Risk Factors Comparison 2024-03-07 to 2023-03-01 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

~~● The COVID- 19 pandemic, or other outbreak of disease or similar public health threat, could materially and adversely affect our business, financial condition and results of operations. ● Cybersecurity threats or other security breaches could compromise sensitive information belonging to us or our customers and could harm our business and our reputation. Risks Related to Finance, Accounting and Taxation ● The nature of our business requires the application of complex revenue recognition rules. Significant changes in U. S. generally accepted accounting principles, or GAAP, including the adoption of the new revenue recognition rules, could materially affect our financial position and results of operations. ● Changes in our tax rates or exposure to additional income tax liabilities or assessments could adversely impact our cash flow, financial condition and results of operations. ● The Israeli and French tax benefits that we currently receive and the government programs in which we participate require us to meet certain conditions and may be terminated or reduced in the future, which could increase our tax expenses. ● We are exposed to fluctuations in currency exchange rates. ● If we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which would negatively impact our operating results. 16 Risks Related to Ownership of Our Common Stock ● The anti- takeover provisions in our certificate of incorporation and bylaws could prevent or discourage a third party from acquiring us. ● Our stock price may be volatile so you may not be able to resell your shares of our common stock at or above the price you paid for them. Risks Related to Our Industry and Markets The markets in which we operate are highly competitive, and as a result we could experience a loss of sales, lower prices and lower revenues. The markets for the products in which our technology is incorporated are highly competitive. Aggressive competition could result in substantial declines in the prices that we are able to charge for our intellectual property or lose design wins to competitors. Many of our competitors are striving to increase their share of the growing signal processing IP markets and are reducing their licensing and royalty fees to attract customers. The following industry players and factors may have a significant impact on our competitiveness: ● we compete directly in the signal processing cores space with Verisilicon, Cadence and Synopsys; ● we compete with CPU IP or configurable CPU IP (offering DSP configured CPU and / or DSP acceleration and / or connectivity capabilities to their IP) providers, such as ARM, Synopsys and Cadence and the RISC- V open source; ● we compete with internal engineering teams at companies such as Mediatek, Qualcomm, Samsung, and NXP that may design programmable DSP core products and signal processing cores in- house and therefore not license our technologies; ● we compete in the short range wireless markets with Mindtree, Synopsys and internal engineering teams at companies such as Cypress (now part of Infineon), Silicon Labs and NXP; ● we compete in embedded imaging and vision market with Cadence, Synopsys, Videantis, Arm and Verisilicon; ● we compete in AI processor marketing with AI processor and accelerator providers, including Arm, Cadence, Synopsys, Cambricon, Digital Media Professionals (DMP), Expedera, Imagination Technologies, Nvidia open source NVDLA and Verisilicon; ● we compete in the audio and voice applications market with ARM, Cadence, Synopsys and Verisilicon; and ● we compete for chip design services in our main markets with WiPro and Cyient, and in the aerospace and defense markets with Marvell, ASIC North and First Pass Engineering.~~ In addition, we may face increased competition from smaller, niche semiconductor design companies in the future. Some of our customers also may decide to satisfy their needs through in- house design. We compete on the basis of signal processing IP performance, ~~Intrinsix' s IP and NRE capabilities~~ **first- to- market availability for latest generation wireless standards** , overall chip cost, power consumption, flexibility, reliability, communication and multimedia software availability, design cycle time, tool chain, customer support, name recognition, reputation and financial strength. Our inability to compete effectively on these bases could have a material adverse effect on our business, results of operations and financial condition. ~~17~~ Because our IP solutions are components of end products, if semiconductor companies and electronic equipment manufacturers 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 sales of our products. We do not sell our IP solutions directly to end- users; we license our technology primarily to semiconductor companies and electronic equipment manufacturers, 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 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 incur significant expenditures on the development of a new technology without any assurance that our existing or potential customers will select our technology for incorporation into their own product and without this " design win, " it becomes significantly **more** difficult to sell our IP solutions. Moreover, even after a customer agrees to incorporate our technology into its end products, the design cycle is long and may be delayed due to factors beyond our control, which may result in the end product incorporating our technology not reaching the market until long after the initial " design win " with such customer. From initial product design- in to volume production, many factors could impact the timing and / or amount of sales actually realized from the design- in. These factors include, but are not limited to, changes in the competitive position of our technology, our customers' financial stability, and our customers' ability to ship products according to our customers' schedule. Moreover, current economic conditions may further prolong a customer' s decision- making process and design cycle. Further, because we do not control the business practices of our customers, we do not influence the degree to which they promote our technology or set the prices at which they sell products incorporating our technology. We cannot assure you that our customers will devote satisfactory efforts to promote their end products which incorporate our IP solutions. In addition, our royalties from licenses and therefore the growth of our business, are dependent upon the success of our customers in introducing products incorporating our technology and the success of those products in the marketplace. The primary customers for our products are semiconductor design and manufacturing companies, system OEMs and electronic equipment manufacturers ~~, particularly in the telecommunications field~~ . All of the industries we license into are highly competitive, cyclical and have been subject to significant economic downturns at various times. These downturns are characterized by production overcapacity and reduced revenues, which at times may encourage semiconductor companies or electronic product manufacturers to reduce their expenditure on our technology. If we do not retain our current customers and continue to attract new customers, our business may be harmed. We depend on market acceptance of third- party semiconductor intellectual property. The semiconductor intellectual property (SIP) industry is a relatively small and emerging industry. Our future growth will depend on the level of market acceptance of our third- party licensable intellectual property model, the variety of intellectual property offerings available on the market, and a shift in customer preference away from in- house development of proprietary signal processing IP towards licensing open signal processing IP cores and platforms. Furthermore, the third- party licensable intellectual property model is highly dependent on the market adoption of new services and products **with standards that continue to advance** , such as **ubiquitous connectivity** ~~low cost smartphones in emerging markets~~ , ~~LTE- based smartphones, mobile broadband, small cell base stations~~ and the increased use of advanced audio, voice, ~~computational photography and embedded~~ vision **and motion sensing** in **conjunction with AI in the consumer, industrial, infrastructure, automotive,** mobile ~~, automotive~~ and **PC markets** ~~consumer products, as well as in IoT and connectivity applications in general~~ in which we participate. Such market adoption is important because the increased cost associated with ownership and maintenance of the more complex architectures needed for the advanced services and products may motivate companies to license third- party intellectual property 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 IP licensing or using highly- integrated chipsets that embed our technologies. If the above referenced market shifts do not materialize or third- party SIP does not achieve market acceptance, our business, results of operations and financial condition could be materially harmed. If we are unable to meet the changing needs of our end- users or address evolving market demands, our business may be harmed. The markets for **our** ~~signal processing IPs~~ - **IP solutions** are characterized by rapidly changing technology, emerging markets and new and developing end- user needs, ~~and~~ requiring significant ~~expenditure~~ **expenditures** for research and development. We cannot assure you that we will be able to introduce systems and solutions that reflect prevailing industry standards ~~,~~ on a timely basis, meet the specific technical requirements of our end- users **,** or avoid significant losses due to rapid decreases in market prices of our products, **the** ~~and our~~ failure **of which could** ~~to do so may~~ seriously harm our business. Further, we cannot assure you that the markets we chose to invest in will continue to be significant sources of revenue in the future. For example, while **in May 2023,** we ~~have~~ acquired ~~Intrinsix in part~~ **VisiSonics' spatial audio business** to **bolster our position in wearables** ~~enter the aerospace and defense market~~ , we **may not** ~~could fail to~~ realize the benefits ~~of the~~ **from this** acquisition ~~of the U~~ . ~~S. government reduces spending on defense research. 