

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

or

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

For the transition period from _____ to _____

Commission file number: **001-39755**



Navitas Semiconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

3520 Challenger Street

Torrance, California

(Address of Principal Executive Offices)

85-2560226

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

90503-1640

(Zip Code)

(844) 654-2642

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	NVTS	Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 178,488,254 shares of Class A Common Stock were outstanding at November 6, 2023.

TABLE OF CONTENTS

	<u>Page</u>
<u>Part I - Financial Information</u>	
Item 1.	
Financial Statements (unaudited)	2
Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022	2
Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2023 and 2022	3
Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2023 and 2022	4
Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the Three and Nine Months Ended September 30, 2023 and 2022	5
Condensed Consolidated Statements of Cash Flow for the Nine Months Ended September 30, 2023 and 2022	7
Condensed Notes to Consolidated Financial Statements	7
Item 2.	
Management's Discussion and Analysis of Financial Conditions and Operating Results	28
Item 3.	
Quantitative and Qualitative Disclosures About Market Risk	36
Item 4.	
Control and Procedures	36
<u>Part II - Other Information</u>	
Item 1.	
Legal Proceedings	38
Item 1A.	
Risk Factors	38
Item 6.	
Exhibits	41

[Signatures](#)

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except shares and par value)	September 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 176,698	\$ 110,337
Accounts receivable, net	17,573	9,127
Inventories	15,904	19,061
Prepaid expenses and other current assets	4,511	3,623
Total current assets	214,686	142,148
PROPERTY AND EQUIPMENT, net	8,392	6,532
OPERATING LEASE RIGHT OF USE ASSETS	5,950	6,381
INTANGIBLE ASSETS, net	96,176	105,620
GOODWILL	163,215	161,527
OTHER ASSETS	5,501	3,054
Total assets	<u>\$ 493,920</u>	<u>\$ 425,262</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other accrued expenses	\$ 14,793	\$ 14,653
Accrued compensation expenses	15,487	3,907
Operating lease liabilities, current	1,346	1,305
Deferred revenue	13,759	486
Total current liabilities	45,385	20,351
OPERATING LEASE LIABILITIES NONCURRENT	4,788	5,263
EARNOUT LIABILITY	38,567	13,064
DEFERRED TAX LIABILITIES	1,830	1,824
Total liabilities	<u>90,570</u>	<u>40,502</u>
COMMITMENTS AND CONTINGENCIES (Note 15)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.0001 par value, 750,000,000 shares authorized as of both September 30, 2023 and December 31, 2022, and 178,584,150 and 153,628,838 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	19	18
Additional paid-in capital	670,947	535,875
Accumulated other comprehensive loss	(7)	(7)
Accumulated deficit	(267,609)	(154,754)
Total stockholders' equity of Navitas Semiconductor Corporation	403,350	381,132
Noncontrolling interest	—	3,628
Total stockholders' equity	<u>403,350</u>	<u>384,760</u>
Total liabilities and stockholders' equity	<u>\$ 493,920</u>	<u>\$ 425,262</u>

The accompanying condensed notes are an integral part of these condensed consolidated financial statements

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
NET REVENUES	\$ 21,978	\$ 10,243	\$ 53,399	\$ 25,594
COST OF REVENUES (exclusive of amortization of intangible assets included below)	14,878	9,852	33,322	18,655
OPERATING EXPENSES:				
Research and development	16,553	11,526	50,740	34,373
Selling, general and administrative	14,419	24,053	46,629	62,590
Amortization of intangible assets	4,774	2,241	14,046	2,413
Total operating expenses	35,746	37,820	111,415	99,376
LOSS FROM OPERATIONS	(28,646)	(37,429)	(91,338)	(92,437)
OTHER INCOME (EXPENSE), net:				
Interest income, net	1,695	638	3,405	666
Gain from change in fair value of warrants	—	—	—	51,763
Gain (loss) from change in fair value of earnout liabilities	34,473	(6,098)	(25,503)	112,162
Other income (expense)	20	(74)	50	(1,215)
Total other income (expense), net	36,188	(5,534)	(22,048)	163,376
INCOME (LOSS) BEFORE INCOME TAXES	7,542	(42,963)	(113,386)	70,939
INCOME TAX (BENEFIT) PROVISION	23	(10,135)	(13)	(9,862)
NET INCOME (LOSS)	7,519	(32,828)	(113,373)	80,801
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	(238)	(518)	(238)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	\$ 7,519	\$ (32,590)	\$ (112,855)	\$ 81,039
NET INCOME (LOSS) PER COMMON SHARE:				
Basic net income (loss) per share attributable to common stockholders	\$ 0.04	\$ (0.24)	\$ (0.68)	\$ 0.64
Diluted net income (loss) per share attributable to common stockholders	\$ 0.04	\$ (0.24)	\$ (0.68)	\$ 0.58
WEIGHTED AVERAGE COMMON SHARES USED IN NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:				
Basic common shares	175,103	138,455	165,719	127,390
Diluted common shares	185,626	138,455	165,719	140,134

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
NET INCOME (LOSS)	\$ 7,519	\$ (32,828)	\$ (113,373)	\$ 80,801
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax	—	54	—	(6)
Total other comprehensive income (loss)	—	54	—	(6)
COMPREHENSIVE INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	7,519	(32,774)	(113,373)	80,795
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	(238)	(518)	(238)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 7,519	\$ (32,536)	\$ (112,855)	\$ 81,033

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

	Stockholder's Equity (Deficit)							Total
	Common stock		Additional paid in capital	Accumulated deficit	Accumulated comprehensive income (loss)	Noncontrolling interest		
	Shares	Amount						
NINE MONTHS ENDED SEPTEMBER 30, 2023								
BALANCE AT DECEMBER 31, 2022	153,629	\$ 18	\$ 535,875	\$ (154,754)	\$ (7)	\$ 3,628		\$ 384,760
Issuance of common stock under employee stock option and stock award plans	3,082	—	2,925	—	—	—		2,925
Shares issued in connection with buyout agreement (see Note 18)	4,232	—	7,509	—	—	(3,110)		4,399
Stock-based compensation expense related to employee and non-employee stock awards	—	—	14,884	—	—	—		14,884
Net loss	—	—	—	(61,847)	—	(518)		(62,365)
BALANCE AT MARCH 31, 2023	160,943	\$ 18	\$ 561,193	\$ (216,601)	\$ (7)	\$ —		\$ 344,603
Issuance of common stock under employee stock option and stock award plans	1,207	—	633	—	—	—		633
Shares issued in May 2023 public offering, including underwriter's exercise of option to purchase shares, net of issuance costs	11,500	1	86,458	—	—	—		86,459
Stock-based compensation expense related to employee and non-employee stock awards	—	—	10,246	—	—	—		10,246
Net loss	—	—	—	(58,527)	—	—		(58,527)
BALANCE AT JUNE 30, 2023	173,650	\$ 19	\$ 658,530	\$ (275,128)	\$ (7)	\$ —		\$ 383,414
Issuance of common stock under employee stock option and stock award plans	4,934	—	2,178	—	—	—		2,178
Stock-based compensation expense related to employee and non-employee stock awards	—	—	10,239	—	—	—		10,239
Net income	—	—	—	7,519	—	—		7,519
BALANCE AT SEPTEMBER 30, 2023	178,584	\$ 19	\$ 670,947	\$ (267,609)	\$ (7)	\$ —		\$ 403,350

Stockholder's Equity (Deficit)

	Common stock		Additional paid in capital	Accumulated deficit	Accumulated comprehensive income (loss)	Noncontrolling interest	Total
	Shares	Amount					
NINE MONTHS ENDED SEPTEMBER 30, 2022							
BALANCE AT DECEMBER 31, 2021	117,751	\$ 15	\$ 294,190	\$ (228,667)	\$ (2)	\$ —	\$ 65,536
Issuance of common stock under employee stock option and stock award plans	2,459	—	1,305	—	—	—	1,305
Repurchase of common stock	(67)	—	(550)	—	—	—	(550)
Exercise of warrants	3,318	—	29,641	—	—	—	29,641
Stock-based compensation expense related to employee and non-employee stock awards	—	—	24,072	—	—	—	24,072
Foreign currency translation adjustment	—	—	—	—	(60)	—	(60)
Net income	—	—	—	79,792	—	—	79,792
BALANCE AT MARCH 31, 2022	123,461	\$ 15	\$ 348,658	\$ (148,875)	\$ (62)	\$ —	\$ 199,736
Issuance of common stock under employee stock option and stock award plans	1,862	1	2,514	—	—	—	2,515
Shares issued for business acquisition	150	—	1,068	—	—	—	1,068
Stock-based compensation expense related to employee and non-employee stock awards	—	—	9,723	—	—	—	9,723
Net income	—	—	—	33,837	—	—	33,837
BALANCE AT JUNE 30, 2022	125,473	\$ 16	\$ 361,963	\$ (115,038)	\$ (62)	\$ —	\$ 246,879
Issuance of common stock under employee stock option and stock award plans	1,489	—	1,316	—	—	—	1,316
Shares issued for business acquisition	24,883	2	146,310	—	—	—	146,312
Shares issued for transaction fees	170	—	1,000	—	—	—	1,000
Stock-based compensation expense related to employee and non-employee stock awards	—	—	14,722	—	—	—	14,722
Change in noncontrolling interest	—	—	—	—	—	4,655	4,655
Foreign currency translation adjustment	—	—	—	—	54	—	54
Net loss	—	—	—	(32,590)	—	(238)	(32,828)
BALANCE AT SEPTEMBER 30, 2022	152,015	\$ 18	\$ 525,311	\$ (147,628)	\$ (8)	\$ 4,417	\$ 382,110

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

(In thousands)	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (113,373)	\$ 80,801
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	1,550	632
Amortization of intangible assets	14,046	2,408
Non-cash lease expense	1,449	480
Other	85	2,174
Stock-based compensation expense	41,810	52,136
Amortization of debt discount and issuance costs	—	7
Gain from change in fair value of warrants	—	(51,763)
(Gain) loss from change in fair value of earnout liability	25,503	(112,162)
Deferred income taxes	5	(10,185)
Change in operating assets and liabilities:		
Accounts receivable	(8,446)	(479)
Inventory	3,157	(2,731)
Prepaid expenses and other current assets	(888)	335
Other assets	(1,649)	498
Accounts payable, accrued compensation and deferred revenue	20,761	2,778
Operating lease liability	(1,452)	(466)
Net cash used in operating activities	(17,442)	(35,537)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(1,000)	—
Business acquisitions, net of cash acquired	—	(96,355)
Investment in Joint Venture	—	(5,204)
Investment in preferred stock	—	(1,500)
Purchases of property and equipment	(3,410)	(3,485)
Receipts on notes receivable	—	97
Net cash used in investing activities	(4,410)	(106,447)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of warrants	—	(38)
Repurchase of common stock	—	(550)
Proceeds from issuance of common stock in connection stock option exercises	1,754	1,512
Proceeds from issuance of common stock in May 2023 public offering	86,941	—
Payment of May 2023 public offering costs	(482)	—
Payment of debt issuance costs	—	(2,400)
Net cash provided by (used in) financing activities	88,213	(1,476)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,361	(143,460)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	110,337	268,252
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 176,698	\$ 124,792
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Net assets acquired through change in control of joint venture	\$ —	\$ 6,444
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 64	\$ 363
Cash paid for interest	\$ —	\$ 205
Shares issued in connection with buyout agreement (see Note 18)	\$ 22,400	\$ —
Shares issued for business acquisition	\$ —	\$ 147,380
Capital expenditures in accounts payable	\$ 764	\$ 803

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Navitas Semiconductor Corporation (“the Company”) designs, develops and markets next-generation power semiconductors including gallium nitride (“GaN”) power integrated circuits (“ICs”), silicon carbide (“SiC”) and associated high-speed silicon system controllers, and digital isolators used in power conversion and charging. Power supplies incorporating the Company’s products may be used in a wide variety of applications including fast chargers for mobile phones and laptops, consumer electronics, data centers, solar products, electric vehicles and infrastructure, among numerous other applications. The Company’s products provide superior efficiency, performance, size, cost and sustainability relative to existing silicon technology. The Company presently operates as a product design house that contracts the manufacturing of its chips and packaging to partner suppliers. Navitas maintains its operations around the world, including the United States, Ireland, Germany, Italy, Belgium, China, Taiwan, Thailand, Korea and the Philippines, with principal executive offices in Torrance, California.

