

Risk Factors Comparison 2025-03-03 to 2024-02-28 Form: 10-K

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This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, the risk factors set forth below.

Operational Risks Our future operating results are difficult to predict and are subject to fluctuations. Our operating results, including revenues, gross margins, operating expenses, and net income (loss), have fluctuated on a quarterly and annual basis. Our strategic focus on higher volume opportunities with OEMs, ODMs, and contract manufacturers has caused the actions of a relative few such customers to disproportionately influence our operating results. Unanticipated delays in purchase orders from, and shipments to, certain large customers have resulted in lower than expected revenue. Similarly, our strategic focus on the development of market-leading technologies and manufacturing processes, often implemented in proprietary semiconductor circuitry, materials, and packaging, has exposed the Company to the risks and costs of delays in such development and the use of a relatively few number of suppliers of proprietary circuits and materials or providers of proprietary services. Despite recent profitability trends, we cannot predict if we will maintain sustained profitability. Our future operating results may be materially influenced by a number of factors, many of which are beyond our control, including:

- changes in demand for our products and for our customers' end-products incorporating our products, as well as our ability to respond efficiently to such changes in demand, including changes in delivery lead times and the volume of product for which orders are accepted and the product shipped within an individual quarter;
- our ability to manage our supply chain, inventory levels, and our own manufacturing capacity or that of third-party partners, particularly in the event of delays or cancellation of significant customer orders or in the event of delays or cost increases associated with our supply chain;
- our ability to effectively coordinate changes in the mix of products we manufacture and sell, while managing our ongoing transition in organizational focus and manufacturing infrastructure to Advanced Products from Brick Products;
- our ability to provide and maintain a high level of sales and engineering support to an increasing number of demanding, high volume customers;
- the ability of our third party suppliers and service subcontractors to provide us sufficient quantities of high quality products, components, and / or services on a timely and cost-effective basis;
- the effectiveness of our ongoing efforts to continuously reduce manufacturing costs per unit and manage operating expenses;
- our ability to absorb and mitigate the impact of inflation on our operating results;
- our ability to utilize our manufacturing facilities and personnel at efficient levels, maintaining sufficient production capacity and necessary manufacturing yields;
- the timing of our new product introductions and our ability to meet customer expectations for timely delivery of fully qualified products;
- the timing of new product introductions or other competitive actions (e. g., product price reductions) by our competitors;
- the ability to hire, retain, and motivate qualified employees to meet the demands of our customers;
- intellectual property disputes **including disputes relating to the licensing of our intellectual property; • our ability to license our intellectual property;**
- litigation-related costs, which may be significant;
- adverse economic conditions in the U. S. and those foreign countries in which we operate, as well as our ability to respond to unanticipated developments, such as the imposition of tariffs or trade restrictions;
- adverse budgetary conditions within the U. S. government, particularly the Department of Defense, which continue to influence spending on current and anticipated programs into which we sell or anticipate to sell our products;
- costs related to compliance with increasing worldwide governance, quality, environmental, and other regulations;
- costs and consequences of disruption by third-parties of our global computer network and related resources; and
- the effects of events outside of our control, including public health emergencies, natural disasters, terrorist activities, political risks, international conflicts, information security breaches, communication interruptions, and other force majeure.

