

Risk Factors Comparison 2025-02-13 to 2024-02-15 Form: 10-K

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The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect our company in the future. If any of these risks were to occur, our business, financial condition, or results of operations could be materially and adversely affected. This section includes or refers to certain forward- looking statements. We refer you to the explanation of the qualifications and limitations of such forward- looking statements, appearing under the heading "Forward- Looking Statements" in Part II- Item 7 of this Annual Report on Form 10- K. **Risks Related to Execution of our Business Strategy** Our failure to introduce new products in a successful and timely manner could result in the loss of our market share and a decrease in our revenues and profits. The market for our products is characterized by rapidly changing technology and increasingly capable competitors. Accordingly, we believe that our future success will depend on our ability to accelerate time- to- market for new products with improved functionality, ease- of- use, performance, and price. This includes continuing to introduce products embedded with artificial intelligence ("**AI**") technology that augments rule- based machine vision with image- based analysis. There can be no assurance that we will be able to introduce new products in accordance with scheduled release dates or that new products will achieve market acceptance. Our inability to keep pace with the rapid rate of technological change and customer demands in the high- technology marketplace could have a material adverse effect on our operating results. **In addition** ~~Product development is often a complex, we time-consuming, and costly process involving significant investment in research and development with no assurance of return on investment. Our strong balance sheet allows us to continue to make significant investments in research, development, and marketing for new products and technologies. Research is by its nature speculative, and the ultimate commercial success of a product depends on various factors, many of which are not under our control. We may not achieve significant revenue from new product investments for several years, if at all. Moreover, new products, if introduced, may not generate the gross margins that we have experienced historically. Increased competition may result in decreased demand or prices for our products and services and may harm our operating results. The machine vision market continues to be fragmented and competitive. Our competitors include primarily other vendors of machine vision systems, controllers, and components; manufacturers of image processing systems, sensors, and components; and system integrators. We also compete with internal engineering departments of current or prospective customers, as well as open- source tools available for free from various companies, including tools using **AI artificial intelligence**. In recent years, we ~~encountered increased competition from~~ **advancements in AI, particularly the availability of sophisticated AI algorithms and open- source machine vision platforms, have** ~~encountered increased competition from~~ **lowered the barriers to entry in our market. These tools enable new entrants and** ~~low- cost providers, particularly in China, to produce~~ **vision providers in China systems that may perform comparably to our offerings. This commoditization trend intensifies pricing pressures and challenges our ability to differentiate our products solely on performance or features. Additionally,** ~~as well as from large technology companies that~~ **and other competitors with substantial financial and technological resources may offer continue to develop and distribute free open- or low- source cost solutions , further eroding market prices . Any of** ~~If we fail to effectively respond to these competitors may have greater financial~~ **trends through innovation, cost management, or other strategies** ~~resources than we do or may develop more compelling technologies. We may not be able to compete successfully in the future and our investments in research and development , sales and marketing, and support activities may be insufficient to enable us to maintain our competitive position advantage. In addition, competitive pressures could~~ **weaken. This lead to price erosion that could have** ~~result in decreased market share, reduced pricing power, and~~ **a material adverse effect on our revenue,** ~~gross margins , and operating results. Further, in recent years, we have seen some examples of industry consolidation in our markets. This trend may continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. We believe that industry consolidation may result in stronger competition and may be accompanied by pressure from customers for lower prices. This could~~ **lead to more variability in our operating results and could have a material adverse effect on our business revenue, gross margins, and operating results , and financial condition.** If we fail to attract and retain key talent **, effectively plan for succession,** and maintain our unique corporate culture, our business and operating results could suffer. To support our growth and execute our operating plans and strategic initiatives, we must effectively attract, train, develop, motivate, and retain skilled employees, while maintaining our unique corporate culture. Technical personnel with experience in machine vision, and more recently **AI artificial intelligence** and transformer- based models, are in high demand and competition for their talents is intense. We rely on attracting and retaining talent with these skills to execute our product development plans. We use time- based and performance- based equity awards, including stock options and restricted stock units (" RSUs") **, including performance restricted stock units (" PRSUs"),** as a key component of compensation for our more senior employees to align employee interests with the interests of our shareholders, provide competitive compensation packages, and encourage employee retention. Our stock price volatility may cause periods of time during which option exercise prices might be less than the sale price of our common stock or the value of RSUs might be less competitive, which may lessen the retentive attributes of these awards. We are limited as to the number of stock options and RSUs that we may grant under our stock plans, and we are unsure how effective different stock- based awards with different vesting schedules will be to retain key talent. Accordingly, we may find it difficult to attract and retain employees, and any such difficulty could materially adversely affect our business. Our **success significantly depends on the continued contributions of our executive officers and other key management personnel. The loss of any of these individuals could materially**~~

