
**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 March 31, 2026

OR

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

For the transition period from to

Commission file number 001-40960

Arteris, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

**900 E. Hamilton Ave., Suite 300
Campbell, CA**

(Address of principal executive offices)

27-0117058

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

95008

(Zip Code)

(408) 470-7300

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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, \$0.001 par value | AIP | The Nasdaq Stock Market LLC |

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

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

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

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

As of May 5, 2026, there were 46,171,982 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

| | Page |
|---|-------------|
| <u>Part I. Financial Information</u> | 3 |
| <u>Item 1. Financial Statements (unaudited)</u> | 3 |
| <u>Condensed Consolidated Balance Sheets as of March 31, 2026 and December 31, 2025</u> | 3 |
| <u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2026 and 2025</u> | 4 |
| <u>Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2026 and 2025</u> | 5 |
| <u>Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the Three Months Ended March 31, 2026 and 2025</u> | 6 |
| <u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2026 and 2025</u> | 7 |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u> | 8 |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 28 |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | 40 |
| <u>Item 4. Controls and Procedures</u> | 41 |
| <u>Part II. Other Information</u> | 42 |
| <u>Item 1. Legal Proceedings</u> | 42 |
| <u>Item 1A. Risk Factors</u> | 42 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | 79 |
| <u>Item 3. Defaults Upon Senior Securities</u> | 79 |
| <u>Item 4. Mine Safety Disclosures</u> | 79 |
| <u>Item 5. Other Information</u> | 79 |
| <u>Item 6. Exhibits</u> | 80 |
| <u>Signatures</u> | 81 |

Part I - Financial Information
Item 1. Financial Statements

Arteris, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

| | As of | |
|--|-------------------|----------------------|
| | March 31, 2026 | December 31, 2025 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 11,674 | \$ 33,901 |
| Short-term investments (Note 5) | 26,429 | 20,698 |
| Accounts receivable, net of allowance of \$73 as of both March 31, 2026 and December 31, 2025 | 14,694 | 19,183 |
| Prepaid expenses and other current assets | 8,740 | 8,608 |
| Total current assets | 61,537 | 82,390 |
| Property and equipment, net | 3,594 | 3,872 |
| Long-term investments (Note 5) | 3,779 | 4,946 |
| Equity method investment | — | 2,989 |
| Operating lease right-of-use assets | 5,165 | 3,919 |
| Intangibles, net | 19,548 | 2,168 |
| Goodwill | 35,195 | 4,178 |
| Other assets | 11,058 | 10,569 |
| TOTAL ASSETS | \$ 139,876 | \$ 115,031 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | \$ 563 | \$ 340 |
| Accrued expenses and other current liabilities | 27,028 | 19,094 |
| Operating lease liabilities, current | 1,373 | 1,233 |
| Deferred revenue, current | 54,729 | 51,367 |
| Vendor financing arrangements, current | 829 | 1,166 |
| Total current liabilities | 84,522 | 73,200 |
| Deferred revenue, noncurrent | 39,602 | 43,974 |
| Operating lease liabilities, noncurrent | 4,086 | 3,116 |
| Vendor financing arrangements, noncurrent | 452 | 452 |
| Deferred income, noncurrent | 6,161 | 6,452 |
| Other liabilities | 2,462 | 2,469 |
| Total liabilities | 137,285 | 129,663 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity (deficit): | | |
| Preferred stock, par value of \$0.001 - 10,000,000 shares authorized and no shares issued and outstanding as of both March 31, 2026 and December 31, 2025 | — | — |
| Common stock, par value of \$0.001 - 300,000,000 shares authorized as of both March 31, 2026 and December 31, 2025; 46,017,908 and 44,268,816 shares issued and outstanding as of March 31, 2026 and December 31, 2025, respectively | 46 | 44 |
| Additional paid-in capital | 182,014 | 156,776 |
| Accumulated other comprehensive income | 121 | 179 |
| Accumulated deficit | (179,590) | (171,631) |
| Total stockholders' equity (deficit) | 2,591 | (14,632) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | \$ 139,876 | \$ 115,031 |

See accompanying notes to unaudited condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except share and per share data)
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2026 | 2025 |
| Revenue | | |
| Licensing, support and maintenance | \$ 19,272 | \$ 15,335 |
| Variable royalties | 2,503 | 1,167 |
| Professional services and other | 1,161 | 30 |
| Total revenue | 22,936 | 16,532 |
| Cost of revenue | 3,250 | 1,526 |
| Gross profit | 19,686 | 15,006 |
| Operating expenses: | | |
| Research and development | 14,457 | 11,862 |
| Sales and marketing | 8,530 | 6,529 |
| General and administrative | 5,415 | 4,323 |
| Acquisition related costs | 584 | — |
| Total operating expenses | 28,986 | 22,714 |
| Loss from operations | (9,300) | (7,708) |
| Interest expense | (38) | (48) |
| Other income (expense), net | 670 | 718 |
| Loss before income taxes and loss from equity method investment | (8,668) | (7,038) |
| Loss from equity method investment, net of tax | 2,989 | 815 |
| Loss before income taxes | (11,657) | (7,853) |
| Provision for (benefit from) income taxes | (3,698) | 268 |
| Net loss | \$ (7,959) | \$ (8,121) |
| Net loss per share attributable to common stockholders, basic and diluted | \$ (0.17) | \$ (0.20) |
| Weighted-average shares used in computing per share amounts, basic and diluted | 45,544,682 | 40,853,048 |

See accompanying notes to unaudited condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------------|
| | 2026 | 2025 |
| Net loss | \$ (7,959) | \$ (8,121) |
| Other comprehensive loss: | | |
| Unrealized losses on available-for-sale securities, net of tax | (58) | (6) |
| Comprehensive loss | <u>\$ (8,017)</u> | <u>\$ (8,127)</u> |

See accompanying notes to unaudited condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(In thousands, except share data)
(Unaudited)

| | Stockholders' Equity (Deficit) | | | | | |
|---|--------------------------------|--------------|----------------------------------|---|------------------------|-----------------|
| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
| | Shares | Amount | | | | |
| BALANCE—December 31, 2025 | 44,268,816 | \$ 44 | \$ 156,776 | \$ 179 | \$ (171,631) | \$ (14,632) |
| Issuance of common stock upon exercise of stock options | 75,374 | — | 349 | — | — | 349 |
| Issuance of common stock for settlement of Restricted Stock Units (RSUs) | 507,802 | 1 | (1) | — | — | — |
| Issuance of common stock in connection with business combination | 1,096,280 | 1 | 19,015 | — | — | 19,016 |
| Issuance of common stock under the at-the-market agreement, net of commissions and offering costs | 69,636 | — | 521 | — | — | 521 |
| Stock-based compensation expense | — | — | 5,354 | — | — | 5,354 |
| Unrealized losses on available-for-sale securities, net of tax | — | — | — | (58) | — | (58) |
| Net loss | — | — | — | — | (7,959) | (7,959) |
| BALANCE—March 31, 2026 | 46,017,908 | \$ 46 | \$ 182,014 | \$ 121 | \$ (179,590) | \$ 2,591 |

| | Stockholders' Deficit | | | | | |
|--|-----------------------|--------------|----------------------------------|---|------------------------|-------------------|
| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
| | Shares | Amount | | | | |
| BALANCE—December 31, 2024 | 40,724,936 | \$ 40 | \$ 135,522 | \$ 135 | \$ (136,885) | \$ (1,188) |
| Issuance of common stock upon exercise of stock options | 145,959 | — | 148 | — | — | 148 |
| Issuance of common stock for settlement of RSUs | 532,399 | 1 | (1) | — | — | — |
| Stock-based compensation expense | — | — | 4,346 | — | — | 4,346 |
| Unrealized losses on available-for-sale securities, net of tax | — | — | — | (6) | — | (6) |
| Net loss | — | — | — | — | (8,121) | (8,121) |
| BALANCE—March 31, 2025 | 41,403,294 | \$ 41 | \$ 140,015 | \$ 129 | \$ (145,006) | \$ (4,821) |

See accompanying notes to unaudited condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2026 | 2025 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (7,959) | \$ (8,121) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 1,346 | 844 |
| Stock-based compensation | 5,511 | 4,313 |
| Amortization of deferred income | (291) | (291) |
| Loss from equity method investment | 2,989 | 815 |
| Deferred income taxes (Note 7) | (4,103) | — |
| Net accretion of discounts on available-for-sale securities | (47) | (128) |
| Other, net | (86) | 183 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 5,904 | 10,339 |
| Prepaid expenses and other assets | (739) | (911) |
| Accounts payable | (834) | (308) |
| Accrued expenses and other liabilities | (6,341) | (1,977) |
| Deferred revenue | (2,412) | (1,898) |
| Net cash (used in) provided by operating activities | (7,062) | 2,860 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (295) | (183) |
| Purchases of available-for-sale securities | (10,352) | (8,738) |
| Proceeds from maturities of available-for-sale securities | 5,778 | 8,800 |
| Payments for business combination, net of cash acquired | (11,179) | — |
| Net cash used in investing activities | (16,048) | (121) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments under vendor financing arrangements | (337) | (227) |
| Proceeds from exercise of stock options | 349 | 148 |
| Proceeds from issuance of common stock under the at-the-market agreement, net of commissions and offering costs | 844 | — |
| Other financing activities | 26 | 27 |
| Net cash provided by (used in) financing activities | 882 | (52) |
| NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | (22,228) | 2,687 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period | 34,250 | 14,072 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period | \$ 12,022 | \$ 16,759 |
| Cash, cash equivalents and restricted cash at end of period: | | |
| Cash and cash equivalents | \$ 11,674 | \$ 16,371 |
| Restricted cash, current | 97 | 98 |
| Restricted cash, noncurrent | 251 | 290 |
| Cash, cash equivalents and restricted cash at end of period | \$ 12,022 | \$ 16,759 |
| Noncash activities: | | |
| Equity consideration issued for Cycuity, Inc. (Cycuity) acquisition | \$ 19,016 | \$ — |
| Operating lease right-of-use assets, exchanged for lease obligations | \$ 1,539 | \$ 746 |
| Accrued offering costs | \$ 296 | \$ — |

See accompanying notes to unaudited condensed consolidated financial statements.

ARTERIS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Arteris, Inc. was incorporated in Delaware on April 12, 2004. Arteris, Inc. and its subsidiaries (collectively, the Company or Arteris) develop, license, and support the on-chip interconnect fabric technology used in System-on-Chip (SoC) designs for a variety of devices and in the development and distribution of Network-on-Chip (NoC) interconnect intellectual property (IP). The Company also provides software and services to enable efficient deployment of NoC IP, hardware security verification software solutions, IP support & maintenance services, professional services and training and on-site support services. The Company is headquartered in Campbell, California and has offices in the United States, France, Poland, Japan, South Korea, Taiwan and China.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information and do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with GAAP. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2025 and the related notes included in the Company's Form 10-K filed on February 12, 2026 (2025 Form 10-K) with the U.S. Securities and Exchange Commission (SEC). The December 31, 2025 condensed consolidated balance sheet was derived from the audited consolidated financial statements as of that date. In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the unaudited condensed consolidated financial statements.

The operating results for the three months ended March 31, 2026 are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period.

Reclassifications

Certain prior period amounts were reclassified to conform to the current period presentation. These reclassifications did not have an impact on previously reported amounts.

Principles of Consolidation

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

Segment Information

The Company operates as a single operating segment. The chief operating decision maker (CODM) is the Company's Chief Executive Officer, who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis, accompanied by disaggregated revenue information. Accordingly, the Company has determined that it has a single reportable segment and operating segment.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to, among others, revenue recognition, the useful lives of assets, assessment of recoverability of property, plant and equipment, fair value of investments, impairment of the equity method investment, fair values of goodwill and other intangible assets, including impairments, leases, allowance for credit losses, deferred tax assets and related valuation allowance, stock-based compensation, potential reserves relating to litigation and tax matters, collectability of certain receivables, fair value and amortization of deferred income, as well as other accruals or reserves. Actual results could differ from those estimates and such differences may be material to the unaudited condensed consolidated financial statements.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. The Company's cash equivalents include deposits in money market accounts which were unrestricted as to withdrawal or use and are stated at fair value. As of March 31, 2026, cash and cash equivalents consisted primarily of checking, savings, money market accounts, and highly liquid investments with original maturities of three months or less. Interest earned on cash and cash equivalents is included in other income (expense), net in the unaudited consolidated statements of operations.

As of both March 31, 2026 and December 31, 2025, the Company's restricted cash balance was \$0.3 million. The Company's restricted cash balance as of March 31, 2026 was primarily related to a letter of credit for its facility lease agreement and collateralized cash for corporate credit cards. Restricted cash, current is included in prepaid expenses and other current assets and restricted cash, noncurrent is included in other assets on the consolidated balance sheets.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentration of credit risk consist of cash and cash equivalents, investments and accounts receivable. Cash is currently held in five financial institutions that the Company believes are creditworthy. Cash held at these financial institutions generally exceed federally insured limits. The Company is exposed to credit risk in the event of default by the financial institution holding its cash, cash equivalents, and investments to the extent recorded in the balance sheet. The Company has not experienced any losses to date related to these concentrations.

The Company's accounts receivable are derived principally from revenue earned from customers located in Americas, Europe, Middle East and Asia Pacific regions.

Accounts receivable from the Company's major customers representing 10% or more of total accounts receivable was as follows:

| | As of | |
|------------|-------------------|----------------------|
| | March 31, 2026 | December 31, 2025 |
| Customer A | 15 % | 11 % |
| Customer B | * | 13 % |

* Customer accounted for less than 10% of total accounts receivable at period end.

Revenue from the Company's major customers representing 10% or more of total revenue was as follows:

| | Three Months Ended March 31, | |
|------------|---------------------------------|------|
| | 2026 | 2025 |
| Customer A | * | 12 % |

* Customer accounted for less than 10% of total revenue in the period.

Business Combination of Cycuity

On January 14, 2026 the Company completed the acquisition of Cycuity (the Acquisition) for approximately \$43.1 million, consisting of cash of \$15.1 million, the Company's common stock with a fair value of \$19.0 million and earn-out consideration with a fair value of \$9.0 million. The Company accounted for the acquisition of Cycuity by applying the acquisition method of accounting for business combinations, see Note 7, Business Combination.

Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies during the three months ended March 31, 2026 from those disclosed in the annual consolidated financial statements for the year ended December 31, 2025, except for the following.

Business Combinations

The Company allocates the purchase price to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the purchase price over the fair value of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. These estimates are based on information obtained from management of the acquired companies, the Company's assessment of this information, and historical experience. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customers, acquired technology, and trade names from a market participant perspective, useful lives, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. In addition, unanticipated events and circumstances may occur that may affect the accuracy or validity of such estimates, and if such events occur, the Company may be required to adjust the value allocated to acquired assets or assumed liabilities. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations. Acquisition related costs, such as advisory, legal, accounting, valuation, other professional or consulting fees and integration costs, are expensed as incurred.

Stock-based Compensation

The Company measures equity classified stock-based awards, including stock options, restricted stock units (RSUs), and starting in the three months ended March 31, 2026, performance stock units (PSUs), granted to employees, directors, and non-employees based on the estimated fair values of the awards on the date of the grant. Stock-based compensation expense for awards with service-based vesting is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of such awards, as a component of operating expenses within the consolidated statements of operations. The Company accounts for forfeitures related to these awards as they occur.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. This valuation model for stock-based compensation expense requires the Company to make assumptions and judgments about the variables used in the calculation including the expected term, the volatility of the Company's common stock, and an assumed risk-free interest rate.

The fair value of RSUs granted is measured as the fair value per share of the Company's common stock on the date of grant.

For PSUs that include a market condition, the Company determines the grant date fair value of the award using a Monte Carlo valuation model and recognizes compensation cost on a straight-line basis over the requisite service period. Stock-based compensation expense for PSUs that include market conditions is based on the grant-date fair value and is recognized regardless of whether the market condition is ultimately achieved.

The Company adopted the 2021 Employee Stock Purchase Plan (the 2021 ESPP) effective on October 26, 2021. The 2021 ESPP provides for six-month offering periods beginning May 22 and November 22 of each year, and each offering period consists of a six-month purchase period. The first offering under the 2021 ESPP began on May 22, 2024, and ended on November 21, 2024. Eligible employees are entitled to purchase common stock at the end of six-month offering periods, by means of limited payroll deductions, at a 15% discount from the fair market value of the common stock as of specific dates.

The fair value of shares of common stock to be issued under the 2021 ESPP is estimated using the Black-Scholes option pricing model, which is impacted by the fair value of the Company's common stock, as well as changes in assumptions regarding a number of subjective variables. These variables include the expected common stock price volatility over the term of the awards, the expected term of the awards, and the risk-free interest rate. Stock-based compensation expense for ESPP awards is recognized on a straight-line basis over the term of each ESPP offering period.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, and subsequently issued additional related ASUs (Topic 606). The Company recognizes revenue as it transfers control of deliverables (software and services) to its customers in an amount reflecting the consideration to which it expects to be entitled. To recognize revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. The Company accounts for a contract when it has approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company applies judgment in determining the customer's ability and intention to pay based on a variety of factors including the customer's historical payment experience.

Nature of Products and Services

The Company's revenue is primarily derived from licensing intellectual property, licensing software, support and maintenance services, professional services, training services, and royalties.

Design Solutions

Interconnect Solutions product arrangements provide customers the right to software licenses, services, and support and maintenance. The Company enters into licensing arrangements with customers that typically range from two to three years and generally consist of delivery of a design license that grants the customer the right to use the IP to design a contractually defined number of products, a right to access the benefits of its proprietary software tool (RTL), and support and maintenance services that provide the customer a significant benefit from ongoing access to Corporate Application Engineers (CAE) and Field Application Engineers (FAE) (collectively, Application Engineering Support Services) to perform certain verifications including benchmark performance, simulations and ultimately, through the RTL, instantiate designs into silicon over the design term.

Application Engineering Support Services are integral and fundamental to the customer's ability to derive its intended benefit from the IP. Besides Application Engineering Support Services, support and maintenance services also consist of a stand-ready obligation to provide technical support and software updates over the support term. Generally, the first year of technical support and software updates are bundled with and into the license fee, with a customer option to renew additional years of support throughout the license term. However, the Company typically continues to provide technical support and software updates throughout the license term even if the customer does not renew these services in subsequent years, making the license term and support and maintenance term co-terminus.

Considering the nature of the combined license and assisting the Company's customers in applying its IP technology in its customers' development environment and the relative significance thereof, the Company has concluded that its promise to provide an Interconnect Solutions IP license is not distinct from its obligation to provide the Application Engineering Support Services and benefits of the RTL. Customers cannot benefit from the design license on its own; the Interconnect Solutions IP, RTL, and the Application Engineering Support Services serve to fulfill its commitment to the customer, as they represent inputs to a single, combined performance obligation that commences upon the later of the arrangement effective date or transfer of the software license. Further, although technical support and software updates is a distinct performance obligation, it is accounted for as if it were part of a single performance obligation that includes the licenses, RTL and Application Engineering Support Services because the technical support and updates are provided in practice for the same period of time and have the same time-based pattern of transfer to the customer as the combined design license, RTL, and Application Engineering Support Services. Therefore, revenue from Interconnect Solutions IP licensing arrangements is recognized ratably over the design term.

Revenues that are derived from the sale of a licensee's products that incorporate the Company's IP are classified as royalty revenues. Royalty revenues are recognized during the quarter in which the sale of the product incorporating the Company's IP occurs and are included in variable royalties in the consolidated statements of operations. Royalties are calculated either as a percentage of the revenues received by a licensee's sale of products incorporating the Company's IP or on a per unit basis, as specified in the agreements with the licensees. For the majority of the Company's royalty revenues, it receives the actual sales data from its customers after the quarter ends and accounts for it as unbilled receivables. In such instances, the Company recognizes royalty revenues based on its estimation of the customer's sales during the quarter.

SoC Integration Automation Software Solutions

The Company's SoC Integration Automation software solutions, CSRCompiler and hardware security verification software product arrangements provide customers the right to software licenses, software updates and technical support. The software licenses are time-based licenses with terms generally ranging from one to three years. These arrangements generally have two distinct performance obligations that consist of transferring the licensed software and the support and maintenance service. Support and maintenance services consist of a stand-ready obligation to provide technical support and software updates over the support term. Majority of the Company's SoC Integration Automation software solutions contracts include termination rights that allow the customer to cancel and receive a pro-rata refund on support and maintenance services at the end of each month of the contract period, which results in a ratable recognition of the related license revenue over the contract term. The Company records obligations for refunds in accrued expenses and other current liabilities on the consolidated balance sheets.

Hardware Security Verification Software

The Company's hardware security verification software product arrangements which were derived from the acquisition of Cycuity that closed in January 2026, provide customers the right to software licenses, software updates and technical support. The software licenses are time-based licenses with terms generally ranging from one to three years and generally provide the customer with limited rights to receive certain quantities of licensed software. In addition to the licenses, the arrangements also include: support and maintenance services, provided by Application Engineering Support Services, which includes providing frequent updates and upgrades to maintain the utility of the software due to rapid changes in technology. Updates are generally made available throughout the entire term of the arrangement. The updates provide continued access to evolving technology as customers' designs migrate to more advanced nodes and as customers' technological requirements evolve. The Company concluded that its hardware security verification software product licenses are not distinct from its obligation to provide unspecified software updates to the licensed software throughout the license term. Such updates represent inputs to a single, combined performance obligation, commencing upon the later of the arrangement effective date or transfer of control to the software license, leading to ratable recognition of the related license revenue over the contract term.

Professional Services

The Company's agreements may include service elements (other than maintenance and support services). These services include training, design assistance, and consulting, and may include implementation, integration, or security verification. Such services are typically provided by the Company or by third-party subcontractors under contracts and task orders with the U.S. government for which the Company acts as the prime contractor. Labor and services performed by third-party subcontractors related to contracts with the U.S. government are recognized as professional services revenue. The related costs are recorded as cost of revenue in the same period in which the associated revenue is recognized. Professional services agreements are invoiced on a fixed fee or time and materials basis. Revenue is recognized over the period the services are provided, generally on a cost-to-cost basis.

Multiple Performance Obligations

Most of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately, if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis, which are estimated considering multiple factors including observable industry pricing practices and internal pricing strategies and objectives. Standalone selling prices of professional services are typically estimated based on observable transactions when these services are sold on a standalone basis.

Transaction Price

Revenue is recognized when, or as, control of a promised product or service transfers to a client, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. If the consideration promised in a contract includes a variable amount, the Company estimates the amount to which it expects to be entitled using either the expected value or most likely amount method, to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. Generally, the transaction price of the Company's contracts is fixed at the inception of the contract, except for variable royalties. The Company's contracts generally do not include terms that could cause variability in the transaction price.

The Company assesses the timing of the transfer of goods or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or the Company, no financing component is deemed to exist. When contracts involve a significant financing component, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provide the customer with a significant benefit of financing.

The Company reports revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

In instances where foreign licensees withhold and remit taxes to local authorities in accordance with local laws and regulations, the Company recognizes and presents revenue on a gross basis and includes the withholding tax in income tax expense.

Flexible Spending Accounts

Some customers enter into a non-cancelable flexible spending account agreement (FSA Agreement) whereby the customer commits to a fixed dollar amount over a specified period of time that can be used to purchase from a list of the Company's products or services. These agreements do not meet the definition of a revenue contract until the customer executes a separate order to identify the required products and services that they are purchasing. Each separate order under the agreement is treated as an individual contract and accounted for based on the respective performance obligations included within the FSA agreements.

Contract Modifications

The Company's contracts may be modified to add, remove or change existing performance obligations. The accounting for modifications to the Company's contracts involves assessing whether the products and services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Products and services added that are not distinct are accounted for on a cumulative catch-up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price. The Company's more significant contract modifications include extensions of the design license term and the purchase of additional years of support and maintenance.

Judgments

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together requires significant judgment. Judgment is also required to determine the standalone selling price for each distinct performance obligation.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers, and these timing differences result in contract assets (unbilled receivables), or contract liabilities (deferred revenue) on the Company's consolidated balance sheets. The Company records a contract asset when revenue is recognized prior to invoicing, and it has an unconditional right to invoice and receive payment. The Company records deferred revenue when it invoices customers and revenue is not yet recognized. Customers are generally invoiced in single or annual amounts, although some customers are invoiced more frequently over time.

The Company capitalizes sales commission as costs of obtaining a contract when they are incremental and, if they are expected to be recovered, amortized in a manner consistent with the pattern of transfer of the good or service to which the asset relates.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326)*, which provides all entities with a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of current accounts receivable and contract assets. This ASU is effective for fiscal years beginning after December 15, 2025 and interim reporting periods within those annual reporting periods, with early adoption permitted. The adoption of ASU 2025-05 did not have a significant impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*, to address suggestions received from stakeholders on the ASC and to make other incremental improvements to GAAP. The update represents changes to the codification that (1) clarify, (2) correct errors, or (3) make other improvements that are intended to make it easier to understand and apply. The guidance is effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, to amend the guidance in Topic 270. The update provides clarifications intended to improve the consistency and usability of interim disclosure requirements, including a comprehensive listing of required interim disclosures and a new disclosure principle for reporting material events occurring after the most recent annual period. The amendments do not change the underlying objectives of interim reporting but are designed to enhance clarity in application. This ASU is effective for fiscal years beginning after December 15, 2027 and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

In December 2025, the FASB issued ASU 2025-10, *Accounting for Government Grants Received by Business Entities*. This ASU establishes the accounting and presentation for government grants received by a business entity under Government Grants (Topic 832). This ASU is effective for fiscal years beginning after December 15, 2028 and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

In September 2025, the FASB issued ASU 2025-06, *Targeted Improvements to the Accounting for Internal-Use Software*, which modernizes the accounting for internal-use software costs and clarifies criteria for capitalization. This ASU is effective for fiscal years beginning after December 15, 2027 and interim reporting periods within those annual reporting periods, with early adoption permitted as of the beginning of an annual period. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses*, and in January 2025, the FASB issued ASU 2025-01, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures*, which requires incremental disclosures to disaggregate certain income statement expense line items on an annual and interim basis. ASU 2024-03, as clarified by ASU 2025-01, is effective for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of adopting these ASUs on its consolidated financial statements and disclosures.