As a result of these and other factors, we cannot assure you we will not experience significant fluctuations in future operating results on a quarterly or annual basis. In addition, if our operating results do not meet the expectations of investors, the market price of our Common Stock may decline. Global economic and political uncertainties, notably those associated with trade policy, could materially and adversely affect our business and consolidated operating results. For the years ended December 31, **2024**, 2023, **and** 2022, ~~and 2021~~, revenues from sales outside the United States were **48.2 %**, 63.1 %, **and** 67.6 %, ~~and 67.0 %~~, respectively, of our total revenues. Net revenues from customers in China and Hong Kong, accounted for approximately **12.6 % in 2024**, **approximately** 17.7 % in 2023, **and** approximately 18.8 % in 2022, ~~and approximately 27.5 % in 2021~~ of total net revenues. We expect international sales, notably in Asia, will continue to be a significant component of total sales, since many of the OEMs and ODMs we target as customers are domiciled offshore, and such customers increasingly utilize offshore contract manufacturers, and rely upon those contract manufacturers to place orders directly with us. ~~We also expect international revenue from our distributors to continue to increase.~~ To date, we have not experienced material delays or reduced raw material availability as a result of trade disputes between the U. S. and China, including the imposition in 2018 of import tariffs under the provisions of Section 301 of the Trade Act of 1974 (19 U. S. C. § 2411) ("Section 301 Tariffs") on certain Chinese goods imported into the United States. However, the costs of Section 301 Tariffs have had a material impact on our profitability. For the year ended December 31, **2023-2024**, Section 301 Tariffs totaled approximately \$ **4,189,000**, **a decrease of 47.5 % compared to \$ 7,985,000**, a decrease of 21.7 % over the \$ **10,201,000** incurred for **2022-2023**. For the year ended December 31, **2021-2022**, costs associated with tariffs totaled approximately \$ **610,678,201**, 000. For **2024**, 2023, **and** 2022 **and** 2021, Section 301 Tariffs totaled approximately **1.2 %**, 2.0 %, **and** 2.6 % **and** 1.9 %, respectively, of annual revenue, representing a ~~material~~ reduction in our gross profit margin as a percentage of annual revenue. We ~~continue to evaluate alternative sources of raw materials, and in 2021, 2022, and 2023 we qualified non-Chinese vendors for certain high-volume~~

raw materials and components. We anticipate a reduction in Section 301 Tariffs we incur during 2024, given the ongoing transition to non-Chinese vendors, but we are not able to estimate the amount of such reduction, if any. Similarly, we cannot predict if or when the U. S. government may reduce or eliminate Section 301 Tariffs. We also have filed “ duty drawback ” applications with U. S. Customs and Border Protection for the recovery of Section 301 Tariffs paid on raw materials and components used to produce products we subsequently exported. We recovered \$ 6-1, 954-669, 000 for the year ended December 31, 2023-2024, however, we are not able to estimate the amount or timing of any additional recoveries, and there can be no assurance that there will be any additional recoveries. In 2019, China implemented reciprocal inbound tariffs of up to 25 % on products exported from the U. S., including all of our products. We do not believe these tariffs, incurred by our Chinese and Hong Kong distributors, have had a material impact on the unit volume or dollar value of our exports to China, which we attribute to the differentiated performance of our products in market segments in which we have an established presence. However, we cannot predict the long-term influence of these tariffs on our competitive position in China, especially in light of the increased pressure by the Chinese government on Chinese manufacturers to meet the “ China 2025 ” mandate for targeted development of Chinese technology sectors. Under this mandate, domestic technology vendors are explicitly favored over foreign vendors such as Vicor. We believe we experienced reduced demand in certain segments (e. g., rail), notably in 2019, reflecting the significant role of state-owned enterprises in those segments. We regularly assess the competitive position and profitability of certain product lines sold in China and Hong Kong, and may choose to reduce our product offerings if competitive conditions and reduced profitability so warrant. Uncertain macroeconomic conditions, extended trade disputes, **an evolving and unpredictable tariff environment, export controls**, and the relative strength of the U. S. Dollar may reduce end-demand for our customers’ products and, in turn, their purchases of our products, thereby reducing our revenues and earnings. In addition, such adverse conditions may, among other things, result in increased price competition for our products, notably in Brick Product categories, increased risk of excess and obsolete inventories, increased risk in the collectability of our accounts receivable from our customers, increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable, and higher operating costs as a percentage of revenues. In October 2022, the U. S. Government instituted export controls of certain semiconductor technologies to China, and subsequent to that action, the U. S. Department of Commerce added certain China-based companies to its entity list, which precludes shipment of semiconductor products to these companies without a license. These restrictions could cause a reduction in demand for our products from contract manufacturing customers that manufacture for high performance compute OEMs, as well as a reduction in exports to customers on the entity list. We cannot **predict** be certain what the ultimate extent and / or