REFINITIV

DELTA REPORT

10-Q

QUIK - QUICKLOGIC CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - OCTOBER 01, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1480
CHANGES	213
DELETIONS	646
ADDITIONS	621

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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 October 1, 2023 March 31, 2024

OR

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

For the Transition Period From ______To

COMMISSION FILE NUMBER: 000-22671

QUICKLOGIC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	77-0188504
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2220 Lundy Avenue, San Jose, CA 95131-1816
(Address of principal executive offices including zip code))

(408) 990-4000
(Registrant's telephone number, including area code)

Securities registered pursuant Section 12(b) of the act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.001 per share	QUIK	The Nasdaq Capital Market

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

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

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

Large accelerated filer	☐	Accelerated Filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☒
		Emerging growth company	☐

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 Securities Exchange Act). Yes ☐ No ☒

As of November 10, 2023 May 10, 2024, there were 13,910,127 14,424,023 shares of registrant’s common stock, par value $0.001 per share, outstanding.

QUICKLOGIC CORPORATION

FORM 10-Q

October 1, 2023 March 31, 2024

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PART I. Financial Information

Item 1. Financial Statements

QUICKLOGIC CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par value amount)

	October 1, 2023	January 1, 2023	March 31, 2024	December 31, 2023
ASSETS				
Current assets:				
Cash, cash equivalents and restricted cash	$ 18,625	$ 19,201	$ 27,399	$ 24,606
Accounts receivable, net of allowance for doubtful accounts of $16 and $18, as of October 1, 2023 and January 1, 2023, respectively	481	2,689		
Accounts receivable, net of allowance for doubtful accounts of $24 and $34, as of March 31, 2024 and December 31, 2023, respectively			1,560	1,625
Contract assets	4,015	1,987	1,085	3,609
Note receivable	1,186	—	1,214	1,200
Inventories	2,030	2,493	1,923	2,029
Prepaid expenses and other current assets	1,726	1,570	2,128	1,561
Total current assets	28,063	27,940	35,309	34,630
Property and equipment, net	4,547	465	12,420	8,948
Capitalized internal-use software, net	1,666	1,514	2,147	2,069
Right of use assets, net	1,082	1,397	916	981
Intangible assets, net	564	645	510	537
Non-marketable equity investment	300	300	300	300
Goodwill	185	185	185	185
Other assets	142	140	142	142
TOTAL ASSETS	$ 36,549	$ 32,586	$ 51,929	$ 47,792

LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Revolving line of credit	$ 15,000	$ 15,000	$ 20,000	$ 20,000
Trade payables	3,851	2,391	4,892	4,657
Accrued liabilities	2,047	1,509	1,545	2,673
Deferred revenue	333	272	778	1,052
Notes payable, current			993	946
Lease liabilities, current	821	850	263	302
Total current liabilities	22,052	20,022	28,471	29,630
Long-term liabilities:				
Lease liabilities, non-current	284	544	636	681
Notes payable, non-current			450	461
Other liabilities, non-current	173	125	125	125
Total liabilities	22,509	20,691	29,682	30,897
Commitments and contingencies (see Note 11)				
Stockholders' equity:				
Preferred stock, $0.001 par value; 10,000 shares authorized; no shares issued and outstanding	—	—	—	—
Common stock, $0.001 par value; 200,000 authorized; 13,906 and 13,202 shares issued and outstanding as of October 1, 2023 and January 1, 2023, respectively	14	13		
Common stock, $0.001 par value; 200,000 authorized; 14,422 and 14,118 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			14	14
Additional paid-in capital	321,623	317,174	327,680	322,436
Accumulated deficit	(307,597)	(305,292)	(305,447)	(305,555)
Total stockholders' equity	14,040	11,895	22,247	16,895
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 36,549	$ 32,586	$ 51,929	$ 47,792

See accompanying notes to unaudited condensed consolidated financial statements.

QUICKLOGIC CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended		Three Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
Revenue	$ 6,665	$ 3,459	$ 13,719	$ 12,096	$ 6,007	$ 4,133
Cost of revenue	1,537	1,781	4,998	5,413	2,024	1,743
Gross profit	5,128	1,678	8,721	6,683	3,983	2,390
Operating expenses:						
Research and development	1,933	1,018	5,067	3,541	1,459	1,629
Selling, general and administrative	1,915	1,900	5,700	6,018	2,351	1,861
Total operating expenses	3,848	2,918	10,767	9,559	3,810	3,490

Operating income (loss)	1,280	(1,240)	(2,046)	(2,876)	173	(1,100)
Interest expense	(48)	(44)	(156)	(98)	(69)	(58)
Interest income and other (expense) income, net	(36)	(60)	(99)	(42)		
Interest income and other income (expense), net					11	(63)
Income (loss) before income taxes	1,196	(1,344)	(2,301)	(3,016)	115	(1,221)
Provision for income taxes	4	3	4	19		
(Benefit from) provision for income taxes					7	7
Net income (loss)	$ 1,192	$ (1,347)	$ (2,305)	$ (3,035)	$ 108	$ (1,228)
Net income (loss) per share:						
Basic EPS	$ 0.09	$ (0.11)	$ (0.17)	$ (0.24)		
Diluted EPS	$ 0.08	$ (0.11)	$ (0.17)	$ (0.24)		
Basic					$ 0.01	$ (0.09)
Diluted					$ 0.01	$ (0.09)
Weighted average shares outstanding:						
Basic	13,859	12,664	13,377	12,401	14,177	13,215
Diluted	14,131	12,664	13,377	12,401	14,545	13,215

Note: Net income (loss) equals comprehensive income (loss) for all periods presented.

See accompanying notes to unaudited condensed consolidated financial statements.

QUICKLOGIC CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended		Three Months Ended	
	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
Cash flows from operating activities:				
Net loss	$ (2,305)	$ (3,035)		
Adjustments to reconcile net loss to net cash used in operating activities:				
Cash flows provided by (used in) operating activities:				
Net income (loss)			$ 108	$ (1,228)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	697	516	760	358
ROU asset amortization	760	585	65	90
Stock-based compensation	1,917	1,347	1,562	715
Write-down of inventories and reclassifications	605	72	(2)	171
Gain on disposal of equipment	—	(27)		
Other	4	—	(10)	(10)
Changes in operating assets and liabilities:				
Accounts receivable	2,205	(2,611)	75	609
Contract assets	(2,028)	—	2,524	(341)
Inventories	(142)	(195)	108	(175)
Other assets	(1,343)	(158)	(106)	(74)

Trade payables	(836)	668	(3,347)	(325)
Accrued liabilities	537	(52)	(1,293)	(80)
Deferred revenue	61	(239)	(274)	27
Lease Liabilities	(298)	(272)		
Other long-term liabilities	48	(22)		
Net cash used in operating activities	(118)	(3,423)		
Cash flows from investing activities:				
Lease liabilities			(84)	(96)
Net cash provided by (used in) operating activities			86	(359)
Cash flows provided by (used in) investing activities:				
Capital expenditures for property and equipment	(2,015)	(139)	(94)	(2)
Capitalized internal-use software	(422)	(495)	(496)	(185)
Net cash used in investing activities	(2,437)	(634)		
Cash flows from financing activities:				
Payment of finance lease obligations	(435)	(299)		
Net cash provided by (used in) investing activities			(590)	(187)
Cash flows provided by (used in) financing activities:				
Payment of notes payable			(239)	(151)
Proceeds from notes payable			—	105
Proceeds from line of credit	45,000	45,000	20,000	15,000
Repayment of line of credit	(45,000)	(45,000)	(20,000)	(15,000)
Proceeds from issuance of common stock	121	4,787		
Proceeds from issuance of common stock to investors	2,313	—	3,560	2,313
Stock issuance cost	(20)	—	(24)	(20)
Net cash provided by financing activities	1,979	4,488		
Net cash provided by (used in) financing activities			3,297	2,247
Net increase (decrease) in cash, cash equivalents and restricted cash	(576)	431	2,793	1,701
Cash, cash equivalents and restricted cash at beginning of period	19,201	19,605	24,606	19,201
Cash, cash equivalents and restricted cash at end of period	$ 18,625	$ 20,036	$ 27,399	$ 20,902
Supplemental disclosures of cash flow information:				
Interest paid	$ 59	$ 18	$ 25	$ 56
Income taxes paid	$ 11	$ 14	$ 22	$ 2
Supplemental disclosures of noncash financing and investing items				
Purchases of fixed assets with financing lease	$ 445	$ —		
Supplemental disclosures of non-cash financing and investing items				
Purchases of fixed assets with financing arrangements			$ —	$ 446
Stock-based compensation capitalized as internal-use software	$ 119	$ —	$ 146	$ —
Purchases of property and equipment in accounts payable	$ 2,296	$ —	$ 3,547	$ 22

See accompanying notes to unaudited condensed consolidated financial statements.

QUICKLOGIC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 2023	13,202	$ 13	$ 317,174	$ (305,292)	$ 11,895
Issuance of common stock under public stock offering, net of stock issuance cost	450	1	2,292	—	2,293
Common stock issued under stock plans and employee stock purchase plans	34	—	—	—	—
Stock-based compensation	—	—	715	—	715
Net loss	—	—	—	(1,228)	(1,228)
Balance at April 2, 2023	13,686	14	320,181	(306,520)	13,675
Common stock issued under stock plans and employee stock purchase plan	39	—	122	—	122
Stock-based compensation	—	—	647	—	647
Net loss	—	—	—	(2,269)	(2,269)
Balance at July 2, 2023	13,725	14	320,950	(308,789)	12,175
Common stock issued under stock plans and employee stock purchase plan	181	—	—	—	—
Common stock offering, net of issuance costs	—	—	—	—	—
Stock-based compensation	—	—	673	—	673
Net income	—	—	—	1,192	1,192
Balance at October 1, 2023	13,906	$ 14	$ 321,623	$ (307,597)	$ 14,040

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2023	14,118	$ 14	$ 322,436	$ (305,555)	$ 16,895
Issuance of common stock from private placement, net of stock issuance cost	223	—	3,535	—	3,535
Common stock issued under stock plans and employee stock purchase plans	81	—	—	—	—
Stock-based compensation	—	—	1,709	—	1,709
Net income	—	—	—	108	108
Balance at March 31, 2024	14,422	$ 14	$ 327,680	$ (305,447)	$ 22,247

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at January 2, 2022	11,863	$ 12	$ 310,222	$ (301,025)	$ 9,209
Issuance of common stock under public stock offering, net of stock issuance cost	310	—	1,482	—	1,482
Common stock issued under stock plans and employee stock purchase plans	189	—	—	—	—
Stock-based compensation	—	—	383	—	383
Net loss	—	—	—	(1,164)	(1,164)

	Shares		Amount		Additional Paid-In Capital		Accumulated Deficit		Total Stockholders' Equity
Balance at April 3, 2022	12,362		12		312,087		(302,189)		9,910
Common stock issued under stock plans and employee stock purchase plan	66		—		122		—		122
Stock-based compensation	—		—		477		—		477
Net loss	—		—		—		(524)		(524)
Balance at July 3, 2022	12,428		12		312,686		(302,713)		9,985
Common stock issued under stock plans and employee stock purchase plan	195		—		—		—		—
Common stock offering, net of issuance costs	487		1		3,182		—		3,183
Stock-based compensation	—		—		487		—		487
Net loss	—		—		—		(1,347)		(1,347)
Balance at October 2, 2022	13,110	$	13	$	316,355	$	(304,060)	$	12,308

	Common Stock				Additional Paid-In		Accumulated		Total Stockholders'
	Shares		Amount		Capital		Deficit		Equity
Balance at January 1, 2023	13,202	$	13	$	317,174	$	(305,292)	$	11,895
Issuance of common stock from private placement, net of stock issuance cost	450		1		2,292		—		2,293
Common stock issued under stock plans and employee stock purchase plans	34		—		—		—		—
Stock-based compensation	—		—		715		—		715
Net loss	—		—		—		(1,228)		(1,228)
Balance at April 2, 2023	13,686	$	14	$	320,181	$	(306,520)	$	13,675

See accompanying notes to unaudited condensed consolidated financial statements.

