
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 2, 2021

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 000-18032



LATTICE SEMICONDUCTOR CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware
(State or other jurisdiction of incorporation or organization)

93-0835214
(I.R.S. Employer Identification No.)

5555 NE Moore Court, Hillsboro, OR
(Address of principal executive offices)

97124
(Zip Code)

(503) 268-8000

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value	LSCC	Nasdaq Global Select Market

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. (Check one):

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding as of October 28, 2021

136,939,698

LATTICE SEMICONDUCTOR CORPORATION
QUARTERLY REPORT ON FORM 10-Q
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Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve estimates, assumptions, risks, and uncertainties. Any statements about our expectations, beliefs, plans, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. We use words or phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “plan,” “possible,” “predict,” “projects,” “may,” “will,” “should,” “continue,” “ongoing,” “future,” “potential,” and similar words or phrases to identify forward-looking statements.

Forward-looking statements include, but are not limited to, statements about: our target or expected financial performance and our ability to achieve those results; future financial results or accounting treatments; future impacts of the COVID-19 pandemic, including as a result of actions by governments, businesses, and individuals in response to the situation, on consumer, industrial, and financial markets, our business operations, supply chain and partners, financial performance, results of operations, financial position, and the achievement of our strategic objectives; our use of cash; our gross margin growth and our strategies to achieve gross margin growth and other financial results; our opportunities to increase our addressable market; our expectations and strategies regarding market trends and opportunities, including market segment drivers such as 5G infrastructure deployments, cloud and enterprise servers, client computing platforms, industrial Internet of Things, factory automation, automotive electronics, smart homes and prosumers; our judgments involved in accounting matters; actions we may take regarding the design and continued effectiveness of our internal control over financial reporting; our expectations regarding product offerings; our expectations regarding our customer base; our future investments in research and development and our research and development expense efficiency; the expected costs of our restructuring plans; our expectations regarding taxes, including unrecognized tax benefits, and tax adjustments and allowances; our beliefs regarding the adequacy of our liquidity, capital resources and facilities; whether we will pursue future stock repurchases and how any future repurchases will be funded; and our beliefs regarding legal proceedings.

These forward-looking statements are based on estimates and assumptions that are subject to risks and uncertainties that could cause actual results to differ materially from those statements expressed in the forward-looking statements. The key factors, among others, that could cause our actual results to differ materially from the forward-looking statements include the effects of the COVID-19 pandemic and the actions by governments, businesses, and individuals in response to the situation, the effects of which may give rise to or amplify the risks associated with many of these factors listed here; global economic conditions and uncertainty; and other factors more fully described herein or that are otherwise described from time to time in our filings with the Securities and Exchange Commission, including, but not limited to, the items discussed in Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the fiscal year ended January 2, 2021 and any additional or updated risk factors discussed in any subsequent Quarterly Report on Form 10-Q filed since that date.

You should not unduly rely on forward-looking statements because our actual results could differ materially from those expressed by us. In addition, any forward-looking statement applies only as of the date of this filing. We do not plan to, and undertake no obligation to, update any forward-looking statements to reflect new information or new events, circumstances or developments, or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LATTICE SEMICONDUCTOR CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<i>(In thousands, except per share data)</i>				
Revenue	\$ 131,911	\$ 103,042	\$ 373,532	\$ 300,947
Cost of revenue	49,086	40,736	142,937	120,502
Gross margin	82,825	62,306	230,595	180,445
Operating expenses:				
Research and development	28,769	22,439	80,289	66,590
Selling, general, and administrative	26,272	23,758	76,971	70,797
Amortization of acquired intangible assets	603	603	1,809	3,846
Restructuring charges	166	2,692	546	4,178
Total operating expenses	55,810	49,492	159,615	145,411
Income from operations	27,015	12,814	70,980	35,034
Interest expense	(661)	(792)	(2,081)	(2,914)
Other (expense) income, net	(87)	(70)	(384)	(83)
Income before income taxes	26,267	11,952	68,515	32,037
Income tax expense (benefit)	(472)	(655)	1,125	634
Net income	\$ 26,739	\$ 12,607	\$ 67,390	\$ 31,403
Net income per share:				
Basic	\$ 0.20	\$ 0.09	\$ 0.49	\$ 0.23
Diluted	\$ 0.19	\$ 0.09	\$ 0.47	\$ 0.22
Shares used in per share calculations:				
Basic	136,638	135,598	136,476	134,903
Diluted	141,632	141,524	142,163	140,763

See Accompanying Notes to Unaudited Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<i>(In thousands)</i>				
Net income	\$ 26,739	\$ 12,607	\$ 67,390	\$ 31,403
Other comprehensive income (loss):				
Translation adjustment, net of tax	(19)	859	(68)	899
Change in actuarial valuation of defined benefit pension	—	(507)	—	(507)
Comprehensive income	<u>\$ 26,720</u>	<u>\$ 12,959</u>	<u>\$ 67,322</u>	<u>\$ 31,795</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

<i>(In thousands, except share and par value data)</i>	October 2, 2021	January 2, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 181,452	\$ 182,332
Accounts receivable, net of allowance for credit losses	79,606	64,581
Inventories, net	66,105	64,599
Prepaid expenses and other current assets	24,596	22,331
Total current assets	351,759	333,843
Property and equipment, less accumulated depreciation of \$114,341 at October 2, 2021 and \$111,182 at January 2, 2021	37,261	39,666
Operating lease right-of-use assets	24,822	22,178
Intangible assets, net	5,643	6,321
Goodwill	267,514	267,514
Deferred income taxes	563	577
Other long-term assets	17,277	9,968
Total assets	<u>\$ 704,839</u>	<u>\$ 680,067</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 36,323	\$ 27,530
Accrued expenses	24,518	21,411
Accrued payroll obligations	25,365	18,028
Current portion of long-term debt	17,163	12,762
Total current liabilities	103,369	79,731
Long-term debt, net of current portion	145,057	157,934
Long-term operating lease liabilities, net of current portion	20,407	18,906
Other long-term liabilities	43,106	39,069
Total liabilities	311,939	295,640
Contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$.01 par value, 300,000,000 shares authorized; 136,901,000 shares issued and outstanding as of October 2, 2021 and 136,236,000 shares issued and outstanding as of January 2, 2021	1,369	1,362
Additional paid-in capital	711,855	770,711
Accumulated deficit	(318,508)	(385,898)
Accumulated other comprehensive loss	(1,816)	(1,748)
Total stockholders' equity	392,900	384,427
Total liabilities and stockholders' equity	<u>\$ 704,839</u>	<u>\$ 680,067</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended	
	October 2, 2021	September 26, 2020
<i>(In thousands)</i>		
Cash flows from operating activities:		
Net income	\$ 67,390	\$ 31,403
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,839	19,263
Stock-based compensation expense	32,624	30,228
Amortization of right-of-use assets	4,926	4,464
Amortization of debt issuance costs and discount	274	300
Other non-cash adjustments	(117)	(101)
Changes in assets and liabilities:		
Accounts receivable, net	(15,025)	(8,072)
Inventories, net	(1,506)	(4,508)
Prepaid expenses and other assets	(224)	(3,516)
Accounts payable	8,793	(4,237)
Accrued expenses	(971)	6,098
Accrued payroll obligations	7,337	1,744
Operating lease liabilities, current and long-term portions	(4,784)	(4,331)
Income taxes payable	(493)	223
Net cash provided by (used in) operating activities	116,063	68,958
Cash flows from investing activities:		
Capital expenditures	(7,118)	(9,781)
Cash paid for software and intellectual property licenses	(9,534)	(6,850)
Net cash provided by (used in) investing activities	(16,652)	(16,631)
Cash flows from financing activities:		
Restricted stock unit tax withholdings	(41,587)	(19,934)
Proceeds from issuance of common stock	5,240	7,145
Repurchase of common stock	(55,126)	—
Proceeds from long-term debt	—	50,000
Repayment of long-term debt	(8,750)	(26,250)
Net cash provided by (used in) financing activities	(100,223)	10,961
Effect of exchange rate change on cash	(68)	899
Net increase in cash and cash equivalents	(880)	64,187
Beginning cash and cash equivalents	182,332	118,081
Ending cash and cash equivalents	\$ 181,452	\$ 182,268
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Interest paid	\$ 1,755	\$ 2,849
Operating lease payments	\$ 5,786	\$ 5,786
Income taxes paid, net of refunds	\$ 2,842	\$ 2,317
Accrued purchases of plant and equipment	\$ 351	\$ 549
Operating lease right-of-use assets obtained in exchange for lease obligations	\$ 7,550	\$ 2,274

