

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 September 28, 2024

OR

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

For the transition period from to

Commission File Number 001-36861

**Lumentum Holdings Inc.**

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

47-3108385

(I.R.S. Employer  
Identification Number)

1001 Ridder Park Drive, San Jose, California 95131

(Address of principal executive offices including Zip code)

(408) 546-5483

(Registrant's telephone number, including area code)

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

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

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

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

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

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

As of October 31, 2024, the Registrant had 68.7 million shares of common stock outstanding.

## TABLE OF CONTENTS

	<u>Page</u>
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Statements of Operations for the Three Months Ended September 28, 2024 and September 30, 2023</u>
	<u>2</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended September 28, 2024 and September 30, 2023</u>
	<u>3</u>
	<u>Condensed Consolidated Balance Sheets as of September 28, 2024 and June 29, 2024</u>
	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 28, 2024 and September 30, 2023</u>
	<u>5</u>
	<u>Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended September 28, 2024 and September 30, 2023</u>
	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>
	<u>7</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>39</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>53</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
	<u>54</u>
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>
	<u>55</u>
<u>Item 1A.</u>	<u>Risk Factors</u>
	<u>56</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>85</u>
<u>Item 5.</u>	<u>Other Information</u>
	<u>86</u>
<u>Item 6.</u>	<u>Exhibits</u>
	<u>87</u>
<u>SIGNATURES</u>	<u>88</u>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

LUMENTUM HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(in millions, except per share data)  
(Unaudited)

	Three Months Ended	
	September 28, 2024	September 30, 2023
Net revenue	\$ 336.9	\$ 317.6
Cost of sales	236.5	222.9
Amortization of acquired developed intangibles	22.5	18.0
Gross profit	77.9	76.7
Operating expenses:		
Research and development	74.3	73.5
Selling, general and administrative	76.3	73.0
Restructuring and related charges	9.7	11.0
Total operating expenses	160.3	157.5
Loss from operations	(82.4)	(80.8)
Interest expense	(5.5)	(9.7)
Other income, net	8.7	21.2
Loss before income taxes	(79.2)	(69.3)
Income tax provision (benefit)	3.2	(1.4)
Net loss	\$ (82.4)	\$ (67.9)
Net loss per share:		
Basic	\$ (1.21)	\$ (1.02)
Diluted	\$ (1.21)	\$ (1.02)
Shares used to compute net loss per share:		
Basic	68.3	66.7
Diluted	68.3	66.7

See accompanying Notes to Condensed Consolidated Financial Statements.

**LUMENTUM HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
*(in millions)*  
*(Unaudited)*

	Three Months Ended	
	September 28, 2024	September 30, 2023
Net loss	\$ (82.4)	\$ (67.9)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	—	(0.2)
Net change in unrealized gain on available-for-sale securities	2.3	1.3
Other comprehensive income, net of tax	2.3	1.1
Comprehensive loss, net of tax	<u>\$ (80.1)</u>	<u>\$ (66.8)</u>

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**LUMENTUM HOLDINGS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(in millions, except par value)*  
*(Unaudited)*

	September 28, 2024	June 29, 2024
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 489.2	\$ 436.7
Short-term investments	426.9	450.3
Accounts receivable, net	198.5	194.7
Inventories	403.3	398.4
Prepayments and other current assets	118.3	110.0
Total current assets	1,636.2	1,590.1
Property, plant and equipment, net	638.4	572.5
Operating lease right-of-use assets, net	35.7	72.8
Goodwill	1,060.9	1,055.8
Other intangible assets, net	573.9	617.5
Deferred tax asset	12.5	10.7
Other non-current assets	12.0	12.5
Total assets	\$ 3,969.6	\$ 3,931.9
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 163.1	\$ 126.3
Accrued payroll and related expenses	42.0	36.1
Accrued expenses	39.7	52.4
Current portion of long-term debt	10.8	—
Operating lease liabilities, current	11.9	13.4
Other current liabilities	37.6	41.1
Total current liabilities	305.1	269.3
Long-term debt	2,569.2	2,503.2
Operating lease liabilities, non-current	29.8	43.0
Deferred tax liability	53.4	55.7
Other non-current liabilities	116.2	103.4
Total liabilities	3,073.7	2,974.6
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, \$0.001 par value, 990 authorized shares, 68.6 and 67.9 shares issued and outstanding as of September 28, 2024 and June 29, 2024, respectively	0.1	0.1
Additional paid-in capital	1,853.7	1,835.0
Accumulated deficit	(969.5)	(887.1)
Accumulated other comprehensive income	11.6	9.3
Total stockholders' equity	895.9	957.3
Total liabilities and stockholders' equity	\$ 3,969.6	\$ 3,931.9

See accompanying Notes to Condensed Consolidated Financial Statements.

**LUMENTUM HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in millions)*  
*(Unaudited)*

	Three Months Ended	
	September 28, 2024	September 30, 2023
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (82.4)	\$ (67.9)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	27.0	28.2
Stock-based compensation	35.6	32.1
Amortization and write-off of acquired intangibles	43.6	29.0
Loss on sales and dispositions of property, plant and equipment	0.2	1.4
Amortization of debt discount and debt issuance costs	0.7	4.9
Write-off of right-of-use assets	5.3	—
Other non-cash items	(0.3)	(5.7)
Changes in operating assets and liabilities:		
Accounts receivable	(3.8)	26.1
Inventories	(6.5)	(16.8)
Operating lease right-of-use assets, net	(0.2)	3.7
Prepayments and other current and non-currents assets	(16.6)	7.3
Income taxes, net	7.2	(19.9)
Accounts payable	32.6	(28.0)
Accrued payroll and related expenses	5.9	1.5
Operating lease liabilities	1.0	(4.0)
Accrued expenses and other current and non-current liabilities	(9.7)	5.8
Net cash provided by (used in) operating activities	39.6	(2.3)
<b>INVESTING ACTIVITIES:</b>		
Payments for acquisition of property, plant and equipment	(74.1)	(57.8)
Purchases of short-term investments	(63.9)	(149.1)
Proceeds from maturities and sales of short-term investments	90.7	227.7
Payments for acquisition of intangible assets	—	(3.0)
Proceeds from the sales of property, plant and equipment	0.2	—
Net cash (used in) provided by investing activities	(47.1)	17.8
<b>FINANCING ACTIVITIES:</b>		
Payment of withholding taxes related to net share settlement of restricted stock units	(16.0)	(12.9)
Proceeds from term loans	76.5	—
Proceeds from the exercise of stock options	0.9	—
Principal payments on term loans	(0.4)	—
Payment of acquisition related holdback	(1.0)	—
Net cash provided by (used in) financing activities	60.0	(12.9)
Decrease in cash and cash equivalents	52.5	2.6
Cash and cash equivalents at beginning of period	436.7	859.0
Cash and cash equivalents at end of period	\$ 489.2	\$ 861.6
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid (refund) for taxes, net	\$ (4.2)	\$ 18.5
Cash paid for interest	0.1	0.6
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Unpaid property, plant and equipment in accounts payable and accrued expenses	15.9	4.2
Unpaid intangible assets in accrued expenses	—	2.0
Right-of-use assets obtained in exchange for new operating lease liabilities	3.7	—

See accompanying Notes to Condensed Consolidated Financial Statements.

**LUMENTUM HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(in millions)*  
*(Unaudited)*

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balance as of June 29, 2024</b>	<b>67.9</b>	<b>\$ 0.1</b>	<b>\$ 1,835.0</b>	<b>\$ (887.1)</b>	<b>\$ 9.3</b>	<b>\$ 957.3</b>
Net loss	—	—	—	(82.4)	—	(82.4)
Other comprehensive income	—	—	—	—	2.3	2.3
Issuance of shares in connection with vesting of restricted stock units and performance stock units	0.9	—	—	—	—	—
Withholding taxes related to net share settlement of restricted stock units	(0.3)	—	(16.0)	—	—	(16.0)
Exercise of stock options	0.1	—	0.9	—	—	0.9
Stock-based compensation	—	—	33.8	—	—	33.8
<b>Balance as of September 28, 2024</b>	<b>68.6</b>	<b>\$ 0.1</b>	<b>\$ 1,853.7</b>	<b>\$ (969.5)</b>	<b>\$ 11.6</b>	<b>\$ 895.9</b>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
<b>Balance as of July 1, 2023</b>	<b>66.4</b>	<b>\$ 0.1</b>	<b>\$ 1,692.2</b>	<b>\$ (340.6)</b>	<b>\$ 4.1</b>	<b>\$ 1,355.8</b>
Net loss	—	—	—	(67.9)	—	(67.9)
Other comprehensive income	—	—	—	—	1.1	1.1
Issuance of shares in connection with vesting of restricted stock units and performance stock units	0.8	—	—	—	—	—
Withholding taxes related to net share settlement of restricted stock units	(0.2)	—	(12.9)	—	—	(12.9)
Stock-based compensation	—	—	34.7	—	—	34.7
<b>Balance as of September 30, 2023</b>	<b>67.0</b>	<b>\$ 0.1</b>	<b>\$ 1,714.0</b>	<b>\$ (408.5)</b>	<b>\$ 5.2</b>	<b>\$ 1,310.8</b>

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1. Description of Business and Summary of Significant Accounting Policies**

**Description of Business**

Lumentum Holdings Inc. (“we,” “us,” “our,” “Lumentum” or the “Company”) is an industry-leading provider of optical and photonic products essential to a range of cloud, artificial intelligence and machine learning (“AI/ML”), telecommunications, consumer, and industrial end-market applications. We operate in two end-market focused reportable segments, Cloud & Networking and Industrial Tech.

Our Cloud & Networking products include a comprehensive portfolio of optical and photonic chips, modules, and subsystems supplied to cloud data center operator, AI/ML infrastructure provider, and network equipment manufacturer customers who are building cloud data center and network infrastructures. Our products enable high-capacity optical data links in cloud, AI/ML, and data center interconnect (“DCI”) applications, and communications service provider networks, including in access (local), metro (intracity), long-haul (city-to-city and worldwide), and submarine (undersea) network infrastructure. Our Cloud & Networking products also support network equipment manufacturers building enterprise network infrastructure, including storage-area networks (“SANs”), local-area networks (“LANs”) and wide-area networks (“WANs”). Demand for our Cloud & Networking products is driven by the continual growth in network capacity required for cloud computing and services, including for AI/ML, streaming video and video conferencing, wireless and mobile devices, and internet of things (“IoT”).

Our Industrial Tech products include short pulse solid-state lasers, kilowatt-class fiber lasers, diode lasers, and gas lasers, which address applications in numerous end-markets. In the consumer end-market, our laser light sources are integrated into our customers’ 3D sensing cameras, which are used in mobile devices, payment kiosks, and other consumer electronics devices to enable applications including biometric identification, computational photography and virtual and augmented reality. In the automotive end-market, our lasers are used in our customers’ LiDAR and other optical sensor devices, which are increasingly being used in advanced driver assistance systems (“ADAS”) and in-cabin driver and occupant monitoring systems. In the industrial manufacturing end-market, our lasers are incorporated into our customers’ manufacturing machine tools used for the precision processing of materials in a range of industries including semiconductor device and microelectronics fabrication, electric vehicle and battery production, metal cutting and welding, and advanced manufacturing. Our products can also be used in the industrial end-market in imaging and sensing systems for process feedback and control, quality assurance, and waste reduction. Adoption of our products in the industrial end-market is driven by the needs of customers to advance semiconductor and microelectronics industry roadmaps, and by Industry 4.0/5.0 trends, including increasing manufacturing precision and flexibility and reducing waste and environmental impact. Demand for our products in the industrial end-market is driven by end-customer investments in manufacturing capacity. Our lasers also address certain semiconductor inspection and life-science applications.

**Basis of Presentation**

We have prepared the accompanying condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”), which requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact us in the future, actual results may be different from the estimates. Our interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. In the opinion of the Company’s management, the information presented herein reflects all normal and recurring adjustments necessary for a fair presentation of our results of operations, financial position, stockholders’ equity, and cash flows. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective, or complex judgments by management. Those policies are inventory valuation, revenue recognition, income taxes, goodwill, and business combinations.

Our business and operating results depend significantly on general market and economic conditions. The current global macroeconomic environment is volatile and continues to be adversely impacted by inflation, a dynamic supply chain and demand environment, and signs of a weaker macroeconomic environment impacting capital expenditures across our served markets. Additionally, instability in the global credit markets, capital expenditure reductions, unemployment and other labor issues, decline in stock markets, the instability in the geopolitical environment in many parts of the world, and the current global economic challenges continue to put pressure on our business and operating results.



**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

We are continuously monitoring both the current developments in the ongoing Russia-Ukraine war including the related export controls and resulting sanctions imposed on Russia and Belarus by the U.S. and other countries, and the ongoing conflicts in the Middle East. Additional factors, such as increased inflation, escalating energy prices and the related cost increases, could continue to impact the global economy and our business. Although the global implications of these wars are difficult to predict at this time, we do not presently foresee direct material adverse effects on our business.

**Business Combinations**

On November 7, 2023, we completed the acquisition of Cloud Light Technology Limited ("Cloud Light"). We have applied the acquisition method of accounting to account for this transaction in accordance with ASC Topic 805, *Business Combinations*. Our condensed consolidated financial statements include the operating results of the acquired entities from the acquisition close date. Refer to "Note 4. Business Combinations" for further discussions of this transaction.

**Fiscal Years**

We utilize a 52-53 week fiscal year ending on the Saturday closest to June 30<sup>th</sup>. Every fifth or sixth fiscal year will have a 53-week period. The additional week in a 53-week year is added to the third quarter, making such quarter consist of 14 weeks. Our fiscal 2025 is a 52-week year ending on June 28, 2025, with the quarter ended September 28, 2024 being a 13-week quarterly period. Our fiscal 2024 was a 52-week year that ended on June 29, 2024, with the quarter ended September 30, 2023 being a 13-week quarterly period.

**Principles of Consolidation**

The condensed consolidated financial statements include the accounts of Lumentum Holdings Inc. and its wholly owned subsidiaries. All inter-company transactions and balances are eliminated in consolidation.

**Accounting Policies**

The condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended June 29, 2024. There were no significant changes to our accounting policies during the three months ended September 28, 2024.

**Note 2. Recently Issued Accounting Pronouncements**

In March 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2024-02: Codification Improvements - Amendments to Remove References to the Concepts Statements, which contains amendments to the Codification that remove references to various FASB Concepts Statements. ASU 2024-02 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We do not expect this ASU to have a material impact on our consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income tax paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact of this ASU on our income tax disclosures within the consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 does not change how a public entity identifies its operating segments, aggregates those operating segments, or applies quantitative thresholds to determine its reportable segments. The update is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. We plan to adopt ASU 2023-07 in the fiscal fourth quarter of 2025. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements and disclosures.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Note 3. Earnings Per Share**

The following table sets forth the computation of basic and diluted net loss per share ( *in millions, except per share data*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Numerator:		
Net loss - basic and diluted	\$ (82.4)	\$ (67.9)
Denominator:		
Weighted average common shares outstanding - basic and diluted	68.3	66.7
Net loss per share:		
Basic	\$ (1.21)	\$ (1.02)
Diluted	\$ (1.21)	\$ (1.02)

Anti-dilutive shares excluded from the calculation of diluted net loss per share for the three months ended September 28, 2024 include 4.8 million shares issuable under restricted stock units ("RSUs") and performance stock units ("PSUs"), 0.1 million shares issuable under the Employee Stock Purchase Plan (the "2015 Purchase Plan"), and 1.0 million shares outstanding related to stock options. Refer to "Note 13. Equity."

Anti-dilutive shares excluded from the calculation of diluted net loss per share for the three months ended September 30, 2023 include 31.2 million shares related to convertible notes, 4.6 million shares issuable under RSUs and PSUs, and 0.2 million shares issuable under the 2015 Purchase Plan.

Potentially dilutive common shares issuable upon conversion of our outstanding convertible notes are determined using the if-converted method.

**Note 4. Business Combinations**
**Cloud Light Acquisition**

On October 29, 2023, we entered into a definitive merger agreement (the "Merger Agreement") with Cloud Light. On November 7, 2023 (the "Cloud Light Closing Date"), we completed the acquisition of Cloud Light. Cloud Light designs, markets, and manufactures advanced optical modules for data center interconnect applications. The acquisition enables us to be well-positioned to serve the growing needs of cloud & networking customers, particularly those customers focused on optimizing their data center infrastructure for the demands of AI/ML.

We have applied the acquisition method of accounting in accordance with ASC 805 *Business Combinations*, with respect to the fair value of purchase price consideration and the identifiable assets and liabilities of Cloud Light, which have been measured at estimated fair value as of the Cloud Light Closing Date. The following tables summarize the purchase price consideration ( *in millions*):

	Fair Value
Cash consideration <sup>(1)</sup>	\$ 705.0
Share-based consideration <sup>(2)</sup>	23.5
Total purchase price consideration	<u>\$ 728.5</u>

<sup>(1)</sup> Under the terms of the Merger Agreement, Cloud Light stockholders received \$ 1.69 per share after adjusting for applicable withholding taxes, escrow fund and expense fund contributions, for each of the 409.4 million of shares outstanding at the Cloud Light Closing Date. As a result, we transferred \$691.7 million of cash consideration on the Cloud Light Closing Date. Additionally, each of Cloud Light's outstanding options was exchanged for a combination of up-front cash consideration and newly issued options (the "replacement options"). As a result, we transferred \$13.3 million of cash consideration on the Cloud Light Closing Date.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

<sup>(2)</sup> The replacement options have a total fair value of \$38.9 million as of the Cloud Light Closing Date, of which \$ 23.5 million attributed to pre-acquisition service is recorded as part of the purchase price consideration and the remaining \$15.4 million is recorded as post-acquisition stock-based compensation expense over the vesting period of three years from the Cloud Light Closing Date. In general, these options expire within 10 years from the Cloud Light Closing Date. Refer to "Note 13. Equity".

The cash consideration of \$705.0 million, which was funded by the cash balances of Lumentum, includes \$ 75.8 million of cash held in an escrow fund to support Cloud Light's indemnification obligations under the Merger Agreement and customary adjustment for working capital. Since the measurement period expired, any future adjustments will be included in our earnings. As of the date of this filing, no amount of the escrow funds have been released.

We incurred a total of \$9.6 million of acquisition-related costs in fiscal year 2024, of which \$ 2.4 million was incurred during the three months ended September 30, 2023, representing professional and other direct acquisition costs, which are recorded as selling, general and administrative expense in the condensed consolidated statement of operations when incurred.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

We allocated the fair value of the purchase price consideration to the assets acquired and liabilities assumed as of the Cloud Light Closing Date based on their estimated fair values. The excess of purchase price consideration over the fair value of net assets acquired is recorded as goodwill. Our final allocation of the purchase price consideration to the assets acquired and liabilities assumed as of the Cloud Light Closing Date is as follows (*in millions*):

	<b>Fair Value</b>
Total purchase price consideration	\$ 728.5
<b>Assets acquired</b>	
Cash and cash equivalents	4.1
Short-term investments	1.0
Accounts receivable, net	20.9
Inventories	72.8
Prepayments and other current assets	14.2
Property, plant and equipment, net	62.5
Operating lease right-of-use assets, net	3.7
Other intangible assets, net <sup>(1)</sup>	333.0
Other non-current assets	0.3
<b>Total assets</b>	<b>512.5</b>
<b>Liabilities assumed</b>	
Accounts payable	45.5
Accrued payroll and related expenses	5.6
Accrued expenses	7.9
Operating lease liabilities, current	1.8
Other current liabilities	10.3
Operating lease liabilities, non-current	1.9
Deferred tax liability	60.6
Other non-current liabilities	16.2
<b>Total liabilities</b>	<b>149.8</b>
<b>Goodwill</b>	<b>\$ 365.8</b>

<sup>(1)</sup> Other intangible assets include developed technology of \$ 170.0 million, customer relationship of \$130.0 million, in-process research and development ("IPR&D") of \$16.0 million, order backlog of \$14.0 million, and trade name and trademarks of \$ 3.0 million. Refer to "Note 8. Goodwill and Other Intangible Assets" for more information.

Goodwill from the Cloud Light acquisition has been assigned to the Cloud & Networking segment. The goodwill of \$ 365.8 million arising from the acquisition is attributed to the expected revenue growth and synergies, including future cost efficiencies and other benefits that are expected to be generated by combining Lumentum and Cloud Light. None of the goodwill is expected to be deductible for local tax purposes. Refer to "Note 8. Goodwill and Other Intangible Assets."

Cloud Light contributed \$38.2 million of our consolidated net revenue for the three months ended September 28, 2024. Due to the continued integration of the combined businesses, as well as our corporate structure and the allocation of selling, general and administrative costs, it is impracticable to determine Cloud Light's contribution to our earnings the three months ended September 28, 2024.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

*Supplemental Pro Forma Information*

The following supplemental pro forma information presents the combined results of operations for the three months ended September 28, 2024 and September 30, 2023, as if the acquisition was completed on July 3, 2022, the first day of the fiscal year 2023. The supplemental pro forma financial information presented below is not necessarily indicative of the financial position or results of operations that would have been realized if the acquisition had been completed on the date indicated. The supplemental pro forma financial information does not reflect synergies that might have been achieved, nor is it indicative of future operating results or financial position.

The pro forma financial information includes adjustments for: (i) amortization expense that would have been recognized related to the acquired intangible assets, (ii) depreciation expense that would have been recognized related to the acquired property, plant, and equipment, (iii) amortization of inventory fair value adjustment, (iv) acquisition related costs, such as third party transaction costs and restructuring costs, (v) stock-based compensation expense and (vi) the estimated income tax effect on the pro forma adjustments.

The supplemental pro forma financial information for the periods presented is as follows ( *in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Net revenue	\$ 336.9	\$ 386.6
Net loss	\$ (78.9)	\$ (63.6)

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Note 5. Cash, Cash Equivalents and Short-term Investments**

The following table summarizes our cash, cash equivalents and short-term investments by category for the periods presented ( *in millions*):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>September 28, 2024:</b>				
Cash	\$ 284.9	\$ —	\$ —	\$ 284.9
Cash equivalents:				
Commercial paper	7.5	—	—	7.5
Money market funds	184.8	—	—	184.8
U.S. Treasury securities	12.0	—	—	12.0
Total cash and cash equivalents	<u>\$ 489.2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 489.2</u>
Short-term investments:				
Certificates of deposit	\$ 0.8	\$ —	\$ —	\$ 0.8
Commercial paper	11.5	—	—	11.5
Corporate debt securities	234.1	0.9	(0.1)	234.9
U.S. Agency securities	66.4	0.1	—	66.5
U.S. Treasury securities	113.3	—	(0.1)	113.2
Total short-term investments	<u>\$ 426.1</u>	<u>\$ 1.0</u>	<u>\$ (0.2)</u>	<u>\$ 426.9</u>
<b>June 29, 2024:</b>				
Cash	\$ 196.9	\$ —	\$ —	\$ 196.9
Cash equivalents:				
Commercial paper	15.9	—	—	15.9
Money market funds	223.9	—	—	223.9
Total cash and cash equivalents	<u>\$ 436.7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 436.7</u>
Short-term investments:				
Certificates of deposit	\$ 0.8	\$ —	\$ —	\$ 0.8
Commercial paper	12.6	—	—	12.6
Corporate debt securities	244.5	—	(0.6)	243.9
U.S. Agency securities	81.2	—	(0.3)	80.9
U.S. Treasury securities	112.6	—	(0.5)	112.1
Total short-term investments	<u>\$ 451.7</u>	<u>\$ —</u>	<u>\$ (1.4)</u>	<u>\$ 450.3</u>

We review our investment portfolio to identify and evaluate investments that have indicators of possible impairment. Factors considered in determining whether a loss is other-than-temporary include, but are not limited to, the length of time and extent a security's fair value has been below its cost, the financial condition and near-term prospects of the investee, the credit quality of the security's issuer, likelihood of recovery and our intent and ability to hold the security for a period sufficient to allow for any anticipated recovery in value. For the debt instruments we own, we also evaluate whether we have the intent to sell the security or whether it is more likely than not that we will be required to sell the security before recovery of its cost basis. We have not recorded our unrealized losses on our short-term investments into income because we do not intend to sell nor is it more likely than not that we will be required to sell these investments prior to recovery of their amortized cost basis.

We use the specific-identification method to determine any realized gains or losses from the sale of our short-term investments classified as available-for-sale. During the three months ended September 28, 2024 and September 30, 2023, we did not realize significant gains or losses on a gross level from the sale of our short-term investments classified as available-for-sale.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

During the three months ended September 28, 2024 and September 30, 2023, our other income, net was \$ 8.7 million and \$21.2 million, respectively, which includes interest and investment income on cash equivalents and short-term investments of \$9.4 million and \$21.7 million, respectively.

As of September 28, 2024 and June 29, 2024, we recorded interest receivables of \$ 5.8 million and \$5.8 million, respectively, in prepayments and other current assets within the condensed consolidated balance sheets. We did not recognize an allowance for credit losses against interest receivables in any of the periods presented, as there were no such losses.

The following table summarizes unrealized losses on our cash equivalents and short-term investments by category that have been in a continuous unrealized loss position for more than 12 months and less than 12 months as of the periods presented, respectively (*in millions*):

	Continuous Loss Position for More Than 12 Months		Continuous Loss Position for Less Than 12 Months		Gross Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	
September 28, 2024:					
U.S. Agency securities	\$ 44.6	\$ —	\$ 4.0	\$ —	\$ —
Commercial paper	—	—	7.5	—	—
Corporate debt securities	67.1	(0.1)	18.0	—	(0.1)
U.S. government bonds	68.4	(0.1)	22.5	—	(0.1)
Total	\$ 180.1	\$ (0.2)	\$ 52.0	\$ —	\$ (0.2)
June 29, 2024:					
U.S. Agency securities	\$ 62.3	\$ (0.3)	\$ 12.6	\$ —	\$ (0.3)
Commercial paper	—	—	28.6	—	—
Corporate debt securities	133.7	(0.5)	90.6	(0.2)	(0.7)
U.S. government bonds	72.3	(0.4)	39.7	(0.1)	(0.5)
Total	\$ 268.3	\$ (1.2)	\$ 171.5	\$ (0.3)	\$ (1.5)

The following table classifies our short-term investments by remaining maturities (*in millions*):

	September 28, 2024		June 29, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	\$ 346.1	\$ 346.3	\$ 405.5	\$ 404.1
Due in 1 year to 5 years	80.0	80.6	46.2	46.2
<b>Total</b>	<b>\$ 426.1</b>	<b>\$ 426.9</b>	<b>\$ 451.7</b>	<b>\$ 450.3</b>

All available-for-sale securities have been classified as current, based on management's intent and ability to use the funds in current operations.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Note 6. Fair Value Measurements**

We determine fair value based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value assumes that the transaction to sell the asset or transfer the liability occurs in the principal or most advantageous market for the asset or liability and establishes that the fair value of an asset or liability shall be determined based on the assumptions that market participants would use in pricing the asset or liability. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. The fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3: Inputs are unobservable inputs based on our assumptions.

The fair value of our Level 1 financial instruments, such as money market funds and U.S. Treasury securities, which are traded in active markets, is based on quoted market prices for identical instruments. The fair value of our Level 2 fixed income securities is obtained from an independent pricing service, which may use quoted market prices for identical or comparable instruments or model driven valuations using observable market data or inputs corroborated by observable market data. Our marketable securities are held by custodians who obtain investment prices from a third-party pricing provider that incorporates standard inputs in various asset price models. Our procedures include controls to ensure that appropriate fair values are recorded, including comparing the fair values obtained from our pricing service against fair values obtained from another independent source.

Financial assets measured at fair value on a recurring basis are summarized below ( *in millions*):

	Level 1	Level 2	Level 3	Total
<b>September 28, 2024: <sup>(1)</sup></b>				
<b>Assets:</b>				
Cash equivalents:				
Commercial paper	\$ —	\$ 7.5	\$ —	\$ 7.5
Money market funds	184.8	—	—	184.8
U.S. Treasury securities	12.0	—	—	12.0
Short-term investments:				
Certificates of deposit	—	0.8	—	0.8
Commercial paper	—	11.5	—	11.5
Corporate debt securities	—	234.9	—	234.9
U.S. Agency securities	—	66.5	—	66.5
U.S. Treasury securities	113.2	—	—	113.2
<b>Total assets</b>	<b>\$ 310.0</b>	<b>\$ 321.2</b>	<b>\$ —</b>	<b>\$ 631.2</b>

<sup>(1)</sup> Excludes \$284.9 million in cash held in our bank accounts as of September 28, 2024.



