
**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 November 2, 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: 001-41249

Credo Technology Group Holding Ltd

(Exact name of registrant as specified in its charter)

Cayman Islands

N/A

(State or other jurisdiction of incorporation or organization)

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

c/o Maples Corporate Services, Limited,
PO Box 309, Ugland House
Grand Cayman, KY1-1104, Cayman Islands

N/A

(Address of principal executive offices)

(Zip Code)

(408) 664-9329

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
Ordinary shares, par value \$0.00005 per share	CRDO	The Nasdaq Stock Market LLC

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

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

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

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

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

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

The registrant had 167,239,070 ordinary shares outstanding as of November 25, 2024.

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements relating to our expectations, projections, beliefs, and prospects, which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as "anticipate," "expect," "intend," "plan," "goal," "projects," "believes," "seeks," "estimates," "forecast," "target," "predict," "future," "may," "can," "will," "would" or the negative of these terms or similar expressions. You should read these statements carefully because they may relate to future expectations around growth, strategy and anticipated trends in our business, contain projections of future results of operations or financial condition or state other "forward-looking" information. These statements are only predictions based on our current expectations, estimates, assumptions, and projections about future events and are applicable only as of the dates of such statements. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended April 27, 2024 and our Quarterly Reports on Form 10-Q and other reports we file with the U.S. Securities and Exchange Commission (SEC). Factors that could cause actual results to differ materially from those predicted include, but are not limited to:

- our expectations regarding our ability to address market and customer demands and to timely develop new or enhanced solutions to meet those demands;
- anticipated trends, challenges and growth in our business and the markets in which we operate, including pricing expectations;
- our expectations regarding our revenue, revenue mix, average selling prices, gross margin, and expenses;
- our expectations regarding dependence on a limited number of customers and end customers;
- our customer relationships and our ability to retain and expand our customer relationships and to achieve design wins;
- our expectations regarding the success, cost, and timing of new products;
- the size and growth potential of the markets for our solutions, and our ability to serve and expand our presence in those markets;
- our expectations regarding competition in our existing and future markets;
- the impact a pandemic, epidemic, or other outbreak of disease may in the future have on our business, results of operations and financial condition, as well as the businesses of our suppliers and customers;
- our expectations regarding regulatory developments in the United States and foreign countries;
- our expectations regarding the performance of, and our relationships with, our third-party suppliers and manufacturers;
- our expectations regarding our ability to attract and retain key personnel; and
- the accuracy of our estimates regarding capital requirements and needs for additional financing.

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as may be required by law, we assume no obligation to update these forward-looking statements or the reasons that results could differ from these forward-looking statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results,

levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or will occur.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Credo Technology Group Holding Ltd
Condensed Consolidated Balance Sheets

(unaudited, in thousands, except per share amounts)

	<u>November 2, 2024</u>	<u>April 27, 2024</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 239,237	\$ 66,942
Short-term investments	143,716	343,061
Accounts receivable	81,776	59,662
Inventories	36,313	25,907
Contract assets	19,977	21,562
Prepaid expenses and other current assets	17,233	13,131
Total current assets	<u>538,252</u>	<u>530,265</u>
Property and equipment, net	68,226	43,665
Right of use assets	15,190	13,077
Other non-current assets	16,883	14,925
Total assets	<u>\$ 638,551</u>	<u>\$ 601,932</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 13,026	\$ 13,417
Accrued compensation and benefits	9,182	9,000
Accrued expenses and other current liabilities	25,390	18,301
Deferred revenue	2,047	3,902
Total current liabilities	<u>49,645</u>	<u>44,620</u>
Non-current operating lease liabilities	12,945	11,133
Other non-current liabilities	8,054	5,981
Total liabilities	<u>70,644</u>	<u>61,734</u>
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Ordinary shares, \$0.00005 par value; 1,000,000 shares authorized; 167,157 and 164,305 shares issued and outstanding at November 2, 2024 and April 27, 2024, respectively	8	8
Additional paid in capital	717,319	676,054
Accumulated other comprehensive loss	(310)	(519)
Accumulated deficit	(149,110)	(135,345)
Total shareholders' equity	<u>567,907</u>	<u>540,198</u>
Total liabilities and shareholders' equity	<u>\$ 638,551</u>	<u>\$ 601,932</u>

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

Credo Technology Group Holding Ltd
Condensed Consolidated Statements of Operations
(unaudited, in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Revenue:				
Product sales	\$ 64,443	\$ 34,247	\$ 118,282	\$ 64,275
Product engineering services	4,632	2,434	8,118	4,727
IP license	2,959	7,354	5,348	10,128
Total revenue	72,034	44,035	131,748	79,130
Cost of revenue:				
Cost of product sales revenue	25,883	17,346	47,767	31,214
Cost of product engineering services revenue	571	171	1,023	464
Cost of IP license revenue	68	401	163	545
Total cost of revenue	26,522	17,918	48,953	32,223
Gross profit	45,512	26,117	82,795	46,907
Operating expenses:				
Research and development	31,742	21,736	62,151	44,374
Selling, general and administrative	22,177	13,256	43,502	25,799
Total operating expenses	53,919	34,992	105,653	70,173
Operating loss	(8,407)	(8,875)	(22,858)	(23,266)
Other income, net	4,474	2,702	10,007	4,859
Loss before income taxes	(3,933)	(6,173)	(12,851)	(18,407)
Provision (benefit) for income taxes	292	450	914	(87)
Net loss	\$ (4,225)	\$ (6,623)	\$ (13,765)	\$ (18,320)
Net loss per share:				
Basic and diluted	\$ (0.03)	\$ (0.04)	\$ (0.08)	\$ (0.12)
Weighted-average shares:				
Basic and diluted	166,487	150,232	165,789	149,755

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

Credo Technology Group Holding Ltd
Condensed Consolidated Statements of Comprehensive Loss

(unaudited, in thousands)

	Three Months Ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Net loss	\$ (4,225)	\$ (6,623)	\$ (13,765)	\$ (18,320)
Other comprehensive gain (loss):				
Foreign currency translation gain (loss)	65	(223)	209	(385)
Total comprehensive loss	<u><u>\$ (4,160)</u></u>	<u><u>\$ (6,846)</u></u>	<u><u>\$ (13,556)</u></u>	<u><u>\$ (18,705)</u></u>

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

Credo Technology Group Holding Ltd
Condensed Consolidated Statements of Shareholders' Equity

(unaudited, in thousands)

	Ordinary Shares		Accumulated Other Comprehensive Income (Loss)			Accumulated Deficit	Total Shareholders' Equity
	Number of Shares	Amount	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit		
Balances at April 27, 2024	164,305	8	676,054	(519)	(135,345)		540,198
Ordinary shares issued under equity incentive plans	1,697	—	3,513	—	—		3,513
Tax withheld related to RSU settlement	(37)	—	(1,071)	—	—		(1,071)
Share-based compensation	—	—	16,640	—	—		16,640
Warrant contra revenue	—	—	3,218	—	—		3,218
Total comprehensive loss	—	—	—	144	(9,540)		(9,396)
Balances at August 3, 2024	165,965	8	698,354	(375)	(144,885)		553,102
Ordinary shares issued under equity incentive plans	1,228	—	871	—	—		871
Tax withheld related to RSU settlement	(36)	—	(1,179)	—	—		(1,179)
Share-based compensation	—	—	16,663	—	—		16,663
Warrant contra revenue	—	—	2,610	—	—		2,610
Total comprehensive loss	—	—	—	65	(4,225)		(4,160)
Balances at November 2, 2024	167,157	8	717,319	\$ (310)	\$ (149,110)		567,907
 Balances at April 29, 2023	 148,651	 7	 454,795	 (191)	 (106,976)		 347,635
Ordinary shares issued under equity incentive plans	1,214	—	3,440	—	—		3,440
Tax withheld related to RSU settlement	(11)	—	(180)	—	—		(180)
Share-based compensation	—	—	7,968	—	—		7,968
Warrant contra revenue	—	—	436	—	—		436
Total comprehensive loss	—	—	—	(162)	(11,697)		(11,859)
Balances at July 29, 2023	149,854	\$ 7	\$ 466,459	\$ (353)	\$ (118,673)		\$ 347,440
Ordinary shares issued under equity incentive plans	703	1	637	—	—		638
Tax withheld related to RSU settlement	(11)	—	(182)	—	—		(182)
Share-based compensation	—	—	8,144	—	—		8,144
Warrant contra revenue	—	—	354	—	—		354
Total comprehensive loss	—	—	—	(223)	(6,623)		(6,846)
Balances at October 28, 2023	150,546	\$ 8	\$ 475,412	\$ (576)	\$ (125,296)		\$ 349,548

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

Credo Technology Group Holding Ltd
Condensed Consolidated Statements of Cash Flows

(unaudited, in thousands)

	Six Months Ended	
	November 2, 2024	October 28, 2023
Cash flows from operating activities:		
Net loss	\$ (13,765)	\$ (18,320)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	9,218	6,648
Share-based compensation	33,303	16,112
Warrant contra revenue	5,828	790
Write-downs for excess and obsolete inventory	2,205	710
Changes in operating assets and liabilities:		
Accounts receivable	(22,114)	16,818
Inventories	(12,611)	9,552
Contract assets	1,585	(2,597)
Prepaid and other current assets	(4,102)	(1,866)
Other non-current assets	1,216	(4,606)
Accounts payable	(1,429)	5,561
Accrued expenses, compensation and other liabilities	5,682	110
Deferred revenue	(1,967)	704
Net cash provided by operating activities	<u>3,049</u>	<u>29,616</u>
Cash flows from investing activities:		
Purchases of property and equipment	(27,811)	(7,357)
Maturities of short-term investments	313,061	109,228
Purchases of short-term investments	(113,716)	(111,526)
Net cash provided by (used in) investing activities	<u>171,534</u>	<u>(9,655)</u>
Cash flows from financing activities:		
Payments on technology license obligations	(4,556)	(3,052)
Proceeds from employee share incentive plans	4,384	4,078
Tax withheld related to RSU settlement	(2,250)	(362)
Net cash provided by financing activities	<u>(2,422)</u>	<u>664</u>
Effect of exchange rate changes on cash	134	(222)
Net increase in cash and cash equivalents	172,295	20,403
Cash and cash equivalents at beginning of the period	66,942	108,583
Cash and cash equivalents at end of the period	<u>\$ 239,237</u>	<u>\$ 128,986</u>
Supplemental cash flow information:		
Purchases of property and equipment included in accounts payable, accrued expenses and other liabilities	\$ 7,966	\$ 9,784

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

Credo Technology Group Holding Ltd
Notes to Unaudited Condensed Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Credo Technology Group Holding Ltd was formed as an exempted company under the laws of the Cayman Islands in September 2014. Credo Technology Group Holding Ltd directly owns Credo Technology Group Ltd., which owns, directly and indirectly, all of the shares of its subsidiaries in mainland China, Hong Kong, and the United States (U.S.). References to the "Company" in these notes refer to Credo Technology Group Holding Ltd and its subsidiaries on a consolidated basis, unless otherwise specified.

The Company is an innovator in providing secure, high-speed connectivity solutions that deliver improved power and cost efficiency. The Company's connectivity solutions are optimized for optical and electrical Ethernet applications, including the 100G, 200G, 400G, 800G and emerging 1.6T markets. The Company's products are based on its Serializer/Deserializer (SerDes) and Digital Signal Processor (DSP) technologies. The Company's product families include integrated circuits (ICs), Active Electrical Cables (AECs) and SerDes Chiplets. The Company's intellectual property (IP) solutions consist primarily of SerDes IP licensing.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States (US GAAP) applicable to interim periods, under the rules and regulations of the U.S. Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted as permitted by the SEC. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the Company's fiscal year 2024 audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2024. The unaudited condensed consolidated financial statements include all adjustments, including normal recurring adjustments and other adjustments, that are considered necessary for fair presentation of the Company's financial position and results of operations. All inter-company accounts and transactions have been eliminated. Operating results for the periods presented herein are not necessarily indicative of the results that may be expected for the entire year.

The Company's fiscal year is a 52- or 53-week period ending on the Saturday closest to April 30. Its fiscal year ending May 3, 2025 (fiscal year 2025) is a 53-week fiscal year. The first quarter of fiscal year 2025 ended on August 3, 2024, the second quarter ended on November 2, 2024, and the third quarter ends on February 1, 2025.