Notes to unaudited condensed consolidated financial statements

Note 1 — The Company and Basis of Presentation

QuickLogic Corporation ("QuickLogic" or, the "Company"), was founded in 1988 and reincorporated in Delaware in 1999. The Company enables Original Equipment Manufacturers ("OEMs"), provides innovative, programmable silicon and software platforms to maximize battery life for highly differentiated, immersive user experiences with Smartphone, Wearable, Hearable, Tablet, and Internet-of-Things or IoT enable its customers to develop custom hardware products Military, Aerospace in a fast time-to-market and Defense products. cost-effective way. Specifically, QuickLogic delivers these benefits through industry leading ultra-low power customer programmable System on Chip ("SoC") semiconductor solutions, embedded software, and algorithm solutions for always-on voice and sensor processing. The Company is a fabless semiconductor provider company with a variety of comprehensive, flexible sensor processing solutions, ultra-low power display bridges, and ultra-low power Field Programmable Gate Arrays products: embedded FPGA ("FPGAs" eFPGA"). Starting in late 2021, the Company increased its professional engineering services business related to its eFPGA products for both civilian and military applications. The Company's wholly owned subsidiary, SensiML Corp. ("SensiML"), provides Analytics Toolkit, which is used in many of the applications where the Company's ArcticPro™, eFPGA intellectual property ("IP") plays a critical role. , low power, multi-core semiconductor system-on-chips ("SoCs"), discrete FPGAs, and AI software. QuickLogic's customers can use its eFPGA IP for hardware acceleration and pre-processing in their Application Specific Integrated Circuit ("ASIC") products, the Company's SoCs to run its customers' software and build their hardware around, and the Company's discrete FPGAs to implement their custom functionality. The Analytics Toolkit from SensiML Analytics toolkit is Corporation ("SensiML"), the Company's wholly-owned subsidiary, provides an end-to-end software suite that provides OEMs a straightforward process for developing pattern matching Artificial Intelligence / Machine Learning solution with accurate sensor algorithms using machine learning technology that are optimized for ultra-low power consumption. AI technology. The full range of platforms, software tools, and eFPGA IP enables the practical and efficient adoption of AI, voice, and sensor processing across Aerospace and Defense, Consumer/Industrial IoT, and Consumer Electronics markets.

The accompanying interim condensed consolidated financial statements are unaudited. In the opinion of the Company's management, these statements have been prepared in accordance with the United States generally accepted accounting principles ("U.S. GAAP"), and include all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair statement of results for the interim periods presented. The Company recommends that these interim unaudited condensed consolidated financial statements be read in conjunction with the Company's Form 10-K for the year ended January 1, December 31, 2023, which was filed with the Securities and Exchange Commission ("SEC") on March 28, 2023. 27, 2024. Operating results for the three and nine months ended October 1, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the full fiscal year.

QuickLogic's fiscal year ends on the Sunday closest to December 31 and each fiscal quarter ends on the Sunday closest to the end of each calendar quarter. QuickLogic's third first fiscal quarter for 2023 2024 and 2022 2023 ended on October 1, 2023 March 31, 2024 and October April 2, 2022 2023, respectively.

The Company has 2023 one Cybersecurity Incident

On January 20, 2023, reportable business segment based on how its Chief Operating Decision Maker ("CODM") manages the Company detected business and in a ransomware infection affecting a limited number of IT systems, including systems that contained personal information of our employees. Upon detection manner consistent with the internal reporting provided to the CODM. The CODM, the Company's Chief Executive Officer ("CEO"), reviews detailed income statements, balance sheets, and sales reports in order to assess performance of the incident, Company. Sales and operating income are some of the Company promptly began an assessment of all Company IT systems, notified law enforcement, key variables monitored by the CODM and engaged legal counsel management when determining the Company's financial condition and other incident response professionals. Through counsel, the Company retained a leading cybersecurity forensics firm to review and investigate the incident. We have completed our forensic work and have found no impact on our financial systems. For potentially affected individuals or entities whose personally identifiable data may have been accessed, we are providing free credit monitoring services to them.

The Company is voluntarily taking steps to further secure its IT infrastructure, systems, and security. The Company believes the incident has not had nor will have a material impact on its business operations, ability to service its customers, or financial results. The Company carries insurance, including cyber insurance, commensurate with its size and the nature of its operations. operating performance.

Liquidity

The Company has financed its operations and capital investments through the sale of common stock, finance and financing arrangements, operating leases, a revolving line of credit with Heritage Bank (the "Revolving Facility"), and cash flows from operations. As of October 1, 2023 March 31, 2024, the Company's principal sources of liquidity consisted of cash, cash equivalents and restricted cash of $18.6 million, $27.4 million, inclusive of a $15.0 million $20.0 million advance from its Revolving Facility and $2.3 million $3.5 million in net proceeds from the Company's sale of common stock in the nine three months ended October 1, 2023 March 31, 2024. The Company's restricted cash balance as of October 1, 2023 March 31, 2024 was $0.1 million and relates to amounts pledged as cash security for the use of credit cards.

The Company was in compliance with all the Revolving Facility loan covenants as of October 1, 2023 March 31, 2024. As of October 1, 2023 March 31, 2024, the Company had $15.0 million $20.0 million outstanding on the Revolving Facility with an interest rate of 9.00%.

On March 13, 2024, the Company entered into common stock purchase agreements with certain institutional investors and their affiliated entities for the sale of an aggregate of 223 thousand shares of common stock, par value $0.001, in a registered direct offering, resulting in net cash proceeds of approximately $3.5 million. Issuance costs related to the offering were negligible. The purchase price for each share of common stock was $16.00. See Note 9 for additional information.

On March 21, 2023, the Company entered into common stock purchase agreements with certain investors for the sale of an aggregate of 450 thousand shares of its common stock, in a registered direct offering pursuant to an effective shelf registration statement on Form S-3, resulting in net cash proceeds of approximately $2.3 million. Issuance costs related to the offering were immaterial. The purchase price for each share of common stock in the Share Placement was $5.14.

On April 28, 2023, the Company converted accounts receivable for a customer in the amount of approximately $1.16 million to notes receivable (the "Note"). At the time, the Note bore an interest rate of 3.0% compounded monthly. On June 28, 2023, the Company cancelled the original note and entered into a revised promissory note with the customer, where the interest rate changed to 4.69% compounded monthly, or a 4.8% effective annual interest rate, accruing from the date of the prior note. If not prepaid prior to the Note maturity date of June 28, 2024, the principal and all accrued and unpaid interest will be due and payable to the Company. If an event of default occurs, the interest rate will increase to 10.0%. All other terms of the note Note remained the same.

On As of March 21, 2023, 31, 2024, the Company entered into common stock purchase agreements with certain investors for the sale of an aggregate of 450 related note receivable balance was $1.21 million, including $54 thousand shares of common stock, par value $0.001, in a registered direct offering, resulting in net cash proceeds of approximately $2.3 million. Issuance costs related to the offering were negligible. The purchase price for each share of common stock was $5.14. See Note 7 for additional information. accrued interest.

The Company currently uses its cash to fund its working capital, to accelerate the development of next generation products, and for general corporate purposes. Based on past performance and current expectations, the Company believes that its existing cash and cash equivalents, as of October 1, 2023, together with $3.5 million gross cash proceeds from the March 13, 2024 financing, its revenues from operations, and the available financial resources from the Revolving Facility with Heritage Bank will be sufficient to fund its operations and capital expenditures and provide adequate working capital for the next twelve months.

Various factors affect the Company’s liquidity, including, among others: the level of revenue and gross profit as a result of the cyclicality of the semiconductor industry; the conversion of design opportunities into revenue; market acceptance of existing and new products including solutions based on its the Company's ArcticLink® and PolarPro® platforms, ArcticPro™, EOS *S3* SoC, Quick AI solution, QuickAI™, SensiML Analytics Toolkit, Eclipse II products, and eFPGA IP licenses license and professional services; fluctuations in revenue as a result of product end-of-life; fluctuations in revenue as a result of the stage in the product life cycle of its customers’ products; costs of securing access to and availability of adequate manufacturing capacity; levels of inventories; wafer purchase commitments; customer credit terms; the amount and timing of research and development expenditures; the timing of new product introductions; production volumes; product quality; sales and marketing efforts; the value and liquidity of its investment portfolio; changes in operating assets and liabilities; the ability to obtain or renew debt financing and to remain in compliance with the terms of existing credit facilities; the ability to raise funds from the sale of equity in the Company; the ability to capitalize on synergies with our subsidiary SensiML; the issuance and exercise of stock options and participation in the Company’s employee stock purchase plan; and other factors related to the uncertainties of the industry and global economics.

Over the longer term, the Company anticipates that sales generated from its new product offerings, existing cash and cash equivalents, together with financial resources from its Revolving Facility with Heritage Bank, assuming renewal of the Revolving Facility or the Company entering into a new debt agreement with an alternative lender prior to the expiration of the revolving line of credit in on December 2024, 31, 2025, and its ability to raise additional capital in the public capital markets will be sufficient to satisfy its operations and capital expenditures. However, the Company cannot provide any assurance that it will be able to raise additional capital, if required, or that such capital will be available on terms acceptable to the Company. The inability of the Company to generate sufficient sales from its new product offerings and/or raise additional capital if needed could have a material adverse effect on the Company’s operations and financial condition, including its ability to maintain compliance with its lender’s financial covenants.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of QuickLogic and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Foreign Currency

The functional currency of the Company's non-U.S. operations is the U.S. dollar. Accordingly, all monetary assets and liabilities of these foreign operations are translated into U.S. dollars at current period-end exchange rates and non-monetary assets and related elements of expense are translated using historical exchange rates. Income and expense elements are translated to U.S. dollars using the average exchange rates in effect during the period. Gains and losses from the foreign currency transactions of these subsidiaries are recorded as interest income and other expense, net in the unaudited condensed consolidated statements of operations, and are insignificant for all periods presented.

Uses of Estimates

The preparation of these unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets commitments and liabilities contingencies at the date of the financial statements, and the reported amounts of revenue revenues and expenses during the period. reporting periods.

The methods, estimates, and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results it reports in its consolidated financial statements. The SEC has defined critical accounting policies as those that are most important to the portrayal of the Company's financial condition and results of operations and requires it to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain.

Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may ultimately materially differ from these estimates and assumptions in regard assumptions. Areas where management uses subjective judgment include, but are not limited to, revenue recognition; and recognition, inventory valuation, including the valuation of inventories including identification of excess quantities, market value, and obsolescence.

obsolescence, and valuation of goodwill and long-lived and intangible assets. The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our consolidated financial statements. The SEC has defined critical accounting policies as those Company believes that are most important to the portrayal of our financial condition and results of operations and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our critical accounting estimates include revenue recognition and determination of the standalone selling price for certain distinct performance obligations (such as for IP licensing and professional services contracts) and the assessment of excess, obsolete, and unsaleable inventories. We believe that we apply it applies judgments and estimates in a consistent manner and that such consistent application results in consolidated financial statements and accompanying notes that fairly represent all periods presented. However, any factual errors or errors in these judgments and estimates may have a material impact on our the Company's financial statements. For additional information, please refer to the Company's most recent Annual Report on Form 10-K, which was filed with the SEC on March 28, 2023. 27, 2024.

Concentration of Risk

The Company's accounts receivable is and note receivable are denominated in U.S. dollars and are derived primarily from sales to customers located in North America, Asia Pacific, and Europe. The Company performs ongoing credit evaluations of its customers and does not require collateral. See Note 10, 12, Information Concerning Product Lines, Geographic Information and Revenue Concentration, for information regarding concentrations associated with accounts receivable.

As of October 1, 2023 March 31, 2024and January 1, December 31, 2023, the Company had $15.0 million $20.0 million of revolving debt outstanding with Heritage Bank; the revolving debt carried an interest rate of 9.00% and 8.00% per annum, respectively. annum. Heritage Bank has a first priority security interest in substantially all of the Company's tangible and intangible assets to secure any outstanding amounts under the agreement. The Company was in compliance with all loan covenants under the agreement as of the end of the current reporting period. The maturity date for advances under the revolving debt agreement is December 31, 2024. 2025. At October 1, 2023, March 31, 2024, the Company had utilized a significant portion of the revolving debt, and as a result, it maintains a substantial amount of cash deposits with Heritage Bank. The concentration of cash with one financial institution poses certain risks.

For instance, adverse developments affecting financial institutions, companies in the financial services industry, or the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance, could adversely impact the stability of Heritage Bank, leading to additional financial risks for the Company.

Any material decline in available funding or our the Company's ability to access our its cash, cash equivalents, and liquidity resources, inclusive of those at Heritage Bank, could adversely impact our its ability to meet our its operating expenses, financial and contractual obligations, or result in breaches of our its contractual obligations. Any of these impacts could have material adverse impacts on our the Company's operations and liquidity.

Note 2 — Significant Accounting Policies

During the three and nine months ended October 1, 2023 March 31, 2024, there were no changes to the Company's significant accounting policies from its disclosures in the Annual Report on Form 10-K for the year ended January 1, December 31, 2023. For a discussion of the significant accounting policies, please see the Annual Report on Form 10-K for the fiscal year ended January 1, December 31, 2023, filed with the SEC on March 27, 2024.