adversely affect our business, operating results, and financial condition. Effective succession planning is crucial to ensure smooth transitions and maintain business continuity. Failure to attract and retain executive officers and other key management personnel or to implement effective succession planning could have a material adverse effect on our business, reputation, and financial performance. Our failure to properly manage the distribution of our products and services could result in the loss of revenues and profits. We utilize a direct sales force, as well as a network of distribution and integration partners, to sell our products and services. We are continually reviewing our go- to- market strategy to help ensure that we are reaching the most customers that we can and with the highest level of service. At times, this may require strategic changes to our sales organization or enlisting or dropping various partners in certain regions, which could result in additional costs or operational challenges. In 2023 connection with our “Emerging Customer” sales initiative, we are **began investing more aggressively to** expanding ~~--- expand~~ our direct sales force to **include entry- level** reach customers who may be newer to factory automation and have yet to fully benefit from all that machine vision can offer, which has resulted, and is expected to continue to result, in increased sales **personnel to sell** and marketing expenses. In addition, successfully managing the interaction of our **easier** direct and indirect sales channels, including the newly- added Emerging Customer sales force, to reach various potential customers for our **deploy and easier- to- use** products and services is a complex process. Many of our indirect selling arrangements are non- exclusive, and our distributors are not obligated to buy our products. Thus, they may be unwilling or unable to dedicate the resources necessary to promote our products or remain sufficiently trained to provide integration support. In addition, failure of our distributors to adhere to our policies designed to promote compliance with global anti- corruption laws, export controls, and local laws, could subject us to criminal or civil penalties and stockholder litigation. In addition, when we use indirect selling methods, it may reduce visibility to demand and pricing. To support the expansion of our business internationally, we may decide to make changes to our operating structure in other countries when we believe these changes will make us more competitive by reaching additional customers, offering faster delivery, importation services, and / or local currency sales. These new operating models may require changes in legal structures, business systems, and business processes that may result in significant business disruption and negatively impact our customers’ experience, resulting in loss of sales. Furthermore, as we assume more responsibility for the importation of our products into other countries, we face higher compliance risk to adhere to local regulatory and trade requirements. Finally, the local stocking of finished products in countries outside of our primary distribution centers may result in higher costs and increased risk of excess or obsolete inventory associated with maintaining the appropriate level and mix of products in multiple inventory locations, resulting in lower gross margins. Our go- to- market strategy has distinct risks and costs, and therefore, our failure to implement the most advantageous balance in the sales and operating model for our products and services could have a material adverse effect on our revenue and profitability. Economic, political, and other risks associated with international sales and operations could adversely affect our business and operating results. In 2023-2024, approximately 66-67% of our revenue was derived from customers located outside of the United States. We anticipate that international sales will represent a more significant portion of our revenue in 2024 due to the acquisition of Japan- based Moritex Corporation in the fourth quarter of 2023. In addition, we source components from suppliers located outside of the United States, including China, utilize third- party contract manufacturers, primarily located in Indonesia and Malaysia, to assemble certain of our products, and **beginning in the fourth quarter of 2023 with the acquisition of Moritex Corporation,** manufacture optical components at **in- house** production **plans plants** located in **China and** Vietnam ~~and China~~. We intend to continue to expand our sales and operations outside of the United States and expand our presence in international emerging markets. As a result, our business is subject to the risks inherent in international sales and operations, including, among other things: • various regulatory and statutory requirements, • **difficulties in injecting and repatriating cash,** • export and import restrictions, **including trade sanctions**, • trade tariffs, • transportation delays, • product certification requirements, • employment regulations and local labor conditions, • **difficulties in staffing and managing foreign operations, particularly as we expand our presence globally,** • corruption, • **instability in economic or political conditions,** • **political or trade sanctions,** • difficulties protecting intellectual property, • **uncertainties surrounding the interpretation and application of regulatory and statutory requirements,** • varying data protection and privacy laws, • business systems connectivity issues, • **gains and losses associated with foreign currency exposures,** • **difficulties injecting and repatriating cash**, and • potentially adverse tax consequences. Any of these factors could have a material adverse effect on our business, operating results, or financial condition. We face several risks related to conducting business in China. In recent years, trade tariffs imposed by the United States on certain components imported from Chinese suppliers resulted in higher costs for our products, which, to date, have not been material to our total cost of **goods revenue**. In addition to trade tariffs, U. S. export controls that place restrictions on the exportation of our products or a subset of our products, including applicable regulations promulgated by the U. S. Commerce Department’s Bureau of Industry and Security, have had a negative impact on our revenue from customers based in China. **The recent expansion of U. S. sanctions on Chinese companies, including expanded restrictions with respect to Chinese semi- conductor companies, has heightened the risks and complexities for U. S. companies conducting business in China. These sanctions have led to increased scrutiny and operational challenges, which may result in costly supply chain shifts and loss of customers and business opportunities. Adjusting our business and supply chain to comply with new or amended international Trade trade restrictions, sanctions, or tariffs and export controls also have had an can indirect be expensive, time- consuming, and operationally challenging and may cause our customers to find alternative providers of machine vision products and services. Such restrictions are often implemented with little or no advance notice, creating uncertainty and limiting our ability to mitigate their impact on the economic climate effectively. Furthermore, customers in China may perceive heightened** , which in turn, has had a negative impact on the Company’s revenue from customers based in China who see **risk risks** in doing business with a- U. S. company **companies, which may reduce demand**. The imposition of additional tariffs or **for** other trade barriers could increase our costs in certain markets and may cause our customers to find alternative providers of machine vision products and services. To date, the impact