See Accompanying Notes to Unaudited Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

The following summarizes the changes in total equity for the nine month period ended October 2, 2021:

	Common Stock (\$.01 par value)		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
<i>(In thousands, except par value data)</i>						
Balances, January 2, 2021	136,236	\$ 1,362	\$ 770,711	\$ (385,898)	\$ (1,748)	\$ 384,427
Components of comprehensive income, net of tax:						
Net income for the nine months ended October 2, 2021	—	—	—	67,390	—	67,390
Other comprehensive loss	—	—	—	—	(68)	(68)
Total comprehensive income						67,322
Common stock issued in connection with employee equity incentive plans, net of shares withheld for employee taxes	1,746	18	(36,365)	—	—	(36,347)
Stock-based compensation expense	—	—	32,624	—	—	32,624
Repurchase of common stock	(1,081)	(11)	(55,115)	—	—	(55,126)
Balances, October 2, 2021	136,901	\$ 1,369	\$ 711,855	\$ (318,508)	\$ (1,816)	\$ 392,900

The following summarizes the changes in total equity for the nine month period ended September 26, 2020:

	Common Stock (\$.01 par value)		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
<i>(In thousands, except par value data)</i>						
Balances, December 28, 2019	133,883	\$ 1,339	\$ 762,213	\$ (433,290)	\$ (2,603)	\$ 327,659
Components of comprehensive income, net of tax:						
Net income for the nine months ended September 26, 2020	—	—	—	31,403	—	31,403
Other comprehensive income	—	—	—	—	392	392
Total comprehensive income						31,795
Common stock issued in connection with employee equity incentive plans, net of shares withheld for employee taxes	2,195	22	(12,811)	—	—	(12,789)
Stock-based compensation expense	—	—	30,228	—	—	30,228
Balances, September 26, 2020	136,078	\$ 1,361	\$ 779,630	\$ (401,887)	\$ (2,211)	\$ 376,893

See Accompanying Notes to Unaudited Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
(unaudited)

The following summarizes the changes in total equity for the three month period ended October 2, 2021:

	Common Stock (\$.01 par value)		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
<i>(In thousands, except par value data)</i>						
Balances, July 3, 2021	136,344	\$ 1,363	\$ 742,996	\$ (345,247)	\$ (1,797)	\$ 397,315
Components of comprehensive income, net of tax:						
Net income for the three months ended October 2, 2021	—	—	—	26,739	—	26,739
Other comprehensive income	—	—	—	—	(19)	(19)
Total comprehensive income						26,720
Common stock issued in connection with employee equity incentive plans, net of shares withheld for employee taxes	809	9	(26,381)	—	—	(26,372)
Stock-based compensation expense	—	—	10,250	—	—	10,250
Repurchase of common stock	(252)	(3)	(15,010)	—	—	(15,013)
Balances, October 2, 2021	136,901	\$ 1,369	\$ 711,855	\$ (318,508)	\$ (1,816)	\$ 392,900

The following summarizes the changes in total equity for the three month period ended September 26, 2020:

	Common Stock (\$.01 par value)		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
<i>(In thousands, except par value data)</i>						
Balances, June 27, 2020	135,147	\$ 1,351	\$ 779,836	\$ (414,494)	\$ (2,563)	\$ 364,130
Components of comprehensive income, net of tax:						
Net income for the three months ended September 26, 2020	—	—	—	12,607	—	12,607
Other comprehensive income	—	—	—	—	352	352
Total comprehensive income						12,959
Common stock issued in connection with employee equity incentive plans, net of shares withheld for employee taxes	931	10	(10,694)	—	—	(10,684)
Stock-based compensation expense	—	—	10,488	—	—	10,488
Balances, September 26, 2020	136,078	\$ 1,361	\$ 779,630	\$ (401,887)	\$ (2,211)	\$ 376,893

See Accompanying Notes to Unaudited Consolidated Financial Statements.

LATTICE SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 - Basis of Presentation

Lattice Semiconductor Corporation and its subsidiaries ("Lattice," the "Company," "we," "us," or "our") develop technologies that we monetize through differentiated programmable logic semiconductor products, system solutions, design services, and licenses.

Basis of Presentation and Use of Estimates

The accompanying Consolidated Financial Statements are unaudited and have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In our opinion, they include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by the SEC's rules and regulations for interim reporting. These Consolidated Financial Statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended January 2, 2021 ("2020 10-K").

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments affecting the amounts reported in our consolidated condensed financial statements and the accompanying notes. We base our estimates and judgments on historical experience, knowledge of current conditions, and our beliefs of what could occur in the future considering available information. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when made, and because of the uncertainty inherent in these matters, actual results may differ materially from these estimates under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis.

We describe our accounting methods and practices in more detail in our 2020 10-K. There have been no changes to the significant accounting policies, procedures, or general information described in our 2020 10-K that have had a material impact on our consolidated financial statements and related notes. Certain prior year balances have been reclassified to conform to the current year's presentation.

Fiscal Reporting Periods

We report based on a 52 or 53-week fiscal year ending on the Saturday closest to December 31. Our fiscal 2021 will be a 52-week year and will end on January 1, 2022, and our fiscal 2020 was a 53-week year that ended January 2, 2021. Our third quarter of fiscal 2021 and third quarter of fiscal 2020 ended on October 2, 2021 and September 26, 2020, respectively. All references to quarterly or nine months ended financial results are references to the results for the relevant 13-week or 39-week fiscal period.

Concentrations of Risk

Potential exposure to concentrations of risk may impact revenue and accounts receivable. Distributors have historically accounted for a significant portion of our total revenue. Revenue attributable to distributors as a percentage of total revenue was 90% and 82% for the third quarter of fiscal 2021 and 2020, respectively, and 88% and 81% for the nine months ended October 2, 2021 and September 26, 2020, respectively. Distributors also account for a substantial portion of our net accounts receivable. Our two largest distributors accounted for 55% and 29% of net accounts receivable at October 2, 2021 and 47% and 45% of net accounts receivable at January 2, 2021.

Note 2 - Net Income per Share

Our calculation of the diluted share count includes the number of shares from our equity awards with market conditions or performance conditions that would be issuable under the terms of such awards at the end of the reporting period. For equity awards with a market condition, the number of shares included in the diluted share count as of the end of each period presented is determined by measuring the achievement of the market condition as of the end of the respective reporting periods. For equity awards with an EBITDA performance condition, the number of shares that qualified for vesting as of the end of each period presented are included in the diluted share count when the condition for their issuance was satisfied by the end of the respective reporting periods. For equity awards granted in fiscal 2021 with a year-over-year revenue growth performance condition, no shares are included in the diluted share count as of October 2, 2021, as vesting of these awards is contingent upon achievement of the performance condition over certain periods of time, which have not yet transpired. See "[Note 9 - Stock-Based Compensation](#)" to our consolidated financial statements for further discussion of our equity awards with market conditions or performance conditions.