In the 28, three months ended 2023. March 31, 2024, there we no observable indicators of impairment for the non-marketable equity investment. Furthermore, utilizing the probability-of-default method to determine the current expected credit loss for the Company's note receivable, the Company determined the associated current expected credit loss to be de minimis as of March 31, 2024.

Reclassification Financing Arrangements, Non-Cash Activities, & Correction of an Error

CertainThe Company previously classified certain licensed tooling software as leased assets and liabilities under ROU assets and financing lease liabilities pursuant to lease accounting under ASC 842, Leases. Upon further analysis, the Company determined these amounts are intangible assets subject to amortization in accordance with ASC 350, Intangibles, Goodwill, and Other and financed through financing arrangements. As a result, the Company corrected immaterial errors to revise its statement of cash flows for the ninethree months ended OctoberApril 2, 2022 2023. Cash payments on notes payable during the three months ended April 2, 2023were reclassified$0.2 million, instead of presented as payments of finance lease obligations. Proceeds from notes payable during the three months ended April 2, 2023 were $0.1 million, instead of increases in accrued liabilities and other long-term liabilities. Additionally, $0.2 million was added to the depreciation and amortization adjustment for amortization of software tools financed through financing arrangements for the three months ended April 2, 2023.

Additionally, non-cash activities of $0.9 million related to deferred charges and fixed assets in AP were removed from the statement of cash flows. Purchases of property and equipment with financing arrangements were $0.4 million for the three months ended April 2, 2023. Purchases of property and equipment in accounts payable was $22 thousand for the three months ended April 2, 2023.

The Company has determined the correction of these errors did not have a material impact on the Company's financial statements, including net income and the balance of accumulated deficit as of and for the three months ended April 2, 2023.

Additional Classifications in the Statement of Cash Flows

To conform with current quarter's classifications on the current period presentation.statement of cash flows, the Company has added the following classification lines: ROU asset amortization, Changes in lease liabilities, and Proceeds from issuance of common stock to investors. These reclassifications were within cash flows from operating activities with no impact to the net cash used in operating activitiesStatement of Cash Flows for the period.three months ended April 2, 2023 were not material.

Recent Accounting Standards Adopted

In August 2020, the FASB issued ASU No.2020-06,*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which address issues identified as a result of the complexity associated with applying generally accepted accounting principles for certain financial instruments with characteristics of liabilities and equity. ASU No.2020-06 becomes effective for the Company on January 1, 2024. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Board specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The Company early adopted ASU No.2020-06 on January 2, 2023 and it had no material impact on the Company's consolidated financial statements or related disclosures.

Recent Accounting Standards Not Yet Adopted

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* to clarify the measurement of the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and requires disclosures related to these types of equity securities. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company adopted ASU No.2020-06 on January 1, 2024 and it had no material impact on the Company's consolidated financial statements or related disclosures.

Recent Accounting Standards Not Yet Adopted

In December 2023, the FASB issued ASU No.2023-09,*Income Taxes (Topic 740) Improvements to Income Tax Disclosures* to enhance the transparency and decision usefulness of income tax disclosures by providing information to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. For public entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of this ASU is not expected to have ana material impact on the Company's consolidated financial statements or disclosures.

In November 2023, the FASB issued ASU No.2023-07,*Segment Reporting (Topic 280) Improvements to Disclosures About Reportable Segments* to enhance disclosures about significant segment expenses, among other interim disclosure requirements. For public entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

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Note 3 — Net Income (Loss) Per Share

Basic net income (loss) per share iswas computed by dividing net income (loss) available by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share was computed using the weighted average number of common shares outstanding during the period plus potentially dilutive common shares outstanding during the period under the treasury stock method. In computing diluted net income (loss) per share, the weighted average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options and warrants. For periods in which the Company has reported a net loss, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders as dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. For periods in which the Company has reported a net income, diluted net income per share attributable to common stockholders is different from basic net income per share attributable to common stockholders as dilutive common shares would increase the amount of shares outstanding reduced by the amounts of treasury shares repurchased from the proceeds at the average market price for the period.

For the three months ended October 1, 2023, March 31, 2024925 thousand, 0.7 million shares of common stock associate associated with equity awards and the estimated number of shares to be purchased under the current offering period of the 2009 Employee Stock Purchase Plan were outstanding. Of these, a 276 thousand 0.4 million share equivalent was determined to be dilutive and included in the computation of diluted net income per share for the period. Estimated proceeds for the dilutive shares were determined to be $147 $59 thousand, which resulted in a reduction of dilutive shares by 4,672 4,127 using the treasury stock method at an average market price of $8.41. $14.39.

For the nine three months ended October 1, April 2, 2023and the three and nine months ended October 2, 2022, 925 thousand and 398 thousand, 0.7 million shares of common stock respectively, associated with equity awards and the estimated number of shares to be purchased under the current offering period of the 2009 Employee Stock Purchase Plan were outstanding. These shares were not included in the computation of diluted net loss per share, as they were considered anti-dilutive due to the net losses the Company experienced during these periods. this period. Warrants to purchase up to 386 thousand shares that were issued in connection with the May 29, 2018, stock offering were not included in the diluted loss per share calculation of the periods presented as they were also considered anti-dilutive due to the net loss the Company experienced during these periods. The warrants were exercisable through May 29, 2023at a price of $19.32 per share. The warrants expired unexercised on May 29, 2023.

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Note 4 — Balance Sheet Components

The following table provides details relating to certain balance sheet line items as of October 1, 2023 March 31, 2024, and January 1, December 31, 2023 (in thousands):

	October 1, 2023	January 1, 2023	March 31, 2024	December 31, 2023
Accounts receivable:				
Trade account receivables	$ 497	$ 2,707		
Less: Allowance for doubtful accounts	(16)	(18)		
	$ 481	$ 2,689		
Inventories:				
Work-in-process	$ 1,898	$ 1,826	$ 1,555	$ 1,602
Finished goods	132	667	368	427
	$ 2,030	$ 2,493	$ 1,923	$ 2,029
Prepaid expenses and other current assets:				
Prepaid taxes	$ 512	$ 510	$ 449	$ 498
Deferred charges	414	295	523	290
Other prepaid taxes, royalties, and other prepaid expenses	636	500	717	629
Other	164	265	439	144
	$ 1,726	$ 1,570	$ 2,128	$ 1,561
Property and equipment, net:				
Equipment	$ 10,487	$ 10,133	$ 10,510	$ 10,503
Tooling(1)	$ 3,862			

Software tools			1,364	2,163
Tooling			11,044	7,085
Software	1,803	1,803	1,803	1,803
Furniture and fixtures	65	65	65	65
Leasehold improvements	549	466	647	580
	16,766	12,467	25,433	22,199
Less: Accumulated depreciation and amortization	(12,219)	(12,002)	(13,013)	(13,251)
	$ 4,547	$ 465	$ 12,420	$ 8,948
Capitalized internal-use software, net:				
Capitalized internal-use software	$ 2,921	$ 2,370	$ 3,742	$ 3,491
Less: Accumulated amortization	(1,255)	(856)	(1,595)	(1,422)
	$ 1,666	$ 1,514	$ 2,147	$ 2,069
Intangible assets, net:				
Intangible assets			$ 1,156	$ 1,156
Less: Accumulated amortization			(646)	(619)
			$ 510	$ 537
Accrued liabilities:				
Accrued compensation	$ 1,293	$ 865	$ 570	$ 1,910
Accrued employee benefits	117	40	184	57
Accrued payroll tax	81	57	295	197
Other	556	547	496	509
	$ 2,047	$ 1,509	$ 1,545	$ 2,673

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(1) In the nine months ended October 1 2023, the The Company capitalized $3.86 million related to $3.96 million in pre-production design and development costs as tooling to be utilized under its long-term professional services contracts. contracts for the three months ended March 31, 2024. No pre-production design and development costs were capitalized for the three months ended April 2, 2023. The tooling will be depreciated over an estimated useful life capitalized assets recognized in the period are owned by the Company.

The Company recorded depreciation and amortization expense of seven years. $0.8 million and $0.4 million for the three months ended March 31, 2024 and April 2, 2023, respectively. No interest was capitalized for any period presented.

Depreciation and amortization expense included approximately $0.2 million and $0.1 million of amortization expense related to capitalized internal-use software for the three months ended March 31, 2024 and April 2, 2023, respectively.

Note 5 — Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation begins at the time the asset is placed in service. Maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Lives
Equipment	1 - 10 years
Software tools	1 - 2 years
Tooling	7 years
Software	1 - 7 years
Furniture and fixtures	5 - 7 years
Leasehold improvements	3 - 5 years

The amortization period of leasehold improvements made at the inception of the lease is directly related to the initial lease term, while the amortization period for subsequent leasehold improvements is directly related to the initial lease term adjusted for extensions.

Note 6— Intangible Assets

The following table provides the details of the carrying value of intangible assets recorded from the 2019 acquisition of SensiML at March 31, 2024 (in thousands):

	March 31, 2024			
	Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	4.75	$ 959	$ (503)	$ 456
Customer relationships	—	81	(81)	—
Trade names and trademarks	4.75	116	(62)	54
Total acquired identifiable intangible assets		$ 1,156	$ (646)	$ 510

The following table provides the details of future annual amortization of intangible assets, based upon the current useful lives at March 31, 2024 (in thousands):

	Amount
Annual Fiscal Years	
2024 (remaining period)	$ 80
2025	107
2026	107
2027	107
2028	109
Total	$ 510

Note 7— Debt Obligations

Revolving Line of Credit

As of October 1, March 31, 2024 and December 31, 2023 and January 1, 2023, the Company had $15.0 million$20.0 million of revolving debt outstanding with an interest rate of 9.00% and 8.00% per annum, respectively. annum. Heritage Bank has a first priority security interest in substantially all of the Company's tangible and intangible assets to secure any outstanding amounts under the agreement. The Company was in compliance with all loan covenants under the agreement as of the end of the current reporting period. Related interest expenses and annual facility fees recognized were $30 thousand and $92$41 thousand for the the three and nine months ended October 1, 2023 March 31, 2024 and $20 thousand and $59$33 thousand for the three and nine months ended October April 2, 2022 2023.

Financing Arrangements

The amount of assets purchased through financing arrangements on the balance sheet were $1.4 million and $1.2 million as of March 31, 2024 and April 2, 2023, respectively. The corresponding note payable amount for these financing arrangements was $1.4 million and $1.3 million as of March 31, 2024 and April 2, 2023, respectively. Payments related to financing arrangements were $0.2 million for the three months ended March 31, 2024 and April 2, 2023. The Company's outstanding financing arrangements as of March 31, 2024 have remaining terms of 0.42 years to 1.99 years, with a weighted average remaining term of 1.60 years. Stated interest rates for its financing arrangements outstanding as of March 31, 2024 range from 3.75% to 9.89%, with a weighted average interest rate of 8.20%. The Company's outstanding financing arrangements as of April 2, 2023 had remaining terms of 1.42 years to 2.95 years, with a weighted average remaining term of 2.16 years. Stated interest rates for its financing arrangements outstanding as of April 2, 2023 ranged from 3.75% to 9.89%, with a weighted average interest rate of 6.91%.

Remaining amounts due to be paid in Fiscal Years 2024 and 2025 as of March 31, 2024 are $0.9 million and $0.7 million, respectively, less amounts representing interest of $0.1 million results in the total notes payable amount of $1.4 million.

Note 6 8 — Leases

The Company's principal research and development and corporate facilities are leased office buildings located in the United States. These lease facilities are classified as operating leases and have lease terms of one to five years. The Company maintains sales offices out of which it conducts sales and marketing activities in various countries outside of the United States which are rented under short-term leases. The Company has elected the practical expedient to apply to recognition requirements to short-term leases and recognizes rent payments on short-term leases on a straight-line basis over the lease term. Finance leases are primarily for engineering design software and have leases terms of generally two to three years. Total rent expenses were $0.1 million and $0.3 million for the three and ninemonths ended October 1, March 31, 2024 and April 2, 2023 and $0.1 million and $0.3 million for the three and nine months endedOctober 2, 2022, respectively. .

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Right-of-use assets were approximately $1.1 million$0.9 million and $1.4 million$1.0 million as of October 1, 2023March 31, 2024 and January 1, December 31, 2023, respectively. Lease liabilities were approximately $1.1 million$0.9 million and $1.4 million$1.0 million as of October 1, 2023March 31, 2024 and January 1, December 31, 2023, respectively.