**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

	Level 1	Level 2	Level 3	Total
<b>June 29, 2024 (1)</b>				
<b>Assets:</b>				
Cash equivalents:				
Commercial paper	\$ —	\$ 15.9	\$ —	\$ 15.9
Money market funds	223.9	—	—	223.9
Short-term investments:				
Certificates of deposit	—	0.8	—	0.8
Commercial paper	—	12.6	—	12.6
Corporate debt securities	—	243.9	—	243.9
U.S. Agency securities	—	80.9	—	80.9
U.S. Treasury securities	112.1	—	—	112.1
<b>Total assets</b>	<b>\$ 336.0</b>	<b>\$ 354.1</b>	<b>\$ —</b>	<b>\$ 690.1</b>

(1) Excludes \$196.9 million in cash held in our bank accounts as of June 29, 2024.

**Financial Instruments Not Recorded at Fair Value on a Recurring Basis**

We report our financial instruments at fair value with the exception of our convertible notes, refer to "Note 9. Debt". The estimated fair value of the convertible notes was determined based on the trading price of the convertible notes as of the last day of trading for the period. We consider the fair value of the convertible notes to be a Level 2 measurement as they are not actively traded in markets.

The carrying amounts and estimated fair values of the convertible notes are as follows for the periods presented ( in millions):

	September 28, 2024		June 29, 2024	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
2029 Notes	\$ 599.6	\$ 706.2	\$ 599.4	\$ 588.8
2028 Notes	856.9	748.9	856.6	680.2
2026 Notes	1,047.4	1,034.6	1,047.2	948.3
	<b>\$ 2,503.9</b>	<b>\$ 2,489.7</b>	<b>\$ 2,503.2</b>	<b>\$ 2,217.3</b>

**Assets Measured at Fair Value on a Non-Recurring Basis**

We periodically review our intangible and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. If not recoverable, an impairment loss would be calculated based on the excess of the carrying amount over the fair value.

Management utilizes various valuation methods, including an income approach, a market approach and a cost approach, to estimate the fair value of intangibles and other long-lived assets. During the annual impairment testing performed in the fourth quarter of fiscal 2024, we concluded that there was no impairment of our intangible and other long-lived assets. We review our intangible and other long-lived assets for impairment at least annually in the fourth quarter of each fiscal year, absent any interim indicators of impairment. There were no indicators of impairment during the three months ended September 28, 2024.

**Note 7. Balance Sheet Details**

**Allowance for Current Expected Credit Losses**

We did not have any allowance for credit losses other than our allowance for uncollectible accounts receivable. As of September 28, 2024 and June 29, 2024, the allowance for credit losses on our trade receivables was \$0.2 million and \$0.2 million, respectively.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Inventories**

The components of inventories were as follows ( *in millions*):

	September 28, 2024	June 29, 2024
Raw materials and purchased parts	\$ 206.0	\$ 196.9
Work in process	119.1	101.6
Finished goods	78.2	99.9
Inventories	<u>\$ 403.3</u>	<u>\$ 398.4</u>

In connection with the Cloud Light acquisition, we recorded \$ 72.8 million of inventory as of the Cloud Light Closing Date. As of June 29, 2024, the entire \$8.0 million of fair value step-up of inventory acquired from Cloud Light was amortized and recognized as cost of sales in our condensed consolidated statements of operations.

**Property, Plant and Equipment, Net**

The components of property, plant and equipment, net were as follows ( *in millions*):

	September 28, 2024	June 29, 2024
Land	\$ 108.6	\$ 75.2
Buildings and improvements	258.8	215.1
Machinery and equipment	778.9	772.1
Computer equipment and software	44.9	44.9
Furniture and fixtures	13.9	14.3
Leasehold improvements	44.8	47.5
Construction in progress	81.6	71.1
	1,331.5	1,240.2
Less: Accumulated depreciation	(693.1)	(667.7)
Property, plant and equipment, net	<u>\$ 638.4</u>	<u>\$ 572.5</u>

In connection with the Cloud Light acquisition, we assumed \$62.5 million of property, plant and equipment, net, as of the acquisition Cloud Light Closing Date.

Our construction in progress primarily includes machinery and equipment that we expect to place in service in the next 12 months.

In July 2024, we purchased the land and building of our wafer fabrication facility located in Sagamihara, Japan for a total transaction price of \$42.2 million including \$1.3 million of incremental direct costs for fees paid to third parties that were capitalized. We also recorded a \$ 16.3 million increase in the carrying value of buildings purchased related to the termination of leases for the purchased building. The total carrying value of assets purchased was \$58.5 million at the purchase date, of which \$33.4 million was allocated to the land and \$ 25.1 million to the building.

In August 2023, we purchased land and buildings that we previously leased in Caswell, United Kingdom for a total purchase price of \$ 23.3 million. Additionally, we capitalized \$1.8 million of incremental direct costs for fees paid to third parties. We also recorded a \$ 0.3 million reduction in the carrying value of buildings purchased related to the termination of leases for the purchased buildings. The total carrying value of assets purchased is \$24.8 million at the purchase date, of which \$11.8 million was allocated to the land and \$ 13.0 million to the buildings.

During the three months ended September 28, 2024 and September 30, 2023, we recorded depreciation expense of \$ 27.0 million and \$28.2 million, respectively.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Operating Lease Right-of-Use Assets**

Operating lease right-of-use assets, net were as follows (*in millions*):

	September 28, 2024	June 29, 2024
Operating lease right-of-use assets	\$ 66.1	\$ 112.3
Less: accumulated amortization	(30.4)	(39.5)
Operating lease right-of-use assets, net	<u>\$ 35.7</u>	<u>\$ 72.8</u>

In connection with our integration efforts to consolidate our sites, we recorded restructuring charges for various sites and reduced our operating lease right-of-use assets by \$5.3 million during the three months ended September 28, 2024.

In connection with the Cloud Light acquisition, we acquired \$ 3.7 million of right-of-use assets related to leases of real estate properties used as our manufacturing and office premises. We accounted for these leases as operating leases and have the remaining lease term ranging from 1.5 to 2.6 years at the Cloud Light Closing Date.

In connection with the purchase of land and building in Sagamihara, Japan in July 2024, we terminated our leases for the related facilities and recorded a \$16.3 million increase in the carrying value of building purchased, as a result of derecognizing \$ 32.0 million of net operating lease right-of-use asset, \$1.6 million of operating lease liabilities, current, and \$ 14.1 million of operating lease liabilities, non-current.

In connection with the purchase of land and buildings in the United Kingdom in August 2023, we terminated our leases for the related facilities and recorded a \$0.3 million of reduction in the carrying value of buildings purchased, as a result of derecognizing \$ 4.8 million of net operating lease right-of-use asset, \$2.4 million of operating lease liabilities, current, and \$ 2.7 million of operating lease liabilities, non-current.

**Other Current Liabilities**

The components of other current liabilities were as follows (*in millions*):

	September 28, 2024	June 29, 2024
Restructuring accrual and related charges <sup>(1)</sup>	\$ 6.3	\$ 11.1
Warranty reserve <sup>(2)</sup>	13.2	13.2
Deferred revenue and customer deposits	0.6	0.6
Income tax payable <sup>(3)</sup>	11.9	13.2
Other current liabilities	5.6	3.0
Other current liabilities	<u>\$ 37.6</u>	<u>\$ 41.1</u>

<sup>(1)</sup> Refer to "Note 11. Restructuring and Related Charges."

<sup>(2)</sup> Refer to "Note 14. Commitments and Contingencies."

<sup>(3)</sup> Refer to "Note 12. Income Taxes."

**Other Non-Current Liabilities**

The components of other non-current liabilities were as follows (*in millions*):

	September 28, 2024	June 29, 2024
Asset retirement obligations	\$ 7.0	\$ 7.5
Pension and related accruals <sup>(1)</sup>	8.6	7.5
Unrecognized tax benefit	94.4	83.0
Other non-current liabilities	6.2	5.4
Other non-current liabilities	<u>\$ 116.2</u>	<u>\$ 103.4</u>

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

<sup>(1)</sup> We have defined benefit pension plans in Japan, Switzerland, and Thailand. Pension and related accrual of \$ 8.6 million as of September 28, 2024 represents \$9.5 million of non-current portion of benefit obligation, offset by \$ 0.9 million of funding for the pension plan in Switzerland. Pension and related accrual of \$7.5 million as of June 29, 2024 relates to \$ 8.6 million of non-current portion of benefit obligation, offset by \$ 1.2 million of funding for the pension plan in Switzerland. We typically re-evaluate the assumptions related to the fair value of our defined benefit obligations annually in the fiscal fourth quarter and make any updates as necessary.

**Note 8. Goodwill and Other Intangible Assets**

**Goodwill**

In November 2023, we completed the acquisition of Cloud Light. We recognized goodwill of \$365.8 million, which was allocated to the Cloud & Networking segment.

The following table presents goodwill by reportable segments as of September 28, 2024 and June 29, 2024 ( *in millions*):

	Cloud & Networking	Industrial Tech	Total
Balances as of June 29, 2024	\$ 1,044.6	\$ 11.2	\$ 1,055.8
Acquisition of Cloud Light <sup>(1)</sup>	5.1	—	5.1
Balances as of September 28, 2024	<u>\$ 1,049.7</u>	<u>\$ 11.2</u>	<u>\$ 1,060.9</u>

<sup>(1)</sup> During the three months ended September 28, 2024, we adjusted the purchase price allocation and recorded a \$5.1 million increase to goodwill. The primary adjustment to the opening balance sheet relates to income tax liabilities which were not known in previous periods.

**Impairment of Goodwill**

We review goodwill for impairment during the fourth quarter of each fiscal year or more frequently if events or circumstances indicate that an impairment loss may have occurred. In the fourth quarter of fiscal 2024, we completed the annual impairment test of goodwill, which indicated there was no goodwill impairment. There were no indicators of goodwill impairment during the three months ended September 28, 2024.

**Other Intangibles**

Our intangible assets are amortized on a straight-line basis over the estimated useful lives, except for certain customer relationships, which are amortized using an accelerated method of amortization over the expected customer lives, more accurately reflecting the pattern of realization of economic benefits we expect to derive. Acquired developed technologies are amortized to cost of sales and research and development expenses. Acquired customer relationships are amortized to selling, general and administrative expenses in the consolidated statement of operations.

In-process research and development ("IPR&D") is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When an IPR&D project is completed, the IPR&D is reclassified to an amortizable purchased intangible asset and amortized over the asset's estimated useful life.

During the annual impairment testing performed in the fourth quarter of fiscal 2024, we concluded that our intangible and other long-lived assets were not impaired at the asset group level. We review our intangible and other long-lived assets for impairment at least annually in the fourth quarter of each fiscal year, absent any interim indicators of impairment. There were no indicators of impairment at the asset group level during the three months ended September 28, 2024.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

In November 2023, we completed the acquisition of Cloud Light. The intangible assets acquired from the acquisition were as follows as of the acquisition date (*in millions, except for weighted average amortization period*):

	Fair Value at the Acquisition Date	Weighted Average Amortization Period (Years)
Acquired developed technologies	\$ 170.0	7.0
Customer relationships	130.0	7.0
In-process research and development	16.0	n/a
Order backlog	14.0	1.0
Trade name and trademarks	3.0	1.2
Total intangible assets	<u>\$ 333.0</u>	

Refer to "Note 4. Business Combinations" for the acquisitions of Cloud Light.

The following tables present details of all of our intangible assets as of the periods presented ( *in millions, except for weighted average remaining amortization period*):

September 28, 2024	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amounts	Weighted Average Remaining Amortization Period (Years)
Acquired developed technologies	\$ 818.2	\$ (496.4)	\$ 321.8	4.6
Customer relationships	419.8	(183.7)	236.1	4.7
In-process research and development	13.6	—	13.6	n/a
Order backlog	14.0	(12.4)	1.6	0.1
Trade name and trademarks	3.0	(2.2)	0.8	0.3
Total intangible assets	<u>\$ 1,268.6</u>	<u>\$ (694.7)</u>	<u>\$ 573.9</u>	

June 29, 2024	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amounts	Weighted Average Remaining Amortization Period (Years)
Acquired developed technologies	\$ 818.1	\$ (473.0)	\$ 345.1	4.8
Customer relationships	419.8	(169.4)	250.4	4.9
In-process research and development	15.5	—	15.5	n/a
Order backlog	14.0	(8.9)	5.1	0.4
Trade name and trademarks	3.0	(1.6)	1.4	0.6
Total intangible assets	<u>\$ 1,270.4</u>	<u>\$ (652.9)</u>	<u>\$ 617.5</u>	

The following table presents details of amortization for the periods presented (*in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Cost of sales	\$ 22.5	\$ 18.0
Research and development	0.4	0.3
Selling, general and administrative	18.8	10.7
Total amortization of intangibles	<u>\$ 41.7</u>	<u>\$ 29.0</u>

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

Based on the carrying amount of our acquired intangible assets except in-process research and development as of September 28, 2024, and assuming no future impairment of the underlying assets, the estimated future amortization is as follows (*in millions*):

**Fiscal Years**

Remainder of 2025	\$	107.6
2026		133.3
2027		121.0
2028		81.5
2029		51.8
Thereafter		65.1
Total future amortization	\$	<u>560.3</u>

**Note 9. Debt**

**Convertible Notes**

*2029 Notes*

On June 16, 2023, we issued \$603.7 million in aggregate principal amount of 1.50% Convertible Senior Notes due in 2029 ("2029 Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2029 Notes are governed by an indenture between the Company and U.S. Bank Trust Company, National Association, (as successor in interest to U.S. Bank National Association), as a trustee (the "2029 Indenture"). The 2029 Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us.

The net proceeds from the sale of the 2029 Notes was \$ 599.4 million, after deducting \$4.3 million of net issuance costs. In addition, we incurred \$0.8 million of professional fees directly related to this transaction. Concurrent with the issuance of the 2029 Notes, we used \$ 132.8 million of the net proceeds to repurchase \$125.0 million aggregate principal amount of the 2024 Notes and \$ 125.0 million of the net proceeds to repurchase our common stock in privately negotiated transactions. We intend to use the remaining net proceeds for general corporate purposes, which may include the repayment of our indebtedness, including any of our existing convertible notes, capital expenditures, working capital and potential acquisitions.

The 2029 Notes bear interest at a rate of 1.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The 2029 Notes will mature on December 15, 2029, unless earlier redeemed, repurchased by us, or converted pursuant to their terms.

The initial conversion rate is 14.3808 shares of common stock per \$1,000 principal amount of the 2029 Notes (which is equivalent to an initial conversion price of approximately \$69.54 per share). The conversion rate is subject to adjustment upon the occurrence of certain events specified in the 2029 Indenture but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change or our issuance of a notice of redemption, we will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert the 2029 Notes in connection with such make-whole fundamental change or notice of redemption.

Prior to the close of business on the business day immediately preceding September 15, 2029, holders of the 2029 Notes may convert their 2029 Notes only under the following circumstances:

- during any fiscal quarter commencing after September 30, 2023 (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period (the "2029 measurement period") in which the trading price per \$1,000 principal amount of 2029 Notes for each trading day of the 2029 measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day;

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

- if we call any or all of the 2029 Notes for redemption, at any time prior to the close of business on the second business day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events as specified in the 2029 Indenture.

On or after September 15, 2029 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2029 Notes at any time. Following our irrevocable settlement method election made on September 25, 2024, upon conversion, we are required to satisfy our conversion obligation with respect to such converted 2029 Notes by delivering cash equal to the principal amount of such converted 2029 Notes and cash, shares of common stock or a combination of cash and shares of common stock, at our election, with respect to any conversion value in excess thereof.

We may redeem for cash all or any portion of the 2029 Notes, at our option (subject to the partial redemption limitation set forth in the 2029 Indenture), on or after June 22, 2026, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the 2029 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2029 Notes. If we elect to redeem fewer than all of the outstanding 2029 Notes, at least \$100.0 million aggregate principal amount of the 2029 Notes must be outstanding and not subject to redemption as of the redemption notice date. Upon the occurrence of a fundamental change (as defined in the 2029 Indenture), holders may require us to repurchase all or a portion of their 2029 Notes for cash at a price equal to 100% of the principal amount of the 2029 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The entire 2029 Notes are recorded as convertible notes, non-current in our consolidated balance sheets as of September 28, 2024 and June 29, 2024, measured at amortized cost.

**2028 Notes**

In March 2022, we issued \$861.0 million in aggregate principal amount of 0.50% Convertible Senior Notes due in 2028 (the "2028 Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The 2028 Notes are governed by an indenture between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as trustee (the "2028 Indenture"). The 2028 Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us.

The net proceeds from the sale of the 2028 Notes was \$854.8 million, after deducting \$6.2 million in issuance costs. In addition, we incurred \$0.7 million in professional fees in connection with this transaction. Concurrent with the issuance of the 2028 Notes, we used \$ 200.0 million of the net proceeds to repurchase our common stock in privately negotiated transactions.

The 2028 Notes bear interest at a rate of 0.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The 2028 Notes will mature on June 15, 2028, unless earlier redeemed, repurchased by us, or converted pursuant to their terms.

The initial conversion rate is 7.6319 shares of common stock per \$1,000 principal amount of the 2028 Notes (which is equivalent to an initial conversion price of approximately \$131.03 per share). The conversion rate is subject to adjustment upon the occurrence of certain specified events, but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the 2028 Indenture) or our issuance of a notice of redemption, we will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert the 2028 Notes in connection with such make-whole fundamental change or notice of redemption.

Prior to the close of business on the business day immediately preceding March 15, 2028, holders of the 2028 Notes may convert their 2028 Notes only under the following circumstances:

- during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price, or \$ 170.34, on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period (the "measurement period") in which the trading price per \$1,000 principal amount of the 2028 Notes for each trading day of such

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such trading day;

- if the Company calls any or all of the 2028 Notes for redemption, at any time prior to the close of business on the second business day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events, as specified in the 2028 Indenture.

On or after March 15, 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2028 Notes at any time. Following our irrevocable settlement method election made on September 25, 2024, upon conversion, we are required to satisfy our conversion obligation with respect to such converted 2028 Notes by delivering cash equal to the principal amount of such converted 2028 Notes and cash, shares of common stock or a combination of cash and shares of common stock, at our election, with respect to any conversion value in excess thereof.

We may redeem for cash all or any portion of the 2028 Notes, at our option (subject to the partial redemption limitation set forth in the 2028 Indenture), on or after June 20, 2025, if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2028 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2028 Notes. If we elect to redeem fewer than all of the outstanding 2028 Notes, at least \$100.0 million aggregate principal amount of the 2028 Notes must be outstanding and not subject to redemption as of the redemption notice date. Upon the occurrence of a fundamental change (as defined in the 2028 Indenture), holders may require the Company to repurchase all or a portion of their 2028 Notes for cash at a price equal to 100% of the principal amount of the 2028 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We initially bifurcated the principal amount of the 2028 Notes into liability and equity components. The liability component of the 2028 Notes was initially valued at \$629.8 million based on the contractual cash flow discounted at an appropriate comparable market on non-convertible debt borrowing rate at the date of issuance, which was 5.7%, with the equity component representing the residual amount of the proceeds of \$231.2 million, which was recorded as a debt discount. Upon adoption of ASU 2020-06 in the first quarter of fiscal 2023, our 2028 Notes were accounted for as a single liability measured at amortized cost. The entire 2028 Notes are recorded as convertible notes, non-current in our consolidated balance sheets as of September 28, 2024 and June 29, 2024, measured at amortized cost.

*2026 Notes*

In December 2019, we issued \$1,050.0 million in aggregate principal amount of 0.50% Convertible Senior Notes due in 2026 (the "2026 Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2026 Notes are governed by an indenture between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association, as trustee (as supplemented by the First Supplemental Indenture, dated as of September 25, 2024, the "2026 Indenture"). We used approximately \$196.0 million of the net proceeds of the offering to repay in full all amounts outstanding under our term loan credit facility, and a portion of the net proceeds of the offering to purchase approximately \$200.0 million of our common stock concurrently with the pricing of the offering in privately negotiated transactions. The 2026 Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us.

The 2026 Notes bear interest at a rate of 0.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The 2026 Notes will mature on December 15, 2026, unless earlier redeemed, repurchased by us, or converted pursuant to their terms.

The initial conversion rate is 10.0711 shares of common stock per \$1,000 principal amount of the 2026 Notes (which is equivalent to an initial conversion price of approximately \$99.29 per share). The conversion rate is subject to adjustment upon the occurrence of certain events specified in the 2026 Indenture but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the 2026 Indenture) or our issuance of a notice of redemption, we will, in certain circumstances, increase the conversion rate by a number of additional shares set forth in the 2026 Indenture or a holder that elects to convert the 2026 Notes in connection with such make-whole fundamental change or notice of redemption.



**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

Prior to the close of business on the business day immediately preceding September 15, 2026, holders of the 2026 Notes may convert their 2026 Notes only under the following circumstances:

- during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the 2026 Notes, or \$ 129.08 on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period (the “2026 measurement period”) in which the trading price per \$1,000 principal amount of the 2026 Notes for each trading day of the 2026 measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate for the 2026 Notes on each such trading day;
- if we call any or all of the 2026 Notes for redemption, at any time prior to the close of business on the second business day immediately preceding the relevant redemption date; or
- upon the occurrence of specified corporate events.

On or after September 15, 2026 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2026 Notes at any time. Following our entry into the First Supplemental Indenture, dated as of September 25, 2024, to the 2026 Indenture, upon conversion, we are required to satisfy our conversion obligation with respect to such converted 2026 Notes by delivering cash equal to the principal amount of such converted 2026 Notes and cash, shares of common stock or a combination of cash and shares of common stock, at our election, with respect to any conversion value in excess thereof.

We may redeem for cash, all or any portion of the 2026 Notes, at our option, on or after December 20, 2023, if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading-day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide a notice of redemption at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2026 Notes. Upon the occurrence of a fundamental change (as defined in the 2026 Indenture), holders may require us to repurchase all or a portion of the 2026 Notes for cash at a price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We initially bifurcated the principal amount of the 2026 Notes into liability and equity components. The liability component of the 2026 Notes was initially valued at \$734.8 million based on the contractual cash flows discounted at an appropriate comparable market non-convertible debt borrowing rate at the date of issuance of 5.8% with the equity component representing the residual amount of the proceeds of \$ 315.2 million, which was recorded as a debt discount. Upon adoption of ASU 2020-06 in the first quarter of fiscal 2023, our 2026 Notes were accounted for as a single liability measured at amortized cost. The entire 2026 Notes are recorded as convertible notes, non-current in our consolidated balance sheets as of September 28, 2024 and June 29, 2024, measured at amortized cost.

#### *2024 Notes*

In March 2017, we issued \$450.0 million in aggregate principal amount of 0.25% convertible senior notes due in 2024 (the “2024 Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2024 Notes were governed by an indenture between the Company, as the issuer, and U.S. Bank Trust Company National Association (as successor in interest to U.S. Bank National Association), as trustee (the “2024 Indenture”). The 2024 Notes were unsecured and did not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by us.

The 2024 Notes bore interest at a rate of 0.25% per year. Interest on the 2024 Notes was payable semi-annually in arrears on March 15 and September 15 of each year. The 2024 Notes matured on March 15, 2024.

The initial conversion rate of the 2024 Notes was 16.4965 shares of common stock per \$1,000 principal amount of 2024 Notes, which was equivalent to an initial conversion price of approximately \$60.62 per share. The conversion rate was subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the 2024 Indenture) or our issuance of a notice of redemption, we were required to, in certain circumstances, increase the conversion rate by a number of additional

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

shares for a holder that elected to convert the 2024 Notes in connection with such make-whole fundamental change or notice of redemption.

Prior to the close of business on the business day immediately preceding December 15, 2023, each holder of the 2024 Notes was able to convert their 2024 Notes only under the following circumstances:

- during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter was greater than or equal to 130% of the applicable conversion price, or \$ 78.80 on each applicable trading day;
- during the five consecutive business day period after any five consecutive trading day period (the "2024 measurement period") in which the trading price per \$1,000 principal amount of 2024 Notes for each trading day of such 2024 measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate for the 2024 Notes on each such trading day; or
- upon the occurrence of specified corporate events.

On or after December 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders could convert their 2024 Notes at any time. In addition, upon the occurrence of a make-whole fundamental change (as defined in the 2024 Indenture), we were required to, in certain circumstances, increase the conversion rate by a number of additional shares set forth in the 2024 Indenture for a holder that elected to convert 2024 Notes in connection with such make-whole fundamental change.

We could not redeem the 2024 Notes prior to their maturity date and no sinking fund was provided for the 2024 Notes. Upon the occurrence of a fundamental change (as defined in the 2024 Indenture), holders could require us to repurchase all or a portion of their 2024 Notes for cash at a price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus any accrued and unpaid interest.

We considered the features embedded in the 2024 Notes other than the conversion feature, including the holders' put feature, our call feature, and the make-whole feature, and concluded that they are not required to be bifurcated and accounted for separately from the host debt instrument.

Prior to the Tax Matters Agreement settlement condition ("TMA settlement condition"), because we could only settle the 2024 Notes in cash, we determined that the conversion feature met the definition of a derivative liability. We separated the derivative liability from the host debt instrument based on the fair value of the derivative liability. As of the issuance date, March 8, 2017, the derivative liability fair value of \$129.9 million was calculated using the binomial valuation approach. The residual principal amount of the 2024 Notes of \$320.1 million before issuance costs was allocated to the debt component. We incurred approximately \$7.7 million in transaction costs in connection with the issuance of the 2024 Notes. These costs were allocated to the debt component and recognized as a debt discount. We amortized the debt discount, including both the initial value of the derivative liability and the transaction costs, over the term of the 2024 Notes using the effective interest method. The effective interest rate of the 2024 Notes was 5.4% per year.

During fiscal 2017, we satisfied the TMA settlement condition. As such, the value of the conversion option was no longer marked-to-market and was reclassified to additional paid-in capital within stockholders' equity on our condensed consolidated balance sheets. The value of the conversion option at the time of issuance was treated as an original issue discount for purposes of accounting for the debt component of the 2024 Notes. The debt component accreted up to the original amount over the term of the debt. The adoption of ASU 2020-06 did not change the presentation of the 2024 Notes, as the conversion feature associated with the 2024 Notes was classified within stockholders' equity.

Concurrent with the issuance of the 2029 Notes in June 2023, we used \$132.8 million of the net proceeds to repurchase \$125.0 million aggregate principal amount of the 2024 Notes, which we accounted for as an extinguishment of liability. \$13.5 million of the \$132.8 million repurchase price was allocated to the conversion feature of the repurchased 2024 Notes, representing the fair value of the conversion feature at the date of the repurchase, and was recognized as a reduction of the stockholders' equity. Additionally, since issuing the 2024 Notes, we converted a total of approximately \$1.9 million of principal amount of the 2024 Notes, with less than \$0.1 million of principle amount converted during the three months ended September 28, 2024.

On March 15, 2024, the 2024 Notes maturity date, we fully repaid the remaining principal amount of \$323.1 million. The

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

conversion feature previously classified within stockholder's equity was fully amortized as of the maturity date.

*Convertible Notes - Additional Disclosures*

On September 25, 2024, Lumentum entered into the First Supplemental Indenture to the 2029 Indenture, 2028 Indenture and 2026 Indenture, pursuant to which we irrevocably elected to settle the principal amounts of the 2029 Notes, 2028 Notes and 2026 Notes in cash. Any amounts due above the principal may be settled in cash, equity, or any combination thereof at the election of the Company.

Our convertible notes consisted of the following components as of the periods presented ( *in millions*):

<b>September 28, 2024</b>	<b>2026 Notes <sup>(1)</sup></b>	<b>2028 Notes <sup>(2)</sup></b>	<b>2029 Notes <sup>(3)</sup></b>	<b>Total</b>
Principal	\$ 1,050.0	\$ 861.0	\$ 603.7	\$ 2,514.7
Unamortized debt discount and debt issuance costs	(2.6)	(4.1)	(4.1)	(10.8)
Net carrying amount of the liability component	<u>\$ 1,047.4</u>	<u>\$ 856.9</u>	<u>\$ 599.6</u>	<u>\$ 2,503.9</u>

  

<b>June 29, 2024</b>	<b>2026 Notes <sup>(1)</sup></b>	<b>2028 Notes <sup>(2)</sup></b>	<b>2029 Notes <sup>(3)</sup></b>	<b>Total</b>
Principal	\$ 1,050.0	\$ 861.0	\$ 603.7	\$ 2,514.7
Unamortized debt discount and debt issuance costs	(2.8)	(4.4)	(4.3)	(11.5)
Net carrying amount of the liability component	<u>\$ 1,047.2</u>	<u>\$ 856.6</u>	<u>\$ 599.4</u>	<u>\$ 2,503.2</u>

<sup>(1)</sup> If the closing price of our stock exceeds \$129.08 (or 130% of the conversion price of \$99.29) for 20 of the last 30 trading days of any future fiscal quarter, our 2026 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our condensed consolidated balance sheet.

