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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

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

**For the quarterly period ended June 29, 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: 000-29823**

**SILICON LABORATORIES INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**74-2793174**

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

**400 West Cesar Chavez, Austin, Texas**

(Address of principal executive offices)

**78701**

(Zip Code)

**(512) 416-8500**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	SLAB	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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

As of July 17, 2024, 32,289,135 shares of common stock of Silicon Laboratories Inc. were outstanding.

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## Cautionary Statement

*Except for the historical financial information contained herein, the matters discussed in this report on Form 10-Q (as well as documents incorporated herein by reference) may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include declarations regarding the intent, belief or current expectations of Silicon Laboratories Inc. and its management and may be signified by the words "believe," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" or similar language. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Factors that could cause or contribute to such differences include those discussed under "Risk Factors" and elsewhere in this report. Silicon Laboratories disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

**Part I. Financial Information**  
**Item 1. Financial Statements****Silicon Laboratories Inc.**  
**Condensed Consolidated Balance Sheets**  
**(In thousands, except per share data)**  
**(Unaudited)**

	June 29, 2024	December 30, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 240,834	\$ 227,504
Short-term investments	98,336	211,720
Accounts receivable, net	41,212	29,295
Inventories	166,079	194,295
Prepaid expenses and other current assets	53,585	75,117
Total current assets	600,046	737,931
Property and equipment, net	139,397	145,890
Goodwill	376,389	376,389
Other intangible assets, net	47,374	59,533
Other assets, net	86,781	123,313
Total assets	<u>\$ 1,249,987</u>	<u>\$ 1,443,056</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 39,295	\$ 57,498
Revolving line of credit	—	45,000
Deferred revenue and returns liability	3,323	2,117
Other current liabilities	57,495	58,955
Total current liabilities	100,113	163,570
Other non-current liabilities	56,845	70,804
Total liabilities	156,958	234,374
Commitments and contingencies		
Stockholders' equity:		
Preferred stock – \$0.0001 par value; 10,000 shares authorized; no shares issued	—	—
Common stock – \$0.0001 par value; 250,000 shares authorized; 32,289 and 31,897 shares issued and outstanding at June 29, 2024 and December 30, 2023, respectively	3	3
Additional paid-in capital	39,232	16,973
Retained earnings	1,054,048	1,192,731
Accumulated other comprehensive loss	(254)	(1,025)
Total stockholders' equity	1,093,029	1,208,682
Total liabilities and stockholders' equity	<u>\$ 1,249,987</u>	<u>\$ 1,443,056</u>

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Silicon Laboratories Inc.**  
**Condensed Consolidated Statements of Operations**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Revenues	\$ 145,367	\$ 244,866	\$ 251,742	\$ 491,653
Cost of revenues	68,784	101,091	120,090	194,018
Gross profit	76,583	143,775	131,652	297,635
Operating expenses:				
Research and development	85,909	85,902	166,559	175,298
Selling, general and administrative	38,695	40,706	72,248	85,597
Operating expenses	124,604	126,608	238,807	260,895
Operating income (loss)	(48,021)	17,167	(107,155)	36,740
Other income (expense):				
Interest income and other, net	2,790	7,780	5,522	12,616
Interest expense	(263)	(1,596)	(772)	(3,252)
Income (loss) before income taxes	(45,494)	23,351	(102,405)	46,104
Provision for income taxes	36,663	12,338	36,278	20,091
Equity-method loss	—	(57)	—	(1,090)
Net income (loss)	\$ (82,157)	\$ 10,956	\$ (138,683)	\$ 24,923
<b>Earnings (loss) per share:</b>				
Basic	\$ (2.56)	\$ 0.35	\$ (4.33)	\$ 0.78
Diluted	\$ (2.56)	\$ 0.33	\$ (4.33)	\$ 0.75
<b>Weighted-average common shares outstanding:</b>				
Basic	32,124	31,614	32,018	31,786
Diluted	32,124	32,926	32,018	33,339

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Silicon Laboratories Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
**(In thousands)**  
**(Unaudited)**

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net income (loss)	\$ (82,157)	\$ 10,956	\$ (138,683)	\$ 24,923
Other comprehensive income, before tax:				
Net changes to available-for-sale securities:				
Unrealized gains arising during the period	247	1,385	871	4,383
Reclassification for losses included in net income (loss)	26	1,859	41	4,474
Net changes to cash flow hedges:				
Unrealized gains (losses) arising during the period	—	(580)	275	(544)
Reclassification for losses (gains) included in net income (loss)	—	186	(234)	157
Other comprehensive income, before tax	273	2,850	953	8,470
Provision for income taxes	50	477	181	1,872
Other comprehensive income	223	2,373	771	6,598
Comprehensive income (loss)	<u>\$ (81,934)</u>	<u>\$ 13,329</u>	<u>\$ (137,912)</u>	<u>\$ 31,521</u>

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Silicon Laboratories Inc.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(In thousands)  
(Unaudited)

<b>Three Months Ended June 29, 2024</b>	<b>Shares</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>
Balance as of March 30, 2024	31,924	\$ 3	\$ 29,830	\$ 1,136,205	\$ (477)	\$ 1,165,561
Net loss	—	—	—	(82,157)	—	(82,157)
Other comprehensive income	—	—	—	—	223	223
Stock issuances, net of shares withheld for taxes	365	—	(6,397)	—	—	(6,397)
Stock-based compensation	—	—	15,799	—	—	15,799
Balance as of June 29, 2024	<u>32,289</u>	<u>\$ 3</u>	<u>\$ 39,232</u>	<u>\$ 1,054,048</u>	<u>\$ (254)</u>	<u>\$ 1,093,029</u>
<b>Three Months Ended July 1, 2023</b>	<b>Shares</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>
Balance as of April 1, 2023	31,997	\$ 3	\$ —	\$ 1,425,914	\$ (6,463)	\$ 1,419,454
Net income	—	—	—	10,956	—	10,956
Other comprehensive income	—	—	—	—	2,373	2,373
Stock issuances, net of shares withheld for taxes	261	—	(1,593)	—	—	(1,593)
Repurchases of common stock	(1,317)	—	(9,597)	(173,886)	—	(183,483)
Stock-based compensation	—	—	14,754	—	—	14,754
Convertible debt activity	920	—	(3,564)	—	—	(3,564)
Balance as of July 1, 2023	<u>31,861</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 1,262,984</u>	<u>\$ (4,090)</u>	<u>\$ 1,258,897</u>
<b>Six Months Ended June 29, 2024</b>	<b>Shares</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>
Balance as of December 30, 2023	31,897	\$ 3	\$ 16,973	\$ 1,192,731	\$ (1,025)	\$ 1,208,682
Net loss	—	—	—	(138,683)	—	(138,683)
Other comprehensive income	—	—	—	—	771	771
Stock issuances, net of shares withheld for taxes	392	—	(7,105)	—	—	(7,105)
Stock-based compensation	—	—	29,364	—	—	29,364
Balance as of June 29, 2024	<u>32,289</u>	<u>\$ 3</u>	<u>\$ 39,232</u>	<u>\$ 1,054,048</u>	<u>\$ (254)</u>	<u>\$ 1,093,029</u>
<b>Six Months Ended July 1, 2023</b>	<b>Shares</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>
Balance as of December 31, 2022	31,994	\$ 3	\$ —	\$ 1,415,693	\$ (10,688)	\$ 1,405,008
Net income	—	—	—	24,923	—	24,923
Other comprehensive income	—	—	—	—	6,598	6,598
Stock issuances, net of shares withheld for taxes	359	—	(8,524)	—	—	(8,524)
Repurchases of common stock	(1,412)	—	(19,330)	(177,632)	—	(196,962)
Stock-based compensation	—	—	31,418	—	—	31,418
Convertible debt activity	920	—	(3,564)	—	—	(3,564)
Balance as of July 1, 2023	<u>31,861</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 1,262,984</u>	<u>\$ (4,090)</u>	<u>\$ 1,258,897</u>

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Silicon Laboratories Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Six Months Ended	
	June 29, 2024	July 1, 2023
<b>Operating Activities</b>		
Net income (loss)	\$ (138,683)	\$ 24,923
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of property and equipment	13,152	12,441
Amortization of other intangible assets	12,160	12,904
Amortization of debt issuance costs	—	960
Stock-based compensation expense	29,455	31,377
Equity-method loss	—	1,090
Deferred income taxes	29,784	(6,403)
Changes in operating assets and liabilities:		
Accounts receivable	(11,918)	(26,819)
Inventories	28,123	(45,064)
Prepaid expenses and other assets	20,723	32,963
Accounts payable	(19,341)	(30,003)
Other current liabilities and income taxes	(13,624)	(26,220)
Deferred revenue and returns liability	1,206	4,326
Other non-current liabilities	(6,703)	(1,975)
Net cash used in operating activities	(55,666)	(15,500)
<b>Investing Activities</b>		
Purchases of marketable securities	(17,700)	(81,427)
Sales of marketable securities	34,538	339,555
Maturities of marketable securities	97,458	171,691
Purchases of property and equipment	(5,577)	(13,462)
Proceeds from sale of equity investment	12,382	—
Purchases of other assets	—	(215)
Net cash provided by investing activities	121,101	416,142
<b>Financing Activities</b>		
Proceeds from revolving line of credit	—	80,000
Payments on debt	(45,000)	(536,124)
Repurchases of common stock	—	(201,095)
Payment of taxes withheld for vested stock awards	(15,213)	(16,310)
Proceeds from the issuance of common stock	8,108	7,785
Net cash used in financing activities	(52,105)	(665,744)
Increase (decrease) in cash and cash equivalents	13,330	(265,102)
Cash and cash equivalents at beginning of period	227,504	499,915
Cash and cash equivalents at end of period	\$ 240,834	\$ 234,813

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

## **1. Significant Accounting Policies**

### *Basis of Presentation and Principles of Consolidation*

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The information included herein contains all normal recurring accruals and adjustments which, in the opinion of management, are necessary to present fairly Silicon Laboratories Inc.’s (the “Company”) financial position, results of its operations, comprehensive income, stockholders’ equity, and cash flows. The Condensed Consolidated Balance Sheet as of December 30, 2023 was derived from the Company’s audited Consolidated Financial Statements. All intercompany balances and transactions have been eliminated in consolidation. The condensed consolidated results of operations for the three and six months ended June 29, 2024 are not necessarily indicative of the results to be expected for the full year.

These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the year ended December 30, 2023, included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 20, 2024.

The Company prepares financial statements on a 52- or 53-week fiscal year that ends on the Saturday closest to December 31. Fiscal 2024 will have 52 weeks and fiscal 2023 had 52 weeks. In a 52-week year, each fiscal quarter consists of 13 weeks.

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Among the significant estimates affecting the financial statements are those related to inventories, goodwill, acquired intangible assets, other long-lived assets, revenue recognition, stock-based compensation, and income taxes. Actual results could differ from those estimates, and such differences could be material to the financial statements. The Company periodically reviews the assumptions used in its financial statement estimates.

### *Recent Accounting Pronouncements*

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures*. This ASU requires interim and annual disclosure of significant segment expenses that are regularly provided to the chief operating decision-maker (“CODM”) and included within the reported measure of a segment’s profit or loss, requires interim disclosures about a reportable segment’s profit or loss and assets that are currently required annually, requires disclosure of the position and title of the CODM, clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, and contains other disclosure requirements. This authoritative guidance is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the effect of this new guidance on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)—Improvements to Income Tax Disclosures*. This ASU requires that reporting entities disclose specific categories in the effective tax rate reconciliation as well as information about income taxes paid. The authoritative guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the effect of this new guidance on our consolidated financial statements.



