

REFINITIV

DELTA REPORT

10-Q

LSCC - LATTICE SEMICONDUCTOR COR

10-Q - MARCH 30, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 801

█ CHANGES 231

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█ ADDITIONS 224

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

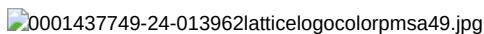
FOR THE QUARTERLY PERIOD ENDED **SEPTEMBER 30, 2023** **MARCH 30, 2024**

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 000-18032



LATTICE SEMICONDUCTOR CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware

93-0835214

(State or other jurisdiction of incorporation or organization)

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

5555 NE Moore Court, Hillsboro, OR

97124

(Address of principal executive offices)

(Zip Code)

(503) 268-8000

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value	LSCC	Nasdaq Global Select Market

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

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

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

Large accelerated filer

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

Number of shares of common stock outstanding as of **October 24, 2023** **April 23, 2024**

138,028,377 **137,546,399**

LATTICE SEMICONDUCTOR CORPORATION

QUARTERLY REPORT ON FORM 10-Q

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Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve estimates, assumptions, risks, and uncertainties. Any statements about our expectations, beliefs, plans, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. We use words or phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "plan," "possible," "predict," "projects," "may," "will," "should," "continue," "ongoing," "future," "potential," and similar words or phrases to identify forward-looking statements.

Forward-looking statements include, but are not limited to, statements about: our target or expected financial performance and our ability to achieve those results; future impacts of the ongoing military conflicts between Ukraine and Russia, and in the Middle East, and the outbreak of new, or expansion of current, military conflicts or terrorism; the impact of any continuing trade or travel restrictions on the export and import of products between the U.S. and China; the impact of any deterioration in relations between Taiwan and China, and other factors affecting military, political, or economic conditions in Taiwan or elsewhere in Asia; the impact of tariffs, trade sanctions, license requirements or similar actions on our suppliers and customers; the impact of inflationary pressures; future impacts of global pandemics, epidemics, and other public health problems; our business strategy; our opportunities to increase our addressable market; our expectations and strategies regarding market trends and opportunities, including market segment drivers such as wireless and wireline communications infrastructure deployments, datacenter data center servers and networking equipment, client computing platforms, industrial Internet of Things, factory automation, robotics, automotive electronics, smart homes, prosumers, and other applications; our expectations regarding the growth of AI-related revenue; our expectations regarding our customer base and the impacts of our customers' actions on our business; our expectations regarding both new and existing product offerings; our gross margin growth and our strategies to achieve gross margin growth and other financial results; our future investments in research and development; future financial results or accounting treatments; our judgments involved in accounting matters, including revenue recognition, inventories and cost of revenue, and income taxes; actions we may take regarding the design and continued effectiveness of our internal controls over financial reporting; our use of cash; our beliefs regarding the adequacy of our liquidity, capital resources and facilities; whether we will consider and act upon acquisition opportunities to extend our product, technology and product offerings, and the impact of such opportunities on our business; our expectations regarding taxes, including unrecognized tax benefits, and tax adjustments and allowances; whether we will pursue future stock repurchases and how any future repurchases will be funded; the future price volatility of our stock and the effects of that volatility; our ability to prevent and respond to information technology system failures, security breaches and incidents, cyber-attacks or fraud; fraud, and the occurrence and impact of such cybersecurity incidents; the costs of mitigating cybersecurity risks; the impact of artificial intelligence ("AI"); the impact of laws and regulations addressing privacy, data protection, and cybersecurity and our ability to comply with the same; our ability to comply with other laws and regulations, the costs of such compliance, and costs incurred if we fail to comply with such laws and regulations; and our beliefs regarding legal or administrative proceedings.

These forward-looking statements are based on estimates and assumptions that are subject to risks and uncertainties that could cause actual results to differ materially from those statements expressed in the forward-looking statements. The key factors, among others, that could cause our actual results to differ materially from the forward-looking statements include global economic conditions and uncertainty, including as a result of trade-related restrictions or tariffs, inflationary pressures, or the effect of any downturn in the economy on capital markets and credit markets; the effects of global military conflicts, pandemics or widespread global health problems and the actions by governments, businesses, and individuals in response to the situation, the effects of which may give rise to or amplify the risks associated with many of these factors listed here; and other factors more fully described herein or that are otherwise described from time to time in our filings with the Securities and Exchange Commission ("SEC"), including, but not limited to, the items discussed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 30, 2023 filed with the SEC on February 17, 2023 February 16, 2024 and any additional or updated risk factors discussed in any subsequent Quarterly Report on Form 10-Q filed since that date.

You should not unduly rely on forward-looking statements because our actual results could differ materially from those expressed by us. In addition, any forward-looking statement applies only as of the date of this filing. We do not plan to, and undertake no obligation to, update any forward-looking statements to reflect new information or new events, circumstances or developments, or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
<i>(In thousands, except per share data)</i>						
Revenue	\$ 192,169	\$ 172,509	\$ 566,558	\$ 484,396	\$ 140,815	\$ 184,310
Cost of revenue	57,608	53,777	170,835	154,412	44,607	55,709
Gross margin	<u>134,561</u>	<u>118,732</u>	<u>395,723</u>	<u>329,984</u>	<u>96,208</u>	<u>128,601</u>
Operating expenses:						
Research and development	42,048	34,820	119,983	100,988	40,591	35,989
Selling, general, and administrative	33,217	31,926	102,583	89,721	36,469	32,578
Amortization of acquired intangible assets	870	869	2,609	2,908	870	870
Restructuring	1,509	2,315	1,427	2,505	1,704	30
Acquisition related	—	—	—	511		
Total operating expenses	<u>77,644</u>	<u>69,930</u>	<u>226,602</u>	<u>196,633</u>	<u>79,634</u>	<u>69,467</u>
Income from operations	56,917	48,802	169,121	133,351	16,574	59,134
Interest income (expense), net	954	(1,267)	588	(2,866)	1,307	(555)
Other income (expense), net	14	(820)	(257)	(1,085)	(46)	(95)
Income before income taxes	57,885	46,715	169,452	129,400	17,835	58,484
Income tax expense	4,097	356	9,097	2,431	3,039	2,561
Net income	<u>\$ 53,788</u>	<u>\$ 46,359</u>	<u>\$ 160,355</u>	<u>\$ 126,969</u>	<u>\$ 14,796</u>	<u>\$ 55,923</u>
Net income per share:						
Basic	\$ 0.39	\$ 0.34	\$ 1.16	\$ 0.92	\$ 0.11	\$ 0.41
Diluted	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 1.15</u>	<u>\$ 0.90</u>	<u>\$ 0.11</u>	<u>\$ 0.40</u>
Shares used in per share calculations:						
Basic	137,948	137,267	137,697	137,397	137,475	137,418
Diluted	<u>139,828</u>	<u>139,935</u>	<u>139,927</u>	<u>140,921</u>	<u>138,774</u>	<u>140,101</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
<i>(In thousands)</i>						
Net income	\$ 53,788	\$ 46,359	\$ 160,355	\$ 126,969	\$ 14,796	\$ 55,923
Other comprehensive income (loss):						
Translation adjustment	(369)	(987)	(637)	(2,215)	(474)	189
Comprehensive income	<u>\$ 53,419</u>	<u>\$ 45,372</u>	<u>\$ 159,718</u>	<u>\$ 124,754</u>	<u>\$ 14,322</u>	<u>\$ 56,112</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2023	December 31, 2022	March 30, 2024	December 30, 2023
<i>(In thousands, except share and par value data)</i>				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 114,397	\$ 145,722	\$ 107,466	\$ 128,317
Accounts receivable, net of allowance for credit losses	105,913	94,018	98,940	104,373
Inventories, net	104,019	110,375	95,384	98,826
Prepaid expenses and other current assets	36,404	29,052	38,948	36,430
Total current assets	360,733	379,167	340,738	367,946
Property and equipment, less accumulated depreciation of \$124,493 at September 30, 2023 and \$116,349 at December 31, 2022	50,164	47,614		
Property and equipment, less accumulated depreciation of \$115,560 at March 30, 2024 and \$125,856 at December 30, 2023			51,390	49,546
Operating lease right-of-use assets	16,088	17,590	17,039	14,487
Intangible assets, net	21,951	25,070	19,888	20,974
Goodwill	315,358	315,358	315,358	315,358
Deferred income taxes			57,111	57,762
Other long-term assets	15,328	13,914	14,075	14,821
Total assets	\$ 779,622	\$ 798,713	\$ 815,599	\$ 840,894
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 36,887	\$ 42,036	\$ 33,069	\$ 34,487
Accrued liabilities	36,305	48,467	32,049	36,048
Accrued payroll obligations	27,471	36,870	16,443	26,865
Total current liabilities	100,663	127,373	81,561	97,400
Long-term debt	—	128,752		
Long-term operating lease liabilities, net of current portion	12,122	13,618	12,799	10,739
Other long-term liabilities	40,667	41,807	38,577	40,735
Total liabilities	153,452	311,550	132,937	148,874
Contingencies (Note 12)				
Stockholders' equity:				
Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued and outstanding	—	—	—	—
Common stock, \$.01 par value, 300,000,000 shares authorized; 138,022,000 shares issued and outstanding as of September 30, 2023 and 137,099,000 shares issued and outstanding as of December 31, 2022	1,380	1,371		
Common stock, \$.01 par value, 300,000,000 shares authorized; 137,538,000 shares issued and outstanding as of March 30, 2024 and 137,340,000 shares issued and outstanding as of December 30, 2023			1,375	1,373
Additional paid-in capital	578,580	599,300	521,904	545,586

Retained earnings (Accumulated deficit)	49,261	(111,094)		
Retained earnings			162,763	147,967
Accumulated other comprehensive loss	(3,051)	(2,414)	(3,380)	(2,906)
Total stockholders' equity	626,170	487,163	682,662	692,020
Total liabilities and stockholders' equity	\$ 779,622	\$ 798,713	\$ 815,599	\$ 840,894

