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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

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	**85-2560226**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3520 Challenger Street	
Torrance, California	**90503-1640**
(Address of Principal Executive Offices)	(Zip Code)

(844) 654-2642
Registrant's telephone number, including area code

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

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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

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

☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 186,796,500 shares of Class A Common Stock and 0 shares of Class B Common Stock were outstanding at November 1, 2024.

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

NAVITAS SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except shares and par value)	September 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 98,614	$ 152,839
Accounts receivable, net of allowance of $211 and $0, respectively	21,091	25,858
Inventories	21,284	22,234
Prepaid expenses and other current assets	4,161	6,178
Total current assets	145,150	207,109
ACCOUNTS RECEIVABLE NONCURRENT, net of allowance of $773 and $0, respectively	5,211	—
PROPERTY AND EQUIPMENT, net	13,057	9,154
OPERATING LEASE RIGHT OF USE ASSETS	7,266	8,268
INTANGIBLE ASSETS, net	76,856	91,099
GOODWILL	163,215	163,215
OTHER ASSETS	8,654	6,701
Total assets	$ 419,409	$ 485,546
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other accrued expenses	$ 13,593	$ 24,740
Accrued compensation expenses	8,497	10,902
Operating lease liabilities, current	1,868	1,892
Customer deposit and deferred revenue	2,006	10,953
Total current liabilities	25,964	48,487
OPERATING LEASE LIABILITIES NONCURRENT	5,993	6,653
EARNOUT LIABILITY	3,932	46,852
DEFERRED TAX LIABILITIES	1,040	1,040
ACCRUED ROYALTIES NONCURRENT	1,652	1,897
Total liabilities	38,581	104,929
COMMITMENTS AND CONTINGENCIES (Note 14)		
STOCKHOLDERS' EQUITY:		
Class A common stock, $0.0001 par value, 750,000,000 shares authorized as of September 30, 2024 and December 31, 2023, and 186,788,292 and 179,196,418 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	22	21
Class B common stock, $0.0001 par value, 10,000,000 shares authorized as of September 30, 2024 and December 31, 2023, and 0 shares issued and outstanding at both September 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	725,739	680,790
Accumulated other comprehensive loss	(7)	(7)
Accumulated deficit	(344,926)	(300,187)
Total stockholders' equity	380,828	380,617
Total liabilities and stockholders' equity	$ 419,409	$ 485,546

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

NAVITAS SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
NET REVENUES	$ 21,681	$ 21,978	$ 65,324	$ 53,399
COST OF REVENUES (exclusive of amortization of intangible assets included below)	13,069	14,878	39,207	33,322
OPERATING EXPENSES:				
Research and development	17,828	16,553	57,028	50,740
Selling, general and administrative	15,040	14,419	46,509	46,629
Amortization of intangible assets	4,717	4,774	14,265	14,046
Total operating expenses	37,585	35,746	117,802	111,415
LOSS FROM OPERATIONS	(28,973)	(28,646)	(91,685)	(91,338)
OTHER INCOME (EXPENSE), net:				
Interest income (expense), net	(39)	47	(109)	1,298
Dividend income	1,210	1,648	4,251	2,107
Gain (loss) from change in fair value of earnout liabilities	9,171	34,473	42,920	(25,503)
Other income	26	20	140	50
Total other income (expense), net	10,368	36,188	47,202	(22,048)
INCOME (LOSS) BEFORE INCOME TAXES	(18,605)	7,542	(44,483)	(113,386)
INCOME TAX PROVISION (BENEFIT)	125	23	256	(13)
NET INCOME (LOSS)	(18,730)	7,519	(44,739)	(113,373)
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(518)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	$ (18,730)	$ 7,519	$ (44,739)	$ (112,855)
NET INCOME (LOSS) PER COMMON SHARE:				
Basic net income (loss) per share attributable to common stockholders	$ (0.10)	$ 0.04	$ (0.25)	$ (0.68)
Diluted net income (loss) per share attributable to common stockholders	$ (0.10)	$ 0.04	$ (0.25)	$ (0.68)
WEIGHTED AVERAGE COMMON SHARES USED IN NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS:				
Basic common shares	184,672	175,103	182,551	165,719
Diluted common shares	184,672	185,626	182,551	165,719

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

NAVITAS SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

(In thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
NET INCOME (LOSS)	$ (18,730)	$ 7,519	$ (44,739)	$ (113,373)
Other comprehensive income	—	—	—	—
COMPREHENSIVE INCOME (LOSS)	(18,730)	7,519	(44,739)	(113,373)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	—	—	(518)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	$ (18,730)	$ 7,519	$ (44,739)	$ (112,855)

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

NAVITAS SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

	Stockholders' Equity						
	Class A common stock		Additional paid in capital	Accumulated deficit	Accumulated comprehensive loss	Noncontrolling interest	Total
NINE MONTHS ENDED SEPTEMBER 30, 2024	Shares	Amount					
BALANCE AT DECEMBER 31, 2023	179,196	$ 21	$ 680,790	$ (300,187)	$ (7)	$ —	$ 380,617
Issuance of common stock under employee stock option and stock award plans	3,801	—	10,734	—	—	—	10,734
Stock-based compensation expense related to employee and non-employee stock awards	—	—	10,247	—	—	—	10,247
Net loss	—	—	—	(3,681)	—	—	(3,681)
BALANCE AT MARCH 31, 2024	182,997	$ 21	$ 701,771	$ (303,868)	$ (7)	$ —	$ 397,917
Issuance of common stock under employee stock option and stock award plans	505	—	1,123	—	—	—	1,123
Stock-based compensation expense related to employee and non-employee stock awards	—	—	11,388	—	—	—	11,388
Net loss	—	—	—	(22,328)	—	—	(22,328)
BALANCE AT JUNE 30, 2024	183,502	$ 21	$ 714,282	$ (326,196)	$ (7)	$ —	$ 388,100
Issuance of common stock under employee stock option and stock award plans	3,337	1	789	—	—	—	790
Stock-based compensation expense related to employee and non-employee stock awards	—	—	10,668	—	—	—	10,668
Net loss	—	—	—	(18,730)	—	—	(18,730)
BALANCE AT SEPTEMBER 30, 2024	186,839	$ 22	$ 725,739	$ (344,926)	$ (7)	$ —	$ 380,828