May 2023 Public Offering

On May 26, 2023, the Company completed an underwritten public offering (the “May 2023 Public Offering”) of 10,000,000 shares of its Class A Common Stock at a public offering price of \$8.00 per share, before deducting underwriting discounts and commissions. In connection with the May 2023 Public Offering, the Company granted the underwriters of the offering a 30-day option to purchase up to an additional 1,500,000 shares of the Company’s Class A Common Stock (the “Option Shares”) from the Company at the same public offering price. On June 1, 2023, the underwriters exercised in full their option to purchase the Option Shares. The sale of the Option Shares closed on June 5, 2023. After deducting underwriting discounts and commissions and before deducting offering expenses payable by the Company, the Company received net proceeds of \$75.6 million and \$11.3 million from the May 2023 Public Offering and sale of the Option Shares, respectively. The total net proceeds received by the Company after deducting offering expenses was \$86.5 million. The Company intends to use the net proceeds for working capital and other general corporate purposes, including potential acquisitions or strategic manufacturing investments.

Acquisitions

In June 2022, the Company acquired VDDTECH srl, a Belgian private company, for approximately \$1.9 million in cash and stock, and in August 2022 the Company acquired GeneSiC for approximately \$246.2 million in cash and stock. See Note 17, Business Combinations, for more information.

In January 2023, the Company announced an agreement to acquire the remaining minority interest in its silicon control IC joint venture from Halo Microelectronics International Corporation for a purchase price of \$22.4 million in Navitas stock. The transaction was completed in February 2023. See Note 18, Noncontrolling Interest, for more information.

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The information contained in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are in the opinion of management, necessary for a fair presentation of such condensed consolidated financial statements. Operating results for the three and nine months ended September 30, 2023, are not necessarily indicative of results to be expected for the full year ending December 31, 2023. Certain footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America have been condensed or omitted pursuant to SEC rules and regulations relating to interim financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with consolidated financial statements and notes thereto contained in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on April 3, 2023. Except as further described below, there have been no significant changes in the Company’s accounting policies from those disclosed in its Form 10-K filed with the SEC on April 3, 2023.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations

We account for business combinations using the acquisition method of accounting, in accordance with Accounting Standards Codification (“ASC”) 805, “*Business Combinations*”. The acquisition method requires identifiable assets acquired and liabilities assumed to be recognized and measured at fair value on the acquisition date, which is the date that the acquirer obtains control of the acquired business. The amount by which the fair value of consideration transferred exceeds the net fair value of assets acquired and liabilities assumed is recorded as goodwill.

The determination of estimated fair value requires us to make significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, and asset lives, among other items. As a result, we may record adjustments to the fair values of assets acquired and liabilities assumed within the measurement period (up to one year from the acquisition date) with the corresponding offset to goodwill.

Transaction costs associated with business combinations are expensed as they are incurred.

Valuation of Contingent Consideration Resulting from a Business Combination

In connection with certain acquisitions, we may be required to pay future consideration that is contingent upon the achievement of specified milestone events. We record contingent consideration resulting from a business combination at its fair value on the acquisition date. Each quarter thereafter, we revalue these obligations and record increases or decreases in their fair value within our Condensed Consolidated Statements of Operations until such time as the specified milestone achievement period is complete.

Increases or decreases in fair value of the contingent consideration liabilities can result from updates to assumptions such as the expected timing or probability of achieving the specified milestones. Significant judgment is employed in determining these assumptions as of the acquisition date and for each subsequent period. Updates to assumptions could have a significant impact on our results of operations in any given period. Actual results may differ from estimates.

Recently Adopted Accounting Standards

Credit Losses

In June 2016, the Financial Accounting Standards Board (“FASB”) amended guidance related to impairment of financial instruments as part of ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss impairment methodology with an expected credit loss model for which a company recognizes an allowance based on the estimate of expected credit loss. This ASU requires entities to measure the impairment of certain financial instruments, including accounts receivable, based on expected losses rather than incurred losses. For companies that qualify under the emerging growth company exemptions, this ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted, and is effective for the Company beginning in 2023. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements and related disclosures.

We pool financial assets based on their risk characteristics, which include class of customer, geographic location of the customer, contractual life of the financial asset, and age of the open receivable balance. The allowance for credit losses pool is estimated based on historical credit loss rates adjusted for management’s reasonable and supportable expectations of future economic conditions, which consider macroeconomic, industry and market trends that could impact future credit loss rates. Additions to the allowance are charged to general and administrative expenses in the consolidated statements of operations. Accounts receivables are written off against the allowance when the probability of collection of an account balance is deemed remote.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

3. INVENTORY

Inventory consists of the following (in thousands):

	September 30, 2023	December 31, 2022
Raw materials	\$ 4,776	\$ 4,314
Work-in-process	8,767	9,166
Finished goods	2,361	5,581
Total	\$ 15,904	\$ 19,061

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Furniture and fixtures	\$ 240	\$ 215
Computers and other equipment	9,736	7,251
Leasehold improvements	2,434	2,054
Construction in Progress	737	—
	13,147	9,520
Accumulated depreciation	(4,755)	(2,988)
Total	\$ 8,392	\$ 6,532

For the three and nine months ended September 30, 2023, depreciation expense was \$0.6 million and \$1.6 million, respectively. For the three and nine months ended September 30, 2022, depreciation expense was \$0.3 million and \$0.6 million, respectively, and was determined using the straight-line method over the following estimated useful lives:

Furniture and fixtures	3 — 7 years
Computers and other equipment	2 — 5 years
Leasehold improvements	2 — 5 years

5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The accounting guidance on fair value measurements clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices for identical assets in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The short-term nature of the Company's cash and cash equivalents, accounts receivable, debt and current liabilities causes each of their carrying values to approximate fair value for all periods presented. Cash equivalents classified as Level 1 instruments were \$159.5 million and not material as of September 30, 2023 and December 31, 2022, respectively.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table presents the Company's fair value hierarchy for financial liabilities as of September 30, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities:				
Earnout liability	\$ —	\$ —	\$ 38,567	\$ 38,567
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 38,567</u>	<u>\$ 38,567</u>

The following table presents the Company's fair value hierarchy for financial liabilities as of December 31, 2022 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities:				
Earnout liability	\$ —	\$ —	\$ 13,064	\$ 13,064
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,064</u>	<u>\$ 13,064</u>

The following table provides a reconciliation between the beginning and ending balances of items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3) (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs
Balance at December 31, 2022	\$ 13,064
Fair value adjustment	25,503
Balance at September 30, 2023	<u>\$ 38,567</u>

The Company did not transfer any investments between Level 1 and Level 2 of the fair value hierarchy during the three and nine months ended September 30, 2023.

6. GOODWILL AND INTANGIBLES

Goodwill represents the excess of the consideration transferred over the estimated fair value of assets acquired and liabilities assumed in a business combination. Intangible assets are measured at their respective fair values as of the acquisition date and may be subject to adjustment within the measurement period, which may be up to one year from the acquisition date. Goodwill and indefinite-lived intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it is more likely than not that the assets are impaired.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table presents the changes in the Company's goodwill balance (in thousands):

	Goodwill
Balance at December 31, 2022	\$ 161,527
Purchase price adjustment	1,688
Balance at September 30, 2023	<u>\$ 163,215</u>

Refer to Note 17, Business Combinations, for further details.

The following table presents the Company's intangible asset balance by asset class as of September 30, 2023 (in thousands):

Intangible Asset	Cost	Accumulated Amortization	Net Book Value	Amortization Method	Useful Life
Trade Names	\$ 900	\$ (506)	\$ 394	Straight line	2 years
Developed Technology	53,500	(14,359)	39,141	Straight line	4-10 years
In-process R&D	1,177	—	1,177	Indefinite	N/A
Patents	34,900	(2,759)	32,141	Straight line	5-15 years
Customer Relationships	24,300	(2,734)	21,566	Straight line	10 years
Non-Competition Agreements	1,900	(428)	1,472	Straight line	5 years
Other	1,166	(881)	285	Straight line	5 years
Total	<u>\$ 117,843</u>	<u>\$ (21,667)</u>	<u>\$ 96,176</u>		

The following table presents the changes in the Company's intangible asset balance (in thousands):

	Intangible Assets, net
Balance at December 31, 2022	\$ 105,620
Additions to intangible assets	4,602
Amortization expense	(14,046)
Balance at September 30, 2023	<u>\$ 96,176</u>

The amortization expense was \$4.8 million and \$14.0 million for the three and nine months ended September 30, 2023, respectively. The amortization expense was \$2.2 million and \$2.4 million for the three and nine months ended September 30, 2022, respectively.

There were no impairment charges during the three months ended September 30, 2023 and 2022.

7. DEBT OBLIGATIONS

On April 29, 2020, the Company entered into a loan and security agreement with a new bank (the "Term Loan"), which provided for term advances up to \$8.0 million. As of September 30, 2023, this loan had been paid in full.

In connection with execution of the Term Loan, the Company issued warrants to the bank (see Note 10, Warrant Liability). The fair value of the warrants at the date of issuance was not material and was recorded as debt discount, subject to amortization using the effective interest rate method over the term of the loan. All warrants were no longer outstanding

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

by December 31, 2022, and amortization of debt discount and issuance costs was not significant any of the three or nine months ended September 30, 2023 or 2022.

8. LEASES:

The Company has entered into operating leases primarily for commercial buildings. These leases have terms which range from 0.1 to 5.2 years. As of September 30, 2023 no operating lease agreements contain economic penalties for the Company to extend the lease, and it is not reasonably certain the Company will exercise these extension options. Additionally, these operating lease agreements do not contain material residual value guarantees or material restrictive covenants. As of September 30, 2023 all leases recorded on the Company's consolidated balance sheets were operating leases.

Upon adoption of ASC 842 on January 1, 2022, the Company recorded operating lease assets of \$1.6 million and lease liabilities of \$1.7 million in the Company's consolidated balance sheets. The adoption of this standard did not have a material impact on retained earnings, the consolidated statements of operations, or cash flows. The Company has made the accounting policy election to use certain ongoing practical expedients made available by ASC 842 to: (i) not separate lease components from non-lease components for real estate; and (ii) exclude leases with an initial term of 12 months or less ("short-term" leases) from the consolidated balance sheets and will recognize related lease payments in the consolidated statements of operations on a straight-line basis over the lease term. For leases that do not have a readily determinable implicit rate, the Company uses its estimated secured incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments.

