

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 June 30, 2024

OR

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

Commission File Number: 001-41486

XPERI INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

2190 Gold Street, San Jose, California
(Address of Principal Executive Offices)

83-4470363
(I.R.S. Employer
Identification No.)

95002
(Zip Code)

(408) 519-9100

(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
Common Stock (par value \$0.001 per share)	XPER	New York Stock Exchange

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, 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

The number of shares outstanding of the registrant's common stock as of July 30, 2024 was 45,806,972.

XPERI INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2024
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Note About Forward-Looking Statements

This quarterly report on Form 10-Q (the “Quarterly Report”) contains forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Words such as “expects,” “anticipates,” “plans,” “believes,” “seeks,” “estimates,” “could,” “would,” “may,” “intends,” “targets” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Quarterly Report. The identification of certain statements as “forward-looking” is not intended to mean that other statements not specifically identified are not forward-looking. All statements other than statements about historical facts are statements that could be deemed forward-looking statements, including, but not limited to, statements that relate to our future revenue, product development, demand, acceptance and market share, growth rate, competitiveness, gross margins, levels of research, development and other related costs, expenditures, the outcome or effects of and expenses related to litigation and administrative proceedings, tax expenses, cash flows, our management’s plans and objectives for our current and future operations, the levels of customer spending or research and development activities, general economic conditions, the impact of any acquisitions or divestitures on our financial condition and results of operations, and the sufficiency of financial resources to support future operations and capital expenditures.

Although forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks, uncertainties, and changes in condition, significance, value and effect, including those discussed under the heading “Risk Factors” in our Form 10-K and other documents we file from time to time with the U.S. Securities and Exchange Commission (“SEC”), such as our quarterly reports on Form 10-Q and our current reports on Form 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed herein and in ways not readily foreseeable. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report and are based on information currently and reasonably known to us. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report, other than as required by law. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

XPERI INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 119,591	\$ 126,872	\$ 238,435	\$ 253,711
Operating expenses:				
Cost of revenue, excluding depreciation and amortization of intangible assets	28,953	30,856	58,709	58,648
Research and development	45,123	55,701	95,562	110,557
Selling, general and administrative	53,102	56,497	109,455	114,273
Depreciation expense	3,278	4,202	6,862	8,295
Amortization expense	11,042	14,798	22,081	29,625
Impairment of long-lived assets	—	—	—	1,096
Total operating expenses	141,498	162,054	292,669	322,494
Operating loss	(21,907)	(35,182)	(54,234)	(68,783)
Interest and other income, net	1,290	1,658	2,332	2,766
Interest expense - debt	(748)	(750)	(1,496)	(1,490)
Gain on divestiture	—	—	22,934	—
Loss before taxes	(21,365)	(34,274)	(30,464)	(67,507)
Provision for income taxes	9,266	5,090	13,538	4,796
Net loss	(30,631)	(39,364)	(44,002)	(72,303)
Less: net loss attributable to noncontrolling interest	(332)	(969)	(583)	(1,908)
Net loss attributable to the Company	\$ (30,299)	\$ (38,395)	\$ (43,419)	\$ (70,395)
Net loss per share attributable to the Company - basic and diluted	\$ (0.67)	\$ (0.90)	\$ (0.97)	\$ (1.66)
Weighted-average number of shares used in net loss per share calculations - basic and diluted	45,331	42,770	44,926	42,499

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

XPERI INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	\$ (30,631)	\$ (39,364)	\$ (44,002)	\$ (72,303)
Other comprehensive loss:				
Change in foreign currency translation adjustment	59	(521)	(325)	92
Unrealized (loss) gain on cash flow hedges	(396)	(10)	(1,187)	853
Comprehensive loss	<u>(30,968)</u>	<u>(39,895)</u>	<u>(45,514)</u>	<u>(71,358)</u>
Less: comprehensive loss attributable to noncontrolling interest	<u>(332)</u>	<u>(969)</u>	<u>(583)</u>	<u>(1,908)</u>
Comprehensive loss attributable to the Company	<u>\$ (30,636)</u>	<u>\$ (38,926)</u>	<u>\$ (44,931)</u>	<u>\$ (69,450)</u>

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

XPERI INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 92,481	\$ 142,085
Accounts receivable, net	56,866	55,984
Unbilled contracts receivable, net	80,679	64,114
Prepaid expenses and other current assets	36,365	38,874
Assets held for sale	—	15,860
Total current assets	266,391	316,917
Note receivable, noncurrent	28,571	—
Deferred consideration from divestiture	6,267	—
Unbilled contracts receivable, noncurrent	23,504	18,231
Property and equipment, net	42,241	41,569
Operating lease right-of-use assets	34,756	39,900
Intangible assets, net	184,898	206,895
Deferred tax assets	4,950	5,093
Other noncurrent assets	27,669	32,781
Assets held for sale, noncurrent	—	12,249
Total assets	\$ 619,247	\$ 673,635
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 14,314	\$ 20,849
Accrued liabilities	90,469	109,961
Deferred revenue	27,728	28,111
Liabilities held for sale	—	6,191
Total current liabilities	132,511	165,112
Long-term debt	50,000	50,000
Deferred revenue, noncurrent	22,455	19,425
Operating lease liabilities, noncurrent	24,401	30,598
Deferred tax liabilities	7,003	6,983
Other noncurrent liabilities	12,797	4,577
Liabilities held for sale, noncurrent	—	9,805
Total liabilities	249,167	286,500
Commitments and contingencies (Note 13)		
Equity:		
Preferred stock: \$0.001 par value; 6,000 shares authorized as of June 30, 2024 and December 31, 2023; no shares issued and outstanding as of June 30, 2024 and December 31, 2023	—	—
Common stock: \$0.001 par value; 140,000 shares authorized as of June 30, 2024 and December 31, 2023; 45,746 and 44,211 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	46	44
Additional paid-in capital	1,241,931	1,212,501
Accumulated other comprehensive loss	(4,377)	(2,865)
Accumulated deficit	(848,867)	(805,448)
Total Company stockholders' equity	388,733	404,232
Noncontrolling interest	(18,653)	(17,097)
Total equity	370,080	387,135
Total liabilities and equity	\$ 619,247	\$ 673,635

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

XPERI INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (44,002)	\$ (72,303)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain from divestiture	(22,934)	—
Depreciation of property and equipment	6,862	8,295
Amortization of intangible assets	22,081	29,625
Stock-based compensation expense	30,060	34,059
Impairment of long-lived assets	—	1,096
Deferred income taxes	163	(736)
Other	(2,001)	(105)
Changes in operating assets and liabilities:		
Accounts receivable	(2,903)	(11,480)
Unbilled contracts receivable	(22,027)	(7,324)
Prepaid expenses and other assets	4,909	1,106
Accounts payable	(5,360)	(4,691)
Accrued and other liabilities	(19,404)	(20,428)
Deferred revenue	2,635	(1,743)
Net cash used in operating activities	<u>(51,921)</u>	<u>(44,629)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2,307)	(2,470)
Capitalized internal-use software	(5,825)	(3,638)
Purchases of intangible assets	(84)	(91)
Net cash used in divestiture	(227)	—
Net cash used in investing activities	<u>(8,443)</u>	<u>(6,199)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock purchase plan	4,328	5,850
Withholding taxes related to net share settlement of equity awards	(5,929)	(3,127)
Net cash (used in) provided by financing activities	<u>(1,601)</u>	<u>2,723</u>
Effect of exchange rate changes on cash and cash equivalents	12	137
Net decrease in cash and cash equivalents	(61,953)	(47,968)
Cash and cash equivalents at beginning of period ⁽¹⁾	154,434	160,127
Cash and cash equivalents at end of period	<u>\$ 92,481</u>	<u>\$ 112,159</u>
Supplemental disclosure of cash flow information:		
Income taxes paid, net of refunds	<u>\$ 9,204</u>	<u>\$ 10,109</u>
Interest paid	<u>\$ 1,504</u>	<u>\$ 1,496</u>
Supplemental disclosure of noncash investing and financing activities:		
Note receivable in exchange for consideration from divestiture	<u>\$ 27,676</u>	<u>\$ —</u>
Deferred consideration from divestiture	<u>\$ 5,854</u>	<u>\$ —</u>
Costs capitalized for internal-use software included in accrued liabilities	<u>\$ 743</u>	<u>\$ —</u>

⁽¹⁾ Includes \$12.3 million of cash and cash equivalents classified as held for sale at December 31, 2023.

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

XPERI INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)
(unaudited)

<u>Three Months Ended June 30, 2024</u>	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balances at April 1, 2024	45,031	\$ 45	\$ 1,221,709	\$ (4,040)	\$ (818,568)	\$ (17,389)	\$ 381,757
Change in ownership interest of the Company	—	—	932	—	—	(932)	—
Vesting of restricted stock units, net of tax withholding	137	—	(340)	—	—	—	(340)
Issuance of common stock under employee stock purchase plan	578	1	4,327	—	—	—	4,328
Stock-based compensation	—	—	15,303	—	—	—	15,303
Foreign currency translation adjustment	—	—	—	59	—	—	59
Unrealized loss on cash flow hedges	—	—	—	(396)	—	—	(396)
Net loss	—	—	—	—	(30,299)	(332)	(30,631)
Balances at June 30, 2024	45,746	\$ 46	\$ 1,241,931	\$ (4,377)	\$ (848,867)	\$ (18,653)	\$ 370,080

<u>Six Months Ended June 30, 2024</u>	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balances at January 1, 2024	44,211	\$ 44	\$ 1,212,501	\$ (2,865)	\$ (805,448)	\$ (17,097)	\$ 387,135
Change in ownership interest of the Company	—	—	973	—	—	(973)	—
Vesting of restricted stock units, net of tax withholding	957	1	(5,930)	—	—	—	(5,929)
Issuance of common stock under employee stock purchase plan	578	1	4,327	—	—	—	4,328
Stock-based compensation	—	—	30,060	—	—	—	30,060
Foreign currency translation adjustment	—	—	—	(325)	—	—	(325)
Unrealized loss on cash flow hedges	—	—	—	(1,187)	—	—	(1,187)
Net loss	—	—	—	—	(43,419)	(583)	(44,002)
Balances at June 30, 2024	45,746	\$ 46	\$ 1,241,931	\$ (4,377)	\$ (848,867)	\$ (18,653)	\$ 370,080

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

XPERI INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)
(unaudited)

<u>Three Months Ended June 30, 2023</u>	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balances at April 1, 2023	42,497	\$ 42	\$ 1,149,370	\$ (2,643)	\$ (700,835)	\$ (15,360)	\$ 430,574
Vesting of restricted stock units, net of tax withholding	72	—	(210)	—	—	—	(210)
Issuance of common stock under employee stock purchase plan	644	1	5,849	—	—	—	5,850
Stock-based compensation	—	—	18,091	—	—	—	18,091
Foreign currency translation adjustment	—	—	—	(521)	—	—	(521)
Unrealized loss on cash flow hedges	—	—	—	(10)	—	—	(10)
Net loss	—	—	—	—	(38,395)	(969)	(39,364)
Balances at June 30, 2023	<u>43,213</u>	<u>\$ 43</u>	<u>\$ 1,173,100</u>	<u>\$ (3,174)</u>	<u>\$ (739,230)</u>	<u>\$ (16,329)</u>	<u>\$ 414,410</u>

<u>Six Months Ended June 30, 2023</u>	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balances at January 1, 2023	42,066	\$ 42	\$ 1,136,330	\$ (4,119)	\$ (668,835)	\$ (14,432)	\$ 448,986
Change in ownership interest of the Company	—	—	(11)	—	—	11	—
Vesting of restricted stock units, net of tax withholding	503	—	(3,127)	—	—	—	(3,127)
Issuance of common stock under employee stock purchase plan	644	1	5,849	—	—	—	5,850
Stock-based compensation	—	—	34,059	—	—	—	34,059
Foreign currency translation adjustment	—	—	—	92	—	—	92
Unrealized gain on cash flow hedges	—	—	—	853	—	—	853
Net loss	—	—	—	—	(70,395)	(1,908)	(72,303)
Balances at June 30, 2023	<u>43,213</u>	<u>\$ 43</u>	<u>\$ 1,173,100</u>	<u>\$ (3,174)</u>	<u>\$ (739,230)</u>	<u>\$ (16,329)</u>	<u>\$ 414,410</u>

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

XPERI INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Xperi Inc. (“Xperi” or the “Company”) is a leading consumer and entertainment technology company. The Company creates extraordinary experiences at home and on the go for millions of consumers around the world, enabling audiences to connect with content in a way that is more intelligent, immersive, and personal. Powering smart devices, connected cars, entertainment experiences and more, the Company brings together ecosystems designed to reach highly-engaged consumers, allowing it and its ecosystem partners to uncover significant new business opportunities, now and in the future. The Company’s technologies are integrated into consumer devices and a variety of media platforms worldwide, driving increased value for its partners, customers, and consumers. The Company operates in one reportable business segment and groups its business into four categories: Pay-TV, Consumer Electronics, Connected Car and Media Platform.

Xperi Spin-Off

In June 2020, Xperi Holding Corporation (“Xperi Holding,” “Adeia,” or the “Former Parent”) announced plans to separate into two independent publicly-traded companies (the “Separation”), one comprising its intellectual property (“IP”) licensing business and one comprising its product business (“Xperi Product”). On October 1, 2022 (the “Separation Date”), the Former Parent completed the Separation (the “Spin-Off”) through a pro-rata distribution (the “Distribution”) of all the outstanding common stock of its product-related business (formerly known as Xperi Product, and hereinafter “Xperi Inc.,” “Xperi” or the Company to the stockholders of record of the Former Parent as of the close of business on September 21, 2022, the record date (the “Record Date”) for the Distribution. Each Former Parent stockholder of record received four shares of Xperi common stock, \$0.001 par value, for every ten shares of the Former Parent’s common stock, \$0.001 par value, held by such stockholder as of the close of business on the Record Date. As a result of the Distribution, Xperi became an independent, publicly-traded company and its common stock is listed under the symbol “XPER” on the New York Stock Exchange. In connection with the Separation and the Distribution, the Former Parent was renamed and continues as Adeia Inc. and also changed its stock symbol to “ADEA” on the Nasdaq Global Select Market.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The Company’s financial statements were prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiaries, as well as an entity in which the Company has a controlling financial interest. All intercompany accounts and transactions have been eliminated in consolidation.