3. REVENUE

Disaggregated Revenue

The following table shows revenue by product and services groups (in thousands):

| | Three Months Ended March 31, | |
|------------------------------------|---------------------------------|------------------|
| | 2026 | 2025 |
| Licensing, support and maintenance | \$ 19,272 | \$ 15,335 |
| Variable royalties | 2,503 | 1,167 |
| Professional services and other | 1,161 | 30 |
| Total | <u>\$ 22,936</u> | <u>\$ 16,532</u> |

Contract Balances

The following table provides information about accounts receivable, net, contract assets and deferred revenue (in thousands):

| | As of | |
|--------------------------|-------------------|----------------------|
| | March 31, 2026 | December 31, 2025 |
| Accounts receivable, net | \$ 14,694 | \$ 19,183 |
| Contract assets, current | \$ 930 | \$ — |
| Deferred revenue | \$ 94,331 | \$ 95,341 |

The Company recognized revenue of \$18.6 million and \$13.5 million for the three months ended March 31, 2026 and 2025, respectively, that was included in the deferred revenue balance at the beginning of the respective periods. Contract assets, current are included in prepaid expenses and other current assets on the condensed consolidated balance sheets.

As of March 31, 2026, non-cancelable contracted but unsatisfied or partially satisfied performance obligations that have not yet been recognized were \$114.9 million which include deferred revenue, amounts that will be invoiced and recognized as revenues in future periods and Flexible Spending Accounts (FSA) commitments, from customers where actual product selection and quantities of specific products are to be determined by customers at a future period. The Company expects to recognize \$62.4 million of this balance over the next 12 months and the remainder thereafter. FSA commitments amounted to \$3.5 million and \$3.8 million as of March 31, 2026 and December 31, 2025, respectively. The Company has elected to exclude the potential future royalty receipts from these amounts.

Costs of Obtaining a Contract with a Customer

Total capitalized direct commission costs were as follows (in thousands):

| | As of | |
|--|-------------------|----------------------|
| | March 31, 2026 | December 31, 2025 |
| Short-term commission capitalized in prepaid expenses and other current assets | \$ 3,196 | \$ 3,124 |
| Long-term commission capitalized in other assets | 2,319 | 2,417 |
| Total | \$ 5,515 | \$ 5,541 |

Amortization of capitalized sales commissions was \$1.1 million and \$0.8 million for the three months ended March 31, 2026 and 2025, respectively, and are included in sales and marketing expense in the unaudited condensed consolidated statements of operations.

4. NET LOSS PER SHARE

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data):

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2026 | 2025 |
| Numerator: | | |
| Net loss | \$ (7,959) | \$ (8,121) |
| Denominator: | | |
| Weighted-average shares outstanding, basic and diluted | 45,544,682 | 40,853,048 |
| Net loss per share, basic and diluted | \$ (0.17) | \$ (0.20) |

Since the Company was in a loss position for all periods presented, the diluted earnings per share was equal to the basic earnings per share as the effect of potentially dilutive securities would have been antidilutive.

The following table summarizes the potentially dilutive securities that were excluded from the calculation of diluted earnings per share because they would be anti-dilutive:

| | As of | |
|--|------------------|------------------|
| | March 31, 2026 | March 31, 2025 |
| Stock options | 1,627,772 | 2,331,645 |
| Restricted stock units and other | 4,817,255 | 5,087,569 |
| Restricted common shares issued for business combination | — | 234,859 |
| Shares committed under the 2021 ESPP | 56,659 | 83,398 |
| Total | 6,501,686 | 7,737,471 |

5. INVESTMENTS

The following tables summarize the fair value and amortized cost of the Company's cash equivalents and available-for-sale securities by major security type (in thousands):

| | As of March 31, 2026 | | |
|-----------------------------------|----------------------|-------------------|----------------------|
| | Amortized Cost | Unrealized Losses | Aggregate Fair Value |
| Assets: | | | |
| Corporate bonds | \$ 19,254 | \$ (3) | \$ 19,251 |
| U.S. treasury securities | 8,738 | (6) | 8,732 |
| Money market funds | 5,870 | — | 5,870 |
| U.S. government agency securities | 4,723 | (3) | 4,720 |
| Total financial assets | \$ 38,585 | \$ (12) | \$ 38,573 |

| | As of December 31, 2025 | | |
|-----------------------------------|-------------------------|------------------|----------------------|
| | Amortized Cost | Unrealized Gains | Aggregate Fair Value |
| Assets: | | | |
| Money market funds | \$ 30,661 | \$ — | \$ 30,661 |
| Corporate bonds | 18,304 | 41 | 18,345 |
| U.S. treasury securities | 3,825 | 5 | 3,830 |
| U.S. government agency securities | 3,469 | — | 3,469 |
| Total financial assets | \$ 56,259 | \$ 46 | \$ 56,305 |

The maturity dates of the Company's investments are as follows (in thousands):

| | March 31, 2026 |
|--------------------|----------------|
| Less than one year | \$ 34,794 |
| 1-2 years | 3,779 |
| Total | \$ 38,573 |

As of both March 31, 2026 and December 31, 2025, there were no securities in a continuous net unrealized loss position for more than 12 months. As of both March 31, 2026 and December 31, 2025, the unrealized losses for available-for-sale investments were non-credit related and the Company does not intend to sell the investments that were in an unrealized loss position, nor does it foresee or project that it will be required to sell those investments before recovery of their amortized costs basis, which may be at maturity. Thus, as of both March 31, 2026 and December 31, 2025 no allowance for credit losses or impairment losses for the Company's investments were recorded.

6. FAIR VALUE MEASUREMENTS

Assets Measured and Recorded at Fair Value on a Non-Recurring Basis

Equity method investments, and certain non-financial assets, such as intangible assets are remeasured at fair value only if an impairment or observable price adjustment is recognized in the current period.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Financial instruments not recorded at fair value on a recurring basis include vendor financing arrangements. The carrying value of the vendor financing agreements was \$1.3 million and \$1.6 million as of March 31, 2026 and December 31, 2025, respectively. The Company's vendor financing arrangements are classified within Level 2 because these borrowings are not actively traded and have a variable interest rate structure based upon the Company's incremental borrowing rate. The estimated fair values of these financial instruments approximate their carrying values.

Financial Instruments Recorded at Fair Value on a Recurring Basis

The following tables summarize the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

| | As of | | | |
|-----------------------------------|----------------|-----------|---------|------------|
| | March 31, 2026 | | | |
| | Level 1 | Level 2 | Level 3 | Fair Value |
| Assets: | | | | |
| Cash equivalents: | | | | |
| Money market funds | \$ 5,870 | \$ — | \$ — | \$ 5,870 |
| U.S. government agency securities | — | 999 | — | 999 |
| U.S. treasury securities | — | 1,496 | — | 1,496 |
| Total cash equivalents | 5,870 | 2,495 | — | 8,365 |
| Short-term investments: | | | | |
| Corporate bonds | — | 16,597 | — | 16,597 |
| U.S. government agency securities | — | 3,222 | — | 3,222 |
| U.S. treasury securities | — | 6,610 | — | 6,610 |
| Total short-term investments | — | 26,429 | — | 26,429 |
| Long-term investments: | | | | |
| Corporate bonds | — | 2,654 | — | 2,654 |
| U.S. government agency securities | — | 499 | — | 499 |
| U.S. treasury securities | — | 626 | — | 626 |
| Total long-term investments | — | 3,779 | — | 3,779 |
| Total financial assets | \$ 5,870 | \$ 32,703 | \$ — | \$ 38,573 |

| | As of | | | |
|-----------------------------------|-------------------|-----------|---------|------------|
| | December 31, 2025 | | | |
| | Level 1 | Level 2 | Level 3 | Fair Value |
| Assets: | | | | |
| Cash equivalents: | | | | |
| Money market funds | \$ 30,661 | \$ — | \$ — | \$ 30,661 |
| Total cash equivalents | 30,661 | — | — | 30,661 |
| Short-term investments: | | | | |
| Corporate bonds | — | 14,524 | — | 14,524 |
| U.S. government agency securities | — | 2,969 | — | 2,969 |
| U.S. treasury securities | — | 3,205 | — | 3,205 |
| Total short-term investments | — | 20,698 | — | 20,698 |
| Long-term investments: | | | | |
| Corporate bonds | — | 3,821 | — | 3,821 |
| U.S. treasury securities | — | 625 | — | 625 |
| U.S. government agency securities | — | 500 | — | 500 |
| Total long-term investments | — | 4,946 | — | 4,946 |
| Total financial assets | \$ 30,661 | \$ 25,644 | \$ — | \$ 56,305 |

Money market funds are highly liquid investments and are actively traded. The fair value is based on quoted prices for identical assets in active markets and therefore classified as Level 1 of the fair value hierarchy.

The Company's other investments are considered Level 2 financial instruments as their fair values are determined using inputs that are directly or indirectly observable in active or less active markets. There were no transfers between levels during the periods presented.

7. BUSINESS COMBINATION

Cycuity Acquisition

On January 14, 2026 (the Closing Date), the Company completed the acquisition of Cycuity for approximately \$43.1 million, consisting of cash of \$15.1 million, the Company's common stock with a fair value of \$19.0 million and earn-out consideration with a fair value of \$9.0 million.

Prior to the acquisition, Cycuity was a privately held provider and domain expert of semiconductor cybersecurity assurance technology. By combining innovative system IP from Arteris with leading silicon hardware security assurance technology from Cycuity, the acquisition positions Arteris to address the growing concern around hardware security. The Acquisition has been accounted for in accordance with the acquisition method of accounting for business combinations with the Company as the accounting acquirer.

The preliminary purchase price consideration allocated to the assets acquired and liabilities assumed for the Acquisition is as follows (in thousands):

| | JANUARY 14, 2026 |
|---------------------------------------|-----------------------------|
| Cash consideration paid at closing | \$ 14,121 |
| Stock consideration | 19,016 |
| Cash payments to settle vested awards | 971 |
| Contingent consideration | 9,018 |
| Total purchase consideration | <u>\$ 43,126</u> |

In connection with the Acquisition, the Company issued 1,096,280 shares of the Company's common stock. Additionally, the former holders of Cycuity equity securities obtained the right to receive additional contingent consideration of up to \$12.0 million. The contingent consideration is based on the achievement of specified bookings targets during the earn-out period from the Closing Date through December 31, 2026, and, if earned, will be payable no later than March 31, 2027. Earn-out payments will be settled in cash for in-the-money option holders and unaccredited investors and in shares of the Company's common stock for accredited equity holders and warrant holders. The contingent consideration has been accounted for as part of the business combination and was recognized at its acquisition-date fair value as a component of total purchase consideration. The contingent consideration will be remeasured at fair value at each reporting date, with changes in fair value recognized in earnings until the contingency is resolved, and is included in accrued expenses and other current liabilities on the condensed consolidated balance sheets.

Certain outstanding option awards granted by Cycuity were accelerated as a result of the acquisition and paid in cash. As a result, the fair-value of these accelerated option awards of \$0.2 million was recognized as a post-combination expense, included in stock-based compensation expense for the three months ended March 31, 2026.

The Company incurred acquisition related expenses associated with the Acquisition of \$0.6 million for the three months ended March 31, 2026, which were expensed as incurred in the unaudited condensed consolidated statements of operations.

The purchase price is allocated to identifiable assets acquired and liabilities assumed based on their fair values on the acquisition date, as follows (in thousands):

| | Amount |
|--|------------------|
| Cash | \$ 3,914 |
| Accounts receivable | 1,415 |
| Prepaid expenses and other current assets | 206 |
| Property and equipment, net | 34 |
| Intangibles | 18,070 |
| Total assets acquired | 23,639 |
| Accounts payable | 1,007 |
| Deferred revenue, current | 2,910 |
| Accrued expenses and other current liabilities | 2,959 |
| Deferred tax liability | 4,103 |
| Deferred revenue, noncurrent | 551 |
| Total liabilities assumed | 11,530 |
| Total identifiable net assets | 12,109 |
| Goodwill | 31,017 |
| Total purchase consideration | \$ 43,126 |

Additional information, which existed as of the acquisition date, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the date of the relevant acquisition. Changes to amounts recorded as assets and liabilities may result in a corresponding adjustment to goodwill during the respective measurement period.

The following table summarizes the fair value of the identifiable intangible assets acquired (in thousands) and useful lives:

| | Amount | Useful Lives |
|---|------------------|---------------------|
| Developed technology | \$ 9,600 | 7 years |
| Customer relationships | 8,300 | 8 years |
| Trade name | 170 | 1 year |
| Total acquired intangibles with definite lives | \$ 18,070 | |

The fair value of the acquired developed technology intangible assets was determined primarily using the excess earnings method. The fair value of the acquired customer relationships intangible assets was determined using the with-and-without method. The fair value of the acquired trade name intangible assets was determined using the relief-from-royalty method.

Goodwill generated from this business combination is attributed to synergies between the Company and Cycuity's respective products and services. The Company does not have any tax basis in the total goodwill of \$31.0 million and the goodwill is non-deductible for income tax purposes. The Company recorded a one-time non-cash income tax benefit of \$4.1 million in the condensed consolidated statement of operations for the three months ended March 31, 2026, related to the release of a portion of the valuation allowance as a result of the acquired intangibles. The revenue and earnings of the acquired business have been included in the Company's results since the acquisition date.

Pro forma results of operations for the acquisition have not been presented because they are not material to the Company's consolidated results of operations.

8. INTANGIBLE ASSETS AND GOODWILL

Intangible assets, net

Intangible assets, net consisted of the following as of March 31, 2026 (in thousands):

| | Gross Fair Value | Accumulated Amortization | Net Book Value |
|------------------------|------------------|--------------------------|------------------|
| Developed technology | \$ 13,190 | \$ (2,815) | \$ 10,375 |
| Customer relationships | 10,130 | (1,253) | 8,877 |
| Trade name and other | 370 | (74) | 296 |
| Total intangibles | <u>\$ 23,690</u> | <u>\$ (4,142)</u> | <u>\$ 19,548</u> |

Intangible assets, net consisted of the following as of December 31, 2025 (in thousands):

| | Gross Fair Value | Accumulated Amortization | Net Book Value |
|------------------------|------------------|--------------------------|-----------------|
| Developed technology | \$ 3,590 | \$ (2,446) | \$ 1,144 |
| Customer relationships | 1,830 | (973) | 857 |
| Trade name and other | 200 | (33) | 167 |
| Total intangibles | <u>\$ 5,620</u> | <u>\$ (3,452)</u> | <u>\$ 2,168</u> |

Amortization expense of intangible assets were \$0.7 million and \$0.2 million for the three months ended March 31, 2026 and 2025, respectively.

The expected future amortization expense of these intangible assets as of March 31, 2026 is as follows (in thousands):

| Fiscal year ending December 31, | Amount |
|-----------------------------------|------------------|
| Remainder of 2026 | \$ 2,342 |
| 2027 | 2,942 |
| 2028 | 2,925 |
| 2029 | 2,749 |
| 2030 | 2,500 |
| Thereafter | 5,940 |
| Total future amortization expense | <u>\$ 19,398</u> |

Goodwill

Goodwill was \$35.2 million and \$4.2 million as of March 31, 2026 and December 31, 2025, respectively. No goodwill impairments were recorded during the three months ended March 31, 2026 and 2025.

9. LEASES

The Company leases its offices and data center hosting space at various locations under operating lease agreements expiring at various dates through 2035. Under the terms of these agreements, the Company also bears the costs for certain insurance, property tax, and maintenance. The terms of certain lease agreements provide for increasing rental payments at fixed intervals.

Total operating lease related costs were as follows (in thousands):

| | Three Months Ended March 31, | |
|-----------------------|---------------------------------|---------------|
| | 2026 | 2025 |
| Operating lease cost | \$ 404 | \$ 363 |
| Short-term lease cost | 30 | 26 |
| Total lease cost | <u>\$ 434</u> | <u>\$ 389</u> |

The weighted-average remaining term of the Company's operating leases was 5.1 years and 3.8 years as of March 31, 2026 and December 31, 2025, respectively. The weighted-average discount rate used to measure the present value of the operating lease liabilities was 7.0% as of March 31, 2026 and 10.0% as of December 31, 2025. Cash payments made related to operating lease liabilities were \$0.3 million for both the three months ended March 31, 2026 and 2025.

Maturities of operating lease liabilities as of March 31, 2026 were as follows (in thousands):

| Fiscal year ending December 31, | Amount |
|---|-----------------|
| Remainder of 2026 | \$ 1,337 |
| 2027 | 1,720 |
| 2028 | 1,291 |
| 2029 | 598 |
| 2030 | 419 |
| Thereafter | 1,283 |
| Total undiscounted cash flows | 6,648 |
| Less: imputed interest | (1,189) |
| Present value of lease liabilities | <u>\$ 5,459</u> |
| Operating lease liabilities, current | \$ 1,373 |
| Operating lease liabilities, noncurrent | 4,086 |
| Total lease liabilities | <u>\$ 5,459</u> |

In February 2026, the Company entered into an operating lease agreement for a larger office space in Biot, France with future lease payments of \$2.7 million. The lease commenced in March 2026 with a lease term of approximately 9.0 years.

10. BORROWINGS

Vendor financing arrangements—The Company has various vendor financing arrangements with extended payment terms on the purchase of software licenses and equipment. In order to determine the present value of the commitments, the Company used an imputed interest rate of 7.0%, which is an estimate based on the Company's collateralized borrowing rate.

Expected cash flows related to vendor financing arrangements as of March 31, 2026 were as follows (in thousands):

| Fiscal year ending December 31, | Amount |
|--|-----------------|
| Remainder of 2026 | \$ 870 |
| 2027 | 500 |
| Total undiscounted cash flows | 1,370 |
| Less: Imputed interest | (89) |
| Present value of vendor financing arrangements | <u>\$ 1,281</u> |
| Vendor financing arrangements, current | \$ 829 |
| Vendor financing arrangements, noncurrent | 452 |
| | <u>\$ 1,281</u> |

11. COMMITMENTS AND CONTINGENCIES

Indemnifications—The Company often enters into limited indemnification provisions in license agreements in the ordinary course of the Company's licensing business. Pursuant to these provisions, which are often inserted into license agreements in the semiconductor IP and software licensing industries, the Company agrees to indemnify, hold harmless, and reimburse the indemnified parties up to a capped amount for losses suffered or incurred by such indemnified parties due to third-party claims if such claims are determined to be caused by the Company. The term of these indemnification provisions is generally either for a term of years or perpetual, in each case beginning on the execution date of the agreement. The Company has also agreed to indemnify under indemnity agreements with its directors and officers, to the extent legally permissible, against liabilities incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or officer, other than certain liabilities arising from willful misconduct of the individual.

The Company has incurred no actual payment obligations from these above-noted indemnification provisions and director and officer indemnity agreements for the three months ended March 31, 2026 and 2025 and the unaudited condensed consolidated financial statements do not include liabilities for any potential indemnity-related obligations as of March 31, 2026 and December 31, 2025.

Legal—The Company has been and will continue to be subject to legal proceedings and claims.

In the normal course of business, the Company may receive inquiries or become involved in legal disputes regarding such litigation matters. The resolution of these matters often develops over time and expectations can change as a result of new findings, rulings, appeals or settlement arrangements. These matters are subject to inherent uncertainties and management's view of these matters may change in the future. Pursuant to ASC 450, Contingencies, the Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter.

Significant judgment is required in both the determination of probability and determination as to whether a loss is reasonably estimable. Intellectual property claims are inherently unpredictable and may have a material adverse effect on the Company's financial position, results of operations, or cash flows. Due to the inherent uncertainties and complex technical issues arising from this or any intellectual property litigation, the Company cannot predict or guarantee any result of, and cannot reasonably estimate liability if any, or range of loss that could result from such intellectual property litigation. Future revisions to such estimates could materially impact the Company's results.

In December 2022, the Company received notice of a complaint filed by Network System Technologies, LLC (NST) against the Company and another defendant in the semiconductor industry in the United States District Court for the Western District of Texas alleging intellectual property infringement of certain NST products. Additional complaints were filed in the Eastern District of Texas against certain companies, including some customers of the Company. On September 4, 2024, the court in the Western District of Texas dismissed all claims against the Company without prejudice. The court will maintain jurisdiction solely for the purpose of enforcing discovery in relation to the remaining defendant's litigation. As of March 31, 2026, no new claims against the Company in connection with this matter have been made, nor have any new customer indemnity claims been received. The Company will continue to monitor this matter.

On October 14, 2025, NST filed new patent infringement complaints against three customers of the Company. The Company is not a named party to these lawsuits, however the complaints refer to the Company's interconnect technology. As of March 31, 2026, the Company has denied all claims for indemnification, and it is not possible to determine the potential costs and legal expenses or the extent of any further customer indemnity claims. The Company will continue to monitor this matter.

The Company has no material contractual non-cancelable commitments as of both March 31, 2026 and December 31, 2025.

12. COMMON STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

Holders of common stock are entitled to one vote per share and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to common stockholders. The common stock has no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. Common stock is subordinate to the preferred stock with respect to dividend rights and rights upon liquidation, winding-up, and dissolution of the Company. In connection with its Initial Public Offering in October 2021, the Company amended and restated its certificate of incorporation to authorize 300,000,000 shares of common stock.

Stock Repurchases

There were no repurchased shares for both the three months ended March 31, 2026 and 2025.

Sales of Common Stock Under At-the-Market Offering

In December 2025, the Company filed a Registration Statement on Form S-3 covering the offering of up to \$200.0 million of common stock, preferred stock, debt securities, warrants and units, which was declared effective by the SEC on December 23, 2025 (the S-3 Registration Statement). On December 11, 2025, the Company also entered into an Open Market Sales Agreement (the Sales Agreement) with Jefferies LLC as sales agent to sell shares of the Company's common stock, from time to time, with aggregate gross sales proceeds of up to \$75.0 million pursuant to the S-3 Registration Statement as an "at-the-market" offering under the Securities Act (the 2025 ATM Offering Program). During the three months ended March 31, 2026, the Company utilized the 2025 ATM Offering Program and sold 69,636 shares of common stock for gross proceeds of \$1.2 million, before deducting commissions and offering-related costs of \$0.7 million. Net proceeds of \$0.5 million from these sales were recorded in additional paid-in capital within stockholders' equity.

13. STOCK-BASED COMPENSATION PLANS AND STOCK-BASED COMPENSATION

2021 Stock Plan

The Company adopted the 2021 Incentive Award Plan (the 2021 Plan) effective October 26, 2021. The 2021 Plan provides for a variety of stock-based compensation awards, including stock options, SARs, restricted stock awards, RSUs, performance bonus awards, performance stock unit awards, dividend equivalents, or other stock or cash based awards.

Following the effectiveness of the 2021 Plan, the Company will not make any further grants under the Arteris, Inc. 2016 Incentive Plan (the 2016 Plan). However, the 2016 Plan will continue to govern the terms and conditions of the outstanding awards granted under this plan. Shares of common stock subject to awards granted under the 2016 Plan that are forfeited or lapse unexercised and withheld to cover taxes which following the effective date of the 2021 Plan are not issued under the 2016 Plan will be available for issuance under the 2021 Plan.

On November 13, 2025, the Company approved a PSU agreement for use in connection with the granting of PSUs under the 2021 Incentive Award Plan.

2022 Employment Inducement Incentive Plan

The Company adopted the 2022 Employment Inducement Incentive Plan (the 2022 Inducement Plan) effective November 3, 2022, pursuant to which it reserved 2,000,000 shares of its common stock. In February 2026, the 2022 Inducement Plan was amended and restated to increase the common stock available for issuance under the plan to 3,603,403 shares. The 2022 Inducement Plan provides for a variety of stock-based compensation awards, including stock options, SARs, restricted stock awards, restricted stock unit awards, performance bonus awards, performance stock unit awards, dividend equivalents, or other stock and cash-based awards. Awards under the 2022 Inducement Plan can only be made to newly hired employees.

Stock Options

The aggregate intrinsic value of the options exercised for the three months ended March 31, 2026 and 2025 was \$0.9 million and \$1.3 million, respectively. The total grant-date fair value of options vested was \$0.2 million and \$0.1 million for the three months ended March 31, 2026 and 2025.

As of March 31, 2026, there was \$1.6 million of unamortized stock-based compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.4 years.