18~~ Our operating results are affected by the highly cyclical nature of and general economic conditions in the semiconductor industry, including **in connection with** significant supply chain ~~disruption~~ **disruptions** . We operate within the semiconductor industry, which experiences significant fluctuations in sales and profitability. Downturns in the semiconductor industry are characterized by diminished product demand, excess customer inventories, accelerated erosion of prices and excess production capacity. **The semiconductor industry may be negatively impacted by factors such as decreased consumer spending, macroeconomic uncertainty and slow or negative economic growth. Each of these factors could decrease consumer spending and business investment in technologies and products that contain semiconductors. We have previously experienced a reduction in revenue and operating losses during downturns in the semiconductor industry, and** ~~Various~~ **various** market data suggests that the semiconductor industry may be facing such a negative cycle presently **. During such downturns** , ~~especially~~ **we typically experience new design start push outs, greater pricing pressure and shifts** in ~~the global handset market~~ **product and customer mix, which can adversely affect our gross margin and net income** . The semiconductor industry ~~has~~ **is** also **affected by seasonal shifts in demand, and as a result, we may experience short- term fluctuation in our results of operations from one period to the next. We are unable to predict the timing, duration or severity of any current or future downturns in the semiconductor industry. We have also been subject to industry- wide supply constraints and inflationary price pressures, which have resulted in long lead times for new designs and supply chain disruptions for selling integrated circuits containing our technologies. For example, the semiconductor industry** faced significant global supply chain ~~issues~~ **disruptions** as a result ~~of the impact~~ of the COVID- 19 pandemic ~~(~~ **,** both ~~on~~ **as a consequence of increased** demand for devices **enabling** ~~to enable~~ wireless connectivity and remote environments and ~~on~~ supply **constraints arising** from the ~~related~~ imposition of government restrictions on staffing and facility operations **. Further,** ~~) as well as other~~ -- **the** ~~trends such as the increasing demand for semiconductors in automobiles, 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. The~~ high interest rate environment ~~and~~ **,** macroeconomic **trends and geopolitical** concerns **, including those** related to **the ongoing conflict between Russia and Ukraine, unrest in the Middle East arising from the conflict between Israel and Hamas, and economic** slowdown ~~and inventory buildout we experienced~~ in **China, among** ~~the~~ **other things** ~~second half of 2022 may continue throughout the first half of 2023~~ , **can negatively impact general consumer and IoT demand, chill the market** ~~or~~ **for** ~~longer,~~ **new technology investments** and adversely affect our revenues. **To** ~~Other~~ -- **the** ~~factors,~~ **extent the impact of** such ~~as~~ **disruptive events and adverse economic trends continue or worsen, we anticipate having greater difficulty obtaining, or waiting longer to obtain, certain equipment, supplies and** ~~the~~ **other** ~~ongoing pandemic~~ **materials necessary** ~~or~~ **for performance of** ~~further trade tensions between~~ the **services we provide to** ~~U. S. and China, may prolong or~~ **our customers, leading to** ~~deepen these challenges faced by the industry. Volatility~~ **volatility** or declines in the semiconductor industry **which** could cause substantial fluctuations or declines in our revenues and results of operations. Risks Related to Our Global Operating Business Our quarterly operating results fluctuate from quarter to quarter due to a variety of factors, including our lengthy sales cycle, and may not be a meaningful indicator of future performance. In some quarters our operating results could be below the expectations of securities analysts and investors, which could cause our stock price to fall. Factors that may affect our quarterly results of operations in the future include, among other things: ● the gain or loss of significant licensees, partly due to our dependence on a limited number of customers generating a significant amount of quarterly revenues; ● any delay in execution of any anticipated IP licensing arrangement during a particular quarter; ● delays in revenue recognition for some license agreements based on percentage of completion of customized work or other accounting reasons; ● the timing and volume of orders and production by our customers, as well as fluctuations in royalty revenues resulting from fluctuations in unit shipments by our licensees; ● royalty pricing pressures and reduction in royalty rates due to an increase in volume shipments by customers, end- product price erosion and competitive pressures; ● earnings or other financial announcements by our major customers that include shipment data or other information that implicates expectations for our future royalty revenues; ● the mix of revenues among IP licensing and related revenues, ~~NRE revenues~~ and royalty revenues; ● the timing of the introduction of new or enhanced technologies by us and our competitors, as well as the market acceptance of such technologies; ● the discontinuation, or public announcement thereof, of product lines or market sectors that incorporate our technology by our significant customers; ● our lengthy sales cycle and specifically in the third quarter of any fiscal year during which summer vacations slow down decision- making processes of our customers in executing contracts; ● ~~lengthy and unpredictable project approval and funding timelines characteristic of government agencies and other customers in the aerospace and defense markets, coupled with the ability, and frequent election, of government agencies and their contractors to discontinue programs with little or no advance notice; ●~~ delays in the commercialization of end products that incorporate our technology; ● currency fluctuations, mainly the ~~EURO~~ **Euro** and the ~~NIS~~ **New Israeli Shekel** versus the U. S. dollar; ● fluctuations in operating expenses and gross margins associated with the introduction of, and research and development investments in, new or enhanced technologies and adjustments to operating expenses resulting from restructurings; ~~19~~ ● the approvals, amounts and timing of Israeli research and development government grants from the Israeli Innovation Authority of the Ministry of Economy and Industry in Israel (the " IIA "), EU grants and French research tax credits; ● the impact of new accounting pronouncements, including the new revenue recognition rules; ● the timing of our payment of royalties to the IIA, which is impacted by the timing and magnitude of license agreements and royalty revenues derived from technologies that were funded by grant programs of the IIA; ● statutory changes associated with research tax benefits applicable to French technology companies; ● our ability to scale our operations in response to changes in demand for our technologies; ● entry into new end markets that utilize our signal processing IPs, software and platforms; ● changes in our pricing policies and those of our competitors; ● restructuring, asset and goodwill impairment and related charges, as well as other accounting changes or adjustments, such as our third quarter 2022 write off of deferred tax assets **, and the fourth quarter 2023 tax charges related to Internal Revenue Code (" IRC ") Section 174** ; ● general political conditions, including global trade wars resulting from tariffs and business restrictions and bans imposed by government entities, like the well publicized 2018 ban associated with ZTE and the October ~~2022~~ **2023** announcement of ~~broad~~ **the further tightening of** restrictions on the transfer to China of certain advanced **AI chips,** semiconductors and supercomputing items, as well as other regulatory actions and changes that may adversely affect the business environment; ● general economic conditions, including the current economic conditions, and its effect on the semiconductor industry and sales of consumer products into which our technologies are incorporated; ● delays in final product delivery due to unexpected issues introduced by our service or EDA tool providers; ● delays in ratification of standards for Bluetooth, Wi- Fi **, UWB** or **cellular standards** ~~NB- IoT~~ that can affect the introduction of new products; ● constraints on chip manufacturing capacity due to high demand or shutdowns of semiconductor fabrication plants and other manufacturing facilities; and ● reductions in demand for consumer and digital devices due to lockdowns or overall financial difficulties **caused by** ~~resulting from the ongoing COVID- 19 pandemic or any other~~ future pandemic ~~outbreak~~ **outbreaks** or public health ~~threat~~ **threats** . Each of the above factors is difficult to forecast and could harm our business, financial condition and results of operations. Also, we license our technology to OEMs and semiconductor companies for incorporation into their end products for consumer ~~markets~~ , **mobile** ~~including handsets~~ and **industrial** ~~consumer electronics~~ products. The royalties we generate are reported by our customers. Our royalty revenues are affected by seasonal buying patterns of consumer products sold by OEMs, partially by our direct customers and partially by semiconductor customers that incorporate our technology into their end products and the market acceptance of such end products. The first quarter in any given year is usually a sequentially down quarter for us in relation to royalty revenues as this period represents lower post- ~~Christmas~~ **holiday** fourth quarter consumer **and mobile** product shipments. However, the magnitude of this first quarter decrease varies annually and has been impacted by global economic conditions, market share changes, exiting or refocusing of market sectors by our customers and the timing of introduction of new and existing ~~handset~~ **mobile** devices powered by ~~CEVA~~ **Ceva** technology sold in any given quarter compared to the prior quarter ~~. Furthermore, in 2020, 2021 and 2022 the worldwide COVID- 19 pandemic and the excepted recovery in economic activities created strong demand for chips that significantly surpasses the supply capacity for digital connectivity and consumer devices, causing long lead times~~ . The high interest rate environment and macroeconomic concerns related to slowdown ~~and inventory buildout we experienced in the second half of 2022~~ may continue throughout the first half of ~~2023~~ **2024** , or longer, and distort more traditional seasonality trends. Moreover, the semiconductor and consumer electronics industries remain volatile, which makes it extremely difficult for our customers and us to accurately forecast financial results and plan for future business activities. As a result, our past operating results should not be relied upon as an indication of future performance. ~~20~~ We rely significantly on revenues derived from a limited number of customers who contribute to our royalty and license revenues. We derive a significant amount of revenues from a limited number of customers. Sales to UNISOC (formerly Spreadtrum Communications, Inc.), accounted for ~~14~~ **13** %, **16 % and** 21 ~~% and 14~~ % of our total revenues for **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. With respect to our royalty revenues, two royalty paying customers each represented 10 % or more of our total royalty revenues for ~~2022~~ **2023** , and collectively represented ~~46~~ **45** % of our total royalty revenues for