**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements (Continued)**  
**(Unaudited)**

## 2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net income (loss)	\$ (82,157)	\$ 10,956	\$ (138,683)	\$ 24,923
Shares used in computing basic earnings per share	32,124	31,614	32,018	31,786
Effect of dilutive securities:				
Convertible debt and stock-based awards	—	1,312	—	1,553
Shares used in computing diluted earnings per share	<u>32,124</u>	<u>32,926</u>	<u>32,018</u>	<u>33,339</u>
Earnings (loss) per share:				
Basic	\$ (2.56)	\$ 0.35	\$ (4.33)	\$ 0.78
Diluted	\$ (2.56)	\$ 0.33	\$ (4.33)	\$ 0.75

Diluted shares for the three and six months ended June 29, 2024 excluded 0.3 million and 0.3 million shares, respectively, due to the Company's net loss for the periods. In June 2023, the Company paid \$535.0 million in cash and issued 0.9 million shares of common stock in connection with the conversions and redemptions of the 2025 Notes. For the three and six months ended July 1, 2023, approximately 0.9 million and 1.1 million shares, respectively, were included in the denominator for the calculation of diluted earnings per share related to the not yet converted or redeemed 2025 Notes. Securities that were anti-dilutive and were excluded from the computation of diluted earnings per share for the three and six months ended July 1, 2023 were insignificant.

## 3. Fair Value of Financial Instruments

The fair values of the Company's financial instruments are recorded using a hierarchical disclosure framework based upon the level of subjectivity of the inputs used in measuring assets and liabilities. The three levels are described below:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs other than Level 1 that are directly or indirectly observable, such as quoted prices for similar assets or liabilities and quoted prices in less active markets.

Level 3 - Inputs are unobservable for the asset or liability and are developed based on the best information available in the circumstances, which might include the Company's own data.

**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements (Continued)**  
**(Unaudited)**

**3. Fair Value of Financial Instruments (Continued)**

The following summarizes the valuation of the Company's financial instruments (in thousands). The tables do not include either cash on hand or assets and liabilities that are measured at historical cost or any basis other than fair value.

Description	Fair Value Measurements at June 29, 2024 Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
<b>Cash equivalents:</b>			
Money market funds	\$ 147,307	\$ —	\$ 147,307
Total cash equivalents	\$ 147,307	\$ —	\$ 147,307
<b>Short-term investments:</b>			
Corporate debt securities	\$ —	\$ 47,322	\$ 47,322
Government debt securities	—	51,014	51,014
Total short-term investments	\$ —	\$ 98,336	\$ 98,336
<b>Total</b>	<b>\$ 147,307</b>	<b>\$ 98,336</b>	<b>\$ 245,643</b>

Description	Fair Value Measurements at December 30, 2023 Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
<b>Cash equivalents:</b>			
Money market funds	\$ 137,195	\$ —	\$ 137,195
Total cash equivalents	\$ 137,195	\$ —	\$ 137,195
<b>Short-term investments:</b>			
Corporate debt securities	\$ —	\$ 130,047	\$ 130,047
Government debt securities	—	81,673	81,673
Total short-term investments	\$ —	\$ 211,720	\$ 211,720
<b>Total</b>	<b>\$ 137,195</b>	<b>\$ 211,720</b>	<b>\$ 348,915</b>

*Valuation methodology*

The Company's cash equivalents and short-term investments that are classified as Level 2 are valued using non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments in active markets; quoted prices in less active markets; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. The Company's foreign currency derivative instruments are valued using discounted cash flow models. The assumptions used in preparing the valuation models include foreign exchange rates, forward and spot prices for currencies and market observable data of similar instruments.

**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements (Continued)**  
**(Unaudited)**

**3. Fair Value of Financial Instruments (Continued)**

The following summarizes the components of available-for-sale investments:

As of June 29, 2024	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Reported As	
					Cash Equivalent	Marketable Securities
Corporate debt securities	\$ 47,485	\$ 19	\$ (182)	\$ 47,322	\$ —	\$ 47,322
Government debt securities	51,168	11	(165)	51,014	—	51,014
Money market funds	147,307	—	—	147,307	147,307	—
<b>Total</b>	<b>\$ 245,960</b>	<b>\$ 30</b>	<b>\$ (347)</b>	<b>\$ 245,643</b>	<b>\$ 147,307</b>	<b>\$ 98,336</b>

As of December 30, 2023	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Reported As	
					Cash Equivalent	Marketable Securities
Corporate debt securities	\$ 130,858	\$ 69	\$ (880)	\$ 130,047	\$ —	\$ 130,047
Government debt securities	82,091	137	(555)	81,673	—	81,673
Money market funds	137,195	—	—	137,195	137,195	—
<b>Total</b>	<b>\$ 350,144</b>	<b>\$ 206</b>	<b>\$ (1,435)</b>	<b>\$ 348,915</b>	<b>\$ 137,195</b>	<b>\$ 211,720</b>

Contractual maturities of investments

The Company's available-for-sale investments are reported at fair value, with unrealized gains and losses, net of tax, recorded as a component of accumulated other comprehensive loss in the Condensed Consolidated Balance Sheet. The following summarizes the contractual underlying maturities of the Company's available-for-sale investments at June 29, 2024 (in thousands):

	Cost	Fair Value
Due in one year or less	\$ 71,328	\$ 71,133
Due after one year through five years	27,326	27,203
	<b>\$ 98,653</b>	<b>\$ 98,336</b>

Unrealized Gains and Losses

The available-for-sale investments that were in a continuous unrealized loss position, aggregated by length of time that individual securities have been in a continuous loss position, were as follows (in thousands):

As of June 29, 2024	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate debt securities	\$ 15,530	\$ (6)	\$ 19,457	\$ (176)	\$ 34,987	\$ (182)
Government debt securities	32,959	(108)	9,754	(57)	42,713	(165)
	<b>\$ 48,489</b>	<b>\$ (114)</b>	<b>\$ 29,211</b>	<b>\$ (233)</b>	<b>\$ 77,700</b>	<b>\$ (347)</b>

**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements (Continued)**  
**(Unaudited)**

**3. Fair Value of Financial Instruments (Continued)**

As of December 30, 2023	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate debt securities	\$ 12,449	\$ (13)	\$ 95,760	\$ (867)	\$ 108,209	\$ (880)
Government debt securities	28,255	(115)	31,122	(440)	59,377	(555)
	<u>\$ 40,704</u>	<u>\$ (128)</u>	<u>\$ 126,882</u>	<u>\$ (1,307)</u>	<u>\$ 167,586</u>	<u>\$ (1,435)</u>

The gross unrealized losses as of June 29, 2024 and December 30, 2023 were due primarily to changes in market interest rates. At June 29, 2024 and December 30, 2023, there were no material unrealized gains associated with the Company's available-for-sale investments.

The Company records an allowance for credit loss when a decline in investment market value is due to credit-related factors. When evaluating an investment for impairment, the Company reviews factors such as the severity of the impairment, changes in underlying credit ratings, forecasted recovery, the Company's intent to sell or the likelihood that it would be required to sell the investment before its anticipated recovery in market value and the probability that the scheduled cash payments will continue to be made. As of June 29, 2024, there were no material declines in the market value of available-for-sale investments due to credit-related factors.

*Fair values of other financial instruments*

The Company's other financial instruments, including cash, accounts receivable and accounts payable, are recorded at amounts that approximate their fair values due to their short maturities.

**4. Derivative Financial Instruments**

The Company uses derivative financial instruments to manage certain exposures to the variability of foreign currency exchange rates. The Company's objective is to offset increases and decreases in expenses resulting from these exposures with gains and losses on the derivative contracts, thereby reducing volatility of earnings. The Company does not use derivative contracts for speculative or trading purposes. The Company recognizes derivatives, on a gross basis, in the Condensed Consolidated Balance Sheet at fair value. Cash flows from derivatives are classified according to the nature of the cash receipt or payment in the Condensed Consolidated Statement of Cash Flows.

**Cash Flow Hedges***Foreign Currency Forward Contracts*

The Company uses foreign currency forward contracts to reduce the earnings impact that exchange rate fluctuations have on operating expenses denominated in currencies other than the U.S. dollar. Changes in the fair value of the contracts are recorded in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheet and subsequently reclassified into earnings in the period during which the hedged transaction is recognized. The reclassified amount is reported in the same financial statement line item as the hedged item. If the foreign currency forward contracts are terminated or can no longer qualify as hedging instruments prior to maturity, the fair value of the contracts recorded in accumulated other comprehensive loss may be recognized in the Condensed Consolidated Statement of Operations based on an assessment of the contracts at the time of termination. As of June 29, 2024, the company held no such foreign currency forward contracts. The fair value of the contracts, contract gains or losses recognized in other comprehensive income and amounts reclassified from accumulated other comprehensive loss into earnings were not material for any of the periods presented.

**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements (Continued)**  
**(Unaudited)**

## 5. Supplemental Information

The following table shows the details of selected Condensed Consolidated Balance Sheet items (in thousands):

### *Inventories*

	June 29, 2024	December 30, 2023
Work in progress	\$ 140,106	\$ 173,802
Finished goods	25,973	20,493
	<u>\$ 166,079</u>	<u>\$ 194,295</u>

### *Lease income*

The Company leases a portion of its headquarter facilities to other tenants. Lease income from operating leases was \$1.5 million and \$1.4 million during the six months ended June 29, 2024 and July 1, 2023, respectively.

## 6. Debt

### Credit Facility

The Company and certain of its domestic subsidiaries (the “Guarantors”) have a \$400 million revolving credit facility, as amended on June 30, 2023, with a maturity date of June 30, 2028. The credit facility includes a \$25 million letter of credit sublimit and a \$10 million swingline loan sublimit. The Company also has an option to increase the size of the borrowing capacity by up to the greater of an aggregate of \$250 million and 100% of EBITDA of the last four fiscal quarters, plus an amount that would not cause a secured net leverage ratio (funded debt secured by assets/EBITDA) to exceed 3.50 to 1.00, subject to certain conditions.

The credit facility, other than swingline loans, will bear interest at the Adjusted Term Secured Overnight Financing Rate (“SOFR”) plus an applicable margin or, at the option of the Company, a base rate (defined as the highest of the Wells Fargo prime rate, the Federal Funds rate plus 0.50% and the Adjusted Term SOFR plus 1.00%) plus an applicable margin. Swingline loans accrue interest at the base rate plus the applicable margin for base rate loans. The applicable margins for the Adjusted Term SOFR loans range from 1.00% to 1.75% and for base rate loans range from 0.00% to 0.75%, depending in each case, on the leverage ratio as defined in the credit facility.

The credit facility contains various conditions, covenants and representations with which the Company must be in compliance in order to borrow funds and to avoid an event of default, including financial covenants that the Company must maintain a consolidated net leverage ratio (funded indebtedness less cash and cash equivalents up to \$750 million and divided by EBITDA) of no more than 4.25 to 1, and a minimum interest coverage ratio (EBITDA/interest payments) of no less than 2.50 to 1.

The Company was granted a waiver of compliance for the minimum interest coverage ratio through March 29, 2025. Based on the waiver, as of June 29, 2024, the Company was in compliance with all covenants of the credit facility. The Company’s obligations under the credit facility are guaranteed by the Guarantors and are secured by a security interest in substantially all assets of the Company and the Guarantors. As of June 29, 2024, no amounts were outstanding on the credit facility.

**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements (Continued)**  
**(Unaudited)**

## 7. Commitments and Contingencies

### *Litigation*

The Company is involved in various legal proceedings that have arisen in the normal course of business. While the ultimate results cannot be predicted with certainty, the Company does not expect them to have a material adverse effect on its Condensed Consolidated Financial Statements.

## 8. Revenues

The Company groups its products as Industrial & Commercial or Home & Life based on the target markets they address. The following represents revenue by product category (in thousands):

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Industrial & Commercial	\$ 88,083	\$ 165,303	\$ 153,345	\$ 316,016
Home & Life	57,284	79,563	98,397	175,637
	\$ 145,367	\$ 244,866	\$ 251,742	\$ 491,653

A portion of the Company's sales are made to distributors under agreements allowing certain rights of return and/or price protection related to the final selling price to the end customers. These factors impact the timing and uncertainty of revenues and cash flows. During the three and six months ended June 29, 2024, the Company recognized revenue of \$0.0 million and \$2.1 million, respectively, from performance obligations that were satisfied in previous reporting periods. During the three and six months ended July 1, 2023, the Company did not recognize any revenue related to performance obligations that were satisfied in previous reporting periods. The following disaggregates the Company's revenue by sales channel (in thousands):

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Distributors	\$ 99,931	\$ 187,646	\$ 170,290	\$ 392,518
Direct customers	45,436	57,220	81,452	99,135
	\$ 145,367	\$ 244,866	\$ 251,742	\$ 491,653

## 9. Stock-Based Compensation

Stock-based compensation costs are based on the fair values on the date of grant for stock awards and stock options and on the date of enrollment for the employee stock purchase plans. The fair values of stock awards (such as restricted stock units ("RSUs"), performance stock units ("PSUs") and restricted stock awards ("RSAs")) are estimated based on their intrinsic values. The fair values of market stock awards ("MSUs") are estimated using a Monte Carlo simulation. The fair values of stock options and employee stock purchase plans are estimated using the Black-Scholes option-pricing model.