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

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

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

(In thousands)	Nine Months Ended September 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (44,739)	$ (113,373)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,197	1,550
Amortization of intangible assets	14,265	14,046
Non-cash lease expense	1,716	1,449
Other	—	85
Stock-based compensation expense	38,011	41,810
Allowance for expected credit losses	1,053	—
(Gain) loss from change in fair value of earnout liability	(42,920)	25,503
Deferred income taxes	—	5
Change in operating assets and liabilities:		
Accounts receivable	(1,496)	(8,446)
Inventories	950	3,157
Prepaid expenses and other current assets	2,017	(888)
Other assets	525	(1,649)
Accounts payable, accrued compensation and other accrued expenses	(9,867)	20,761
Operating lease liability	(1,398)	(1,452)
Customer deposit and deferred revenue	(8,947)	—
Net cash used in operating activities	(48,633)	(17,442)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(2,500)	(1,000)
Purchases of property and equipment	(6,209)	(3,410)
Net cash used in investing activities	(8,709)	(4,410)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock in connection stock option exercises	434	1,754
Proceeds from issuance of common stock in May 2023 public offering	—	86,941
Payment of May 2023 public offering costs	—	(482)
Proceeds from employee stock purchase plan	2,683	—
Net cash provided by financing activities	3,117	88,213
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,225)	66,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	152,839	110,337
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 98,614	$ 176,698
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 198	$ 64
Shares issued in connection with buyout agreement	$ —	$ 22,400
Capital expenditures in accounts payable	$ 391	$ 764

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION

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

Investment in Third Party

On January 3, 2024, the Company made an additional investment of $2.5 million in preferred interests in a third party. The Company's new ownership percentage increased to 15.48%. The investment is $5.0 million and $2.5 million as of September 30, 2024 and December 31, 2023, respectively. Such investment is included in Other Assets in the Condensed Consolidated Balance Sheets 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.

May 2023 Public Offering

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

Acquisitions

In 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 16, Noncontrolling Interest, for more information.

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

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The information contained in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are in the opinion of management, necessary for a fair presentation of such condensed consolidated financial statements. Operating results for the three and nine months ended September 30, 2024, are not necessarily indicative of results to be expected for the full year ending December 31, 2024. Certain footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America have been condensed or omitted pursuant to SEC rules and regulations relating to interim financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K/A filed for the fiscal year ended December 31, 2023, filed with the SEC on July 23, 2024. 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 March 6, 2024.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Valuation of Contingent Consideration Resulting from a Business Combination

In connection with certain acquisitions, the Company may be required to pay future consideration that is contingent upon the achievement of specified milestone events. The Company records contingent consideration resulting from a business combination at its fair value on the acquisition date. Each quarter thereafter, the Company revalues these obligations and record increases or decreases in their fair value within the Company's 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 the Company's results of operations in any given period. Actual results may differ from estimates.

Reclassifications

Certain items in the prior period's condensed consolidated balance sheets and condensed consolidated statements of operations have been reclassified to conform to the presentation for the three and nine months ended September 30, 2024. Dividend income was previously included within interest income (expense), net. Additionally, for the prior period, the Company reclassed $0.9 million from inventories to prepaids and other current assets related to the sales returns inventory. Lastly, the Company reclassed $1.4 million from prepaids and other current assets to other assets and $1.9 million from accounts payable and other accrued expenses to its own line for accrued royalties related to an indemnity asset and royalty liability, respectively. There was no impact to net loss and retained earnings as a result of the reclassifications.

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

Recently Issued Accounting Standards

In November 2023, the Financial Accounting Standards Board (FASB) introduced Accounting Standard Update (ASU) 2023-07, titled Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This update mandates that all public entities, including those with a single reportable segment, disclose one or more measures of segment profit or loss that the chief operating decision maker (CODM) uses to allocate resources and assess performance during interim and annual reporting periods. Furthermore, the standard requires the disclosure of significant segment expenses, other relevant segment items, and additional qualitative information. The new guidance will be effective for fiscal years starting after December 15, 2023, and for interim periods following December 15, 2024. The Company is currently assessing how this update will impact its disclosures.

In December 2023, FASB issued ASU 2023-09, titled Income Taxes (Topic 740): Improvements to Income Tax Disclosures. These amendments address investor requests for enhanced transparency regarding income tax information. Specifically, they improve income tax disclosures related to rate reconciliation and income taxes paid. ASU 2023-09 becomes effective for fiscal years beginning after December 15, 2024, with early adoption permitted. While the Company is currently assessing the impact of this standard, anticipate it will result in disclosure changes only.

This Form 10-Q does not include any other newly implemented accounting standards or pronouncements beyond those detailed above. Such exclusions were made because they either do not apply to the Company or are not anticipated to materially impact the condensed consolidated financial statements.

3. ACCOUNTS RECEIVABLE

Accounts receivable trade, net consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Accounts receivable, gross	$ 26,206	$ 25,411
Unbilled receivables	1,080	447
Allowance for credit losses	(984)	—
Accounts receivable (current and noncurrent), net	$ 26,302	$ 25,858

Allowance for credit losses activity (in thousands):

	Allowance for Credit Losses
Balance at December 31, 2022	$ —
Provision for credit losses	(314)
Accounts written-off	314
Balance at December 31, 2023	$ —
Provision for credit losses	(1,053)
Accounts written-off	69
Balance at September 31, 2024	$ (984)

4. INVENTORIES

Inventories consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	$ 4,712	$ 7,743
Work-in-process	13,446	10,863
Finished goods	3,126	3,628
Total	$ 21,284	$ 22,234

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

5. PROPERTY AND EQUIPMENT, NET

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

	September 30, 2024	December 31, 2023
Furniture and fixtures	$ 450	$ 244
Computers and other equipment	13,562	10,339
Leasehold improvements	4,240	2,360
Construction in Progress	1,941	1,114
	20,193	14,057
Accumulated depreciation	(7,136)	(4,903)
Total	$ 13,057	$ 9,154

The depreciation expense was $0.8 million and $2.2 million for the three and nine months ended September 30, 2024 and $0.6 million and $1.6 million for three and nine months ended September 30, 2023, 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 — 6 years

6. 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 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 $85.5 million as of September 30, 2024 and $139.0 million for December 31, 2023.

The following table presents the Company’s fair value hierarchy for financial liabilities as of September 30, 2024 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities:				
Earnout liability	$ —	$ —	$ 3,932	$ 3,932
Total	$ —	$ —	$ 3,932	$ 3,932

The following table presents the Company’s fair value hierarchy for financial liabilities as of December 31, 2023 (in thousands):

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

	Level 1		Level 2		Level 3		Total	
Liabilities:								
Earnout liability	$	—	$	—	$	46,852	$	46,852
Total	$	—	$	—	$	46,852	$	46,852

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

	Fair Value Measurements Using Significant Unobservable Inputs	
Balance at December 31, 2023	$	46,852
Fair value adjustment		(42,920)
Balance at September 30, 2024	$	3,932

The Company did not transfer any investments between Level 1 and Level 2 of the fair value hierarchy during the three months ended September 30, 2024.

7. 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. As of the annual measurement date of September 30, 2024, the fair market value of the Company's stock price remains above carrying value, and no indicators of impairment are present.