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Nine Months Ended		Three Months Ended	
	September 30,		March 30, April 1,	
	2023	2022	2024	2023
Cash flows from operating activities:				
Net income	\$ 160,355	\$ 126,969	\$ 14,796	\$ 55,923
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	25,279	21,498	9,129	8,090
Stock-based compensation expense	52,408	41,207	18,494	14,255
Change in deferred income tax provision			510	(388)
Amortization of right-of-use assets	5,022	4,995	1,865	1,657
Impairment of operating lease right-of-use asset	—	1,149		
Other non-cash adjustments	177	791	67	45
Changes in assets and liabilities:				
Accounts receivable, net	(11,895)	(20,587)	5,433	3,196
Inventories, net	6,356	(26,370)	3,442	(6,704)
Prepaid expenses and other assets	(5,305)	(2,033)	(3,598)	368
Accounts payable	(5,149)	9,038	(1,418)	(1,193)
Accrued liabilities	(14,495)	2,190	(6,657)	(7,498)
Accrued payroll obligations	(9,399)	3,549	(10,422)	(21,216)
Operating lease liabilities, current and long-term portions	(5,736)	(5,571)	(2,130)	(1,671)
Net cash provided by (used in) operating activities	197,618	156,825	29,511	44,864
Cash flows from investing activities:				
Capital expenditures	(16,370)	(13,080)	(3,426)	(8,414)
Cash paid for software and intellectual property licenses	(8,917)	(8,322)	(4,321)	(2,615)
Net cash provided by (used in) investing activities	(25,287)	(21,402)	(7,747)	(11,029)
Cash flows from financing activities:				
Restricted stock unit tax withholdings	(48,633)	(50,043)	(22,719)	(33,787)
Proceeds from issuance of common stock	5,519	4,317	545	1,235
Repurchase of common stock	(30,005)	(90,137)	(20,000)	(10,004)
Proceeds from long-term debt, net of issuance costs	—	148,601		
Repayment of long-term debt	(130,000)	(158,750)	—	(25,000)
Net cash provided by (used in) financing activities	(203,119)	(146,012)	(42,174)	(67,556)
Effect of exchange rate change on cash	(537)	(2,215)	(441)	135
Net increase (decrease) in cash and cash equivalents	(31,325)	(12,804)	(20,851)	(33,586)

Beginning cash and cash equivalents		145,722	131,570	128,317	145,722
Ending cash and cash equivalents		\$ 114,397	\$ 118,766	\$ 107,466	\$ 112,136
Supplemental disclosure of cash flow information and non-cash investing and financing activities:					
Interest paid		\$ 3,240	\$ 2,203	\$ -	\$ 1,849
Income taxes paid, net of refunds		\$ 11,229	\$ 4,115	\$ 1,249	\$ 413
Operating lease payments		\$ 6,179	\$ 5,500	\$ 2,099	\$ 2,000
Accrued purchases of plant and equipment		\$ 269	\$ 4,822	\$ 3,361	\$ 399
Operating lease right-of-use assets obtained in exchange for lease obligations		\$ 3,718	\$ 639	\$ 4,684	\$ 40

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

The following summarizes the changes in total equity for the ~~nine-month~~ three-month period ended ~~September 30, 2023~~ March 30, 2024:

(In thousands, except par value data)	Common Stock (\$.01 par value)		Additional		Retained		Accumulated		
			Shares	Amount	Paid-in	(Accumulated)	Earnings	Other	
			Shares	Amount	Capital	Deficit	(Accumulated)	Comprehensive	Loss
Balances, December 31, 2022	137,099	\$ 1,371		\$ 599,300		\$ (111,094)	\$ (2,414)		\$ 487,163
Components of comprehensive income, net of tax:									
Net income for the nine months ended September 30, 2023	—	—		—		160,355	—		160,355
Other comprehensive income (loss)	—	—		—		—	(637)		(637)
Total comprehensive income									159,718
Common stock issued in connection with employee equity incentive									
plans, net of shares withheld for employee taxes	1,274	13		(43,127)		—	—		(43,114)
Stock-based compensation expense	—	—		52,408		—	—		52,408
Repurchase of common stock	(351)	(4)		(30,001)		—	—		(30,005)
Balances, September 30, 2023	138,022	\$ 1,380		\$ 578,580		\$ 49,261	\$ (3,051)		\$ 626,170

The following summarizes the changes in total equity for the nine-month period ended October 1, 2022:

(In thousands, except par value data)	Common Stock (\$.01 par value)		Additional		Retained		Accumulated		
			Shares	Amount	Paid-in	(Accumulated)	Earnings	Other	
			Shares	Amount	Capital	Deficit	(Accumulated)	Comprehensive	Loss
Balances, January 1, 2022	137,239	\$ 1,372		\$ 701,688		\$ (289,976)	\$ (1,451)		\$ 411,633
Components of comprehensive income, net of tax:									
Net income for the nine months ended October 1, 2022	—	—		—		126,969	—		126,969
Other comprehensive income (loss)	—	—		—		—	(2,215)		(2,215)
Total comprehensive income									124,754
Common stock issued in connection with employee equity incentive									
plans, net of shares withheld for employee taxes	1,452	15		(45,741)		—	—		(45,726)
Stock-based compensation expense	—	—		41,207		—	—		41,207

Repurchase of common stock	(1,663)	(17)	(90,120)	—	—	—	(90,137)
Balances, October 1, 2022	137,028	\$ 1,370	\$ 607,034	\$ (163,007)	\$ (3,666)	\$ 441,731	

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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LATTICE SEMICONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)

(unaudited)

The following summarizes the changes in total equity for the three-month period ended September 30, 2023:

	Common Stock (\$.01 par value)		Additional Paid-in (Accumulated)	Retained Earnings (Accumulated)		Accumulated Other Comprehensive		Common Stock (\$.01 par value)		Additional Paid-in	Retained Earnings (Accumulated)		Accumulated Other Comprehensive	
	Shares	Amount		Capital	Deficit)	Loss	Total	Shares	Amount		Capital	Earnings	Loss	Total
(In thousands, except par value data)														
Balances, July 1, 2023	137,823	\$ 1,378	\$ 580,592	\$ (4,527)	\$ (2,682)	\$ 574,761								
Balances, December 30, 2023							137,340	\$ 1,373	\$ 545,586	\$ 147,967	\$ (2,906)	\$ 692,020		
Components of comprehensive income, net of tax:														
Net income for the three months ended September 30, 2023	—	—	—	53,788	—	53,788								
Net income for the three months ended March 30, 2024							—	—	—	14,796	—	14,796		
Other comprehensive income (loss)	—	—	—	—	(369)	(369)	—	—	—	—	(474)	(474)		
Total comprehensive income						53,419							14,322	
Common stock issued in connection with employee equity incentive plans, net of shares withheld for employee taxes	309	4	(8,679)	—	—	(8,675)	463	5	(22,179)	—	—	(22,174)		
Stock-based compensation expense	—	—	16,664	—	—	16,664	—	—	18,494	—	—	18,494		
Repurchase of common stock	(110)	(2)	(9,997)	—	—	(9,999)	(265)	(3)	(19,997)	—	—	(20,000)		
Balances, September 30, 2023	138,022	\$ 1,380	\$ 578,580	\$ 49,261	\$ (3,051)	\$ 626,170								
Balances, March 30, 2024							137,538	\$ 1,375	\$ 521,904	\$ 162,763	\$ (3,380)	\$ 682,662		

The following summarizes the changes in total equity for the three-month period ended **October 1, 2022** **April 1, 2023**:

	Common Stock (\$.01 par value)						Additional Paid-in Capital						Retained Earnings (Accumulated)						Accumulated Other Comprehensive						Common Stock (\$.01 par value)						Additional Paid-in Capital						Accumulated Other Comprehensive					
	Shares	Amount	Capital	Deficit)	Loss	Total	Shares	Amount	Capital	Deficit	Loss	Total	Shares	Amount	Capital	Deficit	Loss	Total	Shares	Amount	Capital	Deficit	Loss	Total	Shares	Amount	Capital	Deficit	Loss	Total												
(In thousands, except par value data)																																										
Balances, July 2, 2022	137,263	\$ 1,373	\$ 646,593	\$ (209,366)	\$ (2,679)	\$ 435,921																																				
Balances, December 31, 2022							137,099	\$ 1,371	\$ 599,300	\$ (111,094)	\$ (2,414)	\$ 487,163																														
Components of comprehensive income, net of tax:																																										
Net income for the three months ended October 1, 2022	—	—	—	46,359	—	46,359																																				
Net income for the three months ended April 1, 2023																																										
Other comprehensive income (loss)	—	—	—	—	(987)	(987)																																				
Total comprehensive income																																										
Common stock issued in connection with employee equity incentive plans, net of shares withheld for employee taxes	450	4	(13,548)	—	—	(13,544)	657	6	(32,558)	—	—	(32,552)																														
Stock-based compensation expense	—	—	13,958	—	—	13,958																																				
Repurchase of common stock	(685)	(7)	(39,969)	—	—	(39,976)	(119)	(1)	(10,003)	—	—	(10,004)																														
Balances, October 1, 2022	137,028	\$ 1,370	\$ 607,034	\$ (163,007)	\$ (3,666)	\$ 441,731																																				
Balances, April 1, 2023							137,637	\$ 1,376	\$ 570,994	\$ (55,171)	\$ (2,225)	\$ 514,974																														

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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LATTICE SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 - Basis of Presentation

Lattice Semiconductor Corporation and its subsidiaries ("Lattice," the "Company," "we," "us," or "our") develop technologies that we monetize through differentiated programmable logic semiconductor products, silicon-enabling products, system solutions, design services, and technology licenses.

Basis of Presentation and Use of Estimates

The accompanying Consolidated Financial Statements are unaudited and have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). In our opinion, they include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by the SEC's rules and regulations for interim reporting. These Consolidated Financial Statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022 30, 2023 ("2022 2023 10-K").

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments affecting the amounts reported in our consolidated condensed financial statements and the accompanying notes. We base our estimates and judgments on historical experience, knowledge of current conditions, and our beliefs of what could occur in the future considering available information. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when made, and because of the uncertainty inherent in these matters, the actual results that we experience may differ materially from these estimates under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis.