In the fourth quarter of 2018, the Company funded a new subsidiary, Perceive Corporation (“Perceive”), which was created to focus on edge inference hardware and software technologies. As of June 30, 2024, the Company owned approximately 76.2% of the outstanding equity interest of Perceive.

Unaudited Interim Financial Statements

The accompanying unaudited interim condensed consolidated financial statements are presented in accordance with the applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for interim financial information. The amounts as of December 31, 2023 have been derived from the Company’s annual audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2023, filed on March 1, 2024 (the “Form 10-K”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments, which consist of normal recurring adjustments, necessary to state fairly the financial position of the Company and its results of operations and cash flows as of and for the periods presented. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Form 10-K.

The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2024 or any future period and the Company makes no representations related thereto.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The accounting estimates and assumptions that require management's most significant, challenging, and subjective judgment include the estimation of licensees' quarterly royalties prior to receiving the royalty reports, the determination of stand-alone selling price and the transaction price in an arrangement with multiple performance obligations, the fair value of note receivable and deferred consideration in connection with the Divestiture (as described in Note 6—*Divestiture*), capitalization of internal-use software, loss contingencies related to indemnification liability, the assessment of useful lives and recoverability of other intangible assets and long-lived assets, recognition and measurement of current and deferred income tax assets and liabilities, the assessment of unrecognized tax benefits, and valuation of performance-based awards with a market condition. Actual results experienced by the Company may differ from management's estimates.

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, unbilled contracts receivable, a note receivable and deferred consideration from divestiture. The Company maintains cash and cash equivalents with large financial institutions, and at times, the deposits may exceed the federally insured limits. As part of its risk management processes, the Company performs periodic evaluations of the relative credit standing of these financial institutions. The Company has not sustained material credit losses from instruments held at these financial institutions. In addition, the Company has cash and cash equivalents held in international bank accounts that are denominated in various foreign currencies, and has established risk management strategies designed to minimize the impact of certain currency exchange rate fluctuations.

The Company believes that any concentration of credit risk in its accounts receivable and unbilled contracts receivable are substantially mitigated by its evaluation processes and the high level of credit worthiness of its customers. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral.

There was one individually significant customer with revenue exceeding 10% of total revenue for the three months ended June 30, 2024, whereas no single customer exceeded 10% of total revenue in all other comparative periods presented. As of June 30, 2024 and December 31, 2023, no single customer represented 10% or more of the Company's net balance of accounts receivable.

As described in Note 6, in the first quarter of 2024, the Company received a note receivable and deferred consideration from Tobii AB ("Tobii") as part of the consideration for divesting its AutoSense in-cabin safety business and related imaging solutions (the "Divestiture"). Both of these instruments are potentially exposed to credit risk arising from default on repayment from Tobii. The credit risk associated with the note receivable is mitigated by establishing a floating lien and security interest in certain of Tobii's assets, rights, and properties, whereas the deferred consideration is not secured by any collateral. The Company uses certain techniques, such as internally generated cash flow projections on the principal and interest of each instrument, to determine the likelihood that the note receivable or deferred consideration will be repaid. Further, the Company assesses each instrument for credit losses and provides a reserve when full payment on the instruments may not occur as expected. Based on the results of the internally generated cash flow projections, the Company expects Tobii to make full payment on both instruments in accordance with the underlying agreement. Accordingly, no allowance for credit losses was recorded as of June 30, 2024.

Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

In November 2023, the Financial Accounting Standard Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires significant segment expenses and other segment related items to be disclosed on an interim and annual basis. The new disclosure requirements are also applicable to companies with a single reportable segment. This guidance is effective on a retrospective basis for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures within its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disclosure of specific categories in the effective tax rate reconciliation and additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. This guidance is effective on a prospective or retrospective basis for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures within its consolidated financial statements.

NOTE 2 – REVENUE

Revenue Recognition

General

Revenue is recognized when control of the promised goods or services is transferred to a customer in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services, which may include various combinations of goods and services which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of sales taxes collected from customers which are subsequently remitted to governmental authorities.

Some of the Company’s contracts with customers contain multiple performance obligations. For these contracts, the individual performance obligations are separately accounted for if they are distinct. In an arrangement with multiple performance obligations, the transaction price is allocated among the separate performance obligations on a relative standalone selling price (“SSP”) basis. The determination of SSP considers market conditions, the size and scope of the contract, customer and geographic information, and other factors. When observable prices are not available, SSP for separate performance obligations is generally based on the cost-plus-margin approach, considering overall pricing objectives.

When variable consideration is in the form of a sales-based or usage-based royalty in exchange for a license of technology or when a license of technology is the predominant item to which the variable consideration relates, revenue is recognized at the later of when the subsequent sale or usage occurs or the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied or partially satisfied.

Description of Revenue-Generating Activities

The Company derives the majority of its revenue from licensing its technologies and solutions to customers within the Pay-TV, Consumer Electronics, Connected Car and Media Platform product categories. Refer to Part I, Item 1 of the Form 10-K for detailed information regarding these product categories.

Pay-TV

Customers within the Pay-TV category are primarily multi-channel video service providers, consumer electronics (“CE”) manufacturers, and end consumers. Revenue in this category is primarily derived from licensing the Company’s Pay-TV solutions, including Electronic Program Guides, TiVo video-over-broadband (“IPTV”) Solutions, Personalized Content Discovery and enriched Metadata.

For these solutions, the Company provides on-going media or data delivery, either via on-premise licensed software, hosting or access to its platform. The Company generally receives fees on a per-subscriber per-month basis or as a monthly fee, and revenue is recognized during the month in which the solutions are provided to the customer. For most of the on-premise licensed software arrangements, substantially all functionality is obtained through the Company’s frequent updating of the technology, data and content. In these instances, the Company typically has a single performance obligation related to these ongoing activities in the underlying arrangement, and revenue is generally recognized over the period the solution is provided. There are certain fixed fee on-premise licensed software arrangements where revenue is recognized immediately upon the delivery of the licensed technology. Hosted solutions and access to our platform is considered a single performance obligation with revenue being recognized over the period the solution is provided.

Consumer Electronics

The Company licenses its audio technologies to CE manufacturers or their supply chain partners.

The Company generally recognizes royalty revenue from licenses based on units shipped or manufactured. Revenue is recognized in the period in which the customer's sales or production are estimated to have occurred. This may result in an adjustment to revenue when actual sales or production are subsequently reported by the customer, generally in the month or quarter following sales or production. Estimating customers' quarterly royalties prior to receiving the royalty reports requires the Company to make significant assumptions and judgments related to forecasted trends and growth rates used to estimate quantities shipped or manufactured by customers, which could have a material impact on the amount of revenue it reports on a quarterly basis.

Certain customers enter into fixed fee or minimum guarantee agreements, whereby customers pay a fixed fee for the right to incorporate the Company's technology in the customer's products over the license term. In arrangements with a minimum guarantee, the fixed fee component corresponds to a minimum number of units or dollars that the customer must produce or pay, with additional per-unit fees for any units or dollars exceeding the minimum. The Company generally recognizes the full fixed fee as revenue at the beginning of the license term when the customer has the right to use the technology and begins to benefit from the license. If applicable, revenue is recognized net of the effect of any significant financing components calculated using customer-specific, risk-adjusted lending rates, with the related interest income being recognized over time on an effective rate basis. For minimum guarantee agreements where the customer exceeds the minimum, the Company recognizes revenue relating to any additional per-unit fees in the periods it estimates the customer will exceed the minimum and adjusts the revenue based on actual usage once that is reported by the customer.

Connected Car

The Company licenses its digital radio solutions, automotive infotainment and related offerings to automotive manufacturers or their supply chain partners.

The Company generally recognizes royalty revenue from these licenses based on units shipped or manufactured, similar to the revenue recognition described above in "Consumer Electronics". Certain customers may enter into fixed fee or minimum guarantee agreements, also similar to the revenue recognition described above in "Consumer Electronics". Automotive infotainment and related revenue is generally recognized over time as the customer obtains access to the solutions and underlying data.

Media Platform

The Company generates revenue from advertising, TV viewership data, and licensing of the Vewd app framework and core middleware solutions.

Advertising revenue is generally recognized when the related advertisement is provided. TV viewership data revenue is generally recognized over time as the customer obtains the underlying data. License revenue for the Vewd solutions is generally recognized either on a per-unit royalty or a minimum guarantee or fixed fee basis, similar to as described in the "*Consumer Electronics*" section above.

Hardware Products, Services and Settlements/Recoveries

The Company sells hardware products, primarily to end consumers, within the Pay-TV, Media Platform, and Consumer Electronics product categories. Hardware product revenue is generally recognized when the promised product is delivered.

The Company also generates non-recurring engineering ("NRE") revenue within all of its product categories. The Company recognizes NRE revenue as progress is made toward completion, generally using an input method based on the ratio of costs incurred to date to total estimated costs of the project.

Revenue from each of advertising, NRE services, and hardware products was less than 10% of total revenue for all periods presented.

The Company actively monitors and enforces its technology licenses, including seeking appropriate compensation from customers that have under-reported royalties owed under a license agreement and from third parties that utilize the Company's technologies without a license. As a result of these activities, the Company may, from time to time, recognize revenue from periodic compliance audits of licensees for underreporting royalties incurred in prior periods, or from legal judgments in a license dispute. These settlements and recoveries may cause revenue to be higher than expected during a particular reporting period and such settlements and recoveries may not occur in subsequent periods. The Company recognizes revenue from

settlements and recoveries when a binding agreement has been executed or a revised royalty report has been received and the Company concludes collection is probable.

Disaggregation of Revenue

The Company's revenue that is recognized over time consists primarily of per unit royalties, per-subscriber per-month or monthly license fees, single performance obligations satisfied over time, and NRE services. Revenue that is recognized at a point in time consists primarily of fixed fee or minimum guarantee licensing contracts, hardware products, advertising and settlements/recoveries.

The following table summarizes revenue by timing of recognition (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Recognized over time	\$ 87,173	\$ 98,870	\$ 183,855	\$ 199,083
Recognized at a point in time	32,418	28,002	54,580	54,628
Total revenue	<u>\$ 119,591</u>	<u>\$ 126,872</u>	<u>\$ 238,435</u>	<u>\$ 253,711</u>

The following table summarizes revenue by product category (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Pay-TV	\$ 60,752	\$ 58,031	\$ 117,558	\$ 118,325
Consumer Electronics	17,164	31,716	43,292	68,451
Connected Car	31,423	23,474	55,771	44,022
Media Platform	10,252	13,651	21,814	22,913
Total revenue	<u>\$ 119,591</u>	<u>\$ 126,872</u>	<u>\$ 238,435</u>	<u>\$ 253,711</u>

The following table summarizes revenue by geographic location (in thousands):

	Three Months Ended June 30,			
	2024		2023	
U.S.	\$ 55,832	47 %	\$ 69,133	54 %
Japan	13,873	11	18,566	15
South Korea	16,653	14	6,354	5
Europe and Middle East	9,467	8	8,416	7
Latin America	13,000	11	6,744	5
China	3,545	3	10,527	8
Other	7,221	6	7,132	6
Total revenue	<u>\$ 119,591</u>	<u>100 %</u>	<u>\$ 126,872</u>	<u>100 %</u>

	Six Months Ended June 30,			
	2024		2023	
U.S.	\$ 115,631	48 %	\$ 134,292	53 %
Japan	25,910	11	36,061	14
South Korea	23,599	10	14,410	6
Europe and Middle East	22,942	10	18,582	7
Latin America	19,917	8	13,367	5
China	16,332	7	22,037	9
Other	14,104	6	14,962	6
Total revenue	<u>\$ 238,435</u>	<u>100 %</u>	<u>\$ 253,711</u>	<u>100 %</u>

A significant portion of the Company's revenue is derived from licensees headquartered outside of the U.S., principally in Asia, Europe, the Middle East, and Latin America, and it is expected that this revenue will continue to account for a significant portion of total revenue in future periods.

Contract Balances

Contract Assets

A contract asset represents a right to consideration that is conditional upon factors other than the passage of time. Contract assets primarily consist of unbilled contracts receivable that are expected to be received from customers in future periods, where revenue is recognized upon the completion of performance obligations, but in advance of billings. The amount of unbilled contracts receivable may not exceed their net realizable value and is classified as noncurrent if the payments are expected to be received more than one year from the reporting date.

Contract Liabilities

Contract liabilities are mainly comprised of deferred revenue, which arises when cash payments are received in advance of performance obligations being satisfied. Deferred revenue generally consists of prepaid licenses or other fees, amounts received related to NRE services to be performed in the future, and other offerings for which the Company is paid in advance while the promised good or service is transferred to the customer at a future date or over time.

The following table presents additional revenue disclosures (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue recognized in the period from:				
Amounts included in deferred revenue at the beginning of the period	\$ 6,336	\$ 5,547	\$ 13,602	\$ 12,266
Performance obligations satisfied in previous periods (true ups, recoveries, and settlements) ⁽¹⁾	\$ 353	\$ 597	\$ 3,362	\$ (1,285)

⁽¹⁾ True ups represent the differences between the Company's quarterly estimates of per-unit royalty revenue and actual production/sales-based royalties reported by licensees in the following period. Recoveries represent corrections or revisions to previously reported per-unit royalties by licensees, generally resulting from the Company's inquiries or compliance audits. Settlements represent resolutions of litigation or disputes during the period for past royalties owed.