**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements (Continued)**  
**(Unaudited)**

**9. Stock-Based Compensation (Continued)**

The following table presents details of stock-based compensation costs recognized in the Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Cost of revenues	\$ 412	\$ 283	\$ 824	\$ 582
Research and development	10,217	8,813	19,939	18,305
Selling, general and administrative	5,215	5,643	8,692	12,490
	15,844	14,739	29,455	31,377
Income tax benefit	2,075	2,155	3,802	3,941
Total	<u>\$ 13,769</u>	<u>\$ 12,584</u>	<u>\$ 25,653</u>	<u>\$ 27,436</u>

The Company had approximately \$124.4 million of total unrecognized compensation cost related to equity grants as of June 29, 2024 that is expected to be recognized over a weighted-average period of approximately 2.3 years.

**10. Income Taxes**

Provision for income taxes includes both domestic and foreign income taxes at the applicable tax rates adjusted for non-deductible expenses, research and development tax credits, global intangible low-taxed income, Subpart F income inclusions, and other permanent differences.

Income tax expense was \$36.7 million and \$12.3 million for the three months ended June 29, 2024 and July 1, 2023, resulting in effective tax rates of (80.6)% and 53.0%, respectively. Income tax expense was \$36.3 million and \$20.1 million for the six months ended June 29, 2024 and July 1, 2023, resulting in effective tax rates of (35.4)% and 44.6%, respectively. The increase in the provision for income taxes for the three and six months ended June 29, 2024 is primarily due to a change in the Company's valuation allowance assessment and subsequent recording of a valuation allowance against certain of the Company's deferred tax assets.

For the three months ended June 29, 2024, the Company's provision for income taxes includes \$43.9 million of non-cash tax expense to establish a valuation allowance against certain deferred tax assets in the U.S. and Singapore. The Company establishes a valuation allowance when it is more likely than not that some portion or all of a deferred tax asset will not be realized. In the three months ended June 29, 2024, the Company determined that there is a need for the valuation allowance due to a forecasted three-year cumulative pre-tax loss for the current and two preceding years in conjunction with the downturn in the semiconductor industry. The Company intends to maintain the valuation allowance until its ability to forecast sufficient future sources of taxable income is reestablished.

**Uncertain Tax Positions**

As of June 29, 2024, the Company had gross unrecognized tax benefits, inclusive of interest, of \$6.1 million, of which \$5.5 million would affect the effective tax rate if recognized. During the six months ended June 29, 2024, the Company did not release any unrecognized tax benefits.

Tax years 2015 through 2024 remain open to examination by the major taxing jurisdictions in which the Company operates. The Company's 2021 and 2022 tax years are currently under examination in India. Although the outcome of tax audits is always uncertain, the Company believes that the results of the examination will not materially impact its financial position or results of operations. The Company is not currently under audit in any other major taxing jurisdiction.

The Company believes it is reasonably possible that its gross unrecognized tax benefits will decrease by approximately \$1.9 million, inclusive of interest, in the next 12 months due to the lapse of the statute of limitations.

**Silicon Laboratories Inc.**  
**Notes to Condensed Consolidated Financial Statements (Continued)**  
**(Unaudited)**

**11. Restructuring Activities**

During the fourth quarter of 2023, the Company implemented a workforce reduction of approximately 10% of its employees to reduce costs and align its business in response to market conditions. The following table summarizes the activity of the restructuring liability during the periods presented (in millions):

	<b>Six Months Ended June 29, 2024</b>
Balance, beginning of period	\$ 4.4
Charges	0.9
Payments	(2.2)
Balance, end of period	<u>\$ 3.1</u>

During the three and six months ended June 29, 2024, restructuring charges of \$0.4 million and \$0.9 million were recognized in operating expenses in the Condensed Consolidated Statements of Operations.



## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Condensed Consolidated Financial Statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements. Please see the “Cautionary Statement” above and “Risk Factors” below for discussions of the uncertainties, risks and assumptions associated with these statements. Our fiscal year-end financial reporting periods are a 52- or 53-week fiscal year that ends on the Saturday closest to December 31. Fiscal 2024 will have 52 weeks and fiscal 2023 had 52 weeks. Our second quarter of fiscal 2024 ended June 29, 2024. Our second quarter of fiscal 2023 ended July 1, 2023.

### **Impact of Macroeconomic Conditions**

The current global economic environment is experiencing inflationary pressure, high interest rates, and geopolitical tension. We have experienced a decline in revenues, as our customers have slowed purchases to reduce existing inventories in a softening market. The extent of the impact of these macroeconomic conditions on our operational and financial performance will depend on future developments, including the duration and severity of any economic downturn, the impact to the business of our suppliers and/or customers, and other items identified under “Risk Factors” below, all of which are uncertain and cannot be predicted. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity, and financial condition.

### **Overview**

We are a leader in secure, intelligent wireless technology for a more connected world. Our integrated hardware and software platform, intuitive development tools, industry leading ecosystem and robust support enable customers in building advanced industrial, commercial, home and life applications. We make it easy for developers to solve complex wireless challenges throughout the product lifecycle and get to market quickly with innovative solutions that transform industries, grow economies and improve lives. We provide analog-intensive, mixed-signal solutions for use in a variety of electronic products in a broad range of applications for the Internet of Things (“IoT”) including connected home and security, industrial automation and control, smart metering, smart lighting, commercial building automation, consumer electronics, asset tracking and medical instrumentation. We group our products as Industrial & Commercial or Home & Life based on the target markets they address.

As a fabless semiconductor company, we rely on third-party semiconductor fabricators in Asia, and to a lesser extent the United States and Europe, to manufacture the silicon wafers that reflect our IC designs. Each wafer contains numerous die, which are cut from the wafer to create a chip for an IC. We rely on third parties in Asia to assemble, package, and, in most cases, test these devices and ship these units to our customers. Testing performed by such third parties facilitates faster delivery of products to our customers (particularly those located in Asia), shorter production cycle times, lower inventory requirements, lower costs and increased flexibility of test capacity.

The sales cycle for our ICs can be as long as 12 months or more. An additional three to six months or more are usually required before a customer ships a significant volume of devices that incorporate our ICs. Due to this lengthy sales cycle, we typically experience a significant delay between incurring research and development and selling, general and administrative expenses, and the corresponding sales. Consequently, if sales in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and, potentially, future quarters would be adversely affected. Moreover, the amount of time between initial research and development and commercialization of a product, if ever, can be substantially longer than the sales cycle for the product. Accordingly, if we incur substantial research and development costs without developing a commercially successful product, our operating results, as well as our growth prospects, could be adversely affected.

Because some of our ICs are designed for use in consumer products, we expect that the demand for our products will be typically subject to some degree of seasonal demand. However, rapid changes in our markets and across our product areas make it difficult for us to accurately estimate the impact of seasonal factors on our business.

### **Current Period Highlights**

Revenues decreased \$99.5 million in the recent quarter compared to the second quarter of fiscal 2023 due to decreased revenues from our Home & Life products and our Industrial & Commercial products. Gross profit decreased \$67.2 million during the same period due to decreased gross profit from our Home & Life products and our Industrial & Commercial

products. Gross margin decreased to 52.7% in the recent quarter compared to 58.7% in the second quarter of fiscal 2023, and increased slightly compared to 51.8% in the first quarter of fiscal 2024, primarily due to variations in customer and product mix. Operating expenses decreased by \$2.0 million in the recent quarter compared to the second quarter of fiscal 2023 primarily due to lower personnel-related costs as a result of the workforce reduction in the fourth quarter of fiscal 2023, and a decrease in outside service costs. Operating loss in the recent quarter was \$48.0 million compared to operating income of \$17.2 million in the second quarter of fiscal 2023. Refer to “Results of Operations” below for further discussion.

We ended the second quarter of fiscal 2024 with \$339.2 million in cash, cash equivalents, and short-term investments. Net cash used in operating activities was \$55.7 million during the current year six-month period. Accounts receivable were \$41.2 million at June 29, 2024, representing 26 days sales outstanding (“DSO”). Inventory was \$166.1 million at June 29, 2024, representing 217 days of inventory (“DOI”).

During the six months ended June 29, 2024, we had no customer that represented more than 10% of our revenues. In addition to direct sales to customers, some of our end customers purchase products indirectly from us through distributors and contract manufacturers. An end customer purchasing through a contract manufacturer typically instructs such contract manufacturer to obtain our products and incorporate such products with other components for sale by such contract manufacturer to the end customer. Although we actually sell the products to, and are paid by, the distributors and contract manufacturers, we refer to such end customer as our customer. Two of our distributors who sell to our customers, Arrow Electronics and Edom Technology, each represented more than 10% of our revenues during the six months ended June 29, 2024.

The percentage of our revenues derived from outside of the United States was 94% during the six months ended June 29, 2024. All of our revenues to date have been denominated in U.S. dollars. We believe that a majority of our revenues will continue to be derived from customers outside of the United States.

## Results of Operations

The following describes the line items set forth in our Condensed Consolidated Statements of Operations:

**Revenues.** Revenues are generated predominately by sales of our products. Our revenues are subject to variation from period to period due to the volume of shipments made within a period, the mix of products we sell, and the prices we charge for our products.

**Cost of Revenues.** Cost of revenues includes the cost of purchasing finished silicon wafers processed by independent foundries; costs associated with assembly, test and shipping of those products; costs of personnel and equipment associated with manufacturing support, logistics, and quality assurance; costs of software royalties, other intellectual property license costs, and certain acquired intangible assets; and an allocated portion of our occupancy costs. Our gross margin fluctuates depending on product mix, manufacturing yields, inventory valuation adjustments, average selling prices, and other factors.

**Research and Development.** Research and development expense consists primarily of personnel-related expenses, including stock-based compensation, as well as new product masks, external consulting and services costs, equipment tooling, equipment depreciation, amortization of intangible assets, and an allocated portion of our occupancy costs. Research and development activities include the design of new products, refinement of existing products and design of test methodologies to ensure compliance with required specifications.

**Selling, General and Administrative.** Selling, general and administrative expense consists primarily of personnel-related expenses, including stock-based compensation, as well as an allocated portion of our occupancy costs, sales commissions to independent sales representatives, amortization of intangible assets, professional fees, legal fees, and promotional and marketing expenses.

**Interest Income and Other, Net.** Interest income and other, net reflects interest earned on our cash, cash equivalents and investment balances, foreign currency remeasurement adjustments, and other non-operating income and expenses.

**Interest Expense.** Interest expense consists of interest on our short and long-term obligations, including our convertible senior notes that were previously outstanding and our credit facility. Interest expense on our convertible senior notes included contractual interest and amortization of debt issuance costs.

**Provision for Income Taxes.** Provision for income taxes includes both domestic and foreign income taxes at the applicable tax rates adjusted for non-deductible expenses, research and development tax credits, global intangible low-taxed income, Subpart F income inclusions, and other permanent differences. See Note 10, *Income Taxes*, to the Condensed Consolidated Financial Statements.