A summary of basic and diluted Net income per share is presented in the following table:

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<i>(in thousands, except per share data)</i>				
Net income	\$ 26,739	\$ 12,607	\$ 67,390	\$ 31,403
Shares used in basic Net income per share	136,638	135,598	136,476	134,903
Dilutive effect of stock options, RSUs, ESPP shares, and equity awards with a market condition or performance condition	4,994	5,926	5,687	5,860
Shares used in diluted Net income per share	141,632	141,524	142,163	140,763
Basic Net income per share	\$ 0.20	\$ 0.09	\$ 0.49	\$ 0.23
Diluted Net income per share	\$ 0.19	\$ 0.09	\$ 0.47	\$ 0.22

The computation of diluted Net income per share excludes the effects of stock options, restricted stock units ("RSUs"), Employee Stock Purchase Plan ("ESPP") shares, and equity awards with a market condition or performance condition that are antidilutive, aggregating approximately the following number of shares:

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<i>(in thousands)</i>				
Stock options, RSUs, ESPP shares, and equity awards with a market condition or performance condition excluded as they are antidilutive	358	370	182	514

Note 3 - Revenue from Contracts with Customers

Disaggregation of revenue

The following tables provide information about revenue from contracts with customers disaggregated by major class of revenue, revenue by channel, and by geographical market, based on ship-to location of the customer:

Major Class of Revenue	Three Months Ended				Nine Months Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
<i>(In thousands)</i>								
Product	\$ 127,417	97%	\$ 96,650	94%	\$ 361,545	97%	\$ 285,871	95%
Licensing and services	4,494	3%	6,392	6%	11,987	3%	15,076	5%
Total revenue	\$ 131,911	100%	\$ 103,042	100%	\$ 373,532	100%	\$ 300,947	100%

Revenue by Channel

	Three Months Ended				Nine Months Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
<i>(In thousands)</i>								
Product revenue - Distributors	\$ 118,227	90%	\$ 84,409	82%	\$ 328,174	88%	\$ 245,016	81%
Product revenue - Direct	9,190	7%	12,241	12%	33,371	9%	40,855	14%
Licensing and services revenue	4,494	3%	6,392	6%	11,987	3%	15,076	5%
Total revenue	\$ 131,911	100%	\$ 103,042	100%	\$ 373,532	100%	\$ 300,947	100%

Revenue by Geographical Market

	Three Months Ended				Nine Months Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
<i>(In thousands)</i>								
United States	\$ 11,022	8%	\$ 10,455	10%	\$ 31,804	8%	\$ 33,634	11%
Other Americas	9,239	7%	4,857	5%	22,126	6%	12,772	4%
Americas	20,261	15%	15,312	15%	53,930	14%	46,406	15%
China	76,692	58%	58,122	56%	208,632	56%	154,086	51%
Taiwan	4,549	4%	7,505	7%	13,940	4%	24,957	8%
Japan	7,877	6%	4,346	4%	24,490	6%	18,780	6%
Other Asia	9,779	7%	9,766	10%	36,680	10%	25,169	9%
Asia	98,897	75%	79,739	77%	283,742	76%	222,992	74%
Europe	12,753	10%	7,991	8%	35,860	10%	31,549	11%
Total revenue	\$ 131,911	100%	\$ 103,042	100%	\$ 373,532	100%	\$ 300,947	100%

Contract balances

Our contract assets relate to our rights to consideration for licenses and royalties due to us as a member of the HDMI Founders consortium, with collection dependent on events other than the passage of time, such as collection of licenses and royalties from customers by the HDMI licensing agent. The balance results primarily from the amount of estimated revenue related to HDMI that we have recognized to date, but which has not yet been collected by the agent. Contract assets are included in Prepaid expenses and other current assets on our Consolidated Balance Sheets. The following table summarizes activity during the first nine months of fiscal 2021:

(In thousands)

Contract assets as of January 2, 2021	\$ 5,611
Revenues recorded during the period	10,954
Transferred to Accounts receivable or collected	<u>(11,355)</u>
Contract assets as of October 2, 2021	\$ 5,210

Contract liabilities are included in Accrued expenses on our Consolidated Balance Sheets. The following table summarizes activity during the first nine months of fiscal 2021:

(In thousands)

Contract liabilities as of January 2, 2021	\$ 3,068
Accruals for estimated future stock rotation and scrap returns	4,068
Less: Release of accruals for recognized stock rotation and scrap returns	<u>(2,007)</u>
Contract liabilities as of October 2, 2021	\$ 5,129

Note 4 - Balance Sheet Components**Accounts Receivable**

Accounts receivable do not bear interest and are shown net of an allowance for expected lifetime credit losses, which reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine this allowance through an assessment of known troubled accounts, analysis of our accounts receivable aging, historical experience, expectations for future economic conditions, management judgment, and other available evidence.

<i>(In thousands)</i>	October 2, 2021	January 2, 2021
Accounts receivable	\$ 79,606	\$ 64,635
Less: Allowance for credit losses	—	(54)
Accounts receivable, net of allowance for credit losses	<u>\$ 79,606</u>	<u>\$ 64,581</u>

Inventories

<i>(In thousands)</i>	October 2, 2021	January 2, 2021
Work in progress	\$ 45,791	\$ 34,724
Finished goods	20,314	29,875
Total inventories, net	<u>\$ 66,105</u>	<u>\$ 64,599</u>

Accrued Expenses

Included in Accrued expenses in the Consolidated Balance Sheets are the following balances:

<i>(In thousands)</i>	October 2, 2021	January 2, 2021
Liability for non-cancelable contracts	\$ 8,941	\$ 8,492
Current portion of operating lease liabilities	5,414	4,149
Contract liability under ASC 606	5,129	3,068
Other accrued expenses	5,034	5,702
Total accrued expenses	<u>\$ 24,518</u>	<u>\$ 21,411</u>

Property and Equipment – Geographic Information

Our Property and equipment, net by country at the end of each period was as follows:

<i>(In thousands)</i>	October 2, 2021	January 2, 2021
United States	\$ 26,589	\$ 29,440
Taiwan	5,484	5,171
Philippines	2,928	2,912
China	1,710	1,537
Japan	436	476
Other	114	130
Total foreign property and equipment, net	10,672	10,226
Total property and equipment, net	<u>\$ 37,261</u>	<u>\$ 39,666</u>

Cloud Based Computing Implementation Costs

Under the guidance in ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*, we are capitalizing the implementation costs for cloud computing arrangements, mainly for our integrated distributor accounting management systems. These cloud-based computing implementation costs are recorded in Prepaid expenses and other current assets and Other long-term assets on our Consolidated Balance Sheets. The following table summarizes activity during the first nine months of fiscal 2021:

<i>(In thousands)</i>		
Cloud based computing implementation costs as of January 2, 2021		\$ 2,831
Costs capitalized		289
Amortization		(544)
Cloud based computing implementation costs as of October 2, 2021		<u>\$ 2,576</u>

Note 5 - Long-Term Debt

On May 17, 2019, we entered into a credit agreement (the "Current Credit Agreement"), which provides for a five-year secured term loan facility in an aggregate principal amount of \$175.0 million and a five-year secured revolving loan facility in an aggregate principal amount of up to \$75.0 million. Details of the term loan and the revolving loan (collectively, "long-term debt"), including the basis for interest, payment terms, and covenants are described in the Current Credit Agreement.

During the first nine months of fiscal 2021, we paid required quarterly installments totaling \$8.8 million on our long-term debt. The fair value of our long-term debt approximates the carrying value, which is reflected in our Consolidated Balance Sheets as follows:

<i>(In thousands)</i>	October 2, 2021	January 2, 2021
Principal amount	\$ 163,125	\$ 171,875
Unamortized original issuance discount and debt costs	(905)	(1,179)
Less: Current portion of long-term debt	(17,163)	(12,762)
Long-term debt, net of current portion and unamortized debt issue costs	<u>\$ 145,057</u>	<u>\$ 157,934</u>

As of October 2, 2021, the effective interest rate on the term loan was 1.55%, and the effective interest rate on the revolving loan was 1.33%. We pay a commitment fee of 0.20% on the unused portion of the revolving loan. Interest expense related to our long-term debt was included in Interest expense on our Consolidated Statements of Operations as follows:

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Contractual interest	\$ 568	\$ 663	\$ 1,753	\$ 2,667
Amortization of original issuance discount and debt costs	90	92	274	300
Total interest expense related to long-term debt	<u>\$ 658</u>	<u>\$ 755</u>	<u>\$ 2,027</u>	<u>\$ 2,967</u>

Expected future principal payments are based on the schedule of required quarterly installments. As of October 2, 2021, expected future principal payments on our long-term debt were as follows:

Fiscal year	<i>(in thousands)</i>
2021 (Remaining quarter)	\$ 4,375
2022	17,500
2023	17,500
2024	123,750
	<u>\$ 163,125</u>

Note 6 - Restructuring

Under the Q1 2020 Plan, which is described in the 2020 10-K, we recorded no expense and approximately \$0.6 million of expense during the third quarter of fiscal 2021 and 2020, respectively; and we recorded less than \$0.1 million and approximately \$2.0 million of expense in the first nine months of fiscal 2021 and 2020, respectively. Approximately \$2.0 million of total expense has been incurred through October 2, 2021 under the Q1 2020 Plan. Substantially all actions planned under the Q1 2020 Plan have been implemented.