~~2022~~ **2023** . ~~Three~~ **Two** royalty paying customers each represented 10 % or more of our total royalty revenues for ~~2021~~ **2022** , and collectively represented ~~57~~ **46** % of our total royalty revenues for ~~2021~~ **2022** , and ~~four~~ **three** royalty paying customers each represented 10 % or more of our total royalty revenues for ~~2020~~ **2021** , and collectively represented ~~72~~ **57** % of our total royalty revenues for ~~2020~~ **2021** . We expect that a significant portion of our future revenues will continue to be generated by a limited number of customers. The loss of any significant royalty paying customer could adversely affect our near- term future operating results. Furthermore, consolidation among our customers may negatively affect our revenue source, increase our existing customers' negotiation leverage and make us further dependent on a limited number of customers. Moreover, the discontinuation of product lines or market sectors that incorporate our technology by our significant customers or a change in direction of their business and our inability to adapt our technology to their new business needs could have material negative implications for our future royalty revenues. Our business is dependent on IP licensing and ~~NRE~~ **related** revenues, which may vary period to period. License agreements for our ~~signal processing~~ IP ~~cores~~ **products** and platforms have not historically provided for substantial ongoing license payments, so past IP licensing revenues may not be indicative of the amount of such revenues in any future period. ~~We believe that there is a similar risk with RivieraWaves' operations associated with Bluetooth and Wi- Fi connectivity technologies.~~ Significant portions of our anticipated future revenues, therefore, will likely depend upon our success in attracting new customers or expanding our relationships with existing customers. However, revenues recognized from licensing arrangements vary significantly from period to period, depending on the number and size of deals closed during a quarter, and are difficult to predict. ~~In addition, as we expand our business into the non- handset baseband markets, our licensing deals may be smaller but greater in volume which may further fluctuate our licensing revenues quarter to quarter.~~ Our ability to succeed in our licensing efforts will depend on a variety of factors, including the performance, quality, breadth and depth of our current and future ~~products~~ - **product portfolio** as well as our sales and marketing skills. In addition, some of our licensees may in the future decide to satisfy their needs through in- house design and production. Our failure to obtain ~~future~~ licensing customers ~~would~~ **could** impede our future revenue growth and ~~could materially harm our business. In addition, our Intrinsix business derives revenues primarily from non- recurring engineering (NRE) payments as well as retains certain IP assets. We believe significant portions of our anticipated future revenues will likely depend upon our success in attracting new customers to NRE services, monetizing Intrinsix IP assets and expanding our relationships with existing Intrinsix customers. Revenues recognized from such arrangements have historically varied significantly from period to period, depending on the number and size of deals closed during a quarter, as well as the timing of the approval and funding processes of U. S. government agencies and their contractors that can be lengthy and difficult to predict. In addition, some Intrinsix' s customers may in the future decide to satisfy their needs through in- house design and production. Our failure to obtain future customers for Intrinsix' s NRE business and IP, or to for relevant Intrinsix personnel to maintain applicable U. S. government security clearances, would also impede our future revenue growth and could~~ materially harm our business. Royalty and other payment rates could decrease for existing and future license agreements and other customer agreements, which could materially adversely affect our operating results. Royalty payments to us under existing and future license agreements could be lower than currently anticipated for a variety of reasons. Average selling prices for semiconductor products generally decrease over time during the lifespan of a product. In addition, there is increasing downward pricing pressures in the semiconductor industry on end products incorporating our technology ~~, especially end products for the handsets and consumer electronics markets~~ . As a result, notwithstanding the existence of a license agreement, our customers may demand that royalty rates for our products be lower than our historic royalty rates. We have in the past and may be pressured in the future to renegotiate existing license agreements with our customers. In addition, certain of our license agreements provide that royalty rates may decrease in connection with the sale of larger quantities of products incorporating our technology. 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 as well. As a consequence of the above referenced factors, as well as unforeseen factors in the future, the royalty rates we receive for use of our technology could decrease, thereby decreasing future anticipated revenues and cash flow. Royalty revenues were approximately ~~34 %,~~ 41 % **, 38 %,** and ~~48~~ **44** % of our total revenues for **2023,** 2022 ~~, and~~ **and** 2021 ~~and 2020~~ , respectively. Therefore, a significant decrease in our royalty revenues could materially adversely affect our operating results. **Furthermore** ~~21 Moreover~~ , royalty rates may be negatively affected by macroeconomic trends ~~(including the recent COVID- 19 pandemic or future pandemics, other public health threats and their global impact)~~ or changes in products mix ~~. Furthermore~~ , **and** consolidation among our customers may increase the **negotiation** leverage of our existing customers ~~to extract concessions from us in royalty rates~~ . Moreover, changes in products mix such as an increase in lower royalty bearing products shipped in high ~~volume~~ **volumes ,** like ~~low- cost feature phones and~~ Bluetooth- based **and cellular IoT** products **,** in lieu of higher royalty bearing products like ~~LTE phones~~ **embedded application software** could lower our royalty revenues. ~~In addition, Intrinsix' s NRE hourly rates under existing and future agreements could be lower than currently anticipated for a variety of reasons, including, for example, U. S. government regulation changes and pricing pressures from competitors in the aerospace and defense markets. As a result, notwithstanding the existence of an agreement, our customers may demand that NRE rates, be lower than our historic rates. A significant decrease in our NRE rates could also materially adversely affect our operating results. We generate a significant amount of our total revenues, especially royalty revenues, from the handset baseband market (for mobile handsets and for other modem connected devices) and our business and operating results may be materially adversely affected if we do not continue to succeed in these highly competitive markets. A significant portion of our revenues in general, and in particular our royalty revenues, are derived from baseband for handsets. Any adverse change in our ability to compete and maintain our competitive position in the handset baseband market, including through the introduction by competitors of enhanced technologies that attract customers that target those markets, would harm our business, financial condition and results of operations. Moreover, the handset baseband market is extremely competitive and is facing intense pricing pressures, and we expect that competition and pricing pressures will only increase. Furthermore, it can be very volatile with regards to volume shipments of different phones, standards and~~