of these restrictions has been immaterial to our total revenue and costs; however, if disputes and conflicts continue or further escalate, actions by governments in response could be significantly more severe and restrictive and could materially adversely affect our operating results. An escalation of the China- Taiwan conflict could lead to challenges procuring integrated circuit chips from Taiwan- based vendors that are fundamental to the design of our products. Although we are taking steps to mitigate this risk, including purchasing chips in advance of demand, there can be no assurance that these steps will be successful in securing an adequate supply of chips at our current cost structure. ~~Geopolitical tensions, trade disputes, and concerns about supply chain resilience have prompted some multinational companies to reassess their operations in China. Rising labor costs, intellectual property concerns, and uncertainties around regulatory environments have contributed to a trend where certain industries, particularly in manufacturing, are exploring diversification of their production bases to other countries or reshoring to their home country. These trends may adversely affect our revenue in China and operating results. To date, the Russia- Ukraine war that has been ongoing since the first quarter of 2022 and the Israel- Hamas war that began in the fourth quarter of 2023 have not had a material adverse effect on our business. Economic sanctions and export controls imposed by the United States and other countries targeting specific industries, entities, and individuals in Russia, as well as the impact on the supply of energy resources in Europe, have not materially adversely affected our business to date. Further escalation of these geopolitical tensions, however, could have a broader impact which could adversely affect our business and /or our supply chain, distribution and integration partners, or customers in the broader region, including the European Union. Furthermore, purchasing inventory instability may lead to increased market volatility, negatively impacting customer confidence and spending. We also are subject to applicable anti- corruption laws, such as the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act, and similar anti- corruption and anti- kickback laws in the jurisdictions in which we operate. These laws generally prohibit offering, promising, giving, or authorizing others to provide anything of value, either directly or indirectly, to a government official or private party in order to influence official action or otherwise gain an unfair business advantage-advance~~; such as to obtain or retain business. Particularly as a result of ~~demand may~~ our global operations, including in developing countries, and our growing international sales force, our relationships with our customers and resellers could expose us to ~~increased risk~~ liability under these laws. Violations of ~~excess~~ anti- corruption laws may result in severe civil and criminal penalties for noncompliance. Even an ~~and obsolete inventory~~ unsuccessful challenge or investigation into our practices is costly to defend, and could cause adverse publicity, and thus could have a material adverse effect on our business, financial condition, or operating results-~~resulting charges~~. Implementation of our acquisition strategy may not be successful, which could affect our ability to increase our revenue or profitability and may otherwise adversely affect our business. We have acquired, and may continue to acquire, new businesses and technologies. During the fourth quarter of 2023, we completed our largest acquisition to date by acquiring Moritex Corporation, a global provider of premium optical components based in Japan, for an enterprise value of approximately \$ 270 million. The Moritex acquisition, and acquisitions in general, may involve significant risks and uncertainties, which could include, among others: • the diversion of management's attention from other operational matters, • the inability to realize expected synergies or other benefits resulting from the acquisition, including the failure to achieve projected sales of acquired products, • difficulties or delays integrating personnel, operations, technologies, products, processes, and systems of the acquired business, particularly in locations far from the Company's headquarters, • the failure to retain key talent and difficulties integrating corporate cultures, • entry into markets in which we may have limited prior experience and where competitors have stronger market positions, • the inability to protect and secure acquired intellectual property or confidential information, • difficulties or delays completing the development of acquired in- process technology, • the failure to retain key customers, • the impairment of acquired intangible assets resulting from lower- than- expected cash flows from the acquired assets, • acquisition- related charges, which could adversely impact operating results and cash flows in any given period and could be substantially different from period to period, • difficulties with implementing internal controls and accounting systems necessary to be compliant with requirements applicable to public companies subject to SEC reporting, and • difficulties with closing a transaction due to regulatory approvals, employment matters, required consents, litigation, or other challenges, which could increase costs and prevent the acquisition from being completed within the expected timeframe, or from being completed at all. Acquisitions are inherently risky and the inability to effectively manage these risks could have a material adverse effect on our operating results. ~~Our future capital needs are uncertain and may be influenced by various factors, including strategic initiatives, which could impact our financial condition and operating results. Our future capital needs are uncertain and may be affected by various factors, including strategic initiatives. We may need to raise additional capital in the future for a variety of reasons, such as to acquire businesses or fund growth opportunities. Raising capital may involve issuing debt, which could increase our leverage and limit our financial flexibility, or equity, which could result in dilution to our existing shareholders. There can be no assurance that such capital will be available on favorable terms, or at all. Challenges in obtaining favorable funding may delay, reduce, or eliminate certain business activities or growth initiatives, which could adversely affect our financial condition and operating results.