We describe our accounting methods and practices in more detail in our 2022 2023 10-K. There have been no changes to the significant accounting policies, procedures, or general information described in our 2022 2023 10-K that have had a material impact on our consolidated financial statements and related notes. Certain prior year balances have been reclassified to conform to the current year's presentation.

Fiscal Reporting Periods

We report based on a 52 or 53-week fiscal year ending on the Saturday closest to December 31. Our fiscal 2023 2024 will be a 52-week year and will end on December 30, 2023, 28, 2024, and our fiscal 2022 2023 was a 52-week year that ended December 31, 2022, 30, 2023. Our third first quarter of fiscal 2024 and first quarter of fiscal 2023 and third quarter of fiscal 2022 ended on September March 30, 2023 2024 and October April 1, 2022 2023, respectively. All references to quarterly financial results are references to the results for the relevant 13-week or 39-week fiscal period.

Concentrations of Risk

Potential exposure to concentrations of risk may impact revenue and accounts receivable. Distributors have historically accounted for a significant portion of our total revenue. Revenue attributable to distributors as a percentage of total revenue was 90% 87% and 88% for the third first quarter quarters of both fiscal 2023 2024 and 2022 2023, and 89% for both the nine months ended September 30, 2023 and October 1, 2022, respectively. Distributors also account for a substantial portion of our net accounts receivable. Our two three largest distributors accounted for 41% 42%, 30%, and 27% 10% of net accounts receivable at September March 30, 2023 2024 and 47% 36%, 29%, and 27% 18% of net accounts receivable at December 31, 2022 30, 2023.

Note 2 - Net Income per Share

Our calculation of the diluted share count includes the number of shares from our equity awards with market conditions or performance conditions that would be issuable under the terms of such awards at the end of the reporting period. For equity awards with a market condition, the number of shares included in the diluted share count as of the end of each period presented is determined by measuring the achievement of the market condition as of the end of the respective reporting periods. For equity awards with a performance condition, the number of shares that qualified for vesting as of the end of each period presented are included in the diluted share count when the condition for their issuance was satisfied by the end of the respective reporting periods. See ["Note 9 - Stock-Based Compensation"](#) to our consolidated financial statements for further discussion of our equity awards with market conditions or performance conditions.

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A summary of basic and diluted Net income per share is presented in the following table:

(In thousands, except per share data)	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30,	October 1,	September 30,	October 1,	March 30,	April 1,
	2023	2022	2023	2022	2024	2023
Net income	\$ 53,788	\$ 46,359	\$ 160,355	\$ 126,969	\$ 14,796	\$ 55,923
Shares used in basic Net income per share	137,948	137,267	137,697	137,397	137,475	137,418
Dilutive effect of stock options, RSUs, ESPP shares, and equity awards with a market condition or performance condition	1,880	2,668	2,230	3,524	1,299	2,683
Shares used in diluted Net income per share	<u>139,828</u>	<u>139,935</u>	<u>139,927</u>	<u>140,921</u>	<u>138,774</u>	<u>140,101</u>

Basic Net income per share	\$ 0.39	\$ 0.34	\$ 1.16	\$ 0.92	\$ 0.11	\$ 0.41
Diluted Net income per share	\$ 0.38	\$ 0.33	\$ 1.15	\$ 0.90	\$ 0.11	\$ 0.40

The computation of diluted Net income per share excludes the effects of stock options, restricted stock units ("RSUs"), Employee Stock Purchase Plan ("ESPP") shares, and equity awards with a market condition or performance condition that are antidilutive, aggregating approximately the following number of shares:

(In thousands)	Three Months Ended				Nine Months Ended			
	September 30,		October 1,		September 30,		October 1,	
	2023	2022	2023	2022	2023	2022	2023	2022
Stock options, RSUs, ESPP shares, and equity awards with a market condition or performance condition excluded as they are antidilutive	448		604		223		535	
					Three Months Ended			
					March 30,		April 1,	
(In thousands)					2024		2023	
Stock options, RSUs, ESPP shares, and equity awards with a market condition or performance condition excluded as they are antidilutive					950		141	

Note 3 - Revenue from Contracts with Customers

Disaggregation of revenue Revenue

The following tables provide information about revenue from contracts with customers disaggregated by channel and by geographical market, based on ship-to location of our customer:

<i>Revenue by Channel</i> (In thousands)	Three Months Ended				Nine Months Ended				Three Months Ended			
	September 30,		October 1,		September 30,		October 1,		March 30,		April 1,	
	2023	2022	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023
Distributors	\$ 173,344	90 %	\$ 154,417	90 %	\$ 504,052	89 %	\$ 433,535	89 %	\$ 123,205	87 %	\$ 161,346	88 %
Direct	18,825	10 %	18,092	10 %	62,506	11 %	50,861	11 %	17,610	13 %	22,964	12 %
Total revenue	<u>\$ 192,169</u>	<u>100 %</u>	<u>\$ 172,509</u>	<u>100 %</u>	<u>\$ 566,558</u>	<u>100 %</u>	<u>\$ 484,396</u>	<u>100 %</u>	<u>\$ 140,815</u>	<u>100 %</u>	<u>\$ 184,310</u>	<u>100 %</u>
<i>Revenue by Geographical Market</i> (In thousands)												
China	64,114	34 %	75,933	44 %	175,670	31 %	232,099	48 %	56,872	40 %	55,722	30 %
Japan	25,689	13 %	26,924	16 %	94,434	17 %	62,784	13 %	24,988	18 %	30,017	16 %
Other Asia	27,532	14 %	20,003	12 %	72,009	12 %	55,449	11 %	10,568	8 %	20,016	11 %
Asia	117,335	61 %	122,860	72 %	342,113	60 %	350,332	72 %	92,428	66 %	105,755	57 %
Americas	33,209	17 %	23,154	13 %	107,780	19 %	66,976	14 %	31,980	22 %	41,903	23 %
Europe	41,625	22 %	26,495	15 %	116,665	21 %	67,088	14 %	16,407	12 %	36,652	20 %
Total revenue	<u>\$ 192,169</u>	<u>100 %</u>	<u>\$ 172,509</u>	<u>100 %</u>	<u>\$ 566,558</u>	<u>100 %</u>	<u>\$ 484,396</u>	<u>100 %</u>	<u>\$ 140,815</u>	<u>100 %</u>	<u>\$ 184,310</u>	<u>100 %</u>

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Contract balances Balances

Our contract assets relate to our rights to consideration for licenses and royalties due to us as a member of the HDMI Founders consortium. The balance results primarily from the amount of estimated revenue related to HDMI that we have recognized to date, but which has not yet been distributed to us by the HDMI licensing agent. Contract assets are included in Prepaid expenses and other current assets on our Consolidated Balance Sheets. The following table summarizes activity during the first nine three months of fiscal 2023 2024:

(In thousands)			
Contract assets as of December 31, 2022		\$ 7,347	

Contract assets as of December 30, 2023				\$ 11,194
Revenues recorded during the period			9,377	3,947
Transferred to Accounts receivable or collected			(7,378)	(418)
Contract assets as of September 30, 2023			\$ 9,346	
Contract assets as of March 30, 2024				\$ 14,723

Contract liabilities are included in Accrued liabilities on our Consolidated Balance Sheets. The following table summarizes activity during the first **nine** **three** months of fiscal **2023** **2024**:

(In thousands)				
Contract liabilities as of December 31, 2022			\$ 17,666	
Less: Product shipments from prepaid customer deposit			(12,826)	
Contract liabilities as of December 30, 2023			\$ 5,304	
Accruals for estimated future stock rotation and scrap returns			6,348	4,551
Less: Release of accruals for recognized stock rotation and scrap returns			(6,114)	(3,364)
Contract liabilities as of September 30, 2023			\$ 5,074	
Contract liabilities as of March 30, 2024				\$ 6,491

Note 4 - Balance Sheet Components

Accounts Receivable

Accounts receivable do not bear interest and are shown net of an allowance for expected lifetime credit losses, which reflects our best estimate of probable losses inherent in the accounts receivable balance, as described in our **2022** **2023** 10-K.

(In thousands)	September 30,	December 31,	March	December
	2023	2022	30,	30,
Accounts receivable	\$ 105,913	\$ 94,018	\$ 98,940	\$ 104,373
Less: Allowance for credit losses	—	—	—	—
Accounts receivable, net of allowance for credit losses	\$ 105,913	\$ 94,018	\$ 98,940	\$ 104,373

Inventories

(In thousands)	September 30,	December 31,	March	December
	2023	2022	30,	30,
Work in progress	\$ 70,197	\$ 58,269	\$ 67,605	\$ 65,396
Finished goods	33,822	52,106	27,779	33,430
Total inventories, net	\$ 104,019	\$ 110,375	\$ 95,384	\$ 98,826

Property and Equipment – Geographic Information

Our Property and equipment, net by country at the end of each period was as follows:

(In thousands)	September 30,	December 31,	March	December
	2023	2022	30,	30,
United States	\$ 29,531	\$ 29,118	\$ 31,917	\$ 29,467
Taiwan	11,527	10,732	9,152	10,222
Philippines	4,606	3,596	4,918	4,602
China	2,556	2,229	2,762	2,778
Other	1,944	1,939	2,641	2,477
Total foreign property and equipment, net	20,633	18,496	19,473	20,079

Total property and equipment, net	\$ 50,164	\$ 47,614	\$ 51,390	\$ 49,546
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Accrued Liabilities

Included in Accrued liabilities in the Consolidated Balance Sheets are the following balances:

(In thousands)	September 30,		December 31,		March	December
	2023	2022	2024	2023	30,	30,
Liability for non-cancelable contracts	\$ 12,994	\$ 10,498	\$ 10,520	\$ 11,418		
Contract liabilities			6,491	5,304		
Current portion of operating lease liabilities	5,932	6,454	6,065	5,571		
Contract liabilities	5,074	17,666				
Liability for production materials	4,049	6,002				
Foreign, VAT, and other taxes payable			4,809	6,758		
Other accrued liabilities	8,256	7,847	4,164	6,997		
Total accrued liabilities	\$ 36,305	\$ 48,467	\$ 32,049	\$ 36,048		

Note 5 - Long-Term Debt

On September 1, 2022, we entered into an Amended and Restated Credit Agreement (the "2022 Credit Agreement"), which provides for a five-year secured revolving loan facility with an aggregate principal amount of up to \$350 million. Details of the revolving loan facility, including the basis for interest and covenants are described in the 2022 Credit Agreement.

