UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2026

OR

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

For the transition period from to

Commission file number 001-42043

Silvaco Group, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**27-1503712**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

Silvaco Group, Inc.
4701 Patrick Henry Drive, Building #23
Santa Clara, CA 95054
(408) 567-1000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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

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

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). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of May 4, 2026, the registrant had 32,681,239 shares of common stock, $0.0001 par value per share, outstanding.

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SILVACO GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands except share and par value amounts)

	March 31, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,925	$ 9,008
Restricted cash	—	8,250
Current marketable securities	—	1,018
Accounts receivable, net	9,192	9,710
Contract assets, net	13,781	13,362
Prepaid expenses and other current assets	4,269	4,728
Total current assets	38,167	46,076
Non-current assets:		
Property and equipment, net	1,372	1,525
Operating lease right-of-use assets, net	2,017	3,114
Intangible assets, net	24,910	26,027
Goodwill	30,070	30,070
Non-current portion of contract assets	13,324	14,272
Other assets	1,590	1,558
Total non-current assets	73,283	76,566
Total assets	$ 111,450	$ 122,642
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,558	$ 3,483
Accrued expenses and other current liabilities	10,284	19,397
Accrued income taxes	2,071	2,486
Deferred revenue, current	8,824	10,751
Operating lease liabilities, current	1,032	1,121
Vendor financing obligation, current	1,191	1,165
Total current liabilities	26,960	38,403
Non-current liabilities:		
Deferred revenue, non-current	4,728	5,157
Operating lease liabilities, non-current	965	1,961
Vendor financing obligation, non-current	2,084	2,038
Other non-current liabilities	—	94
Total liabilities	34,737	47,653
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized, no shares issued and outstanding as of March 31, 2026 and December 31, 2025	—	—
Common stock, $0.0001 par value; 500,000,000 shares authorized; 32,234,263 and 30,948,403 shares issued and outstanding as of March 31, 2026 and December 31, 2025, respectively	3	3
Additional paid-in capital	154,007	146,136
Accumulated deficit	(75,078)	(69,218)
Accumulated other comprehensive loss	(2,219)	(1,932)
Total stockholders' equity	76,713	74,989
Total liabilities and stockholders' equity	$ 111,450	$ 122,642

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

SILVACO GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands except share and per share amounts)

	Three Months Ended March 31,	
	2026	2025
Revenue:		
Software license revenue	$ 11,609	$ 10,009
Maintenance and service	6,146	4,083
Total revenue	17,755	14,092
Cost of revenue	2,417	3,016
Gross profit	15,338	11,076
Operating expenses:		
Research and development	9,159	4,800
Selling and marketing	4,822	4,719
General and administrative	7,014	8,120
Litigation settlement	—	13,069
Total operating expenses	20,995	30,708
Operating loss	(5,657)	(19,632)
Interest income	47	863
Interest and other expense, net	(114)	(291)
Loss before income tax provision	(5,724)	(19,060)
Income tax provision	136	213
Net loss	$ (5,860)	$ (19,273)
Net loss per share:		
Basic and diluted	$ (0.19)	$ (0.67)
Weighted average shares used in computing per share amounts:		
Basic and diluted	31,365,903	28,694,295

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

SILVACO GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2026	2025
Net loss	$ (5,860)	$ (19,273)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(287)	276
Unrealized loss on marketable securities	—	(70)
Comprehensive loss	$ (6,147)	$ (19,067)

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

SILVACO GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands except share amounts)

	Three Months Ended March 31, 2026					
	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, December 31, 2025	**30,948,403**	**$ 3**	**$ 146,136**	**$ (69,218)**	**$ (1,932)**	**$ 74,989**
Issuance of common stock in connection with the open market sale agreement, net of commissions and related fees	752,744	—	3,992	—	—	3,992
Issuance of common stock to settle obligations due to Tech-X shareholder	167,281	—	565	—	—	565
Issuance of common stock for share-based award plans	436,089	—	—	—	—	—
Tax withholding on restricted stock unit settlements	(70,254)	—	(261)	—	—	(261)
Stock-based compensation expense	—	—	3,575	—	—	3,575
Other comprehensive loss	—	—	—	—	(287)	(287)
Net loss	—	—	—	(5,860)	—	(5,860)
Balance, March 31, 2026	**32,234,263**	**$ 3**	**$ 154,007**	**$ (75,078)**	**$ (2,219)**	**$ 76,713**

	Three Months Ended March 31, 2025					
	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, December 31, 2024	**28,526,615**	**$ 3**	**$ 130,360**	**$ (28,012)**	**$ (2,268)**	**$ 100,083**
Issuance of common stock for share-based award plans	332,444	—	—	—	—	—
Tax withholding on restricted stock unit settlements	(53,779)	—	(253)	—	—	(253)
Stock-based compensation expense	—	—	2,830	—	—	2,830
Other comprehensive income	—	—	—	—	206	206
Net loss	—	—	—	(19,273)	—	(19,273)
Balance, March 31, 2025	**28,805,280**	**$ 3**	**$ 132,937**	**$ (47,285)**	**$ (2,062)**	**$ 83,593**

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

SILVACO GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2026	2025
Cash flows from operating activities:		
Net loss	$ (5,860)	$ (19,273)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,273	438
Stock-based compensation expense	2,954	2,277
Provision for estimated credit losses	132	10
Litigation settlement	—	13,069
Accretion of discount on marketable securities, net	15	(261)
Change in fair value of contingent consideration	76	35
Changes in operating assets and liabilities:		
Accounts receivable	490	3,520
Contract assets	120	440
Prepaid expenses and other current assets	244	(1,026)
Other assets	(41)	119
Accounts payable	69	(1,183)
Accrued expenses and other current liabilities	(7,889)	55
Accrued income taxes	(415)	58
Deferred revenue	(2,142)	567
Other non-current liabilities	(48)	20
Net cash used in operating activities	(11,022)	(1,135)
Cash flows from investing activities:		
Maturities of marketable securities	1,000	23,000
Acquisition of businesses	—	(11,500)
Purchases of property and equipment	—	(96)
Net cash provided by investing activities	1,000	11,404
Cash flows from financing activities:		
Net proceeds from issuance of common stock	3,992	—
Payments of contingent consideration	(43)	(46)
Payment of payroll taxes related to shares withheld from employees	(261)	(252)
Payments of vendor financing obligation	—	(205)
Net cash provided by (used in) financing activities	3,688	(503)
Effect of exchange rate fluctuations on cash and cash equivalents	1	117
Net (decrease) increase in cash, cash equivalents and restricted cash	(6,333)	9,883
Cash, cash equivalents, and restricted cash beginning of period	17,258	19,606
Cash and cash equivalents, end of period	$ 10,925	$ 29,489

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

SILVACO GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business

Silvaco Group, Inc. (“Silvaco,” and the “Company” refers to Silvaco Group Inc. and its subsidiaries, unless the context specifically requires otherwise) was incorporated as a Delaware corporation on November 18, 2009. The Company is a provider of technology computer aided design (“TCAD”) software, electronic data automation (“EDA”) software and semiconductor intellectual property (“SIP”). TCAD, EDA and SIP solutions enable semiconductor companies to increase productivity, accelerate their products’ time-to-market and reduce their development and manufacturing costs. The Company’s TCAD solutions are used in the semiconductor industry to model and optimize manufacturing processes and device performance. The Company’s EDA software is used by semiconductor companies to design, simulate, and verify semiconductors. The Company’s SIP portfolio includes a range of products, including foundation technology, such as standard cells and memory compilers, as well as a suite of interface technologies. The Company’s customers include semiconductor manufacturers and systems companies that design and manufacture products containing semiconductors. Semiconductors are at the heart of innovation in many industries, including AI, display, power devices, automotive, memory, hyperscale and cloud computing, internet of things, telecommunications and many more.

2. Summary of Significant Accounting and Reporting Policies

Basis of presentation and consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and include the accounts of Silvaco and all of the Company's wholly owned subsidiaries with operations in North America, Europe, Asia, Africa, and South America. All intercompany transactions and balances have been eliminated upon consolidation.

The condensed consolidated financial statements as of March 31, 2026, and for the three months ended March 31, 2026, and 2025 are unaudited. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted from these condensed consolidated financial statements, as permitted by Securities and Exchange Commission (“SEC”) rules and regulations. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2025, and the related notes thereto included in the Company’s Annual Report on Form 10-K filed with the SEC on March 12, 2026. The condensed consolidated balance sheet as of December 31, 2025, was derived from the audited consolidated financial statements as of that date. In management’s opinion, the condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the condensed consolidated financial statements.

The results of operations for the three months ended March 31, 2026, are not necessarily indicative of the Company’s operating results to be expected for the full fiscal year or any other future interim or annual period.

Emerging growth company status

The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act, until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses during the reported periods. The Company’s most significant estimates relate to revenue recognition and the valuation of goodwill and other intangible assets. Other estimates include, but are not limited to, current expected credit losses for accounts receivable and contract assets, stock-based compensation expense, contingent consideration, uncertain tax positions, legal contingencies and income taxes. Actual results could differ from those estimates.

Concentrations of credit risk

Accounts receivable from customers representing 10% or more of the Company's total accounts receivable were as follows:

	March 31, 2026	December 31, 2025
Customer A	24%	—
Customer B	13%	11%
Customer C	10%	—
Customer D	—	14%
Customer E	—	10%

* Customer accounted for less than 10% of total accounts receivable at period end.

Revenue from customers representing 10% or more of the Company's total revenue was as follows:

	Three Months Ended March 31,	
	2026	2025
Customer B	10%	—
Customer F	—	12%

* Customer accounted for less than 10% of total revenue during the period.

In addition to the concentration of credit risk with respect to trade receivables and revenue, the Company's cash on deposit with financial institutions is also exposed to concentration risk. The Company's cash on deposit with financial institutions is insured through various public and private bank deposit insurance programs, foreign and domestic; however, a significant portion of cash balances held as of March 31, 2026, and December 31, 2025, exceeded insured limits.

As of March 31, 2026, $3.0 million, or 28%, of the Company's cash and cash equivalents was maintained with one financial institution, where the Company's current deposits are in excess of federally insured limits, and $4.7 million, or 43%, was held by the Company's foreign subsidiaries.

Accumulated other comprehensive loss

Accumulated other comprehensive loss is composed of foreign currency translation adjustments and unrealized gains and losses on marketable securities.

Foreign currencies

The financial statements of Silvaco's international subsidiaries with local functional currencies are translated to U.S. dollars upon consolidation. Assets and liabilities are translated at the effective exchange rate on the balance sheet date. Results of operations are translated at average exchange rates, which approximate rates in effect when the underlying transactions occur. The Company recorded foreign currency translation adjustments of $0.3 million for the three months ended March 31, 2026, and 2025, respectively, within accumulated other comprehensive loss.

Certain of the Company's sales and intercompany transactions are denominated in foreign currencies. These transactions are recorded in functional currency at the appropriate exchange rate on the transaction date. Monetary assets and liabilities denominated in a currency other than the Company's functional currency or its subsidiaries' functional currencies are remeasured at the effective exchange rate on the balance sheet date. Gains and losses resulting from foreign exchange transactions are included in Interest and other expense, net in the Company's condensed consolidated statements of operations. The Company recorded net foreign exchange transaction losses of $0.2 million for each of the three months ended March 31, 2026, and 2025.

Net loss per share

Basic net loss per share is computed based on the weighted average number of shares of common stock outstanding. Because the Company was in a loss position for all periods presented, the diluted earnings per share are equal to the basic earnings per share as the effect of potentially dilutive securities would have been antidilutive.

The following outstanding securities were excluded from the computation of diluted net loss per share because the effect would be anti-dilutive.

	March 31,	
	2026	2025
Restricted Stock Unit (“RSU”) Grants	4,207,079	1,474,294
Employee Stock Purchase Plan	153,099	—
Contingently issuable shares to the CEO	14,124	—

Recently adopted accounting standards

In July 2025, the FASB issued ASU No. 2025-05, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. This ASU provides a practical expedient that allows entities to estimate expected credit losses for current accounts receivable and contract assets assuming that conditions at the balance sheet date remain unchanged over the life of the asset. This ASU is effective for annual periods beginning after December 15, 2025, including interim periods within those fiscal years. The Company adopted this ASU on January 1, 2026, prospectively and the impact was not material to the condensed consolidated financial statements.

Accounting guidance issued and not yet adopted

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Topic 220)*: Disaggregation of Income Statement Expenses. This ASU requires additional disclosure of certain amounts included in the expense captions presented on the statements of operations as well as disclosures about selling expenses. This ASU is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its condensed consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU No. 2025-06, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. This ASU eliminates the accounting consideration of software project development stages to align with the agile method for developing software and enhances the guidance related to assessing the probability of project completion. This ASU is effective for annual periods beginning after December 15, 2027, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on the condensed consolidated financial statements.

3. Revenue

The Company's revenue is derived principally from software licensing, customization and related maintenance and services, which are generally accounted for as separate performance obligations with differing revenue recognition patterns. Arrangements with both software licenses and customization services are accounted for as a combined performance obligation. The transaction price is allocated to each distinct performance obligation based on the relative standalone selling price.

Revenue from software licenses is classified as software license revenue. Software license revenue is recognized upfront upon delivery of the licensed software. Revenue associated with the license of the Company’s SIP is classified as software license revenue and recognized as revenue (i) upfront upon delivery of the standard SIP license, or (ii) over time when customization services are combined with the SIP license, as specific contractual milestones are met and incremental functionality is delivered to the customer.

Maintenance and service revenue, which consists of both PCS for software licenses and support services for SIP licenses, is recognized ratably over the term of the contract period. Professional services revenue, which is classified as maintenance and service revenue, is recognized based on when the Company delivers the related service pursuant to the terms of the arrangement.

Customer contracts

The Company accounts for a contract with a customer when both parties have approved the contract and are committed to perform their respective obligations, each party’s rights and payment terms can be identified, the contract has commercial substance, and it is probable the Company will collect substantially all of the consideration it is entitled to.

For multi-year software licenses, the Company generally invoices customers annually at the beginning of each annual coverage period.

Transaction price allocated to the remaining performance obligations

As of March 31, 2026, approximately $46.6 million of revenue is expected to be recognized from remaining performance obligations. Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes both deferred revenue and backlog. The Company's backlog represents installment billings for periods beyond the current billing cycle. The Company expects to recognize revenue on approximately 52% of these remaining performance obligations over the next 12 months, with the remaining balance recognized thereafter.

Deferred revenue

Deferred revenue is comprised mainly of unearned revenue related to PCS on software licenses and pending software license and SIP license deliveries. Deferred revenue also includes contracts for professional services to be performed in the future.

During the three months ended March 31, 2026, the Company recognized revenue of $4.1 million that was included in the total deferred revenue balance as of December 31, 2025. All other activity in deferred revenue is due to the timing of invoices in relation to the timing of revenue recognized during the three months ended March 31, 2026, as described above.

4. Acquisitions

Optical Proximity Correction Suite of Tools

On March 4, 2025, the Company consummated an asset purchase agreement with Cadence Design Systems, Inc. (“Cadence”), pursuant to which, among other things, Silvaco agreed to acquire certain assets and assume certain liabilities comprising Cadence’s Process Proximity Compensation product line, an optical proximity correction suite of tools (the “OPC Business”), in exchange for $11.5 million in cash.

The Company expects that the addition of the OPC suite of tools and expert team, which are complementary to Silvaco’s EDA and TCAD suite, will enhance Silvaco’s ability to offer advanced computational lithography solutions that address the increasing complexity of semiconductor manufacturing at advanced nodes.

The acquisition was accounted for as a business combination, and Silvaco recorded the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. Silvaco recorded the excess of consideration transferred over the aggregate fair values of acquired assets and assumed liabilities as goodwill. The goodwill recorded was primarily attributable to synergies expected to arise after the acquisition and the value of the acquired workforce, and is expected to be deductible for U.S. income tax purposes.

The following is a summary of the assets acquired and liabilities assumed in the OPC Business acquisition.

Asset Type	**Weighted Average Amortization Period (Years)**	**Fair Value**
		(in thousands)
Contract asset		$ 615
Deferred tax asset		164
Developed Technology	7	1,000
Customer Relationships	6	4,990
Goodwill		5,147
Deferred revenue		(416)
Net assets acquired and liabilities assumed		**$ 11,500**

The fair value of developed technology was determined using a discounted cash flow model through application of the income approach, using the relief-from-royalty method, which assumed a market-based royalty rate applied to projected revenue. The fair value of customer relationships was determined using a discounted cash flow model under the income approach, specifically the multi-period excess earnings method, which discounts future cash flows attributable to existing customers, net of operating expenses and contributory asset charges.

During the three months ended March 31, 2026, and 2025, the Company incurred $0 and $0.7 million of acquisition-related expenses, respectively, in connection with the acquisition of the OPC Business, which were recognized in general and administrative expense on the condensed consolidated statements of operations.

