

**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 March 31, 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
<b>Class A Common Stock, par value \$0.0001 per share</b>	<b>NVTS</b>	<b>Nasdaq Stock Market LLC</b>

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: 160,932,436 shares of Class A Common Stock and 0 shares of Class B Common Stock were outstanding at May 10, 2023.

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### CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements. All statements other than statements of historical facts contained in this quarterly report, including statements concerning possible or assumed future actions, business strategies, events or results of operations, and any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of important risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, including risks and uncertainties relating to:

- our financial and business performance;
- our ability to realize benefits from the acquisition of GeneSiC Semiconductor Inc. on August 15, 2022;
- our ability to realize the benefits of the Business Combination, which may be affected by, among other things, competition and our ability to grow and manage growth profitably;
- changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- our product development timeline and expected start of production;
- the implementation, market acceptance and success of our business model;
- our ability to scale in a cost-effective manner;
- developments relating to our competitors and industry;
- the impact of health epidemics, including the Covid-19 pandemic, on our business and the actions we may take in response thereto;
- our ability to obtain and maintain intellectual property protection, and not infringe on the rights of the intellectual property rights others;
- our status as an emerging growth company (as defined by U.S. federal law);
- our future capital requirements and sources and uses of cash;
- our ability to obtain funding for our operations;
- our business, expansion plans and opportunities;
- the outcome of any known and unknown litigation and regulatory proceedings; and
- the risks and uncertainties described in the summary below, and in our annual report on Form 10-K in the section titled “Risk Factors.”

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur, and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. Some of these risks and uncertainties may in the future be amplified by events we do not expect or cannot predict. Additionally, new risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, the forward-looking statements in this quarterly report may not prove to be accurate.

Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this quarterly report, whether as a result of any new information, future events, changed circumstances or otherwise. You should read this quarterly report completely, and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

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## SUMMARY OF RISK FACTORS

The below summary of risk factors provides an overview of many of the risks we are exposed to in the normal course of our business activities. As a result, the below summary risks do not contain all of the information that may be important to you, and you should read the summary risks together with the more detailed and complete discussion of risks set forth under the heading “Risk Factors” in Part I, Item 1A of our annual report on Form 10-K and in Part II, Item 1A of this and our other quarterly reports on Form 10-Q. Additional risks, beyond those summarized below or discussed elsewhere in this annual report, may apply to our activities or operations as currently conducted or as we may conduct them in the future or in the markets in which we operate or may in the future operate.

Consistent with the foregoing, we are exposed to a variety of risks, including risks associated with the following:

### Risks Related to Our Business and Operations

- Our success and future revenue depend on our ability to achieve design wins and to convince our current and prospective end customers to design our products into their product offerings.
  - To date we have been successful in introducing our leading-edge GaN power IC technology in mobile charging applications, such as wall chargers and adapters for mobile phones and laptop computers, and on motor drives for home appliances, where we believe we have achieved a market-leading position in GaN power ICs. Growth in demand for our products depends on achieving similar successes in other markets where we believe our technology provides comparable advantages, including consumer electronics, data center, solar and EV. Although we believe we are on track in these efforts, no assurance can be given that we will succeed in similarly displacing legacy silicon solutions in these other target markets.
  - Our August 2022 acquisition of GeneSiC Semiconductor Inc. (“GeneSiC”) was our first significant acquisition. We are devoting, and expect to continue to devote, significant time and attention to integrating GeneSiC with our existing operations teams. Given our relatively small size and relative inexperience with acquisitions, we expect to face challenges which present a number of risks to achieving the anticipated benefits of the acquisition. Our revenue, expenses, results of operations and financial condition could be materially adversely affected as a result.
  - Since we have significant operations and revenues in China, our business development plans, results of operations and financial condition may be materially and adversely affected by significant political, social and economic developments in China, including governmental or regulatory changes.
  - We rely on a single third-party wafer fabrication supplier and facility for the fabrication of semiconductor wafers for GaN ICs and a separate third-party wafer fabrication supplier and facility for the fabrication of semiconductor wafers for SiC MOSFETs, and on a limited number of suppliers of other materials. The failure of any of these facilities or suppliers, or of additional suppliers, to continue to supply wafers or other materials on a timely basis could harm our business and our financial results.
  - Increased costs of wafers and materials, or shortages in wafers and materials, could increase our costs of operations and our business could be harmed. Raw material price fluctuations can increase the cost of our products, impact our ability to meet end customer commitments, and may adversely affect our results of operations.
  - We are dependent on a limited number of distributors and end customers. The loss of, or a significant disruption in, the relationships with any of these distributors or end customers could significantly reduce our revenue and adversely impact our operating results. In addition, if we are unable to expand or further diversify our end customer base, our business, financial condition, and results of operations could suffer.
  - Because we do not have long-term purchase commitments with our end customers, orders may be cancelled, reduced, or rescheduled with little or no notice, which in turn exposes us to inventory risk, and may cause our business, financial results and future prospects to be harmed.
  - The complexity of our products could result in unforeseen delays or expenses from undetected defects, errors or bugs in hardware or software which could reduce the market adoption of our products, damage our reputation with current or prospective end customers and adversely affect our operating costs.
  - We may experience difficulties in transitioning to new wafer fabrication process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased costs.
  - From time to time, we may rely on strategic partnerships, joint ventures and alliances for manufacturing and research and development. However, we may not control these partnerships and joint ventures, and actions taken by any of our partners or the termination of these partnerships or joint ventures could adversely affect our business.
  - We may pursue mergers, acquisitions, investments and joint ventures, which could divert our management’s attention or otherwise disrupt our operations and adversely affect our results of operations.
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### **Tax-Related Risks**