2. Significant Accounting Policies

The Company believes that other than the accounting policies as described below, there have been no significant changes to the items disclosed in Note 2, "Significant Accounting Policies," included in the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

Use of Estimates

The preparation of these condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's condensed consolidated financial statements and accompanying notes.

The Company bases its estimates and judgments on historical experience, knowledge of current conditions and beliefs of what could occur in the future, given the available information. Estimates are used for, but not limited to, write-down for excess and obsolete inventories, the standalone selling price for each distinct performance obligation included in customer contracts with multiple performance obligations, variable consideration from revenue contracts, the realization of tax assets and estimates of tax reserves, and impairment of long-lived assets. Actual results may differ from those estimates and such differences may be material to the financial statements. In the current macroeconomic environment, these estimates require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, these estimates may change materially in future periods.

Reclassifications

Certain prior period balances were reclassified to conform to the current period's presentation. None of these reclassifications had an impact on reported net income or cash flows for any of the periods presented.

Recent Accounting Pronouncements Not Yet Adopted

Credo Technology Group Holding Ltd
Notes to Unaudited Condensed Consolidated Financial Statements

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures, which requires disclosure of incremental segment information on an annual and interim basis. This standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. The Company is currently evaluating the impact that this new standard will have on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures, which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. This standard is effective for fiscal years beginning after December 15, 2024, and may be applied on a retrospective or prospective basis. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures, which requires disclosure of, in interim and annual reporting periods, additional information about certain expenses in the financial statements. This standard is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027 and may be applied on a retrospective or prospective basis. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements and disclosures.

3. Concentrations

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Cash is placed in major financial institutions around the world. The Company's cash deposits exceed insured limits. Short-term investments are subject to counterparty risk up to the amount presented on the balance sheet.

Historically, a relatively small number of customers have accounted for a significant portion of the Company's revenue. The particular customers which account for revenue concentration have varied from period-to-period as a result of the addition of new contracts, completion of existing contracts, and the volumes and prices at which the customers have recently bought the Company's products. These variations are expected to continue in the foreseeable future.

The following tables summarize the accounts receivable and revenue as a percentage of total accounts receivable and total revenue, respectively, for the Company's most significant customers. In the tables below, customers are defined as the contracting entities who place purchase orders or enter into revenue contracts with the Company:

Accounts Receivable	November 2, 2024		April 27, 2024	
	Customer A	56 %	Customer B	53 %
Customer C		*	Customer D	*
				23 %

Revenue	Three Months Ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Customer A	40 %	29 %	47 %	34 %
Customer B	14 %	*	10 %	*
Customer C	*	15 %	*	15 %

* Less than 10% of total accounts receivable or total revenue.

Credo Technology Group Holding Ltd
Notes to Unaudited Condensed Consolidated Financial Statements

4. Revenue Recognition

The following table summarizes revenue disaggregated by primary geographical market based on destination of shipment and location of contracting entity, which may differ from the customer's principal offices (in thousands):

	Three Months Ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Hong Kong	\$ 30,086	\$ 18,612	\$ 59,358	\$ 20,491
United States	21,856	7,837	32,655	14,252
Mainland China	13,524	5,425	23,273	21,617
Rest of World	6,568	12,161	16,462	22,770
	\$ 72,034	\$ 44,035	\$ 131,748	\$ 79,130

Contract Balances

The contract assets are primarily related to the Company's fixed fee IP licensing arrangements and rights to consideration for performance obligations delivered but not billed as of November 2, 2024 and April 27, 2024.

During the six months ended November 2, 2024, the Company recognized \$ 2.6 million of revenue that was included in the deferred revenue balance as of April 27, 2024. During the six months ended October 28, 2023, the Company recognized \$2.6 million of revenue that was included in the deferred revenue balance as of April 29, 2023.

During the six months ended November 2, 2024, the decrease in contract assets of \$ 2.3 million was primarily driven by billings for certain milestones that had been met.

Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. The contracted but unsatisfied performance obligation was approximately \$4.4 million and the satisfied but unrecognized performance obligation was approximately \$1.1 million as of November 2, 2024 which the Company expects to recognize over the next 12 months. The Company applied a performance constraint on the satisfied but unrecognized performance obligation due to uncertainty around the collectability of milestone payments.

Customer Warrant

During fiscal year 2022, the Company issued a warrant to Amazon.com NV Investment Holdings LLC (Holder) to purchase an aggregate of up to 4,080 thousand of the Company's ordinary shares at an exercise price of \$ 10.74 per share (the Customer Warrant). The exercise period of the Customer Warrant is through the seventh anniversary of the issue date. Upon issuance of the Customer Warrant, 40 thousand of the shares issuable upon exercise of the Customer Warrant vested immediately and the remainder of the shares issuable will vest in tranches over the contract term based on the amount of global payments by Holder and its affiliates to us, up to \$201 million in aggregate payments. A total of 2,080 thousand and 1,080 thousand of the shares issuable upon exercise of the Customer Warrant were vested as of November 2, 2024 and April 27, 2024, respectively.

Using a grant date fair value of \$ 4.65, the Company recognized \$ 2.6 million and \$5.8 million for the three and six months ended November 2, 2024, respectively, and \$0.4 million and \$0.8 million for the three and six months ended October 28, 2023, respectively, as contra revenue within product sales revenue on the condensed consolidated statements of operations.

5. Fair Value Measurements

Fair value is an exit price representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.

Credo Technology Group Holding Ltd
Notes to Unaudited Condensed Consolidated Financial Statements

Level 2 - Other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company measures the fair value of money market funds using Level 1 inputs. The Company's certificates of deposit are classified as held-to-maturity securities as the Company intends to hold until their maturity dates. The certificates of deposit are valued using Level 2 inputs. Pricing sources may include industry standard data providers, security master files from large financial institutions, and other third-party sources used to determine a daily market value.

The following tables present the fair value of the financial instruments measured on a recurring basis as of November 2, 2024 and April 27, 2024 (in thousands).

	November 2, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 223,811	\$ —	\$ —	\$ 223,811
Certificates of deposit	—	5,728	—	5,728
Short-term investments:				
Certificates of deposit	—	143,716	—	143,716
Total cash equivalents and short-term investments	<u><u>\$ 223,811</u></u>	<u><u>\$ 149,444</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 373,255</u></u>

	April 27, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 57,175	\$ —	\$ —	\$ 57,175
Short-term investments:				
Certificates of deposit	—	343,061	—	343,061
Total cash equivalents and short-term investments	<u><u>\$ 57,175</u></u>	<u><u>\$ 343,061</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 400,236</u></u>

The carrying amount of the Company's financial instruments, including cash equivalents, short-term investments, accounts receivable and accounts payable, approximate their respective fair values because of their short maturities. As of November 2, 2024 and April 27, 2024, there were no unrealized losses or gains associated with the Company's financial instruments.

Interest income recognized for the three and six months ended November 2, 2024 was \$ 4.8 million and \$10.6 million, respectively. Interest income recognized for the three and six months ended October 28, 2023 was \$2.9 million and \$5.5 million, respectively.

6. Supplemental Financial Information

Inventories

Inventories consisted of the following (in thousands):

	November 2, 2024	April 27, 2024
Raw materials	\$ 9,853	\$ 9,415
Work in process	12,307	7,470
Finished goods	14,153	9,022
	<u><u>\$ 36,313</u></u>	<u><u>\$ 25,907</u></u>

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Property and Equipment, Net

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

	November 2, 2024	April 27, 2024
Production equipment	\$ 32,838	\$ 27,608
Computer equipment and software	26,937	18,271
Laboratory equipment	22,950	19,840
Leasehold improvements	2,744	2,525
Others	621	534
Construction in progress	20,054	3,616
	106,144	72,394
Less: Accumulated depreciation and amortization	(37,918)	(28,729)
	<u>\$ 68,226</u>	<u>\$ 43,665</u>

Depreciation and amortization expense was \$5.0 million and \$9.2 million for the three and six months ended November 2, 2024, respectively and \$3.7 million and \$6.6 million for the three and six months ended October 28, 2023, respectively. Computer equipment and software primarily includes technology licenses for computer-aided design tools relating to the Company's R&D design of future products and intellectual properties. Production equipment and construction in progress primarily include mask set costs capitalized relating to the Company's products already introduced or to be introduced.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	November 2, 2024	April 27, 2024
Accrued expenses	\$ 16,577	\$ 9,610
Current payables relating to purchases of property and equipment	5,768	5,950
Current portion of operating lease liabilities	3,045	2,741
	<u>\$ 25,390</u>	<u>\$ 18,301</u>

Other Non-current Liabilities

Other non-current liabilities consisted of the following (in thousands):

	November 2, 2024	April 27, 2024
Non-current payables relating to purchases of property and equipment	\$ 7,126	\$ 4,950
Other non-current liabilities	928	1,031
	<u>\$ 8,054</u>	<u>\$ 5,981</u>

7. Commitments and Contingencies

Non-cancelable Purchase Obligations

Total future non-cancelable purchase obligations as of November 2, 2024 are as follows (in thousands):

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Fiscal Year	Purchase Commitments to Manufacturing Vendors	Technology License Fees	Total
Remainder of 2025	\$ 42,654	\$ 4,280	46,934
2026	6,334	8,892	15,226
2027	7,210	7,805	15,015
2028	5,465	350	5,815
2029	—	350	350
Total unconditional purchase commitments	<u>\$ 61,663</u>	<u>\$ 21,677</u>	<u>\$ 83,340</u>

Technology license fees include the liabilities under agreements for technology licenses between the Company and various vendors.

Under the Company's manufacturing relationships with its foundry partners, cancellation of outstanding purchase orders is allowed but requires payment of all costs and expenses incurred through the date of cancellation.

As of November 2, 2024, the total value of non-cancelable purchase orders payable within the next one year that were committed with the Company's third-party subcontractors was approximately \$39.8 million. Such purchase commitments are included in the preceding table.

The Company has a manufacturing supply capacity reservation agreement with an assembly subcontractor as of November 2, 2024. Under this arrangement, the Company has paid refundable deposits to the supplier in exchange for reserved manufacturing production capacity over the term of the agreement, which approximates five years. In addition, the Company committed to certain purchase levels that were in line with the capacity reserved. If the Company does not meet the purchase level commitment, the agreement requires the Company to pay a fee equal to the difference between the actual purchase and the purchase commitment, up to the value of refundable deposits made. In the fiscal quarter ended November 2, 2024, the agreement was amended to change the purchase commitment measurement from a dollar amount to a quantity amount throughout the remaining periods. The Company estimated a dollar cost per unit using actual billings from the assembly subcontractor for the most recent calendar quarter and calculating a weighted-average cost per unit. Based on this calculation, the Company currently estimates that it has made purchase level commitments of at least \$21.9 million for the remainder of fiscal year 2025 through fiscal year 2028 under the capacity reservation agreement. Such purchase commitments are included in the preceding table. In addition, the Company had refundable deposits of \$8.6 million of which \$1.3 million was recorded in prepaid expenses and other current assets and \$7.3 million was recorded in other non-current assets on the unaudited condensed consolidated balance sheet.

Warranty Obligations

The Company's products generally carry a standard one-year warranty. The Company's warranty expense was not material in the periods presented.

Indemnifications

In the ordinary course of business, the Company has entered into agreements that contain certain indemnification obligations of varying scope and terms to customers, vendors, lessors, investors, directors, officers, employees and other parties with respect to certain matters, including, but not limited to, certain losses arising out of the Company's breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. These indemnification obligations may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss limitations. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification obligations. Accordingly, the Company had no liabilities recorded for these agreements as of November 2, 2024 and April 27, 2024.

Legal Proceedings

From time to time, the Company may be a party to various litigation claims in the ordinary course of business. Legal fees and other costs associated with such actions are expensed as incurred. The Company assesses, in conjunction with legal counsel, the need to record a liability for litigation and contingencies. Accrual estimates are recorded when and if it is determined that such a liability for litigation and contingencies are both probable and reasonably estimable. As of the date of issuance of these unaudited condensed consolidated financial statements, the

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Company was not subject to any material litigation. No accruals for loss contingencies or recognition of actual losses have been recorded in any of the periods presented.

8. Leases

The Company leases office space, in the United States and internationally, under operating leases. The Company's leases have remaining lease terms generally between one year and seven years. Operating leases are included in right of use assets, accrued expenses and other current liabilities, and non-current operating lease liabilities on the Company's unaudited condensed consolidated balance sheets. The Company does not have any finance leases.

