

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 30, 2024

OR

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

For the transition period from to

Commission file number: 000-49842

Ceva, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

77-0556376

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

15245 Shady Grove Road, Suite 400, Rockville, MD 20850
(Address of Principal Executive Offices)

20850

(Zip Code)

(240)-308-8328

(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, \$.001 per share	CEVA	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 23,626,747 of common stock, \$0.001 par value, as of November 5, 2024.

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FORWARD-LOOKING STATEMENTS**FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA**

This Quarterly Report contains forward-looking statements that involve risks and uncertainties, as well as assumptions that if they materialize or prove incorrect, could cause the results of Ceva to differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Forward-looking statements are generally written in the future tense and/or are preceded by words such as "will," "may," "should," "could," "expect," "suggest," "believe," "anticipate," "intend," "plan," or other similar words. Forward-looking statements include the following:

- Our belief that our portfolio of wireless communications and sensing and edge AI technologies address some of the most important megatrends, including 5G, generative AI, embedded AI, industrial automation and vehicle electrification, and our belief in the continued interest in our IP portfolio due to these trends, in both traditional and new areas;
- Our belief that our Bluetooth, Wi-Fi, Ultra Wide Band (UWB) and cellular IoT IPs allow us to address the high volume IoT industrial, consumer and smart home markets, and our expectation that the overall addressable market size will be more than 15 billion devices annually by 2027 based on research from ABI Research;
- Our belief that Wi-Fi represents a significant royalty revenue opportunity in connection with our leading market position in licensing Wi-Fi 6 and our leadership position in Wi-Fi 7 IP;
- Our belief that our PentaG2 platform, including the recently announced CevaXC22 multi-thread DSP, ensures we offer the most comprehensive baseband processor IP platform in the industry today, and that our 5G IPs provide newcomers and incumbents with a customizable solution to address the need for 5G, 5G Advanced and other communications in data centers and infrastructure;
- Our belief that the high volume consumer audio markets, including True Wireless Stereo (TWS) earbuds, smartwatches, AR and VR headsets, and other wearable assisted devices, offers an incremental growth segment for our Bluetooth, Audio AI DSPs and software IPs, and our belief in the capabilities of our RealSpace Spatial Audio & Head Tracking Solution, WhisPro speech recognition technology and ClearVox voice input software to enhance the user experience and offer premium features;
- Our belief that our SensPro2 sensor hub AI DSP family can address the growing demand for efficient, high-performance signal processing in sensor-based applications across various industries for applications such as smartphones, automotive safety (ADAS), autonomous driving, drones, robotics, security and surveillance, augmented reality (AR) and virtual reality (VR), natural language processing and voice recognition, which enables us to address the transformation in devices enabled by these applications and expand our footprint and content in smartphones, drones, consumer cameras, surveillance, ADAS, voice-enabled devices and industrial IoT applications;
- Statements regarding third-party estimates of industry growth and future market conditions, including research from Bloomberg Intelligence which forecasts that hardware revenue associated with computer vision AI products and conversational AI devices will reach \$61 billion and \$108 billion, respectively, by 2030, indicating the size of the market opportunity;
- Our belief that our newest generation family of AI neural processing units (NPUs) present a highly efficient and high-performance architecture to enable generative and classic AI on any device including communication gateways, optically connected networks, cars, notebooks and tablets, AR/VR headsets, smartphones, and any other cloud or edge use case from the edge all the way to the cloud, and that more than 2.5 billion Edge AI devices will ship annually by 2026 based on research from Yole Group;
- Our belief that our recently announced NeuPro-Nano family of AI NPUs present a compelling position to add a cost- and power-efficient processor to microcontroller units and SoC designs to handle the complete AI workloads on-device, that based on research from ABI Research, by 2030, over 40% of TinyML shipments will be powered by dedicated TinyML hardware, representing billions of devices annually, and that NeuPro-Nano will allow us to expand on our strong position in IoT where we have a dominant position in wireless connectivity as customers increasingly look to add support for AI to their cost- and power-constrained chips for this market;

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- Our belief that our sensor fusion and spatial audio application software allows us to address an important technology piece used in personal computers, robotics, TWS earbuds, smart TVs and many other smart sensing IP products, in addition to our existing portfolio for camera-based computer vision and AI processing, and microphone-based sound processing;
- Our belief that our customers can benefit from our capabilities as a one-stop-shop for processing many types of sensors;
- Our belief that we are well positioned for long-term growth in shipments and royalty revenues derived from smart edge products as a result of our focus on silicon and software IP solutions that enable products to connect, sense and infer data;
- Our belief that our ubiquitous technology and collaborative business model present a significant and secular growth prospect as digital transformation continues to drives industries to become connected and intelligent;
- Our intention to continue to capitalize on the semiconductor momentum with our portfolio of technologies to enable three main use cases associated with smart edge devices – connect, sense and infer, and to focus on four main markets which include consumer, automotive, industrial and infrastructure, and our belief that such markets are large, diversified and represent the greatest opportunities for long-term growth;
- Any statements regarding sales trends and financial results for the third and fourth quarter of and full year 2024 and other future periods, including our expectations with respect to future customers, contracts, revenues and expenses, regarding our customer pipeline, that a significant portion of our future revenues will continue to be generated by a limited number of customers in part due to consolidation in the semiconductor industry, that international customers will continue to account for a significant portion of our revenues for the foreseeable future, that an increasing portion of our new customers and revenues will be derived from international customers generally and sales to Asia Pacific in particular, that we can expand our customer base and revenues in Europe and the U.S., and that we will experience year-over-year revenue growth in 2024;
- Our belief that our cash and cash equivalents, short-term bank deposits and marketable securities, along with cash from operations, will provide sufficient capital to fund our operations for at least the next 12 months; and
- Our belief that fluctuations in high interest rates within our investment portfolio will not have a material effect on our financial position on an annual or quarterly basis.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The forward-looking statements contained in this report are based on information that is currently available to us and expectations and assumptions that we deem reasonable at the time the statements were made. We do not undertake any obligation to update any forward-looking statements in this report or in any of our other communications, except as required by law. All such forward-looking statements should be read as of the time the statements were made and with the recognition that these forward-looking statements may not be complete or accurate at a later date.

Many factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements contained in this report. These factors include, but are not limited to, those risks set forth in Part II – Item 1A – "Risk Factors" of this Form 10-Q.

This report contains market data prepared by third party research firm. Actual market results may differ from their projections.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

U.S. dollars in thousands, except share and per share data

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,228	\$ 23,287
Short-term bank deposits	2,006	10,556
Marketable securities	142,878	132,695
Trade receivables (net of allowance for credit losses of \$ 1,088 and \$288 at September 30, 2024 and December 31, 2023, respectively)	38,630	30,307
Prepaid expenses and other current assets	13,970	12,526
Total current assets	<u>210,712</u>	<u>209,371</u>
Long-term assets:		
Severance pay fund	6,851	7,070
Deferred tax assets, net	1,685	1,609
Property and equipment, net	6,875	6,732
Operating lease right-of-use assets	5,625	6,978
Goodwill	58,308	58,308
Intangible assets, net	2,132	2,967
Investments in marketable equity securities	309	406
Other long-term assets	12,394	10,644
Total long-term assets	<u>94,179</u>	<u>94,714</u>
Total assets	<u>\$ 304,891</u>	<u>\$ 304,085</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	\$ 1,960	\$ 1,154
Deferred revenues	3,418	3,018
Accrued expenses and other payables	6,007	5,800
Accrued payroll and related benefits	13,763	14,402
Operating lease liabilities	2,571	2,513
Total current liabilities	<u>27,719</u>	<u>26,887</u>
Long-term liabilities:		
Accrued severance pay	7,304	7,524
Operating lease liabilities	2,627	3,943
Other accrued liabilities	1,471	1,390
Total long-term liabilities	<u>11,402</u>	<u>12,857</u>
Stockholders' equity:		
Preferred Stock: \$0.001 par value: 5,000,000 shares authorized; none issued and outstanding	—	—
Common Stock: \$0.001 par value: 45,000,000 shares authorized; 23,756,255 and 23,695,190 shares issued at September 30, 2024 and December 31, 2023, respectively. 23,626,747 and 23,440,848 shares outstanding at September 30, 2024 and December 31, 2023, respectively	24	23
Additional paid in-capital	256,685	252,100
Treasury stock at cost (129,508 and 254,342 shares of common stock at September 30, 2024, and December 31, 2023, respectively)	(2,943)	(5,620)
Accumulated other comprehensive loss	(956)	(2,329)
Retained earnings	12,960	20,167
Total stockholders' equity	<u>265,770</u>	<u>264,341</u>
Total liabilities and stockholders' equity	<u>\$ 304,891</u>	<u>\$ 304,085</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS (UNAUDITED)

U.S. dollars in thousands, except per share data

	Nine months ended September 30,		Three months ended September 30,	
	2024	2023	2024	2023
Revenues:				
Licensing and related revenue	\$ 44,266	\$ 45,739	\$ 15,574	\$ 13,940
Royalties	33,450	27,518	11,633	10,133
Total revenues	77,716	73,257	27,207	24,073
Cost of revenues	9,397	9,389	3,961	2,357
Gross profit	68,319	63,868	23,246	21,716
Operating expenses:				
Research and development, net	54,739	54,544	17,990	17,814
Sales and marketing	8,999	8,213	3,088	2,862
General and administrative	11,751	11,346	4,642	3,608
Amortization of intangible assets	449	445	150	149
Total operating expenses	75,938	74,548	25,870	24,433
Operating loss	(7,619)	(10,680)	(2,624)	(2,717)
Financial income, net	4,962	3,497	2,299	924
Remeasurement of marketable equity securities	(97)	(76)	21	160
Loss from continuing operation before taxes on income	(2,754)	(7,259)	(304)	(1,633)
Income tax expense	4,296	3,080	1,007	1,117
Net loss from continuing operation	(7,050)	(10,339)	(1,311)	(2,750)
Discontinued operation (Note 4):				
Net loss from discontinued operation	—	(5,308)	—	(2,207)
Net loss	\$ (7,050)	\$ (15,647)	\$ (1,311)	\$ (4,957)
Basic and diluted net loss per share from continuing operation	\$ (0.30)	\$ (0.44)	\$ (0.06)	\$ (0.12)
Basic and diluted net loss per share from discontinued operation	\$ —	\$ (0.23)	\$ —	\$ (0.09)
Basic and diluted net loss per share	\$ (0.30)	\$ (0.67)	\$ (0.06)	\$ (0.21)
Weighted-average shares used to compute net loss per share (in thousands):				
Basic and diluted	23,605	23,473	23,678	23,605

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

U.S. dollars in thousands

	Nine months ended September 30,		Three months ended September 30,	
	2024	2023	2024	2023
Net loss:	\$ (7,050)	\$ (15,647)	\$ (1,311)	\$ (4,957)
Other comprehensive income before tax:				
Available-for-sale securities:				
Changes in unrealized gains	2,607	1,077	2,177	210
Reclassification adjustments for (gains) losses included in net loss	(14)	(68)	(4)	8
Net change	2,593	1,009	2,173	218
Cash flow hedges:				
Changes in unrealized gains (losses)	(199)	(1,006)	140	(376)
Reclassification adjustments for (gains) losses included in net loss	(767)	873	(160)	299
Net change	(966)	(133)	(20)	(77)
Other comprehensive income before tax	1,627	876	2,153	141
Income tax expense related to components of other comprehensive income	254	96	215	27
Other comprehensive income, net of taxes	1,373	780	1,938	114
Comprehensive income (loss)	\$ (5,677)	\$ (14,867)	\$ 627	\$ (4,843)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

