate number of shares of the Company's common stock that initially underlie the 2029 Notes. The 2029 Notes Capped Call Transactions are expected generally to reduce the potential dilutive effect on the common stock upon any conversion of 2029 Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted 2029 Notes, as the case may be, with such reduction and/or offset subject to a cap which initially is \$202.538 per share, representing a premium of 130% over the last reported sale price per share of our common stock on November 16, 2022, subject to certain adjustments under the terms of the 2029 Notes Capped Call Transactions.

The 2029 Notes Capped Call Transactions are separate transactions entered into by the Company with each of the 2029 Notes Capped Call Counterparties, are not part of the terms of the 2029 Notes, and do not affect any holder's rights under the 2029 Notes. Holders of the 2029 Notes do not have any rights with respect to the 2029 Notes Capped Call Transactions.

#### *Accounting for the 2026 Notes, 2028 Notes and 2029 Notes*

Debt issuance costs for the 2026 Notes, 2028 Notes and 2029 Notes are amortized to interest expense over their respective terms at an effective annual interest rate of 2.2%, 0.6% and 2.1%, respectively.

The 2026 Notes, 2028 Notes and 2029 Notes (the Outstanding Convertible Notes) are equal in right of payment to any of the Company's unsecured indebtedness; senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Outstanding Convertible Notes; effectively subordinated in right of payment of any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally subordinated to all indebtedness and other liabilities (including trade payables) of the Company's subsidiaries.

The net carrying amount of the liability component of the Outstanding Convertible Notes is as follows:

(in millions of U.S. Dollars)	March 31, 2024	June 25, 2023
Principal	\$3,075.0	\$3,075.0
Unamortized discount and issuance costs	(42.4)	(49.4)
Net carrying amount	\$3,032.6	\$3,025.6

The last reported sale price of the Company's common stock was not greater than or equal to 130% of the applicable conversion price for any of the Outstanding Convertible Notes for at least 20 trading days in the 30 consecutive trading days ended on March 31, 2024. As a result, none of the Outstanding Convertible Notes are convertible at the option of the holders through March 31, 2024.

### **2030 Senior Notes**

On June 23, 2023 (the Issue Date), the Company sold \$1,250 million aggregate principal amount of senior secured notes due 2030 (the 2030 Senior Notes). The total net proceeds from the 2030 Senior Notes was approximately \$1,149.3 million. The total net proceeds are net of debt issuance costs and an original issue discount of \$50.0 million.

The 2030 Senior Notes bear interest (i) during the first three years after the Issue Date at a rate of 9.875% per annum, (ii) during the fourth year after the Issue Date at a rate of 10.875% per annum, and (iii) at all times thereafter, 11.875% per annum, and

## [Table of Contents](#)

will mature on the earlier of (x) June 23, 2030 and (y) September 1, 2029, if more than \$ 175.0 million in aggregate principal amount of the 2029 Notes remain outstanding on such date. Subject to the fulfillment of certain conditions precedent, the Company may, at its discretion, issue and sell additional 2030 Senior Notes in an amount not to exceed \$750.0 million.

The Indenture related to the 2030 Senior Notes (the 2030 Senior Notes Indenture) requires the Company to make an offer to repurchase the 2030 Senior Notes with 100% of the net cash proceeds of (x) certain core asset sales and casualty events and (y) certain non-core asset sales and casualty events, in either case in excess of \$25.0 million since the Issue Date, subject to the ability to (so long as no default or event of default exists under the 2030 Senior Notes Indenture) reinvest the proceeds of such casualty events and asset sales (other than the proceeds of sales of certain core assets of the Company), at a price equal to the lesser of (i) 109.875% of the principal amount of the 2030 Senior Notes being repurchased and (ii) if such disposition or casualty event occurred (x) during the fourth year after the Issue Date, 109.40625% of the principal amount of such 2030 Senior Notes being repurchased, (y) during the fifth year after the Issue Date, 104.9375% of the principal amount of such 2030 Senior Notes being repurchased and (z) during and after the sixth year after the Issue Date, 100% of the principal amount of such 2030 Senior Notes being repurchased (this clause (ii), the Applicable Redemption Price). The Company is also required to offer to repurchase the 2030 Senior Notes upon a change in control, at a price equal to, (i) if the change of control occurs during the first three years after the Issue Date, a customary make-whole redemption price minus 3.00% of the principal amount of Senior Notes being purchased and (ii) if such change of control occurs after the third anniversary of the Issue Date, the Applicable Redemption Price. The Company may prepay the 2030 Senior Notes at any time, subject to: (i) if the prepayment occurs prior to the third anniversary of the Issue Date, by paying a customary make-whole premium and (ii) if the prepayment occurs on or after the third anniversary of the Issue Date, by paying the Applicable Redemption Price. Further, the Company has the right, prior to the third anniversary of the Issue Date, to make an optional redemption of up to 35% of the aggregate principal amount of the 2030 Senior Notes with the proceeds of qualified equity issuances, at a redemption price equal to 109.875%.

The 2030 Senior Notes Indenture contains certain customary affirmative covenants, negative covenants and events of default, including a liquidity maintenance financial covenant requiring the Company to have an aggregate amount of unrestricted cash and cash equivalents maintained in accounts over which the trustee and collateral agent has been granted a perfected first lien security interest of at least \$500.0 million as of the last day of any calendar month (the Liquidity Covenant). Upon the Company achieving 30% utilization at its silicon carbide device fabrication facility in Marcy, New York and generating at least \$240.0 million of revenue from the Company's Power product line, that are manufactured or produced on wafers that are fabricated at the Marcy, New York facility (the MVF Products), in each case over a six-month period, the level of the Liquidity Covenant shall be permanently reduced to \$325.0 million. Upon the Company achieving 50% utilization at its Marcy, New York facility and generating at least \$ 450.0 million of revenue from MVF Products, in each case over a six-month period, the Liquidity Covenant will be permanently reduced to zero.

As of March 31, 2024, the Company was in compliance with all covenants relating to the 2030 Senior Notes.

The 2030 Senior Notes are superior in right of payment to the Company's unsecured indebtedness to the extent of the collateral securing the 2030 Senior Notes. Beyond the value of the collateral securing the 2030 Notes, the 2026 Notes, 2028 Notes, 2029 Notes and 2030 Senior Notes (the Corporate Debt Holdings) are equal in right of payment to any of the Company's unsecured indebtedness; senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Corporate Debt Holdings; effectively subordinated in right of payment of any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally subordinated to all indebtedness and other liabilities (including trade payables) of the Company's subsidiaries.

Debt issuance costs in relation to the 2030 Senior Notes were accounted for as a reduction of the principal balance and, along with the original issue discount, will be amortized over the term of the 2030 Senior Notes at an effective interest rate of 12.4%.

### *CRD Agreement Deposits*

In July 2023, the Company entered into an Unsecured Customer Refundable Deposit Agreement (the CRD Agreement) with a customer, pursuant to which the customer will provide the Company up to \$2 billion in unsecured deposits. Under the CRD Agreement, the Company received an initial deposit of \$1 billion with the option to receive additional deposits up to an additional \$ 1 billion at the Company's request, subject to certain conditions during the 2024 calendar year. On February 27, 2024, the Company received an additional deposit of \$500 million (the second draw). Unless previously terminated in accordance with its terms, the CRD Agreement will mature on July 5, 2033, and the amount of the deposits, together with accrued and unpaid interest, will be required to be repaid to the customer at such time.

[Table of Contents](#)

The deposits under the CRD Agreement bear interest, payable on a semi-annual basis, at a base rate of 6% per annum, with the potential for an increased variable rate of either 10% or 15% in connection with any inability of the Company to satisfy supply targets under a ten-year wafer supply agreement with the same customer. The Company may voluntarily prepay the deposits, in whole or in part, at any time at a price equal to 106% of the principal amount of the deposits prepaid. Upon the occurrence of a change of control, the customer may require the Company to prepay the deposits in whole at a variable prepayment price depending on the day of prepayment.

Debt issuance costs for the CRD Agreement related to the full deposit capacity under the agreement. A portion of the debt issuance costs were accounted for on a pro rata basis as a reduction of the principal balance for the initial deposit and the second draw, and will be amortized over the term of the deposit at an effective interest rate of 6.3%. During the third quarter of fiscal 2024, the debt issuance costs allocated to the second draw were \$11.4 million and these costs were reclassified from prepaid expense and recorded as a reduction of principal related to the additional deposit received. The remaining debt issuance costs of approximately \$11.4 million are recorded as a prepaid expense and will be recorded as a reduction of the principal balance, on a pro rata basis, if additional deposits are drawn under the CRD Agreement.

The CRD Agreement contains certain customary affirmative covenants, negative covenants and events of default. As of March 31, 2024, the Company was in compliance with all covenants related to this agreement.

The net carrying amount of the liability component of the 2030 Senior Notes and the deposits under the CRD Agreement is as follows:

(in millions of U.S. Dollars)	March 31, 2024	June 25, 2023
Principal	\$2,750.0	\$1,250.0
Unamortized discount and issuance costs	(118.3)	(100.5)
Net carrying amount	\$2,631.7	\$1,149.5

*Interest Expense*

The interest expense, net recognized related to the Corporate Debt Holdings and the deposits under the CRD Agreement is as follows:

(in millions of U.S. Dollars)	Three months ended		Nine months ended	
	March 31, 2024	March 26, 2023	March 31, 2024	March 26, 2023
Interest expense, net of capitalized interest	\$51.7	\$11.0	\$161.4	\$19.7
Amortization of discount and debt issuance costs, net of capitalized interest	7.0	2.3	21.6	5.2
Total interest expense, net	\$58.7	\$13.3	\$183.0	\$24.9

The Company capitalizes interest in connection with ongoing capacity expansions. For the three and nine months ended March 31, 2024, the Company capitalized \$8.6 million and \$16.1 million of interest expense, respectively, and \$ 1.1 million and \$2.1 million of amortization of issuance costs, respectively. For both the three and nine months ended March 26, 2023, the Company capitalized \$0.2 million of interest expense and less than \$ 0.1 million of amortization of issuance costs.

#### Note 10 – Loss Per Share

The details of the computation of basic and diluted loss per share are as follows:

(in millions of U.S. Dollars, except share data)	Three months ended		Nine months ended	
	March 31, 2024	March 26, 2023	March 31, 2024	March 26, 2023
Net loss from continuing operations	(\$148.9)	(\$83.1)	(\$398.7)	(\$169.3)
Net loss from discontinued operations	\$—	(\$16.4)	(\$290.6)	(\$47.3)
Weighted average shares - basic and diluted (in thousands)	125,830	124,439	125,514	124,273
<b>Loss per share - basic and diluted:</b>				
Continuing operations	(\$1.18)	(\$0.67)	(\$3.18)	(\$1.36)
Discontinued operations	\$—	(\$0.13)	(\$2.32)	(\$0.38)

Diluted net loss per share is the same as basic net loss per share for the periods presented due to potentially dilutive items being anti-dilutive given the Company's net loss.

For the three and nine months ended March 31, 2024, 4.0 million and 3.9 million of weighted average shares, respectively, were excluded from the calculation of diluted loss per share because their effect would be anti-dilutive. For both the three and nine months ended March 26, 2023, 2.9 million of weighted average shares were excluded from the calculation of diluted loss per share because their effect would be anti-dilutive.

Future earnings per share of the Company are also subject to dilution from conversion of its Outstanding Convertible Notes under certain conditions as described in Note 9, "Long-term Debt."

#### Note 11 – Stock-Based Compensation

##### *Overview of Employee Stock-Based Compensation Plans*

The Company currently has one equity-based compensation plan, the 2023 Long-Term Incentive Compensation Plan (the 2023 LTIP), from which stock-based compensation awards can be granted to employees and directors. In October 2023, the 2023 LTIP replaced the Company's previous equity-based compensation plan, the 2013 Long-Term Incentive Compensation Plan (the 2013 LTIP, and together with the 2023 LTIP, the LTIPs). The LTIPs provide awards in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other awards.

The Company also has an Employee Stock Purchase Plan (ESPP) that provides employees with the opportunity to purchase common stock at a discount. The ESPP limits employee contributions to 15% of each employee's compensation (as defined in the ESPP) and allows employees to purchase shares at a 15% discount, subject to IRS limitations. The ESPP provides for a twelve-month participation period, divided into two equal six-month purchase periods, and also provides for a look-back feature. At the end of each six-month period in April and October, participants may purchase the Company's common stock through the ESPP at a 15% discount to the fair market value of the common stock on the first day of the twelve-month participation period or the purchase date, whichever is lower. The ESPP also provides for an automatic reset feature to start participants on a new twelve-month participation period if the fair market value of common stock declines during the first six-month purchase period.

**Restricted Stock Units**

A summary of nonvested restricted stock unit awards (RSUs) outstanding as of March 31, 2024 and changes during the nine months then ended is as follows:

<i>(unit awards in thousands)</i>	<b>Number of RSUs</b>	<b>Weighted Average Grant-Date Fair Value</b>
Nonvested at June 25, 2023	2,340	\$85.32
Granted	2,119	\$61.55
Vested	(973)	\$78.33
Forfeited	(371)	\$77.25
Nonvested at March 31, 2024	<u><u>3,115</u></u>	<u><u>\$72.29</u></u>

**Stock-Based Compensation Valuation and Expense**

The Company accounts for its employee stock-based compensation plans using the fair value method. The fair value method requires the Company to estimate the grant-date fair value of its stock-based awards and amortize this fair value to compensation expense over the requisite service period or vesting term.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the Company's ESPP awards. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the expected stock price volatility over the term of the awards, the risk-free interest rate and expected dividends. Due to the inherent limitations of option-valuation models, future events that are unpredictable and the estimation process utilized in determining the valuation of the stock-based awards, the ultimate value realized by award holders may vary significantly from the amounts expensed in the Company's financial statements.

For service-based RSUs and performance-based RSUs with internal metrics, the grant-date fair value is based upon the market price of the Company's common stock on the date of the grant. For performance-based RSUs, the Company reassesses the probability of the achievement of the performance condition at each reporting period and adjusts the compensation expense for subsequent changes in the estimate or actual outcome. This fair value is then amortized to compensation expense over the requisite service period or vesting term.

For performance-based awards with market conditions, the Company estimates the grant date fair value using the Monte Carlo valuation model and expenses the awards over the vesting period regardless of whether the market condition is ultimately satisfied.

Stock-based compensation expense is recognized net of estimated forfeitures such that expense is recognized only for those stock-based awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates.

The Black-Scholes and Monte Carlo option pricing models require the input of highly subjective assumptions. These assumptions represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, recorded share-based compensation expense could have been materially different from that depicted below.