~~ Risks Related to Information Technology and Intellectual Property Information security breaches may adversely affect our business. We rely on our information technology systems, including third- party services, to effectively run our business. We may be subject to information security failures or breaches caused by hacking, malicious software, acts of vandalism or terrorism, or other events. The risk of a cyberattack continues to increase given rapid advancements in technologies, as well as the proliferation of diplomatic and armed conflict throughout the world. Our security measures or those of our third- party service providers may not detect or prevent such breaches. ~~Any Cybersecurity threats are becoming increasingly sophisticated and frequent, with attackers employing new and varied methods such as ransomware, phishing, and advanced persistent threats. These threats pose significant risks to our information security could result in operations, including: • disruption of operations, system outages, data corruption, and other disruptions, impacting our ability to deliver products and services to our customers,~~ • the distraction of management and diversion of information technology resources, • theft of our intellectual

property, including software source code, **trade secrets, and a misappropriation of our cash or other assets, an interruption in our operations, the unauthorized publication of our confidential business or proprietary information, • financial losses through fraud, the theft unauthorized release of assets, or the costs associated with responding to and mitigating the effects of an attack, • reputation damage and loss of trust among stakeholders as a result of breaches** of customer, vendor, or employee data, **• and the exposure to litigation or, regulatory penalties, any of which could harm our business and operating increased compliance costs as a results— result of data breaches and cybersecurity incidents**. We have experienced cybersecurity incidents in the past, however, to date, these incidents have not had a material impact on our operations or financial results. Future cybersecurity incidents could have a material adverse effect on our business, reputation, financial condition, or operating results. **We continuously invest in and enhance our cybersecurity measures, including employee training, incident response planning, and collaboration with third- party experts, to mitigate these risks.** Changes in laws or regulations relating to data privacy or data protection, or any actual or perceived failure by us to comply with such laws and regulations, could harm our business. We are subject to a variety of United States and international laws, rules, policies, and other obligations regarding data protection and security breaches. Privacy and data security have become significant issues in the United States, Europe, and in many other jurisdictions where we conduct or may in the future conduct our operations. **For instance, the European Union's General Data Protection Regulation ("GDPR"), many state and federal privacy laws within the United States, and other similar global laws in locations in which we do business govern our global data privacy practices.** The regulatory framework for the collection, use, safeguarding, sharing, and transfer of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. **For example, the California Privacy Rights Act (CPRA), which took effect on January 1, 2023 (with certain provisions of the CPRA having retroactive effect to January 1, 2022), as well as obligations from new privacy laws in Colorado, Connecticut, Delaware, Florida, Indiana, Iowa, Montana, New Jersey, Oregon, Tennessee, Texas, Utah and Virginia that have taken or will take effect between 2023 and 2026, may require us to further modify certain of our information practices and could subject us to additional compliance costs and expenses.** These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. **The adoption of AI technologies is subject to increasing regulatory scrutiny, with emerging laws such as the European Union's AI Act and U. S. initiatives potentially imposing requirements for transparency, bias mitigation, and ethical deployment. Compliance with these evolving standards may increase costs, delay product launches, or require significant changes to our technologies. AI-related concerns, including data privacy, intellectual property, and cybersecurity, add further complexity, while inconsistent global regulations heighten operational challenges.** Complying with emerging and changing requirements may be costly and require us to change certain business practices. Noncompliance could result in significant fines, penalties, claims, or legal liability. Any inability to adequately address privacy and data security concerns or comply with applicable privacy or data security laws, regulations, and policies could result in additional cost **and liability to us**, damage our reputation, inhibit sales, and **harm adversely affect** our business, **financial condition, and operating results**. If we fail to successfully protect our intellectual property, our competitive position and operating results could suffer. We rely on our proprietary software technology and hardware designs, as well as the technical expertise, creativity, and knowledge of our personnel, to maintain our position as a leading provider of machine vision products. Software piracy and reverse engineering may result in counterfeit products that are misrepresented in the market as Cognex products or pirated products that contain stolen technology, such as software. Although we use a variety of methods to protect our intellectual property, we rely most heavily on patent, trademark, copyright, and trade secret protection, as well as non- disclosure agreements with customers, suppliers, employees, and consultants. We also attempt to protect our intellectual property by restricting access to our proprietary information by a combination of technical and internal security measures. These measures, however, may not be adequate to: • protect our proprietary technology, • protect our patents from challenge, invalidation, or circumvention, or • ensure that our intellectual property will provide us with competitive advantages. Our pending and future patent applications may not issue as patents or, if issued, may not issue in a form that will provide us with any meaningful protection or any competitive advantage. Even if issued, existing or future patents may be challenged, narrowed, invalidated, or circumvented, which could limit our ability to stop competitors from developing and marketing similar products, increase costs, or limit the length of patent protection we may have for our products. Furthermore, other companies may design around technologies we have patented, licensed, or developed. Moreover, changes in patent laws or their interpretation in the United States and other countries could also diminish the value of our intellectual property or narrow the scope of our patent protection. In addition, the legal systems of certain countries do not favor the aggressive enforcement of patents, and the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar to ours. Any of these adverse circumstances could have a material adverse effect on our operating results. Risks