<sup>(2)</sup> If the closing price of our stock exceeds \$170.34 (or 130% of the conversion price of \$131.03) for 20 of the last 30 trading days of any future fiscal quarter, our 2028 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our condensed consolidated balance sheet.

<sup>(3)</sup> If the closing price of our stock exceeds \$90.40 (or 130% of the conversion price of \$69.54) for 20 of the last 30 trading days of any future quarter, the 2029 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our consolidated balance sheets.

The following table sets forth interest expense information related to the convertible notes for the periods presented ( *in millions*):

	<b>Three Months Ended</b>	
	<b>September 28, 2024</b>	<b>September 30, 2023</b>
Contractual interest expense	\$ 4.7	\$ 4.8
Amortization of the debt discount and debt issuance costs	0.7	4.9
Total interest expense	<u>\$ 5.4</u>	<u>\$ 9.7</u>

The future interest and principal payments related to our convertible notes are as follows as of September 28, 2024 ( *in millions*):

<b>Fiscal Years</b>	<b>2026 Notes</b>	<b>2028 Notes</b>	<b>2029 Notes</b>	<b>Total</b>
2025	\$ 5.3	\$ 4.3	\$ 9.1	\$ 18.7
2026	5.3	4.3	9.1	18.7
2027	1,052.5	4.3	9.1	1,065.9
2028	—	865.3	9.1	874.4
2029	—	—	617.1	617.1
Total payments	<u>\$ 1,063.1</u>	<u>\$ 878.2</u>	<u>\$ 653.5</u>	<u>\$ 2,594.8</u>

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

The principal balances of our convertible notes are reflected in the payment periods in the table above based on their respective contractual maturities.

**Term Loans**

*SMBC Term Loan*

On August 9, 2024, the Company entered into a term loan agreement with Sumitomo Mitsui Banking Corporation ("SMBC"). The SMBC term loan provides an aggregate principal amount of 6.4 billion Japanese yen ("JPY"). The loan requires monthly payments of the principal amounting to approximately 53.3 million JPY, which commenced on August 31, 2024 totaling approximately 3.1 billion JPY and interest based on a fixed annual interest rate of 0.88%, with the remaining principal of approximately 3.3 billion JPY due on the loan maturity date of July 31, 2029. Under the loan agreement, the Company cannot prepay the outstanding loan without SMBC's approval. In the event the Company prepays the outstanding loan with SMBC's approval, the Company shall pay SMBC settlement money pursuant to the loan agreement. The term loan is secured by the real estate owned in Sagamihara, Japan.

As of September 28, 2024, the Company has \$44.5 million in principal amount outstanding, of which the short-term portion of \$4.5 million is recorded as current liabilities while the long-term portion of \$40.0 million is recorded as long-term debt in the Company's condensed consolidated balance sheets.

*Mizuho Term Loan*

On September 20, 2024, the Company entered into a loan agreement with Mizuho Bank, Ltd. (the "Mizuho Term Loan"), in order to finance our planned manufacturing expansions. The Mizuho Term Loan provides for borrowings of 4.5 billion JPY with a 5-year term from the funding date September 20, 2024. The loan requires quarterly principal payments of approximately 225.0 million JPY commencing on December 20, 2024 with the final payment on September 20, 2029. The Mizuho Term Loan bears a fixed annual interest rate of 0.90%. The term loan is secured by the real estate assets owned by NeoPhotonics Semiconductor GK. The Mizuho Term Loan agreement requires that the Company and certain domestic subsidiaries comply with covenants relating to customary matters, including obtaining prior approval from lender in case of transferring, creating a security interest, or disposing the collateral assets; obtaining prior approval from lender in case of business transfer, business acquisition, corporate reorganization or changes as mergers, company splits, share exchanges or share transfers or capital structure changes; obtaining prior approval of the lender in case Lumentum Holdings Inc. changes its indirect ownership in Lumentum Japan, Inc; and obtaining prior approval from the lender in case Lumentum Japan, Inc. distributes dividends to its shareholders.

As of September 28, 2024, the Company has \$31.6 million in principal amount outstanding, of which the short-term portion of \$6.3 million is recorded as current liabilities while the long-term portion of \$25.3 million is recorded as long-term debt in the Company's condensed consolidated balance sheets.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Note 10. Accumulated Other Comprehensive Income (Loss)**

Our accumulated other comprehensive income (loss), net of tax, consists of the accumulated net unrealized gains or losses on foreign currency translation adjustments, the defined benefit obligations and available-for-sale securities.

The changes in accumulated other comprehensive income (loss), net of tax, were as follows for the periods as presented ( *in millions*):

	Foreign Currency Translation Adjustments, Net of Tax <sup>(1)</sup>	Defined Benefit Obligations, Net of Tax <sup>(2)</sup>	Unrealized Gain (Loss) on Available-for-Sale Securities, Net of Tax <sup>(3)</sup>	Total
Beginning balance as of June 29, 2024	\$ 9.8	\$ 0.7	\$ (1.2)	\$ 9.3
Other comprehensive gain (loss), net	—	—	2.3	2.3
Ending balance as of September 28, 2024	\$ 9.8	\$ 0.7	\$ 1.1	\$ 11.6

	Foreign Currency Translation Adjustments, Net of Tax <sup>(1)</sup>	Defined Benefit Obligations, Net of Tax <sup>(2)</sup>	Unrealized Gain (Loss) on Available-for-Sale Securities, Net of Tax <sup>(3)</sup>	Total
Beginning balance as of July 1, 2023	\$ 10.4	\$ (0.4)	\$ (5.9)	\$ 4.1
Other comprehensive gain (loss), net	(0.2)	—	1.3	1.1
Ending balance as of September 30, 2023	\$ 10.2	\$ (0.4)	\$ (4.6)	\$ 5.2

<sup>(1)</sup> In fiscal 2019, we established the functional currency for our worldwide operations as the U.S. dollar. Translation adjustments reported prior to December 10, 2018 remain as a component of accumulated other comprehensive income (loss) in our condensed consolidated balance sheets, until all or a part of the investment in the subsidiaries is sold or liquidated. In fiscal 2023, we acquired IPG telecom transmission product lines. The functional currency of the Brazilian entities acquired as part of this acquisition is the local currency.

<sup>(2)</sup> We re-evaluate the assumptions related to the fair value of our defined benefit obligations annually in the fiscal fourth quarter and make any updates as necessary.

<sup>(3)</sup> For the three months ended September 28, 2024, our unrealized loss on available-for-sale securities is presented net of tax of nil.

For the three months ended September 30, 2023, our unrealized loss on available-for-sale securities is presented net of tax of \$0.4 million.

**Note 11. Restructuring and Related Charges**

We have initiated various strategic restructuring actions primarily to reduce costs, consolidate our operations, rationalize the manufacturing of our products and align our business in response to market conditions and as a result of our acquisitions.

The following table summarizes activities of restructuring and related charges for the periods as presented ( *in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Balance as of beginning of period	\$ 11.1	\$ 5.0
Charges	9.7	11.0
Payments and other adjustments	(14.5)	(6.7)
Balance as of end of period	\$ 6.3	\$ 9.3

During the three months ended September 28, 2024, we recorded restructuring and related charges of \$ 9.7 million, which includes \$6.0 million of asset write-offs primarily due to integration efforts to consolidate our sites, \$3.0 million of charges related to the discontinuation of our in-house development of coherent DSPs and RFICs and the remaining restructuring charges due to company-wide cost reduction initiatives.

During the three months ended September 30, 2023, we recorded restructuring and related charges of \$ 11.0 million in our

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

condensed consolidated statements of operations, which were primarily due to company-wide cost reduction initiatives, as well as our integration efforts as a result of the merger with NeoPhotonics.

Any changes in the estimates of executing our restructuring activities will be reflected in our future results of operations.

**Note 12. Income Taxes**

Our tax provision for interim periods has generally been determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that arise during the period. However, when a reliable estimate cannot be made, the actual tax or benefit applicable may be reported as a discrete item in the interim period. For the three months ended September 28, 2024, we concluded that the use of the cut-off tax rate method was more appropriate than the annual effective tax rate method, because the estimated annual effective tax rate is not reliable due to its sensitivity to minimal changes in forecasted annual pre-tax earnings. As a result, we have computed our tax provision using the discrete method as though the three-month period was the annual period.

We recorded a tax provision of \$3.2 million for the three months ended September 28, 2024. Our tax provision for the three months ended September 28, 2024 is primarily related to the tax expense associated with interest on uncertain tax positions, partially offset by the tax benefit from currency re-measurements.

We recorded a tax benefit of \$1.4 million for the three months ended September 30, 2023. Our tax provision for the three months ended September 30, 2023 includes a discrete tax benefit of \$1.8 million primarily related to the tax benefit from changes in prior year uncertain tax positions, partially offset by the tax expenses related to a shortfall in connection with stock-based compensation vested during the quarter and foreign return to provision differences.

Our estimated effective tax rate for the three months ended September 28, 2024 differs from the 21% U.S. statutory rate primarily due to the income tax expense from foreign rate differential, non-deductible stock-based compensation, uncertain tax positions, and current year valuation allowance changes, partially offset by the income tax benefit from various income tax credits.

We regularly assess our ability to realize our deferred tax assets on a quarterly basis and will establish a valuation allowance if it is more-likely-than-not that some portion of the deferred tax assets will not be realized. As of September 28, 2024, we maintain a full valuation allowance on U.S. federal and state and certain foreign deferred tax assets. We will continue to assess the need for a valuation allowance against our remaining deferred tax assets and may increase or decrease our valuation allowance materially in the future.

As of September 28, 2024, we had \$94.4 million of unrecognized tax benefits, which, if recognized, would affect the effective tax rate. We are subject to examination of income tax returns by various domestic and foreign tax authorities. The timing of resolution and closure of these tax examinations is highly unpredictable. Although it is possible that certain ongoing tax examinations may be concluded within the next 12 months, we cannot reasonably estimate the impact to tax expense and net income from tax examinations that could be resolved or closed within the next 12 months. Subject to audit timing and uncertainty, we expect the amount of unrecognized tax benefit that would become recognized due to expiration of the statute of limitations and affect the effective tax rate to decrease by \$3.7 million over the next 12 months.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Note 13. Equity**

**Description of Lumentum Stock-Based Compensation Plans**

*Equity Incentive Plan*

On November 17, 2023, our stockholders approved amendments to the Amended and Restated Equity Incentive Plan (the “2015 Plan”) to increase the number of shares of common stock reserved for issuance by an additional 3.0 million shares.

As of September 28, 2024, we had 5.8 million shares subject to stock options, restricted stock units, restricted stock awards, and performance stock units issued and outstanding under the 2015 Plan. Restricted stock units, restricted stock awards, and performance stock units are performance-based, time-based or a combination of both and are expected to vest within four years. The fair value of these grants is based on the closing market price of our common stock on the date of grant. The exercise price for stock options is equal to the fair value of the underlying stock at the date of grant. We issue new shares of common stock upon exercise of stock options. Options generally have vesting period of three years. As of September 28, 2024, 2.1 million shares of common stock under the 2015 Plan were available for grant.

On November 28, 2023 we adopted and assumed the Cloud Light Share Option Scheme (the “Cloud Light Scheme”) in connection with the Cloud Light acquisition and we have reserved a total of 1.5 million shares of common stock for issuance thereunder, of which 1.1 million options was granted at the acquisition date.

*Stock Options*

In connection with the acquisition of Cloud Light, each of Cloud Light’s outstanding options was exchanged for a combination of cash and options to acquire Lumentum common stock having equivalent value (the “replacement options”) using an exchange ratio of 0.04375 according to the terms in the Merger Agreement. At the acquisition Closing date, the replacement options consisted of 1.1 million options with a weighted average grant date fair value of \$34.63. These replacement options have a total fair value of \$38.9 million as of the Closing date, of which \$23.5 million attributed to pre-acquisition service was recorded as part of purchase price consideration and the remaining \$15.4 million will be recorded as post-acquisition stock-based compensation expense over the vesting period of three years from the acquisition Closing date. Refer to “Note 4. Business Combinations.”

We estimate the fair value of the replacement options on the date of grant using the Black-Scholes option-pricing model. The assumptions used to estimate the fair value of the replacement options are as follows:

	At the Acquisition Date
Expected terms (years)	3.0
Expected volatility	45.0 %
Risk-free interest rate	5.0 %
Dividend yield	— %

*Restricted Stock Units*

Restricted stock units (“RSUs”) under the 2015 Plan are grants of shares of our common stock, the vesting of which is based on the requisite service requirement. Generally, our RSUs are subject to forfeiture and are expected to vest within four years. For annual grants to existing employees, RSUs generally vest ratably on an annual basis, or combination of annual and quarterly basis, over three years.

During the three months ended September 28, 2024, our board of directors approved grants of 1.5 million RSUs, which primarily vest over three years.

*Performance Stock Units*

Performance stock units (“PSUs”) under the 2015 Plan are grants of shares of our common stock that vest upon the achievement of certain performance and service conditions. We begin recognizing compensation expense when we conclude that it is probable that the performance conditions will be achieved. We reassess the probability of vesting at each reporting period and adjust our compensation cost based on this probability assessment. Our PSUs are subject to risk of forfeiture until performance and service conditions are satisfied and generally vest within three years.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

During the three months ended September 28, 2024, we granted 0.7 million PSUs with an aggregate grant date fair value of \$39.8 million to executive and non-executive employees as part of our revised Annual Incentive Plan. These PSUs are subject to performance targets and service conditions, with a vesting period of one year. We also granted 0.3 million PSUs with an aggregate grant date fair value of \$19.1 million to certain executive officers and senior management. These PSUs will vest subject to the achievement of revenue targets and certain non-financial performance measurements, as well as service conditions, over three years.

*Employee Stock Purchase Plan*

Our 2015 Purchase Plan provides eligible employees with the opportunity to acquire an ownership interest in the Company through periodic payroll deductions and provides a 15% purchase price discount as well as a 6-month look-back period. The 2015 Purchase Plan is structured as a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended. The 2015 Purchase Plan will terminate upon the date on which all shares available for issuance have been sold. Of the 3.0 million shares authorized under the 2015 Purchase Plan, 0.7 million shares remained available for issuance as of September 28, 2024.

**Stock-Based Compensation**

The impact on our results of operations of recording stock-based compensation by function for the periods presented was as follows *(in millions)*:

	Three Months Ended	
	September 28, 2024	September 30, 2023
Cost of sales	\$ 9.7	\$ 6.0
Research and development	9.3	10.3
Selling, general and administrative	16.6	15.8
Total stock-based compensation	<u>\$ 35.6</u>	<u>\$ 32.1</u>

During the three months ended September 28, 2024 and September 30, 2023, we recorded \$7.3 million and \$4.7 million of stock-based compensation related to PSUs, respectively. The amount of stock-based compensation expense recognized in any one period related to PSUs can vary based on the achievement or anticipated achievement of the performance conditions. If the performance conditions are not met or not expected to be met, no compensation cost would be recognized on the underlying PSUs, and any previously recognized compensation expense related to those PSUs would be reversed.

Total income tax benefit associated with stock-based compensation recognized in our condensed consolidated statements of operations during the periods presented was as follows *(in millions)*:

	Three Months Ended	
	September 28, 2024	September 30, 2023
Income tax benefit associated with stock-based compensation	\$ 1.4	\$ 1.9

Approximately \$12.7 million and \$14.4 million of stock-based compensation was capitalized to inventory as of September 28, 2024 and June 29, 2024, respectively.

As of September 28, 2024, \$177.6 million of stock-based compensation cost related to RSU awards remains to be amortized, which is expected to be recognized over an estimated amortization period of 2.0 years.



**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Stock Award Activity**

The following table summarizes our award activities for the three months ended September 28, 2024 *(in millions)*:

	Stock Options		Restricted Stock Units		Performance Stock Units	
	Number of Shares	Weighted- Average Exercise Price per Share	Number of Shares	Weighted- Average Grant Date Fair Value per Share	Number of Shares	Weighted- Average Grant Date Fair Value per Share
Balance as of June 29, 2024	1.1	\$ 34.6	2.7	\$ 62.5	0.9	\$ 65.5
Granted	—	—	1.5	56.3	1.0	56.4
Vested/Exercised	(0.1)	7.7	(0.8)	65.1	(0.1)	85.8
Canceled	—	—	(0.1)	63.2	(0.3)	61.7
Balance as of September 28, 2024	1.0	\$ 34.6	3.3	\$ 58.9	1.5	\$ 59.6

A summary of awards available for grant is as follows *(in millions)*:

	Awards Available for Grant
Balance as of June 29, 2024	4.3
Authorized	—
Granted	(2.6)
Canceled	0.4
Balance as of September 28, 2024	2.1

**Employee Stock Purchase Plan Activity**

The 2015 Purchase Plan expense for the three months ended September 28, 2024 was \$ 1.2 million. The 2015 Purchase Plan expense for the three months ended September 30, 2023 was \$1.2 million. The expense related to the 2015 Purchase Plan is recorded on a straight-line basis over the relevant subscription period.

During the three months ended September 28, 2024 and the three months ended September 30, 2023, there were no shares issued to employees through the 2015 Purchase Plan.

**Repurchase and Retirement of Common Stock**

*Share Buyback Program*

We have a share buyback program that authorizes us to utilize up to an aggregate amount of \$ 1.2 billion to purchase our own shares of common stock through May 2025. During the three months ended September 28, 2024 and September 30, 2023, we did not repurchase any shares of our common stock. Since the board of directors initially approved the share buyback program, we have repurchased 7.7 million shares in aggregate at an average price of \$81.66 per share for a total purchase price of \$ 630.4 million. We recorded the \$630.4 million aggregate purchase price as a reduction of retained earnings within our condensed consolidated balance sheet and immediately retired all repurchased shares. As of September 28, 2024, we have \$569.6 million remaining under the share buyback program.

The price, timing, amount, and method of future repurchases will be determined based on the valuation of market conditions and other factors, at prices determined to be attractive and in the best interests of both the Company and our stockholders. The stock repurchase program may be suspended or terminated at any time.

**Note 14. Commitments and Contingencies**

**Purchase Obligations**

Our purchase obligations of \$589.2 million as of September 28, 2024 represent legally binding commitments to purchase inventory and other commitments made in the normal course of business to meet operational requirements. Although open purchase orders are considered enforceable and legally binding, the terms generally allow the option to cancel, reschedule and

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

adjust the requirements based on our business needs prior to the delivery of goods or performance of services. Obligations to purchase inventory and other commitments are generally expected to be fulfilled within one year.

We depend on a limited number of contract manufacturers, subcontractors and suppliers for raw materials, packages and standard components. We generally purchase these single or limited source products through standard purchase orders or one-year supply agreements and have no significant long-term guaranteed supply agreements with these vendors. While we seek to maintain a sufficient safety stock of such products and maintain on-going communications with our suppliers to guard against interruptions or cessation of supply, our business and results of operations could be adversely affected by a stoppage or delay of supply, substitution of more expensive or less reliable products, receipt of defective parts or contaminated materials, increases in the price of such supplies, or our inability to obtain reduced pricing from our suppliers in response to competitive pressures.

#### Product Warranties

We provide reserves for the estimated costs of product warranties at the time revenue is recognized. We typically offer a twelve-month warranty for most of our products. However, in some instances depending upon the product, product components or application of our products by the end customer, our warranties can vary and generally range from six months to five years. We estimate the costs of our warranty obligations on an annualized basis based on our historical experience of known product failure rates, use of materials to repair or replace defective products, and service delivery costs incurred in correcting product failures. In addition, from time-to-time, specific warranty accruals may be made if unforeseen technical problems arise with specific products. We assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

The following table presents the changes in our warranty reserve for the periods presented ( *in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Balance as of beginning of period	\$ 13.2	\$ 6.8
Warranties assumed in Cloud Light acquisition	0.8	—
Provision for warranty	2.4	0.2
Utilization of reserve, net	(3.2)	(1.5)
Balance as of end of period	<u>\$ 13.2</u>	<u>\$ 5.5</u>

#### Environmental Liabilities

Our research and development, manufacturing and distribution operations involve the use of hazardous substances and are regulated under international, federal, state and local laws governing health and safety and the environment. We apply strict standards for protection of the environment and occupational health and safety to sites inside and outside the United States, even if not subject to regulations imposed by foreign governments. We believe that our properties and operations at our facilities comply in all material respects with applicable environmental laws and occupational health and safety laws. However, the risk of environmental liabilities cannot be completely eliminated and there can be no assurance that the application of environmental and health and safety laws will not require us to incur significant expenditures. We are also regulated under a number of international, federal, state and local laws regarding recycling, product packaging and product content requirements. The environmental and product content/disposal and recycling laws are gradually becoming more stringent and may cause us to incur significant expenditures in the future.

#### Legal Proceedings

We are subject to a variety of claims and suits that arise from time-to-time in the ordinary course of our business. While management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our financial position, results of operations or statements of cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. We accrue for loss contingencies when it is both probable that we will incur the loss and when we can reasonably estimate the amount of the loss or range of loss. During the year ended June 29, 2024, we recorded \$7.8 million with respect to the pending settlement of certain non-ordinary course litigation matters which has been settled as of September 28, 2024.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

*Oclaro Merger Litigation*

In connection with our acquisition of Oclaro in 2018, seven lawsuits were filed by purported stockholders of Oclaro challenging the proposed merger (the "Merger"). All but one was voluntarily dismissed after the Oclaro Merger closed. The remaining lawsuit, *SaiSravan B. Karri v. Oclaro, Inc., et al.*, No. 3:18-cv-03435-JD (the "Karri Lawsuit"), was filed in the United States District Court for the Northern District of California and was styled as a class action.

The Karri Lawsuit alleged, among other things, that Oclaro and its directors violated Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-9 promulgated thereunder by disseminating an incomplete and misleading Form S-4, including proxy statement/prospectus. The Karri Lawsuit further alleged that Oclaro's directors violated Section 20(a) of the Exchange Act by failing to exercise proper control over the person(s) who violated Section 14(a) of the Exchange Act. The plaintiff in the Karri Lawsuit sought, among other things, damages to be awarded to the plaintiff and any class, if a class is certified, and litigation costs, including attorneys' fees.

The case proceeded through fact and expert discovery and the parties subsequently reached an agreement for a class-wide settlement of the Karri Lawsuit that provided for a payment of \$15.3 million to the members of the class. On August 17, 2023, the court preliminarily approved the settlement. In March 2024, the court finally approved the settlement.

We recorded the court approved settlement amount of \$15.3 million as accrued expenses in our condensed consolidated balance sheet as of June 29, 2024, of which \$7.5 million represents the amount to be reimbursed by insurance and was recorded as prepayments and other current assets. As of September 28, 2024, this litigation matter has been settled.

Regulatory Matters

In August 2024, the Company received inquiries from the Bureau of Industry and Security of the U.S. Department of Commerce ("BIS") and Department of Justice ("DOJ") following the Company's voluntary disclosure to BIS in December 2023, and supplemented in April 2024. The Company continues to cooperate with both agencies on this matter. The Company is unable to predict the likely outcome of these matters.

Indemnifications

In the normal course of business, we enter into agreements that contain a variety of representations and warranties and provide for general indemnification. Exposure under these agreements is unknown, because claims may be made against us in the future, and we may record charges in the future as a result of these indemnification obligations. As of September 28, 2024, we did not have any material indemnification claims that were probable or reasonably possible.

Audit Proceedings

We are under audit by various domestic and foreign tax authorities with regards to income tax and indirect tax matters. In some, although not all cases, we have reserved for potential adjustments to our provision for income taxes and accrual of indirect taxes that may result from examinations by these tax authorities or final outcomes in judicial proceedings, and we believe that the final outcome of these examinations, agreements or judicial proceedings will not have a material effect on our results of operations. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of benefits in the period when we determine the liabilities are no longer necessary. If our estimates of the federal, state, and foreign income tax liabilities and indirect tax liabilities are less than the ultimate assessment, it could result in a further charge to expense.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Note 15. Operating Segments and Geographic Information**

Our chief executive officer is our Chief Operating Decision Maker ("CODM"). The CODM allocates resources to the segments based on their business prospects, competitive factors, segment net revenue and segment profit. The CODM regularly reviews operating results to make decisions about resources to be allocated to the segments and to assess their performance.

Segment profit includes operating expenses directly managed by operating segments, including research and development, and direct sales and marketing expenses. Segment profit does not include stock-based compensation, acquisition or integration related costs, amortization and impairment of acquisition-related intangible assets, restructuring and related charges, and certain other charges. Additionally, we do not allocate corporate marketing and strategic marketing expenses and general and administrative expenses, as these expenses are not directly attributable to our operating segments.

We do not track all of our property, plant and equipment by operating segments. The geographic identification of these assets is set forth below.

**Cloud & Networking**

Our Cloud & Networking products include comprehensive portfolio of optical and photonic chips, components, modules, and subsystems supplied to cloud data center operator, AI/ML infrastructure provider, and network equipment manufacturer customers who are building cloud data center and network infrastructures. Our products enable high-capacity optical links in cloud, AI/ML and DCI applications, and communications service provider networks, including products for access (local), metro (intracity), long-haul (city-to-city and worldwide) and submarine (undersea) network infrastructure. Our Cloud & Networking products also support network equipment manufacturers building enterprise network infrastructure, including SANs, LANs, and WANs. These products enable the transmission and transport of data, video, and audio over high-capacity fiber-optic cables. We maintain leading positions in these fast-growing cloud and networking markets through our extensive product portfolio, including high-speed optical components and transceivers, reconfigurable optical add/drop multiplexers ("ROADMs"), coherent dense wavelength division multiplexing ("DWDM") pluggable transceivers, and tunable small form-factor pluggable transceivers. Demand for our Cloud & Networking products is driven by the continual growth in network capacity required for cloud computing and services, including for AI/ML, streaming video and video conferencing, wireless and mobile services, and IoT.

**Industrial Tech**

Our Industrial Tech products include short pulse solid-state lasers, kilowatt-class fiber lasers, ultrafast lasers, diode lasers, and gas lasers, which address applications in numerous end-markets. In the consumer end-market, our laser light sources are integrated into our customers' 3D sensing cameras, which are used in mobile devices, payment kiosks, and other consumer electronics devices to enable applications including biometric identification, computational photography and virtual and augmented reality. In the automotive end-market, our lasers are used in our customers' LiDAR and other optical sensor devices, which are increasingly being used in advanced driver assistance systems ("ADAS") and in-cabin driver and occupant monitoring systems. In the industrial manufacturing end-market, our lasers are incorporated into our customers' manufacturing machine tools used for the precision processing of materials in a range of industries including semiconductor device and microelectronics fabrication, electric vehicle and battery production, metal cutting and welding, and advanced manufacturing. Our products can also be used in the industrial end-market in imaging and sensing systems for process feedback and control, quality assurance, and waste reduction. Adoption of our products in the industrial end-market is driven by the needs of customers to advance semiconductor and microelectronics industry roadmaps, and by Industry 4.0/5.0 trends, including increasing manufacturing precision and flexibility and reducing waste and environmental impact. Demand for our products in the industrial end-market is driven by end-customer investments in manufacturing capacity. Our lasers also address certain semiconductor inspection and life-science applications.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Reportable Segments**

The two operating segments, Cloud & Networking and Industrial Tech, also represent our two reportable segments. Our CODM allocates resources and evaluates segment performance based on segment revenue and segment profit. The following table summarizes segment profit and a reconciliation to the consolidated income (loss) before income taxes for the periods presented (*in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
<b>Net revenue:</b>		
Cloud & Networking	\$ 282.3	229.7
Industrial Tech	54.6	87.9
Net revenue	<u>\$ 336.9</u>	<u>\$ 317.6</u>
<b>Segment profit (loss):</b>		
Cloud & Networking	\$ 36.5	23.9
Industrial Tech	2.2	15.3
Total segment profit	38.7	39.2
<b>Unallocated corporate items:</b>		
Selling, general and administrative <sup>(1)</sup>	(28.7)	(28.6)
Stock-based compensation	(35.6)	(32.1)
Amortization of acquired intangibles	(41.7)	(29.0)
Acquisition related costs	—	(4.0)
Integration related costs	(3.4)	(11.3)
Restructuring and related charges	(9.7)	(11.0)
Intangible asset write-off	(1.9)	—
Other charges, net	(0.1)	(4.0)
Interest expense	(5.5)	(9.7)
Other income, net <sup>(2)</sup>	8.7	21.2
Consolidated loss before income taxes	<u>\$ (79.2)</u>	<u>\$ (69.3)</u>

<sup>(1)</sup> We do not allocate selling, general and administrative expenses that are not directly attributable to our operating segments.

