Risk Factors Comparison 2023-10-20 to 2022-10-14 Form: 10-K

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You should carefully consider the risks and uncertainties described below and the other information in this Annual Report on Form 10- K, including " **PART II –** Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations " and our **consolidated** financial statements and related notes. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs and, as a result, the market price of our ordinary shares could decline and you could lose all or part of your investment **. As noted above in " Item 1. Business, " the financial results and operations of SMART Brazil have been presented as discontinued operations. While our SMART Brazil business continues to pose certain risks and uncertainties described below, unless otherwise noted, the financial results included in the risks below relate solely to our continuing operations and do not include the operations of SMART Brazil** . This Annual Report also contains forward- looking statements that involve risks and uncertainties. See " Cautionary Note Regarding Forward- Looking Statements " for additional information. Our actual results could differ materially and adversely from those anticipated in these forward- looking statements as a result of certain factors, including the risks facing our company described below and elsewhere in this Annual Report. Risk Factor Summary The following is a summary of the principal risks described below in this Annual Report. The following summary should not be considered an exhaustive summary of the material risks facing us, and it should be read in conjunction with the " Risk Factors " section and the other information contained in this Annual Report. Risks Related to Our Business • ~~The effects of the COVID- 19 outbreak could adversely affect our business, results of operations and financial condition. • Our efforts to adapt to our work environment to the COVID- 19 pandemic may be unsuccessful. •~~ Changing worldwide economic conditions could adversely affect our operating results and financial condition. • Our operating results fluctuate from quarter to quarter, which make them difficult to predict. • We have experienced losses in the past and may experience losses in the future. • We compete in historically cyclical markets. • ~~Volatility~~ **Fluctuations** in average selling prices may have ~~an~~ **a material** adverse effect on our business, results of operations and financial condition. • Tariffs or other trade restrictions or taxes **have had in the past, and** could have **in the future,** an adverse impact on our operations. • We depend on a select number of customers for a significant portion of our revenue. • The markets that we serve are highly competitive. • We may be unable to optimally match purchasing and production to customer demand, which may have a material adverse effect on our business, results of operations and financial condition. • Our future success depends on our ability to develop new products and services. • Our customers often require that our products undergo a lengthy and expensive process of evaluation and qualification without any assurance of net sales. • If our OEM customers decide to utilize standardized solutions instead of our specialty products, our net sales and market share may decline. • We depend on a small number of sole or limited source suppliers. • We may be unable to adapt to technological change **or** ~~. • We may not be able to~~ maintain or improve our manufacturing efficiency. • Disruption of our operations at any one of our manufacturing facilities would substantially harm our business. • We are subject to a number of procurement laws and regulations. • Contracts with the United States Government may be terminated, cancelled or modified. • Products that fail to meet specifications, are defective or that are otherwise incompatible with end uses could impose significant costs on us. • **Actual or perceived** ~~Breaches~~ **breaches** of our security systems, or those of our customers, suppliers or business partners, could expose us to losses. • Some of our offerings utilize open source software, which may pose particular risks to our proprietary software, products and services in a manner that could harm our business **or** ~~. • Open source software may~~ make it easier for competitors ~~, some of which may have greater resources than we have,~~ to enter our markets and compete with us. • We could be prevented from selling or developing our software if our licenses are not enforceable or are modified so as to become incompatible with other open source licenses. • Our indemnification obligations to our customers and suppliers could require us to pay substantial damages. • We may need to raise additional funds, which may not be available on acceptable terms or at all. • We may make future acquisitions and / or alliances, which involve numerous risks. • We may fail to realize the anticipated benefits of recent acquisitions **or the sale of our SMART Brazil business. • We have incurred, and may in the future incur, impairment charges related to our goodwill, which could have a material adverse effect on our business, results of operations and financial condition. • The planned divestiture of the SMART Brazil business is subject to a number of conditions beyond our control. Failure to complete the proposed divestiture within the expected timeframe, or at all, could materially adversely affect our business, results of operations, financial condition and the price of our ordinary shares. • The separation and transition of our SMART Brazil business that would occur in connection with the planned divestiture may not occur in the expected timeframe or may involve unexpected costs or consequences, which could materially affect our business, results of operations, financial condition and the price of our ordinary shares. • We may incur liabilities relating to additional Brazilian withholding tax in connection with the sale of our Brazil business. • The completion of the sale of our Brazil business could impair our ability to protect our trademarks and brand** . • We rely on third parties to sell a portion of our products and services. • We may be unable to protect our intellectual property. • Legal proceedings and claims could have a material adverse effect on our business, results of operations or financial condition. • We may be required to pay royalties or obtain licenses to sell certain products. • Changes in tax laws or potential adjustments by tax authorities ~~in key jurisdictions~~ could materially increase our tax expense. • Our ability to use our **tax attributes** ~~net operating loss carryforwards~~ is limited **. • We recently reversed the valuation allowance for a significant portion of our deferred tax assets, and we may not be able to realize these assets in the future. Our deferred tax assets may also be subject to additional valuation allowances, which could have a material adverse effect on our business, results of operations and**

financial condition . • We could incur substantial costs or liabilities as a result of violations of environmental laws. • **We may be unable to complete environmental, social and governance (" ESG ") initiatives, in whole or in part, which could lead to less opportunity for us to have ESG investors and partners and could negatively impact our reputation or options for capital acquisition. •** Our worldwide operations, and those of our suppliers, business partners and customers, may be disrupted by events outside of our control, including the effects of climate change, natural **or** ~~disasters,~~ man **-** made disasters or other events, as well as societal and governmental responses to such events **, including conflicts in Ukraine and Israel** . • ~~Hostilities in Ukraine~~ **While the ongoing effects of COVID- 19 have stabilized, it remains unpredictable and our efforts to adapt** may ~~exacerbate certain risks we face~~ **be unsuccessful, which could adversely affect our business, results of operations and financial condition** . Risks Related to Our International Operations • Our business is subject to the risks generally associated with international business operations **, including a variety of laws, regulations, or industry standards** . • We depend on Brazil markets for a significant portion of our sales. • Our success in part depends on incentives in Brazilian laws for local manufacturing of electronics ~~. The~~ **, the** elimination ~~of~~ or ~~a~~ reduction ~~in the incentives for local manufacturing, or our inability to secure the benefits~~ of **which** ~~these regulations,~~ could significantly reduce our profitability for products in Brazil. • We are subject to the taxation requirements of the jurisdictions in which we operate, and if we fail to qualify for certain tax incentives or to comply with local tax regulations, we may suffer financial losses. • Changes in foreign currency exchange rates could materially adversely affect our business, results of operations or financial condition. • We are a holding company. If enacted, exchange controls may limit our ability to receive dividends and other distributions from our foreign subsidiaries. • High rates of inflation in the future would **materially** adversely affect our business, results of operations and financial condition. • Political, economic and market conditions and the perception of risk in Brazil and emerging markets may cause the market price of our ordinary shares to decline. • We may have limited legal recourse under the laws of China if disputes arise under our agreements ~~with third parties~~ . Risks Related to Our Debt • Our indebtedness could impair our financial condition and harm our ability to operate our business ~~. • Our~~ **, including the limitations of our** credit ~~agreements~~ - **agreement,** ~~may limit our flexibility in operating our business. • Provisions~~ **provisions** in the ~~2026~~ **Convertible** Notes and ~~the~~ **their respective** ~~Indenture~~ **Indentures** ~~could delay or prevent an~~ **and our** ~~otherwise beneficial takeover of us. • Our~~ capped call transactions ~~may affect the value of our publicly traded debt and ordinary shares~~ . Risks Related to Investments in Cayman Islands Companies • We are a Cayman Islands company and, because the rights of shareholders under Cayman Islands law differ from those under U. S. law, shareholders may have difficulty protecting their shareholder rights **or** ~~. • It may be difficult to enforce~~ **enforcing** a judgment of U. S. courts ~~for civil liabilities under U. S. federal securities laws~~ against us in the Cayman Islands. Risks Related to Our Ordinary Shares • The trading price of our ordinary shares has been and may continue to be volatile **, and actual or perceived future sales of our ordinary shares could cause our share price to fall** . • If our estimates or judgments relating to our critical accounting estimates are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in the market price of our ordinary shares. • ~~Future sales of our ordinary shares in the public market, or the perception that these sales may occur, could cause our share price to fall. •~~ Anti- takeover provisions in our organizational documents may discourage our acquisition by a third party, which could limit shareholders' opportunity to sell their ordinary shares at a premium. • We do not anticipate paying any cash dividends in the foreseeable future. General Risk Factors • Worldwide economic and political conditions **, including terrorist attacks,** as well as other factors may adversely affect our operations and cause fluctuations in demand for our products. • ~~We and others are subject to a variety of laws, regulations, or industry standards that may have a material adverse effect on our business, results of operations or financial condition. •~~ Our success depends on our ability to attract, retain and motivate highly skilled employees. ~~• Worldwide political conditions and threats of terrorist attacks may adversely affect our operations and demand for our products.~~ The ~~COVID- 19 pandemic has resulted in substantial loss of life, economic disruption and government intervention worldwide. As a result, we have experienced fluctuating sales volumes of certain product lines since early calendar 2020. It also disrupted our product development, marketing and corporate development activities. If these conditions continue, or if we have an outbreak in or closure of any of our facilities, such reduced sales volumes may continue or worsen and we may, among other issues, experience, in any or all product lines, delays in product development, a decreased ability to support our customers, disruptions in sales and manufacturing activities and overall reduced productivity, each of which could have a negative impact on our ability to meet customer commitments and on our revenue and profitability. There can be no assurance that negative impacts resulting from the wide- ranging effects of COVID- 19 will be offset by increased sales in subsequent periods. While initially we did not experience a major disruption in our supply chain as a result of the COVID- 19 pandemic, the reduction of investment in new capacity due to the pandemic, coupled with strong demand to expand delivery and logistics, internet and cloud services as well as a rebound in economic conditions and general demand at a pace faster than expected has resulted in significant supply shortages that have affected our ability to manufacture products for our customers and may result in rising prices of the materials we need to manufacture our products. We may not be able to pass on these rising costs to our customers which could result in a negative impact to our results of operations. Furthermore, if there is a significant outbreak or if travel restrictions or stay- at- home or work remote or from home conditions or other governmental or voluntary restrictions relating to the COVID- 19 pandemic significantly impact our suppliers' ability to manufacture or deliver raw materials or provide key components or services, we could experience more delays or reductions in our ability to manufacture and ship products to our customers. While certain segments of our customer base are experiencing strong demand, the pandemic may negatively impact the demand for other segments for our customer base or those customers' ability to manufacture their products, which could reduce their demand for our products or services. While we do not know and cannot quantify specific impacts, we expect we may be negatively affected if we continue to encounter manufacturing or supply chain problems, reductions in demand due to disruptions in the operations of our customers or their end customers, disruptions in local and global economies, volatility in the global financial markets, overall reductions in demand, restrictions on the export or shipment of our products or other COVID-~~

~~19 ramifications. The impact of the effects of COVID- 19 on our business may worsen in the future. We source our materials from parts of the world that have been significantly affected by the virus, and if the impacts of the pandemic worsen in any of these geographies, it could have an adverse impact on our supply chain and our ability to get the materials we need to build our products. Renewed or expanded government shutdown orders or stay- at- home directives or individual decisions to reduce work and commercial activities, or an outbreak among or quarantine of the employees in any of our facilities, could cause significant interruptions to, or temporary closures of, our operations. Since a large percentage of our production is done in a small number of facilities, a disruption to operations in any one facility could have a significant and material impact on our business. In addition, COVID- 19 has in the short- term, and, together with other disease outbreaks, may over the longer term, adversely affect the economies and financial markets within many countries, such as the~~ United States , Brazil and China, and regions...... retention. The U. S. and global economies are facing ~~growing~~ **increased levels of** inflation, higher interest rates and potential recession. Adverse changes in economic conditions could harm our operating results and financial conditions in a variety of ways. For example, regional or global economic downturns could adversely affect demand for our products, which could adversely affect our revenue and potentially result in write- offs of excess or obsolete inventory. Inflation could also drive increases in our costs of revenue and operations, which we may not be able to successfully pass along to our customers. Higher interest rates could result in increased cash usage to service our variable rate indebtedness and increase the cost to us of refinancing our indebtedness. Our quarterly operating results have fluctuated in the past and may fluctuate in the future. As a result, our past quarterly operating results are not necessarily indicative of future performance. Furthermore, we may not be able to maintain the margins we have achieved in recent periods. Our operating results in any given quarter can be **and have been** influenced by numerous factors, many of which we are unable to predict or are outside of our control, including: • the loss of, significant reduction in sales to, or demand from, one or more key customers; • the acquisition of other companies or technologies, the failure to successfully integrate and operate them, or customers' or suppliers' negative reactions to them; • a disruption in, or termination of, our supply relationship with one or more key suppliers; • supply shortages that may impact our ability to manufacture products for our customers and may result in rising prices of the materials we need to manufacture our products; • our failure to develop new or enhanced products and introduce them in a timely manner; • the timing of our entry into new contracts; and • other factors described in this " Risk Factors " section. Due to the various factors mentioned above and other factors, the results of any prior quarterly or annual period should not be relied upon as an indication of our future operating performance. In one or more future periods, our results of operations may fall below the expectations of securities analysts and investors. In that event, the market price of our ordinary shares would likely decline. In addition, the market price of our ordinary shares may fluctuate or decline regardless of our operating performance. Our business has ~~in the past~~ experienced quarterly and annual operating losses. For example, in ~~2020~~ **2023** , we had a net loss of $ **188** ~~1. 