Restricted and Performance Stock Units and Awards

The following table summarizes the restricted and performance stock unit activities under the 2016 Plan, the 2021 Plan and the 2022 Inducement Plan:

| | Restricted Stock Units | |
|----------------------------|------------------------|--|
| | Number of Shares | Weighted-Average Grant Date Fair Value |
| Unvested—December 31, 2025 | 4,355,001 | \$ 7.68 |
| Granted | 1,021,361 | \$ 16.70 |
| Vested | (507,802) | \$ 7.73 |
| Canceled | (51,305) | \$ 9.24 |
| Unvested—March 31, 2026 | 4,817,255 | \$ 9.57 |

The Company granted 952,513 and 440,166 restricted stock units during the three months ended March 31, 2026 and 2025, respectively. The total grant-date fair value of restricted stock units vested was \$3.9 million and \$3.7 million during the three months ended March 31, 2026 and 2025, respectively. As of March 31, 2026, there was \$39.6 million of unamortized stock-based compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted-average period of 2.9 years.

The Company granted 68,848 PSUs to its executive officers during the three months ended March 31, 2026. As of March 31, 2026, there was \$1.3 million of unamortized stock-based compensation cost related to unvested performance stock units, which is expected to be recognized over a weighted-average period of 2.9 years.

The PSUs are eligible to vest based on the relative performance of the Company's common stock (Total Stockholder Return or TSR), compared to the performance of the RUSSELL 2000 Index (the Index), during the specified three-year performance period. The PSUs have a payout percentage in the range of 0% to 200% of the recipient's target award, which is calculated based on the difference between the Company's TSR and the Index TSR over the three-year performance period, subject to the recipient's continuous employment with the Company through the third anniversary of the award's grant date. The payout will be capped at 100% if the Company's TSR is negative.

The fair value of PSUs granted is estimated using the Monte Carlo simulation model, which uses (i) a risk-free interest rate based on the U.S. Treasury zero coupon issues for an equivalent expected term of PSUs; (ii) simulation term based on the performance period; (iii) historical volatilities of the Company's common stock and that of the Index; (iv) correlation coefficients between the Company and the Index; and (v) an expected dividend yield of zero as the Company has never declared or paid any cash dividend and does not currently plan to pay a cash dividend in the foreseeable future.

Stock-based Compensation

Stock-based compensation expense is recorded on a departmental basis, based on the classification of the award holder. The following table presents the amount of stock-based compensation related to stock-based awards to employees on the Company's unaudited condensed consolidated statements of operations (in thousands):

| | Three Months Ended March 31, | |
|--------------------------------|---------------------------------|----------|
| | 2026 | 2025 |
| Cost of revenue | \$ 321 | \$ 205 |
| Research and development | 2,256 | 1,973 |
| Sales and marketing | 1,383 | 969 |
| General and administrative | 1,551 | 1,166 |
| Total stock-based compensation | \$ 5,511 | \$ 4,313 |

14. EQUITY METHOD INVESTMENT

On February 21, 2022, Arteris IP (Hong Kong) Ltd. (AHK), a wholly-owned subsidiary of the Company, entered into a Share Purchase and Shareholders Agreement (the SPA) with certain investors and Ningbo Transchip Information Consulting Partnership (Limited Partnership) (Management Co) pursuant to which, the Company, certain investors and Management Co subscribed to the registered capital of Transchip Technology (Nanjing) Co., Ltd. (Transchip).

In September 2025, Transchip entered into a convertible bond investment agreement along with certain investors, under which Transchip received approximately \$5.6 million as a loan in October 2025. Pursuant to the convertible bond investment agreement, the loan will be converted into Transchip's equity upon the fulfillment of certain conditions, which will result in a dilution of the Company's ownership in Transchip. The Company did not provide funding under this agreement.

In February 2026, Transchip granted stock awards to certain of its employees. After Transchip's grant of the stock awards, the Company's ownership of Transchip's registered capital based on issued and outstanding shares decreased from 42.7% as of December 31, 2025 to 36.9% as of March 31, 2026. The Company's ownership interest of Transchip's registered capital was 35.0% on a fully diluted basis as of March 31, 2026.

The Company records its proportionate share of loss in its equity method investment in Transchip on a one-quarter lag and evaluates and records adjustments for material intervening events occurring during the lag period. During the three months ended March 31, 2026, Transchip recognized stock-based compensation expense associated with the February 2026 stock awards. The Company determined that its share of this expense, totaling \$2.3 million, constituted a material intervening event and, accordingly, recorded its proportionate share of such expense for the three months ended March 31, 2026.

The Company's loss from its proportionate share of its equity method investment in Transchip was \$3.0 million and \$0.8 million for the three months ended March 31, 2026 and 2025, respectively. As of March 31, 2026, there was no carrying value associated with the equity method investment in Transchip.

15. INCOME TAXES

Beginning with the three months ended March 31, 2026, the Company's tax provision for interim periods was determined using a discrete effective tax rate method, as allowed by ASC Topic 740-270, Income Taxes, Interim Reporting. The Company's tax provision for interim periods was previously determined using an estimated annual effective tax rate which was adjusted for discrete items occurring during the periods presented. The Company determined that due to the sensitivity of the estimated annual effective tax rate to changes in withholding taxes, the use of the historical method would not provide a reliable estimate for the three months ended March 31, 2026.

The Company's effective tax rate was 39.5% and (3.4)% for the three months ended March 31, 2026 and 2025, respectively. The Company's effective tax rate for the \$3.7 million income tax benefit for the three months ended March 31, 2026 varied from the statutory tax rate primarily due to the partial valuation allowance release in connection with the Cycuity acquisition and foreign tax rate differentials. The effective tax rate for the \$0.3 million income tax expense for the three months ended March 31, 2025 varied from the statutory tax rate due to the geographic mix of worldwide earnings which are taxed at different rates and the impact of losses in jurisdictions with full valuation allowances.

The Company's management continuously evaluates the need for a valuation allowance and, as of March 31, 2026, concluded that a full valuation allowance on its federal, state, and certain foreign jurisdictions deferred tax assets was still appropriate.

16. RELATED PARTY TRANSACTIONS

The Company defines related parties as directors, executive officers, nominees for director and stockholders that have significant influence over the Company, or are a greater than 10% beneficial owner of the Company's capital and their affiliates or immediate family members. Transchip, an equity method investee of the Company, is also deemed as a related party.

On November 15, 2024, the Company entered into a design services licensing collaboration agreement with Transchip. This arrangement gives Transchip a non-exclusive license right to make design house offerings using certain of the Company's products. The Company retains the manufacturing and royalty-related rights in relation to the Company's products used in the design house offerings.

During the three months ended March 31, 2025, the Company delivered a three-year term license to Transchip under this arrangement. The Company received payment recorded as accounts receivable of \$0.7 million and recognized revenue of \$0.1 million during the three months ended March 31, 2026.

K. Charles Janac, the Company's Chief Executive Officer, invested \$0.3 million of his own funds in a private equity financing of an AI chatbot startup, Biflow AI Inc., (Biflow). Following his investment, Mr. Janac controls less than 5% of the outstanding equity of Biflow, on an as converted basis. In addition, Mr. Janac is also an advisor to Biflow. Biflow was co-founded by a son of one of the Company's employees, an executive vice president. In September 2025, the Company entered into a separately negotiated agreement with Biflow to provide chatbot services and paid \$10,000 to Biflow under the agreement during the three months ended March 31, 2026. In April 2026, the Company entered into an amendment to the September 2025 agreement with Biflow to provide additional services to the Company for an amount of \$0.1 million through March 2027.

17. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in one reportable segment, as more fully described in Note 2. The Company's CODM reviews and allocates resources using the Company's financial performance, primarily the net loss presented in the consolidated statements of operations. Other financial performance measures include Annual Contract Value (ACV), ACV plus royalties and remaining performance obligations. The CODM is regularly provided with only the consolidated expenses as noted on the face of the consolidated statements of operations, that are considered as significant expenses. Interest expense and other income (expense), net as presented in the consolidated statements of operations are not considered as significant expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included under Part I, Item 1 in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2025 included in the Annual Report on Form 10-K for the year ended December 31, 2025 (2025 Form 10-K). This discussion and analysis contains forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and projections. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under the heading "Risk Factors" in this Quarterly Report on Form 10-Q. You should carefully read the "Risk Factors" section of this Quarterly Report on Form 10-Q to gain an understanding of the important factors that could cause actual results to differ materially from forward-looking statements. Please also see the section under the heading "Cautionary Note Regarding Forward-Looking Statements" in the 2025 Form 10-K.

Unless the context otherwise requires, all references in this report to "we," "us," "our," the "Company," and "Arteris" refer to Arteris, Inc. and its subsidiaries.

Overview

We are a leading provider of semiconductor system IP, including interconnect and other intellectual property (collectively, System IP) technology. Our System IP technology manages on-chip communications and IP block deployments by helping to enable the underlying data movement across chiplets, single-die and multi-die System-on-Chip (SoC) semiconductors. Our leading proprietary System IP solutions achieve this by connecting various semiconductor IP blocks such as processors, memory and logic via multiple Network-on-Chips (NoCs) in order for our customers to meet functional design goals as well as performance and power requirements, while addressing design complexity with efficient and lower cost solutions.

Our SoC Integration Automation software solutions, which were significantly enhanced by our acquisitions of Magillem Design Services S.A. (Magillem) in 2020, Semifore, Inc., (Semifore) in 2022 and Cycuity, Inc. (Cycuity) in 2026, complement our interconnect IP solutions by helping to automate not only the customer configuration of its NoC interconnect but also the process of integrating and assembling all of the customer's IP blocks into an SoC. Products incorporating our IP are used to carry most of the important data inside complex SoCs for sophisticated applications, including aerospace and defense, automotive, communications, consumer electronics, enterprise computing, and industrial markets.

As of March 31, 2026, we had 353 employees and offices in eleven locations in the United States, France, China, South Korea, Japan, Taiwan and Poland. For the three months ended March 31, 2026, we generated revenue of \$22.9 million, net loss of \$8.0 million, and net loss per share, basic and diluted of \$0.17. As of March 31, 2026, we had Annual Contract Value (as defined below) and Annual Contract Value plus royalties of \$84.9 million and \$92.8 million, respectively. During the three months ended March 31, 2026, we had 25 Confirmed Design Starts (as defined below).

Acquisitions

On January 14, 2026, we completed the acquisition of Cycuity for a total consideration of approximately \$43.1 million. The addition of Cycuity's technology and expertise strengthens our product portfolio, enabling chip designers to understand and improve data movement security in chiplets and SoCs, and addresses a growing industry concern about the increasing volume of sophisticated cyberattacks targeting the vast amounts of unsecured data moving through semiconductors.

Factors Affecting Our Business

We believe that the growth of our business and our future success are dependent upon many factors including those described under "Risk Factors" and elsewhere in this report, in addition to those described below. While each of these factors presents significant opportunities for us, these factors also pose challenges that we must successfully address in order to sustain the growth of our business and enhance our results of operations.

License Agreements with New and Existing Customers

Our ability to generate revenue from new license agreements, and the timing of such revenue, is subject to a number of factors, risks and contingencies. For new products, the time from initial development until we generate license revenue can be lengthy, typically between one and three years. In addition, because the selection process by our customers is typically lengthy and market requirements and alternative solutions available to customers for IP-based products change rapidly, we may be required to incur significant research and development expenditures in pursuit of new products over extended, multi-year periods of time with no assurance that our solutions will be successfully developed or ultimately selected by our customers. While we make efforts to observe market demand and market need trends, we cannot be certain that our investment in developing and testing new products will generate an adequate rate of return in the form of fees, royalties or other revenues, or any revenues. Moreover, the customer acquisition process has a typical duration of six to nine months; following this, a customer's chip design cycle is typically between one to three years and may be delayed due to factors beyond our control, which may result in our customer's product not reaching the market until long after we entered into a contract with such customer. Customers typically start shipping their products using our interconnect IP solutions between one to five years following completion of their product design, known as mass production, at which point we start to receive royalties; this typically lasts for up to seven years depending on the particular market. Any significant delay in the ramp-up of volume production of the customers' products into which our product is designed could adversely affect our business due to delayed or significantly reduced revenues. Further, because the average selling prices of our products may decline over time, we consider new license agreements and new product launches to be critical to our future success and anticipate that for our newer products, we are and will remain highly dependent on market demand timing and revenue from new license agreements.

End Customer Product Demand and Market Conditions

Demand for our interconnect IP solutions and associated royalty revenue is highly dependent on market conditions in the end markets in which our customers operate. These end markets, which include the automotive, enterprise computing, communications, artificial intelligence and machine learning, consumer electronics, and industrial markets, are subject to a number of factors including end-product acceptance and sales, competitive pressures, supply chain issues and general market conditions. For example, our revenue has been supported by the increased need for more complex SoCs to enable sophisticated automated driving. If the demand in this market continues to grow, we anticipate it will continue to have a positive impact on our revenue. In contrast, if general market conditions deteriorate or other factors occur, such as supply chain issues and global trade restrictions resulting in fewer semiconductors utilizing our IP solutions being available for sale, our revenue would be adversely affected. Further, royalty revenue can be significantly impacted period to period due to changing trends in consumer spending, especially as it relates to the automotive, computing and consumer electronics markets.

Terms of our Agreements with Customers

Our revenue from period to period can be impacted by the terms of the agreements we enter into with our customers. As a result of how these contracts are structured and the revenue is recognized, our revenue in the three months ended March 31, 2026 may not be comparable to future periods if we do not enter into similar contractual agreements. Further, a meaningful percentage of our revenue is generated through royalty payments. Because the time between a new license agreement win and the customer's end product being sold can be substantial, with sales of the end product being subject to a number of factors outside our control, our revenue from royalties is difficult to predict. As a result of the foregoing, revenue may fluctuate significantly from period to period and any increase or decrease in such revenue may not be indicative of future period-to-period increases or decreases.

Technological Development and Market Growth

We believe our growth has been and will continue to be driven by technology trends in our end markets. For example, the requirements of smaller die size, chiplet and multi-chip package design, lower power consumption, and a higher frequency of operation and management of critical net latency in a timely and cost-effective manner for on-chip processing in the automotive, enterprise computing, communications, consumer electronics, and industrial markets have resulted in increased SoC design complexity for chips used in these markets. This trend in turn has created increased demand for in-licensing commercial semiconductor design IP, which in turn has positively impacted our revenue and growth.

In order to address rapid technological developments and expand our offerings, we have invested significantly in our research and development efforts. These investments, which continue to include growth in engineering headcount, have resulted in substantially increased research and development expenses. As we continue to invest in our technology and new product design efforts, we anticipate research and development expense will continue to increase on an absolute basis and as a percentage of revenue in the near term. In the medium to longer term, however, while we expect to increase our research and development expense on an absolute basis, we expect this expense to reduce as a percentage of revenue.

We will continue to evaluate growth opportunities through acquisitions of other businesses.

Impact of Operating Globally

We believe our products' global footprint provides us with the opportunity to enter new markets and accelerate our growth. For the three months ended March 31, 2026, 58.5% of our revenue was derived from sales to customers outside of the United States and 23.8% of our revenue was derived from customers located in China, respectively. For 2025, 60.3% of our revenue was derived from sales to customers outside of the United States and 24.5% of our revenue was derived from customers located in China. While we believe operating internationally has beneficially impacted our results of operations, we are subject to inherent risks attributed to operating in a global economy. Further, our international operations have been, and may in the future continue to be, subject to restrictive government regulations. For example, U.S. export regulations, including regulations announced on October 7, 2022 (as further amended), that impose broad end-use and other restrictions on doing business with certain customers and facilities in China that develop or produce semiconductor chips or manufacturing equipment, may limit or adversely impact our ability to license or support our products to entities in or doing business with certain advanced AI or "supercomputer" design companies, foundries and manufacturers of assemblies and components in China. As a result of these restrictions, our customers may experience changes to or delays in their design projects, and we may face challenges to maintain our revenue and/or our revenue may decrease. Additionally, changes in legislation and regulation as well as the implementation of executive orders and other actions in the United States and other countries, including new trade policies and the imposition of tariffs, may increase costs or make it more difficult to export our products to certain countries.

Further, our global footprint and operations expose us to currency exchange rate movements given we have significant operating expenses denominated in foreign currencies. If the volume of our international operations remains the same or increases and foreign currency exchange rates change, especially the Euro, the impact to our consolidated statements of operations could be significant and may affect the comparability of operating results from period to period.

Cyclical Nature of the Semiconductor Industry

The semiconductor industry in which our customers operate is highly cyclical and is characterized by increasingly rapid technological change, regulatory uncertainty, product obsolescence, competitive pricing pressures, evolving industry standards, short product life cycles, and fluctuations in product supply and demand. New technology may result in sudden changes in system designs or platform changes that may render some of our IP solutions obsolete and require us to devote significant research and development resources to compete effectively. Periods of rapid growth and capacity expansion are occasionally followed by significant market corrections in which our customers' sales decline, inventories accumulate, and facilities go underutilized. During an expansion cycle, we may increase research and development hiring to add to our product offerings or spend more on sales and marketing to acquire new customers. During periods of slower growth or industry contractions, our sales generally suffer due to a decrease in customers' Confirmed Design Starts or in sales of our customers' products.

Key Performance Indicators

We use the following key performance indicators to analyze our business performance and financial forecasts and to develop strategic plans, which we believe provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team. These key performance indicators are presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles in the United States (GAAP), and may differ from similarly titled metrics or measures used by other companies, securities analysts, or investors.

Annual Contract Value

We define Annual Contract Value (ACV) for an individual customer agreement as the total fixed fees under the agreement divided by the number of years in the agreement term. Our total ACV is the aggregate ACVs for all our customers as measured at a given point in time. Total fixed fees include licensing, support and maintenance and other fixed fees under IP licensing or software licensing agreements but exclude variable revenue derived from licensing agreements with customers, particularly royalties. ACV was \$84.9 million and \$62.1 million as of March 31, 2026 and 2025, respectively. In addition, total ACV plus royalties was \$92.8 million and \$66.8 million as of March 31, 2026 and 2025, respectively. ACV plus royalties is calculated based on ACV and the trailing-twelve-months variable royalties and other revenue. We monitor ACV to measure our success and believe the increase in the number shows our progress in expanding our customers' adoption of our platform. We believe ACV provides investors with useful information to assess the strength and trajectory of our business as growth demonstrates the expansion of customer adoption of our platform. ACV fluctuates due to a number of factors, including the timing, duration and dollar amount of customer contracts.

Confirmed Design Starts

We define Confirmed Design Starts as when customers confirm their commencement of new semiconductor designs using our interconnect IP and notify us. Confirmed Design Starts is a metric management uses to assess the activity level of our customers in terms of the number of new semiconductor designs that are started using our interconnect IP in a given period. Our interconnect IP and NoC interface IP customer base contributed to a total of 25 and 17 design starts during the three months ended March 31, 2026 and 2025, respectively. We believe that the number of Confirmed Design Starts is an important indicator of the growth of our business and future royalty revenue trends.

Remaining Performance Obligations

We define Remaining Performance Obligations (RPO) as the amount of contracted future revenue that has not yet been recognized, including deferred revenue, billed and unbilled cancelable and non-cancelable contracted amounts.

The RPO amount is intended to provide visibility into future revenue streams. We expect RPO to fluctuate up or down from period to period for several reasons, including variations in amounts, timing, and duration of customer contracts, as well as the timing of billing cycles for each contract. Our RPO was \$118.3 million and \$88.9 million as of March 31, 2026 and 2025, respectively.

Components of Our Results of Operations

Revenue: Our revenue is primarily derived from licensing intellectual property, licensing software, support and maintenance services, professional services, training services, and royalties. Our agreements often include other service elements including training and professional services.

Our interconnect solutions product arrangements provide customers the right to software licenses, services, and support and maintenance. We enter into licensing arrangements with customers that typically range from two to three years and generally consist of delivery of a design license that grants the customer the right to use the IP to design a contractually defined number of products, a right to access the benefits of its proprietary software tool (RTL), and support and maintenance services that provide the customer a significant benefit from ongoing access to Corporate Application Engineers (CAE) and Field Application Engineers (FAE) (collectively, Application Engineering Support Services) to perform certain verifications including benchmark performance, simulations and ultimately, through the RTL, instantiate designs into silicon over the design term.

Application Engineering Support Services are integral and fundamental to the customer's ability to derive its intended benefit from the IP. Besides Application Engineering Support Services, support and maintenance services also consist of a stand-ready obligation to provide technical support and software updates over the support term. Generally, the first year of technical support and software updates are bundled with and into the license fee with a customer option to renew additional years of support throughout the license term. However, we typically continue to provide technical support and software updates throughout the license term even if the customer does not renew these services in subsequent years, making the license term and support and maintenance term co-terminus.

Revenues that are derived from the sale of a licensee's products that incorporate our IP are classified as royalty revenues. Royalty revenues are recognized during the quarter in which the sale of the product incorporating the IP occurs. Royalties are calculated either as a percentage of the revenues received by a licensee's sale of products incorporating the IP or on a per unit basis, as specified in the agreements with the licensees. For the majority of our royalty revenues, we receive the actual sales data from our customers after the quarter ends and account for it as unbilled receivables. When we do not receive actual sales data from the customer prior to the finalization of our financial statements, royalty revenues are recognized based on our estimation of the customer's sales during the quarter.

Our SoC Integration Automation software products and CSRCompiler product arrangements provide customers with the right to software licenses, software updates and technical support. The software licenses are time-based with terms generally ranging from one to three years. These arrangements generally have two distinct performance obligations for us that consist of transferring the licensed software and the support and maintenance service. Support and maintenance services consist of a stand-ready obligation to provide technical support and software updates over the support term. The majority of our SoC Integration Automation software solutions contracts include termination rights that allow the customer to cancel and receive a pro-rata refund on support and maintenance services at the end of each month of the contract period, which results in a ratable recognition of the related license revenue over the contract term. We record obligations for refunds in accrued expenses and other current liabilities on the consolidated balance sheets.

Our hardware security verification software product arrangements provide customers the right to software licenses, software updates and technical support. The software licenses are time-based licenses with terms generally ranging from one to three years and generally provide the customer with limited rights to receive certain quantities of licensed software. In addition to the licenses, the arrangements also include: support and maintenance services, provided by Application Engineering Support Services, which includes providing frequent updates and upgrades to maintain the utility of the software due to rapid changes in technology. Updates are generally made available throughout the entire term of the arrangement. The updates provide continued access to evolving technology as customers' designs migrate to more advanced nodes and as customers' technological requirements evolve. We concluded that our hardware security verification software product licenses are not distinct from our obligation to provide unspecified software updates to the licensed software throughout the license term. Such updates represent inputs to a single, combined performance obligation, commencing upon the later of the arrangement effective date or transfer of control to the software license, leading to ratable recognition of the related license revenue over the contract term.

Cost of revenue: Cost of revenue relates to costs associated with our licensing agreements and support and maintenance, including applicable application engineers' personnel-related costs such as stock-based compensation, travel, amortization of developed technology acquired intangibles and allocated overhead.

In addition, certain third-party subcontractor expenses are included in cost of revenue when we have determined we act as the principal, maintaining primary responsibility for fulfillment and control over the services provided prior to transfer to the customer. We expect cost of revenue as a percentage of revenue to modestly decline over time due to productivity improvements of our application engineering processes.

Allocation of Overhead Costs: Overhead costs that are not substantially dedicated for use by a specific functional group are allocated based on headcount. Such costs include costs associated with office facilities, depreciation of property and equipment, certain support function personnel costs and other expenses.

Research and development (R&D) expenses: R&D expenses consist primarily of salaries and associated personnel-related costs, facilities expenses associated with research and development activities, third-party project-related expenses connected with the development of our intellectual property which are expensed as incurred, stock-based compensation expense and other allocated costs. We expect R&D expenses to increase in absolute terms over the long term, and as a percentage of revenue in the short term. We expect R&D expenses to decrease as a percentage of revenue as certain new products are launched in the medium to long term.

Sales and marketing (S&M) expenses: S&M expenses consist primarily of salaries, commissions, travel and other costs associated with S&M activities, as well as advertising, trade show participation, public relations and other marketing activities, stock-based compensation expense and other allocated costs. We expect S&M expenses to increase in absolute terms but decrease as a percentage of revenue due to productivity improvements of our sales processes.

General and administrative (G&A) expenses: G&A expenses consist primarily of salaries for management and administrative employees, depreciation, insurance costs, accounting, legal and consulting fees, other professional service fees, expenses related to the development of corporate initiatives and facilities expenses associated with G&A activities stock-based compensation expense, fees for directors and other allocated costs.

We expect G&A expenses to increase as our business grows. In addition, we expect G&A expenses as a percentage of revenue to vary from period to period but generally decrease over the long term.

Acquisition related costs: Acquisition related costs include advisory, legal, accounting, valuation, other professional or consulting fees and integration costs incurred towards our acquisitions.

Interest expense: Interest expense consists primarily of interest expense on our vendor financing arrangements.

Other income (expense), net: Other income (expense), net consists primarily of interest income earned on our cash and cash equivalents and available-for-sale investments, gains and losses from foreign currency exchange, gain on deconsolidation of subsidiary, realized gains and losses from available-for-sale investments as well as deferred income.

Loss from equity method investment: Loss from equity method investment consists of our proportionate share of net losses from our equity method investee.

Provision for (benefit from) income taxes: Our income tax provision consists primarily of income taxes in certain foreign jurisdictions in which we conduct business and includes foreign non-recoverable withholding taxes. We have a full valuation allowance against our U.S. federal and state deferred tax assets as the realization of the full amount of these deferred tax assets is uncertain, including net operating loss carryforwards and tax credits related primarily to research and development. We expect to maintain this full valuation allowance until it becomes more likely than not that the deferred tax assets will be realized.