Lease expense and supplemental cash flow information are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Operating lease expenses	\$ 1,021	\$ 909	\$ 2,037	\$ 1,830
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 961	\$ 857	\$ 1,916	\$ 1,693
Right-of-use assets obtained in exchange for lease obligation	\$ —	\$ —	\$ 3,531	\$ —

The aggregate future lease payments for operating leases as of November 2, 2024 are as follows (in thousands):

Fiscal Year	Operating Leases
2025	\$ 2,063
2026	3,638
2027	3,072
2028	3,072
2029	3,164
Thereafter	3,910
Total lease payments	<u>18,919</u>
Less: Interest	2,929
Present value of lease liabilities	<u><u>\$ 15,990</u></u>

In addition to the table above, the Company entered into a new office space lease arrangement, as of November 2, 2024, for a total of \$ 1.1 million over a five year lease term, for which the lease commencement date has not started.

As of November 2, 2024, the weighted-average remaining lease term for the Company's operating leases was 5.5 years and the weighted-average discount rate used to determine the present value of the Company's operating leases was 6.3%.

9. Share Incentive Plan

Restricted Stock Unit (RSU) Awards

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A summary of information related to RSU activity during the six months ended November 2, 2024 is as follows:

	RSUs Outstanding			
	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Balances as of April 27, 2024	10,139	\$16.11	1.52	\$ 188.2
Granted	777	\$32.49		
Vested	(1,481)	\$12.93		
Canceled/ forfeited	(540)	\$20.31		
Balances and expected to vest as of November 2, 2024	<u><u>8,895</u></u>	<u><u>\$17.87</u></u>	1.25	\$ 359.6

Share Option Awards

A summary of information related to share option activity during the six months ended November 2, 2024 is as follows:

	Options Outstanding			
	Outstanding Share Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Balance as of April 27, 2024	6,421	\$1.97	5.30	\$ 106.5
Options vested and exercised	(1,279)	\$1.80		
Options canceled/ forfeited	(13)	\$4.58		
Balance and expected to vest as of November 2, 2024	<u><u>5,129</u></u>	<u><u>\$2.01</u></u>	4.89	\$ 197.1
Exercisable as of November 2, 2024	<u><u>5,129</u></u>	<u><u>\$2.01</u></u>	4.89	\$ 197.1

Employee Stock Purchase Plan (ESPP)

The Company issued 139 thousand shares during the six months ended November 2, 2024 and 205 thousand shares during the six months ended October 28, 2023, under the ESPP.

Summary of Share-based Compensation Expense

The following table summarizes share-based compensation expense included in the unaudited condensed consolidated statements of operations (in thousands):

	Three months ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Cost of revenue	\$ 331	\$ 250	\$ 612	\$ 439
Research and development	8,392	4,664	17,562	9,396
Selling, general and administrative	7,940	3,230	15,129	6,277
	<u><u>\$ 16,663</u></u>	<u><u>\$ 8,144</u></u>	<u><u>\$ 33,303</u></u>	<u><u>\$ 16,112</u></u>

10. Income Taxes

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, excluding zero rate jurisdictions, and adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period. The Company's quarterly tax provision, and estimate of its annual effective tax rate, is subject to variation due to several factors, including variability in accurately predicting its pre-tax income or loss and the mix of jurisdictions to which they relate, intercompany transactions, changes in tax laws, the applicability of special tax regimes, changes in how we do business, and discrete items.

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Provision (benefit) for income taxes for the three and six months ended November 2, 2024 and October 28, 2023 was as follows (in thousands except percentages):

	Three Months Ended			Six Months Ended		
	November 2, 2024	October 28, 2023	% Change	November 2, 2024	October 28, 2023	% Change
Provision (benefit) for income taxes	292	450	(35.1)%	\$ 914	\$ (87)	(1,050.5)%
Effective tax rate	(7) %	(7) %		(7) %	4 %	

The Company's effective tax rate for the three months ended November 2, 2024 remains consistent with the same period in the prior fiscal year.

The Company's effective tax rate for the six months ended November 2, 2024 differs from the same period in the prior fiscal year primarily due to the tax benefit of share-based compensation expense being offset by a full valuation allowance on deferred tax assets in the U.S. entity in fiscal year 2025.

During the three and six months ended November 2, 2024, there were no material changes to the total amount of unrecognized tax benefits and the Company does not expect any significant changes in the next 12 months.

11. Net Loss Per Share

The Company reports both basic net income (loss) per share, which is based on the weighted-average number of ordinary shares outstanding during the period, and diluted net income (loss) per share, which is based on the weighted-average number of ordinary shares outstanding and potentially dilutive shares outstanding during the period. Net loss per share for the three and six months ended November 2, 2024 and October 28, 2023, respectively, was determined as follows (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Numerator:				
Net loss	\$ (4,225)	\$ (6,623)	\$ (13,765)	\$ (18,320)
Denominator:				
Weighted-average shares - basic and diluted	166,487	150,232	165,789	149,755
Net loss per share:				
Basic and diluted	\$ (0.03)	\$ (0.04)	\$ (0.08)	\$ (0.12)

Potential dilutive securities include dilutive ordinary shares from the Customer Warrant, share-based awards attributable to the assumed exercise of share options and vesting of RSUs and ESPP shares using the treasury stock method. Under the treasury stock method, potential ordinary shares outstanding are not included in the computation of diluted net income per share if their effect is anti-dilutive. The following potentially dilutive securities outstanding (in thousands) have been excluded from the computations of diluted weighted-average shares outstanding for the three and six months ended November 2, 2024 and October 28, 2023:

	Three and Six Months Ended	
	November 2, 2024	October 28, 2023
Share-based compensation awards	14,038	15,538
Customer Warrant	4,080	4,080
	18,118	19,618

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in 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 for the fiscal year ended April 27, 2024 included in the Company's Annual Report on Form 10-K for the fiscal year ended April 27, 2024. Some of the information contained in this discussion and analysis includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note Regarding Forward-Looking Statements" of this Quarterly Report on Form 10-Q.

Overview

Credo provides innovative, secure, high-speed and power-efficient connectivity solutions. Our solutions target the data infrastructure market, where bandwidth requirements are increasing exponentially, driven by the accelerating deployment of leading edge Artificial Intelligence infrastructure and applications. Our connectivity solutions are optimized for optical and electrical Ethernet applications, including the 100G (or Gigabits per second), 200G, 400G, 800G and emerging 1.6T (or Terabits per second) markets. Our products are based on our Serializer/Deserializer (SerDes) and Digital Signal Processor (DSP) technologies. Our product families include integrated circuits (ICs), Active Electrical Cables (AECs) and SerDes Chiplets. Our intellectual property (IP) solutions consist primarily of SerDes IP licensing.

Data generation has increased dramatically over the past ten years, creating new and complicated challenges in both circuit and system design. Our proprietary SerDes and DSP technologies enable us to achieve similar performance to leading competitors' products but at a lower cost and more highly available legacy node (n-1 advantage). Beyond power and performance, Credo continues to innovate to address customers' system level requirements. We partner with Microsoft on our HiWire Switch AEC and open-source implementation that helps realize Microsoft's vision for a highly reliable network-managed dual-Top-of-Rack (ToR) architecture (a network architecture design in which computing equipment located within the same or an adjacent rack are, for redundancy, connected to two in-rack network switches, which are, in turn, connected to aggregation switches via fiber optic cables), overcome complex and slow legacy enterprise approaches, simplify deployment and improve connection reliability in the data center.

The multibillion-dollar data infrastructure market that we serve is driven largely by hyperscale data centers (hyperscalers), as well as general compute, AI/ML infrastructure, multi-service operators (MSOs), and mobile network operators (MNOs). The demands for increased bandwidth, improved power and cost efficiency and heightened security have simultaneously and dramatically expanded as work, education and entertainment have rapidly digitized across myriad endpoint users.

We design, market and sell both product and IP solutions. We help define industry conventions and standards within the markets we target by collaborating with technology leaders and standards bodies. We contract with a variety of manufacturing partners to build our products based on our proprietary SerDes and DSP technologies. We develop standard solutions we can sell broadly to our end markets and also develop tailored solutions designed to address specific customer needs. Once developed, these tailored solutions can generally be broadly leveraged across our portfolio and we are able to sell the part or license the IP to the broader market.

During the three and six months ended November 2, 2024, we generated \$72.0 million and \$131.7 million in total revenue, respectively, and during the three and six months ended October 28, 2023, we generated \$44.0 million and \$79.1 million in total revenue, respectively. Product sales and product engineering services revenue comprised 95.9% of our total revenue in both the three and six months ended November 2, 2024 and 83.3% and 87.2% in the three and six months ended October 28, 2023, respectively, and IP license revenue represented 4.1% of our total revenue in both the three and six months ended November 2, 2024 and 16.7% and 12.8% in the three and six months ended October 28, 2023, respectively. During the three and six months ended November 2, 2024, we generated \$4.2 million and \$13.8 million in net losses, respectively, and during the three and six months ended October 28, 2023, we generated \$6.6 million and \$18.3 million in net losses, respectively.

We derive the substantial majority of our revenue from a limited number of customers. We anticipate we will continue to derive a significant portion of our revenue from a limited number of customers for the foreseeable future. We expect that as our products are more widely adopted and as our number of customers increase, customer concentration will decrease.

We sell our products to hyperscalers, original equipment manufacturers (OEMs), original design manufacturers (ODMs) and optical module manufacturers, as well as to companies in the enterprise and HPC markets. We work closely and have engagements with industry-leading companies across these segments. A relatively small number of customers have historically accounted for and continue to account for a significant portion of our revenue. We report revenue by customer in our financial statement disclosure based on the contracting parties who place purchase orders or sign revenue contracts with us. See Note 3 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. However, certain of our end customers have their contract manufacturing partners place orders with us. As a result, the contract manufacturers, rather than the end customers, are reported as our customers for financial reporting purposes. As a supplement to our financial statement footnote disclosure, and to provide further insight into our end customer concentration, the following table summarizes our revenue by customer as a percentage of total revenue based on end customer profile, rather than based on the contracting parties who place purchase orders or sign revenue contracts with us:

Revenue	Three Months Ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Customer E	33 %	*	42 %	*
Customer B	14 %	*	10 %	*
Customer F	11 %	29 %	11 %	34 %
Customer D	*	15 %	*	15 %
Customer G	*	11 %	*	*

* Less than 10% of total revenue.

Our Business Model

We are a product-focused business with a strong foundation in IP, pioneering comprehensive connectivity solutions that deliver bandwidth, scalability and end-to-end signal integrity for next-generation platforms. We also develop IP solutions to address the specific and complex needs of our customers. We earn revenue from these IP solutions primarily through licensing fees and royalties. In addition to product sales and IP license revenue, we also generate revenue from providing engineering services as part of our product and license arrangements with certain customers. Over time, we expect to generate an increased proportion of our revenue from sales of our products. We expect to see a long-term benefit from improvements in our operating leverage as our business continues to gain scale.

We utilize a fabless business model, working with a network of third parties to manufacture, assemble and test our connectivity products. This approach allows us to focus our engineering and design resources on our core competencies and to control our fixed costs and capital expenditures.

We employ a two-pronged sales strategy targeting both the end users of our products, as well as the suppliers of our end users. By engaging directly with the end user, we are able to better understand the needs of our customers and cater our solutions to their most pressing connectivity requirements.

This strategy has enabled us to become the preferred vendor to a number of our customers who, in turn, in some cases, require their suppliers, OEMs, ODMs and optical module manufacturers to utilize our solutions.