1~~ million. Our ability to **achieve or** maintain profitability depends in part on revenue growth from, among other things, increased demand for our memory solutions, products and related service offerings in our current markets **,** including Brazil, growth in our IPS and LED businesses, the performance of our acquired companies as well as our ability to expand into new markets. We may not be successful in achieving the revenue and revenue growth necessary to maintain profitability. Moreover, as we continue to expend substantial funds for research and development projects, enhancements to sales and marketing efforts, integration of acquisitions and to otherwise operate our business, we cannot assure you that we will achieve or maintain profitability on an annual or quarterly basis even if our revenue does grow. Historically, the markets in which we compete have been highly cyclical and have experienced significant downturns often connected with, or in anticipation of, maturing product lifecycles of both component suppliers and electronic equipment manufacturers ~~,~~ and / or declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of selling prices and inventory values. Our business depends on the continued growth of technology utilization, the electronics industry and on end- user demand for our customers' products. Economic downturns often have had an adverse effect upon manufacturers and end- users of electronics products. The timing of new product developments, the lifecycle of existing electronics products and the level of acceptance and growth of new products can also affect demand for our products. Downturns in the markets we serve could have a significant negative impact on the demand for our products. Additionally, due to changing conditions, our customers have experienced and may in the future experience periods of excess inventory that could have a significant adverse impact on our sales. During a downturn in any of the markets that we serve, there is also a higher risk that some of our trade receivables become delinquent or even uncollectible and that our inventory would decrease in value. We cannot predict the timing or the severity of the cycles within our industries. In particular, it is difficult to predict how long and to what levels any industry upturn or downturn, or general economic strength or weakness, will last or develop. Reduced demand for our products could have a material adverse effect on our business, results of operations and financial condition. The markets for our Memory Solutions products have historically been characterized by declines in average selling prices. Our average selling prices may decline due to several factors, including general declines in demand for our products and excess supply of DRAM and Flash memory components as a result of overcapacity. In the past, transitions to smaller design geometries and other factors causing overcapacity in memory markets have led to significant increases in the worldwide supply of memory components. If not accompanied by increases in demand, supply increases usually result in significant declines in component prices and, in turn, declines in the average selling prices and profit margins of our products. During periods of overcapacity, our net sales may decline if we fail to increase sales volume of existing products or to introduce and sell new products in quantities sufficient to offset declines in selling prices. Our efforts to increase sales or to introduce new products to offset the impact of declines in average selling prices may not be successful. Furthermore, our competitors and customers also impose significant pricing pressures on us. Declines in average selling prices have in the past had, and may again in the future have, a material adverse effect on our business, results of operations and financial condition. Declines in average selling prices also might enable OEMs to pre- install higher density memory modules into new systems at existing price points, thereby reducing the demand for future memory upgrades. In addition, our net sales and gross profit may be negatively affected by shifts in our product mix during periods of declining average selling prices. We source materials from and sell and manufacture products in foreign countries, including Brazil and China, making the price and availability of our merchandise susceptible to international trade risks and other international conditions. For example, a reduction in the existing import tax rate in Brazil for products similar to those that we manufacture locally could lower prices for such products and increase competitive pressure on our business in that region. In addition, any economic and political uncertainty caused by the ~~United States~~ **U. S.** tariffs imposed on goods from China, among other potential countries, and any corresponding tariffs or currency devaluations from China or such other countries in response, has negatively impacted, and may in the future, negatively impact, demand and / or increase the cost for certain of our products, particularly within our LED business. In addition, many of our customers rely heavily on international trade. The imposition of tariffs, duties, border adjustment taxes or other trade restrictions by the United States could also result in the adoption of new or increased tariffs or other trade restrictions by other countries. Tariffs may in the future increase our cost of materials and may cause us to increase prices to our customers which we believe may reduce demand for our products. Our price increases may not be sufficient to fully offset the impact of tariffs and may result in lowering our margin on products sold. If the United States Government increases or implements additional tariffs, or if additional tariffs or trade restrictions are implemented by other countries, the resulting trade barriers could have a significant adverse impact on our suppliers, our customers and on our business. We are not able to predict future trade policy of the United States or of any foreign countries in which we operate or purchase goods, or the terms of any renegotiated trade agreements or their impact on our business. The adoption and expansion of trade restrictions and tariffs, quotas and embargoes, the occurrence of a trade war or other governmental action related to tariffs or trade agreements or policies, has the potential to adversely impact demand for our products, our costs, our customers, our suppliers and the world and U. S. economies, which in turn could have a material adverse effect on our business, operating results and financial condition. Our principal customers include global distributors, enterprise users, government agencies and OEMs that compete in the computing, networking, communications, storage, aerospace, government, mobile, industrial automation, IoT, industrial IoT, government, military and lighting markets. In **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, sales to our ten largest end customers (including sales to contract manufacturers or ~~original design manufacturers ("~~ ODMs ~~")~~ at the direction of such end customers) accounted for ~~65~~ **60** %, ~~65~~ **62** % and ~~66~~ **59** % of net sales, respectively. In ~~each of~~ **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, we had ~~two~~ **one, three and one** ~~customers~~ **customer** account individually for over 10 % of our net sales ~~, though the two specific customers were not the same in all three periods. In addition, as of August 26, 2022, two customers accounted for 22 % and 17 % respectively, of accounts receivable~~. In some cases, our customers also compete with us and / or are our major suppliers. We expect that sales to relatively few customers, including distributors in our LED business, will continue to account for a significant percentage of our net sales for the foreseeable future. However, we can provide no assurance that any of these customers or any of our other customers will continue to utilize our products or our services at current levels, or at all, since sales of our products are made primarily pursuant to purchase orders and are not based on long- term supply agreements. Although we have master agreements with some of our customers, these agreements govern the terms and conditions of the relationship and do not typically contain requirements for them to purchase minimum volumes. **Because of the uncertainty of the timing and volume of orders from our customers, sales to our customers have varied from period to period and may vary significantly in the future, and our ability to forecast our sales have been, and may in the future be, difficult.** Our customer concentration may also subject us to perceived or actual bargaining leverage that our key customers may have, given their relative size and importance to us. Since a large percentage of our sales is to a small number of customers that are primarily large enterprises or OEMs, these customers are able to exert, have exerted and we expect will continue to exert, pressure on us to make concessions on price and on terms and conditions which can adversely affect our business, results of operations and financial condition. If our key customers seek to negotiate their agreements on terms less favorable to us and we accept such unfavorable terms, such unfavorable terms may have a material adverse effect on our business, results of operations and financial condition. **Additionally, our services include point- in- time services, such as design and implementation, as well as longer- term managed services that are typically subject to renewal after an initial term of a year or sometimes longer.** Accordingly, unless and until we diversify and expand our customer base, our future success will significantly depend upon the timing and volume of business from our largest customers and the financial and operational success of these customers. Furthermore, many of our customer and supplier markets are characterized by a limited number of large companies. Industry consolidation and company failures could decrease the number of potential significant customers for our products and services. The decrease in the number of potential significant customers will increase our reliance on key customers and, due to the increased size of these companies, may negatively impact our bargaining position and thus our profit margins. If we were to lose one of our key customers or have a key customer cancel a key program or otherwise significantly reduce its volume of business with us or fail to pay us in full for the goods or services purchased from us, our sales and profitability would be materially reduced and our business and financial condition would be seriously harmed. The markets that we serve are characterized by intense competition. Our competitors include many large domestic and international companies that have substantially greater financial, technical, marketing, distribution and other resources, greater name recognition, broader product lines, lower cost structures and longer- standing relationships with customers and suppliers than we do. As a result, our competitors may be able to respond better to new or emerging technologies or standards and to changes in customer requirements. Further, some of our competitors are in a better financial and marketing ~~position~~ **positions** from which to influence industry acceptance of a particular product standard or competing technology than we are. Our competitors may also be able to devote greater resources to the development, promotion and sale of products ~~,~~ and may be able to deliver competitive products at a lower price than we can. In addition to competing with certain portions of our product offerings, certain of our competitors are also our significant customers, suppliers, or both. Finally, China' s stated national policy to be a global leader in all segments of the semiconductor industry by 2030 has resulted in and may continue to cause increased competitive capability in China. Across all of our markets, we also expect to face new companies that may enter our existing or future markets with similar or alternative products, which may be less costly or provide additional features. We also face competition from current and prospective customers that evaluate our capabilities against the merits of manufacturing products internally. Competition may also arise due to the development of cooperative relationships among our current and potential competitors and / or suppliers or third parties to increase the ability of their products to address the needs of our prospective customers. Accordingly, it is possible that new competitors or alliances among competitors and / or suppliers may emerge and acquire significant market share. Competitive pressure has led in the past and may continue to lead to intensified price competition resulting in lower net sales and lower profit margins which could negatively impact our financial performance. Our efforts to maintain and improve our competitive position, or our failure to do so, could have a material adverse effect on our business, results of operations and financial condition. In most cases we do not obtain long- term purchase orders or commitments from our customers, but instead we work with our customers to develop non- binding estimates or forecasts of future requirements. Utilizing these non- binding estimates or forecasts, we make significant decisions based on our estimates of customer requirements including determining the levels of business that we will seek and accept, production scheduling, component purchasing and procurement commitments, inventory levels, product development or customization, personnel and production facility needs and other resource requirements. Customers may cancel, reduce or delay orders that were either previously made or anticipated, often with little or no notice to us, and generally without penalty, which can result in us having underutilized resources or excess materials. Conversely, customers may require rapid increases in production, which can challenge our resources and can reduce profit margins. We may not have sufficient capacity at any given time to meet our customers' demands. As many of our costs and operating expenses are relatively fixed, reduction in customer demand **has had in the past, and** ~~would~~ **could in the future** have **,** an adverse effect on our operating income, results of operations and financial condition. Additionally, we have had in the past and expect we could again have in the future, inventory write- downs and / or write- offs due to obsolescence, excess quantities (including due to decreased demand) and declines in market value below our costs. In particular, if product obsolescence causes product demand to decrease or we fail to forecast demand accurately, we could be required to write- off inventory or record underutilization charges, which would have a negative impact on our profit margins and our profitability. Any one or more of these occurrences could have a negative impact on our results of operations and financial condition. The markets that we serve are subject to rapid technological change, product obsolescence, frequent new product introductions and feature enhancements, changes in end- user requirements, evolving industry standards, and frequent innovations and disruptions in the markets in which we compete for products and services. Our ability to successfully compete and to continue to grow our business depends in significant part upon our ability to develop, introduce and sell new and enhanced products and services on a timely and cost- effective basis, and to anticipate and respond to changing customer requirements and competition. We have invested and expect to continue to invest heavily in research and development for new and innovative products. In addition, we have invested and expect to continue to invest significant time and capital into developing infrastructure, employee training and marketing efforts to expand our services offerings. However, there can be no guarantee that our efforts will be successful or that our new products or services will gain market acceptance, be price competitive or result in any significant increase in our net sales. If these investments fail to provide the expected returns, then such failure could have a material adverse effect on our business, results of operations and financial condition. Additionally, we have experienced, and may experience in the future, delays and unanticipated expenses in the development and introduction of new products and services. A failure to develop products with required feature sets or performance standards, or delays in the development, introduction and qualification of new products or services, could significantly reduce our return on investment as well as our net sales, provide a competitor a first- to- market advantage and allow a competitor to achieve greater market share, or cause our customers to cancel their orders (generally without penalty), all of which would have a material adverse effect on our business, results of operations and financial condition. Our products are often incorporated into customers' systems at the design stage. We rely on OEM and other customers to select our product designs, which we refer to as design wins, and then to qualify our products for production buys. With OEM and other customers, we often incur significant expenditures in the development of new products without any assurance that the customer will select our products for purchase. Furthermore, even if a customer designs one of our products into its system, we cannot be assured that they will qualify or use our product in production, that the customer' s product will be commercially successful or that we will receive significant orders as a result of that design win or qualification. Generally, our customers are not obligated to purchase our products even if we achieve a design win. If we are unable to achieve design wins or if our customers' systems incorporating our products are not commercially successful, it could have a material adverse effect on our business, results of operations and financial condition. In addition, because the qualification process is both product- specific and platform- specific, our existing customers sometimes require us to requalify our products, or to qualify our new products, for use in new platforms or applications, which can be time- consuming and cause reductions in our net sales during the design and qualification period. Likewise, when our suppliers discontinue production of components, it may be necessary for us to design and qualify new products for our customers. Such customers may require of us or we may decide to purchase an estimated quantity of discontinued components necessary to ensure a steady supply of existing products until products with new components can be qualified. Purchases of this nature may not be available, or they may affect our liquidity. Additionally, our estimation of quantities required during a transition may be incorrect, which could adversely impact our results of operations through lost revenue opportunities or charges related to excess and obsolete inventory. We must devote substantial resources, including design, engineering, sales, marketing and management efforts, to qualify our products with existing and prospective customers in anticipation of sales. Significant delays in the qualification process could result in an inability to keep up with rapid technological change or new, competitive technologies. If we delay or do not succeed in qualifying a product with an existing or prospective customer, we will not be able to sell that product to that customer, which may result in us losing potential revenue and holding excess or obsolete inventory, any of which may have a material adverse effect on our business, results of operations and financial condition. Many of our specialty products are specifically designed for our OEM customers' systems or products. In an effort to reduce costs, a number of our OEM customers design standardized or commodity components, modules or subsystems into their products. Although we also manufacture standard components, modules and subsystems, an increase in such efforts by our customers could reduce the demand for our higher priced specialized or customized solutions, which in turn would have a negative impact on our business, results of operations and financial condition. In addition, when customers utilizing custom solutions choose to adopt a standard instead of custom or specialty components, modules or subsystems, new competitors producing standard components, modules or subsystems may take a portion of our customers' business previously purchased from us. We are dependent upon a small number of sole or limited source suppliers for certain materials, including certain critical components or subsystems, we use in manufacturing our products. Purchases from our three largest suppliers in **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ were $ ~~1~~ **0** . ~~5~~ **6** billion, $ 1. ~~1~~ **2** billion and $ 0. ~~9~~ **7** billion, respectively. As of August ~~26~~ **25** , ~~2022~~ **2023** , accounts payable and accrued expenses included $ ~~170~~ **29** . ~~1~~ **5** million for amounts owed to these suppliers. Certain of our suppliers also compete with us in one or more of our markets. We purchase almost all of our