- We could be subject to domestic or international changes in tax laws, tax rates or the adoption of new tax legislation, or we could otherwise have exposure to additional tax liabilities, which could adversely affect our business, results of operations, financial condition or future profitability.
- Navitas Semiconductor Limited, our principal operating subsidiary (“Legacy Navitas”), is a tax resident of, and is subject to tax in, both the United States and Ireland. While we intend to pursue relief from double taxation under the double tax treaty between the United States and Ireland, there can be no assurance that such efforts will be successful. Accordingly, the status of Legacy Navitas as a tax resident in the U.S. and Ireland may result in an increase in our cash tax obligations and effective tax rate, which increase may be material.
- Any adjustment to the purchase price of the assets that were transferred pursuant to the restructuring of Legacy Navitas in 2020 could adversely impact our tax position.
- As a result of the plans to expand our business operations, including to jurisdictions in which tax laws may not be favorable, our obligations may change or fluctuate, become significantly more complex or become subject to greater risk of examination by taxing authorities, any of which could adversely affect our after-tax profitability and financial results.

### **Risks Related to Intellectual Property**

- We may not be able to adequately protect our intellectual property rights. If we fail to adequately enforce or defend our intellectual property rights, our business may be harmed.
- We may not be able to obtain additional patents and the legal protection afforded by any additional patents may not adequately cover the full scope of our business or permit us to gain or keep competitive advantage.
- If we infringe or misappropriate, or are accused of infringing or misappropriating, the intellectual property rights of third parties, we may incur substantial costs or be prevented from being able to commercialize new products.
- Our ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property, including third-party and “open source” software.

### **Risks Related to Owning Our Common Stock**

- Concentration of ownership among existing executive officers, directors and their affiliates, including the investment funds they represent, may prevent new investors from influencing significant corporate decisions.
  - If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.
  - The issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans or otherwise by us could dilute the ownership and voting power of our stockholders.
  - Our management has limited public company experience. The obligations associated with being a public company involve significant expenses and require significant resources and management attention, which may divert from our business operations and if we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.
  - 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.
  - We may issue a substantial number of additional shares under our employee equity incentive plans.
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## TABLE OF CONTENTS

	<u>Page</u>
<b><u>Part I - Financial Information</u></b>	
Item 1.	<a href="#"><u>Financial Statements (unaudited)</u></a> 5
	<a href="#"><u>Condensed Consolidated Balance Sheets as of March 31, 2023 and December 31, 2022</u></a> 5
	<a href="#"><u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2023 and 2022</u></a> 6
	<a href="#"><u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2023 and 2022</u></a> 7
	<a href="#"><u>Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the Three Months Ended March 31, 2023 and 2022</u></a> 8
	<a href="#"><u>Condensed Consolidated Statements of Cash Flow for the Three Months Ended March 31, 2023 and 2022</u></a> 9
	<a href="#"><u>Condensed Notes to Consolidated Financial Statements</u></a> 9
Item 2.	<a href="#"><u>Management's Discussion and Analysis of Financial Conditions and Operating Results</u></a> 31
Item 3.	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a> 37
Item 4.	<a href="#"><u>Control and Procedures</u></a> 37
<b><u>Part II - Other Information</u></b>	
Item 1.	<a href="#"><u>Legal Proceedings</u></a> 39
Item 1A.	<a href="#"><u>Risk Factors</u></a> 39
Item 2.	<a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a> 39
Item 5.	<a href="#"><u>Other Information</u></a> 42
Item 6.	<a href="#"><u>Exhibits</u></a> 40
	<a href="#"><u>Signatures</u></a>

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

**NAVITAS SEMICONDUCTOR CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

(In thousands, except shares and par value)	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 100,823	\$ 110,337
Accounts receivable, net (less allowance of \$300 and \$0)	7,423	9,127
Inventories	18,873	19,061
Prepaid expenses and other current assets	2,880	3,623
Total current assets	129,999	142,148
PROPERTY AND EQUIPMENT, net	6,840	6,532
OPERATING LEASE RIGHT OF USE ASSETS	6,537	6,381
INTANGIBLE ASSETS, net	105,569	105,620
GOODWILL	161,442	161,527
OTHER ASSETS	5,581	3,054
Total assets	\$ 415,968	\$ 425,262
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other accrued expenses	\$ 13,610	\$ 14,653
Accrued compensation expenses	7,711	3,907
Operating lease liabilities, current	1,477	1,305
Other liabilities	674	486
Total current liabilities	23,472	20,351
OPERATING LEASE LIABILITIES NONCURRENT	5,248	5,263
EARNOUT LIABILITY	40,816	13,064
DEFERRED TAX LIABILITIES	1,829	1,824
Total liabilities	71,365	40,502
<b>COMMITMENTS AND CONTINGENCIES (Note 15)</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$0.0001 par value, 750,000,000 shares authorized as of both March 31, 2023 and December 31, 2022, and 160,943,107 and 153,628,838 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	18	18
Additional paid-in capital	561,193	535,875
Accumulated other comprehensive loss	(7)	(7)
Accumulated deficit	(216,601)	(154,754)
Total stockholders' equity of Navitas Semiconductor Corporation	344,603	381,132
Noncontrolling interest	—	3,628
Total stockholders' equity	344,603	384,760
Total liabilities and stockholders' equity	\$ 415,968	\$ 425,262