~~connected devices due to inventory build out or consumer demand changes or geographical macroeconomies, pricing changes, product discontinuations due to technical issues and timing of introduction of new phones and products. Our existing OEM or semiconductor customers also may fail to introduce new handset devices that attract consumers, lose a significant design opportunity for a new product introduction, or encounter significant delays in developing, manufacturing or shipping new or enhanced products in those markets or find alternative technological solutions and suppliers. The inability of our customers to compete would result in lower shipments of products powered by our technologies which in turn would have a material adverse effect on our business, financial condition and results of operations. In particular, a customer' s loss of a design opportunity may have an adverse effect on our royalty revenues from such customer, which in turn will also have an adverse effect on our overall results of operations and market share. As an example, Intel, one of our customers, did not have its products selected for inclusion in a new smartphone series, and thereafter announced the sale of its 5G smartphone modem, as a result of which, our royalty revenues from Intel reached record low levels in 2022. Our overall royalty revenues will be negatively impacted if we fail to offset any loss of royalty revenues from Intel, or any other loss of royalty revenues from a customer, with royalty revenues from other emerging products incorporating our technologies. Since a significant portion of our revenues are derived from the handset baseband market, adverse conditions in this market would have a material adverse effect on our business, financial condition and results of operations. 22~~ Because we have significant international operations, with a significant concentration of revenues in China, we may be ~~subject~~ **susceptible** to political, economic and other conditions relating to our international operations that could increase our operating expenses and disrupt our revenues and business. Approximately ~~79~~ **90** % of our total revenues for **2023, 88 % for** 2022 ~~, 78~~ **and 84** % for 2021 ~~and 79 % for 2020~~ were derived from customers located outside of the United States. Revenues from customers located in the Asia Pacific **(APAC)** region account for a substantial portion of these revenues, with significant concentration of revenues in China, which accounted for ~~56~~ **59** %, ~~55~~ **63** % and ~~51~~ **59** % of total revenues for **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, respectively. We expect that international customers generally, and sales to the **APAC** ~~Asia Pacific~~ region and China in particular, will continue to account for a significant portion of our revenues for the foreseeable future. While we anticipate that we can expand our customer base and revenues in Europe and the U. S., the present concentration of revenues from a single country significantly increases our risk profile, and the occurrence of any negative international political, economic or geographic events, including any financial crisis, trade restrictions or disputes or other major event causing business disruption in China, **such as the heightening of tensions between China and Taiwan,** the broader **APAC** ~~Asia Pacific~~ region and other international jurisdictions, could result in significant revenue shortfalls. These shortfalls could cause our business, financial condition and results of operations to be harmed. Some of the risks of doing business internationally include: ● unexpected changes in regulatory requirements; ● fluctuations in the exchange rate for the U. S. dollar; ● imposition of tariffs and other barriers and restrictions, including trade tensions such as U. S.- China trade tensions; ● ~~potential negative international community' s reaction to the U. S. Tax Cuts and Jobs Act; ●~~ burdens of complying with a variety of foreign laws, treaties and technical standards; ● uncertainty of laws and enforcement in certain countries relating to the protection of intellectual property; ● multiple and possibly overlapping tax structures and potentially adverse tax consequences; ● political and economic instability, including military activities, terrorist attacks and protectionist policies; and ● changes in diplomatic and trade relationships. For example, in October ~~2022~~ **2023** the U. S. Department of Commerce Bureau of Industry and Security **tightened** ~~imposed broad~~ restrictions and compliance burdens on the transfer to China of certain advanced **artificial intelligence chips,** semiconductors and supercomputing items, software and technology subject to U. S. export controls, in addition to restricting sales to certain semiconductor fab facilities in China. Moreover, restrictions were implemented on U. S. persons' activities in support of the transfer of certain items not subject to U. S. export controls. We continue to assess the potential impact of these restrictions on our operations, and these restrictions are in addition to existing license requirements and company- specific designations affecting trade in the **APAC** ~~Asia Pacific~~ region. Actions of any nature, including future new trade controls, could affect specific customers, industries ~~,~~ and technologies produced inside and outside the United States, and may reduce our revenues and adversely affect our business and financial results. New tariffs, trade measures and other geopolitical risks and instability could adversely affect our consolidated results of operations, financial position and cash flows. Tensions between the U. S. and China have been escalating since 2018 and are not fully resolved yet, and a number of factors may exacerbate these tensions in the future. In addition, Russian military activities in Ukraine have resulted in increased sanctions and export controls against Russia and Belarus, and could also increase China / Taiwan political tensions and **a worsening of** U. S. / China trade and other relations. Trade tensions between the U. S. and China and other geopolitical instabilities have resulted, and could in the future result, in significant tariff increases, sanctions against specified entities, and the broadening of restrictions and license requirements for specified transfers and uses of products. For example, the ongoing geopolitical and economic uncertainty between the U. S. and China, the unknown impact of current and future U. S. and Chinese trade regulations and other geopolitical risks with respect to China and Taiwan, may cause disruptions in the semiconductor industry and its supply chain, decreased demand from customers for the ultimate products using our IP solutions, or other disruptions which may, directly or indirectly, materially harm our business, financial condition and results of operations. In addition, critical metals and materials used in semiconductors, such as Palladium, are sourced in Russia, and sanctions against Russia could impact the semiconductor supply chain. While tariffs and other retaliatory trade measures imposed by other countries on U. S. goods have not yet had a significant impact on our business or results of operations, our revenues are increasingly ~~originated~~ **concentrated** in China and the broader APAC region, and we cannot predict further developments. Thus, existing or future tariffs could have a material adverse effect on our consolidated results of operations, financial position and cash flow. Further changes in U. S. trade policy could trigger retaliatory actions by affected countries, which could impose restrictions on our ability to do business in or with affected countries or prohibit, reduce or discourage purchases of our products by foreign customers **,** and higher prices for our products in foreign markets. For example, there are risks that the Chinese government may, among other things, require the use of local suppliers, compel companies that do business in China to partner with local companies to conduct business and provide incentives to government- backed local customers to buy from local suppliers. Changes in, and responses to, U. S. trade policy could reduce the competitiveness of our products and cause our sales and revenues to drop, which could materially and adversely impact our business and results of operations. ~~23~~ In order to sustain the future growth of our business, we must penetrate new markets and our new products must achieve widespread market acceptance **,** but such additional revenue opportunities may not be implemented and may not be achieved. In order to expand our business and increase our revenues, we must penetrate new markets and introduce new ~~products, including additional non- baseband related~~ products. We have invested significant resources in pursuing potential opportunities for revenue growth and **to** diversify our revenue streams. Our continued success will depend significantly on our ability to accurately anticipate changes in industry standards and to continue to appropriately fund development efforts to enhance our existing products or introduce new products in a timely manner to keep pace with technological developments. However, there are no assurances that we will develop products relevant for the marketplace or gain significant market share in those competitive markets. Moreover, if any of our competitors implement new technologies before us, those competitors may be able to provide products that are more effective or at lower prices, which could adversely impact our sales and impact our market share. Our inability to penetrate new markets and increase our market share in those markets or lack of customer acceptance of our new products may harm our business and potential growth. Our success will depend on our ability to successfully manage our geographically dispersed operations. Most of our research and development staff is located in Israel. We also have research and development teams in France, Ireland, ~~the~~ United Kingdom ~~and~~ **, the** United States **,** ~~(following our acquisitions of Intrinsix in May 2021~~ and **we most** ~~the Hillcrest Labs business from InterDigital in July 2019) and~~ recently ~~we have~~ opened a design center in Serbia **in April 2023 and in Greece in January 2024** . Accordingly, our ability to compete successfully will depend in part on the ability of a limited number of key executives located in geographically dispersed offices to manage our research and development staff and integrate them into our operations to effectively address the needs of our customers and respond to changes in our markets. If we are unable to effectively manage and integrate our ~~remote~~ **geographically dispersed** operations, our business may be materially harmed. Our operations in Israel may be adversely affected by instability in the Middle East region. One of our principal research and development facilities is located in Israel, and most of our executive officers and some of our directors are residents of Israel. Although substantially all of our sales currently are made to customers outside **of** Israel, we are nonetheless directly influenced by the political, economic and military conditions affecting Israel, including ~~recent changes to~~ Israel' s **war with Hamas that began on October 7** ~~judicial system. Any major hostilities involving Israel could significantly harm our business~~ , **2023** ~~operating results and financial condition~~ . ~~In addition~~ **For example** , certain of our employees are currently obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called to active military duty at any time. **It is possible that** ~~Although we have operated effectively under these requirements since~~ our ~~inception, we cannot predict the effect of these obligations on the company in the future. Our~~ operations could be disrupted ~~by the absence,~~ **if this situation continues** for a significant period ~~,~~ of **time** ~~one or more of our~~ - **or** ~~key employees due~~ **further deteriorates, including if hostilities expand from other fronts, which could harm our business. Our insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East or for any resulting disruption in our operations. Although the Israeli government has in the past covered the reinstatement value of direct damages that were caused by terrorist attacks or acts of war, we cannot be assured that this government coverage will be maintained or, if maintained, will be sufficient** to ~~military service~~ **compensate us fully for damages incurred and the government may cease providing such coverage or the coverage might not suffice to cover potential damages. Any losses or damages incurred by us could have a material adverse effect on our business** . Terrorist attacks, acts of war or military actions and / or other civil unrest may adversely affect the territories in which we operate, and our business, financial condition and operating results. Terrorist attacks and attempted terrorist attacks, military responses to terrorist attacks, other military actions, including illegal invasion of sovereign countries, or governmental action in response to or in anticipation of a terrorist attack or civil unrest or foreign invasion, may adversely affect prevailing economic conditions, resulting in work stoppages, reduced consumer spending or reduced demand for end products that incorporate our technologies. These developments subject our worldwide operations to increased risks and, depending on their magnitude, could reduce net sales and therefore could have a material adverse effect on our business, financial condition and operating results. ~~24~~ Our research and development expenses ~~may~~ **will** increase ~~if the~~ **relative to past periods due to our receiving fewer** grants ~~we currently receive~~ from the Israeli government ~~are reduced or withheld~~ . We currently receive research grants mainly from programs of the IIA. **In 2023, such grants decreased significantly due to changes in the criteria adopted by the IIA regarding larger and better funded corporations, in light of the high interest rate environment and difficulties for smaller companies to raise money, and we expect to receive fewer grants from the IIA in the future relative to past periods as well.** We recorded ~~an~~ aggregate **research grants** of $ ~~5~~ **1** , ~~014~~ **668** , 000, **$ 4, 850, 000 and** $ 3, ~~843~~ **595** , 000 ~~and $ 3, 042, 000~~ in **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. To ~~be~~ **remain** eligible for ~~these~~ -- **the** grants **we have received** , we must meet certain development conditions and comply with periodic reporting obligations. Although we have met such conditions in the past, should we fail to meet such conditions in the future our research grants may be repayable, reduced or withheld. The repayment or reduction of such research grants may increase our research and development expenses which in turn may reduce our operating income. Also, the timing of such payments from the IIA may vary from year to year and quarter to quarter, and we have no control on the timing of such ~~payment~~ **payments** . We depend on a limited number of key personnel who would be difficult to replace, and changes in our management and sales teams may adversely affect our operations. Our success depends to a significant extent upon certain of our key employees and senior management, the loss of ~~which~~ **whom** could materially harm our business. Competition for skilled employees in our field is intense, and in the current environment where many employees have become accustomed to remote work environments and frequent job changes, integration of employees into our company culture and retention of employees is becoming increasingly difficult. We **are dependent upon**

our ability to identify, attract, motivate and retain qualified engineers and other personnel with the requisite educational background and industry experience, and cannot assure you that in the future we will be successful in attracting and retaining the required personnel. In addition, ~~in recent months~~ we have experienced ~~transition~~ **transitions** in our senior management and sales teams, including ~~the retirement of Gideon Wertheizer as our Chief Executive Officer effective December 31, 2022 and~~ the appointment of Amir Panush as our Chief Executive Officer effective January 1, 2023, ~~as well as~~ the appointment of Gweltaz Toquet as our Chief Commercial Officer on January 1, 2023 **, and the appointment of Iri Trashanski** ~~following Issachar Ohana' s departure from his position~~ as **our Chief Strategy Officer on September 21** ~~Executive Vice President of Worldwide Sales effective December 31~~ , ~~2022~~ **2023** . While we ~~expect to~~ **believe we have** ~~engage~~ **engaged** in an orderly transition process as we **have** ~~integrate~~ **integrated** newly appointed officers and managers, we face a variety of risks and uncertainties relating to management transition and execution of our sales strategy, including diversion of management attention from business concerns, failure to retain other key personnel, loss of institutional knowledge, loss of sales prospects and inability to replenish our sales team in a manner needed to execute our sales strategy. These risks and uncertainties could result in operational and administrative inefficiencies and added costs, which could adversely impact our results of operations. The sales cycle for our IP and ~~NRE~~ **related** solutions is lengthy, and even approved projects may have structured payment terms, which makes forecasting of our customer orders and revenues difficult. The sales cycle for our IP **and related** solutions ~~and NRE services~~ is lengthy, often lasting three to nine months. Our customers generally conduct significant technical evaluations, including customer trials, of our technology as well as competing technologies prior to making a purchasing decision. Purchasing decisions also may be delayed because of a customer' s internal budget approval process ~~or from the involvement of U. S. government agencies for project and budgetary approvals~~ . In addition, given the current market conditions, we have less ability to predict the timing of our customers' purchasing cycle and potential unexpected delays in such a cycle. Because of the lengthy sales cycle and potential delays, our dependence on a limited number of customers to generate a significant amount of revenues for a particular period and the size of customer orders, if orders forecasted for a specific customer for a particular period do not occur in that period, our revenues and operating results for that particular quarter could suffer. Furthermore, even approved projects may be subject to tranche or milestone- based payment structures, rather than upfront payments, which may cause delays in our performance of the relevant work and revenue recognition. Moreover, a portion of our expenses related to an anticipated order is fixed and difficult to reduce or change, which may further impact our operating results for a particular period. ~~25 Intrinsix' s business relies heavily on contracts with U. S. government prime contractors, which exposes us to business volatility and risks, including government budgeting cycles and appropriations, potential early termination of contracts, procurement regulations, governmental policy shifts, security requirements, audits, investigations, sanctions and penalties. Historically, Intrinsix has derived a significant portion of its revenues as a subcontractor to U. S. government prime contractors and has had some contracts directly with the U. S. government. U. S. federal government agencies, including the Department of Defense (DoD), are subject to budgetary constraints, and our continued performance under our contracts with these agencies and their prime contractors, or award of additional contracts from these agencies or their prime contractors, could be jeopardized by spending reductions or budget cutbacks at these agencies. The funding of U. S. government programs is uncertain and dependent on continued congressional appropriations and administrative allotment of funds based on an annual budgeting process, which is often responsive to myriad factors, including changes in political or public support for security and defense programs, uncertainties associated with the current global threat environment and other geo- political matters, and adoption of new laws or regulations relating to government contracting or changes to existing laws or regulations. These and other factors could cause governmental agencies to reduce their engagements for Intrinsix products and services under existing contracts, to exercise their rights to terminate contracts at- will or to abstain from renewing contracts, any of which would cause our revenue to decline and could otherwise harm our business, financial condition and results of operations. Given its acquisition by CEVA, Inc., Intrinsix is no longer eligible for certain types of direct government contracts set aside for qualifying small businesses, which also could potentially reduce revenue from government contracts. In addition, changes in federal law, government procurement policy, priorities, regulations, technology initiatives and / or requirements may also negatively impact our potential for growth in the aerospace and defense space. New laws, regulations or procurement requirements or changes to current ones (including, for example, regulations related to cybersecurity, supply chain integrity, privacy, information protection, and cost accounting) can significantly increase our costs and risks and reduce our profitability. As a company performing government contracts and subcontracts, we are also subject to additional regulations and compliance obligations, including related to accounting and billing, contract administration, government property, ethics and conflicts of interest, intellectual property, national security, and socioeconomic requirements. As a government contractor and subcontractor, we are and may become subject to audits, investigations, claims, disputes, enforcement actions. These matters could divert financial and management resources and result in administrative, civil or criminal litigation, arbitration or other legal proceedings and across a broad array of matters, and could in administrative, civil or criminal fines, penalties or other sanctions, non- monetary relief or actions such as suspension or debarment from government contracts or suspension of export / import privileges, and otherwise harm our business and our ability to obtain and retain government contract- related awards. An investigation, claim, dispute, enforcement action or litigation, even if unsubstantiated or fully indemnified or insured, could also negatively impact our reputation, thereby making it substantially more difficult to compete successfully for business, obtain and retain awards or obtain adequate insurance in the future, and could have a material adverse effect on our business, financial condition and results of operations. We may face difficulties in integrating Intrinsix into our business and offering turnkey IP solutions and co- creation projects. We completed our acquisition of Intrinsix in the second quarter of 2021. Our Intrinsix chip design business unit enables us to offer our customers co- creation SoC design services that take advantage of our IP portfolio, Intrinsix' s designed to deliver (D2D) and security IP and Intrinsix' s design capabilities for digital, mix signal and RF. We believe this co- creation business proposition strengthens our relationships with customers, generates recurrent royalties and more. However, we may not be able effectively~~