Rent expense, including short-term lease cost, was \$0.5 million and \$1.5 million for the three and nine months ended September 30, 2023, respectively. Rent expense, including short term lease cost, was \$0.7 million and \$1.4 million for the three and nine months ended September 30, 2022, respectively. In addition to rent payments, the Company's leases include real estate taxes, common area maintenance, utilities, and management fees, which are not fixed. The Company accounts for these costs as variable payments and does not include such costs as a lease component. Total variable expense was not material for the three and nine months ended September 30, 2023 and 2022.

Information related to the Company right-of-use assets and related operating lease liabilities were as follows (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Cash paid for operating lease liabilities	\$ 1,426	\$ 425
Operating lease cost	\$ 1,449	\$ 573
Non-cash right-of-use assets obtained in exchange for new operating lease obligations	\$ 776	\$ 5,805
Weighted-average remaining lease term	4.64 years	2.26 years
Weight-average discount rate	4.25% - 8.25%	4.25% - 5.50%

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Maturities of lease liabilities are as follows (in thousands):

Remainder of fiscal year 2023	\$	464
Fiscal year 2024		1,619
Fiscal year 2025		1,324
Fiscal year 2026		1,229
Fiscal year 2027		1,218
Thereafter		1,112
		<u>6,966</u>
Less imputed interest		832
Total lease liabilities	\$	<u>6,134</u>

9. SHARE BASED COMPENSATION:

Equity Incentive Plans

The Navitas Semiconductor Limited 2020 Equity Incentive Plan, initially adopted by the Company's board of directors on August 5, 2020 as an amendment and restatement of the 2013 Equity Incentive Plan ("2013 Plan"), was amended and restated as the Amended and Restated Navitas Semiconductor Limited 2020 Equity Incentive Plan (the "2020 Plan"). The 2020 Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock unit ("RSU") awards, stock appreciation rights, and other stock awards to employees, directors and consultants. Pursuant to the 2020 Plan, the exercise price for incentive stock options and non-statutory stock options is generally at least 100% of the fair market value of the underlying shares on the date of grant. Options generally vest over 48 months measured from the date of grant. Options generally expire no later than ten years after the date of grant, subject to earlier termination upon an optionee's cessation of employment or service.

Under the terms of the 2020 Plan, the Company is authorized to issue 18,899,285 shares of common stock pursuant to awards under the 2020 Plan. As of October 19, 2021, the Company had issued an aggregate of 11,276,706 stock options and non-statutory options to its employees and consultants and 4,525,344 RSUs to employees, directors and consultants under the 2020 Plan. No awards have or will be issued under the 2020 Plan after October 19, 2021. Shares of Common Stock subject to awards under the 2020 Plan that are forfeited, expire or lapse after October 19, 2021 will become authorized for issuance pursuant to awards under the 2021 Plan (as defined below).

The Navitas Semiconductor Corporation 2021 Equity Incentive Plan (the "2021 Plan") was adopted by the Company's board of directors on August 17, 2021 and adopted and approved by the Company's stockholders on October 12, 2021. Under the terms of the 2021 Plan, the Company is authorized to issue, pursuant to awards granted under the 2021 Plan, (a) up to 16,334,527 shares of Common Stock; plus (b) up to 15,802,050 shares of Common Stock subject to awards under the 2020 Plan that are forfeited, expire or lapse after October 19, 2021; plus (c) an annual increase, effective as of the first day of each fiscal year up to and including January 1, 2031, equal to the lesser of (i) 4% of the number of shares of Common Stock outstanding as of the conclusion of the Company's immediately preceding fiscal year, or (ii) such amount, if any, as the board of directors may determine. As of September 30, 2023 the Company has issued 9,750,000 non-statutory stock options under the 2021 Plan.

Stock-Based Compensation

The Company recognizes the fair value of stock-based compensation in its financial statements over the requisite service period of the individual grants, which generally equals a four-year vesting period, except for long-term incentive performance stock options ("LTIP Options") discussed below. The Company uses estimates of volatility, expected term, risk-free interest rate and dividend yield in determining the fair value of these awards and the amount of compensation expense to recognize. The Company uses the straight-line method to amortize stock awards granted over the requisite

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

service period of the award, which may be explicit or derived, unless market or performance conditions result in a graded attribution.

The following table summarizes the stock-based compensation expense recognized for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development	\$ 6,013	\$ 5,227	\$ 20,137	\$ 15,758
Selling, general and administrative	6,066	10,547	21,673	36,378
Total stock-based compensation expense	\$ 12,079	\$ 15,774	\$ 41,810	\$ 52,136

Stock Options

Generally, stock options granted under the Plans have terms of ten years and vest in 1/4th increments on the anniversary of the vesting commencement date and in 1/48th increments monthly thereafter. Stock options with performance vesting conditions begin to vest upon achievement of the performance condition. Expense is recognized beginning in the period in which performance is considered probable.

The fair value of incentive stock options and non-statutory stock options issued was estimated using the Black-Scholes model. The Company did not grant any stock option awards during the three or nine months ended September 30, 2023 or 2022.

A summary of stock options outstanding, excluding LTIP Options as of September 30, 2023, and activity during the nine months then ended, is presented below:

Stock Options	Shares (In thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (In years)
Outstanding at December 31, 2022	6,775	\$ 0.59	6.20
Exercised	(3,729)	0.47	—
Forfeited or expired	(215)	1.06	—
Outstanding at September 30, 2023	2,831	\$ 0.74	6.03
Vested and Exercisable at September 30, 2023	2,269	\$ 0.66	5.77

During both the three and nine months ended September 30, 2023, the Company recognized \$0.1 million and \$0.4 million of stock-based compensation expense for the vesting of outstanding stock options, excluding \$1.8 million and \$6.1 million related to the LTIP Options described below. During the three and nine months ended September 30, 2022, the Company recognized \$0.1 million and \$0.4 million of stock-based compensation expense for the vesting of outstanding stock options, excluding \$1.4 million related to LTIP options described below. At September 30, 2023, unrecognized compensation cost related to unvested awards totaled \$0.2 million. The weighted-average period over which this remaining compensation cost will be recognized is 0.7 years.

Long-term Incentive Plan Stock Options

The Company awarded a total of 6,500,000 LTIP Options to certain members of senior management on December 29, 2021 pursuant to the 2021 Plan. These non-statutory options are intended to be the only equity incentive awards for the recipients over the duration of the performance period. The options vest in increments subject to achieving certain performance conditions, including ten share price hurdles ranging from \$15 to \$60 per share, coupled with revenue and EBITDA targets, measured over a seven-year performance period and expire on the tenth anniversary of the grant date. The options have an exercise price of \$15.51 per share and the average fair value on the grant date was \$8.13 based on the Black-Scholes model and a Monte Carlo simulation incorporating 500,000 scenarios. The weighted average contractual

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

period remaining is 8.3 years. The Company utilized the services of a professional valuation firm to finalize these assumptions during the fiscal year ended December 31, 2022. The valuation model utilized the following assumptions:

Risk-free interest rates	1.47 %
Expected volatility rates	58 %
Expected dividend yield	—
Cost of equity (for derived service period)	9.96 %
Weighted-average grant date fair value of options	\$ 8.13

In connection with LTIP Options granted in 2021, the Company recognized \$1.6 million and \$5.3 million of stock-based compensation expense for the three and nine months ended September 30, 2023, respectively. The Company recognized \$1.4 million and \$4.2 million related to these LTIP Options during the three and nine months ended September 30, 2022, respectively. The unrecognized compensation expense related to these LTIP Options is \$48.5 million as of September 30, 2023, and compensation expense will be recognized over 2.7 years.

The Company awarded a total of 3,250,000 LTIP Options to a member of senior management on August 15, 2022 pursuant to the 2021 Plan. The options vest in increments subject to achieving certain market and performance conditions, including ten share price hurdles ranging from \$15 to \$60 per share, coupled with revenue and EBITDA targets, measured over a seven year performance period and expire on the tenth anniversary of the grant date. The options have an exercise price of \$10.00 per share and the average fair value on the grant date was \$2.51. The weighted average contractual period remaining is 8.9 years. The Black-Scholes model and a Monte Carlo simulation incorporated 100,000 scenarios. The valuation model utilized the following assumptions:

Risk-free interest rates	2.82 %
Expected volatility rates	63 %
Expected dividend yield	—
Cost of equity (for derived service period)	14.64 %
Weighted-average grant date fair value of options	\$ 2.51

In connection with LTIP Options granted in 2022, the Company recognized \$0.3 million and \$0.8 million of stock-based compensation expense for the three and nine months ended September 30, 2023, respectively. The Company recognized \$0.1 million related to these LTIP Options during the three and nine months ended September 30, 2022. The unrecognized compensation expense related to the LTIP Options is \$8.2 million as of September 30, 2023, and compensation expense will be recognized over 3.3 years.

Restricted Stock Units

The Company regularly grants RSUs to employees as a component of their compensation. A summary of RSUs outstanding as of September 30, 2023, and activity during the nine months then ended, is presented below:

	Shares (In thousands)	Weighted-Average Grant Date Fair Value Per Share
Outstanding at December 31, 2022	11,606	\$ 5.93
Granted	5,861	6.37
Vested	(4,303)	5.70
Forfeited	(44)	7.16
Outstanding at September 30, 2023	<u>13,120</u>	<u>\$ 6.73</u>

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

During the three and nine months ended September 30, 2023, the Company recognized \$8.1 million and \$23.5 million of stock-based compensation expense for the vesting of RSUs, respectively. During the three and nine months ended September 30, 2022, the Company recognized \$8.7 million and \$32.4 million of stock-based compensation expense for the vesting of RSUs, respectively. As of September 30, 2023, unrecognized compensation cost related to unvested RSU awards totaled \$77.4 million. The weighted-average period over which this remaining compensation cost is expected to be recognized is 2.7 years.

The Company implemented a yearly stock-based bonus plan in 2021 which settles by issuing a variable number of fully-vested restricted stock units to employees in the first quarter of the following fiscal year. The \$5.7 million accrued as of September 30, 2023 reflects eligible employees included in the Company's 2023 annual bonus plan and amounts expected to be settled during the first quarter of 2024. The \$2.8 million accrued as of December 31, 2022 was for the Company's 2022 annual bonus plan and a balance of \$0.1 million is accrued as of September 30, 2023.

Other Share Awards

In connection with the acquisition of the remaining minority interest of a silicon control IC joint venture, as described in Note 18, the Company issued 841,729 fully vested shares to certain former employees of the joint venture with a grant date fair value totaling \$4.5 million. Such amount has been recognized as stock-based compensation expense during the nine months ended September 30, 2023.

On June 10, 2022, the Company's wholly owned subsidiary, Navitas Semiconductor Limited, acquired all of the stock of VDDTECH srl, a private Belgian company ("VDDTech") for approximately \$1.9 million in cash and stock. Among shares issued in the transaction, the Company issued approximately 113,000 restricted shares that are subject to time based vesting and issued approximately 151,000 restricted shares that are subject to time and performance based vesting over the next four and three years, respectively. These restricted shares are subject to certain individuals maintaining employment with the Company and, therefore, are accounted for under ASC 718. The Company recognized \$0.1 million and \$0.7 million of stock-based compensation expense related to the vesting of these shares during the three and nine months ended September 30, 2023, respectively.