*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 March 31,	
	2023	2022
NET REVENUES (including \$0 and \$613 of related party revenues)	\$ 13,358	\$ 6,740
COST OF REVENUES (exclusive of amortization of intangible assets included below)	7,873	3,777
<b>OPERATING EXPENSES:</b>		
Research and development	17,394	13,325
Selling, general and administrative	19,058	24,544
Amortization of intangible assets	4,499	88
Total operating expenses	40,951	37,957
LOSS FROM OPERATIONS	(35,466)	(34,994)
<b>OTHER INCOME (EXPENSE), net:</b>		
Interest income (expense), net	903	(24)
Gain from change in fair value of warrants	—	51,763
Gain (loss) from change in fair value of earnout liabilities	(27,752)	63,406
Other income (expense)	11	(356)
Total other income (expense), net	(26,838)	114,789
INCOME (LOSS) BEFORE INCOME TAXES	(62,304)	79,795
INCOME TAX PROVISION	61	3
NET INCOME (LOSS)	(62,365)	79,792
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(518)	—
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	\$ (61,847)	\$ 79,792
<b>NET INCOME (LOSS) PER COMMON SHARE:</b>		
Basic net income (loss) per share attributable to common stockholders	\$ (0.39)	\$ 0.67
Diluted net income (loss) per share attributable to common stockholders	\$ (0.39)	\$ 0.61
<b>WEIGHTED AVERAGE COMMON SHARES USED IN NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:</b>		
Basic common shares	156,792	119,542
Diluted common shares	156,792	131,149

*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 March 31,	
	2023	2022
NET INCOME (LOSS)	\$ (62,365)	\$ 79,792
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments, net of tax	—	(60)
Total other comprehensive income (loss)	—	(60)
COMPREHENSIVE INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	(62,365)	79,732
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	(518)	—
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	\$ (61,847)	\$ 79,732

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



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

THREE MONTHS ENDED MARCH 31, 2023	Stockholder's equity						
	Common stock		Additional paid in capital	Accumulated deficit	Accumulated comprehensive income (loss)	Noncontrolling interest	Total
	Shares	Amount					
<b>BALANCE AT DECEMBER 31, 2022</b>	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)
<b>BALANCE AT MARCH 31, 2023</b>	160,943	\$ 18	\$ 561,193	\$ (216,601)	\$ (7)	\$ —	\$ 344,603

THREE MONTHS ENDED MARCH 31, 2022	Stockholder's equity						
	Common stock		Additional paid in capital	Accumulated deficit	Accumulated comprehensive income (loss)	Noncontrolling interest	Total
	Shares	Amount					
<b>BALANCE AT DECEMBER 31, 2021</b>	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
<b>BALANCE AT MARCH 31, 2022</b>	123,461	\$ 15	\$ 348,658	\$ (148,875)	\$ (62)	\$ —	\$ 199,736

*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)	Three Months Ended March 31,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (62,365)	\$ 79,792
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	506	125
Amortization of intangible assets	4,536	88
Non-cash lease expense	512	243
Other	85	(357)
Stock-based compensation expense	17,161	25,326
Amortization of debt discount and issuance costs	—	3
Gain from change in fair value of warrants	—	(51,763)
(Gain) loss from change in fair value of earnout liability	27,752	(63,406)
Deferred income taxes	5	—
Change in operating assets and liabilities:		
Accounts receivable	1,704	(1,358)
Inventory	188	(1,152)
Prepaid expenses and other current assets	743	(109)
Other assets	(1,612)	1,391
Accounts payable, accrued compensation and other expenses	3,376	817
Operating lease liability	(511)	(241)
Net cash used in operating activities	(7,920)	(10,601)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment purchases	(1,000)	—
Investment in Joint Venture	—	(2,704)
Purchases of property and equipment	(815)	(294)
Receipts on notes receivable	—	6
Net cash used in investing activities	(1,815)	(2,992)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Redemption of warrants	—	(38)
Repurchase of common stock	—	(550)
Proceeds from issuance of common stock in connection stock option exercises	221	526
Principal payments on long-term debt	—	(800)
Net cash provided by (used in) financing activities	221	(862)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,514)</b>	<b>(14,455)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>110,337</b>	<b>268,252</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 100,823</b>	<b>\$ 253,797</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for income taxes	\$ 10	\$ 23
Cash paid for interest	\$ —	\$ 67
Shares issued in connection with buyout agreement (see Note 18)	\$ 22,400	\$ —
Capital expenditures in accounts payable	\$ 228	\$ —

*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**

On May 6, 2021, Navitas Semiconductor Limited, a private company limited by shares organized under the laws of Ireland (“Navitas Ireland”) and domesticated in the State of Delaware as Navitas Semiconductor Ireland, LLC, a Delaware limited liability company (“Navitas Delaware” and, together with Navitas Ireland, “Legacy Navitas”), entered into a business combination agreement and plan of reorganization (the “Business Combination Agreement” or “BCA”) with Live Oak Acquisition Corp. II, a Delaware corporation (“Live Oak”). Pursuant to the BCA, among other transactions consummated on October 19, 2021 (collectively, the “Business Combination”), Live Oak acquired all of the capital stock of Navitas Ireland (other than the Navitas Ireland Restricted Shares, as defined below) by means of a tender offer, and a wholly owned subsidiary of Live Oak merged with and into Navitas Delaware, with Navitas Delaware surviving the merger. As a result, Legacy Navitas became a wholly owned subsidiary of Live Oak effective October 19, 2021. At the closing of the Business Combination, Live Oak changed its name to Navitas Semiconductor Corporation (“Navitas”).

References to the “Company” in these financial statements refer to Legacy Navitas and its predecessors before the consummation of the Business Combination, or to Navitas Semiconductor Corporation after the Business Combination, as the context suggests.

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 electronics products including fast chargers for mobile phones and laptops, consumer electronics, data centers, solar inverters and electric vehicles, 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 and the Philippines, with principal executive offices in Torrance, California.