U.S. dollars in thousands, except share data

Nine months ended September 30, 2024	Common stock			Treasury stock	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
	Number of shares outstanding	Amount	Additional paid-in capital				
Balance as of January 1, 2024	23,440,848	\$ 23	\$ 252,100	\$ (5,620)	\$ (2,329)	\$ 20,167	\$ 264,341
Net loss	—	—	—	—	—	(7,050)	(7,050)
Other comprehensive income, net	—	—	—	—	1,373	—	1,373
Equity-based compensation	—	—	11,679	—	—	—	11,679
Purchase of treasury stock	(343,604)	(*)	—	(7,456)	—	—	(7,456)
Issuance of common stock upon exercise of stock-based awards	61,065	(*)	—	—	—	—	—
Issuance of treasury stock upon exercise of stock-based awards	468,438	1	(7,094)	10,133	—	(157)	2,883
Balance as of September 30, 2024	<u>23,626,747</u>	<u>\$ 24</u>	<u>\$ 256,685</u>	<u>\$ (2,943)</u>	<u>\$ (956)</u>	<u>\$ 12,960</u>	<u>\$ 265,770</u>

Three months ended September 30, 2024	Common stock			Treasury stock	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
	Number of shares outstanding	Amount	Additional paid-in capital				
Balance as of July 1, 2024	23,659,925	\$ 24	\$ 254,302	\$ (1,917)	\$ (2,894)	\$ 14,271	\$ 263,786
Net loss	—	—	—	—	—	(1,311)	(1,311)
Other comprehensive income, net	—	—	—	—	1,938	—	1,938
Equity-based compensation	—	—	4,208	—	—	—	4,208
Purchase of treasury stock	(186,301)	(*)	—	(4,180)	—	—	(4,180)
Issuance of treasury stock upon exercise of stock-based awards	153,123	(*)	(1,825)	3,154	—	—	1,329
Balance as of September 30, 2024	<u>23,626,747</u>	<u>\$ 24</u>	<u>\$ 256,685</u>	<u>\$ (2,943)</u>	<u>\$ (956)</u>	<u>\$ 12,960</u>	<u>\$ 265,770</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

U.S. dollars in thousands, except share data

Nine months ended September 30, 2023	Number of shares outstanding		Additional paid-in capital	Treasury stock	Accumulated other comprehensive income (loss)		Retained earnings	Total stockholders' equity
	Number of shares outstanding	Amount			(\$)	(\$)		
Balance as of January 1, 2023	23,215,439	\$ 23	\$ 242,841	\$ (9,904)	\$ (6,249)	\$ 32,160	\$ 258,871	
Net loss	—	—	—	—	—	(15,647)	(15,647)	
Other comprehensive income, net	—	—	—	—	780	—	780	
Equity-based compensation	—	—	12,306	—	—	—	12,306	
Purchase of treasury stock	(135,078)	(*)	—	(3,003)	—	—	(3,003)	
Issuance of common stock upon exercise of stock-based awards	100,030	(*)	874	—	—	—	874	
Issuance of treasury stock upon exercise of stock-based awards	380,054	1	(7,278)	9,911	—	(115)	2,519	
Balance as of September 30, 2023	<u>23,560,445</u>	<u>\$ 24</u>	<u>\$ 248,743</u>	<u>\$ (2,996)</u>	<u>\$ (5,469)</u>	<u>\$ 16,398</u>	<u>\$ 256,700</u>	
Common stock								
Three months ended September 30, 2023	Number of shares outstanding		Additional paid-in capital	Treasury stock	Accumulated other comprehensive income (loss)		Retained earnings	Total stockholders' equity
	Number of shares outstanding	Amount			(\$)	(\$)		
Balance as of July 1, 2023	23,539,104	\$ 24	\$ 244,250	\$ (1,462)	\$ (5,583)	\$ 21,355	\$ 258,584	
Net loss	—	—	—	—	—	(4,957)	(4,957)	
Other comprehensive income, net	—	—	—	—	114	—	114	
Equity-based compensation	—	—	4,242	—	—	—	4,242	
Purchase of treasury stock	(135,078)	(*)	—	(3,003)	—	—	(3,003)	
Issuance of common stock upon exercise of stock-based awards	100,030	(*)	874	—	—	—	874	
Issuance of treasury stock upon exercise of stock-based awards	56,389	(*)	(623)	1,469	—	—	846	
Balance as of September 30, 2023	<u>23,560,445</u>	<u>\$ 24</u>	<u>\$ 248,743</u>	<u>\$ (2,996)</u>	<u>\$ (5,469)</u>	<u>\$ 16,398</u>	<u>\$ 256,700</u>	

(*) Amount less than \$1.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. dollars in thousands

	Nine months ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (7,050)	\$ (15,647)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation	2,155	2,195
Amortization of intangible assets	835	1,718
Equity-based compensation	11,679	12,306
Realized gain on sale of available-for-sale marketable securities	(14)	(68)
Amortization of premiums (accretion of discount) on available-for-sale marketable securities	(654)	41
Unrealized foreign exchange gain	(467)	(148)
Remeasurement of marketable equity securities	97	76
Changes in operating assets and liabilities:		
Trade receivables, net	(7,812)	(778)
Prepaid expenses and other assets	(3,711)	(1,969)
Operating lease right-of-use assets	1,353	720
Accrued interest on bank deposits	550	(130)
Deferred tax, net	(330)	(1,486)
Trade payables	422	(836)
Deferred revenues	400	950
Accrued expenses and other payables	353	47
Accrued payroll and related benefits	(703)	(6,237)
Operating lease liability	(1,314)	(718)
Income taxes payable	(368)	(1,372)
Accrued severance pay, net	8	192
Net cash used in operating activities	<u>(4,571)</u>	<u>(11,144)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,926)	(2,123)
Acquisition of business	—	(3,600)
Proceeds from the sale of Intrinsix (see note 4)	540	—
Asset acquisition	(753)	—
Investment in bank deposits	(2,000)	(2,000)
Proceeds from bank deposits	10,000	6,000
Investment in available-for-sale marketable securities	(41,308)	(10,524)
Proceeds from maturity of available-for-sale marketable securities	24,580	8,800
Proceeds from sale of available-for-sale marketable securities	9,806	10,659
Net cash provided by (used in) investing activities	<u>(1,061)</u>	<u>7,212</u>
Cash flows from financing activities:		
Purchase of treasury stock	(7,456)	(3,003)
Proceeds from exercise of stock-based awards	2,883	3,393
Net cash provided by (used in) financing activities	<u>(4,573)</u>	<u>390</u>
Effect of exchange rate changes on cash and cash equivalents	146	(53)
Decrease in cash and cash equivalents	(10,059)	(3,595)
Cash and cash equivalents at the beginning of the period	23,287	21,285
Cash and cash equivalents at the end of the period	<u>\$ 13,228</u>	<u>\$ 17,690</u>
Supplemental information of cash-flow activities:		
Cash paid during the period for:		
Income and withholding taxes	\$ 3,934	\$ 6,073
Non-cash transactions:		
Property and equipment purchases incurred but unpaid at period end	\$ 351	\$ 71
Right-of-use assets obtained in the exchange for operating lease liabilities	<u>\$ 457</u>	<u>\$ 1,562</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

NOTE 1: BUSINESS

The financial information in this quarterly report includes the results of Ceva, Inc. and its subsidiaries (the "Company" or "Ceva").

Ceva is the leader in innovative silicon and software IP solutions that enable smart edge products to connect, sense, and infer data more reliably and efficiently. With the industry's only portfolio of comprehensive communications and scalable edge AI IP, Ceva powers the connectivity, sensing, and inference in today's most advanced smart edge products across consumer IoT, mobile, automotive, infrastructure, industrial, and personal computing. More than 18 billion of the world's most innovative smart edge products from AI-infused smartwatches, IoT devices and wearables to autonomous vehicles, 5G mobile networks and more are powered by Ceva.

Ceva is a trusted partner to many of the leading semiconductor and original equipment manufacturer (OEM) companies targeting a wide variety of cellular and IoT end markets, including mobile, PC, consumer, automotive, smart-home, surveillance, robotics, industrial and medical. The customers incorporate Ceva's IP into application-specific integrated circuits (ASICs) and application-specific standard products (ASSPs) that they manufacture, market and sell to OEMs and original design manufacturers. Ceva's application software IP is licensed primarily to OEMs who embed it in their System on Chip (SoC) designs to enhance the user experience, and OEMs also license Ceva's hardware IP products and solutions for their SoC designs to create power-efficient, intelligent, secure and connected devices.

Ceva's wireless communications, sensing and edge AI technologies are at the heart of some of today's most advanced smart edge products. From Bluetooth connectivity, Wi-Fi, ultra-wide band (UWB) and 5G-Advanced platform IP for ubiquitous, robust communications, to scalable edge AI neural processing unit (NPU) IPs, sensor fusion processors and embedded application software that make devices smarter.

Ceva licenses its portfolio of wireless communications and scalable edge AI IP to its customers, breaking down barriers to entry and enabling them to bring new cutting-edge products to market faster, more reliably, efficiently and economically.

NOTE 2: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim condensed consolidated financial statements have been prepared according to U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. For further information, reference is made to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

The significant accounting policies applied in the annual consolidated financial statements of the Company as of December 31, 2023, contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 7, 2024, have been applied consistently in these unaudited interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

Concentration of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, bank deposits, marketable securities, foreign exchange contracts and trade receivables. The Company invests its surplus cash in cash deposits and marketable securities in financial institutions and has established guidelines relating to diversification and maturities to maintain safety and liquidity of the investments.

The majority of the Company's cash and cash equivalents are invested in high grade certificates of deposits with major U.S., European and Israeli banks. Generally, cash and cash equivalents and bank deposits may be redeemed on demand and therefore minimal credit risk exists with respect to them. Nonetheless, deposits with these banks exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits or similar limits in foreign jurisdictions, to the extent such deposits are even insured in such foreign jurisdictions. Generally, these cash equivalents may be redeemed upon demand, and therefore management believes that they bear a lower risk. The short-term bank deposits are held in financial institutions that management believes are institutions with high credit standing and, accordingly, minimal credit risk from geographic or credit concentration. Furthermore, the Company holds an investment portfolio consisting principally of corporate bonds. The Company has the ability to hold such investments until recovery of temporary declines in market value or maturity.

The Company's trade receivables are geographically diverse, mainly in the Asia Pacific region, and also in the United States and Europe. Concentration of credit risk with respect to trade receivables is limited by credit limits, ongoing credit evaluation and account monitoring procedures. The Company performs ongoing credit evaluations of its customers. The Company makes estimates of expected credit losses based upon its assessment of various factors, including historical experience, the age of the trade receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers.

During the nine-month period ended September 30, 2024, the Company recorded an additional allowance for credit losses in the amount to \$800.

The Company has no off-balance-sheet concentration of credit risk.

Accounting Standards Recently Adopted by the Company

In June 2022, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, which clarifies the guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The guidance is effective for annual periods beginning after December 15, 2023, with early adoption permitted. The Company adopted ASU 2022-03 as of January 1, 2024. The adoption did not result in a material impact on the Company's interim condensed financial statements.

Accounting Standards Recently Issued, Not Yet Adopted by the Company

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

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

Use of Estimates

The preparation of the interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements, the reported amounts of revenues and expenses during the reporting period, and amounts classified as a discontinued operation. Actual results could differ from those estimates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

NOTE 3: ACQUISITION

In January 2024, the Company acquired 100% of the equity shares of a privately held, Greek-based company, to extend the research and development resources in the Ceva group. Under the terms of the purchase agreement, the Company agreed to pay an aggregate of approximately \$750 paid at closing and approximately \$2,100 subject to continued employment and certain performance milestones. The Company has accounted for this acquisition as an asset acquisition. As such, the total purchase consideration was allocated to the assets acquired.

NOTE 4: HELD FOR SALE AND DISCONTINUED OPERATION

On September 14, 2023, the Company and Intrinsix, then its wholly owned subsidiary, entered into a Share Purchase Agreement (the "Agreement") with Cadence Design Systems, Inc. ("Cadence"), pursuant to which Cadence agreed to purchase all of the issued and outstanding capital shares of Intrinsix from the Company for \$35,000 in cash, subject to other certain purchase price adjustments as provided for in the Agreement (the "Transaction"). The closing of the Transaction occurred on October 2, 2023. At the closing, an amount of \$300 from the consideration was deposited with a third-party escrow agent for the purposes of satisfying any additional post-closing purchase price adjustments owed by the Company to Cadence, which was fully paid to the Company during the first quarter of 2024, a further amount of \$3,500 of the consideration was deposited with the same escrow agent for a period of 18 months as security for the Company's indemnification obligations to Cadence in accordance with the terms and conditions set forth in the Agreement, and after giving effect to post-closing adjustments resulting in a \$240 repayment to the Company during the first quarter of 2024. The Agreement includes certain representations, warranties and covenants of the parties, and the Company also agreed to certain non-competition and non-solicitation terms, which are subject to certain exceptions.