impact of these -- **the export controls will be on current trade and tariff disputes between the United States and other countries, which adds to the uncertainty and risks associated with** our business, **financial condition, and results of operations**. Our operating results recently have been influenced by a limited number of customers, and our future results may be similarly influenced. Since the introduction of our Advanced Products, the Company has derived the majority of its revenue from Advanced Products in any given year from either one customer or a limited number of customers, whether through sales directly to the customer (s) or, indirectly to the customers’ contract manufacturers, **or through royalties**. This concentration of revenue is a reflection of the relatively early stage of adoption of the Advanced Products and the associated technologies and power system architectures, and our targeting of market leading innovators as initial customers. Our current sales and marketing efforts are focused primarily on accelerating the adoption of Advanced Products by a diversified customer base, across a number of identified market segments. While we believe we have been successful to date in diversifying our Advanced Products customer base beyond early adopters, we cannot assure you our strategy will be successful and further diversification of customers will be achieved, nor can we assure you that customers using one generation of our Advanced Products will adopt the next generation. We may not be able to procure necessary key components or raw materials, or we may purchase excess raw material inventory or unusable inventory, which increases the risk of reserve charges to reduce the value of any inventory deemed excess or obsolete, thereby reducing our profitability. The power systems industry, and the electronics industry as a whole, can be subject to pronounced, lengthy business cycles and otherwise subject to sudden and sharp changes in demand. Our success, in part, is dependent on our ability to forecast and procure inventories of components and materials to match production schedules and customer delivery requirements. Many of our products require raw materials supplied by a limited number of vendors and, in some instances, a single vendor. During certain periods, key components or materials required to build our products may become unavailable in the timeframe required for us to meet our customers’ needs. Our inability to secure sufficient raw materials to manufacture products for our customers has reduced, in the past, our revenue and profitability and could do so again. Over the course of the last few years, there have been circumstances where supply disruptions have impacted our results. We may choose, and have chosen, to mitigate our inventory risks by increasing the levels of inventory for certain components and materials. Such increased inventory levels may increase the potential risk for excess or obsolete inventories, should our forecasts fail to materialize or if there are negative factors impacting our customers’ end markets, leading to order cancellation. If we identify excess inventory or determine certain inventory is obsolete (i. e., unusable), we likely will record additional inventory reserves (i. e., expenses representing the write-off of the excess or obsolete inventory), which could have an adverse effect on our gross margins and on our operating results. We rely on third-party vendors and subcontractors for supply of components, assemblies, and services and, therefore, cannot control the availability or quality of such components, assemblies, and services. We depend on third-party vendors and subcontractors to supply components, assemblies, and services used to manufacture our products, some of which are supplied by a single vendor. **We In the past, we** have experienced shortages of certain semiconductor components and delays in service delivery, have incurred additional and unexpected costs to address the shortages and delays, and have experienced our own delays in production and shipping. **While these supply challenges have recently abated, as supply chains loosened up following the pandemic-related shortages and delays, they nonetheless remain risks to our business going forward as the global environment and supply chains are buffeted by changing geopolitical forces**. If suppliers or subcontractors cannot

provide their products or services on time or to our specifications, we may not be able to meet the demand for our products and our delivery times may be negatively affected. In addition, we cannot directly control the quality of the products and services provided by third parties. In order to expand revenue, we likely will need to identify and qualify new suppliers and subcontractors to supplant or replace existing suppliers and subcontractors, which may be a time- consuming and expensive process. In addition, any qualification of new suppliers may require customers of our products utilizing products and services from new suppliers and service providers to undergo a re- qualification process. Such circumstances likely would lead to disruptions in our production, increased manufacturing costs, delays in shipping to our customers, and / or increases in prices paid to third parties for products and services. Extended interruption of production at our manufacturing facility in Andover, Massachusetts, or a failure to achieve anticipated efficiencies could materially reduce our revenue, increase our costs, and, potentially, negatively impact our customers. The majority of our power components and power systems, whether for direct sale to customers or for sale to our subsidiaries for incorporation into their respective products, are manufactured in our Andover facility. Substantial damage to our manufacturing facility due to fire, natural disaster, power loss, or other events, could interrupt manufacturing, contributing