Results of Operations

The following table summarizes our GAAP results of operations for the periods presented. The results below are not necessarily indicative of results to be expected for future periods.

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2026 | 2025 |
| | <i>(in thousands)</i> | |
| Total revenue | \$ 22,936 | \$ 16,532 |
| Cost of revenue (1) | 3,250 | 1,526 |
| Gross profit | 19,686 | 15,006 |
| Operating expenses: | | |
| Research and development (1) | 14,457 | 11,862 |
| Sales and marketing (1) | 8,530 | 6,529 |
| General and administrative (1) | 5,415 | 4,323 |
| Acquisition related costs | 584 | — |
| Total operating expenses | 28,986 | 22,714 |
| Loss from operations | (9,300) | (7,708) |
| Interest expense | (38) | (48) |
| Other income (expense), net | 670 | 718 |
| Loss before income taxes and loss from equity method investment | (8,668) | (7,038) |
| Loss from equity method investment, net of tax | 2,989 | 815 |
| Loss before income taxes | (11,657) | (7,853) |
| Provision for (benefit from) income taxes | (3,698) | 268 |
| Net loss | \$ (7,959) | \$ (8,121) |

(1) Includes stock-based compensation expense as follows:

| | Three Months Ended March 31, | |
|--------------------------------|---------------------------------|----------|
| | 2026 | 2025 |
| | <i>(in thousands)</i> | |
| Cost of revenue | \$ 321 | \$ 205 |
| Research and development | 2,256 | 1,973 |
| Sales and marketing | 1,383 | 969 |
| General and administrative | 1,551 | 1,166 |
| Total stock-based compensation | \$ 5,511 | \$ 4,313 |

The following table summarizes our results of operations as a percentage of total revenue for each of the periods indicated:

| | Three Months Ended March 31, | |
|---|---|-------|
| | 2026 | 2025 |
| | <i>(as a percentage of total revenue)</i> | |
| Total revenue | 100 % | 100 % |
| Cost of revenue | 14 | 9 |
| Gross profit | 86 | 91 |
| Operating expenses: | | |
| Research and development | 63 | 72 |
| Sales and marketing | 37 | 39 |
| General and administrative | 24 | 26 |
| Acquisition related costs | 3 | — |
| Total operating expenses | 127 | 137 |
| Loss from operations | (41) | (46) |
| Interest expense | — | — |
| Other income (expense), net | 3 | 4 |
| Loss before income taxes and loss from equity method investment | (38) | (42) |
| Loss from equity method investment, net of tax | 13 | 5 |
| Loss before income taxes | (51) | (47) |
| Provision for (benefit from) income taxes | (16) | 2 |
| Net loss | (35)% | (49)% |

Comparison of the Three Months Ended March 31, 2026 and 2025

Revenue

| | Three Months Ended March 31, | | Change | |
|------------------------------------|---------------------------------|-----------|----------|-------|
| | 2026 | 2025 | \$ | % |
| | <i>(dollars in thousands)</i> | | | |
| Licensing, support and maintenance | \$ 19,272 | \$ 15,335 | \$ 3,937 | 26 % |
| Variable royalties | 2,503 | 1,167 | 1,336 | 114 % |
| Professional services and other | 1,161 | 30 | 1,131 | * |
| Total | \$ 22,936 | \$ 16,532 | \$ 6,404 | 39 % |

*Not meaningful

Revenue from licensing, support and maintenance increased \$3.9 million for the three months ended March 31, 2026, compared to the three months ended March 31, 2025. The increase was primarily due to the addition of new customers, new license arrangements with existing customers, and revenue for hardware security verification products that were introduced as part of the Cycuity acquisition. Growth in our variable royalty revenue was primarily due to an increase in product sales by certain existing customers, and the addition of new customers. The increase in professional services and other revenue during the three months ended March 31, 2026 was primarily due to revenue generated from hardware security verification services performed under contract with the U.S. government, a significant portion of which was delivered by third-party subcontractors. These subcontractor arrangements were introduced as part of the Cycuity acquisition, as a result, there was no comparable revenue from such services during the three months ended March 31, 2025.

Cost of revenue

| | Three Months Ended March 31, | | Change | |
|-----------------|---------------------------------|----------|----------|-------|
| | 2026 | 2025 | \$ | % |
| | <i>(dollars in thousands)</i> | | | |
| Cost of revenue | \$ 3,250 | \$ 1,526 | \$ 1,724 | 113 % |

Cost of revenue increased by \$1.7 million, or 113%, for the three months ended March 31, 2026 from \$1.5 million for the three months ended March 31, 2025. The increase in cost of revenue was primarily due to the use of third-party subcontractors fulfilling our U.S. government contracts, which were acquired as part of the Cycuity acquisition. We also incurred higher employee-related expenses, mainly driven by increased headcount of our application engineers.

Operating expenses

| | Three Months Ended March 31, | | Change | |
|----------------------------|---------------------------------|-----------|----------|------|
| | 2026 | 2025 | \$ | % |
| | <i>(dollars in thousands)</i> | | | |
| Research and development | \$ 14,457 | \$ 11,862 | \$ 2,595 | 22 % |
| Sales and marketing | 8,530 | 6,529 | 2,001 | 31 % |
| General and administrative | 5,415 | 4,323 | 1,092 | 25 % |
| Acquisition related costs | 584 | — | 584 | * |
| Total operating expenses | \$ 28,986 | \$ 22,714 | \$ 6,272 | 28 % |

* Not meaningful

Research and development expenses

R&D expenses increased, \$2.6 million, or 22%, to \$14.5 million for the three months ended March 31, 2026 from \$11.9 million for the three months ended March 31, 2025. The increase in R&D expenses was primarily due to our investments in next generation products. We incurred higher employee-related costs of \$2.3 million, including stock-based compensation expense, reflecting increased headcount from our acquisition of Cycuity, and higher professional fees of \$0.3 million. We also incurred higher amortization expense of \$0.2 million related to intangible assets recorded from our acquisition of Cycuity. These increases were largely offset by higher R&D tax credits and grants of \$0.6 million granted to our subsidiary in France.

Sales and marketing expenses

S&M expenses increased \$2.0 million or 31%, to \$8.5 million for the three months ended March 31, 2026 from \$6.5 million for the three months ended March 31, 2025. The increase in S&M expenses was primarily due to higher employee-related costs of \$1.4 million, including stock-based compensation expense, mainly driven by increased headcount to support growth of our business and reflecting increased headcount from our acquisition of Cycuity. We also incurred higher amortization expense of \$0.3 million related to intangible assets recorded from our acquisition of Cycuity.

General and administrative expenses

G&A expenses increased \$1.1 million or 25%, to \$5.4 million for the three months ended March 31, 2026 from \$4.3 million for the three months ended March 31, 2025. The increase in G&A expenses was primarily due to higher employee-related costs of \$0.9 million, including stock-based compensation expense, mainly driven by increased headcount to support the growth of our business and reflecting increased headcount from our acquisition of Cycuity.

Acquisition related costs

We incurred \$0.6 million of professional fees for the three months ended March 31, 2026 including advisory, legal, accounting, valuation, other professional or consulting fees and integration costs associated with the acquisition of Cycuity.

Interest expense

| | Three Months Ended March 31, | | Change | |
|------------------|---------------------------------|---------|--------|-------|
| | 2026 | 2025 | \$ | % |
| | <i>(dollars in thousands)</i> | | | |
| Interest expense | \$ (38) | \$ (48) | \$ 10 | (21)% |

Interest expense remained relatively flat for the three months ended March 31, 2026 compared to the three months ended March 31, 2025.

Other income (expense), net

| | Three Months Ended March 31, | | Change | |
|-----------------------------|---------------------------------|--------|---------|------|
| | 2026 | 2025 | \$ | % |
| | <i>(dollars in thousands)</i> | | | |
| Other income (expense), net | \$ 670 | \$ 718 | \$ (48) | (7)% |

Other income (expense), net remained relatively flat for the three months ended March 31, 2026 compared to the three months ended March 31, 2025.

Loss from equity method investment

| | Three Months Ended March 31, | | Change | |
|------------------------------------|---------------------------------|--------|----------|------|
| | 2026 | 2025 | \$ | % |
| | <i>(dollars in thousands)</i> | | | |
| Loss from equity method investment | \$ 2,989 | \$ 815 | \$ 2,174 | 267% |

Loss from equity method investment increased \$2.2 million or 267%, to \$3.0 million for the three months ended March 31, 2026 from \$0.8 million for the three months ended March 31, 2025. The increase in loss from equity method investment was primarily due to our share of Transchip's stock-based compensation expense recognized during the three months ended March 31, 2026. As of March 31, 2026, there was no carrying value associated with the equity method investment in Transchip.

Provision for (benefit from) income taxes

| | Three Months Ended March 31, | | Change | |
|---|---------------------------------|--------|------------|---|
| | 2026 | 2025 | \$ | % |
| | <i>(dollars in thousands)</i> | | | |
| Provision for (benefit from) income taxes | \$ (3,698) | \$ 268 | \$ (3,966) | * |

*Not meaningful

The provision for (benefit from) income taxes was a benefit of \$3.7 million for the three months ended March 31, 2026, compared to an expense of \$0.3 million for the three months ended March 31, 2025. The decrease in income tax expense for the period ended March 31, 2026, compared to the period ended March 31, 2025, was primarily driven by the income tax benefit from the partial valuation allowance release associated with the acquired intangibles from Cycuity that occurred during the three months ended March 31, 2026.

Liquidity and Capital Resources

Since inception, we have financed operations primarily from payments received from our customers, the net proceeds from the sale of our common stock in the IPO as well as the net proceeds from the private issuance of our convertible preferred stock and common stock. As of March 31, 2026, we had \$38.1 million in cash and cash equivalents and short-term investments of which \$1.9 million was held by our foreign subsidiaries. In addition, as of March 31, 2026, we also had \$3.8 million in long-term investments.

In December 2025, we filed a Registration Statement on Form S-3 covering the offering of up to \$200.0 million of common stock, preferred stock, debt securities, warrants and units, which was declared effective by the SEC in December 2025 (the S-3 Registration Statement). In December 2025, we also entered into an Open Market Sales Agreement (the Sales Agreement) with Jefferies LLC as sales agent to sell shares of our common stock, from time to time, with aggregate gross sales proceeds of up to \$75.0 million pursuant to the S-3 Registration Statement as an “at-the-market” offering under the Securities Act (the 2025 ATM Offering Program). During the three months ended March 31, 2026, we utilized the 2025 ATM Offering Program and sold 69,636 shares of common stock for gross proceeds of \$1.2 million, before deducting commissions and offering-related costs of \$0.7 million.

We believe our cash and cash equivalents, investments and cash provided by sales of our products will be sufficient to meet our expected working capital needs, capital expenditures, financial commitments and other liquidity requirements associated with our existing operations for at least the next 12 months. If these resources are not sufficient to satisfy our liquidity requirements, we may be required to seek additional financing. If we raise additional funds by issuing equity securities, our stockholders will experience dilution. Debt financing, if available, may contain covenants that significantly restrict our operations or our ability to obtain additional debt financing in the future. Any additional financing that we raise may contain terms that are not favorable to us or our stockholders. We cannot assure you that we would be able to obtain additional financing on terms favorable to us or our existing stockholders, or at all. See “Risk Factors —Risks Related to Our Business and Industry—Our ability to raise capital in the future may be limited and could prevent us from executing our growth strategy” for additional information.

Cash Flows

The following table summarizes changes in our cash flows for the periods indicated:

| | Three Months Ended | |
|---|-----------------------|----------|
| | March 31, | |
| | 2026 | 2025 |
| | <i>(in thousands)</i> | |
| Net cash (used in) provided by operating activities | \$ (7,062) | \$ 2,860 |
| Net cash used in investing activities | \$ (16,048) | \$ (121) |
| Net cash provided by (used in) financing activities | \$ 882 | \$ (52) |

Operating Activities

Cash flows from operating activities may vary significantly from period to period depending on a variety of factors including the timing of our receipts and payments. Our ongoing cash outflows from operating activities primarily relate to payroll-related costs, payments for professional services and obligations under our property leases. Our primary source of cash inflows is receipts from our customers. The timing of receipts of accounts receivable from customers is based upon the completion of agreed milestones or agreed dates as set forth in the contracts.

For the three months ended March 31, 2026, net cash used in operating activities was \$7.1 million, primarily due to our net loss of \$8.0 million, adjusted for non-cash charges of \$5.3 million and \$4.4 million of changes in operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation of \$5.5 million, loss from our equity method investment of \$3.0 million and depreciation and amortization of \$1.3 million, partially offset by deferred income taxes due to release of a portion of valuation allowance as a result of our business combination of \$4.1 million and amortization of deferred income of \$0.3 million. The drivers of the changes in operating assets and liabilities were a \$6.3 million increase in accrued expenses and other liabilities, a \$2.4 million increase in deferred revenue, a \$0.8 million increase in accounts payable, and a \$0.7 million increase in prepaid expense and other assets, partially offset by a \$5.9 million decrease in accounts receivable.

Changes in operating assets and liabilities for the three months ended March 31, 2026 include one-time cash outflows of \$2.5 million related to bonus carve-out and cash-out payments to Cycuity employees. These payments were made by the Company on behalf of Cycuity shortly after the closing of the acquisition and were funded by the acquired cash. The amounts were accounted for as assumed liabilities from the Cycuity acquisition. In addition, changes in operating assets and liabilities include \$0.3 million of acquisition related costs. While these outflows are reflected in operating cash flow under GAAP, these costs are non-recurring in nature and outside the ordinary course of business.

For the three months ended March 31, 2025, net cash provided by operating activities was \$2.9 million, primarily due to our net loss of \$8.1 million, adjusted for non-cash charges of \$5.7 million and \$5.2 million of changes in operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation of \$4.3 million, depreciation and amortization of \$0.8 million and loss from our equity method investment of \$0.8 million, partially offset by amortization of deferred income of \$0.3 million and net accretion of discounts on available-for-sale securities of \$0.1 million. The drivers of the changes in operating assets and liabilities were a \$10.3 million decrease in accounts receivable, partially offset by a \$2.0 million decrease in accrued expenses and other liabilities, a \$1.9 million decrease in deferred revenue, a \$0.9 million increase in prepaid expense and other assets and a \$0.3 million decrease in accounts payable.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2026 was \$16.0 million, primarily attributable to \$11.2 million of payments for business combination, net of \$3.9 million of cash acquired, purchases of available-for-sale securities of \$10.4 million and purchases of property and equipment of \$0.3 million, partially offset by proceeds from maturities of available-for-sale securities of \$5.8 million.

Net cash used in investing activities for the three months ended March 31, 2025 was \$0.1 million, primarily attributable to purchases of available-for-sale securities and property and equipment, partially offset by proceeds from maturities of available-for-sale securities and certificate of deposit.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2026 was \$0.9 million, primarily attributable to sales of common stock through the 2025 ATM Offering Program, net of commissions and offering-related costs, and proceeds from exercise of stock options, partially offset by principal payments of vendor financing arrangements.

Net cash used in financing activities for the three months ended March 31, 2025 was \$0.1 million, primarily attributable to principal payments under vendor financing arrangements, partially offset by proceeds from exercise of stock options.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Estimates

Our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of these unaudited condensed consolidated financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our financial condition, results of operations, and cash flows will be affected.

There have been no material changes to our critical accounting estimates as compared to those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our 2025 Form 10-K, other than those discussed in Note 2 to our unaudited condensed consolidated financial statements.

Recently Issued and Adopted Accounting Pronouncements

For more information regarding recently issued accounting pronouncements, see Note 2, Basis of Presentation and Summary of Significant Accounting Policies, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

JOBS Act

We are an emerging growth company, as defined in the Jumpstart Our Business Startups (JOBS) Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act for the adoption of certain accounting standards until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. See Note 2, Basis of Presentation and Summary of Significant Accounting Policies, in the notes to our consolidated financial statements included on our Form 2025 10-K. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We will cease to be an emerging growth company on December 31, 2026, which represents the end of the fiscal year in which the fifth anniversary of the date of our IPO prospectus occurs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for the Company as a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Based on such evaluation, our CEO and CFO concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II - Other Information

Item 1. Legal Proceedings

See Note 11, Commitments and Contingencies, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Before making your decision to invest in shares of our common stock, you should carefully consider and read carefully all of the risks described below, together with the other information contained in this report, including our financial statements and the related notes and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. We cannot assure you that any of the events discussed below will not occur. These events could have a material and adverse impact on our business, financial condition, results of operations and prospects. Unless otherwise indicated, references to our business being harmed in these risk factors will include harm to our business, reputation, financial condition, results of operations, revenue and future prospects. In such an event, the trading price of our common stock could decline, and you could lose all or part of your investment. Additional risks and uncertainties not presently known to us or not believed by us to be material may also negatively impact us.

Risk Factors Summary

This risk factor summary contains a high-level summary of risks associated with our business. It does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this summary. The principal risks and uncertainties affecting our business includes, but is not limited to, the following:

- We face significant competition from larger companies and third-party providers that may deploy their resources so they can develop their IP solutions internally;
- We have a history of net losses, and we may not achieve or maintain profitability in the future;
- Because our IP solutions are components of end products, if semiconductor, system producers and/or end product producer companies in the aerospace and defense market, automotive market, communications market, consumer electronics market, enterprise computing market, and industrial market do not incorporate our solutions into their end products or if the end products of our customers do not achieve market acceptance, we may not be able to generate adequate license sales and royalty income from our products;
- We depend on market acceptance of third-party semiconductor IP;
- The success of our business depends on sustaining or growing our licensing revenue, and the failure to achieve such revenue would lead to a material decline in our results of operations;
- The nature of the design win process requires us to incur significant expenses without any guarantee that research and development and sales efforts will generate revenue, which could adversely affect our financial results;
- Even if we succeed in securing design wins for our IP interconnect and other solutions and our System-on-Chip (SoC) Integration Automation software solutions, we may not generate timely or sufficient margins or margins from those wins and our financial results could suffer;
- We continually pursue new IP interconnect, SoC integration automation, and other technology initiatives, and if we fail to successfully carry out these initiatives, our business could be harmed;
- We may have to invest more resources in research and development than anticipated, which could increase our operating expenses and negatively affect our operating results;
- Product errors or defects could expose us to liability and harm our reputation and we could lose market share;
- If we fail to offer high-quality products and support, our reputation could suffer;

- Our dependence on international customers and operations also subjects us to a range of other additional regulatory, trade policy, operational, financial, and political risks that could adversely affect our financial results;
- Changes in legislation and regulation in the United States and other countries, including new trade policies and the imposition of tariffs, may adversely impact our business and our customers' businesses, and may impact our results of operations and financial condition;
- If we are unable to protect our proprietary technology and inventions through patents and other intellectual property rights, or experience a high level of artificial intelligence (AI) related product disruption, our ability to compete successfully and our financial results could be adversely impacted;
- We are subject to government regulations, including import, export and economic sanctions laws and artificial intelligence regulations that may restrict our ability to sell to or get paid by customers in certain regions, or expose us to liability and increase our costs;
- We face risks associated with doing business in China; and
- Litigation, including securities class action litigation, may impair our reputation and lead us to incur significant costs.

Risks Related to Our Business and Industry

We face significant competition from larger companies and third-party providers that may deploy their resources so they can develop their IP solutions internally.

We are engaged in a competitive segment of the global semiconductor industry. Our competitive landscape is characterized by competition from companies that have greater resources than us. A variety of factors could adversely impact our ability to compete, including rapid technological change in product design and manufacturing, customers that make purchase decisions based on a mix of factors of varying importance and continuous declines in average selling prices (ASPs). We compete principally on the basis of technology, product quality and features, license, royalty and usage terms, post-contract customer support, interoperability among products, and price and payment terms.

We operate in industries characterized by rapidly changing technologies as well as rapid innovation and technological obsolescence. The appearance of new competitors, including start-up enterprises, introduction of new products by our competitors or our failure to timely develop new or enhanced products or technologies in response to changing market demand, whether due to technological shifts or otherwise, could result in the loss of customers and decreased revenue and have an adverse effect on our business, financial condition, and results of operations.

Often, we compete against larger companies that possess substantial financial, technical, research and development and engineering resources that can be deployed so they can develop their IP solutions internally. In addition, we compete against other third-party providers of IP integration solutions, such as Arm and Cadence that similarly possess substantial financial, technical, research and development and engineering resources. In certain cases, competitive companies may be supported by local or international government funding and similar resources. Varying combinations of these resources provide advantages to these competitors that enable them to influence industry trends and the pace at which they adapt to these trends. A strong competitive response from one or more of our competitors to our marketplace efforts, or a shift in customer preferences to competitors' products, could result in increased pressure to lower our prices more rapidly than anticipated, increased sales and marketing expense, and/or market share loss. The consolidation of our competitors or collaboration among our competitors to deliver more comprehensive offerings than they could individually, may also impact our ability to compete effectively. To the extent our revenue is negatively impacted by competitive pressures and reduced pricing, our business could be harmed.

Our ability to compete in our market is subject to a variety of factors, many of which are beyond our control. The occurrence of any of the below could adversely affect our ability to compete and harm our business:

- Our ability to anticipate and lead critical product development cycles and technological shifts as driven by our target markets, to innovate rapidly and efficiently and to improve our existing solutions.
- Whether any competitor substantially increases its engineering and marketing resources to compete with us in the semiconductor IP interconnect and SoC Integration Automation software technology arena.
- Whether a new entrant with substantially greater resources and/or supported by governmental resources decides to enter the markets in which we compete.

- Whether any existing or new competitor bundles its technologies into one package at a discounted price that would make it uneconomical for our customers to license our products separately.
- The challenges of developing, or acquiring externally developed, technology solutions that are adequate and competitive in meeting the rapidly evolving requirements of next-generation design challenges.
- Our ability to compete on the basis of payment, pricing, features and/or terms.
- Decisions by semiconductor companies, fabless chip design or system companies, device or other end product producers, and/or OEMs to develop IP development internally, rather than license IP from outside vendors due to budget constraints or excess engineering capacity.
- Actions by regulators or governmental entities to impose license requirements, limit product availability, limit trade and exportability of our products, the features or contractual terms that either we or our customers can apply to product and service offerings, or to affect monetary policy or to impose tariffs.
- Actions by regulators or governmental entities to modify or augment tax treatment of our product and service offerings.
- The impact of global and regional inflation on ours and our customers' profitability and expansion plans due to among other effects of inflation, increases in wages, availability of capital, salaries, operating expenses, and costs of insurance, benefits and medical coverage.
- The potential effects of geopolitical conflicts, such as the military conflict involving Iran, and between Russia and Ukraine, including retaliatory, military and regulatory actions, or other actions that escalate tensions, including with respect to the conflict in Israel, actions involving Iran and other groups in the Middle East and the partial or full closure of the Strait of Hormuz, on our customers' engineering resources, the economy as a whole, design schedules, purchasing, development, sales and innovation responses and trends in response to such conflicts. Many of the Company's customers located or having operations or sales in the affected regions, particularly small to medium enterprises, are experiencing extended challenges raising money leading to cutbacks and project delays impacting the Company's target market opportunities in the region.
- Competition, embargoes, sanctions, boycotts and/or social unrest.
- Local or international economic headwind trends that may lead to recessions, economic slowdowns or sudden changes in the economic needs of regions and consumers.
- Silicon chip supply chain and shipment volume restrictions on our customers and their end customers that will impact the amount of royalties payable to us.

We may be unable to reduce the cost of our products sufficiently to compete effectively against our competitors. Our cost reduction efforts may not allow us to keep pace with competitive pricing pressures and/or other economic factors including inflation, impact from and response to U.S. trade policy, and customer and end market supply chain constraints which could adversely affect our gross margins and ability to meet customer demand. To the extent we are unable to reduce the prices of our products and remain competitive, our revenue will likely decline, resulting in further pressure on our gross margins, which could harm our business. Many other companies in the IP interconnect space have not been able to continue as a going concern due to intense competition and low margins. See "Business—Competition".

We have a history of net losses, and we may not achieve or maintain profitability in the future.

We have incurred net losses in certain periods historically. We incurred a net loss of \$8.0 million and \$8.1 million for the three months ended March 31, 2026 and 2025, respectively. As of March 31, 2026, we had an accumulated deficit of \$179.6 million. We have spent significant funds on organizational and start-up activities, to recruit engineers and other employees and to support our research and development. The net losses we incur may fluctuate significantly from quarter to quarter and may increase as a result of geopolitical factors, and market disruptions and/or fluctuations, inflation, economic slowdown and/or recessionary pressures and other global economic factors.

Our long-term success is dependent upon our ability to successfully market our interconnect IP and SoC Integration Automation software solutions, develop new interconnect IP and SoC Integration Automation software solutions, earn revenue, obtain additional capital when needed and, ultimately, to maintain profitable operations globally. We will need to generate significant additional revenue to achieve profitability. It is possible that we will not achieve profitability or that, even if we do achieve profitability, we may not maintain or increase profitability in the future. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

Because our IP solutions are components of end products, if semiconductor, system producers and/or end product producer companies in the aerospace and defense market, automotive market, communications market, consumer electronics market, enterprise computing market, and industrial market do not incorporate our solutions into their end products or if the end products of our customers do not achieve market acceptance, we may not be able to generate adequate license sales and royalty income from our products.