Tech-X Corporation

On April 29, 2025, the Company consummated a stock purchase agreement with the shareholders of Tech-X Corporation (“Tech-X”), pursuant to which Silvaco agreed to acquire all of the outstanding shares of Tech-X for an aggregate purchase price of $8.2 million. The purchase consideration consisted of (i) $4.1 million in cash, (ii) 457,666 shares of the Company’s common stock with a fair value of $2.4 million on the closing date, and (iii) contingent consideration, with a maximum payout of $2.0 million, and with an estimated fair value of $1.7 million, payable upon the achievement of specified technical milestones through December 2026. In February 2026, the Company and a selling shareholder of Tech-X agreed to amend the form of payment of the contingent consideration and post-closing net working capital adjustments to be payable in shares of the Company’s common stock. As a result of the achievement of the first milestone and to settle the net working capital adjustments, the Company issued 167,281 shares of its common stock in February 2026 to a shareholder of Tech-X and recorded the issuance of shares at its fair value of $0.7 million in additional paid in capital. The Company and the Tech-X selling shareholder representative also agreed to extend the date through which contingent consideration can be earned to July 2027.

5. Restructuring

In October 2025, the Company began implementing targeted cost-savings initiatives intended to streamline the Company’s organizational structure, improve execution, and enhance stockholder value (the “Restructuring Plan”). The Company announced a voluntary early retirement program and a voluntary exit program available to certain employees in the United States, Asia, and Europe that meet the eligibility criteria. Participating employees received acceleration of any unvested RSUs held by the participating employees together with a grant of fully vested shares, such that the total value of the accelerated RSUs and additional shares is equal to four, six, or twelve months of the participating employee's salary. In connection with the Restructuring Plan, on November 24, 2025, the Company also announced an involuntary reduction in force in the United States, which has continued during the three months ended March 31, 2026. The Company expects to incur up to $5.0 million of costs in connection with the Restructuring Plan that primarily consists of severance costs for 68 terminated employees and other costs such as the site closures as part of its global site strategy. Of the total expected costs, $1.5 million and $1.3 million were incurred during the three months ended March 31, 2026 and year ended December 31, 2025, respectively. The Company expects to complete the Restructuring Plan in 2026.

The Company has $0.6 million and $0.1 million of remaining obligations related to the restructuring plan as of March 31, 2026 and December 31, 2025, respectively, which are included in accrued expenses and other current liabilities on the Company's condensed consolidated balance sheets. The following table presents the change in the Company's restructuring accrual balances during the reported period (in thousands):

	Employee Compensation	Other	Total
		(in thousands)	
Balance as of December 31, 2025	$ 33	$ 69	$ 102
Charges	1,470	—	1,470
Cash payments	(587)	(61)	(648)
Non-cash payments	(324)	—	(324)
Balance as of March 31, 2026	**$ 592**	**$ 8**	**$ 600**

Restructuring expenses are included within operating expenses in the condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended March 31, 2026
	(in thousands)
Cost of revenue	63
Research and development	219
Sales and marketing	549
General and administrative	639
Total	**$ 1,470**

6. Intangible Assets

As of March 31, 2026, and December 31, 2025, intangible assets were classified as follows:

		March 31, 2026		
Intangible assets:	**Weighted Average Amortization Period (in years)**	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Value**
			(in thousands)	
Developed technology	7	$ 4,980	$ (580)	$ 4,400
Customer relationships	7	14,120	(1,863)	12,257
Trade name	12	5,630	(365)	5,265
Licensed IP	5	4,979	(1,991)	2,988
Total intangible assets		**$ 29,709**	**$ (4,799)**	**$ 24,910**

On January 1, 2026, the Company retired $0.8 million of intangible assets that were fully amortized.

		December 31, 2025		
Intangible assets:	**Weighted Average Amortization Period (in years)**	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Value**
			(in thousands)	
Developed technology	7	$ 5,780	$ (1,199)	$ 4,581
Customer relationships	7	14,120	(1,307)	12,813
Trade name	12	5,630	(234)	5,396
Non-compete agreements	5	20	(20)	—
Licensed IP	5	4,979	(1,742)	3,237
Total intangible assets		**$ 30,529**	**$ (4,502)**	**$ 26,027**

Amortization expense for the three months ended March 31, 2026, and 2025 was:

	Three Months Ended March 31,	
	2026	**2025**
	(in thousands)	
Cost of revenue	$ 249	$ 249
Research and development	180	113
General and administrative	688	—
Total amortization expense	**$ 1,117**	**$ 362**

As of March 31, 2026, estimated future amortization expense for the intangible assets reflected above was as follows:

Year Ending December 31,	Amount (in thousands)
Remainder of 2026	$ 3,348
2027	4,422
2028	4,400
2029	3,653
2030	3,404
Thereafter	5,683
Total net carrying value of intangible assets	**$ 24,910**

7. Related Parties

The Company has a commercial lease agreement with Kipee International, Inc., a related party controlled by a principal stockholder and member of the Company's board of directors, for Silvaco's corporate office in Santa Clara, California. In connection with this lease arrangement, which expires on April 30, 2028, the Company recorded rent expense of $0.1 million in each of the three months ended March 31, 2026, and 2025. The Company's right-of-use asset and operating lease liability for this property is $0.5 million as of March 31, 2026.

The Company has international office leases with New Horizons (Cambridge) LTD ("NHC") and New Horizons France ("NHF") in Cambridgeshire, England and Grenoble, France, respectively. NHC and NHF are real estate entities owned and controlled by a principal stockholder and member of the Company's board of directors. In connection with these lease arrangements, the Company recorded rent expense of $0.1 million in each of the three months ended March 31, 2026, and 2025. The Company's right-of-use asset and operating lease liability under the NHF lease, which expires on April 30, 2026, is $5.0 thousand as of March 31, 2026.

During the three months ended March 31, 2026, the Company terminated its existing lease with NHC and executed a new office lease with NHC. Accordingly, the Company de-recognized the right-of-use asset and operating lease liability of $0.7 million at the time of termination. Under the new NHC lease, the Company did not record a right-of-use asset and lease liability as the lease is a short-term lease.

In May 2025, the Company and two of our principal stockholders and members of our board of directors (the "Co-Defendants") agreed to a Settlement Agreement in connection with a trial court judgment awarded to the Nangate Parties. The $32.5 million settlement (the "Settlement Payment") consists of $16.0 million payable on June 18, 2025, $4.1 million payable on August 15, 2025, $4.1 million payable on November 14, 2025, and final payment of $8.3 million payable on February 13, 2026. Following the execution of the Settlement Agreement, the Co-Defendants, each a principal stockholder of the Company and a member of the Company's board of directors, executed an apportionment agreement with the Company under which the Co-Defendants agreed to bear 25% of the Settlement Payment, with the Company bearing the remaining 75%. During the three months ended March 31, 2026, the Company made the final payment of $8.3 million and as of March 31, 2026, there is no remaining liability under the Settlement Agreement. Refer to Note 13, Commitments and Contingencies, for additional information.

8. Debt and Financing Obligations

On April 11, 2024, the Company amended its license to use, perform, display, copy, reproduce, modify, adapt, alter, customize, translate or otherwise create derivative works based on certain technology of NXP Semiconductors Netherlands B.V. to develop and make licensed designs for the Company's account, and to market, demonstrate, promote, sell, offer to sell, distribute and otherwise dispose of such licensed designs for total cash consideration of $6.0 million, to be paid over 5 years, pursuant to which the Company recorded an associated vendor financing obligation, which has a balance of $3.3 million and $3.2 million as of March 31, 2026, and December 31, 2025, respectively. The Company determined that this vendor financing obligation had an imputed interest rate of 9%, which is reflective of its borrowing rate for arrangements with similar terms. The Company recognized interest expense of $0.1 million for the three months ended March 31, 2026, and 2025. The Company's vendor financing obligation is comprised of the following payments as of March 31, 2026:

For the year ending December 31,		Amount
		(in thousands)
Remainder of 2026		1,200
2027		1,200
2028		1,200
Total undiscounted cash flows	**$**	**3,600**
Less: Imputed interest		325
Present value of vendor financing obligation	**$**	**3,275**
Vendor financing obligation, current	**$**	**1,191**
Vendor financing obligation, non-current	**$**	**2,084**

9. Significant Balance Sheet Components

Prepaid expenses and other current assets consisted of the following:

	March 31 2026	December 31, 2025
	(in thousands)	
Research and development tax credits and grants	$ 1,514	$ 1,666
Software and subscriptions	939	1,089
Deferred sales commissions[a]	738	751
Current lease deposits	144	163
Other prepaid expenses	934	1,059
Total prepaid expenses and other current assets	**$ 4,269**	**$ 4,728**

(a) Balance reflects commissions paid for new contracts, primarily new multi-year term license arrangements to be amortized over the anticipated customer life of five years.

Accrued expenses and other current liabilities consisted of the following:

	March 31 2026	December 31, 2025
	(in thousands)	
Accrued employee expenses	$ 5,364	$ 6,263
Accrued taxes payable	1,634	1,333
Accrued operating expense	1,568	1,525
Contingent consideration	1,310	1,741
Accrued royalties payable [a]	317	285
Litigation settlement	—	8,250
Other	92	—
Total accrued expenses and other current liabilities	**$ 10,284**	**$ 19,397**

(a) Silvaco has entered into various renewable license agreements under which the Company has been granted access to the licensor's technology and the right to sell the technology in its product line. Royalties are payable to developers of the software at various rates and amounts, which generally are based upon unit sales, revenue or flat fees. Royalty fees are reported in cost of revenue upon delivery pursuant to the terms and conditions of the Company's contractual obligations.

10. Stock-Based Compensation

During the three months ended March 31, 2026, the Company accelerated 101,509 RSUs and recognized $0.5 million of stock-based compensation expense related to the acceleration and grant of fully vested shares related to the Restructuring Plan. Refer to Note 5, Restructuring, for additional information.

As of December 31, 2025, the Company had a bonus accrual of $0.7 million that was expected to be paid in cash. During the three months ended March 31, 2026, the Company amended the bonus terms and settled the liability in shares of common stock. Accordingly, the Company reversed the bonus accrual and recorded the issuance of common stock of $0.7 million in additional paid-in capital.

The Company recorded total stock-based compensation expense of $3.0 million and $2.3 million during the three months ended March 31, 2026, and 2025, respectively. The following table summarizes stock-based compensation expense by function for the three months ended March 31, 2026, and 2025:

	Three Months Ended March 31,	
	2026	2025
	(in thousands)	
Cost of revenue	277	199
Research and development	915	244
Selling and marketing	442	323
General and administrative	1,320	1,511
	$ 2,954	**$ 2,277**

As of March 31, 2026, the Company had unrecognized stock-based compensation expense of $17.9 million which is expected to be recognized over a weighted average period of 2.8 years.

11. Income Taxes

During the three months ended March 31, 2026, and March 31, 2025, the Company recorded an Income tax provision of $0.1 million and $0.2 million, respectively. The effective tax rate for the three months ended March 31, 2026, and 2025 was (1.9)% and (1)%, respectively.

The Company determines its income tax provision for interim periods using an estimate of its annual effective tax rate adjusted for discrete items occurring during the periods presented. The difference between its effective tax rate and the federal statutory rate is primarily attributable to state income taxes, foreign income taxes, the effect of certain permanent differences, and full valuation allowance against net deferred tax assets.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions and certain foreign jurisdictions. The Company is currently under audit by the Internal Revenue Service for its 2022 return, but no assessments have been issued. There are no audits currently underway for state, local, and foreign authorities. All tax years remain open to examination by major taxing jurisdictions to which the Company is subject for a period of 3 years for federal and 4 years for states, after the utilization of net operating losses and credits.

12. Segment Reporting

The Company manages its operations through an evaluation of a consolidated business segment that solves semiconductor design challenges by offering affordable and competitive TCAD software, EDA software and design IP to support engineers and researchers across the globe. The chief operating decision maker ("CODM"), who is the Company's CEO, reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. As such, the Company's operations constitute a single operating segment and one reportable segment.

The following table presents a summary of revenue, payroll expenses, which the CODM reviews in assessing Company performance and deciding how to allocate resources, and total other expenses as a reconciliation to condensed consolidated net loss for the three months ended March 31, 2026, and 2025.

	Three Months Ended March 31,	
	2026	2025
	(in thousands)	
Total revenue	$ 17,755	$ 14,092
Expenses		
Payroll expenses	16,350	14,532
All other expenses, net	7,265	18,833
Total expenses	23,615	33,365
Net loss	**$ (5,860)**	**$ (19,273)**

13. Commitments and Contingencies

Warranties

The Company typically provides its customers a warranty on its software licenses for a period of no more than 90 days and on its other tools for a period of no more than one year. Such warranties are accounted for in accordance with the authoritative guidance issued by the FASB on contingencies. For the three months ended March 31, 2026, and 2025, the Company has not incurred any costs related to warranty obligations.

Indemnification

Under the terms of substantially all of its license agreements, the Company has agreed to indemnify its customers for costs and damages arising from claims against such customers based on, among other things, allegations that the Company’s software infringes the intellectual property rights of a third party. In most cases, in the event of an infringement claim, the Company retains the right to (i) procure for the customer the right to continue using the software; (ii) replace or modify the software to eliminate the infringement while providing substantially equivalent functionality; or (iii) if neither (i) nor (ii) can be reasonably achieved, the Company may terminate the license agreement and refund to the customer a pro-rata portion of the license fee paid to the Company. Such indemnification provisions are accounted for in accordance with the authoritative guidance issued by the FASB on guarantees. From time to time, in the ordinary course of business, the Company receives claims for indemnification.

Contingencies

In December 2020, the Company sought declaratory relief in the California Superior Court to clarify its obligations regarding the earnout payments due to the former stockholders of Nangate following its acquisition by the Company in 2018. The Nangate Parties subsequently filed a cross-complaint against the Company and the Co-Defendants seeking $20.0 million in damages for breach of contract, fraud, and unfair business practices, as well as punitive damages.

On July 23, 2024, a jury awarded the Nangate Parties $11.3 million in damages under breach of contract related claims, including breach of contract and breach of the covenant of good faith and fair dealing and court and litigation related costs and expenses to be determined by the court (the “Contract Damages”). As a result, during the year ended December 31, 2024, the Company recorded a charge to litigation settlement and accrued expenses and other current liabilities of $11.3 million for the Contract Damages awarded to the Nangate Parties.

The jury also found the Company and the Co-Defendants liable for certain of the misrepresentation claims and awarded the Nangate Parties $6.6 million in compensatory damages, for which the Company and the Co-Defendants were joint and severally liable. Incremental punitive damages relating to these claims, including $17.0 million payable by the Company and a total of $16.0 million to be paid by the Co-Defendants, were awarded following a hearing on August 16, 2024 (collectively, the “Fraud Damages”). Under California law, the Nangate Parties were entitled to elect either the Contract Damages or the Fraud Damages but could not receive both.

The Company recorded an additional charge to litigation settlement of $13.1 million for the three months ended March 31, 2025. In May 2025, the parties entered into the Settlement Agreement pursuant to which the Company and the Co-Defendants agreed to pay the Nangate Parties an aggregate amount of $32.5 million in full resolution of all claims. In September 2025, the U.S. Court of Appeals for the Ninth Circuit reversed the fraud and breach of contract verdicts following the parties' joint stipulation, and the parties then dismissed all claims. As of March 31, 2026, there is no remaining liability under the Settlement Agreement. Refer to Note 7, Related Parties, for further information.

The Company is party to various litigation matters and claims arising from time-to-time in the ordinary course of business. While the results of such matters cannot be predicted with certainty, unless disclosed above, the Company believes that the final outcome of such matters will not have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. However, each of these matters is subject to various uncertainties and it is possible that an unfavorable resolution of one or more of these proceedings could materially affect the Company.

14. Fair Value of Financial Instruments

Financial instruments measured at fair value on a recurring basis

The following tables present the Company's financial assets and liabilities that are measured at estimated fair value on a recurring basis as of March 31, 2026, and December 31, 2025:

	Fair value measurements as of March 31, 2026 (in thousands)			
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Cash equivalents:				
Money market funds	3,186	3,186	—	—
Total	**$ 3,186**	**$ 3,186**	**$ —**	**$ —**
Liabilities:				
Contingent consideration	1,310	—	—	1,310
Total	**$ 1,310**	**$ —**	**$ —**	**$ 1,310**

	Fair value measurements as of December 31, 2025 (in thousands)			
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Cash equivalents:				
Money market funds	161	161	—	—
Total	161	161	—	—
Available-for-sale marketable securities:				
U.S. government agencies securities	1,018	—	1,018	—
Total	1,018	—	1,018	—
Total	**$ 1,179**	**$ 161**	**$ 1,018**	**$ —**
Liabilities:				
Contingent consideration	1,741	—	—	1,741
Total	**$ 1,741**	**$ —**	**$ —**	**$ 1,741**

The Company's level 1 financial assets were valued using quoted prices in active markets for identical assets as of March 31, 2026, and December 31, 2025. The Company's level 2 financial assets were determined based on third-party inputs which are either directly or indirectly observable, such as reported trades and broker or dealer quotes. The Company's marketable securities have an amortized cost that approximates fair value.