**Equity-method Loss.** Equity-method loss represents income or loss on our equity-method investment.

The following table sets forth our Condensed Consolidated Statements of Operations data as a percentage of revenues for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	47.3	41.3	47.7	39.5
Gross profit	52.7	58.7	52.3	60.5
Operating expenses:				
Research and development	59.1	35.1	66.2	35.7
Selling, general and administrative	26.6	16.6	28.7	17.4
Operating expenses	85.7	51.7	94.9	53.1
Operating income (loss)	(33.0)	7.0	(42.6)	7.5
Other income (expense):				
Interest income and other, net	1.9	3.2	2.2	2.6
Interest expense	(0.2)	(0.7)	(0.3)	(0.7)
Income (loss) before income taxes	(31.3)	9.5	(40.7)	9.4
Provision for income taxes	25.2	5.0	14.4	4.1
Equity-method loss	0.0	0.0	0.0	(0.2)
Net income (loss)	(56.5)%	4.5 %	(55.1)%	5.1 %

## Revenues

(in millions)	Three Months Ended				Six Months Ended			
	June 29, 2024	July 1, 2023	Change	% Change	June 29, 2024	July 1, 2023	Change	% Change
Industrial & Commercial	\$ 88.1	\$ 165.3	\$ (77.2)	(46.7)%	\$ 153.3	\$ 316.0	\$ (162.7)	(51.5)%
Home & Life	57.3	79.6	(22.3)	(28.0)%	98.4	175.7	(77.3)	(44.0)%
	\$ 145.4	\$ 244.9	\$ (99.5)	(40.6)%	\$ 251.7	\$ 491.7	\$ (240.0)	(48.8)%

The decrease in revenues in the recent three-month period was due to decreased revenues of \$77.2 million from our Industrial & Commercial products and decreased revenues of \$22.3 million from our Home & Life products. The decrease in revenues in the recent six-month period was due to decreased revenues of \$162.7 million from our Industrial & Commercial products and decreased revenues of \$77.2 million from our Home & Life products. Revenues decreased in the recent three and six-month periods as a result of decreases in average selling prices of our products and unit volumes. The average selling prices of our products may fluctuate significantly from period to period due to changes in product mix, pricing decisions and other factors. In general, as our products become more mature, we expect to experience decreases in average selling prices.

The overall demand environment for our customers' products is generally weaker than previously anticipated. Customers are also seeking to reduce inventory levels relative to amounts they held during the recent period of widespread supply chain disruptions. As a result, the current demand environment for our products is experiencing high volatility and general weakness, with customers more frequently requesting cancellations, changes to delivery dates, and price and payment term concessions.

## Gross Profit

(in millions)	Three Months Ended			Six Months Ended		
	June 29, 2024	July 1, 2023	Change	June 29, 2024	July 1, 2023	Change
Gross profit	\$ 76.6	\$ 143.8	\$ (67.2)	\$ 131.7	\$ 297.6	\$ (165.9)
Gross margin	52.7 %	58.7 %	(6.0)%	52.3 %	60.5 %	(8.2)%

Gross profit decreased during the recent three and six-month periods due to decreases in gross profit for our Home & Life and Industrial & Commercial product groups, primarily as a result of the decrease in unit volumes in the periods. Gross margin decreased primarily due to variations in customer and product mix, with the percentage of revenues attributed to direct customers increasing as compared to revenue from distributors in the three and six-month periods.

We may experience variations in the average selling prices of certain of our products. Increases in average selling prices may occur during periods of increased demand, but such demand may be short-lived and could be accompanied by higher product costs. Declines in average selling prices create downward pressure on gross margin and may be offset to the extent we are able to introduce higher margin new products and gain market share with our products; reduce costs of existing products through improved design; achieve lower production costs from our wafer suppliers and third-party assembly and test subcontractors; achieve lower production costs per unit as a result of improved yields throughout the manufacturing process; or reduce logistics costs.

## Research and Development

(in millions)	Three Months Ended				Six Months Ended			
	June 29, 2024	July 1, 2023	Change	% Change	June 29, 2024	July 1, 2023	Change	% Change
Research and development	\$ 85.9	\$ 85.9	\$ —	— %	\$ 166.6	\$ 175.3	\$ (8.7)	(5.0)%
Percent of revenue	59.1 %	35.1 %			66.2 %	35.7 %		

Research and development expense in the recent three-month period remained relatively stable, with a decrease of \$2.2 million for personnel-related expenses as a result of our restructuring activities, offset by an increase of \$2.2 million in software expense. The decrease in research and development expense in the recent six-month period was primarily due to decreases of \$11.4 million for personnel-related expenses as a result of our restructuring activities and \$1.7 million for technical services, partially offset by an increase of \$4.1 million in software expense. We expect that research and development expense will remain relatively stable in absolute dollars in the third quarter of fiscal 2024.

## Selling, General and Administrative

(in millions)	Three Months Ended				Six Months Ended			
	June 29, 2024	July 1, 2023	Change	% Change	June 29, 2024	July 1, 2023	Change	% Change
Selling, general and administrative	\$ 38.7	\$ 40.7	\$ (2.0)	(4.9)%	\$ 72.2	\$ 85.6	\$ (13.4)	(15.7)%
Percent of revenue	26.6 %	16.6 %			28.7 %	17.4 %		

The decrease in selling, general and administrative expense in the three and six-month periods was primarily due to \$0.3 million and \$9.8 million decreases, respectively, in personnel-related costs as a result of our restructuring activities and \$1.6 million and \$3.3 million decreases, respectively, in outside services. We expect that selling, general and administrative expense will remain relatively stable in absolute dollars in the third quarter of fiscal 2024.

## Interest Income and Other, Net

Interest income and other, net for the three and six months ended June 29, 2024 was \$2.8 million and \$5.5 million, respectively, compared to \$7.8 million and \$12.6 million for the three and six months ended July 1, 2023, respectively. The decrease in interest income and other, net in the recent three and six-month period was primarily due to lower interest-bearing investment balances as a result of the sale of investments to fund the settlement of our 2025 convertible senior

notes in the second quarter of fiscal 2023, stock repurchases in the first three quarters of fiscal 2023, and repayment of borrowing from our credit facility in the third quarter of fiscal 2023.

### Interest Expense

Interest expense for the three and six months ended June 29, 2024 was \$0.3 million and \$0.8 million, respectively, compared to \$1.6 million and \$3.3 million for the three and six months ended July 1, 2023, respectively. The decrease was primarily due to the settlement of our 2025 convertible senior notes in the second quarter of fiscal 2023.

### Provision for Income Taxes

(in millions)	Three Months Ended			Six Months Ended		
	June 29, 2024	July 1, 2023	Change	June 29, 2024	July 1, 2023	Change
Provision for income taxes	\$ 36.7	\$ 12.3	\$ 24.4	\$ 36.3	\$ 20.1	\$ 16.2
Effective tax rate	(80.6)%	53.0 %		(35.4)%	44.6 %	

The increase in the provision for income taxes for the three and six months ended June 29, 2024 is primarily due to a change in our valuation allowance assessment and subsequent recording of a valuation allowance against certain of our U.S. and Singapore deferred tax assets in the three months ended June 29, 2024. A valuation allowance is required to be established when it is more likely than not that some portion or all of a deferred tax asset will not be realized. In the three months ended June 29, 2024, we determined that there is a need for the valuation allowance due to a forecasted three-year cumulative pre-tax loss for the current and two preceding years in conjunction with the downturn in the semiconductor industry. We intend to maintain the valuation allowance until our ability to forecast sufficient future sources of taxable income is reestablished.

### Equity-method Loss

Equity-method loss for the three and six months ended July 1, 2023 was \$0.1 million and \$1.1 million, respectively. Our equity-method investment was sold in the fourth quarter of fiscal 2023.

### Liquidity and Capital Resources

Our principal sources of liquidity as of June 29, 2024 consisted of \$339.2 million in cash, cash equivalents and short-term investments, of which \$156.7 million was held by our U.S. entities. The remaining balance was held by our foreign subsidiaries. Our cash equivalents and short-term investments consisted of government debt securities, which include agency bonds, municipal bonds and U.S. government securities; corporate debt securities, which include asset-backed securities, corporate bonds and Yankee bonds; and money market funds.

#### Operating Activities

Net cash used in operating activities was \$55.7 million during the six months ended June 29, 2024, compared to \$15.5 million during the six months ended July 1, 2023. Operating cash flows during the six months ended June 29, 2024 reflect our net loss of \$138.7 million, adjustments of \$84.6 million for depreciation, amortization, stock-based compensation, and deferred income taxes, and a net cash outflow of \$1.5 million due to changes in our operating assets and liabilities.

Accounts receivable increased to \$41.2 million at June 29, 2024 from \$29.3 million at December 30, 2023. The increase in accounts receivable resulted primarily from normal variations in the timing of collections and billings. Our DSO decreased to 26 days at June 29, 2024 from 30 days at December 30, 2023.

Inventory decreased to \$166.1 million at June 29, 2024 from \$194.3 million at December 30, 2023. Our inventory levels will vary based on the availability of supply and the impact of variations between forecasted demand used for purchasing inventory and actual demand. Our DOI was 217 days at June 29, 2024 and 407 days at December 30, 2023.

### *Investing Activities*

Net cash provided by investing activities was \$121.1 million during the six months ended June 29, 2024, compared to \$416.1 million during the six months ended July 1, 2023. The decrease in cash inflows was principally due to a decrease in cash provided by net purchases, sales, and maturities of marketable securities of \$315.5 million in the current period.

### *Financing Activities*

Net cash used in financing activities was \$52.1 million during the six months ended June 29, 2024, compared to net cash used of \$665.7 million during the six months ended July 1, 2023. The decrease in cash outflows was principally due to \$536.1 million in payments on debt and \$201.1 million for repurchases of common stock, partially offset by \$80.0 million in proceeds from our revolving line of credit in the prior year period.

### *Debt*

As of June 29, 2024, we had a \$400 million revolving credit facility. We have an option to increase the size of the borrowing capacity of the revolving credit facility by up to the greater of an aggregate of \$250 million and 100% of EBITDA, plus an amount that would not cause a secured net leverage ratio to exceed 3.50 to 1.00, subject to certain conditions. As of June 29, 2024, no amounts were outstanding on the revolving credit facility. The Company was granted a waiver of compliance for the minimum interest coverage ratio through March 29, 2025.

### *Capital Requirements*

Our future capital requirements will depend on many factors, including the rate of sales growth, market acceptance of our products, the timing and extent of research and development projects, potential acquisitions of companies or technologies and the expansion of our sales and marketing activities. We believe our existing cash, cash equivalents, investments, credit under our credit facility, and cash generated from operations are sufficient to meet our short-term (i.e., over at least the next twelve months) and long-term capital requirements, although we could be required, or could elect, to seek additional funding prior to that time. We may enter into acquisitions or strategic arrangements in the future which also could require us to seek additional equity or debt financing.

### **Critical Accounting Estimates**

Our critical accounting estimates are described in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Form 10-K for the fiscal year ended December 30, 2023. There have been no material subsequent changes to our critical accounting estimates.

### **Quantitative and Qualitative Disclosures about Market Risk**

#### *Interest Income*

Our investment portfolio includes cash, cash equivalents and short-term investments. Our main investment objectives are the preservation of investment capital and the maximization of after-tax returns on our investment portfolio. Our interest income is sensitive to changes in the general level of U.S. interest rates. A 100 basis point decline in yield on our investment portfolio holdings as of June 29, 2024 would decrease our future annual interest income by approximately \$2.5 million. We believe that our investment policy, which defines the duration, concentration, and minimum credit quality of the allowable investments, meets our investment objectives.

#### *Interest Expense*

We are exposed to interest rate fluctuations in the normal course of our business, including through our credit facility. The interest rate on the credit facility consists of a variable-rate of interest and an applicable margin. While we have drawn from the credit facility in the past, we have no borrowings as of June 29, 2024. If we borrow from the credit facility in the future, we will again be exposed to interest rate fluctuations.

### *Foreign currency exchange rate risk*

We are exposed to foreign currency exchange rate risk primarily through assets, liabilities and operating expenses of our subsidiaries denominated in currencies other than the U.S. dollar. Our foreign subsidiaries are considered to be extensions of the U.S. parent. The functional currency of the foreign subsidiaries is the U.S. dollar. Accordingly, gains and losses resulting from remeasuring transactions denominated in currencies other than U.S. dollars are recorded in the Condensed Consolidated Statements of Operations. We use foreign currency forward contracts to manage exposure to foreign exchange risk. Gains and losses on foreign currency forward contracts are recognized in earnings in the same period during which the hedged transaction is recognized.