Remaining Performance Obligations

Remaining performance obligations represent contracted revenue associated with certain non-cancelable fixed fee arrangements and engineering services contracts that have not yet been recognized. As of June 30, 2024, the Company's remaining performance obligations and the period over which they are expected to be recognized were as follows (in thousands):

Year Ending December 31:	Amounts
2024 (remaining 6 months)	\$ 35,897
2025	37,782
2026	15,669
2027	5,383
2028	3,102
Thereafter	1,991
Total	\$ 99,824

Allowance for Credit Losses

The following table presents the activity in the allowance for credit losses for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,			
	2024		2023	
	Accounts Receivable	Unbilled Contracts Receivable	Accounts Receivable	Unbilled Contracts Receivable
Beginning balance	\$ 2,868	\$ 245	\$ 2,067	\$ 350
Provision for credit losses	(856)	103	186	(25)
Recoveries/charge-off	(858)	—	(41)	—
Ending balance	<u>\$ 1,154</u>	<u>\$ 348</u>	<u>\$ 2,212</u>	<u>\$ 325</u>

	Six Months Ended June 30,			
	2024		2023	
	Accounts Receivable	Unbilled Contracts Receivable	Accounts Receivable	Unbilled Contracts Receivable
Beginning balance	\$ 1,906	\$ 190	\$ 1,950	\$ 369
Provision for credit losses	(58)	161	322	(44)
Recoveries/charge-off	(694)	(3)	(60)	—
Ending balance	<u>\$ 1,154</u>	<u>\$ 348</u>	<u>\$ 2,212</u>	<u>\$ 325</u>

NOTE 3 – COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Prepaid expenses and other current assets consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Prepaid expenses	\$ 22,542	\$ 19,913
Prepaid income taxes	5,686	4,813
Finished goods inventory	5,043	7,279
Other	3,094	6,869
Total	<u>\$ 36,365</u>	<u>\$ 38,874</u>

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

	June 30, 2024	December 31, 2023
Computer equipment and software	\$ 54,348	\$ 52,740
Capitalized internal-use software	17,806	11,224
Office equipment and furniture	11,465	11,074
Building	17,876	17,876
Land	5,300	5,300
Leasehold improvements	13,319	11,758
Construction in progress	326	3,319
Total property and equipment	120,440	113,291
Less: accumulated depreciation and amortization ⁽¹⁾	(78,199)	(71,722)
Property and equipment, net	<u>\$ 42,241</u>	<u>\$ 41,569</u>

⁽¹⁾ Includes \$2.6 million and \$1.6 million as of June 30, 2024 and December 31, 2023, respectively, of accumulated amortization associated with capitalized internal-use software.

The following table summarizes the capitalization and amortization of internal-use software for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Costs capitalized associated with internal-use software	\$ 3,303	\$ 1,743	\$ 6,582	\$ 3,638
Amortization of capitalized internal-use software	522	468	1,016	560

Accrued liabilities consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Employee compensation and benefits	\$ 26,664	\$ 44,095
Accrued expenses	18,292	24,307
Current portion of operating lease liabilities	14,739	14,760
Third-party royalties	9,152	8,478
Accrued other taxes	7,765	6,464
Accrued income taxes	7,581	1,991
Other	6,276	9,866
Total	<u>\$ 90,469</u>	<u>\$ 109,961</u>

NOTE 4 – FINANCIAL INSTRUMENTS

Non-marketable Equity Securities

As of June 30, 2024 and December 31, 2023, other noncurrent assets included equity securities accounted for under the equity method with a carrying amount of \$4.3 million and \$4.9 million, respectively. No impairments to the carrying amount of the Company's non-marketable equity securities were recognized in the three and six months ended June 30, 2024 and 2023.

Derivatives Instruments

The Company uses a foreign exchange hedging strategy to hedge local currency expenses and reduce variability associated with anticipated cash flows. The Company's derivative financial instruments consist of foreign currency forward contracts. The maturities of these instruments are generally less than twelve months. Fair values for derivative financial instruments are based on prices computed using third-party valuation models. All the significant inputs to the third-party valuation models are observable in active markets. Inputs include current market-based parameters such as forward rates, yield curves and credit default swap pricing.

Cash Flow Hedges

The Company designates certain foreign currency forward contracts as hedging instruments pursuant to Accounting Standards Codification ("ASC") No. 815—*Derivatives and Hedging*. The effective portion of the gain or loss on the derivatives are reported as a component of accumulated other comprehensive loss ("AOCL") in stockholders' equity and reclassified into earnings on the Condensed Consolidated Statements of Operations (Unaudited) in the period upon which the hedged transactions are settled.

The notional and fair values of all derivative financial instruments were as follows (in thousands):

	Location in Balance Sheet	June 30, 2024	December 31, 2023
Derivative instruments designated as cash flow hedges:			
Fair value—foreign exchange contract assets, net amount	Prepaid expenses and other current assets	\$ —	\$ 1,184
Fair value—foreign exchange contract liabilities, net amount	Accrued liabilities	\$ 152	\$ —
Notional value held to buy U.S. dollars in exchange for other currencies		\$ 1,001	\$ 738
Notional value held to sell U.S. dollars in exchange for other currencies		\$ 53,146	\$ 45,468

The Company's derivative financial instruments are eligible for netting arrangements that allow the Company and its counterparty to net settle amounts owed to each other. Derivative assets and liabilities that can be net settled under these arrangements have been presented in the Company's Condensed Consolidated Balance Sheets on a net basis.

The gross amounts of the Company's foreign currency forward contracts and the net amounts recorded in the Company's Condensed Consolidated Balance Sheets were as follows (in thousands):

	June 30, 2024	December 31, 2023
Gross amount of recognized assets	\$ 268	\$ 1,300
Gross amount of recognized liabilities	(420)	(116)
Net derivative (liabilities) assets	\$ (152)	\$ 1,184

The changes in AOCL related to the cash flow hedges consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning balance	\$ 243	\$ 769	\$ 1,034	\$ (94)
Other comprehensive (loss) gain before reclassification	(280)	322	(702)	1,181
Amounts reclassified from accumulated other comprehensive loss into net loss	(115)	(332)	(484)	(328)
Net current period other comprehensive (loss) gain	(395)	(10)	(1,186)	853
Ending balance	\$ (152)	\$ 759	\$ (152)	\$ 759

The following table summarizes the total gains recognized upon settlement of the hedged transactions in the Condensed Consolidated Statement of Operations for three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Research and development	\$ 135	\$ 403	\$ 484	\$ 414
Selling, general and administrative	(24)	59	83	63
Total	\$ 111	\$ 462	\$ 567	\$ 477

Undesignated Derivatives

For derivatives that were not designated as hedge instruments, they were measured and reported at fair value as a derivative asset or liability in the Condensed Consolidated Balance Sheets with their corresponding changes in the fair value recognized as gains or losses in interest and other income, net in the Condensed Consolidated Statements of Operations. These instruments were all re-designated as foreign currency cash flow hedges in July 2023.

For the three and six months ended June 30, 2023, gains on the undesignated derivatives were \$0.5 million and \$0.7 million, respectively.

NOTE 5 – FAIR VALUE

The Company follows the authoritative guidance for fair value measurement and the fair value option for financial assets and financial liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When applying fair value principles in the valuation of assets and liabilities, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculates the fair value of its Level 1 and Level 2 instruments based on the exchange traded price of similar or identical instruments, where available, or based on other observable inputs.

The Company's derivative financial instruments (as described in Note 4—*Financial Instruments*), consisting of foreign currency forward contracts, are reported at fair value on a recurring basis and classified as Level 2.

Financial Instruments Not Recorded at Fair Value

The following table presents the fair value hierarchy for the Company's assets and liabilities recorded at their carrying amount, but for which the fair value is disclosed (in thousands):

	June 30, 2024		December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Note receivable, noncurrent	\$ 28,571	\$ 28,571	\$ —	\$ —
Deferred consideration from divestiture	6,267	5,716	—	—
Total assets	<u>\$ 34,838</u>	<u>\$ 34,287</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:				
Senior unsecured promissory note	<u>\$ 50,000</u>	<u>\$ 49,696</u>	<u>\$ 50,000</u>	<u>\$ 49,659</u>

The fair value of the note receivable, including accrued interest, and the deferred consideration resulting from the Divestiture (as described in Note 6—*Divestiture*) were estimated based on an income and market approach with valuation inputs such as the U.S. Treasury constant maturity yields, comparable bond yields, and credit spreads over the term of the same or similarly issued instruments. They are classified within Level 2 of the fair value hierarchy.

The fair value of the Company's debt (as described in Note 8—*Debt*) was estimated based on an income and market approach with valuation inputs such as the U.S. Treasury constant maturity yields, comparable bond yields, and credit spreads over the term of the same or similarly issued instruments. The Company classifies its debt within Level 2 of the fair value hierarchy.

NOTE 6 – DIVESTITURE

In December 2023, the Company entered into a definitive agreement with Tobii pursuant to the Divestiture. The Divestiture represented a 100% equity sale transaction of two of the Company’s wholly-owned subsidiaries and was expected to streamline the Company’s business to further focus its business on entertainment-related products and services. All of the assets and liabilities associated with the Divestiture were classified as held for sale as of December 31, 2023.

The Divestiture was completed on January 31, 2024 (the “Closing Date”) for total consideration of \$44.3 million, comprising \$10.8 million of cash, a note receivable from Tobii (the “Tobii Note”) of \$27.7 million, and deferred consideration (as described under *Deferred Consideration* below) totaling \$15.0 million, which was estimated to have a fair value of \$5.8 million based on a present value factor on the Closing Date. The \$10.8 million of cash included in the total consideration represents the cash balance that was transferred to Tobii on the Closing Date to support operations during the transition and was subsequently returned to the Company, and as such, this amount is included in the assets sold as of January 31, 2024 and in the total consideration received. As previously disclosed in the Form 10-K, Tobii was required to pay the Company the acquired closing cash balance, less certain adjustments, promptly after the Closing Date. In addition, there may be potential earnout payments (as described under *Contingent Consideration* below) payable in 2031, contingent upon the future success of the divested AutoSense in-cabin safety business.

In connection with the Divestiture, the Company also recorded a liability of \$7.1 million for potential indemnification of certain pre-Closing matters.

As of the Closing Date, the Company derecognized the carrying amounts of the following assets and liabilities (in thousands):

	January 31, 2024		
	Current	Noncurrent	Total
Assets:			
Cash and cash equivalents	\$ 11,025	\$ —	\$ 11,025
Accounts receivable, net	3,392	—	3,392
Unbilled contracts receivable, net	1,398	5,320	6,718
Prepaid expenses and other current assets	812	—	812
Property and equipment, net	—	2,291	2,291
Operating lease right-of-use assets	—	3,272	3,272
Other noncurrent assets	—	2,887	2,887
Total assets held for sale ⁽¹⁾	<u>\$ 16,627</u>	<u>\$ 13,770</u>	<u>\$ 30,397</u>
Liabilities:			
Accounts payable	\$ 248	\$ —	\$ 248
Accrued liabilities	4,933	—	4,933
Deferred revenue	1,114	—	1,114
Operating lease liabilities, noncurrent	—	2,708	2,708
Other noncurrent liabilities	—	7,064	7,064
Total liabilities held for sale	<u>\$ 6,295</u>	<u>\$ 9,772</u>	<u>\$ 16,067</u>
Net assets held for sale	<u>\$ 10,332</u>	<u>\$ 3,998</u>	<u>\$ 14,330</u>

⁽¹⁾ Total assets held for sale also included certain fully amortized finite-lived intangible assets with an original cost of \$35.2 million.

Upon the completion of the Divestiture, the Company recognized a gain of \$22.9 million in the first quarter of 2024.

The Divestiture did not represent a strategic shift that would have a major effect on the Company’s consolidated results of operations, and therefore, its results of operations were not reported as discontinued operations.

Note Receivable from Tobii AB

The Tobii Note, with a fixed interest rate of 8% per annum, matures on April 1, 2029 and is payable in three annual installments. Tobii may, at any time and on any one or more occasions, prepay all or any portion of the outstanding principal amount, along with accrued interest, without any penalty. In the event of default, an additional interest of 2% per annum may be applied to the outstanding balance of the Tobii Note, and the Company has the right to demand full or partial payment on the outstanding balance with unpaid interest.

The Tobii Note is secured by a floating lien and security interest in certain of Tobii's assets, rights, and properties, and contains customary affirmative and negative covenants including the restrictions on incurring certain indebtedness, and certain change of control and asset sale events, but does not include any financial covenants.

The Tobii Note has the following scheduled principal repayments (in thousands):

Date of Principal Payment:	Amount
April 1, 2027	\$ 10,000
April 1, 2028	10,000
April 1, 2029	7,676
Total principal payments	<u>\$ 27,676</u>

The Company elected to present accrued interest within the carrying amount of note receivable, noncurrent, in the Condensed Consolidated Balance Sheets. As of June 30, 2024, the carrying amount of the Tobii Note is as follows (in thousands):

	June 30, 2024
Outstanding principal amount	\$ 27,676
Add: interest accrued to date	895
Carrying amount—note receivable, noncurrent	<u>\$ 28,571</u>

For the three and six months ended June 30, 2024, the Company recognized interest income of \$0.5 million and \$0.9 million, respectively.

Deferred Consideration

The deferred consideration consists of guaranteed future cash payments, which are scheduled to be made by Tobii in four annual payments as follows (in thousands):

Date of Payment:	Amount
February 15, 2028	\$ 3,000
February 15, 2029	2,250
February 15, 2030	4,500
February 15, 2031	5,250
Total future payments	<u>\$ 15,000</u>

At the Closing Date, there was \$9.2 million of discount on the deferred consideration to be accreted as interest income up to the date of the final payment. For the three and six months ended June 30, 2024, the Company accreted \$0.3 million and \$0.4 million of the discount as interest income, respectively.

As of June 30, 2024, the net carrying amount of the deferred consideration is as follows (in thousands):

	June 30, 2024
Total deferred consideration	\$ 15,000
Less: unamortized discount on deferred consideration	(8,733)
Net carrying amount	<u>\$ 6,267</u>

Contingent Consideration

The earnout represents potential incremental cash consideration, and the payment is contingent upon the achievement of certain targeted shipments, between January 1, 2024 and December 31, 2030, of qualified automotive products featuring the AutoSense in-cabin safety technology and the related imaging solutions.