Total stock-based compensation expense was classified in the consolidated statements of operations as follows:

<i>(in millions of U.S. Dollars)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>March 31, 2024</b>	<b>March 26, 2023</b>	<b>March 31, 2024</b>	<b>March 26, 2023</b>
Cost of revenue, net	\$7.6	\$5.5	\$20.0	\$16.8
Research and development	3.0	2.3	9.1	8.8
Sales, general and administrative	11.2	9.6	34.8	30.7
Total stock-based compensation expense	<u><u>\$21.8</u></u>	<u><u>\$17.4</u></u>	<u><u>\$63.9</u></u>	<u><u>\$56.3</u></u>

Stock-based compensation expense may differ from the impact of stock-based compensation to additional paid in capital due to manufacturing related stock-based compensation capitalized within inventory.

#### **Note 12 – Income Taxes**

In general, the variation between the Company's effective income tax rate and the U.S. statutory rate of 21% is primarily due to: (i) changes in the Company's valuation allowances against deferred tax assets in the U.S., (ii) projected income for the full year derived from international locations with differing tax rates than the U.S. and (iii) projected tax credits generated.

The Company assesses all available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets by jurisdiction. As of March 31, 2024, the Company has concluded that it is necessary to recognize a full valuation allowance against its U.S. deferred tax assets.

U.S. GAAP requires a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is cumulatively more than 50% likely to be realized upon ultimate settlement.

As of June 25, 2023, the Company's liability for unrecognized tax benefits was \$ 9.8 million. During the nine months ended March 31, 2024, the Company recognized a \$1.3 million decrease to the liability for unrecognized tax benefits due to statute expiration and a \$ 0.5 million increase to the liability for unrecognized tax benefits due to an increase in generated research and development credits. As a result, the total liability for unrecognized tax benefits as of March 31, 2024 was \$9.0 million. If any portion of this \$9.0 million is recognized, the Company will then include that portion in the computation of its effective tax rate. Although the ultimate timing of the resolution and/or closure of audits is highly uncertain, the Company believes it is reasonably possible that \$0.8 million of gross unrecognized tax benefits will change in the next 12 months as a result of statutory requirements or settlement with tax authorities.

The Company files U.S. federal, U.S. state and foreign tax returns. For U.S. federal purposes, the Company is generally no longer subject to tax examinations for fiscal years prior to 2018. For U.S. state tax returns, the Company is generally no longer subject to tax examinations for fiscal years prior to 2019. For foreign purposes, the Company is generally no longer subject to examination for tax periods prior to 2013. Certain carryforward tax attributes generated in prior years remain subject to examination, adjustment and recapture.

#### **Note 13 – Commitments and Contingencies**

##### ***Litigation***

The Company is currently a party to various legal proceedings, including the case described below. While management presently believes that the ultimate outcome of such proceedings, individually and in the aggregate, will not materially harm the Company's financial position, cash flows, or overall trends in results of operations, legal proceedings are subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or, in matters for which injunctive relief or other conduct remedies may be sought, an injunction prohibiting the Company from selling one or more products at all or in particular ways. Were unfavorable final outcomes to occur, there exists the possibility of a material adverse impact on the Company's business, results of operations, financial position and overall trends. The outcomes in these matters are not reasonably estimable.

In October 2021, The Trustees of Purdue University (Purdue) filed a complaint against the Company in the U.S. District Court for the Middle District of North Carolina, alleging infringement of U.S. Patent Nos. 7,498,633 (the '633 Patent), entitled "High-voltage power semiconductor device," and 8,035,112 (the '112 Patent), entitled "SIC power DMOSFET with self-aligned source contact." In the complaint, Purdue also alleges willful infringement, and seeks unspecified monetary damages and attorneys' fees. In August 2022, Purdue voluntarily withdrew all allegations as to the '112 Patent after having disclaimed all rights to that patent. The Company denies Purdue's remaining allegations and has developed numerous defenses, including non-infringement, multiple invalidity grounds, and unenforceability due to inequitable conduct before the U.S. Patent & Trademark Office. The Company expects discovery in this matter to conclude in August 2024, with a trial date most likely in 2025. Due to the stage of the case, the Company is unable to estimate the possible range of loss, if any, at this time.

#### **Grant Disbursement Agreement (GDA) with the State of New York**

The Company currently has a GDA with the State of New York Urban Development Corporation (doing business as Empire State Development). The GDA provides a potential total grant amount of \$500.0 million to partially and fully reimburse the Company for certain property, plant and equipment costs related to the Company's construction of its silicon carbide device fabrication facility in Marcy, New York.

The GDA was signed in the fourth quarter of fiscal 2020 and requires the Company to satisfy a number of objectives for the Company to receive reimbursements through the span of the 13-year agreement. These objectives include maintaining a certain level of local employment, investing a certain amount in locally administered research and development activities and the payment of an annual commitment fee for the first six years. Additionally, the Company has agreed, under a separate agreement (the SUNY Agreement), to sponsor the creation of two endowed faculty chairs and fund a scholarship program at SUNY Polytechnic Institute.

As of March 31, 2024, the annual cost of satisfying the objectives of the GDA and the SUNY Agreement, excluding the direct and indirect costs associated with employment, varies from \$2.7 million to \$5.2 million per year through fiscal 2031.

As of March 31, 2024, the Company has reduced property and equipment, net by a total of \$ 500.0 million as a result of GDA reimbursements, of which \$425.4 million has been received in cash and an additional \$ 74.6 million in receivables are recorded in other current assets and in other assets in the consolidated balance sheet. The Company started receiving cash reimbursements in the fourth quarter of fiscal 2021.

#### **Supply Commitments**

From time to time, the Company may enter into agreements with its suppliers which require the Company to commit to a minimum of product purchases or make capacity reservation deposits.

In the third quarter of fiscal 2023, the Company entered into an agreement with a supplier which requires a minimum commitment of product purchases on a take-or-pay basis of \$200.0 million over the life of the contract. During the three and nine months ended March 31, 2024, the Company purchased \$3.4 million and \$16.0 million of product under this agreement, respectively. As of March 31, 2024, minimum future product purchases have been satisfied for fiscal 2024, and minimum future product purchases for fiscal years 2025, 2026, 2027 and 2028 are \$26.8 million, \$36.0 million, \$50.1 million and \$73.7 million, respectively.

In addition, the Company will pay quarterly capacity reservation deposits through the second quarter of fiscal 2026. The capacity reservation deposits will total \$60.0 million and are refundable through credits on future product purchases. As of March 31, 2024, the Company has paid \$ 31.9 million in connection with the agreement, which is recognized in prepaid expenses and other long-term assets on the consolidated balance sheet.

In the second quarter of fiscal 2024, the Company entered into an agreement with another supplier which requires a minimum commitment of product purchases on a take-or-pay basis of \$86.4 million over the life of the contract. During the three and nine months ended March 31, 2024, the Company purchased \$7.2 million and \$12.0 million of product under this agreement, respectively, which satisfied the minimum future product purchases for the period. Minimum future product purchase for the remainder of fiscal 2024 and fiscal years 2025, 2026 and 2027 are \$7.2 million, \$28.8 million, \$28.8 million and \$9.6 million, respectively.

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

Information set forth in this Quarterly Report on Form 10-Q contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All information contained in this report relative to future markets for our products and trends in and anticipated levels of revenue, gross margins and expenses, as well as other statements containing words such as "believe," "project," "may," "will," "anticipate," "target," "plan," "estimate," "expect" and "intend" and other similar expressions constitute forward-looking statements. These forward-looking statements are subject to business, economic and other risks and uncertainties, both known and unknown, and actual results may differ materially from those contained in the forward-looking statements. Any forward-looking statements we make are as of the date made, and except as required under the U.S. federal securities laws and the rules and regulations of the Securities and Exchange Commission (the SEC), we have no duty to update them if our views later change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this Quarterly Report. Examples of risks and uncertainties that could cause actual results to differ materially from historical performance and any forward-looking statements include, but are not limited to, those described in "Risk Factors" in Part II, Item 1A of this Quarterly Report.

### **Executive Summary**

The following discussion is designed to provide a better understanding of our unaudited consolidated financial statements, including a brief discussion of our business and products, key factors that impacted our performance and a summary of our operating results. The following discussion should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended June 25, 2023 (the 2023 Form 10-K). Historical results and percentage relationships among any amounts in the financial statements are not necessarily indicative of trends in operating results for any future periods. Unless otherwise noted, the following information and discussion relates to our continuing operations.

### **Overview**

Wolfspeed, Inc. (Wolfspeed, we, our, or us) is an innovator of wide bandgap semiconductors, focused on silicon carbide materials and devices for power applications. Our product families include power devices and silicon carbide and gallium nitride (GaN) materials. Our products are targeted for various applications such as electric vehicles, fast charging and renewable energy and storage.

Our materials products and power devices are used in electric vehicles, motor drives, power supplies, solar and transportation applications. Our materials products are also used in military communications, radar, satellite and telecommunication applications.

During and prior to fiscal 2024, we designed, manufactured and sold radio-frequency (RF) devices. As discussed more fully above in Note 2, "Discontinued Operations," to our unaudited consolidated financial statements in Part I, Item 1 of this Quarterly Report, we completed the sale of certain assets comprising our former RF product line (the RF Business Divestiture) in the second quarter of fiscal 2024.

The RF Business Divestiture represented a strategic shift that had a major effect on our operations and financial results. As a result, we have classified the results and cash flows of the RF product line as discontinued operations in our consolidated statements of operations and consolidated statements of cash flows for all periods presented. Additionally, the related assets and liabilities associated with the transaction are classified as held for sale in the consolidated balance sheets as of June 25, 2023. Unless otherwise noted, discussion within this Quarterly Report to the consolidated financial statements relates to our continuing operations.

The majority of our products are manufactured at our production facilities located in North Carolina, New York and Arkansas. We also use contract manufacturers, some of which include captive lines, for certain products and aspects of product fabrication, assembly and packaging. We operate research and development facilities in North Carolina, Arkansas and New York.

Wolfspeed, Inc. is a North Carolina corporation established in 1987, and our headquarters are in Durham, North Carolina. For further information about our consolidated revenue and earnings, please see our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report.

### **Industry Dynamics and Trends**

There are a number of industry factors that affect our business which include, among others:

- *Supply Constraints.* The semiconductor industry has experienced supply constraints for certain items. We have successfully managed through challenges relating to obtaining certain necessary production and processing equipment thus far and have continued to see supply availabilities and lead times stabilize across many direct materials. In addition, although we have not experienced significant impacts to date, the ongoing military conflict between Russia and Ukraine and the ongoing conflicts in the Middle East may further exacerbate global supply constraints. The current high demand for our products has also led to supply constraints for our customers. We are working closely with our customer base to best match our supply to their demand. We have taken steps to provide continuity to our customers to the extent possible, including entering into purchase agreements and providing capacity reserve deposits with our suppliers to secure future supply to us, although we expect that our production capacity constraints as we continue to bring additional capacity online may continue to limit our shipments to our customers.
- *Overall Demand for Products and Applications Using Our Wolfspeed Materials and Devices.* Our potential for growth depends significantly on the continued adoption of silicon carbide materials, device products in the power markets and our ability to win new designs for these applications. Demand also fluctuates based on various domestic and global economic and market cycles, continuously evolving industry supply chains, trade and tariff terms, and inflationary impacts, as well as evolving competitive dynamics in each of our respective markets. These uncertainties make demand difficult to forecast for us and our customers. Recently, we and other semiconductor companies have been experiencing softening demand for power products in industrial and energy applications. Conversely, we continue to experience high demand for our power products designed for electrical vehicle applications. We believe the increased demand for our power products reflects the value that the industry places on a transition to silicon carbide materials and devices while also evidencing the growing global focus on adopting higher efficiency energy solutions, including electric vehicle and related technologies. We believe these trends could have a significant positive impact on revenues in future periods as we increase capacity to meet this increased demand.
- *Intense and Constantly Evolving Competitive Environment.* Competition in the industries we serve is intense. Many companies have made significant investments in product development, production equipment and production facilities. To remain competitive, market participants must continuously increase product performance, reduce costs and develop improved ways to serve their customers. In addition, market participants often undertake pricing strategies to gain or protect market share, increase the utilization of their production capacity and open new applications in the power markets we serve. To address these competitive pressures, we have invested in new production facilities, as well as research and development activities to support new product development, lower product costs and increase levels of product performance to differentiate our products in the market. In addition, we invest in systems, people and new processes to improve our ability to deliver a better overall experience for our customers.
- *Governmental Trade and Regulatory Conditions.* Our potential for growth, as with most multi-national companies, depends on a balanced and stable trade, political, geopolitical, economic and regulatory environment in the countries where we do business. Changes in trade policy, such as the imposition or extension of tariffs or export bans to specific customers or countries, could reduce or limit demand for, or increase the cost of production of, our products in certain markets.
- *Technological Innovation and Advancement.* Innovations and advancements in materials and power technologies continue to expand the potential commercial application for our products. However, new technologies or standards could emerge or improvements could be made in existing technologies that could reduce or limit the demand for our products in certain markets.
- *Intellectual Property Issues.* Market participants rely on patented and non-patented proprietary information associated with product development, manufacturing capabilities and other core competencies of their business. Protection of intellectual property is critical. Therefore, steps such as additional patent applications, confidentiality and non-disclosure agreements, as well as other security measures are generally taken. To enforce or protect intellectual property rights, litigation or threatened litigation is common.

### **Overview of the nine months ended March 31, 2024**

The following is a summary of our continuing operations financial results as of and for the nine months ended March 31, 2024 compared to the nine months ended March 26, 2023, unless otherwise stated.

- Our year-over-year revenue increased \$50.7 million to \$606.5 million.
- Gross margin decreased to 12.4% from 33.1%. Gross profit decreased to \$75.0 million from \$184.2 million. Gross margin and gross profit for the nine months ended March 31, 2024 include the impacts of \$100.4 million of underutilization costs primarily in connection with the start of production at our silicon carbide device fabrication

facility in New York (the Mohawk Valley Fab), which began revenue production in late fiscal 2023. Costs related to the Mohawk Valley Fab for the nine months ended March 26, 2023 were classified as operating expenses within factory start-up costs.

- Operating loss was \$299.4 million compared to \$222.2 million.
- Diluted loss per share was \$3.18 compared to \$1.36.
- Combined cash, cash equivalents and short-term investments was \$2,550.9 million at March 31, 2024 and \$2,954.9 million at June 25, 2023.
- Long-term debt, net was \$5,664.3 million at March 31, 2024 and \$4,175.1 million at June 25, 2023.
- Cash used in operating activities was \$431.8 million compared to \$63.5 million.
- Purchases of property and equipment, net were \$1,451.3 million (net of \$178.4 million in reimbursements) compared to \$393.9 million (net of \$131.0 million in reimbursements).
- Design-ins were \$7.1 billion compared to \$6.5 billion.
- Design-wins were \$5.3 billion compared to \$1.5 billion.