*Reorganization*

Navitas Semiconductor USA, Inc. (f/k/a Navitas Semiconductor, Inc., “Navitas U.S.”) was incorporated in the State of Delaware on October 25, 2013. In 2020 Navitas U.S. initiated a restructuring to streamline its worldwide legal entity structure and more efficiently align its business operations (the “Restructuring”). The Restructuring introduced wholly owned subsidiaries in Hong Kong and China as well as the addition of Legacy Navitas, an entity registered in Ireland and the U.S., as the parent of Navitas U.S. and the other Navitas subsidiaries. In connection with the Restructuring, effective September 1, 2020, Legacy Navitas acquired certain intellectual property and other intangible assets from Navitas U.S. and, after the Restructuring, contracts directly with customers. The transfer of intellectual property and other intangible assets by Navitas U.S. to Legacy Navitas in connection with the Restructuring was among entities within the same consolidated group and, as a result, did not result in any gain or loss to the Company. Legacy Navitas is treated as a corporation for U.S. federal income tax purposes and is a tax resident in both Ireland and the United States. See Note 14, Provision for Income Taxes, for more information.

*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

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

*Basis of Consolidation*

The accompanying condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The results of operations for the three months ended March 31, 2023 shown in this report are not necessarily indicative of results to be expected for the full year ending December 31, 2023. In the opinion of the Company’s management, the information contained herein reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the Company’s results of operations, financial position, cash flows and stockholders’ equity (deficit). Certain footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to Securities and Exchange Commission (“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.

The Company reports noncontrolling interests of the consolidated entities as a component of equity separate from the Company’s equity. All material intercompany transactions between and among the Company and its consolidated subsidiaries have been eliminated in consolidation. The Company’s net income (loss) excluded income (loss) attributable to the noncontrolling interests. The consolidated financial statements include the accounts of Elevation Semiconductor Inc. (the “Joint Venture”), an entity in which the Company had a controlling interest since August 19, 2022 (see Note 18, Noncontrolling Interest). During the first quarter of fiscal year 2023 the Company acquired the remaining noncontrolling interest in the Joint Venture. The transaction was completed on February 13, 2023. As Navitas already had a controlling interest, financial results from the Joint Venture have already been reflected in Navitas’ historical financial statements.

The condensed consolidated financial statements include the accounts of the Company, its wholly owned or majority-owned subsidiaries and entities in which the Company is deemed to have a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. All intercompany transactions and balances have been eliminated in consolidation.

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

On an ongoing basis, management evaluates the assumptions used in making estimates, including those related to (i) the collectability of accounts receivable; (ii) write-down for excess and obsolete inventory; (iii) warranty obligations; (iv) the value assigned to and estimated useful lives of long-lived assets; (v) the realization of tax assets and estimates of tax liabilities and tax reserves; (vi) recoverability of intangible assets; (vii) the computation of share-based compensation; (viii) accrued compensation and other expenses; and (ix) the recognition of revenue. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The Company engages third-party valuation specialists to assist with estimates related to the valuation of intangible assets, stock options, restricted common stock awards, earnout shares and warrants. Such estimates often require the selection of appropriate valuation methodologies and models, and significant judgment in evaluating ranges of assumptions and financial inputs. Actual results could differ from those estimates.

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

**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. These fair value determinations require judgment and involve the use of 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 receivable 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):

	March 31, 2023	December 31, 2022
Raw materials	\$ 3,551	\$ 4,314
Work-in-process	11,609	9,166
Finished goods	3,713	5,581
Total	<u>\$ 18,873</u>	<u>\$ 19,061</u>

**4. PROPERTY AND EQUIPMENT, NET**

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

	March 31, 2023	December 31, 2022
Furniture and fixtures	\$ 202	\$ 215
Computers and other equipment	8,064	7,251
Leasehold improvements	2,045	2,054
Construction in Progress	71	—
	<u>10,382</u>	<u>9,520</u>
Accumulated depreciation	(3,542)	(2,988)
Total	<u>\$ 6,840</u>	<u>\$ 6,532</u>

For the three months ended March 31, 2023 and 2022, depreciation expense was \$0.5 million and \$0.1 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 not material as of March 31, 2023 and December 31, 2022.

**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 March 31, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
<b>Liabilities:</b>				
Earnout liability	\$ —	\$ —	\$ 40,816	\$ 40,816
<b>Total</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 40,816</u>	<u>\$ 40,816</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
<b>Liabilities:</b>				
Earnout liability	\$ —	\$ —	\$ 13,064	\$ 13,064
<b>Total</b>	<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):

	<b>Fair Value Measurements Using Significant Unobservable Inputs</b>
Balance at December 31, 2022	\$ 13,064
Fair value adjustment	27,752
Balance at March 31, 2023	<u>\$ 40,816</u>

The Company did not transfer any investments between Level 1 and Level 2 of the fair value hierarchy during the three months ended March 31, 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.

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

	<b>Goodwill</b>
Balance at December 31, 2022	\$ 161,527
Purchase price adjustment	(85)
Balance at March 31, 2023	<u>\$ 161,442</u>

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

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

The following table presents the Company's intangible asset balance by asset class as of March 31, 2023 (in thousands):

Intangible Asset	Cost	Accumulated Amortization	Net Book Value	Amortization Method	Useful Life
Trade Names	\$ 900	\$ (281)	\$ 619	Straight line	2 years
Developed Technology	53,500	(7,672)	45,828	Straight line	4-10 years
In-process R&D	1,177	—	1,177	Indefinite	N/A
Patents	33,900	(1,412)	32,488	Straight line	5-15 years
Customer Relationships	24,300	(1,519)	22,781	Straight line	10 years
Non-Competition Agreements	1,900	(238)	1,662	Straight line	5 years
Other	1,926	(912)	1,014	Straight line	5 years
Total	<u>\$ 117,603</u>	<u>\$ (12,034)</u>	<u>\$ 105,569</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	4,485
Amortization expense	(4,536)
Balance at March 31, 2023	<u>\$ 105,569</u>

The amortization expense was \$4.5 million and \$0.1 million for the three months ended March 31, 2023 and 2022, respectively.