Under the Q2 2019 Sales Plan, which is described in the 2020 10-K, we recorded no expense and less than \$0.1 million of expense during the third quarter of fiscal 2021 and 2020, respectively; and we recorded no expense and less than \$0.1 million of expense during the first nine months of fiscal 2021 and 2020, respectively. Approximately \$2.1 million of total expense has been incurred through October 2, 2021 under the Q2 2019 Sales Plan. All actions planned under the Q2 2019 Sales Plan have been implemented.

Under the June 2017 Plan, which is described in the 2020 10-K, we incurred restructuring expense related to our partially vacated facility in San Jose, California of approximately \$0.1 million and approximately \$2.0 million during the third quarter of fiscal 2021 and 2020, respectively; and approximately \$0.5 million and approximately \$2.1 million during the first nine months of fiscal 2021 and 2020, respectively. We have incurred approximately \$21.5 million of total expense through October 2, 2021 under the June 2017 Plan, and all planned actions have been implemented. We expect the total cost of the June 2017 Plan to be approximately \$21.5 million to \$23.5 million as ROU asset amortization expenses related to our partially vacated facility in San Jose, California will be incurred over the remaining lease term.

These expenses were recorded to Restructuring charges on our Consolidated Statements of Operations. The restructuring accrual balance is presented in Accrued expenses and in Other long-term liabilities on our Consolidated Balance Sheets. The following table displays the activity related to our restructuring plans:

<i>(In thousands)</i>	Severance & Related (1)	Lease Termination & Fixed Assets	Other (2)	Total
Accrued Restructuring at January 2, 2021	\$ 246	\$ 8,233	\$ 664	\$ 9,143
Restructuring charges	15	531	—	546
Costs paid or otherwise settled	(165)	(1,346)	(664)	(2,175)
Accrued Restructuring at October 2, 2021	<u>\$ 96</u>	<u>\$ 7,418</u>	<u>\$ -</u>	<u>\$ 7,514</u>
Accrued Restructuring at December 28, 2019	\$ 160	\$ 6,585	\$ 865	\$ 7,610
Restructuring charges	1,733	2,132	313	4,178
Costs paid or otherwise settled	(1,254)	(1,275)	(526)	(3,055)
Accrued Restructuring at September 26, 2020	<u>\$ 639</u>	<u>\$ 7,442</u>	<u>\$ 652</u>	<u>\$ 8,733</u>

(1) Includes employee relocation and outplacement costs

(2) Includes termination fees on the cancellation of certain contracts under the Q2 2019 Sales Plan

Note 7 - Leases

We have operating leases for corporate offices, sales offices, research and development facilities, storage facilities, and a data center, the terms of which are described in our 2020 10-K. In the first quarter of fiscal 2021, we extended the leases for our Hillsboro, Oregon and Shanghai, China facilities, which resulted in approximately \$7.2 million of the increase in right-of-use assets and operating lease liabilities. All of our facilities are leased under operating leases, which expire at various times through 2028, with a weighted-average remaining lease term of 4.4 years and a weighted-average discount rate of 5.3% as of October 2, 2021.

We recorded fixed operating lease expenses of \$2.0 million and \$1.9 million for the third quarter of fiscal 2021 and 2020, respectively, and \$5.9 and \$5.7 million for the first nine months of fiscal 2021 and 2020, respectively.

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The following table presents the lease balance classifications within the Consolidated Balance Sheets and summarizes their activity during the first nine months of fiscal 2021:

Operating lease right-of-use assets		<i>(in thousands)</i>
Balance as of January 2, 2021	\$	22,178
Right-of-use assets obtained for new and modified lease contracts during the period		7,550
Amortization of right-of-use assets during the period		(4,926)
Adjustments for present value and foreign currency effects		20
Balance as of October 2, 2021	\$	24,822
Operating lease liabilities		<i>(in thousands)</i>
Balance as of January 2, 2021	\$	23,055
Lease liabilities incurred for new lease contracts during the period		7,550
Accretion of lease liabilities		988
Operating cash used by payments on lease liabilities		(5,786)
Adjustments for present value and foreign currency effects		14
Balance as of October 2, 2021		25,821
Less: Current portion of operating lease liabilities (included in Accrued expenses)		(5,414)
Long-term operating lease liabilities, net of current portion	\$	20,407

Maturities of operating lease liabilities as of October 2, 2021 are as follows:

Fiscal year	<i>(in thousands)</i>
2021 (remaining quarter)	\$ 1,299
2022	7,175
2023	7,212
2024	5,296
2025	3,651
Thereafter	4,614
Total lease payments	29,247
Less: amount representing interest	(3,426)
Total lease liabilities	\$ 25,821

Lease obligations for facilities restructured prior to the adoption of Topic 842 totaled approximately \$7.4 million at October 2, 2021 and continued to be recorded in Other long-term liabilities on our Consolidated Balance Sheets.

Note 8 - Intangible Assets

On our Consolidated Balance Sheets at October 2, 2021 and January 2, 2021, Intangible assets, net are shown net of accumulated amortization of \$134.4 million and \$132.0 million, respectively. During the first quarter of fiscal 2021, we entered into license agreements for third-party technology totaling approximately \$1.8 million and have recorded them as intangible assets. These licenses are being amortized to Research and development expense over their estimated useful lives.

We recorded amortization expense related to intangible assets on the Consolidated Statements of Operations as presented in the following table:

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<i>(In thousands)</i>				
Research and development	\$ 223	\$ 17	\$ 644	\$ 45
Amortization of acquired intangible assets	603	603	1,809	3,846
	\$ 826	\$ 620	\$ 2,453	\$ 3,891

Note 9 - Stock-Based Compensation

Total stock-based compensation expense included in our Consolidated Statements of Operations is presented in the following table:

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<i>(In thousands)</i>				
Cost of revenue	\$ 653	\$ 834	\$ 2,144	\$ 2,322
Research and development	3,463	2,633	10,199	7,461
Selling, general, and administrative	6,134	7,021	20,281	20,445
Total stock-based compensation	\$ 10,250	\$ 10,488	\$ 32,624	\$ 30,228

Market-Based and Performance-Based Stock Compensation

In the first nine months of fiscal 2021, certain awards with a performance condition or market condition granted in prior fiscal years have vested. During the third quarter of fiscal 2021, the market condition for awards granted to certain executives in fiscal years 2019 and 2018 exceeded the 75th percentile of their total shareholder return ("TSR") condition, and the respective second and third tranches of these awards vested at 250% or 200%, as applicable for the respective executive. During the third quarter of fiscal 2021, the second tranche of 33.3% of the base number of the awards with an EBITDA performance condition vested, as the Company had met the adjusted EBITDA performance criteria on a trailing four-quarter basis for two consecutive trailing four-quarter periods as of the end of the previous quarter. As of October 2, 2021, the Company had met the next adjusted EBITDA performance criteria on a trailing four-quarter basis for two consecutive trailing four-quarter periods, and the third tranche of 33.3% of the base number of the awards with an EBITDA performance condition qualified for vesting. During the first quarter of fiscal 2021, the market condition for awards granted to certain executives in the first quarter of fiscal 2019 exceeded the 75th percentile of their TSR condition, and the second tranche of these awards vested at 200%.