### **Available Information**

Our website address is [www.silabs.com](http://www.silabs.com). Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of our website free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). Our website and the information contained therein or connected thereto are not intended to be incorporated into this Quarterly Report on Form 10-Q.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Information related to quantitative and qualitative disclosures regarding market risk is set forth in Management’s Discussion and Analysis of Financial Condition and Results of Operations under Item 2 above. Such information is incorporated by reference herein.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). As a result of the material weakness in our internal control over financial reporting described in Item 9A. *Controls and Procedures* in our Annual Report on Form 10-K for the year ended December 30, 2023 filed with the SEC, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were not effective as of June 29, 2024 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms.

#### **Changes in Internal Control over Financial Reporting**

There was no change in our internal controls during the fiscal quarter ended June 29, 2024 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting, with the exception of ongoing remediation efforts of the aforementioned material weakness.

#### **Remediation**

We have taken and are currently taking certain measures to remediate the aforementioned material weakness, including the following:

- Evaluated and reassessed the design of our inventory valuation methods, including key assumptions used in the determination of the net realizable value of our inventory;
- Designed and implemented enhanced controls and documentation requirements during the quarter ended June 29, 2024 that support the completeness and accuracy of data used in the inventory valuation assessment;
- Formalized management’s review and assessment of information used in the inventory valuation assessment; and
- Refined and continuing to refine the critical assumptions to be used in the inventory valuation assessment, including demand forecast information, historical results, market conditions, and aging of inventory.

Management believes that the outlined plans will effectively address the deficiency constituting the material weakness, with the remediation efforts, including necessary testing, anticipated to conclude by the end of 2024. However, the exact timing of completion cannot be guaranteed. As the remediation progresses, management may enact additional measures or refine elements of the remediation plan described above as deemed necessary.

## **Part II. Other Information**

### **Item 1. Legal Proceedings**

Information regarding legal proceedings is provided in Note 7, *Commitments and Contingencies*, to the Condensed Consolidated Financial Statements. Such information is incorporated by reference herein.

### **Item 1A. Risk Factors**

#### ***Global Business Risks***

#### **We are subject to the cyclical nature of the semiconductor industry, which has been subject to significant fluctuations**

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. The industry has experienced significant fluctuations, often connected with, or in anticipation of, maturing product cycles and new product introductions of both semiconductor companies' and their customers' products and fluctuations in general economic conditions. Deteriorating general worldwide economic conditions, including reduced economic activity, concerns about credit, interest rates and inflation, increased energy costs, decreased consumer confidence, reduced corporate profits, decreased spending and similar adverse business conditions, would make it very difficult for our customers, our vendors, and us to accurately forecast and plan future business activities and could cause U.S. and foreign businesses to slow spending on our products. Increases in inflation and interest rates can impact demand for our customers' end products and increase our costs. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs with increased revenues. We cannot predict the timing, strength, or duration of any economic slowdown or economic recovery. If the economy or markets in which we operate deteriorate, our business, financial condition, and results of operations would likely be materially and adversely affected.

Downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. Upturns have been characterized by increased product demand and production capacity constraints created by increased competition for access to third-party foundry, assembly and test capacity. We are dependent on the availability of such capacity to manufacture, assemble and test our products. None of our third-party foundry, assembly or test subcontractors have provided assurances that adequate capacity will be available to us. We believe the semiconductor industry is currently suffering a downturn due in large part to adverse macroeconomic conditions, characterized by a slowdown in overall GDP performance and factory activity in certain regions, higher levels of customer inventory, the impact of tariffs on trade relations, and greater overall uncertainty regarding the economy. This downturn has negatively affected, and may continue to have an adverse effect, on our business and operating results.

#### **Competition within the numerous markets we target may reduce sales of our products and reduce our market share**

The markets for semiconductors in general, and for mixed-signal products in particular, are intensely competitive. We expect that the market for our products will continually evolve and will be subject to rapid technological change. For example, new products and disruptive technologies are being developed, and companies with which we compete have implemented artificial intelligence strategies for products and service offerings. This rapid pace of technological change can create opportunities for our competitors and harm our competitiveness in the market if our products do not evolve or we are unable to effectively keep up with such changes. In addition, as we target and supply products to numerous markets and applications, we face competition from a relatively large number of competitors. We compete with Broadcom, Espressif, Infineon, MediaTek, Microchip, Nordic Semiconductor, NXP, Qualcomm, Renesas, STMicroelectronics, Synaptics, Telink, Texas Instruments and others. We expect to face competition in the future from our current competitors, other manufacturers and designers of semiconductors, and start-up semiconductor design companies. As the markets for communications products grow, we also may face competition from traditional communications device companies. These companies may enter the mixed-signal semiconductor market by introducing their own products or by entering into strategic relationships with or acquiring other existing providers of semiconductor products. In addition, large companies



may restructure their operations to create separate companies or may acquire new businesses that are focused on providing the types of products we produce or acquire our customers.

**We may be the victim of business disruptions and security breaches, including cyber-attacks, which could lead to liability or could damage our reputation and financial results**

Information technology system and/or network disruptions, regardless of the cause, but including acts of sabotage, error, or other actions, could harm the company's operations. Failure to effectively prevent, detect, and recover from security breaches, including cyber-attacks, could result in the misuse of company assets, disruption to the company, diversion of management resources, regulatory inquiries, legal claims or proceedings, reputational damage, loss of sales and other costs to the company. We routinely face attacks that attempt to breach our security protocols, gain access to or disrupt our computerized systems or steal proprietary company, customer, partner or employee information. These attacks are sometimes successful. These attacks may be due to security breaches, employee error, theft, malfeasance, phishing schemes, ransomware, faulty password or data security management, or other irregularities. The theft, loss, destruction, unavailability or misuse of personal or business data collected, used, stored or transferred by us to run our business could result in increased security costs or costs related to defending legal claims. Industrial espionage, theft or loss of our intellectual property data could lead to counterfeit products or harm the competitive position of our products and services. Costs to implement, test and maintain measures to promote compliance with applicable privacy and data security laws as well as to protect the overall security of our system have been and are expected to continue to be significant. While we have dedicated resources to privacy and security incident response capabilities, our response process may not be adequate, may fail to accurately assess the severity of an incident, may not be fast enough to prevent or limit harm, or may fail to sufficiently remediate an incident. Attempted or successful attacks against our products and services could damage our reputation with customers or users and reduce demand for our products and services.

Additionally, there is an increased risk that we may experience cybersecurity-related events such as phishing attacks and other security challenges as a result of hybrid working arrangements and employees and our service providers working remotely.

In addition, the risk of cyber-attacks has increased in connection with the conflicts between Russia and Ukraine and in the Middle East. In light of those and other geopolitical events, nation-state actors or their supporters may launch retaliatory cyber-attacks, and may attempt to cause supply chain and other third-party service provider disruptions, or take other geopolitically motivated retaliatory actions that may disrupt our business operations, result in data compromise, or both. Nation-state actors have in the past carried out, and may in the future carry out, cyber-attacks to achieve their aims and goals, which may include espionage, information operations, monetary gain, ransomware, disruption, and destruction. In 2022, the U.S. Cybersecurity and Infrastructure Security Agency issued a "Shields Up" alert for American organizations noting the potential for Russia's cyber-attacks on Ukrainian government and critical infrastructure organizations to impact organizations both within and beyond the United States, particularly in the wake of sanctions imposed by the United States and its allies. These circumstances increase the likelihood of cyber-attacks and/or security breaches.

**We may be subject to information technology failures that could damage our reputation, business operations and financial condition**

We rely on information technology for the effective operation of our business. Our systems are subject to damage or interruption from a number of potential sources, including natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, theft, physical or electronic break-ins, cyber-attacks, sabotage, vandalism, or similar events or disruptions. Our security measures may not detect or prevent such security breaches. Any such compromise of our information security could result in the theft or unauthorized publication or use of our confidential business or proprietary information, result in the unauthorized release of customer, supplier or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation or damage our reputation. In addition, our inability to use or access information systems at critical points in time could unfavorably impact the timely and efficient operation of our business, which could negatively affect our business and operating results.

Third parties with which we conduct business, such as foundries, assembly and test contractors, distributors and customers, have access to certain portions of our sensitive data. In the event that these third parties do not properly safeguard our data that they hold, security breaches could result and negatively impact our reputation, business operations and financial results. Additionally, a successful cyber-attack against one of these third-parties' information technology systems may disrupt our supply chain.

**We have limited resources compared to some of our current and potential competitors and we may not be able to compete effectively and increase market share**

Some of our current and potential competitors have longer operating histories, significantly greater resources and name recognition and a larger base of customers than we have. As a result, these competitors may have greater credibility with our existing and potential customers. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their products than we can to ours. In addition, some of our current and potential competitors have already established supplier or joint development relationships with the decision makers at our current or potential customers. These competitors may be able to leverage their existing relationships to discourage their customers from purchasing products from us or persuade them to replace our products with their products. Our competitors may also offer bundled solutions offering a more complete product despite the technical merits or advantages of our products. These competitors may elect not to support our products which could complicate our sales efforts. We also face increased competition as a result of China actively promoting its domestic semiconductor industry through policy changes and investment. These actions, as well as China-U.S. trade barriers, may restrict our participation in the China market or may prevent us from competing effectively with Chinese companies or companies from other countries that China favors over the United States. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition, which may include price concessions, delayed payment terms, financing terms, or other terms and conditions that are more enticing to potential customers. These and other competitive pressures may prevent us from competing successfully against current or future competitors, and may materially harm our business. Competition could decrease our prices, reduce our sales, lower our gross profit and/or decrease our market share.

**We may not be able to maintain our historical growth and may experience significant period-to-period fluctuations in our revenues and operating results, which may result in volatility in our stock price**

Although we have generally experienced revenue growth in our history, we may not be able to sustain this growth. We may also experience significant period-to-period fluctuations in our revenues and operating results in the future due to a number of factors, and any such variations may cause our stock price to fluctuate. If our revenues or operating results are below the expectations of public market analysts or investors, our stock price may drop, perhaps significantly.

A number of factors, in addition to those cited in other risk factors applicable to our business, may contribute to fluctuations in our revenues and operating results, including:

- The timing and volume of orders received from our customers;
- The timeliness of our new product introductions and the rate at which our new products may cannibalize our older products;
- The rate of acceptance of our products by our customers, including the acceptance of new products we may develop for integration in the products manufactured by such customers, which we refer to as “design wins”;
- The time lag and realization rate between “design wins” and production orders;
- Supplier capacity constraints;
- The demand for, and life cycles of, the products incorporating our mixed-signal solutions;
- The rate of adoption of mixed-signal products in the markets we target;
- Deferrals or reductions of customer orders in anticipation of new products or product enhancements from us or our competitors or other providers of mixed-signal ICs;
- Changes in product mix;
- The average selling prices for our products could drop suddenly due to competitive offerings or competitive predatory pricing;
- The average selling prices for our products generally decline over time;
- Changes in market standards;
- Impairment charges related to inventory, equipment or other long-lived assets;
- The software used in our products, including software provided by third parties, may not meet the needs of our customers;
- Our customers may not be able to obtain other components such as capacitors that they need to incorporate in conjunction with our products, leading to potential downturn in the demand for our products;
- Significant legal costs to defend our intellectual property rights or respond to claims against us; and
- The rate at which new markets emerge for products we are currently developing or for which our design expertise can be utilized to develop products for these new markets.

The markets for consumer electronics, for example, are characterized by rapid fluctuations in demand and seasonality that result in corresponding fluctuations in the demand for our products that are incorporated in such devices. Additionally, the rate of technology acceptance by our customers results in fluctuating demand for our products as customers are reluctant to incorporate a new IC into their products until the new IC has achieved market acceptance. Once a new IC achieves market acceptance, demand for the new IC can quickly accelerate to a point and then level off such that rapid historical growth in sales of a product should not be viewed as indicative of continued future growth. In addition, demand can quickly decline for a product when a new IC product is introduced and receives market acceptance. Due to the various factors mentioned above, the results of any prior quarterly or annual periods should not be relied upon as an indication of our future operating performance.

### **We rely on third parties to manufacture, assemble and test our products, which subjects us to risks of disruptions in our supply chain**

We do not have our own wafer fab manufacturing facilities. Therefore, we rely on third-party vendors to manufacture the products we design. We also currently rely on third-party assembly subcontractors in Asia to assemble and package the silicon chips provided by the wafers for use in final products. Additionally, we rely on these offshore subcontractors for a substantial portion of the testing requirements of our products prior to shipping. We expect utilization of third-party subcontractors to continue in the future.