~~manage the integration of acquired personnel, operations, and technologies successfully, or effectively manage the combined operations following the acquisition, which may prevent us from achieving anticipated benefits from the acquisition. In addition, our efforts to with respect to turnkey IP services and solutions will take longer than normal sales cycles as we move up the management levels of our customers and sell, generally, a more complex product and service combination. Succeeding in these efforts will require additional investment, training and changes that will introduce additional risk, cost and may introduce the possibility to customers that we are now competitors. If we do not succeed in these efforts, we will not reap the anticipated benefits of our acquisition of Intrinsix, which could have a material adverse effect on our business, financial condition and results of operations. 26~~ We may seek to expand our business in ways that could result in diversion of resources and extra expenses. We may in the future pursue acquisitions of businesses, products and technologies, establish joint venture arrangements, make minority equity investments or enhance our existing ~~CEVAnet~~ **Cevanet** partner eco- system to expand our business. We are unable to predict whether or when any prospective acquisition, equity investment or joint venture will be completed. The process of negotiating potential acquisitions, joint ventures or equity investments, as well as the integration of acquired or jointly developed businesses, technologies or products may be prolonged due to unforeseen difficulties and may require a disproportionate amount of our resources and management' s attention. We cannot assure you that we will be able to successfully identify suitable acquisition or investment candidates, complete acquisitions or investments, or integrate acquired businesses or joint ventures with our operations. If we were to make any acquisition or investment or enter into a joint venture, we may not receive the intended benefits of the acquisition, investment or joint venture or such an acquisition, investment or joint venture may not achieve comparable levels of revenues, profitability or productivity as our existing business or otherwise perform as expected. The expansion of our ~~CEVAnet~~ **Cevanet** partner eco- system also may not achieve the anticipated benefits. The occurrence of any of these events could harm our business, financial condition or results of operations. Future acquisitions, investments or joint ventures may require substantial capital resources, which may require us to seek additional debt or equity financing. Future acquisitions, joint ventures or minority equity investments by us could result in the following, any of which could seriously harm our results of operations or the price of our stock: ● issuance of equity securities that would dilute our current stockholders' percentages of ownership; ● large one- time write- offs or equity investment impairment write- offs; ● incurrence of debt and contingent liabilities; ● difficulties in the assimilation and integration of operations, personnel, technologies, products and information systems of the acquired companies; ● inability to realize cost efficiencies or synergies, thereby incurring higher operating expenditures as a result of the acquisition; ● diversion of management' s attention from other business concerns; ● contractual disputes; ● risks of entering geographic and business markets in which we have no or only limited prior experience; and ● potential loss of key employees of acquired organizations. Because our IP **and related** solutions ~~and NRE services~~ are complex, the detection of errors in our products may be delayed, and if we deliver products with defects, our credibility will be harmed, the sales and market acceptance of our products may decrease and product liability claims may be made against us. Our IP **and related** solutions ~~and NRE services~~ are complex and may contain errors, defects and bugs when introduced. If we deliver products with errors, defects or bugs, our credibility and the market acceptance and sales of our products could be significantly harmed. Furthermore, the nature of our products may also delay the detection of any such error or defect. If our products contain errors, defects and bugs, then we may be required to expend significant capital and resources to alleviate these problems. This could result in the diversion of technical and other resources from our other development efforts. Any actual or perceived problems or delays may also adversely affect our ability to attract or retain customers. Furthermore, the existence of any defects, errors or failure in our products could lead to product liability claims or lawsuits against us or against our customers. A successful product liability claim could result in substantial cost and divert management' s attention and resources, which would have a negative impact on our financial condition and results of operations. Our product development efforts are time- consuming and expensive and may not generate an acceptable return, if any. Our product development efforts require us to incur substantial research and development ~~expense~~ **expenses** . Our research and development expenses were approximately $ ~~78~~ **72** . ~~5~~ **7** million, $ ~~72~~ **70** . ~~5~~ **3** million ~~,~~ and $ ~~62~~ **69** . ~~0~~ **1** million for **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. We may not be able to achieve an acceptable return, if any, on our research and development efforts. The development of our products is highly complex. We occasionally have experienced delays in completing the development and introduction of new products and product enhancements, and we could experience delays in the future. Unanticipated problems in developing products could also divert substantial engineering resources, which may impair our ability to develop new products and enhancements and could substantially increase our costs. Furthermore, we may expend significant amounts on research and development programs that may not ultimately result in commercially successful products. Our research and development expense levels have increased steadily in the past few years. As a result of these and other factors, we may be unable to develop and introduce new products successfully and in a cost- effective and timely manner, and any new products we develop and offer may never achieve market acceptance. Any failure to successfully develop future products would have a material adverse effect on our business, financial condition ~~and results of operations. 27 The future growth of our business depends in part on our ability to license to system OEMs and small- to- medium- sized semiconductor companies directly and to expand our sales geographically. Historically, a substantial portion of our licensing revenues has been derived in any given period from a relatively small number of licensees. Because of the substantial license fees we charge, our customers tend to be large semiconductor companies or vertically integrated system OEMs. Part of our current growth strategy is to broaden the adoption of our products by small and mid- size companies by offering different versions of our products targeted at these companies. If we are unable to develop and market effectively our intellectual property through these models, our revenues will continue to be dependent on a smaller number of licensees and a less geographically dispersed pattern of licensees, which could materially harm our business~~ and results of operations. We may not be able to adequately protect our intellectual property. Our success and ability to compete depend in large part upon the protection of our proprietary technologies. We rely on a combination of patent, copyright, trademark, trade secret, mask work and other intellectual property rights, confidentiality procedures and IP licensing arrangements to establish and protect our proprietary rights. These agreements and measures may not be sufficient to protect our technology from third- party infringement or protect us from the claims of others. As a result, we face risks associated with our patent position, including the potential need to engage in significant legal proceedings to enforce our patents, the possibility that the validity or enforceability of our patents may be denied, the possibility that third parties will be able to compete against us without infringing our patents and the possibility that our products may infringe patent rights of third parties. Our trade names or trademarks may be registered or utilized by third parties in countries other than those in which we have registered them, impairing our ability to enter and compete in those markets. If we were forced to change any of our brand names, we could lose a significant amount of our brand identity. Our business will suffer if we are sued for infringement of the intellectual property rights of third parties or if we cannot obtain licenses to these rights on commercially acceptable terms. We are subject to the risk of adverse claims and litigation alleging infringement of the intellectual property rights of others. There are a large