The following table presents the Company's intangible asset balance by asset class as of September 30, 2024 (in thousands):

Intangible Asset	Cost		Accumulated Amortization		Net Book Value		Amortization Method	Useful Life
Trade Names	$	900	$	(900)	$	—	Straight line	2 years
Developed Technology		53,500		(27,730)		25,770	Straight line	4-10 years
In-process R&D		1,177		—		1,177	Indefinite	N/A
Patents		34,900		(5,219)		29,681	Straight line	5-15 years
Customer Relationships		24,300		(5,164)		19,136	Straight line	10 years
Non-Competition Agreements		1,900		(808)		1,092	Straight line	5 years
Other		658		(658)		—	Straight line	5 years
Total	$	117,335	$	(40,479)	$	76,856		

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

	Intangible Assets, net
Balance at December 31, 2023	$ 91,099
Other adjustments	22
Amortization expense	(14,265)
Balance at September 30, 2024	$ 76,856

The amortization expense was $4.7 million and $14.3 million for the three and nine months ended September 30, 2024, and $4.8 million and $14.0 million for the three and nine months ended September 30, 2023, respectively.

Total future amortization expense of intangible assets is estimated to be as follows (in thousands):

Fiscal Year Ending December 31,	Total
2024 (remainder of fiscal 2024)	$ 4,665
2025	18,645
2026	14,042
2027	5,336
2028	4,690
Thereafter	28,301
Total	$ 75,679

There were no impairment charges during the three and nine months ended September 30, 2024 and 2023.

8. LEASES:

The Company has entered into operating leases primarily for commercial buildings. As of September 30, 2024, no operating lease agreements contain economic penalties for the Company to extend the lease, and it is not reasonably certain the Company will exercise these extension options. Additionally, these operating lease agreements do not contain material residual value guarantees or material restrictive covenants. As of September 30, 2024, all leases recorded on the Company's consolidated balance sheets were operating leases.

The Company has made the accounting policy election to use certain ongoing practical expedients made available by ASC 842 to: (i) not separate lease components from non-lease components for real estate; and (ii) exclude leases with an initial term of 12 months or less ("short-term" leases) from the consolidated balance sheets and will recognize related lease payments in the consolidated statements of operations on a straight-line basis over the lease term. For leases that do not have a readily determinable implicit rate, the Company uses its estimated secured incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments.

Rent expense, including short-term lease cost, was $0.6 million and $2.0 million for the three and nine months ended September 30, 2024, respectively. Rent expense, including short-term lease cost, was $0.5 million and $1.5 million for the three and nine months ended September 30, 2023, respectively. 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 expenses were

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

$0.1 million and $0.2 million for the three and nine months ended September 30, 2024 and they were not material for the three and nine months ended September 30, 2023.

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

	Nine Months Ended September 30,	
	2024	2023
Cash paid for operating lease liabilities	$ 1,716	$ 1,426
Operating lease cost	$ 1,773	$ 1,449
Non-cash right-of-use assets obtained in exchange for new operating lease obligations	$ 535	$ 776
Weighted-average remaining lease term in years	4.24	4.64
Weight-average discount rate	4.97 %	5.53 %

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

Fiscal Year Ending December 31,	
2024 (remainder of fiscal 2024)	$ 594
2025	2,083
2026	1,985
2027	1,869
2028	1,711
Thereafter	458
	8,700
Less imputed interest	(839)
Total lease liabilities	$ 7,861

9. SHARE BASED COMPENSATION:

Equity Incentive Plans

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

Under the terms of the 2020 Plan, the Company is authorized to issue 18,899,285 shares of Class A 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).

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

The Navitas Semiconductor Corporation 2021 Equity Incentive Plan (the "2021 Plan") was adopted by the Company's board of directors on August 17, 2021 and adopted and approved by the Company's stockholders on October 12, 2021. Under the terms of the 2021 Plan, the Company is authorized to issue, pursuant to awards granted under the 2021 Plan, (a) up to 16,334,527 shares of Common Stock; plus (b) up to 15,802,050 shares of Common Stock subject to awards under the 2020 Plan that are forfeited, expire or lapse after October 19, 2021; plus (c) an annual increase, effective as of the first day of each fiscal year up to and including January 1, 2031, equal to the lesser of (i) 4% of the number of shares of Common Stock outstanding as of the conclusion of the Company's immediately preceding fiscal year, or (ii) such amount, if any, as the board of directors may determine. As of September 30, 2024 the Company has issued 9,750,000 non-statutory stock options under the 2021 Plan.

Stock-Based Compensation

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

The following table summarizes the stock-based compensation expense recognized for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of goods sold	$ 76	$ —	$ 325	$ —
Research and development	6,267	6,013	20,075	20,137
Selling, general and administrative	5,029	6,066	17,611	21,673
Total stock-based compensation expense	$ 11,372	$ 12,079	$ 38,011	$ 41,810

Stock Options

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

The fair value of incentive stock options and non-statutory stock options issued was estimated using the Black-Scholes model. The Company did not grant any stock option awards during the three and nine months ended September 30, 2024 or 2023.

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

A summary of stock options outstanding, excluding LTIP Options as of September 30, 2024, 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, 2023	2,657	$	0.72	5.72
Exercised	(423)		0.55	—
Forfeited or expired	(14)		1.06	—
Outstanding at March 31, 2024	2,220	$	0.76	5.55
Exercised	(192)		0.93	—
Outstanding at June 30, 2024	2,028	$	0.74	5.33
Exercised	(27)		0.67	—
Forfeited or expired	(1)		1.06	—
Outstanding at September 30, 2024	2,000	$	0.74	5.03
Vested and Exercisable at September 30, 2024	1,979	$	0.74	5.02

During the three and nine months ended September 30, 2024, the Company recognized $0.0 million and $0.1 million of stock-based compensation expense for the vesting of outstanding stock options, excluding $1.0 million and $3.8 million, respectively, related to the LTIP Options described below. During the three and nine months ended September 30, 2023, the Company recognized $0.1 million and $0.4 million of stock-based compensation expense for the vesting of outstanding stock options, excluding $1.8 million and $6.1 million related to the LTIP Options. At September 30, 2024, unrecognized compensation cost related to unvested options was immaterial. The weighted-average period over which this remaining compensation cost will be recognized is 0.2 years.

Long-term Incentive Plan Stock Options

The Company awarded a total of 6,500,000 LTIP Options (“2021 LTIP Options”) to certain members of senior management on December 29, 2021 pursuant to the 2021 Plan. These non-statutory options are intended to be the only equity incentive awards for the recipients over the duration of the performance period. The options vest in increments subject to achieving certain 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 $15.51 per share and the average fair value on the grant date was $9.14 based on the Black-Scholes model and a Monte Carlo simulation incorporating 500,000 scenarios. The weighted average contractual period remaining is 7.4 years. The Company utilized the services of a professional valuation firm to finalize these assumptions during the fiscal year ended December 31, 2023. The valuation model utilized the following assumptions:

Risk-free interest rates	1.47 %
Expected volatility rates	67.33 %
Expected dividend yield	—
Cost of equity (for derived service period)	11.77 %
Weighted-average grant date fair value of options	$9.14

In connection with the “2021 LTIP Options”, the Company recognized $0.8 million and $3.2 million of stock-based compensation expense for the three and nine months ended September 30, 2024, respectively. The Company recognized $1.6 million and $5.3 million of stock-based compensation expense for three and nine months ended September 30, 2023, respectively. The unrecognized compensation expense related to these LTIP Options is $3.0 million as of September 30, 2024, and compensation expense will be recognized over 2.7 years. On a quarterly basis, after evaluating the 2021 LTIP Options based on the probability of achieving certain market and performance conditions, the Company may true up the 2021 LTIP Options expense as needed.