The revolving loans under the 2022 Credit Agreement may be repaid and reborrowed at our discretion, with any remaining outstanding principal amount due and payable on the maturity date of the revolving loan on September 1, 2027. During the first At nine March 30, 2024 months of fiscal and December 30, 2023, we made discretionary payments totaling \$130 million on the revolving loans had no borrowings outstanding under the 2022 Credit Agreement.

The fair value of the Agreement, as we paid off the outstanding balance of our long-term debt approximates revolving loans during the carrying value, which is reflected in our Consolidated Balance Sheets as follows: third quarter of fiscal 2023.

(In thousands)	September 30,		December 31,		March	December
	2023	2022	2023	2022	30,	30,
Principal amount	\$ -	\$ 130,000				
Unamortized original issuance discount and debt costs	—	(1,248)				
Long-term debt, net of unamortized debt issue costs	\$ -	\$ 128,752				

We pay a quarterly commitment fee of 0.20% on the unused portion of the revolving facility. Interest expense related to our long-term debt was included in Interest expense on our Consolidated Statements of Operations as follows:

(In thousands)	Three Months Ended				Nine Months Ended		Three Months Ended	
	September 30,		October 1,		September 30,		October 1,	
	2023	2022	2023	2022	2023	2022	2024	2023
Contractual interest	\$ 83	\$ 1,328	\$ 2,701	\$ 2,690	\$ -	\$ 1,785		
Amortization of original issuance discount and debt costs	67	76	200	243	67	67		
Total interest expense related to long-term debt	\$ 150	\$ 1,404	\$ 2,901	\$ 2,933	\$ 67	\$ 1,852		

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Note 6 - Restructuring

In Under the third quarter of 2023, our management approved and executed an internal restructuring plan (the "Q3 2023 Plan"), Plan, which included a targeted workforce reduction intended to reorganize critical roles and focus skillsets is described in key growth markets. We the 202310-K, we incurred restructuring costs of approximately \$1.5 million \$2.3 million during the third first quarter and firstnine months of fiscal 2023, 2024. Under this plan, approximately \$1.5 million \$4.3 million of total costs have been incurred through September March 30, 2023, 2024. The Q3 2023 plan is expected to be largely complete by the end of fiscal year 2024.

Under the Q22019 Sales Plan, which is described Other restructuring activity in the 202210-K, we incurred no restructuring costs in the third quarter or firstnine months periods presented consisted of fiscal 2023. In September 2022, our management approved and implemented additional contract cancellations and headcount reductions under the Q22019 Sales Plan, which focused expense adjustments on a restructuring of the global sales organization. With these actions, we incurred approximately \$1.0 million of incremental restructuring costs in the third quarter and firstnine months of fiscal 2022. Under this plan, approximately \$3.1 million of total costs have been incurred through September 30, 2023. All actions planned under the Q22019 Sales Plan have been implemented.

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Under the June 2017 Plan, which is described in the 202210-K, we incurred less than \$0.1 million of restructuring costs in the third quarter of fiscal 2023 and approximately \$0.1 million of restructuring costs in the firstnine months of fiscal 2023. We incurred approximately \$1.1 million of incremental restructuring costs in the third quarter of fiscal 2022 related to an impairment of the operating lease right-of-use asset for our partially vacated facility in San Jose, California. Including these costs, we incurred restructuring costs of approximately \$1.3 million and approximately \$1.6 million during the third quarter and firstnine months, respectively, of fiscal 2022. Under this plan, approximately \$23.3 million of total costs have been incurred through September 30, 2023. All actions planned under the June 2017 Plan have been implemented.

previous plans. These costs, and adjustments on previous restructuring plans, are recorded to Restructuring on our Consolidated Statements of Operations. The restructuring accrual balance is presented in Accrued liabilities and in Other long-term liabilities on our Consolidated Balance Sheets. The following table displays the activity related to our restructuring plans:

(In thousands)	Severance & Related (1)	Lease Termination & Fixed Assets			Total	Severance & Related (1)	Lease Termination & Fixed Assets			Total
		Other (2)					Other (2)			
Accrued Restructuring at December 30, 2023						\$ 1,490	\$ 4,508	\$ 620	\$ 6,618	
Restructuring						2,341		(17)	(620)	1,704
Costs paid or otherwise settled						(2,979)	(354)	—	(3,333)	
Accrued Restructuring at March 30, 2024						\$ 852	\$ 4,137	\$ —	\$ 4,989	
Accrued Restructuring at December 31, 2022	\$ 400	\$ 5,892	\$ 640	\$ 6,932		\$ 400	\$ 5,892	\$ 640	\$ 6,932	
Restructuring	1,365	58	4	1,427		(1)	31	—	30	
Costs paid or otherwise settled	(446)	(1,083)	(24)	(1,553)		(107)	(363)	(2)	(472)	
Accrued Restructuring at September 30, 2023	\$ 1,319	\$ 4,867	\$ 620	\$ 6,806						
Accrued Restructuring at January 1, 2022	\$ 251	\$ 7,130	\$ —	\$ 7,381						
Restructuring	303	1,562	640	2,505						
Costs paid or otherwise settled	(154)	(2,477)	—	(2,631)						
Accrued Restructuring at October 1, 2022	\$ 400	\$ 6,215	\$ 640	\$ 7,255						
Accrued Restructuring at April 1, 2023						\$ 292	\$ 5,560	\$ 638	\$ 6,490	

(1) Includes employee relocation and outplacement costs

(2) Includes termination fees on the cancellation of certain contracts

Note 7 - Leases

We have operating leases for corporate offices, sales offices, research and development facilities, storage facilities, and a data center. All of our facilities are leased under operating leases, which expire at various times through 2028, 2029, with a weighted-average remaining lease term of 3.4-3.6 years and a weighted-average discount rate of 5.8% 6.0% as of September March 30, 2023, 2024.

We recorded fixed operating lease expenses of \$2.0 million \$2.1 million and \$1.9 million for the third first quarter of fiscal 2023, 2024 and 2022, respectively, and \$5.8 million for both the firstnine months of fiscal 2023, and 2022, respectively.

The following table presents the lease balance classifications within the Consolidated Balance Sheets and summarizes their activity during the first nine three months of fiscal 2023, 2024:

	(In thousands)	(In thousands)
Operating lease right-of-use assets		
Balance as of December 31, 2022	\$ 17,590	
Balance as of December 30, 2023		\$ 14,487
Right-of-use assets obtained for new lease contracts during the period	3,718	4,684
Amortization of right-of-use assets during the period	(5,022)	(1,865)
Adjustments for present value and foreign currency effects	(198)	(267)
Balance as of September 30, 2023	<u>16,088</u>	
Balance as of March 30, 2024		<u>\$ 17,039</u>
Operating lease liabilities		
Balance as of December 31, 2022	\$ 20,072	
Balance as of December 30, 2023		\$ 16,310
Lease liabilities incurred for new lease contracts during the period	3,718	4,684
Accretion of lease liabilities	749	268
Operating cash used for payments on lease liabilities	(6,179)	(2,099)
Adjustments for present value and foreign currency effects	(306)	(299)
Balance as of September 30, 2023		<u>18,054</u>
Balance as of March 30, 2024		<u>18,864</u>
Less: Current portion of operating lease liabilities (included in Accrued liabilities)	(5,932)	(6,065)
Long-term operating lease liabilities, net of current portion	<u>\$ 12,122</u>	<u>\$ 12,799</u>

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Maturities of operating lease liabilities as of September March 30, 2023 2024 are as follows:

	(In thousands)	(In thousands)
Fiscal year		
2023 (Remaining quarter)	\$ 1,552	
2024		7,000
2024 (Remaining 3 quarters)		\$ 5,114
2025	5,028	6,098
2026	3,405	4,492
2027	1,742	2,783
2028		2,232
Thereafter	1,425	447
Total lease payments	<u>20,152</u>	<u>21,166</u>
Less: amount representing interest	(2,098)	(2,302)
Total lease liabilities	<u>\$ 18,054</u>	<u>\$ 18,864</u>

Lease obligations for facilities restructured prior to the adoption of Topic 842 totaled approximately \$4.9 4.1 million at September March 30, 2023 2024 and continued to be is recorded in Accrued liabilities and in Other long-term liabilities on our Consolidated Balance Sheets.

Note 8 - Intangible Assets

In connection with our acquisition of Mirametrix, Inc. in November 2021, past acquisitions, we have recorded identifiable intangible assets during fiscal year 2021 assets. On our Consolidated Balance Sheets at September March 30, 2023 2024 and December 31, 2022, 30, 2023, Intangible assets, net are shown net of accumulated amortization of \$143.7 146.0 million and \$140.3 million \$144.9 million, respectively. Additionally, we enter into license agreements for third-party technology and record them as intangible assets. These licenses are being amortized to Research and development expense over their estimated useful lives.

We recorded amortization expense related to intangible assets on the Consolidated Statements of Operations as presented in the following table:

(In thousands)	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
	2023	2022	2023	2022	2024	2023
Research and development	\$ 277	\$ 264	\$ 818	\$ 789	\$ 266	\$ 270
Amortization of acquired intangible assets	870	869	2,609	2,908	870	870
	\$ 1,147	\$ 1,133	\$ 3,427	\$ 3,697	\$ 1,136	\$ 1,140

Note 9 - Stock-Based Compensation

Total stock-based compensation expense included in our Consolidated Statements of Operations is presented in the following table:

(In thousands)	Three Months Ended		Nine Months Ended		Three Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	March 30, 2024	April 1, 2023
	2023	2022	2023	2022	2024	2023
Cost of revenue	\$ 1,035	\$ 880	\$ 3,402	\$ 2,705	\$ 855	\$ 953
Research and development	7,020	4,925	20,006	14,461	8,098	5,339
Selling, general, and administrative	8,609	8,153	29,000	24,041	9,541	7,963
Total stock-based compensation	\$ 16,664	\$ 13,958	\$ 52,408	\$ 41,207	\$ 18,494	\$ 14,255

Market-Based and Performance-Based Stock Compensation

In the first and third quarters quarter of fiscal 2023, 2024, we granted awards of RSUs with a market condition to certain executives. Under the terms of these grants, the RSUs with a market condition vest over a three-year period based on the Company's total shareholder return ("TSR") relative to the Russell 3000 index, which condition is measured for the grants on either the third anniversary of the grant date, or equally on the first, second, and third anniversary of the grant date, depending on the executive, date. The awards may vest at 250% or 200%, depending on the executive, if the 75th percentile of the market condition is achieved, with 100% of the units vesting at the 55th percentile, zero vesting if relative TSR is below the 25th percentile, and vesting scaling for achievement between the 25th and 75th percentile.