At the Closing Date, the Company elected to apply the gain contingency guidance under ASC 450—*Contingencies*, as it could not reasonably estimate shipment amounts. As a result, the Company deferred the recognition of the contingent consideration until it becomes realized or realizable.

NOTE 7 – INTANGIBLE ASSETS, NET

Identified intangible assets consisted of the following (in thousands):

	June 30, 2024			
	Average Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:				
Acquired patents	3-10	\$ 17,281	\$ (4,583)	\$ 12,698
Existing technology / content database	5-10	219,908	(187,891)	32,017
Customer contracts and related relationships	3-9	493,579	(377,146)	116,433
Trademarks/trade name	4-10	39,313	(36,963)	2,350
Non-compete agreements	1-2	3,101	(3,101)	—
Total finite-lived intangible assets		773,182	(609,684)	163,498
Indefinite-lived intangible assets:				
TiVo tradename/trademarks	N/A	21,400	—	21,400
Total intangible assets		\$ 794,582	\$ (609,684)	\$ 184,898

	December 31, 2023			
	Average Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:				
Acquired patents	3-10	\$ 17,281	\$ (3,478)	\$ 13,803
Existing technology / content database	5-10	219,717	(181,713)	38,004
Customer contracts and related relationships	3-9	493,685	(365,074)	128,611
Trademarks/trade name	4-10	39,313	(34,453)	4,860
Non-compete agreements	1-2	3,101	(2,884)	217
Total finite-lived intangible assets		773,097	(587,602)	185,495
Indefinite-lived intangible assets:				
TiVo tradename/trademarks	N/A	21,400	—	21,400
Total intangible assets ⁽¹⁾		\$ 794,497	\$ (587,602)	\$ 206,895

⁽¹⁾ Total intangible assets excluded certain finite-lived intangible assets with a gross amount of \$35.2 million, which were fully amortized and classified as held for sale as of December 31, 2023 in connection with the Divestiture (as described in Note 6—*Divestiture*).

As of June 30, 2024, the estimated future amortization expense of total finite-lived intangible assets was as follows (in thousands):

Year Ending December 31:	Amounts
2024 (remaining 6 months)	\$ 21,291
2025	34,826
2026	31,495
2027	30,652
2028	30,315
Thereafter	14,919
Total future amortization	\$ 163,498

NOTE 8 – DEBT

In connection with the acquisition of Vewd Software Holdings Limited (“Vewd”) on July 1, 2022, the Company issued a senior unsecured promissory note (the “Promissory Note”) to the sellers of Vewd in a principal amount of \$50.0 million. Indebtedness outstanding under the Promissory Note bears an interest rate of 6.00% per annum, payable in cash on a quarterly basis. If a certain qualified spin-off transaction occurs, the interest rate will be increased to the greater of (a) 6.00% and (b) the sum of (i) the highest interest rate payable under any credit facility or bonds, debentures, notes or similar instruments where the issuer or any guarantor borrows money or guarantees obligations on a secured basis on or after the date of such spin-off transaction, plus (ii) 2.00%. It was determined that the Spin-Off completed on October 1, 2022 did not trigger any change in the interest rate of the debt. The Promissory Note matures on July 1, 2025. The Company may, at any time and on any one or more occasions, prepay all or any portion of the outstanding principal amount, plus accrued and unpaid interest, if any, under the Promissory Note without premium or penalty. In addition, the Promissory Note has mandatory prepayment provisions upon certain change of control or asset sale events.

The Promissory Note includes certain covenants that restrict the Company and each guarantor’s ability to, among other things, incur certain indebtedness or engage in any material line of business substantially different from those lines of business conducted by the Company on the closing date of the acquisition. The Promissory Note does not contain any financial covenants.

As of June 30, 2024, \$50.0 million in principal balance was outstanding. Interest expense on the Promissory Note was \$0.8 million for both the three months ended June 30, 2024 and 2023, and \$1.5 million for the both six months ended June 30, 2024 and 2023.

NOTE 9 – NET LOSS PER SHARE

Basic net loss per share attributable to the Company is computed by dividing the net loss attributable to the Company by the number of weighted-average outstanding common shares in the period. Potentially dilutive common shares, such as common shares issuable upon exercise of stock options, vesting of restricted stock units (“RSUs”), and shares purchased under the Employee Stock Purchase Plan (“ESPP”) are typically reflected in the computation of diluted net income per share by application of the treasury stock method. Due to the net losses reported, these potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to the Company, since their effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted net loss per share attributable the Company (in thousands, except per share amounts):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Numerator:				
Net loss attributable to the Company - basic and diluted	<u>\$ (30,299)</u>	<u>\$ (38,395)</u>	<u>\$ (43,419)</u>	<u>\$ (70,395)</u>
Denominator:				
Weighted-average number of shares used to compute net loss per share attributable to the Company - basic and diluted	<u>45,331</u>	<u>42,770</u>	<u>44,926</u>	<u>42,499</u>
Net loss per share attributable to the Company - basic and diluted	<u>\$ (0.67)</u>	<u>\$ (0.90)</u>	<u>\$ (0.97)</u>	<u>\$ (1.66)</u>

The following potentially dilutive shares were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive for the periods presented (in thousands):

	<u>Three and Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Options	57	120
Restricted stock units	7,998	7,345
ESPP	92	83
Total	<u>8,147</u>	<u>7,548</u>

NOTE 10 – STOCKHOLDERS’ EQUITY AND STOCK-BASED COMPENSATION

Equity Incentive Plans

In connection with the Separation and on October 1, 2022, the Company adopted the Xperi Inc. 2022 Equity Incentive Plan (the “2022 EIP”).

Under the 2022 EIP, the Company may grant equity-based awards to employees, non-employee directors, and consultants for services rendered to the Company (or any parent or subsidiary) in the form of stock options, stock awards, restricted stock awards, RSUs, stock appreciation rights, dividend equivalents and performance awards, or any combination thereof.

The 2022 EIP provides for option grants designated as either incentive stock options or non-statutory options. Stock options have been granted with an exercise price not less than the value of the common stock on the grant date, and have 10-year contractual terms from the date of grant, and vest over a four-year period. The vesting criteria for RSUs has historically been the passage of time or meeting certain performance-based objectives, and continued service through the vesting period over three or four years for time-based awards or three years for performance-based awards.

As of June 30, 2024, there were approximately 4.6 million shares reserved for future grants under the 2022 EIP.

Employee Stock Purchase Plans

In connection with the Separation and on October 1, 2022, the Company adopted the Xperi Inc. 2022 Employee Stock Purchase Plan (as amended, the “2022 ESPP”). The 2022 ESPP originally provided consecutive overlapping 24-month offering periods, with four purchase periods that were generally six months in length, commencing on each December 1 and June 1 during the term of the 2022 ESPP. The 2022 ESPP was subsequently amended, and commencing December 1, 2023, the length of the offering periods was reduced from 24 months to 12 months and the employee’s maximum participant contribution was reduced from 100% to 15% of the employee’s after-tax base earnings and commissions up to the limit imposed by the Internal Revenue Service. The accumulated deductions will be applied to the purchase of shares on each semi-annual purchase date. The purchase price per share will equal 85% of the fair market value per share on the start date of the offering period or, if lower, 85% of the fair market value per share on the semi-annual purchase date.

The 2022 ESPP includes a reset provision if the fair market value per share of the Company’s common stock on any purchase date during an offering period is less than the fair market value per share on the start date of the 12-month offering period. Upon occurrence of the reset, the existing offering period will automatically terminate and a new 12-month offering period will begin on the next business day. All participants in the terminated offering will be transferred to the new offering period.

The reset provision under the 2022 ESPP was triggered on May 31, 2024, and it was considered a modification in accordance with ASC 718—*Stock Based Compensation*, with the incremental fair value of \$2.0 million to be recognized on a straight-line basis over the new 12-month offering period.

On May 31, 2024, the Company issued 577,826 shares under the 2022 ESPP, net of shares withheld to satisfy withholding tax requirements for certain employees, for aggregate net proceeds of \$4.3 million.

As of June 30, 2024, there were 3.1 million shares reserved for future issuance under the 2022 ESPP.

The following table summarizes the valuation assumptions used in estimating the fair value of the 2022 ESPP for the offering periods in effect using the Black-Scholes option pricing model:

	Six Months Ended June 30,	
	2024	2023
Expected life (years)	0.5 — 1.0	0.5 — 2.0
Risk-free interest rate	5.14% — 5.39%	4.33% — 5.44%
Dividend yield	0.00%	0.00%
Expected volatility	44.38% — 45.01%	44.11% — 51.19%

Stock Options

Stock option activity for the six months ended June 30, 2024 is as follows (in thousands, except per share amounts):

	Number of Shares Subject to Options	Weighted Average Exercise Price Per Share
Balance at December 31, 2023	106	\$ 26.87
Options exercised	—	\$ —
Options canceled / forfeited / expired	(49)	\$ 21.99
Balance at June 30, 2024	57	\$ 31.10

There were no stock options granted during the six months ended June 30, 2024.

Restricted Stock Units

Information with respect to outstanding RSUs (including both time-based vesting and performance-based vesting) for the six months ended June 30, 2024 is as follows (in thousands, except per share amounts):

	Number of Shares Subject to Time- based Vesting	Number of Shares Subject to Performance- based Vesting	Total Number of Shares	Weighted Average Grant Date Fair Value Per Share
Balance at December 31, 2023	5,396	1,671	7,067	\$ 15.51
Granted	2,496	670	3,166	\$ 11.23
Vested / released	(1,468)	(14)	(1,482)	\$ 14.51
Canceled / forfeited	(562)	(191)	(753)	\$ 18.27
Balance at June 30, 2024	5,862	2,136	7,998	\$ 13.74

Performance-Based Awards

From time to time, the Company may grant performance-based restricted stock units (“PSU”) to senior executives, certain employees, and consultants. The value and the vesting of such PSUs are generally linked to one or more performance goals or certain market conditions determined by the Company, in each case on a specified date or dates or over any period or periods determined by the Company, and may range from zero to 200% of the grant. For PSUs subject to market conditions, the fair value per award is fixed at the grant date and the amount of compensation expense is not adjusted during the performance period regardless of changes in the level of achievement of the market condition.

The Company uses the closing trading price of its common stock on the date of grant as the fair value of awards or RSUs and PSUs that are based on Company-designated performance targets. For PSUs that are based on market conditions (the “market-based PSUs”), fair value is estimated by using a Monte Carlo simulation on the date of grant.

The following assumptions were used to value the market-based PSUs granted during the period:

	Six Months Ended June 30,	
	2024	2023
Expected life (years)	3.0	2.8
Risk-free interest rate	4.21 %	4.54 %
Dividend yield	0.00 %	0.00 %
Expected volatility	43.93 %	49.02 %

Stock-Based Compensation

Total stock-based compensation expense for the three and six months ended June 30, 2024 and 2023 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 858	\$ 927	\$ 1,602	\$ 1,719
Research and development	5,831	6,405	10,164	11,956
Selling, general and administrative	8,614	10,759	18,294	20,384
Total stock-based compensation expense	\$ 15,303	\$ 18,091	\$ 30,060	\$ 34,059

Stock-based compensation expense categorized by award type for the three and six months ended June 30, 2024 and 2023 is summarized in the table below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
RSUs	\$ 11,160	\$ 11,609	\$ 20,345	\$ 22,364
PSUs	2,775	5,097	7,029	9,322
ESPP	1,368	1,385	2,686	2,373
Total stock-based compensation expense	\$ 15,303	\$ 18,091	\$ 30,060	\$ 34,059

As of June 30, 2024, unrecognized stock-based compensation expense related to unvested equity-based awards is as follows (amounts in thousands):

	June 30, 2024	
	Unrecognized Stock-Based Compensation	Weighted-Average Period to Recognize Expense (in years)
RSUs	\$ 65,209	2.0
PSUs	18,373	2.0
ESPP	4,932	0.6
Total unrecognized stock-based compensation expense	\$ 88,514	

NOTE 11 – INCOME TAXES

For the three and six months ended June 30, 2024, the Company recorded an income tax expense of \$9.3 million and \$13.6 million on a pretax loss of \$21.4 million and \$30.5 million, respectively; which resulted in an effective tax rate of (43.4)% and (44.4)%, respectively. The income tax expense for the three and six months ended June 30, 2024 was primarily related to foreign withholding taxes, foreign income taxes, U.S. federal income taxes, and state income taxes.

For the three and six months ended June 30, 2023, the Company recorded an income tax expense of \$5.1 million and \$4.8 million on a pretax loss of \$34.3 million and \$67.5 million, respectively; which resulted in an effective tax rate of (14.9)% and (7.1)%, respectively. The income tax benefit for the three and six months ended June 30, 2023 was primarily related to foreign withholding taxes, foreign income taxes, U.S. federal income taxes, and state income taxes.

As of June 30, 2024, gross unrecognized tax benefits of \$16.2 million decreased by \$7.4 million compared to December 31, 2023. Of the total decrease, \$6.9 million related to the Divestiture completed in January 2024. Of the \$16.2 million gross unrecognized tax benefits, \$2.2 million would affect the effective tax rate, if recognized. The Company is unable to reasonably estimate the timing of the long-term payments or the amount by which the liability will increase or decrease.

It is the Company's policy to classify accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. Recognition of interest and penalties related to unrecognized tax benefits was immaterial for the three and six months ended June 30, 2024 and 2023. As of June 30, 2024 and December 31, 2023, accrued interest and penalties were \$0.1 million and \$0.4 million, respectively.

As of June 30, 2024, the Company's 2019 through 2024 tax years are generally open and subject to potential examination in one or more jurisdictions. In addition, in the United States, any net operating losses or credits that were generated in prior years but not yet fully utilized in a year that is closed under the statute of limitations may also be subject to examination.