Unvested Earnout Shares

A portion of the earnout shares related to the Business Combination (discussed in Note 11 below) may be issued to individuals with unvested equity awards. While the payout of these shares requires achievement of share price targets based on the volume weighted average price of the Company's common stock, the individuals are required to complete the remaining service period associated with these unvested equity awards to be eligible to receive the earnout shares. As a result, these unvested earn-out shares are equity-classified awards and have an aggregated grant date fair value of \$19.1 million or \$11.52 per share. During the three and nine months ended September 30, 2023 the Company recognized \$0.0 million and \$0.3 million, respectively, of stock-based compensation expense for the vesting of earnout shares. As of the beginning of the second quarter of fiscal year 2023, these earnout shares had fully vested. At September 30, 2023, there was no remaining compensation cost related to unvested earnout shares. During the three and nine months ended September 30, 2022, the Company recognized \$4.3 million and \$11.5 million, respectively, of stock-based compensation expense for the vesting of earnout shares. Refer to Note 11, Earnout Liability.

10. WARRANT LIABILITY

On February 4, 2022, the Company issued a notice of redemption that it would redeem, at 5:00 p.m. New York City time on March 7, 2022 (the "Redemption Date"), all of the Company's outstanding Public Warrants and Private Placement Warrants to purchase shares of the Company's Class A Common Stock that were governed by the Warrant Agreement, dated as of December 2, 2020 (the "Warrant Agreement"), between the Company and Continental Stock Transfer & Trust Company, as warrant agent (the "Warrant Agent"), at a redemption price of \$0.10 per Warrant (the "Redemption Price"). On February 22, 2022, the Company issued a notice that the "Redemption Fair Market Value," determined in accordance with the Warrant Agreement based on the volume weighted average price of the Common Stock for the 10 trading days immediately following the date on which notice of redemption was sent, was \$10.33 and, accordingly, that holders exercising Warrants on a "cashless" basis before the Redemption Date would receive 0.261 shares of Common Stock per Warrant exercised. The Warrants were exercisable by their holders until immediately before 5:00 p.m. New York City time

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

on the Redemption Date, either (i) on a cash basis, at an exercise price of \$11.50 per share of Common Stock, or (ii) on a “cashless” basis in which the exercising holder would receive 0.261 shares of Common Stock per Warrant exercised. Between December 7, 2021 (the date the Warrants became exercisable) and the Redemption Date, an aggregate of 12,722,773 Warrants were exercised (including 17,785 on a cash basis and 12,704,988 on a “cashless” basis); an aggregate of 3,333,650 shares of Common Stock were issued upon exercise of the Warrants (including 17,785 shares in respect of cash exercises and 3,315,865 shares in respect of “cashless” exercises). A total of 377,187 Warrants remained outstanding and unexercised at the Redemption Date and were redeemed for an aggregate Redemption Price of \$38. Prior to the Redemption Date, the warrants had an aggregate fair value of \$81.4 million which resulted in a gain of \$51.8 million due to the decrease in the fair value of the warrant liability in the nine months ended September 30, 2022. There were no outstanding warrants as of September 30, 2023. See footnote 10, Warrant Liability to the Company’s consolidated financial statements and notes thereto contained in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on April 3, 2023 for further details.

11. EARNOUT LIABILITY

Certain of the Company’s stockholders are entitled to receive up to 10,000,000 aggregate “earnout shares” of the Company’s Class A Common Stock if earnout milestones are met. The earnout milestones represent three independent criteria, each of which entitles the eligible stockholders to 3,333,333 aggregate earn-out shares if the milestone is met. See footnote 11, Earnout Liability to the Company’s consolidated financial statements and notes thereto contained in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on April 3, 2023 for further details.

The earnout liability is remeasured at the end of each reporting period. The change in fair value of the earnout liability is recorded as part of *Other income (expense), net* in the consolidated statements of operations.

The estimated fair value of the earnout liability was determined using a Monte Carlo analysis of 20,000 simulations of the future path of the Company’s stock price over the earnout period. The assumptions utilized in the calculation are based on the achievement of certain stock price milestones including projected stock price, volatility, and risk-free rate. The valuation model utilized the following assumptions:

	September 30, 2023	December 31, 2022
Risk-free interest rate	4.79 %	4.13 %
Equity volatility rate	70.00 %	65.00 %

As of September 30, 2023 and December 31, 2022, the earnout liability had a fair value of \$38.6 million and \$12.5 million, respectively which resulted in a gain in the fair value of the earnout liability of \$34.5 million and a loss in the fair value of the earnout liability of \$25.5 million for the three and nine months ended September 30, 2023, respectively, due to the fluctuations in the fair value of the earnout liability.

GeneSiC Earnout Liability

In connection with the acquisition of GeneSiC as discussed in Note 17, the Company will pay additional contingent consideration of up to \$25.0 million, in the form of cash earnout payments to the Sellers and certain employees of GeneSiC, conditioned on the achievement of substantial revenue and gross profit margin targets for the GeneSiC business over the four fiscal quarters beginning on October 1, 2022 and ending on September 30, 2023. The estimated fair value of the earnout liability was determined using a Monte Carlo analysis of 20,000 simulations assuming that GeneSiC’s revenue and gross profit margins follow a geometric Brownian motion over the earnout period. The valuation model utilized an assumption on the risk-free interest rate of 3.1% and equity volatility rate of 99.9%. As of September 30, 2023, the GeneSiC earnout was not achieved, and no liability was recorded in earnout liability in the Company’s Condensed Consolidated Balance Sheets.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

12. SIGNIFICANT CUSTOMERS AND CREDIT CONCENTRATIONS

Customer Concentration

A majority of the Company's revenues are attributable to sales of the Company's products to distributors of electronic components. These distributors sell the Company's products to a range of end users, including OEMs and merchant power supply manufacturers.

The following customers represented 10% or more of the Company's net revenues for the three and nine months ended September 30, 2023 and 2022:

Customer	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Distributor A	53 %	*	29 %	*
Distributor B	*	*	14	15 %
Distributor C	*	34 %	*	20
Distributor D	*	15	*	21
Distributor E	*	15	*	*

**Total customer net revenues were less than 10% of total net revenues.*

Revenues by Geographic Area

The Company considers the domicile of its end customers, rather than the distributors it sells to directly, to be the basis for attributing revenues from external customers to individual countries. Revenues for the three and nine months ended September 30, 2023 and 2022 were attributable to end customers in the following countries or regions:

Country	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
China	61 %	20 %	55 %	34 %
Europe*	14	47	22	31
United States	13	28	15	27
Rest of Asia	12	3	8	7
All others	—	2	—	1
Total	100 %	100 %	100 %	100 %

**Impractical to disclose the revenue percentages by individual countries within Europe and therefore Europe is presented in total.*

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consisted principally of cash, cash equivalents and trade receivables. The Company maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The Company has not experienced any losses on cash or cash equivalents held at financial institutions. The Company does not have any off-balance-sheet credit exposure related to its customers.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following customers represented 10% or more of the Company's accounts receivable.

Customer	September 30, 2023	December 31, 2022
Distributor A	58 %	*
Distributor B	*	25 %
Distributor C	*	19 %

**Total customer accounts receivable was less than 10% of total net accounts receivable.*

Concentration of Supplier Risk

The Company currently relies on a single foundry to produce wafers for GaN ICs and a separate single foundry to produce wafers for SiC MOSFETs. Loss of the relationship with either of these suppliers could have a substantial negative effect on the Company. Additionally, the Company relies on a limited number of third-party subcontractors and suppliers for testing, packaging and certain other tasks. Disruption or termination of supply sources or subcontractors, including due to pandemics or natural disasters such as an earthquake or other causes, could delay shipments and could have a material adverse effect on the Company. Although there are generally alternate sources for these materials and services, qualification of the alternate sources could cause delays sufficient to have a material adverse effect on the Company. A significant amount of the Company's third-party subcontractors and suppliers, including the third-party foundry that supplies wafers for GaN ICs, are located in Taiwan. A significant amount of the Company's assembly and test operations are conducted by third-party contractors in Taiwan and the Philippines.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

13. NET INCOME (LOSS) PER SHARE:

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted-average shares of common stock outstanding during the period. Diluted earnings per share are calculated by dividing net income (loss) by the weighted-average shares of common stock and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares included in this calculation consist of dilutive shares issuable upon the assumed exercise of outstanding common stock options, the assumed vesting of outstanding restricted stock units and restricted stock awards, the assumed issuance of awards for contingently issuable performance-based awards, as computed using the treasury stock method. Performance-based restricted stock units and restricted stock awards are included in the number of shares used to calculate diluted earnings per share after evaluating the applicable performance criteria as of period end and under the assumption the end of the reporting period was the end of the contingency period, and the effect is dilutive. Restricted stock awards (but not restricted stock unit awards) are eligible to receive all dividends declared on the Company's common shares during the vesting period; however, such dividends are not paid until the restrictions lapse. The Company has no plans to declare dividends.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted-average common shares - basic common stock	175,103	138,455	165,719	127,390
Stock options and other dilutive awards	10,523	—	—	12,744
Weighted-average common shares - diluted common stock	<u>185,626</u>	<u>138,455</u>	<u>165,719</u>	<u>140,134</u>
Shares excluded from diluted weighted-average shares: (1)				
Earnout shares (potentially issuable common shares)	10,000	10,000	10,000	10,000
Unvested restricted stock units and restricted stock awards	263	10,995	263	225
Stock options potentially exercisable for common shares	9,750	9,750	9,750	9,750
Shares excluded from diluted weighted average shares	<u>20,013</u>	<u>30,745</u>	<u>20,013</u>	<u>19,975</u>

(1) The Company's potentially dilutive securities, which include unexercised stock options, unvested shares, and earnout shares, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share for the three and nine months ended September 30, 2023.

14. PROVISION FOR INCOME TAXES

The Company determined the income tax provision for interim periods using an estimate of the Company's annual effective tax rate, adjusted for discrete items arising during the quarter. The Company's effective tax rate for the three and nine months ended September 30, 2023 was 0.3% and 0.0%, respectively. The Company's effective tax rate for the three and nine months ended September 30, 2022 was 23.6% and (13.9)%, respectively. The effective tax rate for 2023 differs from the prior year primarily as a result of tax expense in foreign jurisdictions that are in a full valuation allowance as the effective tax rate as of September 30, 2022 is reflective of a full valuation allowance in all jurisdictions. The Company's quarterly income tax provision and quarterly estimate of the annual effective tax rate are subject to volatility due to several factors, including our ability to accurately predict the proportion of our income (loss) before provision for income taxes in multiple jurisdictions, the tax effects of our stock-based compensation, and the effects of its foreign entities.

The Company had no unrecognized tax benefits for the nine months ended September 30, 2023 and 2022. The Company recognizes interest and penalties related to unrecognized tax benefits in operating expenses. No such interest and penalties were recognized during the nine months ended September 30, 2023 and 2022.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

15. COMMITMENTS and CONTINGENCIES

Purchase Obligations

At September 30, 2023, the Company had no non-cancelable contractual arrangements that were due beyond one year besides lease obligations.

Employment agreements

The Company has entered into agreements with certain employees to provide severance payments to the employees in the event of the termination of their employment for reasons other than cause, death or disability. Aggregate payments that would be required to be made in the event of termination under the agreements are approximately \$2.1 million. At September 30, 2023, no terminations have occurred or are expected to occur pursuant to these arrangements and, accordingly, no termination benefits have been accrued.

Indemnification

The Company sells products to its distributors under contracts, collectively referred to as Distributor Sales Agreements (“DSAs”). Each DSA contains the relevant terms of the contractual arrangement with the distributor, and generally includes certain provisions for indemnifying the distributor against losses, expenses, and liabilities from damages that may be awarded against the distributor in the event the Company’s products are found to infringe upon a patent, copyright, trademark, or other proprietary right of a third party (Customer Indemnification). The DSA generally limits the scope of and remedies for the Customer Indemnification obligations in a variety of industry-standard respects, including, but not limited to, limitations based on time and geography, and a right to replace an infringing product. The Company also, from time to time, has granted a specific indemnification right to individual customers.