There were no impairment charges during the three months ended March 31, 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 March 31, 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 redeemed by December 31, 2022, and amortization of debt discount and issuance costs was not significant either of the three months ended March 31, 2023 or 2022.



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

**8. LEASES:**

The Company has entered into operating leases primarily for commercial buildings. These leases have terms which range from 0.5 to 5.7 years. As of March 31, 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 March 31, 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 obtained \$0.6 million in additional right-of-use assets in exchange for lease obligations during the three months ended March 31, 2023. 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 nonlease 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 \$0.4 million for the three months ended March 31, 2023 and 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 months ended March 31, 2023 and 2022. There were no leases that had not yet commenced as of March 31, 2023, that will create significant additional rights and obligations for the Company.

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

	Three Months Ended March 31,	
	2023	2022
Cash paid for operating lease liabilities	\$ 454	\$ 261
Operating lease cost	\$ 512	\$ 263
Non-cash right-of-use assets obtained in exchange for new operating lease obligations	\$ 590	\$ 1,391
Weighted-average remaining lease term	4.96 years	2.06 years
Weight-average discount rate	4.25% - 7.75%	4.25 %

Right-of-use assets and lease liabilities consisted of the following (in thousands):

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

	March 31, 2023	December 31, 2022
<b>Assets:</b>		
Operating lease right-of-use assets	\$ 6,537	\$ 6,381
<b>Liabilities:</b>		
Operating lease liabilities - current	1,477	1,305
Operating lease liabilities - noncurrent	5,248	5,263
<b>Total lease liabilities</b>	<b>\$ 6,725</b>	<b>\$ 6,568</b>

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

Remainder of fiscal year 2023	\$	1,422
Fiscal year 2024		1,532
Fiscal year 2025		1,239
Fiscal year 2026		1,183
Fiscal year 2027		1,218
Thereafter		1,125
	\$	7,719
Less imputed interest		994
<b>Total lease liabilities</b>	<b>\$</b>	<b>6,725</b>

## 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 at the Closing of the Business Combination 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

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

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 March 31, 2023 the Company has issued 9,750,000 non-statutory stock options under the 2021 Plan.

**Stock-Based Compensation**

At the Closing of the Business Combination on October 19, 2021, Legacy Navitas’ outstanding vested and unvested share-based compensation awards (as such terms are defined below) were converted into equity, RSUs or options in the Company at a ratio of 1.0944 to 1 share (the “Exchange Ratio”). Share and per share information below has been converted from historical disclosures based on the Exchange Ratio.

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 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 months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Research and development	\$ 7,177	\$ 7,494
Selling, general and administrative	9,983	17,832
Total stock-based compensation expense	<u>\$ 17,160</u>	<u>\$ 25,326</u>

*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 either the three months ended March 31, 2023 or 2022.

A summary of stock options outstanding, excluding LTIP Options as of March 31, 2023, and activity during the three 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
Granted	—	—	—
Exercised	(512)	0.44	—
Forfeited or expired	(136)	1.06	—
Cancelled	—	—	—
Outstanding at March 31, 2023	<u>6,127</u>	<u>\$ 0.61</u>	<u>6.20</u>
Vested and Exercisable at March 31, 2023	5,015	\$ 0.51	5.90

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

During both the three months ended March 31, 2023 and 2022, the Company recognized \$0.1 million of stock-based compensation expense for the vesting of outstanding stock options, excluding \$2.5 million and \$1.4 million related to the LTIP Options described below. At March 31, 2023, unrecognized compensation cost related to unvested awards totaled \$0.5 million. The weighted-average period over which this remaining compensation cost will be recognized is 1.2 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 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 period remaining is 8.8 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 \$2.2 million and \$1.4 million of stock-based compensation expense for the three months ended March 31, 2023 and 2022, respectively. The unrecognized compensation expense related to these LTIP Options is \$51.6 million as of March 31, 2023, and compensation expense will be recognized over 3.2 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 9.4 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 of stock-based compensation expense for the three months ended March 31, 2023. The unrecognized compensation expense related to the LTIP Options is \$8.7 million as of March 31, 2023, and compensation expense will be recognized over 3.8 years.

*Restricted Stock Units*

On August 25, 2021, the Company granted an aggregate of 4,135,000 Legacy Navitas RSUs under the 2020 Plan to certain members of senior management pursuant to restricted stock unit agreements (collectively, the “RSU Agreements”). Each RSU represents the right to receive one share of common stock of the Company, subject to the vesting and other

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

terms and conditions set forth in the RSU Agreements and the Plan. 3,500,000 of these RSU awards vest in three equal installments over a three-year period subject to the occurrence of an IPO (which includes the Business Combination) and certain valuation targets, subject to an accelerated vesting schedule based on the satisfaction of certain stock price targets. Up to 500,000 of these RSUs were eligible to vest on the six-month anniversary of the grant date, subject to the occurrence of an IPO (which included the Business Combination) and certain valuation targets. 52,500 RSUs vested upon the occurrence of the Business Combination, while the remaining 82,500 RSUs vest as specified by an RSU Agreement over a period of approximately three years. As of October 19, 2021, the IPO performance condition had been met due to the Business Combination.

Additionally, the Company regularly grants RSUs to employees as a component of their compensation. A summary of RSUs outstanding as of March 31, 2023, and activity during the three months then ended, is presented below:

	<b>Shares (In thousands)</b>	<b>Weighted-Average Grant Date Fair Value Per Share</b>
Outstanding at December 31, 2022	11,606	\$ 5.93
Granted	5,392	6.15
Vested	(1,707)	7.46
Forfeited	(67)	6.62
Outstanding at March 31, 2023	15,224	\$ 6.30

During the three months ended March 31, 2023 and 2022, the Company recognized \$7.1 million and \$16.2 million of stock-based compensation expense for the vesting of RSUs, respectively. As of March 31, 2023, unrecognized compensation cost related to unvested RSU awards totaled \$90.2 million. The weighted-average period over which this remaining compensation cost is expected to be recognized is 2.8 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 \$2.3 million accrued as of March 31, 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 March 31, 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 three months ended March 31, 2023.