to lengthy shipment delays that could have a negative impact on customers and, in turn, our customer relationships. While we have never experienced any meaningful interruption of manufacturing in our history, any prolonged inability to utilize all or a significant portion of our Andover facility could have a material adverse effect on our results of operations. We have been making and will continue to make capital investments for the expansion of manufacturing capacity for the production of Advanced Products at our Andover facility. **In 2023-Over the last few years**, as part of the expansion of our Andover facility, we brought in- house the complex electroplating operation previously outsourced to a third- party partner. In addition, work is underway to bring in- house an additional final step associated with the manufacture of power modules, which step is now conducted by a subcontractor at the subcontractor' s facilities. Once this additional manufacturing step has been completed, we may not achieve the anticipated production volumes and operating efficiencies. As we qualify equipment and bring production online, any delay in achieving anticipated operating efficiencies associated with added capacity may cause manufacturing costs to be higher than expected for some period of time, thereby potentially negatively influencing our operating and financial results. Disruption of our information technology infrastructure could adversely affect our business. We depend heavily on our computing and communications infrastructure to achieve our business objectives, particularly for our financial and operational record keeping, our computer- integrated manufacturing processes controlling all aspects of our operations in our manufacturing facility in Andover, Massachusetts, our public website, and our email communications. We also rely on trusted third parties to provide certain infrastructure support services to us. If we or a third party service provider encounter a problem that impairs this infrastructure, the resulting disruption could impede the accuracy and timeliness of our financial reporting processes, and our ability to record or process customer orders, manufacture, and ship in a timely manner, or otherwise carry on business in the normal course. Our image and reputation also could be negatively affected by such circumstances. Additionally, we could incur material liabilities associated with the harm such impairment and disruption of our infrastructure may have on third parties including those associated with the unintentional release of confidential information and or sensitive data. While we carry business interruption insurance to offset financial losses from such an interruption, and cyber- risk insurance to address potential liabilities from such circumstances, such insurance may be insufficient to compensate us for the potentially significant costs or liabilities incurred. Any such events, if prolonged, could have a material and adverse effect on our operating results and financial condition. **On December 24-January 1, 2019-2025, Vicor converted elements of our network were compromised by a form- from of malware referred to as a legacy enterprise resource planning (ERP ransomware. In close collaboration) system to a modern ERP system. While this system change is a technology upgrade, we may not be able to successfully implement the ERP system without delays related to resource constraints or challenges with the design our- or service provider- testing phases of the implementation. Inefficiencies in our financial reporting processes due to the conversion to a new ERP system could adversely affect our ability to produce accurate financial statements on a timely basis until the new ERP system and processes have matured. Additionally , the effectiveness of our internal control over financial reporting could be adversely affected if the new ERP system is not successfully implemented. If we are had restored computing and network functions to full operational status by the afternoon of December 27, 2019. Subsequent analysis by management and the forensic specialists we retained allowed us to conclude the incident had no not material impact able to effectively integrate the new ERP system, on the anticipated timeline our- or at all, our operations- operating - results and financial condition could be materially and adversely affected performance, or the integrity of our financial reporting systems. Our systems are designed to protect us from network security incidents and associated disruptions. However, as evidenced by the ransomware incident described above, we remain vulnerable to computer viruses and related software- based challenges to the integrity of our systems, unauthorized or illegal break- ins, or malicious network hacking, equipment or software sabotage, acts of vandalism to our systems by third parties, and, in the extreme, forms of cyber- terrorism . Our security measures or those of our third party service provider detected, but did not prevent, the network security incident and the associated disruptions described above and may not detect or prevent such incidents and disruptions in the future.** The Company provides confidential information to third party business partners and / or receives confidential information from third party business partners in certain circumstances, when doing so is necessary to conduct business, particularly with departments of agencies of the U. S. Government. While we employ confidentiality agreements to protect other sensitive information (i. e., information not considered controlled unclassified information), our own security measures or those of our third party service providers may not be sufficient to protect such information in the event the computing infrastructure of these third party business partners is compromised. Security incidents involving our computing and communications infrastructure or that of a third party business partner or service provider could result in the misappropriation or unauthorized release of confidential information belonging to us or to our employees, partners, customers or suppliers, which could result in an interruption to our operations, result in a violation of privacy or other laws, expose us to a risk of litigation, or damage our