The following table provides the expenses related to operating and finance leases (in thousands):

	Three Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Operating lease costs:				
Fixed	$ 100	$ 100	$ 301	$ 300
Short term	4	4	13	16
Total	$ 104	$ 104	$ 314	$ 316
Finance lease costs:				
Amortization of ROU asset	$ 163	$ 109	$ 486	$ 328
Interest	18	5	59	18
Total	$ 181	$ 114	$ 545	$ 346

Right-of-use assets obtained in exchange for new finance and operating lease liabilities represent the new operating and finance leases entered into during the nine months ended October 1, 2023 andOctober 2, 2022 was $445 thousand and $0, respectively.

	Three Months Ended	
	March 31, 2024	April 2, 2023
Operating lease costs:		
Fixed	$ 91	$ 100
Short term	4	4
Total	$ 95	$ 104

The following table provides the details of supplemental cash flow information (in thousands):

	Nine Months Ended	
	October 1, 2023	October 2, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 315	$ 306
Operating cash flows used for finance leases	59	18
Financing cash flows used for finance leases	435	299
Total	$ 809	$ 623

	Three Months Ended	
	March 31, 2024	April 2, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 106	$ 103

Non-cash ROU assets related to operating leases included in the operating cash flows for the nine three months ended October 1, 2023 March 31, 2024 and October April 2, 2022 2023 were $274 $65 thousand and $257 thousand, respectively. Non-cash ROU assets related to finance leases included in the financing cash flows for the nine months ended October 1, 2023 and October 2, 2022 were $486 thousand and $328 $90 thousand, respectively.

The following table provides the details of right-of-use assets and lease liabilities as of October 1, 2023 March 31, 2024 and January 1, December 31, 2023 (in thousands):

	October 1, 2023	January 1, 2023	March 31, 2024	December 31, 2023
Right-of-use assets:				
Operating leases	$ 190	$ 464	$ 916	$ 981
Finance leases	892	933		
Total right-of-use assets	$ 1,082	$ 1,397		
Lease liabilities:				
Operating leases	$ 208	$ 507	$ 899	$ 983
Finance leases	897	887		
Total lease liabilities	$ 1,105	$ 1,394		

The following table provided the details of future lease payments for operating and finance leases as of October 1, 2023 March 31, 2024 (in thousands):

	Operating Leases	Finance Leases	Operating Leases
2023 (remaining period)	$ 106	$ 165	
2024	106	624	
2024 (remaining period)			$ 272
2025	—	168	340
2026			351
2027			64
Total lease payments	212	957	1,027
Less: Interest	(4)	(60)	(128)
Present value of lease liabilities	$ 208	$ 897	$ 899

The following table provides the details of lease terms and discount rates as of October 1, 2023 March 31, 2024 and January 1, December 31, 2023:

	October 1, 2023	January 1, 2023	March 31, 2024	December 31, 2023
Right-of-use assets:				
Weighted-average remaining lease term (years)				
Operating leases(1)	0.50	1.25	3.00	3.25
Finance leases	1.84	1.91		
Weighted-average discount rates:				
Operating leases	6.00 %	6.00 %	6.00 %	6.00 %
Finance leases	6.77 %	5.95 %		

(1) The operating lease relates to the Company's headquarters in San Jose, CA. On October 24, 2023, the Company renewed its lease at its current location for an additional three years. The amended lease term will expire expires on April 14, 2027with no change in terms. .

Note 7 9 — Capital Stock

Issuance of Common Stock

On March 13, 2024, the Company entered into common stock purchase agreements with certain institutional investors and their affiliated entities for the sale of an aggregate of 222,500 thousand shares of common stock, par value $0.001, in a registered direct offering, resulting in net cash proceeds of approximately $3.5 million. The purchase price for each share of common stock was $16.00. The per share purchase price reflects a zero discount based upon the 10-day volume weighted average price on the day the pricing was agreed. Issuance costs related to the offering were immaterial.

On March 21, 2023, the Company entered into common stock purchase agreements with certain investors for the sale of an aggregate of 450 thousand shares of its common stock, in a registered direct offerings offering pursuant to our an effective shelf registration statement on Form S-3, (File No.333-266942), resulting in net cash proceeds of approximately $2.3 million. Issuance costs related to the registered direct offering were insignificant. immaterial. The purchase price for each share of common stock in the Share Placement was $5.14.

On August 17, 2022, the Company filed a Registration Statement on Form S-3 (File No. 333-266942) with the SEC, under which we it may sell, from time-to-time common stock, preferred stock, depositary shares, warrants, debt securities, and units, individually or as units comprised of one or more of the other securities or a combination thereof. The Company's registration statement became effective on August 26, 2022.

Note 8 10 — Stock-Based Compensation

Stock-based compensation expense included in the Company's consolidated financial statements for the three and nine months ended October 1, 2023 March 31, 2024 and October April 2, 2022 2023 was as follows (in thousands):

	Three Months Ended		Nine Months Ended		Three Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
Cost of revenue	$ 73	$ 44	$ 239	$ 217	$ 237	$ 78
Research and development	171	149	513	325	357	184
Selling, general and administrative	372	294	1,165	805	969	453
Total	$ 616	$ 487	$ 1,917	$ 1,347	$ 1,563	$ 715

The Company capitalized stock-based compensation amounts to capitalized internal-use software and tooling, net of $119 $146 thousand and $0 $18 thousand for the nine three months ended October 1, 2023 March 31, 2024 and October April 2, 2022 2023, respectively.

Stock-Based Compensation Award Activity

The following table summarizes the activity in the shares available for grant under the 2019 Plan during the nine three months ended October 1, 2023 March 31, 2024 (in thousands):

	Shares Available for Grants
Balance at January 1, 2023 December 31, 2023	960
Authorized	— 595
Restricted stock units (RSUs) granted	(393 114)

RSUs forfeited or expired		15
Options expired		21
Balance at October 1, 2023 March 31, 2024		584 482

Stock Options

The following table summarizes stock options outstanding and stock option activity under the 2009 Plan and the 2019 Plan, and the related weighted average exercise price for the nine three months ended October 1, 2023 March 31, 2024:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Term		Aggregate Intrinsic Value
	(in thousands)			(in years)		(in thousands)
Balance outstanding at January 1, 2023	75	$	24.50	2.80	$	—
Forfeited or expired	(2)	$	32.93			
Balance outstanding, exercisable, and vested at October 1, 2023	73	$	24.24	2.13	$	—

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Term		Aggregate Intrinsic Value
	(in thousands)			(in years)		(in thousands)
Balance outstanding at December 31, 2023	60	$	19.45			
Activity during period	—	$	—			
Balance outstanding, exercisable, and vested at March 31, 2024	60	$	19.45	2.03	$	190

No stock options were granted, exercised or exercised forfeited during the nine three months ended October 1, 2023. March 31, 2024 and No stock options were granted, exercised, forfeited, or expired during the nine months ended October April 2, 2022. 2023.

Total stock-based compensation related to stock options was $0 during the nine three months ended October 1, 2023 March 31, 2024 and October April 2, 2022 2023.

Restricted Stock Units

The Company grants restricted stock units (“RSUs”) and performance restricted stock units ("PRSUs") to employees and directors with various vesting terms. RSUs entitle the holder to receive, at no cost, one common share for each RSU as it vests. In general, the Company's policy is to withhold shares in settlement of employee tax withholding obligations upon the vesting of RSUs. The stock-based compensation expense related to RSUs and PRSUs were approximately $0.6 1.5 million and $1.8 0.7 million for the three and nine months ended October 1, March 31, 2024 and April 2, 2023 and approximately $0.5 million and $1.3 million for the three and nine months ended October 2, 2022, , respectively.

As of October 1, 2023 March 31, 2024 and October April 2, 2022 2023, there was approximately $3.7 3.1 million and $1.1 million$2.2 million, respectively, in unrecognized compensation expense related to RSUs. The remaining unrecognized stock-based compensation expense as of October 1, 2023 March 31, 2024 is expected to be recorded over a weighted average period of 1.52 0.81 years.

A summary of activity for the Company's RSUs and PRSUs for the nine three months ended October 1, 2023 March 31, 2024 is as follows:

	RSUs & PRSUs Outstanding			RSUs & PRSUs Outstanding		
	Number of Shares (in thousands)		Weighted Average Grant Date Fair Value	Number of Shares (in thousands)		Weighted Average Grant Date Fair Value
Nonvested at January 1, 2023	630	$	6.05			
Nonvested at December 31, 2023				589	$	7.35
Granted	393		8.07	114		14.17
Vested and released	(224)		6.14	(70)		12.89
Forfeited	(15)		6.73	(1)		6.10
Nonvested at October 1, 2023	784	$	7.02			
Nonvested at March 31, 2024				632	$	7.97

Employee Stock Purchase Plan

Total stock-based compensation related to the Company's Employee Stock Purchase Plan was approximately $25 $28 thousand and $100 $30 thousand for the three and nine months ended October 1, March 31, 2024 and April 2, 2023, respectively, and $20 thousand and $54 thousand for the three and nine months ended October 2, 2022, respectively.

Note 9 11 — Income Taxes

The Company recorded a net income tax expense of $4 thousand and $4 $7 thousand for the three and ninemonths ended October 1, March 31, 2024 and April 2, 2023, respectively, and a net income tax expense of $3 thousand and $19 thousand for the three and nine months ended October 2, 2022, respectively. . The difference between the estimated annual effective tax rate of 2.67% 0.80% and the U.S. federal statutory tax rate of 21% is primarily due to the Company's valuation allowance movement in each period presented. It is more likely than not that the Company will not realize the federal, state, and certain foreign deferred tax assets as of October 1, 2023. March 31, 2024. As such, the Company continues to maintain a full valuation allowance against all of its US and certain foreign net deferred tax assets as of October 1, 2023. March 31, 2024.

Note 10 12 — Information Concerning Product Lines, Geographic Information and Revenue Concentration

The Company identifies its business segment based on business activities, management responsibility and geographic location. For all periods presented, the Company operated in a single reportable business segment.

The following is a breakdown of revenue by product family (in thousands):

Three Months Ended	Nine Months Ended	Three Months Ended

	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
New products	$ 6,096	$ 2,252	$ 11,384	$ 8,833	$ 4,876	$ 3,055
Mature products	569	1,207	2,335	3,263	1,131	1,078
Total revenue	$ 6,665	$ 3,459	$ 13,719	$ 12,096	$ 6,007	$ 4,133

New products revenue consists of revenues from the sale of hardware products manufactured on 180 nanometer or smaller semiconductor processes, eFPGA IP license and eFPGA-related professional services, QuickAI and SensiML AI software as a service (SaaS) revenue. Mature products include all products produced on semiconductor processes larger than 180 nanometer.

The following is a breakdown of new product revenue (in thousands):

	Three Months Ended		Nine Months Ended		Three Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
Hardware products	$ 248	$ 308	$ 776	$ 3,607	$ 495	$ 162
eFPGA IP and professional services	5,838	1,700	10,505	4,911	4,043	2,810
SaaS & Other	10	244	103	315	338	83
New products revenue	$ 6,096	$ 2,252	$ 11,384	$ 8,833	$ 4,876	$ 3,055

eFPGA IP and professional services revenue for the three months ended October 1, 2023 March 31, 2024 and October April 2, 2022 2023was $5.8 million $4.0 million and $1.7 million $2.8 million, respectively, which were primarily professional services revenue.

Contract assets related to professional services revenue were $4.0 million $1.1 million and $1.5 million $2.3 million as of October 1, 2023 March 31, 2024 and October April 2, 2022, 2023, respectively. Contract liabilities related to professional services revenue were $304 thousand $0.7 million and $165 thousand $0.3 million as of October 1, 2023 March 31, 2024and October April 2, 2022, 2023, respectively.

The tables below present disaggregated revenues by geographical location. Revenue attributed to geographic location is based on the destination of the product or service. Substantially all revenues in North America were in the United States. Revenue in the United States was $6.0 million $4.9 million, or 91% 82% of total revenue, and $11.7 million $3.3 million, or 85% 80% of total revenue for the three and ninemonths ended October 1, 2023 March 31, 2024 , respectively, and $2.3 million, or 67% of total revenue, and $7.8 million, or 64% of total revenue for the threeand nine months ended October April 2, 2022 2023, respectively.

The following is a breakdown of revenue by destination (in thousands):

	Three Months Ended		Nine Months Ended		Three Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
Asia Pacific	$ 371	$ 783	$ 1,540	$ 3,114	$ 728	$ 713
North America	6,051	2,389	11,739	7,904	5,043	3,318
Europe	243	287	440	1,078	236	102
Total revenue	$ 6,665	$ 3,459	$ 13,719	$ 12,096	$ 6,007	$ 4,133

The following distributors and customers accounted for 10% or more of the Company's revenue for the periods presented:

	Three Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Distributor "A"	*	20 %	11 %	15 %
Distributor "B"	*	*	*	16 %
Distributor "C"	*	10 %	*	*
Customer "A"	84 %	30 %	67 %	*
Customer "B"	*	13 %	*	*
Customer "C"	*	12 %	*	20 %
Customer "F"	*	*	*	16 %

* Represents less than 10% of revenue as of the dates presented.