#### ***Business Outlook***

We believe we are uniquely positioned as an innovator in the global semiconductor industry. The strength of our balance sheet provides us the ability to invest in our business and increase production capacity, as indicated by the Mohawk Valley Fab, our new state-of-the-art, automated 200mm silicon carbide device fabrication facility, where we started revenue production in late fiscal 2023. In addition, an expansion of our materials factory in Durham, North Carolina, the construction of a new materials manufacturing facility in Siler City, North Carolina, the renovation of an epitaxy facility in Farmers Branch, Texas, and our plan to construct a new silicon carbide device fabrication facility in Saarland, Germany are all expected to increase our production capacity.

We are primarily focused on investing in our business to expand the scale of production, further develop the technologies, and accelerate the growth opportunities of silicon carbide materials, silicon carbide power devices and modules. We believe these efforts will support our goals of delivering higher revenue and shareholder returns over time.

In addition, we are focused on improving the number of usable items in a production cycle (yield) as our manufacturing technologies become more complex. Despite increased complexities in our manufacturing processes, we believe we are in a favorable position to improve yield levels to support our future growth, particularly as we transition more production to the Mohawk Valley Fab.

We believe we have the ability to navigate the current environment while maintaining our capital expenditure plans to support future growth to meet long-term demand, although demand in the short-term and mid-term appears to be ahead of the industry's supply capabilities. For fiscal 2024, we have targeted approximately \$2.0 billion of net capital investment.

#### ***Design-ins***

Design-ins are customer commitments to purchase our products and are one of the factors we use to forecast long-term demand and future revenue. To meet the qualification of a design-in, the customer provides us with documentation (e.g., a letter of intent, statement of work or developmental contract) that can include details such as the expected delivery timeline, estimated price, necessary capacity and required support. A design-in, even with a formal commitment, does not always convert to future revenue (a "design-win") for a variety of reasons, including, but not limited to, the customer delaying or abandoning the project, capacity constraints, timeline challenges, and/or technology changes. Therefore, management uses the design-in amount as a guide to forecast future demand but it should not be taken as an absolute indicator of future revenue.

#### ***Design-wins***

Design-ins are considered design-wins when a customer issues a purchase order for at least 20% of the expected first year revenue. Design-wins reflect each project's entire commitment at the time this criterion is satisfied and should not be taken as an absolute indicator of future revenue. Depending on timing, certain projects may be reflected within a single period's design-in and design-win figures.

### Fiscal Quarters

Our fiscal quarters end on the last Sunday of the month in September, December, March and June. Each fiscal quarter is generally 13 weeks as part of a 52-week fiscal year. Occasionally, we have a 53-week fiscal year, and in those instances, one quarter within the fiscal year is comprised of 14 weeks instead of 13 weeks.

Fiscal 2024 is a 53-week fiscal year, and the second quarter of fiscal 2024 was a 14-week fiscal quarter. Fiscal 2023 was a 52-week fiscal year.

### Results of Operations

Selected consolidated statements of operations data for the three and nine months ended March 31, 2024 and March 26, 2023 were as follows:

(in millions of U.S. Dollars, except share data)	Three months ended				Nine months ended			
	March 31, 2024		March 26, 2023		March 31, 2024		March 26, 2023	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
<b>Revenue, net</b>	<b>\$200.7</b>	<b>100.0 %</b>	<b>\$192.6</b>	<b>100.0 %</b>	<b>\$606.5</b>	<b>100.0 %</b>	<b>\$555.8</b>	<b>100.0 %</b>
Cost of revenue, net	178.2	88.8 %	132.8	69.0 %	531.5	87.6 %	371.6	66.9 %
<b>Gross profit</b>	<b>22.5</b>	<b>11.2 %</b>	<b>59.8</b>	<b>31.0 %</b>	<b>75.0</b>	<b>12.4 %</b>	<b>184.2</b>	<b>33.1 %</b>
Research and development	52.5	26.2 %	42.4	22.0 %	141.9	23.4 %	122.1	22.0 %
Sales, general and administrative	55.8	27.8 %	55.1	28.6 %	184.8	30.5 %	155.5	28.0 %
Factory start-up costs	14.4	7.2 %	44.6	23.2 %	33.3	5.5 %	120.6	21.7 %
Amortization of acquisition-related intangibles	0.3	0.1 %	0.2	0.1 %	0.9	0.1 %	1.3	0.2 %
Loss on disposal or impairment of other assets	0.6	0.3 %	1.7	0.9 %	1.0	0.2 %	1.9	0.3 %
Other operating expense	5.3	2.6 %	1.5	0.8 %	12.5	2.1 %	5.0	0.9 %
<b>Operating loss</b>	<b>(106.4)</b>	<b>(53.0) %</b>	<b>(85.7)</b>	<b>(44.5) %</b>	<b>(299.4)</b>	<b>(49.4) %</b>	<b>(222.2)</b>	<b>(40.0) %</b>
Non-operating expense (income), net	42.4	21.1 %	(2.9)	(1.5) %	98.7	16.3 %	(53.4)	(9.6) %
<b>Loss before income taxes</b>	<b>(148.8)</b>	<b>(74.1) %</b>	<b>(82.8)</b>	<b>(43.0) %</b>	<b>(398.1)</b>	<b>(65.6) %</b>	<b>(168.8)</b>	<b>(30.4) %</b>
Income tax expense	0.1	— %	0.3	0.2 %	0.6	0.1 %	0.5	0.1 %
<b>Net loss from continuing operations</b>	<b>(148.9)</b>	<b>(74.2) %</b>	<b>(83.1)</b>	<b>(43.1) %</b>	<b>(398.7)</b>	<b>(65.7) %</b>	<b>(169.3)</b>	<b>(30.5) %</b>
Net loss from discontinued operations	—	— %	(16.4)	(8.5) %	(290.6)	(47.9) %	(47.3)	(8.5) %
<b>Net loss</b>	<b>(\$148.9)</b>	<b>(74.2) %</b>	<b>(\$99.5)</b>	<b>(51.7) %</b>	<b>(\$689.3)</b>	<b>(113.7) %</b>	<b>(\$216.6)</b>	<b>(39.0) %</b>
<b>Basic and diluted loss per share</b>								
Continuing operations	(\$1.18)		(\$0.67)		(\$3.18)		(\$1.36)	
Discontinued operations	—		(0.13)		(2.32)		(0.38)	

### Revenue

Revenue was as follows:

(in millions of U.S. Dollars)	Three months ended			Nine months ended				
	March 31, 2024	March 26, 2023	Change	March 31, 2024	March 26, 2023	Change		
Power Products	\$102.1	\$101.6	\$0.5	— %	\$311.0	\$302.1	\$8.9	3 %
Materials Products	\$98.6	\$91.0	\$7.6	8 %	\$295.5	\$253.7	\$41.8	16 %
<b>Revenue</b>	<b>\$200.7</b>	<b>\$192.6</b>	<b>\$8.1</b>	<b>4 %</b>	<b>\$606.5</b>	<b>\$555.8</b>	<b>\$50.7</b>	<b>9 %</b>

Revenue for the three and nine months ended March 31, 2024 compared to the three and nine months ended March 26, 2023 increased primarily due to growth in our materials product line, where we improved output to meet strong demand.

Additionally, our power product line revenue increased primarily in connection with the addition of revenue from our Mohawk Valley Fab in fiscal 2024, partially offset by the impact of softening demand in industrial applications in Hong Kong.

Gross Profit and Gross Margin

Gross profit and gross margin were as follows:

(in millions of U.S. Dollars)	Three months ended		Change		Nine months ended		Change	
	March 31, 2024	March 26, 2023			March 31, 2024	March 26, 2023		
Gross profit	\$22.5	\$59.8	(\$37.3)	(62)%	\$75.0	\$184.2	(\$109.2)	(59)%
Gross margin	11.2 %	31.0 %			12.4 %	33.1 %		

As explained further below in Factory Start-up Costs, the operating costs of each of our new facilities will largely be reflected in cost of revenue, net once each facility reaches revenue generating production. During the period when revenue production begins, but before the facility is at its expected utilization level, we expect some of the costs to operate the facility will not be absorbed into the cost of inventory. We expect that these costs will continue to be substantial as we ramp up the facility to the expected or normal utilization level. The costs incurred to operate the facility in excess of the costs absorbed into inventory are referred to as underutilization costs and are expensed as incurred to cost of revenue, net. We expect gross profit and gross margin to continue to be significantly impacted in future periods from these underutilization costs in connection with our new facility construction and expansion projects, the costs of which have solely been expensed as factory start-up costs prior to fiscal 2024.

The decrease in gross profit and gross margin for both periods presented as compared to the prior year periods was primarily due to underutilization costs incurred within cost of revenue in connection with the start of production at our Mohawk Valley Fab, which began revenue production in late fiscal 2023. Underutilization costs were \$30.4 million and \$100.4 million for the three and nine months ended March 31, 2024, respectively. Costs relating to the Mohawk Valley Fab for the three and nine months ended March 26, 2023 were expensed within factory start-up costs.

In addition, gross profit and gross margin for the nine months ended March 31, 2024 were impacted by a less favorable product mix, partially offset by an increase in revenue in both product lines.

Research and Development

Research and development expenses include costs associated with the development of new products, enhancements of existing products and general technology research. These costs consisted primarily of employee salaries and related compensation costs, occupancy costs, consulting costs and the cost of development equipment and supplies. Research and development costs also include developing supporting technologies for the expansion of the Mohawk Valley Fab. Our research and development expenses vary significantly from year to year based on a number of factors, including the timing of new product introductions and the number and nature of our ongoing research and development activities.

Research and development expenses were as follows:

(in millions of U.S. Dollars)	Three months ended		Change		Nine months ended		Change	
	March 31, 2024	March 26, 2023			March 31, 2024	March 26, 2023		
Research and development	\$52.5	\$42.4	\$10.1	24 %	\$141.9	\$122.1	\$19.8	16 %
Percent of revenue	26 %	22 %			23 %	22 %		

The increase in research and development expenses was primarily due to our continued investment in our technologies, including the development of existing silicon carbide materials and fabrication technology for next generation platforms and expansion of our device product portfolio.

#### Sales, General and Administrative

Sales, general and administrative (SG&A) expenses are comprised of costs primarily associated with our sales and marketing personnel and our executive and administrative personnel (for example, finance, human resources, information technology and legal) and substantially consist of salaries and related compensation costs, consulting and other professional services (such as litigation and other outside legal counsel fees, audit and other compliance costs), marketing and advertising expenses, facilities and insurance costs, and travel costs.

SG&A expenses were as follows:

(in millions of U.S. Dollars)	Three months ended			Nine months ended		
	March 31, 2024	March 26, 2023	Change	March 31, 2024	March 26, 2023	Change
Sales, general and administrative	\$55.8	\$55.1	\$0.7 1 %	\$184.8	\$155.5	\$29.3 19 %
Percent of revenue	28 %	29 %		30 %	28 %	

The increase in SG&A expenses for both periods presented was primarily due to increased salaries and benefits, including stock-based compensation, as well as increases in professional services, sponsorship costs, and travel expenses.

#### Factory Start-up Costs

(in millions of U.S. Dollars)	Three months ended			Nine months ended		
	March 31, 2024	March 26, 2023	Change	March 31, 2024	March 26, 2023	Change
Factory start-up costs	\$14.4	\$44.6	(\$30.2) (68)%	\$33.3	\$120.6	(\$87.3) (72)%

Factory start-up costs relate to facilities that have not yet started revenue generating production. When a new facility begins revenue generating production, the operating costs of that facility previously expensed as start-up costs will instead be primarily expensed as part of the cost of the production within the cost of revenue, net line item in our statement of operations.

Start-up costs for the three and nine months ended March 31, 2024 primarily relate to costs incurred in connection with the construction of our new materials manufacturing facility in Siler City, North Carolina and various materials expansion activities at our Durham, North Carolina locations. The decrease in factory start-up costs as compared to the prior year periods is due to the start of revenue generating production at our Mohawk Valley Fab in the fourth quarter of fiscal 2023 and the associated transition of factory operating expenses to cost of production. The majority of start-up costs for the three and nine months ended March 26, 2023 related to the construction of this facility.

#### Amortization or Impairment of Acquisition-Related Intangibles

As a result of our acquisitions, we have amortizable intangible assets related to developed technology. Amortization of intangible assets related to our acquisitions was as follows:

(in millions of U.S. Dollars)	Three months ended			Nine months ended		
	March 31, 2024	March 26, 2023	Change	March 31, 2024	March 26, 2023	Change
Amortization of acquisition-related intangibles	\$0.3	\$0.2	\$0.1 50 %	\$0.9	\$1.3	(\$0.4) (31)%

No significant acquisition-related intangible activity or impairments occurred between the periods presented.

#### Loss on Disposal or Impairment of Other Assets

We operate a capital-intensive business. As such, we dispose of a certain level of our equipment in the normal course of business as our production processes change due to production improvement initiatives or product mix changes. Due to the risk of technological obsolescence or changes in our production process, we regularly review our long-lived assets and capitalized patent costs for possible impairment.

[Table of Contents](#)

Loss on disposal or impairment of other assets was as follows:

(in millions of U.S. Dollars)	Three months ended			Nine months ended		
	March 31, 2024	March 26, 2023	Change	March 31, 2024	March 26, 2023	Change
Loss on disposal or impairment of other assets	\$0.6	\$1.7	(\$1.1)	(65)%	\$1.0	\$1.9

Loss on disposal or impairment of other assets primarily relate to write-offs of fixed assets, as well as the write-offs of impaired or abandoned patents, partially offset by proceeds from asset sales.

Other Operating Expense

Other operating expense was as follows:

(in millions of U.S. Dollars)	Three months ended			Nine months ended		
	March 31, 2024	March 26, 2023	Change	March 31, 2024	March 26, 2023	Change
Project, transformation and transaction costs	\$ 5.3	\$ 0.9	\$ 4.4	489 %	\$ 12.5	\$ 2.9
Executive severance costs	—	0.6	(0.6)	(100)%	—	1.9
Restructuring costs	—	—	—	— %	—	0.2
Other operating expense	<u>\$5.3</u>	<u>\$1.5</u>	<u>\$3.8</u>	<u>253 %</u>	<u>\$12.5</u>	<u>\$5.0</u>

Other operating expense increased in both periods presented primarily due to increased professional service fees, which are associated with completed and potential strategic transactions, including divestitures, as well as work related to obtaining government incentives both in the United States and Europe, partially offset by decreases in severance and restructuring costs.