The Company believes its internal development processes and other policies and practices limit its exposure related to such indemnifications. In addition, the Company requires its employees to sign a proprietary information and inventions agreement, which assigns the rights to its employees’ development work to the Company. To date, the Company has not had to reimburse any of its distributors or end customers for any losses related to these indemnifications and no material claims were outstanding as of September 30, 2023. For several reasons, including the lack of prior indemnification claims and the lack of a monetary liability limit for certain infringement cases, the Company cannot determine the maximum amount of potential future payments, if any, related to such indemnifications.

Legal proceedings and contingencies

From time to time in the ordinary course of business, the Company may become involved in lawsuits, or end customers, distributors, suppliers or other third parties may make claims against the Company. The Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company is not currently subject to any pending actions or regulatory proceedings that either individually or in the aggregate are expected to have a material impact on its condensed consolidated financial statements.

16. RELATED PARTY TRANSACTIONS

Notes Receivable

The Company had outstanding interest-bearing notes receivable from a non-executive employee. The notes had various maturity dates through May 1, 2023 and bore interest at rates ranging from 1% to 2.76%. As of December 31, 2022, Note 1 was forgiven for a loss of \$0.1 million and Note 2 was paid off in the amount of \$0.1 million. No interest income was recognized for the three and nine months ended September 30, 2023, and interest income recognized for the three and nine months ended September 30, 2022 was not material.

Joint Venture

In 2021, Navitas entered into a silicon control IC joint venture with Halo Microelectronics Co., Ltd. (“Halo”), a manufacturer of power management ICs, to develop products and technology relating to AC/DC converters. Navitas’ initial contribution to the joint venture was the commitment to sell its GaN integrated circuit die at prices representing cost plus

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

insignificant handling fees, in exchange for a minority interest, with the right to acquire the balance of the joint venture based on the future results of the venture (among other rights and obligations). On January 19, 2023, the Company announced an agreement to acquire the remaining minority interest in the joint venture as well as rights to certain intellectual property from Halo and its U.S. affiliate for a total purchase price of \$22.4 million in Navitas stock. Total related party revenues recognized by the Company as a result of arrangements with its joint venture were \$0.0 million for both the three and nine months ended September 30, 2023, and \$0.0 million and \$0.7 million for the three and nine months ended September 30, 2022, respectively, and are included in Net Revenues in the Condensed Consolidated Statements of Operations. See Note 18, Noncontrolling Interest, for more information.

Related Party Investment

During the third quarter of 2022, Navitas made a \$1.5 million investment in preferred interests of an entity under common control with the Company's partner in the joint venture described above. During the first quarter of 2023 the Company made an additional investment of \$1.0 million in the entity. Such investment is included in Other Assets in the Condensed Consolidated Balance Sheets as of September 30, 2023 and is accounted for as an equity investment under ASC 321 *Investments - Equity Securities*. In accordance with ASC 321, the Company elected to use the measurement alternative to measure such investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

Related Party Advance

During the third quarter of 2022, Navitas made a \$1.0 million advance to its partner in the joint venture described above in order to facilitate orders of raw materials. The outstanding amount as of September 30, 2023 was \$0.3 million.

Related Party Leases

The Company leases certain property from an entity that it is owned by an executive of the Company, which expires in September 2023. During the three and nine months ended September 30, 2023, the Company paid an immaterial amount in rental payments in relation to this lease. These payments were made at standard market rates in the ordinary course of business.

The Company leases certain property from the family member of a senior executive of the Company, which expires in March 2024. During the three and nine months ended September 30, 2023, the Company paid an immaterial amount in rental payments in relation to this lease. These payments were made at standard market rates in the ordinary course of business. The total rent obligation as of September 30, 2023 was \$21 thousand through March 31, 2024.

17. BUSINESS COMBINATIONS

Acquisition of VDDTECH srl

On June 10, 2022, the Company's wholly owned subsidiary, Navitas Semiconductor Limited, acquired all of the stock of VDDTECH srl, a private Belgian company ("VDDTech") for approximately \$1.9 million in cash and stock. Based in Mont-saint-Guibert, Belgium, VDDTech creates advanced digital-isolators for next-generation power conversion. VDDTech's net assets and operating results since the acquisition date are included in the Company's Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations. Among shares issued in the transaction, the Company issued approximately 113,000 restricted shares that are subject to time based vesting and issued approximately 151,000 restricted shares that are subject to time and performance based vesting over the next four and three years, respectively. These restricted shares are subject to certain individuals maintaining employment with the Company and, therefore, are accounted for under ASC 718.

The Company recorded an allocation of the purchase price to tangible assets acquired and liabilities assumed based on their fair values as of the acquisition date. The excess of the purchase price over the fair value of tangible assets and liabilities of \$1.2 million was recorded as goodwill as of June 30, 2022. Subsequent to June 30, 2022, a valuation of the intangible assets acquired was calculated at \$1.2 million. During the third quarter of fiscal year 2022, the Company reclassified the goodwill to an intangible asset.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The fair value of the in-process R&D was estimated using the multi-period excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contribute to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the acquired technology, which were discounted at a rate of 18% to determine the fair value.

Acquisition of GeneSiC Semiconductor Inc.

On August 15, 2022, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) to acquire 100% of the outstanding shares of GeneSiC Semiconductor Inc., a silicon carbide (“SiC”) pioneer with deep expertise in SiC power device design and process, based in Dulles, Virginia. Total merger consideration was approximately \$244.0 million and consisted of approximately \$146.3 million of common stock, \$97.1 million of cash consideration, and potential future cash earn-out payments of up to an aggregate of \$25.0 million which were fair valued at \$0.6 million. The acquisition was accounted for as a business combination in accordance with ASC 805, Business Combinations. The Company has determined fair values of the assets acquired and liabilities assumed.

The following tables summarize the purchase consideration and the purchase price allocation to estimated fair values of the identifiable assets acquired and liabilities assumed (in thousands) at acquisition date:

Merger Consideration	Fair Value
Cash consideration at closing	\$ 97,116
Equity consideration at closing	146,314
Contingent earn-out	600
Total	\$ 244,030
Estimate of purchase price allocation	
Cash and cash equivalents	\$ 951
Accounts receivable	823
Inventory	1,539
Fixed assets	226
Other assets	5
Intangible assets	110,100
Goodwill	157,699
Total assets acquired	\$ 271,343
Liabilities assumed:	
Interest bearing debt	16
Other current liabilities	2,749
Deferred tax liabilities	24,548
Total liabilities acquired	27,313
Estimated fair value of net assets acquired	\$ 244,030

Goodwill represents the excess of the merger price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed. Goodwill is primarily attributable to assembled workforce, market and expansion capabilities, expected synergies from integration and streamlining operational activities and other factors. Goodwill is not expected to be deductible for income tax purposes.

During the Company’s second quarter of 2023, the Company received information regarding products shipped by GeneSiC to a distributor prior to the Company’s acquisition of GeneSiC. GeneSiC had the option, but not the obligation, to accept returns sold to the distributor. The Company determined that a \$1.7 million return liability should have been recorded as of the close of the acquisition on August 15, 2022. The Company recorded the return liability as a purchase

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

price adjustment as of June 30, 2023, resulting in an increase to goodwill and accounts payable and other accrued expenses of \$1.7 million.

The fair values of the identifiable intangible assets acquired at the date of Acquisition are as follows (in thousands):

Intangible Asset	Fair Value	Amortization Method	Useful Life
Trade Names	\$ 900	Straight line	2 years
Developed Technology	49,100	Straight line	4 years
Patents	33,900	Straight line	15 years
Customer Relationships	24,300	Straight line	10 years
Non-Competition Agreements	1,900	Straight line	5 years
Total Intangibles	<u>\$ 110,100</u>		

The valuations of intangible assets incorporate significant unobservable inputs and require significant judgment and estimates, including the amount and timing of future cash flows. The Company recognized approximately \$5.9 million of transaction costs in the fiscal year ended December 31, 2022. These costs were recorded in "Selling, general and administrative expense" in the consolidated statements of operations. The financial results of GeneSiC have been included in the Company's consolidated financial statements since the date of the acquisition.

The fair value of developed technology was estimated using the multi-period excess earnings method, an income approach (Level 3), which converts projected revenues and costs into cash flows. To reflect the fact that certain other assets contribute to the cash flows generated, the returns for these contributory assets were removed to arrive at estimated cash flows solely attributable to the acquired technology, which were discounted at a rate of 15% to determine the fair value.

The fair value of customer relationships was estimated using the distributor method, an income level approach (Level 3), which estimates the value of an asset based upon costs avoided through ownership of the asset. Estimated costs on projected revenues were made using historical data pertaining to sales to new and existing customers. The cash flow impact of projected cost savings, primarily avoidance of legal costs pertaining to new customers and lower commission rates applicable to existing customers than new customers, were discounted at a rate of 16% to determine the fair value.

The fair value of the trade name and trademarks was estimated using the relief from royalty method, an income approach (Level 3), because of the licensing appeal of these assets, the Company estimated the benefit of the ownership as the relief from the royalty expense that would be incurred in the absence of ownership. A royalty rate was applied to the projected revenues associated with the intangible asset to determine the amount of savings, which was at a rate of 1% to determine the fair value.

The fair value of the patents was estimated using the relief from royalty method, an income approach (Level 3), because of the licensing appeal of these assets, the Company estimated the benefit of the ownership as the relief from the royalty expense that would be incurred in the absence of ownership. A royalty rate was applied to the projected revenues associated with the intangible asset to determine the amount of savings, which was at a rate of 5% to determine the fair value.

The value of the non-competition agreement was estimated using the lost income method (Level 3). Because the non-competition agreement prohibits the covenantor from competing with the Company, the fair value of the non-competition agreement can be determined by estimating cash flows that would be lost if the covenantors were to compete. Based on this method we estimated a discount rate of 16% to determine the fair value.

Discount rates for each respective intangible asset were determined by accounting for the risk associated with each asset, including required technology development and customer acquisition required to support respective projections, the uncertainty of market success and the risk inherent with projected financial results. The estimated useful lives were determined by evaluating the expected economic and useful lives of the assets and of similar intangible assets from comparable business combinations and adjusting accordingly after taking into account circumstances that may be unique to

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

GeneSiC. Net tangible assets and intangibles assets assumed as well as goodwill recognized are presented as continuing operations in the consolidated balance sheets.

The following unaudited pro forma financial information presented in the table below is provided for illustrative purposes only and is based on the historical financial statements of the Company and presents the Company's results as if the business combination had occurred as of January 1, 2022 (in thousands):

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS			
	Three Months Ended		Nine Months Ended
	September 30, 2022		September 30, 2022
Revenue	\$	11,070	\$ 36,266
Net income (loss)	\$	(38,479)	\$ 77,877
Basic net income per share	\$	(0.24)	\$ 0.55
Diluted net income per share	\$	(0.25)	\$ 0.50

The unaudited pro forma financial information may not be indicative of the results of operations that the Company would have attained had the business combination occurred as of January 1, 2022, nor is the pro forma financial information indicative of the results of operations that may occur in the future.

NAVITAS SEMICONDUCTOR CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

18. NONCONTROLLING INTEREST

In July 2021, the Company formed a joint venture for the purpose of conducting research and development on technology in the area of AC/DC converters for chargers and adapters. Refer to Note 16 above.