#### *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 months ended March 31, 2023 and 2022 the Company recognized \$0.3 million and \$6.3 million, respectively, of stock-based compensation expense for the vesting of earnout shares. At March 31, 2023, there was no remaining compensation cost related to unvested earnout shares. Refer to Note 11, Earnout Liability.

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

## **10. WARRANT LIABILITY**

In connection with the closing of the Business Combination, holders of Live Oak Class A ordinary shares automatically received Class A Common Stock of the Company, and holders of Live Oak warrants automatically received a total of 13,100,000 warrants of the Company with substantially identical terms (“the Warrants”). Accordingly, 8,433,333 Live Oak public warrants automatically converted into 8,433,333 warrants to purchase one share of the Company’s Class A Common Stock at \$11.50 per share (the “Public Warrants”), and 4,666,667 private placement warrants held by the sponsor of the Business Combination and certain permitted transferees (“Private Placement Warrants”), each exercisable for one Class A ordinary share of Live Oak at \$11.50 per share, automatically converted into warrants to purchase one share of the Company’s Class A Common Stock at \$11.50 per share with substantially identical terms as the Public Warrants. On February 4, 2022, the Company gave notice that it would redeem all of the Warrants, as further described below.

The Warrants were exercisable only during the period commencing December 7, 2021 (12 months after the consummation of Live Oak’s initial public offering) and ending on the earlier of October 19, 2026 (five years after the Closing of the Business Combination) or, in the event of redemption, the corresponding redemption date. The Company had the right to redeem not less than all of the outstanding Public Warrants on 30 days’ notice, at a redemption price of \$0.01 per Warrant, if the reported closing price of the Common Stock was at least \$18.00 per share for any 20 of 30 trading days ending three business days before the notice of redemption, subject to certain other conditions. The Company also had the right to redeem not less than all of the outstanding Public Warrants on 30 days’ notice, at a redemption price of \$0.10 per Warrant, if the reported closing price of the Common Stock was at least \$10.00 per share for any 20 of 30 trading days ending three business days before the notice of redemption, subject to certain other conditions. If the Company elected to exercise the latter right to redeem the Public Warrants for \$0.10 per Warrant, and the reported closing price of the Common Stock was less than \$18.00 per share for any 20 of 30 trading days ending three business days before the notice of redemption, the Company was required by the terms of the Public Warrants to concurrently redeem the Private Placement Warrants on the same terms. In addition, in such event, holders of Warrants subject to redemption would have the right to exercise their Warrants on a “cashless” basis, whereby they would receive a fractional number of shares of Common Stock per Warrant exercised before the redemption date, based on the volume weighted average price of the Common Stock for the 10 trading days following notice of redemption (the “Redemption Fair Market Value”) and the time period between the redemption date and the original expiration date of the Warrants in the absence of redemption.

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 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 three months ended March 31, 2022. There were no outstanding warrants as of March 31, 2023.

## **11. EARNOUT LIABILITY**

Certain of the Company’s stockholders are entitled to receive up to 10,000,000 “earnout shares” of the Company’s Class A Common Stock if the 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. Each earnout milestone is considered met if at any time 150 days following the Business Combination and prior to October 19, 2026, the

volume weighted average price of the Company’s Class A Common Stock is greater than or equal to \$12.50, \$17.00 or \$20.00, respectively, for any twenty trading days within any thirty trading day period, respectively. Further, the earnout milestones are also considered to be met if the Company undergoes a Sale. A Sale is defined as the occurrence of any of the following: (i) engaging in a “going private” transaction pursuant to Rule 13e-3 under the Exchange Act or otherwise ceasing to be subject to reporting obligations under Sections 13 or 15(d) of the Exchange Act; (ii) the Class A Common Stock ceases to be listed on a national security exchange, other than for the failure to satisfy minimum listing requirements under applicable stock exchange rules; or (iii) a change of ownership (including a merger or consolidation) or approval of a plan for complete liquidation or dissolution.

These earnout shares have been categorized into two components: (i) the “Vested Shares” – those associated with vested equity held by stockholders at the closing of the Business Combination that will be earned upon achievement of the earnout milestones and (ii) the “Unvested Shares” – those associated with unvested equity held by stockholders at the closing of the Business Combination that will be earned over the remaining service period with the Company on their Unvested Shares and upon achievement of the earnout milestones. The Vested Shares are classified as liabilities in the consolidated balance sheet and the Unvested Shares are equity-classified share-based compensation to be recognized over time (see Note 9, Share-based Compensation). The earnout liability was initially measured at fair value at the closing of the Business Combination and subsequently remeasured at the end of each reporting period. The change in fair value of the earn-out 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:

	March 31, 2023	December 31, 2022
Risk-free interest rate	3.75 %	4.13 %
Equity volatility rate	63.00 %	65.00 %

At the closing of the Business Combination on October 19, 2021, the earnout liability had an initial fair value of \$96.1 million, which was recorded as a long-term liability and a reduction to additional paid in capital in the consolidated balance sheets. As of March 31, 2023 and December 31, 2022, the earnout liability had a fair value of \$40.4 million and \$12.5 million, respectively which resulted in a loss in the fair value of the earnout liability of \$27.9 million for the three months ended March 31, 2023 due to the increase 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 March 31, 2023, the GeneSiC earnout probability is considered remote, and a liability of \$0.4 million is recorded in earnout liability in the Company's Condensed Consolidated Balance Sheets.