Our IP solutions include technology that manages on-chip communications in SoC semiconductor devices. We do not license our IP solutions and deployment tools directly to end-users; we license our technology primarily to companies in the aerospace and defense market, automotive market, communications market, consumer electronics market, enterprise computing market, and industrial market who then incorporate our technology into the products they sell. As a result, we rely on our customers to incorporate our technology into their end products at the design stage. Once a company incorporates a competitor's technology or develops the technology internally and incorporates it into its end product, it becomes significantly more difficult for us to sell our technology to that company because changing suppliers involves significant cost, time, effort and risk for the Company. As a result, we may not achieve targeted customer acceptance despite incurring significant expenditures to develop new technology.

Moreover, even after customers agree to incorporate our technology into their end products, the design cycle is long and may be delayed due to factors beyond our control, which may result in our customers' product not reaching the market until long after our initial design win, which we define as winning the competitive bid selection process. From initial product design-in to volume production, many factors could impact the timing and/or amount of sales realized from the design-in. These factors include, but are not limited to, changes in the competitive position of our customers' product, our customers' financial stability, and our customers' ability to ship products under our customers' original schedule. Moreover, several external factors affect our customers' ability and willingness to start their own new product designs and to manufacture and ship their products, including target product market conditions, our customers' financial stability, our customers' competitive positioning and external economic conditions (such as, but not, limited to inflation, recessions, customer and end market supply chain constraints, geopolitical conflicts, volatile energy market conditions, sanctions, and competition) that may prolong the customers' decision-making process and design cycle.

Further, we do not control the business practices of our customers, and we do not influence the degree to which they promote, market or set their product pricing. We therefore cannot assure you that our customers will devote satisfactory efforts to promote their end products, which incorporate our IP technology and deployment solutions.

We depend on growth and economic stability in the end markets that use our products. Any slowdown in the growth and economic stability of these end markets could harm our business.

Our continued success will depend in large part on general economic growth and stability, and growth and stability within our target markets in the aerospace and defense market, automotive market, communications market, consumer electronics market, enterprise computing market, and industrial market. Factors affecting these markets could seriously harm our customers and/or end customers and, as a result, harm us, examples of which include:

- Reduced sales of our customers' and/or end customers' products.
- The effects of catastrophic and other disruptive events at our customers' and/or end customers' offices or facilities including, but not limited to, natural disasters, telecommunications failures, cyber-attacks, terrorist attacks, regional wars or conflicts, pandemics, epidemics or other outbreaks of infectious disease, breaches of security or loss of critical data.
- Increased costs associated with potential disruptions to our customers' and/or end markets' supply chain and other manufacturing and production operations.
- The deterioration of our customers' and/or end customers' financial condition.
- Delays and project cancellations as a result of design flaws in the products developed by our customers and/or end customers.

- The inability of our customers and/or end customers to expand or dedicate the resources necessary to promote and commercialize their products.
- The inability of our customers and/or end customers to adapt to changing technological demands resulting in their products becoming obsolete.
- The failure of our customers' and/or end customers' products to achieve market success and gain broad market acceptance.
- Disruption and uncertainty caused by new developments in U.S. trade and tariff policy, reciprocal tariffs imposed by other countries, export, foreign direct investment, and related regulations.
- Regional and global effects of inflation or other adverse economic conditions, such as rising interest rates, recessions or economic slowdowns, resulting in delays or cancellations of new product design starts.
- Adverse impact of multiple interest rate increases implemented and forecasted by the U.S. Federal Reserve.

Any slowdown in the growth of these end markets, or the emergence of economic instability in these end markets, could harm our business. For example, a significant element of our growth strategy depends on the increasing adoption of vehicles with more sophisticated automated driving, which will likely require more complex SoCs. If anticipated demand in the end market for these vehicles does not materialize, whether due to consumer demand not materializing, regulatory interventions or changes to incentives, delays in the deployment of electronic vehicles and automated driving, or the emergence of economic instability in end markets arising from factors such as inflationary trends, interest rate fluctuations and general economic uncertainty, deteriorating purchasing power, trade or supply chain disruptions and regional and/or worldwide chip shortages or excess supply, demand fluctuations, unemployment spikes, labor shortages or end market reactions to regional or global geopolitical uncertainties, wars excursions or conflicts, or other factors beyond our control, it would adversely affect demand for our products from customers and royalty revenue and impact our ability to execute our growth strategy.

We depend on market acceptance of third-party semiconductor IP.

The semiconductor IP industry is a relatively small and emerging industry. Our future growth will depend on the level of market acceptance of our third-party licensable IP model, the variety of IP offerings available on the market and the shift in customer preference away from in-house development of semiconductor IP technologies and SoC Integration Automation software. Furthermore, the third-party licensable IP model is highly dependent on the market adoption of new services and products, including in the aerospace and defense market, automotive market, communications market, consumer electronics market, enterprise computing market, and industrial market. Such market adoption is important because the increased cost associated with ownership and maintenance of the more complex architectures in SoCs needed for the advanced services and products and time to market pressures on our customers may motivate companies to license third-party IP rather than design them in-house.

The trends that would enable our growth are largely beyond our control. Semiconductor customers also may choose to adopt a multi-chip, off-the-shelf chip solution versus licensing or using highly integrated chipsets that embed our technologies or use our deployment software. If these market shifts do not materialize or third-party semiconductor IP does not achieve market acceptance, our business could be harmed.

The success of our business depends on sustaining or growing our licensing revenue, and the failure to achieve such revenue would lead to a material decline in our results of operations.

Our revenue consists largely of technology license fees and other fees and royalties paid for access to our patented technologies, existing technology and other development and support services we provide to our customers. Our ability to secure and renew the licenses from which our revenue is derived depends on our customers adopting our technology and using it in the products they sell. Once secured, royalty revenue may be negatively affected by factors within and outside our control, including reductions in our customers' sales prices, sales volumes, our failure to timely complete engineering deliverables and the customers' negotiated contract terms.

In addition, our customer acquisition cycle for new licenses and license renewals for existing licensees can be lengthy, typically between six to nine months, and can also be costly and unpredictable. Given the length of the sales cycle, we may incur costs in any particular financial period before any associated revenue stream begins, if at all. We cannot provide any assurance that we will be successful in signing new license agreements or renewing existing license agreements on equal or favorable terms or at all. If we do not achieve our revenue goals, our results of operations could decline.

The nature of the design win process requires us to incur significant expenses without any guarantee that research and development and sales efforts will generate revenue, which could adversely affect our financial results.

We focus on winning competitive bid selection processes, called “design wins,” to incorporate our IP interconnect and other solutions in our customers’ products. These lengthy technical and commercial selection processes may require us to incur significant expenditures and dedicate valued engineering resources to the development or enhancement of our IP interconnect and other solutions without any assurance that our bids will be selected as the design wins. If we incur such expenditures and fail to be selected in the bid selection process, our operating and financial results may be adversely affected. Further, because of the significant costs associated with qualifying new suppliers, customers are likely to use the same or an enhanced version of semiconductor IP from existing suppliers across a number of similar and successor products for a lengthy period of time. As a result, if we fail to secure an initial design win for any of IP interconnect and other solutions to any particular customer, we may lose the opportunity to make future sales of those solutions to that customer for a significant period of time, or at all, and we may experience an associated decline in revenue relating to those products. Because we expect the ASPs of our products may decline over time, we consider design wins to be critical to our future success and anticipate that for our newer products, we are and will remain highly dependent on revenue from newer design wins. Failure to achieve initial design wins may also weaken our position in future competitive selection processes because we may not be perceived as an industry leader.

Further, a significant portion of our revenue in any period may depend on a single product design win with a large customer. As a result, the loss of any key design win or any significant delay in the ramp of volume production of the customer’s products into which our product is designed could harm our business. We may not be able to maintain sales to our key customers or continue to secure key design wins for a variety of reasons, and our customers can stop incorporating our products into their product offerings with limited notice to us and suffer little or no penalty.

The loss of a key customer or design win, a reduction in sales to any key customer, a significant delay or negative development in our customers’ product development plans, or our inability to attract new significant customers or secure new key design wins could harm our business.

Even if we succeed in securing design wins for our IP interconnect and other solutions and our SoC Integration Automation software solutions, we may not generate timely or sufficient margins or margins from those wins and our financial results could suffer.

After incurring significant design and development expenditures and dedicating engineering resources to achieve a single initial design win for an IP interconnect or other solution, a substantial period of time generally elapses before we generate meaningful revenue from royalties relating to such solution, if at all. The reasons for this delay include, among other things, the following:

- Changing customer requirements, resulting in an extended development cycle for the product.
- Delay in the ramp-up of volume production of the customers’ products into which our solutions are designed.
- Delay or cancellation of the customers’ product development plans.
- Market or competitive pressures to reduce the selling price of the customers’ end-products.
- The discovery of design flaws, defects, errors or bugs in the products, whether or not those defects, errors or bugs are related to our IP interconnect and other solutions that delay the customer from finishing the product in which our IP solution is incorporated.
- Lower than expected acceptance of the customers’ end-products.

Moreover, as noted above, even if a customer selects our IP interconnect and other solutions, we cannot guarantee that this will result in any royalty or future licensing revenue, as the customer may ultimately change or cancel its product plans, or the customer’s efforts to market and sell its product may not be successful.

We continually pursue new IP interconnect, SoC integration automation, and other technology initiatives, and if we fail to successfully carry out these initiatives, our business could be harmed.

As part of the evolution of our business, we have made substantial investments to develop IP interconnect, SoC integration automation solutions, other technology initiatives, such as chip level hardware security solutions in connection with the Cycuity acquisition, and enhancements to existing technologies we license through our acquisitions and research and development efforts. Continuing to meet the requirements of smaller die size, lower power consumption, a higher frequency of operation and management of critical net latency in a timely and cost-effective manner for chips used in the aerospace and defense market, automotive market, communications market, consumer electronics market, enterprise computing market, and industrial market have resulted in increased SoC design complexity for chips used in these markets. If we are unable to meet these demands for increased SoC design complexity, if we are unable to anticipate technological changes in our industry by introducing new or enhanced IP interconnect and other solutions and/or SoC Integration Automation software solutions in a timely and cost-effective manner, or if we fail to introduce new technologies that meet market demand, we may lose our competitive position, our products may become obsolete, and our business could be harmed.

Moreover, new technologies and products may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the margins we have experienced historically or originally anticipated.

Additionally, from time to time, we invest in expansion into adjacent markets, including the acquisitions of Magillem, Semifore and Cycuity, and our growth into the IP interconnect and SoC Integration Automation software solutions market. Although we believe these solutions are complementary to our IP interconnect solutions, we have a more limited operating history in offering software that, among other things, manages register configurations of IP blocks, assembles multiple IP blocks into SoC platforms and links design parameters and metadata to documentation, and our ongoing efforts in this area may not be successful. Our success in these product areas depends on a variety of factors, including the following:

- Our ability to continue to attract new customers in industries in which we have less experience.
- Our successful development of sales and marketing strategies that meet customer requirements.
- Our ability to accurately predict, prepare for, and promptly respond to technological developments in existing and new fields.
- Our ability to compete with new and existing competitors, many of which may have more financial resources, industry experience, brand recognition, relevant intellectual property rights, and/or more established customer relationships than we currently do, and they could include free and open-source solutions that provide similar SoC Integration Automation software solutions.
- Our ability to continually balance our investment in adjacent markets with investment in our existing products and services.
- Our ability to attract and retain employees with expertise in new or emerging fields affecting our business.

Difficulties in any of our new product development efforts or our efforts to enter adjacent markets, including delays or disruptions due to factors outside of our control such as any adverse impact resulting from changing macroeconomic and geopolitical environments, market and inflationary, stagflationary or recessionary pressures, export and trade controls, and pandemics, could harm our business.

A fundamental shift in technologies, regulatory, trade or demand patterns and preferences in our existing product markets or the product markets of our customers or end-users could make our current products obsolete, prevent or delay the introduction of new products or enhancements to our existing products or render our products irrelevant to our customers' needs. If our new product development efforts fail to align with the needs of our customers, including due to circumstances outside of our control like a fundamental shift in the product markets of our customers and end users or regulatory changes, our business could be harmed.

Further, we design our IP interconnect solutions to function optimally with various industry-standard core IP transaction protocols including AMBA, ACE, CHI and AXI. Should developers limit access to their IP protocol information or cease cooperation with us for any reason, our ability to support certain processors and IP protocols would be delayed, which could harm our business.

We may have to invest more resources in research and development than anticipated, which could increase our operating expenses and negatively affect our operating results.

We currently devote substantial resources to the research and development of new and enhanced interconnect IP and SoC Integration Automation software solutions. However, we may be required to devote more resources than anticipated to address design requirements for specific target markets, new competitors, technological advances in the semiconductor industry or by competitors, our acquisitions, our entry into new markets, or other competitive factors. If we are required to invest significantly greater resources than anticipated without a corresponding increase in revenue, our operating results could decline. Additionally, our periodic research and development expenses may be independent of our level of revenue, which could negatively impact our financial results. We expect these expenses to be significant and increase in the foreseeable future as our technology development efforts continue, and there can be no guarantee that our research and development investments will result in products that create additional revenue.

We may also decide to increase our research and development investment to seize customer or market opportunities, which could negatively impact our financial results.

We expect that we will continue to experience hiring challenges, including for engineering resources.

Product errors or defects could expose us to liability and harm our reputation and we could lose market share.

Software products frequently contain errors or defects, especially when first introduced, when new versions are released, or when integrated with technologies developed by acquired companies. Product errors, including those resulting from third-party suppliers, could negatively affect the performance or interoperability of our IP interconnect and SoC Integration Automation software solutions, could delay the development or release of new solutions or new versions and could adversely affect market acceptance or perception of our technology. In addition, any allegations of quality issues resulting from use of our IP interconnect and other solutions or semiconductor design efficiency issues resulting from our solutions could, even if untrue, adversely affect our reputation and our customers' willingness to license our technology. Any such errors or delays in releasing new products or new versions of products or allegations of unsatisfactory performance could cause us to lose customers, increase our service costs, subject us to liability for damages and divert our resources from other tasks, any one of which could harm our business and operating results.

If we fail to offer high-quality products and support, our reputation could suffer.

Interconnect IP and SoC Integration Automation software technology is complex and rapidly changing, and the quality of the products and our ability to provide timely and effective support is critical for the successful deployment of our IP in our customers' designs. We maintain a team of corporate and field application engineers in our global support organization and continue to pursue initiatives to enhance our customer support. High-quality, well-trained support is important for customer retention. The importance of our support function has increased as we expand our business in chiplets and multi-die applications to meet the needs of the market and appeal to new customers. If we do not or cannot help our customers quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our offerings to existing and new customers could suffer, and our reputation with existing or potential customers could suffer.

Our dependence on international customers and operations also subjects us to a range of other additional regulatory, trade policy, operational, financial, and political risks that could adversely affect our financial results.

We derived 60.3% of our revenue for the year ended December 31, 2025 from sales to customers outside of the United States. In particular, we derived 24.5% of our revenue for the year ended December 31, 2025 from customers located in China. For the three months ended March 31, 2026, 58.5% of our revenue was derived from sales to customers outside of the United States and 23.8% of our revenue was derived from customers located in China. We expect our revenue from China to decrease due to the applicable U.S. government trade restrictions. As a result, the economic, political, legal and social conditions in China could harm our business. In addition, we have offices globally with our sales and research and development being conducted in offices located in the San Francisco Bay Area, Texas, France, Poland, China, South Korea, and Japan. Moreover, conducting business outside the United States subjects us to a number of additional risks and challenges, including:

- Changes in a specific country's or region's political, regulatory or economic conditions.

- Imposition of or changes to export control regulations, tariff policy and other barriers, restrictions and regional stability measures, such as the tariffs announced in 2025 by the United States, in particular with respect to China but also announced tariffs such as the tariffs on countries in the European Union, and any retaliatory tariffs or measures, including countermeasures by China, countries in the European Union, or other countries, that could negatively impact trade between, or increase the cost of operating in, or increase the cost of or negatively impact the demand for our products or our customers' products in, the countries in which we do business.
- A pandemic, epidemic or other outbreak of an infectious disease, which may cause us or our distributors, vendors and/or customers to temporarily suspend our or their respective operations in the affected city or country or completely.
- Compliance with a wide variety of domestic and foreign laws and regulations (including those of municipalities or provinces where we have operations) and unexpected changes in those laws, export and trade controls, and regulatory requirements, including uncertainties regarding taxes, social insurance contributions and other payroll taxes and fees to governmental entities, tariffs, quotas, export controls, export licenses and other trade barriers.
- Unanticipated restrictions on our ability to sell to foreign customers where sales of products and the provision of services may require export licenses or are prohibited by government action, unfavorable foreign exchange controls and currency exchange rates.
- Potential for substantial penalties and litigation related to violations of a wide variety of laws, treaties and regulations, including labor regulations, export control and anti-corruption regulations (including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act).
- Difficulties and costs of staffing and managing international operations across different geographic areas, time zones and cultures.
- Changes in diplomatic and trade relationships and uncertainties around the current U.S. administration's policies, including tariffs and reciprocal tariffs, create a highly unpredictable and volatile business environment, a potential increased likelihood of recession, potential slowdown in capital markets, and potential impacts to the valuation of the U.S. dollar and other currencies.
- Potential political, legal and economic instability, armed conflict, and civil unrest in the countries in which we and our customers are located.
- Difficulty and costs of maintaining effective data security particularly as state-sponsored threats and cyber espionage incidents increase.
- Inadequate protection of our intellectual property.
- Nationalization and the uncertain impact on the perception or reputation of our products or services in foreign markets.
- Restrictions on the transfer of funds to and from foreign countries, including withholding taxes and other potentially negative tax consequences.
- Unfavorable and/or changing foreign tax treaties and policies.
- Increased exposure to general market and economic conditions inside and outside of the United States.
- Currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we choose to do so in the future.
- Increased regulatory uncertainties with respect to our wholly foreign-owned enterprise operating in China and any joint ventures we may form or contribute IP or other resources to in the future.
- Trends such as global and regional inflation, supply shortages and supply chain disruptions, geopolitical tensions, wars, excursions or conflicts and retaliatory actions and regulations affecting or relating to regions such as but not limited to Ukraine, Russia, Eastern Europe, the Strait of Hormuz, Israel and Iran and the Middle East, or in the Greater China region, may lead to the deterioration of our immediate customers' and/or end market customers' ability and/or willingness to purchase, use, develop, market or sell products or solutions that incorporate or are made while using our products.

These factors, individually or in combination, could impair our ability to effectively operate one or more of our foreign facilities or deliver our semiconductor IP or SoC Integration Automation software solutions, result in unexpected and material expenses, or cause an unexpected decline in the demand for our products in certain countries or regions. Our failure to manage the risks and challenges associated with our international business and operations could harm our business.

Downturns or volatility in general economic conditions, including because of geopolitical and macroeconomic conditions in the countries in which we conduct business, could harm our business.

Our revenue, gross margin, and ability to achieve and maintain profitability depend significantly on general economic conditions and the demand for products in the markets in which our customers compete. Weaknesses in the global economy and financial markets and any adverse changes in general domestic and global economic conditions that may occur in the future, including any recession, economic slowdown or disruption of credit markets, may lead to, lower demand for products that incorporate our solutions, including in the aerospace and defense market, automotive market, communications market, consumer electronics market, enterprise computing market, and industrial market. A decline in end-user demand can affect our customers' demand for our products, the ability of our customers to obtain credit and otherwise meet their payment obligations and the likelihood of customers canceling or deferring existing orders. Our business could be harmed by such actions.

Because we conduct business, have offices in and derive revenue from customers in China, our business performance may be affected by increased political tensions and changes in China's political, social and economic environment. For example, political instability resulting from changes in the relationship between the United States and China could negatively impact our business. Any significant armed conflict related to this matter is expected to materially and adversely damage our business. Moreover, the role of the Chinese government in the Chinese economy is significant. Chinese policies toward economic liberalization, and laws and policies affecting technology companies, foreign investment, currency exchange rates, taxes and other matters could change, resulting in greater restrictions on our ability and our suppliers' ability to do business and operate facilities in China. If any of these changes were to occur, our business could be harmed, and our stock price could decline.

Any disruption in the credit markets could also impede our access to capital. If we have limited access to additional financing sources, we may be required to defer capital expenditure or seek other sources of liquidity, which may not be available to us on acceptable terms or at all. All of these factors related to global economic conditions, which are beyond our control, could harm our business.

We maintain the majority of our cash and cash equivalents in accounts with major U.S. and multi-national financial institutions, and our deposits at certain of these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial position.

Changes in legislation and regulation in the United States and other countries, including new and revised trade policies and the imposition of tariffs, may adversely impact our business and our customers' businesses, and may impact our results of operations and financial condition.

We operate in a highly regulated industry and our business is dependent on a number of external factors, including U.S. and global financial economic conditions, inflation, changes in the U.S. political landscape, each of which have and could significantly impact our business. The U.S. government administration has made, and continues to make, substantial modifications to laws and regulations, including, but not limited to, those related to trade policies, imposition of tariffs, export controls and technology transfers as well as certain rules and regulations related to diversity, equity and inclusion practices. Executive orders and legislative actions have and could continue to alter the business environment in which we operate and result in adverse impacts to our business, results of operations and financial condition.

For example, U.S. and Chinese governments may continue to enact changes in government trade policies, including the imposition of additional tariffs on countries where we do significant business that have and could adversely impact our ability to sell products globally, particularly in China. We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between the United States and U.S. trading partners including China and the European Union, or what actions may be taken by the trading partners in response. It is difficult to anticipate the timing or duration and macro-economic impacts of such tariffs, export restrictions, or other regulatory actions. These government trade policies are likely to materially adversely affect our customers and our business, impeding our ability to develop relationships with new customers in trade partner countries including with China and countries in the European Union.

In addition, changing regulatory policies, in particular in the United States, can affect regulatory and compliance costs and future revenues, all of which could materially and adversely affect our business operations and financial results. Changes in federal policy by the executive branch and regulatory agencies and personnel may occur over time, which could lead to changes in the level of oversight and focus on our industry including new laws, regulations and policies. At this time, it is unclear what laws, regulations and policies may change and whether future changes or uncertainty surrounding future changes will adversely affect our operating environment and therefore our business operations and financial results. Changes in federal and state laws and regulations, as well as the interpretation and implementation of any laws, executive orders, and regulations, could affect us in substantial and unpredictable ways.

Further, changes in legislation and regulation have and could continue to create a highly unpredictable and volatile business environment, which could result in a recession, potential slowdown in capital markets, and potential impacts to the valuation of the U.S. dollar and other currencies.

The cyclical nature of the semiconductor industry, including significant supply chain disruption, may limit our ability to maintain or improve our revenue.

The semiconductor industry is highly cyclical and is prone to significant downturns from time to time. Cyclical downturns can result from a variety of market forces including constant and rapid technological change, rapid product obsolescence, price erosion, evolving standards, short product life cycles, wars, conflicts and geopolitical tensions and wide fluctuations in product supply and demand, all of which can result in significant declines in semiconductor demand. We have experienced downturns in the past and may experience such downturns in the future, including the potential likelihood of a recession. For example, the industry experienced a significant downturn in connection with the global recession in 2008, and further downturns in 2020 and 2022, which were prolonged as a result of the economic impact of the COVID-19 pandemic. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. In the past several years, downturns in the semiconductor industry have been attributed to a variety of factors, including the COVID-19 pandemic, ongoing trade disputes among the United States and other countries including China, resulting in weakness in demand and pricing for semiconductors across applications and excess inventory.

Economic downturns have directly impacted our business, as has been the case with many other companies, suppliers, distributors and customers in the semiconductor industry and other industries around the world, and any prolonged or significant future or continuing downturns in the semiconductor industry could harm our business. Conversely, significant upturns may suppress customer shipments of royalty-bearing products incorporating our IP solutions due to our customers having limited access to third-party foundry and assembly capacity. In the event of such an upturn, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources, or locate suitable third-party suppliers or other third-party subcontractors to respond effectively to changes in demand for our existing products or to the demand for new products requested by our customers, and our business could be harmed.

The semiconductor industry has also faced significant global supply chain issues as a result of the impact both on demand for devices as well as the increasing demand for semiconductors in consumer devices, automobiles and artificial intelligence, which together have resulted in the inability of fabrication plants to produce sufficient quantities of chips to meet demand, supply chain shortages and other disruptions. Numerous factors, including any further trade tensions and escalating countermeasures between the United States and China, as well as any revisions to U.S. regulations governing the export of certain semiconductor related hardware and software to China and any geopolitical changes in China-Taiwan relations may prolong or deepen these challenges faced by the industry.

Our revenue has been concentrated among a small number of licensees and customers, and if we lose any of these customers and fail to replace them, our revenue may decrease substantially.

A significant amount of our revenue is derived from a limited number of customers. We expect that a relatively small number of customers will continue to account for a substantial portion of our revenue for the foreseeable future.

As a result of this revenue concentration, our results of operations could be adversely affected by the decision of a single key licensee or customer to cease using our technology or products or by a decline in the number of products that incorporate our technology that are sold by a single licensee or customer or by a small group of licensees or customers. We must continue to obtain new significant licensees and to increase our revenue and grow our business.

Failure to effectively expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.

Our ability to increase our customer base and achieve broader market acceptance of our products and platform capabilities will depend to a significant extent on our ability to expand our global sales and application engineering organization. We plan to continue expanding our sales force, both domestically and internationally. We also plan to dedicate significant resources to sales and marketing programs. All of these efforts will require us to invest significant financial and other resources. Our business will be harmed if our sales and marketing efforts do not generate significant increases in revenue or increases in revenue are smaller than anticipated. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, integrate and retain talented and effective sales personnel, if our new and existing sales personnel, on the whole, are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective.