The Company awarded a total of 3,250,000 performance stock options ("2022 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 $2.89. The weighted average contractual period remaining is 7.9 years. The Black-Scholes model and a Monte Carlo simulation incorporated 100,000 scenarios. The valuation model utilized the following assumptions:

Risk-free interest rates	2.82 %
Expected volatility rates	68.48 %
Expected dividend yield	—
Cost of equity (for derived service period)	14.64 %
Weighted-average grant date fair value of options	$2.89

In connection with the "2022 LTIP Options", the Company recognized $0.2 million and $0.6 million of stock-based compensation expense for the three and nine months ended September 30, 2024, respectively. The Company recognized $0.3 million and $0.8 million of stock-based compensation expense for three and nine months ended September 30, 2023, respectively. The unrecognized compensation expense related to the LTIP Options is $1.1 million as of September 30, 2024, and compensation expense will be recognized over 2.7 years. On a quarterly basis, after evaluating the 2022 LTIP Options based on the probability of achieving certain market and performance conditions, the Company may true up the 2022 LTIP Options expense as needed.

Restricted Stock Units

The Company regularly grants RSUs to employees as a component of their compensation. A summary of RSUs outstanding as of September 30, 2024, and activity during the nine months then ended, is presented below:

Restricted Stock Unit Awards	**Shares (In thousands)**		**Weighted-Average Grant Date Fair Value Per Share**
Outstanding at December 31, 2023	12,872	$	6.70
Granted	4,346		5.66
Vested	(2,985)		6.43
Forfeited	(27)		6.04
Outstanding at March 31, 2024	14,206	$	6.43
Granted	557		4.27
Vested	(314)		7.80
Forfeited	(179)		4.45
Outstanding at June 30, 2024	14,270	$	6.37
Granted	114		3.68
Vested	(2,876)		4.64
Forfeited	(115)		6.49
Outstanding at September 30, 2024	11,393	$	6.77

During the three and nine months ended September 30, 2024, the Company recognized $9.1 million and $27.0 million of stock-based compensation expense for the vesting of RSUs, respectively. During three and nine months ended September 30, 2023, the Company recognized $8.1 million and $23.5 million of stock-based compensation expense for the vesting of RSUs, respectively. As of September 30, 2024, unrecognized compensation cost related to unvested RSU awards totaled $62.4 million. The weighted-average period over which this remaining compensation cost is expected be recognized is 2.4 years.

Of the Company's $5.2 million bonus plan for the fiscal year 2024 (included in accrued compensation expense liability on the condensed consolidated balance sheets), $4.9 million will be distributed as fully vested restricted stock units with a variable share count and is expected to settle in the first quarter of 2025. Additionally, the Company accrued a $0.3 million cash bonus for the President and CEO. Based on the closing share price of the Company's Class A common stock of $2.45 on September 30, 2024, approximately 1,993,244 shares would be issued, however the actual number of shares will be based on the share price at the date of settlement.

2022 Employee Stock Purchase Plan

In August 2022, the Company's board of directors adopted the Company's 2022 Employee Stock Purchase Plan (the "2022 ESPP"), subject to stockholder approval. The 2022 ESPP was approved by stockholders at the Company's annual stockholders' meeting held November 10, 2022. The Company authorized the issuance of 3,000,000 shares of common stock under the 2022 ESPP.

Under the 2022 ESPP, eligible employees are granted the right to purchase shares of common stock at the lower of 85% of the fair value at the time of offering or 85% of the fair value at the time of purchase, generally over a six-month period. The first offering period under the 2022 ESPP commenced in February 2023 and the second offering in September 2023. For the three and nine months ended September 30, 2024, employees who elected to participate in the ESPP purchased 408,326 and 801,465 shares of common stock under the 2022 ESPP, resulting in cash proceeds to the Company of $0.9 million and $2.7 million for the three and nine months ended September 30, 2024. The purchase price was $4.55 and $2.19, which was 15% of the fair market value in March and September 2024, respectively. As of September 30, 2024, the Company had 1,940,572 remaining authorized shares available for purchase. During the three and nine months ended September 30, 2024, the Company recognized $0.4 million and $1.5 million of stock-based compensation expense for the 2022 ESPP, respectively. During the three and nine months ended September 30, 2023, the Company recognized $0.3 million and $0.8 million of stock-based compensation expense for the 2022 ESPP, respectively.

Other Share Awards

In connection with the acquisition of the remaining minority interest of a silicon control IC joint venture, as described in Note 16, 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.

On June 10, 2022, the Company's wholly owned subsidiary, Navitas Semiconductor Limited, acquired all of the stock of VDDTECH srl, a private Belgian company ("VDDTech") for approximately $1.9 million in cash and stock. Among shares issued in the transaction, the Company issued approximately 113,000 restricted shares that are subject to time based vesting and issued approximately 151,000 restricted shares that are subject to time and performance based vesting over the four and three years, respectively, following the date of issue. These restricted shares are subject to certain individuals maintaining employment with the Company and, therefore, are accounted for under ASC 718. The Company recognized $0.1 million and $0.4 million of stock-based compensation expense related to the vesting of these shares during three and nine months ended September 30, 2024, respectively. The Company recognized $0.1 million and $0.7 million of stock-based compensation expense related to the vesting of these shares during the three and nine months ended September 30, 2023, respectively.

Unvested Earnout Shares

A portion of the earnout shares (discussed in Note 10 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. The Company recognized $0.0 million and $0.2 million of stock-based compensation expense related to the vesting of these shares during three and nine months ended September 30, 2024, respectively. The Company recognized $0.0 million and $0.3 million of stock-based compensation expense related to the vesting of these shares during the three and nine months ended September 30, 2023, respectively. As of September 30, 2024, there was no remaining compensation cost related to unvested earnout shares, except for forfeitures. Refer to Note 10, Earnout Liability.

10. EARNOUT LIABILITY

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

Certain of the Company's stockholders are entitled to receive up to an aggregate of 10,000,000 "earnout shares" of the Company's Class A common stock if earnout milestones are met. The earnout milestones represent three independent criteria, each of which entitles the eligible stockholders to 3,333,333 aggregate earn-out shares if the milestone is met.

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

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

	September 30, 2024	December 31, 2023
Risk-free interest rate	3.66 %	4.05 %
Equity volatility rate	80.00 %	70.00 %

As of September 30, 2024 and December 31, 2023, the earnout liability had a fair value of $3.9 million and $46.9 million, respectively, which resulted in a gain in the fair value of the earnout liability of $9.2 million and $42.9 million for the three and nine months ended September 30, 2024, respectively. As of September 30, 2023, the earnout liability had a fair value of $38.6 million, which resulted in a gain in the fair value of the earnout liability of $34.5 million and a loss in the fair value of the earnout liability of $25.5 million for the three and nine months ended September 30, 2023, respectively.