	Three Months Ended	
	March 31, 2024	April 2, 2023
Distributor "A"	10 %	16 %
Customer "A"	62 %	54 %

The following distributors and customers accounted for 10% or more of the Company's accounts receivable as of the dates presented:

October 1,

	March 31, 2024	December 31, 2023
Distributor "A"	11 %	*
Customer "A"	41 %	86 %
Customer "H"	12 %	*
Customer "J"	13 %	*

* Represents less than 10% of revenue as of the dates presented.

	2023	January 1, 2023
Distributor "A"	*	14 %
Customer "A"	89 %	*
Customer "C"	*	22 %
Customer "F"	*	44 %

Note 11 13 — Commitments and Contingencies

Commitments

The Company's principal contractual commitments include purchase obligations, re-payments of draw-downs from the revolving line of credit, and payments under operating and finance leases. financing arrangements. Purchase obligations are largely comprised of open purchase order commitments to suppliers and to subcontractors under professional services agreements. Our The Company's risk associated with the purchase obligations under professional services agreements is limited to the termination liability provisions within those contracts, and as such, we do it does not believe they represent a material liquidity risk to us. the Company.

Certain wafer manufacturers require the Company to forecast wafer starts several months in advance. The Company is committed to taking delivery of and paying for a portion of forecasted wafer volume. As of October 1, 2023 March 31, 2024, the Company had no significant $0.1 million in outstanding commitments for the purchase of wafer inventory.

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Purchase Obligations

Purchase obligations represent contractual agreements to purchase goods or services entered into in the ordinary course of business. Purchase obligations are legally binding and amongst other things, specify a minimum or a range of quantities, pricing, and approximate timing of the transaction. Purchase obligations include amounts that are recorded on the Company's consolidated balance sheets, as well as amounts that are not recorded on the Company's consolidated balance sheets. As of October 1, 2023 March 31, 2024, total outstanding purchase obligations for other goods and services were $6.1 million $2.9 million due within the next twelve months, not recorded on the Company's consolidated balance sheet.

Litigation

From time to time, the Company may become involved in legal actions arising in the ordinary course of business including, but not limited to, intellectual property infringement and collection matters. Absolute assurance cannot be given that any such third-party assertions will be resolved without costly litigation; in a manner that is not adverse to the Company’s financial position, results of operations or cash flows; or without requiring royalty or other payments which may adversely impact gross profit.

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

Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as information contained in “Risk Factors” in Part II, Item 1A and elsewhere in this Quarterly Report on Form 10-Q, contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend that these forward-looking statements be subject to the safe harbor created by those provisions. Forward-looking statements are generally written in the future tense and/or are preceded by words such as “will,” “may,” “should,” “forecast,” “could,” “expect,” “suggest,” “believe,” “anticipate,” “intend,” “plan,” "future," "potential," "target," "seek," "continue," "if" or other similar words.

The forward-looking statements contained in the Quarterly Report include statements regarding our strategies as well as (1) our revenue levels, including the commercial success of our solutions and new products, (2) the conversion of our design opportunities into revenue, (3) our liquidity, (4) our gross profit and breakeven revenue level and factors that affect gross profit and the break-even revenue level, (5) our level of operating expenses, (6) our research and development efforts, (7) our partners and suppliers, (8) industry and market trends, (9) our manufacturing and product development strategies, and (10) our competitive position.

The following discussion should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto, and with our audited consolidated financial statements and notes thereto for the fiscal year ended January 1, 2023 December 31, 2023, found in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 28, 2023 March 27, 2024. Although we believe that the assumptions underlying the forward-looking statements contained in this Quarterly Report are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that such statements will be accurate. The risks, uncertainties, and assumptions referred to above that could cause our results to differ materially from the results *expressed or implied by such forward-looking statements include, but are not limited to, those discussed under the heading "Risk Factors" in Part II, Item 1A hereto and the risks, uncertainties, and assumptions discussed from time to time in our other public filings and public announcements. All forward-looking statements included in this document are based on information available to us as of the date hereof. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements, or our objectives and plans will be achieved. Furthermore, past performance in operations and share price is not necessarily indicative of future performance. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, that may arise after the date of this Quarterly Report on Form 10-Q.*

Overview

QuickLogic Corporation was founded in 1988 and reincorporated in Delaware in 1999. We provide innovative, programmable silicon and software platforms to enable our customers to develop custom hardware products in a fast time-to-market and cost-effective way. Specifically, we are a fabless semiconductor company with a variety of products: embedded FPGA ("eFPGA") intellectual property ("IP"), low power, multi-core semiconductor platforms system-on-chips ("SoCs"), discrete FPGAs, and IP for AI voice, and sensor processing. The solutions include an software. Our customers can use our eFPGA IP for hardware acceleration and pre-processing in their Application Specific Integrated Circuit (ASIC) products, our SoCs to run our customers' software and heterogeneous multi-core SoCs that integrate eFPGA with other processors build their hardware around, and peripherals. our discrete FPGAs to implement their custom functionality. The SensiML Analytics Toolkit from SensiML Corporation ("SensiML"), our wholly owned wholly-owned subsidiary, SensiML completes the "full stack" provides an end-to-end Artificial Intelligence / Machine Learning solution with accurate sensor algorithms using AI technology. The full range of platforms, software tools, and eFPGA IP enables the practical and efficient adoption of AI, voice, and sensor processing across Consumer/Industrial IoT, Consumer electronics, Military, Aerospace and Defense, applications. Consumer/Industrial IoT, and Consumer Electronics markets.

Our new products include the following: eFPGA IP Licensing business and associated professional services, consisting of development and integration of eFPGA technology into custom semiconductor solutions and our silicon products consisting of EOS™, QuickAI™, SensiML Analytics Studio, ArcticLink® III, PolarPro®3, PolarPro II, PolarPro, and Eclipse II products (which together comprise our new product category). Our mature products include primarily FPGA families named pASIC®3 and QuickRAM® as well as programming hardware and design software. products. In addition to delivering our own semiconductor solutions, we have an IP business that licenses our eFPGA technology for use in other semiconductor companies' SoCs. We began delivering new products category includes our eFPGA IP product ArcticPro™ in 2017, AI/ML Software Platform from our wholly-owned subsidiary company, SensiML, which is included in the new product revenue category. Through the acquisition of SensiML, we now have an IoT AI software platform that includes SaaS Software as a Service (SaaS) subscriptions for development, per unit license fees when deployed in production, and proof-of-concept services, – all of which are also included in the new product products revenue category. Our mature products include primarily FPGA families named PASIC®3 and QuickRAM®, as well as programming hardware and design software. We currently have a total of five three patent applications pending.

Our semiconductor solutions typically fall into one of four categories: Sensor Processing, Hardware products consisting of Sensor Processing, Display Smart Connectivity, and eFPGA intellectual property and its associated tools. Our solutions include a unique combination of our silicon platforms, IP cores, software drivers, and in some cases, firmware, and application software. All of our silicon platforms are standard devices and must be programmed to be effective in a system. Our IP that enables always-on context-aware sensor applications includes our Flexible Fusion Engine, our Sensor Manager and Communications Manager technologies as well as IP that (i) improves multimedia content, such as our Visual Enhancement Engine, ("VEE"), technology, and Display Power Optimizer, ("DPO"), technology; and (ii) implements commonly used mobile system interfaces, such as Low Voltage Differential Signaling, ("LVDS"), Mobile Industry Processor Interface, ("MIPI"), and Secure Digital Input Output, ("SDIO").

Through the acquisition of SensiML, our core IP also includes the SensiML AI Toolkit that enables OEMs to develop AI software for a broad array of resource-constrained time-series sensor endpoint applications. These include a wide range of consumer and industrial sensing applications.

We also work with processor manufacturers, sensor manufacturers, and voice recognition, sensor fusion and context awareness algorithm developers in the development of reference designs. Through reference designs that incorporate our solutions, we believe mobile processor manufacturers, sensor manufacturers, and sensor and voice algorithm companies can expand the available market for their respective products. Furthermore, should a solution developed for a processor manufacturer or sensor and/or sensor algorithm company be applicable to a set of common OEMs or Original Design Manufacturers, ("ODMs"), we can amortize our Research and Development, ("R&D"), investment over that set of OEMs or ODMs. There may also be cases when platform providers that intend to use always-on voice recognition will dictate certain performance requirements for the combined software/hardware solution before the platform provider certifies and/or qualifies our product for use by end customers.

In addition to working directly with our customers, we partner with other companies that are experts in certain technologies to develop additional IP, reference platforms and system software to provide application solutions, particularly in the area of hardware acceleration for AI-type applications. We also work with mobile processor and communications semiconductor device manufacturers and companies that supply sensors, algorithms, and applications. For our sensor processing solutions, IP and silicon platforms, we collaborate with multiple partners on co-marketing and/or co-selling initiatives. These partners could have primary business lines in semiconductor IP, Design Services, semiconductor foundry, semiconductor assembly and test, and others. For our AI/ML Software, SensiML collaborates with several microcontroller and sensor manufacturers to ensure interface compatibility. We also collaborate integrate the microcontroller and/or sensor manufacturers' development kits with sensor SensiML's Analytics Toolkit in order to showcase combined solutions for AI/ML applications. Currently, these collaborations include Infineon Technologies, On Semiconductor Corp., Microchip Technology Inc., Silicon Laboratories, Inc., STMicroelectronics N.V., Arduino, NXP Semiconductors N.V., Raspberry Pi, and voice/audio software companies, helping them optimize their software technology on our silicon platforms in terms of performance, power consumption and user experience. Nordic Semiconductor.

Our eFPGA IP are is currently developed on 12nm, 16nm, 22nm, 28nm, 40nm, 65nm, 90nm, 130nm, and 250nm process nodes with a roadmap to more advanced nodes. The licensable IP is generated by an our automated compiler tool called AustralisTM Australis™, that which enables our engineers to create an eFPGA IP for our licensees that they can then integrate into their SoC without significant involvement by QuickLogic. We believe this flow enables a scalable development and support model for QuickLogic. For our eFPGA strategy, we typically work with semiconductor manufacturing partners prior to this IP being licensed to a SoC company.

We have changed our manufacturing strategies to reduce the cost of our silicon solution platforms to enable their use in a range of unique products ranging from low to high volume. Our EOS S3, EOS S3AI, QuickAI, and ArcticLink III silicon platforms combine mixed signal physical functions and hard-wired logic alongside our field programmable logic. Our EOS S3, EOS S3AI, and ArcticLink III solution platforms are manufactured on process nodes where we can benefit from smaller die sizes and lower power consumption. We typically implement sophisticated logic blocks and mixed signal functions in hard-wired logic because it is very cost-effective and energy efficient. We use small form factor packages, which are less expensive to manufacture and include smaller pin counts. Reduced pin counts result in lower costs for our customers' printed circuit board space and routing. Furthermore, our SRAM reprogrammable silicon platforms can be programmed in-system by our customers, and therefore, we do not incur programming costs, lowering the overall cost of ownership to our customers. We expect to continue to invest in silicon solution platforms and manufacturing technologies that make us competitive for the variety of markets and applications that programmable logic serves.

In order to grow our revenue from its current level, we depend upon increased revenue from our new products, including existing new product platforms eFPGA IP and platforms currently in development. We expect our business growth to be driven mainly by eFPGA IP and our silicon solutions, eFPGA IP and with additional contributions from SensiML AI Software. Therefore, our revenue growth needs to be strong enough to enable us to sustain profitability while we continue to invest in the development, sales sale, and marketing of our new solution platforms, IP, and software.

We market our programmable logic (FPGAs and eFPGA IP) solutions primarily to Defense Industrial Base contractors, U.S. Government entities, System OEMs, and fabless semiconductor companies. These customers may value one or more of our product categories. A solution can be based on our programmable technology, which enables customized designs, low power, flexibility, rapid time-to-market, longer time-in-market, and lower total cost of ownership. We are expecting revenue growth primarily from eFPGA capable of providing complete solutions because of our investment in developing the low power IP licensing and professional services software required to implement specific functions, along with sensor software algorithms optimized for our architecture. In some cases, we develop the IPs and either software or firmware ourselves and, in Q4 2023 and FY2024. other cases, we utilize third parties to develop the mixed signal physical layers, logic, and/or software.

We market our SoC and SensiML solutions to OEMs and ODMs offering differentiated Consumer/IoT products, to processor vendors wishing to expand their served available market, and to sensor manufacturers and sensor processing software companies wishing to expand their ecosystems. Our target markets for our SoC and SensiML products include Consumer/Industrial IoT and Consumer Electronics.