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In the first nine three months of fiscal 2023, 2024, certain awards with a market condition or performance condition granted in prior fiscal years vested. During the first quarter of fiscal 2023, 2024, the market condition for awards granted to certain executives in the first quarter of fiscal 2020, 2021 exceeded the 75th percentile of their TSR condition, and the second tranche of these awards vested at 250% or 200%, as applicable for the respective executive. Also during the first quarter of fiscal 2023, 2024, the first second tranche of awards granted in fiscal 2021 and 2022 with a performance condition vested. Under the terms of these grants, the RSUs with a performance condition will vest based on the Company generating specified levels of year-over-year revenue growth, which will be measured annually for one-fourth of the grants after each fiscal year-end through the end of fiscal 2024, with vesting of each tranche occurring 13 months after the performance condition is met. Vesting of these awards scales for achievement of year-over-year revenue growth compared to certain targets, with maximum vesting up to 200%. The first second tranche of these awards vested at the 200% level of achievement, as the Company met the maximum year-over-year revenue growth performance criteria as of January 1, December 31, 2022. For the second third tranche of these awards, the Company met the year-over-year revenue growth performance criteria at the 200% 116.3% level of achievement as of December 31, 2022, 30, 2023.

For our awards with a market condition or a performance condition, we incurred stock compensation expense of approximately \$5.1 million \$5.9 million and \$5.5 million \$4.9 million in the third first quarter of fiscal 2023, 2024 and 2022, respectively, and approximately \$21.0 million and \$18.4 million in the first nine months of fiscal 2023, and 2022, respectively, which is recorded as a component of total stock-based compensation.

The following table summarizes the activity for our awards with a market condition or performance condition:

(Shares in thousands)	Total
Balance, December 31, 2022 December 30, 2023	985 852

Granted	172 194
Effect of vesting multiplier	331 284
Vested	(633 541)
Cancelled	(5)
Balance, September 30, 2023	855 784

Note 10 - Common Stock Repurchase Program

On August 8, 2022, November 30, 2023, we announced that our Board of Directors had approved a stock repurchase program pursuant to which up to \$150 million \$250 million of outstanding common stock could be repurchased from time to time (the "2023 2024 Repurchase Program"). The duration of the 2023 2024 Repurchase Program is through the end of December 2023. 28, 2024. During the third first quarter of fiscal 2023, 2024, we repurchased 109,950 264,880 shares for \$10.0 million \$20.0 million, or an average price paid per share of \$90.95. Under this plan during the first nine months of fiscal 2023, we have repurchased a total of 351,449 shares for \$30.0 million, or an average price paid per share of \$85.38. \$75.50. All repurchases were open market transactions funded from available working capital. All shares repurchased pursuant to the 2023 2024 Repurchase Program were retired by the end of the third first quarter of fiscal 2023, 2024. As of September March 30, 2023 2024, the remaining portion of the amount authorized for the 2023 2024 Repurchase Program is approximately \$99.7 million \$230.0 million.

Note 11 - Income Taxes

We are subject to federal and state income tax as well as income tax in the foreign jurisdictions in which we operate. For the third first quarter of fiscal 2023 2024 and 2022 2023, we recorded income tax expense of approximately \$4.1 million \$3.0 million and \$0.4 million, respectively. For the first nine months of fiscal 2023 and 2022, we recorded income tax expense of approximately \$9.1 million and \$2.4 million \$2.6 million, respectively. Income taxes for the three and nine-month periods ended September March 30, 2023 2024 and October April 1, 2022 2023 represent tax at the federal, state, and foreign statutory tax rates in addition to federal tax credits, withholding taxes, excess benefits from stock compensation, as well as other non-deductible items in federal, state, and foreign jurisdictions. The difference between the U.S. federal statutory tax rate of 21% and our effective tax rates for the three and nine months ended September March 30, 2023 2024 resulted primarily from non-deductible items in federal, state, and foreign jurisdictions, foreign rate differentials, federal tax credits, and the discrete impacts of excess tax benefits from stock compensation and for the three and nine months ended October April 1, 2022 2023 resulted primarily from U.S. valuation allowance, foreign withholding taxes, foreign rate differentials, and the discrete impacts of excess tax benefits from stock compensation.

Our liability recorded for The portion of our uncertain tax positions (including penalties and interest) recorded as a liability was \$22.1 22.2 million and \$21.6 million \$21.9 million at September March 30, 2023 2024 and December 31, 2022 30, 2023, respectively, and is included as a component of Other long-term liabilities on our Consolidated Balance Sheets. The resolution of audits or expiration of statute of limitations could reduce our uncertain tax positions. The estimated potential reduction in our uncertain tax positions in the next 12 months is up to \$36.0 million.

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Note 12 - Contingencies

Legal Matters Proceedings

On or about December 19, 2018, Steven A.W. De Jaray, Perienne De Jaray and Darrell R. Oswald (collectively, the "Plaintiffs") commenced an action against the Company and several unnamed defendants in the Multnomah County Circuit Court of the State of Oregon, in connection with the sale of certain products by the Company to the Plaintiffs in or around 2008. The Plaintiffs alleged that we the Company violated the Lanham Act, engaged in negligence, fraud, and breach of contract by failing to disclose to the Plaintiffs the export-controlled status of the subject parts. In January 2019, we removed the action to the United States District Court for the District of Oregon, Oregon (the "Court"). On May 24, 2023, the Plaintiffs filed a second amended complaint, which added Apex-Micro Manufacturing Corporation ("Apex-Micro") as a plaintiff and removed the violation of the Lanham Act claim. The Plaintiffs seek sought damages of \$180 million, punitive damages, and other remedies. At this stage On January 18, 2024, the court dismissed the claims against the Company by Ms. De Jaray and Mr. Oswald. The trial for the remaining claims was held from January 30, 2024 to February 15, 2024. On February 13, 2024, the Court granted the Company's Rule 50 motion in part and entered judgment in the Company's favor as to all of Mr. De Jaray's claims and Apex-Micro's negligence claims. On February 15, 2024, the jury found that the Company was not liable for all outstanding claims and judgment was entered in favor of the proceedings, we do Company. On not March 15, 2024, have an estimate Mr. De Jaray and Apex-Micro filed a Notice of the likelihood or the amount of any potential exposure Appeal to the Company; however, we continue to believe that these claims are without merit and intend to vigorously defend United States Court of Appeals for the action, Ninth Circuit. On March 18, 2024, Ms. De Jaray filed a separate Notice of Appeal. The plaintiffs' appeal opening brief is currently due June 10, 2024. The Company will file an appeal answering brief.

From time to time, we are exposed to certain additional asserted and unasserted potential claims. We review the status of each significant matter and assess its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and a range of possible losses can be estimated, we then accrue a liability for the estimated loss. Legal proceedings are

subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to pending claims and litigation and may revise estimates.

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

The following discussion should be read along with the unaudited consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations in our **2022** **2023** 10-K.

Overview

Lattice Semiconductor Corporation and its subsidiaries ("Lattice," the "Company," "we," "us," or "our") develop technologies that we monetize through differentiated programmable logic semiconductor products, silicon-enabling products, system solutions, design services, and technology licenses. Lattice is the low power programmable leader. We solve customer problems across the network, from the Edge to the Cloud, in the **growing communications, computing, industrial, automotive, Communications, Computing, Industrial, Automotive, and consumer** **Consumer** markets. Our technology, long-standing relationships, and commitment to world-class support helps our customers quickly and easily unleash their innovation to create a smart, secure, and connected world.

Lattice has focused its strategy on delivering programmable logic products and related solutions based on low power, small size, and ease of use. We also serve our customers with intellectual property ("IP") licensing and various other services. Our product development activities include new proprietary products, advanced packaging, existing product enhancements, software development tools, soft IP, and system solutions for high-growth applications such as Edge Artificial Intelligence, wireless and wireline infrastructure, platform security, and factory automation.

Critical Accounting Policies and Use of Estimates

Critical accounting policies are those that are both most important to the portrayal of a company's financial condition and results of operations, and that require management's most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. There have been no material changes to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our **2022** **2023** 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments affecting the amounts reported in our consolidated condensed financial statements and the accompanying notes. We base our estimates and judgments on historical experience, knowledge of current conditions, and our beliefs of what could occur in the future considering available information. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when made, and because of the uncertainty inherent in these matters, actual results may differ materially from these estimates under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis.