Under ASC 205-20, "*Discontinued Operation*" when a component of an entity, as defined in ASC 205-20, has been disposed of or is classified as held for sale, the results of its operations, including the gain or loss on its component, are classified as discontinued operations and the assets and liabilities of such component are classified as assets and liabilities attributed to discontinued operations; that is, provided that the operations, assets and liabilities and cash flows of the component have been eliminated from the Company's consolidated operations and the Company will have no significant continuing involvement in the operations of the component.

As a result of the Transaction, Intrinsix's results of operations and asset and liability balances are disclosed as a discontinued operation. All prior periods comparable results of operation, assets and liabilities have been retroactively included in discontinued operations.

The following table shows the Company's results of discontinued operation for the below presented period:

	Nine months ended September 30, 2023 (unaudited)	Three months ended September 30, 2023 (unaudited)
Revenues	\$ 7,868	\$ 2,145
Cost of revenue	5,091	1,236
Gross profit	2,777	909
Operating expenses:		
Research and development, net	5,464	1,809
Sales and marketing	679	190
General and administrative	1,472	993
Amortization of intangible assets	373	24
Total operating expenses	7,988	3,016
Operating loss	(5,211)	(2,107)
Financial income, net	3	—
Loss from discontinued operations before taxes on income	(5,208)	(2,107)
Income tax expense	100	100
Net loss from discontinued operation	<u>\$ (5,308)</u>	<u>\$ (2,207)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

The following table presents cash flows from discontinued operations:

	Nine months ended September 30, 2023 (unaudited)
Net cash flow used in operating activities (*)	\$ (556)
Net cash flows used in investing activities	(5)

(*) Amortization and depreciation allocated to discontinued operation for the nine-month period ended September 30, 2023 amounted to \$ 1,081.

NOTE 5: REVENUE RECOGNITION

Under ASC No. 606, "Revenue from Contracts with Customers" ("ASC 606"), an entity recognizes revenue when or as it satisfies a performance obligation by transferring intellectual property ("IP") licenses or services to the customer, either at a point in time or over time. The Company recognizes most of its revenues at a point in time upon delivery when the customer accepts control of the IP. The Company recognizes revenue over time on significant license customization contracts that are in the scope of ASC 606 by using cost inputs to measure progress toward completion of its performance obligations.

Revenues that are derived from the sale of a licensee's products that incorporate the Company's IP are classified as royalty revenues. Royalty revenues are recognized during the quarter in which the sale of the product incorporating the Company's IP occurs. Royalties are calculated either as a percentage of the revenues received by the Company's licensees on sales of products incorporating the Company's IP or on a per unit basis, as specified in the agreements with the licensees. When the Company does not receive actual sales data from the customer prior to the finalization of its financial statements, royalty revenues are recognized based on the Company's estimation of the customer's sales during the quarter.

The following table includes estimated revenue expected to be recognized in future periods related to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The estimated revenues do not include amounts of royalties or unexercised contract renewals:

	Remainder of 2024	2025	2026 and thereafter
Licensing and related revenues	\$ 3,421	\$ 11,098	\$ 2,725

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

Disaggregation of revenue:

The following table provides information about disaggregated revenue by primary geographical, use cases for the Company's technology portfolio, and timing of revenue recognition:

	Nine months ended September 30, 2024 (unaudited)			Three months ended September 30, 2024 (unaudited)			
	Licensing and related revenues		Royalties	Total	Licensing and related revenues		Total
	Geography	Region				Region	
United States	\$ 7,985	\$ 4,037	\$ 12,022	\$ 7,174	\$ 945	\$ 8,119	
Europe and Middle East	8,318	3,326	11,644	1,473	1,217	2,690	
Asia Pacific	27,950	26,087	54,037	6,927	9,471	16,398	
Other	13	—	13	—	—	—	
Total	\$ 44,266	\$ 33,450	\$ 77,716	\$ 15,574	\$ 11,633	\$ 27,207	
Use cases for the Company's technology portfolio							
Connect (baseband for handset and other devices, Bluetooth, Wi-Fi and NB-IoT)	\$ 39,283	\$ 25,533	\$ 64,816	\$ 12,960	\$ 8,801	\$ 21,761	
Sense & Infer (sensor fusion, audio, sound, imaging, vision and AI)	4,983	7,917	12,900	2,614	2,832	5,446	
Total	\$ 44,266	\$ 33,450	\$ 77,716	\$ 15,574	\$ 11,633	\$ 27,207	
Timing of revenue recognition							
Products transferred at a point in time	\$ 38,154	\$ 33,450	\$ 71,604	\$ 13,431	\$ 11,633	\$ 25,064	
Products and services transferred over time	6,112	—	6,112	2,143	—	2,143	
Total	\$ 44,266	\$ 33,450	\$ 77,716	\$ 15,574	\$ 11,633	\$ 27,207	
Nine months ended September 30, 2023 (unaudited)							
	Licensing and related revenues			Licensing and related revenues			
	Licensing and related revenues		Royalties	Total	Licensing and related revenues		Total
	Geography	Region				Region	
United States	\$ 1,399	\$ 4,269	\$ 5,668	\$ 360	\$ 1,208	\$ 1,568	
Europe and Middle East	8,378	2,140	10,518	4,796	828	5,624	
Asia Pacific	35,442	21,109	56,551	8,765	8,097	16,862	
Other	520	—	520	19	—	19	
Total	\$ 45,739	\$ 27,518	\$ 73,257	\$ 13,940	\$ 10,133	\$ 24,073	
Use cases for the Company's technology portfolio							
Connect (baseband for handset and other devices, Bluetooth, Wi-Fi and NB-IoT)	\$ 40,787	\$ 20,093	\$ 60,880	\$ 13,120	\$ 7,648	\$ 20,768	
Sense & Infer (sensor fusion, audio, sound, imaging, vision and AI)	4,952	7,425	12,377	820	2,485	3,305	
Total	\$ 45,739	\$ 27,518	\$ 73,257	\$ 13,940	\$ 10,133	\$ 24,073	
Timing of revenue recognition							
Products transferred at a point in time	\$ 36,504	\$ 27,518	\$ 64,022	\$ 11,479	\$ 10,133	\$ 21,612	
Products and services transferred over time	9,235	—	9,235	2,461	—	2,461	
Total	\$ 45,739	\$ 27,518	\$ 73,257	\$ 13,940	\$ 10,133	\$ 24,073	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

Contract balances:

The following table provides information about trade receivables, unbilled receivables and contract liabilities from contracts with customers:

	September 30, 2024	December 31, 2023
Currents assets (classified under "Trade receivables"):		
Trade receivables	\$ 15,250	\$ 8,433
Unbilled receivables (associated with licensing and related revenue)	12,522	9,735
Unbilled receivables (associated with royalties)	10,858	12,139
Total current assets	38,630	30,307
Long-term assets (classified under "Other long-term assets"):		
Unbilled receivables (associated with licensing and related revenue)	2,733	—
Deferred revenues (short-term contract liabilities)		
	3,418	3,018

The Company receives payments from customers based upon contractual payment schedules; trade receivables are recorded when the right to consideration becomes unconditional, and an invoice is issued to the customer. Unbilled receivables associated with licensing and other include amounts related to the Company's contractual right to consideration for completed performance objectives not yet invoiced. Unbilled receivables associated with royalties are recorded as the Company recognizes revenues from royalties earned during the quarter, but not yet invoiced, either by actual sales data received from customers, or, when applicable, by the Company's estimation. Contract liabilities (deferred revenue) include payments received in advance of performance under the contract and are realized with the associated revenue recognized under the contract.

During the three and nine months ended September 30, 2024, the Company recognized \$ 235 and \$2,158, respectively, that was included in deferred revenues (short-term contract liability) balance at January 1, 2024.

NOTE 6: LEASES

The Company leases substantially all of its office space and vehicles under operating leases. The Company's leases have original lease periods expiring between 2025 and 2034. Many leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably certain. Lease payments included in the measurement of the lease liability comprise the following: the fixed non-cancelable lease payments, payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and payments for early termination options unless it is reasonably certain the lease will not be terminated early.

The following is a summary of weighted average remaining lease terms and discount rates for all of the Company's operating leases:

	September 30, 2024 (Unaudited)
Weighted average remaining lease term (years)	3.81
Weighted average discount rates	3.89%

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

Total operating lease cost and cash payments for operating leases were as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Operating lease cost	\$ 2,053	\$ 2,279	\$ 696	\$ 777
Cash payments for operating leases	2,022	2,255	713	771

Maturities of lease liabilities are as follows:

The remainder of 2024	\$ 821
2025	2,118
2026	946
2027	651
2028	343
2029 and thereafter	647
Total undiscounted cash flows	5,526
Less imputed interest	328
Present value of lease liabilities	\$ 5,198

NOTE 7: MARKETABLE SECURITIES

The following is a summary of available-for-sale marketable securities:

	September 30, 2024 (Unaudited)			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale - matures within one year:				
Corporate bonds	\$ 64,156	\$ 74	\$ (318)	\$ 63,912
Available-for-sale - matures after one year through three years:				
Corporate bonds	79,824	651	(1,509)	78,966
Total	\$ 143,980	\$ 725	\$ (1,827)	\$ 142,878

	December 31, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale - matures within one year:				
Corporate bonds	\$ 27,690	\$ 4	\$ (243)	\$ 27,451
Available-for-sale - matures after one year through three years:				
Corporate bonds	108,700	278	(3,734)	105,244
Total	\$ 136,390	\$ 282	\$ (3,977)	\$ 132,695

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

The following table presents gross unrealized losses and fair values for those investments that were in an unrealized loss position as of September 30, 2024, and December 31, 2023, and the length of time that those investments have been in a continuous loss position:

	Less than 12 months		12 months or greater	
	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss
As of September 30, 2024 (unaudited)	\$ 4,300	\$ (30)	\$ 63,822	\$ (1,797)
As of December 31, 2023	\$ 18,193	\$ (49)	\$ 86,643	\$ (3,928)

As of September 30, 2024, the allowance for credit losses was not material.

The following table presents gross realized gains and losses from sale of available-for-sale marketable securities:

	Nine months ended September 30,		Three months ended September 30,	
	2024	2023	2024	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gross realized gains from sale of available-for-sale marketable securities	\$ 19	\$ 92	\$ 4	\$ —
Gross realized losses from sale of available-for-sale marketable securities	\$ (5)	\$ (24)	\$ —	\$ (8)

NOTE 8: FAIR VALUE MEASUREMENT

FASB ASC No. 820, "Fair Value Measurements and Disclosures" defines fair value, establishes a framework for measuring fair value. Fair value is an exit price, representing the amount that would be received for selling an asset or paid for the transfer of a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

Level I	Unadjusted quoted prices in active markets that are accessible on the measurement date for identical, unrestricted assets or liabilities;
Level II	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level III	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company measures its marketable securities, investments in marketable equity securities and foreign currency derivative contracts at fair value. The carrying amount of cash, cash equivalents, short-term bank deposits, trade receivables, other accounts receivable, trade payables and other accounts payables approximate fair value due to the short-term maturity of these instruments. Investments in marketable equity securities are classified within Level I as the securities are traded in an active market. Marketable securities and foreign currency derivative contracts are classified within Level II as the valuation inputs are based on quoted prices and market observable data of similar instruments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

The table below sets forth the Company's assets and liabilities measured at fair value by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Description	September 30, 2024 (unaudited)		Level I (unaudited)	Level II (unaudited)	Level III (unaudited)
	\$	\$	\$	\$	\$
Assets:					
Marketable securities:					
Corporate bonds	\$ 142,878	\$ —	\$ 142,878	\$ —	\$ —
Foreign exchange contracts	22	—	22	—	—
Investments in marketable equity securities	309	309	—	—	—
December 31, 2023					
Description	Level I	Level II	Level III		
Assets:					
Marketable securities:					
Corporate bonds	\$ 132,695	\$ —	\$ 132,695	\$ —	\$ —
Foreign exchange contracts	988	—	988	—	—
Investments in marketable equity securities	406	406	—	—	—

NOTE 9: GEOGRAPHIC INFORMATION AND MAJOR CUSTOMER DATA

a. Summary information about geographic areas:

The Company manages its business on the basis of one reportable segment: the licensing of intellectual property to semiconductor companies and electronic equipment manufacturers (see Note 1 for a brief description of the Company's business). The following is a summary of revenues within geographic areas:

	Nine months ended September 30,		Three months ended September 30,	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Revenues based on customer location:				
United States	\$ 12,022	\$ 5,668	\$ 8,119	\$ 1,568
Europe and Middle East	11,644	10,518	2,690	5,624
Asia Pacific (1, 2)	54,037	56,551	16,398	16,862
Other	13	520	—	19
	\$ 77,716	\$ 73,257	\$ 27,207	\$ 24,073
(1) China	\$ 39,748	\$ 42,978	\$ 10,723	\$ 12,538
(2) South Korea	*)	*)	\$ 3,033	*)

*) Less than 10%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

b. Major customer data as a percentage of total revenues:

The following table sets forth the customers that represented 10% or more of the Company's total revenues in each of the periods set forth below.