NOTE 12 – LEASES

The Company leases office and research facilities, data centers and office equipment under operating leases with various expiration dates through 2030. Certain leases offer the option to renew for up to ten years and to terminate before the expiration date. Leases with an initial term of 12 months or less are not recorded on the balance sheets; expense for these leases is recognized on a straight-line basis over the lease term. Variable lease payments are expensed as incurred and are not included within the lease liability and right-of-use assets calculation.

The Company subleases certain real estate to third parties. The sublease portfolio consists of operating leases for previously exited office space. Certain subleases include variable payments for operating costs. The subleases are generally co-terminus with the head lease, or shorter. Subleases do not include any residual value guarantees or restrictions or covenants imposed by the leases. Income from subleases is recognized as a reduction to selling, general and administrative expenses.

Due to the change in how the office facilities were being used, a significant decrease in the expected market price of the operating lease right-of-use (“ROU”) assets, and expected delays in subleasing the office facilities based on the condition of the commercial real estate market, the Company recorded impairment charges of \$1.1 million in the six months ended June 30, 2023 to reduce the carrying amount of certain operating ROU assets and property and equipment, including related leasehold improvements. There were no impairment charges recorded in the three and six months ended June 30, 2024.

The components of operating lease costs were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Fixed lease cost ⁽¹⁾	\$ 4,250	\$ 5,325	\$ 8,536	\$ 10,483
Variable lease cost	896	1,457	1,949	2,944
Less: sublease income	(2,147)	(2,593)	(4,078)	(5,273)
Total operating lease cost	\$ 2,999	\$ 4,189	\$ 6,407	\$ 8,154

⁽¹⁾ Includes short-term leases expensed on a straight-line basis.

The following table presents supplemental cash flow information arising from lease transactions (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash payments included in the measurement of operating lease liabilities	\$ 4,428	\$ 5,000	\$ 8,924	\$ 10,208
Operating ROU assets obtained in exchange for lease obligations	\$ 2,024	\$ 4,013	\$ 2,024	\$ 4,013

The weighted-average remaining term of the Company’s operating leases and the weighted-average discount rate used to measure the present value of the operating lease liabilities are as follows:

	June 30, 2024	December 31, 2023
Weighted-average remaining lease term (in years)	3.05	3.37
Weighted-average discount rate	5.4%	5.3%

Future minimum lease payments and related lease liabilities as of June 30, 2024 were as follows (in thousands):

Year Ending December 31:	Operating Lease Payments ⁽¹⁾	Sublease Income	Net Operating Lease Payments
2024 (remaining 6 months)	\$ 7,840	\$ (3,024)	\$ 4,816
2025	16,744	(6,333)	10,411
2026	10,345	(1,563)	8,782
2027	4,410	(368)	4,042
2028	2,202	(379)	1,823
Thereafter	1,232	(291)	941
Total lease payments	42,773	\$ (11,958)	\$ 30,815
Less: imputed interest	(3,633)		
Present value of operating lease liabilities	\$ 39,140		
Less: operating lease liabilities, current portion		(14,739)	
Noncurrent operating lease liabilities	\$ 24,401		

⁽¹⁾ Future minimum lease payments exclude short-term leases as well as payments to landlords for variable common area maintenance, insurance, and real estate taxes.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Purchase and Other Contractual Obligations

In the ordinary course of business, the Company enters into contractual agreements with third parties that include non-cancelable payment obligations, for which it is liable in future periods. These arrangements primarily include unconditional purchase obligations to service providers. As of June 30, 2024, the Company's total future unconditional purchase obligations were approximately \$134.9 million.

Indemnifications

In the normal course of business, the Company provides indemnifications of varying scopes and amounts to certain of its licensees, customers, and business partners against claims made by third parties arising from the use of the Company's products, intellectual property, services or technologies. The Company cannot reasonably estimate the possible range of losses that may be incurred pursuant to its indemnification obligations, if any. Variables affecting any such assessment include, but are not limited to: the scope of the contractual indemnification obligation; the nature of the third party claim asserted; the relative merits of the third party claim; the financial ability of the third party claimant to engage in protracted litigation; the number of parties seeking indemnification; the nature and amount of damages claimed by the party suing the indemnified party; and the willingness of such party to engage in settlement negotiations. The Company has received requests for indemnification, but to date none has been material and no liability has been recorded in the Company's financial statements.

As permitted under Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company believes, given the absence of any such payments in the Company's history, and the estimated low probability of such payments in the future, that the estimated fair value of these indemnification agreements is not material. In addition, the Company has directors' and officers' liability insurance coverage that is intended to reduce its financial exposure and may enable the Company to recover any payments under the indemnification agreements from its insurers, should they occur.

Contingencies

The Company and its subsidiaries have been involved in litigation matters and claims in the normal course of business. In the past, the Company or its subsidiaries have litigated to enforce their respective patents and other intellectual property rights, to enforce the terms of license agreements, to determine infringement or validity of intellectual property rights, and to defend themselves or their customers against claims of infringement or breach of contract. The Company expects it or its subsidiaries will be involved in similar legal proceedings in the future, including proceedings to ensure proper and full payment of royalties by licensees under the terms of their license agreements.

An adverse decision in any legal actions could result in a loss of the Company's proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses from others, limit the value of the Company's licensed technology or otherwise negatively impact the Company's stock price or its business and consolidated financial results. Although considerable uncertainty exists, the Company does not anticipate that the disposition of any of these matters will have a material effect on its business or consolidated financial statements.

NOTE 14 – SUBSEQUENT EVENTS

In February 2024, the Company began to explore strategic alternatives, including, but not limited to, the sale of substantially all the assets of the Perceive subsidiary (the "Perceive Assets"), which had a total carrying value of approximately \$7.5 million as of June 30, 2024. The Company concluded that the criteria for presentation of the Perceive Assets as held-for-sale included in ASC 360—*Property, Plant and Equipment* were met after the balance sheet date of June 30, 2024 but prior to the issuance of these financial statements. Accordingly, the Company plans to reclassify the related Perceive Assets as held-for-sale during the third quarter of 2024. The potential disposition of the Perceive Assets is not considered a strategic shift that will have a major effect on the Company's consolidated results of operations, and therefore is not considered to be discontinued operations.

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

The following discussion and analysis is intended to promote understanding of our results of operations and financial condition and should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto, and with our audited financial statements and notes thereto for the fiscal year ended December 31, 2023 found in our Form 10-K filed by Xperi Inc. on March 1, 2024 (our “Form 10-K”).

Business Overview

We are a leading consumer and entertainment technology company. We believe we create extraordinary experiences at home and on the go for millions of consumers around the world, enabling audiences to connect with content in a way that is more intelligent, immersive, and personal. Powering smart devices, connected cars, entertainment experiences and more, we bring together ecosystems designed to reach highly-engaged consumers, allowing us and our ecosystem partners to uncover significant new business opportunities, now and in the future. Our technologies are integrated into consumer devices and a variety of media platforms worldwide, driving increased value for our partners, customers, and consumers. We operate in one reportable business segment and group our business into four categories: Pay-TV, Consumer Electronics, Connected Car and Media Platform. Headquartered in Silicon Valley with operations around the world, we have approximately 1,800 employees and more than 35 years of operating experience.

Divestiture

In December 2023, we entered into a definitive agreement with Tobii AB, an eye tracking and attention computing company, pursuant to which we agreed to sell our AutoSense in-cabin safety business and related imaging solutions (the “Divestiture”). The Divestiture was completed in January 2024, which has streamlined our business and further enhanced our focus on entertainment markets.

Results of Operations

The following table presents our historical operating results for the periods indicated as a percentage of revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	100 %	100 %	100 %	100 %
Operating expenses:				
Cost of revenue, excluding depreciation and amortization of intangible assets	24	25	25	23
Research and development	38	44	40	43
Selling, general and administrative	44	44	46	45
Depreciation expense	3	3	3	3
Amortization expense	9	12	9	12
Impairment of long-lived assets	—	—	—	1
Total operating expenses	118	128	123	127
Operating loss	(18)	(28)	(23)	(27)
Interest and other income, net	1	1	1	1
Interest expense - debt	(1)	—	(1)	(1)
Gain on divestiture	—	—	10	—
Loss before taxes	(18)	(27)	(13)	(27)
Provision for income taxes	8	4	6	2
Net loss	(26)%	(31)%	(19)%	(29)%

Comparison of the Three and Six Months Ended June 30, 2024 and 2023

Revenue

We derive the majority of our revenue from licensing our technologies and solutions to customers. For our revenue recognition policy including descriptions of revenue-generating activities, refer to Note 2—*Revenue* of the Notes to the Condensed Consolidated Financial Statements (Unaudited).

	Three Months Ended June 30,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Revenue	\$ 119,591	\$ 126,872	\$ (7,281)	(6)%

Revenue decreased by \$7.3 million, or 6%, for the three months ended June 30, 2024 compared to the same period in the prior year. The decrease was primarily attributable to a decline of \$14.6 million in Consumer Electronics revenue as a result of a decline in minimum guarantee (“MG”) revenue driven by the timing and duration of MG contracts that were renewed as well as the Divestiture, and a decrease of \$3.4 million in Media Platform revenue driven principally by a decline in advertising revenue from a unique initial ad buy that occurred in 2023. These decreases were partially offset by an increase of \$8.0 million in Connected Car revenue due to an increase in MG revenue in audio solutions, which was partially offset by the Divestiture, and an increase of \$2.7 million in Pay-TV revenue, driven largely by continued increase in IPTV Solutions revenue and by higher core guide product revenue due to the timing and duration of MG contracts that were renewed, offset by declines in consumer hardware and subscription revenue in the second quarter of 2024.

	Six Months Ended June 30,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Revenue	\$ 238,435	\$ 253,711	\$ (15,276)	(6)%

Revenue decreased by \$15.3 million, or 6%, for the six months ended June 30, 2024 compared to the same period in the prior year. The decrease was primarily attributable to a decline of \$25.2 million in Consumer Electronics revenue due to the Divestiture as well as a decline in MG revenue contracts due to the timing and duration of MG contracts up for renewal and executed, and a decrease of \$1.1 million in Media Platform revenue driven principally by lower advertising revenue, which was partially offset by growth in our smart TV application software and middleware platform. These decreases were partially offset by an increase of \$11.8 million in Connected Car revenue as the result of MG revenue coupled with settlements executed which was partially offset by the Divestiture, during the first six months of 2024.

Operating Expenses

	Three Months Ended June 30,		\$ Change	% Change
	2024	2023		
	(dollars in thousands)			
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 28,953	\$ 30,856	\$ (1,903)	(6)%
Research and development	45,123	55,701	(10,578)	(19)%
Selling, general and administrative	53,102	56,497	(3,395)	(6)%
Depreciation expense	3,278	4,202	(924)	(22)%
Amortization expense	11,042	14,798	(3,756)	(25)%
Total operating expenses	<u>\$ 141,498</u>	<u>\$ 162,054</u>	<u>\$ (20,556)</u>	<u>(13)%</u>

	<u>Six Months Ended June 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2024</u>	<u>2023</u>		
	(dollars in thousands)			
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 58,709	\$ 58,648	\$ 61	0%
Research and development	95,562	110,557	(14,995)	(14)%
Selling, general and administrative	109,455	114,273	(4,818)	(4)%
Depreciation expense	6,862	8,295	(1,433)	(17)%
Amortization expense	22,081	29,625	(7,544)	(25)%
Impairment of long-lived assets	—	1,096	(1,096)	(100)%
Total operating expenses	<u>\$ 292,669</u>	<u>\$ 322,494</u>	<u>\$ (29,825)</u>	<u>(9)%</u>

Cost of Revenue, Excluding Depreciation and Amortization of Intangible Assets

Cost of revenue, excluding depreciation and amortization of intangible assets, consists primarily of employee-related costs, royalties paid to third parties, hardware product-related costs, maintenance costs and an allocation of facilities costs, as well as service center and other expenses related to providing our offerings and non-recurring engineering (“NRE”) services.

Cost of revenue, excluding depreciation and amortization of intangible assets, for the three months ended June 30, 2024 was \$29.0 million, as compared to \$30.9 million in the same period of the prior year, a decrease of \$1.9 million, or 6%. The decrease was primarily attributable to lower costs incurred in connection with advertising revenue in the second quarter of 2024.

Cost of revenue, excluding depreciation and amortization of intangible assets, for the six months ended June 30, 2024 was \$58.7 million, as compared to \$58.6 million in the same period of the prior year, an increase of \$0.1 million, or 0%. The increase was primarily attributable to higher delivery costs related to an increase in NRE revenue, mostly offset by lower costs incurred in connection with advertising revenue in the first six months of 2024.

Research and Development

Research and development expenses consist primarily of employee-related costs, stock-based compensation expense, engineering consulting expenses associated with new product and technology development, product commercialization, quality assurance and testing costs, as well as other costs related to patent applications and examinations, materials, supplies, and an allocation of facilities costs. Other than certain software development costs that are capitalized, all research and development costs are expensed as incurred.

Research and development expense for the three months ended June 30, 2024 was \$45.1 million, as compared to \$55.7 million in the same period of the prior year, a decrease of \$10.6 million, or 19%. The decrease was primarily driven by lower research and development spend in the AutoSense in-cabin safety business and related imaging solutions following the Divestiture, a reduction in expenses in the Perceive subsidiary, decreases in bonuses and contractor expenses, and an increase in capitalized costs for internal-use software in the second quarter of 2024.

Research and development expense for the six months ended June 30, 2024 was \$95.6 million, as compared to \$110.6 million in the same period of the prior year, a decrease of \$15.0 million, or 14%. The decrease was primarily driven by lower research and development spend in the AutoSense in-cabin safety business and related imaging solutions following the Divestiture, a reduction in expenses in the Perceive subsidiary, decreases in bonuses and contractor expenses, and an increase in capitalized costs for internal-use software in the first six months of 2024.