materials from our suppliers on a purchase order basis and generally do not have long- term commitments from suppliers. Our suppliers are not required to supply us with any minimum quantities, and there is no assurance that our suppliers will supply the quantities of components we may need to meet our production goals. The markets in which we operate have in the past experienced, and are currently **experiencing** and may in the future experience, shortages in certain materials, including certain critical components, we use in manufacturing our products. These shortages cause some suppliers to place their customers, including us, on supply allocation. As a result, we may not be able to obtain the materials that we need to fill customer orders. If any of our suppliers experience quality control or intellectual property infringement problems, ~~we~~ **this** may ~~not be able~~ **further impact our ability** to fill customer orders. Furthermore, our products that utilize that supplier' s materials may be disqualified by one or more of our customers and we may not be able to fill their orders. A disruption in or termination of our supply relationship with any of our significant suppliers or our inability to develop relationships with new suppliers, if required, would cause delays, disruptions or reductions in product manufacturing and shipments or require product redesigns which could damage relationships with our customers, increase our costs, reduce our margins or increase the prices we need to charge for our products and could materially and adversely affect our business, results of operations and financial condition **. Additionally, there are increasing expectations in various jurisdictions that companies monitor the environmental and social performance of their suppliers, including compliance with a variety of labor practices, as well as consider a wider range of potential environmental and social matters, including the end of life considerations for products. Compliance can be costly, require us to establish or augment programs to diligence or monitor our suppliers, or to design supply chains to avoid certain regions altogether. Failure to comply with such regulations can result in fines, reputational damage, or import ineligibility for our products or product components, or otherwise adversely impact our business, results of operations and financial condition. We may be unable to adapt to technological change** . The industries in which we conduct business are characterized by constant and rapid technological changes and product obsolescence. For example, new manufacturing process technologies using smaller feature sizes and offering better performance characteristics are generally introduced every one to two years. The introduction of new manufacturing process technologies allows us to increase the functionality of our products while at the same time optimizing performance parameters, decreasing power consumption and / or increasing storage capacity. In order to remain competitive, it is essential that we secure the capabilities to develop and qualify new manufacturing process technologies. If we are delayed in transitioning to new technologies, our business, results of operations and financial condition could be materially adversely affected. If the lifecycle of a product is shortened as a result of the introduction of a new technology, we may be forced to transition our manufacturing capabilities to a new configuration more quickly than originally planned. This can result in increased capital and other expenditures and decreases in demand for the older technology products. As a result, we may be required to record additional obsolescence charges or an impairment on our long- lived assets, including facilities and equipment, as well as intangible assets, which would increase our expenses. When new technologies are introduced, the capacity to manufacture the new products often cannot meet the demand and product shortages can arise. If we or our suppliers cannot support such demand, we may not be able to fill customer orders or participate in new markets as they emerge **. We may not be able to maintain or improve our manufacturing efficiency** . Our manufacturing efficiency can significantly affect our results of operations, and we cannot be sure that we will be able to maintain or increase our manufacturing efficiency to the same extent as our competitors. During periods when we are implementing new process technologies, manufacturing facilities may not be fully productive and may experience higher than acceptable defect rates. We may fail to achieve acceptable yields or may experience product delivery delays as a result of, among other things, capacity constraints, delays in the development of new process technologies, increased defect rates, changes in our process technologies, upgrades or expansion of existing facilities, impurities or other difficulties in the manufacturing process. Any of these occurrences could adversely impact our relationships with customers, cause harm to our reputation in the marketplace, cause customers to move future business to our competitors or cause us to make financial concessions to our customers. Improving our manufacturing efficiency in future periods is dependent on our ability to: • develop advanced process technologies and advanced products that utilize those technologies; • successfully transition to more advanced process technologies; • continue to reduce test times; • ramp product and process technology improvements rapidly and effectively to commercial volumes across our facilities; • achieve acceptable levels of manufacturing output and yields, which may decrease as we implement more advanced technologies; and • maintain our quality controls and rely upon the quality and process controls of our suppliers. We rely on a limited number of production facilities for each of our various product lines. A disruption at one of our manufacturing facilities could adversely impact our manufacturing operations and consequently our customer relations and our business. Such a disruption could result from, among other things, **severe or chronic weather conditions, including in connection with climate change,** local outbreaks of COVID- 19 or other infectious diseases, sustained process abnormalities, government intervention, waste disposal issues, power failures or other circumstances, or from ramp- up related challenges, such as obtaining sufficient raw materials, hiring of qualified factory personnel, installation and efficient operation of new equipment and management and coordination of our logistics networks within our global operations. We maintain insurance to protect against certain claims associated with business interruption, however, our insurance may not cover all or any part of a particular loss. Since a large percentage of our production is done in a small number of facilities, a disruption to operations, or a loss that is in excess of, or excluded from, our insurance coverage could adversely impact our business, results of operations and financial condition. With respect to a portion of our business, we must comply with and are affected by laws and regulations relating to the award, administration and performance of government contracts in the United States and other countries. Government contract laws and regulations affect how we do business with our customers and impose certain risks and costs on our business. A violation of specific laws and regulations by us, our employees, others working on our behalf, a supplier or a venture partner, could harm our reputation and result in the imposition of fines and penalties, the termination of our contracts, suspension or debarment from bidding on or being awarded contracts, loss of our ability to export products or services and civil or criminal investigations or proceedings. A termination arising out of our default may expose us to liability and may have a material adverse effect on our ability to compete for future contracts and orders. Additionally, if an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including reductions of the value of contracts, contract modifications or terminations, forfeiture of profits, suspension of payments, penalties, fines and suspension or prohibition from doing business with the government. We could also suffer serious reputational harm if allegations of impropriety were made against us. Similar government oversight exists in most other countries where we conduct business. Certain of the United States Government programs in which we participate as a contractor or subcontractor may extend for several years and include one or more base years and one or more option years. Under some contracts, the government generally has the right not to exercise options to extend or expand our contracts and may otherwise terminate, cancel, modify or curtail our contracts at its convenience. Any decision by a government agency not to exercise contract options or to terminate, cancel, modify or curtail any major programs or contracts would adversely affect our revenues, revenue growth and profitability. We may experience periodic performance issues under certain of our contracts. Depending on the nature and value of the contract, a performance issue or termination for default could cause our actual results to differ from those anticipated and could harm our reputation and our operating results and financial condition. If our products are defectively manufactured, contain defective components or are used in defective or malfunctioning systems, we could be subject to warranty and product liability claims and product recalls, safety alerts or advisory notices. For example, certain of our products are used in transportation safety devices in the rail industry. These products are certified by independent auditors to safety integrity level (" SIL ") 4 standards. In the event that our products fail to perform as expected, accidents and significant losses could occur. While our contracts for the sale of these products typically contain disclaimers, there can be no assurance that we would be insulated from liability in the event of an accident. While we have product liability insurance coverage, it may not be adequate to satisfy claims made against us. We also may be unable to obtain insurance in the future at satisfactory rates or in adequate amounts. Investigations, warranty and product liability claims and product recalls, regardless of their ultimate outcome, could have an adverse effect on our business, financial condition and reputation ~~,~~ and on our ability to attract and retain customers. In addition, we may determine that it is in our best interest to accept product returns in circumstances where we are not contractually obligated to do so to maintain good relations with our customers. Accepting product returns may adversely impact **our results of operations and financial condition. Further, quality issues in customer installations have occurred in the past and could occur in the future, which have in the past affected, and could possibly affect in the future, customer relationships, demand for products and our reputation. Quality issues and potential impact to our reputation may adversely affect** our results of operations and financial condition. We manage, store, transmit and otherwise process various proprietary information and sensitive personal or confidential data. In addition, our cloud computing businesses routinely process, store and transmit data, including sensitive and ~~personally~~ -- **personal data** ~~identifiable information~~ , for our customers. We **have experienced, and** may **in the future** experience **,** data security incidents, cybersecurity events, data breaches, ransomware attacks or other compromises of the information technology systems we use for these purposes or that our vendors use to **provide services or** process data on our behalf, as criminal or other actors **have been able to, and** may **in the future** be able to **,** penetrate our or our service ~~provides~~ **providers** ' network security and misappropriate or compromise our information or that of third parties, create system disruptions or cause shutdowns. There are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hacktivists, state- sponsored intrusions, industrial espionage, employee malfeasance and human or technological error. Computer hackers and others routinely attempt to breach the security of technology products, services and systems, and to fraudulently induce employees, customers and other third parties to disclose information or unwittingly provide access to systems or data. The risk of such attacks includes attempted breaches not only of our own products, services and systems, but also those of customers, contractors, business partners, vendors and other third parties. Our products, services and systems may be used in critical company, customer, government or other third- party operations, or involve the storage, processing and transmission of sensitive data, including valuable intellectual property, classified information, other proprietary or confidential data, regulated data and personal information of employees, customers and others. Successful breaches, employee malfeasance or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss or destruction of company, customer, government or other third party data or systems; theft of sensitive, regulated, classified or confidential data including personal information and intellectual property; the loss of access to critical data or systems through DDOS attacks, denial- of- service attacks, ransomware attacks, destructive attacks or other means; and business delays, service or system disruptions or denials of service. Further, hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including " bugs " and other problems that could unexpectedly interfere with the operation of such systems **.**

Cyberattacks are expected to accelerate on a global basis in both frequency and magnitude as threat actors are becoming increasingly sophisticated in using techniques and tools (including artificial intelligence) that circumvent controls, evade detection and even remove forensic evidence. As a result, there can be no assurance that the systems we have designed to protect against cyberattacks will be sufficient to identify, detect or prevent material consequences from arising from such attacks in the future . The costs to address product defects or any of the foregoing security problems and security vulnerabilities before or after a cyber incident could be significant. Remediation efforts may not be successful and could result in interruptions, delays or cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions. We could lose existing or potential customers for outsourcing services or other information technology solutions in connection with any actual or perceived security vulnerabilities in our products. In addition, breaches of our security measures and the unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers or other third parties could expose us, our customers or other third parties affected to a risk of loss or misuse of this information, result in regulatory enforcement, litigation and potential liability, damage our brand and reputation or otherwise harm our business. Further, we rely in certain limited capacities on third- party data management providers and other vendors whose possible security problems and security vulnerabilities may have similar detrimental effects on us. **Actual or perceived non- compliance with applicable data privacy and security laws, or that of our customers, suppliers or business partners, could expose us to losses.** We are subject to laws, rules and regulations in the United States and other countries relating to the collection, use, transmission, processing and security of user and other data. Our ability to execute transactions and to possess, process, transmit and use personal information and data in conducting our business subjects us to legislative and regulatory ~~burdens~~ **obligations** that, among other things, may require us to **expend time** ~~notify regulators and customers~~ , ~~employees or~~ **financial and** other **resources to monitor and interpret ever- evolving and complex data privacy and security laws. In particular, certain states have adopted new or modified privacy and security laws and regulations that may apply to our business, for example, the California Consumer Privacy Act (" CCPA ") imposes obligations on businesses that process personal information of California residents. Among other things, the CCPA: requires disclosures to such residents about the data collection, use and disclosure practices of covered businesses; provides such** individuals **expanded rights to access, delete and correct their personal information and opt- out** of **certain transfers of personal information; and provides such individuals with** a **private right of action and statutory damages for** data ~~security breach~~ **breaches** ~~, including~~ **. The enactment of the CCPA has prompted a wave of similar laws being passed** in **the United States. Additionally, more U. S. states and the federal government also are considering privacy and cybersecurity legislation and other jurisdictions have enacted privacy and cybersecurity laws, such as** the EU and the European Economic Area where the General Data Protection Regulation (" GDPR ") took effect in May 2018 ~~,~~ **and** in Brazil where the Lei Geral de Proteção de Dados (" LGPD ") data privacy laws took effect in August 2021, **creating** ~~and in~~ the **potential for a patchwork of overlapping but different** ~~United States where the California Consumer Privacy Act (" CCPA ") recently became law~~ **laws** ~~and the California Privacy Rights Act (" CPRA "), Virginia Consumer Data Protection Act (" VCDPA ") and the Colorado Privacy Act (" CPA ") will come into effect in 2023. Additional U. S. states and the federal government also are considering privacy and cybersecurity legislation~~ . We have incurred, and will continue to incur, significant expenses to comply with mandatory privacy and security standards and protocols under applicable laws, regulations, industry standards and contractual obligations. Despite such expenditures, we may face regulatory and other legal actions in the event of ~~a data security incident, cybersecurity event or data breach or~~ perceived or actual non- compliance with such applicable obligations. **Many of these laws would also require us to notify regulators and customers, employees or other individuals of any data security breach as described above.