	Nine months ended September 30,		Three months ended September 30,	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Customer A	13%	10%	13%	14%
Customer B	*)	—	17%	—
Customer C	*)	*)	*)	14%
Customer D	*)	*)	—	12%

*) Less than 10%

NOTE 10: NET LOSS PER SHARE OF COMMON STOCK

Basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during each period, plus dilutive potential shares of common stock considered outstanding during the period, in accordance with FASB ASC No. 260, "Earnings Per Share."

	Nine months ended September 30,		Three months ended September 30,	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Numerator:				
Net loss from continuing operations	\$ (7,050)	\$ (10,339)	\$ (1,311)	\$ (2,750)
Net loss from discontinued operations	—	(5,308)	—	(2,207)
Net loss	<u>\$ (7,050)</u>	<u>\$ (15,647)</u>	<u>\$ (1,311)</u>	<u>\$ (4,957)</u>
Denominator (in thousands):				
Basic and diluted weighted-average common stock outstanding	<u>23,605</u>	<u>23,473</u>	<u>23,678</u>	<u>23,605</u>
Basic and diluted net loss per share from continuing operations	\$ (0.30)	\$ (0.44)	\$ (0.06)	\$ (0.12)
Basic and diluted net loss per share from discontinued operations	\$ —	\$ (0.23)	\$ —	\$ (0.09)
Basic and diluted net loss per share	<u>\$ (0.30)</u>	<u>\$ (0.67)</u>	<u>\$ (0.06)</u>	<u>\$ (0.21)</u>

The total number of shares related to outstanding equity-based awards was 1,684,428 for both the three and nine months ended September 30, 2024, and in each case was excluded from the calculation of diluted net loss per share. The total number of shares related to outstanding equity-based awards was 1,402,978 for both the three and nine months ended September 30, 2023, and in each case was excluded from the calculation of diluted net loss per share.

NOTE 11: COMMON STOCK AND STOCK-BASED COMPENSATION PLANS

The Company has historically granted a mix of stock options, stock appreciation rights ("SARs") capped with a ceiling and restricted stock units ("RSUs") to employees and non-employee directors of the Company and its subsidiaries under the Company's equity plans and provides the right to purchase common stock pursuant to the Company's 2002 employee stock purchase plan to employees of the Company and its subsidiaries. As of September 30, 2024, and December 31, 2023, there were no outstanding or exercisable SARs left.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

The options granted under the Company's stock incentive plans have been granted at the fair market value of the Company's common stock on the grant date. Options granted to employees under stock incentive plans generally vest at a rate of 25% of the shares underlying the option after one year and the remaining shares vest in equal portions over the following 36 months, such that all shares are vested after four years. A summary of the Company's stock option activities and related information for the nine months ended September 30, 2024, are as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding as of December 31, 2023	99,425	\$ 20.74	2.5	\$ 316
Granted	10,600	19.61		
Exercised	(26,000)	14.77		
Forfeited or expired	—	—		
Outstanding as of September 30, 2024 (unaudited)	84,025	\$ 22.45	3.0	\$ 225
Exercisable as of September 30, 2024 (unaudited)	59,260	\$ 23.15	1.7	\$ 141

As of September 30, 2024, there was \$ 257 of unrecognized compensation expense related to unvested stock options. This amount is expected to be recognized over a weighted-average period of 2.1 years.

An RSU award is an agreement to issue shares of the Company's common stock at the time the award or a portion thereof vests. RSUs granted to employees generally vest in three equal annual installments starting on the first anniversary of the grant date. RSUs granted to non-employee directors would generally vest in two equal annual installments starting on the first anniversary of the grant date.

On February 12, 2024, the Compensation Committee of the Board (the "Committee") granted 33,318, 20,043, 16,399 and 13,535 RSUs, effective as of February 16, 2024, to each of the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO") and Chief Commercial Officer ("CCO"), respectively, pursuant to the Company's 2011 Stock Incentive Plan (the "2011 Plan"). The RSU grants vest 33.4% on February 16, 2025, 33.3% on February 16, 2026 and 33.3% on February 16, 2027.

Also, on February 12, 2024, the Committee granted 49,978, 13,362, 10,932 and 9,023 performance-based restricted stock units ("PSUs"), effective as of February 16, 2024, to each of the Company's CEO, CFO, COO and CCO, respectively, pursuant to the 2011 Plan. The performance goals for the PSUs with specified weighting are as follows:

Weighting	Goals
50%	Vesting of the full 50% of the PSUs occurs if the Company achieves the 2024 license and related revenue target approved by the Board (the "2024 License Revenue Target"). The vesting threshold is achievement of 90% of the 2024 License Revenue Target. If the Company's achievement of the 2024 License Revenue Target is above 90% but less than 99% of the 2024 License Revenue Target, 91% to 99% of the eligible PSUs would be subject to vesting. If the Company's actual result exceeds 100% of the 2024 License Revenue Target, every 1% increase of the 2024 License Revenue Target, up to 120%, would result in an increase of 2% of the eligible PSUs for the Company's CFO, COO and CCO and an increase of 3% of the eligible PSUs for the Company's CEO.
25%	Vesting of the full 25% of the PSUs occurs if the Company achieves positive total shareholder return whereby the return on the Company's stock for 2024 is greater than the S&P Semiconductors Select Industry index (the "S&P index"). The vesting threshold is if the return on the Company's stock for 2024 is at least 90% of the S&P index. If the return on the Company's stock, in comparison to the S&P index, is above 90% but less than 99% of the S&P index, 91% to 99% of the eligible PSUs would be subject to vesting. If the return on the Company's stock exceeds 100% of the S&P index, every 1% increase in comparison to the S&P index, up to 120%, would result in an increase of 2% of the eligible PSUs for the Company's CFO, COO and CCO and an increase of 3% of the eligible PSUs for the Company's CEO.
25%	Vesting of the full 25% of the PSUs occurs if the Company achieves positive total shareholder return whereby the return on the Company's stock for 2024 is greater than the Russell 2000 index (the "Russell index"). The vesting threshold is if the return on the Company's stock for 2024 is at least 90% of the Russell index. If the return on the Company's stock, in comparison to the Russell index, is above 90% but less than 99% of the Russell index, 91% to 99% of the eligible PSUs would be subject to vesting. If the return on the Company's stock exceeds 100% of the Russell index, every 1% increase in comparison to the Russell index, up to 120%, would result in an increase of 2% of the eligible PSUs for the Company's CFO, COO and CCO and an increase of 3% of the eligible PSUs for the Company's CEO.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

Accordingly, assuming maximum achievement of the performance goals set forth above, PSUs representing an additional 60%, meaning an additional 29,986, would be eligible for vesting of the Company's CEO, and an additional 40%, meaning an additional 5,344, 4,372 and 3,609, would be eligible for vesting for each of the Company's CFO, COO and CCO, respectively.

Subject to achievement of the thresholds the above performance goals for 2024, the PSUs vest 33.4% on February 16, 2025, 33.3% on February 16, 2026 and 33.3% on February 16, 2027.

A summary of the Company's RSU and PSU activities and related information for the nine months ended September 30, 2024, are as follows:

	Number of RSUs and PSUs	Weighted Average Grant- Date Fair Value
Unvested as of December 31, 2023	1,281,751	\$ 24.97
Granted	859,496	19.64
Vested	(373,472)	31.48
Forfeited or expired	(167,372)	21.35
Unvested as of September 30, 2024 (unaudited)	<u>1,600,403</u>	<u>\$ 20.95</u>

As of September 30, 2024, there was \$23,612 of unrecognized compensation expense related to unvested RSUs and PSUs. This amount is expected to be recognized over a weighted-average period of 1.6 years.

The following table shows the total equity-based compensation expense included in the interim condensed consolidated statements of loss:

	Nine months ended September 30,		Three months ended September 30,	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Cost of revenue	\$ 570	\$ 636	\$ 176	\$ 216
Research and development, net	6,866	6,703	2,421	2,257
Sales and marketing	1,307	1,305	491	478
General and administrative	2,936	2,787	1,120	1,018
Total equity-based compensation expense from continuing operations	11,679	11,431	4,208	3,969
Equity-based compensation expense included in discontinued operations	—	875	—	273
Total equity-based compensation expense	\$ 11,679	\$ 12,306	\$ 4,208	\$ 4,242

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

The fair value for rights to purchase shares of common stock under the Company's employee stock purchase plan was estimated on the date of grant using the following assumptions:

	Nine months ended September 30		Three months ended September 30	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Expected dividend yield	0%	0%	0%	0%
Expected volatility	46%-50%	45%-47%	50%	47%
Risk-free interest rate	4.9%-5.3%	4.8%-5.5%	4.9%	5.5%
Contractual term of up to (months)	6	6	6	6

NOTE 12: DERIVATIVES AND HEDGING ACTIVITIES

The Company follows the requirements of FASB ASC No. 815, "Derivatives and Hedging" which requires companies to recognize all of their derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging transaction and further, on the type of hedging transaction. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. Due to the Company's global operations, it is exposed to foreign currency exchange rate fluctuations in the normal course of its business. The Company's treasury policy allows it to offset the risks associated with the effects of certain foreign currency exposures through the purchase of foreign exchange forward or option contracts ("Hedging Contracts"). The policy, however, prohibits the Company from speculating on such Hedging Contracts for profit. To protect against the increase in value of forecasted foreign currency cash flow resulting from salaries paid in currencies other than the U.S. dollar during the year, the Company instituted a foreign currency cash flow hedging program. The Company hedges portions of the anticipated payroll of its non-U.S. employees denominated in the currencies other than the U.S. dollar for a period of one to twelve months with Hedging Contracts. Accordingly, when the dollar strengthens against the foreign currencies, the decline in present value of future foreign currency expenses is offset by losses in the fair value of the Hedging Contracts. Conversely, when the dollar weakens, the increase in the present value of future foreign currency expenses is offset by gains in the fair value of the Hedging Contracts. These Hedging Contracts are designated as cash flow hedges.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. As of September 30, 2024, and December 31, 2023, the notional principal amount of the Hedging Contracts to sell U.S. dollars held by the Company was \$900 and \$16,500, respectively.

The fair value of the Company's outstanding derivative instruments is as follows:

	September 30, 2024 (unaudited)	December 31, 2023
Derivative assets:		
Derivatives designated as cash flow hedging instruments:		
Foreign exchange forward contracts	\$ 22	\$ 988
Total	\$ 22	\$ 988

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

The increase (decrease) in unrealized gains (losses) recognized in "accumulated other comprehensive gain (loss)" on derivatives, before tax effect, is as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
	Derivatives designated as cash flow hedging instruments:			
Foreign exchange option contracts	\$ 41	\$ (328)	\$ 25	\$ (130)
Foreign exchange forward contracts	(240)	(678)	115	(246)
	\$ (199)	\$ (1,006)	\$ 140	\$ (376)

The net (gains) losses reclassified from "accumulated other comprehensive gain (loss)" into income are as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
	Derivatives designated as cash flow hedging instruments:			
Foreign exchange option contracts	\$ (41)	\$ 253	\$ (16)	\$ 141
Foreign exchange forward contracts	(726)	620	(144)	158
	\$ (767)	\$ 873	\$ (160)	\$ 299

The Company recorded in cost of revenues and operating expenses a net gain of \$ 160 and \$767 during the three and nine months ended September 30, 2024, respectively, and a net loss of \$299 and \$873 during the comparable periods of 2023, related to its Hedging Contracts.