## **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 months ended March 31, 2023 and 2022:

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

<b>Customer</b>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Distributor A	35 %	*
Distributor B	19	*
Distributor C	17	31 %
Distributor D	*	39
Distributor E	*	13

*\*Total customer net revenues was 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 months ended March 31, 2023 and 2022 were attributable to end customers in the following countries or regions:

<b>Country</b>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Europe*	28 %	—
China	57	58 %
United States	11	33
Rest of Asia	4	9
All others	—	—
Total	<u>100 %</u>	<u>100 %</u>

*\*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.

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

<b>Customer</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Distributor A	32 %	19 %
Distributor B	19	25
Distributor C	11	*

*\*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



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

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.

A summary of the net income (loss) per share calculation is as follows (in thousands, except per share amounts):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Numerator - basic and diluted:</b>		
Net income (loss) attributable to controlling interests	\$ (61,847)	\$ 79,792
<b>Denominator</b>		
Weighted-average common shares - basic common stock	156,792	119,542
Weighted-average common shares - diluted common stock	156,792	131,149
Net income (loss) per share - basic common stock	\$ (0.39)	\$ 0.67
Net income (loss) per share - diluted common stock	\$ (0.39)	\$ 0.61
<b>Denominator</b>		
Weighted-average common shares - basic common stock	156,792	119,542
Stock options and other dilutive awards	—	11,607
Weighted-average common shares - diluted common stock	156,792	131,149
<b>Shares excluded from diluted weighted-average shares:<sup>1</sup></b>		
Earnout shares (potentially issuable common shares)	10,000	10,000
Unvested restricted stock units and restricted stock awards	376	4,979
Stock options potentially exercisable for common shares	9,750	6,500
Shares excluded from diluted weighted average shares	20,126	21,479

(1) The Company's potentially dilutive securities, which include unexercised stock options, unvested shares, preferred shares, earnout shares, and warrants for common and preferred 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 months ended March 31, 2023.

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

**14. PROVISION FOR INCOME TAXES:**

*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 months ended March 31, 2023 and 2022 was (0.03)% and 0.0%, respectively. The effective tax rate was impacted by nondeductible executive compensation and other expenses, stock compensation, state taxes, and the change in valuation allowance in the U.S. and certain foreign jurisdictions. The effective tax rate for 2023 differs from the prior year primarily as a result of tax expense in certain foreign jurisdictions not impacted by valuation allowance. The effective tax rate as of March 31, 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 stock-based compensation, and the effects of its foreign entities.

The Company had no unrecognized tax benefits for the three months ended March 31, 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 three months ended March 31, 2023 and 2022.

**15. COMMITMENTS and CONTINGENCIES**

*Purchase Obligations*

At March 31, 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 for termination 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 March 31, 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 March 31, 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.

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

*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 an 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. The Company did not recognize significant interest income from the notes for the three months ended March 31, 2023 or 2022.

*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 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 and \$0.6 million for the three months ended March 31, 2023 and 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 March 31, 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 March 31, 2023 was not material.

*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 months ended March 31 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 March 31, 2023 was \$0.1 million through September 30, 2023.

The Company leases certain property from the family member of a senior executive of the Company, which expires in March 2024. During the three months ended March 31 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 March 31, 2023 was \$43 thousand through March 31, 2024.

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

**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 Statements of Operations and were not material for the three months ended March 31, 2022. 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.

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. These values are subject to change as the Company performs additional reviews of the assumptions used.

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

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):

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

Goodwill represents the excess of the merger price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed, the final amount of the goodwill recorded could differ materially from the amount presented. 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.

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

<b>Intangible Asset</b>	<b>Fair Value</b>	<b>Amortization Method</b>	<b>Useful Life</b>
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
<b>Total Intangibles</b>	<b>\$ 110,100</b>		

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.

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

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 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**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

Revenue	\$	11,476
Net income	\$	79,741
Basic net income per share	\$	0.55
Diluted net income per share	\$	0.51

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 March 31, 2023, through May 15, 2023, the date the condensed consolidated financial statements were issued. There were no material subsequent events as of May 15, 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 power integrated circuits 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 9 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 GaN Power ICs. Navitas invented the first commercial GaN Power ICs. Today, we have over 185 patents that are issued or pending.

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 device 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 three months ended March 31, 2023 and 2022, we spent approximately 130% and 198%, respectively, of our revenue on research and development. Navitas’ research and development activities are located primarily in the US and China.

*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. GeneSiC's net assets and operating results since the merger date are included in the Company's Condensed Consolidated Balance Sheet and Condensed Consolidated Statements of Operations as of and for the three months ended March 31, 2023.

*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. VDDTech's net assets and operating results since the acquisition date are included in the Company's Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Operations for the three months ended March 31, 2023.

## **Results of Operations**

### **Revenue**

We design, develop and manufacture GaN ICs, SiC MOSFETs and Schottky MPS diodes that deliver best-in-class performance, ruggedness and quality. 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 table and discussion below present our results for the three months ended March 31, 2023 and 2022 (in thousands):

(dollars in thousands)	Three Months Ended March 31,		Change \$	Change %
	2023	2022		
Net revenues (including \$0 and \$613 of related party revenues)	\$ 13,358	\$ 6,740	\$ 6,618	98 %
Cost of revenues (exclusive of amortization of intangible assets included below)	7,873	3,777	4,096	108 %
Operating expenses:				
Research and development	17,394	13,325	4,069	31 %
Selling, general and administrative	19,058	24,544	(5,486)	(22)%
Amortization of intangible assets	4,499	88	4,411	5013 %
Total operating expenses	40,951	37,957	2,994	8 %
Loss from operations	(35,466)	(34,994)	(472)	1 %
Other income (expense), net:				
Interest income (expense), net	903	(24)	927	(3863)%
Gain from change in fair value of warrants	—	51,763	(51,763)	— %
Gain (loss) from change in fair value of earnout liabilities	(27,752)	63,406	(91,158)	— %
Other income (expense)	11	(356)	367	— %
Total other income (expense), net	(26,838)	114,789	(141,627)	(123)%
Income (loss) before income taxes	(62,304)	79,795	(142,099)	(178)%
Income tax provision	61	3	58	1933 %
Net income (loss)	(62,365)	79,792	(142,157)	(178)%
Less: Net loss attributable to noncontrolling interests	(518)	—	(518)	— %
Net income (loss) attributable to controlling interests	\$ (61,847)	\$ 79,792	(141,639)	(178)%