number of patents held by others, including our competitors, pertaining to the broad areas in which we are active. We have not, and cannot reasonably, investigate all such patents. From time to time, we have become aware of patents in our technology areas and have sought legal counsel regarding the validity of such patents and their impact on how we operate our business, and we will continue to seek such counsel when appropriate in the future. In addition, patent infringement claims are increasingly being asserted by patent holding companies (so- called patent " trolls "), which do not use technology and whose sole business is to enforce patents against companies, such as us, for monetary gain. Because such patent holding companies do not provide services or use technology, the assertion of our own patents by way of counter- claim may be ineffective. Infringement claims may require us to enter into license arrangements or result in protracted and costly litigation, regardless of the merits of these claims. Any necessary licenses may not be available or, if available, may not be obtainable on commercially reasonable terms. If we cannot obtain necessary licenses on commercially reasonable terms, we may be forced to stop licensing our technology, and our business would be seriously harmed. **Cybersecurity threats or** ~~Pandemics, such as the~~ **other security breaches could compromise sensitive information** ~~ongoing~~ **belonging** ~~coronavirus (COVID- 19) pandemic, have affected, and may continue~~ to **us or our customers** ~~affect, the global community~~ and **could harm** our business ~~, financial condition~~ and ~~results of operations. The nature and severity of the impact will continue to depend largely on future developments, including the emergence of new variants of COVID- 19, availability of effective treatments and the extent to which actions have been or~~ **our reputation** ~~may be taken to contain or address its impact globally. These actions, such as restrictions on in- person meetings and travel, vaccine mandates or other similar restrictions and limitations, may be, or have been, relaxed or suspended, but may also be reinstated if other pandemics occur in the future or if the COVID- 19 pandemic worsens again. The timing and impact of any such actions or reinstatements remains difficult to predict. 28 The spread of COVID- 19 caused us to modify our business practices, and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, and communities. Such actions may result in disruptions to our supply chain, operations and facilities, and workforce. We cannot assure you that such measures will be sufficient to mitigate the risks posed by COVID- 19 or any other public health threat, and our ability to perform critical functions could be harmed. In addition, the degree to which COVID- 19 or other future outbreak of pandemics or public health threats impacts our business, financial condition, and results of operations will depend on future developments, which are highly uncertain, and to what extent such developments impact normal economic and operating conditions~~ . We store sensitive data, including intellectual property, proprietary business information and our customer and employee information. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions that could result in unauthorized disclosure or loss of sensitive data. Because the techniques used to obtain unauthorized access to networks, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Furthermore, in the operation of our business we also use third- party vendors that store certain sensitive data. ~~Any~~ **If we are unable to protect sensitive data, including complying with evolving information** security ~~breach of our own~~ **, data protection and privacy regulations,** ~~or~~ **our** ~~a~~ **customers or governmental authorities could investigate the adequacy of our threat mitigation and detection processes and procedures, and could bring actions against us for noncompliance with applicable laws and regulations. Moreover, depending on the severity of an incident, our customers' data, our employees' data, our intellectual property (including trade secrets and research, development and engineering know- how), and other** third- party **data (such as subcontractors, suppliers and** ~~vendor~~ **vendors)** ~~' s systems~~ could ~~cause us to~~ be **compromised** ~~non- compliant with applicable laws or regulations~~ , ~~subject us to legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence in our products and services, any of~~ which could adversely affect our business **. Risks Related to Finance, Accounting and Taxation The nature of our business requires the application of complex revenue recognition rules. Significant changes in U. S. generally accepted accounting principles, or GAAP, including the adoption of the new revenue recognition rules, could materially affect our financial position and results of operations** . We prepare our financial statements in accordance with GAAP, which is subject to interpretation or changes by the Financial Accounting Standards Board, or FASB, the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future, which may have a significant effect on our financial results. For example, pursuant to the new revenue recognition rules, effective as of January 1, 2018, an entity recognizes sales and usage-based royalties as revenue only when the later of the following events occurs: (1) the subsequent sale or usage occurs or (2) the performance obligation to which some or all of the sales- based or usage- based royalty allocated has been satisfied (or partially satisfied). Recognizing royalty revenue on a lag time basis is not permitted. As a result, the royalties we generate from customers is based on royalty of units shipped during the quarter as estimated by our customers, not a quarter in arrears that we previously report. Adoption of this standard and any difficulties in implementation of changes in accounting principles, including uncertainty associated with royalty revenues for the quarter based on estimates provided by our customer, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors’ confidence in us. ~~29~~ **Changes in our tax rates or exposure to additional income tax liabilities or assessments could adversely impact our cash flow, financial condition and results of operations.** We are subject to income taxes in the United States and various foreign jurisdictions. In addition to our significant operations in Israel, we have operations in Ireland, France, the United Kingdom, **Serbia,** China ~~and~~ **,** Japan **and starting from January 2024, in Greece** . Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof, the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, the potential decision or need to transfer cash or other assets from one jurisdiction to another, potential for tax authorities to challenge the manner in which our subsidiaries’ profits are currently recognized, and other factors, our estimates of effective tax rate and income tax assets and liabilities can be incorrect, we could lose the ability to use certain deferred tax assets, we could incur significant additional taxes in connection with a specific transaction, our overall tax expenses could increase, and our business, cash flow, financial condition and results of operations could be materially adversely affected. The impact of the factors referenced in this paragraph may also be substantially different from period- to- period. For example, a substantial portion of our taxable income historically has been generated in Israel, ~~and~~ **as well as France** starting in 2020 ~~, also in France~~ . Although our Israeli and Irish subsidiaries historically, and starting in 2022 our French subsidiary ~~as well~~ , are taxed at rates lower than the U. S. tax rates, the tax rates in these jurisdictions could nevertheless result in a substantial increase as a result of withholding tax expenses with respect to which we are unable to obtain a refund from the relevant tax authorities. If our Israeli, French and Irish subsidiaries were **to** no longer ~~to~~ qualify for these lower tax rates or if the applicable tax laws were rescinded or changed, our operating results could be materially adversely affected. A mix of our revenues in each of these locations may change the mix of our taxable income, and as a result, our overall tax rate may increase, as we encountered in 2021, specifically due to higher taxes in France, or in the third quarter of 2022, due to our recording a $ 15. 6 million expense as a result of a valuation allowance for certain deferred tax assets in Israel. U. S. tax regulations are also implicated by our international operations. For example, certain of our taxes may be “ double taxed ” in both foreign jurisdictions and the U. S., including with respect to our taxes on our Irish and Israeli interest income. While we have elected to account for global intangible low- taxed income (GILTI) as a current- period expense when incurred, legislation and clarifying guidance are expected to continue to be issued by the U. S. Treasury Department and various states in future periods, which could have a material adverse impact on the value of our U. S. deferred tax assets, result in significant changes to currently computed income tax liabilities for past and current tax periods, and increase our future U. S. tax expense. We could also incur significant additional tax expenses as a result of moving off- shore cash to our U. S. entity ~~; out~~ **. Out** of total cash, cash equivalents, bank deposits and marketable securities of $ ~~147~~ **166** . ~~7~~ **5** million at year end ~~2022~~ **2023** , $ ~~141~~ **136** . ~~1~~ **4** million was held by our foreign subsidiaries, with only $ ~~6~~ **30** . ~~6~~ **1** million held in the U. S., which could make capital expenditures to expand operations in the U. S., or our conducting strategic transactions in the U. S., more expensive. In addition, beginning in our fiscal year 2022, the Tax Cuts and Jobs Act of 2017 eliminates the option to deduct research and development expenditures in the year incurred, requiring amortization in accordance with Internal Revenue Code (IRC) Section 174. If this requirement is not repealed or otherwise modified, it will materially increase our effective tax rate and reduce our operating cash flows. ~~Further~~ **Furthermore** , several countries, including the U. S. and Ireland **,** as well as the Organization for Economic Cooperation and Development have reached agreement on a global minimum tax initiative. Many countries are also actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. Finally, our determination of our tax liability in the U. S. and other jurisdictions, including our intercompany transfer pricing, is subject to review by applicable domestic and foreign tax authorities. Although we believe that our tax estimates are reasonable, due to the complexity of our corporate structure, the multiple intercompany transactions and the various tax regimes, we cannot assure you that a tax audit or tax dispute to which we may be subject will result in a favorable outcome for us. If taxing authorities do not accept our tax positions and impose higher tax rates on our foreign operations, our overall tax expenses could increase. **The Israeli and French tax benefits that we currently receive and the government programs in which we participate require us to meet certain conditions and may be terminated or reduced in the future, which could increase our tax expenses.