reputation, any of which could have a material and adverse effect on our operating results and financial condition. ~~Our network segmented NIST 800-171 environment was not impacted by the December 2019 ransomware incident, but there can be no assurance that it will not be impacted by similar incidents in the future, which could have a material and adverse effect on our operating results and financial condition for the reasons described above.~~ We may face legal claims and litigation from product warranty or other claims that could be costly to resolve and could impact our business. We have in the past and may in the future encounter legal action from customers, vendors, or others concerning product warranty or other claims. We generally offer a two-year warranty from the date title passes from us for all of our standard products. The warranty period is three years for a range of H Grade, M Grade and MI Family DC-DC legacy products. We invest significant resources in the testing of our products; however, if any of our products contain defects, we may be required to incur additional development and remediation costs, pursuant to our warranty policies. These issues may divert our technical and other resources from other product development efforts and could result in claims against us by our customers or others, including liability for costs associated with product returns, which may adversely influence our operating results. If any of our products contain defects, or have reliability, quality, or compatibility problems, the Company's reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could adversely affect our operating results. Our ability to successfully implement our business strategy may be limited if we do not retain our key personnel and attract and retain skilled and experienced personnel. Our success depends on our ability to retain the services of our executive officers. The loss of one or more members of senior management could materially adversely influence our business and financial results. In particular, we are dependent on the services of Dr. Vinciarelli, our founder, Chairman of the Board, Chief Executive Officer, and President. The loss of the services of Dr. Vinciarelli could have a material adverse effect on our development of new products and on our business and results of operations. In addition, our research and development and marketing and sales activities depend on highly skilled engineers and other personnel with technical skills, who are in high demand and are difficult to replace. Our continued operations and growth depend on our ability to attract and retain skilled and experienced personnel in a very competitive employment market. If we are unable to attract and retain such employees, our ability to successfully implement our business strategy may be harmed. ~~The labor market for skilled and unskilled workers has been very tight over the past year, and at times we have experienced longer than normal times in recruiting necessary resources, and have had to increase compensation to attract and retain employees.~~ Our operations could be affected by the complex laws, rules and regulations to which our business is subject, and political and other actions may adversely impact our business. We are subject to laws and regulations domestically and worldwide, affecting our operations in areas including, but not limited to, intellectual property ownership and infringement; taxes; import and export requirements and tariffs; anti-corruption; business acquisitions; foreign exchange controls and cash repatriation restrictions; data privacy requirements; employment; product regulations; cybersecurity; environmental, health, and safety requirements; and climate change. Compliance with such requirements can be onerous and expensive and may impact our business operations negatively. Should any of these laws, rules and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs and / or restrictions on our ability to manufacture our products and operate our business. Government actions, including trade protection and national security policies of U. S. and foreign government bodies, such as tariffs, import or export regulations, including deemed export restrictions, trade and economic sanctions, decrees, quotas or other trade barriers and restrictions could affect our ability or the ability of our customers and end users to sell products in certain countries and thereby have a material adverse effect on our business, revenue and results of operations. **In recent years** For example, in 2022, the U. S. government imposed additional export controls on certain advanced computing semiconductor chips (chips, advanced computing chips, integrated circuits ("ICs")), certain semiconductor manufacturing items and transactions for certain IC end use, including supercomputer end uses. ~~Furthermore,~~ the U. S. government has continued to expand ~~the~~ number of foreign entities on the Entity List (a restricted party list that imposes additional licensing requirements on shipments to listed parties). These ~~recent~~ export controls are, in part, intended to restrict the ability of the People's Republic of China to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors. The implementation, interpretation and impact on our business of these rules and other regulatory actions taken by the U. S. government is uncertain and evolving, and these rules, other regulatory actions or changes, and other actions taken by the governments of either the U. S. or China, or