By using our silicon platforms, our IPs, our software, and our in-depth architecture knowledge, we can deliver energy efficient custom solutions that blend the benefits of traditional ASSPs with the flexibility, product proliferation, differentiation, and low total cost of ownership advantages of programmable logic.

We monetize our technology through hardware product sales and eFPGA IP licenses, with any necessary corresponding work delivered via professional engineering services, SensiML Analytics Toolkit subscriptions, and per unit royalties. We specialize in enhancing the user experience in leading edge IoT hardware products. For our customers, we enable hardware and sensor algorithmic differentiation quickly, cost-effectively, and at low power. For our partners, we expand their reach into new segments and new use cases, thereby expanding the served available market for their existing hardware products.

Our embedded FPGA technology gives ASIC and SoC developers the benefit of flexibility to make design changes post-manufacturing changes at very fast time-to-and time-in-market, while keeping power consumption low. Our multi-core sensor processing products such as ArcticLink 3 S1, ArcticLink 3 S2, EOS 3, EOS S3 LV, and EOS S3AI provide an extremely power-efficient approach for real-time multi-modal (vision, motion, voice, location, biometric, and environmental) sensor processing independently of the cloud. Our SensiML Analytics Toolkit is cutting-edge software that enables ultra-low power IoT endpoints that implement AI to transform raw sensor data into meaningful insight at the device itself. The toolkit also provides an end-to-end development platform spanning data collection, labeling, algorithm and firmware auto generation, and testing.

We recognize that our markets require a range of solutions, and we intend to work with market-leading companies to combine silicon solution platforms, packaging technology, FPGA User Tools, sensor software algorithms, software drivers and firmware, to meet the product proliferation, high bandwidth, time-to-market, time-in-market, and form factor requirements of our customers. We intend to continue to seek to expand our revenue, including pursuing high-volume sales opportunities in define and implement compelling solutions for our target market segments, by providing customers and partners.

We believe our solutions incorporating are resonating with our target customers who value lower power consumption, platform design flexibility, rapid time-to-market, longer time-in-market, and low total cost of ownership available through the use of our solutions.

We sell our products through a network of sales managers in North America, Europe, and Asia. In addition to our corporate headquarters in San Jose, California, we have international sales operations in Japan and the United Kingdom. Our sales personnel and independent sales representatives are responsible for sales and application support for a given region, focusing on major strategic accounts, and managing our channel sales partners such as distributors.

Customers typically order our products through our distributors. Currently, we have ten active distributors in North America and a network of fifteen active distributors and sales representatives throughout Europe and Asia to support our international business. eFPGA IP or industry standard interfaces. Our industry is characterized by intense price competition customers and by lower margins SensiML SaaS subscribers typically enter into licensing agreements directly with QuickLogic and SensiML, respectively.

We also have an Aerospace and Defense, industrial, and IoT product customer base that purchases our mature silicon products. We expect to continue to offer silicon hardware products to these customers, as order volumes increase. While winning large volume sales opportunities will increase our revenue, we believe well as new eFPGA IP for when these opportunities may decrease our gross profit as a percentage of revenue. customers choose to implement their own silicon platform solution.

During the third first quarter of 2023, 2024, we generated total revenue of $6.7 million$6.0 million, an increasea decrease of 128%20% compared to the prior quarter, and an increase of 93%45% compared to the same quarter last year. Our new product revenue in the thirdfirst quarter was $6.1 million$4.9 million, an increasea decrease of 173%29% from the prior quarter and an increase of 171%60% from the thirdfirst quarter of 2022. The increase in new product revenue from the prior quarter was primarily driven by a $3.97 million increase in eFPGA professional services revenue, partially offset by a decrease of $119 thousand in hardware product revenue. 2023. Our mature product revenue was $0.6 million$1.1 million in the thirdfirst quarter of 2023, a decrease2024, an increase of 17%73% compared to the prior quarter, and a decreasean increase of 53%5% compared to the thirdfirst quarter of 2022. 2023. We expect our mature product revenue to continue to fluctuate over time.

We devote substantially all of our development, sales, and marketing efforts to our new eFPGA IP licensing icensing and professional services and SensiML initiatives. Overall, we reported net income of $1.2 million$0.1 million for the thirdfirst quarter of 2023, 2024, as compared to a net loss income of $2.3 million $2.0 million in the prior quarter and a net loss of $1.3 million $1.2 million for the third first quarter of 2022.

We have experienced net losses in recent years and expect losses to continue through at least fiscal year 2023 as we continue to develop new products, applications, and technologies. Whether we can achieve cash flow levels sufficient to support our operations cannot be accurately predicted. Unless such cash flow levels are achieved in addition to the proceeds we received from our recent sale of our equity securities, we may need to borrow additional funds or sell debt or equity securities, or some combination thereof, to provide funding for our operations, and such additional funding may not be available on commercially reasonable terms, or at all.

There have been no material changes due to the impact of the Covid-19 pandemic on our business from that disclosed in our most recently filed Annual Report. Our most recent Annual Report on Form 10-K for the year ended January 1, 2023 as filed with the SEC on March 28, 2023, provides additional information about our business and operations. 2023.

As of October 1, 2023 March 31, 2024, there have not been any material developments concerning the Cyber-Incident previously reported on our Form 10-K for the year ended January 1, 2023, which was filed with the Securities and Exchange Commission ("SEC") on March 28, 2023. The Company's investigation is complete and there was no impact on the Company's financial systems. The Company believes the incident has not had nor will have a material impact on its business operations, ability to serve its customers, or financial results. See Note 1, The Company and Basis of Presentation.

As of October 1, 2023, the Company we had one operating lease with a remaining lease term of 0.5 3.00 years. The operating lease relates to the Company's our company headquarters in San Jose, CA. On October 24, 2023, the Company renewed its lease at its current location for an additional three years. The amended lease term will expire on April 14, 2027 with no change in terms.

Critical Accounting Policies and Estimates

The methodologies, estimates, and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our unaudited condensed consolidated financial statements. The SEC has defined critical accounting policies as those that are most important to the portrayal of our the company's financial condition and results of operations and require requires us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our critical accounting policies include revenue recognition, and determination of inventory valuation, including the Stand-Alone Selling Price ("SSP") for certain distinct performance obligations (such as for IP licensing and professional services contracts), and the assessment identification of excess obsolete, quantities, market value, and unsaleable inventories. obsolescence, and valuation of goodwill and long-lived and intangible assets. We believe that we apply judgments and estimates in a consistent manner and that this such consistent application results in our consolidated financial statements and accompanying notes that fairly represent all periods presented. However, any factual errors or errors in these judgments and estimates may have a material impact on our financial statements. During the three and nine months ended October 1, 2023 March 31, 2024, there were no changes in our critical accounting policies from our disclosure in our Annual Report on Form 10-K for the fiscal year ended January 1, 2023 December 31, 2023, which was filed with the SEC on March 28, 2023 March 27, 2024.

Results of Operations

The following table sets forth the percentage of revenue for certain items in our unaudited condensed consolidated statements of operations for the periods indicated:

	Three Months Ended		Nine Months Ended		Three Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
Revenue	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenue	23%	51%	36%	45%	34 %	42 %
Gross profit	77%	49%	64%	55%	66 %	58 %
Operating expenses:						
Research and development	29%	29%	37%	29%	24 %	39 %
Selling, general and administrative	29%	56%	42%	50%	39 %	46 %
Income (loss) from operations	19%	(36)%	(15)%	(24)%	3 %	(27)%
Interest expense	(1)%	(1)%	(1)%	—%	(1)%	(1)%
Interest income and other income (expense), net	—%	(2)%	(1)%	(1)%	— %	(2)%
Income (loss) before income taxes	18%	(39)%	(17)%	(25)%	2 %	(30)%
Provision for income taxes	—%	—%	—%	—%		
(Benefit from) provision for income taxes					— %	— %
Net income (loss)	18%	(39)%	(17)%	(25)%	2 %	(30)%

Three Months Ended October 1, 2023 March 31, 2024 Compared to Three Months Ended October 2, 2022 April 2, 2023

Revenue

The table below sets forth the changes in revenue in the three months ended October 1, 2023 March 31, 2024 compared to the three months ended October 2, 2022 April 2, 2023 (in thousands, except percentage data):

	Three Months Ended				Change		Three Months Ended				Change	
	October 1, 2023		October 2, 2022				March 31, 2024		April 2, 2023			
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage
New products	$ 6,096	91 %	$ 2,252	65 %	$ 3,844	171 %	$ 4,876	81 %	$ 3,055	74 %	$ 1,821	60 %

Mature products	569	9 %	1,207	35 %	(638)	(53)%	1,131	19 %	1,078	26 %	53	5 %
Total revenue	$ 6,665	100 %	$ 3,459	100 %	$ 3,206	93 %	$ 6,007	100 %	$ 4,133	100 %	$ 1,874	45 %

Note: For all periods presented, new products include hardware products and related revenues manufactured on 180 nanometer or smaller semiconductor processes, intellectual property license, professional services, QuickAI and SensiML AI software as a service (SaaS) revenue. Mature products include all products produced on semiconductor processes larger than 180 nanometer.

Product revenue for the third first quarter of 2024 compared to the first quarter of 2023 compared to the third quarter of 2022 increased $3.2 million $1.9 million. The increase resulted primarily from increases in professional services eFPGA revenues partially offset by a decrease in and revenue from devices.

New Product Revenue

The table below sets forth the changes in new product revenue in the three months ended October 1, 2023 March 31, 2024 compared to the three months ended October 2, 2022 April 2, 2023 (in thousands, except percentage data):

	Three Months Ended						Three Months Ended					
	October 1, 2023		October 2, 2022		Change		March 31, 2024		April 2, 2023		Change	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage
Hardware products	$ 248	4 %	$ 308	9 %	$ (60)	(19)%	$ 495	8 %	$ 162	4 %	$ 333	206 %
eFPGA IP and professional services	5,838	88 %	1,700	49 %	4,138	243 %	4,043	67 %	2,810	68 %	1,233	44 %
SaaS & Other	10	0 %	244	7 %	(234)	(96)%	338	6 %	83	2 %	255	307 %
Total new product revenue	$ 6,096	91 %	$ 2,252	65 %	$ 3,844	171 %	$ 4,876	81 %	$ 3,055	74 %	$ 1,821	60 %

eFPGA IP revenue for the three months ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023 was $5.8 million $4.0 million and $1.7 million $2.8 million, respectively, which were primarily professional services revenue.

Gross Profit

The table below sets forth the changes in gross profit for the three months ended October 1, 2023 March 31, 2024 compared to the three months ended October 2, 2022 April 2, 2023 (in thousands, except percentage data):

	Three Months Ended						Three Months Ended					
	October 1, 2023		October 2, 2022		Change		March 31, 2024		April 2, 2023		Change	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage
Revenue	$ 6,665	100 %	$ 3,459	100 %	$ 3,206	93 %	$ 6,007	100 %	$ 4,133	100 %	$ 1,874	45 %

Cost of revenue	1,537	23 %	1,781	51 %	(244)	(14)%	2,024	34 %	1,743	42 %	281	16 %
Gross profit	$ 5,128	77 %	$ 1,678	49 %	$ 3,450	206 %	$ 3,983	66 %	$ 2,390	58 %	$ 1,593	67 %

In the thirdfirst quarter of 2023, 2024, gross profitincreased$3.5 million $1.6 million, or 206%67%, compared to the same quarter in the prior year. The increase in gross profit reflects a 93% 45% increase in revenues, combined with offset by a 14% 16% net decrease increase in cost of revenue. While there was a decrease in product costs resulting from lower devices volumes, the timing of certain professional services cost into the fourth quarter of 2023 had a favorable impact on third-quarter 2023 margins. We expect the impact Revenue increased from the timing same quarter in the prior year due to revenues associated with Department of these costs will result Defense contracts, as well as increases in higher costs of revenue device sale revenues. The increase in subsequent quarters in 2023 and 2024, with a commensurate decrease in gross margins for those quarters. Additionally, certain tooling costs for the Company's eFPGA professional services projects were determined to qualify for capitalization. As a result, the Company capitalized $2.1 million related to tooling to be utilized under its long-term professional services contracts. The tooling will be depreciated over an estimated useful life of seven years. The capitalization of this tooling also contributed to a reduced cost of revenues for was primarily due to the current period as compared increased activity commensurate with prior periods, resulting in a favorable impact on gross profit for the third quarter of 2023. professional services revenue contracts. Labor, semiconductor tooling, and increased depreciation expenses substantially comprised this increase.