The cyclical nature of the semiconductor industry drives wide fluctuations in available capacity at third-party vendors. On occasion, we have been unable to adequately respond to unexpected increases in customer demand due to capacity constraints and, therefore, were unable to benefit from this incremental demand. We may be unable to obtain adequate foundry, assembly or test capacity from our third-party subcontractors to meet our customers' delivery requirements even if we adequately forecast customer demand. For example, foundry, assembly and test capacity is currently limited due to a spike in semiconductor demand. As a result, we have recently experienced longer lead times at certain third-party foundry subcontractors. This is resulting in competing demand for capacity at our suppliers. Such conditions may adversely affect our revenue and increase our costs.

There are significant risks associated with relying on these third-party foundries and subcontractors, including:

- Failure by us, our customers or their end customers to qualify a selected supplier;
- Disruption to our suppliers' operations due to geopolitical changes, including risks related to deteriorating relations between China and Taiwan;
- Potential insolvency of the third-party subcontractors;
- Reduced control over delivery schedules and quality;
- Limited warranties on wafers or products supplied to us;
- Potential increases in prices or payments in advance for capacity;
- Increased need for international-based supply, logistics and financial management;
- Disruption to our supply chain resulting from cyber-attacks on our suppliers' information technology systems;
- Their inability to supply or support new or changing packaging technologies; and
- Low test yields.

We typically do not have long-term supply contracts with our third-party vendors which obligate the vendor to perform services and supply products to us for a specific period, in specific quantities, and at specific prices. Our third-party foundry, assembly and test subcontractors typically do not guarantee that adequate capacity will be available to us within the time required to meet demand for our products. In the event that these vendors fail to meet our demand for whatever reason, we expect that it would take up to 12 months to transition performance of these services to new providers. Such a transition may also require qualification of the new providers by our customers or their end customers.

If our suppliers experience closures or reductions in their capacity utilization levels in the future, we may have difficulty sourcing materials necessary to fulfill production requirements. Public health crises, such as the COVID-19 pandemic, may affect our suppliers' production capabilities as a result of quarantines, closures of production facilities, lack of supplies or delays caused by restrictions on travel.

Most of the silicon wafers for the products that we have sold were manufactured either by Taiwan Semiconductor Manufacturing Co. ("TSMC") or Semiconductor Manufacturing International Corporation ("SMIC"). Our customers typically complete their own qualification process. If we fail to properly balance customer demand across the existing semiconductor fabrication facilities that we utilize or are required by our foundry partners to increase, or otherwise change

the number of fab lines that we utilize for our production, we might not be able to fulfill demand for our products and may need to divert our engineering resources away from new product development initiatives to support the fab line transition, which would adversely affect our operating results. In addition, geopolitical changes in China-Taiwan relations could disrupt TSMC's operations and impact our third-party assembly subcontractors in Asia. Such a disruption could severely impact our ability to manufacture the majority of our products and as a result, could adversely affect our business, revenues and results of operations.

**Most of our current manufacturers, assemblers, test service providers, distributors and customers are concentrated in the same geographic region, which increases the risk that a natural disaster, epidemic, labor strike, war or political unrest could disrupt our operations or sales**

Most of our foundries and several of our assembly and test subcontractors' sites are located in Taiwan and most of our other foundry, assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located in the Pacific Rim region. The risk of earthquakes in Taiwan and the Pacific Rim region is significant due to the proximity of major earthquake fault lines in the area. Earthquakes, tsunamis, fire, flooding, lack of water or other natural disasters, an epidemic such as the COVID-19 outbreak, political unrest, war, labor strikes or work stoppages in countries where our semiconductor manufacturers, assemblers and test subcontractors are located, likely would result in the disruption of our foundry, assembly or test capacity. There can be no assurance that alternate capacity could be obtained on favorable terms, if at all.

A natural disaster, epidemic, labor strike, war or political unrest where our customers' facilities are located would likely reduce our sales to such customers. In addition, a significant portion of the assembly and testing of our products occurs in South Korea. Any disruption resulting from these events, could also cause significant delays in shipments of our products until we are able to shift our manufacturing, assembling or testing from the affected subcontractor to another third-party vendor. If such an event significantly disrupts the manufacture, shipment and sales of our products or the products of our customers, this may materially negatively impact our operating results. For example, if travel restrictions or business shutdowns or slowdowns occur for an extended period of time in Taiwan, South Korea or the other countries in which our current manufacturers, assemblers, test service providers, distributors and customers are located, we may experience delays in product production, a decreased ability to support our customers, reduced design win activity, and overall lack of productivity. Our customers may also experience closures of their manufacturing facilities or inability to obtain other components, either of which could negatively impact demand for our solutions.

**We are a global company, which subjects us to additional business risks including logistical and financial complexity, supply disruption, political instability and currency fluctuations**

We have established international subsidiaries and have opened offices in international markets to support our activities in Asia, the Americas and Europe. This has included the establishment of a headquarters in Singapore for non-U.S. operations. During the six months ended June 29, 2024, the percentage of our revenues derived from outside of the United States was 94% (and the revenue associated with end customers in China was 15%, and revenue attributed to China based on shipped-to location was 30%). We may not be able to maintain or increase global market demand for our products. Our international operations are subject to a number of risks, including:

- Complexity and costs of managing international operations and related tax obligations, including our headquarters for non-U.S. operations in Singapore;
- Protectionist laws and business practices, including trade restrictions, tariffs, export controls, quotas and other trade barriers, including China-U.S. trade policies;
- Trade tensions, geopolitical uncertainty, or governmental actions, including those arising from the trade dispute between the U.S. and China, may lead customers to favor products from non-US companies which could put us at a competitive disadvantage and result in decreased customer demand for our products and our customers' products;
- Rising tensions and deteriorating military, political and economic relations between China and Taiwan could disrupt the operations of our third-party foundry, assembly and test subcontractors, which could severely impact our ability to manufacture the majority of our products and as a result, could adversely affect our business, revenues and results of operations;
- Restrictions or tariffs imposed on certain countries and sanctions or export controls imposed on customers or suppliers may affect our ability to sell and source our products;
- Difficulties related to the protection of our intellectual property rights in some countries;

- Public health crises may affect our international operations, suppliers and customers and we may experience delays in product development, a decreased ability to support our customers and reduced design win activity if the travel restrictions or business shutdowns or slowdowns continue for an extended period of time in any of the countries in which we, our suppliers and our customers operate and do business;
- Multiple, conflicting and changing tax and other laws and regulations that may impact both our international and domestic tax and other liabilities and result in increased complexity and costs, including the impact of the Tax Cuts and Jobs Act, which increased our effective tax rate, in part due to the impact of the requirement to capitalize and amortize foreign research and development expenses beginning in 2022;
- Longer sales cycles;
- Greater difficulty in accounts receivable collection and longer collection periods;
- High levels of distributor inventory subject to price protection and rights of return to us;
- Political and economic instability;
- Risks that demand and the supply chain may be adversely affected by military conflict (including the ongoing conflicts in the Middle East and between Russia and Ukraine), terrorism, sanctions or other geopolitical events globally;
- Greater difficulty in hiring and retaining qualified personnel; and
- The need to have business and operations systems that can meet the needs of our international business and operating structure.

To date, substantially all of our sales to international customers and purchases of components from international suppliers have been denominated in U.S. dollars. As a result, an increase in the value of the U.S. dollar relative to foreign currencies could make our products more expensive for our international customers to purchase, thus rendering our products less competitive. Similarly, a decrease in the value of the U.S. dollar could reduce our buying power with respect to international suppliers.

#### **Our inability to manage growth could materially and adversely affect our business**

Our past growth has placed, and any future growth of our operations will continue to place, a significant strain on our management personnel, systems and resources. We anticipate that we will need to implement a variety of new and upgraded sales, operational and financial enterprise-wide systems, information technology infrastructure, procedures and controls, including the improvement of our accounting and other internal management systems to manage this growth and maintain compliance with regulatory guidelines, including Sarbanes-Oxley Act requirements. To the extent our business grows, our internal management systems and processes will need to improve to ensure that we remain in compliance. We also expect that we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort, and we anticipate that we will require additional management personnel and internal processes to manage these efforts and to plan for the succession from time to time of certain persons who have been key management and technical personnel. If we are unable to effectively manage our expanding global operations, including our international headquarters in Singapore, our business could be materially and adversely affected.

#### **Our research and development efforts are focused on a limited number of new technologies and products, and any delay in the development, or abandonment, of these technologies or products by industry participants, or their failure to achieve market acceptance, could compromise our competitive position**

Our products serve as components and solutions in electronic devices in various markets. As a result, we have devoted and expect to continue to devote a large amount of resources to develop products based on new and emerging technologies and standards that will be commercially introduced in the future. Research and development expense during the six months ended June 29, 2024 was \$85.9 million, or 59.1% of revenues. A number of companies are actively involved in the development of these new technologies and standards. Should any of these companies delay or abandon their efforts to develop commercially available products based on new technologies and standards, our research and development efforts with respect to these technologies and standards likely would have no appreciable value. In addition, if we do not correctly anticipate new technologies and standards, or if the products that we develop based on these new technologies and standards fail to achieve market acceptance, our competitors may be better able to address market demand than we would. Furthermore, if markets for these new technologies and standards develop later than we anticipate, or do not develop at all, demand for our products that are currently in development would suffer, resulting in lower sales of these products than we currently anticipate.

**We depend on our key personnel to manage our business effectively in a rapidly changing market, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and successfully market our products could be harmed**

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. We believe that our future success will be dependent on retaining the services of our key personnel, developing their successors and certain internal processes to reduce our reliance on specific individuals, and on properly managing the transition of key roles when they occur. There is currently a shortage of qualified personnel with significant experience in the design, development, manufacturing, marketing and sales of analog and mixed-signal products, and competition for such personnel is intense. Our key technical personnel represent a significant asset and serve as the primary source for our technological and product innovations. We may not be successful in attracting and retaining sufficient numbers of technical personnel to support our anticipated growth. The loss of any of our key employees or the inability to attract or retain qualified personnel both in the United States and internationally, including engineers, sales, applications and marketing personnel, could delay the development and introduction of, and negatively impact our ability to sell, our products.

**If we are unable to develop or acquire new and enhanced products that achieve market acceptance in a timely manner, our operating results and competitive position could be harmed**

Our future success will depend on our ability to develop or acquire new products and product enhancements that achieve market acceptance in a timely and cost-effective manner. The development of mixed-signal ICs is highly complex, and we have at times experienced delays in completing the development and introduction of new products and product enhancements. Successful product development and market acceptance of our products depend on a number of factors, including:

- Requirements of customers;
- Accurate prediction of market and technical requirements;
- Timely completion and introduction of new designs;
- Timely qualification and certification of our products for use in our customers' products;
- Commercial acceptance and volume production of the products into which our ICs will be incorporated;
- Availability of foundry, assembly and test capacity;
- Achievement of high manufacturing yields;
- Quality, price, performance, power use and size of our products;
- Availability, quality, price and performance of competing products and technologies;
- Our customer service, application support capabilities and responsiveness;
- Successful development of our relationships with existing and potential customers;
- Technology, industry standards or end-user preferences; and
- Cooperation of third-party software providers and our semiconductor vendors to support our chips within a system.

We cannot provide any assurance that products which we recently have developed or may develop in the future will achieve market acceptance. We have introduced to market or are in development of many products. If our products fail to achieve market acceptance, or if we fail to develop new products on a timely basis that achieve market acceptance, our growth prospects, operating results and competitive position could be adversely affected. The growth of the IoT market is dependent on the adoption of industry standards to permit devices to connect and communicate with each other. If the industry cannot agree on a common set of standards, then the growth of the IoT market may be slower than expected.