In the first quarter of fiscal 2021, we granted awards of RSUs with a market condition to certain executives. Under the terms of these grants, the RSUs with a market condition vest and become payable over a three-year period based on the Company's TSR relative to the Russell 2000 index, which condition is measured for the grants on the third anniversary of the grant date. The awards may vest at 250% or 200%, depending upon the executive, if the 75th percentile of the market condition is achieved, with 100% of the units vesting at the 55th percentile, zero vesting if relative TSR is below the 25th percentile, and vesting scaling for achievement between the 25th and 75th percentile.

During the first quarter of fiscal 2021, we also granted awards of RSUs with a performance condition to certain executives to specifically drive additional executive attention and focus on the Company's revenue growth priorities. Under the terms of these grants, the RSUs with a performance condition will vest and become payable based on the Company generating specified levels of year-over-year revenue growth, which will be measured annually for one-fourth of the grants after each fiscal year-end through the end of fiscal 2024. Vesting of these awards occurs 13 months after the end of each measurement period and the entire award cannot be fully earned until five years from grant. Vesting of these awards scales for achievement of year-over-year revenue growth compared to certain targets, with maximum vesting up to 200%.

During the first quarter of fiscal 2020, the Board of Directors approved a modification to the market condition measurement periods associated with the unvested portions of certain of the Company's awards with a market condition that were granted prior to fiscal 2020. The modification extended the duration of the measurement period by adjusting the beginning date of each measurement period to the original grant date, resulting in approximately \$1.8 million additional stock compensation expense during the first quarter of fiscal 2020.

For our awards with a market condition or a performance condition, we incurred stock compensation expense of approximately \$4.0 million and \$5.6 million in the third quarter of fiscal 2021 and 2020, respectively, and of approximately \$15.3 million and \$16.5 million in the first nine months of fiscal 2021 and 2020, respectively, which is recorded as a component of total stock-based compensation

The following table summarizes the activity for our awards with a market condition or performance condition:

<i>(Shares in thousands)</i>	Total
Balance, January 2, 2021	1,021
Granted	607
Effect of vesting multiplier	391
Vested	(744)
Balance, October 2, 2021	1,275

Note 10 - Common Stock Repurchase Program

On February 19, 2021, our Board of Directors approved a stock repurchase program pursuant to which up to \$60.0 million of outstanding common stock could be repurchased from time to time ("the 2021 Repurchase Program"). The duration of the 2021 Repurchase Program is twelve months. Under the 2021 Repurchase Program during the third quarter of fiscal 2021, approximately 0.3 million shares were repurchased for \$15.0 million, or an average price paid per share of \$59.77. As of October 2, 2021, the remaining portion of the amount authorized for the twelve-month program is approximately \$4.9 million. All repurchases were open market transactions funded from available working capital. All shares repurchased pursuant to the 2021 Repurchase Program were retired by the end of the third quarter of fiscal 2021.

Note 11 - Income Taxes

We are subject to federal and state income tax as well as income tax in the foreign jurisdictions in which we operate. For the third quarter of fiscal 2021 and 2020, we recorded income tax benefits of approximately \$0.5 million and \$0.7 million, respectively. For the first nine months of fiscal 2021 and 2020, we recorded income tax expense of approximately \$1.1 million and \$0.6 million, respectively. Income taxes for the three and nine month periods ended October 2, 2021 and September 26, 2020 represent tax at the federal, state, and foreign statutory tax rates in addition to withholding taxes, changes in uncertain tax positions, as well as other non-deductible items in foreign jurisdictions. The difference between the U.S. federal statutory tax rate of 21% and our effective tax rates for the three and nine months ended October 2, 2021 and for the three and nine months ended September 26, 2020 resulted primarily from U.S. valuation allowance, foreign withholding taxes, foreign rate differentials, and the discrete impacts of uncertain tax positions due to lapsing of the statute of limitations.

We updated our evaluation of the valuation allowance position in the United States through October 2, 2021 and concluded that we should continue to maintain a full valuation allowance against the net federal and state deferred tax assets. In making this evaluation, we exercised significant judgment and considered estimates about our ability to generate revenue and taxable profits sufficient to offset expenditures in future periods within the U.S. We will continue to evaluate both positive and negative evidence in future periods to determine if we will realize the deferred tax assets. We do not have a valuation allowance in any foreign jurisdictions as we have concluded it is more likely than not that we will realize the net deferred tax assets in future periods.

Our liability recorded for uncertain tax positions (including penalties and interest) was \$20.9 million and \$22.3 million at October 2, 2021 and January 2, 2021, respectively, and is included as a component of Other long-term liabilities on our Consolidated Balance Sheets.

Note 12 - Contingencies

Legal Matters

On or about December 19, 2018, Steven A.W. De Jaray, Perienne De Jaray and Darrell R. Oswald (collectively, the "Plaintiffs") commenced an action against the Company and several unnamed defendants in the Multnomah County Circuit Court of the State of Oregon, in connection with the sale of certain products by the Company to the Plaintiffs in or around 2008. The Plaintiffs allege that we violated The Lanham Act, engaged in negligence and fraud by failing to disclose to the Plaintiffs the export-controlled status of the subject parts. The Plaintiffs seek damages of \$138 million, treble damages, and other remedies. In January 2019, we removed the action to the United States District Court for the District of Oregon. At this stage of the proceedings, we do not have an estimate of the likelihood or the amount of any potential exposure to the Company; however, we believe that these claims are without merit and intend to vigorously defend the action.

From time to time, we are exposed to certain additional asserted and unasserted potential claims. We review the status of each significant matter and assess its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and a range of possible losses can be estimated, we then accrue a liability for the estimated loss. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to pending claims and litigation and may revise estimates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read along with the unaudited consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2020 10-K.

Overview

Lattice Semiconductor Corporation and its subsidiaries ("Lattice," the "Company," "we," "us," or "our") develop technologies that we monetize through differentiated programmable logic semiconductor products, system solutions, design services, and licenses. Lattice is the low power programmable leader. We solve customer problems across the network, from the Edge to the Cloud, in the growing communications, computing, industrial, automotive, and consumer markets. Our technology, long-standing relationships, and commitment to world-class support lets our customers quickly and easily unleash their innovation to create a smart, secure, and connected world.

Lattice has focused its strategy on delivering programmable logic products and related solutions based on low power, small size, and ease of use. We also serve our customers with intellectual property ("IP") licensing and various other services. Our product development activities include new proprietary products, advanced packaging, existing product enhancements, software development tools, soft IP, and system solutions for high-growth applications such as Edge Artificial Intelligence, 5G infrastructure, platform security, and factory automation.

Critical Accounting Policies and Use of Estimates

Critical accounting policies are those that are both most important to the portrayal of a company's financial condition and results of operations, and that require management's most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. There have been no significant changes to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2020 10-K.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments affecting the amounts reported in our consolidated condensed financial statements and the accompanying notes. We base our estimates and judgments on historical experience, knowledge of current conditions, and our beliefs of what could occur in the future considering available information. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when made, and because of the uncertainty inherent in these matters, actual results may differ materially from these estimates under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis.

Impact of COVID-19 on our Business

The COVID-19 pandemic has caused, and may continue to cause, a global slowdown of economic activity (including a decrease in demand for certain goods and services), and volatility in and disruption to financial markets, labor markets, and supply chains. The severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, evolving and difficult to predict, and the pandemic's impact on our operations and financial performance, as well as its impact on our ability to successfully execute our business strategy and initiatives, remains uncertain. We continue to take actions to safeguard the health and well-being of our employees and our business. We implemented social distancing policies at our locations around the world including working from home and eliminating virtually all travel. Furthermore, we continue to manage our cash position and liquidity needs in light of the rapidly changing environment, and we have additional resources available under our Current Credit Agreement, if needed.