Related to our Supply Chain The failure to manufacture and deliver products in a timely manner could negatively affect customer satisfaction and our operating results. A significant portion of our products is **presently** manufactured by a third- party contractor located in Indonesia. Since 2022, we have been scaling up an additional contract manufacturer located in Malaysia, which **has is expected to further mitigate mitigated** risk, **diversify diversified our** supply chain, and **expand expanded our** production capacity. With the acquisition of Moritex Corporation in the fourth quarter of 2023, we began in- house manufacturing of optical components, such as lenses and lighting, in production plants located in **China and Vietnam and China**. In- house manufacturing exposes us to various risks that could adversely impact our business operations and financial condition, including, but not limited to, (i) the health and safety of our employees engaged in manufacturing; (ii) the storage, use, and transportation of hazardous materials utilized in the manufacturing process; and (iii) legal risks related to environmental protection and health and safety laws in all applicable jurisdictions. Although our third- party and in- house manufacturers have the ability to shift production to plants in other regions when operations in their primary plant are disrupted, production and test equipment located at the plant that is unique to the manufacture of Cognex products creates practical

challenges to doing so in a timely manner. Furthermore, the loss of a key supplier, or failure of a key supplier to access necessary credit to operate its business or otherwise remain in business, could have a material adverse impact on our operating results. Changes and additions to our supply chain require considerable time and resources and involve significant risks and uncertainties, and we can provide no assurance of return on, or success of, such investments. We also rely on our third-party and in-house manufacturers to meet delivery schedules. We have experienced, and may continue to experience, delays in the delivery of our products from our suppliers due to the impact of global supply chain challenges or other factors. For example, on June 7, 2022, our primary contract manufacturer experienced a fire at its plant in Indonesia which destroyed a significant amount of Cognex-owned consigned inventories, as well as component inventories owned by the contract manufacturer that were designated for Cognex products. The fire resulted in delayed shipments, loss of sales, and higher-than-normal purchase costs to replenish component inventories, which adversely impacted our business, financial condition, and results of operations through primarily during the second half of 2022, with the gross margin impact of higher purchase costs continuing into the first half of 2023. Challenges in obtaining components and maintaining production have resulted in delays, and may continue to result in delays, in meeting our delivery schedules that, as a result, delay deliveries to our customers past their requested delivery date. Delays in customer orders also can result in delayed revenue recognition or loss of business which can impact our operating results in a particular reporting period. Our inability to obtain components for our products could adversely affect our operating results. Certain key electronic and mechanical components, such as integrated circuit chips, are fundamental to the design of Cognex products. Due to the impact of global supply chain challenges and other factors, we have experienced, and may continue to experience, disruptions to the supply of components for our products that have resulted, and may continue to result, in higher purchase costs, higher delivery costs, and manufacturing delays. An escalation of components purchased by our contract manufacturers have not been consumed in our production of finished goods within a certain period of time, we have been required, and may continue to be required, to purchase these components. China-Taiwan conflict could result in challenges procuring integrated circuit chips from Taiwan-based vendors. Our contract manufacturers and later sell them back when they are needed to meet our demand. Although while we are taking steps typically expect these components to be consumed in the production of our finished goods, this arrangement may expose us to an increased risk, including purchasing chips in advance of excess demand, there can be no assurance that these steps will be successful in securing an adequate supply of chips at our current cost structure. obsolete inventory and resulting charges. We source components from preferred vendors that are selected based on price, quality and performance considerations. In the event of a supply disruption from a preferred vendor, these components typically may be purchased from alternative vendors, which may result in higher purchase costs and manufacturing delays based on the time required to identify and obtain sufficient quantities from an alternative source. Certain Cognex products utilize components that are available from only one source. If we are unable to secure adequate supply from these sources, we may have to redesign our products, which may lead to higher costs, delays in manufacturing, and possible loss of sales. Although we are taking certain actions to mitigate supply risk and have entered into agreements, including in broker markets, for the supply of many components, there can be no assurance that Cognex will be able to extend or renew these agreements on similar terms, such as purchase prices, or at all. Component suppliers may suffer from poor financial conditions, which can lead to business failure for the supplier, further limiting our ability to obtain sufficient quantities of components on reasonable terms, or at all. Therefore, Cognex remains subject to risks of supply shortages and price increases that can adversely affect our business and operating results. Our failure to effectively manage product transitions or accurately forecast customer demand could result in excess or obsolete inventory and resulting charges. Because the market for our products is characterized by rapid technological changes, gross margins we frequently introduce new products with improved functionality, ease-of-use, and performance, or lower cost that may replace existing products. Among the risks associated with the introduction of new products are difficulty predicting customer demand and effectively managing inventory levels to ensure adequate supply of the new product and avoid excess supply of the legacy product. Our failure to effectively manage product transitions or accurately forecast customer demand, in terms of both volume and configuration, may lead to an and increased risk of excess or obsolete inventory and resulting charges. We strategically may enter into non-cancelable and/or non-refundable commitments with vendors to purchase inventory in advance of demand to address concerns about the availability of future supplies, build safety stock to help ensure customer shipments are not delayed should we experience higher than anticipated