Results of Operations

Three and Six Months Ended November 2, 2024 and October 28, 2023

The following table sets forth information derived from our unaudited condensed consolidated statements of operations expressed as a percentage of total revenue:

	Three Months Ended		Six Months Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Revenue:				
Product sales	89.5 %	77.8 %	89.8 %	81.2 %
Product engineering services	6.4 %	5.5 %	6.2 %	6.0 %
IP license	4.1 %	16.7 %	4.1 %	12.8 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue:				
Cost of product sales revenue	35.9 %	39.4 %	36.3 %	39.4 %
Cost of product engineering services revenue	0.8 %	0.4 %	0.8 %	0.6 %
Cost of IP license revenue	0.1 %	0.9 %	0.1 %	0.7 %
Total cost of revenue	36.8 %	40.7 %	37.2 %	40.7 %
Gross margin	63.2 %	59.3 %	62.8 %	59.3 %
Operating expenses:				
Research and development	44.1 %	49.4 %	47.2 %	56.1 %
Selling, general and administrative	30.8 %	30.1 %	33.0 %	32.6 %
Total operating expenses	74.9 %	79.5 %	80.2 %	88.7 %
Operating loss	(11.7) %	(20.2) %	(17.3) %	(29.4) %
Other income, net	6.2 %	6.1 %	7.6 %	6.1 %
Loss before income taxes	(5.5) %	(14.1) %	(9.8) %	(23.3) %
Benefit for income taxes	0.4 %	1.0 %	0.7 %	(0.1) %
Net income (loss)	(5.9) %	(15.0) %	(10.4) %	(23.2) %

Comparison of Three and Six Months Ended November 2, 2024 and October 28, 2023

Revenue

	Three Months Ended			Six Months Ended		
	November 2, 2024	October 28, 2023	% Change	November 2, 2024	October 28, 2023	% Change
	(in thousands, except percentages)			(in thousands, except percentages)		
Product sales	\$ 64,443	\$ 34,247	88.2 %	\$ 118,282	\$ 64,275	84.0 %
Product engineering services	4,632	2,434	90.3 %	8,118	4,727	71.7 %
IP license	2,959	7,354	(59.8) %	5,348	10,128	(47.2) %
Total revenue	\$ 72,034	\$ 44,035	63.6 %	\$ 131,748	\$ 79,130	66.5 %

Total revenue for the three months ended November 2, 2024 increased by \$28.0 million, compared to the same period in fiscal year 2024, primarily due to an increase in product sales revenue of \$30.2 million and product engineering services revenue of \$2.2 million. This was offset by a decrease in IP license revenue of \$4.4 million.

The increase in product sales revenue for the three months ended November 2, 2024, compared to the same period in fiscal year 2024, was primarily due to a significant increase in the volume of unit shipments of AEC and Optical products which contributed over 95% of the increase in product sales revenue, compared to the same period in fiscal year 2024. The sales increase was primarily driven by new design wins and increased diversification of our customer base across the product lines.

The increase in product engineering services revenue for the three months ended November 2, 2024, compared to the same period in fiscal year 2024, was primarily due to an increase in engineering time of 156% spent in our product engineering services arrangements.

The decrease in IP license revenue for the three months ended November 2, 2024, compared to the same period in fiscal year 2024, was primarily due to fewer contracts entered into in the period as compared to the same period in fiscal 2024.

Total revenue for the six months ended November 2, 2024 increased by \$28.0 million, compared to the same period in fiscal year 2024, primarily due to an increase in product sales revenue of \$30.2 million and product engineering services revenue of \$2.2 million. This was offset by a decrease in IP license revenue of \$4.4 million.

The increase in product sales revenue for the six months ended November 2, 2024, compared to the same period in fiscal year 2024, was primarily due to a significant increase in the volume of unit shipments of AEC and Optical products which contributed over 95% of the increase in product sales revenue. The sales increase was primarily driven by new design wins and increased diversification of our customer base across the product lines.

The increase in product engineering services revenue for the six months ended November 2, 2024, compared to the same period in fiscal year 2024, was primarily due to an increase in engineering time of 134% spent in our product engineering services arrangements.

The decrease in IP license revenue for the six months ended November 2, 2024, compared to the same period in fiscal year 2024, was primarily due to fewer contracts entered into in the period as compared to the same period in fiscal year 2024.

Cost of Revenue

	Three Months Ended			Six Months Ended		
	November 2, 2024	October 28, 2023	% Change	November 2, 2024	October 28, 2023	% Change
	(in thousands, except percentages)			(in thousands, except percentages)		
Cost of product sales revenue	\$ 25,883	\$ 17,346	49 %	\$ 47,767	\$ 31,214	53.0 %
Cost of product engineering services revenue	571	171	234 %	1,023	464	120.5 %
Cost of IP license revenue	68	401	(83) %	163	545	(70.1) %
Total cost of revenue	<u>\$ 26,522</u>	<u>\$ 17,918</u>	<u>48 %</u>	<u>\$ 48,953</u>	<u>\$ 32,223</u>	<u>51.9 %</u>

Cost of revenue for the three months ended November 2, 2024 increased by \$8.6 million compared to the same period in fiscal year 2024, primarily due to an increase in cost of product sales revenue of \$8.5 million. The increase was primarily due to the increased shipments of AEC products noted above.

Cost of revenue for the six months ended November 2, 2024 increased by \$16.7 million compared to the same period in fiscal year 2024, primarily due to an increase in cost of product sales revenue of \$16.6 million. The increase was primarily due to the increased shipments of AEC products noted above.

Gross Profit and Gross Margin

	Three Months Ended			Six Months Ended		
	November 2, 2024	October 28, 2023	% Change	November 2, 2024	October 28, 2023	% Change
	(in thousands, except percentages)			(in thousands, except percentages)		
Gross profit	\$ 45,512	\$ 26,117	74.3 %	\$ 82,795	\$ 46,907	76.5 %
Gross margin	63.2 %	59.3 %		62.8 %	59.3 %	

Gross margin in the three months ended November 2, 2024 increased by 3.9 percentage points compared to the same period in fiscal year 2024, primarily driven by the improved economies of scale in our product sales. Our product sales gross margin increased by 10.5 percentage points for the three months ended November 2, 2024, compared to the same period in the prior year, driven primarily by the increased shipments of higher gross margin AEC products, partially offset by a \$2.0 million increase of write-downs for excess and obsolete inventory.

Gross margin in the six months ended November 2, 2024 increased by 3.6 percentage points compared to the same period in fiscal year 2024, primarily driven by the improved economies of scale in our product sales. Our product sales gross margin increased by 8.2 percentage points for the six months ended November 2, 2024, compared to the same period in the prior fiscal year, driven primarily by the increase shipments of higher gross margin AEC products, partially offset by a \$1.5 million increase of write-downs for excess and obsolete inventory.

Research and Development

	Three Months Ended			Six Months Ended		
	November 2, 2024	October 28, 2023	% Change	November 2, 2024	October 28, 2023	% Change
	(in thousands, except percentages)			(in thousands, except percentages)		
Research and development	\$ 31,742	\$ 21,736	46.0 %	\$ 62,151	\$ 44,374	40.1 %
% of total revenue	44.1 %	49.4 %		47.2 %	56.1 %	

Research and development expense for the three months ended November 2, 2024 increased by \$10.0 million compared to the same period in fiscal year 2024. The increase was due primarily to a \$3.7 million increase in share-based compensation expense driven by increased amortization expense from new equity awards granted to employees, a \$2.6 million increase in personnel costs as a result of new hires for product development, a \$2.3 million increase in design activities and higher engineering activities relating to testing and laboratory supplies for new product development, and a \$1.0 million increase in depreciation expense associated with increase in R&D equipment.

Research and development expense for the six months ended November 2, 2024 increased by \$17.8 million compared to the same period in fiscal year 2023. The increase was due primarily to an \$8.2 million increase in share-based compensation expense driven by increased amortization expense from new equity awards granted to employees, a \$5.7 million increase in personnel costs as a result of new hires for product development, a \$1.8 million increase in design activities and higher engineering activities relating to testing and laboratory supplies for new product development and a \$1.7 million increase in depreciation expense driven by increased computer equipment and software, and laboratory equipment utilized in research and development activities.

Selling, General and Administrative

	Three Months Ended			Six Months Ended		
	November 2, 2024	October 28, 2023	% Change	November 2, 2024	October 28, 2023	% Change
	(in thousands, except percentages)			(in thousands, except percentages)		
Selling, general and administrative	\$ 22,177	\$ 13,256	67.3 %	\$ 43,502	\$ 25,799	68.6 %
% of total revenue	30.8 %	30.1 %		33.0 %	32.6 %	

Selling, general and administrative expense for the three months ended November 2, 2024 increased by \$8.9 million compared to the same period in fiscal year 2024. The increase was primarily due to a \$4.7 million increase in share-based compensation expense driven by increased amortization expense from new equity awards granted to employees, \$2.0 million increase in personnel costs as a result of higher selling, general and administrative headcount, a \$0.7 million increase in external consultation fees relating to general and administrative expenses, and a \$0.5 million increase in logistic expenses related to selling activities.

Selling, general and administrative expense for the six months ended November 2, 2024 increased by \$17.7 million compared to the same period in fiscal year 2023. The increase was primarily due to an \$8.9 million increase in share-based compensation expense driven by increased amortization expense from new equity awards granted to employees, a \$4.0 million increase in personnel expenses from new hires, a \$2.8 million increase in external consultation fees relating to general and administrative expenses, and a \$0.5 million increase in logistic expenses related to selling activities.

Provision (Benefit) for Income Taxes

	Three Months Ended			Six Months Ended		
	November 2, 2024	October 28, 2023	% Change	November 2, 2024	October 28, 2023	% Change
	(in thousands, except percentages)			(in thousands, except percentages)		
Provision (Benefit) for income taxes	\$ 292	\$ 450	(35.1)%	\$ 914	\$ (87)	(1,150.6)%
% of total revenue	0.4 %	1.0 %		0.7 %	(0.1)%	

Provision for income taxes for the three months ended November 2, 2024 remained consistent, decreasing by \$0.2 million, compared to the same period in fiscal year 2024.

Provision for income taxes for the six months ended November 2, 2024 increased by \$1.0 million, compared to the same period in fiscal year 2024. The fluctuation was primarily due to the tax benefit of share-based compensation expense being offset by a full valuation allowance on deferred tax assets in the U.S. entity in fiscal year 2025.

Liquidity and Capital Resources

Our activities consist primarily of selling our products, licensing our IP, providing product and IP engineering services, and conducting research and development of our products and technology. As of November 2, 2024 and April 27, 2024, we had \$239.2 million and \$66.9 million in cash and cash equivalents, respectively, and working capital of \$488.6 million and \$485.6 million, respectively. Our principal use of cash is to fund our operations and invest in research and development to support our growth. See Note 7 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a further discussion of our cash requirements under non-cancelable purchase obligations.

We believe our existing cash and cash equivalents and other components of working capital will be sufficient to meet our needs for at least the next 12 months and in the longer term. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of our sales and marketing and research and development expenditures, customer demand and the continuing market acceptance of our solutions. In the event that we need to borrow funds or issue additional equity, we cannot be assured that any such additional financing will be available on terms acceptable to us, if at all. If we are unable to raise additional capital when we need it, our business, results of operations and financial condition would be adversely affected.

The following table summarizes our cash flows for the periods indicated.

	Six Months Ended	
	November 2, 2024	October 28, 2023
	(in thousands)	
Net cash provided by operating activities	\$ 3,049	\$ 29,616
Net cash provided by (used in) investing activities	\$ 171,534	\$ (9,655)
Net cash provided by (used in) financing activities	\$ (2,422)	\$ 664

Cash Flows Provided by Operating Activities

Net cash provided by operating activities was \$3.0 million for the six months ended November 2, 2024. The cash inflows from operating activities for the six months ended November 2, 2024 were primarily due to \$50.6 million of non-cash items, partially offset by \$33.7 million of cash outflows for working capital purposes and \$13.8 million in net loss. The cash outflows from working capital for the six months ended November 2, 2024 were primarily driven by (a) an increase in accounts receivable of \$22.1 million primarily due to large billings from customers not due yet in the six months ended November 2, 2024; (b) an increase in inventory of \$12.6 million to support unfulfilled backlog and related new product ramps; and (c) a decrease in deferred revenue of \$2.0 million due to the satisfaction of performance obligations over the passage of time.

Net cash provided by operating activities was \$29.6 million for the six months ended October 28, 2023. The cash inflows from operating activities for the six months ended October 28, 2023 were primarily due to \$23.7 million of cash inflows for working capital purposes and \$24.3 million of non-cash items, partially offset by \$18.3 million in net loss.

The cash inflows from working capital for the six months ended October 28, 2023 were primarily driven by (a) an decrease in accounts receivable of \$16.8 million primarily due to collection of large customer invoices in the fiscal quarter ended October 28, 2023; (b) an decrease in inventory of \$9.6 million primarily driven by tightened production management and increased product sales compared to the fiscal quarter ended April 29, 2023; (c) an increase in accounts payable of \$5.6 million due to amounts payable relating to increased research and development spending. These cash inflows were offset by cash outflows relating to an increase in other non-current assets of \$4.6 million primarily relating to payments of refundable deposits for a manufacturing supply capacity reservation agreement.