The full extent of the effects of the COVID-19 pandemic and the related governmental, business and travel restrictions in order to contain the virus are continuing to evolve globally, including in response to variants of the virus, even with the rollout of vaccination programs. We anticipate that these actions and the global health crisis caused by the COVID-19 pandemic will continue to impact business activity across the globe, even as vaccination rates rise. Demand for our products may be impacted in Q4 and potentially beyond Q4 given the global reach and economic impact of the virus, particularly with respect to its impact on labor markets and supply chains. For example, governmental actions or policies or other initiatives to contain the virus could lead to reductions in our end customers' demand for our products, which could have a negative impact on our revenue. We have previously seen and are now again seeing delays or disruptions in our supply chain. It is difficult for us to predict the scope, magnitude, and length of supply chain disruptions. Our suppliers are experiencing similar supply chain impacts, which may cause us to have difficulty sourcing materials necessary to fulfill customer production requirements and transporting completed products to our end customers. Supply chain delays and disruptions may also affect the ability of our customers to obtain materials or products from other suppliers which may constrain or delay their demand for our products.

We will continue to actively monitor the situation and may take further actions altering our business operations that we determine are in the best interests of our employees, customers, partners, suppliers, and stakeholders, or as required by federal, state, or local authorities. It is not clear what the potential effects of any such alterations or modifications may have on our business, including the effects on our customers, employees, and prospects, or on our financial condition or results of operations. The potential impact of the COVID-19 pandemic on our business, results of operations and financial position is currently uncertain and will depend on many factors that are not within our control, including, but not limited to: the duration and scope of the pandemic; the level and rate of vaccination; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; general economic uncertainty in key global markets and financial market volatility; global economic conditions and levels of economic growth; and the pace of recovery when the COVID-19 pandemic subsides. See the section entitled "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended January 2, 2021 for further information about related risks and uncertainties.

Results of Operations

Key elements of our Consolidated Statements of Operations, including as a percentage of revenue, are presented in the following table:

(In thousands)	Three Months Ended				Nine Months Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
Revenue	\$ 131,911	100.0%	\$ 103,042	100.0%	\$ 373,532	100.0%	\$ 300,947	100.0%
Gross margin	82,825	62.8	62,306	60.5	230,595	61.7	180,445	60.0
Research and development	28,769	21.8	22,439	21.8	80,289	21.5	66,590	22.1
Selling, general and, administrative	26,272	19.9	23,758	23.1	76,971	20.6	70,797	23.5
Amortization of acquired intangible assets	603	0.5	603	0.6	1,809	0.5	3,846	1.3
Restructuring charges	166	0.1	2,692	2.6	546	0.1	4,178	1.4
Income from operations	<u>\$ 27,015</u>	<u>20.5%</u>	<u>\$ 12,814</u>	<u>12.4%</u>	<u>\$ 70,980</u>	<u>19.0%</u>	<u>\$ 35,034</u>	<u>11.6%</u>

Revenue by End Market

We sell our products globally to a broad base of customers in three primary end market groups: Communications and Computing, Industrial and Automotive, and Consumer. We also provide IP licensing and services to these end markets.

Within these end markets, there are multiple segment drivers, including:

- Communications and computing: 5G infrastructure deployments, client computing platforms, and cloud and enterprise servers,
- Industrial and automotive: industrial Internet of Things ("IoT"), factory automation, robotics, and automotive electronics,
- Consumer: smart home, and prosumer.

We also generate revenue from the licensing of our IP, the collection of certain royalties, patent sales, the revenue related to our participation in consortia and standard-setting activities, and services. While these activities may be associated with multiple markets, Licensing and services revenue is reported as a separate end market as it has characteristics that differ from other categories, most notably a higher gross margin.

The end market data below is derived from data provided to us by our customers. With a diverse base of customers who may manufacture end products spanning multiple end markets, the assignment of revenue to a specific end market requires the use of judgment. We also recognize certain revenue for which end customers and end markets are not yet known. We assign this revenue first to a specific end market using historical and anticipated usage of the specific products, if possible, and allocate the remainder to the end markets based on either historical usage for each product family or industry application data for certain product types.

The following are examples of end market applications for the periods presented:

Communications and Computing

Wireless
Wireline
Data Backhaul
Server Computing
Client Computing
Data Storage

Industrial and Automotive

Security and Surveillance
Machine Vision
Industrial Automation
Robotics
Automotive
Drones

Consumer

Cameras
Displays
Wearables
Televisions
Home Theater

Licensing and Services

IP Royalties
Adopter Fees
IP Licenses
Patent Sales

The composition of our revenue by end market is presented in the following table:

<i>(In thousands)</i>	Three Months Ended				Nine Months Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
Communications and Computing	\$ 55,827	42.3%	\$ 44,257	43.0%	\$ 157,732	42.2%	\$ 128,592	42.7%
Industrial and Automotive	58,953	44.7	42,249	41.0	166,137	44.5	122,767	40.8
Consumer	12,637	9.6	10,144	9.8	37,676	10.1	34,512	11.5
Licensing and Services	4,494	3.4	6,392	6.2	11,987	3.2	15,076	5.0
Total revenue	<u>\$ 131,911</u>	<u>100.0%</u>	<u>\$ 103,042</u>	<u>100.0%</u>	<u>\$ 373,532</u>	<u>100.0%</u>	<u>\$ 300,947</u>	<u>100.0%</u>

Revenue from the Communications and Computing end market increased by 26% for the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 and increased by 23% for the first nine months of fiscal 2021 compared to the first nine months of fiscal 2020 primarily due to increased demand for applications in servers, client computing platforms, and 5G infrastructure.

Revenue from the Industrial and Automotive end market increased by 40% for the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 and increased by 35% for the first nine months of fiscal 2021 compared to the first nine months of fiscal 2020 primarily due to increased demand for our products across a broad range of applications, including industrial automation and robotics.

Revenue from the Consumer end market increased by 25% for the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 and increased by 9% for the first nine months of fiscal 2021 compared to the first nine months of fiscal 2020 primarily due to increased demand for our products in Consumer end market applications.

Revenue from the Licensing and services end market decreased by 30% for the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 and decreased by 20% for the first nine months of fiscal 2021 compared to the first nine months of fiscal 2020 primarily due to a decrease in licensing.

Revenue by Geography

We assign revenue to geographies based on ship-to location of the customer.

The composition of our revenue by geography is presented in the following table:

<i>(In thousands)</i>	Three Months Ended				Nine Months Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
Asia	\$ 98,897	75.0%	\$ 79,739	77.4%	\$ 283,742	76.0%	\$ 222,992	74.1%
Americas	20,261	15.4	15,312	14.9	53,930	14.4	46,406	15.4
Europe	12,753	9.6	7,991	7.7	35,860	9.6	31,549	10.5
Total revenue	<u>\$ 131,911</u>	<u>100.0%</u>	<u>\$ 103,042</u>	<u>100.0%</u>	<u>\$ 373,532</u>	<u>100.0%</u>	<u>\$ 300,947</u>	<u>100.0%</u>

Revenue from Customers

We sell our products to independent distributors and directly to customers. Distributors have historically accounted for a significant portion of our total revenue, and the two distributor groups noted below accounted for more than 10% of our total revenue in the periods covered by this report.

The composition of our revenue by customer is presented in the following table:

	% of Total Revenue Three Months Ended		% of Total Revenue Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
	Weikeng Group	44.0%	37.9%	39.1%
Arrow Electronics Inc.	30.0	24.7	26.9	24.9
Other distributors	15.6	19.3	21.9	23.6
All distributors	89.6	81.9	87.9	81.4
Direct customers	7.0	11.9	8.9	13.6
Licensing and services revenue	3.4	6.2	3.2	5.0
Total revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Gross Margin

The composition of our Gross margin, including as a percentage of revenue, is presented in the following table:

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Gross margin	\$ 82,825	\$ 62,306	\$ 230,595	\$ 180,445
Gross margin percentage	62.8%	60.5%	61.7%	60.0%
Product gross margin %	61.5%	57.9%	60.5%	57.8%
Licensing and services gross margin %	100.0%	100.0%	100.0%	100.0%

Gross margin, as a percentage of revenue, increased 230 basis points in the third quarter of fiscal 2021 compared to the third quarter of fiscal 2020 and increased by 170 basis points in the first nine months of fiscal 2021 compared to the first nine months of fiscal 2020. Improved margins were driven by benefits from our pricing optimization and product cost reduction strategy.