11. SIGNIFICANT CUSTOMERS AND CREDIT CONCENTRATIONS

Customer Concentration

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

The following customers represented 10% or more of the Company's net revenues for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Customer	**2024**	**2023**	**2024**	**2023**
Distributor A	54 %	53 %	60 %	29 %
Distributor B	*	*	*	14 %

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

Revenues by Geographic Area

The Company considers the domicile of its end customers, rather than the distributors it sells to directly, to be the basis for attributing revenues from external customers to individual countries. Revenues for the three and nine months ended September 30, 2024 and 2023 were attributable to end customers in the following countries or regions:

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

Country	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
China	54 %	61 %	65 %	55 %
United States	24	13	15	15
Asia excluding China	14	12	11	8
Europe*	8	14	9	22
Total	100 %	100 %	100 %	100 %

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

Concentration of Credit Risk

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

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

Customer	September 30, 2024	December 31, 2023
Distributor A	77 %	77 %

The Company has a customer deposit from a primary customer of $2.0 million and $11.0 million, as of September 30, 2024 and December 31, 2023, respectively, and the Company intends to apply a portion of the customer deposit to outstanding accounts receivable.

As of September 30, 2024, the Company reassessed the risk pooling of its accounts receivable and determined that certain customer trade receivables associated with a customer have an expected term greater than one year. These receivables were discounted to present value using a discounted cash flow model based on the Company's expectation of the timing of future payments over the next two years and are presented as accounts receivable noncurrent within the condensed consolidated balance sheets. A $0.8 million allowance for credit losses was recorded associated with this reassessment.

Concentration of Supplier Risk

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

The Company entered into an agreement to purchase raw materials from a supplier from September 29, 2022 through December 31, 2025, and accordingly made a $2.0 million deposit to be received as invoice credits toward future purchases. The Company is not obligated to purchase from this supplier, however, if the Company does not meet minimum purchase requirements during the term, the Company may forfeit all or a portion of its $2.0 million deposit. Currently the Company is not projecting to meet the minimum purchase requirements, therefore, the Company does not expect to receive any credits within the next 12 months beginning in the fourth quarter of 2024.

12. NET LOSS PER SHARE:

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Weighted-average common shares - basic common stock	184,672	175,103	182,551	165,719
Stock options and other dilutive awards	—	10,523	—	—
Weighted-average common shares - diluted common stock	184,672	185,626	182,551	165,719
Shares excluded from diluted weighted-average shares: [1]				
Dilutive shares excluded [2]	3,584	—	4,658	10,731
Earnout shares (potentially issuable common shares)	10,000	10,000	10,000	10,000
Unvested restricted stock units and restricted stock awards	50	263	50	263
Stock options potentially exercisable for common shares	8,775	9,750	8,775	9,750
Shares excluded from diluted weighted average shares	22,409	20,013	23,483	30,744

[1] The Company's potentially dilutive securities, which include unexercised stock options, unvested shares, and earnout shares, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share for both the three and nine months ended September 30, 2024 and the nine months ended September 30, 2023.
[2] The Company exclude the impact of restricted stock from the calculation of diluted net loss per common share in periods where we have a net loss or when their inclusion would be antidilutive.

13. PROVISION FOR INCOME TAXES

The Company determined the income tax provision for interim periods using an estimate of the Company's annual effective tax rate, adjusted for discrete items arising during the quarter. The Company's effective tax rate for the three and nine months ended September 30, 2024 was (0.7)% and (0.6)%, respectively. The Company's effective tax rate for the three and nine months ended September 30, 2023 was 0.3% and 0.0%, respectively. The effective tax rate for 2024 differs from the prior year primarily due to tax expense in foreign as a result of tax expense in foreign jurisdictions not impacted by valuation allowance. In each quarter, the Company updates its estimated annual effective tax rate, and if the estimated annual effective tax rate changes, a cumulative adjustment is recorded in that quarter. 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 the Company's ability to accurately predict the proportion of the Company's income (loss) before provision for income taxes in multiple jurisdictions, the tax effects of the Company's stock-based compensation, and the effects of its foreign entities.

The Company had no unrecognized tax benefits for the three and nine months ended September 30, 2024 and 2023. The Company recognizes interest and penalties related to unrecognized tax benefits in operating expenses. No such interest and penalties were recognized during the three and nine months ended September 30, 2024 and 2023.

14. COMMITMENTS and CONTINGENCIES

Purchase Obligations

At September 30, 2024, the Company had no non-cancelable contractual arrangements that were due beyond one year besides lease obligations.

Indemnification

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

The Company believes its internal development processes and other policies and practices limit its exposure related to such indemnifications. In addition, the Company requires its employees to sign a proprietary information and inventions agreement, which assigns the rights to its employees’ development work to the Company. To date, the Company has not had to reimburse any of its distributors or end customers for any losses related to these indemnifications and no material claims were outstanding as of September 30, 2024. 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.

Release and license agreement

In March 2023, the Company entered into a Release and License Agreement (the “Agreement”) with a university. The Agreement stipulates the Company pay the university a total of $1.0 million over a period of three years, with the final payment by March 1, 2026. The agreement licenses the Company to sell certain products covered by a patent owned by the university, subject to the Company paying a royalty fee on revenues for covered products sold during the term. Based on an indemnity agreement entered into in connection with the Company’s acquisition of GeneSiC Semiconductor Inc. in August 2022, the Company expects to be indemnified by the sellers in that transaction for the royalty amounts up to approximately $1.0 million.

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.

15. RELATED PARTY TRANSACTIONS

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. See Note 16, Noncontrolling Interest, for more information.

Related Party Leases

The Company leases certain property from the family member of a senior executive of the Company, which expired in March 2024, and is now a month-to-month lease. During the three and nine months ended September 30, 2024, the Company paid an immaterial amount in rental payments. These payments were made at standard market rates in the ordinary course of business. There was no rent obligation as of September 30, 2024.

The Company leases certain property from an entity that it is owned by an executive of the Company, which expired in September 2023, and was on a month-to-month lease through May 2024, and then was terminated. During the three and nine months ended September 30, 2023, the Company paid an immaterial amount in rental payments in relation to this lease. These payments were made at standard market rates in the ordinary course of business.

16. 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 15.

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 form 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.

17. SUBSEQUENT EVENTS

The Company evaluated material subsequent events from the consolidated balance sheet date of September 30, 2024, through November 5, 2024, the date the condensed consolidated financial statements were issued. There were no material subsequent events as of November 5, 2024, except as discussed below.

On October 25, 2024, the Company entered into a second amended and restated voting agreement (the "Voting Agreement") with a third party (see Note 1 *Investment in Third Party*) that grants the Company the right to appoint a member to the third party's Board of Directors. The Company has assessed the impact of the Voting Agreement under ASC 323 *Investments - Equity Method and Joint Ventures*, and determined that the Company has significant influence and therefore will account for the investment in the third party as an equity method investment during the fourth quarter of 2024. The Company expects to fair value its investment in the third party on the Company's balance sheet and then record the Company's proportionate share of gains/losses in other income (expense) in the Company's statements of operations. The Company expects the change in accounting to not have a material impact on its financial statements.