The development and use of artificial intelligence, and the failure to adopt and manage the use of artificial intelligence, present risks and challenges that may negatively impact our business.

We are engaged in a competitive segment of the global semiconductor industry, and our success may require the adoption of new and emerging technologies, such as AI whose development, adoption and use is rapidly transforming the industry, enabling faster data analysis and automation through machine learning and predictive modeling. While these technologies present significant benefits, there can be no assurance that the use or implementation of these AI technologies will enhance our products or services; they may accelerate or exacerbate potential risks to us. These risks include proprietary code or confidential information leakage to third-party AI platforms, or the possibility of producing biased or inaccurate results, ethical concerns, privacy violations and infringing third-party IP rights. In addition, the development of AI technologies is complex, and there are technical challenges associated with achieving the desired level of accuracy, efficiency, and reliability. There is a risk of system failures, disruptions, or vulnerabilities that could compromise the integrity, security, or privacy of data inputs or the generated content. Furthermore, the regulatory framework relating to AI technologies is rapidly evolving, which may significantly increase our compliance costs, require changes to products and services, limit customer uptake of products incorporating AI technologies, and present additional compliance risks. Any of these factors could result in reputational harm, legal liabilities, or loss of consumer, customer, employee or business partner confidence.

We typically experience a strong seasonality in sales in the fourth calendar quarter of the year. As a result, our results of operations are subject to substantial quarterly fluctuations, which may seriously harm our business.

We have experienced, and expect to continue to experience, seasonal fluctuations in sales due to the spending patterns of semiconductor customers who license our products. Historically, the number of total new license agreements we enter into has generally been lower in the first and second calendar quarters.

Substantial portions of our sales are made, and we anticipate will be made, to aerospace and defense, automotive, communications, consumer electronics, enterprise computing, and industrial suppliers. Any downturn in any of these markets could significantly harm our business.

Each of these sectors is subject to specific market risks. The consumer sector, for example, is subject to changes in end consumer spending patterns, technology developments and general economic conditions.

We are also exposed to the risks associated with the automotive market. For example, our anticipated future growth is highly dependent on the adoption of autonomous driving technologies, which are expected to have increased sensor and power product content. A downturn in the automotive market could delay automakers' plans to introduce new vehicles with these features, which would negatively impact the demand for our products and our ability to grow our business.

Several industries in which companies incorporate our technology may undergo consolidation and reorganization and, in some cases, their suppliers may or have implemented cost cutting measures or entered bankruptcy. Although we have not experienced any lost business or material bad debt write-offs as a result of such consolidation, such trends could harm our business.

Moreover, our target industries, including automotive are affected by general economic, trade policy, energy and oil market pricing fluctuations as well as geopolitical conditions and associated responses by governments of various countries. Our target industry, including the automotive industry, and the manufacturers, dealers, distributors, and third-party suppliers that support them, may be adversely impacted by these conditions, many of which are outside of our control. In addition, government-imposed restrictions on businesses, operations and travel and the related economic uncertainty may adversely affect demand in many global markets. While demand in our target industries, including the automotive industry is dependent on a number of factors, the timing, magnitude, and duration of which are difficult to predict, any adverse effects on the industry could harm our business, results of operations, and financial condition, as well as our ability to execute our growth strategy.

A significant portion of our revenue comes from licensing fees, which may vary from period to period.

License agreements for our interconnect IP are generally treated as ratable revenue, with revenue being recognized evenly over the license term. In recent periods we have made and will continue to make changes to SoC Integration Automation software agreements that result in ratable recognition of the related license revenue over the contract term. In addition, license agreements for our recently acquired hardware security verification software products are generally treated as ratable revenue, with revenue being recognized over the license term. Still, significant portions of our anticipated future revenue depend upon our success in attracting new customers, or continuing or expanding our relationships with existing customers, and revenue recognized from licensing arrangements varies from period to period, depending on the number and size of deals closed during a quarter, and is difficult to predict with certainty. In addition, as we expand our business into new markets, our licensing deals may be smaller in volume but greater in value in volume, which may further fluctuate our licensing revenue quarter to quarter. A portion of revenue from our hardware security verification software products may be generated from U.S. federal government contracts that are at risk of fluctuation due to delays in government funding and government agency shutdowns. Furthermore, delays in obtaining a final novation of the existing agreements from the federal government can lead to challenges in our ability to attract new government or government-adjacent customers to our hardware security verification software line of products. Our failure to obtain future licensing customers would impede our future revenue growth and could materially harm our business.

Royalty rates could decrease for existing and future license agreements, which could materially adversely affect our operating results.

Royalty payments under existing and future license agreements could be lower than currently anticipated. Average selling prices for semiconductor products generally decrease over time during the lifespan of a product. Our gross margins and financial results may suffer if we are unable to offset reductions in our average selling prices by reducing our costs, developing new or enhanced products or solutions on a timely basis with higher selling prices or gross margins, or increasing our sales volumes. In addition, there is significant pressure to maintain low royalty rates in certain markets where the end product may have a low average sales price, such as many consumer electronics products. In addition, there is increasing downward pricing pressure in the semiconductor industry on end products incorporating our technology, especially end products for consumer electronics markets. As a result, notwithstanding the existence of a license agreement, our customers may demand that royalty rates for our products on future or renewal agreements be lower than our historic royalty rates. Furthermore, our competitors may lower the royalty rates for their comparable products to win market share which may force us to lower our royalty rates on future or renewal agreements as well. As a consequence of the above referenced factors, as well as unforeseen factors in the future, the royalty rates we receive for the use of our technology could decrease with new or renewed customers, thereby decreasing future anticipated revenue and cash flow. Variable royalty revenue was approximately 11% of our revenue for three months ended March 31, 2026. Therefore, a significant decrease in our royalty revenue could materially adversely affect our operating results.

Moreover, royalty rates may be negatively affected by macroeconomic and geopolitical trends, including global semiconductor supply chain issues (such as shortages in the availability of the supply of chips in several semiconductor sectors and applications), and its world effects and changes in products mix. Furthermore, consolidation among our customers may increase the leverage of our existing customers to extract concessions from us in royalty rates.

Changing currency exchange rates could harm our business.

We have operations and assets in the United States as well as foreign jurisdictions, and we prepare our consolidated financial statements in U.S. dollars, but a portion of our earnings and expenditures are denominated in other currencies. We therefore must translate our foreign assets, liabilities, revenue and expenses into U.S. dollars at applicable exchange rates. Consequently, fluctuations in the value of foreign currencies relative to the U.S. dollar may negatively affect the value of these items in our financial statements.

In addition, since many of our sales in foreign jurisdictions are denominated in U.S. dollars, fluctuations in the value of foreign currencies relative to the U.S. dollar may effectively increase the price of our products in the currency of the jurisdiction in which the sale took place and may result in our products becoming too expensive for non-U.S. customers who do not conduct their business in U.S. dollars. Furthermore, currency exchange rates have been especially volatile in the recent past, and these currency fluctuations may make it difficult for us to predict our results of operations. If the volume of our international operations increases and foreign currency exchange rates changes, the impact to our consolidated statements of operations could be significant and may affect the comparability of operating results. We believe that a 10% increase or decrease in foreign exchange rates could have had resulted in or, if it occurs in a future period, may result in a material impact to our operating results. To the extent we fail to manage our foreign currency exposure adequately, we may suffer losses in the value of our net foreign currency investment, and our business may be harmed.

In particular, in light of the ongoing changes in government trade policies, including the imposition of additional tariffs, military conflict between Russia and Ukraine, the conflict in Israel and Iran, the conflict surrounding and full or partial closure of the Strait of Hormuz, and the tensions between the United States, the European Union, other European countries, with Russia, any resulting material change to the valuation of the U.S. dollar, the Euro or other currency relative to the U.S. dollar could adversely impact our operating results.

We have made acquisitions and, in the future, expect to pursue acquisitions of and investments in new businesses, products or technologies, joint ventures and other strategic transactions that involve numerous risks and could disrupt and harm our business.

As part of our business strategy, we make acquisitions of and investments in new businesses, such as our acquisitions of Magillem, Semifore and Cycuity, products and technologies and enter into joint ventures and other strategic relationships in the ordinary course. Our ability to grow our revenue, earnings and cash flow at or above our historic rates depends in part upon our ability to identify and successfully acquire and integrate businesses at acceptable prices, realize anticipated synergies and make appropriate investments that support our long-term strategy. We may not be able to consummate acquisitions at rates similar to in the past, which could adversely impact our growth rate and the trading price of our common stock. Promising acquisitions and investments are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain applicable antitrust and other regulatory approvals on a timely basis and on acceptable terms. In addition, competition for acquisitions and investment may result in higher purchase prices. In addition, we may face additional risks as a result of difficulty or inability to obtain government, regulatory approvals and consents, or face additional legal proceedings initiated as a result of an acquisition or due to potential failure of our due diligence processes to identify significant issues with the assets of the acquired company. Regulators could also impose conditions that reduce the ultimate value of our acquisition or investment. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions and investments on acceptable terms or at all.

In addition, even if we are able to consummate acquisitions and enter into joint ventures and other strategic relationships, these transactions and relationships present a number of potential risks and challenges that could, if not met, disrupt our business operations, increase our operating costs, negatively affect our growth rate and the trading price of our common stock, and may harm our business. In addition, our Magillem, Semifore and Cycuity acquisitions along with our Transchip investment as well as any acquisition, investment, joint venture or other strategic transaction that we may enter into in the future, involve a number of additional financial, accounting, managerial, operational, legal, regulatory and other risks, which may include, among others:

- Any business, technology, service or product that we acquire or invest in could under-perform relative to our expectations and the price that we paid or not perform in accordance with our anticipated timetable, or we could fail to operate any such business profitably.
- We may incur or assume significant debt in connection with our acquisitions, joint ventures and other strategic relationships, which could also cause a deterioration of our credit ratings, result in increased

borrowing costs and interest expense and diminish our future access to the capital markets. Alternatively, we may issue additional equity securities, which could dilute your ownership and voting power.

- We expect to incur integration and startup costs.
- Acquisitions, joint ventures and other strategic relationships could cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term challenges associated with integrating employees from the acquired company into our organization.
- Pre-closing and post-closing earnings charges could adversely impact operating results in any given period, and the impact may be substantially different from period to period.
- Acquisitions, joint ventures and other strategic relationships could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address.
- We could experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers.
- We may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition, joint venture or other strategic relationship.
- We may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's or investee's activities and the realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position and/or cause us to fail to meet our public financial reporting obligations.
- In connection with acquisitions and joint ventures, we often enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which may have unpredictable financial results.
- As a result of our acquisitions, we have recorded significant goodwill and other assets on our consolidated balance sheet and if we are not able to realize the value of these assets, or if the fair value of our investments declines, we may be required to incur impairment charges.
- We may have interests that diverge from or are adverse to those of our joint venture partners or other strategic partners, expose our IP and intellectual property rights to misappropriation or other licensing risks, and we may not be able to direct the management and operations of the joint venture or other strategic relationship in the manner we believe is most appropriate, exposing us to additional legal, financial, or technical risk.
- Investing in or making loans to early-stage companies often entails a high degree of risk, and we may not achieve the strategic, technological, financial or commercial benefits we anticipate; we may lose our investment, or fail to recoup our loan; or our investment may be illiquid for a greater-than-expected period of time.

Furthermore, potential acquisitions, investments, divestitures, joint ventures, expansions or divestitures, and other strategic transactions, whether or not consummated, may divert our management's attention and require considerable cash outlays at the expense of our existing operations. This, and any of the risks set forth above, could harm our business.

Our ability to raise capital in the future may be limited and could prevent us from executing our growth strategy.

Our ability to operate and expand our business depends on the availability of adequate capital, which in turn depends on the cash flow generated by our business and equity or other applicable financing arrangements. We believe that our existing cash and cash equivalents, short-term investments and cash provided by sales of our products will satisfy our anticipated cash requirements for at least the next 12 months. However, we have based this estimate on our current operating plans and expectations, which are subject to change, and cannot assure you that that our existing resources will be sufficient to meet our future liquidity needs. We have and may continue to require additional capital to respond to business opportunities, challenges, acquisitions or other strategic transactions and/or unforeseen circumstances. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on numerous factors, including:

- market acceptance of our semiconductor IP and other solutions, and our SoC Integration Automation software solutions;
- the need to adapt to changing technologies and technical requirements;
- the existence of opportunities for expansion; and
- access to and availability of sufficient management, technical, marketing and financial personnel.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain additional debt financing. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations and our ability to incur additional debt or engage in other capital-raising activities. We have not made arrangements to obtain additional financing and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow and support our business and respond to business opportunities and challenges could be significantly limited.

We may not be able to effectively manage our growth, and we may need to incur significant expenditures to address the additional operational and control requirements of our growth, either of which could harm our business and operating results.

In order to succeed in executing our business plan, we will need to manage our growth effectively as we make significant investments in research and development and sales and marketing to expand our operations and infrastructure both domestically and internationally. In addition, in connection with operating as a public company, we will continue to incur additional significant legal, accounting and other expenses that we did not incur as a private company. If our revenue does not increase to offset these increases in our expenses, we may delay or not achieve or maintain profitability in future periods.

To continue to grow and to meet our ongoing obligations as a public company, we must continue to expand our operational, engineering, accounting and financial systems, procedures, controls and other internal management systems. In connection with our hardware security verification software products, we may experience additional costs in relation to U.S. government contracting, and the integration of business practices, cultures and operations may distract management from its core IP interconnect business. These may require substantial managerial and financial resources, and our efforts in this regard may not be immediate or successful. Our current systems, procedures and controls may not be adequate to support our future operations, particularly if our business or operations evolve in ways we do not currently anticipate, and we may be unable to meet reporting obligation deadlines under the Exchange Act. Unless our growth results in an increase in our revenue that is proportionate to the increase in our costs associated with this growth, our operating margins will be adversely affected and our U.S. government federal contracts compliance risks may increase. If we fail to adequately manage our growth, improve our operational, financial and management information systems, or effectively motivate and manage our new and future employees, it could harm our business, results of operations, and financial condition.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and market our products could be harmed, which in turn could adversely affect our financial results.

Our success depends to a large extent upon the continued services of our executive officers, managers and skilled personnel, including our development engineers. In particular, we are highly dependent on the services of K. Charles Janac, our President, Chief Executive Officer and Chairman, who has been critical in the development and growth of our business and strategic direction, and we do not have key person insurance. From time to time, there may be changes in our executive management team or other key personnel, which could disrupt our business. Generally, our employees are not bound by obligations that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. Moreover, our employees are generally not subject to non-competition agreements. Given these limitations, we may not be able to continue to attract, retain and motivate qualified personnel necessary for our business.

In addition, we recruit from a limited pool of engineers with expertise in SoC design and the competition for such personnel can be intense. The loss of one or more of our executive officers or other key personnel, restrictions on our ability to access certain geographic talent pools due to geopolitical developments, hostilities, or changes in regulation could be significantly detrimental to our product development efforts and could harm our business. We may experience disruptions in our research and development efforts resulting from the inability to hire qualified engineers globally including from the Middle East due to the Iran conflict, Israel conflict and escalating conflicts and tensions in the Middle East. In addition, we must attract and retain highly qualified personnel, including certain foreign nationals who are not U.S. citizens or permanent residents, many of whom are highly skilled and constitute an important part of our U.S. workforce, particularly in the areas of engineering and product development. Our ability to hire and retain these employees and their ability to remain and work in the United States are impacted by laws and regulations, as well as by procedures and enforcement practices of various government agencies. Changes in immigration laws, executive orders and regulations or procedures, may adversely affect our ability to hire or retain such workers, including regional or other, sales representatives, which increases our operating expenses and may negatively impact our ability to deliver our products and services, any of which could harm our business.

Volatility in, or lack of performance of, our stock price may also affect our ability to attract and retain key personnel. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying their vested options or restricted stock units have significantly depreciated or otherwise expressed volatility in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices of the options that they hold are significantly above the trading price of our common stock. If we are unable to retain our employees, our business, results of operations, and financial condition could be harmed.

Our management team has limited experience managing a public company.

Many members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage us as a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could harm our business.

Catastrophic events may disrupt our business.

Our corporate headquarters are located in an area that is an active earthquake zone. In the event of a major earthquake, hurricane or other forms of catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war, terrorist attack or disease outbreak, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our product development, breaches of data security, or loss of critical data, any of which could have an adverse effect on our future results of operations.

If our counterparties are unable to fulfill their financial and other obligations to us, our business and results of operations may be affected adversely.

Any downturn in economic conditions, geopolitical events, shortages or other business factors could threaten the financial health of our counterparties, including companies with which we have entered into licensing agreements, and their ability to fulfill their financial and other obligations to us. Such financial pressures on our counterparties may eventually lead to bankruptcy proceedings or other attempts to avoid financial obligations that are due to us. Because bankruptcy courts have the power to modify or cancel contracts of the petitioner which remain subject to future performance and alter or discharge payment obligations related to pre-petition debts, we may receive less than all of the payments that we would otherwise be entitled to receive from any such counterparty as a result of bankruptcy proceedings.

Risks Related to Intellectual Property, Information Technology and Data Security and Privacy

If we are unable to protect our proprietary technology and inventions through patents and other intellectual property rights, or experience a high level of AI product disruption, our ability to compete successfully and our financial results could be adversely impacted.

We seek to protect our proprietary technology and innovations, particularly those relating to the design of our products, through patents, trade secrets and other intellectual property rights. As of March 31, 2026, we had 280 total allowed or issued patents, pending patent applications and non-expired provisional patent applications worldwide. Of these, 138 allowed or issued patents, 99 are U.S. allowed or issued patents, 12 are China issued patents, 10 are Europe issued patents, eight are U.K. issued patents, six are South Korea issued patents, and three are Japan issued patents. The 138 allowed or issued patents generally expire between July 2035 and July 2044. As of March 31, 2026, we had 142 pending non-provisional and provisional patent application filings, including 63 in the United States, 24 in Europe, 23 in China, 13 in South Korea, 13 in Japan and six in the World Intellectual Property Organization. Maintenance of patent portfolios, particularly outside of the United States, is expensive, and the process of seeking patent protection is lengthy and costly. While we intend to maintain our current portfolio of patents and to continue to prosecute our currently pending patent applications and file future patent applications when appropriate, the value of these actions may not exceed their expense. Existing patents and those that may be issued from any pending or future applications may be subject to challenges, invalidation or circumvention, and the rights granted under our patents may not provide us with meaningful protection or any commercial advantage. In addition, the protection afforded under the patent laws of one country may not be the same as that in other countries. This means, for example, that our right to exclusively commercialize a product in those countries where we have patent rights for that product can vary on a country-by-country basis. We also may not have the same scope of patent protection in every country where we do business.

Additionally, it is difficult and costly to monitor the use of our intellectual property. For example, we continue to invest in methods, tools and infrastructure for infusing AI capabilities into our operations and into our offerings, however AI generated code and outputs may not be subject to copyright protection, potentially weakening our ability to enforce intellectual property rights against infringers or new competitors. Advances in AI may make it easier for unauthorized parties to copy or reverse engineer our technologies, including attempts to extract proprietary model capabilities or replicate our systems' reasoning processes to develop competing products. Inability to effectively protect key components of our proprietary technology could affect the Company's competitive position and performance. While these technologies present significant benefits, use of AI tools could expose us and our products to risks of unauthorized use and wide dissemination of our intellectual property by unknown or unauthorized recipients.

If we are unable to protect our proprietary technology and inventions through trade secrets, our competitive position and financial results could be adversely affected.

As noted above, we seek to protect our proprietary technology and innovations, particularly those relating to our products, as patents, trade secrets and other forms of intellectual property. While software and other forms of our proprietary works may be protected under copyright law, copyright registrations may not be available for all such works, and in some cases we have chosen not to register any copyrights in these works. In addition, intellectual property ownership for AI-generated works may not be available, and the scope of protection remains uncertain under current law in some countries. Where we consider protecting our software to be important but other intellectual property rights may not be available, we primarily rely on protecting our software as a trade secret. In the United States, trade secrets are protected under the federal Economic Espionage Act of 1996 and the Defend Trade Secrets Act of 2016 (the Defend Trade Secrets Act), and under state law, with many states having adopted the Uniform Trade Secrets Act (the UTSA) and several that have not. In addition to these federal and state laws inside the United States, under the World Trade Organization's Trade Related-Aspects of IP Rights Agreement (the TRIPS Agreement), trade secrets are to be protected by World Trade Organization member states as "confidential information." Under the UTSA and other trade secret laws, protection of our proprietary information as trade secrets requires us to take steps to prevent unauthorized disclosure to third parties or misappropriation by third parties. In addition, the full benefit of the remedies available under the Defend Trade Secrets Act requires specific language and notice requirements to be present in the relevant agreements, which may not be present in all of our agreements. While we require our officers, employees, consultants, distributors, and existing and prospective customers and collaborators to sign confidentiality agreements and take various security measures to protect against unauthorized disclosure and misappropriation of our trade secrets, we cannot assure or predict that these measures will be sufficient. For example, these agreements may be breached, with or without our knowledge, and we may not have adequate remedies for any breach. Despite the precautions we may take, our trade secrets may be stolen, otherwise become known, or independently developed by competitors. The semiconductor industry is generally subject to a high turnover of employees, so the risk of trade secret misappropriation may be amplified. In addition, revealing confidential or trade secret information to AI tools, whether through an AI prompt or generated output, can result in the permanent loss of the trade secret protection and undermine our ability to obtain future patents covering related inventions or to otherwise protect related intellectual property. Some foreign countries do not currently provide effective legal protection for trade secrets and other proprietary information, and our ability to prevent unauthorized use of our proprietary information in those countries is therefore limited. If any of our trade secrets are subject to unauthorized disclosure or are otherwise misappropriated by third parties, our competitive position may be materially and adversely affected.

Our ability to compete successfully depends in part on our ability to commercialize our IP solutions without infringing the patent, trade secret or other intellectual property rights of others.

To the same extent that we seek to protect our technology and inventions with patents, trade secrets and other intellectual property rights, our competitors and other third parties do the same for their technology and inventions. We have no means of knowing the content of patent applications filed by third parties until they are published. It is also difficult and costly to continuously monitor the intellectual property portfolios of our competitors to ensure our technologies do not violate the intellectual property rights of any third parties. In addition, we may have little or no insight into and no control over the content and materials used by vendors to train AI tools. Our use of such tools may inadvertently violate a third party's rights, be non-compliant with the applicable terms of use or our other legal obligations, or result in a security or privacy risk or data leakage.

Claims by other companies that we infringe their intellectual property rights or that patents on which we rely are invalid could adversely affect our business.

The semiconductor industry is rife with patent assertion entities and is characterized by frequent litigation regarding patent and other intellectual property rights. From time to time, we receive communications from or are sued by third parties that allege that our products or technologies infringe their patent or other intellectual property rights. As a public company with an increased profile and visibility, we may receive similar communications in the future. Lawsuits or other proceedings resulting from allegations of infringement could subject us to significant liability for damages, invalidate our proprietary rights and harm our business. We may not prevail in lawsuits alleging patent infringement given the complex technical issues and inherent uncertainties in intellectual property litigation. If any of our products, technologies or services from which we derive or expect to derive a substantial portion of our revenues, were found to infringe on another company's intellectual property rights, we could be subject to damages, an injunction and/or other equitable relief that would force the removal of such product from the market or we could be required to redesign such product, or take a license to the third-party technology, which could be costly. We could also be ordered to pay damages or other compensation, including punitive damages and attorneys' fees to such other company. A negative outcome in any such litigation could also severely disrupt the sales of our marketed products to our customers or their customers, which in turn could harm our relationships with our customers, our market share and our product revenues. Even if we are ultimately successful in defending any intellectual property litigation, such litigation is expensive and time consuming, will divert our management's attention from our business and may harm our reputation.

In the event that any third-party succeeds in asserting a valid claim against us or any of our customers, we could be forced to do one or more of the following:

- discontinue selling access to certain technologies that contain the allegedly infringing intellectual property which would result in a decline in our revenue and could result in breach of contract claim by our affected customers and damage to our reputation;
- stop receiving payment from a customer that can no longer sell the end-product if it contains allegedly infringing intellectual property;
- seek to develop non-infringing technologies, which may not be feasible;
- incur significant legal expenses;
- pay substantial monetary damages to the party whose intellectual property rights we may be found to be infringing; and/or
- we or our customers could be required to seek licenses to the infringed technology that may not be available on commercially reasonable terms, if at all.

If a third-party, AI or open source content causes us to discontinue the use of any of our technologies, we could be required to design around those technologies. This could be costly and time-consuming and could have an adverse impact on our financial results. Any significant impairments of our intellectual property rights from any litigation we face could harm our business and our ability to compete in our industry.

We may not be able to continue to obtain licenses to third-party software and intellectual property on reasonable terms or at all, which may disrupt our business and harm our financial results.