Pursuant to the Company’s stock purchase agreement, as amended, for Tech-X in April 2025, the selling shareholders are entitled to earn out consideration based on technical achievements, of which certain consideration is payable in shares of the Company’s common stock. Refer to Note 4. Acquisitions for additional information. As the Company has an obligation to issue a variable number of shares of common stock, the liability is recorded at its fair value and re-valued period to period with any changes recorded to Interest and other expense, net in the condensed consolidated statements of operations. The amendment does not limit the number of shares that the Company could be required to issue.

The Company's contingent consideration is valued using a discounted cash flow model, and the assumptions used in preparing the discounted cash flow model include estimates for interest rates and the amount of cash flows, in addition to the expected probability of technical achievement.

The following is a reconciliation of changes in the liability related to contingent consideration during the three months ended March 31, 2026:

	Three Months Ended March 31,
	2026
	(in thousands)
Fair value as of January 1,	**$ 1,741**
Change in fair value	76
Earn-out payments in cash	(43)
Earn-out payments in shares of common stock	(464)
Fair value as of March 31,	**$ 1,310**

15. Sale of Common Stock

On March 13, 2026, the Company entered into an Open Market Sale Agreement with Jefferies LLC, as sales agent, pursuant to which the Company may conduct registered offers and sales of shares of the Company's common stock under the Company's registration statement on Form S-3 (Registration No. 333-291212) and a prospectus supplement dated March 13, 2026, for an aggregate public offering amount of up to $15.0 million. During the three months ended March 31, 2026, the Company issued 752,744 shares of common stock at a weighted average price of $5.75 per share. The Company received gross proceeds of $4.3 million, with $4.0 million funded to the Company after deducting commissions and other related fees of $0.3 million. The commissions and related fees were recorded as a reduction to additional paid-in capital.

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

Cautionary Statements Regarding Forward-Looking Information

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included under Part I, Item 1 in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the fiscal year ended December 31, 2025, included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the “2025 Form 10-K”). This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks, uncertainties and assumptions set forth in our 2025 Form 10-K. Our actual results could differ materially from those discussed in or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q titled “Risk Factors.” Forward-looking statements may be identified by words including, but not limited to, “may,” “will,” “could,” “would,” “can,” “should,” “anticipate,” “expect,” “intend,” “believe,” “estimate,” “project,” “continue,” “forecast,” "likely," "potential," "seek," or the negatives of such terms and similar expressions. The information included herein represents our estimates and assumptions as of the date of this filing. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Overview

We are a provider of technology computer aided design software (“TCAD”), electronic data automation software (“EDA”), and semiconductor intellectual property (“SIP”). Our solutions are used by engineers to optimize semiconductor manufacturing processes and efficiently bring semiconductor products to market. Our differentiated solutions enable our customers to increase productivity, accelerate time-to-market and reduce development and manufacturing costs. Our customers include semiconductor manufacturers and systems companies that design and manufacture products containing semiconductors. Semiconductors are at the heart of innovation in many industries, including AI, display, power devices, automotive, memory, hyperscale and cloud computing, Internet of Things (“IoT”), telecommunications and many more.

Our TCAD solutions are used in the semiconductor industry to model and optimize manufacturing processes and device performance. This includes foundational TCAD software and more advanced artificial intelligence (“AI”) machine learning for process development, called Fab Technology Co-Optimization (“FTCO™”). We are a pioneer in the leverage of AI to redefine manufacturing process development in partnership with customers.

Our EDA software is used by semiconductor companies to design, simulate, and verify semiconductors. Our EDA products include SPICE modelling and simulation, parasitic extraction and reduction, standard cell generation and optical proximity correction.

Our SIP portfolio includes a range of products, including foundation technology, such as standard cells and memory compilers, as well as a suite of interface technologies. Our SIP portfolio benefited from recent acquisitions, most notably Mixel Group, Inc. (“Mixel”), which is positioned for growth as we roll out Mixel’s quality processes to the rest of the organization.

Our customers include foundries, integrated device manufacturers and fabless semiconductor companies. Our go-to-market strategy centers on selling software solutions and associated maintenance and services. Our software solutions accounted for 65% and 71% of our revenue for the three months ended March 31, 2026, and 2025, respectively, and associated maintenance and services accounted for 35% and 29% of our revenue for the three months ended March 31, 2026, and 2025, respectively.

Recent Acquisitions

On March 4, 2025, we consummated an asset purchase agreement with Cadence Design Systems, Inc. (“Cadence”), pursuant to which, among other things, we agreed to acquire certain assets and assume certain liabilities comprising Cadence’s Process Proximity Compensation product line, an optical proximity correction suite of tools (the “OPC Business”), in exchange for $11.5 million in cash.

On April 29, 2025, we consummated a stock purchase agreement with the shareholders of Tech-X Corporation ("Tech-X"), pursuant to which we acquired all of the outstanding shares of Tech-X for an aggregate purchase price of $8.2 million. The purchase consideration consisted of (i) $4.1 million in cash, (ii) 457,666 shares of the Company's common stock with a fair value of $2.4 million on the closing date, and (iii) contingent consideration, with a maximum payout of $2.0 million, and with an estimated fair value of $1.7 million, payable in cash upon the achievement of specified technical milestones through December 2026. In February 2026, the Company amended the form of payment of a portion of the contingent consideration and post-closing net working capital adjustments to be payable in shares of the Company's common stock. The Company also extended the date through which contingent consideration can be earned to July 2027.

On August 1, 2025, we consummated a stock purchase agreement with the shareholders of Mixel Group, Inc. ("Mixel"), pursuant to which we agreed to acquire all of the outstanding shares of Mixel for an aggregate purchase price of $22.5 million, which includes (i) $19.7 million in cash and (ii) 643,617 shares of the Company's common stock with a fair value of $2.8 million on the closing date.

Key Factors Affecting our Results of Operations and Future Performance

Current Economic Conditions

Because of our global operations, our business is subject to economic downturns in the countries in which we do business, volatility in exchange rates, changes in interest rates, evolving trade control regulations and geopolitical conflicts.

We have been impacted by the expansion of trade control laws and regulations, including the broadening of the list of Chinese technology companies on the U.S. Department of Commerce Bureau of Industry and Security "entity list." We expect the impact of these expanded trade controls on our business to be limited.

We also monitor geopolitical conflicts around the world, including the conflict in Ukraine and conflicts in the Middle East. To date, these conflicts have not materially impacted our business.

For additional information on the potential impact of macroeconomic conditions on our business, see Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q.

Cost Reduction Initiatives

In October 2025, we began implementing targeted cost-savings initiatives intended to streamline our organizational structure, improve execution, and enhance stockholder value (the "Restructuring Plan"). The Restructuring Plan includes a voluntary early retirement program, a voluntary exit program, an involuntary reduction in force, and certain planned site closures. We expect to incur $5.0 million of costs in connection with the Restructuring Plan that primarily consists of severance costs for 68 terminated employees and other costs such as the site closures as part of our global site strategy. Of the total expected costs, $1.5 million and $1.3 million were incurred during the three months ended March 31, 2026 and year ended December 31, 2025, respectively. We expect to complete the Restructuring Plan in 2026. We anticipate these initiatives will result in significant annualized operating expense reductions. See Note 5 of our condensed consolidated financial statements for further discussion of the Restructuring Plan.

Relationships with Our Existing Customers

Building long-term relationships with our existing customer base is critical in driving renewals for our licenses and overall revenue growth. We have a global sales force that advises semiconductor industry business leaders, fabrication facility managers and the next generation of chip designers on the benefits of our design tools and semiconductor IP. Most of our customers enter into multi-year software license agreements for a fixed price including a multi-year software license and maintenance and services.

When we renew contracts with our customers, we may increase our bookings by selling them additional or new software or SIP. Over time, we expect that existing customers will choose to upgrade and/or purchase additional products. Our ability to continue to generate sales from our existing customers and to expand those relationships is dependent on our ability to continue to offer software solutions that our existing customers demand. Any failure to continue to generate sales with our existing customers or expand our product and service offerings with our existing customers may have an adverse effect on our revenue and results of operations.

We enter into standard software licensing agreements with our customers. Pursuant to these agreements, we grant our customers a non-exclusive, non-transferable, limited license, without the right to sublicense, to execute, use and operate certain software. Each party has the right to terminate the software license agreement under certain circumstances, in which event the customer will be required to remove, delete and return all software, related documentation and confidential information furnished under the license agreement.

Our Ability to Expand Our Product Offerings

To meet the increasing complexity of semiconductor designs, the introduction of new advanced materials, and the increased costs associated with more advanced semiconductor technology nodes, we need to continually enhance our product offerings through our own in-house research and development efforts, acquisitions, or strategic partnerships with third parties. The in-house development of new product offerings or enhancements to our existing product offerings requires significant research and development activities and time and may or may not result in offerings we can successfully market and sell to customers. We may also seek to acquire companies or assets for products or solutions which we believe are complementary to our existing products or solutions. Additionally, we currently, and have in the past, and may in the future, partner with third parties to expand our product offerings to our customers. If in the future, we enter into additional licensing agreements with other third parties and are unable to extend the term of those licensing arrangements, we will experience an associated decline in revenue relating to those products.

Our Ability to Expand into New Markets and Applications and Expansion of our Existing Markets

The development of semiconductors that are optimized for specific applications, including AI, 5G/6G communications and IoT, has continued to fuel demand for TCAD and EDA software tools, which in turn fuels demand to develop solutions to meet our markets' evolving needs. Our ability to successfully generate customer demand amongst new customers and in new markets is dependent on our ability to educate these customers and markets about our software solutions and our ability to generate sufficient new solutions that solve problems for these potential customers. Our ability to continue to expand our product offerings into new markets also requires that we direct our research and development efforts toward value-generating new and existing initiatives. Our future revenues and results of operations will be directly impacted by our ability to produce and provide new software solutions in new and expanding markets.

Our Ability to Successfully Identify, Complete and Integrate Acquisitions

Our success depends in part on our ability to identify, complete and integrate acquisitions. Our goal for future potential acquisitions is to pursue acquisitions that will increase our competitiveness in our markets and increase our bookings and revenue. Our ability to successfully identify, complete and integrate acquisitions will depend on a number of factors, including access to adequate capital, potential competition for the assets, and technology fit. When we engage in mergers and acquisitions, we aim to retain the customers of our acquired companies due to our expanded offerings or improved services. As a result, acquiring target companies is a key part of our growth strategy and may allow us to access and serve a broader range of customers, which ultimately may lead to more bookings, increased revenue growth and expansion in our market share presence.

Our Ability to Scale While Mitigating Increases in Expenses

If we can execute on our growth strategy and grow our revenue through a combination of new customer growth, upgrades and increased usage of our products by existing customers, as well as accretive acquisitions, our results will be impacted by our ability to reduce the rate at which our expenses increase in proportion with a rise in revenue. We believe this is possible in a number of expense line items, which may provide for additional gross margin and operating margin expansion. For example, we anticipate as our existing customers choose to upgrade to newer software solutions, our costs related to the support of legacy software decreases, outpacing any increases in cost related to supporting the upgraded software. Additionally, we have incurred a significant increase in stock-based compensation expense since becoming a public company. However, we do not anticipate that to scale proportionally with our revenue. Finally, we have been able to gain sales efficiencies as our revenue grows, such that our sales and marketing expenses will have decreased as a percentage of revenue. In the aggregate, our ability to keep these expenses from growing proportionally with our revenue may provide for meaningful gross margin and operating margin expansion.

Components of Results of Operations

Revenue

Our revenue is derived principally from software licensing, customization and related maintenance and services, which are generally accounted for as separate performance obligations with differing revenue recognition patterns. Arrangements with both software licenses and customization services are accounted for as a combined performance obligation.

Software License Revenue

Revenue from software licenses is classified as software license revenue. Software license revenue is recognized upfront upon delivery of the licensed software. Revenue associated with the license of the Company's SIP is classified as software license revenue and recognized as revenue (i) upfront upon delivery of the standard SIP license, or (ii) over time, when customization services are combined with the SIP license, as specific contractual milestones are met and incremental functionality is delivered to the customer.

Maintenance and Service Revenue

Maintenance and service revenue, which consists of both post-contract support ("PCS") for software licenses and support services for SIP licenses, is recognized ratably over the term of the contract period. Professional services revenue, which is classified as maintenance and service revenue, is recognized based on when the Company delivers the related service pursuant to the terms of the arrangement.

We also recognized an immaterial portion of our revenue from device characterization and modeling services for the three months ended March 31, 2026, and 2025. Revenue is recognized upon the completion of the requested services and, as applicable, satisfaction of customer acceptance terms. Revenue from these services is classified as maintenance and service revenue.

Cost of Revenue and Gross Profit

Cost of revenue consists of personnel costs comprised of salaries and benefits for employees directly involved in our customer support function, such as customer support engineering salary and benefits, costs of our other customer services, allocation of overhead and facility costs, amortization of acquired intangible assets, and royalties. We recognized $0.3 million and $0.2 million of stock-based compensation expense in cost of revenue during the three months ended March 31, 2026, and 2025, respectively. We also recognized $0.2 million of amortization associated with our acquired intangible assets in cost of revenue during each of the three months ended March 31, 2026, and 2025. Gross profit represents revenue less cost of revenue.

Operating Expenses

Our operating expenses consist of research and development, selling and marketing, general and administrative expenses, and litigation settlement. Related personnel costs are the most significant component of our operating expenses and consist of salaries, benefits, stock-based compensation expense, bonuses and commissions. Our operating expenses also include consulting costs, facilities, information technology, depreciation and amortization. We expect our operating expenses to fluctuate as a percentage of revenue over time. During the three months ended March 31, 2026, and 2025, we recognized $2.7 million and $2.1 million in total stock-based compensation expense, respectively.

The following table summarizes stock-based compensation expense by function for the three months ended March 31, 2026, and 2025:

	Three Months Ended March 31,	
	2026	**2025**
	(in thousands)	
Research and development	915	244
Sales and marketing	442	323
General and administrative	1,320	1,511
	$ 2,677	**$ 2,078**

Research and Development

Our research and development expense consists primarily of personnel costs comprised of salaries, stock-based compensation expense, and benefits for employees directly involved in our research and development efforts, as well as engineering, quality assessment, other related costs associated with the development of new products, enhancements to existing products, quality assurance and testing and allocated overhead costs. We expense research and development costs as incurred. We believe that continued investment in our software solutions and services is important for our future growth and acquisition of new customers and, as a result, we expect our research and development expenses to continue to increase, although it may fluctuate as a percentage of revenue from period to period depending on the timing of these expenses.

Selling and Marketing

Selling and marketing expense consists of personnel costs comprised of salaries, stock-based compensation expense, benefits, sales commissions, travel costs, and field application engineering directly involved in our selling and marketing efforts, as well as professional and consulting fees, advertising expenses, and allocated overhead costs. We expect selling and marketing expense to continue to increase as we increase our sales and marketing personnel and grow our international operations, although it may fluctuate as a percentage of revenue from period to period depending on the timing of these expenses.

General and Administrative

General and administrative expense consists of personnel costs associated with our executive, legal, finance, human resources, information technology and other administrative functions, including salaries, stock-based compensation expense, benefits and bonuses. General and administrative expense also includes professional and consulting fees, accounting fees, legal costs, and allocated overhead costs. We expect general and administrative expense to remain consistent, although it may fluctuate as a percentage of revenue from period to period depending on the timing of these expenses.

Litigation settlement

In May 2025, Silvaco and two of our principal stockholders and members of our board of directors (the “Co-Defendants”) agreed to a settlement (the “Settlement Agreement”) in connection with litigation brought by the former shareholders of Nangate, Inc. (“Nangate”) and a third cross-complainant (together, the “Nangate Parties”). The $32.5 million settlement (the “Settlement Payment”) consists of an initial $16.0 million paid on June 17, 2025, and four quarterly installment payments of $4.1 million each, payable on August 15, 2025, November 14, 2025, February 13, 2026, and May 15, 2026. In September 2025, the U.S. Court of Appeals for the Ninth Circuit reversed the fraud and breach of contract verdicts and the parties dismissed all claims, triggering an acceleration clause in the settlement agreement, resulting in the acceleration of the final installment of the Settlement Payment of $4.1 million from May 15, 2026, to February 13, 2026. Following the execution of the Settlement Agreement, Silvaco and the Co-Defendants also executed an apportionment agreement pursuant to which the Co-Defendants agreed to bear 25% of the Settlement Payment, with Silvaco bearing the remaining 75%. During the three months ended March 31, 2026, we made the remaining payment of $8.3 million. As of March 31, 2026, we had no remaining liability under the Settlement Agreement. See Note 7 and Note 13 of our condensed consolidated financial statements for further discussion.

Restructuring Expense

Restructuring expense consists of severance and other personnel costs, including stock-based compensation expense, facility closures and other costs associated with exit and disposal activities.

Interest Income

Interest income includes interest income earned on our cash and cash equivalents and marketable securities balances and accretion of the purchase discounts on our marketable securities balances.