On October 15, 2024, the Company announced a cost-reduction plan to streamline the organization with increased focus on artificial intelligence data center, EV and mobile applications, accelerating the Company's path to profitability. The cost-reduction plan includes a 14% reduction in headcount with a majority of the costs consisting of severances and stock-based compensation, the expense of which the Company is still determining, but amounts are not expected to be significant. The Company expects to incur the majority of these expenses associated with this cost-reduction plan during the fourth quarter of 2024.

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

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

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

Overview

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

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

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

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

A core strength of our business lies in our industry leading IP position. In addition to our comprehensive patent portfolio, our biggest proprietary advantage is our process design kit (PDK), the 'how-to' guide for Navitas designers to create new GaN based devices and circuits. Our GaN power IC inventions and intellectual property translate across all of our target markets from mobile, consumer, EV, enterprise, and renewables. We evaluate various complementary technologies and look to improve our PDK, in order to keep introducing newer generations of GaN technology. In the three and nine months ended September 30, 2024, we spent approximately 82% and 87%, respectively, of our revenue on research and development. In the three and nine months ended September 30, 2023, we spent approximately 75% and 95%, respectively, of our revenue on research and development. Navitas' research and development activities are located primarily in the US and China.

May 2023 Public Offering

On May 26, 2023, the Company completed an underwritten public offering (the “May 2023 Public Offering”) of 10,000.000 shares of its Class A common stock at a public offering price of $8.00 per share, before deducting underwriting discounts and commissions. In connection with the May 2023 Public Offering, the Company granted the underwriters of the offering a 30-day option to purchase up to an additional 1,500,000 shares of the Company’s Class A common stock (the “Option Shares”) from the Company at the same public offering price. On June 1, 2023, the underwriters exercised in full their option to purchase the Option Shares. The sale of the Option Shares closed on June 5, 2023. After deducting underwriting discounts and commissions and before deducting offering expenses payable by the Company, the Company received net proceeds of $75.6 million and $11.3 million from the May 2023 Public Offering and sale of the Option Shares, respectively. The total net proceeds received by the Company after deducting offering expenses was $86.5 million. The Company intends to use the net proceeds for working capital and other general corporate purposes, including potential acquisitions or strategic manufacturing investments.

Buyout of Elevation Semiconductor

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

Results of Operations

Revenue

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

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

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

Our product revenue is recognized when the customer obtains control of the product and the timing of recognition is based on the contractual shipping terms of a contract less estimated returns. We provide a non-conformity warranty which is not sold separately and does not represent a separate performance obligation.

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, including costs related to cash and share-based employee compensation.

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 (Expense), net

Interest income (expense), net primarily consists of interest earned from our cash on hand.

Dividend Income

Dividend income consist of income earned on money market treasury funds that are recorded as cash equivalents.

Income Taxes

Legacy Navitas is a dual domesticated corporation for Ireland and U.S. federal income tax purposes. Refer to Note 13, Provision for Income Taxes, in our accompanying condensed consolidated financial statements elsewhere in this quarterly report.

Results of Operations

The tables and discussion below present our results for the three months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Change $	Change %
Net revenues	$ 21,681	$ 21,978	$ (297)	(1)%
Cost of revenues (exclusive of amortization of intangible assets included below)	13,069	14,878	(1,809)	(12)%
Operating expenses:				
Research and development	17,828	16,553	1,275	8 %
Selling, general and administrative	15,040	14,419	621	4 %
Amortization of intangible assets	4,717	4,774	(57)	(1)%
Total operating expenses	37,585	35,746	1,839	5 %
Loss from operations	(28,973)	(28,646)	(327)	1 %
Other income (expense), net:				
Interest income (expense), net	(39)	47	(86)	(183)%
Dividend income	1,210	1,648	(438)	(27)%
Gain from change in fair value of earnout liabilities	9,171	34,473	(25,302)	(73)%
Other income	26	20	6	30 %
Total other income, net	10,368	36,188	(25,820)	(71)%
Income (loss) before income taxes	(18,605)	7,542	(26,147)	(347)%
Income tax provision	125	23	102	443 %
Net income (loss)	(18,730)	7,519	(26,249)	(349)%
Less: Net loss attributable to noncontrolling interests	—	—	—	— %
Net income (loss) attributable to controlling interests	$ (18,730)	$ 7,519	(26,249)	(349)%

(dollars in thousands)	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Change $	Change %
Net revenues	$ 65,324	$ 53,399	$ 11,925	22 %
Cost of revenues (exclusive of amortization of intangible assets included below)	39,207	33,322	5,885	18 %
Operating expenses:				
Research and development	57,028	50,740	6,288	12 %
Selling, general and administrative	46,509	46,629	(120)	— %
Amortization of intangible assets	14,265	14,046	219	2 %
Total operating expenses	117,802	111,415	6,387	6 %
Loss from operations	(91,685)	(91,338)	(347)	— %
Other income (expense), net:				
Interest income (expense), net	(109)	1,298	(1,407)	(108)%
Dividend income	4,251	2,107	2,144	102 %
Gain (loss) from change in fair value of earnout liabilities	42,920	(25,503)	68,423	(268)%
Other income	140	50	90	180 %
Total other income (expense), net	47,202	(22,048)	69,250	(314)%
Loss before income taxes	(44,483)	(113,386)	68,903	(61)%
Income tax provision (benefit)	256	(13)	269	(2069)%
Net loss	(44,739)	(113,373)	68,634	(61)%
Less: Net loss attributable to noncontrolling interests	—	(518)	518	— %
Net loss attributable to controlling interests	$ (44,739)	$ (112,855)	68,116	(60)%

Three Months Ended September 30, 2024 Compared to the Three Months Ended September 30, 2023

Revenue

Revenue for the three months ended September 30, 2024 was $21.7 million compared to $22.0 million for the three months ended September 30, 2023, a decrease of $0.3 million, or 1%. The slight decline in sales was due to the decline in high power markets partially offset by growth in mobile compared to the three months ended September 30, 2023.

Cost of Revenues

Cost of revenues for the three months ended September 30, 2024 was $13.1 million compared to $14.9 million for the three months ended September 30, 2023, a decrease of $1.8 million or 12%. The decrease was primarily driven by an inventory write-off of $2.0 million that occurred during the three months ended September 30, 2023 slightly offset by product mix.

Research and Development Expense

Research and development expense for the three months ended September 30, 2024 of $17.8 million increased by $1.3 million, or 8%, when compared to the three months ended September 30, 2023. This is primarily driven by an increase in headcount-related expenses and software costs as we build out our target end markets.

Selling, General and Administrative Expense

Selling, general and administrative expense for the three months ended September 30, 2024 of $15.0 million increased by $0.6 million, or 4%, when compared to the three months ended September 30, 2023, driven by increases in professional fees, salaries and benefits and a $0.8 million increase in the allowance for expected credit losses, offset by lower stock-based compensation expense.