Selling, General and Administrative

Selling expenses consist primarily of compensation and related costs (including stock-based compensation expense) for sales and marketing personnel engaged in sales and licensee support, marketing programs, public relations, promotional materials, travel, and trade show expenses. General and administrative expenses consist primarily of compensation and related costs (including stock-based compensation expense) for management, information technology, finance and legal personnel, legal fees and related expenses, facilities costs, and professional services. Our general and administrative expenses, other than facilities-related expenses and fringe benefits, are not allocated to other expense line items.

Selling, general and administrative expenses for the three months ended June 30, 2024 were \$53.1 million, as compared to \$56.5 million in the same period of the prior year, a decrease of \$3.4 million, or 6%. The decrease was primarily attributable to

reduced employee headcount as well as decreases in stock-based compensation and bonus expenses, partially offset by an increase in certain one-time transaction costs in the second quarter of 2024.

Selling, general and administrative expenses for the six months ended June 30, 2024 were \$109.5 million, as compared to \$114.3 million in the same period of the prior year, a decrease of \$4.8 million, or 4%. The decrease was primarily attributable to reduced employee headcount as well as decreases in stock-based compensation and bonus expenses, partially offset by an increase in certain one-time transaction costs in the first six months of 2024.

Stock-based Compensation

The following table sets forth our stock-based compensation expense for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 858	\$ 927	\$ 1,602	\$ 1,719
Research and development	5,831	6,405	10,164	11,956
Selling, general and administrative	8,614	10,759	18,294	20,384
Total stock-based compensation expense	\$ 15,303	\$ 18,091	\$ 30,060	\$ 34,059

We recognized stock-based compensation expense from restricted stock units and purchases made under our employee stock purchase plan. Stock-based compensation expense decreased by \$2.8 million and \$4.0 million, or 15% and 12%, for the three and six months ended June 30, 2024 compared to the same periods of the prior year, respectively. The decreases were primarily driven by a lower PSU expense, and reduced employee headcount during the first six months of 2024.

Depreciation Expense

We recognized depreciation expense for certain equipment, capitalized internal-use software, leasehold improvements, and buildings and improvements. Depreciation expense for the three months ended June 30, 2024 was \$3.3 million, as compared to \$4.2 million in the same period of the prior year, a decrease of \$0.9 million, or 22%. The decrease was primarily due to certain fixed assets becoming fully depreciated over the past 12 months.

Depreciation expense for the six months ended June 30, 2024 was \$6.9 million, as compared to \$8.3 million in the same period of the prior year, a decrease of \$1.4 million, or 17%. The decrease was primarily due to certain fixed assets becoming fully depreciated over the past 12 months.

Amortization Expense

We recognized amortization expense for certain intangible assets we acquired in business combinations that are recognized separately from goodwill. Amortization expense for the three months ended June 30, 2024 was \$11.0 million, as compared to \$14.8 million in the same period of the prior year, a decrease of \$3.8 million, or 25%. The decrease was primarily due to certain intangible assets becoming fully amortized over the past 12 months.

Amortization expense for the six months ended June 30, 2024 was \$22.1 million, as compared to \$29.6 million in the same period of the prior year, a decrease of \$7.5 million, or 25%. The decrease was primarily due to certain intangible assets becoming fully amortized over the past 12 months.

As a result of intangible assets we acquired in previous mergers and acquisitions, we anticipate that amortization expenses will continue to be a significant expense over the next several years. See Note 7—*Intangible Assets, Net* of the Notes to Condensed Consolidated Financial Statements (Unaudited) for additional detail.

Impairment of Long-Lived Assets

As a result of optimizing our global real estate footprint and subleasing certain offices following the Spin-Off (as defined in Note 1—*Description Of Business And Summary Of Significant Accounting Policies*), we recorded non-cash impairment charges of \$1.1 million to reduce the carrying amount of certain operating lease ROU assets and property and equipment, including related leasehold improvements, during the six months ended June 30, 2023. We determined that we may not be able to fully

recover the carrying amount of the leased offices due to how the offices were being used, a significant decrease in the expected market price of the ROU assets, and expected delays in subleasing the office facilities based on the condition of the commercial real estate leasing market.

We did not record any asset impairment charge for the six months ended June 30, 2024.

Gain on Divestiture

As previously disclosed, we completed the Divestiture on January 31, 2024 and streamlined our business, further enhancing our focus on entertainment markets. Upon the completion of the Divestiture, we recognized a gain of \$22.9 million in the six months ended June 30, 2024. Refer to Note 6—*Divestiture* of the Notes to Condensed Consolidated Financial Statements (Unaudited) for additional information.

Provision for Income Taxes

For the three and six months ended June 30, 2024, we recorded an income tax expense of \$9.3 million and \$13.6 million on a pretax loss of \$21.4 million and \$30.5 million, respectively; which resulted in an effective tax rate of (43.4)% and (44.4)%, respectively. The income tax expense for the three and six months ended June 30, 2024 was primarily related to foreign withholding taxes, foreign income taxes, U.S. federal income taxes, and state income taxes.

For the three and six months ended June 30, 2023, we recorded an income tax expense of \$5.1 million and \$4.8 million on a pretax loss of \$34.3 million and \$67.5 million, respectively; which resulted in an effective tax rate of (14.9)% and (7.1)%, respectively. The income tax benefit three and six months ended June 30, 2023 was primarily related to foreign withholding taxes, foreign income taxes, U.S. federal income taxes, and state income taxes.

The need for a valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more-likely-than-not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction-by-jurisdiction basis. In making such assessment, significant weight is given to evidence that can be objectively verified. After considering both positive and negative evidence to assess the recoverability of our net deferred tax assets, we determined that it was unlikely that we would realize our federal, certain state and certain foreign deferred tax assets given the substantial amount of tax attributes that will remain unutilized to offset reversing deferred tax liabilities. We intend to continue maintaining a full valuation allowance on our federal deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. Release of the valuation allowance would result in the recognition of certain federal deferred tax assets and a decrease to income tax expense for the period the release is recorded. The exact timing and amount of the valuation allowance release depends on the level of profitability that we are able to achieve.

Liquidity and Capital Resources

The following table presents selected financial information related to our liquidity and significant sources and uses of cash and cash equivalents as of and for the periods presented:

	As of	
	June 30, 2024	December 31, 2023
	(dollars in thousands)	
Cash and cash equivalents	\$ 92,481	\$ 142,085 ⁽¹⁾
Current ratio ⁽²⁾	2.0	1.9

(1) Excludes \$12.3 million of cash and cash equivalents classified as held for sale at December 31, 2023.

(2) The current ratio is a liquidity ratio that measures our ability to pay short-term obligations or those due within one year. The ratio is calculated by dividing current assets by current liabilities.

	Six Months Ended June 30,	
	2024	2023
	(in thousands)	
Net cash used in operating activities	\$ (51,921)	\$ (44,629)
Net cash used in investing activities	\$ (8,443)	\$ (6,199)
Net cash (used in) provided by financing activities	\$ (1,601)	\$ 2,723

Our primary liquidity and capital resources are our cash and cash equivalents on hand. Cash and cash equivalents were \$92.5 million at June 30, 2024, a decrease of \$61.9 million from \$154.4 million, including \$12.3 million classified as held for sale in connection with the Divestiture, as of December 31, 2023. This decrease resulted primarily from cash used in operations of \$51.9 million, \$5.9 million in payments of withholding taxes on net share settlement of equity awards and \$8.1 million of capital expenditures and capitalized internal-use software costs, offset by \$4.3 million in proceeds from the issuance of common stock under our employee stock purchase plan (“ESPP”).

For information about our material cash requirements, see “Liquidity and Capital Resources” in Part II, Item 7 of our Form 10-K. Our cash requirements have not changed materially since December 31, 2023.

Stock Repurchase Program

In April 2024, our Board of Directors (the “Board”) authorized the repurchase of up to \$100.0 million of our common stock (the “Program”). Under the Program, we may make repurchases, from time to time, through open market purchases, block trades, privately negotiated transactions, accelerated share repurchase transactions, or other means. We may also, from time to time, enter into Rule 10b5-1 plans to facilitate repurchases under the Program. Since the inception of the Program, we have not repurchased any shares of our common stock. The volume, timing, and manner of any repurchases will be determined at our discretion, subject to general market conditions, as well as our management of capital, general business conditions, other investment opportunities, regulatory requirements, and other factors. We currently expect to fund the repurchase program from cash and cash equivalents and/or future cash flows. The repurchase program does not obligate us to repurchase any specific number of shares of common stock, has no time limit, and may be modified, suspended, or discontinued at any time without notice at the discretion of the Board. Any repurchases under the Program may not enhance the value of our common stock.

Cash Flows from Operating Activities

Net cash used in operating activities was \$51.9 million for the six months ended June 30, 2024, primarily due to our net loss of \$44.0 million being further adjusted by \$42.2 million of changes in operating assets and liabilities, including payment of employee annual bonuses for 2023 performance, and \$22.9 million of a non-cash gain recognized from the Divestiture, partially offset by non-cash items such as stock-based compensation expense of \$30.1 million, amortization of intangible assets of \$22.1 million, and depreciation expense of \$6.9 million.

Net cash used in operating activities was \$44.6 million for the six months ended June 30, 2023, primarily due to our net loss of \$72.3 million being further adjusted by \$44.6 million of changes in operating assets and liabilities, partially offset by non-cash items such as depreciation expense of \$8.3 million, amortization of intangible assets of \$29.6 million, stock-based compensation expense of \$34.1 million, an asset impairment charge of \$1.1 million, and change in deferred income taxes of \$0.7 million.

Cash Flows from Investing Activities

Net cash used in investing activities was \$8.4 million and \$6.2 million for six months ended June 30, 2024 and 2023, respectively, which was primarily related to capital expenditures and capitalized internal-use software.

Capital Expenditures

Our capital expenditures for property and equipment consist primarily of purchases of computer hardware and software, capitalized internal-use software, information systems, and production and test equipment. We expect capital expenditures in 2024 to be approximately \$20.0 million. These expenditures are expected to be paid with existing cash and cash equivalents. There can be no assurance that current expectations will be realized, and plans are subject to change upon further review of our capital expenditure needs.

Cash Flows from Financing Activities

Net cash used in financing activities was \$1.6 million for the six months ended June 30, 2024, due to \$5.9 million in payment of withholding taxes related to net share settlement of equity awards, partially offset by \$4.3 million in proceeds from the issuance of common stock under our ESPP.

Net cash provided by financing activities was \$2.7 million for the six months ended June 30, 2023, primarily due to \$5.9 million in proceeds from the issuance of common stock under our ESPP, partially offset by the payment of \$3.2 million in withholding taxes related to net share settlement of equity awards.

Long-Term Debt

In connection with the acquisition of Vewd Software Holdings Limited (“Vewd”) on July 1, 2022, we issued a senior unsecured promissory note (the “Promissory Note”) to the sellers of Vewd in the principal amount of \$50.0 million, of which \$50.0 million was outstanding at June 30, 2024. Indebtedness outstanding under the Promissory Note bears an interest rate of 6.00% per annum, subject to potential adjustments as described in Note 8—*Debt* to the Condensed Consolidated Financial Statements included in this Quarterly Report. The Promissory Note matures on July 1, 2025. We may, at any time and on any one or more occasions, prepay all or any portion of the outstanding principal amount, plus accrued and unpaid interest, if any, under the Promissory Note without premium or penalty. In addition, the Promissory Note has mandatory prepayment provisions upon certain change of control or asset sale events.

Short-Term Liquidity/Financings

We believe our current cash and cash equivalents will be sufficient to meet our needs for at least the next 12 months from the issuance date of these financial statements. As the Promissory Note (see “Long-Term Debt”) matures on July 1, 2025, we may access the capital markets for additional funding. As we assess growth strategies, we may need to supplement our cash and cash equivalents with outside sources. As part of our liquidity strategy, we will continue to monitor our current level of earnings and cash flow as well as our ability to access the capital markets in light of those levels.

Poor financial results, unanticipated expenses, unanticipated acquisitions of technologies or businesses or unanticipated strategic investments could give rise to additional financing requirements sooner than we expect. Equity or debt financing may not be available when needed or, if available, equity financing may not be on terms satisfactory to us.

We may supplement our short-term liquidity needs with access to capital markets, if necessary, and strategic cost savings initiatives. Our access to capital markets may be constrained and our cost of borrowing may increase under certain business and market conditions, and our liquidity is subject to various risks including the risks identified in “Risk Factors” included in Item 1A of our Form 10-K.

Critical Accounting Estimates

During the six months ended June 30, 2024, there were no significant changes in our critical accounting estimates. For a discussion of our critical accounting estimates, see Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K.

Recent Accounting Pronouncements

See Note 1—*Description of Business and Summary of Significant Accounting Policies* of the Notes to Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report for more information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our market risk, see Part II, Item 7A—Quantitative and Qualitative Disclosures About Market Risk in our Form 10-K.

Item 4. Controls and Procedures

Evaluation of Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of 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. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Change in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, during the last fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of our business, we are involved in legal proceedings. In the past, we have litigated to enforce the terms of license agreements, determine infringement or validity of intellectual property rights, and defend ourselves or our customers against claims of infringement or breach of contract. We expect to continue to be involved in similar legal proceedings in the future. Although considerable uncertainty exists, our management does not anticipate that the disposition of these matters will have a material effect on our results of operations, consolidated financial position or liquidity. However, the disposition, costs, or liabilities could be material to our results of operations in the period recognized.

Item 1A. Risk Factors

Except as set forth below, there were no material changes to the risk factors previously disclosed in Part 1, Item 1A. of our Form 10-K, which is incorporated by reference herein.

Our stock repurchase program may not be fully consummated, may not enhance long-term stockholder value, may increase the volatility of our stock prices and, as we implement it, will diminish our cash reserves.