** The various data privacy enactments impose significant obligations and compliance with these requirements depends in part on how particular regulators apply and interpret them. **Even though** ~~In particular, if~~ we ~~fail~~ **believe we are generally in compliance with applicable laws, rules and regulations relating to privacy and data security, these laws are in some cases relatively new and the interpretation and application of these laws are uncertain. Any failure or perceived failure by us** to comply with **data privacy laws, rules, regulations, industry standards and** ~~the~~ **other** ~~GDPR,~~ **requirements could result in proceedings** or **actions against us by individuals, consumer rights groups, government agencies or others. We could incur significant costs in investigating and defending such claims and,** if ~~regulators assert we have failed~~ **found liable, pay significant damages or fines or be required** to ~~comply with~~ **make changes to our business. Further,** ~~the~~ **these** ~~GDPR, it~~ **proceedings and any subsequent adverse outcomes** may ~~lead~~ **subject us** to ~~regulatory enforcement actions~~ **significant negative publicity and an erosion of trust. If any of these events were to occur, our business, results of operations and financial condition could be materially adversely affected. Some of our offerings utilize open source software** , which **may pose particular risks** ~~can result in monetary penalties of up~~ to ~~4 % of worldwide revenue, private lawsuits or~~ **our** ~~reputational damage~~ **proprietary software, products and services in a manner that could harm our business** . Many of our IPS offerings, including Linux- based products and our Scyld suite of products, incorporate software components licensed under various open source licenses. The terms of many open source licenses to which we are subject have not been interpreted by U. S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. We could face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could ~~further~~ implicate aspects of our proprietary code. These claims could result in litigation and could require us to make our software source code freely available to the public, purchase a costly license or cease offering the implicated products or services unless and until we can re- engineer them to avoid an undesirable open source license or infringement, which may be costly and time- consuming. In addition to risks related to open source license requirements, usage of open source software can lead to greater risks than use of third- party commercial software. Increased risks arise in part because open source licensors generally do not provide updates, warranties, support, indemnities or other contractual protections regarding infringement claims or the quality of the code, including with respect to security vulnerabilities where open source software may be more susceptible. These third- party open source providers could experience service outages, data loss, privacy breaches, cyberattacks, ransomware and other events relating to the applications and services they provide that could diminish the utility of these services, which could harm our business as a result. To the extent that IPS offerings depend upon the successful operation and continued updates and support of the open source software it uses, any undetected errors or defects in this open source software could prevent the deployment or impair the functionality of IPS offerings, delay the release of new product solutions, result in a failure of our offerings and injure our reputation. If open source programmers fail to adequately further develop and enhance open source technologies, we would have to rely on other parties to develop and enhance our offerings or we would need to develop and enhance our offerings with our own resources. We cannot predict whether further developments and enhancements to these technologies would be available from reliable alternative sources. Moreover, if third- party software programmers fail to adequately further develop and enhance open source technologies, the development and adoption of these technologies could be stifled and our offerings could become less competitive. Any of these risks could be difficult to eliminate or manage and, if not addressed, could have a material adverse effect on our business, financial condition and results of operations. **Open source software may make it easier for competitors, some of which may have greater resources than we have, to enter our markets and compete with us.** One of the characteristics of open source software is that anyone may modify and redistribute the existing open source software and use it to compete with us. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies. It is possible for competitors with greater resources than ours to develop their own open source solutions or acquire a smaller business that has developed open source offerings that compete with our offerings, potentially reducing the demand for, and putting price pressure on, our offerings. In addition, some competitors make their open source software available for free download and use on an ad hoc basis or may position their open source software as a loss leader. We cannot guarantee that we will be able to compete successfully against current and future competitors or that competitive pressure and / or the availability of open source software will not result in price reductions, reduced operating margins and loss of market share. Additionally, any failure by us to provide high- quality technical support, or the perception that we do not provide high- quality technical support, could harm our reputation and negatively impact our ability to sell subscriptions for our open source offerings to existing and prospective customers. If we are unable to differentiate our open source offerings from those of our competitors or compete effectively with other open source offerings, our business, financial condition, operation results and cash flows could be adversely affected. In our IPS business, we regularly contribute software source code under open source licenses and have made other technology we developed available under other open licenses, and we include open source software in our products. For example, we have contributed certain technology related to our products to the OCP Foundation, a non- profit entity that shares and develops such information with the technology community, under the Open Web Foundation License. As a result of our open source contributions and the use of open source in our products, we may license or be required to license or disclose code and / or innovations that turn out to be material to our business and may also be exposed to increased litigation risk. As a result of making certain of our technology available to third parties, the value of our brands and other intangible assets may be diminished and competitors may be able to more effectively mimic our products, services and methods of operations which could have an adverse effect on our business and financial results. Likewise, if the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brands and other intangible assets may be diminished and competitors may be able to more effectively mimic our products, services and methods of operations. Any of these events could have an adverse effect on our business and financial results. A number of our IPS offerings have been developed and licensed under the GNU General Public License and similar open source licenses. These licenses state that any program licensed under them may be liberally copied, modified and distributed. It is possible that a court would hold these licenses to be unenforceable or that someone could assert a claim for proprietary rights in a program developed and distributed under them. Additionally, if any of the open source components of our offerings may not be liberally copied, modified or distributed, then our ability to distribute or develop all or a portion of our offerings could be adversely impacted. In addition, licensors of open source software employed in our offerings may, from time to time, modify the terms of their license agreements in such a manner that those license terms may become incompatible with other open source licenses in our offerings or our end user license agreement, and thus could, among other consequences, prevent us from distributing the software code subject to the modified license. A number of our product sales and product purchase agreements provide that we will defend, indemnify and hold harmless our customers and suppliers from damages and costs which may arise from various matters including, without limitation, product warranty claims or claims for injury or damage resulting from defects in, or usage of, our products or the products of our suppliers. In addition, we currently have in effect a number of agreements in which we agree to defend, indemnify and hold harmless our customers and suppliers from damages and costs which may arise from the infringement or alleged infringement by our products of third- party patents, trademarks or other intellectual property rights. We periodically have to respond to claims and may have to litigate indemnification obligations in the future. Indemnification obligations could require us to expend significant amounts of money to defend claims and / or to pay damages or settlement amounts. We maintain insurance to protect against certain claims associated with the use of our products; however, our insurance may not cover all or any part of a claim asserted against us. Our insurance does not cover intellectual property infringement in most instances. A claim brought against us that is in excess of, or excluded from, our insurance coverage could adversely impact our business, results of operations and financial condition. We may need to raise additional funds, which we may seek to obtain through, among other avenues, public or private equity offerings and debt financings. Additional funds may not be available on terms acceptable to us, or at all. If we issue equity or convertible debt securities to raise additional funds, our existing shareholders may experience dilution and the new equity or debt securities may have rights, preferences and privileges senior to those of our then existing shareholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, as well as impose financial and operating covenants that could restrict the operations of our business. In a rising interest rate environment, debt financing will become more expensive and may have higher transactional and servicing costs. In addition, our existing indebtedness may limit our ability to obtain additional financing in the future, as discussed in greater detail below under " Risks Relating to Our Debt – Our indebtedness could impair our financial condition and harm our ability to operate our business. " In **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , we spent $ ~~38~~ **39** . ~~2~~ **4** million, $ ~~47~~ **20** . ~~6~~ **4** million and $ ~~32~~ **16** . ~~4~~ **7** million, respectively, on capital expenditures, which we used, among other things, to expand manufacturing and test capacity as well as research and development. In the third quarter of 2021, we closed our acquisition of Cree' s LED business. The consideration for this acquisition consisted of approximately $ 200 million in the form of cash and an unsecured promissory note, plus an **earnout** ~~earn- out~~ of up to $ 125 million based on the revenue and gross profit performance of the LED business in the four fiscal quarters of Cree following the closing. Just after the end of our fiscal year 2022, we closed our acquisition of Stratus Technologies, Inc. The consideration for this acquisition consisted of approximately $ 225 million in cash, plus an **earnout** ~~earn- out~~ of up to $ 50 million based on the gross profit performance of the Stratus business during the first full 12 fiscal months of Stratus following the closing of the acquisition. We plan to continue exploring additional acquisition opportunities in the future. If adequate capital is not available when needed, we may be required to modify our business model and operations to reduce spending. This could cause us to be unable to execute our business plan, take advantage of future opportunities or respond to competitive pressures or customer requirements. It may also cause us to delay, scale back or eliminate some or all of our research and development programs, or to reduce or cease operations, which could adversely impact our business, results of operations and financial condition. As part of our business and growth strategy, we have in the past and may in the future acquire or make significant investments in businesses, products or technologies, such as our acquisitions of Stratus Technologies, Cree' s LED Business, SMART EC, SMART Wireless and Penguin Computing. Any acquisitions or investments would expose us to the risks commonly encountered in acquisitions of businesses or technologies. Such risks include, among others: • problems integrating the purchased operations, technologies, products or personnel; • unanticipated costs or expenses associated with an acquisition or investment, including write- offs of tangible assets as well as goodwill or other intangible assets; • negative effects on profitability resulting from an acquisition or investment; • adverse effects on existing business relationships with suppliers and customers; • the risk that suppliers (such as Wolfspeed, Inc.) or customers of an acquired business are unable or unwilling to do business with us following the acquisition; • risks associated with entering markets in which we have little or no prior experience, such as the market for LED products that we entered following our acquisition of Cree' s LED Business and markets with complex government regulations; • loss of key employees of the acquired business; and • litigation arising from an acquired company' s operations. Problems encountered in connection with an acquisition could divert the attention of management, utilize scarce corporate resources and otherwise harm our business. If we make any future acquisitions, we could issue ordinary shares that would dilute our existing shareholders' percentage ownership, incur substantial additional debt (such as the Purchase Price Note we issued in connection with the acquisition of Cree' s LED Business), expend cash and reduce our cash reserves or assume additional liabilities. Furthermore, acquisitions may require material charges and could result in adverse tax consequences, substantial depreciation, deferred compensation charges, liabilities under **earnout** ~~earn- out~~ provisions, including under the **LED** Earnout Note we issued in connection with the acquisition of Cree' s LED Business, the amortization of amounts related to deferred compensation and identifiable purchased intangible assets or impairment of goodwill or other intangibles, any of which could negatively impact our business, results of operations and financial condition. We are unable to predict whether or when any prospective acquisition candidate will become available or the likelihood that any acquisition will be completed. We may expend significant resources and management time pursuing an acquisition that we are unable to consummate. Even if we do find suitable acquisition opportunities, we may not be able to consummate the acquisitions on commercially acceptable terms or at all, or may not realize the anticipated benefits of any acquisitions we do undertake, including our acquisition of Cree' s LED Business. Our investments in private companies are subject to risk of loss of investment capital. These investments are inherently risky because the markets for the technologies or products they may have under development are typically in the early stages and may never materialize. We could lose our entire investment in these companies. We **may fail to realize the anticipated benefits of recent acquisitions. We** closed on the acquisition of Cree' s LED business in March 2021 and the acquisition of Stratus Technologies ~~just after the end of our most recent fiscal year~~ in August 2022. As we continue to integrate these businesses into our operations and portfolio, our ability to realize some or all of the anticipated benefits of the acquisition may be impacted by the following: • difficulties in the assimilation and successful integration of the operations, sales functions, technologies, products, personnel and development capabilities; • failure to maintain and expand the customer bases of our acquired businesses; • difficulties in leveraging the LED and / or Stratus research and development and product development capabilities to expand our products portfolio; • our failure to protect and expand their intellectual property and patent portfolios; • unanticipated costs, including write- offs of tangible assets as well as goodwill or other intangible assets, litigation or other contingent liabilities associated with the acquisition; • the diversion of management' s attention from other business concerns; • risks associated with entering markets in which we have little or no prior experience and markets with complex government regulations; and • loss of key employees of the acquired businesses. Any of these risks or other risks arising from the integration of Stratus or Cree' s LED business into our operations could have a material adverse effect on our business, financial condition or results of operations and could cause the impact of one or both of the acquisitions to be dilutive to our company. **We have a significant amount of goodwill. As of August 25, 2023, we had goodwill of $ 162. 0 million, which represented 11 % of our total assets as of such date. The carrying value of goodwill may be reduced if we determine that goodwill is impaired. We test goodwill for impairment in the fourth quarter of each year, or more frequently if indicators of an impairment exist, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. The testing of goodwill for impairment requires us to make significant estimates about future performance and cash flows, as well as** other assumptions. These estimates can be affected by numerous factors, including potential changes in economic, industry or market conditions; changes in business operations; changes in competition or changes in the price of our ordinary shares and market capitalization and other relevant events and factors affecting the fair value of the reporting unit. Changes in these factors, or changes in actual performance compared with estimates of our future performance, may affect the fair value of goodwill and could result in an impairment charge. The planned divestiture of the Brazil business is subject to a number of conditions beyond our control. Failure to complete the planned divestiture within the expected timeframe, or at all, could materially adversely affect our business, results of operations, financial condition and the price of our ordinary shares. The completion of the purchase by Lexar Europe of 81 % of our Brazil business remains subject to customary closing conditions, including, among other things: (i) completion of filings for outbound direct investment with the Division of Development and Reform in the China (Shanghai) Pilot Free Trade Zone Lin- gang Special Area Administration and the Division of Finance and Trade Development in the China (Shanghai) Pilot Free Trade Zone Lin- gang Special Area Administration, and completion of foreign exchange registration with a qualified bank authorized by the Municipal Administration of Foreign Exchange in Shanghai and (ii) approval of the transactions contemplated by the stock purchase agreement by the shareholders of Shenzhen Longsys Electronics Co., Ltd. We cannot predict whether and when these remaining conditions will be satisfied. If one or more of these conditions is not satisfied, and as a result, we do not complete the planned divestiture, we would remain liable for significant transaction costs, and the focus of our management would have been diverted from seeking other potential strategic opportunities, in each case without realizing any benefits of the planned divestiture. Certain costs associated with the planned divestiture have already been incurred or may be payable even if the planned divestiture is not completed. Finally, disruptions to our business resulting from the pendency of the planned divestiture, including adverse changes in our relationships with our customers, partners, suppliers and employees, could continue or accelerate in the event that we fail to complete the planned divestiture. The price of our ordinary shares may also fluctuate significantly based on announcements by Lexar Europe and other third parties or us regarding the divestiture or based on market perceptions of the likelihood of us satisfying the closing conditions related to the divestiture. Such announcements may lead to perceptions in the market that the divestiture may not be completed, which could cause our stock price to fluctuate or decline. If we do not complete the divestiture, the price of our ordinary shares may decline significantly from the current market price. Any of these events could materially adversely affect our business, results of operations and financial condition and could cause a decline in the price of our ordinary shares. The separation and transition of our SMART Brazil business that would occur in connection with the planned