NOTE 13: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the changes in accumulated balances of other comprehensive income (loss), net of taxes:

	Nine months ended September 30, 2024 (unaudited)			Three months ended September 30, 2024 (unaudited)		
	Unrealized gains (losses) on available- for- sale marketable securities	Unrealized gains (losses) on cash flow hedges	Total	Unrealized gains (losses) on available- for- sale marketable securities	Unrealized gains (losses) on cash flow hedges	Total
Beginning balance	\$ (3,317)	\$ 988	\$ (2,329)	\$ (2,936)	\$ 42	\$ (2,894)
Other comprehensive income (loss) before reclassifications	2,353	(200)	2,153	1,962	140	2,102
Amounts reclassified from accumulated other comprehensive income (loss)	(14)	(766)	(780)	(4)	(160)	(164)
Net current period other comprehensive income (loss)	2,339	(966)	1,373	1,958	(20)	1,938
Ending balance	<u><u>\$ (978)</u></u>	<u><u>\$ 22</u></u>	<u><u>\$ (956)</u></u>	<u><u>\$ (978)</u></u>	<u><u>\$ 22</u></u>	<u><u>\$ (956)</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

	Nine months ended September 30, 2023 (unaudited)			Three months ended September 30, 2023 (unaudited)		
	Unrealized gains (losses) on available-for-sale marketable securities	Unrealized gains (losses) on cash flow hedges	Total	Unrealized gains (losses) on available-for-sale marketable securities	Unrealized gains (losses) on cash flow hedges	Total
Beginning balance	\$ (6,142)	\$ (107)	\$ (6,249)	\$ (5,421)	\$ (162)	\$ (5,583)
Other comprehensive income (loss) before reclassifications	981	(1,006)	(25)	183	(375)	(192)
Amounts reclassified from accumulated other comprehensive income (loss)	(69)	874	805	8	298	306
Net current period other comprehensive income (loss)	912	(132)	780	191	(77)	114
Ending balance	<u>\$ (5,230)</u>	<u>\$ (239)</u>	<u>\$ (5,469)</u>	<u>\$ (5,230)</u>	<u>\$ (239)</u>	<u>\$ (5,469)</u>

The following table provides details about reclassifications out of accumulated other comprehensive income (loss):

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in the Statements of Income (Loss)	
	Nine months ended September 30,		Three months ended September 30,			
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)		
Unrealized gains (losses) on cash flow hedges	\$ 17	\$ (17)	\$ 4	\$ (6)	Cost of revenues	
	653	(755)	135	(260)	Research and development	
	19	(19)	4	(6)	Sales and marketing	
	78	(82)	17	(27)	General and administrative	
	767	(873)	160	(299)	Total, before income taxes	
	1	1	—	(1)	Income tax expense (benefit)	
	766	(874)	160	(298)	Total, net of income taxes	
Unrealized gains (losses) on available-for-sale marketable securities	14	68	4	(8)	Financial income (loss), net	
	—	(1)	—	—	Income tax benefit	
	14	69	4	(8)	Total, net of income taxes	
	<u>\$ 780</u>	<u>\$ (805)</u>	<u>\$ 164</u>	<u>\$ (306)</u>	<u>Total, net of income taxes</u>	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share data)

NOTE 14: SHARE REPURCHASE PROGRAM

During the three months ended September 30, 2024, the Company repurchased 186,301 shares of common stock at an average purchase price of \$22.44 per share for an aggregate purchase price of \$4,180. During the nine months ended September 30, 2024, the Company repurchased 343,604 shares of common stock at an average purchase price of \$21.70 per share for an aggregate purchase price of \$7,456. During the three and nine months ended September 30, 2023, the Company repurchased 135,078 shares of common stock at an average purchase price of \$ 22.23 per share for an aggregate purchase price of \$3,003. As of September 30, 2024, 356,396 shares of common stock remained available for repurchase pursuant to the Company's share repurchase program.

The repurchases of common stock are accounted for as treasury stock, and result in a reduction of stockholders' equity. When treasury shares are reissued, the Company accounts for the reissuance in accordance with FASB ASC No. 505-30, "Treasury Stock" and charges the excess of the repurchase cost over issuance price using the weighted average method to retained earnings. The purchase cost is calculated based on the specific identified method. In the case where the repurchase cost over issuance price using the weighted average method is lower than the issuance price, the Company credits the difference to additional paid-in capital.

NOTE 15: SUBSEQUENT EVENTS

On November 7, 2024, the Board authorized and approved an expansion of the share repurchase program with an additional 700,000 shares of common stock available for repurchase, bringing the aggregate to approximately 1,056,000 shares available for repurchase as of that date.

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

You should read the following discussion together with the unaudited financial statements and related notes appearing elsewhere in this quarterly report. This discussion contains forward-looking statements that involve risks and uncertainties. Any or all of our forward-looking statements in this quarterly report may turn out to be wrong. These forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Factors which could cause actual results to differ materially include those set forth under in Part II – Item 1A – "Risk Factors," as well as those discussed elsewhere in this quarterly report. See "Forward-Looking Statements."

The financial information presented in this quarterly report includes the results of Ceva, Inc. and its subsidiaries.

BUSINESS OVERVIEW

Headquartered in Rockville, Maryland, Ceva is the leader in innovative silicon and software IP solutions that enable smart edge products to connect, sense, and infer data more reliably and efficiently. With the industry's only portfolio of comprehensive communications and scalable edge AI IP, Ceva powers the connectivity, sensing, and inference in today's most advanced smart edge products across consumer IoT, mobile, automotive, infrastructure, industrial, and personal computing. More than 18 billion of the world's most innovative smart edge products from AI-infused smartwatches, IoT devices and wearables to autonomous vehicles, 5G mobile networks and more are powered by Ceva.

Ceva is a trusted partner to over 400 of the leading semiconductor and original equipment manufacturer (OEM) companies targeting a wide variety of cellular and IoT end markets, including mobile, PC, consumer, automotive, smart-home, surveillance, robotics, industrial and medical. The customers incorporate our IP into application-specific integrated circuits (ASICs) and application-specific standard products (ASSPs) that they manufacture, market and sell to OEMs and original design manufacturers. Our application software IP is licensed primarily to OEMs who embed it in their System on Chip (SoC) designs to enhance the user experience, and OEMs also license our hardware IP products and solutions for their SoC designs to create power-efficient, intelligent, secure and connected devices.

Ceva's wireless communications, sensing and edge AI technologies are at the heart of some of today's most advanced smart edge products. From Bluetooth connectivity, Wi-Fi, ultra-wide band (UWB) and 5G-Advanced platform IP for ubiquitous, robust communications, to scalable edge AI neural processing unit (NPU) IPs, sensor fusion processors and embedded application software that make devices smarter.

We license our portfolio of wireless communications and scalable edge AI IP to our customers, breaking down barriers to entry and enabling them to bring new cutting-edge products to market faster, more reliably, efficiently and economically.

Ceva is a sustainability and environmentally conscious company. We have adopted both a Code of Business Conduct and Ethics and a Sustainability Policy, in which we emphasize and focus on environmental preservation, recycling, the welfare of our employees and privacy – which we promote on a corporate level. At Ceva, we are committed to social responsibility, values of preservation and consciousness towards these purposes.

We believe our portfolio of wireless communications and sensing and edge AI technologies address some of the most important megatrends, including 5G, generative AI, embedded AI, industrial automation and vehicle electrification. We continue to experience strong interest across our IP portfolio due to these trends, in both traditional and new areas. In the third quarter of 2024, ten IP licensing deals were concluded for a range of wireless and smart sensing use cases.

We believe the following key elements represent significant growth drivers for the company:

- Our broad Bluetooth, Wi-Fi, UWB and cellular IoT IPs allow us to address the high volume IoT industrial, consumer and smart home markets. Our addressable market size for Bluetooth, Wi-Fi, UWB and cellular IoT is expected to be more than 15 billion devices annually by 2027 based on research from ABI Research. In the third quarter of 2024, we signed licensing deals for our full range of wireless connectivity IPs, including our recently released Bluetooth 6 IP. We also reached a shipment milestone in the quarter, with combined unit shipments for these IPs surpassing 400 million units for the first time. This volume reflects our market leadership for our IP in these markets, where we already command more than 30% of the Bluetooth market share worldwide, excluding mobile. In addition, we believe that Wi-Fi presents a significant royalty revenue opportunity, given our leading market position in licensing Wi-Fi 6 with more than 40 customers to date and leadership position in Wi-Fi 7 IP.

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- Our PentaG2 platform and digital signal processors (DSPs) for 5G mobile broadband and 5G RedCap is the most comprehensive baseband IP platform in the industry today and provides newcomers and incumbents with a comprehensive solution to address the need for 5G processing for fixed wireless access, satellite communications and a range of connected devices such as robots, cars, smart cities and other devices for industrial applications. Indicative of the demand for our 5G IPs, in the third quarter of 2024, we signed three deals for 5G and 5G-Advanced new use cases, including with a satellite OEM, a leader in cellular IoT and an automotive V2X player.
- Our PentaG RAN platform for 5G RAN, including the recently announced Ceva-XC22 multi-thread DSP, ensures we offer the most comprehensive baseband processor IP in the industry today. Our 5G IPs provide newcomers and incumbents with a customizable solution to address the need for 5G, 5G Advanced and other communications in data centers and infrastructure.
- The high-volume consumer audio markets, including True Wireless Stereo (TWS) earbuds, smartwatches, AR and VR headsets, and other wearable assisted devices, offers an incremental growth segment for us for our Bluetooth, Audio AI DSPs and software IPs. For OEMs to better address this market, our RealSpace Spatial Audio & Head Tracking Solution and ClearVox voice input software are available to enhance the user experience and offer premium features. In the third quarter we signed a licensing deal with a high profile smartphone OEM, to incorporate our RealSpace solution in their upcoming headphones and TWS earbuds. The first devices are expected to be in the market by H1 2025.
- Our SensPro2 sensor hub AI DSP family is designed to address the growing demand for efficient, high-performance signal processing in sensor-based applications across various industries and applications such as smartphones, automotive safety (ADAS), autonomous driving (AD), drones, robotics, security and surveillance, augmented reality (AR) and virtual reality (VR), natural language processing (NLP) and voice recognition. Research from Bloomberg Intelligence forecasts that hardware revenue associated with computer vision AI products and conversational AI devices will reach \$61 billion and \$108 billion, respectively by 2030, indicating the size of the market opportunity. This sensor hub AI DSP enables us to address the transformation in devices enabled by these applications, and expand our footprint and content in smartphones, drones, consumer cameras, surveillance, automotive ADAS, voice-enabled devices and industrial IoT applications.
- Transformer and classic neural networks are increasingly being deployed in a wide range of devices in order to make these devices "smarter." Our newest generation family of AI NPUs present a highly-efficient and high performance architecture to enable generative and classic AI on any device including communication gateways, optically connected networks, cars, notebooks and tablets, AR/VR headsets, smartphones, and any other cloud or edge use case from the edge all the way to the cloud. Per research from Yole Group, 2.5 billion Edge AI devices will ship annually by 2026, illustrating the huge potential of the market.
- AI is rapidly making its way into IoT devices, thanks in part to the emergence of embedded AI, including tiny machine learning ("TinyML") models, which enable small AI networks to be embedded in IoT devices for sensing use cases including sound, vision, vibration and health monitoring. Our recently announced NeuPro-Nano family of AI NPUs present a compelling proposition to add a cost- and power-efficient processor to microcontroller units and SoC designs to handle the complete AI workloads, on-device. Per ABI Research, by 2030, over 40% of TinyML shipments will be powered by dedicated embedded AI hardware such as NeuPro-Nano, representing billions of devices annually. In the third quarter, we achieved our first design win for our NeuPro-Nano NPU with a high-volume semiconductor company targeting consumer electronics that already licenses and deploys our Bluetooth IP in their chips. As is evident from this deal, NeuPro-Nano allows us to expand on our strong position in IoT where we have a dominant position in wireless connectivity, as these customers increasingly look to add support for AI to their cost- and power-constrained chips for this market.
- Our sensor fusion and spatial audio application software allows us to address an important technology piece used in personal computers, robotics, TWS earbuds, smart TVs and many other smart sensing IP products, in addition to our existing portfolio for camera-based computer vision and AI processing, and microphone-based sound processing. MEMS-based inertial and environmental sensors are used in an increasing number of devices, including robotics, smartphones, laptops, tablets, TWS earbuds, spatial audio headsets, remote controls and many other consumer and industrial devices. Our innovative and proven MotionEngine™ software supports a broad range of merchant sensor chips and is processor-agnostic in order to address the requirements of any OEM or semiconductor company that wishes to enhance their customer user experience. The MotionEngine software has already shipped in more than 350 million devices, indicative of its market traction and excellence. Along with our SensPro sensor hub AI DSPs, our licensees now benefit from our capabilities as a one-stop-shop for processing many types of sensors.