both, that have occurred and may occur in the future could materially and adversely affect our business, revenue and results of operations. While we have policies and procedures in place to ensure compliance with sanctions and trade restrictions and other applicable laws, our employees, contractors, partners, and agents may take actions in violation of such policies and applicable law, for which we may be ultimately held responsible. Intentional and unintentional violations of these laws can result in fines and penalties; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation, any of which could have a material and adverse impact on our business, operating results and financial condition. ~~Global economic uncertainty associated with the COVID-19 pandemic could materially and adversely affect our business and consolidated operating results. While the COVID-19 pandemic is for the most part behind us, with limited incidents at Vicor in 2023, there is a continued risk that the virus will return and we are not able to predict the impact a further outbreak could have on our business, financial condition or results of operations. Trading conditions in China (inclusive of Hong Kong) had deteriorated through 2019 due to macroeconomic and trade-related uncertainties. At the beginning of 2020, trading conditions were significantly further affected by the COVID-19 pandemic, with much of the country's manufacturing disrupted for January and February 2020. By late March 2020, after aggressive measures to contain the coronavirus, the Chinese government quickly implemented economic stimulus measures, and we experienced a rapid recovery of demand from China and Hong Kong. This demand was sustained through the first part of 2021 before subsiding in late 2021. As addressed in our discussion herein of market characteristics, exports to China and Hong Kong for 2023 totaled approximately \$ 71,554,000, representing approximately 17.7% of total revenue for the year, and a reduction from the prior year. It is not possible for us to~~

~~predict whether this market will rebound as the Chinese government has eliminated their zero-COVID policy. Our customers, business partners, and suppliers have been and may continue to be adversely affected by the COVID-19 pandemic, which also may contribute to a negative influence on our future financial and operational performance.~~ Competitive Risks We compete with many companies possessing far greater resources. Some of our competitors have far greater financial, manufacturing, technical, and sales and marketing resources than we possess or have access to. Our Brick Products compete with those products offered by domestic and foreign manufacturers of integrated power supplies and related power conversion components. With our Advanced Product lines, we compete with global IDMs and fabless developers of semiconductor-based power management modules and power management ICs. These competitors have far larger organizations and broader semiconductor-based product lines. Competition is generally based on product performance, design flexibility (i. e., ease of use), product price, and product availability, but with the relative importance of these factors varying among products, markets, and customers. Existing or new competitors may develop products or technologies that more effectively address the demands of our customers and markets with enhanced performance, features and functionality, or lower cost. Larger competitors frequently seek to maintain market share and protect customer relationships through heavily-discounted pricing, which we may not be able to match. If we fail to develop and commercialize leading-edge technologies and products that are cost effective and maintain high standards of quality, and introduce them to the market on a timely basis, our competitive position and results of operations could be materially adversely affected. Our future success depends upon our ability to develop and market differentiated, leading-edge power conversion products for larger customers, potentially contributing to lengthy product development and sales cycles that may result in significant expenditures before revenues are generated. Our future operating results are dependent on the growth in such customers' businesses and on our ability to profitably develop and deliver products meeting customer requirements. The power system industry and the industries in which many of our customers operate are characterized by intense competition, rapid technological change, quickened product obsolescence, and price erosion for mature products, each of which could have an adverse effect on our results of operations. We are following a strategy based on the development of differentiated Advanced Products addressing what we believe to be the long-term limitations of traditional power architectures, while at the same time sustaining sales and profitability of our well-established Brick Products. The development of new, innovative products is often a complex, time-consuming, and costly process involving significant investment in research and development, with no assurance of return on investment. Although we have introduced many Advanced Products over recent years, there can be no assurance we will be able to continue to develop and introduce new and improved products and power system concepts in a timely or efficient manner. Similarly, there can be no assurance recently introduced or to be developed products will achieve customer acceptance. Our future success depends substantially upon further customer acceptance of our innovative Advanced Products including our Power-on-Package concept for the computing market and Advanced Products supporting the electrification of automobiles. As we have been in the early stages of market penetration for these and other Advanced Products, we have experienced lengthy periods during which we have focused our product development