Amortization of Intangible Assets

Amortization of intangible assets remained the same as we did not acquire new intangible assets.

Other Income (Expense), net

Dividend income consists of income earned on our money market treasury funds that are recorded as cash equivalents on our consolidated balance sheet. Decrease of $0.4 million is primarily due to decreases in our investment balances in September 2024 compared to September 2023.

During the three months ended September 30, 2024, we recognized a $9.2 million gain from the change in fair value of our earn-out liabilities. The decrease in the gain of our earn-out liabilities of $25.3 million was primarily a result of the decrease of the closing price of our Class A common stock listed on the Nasdaq, resulting in the decrease in the estimated fair value of the earnout shares from $4.53 as of September 30, 2023 to $0.46 as of September 30, 2024.

Income Tax Provision

Income tax provision for the three months ended September 30, 2024 increased $0.1 million when compared to the income tax benefit of $0.0 million for the three months ended September 30, 2023. We expect our tax rate to remain close to zero in the near term due to full valuation allowances against deferred tax assets.

Nine Months Ended September 30, 2024 Compared to the Nine Months Ended September 30, 2023

Revenue

Revenue for the nine months ended September 30, 2024 was $65.3 million compared to $53.4 million for the nine months ended September 30, 2023, an increase of $11.9 million, or 22%. Sales have increased due to strong mobile and consumer markets.

Cost of Revenues

Cost of revenues for the nine months ended September 30, 2024 was $39.2 million compared to $33.3 million for the nine months ended September 30, 2023, an increase of $5.9 million or 18%. The increase was primarily driven by increases in mobile and consumer product revenue partially offset by the inventory write-off of $2.0 million from September 2023.

Research and Development Expense

Research and development expense for the nine months ended September 30, 2024 of $57.0 million increased by $6.3 million, or 12%, when compared to the nine months ended September 30, 2023. This is primarily driven by an increase in product development as it relates to EV, enterprise and solar. Additionally, salaries and benefits have increased as we build out our target end markets.

Selling, General and Administrative Expense

Selling, general and administrative expense for the nine months ended September 30, 2024 of $46.5 million decreased by $0.1 million, or —%, when compared to the nine months ended September 30, 2023. The decrease is primarily driven by a decrease in stock-based compensation expense of $4.1 million offset by increases in professional fees, sales force expenses, and coupled with the increase in the allowance for expected credit losses described above.

Amortization of Intangible Assets

Amortization of intangible assets remained fairly consistent as we did not acquire new intangible assets.

Other Income (Expense), net

Net interest (expense) income for the nine months ended September 30, 2024 was $(0.1) million compared to $1.3 million net interest income (expense) for the nine months ended September 30, 2023, primarily due to the higher interest rate received on money markets funds in the prior year.

Increase of $2.1 million in dividend income is primarily due to the timing of when we transferred money into our money market treasury funds. As a result, the prior-year figure reflects only six months of activity compared to nine months in the current period.

During the nine months ended September 30, 2024, we recognized a $42.9 million gain from the change in fair value of our earn-out liabilities. The increase in the gain of our earn-out liabilities of $68.4 million was primarily a result of the decrease of the closing price of our Class A common stock listed on the Nasdaq, resulting in the decrease in the estimated fair value of the earnout shares from $4.53 as of September 30, 2023 to $0.46 as of September 30, 2024.

Income Tax Provision (Benefit)

Income tax provision for the nine months ended September 30, 2024 increased $0.3 million when compared to the income tax benefit of $0.0 million for the nine months ended September 30, 2023. 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 September 30, 2024, we had cash and cash equivalents of $98.6 million. We currently expect to fund our cash requirements through the use of cash on hand. We believe that our current levels of cash and cash equivalents are sufficient to finance our operations, working capital requirements and capital expenditures for the foreseeable future.

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

Cash Flows

The following table summarizes our consolidated cash flows for the nine months ended September 30, 2024 and 2023 (in thousands):

	September 30, 2024	September 30, 2023
Consolidated Statements of Cash Flow Data:		
Net cash used in operating activities	$ (48,633)	$ (17,442)
Net cash used in investing activities	$ (8,709)	$ (4,410)
Net cash provided by financing activities	$ 3,117	$ 88,213

We derive liquidity primarily from equity financing activities. As of September 30, 2024, our balance of cash and cash equivalents was $98.6 million, which is a decrease of $54.2 million or 35% compared to December 31, 2023.

Operating Activities

For the nine months ended September 30, 2024, net cash used in operating activities was $48.6 million, which primarily reflects a net loss of $44.7 million. This decrease to operating cash flows is partially offset by adjustments for non-cash share-based compensation of $38.0 million, depreciation of $2.2 million, non-cash gains of $42.9 million in earnout liabilities, amortization of intangible assets of $14.3 million, and an aggregate cash used in operating assets and liabilities of $18.2 million. Specifically, increases in accounts receivables of $1.5 million, decreases in accounts payable, accrued compensation and other expenses of $9.9 million, decline in customer deposits and deferred revenue of $8.9 million, partially offset by decreases in inventories and prepaid expenses and other current assets of $3.0 million.

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

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2024 of $8.7 million was primarily due to $2.5 million cash funding of a joint venture and $6.2 million for purchases of fixed assets.

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

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2024 of $3.1 million was primarily due to proceeds from stock option exercises of $0.4 million and proceeds from our employee stock purchase plan of $2.7 million.

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

Contractual Obligations, Commitments and Contingencies

In the ordinary course of business, we enter into contractual arrangements that may require future cash payments. As of September 30, 2024, our non-cancellable contractual arrangements consisted entirely of lease obligations. Refer to Note 8 - Leases for further information.

Off-Balance Sheet Commitments and Arrangements

As of September 30, 2024, 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 2023 annual report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Conditions

Adverse changes in the global economic landscape have impacted, and may continue to affect, the demand for our products. This impact includes alterations in customer order behaviors, such as cancellations, and shifts in vendor inventory levels.

Commodity Risk

We face exposure to market price fluctuations of specific commodity raw materials, notably gold, which are integrated into our end products or utilized by our suppliers in production. Rising commodity prices result in increased costs passed on to us by suppliers, either through general price hikes or commodity surcharges. While our interactions with suppliers typically occur through purchase orders rather than long-term contracts, we strive to secure firm pricing aligned with planned production volumes.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the supervision and involvement of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, pursuant to Exchange Act Rule 13a-15. Based upon this evaluation, our chief executive officer and chief financial officer have concluded that, as of September 30, 2024, as a result of the material weaknesses in our internal control over financial reporting discussed below and filed in our amended annual report on Form 10-K for the year ended December 31, 2023 on July 23, 2024 with the SEC, our disclosure controls and procedures were not effective.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified:

- The Company did not fully maintain components of the COSO framework, including elements of the control environment, risk assessment, control activities, and monitoring activities components, relating to: (i) sufficiency of processes related to identifying and analyzing risks to the achievement of objectives across the entity, (ii) sufficiency of competent personnel with appropriate levels of knowledge, experience, and training in accounting for complex and non-routine transactions, and internal control matters to perform assigned responsibilities and have appropriate accountability for the design and operation of internal control over financial reporting; (iii) performing control activities in accordance with established policies in a timely manner, and (iv) performing ongoing evaluation to ascertain whether the components of internal controls are present and functioning.