divestiture may not occur in the expected timeframe or may involve unexpected costs or consequences, which could materially adversely affect our business, results of operations, financial condition and the price of our ordinary shares. We have experienced and may continue to experience changes in our business in connection with the divestiture of our Brazil business. These changes may not occur in the expected timeframe or may involve unexpected costs or consequences, such as impacts to employee morale as a result of management turnover. Changes of this type can be disruptive, which may result in loss of focus that in turn may make execution on our business strategies more difficult. Further, we have made commitments to Lexar Europe to provide certain transition services which may also involve unexpected costs or consequences. If we do not succeed in these efforts, or if these efforts are more costly or time- consuming than expected, our business, results of operations and financial condition may be materially adversely affected, which could limit our ability to invest in and grow our business. In connection with the sale of a majority of our interest in SMART Brazil to Lexar Europe, Lexar Europe would be required to withhold (from the purchase price otherwise payable to us) Brazilian capital gains tax (Iposto de Renda na Fonte Sobre Ganho de Capital), with such tax being imposed on the excess of the purchase price over our tax basis in the SMART Brazil equity interests sold by us. The calculation of tax basis is based on our interpretation of current Brazilian law. We believe our interpretation and calculations are correct, but if the Brazilian tax authorities were to successfully challenge our determination of the amount of withholding tax due, we would be required to indemnify Lexar Europe in respect of any additional withholding taxes (together with any interest and penalties imposed). The amount of such additional withholding taxes and our liability in respect of such taxes could be substantial. We may not achieve the intended benefits of the sale of our Brazil business. We may not realize some or all of the anticipated benefits from the sale of our Brazil business. The resource constraints as a result of our focus on completing the transaction, which include the loss of employees, could have a continuing impact on the execution of our business strategy and our overall operating results. Further, our remaining employees may become concerned about the future of our remaining operations and lose focus or seek other employment. In connection with the sale of our SMART Brazil business, we will permit Lexar Europe and the divested businesses to use of the word " SMART " in combination with pre- approved words and logos in trademarks, domain names, logos and other source identifiers solely in Brazil (the " New Marks "). To prevent potential consumer confusion and protect our brands, and as a closing condition to the sale of our SMART Brazil business, we will enter into an agreement with Lexar Europe and the divested subsidiaries that includes a number of restrictions on Lexar Europe' s and the divested business' use of the New Marks, including that: (i) the New Marks may not be used outside of Brazil or in connection with products that will be consumed or exported outside of Brazil, (ii) the New Marks may only be used in connection with certain business and products, (iii) the word " SMART " may not be used alone as a brand name or source identifier and (iv) the New Marks must comply with certain font, style, format and color restrictions to avoid similarity with our logos. While we will have the foregoing contractual protections, there are no assurances (i) that Lexar Europe and the divested businesses will adhere to the contract or (ii) that customers or potential customers of our products and of Lexar Europe' s and its affiliates' products will not have confusion as to source given the joint use of " SMART, " which could lead to dilution of our rights in our " SMART " marks and / or

reputational harm. If disputes arise in the future with respect to the contractual restrictions, we may not be able to successfully resolve these types of conflicts to our satisfaction. The " SMART " brand is critical to our business and any consumer confusion, tarnishing or dilution of the " SMART " brand, may have a material impact on our business. Sales of our products to some of our OEM customers are accomplished, in part, through the efforts of third- party sales representatives and, particularly in the case of our LED business, third- party distributors. We are unable to predict the extent to which these third- party sales representatives and distributors will be successful in marketing and selling our products. Moreover, many of these third- party sales representatives and distributors also market and sell competing products and may more aggressively pursue sales of our competitors' products. Our third- party sales representatives and distributors may terminate their relationships with us at any time on short or no notice. Our future performance may also depend, in part, on our ability to attract and retain additional third- party sales representatives and distributors that will be able to market and support our products effectively, especially in markets in which we have not previously sold our products. If we cannot retain our current third- party sales representatives and distributors or recruit additional or replacement third- party sales representatives and distributors or if these sales representatives or distributors are not effective, it could have a material adverse effect on our business, results of operations and financial condition. Our success is dependent, in part, upon protecting our intellectual property rights. We rely on a combination of trade secrets, ~~know- how,~~ trademarks, copyright ~~and~~ **,** patents **and other forms of intellectual property, contractual restrictions and confidentiality procedures to establish and protect our proprietary rights** . Much of the intellectual property created in our Memory Solutions and IPS groups exists in the form of know- how and trade secrets. As such, few patents are sought or procured on products created in these business areas. The absence of patent protection for these products means that we cannot prevent our competitors from reverse- engineering ~~and~~ **, independently developing, or** duplicating them, which could harm our competitive position, sales and results of operations. We seek to protect our confidential proprietary information, in part, by confidentiality and non- disclosure agreements and invention assignment agreements with our employees, consultants, advisors, contractors and collaborators. However, we cannot be certain that such agreements have been entered into with all relevant parties, and we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. **In addition, our trade secrets, know- how and other proprietary information may be stolen, used in an unauthorized manner, or compromised through a direct intrusion by private parties or foreign actors, including those affiliated with or controlled by state actors, through cyber intrusions into our computer systems, physical theft through corporate espionage or other means or through more indirect routes, including by our collaborators, licensees that do not honor the terms of the license, potential licensees that were ultimately not licensed or other parties reverse engineering our solutions. See also " Actual or perceived breaches of our security systems, or those of our customers, suppliers or business partners, could expose us to losses. "** If any of our confidential proprietary information were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. We also protect our intellectual property through patent protection, particularly in our LED Solutions group **, but our patents do not cover all of our technologies, methods and systems and our competitors or others may design around our patented technologies** . If any of our issued patents are found to be invalid or if any of our patent applications are rejected, our ability to exclude competitors from making, using, importing or selling the same or similar products as us could be compromised. **Further, when we seek patent protection for a particular technology, there is no assurance that the applications we file will result in issued patents or that if patents do issue as a result that they will allow us to effectively block competitors creating competing technology. We also rely on trademark registrations and have registered, or have applied to register, those trademarks that we believe are important to our business with the United States Patent and Trademark Office and in many foreign jurisdictions. We cannot assure that our applications will be approved or that these registrations will prevent imitation, counterfeiting or other infringement of our name or the infringement of our other intellectual property rights by others. Third parties may also oppose our trademark applications and registrations or otherwise challenge our use of the trademarks. Imitation, unauthorized use, or misuse of our name or trademarks in a manner that projects lesser quality or carries a negative connotation of our brand image or services could have a material adverse effect on our business, financial condition and results of operations. To assert control over the use of our trademarks, we rely on contractual protections with our customers and we implement quality control measures and monitoring techniques intended to protect our trademarks from unauthorized use or other misuse. However, no assurances can be given that those contracts will not be breached, and we cannot be certain that the actions we have taken to establish, police and protect our trademarks or our resources will be adequate to prevent or detect infringing use by others. If disputes arise in the future, we may not be able to successfully resolve these types of conflicts to our satisfaction.** In addition, because we conduct a substantial portion of our operations and sell a large percentage of our products outside the United States, our ability to protect our intellectual property may be constrained. The laws of certain countries in which we operate our business or sell products may not protect proprietary rights to the same extent or in the same ways as the laws in the United States. As such, we may not be able to effectively leverage or defend our intellectual property rights ~~against competitors~~ in ~~these~~ **foreign** countries **and markets due to applicable intellectual property laws and procedures** , which could undermine our business interests. It is also possible that certain of our suppliers or other partners will either not protect or not respect our intellectual property rights, and that we may have difficulty enforcing our intellectual property rights while maintaining our business relationships with those partners **. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property may be difficult, expensive and time- consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. Accordingly, despite our efforts, we may be**

unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights. Our inability to secure or enforce our intellectual property rights could have a material adverse effect on our business, results of operations and financial condition . We are currently involved in, and may in the future be involved in, legal proceedings, claims or government investigations, including any identified under " Item 3. Legal Proceedings. " From time to time, third parties may assert claims against us alleging infringement of their intellectual property rights on technologies that are important to our business. In addition, litigation or other actions may be necessary to protect our intellectual property rights, to determine the validity and scope of the proprietary rights of others or to defend against third party claims of infringement and / or invalidity. **The steps we take to prevent misappropriation, infringement or other violation of the intellectual property of others may not be successful.** Litigation and other legal and administrative processes, whether as plaintiff, defendant or otherwise, could result in substantial costs and diversion of resources and management attention and could have a material adverse effect on our business, results of operations and financial condition, whether or not such litigation or other processes are ultimately determined in our favor. In the event of an adverse result in, or a settlement of, a litigation matter, we could be required to pay substantial damages or settlement amounts; cease the manufacture, use, import and sale of certain products or components; expend significant resources to develop or acquire rights to use non- infringing technology; and / or discontinue the use of certain processes or obtain licenses and pay one- time fees and / or on- going royalties to use the infringing or allegedly infringing technology. The occurrence of any of the foregoing could result in unexpected expenses or require us to recognize an impairment of our assets, which would reduce the value of our assets and increase our expenses. The markets in which we operate are constantly undergoing rapid technological change and evolving industry standards. From time to time, third parties may claim that we are infringing upon technology to which they have proprietary rights and that we require a license to manufacture and / or sell certain of our products. If we are unable to supply certain products at competitive prices due to royalty payments we are required to make or at all because we were unable to secure a required license, our customers might make claims against us, cancel orders or seek other suppliers to replace us, all of which could have a material adverse effect on our business, results of operations and financial condition **. We are a multinational company subject to tax in multiple tax jurisdictions** . Our future effective tax rates could be unfavorably affected by the resolution of issues arising from **a variety of sources, including:** tax audits with various tax authorities in the United States and abroad; adjustments to income taxes upon finalization of various tax returns; increases in expenses not deductible for tax purposes, including write- offs of acquired in-process research and development and impairments of goodwill in connection with acquisitions; changes in available tax credits; changes in tax laws or regulations or tax rates; changes in the interpretation or application of tax laws; increases or decreases in the amount of net sales or earnings in countries with particularly high or low statutory tax rates; changes in exemptions from taxes in certain jurisdictions or in connection with certain transactions; or ~~by~~ changes in the valuation of our deferred tax assets and liabilities. ~~In addition, taxable~~ **Taxable** income in any jurisdiction is dependent **in part** upon acceptance of our operational practices and intercompany transfer pricing by local tax authorities as being on an arm' s length basis. Due to inconsistencies in application of the arm' s length standard among taxing authorities, as well as lack of adequate treaty- based protection, transfer pricing challenges by tax authorities could, if successful, substantially increase our income tax expense. While we enjoy beneficial tax treatment in certain foreign jurisdictions, most notably Brazil and Malaysia, we are subject to meeting specific conditions in order to receive the beneficial treatment, and such beneficial treatment is subject to change. **Further changes in tax laws could arise as a result of the base erosion and profit shifting project that was undertaken by the Organization for Economic Co- operation and Development (" OECD "). For example, the OECD Pillar 2 initiative contemplates a 15 % global minimum tax with respect to earnings in each separate country. EU member states are required to adopt the OECD Pillar 2 rules in 2023, some countries have already adopted and other non- U. S. countries are expected to follow suit. Under these rules, we may be required to pay a " top- up " tax to the extent that our effective tax rate in any given country is below 15 %. The United States is not expected to pass Pillar 2 legislation in the near term, but the top- up tax can be collected by other countries. We are evaluating developments to determine whether Pillar 2 will materially impact our financial position in the future. Any material change in tax laws or policies, or their interpretation, resulting from BEPS, BEPS 2. 0, or other legislative proposals or inquiries may offset the beneficial tax treatment in certain foreign jurisdictions, increase tax uncertainty and could have a material adverse effect on our provision for income taxes, business, results of operations and financial condition.** Additionally, we regularly assess the likelihood of outcomes resulting from tax examinations in the United States and abroad to determine the adequacy of our provision for taxes and have reserved for potential adjustments that may result from current examinations. We believe such estimates to be reasonable; however, there can be no assurance that the final determination of any examinations will be in the amounts of our estimates. Any significant variance in the results of an examination as compared to our estimates, any failure to continue to receive any beneficial tax treatment in any of our foreign locations or any increase in our future effective tax rates due to any of the factors set forth above or otherwise could reduce net income and have a material adverse effect on our business, results of operations and financial condition. As of August ~~26~~ **25** , ~~2022~~ **2023** , we had U. S. federal and state net operating loss carryforwards of $ ~~86~~ **32. 1 million and $ 41** . 9 million ~~and $ 47. 7 million~~ , respectively. **If not utilized, the** ~~Federal~~ **federal** net operating loss carryforwards ~~of $ 71. 2 million~~ will **begin to** expire in ~~fiscal 2028~~ **2025** ~~through fiscal 2038, if not utilized,~~ and the ~~remaining $ 15. 7 million is indefinite lived. The~~ state net operating loss carryforwards will **begin to** expire in ~~fiscal 2024~~ **2028** ~~through fiscal 2040~~ . In addition, we have U. S. federal and state research and development credit carryforwards of ~~approximately~~ $ ~~7~~ **17. 5 million and $ 5** . 4 million **, respectively,** and $ **2.** 1 ~~. 1 million, respectively, and $ 1. 4~~ million of foreign tax credit ~~carryforward~~ **carryforwards . If not utilized, the federal research and foreign tax credits will begin to expire in 2032. If not utilized $ 2. 0 million of state credits will begin to expire in 2029, while $ 3. 4 million of state credits do not expire. In addition, we also have Section 163 (j) interest expense carryforwards of $ 101. 0 million from the acquisition of Stratus, which do not expire. Lastly, we had net operating loss carryforwards in Hong Kong of $ 18. 