<sup>(2)</sup> Other income, net for the three months ended September 28, 2024 includes interest and investment income of \$ 9.4 million, offset by foreign exchange and other gains, net of \$0.7 million.

Other income, net for the three months ended September 30, 2023 includes \$ 21.7 million of interest and investment income, offset by \$ 0.5 million of net foreign exchange losses.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**Concentrations**

We operate in three geographic regions: Americas, Asia-Pacific, and EMEA (Europe, Middle East, and Africa). Net revenue is assigned to the geographic region and country where our product is initially shipped. For example, certain customers may request shipment of our product to a contract manufacturer in one country, which may differ from the location of their end customers.

The following table presents net revenue by the three geographic regions we operate in and net revenue from countries that generally represented 10% or more of our total net revenue (*in millions, except percentage data*):

	Three Months Ended			
	September 28, 2024		September 30, 2023	
	Amount	% of Total	Amount	% of Total
<b>Net revenue:</b>				
<b>Americas:</b>				
United States	\$ 65.4	19.4 %	\$ 41.1	12.9 %
Mexico	33.9	10.0	23.7	7.5
Other Americas	2.9	0.9	1.2	0.4
Total Americas	\$ 102.2	30.3 %	\$ 66.0	20.8 %
<b>Asia-Pacific:</b>				
Hong Kong	\$ 88.7	26.4 %	\$ 64.9	20.4 %
South Korea	8.8	2.6	25.0	7.9
Japan	16.9	5.0	25.4	8.0
Thailand	52.5	15.6	64.2	20.2
Other Asia-Pacific	37.2	11.0	39.5	12.4
Total Asia-Pacific	\$ 204.1	60.6 %	\$ 219.0	68.9 %
<b>EMEA</b>	\$ 30.6	9.1 %	\$ 32.6	10.3 %
<b>Total net revenue</b>	<u>\$ 336.9</u>	<u>100.0 %</u>	<u>\$ 317.6</u>	<u>100.0 %</u>

During the three months ended September 28, 2024, two customers individually accounted for 15% and 12% of our total revenue, respectively. During the three months ended September 30, 2023, three customers individually accounted for 15%, 13% and 10% of our total net revenue, respectively. We had no other customers that represented 10% or greater of our total net revenue.

As of September 28, 2024, two customers individually accounted for 11% and 11% of gross accounts receivable, respectively. As of June 29, 2024, one customer individually accounted for 13% of gross accounts receivable. We had no other customers that represented 10% or greater of our gross accounts receivable.

**LUMENTUM HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

Long-lived assets, namely property, plant and equipment, net, were identified based on the physical location of the assets in the corresponding geographic areas as of the periods indicated (*in millions*):

	September 28, 2024	June 29, 2024
Property, plant and equipment, net		
United States	\$ 126.5	\$ 131.0
Thailand	147.2	141.0
Japan	129.8	75.7
United Kingdom	88.0	83.8
China	90.3	85.7
Other countries	56.6	55.3
Total property, plant and equipment, net	<u>\$ 638.4</u>	<u>\$ 572.5</u>

We purchase a portion of our inventory from contract manufacturers that are located primarily in Thailand, Taiwan, and Malaysia. During the three months ended September 28, 2024, our net inventory purchases from a single contract manufacturer that represented 10% or greater of our total net inventory purchases were concentrated with one contract manufacturer, who accounted for 27% of the total net inventory purchases. During the three months ended September 30, 2023, our net inventory purchases from a single contract manufacturer that represented 10% or greater of our total net inventory purchases were concentrated with one contract manufacturer, who accounted for 45% of the total net inventory purchases.

**Note 16. Revenue Recognition**

**Disaggregation of Revenue**

We disaggregate revenue by segment and by geography. We do not present other levels of disaggregation, such as by type of products, customer, markets, contracts, duration of contracts, timing of transfer of control and sales channels, as this information is not used by our CODM to manage the business.

The table below discloses our total net revenue attributable to each of our two reportable segments (*in millions, except percentage data*):

	Three Months Ended			
	September 28, 2024		September 30, 2023	
	Amount	% of Total	Amount	% of Total
Cloud & Networking	\$ 282.3	83.8 %	229.7	72.3 %
Industrial Tech	54.6	16.2 %	87.9	27.7 %
<b>Net revenue</b>	<u>\$ 336.9</u>	<u>100.0 %</u>	<u>\$ 317.6</u>	<u>100.0 %</u>

**Contract Balances**

The following table reflects the changes in contract balances for the periods presented (*in millions, except percentages*):

Contract balances	Balance sheet location	September 28, 2024	June 29, 2024	Change	Percentage Change
Accounts receivable, net	Accounts receivable, net	\$ 198.5	\$ 194.7	\$ 3.8	2.0 %
Deferred revenue and customer deposits	Other current liabilities	\$ 0.6	\$ 0.6	\$ —	— %

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion in conjunction with the unaudited condensed consolidated financial statements and the corresponding notes included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"). This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Please see "Risk Factors" and "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.*



## Forward-Looking Statements

This Quarterly Report contains 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 (the “Exchange Act”). These statements relate to, among other things, our markets and industry, products and strategy, the impact of export regulation changes, the expected benefits of our acquisitions, including Cloud Light and the ongoing integration of Cloud Light and NeoPhotonics, macroeconomic conditions, including supply chain conditions and inventory management by our customers, the effects of the COVID-19 pandemic, instability and uncertainty in the banking and financial services markets, and tightening credit markets on our business and results of operations, sales, gross margins, operating expenses, capital expenditures and requirements, liquidity, product development and research and development efforts, manufacturing plans, litigation, effective tax rates and tax reserves, our corporate and financial reporting structure, our plans for growth and innovation, our expectations regarding U.S.-China relations, market and regulatory conditions, trends and uncertainties in our business and financial results, and are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would,” “contemplate,” “believe,” “predict,” “potential” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management, which are in turn based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled “Risk Factors” included under Part II, Item 1A of this Quarterly Report. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

## Overview

We are an industry-leading provider of optical and photonic products defined by revenue and market share, essential to range of cloud, artificial intelligence and machine learning (“AI/ML”), telecommunications, consumer, and industrial end-market applications.

We have two operating segments, Cloud & Networking and Industrial Tech. The two operating segments were primarily determined based on how the Chief Operating Decision Maker (“CODM”) views and evaluates our operations. Operating results are regularly reviewed by the CODM to make decisions about resources to be allocated to the segments and to assess their performance. Other factors, including market separation and customer specific applications, go-to-market channels, products and manufacturing, are considered in determining the formation of these operating segments.

We believe the global markets in which Lumentum participates have fundamentally robust, long-term trends that will increase the need for our photonics products and technologies. We believe the world is becoming more reliant on ever-increasing amounts of data flowing through optical networks and data centers. Lumentum's products and technology enable the scaling of these optical networks and data centers to higher capacities. The advent of AI/ML has caused a dramatic surge in the growing demands on data networking in cloud data centers and accelerated the usage of optical components and modules. We expect that the accelerating shift to digital and virtual approaches to many aspects of work and life will continue into the future. Virtual meetings, video calls, and hybrid in-person and virtual environments for work and other aspects of life will continue to drive strong needs for bandwidth growth and present dynamic new challenges that our technology addresses. As manufacturers demand higher levels of precision, new materials, and factory and energy efficiency, suppliers of manufacturing tools globally are turning to laser-based approaches, including the types of lasers Lumentum supplies. Laser-based 3D sensing and LiDAR for security, industrial and automotive applications are rapidly developing markets. The technology enables computer vision applications that enhance security, safety, and new functionality in the electronic devices that people rely on every day. The use of LiDAR and in-cabin 3D sensing in automobile and delivery vehicles over time significantly adds to our long-term market opportunity. Additionally, we expect 3D-enabled machine vision solutions to expand significantly in industrial applications in the coming years.

To maintain and grow our market and technology leadership positions, we are continually investing in new and differentiated products and technologies and customer programs that address both nearer-term and longer-term growth opportunities, both organically and through acquisitions, as well as continually improving and optimizing our operations. Over many years, we have developed close relationships with market leading customers. We seek to use our core optical and photonic technology and our volume manufacturing capability to expand into attractive emerging markets that benefit from advantages that optical or photonics-based solutions provide.

### **Cloud & Networking**

Our Cloud & Networking products include comprehensive portfolio of optical and photonic chips, components, modules, and subsystems supplied to cloud data center operator, AI/ML infrastructure provider, and network equipment manufacturer customers who are building cloud data center and network infrastructures. Our products enable high-capacity optical links in cloud, AI/ML and DCI applications, and communications service provider networks, including products for access (local), metro (intracity), long-haul (city-to-city and worldwide) and submarine (undersea) network infrastructure. Our Cloud & Networking products also support network equipment manufacturers building enterprise network infrastructure, including SANs, LANs, and WANs. Demand for our Cloud & Networking products is driven by the continual growth in network capacity required for cloud computing and services, including for AI/ML, streaming video and video conferencing, wireless and mobile services, and IoT.

### **Industrial Tech**

Our Industrial Tech products include short pulse solid-state lasers, kilowatt-class fiber lasers, diode lasers, and gas lasers, which address applications in numerous end-markets. In the consumer end-market, our laser light sources are integrated into our customers' 3D sensing cameras, which are used in mobile devices, payment kiosks, and other consumer electronics devices to enable applications including biometric identification, computational photography and virtual and augmented reality. In the automotive end-market, our lasers are used in our customers' LiDAR and other optical sensor devices, which are increasingly being used in advanced driver assistance systems (“ADAS”) and in-cabin driver and occupant monitoring systems. In the industrial manufacturing end-market, our lasers are incorporated into our customers' manufacturing machine tools used for the precision processing of materials in a range of industries including semiconductor device and microelectronics fabrication, electric vehicle and battery production, metal cutting and welding, and advanced manufacturing. Our products can also be used in the industrial end-market in imaging and sensing systems for process feedback and control, quality assurance, and waste

reduction. Adoption of our products in the industrial end-market is driven by the needs of customers to advance semiconductor and microelectronics industry roadmaps, and by Industry 4.0/5.0 trends, including increasing manufacturing precision and flexibility and reducing waste and environmental impact. Demand for our products in the industrial end-market is driven by end-customer investments in manufacturing capacity. Our lasers also address certain semiconductor inspection and life-science applications.

#### **Acquisition of Cloud Light**

On November 7, 2023 (the "Cloud Light Closing Date"), we completed the acquisition of Cloud Light. Cloud Light designs, markets, and manufactures advanced optical modules for data center interconnect applications. The acquisition enables us to be well-positioned to serve the growing needs of cloud & networking customers, particularly those focused on optimizing their data center infrastructure for the demands of AI/ML. On the Cloud Light Closing Date, we paid \$705.0 million of total cash consideration to Cloud Light. Additionally, each of Cloud Light's outstanding options was exchanged for a combination of cash and options to acquire Lumentum common stock having equivalent value (the "replacement options"). These replacement options have a total fair value of \$38.9 million as of the Cloud Light Closing Date, of which \$23.5 million attributed to pre-acquisition service is recorded as part of purchase price consideration and the remaining \$15.4 million is recorded as post-acquisition stock-based compensation expense over the vesting period of three years from the Cloud Light Closing Date. We incurred a total of \$9.6 million of acquisition-related costs, representing professional and other direct acquisition costs, which was recorded as general and administrative expense in the consolidated statement of operations for the year ended June 29, 2024. Refer to "Note 4. Business Combinations" in the notes to condensed consolidated financial statements.

We evaluate strategic opportunities regularly and, where appropriate, may acquire additional businesses, products, or technologies that are complementary to, or broaden the markets for our products. We believe we have strengthened our business model by expanding our addressable markets, customer base and expertise, diversifying our product portfolio and fortifying our core businesses from acquisitions as well as through organic initiatives.

#### **Supply Chain and Inventory Management**

Our business and our customers' businesses were negatively impacted by worldwide logistics and supply chain issues during the COVID-19 pandemic, including constraints on available cargo capabilities and limited availability of once broadly available supplies of both raw materials and finished components. COVID-19 also created dynamics in the semiconductor component supply chains that have led to shortages of the types of components we and our customers require in our products. Although the supply chain constraints started to improve in the latter half of fiscal 2023, we felt its ongoing effects in fiscal 2024, as described below, and these constraints or effects may impact our ability to supply our products to our customers and may reduce our revenue and profit margin if they continue to reoccur. In addition, if our customers are unable to procure needed semiconductor components, their demand for our products will decrease. Due to the global supply chain constraints, we had to incur incremental supply and procurement costs in order to increase our ability to fulfill demands from our customers.

In addition, in response to component shortages, certain of our customers accumulated inventory that they began managing down in fiscal year 2024 as supply conditions improved. Accordingly, customer orders have declined in recent periods and certain customers have not taken the shipments we had originally projected due to their inventory management. As customers have been managing their inventory down, our revenue has declined and our margins have been adversely impacted as we have not able to fully recover costs, such as underutilized manufacturing capacity. However, we have recently seen signs of inventory normalization at network equipment manufacturers during the first fiscal quarter of 2025.

For more information on risks associated with supply chain constraints and customer inventory management, see the section titled "Risk Factors" in Item 1A of Part II of this report.

### **Critical Accounting Policies and Estimates**

Our condensed and consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as set forth in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC"). We also consider the various staff accounting bulletins and other applicable guidance issued by the United States Securities and Exchange Commission ("SEC"). GAAP, as set forth within the ASC, requires us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Inventory Valuation
- Revenue Recognition
- Income Taxes
- Business Combinations
- Goodwill and Intangible Assets - Impairment Assessment

Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended June 29, 2024 provides a complete discussion of our critical accounting policies and estimates. There have been no changes to these policies during the three months ended September 28, 2024.

### **Recently Issued Accounting Pronouncements**

Refer to "Note 2. Recently Issued Accounting Pronouncements" in the notes to condensed consolidated financial statements.

## Results of Operations

The results of operations for the periods presented are not necessarily indicative of results to be expected for future periods. The following table summarizes selected unaudited condensed consolidated statements of operations items as a percentage of net revenue:

	Three Months Ended	
	September 28, 2024	September 30, 2023
Segment net revenue:		
Cloud & Networking	83.8 %	72.3 %
Industrial Tech	16.2	27.7 %
Net revenue	100.0	100.0
Cost of sales	70.2	70.2
Amortization of acquired developed intangibles	6.7	5.7
Gross profit	23.1	24.1
Operating expenses:		
Research and development	22.1	23.1
Selling, general and administrative	22.6	23.0
Restructuring and related charges	2.9	3.5
Total operating expenses	47.6	49.6
Loss from operations	(24.5)	(25.4)
Interest expense	(1.6)	(3.0)
Other income, net	2.6	6.7
Loss before income taxes	(23.5)	(21.8)
Income tax provision (benefit)	0.9	(0.4)
Net loss	(24.5) %	(21.4) %

**Financial data for the three months ended September 28, 2024**

The following table summarizes selected unaudited condensed consolidated statements of operations items for the periods presented ( *in millions, except for percentages*):

	Three Months Ended			
	September 28, 2024	September 30, 2023	Change	Percentage Change
Segment net revenue:				
Cloud & Networking	\$ 282.3	229.7	\$ 52.6	22.9 %
Industrial Tech	54.6	87.9	(33.3)	(37.9) %
Net revenue	<u>\$ 336.9</u>	<u>\$ 317.6</u>	<u>\$ 19.3</u>	<u>6.1 %</u>
Gross profit	\$ 77.9	\$ 76.7	\$ 1.2	1.6 %
Gross margin	23.1 %	24.1 %		
Research and development	\$ 74.3	\$ 73.5	\$ 0.8	1.1 %
Percentage of net revenue	22.1 %	23.1 %		
Selling, general and administrative	\$ 76.3	\$ 73.0	\$ 3.3	4.5 %
Percentage of net revenue	22.6 %	23.0 %		
Restructuring and related charges	\$ 9.7	\$ 11.0	\$ (1.3)	(11.8) %
Percentage of net revenue	2.9 %	3.5 %		

### Net Revenue

Net revenue increased by \$19.3 million, or 6.1%, during the three months ended September 28, 2024 compared to the three months ended September 30, 2023, driven by a \$52.6 million increase in Cloud & Networking revenue offset by a \$33.3 million decrease in Industrial Tech revenue. The increase in Cloud & Networking net revenue is primarily due to higher revenue from cloud and AI/ML customers, which increased by \$71.0 million, inclusive of revenue from Cloud Light, which we acquired in the second quarter of fiscal 2024. This was partially offset by a reduction in shipments to a specific customer in China driven by U.S. trade restrictions. The decrease in Industrial Tech net revenue is primarily due to higher market competition in the consumer end-market, a reduction in demand due to declines in macro-economic factors globally year over year, and customers continuing to reduce high levels of inventory they purchased for security of supply during the COVID-19 pandemic.

During the three months ended September 28, 2024, two customers individually accounted for 15% and 12% of our total revenue, respectively. During the three months ended September 30, 2023, three customers individually accounted for 15%, 13% and 10% of our total net revenue, respectively. We had no other customers that represented 10% or greater of our total net revenue.

### Revenue by Region

We operate in three geographic regions: Americas, Asia-Pacific, and EMEA (Europe, Middle East, and Africa). Net revenue is assigned to the geographic region and country where our product is initially shipped. For example, certain customers may request shipment of our product to a contract manufacturer in one country, which may differ from the location of their end customers.

The following table presents net revenue by the three geographic regions we operate in and net revenue from countries that generally represented 10% or more of our total net revenue (*in millions, except percentage data*):

	Three Months Ended			
	September 28, 2024		September 30, 2023	
	Amount	% of Total	Amount	% of Total
<b>Net revenue:</b>				
<b>Americas:</b>				
United States	\$ 65.4	19.4 %	\$ 41.1	12.9 %
Mexico	33.9	10.0	23.7	7.5
Other Americas	2.9	0.9	1.2	0.4
Total Americas	\$ 102.2	30.3 %	\$ 66.0	20.8 %
<b>Asia-Pacific:</b>				
Hong Kong	\$ 88.7	26.4 %	\$ 64.9	20.4 %
South Korea	8.8	2.6	25.0	7.9
Japan	16.9	5.0	25.4	8.0
Thailand	52.5	15.6	64.2	20.2
Other Asia-Pacific	37.2	11.0	39.5	12.4
Total Asia-Pacific	\$ 204.1	60.6 %	\$ 219.0	68.9 %
<b>EMEA</b>	\$ 30.6	9.1 %	\$ 32.6	10.3 %
<b>Total net revenue</b>	<u>\$ 336.9</u>	<u>100.0 %</u>	<u>\$ 317.6</u>	<u>100.0 %</u>

For the three months ended September 28, 2024 and September 30, 2023, net revenue from customers outside the United States, based on customer shipping location, represented 80.6% and 87.1% of net revenue, respectively.

Our net revenue is primarily denominated in U.S. dollars, including our net revenue from customers outside the United States as presented above. We expect revenue from customers outside of the United States to continue to be an important part of our overall net revenue and an increasing focus for net revenue growth opportunities. However, regulatory and enforcement actions by the United States and other governmental agencies, as well as changes in tax and trade policies and tariffs, have impacted and may continue to impact net revenue from customers outside the United States.

#### **Gross Margin**

Gross margin for the three months ended September 28, 2024 decreased to 23.1% from 24.1% for the three months ended September 30, 2023. The 1% decrease was primarily due to less profitable mix of products, which impacted gross margin by 2%, mainly due to higher sales of laser chips and modules driven by AI and the cloud, which together have a lower than average margin compared to our other products. This was mostly offset by the impact of higher revenue. Gross margin was negatively impacted by approximately 4% due to lower factory utilization as a result of lower production levels, as customers continue to work to reduce their elevated inventory levels, as well as \$4.4 million of higher amortization of intangibles due to the Cloud Light acquisition. This was partially offset by a \$8.4 million decrease in excess and obsolete inventory charges, and approximately \$5.5 million of lower post-acquisition charges such as integration and manufacturing consolidation.

The markets in which we sell products are undergoing product, architectural and business model transitions, have high customer concentrations, are highly competitive, are price sensitive and/or are affected by customer seasonal and variants in buying patterns. We expect these factors to result in variability of our gross margin and our gross margin may be subject to increasing downward pressure due to these factors.

#### **Segment Profit (Loss)**

The following table summarizes segment profit (loss) for each of our operating segments for the periods presented *(in millions)*:

	Three Months Ended	
	September 28, 2024	September 30, 2023
Cloud & Networking	\$ 36.5	23.9
Industrial Tech	2.2	15.3

Cloud & Networking segment profit increased by \$12.6 million, or 52.7%, during the three months ended September 28, 2024 as compared to the three months ended September 30, 2023 primarily due to higher sales of laser chips and modules driven by AI and cloud demand, partially offset by lower sales from telecom products. Industrial Tech segment profit decreased by \$13.1 million, or 85.6%, during the three months ended September 28, 2024 as compared to the three months ended September 30, 2023 primarily due to lower revenue, including lower sales of imaging and sensing products.

#### **Research and Development ("R&D")**

R&D expense increased by \$0.8 million, or 1.1% for the three months ended September 28, 2024 compared to the three months ended September 30, 2023, primarily due to \$2.9 million of higher spending in software and computer supplies used for R&D purposes and a charge of \$1.9 million related to a write-off of in-process research and development intangible assets acquired from NeoPhotonics for projects that we subsequently decided not to pursue. These increases were partially offset by lower payroll related expenses as a result of restructuring actions.

We believe that continuing our investments in R&D is critical to attaining our strategic objectives. We plan to continue to invest in R&D and new products that we believe will further differentiate us in the marketplace.

#### **Selling, General and Administrative ("SG&A")**

SG&A expense increased by \$3.3 million, or 4.5%, during the three months ended September 28, 2024 compared to the three months ended September 30, 2023. The increase was driven by \$8.1 million of incremental amortization of intangible assets associated with the Cloud Light acquisition, substantially offset by a reduction in payroll related expenses as a result of recent restructuring actions and \$3.2 million of lower outside consultant costs as a result of business and system integrations efforts being completed in the prior periods.

From time-to-time, we incur expenses that are not part of our ordinary operations, such as mergers and acquisition-related and litigation expenses, which generally increase our SG&A expenses and potentially impact our profitability expectations in



any particular period.

#### **Restructuring and Related Charges**

We have initiated various strategic restructuring events primarily intended to reduce costs, consolidate our operations, rationalize the manufacturing of our products, and align our business in response to market conditions and as a result of recent acquisitions.

During the three months ended September 28, 2024, we recorded restructuring and related charges of \$9.7 million, which includes \$6.0 million of asset write-offs primarily due to integration efforts to consolidate our sites, \$3.0 million of charges related to the discontinuation of our in-house development of coherent DSPs and RFICs and the remaining restructuring charges due to company-wide cost reduction initiatives.

During the three months ended September 30, 2023, we recorded restructuring and related charges of \$11.0 million in our condensed consolidated statements of operations, which were primarily due to company-wide cost reduction initiatives, as well as our integration efforts as a result of the merger with NeoPhotonics.

#### **Interest Expense**

For the three months ended September 28, 2024 and September 30, 2023, we recorded interest expense of \$5.5 million and \$9.7 million, respectively. Interest expense is primarily driven by the amortization of the debt discount and issuance costs of our convertible notes. The decrease in interest expense for the three months ended September 28, 2024 is mainly due to the repayment of our 2024 Notes (as defined below) upon maturity in March 2024.

#### **Other Income, Net**

The components of other income, net are as follows ( *in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Foreign exchange and other gains (losses), net	\$ (0.7)	\$ (0.5)
Interest and investment income, net	9.4	21.7
Total other income, net	\$ 8.7	\$ 21.2

Other income, net for the three months ended September 28, 2024 decreased by \$12.5 million compared to the three months ended September 30, 2023 primarily due to the lower short term investment balances, as we used cash to purchase Cloud Light as well as the repayment of the 2024 Notes in March 2024.

#### **Provision (Benefit) for Income Taxes**

The following table summarizes provision (benefit) for income taxes for the periods presented ( *in millions*):

	Three Months Ended	
	September 28, 2024	September 30, 2023
Income tax provision (benefit)	\$ 3.2	\$ (1.4)

We recorded a tax provision of \$3.2 million and a tax benefit of \$1.4 million for the three months ended September 28, 2024 and September 30, 2023, respectively. Our tax provision for the three months ended September 28, 2024 is primarily related to the tax expense associated with interest on uncertain tax positions, partially offset by the tax benefit from currency re-measurements. Our tax provision for the three months ended September 30, 2023 includes a discrete tax benefit of \$1.8 million primarily related to a tax benefit from changes in prior year uncertain tax positions, partially offset by the tax expenses related to a shortfall in connection with stock-based compensation vested during the quarter and foreign return to provision differences.

Our estimated effective tax rate for the three months ended September 28, 2024 differs from the 21% U.S. statutory rate primarily due to the income tax expense from foreign rate differential, non-deductible stock-based compensation, uncertain tax positions, and current year valuation allowance changes, partially offset by the income tax benefit from various income tax credits.

We regularly assess our ability to realize our deferred tax assets on a quarterly basis and will establish a valuation allowance if it is more-likely-than-not that some portion of the deferred tax assets will not be realized. As of September 28, 2024, we maintain a full valuation allowance on U.S. federal and state and certain foreign deferred tax assets. We will continue to assess the need for a valuation allowance against our remaining deferred tax assets and may increase or decrease our valuation allowance materially in the future.

Our provision for incomes taxes may be impacted by changes in the geographic mix of earnings, acquisitions, changes in the realizability of deferred tax assets, changes in our uncertain tax positions, the results of income tax audits, settlements with tax authorities, the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, and changes in tax laws and regulations. It is also possible that significant negative or positive evidence may become available that causes us to change our conclusion regarding whether a valuation allowance is needed on certain of our deferred tax assets, which would affect our income tax provision in the period of such change.

We also evaluate changes to regulations and requirements in the international jurisdictions where we conduct our business. For additional information, refer to Part II Item 1A "Risk Factors".

## **Financial Condition**

### **Liquidity and Capital Resources**

As of September 28, 2024 and June 29, 2024, our cash and cash equivalents were \$489.2 million and \$436.7 million, respectively. As of September 28, 2024 and June 29, 2024, our short-term investments of \$426.9 million and \$450.3 million, respectively, were all held in the United States. Cash equivalents and short-term investments are primarily comprised of money market funds, treasuries, agencies, high quality investment grade fixed income securities, certificates of deposit and commercial paper. Our investment policy and strategy provide for diversification of investments and is focused on the preservation of capital and supporting our liquidity requirements.

The total amount of cash held by the non-United States entities as of September 28, 2024 and June 29, 2024 was \$394.8 million and \$306.9 million, respectively, which was primarily held by entities incorporated in the United Kingdom, the British Virgin Islands, Japan, Hong Kong, China, Switzerland, the Cayman Islands, Thailand and Brazil. Although cash currently held in the United States, as well as cash generated in the United States from future operations, is expected to cover our normal operating requirements, a substantial amount of additional cash could be required for other purposes, such as capital expenditures to support our business and growth, including costs associated with increasing internal manufacturing capabilities, strategic transactions and partnerships, and future acquisitions.

Our intent is to indefinitely reinvest funds held outside the United States. Except for the funds held in the Cayman Islands, the British Virgin Islands, and Hong Kong, as well as certain subsidiaries in China and Japan, our current plans do not demonstrate a need to repatriate them to fund our domestic operations. However, if in the future, we encounter a significant need for liquidity domestically or at a particular location that we cannot fulfill through borrowings, equity offerings, or other internal or external sources, or the cost to bring back the money is not significant from a tax perspective, we may determine that cash repatriations are necessary or desirable. Repatriation could result in additional material taxes. These factors may cause us to have an overall tax rate higher than other companies or higher than our tax rates in the past. Additionally, if conditions warrant, we may seek to obtain additional financing through debt or equity sources. To the extent we issue additional shares, it may create dilution to our existing stockholders. However, any such financing may not be available on terms favorable to us or may not be available at all.

### **Liquidity and Capital Resources Requirements**

We believe that our cash and cash equivalents as of September 28, 2024 and cash flows from our operating activities will be sufficient to meet our liquidity and capital spending requirements for at least the next 12 months.