We license third-party software and other intellectual property for use in product research and development and, in several instances, for inclusion in our products such as our license with Qualcomm for FlexNoC. We also license third-party software, including the software of our competitors, to test the interoperability of our products with other industry products and in connection with our professional services. Our third-party licenses typically limit our use of IP to specific uses and for specific time periods and include other contractual obligations with which we must comply. Moreover, certain intellectual property rights may be licensed to us on a non-exclusive basis, and accordingly, the owners of such intellectual property rights are free to license such rights to third parties, including our competitors, on terms that may be superior to those offered to us, which could place us at a competitive disadvantage. These licenses may need to be renegotiated or renewed from time to time, or we may need to obtain new licenses in the future. For example, we may be required to renegotiate or seek a waiver to or consent under our license with Qualcomm with respect to our FlexNoC product in the event of certain changes of control (as defined in our agreements with Qualcomm) and there can be no guarantee we would be successful in such endeavor. Such provision could prevent us from pursuing a robust sales process in the event of a sale of the Company if Qualcomm refuses to provide consent or waive such change in control provision. In such an event, a change in control could cause us to lose our license with Qualcomm and our valuation could be adversely affected. See “Business—Material Agreement—Qualcomm Agreements” in our Annual Report on Form 10-K for the year ended December 31, 2025, for additional information. Third parties may stop adequately supporting or maintaining their technology, or they or their technology may be acquired by our competitors. If we are unable to obtain licenses to these third-party software and intellectual property rights on reasonable terms or at all, we may not be able to sell or support the affected products, our customers’ use of the products may be interrupted, and/or our product development processes and professional services offerings may be disrupted, which could in turn harm our financial results, our customers, and our reputation. Further, if we or our third-party licensors were to breach any material term of a license, such a breach could, among other things, prompt costly litigation, result in the license being terminated or result in fines and other damages. If any of the following were to occur, it could harm our business and our reputation.

We also cannot be certain that our licensors are not infringing the intellectual property rights of others or that our licensors have sufficient rights to the intellectual property to grant us the applicable licenses. Although we seek to mitigate this risk contractually, we may not be able to sufficiently limit our potential liability. If we are unable to obtain or maintain rights to any of this intellectual property because of intellectual property rights infringement claims brought by third parties against our licensors or against us, our ability to develop, maintain and support our products and technology incorporating that intellectual property could be severely limited and our business could be harmed. Furthermore, regardless of outcome, infringement claims may require us to use significant resources and may divert management’s attention.

Some of our products and technology, including those we acquire, may include software licensed under open-source licenses. Use and distribution of open-source software, where applicable, may entail greater risks than use of third-party commercial software, as open-source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. To the extent that our technology may in the future depend upon the successful operation of open-source software, any undetected errors or defects in this open-source software could prevent the deployment or impair the functionality of such technologies and injure our reputation.

Moreover, some open-source software licenses require users who distribute that open-source software as part of their proprietary software to publicly disclose all or part of the source code to such software and make available any derivative works or modifications of the open-source code on unfavorable terms or at no cost. If we were to combine our proprietary software with such open-source software in a certain manner, we could, under certain circumstances, be required to comply with such license terms. Although we have tools and processes to monitor and restrict our use of open-source software, the risks associated with open-source usage cannot be eliminated and may, if not properly addressed, result in unanticipated obligations that could harm our business.

Any dispute regarding our intellectual property may require us to indemnify certain customers, the cost of which could severely harm our business.

In any potential dispute involving our patents copyrights, trademarks, open source or AI content, or other intellectual property, our customers could also become the target of litigation. Some of our agreements, including those with key customers like Texas Instruments Incorporated and Samsung Electronics Co., Ltd., have historically provided for indemnification, and some require us to provide technical support and information to a customer that is involved in litigation involving use of our technology. In addition, we may be exposed to indemnification obligations, risks and liabilities that were unknown at the time that we acquired assets or businesses for our operations. Any of these indemnification and support obligations could result in substantial and material expenses. In addition to the time and expense required for us to indemnify or supply such support to our customers, a customer's development, marketing and sales of licensed semiconductors, mobile communications and data security technologies could be severely disrupted or shut down as a result of litigation, which in turn could severely harm our business as a result of lower or no royalty payments.

Working with the U.S. government, including through the Small Business Innovation Research (SBIR) program, in connection with licenses and other contracts involves risks related to data rights, intellectual property protection and eligibility status.

We have, including through entities we have acquired, and may enter into additional licenses and additional contracts with the U.S. government which contain customary provisions that give the government substantial and sometimes unilateral rights and remedies not typically found in commercial contracts, including the right to unilaterally modify the contract and terminate the contract for convenience. The future levels of expenditures and authorizations for defense-related programs by the U.S. government may decrease, remain constant or shift to programs in areas where we do not currently provide products, thereby reducing the chances that we will be awarded new contracts. In addition, these contracts subject a portion of our business to the statutes and regulations applicable to doing business with the government, including the Federal Acquisition Regulation (FAR) and also subject us to greater scrutiny by the government, which can initiate reviews, audits and investigations regarding our compliance with government contract requirements. New regulations or procurement requirements (including, for example regulations regarding supply chain diligence and cybersecurity) or changes to current requirements could increase our costs and risk of non-compliance. In addition, if we fail to comply with government contracting laws, regulations and contract requirements, our contracts may be subject to termination, and we may be subject to financial and/or other liability under our contracts, the Federal Civil False Claims Act (including treble damages and other penalties), or criminal law. In particular, the False Claims Act's "whistleblower" provisions also allow private individuals, including present and former employees, to sue on behalf of the U.S. government. Any penalties, damages, fines, suspension, or damages could adversely affect our ability to operate our business and our financial results.

Cybersecurity threats continue to increase in frequency and sophistication; a successful cybersecurity attack or prolonged outage regardless of cause could interrupt or disrupt our information technology systems, or those of our third-party service providers, or cause the loss of availability of confidential or protected data which could disrupt our business, force us to incur significant costs, expose us to regulatory or contractual liability, or cause reputational harm.

Security breaches, computer malware, prolonged outages, and computer hacking attacks have become more prevalent across industries and may occur on our systems or those of our third-party service providers or partners. The size and complexity of our information systems make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or external service providers, vendors, or from attacks by malicious third parties and state-sponsored actors. Such attacks are increasing in their frequency, levels of persistence, levels of sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise. As a result of our reliance on internet technology and the number of our employees who are working remotely, this may create additional opportunities for cybercriminals to exploit vulnerabilities. In addition to unauthorized access to or acquisition of personal data, confidential information, intellectual property or other sensitive information, such attacks could include the deployment of harmful malware and ransomware, and may use a variety of methods, including denial-of-service attacks, phishing, social engineering and other means, to attain such unauthorized access or acquisition or otherwise affect service reliability and threaten the confidentiality, integrity and availability of information. Like many other companies, we experience attempted cybersecurity actions on a frequent basis, and the frequency of such attempts could increase in the future. While we have invested in measures for the protection of data and information technology, there can be no assurance that our efforts will prevent or quickly identify service interruptions or security breaches. The techniques used by cybercriminals to obtain unauthorized access to systems or sabotage systems, or to disable or degrade services, change frequently, and may not be recognized when launched against a target and can originate from a wide variety of sources, including outside groups such as organized crime affiliates, terrorist organizations or hostile foreign governments or agencies. We cannot assure that our data protection efforts and our investment in information technology will prevent significant breakdowns, data leakages or breaches in our systems or those of our third-party services providers or partners. Any such interruption or breach of our systems could adversely affect our business operations and/or result in the loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us.

Data security breaches could also expose us to liability under various laws and regulations across jurisdictions and increase the risk of litigation and governmental or regulatory investigation. For example, the California Consumer Privacy Act of 2018 as amended by the California Privacy Rights Act, collectively the CCPA, includes a private right of action for security breaches that could lead to some form of remedy, as well as, regulatory scrutiny, fines, private right of action settlements, and other consequences. Where a security incident involves a breach of security leading to the accidental or unlawful destruction, loss, alternation, unauthorized disclosure of, or access to, personal data in respect of which we are a controller or processor under the GDPR or U.K. GDPR, this could result in fines of up to €20.0 million or 4% of annual global turnover under the GDPR or £17.5 million and 4% of total annual revenue in the case of the U.K. GDPR. Under these laws, we may be required to notify such breaches to regulators and/or individuals which may result in us incurring additional costs. Moreover, any such compromise of our information security or that of our third parties could result in the misappropriation or unauthorized publication or other exploitation of our confidential business or proprietary information or personal information or that of other parties with which we do business, an interruption in our operations, the unauthorized transfer of cash or other assets, the unauthorized release of customer or employee data or a violation of privacy or other laws. In addition, computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our products, or that otherwise exploit any security vulnerabilities, and any such attack, could expose us to liability to customer claims. Any of the foregoing could irreparably damage our reputation and business, could have a material adverse effect on our results of operations, and cause us to incur significant costs, including legal expenses and remediation costs.

In addition, as a government contractor, we are subject to extensive and evolving cybersecurity, data protection, and other requirements. Compliance with these programs is costly and resource-intensive, and failure to comply could limit our ability to compete for new government contracts or maintain existing ones. If we are unable to keep pace with evolving government mandates, our competitive position in the defense and aerospace sectors could be affected.

We maintain cyber liability and business interruption insurance renewed annually; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

We are subject to data protection, AI, and privacy and security laws, regulations, standards and other requirements across different markets where we conduct our business. Our actual or perceived failure to comply with such obligations could harm our business.

The global data protection landscape continues to evolve, and we are or may become subject to numerous state, federal and foreign laws, regulations, legal requirements, contractual obligations and industry standards regarding security, data protection and privacy and any actual or perceived failure to comply with these requirements, obligations or standards could harm our reputation and business. If we are found to have violated any such laws or regulations in any such jurisdiction, we may be subject to enforcement actions that require us to change our business practices in a manner which may negatively impact our revenue, as well as expose us to litigation, fines, civil and/or criminal penalties and adverse publicity that could cause our customers to lose trust in us, negatively impacting our reputation and business in a manner that harms our financial position. The evolution of new standards and enforcement practices may create uncertainty in our business, affect our ability to operate in certain jurisdictions or to collect, store, transfer, use and share personal information, necessitate the acceptance of more onerous obligations in our contracts, result in liability or impose additional costs on us. The cost of compliance with these laws, regulations and standards is high and is likely to increase in the future.

Our operations abroad may also be subject to increased scrutiny or attention from data protection authorities. For example, the EU General Data Protection Regulation (EU GDPR) and the U.K. General Data Protection Regulation and the U.K. Data Protection Act 2018 (UK GDPR) (collectively, the GDPR) imposes comprehensive data privacy compliance obligations on our collection, processing, sharing, disclosure, transfer and other use of data relating to an identifiable living individual or “personal data”. The EU and U.K. regimes also include laws which, among other things, require European Economic Area (EEA) member states and the U.K. to regulate marketing by electronic means and the use of cookies and similar technologies.

We are also subject to European Union rules with respect to cross-border transfers of personal data out of the EEA and the U.K. In addition to Standard Contractual Clauses (SCCs), which went into effect in June of 2021, various alternative or supplemental transfer mechanisms have been adopted or proposed. In July of 2023, the US and EU announced the EU-U.S. Data Protection Framework (DPF) which replaced Privacy Shield, may, subject to ongoing legal, regulatory, and practical considerations, serve as a lawful basis for transatlantic data transfer for companies to receive personal data from the EU, UK and Switzerland without additional safeguards. We currently rely on the SCCs to transfer personal data outside the EEA and the U.K., including to the United States and other jurisdictions. As supervisory authorities issue further guidance on personal data export mechanisms, or if existing mechanisms are invalidated, modified, or become subject to additional requirements, we could suffer additional costs, face operational disruption, complaints and/or regulatory investigations or fines.

We are subject to evolving data privacy and security laws, rules and regulations in the PRC, particularly the Personal Information Protection Law (PIPL), Cybersecurity Law (CSL) (recently updated effective January 1, 2026), and Data Security Law (DSL), along with their implementing regulations and standards. Consent from the data subject is required for any collection or processing of personal data, unless one of a limited number of exemptions applies. Notably, the PIPL, similar to the EU GDPR, applies extraterritorially in certain circumstances.

The PIPL, CSL and DSL also specify rules for transferring personal information and the sui-generis category of ‘important data’ out of the PRC. Compliance with applicable requirements may involve security assessments, obtaining certifications of group privacy standards by designated agencies, or entering into standard contracts (in approved form) with overseas recipients (to be filed with a PRC government agency) are among the requirements for transfer of personal data. All businesses in China additionally require government approval to transfer any amount of ‘important data’ generated within the PRC overseas.

These laws and regulations continue to evolve, and may have an uncertain impact on our operations in the PRC and related compliance costs. In addition, these laws and regulations are drafted broadly and thus leave significant discretion to the relevant PRC authorities, increasing the uncertainty about how they will be interpreted and enforced in practice.

Although we make reasonable efforts to comply with all applicable data protection laws and regulations, our interpretations and such measures have been or may prove to be insufficient or incorrect. The effects of any applicable state, federal and international laws and regulations that are currently in effect or that may go into effect in the future, are significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such laws and regulations. Allegations of non-compliance, whether or not true, could be costly, time consuming, and cause reputational harm. In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards. Because the interpretation and application of privacy and data protection laws continue to evolve, it is possible that these laws may be interpreted and applied in a manner that are inconsistent with one another or inconsistent with our existing data management practices or the features of our products and services. Any actual or perceived failure to comply with these and other data protection and privacy laws and regulations could result in regulatory scrutiny, investigations, enforcement actions, increased exposure to litigation, consent decrees, remediation obligations, civil or criminal penalties, or fines, any of which could harm our business. In addition, we or our third-party service providers may be required to materially alter our business operations or practices or modify our products and services, which could adversely affect our business. Any of the foregoing could result in additional cost and liability to us, damage our reputation, inhibit sales, and harm our business.

Risks Related to Legal, Regulatory, Accounting and Tax Matters

Our failure to comply with the large body of laws and regulations to which we are subject could materially harm our business.

We are subject to regulation by various governmental agencies in the United States and other jurisdictions in which we operate. These laws and regulations (and the government agency responsible for their enforcement in the United States) cover: radio frequency emission regulatory activities (Federal Communications Commission); anti-trust regulatory activities (Federal Trade Commission and Department of Justice); consumer protection laws (Federal Trade Commission); import/export regulatory activities (Department of Commerce); product safety regulatory activities (Consumer Products Safety Commission); worker safety (Occupational Safety and Health Administration); environmental protection (Environmental Protection Agency and similar state and local agencies); employment matters (Equal Employment Opportunity Commission); and tax and other regulations by a variety of regulatory authorities in each of the areas in which we conduct business. In connection with our hardware security verification software solutions, we may be subject to regulations, including the U.S. Federal Acquisition Regulations, Defense Federal Acquisition Regulations (DFARS), or Department of Energy Acquisition Regulations (DEARS) either directly or as flow-down contract obligations from customers. In certain circumstances, failure to comply with these requirements, the terms of government contracts, or with other applicable regulations may result in fines and penalties, or loss of current or future business including with U.S. governmental agencies and its contractors for a period of time. In certain jurisdictions, regulatory requirements in one or more of these areas may be more stringent than in the United States.

In the area of employment matters, we are subject to a variety of federal, state and foreign employment and labor laws and regulations, including the Americans with Disabilities Act, the Federal Fair Labor Standards Act, the WARN Act and other regulations related to working conditions, wage and hour pay, overtime pay, employee benefits, anti-discrimination, and termination of employment. We are subject to local employment statutes and regulations in other jurisdictions. Noncompliance with any of these applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, fines, damages, penalties, or injunctions. In certain instances, former employees have brought claims against us, and we expect that we will encounter similar actions against us in the future. An adverse outcome in any such litigation could require us to pay damages, attorneys' fees and costs. These enforcement actions could harm our reputation and business. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business could be harmed. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees.

Our failure to comply with the Foreign Corrupt Practices Act, other applicable anti-corruption and anti-bribery laws, and applicable anti-money laundering laws could subject us to penalties and other adverse consequences.

We have extensive international operations, and a substantial portion of our business is conducted outside of the United States. Our operations are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended (the FCPA), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, as well as the anti-corruption, anti-bribery, and anti-money laundering laws in the countries where we do business. Anti-corruption laws are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making, or offering, soliciting, or accepting, directly or indirectly, improper payments or other benefits to or from any person whether in the public or private sector. The FCPA also requires publicly traded companies to maintain records that accurately and fairly represent their transactions, and to have an adequate system of internal accounting controls. As we increase our international sales and business, our risks under these laws may increase.

Though we maintain policies, internal controls and other measures reasonably designed to promote compliance with applicable anti-corruption, anti-bribery laws, and anti-money laundering laws and regulations, our employees or agents may nevertheless engage in improper conduct for which we might be held responsible. Any violations of these laws, or even allegations of such violations, can lead to an investigation and/or enforcement action, which could disrupt our operations, involve significant management distraction, and lead to significant costs and expenses, including legal fees. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business, delisting from securities exchanges and other consequences that may harm our business. In addition, our reputation, our revenue or our stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of any of these laws and regulations.

We are subject to government regulations, including import, export and economic sanctions laws and emerging artificial intelligence regulations that may restrict our ability to sell to or get paid by customers in certain regions, delay or prevent transactions, or expose us to liability and increase our costs.

Certain of our products, including our IP interconnect and other solutions and technology are subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations (EAR) and economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. These regulations may limit the export of our products and technology, and provision of our services outside of the United States, or may require export authorizations, including by license, a license exception, or other appropriate government authorizations and conditions, including annual or semi-annual reporting. Export control and economic sanctions laws may also include prohibitions on the sale or supply of certain of our products to embargoed or sanctioned countries, regions, governments, persons, and entities. In addition, various countries regulate the importation of certain products, through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products. The exportation, re-exportation, and importation of our products and technology and the provision of services, including by our partners, must comply with these laws or else we may be adversely affected through reputational harm, government investigations, penalties, and a denial or curtailment of our ability to export our products and technology. Complying with export control and sanctions laws may be time-consuming and may result in the delay or loss of sales opportunities. Although we take precautions to prevent our products and technology from being provided in violation of such laws, our products and technology have previously been, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Changes in export or import laws or sanctions policies may adversely impact our operations, delay the introduction and sale of our products in international markets, or, in some cases, restrict our ability to sell to or get paid by customers, prevent the export or import of our products and technology to certain countries, regions, governments, persons, or entities altogether, which could harm our business.

Assertions by third parties of infringement or other violation by us of their intellectual property rights could harm our business.

Third parties may assert that we have infringed, misappropriated, or otherwise violated their copyrights, patents, and other intellectual property rights, particularly as new technologies such as AI impact the industries in which we operate. We may experience brand or reputational harm, competitive harm or legal liability if we do not have sufficient rights to use the output of AI or open source content, or the data or other material or content on which these rely. In addition, we may incur liability through the breach of third-party intellectual property licenses or contracts to which we are a party, and violations of applicable laws and regulations. For example, there is uncertainty in the U.S. courts as to how AI technologies affect IP ownership, including copyright protections, which may expose us or our customers to claims of copyright infringement or misappropriation.

We will lose sales if we are unable to obtain government authorization to export certain of our products and services, and we will be subject to legal and regulatory consequences if we do not comply with applicable export control laws and regulations or if such laws and regulations were to change.

Exports of certain of our IP interconnect and other solutions are subject to export controls imposed by the U.S. government and administered by the U.S. Departments of State and Commerce. In certain instances, these regulations may require pre-shipment authorization from the administering department. For products subject to the EAR, administered by BIS, the requirement for a license is dependent on the type and end use of the product, the final destination, the identity of the end user and whether a license exception might apply. Certain of our solutions are subject to EAR. Obtaining export licenses can be difficult, costly and time-consuming and we may not always be successful in obtaining necessary export licenses, and our failure to obtain required import or export approval for our products or limitations on our ability to export or sell our products imposed by these laws may harm our international and domestic revenue. Noncompliance with these laws could have negative consequences, including government investigations, penalties and reputational harm. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position.

In addition, in October 2022, October 2023 and April 2024, BIS modified certain of its regulations affecting the export of semiconductor products and equipment, with particular focus on export to China. In December 2024, BIS further expanded export controls on certain advanced semiconductors that can be used in advanced weapon systems and in AI and advanced computing products. We must continue to comply with such regulations and take additional review and precautions as required when such export regulations are updated or changed by the U.S. federal government.

We derive revenue from products that are not subject to the EAR from parties that are subject to the Entity List of the EAR (a list of entities to which the transfer of EAR-controlled technology or software requires a U.S. export license). Current and future business with these entities may be limited in scope or suspended entirely if regulations pertaining to such non-EAR products change, and our revenue could be adversely impacted. Regulatory changes concerning the export classification of our products, changes to the applicability of the EAR to certain product offerings, or the addition of new entities to the Entity List or other restricted party lists can further increase the scope of export restrictions applicable to our business. Failure to obtain export licenses for our products or having one or more of our customers be restricted from receiving exports from us could restrict our ability to sell to and get paid by customers in certain countries, which could significantly reduce our revenue and harm our business.

The U.S. federal government has increased its Entity List materially and expanded its regulatory scope with respect to semiconductors in recent years, which affects the range and number of customers, including Chinese customers, available to license our products and technology. There is additional risk that China and/or other jurisdictions may enact retaliatory legislation or regulations that may raise similar adverse risks. As more entities are added to restricted export control lists, we may need to seek U.S. government authorization, or forego sales with such entities, potentially impacting our ability to attract and do business with new and existing customers. Export control and sanctions designations may be influenced by a variety of geopolitical, foreign policy, or national security considerations, which are outside of our control and may evolve rapidly, increasing uncertainty for our international operations.

We face risks associated with doing business in China.

For the three months ended March 31, 2026, we derived 23.8% of our revenue from customers located in China. As a result, the economic, political, legal and social conditions in China could harm our business. Various factors may in the future cause the Chinese government to impose controls on credit or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products. In addition, the legal system in China has inherent uncertainties that may limit the legal protections available in the event of any claims or disputes that we have with third parties, including our ability to protect the IP we develop or license in China or elsewhere. As China's legal system is still evolving, the interpretation of many laws, regulations and rules is not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit the remedies available in the event of any claims or disputes with third parties. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. We have observed sustained reports of intellectual property theft and misappropriation in China.

Some of the other risks related to doing business in China include:

- The Chinese government exerts substantial influence over the manner in which we must conduct our business activities.
- Restrictions on currency exchange may limit our ability to receive, transfer and use our cash effectively.

- Increased uncertainties related to the protection and enforcement of intellectual property rights, including risk of theft or misappropriation of our products and intellectual property in China, as well as any intellectual property rights that we may license to a Chinese (or other emerging jurisdiction) entity, including any joint ventures we may form.
- Increased uncertainties relating to Chinese regulation of exports of products and technology to and from China.
- Increased and rapidly changing export and related trade regulations including tariffs and restrictions imposed by U.S. and Chinese legislation, executive actions and regulations.
- The Chinese government may favor its local businesses and make it more difficult for foreign businesses to operate in China on an equal footing or create generally difficult conditions for foreign headquartered businesses to operate.
- Increased uncertainties related to the enforcement of contracts with certain parties.
- More restrictive rules on foreign investment could adversely affect our ability to expand our operations in China.
- Geopolitical tensions may lead to increased export sanctions against China and/or Chinese entities or U.S. companies operating in China or selling products or services into China.
- Geopolitical changes in China-Taiwan relations could disrupt our operations in China and Taiwan and the operations of companies in China and Taiwan that are our customers, each of which could materially and adversely affect our business and operating results.

Political instability, changes in government, elections, or destabilizing political developments in or around the major countries and jurisdictions in which we do business have created challenges and an adverse business environment which in turn has impacted our business and financial condition. Worldwide and regional geopolitical tensions and conflicts, including but not limited to China, Hong Kong, Iran, Israel, Korea and Taiwan or where our customers are located, have resulted in changing regulatory requirements or other disruptions that have and could continue to impact our international operations and operating strategies, global product demand and sales, access to global markets, hiring, and profitability. If a disaster, war or catastrophic event affects our ability to work with customers in any of these countries, including China, our business could be harmed by a decline in sales, increased contract expense, and substantial time spent on alternative demand generation. As a result of our growing operations in China, these risks could harm our business.

Further, on September 3, 2021, former President Biden issued Executive Order 14032 (Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China) targeting entities that are deemed part of the Chinese military-industrial complex. Among other things, this executive order prohibits the purchase or sale of any publicly traded securities of a designated entity. We do not expect that this executive order will impact us; however, further government escalation of restrictions related to Chinese investors and dealings in securities could harm certain shareholders.

On October 7, 2022, BIS issued export controls related to the Chinese semiconductor manufacturing, advanced computing, and supercomputer industries imposing broad end-use and other restrictions on facilities in China that develop or produce semiconductor chips or manufacturing equipment, impacting our ability to license or support our products to entities in or doing business with certain advanced AI or "supercomputer" design companies, foundries and manufacturers of assemblies and components in China. On October 17, 2023, BIS issued regulations amending the October 7, 2022 rule. Then on December 2, 2024, BIS further expanded export controls on certain advanced semiconductors that can be used in advanced weapon systems and in AI and advanced computing products. These restrictions, and any subsequent restrictions, may have an adverse effect on our business, results of operations, or financial condition and we may no longer be able to license or support our products to certain companies in China. Furthermore, increased restrictions on China exports may lead to regulatory retaliation by the Chinese government and possibly further escalate geopolitical tensions, and any such scenarios may adversely impact our business. It is difficult to predict what further trade-related actions governments may take, whether the current U.S. presidential administration may impact such tensions, the extent to which we may be able to mitigate the effects of any trade-related actions, and the longer-term implications of trade-related actions on the market opportunities for us. The prospect of future export controls that are implemented in a similar manner may continue to have an ongoing impact on our business, results of operation, or financial conditions.