demand for inventory with long lead times, or take advantage of favorable pricing. Supply chain disruptions and unanticipated changes in demand have resulted, and may continue to result, in the Company purchasing a significant amount of inventory in advance of demand. These measures to purchase inventory may expose us to an increased risk of excess or obsolete inventory and resulting charges if actual demand is lower than anticipated. If components purchased by our primary contract manufacturer have not been consumed in the production of our finished goods within a certain period of time, we have been required, and may continue to be required, to purchase these components from our primary contract manufacturer and later sell them back when they are needed to meet our demand. While we typically expect these components to be consumed in the production of our finished goods, this arrangement may expose us to an increased risk of excess or obsolete inventory and resulting charges. Disruptions to one of our distribution centers could adversely affect our operating results. We ship finished products for customers located in the Americas from our Southborough, Massachusetts distribution center, for customers located in Europe from our Cork, Ireland distribution center, and for customers located in Asia from our Singapore distribution center that became operational during the fourth quarter of 2023. Following the COVID pandemic, we experienced, and may experience again, labor shortages or working restrictions due to factors such as health and safety concerns or governmental regulations. Although we have the ability to shift operations from one distribution center to another, there are practical challenges to doing so in a timely, cost-effective manner, and we may experience delays in shipping customer orders. These delays could negatively impact customer satisfaction and, in turn, cause loss of sales, which could adversely affect our operating results. Our products may contain design or manufacturing defects, which could result in reduced

demand, significant delays, substantial costs, or customer dissatisfaction and / or loss of sales. If flaws in either the design or manufacture of our products were to occur, we could experience a rate of failure in our products that could result in significant delays in shipment and material repair or replacement costs. Due, in part, to our focus on releasing new products as quickly as possible to satisfy customer demands, our release- to- market process may not be robust enough to detect significant design flaws or software bugs. While we engage in product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers and contract manufacturers, these actions may not be sufficient to avoid a product failure rate that results in: • substantial delays in shipment, • significant repair or replacement costs, • product liability claims or lawsuits, particularly in connection with life sciences customers, electric vehicle battery manufacturers, or other high-risk end- user industries, • customer dissatisfaction and / or loss of sales, or • potential damage to our reputation. Any of these results could have a material adverse effect on our operating results. Risks Related to **Revenue Concentrations** **Financial Performance** The loss of, or significant curtailment of purchases by, large customers could have an adverse effect on our business. **In 2023-Over the past few years, no single we had two customer customers that represented more than 10 % or more** of our total revenue. ~~However, we have had customers of this size in the past, particularly in the logistics and consumer electronics industries.~~ Large customers may divert management’s attention from other operational matters and pull resources from other areas of the business, resulting in potential loss of sales from other customers. In addition, large customers may receive preferred pricing and a higher level of support, which may lower our gross margin ~~percentage~~. Furthermore, in certain instances, due to long supplier lead times, we may purchase inventory in advance of receipt of a large customer purchase order, which exposes us to an increased risk of excess or obsolete inventory and resulting charges. The loss of, or curtailment of purchases by, any one or more of our large customers, has had, and could in the future have a material adverse effect on our operating results. **Our Risks Related to Financial financial performance varies quarterly due to seasonal and cyclical purchasing Matters patterns and the timing of large customer orders, which can lead to challenges in accurately forecasting our financial results. Our business experiences significant seasonal variations, with certain quarters typically generating higher revenues due to industry cycles and customer purchasing patterns, which can significantly impact quarterly results depending on their timing. The sale of our products and services is dependent on customers whose industries are subject to seasonal or cyclical trends in the demand for their products. For example, the consumer electronics industry is particularly volatile, making demand difficult to anticipate, which exposes us to increased risk of excess and obsolete inventory and resulting charges. This volatility can also lead to challenges in forecasting our financial results. Failing to meet quarterly revenue and earnings expectations due to these seasonal and cyclical trends could negatively impact investor confidence, resulting in stock price volatility and potential reputational damage.** We are at risk for impairment charges with respect to our investments or acquired intangible assets, which could have a material adverse effect on our operating results. As of December 31, ~~2023~~ **2024**, we had approximately \$ ~~374~~ **401** million of debt securities in our investment portfolio. These debt securities are reported at fair value, with unrealized gains and losses, net of tax, included in shareholders’ equity as other comprehensive income (loss) ~~since these securities are designated as available-for-sale securities.~~ As of December 31, ~~2023~~ **2024**, our portfolio of debt securities had a net unrealized loss of \$ ~~94,967~~ **904**, 000. Included in this net loss, were gross unrealized losses totaling \$ ~~105,555~~ **317**, 000, of which \$ ~~12,561~~ **118**, 000 **related to debt securities** ~~were in a loss position for less than twelve months and \$ 8,994,000 were in a loss position for greater than twelve months.~~ Management monitors its debt securities that are in an unrealized loss position to determine whether a loss exists related to the credit quality of the issuer that would be reported in current operations. While management currently intends to hold these securities to full value recovery at maturity, we may determine to sell these securities prior to maturity to fund our operations, ~~make complete~~ **acquisitions**, or for other purposes, which may result in a loss. It is our policy to invest in investment-grade debt securities that minimize our exposure to credit losses; however, no assurances can be made that we will not incur credit losses with respect to our securities portfolio. ~~No credit losses were recorded in 2023.