**Any acquisitions we make could disrupt our business and harm our financial condition**

As part of our growth and product diversification strategy, we continue to evaluate opportunities to acquire other businesses, intellectual property or technologies that would complement our current offerings, expand the breadth of our markets or enhance our technical capabilities. The acquisitions that we have made and may make in the future entail a number of risks that could materially and adversely affect our business and operating results, including:

- Problems integrating the acquired operations, technologies or products with our existing business and products;
- Diversion of management's time and attention from our core business;
- Need for financial resources above our planned investment levels;
- Difficulties in retaining business relationships with suppliers and customers of the acquired company;

- Risks associated with entering markets in which we lack prior experience;
- Risks associated with the transfer of licenses of intellectual property;
- Increased operating costs due to acquired overhead;
- Tax issues associated with acquisitions;
- Acquisition-related disputes, including disputes over earn-outs and escrows;
- Potential loss of key employees of the acquired company; and
- Potential impairment of related goodwill and intangible assets.

Future acquisitions also could cause us to incur debt or contingent liabilities or cause us to issue equity securities that could negatively impact the ownership percentages of existing shareholders.

**The average selling prices of our products could decrease rapidly which may negatively impact our revenues and gross profit**

We may experience substantial period-to-period fluctuations in future operating results due to the erosion of our average selling prices. In the past, we have reduced the average unit price of our products in anticipation of or in response to competitive pricing pressures, new product introductions by us or our competitors and other factors. If we are unable to offset any such reductions in our average selling prices by increasing our sales volumes, increasing our sales content per application or reducing production costs, our gross profit and revenues will suffer. To maintain our gross profit, we will need to develop and introduce new products and product enhancements on a timely basis and continually reduce our costs. Our failure to do so could cause our revenues and gross profit to decline.

**Failure to manage our distribution channel relationships could impede our future growth**

The future growth of our business will depend in large part on our ability to manage our relationships with current and future distributors and sales representatives, develop additional channels for the distribution and sale of our products and manage these relationships. During the six months ended June 29, 2024, 68% of our revenue was derived from distributors (and 44% of our revenue was derived from our two largest distributors). As we execute our indirect sales strategy, we must manage the potential conflicts that may arise with our direct sales efforts. For example, conflicts with a distributor may arise when a customer begins purchasing directly from us rather than through the distributor. The inability to successfully execute or manage a multi-channel sales strategy could impede our future growth. In addition, relationships with our distributors often involve the use of price protection and inventory return rights. This often requires a significant amount of sales management's time and system resources to manage properly.

**We do not have long-term commitments from our customers**

Our customers regularly evaluate alternative sources of supply in order to diversify their supplier base, which increases their negotiating leverage with us and protects their ability to secure these components. We believe that any expansion of our customers' supplier bases could have an adverse effect on the prices we are able to charge and volume of product that we are able to sell to our customers, which would negatively affect our revenues and operating results.

Customers may decide not to purchase our products at all, purchase fewer products than they did in the past, or alter their purchasing patterns, particularly because:

- We do not have material long-term purchase contracts with our customers;
- Substantially all of our sales to date have been made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty;
- Some of our customers may have efforts underway to actively diversify their vendor base which could reduce purchases of our products; and
- Some of our customers have developed or acquired products that compete directly with products these customers purchase from us, which could affect our customers' purchasing decisions in the future.

**We are subject to increased inventory risks and costs because we build our products based on forecasts provided by customers before receiving purchase orders for the products**

In order to ensure availability of our products for some of our largest customers, we start the manufacturing of our products in advance of receiving purchase orders based on forecasts provided by these customers. However, these forecasts do not represent binding purchase commitments and we do not recognize sales for these products until they are shipped to

the customer. As a result, we incur inventory and manufacturing costs in advance of anticipated sales. Because demand for our products may not materialize, manufacturing based on forecasts subjects us to increased risks of high inventory carrying costs, increased obsolescence and increased operating costs. These inventory risks are exacerbated when our customers purchase indirectly through contract manufacturers or hold component inventory levels greater than their consumption rate because this causes us to have less visibility regarding the accumulated levels of inventory for such customers. A resulting write-off of unusable or excess inventories would adversely affect our operating results.

**Public health crises could adversely affect our business, results of operations, and financial condition**

The COVID-19 pandemic negatively impacted the global economy, disrupted our operations, global supply chains and the operations of our customers.

The impacts of any future public health crises on our business, customers, suppliers, employees, markets and financial results and condition are uncertain and dependent on numerous unpredictable factors outside of our control, including:

- The duration and impact of a global economic recession or depression that could reduce demand and/or pricing for our products;
- Disruptions to our business and supply chain (and the business and supply chains of our customers) in connection with the sourcing of materials, equipment and engineering support, and services from geographic areas impacted by the public health crisis, including disruptions caused by illnesses, quarantines and restrictions on people's ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, and other travel or health-related restrictions;
- Delays or limitations on the ability of our customers to make timely payments;
- Governmental actions to limit exposure to and spreading of such infectious diseases, such as travel restrictions, quarantines and business shutdowns or slowdowns, facility closures or other restrictions;
- Deterioration of worldwide credit and financial markets that could limit our ability to obtain external financing to fund our operations and capital expenditures or to refinance our existing indebtedness;
- Potential asset impairments, including goodwill, intangible assets, investments and other assets;
- Increased cyber-related risks due to hybrid working models and increased remote working;
- Challenges with implementing and managing a hybrid model of working from home or the office, establishing appropriate office safety protocols, maintaining our corporate culture, and continuing to attract, retain and motivate our employees;
- Potential failure of our computer systems or communication systems; and
- Investment-related risks, including difficulties in liquidating investments due to current market conditions and adverse investment performance.

There can be no assurance that any decrease in sales resulting from any public health crisis will be offset by increased sales in subsequent periods. Even after any public health crisis has subsided, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including any recession, economic downturn or increased unemployment that has occurred or may occur in the future. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity and financial condition.

**Our products are complex and may contain errors which could lead to liability, an increase in our costs and/or a reduction in our revenues**

Our products are complex and may contain errors, particularly when first introduced and/or when new versions are released. Our products are increasingly designed in more complex processes, including higher levels of software and hardware integration in modules and system-level solutions and/or include elements provided by third parties which further increase the risk of errors. We rely primarily on our in-house testing personnel to design test operations and procedures to detect any errors or vulnerabilities prior to delivery of our products to our customers.

Should problems occur in the operation or performance of our products, we may experience delays in meeting key introduction dates or scheduled delivery dates to our customers. These errors could also cause significant re-engineering costs, the diversion of our engineering personnel's attention from our product development efforts and cause significant customer relations and business reputation problems. Any defects could result in refunds, product replacement, product recall or other liability. Any of the foregoing could impose substantial costs and harm our business.



Product liability, data breach or cyber liability claims may be asserted with respect to our products. Many of our products focus on wireless connectivity and the IoT market and such connectivity may make these products particularly susceptible to cyber-attacks. Our products are typically sold at prices that are significantly lower than the cost of the end-products into which they are incorporated. A defect, failure or vulnerability in our product could cause failure in our customer's end-product, so we could face claims for damages that are disproportionately higher than the revenues and profits we receive from the products involved. Furthermore, product liability risks are particularly significant with respect to medical and automotive applications because of the risk of serious harm to users of these end-products. There can be no assurance that any insurance we maintain will sufficiently protect us from such claims.

**Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales**

Prior to purchasing our products, our customers require that our products undergo an extensive qualification process, which involves testing of the products in the customer's system as well as rigorous reliability testing. This qualification process may continue for six months or longer. However, qualification of a product by a customer does not ensure any sales of the product to that customer. Even after successful qualification and sales of a product to a customer, a subsequent revision to the product or software, changes in the IC's manufacturing process or the selection of a new supplier by us may require a new qualification process, which may result in delays and in us holding excess or obsolete inventory. After our products are qualified, it can take an additional six months or more before the customer commences volume production of components or devices that incorporate our products. Despite these uncertainties, we devote substantial resources, including design, engineering, sales, marketing and management efforts, toward qualifying our products with customers in anticipation of sales. If we are unsuccessful or delayed in qualifying any of our products with a customer, such failure or delay would preclude or delay sales of such product to the customer, which may impede our growth and cause our business to suffer.

**We are subject to risks relating to product concentration**

We derive a substantial portion of our revenues from a limited number of products, and we expect these products to continue to account for a large percentage of our revenues in the near term. Continued market acceptance of these products is critical to our future success. In addition, substantially all of our products that we have sold include technology related to one or more of our issued U.S. patents. If these patents are found to be invalid or unenforceable, our competitors could introduce competitive products that could reduce both the volume and price per unit of our products. Our business, operating results, financial condition and cash flows could therefore be adversely affected by:

- A decline in demand for any of our more significant products;
- Failure of our products to achieve continued market acceptance;
- Competitive products;
- New technological standards or changes to existing standards that we are unable to address with our products;
- A failure to release new products or enhanced versions of our existing products on a timely basis; and
- The failure of our new products to achieve market acceptance.

**Any dispositions could harm our financial condition**

Any disposition of a business or product line would entail a number of risks that could materially and adversely affect our business and operating results, including:

- Diversion of management's time and attention from our core business;
- Difficulties separating the divested business;
- Risks to relations with customers who previously purchased products from our disposed product line;
- Reduced leverage with suppliers due to reduced aggregate volume;
- Risks related to employee relations;
- Risks that the disposition is not completed on the expected timeline, or at all;
- Risks associated with the transfer and licensing of intellectual property;
- Risks that we do not realize the anticipated benefits from the disposition;
- Risks from third-party claims arising out of the disposition;
- Security risks and other liabilities related to the transition services provided in connection with the disposition;
- Tax issues associated with dispositions; and
- Disposition-related disputes, including disputes over earn-outs and escrows.

**The semiconductor manufacturing process is highly complex and, from time to time, manufacturing yields may fall below our expectations, which could result in our inability to satisfy demand for our products in a timely manner and may decrease our gross profit due to higher unit costs**

The manufacturing of our products is a highly complex and technologically demanding process. Although we work closely with our foundries and assemblers to minimize the likelihood of reduced manufacturing yields, we have from time to time experienced lower than anticipated manufacturing yields. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials could result in lower than anticipated manufacturing yields or unacceptable performance deficiencies, which could lower our gross profit. If our foundries fail to deliver fabricated silicon wafers of satisfactory quality in a timely manner, we will be unable to meet our customers' demand for our products in a timely manner, which would adversely affect our operating results and damage our customer relationships.

**We depend on our customers to support our products, and some of our customers offer competing products**

We rely on our customers to provide hardware, software, intellectual property indemnification and other technical support for the products supplied by our customers. If our customers do not provide the required functionality or if our customers do not provide satisfactory support for their products, the demand for these devices that incorporate our products may diminish or we may otherwise be materially adversely affected. Any reduction in the demand for these devices would significantly reduce our revenues.

In certain products, some of our customers offer their own competitive products. These customers may find it advantageous to support their own offerings in the marketplace in lieu of promoting our products.

**Changes in the privacy and data security/protection laws could have an adverse effect on our operations**

Federal, state and international privacy-related or data protection laws and regulations could have an adverse effect on our operations. Complying with these laws and the possibility of proceedings against us by governmental entities or others in relation to these laws could increase operational costs. In 2018, the European Union's General Data Protection Regulation ("GDPR") went into effect, replacing the EU's 1995 Data Protection Directive. The costs of compliance with the GDPR and the potential for fines and penalties in the event of a breach of the GDPR may have an adverse effect on our operations.

**Our products must conform to industry standards and technology in order to be accepted by end users in our markets**

Generally, our products comprise only a part of a device. All components of such devices must uniformly comply with industry standards in order to operate efficiently together. We depend on companies that provide other components of the devices to support prevailing industry standards. Many of these companies are significantly larger and more influential in affecting industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly, and competing standards may emerge that may be preferred by our customers or end users. If larger companies do not support the same industry standards that we do, or if competing standards emerge, market acceptance of our products could be adversely affected which would harm our business.

Products for certain applications are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products developed by other suppliers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards for a significant period of time, we could miss opportunities to achieve crucial design wins. For example, the IoT market is relatively new and is continuously evolving. Furthermore, products in the IoT market frequently require interoperability across multiple standards. We may need to adjust our portfolio to meet the needs of this evolving market through acquisitions or significant new investments in research and development.

Our pursuit of necessary technological advances may require substantial time and expense. We may not be successful in developing or using new technologies or in developing new products or product enhancements that achieve market acceptance. If our products fail to achieve market acceptance, our growth prospects, operating results and competitive position could be adversely affected.