Cash Flows Provided by (Used in) Investing Activities

Net cash provided by investing activities of \$171.5 million in the six months ended November 2, 2024 was primarily attributable to maturities of certificates of deposit for \$313.1 million, offset by purchases of the same for \$113.7 million and purchases of property and equipment of \$27.8 million. Purchases of property and equipment primarily related to mask set costs capitalized relating to the Company's products already introduced or to be introduced, and third-party IP licenses and computer equipment and software used for research and development purposes.

Net cash used in investing activities of \$9.7 million in the six months ended October 28, 2023 was attributable to purchases of property and equipment of \$7.4 million and net outflow from certificates of deposit of \$2.3 million from maturities of certificates of deposit for \$109.2 million and purchases of the same for \$111.5 million. Purchases of property and equipment primarily related to mask sets purchases for new products introduced or in process of being introduced, and computer equipment and software used for research and development purposes.

Cash Flows Provided by (Used in) Financing Activities

Net cash used in financing activities of \$2.4 million for the six months ended November 2, 2024 was primarily attributable to \$4.6 million in payments for long-term technology license obligations and \$2.3 million tax withheld related to RSU settlement, offset by \$4.4 million in proceeds from exercises of employee share options.

Net cash provided by financing activities of \$0.7 million for the six months ended October 28, 2023 was solely attributable to \$3.7 million in proceeds from exercises of employee share options and issuances of shares under the ESPP offset by \$3.1 million in payments for long-term technology license obligations.

Critical Accounting Estimates

There have been no material changes to our critical accounting estimates during the three and six months ended November 2, 2024, as compared to those disclosed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024. In the current macroeconomic environment, our estimates could require increased judgment and carry a higher degree of variability and volatility. We continue to monitor and assess our estimates in light of developments, and as events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For a discussion of market risks, refer to Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024. During the three and six months ended November 2, 2024, there were no material changes or developments that would materially alter the market risk assessment performed as of April 27, 2024.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our “internal control over financial reporting,” as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the quarter ended November 2, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Credo have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in various legal proceedings arising in the ordinary course of our business. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on us. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024, which could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our ordinary shares. As of the date of this Quarterly Report on Form 10-Q there have been no material changes from the risk factors previously disclosed in our in the Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

Item 5. Other Information.

Rule 10b5-1 Trading Plans

On September 6, 2024, Chi Fung (Lawrence) Cheng, our Chief Technology Officer and a member of our board of directors, adopted a Rule 10b5-1 Trading Plan ("the Plan"), intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act, pursuant to which a maximum amount of 2,000,000 of our ordinary shares held by the Cheng Huang Family Trust U/T/A DTD 12/22/2003 may be sold between January 2, 2025 and December 31, 2025. The Plan terminates on the earlier of: (i) December 31, 2025, (ii) the first date on which all trades set forth in the Plan have been executed or (iii) such date as the Plan is otherwise terminated according to its terms. Mr. Cheng and his spouse are co-trustees and hold shared voting and dispositive power over the shares held by the Cheng Huang Family Trust U/T/A DTD 12/22/2003.

Adoption of Executive Change in Control Severance Plan

Effective on December 3, 2024, the Compensation Committee of the Board of Directors of the Company (the "Committee") approved the adoption of an Executive Change in Control Severance Plan (the "CIC Severance Plan") under which the Company's executive officers (including its named executive officers) and certain additional key employees designated by the Committee (collectively, the "Participants") will be eligible to receive severance payments and benefits in the event of a qualifying termination of their employment in connection with a change in control of the Company.

Under the CIC Severance Plan, in the event of a termination of a Participant's employment by the Company for any reason other than "cause", death or "disability", or by the Participant with "good reason" (each as defined in the CIC Severance Plan), in each case during the period beginning three months prior to and ending 12 months following a "change in control" (as defined in the CIC Severance Plan), the Participant will be eligible to receive the following severance payments and benefits: (i) a lump sum cash severance payment in an amount equal to (x) the Participant's severance multiplier designated in their individual participation agreement multiplied by (y) the sum of the Participant's then-current (A) base salary plus (B) target annual bonus; (ii) accelerated vesting of all equity awards that are outstanding and unvested as of the termination date (with any awards subject to performance-based vesting conditions deemed achieved at target levels); (iii) if the Participant timely elects healthcare continuation coverage under COBRA, a lump sum payment in an amount equal to (x) the Participant's COBRA period designated in their individual participation agreement multiplied by (y) the monthly Company cost of the Participant's COBRA premiums; and (iv) payment of any earned but unpaid bonus in respect of the most recent bonus performance period ending prior to the termination date. The severance multipliers and COBRA periods for the Company's current named executive officers eligible to participate in the CIC Severance Plan are as follows: (i) Bill Brennan: 1.5 times, 18 months; (ii) Daniel Fleming: 1.0 times, 12 months; (iii) Yat Tung (Job) Lam: 1.0 times, 12 months; (iv) Chi Fung (Lawrence) Cheng: 1.0 times, 12 months; and (v) James Laufman: 1.0 times, 12 months.

The severance payments and benefits described above under the CIC Severance Plan are subject to the Participant's execution and non-revocation of a general waiver and release of claims and continued compliance with the terms of any applicable restrictive covenant obligations to the Company and its subsidiaries and affiliates.

The foregoing description of the CIC Severance Plan does not purport to be complete and is subject to, and qualified in its entirety by, the full text of such plan attached as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference				Provided Herewith
		Form	File No.	Exhibit No.	Filing Date	
10.1	** Executive Change in Control Severance Plan Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.1	* Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	* Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	** Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	** Certification of Principal 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.INS	* Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document)					
101.SCH	* Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	* Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	* Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	* Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	* Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

*Filed herewith

**Furnished herewith

SIGNATURES

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

CREDO TECHNOLOGY GROUP HOLDING LTD

Date: December 3, 2024

By: /s/ William Brennan
Name: William Brennan
Title: President and Chief Executive Officer

Date: December 3, 2024

By: /s/ Daniel Fleming
Name: Daniel Fleming
Title: Chief Financial Officer

CREDO TECHNOLOGY GROUP HOLDING LTD
EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN

(Adopted December 3, 2024 (the "Effective Date"))

1. Introduction. This Credo Technology Group Holding Ltd Executive Change in Control Severance Plan (as may be amended from time to time, this "Plan") has been adopted by Credo Technology Group Holding Ltd, effective as of the Effective Date, in order to provide specified severance pay and benefits to Eligible Employees who (a) incur qualifying terminations of employment in connection with a Change in Control of the Company, and (b) abide by the terms and conditions for participation in the Plan and receipt of such pay and benefits as set forth in the Plan. The Plan is intended to be a top hat welfare benefit plan under ERISA. Capitalized terms used but not defined in this Plan are defined in Section 11.

2. Eligibility for Severance Benefits. A Participant is eligible for Severance Benefits under the Plan, as described in Section 3, only if such Participant incurs an Involuntary Termination during the Change in Control Period and otherwise satisfies the requirements of the Plan.

3. Involuntary Termination. If, during the Change in Control Period, the Participant incurs an Involuntary Termination, then the Participant will receive, subject to the terms and conditions of the Plan, including Section 4, and paid pursuant to the timing set forth in Section 5:

3.1. an amount equal to (x) the Participant's severance multiplier set forth in the Participant's Participation Agreement (the "Severance Multiplier") multiplied by (y) the sum of the Participant's (A) Base Salary plus (B) then-current target annual bonus (the "Cash Severance");

3.2. one hundred percent (100%) vesting acceleration of the Participant's Equity Awards that are outstanding and unvested as of the date of the Involuntary Termination (with any Equity Awards subject to performance-based vesting conditions deemed achieved at target levels) (the "Equity Acceleration");

3.3. if the Participant is eligible for and properly elects health care continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), payment of an amount equal to (x) the number of months set forth in the Participant's Participation Agreement (the "COBRA Period") multiplied by (y) the monthly cost of the Participant's COBRA premium payments (for the Participant and the Participant's dependents) (less the portion of any such premiums that the Participant would have been required to pay for the Participant and the Participant's dependents had the Participant continued to be employed) as determined by the Company as of the date of the Involuntary Termination (the "COBRA Continuation Coverage"); and

3.4. any earned but unpaid bonus in respect of the most-recent bonus performance period ending prior to the date of the Involuntary Termination (the "Prior Earned Bonus").

4. Release of Claims and Compliance with Covenants. As a condition to receiving any Severance Benefits, a Participant will be required to (a) enter into a Release, in a form to be provided by the Company to the Participant and within the time set by the Company, which Release must become effective and irrevocable no later than the sixtieth (60th) day

following the date of the Participant's Involuntary Termination (the "Release Deadline Date") and (b) comply, and continue to comply, with the terms of the Release and of any Confidentiality Agreement or any other non-solicitation, non-disparagement, confidentiality, or other restrictive covenant obligation owed to any member of the Company Group, for the applicable duration of each such covenant. In no event will any Severance Benefits be paid or provided prior to the Release Effective Date. In the event of a Participant's breach of the terms of any restrictive covenant obligation to any member of the Company Group, the Participant shall not be entitled to any further payments or benefits under the Plan, and the Participant may (in the discretion of the Administrator) be obligated to repay any amounts previously paid under the Plan, and any other payments or benefits previously provided under the Plan may be subject to recovery pursuant to the Credo Technology Group Holding Ltd Compensation Recoupment Policy or any similar policy adopted by the Company Group.

5. **Payment Timing**. Provided that a Participant's Release becomes effective and irrevocable by the Release Deadline Date and subject to Section 9.4 and the terms of the Participant's Participation Agreement, the following payment timing provisions apply to the Severance Benefits under the Plan:

5.1. **Cash Severance and COBRA Continuation Coverage**. Any Severance Benefits consisting of the Cash Severance and COBRA Continuation Coverage set forth in Section 3.1 and 3.3, respectively, shall be paid in a lump sum within thirty (30) days following the Release Effective Date; *provided, however,* that (a) no payments shall be made until the Release Effective Date and (b) if the period during which the Participant may execute the Release begins in one calendar year and ends in the next calendar year, then the payments will not be paid until the second calendar year and (c) any such payments that are delayed pursuant to the immediately preceding clauses (a) or (b) will instead be made in the first payroll period to occur after the Release Effective Date and the start of the second calendar year (if applicable).

5.2. **Equity Acceleration**.

5.2.1. **Certain Full Value Awards**. Any Severance Benefits consisting of Equity Acceleration of Equity Awards that are restricted stock units, performance shares, performance units, and/or similar full value awards (other than restricted stock) (the "Full Value Awards") will be settled, subject to any delay required by Section 9.4 below (or the terms of the Equity Plan or the award agreement governing the Full Value Award to the extent such terms specifically require any different payment timing in order to comply with or be exempt from the requirements of Section 409A, as applicable), within ten (10) days following the Release Effective Date, or if later, on the date of the Change in Control.

5.2.2. **Options and Restricted Stock Awards**. Any Severance Benefits consisting of Equity Acceleration of stock options or restricted stock awards will be effective immediately upon the Release Effective Date.

5.3. **Prior Earned Bonus**. Any Severance Benefits consisting of a Prior Earned Bonus will be paid in a lump sum at the time bonuses are normally paid to other Company Group employees or, if later, upon the Release Effective Date.

5.4. **Other Benefits**. Any other Severance Benefits will be paid, or in the case of installments, will commence, on the first regularly scheduled payroll date of the Company following the Release Effective Date, or if later, on the date of the Change in Control (the "Payment Date"), and any Severance Benefits otherwise payable to the Participant during the period immediately following the Participant's Involuntary Termination through the Payment Date will be paid in a lump sum to the Participant on the Payment Date, with any remaining

payments to be made as provided in the Plan or the Participant's Participation Agreement, as applicable.

6. Exclusive Benefits, Non-Duplication, and Offsets.

6.1. Accrued Amounts. On any termination of a Participant's employment with the Company Group for any reason, the Participant will be entitled to receive all accrued but unpaid base salary amounts, vacation, expense reimbursements, wages, and other benefits due to the Participant under any Company Group plans, programs, policies, and arrangements.

6.2. Prior Benefits. The benefits, if any, provided under this Plan will be the exclusive benefits for a Participant related to termination of the Participant's employment with the Company Group in connection with a Change in Control and will supersede and replace any acceleration of vesting provisions set forth in any offer letter, employment or severance agreement, equity award agreement and/or other agreement, arrangement or understanding between the Participant and the Company or other Company Group member, or any severance plan, program, policy or arrangement, as applicable, in effect as of the date the Participant enters into a Participation Agreement relating to such termination in connection with a Change in Control. For the avoidance of doubt, nothing in this Plan will affect an Eligible Employee's eligibility to receive severance payments or benefits under an applicable plan, program, policy or arrangement in connection with a termination of employment not in connection with a Change in Control.