efforts on the specific requirements of a limited number of large customers, followed by further periods of delay before meaningful purchase orders are received. These lengthy development and sales cycle times increase the possibility a customer may decide to cancel or change product plans, which could reduce or eliminate our sales to that customer. As a result, we may incur significant product development expenses, as well as significant sales and marketing expenses, before we generate the related revenues for these products. Furthermore, we may never generate the anticipated revenues from a product after incurring such expenses if our customer cancels or changes its product plans. **We have** ~~In 2023, we~~ continued our expansion of a dedicated sales effort to penetrate the automotive market with our Advanced Products, notably in the electrification of passenger automobiles. Our Power Component Design Methodology provides conversion solutions for 800V, 400V, and 48V within advanced electric vehicles. The automotive market is dominated by relatively few global OEMs and "tiers" of well-established suppliers. Penetrating this market will be challenging and we may not be successful in doing so. We continue to focus our go-to-market strategy on larger opportunities with global OEMs, ODMs, and contract manufacturers. Our growth is therefore dependent on: the pace at which these OEMs and ODMs develop their own new products; the acceptance of our Advanced Products by these OEMs and ODMs; and the success of the customers' products incorporating our Advanced Products. If we fail to anticipate changes in our customers' businesses and their changing product needs or do not successfully identify and enter new markets, our results of operations and financial position could be negatively impacted. We cannot offer any assurance the markets we currently serve will grow in the future, our Advanced Products or Brick Products will meet respective market requirements, or we can maintain adequate gross margins or operating profits in these markets. Intellectual Property Risks We may be unable to adequately protect our proprietary rights, which may limit our ability to compete effectively. We operate in an industry in which the ability to compete depends on the development or acquisition of proprietary technologies that must be protected to preserve the exclusive use of such technologies. We devote substantial resources to establish and protect our patents and proprietary rights, and we rely on patent and intellectual property law to protect such rights. This protection, however, may not prevent competitors from independently developing products similar or superior to our products. We may be unable to protect or enforce current patents, may rely on unpatented technology that competitors could restrict or replicate, or may be unable to acquire patents in the future, all of which may have a material adverse effect on our competitive position. In addition, the intellectual property laws of foreign countries may not protect our rights to the same extent as those of the United States. We have been defending and may need to continue to defend or challenge patents. We have incurred and expect to incur significant financial costs in the defense of our patented technologies and have devoted and expect to devote significant resources to these efforts which, if unsuccessful, may have a material adverse effect on our operating results and financial position. We face intellectual property infringement claims that could be disruptive to operations and costly to resolve and may encounter similar infringement claims in the future. The power supply industry is characterized by vigorous protection and pursuit of intellectual property rights. We have in the past received and may in the future receive communications from third parties asserting that our

products or manufacturing processes infringe on a third party's patent or other intellectual property rights. Such assertions, if publicly disclosed, have in the past inhibited and may in the future inhibit the willingness of potential customers to purchase certain of our products. In the event a third party makes a valid intellectual property claim against us and a license is not available to us on commercially reasonable terms, or at all, we could be forced to either redesign or stop production of products incorporating that technology, and our business, financial condition and operating results could be materially and adversely affected. In addition, litigation may be necessary to defend us against claims of infringement, and this litigation could be costly, extend over a lengthy period of time, and divert the attention of key personnel. An adverse outcome in these types of matters could have a material adverse impact on our business, operating results and financial condition. Please see Note ~~15-16~~ – Commitments and Contingencies, to the Consolidated Financial Statements for information regarding current litigation related to our intellectual property. Any expenses or liability resulting from the outcome of litigation could adversely influence our operating results and financial condition. From time to time, we may be subject to claims or litigation, including intellectual property litigation as described elsewhere in this Annual Report on Form 10-K. Any such claims or litigation may be time-consuming and costly, divert management resources, require us to change our products, or have other adverse effects on our business. Any of the foregoing could have a material adverse effect on our operating results and could require us to pay significant monetary damages. The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is considered probable an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. In determining whether a loss should be accrued, we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our financial statements.