Pursuant to the Program adopted in April 2024, we may repurchase of up to \$100.0 million of our common stock, from time to time, through open market purchases, block trades, in privately negotiated transactions, accelerated share repurchase transactions, or by other means. Since the inception of the Program, we have not repurchased any shares of our common stock. The volume, timing, and manner of any repurchases will be determined at our discretion, subject to general market conditions, as well as our management of capital, general business conditions, other investment opportunities, regulatory requirements, and other factors. The Program does not have an expiration date and does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares, or to do so in any particular manner. Further, repurchases under the Program could affect our share trading prices or increase their volatility, and any repurchases will reduce our cash reserves. We are under no legal obligation to repurchase any shares, and if we do not do so or if we commence repurchases and then suspend or terminate them, the trading prices of our stock may decrease and their volatility increase. We did not at June 30, 2024, and we may not in the future, have cash and cash equivalents sufficient to fund all potential repurchases under the Program. Even if we complete the Program, we may not be successful in our goal of enhancing stockholder value. As we use our cash resources in the Program, we have less cash to fund our operations and pursue other opportunities that may provide value to stockholders.

We face risks associated with financial instruments we hold.

We hold financial instruments that potentially subject us to significant concentrations of credit risk, which instruments consist principally of cash and cash equivalents, accounts receivable, unbilled contracts receivable, a note receivable and deferred consideration from the Divestiture. We maintain cash and cash equivalents with large financial institutions, and at times, the deposits have exceeded and may exceed the federally insured limits. Our evaluation process as to accounts receivable and unbilled contracts receivable may fail to detect or prevent credit risks. In addition, in connection with the Divestiture, we hold a \$27.7 million note receivable from Tobii, who also owes us \$15.0 million in deferred consideration and may become obligated to make earnout payments to us contingent upon the future success of the divested AutoSense in-cabin safety business. The note is payable in three annual installments commencing on April 1, 2027, and matures on April 1, 2029. Payments of the deferred consideration are due in four annual installments commencing in February 2028, and any contingent consideration would be payable in 2031. Accordingly, although we carry the note receivable and the deferred consideration on our balance sheet, we are not entitled to receive any payment associated with these assets in the near term and we face credit risk until the obligations are fully paid. Our receipt of payments for the note receivable, deferred consideration, and any earned contingent consideration will depend on Tobii's then-available liquidity and capital resources. If we determine it is appropriate to impair any of the financial instruments we hold, our financial position and results of operations would be adversely affected.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Amended and Restated Bylaws

On August 6, 2024, the Board approved and adopted an amendment and restatement of our bylaws (the “Amended and Restated Bylaws”). Among other things, the amendments contained in the Amended and Restated Bylaws:

- address the universal proxy rules adopted by the U.S. Securities and Exchange Commission by clarifying that no person may solicit proxies in support of a director nominee other than the Board’s nominees unless such person has, or is part of a group that has, complied with Rule 14a-19 under the Exchange Act;
- update advance notice disclosure requirements in connection with stockholder nominations of directors and submissions of proposals regarding other business at stockholder meetings (other than proposals to be included in our proxy materials pursuant to Rule 14a-8 under the Exchange Act), to:
 - remove the requirement for the notice from stockholders to disclose information about certain performance-related fees; and
 - require the notice from stockholders to include certain information from the stockholder providing notice, beneficial owners on whose behalf notice is made and other participants in the solicitation, and remove the requirement for the notice to include information from persons that are “affiliates” and “associates” of the proposing stockholder;
- require that a stockholder directly or indirectly soliciting proxies from other stockholders use a proxy card color other than white;
- update the provision regarding notice of an adjournment of any meeting of stockholders;
- update the provisions regarding availability of the list of stockholders entitled to vote at a stockholders meeting to align with recent changes to the Delaware General Corporation Law;
- update the provision specifying who can call a special meeting of the Board;
- remove the provision regarding approval of loans to officers; and
- incorporate certain technical, modernizing, clarifying and conforming changes.

The Amended and Restated Bylaws are filed herewith as Exhibit 3.3. The foregoing description of the changes contained in the Amended and Restated Bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, which is incorporated herein by reference.

Severance Agreements and Change in Control Severance Agreements

On August 6, 2024, the Compensation Committee (the “Committee”) of the Board approved, and we have entered into severance agreements (the “Severance Agreements”) and change in control severance agreements (the “Change in Control Severance Agreements,” and together with the Severance Agreements, the “New Agreement”) with certain executive officers, including Robert Andersen and Geir Skaaden. The New Agreements renewed the terms of and replaced the previous respective severance agreements and change in control severance agreements with Messrs. Andersen and Skaaden, which expire on September 29, 2024 (together the “Previous Agreements”). The New Agreements are consistent with the terms of the Previous Agreements and will become effective on September 30, 2024.

Item 6. Exhibits

Exhibit Number	Exhibit Title
3.1	<u>Amended and Restated Certificate of Incorporation of Xperi Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 6, 2022).</u>
3.2	<u>Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Xperi Inc., dated May 29, 2024 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 31, 2024).</u>
3.3	<u>Amended and Restated Bylaws of Xperi Inc. (as amended and restated on August 6, 2024).</u>
31.1	<u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
32.1	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbases Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

AMENDED AND RESTATED

BYLAWS

OF

XPERI INC.

(as amended and restated on August 6, 2024)

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ARTICLE I.

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of Xperi Inc. (the “*corporation*”) shall be 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware, 19801. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

1.2 OTHER OFFICES

The board of directors of the corporation (the “*board of directors*”) may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, or by means of remote communication, as designated by the board of directors. In the absence of any such designation, stockholders’ meetings shall be held at the principal executive office of the corporation.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. Any previously scheduled annual meeting of the stockholders may be postponed, rescheduled or canceled by the board of directors. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the board of directors, or by a majority of the members of the board of directors, or by a committee of the board of directors which has been duly designated by the board of directors and whose powers and authority, as provided in a resolution of the board of directors or in these bylaws, include the power to call such meetings, but such special meetings may not be called by any other person or persons. Any previously scheduled special meeting of the stockholders may be postponed, rescheduled or canceled by the board of directors. Business transacted at special meetings shall be confined to the purpose or purposes stated in the notice of the meeting.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting (unless a different time is specified by law) to each stockholder entitled to vote at such meeting. The notice shall specify the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at such meeting, if such date is different from the record date for determining stockholders entitled to notice of such meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

Notices of meetings to stockholders may be given by mailing the same, addressed to the stockholder entitled thereto, at such stockholder's mailing address as it appears on the records of the corporation and such notice shall be deemed to be given when deposited in the U.S. mail, postage prepaid. Without limiting the manner by which notices of meetings otherwise may be given effectively to stockholders, any such notice may be given by electronic transmission in the manner provided in Section 232 of the General Corporation Law of the State of Delaware.

2.5 ADVANCE NOTICE OF STOCKHOLDER NOMINEES

(a) Proper Nominations; Who May Make Nominations. Only persons who are nominated in accordance with the procedures set forth in this Section 2.5 shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at an annual meeting of stockholders or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the board of directors or other person calling such special meeting in accordance with Section 2.3 hereof) (i) by or at the direction of the board of directors, including by any committee or persons appointed by the board of directors, or (ii) by any stockholder of the corporation who (A) was a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such nomination is proposed to be made, only if such beneficial owner was the beneficial owner of shares of the corporation) both at the time of giving the notice provided for in this Section 2.5 and at the time of the meeting, (B) is entitled to vote at the meeting and (C) has complied with this Section 2.5 as to such nomination. The foregoing clause (ii) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the board of directors at an annual meeting or a special meeting.

(b) Requirement of Timely Notice of Nominations. Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing and in proper form to the secretary of the corporation.

(i) Timely Notice of Nominations for Annual Meeting. To be timely, a stockholder's notice of nominations to be made at an annual meeting must be delivered to, or mailed and received at, the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after

such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the 90th day prior to such annual meeting or, if later, the tenth day following the day on which public disclosure of the date of such annual meeting was first made. Any such notice that is delivered to, or mailed and received at, the principal executive offices of the corporation within any of the time periods set forth in the immediately preceding sentence shall be deemed an “**Annual Meeting Timely Notice**.” In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of Annual Meeting Timely Notice as described above.

(ii) Timely Notice of Nominations for Special Meeting. To be timely, a stockholder’s notice of nominations to be made at a special meeting at which the election of directors is a matter specified in the notice of meeting must be delivered to, or mailed and received at, the principal executive offices of the corporation not earlier than the 120th day prior to such special meeting and not later than the 90th day prior to such special meeting or, if later, the 10th day following the day on which public disclosure (as defined in this Section 2.5) of the date of such special meeting was first made (such notice within such time periods, “**Special Meeting Timely Notice**”). In no event shall any adjournment of a special meeting or the announcement thereof commence a new time period for the giving of Special Meeting Timely Notice as described above.

(c) Definition of Public Disclosure. For purposes of these bylaws, “**public disclosure**” shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the “**Exchange Act**”).

(d) Requirements for Proper Form of Stockholder Notice of Nominations. To be in proper form for purposes of this Section 2.5, a stockholder’s notice to the secretary shall set forth:

(i) Stockholder Information. As to each Nominating Person (as defined below), (A) the name and address of such Nominating Person (including, if applicable, the name and address that appear on the corporation’s books and records); and (B) the class or series and number of shares of the corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by each Nominating Person as of the date of the stockholder’s notice, except that a Nominating Person shall in all events be deemed to beneficially own any shares of any class or series of the corporation as to which such Nominating Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as “**Stockholder Information**”);

(ii) Information About Disclosable Interests. As to each Nominating Person, (A) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Nominating Person, the purpose or effect of which is to give such Nominating Person economic risk similar to ownership of shares of any class or series of the corporation, including due to the fact that the value of such derivative, swap or other

transactions are determined by reference to the price, value or volatility of any shares of any class or series of the corporation, or which derivative, swap or other transactions provide, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the corporation (“**Synthetic Equity Interests**”), which Synthetic Equity Interests shall be disclosed without regard to whether (x) the derivative, swap or other transactions convey any voting rights in such shares to such Nominating Person, (y) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares or (z) such Nominating Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions, (B) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Nominating Person has or shares a right to vote any shares of any class or series of the corporation, (C) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called “stock borrowing” agreement or arrangement, engaged in, directly or indirectly, by such Nominating Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Nominating Person with respect to the shares of any class or series of the corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation (“**Short Interests**”), (D) any rights to dividends on the shares of any class or series of the corporation owned beneficially by such Nominating Person that are separated or separable from the underlying shares of the corporation, (E) any other information relating to such Nominating Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Nominating Person in support of the election of directors at the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (E) are referred to as “**Disclosable Interests**”); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Nominating Person solely as a result of being the stockholder directed to prepare and submit the notice required by these bylaws on behalf of a beneficial owner;

(iii) Information About Nominees. As to each person whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such proposed nominee that would be required to be set forth in a stockholder’s notice pursuant to this Section 2.5(d) if such proposed nominee were a Nominating Person, (B) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships,

between or among any Nominating Person, on the one hand, and each proposed nominee and his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the “*registrant*” for purposes of such rule and the proposed nominee were a director or executive officer of such registrant; and

(iv) Intention on Proxy Delivery. A representation whether the Nominating Person intends or is part of a group that intends to deliver a proxy statement and solicit the holders of shares representing at least 67% of the voting power of shares entitled to vote on the election of directors in support of director nominees other than the corporation’s nominees in accordance with Rule 14a-19 promulgated under the Exchange Act.

(e) Definition of Nominating Person. For purposes of this Section 2.5, the term “*Nominating Person*” shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

(f) Other Information to be Furnished by Proposed Nominees. The corporation may require any proposed nominee to furnish such other information (A) as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director of the corporation in accordance with the corporation’s Corporate Governance Guidelines or (B) that could be material to a reasonable stockholder’s understanding of the independence or lack of independence of such proposed nominee.

(g) Updates and Supplements. A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.5 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to or mailed and received by the secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or (if practicable or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof).

(h) Defective Nominations. No person shall be eligible for election as a director of the corporation at an annual meeting or a special meeting unless nominated in accordance with this Section 2.5. The chair of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the bylaws, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(i) Compliance with Exchange Act. In addition to the requirements of this Section 2.5 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations. Without limiting the foregoing, no Nominating Person shall solicit proxies in support of director nominees other than the corporation's nominees unless such Nominating Person has, or is part of a group that has, complied with Rule 14a-19 promulgated under the Exchange Act. A Nominating Person's notice in accordance with Rule 14a-19(b) must be provided within the time period for Annual Meeting Timely Notice or Special Meeting Timely Notice, as applicable.

2.6 ADVANCE NOTICE OF STOCKHOLDER BUSINESS

(a) (i) Business Properly Brought Before a Meeting. At the annual meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (i) as specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors, or (iii) otherwise properly brought before the meeting by a stockholder who (A) was a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the corporation) both at the time of giving the notice provided for in this Section 2.6 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 2.6 as to such business. Except for proposals properly made in accordance with Rule 14a-8 under the Exchange Act and included in the notice of meeting given by or at the direction of the board of directors, the foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. Stockholders seeking to nominate persons for election to the board of directors at an annual meeting or a special meeting must comply with Section 2.5, and this Section 2.6 shall not be applicable to nominations.

(b) Requirement of Timely Notice of Stockholder Business. Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (i) provide Annual Meeting Timely Notice (as defined in Section 2.5 above) thereof in writing and in proper form to the secretary of the corporation. In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of Annual Meeting Timely Notice.

(c) Requirements for Proper Form of Stockholder Notice of Proposed Business. To be in proper form for purposes of this Section 2.6, a stockholder's notice to the secretary shall set forth:

(i) Stockholder Information. As to each Proposing Person (as defined below), the Stockholder Information (as defined in Section 2.5(d)(i)), except that for the purposes of this Section 2.6 the term "**Proposing Person**" shall be substituted for the term "**Nominating Person**" in all places it appears in Section 2.5(d)(i));

(ii) Information About Disclosable Interests. As to each Proposing Person, any Disclosable Interests (as defined in Section 2.5(d)(ii)), except that for purposes of this Section 2.6 the term "**Proposing Person**" shall be substituted for the term "**Nominating**

Person” in all places as it appears in Section 2.5(d)(ii) and the disclosures shall be made with respect to the proposal of business to be brought before the meeting rather than to the nomination of directors to be elected at the meeting); and

(iii) Description of Proposed Business. As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a reasonably brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these bylaws, the language of the proposed amendment), and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other record or beneficial holder of the shares of any class or series of the corporation (including their names) in connection with the proposal of such business by such stockholder, including any anticipated benefit therefrom to such Proposing Person or their affiliates or associates.