6.3. Future Benefits. In the event that, after becoming a Participant, the Participant becomes entitled to receive a Severance Benefit under this Plan and such benefit duplicates any benefits that otherwise would be provided to the Participant as a result of the termination of the Participant's employment with the Company Group under any other Company Group member plan, program, policy or arrangement, or under a written employment agreement or offer of employment letter between the Participant and the Company Group member, or as required pursuant to the Worker Adjustment and Retraining Notification Act or any other similar non-U.S., state, or local law (collectively, the "Other Benefits"), then the corresponding Severance Benefits under this Plan will be reduced or offset by the amount of Other Benefits paid or provided to the Participant.

6.4. Indebtedness of Participants. If a Participant is indebted to the Company (or Employer or any other member of the Company Group, as applicable) on the date of the Participant's Involuntary Termination, the Company reserves the right to offset the payment of any Severance Benefits under the Plan by the amount of such indebtedness. Such offset will be made only to the extent permitted under applicable laws and to the extent the Company determines that such offset will not result in any additional taxes under Section 409A. The Participant's execution of the Participant's Participation Agreement constitutes knowing written consent to the foregoing.

7. Administration .

7.1. Administrator. The Plan will be administered by the Administrator. The Plan will be administered, interpreted and operated by the Administrator (in its sole discretion). The Administrator will have the exclusive right and full discretion to (a) interpret the Plan, (b) designate the employees of the Company Group who are eligible to participate in the Plan and to provide Participation Agreements to any such Eligible Employees as the Administrator deems appropriate, (c) decide, in good faith, any and all matters arising under the Plan or any Participation Agreement (including the right to remedy possible ambiguities, inconsistencies, or omissions), (d) make, amend, and rescind such rules as it deems necessary or appropriate for the proper administration of the Plan, subject to the terms of the Plan, and (e) make all other

determinations and resolve all questions of fact necessary or advisable for the administration of the Plan, including eligibility for any benefit or payment under the Plan. Any decision made or other action taken by the Administrator (or its authorized delegates) with respect to the Plan, and any interpretation by the Administrator (or its authorized delegates) of any term or condition of the Plan (including, but not limited to, with respect to whether an Involuntary Termination or a Change in Control has occurred), or any related document, will be final, conclusive and binding on all persons and be given the maximum possible deference allowed by law. In accordance with Sections 7.2 and 11.1, the Administrator (i) in its sole discretion and on such terms and conditions as it may provide, may delegate in writing to one or more officers of the Company all or any portion of its authority or responsibility with respect to the Plan, and (ii) has the authority to act for the Company as to any matter pertaining to the Plan.

7.2. Delegation; Eligibility to Participate. To the extent that the Administrator has delegated administrative authority or responsibility to one or more officers of the Company in accordance with Sections 7.1 and 11.1, each such officer will not be excluded from participating in the Plan if otherwise eligible, but such officer is not entitled to act upon or make determinations regarding any matters pertaining specifically to such officer's own benefit or eligibility under the Plan. The Administrator will act upon and make determinations regarding any matters pertaining specifically to the benefit or eligibility of each such officer under the Plan.

7.3. Indemnification. The Company hereby agrees to indemnify and hold harmless the officers and employees of the Company, and the members of the Board, from all losses, claims, costs or other liabilities arising from their acts or omissions in connection with the administration, amendment, or termination of the Plan, to the maximum extent permitted by applicable law. This indemnity will cover all such liabilities, including judgments, settlements, and costs of defense. The Company will provide this indemnity from its own funds to the extent that insurance does not cover such liabilities. This indemnity is in addition to and not in lieu of any other indemnity provided to such person by the Company.

8. Plan Term; Plan Amendment or Termination; Preservation of Benefits.

8.1. Plan Term. The Plan will become effective upon the Effective Date and will terminate automatically upon the completion of all benefits (if any) under the terms of the Plan.

8.2. Amendment or Termination. Notwithstanding anything in the Plan to the contrary, the Company, by action of the Board or the Administrator, reserves the right to amend or terminate the Plan at any time, without advance notice to any Participant or other person or entity, and without regard to the effect of the amendment or termination on any Participant or such other person or entity, except as otherwise provided below. Any amendment or termination of the Plan must be in writing. In addition, and without limiting the generality of the foregoing, the Company, by action of the Board or the Administrator, reserves the right to terminate a Participant's participation in, and eligibility to receive Severance Benefits under, the Plan in the event the Board or the Administrator determines that the Participant is serving in a new or different position with the Company Group, which such position would not have qualified them as an Eligible Employee if they were serving in such position at the time they were initially designated as an Eligible Employee and provided with a Participation Agreement under the Plan. Notwithstanding the foregoing, in anticipation of, upon, in connection with or within two years following a Change in Control, the Company, without a Participant's written consent, may neither amend or terminate the Plan, or a Participant's participation in the Plan, in any way nor take any other action under the Plan, which (a) prevents that Participant from becoming eligible for Severance Benefits, or (b) reduces or alters to the detriment of the Participant the Severance Benefits, if any, payable, or potentially payable, to such Participant (including, without limitation, imposing additional conditions).

8.3. **Preservation of Benefits .**

8.3.1. For purposes of clarity, in the event of a Participant's Involuntary Termination that occurs prior to a Change in Control, any then-outstanding and unvested portion of the Participant's Equity Awards will remain outstanding (and unvested) until the earlier of (x) three (3) months following the date of the Involuntary Termination, or (y) a Change in Control that occurs within three (3) months following the date of the Involuntary Termination, solely so that any benefits that would be due on an Involuntary Termination occurring during the Change in Control Period can be provided (*provided* that in no event will the Participant's stock options or stock appreciation rights, as applicable, remain outstanding beyond the maximum term to expiration). If no Change in Control occurs within three (3) months following the date of the Participant's Involuntary Termination, any unvested portion of the Participant's Equity Awards automatically and permanently will be forfeited on the date three (3) months following the date of the Involuntary Termination without having vested, and the Equity Awards will otherwise be treated in accordance with the terms of the Equity Plan and the applicable award agreement pursuant to which such Equity Award was granted.

8.3.2. Notwithstanding anything to the contrary in this Plan, in the event of a Change in Control, to the extent provision has not been made for any of a Participant's Equity Awards to be continued or assumed, or substituted or replaced with cash, securities, rights, or other property to be paid or issued, having substantially the same terms and value as such Equity Awards (including, without limitation, any applicable performance targets or criteria with respect thereto) in accordance with the applicable provisions of the Equity Plan(s) governing such Equity Awards (if applicable), then the portion of the Participant's Equity Awards not so assumed, continued, substituted or replaced that is outstanding and unvested as of immediately prior to the completion of the Change in Control, will accelerate vesting in full (with any Equity Awards (or portions thereof) that are subject to any performance-based vesting conditions deemed achieved at target levels. In addition, unless specifically provided otherwise under the applicable award agreement or other written agreement between the Participant and the Company Group (validly authorized by the Equity Plan administrator), if the Participant's Equity Award that constitutes an option or stock appreciation right (or portion thereof) is not continued, assumed, substituted, or replaced as provided in this Section 8.3.2, then the Company Group will notify the Participant in writing or electronically that such Equity Award (or its applicable portion) will be exercisable for a period of time determined by the administrator of the Equity Plan in its sole discretion, and the option or stock appreciation right (or its applicable portion) will terminate upon the expiration of such period.

9. **Tax Matters .**

9.1. **Withholdings .** The Employer and/or the Company (and/or any other member or affiliate of the Company Group, as applicable) will have the right and authority to deduct from any payments or benefits payable under this Plan all applicable federal, state, local, and/or non U.S. taxes or other required withholdings and payroll deductions (" *Withholdings* "). Prior to the payment of any amounts or provision of any benefits under this Plan, the Employer and/or the Company (and/or any other member or affiliate of the Company Group, as applicable) is permitted to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any applicable Withholdings with respect to such payments and benefits. No member of the Company Group nor any affiliate thereof will have any responsibility, liability or obligation to pay the Participant's taxes arising from or relating to any payments or benefits under this Plan.

9.2. **No Guarantee of Tax Consequences .** Participants (or their beneficiaries) solely will be responsible for any and all taxes with respect to any payments or benefits provided under the Plan. None of the Administrator, the Company, the Employer or any other member or

affiliate of the Company Group makes any guarantees regarding the tax treatment to any person of any payments or benefits provided under the Plan.

9.3. **Limitation on Payments .**

9.3.1. **Reduction of Severance Benefits .** If any payment or benefit that Participant would receive from the Company or any other Company Group member, or any other party whether in connection with the provisions in this Plan or otherwise (the " *Parachute Payments* ") would reasonably be expected to (a) constitute a "parachute payment" within the meaning of Section 280G of the Code and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the " *Excise Tax* "), then the Parachute Payments will be either delivered in full, or delivered as to such lesser extent that would result in no portion of the Parachute Payments being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the Participant's receipt, on an after-tax basis, of the greatest amount of Parachute Payments, notwithstanding that all or some of the Parachute Payments may be subject to the Excise Tax. If a reduction in Parachute Payments is made in accordance with the immediately preceding sentence, the reduction will occur, with respect to the Parachute Payments considered parachute payments within the meaning of Code Section 280G, in the following order: (i) reduction of cash payments in reverse chronological order (that is, the cash payment owed on the latest date following the occurrence of the event triggering the Excise Tax will be the first cash payment to be reduced); (ii) cancellation of equity awards that were granted "contingent on a change in ownership or control" within the meaning of Section 280G of the Code in the reverse order of date of grant of the equity awards (that is, the most recently granted equity awards will be cancelled first); (iii) reduction of the accelerated vesting of equity awards in the reverse order of date of grant of the equity awards (that is, the vesting of the most recently granted equity awards will be cancelled first); and (iv) reduction of employee benefits in reverse chronological order (that is, the benefit owed on the latest date following the occurrence of the event triggering the Excise Tax will be the first benefit to be reduced). In no event will the Participant have any discretion with respect to the ordering of Payment reductions. The Participant will be solely responsible for the payment of all personal tax liability that is incurred as a result of the payments and benefits received under this Plan, and neither the Company Group nor any affiliate thereof will have any responsibility, liability, or obligation to reimburse, indemnify or hold harmless any Participant for any of those payments of personal tax liability.

9.3.2. **Determination of Excise Tax Liability .** Any determinations required under this Section 9.3 will be made in writing by a nationally recognized accounting or valuation firm (the " *Firm* ") selected by the Company, whose determinations will be conclusive and binding upon the Participants and the Company for all purposes. For purposes of making the calculations required by this Section 9.3, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participants will furnish to the Firm such information and documents as the Firm reasonably may request in order to make determinations under this Section 9.3. The Company will bear the costs and make all payments required to be made to the Firm for the Firm's services that are rendered in connection with any calculations contemplated by this Section 9.3. Neither the Company Group nor any affiliate thereof will have any liability to the Participant for the determinations of the Firm.

9.4. **Section 409A .**

9.4.1. **General .** Notwithstanding anything to the contrary in this Plan or any Participation Agreement, to the extent any payments or benefits under this Plan (including the Severance Benefits) are subject to Section 409A (" *Deferred Payments* "), this Plan shall be

interpreted and administered to the maximum extent possible to comply with Section 409A. Accordingly, no Deferred Payments, if any, will be paid or provided pursuant to this Plan unless and until the Participant has a “separation from service” within the meaning of Section 409A (a “*Separation from Service*”). Similarly, no Severance Benefits payable to a Participant, if any, which otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9), will be payable until the Participant has a Separation from Service.

9.4.2. *Required Delay* . Notwithstanding any contrary Plan provision, if(a) a Participant is a “specified employee” within the meaning of Section 409A at the time of the Participant’s Separation from Service (other than due to death), and (b) any Deferred Payments otherwise due on or within the first six (6) months following the Participant’s Separation from Service will result in the imposition of additional tax under Section 409A if paid to the Participant during such period, then such Deferred Payments that are payable within such six (6) month period following such Separation from Service, instead will become payable on the date that is six (6) months and one (1) day following the date of such Separation from Service. Any subsequent Deferred Payment, if any, will be payable in accordance with the payment schedule applicable to such payment. Notwithstanding anything herein to the contrary, in the event of the Participant’s death following the Participant’s Separation from Service, but before the date six (6) months following such Separation from Service, then any payments delayed in accordance with this Section 9.4.2 will be payable in a lump sum as soon as administratively practicable after the date of the Participant’s death and any other Deferred Payment will be payable in accordance with the payment schedule applicable to such payment. Each payment, installment, and benefit payable under this Plan is intended to constitute a separate payment under Treasury Regulation Section 1.409A-2(b)(2).