There are a number of factors that could positively or negatively impact our liquidity position, including:

- global economic conditions which affect demand for our products and services and impact the financial stability of our suppliers and customers, including the impact of uncertainty in the banking and financial services industries;
- fluctuations in demand for our products as a result of changes in regulations, tariffs or other trade barriers, and trade relations in general;
- changes in accounts receivable, inventory or other operating assets and liabilities, which affect our working capital;

- increase in capital expenditures to support our business and growth, including increases in manufacturing capacity;
- the tendency of customers to delay payments or to negotiate favorable payment terms to manage their own liquidity positions;
- timing of payments to our suppliers;
- volatility in fixed income and credit, which impact the liquidity and valuation of our investment portfolios;
- cost and availability of credit, which may impact available financing for us, our customers or others with whom we do business;
- volatility in foreign exchange markets, which impacts our financial results;
- possible investments or acquisitions of complementary businesses, products or technologies, or other strategic transactions or partnerships;
- issuance of debt or equity securities, or other financing transactions, including bank debt;
- potential funding of pension liabilities either voluntarily or as required by law or regulation;
- acquisitions or strategic transactions, in particular our recently completed acquisition of Cloud Light;
- the settlement of any conversion or redemption of our convertible notes in cash; and
- common stock repurchases under the share buyback program.

#### **Contractual Obligations**

The following table summarizes our contractual obligations as of September 28, 2024, and the effect such obligations are expected to have on our liquidity and cash flow (*in millions*):

	Payments Due		
	Total	Less Than 1 Year	More Than 1 Year
<b>Contractual Obligations</b>			
Asset retirement obligations	\$ 7.0	\$ —	\$ 7.0
Operating lease liabilities, including imputed interest <sup>(1)</sup>	45.1	13.5	31.6
Pension plan contributions <sup>(2)</sup>	1.6	1.6	—
Purchase obligations <sup>(3)</sup>	589.2	542.9	46.3
Term loans - principal <sup>(5)</sup>	76.1	10.8	65.3
Term loans - interest <sup>(5)</sup>	2.2	0.6	1.6
Convertible notes - principal <sup>(4)</sup>	2,514.7	—	2,514.7
Convertible notes - interest <sup>(4)</sup>	80.1	18.7	61.4
<b>Total</b>	<b>\$ 3,316.0</b>	<b>\$ 588.1</b>	<b>\$ 2,727.9</b>

<sup>(1)</sup> The amounts of operating lease liabilities do not include any sublease income amounts nor do they include payments for short-term leases or variable lease payments. As of September 28, 2024, we expect to receive sublease income of approximately \$2.9 million over the sublease periods.

<sup>(2)</sup> The amount of pension plan contributions represents planned contributions to our defined benefit plans. Although additional future contributions will be required, the amount and timing of these contributions will be affected by actuarial assumptions, the actual rate of returns on plan assets, the level of market interest rates, legislative changes, and the amount of voluntary contributions to the plan. Any contributions for the following fiscal year and later will depend on the value of the plan assets in the future and thus are uncertain. As such, we have not included any amounts beyond one year in the table above.

<sup>(3)</sup> Purchase obligations represent legally binding commitments to purchase inventory and other commitments made in the normal course of business to meet operational requirements. Refer to "Note 14. Commitments and Contingencies" in the notes to condensed consolidated financial statements.

<sup>(4)</sup> The amounts related to convertible notes include principal and interest on our 0.50% Convertible Senior Notes due 2026 (the “2026 Notes”), principal and interest on our 0.50% Convertible Senior Notes due 2028 (the “2028 Notes”), and principal and interest on our 1.50% Convertible Senior Notes due 2029 (the “2029 Notes”). The 2026 Notes have a maturity date of December 15, 2026, the 2028 Notes have a maturity date of June 15, 2028, and the 2029 Notes have a maturity date of December 15, 2029. The principal balances of our convertible notes are reflected in the payment periods in the table above based on their respective contractual maturities assuming no conversions. On March 15, 2024, the maturity date of the 2024 Notes, we repaid the outstanding \$323.1 million principal amount of the 2024 Notes in full. Refer to “Note 9. Debt” in the notes to condensed consolidated financial statements.

<sup>(5)</sup> The amounts related to term loans include principal and interest on our Sumitomo Mitsui Banking Corporation (“SMBC”) term loan with a fixed annual interest rate of 0.88% and Mizuho Bank, Ltd. (“Mizuho”) term loan with a fixed annual interest rate of 0.90%. The SMBC term loan requires monthly principal payments with the remaining principal due on the loan maturity date of July 31, 2029 while the Mizuho term loan requires quarterly principal payments with the final payment date on September 20, 2029.

We do not have any off-balance sheet arrangements, as such term is defined in rules promulgated by the SEC, which have or are reasonably likely to have a current or future effect on our liquidity or capital resources that are material to investors.

#### ***Indebtedness***

As of September 28, 2024, the net carrying amount of our 2029 Notes of \$599.6 million (principal balance of \$603.7 million maturing in 2029) is presented in non-current liabilities. If the closing price of our stock exceeds \$90.40 (or 130% of the conversion price of \$69.54) for 20 of the last 30 trading days of any future quarter, the 2029 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our consolidated balance sheets.

As of September 28, 2024, the net carrying amount of our 2028 Notes of \$856.9 million (which have an aggregate principal amount of \$861.0 million outstanding that matures in 2028) is presented in non-current liabilities in our condensed consolidated balance sheets. If the closing price of our stock exceeds \$170.34 (or 130% of the conversion price of \$131.03) for 20 of the last 30 trading days of any future fiscal quarter, our 2028 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our condensed consolidated balance sheet.

As of September 28, 2024, the net carrying amount of our 2026 Notes of \$1047.4 million (which have an aggregate principal amount of \$1,050.0 million outstanding that matures in 2026) is presented in non-current liabilities in our condensed consolidated balance sheets. If the closing price of our stock exceeds \$129.08 (or 130% of the conversion price of \$99.29) for 20 of the last 30 trading days of any future fiscal quarter, our 2026 Notes would become convertible at the option of the holders during the subsequent fiscal quarter and the debt would be reclassified to current liabilities in our condensed consolidated balance sheet.

On March 15, 2024, our 0.25% Convertible Senior Notes due 2024 (the “2024 Notes”) reached maturity. We fully repaid the remaining principal amount of \$323.1 million at the maturity date.

As of September 28, 2024, the Company has \$44.5 million in principal amount outstanding on our SMBC term loan, of which the short-term portion of \$4.5 million is recorded as current liabilities while the long-term portion of \$40.0 million is recorded as long-term debt in the Company's condensed consolidated balance sheets.

As of September 28, 2024, the Company has \$31.6 million in principal amount outstanding on our Mizuho term loan, of which the short-term portion of \$6.3 million is recorded as current liabilities while the long-term portion of \$25.3 million is recorded as long-term debt in the Company's condensed consolidated balance sheets.

#### ***Share Buyback Program***

We have a share buyback program that authorizes us to utilize up to an aggregate amount of \$1.2 billion to purchase our own shares of common stock through May 2025. During the three months ended September 28, 2024 and September 30, 2023, we did not repurchase any shares of our common stock. Since the board of directors initially approved the share buyback program, we have repurchased 7.7 million shares in aggregate at an average price of \$81.66 per share for a total purchase price of \$630.4 million. We recorded the \$630.4 million aggregate purchase price as a reduction of retained earnings within our condensed consolidated balance sheet. All repurchased shares were retired immediately. As of September 28, 2024, we have

\$569.6 million remaining under the share buyback program.

The price, timing, amount, and method of future repurchases will be determined based on the valuation of market conditions and other factors, at prices determined to be attractive and in the best interests of both the Company and our stockholders. The stock repurchase program may be suspended or terminated at any time.

#### ***Unrecognized Tax Benefits***

As of September 28, 2024 and June 29, 2024, our other non-current liabilities include unrecognized tax benefit for uncertain tax positions of \$94.4 million and \$83.0 million, respectively. We are unable to reliably estimate the timing of future payments related to uncertain tax positions.

#### ***Cash Flows***

Our balance of cash and cash equivalents increased by \$52.5 million from \$436.7 million as of June 29, 2024 to \$489.2 million as of September 28, 2024. The increase in cash and cash equivalents during the three months ended September 28, 2024 was due to cash from financing activities of \$60.0 million and cash from operating activities of \$39.6 million, offset by cash used in investing activities of \$47.1 million.

##### ***Operating Cash Flow***

Cash from operating activities was \$39.6 million during the three months ended September 28, 2024, which reflects a net loss of \$82.4 million, offset by non-cash items of \$112.1 million and changes in operating assets and liabilities of \$9.9 million. Changes in operating assets and liabilities were primarily driven by an increase in accounts payable of \$32.6 million primarily due to higher inventory purchases and capital expenditures and an increase in income tax liabilities of \$7.2 million primarily due to income tax provision for the three months ended September 28, 2024, offset by an increase of \$16.6 million in prepayments and other current and non-current assets related mainly to value-added-tax receivables driven by higher recent capital expenditures and inventory purchases, and a decrease of \$9.7 million in accrued expenses and other current and non-current liabilities primarily due to payment of the net settlement amount of the Oclaro merger litigation.

Cash used in operating activities was \$2.3 million during the three months ended September 30, 2023, which reflects a net loss of \$67.9 million and non-cash items of \$89.9 million for the three months ended September 30, 2023, offset by \$24.3 million changes in our operating assets and liabilities. Changes in our operating assets and liabilities were mainly driven by an increase in inventories of \$16.8 million primarily due to purchases made to support our manufacturing transition and lower shipments than expected, a decrease in accounts payable of \$28.0 million primarily due to lower purchases from our contract manufacturers and linearity of payments, and a decrease in income taxes of \$19.9 million due to annual income tax payment in Japan, offset by a decrease in accounts receivable of \$26.1 million due to lower revenue.

##### ***Investing Cash Flow***

Cash used in investing activities of \$47.1 million during the three months ended September 28, 2024 was attributable to capital expenditures of \$74.1 million, offset by net proceeds from sales or maturities of short-term investments of \$26.8 million and proceeds from sales of property and equipment of \$0.2 million.

Cash provided by investing activities of \$17.8 million during the three months ended September 30, 2023 was attributable to the net proceeds from sales or maturities of short-term investments of \$78.6 million partially offset by capital expenditures of \$57.8 million and a \$3.0 million payment for an intangible asset acquisition.

##### ***Financing Cash Flow***

Cash from financing activities of \$60.0 million during the three months ended September 28, 2024 was attributable to \$76.5 million of proceeds from SMBC and Mizuho term loans and \$0.9 million of proceeds from the exercise of stock options, offset by tax payments related to net share settlement of restricted stock of \$16.0 million, payment for an intangible asset acquisition holdback of \$1.0 million and \$0.4 million of principal payments on term loans.

Cash used in financing activities of \$12.9 million during the three months ended September 30, 2023 was attributable to tax payments related to net share settlement of restricted stock of \$12.9 million.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Foreign Exchange Risk

We conduct our business and sell our products to customers primarily in Asia, Europe and North America. Due to the impact of changes in foreign currency exchange rates between the U.S. Dollar and foreign currencies, we recorded a net foreign exchange loss of \$0.7 million and loss of \$0.5 million, respectively, in the condensed consolidated statements of operations for the three months ended September 28, 2024 and September 30, 2023.

Although we sell primarily in the U.S. Dollar, we have foreign currency exchange risks related to our expenses and working capital denominated in currencies other than the U.S. Dollar, principally the Chinese Yuan, Canadian Dollar, Thai Baht, Japanese Yen, UK Pound, Swiss Franc, Euro and Brazilian Real. In addition, in the first quarter of fiscal year 2025, we entered into term loan agreements denominated in Japanese Yen. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. In the event our foreign currency denominated monetary assets and liabilities, sales or expenses increase, our operating results may be affected to a greater extent by fluctuations in the exchange rates of the currencies in which we do business as compared with the U.S. dollar.

#### Equity Price Risk

We are exposed to equity price risk related to the conversion options embedded in our convertible notes.

We issued the 2029 Notes in June 2023, the 2028 Notes in March 2022, the 2026 Notes in December 2019 and the 2024 Notes in March 2017. The 2024 Notes matured in March 2024. As of September 28, 2024, the aggregate principal amount of the 2029 Notes, 2028 Notes and 2026 Notes is \$603.7 million, \$861.0 million, \$1,050.0 million, respectively, and bear interest at a rate of 1.50%, 0.50% and 0.50% per year, respectively. Since the convertible notes bear interest at fixed rates, we have no financial statement risk associated with changes in market interest rates. However, the potential value of the shares to be distributed to the holders of our convertible notes changes when the market price of our stock fluctuates. The 2029 Notes, 2028 Notes and 2026 Notes will mature on December 15, 2029, June 15, 2028 and December 15, 2026, respectively, unless earlier repurchased by us or converted pursuant to their terms, at a conversion price of approximately \$69.54 per share for the 2029 Notes, \$131.03 per share for the 2028 Notes and \$99.29 per share for the 2026 Notes.

#### Interest Rate Fluctuation Risk

As of September 28, 2024, we had cash, cash equivalents, and short-term investments of \$916.1 million. Cash equivalents and short-term investments are primarily comprised of money market funds, treasuries, agencies, high quality investment grade fixed income securities, certificates of deposit and commercial paper. Our investment policy and strategy is focused on the preservation of capital and supporting our liquidity requirements. We do not enter into investments for trading or speculative purposes. As of September 28, 2024, the weighted-average life of our investment portfolio was approximately five months.

Our fixed-income portfolio is subject to fluctuations in interest rates, which could affect our results of operations. Based on our investment portfolio balance as of September 28, 2024, a hypothetical increase or decrease in interest rates of 1% (100 basis points) would have resulted in a decrease or an increase in the fair value of our portfolio of approximately \$2.2 million, and a hypothetical increase or decrease in interest rates of 0.50% (50 basis points) would have resulted in a decrease or an increase in the fair value of our portfolio of approximately \$1.1 million.

#### Bank Liquidity Risk

As of September 28, 2024, we had approximately \$284.9 million of unrestricted cash (excluding cash equivalents) in operating accounts that are held with domestic and international financial institutions. These cash balances could be lost or become inaccessible if the underlying financial institutions fail or if they are unable to meet the liquidity requirements of their depositors and if they are not supported by the national government of the country in which such financial institution is located. Notwithstanding, we have not incurred any losses to date and have had full access to our operating accounts. We believe any failures of domestic and international financial institutions could impact our ability to fund our operations in the short term. The value of our investment portfolio could also be impacted if we hold debt instruments which were issued by any institutions that fail or become illiquid. Our ability to obtain raw materials for our supply chain and collections of cash from sales may be unduly impacted if any of our vendors or customers are affected by illiquidity events.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **(a) Evaluation of Disclosure Controls and Procedures**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 28, 2024. The term “disclosure controls and procedures,” as defined in Rules 13a-15 and 15d-15 under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 28, 2024, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level.

##### **(b) Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) or 15d-15(d) that occurred during the quarter ended September 28, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### **(c) Inherent Limitations on Effectiveness of Controls**

Our management, including the CEO and CFO, recognizes that our disclosure controls and procedures or our internal control over financial reporting cannot prevent or detect all possible instances of errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. 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.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are subject to a variety of claims and suits that arise from time-to-time in the ordinary course of our business. As such, we regularly evaluate developments in legal matters that could affect the amount of the previously accrued liability and record adjustments as appropriate. While management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact on our financial position, results of operations or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. Should we experience an unfavorable final outcome, there exists the possibility of a material adverse impact on our financial position, results of operations or cash flows for the period in which the effect becomes reasonably estimable. For a description of our material pending legal proceedings, refer to "Note 14. Commitments and Contingencies" in the condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.



## ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making a decision to invest in our common stock. Our business, financial condition, results of operations or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations and prospects could be adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

### **Risk Factor Summary**

Our business operations are subject to numerous risks, factors and uncertainties, including those outside of our control, which could cause our actual results to be harmed, including risks regarding the following:

#### ***Risks Related to our Business***

- unfavorable economic and market conditions;
- our reliance on a limited number of suppliers and customers;
- order cancellations, reductions or delays in delivery schedules by our customers or distributors;
- failure of banking institutions and liquidity concerns at other financial institutions;
- our backlog may not be an accurate indicator of our level and timing of future revenue;
- our gross margins and operating margins may vary overtime;
- challenges relating to supply chain constraints;
- changes in technology and intense competition;
- our ability to sell to a significant customer, as well as tariffs and other trade restrictions between the U.S. and China;
- the impact of a widespread health crisis;
- our international operations structure;
- volatility and maintenance of our real property portfolio;
- our ability to timely procure components needed to manufacture our products;
- our ability to manufacture our products;
- our leverage in negotiations with large customers;
- design and manufacturing defects or quality issues in our products;
- changes in laws and the adoption and interpretation of administrative rules and regulations, including U.S. and international customs and export regulations;
- our strategic transactions and implementation strategy for our acquisitions, including the recently completed acquisition of Cloud Light;
- restructuring and related charges;
- changes in spending levels, demand and customer requirements for our products;
- changes in tax laws;
- fluctuations in foreign currency;

- our future capital requirements;
- actual or perceived security or privacy breaches or incidents, as well as defects, errors or vulnerabilities in our technology and that of third-party providers;
- the unpredictability of our results of operations;
- our ability to protect our product and proprietary rights;
- factors relating to our intellectual property rights as well as the intellectual property rights of others;
- litigation risks, including intellectual property litigation;
- our reliance on licensed third-party technology; and
- our ability to maintain an effective system of disclosure controls and internal control over financial reporting

#### ***Risks Related to Human Capital***

- our ability to hire and retain key personnel;
- the effects of immigration policy on our ability to hire and retain employees; and
- employment related disputes and claims

#### ***Risks Related to Legal, Regulatory and Compliance***

- our ability to obtain government authorization to export our products; and
- changes in social and environmental responsibility regulations, policies and provisions, as well as customer and investor demands

#### ***Risks Related to Our Common Stock***

- the volatility of the trading price of our common stock;
- our ability to service our current and future debt;
- dilution related to our convertible notes;
- our intention not to pay dividends for the foreseeable future;
- provisions of Delaware law and our certificate of incorporation and bylaws that may make a merger, tender offer or proxy contest difficult; and
- exclusive forum provisions in our bylaws

#### ***Risks Related to Our Business***

***Our operating results may be adversely affected by unfavorable changes in macroeconomics and market conditions and the uncertain geopolitical environment.***

Our business and operating results depend significantly on general market and economic conditions. The current global macroeconomic environment is volatile and continues to be significantly and adversely impacted by inflation and a dynamic demand environment. Additionally, instability in the global credit markets, the impact of uncertainty regarding inflation, banking instability, capital expenditure reductions, unemployment, stock market volatility, the instability in the geopolitical environment in many parts of the world (including as a result of the on-going Russia-Ukraine war, ongoing conflicts in the Middle East, and China-Taiwan relations), the current economic challenges in China, including global economic ramifications of Chinese economic difficulties, and other disruptions may continue to put pressure on global economic conditions. Further, conditions in the global economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction of the global economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors, and regions of the economy, including the markets in which we participate. All aspects of our forecasts depend on estimates of growth or contraction in the markets we serve.

Adverse changes to and uncertainty in the global economy has affected industries in which our customers operate and has resulted in decreases in the rate of demand, consumption or use of certain of our customers' products which, in turn, has resulted in, and may continue to result in decreased demand for our products, revenue fluctuations, increased price competition for our products, and increased the risk of excess and obsolete inventories as well as higher overhead costs as a percentage of revenue. Additionally, customers who had built up large inventories when supply chains were tight are now bringing down inventories as supply constraints are easing and in some cases these customers have delayed projected shipments. These losses or delays of orders have harmed our revenue and profitability and future losses or delays may further harm our results of operations. The impact of economic challenges on the global financial markets could further negatively impact our operations by affecting the solvency of our customers, the solvency of our key suppliers or the ability of our customers to obtain credit to finance purchases of our products. Further, supply chain disruptions have led and may continue to lead to increased costs and have harmed and may continue to harm our ability to meet customer demand, adversely affecting our revenue and profitability. If global economic and market conditions, or economic conditions in key markets, remain uncertain or deteriorate further, our prospects for growth may be negatively impacted, and we may experience material and adverse impacts on our business, operating results, and financial condition.

***We depend on a limited number of suppliers for raw materials, packages and components, and any failure or delay by these suppliers in meeting our requirements could have an adverse effect on our business and results of operations.***

We purchase raw materials, packages and components from a limited number of suppliers, who are often small and specialized. Additionally, some of our suppliers are our sole sources for certain materials, equipment and components. We depend on the timely and continued supply and quality of the materials, packages and components that our suppliers supply to us. We have not entered into long-term agreements with many of these suppliers. We do not have a guarantee of supply from these suppliers and as a result, there is no assurance that we would be able to secure the equipment or components that we require, in sufficient quantity, quality and on reasonable terms. Our business and results of operations have been, and could continue to be, adversely affected by this dependency. Alternative sources to mitigate the risk that the failure of any sole supplier will adversely affect our business are not feasible in all circumstances. If we were to lose any one of these or other critical sources, or there is as an industry-wide increase in demand for, or the discontinuation of, raw materials used in our products, it could be difficult for us, or we may be unable, to find an alternative supplier or raw material, in which case our operations could be adversely affected. We are also subject to risk from increasing or fluctuating market prices of certain raw materials, which are incorporated into our end products or used by our suppliers to manufacture our end products. Supplies for such raw materials have from time to time become restricted, or general market factors and conditions have in the past affected and may in the future affect pricing of such commodities (such as inflation or supply chain constraints).

Specific concerns we periodically encounter with our sole suppliers or limited number of suppliers include receipt of defective parts or contaminated materials, stoppages or delays of supply, insufficient resources to supply our requirements, substitution of more expensive or less reliable materials, increases in the price of supplies, and an inability to obtain reduced pricing from our suppliers in response to competitive pressures. Furthermore, the COVID-19 pandemic and related supply chain disruptions and labor market constraints have created heightened risk that sole suppliers or limited number of suppliers may be unable to meet their obligations to us. Difficulties in obtaining the materials, or services used in the conduct of our business or additional fees or higher prices to do so, have adversely affected our revenue and results of operations, and further challenges or decisions to seek alternate suppliers to secure supply in order to meet demand would increase our costs and reduce our profitability.

***Our financial results may be adversely affected due to changes in product demand impacted by recessions, increases in interest rates, stagflation and other economic conditions.***

Customer demand for our products may be impacted by weak economic conditions, inflation, stagflation, recessionary or lower-growth environments, high interest rates, tightening credit markets, equity market volatility or other negative economic factors in the U.S. or other countries. For example, under these conditions or expectation of such conditions, our customers may cancel orders, delay purchasing decisions or reduce their use of our services. In addition, these economic conditions could result in higher inventory levels and the possibility of resulting excess capacity charges from our contract manufacturers if we need to slow production to reduce inventory levels. Further, in the event of a recession or threat of a recession our contract manufacturers, suppliers and other third-party partners may suffer their own financial and economic challenges and as a result they may demand pricing accommodations, delay payment, or become insolvent, which could harm our ability to meet our customer demands or collect revenue or otherwise could harm our business. Similarly, disruptions in financial and/or credit markets may impact our ability to manage normal commercial relationships with our

contract manufacturers, customers, suppliers and creditors and could cause us to not be able to continue to access preferred sources of liquidity when we would like, and our borrowing costs could increase. Thus, if the current economic conditions continue to deteriorate or experience a sustained period of weakness or slower growth, our business and financial results could be materially and adversely affected.

***Our ability to sell our products to a significant customer has been restricted.***

In August 2020, the Bureau of Industry and Security of the U.S. Department of Commerce ("BIS") issued final rules that further restricted access by Huawei Technologies Co. Ltd. and certain of its affiliates (collectively, "Huawei") to items produced domestically and abroad from certain U.S. technology, software, and equipment. The final rules prevent us from selling certain products subject to the Export Administration Regulations ("EAR") to identified Huawei entities without a license issued by BIS. Further, even if there are products unaffected by the rule or for which we are able to obtain an export license, Huawei may not be able to source products from other suppliers due to the final rules, which could impact Huawei's demand for our products. We are dependent upon our ability to obtain export licenses or use exceptions to export license requirements, from U.S. and other foreign regulatory agencies. There is no assurance that we will be issued these licenses, and failure to obtain such licenses could limit our ability to sell our products to Huawei and negatively impact our business, financial condition and operating results.

Based on internal review conducted in 2023, we determined that our products may be "subject to the EAR" and consequently restricted for export, reexport, and transfer if Huawei (and/or its listed affiliates) is a party to the transaction. As a result, we stopped all of our product shipments to Huawei, our historically largest networking customer in China in the beginning of calendar year 2024.

We have submitted voluntary disclosure to BIS regarding certain product shipments we made to Huawei following the adoption of the final rules. In August 2024, we received an administrative subpoena from BIS requesting the production of records in connection with our business with Huawei. We also received a related subpoena from the U.S. Department of Justice ("DOJ") that also requested information regarding our business with Huawei. We have been and will continue cooperating with BIS and DOJ in responding to the subpoenas and their ongoing reviews. Any failure or alleged failure to comply with export controls laws and policies could have negative consequences, including significant legal costs, government investigations, penalties, denial of export privileges and debarment from participation in U.S. government contract, any of which could have a material adverse effect on our operations, reputation and financial condition.

Under the current regulatory regime, our business with Huawei has been significantly more limited than it was in the past, and is now completely restricted. For example, we are currently unable to supply any products and may be limited or unable to work with Huawei on future product developments while Huawei remains on the Entity List, which has negatively impacted our revenue from Huawei and has negatively impacted our financial condition and results of operations. Huawei may seek to obtain similar or substitute products from our competitors that are not subject to these restrictions, or to develop similar or substitute products themselves.

We cannot be certain what additional actions the U.S. government may take with respect to Huawei or other entities in China or other countries, including additional changes to the Entity List restrictions, export regulations, tariffs or other trade restrictions. We are unable to predict the duration and scope of the restrictions enacted in May 2019 and thereafter. The U.S. government also added other customers of ours to the Entity List, such as FiberHome Technologies Group in May 2020, and may continue to do so or otherwise restrict our ability to ship products which may harm our business, financial condition and results of operations. BIS has continued to add other China-based technology companies to the Entity List, including those tied to super computing and artificial intelligence, further expanding the scope of companies subject to trade and export restrictions. Any further trade restrictions that impede our ability to export or sell our products and services could materially adversely affect our business, results of operations, financial condition and cash flows.

We also manufactured customized products for Huawei, and therefore have been unable to sell certain finished goods inventory to alternative customers or may be unable to utilize such manufacturing capabilities for products for alternative customers. In addition, we sold various non-customized products to Huawei in which Huawei represents a significant portion of the related products' demand. We have taken charges for common components which became excess as a result of the inability to sell to Huawei. Additional charges may also occur with respect to customized products that we manufacture for other customers in the event that such customers were to be added to the Entity List or otherwise if our ability to sell to such customers were restricted. We believe this trade and export uncertainty has caused and may in the future cause delays or cancellations, which could adversely affect our business, financial conditions and operating results.

***Inflation and increased borrowing costs could impact our cash flows and profitability.***

Prolonged periods of inflation may continue to adversely affect our business, results of operations, financial condition and liquidity by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we charge our customers. Inflation has resulted in and may continue to result in higher interest rates and capital costs, supply shortages, increased costs of labor and other similar effects. As a result of inflation, we are subject to risk from increasing market prices of certain components, supplies, and raw materials, which are incorporated into our products or used by our manufacturing partners or suppliers to manufacture our products. These components, supplies and commodities have from time-to-time become restricted, or general market factors and conditions have affected pricing of such components, supplies and raw materials (such as inflation or supply chain constraints), and future restrictions or market conditions impacting pricing may adversely affect our business and results of operations. In addition, higher interest rates and tightening credit markets may impact our customers and partners and their ability to purchase products or pay in a timely manner may be adversely impacted.

***Unstable market and economic conditions and adverse developments with respect to financial institutions and associated liquidity risk may have serious adverse consequences on our business and financial condition.***

Disruptions in access to bank deposits or lending commitments due to bank failures could materially and adversely affect our liquidity, our business and financial condition. Even with our continued effort to mitigate counterparty risk by working with highly liquid, well capitalized counterparties, the failure of any bank in which we deposit our funds could reduce the amount of cash we have available for our operations or delay our ability to access such funds. Any such failure may increase the possibility of a sustained deterioration of financial market liquidity. The value of our investment portfolio could also be impacted if we hold debt instruments which were issued by any institutions that fail or become illiquid. Our ability to obtain raw materials for our supply chain and collections of cash from sales may be unduly impacted if any of our vendors or customers are affected by illiquidity events.

***Our backlog may not be an accurate indicator of our level and timing of future revenues.***

Our backlog may not be a reliable indicator of future operating results. As customer buying patterns normalize, order growth moderates, and supply chain conditions improve, we expect our backlog to reduce to a level generally in line with historical levels. Further, customer behaviors have been changing as a result of worldwide macroeconomic factors, which has reduced demand and may continue to reduce demand for certain of our products and services. If we are not able to respond to and manage the impact of these supply challenges and behavioral changes effectively, or if general macroeconomic conditions or conditions in the industries in which we operate deteriorate, our business, operating results, financial condition, and cash flows could be adversely affected.