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As a result of our focus on silicon and software IP solutions that enable products to connect, sense, and infer data, we believe we are well positioned for long-term growth in shipments and royalty revenues derived from smart edge products. Royalty rates from these products are comprised of a range of ASPs, spanning from high volume Bluetooth and Wi-Fi to high value sensor fusion and base station RAN. The royalty ASP of our other products will be in between the two ranges.

CURRENT TRENDS

We believe that with digital transformation being a long-term trend that continues drives industries to become connected and intelligent, our ubiquitous technology and collaborative business model present a significant and secular growth prospect. We intend to continue to capitalize on the semiconductor momentum with our portfolio of technologies to enable three main use cases associated with smart edge devices: connect, sense and infer. We focus on four main markets, which are consumer, automotive, industrial and infrastructure, which we believe are large, diversified and represent the greatest opportunities for long-term growth. We will also continue to serve the mobile and PC markets where we have established customers and market presence. We believe our key customers are keenly receptive to our products roadmap around connect, sense and infer, and that they are willing to expand the scope of engagements with us as our roadmap aligns with their technology needs. Furthermore, we anticipate that we can expand our customer base and revenues in Europe and the U.S., as evidenced by our geography revenue split for the second and third quarters of 2024, complementing our strong presence in the APAC region.

We believe our strategy is returning Ceva to year-over-year revenue growth for 2024, with overall revenue now expected to grow 7% to 9% over 2023, versus the 4% to 8% we expected at the beginning of the year. This growth started in the second quarter of 2024, became more evident in the third quarter of the year, is expected to continue in the last quarter of the year. In 2024, we expect our licensing and related revenues business will continue to expand into new markets and use cases in the industrial IoT (IIoT) and consumer IoT, offering connectivity platforms, sensing platforms and software, AI solutions (including AI engines, NPUs and software) and more. On royalties, we expect our connectivity products to continue to show strength in 2024, particularly related to our Bluetooth, Wi-Fi and cellular IoT business lines (which recorded 400 million units in the third quarter of 2024), with the initial ramp of automotive ADAS royalties expected in the fourth quarter of the year.

Instability in the Middle East

Our operations in Israel remain largely unaffected by the war between Israel and Hamas that began on October 7, 2023 and escalated to conflicts with Lebanon and Hezbollah, and we continue to drive our business and support our customers globally. However, a portion of our employees in Israel have been or are called to active reserve duty and additional employees may be called in the future, if needed. The Company has executed its business continuity plan with respect to those employees. It is possible that some of our operations in the region may be disrupted if this continues for a significant period of time or if the situation further deteriorates.

RESULTS OF OPERATIONS

Total Revenues

Total revenues were \$27.2 million and \$77.7 million for the third quarter and first nine months of 2024, respectively, representing an increase of 13% and 6% as compared to the corresponding periods in 2023. The increase in total revenues for the third quarter of 2024 was due to higher licensing and related revenues and higher royalty revenues, as further described below. The increase in total revenues for the first nine months of 2024 was due to higher royalty revenues, offset by lower licensing and related revenues, as further described below.

Our five largest customers accounted for 48% and 44% of our total revenues for the third quarter and first nine months of 2024, respectively, as compared to 53% and 30% for the comparable periods in 2023. Two customers accounted for 13% and 17% of our total revenues for the third quarter of 2024, as compared to three customers that accounted for 14%, 14% and 12% of our total revenues for the third quarter of 2023. One customer accounted for 13% of our total revenues for the first nine months of 2024, as compared to one customer that accounted for 10% of our total revenues for the first nine months of 2023. Sales to UNISOC (formerly Spreadtrum Communications, Inc. and RDA Corporation) represented 13% and 10% of our total revenues for the first nine months of 2024 and 2023, respectively. Generally, the identity of our customers representing 10% or more of our total revenues varies from period to period, especially with respect to our IP licensing customers as we generate licensing revenues generally from new customers on a quarterly basis. With respect to our royalty revenues, two royalty paying customers represented 10% or more of our total royalty revenues for both the third quarter and first nine months of 2024, and collectively represented 43% of our total royalty revenues for both the third quarter and first nine months of 2024. Two royalty paying customers represented 10% or more of our total royalty revenues for both the third quarter and first nine months of 2023, and collectively represented 46% and 41% of our total royalty revenues for the third quarter and first nine months of 2023, respectively. We expect that a significant portion of our future revenues will continue to be generated by a limited number of customers. The concentration of our customers is explainable in part by consolidation in the semiconductor industry.

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The following table sets forth use cases for Ceva technology portfolio as percentages of our total revenues for each of the periods set forth below:

	First Nine Months 2024	First Nine Months 2023	Third Quarter 2024	Third Quarter 2023
Connect (baseband for handset and other devices, Bluetooth, Wi-Fi and NB-IoT)	83%	83%	80%	86%
Sense & Infer (sensor fusion, audio, sound, imaging, vision and AI)	17%	17%	20%	14%

Licensing and Related Revenues

Licensing and related revenues were \$15.6 million and \$44.3 million for the third quarter and first nine months of 2024, respectively, representing an increase of 12% and a decrease of 3%, as compared to the corresponding periods in 2023. The increase in licensing and related revenues for the third quarter of 2024 was mainly due to the signing of number of strategic deals in the third quarter of 2024 for the 5G-Advanced modem markets, including a strategic OEM customer deal for 5G-Advanced satellite communications, partially offset by a decrease from our wireless communications IP portfolio. The decrease in licensing and related revenues for the first nine months of 2024 was mainly due to a decrease in our wireless communications IP portfolio, partially offset by few strategic deals for the 5G-advanced modem markets signed in the first nine months of 2024.

During the quarter, ten IP licensing agreements were concluded, targeting a wide range of end markets and applications, including embedded AI solutions for consumer AIoT devices, 5G-Advanced satellite broadband for infrastructure and terminals, 5G for cellular IoT and V2X, spatial audio for headphones and TWS earbuds, and Bluetooth, Wi-Fi and UWB connectivity for wearables and hearables. Three of the deals signed in the quarter were with OEMs and three deals signed were with first-time customers.

Licensing and related revenues accounted for 57% of our total revenues for both the third quarter and first nine months of 2024, as compared to 58% and 62% for the comparable periods of 2023.

Royalty Revenues

Royalty revenues were \$11.6 million and \$33.5 million for the third quarter and first nine months of 2024, respectively, representing an increase of 15% and 22%, as compared to the corresponding periods in 2023. The third quarter and first nine months of 2024 included revenue of \$0.3 million and \$2.0 million, respectively, following the resolution of royalty audits. Excluding these amounts, the third quarter and first nine months of 2024 would have been up by 12% and 14%, respectively, as compared to the comparable periods of 2023. Royalty revenues accounted for 43% of our total revenues for both the third quarter and first nine months of 2024, as compared to 42% and 38% for the comparable periods of 2023. The increase in royalty revenues for both the third quarter and first nine months of 2024 are attributed to the continued strength in consumer and industrial IoT end markets, which helped us to achieve 15% year-over-year royalty revenue growth and delivered the second highest quarterly unit shipments in Ceva's history of 522 million units. Cellular IoT units were at an all-time record high, while Bluetooth and Wi-Fi continued to be very robust. Overall, combined shipments of Bluetooth, Wi-Fi and cellular IoT surpassed 400 million units in a quarter for the first time, an impressive milestone for our IoT connectivity product line. Moreover, we saw sequential and year-over-year growth of TVs and PCs powered by our sensor fusion software. Our customers reported sales of 522 million and 1,354 million chipsets incorporating our technologies for the third quarter and first nine months of 2024, respectively, an increase of 4% and 16% from the corresponding periods in 2023 for actual shipments reported.

The five largest royalty-paying customers accounted for 61% and 60% of our total royalty revenues for the third quarter and first nine months of 2024, respectively, as compared to 60% and 55% for the comparable periods of 2023.

Geographic Revenue Analysis

	Nine Months 2024		Nine Months 2023		Third Quarter 2024		Third Quarter 2023	
			(in millions, except percentages)					
United States	\$ 12.0	15%	\$ 5.7	8%	\$ 8.1	30%	\$ 1.6	7%
Europe and Middle East	\$ 11.6	15%	\$ 10.5	14%	\$ 2.7	10%	\$ 5.6	23%
Asia Pacific (1) (2)	\$ 54.0	70%	\$ 56.6	77%	\$ 16.4	60%	\$ 16.9	70%
Other	\$ 0.0	0%	\$ 0.5	1%	\$ —	—	\$ 0.0	0%
(1) China	\$ 39.7	51%	\$ 43.0	59%	\$ 10.7	39%	\$ 12.5	52%
(2) South Korea	\$ *)	*)	\$ *)	*)	\$ 3.0	11%	\$ *)	*)

*) Less than 10%

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Due to the nature of our license agreements and the associated potential large individual contract amounts, the geographic split of revenues both in absolute dollars and percentage terms generally varies from quarter to quarter.

Cost of Revenues

Cost of revenues was \$4.0 million and \$9.4 million for the third quarter and first nine months of 2024, respectively, as compared to \$2.4 million and \$9.4 million for the comparable periods of 2023. Cost of revenues accounted for 15% and 12% of our total revenues for the third quarter and first nine months of 2024, respectively, as compared to 10% and 13% for the comparable periods of 2023. The increase for the third quarter of 2024 principally reflected higher strategically beneficial customization work associated with the strategic 5G-Advanced deals we signed recently, as well as higher third-party IP costs (associated mainly with the Mobile and Infrastructure technology customers), higher revenue and the cost of unit shipments related to our sensor fusion chip business, and higher payments to the Israeli Innovation Authority of the Ministry of Economy and Industry in Israel (the IIA). Included in cost of revenues for the third quarter and first nine months of 2024 was a non-cash equity-based compensation expense of \$176,000 and \$570,000, respectively, as compared to \$216,000 and \$636,000 for the comparable periods of 2023.

Gross Margin

Gross margin for the third quarter and first nine months of 2024 was 85% and 88%, respectively, as compared to 90% and 87% for the comparable periods of 2023. The decrease for the third quarter of 2024 mainly reflected higher cost of revenues as set forth above, offset by higher total revenues. The increase for the first nine months of 2024 mainly reflected higher total revenues. The gross margin for the third quarter and first nine months of 2023 reflects historical period on a re-cast basis excluding the Intrisix business as a discontinued operation, is also illustrative of our decision to return to pure IP licensing and royalty business model.

Operating Expenses

Total operating expenses were \$25.9 million and \$75.9 million for the third quarter and first nine months of 2024, respectively, as compared to \$24.4 million and \$74.5 million for the comparable periods of 2023. The net increase for both the third quarter and first nine months of 2024 principally reflected higher allowance for credit losses.