On August 19, 2022, the Company obtained control of the joint venture, and no consideration was paid pursuant to the Change of Control Agreement. The Company consolidated the fair value of the net assets of the joint venture as of August 19, 2022, and the Company reports noncontrolling interests of the joint venture as a component of equity separate from the Company's equity. The fair value of the noncontrolling interest and net assets is based on estimates. The Company's net income (loss) excludes income (loss) attributable to the noncontrolling interests. The fair value of the joint venture was determined based on a multiple of future annual revenues with a discount rate of 30%. In connection with the consolidation, the Company reacquired a patent license, which was fair valued at \$1.0 million based on comparable transactions during the year, and will be amortized over a five year term. Goodwill of \$3.1 million was recorded in connection with this transaction.

On January 19, 2023, the Company announced an agreement to acquire the remaining minority interest in the joint venture as well as rights to certain intellectual property from Halo and its U.S. affiliate for a total purchase price of \$22.4 million in Navitas stock. The transaction was completed on February 13, 2023. In connection with the purchase of intellectual property, the Company recognized developed technology as an intangible asset at its estimated fair value of \$4.4 million. As a result of this transaction, the Company recorded a net increase to additional paid in capital of \$7.5 million representing the difference between the fair value of share consideration related to the acquisition of the remaining noncontrolling interest and the carrying value of the noncontrolling interest at the date of the transaction.

The fair value of the developed technology was estimated using the relief from royalty method, an income approach (Level 3), because of the licensing appeal of these assets. The Company estimated the benefit of the ownership as the relief from the royalty expense that would be incurred in the absence of ownership. A royalty rate was applied to the projected revenues associated with the intangible asset to determine the amount of savings, which was at a rate of 10% to determine the fair value.

19. SUBSEQUENT EVENTS

The Company evaluated material subsequent events from the consolidated balance sheet date of September 30, 2023, through November 9, 2023, the date the condensed consolidated financial statements were issued. There were no material subsequent events as of November 9, 2023.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Unless the context otherwise requires, all references in this section to the “Company,” “we,” “us,” or “our” refer to the business of Navitas and its subsidiaries. Throughout this section, unless otherwise noted, “Navitas” refers to Navitas Semiconductor Corporation and its consolidated subsidiaries.

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing elsewhere in this quarterly report on Form 10-Q. This discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve risks and uncertainties. As a result of many factors, such as those set forth under the “Summary of Risk Factors” and “Cautionary Statement About Forward-Looking Statements” sections and elsewhere in this quarterly report, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

Founded in 2013, Navitas is a U.S. based developer of gallium nitride and silicon carbide power semiconductor devices that provide superior efficiency, performance, size and sustainability relative to existing silicon technology. Our solutions offer faster charging, higher power density and greater energy savings compared to silicon-based power systems with the same output power. By unlocking this speed and efficiency, we believe we are leading a revolution in high-frequency, high-efficiency and high-density power electronics to electrify our world for a cleaner tomorrow. We maintain operations around the world, including the United States, Ireland, Germany, Italy, Belgium, China, Taiwan, Thailand and the Philippines, with principal executive offices in Torrance, California.

We design, develop and market next-generation power semiconductors including gallium nitride (“GaN”) power integrated circuits (“ICs”, silicon carbide (“SiC”) and associated high-speed silicon system controllers, and digital isolators used in power conversion and charging. Power supplies incorporating our products may be used in a wide variety of electronics products including mobile phones, consumer electronics, data centers, solar inverters and electric vehicles. We utilize a fabless business model, working with third parties to manufacture, assemble and test our designs. Our fabless model allows us to run the business today with minimal capital expenditures.

Our go-to-market strategy is based on partnering with leading manufacturers and suppliers through focused product development, addressing both mainstream and emerging applications. We consider ourselves to be a pioneer in the GaN market with a proprietary, proven GaN power IC platform that is shipping in mass production to tier-1 companies including Samsung, Dell, Lenovo, LG, Xiaomi, OPPO, Amazon, vivo and Motorola. Most of the products we ship today are used primarily as components in mobile device chargers. Charger manufacturers we ship to today are worldwide, supporting major international mobile brands. Other emerging applications will also be addressed across the world.

In support of our technology leadership, we have formed relationships with numerous Tier 1 manufacturers and suppliers over the past eight years, gaining significant traction in mobile and consumer charging applications. Navitas GaN is now in mass production with 10 of the top 10 world-wide mobile OEMs across smartphone and laptops in development with 10 out of 10. In addition, our supply chain partners have committed manufacturing capacity in excess of what we consider to be necessary to support our continued growth and expansion.

A core strength of our business lies in our industry leading IP position. In addition to our comprehensive patent portfolio, our biggest proprietary advantage is our process design kit (PDK), the ‘how-to’ guide for Navitas designers to create new GaN based devices and circuits. Our GaN power IC inventions and intellectual property translate across all of our target markets from mobile, consumer, EV, enterprise, and renewables. We evaluate various complementary technologies and look to improve our PDK, in order to keep introducing newer generations of GaN technology. In the nine months ended September 30, 2023 and 2022, we spent approximately 95% and 134%, respectively, of our revenue on research and development. Navitas’ research and development activities are located primarily in the US and China.

May 2023 Public Offering

On May 26, 2023, the Company completed an underwritten public offering (the “May 2023 Public Offering”) of 10,000,000 shares of its Class A Common Stock at a public offering price of \$8.00 per share, before deducting underwriting discounts and commissions. In connection with the May 2023 Public Offering, the Company granted the underwriters of the offering a 30-day option to purchase up to an additional 1,500,000 shares of the Company’s Class A Common Stock (the “Option Shares”) from the Company at the same public offering price. On June 1, 2023, the underwriters exercised in full their option to purchase the Option Shares. The sale of the Option Shares closed on June 5, 2023. After deducting underwriting discounts and commissions and before deducting offering expenses payable by the Company, the Company received net proceeds of \$75.6 million and \$11.3 million from the May 2023 Public Offering and sale of the Option Shares, respectively. The total net proceeds received by the Company after deducting offering expenses was \$86.5 million. The Company intends to use the net proceeds for working capital and other general corporate purposes, including potential acquisitions or strategic manufacturing investments.

Buyout of Elevation Semiconductor

On January 19, 2023, the Company announced an agreement to acquire the remaining minority interest in its silicon control IC joint venture as well as rights to certain intellectual property from Halo Microelectronics for a total purchase price of \$22.4 million in Navitas stock. As Navitas was already the majority shareholder, financial results from the joint venture have already been reflected in Navitas’ historical financial statements. The transaction was completed on February 13, 2023. In connection with the purchase of intellectual property, the Company recognized an intangible asset at its estimated fair value of \$4.4 million related to acquired intellectual property.

Acquisition of GeneSiC

On August 15, 2022, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) to acquire 100% of the outstanding shares of GeneSiC Semiconductor Inc. (“GeneSiC”) for \$146.3 million of equity, \$97.1 million of cash consideration, and potential future earn-out payments of up to an aggregate of \$25.0 million in cash. GeneSiC is a silicon carbide (“SiC”) pioneer with deep expertise in SiC power device design and process, based in Dulles, Virginia. The future earn-out payments were fair valued at \$0.6 million, for a total merger consideration of \$244.0 million.

During the Company’s second quarter of 2023, the Company received information regarding products shipped by GeneSiC to a distributor prior to the Company’s acquisition of GeneSiC. GeneSiC had the option, but not the obligation, to accept returns sold to the distributor. The Company determined that a \$1.7 million return liability should have been recorded as of the close of the acquisition on August 15, 2022. The Company recorded the return liability as a purchase price adjustment as of June 30, 2023, resulting in an increase to goodwill and accounts payable and other accrued expenses of \$1.7 million.

Acquisition of VDDTech

On June 10, 2022, the Company’s wholly owned subsidiary, Navitas Semiconductor Limited, acquired all of the stock of VDDTECH srl, a private Belgian company (“VDDTech”), for approximately \$1.9 million in cash and stock. Based in Mont-saint-Guibert, Belgium, VDDTech creates advanced digital-isolators for next-generation power conversion.

Results of Operations

Revenue

We design, develop and market next-generation power semiconductors including gallium nitride (“GaN”) power integrated circuits (“ICs”, silicon carbide (“SiC”) and associated high-speed silicon system controllers, and digital isolators used in power conversion and charging. Our revenue represents the sale of semiconductors through specialized distributors to original equipment manufacturers (“OEMs”), their suppliers and other end customers.

Our revenues fluctuate in response to a combination of factors, including the following:

- our overall product mix and sales volumes;
- gains and losses in market share and design win traction;
- pace at which technology is adopted in our end markets;
- the stage of our products in their respective life cycles;
- the effects of competition and competitive pricing strategies;
- availability of specialized field application engineering resources supporting demand creation and end customer adoption of new products;
- achieving acceptable yields and obtaining adequate production capacity from our wafer foundries and assembly and test subcontractors;
- market acceptance of our end customers’ products; governmental regulations influencing our markets; and
- the global and regional economic cycles.

Our product revenue is recognized when the customer obtains control of the product and the timing of recognition is based on the contractual shipping terms of a contract. We provide a non-conformity warranty which is not sold separately and does not represent a separate performance obligation. Our product revenue is well diversified across the United States, Europe, and Asia.

Cost of Revenues

Cost of Revenues consists primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead (which includes depreciation and amortization) associated with such purchases, final test and wafer level yield fallout, inventory impairments, consumables, system and shipping costs. Cost of revenues also includes compensation related to personnel associated with manufacturing.

Research and Development Expense

Costs related to research, design, and development of our products are expensed as incurred. Research and development expense consists primarily of pre-production costs related to the design and development of our products and technologies, including costs related to cash and share-based employee compensation, benefits and related costs of sustaining our engineering teams, project material costs, third party fees paid to consultants, prototype development expenses, and other costs incurred in the product design and development process.

Selling, General and Administrative Expense

Selling, general and administrative costs include employee compensation, including cash and share-based compensation and benefits for executive, finance, business operations, sales, field application engineers and other administrative personnel. In addition, it includes marketing and advertising, IT, outside legal, tax and accounting services, insurance, and occupancy costs and related overhead based on headcount. Selling, general and administrative costs are expensed as incurred.

Interest Income

Interest income primarily consists of interest earned from our cash on hand.

Interest Expense

Interest expense primarily consists of interest under our term loan facility, held during the fiscal year 2022.

Income Taxes

Legacy Navitas is a dual domesticated corporation for Ireland and U.S. federal income tax purposes. Refer to Note 14, Provision for Income Taxes, in our accompanying condensed consolidated financial statements elsewhere in this quarterly report.