Interest and other expense, net

Interest and other expense, net includes interest expense associated with cost of borrowings, leases or interest-bearing agreements, foreign exchange gains and losses and changes in the fair value of contingent consideration associated with legacy acquisitions.

Income tax provision

Income tax provision is our estimate of current tax expense incurred from the condensed consolidated results of operations globally.

Results of Operations

The following table sets forth our results of operations for the three months ended March 31, 2026, and 2025:

	Three Months Ended March 31,		
	2026	2025	% Change
		(in thousands)	
Revenue:			
Software license revenue	$ 11,609	$ 10,009	16 %
Maintenance and service	6,146	4,083	51 %
Total revenue	**17,755**	**14,092**	**26 %**
Cost of revenue	**2,417**	**3,016**	**(20)%**
Gross profit	**15,338**	**11,076**	**38 %**
Operating expenses:			
Research and development	9,159	4,800	91 %
Selling and marketing	4,822	4,719	2 %
General and administrative	7,014	8,120	(14)%
Litigation settlement	—	13,069	(100)%
Total operating expenses	**20,995**	**30,708**	**(32)%**
Operating loss	(5,657)	(19,632)	(71)%
Interest income	47	863	(95)%
Interest and other expense, net	(114)	(291)	(61)%
Loss before income tax provision	**(5,724)**	**(19,060)**	**(70)%**
Income tax provision	136	213	(36)%
Net loss	**$ (5,860)**	**$ (19,273)**	**(70)%**

The following table summarizes our results of operations as a percentage of total revenue for the three months ended March 31, 2026, and 2025:

	Three Months Ended March 31,	
	2026	2025
	(as a percentage of total revenue)	
Revenue:		
Software license revenue	65 %	71 %
Maintenance and service	35 %	29 %
Total revenue	**100 %**	**100 %**
Cost of revenue	**14 %**	**21 %**
Gross profit	**86 %**	**79 %**
Operating expenses:		
Research and development	52 %	34 %
Selling and marketing	27 %	33 %
General and administrative	40 %	58 %
Litigation settlement	— %	93 %
Total operating expenses	**118 %**	**218 %**
Operating loss	**(32)%**	**(139)%**
Interest income	— %	6 %
Interest and other expense, net	(1)%	(2)%
Loss before income tax provision	**(32)%**	**(135)%**
Income tax provision	1 %	2 %
Net loss	**(33)%**	**(137)%**

Comparison of the Three Months Ended March 31, 2026, and 2025

In March, April, and August 2025, we acquired the OPC Business, Tech-X, and Mixel, respectively. Accordingly, the results of operations of the OPC Business, Tech-X, and Mixel have been included in our condensed consolidated financial statements since their respective acquisition dates.

Revenue

	Three Months Ended March 31,	
	2026	2025
Revenue:	(in thousands)	
Software license revenue	$ 11,609	$ 10,009
Maintenance and service	6,146	4,083
Total revenue	**$ 17,755**	**$ 14,092**

Total revenue increased by $3.7 million, or 26%, to $17.8 million for the three months ended March 31, 2026, from $14.1 million for the three months ended March 31, 2025. While revenue in the current period primarily benefited from our recent acquisitions, revenue in the prior period was impacted by lower demand in the Americas and economic challenges in Asia. TCAD revenue and IP revenue increased by $1.7 million and $2.9 million, respectively, while revenue associated with our EDA tools decreased by $1.0 million. Software license revenue increased by $1.6 million, or 16%, to $11.6 million for the three months ended March 31, 2026, from $10.0 million for the three months ended March 31, 2025. Maintenance and service revenue increased by $2.1 million, or 51%, to $6.1 million for the three months ended March 31, 2026, from $4.1 million for the three months ended March 31, 2025.

Gross Profit

Gross profit increased by $4.3 million, or 38%, to $15.3 million for the three months ended March 31, 2026, from $11.1 million for the three months ended March 31, 2025, primarily due to a $3.7 million increase in revenue and a $0.6 million decrease in cost of revenue. Cost of revenue during the three months ended March 31, 2026, decreased primarily due to our cost reduction efforts and restructuring activities. Gross profit margin increased to 86% for the three months ended March 31, 2026, from 79% for the three months ended March 31, 2025, primarily reflecting the higher revenue volume.

Operating Expenses

	Three Months Ended March 31,	
	2026	2025
	(in thousands)	
Operating expenses		
Research and development	$ 9,159	$ 4,800
Selling and marketing	4,822	4,719
General and administrative	7,014	8,120
Litigation settlement	—	13,069
Total operating expenses	**$ 20,995**	**$ 30,708**

Research and Development Expenses

Research and development expenses increased by $4.4 million, or 91%, to $9.2 million for the three months ended March 31, 2026, from $4.8 million for the three months ended March 31, 2025. This increase was primarily due to a $2.8 million increase in expenses associated with our acquisitions, a $0.8 million increase in employee compensation and benefits due to increased headcount, an increase of $0.7 million in stock-based compensation expense, additional contractor expenses of $0.2 million, and an increase of $0.1 million in depreciation and amortization, partially offset by a decrease of $0.5 million due to restructuring activities.

Selling and Marketing Expenses

Selling and marketing expenses were $4.8 million during the three months ended March 31, 2026, which was relatively flat compared to $4.7 million during the three months ended March 31, 2025.

General and Administrative Expenses

General and administrative expenses decreased by $1.1 million, or 14%, to $7.0 million for the three months ended March 31, 2026, from $8.1 million for the three months ended March 31, 2025. The decrease was driven by a $0.7 million decrease in legal fees related to the Nangate litigation, $0.6 million decrease in employee compensation and benefits due to restructuring activities, and a $0.4 million decrease in acquisition-related legal fees, partially offset by an increase of $0.7 million in depreciation and amortization as a result of recent acquisitions.

Litigation Settlement

Litigation settlement was $0 and $13.1 million for the three months ended March 31, 2026, and March 31, 2025, respectively. See Note 7 and Note 13 of our condensed consolidated financial statements for further discussion.

Interest Income

Interest income reflects interest earned and accretion on our cash equivalents and marketable securities.

Interest and other expense, net

Interest and other expense, net, was $0.1 million and $0.3 million for the three months ended March 31, 2026, and 2025, respectively.

Income tax provision

Income tax provision was $0.1 million and $0.2 million for the three months ended March 31, 2026, and 2025, respectively. See Note 11 of our condensed consolidated financial statements for further discussion.

Liquidity and Capital Resources

Since inception, we have financed operations primarily through proceeds received from payments from our customers, borrowings from a principal stockholder and other lenders, and the net proceeds from the sale of our common stock. Our primary sources of liquidity are cash and cash equivalents including cash generated from operations. As of March 31, 2026, we had $10.9 million in cash and cash equivalents, of which $4.7 million was held by our foreign subsidiaries.

On April 11, 2024, we amended and restated our license agreement with NXP, pursuant to which we recorded an associated vendor financing obligation. The vendor financing obligation was $3.3 million as of March 31, 2026. We determined that the vendor financing obligation had an imputed interest rate of 9%, which is reflective of our borrowing rate with similar terms to that of the license agreement.

On March 13, 2026, we entered into an Open Market Sale Agreement with Jefferies LLC, as sales agent, pursuant to which we may conduct registered offers and sales of shares of our common stock under our registration statement on Form S-3 (Registration No. 333-291212) and a prospectus supplement dated March 13, 2026, for an aggregate public offering amount of up to $15.0 million. During the three months ended March 31, 2026, we issued 752,744 shares of common stock at a weighted average price of $5.75 per share. We received gross proceeds of $4.3 million, with $4.0 million funded to us after deducting commissions and other related fees of $0.3 million. The commissions and related fees were recorded as a reduction to additional paid-in capital.

If our cash and cash equivalents, including cash generated from operating activities, are not sufficient to satisfy our liquidity requirements, we may be required to seek additional financing. If we raise additional funds by issuing equity securities or convertible debt securities, our stockholders will experience dilution. Debt financing, if available, may contain covenants that significantly restrict our operations or our ability to obtain additional debt financing in the future. Any additional financing that we raise may contain terms that are not favorable to us or our stockholders. We cannot assure you that we would be able to obtain additional financing on terms favorable to us or our existing stockholders, or at all. See “Risk Factors” in Item 1A in Part II in this Quarterly Report on Form 10-Q for further discussion.

As of March 31, 2026, $3.0 million, or 28%, of our cash and cash equivalents was maintained with one financial institution, where our current deposits are in excess of federally insured limits. Past macroeconomic conditions have resulted in the actual or perceived financial distress of many financial institutions, including the 2023 failures of Silicon Valley Bank, Signature Bank and First Republic Bank and the UBS takeover of Credit Suisse. If the financial institutions with whom we do business were to become distressed or placed into receivership, we may be unable to access the cash we have on deposit with such institutions. If we are unable to access our cash as needed, our financial position and ability to operate our business could be adversely affected.

Cash Flows

The following table summarizes changes in our cash flows for the periods indicated.

	Three Months Ended March 31,	
	2026	2025
	(in thousands)	
Cash provided by (used in):		
Operating activities	(11,022)	(1,135)
Investing activities	1,000	11,404
Financing activities	3,688	(503)
Effect of exchange rate fluctuations	1	117
Net change in cash and cash equivalents	**$ (6,333)**	**$ 9,883**

Operating Activities

Cash flows from operating activities may vary significantly from period to period depending on a variety of factors including the timing of our collections and payments. Our ongoing cash outflows from operating activities primarily relate to personnel related costs, payments for professional services, office leases and related facilities costs, and software supporting our company infrastructure, among others. Our primary source of cash inflows is collections of our accounts receivable. The timing of invoices to our customers and subsequent collection is based on agreements executed and payment terms that can vary by customer.

Net cash used in operating activities for the three months ended March 31, 2026, was $11.0 million compared to $1.1 million of net cash used in operating activities for the three months ended March 31, 2025. The $9.9 million increase in net cash used in operating activities reflects a decrease of $12.2 million in net working capital, primarily driven by $8.3 million of cash paid under the Settlement Agreement, and a decrease of $11.1 million in the non-cash effects of stock-based compensation expense, provision for credit losses, change in fair value of contingent consideration, depreciation and amortization, and the accretion of discount on marketable securities. This use of cash was partially offset by a $13.4 million decrease in net loss.

Investing Activities

Net cash provided by investing activities for the three months ended March 31, 2026, was $1.0 million, as compared to $11.4 million net cash provided by investing activities for the three months ended March 31, 2025. Cash provided by investing activities during the three months ended March 31, 2026, included $1.0 million of maturities in marketable securities. During the three months ended March 31, 2025, cash provided by investing activities included $23.0 million of maturities in marketable securities partially offset by $11.5 million in cash used to acquire OPC and $0.1 million in purchases of property and equipment.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2026, was $3.7 million, as compared to net cash used in financing activities of $0.5 million for the three months ended March 31, 2025. Net cash provided during the three months ended March 31, 2026, includes $4.0 million in net proceeds from the issuance of common stock, partially offset by payroll taxes related to shares withheld from employees of $0.3 million and payments of acquisition related earn-out of $43.0 thousand. Net cash used during the three months ended March 31, 2025, includes payroll taxes related to shares withheld from employees of $0.3 million and payments on our vendor financing obligation $0.2 million.

Effects of Exchange Rate Fluctuations on Cash and Cash Equivalents

The effects of exchange rate fluctuations on cash and cash equivalents were $1.0 thousand and $0.1 million for the three months ended March 31, 2026, and 2025, respectively.

Contractual Obligations

Our financial commitments for contractual obligations as of March 31, 2026, include operating leases, vendor financing obligation, and contingent consideration. See Note 7, Note 8, and Note 14 of our condensed consolidated financial statements for further discussion.

Litigation Settlement

In May 2025, Silvaco and the Co-Defendants agreed to the Settlement Agreement in connection with litigation brought by the Nangate Parties. The Settlement Payment consists of an initial $16.0 million payment due on June 18, 2025, and four quarterly installment payments of $4.1 million each, payable on August 15, 2025, November 14, 2025, February 13, 2026, and May 15, 2026. In September 2025, the U.S. Court of Appeals for the Ninth Circuit reversed the fraud and breach of contract verdicts and the parties dismissed all claims, triggering an acceleration clause in the settlement agreement, resulting in the acceleration of the final installment of the Settlement Payment of $4.1 million from May 15, 2026, to February 13, 2026. Following the execution of the Settlement Agreement, Silvaco and the Co-Defendants also executed an apportionment agreement under which the Co-Defendants agreed to bear 25% of the Settlement Payment, with Silvaco bearing the remaining 75%. During the three months ended March 31, 2026, we made the remaining payment of $8.3 million. As of March 31, 2026, we had no remaining liability under the Settlement Agreement. See Note 7 and Note 13 of our condensed consolidated financial statements for further discussion.

Off-Balance Sheet Arrangements

As of March 31, 2026, we did not have any off-balance sheet arrangements. As of December 31, 2025, we maintained an irrevocable standby letter of credit issued in connection with the Settlement Agreement, which was terminated during the three months ended March 31, 2026.

Critical Accounting Policies and Significant Judgments and Estimates

There have not been any material changes during the three months ended March 31, 2026, to the methodology applied by management for critical accounting policies previously disclosed in our audited financial statements set forth in our 2025 Form 10-K. For further discussion of our critical accounting policies and estimates, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our 2025 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, regardless of how well they were designed and are operating, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report, our Chief Executive Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(f) or 15d-15(f) of the Exchange Act during the period covered by this Quarterly Report, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error 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, misstatements, errors, and instances of fraud, if any, within our company have been or will be prevented or detected. Further, internal controls may become inadequate as a result of changes in conditions, or through the deterioration of the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Information regarding our current legal proceedings can be found in Note 13 of our unaudited condensed consolidated financial statements.

Item 1A. Risk Factors

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q and our 2025 Form 10-K, including the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited consolidated financial statements and related notes. Our business, results of operations, financial condition, and prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe to be material. If any of the risks actually occur, our business, results of operations, financial condition and prospects could be harmed. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

- We operate in highly competitive industries, and if we do not continue to meet our customers' demand for innovative technology at competitive prices, our products may not remain competitive.
- Our operating results are subject to significant fluctuations and, as a result, period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicators of future performance.
- The growth of our business depends primarily on the semiconductor and electronics systems industries.
- Our success depends on sustaining or growing our software license revenue and our maintenance and service revenue, and the failure to increase such revenue could negatively affect our results of operations.
- Our success depends on the interoperability of our software solutions with our customers' intended use cases and with products and services of other companies, including our competitors.
- We may have to invest more resources in research and development than anticipated, which could increase our operating expenses and negatively affect our operating results.
- Our operating results and revenue could be adversely affected by customer payment delays, customer bankruptcies and defaults, or modifications of license terms.
- The global nature of our operations exposes us to increased risks and compliance obligations.
- We face risks associated with doing business in China.
- Our operations could be disrupted by political and social instability, acts of war, terrorist activity or other similar events, which could adversely affect our business, financial condition, and results of operations.
- Our employees have in the past, and our employees, consultants and third-party providers may in the future engage in misconduct that materially adversely affects us.
- Periodic reorganizations and adjustments to our employee base, including our recent headcount reduction, could temporarily impact productivity and adversely disrupt our sales.
- Variations in actual sales activity from sales forecasts could adversely affect our business, financial condition and results of operations.
- We may not realize the anticipated benefits of our acquisitions or investments, our business could be disrupted because of acquisitions or investments and, depending on how we finance or fund such acquisitions or investments, we could use significant amounts of cash or incur substantial debt.

Risks Related to Our Technology, Intellectual Property and Information Technology Systems

- If we fail to protect our proprietary technology, our business will be harmed.
- We may not be able to continue to obtain licenses to third-party software and intellectual property on reasonable terms, if at all.
- We may be subject to intellectual property litigation, regardless of success or merit, that could cause us to incur substantial expenses, reduce our sales, and divert the efforts of our management and other personnel.
- If we are unable to protect our proprietary technology and inventions through trade secrets, our competitive position and financial results could be adversely affected.
- Our software licenses contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to deliver our software licenses or subject us to litigation or other actions.
- We may not be successful in our artificial intelligence ("AI") initiatives, which could adversely affect our business, operating results or financial condition.

Risks Related to Data Privacy and Security

- Cybersecurity threats or other security breaches could compromise sensitive information belonging to us or our customers and could harm our business and our reputation.
- Any actual or perceived failure to comply with new or existing laws, regulations and other requirements relating to the privacy, security, processing and cross-border transfer of personal information could adversely affect our business, financial condition and results of operations.

Risks Related to Our Status as a Controlled Company

- We are a “controlled company” within the meaning of the rules and, as a result, qualify for and rely on exemptions from certain corporate governance requirements.
- The Stockholders Agreement grants the Pesic Family significant rights that may limit your ability to influence matters requiring stockholder approval.

Risks Related to Legal, Regulatory, Accounting and Tax Matters

- Litigation, government investigations or regulatory proceedings could have a material adverse effect on our financial position, results of operations and our stock price.
- We or our directors or officers may be subject to litigation proceedings, which are expensive, could divert management attention, and harm our business.
- Changes in tax laws could adversely affect our business, financial position and results of operations.