** We enjoy certain tax benefits in Israel, particularly as a result of the “ Approved Enterprise ” and the “ Benefited Enterprise ” status of our facilities and programs through 2019, and the “ Technological Preferred Enterprise ” status of our facilities and programs since 2020. To maintain our eligibility for these tax benefits, we must continue to meet certain conditions, relating principally to adherence to the investment program filed with the Investment Center of the Israeli Ministry of Industry and Trade and to periodic reporting obligations. Should we fail to meet such conditions, these benefits would be cancelled and we would be subject to corporate tax in Israel at the standard corporate rate (23 % in ~~2022~~ **2023**) and could be required to refund tax benefits already received. Additionally, if we increase our activities outside of Israel, for example, by acquisitions, our increased activities may not be eligible for inclusion in Israeli tax benefit programs. The termination or reduction of certain programs and tax benefits or a requirement to refund tax benefits already received may seriously harm our business, operating results and financial condition. ~~30~~ Our French subsidiary is entitled to a new tax benefit of 10 % applied to specific revenues under the French IP Box regime. The French IP Box regime applies to net income derived from the licensing, sublicensing or sale of several IP rights such as patents and copyrighted software, including royalty revenues. This new elective regime requires a direct link between the income benefiting from the preferential treatment and the R & D expenditures incurred and contributing to that income. Qualifying income may be taxed at a favorable 10 % CIT rate (plus social surtax, hence 10. 3 % in total). This new French IP Box regime was enacted into the French tax law as of January 1, 2019, and the final version of the Official guidance of the French tax authorities (FTA) was published on April 22, 2020. Since the French IP Box regime was enacted ~~very~~ recently, there is **little to** no French ~~Case~~ **case** ~~Law~~ **law** on this subject at this time and French companies do not yet have any feedback on the ongoing tax audits and on the FTA' s tendency in this matter. Different interpretations of the French law by the French taxing authorities regarding the French IP Box regime may impose higher tax rates on our French operations and our overall tax expenses could increase. In addition, pursuant to our acquisition of the RivieraWaves operations, we will benefit from certain research tax credits applicable to French technology companies, including, for example, the Crédit Impôt Recherche (**"** CIR **"**). The CIR is a French tax credit aimed at stimulating research activities. The CIR can be offset against French corporate income tax due and the portion in excess (if any) may be refunded every three years. The French Parliament can decide to eliminate, or reduce the scope or the rate of, the CIR benefit, at any time or challenge our eligibility or calculations for such tax credits, all of which may have an adverse impact on our results of operations and future cash flows. **We are exposed to fluctuations in currency exchange rates.** A significant portion of our business is conducted outside the United States. Although most of our revenues are transacted in U. S. dollars, we may be exposed to currency exchange fluctuations in the future as business practices evolve and we are forced to transact business in local currencies. Moreover, the majority of our expenses are denominated in foreign currencies, mainly New Israeli Shekel (**"** NIS **"**) and the ~~EURO~~ **Euro** , which subjects us to the risks of foreign currency fluctuations. Our primary expenses paid in currencies other than the U. S. dollar are employee salaries. Increases in the volatility of the exchange rates of currencies other than the U. S. dollar versus the U. S. dollar could have an adverse effect on the expenses and liabilities that we incur in currencies other than the U. S. dollar when remeasured into U. S. dollars for financial reporting purposes. We have instituted a foreign cash flow hedging program to minimize the effects of currency fluctuations. However, hedging transactions may not successfully mitigate losses caused by currency fluctuations, and our hedging positions may be partial or may not exist at all in the future. We also review our monthly expected non- U. S. dollar denominated expenditure and look to hold equivalent non- U. S. dollar cash balances to mitigate currency fluctuations. However, in some cases, we expect to continue to experience the effect of exchange rate currency fluctuations on an annual and quarterly basis. For example, our EURO cash balances increase significantly on a quarterly basis beyond our EURO liabilities from the CIR, which is generally refunded every three years. This has resulted a foreign exchange loss **of $ 1. 27 million** during 2021 due to the devaluation of our Euro cash balances as the U. S. dollar strengthened significantly during this period as compared to the Euro **, and a foreign exchange gain of $ 0. 07 million and $ 0. 69 million during 2022 and 2023, respectively** . We are exposed to the credit **and liquidity** risk of our customers **, and to credit exposure in weakened markets** , which could result in material losses. As we diversify and expand our addressable market **in geographically dispersed regions** , we will enter into IP licensing arrangements with first **-** time customers **where** ~~on which~~ we do not have full visibility of their creditworthiness. Furthermore, **the instability of market conditions in certain areas in which** we have ~~significant~~ **expanded our** business ~~activities in~~ **, including parts of** the Asia Pacific region ~~. As a result~~ , ~~our future credit~~ **drives an elevated** risk ~~exposure~~ **of uncollectable accounts receivable and inability to recognize revenue from deals involving customers that** may ~~increase~~ **be in financial distress. Further, to the extent one or more of our customers commences bankruptcy or insolvency proceedings, contracts with these customers may be subject to renegotiation or rejection under applicable court proceeding** . Although we monitor and attempt to mitigate credit risks, there can be no assurance that our efforts will be effective. **While** ~~Although any~~ losses to date relating to the credit exposure of our customers have not been material, future losses, if incurred, could harm our business and have a material adverse effect on our operating results and financial condition. ~~31~~ **If we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which would negatively impact our operating results.** Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. Under accounting principles generally accepted in the United States of America, we assess potential impairment of our goodwill and intangible assets at least annually, as well as on an interim basis to the extent that factors or indicators become apparent that could reduce the fair value of any of our businesses below book value. Impairment may result from significant changes in the manner of use of the acquired asset, negative industry or economic trends and significant underperformance relative to historic or projected operating results. For example, in the third quarter of 2022, we recorded $ 3. 6 million of impairment of intangible assets with respect to Immervision technology acquired in August 2019, as we decided to cease the development of this product line. If we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which could negatively impact our operating results **. Risks Related to Ownership of Our Common Stock The anti- takeover provisions in our certificate of incorporation and bylaws could prevent or discourage a third party from acquiring us** . Our certificate of incorporation and bylaws contain provisions that may prevent or discourage a third party from acquiring us, even if the acquisition would be beneficial to our stockholders. Our board of directors also has the authority to fix the rights and preferences of shares of our preferred stock and to issue such shares without a stockholder vote. Our bylaws also place limitations on the authority to call a special meeting of stockholders. We have advance notice procedures for stockholders desiring to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders. In addition, these factors may also adversely affect the market price of our common stock, and the voting and other rights of the holders of our common stock. **Our stock price may be volatile so you may not be able to resell your shares of our common stock at or above the price you paid for them.** Announcements of developments related to our business, announcements by competitors, quarterly fluctuations in our financial results, changes in the general conditions of the highly dynamic industry in which we compete or the national economies in which we do business, and other factors could cause the price of our common stock to fluctuate, perhaps substantially. For example, if we fail to achieve our near **-** term financial guidance, or fail to show overall business growth and expansion, our stock price may significantly decline. In addition, in recent years, the stock market has experienced extreme price fluctuations, which have often been unrelated to the operating performance of affected companies. These factors and fluctuations could have a material adverse effect on the market price of our common stock. ITEM 1B.

UNRESOLVED STAFF COMMENTS