Non-Operating Expense (Income), net

Non-operating expense (income), net was comprised of the following:

(in millions of U.S. Dollars)	Three months ended			Nine months ended		
	March 31, 2024	March 26, 2023	Change	March 31, 2024	March 26, 2023	Change
Interest income	(\$30.1)	(\$22.2)	(\$7.9)	(36)%	(\$108.9)	(\$38.1)
Interest expense, net of capitalized interest	59.5	14.1	45.4	322 %	185.5	26.7
Loss (gain) on legal proceedings	7.7	—	7.7	100 %	7.7	(50.3)
Loss on Wafer Supply Agreement	6.9	4.8	2.1	44 %	20.4	7.3
Gain on equity investment	(1.9)	—	(1.9)	(100)%	(7.3)	—
Other expense, net	0.3	0.4	(0.1)	(25)%	1.3	1.0
Non-operating expense (income), net	<u>\$42.4</u>	<u>(\$2.9)</u>	<u>\$45.3</u>	<u>1,562 %</u>	<u>\$98.7</u>	<u>(\$53.4)</u>

*Interest income.* The increase in interest income in both periods was primarily driven by increased short-term investment balances. Our average short-term investment balances increased significantly from the net proceeds we received from the sale of our senior secured notes due 2030 (the 2030 Senior Notes) in the fourth quarter of fiscal 2023, as well as from the receipts of deposits from an Unsecured Customer Refundable Deposit Agreement (the CRD Agreement) with a customer, pursuant to which we received an initial deposit of \$1 billion in the first quarter of fiscal 2024 and an additional deposit of \$500 million in the third quarter of fiscal 2024.

*Interest expense, net of capitalized interest.* The increase in interest expense was primarily due to interest from our 2030 Senior Notes and deposits under the CRD Agreement, which were not outstanding as of March 26, 2023.

*Loss (gain) on legal proceedings.* In the third quarter of fiscal 2024, we accrued a liability for payment of customs duties totaling approximately \$7.7 million for alleged undervalued duties related to transactions by our former Lighting Products business unit from 2012 to 2017. In fiscal 2023, we received an arbitration award in relation to a former customer failing to fulfill contractual obligations to purchase a certain amount of product over a period of time. The arbitration award is recognized as non-operating income, net of legal fees incurred.

[Table of Contents](#)

***Loss on Wafer Supply Agreement.*** In connection with the completed sale of our former LED Products business unit to SMART Global Holdings, Inc. (SGH) and its wholly owned subsidiary CreeLED, Inc. (CreeLED and collectively with SGH, SMART) in fiscal 2021, we entered into a Wafer Supply and Fabrication Services Agreement (the Wafer Supply Agreement), pursuant to which we supply CreeLED with certain silicon carbide materials and fabrication services for up to four years. We recognized a supply agreement liability in connection with this agreement, which fully amortized in the second quarter of fiscal 2023. We expect losses from this agreement to continue through December 2025.

***Gain on equity investment.*** In connection with the completed RF Business Divestiture, we received shares of MACOM common stock as a portion of the overall consideration received for the sale. The gain on equity investment for the three and nine months ended March 31, 2024 was due to MACOM's share price increasing from \$85.41 at December 1, 2023, the last trading day before the closing date of the RF Business Divestiture, to \$92.95 at December 29, 2023, the last trading day of the second fiscal quarter, and to \$95.64 at March 28, 2024, the last trading day of the third fiscal quarter.

Income Tax Expense

Income tax expense and our effective tax rate were as follows:

<i>(in millions of U.S. Dollars)</i>	Three months ended			Nine months ended		
	March 31, 2024	March 26, 2023	Change	March 31, 2024	March 26, 2023	Change
Income tax expense	\$0.1	\$0.3	(\$0.2) (67%)	\$0.6	\$0.5	\$0.1 20 %
Effective tax rate	— %	— %		— %	— %	

The change in our effective tax rate for the three and nine months ended March 31, 2024 compared to the three and nine months ended March 26, 2023 was immaterial.

In general, the variation between our effective income tax rate and the current U.S. statutory rate of 21.0% is primarily due to: (i) changes in our valuation allowances against deferred tax assets, (ii) income derived from international locations with differing tax rates than the U.S., and (iii) tax credits generated.

## **Liquidity and Capital Resources**

### Overview

We require cash to fund our operating expenses and working capital requirements, including the purchase of goods and services in the ordinary course of business such as raw materials, supplies and capital equipment, as well as outlays for research and development, strategic acquisitions and investments. Our principal sources of liquidity are cash on hand and marketable securities.

Based on past performance and current expectations, we believe our current working capital and anticipated cash flows from operations will be adequate to meet our cash needs for our daily operations and capital expenditures for at least the next 12 months. With the strength of our working capital position, we believe that we have the ability to continue to invest in the near-term expansion of our production capacity, further develop our product portfolio and, when necessary or appropriate, make selective acquisitions or other strategic investments to strengthen our product portfolio or secure key intellectual properties. However, even with our strong working capital position, we expect to need additional funding to fully complete all of our intended capacity expansions.

### Sources of Liquidity

The following table sets forth our cash, cash equivalents and short-term investments:

(in millions of U.S. Dollars)	March 31, 2024	June 25, 2023	Change
Cash and cash equivalents	\$1,142.4	\$1,757.0	(\$614.6)
Short-term investments	1,408.5	1,197.9	210.6
<b>Total cash, cash equivalents and short-term investments</b>	<b>\$2,550.9</b>	<b>\$2,954.9</b>	<b>(\$404.0)</b>

The significant components of our working capital are liquid assets such as cash and cash equivalents, short-term investments, accounts receivable and inventories, partially reduced by accounts payable and accrued expenses.

In the first quarter of fiscal 2023, we received an early payment on an unsecured promissory note in the amount of \$101.8 million issued to us in connection with the sale of certain assets and subsidiaries comprising our former LED Products business unit to SMART on March 1, 2021.

In the second quarter of fiscal 2023, we issued and sold a total of \$1,750.0 million aggregate principal amount of our 1.875% convertible senior notes due December 1, 2029 (the 2029 Notes), as discussed in Note 9, "Long-term Debt," in our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report. The total net proceeds of the 2029 Notes was \$1,718.6 million, of which we used \$273.9 million to fund the cost of entering into capped call transactions.

In the fourth quarter of fiscal 2023, we sold \$1,250 million aggregate principal amount of 2030 Senior Notes, as discussed in Note 9, "Long-term Debt," in our unaudited consolidated financial statements included in Part I, Item 1 of this Quarterly Report. The total net proceeds of the 2030 Senior Notes was approximately \$1,149.3 million.

In the first quarter of fiscal 2024, we entered into the CRD Agreement with a customer, pursuant to which the customer will provide us up to \$2 billion in unsecured deposits, subject to certain conditions. Under the CRD Agreement, we received an initial deposit of \$1 billion in the first quarter of fiscal 2024 with the option to receive additional deposits up to \$1 billion at our request, subject to certain conditions during the 2024 calendar year. We received a second deposit of \$500 million in the third quarter of fiscal 2024.

In the second quarter of fiscal 2024, we completed the sale of our RF product line and received approximately \$75 million in cash.

As of March 31, 2024, we had unrealized losses on our short-term investments of \$10.9 million. All of our short-term investments had investment grade ratings, and any such investments that were in an unrealized loss position at March 31, 2024 were in such position due to interest rate changes, sector credit rating changes or company-specific rating changes. We evaluate our short-term investments for expected credit losses. We believe we are able and intend to hold each of the investments held with an unrealized loss as of March 31, 2024 until the investments fully recover in market value. No allowance for credit losses was recorded as of March 31, 2024.

From time to time, we evaluate strategic opportunities, including potential acquisitions, joint ventures, divestitures, spin-offs or investments in complementary businesses, and we have continued to make such evaluations. We may also access capital

markets through the issuance of debt or equity, which we may use in connection with the acquisition of complementary businesses or other significant assets or for other strategic opportunities or general corporate purposes.

Expected Uses of Liquidity

We opened the Mohawk Valley Fab in the fourth quarter of fiscal 2022 to expand capacity for production of our silicon carbide devices and started revenue generating production at the facility in the fourth quarter of fiscal 2023. We now expect to invest approximately \$2.0 billion in total construction, equipment and other related costs for the new facility, of which approximately \$500 million is expected to be reimbursed over time by the State of New York Urban Development Corporation (doing business as Empire State Development) under a Grant Disbursement Agreement (the GDA). As of March 31, 2024, we have spent approximately \$1.1 billion and received \$425.4 million in reimbursements.

Additionally, we recently started construction on a new materials manufacturing facility in Siler City, North Carolina. Through fiscal 2024, we expect to invest approximately \$1.3 billion in construction, equipment and other related costs for the new facility, net of estimated refundable federal investment tax credits and capital grants we expect to receive through the U.S. CHIPS and Science Act of 2022 (the CHIPS Act). The timing and amount of these estimated CHIPS Act incentives is uncertain and could happen, if at all, in fiscal 2025 or beyond. In addition, the facility is further supported by an approximately \$1.0 billion long-term incentive package from state, county and local governments, primarily in the form of property tax reimbursements and sales tax exemptions.

We announced in February 2023 the intention to build a highly automated, cutting-edge wafer fabrication facility in Saarland, Germany. We are continuing to work with the European Union, German and Saarland governments on the incentive package for this facility. The timing and amount of these incentives are uncertain and could happen, if at all, in fiscal 2025 or beyond. We will not commence construction of this facility until we have finalized these incentives and we expect the vast majority of investment to occur after fiscal 2024.

For fiscal 2024, we target approximately \$2.0 billion of net capital investment, which is primarily related to capacity and infrastructure projects to support longer-term growth and strategic priorities. This target is highly dependent on the timing and overall progress on our Mohawk Valley Fab and the construction of our new materials manufacturing facility in Siler City, North Carolina. Our target net capital investment figure is net of approximately \$144 million of expected reimbursements from the GDA during the fiscal year, inclusive of \$120.7 million received in the first three quarters of fiscal 2024. Our target net capital investment figure is also net \$57.5 million for a Land Acquisition Business Investment Grant from the State of North Carolina, which was received in the third quarter of fiscal 2024.

In addition, we may also apply for and potentially sell tax credits as part of the Inflation Reduction Act to further fund our expansion initiatives.

We have take-or-pay supplier agreements that require a minimum of \$261.0 million of purchases over the next five years and a commitment to provide quarterly capacity reservation deposits with a remaining total of \$28.1 million, as outlined further in Note 13, "Commitments and Contingencies," to our unaudited financial statements in Part I, Item 1 of this Quarterly Report.

Given our current cash position, we believe we will be able to fund daily operations for at least the next 12 months but we expect to need additional funding to fully complete all of our previously announced planned expansion initiatives described above. We may seek to obtain funding through, among other avenues, government funding in both the United States and Europe, public or private equity offerings and debt financings (which may involve retiring some of our existing debt).

## Cash Flows

In summary, our cash flows were as follows:

	Nine months ended			Change
	March 31, 2024	March 26, 2023		
Net cash used in operating activities of continuing operations	(\$431.8)	(\$63.5)	(\$368.3)	(580)%
Net cash used in investing activities of continuing operations	(1,571.4)	(994.3)	(577.1)	(58)%
Net cash provided by financing activities of continuing operations	1,446.1	1,437.0	9.1	1 %
Effects of foreign exchange changes on cash and cash equivalents	(0.1)	—	(0.1)	— %
Cash used in discontinued operations	(\$57.4)	(\$33.6)	(23.8)	(71)%
Net change in cash and cash equivalents	<u>(\$614.6)</u>	<u>\$345.6</u>	<u>(\$960.2)</u>	<u>(278)%</u>

### Cash Flows from Operating Activities

Net cash used in operating activities of continuing operations increased primarily due to an increased net loss and decreased working capital as a result of inventory growth, increased payments for supplier deposits and timing of payables.

### Cash Flows from Investing Activities

Our investing activities of continuing operations primarily relate to short-term investment transactions, purchases of property and equipment, and property and equipment related reimbursements.

Cash used in investing activities of continuing operations increased primarily due to an increase in net property and equipment purchases of \$1,057.4 million as we continue to build out additional expansion facilities. This was partially offset by a decrease in net purchases of short-term investments of \$508.5 million.

In addition, the nine months ended March 31, 2024 included \$75.6 million in net cash received in connection with the completed RF Business Divestiture and the nine months ended March 26, 2023 included a \$101.8 million earnout payment related to the divestiture of our former LED Products segment.

### Cash Flows from Financing Activities

For the nine months ended March 31, 2024, cash provided by financing activities primarily consisted of \$1,454.0 million in net deposits from the CRD Agreement and \$10.9 million of proceeds from the issuance of common stock, partially offset by \$17.5 million in tax withholdings on vested equity awards.

For the nine months ended March 26, 2023, cash provided by financing activities primarily consisted of \$1,718.6 million in net proceeds from the issuance of the 2029 Notes and \$11.4 million of proceeds from the issuance of common stock, partially offset by \$273.9 million in cash paid for capped call transactions in connection with the 2029 Notes and \$17.7 million in tax withholdings on vested equity awards.

## **Off-Balance Sheet Arrangements**

As of March 31, 2024, we did not have any off-balance sheet arrangements. We do not use off-balance sheet arrangements with unconsolidated entities or related parties, nor do we use any other forms of off-balance sheet arrangements. Accordingly, our liquidity and capital resources are not subject to off-balance sheet risks from unconsolidated entities.

## **Critical Accounting Policies and Estimates**

For information on critical accounting policies and estimates, see the "Critical Accounting Policies and Estimates" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2023 Form 10-K.

## **Recent Accounting Pronouncements**

For a description of recent accounting pronouncements pending adoption, including the expected dates of adoption and the estimated effects, if any, on our consolidated financial statements, see Note 1, "Basis of Presentation and New Accounting Standards," to our unaudited consolidated financial statements in Part I, Item 1 of this Quarterly Report.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

In connection with the RF Business Divestiture, we acquired shares of MACOM common stock (the MACOM Shares), which had a market value of approximately \$68.1 million as of March 31, 2024 based on the closing price of MACOM common stock on March 28, 2024, the last trading day of the third fiscal quarter. If quoted market values on MACOM's common stock were to hypothetically decrease 10%, the fair value of the MACOM Shares would decrease by \$6.8 million at March 31, 2024.

For additional quantitative and qualitative disclosures about our market risks, see "Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk" of the 2023 Form 10-K. There have been no other material changes to the amounts presented therein.

**Item 4. Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Form 10-Q, our disclosure controls and procedures are effective in that they provide reasonable assurances that the information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods required by the SEC's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We routinely review our internal control over financial reporting and from time to time make changes intended to enhance the effectiveness of our internal control over financial reporting. We will continue to evaluate the effectiveness of our disclosure controls and procedures and internal control over financial reporting on an ongoing basis and will take action as appropriate.