Risks Related to the Ownership of Our Common Stock

- Our stock price has been and may continue to be subject to fluctuations.
- We have experienced a material weakness in our internal control over financial reporting in the past, and any future material weakness or failure to maintain effective internal controls could impair our ability to report our financial condition or results of operations accurately and on a timely basis, which may adversely affect investor confidence and the value of our common stock.
- Future sales or issuances of our common stock could cause the price of our common stock to decline.
- If securities analysts or industry analysts downgrade our common stock, publish negative research or reports, or fail to publish reports about our business, our stock price and trading volume could decline.
- We do not intend to pay dividends on our common stock.

General Risk Factors

- Catastrophic events and the effects of climate change, pandemics or other unexpected events may disrupt our business and harm our operating results.
- Uncertainty in the global macroeconomic environment may negatively affect our business, operating results and financial condition.
- We are an “emerging growth company” and a “smaller reporting company” and any decision on our part to comply with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

Risks Related to Our Business and Industry

We operate in highly competitive industries, and if we do not continue to meet our customers' demand for innovative technology at competitive prices, our products may not remain competitive.

We compete against larger companies in the global semiconductor industry, as well as other smaller TCAD, EDA and IP vendors and our customers' internally developed solutions. Many of these competitors have greater name recognition and substantially greater financial, technical, and engineering resources than us. The industries in which we operate are highly competitive, with new competitors entering these markets both domestically and internationally. For example, China has implemented national policies favoring Chinese companies and has formed government-backed investment funds as it seeks to build independent EDA capabilities and compete internationally in the semiconductor industry. The demand for our products and services is dynamic and depends on a number of factors, including our customers’ budgetary constraints.

Technology in these industries evolves rapidly and is characterized by frequent product introductions and improvements as well as changes in industry standards and customer requirements. The adoption of AI technologies has brought new demands and also challenges in terms of disruption to both our business models and existing technology offerings.

In addition, AI-native companies and large technology companies with significant AI capabilities have increasingly sought to enter adjacent software markets, including markets in which we compete, and may be able to leverage their AI expertise, substantial resources and large datasets to develop competing solutions rapidly and at lower cost. Such companies may offer AI-driven alternatives to traditional software solutions that could displace or reduce demand for our products and services. At the same time, our customers and potential customers continue to demand a lower total cost of design, which can lead to the consolidation of their purchases from one vendor or displacement of their purchases by internal development. In order to succeed in this environment, we must successfully meet our customers' technology requirements and increase the value of our products, while also striving to reduce their overall costs and our own operating costs.

We compete principally on the basis of technology, solution quality and features, license terms, compatibility, reliability, interoperability among products and price and payment terms. Specifically, we believe the following competitive factors affect our success:

- Our ability to anticipate and lead critical development cycles and technological shifts, innovate rapidly and efficiently, and improve our existing software solutions;
- Decisions by semiconductor companies and/or OEMs to develop IP internally, rather than license IP from outside vendors due to strategic changes, enhanced internal capability, budget constraints or excess engineering capacity;
- Our ability to offer products that provide both a high level of integration and a high level of individual product performance;
- Our ability to maintain and improve upon our current research and development;
- The challenges of developing or acquiring technology solutions that meet the rapidly evolving requirements of next-generation design challenges; and
- Our ability to compete on the basis of payment terms.
- If we fail to successfully manage any of these competitive factors or fail to address new competitive forces, our business, operating results and financial condition may be adversely affected.

Our operating results are subject to significant fluctuations and, as a result, period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicators of future performance.

Many factors have in the past and may in the future cause our bookings, revenue and net income (loss) to fluctuate, including, among other things:

- Changes in demand for our products and services;
- Product competition in the TCAD, EDA and IP industries;
- Our ability to innovate and introduce new products and services or effectively reallocate resources across our businesses to target the highest growth opportunities and meet customer demand;
- Failures or delays in completing sales due to our lengthy sales cycle, which often includes a substantial customer evaluation and approval process;
- Our ability to implement effective cost control measures and business transformation initiatives, including those related to our workforce;
- Our dependence on a relatively small number of large customers for a large portion of our revenue in a given quarter, and the impact of timing requirements and the value of contract renewals;
- Key customers continuing to renew licenses and purchase additional products from us;
- Changes to the amount, composition and valuation of, and any impairments to or write-offs of, our assets or strategic investments;
- Changes in the mix of our products sold, as increased sales of our products with lower gross margins, may reduce our overall margins; and
- Natural variability in the timing of intellectual property drawdowns, which can be difficult to predict.

Revenue recognition timing may also cause fluctuations, as the majority of our software license revenue is recognized at the start of the license period. Significant portions of our anticipated future revenue, therefore, will likely depend upon our success in attracting new customers or continuing or expanding our relationships with existing customers. However, revenue recognized from licensing arrangements can vary significantly from period to period, depending largely on bookings recorded during a quarter as well as the timing of the receipt of purchase orders, and is difficult to predict. Revenue that we anticipate will be recognized in a given quarter may end up being recognized in subsequent quarters as a result of the timing of the booking, the specifics of the licensing arrangements or other factors. For example, in the third quarter of 2024, we expected to receive a significant purchase order of approximately $5.0 million but the purchase order was not received until the first week of the fourth quarter. As a result, we did not recognize any revenues from that purchase order in the third quarter of 2024.

The timing of revenue recognition is also affected by factors including:

- Cancellations or changes in levels of orders or the mix between upfront products revenue and time-based products revenue;
- Delay of one or more orders for a particular period, particularly orders generating upfront revenue;
- Delay in the completion of professional services projects that require significant modification or customization and are accounted for based on execution milestones; and
- Customer contract amendments or renewals that provide discounts or defer revenue to later periods.

As a result, you should not rely on the results of any prior interim or annual periods, or any historical trends reflected in such results, as indications of our future revenue or operating performance. Fluctuations in our revenue and operating results could cause our stock price to decline and, as a result, you may lose some or all of your investment.

The growth of our business depends primarily on the semiconductor and electronics systems industries.

The growth of our TCAD, EDA and SIP markets is dependent upon the commencement of new design projects by semiconductor and electronics systems companies. The semiconductor and electronics systems industries are cyclical and are characterized by constant and rapid technological change, product obsolescence, price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. The semiconductor and electronics systems industries have also experienced significant downturns in connection with, or in anticipation of, maturing product cycles of both these industries and their customers' products.

The increasing complexity of designs of semiconductors and electronic systems, and customers' concerns about managing costs, have previously led to, and in the future, could lead to, a decrease in design starts and design activity in general. For example, in response to this increasing complexity, some customers have chosen to focus on one discrete phase of the design process or opt for less advanced, but less risky, manufacturing processes that may not require new or enhanced design solutions. If growth in the semiconductor and electronics systems industries slows or stalls, then demand for our products and services could decrease and our financial condition and results of operations could be adversely affected.

Our success depends on sustaining or growing our software license revenue and our maintenance and service revenue, and the failure to increase such revenue could negatively affect our results of operations.

Our revenue consists of software license fees, royalties, and maintenance and service fees. Our ability to continue deriving revenue from existing customers requires that we adequately service their needs and provide solutions that drive value. Securing and renewing software licenses may require significant expenditures and engineering resources without assurance of success, and failure to grow software license revenue would likely result in a corresponding decline in maintenance and service revenue. Because of the significant costs associated with qualifying new suppliers, customers tend to use the same or enhanced solutions from existing suppliers across successive products for extended periods; accordingly, failure to win a new customer may foreclose future sales opportunities with that customer for a significant period of time. We may not be able to maintain or expand sales to our significant customers, and customers can stop using our solutions, decline to renew, or terminate their agreements, often with limited notice and little or no penalty. The loss of, or a reduction in sales to, any significant customer, or our inability to attract new significant customers or secure new design wins, could negatively impact our business.

Consolidation among our customers and within the industries in which we operate may negatively impact our operating results.

Consolidation among our customers could lead to fewer customers, increased customer bargaining power or reduced customer spending on software and services. It could also reduce the demand for our software solutions and services if customers streamline research and development or operations.

Reduced customer spending or the loss of customers, particularly large customers, could adversely affect our business, financial position and results of operations. In addition, we and our competitors from time to time acquire businesses and technologies to complement and expand our respective software solutions offerings. If any of our competitors consolidate or acquire businesses and technologies that we do not offer, they may be able to offer a larger technology portfolio, additional support and service capability or lower prices, which could negatively impact our business and results of operations.

Our success depends on the interoperability of our software solutions with our customers' intended use cases and with products and services of other companies, including our competitors.

The success of our software solutions depends in part on their interoperability with our customers' intended use cases and with the existing products and services of other companies, including our direct competitors. Our customers' deployments may use multiple standards or software, which makes such interoperability critical. To the extent that software vendors, including our competitors, perceive that their applications or technologies compete with our software solutions or services, they may withhold cooperation necessary to ensure interoperability, decline to share access to or sell us their proprietary protocols or formats, or otherwise actively limit the compatibility and certification of our software solutions. Competitors may also fail to certify or support, or may cease to certify or support, our software solutions for their systems.

If any of the foregoing occurs, we could lose or fail to increase our market share and experience reduced demand for our services, any of which could negatively impact our business, financial condition and results of operations.

We may have to invest more resources in research and development than anticipated, which could increase our operating expenses and negatively affect our operating results.

We currently devote substantial resources to the research and development of new and enhanced software solutions. However, we may be required to devote more resources than anticipated to address requirements for specific target markets, competitors, technological advances in the semiconductor industry, our acquisitions, our entry into new markets, or other competitive factors. If we are required to invest significantly greater resources than anticipated without a corresponding increase in revenue, our operating results could decline. Additionally, our periodic research and development expenses may be independent of our level of revenue, which could negatively impact our financial results. There can be no guarantee that our research and development investments will result in software solutions that generate additional revenue.

We may also decide to increase our research and development investment to seize customer or market opportunities, which could negatively impact our financial results.

Our operating results and revenue could be adversely affected by customer payment delays, customer bankruptcies and defaults, or modifications of license terms.

Our customers have and may continue to face challenging financial or operating conditions, including due to macroeconomic conditions or catastrophic events, and delay or default on their payment commitments to us, request to modify contract terms, or modify or cancel plans to license our products. Our customers' inability to fulfill payment commitments, in turn, could adversely affect our revenue, operating expenses and cash flow. Additionally, from time to time our customers seek to renegotiate pre-existing contractual commitments. Payment defaults by our customers or significant reductions in existing contractual commitments could have a material adverse effect on our financial condition and operating results.

The global nature of our operations exposes us to increased risks and compliance obligations.

A significant portion of our revenue comes from outside the United States. During the three months ended March 31, 2026, and 2025, 56% and 80%, respectively, of our revenue was from international customers. In addition, we have significant non-U.S. operations. This requires us to recruit and retain qualified technical and managerial employees, manage multiple remote locations performing complex software development projects, and ensure intellectual property protection outside of the U.S. Our international operations and sales subject us to a number of increased risks, including:

- Economic slowdowns, recessions or uncertainty in financial markets;
- Uncertain economic, legal and political conditions in China, Europe, the Middle East and other regions where we do business;
- Government trade restrictions, including tariffs, export controls, economic sanctions or other trade barriers, and changes to existing trade arrangements;
- Ineffective or weaker legal protection of intellectual property rights;
- Difficulties in adapting to cultural differences in the conduct of business, which may include business practices in which we are prohibited from engaging by the Foreign Corrupt Practices Act or other anti-corruption laws; and

- Financial risks such as longer payment cycles, changes in currency exchange rates and difficulty in collecting accounts receivable.

Furthermore, if any of the foreign economies in which we do business deteriorate or if we fail to effectively manage our global operations, our business and operating results will be harmed. The complex relationships between China and the United States create inherent risk that political, diplomatic or military events could result in trade disruptions, including tariffs, trade embargoes and export restrictions. A significant trade disruption, export restriction, or the establishment or increase of any trade barrier in any area where we do business could reduce customer demand and cause customers to search for substitute products and services, make our products and services more expensive or unavailable for customers, increase the cost of our products and services, have a negative impact on customer confidence and spending, make our products less competitive, or otherwise have an adverse impact on our backlog, future revenue and profits and our customers' and suppliers' business, operating results and financial condition. For example and as described above, the ongoing geopolitical and economic uncertainty between the U.S. and China, the unknown impact of current and future U.S. and Chinese trade regulations, including tariffs, and other geopolitical risks with respect to China and Taiwan may cause disruptions in the markets and industries we serve and our supply chain, decreased demand from customers for products using our solutions or other disruptions, which could, directly or indirectly, materially harm our business, operating results and financial condition.

In response to the U.S. imposing tariffs and trade barriers or taking other actions, other countries, such as China, have in the past and may in the future impose tariffs and trade barriers that could limit our ability to offer our products and services in such jurisdictions. Current and potential customers who are concerned or affected by such tariffs or restrictions may respond by developing their own products or replacing our solutions, including seeking alternatives from foreign competitors or open-source solutions not subject to these restrictions, which would have an adverse effect on our business. In addition, government or customer efforts, attitudes, laws or policies regarding technology independence may lead to non-U.S. customers favoring their domestic technology solutions that could compete with or replace our products, which would also have an adverse effect on our business.

Political instability, changes in government, elections, or destabilizing political developments in or around the major countries and jurisdictions in which we do business have created challenges and an adverse business environment which in turn has impacted our business and financial condition. Worldwide and regional geopolitical tensions and conflicts, including but not limited to China, Hong Kong, Israel, Korea and Taiwan where our customers are located, have resulted in disruptions that have and could continue to impact our international operations and operating strategies, global product demand and sales, access to global markets, hiring, and profitability. If a disaster, war or catastrophic event affects our ability to work with customers in any of these countries, including China, our business could be harmed by a decline in sales, increased contract expense, and substantial time spent on alternative demand generation. As a result of our growing operations in China, these risks could harm our business.

Our global operations are subject to numerous U.S. and foreign laws and regulations such as those related to anti-corruption, tax, corporate governance, imports and exports, government contracts, economic sanctions, financial and other disclosures, privacy and labor relations. These laws and regulations are complex and may have differing or conflicting legal standards, making compliance difficult and costly. In addition, there is uncertainty regarding how proposed, contemplated or future changes to these complex laws and regulations could affect our business. We may incur substantial expense in complying with the new obligations to be imposed by these laws and regulations, and we may be required to make significant changes in our business operations, all of which may adversely affect our revenues and our business overall. Any violation of these laws and regulations could subject us to, among other things, investigations, fines, enforcement actions, disgorgement of profits, damages, civil or criminal penalties or injunctions, and result in our inability to conduct business in one or more countries. Furthermore, any violation individually or in the aggregate could have a material adverse effect on our operations and financial condition.

The effect of foreign exchange rate fluctuations may adversely impact our revenue, expenses, cash flows and financial condition.

Fluctuations in the exchange rate between the U.S. dollar and other currencies could seriously affect our business, financial condition and results of operations, including due to inflation, devaluations and currency controls. If we price our products and services in a non-U.S. market in the local currency, we receive fewer U.S. dollars when the local currency declines in value relative to the U.S. dollar. If we price in U.S. dollars, a decrease in value of the local currency relative to the U.S. dollar could result in our prices being uncompetitive in that market. On the other hand, when a foreign currency increases in value relative to the U.S. dollar, it takes more U.S. dollars to purchase the same amount of the foreign currency, which increases our operating expenses in that region. Our attempts to reduce the effect of foreign currency fluctuations may be unsuccessful, and exchange rate movements may adversely impact results of operations as expressed in U.S. dollars.

We face risks associated with doing business in China.

During the three months ended March 31, 2026, and 2025, 15% and 14% of our revenue was derived from customers in China, respectively. Our operating expenses in China were $1.1 million and $0.9 million, respectively, for the three months ended March 31, 2026, and 2025. As a result, the economic, political, legal and social conditions in China could harm our business. Various factors may in the future cause the Chinese government to impose controls on credit or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products. In addition, the legal system in China has inherent uncertainties that may limit the legal protections available in the event of any claims or disputes that we have with third parties, including our ability to protect the IP we develop or license in China or elsewhere. As China's legal system is still evolving, the interpretation of many laws, regulations and rules is not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit the remedies available in the event of any claims or disputes with third parties. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Some of the other risks related to doing business in China include:

- The Chinese government exerts substantial influence over the manner in which we must conduct our business activities;
- Restrictions on currency exchange may limit our ability to receive, transfer and use our cash effectively;
- Increased uncertainties related to the protection and enforcement of intellectual property rights, including risk of theft or misappropriation of our products and intellectual property in China, as well as any intellectual property rights that we may license to a Chinese (or other emerging jurisdiction) entity, including any joint ventures we may form;
- Increased uncertainties relating to Chinese regulation of exports of products and technology to and from China;
- Increased and rapidly changing export and related trade regulations including tariffs and restrictions imposed by U.S. and Chinese legislation, executive actions and regulations;
- The Chinese government may favor its local businesses and make it more difficult for foreign businesses to operate in China on an equal footing or create generally difficult conditions for foreign headquartered businesses to operate;
- Increased uncertainties related to the enforcement of contracts with certain parties;
- More restrictive rules on foreign investment could adversely affect our ability to expand our operations in China;
- Geopolitical tensions may lead to increased export sanctions against China or Chinese entities or U.S. companies operating in China or selling products or services into China; and
- Geopolitical changes in China-Taiwan relations could disrupt our operations in China and Taiwan and the operations of companies in China and Taiwan that are our customers, each of which could materially and adversely affect our business and operating results.