The entity level material weaknesses contributed to other material weaknesses within the Company's system of internal control over financial reporting as follows:

- The Company did not design and implement effective controls, such that, personnel within the Company have incompatible duties which allow for the creation, review and processing of journal entries without independent review and authorization, which affects substantially all financial statement account balances and disclosures.
- The Company did not design and implement effective controls over the accounting for share-based payments, including the long-term incentive plan awards and earnout liability.
- The Company did not design and implement effective controls over the accounting for its license and release agreement.
- The Company did not design and implement effective controls over the inputs and assumptions used in the valuation of the earnout liability and information utilized to classify awards as either equity or liability.
- The Company did not maintain effective controls over its determination of reportable segments for purposes of segment reporting and reporting units for purposes of goodwill.

These material weaknesses did not result in a misstatement to the consolidated financial statements or disclosures. Based on additional procedures and post-closing review, management concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented, in conformity with principles generally accepted in the United States.

Remediation Plan

We have commenced developing a plan to enhance the design and operating effectiveness of our internal controls over financial reporting, including maintaining sufficient contemporaneous documentation of management review controls over accounting for share-based payments, including the long-term incentive plan awards, earnout liability, as well as the accounting for the Company's license and release agreement, which we believe will address the material weakness described above. At least on an annual basis or as warranted due to organizational changes, we will perform a segment/reporting unit analysis. We expect our remediation will be complete prior to the end of the fourth quarter of fiscal 2024.

We have hired a Director of Information Technology at the end of 2023 to, among other responsibilities, segregate financial accounting systems access and system changes between IT and accounting department. The Company will continue to review and modify system access for accounting personnel to ensure proper segregation of duties around manual journal entries.

We have implemented enhanced workflows within our ERP system across key financial processes, including journal entry approvals, sales invoice approvals, expense payments, and cash application workflows, to strengthen control activities, ensure proper authorization, and maintain accurate documentation. Additionally, we improved the segregation of duties by refining access controls and reassigning responsibilities to prevent conflicts, reducing the risk of unauthorized transactions. We also expanded our analysis around the sensitivity of our long-term incentive plan awards and earnout liability. Specifically, for the earnout liability, we performed a more thorough review of the volatility component to improve the precision of our financial estimates and ensure compliance with applicable accounting standards.

Changes in Internal Control Over Financial Reporting

Other than the material weaknesses and remediation plan described above, there have been no significant changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 are no material changes from the risk factors previously disclosed in Part I—Item 1A, "Risk Factors," of our annual report on Form10-K/A for the fiscal year ended December 31, 2023, filed with the SEC on July 23, 2024, and in Part II—Item 1A, "Risk Factors," of our quarterly reports on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 15, 2024 and for the quarter ended June 30, 2024, filed with the SEC on August 5, 2024, except as discussed below.

We depend on a few key distributors and the loss of one or more of these distributors could have a material adverse effect on our business, financial condition and results of operations.

We cannot assure that any of our current or future distributors will not cease purchasing products from us in favor of products of other suppliers, significantly reduce orders or seek price reductions in the future, and any such event could have a material adverse effect on our revenue, profitability, and results of operations.

Furthermore, a significant portion of our revenue and accounts receivable is derived from one distributor. See *Note 11*, *Significant Customers and Credit Concentrations*, included in this Form 10-Q for the percentages of revenues and accounts receivable attributable to this one distributor. A downturn in the industry or lower sales could materially adversely affect our business and results of operations.

We employ modeling techniques to support the valuation of our accounts receivable and to project the timing and amount of expected collections. While these models are designed to provide reliable insights, they involve certain inherent risks, especially if any assumptions or inputs prove inaccurate, incomplete, or less indicative of future outcomes than anticipated.

As part of our risk management efforts, we use a discounted cash flow model for certain accounts receivable, informed by historical trends and robust assumptions. However, should these assumptions or historical patterns deviate from actual results, there is potential for variance in the model's accuracy, which could affect decisions based on these forecasts.

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

On September 25, 2024, we issued 24,000 shares of our common stock to a professional advisor in exchange for consulting services provided to a subsidiary. The issuance was made in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, for transactions by an issuer not involving a public offering. The Company did not receive any cash proceeds from the issuance. The advisor represented its intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. Appropriate legends have been applied to the book-entry positions reflecting the shares issued in the transaction.

Item 5. Other Information.

Termination of 10b5-1 Trading Plans of Directors and Executive Officers

On September 9, 2024, Gene Sheridan, President and Chief Executive Officer, terminated a trading plan adopted on March 13, 2024 which was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Securities Exchange Act of 1934.

Rule 10b5-1 plans are generally in the form of prearranged written plans to buy or sell company stock at predetermined times or prices. Such plans are designed to provide an affirmative defense against insider trading liability, provided they satisfy the conditions of Rule 10b5-1(c), including, but not limited to, a condition requiring directors and executive officers of public companies to observe a waiting period of at least 90 days, after the plan adoption date, before any trades can be executed under the plan.

The company does not undertake any obligation to report the establishment, modification or termination of any Rule 10b5-1 trading plans by directors or executive officers, except to the extent required by law.

Item 6. Exhibits.

EXHIBIT INDEX

Exhibit	Description
10.1	Letter agreement with Ranbir Singh dated July 31, 2024 (incorporated by reference to Exhibit 10.1 of our quarterly report on Form 10-Q for the quarter ended June 30, 2024, filed with the SEC on August 5, 2024)
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act
32.1**	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. § 1350
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith
** Furnished herewith

SIGNATURES

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

NAVITAS SEMICONDUCTOR CORPORATION

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

Date: November 5, 2024

NAVITAS SEMICONDUCTOR CORPORATION

By: /s/ Todd Glickman
Todd Glickman
Sr. V.P., Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Date: November 5, 2024

CERTIFICATION

I, Gene Sheridan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2024, of Navitas Semiconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

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

Exhibit 31.2

CERTIFICATION

I, Todd Glickman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2024, of Navitas Semiconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ Todd Glickman
Todd Glickman
Sr. V.P., Chief Financial Officer and Treasurer
(principal financial and accounting 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 the undersigned's capacity as an officer of Navitas Semiconductor Corporation ("Navitas"), that, to his knowledge, Navitas' quarterly report on Form 10-Q for the period ended September 30, 2024, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Navitas. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to that Form 10-Q. A signed original of this statement, which may be electronic, has been provided to Navitas and will be retained by Navitas and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 5, 2024	/s/ Gene Sheridan Gene Sheridan President and Chief Executive Officer (principal executive officer)
Date: November 5, 2024	/s/ Todd Glickman Todd Glickman Sr. V.P., Chief Financial Officer and Treasurer (principal financial and accounting officer)