***We expect our gross margins, operating margins and segment profit to vary over time.***

Our gross margins, operating margins and segment profit are expected to vary, and may be adversely affected in the future by numerous factors, including, but not limited to:

- an increase or decrease in demand of our products;
- changes in product mix;
- increased price competition in one or more of the markets in which we compete;
- modifications to our pricing strategy to gain or retain footprint in markets or with customers;
- currency fluctuations that impact our costs or the cost of our products to our customers;
- inflation;
- increases in material, labor, manufacturing, logistics, warranty costs, or inventory carrying costs;
- issues with manufacturing or component availability;
- issues relating to the distribution of our products, quality or efficiencies;
- increased costs due to changes in component pricing or charges incurred due to the inaccurately forecasting product demand or underutilization of manufacturing capacity;

- warranty related issues;
- factors beyond our control such as natural disasters, climate change, acts of war or terrorism, and public health emergencies;
- changing market, economic, and political conditions, including the impact of tariffs and other trade restrictions, regulatory restrictions on imports or exports or efforts to withdraw from or materially modify international trade agreement, or
- our introduction of new products and enhancements, or entry into new markets with different pricing and cost structures.

We have also seen, and may continue to see, our gross margins negatively impacted by increases in component costs, logistics costs, elevated inventory balances, and pricing pressure. Failure to sustain or improve our gross margins reduces our profitability and may materially and adversely affect our business, financial condition and results of operations.

***Challenges relating to supply chain constraints, including semiconductor components, could adversely impact our business, results of operations and financial condition.***

Due to increased demand across a range of industries, our business and customers' businesses have experienced and could experience supply constraints due to both constrained manufacturing capacity, as well as component parts shortages. These supply constraints have adversely affected and could further affect availability, lead-times and cost of components, and could increase the likelihood of unexpected cancellations or delays of previously committed supply of key components. These challenges have resulted in extended lead-times to our customers and have had a negative impact on our ability to recognize associated revenue and have resulted in and may continue to result in an increase in accelerated ordering for certain of our products. As a result of accelerated ordering, our customers have had inventory backlog that they are now managing down, resulting in reduced ordering as compared to recent levels. Ordering patterns may be difficult to predict and we have experienced and may continue to experience negative impacts to our revenue and profitability as well as our ability to achieve our forecasts.

We continue to work with our suppliers to ensure that we are able to continue manufacturing and distributing our products, and in the quantities requested by our customers. Any disruption in the supply of the raw materials, packaging or components used in the manufacture and delivery of our products could have a material adverse impact on our business, financial condition and results of operations. Limits on manufacturing availability or capacity or delays in production or delivery of components or raw materials could delay or inhibit our ability to obtain supply of components and produce finished goods inventory, and there can be no assurance that the supply chain impacts will not reoccur in the future. These supply chain constraints and their related challenges could result in shortages, increased material costs or use of cash, engineering design changes, and delays in new product introductions, each of which could adversely impact our business, results of operations and financial condition.

***If we do not anticipate technological shifts, market needs and opportunities, we may not be able to complete effectively and our ability to generate revenues will suffer.***

If we are unable to anticipate future technological shifts, market needs, requirements or opportunities, or fail to develop and introduce new products, product enhancements, or business strategies to meet those requirements or opportunities in a timely manner or at all, it could cause us to lose customers, substantially decrease or delay market acceptance and sales of our products and services, and significantly harm our business, financial condition, and results of operations. In addition, if we invest in developing products for a market that does not develop, it could significantly harm our business, financial condition, and results of operations. Even if we are able to anticipate, develop, and commercially introduce new products, enhancements or business strategies, any such products, enhancements or business strategies may not achieve market acceptance.

***Changing technology and intense competition require us to continuously innovate while controlling product costs, and our failure to do so may result in decreased revenues and profitability.***

The markets in which we operate are dynamic and complex, and our success depends upon our ability to deliver both our current product offerings and new products and technologies on time and at acceptable prices to our customers. The markets for our products are characterized by rapid technological change, frequent new product introductions and enhancements, substantial capital investment, changes in customer requirements, continued price pressures and a constantly

evolving industry. Historically, these pricing pressures have led to a continued decline of average selling prices across our business and we expect that these historical trends will continue. The development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation and the accurate prediction of technology and market trends. The introduction of new products also often requires significant investment to ramp up production capacity, the benefit of which may not be realized if we are not successful in the production of such products or if customer demand does not develop as expected. Ramping of production capacity also entails risks of delays which can limit our ability to realize the full benefit of new product introductions. We cannot assure you that we will be able to identify, develop, manufacture, market or support new or enhanced products successfully, if at all, or on a timely basis. We also cannot assure you that potential markets for our new products will materialize on the timelines we anticipate, or at all, or that our technology will meet our customers' specifications. Our future performance will depend on the successful development, introduction, deployment and market acceptance of new and enhanced features and products that meet our customers' current and future needs. Future demand for our products is uncertain and will primarily depend on continued technological development and the introduction of new or enhanced products. If this does not continue, sales of our products may decline which could adversely impact our business, results of operations and financial condition.

The market for optical communications products in particular has matured over time and these products have increasingly become subject to commoditization. Both legacy competitors as well as new entrants, predominantly Asia-based competitors, have intensified market competition in recent years leading to pricing pressure. To preserve our revenues and product margin structures, we remain reliant on an integrated customer and market approach that anticipates end customer needs as requirements evolve. We also must continue to develop more advanced, differentiated products that command a premium with customers, while conversely continuing to focus on streamlining product costs for established legacy products. If we fail to continue to develop enhanced or new products that enable us to increase revenues while maintaining consistent margins, or over time are unable to adjust our cost structure to continue to competitively price more mature products, our financial condition and results of operations could be materially and adversely affected.

***We rely on a limited number of customers for a significant portion of our sales; and the majority of our customers do not have contractual purchase commitments.***

We have consistently relied on a small number of customers for a significant portion of our sales, and in certain of our markets, such as imaging and sensing and commercial lasers, this customer concentration is particularly acute. We expect that this customer concentration will continue in the future, and we expect that our financial performance in certain business lines and growth prospects will continue to depend in part on a small number of customers. Many of our customers purchase products under purchase orders or under contracts that do not contain volume or long-term purchase commitments. Therefore, these customers may alter their purchasing behavior with little or no notice to us for various reasons, including developing, or, in the case of our distributors, their customers developing, their own product solutions; choosing to purchase or distribute product from our competitors; incorrectly forecasting end market demand for their products; or experiencing a reduction in their market share in the markets for which they purchase our products. Additionally, increased inventory at our customers has impacted our revenue, as our customers have decided to lower their inventory levels and these impacts are expected to continue in the near term and in future periods. As a result, it is difficult to forecast our revenues and to determine the appropriate levels of inventory required to meet future demand. For example, we have from time-to-time experienced excess and obsolete charges due to customer transitions to the next generation of products. We may also experience increased inventory levels and increased carrying costs and risk of excess or obsolete inventory due to unanticipated reductions in purchases by our customers. In addition, customers provide us with their expected forecasts for our products several months in advance, but these customers may decrease, cancel or delay purchase orders already in place, including on short notice, or may experience financial difficulty which affects their ability to pay for products, particularly in light of the global macroeconomic uncertainty, and have done so from time-to-time, and the impact of any such actions may be intensified given our dependence on a limited number of large customers. We cannot accurately predict what or how many products our customers will need in the future. Anticipating demand is difficult because our customers face unpredictable demand for their own products and in recent periods have become increasingly focused on cash preservation and tighter inventory management.

In addition, changes in the business requirements, vendor selection, project prioritization, financial prospects, capital resources, and expenditures, or purchasing behavior (including product mix purchased or timing of purchases) of our key customers, or any real or perceived quality issues related to the products that we sell to such customers, have led to decreased sales to such customers or delays or cancellations of planned purchases of our products or services, which has unfavorably impacted our revenues and operating results, and may continue to impact our business and results of

operations. We may also experience pricing pressure with certain of our customers that may adversely affect our revenue and margins, or, if the ongoing relationship no longer benefits us, we may decide to suspend or terminate our relationship with such customers. There are also continuing trade tensions, including an uncertain regulatory environment, in the U.S. and countries in Asia, and in particular, China, which have impacted and could continue to materially impact our sales to key customers in these regions. Further, we may be required to purchase raw materials, increase production capacity or make other changes to our business to accommodate certain large customers. If forecasted orders do not materialize, we may need to reduce investment in R&D activities, we may fail to optimize our manufacturing capacity and incur charges for such underutilization, we may incur liabilities with our suppliers for reimbursement of capital expenditures, or we may have excess inventory. In addition, if we incur expenses in response to forecasted demand and do not have a corresponding increase in revenue, our profitability may suffer. Any of these factors could adversely affect our business, financial condition and results of operations.

***Intense competition in our markets may lead to an accelerated reduction in our prices, revenues, margins and market share.***

The end markets for optical products have experienced significant industry consolidation during the past few years. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. As a result, the markets for optical subsystems, components and laser diodes are highly competitive and the intensity of such competition is increasing. Our current competitors include a number of domestic and international public and private companies, many of which may have substantially greater financial, technical, marketing and distribution resources and brand name recognition than we have. As we expand into new markets, we face competition not only from our existing competitors, but also from new competitors, including existing companies with strong technological and sales positions in those markets. We may not be able to compete successfully against either current or future competitors, particularly, in light of increasing consolidation. Our competitors may continue to enter markets or gain or retain market share through introduction of new or improved products or with aggressive low pricing strategies that may impact the efficacy of our approach. These competitors may be able to devote greater resources than we can to the development, promotion, sale and support of their products. Additionally, the merger or consolidation of significant competitors have resulted in, and will likely result in, competitors with greater resources, which may enable them to offer a different market approach, or a lower cost structure through economies of scale or other efficiencies that we may be unable to match and which may intensify competition in the various markets. Further, our competitors may seek to vertically integrate by buying suppliers that also supply products or components to us, which could enable them to further reduce prices, or could increase our costs. Our current or potential customers may also determine to develop and produce products for their own use which may be competitive to our products. Such vertical integration could reduce the market opportunity for our products. Increased competition could result in significant price erosion, reduced revenue, lower margins or loss of market share, any of which would significantly harm our business.

***We are subject to risks arising from our international operations, which may adversely affect our business, financial condition, and results of operations.***

We derive a majority of our revenue from our international operations, and we plan to continue expanding our business in international markets in the future. In addition, we have extensive international manufacturing capabilities through third-party contract manufacturers, as well as through our own international facilities, with employees engaged in R&D, administration, manufacturing, support and sales and marketing activities.

As a result of our international operations, in addition to similar risks we face in our U.S. operations, we are affected by economic, business, regulatory, social, and political conditions in foreign countries, including the following:

- adverse social, political and economic conditions, such as inflation, high interest rates and risk of global or regional recession;
- effects of adverse changes in currency rates;
- impacts related to business disruptions and restrictions related to pandemics and endemics, such as COVID-19, including supply chain disruptions and labor shortages and differential impacts in different regions and geographies;
- changes in general IT spending;



- less effective protection of intellectual property;
- the imposition of government controls, inclusive of critical infrastructure protection;
- changes in or limitations imposed by trade protection laws or other regulatory orders or requirements in the United States or in other countries, including tariffs, sanctions, or other costs or requirements which may affect our ability to import or export our products from various countries or increase the cost to do so, including government action to restrict our ability to sell to foreign customers where sales of products may require export licenses (See Risk Factor entitled “Our ability to sell our products to a significant customer has been restricted”); the restrictions in China on the export of gallium and germanium; and increased tariffs on various products that have been proposed and implemented by the U.S. government and other non-U.S. governments;
- the imposition of sanctions on customers in China may cause those customers to seek domestic alternatives to our products, including developing alternatives internally, and our customers demand for our products could be impacted by their inability to obtain other materials subject to sanctions. For example, sanctions on sales to certain parties of U.S. semiconductors and semiconductor equipment has caused a delay in 5G deployment in China while the affected companies seek alternative solutions, which has reduced the demand for our products from some of our Chinese customers;
- varying and potentially conflicting laws and regulations;
- overlapping, differing or more burdensome tax structure and laws;
- markets for 5G infrastructure not developing in the manner or in the time periods we anticipate, including as a result of unfavorable developments with evolving laws and regulations worldwide;
- wage inflation or a tightening of the labor market;
- the impact of recessions and other economic conditions in economies outside the United States, including, for example, dips in the manufacturing Purchasing Managers Index as well as the Institute for Supply Management data in the Eurozone;
- tax and customs changes that adversely impact our global sourcing strategy, manufacturing practices, transfer-pricing, or competitiveness of our products for global sales;
- volatility in oil prices and increased costs, or limited supply of other natural resources;
- political developments, geopolitical unrest or other conflicts in foreign nations, including Brexit, the Russia-Ukraine war, the ongoing conflicts in the Middle East and political developments in Hong Kong and Taiwan and the potential impact such developments or further actions could have on our customers in the markets in which we operate; and
- the impact of the following on service provider and government spending patterns as well as our contract and internal manufacturing: political considerations, changes in or delays in government budgeting processes, unfavorable changes in tax treaties or laws, unfavorable events that affect foreign currencies on an absolute or relative basis, natural disasters, epidemic disease, labor unrest, earnings expatriation restrictions, misappropriation of intellectual property, military actions, acts of terrorism, political and social unrest and difficulties in staffing and managing international operations.

Additionally, our business is impacted by fluctuations in local economies and currencies. Global economic volatility has significantly impacted the foreign exchange markets, and the currencies of various countries in which we operate and have significant volume of local-currency denominated expenses have seen significant volatility. We expect such volatility to continue, which could negatively impact our results by making our non-U.S. operations more expensive when reported in U.S. dollars, primarily due to the costs of payroll.

Moreover, local laws and customs in many countries differ significantly from or conflict with those in the United States or other countries in which we operate. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. There can be no assurance that our employees, contractors, channel partners and agents will not take actions in violation of our policies and procedures, which are designed to ensure compliance with U.S. and foreign

laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners, or agents could result in termination of our relationships with customers and suppliers, financial reporting problems, fines and/or penalties for us, or prohibition on the importation or exportation of our products, and could have a material adverse effect on our business, financial condition and results of operations.

Like most other multinational companies, we are also highly dependent upon the ability to ship products to customers and to receive shipments from our suppliers. In the event of a disruption in the worldwide or regional shipping infrastructure, our access to supplies and our ability to deliver products to customers would correspondingly be negatively impacted. As a result of shipping disruptions, we have experienced among other things, increased costs to ship products and delays in receiving components and any disruption in the future would likely materially and adversely affect our operating results and financial condition.

In addition to the above risks related to our international operations, we also face risks related to pandemics and epidemics. An outbreak of a contagious disease, and other adverse public health developments, particularly in Asia, could have a material and adverse effect on our business operations. The effects could include restrictions on our ability to travel to support our sites in Asia or our customers located there, disruptions in our ability to distribute products, and/or temporary closures of our facilities in Asia or the facilities of our suppliers or customers and their contract manufacturers.

In the past, these and similar risks have disrupted our operations and the operations of our suppliers, customers and contract manufacturers and increased our costs, and we expect that they may do so in the future. Any or all of these factors could have a material and adverse impact on our business, financial condition, and results of operations.

***We are subject to the risks of owning real property.***

Our buildings subject us to the risks of owning real property, which include, but are not limited to:

- adverse changes in the value of these properties due to economic conditions, the movement by many companies to a hybrid work environment, interest rate changes, changes in the neighborhood in which the property is located, or other factors;
- the possible need for structural improvements in order to comply with zoning, seismic and other legal or regulatory requirements;
- the potential disruption of our business and operations arising from or connected with a relocation due to moving or to renovating the facility;
- increased cash commitments for improvements to the buildings or the property, or both;
- increased operating expenses for the buildings or the property, or both; and
- the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of earthquakes, floods and/or other natural disasters.

***The manufacturing of our products may be adversely affected if we are unable to manufacture certain products in our manufacturing facilities or if our contract manufacturers and suppliers fail to meet our production requirements.***

We manufacture some of our finished good products as well as some of the components that we provide to our contract manufacturers in our China, Japan, Thailand, United Kingdom, and San Jose, California manufacturing facilities. For some of the components and finished good products, we are the sole manufacturer. Our manufacturing processes are highly complex, and issues are often difficult to detect and correct. From time-to-time, we have experienced problems achieving acceptable yields in our manufacturing facilities, resulting in delays in the availability of our products and inability to meet customer demand. In addition, if we experience problems with our manufacturing facilities or are unable to continue operations at any of these sites, including as a result of social, geopolitical, environmental or health factors, damage caused by natural disasters, or other problems or events beyond our control, including pandemics or widespread health epidemics, it would be costly and require a long period of time to move the manufacture of these components and finished good products to a different facility or contract manufacturer which could then result in interruptions in supply, and would likely materially impact our financial condition and results of operations. Our business and operations would be severely impacted if there were any future widespread health crisis or related restrictions imposed by governments or private industry in regions we operate.

We also rely on several independent contract manufacturers to supply us with certain products. For many products, a particular contract manufacturer may be the sole source of the finished good products. We depend on these manufacturers to meet our production and capacity requirements and to provide quality products to our customers. There are a number of risks associated with our reliance on contract manufacturers including:

- reduced control over delivery schedules and planning;
- availability of manufacturing capability and capacity, particularly during periods of high demand;
- reliance on the quality assurance procedures of third parties;
- risks associated with data security breaches or cyber-attacks targeting our contract manufacturers, including manufacturing disruptions or unauthorized access to information; and
- potential misappropriation of our intellectual property.

Additionally, if operations at these contract manufacturers are adversely impacted, such as by natural disasters, or restrictions due to the impact of a widespread health crisis disruptions or any resulting economic impact to their business, this would likely materially impact our financial condition and results of operations. Our ability to control the quality of products produced by contract manufacturers has and may in the future be impaired by pandemics or widespread health epidemics disruptions, and quality issues might not be resolved in a timely manner. Additionally, if our contract manufacturers continue experiencing disruptions or discontinue operations, we may be required to identify and qualify alternative manufacturers, which is expensive and time consuming. If we are required to change or qualify a new contract manufacturer, this would likely cause business disruptions and adversely affect our results of operations and could harm our existing customer relationships.

Despite rigorous testing for quality, both by us and the contract manufacturers to whom we sell products, we may receive and ship defective products. We may incur significant costs to correct defective products which could result in the loss of future sales and revenue, indemnification costs or costs to replace or repair the defective products, litigation and damage to our reputation and customer relations. Defective products may also cause diversion of management attention from our business and product development efforts.

Our manufacturing operations and those of our contract manufacturers may be affected by natural disasters such as earthquakes, typhoons, tsunamis, fires and public health crises, including global pandemics, changes in legal requirements, labor strikes and other labor unrest and economic, political or other forces that are beyond our control. For example, in the past one of our former contract manufacturers experienced a labor strike which threatened the contract manufacturer's ability to fulfill its product commitments to us and, in turn, our ability to fulfill our obligations to our customers. We are heavily dependent on a small number of manufacturing sites. Our business and operations would be severely impacted by any significant business disruptions for which we may not receive adequate recovery from insurance. There is also an increased focus on corporate social and environmental responsibility in our industry. As a result, a number of our customers may adopt policies that include social and environmental responsibility provisions that their suppliers should comply with. These provisions may be difficult and expensive to comply with, given the complexity of our supply chain. We may be unable to cause our suppliers or contract manufacturers to comply with these provisions which may adversely affect our relationships with customers.

In addition, for a variety of reasons, including changes in circumstances at our contract manufacturers, restrictions or inability to operate, or regarding our own business strategies, we may choose or be required to transfer the manufacturing of certain products to other manufacturing sites, including to our own manufacturing facilities. As a result of such transfers, our contract manufacturers may prioritize other customers or otherwise be unable or unwilling to meet our demand. There also may be delays with the transfer of manufacturing equipment and successfully setting up that equipment at the transfer sites and training new operators. If such transfers are unsuccessful or take a longer period of time than expected, it could result in interruptions in supply and supply chain and would likely impact our financial condition and results of operations.

Some of our purchase commitments with contract manufacturers are not cancellable which may impact our results of operations if customer forecasts driving these purchase commitments do not materialize and we are unable to sell the products to other customers. We may also incur charges if we do not utilize our allocated manufacturing capacity which would increase our costs and decrease our margins. Alternatively, our contract manufacturers may not be able to meet our demand which would inhibit our ability to meet our customers' demands and maintain or grow our revenues. Furthermore,

it could be costly and require a long period of time to move products from one contract manufacturer to another which could result in interruptions in supply and adversely impact our financial condition and results of operations.

Further, certain of our suppliers are located in China, which exposes us to risks associated with Chinese laws and regulations and U.S. laws, regulations and policies with respect to China, such as those related to import and export policies, tariffs, taxation and intellectual property. Chinese laws and regulations are subject to frequent change, and if our suppliers are unable to obtain or retain the requisite legal permits or otherwise to comply with Chinese legal requirements, we may be forced to obtain products from other manufacturers or to make other operational changes, including transferring our manufacturing to another manufacturer or to our own manufacturing facilities. In addition, many of our products are sourced from suppliers based outside of the United States, primarily in Asia. We may continue to face uncertainty with respect to our suppliers' abilities to supply products due to supply chain and inventory impacts, tax and trade policies, tariffs and government regulations affecting trade between the United States and other countries. Major developments in tax policy or trade relations, such as the imposition of tariffs on imported products, for example, tariffs on the import of certain products manufactured in China, could increase our product and product-related costs or require us to seek alternative suppliers, either of which could result in decreased sales or increased product and product-related costs. Any such developments could have a material impact on our ability to meet our customers' expectations and may materially impact our operating results and financial condition.

***If our customers do not qualify our manufacturing lines or the manufacturing lines of our subcontractors for volume shipments, our operating results could suffer.***

Certain of our customers do not purchase products, other than limited numbers of evaluation units, prior to qualification of the manufacturing line for volume production. Our existing manufacturing lines, as well as each new manufacturing line, must pass through varying levels of qualification with certain of our customers. Some of our customers require that our manufacturing lines pass their specific qualification standards and that we, and any subcontractors that we may use, be registered under international quality standards. We may encounter quality control issues as a result of setting up new manufacturing lines in our facilities, relocating our manufacturing lines or introducing new products to fill production. We may be unable to obtain, or we may experience delays in obtaining, customer qualification of our manufacturing lines. If we introduce new contract manufacturing partners and move any production lines from existing internal or external facilities, the new production lines will likely need to be re-qualified with our customers. Any delays or failure to obtain qualifications would harm our reputation, operating results, and customer relationships.

***We contract with a number of large OEM and end-user service providers and product companies that have considerable bargaining power, which may require us to agree to terms and conditions that could have an adverse effect on our business or ability to recognize revenues.***

Large OEM and end-user service providers and product companies comprise a significant portion of our customer base. These customers generally have greater purchasing power than smaller entities and, accordingly, often request and receive more favorable terms from suppliers, including us. As we seek to expand our sales to existing customers and acquire new customers, we may be required to agree to terms and conditions that are favorable to our customers and that may affect the timing of our ability to recognize revenue, increase our costs and have an adverse effect on our business, financial condition, and results of operations. Furthermore, large customers have increased buying power and ability to require onerous terms in our contracts with them, including pricing, warranties, and indemnification terms. If we are unable to satisfy the terms of these contracts, it could result in liabilities of a material nature, including litigation, damages, additional costs, loss of market share and loss of reputation. Additionally, the terms these large customers require, such as most-favored nation or exclusivity provisions, may impact our ability to do business with other customers and generate revenues from such customers.

***Our products may contain defects that could cause us to incur significant costs, divert our attention from product development efforts and result in loss of customers.***

Our products are complex, and defects and quality issues are found from time-to-time. Networking products in particular frequently contain undetected software or hardware defects when first introduced or as new versions are released. In addition, our products are often embedded in or deployed in conjunction with our customers' products which incorporate a variety of components produced by third parties, which may contain defects. As a result, when problems occur, it may be difficult to identify the source of the problem. These problems may cause us to incur significant damages or warranty and repair costs, divert the attention of our engineering personnel from our product development efforts and manufacturing resources, and cause significant customer relation problems or loss of customers, or risk exposure to product liability suits,

all of which would harm our business. Additionally, changes in our or our suppliers' manufacturing processes or the inadvertent use of defective materials by us or our suppliers could result in a material and adverse effect on our ability to achieve acceptable manufacturing yields and product reliability. To the extent that we do not achieve and maintain our projected yields or product reliability, our business, operating results, financial condition and customer relationships would be adversely affected.

***Adverse changes in political, regulatory and economic policies, including the threat of increasing tariffs, particularly to goods traded between the United States and China, could materially and adversely affect our business and results of operations.***

Regulatory activity, such as tariffs, export controls, and economic sanctions laws have in the past and may continue to materially limit our ability to make sales to customers in China, which has in the past and may continue to harm our results of operations and financial condition. Since the beginning of 2018, there has been rhetoric, in some cases coupled with legislative or executive action, from several U.S. and foreign leaders regarding instituting tariffs against foreign imports of certain materials. More specifically, since 2018, the United States and China applied or proposed to apply tariffs to certain of each other's exports, and we expect these actions to continue for the foreseeable future. Adverse regulatory activity, such as export controls, economic sanctions and the institution of trade tariffs both globally and between the United States and China specifically carries the risk of negatively impacting overall economic conditions, which could have negative repercussions on our industry and our business. Moreover, to the extent the governments of China, the United States or other countries seek to promote use of domestically produced products or to reduce the dependence upon or use of products from another (sometimes referred to as "decoupling"), they may adopt or apply regulations or policies that have the effect of reducing business opportunities for us. Such actions may take the form of specific restrictions on particular customers, products, technology areas, or business combinations. For example, in the area of investments and mergers and acquisitions, the United States has recently announced new requirements for approval by the United States government of outbound investments; and the approval by China regulatory authorities is required for business combinations of companies that conduct business in China over specific thresholds, regardless of where those businesses are based. Restrictions may also be imposed based on whether the supplier is considered unreliable or a security risk. For example, the Chinese government adopted a law that would restrict purchases from suppliers deemed to be "unreliable suppliers". In May 2023, the Cyberspace Administration of China banned the sale of Micron's products to certain entities in China and stated that such products pose significant security risks to China's critical information infrastructure supply chain and national security. Furthermore, imposition of tariffs or new or revised export, import or doing-business regulations, including trade sanctions, could cause a decrease in the demand for, or sales of our products to customers located in China or other customers selling to Chinese end users or increase the cost for our products, which would directly impact our business and results of operations.

***We face a number of risks related to our strategic transactions.***

We expect to continue to expand and diversify our operations with additional acquisitions and strategic transactions, such as our acquisitions of Cloud Light, NeoPhotonics and the IPG telecom transmission product lines, as well as acquisitions of complementary technologies, products, assets and businesses. We may be unable to identify or complete prospective acquisitions for many reasons, including competition from other potential acquirers, the effects of consolidation in our industries and potentially high valuations of acquisition candidates. Even if we do identify acquisitions or enter into agreements with respect to such acquisitions, we may not be able to complete the acquisition due to regulatory requirements or restrictions, competition, or other reasons, as occurred with the termination of our merger agreement with Coherent in March 2021. In addition, applicable antitrust laws and other regulations may limit our ability to acquire targets or force us to divest all or a portion of our business or an acquired business. If we are unable to identify suitable targets or complete acquisitions, our growth prospects may suffer, and we may not be able to realize sufficient scale and technological advantages to compete effectively in all markets.

In connection with acquisitions, risks to us and our business include:

- diversion of management's attention from normal daily operations of the business;
- unforeseen expenses, delays or conditions imposed upon the acquisition or transaction, including due to required regulatory approvals or consents, or fees that may be triggered upon a failure to consummate an acquisition or transaction for certain reasons;
- the inability to retain and obtain required regulatory approvals, licenses and permits;

- loss of employees, customers, suppliers or partners due to uncertainty of a transaction; and
- failure to consummate an acquisition resulting in negative publicity and/or negative impression of us in the investment community that could impact on our stock price

We have also faced litigation in connection with acquisitions, some of which continues following the consummation of the acquisition. Such litigation may be costly and diverts management time and attention.

We have in the past, and may in the future, divest or reduce our investment in certain businesses or product lines from time-to-time. Such divestitures involve risks, such as difficulty separating portions from our other businesses, distracting employees, incurring potential loss of revenue, negatively impacting margins, and potentially disrupting customer relationships. We may also incur significant costs associated with exit or disposal activities, related impairment charges, or both.

If we are unable to successfully manage any of these risks in relation to any future acquisitions or divestitures, our business, financial condition and results of operations could be adversely impacted.