Regulatory Risks If we fail to maintain an effective system of internal controls over financial reporting or discover material weaknesses in our internal controls over financial reporting, we may not be able to report our financial results accurately or timely or detect fraud, which could have a material adverse effect on our business. An effective internal control environment is necessary for us to produce reliable financial reports and is an important part of our effort to prevent financial fraud. Section 404 of the Sarbanes-Oxley Act of 2002 (“SOX”) requires our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting. We have an ongoing program to perform the system and process evaluation and testing necessary to comply with the requirements of SOX and to continuously improve and, when necessary, remediate internal controls over financial reporting. While management evaluates the effectiveness of our internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks. In the event our Chief Executive Officer or Chief Financial Officer, our certifying officers under SOX, or our independent registered public accounting firm determines our internal controls over financial reporting are not effective as defined under Section 404, we may be unable to produce reliable financial reports or prevent fraud, which could materially harm our business. In addition, we may be subject to sanctions or investigation by government authorities or self-regulatory organizations, such as the SEC, the Financial Industry Regulatory Authority, or The NASDAQ Stock Market LLC. Any such actions could affect investor perceptions of the Company and result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements, which could cause the market price of our Common Stock to decline or limit our access to capital. **We cannot be certain what changes to the regulatory environment might occur under the new administration. However, if the regulatory environment changes in ways that disrupt our business there could be a material and adverse effect on our operations and financial performance.**

Risks Related to Share Value The price of our Common Stock has been volatile and may fluctuate in the future. Because of the factors set forth above and below, among others, the trading price of our Common Stock has fluctuated and may continue to fluctuate significantly:

- volatility of the financial markets, notably the equity markets in the U. S.;
- uncertainty regarding the prospects of domestic and foreign economies, including the impact of volatile currency exchange rates;
- uncertainty regarding domestic and international political conditions, including tax, trade, and tariff policies;
- actual or anticipated fluctuations in our operating performance or that of our competitors;
- the performance and prospects of our major customers, including their adoption of technologies or standards other than those in which we specialize;
- announcements by us or our competitors of significant new products, technical innovations, or litigation;
- investor perception of the Company and the industry in which we operate;
- the liquidity of the market for our Common Stock, reflecting a relatively low trading float and relatively low average trading volumes;
- the uncertainty of the declaration and payment of future cash dividends on our Common Stock; and
- the concentration of ownership of our Common Stock by Dr. Vinciarelli, our Chairman of the Board, Chief Executive Officer, and President. In the past, we have declared and paid cash dividends on our Common Stock. The payment of dividends is based on the periodic determination by our Board of Directors that we have adequate capital to fund anticipated operating requirements and that excess cash is available for distribution to stockholders via a dividend. We have no formal policy regarding dividends and, as such, investors cannot make assumptions regarding the possibility of future dividend payments nor the amounts and timing thereof. As of December 31, ~~2023~~ **2024**, we have no plans to declare or pay a cash dividend. The ownership of our Common Stock is concentrated between Dr. Vinciarelli and a limited number of institutional investors. As of December 31, ~~2023~~ **2024**, Dr. Vinciarelli was the beneficial owner of ~~9,10,592,021,017,388~~ shares of our Common Stock, plus ~~430,674,319~~ shares which Dr. Vinciarelli has the right to acquire upon exercise of options to purchase Common Stock within 60 days of December 31, ~~2023~~ **2024**. He also holds 11,023,648 shares of our unregistered Class B Common Stock (which may only be sold or transferred after required conversion, on a one-for-one basis, into registered shares of Common Stock), which together with his ownership of Common Stock, represents 47.63% of our total issued and outstanding shares of capital stock. Accordingly, the market float for our Common Stock and average daily

trading volumes are relatively small, which may negatively impact investors' ability to buy or sell shares of our Common Stock in a timely manner. Dr. Vinciarelli owns 93.89% of the issued and outstanding shares of our Class B Common Stock, which possess 10 votes per share. Dr. Estia J. Eichten, a member of our Board of Directors, owns the majority of the balance of the Class B Common Stock issued and outstanding. As such, Dr. Vinciarelli, controlling in aggregate 79.86% of our outstanding voting securities, has effective control of our governance.