Our semiconductor products have historically had long product life cycles and obsolescence has not been a significant factor in the valuation of inventories. However, as we continue to pursue opportunities in the mobile market and develop new solutions and products, our product life cycle will be shorter, and the risk of obsolescence will increase. In general, our standard manufacturing lead times are longer than the binding forecasts we receive from customers.

Operating Expenses

The table below sets forth the changes in operating expenses for the three months ended October 1, 2023, March 31, 2024 compared to the three months ended October 2, 2022 April 2, 2023 (in thousands, except percentage data):

	Three Months Ended						Three Months Ended					
	October 1, 2023		October 2, 2022		Change		March 31, 2024		April 2, 2023		Change	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage
R&D expense	$ 1,933	29 %	$ 1,018	29 %	$ 915	90 %	$ 1,459	24 %	$ 1,629	39 %	$ (170)	(10)%
SG&A expense	1,915	29%	1,900	56%	15	1%	2,351	39%	1,861	46%	490	26%
Total operating expenses	$ 3,848	58%	$ 2,918	85%	$ 930	32%	$ 3,810	63%	$ 3,490	85%	$ 320	9%

Research and Development

Our R&D expenses consist primarily of personnel, overhead and other costs associated with System on Chip (SoC) and software development, programmable logic design, AI and eFPGA development. The $0.9 million increase $0.2 million decrease in R&D expenses in the third first quarter of 2023, 2024, as compared to the third first quarter of 2022, 2023, was primarily due to allocations to cost of revenue resulting from labor and tooling costs attributable to increases in time and effort spent by engineering personnel on internal R&D projects in the current quarter. professional services revenue contracts.

Selling, General and Administrative

Our selling, general and administrative (SG&A) expenses consist primarily of personnel and related overhead costs for sales, marketing, finance, administration, human resources, and general management. The Company had a net, immaterial increases $0.5 million increase in S&GA SG&A expenses in the third first quarter of 2023, 2024, as compared to the third first quarter of 2022. This is primarily 2023, was attributable to some increases in compensation costs offset with decreases in legal consulting and accounting and audit expenses. outside services.

Interest Expense, Interest Income and Other Income (Expense), Net

The table below sets forth the changes in interest expense and interest income and other income (expense), net, for the three months ended October 1, 2023, March 31, 2024 compared to the three months ended October 2, 2022 April 2, 2023 (in thousands, except percentage data):

	Three Months Ended		Change		Three Months Ended		Change	
	October 1, 2023	October 2, 2022	Amount	Percentage	March 31, 2024	April 2, 2023	Amount	Percentage
Interest expense	$ (48)	$ (44)	$ 4	9%	$ (69)	$ (58)	$ 11	19%
Interest income and other income (expense), net	(36)	(60)	(24)	(40)%	11	(63)	(74)	(117)%
Total interest (expense), interest income and other income (expense), net	$ (84)	$ (104)	$ (20)	(19)%	$ (58)	$(121)	$ (63)	(52)%

Interest expense relates primarily to our revolving line of credit facility and finance leases liabilities. notes payable. Interest income and other income (expense), net, relates to net foreign exchange losses recorded, partially offset by interest earned in our money market accounts. Changes in interest expense are related to our revolving loan's interest rate variability. Interest expense for the third first quarter of this year as compared to the same period in the prior year increased approximately $4 $11 thousand, which was comprised of a $10 $8 thousand increase in interest expense related to software leases, notes payable, a $8 $9 thousand decrease increase in interest expense related to our revolving line of credit facility, and a $2 $6 thousand increase decrease in interest expense related to IT hardware financing costs. The favorable change in interest income and other income (expense), net reflected decreased foreign exchange losses over the prior period.

Provision for Income Taxes

The table below sets forth the changes in the provisions for income taxes in the three months ended October 1, 2023 March 31, 2024, compared to the three months ended October 2, 2022 April 2, 2023 (in thousands, except percentage data):

	Three Months Ended		Change	
	October 1, 2023	October 2, 2022	Amount	Percentage
Provision for income taxes	$ 4	$ 3	$ 1	33 %

	Three Months Ended		Change	
	March 31, 2024	April 2, 2023	Amount	Percentage
(Benefit from) provision for income taxes	$ 7	$ 7	$ —	0 %

The majority of There was no change in the income tax expense for the three months ended October 1, 2023 March 31, 2024 and October 2, 2022 are related to our foreign subsidiaries, which are cost-plus entities.

Nine Months Ended October 1, 2023 Compared to Nine Months Ended October 2, 2022

Revenue

April 2, 2023. The table below sets forth projected annual effective tax rate before certain discrete items as of the changes in revenue in the nine months ended October 1, 2023 first quarter of 2024 is 0.80%, as compared to the nine months ended October 2, 2022 (in thousands, except percentage data):

	Nine Months Ended					
	October 1, 2023		October 2, 2022		Change	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage
New products	$ 11,384	83 %	$ 8,833	73 %	$ 2,551	29 %
Mature products	2,335	17 %	3,263	27 %	(928)	(28)%
Total revenue	$ 13,719	100 %	$ 12,096	100 %	$ 1,623	13 %

Note: For all periods presented, new products include hardware products and related revenues manufactured on 180 nanometer or smaller semiconductor processes, intellectual property license, professional services, QuickAI and SensiML AI software as a service (SaaS) revenue. Mature products include all products produced on semiconductor processes larger than 180 nanometer.

Product revenue projected annual effective tax rate of (3.95)% for the nine months ending October 1, 2023 compared to the nine months ending October 2, 2022 increased $1.6 million. The increase resulted primarily from increases in eFPGA revenues, partially offset by a decrease in revenue from devices.

New Product Revenue

The table below sets forth the changes in new product revenue in the nine months ended October 1, 2023 compared to the nine months ended October 2, 2022 (in thousands, except percentage data):

	Nine Months Ended					
	October 1, 2023		October 2, 2022		Change	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage
Hardware products	$ 776	6 %	$ 3,607	30 %	$ (2,831)	(78)%
eFPGA IP and professional services	10,505	77 %	4,911	41 %	5,594	114 %
SaaS & Other	103	(0)%	315	2 %	(212)	(67)%
Total new product revenue	$ 11,384	83 %	$ 8,833	73 %	$ 2,551	29 %

eFPGA revenue for the nine months ended October 1, 2023 was $10.5 million which was comprised of approximately $10.3 million in professional services revenue and $0.2 million in eFPGA intellectual property license revenue. eFPGA revenue for the nine months ended October 2, 2022 was $4.9 million, which was comprised of approximately $4.8 million in professional services revenue and $0.1 million in eFPGA intellectual property license revenue.

Gross Profit

The table below sets forth the changes in gross profit for the nine months ended October 1, 2023 compared to the nine months ended October 2, 2022 (in thousands, except percentage data):

	Nine Months Ended					
	October 1, 2023		October 2, 2022		Change	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage
Revenue	$ 13,719	100 %	$ 12,096	100 %	$ 1,623	13 %
Cost of revenue	4,998	36 %	5,413	45 %	(415)	(8)%
Gross profit	$ 8,721	64 %	$ 6,683	55 %	$ 2,038	30 %

In the nine months ended October 1, 2023, gross profitincreased$2.04 million, or 30%, as compared to the same period in the prior year.The increase in gross profit reflects an 13% increase in revenues combined with an 8% net decrease in cost of revenue. While there was a decrease in product costs resulting from lower devices volumes, the timing of certain professional services cost into the fourth quarter of 2023 had a favorable impact on year-to-date FY2023 margins. We expect the impact from the timing of these costs will result in higher costs of revenue in subsequent quarters in 2023 and 2024, with a commensurate decrease in gross margins for those quarters. Additionally, certain tooling costs for the Company's eFPGA professional services projects were determined to qualify for capitalization. As a result, the Company capitalized $3.86 million related to tooling to be utilized under its long-term professional services contracts. The tooling will be depreciated over an estimated useful life of seven years. The capitalization of this tooling also contributed to a reduced cost of revenues for the current year-to-date period as compared with prior periods, resulting in a favorable impact on gross profit for the nine months ended October 1, 2023.

Our semiconductor products have historically had long product life cycles and obsolescence has not been a significant factor in the valuation of inventories. However, as we continue to pursue opportunities in the mobile market and develop new solutions and products, our product life cycle will be shorter, and the risk of obsolescence will increase. In general, our standard manufacturing lead times are longer than the binding forecasts we receive from customers.

Operating Expenses

The table below sets forth the changes in operating expenses for the nine months ended October 1, 2023, compared to the nine months ended October 2, 2022 (in thousands, except percentage data):

	Nine Months Ended				Change	
	October 1, 2023		October 2, 2022			
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	Percentage
R&D expense	$ 5,067	37 %	$ 3,541	29 %	$ 1,526	43 %
SG&A expense	5,700	42 %	6,018	50 %	(318)	(5)%
Total operating expenses	$ 10,767	79 %	$ 9,559	79 %	$ 1,208	13 %

Research and Development

Our R&D expenses consist primarily of personnel, overhead and other costs associated with SoC and software development, programmable logic design, AI and eFPGA development. The $1.5 millionincrease in R&D expenses in the nine months ending October 1, 2023, as compared to the same period in the prior year, was attributable to increases in time and effort spent by engineering personnel on internal R&D projects in the current year.

Selling, General and Administrative

Our selling, general and administrative (SG&A) expenses consist primarily of personnel and related overhead costs for sales, marketing, finance, administration, human resources, and general management. The $0.3 million decrease in SG&A expenses in the nine months ending October 1, 2023, as compared to the same period in the prior year, was primarily attributable to decreases in legal, insurance, and accounting and audit expenses. These were partially offset by increases in compensation.

Interest Expense, Interest Income and Other Income (Expense), Net

The table below sets forth the changes in interest expense and interest income and other income (expense), net, for the nine months ended October 1, 2023, compared to the nine months ended October 2, 2022 (in thousands, except percentage data):

	Nine Months Ended		Change	
	October 1, 2023	October 2, 2022	Amount	Percentage
Interest expense	$ (156)	$ (98)	$ 58	59 %
Interest income and other expense, net	(99)	(42)	57	136 %
Total interest (expense), interest income and other income (expense), net	$ (255)	$ (140)	$ 115	82 %

Interest expense relates primarily to our revolving line of credit facility and finance lease liabilities. Interest income and other income (expense), net, relates to net foreign exchange losses recorded, partially offset by interest earned in our money market accounts. Changes in interest expense are related to our revolving loan's interest rate variability. Interest expense for the nine months ending October 1, 2023, as compared to the same period in the prior year,increased approximately $58 thousand, which was comprised of a $36 thousand increase in interest expense related to software leases, a $18 thousand increase in interest expense related to our revolving line of credit facility, and a $7 thousand increase in interest expense related to IT hardware financing costs. This was partially offset by a $3 thousand decrease in the annual facility fee associated with the revolving line of credit. The change in interest income and other income (expense), net reflected increased foreign exchange losses over the prior period.

Provision for Income Taxes

The table below sets forth the changes in the provisions for income taxes in the nine months ended October 1, 2023, compared to the nine months ended October 2, 2022 (in thousands, except percentage data):

	Nine Months Ended		Change	
	October 1, 2023	October 2, 2022	Amount	Percentage
Provision for income taxes	$ 4	$ 19	$ (15)	(79)%

The majority of the income tax expenses for the nine months ended October 2, 2022 are related to our foreign subsidiaries, which are cost-plus entities.

Balance Sheet Activities

Balance sheet amounts at October 1, 2023 March 31, 2024 compared to January 1, 2023 December 31, 2023 resulted from typical and usual activities in the normal course of business.

Total assets increased by approximately $4.0 million $4.1 million primarily due to the capitalization of $3.86 million $3.96 million in semiconductor tooling, reduced by $0.8 million in depreciation and amortization expense, an increase of $2.0 million $2.8 million in cash and cash equivalents due to net proceeds received from our stock offerings, and an increase of $0.6 million in other current assets. This was partially offset by a $2.5 million reduction in contract assets (due to the $14.9 million professional services contract signed later in the quarter), a $2.0 million decrease in accounts receivable due to an offsetting reclassification of $1.2 million in trade accounts receivable to a note receivable in other current assets with the remainder $0.8 million decrease due to collections activity, a $0.6 million decrease in cash, a decrease in device inventories of $0.4 million due to write-downs, and amortization of ROU assets in the amount of $0.3 million. billings.