Research and Development Expenses, Net

Total research and development expenses, net were \$18.0 million and \$54.7 million for the third quarter and first nine months of 2024, respectively, as compared to \$17.8 million and \$54.5 million for the comparable periods of 2023. The slight increase for the third quarter of 2024 principally reflected higher retention costs and higher project related costs, partially offset by higher allocation of customization work for our licensees to cost of revenues. The slight increase for the first nine months of 2024 principally reflected lower research grants received, mainly from the IIA, and lower allocation of customization work for our licensees to cost of revenues, partially offset by lower project related costs. Included in research and development expenses for the third quarter and first nine months of 2024 were non-cash equity-based compensation expenses of \$2,421,000 and \$6,866,000, respectively, as compared to \$2,257,000 and \$6,703,000 for the comparable periods of 2023. Research and development expenses as a percentage of our total revenues were 66% and 70% for the third quarter and first nine months of 2024, respectively, as compared to 74% for both the comparable periods of 2023. The percentage decrease for both the third quarter and first nine months of 2024, as compared to the comparable periods of 2023, was mainly due to higher revenues.

The number of research and development personnel was 326 at September 30, 2024, as compared to 322 at September 30, 2023.

Sales and Marketing Expenses

Our sales and marketing expenses were \$3.1 million and \$9.0 million for the third quarter and first nine months of 2024, respectively, as compared to \$2.9 million and \$8.2 million for the comparable periods of 2023. The slight increase for the third quarter of 2024 principally reflected higher commission expenses. The increase for the first nine months of 2024 principally reflected higher commission expenses as well as higher sales training and higher marketing and trade shows events. Included in sales and marketing expenses for the third quarter and first nine months of 2024 were non-cash equity-based compensation expenses of \$491,000 and \$1,307,000, respectively, as compared to \$478,000 and \$1,305,000 for the comparable periods of 2023. Sales and marketing expenses as a percentage of our total revenues were 11% and 12% for the third quarter and first nine months of 2024, respectively, as compared to 12% and 11% for the comparable periods of 2023.

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The total number of sales and marketing personnel was 32 at September 30, 2024, as compared to 34 at September 30, 2023.

General and Administrative Expenses

Our general and administrative expenses were \$4.6 million and \$11.8 million for the third quarter and first nine months of 2024, respectively, as compared to \$3.6 million and \$11.3 million for the comparable periods of 2023. The increase for the third quarter of 2024 primarily reflected higher allowance for credit losses and higher professional services costs. The increase for the first nine months of 2024 primarily reflected higher allowance for credit losses. Included in general and administrative expenses for the third quarter and first nine months of 2024 were non-cash equity-based compensation expenses of \$1,120,000 and \$2,936,000, respectively, as compared to \$1,018,000 and \$2,787,000 for the comparable periods of 2023. General and administrative expenses as a percentage of our total revenues were 17% and 15% for the third quarter and first nine months of 2024, respectively, as compared to 15% for both the comparable periods of 2023.

The number of general and administrative personnel was 45 at September 30, 2024, as compared to 51 at September 30, 2023.

Amortization of Intangible Assets

Our amortization charges were \$0.1 million and \$0.4 million for the third quarter and first nine months of 2024, respectively, as compared to \$0.1 million and \$0.4 million for the comparable periods of 2023. The amortization charges for the third quarter and first nine months of 2024 and 2023 were incurred in connection with the amortization of intangible assets associated with the acquisitions of the Hillcrest Labs and VisiSonics business.

Financial Income, Net (in millions)

	Nine Months 2024	Nine Months 2023	Third Quarter 2024	Third Quarter 2023
Financial income, net	\$ 4.96	\$ 3.50	\$ 2.30	\$ 0.92
of which:				
Interest income and gains and losses from marketable securities, net	\$ 4.44	\$ 3.11	\$ 1.50	\$ 0.89
Foreign exchange gain	\$ 0.52	\$ 0.39	\$ 0.80	\$ 0.03

Financial income, net, consists of interest earned on investments, gains and losses from sale of marketable securities, accretion (amortization) of discounts (premiums) on marketable securities and foreign exchange movements.

The increase in interest income and gains and losses from marketable securities, net, during both the third quarter and first nine months of 2024 principally reflected higher combined bank deposits and marketable securities balances held (mainly because of cash received from the sale of Intrinsix in October 2023) and higher yields.

We review our monthly expected major non-U.S. dollar denominated expenditures and look to hold equivalent non-U.S. dollar cash balances to mitigate currency fluctuations. However, our Euro cash balances increase significantly on a quarterly basis beyond our Euro liabilities, mainly from applicable French research tax credits, which are generally refunded every three years. This has resulted in a foreign exchange gain of \$0.80 million and \$0.52 million for the third quarter and first nine months of 2024, respectively, as compared to foreign exchange gain of \$0.03 million and \$0.39 million for the comparable periods of 2023.

Remeasurement of Marketable Equity Securities

We recorded an income of \$21,000 and a loss of \$97,000 for the third quarter and first nine months of 2024, respectively, as compared to an income of \$160,000 and a loss of \$76,000 for the comparable periods of 2023, related to remeasurement of marketable equity securities, which we hold at cost. Over time, other income (expense), net, may be affected by market dynamics and other factors. Equity values generally change daily for marketable equity securities and upon the occurrence of observable price changes or upon impairment of marketable equity securities. In addition, volatility in the global economic climate and financial markets could result in a significant change in the value of our investments.

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Provision for Income Taxes

Our income tax expenses was \$1.0 million and \$4.3 million for the third quarter and first nine months of 2024, respectively, as compared to \$1.1 million and \$3.1 million for the comparable periods of 2023. The increase for the first nine months of 2024 primarily reflected higher withholding tax expenses in our Israeli subsidiary for which we will not be able to obtain a refund from the tax authorities and the effect of the capitalization of R&D expenditures under IRC Section 174, partially offset by lower tax expenses on income generated in our French subsidiary (under the French IP Box regime).

We are subject to income and other taxes in the United States and in numerous foreign jurisdictions. Our domestic and foreign tax liabilities are dependent on the jurisdictions in which profits are determined to be earned and taxed. Additionally, the amount of taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we operate. A number of factors influence our effective tax rate, including changes in tax laws and treaties as well as the interpretation of existing laws and rules. Federal, state, and local governments and administrative bodies within the United States, and other foreign jurisdictions have implemented, or are considering, a variety of broad tax, trade, and other regulatory reforms that may impact us. For example, the Tax Cuts and Jobs Act (the "U.S. Tax Reform") enacted on December 22, 2017 resulted in changes in our corporate tax rate, our deferred income taxes, and the taxation of foreign earnings. It is not currently possible to accurately determine the potential comprehensive impact of these or future changes, but these changes could have a material impact on our business and financial condition.

We have significant operations in Israel and operations in France and the Republic of Ireland. A substantial portion of our taxable income is generated in Israel and France, as well as potentially in the U.S. due to global intangible low-taxed income (GILTI) and the requirement to capitalize R&D expenditures under IRC Section 174 over 5 years if sourced from the U.S. and over 15 years if sourced internationally. Although our Israeli and Irish subsidiaries, and, from 2022 onward, our French subsidiary, are taxed at rates substantially lower than U.S. tax rates, the tax rates in these jurisdictions could nevertheless result in a substantial increase as a result of withholding tax expenses with respect to which we are unable to obtain a refund from the relevant tax authorities.

Our Irish subsidiary qualified for a 12.5% tax rate on its trade. Interest income generated by our Irish subsidiary is taxed at a rate of 25%.

Our French subsidiary is entitled to a tax benefit of 10% applied to specific revenues under the French IP Box regime. The French IP Box regime applies to net income derived from the licensing, sublicensing or sale of several IP rights such as patents and copyrighted software, including royalty revenues. This elective regime requires a direct link between the income benefiting from the preferential treatment and the R&D expenditures incurred and contributing to that income. Qualifying income may be taxed at a favorable 10% CIT rate (plus social surtax, hence 10.3% in total).

Our Israeli subsidiary is entitled to various tax benefits as a technological enterprise. In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016, which includes the Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 73) (the "Amendment"), was published. The Amendment, among other things, prescribes special tax tracks for technological enterprises, which are subject to rules that were issued by the Minister of Finance in April 2017.

The new tax track under the Amendment, which is applicable to our Israeli subsidiary, is the "Technological Preferred Enterprise". Technological Preferred Enterprise is an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than 10 billion New Israeli Shekel (NIS). A Technological Preferred Enterprise, as defined in the Amendment, that is located in the center of Israel (where our Israeli subsidiary is currently located), is taxed at a rate of 12% on profits deriving from intellectual property. Any dividends distributed to "foreign companies", as defined in the Amendment, deriving from income from technological enterprises will be taxed at a rate of 4%. We are applying the Technological Preferred Enterprise tax track for our Israeli subsidiary from tax year 2020 and onwards.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

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We believe that the assumptions and estimates associated with revenue recognition, fair value of financial instruments, equity-based compensation and income taxes have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

See our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 7, 2024, for a discussion of additional critical accounting policies and estimates. There have been no changes in our critical accounting policies as compared to what was previously disclosed in the Annual Report on Form 10-K for the year ended December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2024, we had approximately \$13.2 million in cash and cash equivalents, \$2.0 million in bank deposits, and \$142.9 million in marketable securities, totaling \$158.1 million, as compared to \$166.5 million at December 31, 2023. The decrease for the first nine months of 2024 principally reflected cash used in operating activities and funds used to repurchase 343,604 shares of common stock for an aggregate consideration of approximately \$7.5 million, partially offset by cash proceeds from exercise of stock-based awards.

Out of total cash, cash equivalents, bank deposits and marketable securities of \$158.1 million, \$133.3 million was held by our foreign subsidiaries. Our intent is to permanently reinvest earnings of our foreign subsidiaries and our current operating plans do not demonstrate a need to repatriate foreign earnings to fund our U.S. operations. However, if these funds were needed for our operations in the United States, we would be required to accrue and pay taxes to repatriate these funds. The determination of the amount of additional taxes related to the repatriation of these earnings is not practicable, as it may vary based on various factors such as the location of the cash and the effect of regulation in the various jurisdictions from which the cash would be repatriated.

During the first nine months of 2024, we invested \$41.3 million of cash in marketable securities with maturities up to 30 months from the balance sheet date. In addition, during the same period, marketable securities were sold or redeemed for cash amounting to \$34.4 million. All of our marketable securities are classified as available-for-sale. The purchase and sale or redemption of available-for-sale marketable securities are considered part of investing cash flow. Available-for-sale marketable securities are stated at fair value, with unrealized gains and losses reported in accumulated other comprehensive income (loss), a separate component of stockholders' equity, net of taxes. Realized gains and losses on sales of investments, as determined on a specific identification basis, are included in the interim condensed consolidated statements of loss. The amount of credit losses recorded for the first nine months of 2024 was immaterial. For more information about our marketable securities, see Note 7 to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024.

Bank deposits are classified as short-term bank deposits and long-term bank deposits. Short-term bank deposits are deposits with maturities of more than three months but no longer than one year from the balance sheet date, whereas long-term bank deposits are deposits with maturities of more than one year as of the balance sheet date. Bank deposits are presented at their cost, including accrued interest, and purchases and sales are considered part of cash flows from investing activities.

Operating Activities

Cash used in operating activities for the first nine months of 2024 was \$4.6 million and consisted of net loss of \$7.0 million, adjustments for non-cash items of \$13.6 million, and changes in operating assets and liabilities of \$11.2 million. Adjustments for non-cash items primarily consisted of \$3.0 million of depreciation and amortization of intangible assets, and \$11.7 million of equity-based compensation expenses, partially offset by \$0.7 million of amortization of premiums on available-for-sale marketable securities and \$0.5 million of unrealized foreign exchange gain. The decrease in operating assets and liabilities primarily consisted of an increase in trade receivables of \$7.8 million, and an increase in prepaid expenses and other assets of \$3.7 million (mainly related to unbilled receivables of \$2.7 million classified as "other long-term assets" in the Interim Condensed Consolidated Balance Sheets).