Impact of Global Economic Activity on our Business

Increased financial market volatility, inflationary pressure, **rising interest rates, rate changes**, recessionary concerns, uncertainty in the financial and banking industry, and geopolitical tension continue to impact business globally and may impact our operations by causing disruption to our labor markets and supply chains. The extent to which increased financial market volatility, inflationary pressures, global pandemics, and related uncertainty will impact our business activities will depend on future developments that are highly uncertain and cannot be predicted at this time. **Additionally, our business is impacted by the cyclic correction affecting the broader semiconductor industry, which has seen softened demand across our end markets.**

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Results of Operations

Key elements of our Consolidated Statements of Operations, including as a percentage of revenue, are presented in the following table:

(In thousands)	Three Months Ended				Nine Months Ended				Three Months Ended			
	September 30,		October 1,		September 30,		October 1,		March 30,		April 1,	
	2023	2022	2023	2022	2023	2022	2024	2023	\$ 192,169	100.0 %	\$ 172,509	100.0 %
Revenue	\$ 566,558	100.0 %	\$ 484,396	100.0 %	\$ 140,815	100.0 %	\$ 184,310	100.0 %				

Gross margin	134,561	70.0	118,732	68.8	395,723	69.8	329,984	68.1	96,208	68.3	128,601	69.8
Research and development	42,048	21.9	34,820	20.2	119,983	21.2	100,988	20.8	40,591	28.8	35,989	19.5
Selling, general and, administrative	33,217	17.3	31,926	18.5	102,583	18.1	89,721	18.5	36,469	25.9	32,578	17.7
Amortization of acquired intangible assets	870	0.5	869	0.5	2,609	0.5	2,908	0.6	870	0.6	870	0.5
Restructuring	1,509	0.8	2,315	1.3	1,427	0.3	2,505	0.5	1,704	1.2	30	0.0
Acquisition related	—	—	—	0.0	—	—	511	0.1	—	—	—	—
Income from operations	\$ 56,917	29.6 %	\$ 48,802	28.3 %	\$ 169,121	29.9 %	\$ 133,351	27.5 %	\$ 16,574	11.8 %	\$ 59,134	32.1 %

Revenue by End Market

We sell our products globally to a broad base of customers in three primary end market groups: Communications and Computing, Industrial and Automotive, and Consumer. Across our end markets, our products are increasingly used for Artificial Intelligence ("AI")-related applications, including device usage in AI-optimized servers in data centers, AI-enabled PCs, and AI-enabled robotics and ADAS systems, among others. We also provide IP licensing and services to these end markets.

Within these end markets, there are multiple segment drivers, including:

- Communications and computing: **datacenter** **data center** servers and networking equipment, client computing platforms, and wireless and wireline communications infrastructure deployments,
- Industrial and automotive: factory automation, robotics, automotive electronics, and industrial Internet of Things ("IoT"),
- Consumer: smart home, prosumer, and other applications.

The end market data we use is derived from data provided to us by our customers. With a diverse base of customers who may manufacture end products spanning multiple end markets, the assignment of revenue to a specific end market requires the use of judgment. We also recognize certain revenue for which end customers and end markets are not yet known. We assign this revenue first to a specific end market using historical and anticipated usage of the specific products, if possible, and allocate the remainder to the end markets based on either historical usage for each product family or industry application data for certain product types.

The following are examples of end market applications for the periods presented:

<u>Communications and Computing</u>	<u>Industrial and Automotive</u>	<u>Consumer</u>
Wireless	Security and Surveillance	Cameras
Wireline	Machine Vision	Displays
Data Backhaul	Industrial Automation	Wearables
Server Computing	Robotics	Televisions
Client Computing	Automotive	Home Theater
Data Storage	Drones	

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The composition of our revenue by end market is presented in the following table:

(In thousands)	Three Months Ended				Nine Months Ended				Three Months Ended			
	September 30,		October 1,		September 30,		October 1,		March 30,		April 1,	
	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Communications and Computing	\$ 68,311	35.5 %	\$ 73,040	42.3 %	\$ 198,876	35.1 %	\$ 209,720	43.3 %	\$ 54,619	38.8 %	\$ 66,345	36.0 %
Industrial and Automotive	109,944	57.2	85,730	49.7	333,713	58.9	229,820	47.4	75,265	53.4	108,273	58.7
Consumer	13,914	7.3	13,739	8.0	33,969	6.0	44,856	9.3	10,931	7.8	9,692	5.3
Total revenue	\$ 192,169	100.0 %	\$ 172,509	100.0 %	\$ 566,558	100.0 %	\$ 484,396	100.0 %	\$ 140,815	100.0 %	\$ 184,310	100.0 %

Revenue from the Communications and Computing end market decreased by 6% 18% for the third first quarter of fiscal 2024 compared to the first quarter of fiscal 2023 compared to the third quarter of fiscal 2022 and decreased by 5% for the first nine months of fiscal 2023 compared to the first nine months of fiscal 2022 primarily due to softer end market weaker demand in both wireless telecommunications infrastructure deployments and wireline communications infrastructure, end customers rebalancing their inventory levels, partially offset by strong stronger demand in datacenter data center applications.

Revenue from the Industrial and Automotive end market increased decreased by 28% 30% for the third first quarter of fiscal 2024 compared to the first quarter of fiscal 2023 compared to the third quarter of fiscal 2022 and increased by 45% for the first nine months of fiscal 2023 compared to the first nine months of fiscal 2022 primarily due to strong customer adoption in a broad range of applications, including industrial automation softer end market demand and robotics. Growth in Automotive was driven by the adoption of new designs in advanced driver assistance ("ADAS") and infotainment applications, end customers rebalancing their inventory levels.

Revenue from the Consumer While we do not consider AI applications as a distinct end market, increased by 1% for the third quarter of fiscal 2023 compared we expect AI-related revenue to the third quarter of fiscal 2022 due to increased demand for our products in Consumer end market applications grow over the quarterly periods and decreased by 24% for next few years based on the first nine months growing pipeline of fiscal 2023 compared to the first nine months of fiscal 2022 primarily due to macroeconomic weakness in Consumer over the year-to-date periods. AI-related design wins.

Revenue by Geography

We have a diverse base of customers where distributors represent a significant portion of our total revenue. Our revenue by geographical market is based on the ship-to location of our customers, which can vary from time to time. Revenue from Asia decreased in the periods presented primarily due to the macroeconomic environment in the region, while revenue from the Americas and Europe increased decreased due to increased reduced demand in these regions, regions for our products in the Industrial and Automotive end market.

The composition of our revenue by geography is presented in the following table:

(In thousands)	Three Months Ended				Nine Months Ended				Three Months Ended			
	September 30,		October 1,		September 30,		October 1,		March 30,		April 1,	
	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Asia	\$ 117,335	61.1%	\$ 122,860	71.2%	\$ 342,113	60.4%	\$ 350,332	72.3%	\$ 92,428	65.6%	\$ 105,755	57.4%
Americas	33,209	17.3	23,154	13.4	107,780	19.0	66,976	13.8	31,980	22.7	41,903	22.7
Europe	41,625	21.6	26,495	15.4	116,665	20.6	67,088	13.9	16,407	11.7	36,652	19.9
Total revenue	\$ 192,169	100.0%	\$ 172,509	100.0%	\$ 566,558	100.0%	\$ 484,396	100.0%	\$ 140,815	100.0%	\$ 184,310	100.0%

Revenue from Customers

We sell our products to independent distributors and directly to customers. Distributors have historically accounted for a significant portion of our total revenue. Revenue attributable to distributors as a percentage of total revenue was 90% 87% and 88% for the third first quarter of both fiscal 2023 2024 and 2022, and 89% for both the nine months ended September 30, 2023 and October 1, 2022, 2023, respectively.

Gross Margin

The composition of our Gross margin, including as a percentage of revenue, is presented in the following table:

(In thousands)	Three Months Ended				Nine Months Ended				Three Months Ended	
	September 30,		October 1,		September 30,		October 1,		March	April 1,
	2023	2022	2023	2022	2023	2022	2024	2023	30,	2024
Gross margin	\$ 134,561	\$ 118,732	\$ 395,723	\$ 329,984	\$ 96,208	\$ 128,601				
Gross margin percentage	70.0%	68.8%	69.8%	68.1%	68.3%	69.8%				

Gross margin, as a percentage of revenue, increased 120 basis points in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022 and increased by 170 decreased 150 basis points in the first nine months quarter of fiscal 2023 2024 compared to the first nine months quarter of fiscal 2022. Improved 2023. Reduced margins were driven by benefits from our gross margin expansion strategy, primarily due to changes in product mix between the periods presented.

Operating Expenses

Research and Development Expense

The composition of our Research and development expense, including as a percentage of revenue, is presented in the following table:

(in thousands)	Three Months Ended			Nine Months Ended			Three Months Ended		
	September 30,		October 1,	September 30,		October 1,	March 30,		April 1,
	2023	2022	% change	2023	2022	% change	2024	2023	% change
Research and development	\$ 42,048	\$ 34,820	20.8%	\$ 119,983	\$ 100,988	18.8%	\$ 40,591	\$ 35,989	12.8%
Percentage of revenue	21.9%	20.2%		21.2%	20.8%		28.8%	19.5%	

Research and development expense includes costs for compensation and benefits, stock stock-based compensation, engineering wafers, depreciation and amortization, licenses, and outside engineering services. These expenditures are for the design of new products, IP cores, processes, packaging, and software solutions. The increase in Research and development expense for the third first quarter and first nine months of fiscal 2023 2024 compared to the third first quarter and first nine months of fiscal 2022 2023 was due primarily to increased headcount-related costs, including stock stock-based compensation, as we continue to invest in our long-term product roadmap, and depreciation and amortization related to our research and development equipment and tools. We believe that investing in research and development is important to delivering innovative products to our customers and, therefore, we expect to continue to increase our investment in research and development customers.

Selling, General, and Administrative Expense

The composition of our Selling, general, and administrative expense, including as a percentage of revenue, is presented in the following table:

(in thousands)	Three Months Ended			Nine Months Ended			Three Months Ended		
	September 30,		October 1,	September 30,		October 1,	March 30,		April 1,
	2023	2022	% change	2023	2022	% change	2024	2023	% change
Selling, general, and administrative	\$ 33,217	\$ 31,926	4.0%	\$ 102,583	\$ 89,721	14.3%	\$ 36,469	\$ 32,578	11.9%
Percentage of revenue	17.3%	18.5%		18.1%	18.5%		25.9%	17.7%	

Selling, general, and administrative expense includes costs for compensation and benefits related to selling, general, and administrative employees, commissions, depreciation, professional and outside services, trade show, and travel expenses. The increase in Selling, general, and administrative expense for the third first quarter and of fiscal 2024 compared to the first nine months quarter of fiscal 2023 compared to the third quarter and first nine months of fiscal 2022 was due primarily to increased headcount-related costs, including stock compensation and other costs, related to demand creation to support the long-term growth of our business, business in the areas of headcount-related costs, including stock-based compensation, and other costs such as legal expenses.