Further, the U.S. government has implemented and periodically tightened export controls affecting China. On October 7, 2022, the Bureau of Industry and Security of the U.S. Department of Commerce ("BIS"), issued new export controls related to the Chinese semiconductor manufacturing, advanced computing and supercomputer industries. In October 2023 and December 2024, BIS tightened restrictions and compliance burdens on the transfer to China (including Macau) of certain advanced artificial intelligence chips, semiconductors and supercomputing items, software and technology subject to U.S. export controls, in addition to restricting sales to certain semiconductor fab facilities in China and on U.S. persons' activities in support of the transfer of certain items not subject to U.S. export controls.

On August 9, 2023, President Biden issued an executive order addressing investments by U.S. persons in companies located in China (including Hong Kong and Macau) that engage with certain categories of sensitive technology and products, including semiconductors and microelectronics, quantum information technologies and AI. While there are no currently effective restrictions or notification requirements and further rule-making is needed to implement the executive order, such regulations may impact our customers, our suppliers, or our business with respect to China, though we are unable to assess the extent of any such impact.

In May 2025, BIS sent letters to certain U.S. developers of EDA tools that export licenses would be required for exporting EDA software to China, although we did not receive such a letter. BIS revoked these export restrictions on July 3, 2025, as part of an agreement intended to ease bilateral trade tensions with China around advanced technologies. Notwithstanding this revocation, future expansions, reinterpretations, or reimposition of export controls targeting EDA software could restrict our ability to license or support software in China.

The complexity and evolving nature of these rules significantly increases our risk of non-compliance, which could result in fines and other penalties. There can be no assurance that current or future regulations and tariffs will not materially adversely affect our business, or that our policies and procedures will effectively prevent violations, including unauthorized diversion of products to sanctioned parties or export of technology to entities on BIS's Entity List. U.S. restrictions on exports to China may also lead to regulatory retaliation by the Chinese government and further geopolitical tensions. Further escalation of such restrictions may be expanded to cover our current software solutions, and to the extent we are unable to license or provide support to customers in China, our business, revenues and prospects would be adversely affected.

Our operations could be disrupted by political and social instability, acts of war, terrorist activity or other similar events, which could adversely affect our business, financial condition, and results of operations.

Since we operate on a global basis, our operations could also be disrupted by political and social instability, acts of war, terrorist activity or other similar events, which can result in further risks to our employees, service-providers, supply chains and cybersecurity.

For example, the United States and Israel, on the one hand, and Iran and other regional adversaries, including Hezbollah, on the other hand, have engaged in direct military hostilities. While we do not currently consider the regional conflict between the United States and Israel and their adversaries to have had a material impact on our business, the ongoing regional conflict could have a negative impact on the economy and business activity globally, and therefore could adversely affect our results of operations, financial condition and cash flow. During the three months ended March 31, 2026, and 2025, we generated $36.6 thousand and $0.2 million in revenues from customers in the Middle East, respectively. As of March 31, 2026, we had 104 employees in Egypt.

In addition, in response to Russia's invasion of Ukraine, the United States and certain other countries imposed significant sanctions and export controls against Russia, Belarus and certain individuals and entities connected to Russian or Belarusian political, business and financial organizations. While none of our revenue is derived from Russia or Ukraine, we have employees based in Ukraine and had, prior to the beginning of the conflict, offices in both countries. In response to the ongoing conflict, we closed our office in Moscow, Russia, and our office in Kyiv, Ukraine, has been temporarily closed. Our board of directors has received periodic reports from management regarding the impact of the conflict on us and considered whether such events have had, or are reasonably likely to have, a material impact on us. Unless and until the conflict in Ukraine is stabilized, we do not intend to reopen office locations in either country.

As of March 31, 2026, we had 13 employees, 9 contractors, and 4 interns in Ukraine, all of whom were working remotely. If our employees in Ukraine become subject to a military draft or are unable to work due to the ongoing conflict, the development of our next generation software could be delayed, which could negatively impact our business.

It is not possible to predict the broader consequences of either the Middle Eastern regional conflict or Russia's invasion of Ukraine, including related geopolitical tensions, and the measures and retaliatory actions taken by the United States, and other countries in respect thereof as well as any counter measures or retaliatory actions by Russia or Belarus in response, including, for example, potential cyberattacks or the disruption of energy exports, which are likely to cause regional instability, geopolitical shifts, and could materially adversely affect global trade, currency exchange rates, regional economies and the global economy. The situation remains uncertain, and while it is difficult to predict the impact of any of the foregoing, the conflict and actions taken in response to either conflict could, but are not presently expected to, materially increase our costs, disrupt our supply chain, reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise further adversely affect our business, financial condition, and results of operations.

Our ability to raise additional capital in the future may be limited and could prevent us from executing our growth strategy.

Our ability to operate and expand our business depends on the availability of adequate capital, which in turn depends on cash flow generated by our business and future debt, equity or other applicable financing arrangements. We believe that our cash flow from operations and existing cash and cash equivalents and marketable securities balances will satisfy our anticipated cash requirements for at least the next 12 months. However, we have based this estimate on our current operating plans and expectations, which are subject to change, and cannot assure you that that our existing resources will be sufficient to meet our future liquidity needs. We may require additional capital to respond to business opportunities, challenges, acquisitions or other strategic transactions or unforeseen circumstances. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on numerous factors, including:

- Market acceptance of our SIP, IP deployment solutions, FTCO, and other solutions;
- The need to adapt to changing technologies and technical requirements;

- The existence of opportunities for expansion; and
- Access to and availability of sufficient management, technical, marketing and financial personnel.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain additional debt financing. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations and our ability to incur additional debt or engage in other capital-raising or other activities. There can be no assurance that additional financing, if required, will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow and support our business and respond to business opportunities and challenges could be significantly limited.

Our employees have in the past, and our employees, consultants and third-party providers may in the future engage in misconduct that materially adversely affects us.

Our employees have in the past, and our employees, consultants and third-party providers may in the future engage in misconduct that materially and adversely affects us. For example, in 2021, a former U.S. employee impermissibly used our computers and software to write and configure software for another company. Misconduct by these parties could include intentional failures to comply with applicable laws and regulations, report financial information accurately, violate our internal security policies or duties of confidentiality, or disclose unauthorized activities. Any such misconduct could result in loss of proprietary information or trade secrets, legal or regulatory sanctions, and serious harm to our reputation. It is not always possible to identify and deter misconduct, and any precautions we take may not be effective in controlling unknown risks or protecting us from governmental investigations or lawsuits. If any such actions are instituted against us, we could face significant civil, criminal and administrative penalties, substantial costs, loss of proprietary information, reputational harm, and the loss of key employees.

Periodic reorganizations and adjustments to our employee base, including our recent headcount reduction, could temporarily impact productivity and adversely disrupt our sales.

We have recently conducted adjustments to our headcount to better align with our operational needs and financial condition. As a result, we have made reductions to certain segments of our employee base. In the future, we will reorganize and make adjustments to our human capital in response to such factors as management changes, performance issues, market opportunities and other considerations. These changes may result in temporary impacts on our productivity, which could negatively affect bookings and revenue, as well as other metrics, in future quarters. Further, there can be no assurance that we will see the benefits of these reorganizations and adjustments, that we will not need further adjustments in future periods or that the transition issues associated with such reorganizations will not recur.

Variations in actual sales activity from sales forecasts could adversely affect our business, financial condition and results of operations.

We make many operational and strategic decisions based upon short-term and long-term sales forecasts. Our sales personnel continually monitor the status of all proposals, including the estimated closing date and the value of the sale, in order to forecast quarterly and annual sales. These forecasts are subject to significant estimation and are impacted by many external factors. For example, a slowdown in research and development spending or economic factors could cause purchasing decisions to be delayed. A variation in actual sales activity from forecast could cause us to plan or to budget incorrectly and, therefore, could adversely affect our business, financial condition and results of operations. In addition, if we provide the investment community with estimates of our expected results of operations based on sales forecasts that vary from actual results, as has previously occurred, we may experience a decrease in our stock price which, in turn, could negatively impact our ability to conduct equity financing and adversely affect our business, financial condition and results of operations.

We may not realize the anticipated benefits of our acquisitions or investments, our business could be disrupted because of acquisitions or investments and, depending on how we finance or fund such acquisitions or investments, we could use significant amounts of cash or incur substantial debt.

Acquisitions and strategic investments have been an important part of our growth strategy. Over the past several years, we have completed several such acquisitions, including our March 2025 acquisition of a suite of optical proximity correction tools from Cadence Design Systems, Inc., our April 2025 acquisition of Tech-X Corporation and our August 2025 acquisition of Mixel Group, Inc. Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. For example, we have in the past and may in the future face challenges associated with the integration and migration of processes, including issue tracking, release procedures and standardization of license models, which can delay introduction of software solutions. We may be unable to successfully integrate previously acquired businesses and technologies or those acquired in the future, which could adversely impact our business, financial condition and results of operations.

Acquisitions and investments involve numerous risks, including:

- The inability to complete the acquisition or investment on commercially acceptable terms;
- The inability to obtain timely approvals from governmental authorities under competition and antitrust laws and the resulting delay in consummating the acquisition;
- The risk that we may have difficulty incorporating the acquired technologies or products with our existing software solutions and maintaining uniform standards, controls, procedures, and policies;
- The risk that we may not realize the anticipated increase in our revenue if a larger than predicted number of customers decline to renew annual leases or software license updates and license support or, if we are unable to sell or license the acquired solutions to our customer base;
- Unforeseen difficulties in legal entity merger integration activities that may result in legal and tax exposures or the loss of anticipated tax benefits;
- Disruption of our ongoing businesses and diversion of management attention;
- The risk that our relationships with current and new employees, customers, partners and distributors could be impaired;
- Difficulties in integrating the acquired entities, products or technologies and overcoming any unforeseen technical problems with the acquired products or technologies;
- Difficulties in operating the acquired business profitably;
- Difficulties in preserving and transitioning important licensing, research and development, and customer, distributor and supplier relationships;
- Difficulties in implementing the appropriate controls and procedures to ensure the acquired entity is in compliance with the Sarbanes-Oxley Act;
- The risk that the acquisition may result in increased litigation or contingencies, including as described in –“Pending or future investigations or litigation could have a material adverse effect on our results of operations and our stock price” below;
- Risks associated with entering lines of business or geographies in which we have no or limited prior experience; and
- Unanticipated costs, expenses or liabilities.

In addition, any future acquisitions or investments may result in:

- Issuances of dilutive equity securities, which may be at a discount to market price;
- Use of significant amounts of cash;
- The incurrence of debt;
- The assumption of significant liabilities;
- Unfavorable financing terms;
- Large one-time expenses; and
- The creation of certain intangible assets, including goodwill, the write-down of which may result in significant charges to earnings.

In addition, our ability to make strategic investments or acquire businesses outside the United States may be limited by restrictions on outbound investments. For example, the U.S. government implemented an outbound investment review mechanism, effective January 2, 2025, which imposes certain notification requirements and prohibitions on investments by U.S. persons in sensitive sectors in China, such as semiconductors, quantum information technologies and artificial intelligence systems. Several other countries have also adopted, or are considering adopting, similar restrictions. These restrictions may prevent us from capitalizing on strategic opportunities that could otherwise benefit our business, and governments may continue to adopt or tighten such restrictions in the future.

If we fail to timely recruit or retain senior management and key employees globally, our business may be harmed.

We are highly dependent upon the ability and experience of our senior executives and our key technical and other management employees, and we do not maintain key person insurance for any of our employees. Although we have employment agreements with certain employees, the loss of these employees, or any of our other key employees, could adversely affect our ability to conduct our operations. In 2025, we experienced a CEO and CFO transition and made, and in the future could make, additional executive leadership changes as part of overall succession plans.

Such leadership transitions can be inherently difficult to manage, and an inadequate transition could cause disruption to our business, including our relationships with our employees, customers, suppliers, and business partners, and fluctuations in the price of our stock.

Further, to be successful, we must also attract and retain key employees who join us organically and through acquisitions. There are a limited number of qualified engineers with specialized applicable skills, and competition for these individuals and other qualified employees is intense and has increased globally, including in major markets such as Asia. Our employees are often recruited aggressively by our competitors and our customers worldwide. Any failure to recruit and retain key employees could harm our business, results of operations and financial condition. Additionally, efforts to recruit and retain qualified employees could be costly and negatively impact our operating expenses.

We issue equity awards from employee equity plans as a key component of our overall compensation. We face pressure to limit the use of such equity-based compensation due to dilutive effects on stockholders. If we are unable to offer attractive compensation packages in the future, it could limit our ability to attract and retain senior management and key employees.

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate.

Market opportunity estimates and growth forecasts whether obtained from third-party sources or developed internally, are subject to significant uncertainty and are based on assumptions and estimates that may prove to be inaccurate. The estimates and forecasts we have or may make relating to the size and expected growth of our target market and market demand may also prove to be inaccurate. Assumptions as to the future growth of the integrated circuits and electronic manufacturing markets, and the continued advancement of technology in those industries, may prove to be inaccurate or incorrect. In addition, the estimated global EDA market may not materialize in the timeframe we expect, if ever, and even if the markets meet our current expectations, this should not be taken as indicative of our future growth or prospects. In order to be successful, we will need to continue to develop and advance our software solutions, secure new and renewed bookings, obtain sufficient capital to finance our business and otherwise successfully scale our business and operations. We face a number of challenges in achieving these objectives, including those described elsewhere in these risk factors. There can be no assurance that we will be able to achieve our objectives or successfully grow our business, capture meaningful market share or take advantage of market opportunities.

Risks Related to Our Technology, Intellectual Property and Information Technology Systems

If we fail to protect our proprietary technology, our business will be harmed.

Our success depends in part upon protecting our proprietary technology. Our efforts to protect our technology may be costly and unsuccessful. We rely on agreements with customers, employees and other third parties as well as intellectual property laws worldwide to protect our proprietary technology. These agreements may be breached, and we may not have adequate remedies for any breach. Additionally, despite our measures to prevent piracy, other parties may illegally copy or use our products, which could result in lost revenue. Some foreign countries do not currently provide effective legal protection for intellectual property and our ability to prevent the unauthorized use of our products in those countries is therefore limited. Our trade secrets may also be stolen, otherwise become known, or be independently developed by competitors.

From time to time, we may need to commence litigation or other legal proceedings in order to assert claims of infringement of our intellectual property, defend our products from piracy, protect our trade secrets or know-how, or determine the enforceability, scope and validity of the propriety rights of others. Intellectual property litigation is lengthy, expensive and uncertain. Legal fees related to such litigation will increase our operating expenses and may reduce our net income.

If we do not obtain or maintain appropriate patent, copyright or trade secret protection for any reason, or cannot fully defend our intellectual property rights in certain jurisdictions, our business and operating results would be harmed.

Periodic reorganizations and adjustments to our sales force could temporarily impact productivity and adversely disrupt our sales.

Our success depends in part upon protecting our proprietary technology. Our efforts to protect our technology may be costly and unsuccessful. We rely on agreements with customers, employees and other third parties as well as intellectual property laws worldwide to protect our proprietary technology. These agreements may be breached, and we may not have adequate remedies for any breach. Additionally, despite our measures to prevent piracy, other parties may illegally copy or use our products, which could result in lost revenue. Some foreign countries do not

currently provide effective legal protection for intellectual property and our ability to prevent the unauthorized use of our products in those countries is therefore limited. Our trade secrets may also be stolen, otherwise become known, or be independently developed by competitors.

From time to time, we may need to commence litigation or other legal proceedings in order to assert claims of infringement of our intellectual property, defend our products from piracy, protect our trade secrets or know-how, or determine the enforceability, scope and validity of the propriety rights of others. Intellectual property litigation is lengthy, expensive and uncertain. Legal fees related to such litigation will increase our operating expenses and may reduce our net income.

If we do not obtain or maintain appropriate patent, copyright or trade secret protection for any reason, or cannot fully defend our intellectual property rights in certain jurisdictions, our business and operating results would be harmed.

Our technology is subject to the threat of piracy, unauthorized copying and other forms of intellectual property infringement.

We regard our technology as proprietary and take measures to protect it from infringement. Piracy and unauthorized copying of our technology may become persistent and difficult to police. The laws of some countries in which our products are distributed do not protect our intellectual property rights to the same extent as U.S. law, or are poorly enforced, making legal protection of our rights ineffective in such countries. Despite our enforcement efforts, we have in the past and may in the future experience piracy, including through the proliferation of technology designed to circumvent the protection measures used by us or our business partners.