(d) Definition of Proposing Person. For purposes of this Section 2.6, the term “**Proposing Person**” shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

(e) Updates and Supplements. A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.6 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or (if practicable or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(f) Business Not Properly Brought Before a Meeting. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with this Section 2.6. The chair of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2.6, and if he or she should so determine, he or she so shall so declare at the meeting that any business not properly brought before the meeting shall not be transacted.

(g) Rule 14a-8; Exchange Act Compliance. This Section 2.6 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made pursuant to Rule 14a-8 under the Exchange Act. In addition to the requirements of this Section 2.6 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 2.6 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.7 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. Without limiting the manner by which notices of meetings otherwise may be given effectively to stockholders, any such notice may be given by electronic transmission in the manner provided in Section 232 of the General Corporation Law of the State of Delaware.

2.8 QUORUM

The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person, or by remote communication, if applicable, or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the person presiding at the meeting or (ii) a majority in voting power of the stockholders entitled to vote thereat, present in person, or by remote communication, if applicable, or represented by proxy, shall have power to adjourn the meeting from time to time in the manner provided in Section 2.9 of these bylaws until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.9 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken or are provided in any other manner permitted by the General Corporation Law of the State of Delaware. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the board of directors shall fix as the record date for

determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such meeting as of the record date so fixed for notice of such adjourned meeting.

2.10 CONDUCT OF BUSINESS

Unless the board of directors shall otherwise determine, meetings of stockholders shall be presided over by the chief executive officer, to the extent he or she is a member of the board of directors, or in his or her absence or at his or her direction by the chair of the board, if any, or in the absence or at the direction of either of the foregoing persons by a chairperson, who shall be a director or officer of the corporation, designated by the board of directors. The secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting. The board of directors of the corporation may adopt by resolution such rules and regulations for the conduct of any meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with any rules and regulations adopted by the board of directors, the chair of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

2.11 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.14 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of the State of Delaware (relating to voting rights of fiduciaries, pledgers and joint owners of stock and to voting trusts and other voting agreements).

Unless otherwise required by law or provided in the certificate of incorporation, each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock held by such stockholder.

2.12 WAIVER OF NOTICE

Notice of any meeting need not be given to any stockholder who shall, either before or after the meeting, submit a waiver of notice or who shall attend such meeting, except when the stockholder attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder waiving notice of a meeting shall be bound by the proceedings of the meeting in all respects as if due notice thereof had been given.

2.13 NO STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action that may be taken at any annual or special meeting of such stockholders, must be taken at an annual or special meeting of stockholders of the corporation, with prior notice and with a vote, and may not be taken by a consent in writing.

2.14 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If the board of directors so fixes a record date to determine the stockholders entitled to notice of any meeting of stockholders, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination.

If the board of directors does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting as provided in Section 2.9 hereof.

2.15 PROXIES

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy as permitted by law, as amended, filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A copy, facsimile transmission, or other reliable reproduction of the proxy authorized by this Section 2.15 may be substituted for or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used, provided that such copy, facsimile transmission, or other reproduction shall be a complete reproduction of the entire original writing or electronic transmission. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the board of directors.

ARTICLE III.

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of the State of Delaware and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of not less than five (5) and not more than nine (9) directors as fixed from time to time by resolution of the board of directors. Each director shall hold office until a successor is duly elected and qualified or until the director's earlier death, resignation, disqualification, or removal.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Directors shall be elected at each annual meeting of the stockholders or special meeting in lieu thereof, and each director, including a director elected to fill a vacancy or newly created directorship, shall serve until his or her successor is duly elected and qualified or until his or her death, resignation or removal.

Each director to be elected by the stockholders shall be elected by the affirmative vote of a majority of the votes cast with respect to such director by the shares represented and entitled to vote therefor at a meeting of the stockholders for the election of directors at which a quorum is present (an "*Election Meeting*"); provided, however, that if the board of directors determines that the number of nominees exceeds the number of directors to be elected at such meeting (a "*Contested Election*"), whether or not the election becomes an uncontested election after such determination, each of the directors to be elected at the Election Meeting shall be elected by the affirmative vote of a plurality of the votes cast by the shares represented and entitled to vote at such meeting with respect to the election of such director.

For purposes of this Section 3.3, a "majority of the votes cast" means that the number of votes cast "for" a candidate for director exceeds the number of votes cast "against" that director (with "abstentions" and "broker non-votes" not counted as votes cast as either "for" or "against" such director's election). In an election other than a Contested Election, stockholders will be given the choice to cast votes "for" or "against" the election of directors or to "abstain" from such vote and shall not have the ability to cast any other vote with respect to such election of directors. In a Contested Election, stockholders will be given the choice to cast "for" or "withhold" votes for the election of directors and shall not have the ability to cast any other vote with respect to such election of directors. In the event an Election Meeting involves the election of directors by separate

votes by class or classes or series, the determination as to whether an election constitutes a Contested Election shall be made on a class by class or series by series basis, as applicable. The board of directors has established procedures under which any director who is not elected shall offer to tender his or her resignation to the board of directors.

Newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, or removal from office may be filled only by a majority vote of the directors then in office even though less than a quorum, or by a sole remaining director, and not by the stockholders. In the event of a vacancy in the board of directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full board of directors until the vacancy is filled.

Elections of directors need not be by written ballot. There shall be no right with respect to shares of stock of the corporation to cumulate votes in the election of directors.

3.4 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.5 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.6 SPECIAL MEETINGS; NOTICE

Special meetings of the board for any purpose or purposes may be called at any time by the chair of the board, the president, the secretary or a majority of the total number of directors constituting the board of directors.

Notice of the time and place of special meetings shall be given in person or by telephone, mail addressed to such director at such director's address as it appears on the records of the corporation, facsimile, email, or by other means of electronic transmission. Notice is to be provided at least twenty-four (24) hours before the time of the holding of the meeting, unless the notice is mailed. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.7 QUORUM

At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. At least twenty-four (24) hours' notice of any adjourned meeting of the board of directors shall be given to each director whether or not present at the time of the adjournment, unless the notice is mailed, in which case it shall be deposited in the United States mail at least four days before the time of the holding of the meeting.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.8 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of the State of Delaware or of the certificate of incorporation or these bylaws, a waiver thereof, in writing signed by, or by electronic transmission by, the person entitled to notice, whether before or after such notice is required, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.9 ORGANIZATION

At each regular or special meeting of the board of directors, the chair of the board or, in his or her absence, the lead independent director or, in his or her absence, another director or officer selected by the board of directors shall preside. The secretary shall act as secretary at each meeting of the board of directors. If the secretary is absent from any meeting of the board of directors, an assistant secretary of the corporation shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the secretary and all assistant secretaries of the corporation, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

3.10 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission.

3.11 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

3.12 REMOVAL AND RESIGNATION OF DIRECTORS

Any director may resign at any time by notice given in writing or by electronic transmission to the corporation. Any resignation shall take effect at the time specified in that notice or upon the happening of an event specified therein, and if no time or event is specified, at the time of its receipt; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. When one or more directors so resigns and the resignation is effective at a future date or upon the happening of an event to occur on a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in Section 3.3.

3.13 CHAIR OF THE BOARD

The chair of the board, if appointed, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him or her by the board of directors or as may be prescribed by these bylaws. The chair of the board shall be a member of the board of directors.

ARTICLE IV.

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board or as specified in these bylaws, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. If a member of a committee shall be absent from any meeting, or disqualified from voting thereat, the remaining member or members present at the meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the General Corporation Law of the State of Delaware to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the corporation.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.4 (Place of Meetings; Meetings by Telephone), Section 3.5 (Regular Meetings), Section 3.6 (Special Meetings; Notice), Section 3.8 (Waiver of Notice) and Section 3.10 (Board Action by Written Consent Without a Meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may make, alter and repeal rules and procedures for the conduct of the business of any committee not inconsistent with the provisions of these bylaws.

4.4 QUORUM

At all committee meetings, unless otherwise provided by the certificate of incorporation, a majority of the directors then serving on such committee shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the committee, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws.

ARTICLE V.

OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a chief executive officer, a president, one or more vice presidents, a secretary and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a treasurer, one or more assistant vice presidents, assistant secretaries and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these bylaws, shall be chosen by the board of directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or empower the chief executive officer or president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect on the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

5.6 CHIEF EXECUTIVE OFFICER

The chief executive officer shall, subject to the provisions of these bylaws and the control of the board of directors, have general supervision, direction, and control over the business of the corporation and over its officers. The chief executive officer shall perform all duties incident to the office of the chief executive officer, and any other duties as may be from time to time assigned to the chief executive officer by the board of directors, in each case subject to the control of the board of directors.

5.7 PRESIDENT

The president shall report and be responsible to the chief executive officer. The president shall have such powers and perform such duties as from time to time may be assigned or delegated to the president by the board of directors or the chief executive officer or that are incident to the office of president.

5.8 VICE PRESIDENTS

Each vice president of the corporation shall have such powers and perform such duties as may be assigned to him or her from time to time by the board of directors, the chief executive officer, or the president, or that are incident to the office of vice president.

5.9 SECRETARY

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and stockholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required to be given by law or by these bylaws. He or she shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

5.10 CHIEF FINANCIAL OFFICER

The chief financial officer shall be the principal financial officer of the corporation and shall have such powers and perform such duties as may be assigned by the board of directors, the chair of the board, or the chief executive officer.

5.11 TREASURER

The treasurer of the corporation shall have the custody of the corporation's funds and securities, except as otherwise provided by the board of directors, and shall keep full and accurate accounts of receipts and disbursements in records belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. The treasurer shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer and the president and the directors, at the regular meetings of the board of directors, or whenever they may require it, an account of all his or her transactions as treasurer and of the financial condition of the corporation.

5.12 AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders.

ARTICLE VI.

INDEMNITY

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by applicable law as it presently exists or may hereafter be amended, indemnify and hold harmless each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, whether civil, criminal, administrative, or investigative, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation. Notwithstanding this Section 6.1, the corporation shall be required to indemnify a director or officer in connection with a proceeding (or part thereof) commenced by such person only if the commencement of such proceeding (or part thereof) by the person was authorized in the specific case by the board of directors.

6.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the extent and in the manner permitted by applicable law as it presently exists or may hereafter be amended, to indemnify and hold harmless each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 PAYMENT OF EXPENSES IN ADVANCE

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the board of directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 INDEMNITY NOT EXCLUSIVE

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights which those seeking indemnification may be entitled under any bylaw, agreement, vote of

stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that additional rights to indemnification are authorized in the certificate of incorporation. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees, or agents respecting indemnification and advances, to the fullest extent not prohibited by applicable law as it presently exists or may hereafter be amended.

6.5 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of the State of Delaware.

6.6 CONFLICTS

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

- (a) that it would be inconsistent with a provision of the certificate of incorporation, these bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or
- (b) that it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII.

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

Any records administered by or on behalf of the corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be maintained on any information storage device, method, or one or more electronic networks or databases (including one or more distributed electronic networks or databases); provided that the records so kept can be converted into clearly legible paper form within a reasonable time, and, with respect to the stock ledger, the records so kept comply with Section 224 of the General Corporation Law of the State of Delaware. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to applicable law.

The officer who has charge of the stock ledger of a corporation shall prepare and make, no later than the tenth (10th) day before each meeting of stockholders, a complete list of the stockholders

entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder; provided, that the corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of ten (10) days ending on the day before the meeting date: (a) on a reasonably accessible electronic network; provided that the information required to gain access to such list was provided with the notice of the meeting; or (b) during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. Except as provided by applicable law, the stock ledger of the corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger and the list of stockholders or to vote in person or by proxy at any meeting of stockholders.

ARTICLE VIII.

GENERAL MATTERS

8.1 CHECKS

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES

The shares of a corporation shall be represented by certificates; provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the corporation by the chair or vice chair of the board of directors, or the president or vice president, and by the secretary or an assistant secretary, or the treasurer, if there be one, of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the

certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of the State of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law of the State of Delaware shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 DIVIDENDS

The directors of the corporation, subject to any restrictions contained in the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock pursuant to the General Corporation Law of the State of Delaware. Dividends may be paid in cash, in property or in shares of the corporation's capital stock. The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to

equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

8.9 SEAL

The seal of the corporation, if any, shall be such as from time to time may be approved by the board of directors. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise, as may be prescribed by law or custom or by the board of directors.

8.10 TRANSFER OF STOCK

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of the State of Delaware.

8.12 REGISTERED STOCKHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE IX.

AMENDMENTS

9.1 AMENDMENTS

The original or other bylaws of the corporation may be adopted, amended or repealed by the holders of not less than a majority of the shares then entitled to vote at an election of directors; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors; and provided further, that any proposal by a

stockholder to amend these bylaws will be subject to the provisions of ARTICLE II of these bylaws except as otherwise required by law. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power, to adopt, amend or repeal bylaws.

* * *

**Certification of the Chief Executive Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Jon Kirchner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Xperi Inc.;
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;
 - 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;
 - 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: August 8, 2024

/s/ Jon Kirchner

Jon Kirchner

Chief Executive Officer and President

**Certification of the Chief Financial Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Robert Andersen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Xperi Inc.;
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;
 - 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;
 - 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: August 8, 2024

/s/ Robert Andersen

Robert Andersen

Chief Financial Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Xperi Inc., a Delaware corporation (the “Company”), on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission (the “Report”), I, Jon Kirchner, Chief Executive Officer and President, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jon Kirchner

Jon Kirchner
Chief Executive Officer and President
August 8, 2024

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Xperi Inc., a Delaware corporation (the “Company”), on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission (the “Report”), I, Robert Andersen, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Andersen

Robert Andersen
Chief Financial Officer
August 8, 2024

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.