Cash used in operating activities for the first nine months of 2023 was \$11.1 million and consisted of net loss of \$15.6 million, adjustments for non-cash items of \$16.1 million, and changes in operating assets and liabilities of \$11.6 million. Adjustments for non-cash items primarily consisted of \$3.9 million of depreciation and amortization of intangible assets (including \$1.1 million from discontinued operations), and \$12.3 million of equity-based compensation expenses. The decrease in operating assets and liabilities primarily consisted of an increase in trade receivables of \$0.8 million, an increase in prepaid expenses and other assets of \$2.0 million (mainly as a result of an increase in applicable French research tax credits), an increase in deferred taxes, net of \$1.5 million, a decrease in trade payables of \$0.8 million, a decrease in accrued payroll and related benefits of \$6.2 million (mainly as a result of a yearly bonus payments), and a decrease of income tax payable of \$1.4 million, partially offset by an increase in deferred revenues of \$1.0 million.

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Cash flows from operating activities may vary significantly from quarter to quarter depending on the timing of our receipts and payments. Our ongoing cash outflows from operating activities principally relate to payroll-related costs and obligations under our property leases and design tool licenses. Our primary sources of cash inflows are receipts from our accounts receivable, to some extent, funding from research and development government grants and French research tax credits, and interest earned from our cash, deposits and marketable securities. The timing of receipts of accounts receivable from customers is based upon the completion of agreed milestones or agreed dates as set out in the contracts.

Investing Activities

Net cash used in investing activities for the first nine months of 2024 was \$1.1 million, compared to \$7.2 million of net cash provided by investing activities for the comparable period of 2023. We had a cash outflow of \$41.3 million and a cash inflow of \$34.4 million with respect to investments in marketable securities during the first nine months of 2024, as compared to a cash outflow of \$10.5 million and a cash inflow of \$19.5 million with respect to investments in marketable securities during the first nine months of 2023. For the first nine months of 2024, we had net proceeds of \$8.0 million from bank deposits, as compared to net proceeds of \$4.0 million from bank deposits for the comparable period of 2023. We had a cash outflow of \$1.9 million and \$2.1 million during the first nine months of 2024 and 2023, respectively, from purchase of property and equipment. For the first nine months of 2024, we had a cash inflow of \$0.5 million in connection with the sale of Intrinsix, and a cash outflow of \$0.8 million for the acquisition of a Greek-based company. For the first nine months of 2023, we had a cash outflow of \$3.6 million for the acquisition of the VisiSonics business.

Financing Activities

Net cash used in financing activities for the first nine months of 2024 was \$4.6 million, as compared to net cash provided by financing activities in the amount of \$0.4 million for the comparable period of 2023.

In August 2008, we announced that our board of directors approved a share repurchase program for up to one million shares of common stock pursuant to Rule 10b-18 of the Exchange Act, which was extended by an additional 7,800,000 shares collectively across further approvals in 2010, 2013, 2014, 2018, 2020, 2023 and November 2024. During the first nine months ended September 30, 2024, we repurchased 343,604 shares of common stock at an average purchase price of \$21.70 per share for an aggregate purchase price of \$7,456. During the first nine months ended September 30, 2023, we repurchased 135,078 shares of common stock at an average purchase price of \$22.23 per share for an aggregate purchase price of \$3,003. As of September 30, 2024, we had 356,396 shares available for repurchase, with 700,000 additional shares being approved by our board of directors for repurchase on November 7, 2024, bringing the aggregate to approximately 1,056,000 shares available for repurchase as of that date.

During the first nine months of 2024, we received \$2.9 million from the exercise of stock-based awards, as compared to \$3.4 million received for the comparable period of 2023.

We believe that our cash and cash equivalents, short-term bank deposits and marketable securities, along with cash from operations, will provide sufficient capital to fund our operations for at least the next 12 months. We cannot provide assurances, however, that the underlying assumed levels of revenues and expenses will prove to be accurate.

In addition, as part of our business strategy, we occasionally evaluate potential acquisitions of businesses, products and technologies and minority equity investments. Accordingly, a portion of our available cash may be used at any time for the acquisition of complementary products or businesses or minority equity investments. Such potential transactions may require substantial capital resources, which may require us to seek additional debt or equity financing. We cannot assure you that we will be able to successfully identify suitable acquisition or investment candidates, complete acquisitions or investments, integrate acquired businesses into our current operations, or expand into new markets. Furthermore, we cannot provide assurances that additional financing will be available to us in any required time frame and on commercially reasonable terms, if at all.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A majority of our revenues and a portion of our expenses are transacted in U.S. dollars and our assets and liabilities together with our cash holdings are predominately denominated in U.S. dollars. However, the majority of our expenses are denominated in currencies other than the U.S. dollar, principally the NIS and the Euro. Increases in volatility of the exchange rates of currencies other than the U.S. dollar versus the U.S. dollar could have an adverse effect on the expenses and liabilities that we incur when remeasured into U.S. dollars. We review our monthly expected non-U.S. dollar denominated expenditures and look to hold equivalent non-U.S. dollar cash balances to mitigate currency fluctuations. However, our Euro cash balances increase significantly on a quarterly basis beyond our Euro liabilities, mainly from French research tax benefits applicable to the CIR, which is generally refunded every three years. This has resulted in a foreign exchange gain of \$802,000 and \$523,000 for the third quarter and first nine months of 2024, respectively, and a foreign exchange gain of \$34,000 and \$390,000 for the comparable periods of 2023.

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As a result of currency fluctuations and the remeasurement of non-U.S. dollar denominated expenditures to U.S. dollars for financial reporting purposes, we may experience fluctuations in our operating results on an annual and quarterly basis. To protect against the increase in value of forecasted foreign currency cash flow resulting from salaries paid in currencies other than the U.S. dollar during the year, we follow a foreign currency cash flow hedging program. We hedge portions of the anticipated payroll for our non-U.S. employees denominated in currencies other than the U.S. dollar for a period of one to twelve months with forward and option contracts. During the third quarter and first nine months of 2024, we recorded accumulated other comprehensive loss of \$20,000 and \$966,000, respectively, from our forward and option contracts, net of taxes, with respect to anticipated payroll expenses for our non-U.S. employees. During the third quarter and first nine months of 2023, we recorded accumulated other comprehensive loss of \$77,000 and \$132,000, respectively, from our forward and option contracts, net of taxes, with respect to anticipated payroll expenses for our non-U.S. employees. As of September 30, 2024, the amount of other comprehensive gain from our forward and option contracts, net of taxes, was \$22,000, which will be recorded in the consolidated statements of income (loss) during the following one month. We recognized a net gain of \$160,000 and \$767,000 for the third quarter and first nine months of 2024, respectively, and a net loss of \$299,000 and \$873,000 for the comparable periods of 2023, related to forward and options contracts. We note that hedging transactions may not successfully mitigate losses caused by currency fluctuations. We expect to continue to experience the effect of exchange rate and currency fluctuations on an annual and quarterly basis.

The majority of our cash and cash equivalents are invested in high-grade certificates of deposits with major U.S., European and Israeli banks. Generally, cash and cash equivalents and bank deposits may be redeemed and therefore minimal credit risk exists with respect to them. Nonetheless, deposits with these banks exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits or similar limits in foreign jurisdictions, to the extent such deposits are even insured in such foreign jurisdictions. While we monitor on a systematic basis the cash and cash equivalent balances in the operating accounts and adjust the balances as appropriate, these balances could be impacted if one or more of the financial institutions with which we deposit our funds fails or is subject to other adverse conditions in the financial or credit markets. To date, we have experienced no loss of principal or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be affected if the financial institutions that we hold our cash and cash equivalents fail.

We hold an investment portfolio consisting principally of corporate bonds. We have the ability to hold such investments until recovery of temporary declines in market value or maturity. As of September 30, 2024, the unrealized losses associated with our investments were approximately \$1.1 million due to the dramatic changes in the interest rate environment that took place in 2022. As we tend to hold such bonds with unrealized losses to recovery, the allowance for credit losses was not material during the third quarter and first nine months of 2024. However, we can provide no assurance that we will recover present declines in the market value of our investments.

Interest income and gains and losses from marketable securities, net, were \$1.50 million and \$4.44 million for the third quarter and first nine months of 2024, respectively, as compared to \$0.89 million and \$3.11 million for the comparable periods of 2023. The increase in interest income, and gains and losses from marketable securities, net, during both the third quarter and first nine months of 2024 reflected higher combined bank deposits and marketable securities balances held (mainly because of cash received from the sale of Intrinsic in October 2023) and higher yields.

We are exposed primarily to fluctuations in the level of U.S. interest rates. To the extent that interest rates rise, fixed interest investments may be adversely impacted, whereas a decline in interest rates may decrease the anticipated interest income for variable rate investments. We typically do not attempt to reduce or eliminate our market exposures on our investment securities because the majority of our investments are short-term. We currently do not have any derivative instruments but may put them in place in the future. Fluctuations in interest rates within our investment portfolio have not had, and we do not currently anticipate such fluctuations will have, a material effect on our financial position on an annual or quarterly basis.

Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2024.

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 LEGAL PROCEEDINGS

We are not a party to any litigation or other legal proceedings that we believe could reasonably be expected to have a material effect on our business, results of operations and financial condition.

Item 1A RISK FACTORS

We have not identified any material changes to the Risk Factors previously disclosed in Part I—Item 1A—"Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, any one or more of which could, directly or indirectly, cause our actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of those factors, in whole or in part, could materially and adversely affect our business, financial condition, operating results and stock price. You should carefully consider the risks and uncertainties described in our Annual Report filed on Form 10-K for the fiscal year ended December 31, 2023, together with all of the other information in this Quarterly Report on Form 10-Q, including in "Part I—Item 2—"Management's Discussion and Analysis of Financial Condition and Results of Operations" and the condensed consolidated financial statements and related notes.

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Item 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth the information with respect to repurchases of our common stock during the three months ended September 30, 2024.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
Month #1 (July 1, 2024 to July 31, 2024)	75,552	\$ 21.49	75,552	542,697
Month #2 (August 1, 2024 to August 31, 2024)	110,749	\$ 23.09	110,749	467,145
Month #3 (September 1, 2024 to September 30, 2024)	186,301	\$ 22.44	186,301	356,396
TOTAL				356,396(2)

- (1) In August 2008, we announced that our board of directors approved a share repurchase program for up to one million shares of common stock pursuant to Rule 10b-18 of the Exchange Act, which was extended by an additional 7,800,000 shares collectively across further approvals in 2010, 2013, 2014, 2018, 2020, 2023 and November 2024.
- (2) The number represents the number of shares of our common stock that remain available for repurchase pursuant to our share repurchase program. 700,000 additional shares were approved for repurchase by our board of directors on November 7, 2024, bringing the aggregate to approximately 1,056,000 shares available for repurchase as of that date.

Item 3 DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4 MINE SAFETY DISCLOSURES

Not applicable.

Item 5 OTHER INFORMATION

During the three months ended September 30, 2024, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6 EXHIBITS

Exhibit

No.	Description
31.1	Rule 13a14(a)/15d14(a) Certification of Chief Executive Officer.
31.2	Rule 13a14(a)/15d14(a) Certification of Chief Financial Officer.
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.

101 The following materials from CEVA, Inc.'s Quarterly report on Form 10-Q for the quarter ended September 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Loss, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Comprehensive Loss, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements.

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

Ceva, INC.

Date: November 8, 2024

By: /s/ AMIR PANUSH

Amir Panush
Chief Executive Officer
(principal executive officer)

Date: November 8, 2024

By: /s/ YANIV ARIELI

Yaniv Arieli
Chief Financial Officer
(principal financial officer and principal accounting officer)

EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Amir Panush, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CEVA, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a15(e) and 15d15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(f) and 15d15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ **AMIR PANUSH**
Amir Panush
Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Yaniv Arieli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CEVA, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a15(e) and 15d15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(f) and 15d15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ YANIV ARIELI
Yaniv Arieli
Chief Financial Officer

Exhibit 32

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of CEVA, Inc. (the "Company") for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Amir Panush, Chief Executive Officer of the Company, and Yaniv Arieli, Chief Financial Officer of the Company, each hereby certifies, that:

- (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 will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.

Date: November 8, 2024

/s/ AMIR PANUSH
Amir Panush
Chief Executive Officer

/s/ YANIV ARIELI
Yaniv Arieli
Chief Financial Officer