**We have identified a material weakness in our internal control over financial reporting and if we are unable to implement and maintain effective internal control over financial reporting, or our independent registered public accounting firm is unable to provide an unqualified report thereon, we could be materially adversely effected**

As more fully disclosed in Item 9A. *Controls and Procedures* in our Annual Report on Form 10-K for the year ended December 30, 2023 filed with the SEC on February 20, 2024, we have identified a material weakness that existed as of the end of our fiscal 2023 regarding our internal controls over inventory valuation, primarily the undue reliance on forecasted inventory demand which was not subjected to a sufficient level of management review. As a result of this material weakness, management concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as of December 30, 2023.

Unless and until this material weakness has been remediated, or should new material weaknesses arise or be discovered in the future, material misstatements could occur and go undetected in our interim or annual consolidated financial statements and we may be required to restate our financial statements. In addition, we may experience delays in satisfying our reporting obligations or to comply with SEC rules and regulations, which could result in investigations and sanctions by regulatory authorities. Any of these results could adversely affect our business and the value of our common stock.

***Intellectual Property Risks***

**Significant litigation over intellectual property in our industry may cause us to become involved in costly and lengthy litigation which could adversely affect our business**

The semiconductor and software industries have experienced significant litigation involving patents and other intellectual property rights. From time to time, third parties, including non-practicing entities, allege intellectual property infringement by our products, our customers' products, or products using technologies or communications standards used in our industry. We also receive communications from customers or suppliers requesting indemnification for allegations brought against them by third parties. Some of these allegations have resulted, and may result in the future, in our involvement in litigation. We have certain contractual obligations to defend and indemnify our customers from certain infringement claims. We also have been involved in litigation to protect our intellectual property rights in the past and may become involved in such litigation again in the future.

Given the unpredictable nature of litigation and the complexity of the technology, we may not prevail in any such litigation. Legal proceedings could subject us to significant liability, invalidate our proprietary rights, or harm our businesses and our ability to compete. Legal proceedings initiated by us to protect our intellectual property rights could also result in counterclaims or countersuits against us. Any litigation, regardless of its outcome or merit, could be time-consuming and expensive to resolve and could divert our management's time and attention. Intellectual property litigation also could force us to take specific actions, including:

- Cease using, selling or manufacturing certain products, services or processes;
- Attempt to obtain a license, which license may require the payment of substantial royalties or may not be available on reasonable terms or at all;
- Incur significant costs, time delays and lost business opportunities to develop alternative technologies or redesign products; or
- Pursue legal remedies with third parties to enforce our indemnification rights, which may not adequately protect our interests.

**We may be unable to protect our intellectual property, which would negatively affect our ability to compete**

Our products rely on our proprietary technology, and we expect that future technological advances made by us will be critical to sustain market acceptance of our products. Therefore, we believe that the protection of our intellectual property rights is and will continue to be important to the success of our business. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We also enter into confidentiality or license agreements with our employees, consultants, intellectual property providers and business partners, and control access to and distribution of our documentation and other proprietary information. Despite these efforts, unauthorized parties may attempt to copy or otherwise obtain and use our proprietary technology. Monitoring unauthorized use of our technology is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the

United States. We cannot be certain that patents will be issued as a result of our pending applications nor can we be certain that any issued patents would protect or benefit us or give us adequate protection from competing products. For example, issued patents may be circumvented or challenged and declared invalid or unenforceable. We also cannot be certain that others will not develop effective competing technologies on their own.

### **Our products incorporate technology licensed from third parties**

We incorporate technology (including software) licensed from third parties in our products. We could be subjected to claims of infringement regardless of our lack of involvement in the development of the licensed technology. Although a third-party licensor is typically obligated to indemnify us if the licensed technology infringes on another party's intellectual property rights, such indemnification is typically limited in amount and may be worthless if the licensor becomes insolvent. See *Significant litigation over intellectual property in our industry may cause us to become involved in costly and lengthy litigation which could seriously harm our business*. Furthermore, any failure of third-party technology to perform properly would adversely affect sales of our products incorporating such technology.

### ***Liquidity and Credit Risks***

#### **Disruptions in the financial services industry could adversely affect our operations and financial condition**

In the first half of 2023, banking regulators closed three U.S. banks and appointed the Federal Deposit Insurance Corporation ("FDIC") to act as receiver. Although we have no direct exposure to the closed banks, uncertainty remains over the broader financial services industry. If other financial institutions enter receivership or become insolvent in the future, our ability to access our cash and investments or to draw on our existing lines of credit could be impacted. Concerns regarding the financial services industry may result in less favorable financing terms, including higher interest rates, tighter financial covenants or systemic limitations on access to credit sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. In addition, inflation and rapid increases in interest rates have led to a decline in the market value of debt securities issued with interest rates below current market interest rates. Sales of such securities prior to their maturity would result in the recognition of losses previously unrealized.

#### **We are subject to credit risks related to our accounts receivable**

We do not generally obtain letters of credit or other security for payment from customers, distributors or contract manufacturers. Accordingly, we are not protected against accounts receivable default or bankruptcy by these entities. Our ten largest customers or distributors represent a substantial majority of our accounts receivable. If any such customer or distributor, or a material portion of our smaller customers or distributors, were to become insolvent or otherwise not satisfy their obligations to us, we could be materially harmed.

#### **Our debt could adversely affect our operations and financial condition**

We believe we have the ability to service our debt, but our ability to make the required payments thereunder when due depends upon our future performance, which will be subject to general economic conditions, industry cycles and other factors affecting our operations, including risk factors described herein, many of which are beyond our control. Our credit facility also contains covenants, including financial covenants. If we breach any of the covenants under our credit facility and do not obtain appropriate waivers, then, subject to any applicable cure periods, our outstanding indebtedness thereunder could be declared immediately due and payable.

#### **We could seek to raise additional debt or equity capital in the future, but additional capital may not be available on terms acceptable to us, or at all**

We believe that our existing cash, cash equivalents, investments, and credit under our credit facility will be sufficient to meet our working capital needs, capital expenditures, investment requirements and commitments for at least the next 12 months. However, our ability to borrow further under the credit facility is dependent upon our ability to satisfy various conditions, covenants and representations. It is possible that we may need to raise additional funds to finance our activities or to facilitate acquisitions of other businesses, products, intellectual property or technologies. We believe we could raise these funds, if needed, by selling equity or debt securities to the public or to selected investors. In addition, even though we may not need additional funds, we may still elect to sell additional equity or debt securities or obtain credit facilities for other reasons. However, we may not be able to obtain additional funds on favorable terms, or at all, particularly during

periods of financial market instability. If we decide to raise additional funds by issuing equity or convertible debt securities, the ownership percentages of existing shareholders would be reduced.

### ***Stock and Governance Risks***

#### **Our stock price may be volatile**

The market price of our common stock has been volatile in the past and may be volatile in the future. The market price of our common stock may be significantly affected by the following factors:

- Actual or anticipated fluctuations in our operating results;
- Changes in financial estimates by securities analysts or our failure to perform in line with such estimates;
- Changes in market valuations of other technology companies, particularly semiconductor companies;
- Announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- Introduction of technologies or product enhancements that reduce the need for our products;
- The loss of, or decrease in sales to, one or more key customers;
- A large sale of stock by a significant shareholder;
- Dilution from the issuance of our stock in connection with acquisitions;
- The addition or removal of our stock to or from a stock index fund; and
- Departures of key personnel.

The stock market has experienced extreme volatility that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of our performance.

#### **Provisions in our charter documents and Delaware law could prevent, delay or impede a change in control of us and may reduce the market price of our common stock**

Provisions of our certificate of incorporation and bylaws could have the effect of discouraging, delaying or preventing a merger or acquisition that a stockholder may consider favorable. For example, our certificate of incorporation and bylaws provide for:

- The division of our Board of Directors into three classes to be elected on a staggered basis, one class each year;
- The ability of our Board of Directors to issue shares of our preferred stock in one or more series without further authorization of our stockholders;
- A prohibition on stockholder action by written consent;
- Elimination of the right of stockholders to call a special meeting of stockholders;
- A requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders; and
- A requirement that a supermajority vote be obtained to amend or repeal certain provisions of our certificate of incorporation.

We also are subject to the anti-takeover laws of Delaware which may discourage, delay or prevent someone from acquiring or merging with us, which may adversely affect the market price of our common stock.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

There were no repurchases of our common stock during the three months ended June 29, 2024.

Our share repurchase program authorizes repurchases up to \$100 million through December 2024. The program allows for repurchases to be made in the open market or in private transactions, including structured or accelerated transactions, subject to applicable legal requirements and market conditions.

#### **Item 3. Defaults Upon Senior Securities**

Not applicable

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information***Rule 10b5-1 Trading Arrangements*

The following table describes contracts, instructions, or written plans for the purchase or sale of our securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c), entered into during the quarter ended June 29, 2024. There were no non-Rule 10b5-1 trading arrangements entered into or terminated during the quarter ended June 29, 2024.

<b>Name and Title of Director or Officer</b>	<b>Date of Adoption of Arrangement</b>	<b>Duration of the Arrangement</b>	<b>Aggregate Number of Securities to be Purchased or Sold Pursuant to the Arrangement</b>
Brandon Tolany <i>Senior VP, Worldwide Sales, Marketing &amp; Applications</i>	May 29, 2024	Expires May 30, 2025	4,117
William Bock <i>Director</i>	May 7, 2024	Expires May 30, 2025	4,000
Navdeep Sooch <i>Chairman of the Board</i>	May 22, 2024	Expires May 21, 2026	45,000

## Item 6. Exhibits

The following exhibits are filed as part of this report:

Exhibit Number	
2.1*	<a href="#">Asset Purchase Agreement dated April 22, 2021 between Silicon Laboratories Inc. and Skyworks Solutions, Inc. (filed as Exhibit 2.1 to the Form 8-K filed on April 22, 2021).</a>
3.1*	<a href="#">Form of Fourth Amended and Restated Certificate of Incorporation of Silicon Laboratories Inc. (filed as Exhibit 3.1 to the Registration Statement on Form S-1 (Securities and Exchange Commission File No. 333-94853) (the "IPO Registration Statement"))</a> .
3.2*	<a href="#">Sixth Amended and Restated Bylaws of Silicon Laboratories Inc. (filed as Exhibit 3.1 to the Form 8-K filed on April 21, 2023).</a>
4.1*	<a href="#">Specimen certificate for shares of common stock (filed as Exhibit 4.1 to the IPO Registration Statement).</a>
10.1*	<a href="#">Silicon Laboratories Inc. 2024 Bonus Plan (filed as Exhibit 10.1 to the Form 10-K filed on January 31, 2024.</a>
31.1	<a href="#">Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification as required by Section 906 of the Sarbanes-Oxley Act of 2002.</a>
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.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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\* Incorporated herein by reference to the indicated filing.

\*\* Furnished herewith.

**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.

SILICON LABORATORIES INC.

July 24, 2024

/s/ R. Matthew Johnson

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Date

R. Matthew Johnson  
*President and  
Chief Executive Officer  
(Principal Executive Officer)*

July 24, 2024

/s/ Dean Butler

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Date

Dean Butler  
*Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)*

July 24, 2024

/s/ Mark D. Mauldin

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Date

Mark D. Mauldin  
*Chief Accounting Officer  
(Principal Accounting Officer)*



Certification to the Securities and Exchange Commission  
by Registrant's Chief Executive Officer, as required by Section 302  
of the Sarbanes-Oxley Act of 2002

I, R. Matthew Johnson, certify that:

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

Date: July 24, 2024

/s/ R. Matthew Johnson

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R. Matthew Johnson  
*President and  
Chief Executive Officer*

Certification to the Securities and Exchange Commission  
by Registrant's Chief Financial Officer, as required by Section 302  
of the Sarbanes-Oxley Act of 2002

I, Dean Butler, certify that:

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

Date: July 24, 2024

/s/ Dean Butler

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Dean Butler  
*Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)*

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Silicon Laboratories Inc. (the “Company”) hereby certifies that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 29, 2024 as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 24, 2024

/s/ R. Matthew Johnson

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R. Matthew Johnson  
*President and  
Chief Executive Officer*

/s/ Dean Butler

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Dean Butler  
*Senior Vice President and  
Chief Financial Officer*