6 million, which do not expire** . Federal and state carryforwards prior to fiscal 2018 are subject to an annual limitation under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended (**the** “ Code ”). Further, under ~~Section~~ **Sections** 382 **and 383** of the Code, if a corporation undergoes an “ ownership change, ” the corporation’ s ability to use its pre- change net operating loss carryforwards **and other pre- change tax attributes** to offset its post- change taxable income may be limited. In general, an “ ownership change ” will occur if there is a cumulative change in our ownership by certain “ 5- percent shareholders ” (including groups of shareholders) that exceeds 50 percentage points **(by value)** over a rolling three- year period. Similar rules may apply under state tax laws. Our net operating loss ~~and~~ **,** tax credit **and Section 163 (j) interest expense** carryforwards ~~prior to 2018~~ are subject to limitations per ~~Section~~ **Sections** 382 **and 383** of the Code. We have experienced ownership changes in the past, and we may experience ownership changes in the future as a result of future transactions in our ordinary shares, some changes of which may be outside our control. As a result, our ability to use our pre- change net operating loss ~~and~~ **,** tax credit **and Section 163 (j) interest expense** carryforwards to offset post- change U. S. federal and state taxable income may be subject to additional limitations. ~~Further, legislation~~ **Legislation** enacted in 2017, informally titled the Tax Cuts and Jobs Act ~~,~~ (“ Tax Act ”), as modified **in 2020** by the Coronavirus Aid, Relief, and Economic Security Act (“ CARES Act ”) **,** changed the federal rules governing net operating loss carryforwards. For net operating loss carryforwards arising in tax years beginning after December 31, 2017, the Tax Act limits a taxpayer’ s ability to utilize such carryforwards to 80 % of taxable income **in tax years beginning after December 31, 2020** . In addition, net operating loss carryforwards arising in tax years ending after December 31, 2017 can be carried forward indefinitely, but carryback is generally prohibited, with the exception of carrybacks reinstated by the CARES Act. Net operating loss carryforwards generated before January 1, 2018 ~~will~~ **are** not ~~be~~ subject to the Tax Act’ s taxable income limitation and will continue to have a twenty- year carryforward period. Nevertheless, our net operating loss carryforwards and other tax assets could expire before utilization and could be subject to limitations **. Determining whether a valuation allowance for deferred tax assets is appropriate requires judgment and an evaluation of all positive and negative evidence. At each reporting period, we assess the need for, or the sufficiency of a valuation allowance against, deferred tax assets. During the fourth quarter of 2023, based on the weight of all the positive and negative evidence, we concluded that it was more likely than not that we will realize certain federal and state net deferred tax assets based on three significant pieces of positive evidence occurring during the year ended August 25, 2023: (1) achieving three- year cumulative earnings, (2) recent use of deferred tax assets including available tax attribute carryforwards and (3) forecasted growth and profitability. Therefore, we reversed the valuation allowance on those deferred tax assets during 2023. Our conclusion that it is more likely than not that we will realize certain federal and state net deferred tax assets considers our estimate of future taxable income. Our estimate of future taxable income is based on internal projections which primarily consider historical performance, but also include various internal estimates and assumptions as well as certain external data. We believe all of these inputs to be reasonable, although inherently subject to judgment. If actual results differ significantly from these estimates of future taxable income, we may need to reestablish a valuation allowance for some or all of our deferred tax assets. Establishing an allowance on our net deferred tax assets could have a material adverse effect on our business, results of operations and financial condition** . Our operations and properties are subject to various federal, state, local, foreign and international environmental laws and regulations governing, among other things, environmental licensing and registries, protection of flora and fauna, air and noise emissions, use of water resources, wastewater discharges, management and disposal of hazardous and non- hazardous materials and wastes, reverse logistics (take-back policy) and remediation of releases of hazardous materials. Our failure to comply with present and future requirements, or the management of known or identification of new or unknown contamination, could cause us to incur substantial costs, including cleanup costs, indemnification obligations, damages, compensations, fines, suspension of activities and other penalties, investments to upgrade our facilities or change our processes or curtailment of operations. For example, the presence of lead in quantities not believed to be significant have been found in the ground under one of the multi- tenant buildings we lease in Brazil. While we did not cause the contamination, we may be held responsible if remediation is required, although we may be entitled to seek indemnification from responsible parties under Brazilian law and from our lessor under our lease. In addition, as part of the acquisition of Cree’ s LED business, we acquired facilities in China, which could present similar issues. The identification of presently unidentified environmental conditions, more vigorous enforcement by regulatory agencies, enactment of more stringent laws and regulations or other unanticipated events may arise in the future and give rise to material environmental liabilities and related costs. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition. **We are increasingly facing more stringent ESG standards, policies and expectations, and expect to continue to do so as a listed company with growing operations. While we may at times engage in voluntary initiatives and disclosures to improve our ESG profile or to respond to stakeholder expectations, such initiatives and disclosures may be costly and may not have the desired effect. Our management of ESG matters continues to evolve rapidly, in many instances due to factors that are out of our control. For example, we may ultimately be unable to complete certain initiatives or reach certain targets or goals, either on the timelines initially announced or at all, due to technological, cost, or other constraints, which may be within or outside of our control. Moreover, our ESG actions or statements may be on based on expectations, assumptions, or third- party information that we currently believe to be reasonable, but which may subsequently be determined to be erroneous or be subject to misinterpretation. If we fail to, or are perceived to fail to, comply with certain ESG initiatives or reach our ESG targets or goals, we may be subject to various adverse impacts, including reputational damage and potential stakeholder engagement and / or litigation, even if such initiatives are currently voluntary. Certain market participants, including major institutional investors and capital providers, use third- party benchmarks and scores to assess companies’ ESG profiles in making investment or voting decisions. Unfavorable ESG ratings could lead to increased negative investor sentiment towards us, which could negatively impact our share price as well as our access to and cost of capital. We also note that divergent**

views regarding ESG principles are emerging in the United States, and in particular, in U. S. state- level regulation and enforcement efforts. In the future, various U. S. regulators, state actors and other stakeholders may have views on ESG matters that are less favorable to our business or operations, or such stakeholders may seek to impose additional regulation and restrictions on us or our business. Any such events could have material adverse effects on our business, financial condition, results of operations, cash flow and prospects. We also expect there will likely be increasing levels of regulation, disclosure- related and otherwise, with respect to ESG matters. Increased regulation and increased stakeholder expectations will likely lead to increased costs as well as scrutiny that could heighten all of the risks we face associated with environmental, social and regulatory matters. Additionally, many of our customers and suppliers may be subject to similar expectations, which may augment or create additional risks, including risks that may not be known to us. Our worldwide operations, and those of our suppliers, business partners and customers, may be disrupted by events outside of our control, including the effects of climate change, natural disasters, man- made disasters or other events, as well as societal and governmental responses to such events. Our operations in different parts of the world could be subject to natural disasters **or severe weather conditions** , including earthquakes **in connection with climate change, or an accident that damages or otherwise adversely affects any of our operations, assets or infrastructure, or the operations, assets or infrastructure of one or more of our suppliers, business partners or customers. Earthquakes** , monsoons, cyclones **, droughts, extreme wind conditions, severe storms, heatwaves, wildfires** and floods **could damage our property and assets, require us to shut down operations or have either of those effects on third parties on whom we rely** . For example, our U. S. headquarters in Milpitas, California, manufacturing and research and development facility in Newark, California and our Penguin Computing operations in Fremont, California are located near major earthquake fault lines. Our manufacturing facility in Penang, Malaysia is located in an area that is also prone to natural disasters, such as cyclones, monsoons and floods. In the event of a major earthquake, cyclone, monsoon or other natural or manmade disaster, we could experience business interruptions, destruction of facilities and / or loss of life, any of which could materially adversely affect our business. In addition, the outbreak of war, political unrest or terrorist activity, diseases, epidemics or pandemics in any of the locations in which we conduct business could severely disrupt our business or the business of our customers and suppliers, which could in turn materially adversely affect our business. Since a large percentage of our production is done in a small number of facilities, a disruption to operations could have a material adverse effect on our business, results of operations and financial condition. ~~Russia~~ **Climate change may also contribute to various chronic changes in the physical environment, such as sea- level rise or changes in ambient temperature or precipitation patterns, which may also adversely impact our or our third- parties** ' ~~s invasion~~ **operations. While we may take various actions to mitigate our business risks associated with climate change and other natural and catastrophic events, this may require us to incur substantial costs and may not be successful, due to, among other things, the uncertainty associated with the longer- term projections associated with managing climate risk. For example, to the extent catastrophic events become more frequent, it may adversely impact the availability or cost** of **insurance. Additionally, we may be subject to risks associated with societal efforts to mitigate or otherwise respond to climate change, including but not limited to increased regulations and evolving stakeholder expectations. Changing market dynamics, global and domestic policy developments, and the increasing frequency and impact of meteorological phenomena have the potential to disrupt our business, the business of our suppliers and / or customers, or otherwise adversely impact our business, financial condition, or results of operations. Armed conflicts around the world, such as those in** Ukraine ~~in February 2022~~ and **Israel, may exacerbate certain risks we face. Armed conflicts around the world, such as those in Ukraine and Israel, as well as** the global response **to such conflicts** , including the imposition of sanctions by the United States and other countries, could create or exacerbate risks facing our business. We have evaluated our operations, vendor contracts and customer arrangements, and at present we do not expect the hostilities to directly have a material and adverse effect on our financial condition or results of operations. However, if the hostilities persist, escalate or expand, risks we have identified in this report may be exacerbated. For example, if our supply or customer arrangements are disrupted due to **sanctions or** expanded sanctions, involvement of countries where we have operations or relationships or rising energy prices, our business could be materially disrupted. Further, the use of state- sponsored cyberattacks could expand as part of the conflict, which could adversely affect our ability to maintain or enhance our cybersecurity and data protection measures. ~~from the wide- ranging effects of COVID- 19 will be offset by increased sales in subsequent periods.In addition,COVID- 19 has in the short- term,and,together with other disease outbreaks,may over the longer term,adversely affect the economies and financial markets within many countries,such as the United States~~ ,Brazil and China,and regions,including Asia and Europe,which are the primary geographic areas in which we conduct business,resulting in a significant economic downturn in these countries and regions **.To the extent the COVID- 19 pandemic or the related global business and economic environment adversely affect our business and financial results,it may also have the effect of heightening or exacerbating many of the other risks described in these Risk Factors** .We are unable to accurately predict the impact that COVID- 19 will have in future periods due to various uncertainties and future developments,including the evolution and severity of the disease,the occurrence of other epidemics,the imposition of related public health measures and travel and business restrictions or other actions that may be taken by governmental authorities in an effort to contain or treat the virus,all of which,together with the disruptions and other factors discussed above,could have a material adverse effect on our customer relationships,operating results,cash flows and financial condition and have a negative impact on our share price.Our efforts to adapt our work environment to the COVID- 19 pandemic may be unsuccessful.While the COVID- 19 pandemic persists,we have begun to adopt and roll out return to office plans for our workforce.We believe that there are costs to remote work in terms of productivity,innovation and community that have adversely affected our business during the pandemic.At the same time,we also believe that certain of our employees have benefited from the ability to work remotely and may be resistant to calls to return to work.To the extent plans we adopt are more restrictive than those of others in our industry,our ability to attract and retain talent may be materially and adversely affected.In addition,if we do not solidify our plans in a manner that is considered timely **by our employees,the resulting uncertainty may also adversely affect retention.The U.S.** Sales outside of the United States accounted for ~~61~~ **39** %, ~~60~~ **49** % and ~~57~~ **43** % of our net sales in **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. In addition, a significant portion of our product design and manufacturing is performed at our facilities in Brazil, Malaysia and China, and a significant amount of our product design activities are performed in Taiwan and India. As a result, our business is and will continue to be subject to the risks generally associated with international business operations in Brazil, Malaysia, China, Taiwan, India and other foreign countries, including: • compliance with numerous changing, and sometimes conflicting legal regimes on matters as diverse as tax, anticorruption, import / export controls and quotas, local manufacturing requirements, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations, securities regulation, anti-competition, data privacy, employment regulations and labor relations **, and labor and human rights laws and expectations** ; • changes in social, political and economic conditions; • transportation delays; • power and other utility shutdowns or shortages; • limitations on foreign investment; • disruptions in or lack of adequate infrastructure; • challenges protecting intellectual property and trade secrets; • exchange or currency controls and fluctuations, restrictions on currency convertibility and volatility of foreign exchange markets; • increased trade wars; • corruption or adverse political situations; • governmental intervention in local economies, industries, or the operations of specific companies, including us or our competitors; • changes or instability in local labor conditions, including strikes, work stoppages, protests and changes in employment regulations, increases in wages and the conditions of collective bargaining agreements; • compliance with travel restrictions, stay- at- home or work location conditions or other government or voluntary restrictions relating to the COVID- 19 pandemic; • difficulties recruiting, employing and retaining qualified personnel to manage and oversee our local operations, sales and other activities; • difficulties in managing and overseeing employees and operations in locations far from senior management, which could result in compliance, control or other issues; • difficulties in obtaining governmental approvals and extension of existing incentives; • difficulties in collecting accounts receivable; • expropriation and nationalization of our assets in a particular jurisdiction; and • restrictions, or increases in existing tax rates, on repatriation of cash, dividends or profits. Some of the foreign countries in which we do business or have operations have been subject to social and political instability in the past, and interruptions in operations could occur in the future. Our net sales, results of operations and financial condition could be adversely affected by any of the foregoing factors. A significant portion of our sales and operations is focused on Brazil. Sales to customers in Brazil accounted for **12 %,** 23 % ~~,~~ **and** 30 % ~~and 35 %~~ of our **consolidated** net sales **(including discontinued operations)** in **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. Demand for our products in Brazil is dependent upon, among other things, demand in the markets served by our customers, including the Brazil computing and mobile markets. From time to time, the markets served by our Brazil customers have experienced significant downturns, often in connection with political unrest or in connection with, or in anticipation of, declines in general economic conditions. A decline or significant shortfall in demand in any of the markets that we serve could have a significant negative impact on the demand for our products. In addition, a prolonged economic downturn in Brazil, even absent a worldwide economic downturn, may lead to higher interest rates or significant changes in currency exchange rates, the rate of inflation in Brazil or an inability of our Brazil customers and suppliers to access capital on acceptable terms. Our customers and suppliers in Brazil could experience cash flow problems, credit defaults or other financial hardships. Any of these circumstances could have a material adverse effect on our business, results of operations and financial condition **. Our success in part depends on incentives in Brazilian laws for local manufacturing of electronics. The elimination of or a reduction in the incentives for local manufacturing, or our inability to secure the benefits of these regulations, could significantly reduce our profitability for products in Brazil** . The Brazilian government has adopted economic policies intended to foster innovation and investment in local production, stimulate job growth, provide stimulus to exports and incentivize manufacturers in various industries. Through our Brazil subsidiaries, we participate in three incentive programs (the " Brazil Incentive Programs "). Two such programs incentivize the manufacture and sale of certain information technology and consumer electronics products within Brazil: **(** 1) Lei da Informática – Processo Produtivo Básico (aka Informatics Law – Basic Productive Process Program) (" PPB / IT **Program** ") and **(** 2) Programa de Apoio ao Desenvolvimento Tecnológico da Indústria de Semicondutores (aka Program of Support of the Development of the Semiconductor Industry) (" PADIS "). The PPB / IT Program is enacted via a law that is currently legislated to remain in force through the end of 2029. It is intended to promote local manufacturing of the whole IT supply chain (i. e., from components, parts and pieces up to the equipment / device level) by allowing qualified companies to receive incentives when they sell specified IT products, including desktops, notebooks, servers, SmartTVs and mobile products that contain components that are manufactured in Brazil, conditioned upon the annual investment in R & D initiatives, based on a percentage of the incentivized sales revenues. PADIS is a semiconductor- related policy that is intended to foster semiconductor production in Brazil, comprising the design and front and back- end activities. Subject to annual investments in research and development equivalent to 5 % of gross sales made within the country (i. e., excluding exports and sales to customers located in the Manaus Free Trade Zone), PADIS grants beneficiaries incentives that range from the reduction to zero of all federal tax rates in the acquisition of raw materials, machinery and equipment, up to a 100 % reduction in the corporate income tax rate. Effective April 2020, the reduction of the federal tax rates to zero percent for sales of qualified PADIS products was replaced by financial credits, calculated based on annual investments in research and development limited to 13. 