9.4.3. *Certain Exemptions* . Any amount paid under this Plan that (x) satisfies the requirements of the “short-term deferral” rule set forth in Treasury Regulation Section 1.409A-1(b)(4) or (y) qualifies as a payment made as a result of an involuntary separation from service pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) that does not exceed the limit set forth in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) will not constitute a Deferred Payment for purposes of Section 9.4.1.

9.4.4. *Interpretation; Other Requirements* . The provisions of the Plan are intended to comply with or be exempt from the requirements of Section 409A so that none of the payments or benefits to be provided under the Plan will be subject to the additional tax imposed under Section 409A, and any ambiguities and ambiguous terms herein will be interpreted to so comply or be exempt. For purposes of the Plan, to the extent required to be exempt from or comply with Section 409A, any references to a Participant’s Involuntary Termination or similar phrases relating to the termination of a Participant’s employment will be references to the Participant’s Separation from Service. Notwithstanding any contrary Plan provision, including but not limited to Section 8, the Company, by action of the Administrator, reserves the right to amend the Plan as it deems necessary or advisable, in its sole discretion and without the consent of any Participant or other person, to comply with Section 409A or to avoid income recognition under Section 409A or to otherwise avoid the imposition of additional tax under Section 409A prior to the actual payment or provision of any Severance Benefits. In no event will a Participant have any discretion to choose the Participant’s taxable year in which any payments or benefits are provided under this Plan. In no event will the Company Group nor any affiliate thereof have any responsibility, liability, or obligation to reimburse, indemnify, or hold harmless a Participant for any taxes, penalties or interest that may be imposed, or other costs that may be incurred, as a result of Section 409A.

10. Other Provisions .

10.1. Source of Payments . Any Severance Benefits will be paid from the general funds of the Company; no separate fund will be established under the Plan, and the Plan will have no assets. No right of any person to receive any payment or benefit under the Plan will be any greater than the right of any other general unsecured creditor of the Company, the Employer or any other member or affiliate of the Company Group.

10.2. Inalienability . In no event may any current or former employee of any Employer sell, transfer, anticipate, assign or otherwise dispose of any right or interest under the Plan, except as provided in this Section 10. Any other attempted assignment, transfer, conveyance, or other disposition of a Participant's right to compensation or other benefits will be null and void. At no time will any of a Participant's rights or interests under the Plan be subject to the claims of creditors nor liable to attachment, execution or other legal process. If any payments or benefits are payable to a Participant who is unable to care for his or her affairs, payment may be made directly to his or her legal guardian or personal representative.

10.3. Death . Notwithstanding anything to the contrary in the Plan, if a Participant dies after the Participant's Involuntary Termination occurs during the Change in Control Period and after the Participant (or the authorized representative of the Participant's estate) has timely executed and returned the Release to the Company (without having timely revoked it) but before receiving all of the payments and benefits otherwise payable to the Participant, such remaining payments and benefits instead will be paid to the executor of the Participant's estate, on behalf of the estate, at the time(s) and in the form(s) applicable to such payments and benefits, as applicable, under the Plan.

10.4. No Enlargement of Employment Rights . Neither the establishment or maintenance or amendment of the Plan, nor the making of any benefit payment hereunder, will be construed to confer upon any individual any right to continue to be an employee of the Company, the Employer or other member or affiliate of the Company Group. The Company and the applicable Employers expressly reserve the right to discharge any of their employees at any time and for any reason, with or without cause or notice, as permitted by applicable law. However, as described in the Plan, a Participant may be entitled to benefits under the Plan depending upon the circumstances of the termination of such Participant's employment.

10.5. Successors . Any successor to the Company of all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or other transaction) will assume the obligations under the Plan and agree expressly to perform the obligations under the Plan in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under the Plan, the term "*Company*" will include any successor to the Company's business and/or assets which become bound by the terms of the Plan by operation of law, or otherwise.

10.6. Applicable Law . The provisions of the Plan will be construed, administered and enforced in accordance with the internal substantive laws of the State of California (but not its conflict of laws provisions).

10.7. Severability . If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

10.8. Headings . Headings in this Plan document are for purposes of reference only and will not limit or otherwise affect the meaning, construction or interpretation of the Plan's provisions.

10.9. *Protected Activity* . Notwithstanding any contrary provision of the Plan, the Release, or a Participant's Confidentiality Agreement, nothing in this Plan, the Release or any Participant's Confidentiality Agreement shall prohibit or impede a Participant from engaging in any Protected Activity. For purposes of this Plan, "*Protected Activity*" will mean communicating, cooperating or filing a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency, or entity, including, but not limited to, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board (collectively, a "*Governmental Entity*") with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise making disclosures to any *Governmental Entity*, in each case, that are protected under the whistleblower provisions of any such law or regulation; *provided* that, in each case, such communications and disclosures are consistent with applicable law. Notwithstanding the foregoing, the Participant agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company Group confidential information (within the meaning of any applicable Confidentiality Agreement) to any parties other than the *Governmental Entities*. The Participant further understands that Protected Activity does not include disclosure of any Company Group attorney-client privileged communications or attorney work product. Any language in a Confidentiality Agreement that conflicts with, or is contrary to, this paragraph is superseded by this Plan. The Participant understands and acknowledges that pursuant to the Defend Trade Secrets Act of 2016 (A) an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (B) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

11. *Defined Terms* . The following capitalized words and phrases will have the meanings set forth in this Section 11:

11.1. *Administrator* . "*Administrator*" means the Compensation Committee of the Board, or any person to whom the Compensation Committee of the Board has delegated any authority or responsibility with respect to the Plan pursuant to Section 7, but only to the extent of such delegation.

11.2. *Base Salary* . "*Base Salary*" means, with respect to a Participant, the Participant's annual base salary in effect immediately before the date on which the Participant's Involuntary Termination occurs; *provided*, *however*, that, for the avoidance of doubt, if the Involuntary Termination is by the Participant for Good Reason as a result of a reduction in the Participant's base salary, then the Participant's Base Salary will be not less than the Participant's annual base salary in effect immediately prior to such reduction. The determination of the amount of a Participant's Base Salary will be made by the Administrator, in accordance with the records of the Employer.

11.3. *Board* . "*Board*" means the Board of Directors of the Company.

11.4. *Cause* . "*Cause*" means, with respect to a Participant, the Participant's:

- (a) indictment for, conviction of, or a plea of guilty or nolo contendere to, a (x) felony or (y) any crime of moral turpitude;

- (b) embezzlement, breach of fiduciary duty or fraud with regard to any member of the Company Group or any of their respective assets or businesses;
- (c) continued failure to perform the Participant's duties customarily associated with the Participant's position as an employee of the Company Group or any of its affiliates (other than any such failure resulting from the Participant's mental or physical incapacity) (it being understood that if the Participant is in good faith performing the Participant's duties, but is not achieving results the Company deems satisfactory for the Participant's position, it will not be considered to be grounds for termination of the Participant for "Cause");
- (d) the Participant's commission of an act of dishonesty, willful misconduct, illegal conduct or breach of fiduciary duty against, and causing material harm to, the Company Group or its affiliates;
- (e) breach of a material provision of any contractual obligation to any member of the Company Group;
- (f) material breach or violation of a code of conduct or other material policy of the Company Group, including, without limitation, an applicable sexual harassment policy; or
- (g) a failure by the Participant to cooperate in good faith with a governmental or internal investigation of the Company Group or its directors, officers or employees if the Company Group or the Board has requested the Participant's cooperation, *provided* that the Participant's failure to waive attorney-client privilege relating to communications with the Participant's own attorney in connection with an investigation will not constitute "Cause";

provided, however, that the events described in the foregoing clauses (c), (d), (e) and (f) will not constitute Cause unless the Company will have notified the Participant in writing describing, in reasonable detail, the events which constitute Cause and, to the extent practicable, the conduct required to cure such Cause (if such Cause is capable of being cured) and then only if the Participant will have failed to cure such events within thirty (30) days after the Participant's receipt of such written notice.

11.5. **Change in Control**. "*Change in Control*" has the meaning set forth in the Equity Plan.

11.6. **Change in Control Period**. "*Change in Control Period*" means the time period beginning on the date that is three (3) months prior to the consummation of a Change in Control and ending on (and inclusive of) the date that is twelve (12) months following the date of consummation of such Change in Control.

11.7. **Code**. "*Code*" means the U.S. Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation under the Code will include such section or regulation, and any valid regulation or other formal guidance of general or direct

applicability promulgated under such section, and any comparable provision of any future legislation amending, supplementing or superseding such section or regulation.

11.8. **Company**. “*Company*” means Credo Technology Group Holding Ltd, a Cayman Islands company, and any successor as described in Section 10.5.

11.9. **Company Group**. “*Company Group*” means the Company and any parent or subsidiary of the Company.

11.10. **Confidentiality Agreement**. “*Confidentiality Agreement*” means, with respect to a Participant, the Participant’s Proprietary Information and Inventions Agreement or any similar written agreement entered into in connection with the Participant’s employment with the Company Group or any member or members thereof) relating to the protection of confidential information.

11.11. **Disability**. “*Disability*” means, with respect to a Participant, a physical or mental impairment that qualifies the Participant for disability benefits under the terms of the long- term disability plan of the Employer. For purposes of clarity, if a Participant is employed by an Employer that does not maintain a long-term disability plan but whose employees participate in the long-term disability plan of the Company or other member of the Company Group, reference to a long-term disability plan in the immediately preceding sentence instead will mean the long- term disability plan of the Company or such other member of the Company Group, as applicable.

11.12. **Eligible Employee**. “*Eligible Employee*” means each officer or other key employee of the Company who is designated by the Administrator as being eligible to participate in the Plan and who has been provided a Participation Agreement by the Company. Eligible Employees shall be limited to a select group of management or highly compensated employees within the meaning of Sections 201, 301, and 404 of ERISA.

11.13. **Employer**. “*Employer*” means, with respect to an Eligible Employee, the member of the Company Group that directly employs such employee.

11.14. **Equity Awards**. “*Equity Awards*” mean, with respect to a Participant, the Participant’s outstanding stock options, stock appreciation rights, restricted stock, restricted stock units, performance-based equity awards, and other equity compensation awards, if any, granted by the Company. For purposes of clarity, to the extent any such awards have been converted, assumed, substituted, replaced, or otherwise adjusted in connection with a Change in Control, then Equity Awards also will include such awards so converted, assumed, substituted, replaced, or adjusted.

11.15. **Equity Plan**. “*Equity Plan*” means the Credo Technology Group Holding Ltd. 2021 Long-Term Incentive Plan, as may be amended from time to time, or any similar or successor equity incentive plan governing Equity Awards then in effect.

11.16. **Exchange Act**. “*Exchange Act*” means the U.S. Securities Exchange Act of 1934 and the rules promulgated thereunder, as each may be amended from time to time.

11.17. **Good Reason**. “*Good Reason*” means, with respect to a Participant, except as otherwise set forth in the Participant’s Participation Agreement:

- (a) a material reduction of the Participant’s duties, authorities, title, reporting line or responsibilities relative to the Participant’s duties, authorities, title, reporting line or responsibilities in effect

immediately prior to the reduction (for illustrative purposes, the following are examples of affirmative grounds for Good Reason as a material reduction of Participant's duties, authorities, title, reporting line or responsibilities: a public company executive prior to a Change in Control who no longer (x) directly reports to the board of directors of a parent company, (y) heads the finance function of a parent company, or (z) heads the legal function of a parent company);

- (b) a material reduction in the Participant's Base Salary or annual target bonus opportunity;
- (c) the relocation of the Participant's principal place of employment to a location more than 50 miles from the Participant's then-current principal place of employment;
- (d) a material breach by the Company of the terms of this Plan or any other material agreement between a Company Group member and the Participant; or
- (e) failure of a successor corporation to assume the obligations under the Plan as contemplated by Section 10.5.

In order for the Participant to resign for Good Reason, the Participant must provide written notice to the Company of the existence of the Good Reason condition within sixty (60) days of the initial existence of such Good Reason condition. Upon receipt of such notice, the Company will have thirty (30) days during which it may remedy the Good Reason condition. If the Good Reason condition is not remedied within such thirty (30)-day period, in order to constitute Good Reason, the Participant must resign based on the Good Reason condition specified in the notice effective no later than thirty (30) days following the expiration of the Company's thirty (30)-day cure period.