No changes to our internal control over financial reporting were identified in management's evaluation pursuant to Rules 13a-15(d) and 15d-15(d) under the Exchange Act during the third quarter of fiscal 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

The information required by this item is set forth under Note 13, "Commitments and Contingencies," to our unaudited financial statements in Part I, Item 1 of this Quarterly Report and is incorporated herein by reference.

## **Item 1A. Risk Factors**

Described below are various risks and uncertainties that may affect our business. The descriptions below include any material changes to and supersede the description of the risk factors affecting our business previously disclosed in "Part I, Item 1A. Risk Factors" of the 2023 Form 10-K and subsequent reports filed with the SEC. If any of the risks described below actually occurs, our business, financial condition or results of operations could be materially and adversely affected.

Risk categories and certain principal risks under each category (each described more fully below):

- Risks related to our global operations, including global macroeconomic and market risks
  - Our business may be adversely affected by the state of the global economy, uncertainties in global financial markets, our ability, or our customers', suppliers' or vendors' ability, to access funding, and possible trade tariffs and trade restrictions.
  - We are subject to risks related to international sales and purchases.
- Risks related to sales, product development and manufacturing
  - We face significant challenges managing our growth strategy.
  - Variations in our production could impact our ability to reduce costs and could cause our margins to decline and our operating results to suffer.
  - Our results of operations, financial condition and business could be harmed if we are unable to balance customer demand and capacity.
- Risks associated with our strategic transactions
  - If we fail to evaluate and execute strategic opportunities successfully, our business may suffer.
  - We are subject to a number of risks associated with the sale of our former RF Business, and these risks could adversely impact our operations, financial condition and business.
- Risks associated with cybersecurity, intellectual property and litigation
  - We may be subject to confidential information theft or misuse, which could harm our business and results of operations.
  - There are limitations on our ability to protect our intellectual property.
- Risks related to legal, regulatory, accounting, tax and compliance matters
  - We may be required to recognize a significant charge to earnings if our goodwill or other assets become impaired.
  - The adoption of or changes in government and/or industry policies, standards or regulations relating to the efficiency, performance, vehicle range or other aspects of our products and the products in which they are utilized could impact the demand for our products.
- General risk factors
  - We have outstanding debt which could materially restrict our business and adversely affect our financial condition, liquidity and results of operations.

### **Risks related to our global operations, including global macroeconomic and market risks**

***Our business may be adversely affected by the state of the global economy, uncertainties in global financial markets, our ability or our customers', suppliers' or vendors' ability to access funding, and possible trade tariffs and trade restrictions.***

Our operations and performance depend significantly on worldwide economic and geopolitical conditions. Uncertainty about global economic conditions could result in customers postponing purchases of our products and services in response to tighter credit, unemployment, negative financial news, higher interest rates and/or declines in income or asset values and other macroeconomic factors, which could have a material negative effect on demand for our products and services and, accordingly, on our business, results of operations or financial condition. For example, current global financial markets continue to reflect uncertainty, including, among other things, the ongoing military conflicts between Russia and Ukraine and the ongoing conflicts in the Middle East. Given these uncertainties, there could be further disruptions to the global economy, financial markets and consumer confidence. If economic conditions deteriorate unexpectedly, our business and results of operations could be materially and adversely affected. For example, our customers, including our distributors and their customers, may experience difficulty obtaining the working capital and other financing necessary to support historical or projected purchasing patterns, which could negatively affect our results of operations.

Various global economic slowdowns could occur and potentially result in certain economies dipping into economic recessions, including in the United States. Additionally, increased inflation around the world, including in the United States, applies pressure to our costs. Continued economic slowdowns or recessions and inflationary pressures could have a negative impact on our business, including decreased demand, increased costs, and other challenges. Government actions to address economic slowdowns and increased inflation, including increased interest rates, also could result in negative impacts to our growth.

General trade tensions between the United States and China continue, and any economic and political uncertainty caused by the United States tariffs imposed on goods from China, among other potential countries, and any corresponding tariffs or currency devaluations from China or such other countries in response, has negatively impacted, and may in the future negatively impact, demand and/or increase the cost for our products. Additionally, Russia's invasion of Ukraine in early 2022 triggered significant sanctions from the U.S. and European countries. Resulting changes in U.S. trade policy could trigger retaliatory actions by Russia, its allies and other affected countries, including China, resulting in a potential trade war. Furthermore, if the current conflicts between Russia and Ukraine and in the Middle East continue for a prolonged period of time, or if other countries, including the U.S., become involved in these conflicts, we could face significant adverse effects to our business and financial condition. For example, if our supply or customer arrangements are disrupted due to expanded sanctions or involvement of countries where we have operations or relationships, our business could be materially disrupted. Further, the use of cyberattacks could expand as part of the conflict, which could adversely affect our ability to maintain or enhance our cyber-security and data protection measures.

Although we believe we have adequate liquidity and capital resources to fund our operations for at least the next 12 months, we expect to need additional funding to fully complete all of our intended expansion initiatives, which we may seek to obtain through, among other avenues, government funding in both the United States and Europe, public or private equity offerings, and debt financings (which may involve retiring some of our existing debt). If unfavorable capital market conditions exist, we may not be able to raise sufficient capital on favorable terms and on a timely basis, if at all. If we issue equity or convertible debt securities to raise additional funds, our existing shareholders may experience dilution and the new equity or debt securities may have rights, preferences and privileges senior to those of our then-existing shareholders. If we incur additional debt, it may impose financial and operating covenants that could restrict the operations of our business. In a rising interest rate environment, debt financing will become more expensive and may have higher transactional and servicing costs. In addition, our existing indebtedness may limit our ability to obtain additional financing in the future. The potential inability to obtain adequate funding from debt or capital sources in the future could force us to self-fund strategic initiatives or even forego certain opportunities, which in turn could potentially harm our performance.

***We are subject to risks related to international sales and purchases.***

In fiscal 2023, approximately 80% of our revenue was from outside the United States and we expect that revenue from international sales will continue to represent a significant portion of our total revenue. As such, a significant slowdown or instability in relevant foreign economies or lower investments in new infrastructure could have a negative impact on our sales. We also purchase a portion of the materials included in our products from overseas sources.

Our international sales and purchases are subject to numerous United States and foreign laws and regulations, including, without limitation, tariffs, trade sanctions, trade barriers, trade embargoes, regulations relating to import-export control, technology transfer restrictions, the International Traffic in Arms Regulation promulgated under the Arms Export Control Act, the Foreign Corrupt Practices Act and the anti-boycott provisions of the U.S. Export Administration Act. The U.S. Government has imposed, and in the future may impose, restrictions on shipments to some of our current customers. Government restrictions on sales to certain foreign customers will reduce company revenue and profit related to those customers in the short term and could have a potential long-term impact.

Our international sales are subject to variability as our selling prices become less competitive in countries with currencies that are declining in value against the U.S. Dollar and more competitive in countries with currencies that are increasing in value against the U.S. Dollar. In addition, our international purchases can become more expensive if the U.S. Dollar weakens against the foreign currencies in which we are billed. We may in the future enter into foreign currency derivative financial instruments in an effort to manage or hedge some of our foreign exchange rate risk. We may not be able to engage in hedging transactions in the future, and, even if we do, foreign currency fluctuations may still have a material adverse effect on our results of operations.

***Our operations in foreign countries expose us to certain risks inherent in doing business internationally, which may adversely affect our business, results of operations or financial condition.***

We have revenue, operations and contract manufacturing arrangements in foreign countries that expose us to certain risks. For example, fluctuations in exchange rates may affect our revenue, expenses and results of operations as well as the value of our assets and liabilities as reflected in our financial statements. We are also subject to other types of risks of doing business internationally, including the following:

- protection of intellectual property and trade secrets;
- tariffs, customs, trade sanctions, trade embargoes and other barriers to importing/exporting materials and products in a cost-effective and timely manner, or changes in applicable tariffs or custom rules, such as the additional customs duties accrued related to our former Lighting Products business unit;
- the burden of complying with and changes in United States or international taxation policies;
- timing and availability of export licenses;
- rising labor costs;
- disruptions in or inadequate infrastructure of the countries where we operate;
- the impact of public health epidemics on employees and the global economy;
- difficulties in collecting accounts receivable;
- difficulties in staffing and managing international operations; and
- the burden of complying with foreign and international laws and treaties.

For example, the United States has imposed significant tariffs on Chinese-made goods, which the Biden administration has largely left in place. The tariffs imposed on Chinese goods, among other potential countries and any corresponding tariffs from China or such other countries in response has, and may in the future, negatively impact demand and/or increase the costs for our products. In some instances, we have received and may continue to receive incentives from foreign governments to encourage our investment in certain countries, regions or areas outside of the United States. Government incentives may include tax rebates, reduced tax rates, favorable lending policies and other measures, some or all of which may be available to us due to our foreign operations. Any of these incentives could be reduced or eliminated by governmental authorities at any time or as a result of our inability to maintain minimum operations necessary to earn the incentives. Any reduction or elimination of incentives currently provided for our operations could adversely affect our business and results of operations. These same governments also may provide increased incentives to or require production processes that favor local companies, which could further negatively impact our business and results of operations.

Changes in regulatory, geopolitical, social, economic, or monetary policies and other factors may have a material adverse effect on our business in the future, or may require us to exit a particular market or significantly modify our current business practices. Abrupt political change, terrorist activity and armed conflict pose a risk of general economic disruption in affected countries, which could also result in an adverse effect on our business and results of operations.

**Risks related to sales, product development and manufacturing**

***We face significant challenges managing our growth strategy.***

Our potential for growth depends significantly on the adoption of our products within the markets we serve and for other applications, and our ability to affect this rate of adoption. In order to manage our growth and business strategy effectively relative to the uncertain pace of adoption, we must continue to:

- maintain, expand, construct and purchase adequate manufacturing facilities and equipment, as well as secure sufficient third-party manufacturing resources, to meet customer demand, including specifically the expansion of our silicon carbide capacity with the opening and ramping of a state-of-the-art, automated 200mm capable silicon carbide device fabrication facility in New York, an expansion of our materials factory in Durham, North Carolina, the construction of a new materials manufacturing facility in Siler City, North Carolina, the renovation of an epitaxy facility in Farmers Branch, Texas, and the planned construction of a new 200mm capable silicon carbide device fabrication facility in Saarland, Germany;
- meet our production capacity and delivery commitments to our customers, including those customers who provide us with capacity reservation deposits or similar payments;
- manage an increasingly complex supply chain (including managing the impacts of ongoing supply constraints in the semiconductor industry and meeting purchase commitments under take-or-pay arrangements with certain suppliers) that has the ability to supply an increasing number of raw materials, subsystems and finished products with the required specifications and quality, and deliver on time to our manufacturing facilities, our third-party manufacturing facilities, our logistics operations, or our customers;

- expand the skills and capabilities of our current management team;
- add experienced senior level managers and executives;
- attract and retain qualified employees;
- expand the capability of our information systems to support a more complex business, such as our ongoing implementation of a new company-wide enterprise resource planning (ERP) system;
- be successful in securing design-ins across our end markets, including automotive applications;
- realize our expected local, state and federal government incentives, including capital investment reimbursements, property tax reimbursements and sales tax exemptions from state, county and local governments;
- confirm our eligibility for and receive the expected benefits from refundable income tax credits and capital grants through the CHIPS Act, and receive and potentially sell any tax credits for which we may apply under the Inflation Reduction Act;
- access capital markets to fund our growth initiatives, including our ongoing and planned capacity expansions;
- expand research and development, sales and marketing, technical support, distribution capabilities, manufacturing planning and administrative functions;
- safeguard confidential information and protect our intellectual property;
- manage organizational complexity and communication; and
- execute, maintain and adjust the operational and financial controls that support our business.

While we intend to continue to focus on managing our costs and expenses, we expect to invest to support our growth and may have additional unexpected costs. Such investments take time to become fully operational, and we may not be able to expand quickly enough to exploit targeted market opportunities. In connection with our efforts to cost-effectively manage our growth, we have increasingly relied on contractors for production capacity, logistics support and certain administrative functions including hosting of certain information technology software applications. If our contract manufacturers (including those at which we maintain captive lines) or other service providers do not perform effectively, we may not be able to achieve the expected cost savings and may incur additional costs to correct errors or fulfill customer demand. Depending on the function involved, such errors may also lead to business disruption, processing inefficiencies, the loss of or damage to intellectual property through security breach, or an impact on employee morale. Our operations may also be negatively impacted if any of these contract manufacturers or other service providers do not have the financial capability to meet our growing needs.

There are also inherent execution risks in starting up a new factory or expanding production capacity, whether one of our own factories or that of our contract manufacturers, as well as risks to moving production to different contract manufacturers, that could increase costs and reduce our operating results. In the fourth quarter of fiscal 2022, we opened the Mohawk Valley Fab to complement the materials factory expansion underway at our United States campus headquarters in Durham, North Carolina and the Mohawk Valley Fab began revenue production in late fiscal 2023. We also commenced work on our new materials manufacturing facility in Siler City, North Carolina in the first quarter of fiscal 2023. The establishment and operation of a new manufacturing facility or expansion of an existing facility involves significant risks and challenges, some of which we have experienced and may experience in the future, including, but not limited to, the following:

- design and construction delays and cost overruns;
- issues in installing and qualifying new equipment and ramping production;
- poor production process yields and reduced quality control; and
- insufficient personnel with requisite expertise and experience to operate an automated silicon carbide device fabrication facility and a materials manufacturing facility.

We are also increasingly dependent on information technology to enable us to improve the effectiveness of our operations and to maintain financial accuracy and efficiency. Allocation and effective management of the resources necessary to successfully implement, integrate, train personnel and sustain our information technology platforms will remain critical to ensure that we are not subject to transaction errors, processing inefficiencies, loss of customers or suppliers, business disruptions or loss of or damage to intellectual property through a security breach in the near term. Additionally, we face these same risks if we fail to allocate and effectively manage the resources necessary to build, implement, upgrade, integrate and sustain appropriate technology infrastructure over the longer term.

***Variations in our production could impact our ability to reduce costs and could cause our margins to decline and our operating results to suffer.***

All of our products are manufactured using technologies that are highly complex. The number of usable items, or yield, from our production processes may fluctuate as a result of many factors, including but not limited to the following:

- variability in our process repeatability and control;

- contamination of the manufacturing environment;
- equipment failure, power outages, fires, flooding, information or other system failures or variations in the manufacturing process;
- lack of consistency and adequate quality and quantity of piece parts, other raw materials and other bill of materials items;
- inventory shrinkage or human errors;
- defects in production processes (including system assembly) either within our facilities or at our suppliers; and
- any transitions or changes in our production process, planned or unplanned.