Because of its higher margin, the licensing and services portion of our overall revenue can have a disproportionate impact on Gross margin.

Operating Expenses

Research and Development Expense

The composition of our Research and development expense, including as a percentage of revenue, is presented in the following table:

(In thousands)	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	% change	October 2, 2021	September 26, 2020	% change
Research and development	\$ 28,769	\$ 22,439	28.2%	\$ 80,289	\$ 66,590	20.6%
Percentage of revenue	21.8%	21.8%		21.5%	22.1%	

Research and development expense includes costs for compensation and benefits, stock compensation, engineering wafers, depreciation, licenses, and outside engineering services. These expenditures are for the design of new products, IP cores, processes, packaging, and software solutions. The increase in Research and development expense for the third quarter and first nine months of fiscal 2021 compared to the third quarter and first nine months of fiscal 2020 was due primarily to increased headcount-related costs as we continue to invest in the expansion of our product portfolio and the acceleration of our new product introduction cadence. We believe that a continued commitment to Research and development is essential to maintaining product leadership and providing innovative new product offerings and, therefore, we expect to continue to increase our investment in Research and development, particularly with expanded investment in the development of software solutions.

Selling, General, and Administrative Expense

The composition of our Selling, general, and administrative expense, including as a percentage of revenue, is presented in the following table:

(In thousands)	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	% change	October 2, 2021	September 26, 2020	% change
Selling, general, and administrative	\$ 26,272	\$ 23,758	10.6%	\$ 76,971	\$ 70,797	8.7%
Percentage of revenue	19.9%	23.1%		20.6%	23.5%	

Selling, general, and administrative expense includes costs for compensation and benefits related to selling, general, and administrative employees, commissions, depreciation, professional and outside services, trade show, and travel expenses. The increase in Selling, general, and administrative expense for the third quarter and first nine months of fiscal 2021 compared to the third quarter and first nine months of fiscal 2020 was due primarily to increased payroll and variable compensation related expenses.

Amortization of Acquired Intangible Assets

The composition of our Amortization of acquired intangible assets, including as a percentage of revenue, is presented in the following table:

<i>(In thousands)</i>	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	% change	October 2, 2021	September 26, 2020	% change
Amortization of acquired intangible assets	\$ 603	\$ 603	0.0%	\$ 1,809	\$ 3,846	(53.0)%
Percentage of revenue	0.5%	0.6%		0.5%	1.3%	

The decrease in Amortization of acquired intangible assets for the first nine months of fiscal 2021 compared to the first nine months of fiscal 2020 is due to the end of the amortization period for the majority of our acquired intangible assets during the first quarter of fiscal 2020.

Restructuring Charges

The composition of our Restructuring charges, including as a percentage of revenue, is presented in the following table:

<i>(In thousands)</i>	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	% change	October 2, 2021	September 26, 2020	% change
Restructuring charges	\$ 166	\$ 2,692	(93.8)%	\$ 546	\$ 4,178	(86.9)%
Percentage of revenue	0.1%	2.6%		0.1%	1.4%	

Restructuring charges are comprised of expenses resulting from reductions in our worldwide workforce, consolidation of our facilities, removal of fixed assets from service, and cancellation of software contracts and engineering tools. Details of our restructuring plans and expenses incurred under them are discussed in ["Note 6 - Restructuring"](#) to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q. Restructuring charges decreased in the third quarter and first nine months of fiscal 2021 compared to the third quarter and first nine months of fiscal 2020, as we had no significant restructuring activity in the current year periods.

Interest Expense

The composition of our Interest expense, including as a percentage of revenue, is presented in the following table:

<i>(In thousands)</i>	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	% change	October 2, 2021	September 26, 2020	% change
Interest expense	\$ (661)	\$ (792)	(16.5)%	\$ (2,081)	\$ (2,914)	(28.6)%
Percentage of revenue	-0.5%	(0.8)%		-0.6%	(1.0)%	

Interest expense is primarily related to our long-term debt, which is further discussed under the "Credit Arrangements" heading in the Liquidity and Capital Resources section, below. This interest expense is comprised of contractual interest and amortization of original issue discount and debt issuance costs based on the effective interest method. The decrease in Interest expense for the third quarter and first nine months of fiscal 2021 compared to the third quarter and first nine months of fiscal 2020 was driven by the reduction in the principal balance of our long-term debt due to principal payments made in previous periods.

Other (Expense) Income, net

The composition of our Other (expense) income, net, including as a percentage of revenue, is presented in the following table:

<i>(In thousands)</i>	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	% change	October 2, 2021	September 26, 2020	% change
Other (expense) income, net	\$ (87)	\$ (70)	24.3%	\$ (384)	\$ (83)	100+%
Percentage of revenue	-0.1%	(0.1)%		-0.1%	(0.0)%	

The increase in Other (expense) income, net for the third quarter and first nine months of fiscal 2021 compared to the third quarter and first nine months of fiscal 2020 was largely driven by higher foreign currency exchange losses.

Income Taxes

The composition of our Income tax expense is presented in the following table:

(In thousands)	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	% change	October 2, 2021	September 26, 2020	% change
Income tax expense (benefit)	\$ (472)	\$ (655)	(27.9)%	\$ 1,125	\$ 634	77.4%

Our Income tax expense is composed primarily of foreign income and withholding taxes, partially offset by benefits resulting from the release of uncertain tax positions due to statute of limitation expirations that occurred in the respective periods. The decrease in benefit in the third quarter of fiscal 2021 as compared to the third quarter of fiscal 2020 is primarily due to increases in foreign withholding taxes and changes in uncertain tax positions. The increase in expense in the first nine months of fiscal 2021 as compared to the first nine months of fiscal 2020 is primarily due to increases in worldwide income.

Liquidity and Capital Resources

The following sections discuss material changes in our financial condition from the end of fiscal 2020, including the effects of changes in our Consolidated Balance Sheets, and the effects of our credit arrangements and contractual obligations on our liquidity and capital resources.

We have historically financed our operating and capital resource requirements through cash flows from operations, and from the issuance of long-term debt to fund acquisitions. Cash provided by or used in operating activities will fluctuate from period to period due to fluctuations in operating results, the timing and collection of accounts receivable, and required inventory levels, among other things.

There is significant uncertainty around the extent and duration of the disruption to our business from the COVID-19 pandemic, and our liquidity and working capital needs may be impacted in future periods as a result of the effects of the COVID-19 pandemic.

We believe that our financial resources, including current cash and cash equivalents, cash flow from operating activities, and our credit facilities, will be sufficient to meet our liquidity and working capital needs through at least the next 12 months. As of October 2, 2021, we did not have significant long-term commitments for capital expenditures. In the future, we may continue to consider acquisition opportunities to further extend our product or technology portfolios and further expand our product offerings. In connection with funding capital expenditures, acquisitions, securing additional wafer supply, increasing our working capital, or other operations, we may seek to obtain equity or additional debt financing. We may also seek to obtain equity or additional debt financing if we experience downturns or cyclical fluctuations in our business that are more severe or longer than we anticipated when determining our current working capital needs. On May 17, 2019, we entered into our Current Credit Agreement that is discussed under the "Credit Arrangements" heading below.

Cash and cash equivalents

(In thousands)	October 2, 2021	January 2, 2021	\$ Change	% Change
Cash and cash equivalents	\$ 181,452	\$ 182,332	\$ (880)	(0.5)%

As of October 2, 2021, we had Cash and cash equivalents of \$181.5 million, of which approximately \$52.5 million was held by our foreign subsidiaries. We manage our global cash requirements considering, among other things, (i) available funds among our subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. The repatriation of non-US earnings may require us to withhold and pay foreign income tax on dividends. This should not result in our recording significant additional tax expense as we have accrued expense based on current withholding rates. As of October 2, 2021, we could access all cash held by our foreign subsidiaries without incurring significant additional expense.