~~ As of December 31, ~~2023~~ **2024**, we had approximately \$ ~~113~~ **91** million in acquired intangible assets, consisting primarily of ~~acquired technologies and customer relationships~~ **and completed technologies**. The majority of these intangible assets were recorded in the fourth quarter of 2023 when Cognex acquired Moritex Corporation. These assets are susceptible to changes in fair value due to a decrease in the historical or projected cash flows from the use of these assets, which may be negatively impacted by economic trends. We evaluate long-lived assets for impairment annually each fourth quarter and whenever events or changes in circumstances, referred to as "triggering events," indicate the carrying value may not be recoverable. If we determine that any of these investments or intangible assets are impaired, we will be required to take a related charge ~~to earnings~~ that could have a material adverse effect on our operating results. We may have additional tax liabilities and our effective tax rate may increase or fluctuate, which could adversely affect our operating results and financial condition. As a multinational corporation, we are subject to income taxes, as well as non-income based taxes, in the United States and numerous foreign jurisdictions. Our effective income tax rate is dependent on the geographic distribution of our worldwide earnings or losses and the tax laws and regulations in each geographic region in which we operate. Significant judgment is required in determining our worldwide provision for income and other taxes. The application of tax laws and regulations is subject to legal and factual interpretation, judgment, and uncertainty, and tax laws themselves are subject to change. For example, many countries have ~~recently~~ **recently** adopted, or are considering the adoption of, revisions to their respective tax laws based on the Organization for Economic Co-operation and Development’s (“OECD”) Inclusive Framework, which could impact our tax liability due to our organizational structure and significant operations outside of the United States. Furthermore, we are subject to regular review and audit by both domestic and foreign tax authorities and may be assessed additional taxes, penalties, fees, or interest, ~~which could have a material adverse effect on our financial position, liquidity, or results of operations.~~ Although we believe our tax positions are reasonable, the final determination of tax audits or any related litigation could be different from what is reflected in our financial statements and could have a material adverse effect on our income tax provision, ~~net income, or~~ **liquidity cash flows** in the period in which

the determination is made. Fluctuations in foreign currency exchange rates and the use of derivative instruments to hedge these exposures could adversely affect our reported results, liquidity, and competitive position. We face exposure to foreign currency exchange rate fluctuations, as a significant portion of our revenues, expenses, assets, and liabilities are denominated in currencies other than the functional currencies of our subsidiaries or the reporting currency of our company, which is the U. S. Dollar. In certain instances, we utilize forward contracts to hedge against foreign currency fluctuations. These contracts are used to minimize foreign currency gains or losses, as the gains or losses on the derivative are intended to offset the losses or gains on the underlying exposure. We do not engage in foreign currency speculation. If the counterparty to any of our hedging arrangements experiences financial difficulties, or is otherwise unable to honor the terms of the contract, we may experience material losses. **We may enter into other types of financial instruments in the future to mitigate our foreign currency risk as we deem appropriate.** The success of our foreign currency risk management program depends on forecasts of transaction activity denominated in various currencies. To the extent that these forecasts are overstated or understated during periods of currency volatility, we could experience unanticipated foreign currency gains or losses that could have a material impact on our results of operations. In addition, our failure to identify new exposures and hedge them in an effective manner may result in material foreign currency gains or losses. ~~In addition to the U. S. Dollar, a significant portion of our revenues and expenses are denominated in the Euro and Chinese Renminbi, and to a lesser extent the Korean Won, Japanese Yen, Mexican Peso, and Indian Rupee. We estimate that approximately 52 % of our sales in 2023 were invoiced in currencies other than the U. S. Dollar, and we expect sales denominated in foreign currencies to represent a more significant portion of our total revenue in 2024 due to the acquisition of Japan-based Moritex Corporation in the fourth quarter of 2023. While we also have expenses denominated in these same foreign currencies, the impact on revenues has historically been, and is expected to continue to be, greater than the offsetting impact on expenses. Therefore, in times when the U. S. Dollar strengthens in relation to these foreign currencies, we would expect to report a net decrease in operating income. Conversely, in times when the U. S. Dollar weakens in relation to these foreign currencies, we would expect to report a net increase in operating income. Thus, changes in the relative strength of the U. S. Dollar may have a material impact on our operating results.~~ General Risk Factors Unfavorable global economic conditions may negatively impact our operating results. Our revenue levels are impacted by global economic conditions, as we have a significant business presence in many countries throughout the world. Unfavorable economic conditions, such as inflation, slower growth or recession, higher interest rates, tighter credit, and labor shortages, may cause companies to delay or reduce spending for automation projects, including those with machine vision, amid weaker general manufacturing confidence and heightened uncertainty around global trade. Furthermore, customer confidence and capital investment can be materially adversely impacted as a result of financial market volatility, negative financial news, declines in income or asset values, energy shortages and cost increases, labor and healthcare costs, and other global economic conditions. When global economic conditions are unfavorable, our revenue and our ability to generate operating profits could be materially adversely affected. As a result of global economic conditions, our business is subject to the following risks, among others: • our customers may not have sufficient cash flow or access to financing to purchase our products and services, • our customers may not pay us within agreed upon terms or may default on their payments altogether, • our suppliers may be unable to fulfill their delivery obligations to us in a timely manner, • lower demand for our products may result in charges for excess and obsolete inventory if we are unable to sell inventory that is either already on hand or