***We may be unable to successfully implement our acquisitions strategy or integrate acquired companies and personnel with existing operations.***

To the extent we are successful in making acquisitions, such as our acquisitions of Cloud Light, NeoPhotonics and the IPG telecom transmission product lines, we may be unsuccessful in implementing our acquisitions strategy, or integrating acquired companies, businesses or product lines and personnel with existing operations, the integration may be more difficult or more costly than anticipated, or the transaction may not further our business strategy as we expected or we may overpay for, or otherwise not realize the expected return on, our investment. Some of the challenges involved integrating businesses and acquisitions include:

- difficulty preserving relationships with customers, suppliers or partners;
- potential difficulties in completing projects associated with in-process R&D;
- unanticipated liabilities or our exposure for known contingencies and liabilities may exceed our estimates;
- insufficient net revenue or unexpected expenses that negatively impact our margins and profitability;
- unexpected losses of key employees of the acquired company, inability to attract, recruit, retain, and motivate current and prospective employees or inability to maintain our company culture;
- unexpected expenses for cost of litigation against us or our directors and officers, or against the acquired company;
- conforming the acquired company's standards, processes, procedures and controls with our operations, including integrating Enterprise Resource Planning ("ERP") systems and other key business applications;
- coordinating new product and process development;
- increasing complexity from combining operations, including administrative functions, finance and human resources;
- increasing the scope, geographic diversity and complexity of our operations;
- difficulties in integrating operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries;
- difficulties in integrating acquired technology;
- difficulties in coordinating and integrating geographically separated personnel, organizations, systems and facilities;
- difficulty managing customer transitions or entering into new markets;
- difficulties in consolidating facilities and transferring processes and know-how;

- diversion of management's attention from other business concerns;
- temporary loss of productivity or operational efficiency;
- dilution of our current stockholders as a result of any issuance of equity securities as acquisition consideration;
- adverse tax or accounting impact;
- expenditure of cash that would otherwise be available to operate our business; and
- indebtedness on terms that are unfavorable to us, limit our operational flexibility or that we are unable to repay.

In addition, following an acquisition, we may have difficulty forecasting the financial results of the combined company and the market price of our common stock could be adversely affected if the effect of any acquisitions on our consolidated financial results is dilutive or is below the market's or financial analysts' expectations, or if there are unanticipated changes in the business or financial performance of the target company or the combined company. Any failure to successfully integrate acquired businesses may disrupt our business and adversely impact our business, financial condition and results of operations.

***Changes in demand and customer requirements for our products may reduce manufacturing yields, which could negatively impact our profitability.***

Manufacturing yields depend on a number of factors, including the volume of production due to customer demand and the nature and extent of changes in specifications required by customers for which we perform design-in work. Changes in manufacturing processes required as a result of changes in product specifications, changing customer needs, introduction of new product lines and changes in contract manufacturers may reduce manufacturing yields, resulting in low or negative margins on those products. Moreover, an increase in the rejection rate of products during the quality control process, before, during or after manufacturing, results in lower gross margins from lower yields and additional rework costs. Any reduction in our manufacturing yields will adversely affect our gross margins and could have a material impact on our operating results.

***Restructuring activities could disrupt our business and affect our results of operations.***

We have taken steps, including implementing reductions in force and internal reorganizations to reduce the cost of our operations, improve efficiencies, or realign our organization and staffing to better match our market opportunities and our technology development initiatives. We may take similar steps in the future as we seek to realize operating synergies, to achieve our target operating model and profitability objectives, or to reflect more closely changes in the strategic direction of our business or the evolution of our site strategy and workplace. These changes could be disruptive to our business, including our research and development efforts, and may result in the recording of special charges, including workforce reduction or restructuring costs. Substantial expense or charges resulting from restructuring activities could adversely affect our results of operations and use of cash in those periods in which we undertake such actions.

***We may not be able to realize tax savings from our international structure, which could materially and adversely affect our operating results.***

During fiscal 2023, the Company completed an international restructuring that included the intra-entity transfer of certain intellectual property and other assets used in the business among various subsidiaries. This structure may be challenged by tax authorities, and if such challenges are successful, the tax consequence we expect to realize could be adversely impacted. If substantial modifications to our international structure or the way we operate our business are made, such as if future acquisitions or divestitures occur, if changes in domestic and international tax laws negatively impact the structure, if we do not operate our business consistent with the structure and applicable tax provisions, if we fail to achieve our revenue and profit goals, or if the international structure or our application of arm's-length principles to intercompany arrangements is successfully challenged by the U.S. or foreign tax authorities, our effective tax rate may increase, which could have a material adverse effect on our operating and financial results.

***Changes in tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions.***

As a multinational corporation, we are subject to income taxes as well as non-income based taxes, in both the U.S. and various foreign jurisdictions. Significant uncertainties exist with respect to the amount of our tax liabilities, including those

arising from potential changes in laws in the countries in which we do business and the possibility of adverse determinations with respect to the application of existing laws. Many judgments are required in determining our worldwide provision for income taxes and other tax liabilities, and we are under audit by various tax authorities, which often do not agree with positions taken by us on our tax returns. Any unfavorable resolution of these uncertainties may have a significant adverse impact on our tax rate.

Increasingly, countries around the world are actively considering or have enacted changes in relevant tax, accounting and other laws, regulations and interpretations. In August 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the "IRA") and the CHIPS and Science Act of 2022. These laws introduce new tax provisions and provide for various incentives and tax credits. The IRA applies to tax years beginning after December 31, 2022 and introduces a 15% corporate alternative minimum tax and a 1% excise tax on certain stock repurchases made by publicly traded U.S. corporations. While we are not currently expecting a material impact to our provision for income taxes by the 15% corporate alternative minimum tax under the IRA, it could materially affect our financial results, including our earnings and cash flow, if we become subject to this tax in the future.

Many countries, and organizations such as the Organization for Economic Cooperation and Development (the "OECD") have proposed implementing changes to existing tax laws, including a proposed global minimum tax of 15%, also known as Pillar Two, which was agreed to by more than 140 member jurisdictions in 2021 and adopted by European Union member states on December 12, 2022 to go into effect starting in 2024. Many countries have made changes to their tax laws to adopt certain parts of the OECD's proposals. We do not believe Pillar Two has any material effect on us at this time and will continue to monitor legislative development relating to Pillar Two and OECD model rules. Any of these developments or changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results. There can be no assurance that our effective tax rates, tax payments, or incentives will not be adversely affected by these or other developments or changes in law.

Other countries also continue to enact and consider enacting new laws, which could increase our tax obligations, cause us to change the way we do business or our operations or otherwise adversely affect us. The foregoing items could increase our future tax expense, could change our future intentions regarding reinvestment of foreign earnings, and could have a material adverse effect on our business, financial condition and results of operations.

Our subsidiary in Thailand has been granted certain tax holidays by the Thailand government. As we do not currently meet the tax holiday requirements, income earned in Thailand is subject to the regular statutory income tax rate.

We are also subject to the continuous examination of our income tax and other returns by the Internal Revenue Service and other tax authorities globally, and we have a number of such reviews underway at any time. It is possible that tax authorities may disagree with certain positions we have taken, and an adverse outcome of such a review or audit could have a negative effect on our financial position and operating results. There can be no assurance that the outcomes from such examinations, or changes in tax law or regulation impacting our effective tax rates, will not have an adverse effect on our business, financial condition and results of operations.

***Our operating results may be subject to volatility due to fluctuations in foreign currency.***

We are exposed to foreign exchange risks with regard to our international operations which may affect our operating results. Since we conduct business in currencies other than U.S. dollars but report our financial results in U.S. dollars, we face exposure to fluctuations in currency exchange rates. Due to these fluctuations, operating results may differ materially from expectations, and we may record significant gains or losses on the remeasurement of intercompany balances. Although we price our products primarily in U.S. dollars, a portion of our operating expenses are incurred in foreign currencies. For example, a portion of our expenses are denominated in the U.K. pound sterling, Chinese yuan and Thai baht. Fluctuations in the exchange rate between these currencies and other currencies in which we collect revenues and/or pay expenses could have a material effect on our future operating results. Recently, our exposure to foreign currencies has increased as our non-U.S. manufacturing footprint has expanded. We continue to look for opportunities to leverage the lower cost of non-U.S. manufacturing, including the United Kingdom, China, Thailand, and Japan. While these geographies are lower cost than the U.S. and such concentration will in general lower our total cost to manufacture, this increase in concentration in non-U.S. manufacturing will also increase the volatility of our results. If the value of the U.S. dollar depreciates relative to certain other foreign currencies, it would increase our costs including the cost of local operating expenses and procurement of materials or services that we purchase in foreign currencies, as expressed in U.S. dollars. Conversely, if the U.S. dollar strengthens relative to other currencies, such strengthening could raise the relative



cost of our products to non-U.S. customers, especially as compared to foreign competitors, and could reduce demand. Global economic volatility has had a significant impact on the exchange markets, which heightened this risk, and we expect the higher level of volatility in foreign exchange markets will likely continue.

***We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.***

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including supporting the development and introduction of new products, addressing new markets, engaging in strategic transactions and partnerships, improving or expanding our operating infrastructure or acquiring complementary businesses and technologies. Investments, partnerships and acquisitions involve risks and uncertainties which could materially and adversely affect our operating and financial results. In December 2019, we issued and sold a total of \$1,050 million in aggregate principal amount of 2026 Notes. In March 2022, we issued and sold a total of \$861 million aggregate principal amount of 2028 Notes. In June 2023, we issued and sold a total of \$603.7 million aggregate principal amount of 2029 Notes. We may in the future engage in additional equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity, equity-linked or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, uncertainty in the macroeconomic environment, increasing interest rates and other factors have resulted in volatility in the capital markets and less favorable financing terms. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

***If we fail to effectively manage our growth or, alternatively, our spending during downturns, our business could be disrupted, which could harm our operating results.***

We expect to appropriately scale our business, internal systems and organization, and to continue to improve our operational, financial and management controls, reporting systems and procedures. Growth in sales, combined with the challenges of managing geographically dispersed operations, can place a significant strain on our management systems and resources, and our anticipated growth in future operations could continue to place such a strain. The failure to effectively manage our growth could disrupt our business and harm our operating results, and even if we are able to upgrade our systems and expand our staff, any such expansion will likely be expensive and complex. Our ability to successfully offer our products and implement our business plan in evolving markets requires an effective planning and management process. In economic downturns, we must effectively manage our spending and operations to ensure our competitive position during the downturn, as well as our future opportunities when the economy improves, remains intact. The failure to effectively manage our spending and operations could disrupt our business and harm our operating results.

***A widespread health crisis could materially and adversely affect our business operations, financial performance, results of operations, financial position and the achievement of our strategic objectives.***

The outbreak of a widespread health crisis, whether global in scope or localized in an area in which we, our customers or our suppliers do business, could have a material and adverse effect on our operations and the operations of our suppliers and customers. Potential impacts on our operations and financial performance include:

- significant reductions in demand for one or more of our products or a curtailment to one or more of our product lines caused by, among other things, any temporary inability of our customers to purchase and utilize our products due to shutdown orders or financial hardship;
- workforce constraints triggered by any applicable shutdown orders or stay-at-home policies;
- disruptions to our third-party contract manufacturing and raw materials supply arrangements caused by constraints over our suppliers' workforce capacity, financial, or operational difficulties;
- disruption in our own ability to produce and ship products;

- heightened risk and uncertainty regarding the loss or disruption of essential third-party service providers, including transportation services, contract manufacturing, marketing, and distribution services;
- requirements to comply with governmental and regulatory responses such as quarantines, import/export restrictions, price controls, or other governmental or regulatory actions, including closures or other restrictions that limit or close our operating and manufacturing facilities, restrict our workforce's ability to travel or perform necessary business functions, or otherwise impact our suppliers or customers, which could adversely impact our operating results;
- general economic uncertainty in key global markets and financial market volatility; and
- increased operating expenses and potentially reduced efficiency of operations.

For example, the COVID-19 pandemic and related countermeasures impacted the global economy and caused macroeconomic uncertainty. Governmental authorities around the globe implemented, and may, in the event of a future widespread health crisis, implement numerous and evolving measures in response to public health concerns. The implementation of health and safety practices by us or our suppliers, distributors or customers could impact customer demand, supplier deliveries, our productivity, and costs, which could have a material and adverse impact on our business, financial condition and results of operations.

The ultimate impact of a widespread health crisis on our operations and financial performance depends on many factors that are not within our control, including, but not limited, to: governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic and actions taken in response on global and regional economies, travel, and economic activity; general economic uncertainty in key global markets and financial market volatility, including increasing levels of inflation in the United States; and global economic conditions and levels of economic growth. In addition, the global economic volatility has significantly impacted the foreign exchange markets, and the currencies of various countries in which we operate and in which we have significant volume of local-currency denominated expenses have seen significant volatility.

***Any failure, disruption or security breach or incident of or impacting our information technology infrastructure or information management systems could have an adverse impact on our business and operations.***

Our business depends significantly on effective and efficient information management systems, and the reliability and security of our information technology infrastructure are essential to the operation, health and expansion of our business. For example, the information gathered and processed by our information management systems assists us in managing our supply chain, financial reporting, monitoring customer accounts, and protecting our proprietary and confidential business information, plans, trade secrets, and intellectual property, among other things. In addition, these systems may contain personal data or other confidential or otherwise protected information about our employees, our customers' employees, or other business partners. We must continue to expand and update this infrastructure in response to our changing requirements as well as evolving security standards and risks.

In some cases, we may rely upon third-party providers of hosting, support and other services to meet our information technology requirements. Any failure to manage, expand and update our information technology infrastructure, including our ERP system and other applications, any failure in the extension implementation or operation of this infrastructure, or any failure by our hosting and support partners or other third-party service providers in the performance of their services could materially harm our business. In addition, we have partnered with third parties to support our information technology systems and to help design, build, test, implement and maintain our information management systems. Our merger, acquisition and divestiture activity may also require transitions to or from, and the integration of, various information management systems within our overall enterprise architecture, including our ERP system and other applications. Those systems that we acquire or that are used by acquired entities or businesses may also pose security risks of which we are unaware or unable to mitigate, particularly during the transition of these systems.

Like other companies, we are subject to ongoing attempts by malicious actors, including through hacking, malware, ransomware, denial-of-service attacks, social engineering, exploitation of internet-connected devices, and other attacks, to obtain unauthorized access to, or acquisition or other processing of confidential or other information or otherwise affect service reliability and threaten the confidentiality, integrity and availability of our systems and information stored or otherwise processed on our systems. Cyber threats have increased in recent years, in part due to increased remote work and frequent attacks, including in the form of phishing emails, malware attachments and malicious websites. Additionally,

geopolitical tensions and conflicts, such as the Russia-Ukraine war and ongoing conflicts in the Middle East, may increase our risks of cyber-attacks. Further, as AI capabilities improve and become increasingly commonplace, we may see cyber attacks leveraging AI technology. These attacks could be crafted with an AI tool to directly attack information systems with increased speed and/or efficiency compared to a human threat actor or create more effective phishing emails. In addition, a vulnerability could be introduced from the result of us and our third-party service providers incorporating output of an AI tool, such as AI generated source code, that includes a threat. While we work to safeguard our internal network systems and validate the security of our third-party service providers to mitigate these potential risks, including through information security policies and employee awareness and training, there is no assurance that such actions have been or will be sufficient to prevent cyber-attacks or security breaches or incidents. We have been in the past, and may be in the future, subject to social engineering and other cybersecurity attacks, and these attacks may become more prevalent with substantial portion of our workforce being distributed geographically, particularly given the increased remote access to our networks and systems as a result. Further, our third-party service providers may have been and may be in the future subject to such attacks or otherwise may suffer security breaches or incidents. In addition, actions by our employees, service providers, partners, contractors, or others, whether malicious or in error, could affect the security of our systems and information. Further, a breach or compromise of our information technology infrastructure or that of our third-party service providers could result in the misappropriation of intellectual property, business plans, trade secrets or other information. Additionally, while our security systems are designed to maintain the physical security of our facilities and information systems, accidental or willful security breaches or incidents or other unauthorized access by third parties to our facilities or our information systems could lead to unauthorized access to, or misappropriation, disclosure, or other processing of proprietary, confidential and other information. Moreover, new laws and regulations, such as the European Union's General Data Protection Regulation, the California Consumer Privacy Act ("CCPA"), and China's Personal Information Protection Law, add to the complexity of our compliance obligations and increases our compliance costs. Although we have established internal controls and procedures intended to comply with such laws and regulations, any actual or alleged failure to fully comply could result in significant penalties and other liabilities, harm to our reputation and market position, business and financial condition.

Despite our implementation of security measures, our systems and those of our third-party service providers are vulnerable to damage from these or other types of attacks, errors or acts of omissions. In addition, our systems may be impacted by natural disasters, terrorism or other similar disruptions. Any system failure, disruption, accident or security breach or incident affecting us or our third-party service providers could result in disruptions to our operations and loss or unavailability of, or unauthorized access or damage to, inappropriate access to, or use, disclosure or other processing of confidential information and other information maintained or otherwise processed by us on our behalf. Any actual or alleged disruption to, or security breach or incident affecting, our systems or those of our third-party partners could cause significant damage to our reputation, lead to theft or misappropriation of our intellectual property and trade secrets, result in claims, investigations, and other proceedings by or before regulators, and claims, demands and litigation, legal obligations or liability, affect our relationships with our customers, require us to bear significant remediation and other costs and ultimately harm our business, financial condition and operating results. In addition, we may be required to incur significant costs to protect against or mitigate damage caused by disruptions or security breaches or incidents. Our costs incurred in efforts to prevent, detect, alleviate or otherwise address cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant and such efforts may not be successful. All of these costs, expenses, liability and other matters may not be covered adequately by insurance and may result in an increase in our costs for insurance or insurance not being available to us on economically feasible terms, or at all. Insurers may also deny us coverage as to any future claim. Any of these results could harm our financial condition, business and reputation.

***Our revenues, operating results, and cash flows may fluctuate from period to period due to a number of factors, which makes predicting financial results difficult.***

Spending on optical communication and laser products is subject to cyclical and uneven fluctuations, which could cause our financial results to fluctuate unpredictably. It can be difficult to predict the degree to which end-customer demand and the seasonality and uneven sales patterns of our OEM partners or other customers will affect our business in the future, particularly as we or they release new or enhanced products. We are also subject to changes in buying patterns among our OEM partners and other customers, including unpredictable changes in their desired inventory levels. Further, if our revenue mix changes, it may also cause results to differ from historical seasonality. Accordingly, our quarterly and annual revenues, operating results, cash flows, and other financial and operating metrics have and may in the future vary significantly in the future. We attempt to identify changes in market conditions as soon as possible; however, the dynamics of the market in which we operate make prediction of and timely reaction to such events difficult. Due to these and other

factors, the results of any prior periods should not be relied upon as an indication of future performance. Quarterly fluctuations from the above factors may cause our revenue, operating results, and cash flows to underperform in relation to our guidance, long-term financial targets or the expectations of financial analysts or investors, which may cause volatility or decreases in our stock price.

***If we have insufficient proprietary rights or if we fail to protect our rights, our business would be materially harmed.***

We seek to protect our products and product roadmaps in part by developing and/or securing proprietary rights relating to those products, including patents, trade secrets, know-how and continuing technological innovation. Protecting against the unauthorized use of our products, technology and other proprietary rights is difficult, time-consuming and expensive; therefore, the steps we take to protect our intellectual property may not adequately prevent misappropriation or ensure that others will not develop competitive technologies or products. Other companies may be investigating or developing technologies that are similar to our own. Additionally, there may be existing patents that we are unaware of, which could be pertinent to our business. It is not possible for us to know whether there are patent applications pending that our products might infringe upon since these applications are often not made publicly available until a patent is issued or published. It is possible that patents may not be issued from any of our pending applications or those we may file in the future and, if patents are issued, the claims allowed may not be sufficiently broad to deter or prohibit others from making, using or selling products that are similar to ours, or such patents could be invalidated or ruled unenforceable. We do not own patents in every country in which we sell or distribute our products, and thus others may be able to offer identical products in countries where we do not have intellectual property protections. In addition, the laws of some territories in which our products are or may be developed, manufactured or sold, including Europe, Asia-Pacific or Latin America, may not protect our products and intellectual property rights to the same extent as the laws of the United States. Any patents issued to us may be challenged, invalidated or circumvented. Additionally, we are currently a licensee for a number of third-party technologies including software and intellectual property rights from academic institutions, our competitors and others, and we are required to pay royalties to these licensors for the use thereof. In the future, if such licenses are unavailable or if we are unable to obtain such licenses on commercially reasonable terms, we may not be able to rely on such third-party technologies which could inhibit our development of new products, impede the sale of some of our current products, substantially increase the cost to provide these products to our customers, and could have a significant adverse impact on our operating results.

We also seek to protect our important trademarks by endeavoring to register them in certain countries. We have not registered our trademarks in every country in which we sell or distribute our products, and thus others may be able to use the same or confusingly similar marks in countries where we do not have trademark registrations. We have adopted Lumentum as a house trademark and trade name for our company and are in the process of establishing rights in this name and brand. We have also adopted the Lumentum logo as a house trademark for our company and are in the process of establishing rights in this brand. Trademarks associated with the Lumentum brand have been registered in the United States or other jurisdictions, however, the efforts we take to maintain registration and protect trademarks, including the Lumentum brand, may not be sufficient or effective. Although we have registered marks associated with the Lumentum brand, third parties may seek to oppose or otherwise challenge these registrations. There is the possibility that, despite efforts, the scope of the protection obtained for our trademarks, including the Lumentum brand, will be insufficient or that a registration may be deemed invalid or unenforceable in one or more jurisdictions throughout the world.

Further, a breach of our information technology infrastructure could result in the misappropriation of intellectual property, business plans or trade secrets. Any failure of our systems or those of our third-party service providers could result in unauthorized access or acquisition of such proprietary information, and any actual or perceived security breach could cause significant damage to our reputation and adversely impact our relationships with our customers.

Further, governments and courts are considering new issues in intellectual property law with respect to work created by artificial intelligence ("AI") technology, which could result in different intellectual property rights in development processes, procedures and technologies we create with AI technology, which could have a material adverse effect on our business.

***Our products may be subject to claims that they infringe the intellectual property rights of others, the resolution of which may be time-consuming and expensive, as well as require a significant amount of resources to prosecute, defend, or make our products non-infringing.***

Lawsuits and allegations of patent infringement and violation of other intellectual property rights occur regularly in our industry. We have in the past received, and anticipate that we will receive in the future, notices from third parties claiming that our products infringe upon their proprietary rights, with two distinct sources of such claims becoming increasingly prevalent. First, large technology companies, including some of our customers and competitors, are seeking to monetize their patent portfolios and have developed large internal organizations that may approach us with demands to enter into license agreements. Second, patent-holding companies that do not make or sell products (often referred to as “patent trolls”) may claim that our products infringe upon their proprietary rights. We respond to these claims in the course of our business operations. The litigation or settlement of these matters, regardless of the merit of the claims, could result in significant expense and divert the efforts of our technical and management personnel, regardless of whether or not we are successful. If we are unsuccessful, we could be required to expend significant resources to develop non-infringing technology or to obtain licenses to the technology that is the subject of the litigation. We may not be successful in such development, or such licenses may not be available on commercially reasonable terms, or at all. Without such a license, or if we are the subject of an exclusionary order, our ability to make our products could be limited and we could be enjoined from future sales of the infringing product or products, which could adversely affect our revenues and operating results. Additionally, we often indemnify our customers against claims of infringement related to our products and may incur significant expenses to defend against such claims. If we are unsuccessful defending against such claims, we may be required to indemnify our customers against any damages awarded.

We also face risks that third parties may assert trademark infringement claims against us in one or more jurisdictions throughout the world related to our brands and/or other trademarks and our exposure to these risks may increase as a result of acquisitions. The litigation or settlement of these matters, regardless of the merit of the claims, could result in significant expense and divert the efforts of our technical and management personnel, regardless of whether or not we are successful. If we are unsuccessful, trademark infringement claims against us could result in significant monetary liability or prevent us from selling some or all of our products or services under the challenged trademark. In addition, resolution of claims may require us to alter our products, labels or packaging, license rights from third parties, or cease using the challenged trademark altogether, which could adversely affect our revenues and operating results.

***We face certain litigation risks that could harm our business.***

We are now, and in the future, may become subject to various legal proceedings and claims that arise in or outside the ordinary course of business. The results of legal proceedings are difficult to predict. Moreover, many of the complaints filed against us may not specify the amount of damages that plaintiffs seek, and we therefore may be unable to estimate the possible range of damages that might be incurred should these lawsuits be resolved against us. While we may be unable to estimate the potential damages arising from such lawsuits, certain of them assert types of claims that, if resolved against us, could give rise to substantial damages or restrictions on or changes to our business. Thus, an unfavorable outcome or settlement of one or more of these lawsuits could have a material adverse effect on our financial condition, liquidity and results of operations. Even if these lawsuits are not resolved against us, the uncertainty and expense associated with unresolved lawsuits could seriously harm our business, financial condition and reputation. Litigation is generally costly, time-consuming and disruptive to normal business operations. The costs of defending these lawsuits have been significant in the past, will continue to be costly and may not be covered by our insurance policies. The defense of these lawsuits could also result in continued diversion of our management's time and attention away from business operations, which could harm our business. For additional discussion regarding litigation, refer to “Part II, Item 1. Legal Proceedings,” and “Note 14. Commitments and Contingencies” to the consolidated financial statements.

***Our products incorporate and rely upon licensed third-party technology, and if licenses of third-party technology do not continue to be available to us or are not available on terms acceptable to us, our revenues and ability to develop and introduce new products could be adversely affected.***

We integrate licensed third-party technology into certain of our products. From time-to-time, we may be required to license additional technology from third parties to develop new products or product enhancements. Third-party licenses may not be available or continue to be available to us on commercially reasonable terms. The failure to comply with the terms of any license, including free open-source software, may result in our inability to continue to use such license. Our inability to maintain or re-license any third-party licenses required in our products or our inability to obtain third-party

licenses necessary to develop new products and product enhancements, could potentially require us to develop substitute technology or obtain substitute technology of lower quality or performance standards or at a greater cost, any of which could delay or prevent product shipment and harm our business, financial condition, and results of operations.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, and Nasdaq listing requirements. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, and to integrate our acquisitions into our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant time and operational resources, including accounting-related costs and significant management oversight.

Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could cause us to delay reporting of our financial results, be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits or other adverse actions requiring us to incur defense costs, pay fines, settlements or judgments. Any such failures could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock and customer perception of our business may suffer. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ stock market.

#### **Risks Related to Human Capital**

***Our ability to develop, market and sell products could be harmed if we are unable to retain or hire key personnel.***

Our future success depends upon our ability to recruit and retain the services of executive, engineering, manufacturing, sales and marketing, and support personnel. The supply of highly qualified individuals, in particular engineers in very specialized technical areas, or salespeople specializing in the service provider, enterprise and commercial laser markets, is limited and competition for such individuals is intense. Competition is particularly intense in certain jurisdictions where we have research and development centers, including Silicon Valley, and for engineering talent generally. Also, the increase of remote work among employees in our industries has increased employee mobility and turnover, making it difficult for us to retain or hire employees. Further, to attract and retain top talent, we have offered, and we believe we will need to continue to offer, competitive compensation and benefits packages. Job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, it may adversely affect our ability to attract and retain highly qualified employees. There can be no assurance that the programs, initiatives, rewards and recognition that are part of our people strategy will be successful in attracting and retaining the talent necessary to execute on our business plans. In addition, as a result of our past and any future acquisitions and related integration activities, our current and prospective employees may experience uncertainty about their futures that may impair our ability to retain, recruit, or motivate key management, engineering, technical and other personnel. None of our officers or key employees is bound by an employment agreement for any specific term. The loss of the services of any of our key employees, the inability to attract or retain personnel in the future, particularly during the integration of acquisitions, or delays in hiring required personnel and the complexity and time involved in replacing or training new employees, could delay the development and introduction of new products, and negatively impact our ability to market, sell, or support our products. Similarly, the failure to properly manage the necessary knowledge transfer required for employee transitions could impact our ability to maintain industry and innovation leadership. The loss of members of our management team or other key personnel could be disruptive to our business and, were it necessary, it could be difficult to replace such individuals. If we are unable to attract and retain qualified personnel, we may be unable to manage our business effectively, and our business, financial condition and results of operations may be harmed.

***Our ability to hire and retain employees may be negatively impacted by changes in immigration laws, regulations and procedures.***

Foreign nationals who are not U.S. citizens or permanent residents constitute an important part of our U.S. workforce, particularly in the areas of engineering and product development. Our ability to hire and retain these workers and their ability to remain and work in the United States are impacted by laws and regulations, as well as by procedures and enforcement practices of various government agencies and global events that may interfere with our ability to hire or retain workers who require visas or entry permits. For example, numerous U.S. Embassies suspended or delayed the processing of new visa applications for a period of time during the pandemic due to COVID-19 related concerns impacting embassy operations and staffing. Additional changes in immigration laws, regulations or procedures in jurisdictions in which we hire workers may adversely affect our ability to hire or retain such workers, increase our operating expenses and negatively impact our ability to deliver our products and services.