11.18. *Involuntary Termination*. *"Involuntary Termination"* means, with respect to a Participant, (a) a termination by the Company or the Employer of the Participant's employment with the Company Group for a reason other than (x) Cause, (y) the Participant's death, or (z) the Participant's Disability, or (b) the Participant terminates employment with the Company Group for Good Reason. For purposes of clarity, an Involuntary Termination will not be considered to occur upon a termination of a Participant's employment for any reason not expressly specified as an Involuntary Termination, including (i) by the Company or the Employer for Cause, (ii) due to the Participant's voluntary retirement or voluntary resignation without Good Reason or (iii) upon or in connection with the Participant's transfer or acceptance of employment with any division, subsidiary, affiliate or managed entity of any member of the Company Group. If a Participant indicates an intention to resign and the Company Group decides to accept the resignation at an earlier date, the Participant will not, for that reason, be entitled to Severance Benefits under the Plan.

11.19. *Participant*. *"Participant"* means an Eligible Employee who has timely and properly executed and timely delivered the Eligible Employee's Participation Agreement to the Company, as set forth therein.

11.20. *Participation Agreement*. *"Participation Agreement"* means the individual agreement provided by the Company to an employee of an Employer designating such

employee as an Eligible Employee under the Plan and providing for any additional terms and conditions relating to such employee's participation in the Plan. A form of Participation Agreement is attached hereto as Appendix A.

11.21. **Plan Administrator**. “*Plan Administrator*” means the individual, office or entity set forth in Section 12 below.

11.22. **Release**. “*Release*” means a release of claims against each member of the Company Group and each of their respective shareholders, officers, employees, directors, agents, attorneys, insurers, benefit plans, benefit plan administrators, and all of their predecessors, successors and assigns, in the form as approved by the Company from time to time.

11.23. **Release Effective Date**. “*Release Effective Date*” means the date on which the revocation period set forth in a Release expires without the releasor therein having revoked the Release, and the Release becomes non-revocable.

11.24. **Section 409A**. “*Section 409A*” means Section 409A of the Code.

11.25. **Severance Benefits**. “*Severance Benefits*” means the separation-related compensation and other benefits that a Participant will be provided under, and in the circumstances described in, Section 3 and the Participant's Participation Agreement (as applicable).

12. **Plan Information (Information required by the Employee Retirement Income Security Act of 1974).**

Plan Name

Credo Technology Group Holding Ltd Executive Change in Control Severance Plan

Type of Welfare Plan

Severance Pay

Employer Identification Number

Plan Year Ends

December 31

Plan Number

Plan 502

Plan Administrator

Head of Human Resources

Credo Technology Group Holding Ltd

110 Rio Robles

San Jose, California 95134

Plan Sponsor

Credo Technology Group Holding Ltd

Agent for Service of Legal Process

Chief Legal Officer

13. **ERISA Rights**. Participants in the Credo Technology Group Holding Ltd Executive Change in Control Severance Plan have certain rights and protections under the Employee Retirement Income Security Act of 1974 (“*ERISA*”). ERISA provides that Participants are entitled to:

13.1. examine, without charge, at the Plan Administrator's office and at other specified locations, all documents governing the Plan; and

13.2. obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including a copy of the latest annual report (Form 5500) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration. The Plan Administrator may make a reasonable charge for the copies.

14. **Prudent Actions by Plan Fiduciaries.** In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries," have a duty to administer the Plan prudently and solely in the interest of the Participants and beneficiaries. No one, including an Employer, or any other person, may fire a Participant or otherwise discriminate against any Participant in any way to prevent a Participant from obtaining a benefit or exercising a Participant's rights under ERISA.

15. **Filing a Claim.** If a Participant disagrees with the determination or payment of such Participant's benefits, or if a Participant has any questions about receiving these benefits, such Participant should contact the Plan Administrator in writing at the address set forth in the Plan Information above.

16. **Time Frame for Claim Determinations Regarding Benefits.** If a Participant receives an adverse benefit determination (i.e., any denial, reduction, or termination of a benefit, or a failure to provide or make a payment), the Plan Administrator will notify the Participant of the adverse determination within a reasonable period of time, but not later than 90 days after receiving such Participant's written claim. This 90-day period may be extended for up to an additional 90 days if the Plan Administrator (i) determines that special circumstances require an extension of time for processing the claim, and (ii) notifies the Participant, before the initial 90-day period expires, of the special circumstances requiring the extension of time and the date by which the Plan expects to render a determination. In the event an extension is necessary due to a Participant's failure to submit necessary information, the Plan's time frame for making a benefit determination on review is stopped from the date the Plan Administrator sends the Participant the extension notification until the date the Participant responds to the request for additional information.

17. **If a Participant Receives an Adverse Benefit Determination.** The Plan Administrator will provide a Participant with a notification of any adverse benefit determination that will set forth:

17.1. the specific reason(s) for the adverse benefit determination;

17.2. reference to the specific Plan provisions on which the benefit determination is based;

17.3. a description of any additional material or information necessary for the Participant to perfect the claim and an explanation of why that material or information is necessary; and

17.4. a description of the Plan's appeal procedures and time limits applicable to such procedures, including a statement of the Participant's right to bring a civil action under ERISA after an adverse determination on appeal to the Plan Administrator.

18. **Procedures for Appealing an Adverse Benefit Determination.** A Participant, or a Participant's authorized representative, has 60 days following the receipt of a notification of an adverse benefit determination within which to appeal the determination. A Participant has the right to:

18.1. submit written comments, documents, records and other information relating to the claim for benefits;

18.2. request reasonable access to, and copies of all documents, records and other information relevant to the Participant's claim for benefits. Note that a reasonable charge will be made for copies of the Plan document. For this purpose, a document, record, or other information is treated as "relevant" to a claim if it:

18.2.1. was relied upon in making the benefit determination;

18.2.2. was submitted, considered, or generated in the course of making the benefit determination, regardless of whether such document, record or other information was relied upon in making the benefit determination; or

18.2.3. demonstrates compliance with the administrative processes and safeguards required in making the benefit determination; and

18.3. a review that takes into account all comments, documents, records, and other information submitted by the Participant relating to the claim, regardless of whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator will notify the Participant of the Plan's benefit determination on review within a reasonable period of time, but not later than 60 days after receipt of the Participant's request for review by the Plan. This 60-day period may be extended for up to an additional 60 days if the Plan Administrator both determines that special circumstances require an extension of time for processing the claim, and notifies the Participant, before the initial 60-day period expires, of the special circumstances requiring the extension of time and the date by which the Plan expects to render a determination on review.

In the event that an extension is necessary due to the Participant's failure to submit necessary information, the Plan's time frame for making a benefit determination on review is stopped from the date the Plan Administrator sends the Participant the extension notification until the date such Participant responds to the request for additional information.

The Plan Administrator's notice of an adverse benefit determination on appeal will contain all of the following information:

- (a) the specific reason(s) for the adverse benefit determination;
- (b) reference to the specific Plan provisions on which the benefit determination is based;
- (c) a statement that the Participant is entitled to receive, upon request, reasonable access to, and copies of, all documents, records, and other information relevant to the Participant's claim. Note that a reasonable charge will be made for copies of the Plan document; and
- (d) a statement describing the Participant's right to obtain the information about such procedures, and a statement of the Participant's right to bring an action under ERISA.

The Participant must exhaust the Plan's administrative claims and appeals procedure before bringing a suit in either state or federal court. Similarly, failure to follow the Plan's prescribed procedures in a timely manner will also cause the Participant to lose the Participant's right to sue regarding an adverse benefit determination.

19. Assistance with Questions. If the Participant has any questions about the Plan, the Participant should contact the Plan Administrator. If the Participant has any questions about this statement or about the Participant's rights under ERISA, or if the Participant needs assistance in obtaining documents from the Plan Administrator, the Participant should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, DC 20210. The Participant may also obtain certain publications about the Participant's rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

* * *

Appendix A

FORM OF

CREDO TECHNOLOGY GROUP HOLDING LTD EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN

PARTICIPATION AGREEMENT

[Date]

Credo Technology Group Holding Ltd (the "Company") is pleased to inform you, [Name of Eligible Employee], that you have been selected to participate in its Credo Technology Group Holding Ltd Executive Change in Control Severance Plan (the "Plan"). A copy of the Plan has been delivered to you with this Participation Agreement. Your participation in the Plan is subject to all of the terms and conditions of the Plan, including this Participation Agreement. Any capitalized term used in this Participation Agreement that is not otherwise defined herein will have the meaning ascribed to such term in the Plan.

In order to actually become a Participant in the Plan, as described in the Plan, you must complete and sign this Participation Agreement and return it to [Name and Contact] by no later than [Date].

The Plan describes in detail certain circumstances under which you, if you are a Participant in the Plan, may become eligible for Severance Benefits and certain other benefits described herein.

Severance Benefits. Subject to the terms and conditions of the Plan and this Participation Agreement, in the event of an Involuntary Termination that occurs during the Change in Control Period, you will be eligible to receive the Severance Benefits set forth in Section 3 of the Plan. For purposes of such Severance Benefits, your Severance Multiplier and COBRA Period are as follows:

Severance Multiplier	COBRA Period
[•]	[•]

Release Requirement. In order to receive any Severance Benefits for which you otherwise become eligible under the Plan, you must sign and deliver to the Company the Release, which must become effective and irrevocable within the requisite period set forth in the Release and is subject to the Release timing requirements specified in the Plan.

Withholdings . Please note that your Employer (or other applicable Company Group member) has the right to withhold from any Severance Benefits any applicable U.S. federal, state, local and non-U.S. taxes required to be withheld and any other required payroll deductions.

Amendment or Termination . Notwithstanding anything in the Plan or this Participant Agreement to the contrary, the Company may amend or terminate the Plan at any time, without advance notice to you, and without regard to the effect of the amendment or termination on your participation, except as provided below. Any amendment or termination of the Plan must be in writing. In addition, the Company reserves the right to terminate your participation in, and eligibility to receive Severance Benefits under, the Plan in the event the Board or the Administrator determines that you are serving in a new or different position with the Company Group which would not have qualified you as an Eligible Employee if you were serving in such position at the time you were initially designated as an Eligible Employee and provided this Participation Agreement. Notwithstanding the foregoing, in anticipation of, upon, in connection with or within two years following a Change in Control, the Company, without your written consent, may neither amend or terminate the Plan, or your participation in the Plan, in any way nor take any other action under the Plan, which (a) prevents you from becoming eligible for Severance Benefits, or (b) reduces or alters to your detriment the Severance Benefits, if any, payable, or potentially payable, to you (including, without limitation, imposing additional conditions).

By your signature below, you and the Company agree that your participation in the Plan is governed by this Participation Agreement and the provisions of the Plan. Your signature below confirms that: (1) you have received a copy of the Credo Technology Group Holding Ltd Executive Change in Control Severance Plan; (2) you have carefully read this Participation Agreement and the Plan, including, but not limited to, the terms and conditions for participation in, and receipt of any Severance Benefits under the Plan; and (3) the decisions and determinations by the Administrator under the Plan will be final and binding on you and your successors, and will be given the maximum possible deference permitted by law.

CREDO TECHNOLOGY GROUP HOLDING LTD

[NAME OF ELIGIBLE EMPLOYEE]

Signature

Signature

Name

Date

Title

Attachment: Credo Technology Group Holding Ltd Executive Change in Control Severance Plan

Appendix A-2

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William Brennan, certify that:

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

Date: December 3, 2024

By: _____ /s/ William Brennan
William Brennan
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel Fleming, certify that:

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

Date: December 3, 2024

By: _____ */s/ Daniel Fleming*
 Daniel Fleming
 Chief Financial Officer
 (Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL 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 Credo Technology Group Holding Ltd (the "Company") on Form 10-Q for the period ended November 2, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, I, William Brennan, President and Chief Executive Officer of the Company, certify that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 3, 2024

By: _____ /s/ William Brennan
William Brennan
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL 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 Credo Technology Group Holding Ltd (the "Company") on Form 10-Q for the period ended November 2, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, I, Daniel Fleming, Chief Financial Officer of the Company, certify that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 3, 2024

By: _____ /s/ Daniel Fleming
Daniel Fleming
Chief Financial Officer
(Principal Financial Officer)