In the past, we have experienced difficulties in achieving acceptable yields on certain products, which has adversely affected our operating results. We may experience similar problems in the future, and we cannot predict when they may occur or their severity.

In some instances, we may offer products for future delivery at prices based on planned yield improvements or increased cost efficiencies from other production advances. Failure to achieve these planned improvements or advances could have a significant impact on our margins and operating results.

In addition, our ability to convert volume manufacturing to larger diameter substrates can be an important factor in providing a more cost-effective manufacturing process. We continue to prepare for production using 200mm substrates and if we are unable to make this transition in a timely or cost-effective manner, our results could be negatively impacted.

***Our results of operations, financial condition and business could be harmed if we are unable to balance customer demand and capacity.***

As customer demand for our products changes, we must be able to adjust our production capacity to meet demand. We are continually taking steps to address our manufacturing capacity needs for our products. Currently, we are focusing on increasing production capacity. If we are not able to increase our production capacity at our targeted rate, if there are unforeseen costs associated with increasing our capacity levels, or if we are unable to obtain advanced semiconductor manufacturing equipment in a timely manner, we may not be able to achieve our financial targets. We may be unable to build or qualify new capacity on a timely basis to meet customer demand and customers may fulfill their orders with one of our competitors instead. In addition, as we introduce new products and change product generations, we must balance the production and inventory of prior generation products with the production and inventory of new generation products, whether manufactured by us or our contract manufacturers, to maintain a product mix that will satisfy customer demand and mitigate the risk of incurring cost write-downs on the previous generation products, related raw materials and tooling. Significant or prolonged shortages or delivery delays of our products to our customers could delay their manufacturing and negatively impact our relationships with these customers, including triggering the potential payment of penalties on certain agreements.

Due to the proportionately high fixed cost nature of our business (such as facility costs), if demand does not materialize at the rate forecasted, we may not be able to scale back our manufacturing expenses or overhead costs quickly enough to correspond to the lower than expected demand. This could result in lower margins and adversely impact our business and results of operations. Additionally, if product demand decreases or if we fail to forecast demand decreases or changes accurately, which could lead to a mismatch between current product demand and manufactured product mix, our results may be adversely impacted, including due to higher costs resulting from lower factory utilization, causing higher fixed costs per unit produced. For example, in fiscal 2024, we and other semiconductor companies have been experiencing softer demand for power products in industrial and energy applications than we expected, causing us to shift capacity to products for automotive applications. Changes in product demand from our customers' forecasts may also cause variability in our supply costs if significant adjustments are needed to our forecasted or committed procurement and supply plans. Further, we may be required to recognize impairments on our long-lived assets or recognize excess inventory write-off charges, or excess capacity charges, which would have a negative impact on our results of operations.

With the opening of the Mohawk Valley Fab, we have experienced and will continue to experience increased pressure on margins during the period when production begins but before the facility is at full utilization, and in the initial periods we expect these underutilization costs to be substantial as we ramp up the facility. Additionally, our large upfront investment in the facility, or any other new facility, to increase capacity does not guarantee we will need the capacity and we may experience lower than expected capacity once the facility is in production, which could result in further margin pressures.

In addition, our efforts to improve quoted delivery lead-time performance may result in corresponding reductions in order backlog. A decline in backlog levels could result in more variability and less predictability in our quarter-to-quarter revenue and operating results.

***Our operating results are substantially dependent on the acceptance of new products.***

Our future success may depend on our ability to deliver new, higher performing and/or lower cost solutions for existing and new markets and for customers to accept those solutions. The development of new products is a highly complex process, and we have in some instances experienced delays in completing the development, introduction and qualification of new products which has impacted our results in the past. Our research and development efforts are aimed at solving increasingly complex problems, and we do not expect that all our projects will be successful. The successful development, introduction and acceptance of new products depend on a number of factors, including the following:

- qualification and acceptance of our new product and systems designs, specifically entering into automotive applications which require even more stringent levels of qualification and standards;
- our ability to effectively transfer increasingly complex products and technology from development to manufacturing, including the transition to 200mm substrates;
- our ability to introduce new products in a timely and cost-effective manner;
- achievement of technology breakthroughs required to make commercially viable products;
- our ability to convert customer design-ins to sales of significant volume, and, if customer design-in activity does result in such sales, when such sales will ultimately occur and what the amount of such sales will be;
- the accuracy of our predictions for market requirements;
- our ability to predict, influence and/or react to evolving standards;
- acceptance of new technology in certain markets;
- our ability to protect intellectual property developed in new products;
- the availability of qualified research and development personnel;
- our timely completion of product designs and development;
- our ability to develop repeatable processes to manufacture new products in sufficient quantities, with the desired specifications and at competitive costs;
- our ability to secure volume purchase orders related to new products;
- our customers' ability to develop competitive products incorporating our products; and
- market acceptance of our products and our customers' products.

If any of these or other similar factors becomes problematic, we may not be able to deliver and introduce new products in a timely or cost-effective manner.

***We face risks relating to our suppliers, including that we rely on a number of key sole source and limited source suppliers, are subject to high price volatility on certain commodity inputs, variations in parts quality, and raw material consistency and availability, and rely on independent shipping companies for delivery of our products.***

We depend on a number of sole source and limited source suppliers for certain raw materials, components, services and equipment used in manufacturing our products, including key materials and equipment used in critical stages of our manufacturing processes. Although alternative sources generally exist for these items, qualification of many of these alternative sources could take up to six months or longer. Where possible, we attempt to identify and qualify alternative sources for our sole and limited source suppliers.

We generally purchase these sole or limited source items with purchase orders, and we have limited guaranteed supply arrangements with such suppliers, including take-or-pay arrangements and capacity reserve deposit agreements. Some of our sources can have variations in attributes and availability which can affect our ability to produce products in sufficient volume or quality. We do not control the time and resources that these suppliers devote to our business, and we cannot be sure that these suppliers will perform their obligations to us. Additionally, general shortages in the marketplace of certain raw materials or key components may adversely impact our business. In the past, we have experienced decreases in our production yields when suppliers have varied from previously agreed upon specifications or made other modifications we do not specify, which impacted our cost of revenue.

Additionally, the inability of our suppliers to access capital efficiently could cause disruptions in their businesses, thereby negatively impacting ours. This risk may increase from unpredictable and unstable changes in economic conditions, including recession, inflation, or other changes, which may negatively affect key suppliers or a significant number of our other suppliers. Any delay in product delivery or other interruption or variation in supply from these suppliers could prevent us from meeting commercial demand for our products. If we were to lose key suppliers, if our key suppliers were unable to support our demand for any reason or if we were unable to identify and qualify alternative suppliers, our manufacturing operations could be interrupted or hampered significantly.

We rely on arrangements with independent shipping companies for the delivery of our products from vendors and to customers both in the United States and abroad. The failure or inability of these shipping companies to deliver products or the unavailability of shipping or port services, even temporarily, could have a material adverse effect on our business. We may also be adversely affected by an increase in freight surcharges due to rising fuel costs, oil costs and added security.

In our fabrication process, we consume a number of precious metals and other commodities, which are subject to high price volatility and the potential impacts of increased inflation. Our operating margins could be significantly affected if we are not able to pass along price increases to our customers. In addition, production could be disrupted by the unavailability of the resources used in production such as water, silicon, electricity and gases. Future environmental regulations could restrict supply or increase the cost of certain of those materials.

***We operate in industries that are subject to significant fluctuation in supply and demand and ultimately pricing, which affects our revenue and profitability.***

The industries we serve are in different stages of adoption and are characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards and fluctuations in product supply and demand. The semiconductor industry is characterized by rapid technological change, high capital expenditures, short product life cycles and continuous advancements in process technologies and manufacturing facilities. As the markets for our products mature, additional fluctuations may result from variability and consolidations within the industry's customer base. These fluctuations have been characterized by lower product demand, production overcapacity, higher inventory levels and aggressive pricing actions by our competitors. These fluctuations have also been characterized by higher demand for key components and equipment used in, or in the manufacture of, our products resulting in longer lead times, supply delays and production disruptions. We have experienced these conditions in our business and may experience such conditions in the future, which could have a material negative impact on our business, results of operations or financial condition.

In addition, as we diversify our product offerings and as pricing differences in the average selling prices among our product lines widen, a change in the mix of sales among our product lines may increase volatility in our revenue and gross margin from period to period.

***If we are unable to effectively develop, manage and expand our sales channels for our products, our operating results may suffer.***

We sell a portion of our products to distributors, including a distributor that represented more than 10% of our revenue in fiscal 2023. We rely on distributors to develop and expand their customer base as well as to anticipate demand from their customers. If they are not successful, our growth and profitability may be adversely impacted. Distributors must balance the need to have enough products in stock in order to meet their customers' needs against their internal target inventory levels and the risk of potential inventory obsolescence. The risks of inventory obsolescence are especially relevant to technological products. The distributors' internal target inventory levels vary depending on market cycles and a number of factors within each distributor over which we have very little, if any, control. Distributors also have the ability to shift business to different manufacturers within their product portfolio based on a number of factors, including new product availability and performance. Similarly, we have the ability to add, consolidate, or remove distributors.

We typically recognize revenue on products sold to distributors when the item is shipped and title passes to the distributor (sell-in method). Certain distributors have limited rights to return inventory under stock rotation programs and have limited price adjustment rights for which we make estimates. We evaluate inventory levels in the distribution channel, current economic trends and other related factors in order to account for these factors in our judgments and estimates. As inventory levels and product return trends change or we make changes to our distributor roster, we may have to revise our estimates and incur additional costs, and our gross margins and operating results could be adversely impacted.

***We depend on a limited number of customers, including distributors, for a substantial portion of our revenue, and the loss of, or a significant reduction in purchases by, one or more of these customers could adversely affect our operating results.***

We receive a significant amount of our revenue from a limited number of customers and distributors, two of which individually represented more than 10% of our consolidated revenue in fiscal 2023. Many of our customer orders are made on a purchase order basis, which does not generally require any long-term customer commitments. Therefore, these customers may alter their purchasing behavior with little or no notice to us for various reasons, including developing, or, in the case of our distributors, their customers developing, their own product solutions; choosing to purchase or distribute product from our competitors; incorrectly forecasting end market demand for their products; or experiencing a reduction in their market share in the markets for which they purchase our products. If our customers alter their purchasing behavior, if our customers' purchasing behavior does not match our expectations or if we encounter any problems collecting amounts due from them, our financial condition and results of operations could be negatively impacted.

***The markets in which we operate are highly competitive and have evolving technical requirements.***

The markets for our products are highly competitive. In the semiconductor market, we compete with companies that have greater market share, name recognition, distribution and sales channels, and/or technical resources than we do. Competitors continue to offer new products with aggressive pricing, additional features and improved performance. Aggressive pricing actions by our competitors in our businesses could reduce margins if we are not able to reduce costs at an equal or greater rate than the sales price decline.

As competition increases, we need to continue to develop new products that meet or exceed the needs of our customers. Therefore, our ability to continually produce more efficient and lower cost power and materials products that meet the evolving needs of our customers will be critical to our success. Competitors may also try to align with some of our strategic customers. This could lead to lower prices for our products, reduced demand for our products and a corresponding reduction in our ability to recover development, engineering and manufacturing costs. Any of these developments could have an adverse effect on our business, results of operations or financial condition.

***Our revenue is highly dependent on our customers' ability to produce, market and sell more integrated products.***

Our revenue depends on getting our products designed into a larger number of our customers' products and in turn, our customers' ability to produce, market and sell their products. For example, we have current and prospective customers that create, or plan to create, power products or systems using our substrates, die, components or modules. Even if our customers are able to develop and produce products or systems that incorporate our substrates, die, components or modules, there can be no assurance that our customers will be successful in marketing and selling these products or systems in the marketplace.

***Our results may be negatively impacted if customers do not maintain their favorable perception of our brands and products.***

Maintaining and continually enhancing the value of our brands is critical to the success of our business. Brand value is based in large part on customer perceptions. Success in promoting and enhancing brand value depends in large part on our ability to provide high-quality products. Brand value could diminish significantly due to a number of factors, including adverse publicity about our products (whether valid or not), a failure to maintain the quality of our products (whether perceived or real), the failure of our products to deliver consistently positive consumer experiences, the products becoming unavailable to consumers or consumer perception that we have acted in an irresponsible manner. Damage to our brand, reputation or loss of customer confidence in our brand or products could result in decreased demand for our products and have a negative impact on our business, results of operations or financial condition.

***If our products fail to perform or fail to meet customer requirements or expectations, we could incur significant additional costs, including costs associated with the recall of those items.***

The manufacture of our products involves highly complex processes. Our customers specify quality, performance and reliability standards that we must meet. If our products do not meet these standards, we may be required to replace or rework the products. In some cases, our products may contain undetected defects or flaws that only become evident after shipment and installation. Even if our products meet standard specifications, our customers may attempt to use our products in applications for which they were not designed or in products that were not designed or manufactured properly, resulting in product failures and creating customer satisfaction issues.

We have experienced product quality, performance or reliability problems from time to time and defects or failures may occur in the future. If failures or defects occur, they could result in significant losses or product recalls. A significant product recall could also result in adverse publicity, damage to our reputation and a loss of customer confidence in our products. We also may be the target of product liability lawsuits against us if the use of our products at issue is determined to have caused injury or contained a substantial product hazard.

We provide standard warranty periods of 90 days on our products, with longer periods under a limited number of customer contracts. Although we believe our reserves are appropriate, we are making projections about the future reliability of new products and technologies, and we may experience increased variability in warranty claims. Increased warranty claims could result in significant losses due to a rise in warranty expense and costs associated with customer support.

***As a result of our continued expansion into new markets, we may compete with existing customers who may reduce their orders.***

We continue to expand into new markets and new market segments. Many of our existing customers who purchase our silicon carbide substrate materials develop and manufacture devices, die and components using those wafers that are offered in the same power markets. As a result, some of our current customers perceive us as a competitor in these market segments. In response, our customers may reduce or discontinue their orders for our substrate materials. This reduction in or discontinuation

of orders could occur faster than our sales growth in these new markets, which could adversely affect our business, results of operations or financial condition.