that we are committed to purchase, • lower cash flows may result in impairment charges for acquired intangible assets or goodwill, • a decline in our stock price may make stock-based awards a less attractive form of compensation and a less effective incentive for retention for our employees, and • the trading price of our common stock may be volatile. As of December 31, ~~2023~~ **2024**, we had approximately \$ ~~576~~ **587** million in cash and investments. In addition, we have no long-term debt. We believe that our strong cash position puts us in a relatively good position to weather economic downturns. Nevertheless, our operating results have been materially adversely affected in the past, and could be materially adversely affected in the future, as a result of unfavorable economic conditions and reduced capital spending by manufacturers and logistics companies worldwide. Natural disasters, ~~fires, energy shortages, widespread public health issues~~ **crises, or and** man-made disasters could result in business disruptions that may adversely affect our business and operating results. Our business, and the businesses of our customers, suppliers, and third-party service providers, could be disrupted by natural disasters, ~~fires, energy shortages~~ **such as extreme weather events and earthquakes**, public health crises, such as pandemics and epidemics, man-made disasters, such as ~~cyberattacks, terrorism or and~~ industrial accidents, or other events outside of our control. Certain **facets** of our business operations, such as our third-party primary contractor manufacturers in Indonesia and Malaysia, are in locations that may be more prone to earthquakes and other natural disasters, ~~and global climate change may result in certain types of natural disasters occurring more frequently or with more intense effects.~~ Following a business disruption, the Company could be subject to production downtimes, operational delays, substantial recovery time, customer claims, significant expenditures to resume operations, the diversion of management's attention and resources, or loss of business, any of which could have a material adverse effect on our competitive position, **financial condition, or** operating results, ~~or financial condition.~~ ~~Because we rely on single or limited sources for the supply of certain components and manufacture of our products, a business disruption affecting such sources would worsen any adverse consequences to our business.~~ While we maintain insurance coverage for certain types of losses, such insurance coverage may be insufficient to cover all losses that may arise. The impact of any such business disruption **on the Company** is difficult to predict **and will depend on the severity of the event and resulting governmental, community, and business actions.** Expectations relating to environmental, social, and governance considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on our business. ~~Many governments~~ **Governments**, regulators, investors, employees, customers, **suppliers**, and other stakeholders are increasingly focused on environmental, social, and governance **considerations disclosures** relating to businesses **activities**, including climate change and greenhouse gas emissions, human and civil rights, and diversity, equity, and inclusion. In addition **Performance in this area is driven by transparency**, we make **goal setting,**

and third- party opinion. Any failure, or perceived failure, to further our initiatives, adhere to our public statements about, comply with federal, state, or international environmental, social, and governance goals laws and initiatives through regulations, or meet evolving Sustainability Reports, information provided on our website, and varied stakeholder expectations and standards could result in legal and regulatory proceedings against other the communications. In addition Company and adversely affect our business, future reputation, financial condition, operating results, stock price, and ability to operate in certain geographic regions. Responding to environmental laws and regulations have the potential to affect our operations, increase our costs, decrease our revenue, or change the way we design or manufacture our products. Responding to these environmental, social, and governance considerations disclosure requests and the implementation of associated these goals and initiatives involves risks and uncertainties, requires investments, and depends in part on third- party performance or data that is outside of our control. Initiatives related to climate performance may be dependent upon the availability of alternative energy sources and evolving procurement practices. Stakeholder expectations and priorities continue to change. We cannot guarantee that we will achieve our environmental, social, and governance goals and initiatives. In addition, some stakeholders may disagree with our or commitments goals and initiatives. Any failure, or perceived failure, to achieve our goals, further our initiatives, adhere to our public statements, comply with federal, state, or international environmental, social, and governance laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against the Company and adversely affect our business, reputation, results of operations, financial condition, and stock price. The price of the Company's stock is subject to volatility. We have experienced substantial stock price volatility in the past and may continue to do so in the future. The price of our stock may be affected by factors such as our financial performance, announcements of technological innovations or new products by us or our competitors, market conditions, and other factors. Additionally, the Company, the technology industry, and the overall stock market have, from time to time, experienced extreme stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to these companies' operating performance. Price volatility may cause the average price at which we repurchase our stock in a given period to exceed the stock's price at a given point in time. We believe the price of our stock should reflect expectations of for future growth and profitability. If we fail to meet expectations related to future growth, profitability, dividends, share repurchases, or other market expectations, the price of our stock may decline significantly, which could have a material adverse impact on investor confidence and employee retention. Our Company may be subject to time- consuming and costly litigation or activist shareholder activities. From time to time, we may be subject to various claims, demands, and lawsuits by competitors, shareholders, customers, distributors, patent trolls, former employees, or other parties arising in the ordinary course of business, including lawsuits charging patent infringement, or claims and lawsuits instituted by us to protect our intellectual property and confidential information, or for other reasons. These matters can be time - consuming, divert management's attention and resources, and cause us to incur significant expenses. Furthermore, the results of any of these actions may have a material adverse effect on our operating results.