We may not be able to continue to obtain licenses to third-party software and intellectual property on reasonable terms, if at all.

We license third-party software and other intellectual property for use in research and development and, in several instances, inclusion in our products. Our rights to use such licensed software and intellectual property are subject to the continuation of and compliance with the terms of those licenses. We have and may in the future be in breach of a license, which may lead to termination of rights granted to us. Our third-party licenses may need to be renegotiated or renewed from time to time, or we may need to obtain new licenses in the future. Some licenses may also be terminated by the counterparty for convenience with limited notice. Third parties may stop supporting their technology, become insolvent, or be acquired by our competitors. If we are unable to obtain licenses to third-party software and intellectual property on reasonable terms or at all, we may not be able to sell the affected products, our customers' use of the licenses may be interrupted, or our software solutions development processes and professional services offerings may be disrupted, which could harm our financial results, our customers, and our reputation. The inclusion of third-party intellectual property in our software solutions can also subject us and our customers to intellectual property infringement claims, and infringement claims may require us to use significant resources and may divert management's attention.

We may be subject to intellectual property litigation, regardless of success or merit, that could cause us to incur substantial expenses, reduce our sales, and divert the efforts of our management and other personnel.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which has resulted in protracted and expensive litigation for many companies. Intellectual property infringement and misappropriation claims, including contractual defense reimbursement obligations related to third-party claims against our customers, regardless of merit, could consume valuable management time, result in costly litigation or cause product shipment delays, all of which could seriously harm our business, financial condition and results of operations. From time to time, we receive communications from third parties that allege that our software solutions or technologies infringe their copyright, patent or other intellectual property rights.

Intellectual property claims could compel us to do one or more of the following:

- Pay damages (including the potential for treble damages), license fees or royalties (including royalties for past periods);
- Stop licensing products or providing services that use the challenged intellectual property and potentially refund customers;
- Obtain a license to sell or use the relevant technology, which license may not be available on reasonable terms;
- Redesign the challenged technology, which could be time consuming and costly, or impossible; or
- Indemnity or provide technical support and information to a customer that is involved in litigation involving use of our technology.

If we were compelled to take any of these actions, our reputation, business, financial condition and results of operations might suffer.

We may be subject to claims that we have wrongfully hired an employee from a competitor, or that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees, consultants and advisors, or individuals that may in the future serve as our employees, consultants and advisors, are currently or were previously employed at companies including our competitors or potential competitors. Although we try to ensure that our employees, consultants, independent contractors and advisors do not use the confidential or proprietary information, trade secrets or know-how of others in their work for us, we may be subject to claims that we have inadvertently or otherwise used or disclosed confidential or proprietary information, trade secrets, or know-how of these third parties, or that our employees, consultants, independent contractors or advisors have inadvertently or otherwise used or disclosed confidential information, trade secrets, or know-how of such individual's current or former employer. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial cost and be a distraction to our management and employees. Claims that we, our employees, consultants, or advisors have misappropriated the confidential or proprietary information, trade secrets, or know-how of third parties could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to protect our proprietary technology and inventions through trade secrets, our competitive position and financial results could be adversely affected.

As noted above, we seek to protect our proprietary technology and innovations, particularly those relating to our software solutions, as patents, trade secrets and other forms of intellectual property. Additionally, while software and other forms of our proprietary works may be protected under patent or copyright law, in some cases we have chosen not to seek any patents or register any copyrights in these works, and instead, primarily rely on protecting our software as a trade secret. In the United States, trade secrets are protected under the federal Economic Espionage Act of 1996 and the Defend Trade Secrets Act of 2016, or the Defend Trade Secrets Act, and under state law, with many states having adopted the Uniform Trade Secrets Act, or the UTSA. In addition to these federal and state laws inside the United States, under the World Trade Organization's Trade Related-Aspects of Intellectual Property Rights Agreement, or the TRIPS Agreement, trade secrets are to be protected by World Trade Organization member states as "confidential information." Under the UTSA and other trade secret laws, protection of our proprietary information as trade secrets requires us to take steps to prevent unauthorized disclosure to third parties or misappropriation by third parties. In addition, the full benefit of the remedies available under the Defend Trade Secrets Act requires specific language and notice requirements in the relevant agreements, which may not be present in all of our agreements. While we require our officers, employees, consultants, distributors, and existing and prospective customers and collaborators to sign confidentiality agreements and take various security measures to protect unauthorized disclosure and misappropriation of our trade secrets, we cannot assure or predict that these measures will be sufficient. The semiconductor and photonics industries are generally subject to high turnover of employees, so the risk of trade secret misappropriation may be amplified. If any of our trade secrets are subject to unauthorized disclosure or are otherwise misappropriated by third parties, our competitive position may be materially and adversely affected.

Our software licenses contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to deliver our software licenses or subject us to litigation or other actions.

Some of our software licenses contain software modules licensed under "open source" licenses, and we expect to continue incorporating such open source software in the future. Open source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or code quality, and the public availability of such software may make it easier for others to compromise our products. Certain open source licenses require us to make available source code for modifications or derivative works, or to grant licenses to our intellectual property. If we combine our proprietary software with open source software in a manner that triggers such requirements, we could be required to publicly release our proprietary source code—enabling competitors to create similar offerings with lower development effort—or expend substantial time and resources to re-engineer our software. Additionally, some open source projects have vulnerabilities and architectural instabilities and are provided without warranties or services to supply patched versions, which, if not properly addressed, could negatively affect the performance of our products. Although we have processes to monitor and manage our use of open source software, the terms of many open source licenses have not been interpreted by U.S. or foreign courts, and there is a risk that these licenses could be construed in a way that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products. We and our customers could also be subject to lawsuits by parties claiming ownership of what we believe to be open source software, and the licensors of such software provide no warranties or indemnities with respect to such claims. If we are held to have breached an open source software license, we could be required to incur significant legal expenses, pay substantial damages, be enjoined from licensing our software, seek costly third-party licenses, re-engineer our software, or make our proprietary code generally available in source code form, any of which would adversely affect our business, financial condition and results of operations.

Product errors or defects could expose us to liability and harm our reputation, and we could lose market share.

Software products frequently contain errors or defects, especially when first introduced, when new versions are released, or when integrated with technologies developed by acquired companies. Product errors, including those resulting from third-party suppliers, could affect the performance or interoperability of our products, could delay the development or release of new products or new versions of products and could adversely affect market acceptance or perception of our products. In recent years, customers have requested, and may in the future request, compensation alleging product bugs or defects, and we cannot assure you that we will be able to resolve these matters. In addition, any allegations of manufacturability issues resulting from use of our IP products could, even if untrue, adversely affect our reputation and our customers' willingness to license IP products from us. Any such errors or delays in releasing new products or new versions of products or allegations of unsatisfactory performance could cause us to lose customers, increase our service costs, subject us to liability for damages and divert our resources from other tasks, any one of which could materially and adversely affect our business, operating results and financial condition.

We may not be successful in our artificial intelligence ("AI") initiatives, which could adversely affect our business, operating results or financial condition.

We have developed an AI-based solution named Fab Technology Co-Optimization (FTCO). While this AI initiative, as well as any other AI initiatives we develop, can present significant benefits, the AI landscape is rapidly evolving and may create risks and challenges for our business. If we fail to develop and timely offer products with AI features, if such products fail to meet our customers' demands, if these products fail to operate as expected, or if our competitors incorporate AI into their products more quickly or more successfully than we do, we may experience brand or reputational harm and lose our competitive position, our products may become obsolete, and our business, operating results or financial condition could be adversely affected.

While AI technology may drive future growth in the semiconductor and electronics industries as well as our business, worldwide markets for AI-enabled products may not develop in the manner or time periods we anticipate, or at all. Even if the demand for AI-enabled products develops in the manner or in the time periods we anticipate, if we do not have timely, competitively priced, market-accepted products available to meet our customers' needs to develop products, we may miss a significant opportunity and our business, operating results and financial condition could be materially and adversely affected. In addition, because the markets for AI-related software solutions are still emerging, demand for these products may be unpredictable and may vary significantly from one period to another.

The technologies underlying AI and its uses are expected to be subject to new laws and regulations or new applications of existing laws and regulations, including in the areas of intellectual property, privacy, data protection and cybersecurity, among others. In addition, unfavorable developments with evolving laws and regulations affecting AI-related products may limit global adoption, impede our strategy and negatively impact our long-term expectations in this area. For example, there is significant uncertainty in the U.S. courts as to how AI technologies affect IP ownership, including copyright protections, and the use of AI-related technology in the development of our products or implementation of AI features in our products could expose us or our customers to claims of copyright infringement or misappropriation. We may not be able to anticipate how to respond to or comply with these rapidly evolving frameworks, and we may need to expend resources to adjust our offerings in certain jurisdictions if the legal frameworks are inconsistent across jurisdictions. The cost of complying with such frameworks could be significant and may increase our operating expenses. Because AI technology is highly complex and rapidly developing, it is not possible to predict all legal, operational or technological risks that may arise relating to the use of AI.

Risks Related to Data Privacy and Security

Cybersecurity threats or other security breaches could compromise sensitive information belonging to us or our customers and could harm our business and our reputation.

We store sensitive data, including intellectual property, our proprietary business information and that of our customers and partners, and personal information, in our data centers, on our networks or on the cloud. In addition, our operations depend upon our information technology ("IT") systems. We maintain a variety of information security policies, procedures, and controls to protect our business and proprietary information, prevent data loss and other security breaches and incidents, keep our IT systems operational and reduce the impact of a security breach or incident, but these security measures cannot provide and have not provided absolute security. In the normal course of business, our systems are and have been the target of malicious cyberattack attempts and have been and may be subject to compromise due to employee error, malfeasance or other disruptions that have and could result in unauthorized disclosure or loss of sensitive information. To date, we have not identified material cyber security incidents or incurred any material expenses with any incidents. However, any breach or compromise could adversely impact our business and operations, expose us or our customers to litigation, investigations, loss of data, increase costs, or result in loss of customer confidence and damage to our reputation, any of which could adversely affect our business and our ability to sell our products and services.

Industry incidences of cyberattacks and other cybersecurity breaches have increased and are likely to continue to increase. We are using an increasing number of third-party software solutions, including cloud-based solutions, which increase potential threat vectors, such as by exploitation of misconfigurations or vulnerabilities. We also use third-party vendors that provide software or hardware, have access to our network, or store sensitive data, and these third parties are subject to their own cybersecurity threats. We require vendors to use appropriate security measures to prevent unauthorized use or disclosure of our data, as well as other safeguards. Despite these measures, there is no guarantee that a compromise of our third-party vendors will not occur and in turn result in a compromise of our own IT systems or data. In addition, if we select a vendor that uses cloud storage as part of their service or product offerings, our proprietary information could be misappropriated by third parties despite our attempts to validate the security of such services. Many employees continue to work remotely based on a hybrid work model, which magnifies the importance of maintaining the integrity of our remote access security measures. We also periodically acquire new businesses with less mature security programs, and it takes significant time, effort and expense to align security practices to meet our information security policies, procedures and controls. During these times, we may also experience increased incidences of cyberattacks or other security breaches.

The techniques used to obtain unauthorized access to networks or to sabotage systems of companies such as ours change frequently, increasingly leverage technologies such as AI, and generally are not recognized until launched against a target. We may be unable to anticipate these emerging techniques, react in a timely manner, or implement adequate preventative measures, or we may not have sufficient logging available to fully investigate the incident. Our security measures vary in maturity across the business and may be and have been circumvented. For example, we have identified instances where employees have used non-approved applications for business purposes, some of which do not meet our security standards. Any security breach of our own or a third-party vendor’s systems could cause us to be non-compliant with applicable laws or regulations, subject us to legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence in our products and services, any of which could adversely affect our business and our ability to sell our products and services.

Any actual or perceived failure to comply with new or existing laws, regulations and other requirements relating to the privacy, security, processing and cross-border transfer of personal information could adversely affect our business, financial condition and results of operations.

In connection with running our business, we receive, store, use and otherwise process personal information, including from and about actual and prospective customers and users, as well as our employees and business contacts. We are therefore subject to a variety of federal, state and foreign laws, regulations and other requirements relating to the privacy, security and handling of personal information. For example, the EU/UK General Data Protection Regulation, the California Consumer Privacy Act and related laws in other jurisdictions require us to adhere to certain disclosure restrictions and deletion obligations with respect to the Personal Information of their residents, and allow for penalties for violations and, in some cases, a private right of action. These laws also impose transparency and other obligations with respect to personal information of their respective residents and provide residents with similar rights with respect to their personal information. We have invested, and continue to invest, human and technology resources in our efforts to comply with such requirements that may be time-intensive and costly.

The application and interpretation of such requirements are constantly evolving and are subject to change, creating a complex compliance environment. In some cases, these requirements may be either unclear in their interpretation and application, or they may have inconsistent or conflicting requirements with each other. Further, there has been a substantial increase in legislative activity and regulatory focus on data privacy and security in the United States and elsewhere, including in relation to cybersecurity incidents. In addition, some such requirements place restrictions on our ability to process personal information across our business or across country borders.

It is possible that new laws, regulations and other requirements, or amendments to or changes in interpretations of existing laws, regulations and other requirements, may require us to incur significant costs, implement new processes or change our handling of information and business operations, which could ultimately hinder our ability to grow our business by extracting value from our data assets. In addition, any failure or perceived failure by us to comply with laws, regulations and other requirements relating to privacy, security and handling of information could result in legal claims or proceedings (including class actions), regulatory investigations or enforcement actions. We could incur significant costs in investigating and defending such claims and, if found liable, pay significant damages or fines or be required to make changes to our business. These proceedings and any subsequent adverse outcomes may subject us to significant negative publicity and an erosion of trust. If any of these events were to occur, our reputation, business, financial condition and results of operations could be materially adversely affected.

Risks Related to Our Status as a Controlled Company

We are a "controlled company" within the meaning of the rules and, as a result, qualify for and rely on exemptions from certain corporate governance requirements.

As of March 31, 2026, Ms. Ngai-Pesic and the members of her immediate family (the "Pesic Family") collectively own more than 56.7% of our total outstanding common stock. As a result of the Pesic Family collectively holding more than 50% of the voting power of our company, we are a "controlled company" within the meaning of the Nasdaq listing rules. Therefore, we are not required to comply with certain corporate governance rules that would otherwise apply to us as a listed company on Nasdaq, including the requirements that (i) we have a majority of independent directors on our board of directors; (ii) the compensation of our executive officers be determined by a majority of the independent directors or a compensation committee comprised solely of independent directors; and (iii) director nominees selected or recommended for our board be approved either by a majority of the independent directors or a nominating committee comprised solely of independent directors.

Following the IPO, we utilized the exemptions described in clauses (ii) and (iii) above and may continue utilizing some or all of the exemptions described above for as long as we remain a controlled company. As a result, we may not have a majority of independent directors and our nominating and corporate governance committee and compensation committee may not consist entirely of independent directors. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

The Stockholders Agreement grants the Pesic Family significant rights that may limit your ability to influence matters requiring stockholder approval.

Pursuant to the Stockholders Agreement, dated April 12, 2024, among us and the Pesic Family, for so long as the Pesic Family owns in the aggregate at least 25% of the voting power of our then outstanding capital stock, our amended and restated certificate of incorporation provides that the prior written approval or consent of the Pesic Family is required for us to (i) implement any amendments to our amended and restated certificate of incorporation or bylaws that would adversely affect the Pesic Family's rights thereunder, (ii) effect or consummate a change of control or approve another merger, consolidation, business combination, sale or acquisition that results in changes in the rights and privileges of holders of equity securities, and (iii) effect the liquidation or dissolution or winding up of our business operations. Additionally, the Stockholders Agreement provides that the Pesic Family has the ability to designate up to four nominees for our board of directors and one non-voting board observer, depending on ownership levels. The Pesic Family are not prohibited from selling a controlling interest in us to a third party and may do so without the approval of other stockholders and without providing for a purchase of shares of common stock held by other stockholders. Accordingly, the shares of common stock held by other stockholders may be worth less than they would be if the Pesic Family did not maintain voting control over us.

The interests of the Pesic Family could conflict with or differ from the interests of other stockholders. For example, the concentration of ownership held by the Pesic Family could delay, defer or prevent a change of control of us or impede a merger, takeover or other business combination that other stockholders may otherwise view favorably. So long as the Pesic Family continue to beneficially own a significant amount of our equity, even if such amount is less than 50%, they may continue to be able to strongly influence or effectively control our decisions.

Our inability to resolve any disputes that arise between us and Ms. Ngai-Pesic, or other members of the Pesic Family, with respect to our past, future and ongoing relationships may adversely affect our operating results.

We lease several office facilities from entities controlled by Ms. Ngai-Pesic, pursuant to which we recorded a rent expense of $0.1 million for both the three months ended March 31, 2026, and 2025. Because we are controlled by the Pesic Family, we may not have the leverage to negotiate extensions or amendments to our agreements on terms as favorable to us compared to those we would negotiate with an unaffiliated third party. See Note 7 to our condensed consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

More generally, disputes may arise between the Pesic Family, us, members of our board of directors and management. We may not be able to resolve any potential disputes, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party.