There have been additional regulatory mandates from the U.S. government that affect our current and future sales and operations in China. Beginning on January 2, 2025, the U.S. Department of the Treasury's Outbound Investment Security Program went into effect. Codified at 31 C.F.R. § 850.101 et seq, the Outbound Investment Security Program prohibits or requires notification of certain types of outbound investments by U.S. persons into certain entities located in or subject to the jurisdiction of China, Hong Kong, and Macau (as well as certain entities subject to Chinese ownership or control) that are engaged in the development of certain national security technologies and products (presently, certain semiconductors and microelectronics, quantum information technologies, and artificial intelligence technologies), as well as any other countries that are or may be designated under the program's regulations. This 2026 U.S. National Defense Authorization Act (NDAA) included the Comprehensive Outbound Investment National Security (COINS) Act of 2025 was signed on December 18, 2025 and expanded the U.S. outbound investment controls and introduced stricter notification and prohibitions for investments in sensitive technologies. Implementing regulations are expected by the U.S. Department of Treasury within 450 days of enactment, and until such time, the 2025 rules remain in effect. As a result of the foregoing, we and our applicable subsidiaries may need to take appropriate steps to comply with these regulations and the cost of doing so, as well as any failure to comply, could have an adverse impact on our business, results of operation or financial condition.

We anticipate conducting certain of our operations through joint venture or collaboration arrangements with Chinese entities. If the Chinese government determines that these arrangements do not comply with applicable regulations, our business could be adversely affected. If the PRC regulatory agencies determine that the agreements that establish the structure and relationship for our operations in China do not comply with PRC regulatory restrictions on foreign investment, we could be subject to severe penalties. In addition, changes in such Chinese laws and regulations may materially and adversely affect our business.

There are uncertainties regarding the interpretation and application of PRC laws, rules and regulations, including, but not limited to, the laws, rules and regulations governing the validity and enforcement of the joint venture arrangement such as the one we are contemplating entering into with certain Chinese entities, including one of our shareholders who holds less than 5% of our outstanding common stock. Because many laws and regulations are relatively new, the interpretations of many laws, regulations and rules are not always uniform. Moreover, the interpretation of statutes and regulations may be subject to government policies reflecting domestic political agendas. Enforcement of existing laws or contracts based on existing law may be uncertain and sporadic. Although we believe, based on our understanding of the current PRC laws, rules and regulations, the structure for our current and contemplated operations based in China complies with all applicable PRC laws, rules and regulations and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations, we cannot assure you that the PRC regulatory authorities will not determine that such joint venture arrangements do not violate PRC laws, rules or regulations. If the PRC regulatory authorities determine that any joint ventures, we may enter into are in violation of applicable PRC laws, rules or regulations, such joint venture arrangements may become invalid or unenforceable, which will substantially affect our operations adversely.

The Chinese government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted by relevant governmental agencies may be revoked at a later time by other regulatory agencies. We cannot predict the effect of the interpretation of existing or new Chinese laws or regulations on our business. Any of these or similar actions could significantly disrupt our operations or restrict us from conducting a substantial portion of our operations, which could materially and adversely affect our business, financial condition and results of operations. There can be no assurance that the U.S. government will refrain from imposing additional restrictions or constraints on dealings or investments in China, including our investment in Transchip or any future joint venture arrangements.

Joint ventures or similar investments are subject to a number of risks, the occurrence of which could adversely impact any of our current or future joint ventures or similar investments, which in turn could harm our business.

Joint ventures or similar investments such as the investment in Transchip as discussed elsewhere in this report, and other joint ventures or similar investments we may form in the future are subject to a number of risks, including but not limited to:

- Our joint venture or investment partners may not commit sufficient resources to market and distribute our products or to otherwise support the joint venture and its intended operations.
- Our joint venture or investment partners may have economic or business interests or goals that are different from ours.

- Our joint venture or investment partners may infringe the IP we assign or license to such joint venture, or the IP of other parties, which may be adverse to us, expose us to litigation and other potential liabilities.
- Disputes may arise among us and our joint venture or investment partners that result in adverse business conditions, delays or termination of activities contemplated by such joint venture or investment or that could result in costly litigation or arbitration that diverts management attention and resources.
- Our joint venture or investment partners have and may in the future not provide us with timely and accurate information regarding the status, compliance or activities of the joint venture or investment which could, among other things, impact our ability to accurately forecast financial results, provide timely information to our shareholders and could create a potential risk of us having to restate our financial results.
- Risks associated with the ability to generate sufficient revenue and our investment to continue operations.
- Any of the risks related to doing business in China or having a Chinese joint venture or investment that are discussed elsewhere in these risk factors.

The occurrence of one or more of the above risks, or any other negative events, could adversely impact our joint ventures or similar investments including our investment in Transchip and we may be required to incur significant impairment charges.

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

There is an increased focus on corporate social and environmental responsibility in the semiconductor industry. A number of our customers have adopted, or may adopt, procurement policies that include social and environmental responsibility provisions or requirements that their suppliers should comply with, or they may seek to include such provisions or requirements in their procurement terms and conditions. An increasing number of investors are also requiring companies to disclose corporate social and environmental policies, practices and metrics. Legal and regulatory requirements, as well as investor expectations, on corporate social responsibility practices and disclosure, are subject to change, can be unpredictable, and may be difficult and expensive for us to comply with, given the complexity of our supply. For example, the current U.S. presidential administration has a different view and approach to many social and environmental policies as compared to prior administrations and may result in us having to adopt positions that may be at odds with those of our customers and investors. If we are unable to comply, or are unable to cause our suppliers to comply, with such policies or provisions or meet the requirements of our customers and our investors, a customer may stop purchasing products from us or an investor may sell their shares, and may take legal action against us, which could harm our reputation, revenue and results of operations.

We could be subject to changes in tax rates or the adoption of new tax legislation, whether in or out of the United States, or could otherwise have exposure to additional tax liabilities, which could harm our business.

As a multinational business, we are subject to income and other taxes in both the United States and various foreign jurisdictions. Changes to tax laws or regulations in the jurisdictions in which we operate, or in the interpretation of such laws or regulations, could, significantly increase our effective tax rate and reduce our cash flow from operating activities, and otherwise have a material adverse effect on our financial condition. In addition, other factors or events, including business combinations and investment transactions, changes in the valuation of our deferred tax assets and liabilities, adjustments to taxes upon finalization of various tax returns or as a result of deficiencies asserted by taxing authorities, increases in expenses not deductible for tax purposes, changes in available tax credits, changes in transfer pricing methodologies, other changes in the apportionment of our income and other activities among tax jurisdictions, and changes in tax rates, could also increase our effective tax rate.

Our tax filings are subject to review or audit by the U.S. Internal Revenue Service (the IRS) and state, local and foreign taxing authorities. We may also be liable for taxes in connection with businesses we acquire. Our determinations are not binding on the IRS or any other taxing authorities, and accordingly the final determination in an audit or other proceeding may be materially different than the treatment reflected in our tax provisions, accruals and returns. An assessment of additional taxes because of an audit could harm our business.

Further changes in the tax laws of foreign jurisdictions could arise, in particular, as a result of the base erosion and profit shifting project that was undertaken by the Organization for Economic Co-operation and Development (the OECD). The OECD, which represents a coalition of member countries, recommended changes to numerous long-standing tax principles. These changes, if adopted, could increase tax uncertainty and may adversely affect our provision for income taxes and increase our tax liabilities.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.

We have incurred cumulative losses historically and it is possible that we will not achieve profitability in the future. Realization of our existing net operating loss (NOL) carryforwards and other tax attributes (such as research tax credits) depends on future taxable income, and there is a risk that our NOL carryforwards and other tax attributes could expire unused before we achieve profitability and be unavailable to offset future taxable income, which could materially and adversely affect our operating results.

In general, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), if a corporation undergoes an “ownership change,” generally defined as a cumulative change of more than 50 percentage points (by value) in its equity ownership by certain stockholders over a three-year period, the corporation’s ability to use its pre-change NOL carryforwards and other pre-change tax attributes (such as research tax credits) to offset its post-change income or taxes may be limited. We may have experienced ownership changes in the past and may experience additional ownership changes in the future, including as a result of subsequent changes in our stock ownership, some of which are outside our control. Accordingly, we may not be able to utilize a material portion of our NOL carryforwards, even if we achieve profitability.

The requirements of being a public company require significant resources and management attention and affect our ability to attract and retain executive management and qualified board members.

As a public company, we incur increased legal, accounting, compliance and other expenses that we did not previously incur as a private company. We are subject to the Exchange Act, including the reporting requirements thereunder, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules and other applicable securities rules and regulations. These rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives, which divert their attention away from our core business operations and revenue-producing activities. Moreover, compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources, particularly after we are no longer an “emerging growth company.” Further, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain directors’ and officers’ liability insurance, which in turn could require us to incur substantially higher costs to obtain the same or similar coverage or accept reduced policy limits and coverage, which, if we accept such reduced policy limits and coverage, could make it more difficult for us to attract and retain qualified individuals to serve on our board of directors and as our executive officers. In addition, we may experience difficulty meeting applicable financial statements timing, auditing and reporting requirements under the Exchange Act. Any failure by us to file our periodic reports with the SEC in a timely manner could harm our reputation and reduce the trading price of our common stock.

We continue to evaluate these rules and regulations and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by the courts, regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. In addition, if we fail to comply with these rules and regulations, we could be subject to a number of penalties, including the delisting of our common stock, fines, sanctions or other regulatory action or civil litigation.

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

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Our disclosure controls and other procedures are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers, and we continue to evaluate how to improve controls. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our business or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed. As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business and could cause a decline in the trading price of our common stock.

We are an “emerging growth company,” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we could remain an emerging growth company until the last day of our fiscal year following the fifth anniversary of the closing of our initial public offering. We expect to cease to be an emerging growth company after December 31, 2026. For as long as we continue to be an emerging growth company, we may choose to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to:

- not being required to engage an auditor to report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- not being required to submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay,” “say-on-frequency,” and “say-on-golden-parachutes”; and
- not being required to disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to median employee compensation.

In addition, as an emerging growth company, we are only permitted to provide two years of audited financial statements and two years of selected financial data (in addition to any required interim financial statements and selected financial data) in this report, and to present correspondingly reduced disclosure in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We have elected to take advantage of this reduced disclosure obligation and certain of the other exemptions described above and may elect to take advantage of these and other reduced reporting requirements in the future. As a result, the information that we provide to our stockholders may be different than the information you might receive from other public reporting companies in which you hold equity interests. In addition, the JOBS Act permits emerging growth companies to delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards until the earlier of the date we (i) are no longer an emerging growth company; or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements and the reported results of operations contained therein may not be directly comparable to those of other public companies. We cannot predict whether investors will find our common stock less attractive because of our reliance on these exemptions. If some investors do find our common stock less attractive, there may be a less active trading market for our common stock and our stock price may be reduced or become more volatile.

We will remain an emerging growth company, and will be able to take advantage of the foregoing exemptions, until the last day of our fiscal year following the fifth anniversary of the closing of our initial public offering or such earlier time that we otherwise cease to be an emerging growth company, which will occur upon the earliest of (i) the last day of the first fiscal year in which our annual gross revenue is \$1.235 billion or more; (ii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; and (iii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which will occur as of the end of any fiscal year in which (x) the market value of our common equity held by non-affiliates is \$700 million or more as of the last business day of our most recently completed second fiscal quarter, (y) we have been required to file annual and quarterly reports under the Exchange Act for a period of at least 12 months and (z) we have filed at least one annual report pursuant to the Exchange Act.

Risks Related to Ownership of Our Common Stock

An active and liquid trading market for our common stock may not be sustained.

Our common stock is currently listed on the Nasdaq Stock Market under the symbol “AIP”. The price for our common stock may vary and an active or liquid market in our common stock may not be sustained. The lack of an active market may impair the value of your shares, your ability to sell your shares at the time you wish to sell them and the prices that you may obtain for your shares. An inactive market may also impair our ability to raise further capital by selling additional shares of our common stock and our ability to acquire other companies, products or technologies by using our common stock as consideration. Furthermore, there can be no guarantee that we will continue to satisfy the continued listing standards of Nasdaq. If we fail to satisfy the continued listing standards, we could be delisted, which would negatively impact the value and liquidity of your investment.

Our stock price may be volatile, and investors in our common stock may not be able to resell shares of our common stock at or above the price paid, or at all.

The trading price of our common stock could be volatile and subject to wide fluctuations in response to various factors, many of which are beyond our control, including, but not limited to:

- variations in our actual or anticipated annual or quarterly operating results or those of others in our industry;
- the potential effects arising if U.S. inflationary, tariffs and other trade and/or currency devaluation trends continue or increase;
- results of operations that otherwise fail to meet the expectations of securities analysts and investors;
- changes in earnings estimates or recommendations by securities analysts, or other changes in investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives;
- market conditions in the semiconductor industry;
- market volatility caused by the rapidly evolving AI-related developments;
- failure to meet our publicly announced guidance or other expectations about our business;
- publications, reports or other media exposure of our products or those of others in our industry, or of our industry generally;
- announcements by us or others in our industry, or by our or their respective suppliers, distributors or other business partners, regarding, among other things, significant contracts, price reductions, capital commitments or other business developments, the entry into or termination of strategic transactions or relationships, securities offerings or other financing initiatives, and public reaction thereto;
- additions or departures of key management personnel;
- regulatory actions involving us or others in our industry, or actual or anticipated changes in applicable government regulations or enforcement thereof;
- the development and sustainability of an active trading market for our common stock;
- sales, or anticipated sales, of large blocks of our common stock, such as any sales that may occur following the expiration of the lockups entered into in connection with our initial public offering or any sales

to cover tax obligations or exercise costs in connection with the vesting of restricted stock units or the exercise of options, respectively;

- general economic and securities market conditions, including rising interest rates; and
- other factors discussed in this “Risk Factors” section and elsewhere in this report.

Furthermore, the stock market in general has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies. Broad market and industry factors may significantly affect the market price of our common stock, regardless of our actual operating performance. These and other factors may cause the market price and demand for our common stock to fluctuate significantly, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our core business operations.

Since our stock price may be volatile, investors in our common stock may not be able to resell shares of our common stock at or above the price paid, or at all.

We may fail to meet our publicly announced guidance or other expectations about our business, which could cause our stock price to decline.

We provide guidance regarding our expected financial and business performance including our anticipated future revenues, operating expenses and other financial metrics. Correctly identifying the key factors affecting business conditions and predicting future events is inherently uncertain. Any guidance that we provide may not always be accurate or may vary from actual results due to our inability to correctly identify risks and uncertainties and to quantify their impact on our financial performance. We provide no assurances that such guidance will ultimately be accurate, and any such guidance should be treated with appropriate caution. If we fail to meet our guidance or if we find it necessary to revise such guidance, even if seemingly insignificant, investors and analysts may lose confidence in us and the market value of our common stock could be materially adversely affected.

If equity research analysts or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our common stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or equity research analysts publish about us or our business. As a newly public company, we may be slow to attract research coverage and the analysts who publish information about our common stock will have had relatively little experience with us, which could affect their ability to accurately forecast our results and could make it more likely that we fail to meet their estimates. If only a few securities or industry analysts commence coverage of us, the trading price for our common stock will be negatively impacted. When we obtain industry or equity research analyst coverage, we will not have any control over the analysts' content and opinions included in their reports. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, financial performance, stock price or otherwise, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline and result in the loss of all or a part of your investment in us.

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

If we or our existing stockholders, including current or former employees sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the market price of our common stock could decline. As of March 31, 2026, we had approximately 46.0 million shares of common stock outstanding.

Shares of common stock that are either subject to outstanding options or reserved for future issuance pursuant to restricted stock unit grants, in each case, under our equity incentive plans are eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules and Rule 144 and Rule 701 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the market price of our common stock could decline.

We may also, from time to time and at any time, seek to offer and sell our common stock pursuant to the 2025 ATM Offering Program, based upon market conditions and other factors.

In addition, certain of our executive officers, directors and stockholders affiliated with our directors have entered or may enter into Rule 10b5-1 plans providing for sales of shares of our common stock from time to time. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the executive officer, director or affiliated stockholder when entering into the plan, without further direction from the executive officer, director or affiliated stockholder. A Rule 10b5-1 plan may be amended or terminated in some circumstances.

Our executive officers, directors and stockholders affiliated with our directors may also buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material, nonpublic information.

K. Charles Janac, our President, Chief Executive Officer and Chairman, beneficially owns a significant percentage of our common stock and will be able to exert significant control over matters subject to stockholder approval.

As of March 31, 2026, K. Charles Janac, our President, Chief Executive Officer and Chairman, held voting power over approximately 20.2% of our outstanding voting stock. Therefore, this stockholder will have the ability to influence us through this ownership position. For example, this stockholder may be able to exercise significant influence over elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans or otherwise could dilute the ownership and voting power of our other stockholders.

We have 300,000,000 shares of common stock authorized as of March 31, 2026. In addition, our Certificate of Incorporation authorizes us to issue up to 10,000,000 shares of preferred stock with such rights and preferences as may be determined by our board of directors. Our Certificate of Incorporation authorizes us to issue shares of common stock or other securities convertible into or exercisable or exchangeable for shares of our common stock from time to time, for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with a financing, an acquisition, an investment, our stock incentive plans or otherwise. Such additional shares of our common stock or such other securities may be issued at a discount to the market price of our common stock at the time of issuance. We may also, from time to time and at any time, seek to offer and sell our common stock pursuant to the 2025 ATM Offering Program, based upon market conditions and other factors.

Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. As discussed below, the potential issuance of preferred stock may delay or prevent a change in control of us, discourage bids for our common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our common stock.

Any issuance of such securities could result in substantial dilution to our existing stockholders and cause the market price of shares of our common stock to decline.

We do not expect to declare or pay any dividends on our common stock for the foreseeable future.

We do not intend to pay cash dividends on our common stock for the foreseeable future. Consequently, investors must rely on sales of their shares of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking dividends should not purchase shares of our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and subject to, among other things, our compliance with applicable law, and depending on, among other things, our business prospects, financial condition, results of operations, cash requirements and availability, debt repayment obligations, capital expenditure needs, the terms of any preferred equity securities we may issue in the future, covenants in the agreements governing our current and future indebtedness, other contractual restrictions, industry trends, the provisions of the Delaware General Corporation Law (the DGCL) affecting the payment of dividends and distributions to stockholders and any other factors or considerations our board of directors may regard as relevant. Furthermore, because we are a holding company, our ability to pay dividends on our common stock will depend on our receipt of cash distributions and dividends from our direct and indirect wholly owned subsidiaries, which may be similarly impacted by, among other things, the terms of any preferred equity securities these subsidiaries may issue in the future, debt agreements, other contractual restrictions and provisions of applicable law. See "Dividend Policy" for additional information.

Provisions in our Certificate of Incorporation and Bylaws and under the DGCL contain antitakeover provisions that could prevent or discourage a takeover.

Provisions in our Certificate of Incorporation and our Bylaws may discourage, delay or prevent a merger, acquisition or other change in control of our company that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions include those establishing:

- a classified board of directors with three-year staggered terms, which may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control of us or our management;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from filling vacancies on our board of directors;
- the ability of our board of directors to authorize the issuance of shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the ability of our board of directors to alter our bylaws without obtaining stockholder approval;
- the required approval of the holders of at least two-thirds of the shares entitled to vote at an election of directors to amend or repeal our bylaws or amend the provisions of our Certificate of Incorporation regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors or a majority of our board of directors, which may delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at an annual meeting or special meeting of stockholders, which may discourage or delay a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us until the next stockholder meeting or at all.

In addition, we are subject to Section 203 of the DGCL. Subject to specified exceptions, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder unless such transaction is approved in a prescribed manner. "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock.

Any provision of our Certificate of Incorporation, Bylaws or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our common stock.

Our Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (the Delaware Court of Chancery) will be the exclusive forum for (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees or stockholders to us or our stockholders; (3) any action asserting a claim against us, any director or our officers and employees arising pursuant to any provision of the DGCL, our Certificate of Incorporation or our Bylaws, or as to which the DGCL confers exclusive jurisdiction on the Delaware Court of Chancery; or (4) any action asserting a claim against us, any director or our officers or employees that is governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Securities Act, the Exchange Act, the rules and regulations thereunder or any other claim for which the federal courts have exclusive jurisdiction; and provided further that, if and only if the Delaware Court of Chancery dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Our Certificate of Incorporation further provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our Certificate of Incorporation described above.

We believe these provisions benefit us by providing increased consistency in the application of the DGCL by chancellors particularly experienced in resolving corporate disputes and in the application of the Securities Act by federal judges, as applicable, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. However, these provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees or agents, which may discourage such lawsuits against us and our directors, officers and other employees and agents. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our Certificate of Incorporation to be inapplicable or unenforceable in such action. If a court were to find the choice of forum provision contained in our Certificate of Incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business.

General Risk Factors

Actions of stockholders could cause us to incur substantial costs, divert management's attention and resources and have an adverse effect on our business.

As a public company, we may, from time to time, be subject to proposals and other requests from stockholders urging us to take certain corporate actions, including proposals seeking to influence our corporate policies or effect a change in our management. In the event of such stockholder proposals, particularly with respect to matters which our management and board of directors, in exercising their fiduciary duties, disagree with or have determined not to pursue, our business could be harmed because responding to actions and requests of stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Additionally, perceived uncertainties as to our future direction may result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel, business partners and customers.

Litigation, including securities class action litigation, may impair our reputation and lead us to incur significant costs. For example, we are currently involved in ongoing litigation related to patent infringement claims.

From time to time, we may be party to various lawsuits and claims arising in the normal course of business, which may include lawsuits or claims relating to contracts, third-party contractors, intellectual property rights, employment matters or other aspects of our business. We may face claims based on intellectual property rights from individuals, companies, non-practicing entities, academic and research institutions, and other parties, including claims from multiple sources against us and other companies. Claims that our products infringe the intellectual property rights of others, regardless of merit, may cause us to incur large costs to respond to, defend and resolve the claims, and they may divert the efforts and attention of our management and technical personnel from our operations.

In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against companies that experienced such volatility. Litigation, if instituted against us, whether or not valid and regardless of outcome, could result in substantial costs, reputational harm and a diversion of our management's attention and resources. In addition, we may be required to pay damage awards or settlements or become subject to injunctions or other equitable remedies, which could harm our business. The outcome of litigation is often difficult to predict, and any litigation may harm our business.

Although we have various insurance policies in place, the potential liabilities associated with litigation matters now or that could arise in the future, could be excluded from coverage or, if covered, could exceed the coverage provided by such policies. In addition, insurance carriers may seek to rescind or deny coverage with respect to any claim or lawsuit. If we do not have sufficient coverage under our policies, or if coverage is denied, we may be required to make material payments to settle litigation or satisfy any judgment. Any of these consequences could harm our business.

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

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

Our Registration Statement on Form S-1, as amended (File No. 333-259988) (the "Form S-1"), for our IPO was declared effective by the SEC on October 26, 2021. The Form S-1 registered the offering and sale of 5,750,000 shares of common stock. On October 29, 2021, we completed our IPO, in which we issued 5,750,000 shares of common stock at a price to the public of \$14.00 per share, including 750,000 shares issued upon the full exercise of the underwriters' option to purchase additional shares. We received net proceeds of approximately \$71.1 million after deducting underwriting discounts and commissions and offering costs of approximately \$3.8 million.

Jefferies LLC and Cowen served as lead book-running managers and BMO Capital Markets served as joint book-running manager for the offering. Northland Capital Markets and Rosenblatt Securities acted as co-managers.

No payments were made to our directors or officers or their associates, holders of 10% or more of any class of our equity securities or any affiliates in connection with the issuance and sale of the securities registered.

There has been no material change in the planned use of proceeds from our IPO as described in our Final Prospectus for the IPO dated as of October 26, 2021 and filed with the SEC pursuant to Rule 424(b)(4) on October 28, 2021.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

10b5-1 plans:

On February 19, 2026, Paul Alpern, Vice President and General Counsel, terminated a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 114,151 shares of the Company's common stock until August 31, 2026.

On February 23, 2026, Paul Alpern, Vice President and General Counsel, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 106,084 shares of the Company's common stock until May 31, 2027.

On March 3, 2026, Nicholas B. Hawkins, Chief Financial Officer, cancelled a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 97,092 shares of the Company's common stock until August 31, 2026.

Item 6. Exhibits

| Exhibit No. | Description of Exhibit | Form | Exhibit | Filing Date | Filed Herewith |
|-----------------------|---|-------------|----------------|--------------------|-----------------------|
| 3.1 | Amended and Restated Certificate of Incorporation of Arteris, Inc. | 8-K | 3.1 | 10-29-2021 | |
| 3.2 | Amended and Restated Bylaws of Arteris, Inc. | 8-K | 3.2 | 10-29-2021 | |
| 4.1 | Specimen Stock Certificate evidencing the shares of common stock. | S-1/A | 4.1 | 10-18-2021 | |
| 31.1 | Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 31.2 | Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.1* | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.2* | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 101.INS | 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. | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | | | | X |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | | | | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | | | | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | | | | X |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibits 101). | | | | X |

* The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Arteris, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

Signatures

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

Date: May 12, 2026

Arteris, Inc.

By: /s/ K. Charles Janac
Name: K. Charles Janac
Title: President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Nicholas B. Hawkins
Name: Nicholas B. Hawkins
Title: Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