Amortization of Acquired Intangible Assets

The composition of our Amortization of acquired intangible assets, including as a percentage of revenue, is presented in the following table:

(in thousands)	Three Months Ended			Nine Months Ended			Three Months Ended		
	September 30,		October 1,	September 30,		October 1,	March 30,		April 1,
	2023	2022	% change	2023	2022	% change	2024	2023	% change

Amortization of acquired intangible assets	\$ 870	\$ 869	0.1 %	\$ 2,609	\$ 2,908	(10.3) %	\$ 870	\$ 870	0.0 %
Percentage of revenue	0.5 %	0.5 %		0.5 %	0.6 %		0.6 %	0.5 %	

Amortization of acquired intangible assets was flat between the **third first** quarter of fiscal **2023 2024** and **the third quarter of fiscal 2022**, and decreased for the first nine months of fiscal **2023** compared to the first nine months of fiscal **2022** due to the end of the amortization period during the first quarter of fiscal **2022** for acquired intangible assets from previous acquisitions. **2023**.

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Restructuring

The composition of our Restructuring activity, including as a percentage of revenue, is presented in the following table:

(In thousands)	Three Months Ended			Nine Months Ended			Three Months Ended		
	September 30,		October 1,	September 30,		October 1,	March 30,	April 1,	
	2023	2022	% change	2023	2022	% change	2024	2023	% change
Restructuring	\$ 1,509	\$ 2,315	(34.8)%	\$ 1,427	\$ 2,505	(43.0)%	\$ 1,704	\$ 30	100+%
Percentage of revenue	0.8 %	1.3 %		0.3 %	0.5 %		1.2 %	0.0 %	

Restructuring activity is generally comprised of expenses resulting from **consolidation of our facilities, workforce reductions, cancellation of contracts, and headcount reductions**. **consolidation of our facilities**. Details of our restructuring plans and expenses incurred under them are discussed in "[Note 6 - Restructuring](#)" to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q. Restructuring costs **decreased increased** in the **third first quarter and of fiscal 2024** compared to the **first nine months quarter of fiscal 2023** compared to the **third quarter and first nine months of fiscal 2022** primarily due to **lower higher costs** in the current year **periods period** for severance **as** compared to **higher costs minimal restructuring activity** in the prior year **periods for lease right-of-use impairment and contract termination fees.**

Acquisition Related

Acquisition related activity of \$0.5 million, or 0.1% of revenue, for the first nine months of fiscal 2022 were attributable to our acquisition of Mirametrix in November 2021 and were comprised primarily of professional services including legal and accounting fees, as well as closing costs, period.

Interest Income (Expense), net

The composition of our Interest expense, net, including as a percentage of revenue, is presented in the following table:

(In thousands)	Three Months Ended			Nine Months Ended			Three Months Ended		
	September 30,		October 1,	September 30,		October 1,	March 30,	April 1,	
	2023	2022	% change	2023	2022	% change	2024	2023	% change
Interest income (expense), net	\$ 954	\$ (1,267)	(175.3)%	\$ 588	\$ (2,866)	(120.5)%	\$ 1,307	\$ (555)	(100+)%
Percentage of revenue	0.5 %	(0.7)%		0.1 %	(0.6)%		0.9 %	(0.3)%	

The change in Interest income (expense) for the **third first quarter and first nine months of fiscal 2023 2024** compared to the **third first quarter and first nine months of fiscal 2022 2023** was driven by increased interest income, coupled with decreased interest expense as we paid off the outstanding balance of our long-term **debt** **debt** during the **third quarter of fiscal 2023**.

Other Income (Expense), net

The composition of our Other income (expense), net, including as a percentage of revenue, is presented in the following table:

(in thousands)	Three Months Ended			Nine Months Ended			Three Months Ended		
	September 30,	October 1,	% change	September 30,	October 1,	% change	March 30,	April 1,	% change
	2023	2022	(101.7)%	2023	2022	(76.3)%	2024	2023	(51.6)%
Other income (expense), net	\$ 14	\$ (820)	(101.7)%	\$ (257)	\$ (1,085)	(76.3)%	\$ (46)	\$ (95)	(51.6)%
Percentage of revenue	0.0%	(0.5)%		(0.0)%	(0.2)%		(0.0)%	(0.1)%	

The changes in Other income (expense) for the third quarter and of fiscal 2024 compared to the first nine months quarter of fiscal 2023 compared to the third quarter and first nine months of fiscal 2022 were primarily due to the non-recurrence of the \$0.7 million loss on refinancing of our long-term debt during the prior year period, and to foreign currency effects.

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Income Tax Expense

The composition of our Income tax expense is presented in the following table:

(in thousands)	Three Months Ended			Nine Months Ended			Three Months Ended		
	September 30,	October 1,	% change	September 30,	October 1,	% change	March 30,	April 1,	% change
	2023	2022	(1,050.8)%	2023	2022	(274.2)%	2024	2023	(18.7)%
Income tax expense	\$ 4,097	\$ 356	1,050.8%	\$ 9,097	\$ 2,431	274.2%	\$ 3,039	\$ 2,561	18.7%
Income tax (benefit) expense									

Our Income tax expense is composed primarily of taxes on foreign income and withholding taxes, partially offset by benefits resulting from federal tax credits and excess tax benefits from stock-based compensation. The increase in lower income tax expense in for the third quarter and first nine months of fiscal 2023 as compared to the third quarter and first nine months of fiscal 2022 is prior year period was primarily due to increased worldwide income and U.S. the valuation allowance over the federal deferred tax on foreign operations assets present during 2023.

Liquidity and Capital Resources

The following sections discuss material changes in our financial condition from the end of fiscal 2022, 2023, including the effects of changes in our Consolidated Balance Sheets, and the effects of our credit arrangements and contractual obligations on our liquidity and capital resources. There continues to be uncertainty around the extent and duration of the disruption to our business, including from the effects of market volatility, inflationary pressures, rising interest rates, rate changes, recessionary concerns, uncertainty in the financial and banking industry, and geopolitical tension, which may impact our liquidity and working capital needs in future periods.

We have historically financed our operating and capital resource requirements through cash flows from operations, and from the issuance of long-term debt to fund acquisitions. Cash provided by or used in operating activities will fluctuate from period to period due to fluctuations in operating results, the timing and collection of accounts receivable, and required inventory levels, among other things.

We believe that our financial resources, including current cash and cash equivalents, cash flow from operating activities, and our credit facilities, will be sufficient to meet our liquidity and working capital needs through at least the next 12 months. On September 1, 2022, we entered into our 2022 Credit Agreement, as described in ["Note 5 - Long-Term Debt"](#) under Part I, Item 1 of this report. As of [September 30, 2023](#) [March 30, 2024](#), we did not have significant long-term commitments for capital expenditures. For further information on our cash commitments for operating lease liabilities, see ["Note 7 - Leases"](#) under Part I, Item 1 of this report.

In the future, we may continue to consider acquisition opportunities to further extend our product or technology portfolios and further expand our product offerings. In connection with funding capital expenditures, acquisitions, securing additional wafer supply, increasing our working capital, or other operations, we may seek to obtain equity or additional debt financing. We may also seek to obtain equity or additional debt financing if we experience downturns or cyclical fluctuations in our business that are more severe or longer than we anticipated when determining our current working capital needs.

Cash and cash equivalents

(In thousands)	September 30, 2023	December 31, 2022	\$ Change	% Change	March 30, 2024	December 30, 2023	\$ Change	% Change
Cash and cash equivalents	\$ 114,397	\$ 145,722	\$ (31,325)	(21.5)%	\$ 107,466	\$ 128,317	\$ (20,851)	(16.2)%

As of **September 30, 2023** **March 30, 2024**, we had Cash and cash equivalents of **\$114.4 million** **\$107.5 million**, of which approximately **\$32.4 million** **\$51.8 million** was held by our foreign subsidiaries. We manage our global cash requirements considering, among other things, (i) available funds among our subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. The repatriation of non-US earnings may require us to withhold and pay foreign income tax on dividends. This should not result in our recording significant additional tax expense as we have accrued expense based on current withholding rates. As of **September 30, 2023** **March 30, 2024**, we could access all cash held by our foreign subsidiaries without incurring significant additional expense.

The net decrease in Cash and cash equivalents of **\$31.3 million** **\$20.9 million** between **December 31, 2022** **December 30, 2023** and **September 30, 2023** **March 30, 2024** was primarily driven by cash flows from the following activities:

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Operating activities — Cash provided by operating activities results from net income adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities for the first **nine three** months of fiscal **2023 2024** was **\$197.6 million** **\$29.5 million** compared to **\$156.8 million** **\$44.9 million** for the first **nine three** months of fiscal **2022 2023**. This **increase decrease** of **\$40.8 million** **\$15.4 million** was primarily driven by an **increase of \$46.6 million** **\$34.7 million less cash** provided by **improved operating performance, net income adjusted for non-cash items, partially offset by \$5.8 million** **\$19.3 million** of net changes in working capital, primarily from cash **used for Accounts payable, Accrued liabilities, and provided by Accrued payroll obligations offset by cash provided by and Inventories.**

Investing activities — Investing cash flows consist primarily of transactions related to capital expenditures and payments for software and intellectual property licenses. Net cash used by investing activities in the first **nine three** months of fiscal **2023 2024** was **\$25.3 million** **\$7.7 million** compared to **\$21.4 million** **\$11.0 million** in the first **nine three** months of fiscal **2022 2023**. This **increase decrease** of **\$3.9 million** **\$3.3 million** is primarily a result of **increased reduced capital expenditures.**