The net decrease in Cash and cash equivalents of \$0.9 million between January 2, 2021 and October 2, 2021 was primarily driven by cash flows from the following activities:

Operating activities — Cash provided by operating activities results from net income adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities for the first nine months of fiscal 2021 was \$116.1 million compared to \$69.0 million for the first nine months of fiscal 2020. This increase of \$47.1 million was primarily driven by an increase of \$37.4 million provided by improved operating performance, coupled with \$9.7 million of net changes in working capital, primarily from cash provided by accounts payable activity, partially offset by cash used by changes in accrued payroll obligations. We are using cash provided by operating activities to fund our operations.

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Investing activities — Investing cash flows consist primarily of transactions related to capital expenditures and payments for software and intellectual property licenses. Net cash used by investing activities in the first nine months of fiscal 2021 was \$16.7 million compared to \$16.6 million in the first nine months of fiscal 2020.

Financing activities — Financing cash flows consist primarily of activity on our long-term debt, proceeds from the exercise of options to acquire common stock, tax payments related to the net share settlement of restricted stock units, and repurchases of common stock. During the first nine months of fiscal 2021, we paid required quarterly installments on our long-term debt totaling \$8.8 million. During the first nine months of fiscal 2020, we drew \$50.0 million on our revolving loan facility to further strengthen our liquidity position, and we paid quarterly installments totaling \$26.3 million on our long-term debt, which fulfilled the required quarterly installments through the first quarter of fiscal 2021. Payments for tax withholdings on vesting of RSUs partially offset by employee exercises of stock options used net cash flows of \$36.3 million in the first nine months of fiscal 2021, an increase of approximately \$23.5 million from the net \$12.8 million used in the first nine months of fiscal 2020. During the first nine months of fiscal 2021, we also repurchased approximately 1.1 million shares of common stock for \$55.1 million, as further discussed below under "Share Repurchase Program."

Accounts receivable, net

(In thousands)	October 2, 2021	January 2, 2021	Change	% Change
Accounts receivable, net	\$ 79,606	\$ 64,581	\$ 15,025	23.3%
Days Sales Outstanding - Overall	55	55	—	

Accounts receivable, net as of October 2, 2021 increased by approximately \$15.0 million, or 23%, compared to January 2, 2021. This increase resulted primarily from higher revenue shipments in the third quarter of fiscal 2021 compared to the year-end period. We calculate Days Sales Outstanding on the basis of a 365-day year as Accounts receivable, net at the end of the quarter divided by sales during the quarter annualized and then multiplied by 365.

Inventories

(In thousands)	October 2, 2021	January 2, 2021	Change	% Change
Inventories	\$ 66,105	\$ 64,599	\$ 1,506	2.3%
Days of inventory on hand	123	139	(16)	

Inventories as of October 2, 2021 increased \$1.5 million, or approximately 2%, compared to January 2, 2021 primarily to meet the increased demands of our customers.

The Days of inventory on hand ratio compares the inventory balance at the end of a quarter to the cost of sales in that quarter. We calculate Days of inventory on hand on the basis of a 365-day year as Inventories at the end of the quarter divided by Cost of sales during the quarter annualized and then multiplied by 365. Our Days of inventory on hand decreased to 123 days at October 2, 2021 from 139 days at January 2, 2021. This decrease resulted from increased product shipments to meet customer demand.

Credit Arrangements

On May 17, 2019, we entered into our Current Credit Agreement with Wells Fargo Bank, National Association, as administrative agent, and other lenders. The details of this arrangement are described in "Note 6 - Long-Term Debt" in the Notes to Consolidated Financial Statements of our 2020 10-K.

As of October 2, 2021, we had no significant long-term purchase commitments for capital expenditures or existing used or unused credit arrangements beyond the secured revolving loan facility described above.

Share Repurchase Program

See Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds," of this Quarterly Report on Form 10-Q for more information about the share repurchase program.

Contractual Cash Obligations

There have been no material changes to our contractual cash obligations outside of the ordinary course of business in the first nine months of fiscal 2021, as summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended January 2, 2021.

Off-Balance Sheet Arrangements

As of October 2, 2021, we did not have any off-balance sheet arrangements of the type described by Item 303(a)(4) of SEC Regulation S-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We assess these risks on a regular basis and have established policies that are designed to protect against the adverse effects of these and other potential exposures. There have been no material changes to either the foreign currency exchange rate risk or interest rate risk previously disclosed in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the fiscal year ended January 2, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

In connection with the filing of this Quarterly Report on Form 10-Q, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (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 have concluded that our disclosure controls were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that occurred during the third quarter of fiscal 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We do not believe there has been any material impact to our internal controls over financial reporting notwithstanding that most of our employees are working remotely due to the COVID-19 pandemic. We continue to monitor and assess any potential impact of the COVID-19 pandemic on the design and operating effectiveness of our internal controls.

Inherent Limitations on Effectiveness of Controls

We do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth above under "[Note 12 - Contingencies - Legal Matters](#)" contained in the Notes to Consolidated Financial Statements is incorporated herein by reference.

ITEM 1A. Risk Factors

The risk factors associated with our business were previously described in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended January 2, 2021 ("2020 10-K"). There have been no material changes in the risk factors included in our 2020 10-K, and this report should be read in conjunction with the risk factors set forth in our 2020 10-K. If any of these risks occur, our business, financial condition, operating results, and cash flows could be materially adversely affected, and the trading price of our common stock could decline. These risk factors are not the only risks facing our company. Additional risks and uncertainties not presently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and operating results, particularly in light of the rapidly changing nature of the COVID-19 pandemic, containment measures, and the related impacts to economic and operating conditions. These factors, together with all of the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, should be carefully considered before making an investment decision relating to our common stock.

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

Issuer Purchases of Equity Securities

On February 19, 2021, our Board of Directors approved a stock repurchase program pursuant to which up to \$60.0 million of outstanding common stock could be repurchased from time to time ("the 2021 Repurchase Program"). The duration of the 2021 Repurchase Program is twelve months. Under 2021 Repurchase Program during the third quarter of fiscal 2021, we made open market purchases funded from available working capital totaling approximately \$15.0 million. All shares repurchased pursuant to the 2021 Repurchase Program were retired by the end of the third quarter of fiscal 2021.

The following table contains information regarding our repurchases of our common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934 during the third quarter of fiscal 2021.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (\$M) (b)
July 4, 2021 through July 31, 2021	-	\$ -	-	\$ 19.9
August 1, 2021 through August 28, 2021	-	\$ -	-	\$ 19.9
August 29, 2021 through October 2, 2021	251,151	\$ 59.77	251,151	\$ 4.9
Total	251,151	\$ 59.77	251,151	\$ 4.9

(a) All open-market purchases during the quarter were made under the authorization from our board of directors to purchase up to \$60.0 million of LSCC common stock announced February 19, 2021.

(b) As of October 2, 2021, this amount consisted of the remaining portion of the \$60.0 million authorized for the twelve-month program announced February 19, 2021.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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 Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL and included in Exhibit 101

SIGNATURES

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

LATTICE SEMICONDUCTOR CORPORATION
(Registrant)

/s/ Sherri Luther

Sherri Luther

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: November 3, 2021

CERTIFICATION

I, James Anderson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lattice Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

/s/ James Anderson

James Anderson
Chief Executive Officer

CERTIFICATION

I, Sherri Luther, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lattice Semiconductor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

/s/ Sherri Luther

Sherri Luther
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lattice Semiconductor Corporation (the Company) on Form 10-Q for the quarter ended October 2, 2021 (the Report), I, James Anderson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ James Anderson

James Anderson
Chief Executive Officer

Date: November 3, 2021

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lattice Semiconductor Corporation (the Company) on Form 10-Q for the quarter ended October 2, 2021 (the Report), I, Sherri Luther, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

/s/ Sherri Luther

Sherri Luther
Chief Financial Officer

Date: November 3, 2021