Liabilities increased decreased by approximately $1.8 million $1.3 million due to payment of accrued liabilities of $1.2 million and the recognition of deferred revenue of $0.3 million. This was partially offset by an increase of $1.5 million in trade payables of $0.2 million resulting from fulfilling revenue contracts with customers, and similarly for the $0.5 million increase in accrued liabilities offset by a net collective decrease of $0.2 million in lease liabilities and other non-current liabilities. customers. Equity increased $2.1 million $5.5 million due to a $4.4 million $5.2 million increase in additional paid in capital arising from the sale of shares of common stock and recognition of stock-based compensation offset by $2.3 million increase in its accumulated deficit from recurring losses. and a $0.2 million net income for the three months ended March 31, 2024.

Liquidity and Capital Resources

We have financed our operations and capital investments through public and private offerings of our common stock, finance and financing arrangements, operating leases, and borrowings under a revolving line of credit, and cash flows used in operations, partially offset by cash used in from operations. In addition to the Company's our cash, cash equivalents and restricted cash of $18.6 million, $27.4 million, as of October 1, 2023 March 31, 2024, other sources of liquidity included a $15.0 million $20.0 million drawn down from our revolving line of credit ("Revolving Facility") with Heritage Bank of Commerce (“Heritage Bank”), and $2.3 million $3.5 million in net proceeds from the Company's sale of our common stock on March 21, 2023 March 13, 2024. Costs related to the offering were immaterial. The Company's Our restricted cash balance as of October 1, 2023 March 31, 2024 was $0.1 million and relates to amounts pledged as cash security for the use of credit cards.

On April 28, 2023, the Company we converted accounts receivable for a customer in the amount of approximately $1.16 million to notes receivable (the "Note"). At the time, the Note bore an interest rate of 3.0% 3.00% compounded monthly. On June 28, 2023, the Company we cancelled the original note and entered into a revised promissory note with the customer, where the interest rate changed to 4.69% compounded monthly, or a 4.8% 4.80% effective annual interest rate, accruing from the date of the prior note. If not prepaid prior to the Note maturity date of June 28, 2024, the principal and all accrued and unpaid interest will be due and payable to the Company. us. If an event of default occurs, the interest rate will increase to 10.0% 10.00%. All other terms of the note Note remained the same. As of March 31, 2024, the related note receivable balance was $1.21 million, including $54 thousand in accrued interest.

On September 14, 2022 March 13, 2024, we entered into common stock purchase agreements with certain institutional investors and February 9, 2022 their affiliated entities for the sale of an aggregate of 223 thousand shares of common stock, par value $0.001, in a registered direct offering, resulting in net cash proceeds of approximately $3.5 million. Issuance costs related to the offering were negligible. The purchase price for each share of common stock was $16.00. See Note 9 for additional information.

On March 21, 2023, the Company we entered into common stock purchase agreements with certain investors for the sale of an aggregate of 487,279 and 310,000 450 thousand shares of common stock, respectively, par value $0.001, in a registered direct offerings, offering pursuant to an effective shelf registration statement on Form S-3, resulting in net cash proceeds of approximately $3.2 million and $1.5 million, respectively. $2.3 million. Issuance costs related to the September 14, 2022 and the February 9, 2022 offerings offering were immaterial. The purchase price for each share of common stock in the September 14, 2022 and in the February 9, 2022 placements were $6.57 and $4.78, respectively. Share Placement was $5.14.

We were in compliance with all the Heritage Bank Revolving Facility loan covenants as of October 1, 2023 March 31, 2024. As of October 1, 2023 March 31, 2024, we had $15.0 million $20.0 million outstanding on the Revolving Facility with an interest rate of 9.00%.

We currently use our cash to fund our working capital, to accelerate the development of next generation next-generation products, and for general corporate purposes. Based on past performance and current expectations, we believe that its our existing cash and cash equivalents, together with $3.5 million gross cash proceeds from the March 13, 2024 financing, our revenues from operations, and the available financial resources from the Revolving Facility with Heritage Bank will be sufficient to fund its our operations and capital expenditures and provide adequate working capital for the next twelve months.

Various factors affect the Company's our liquidity, including, among others: the level of revenue and gross profit as a result of the cyclicality of the semiconductor industry; the conversion of design opportunities into revenue; market acceptance of existing and new products including solutions based on its eFPGA IP, our ArcticLink® and PolarPro® platforms, eFPGA, ArcticPro™, EOS S3 SoC, Quick AI solution, QuickAI™, SensiML Analytics Toolkit, Eclipse II products, and SensiML software; eFPGA IP license and professional services; fluctuations in revenue as a result of product end-of-life; fluctuations in revenue as a result of the stage in the product life cycle of its our customers' products; costs of securing access to and availability of adequate manufacturing capacity; levels of inventories; wafer purchase commitments; customer credit terms; the amount and timing of research and development expenditures; the timing of new product introductions; production volumes; product quality; sales and marketing efforts; the value and liquidity of its our investment portfolio; changes in operating assets and liabilities; the ability to obtain or renew debt financing and to remain in compliance with the terms of existing credit facilities; the ability to raise funds from the sale of equity in the Company; company; the issuance and exercise of stock options and participation in the Company's our employee stock purchase plan; and other factors related to the uncertainties of the industry and global economics.

Over the longer term, the Company anticipates we anticipate that sales generated from its our new product offerings, existing cash and cash equivalents, together with financial resources from its our Revolving Facility with Heritage Bank, assuming renewal of the Revolving Facility or the Company us entering into a new debt agreement with an alternative lender prior to the expiration of the revolving line of credit in December 2024, 2025, and its our ability to raise additional capital in the public capital markets will be sufficient to satisfy its our operations and capital expenditures. However, the Company we cannot provide any assurance that it we will be able to raise additional capital, if required, or that such capital will be available on terms acceptable to the Company. us. The inability of the Company to generate sufficient sales from its our new product offerings and/or raise additional capital if needed could have a material adverse effect on the Company's our operations and financial condition, including its our ability to maintain compliance with its our lender's financial covenants.

As of October 1, 2023 March 31, 2024, most of our cash, cash equivalents and restricted cash were invested in a money market account at Heritage Bank. As of October 1, 2023 March 31, 2024, our interest-bearing debt consisted of $0.9 million $1.4 million outstanding under finance leases notes payable and $15.0 million $20.0 million outstanding under our Revolving Facility. See Note 5, 7, Debt Obligations, to the unaudited condensed consolidated financial statements for more details.

Cash balances held at our foreign subsidiaries were approximately $0.15 million and $0.2 million $0.1 million as of October 1, 2023 March 31, 2024 and January 1, 2023, respectively. December 31, 2023. Earnings from our foreign subsidiaries are currently deemed to be indefinitely reinvested. We do not expect such reinvestment to affect our liquidity and capital resources, and we continually evaluate our liquidity needs and ability to meet global cash requirements as a part of our overall capital deployment strategy. Factors that affect our global capital deployment strategy include anticipated cash flows, the ability to repatriate cash in a tax-efficient manner, funding requirements for operations and investment activities, acquisitions and divestitures, and capital market conditions.

In summary, our cash flows were as follows (in thousands):

	Nine Months Ended	
	October 1, 2023	October 2, 2022
Net cash used in operating activities	$ (118)	$ (3,423)
Net cash used in investing activities	(2,437)	(634)
Net cash provided by financing activities	1,979	4,488

	Three Months Ended	
	March 31, 2024	April 2, 2023
Net cash provided by (used in) operating activities	$ 86	$ (359)
Net cash provided by (used in) investing activities	(590)	(187)

Net cash provided by (used in) financing activities	3,297	2,247

Net cash used in provided by (used in) operating activities

For the nine three months ended October 1, 2023 March 31, 2024, net cash used in provided by operating activities activities was $0.1 million, which which was primarily due to the net lossincome of $2.3 million $0.2 million, adjusted adjusted for net non-cash charges of $4 million $2.4 million, which included $1.9 million $1.6 million of stock-based compensation, $0.7 million $0.8 million in depreciation and amortization expenses, $0.8 million and $0.1 million in ROU asset amortization expenses, and $0.6 million in write-downs of inventories. expenses. Cash outflow from changes in operating assets and liabilities was approximately $1.0 million $2.5 million and was primarily due to decreases in accounts payable and accrued liabilities, partially offset by a reclassification of a trade payable to a note payable, increases decrease in contract assets, offset by increases in accrued liabilities and trade payables. assets.

For the nine three months ended October 2, 2022 April 2, 2023, net cash used in operating activities was $3.4 million $0.4 million, was which was primarily due to the net loss of $3.0 million and a $27 thousand loss on the disposal of equipment, $1.2 million, adjusted for net non-cash charges of $2.5 million $1.3 million, which included $1.3 million $0.7 million of stock-based compensation, $0.6 million in ROU asset amortization expenses, $0.5 million $0.4 million in depreciation and amortization expenses, $0.2 million in write-downs of inventories, and $0.1 million in write-downs of inventories. ROU asset amortization expenses. Cash outflow from changes in operating assets and liabilities was approximately $2.9 million $0.5 million and were was primarily due to an increase increases in contract assets and inventory and decreases in accounts receivable, reflecting an increase in revenues during the period, increases in inventory and other assets and a decrease in deferred revenue, payable, partially offset by an increase decreases in trade payables, which are subject to variability of the timing of payments. accounts receivable.

Net cash used in provided by (used in) investing activities

For the nine three months ended October 1, 2023, March 31, 2024 and October 2, 2022April 2, 2023 cash used in investing activities was $2.4 million$0.6 million and $0.6 million $0.2 million, respectively, which were primarily attributable to the capital expenditures relating to licensed software, capitalized internal-use software, and purchase of specialized semiconductor tooling. tooling, which was capitalized.

Net cash provided by (used in) financing activities

Cash flows from financing activities include the draw-downs and repayments of our line of credit. For the quarters ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023, these draw-downs and repayments netted to zero.

For the nine three months ended October 1, 2023 March 31, 2024, cash provided by financing activities was $2 million$3.3 million, which was primarily derived from the net proceeds of $3.5 million from the common stock issuance, partially offset by $0.2 million in payments related to financing arrangements.

For the three months ended April 2, 2023, cash provided by financing activities was $2.2 million and was primarily derived from the net proceeds of $2.3 million from the common stock issuance, issuances and borrowings of notes payable of $0.1 million, partially offset by finance lease obligation payments. We continue $0.2 million in payments related to use and repay our revolving line of credit as our cash needs require.

For the nine months ended October 2, 2022, cash provided byfinancing activities was $4.5 million and was primarily derived from the net proceeds of $4.8 million from the stock issuances, partially offset by finance lease obligation payments.arrangements.

Part I. Financial Information (continued)

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet partnerships, arrangements, or other relationships with unconsolidated entities or others, often referred to as structured finance or special purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on management's evaluation as of October 1, 2023 March 31, 2024, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective at the reasonable assurance level to ensure that the information required to be disclosed by us in this Quarterly Report on Form 10-Q was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and 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 the Company have been detected.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in our 2022 2023 Annual Report on Form 10-K for the year ended January 1, 2023 December 31, 2023, filed with the SEC on March 28, 2023 March 27, 2024, which includes a detailed discussion of our risk factors at Part I, Item 1A, Risk Factors, which discussion is hereby incorporated by reference into this Part II, Item 1A.

Item 3. Defaults Upon Senior Securities

None.

Item 6. Exhibits

a. Exhibits The following Exhibits are filed or incorporated by reference into this report:

Exhibit Number	Description
31.1	Certification of Brian C. Faith, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Elias Nadar, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Brian C. Faith, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Certification of Elias Nadar, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's quarterly report on Form 10-Q for the quarter ended October 1, 2023 March 31, 2024, has been formatted in Inline XBRL and contained in exhibit 101.

Signatures

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

QUICKLOGIC CORPORATION

/s/ Elias Nader

Date: November May 15, 2023 2024

Elias Nader

Chief Financial Officer, and Senior Vice-President, Finance

Exhibit 31.1

CERTIFICATIONS

I, Brian C. Faith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of QuickLogic Corporation;

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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November May 15, 2023 2024

/s/ Brian C. Faith

Brian C. Faith

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Elias Nader, certify that:

1. I have reviewed this quarterly report on Form 10-Q of QuickLogic Corporation;

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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November May 15, 2023 2024

/s/ Elias Nader

Elias Nader

Chief Financial Officer, and Senior Vice-President, Finance

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian C. Faith, the President and Chief Executive Officer of QuickLogic Corporation (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended October 1, 2023 March 31, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November May 15, 2023 2024 By: /s/ Brian C. Faith

Name:	Brian C. Faith
Title:	*President and Chief Executive Officer*

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Elias Nader, Chief Financial Officer and Senior Vice-President, Finance of QuickLogic Corporation (the "Company") do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended October 1, 2023 March 31, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November May 15, 2023 2024	By:	/s/ Elias Nader
	Name:	Elias Nader
	Title:	*Chief Financial Officer, and Senior Vice-President, Finance*

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