### **Risks associated with our strategic transactions**

#### ***If we fail to evaluate and execute strategic opportunities successfully, our business may suffer.***

From time to time, including the present, we evaluate strategic opportunities available to us for product, technology or business transactions, such as business acquisitions, investments or capacity expansions, joint ventures, divestitures, or spin-offs. If we choose to enter into such strategic transactions, we face certain risks including:

- the inability to realize the expected benefits, both from a timing and amount perspective, from our ongoing and planned capacity expansions, including the construction of a new materials manufacturing facility in Siler City, North Carolina, the planned construction of a new 200mm capable silicon carbide device fabrication facility in Saarland, Germany and the renovation of an epitaxy facility in Farmers Branch, Texas;
- the failure of an acquired business, investee or joint venture to meet our performance and financial expectations;
- identification of additional liabilities relating to an acquired business;
- loss of customers due to perceived conflicts or competition with such customers or due to regulatory actions taken by governmental agencies;
- that we are not able to enter into acceptable contractual arrangements in connection with the transaction;
- difficulty integrating an acquired business's operations, personnel and financial and operating systems into our current business;
- that we are not able to develop and expand customer bases and accurately anticipate demand from end customers, which can result in increased inventory and reduced orders if we experience wide fluctuations in supply and demand;
- diversion of management's attention;
- difficulty separating the operations, personnel and financial and operating systems of a spin-off or divestiture from our current business;
- the possibility we are unable to complete the transaction and expend substantial resources without achieving the desired benefit;
- the inability to obtain required regulatory agency approvals;
- reliance on a transaction counterparty for transition services for an extended period of time, which may result in additional expenses and delay the integration of the acquired business and realization of the desired benefit of the transaction;
- uncertainty of the financial markets or circumstances that cause conditions that are less favorable and/or different than expected; and
- expenses incurred to complete a transaction may be significantly higher than anticipated.

We may not be able to adequately address these risks or any other problems that arise from our prior or future acquisitions, investments, joint ventures, divestitures or spin-offs. Any failure to successfully evaluate strategic opportunities and address risks or other problems that arise related to any such business transaction could adversely affect our business, results of operations or financial condition.

#### ***We are subject to a number of risks associated with the sale of the RF Business, and these risks could adversely impact our operations, financial condition and business.***

On December 2, 2023, we completed the sale of our former RF product line (the RF Business) to MACOM Technology Solutions Holdings, Inc. (MACOM) pursuant to the Asset Purchase Agreement dated August 22, 2023 (the RF Purchase Agreement). We are subject to a number of risks associated with this transaction, including risks associated with:

- issues, delays or complications in completing required transition activities to allow the RF product line (the RF Business) to operate under MACOM after the closing, including incurring unanticipated costs to complete such activities;
- the diversion of our management's attention away from the operation of the business we are retaining;
- the restrictions on and obligations with respect to our business set forth in the RF master supply agreement and the transition services agreement, in each case between us and MACOM;
- the need to provide transition services in connection with the transaction;
- any required payments of indemnification obligations under the RF Purchase Agreement for retained liabilities and breaches of representations, warranties or covenants; and

- our failure to realize the full purchase price anticipated under the RF Purchase Agreement, including due to fluctuations in the market price of the 711,528 shares of MACOM's common stock that constitute a portion of the purchase price under the RF Purchase Agreement (the MACOM Shares) before we are able to sell the MACOM Shares following MACOM's assumption of control of the Company's 100mm gallium nitride wafer fabrication facility in Research Triangle Park, North Carolina approximately two years following the closing of the transaction (the RTP Fab Transfer) and the forfeiture of one-quarter of the MACOM Shares in the event that the RTP Fab Transfer is not completed within four years following the closing of the transaction.

As a result of these risks, we may be unable to realize the anticipated benefits of the transaction, including the total amount of cash we expect to realize. Our failure to realize the anticipated benefits of the transaction would adversely impact our operations, financial condition and business and could limit our ability to pursue additional strategic transactions.

***We are subject to a number of risks associated with the sale of our former LED Products segment, and these risks could adversely impact our operations, financial condition and business.***

On March 1, 2021, we completed the sale of our former LED Products segment to SMART Global Holdings, Inc. (SGH) pursuant to the Asset Purchase Agreement dated October 18, 2020 (the LED Purchase Agreement). We are subject to a number of risks associated with this transaction, including risks associated with:

- the restrictions on and obligations with respect to our business set forth in the Wafer Supply Agreement between us and CreeLED; and
- any required payments of indemnification obligations under the LED Purchase Agreement for retained liabilities and breaches of representations, warranties or covenants.

As a result of these risks, we may be unable to realize the anticipated benefits of the transaction. Our failure to realize the anticipated benefits of the transaction would adversely impact our operations, financial condition and business and could limit our ability to pursue additional strategic transactions.

***We are subject to risks associated with the sale of our former Lighting Products business unit, and these risks could adversely impact our financial condition.***

On May 13, 2019, we closed the sale of our former Lighting Products business unit to IDEAL Industries, Inc. (IDEAL). We are subject to risks associated with this transaction, including risks associated with any required payments of indemnification obligations under the Purchase Agreement with IDEAL for retained liabilities and breaches of representations, warranties or covenants.

As a result, we may be unable to realize the anticipated benefits of the transaction. Our failure to realize the anticipated benefits of the transaction would adversely impact our financial condition and could limit our ability to pursue additional strategic transactions.

## **Risks associated with cybersecurity, intellectual property and litigation**

### ***We may be subject to confidential information theft or misuse, which could harm our business and results of operations.***

We face attempts by others to gain unauthorized access to our information technology systems on which we maintain proprietary and other confidential information and such attempts may increase in terms of frequency and severity in light of the sanctions imposed on Russia in response to its invasion of Ukraine. Our security measures may be breached as the result of industrial or other espionage actions of outside parties, employees, employee error, malfeasance or otherwise, and as a result, an unauthorized party may obtain access to our systems. The risk of a security breach or disruption, particularly through cyber-attacks, ransomware, or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as cyber-attacks have become more prevalent and harder to detect and fight against. Additionally, outside parties may attempt to access our confidential information through other means, for example by fraudulently inducing our employees to disclose confidential information. We actively seek to prevent, detect and investigate any unauthorized access, which sometimes occurs and is usually not recognized until after it has occurred. To date, we do not believe that such unauthorized access has caused us any material damage. We might be unaware of any such access or unable to determine its magnitude and effects. We are also at risk of security breaches and disruptions occurring at third parties that we work with, including our customers and suppliers. In addition, these threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. The theft and/or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an incident could adversely affect our competitive position, result in a loss of confidence in the adequacy of our threat mitigation and detection processes and procedures, cause us to incur significant costs to remedy the damage caused by the incident, divert management's attention and other resources, and reduce the value of our investment in research and development. In addition, the increased prevalence of employees working from home may exacerbate the aforementioned cybersecurity risks. Our business could be subject to significant disruption and we could suffer monetary or other losses.

Our disclosure controls and procedures address cybersecurity and include elements intended to ensure that there is an analysis of potential disclosure obligations arising from security breaches. In addition, we are subject to data privacy, protection and security laws and regulations, including the European General Data Protection Act (GDPR) that governs personal information of European persons. We also maintain compliance programs to address the potential applicability of restrictions against trading while in possession of material, nonpublic information generally and in connection with a cyber-security breach. However, a breakdown in existing controls and procedures around our cyber-security environment may prevent us from detecting, reporting or responding to cyber incidents in a timely manner and could have a material adverse effect on our financial position and value of our stock.

### ***There are limitations on our ability to protect our intellectual property.***

Our intellectual property position is based in part on patents owned by us and patents licensed to us. We intend to continue to file patent applications in the future, where appropriate, and to pursue such applications with U.S. and certain foreign patent authorities.

Our existing patents are subject to expiration and re-examination and we cannot be sure that additional patents will be issued on any new applications around the covered technology or that our existing or future patents will not be successfully contested by third parties. Also, because issuance of a valid patent does not prevent other companies from using alternative, non-infringing technology, we cannot be sure that any of our patents, or patents issued to others and licensed to us, will provide significant commercial protection, especially as new competitors enter the market.

We periodically discover products that are counterfeit reproductions of our products or that otherwise infringe on our intellectual property rights. The actions we take to establish and protect trademarks, patents and other intellectual property rights may not be adequate to prevent imitation of our products by others, and therefore, may adversely affect our sales and our brand and result in the shift of customer preference away from our products. Further, the actions we take to establish and protect trademarks, patents and other intellectual property rights could result in significant legal expense and divert the efforts of our technical personnel and management, even if the litigation or other action results in a determination favorable to us.

We also rely on trade secrets and other non-patented proprietary information relating to our product development and manufacturing activities. We try to protect this information through appropriate efforts to maintain its secrecy, including requiring employees and third parties to sign confidentiality agreements. We cannot be sure that these efforts will be successful or that the confidentiality agreements will not be breached. We also cannot be sure that we would have adequate remedies for any breach of such agreements or other misappropriation of our trade secrets, or that our trade secrets and proprietary know-how will not otherwise become known or be independently discovered by others.

***Litigation could adversely affect our operating results and financial condition.***

We are often involved in litigation, primarily patent litigation, such as our patent dispute with The Trustees of Purdue University, as discussed further in Note 13, "Commitments and Contingencies," in our unaudited financial statements in Part I, Item 1 of this Quarterly Report. Defending against existing and potential litigation will likely require significant attention and resources and, regardless of the outcome, result in significant legal expenses, which could adversely affect our results unless covered by insurance or recovered from third parties. If our defenses are ultimately unsuccessful or if we are unable to achieve a favorable resolution, we could be liable for damage awards that could materially affect our results of operations and financial condition.

Where necessary, we may initiate litigation to enforce our patent or other intellectual property rights, which could adversely impact our relationship with certain customers. Any such litigation may require us to spend a substantial amount of time and money and could distract management from our day-to-day operations. Moreover, there is no assurance that we will be successful in any such litigation.

***Our business may be impaired by claims that we, or our customers, infringe the intellectual property rights of others.***

Vigorous protection and pursuit of intellectual property rights characterize our industry. These traits have resulted in significant and often protracted and expensive litigation. Litigation to determine the validity of patents or claims by third parties of infringement of patents or other intellectual property rights could result in significant legal expense and divert the efforts of our technical personnel and management, even if the litigation results in a determination favorable to us. In the event of an adverse result in such litigation, we could be required to pay substantial damages; indemnify our customers; stop the manufacture, use and sale of products found to be infringing; incur asset impairment charges; discontinue the use of processes found to be infringing; expend significant resources to develop non-infringing products or processes; or obtain a license to use third party technology.

There can be no assurance that third parties will not attempt to assert infringement claims against us, or our customers, with respect to our products. In addition, our customers may face infringement claims directed to the customer's products that incorporate our products, and an adverse result could impair the customer's demand for our products. We have also promised certain of our customers that we will indemnify them in the event they are sued by our competitors for infringement claims directed to the products we supply. Under these indemnification obligations, we may be responsible for future payments to resolve infringement claims against them.

From time to time, we receive correspondence asserting that our products or processes are or may be infringing patents or other intellectual property rights of others. If we believe the assertions may have merit or in other appropriate circumstances, we may take steps to seek to obtain a license or to avoid the infringement. We cannot predict, however, whether a license will be available; that we would find the terms of any license offered acceptable; or that we would be able to develop an alternative solution. Failure to obtain a necessary license or develop an alternative solution could cause us to incur substantial liabilities and costs and to suspend the manufacture of affected products.

**Risks related to legal, regulatory, accounting, tax and compliance matters**

***We may be required to recognize a significant charge to earnings if our goodwill or other assets become impaired.***

Goodwill and other assets are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Factors that may indicate that the carrying value of our goodwill may not be recoverable include a significant decline in our stock price and market capitalization and slower growth rates in our industry. For other assets such as finite-lived intangible assets and fixed assets, we assess the recoverability of the asset balance when indicators of potential impairment are present. For example, in the first quarter of fiscal 2024, we recorded an impairment to assets held for sale associated with the then-pending RF Business Divestiture of \$144.6 million. The recognition of a significant charge to earnings in our consolidated financial statements resulting from any impairment of our goodwill or other assets could adversely impact our results of operations.

***The adoption of or changes in government and/or industry policies, standards or regulations relating to the efficiency, performance, vehicle range or other aspects of our products and the products in which they are utilized could impact the demand for our products.***

The adoption of or changes in government and/or industry policies, standards or regulations relating to the efficiency, performance, vehicle range or other aspects of our products and the products in which they are utilized or integrated may impact the demand for our products. For example, efforts to change, eliminate or reduce industry or regulatory standards could negatively impact our business. These constraints may be eliminated or delayed by legislative action, which could have a negative impact on demand for our products. Our ability and the ability of our competitors to meet evolving government and/or industry requirements could impact competitive dynamics in the market.

***Changes in our effective tax rate or the ability to obtain future tax credits may affect our results and financial condition.***

Our future effective tax rates and our ability to obtain future tax credits may affect our results and financial condition due to a number of factors, including:

- the jurisdiction in which profits are determined to be earned and taxed;
- potential changes in tax laws or alterations in the interpretation of such tax laws and changes in generally accepted accounting principles, for example interpretations and U.S. regulations issued as a result of the significant changes to the U.S. tax law included within the Tax Cuts and Jobs Act of 2017 (the TCJA), the Coronavirus Aid, Relief and Economic Security Act of 2020 and the Inflation Reduction Act (the IRA);
- changes in available tax credits, including the eligibility for or the receipt of the expected benefits from refundable investment tax credits obtained through the CHIPS Act;
- the implementation of international tax and profit shifting rules in countries in which we operate, as recommended by the Organization for Economic Co-operation and Development's Base Erosion, including the establishment of a minimum tax of 15% on global income;
- the resolution of issues arising from tax audits with various authorities;
- changes in the valuation of our deferred tax assets and liabilities;
- the ongoing restructuring of our existing legal entities, including the restructuring of our Luxembourg holding company;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including impairment of goodwill in connection with acquisitions;
- the recognition and measurement of uncertain tax positions;
- variations in realized tax deductions for certain stock-based compensation awards (such as non-qualified stock options and restricted stock) from those originally anticipated; and
- the repatriation of non-U.S. earnings for which we have not previously provided for taxes or any changes in legislation that may result in these earnings being taxed, regardless of our decision regarding repatriation of funds. For example, the TCJA included a one-time tax on deemed repatriated earnings of non-U.S. subsidiaries.

Any significant increase or decrease in our future effective tax rates could impact net (loss) income for future periods. In addition, the determination of our income tax provision requires complex estimations, significant judgments and significant knowledge and experience concerning the applicable tax laws. To the extent our income tax liability materially differs from our income tax provisions due to factors, including the above, which were not anticipated at the time we estimated our tax provision, our net (loss) income or cash flows could be affected.

***Failure to comply with applicable environmental laws and regulations worldwide could harm our business and results of operations.***

The manufacturing, assembling and testing of our products require the use of hazardous materials that are subject to a broad array of environmental, health and safety laws and regulations. Our failure to comply with any of these applicable laws or regulations could result in regulatory penalties, fines, legal liabilities and the forfeiture of certain tax benefits; suspension of production; alteration of our fabrication, assembly and test processes; and curtailment of our operations or sales.