Results of Operations

The tables and discussion below present our results for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Change \$	Change %
	2023	2022		
Net revenues	\$ 21,978	\$ 10,243	\$ 11,735	115 %
Cost of revenues (exclusive of amortization of intangible assets included below)	14,878	9,852	5,026	51 %
Operating expenses:				
Research and development	16,553	11,526	5,027	44 %
Selling, general and administrative	14,419	24,053	(9,634)	(40)%
Amortization of intangible assets	4,774	2,241	2,533	113 %
Total operating expenses	35,746	37,820	(2,074)	(5)%
Loss from operations	(28,646)	(37,429)	8,783	(23)%
Other income (expense), net:				
Interest income, net	1,695	638	1,057	166 %
Gain (loss) from change in fair value of earnout liabilities	34,473	(6,098)	40,571	(665)%
Other income (expense)	20	(74)	94	(127)%
Total other income (expense), net	36,188	(5,534)	41,722	(754)%
Income (loss) before income taxes	7,542	(42,963)	50,505	(118)%
Income tax (benefit) provision	23	(10,135)	10,158	(100)%
Net income (loss)	7,519	(32,828)	40,347	(123)%
Less: Net loss attributable to noncontrolling interests	—	(238)	238	— %
Net income (loss) attributable to controlling interests	\$ 7,519	\$ (32,590)	40,109	(123)%

	Nine Months Ended September 30,		Change \$	Change %
	2023	2022		
Net revenues	\$ 53,399	\$ 25,594	\$ 27,805	109 %
Cost of revenues (exclusive of amortization of intangible assets included below)	33,322	18,655	14,667	79 %
Operating expenses:				
Research and development	50,740	34,373	16,367	48 %
Selling, general and administrative	46,629	62,590	(15,961)	(26)%
Amortization of intangible assets	14,046	2,413	11,633	482 %
Total operating expenses	111,415	99,376	12,039	12 %
Loss from operations	(91,338)	(92,437)	1,099	(1)%
Other income (expense), net:				
Interest income, net	3,405	666	2,739	411 %
Gain from change in fair value of warrants	—	51,763	(51,763)	(100)%
Gain (loss) from change in fair value of earnout liabilities	(25,503)	112,162	(137,665)	(123)%
Other income (expense)	50	(1,215)	1,265	(104)%
Total other income (expense), net	(22,048)	163,376	(185,424)	(113)%
Income (loss) before income taxes	(113,386)	70,939	(184,325)	(260)%
Income tax (benefit) provision	(13)	(9,862)	9,849	(100)%
Net income (loss)	(113,373)	80,801	(194,174)	(240)%
Less: Net loss attributable to noncontrolling interests	(518)	(238)	(280)	— %
Net income (loss) attributable to controlling interests	\$ (112,855)	\$ 81,039	(193,894)	(239)%

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 30, 2022

Revenue

Revenue for the three months ended September 30, 2023 was \$22.0 million compared to \$10.2 million for the three months ended September 30, 2022, an increase of \$11.7 million, or 115%. The increase primarily reflects a combination of the Company's customer growth trajectory, evolving from aftermarket customers to higher volume customers, and the accretive revenue impact from the acquisition of GeneSiC.

Cost of Revenues

Cost of revenues for the three months ended September 30, 2023 was \$14.9 million compared to \$9.9 million for the three months ended September 30, 2022, an increase of \$5.0 million or 51%. The increase was primarily driven by significant revenue growth, acquisition of GeneSiC, in addition to TSMC's 20% wafer price increase which created a higher cost of revenues, coupled with an inventory reserve of \$2.0 million in the three months ended September 30, 2023 primarily related to the exit of product lines.

Research and Development Expense

Research and development expense for the three months ended September 30, 2023 of \$16.6 million increased by \$5.0 million, or 44%, when compared to the three months ended September 30, 2022, primarily driven by an increase of \$1.7 million in compensation costs related to growth in headcount, \$1.0 million toward the expansion of new products, and

\$0.8 million in stock based compensation. We expect research and development expense to continue to increase as we grow our headcount to support our expansion into new applications.

Selling, General and Administrative Expense

Selling, general and administrative expense for the three months ended September 30, 2023 of \$14.4 million decreased by \$9.6 million, or 40%, when compared to the three months ended September 30, 2022, primarily driven by decreases of \$5.2 million in transaction expenses and \$4.9 million in stock based compensation, offset by an increase of \$1.0 million in headcount costs. We expect selling, general and administrative costs to increase to support our growth and as a result of the increased costs for infrastructure required as a public company.

Amortization of Intangible Assets

Amortization of intangible assets for the three months ended September 30, 2023 of \$4.8 million increased by \$2.5 million, or 113%, when compared to the three months ended September 30, 2022. The increase is primarily due to business acquisitions that occurred during the fiscal year ended December 31, 2022, resulting in amortization of these intangible assets for only one half of a quarter during the three months ended September 30, 2022, compared to a full quarter of amortization during the three months ended September 30, 2023.

Other Income (Expense), net

Net interest income for the three months ended September 30, 2023 was \$1.7 million compared to \$0.6 million net interest income for the three months ended September 30, 2022, primarily due to the higher interest rate received on money markets funds.

During the three months ended September 30, 2023, we recognized a \$34.5 million gain from the change in fair value of our earn-out liabilities. Subsequent to the recognition of the earnout liability upon the consummation of the Business Combination on October 19, 2021, we remeasure the fair value of this liability at each reporting date. The increase in fair value of our earn-out liability of \$34.5 million was primarily a result of the decrease of the closing price of our Class A common stock listed on the Nasdaq, resulting in the decrease in the estimated fair value of the earnout shares from \$8.58 as of June 30, 2023 to \$4.53 as of September 30, 2023.

Income Tax (Benefit) Provision

Income tax provision for the three months ended September 30, 2023 increased \$10.2 million when compared to the income tax benefit of \$10.1 million three months ended September 30, 2022. As a result of the GeneSiC Semiconductor Inc. acquisition during the three months ended September 30, 2022, the Company released \$9.9 million of U.S. valuation allowance. The release was attributable to a preliminary estimate of \$23.2 million of net deferred tax liabilities recorded on GeneSiC's opening balance sheets that offset other U.S. net deferred tax assets. We expect our tax rate to remain close to zero in the near term due to full valuation allowances against deferred tax assets.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

Revenue

Revenue for the nine months ended September 30, 2023 was \$53.4 million compared to \$25.6 million for the nine months ended September 30, 2022, an increase of \$27.8 million, or 109%. The increase for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was due to the same factors discussed above for the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

Cost of Revenues

Cost of revenues for the nine months ended September 30, 2023 was \$33.3 million compared to \$18.7 million for the nine months ended September 30, 2022, an increase of \$14.7 million or 79%. The increase for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was due to the same factors discussed above for the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

Research and Development Expense

Research and development expense for the nine months ended September 30, 2023 of \$50.7 million increased by \$16.4 million, or 48%, when compared to the nine months ended September 30, 2022, driven by an increase of \$8.3 million in compensation costs related to growth in headcount and \$2.4 million toward the expansion of new products, in addition to an increase of \$3.9 million in stock based compensation. We expect research and development expense to continue to increase as we grow our headcount to support our expansion into new applications.

Selling, General and Administrative Expense

Selling, general and administrative expense for the nine months ended September 30, 2023 of \$46.6 million decreased by \$16.0 million, or 26%, when compared to the nine months ended September 30, 2022, driven by decreases of \$15.3 million in stock based compensation, \$3.8 million lower transaction expense, and \$0.3 million in professional fees, partially offset by an increase of \$4.1 million in headcount costs. We expect selling, general and administrative costs to increase to support our growth and as a result of the increased costs for infrastructure required as a public company.

Amortization of Intangible Assets

Amortization of intangible assets for the nine months ended September 30, 2023 of \$14.0 million increased by \$11.6 million, or 482%, when compared to the nine months ended September 30, 2022. The increase is primarily due to business acquisitions that occurred during the second-half of fiscal year ended December 31, 2022.

Other Income (Expense), net

Net interest income for the nine months ended September 30, 2023 was \$3.4 million compared to \$0.7 million net interest income for the nine months ended September 30, 2022, primarily due to the higher interest rate received on money markets funds.

During the nine months ended September 30, 2023, we recognized a \$25.5 million loss from the change in fair value of our earn-out liabilities. Subsequent to the recognition of the earnout liability upon the consummation of the Business Combination on October 19, 2021, we remeasure the fair value of this liability at each reporting date. The increase in fair value of our earn-out liability of \$25.5 million was primarily a result of the increase of the closing price of our Class A common stock listed on the Nasdaq, resulting in the increase in the estimated fair value of the earnout shares from \$1.47 as of December 31, 2022 to \$4.53 as of September 30, 2022.

Income Tax (Benefit) Provision

Income tax benefit for the nine months ended September 30, 2023 increased by \$9.8 million when compared to the nine months ended September 30, 2022. The change for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was due to the same factors discussed above for the three month ended September 30, 2023 compared to the three months ended September 30, 2022.

Liquidity and Capital Resources

Our primary use of cash is to fund our operating expenses, working capital requirements, and outlays for strategic investments and acquisitions. In addition, we use cash to conduct research and development, incur capital expenditures, and fund our debt service obligations.

We expect to continue to incur net operating losses and negative cash flows from operations and we expect our research and development expenses, general and administrative expenses and capital expenditures will continue to increase. We expect our expenses and capital requirements to increase in connection with our ongoing initiatives to expand our operations, product offerings and end customer base.

As of September 30, 2023, we had cash and cash equivalents of \$176.7 million. We currently expect to fund our cash requirements through the use of cash on hand. We believe that our current levels of cash and cash equivalents are sufficient to finance our operations, working capital requirements and capital expenditures for the foreseeable future.

We expect our operating and capital expenditures to increase as we increase headcount, expand our operations and grow our end customer base. If additional funds are required to support our working capital requirements, acquisitions or other purposes, we may seek to raise funds through additional equity or debt financing or from other sources. If we raise additional funds through the issuance of equity, the percentage ownership of our equity holders could be significantly diluted, and these newly issued securities may have rights, preferences or privileges senior to those of existing equity holders. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our operating flexibility and would also require us to incur interest expense. We can provide no assurance that additional financing will be available at all or, if available, that we would be able to obtain additional financing on terms favorable to us.

Cash Flows

The following table summarizes our consolidated cash flows for the nine months ended September 30, 2023 and 2022 (in thousands):

	September 30, 2023		September 30, 2022	
Consolidated Statements of Cash Flow Data:				
Net cash used in operating activities	\$	(17,442)	\$	(35,537)
Net cash used in investing activities	\$	(4,410)	\$	(106,447)
Net cash provided by (used in) financing activities	\$	88,213	\$	(1,476)

We derive liquidity primarily from debt and equity financing activities. As of September 30, 2023, our balance of cash and cash equivalents was \$176.7 million, which is an increase of \$66.4 million or 60% compared to December 31, 2022.

Operating Activities

For the nine months ended September 30, 2023, net cash used in operating activities was \$17.4 million, which primarily reflects a net loss of \$113.4 million. This decrease to operating cash flows are partially offset by adjustments for non-cash share-based compensation of \$41.8 million, non-cash losses of \$25.5 million in earnout liabilities, amortization of intangible assets of \$14.0 million, and an aggregate cash provided by operating assets and liabilities of \$11.5 million. Specifically, increases in deferred revenue of \$13.3 million, accrued compensation expense of \$12.2 million, increases in accrued expenses of \$3.2 million, and increases in account payable of \$2.5 million, partially offset by a \$8.4 million increase in account receivable and \$1.6 million increase in other assets, a \$0.9 million increase in prepaid expenses and other, and a decrease in operating lease liabilities of \$1.5 million.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2023 of \$4.4 million was primarily due to \$1.0 million cash funding of a joint venture and \$3.4 million for purchases of fixed assets.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2023 of \$88.2 million was primarily due to proceeds from the issuance of common stock in May 2023 of \$86.9 million and proceeds from stock option exercises of \$1.8 million, offset by the payment of May 2023 public offering costs of \$0.5 million.

Contractual Obligations, Commitments and Contingencies

In the ordinary course of business, we enter into contractual arrangements that may require future cash payments. As of September 30, 2023, our non-cancellable contractual arrangements consisted entirely of lease obligations. Refer to Note 8 - Leases for further information.

Off-Balance Sheet Commitments and Arrangements

As of September 30, 2023, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures in accordance with U.S. GAAP requires our management to make judgments, assumptions and estimates that affect the amounts reported in our accompanying condensed consolidated financial statements and the accompanying notes included elsewhere in this quarterly report. Our management bases its estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on the results that we report in our condensed consolidated financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain.