Financing activities — Financing cash flows consist primarily of activity on our long-term debt, **repurchases of common stock, tax payments related to the net share settlement of restricted stock units, and proceeds from the exercise of options to acquire common stock, and repurchases of common stock.** Net cash used by financing activities in the first **nine three** months of fiscal **2023 2024** was **\$203.1 million** **\$42.2 million** compared to **\$146.0 million** **\$67.6 million** in the first **nine three** months of fiscal **2022 2023**. This **\$57.1 million increase** **\$25.4 million decrease** was due to the following **mix of activities.** During the first **nine three** months of fiscal **2024**, we had no balance outstanding on our long-term debt, while during the **first quarter** of fiscal **2023** we made discretionary payments totaling **\$130.0 million** **\$25.0 million** on our revolving loans under the **2022 Credit Agreement.** In **September 2022**, we entered into our **2022 Credit Agreement** and drew down an initial **\$150.0 million revolving loan at closing, which we used to pay off the \$150.0 million outstanding balance on our previous term and revolving loans.** In connection with the **2022 Credit Agreement**, we paid **\$1.4 million** in **debt issuance costs.** In **During the first nine three months of fiscal 2022 2024**, we paid required quarterly installments **repurchased approximately 0.3 million shares of \$8.8 million** on our **long-term debt under our prior Credit Agreement, dated May 17, 2019 common stock for \$20.0 million compared to repurchases in the first three months of fiscal 2023 of approximately 0.1 million shares of common stock for \$10.0 million.** Payments for tax withholdings on vesting of RSUs partially offset by employee exercises of stock options used net cash flows of **\$43.1 million** **\$22.2 million** in the first **nine three** months of fiscal **2023 2024**, a decrease of approximately **\$2.6 million** **\$10.4 million** from the net **\$45.7 million** **\$32.6 million** used in the first **nine three** months of fiscal **2022.** During the first **nine months of fiscal 2023**, we repurchased approximately **0.4 million shares of common stock for \$30.0 million** compared to repurchases in the first **nine months of fiscal 2022** of approximately **1.7 million shares of common stock for \$90.1 million.**

2023.

Accounts receivable, net

(In thousands)	September 30, 2023	December 31, 2022	\$ Change	% Change	March 30, 2024	December 30, 2023	\$ Change	% Change
Accounts receivable, net	\$ 105,913	\$ 94,018	\$ 11,895	12.7%	\$ 98,940	\$ 104,373	\$ (5,433)	(5.2)%
Days sales outstanding - Overall	50	49	1					
Days sales outstanding					64	56	8	

Accounts receivable, net as of **September 30, 2023** **increased** **March 30, 2024** **decreased** by approximately **\$11.9 million** **\$5.4 million**, or **13% 5%**, compared to **December 31, 2022** **December 30, 2023**. This **increase resulted primarily from higher decrease** was due to lower revenue **shipments in the third quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022.** **shipments.** We calculate Days sales outstanding on the basis of a 365-day year as Accounts receivable, net at the end of the quarter divided by sales during the quarter annualized and then multiplied by 365.

Inventories

(In thousands)	September 30, 2023	December 31, 2022	\$ Change	% Change	March 30, 2024	December 30, 2023	\$ Change	% Change
Inventories	\$ 104,019	\$ 110,375	\$ (6,356)	(5.8)%	\$ 95,384	\$ 98,826	\$ (3,442)	(3.5)%
Days of inventory on hand	165	187	(22)		195	175	20	

Inventories as of **September 30, 2023** **March 30, 2024** decreased **\$6.4** **3.4** million, or approximately **6%** **4%**, compared to **December 31, 2022** **December 30, 2023** primarily as a result of **increased product** the timing of shipments to **meet** satisfy customer demand.

The Days of inventory on hand ratio compares the inventory balance at the end of a quarter to the cost of sales in that quarter. We calculate Days of inventory on hand on the basis of a 365-day year as Inventories at the end of the quarter divided by Cost of sales during the quarter annualized and then multiplied by 365.

Credit Arrangements

On September 1, 2022, we entered into our 2022 Credit Agreement. The details of this arrangement are described in "[Note 5 - Long-Term Debt](#)" in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

As of **September March 30, 2023** **2024**, we had no used or unused credit arrangements beyond the secured revolving loan facility described in the 2022 Credit Agreement.

Share Repurchase Program

See Part II, Item 2, "[Unregistered Sales of Equity Securities and Use of Proceeds](#)," of this Quarterly Report on Form 10-Q for more information about the share repurchase program.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We assess these risks on a regular basis and have established policies that are designed to protect against the adverse effects of these and other potential exposures. There have been no material changes to either the foreign currency exchange rate risk or interest rate risk previously disclosed in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our **2022** **2023** 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

In connection with the filing of this Quarterly Report on Form 10-Q, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that occurred during the **third** **first** quarter of fiscal **2023** **2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

We do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 27, 2023, the SEC approved the settlement of an administrative proceeding, previously disclosed in the Company's Quarterly Report on Form 10-Q filed with the SEC on August 1, 2023, alleging that in certain instances the Company (i) failed to timely file public reports regarding reportable transactions by certain of the Company's officers and directors primarily related to the granting, vesting and related tax withholding of RSUs and (ii) failed to comply with Section 13(a) of the Exchange Act and Item 405 of SEC Regulation S-K regarding the failure to disclose such late filings. Without admitting or denying the allegations, the Company agreed to pay a civil penalty of \$185,000 and to cease and desist from future violations of the relevant securities law provisions. The Company fully cooperated with the SEC and all reportable transactions have been disclosed. The Company has taken certain remedial measures to ensure compliance with the applicable rules, including hiring of additional personnel responsible for such filings.

In addition to this matter, the information set forth above under "[Note 12 - Contingencies - Legal Matters Proceedings](#)" contained in the Notes to Consolidated Financial Statements is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors associated with our business previously described in Part I, Item 1A, "Risk Factors," in our [2022](#) [2023](#) 10-K. There have been no material changes in the risk factors included in our [2022](#) [2023](#) 10-K, and this report should be read in conjunction with the risk factors set forth in our [2022](#) [2023](#) 10-K. These risk factors are not the only risks facing our company. Additional risks and uncertainties not presently known to us or that we may currently deem to be immaterial could materially adversely affect our business, financial condition, or operating results, including those related to adverse macroeconomic conditions, such as rising inflation and labor shortages, which may affect demand for our products or increase our product or labor costs, negatively impacting our revenues, gross margins, and overall financial results. If any of these risks occur, our business, financial condition, operating results, and cash flows could be materially adversely affected, and the trading price of our common stock could decline. These factors, together with all of the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, should be carefully considered before making an investment decision relating to our common stock.

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

Issuer Purchases of Equity Securities

On [August 8, 2022](#) [November 30, 2023](#), we announced that our Board of Directors had approved a stock repurchase program pursuant to which up to [\\$150 million](#) [\\$250 million](#) of outstanding common stock could be repurchased from time to time (the ["2023](#) [2024](#) Repurchase Program"). The duration of the [2023](#) [2024](#) Repurchase Program is through the end of December 2023, [December 28, 2024](#). During the [third](#) [first](#) quarter of fiscal [2023](#) [2024](#), we repurchased [109,950](#) [264,880](#) shares for [\\$10.0 million](#) [\\$20.0 million](#), or an average price paid per share of [\\$90.95](#) [\\$75.50](#). All repurchases were open market transactions funded from available working capital. All shares repurchased pursuant to the [2023](#) [2024](#) Repurchase Program were retired by the end of the [third](#) [first](#) quarter of fiscal [2023](#) [2024](#).

The following table contains information regarding our repurchases of our common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934 during the [third](#) [first](#) quarter of fiscal [2023](#) [2024](#).

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (\$M) (b)
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July 2, 2023 through July 29, 2023	—	\$	—	—	\$	109.7
July 30, 2023 through August 26, 2023	70,894	\$	87.45	70,894	\$	103.5
August 27, 2023 through September 30, 2023	39,056	\$	97.30	39,056	\$	99.7
Total	109,950	\$	90.95	109,950	\$	99.7

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (\$M) (b)
December 31, 2023 through January 27, 2024	—	\$ —	—	\$ 250.0
January 28, 2024 through February 24, 2024	161,456	\$ 74.32	161,456	\$ 238.0
February 25, 2024 through March 30, 2024	103,424	\$ 77.35	103,424	\$ 230.0
Total	264,880	\$ 75.50	264,880	\$ 230.0

(a) All repurchases during the quarter were open-market transactions funded from available working capital made under the authorization from our Board of Directors to purchase up to \$150.0 million \$250.0 million of our common stock announced **August 8, 2022 November 30, 2023**.

(b) As of **September 30, 2023 March 30, 2024**, this amount consisted of the remaining portion of the \$150.0 million \$250.0 million program authorized through **the end of December 2023 December 28, 2024** that was announced **August 8, 2022 November 30, 2023**.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

On **During the August 24, 2023, firstMark Nelson, Senior Vice President** quarter of Sales, fiscal 2024, no executive officer or director adopted a Rule 10b5-1 trading arrangement intended to satisfy the affirmative defense condition of Rule or a non-Rule 10b5-1(c), pursuant to which an estimated aggregate of 39,640 shares of our Common Stock may be sold. The aggregate number of shares sold may differ based on tax withholdings for vesting stock awards and actual market achievement for performance RSUs. The duration of the trading arrangement is until August 27, 2024, or earlier if all transactions under the trading arrangement are completed. arrangement.

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ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL and included in Exhibit 101

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SIGNATURES

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

LATTICE SEMICONDUCTOR CORPORATION
(Registrant)

/s/ Sherri Luther

Sherri Luther

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: **October 31, 2023** April 30, 2024

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Exhibit 31.1

CERTIFICATION

I, James Anderson, certify that:

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

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 31, 2023** **April 30, 2024**

/s/ James Anderson

James Anderson

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Sherri Luther, certify that:

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 31, 2023** **April 30, 2024**

/s/ Sherri Luther

Sherri Luther

Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Lattice Semiconductor Corporation (the Company) on Form 10-Q for the quarter ended **September** **March** 30, **2023** **2024** (the Report), I, James Anderson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ James Anderson

James Anderson

Chief Executive Officer

Date: **October 31, 2023** **April 30, 2024**

Exhibit 32.2

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

In connection with the Quarterly Report of Lattice Semiconductor Corporation (the Company) on Form 10-Q for the quarter ended **September** **March** 30, **2023** **2024** (the Report), I, Sherri Luther, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ Sherri Luther

Sherri Luther

Chief Financial Officer

Date: October 31, 2023 April 30, 2024

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