In addition, our failure to manage the use, transportation, emission, discharge, storage, recycling or disposal of hazardous materials could subject us to significant costs or future liabilities. Existing and future environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify our product designs or incur other expenses, such as permit costs, associated with such laws and regulations. Many new materials that we are evaluating for use in our operations may be subject to regulation under existing or future environmental laws and regulations that may restrict our use of

one or more of such materials in our manufacturing, assembly and test processes or products. Any of these restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter our manufacturing processes.

New climate change laws and regulations could require us to change our manufacturing processes or procure substitute raw materials that may cost more or be more difficult to procure. Various jurisdictions in which we do business have implemented, or in the future could implement or amend, restrictions on emissions of carbon dioxide or other greenhouse gases, limitations or restrictions on water use, regulations on energy management and waste management, and other climate change-based rules and regulations, which may increase our expenses and adversely affect our operating results. We expect increased worldwide regulatory activity relating to climate change in the future. Future compliance with these laws and regulations may adversely affect our business and results of operations.

***Our results could vary as a result of the methods, estimates and judgments that we use in applying our accounting policies, including changes in the accounting standards to be applied.***

The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results (see "Critical Accounting Estimates" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2023 Form 10-K). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations or financial condition.

Likewise, our results may be impacted due to changes in the accounting standards to be applied, such as the changes in convertible debt recognition requirements.

***Regulations related to conflict-free minerals may force us to incur additional expenses.***

Rules adopted by the SEC under the Dodd-Frank Wall Street Reform and Consumer Protection Act impose annual disclosure and reporting requirements for those companies who may use "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries in their products. We may face challenges with government regulators, our customers and our suppliers if we are unable to sufficiently verify that the metals used in our products are conflict free. Our most recent disclosure regarding our due diligence was filed on May 31, 2023 for calendar year 2022.

**General risk factors**

***We have outstanding debt which could materially restrict our business and adversely affect our financial condition, liquidity and results of operations.***

As of March 31, 2024, our indebtedness consisted of \$575.0 million aggregate principal amount of our 1.75% convertible senior notes due May 1, 2026 (the 2026 Notes), \$750.0 million aggregate principal amount of our 0.25% convertible senior notes due February 15, 2028 (the 2028 Notes), \$1,750.0 million aggregate principal amount of our 2029 Notes (the 2026 Notes, the 2028 Notes and the 2029 Notes collectively, the Outstanding Convertible Notes) and \$1,250.0 million aggregate principal amount of the 2030 Senior Notes. In addition, on July 5, 2023, we entered into the CRD Agreement with Renesas Electronics America Inc. (Renesas America) pursuant to which Renesas America has provided the Company deposits in an aggregate principal amount of \$1.5 billion with a commitment to provide additional deposits in an aggregate principal amount of up to an additional \$500 million at our discretion in calendar year 2024, in connection with our entry into a wafer supply agreement with Renesas Electronics Corporation, an affiliate of Renesas America. Our ability to pay interest and repay the principal for any outstanding indebtedness under the Outstanding Convertible Notes, the 2030 Senior Notes and the CRD Agreement is dependent upon our ability to manage our business operations and generate sufficient cash flows to service such debt. There can be no assurance that we will be able to manage any of these risks successfully.

The level of our outstanding debt may adversely affect our operating results and financial condition by, among other things:

- increasing our vulnerability to downturns in our business, to competitive pressures and to adverse general economic and industry conditions;
- requiring the dedication of an increased portion of our expected cash flows from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures, research and development and stock repurchases;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- placing us at a competitive disadvantage compared to our peers that may have less indebtedness than we have by limiting our ability to borrow additional funds needed to operate and grow our business; and
- increasing our interest expense if interest rates increase.

The Indenture governing the 2030 Senior Notes (the 2030 Senior Notes Indenture) includes a liquidity maintenance financial covenant requiring us to have an aggregate amount of unrestricted cash and cash equivalents maintained in accounts over which the trustee and collateral agent for the 2030 Senior Notes has been granted a perfected first lien security interest of at least \$500 million as of the last day of any calendar month, which amount will be reduced over time upon the fulfillment of certain conditions. In addition, the 2030 Senior Notes Indenture contains certain restrictions that could limit our ability to, among other things: incur additional indebtedness, dispose of assets, create liens on assets, make acquisitions or engage in mergers or consolidations, and engage in certain transactions with our subsidiaries and affiliates. The 2030 Senior Notes Indenture also requires us to make an offer to repurchase the 2030 Senior Notes with 100% of the net cash proceeds of certain non-ordinary course asset sales and casualty events, subject to the ability to reinvest the proceeds of such casualty events and asset sales (subject to certain limitations), or upon a change of control. The Indentures governing the Outstanding Convertible Notes (the Convertible Notes Indentures) require us to repurchase the Outstanding Convertible Notes upon certain fundamental changes relating to our common stock, and also prohibit our consolidation, merger, or sale of all or substantially all of our assets except with or to a successor entity assuming our obligations under the Indentures. The CRD Agreement contains certain restrictions on our ability to incur debt and liens, consummate non-arm's-length transactions with affiliates, consummate mergers and consolidations whereby obligations under the CRD Agreement are not assumed, and change the nature of our business. The restrictions imposed by the 2030 Senior Notes Indenture, the Convertible Notes Indentures, and the CRD Agreement could limit our ability to plan for or react to changing business conditions, or could otherwise restrict our business activities and plans.

Our ability to comply with the provisions of the 2030 Senior Notes Indenture, the Convertible Notes Indentures, and the CRD Agreement may also be affected by events beyond our control and if any of these restrictions or terms is breached, it could lead to an event of default under the 2030 Senior Notes, the Outstanding Convertible Notes, and the CRD Agreement. A default, if not cured or waived, may permit acceleration of our indebtedness. In addition, our lenders could terminate their commitments to make further loans under the 2030 Senior Notes Indenture or the CRD Agreement. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds to pay the accelerated indebtedness or that we will have the ability to refinance accelerated indebtedness on terms favorable to us or at all.

***The capped call transactions may not prevent dilution of our common stock upon conversion of the 2028 Notes or the 2029 Notes.***

In connection with the pricing of the 2028 Notes and the 2029 Notes, we entered into privately negotiated capped call transactions with the option counterparties. The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of the 2028 Notes and 2029 Notes and/or offset any potential cash payments we are required to make in excess of the principal amount of the converted 2028 Notes and 2029 Notes, as the case may be, upon conversion of the 2028 Notes and 2029 Notes. If, however, the market price per share of our common stock, as measured under the terms of the capped call transactions, exceeds the cap price of the capped call transactions (currently \$212.04 for the 2028 Notes and \$202.538 for the 2029 Notes), there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in either case, to the extent that such market price exceeds the cap price of the capped call transactions.

***Catastrophic events and disaster recovery may disrupt business continuity.***

A disruption or failure of our systems or operations in the event of a natural disaster or severe weather event, including, but not limited to, earthquakes, wildfires, droughts, flooding, tornadoes, hurricanes or tsunamis, health pandemic, such as an influenza outbreak within our workforce, or man-made catastrophic event could cause delays in completing sales, continuing production or performing other critical functions of our business, particularly if a catastrophic event were to occur at our primary manufacturing locations or our subcontractors' locations. Global climate change could result in certain natural disasters occurring more frequently or with greater intensity. Any of these events could severely affect our ability to conduct normal business operations and, as a result, our operating results could be adversely affected. There may also be secondary impacts that are unforeseeable as well, such as impacts to our customers, which could cause delays in new orders, delays in completing sales or even order cancellations.

***In order to compete, we must attract, motivate and retain key employees, and our failure to do so could harm our results of operations.***

Hiring and retaining qualified executives, scientists, engineers, technical staff, sales personnel and production personnel is critical to our business, and competition for experienced employees in our industry can be intense. As a global company, this issue is not limited to the United States, but includes our other locations such as Europe and Asia. For example, there is substantial competition for qualified and capable personnel, particularly experienced engineers and technical personnel, which may make it difficult for us to recruit and retain qualified employees. If we are unable to staff sufficient and adequate personnel at our facilities, we may experience lower revenue or increased manufacturing costs, which would adversely affect our results of operations.

To help attract, motivate and retain key employees, we use benefits such as stock-based compensation awards. If the value of such awards does not appreciate, as measured by the performance of the price of our common stock or if our stock-based compensation otherwise ceases to be viewed as a valuable benefit, our ability to attract, retain and motivate employees could be weakened, which could harm our business and results of operations.

***Our stock price may be volatile.***

Historically, our common stock has experienced substantial price volatility, particularly as a result of significant fluctuations in our revenue, earnings and margins over the past few years, and variations between our actual financial results and the published expectations of analysts. For example, the closing price per share of our common stock on the New York Stock Exchange ranged from a low of \$23.77 to a high of \$67.94 during the twelve months ended March 31, 2024. If our future operating results or margins are below the expectations of stock market analysts or our investors, our stock price will likely decline.

Speculation and opinions in the press or investment community about our strategic position, financial condition, results of operations or significant transactions can also cause changes in our stock price. In addition, competition in some of the markets we address such as electric vehicles or the industrial and energy markets, the ramp up of our business, and the effect of tariffs on our business, may have a dramatic effect on our stock price.

Additionally, actions taken by the option counterparties in the capped call transactions entered into in connection with the 2028 Notes and the 2029 Notes may affect our stock price, including the potential modifications of their hedge positions by entering into or unwinding various derivatives with respect to our common stock.

***We are exposed to fluctuations in the market value of our investment portfolio and in interest rates, and therefore, impairment of our investments or lower investment income could harm our earnings.***

We are exposed to market value and inherent interest rate risk related to our investment portfolio. We have historically invested portions of our available cash in fixed interest rate securities such as high-grade corporate debt, commercial paper, municipal bonds, certificates of deposit, government securities and other fixed interest rate investments. The primary objective of our cash investment policy is preservation of principal. However, these investments are generally not Federal Deposit Insurance Corporation insured and may lose value and/or become illiquid regardless of their credit rating.

In addition, we currently hold shares in MACOM Technology Solutions Holdings, Inc. that we acquired in connection with the sale of the RF Business. These shares are subject to risks inherent in the business of that company and to trends affecting the equity markets as a whole. As more fully discussed further in Note 2, "Discontinued Operations," in our unaudited financial statements in Part I, Item 1 of this Quarterly Report, the shares are also subject to restrictions on transfer prior to the RTP Fab Transfer and one quarter of the shares are subject to the risk of forfeiture in the event that the RTP Fab Transfer is not completed within four years following the closing of the transaction. Should the value of these shares decline, the related write-down in value could have a material adverse effect on our financial condition and results of operations.

From time to time, we have also made investments in public and private companies that engage in complementary businesses.

***We may be subject to volatility and uncertainty in customer demand, supply chains, worldwide economies and financial markets resulting from the outbreak of infectious disease or similar public health threat.***

We have significant manufacturing operations in the United States and contract manufacturing agreements in Asia, which may be affected by the outbreak of infectious diseases or other similar public health threats and the measures to try to contain it. For example, during the COVID-19 pandemic, we experienced some limited disruptions in our supply chain and may experience similar disruptions in the future in the event of a pandemic.

Restrictions on access to our manufacturing facilities or on our support operations or workforce, or similar limitations for our vendors and suppliers, and restrictions or disruptions of transportation, such as reduced availability of air transport, port closures, and increased border controls or closures in connection with future outbreaks of infectious diseases or similar public health events could limit our ability to meet customer demand, lead to increased costs and have a material adverse effect on our financial condition and results of operations.

***Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the state courts of North Carolina will be the sole and exclusive forum for substantially all disputes between us and our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees or agents.***

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for all litigation relating to our internal affairs, including without limitation (i) any derivative action or

proceeding brought on behalf of Wolfspeed, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of Wolfspeed to Wolfspeed or our shareholders, (iii) any action asserting a claim arising pursuant to any provision of the North Carolina Business Corporation Act (the NCBCA), our restated articles of incorporation, as amended, or our amended and restated bylaws, (iv) any action to interpret, apply, enforce, or determine the validity of our restated articles of incorporation, as amended, or our amended and restated bylaws, or (v) any action asserting a claim governed by the internal affairs doctrine, shall be the state courts of North Carolina, or if such courts lack jurisdiction, a federal court located within the State of North Carolina, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any such action filed in a North Carolina state court shall be designated by the party filing the action as a mandatory complex business case. In any such action where the NCBCA specifies the division or county wherein the action must be brought, the action shall be brought in such division or county. Our amended and restated bylaws also provide that, notwithstanding the foregoing, (x) the provisions described above will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, and (y) unless we consent in writing to the selection of an alternative forum, the federal district courts shall, to the fullest extent permitted by law, be the exclusive forum for the resolution of any complaint asserting a cause of action against Wolfspeed or any director, officer, employee, or agent of Wolfspeed and arising under the Securities Act.

If a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management and other employees.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

During the fiscal quarter ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (in each case, as defined in Item 408 of Regulation S-K).

**Item 6. Exhibits**

The following exhibits are being filed herewith and are numbered in accordance with Item 601 of Regulation S-K:

Exhibit No.	Description	Filed Herewith	Form	Exhibit	Incorporated by Reference	Filing Date
	<a href="#">31.1</a> Certification by Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
	<a href="#">31.2</a> Certification by Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
	<a href="#">32.1</a> Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
	<a href="#">32.2</a> Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101	The following materials from Wolfspeed, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2023 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Loss; (iv) Consolidated Statement of Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements	X				
104	The cover page from Wolfspeed, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 formatted in Inline XBRL (included in Exhibit 101)	X				

**SIGNATURE**

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.

WOLFSPEED, INC.

May 2, 2024

/s/ Neill P. Reynolds

---

Neill P. Reynolds

Executive Vice President and Chief Financial Officer

(Authorized Officer and Principal Financial and Chief Accounting Officer)

**Certification by Chief Executive Officer**  
**pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as**  
**adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Gregg A. Lowe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wolfspeed, 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 controls 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: May 2, 2024

/s/ GREGG A. LOWE

\_\_\_\_\_  
Gregg A. Lowe

Chief Executive Officer and President

**Certification by Chief Financial Officer  
pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as  
adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Neill P. Reynolds, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wolfspeed, 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 controls 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: May 2, 2024

/s/ NEILL P. REYNOLDS

Neill P. Reynolds

Executive Vice President and Chief Financial Officer

**Certification by Chief Executive Officer pursuant to  
18 U.S.C. Section 1350,  
as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Wolfspeed, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregg A. Lowe, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (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/ GREGG A. LOWE

Gregg A. Lowe

Chief Executive Officer and President

May 2, 2024

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification by Chief Financial Officer pursuant to  
18 U.S.C. Section 1350,  
as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Wolfspeed, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neill P. Reynolds, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (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/ Neill P. REYNOLDS

Neill P. Reynolds

Executive Vice President and Chief Financial Officer

May 2, 2024

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.