There have been no material changes to our critical accounting policies and estimates from the information in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in our 2022 annual report on Form 10-K.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards applicable to public companies, allowing them to delay the adoption of those standards until those standards would otherwise apply to private companies. We have elected to use this extended transition period under the JOBS Act. As a result, following the Business Combination, our condensed consolidated financial statements may not be comparable to the financial statements of companies that are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make common stock less attractive to investors. Since the value of our public float exceeded \$700 million as of September 30, 2023, we have ceased to be an emerging growth company as of the end of fiscal year 2023 and will become a large accelerated filer, as defined by applicable regulations, effective as of January 1, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer (our principal executive officer and principal financial officer, respectively), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of September 30, 2023, pursuant to Exchange Act Rule 13a-15. Based upon this evaluation, our chief executive officer and chief financial officer have concluded that, as of September 30, 2023, as a result of the material weaknesses in our internal control over financial reporting discussed below and in the Company’s annual report on Form 10-K for the year ended December 31, 2022, our disclosure controls and procedures were not effective.

As disclosed in Item 9 of our annual report on Form 10-K for the year ended December 31, 2022, management concluded that we lack a sufficient number of trained professionals with technical accounting expertise to identify, evaluate, value and account for complex and non-routine transactions, including revenue and stock-based compensation. We also found we have insufficient accounting resources to maintain appropriate segregation of duties, including to ensure journal entries are reviewed by personnel independent of the preparer.

Management has taken steps to evaluate resources throughout the organization to determine where current resources should be reassigned and where additional resources are needed to consistently and timely execute internal control activities. During the first quarter of 2023, an SEC reporting manger was added to the accounting department and management plans to hire additional accounting staff during the remainder of the year. For more complex transactions and to the extent there is a lack of knowledge within the current accounting team, management plans to engage external professional firms to assist with such transactions as they arise, and to make additional hires and consulting arrangements as necessary. During the second quarter, management hired a consulting firm to act as the Company's co-sourced internal audit department and assist with the Company's SOX 404(b) readiness. During the third quarter, the Company continued its' documentation of key business processes and key controls. During this process, the Company identified and implemented additional internal controls to mitigate material weaknesses identified from the prior year. The material weaknesses will not be considered remediated until remediated controls operate for a sufficient period of time and management has concluded that these controls are operating effectively.

Management has concluded that, notwithstanding the material weaknesses described above, the Company's condensed consolidated financial statements included in this quarterly report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows as of the date, and for the periods presented, in conformity with U.S. GAAP.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time we may be involved in various disputes and litigation matters that arise in the ordinary course of business. We are currently not a party to any material legal proceedings.

Item 1A. Risk Factors.

In addition to the risk factors disclosed in Part I—Item 1A, “Risk Factors,” in our annual report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on April 3, 2023, the following risks could also materially adversely affect our operating results, financial condition or future business.

Our management has broad discretion as to the use of the proceeds from our recent follow-on equity offering and may not use the proceeds effectively.

Our management has broad discretion in the application of the net proceeds from this our recently completed follow-on equity offering, described in Note 1 to our consolidated financial statements included in this report. Because of the number and variability of factors that will determine our use of the net proceeds from the offering, their ultimate use may vary substantially from their currently intended use. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities. These investments may not yield returns that enhance stockholder value. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

We have identified material weaknesses in our internal control over financial reporting. If we are unable to remedy these material weaknesses, or if we fail to establish and maintain effective internal controls, we may be unable to produce timely and accurate financial statements, and we may conclude that our internal control over financial reporting is not effective, which could adversely impact our investors’ confidence and our stock price.

As previously disclosed in our annual report on Form 10-K for the year ended December 31, 2021, in connection with the audit of our consolidated financial statements for the year ended December 31, 2021, we identified material weaknesses in our internal control over financial reporting, as described above in Part I, Item 4, Controls and Procedures. In 2022, we began implementing and are continuing to implement measures designed to improve our internal control over financial reporting to remediate these material weaknesses, specifically by hiring additional accounting personnel to augment existing technical expertise as well as to provide the staffing necessary to maintain effective segregation of duties. As previously disclosed in our annual report on Form 10-K for the year ended December 31, 2022, in connection with the audit of our consolidated financial statements for the year ended December 31, 2022, we identified that these material weaknesses continue to exist as of December 31, 2022. And as disclosed above in Part I, Item 4, Controls and Procedures, we identified that these material weaknesses continue to exist as of September 30, 2023.

Our remediation efforts are ongoing, and we will continue our initiatives to implement and document policies and procedures and strengthen our internal control environment. Remediation of the identified material weaknesses and strengthening our internal control environment will require a substantial effort throughout the remainder of 2023. The material weaknesses cannot be considered completely remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. In addition, it is possible that certain controls we plan to implement in 2023 will not have operated for a sufficient period of time in 2023 to test their operating effectiveness as part of our evaluation of internal control over financial reporting as of December 31, 2023 and may extend to the following year.

To remediate the material weaknesses described above, we have pursued the following remediation steps:

- We have added an SEC reporting manager to the accounting team with technical accounting experience.

- We have outsourced complex technical accounting matters to an external third party to provide assistance to us when such accounting matters arise.
- We have identified a system generated report from our accounting system that identifies if edits were made to journal entries and posted without review. On at least a quarterly basis, our management will review this report to ensure journal entries are valid.

If through our continued remediation efforts we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or if we identify additional material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable Nasdaq listing requirements. Investors may lose confidence in our reported financial information as a result, which would likely have a negative effect on the trading price of our stock. We also could become subject to investigations by Nasdaq, the SEC or other regulatory authorities.

Investments in or by us may be subject to foreign investment regulation and review in the United States and elsewhere, which may result in material restrictions, conditions, prohibitions or penalties on us or our investors related to any such investments. Semiconductor technologies generally, and GaN and SiC semiconductors specifically, may be subject to heightened regulatory scrutiny.

Our industry is subject to foreign direct investment (“FDI”) regulations in many countries, including the United States. Our ability to invest in companies or operations in, and our ability to raise capital from investors affiliated with, those jurisdictions may be subject to review or approval requirements, restrictions, conditions, or prohibitions. Any review and approval of an investment or transaction by an FDI regulator may have outsized impacts on transaction certainty, timing, feasibility, and cost, among other things. FDI regulatory policies and practices are rapidly evolving, and in the event that an FDI regulator reviews one or more proposed or existing investments, there can be no assurances that we will be able to maintain, or proceed with, such investments on terms acceptable to us. We may be unable to complete commercially desirable acquisitions in such jurisdictions or be subject to material costs or restrictions in connection with such acquisitions. While we strive to comply with all applicable laws and regulations, the application of FDI regulations could also in some circumstances result in financial or other penalties or required divestments, which could have a material impact on us.

In the United States, certain investments that involve the acquisition of, or investment in, a U.S. business by an investor subject to foreign control (a “foreign person”) may be subject to review and approval by the Committee on Foreign Investment in the United States (“CFIUS”). Whether CFIUS has jurisdiction to review an acquisition or investment transaction depends on, among other factors, the nature and structure of the transaction, including the level of beneficial ownership interest and the nature of any information or governance rights involved, and the nature of the technology possessed by the U.S. business. For example, investments that result in “control” of a U.S. business, which may include governance rights falling well short of majority control, by a foreign person always are subject to CFIUS jurisdiction. CFIUS’s jurisdiction also extends to investments that do not result in control of a U.S. business by a foreign person but afford certain foreign investors certain information or governance rights in a U.S. business that has a nexus to, among other things, “critical technologies,” and transactions involving companies that develop, produce, or test critical technologies may be subject to mandatory filing requirements. In addition, recent U.S. regulatory initiatives have classified certain semiconductor technologies as “critical to national security,” including compound semiconductors and wide-bandgap semiconductors. Both gallium nitride (GaN) and silicon carbide (SiC) are compound semiconductors and wide-bandgap semiconductors. As a result, our company’s exclusive focus on GaN- and SiC-based products, together with our global presence in rapidly growing markets, including China, may subject our company to additional regulatory restrictions or scrutiny, including by CFIUS, in connection with past or future transactions that involve investments in us or by us. Whether or not our business is deemed to involve “critical technologies,” CFIUS could choose to review proposed or past investments in us by foreign persons. In the case of such review, CFIUS could prohibit or impose conditions on the relevant investment. Such conditions might include limitations or obligations on our operations that could result in material costs or disruptions of our current or future operations. The prospect of CFIUS review, or any such prohibitions or conditions, could result in material costs or disruptions in our current or future operations or plans, and could also have a negative impact on our stock price. Furthermore, we have had recent communications with CFIUS with respect to our products, investors and acquisitions, and may have additional communications in the future with respect to these or other

matters. Any future communications with CFIUS or other similar regulatory agency with authority over FDI, if not satisfactorily resolved, may result in material restrictions, conditions, prohibitions or penalties on us or our investors.

Finally, U.S. authorities have publicly announced plans to institute an outbound investment review regime, and various legislative proposals to implement such a regime are also pending. For example, on August 9, 2023, the U.S. Treasury Department issued an Advance Notice of Proposed Rulemaking announcing a proposed program that would prohibit certain types of investments by U.S. companies into certain Chinese entities with capabilities or activities related to specified semiconductor technologies, including integrated circuits manufactured from a gallium-based compound semiconductor. The final scope and content of this program remain to be defined through public comment and further rulemaking. There can be no assurance that any such regime will not restrict our ability to engage in commercially desirable investments in jurisdictions outside the United States, particularly China, or that any such restrictions will not impose material costs or competitive disadvantages on us.

Item 6. Exhibits.

EXHIBIT INDEX	
Exhibit	Description
10.1*	Underwriting Agreement, dated as of May 23, 2023, by and among Navitas Semiconductor Corporation, Morgan Stanley & Co. LLC and Jefferies LLC (incorporated by reference to Exhibit 1.1 of the Company's current report on Form 8-K, filed with the SEC on May 26, 2023)
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act
32.1**	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. § 1350
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
* Filed herewith	
** Furnished herewith	

SIGNATURES

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

NAVITAS SEMICONDUCTOR
CORPORATION

By: /s/ Gene Sheridan
Gene Sheridan
President and Chief Executive Officer
(principal executive officer)

Date: November 9, 2023

NAVITAS SEMICONDUCTOR
CORPORATION

By: /s/ Ron Shelton
Ron Shelton
Chief Financial Officer
(principal financial and accounting
officer)

Date: November 9, 2023

CERTIFICATION

I, Gene Sheridan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2023 of Navitas Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

/s/ Gene Sheridan
Gene Sheridan
President and Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Ron Shelton, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2023 of Navitas Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

/s/ Ron Shelton
Ron Shelton
Sr. Vice President, Chief Financial Officer and Treasurer
(principal financial officer)

CERTIFICATION

Each of the undersigned hereby certifies, for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Navitas Semiconductor Corporation (“Navitas”), that, to his knowledge, Navitas’ quarterly report on Form 10-Q for the period ended September 30, 2023, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Navitas. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to that Form 10-Q. A signed original of this statement, which may be electronic, has been provided to Navitas and will be retained by Navitas and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 9, 2023

/s/ Gene Sheridan
Gene Sheridan
President and Chief Executive Officer
(principal executive officer)

Date: November 9, 2023

/s/ Ron Shelton
Ron Shelton
Sr. Vice President, Chief Financial Officer and Treasurer
(principal financial officer)