**Risks Related to Legal, Regulatory and Compliance**

***Our sales may decline if we are unable to obtain government authorization to export certain of our products, and we may be subject to legal and regulatory consequences if we do not comply with applicable export control laws and regulations.***

Exports of certain of our products are subject to export controls imposed by the U.S. government and administered by the U.S. Departments of State and Commerce. In certain instances, these regulations may require pre-shipment authorization from the administering department. For products subject to the EAR administered by the BIS, the requirement for a license is dependent on the type and end use of the product, the final destination, the identity of the end user and whether a license exception might apply. Virtually all exports of products subject to the International Traffic in Arms Regulations ("ITAR") administered by the Department of State's Directorate of Defense Trade Controls, require a license. Certain of our fiber optics products are subject to EAR and ITAR. Products and the associated technical data developed and manufactured in our foreign locations are subject to export controls of the applicable foreign nation. There is no assurance that we will be issued these licenses or be granted exceptions, and failure to obtain such licenses or exceptions could limit our ability to sell our products into certain countries and negatively impact our business, financial condition and/or operating results.

The requirement to obtain a license could put us at a competitive disadvantage by restricting our ability to sell products to customers in certain countries or by giving rise to delays or expenses related to obtaining a license. Given the current global political climate, obtaining export licenses can be difficult and time-consuming. Failure to obtain export licenses for these shipments could significantly reduce our revenue and materially adversely affect our business, financial condition, relationships with our customers and results of operations. Compliance with U.S. government regulations also subjects us to additional fees and costs. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position.

Further, there is increased attention from the government and the media regarding potential threats to U.S. national security and foreign policy relating to certain foreign entities, particularly Chinese entities, and the imposition of enhanced restrictions or sanctions regarding the export of our products or on specific foreign entities that would restrict their ability to do business with U.S. companies may materially adversely affect our business. For example, on May 16, 2019, Huawei was added to the Entity List of the Bureau of Industry and Security of the U.S. Department of Commerce, additional regulatory restrictions were imposed in May and August 2020 and in October 2022 to the Foreign-Produced Direct Product Rule, which impose limitations on the supply of certain U.S. items and product support to Huawei, and FiberHome Technologies was added to the Entity List on May 22, 2020. These actions have resulted in escalating tensions between the U.S. and China and create the possibility that the Chinese government may take additional steps to retaliate against U.S. companies or industries. We are currently unable to supply any products to Huawei and we cannot predict whether we will again be able to sell to Huawei. Further, we cannot predict what additional actions the U.S. government may take with respect to Huawei beyond what is described above or to other of our customers, including modifications to or interpretations of Entity List restrictions, export restrictions, tariffs, or other trade limitations or barriers.

Our association with customers that are or become subject to U.S. regulatory scrutiny or export restrictions could negatively impact our business. Governmental actions such as these could subject us to actual or perceived reputational harm among current or prospective investors, suppliers or customers, customers of our customers, other parties doing business with us, or the general public. Any such reputational harm could result in the loss of investors, suppliers or customers, which could harm our business, financial condition, operating results or prospects. Our failure or perceived

failure to comply with any of the foregoing legal and regulatory requirements, or other actual or asserted obligations relating to export controls has in the past and could in the future result in increased costs for our products, damage to our reputation, government inquiries, subpoenas, investigations. If we fail to comply with any of these export regulations, we could be subject to civil, criminal, monetary and non-monetary penalties and costly consent decrees, which would lead to disruptions to our business, restrictions on our ability to export products and technology, and adversely affect our business and results of operation.

In addition, certain of our significant customers and suppliers have products that are subject to U.S. export controls, and therefore these customers and suppliers may also be subject to legal and regulatory consequences if they do not comply with applicable export control laws and regulations. Such regulatory consequences could disrupt our ability to obtain components from our suppliers, or to sell our products to major customers, which could significantly increase our costs, reduce our revenue and materially adversely affect our business, financial condition and results of operations.

***Social and environmental responsibility regulations, policies and provisions, as well as customer and investor demands, may make our supply chain more complex and may adversely affect our relationships with customers and investors.***

There is an increasing focus on environmental, social, and governance (“ESG”) matters both in the United States and globally. A number of our customers have adopted, or may adopt, procurement policies that include social and environmental responsibility provisions or requirements that their suppliers should comply with, or they may seek to include such provisions or requirements in their procurement terms and conditions. An increasing number of investors are also requiring companies to disclose corporate social and environmental policies, practices and metrics. These legal and regulatory requirements, as well as investor expectations, on corporate environmental and social responsibility practices and disclosure, are subject to change, can be unpredictable, and may be difficult and expensive for us to comply with, given the complexity of our supply chain. If we are unable to comply with, or are unable to cause our suppliers or contract manufacturers to comply with such policies or provisions, or meet the requirements of our customers and investors, a customer may stop purchasing products from us or an investor may sell their shares, and may take legal action against us, which could harm our reputation, revenue and results of operations. We expect increased worldwide regulatory activity relating to climate change in the future. Future compliance with these laws and regulations, as well as meeting related customer and investor expectations, may adversely affect our business and results of operations.

***Our reputation and/or business could be negatively impacted by ESG matters and/or our reporting of such matters.***

We communicate certain ESG-related initiatives, goals, and/or commitments regarding environmental matters, diversity, responsible sourcing and social investments, and other matters, in our annual Corporate Social Responsibility Report, on our website, in certain filings with the SEC, and elsewhere. These initiatives, goals, or commitments could be difficult to achieve and costly to implement. In addition, we could be criticized for the timing, scope or nature of these initiatives, goals, or commitments, for any revisions to them, or for our disclosures related to such matters, or for our policies and practices related to these matters. Our actual or perceived failure to achieve our ESG-related initiatives, goals, or commitments could negatively impact our reputation or otherwise materially harm our business.

***We may be adversely affected by climate change regulations.***

In many of the countries in which we operate, government bodies are increasingly enacting legislation and regulations in response to potential impacts of climate change. These laws and regulations are mandatory in some cases, and have the potential to impact our operations directly or indirectly as a result of required compliance by our customers or supply chain. Inconsistency of regulations may also affect the costs of compliance with such laws and regulations. Assessments of the potential impact of future climate change legislation, regulation, and international treaties and accords are uncertain, given the wide scope of potential regulatory change in countries in which we operate.

We may incur increased capital expenditures resulting from required compliance with revised or new legislation or regulations, added costs to purchase raw materials, lower profits from sales of our products, increased insurance premiums and deductibles, changes in competitive position relative to industry peers, changes to profit or loss arising from increased or decreased demand for goods produced by us, or changes in costs of goods sold, which would have an adverse effect on our business, financial condition and results of operations.



***We are subject to laws and regulations worldwide including with respect to environmental matters, securities laws, privacy and data protection, compliance with which could increase our expenses and harm our operating results.***

Our operations and our products are subject to various federal, state and foreign laws and regulations, including those governing pollution and protection of human health and the environment in the jurisdictions in which we operate or sell our products. These laws and regulations govern, among other things, wastewater discharges and the handling and disposal of hazardous materials in our products. Our failure to comply with current and future environmental or health or safety requirements could cause us to incur substantial costs, including significant capital expenditures, to comply with such environmental laws and regulations and to clean up contaminated properties that we own or operate. Such clean-up or compliance obligations could result in disruptions to our operations. Additionally, if we are found to be in violation of these laws, we could be subject to governmental fines or civil liability for damages resulting from such violations. These costs could have a material adverse impact on our financial condition or operating results.

From time-to-time new regulations are enacted, and it is difficult to anticipate how such regulations will be implemented and enforced. We continue to evaluate the necessary steps for compliance with regulations as they are enacted. These regulations include, for example, the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH"), the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive ("RoHS") and the Waste Electrical and Electronic Equipment Directive ("WEEE") enacted in the European Union which regulate the use of certain hazardous substances in, and require the collection, reuse and recycling of waste from, certain products we manufacture. These regulations and similar legislation may require us to re-design our products to ensure compliance with the applicable standards, for example by requiring the use of different types of materials, which could have an adverse impact on the performance of our products, add greater testing lead-times for product introductions or other similar effects. We believe we comply with all such legislation where our products are sold, and we continuously monitor these laws and the regulations being adopted under them to determine our responsibilities.

In addition, pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has promulgated rules requiring disclosure regarding the use of certain "conflict minerals" that are mined from the Democratic Republic of Congo and adjoining countries and procedures regarding a manufacturer's efforts to prevent the sourcing of such minerals. We may face challenges with government regulators and our customers and suppliers if we are unable to sufficiently make any required determination that the metals used in our products are conflict free. Complying with these disclosure requirements involves substantial diligence efforts to determine the source of any conflict minerals used in our products and may require third-party auditing of our diligence process. These efforts may demand internal resources that would otherwise be directed towards operations activities.

Since our supply chain is complex, we may face reputational challenges if we are unable to sufficiently verify the origins of all minerals used in our products. Additionally, if we are unable to satisfy those customers who require that all of the components of our products are determined to be conflict free, they may choose a competitor's products which could materially impact our financial condition and operating results.

We are also subject to laws and regulations to our collection and other processing of personal data of our employees, customers and others. These laws and regulations are subject to frequent modifications and updates and require ongoing supervision. For example, the European Union adopted a General Data Protection Regulation ("GDPR") that became effective in May 2018, and has established new, and in some cases more stringent, requirements for data protection in Europe, and which provides for substantial penalties for noncompliance. Brazil passed the General Data Protection Law that became effective in August 2020 to regulate processing of personal data of individuals, which also provides for substantial penalties for noncompliance. Additionally, California has the CCPA, which went into effect on January 1, 2020. In November 2020, California passed the California Privacy Rights Act ("CPRA"), which went into effect on January 1, 2023. The CPRA amends and augments the CCPA, including by expanding individuals' rights and the obligations of businesses that handle personal data. Similar legislation has been proposed or adopted in several other states. Aspects of the CCPA, CPRA and these other laws and regulations, as well as their enforcement, remain unclear. The U.S. federal government also is contemplating federal privacy legislation. The effects and impact of these or other laws and regulations relating to privacy and data protection are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in efforts to comply. Laws and regulations relating to privacy and data protection continue to evolve in various jurisdictions, with existing laws and regulations subject to new and differing interpretations and new laws and regulations being proposed and adopted. It is possible that our practices may be deemed not to comply with those privacy and data protection legal requirements that apply to us now or in the future.

Further, the United Kingdom has implemented legislation similar to the GDPR, including the UK Data Protection Act and legislation referred to as the UK GDPR, which provides for substantial penalties, similar to the GDPR. Aspects of United Kingdom data protection law remains unclear following the United Kingdom's exit from the European Union, including with respect to data transfers between the United Kingdom and other jurisdictions. We cannot fully predict how the Data Protection Act, the UK GDPR, and other United Kingdom data protection laws or regulations may develop in the medium to longer term nor the effects of divergent laws and guidance regarding data transfers. We may find it necessary to make further changes to our handling of personal data of residents of the European Economic Area, Switzerland and the United Kingdom, each of which may require us to incur significant costs and expenses.

New technology trends, such as AI, require us to keep pace with evolving regulations and industry standards. In the United States, the European Union, and China there are various current and proposed regulatory frameworks relating to the use of AI in products and services. We expect that the legal and regulatory environment relating to emerging technologies such as AI will continue to develop and could increase the cost of doing business, and create compliance risks and potential liability, all which may have a material adverse effect on our financial condition and results of operations.

Our failure or perceived failure to comply with any of the foregoing legal and regulatory requirements, or other actual or asserted obligations relating to privacy, data protection or information security could result in increased costs for our products, monetary penalties, damage to our reputation, government inquiries, subpoenas, investigations and other legal proceedings, legal claims, demands and litigation and other obligations and liabilities. Furthermore, the legal and regulatory requirements that are applicable to our business are subject to change from time-to-time, which increases our monitoring and compliance costs and the risk that we may fall out of compliance. Additionally, we may be required to ensure that our suppliers comply with applicable laws and regulations. If we or our suppliers fail to comply with such laws or regulations, we could face sanctions for such noncompliance, and our customers may refuse to purchase our products, which would have a material adverse effect on our business, financial condition and results of operations.

#### **Risks Related to Our Common Stock**

##### ***Our stock price may be volatile and may decline regardless of our operating performance.***

Our common stock is listed on the Nasdaq Global Select Market ("NASDAQ") under the symbol "LITE". The market price of our common stock has fluctuated in the past and may fluctuate significantly due to a number of factors, some of which may be beyond our control and may often be unrelated or disproportionate to our operating performance. These include:

- general economic and market conditions and other external factors;
- changes in global economic conditions, including those resulting from trade tensions, rising inflation, and fluctuations in foreign currency exchange and interest rates;
- speculation in the press or investment community about our strategic position;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- a shift in our investor base;
- the financial performance of other companies in our industry, and of our customers;
- general market, economic and political conditions, including market conditions in the semiconductor industry;
- pandemics and similar major health concerns, including the effects of the COVID-19 pandemic;
- success or failure of our business strategy;
- credit market fluctuations which could negatively impact our ability to obtain financing as needed;
- changes in governmental regulation including taxation and tariff policies;
- changes in global political tensions that may affect business with our customers;

- announcements by us, competitors, customers, or our contract manufacturers of significant acquisitions or dispositions, strategic alliances or overall movement toward industry consolidations among our customers and competitors;
- investor perception of us and our industry;
- changes in recommendations by securities analysts;
- changes in accounting standards, policies, guidance, interpretations or principles;
- differences, whether actual or perceived, between our corporate social responsibility and ESG practices and disclosure and investor expectations;
- litigation or disputes in which we may become involved;
- overall market fluctuations;
- issuances of our shares upon conversion of some or all of the convertible notes;
- sales of our shares by our officers, directors, or significant stockholders; and
- the timing and amount of share repurchases, if any.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business, results of operations, financial condition and cash flows.

***Servicing our existing and future indebtedness, including the 2026 Notes, 2028 Notes and 2029 Notes (collectively referred to as the “convertible notes”) may require a significant amount of cash, and we may not have sufficient cash flow or the ability to raise the funds necessary to satisfy our obligations under the convertible notes and our current and future indebtedness may limit our operating flexibility or otherwise affect our business.***

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness under the convertible notes, or to make cash payments in connection with any conversion of the convertible notes or upon any fundamental change if holders of the applicable series of the convertible notes require us to repurchase their convertible notes for cash, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our indebtedness and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring indebtedness or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, our existing and future indebtedness could have important consequences to our stockholders and significant effects on our business. For example, it could:

- make it more difficult for us to satisfy our debt obligations under the convertible notes;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from exploiting business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less indebtedness; and
- limit our availability to borrow additional funds for working capital, capital expenditures, acquisitions, debt

service requirements, execution of our business strategy or other general purposes.

***Transactions relating to our convertible notes may dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.***

Following our entry into the First Supplemental Indenture, dated as of September 25, 2024, to the 2026 Indenture and our irrevocable settlement method elections made on September 25, 2024 with respect to the 2028 Notes and 2029 Notes, if the convertible notes are converted by holders, we are required to satisfy our conversion obligation with respect to the convertible notes by delivering cash equal to the principal amount of such converted convertible notes and cash, shares of common stock, or a combination of cash and shares of common stock, at our election, with respect to any conversion value in excess thereof. If we elect to deliver common stock upon conversion of the convertible notes, it would dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, certain holders of the convertible notes may engage in short selling to hedge their position in the convertible notes. Anticipated future conversions of the convertible notes into shares of our common stock could depress the price of our common stock.

***We do not expect to pay dividends on our common stock.***

We do not currently expect to pay dividends on our common stock. The payment of any dividends to our stockholders in the future, and the timing and amount thereof, if any, is within the discretion of our board of directors. Our board of directors' decisions regarding the payment of dividends will depend on many factors, such as our financial condition, earnings, capital requirements, potential debt service obligations or restrictive covenants, industry practice, legal requirements, regulatory constraints and other factors that our board of directors deems relevant. As a result, the success of an investment in our common stock will depend entirely upon future appreciation in its value. There is no guarantee that our common stock will maintain its value or appreciate in value.

In addition, because we are a holding company with no material direct operations, we are dependent on loans, dividends and other payments from our operating subsidiaries to generate the funds necessary to pay dividends on our common stock. However, our operating subsidiaries' ability to make such distributions will be subject to their operating results, cash requirements and financial condition and the applicable provisions of Delaware law that may limit the amount of funds available for distribution. Our ability to pay cash dividends may also be subject to covenants and financial ratios related to existing or future indebtedness, and other agreements with third parties.

***Certain provisions in our charter and Delaware corporate law could hinder a takeover attempt.***

We are subject to the provisions of Section 203 of the Delaware General Corporate Law which prohibits us, under some circumstances, from engaging in business combinations with some stockholders for a specified period of time without the approval of the holders of substantially all of our outstanding voting stock. Such provisions could delay or impede the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving us, even if such events could be beneficial, in the short-term, to the interests of our stockholders. In addition, such provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock. Our certificate of incorporation and bylaws contain provisions providing for the limitations of liability and indemnification of our directors and officers, allowing vacancies on our board of directors to be filled by the vote of a majority of the remaining directors, granting our board of directors the authority to establish additional series of preferred stock and to designate the rights, preferences and privileges of such shares (commonly known as "blank check preferred") and providing that our stockholders can take action only at a duly called annual or special meeting of stockholders, which may only be called by the chairman of the board of directors, the chief executive officer or the board of directors. These provisions may also have the effect of deterring hostile takeovers or delaying changes in control or changes in our management.

***Our bylaws designate Delaware courts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us or our directors and officers.***

Our bylaws provide that, unless we consent in writing to an alternative forum, the state or federal courts of Delaware are the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting breach of fiduciary duty, or other wrongdoing, by our directors, officers or other employees to us or our stockholders; any action asserting a claim against Lumentum pursuant to the Delaware General Corporation Law or our certificate of incorporation or bylaws; any action asserting a claim against Lumentum governed by the internal affairs doctrine; or any action to

interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a different judicial forum that such stockholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us or our directors and officers.

Alternatively, if a court outside of Delaware were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Issuer Purchases of Equity Securities

We did not have any repurchases of shares of our common stock during the three months ended September 28, 2024, as shown in the table below. ( *in millions, except share and per share amounts*):

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximation Dollar Value) of Shares That May Yet Be Purchased under the Plans or Programs
June 30, 2024 to July 27, 2024	—	\$ —	—	\$ 569.6
July 28, 2024 to August 24, 2024	—	\$ —	—	\$ 569.6
August 25, 2024 to September 28, 2024	—	\$ —	—	\$ 569.6
<b>Total</b>	—	\$ —	—	\$ 569.6

<sup>(1)</sup> On May 7, 2021, we announced that our board of directors approved the 2021 share buyback program, which authorizes us to use up to \$700.0 million to purchase our own shares of common stock. On March 3, 2022, our board of directors approved an increase in our share buyback program, which authorizes us to use up to an aggregate amount of \$1.0 billion (an increase from \$700.0 million) to purchase our own shares of common stock through May 2024. On April 5, 2023, our board of directors approved a further increase in our share buyback program, which authorizes us to utilize up to an aggregate amount of \$1.2 billion (an increase from \$1.0 billion) to purchase our own shares of common stock through May 2025, but may be suspended or terminated at any time.

<sup>(2)</sup> Average price paid per share includes costs associated with the repurchases.

## ITEM 5. OTHER INFORMATION

### ***Securities Trading Plans of Directors and Executive Officers***

During our last fiscal quarter, the following directors and officers, as defined in Rule 16a-1(f), adopted a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Regulation S-K Item 408.

On August 22, 2024, Julie Johnson, a member of our board of directors, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 2,058 shares of our common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until August 22, 2025, or earlier if all transactions under the trading arrangement are completed.

On August 26, 2024, Vince Retort, our President, Industrial Tech and Chief Business Officer, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 152,147 shares of our common stock. The actual number of shares sold under the trading arrangement will depend on achievement of performance targets applicable to the performance stock units (“PSUs”) subject to the trading arrangement and be net of shares withheld for taxes upon vesting and settlement of the PSUs subject to the trading arrangement. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until August 29, 2025, or earlier if all transactions under the trading arrangement are completed.

On August 30, 2024, Wajid Ali, our Chief Financial Officer, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 67,118 shares of our common stock. The actual number of shares sold under the trading arrangement will depend on achievement of performance targets applicable to the PSUs subject to the trading arrangement and be net of shares withheld for taxes upon vesting and settlement of the PSUs subject to the trading arrangement. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until September 26, 2025, or earlier if all transactions under the trading arrangement are completed.

On May 20, 2024, Penny Herscher, a member of our board of directors, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate up to 2,167 shares of our common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until May 20, 2025, or earlier if all transactions under the trading arrangement are completed.

## ITEM 6. EXHIBITS

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Securities and Exchange Commission.

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed	
		Form	File No.	Exhibit	Filing Date	Herewith
4.1	<a href="#">First Supplemental Indenture, dated as of September 25, 2024, to the Indenture for the 2026 Notes dated December 12, 2019, by and between Lumentum Holdings Inc. and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association).</a>					X
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
32.1†	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2†	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
101	The following financial information from Lumentum Holdings Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 2024 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations for the three months ended September 28, 2024 and September 30, 2023; (ii) Condensed Consolidated Statements of Comprehensive Loss for the three months ended September 28, 2024 and September 30, 2023; (iii) Condensed Consolidated Balance Sheets as of September 28, 2024 and June 29, 2024; (iv) Condensed Consolidated Statements of Stockholders' Equity for the three months ended September 28, 2024 and September 30, 2023; (v) Condensed Consolidated Statements of Cash Flows for the three months ended September 28, 2024 and September 30, 2023, and (vi) Notes to the Consolidated Financial Statements.					X
104	Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101).					X

† The certifications furnished in Exhibits 32.1 and 32.2 that accompany this report are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this report, irrespective of any general incorporation language contained in such filing.



## 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.

LUMENTUM HOLDINGS INC.

Date: November 7, 2024

By: /s/ Wajid Ali

---

By: Wajid Ali

*Executive Vice President, Chief Financial Officer*

LUMENTUM HOLDINGS INC.

AND

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

as Trustee

FIRST SUPPLEMENTAL INDENTURE

First Supplemental Indenture (this “**Supplemental Indenture**”), dated as of September 25, 2024, between Lumentum Holdings Inc., a Delaware corporation (the “**Company**”), and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, a national banking association, as trustee under the Indenture referred to below (the “**Trustee**”).

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (as supplemented and in effect, the “**Indenture**”), dated as of December 12, 2019, providing for the issuance of 0.50% Convertible Senior Notes due 2026 (the “**Notes**”);

WHEREAS, pursuant to Section 8.01(l) of the Indenture, the Company and the Trustee may supplement the Indenture without the consent of any Holder of the Notes to irrevocably elect a Settlement Method and/or Specified Dollar Amount;

WHEREAS, the conditions set forth in the Indenture for the execution and delivery of this Supplemental Indenture have been complied with; and

WHEREAS, all things necessary to make this Supplemental Indenture a valid supplement to the Indenture pursuant to its terms and the terms of the Indenture have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

That in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties mutually covenant and agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Irrevocable Elections.

(a) *Irrevocable Election of Combination Settlement.* The Company hereby irrevocably elects Combination Settlement as the Settlement Method on any conversion of Notes that occurs on or after the date of this Supplemental Indenture.

(b) *Irrevocable Election of Minimum Specified Dollar Amount.* The Company hereby irrevocably elects that, with respect to any Combination Settlement for a conversion of Notes, the Specified Dollar Amount per \$1,000 principal amount of the Notes shall in no event be less than \$1,000 per \$1,000 principal amount of Notes.

---

(c) *Applicability of Article 4 of the Indenture.* Notwithstanding the foregoing amendment, no such election or elimination will affect any Settlement Method theretofore elected (or deemed to be elected) with respect to any Note pursuant to Article 4 of the Indenture.

3. **Relationship to Indenture.** This Supplemental Indenture is a supplemental indenture within the meaning of the Indenture. The Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects ratified, confirmed and approved and, as supplemented and amended by this Supplemental Indenture, shall be read, taken and construed as one and the same instrument.

4. **Modification of the Indenture.** Except as expressly modified by this Supplemental Indenture, the provisions of the Indenture shall continue to apply to the Notes.

5. **Governing Law.** This Supplemental Indenture, and any claim, controversy or dispute arising under or related to this Supplemental Indenture, will be governed by, and construed in accordance with, the laws of the State of New York.

6. **Counterparts.** This Indenture may be executed by electronic signature and in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute one and the same instrument. The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes. All notices, approvals, consents, requests and any communications hereunder must be in writing (provided that any such communication sent to Trustee hereunder must be in the form of a document that is signed manually or by way of a digital signature provided by DocuSign (or such other digital signature provider as specified in writing to Trustee by the authorized representative), in English. Company agrees to assume all risks arising out of the use of using digital signatures and electronic methods to submit communications to Trustee, including without limitation the risk of Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

7. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction hereof.

8. **The Trustee.** The recitals shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. All of the provisions contained in the Indenture in respect of the rights, privileges, immunities, powers, and duties of the Trustee shall be applicable in respect of this Supplemental Indenture as fully and with like force and effect as though fully set forth in full herein.

9. **Notice to Holders.** The Company hereby requests the Trustee provide the notice to Holders (by delivering the notice to DTC LENS) pursuant to Section 4.03(a)(i) of the Indenture attached hereto as Exhibit A promptly following execution of this Supplemental Indenture.

---

[Signature Page to Supplemental Indenture]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

LUMENTUM HOLDINGS INC.

By /s/ Jae Kim

Name: Jae Kim

Title: Senior Vice President, General Counsel  
and Secretary

[Signature Page to Supplemental Indenture]

---

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION  
as Trustee

By: /s/ David A. Jason  
Name: David A. Jason  
Title: Vice President

[Signature Page to Supplemental Indenture]

---

**NOTICE OF IRREVOCABLE SETTLEMENT METHOD ELECTION AND EXECUTION OF FIRST SUPPLEMENTAL  
INDENTURE**

**LUMENTUM HOLDINGS INC.**

**0.50% Convertible Senior Notes due 2026 (CUSIP: 55024U AD1)<sup>1</sup>**

To the Holders of the 0.50% Convertible Senior Notes due 2026 (the “Notes”) of Lumentum Holdings Inc. (the “Company”):

Notice is hereby given that, on or about the date hereof, the Company and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the “Trustee”), have executed a First Supplemental Indenture to the Indenture, dated December 12, 2019 (the “Indenture”), between the Company and the Trustee, providing for the Company’s irrevocable election to settle all conversion obligations with respect to Notes that are converted on or after the date hereof through Combination Settlement with a minimum Specified Dollar Amount of \$1,000 per \$1,000 principal amount of Notes.

Capitalized terms used but not otherwise defined in this notice have the meanings given to them in the Indenture. This notice is being sent to you pursuant to Article 8 and Section 4.03(a)(i) of the Indenture. A copy of this notice has been sent to all holders of record of the Notes on September 25, 2024.

Dated: September 25, 2024      LUMENTUM HOLDINGS INC.

By: U.S. Bank Trust Company, National Association, as Trustee

---

<sup>1</sup> The CUSIP numbers are included solely for the convenience of the holders of Notes. Neither the Company nor the Trustee shall be responsible for the selection or use of the CUSIP numbers, nor is any representation made as to its correctness with respect to the Notes or as indicated in this notice.

**LUMENTUM HOLDINGS INC.  
CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Alan Lowe, certify that:

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

Dated: November 7, 2024

/s/ Alan Lowe

---

Alan Lowe  
President and Chief Executive Officer  
(Principal Executive Officer)

**LUMENTUM HOLDINGS INC.  
CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Wajid Ali, certify that:

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

Dated: November 7, 2024

/s/ Wajid Ali

---

Wajid Ali

*Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)*



**LUMENTUM HOLDINGS INC.  
CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Lumentum Holdings Inc. (the "Company") for the quarter ended September 28, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Alan Lowe, President and Chief Executive Officer (Principal Executive Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 7, 2024

/s/ Alan Lowe

---

Alan Lowe

*President and Chief Executive Officer*

*(Principal Executive Officer)*

**LUMENTUM HOLDINGS INC.  
CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Lumentum Holdings Inc. (the "Company") for the quarter ended September 28, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Wajid Ali, Executive Vice President and Chief Financial Officer (Principal Financial Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 7, 2024

/s/ Wajid Ali

---

Wajid Ali

*Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)*