1 % of the total incentivized revenues, which can be used to pay federal taxes. While the reduction of the income tax rate is valid for 12 years as of the approval of the PADIS qualification on a product basis (effective for SGH through 2033), the remaining PADIS benefits are expected to expire in December 2026. We also participate in a third, more general multi- sector policy, " Lei do Bem, " which is designed to stimulate investment in innovation. It allows up to 200 % deductibility of expenses in research, development and innovation activities for income tax purposes, in addition to full depreciation of equipment and machinery dedicated to these initiatives. The elimination of, or a reduction in the Brazil Incentive Programs, or our failure to meet the requirements of any of the regulations, could significantly reduce the demand for, the profit margins on and the competitiveness of our products in Brazil, which could have a material adverse effect on our business, results of operations and financial condition. We are subject to changes in tax laws, treaties and regulations or the interpretation or enforcement thereof in the Cayman Islands, United States, Brazil, Malaysia **, Ireland** and **other** jurisdictions in which we or any of our subsidiaries operate or are resident. We have structured our operations in a manner designed to maximize our benefit from various government incentives and / or tax holidays extended to manufacturers in Brazil and Malaysia to encourage investment and employment, and to minimize our tax liability in other jurisdictions such as the United States to the extent permitted by law. Our interpretations and conclusions regarding these tax incentives are not binding on any taxing authority. Additionally, we have been in the past and may in the future be subject to tax assessments by the relevant authorities in the jurisdictions in which we operate and we have been in the past and may in the future be involved in legal disputes with regulatory or governmental authorities relating to these assessments. If our assumptions about, or interpretation or implementation of, tax and other laws are incorrect; if tax laws or regulations are substantially modified or rescinded; if the tax incentives from which we benefit in the jurisdictions in which we operate, including the PPB / IT Program, PADIS and Lei do Bem in Brazil, are substantially modified or rescinded; if we fail to meet the conditions of any of the tax incentives; or if we do not prevail in disputes with tax authorities, we could suffer material adverse tax and other financial consequences including owing significant amounts of taxes and penalties that would increase our expenses, reduce our profitability and adversely affect our cash flows, results of operations and financial condition. Our international sales and our operations in foreign countries expose us to certain risks associated with fluctuating currency values and exchange rates. Because some of our sales are denominated in U. S. dollars, increases in the value of the U. S. dollar could increase the price of our products so that they become relatively more expensive to customers in a particular country, possibly leading to a reduction in sales and profitability in that country. Volatility of currencies in countries where we conduct business, most notably the U. S. dollar, Chinese renminbi, Brazilian real, Malaysian ringgit, Japanese yen, Euro, British pound, South Korean won, New Taiwan dollar, Hong Kong dollar ~~and~~ **,** Indian rupee **and South African rand** have had and may in the future have an effect on our liquidity and operating results. Gains and losses on the conversion to U. S. dollars of the associated monetary assets and liabilities, as well as profits and losses incurred in certain countries, may contribute to fluctuations in the value of our assets and our results of operations. We also have costs and expenses that are denominated in foreign currencies, and decreases in the value of the U. S. dollar could result in increases in such costs that could have a significant negative impact on our results of operations. In addition, fluctuating values between the U. S. dollar and other currencies can result in currency gains which are used in the computation of foreign taxes and can increase foreign taxable income. In 2019, we began using foreign exchange forward contracts in Brazil to mitigate foreign currency exchange rate risk associated with foreign currency- denominated liabilities, primarily third party payables. These measures, however, may not effectively address currency exchange risk. We conduct all of our operations through subsidiaries and are dependent on dividends or other intercompany transfers of funds from our subsidiaries to meet our obligations. If enacted, restrictions on intercompany dividends or other distributions in certain jurisdictions could have a material adverse effect on our ability to transfer funds from certain subsidiaries. Certain foreign jurisdictions, such as Brazil, permit temporary restrictions on conversions of currency into foreign currencies and on remittances to foreign investors of proceeds from their investments under certain circumstance. Any imposition of restrictions on conversions and remittances could hinder or prevent us from converting foreign currencies into U. S. dollars and remitting dividends, distributions or the proceeds from operations. In addition, an increase in the existing tax rates applicable to the remittance of dividends or any other intercompany transfer of funds, as well as the enactment of any new tax related to such transfers, may either affect our ability to transfer funds from our subsidiaries or significantly reduce the amounts subject to transfer. In the past, Brazil has experienced extremely high rates of inflation, and in the future, we may experience substantial inflation or deflation in Brazil or elsewhere. Inflation and some of the measures taken by governments in response to inflation can have significant negative effects on the economy generally. If Brazil or other countries where we operate experience substantial inflation or deflation in the future, our business may be **materially** adversely affected. In addition, we may not be able to adjust the prices we charge our customers to offset the impact of inflation on our expenses, leading to an increase in our expenses and a reduction in our net operating margin. This could have a material adverse impact on our business, results of operations and financial condition. The market value of securities of companies with substantial operations in Brazil and in other jurisdictions is affected to varying degrees by political, economic and market conditions in other countries, including other Latin American and emerging market countries. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Brazil economy and resulted in considerable outflows of funds from Brazil and decreases in the amount of foreign investments in Brazil. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries, such as the 2008- 2009 developments in the global financial markets, may have an adverse effect on the market value of Brazilian companies or companies with significant operations in Brazil. Since a significant portion of our total assets is located in Brazil, a decrease of the perceived value of companies with substantial operations in Brazil could adversely impact the market price of our ordinary shares. **We may have limited legal recourse under the laws of China if disputes arise under our agreements with third parties.** The Chinese government has enacted certain laws and regulations dealing with matters such as corporate organization and governance, foreign investment, currency control, commerce, taxation and trade. However, the implementation, interpretation and enforcement of these laws and regulations is still evolving, and our ability to enforce commercial claims or to resolve commercial disputes is unpredictable. If disputes arise under our agreements with other parties doing business in China, we face the risk that such party may breach any such agreement or otherwise engage in conduct relating to their relationship with us that could otherwise give rise to liability under U. S. law. The resolution of these matters may be subject to the exercise of considerable discretion by agencies of the Chinese government. Any rights we may have to specific performance, or to seek an injunction under Chinese law, in either of these cases, may be limited, and without a means of recourse by virtue of the Chinese legal system, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations. We have a significant amount of debt outstanding as of August ~~26~~ **25** , ~~2022~~ **2023** , including the debt described in " **PART II –** Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Debt. " Our indebtedness may have important consequences, including, but not limited to, the following: • increasing our vulnerability to general economic downturns and adverse industry conditions; • **limiting our ability to obtain additional financing; •** requiring us to dedicate a significant portion of our cash flows from operations to the payment of interest and principal on our debt, which would reduce the funds available to us for our working capital, capital expenditures or other general corporate requirements **; • increasing our exposure to rising interest rates from variable rate indebtedness; • diluting the interests of our existing shareholders to the extent ordinary shares are issued upon conversion of our convertible notes** ; • limiting our flexibility in planning for, or reacting to, changes in our business and industry; • placing us at a competitive disadvantage compared to our competitors with less indebtedness or more liquidity; and • limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes. Our ability to make scheduled payments on, to refinance or to pay off our debt obligations when due depends on the financial condition and operating performance of our business. This, to a certain extent, is subject to prevailing economic and competitive conditions, including general conditions prevailing in the financial markets and global economy, and to certain financial, business, regulatory and other factors beyond our control, including the risks described herein. Our business may not generate sufficient cash flows from operations, and future borrowings may not be available to us under our debt arrangements, including our Amended Credit ~~Facility~~ **Agreement** (as defined below), in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. In addition, certain of our debt is subject to terms that may require the use of significant cash in the future under certain circumstances. For example, holders of the **2. 25 % Convertible Senior Notes due 2026 ("** 2026 Notes **") and 2. 00 % Convertible Senior Notes due 2029** (~~as defined below~~ **" 2029 Notes " and, together with the 2026 Notes, the " Convertible Notes "**), may, subject to a limited exception, require us to repurchase their ~~2026~~ **Convertible** Notes following a " fundamental change, " as described in more detail in " **PART II –** Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Debt – Convertible Senior Notes. " In addition, ~~upon conversion, we may satisfy part or~~ all ~~of our conversion~~ **conversions** ~~obligation~~ **of the Convertible Notes will be settled partially or entirely** in cash. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the ~~2026~~ **Convertible** Notes or pay the cash amounts due upon conversion. Applicable law, regulatory authorities and the agreements governing our other indebtedness, including our Amended Credit Agreement, may restrict our ability to repurchase the ~~2026~~ **Convertible** Notes or pay the cash amounts due upon conversion. Our failure to repurchase ~~2026~~ **the Convertible** Notes or to pay the cash amounts due upon conversion when required will constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the ~~2026~~ **Convertible** Notes. If we are unable to meet our debt obligations or fund our other liquidity needs, we may need to restructure or refinance all or a portion of our debt or sell certain of our assets on or before the maturity of our debt. We may not be able to restructure or refinance any of our debt on commercially reasonable terms, or at all, which could cause us to default on our debt obligations and impair our liquidity, which in turn could cause the acceleration of other indebtedness under certain of our debt agreements which could exacerbate our liquidity problems. Any refinancing of our indebtedness will likely be at higher interest rates in the current environment and may require us to comply with more onerous covenants that could further restrict our business operations. If we are not able to **repay our debt obligations as they become due, or if we are not able to** refinance or restructure our debt obligations before they become due, this could cause us to default on our debt obligations and impair our liquidity. In addition, if our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets or seek additional capital. These alternative measures may not be available to us, may not be successful and may not permit us to meet our scheduled debt service obligations, which could result in substantial liquidity problems. Our Amended Credit ~~Facility~~ **Agreement** restricts our ability to dispose of our assets and use the proceeds from the disposition. We may not be able to consummate ~~those~~ **any such disposition or** dispositions or to obtain the proceeds which we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Any of these circumstances could have a material adverse effect on our business, results of operations and financial condition. **Our credit agreements may limit our flexibility in operating our business.** We and certain of our subsidiaries are party to ~~the~~ credit agreements, as described in more detail in " **PART II –** Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Debt ~~" and " Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Subsequent Events~~ . " These or future credit agreements may contain restrictive covenants that limit our ability to engage in specified transactions and prohibit us from voluntarily prepaying certain of our other indebtedness. For instance, the covenants in our Amended Credit ~~Facility~~ **Agreement** limit the ability of the applicable loan subsidiaries to, among other things: • incur additional indebtedness; • create liens on assets; • engage in mergers or consolidations; • sell assets; • pay dividends, make distributions or repurchase capital stock; • make investments, loans or advances; • repay or repurchase certain subordinated debt (except as scheduled or at maturity); • create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; • make certain acquisitions; • engage in certain transactions with affiliates; and • amend material agreements governing our subordinated debt and fundamentally change our business. Under the Amended Credit ~~Facility~~ **Agreement** , in certain circumstances we also are required to satisfy and maintain specified financial ratios if we have outstanding debt under the revolver. Our ability to meet those financial ratios could be affected by events beyond our control, and there can be no assurance that we will meet those ratios. The failure to comply with any of these covenants would cause a default under the relevant credit agreement. A default, if not waived, could result in acceleration of the outstanding indebtedness under the Amended Credit ~~Facility~~ **Agreement** as well as under the 2026 Notes, in which case such indebtedness would become immediately due and payable. If any default occurs, we may not be able to pay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may not be available on terms that are acceptable to us. Complying with these covenants may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take. **Provisions in the Convertible Notes and their respective Indentures could delay or prevent an otherwise beneficial takeover of us.** Certain provisions in the ~~2026~~ **Convertible** Notes and ~~the~~ **their respective** ~~Indenture~~ **Indentures** could make a third- party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a " fundamental change ", then noteholders will have the right to require us to repurchase their ~~2026~~ **Convertible** Notes for cash. In addition, if a takeover constitutes a " make- whole fundamental change " (as defined in the Indenture), then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the ~~2026~~ **Convertible** Notes and ~~the~~ **their respective** ~~Indenture~~ **Indentures** could increase the cost of acquiring us or otherwise discourage a third party from acquiring us, including in a transaction that noteholders or holders of our ordinary shares may view as favorable. **Our capped call transactions may affect the value of our publicly traded debt and ordinary shares.** In connection with the pricing of the ~~2026~~ **Convertible** Notes, we ~~have~~ entered into privately negotiated capped call transactions (" Capped Calls "), with certain financial institutions. The Capped Calls are expected generally to reduce the potential ~~economic~~ dilution to ~~holders of~~ our ordinary shares upon any conversion of the ~~2026~~ **Convertible** Notes **and / or offset any cash payments we are required to make in excess of the principal amount of converted 2029 Notes, as the case may be**, with such reduction and / or offset subject to a cap. In connection with establishing their initial hedges of the Capped Calls, the Capped Call counterparties or their respective affiliates likely ~~entered into various derivative transactions with respect to our ordinary shares and / or~~ purchased **our** ordinary shares concurrently with ~~or shortly after~~ the pricing of the ~~2026~~ **Convertible** Notes. In addition, the Capped Call counterparties and / or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our ordinary shares and / or purchasing or selling our ordinary shares or other securities of ours in secondary market transactions **and** prior to the maturity of the ~~2026~~ **Convertible** Notes (and are likely to do so during any Observation Period (as defined in the Indenture) related to a conversion of ~~2026~~ **Convertible** Notes). This activity could ~~also~~ cause or avoid an increase or a decrease in the market price of our ordinary shares or the ~~2026~~ **Convertible** Notes. The potential effect, if any, of these transactions and activities on the trading price of our ordinary shares or the 2026 Notes will depend in part on market conditions. Any of these activities could adversely affect the trading price of our ordinary shares or the ~~2026~~ **Convertible** Notes **. We are a Cayman Islands company and, because the rights of shareholders under Cayman Islands law differ from those under U. S. law, shareholders may have difficulty protecting their shareholder rights**. Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Cayman Islands Companies Act (2021 Revision) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less exhaustive body of securities laws as compared to the United States, and some states, such as Delaware, have more fulsome and judicially interpreted bodies of corporate law. **It may be difficult to enforce a judgment of U. S. courts for civil liabilities under U. S. federal securities laws against us in the Cayman Islands.** We are a company incorporated under the laws of the Cayman Islands. The Cayman Islands courts are unlikely: • to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U. S. securities laws; or • to impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U. S. securities laws that are penal in nature. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and / or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. As a result of all of the above, public shareholders may have more difficulty protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U. S. company. The **trading price of our ordinary shares has been and may continue to be volatile. The** market price of the securities of technology companies can be especially volatile. Broad market and industry factors may adversely affect the market price of our ordinary shares regardless of our actual operating performance. The market price of our ordinary shares **has been in the past and** could be **in the future** subject to wide fluctuations in response to the risk factors listed in this section and others beyond our control, including those risks described herein as well as: • the failure of financial analysts to cover our company; • negative or inaccurate coverage by financial analysts; • changes in financial estimates by financial analysts, any failure by us to meet or exceed any of these estimates or changes in the recommendations of any financial analysts that elect to follow our company or our competitors; • changes in the market valuations of other companies operating in our industry; • announcement of, or expectation of, additional financing efforts; • future sales of our ordinary shares; • share price and volume fluctuations attributable to inconsistent trading volume levels of our ordinary shares; and • general economic and market conditions. In addition, the stock market in general has experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies affected. These broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of certain companies' securities, securities class action litigation has been instituted against these companies. This litigation, if instituted against us, could adversely affect our financial condition or results of operations. The preparation of financial statements in conformity with U. S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the **accompanying** consolidated financial statements and ~~accompanying~~ notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described in " **PART II –** Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations, " the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to business acquisitions; income taxes; inventory valuation; impairment of long- lived assets, ~~including property and equipment~~ ; goodwill and identified intangible assets ~~;~~ **and** revenue recognition ~~and share- based compensation~~ . If our assumptions change or if actual circumstances differ from those in our assumptions, our results of operations may be adversely affected and may fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our ordinary shares. **Future sales of our ordinary shares in the public market, or the perception that these sales may occur, could cause our share price to fall.** Sales of substantial amounts of our ordinary shares in the public market, including sales of our ordinary shares by our directors or officers, or sales by us or our affiliates pursuant to one or more effective registration statements, or otherwise, or the perception that these sales may occur, could cause the market price of our ordinary shares to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Under our amended and restated memorandum and articles of association, we are authorized to issue up to 200 million ordinary shares, of which ~~48~~ **51** . ~~6~~ **9** million ordinary shares were outstanding as of August ~~26~~ **25** , ~~2022~~ **2023** . In addition, certain of our existing shareholders and holders of options, restricted share unit awards or performance- based awards, in the event they become exercisable, have the right to demand that we file a registration statement covering the offer and sale of their ordinary shares and shares issuable under such options and awards under the Securities Act and to require us to include their securities on a registration statement filed by us. If we file a registration statement in the future for the purpose of selling additional ordinary shares to raise capital and are required to include ordinary shares held by these shareholders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired. In addition, if we conduct an offering under a shelf registration statement, our ability to raise capital in such offering may be impaired. We cannot predict the size of any future sales or issuances of our ordinary shares or the effect, if any, that such future sales and issuances would have on the market price of our ordinary shares. Our amended and restated memorandum and articles of association ~~include~~ **includes** provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change of control transactions. These provisions include, among other things: • a classified board of directors with staggered three- year terms; • restrictions on the ability of our shareholders to call meetings or make shareholder proposals; • our amended and restated memorandum and articles of association may only be amended by a vote of shareholders representing at least 75 % of the outstanding ordinary shares or by a unanimous written consent; and • the ability of our Board of Directors, without action by our shareholders, to issue 30, 000, 000 preferred shares and to issue additional ordinary shares that could have the effect of impeding the success of an attempt to acquire us or otherwise effect a change in control. These provisions could deter, delay or prevent a third party from acquiring control of us in a tender offer or similar transactions, even if such transaction would benefit our shareholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our ordinary shares if they are viewed as discouraging future takeover attempts. We currently intend to retain our future earnings, if any, for the foreseeable future, to repay indebtedness and to fund the development and growth of our business. We do not intend to pay any dividends to holders of our ordinary shares. In addition, our Amended Credit Agreement contains restrictions on our ability to pay dividends. As a result, capital appreciation in the price of our ordinary shares, if any, will be your only source of gain on an investment in our ordinary shares. **Worldwide economic and political conditions as well as other factors may adversely affect our operations and cause fluctuations in demand for our products.** Uncertainty in global economic and political conditions poses a risk to the overall economy, as consumers and businesses have made it difficult for customers, suppliers and us to accurately forecast and plan future business activities. Declines in the worldwide semiconductor market, economic conditions or consumer confidence would likely decrease the overall demand for our products. Other factors that could cause demand for our products to fluctuate include: • a downturn in the computing, networking, communications, storage, aerospace, government, mobile or industrial markets; • changes in consumer confidence caused by changes in market conditions, including changes in the credit markets, expectations for employment and inflation and energy prices; • changes in the level of customers' components inventory; • competitive pressures, including pricing pressures, from companies that have competing products, architectures, manufacturing technologies and marketing programs; • changes in technology or customer product needs; • strategic actions taken by our competitors; • market acceptance of our products; • changes in prevailing or available interest rates or liquidity of the domestic capital and lending markets; • exchange rates and currency controls and restrictions on the movement of capital out of country; • **recent and potential bank failures; •** inflation; and • changes to tax and regulatory policies. If demand for our products decreases, our manufacturing or assembly and test capacity could be underutilized, and we may be required to record an impairment on our long- lived assets, including facilities and equipment, as well as intangible assets, which would increase our expenses. In addition, if product demand decreases or we fail to forecast demand accurately, we could be required to write- off inventory or record underutilization charges, which would have a negative impact on our profitability. If product demand increases more or faster than anticipated, we may not be able to add manufacturing or assembly and test capacity fast enough to meet market demand. These changes in demand for our products, and changes in our customers' product needs, could have a variety of negative effects on our competitive position and our financial results, and ~~,~~ in certain cases, may reduce our net sales, increase our costs, lower our profit margins or require us to recognize impairments of our assets. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and **financial condition. We and others are subject to a variety of laws, regulations, or industry standards that may have a material adverse effect on our business, results of operations or** financial condition. Our business is subject to regulation by various U. S. federal and state governmental agencies. Such regulation includes, without limitation, the radio frequency emission regulatory activities of the Federal Communications Commission, the antitrust regulatory activities of the Federal Trade Commission (the " FTC ") and the Department of Justice, the consumer protection laws of the FTC, the import / export regulatory activities of the Department of Commerce, the product safety regulatory activities of the Consumer Products Safety Commission, the regulatory activities of the Occupational Safety and Health Administration, the environmental regulatory activities of the Environmental Protection Agency, the labor regulatory activities of the Equal Employment Opportunity Commission, the export control regulatory activities of the Department of State and tax and other regulations by a variety of regulatory authorities in each of the areas in which we conduct business. We are also subject to similar, and in some cases additional, regulation in other countries where we conduct business, including import and export laws and foreign currency control. In certain jurisdictions, such regulatory requirements may be more stringent and complex than in the United States. We are also subject to a variety of U. S. federal and state employment and labor laws and regulations, including, without limitation, the Americans with Disabilities Act, the Federal Fair Labor Standards Act, the Worker Adjustment and Restructuring Notification Act and other regulations related to working conditions, wage- hour pay, overtime pay, employee benefits, **anti-** ~~antidiscrimination~~ ---- **discrimination** and termination of employment. Like other companies operating or selling internationally, we ~~are subject to~~ **face risks of non- compliance with** the **U. S.** Foreign Corrupt Practices Act (the " FCPA ") and other laws which generally prohibit **direct and indirect** improper payments ~~or offers of payments~~ to foreign ~~governments~~ - **government** ~~and their~~ officials and political parties **for the purpose of securing an unfair business advantage. In addition, because we have operations and suppliers in China and adjacent jurisdictions, we have exposure and risks associated with the Uyghur Forced Labor Prevention Act (" UFLPA ") and other global laws against forced labor. The UFLPA prohibits the importation of articles, merchandise, apparel and goods mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region (Xinjiang) of the People' s Republic of China (PRC), or** by **entities identified by the** U. S. **government on the UFLPA Entity List. Forced labor concerns have rapidly become a global area of interest and is a topic that will likely be subject to new regulations in the markets we operate within. If we fail to comply with these laws and regulations, the** ~~companies~~ **company may be subject to detention, seizure and exclusion of imports, as well as penalties, costs and restrictions on export and import privileges that could have** ~~and~~ - **an adverse effect on** ~~their intermediaries for the purpose of obtaining or~~ **our** ~~retaining~~ business ~~or otherwise obtaining favorable treatment~~ **, financial condition and operating results** . We are also subject to similar or even more restrictive anticorruption laws imposed by the governments of other countries where we do business, **such as laws that prohibit commercial bribery,** including the UK Bribery Act, the Malaysian Anticorruption Act and the Brazil Clean Company Act. We make sales **, are subject to government regulation** and operate in countries known to ~~experience~~ **present heightened risks of public** corruption ~~that are rated as high~~ **. Although we have implemented policies and controls to mitigate risks of non** - **compliance, our** ~~risk nations. Our~~ business activities ~~in such countries~~ create the risk of unauthorized conduct by one or more of our employees, consultants, customs brokers, freight forwarders, ~~sales agents~~ **third party representatives** or distributors that could be in violation of various laws including the FCPA or similar local regulations. In addition, we may be held liable for actions taken by such parties even ~~though~~ **if** such parties **themselves** are not subject to the FCPA or similar laws. ~~Any~~ **Investigations into allegations of such misconduct can be costly, and any** determination that we have violated the FCPA or similar laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities that could have a material adverse effect on our business, results of operations and financial condition. Our Brazil operations are subject to periodic and regular investigations by labor officials and governmental bodies, including the Brazilian Ministry of Labor and the Brazilian Labor Public Prosecutor' s Office, with respect to our compliance with labor rules and regulations. Although we believe that we comply with all of the laws and regulations applicable to our business and activities performed in Brazil, these investigations could result in fines and proceedings that may materially and adversely affect our business, results of operations and financial condition. Our China operations are subject to national, regional and local regulation. The regulatory environment in China continues to evolve, and officials in the Chinese government exercise broad discretion in deciding how to interpret and apply regulations. It is possible that the Chinese government' s current or future interpretation and application of existing or new regulations will negatively impact our China operations, result in regulatory investigations or lead to fines or penalties. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, disbarment from government projects, fines, damages, civil and criminal penalties or injunctions and reputational damage that could harm our business, results of operations and financial condition. In addition, from time to time we have received, and may receive in the future, correspondence from former employees and parties with whom we have done business, threatening to bring claims against us alleging that we have violated one or more regulations related to customs, labor and employment, foreign currency control or other laws or regulations. An adverse outcome in any litigation or proceeding related to such matters could require us to pay damages, attorneys' fees and / or other costs. If any governmental sanctions were to be imposed, or if we were not to prevail in any civil action or criminal proceeding, our business, results of operations and financial condition could be materially adversely affected. In addition, responding to any litigation or action would likely result in a significant diversion of management' s attention and resources and a significant increase in professional fees. Our future operating results depend in significant part upon the continued contributions of our key senior management and technical personnel, many of whom would be difficult to replace. Our future operating results also depend in significant part upon our ability to attract, train and retain qualified management, including for manufacturing and quality assurance, engineering, design, finance, marketing, sales and support personnel. We are continually recruiting such personnel in various parts of the world. In Brazil in particular, there is limited availability of labor with the technical skills required for our operations. As a result, we rely heavily on our ability to train personnel or relocate individuals from outside of the country. However, competition for such personnel across all of our markets can be strong and we can provide no assurance that we will be successful in attracting or retaining such personnel now or in the future. In addition, particularly in the high- technology industry, the value of stock options, restricted share unit awards or other share- based compensation is an important element in the retention of employees. Declines in the value of our ordinary shares could adversely affect our ability to retain employees and we may have to take additional steps to make the equity component of our compensation packages more attractive to attract and retain employees. These steps could result in dilution to shareholders. The loss of any key employee, the failure of any key employee to adequately perform in his or her current position, our inability to attract, train and retain skilled employees as needed or the inability of our key employees to expand, train and manage our employee base as needed, could have a material adverse effect on our business, results of operations and financial condition. **Worldwide political conditions and threats of terrorist attacks may adversely affect our operations and demand for our products.** Armed conflicts around the world **, including those in Ukraine and Israel,** could have an impact on our sales, our supply chain and our ability to deliver products to our customers. Political and economic instability in some regions of the world could also have a negative impact on our business. More generally, various events could cause consumer confidence and spending to decrease, or could result in increased economic or financial volatility, any of which could result in a decrease in demand for our products. Additionally, the occurrence or threat of terrorist attacks may in the future adversely affect demand for our products. In addition, such attacks may negatively affect our operations directly or indirectly and such attacks or other armed conflicts may directly impact our facilities or those of our suppliers or customers. Such attacks may make travel and the transportation of our products more difficult and more expensive, ultimately having a negative effect on our business. Any such occurrences could have a material adverse effect on our business, results of operations and financial condition.