**Three Months Ended March 31, 2023 Compared to the Three Months Ended March 31, 2022**

**Revenue**

Revenue for the three months ended March 31, 2023 was \$13.4 million compared to \$6.7 million for the three months ended March 31, 2022, an increase of \$6.6 million, or 98%. The increase 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. Total sales volumes increased 19%, from 7.5 million to 8.9 million units shipped, while the average selling price increased 78% to \$1.46 per unit.

#### **Cost of Revenues**

Cost of revenues for the three months ended March 31, 2023 was \$7.9 million compared to \$3.8 million for the three months ended March 31, 2022, an increase of \$4.1 million or 108%. 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.

#### **Research and Development Expense**

Research and development expense for the three months ended March 31, 2023 of \$17.4 million increased by \$4.1 million, or 31%, when compared to the three months ended March 31, 2022, driven by increases of \$3.0 million compensation costs related to growth in headcount as the Company develops products in Solar, Enterprise and EV and \$1.3 million toward the expansion of new products, slightly offset by a decrease of \$0.3 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 March 31, 2023 of \$19.1 million decreased by \$5.5 million, or 22%, when compared to the three months ended March 31, 2022, driven by decreases of \$7.8 million in stock based compensation and \$0.5 million in professional fees, slightly offset by an increase of \$1.9 million in headcount costs and \$1.3 million higher transaction expense. 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 Definite-Lived Intangible Assets**

Amortization of definite-lived intangible assets for the three months ended March 31, 2023 of \$4.5 million increased by \$4.4 million, or 5,013%, when compared to the three months ended March 31, 2022. The increase is primarily due to business acquisitions that occurred during the fiscal year ended December 31, 2022.

#### **Other Income (Expense), net**

Net interest income for the three months ended March 31, 2023 was \$0.9 million compared to immaterial net interest expense for the three months ended March 31, 2022, primarily due to the higher interest rate received on money markets funds.

During the three months ended March 31, 2023, we recognized \$27.8 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 \$27.8 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 \$4.76 as of March 31, 2023.

#### **Income Tax (Benefit) Provision**

Income tax provision for the three months ended March 31, 2023 did not change materially when compared to the three months ended March 31, 2022. We expect our tax rate to remain close to zero in the near term due to full valuation allowances against deferred tax assets.

### **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 March 31, 2023, we had cash and cash equivalents of \$100.8 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 three months ended March 31, 2023 and 2022 (in thousands):

	<b>March 31, 2023</b>		<b>March 31, 2022</b>	
<b>Consolidated Statements of Cash Flow Data:</b>				
Net cash used in operating activities	\$	(7,920)	\$	(10,601)
Net cash used in investing activities	\$	(1,815)	\$	(2,992)
Net cash provided by (used in) financing activities	\$	221	\$	(862)

We derive liquidity primarily from debt and equity financing activities. As of March 31, 2023, our balance of cash and cash equivalents was \$100.8 million, which is a decrease of \$9.5 million or 9% compared to December 31, 2022.

### **Operating Activities**

For the three months ended March 31, 2023, net cash used in operating activities was \$7.9 million, which primarily reflects a net loss of \$62.4 million. This decrease to operating cash flows are partially offset by adjustments for non-cash share-based compensation of \$17.2 million, non-cash losses of \$27.8 million in earnout liabilities, amortization of intangible assets of \$4.5 million, and an aggregate cash provided by operating assets and liabilities of \$3.9 million. Specifically, a \$3.4 million increase in accounts payable-trade, accrued compensation, and other expenses primarily due to an increase in accrued compensation expense as a result of timing, a \$1.7 million decrease in account receivable and \$0.2 million decrease in inventory, partially offset by an increase in other assets of \$1.6 million..

### **Investing Activities**

Net cash used in investing activities for the three months ended March 31, 2023 of \$1.8 million was primarily due to \$1.0 million cash funding of a joint venture and \$0.8 million for purchases of fixed assets.

### ***Financing Activities***

Net cash provided by financing activities for the three months ended March 31, 2023 of \$0.2 million was due to proceeds from stock option exercises of \$0.2 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 March 31, 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 March 31, 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.

### **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 Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 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 March 31, 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, a SEC reporting manager was added to the accounting department and management plans to hire additional accounting staff during 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. 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.**

There have been no material changes in our risk factors from those 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 risks described in our Annual Report are not the only risks facing our Company. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, could also materially adversely affect our operating results, financial condition or future business.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

On February 13, 2023, we issued 5,045,971 shares of our common stock in consideration for our acquisition of the remaining minority equity interests in a silicon control IC joint venture and certain intellectual property license rights and other agreements from the joint venture partner and certain former employees of the joint venture. The shares were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933 or Rule 506 thereunder.

**Item 6. Exhibits.**

<b>EXHIBIT INDEX</b>	
<b>Exhibit</b>	<b>Description</b>
31.1*	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act</a>
31.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act</a>
32.1**	<a href="#">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</a>
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: May 15, 2023

NAVITAS SEMICONDUCTOR  
CORPORATION

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

Date: May 15, 2023

**CERTIFICATION**

I, Gene Sheridan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended March 31, 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: May 15, 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 March 31, 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: May 15, 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 March 31, 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: May 15, 2023

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

Date: May 15, 2023

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