Risks Related to Legal, Regulatory, Accounting and Tax Matters

We are subject to anti-corruption and anti-money laundering laws with respect to our operations and non-compliance with such laws can subject us to criminal or civil liability and harm our business.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and similar laws in the United States and other countries in which we conduct activities, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. Travel Act, the USA PATRIOT Act, and the United Kingdom Bribery Act 2010. We use third parties, including intermediaries and partners, to support sales of our products, and we may be held liable for the corrupt or other illegal activities of these third-party intermediaries and partners, our employees, representatives, contractors, and other third parties, even if we do not explicitly authorize such activities. While we have policies and procedures intended to address compliance with these laws, we cannot assure you that all of our employees, representatives, contractors, partners, agents, intermediaries or other third parties have not taken, or will not take, actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Noncompliance with these laws could subject us to investigations, severe criminal or civil sanctions, settlements, prosecution, loss of export privileges, disgorgement of profits, significant fines, and other adverse consequences that could harm our reputation, business, operating results and financial condition. Any investigations, actions or sanctions could harm our reputation, business, operating results and financial condition.

We are subject to governmental export and import controls and sanctions, laws and regulations that could impair our ability to compete in international markets due to licensing requirements and subject us to liability if we do not comply with applicable laws and regulations.

Our software solutions and technology are subject to export control and import laws and regulations of applicable jurisdictions, including U.S. export controls and sanctions. These laws and regulations may limit our ability to export our software solutions and technology or may require export authorizations and conditions prior to export. In addition, various countries regulate the imports of certain products. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges, as well as reputational harm.

Complying with export control and sanctions laws and regulations can be time-consuming and result in the loss of sales opportunities. We have taken precautions to ensure compliance with such laws and regulations, but our software solutions and technology have nonetheless been, and could still in the future be, provided in violation of such laws. Between August 2019 and June 2022, we filed various voluntary disclosures with BIS regarding potential violations of U.S. export control laws and regulations, specifically, the export of our licenses to certain parties designated on BIS's Entity List and Unverified List, and the export of certain software modules without a license which was required at the time of the transaction but that were declassified by BIS in October 2020 to a lesser controlled export classification, meaning that such software generally no longer requires an export license. In April 2025, BIS issued a warning letter in response to the previously-filed voluntary self-disclosures, reserving the right to take future enforcement action should additional information warrant renewed attention. In July and October 2022 and January 2023, we also filed voluntary disclosures with the Office of Foreign Assets Control ("OFAC") regarding potential violations of OFAC sanctions programs, specifically the download of certain Company software modules by users in U.S. embargoed countries. In October 2023, we also filed voluntary disclosures with OFAC regarding certain banking transactions made by our third-party service provider in Russia on our behalf, through a bank that was sanctioned by OFAC. In July 2024, OFAC issued a cautionary letter regarding the sanctions matters, reserving the right to take future enforcement action should additional information warrant renewed attention. If either BIS or OFAC chooses to bring an enforcement action against us in relation to any potential violations in the future, such actions could result in the imposition of significant penalties against us.

Changes in our software solutions or technology or changes in applicable export or import laws and regulations may create delays in the introduction and sale of our software solutions and technology in international markets, prevent our customers from deploying our software solutions and technology or, in some cases, prevent the export or import of our software solutions and technology to certain countries, governments or persons altogether.

Any change in export or import laws and regulations, shift in the enforcement or scope of existing laws and regulations, or change in the countries, governments, persons or technologies targeted by such laws and regulations, could also affect our customers' use of our software solutions and technology and our ability to export our software solutions and technology to existing or potential customers. This would likely adversely affect our business, financial condition and results of operations.

Litigation, government investigations or regulatory proceedings could have a material adverse effect on our financial position, results of operations and our stock price.

We are involved in various investigations, claims and legal proceedings from time to time that arise in the ordinary course of our business activities, which are and can be related to intellectual property, indemnification, mergers and acquisitions, licensing, contracts, customers, products, distribution and other commercial arrangements and employee relations matters. For example, we previously commenced legal proceedings against certain of our customers to protect our intellectual property rights and may do so again in the future, which could result in resentment within our customer base and adversely affect our business, financial condition and results of operations. In addition, the settlement of our litigation with the former stockholders of Nangate, Inc. had an adverse effect on our business, financial condition and results of operations. There can be no assurance that in the future we will not experience similarly unfavorable litigation outcomes, which could have a material adverse effect on our business, financial condition and results of operations. Other active proceedings include customary audit activities by various taxing authorities and legal proceedings.

We or our directors or officers may be subject to litigation proceedings, which are expensive, could divert management attention, and harm our business.

As a public company, we are vulnerable to securities class action litigation, particularly following periods of stock price volatility or announcements. Litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or, in cases for which injunctive relief is sought, an injunction prohibiting us from manufacturing or selling one or more products. If we were to receive an unfavorable ruling on a matter, our business and operating results could be materially harmed. Additionally, securities litigation can be expensive to defend, result in substantial judgments or settlements, divert management and board attention from business operations, and harm our reputation.

Our directors and officers may also be involved in litigation in their capacities with us or other public companies. Even if we successfully defend against such claims, the costs and distraction can be significant. We cannot predict the outcome of any litigation, and adverse rulings could materially harm our financial condition and results of operations.

Changes in our tax rates or exposure to additional tax liabilities or assessments could affect our profitability, and audits by tax authorities could result in additional tax payments for prior periods.

We are subject to various U.S. and non-U.S. taxes, including direct and indirect taxes, such as corporate income, withholding, customs, excise, value-added, sales and other taxes imposed on our global activities. Significant judgment is required in determining our provisions for taxes, and there are many transactions and calculations where the ultimate tax determination is uncertain.

Our tax returns are subject to audit by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If audits result in tax liabilities or assessments different from our reserves, our future results may include unfavorable adjustments to our tax liabilities, and our financial statements could be adversely affected.

Changes in tax laws could adversely affect our business, financial position and results of operations.

Any significant changes to the tax system in the United States or in other jurisdictions could adversely affect our business, financial condition and results of operations.

The U.S. Congress, government agencies in non-U.S. jurisdictions where we and our affiliates do business, and the Organization for Economic Cooperation and Development ("OECD"), have recently focused on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," where profits are claimed to be earned for tax purposes in low-tax jurisdictions, or payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. The OECD has released several components of its comprehensive plan to create an agreed set of international rules for addressing base erosion and profit shifting.

Because we operate in numerous taxing jurisdictions, the application of the relevant tax laws can be subject to diverging and sometimes conflicting interpretations by the taxing authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views with respect to, among other things, whether a permanent establishment exists in a particular jurisdiction, the manner in which the arm's length standard is applied for transfer pricing purposes, or the valuation of intellectual property. For example, if the taxing authority in one country where we operate were to reallocate income from another country where we operate, and the taxing authority in the second country did not agree with the reallocation asserted by the first country, we could become subject to tax on the same income in both countries, resulting in double taxation.

If taxing authorities were to allocate income to a higher tax jurisdiction, subject our income to double taxation or assess interest and penalties, it could increase our tax liability, which could adversely affect our business, financial position and results of operations.

In the United States, the Tax Cuts and Jobs Act enacted in 2017, the Coronavirus Aid, Relief, and Economic Security Act enacted in 2020, the Inflation Reduction Act enacted in 2022, and the One Big Beautiful Bill Act enacted in 2025 made many significant changes to U.S. tax laws. Due to the potential for changes in tax laws and regulations or changes in the interpretation thereof (including regulations and interpretations pertaining to recent tax reform in the United States), the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, uncertainties regarding the geographic mix of earnings in any particular period and other factors, our estimates of our effective tax rate and our income tax assets and liabilities may be incorrect and our financial statements could be adversely affected. The impact of these factors may be substantially different from period-to-period.

Risks Related to the Ownership of Our Common Stock

Our stock price has been and may continue to be subject to fluctuations.

Our stock price is subject to changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, our credit ratings and other factors beyond our control including macroeconomic factors. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business or security of our products, can cause changes in our stock price. In addition to these factors and industry and general economic and political conditions, our stock price may be adversely impacted by announcements related to financial results or forecasts that fail to meet or are inconsistent with earlier projections or the expectations of our securities analysts or investors, announcements of new products or acquisitions of new technologies by us, or by other companies, including our competitors or our customers, or announcements of acquisitions, major transactions, litigation developments or management changes. A significant drop in our stock price could expose us to the risk of securities class action lawsuits, stockholder derivative lawsuits or other actions by stockholders, which may result in substantial costs and divert management's attention and resources, which may adversely affect our business.

We have experienced a material weakness in our internal control over financial reporting in the past, and any future material weakness or failure to maintain effective internal controls could impair our ability to report our financial condition or results of operations accurately and on a timely basis, which may adversely affect investor confidence and the value of our common stock.

As a public company, we are subject to Section 404 of the Sarbanes-Oxley Act, which requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. Section 404(a) requires that we include a management report on our internal controls beginning with the annual report for our fiscal year ending December 31, 2025. We will also be required to comply with the auditor attestation requirements of Section 404(b) following the later of the date we are deemed to be an "accelerated filer" or a "large accelerated filer," or the date we are no longer an "emerging growth company," as defined in the JOBS Act.

We have in the past identified material weaknesses in our internal control over financial reporting ("ICFR"). Although we have remediated this deficiency, we may discover additional material weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our financial statements. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

Any failure to maintain internal control over financial reporting or to identify any material weaknesses could severely inhibit our ability to timely and accurately report our financial condition, results of operations or cash flow. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by Nasdaq, the SEC, or other regulatory authorities. Failure to implement or maintain other effective control systems required of public companies, could also adversely affect our future access to the capital markets.

There is no guarantee that an active and liquid market for our common stock will be sustained and investors may not be able to sell their shares at or above the price at which they were bought, or at all.

Our common stock has been trading on a national securities exchange for less than 2 years. An active market in our common stock may not be sustainable or liquid enough for you to sell your shares, especially given the concentration of outstanding shares. If an active market for our common stock is not sustained, holders of our common stock may not be able to liquidate their investment or resell their shares at favorable prices, or at all. An inactive trading market may also impair our ability to raise capital by selling shares of our common stock and enter into strategic partnerships or acquire other complementary products, technologies or businesses by using shares of our common stock as consideration. Furthermore, there can be no guarantee that we will continue to satisfy the continued listing standards of Nasdaq. If we fail to satisfy the continued listing standards, we could be delisted, which would negatively impact the value and liquidity of your investment.

Future sales or issuances of our common stock could cause the price of our common stock to decline.

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, a large number of shares of our common stock becoming available for sale, or the perception in the market that such sales could occur. We may issue additional common stock, preferred stock, convertible securities or other equity or equity linked securities in the future. We also expect to issue common stock to our employees, directors and other service providers pursuant to our equity incentive plans. Such issuances will be dilutive to investors and could cause the price of our common stock to decline, and new investors in such issuances could also receive rights senior to those of holders of our common stock.

If securities analysts or industry analysts downgrade our common stock, publish negative research or reports, or fail to publish reports about our business, our stock price and trading volume could decline.

The market price and trading market for our common stock may be influenced by the research and reports that industry or securities analysts publish about us, our business and our market. As a newly public company, the analysts who publish information about our common stock have had relatively little experience with us, which could affect their ability to accurately forecast our results and could make it more likely that we fail to meet their estimates. If one or more of the analysts covering us adversely change their recommendation regarding our stock or change their recommendation about our competitors' stock, our stock price could decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline or become volatile.

We do not intend to pay dividends on our common stock.

We do not anticipate declaring or paying any dividends for the foreseeable future as we currently anticipate retaining future earnings for the development, operation and expansion of our business. Any future determination to pay dividends will be at the discretion of our board of directors and subject to, among other things, our revenues and earnings, capital requirements and general financial condition at the time. Any return to stockholders will therefore be limited to the increase, if any, in our stock price.

Our amended and restated charter and bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, and provide that federal district courts will be the sole and exclusive forum for Securities Act claims, which could limit our stockholders' ability to obtain what they believe to be a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our charter and bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware (or, if that court lacks subject matter jurisdiction, another federal or state court situated in the State of Delaware) shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or the DGCL, our certificate of incorporation, or our bylaws; (iv) any action to interpret, apply, enforce, or determine the validity of our certificate of incorporation or our bylaws; or (v) any action asserting a claim against us governed by the internal affairs doctrine. If any such action is filed in a court other than a court located within the State of Delaware, or a Foreign Action, in the name of any stockholder, that stockholder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce our choice of forum, or an Enforcement Action, and (y) having service of process made upon such stockholder in any such Enforcement Action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder, in each case, to the fullest extent permitted by law. Our charter and bylaws further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts are the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

These provisions do not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation will further provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolutions of any complaint asserting a cause of action arising under the Securities Act, including all causes of action asserted against any defendant named in such complaint.

We believe these provisions may benefit us by providing increased consistency in the application of Delaware law and federal securities laws by chancellors and judges, as applicable, particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums, and protection against the burdens of multi-forum litigation. These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims or make such lawsuits more costly for stockholders, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find one or more of the choice of forum provisions that will be contained in our amended and restated certificate of incorporation and amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could seriously harm our business.

General Risk Factors

Catastrophic events and the effects of climate change, pandemics or other unexpected events may disrupt our business and harm our operating results.

Due to the global nature of our business, our operating results may be negatively impacted by catastrophic events and the effects of climate change, pandemics or other unexpected events throughout the world. We rely on a global network of infrastructure applications, enterprise applications and technology systems for our development, marketing, operational, support and sales activities. A disruption or failure of these systems in the event of a major earthquake, fire, extreme temperatures, drought, flood, telecommunications failure, cybersecurity attack, terrorist attack, epidemic or pandemic, or other catastrophic or climate change-related events could cause system interruptions, delays in our product development and loss of critical data and could prevent us from fulfilling our customers' orders. In particular, our sales and infrastructure are vulnerable to regional or worldwide health conditions, including the effects of the outbreak of contagious diseases, such as the government-imposed restrictions that curtailed global economic activity and caused substantial volatility in global financial markets during the COVID-19 pandemic. Moreover, our corporate headquarters, a significant portion of our research and development activities, our data centers, and certain other critical business operations are located in California, near major earthquake faults and sites of recent wildfires, which may become more frequent, along with other extreme weather events, due to climate change. A catastrophic event or other extreme weather event that results in the destruction or disruption of our data centers or our critical business or IT systems would severely affect our ability to conduct normal business operations and, as a result, our operating results would be adversely affected.

Uncertainty in the global macroeconomic environment may negatively affect our business, operating results and financial condition.

The current macroeconomic environment reflects the effects of, among other things, changes in U.S. and global trade policy, including tariffs enacted by the U.S. and other governments, sustained global inflationary pressures, elevated interest rates, potential economic slowdowns or recessions, supply chain disruptions, geopolitical pressures and fluctuations in foreign exchange rates. This uncertain macroeconomic environment has resulted in volatility in credit, equity and foreign currency markets and has led some of our customers to postpone their decision-making, decrease their spending or delay their payments to us.

If these macroeconomic uncertainties persist or if economic conditions deteriorate, the global economy, including the semiconductor and electronics industries that are core customers for our products, could see their growth slow or fail to grow at all. Adverse economic conditions affect demand for devices that our products help create, such as the ICs incorporated in personal computers, smartphones, automobiles and servers. Reduced demand for these or other products could result in reduced demand for our design solutions and significant decreases in our average selling prices and product sales over time.

Uncertain macroeconomic conditions could also adversely affect the banking and financial services industry and result in bank failures or credit downgrades of the banks we rely on for credit and banking transactions and deposit services. A deterioration of conditions in worldwide credit markets could limit our ability to obtain external financing to fund our operations, capital expenditures or acquisitions. In addition, difficult economic conditions may result in a higher rate of losses on our accounts receivable due to credit defaults. Any of the foregoing could adversely affect our business, operating results and financial condition.

We are an "emerging growth company" and a "smaller reporting company" and any decision on our part to comply with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act. We intend to take advantage of certain exemptions under the JOBS Act from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404(b), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. We may take advantage of these exemptions for up to five years or until we are no longer an "emerging growth company," whichever is earlier.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act. Accordingly, our condensed consolidated financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

We cannot predict if investors will find our common stock less attractive if we choose to rely on any of the exemptions afforded to emerging growth companies. If some investors find our common stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our common stock, and the market price of our common stock may be more volatile.

We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year (a) in which the fifth anniversary of the completion of the IPO, (b) in which we have total annual gross revenue of at least $1.235 billion or (c) in which we become a large accelerated filer, which means that we have been public for at least 12 months, have filed at least one annual report and the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the last day of our then-most recently completed second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

We are also a "smaller reporting company." We may continue to be a smaller reporting company if either (i) the market value of our common stock held by non-affiliates is less than $250.0 million or (ii) our annual revenue is less than $100.0 million during the most recently completed fiscal year and the market value of our common stock held by non-affiliates is less than $700.0 million. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K, we are not required to comply with the auditor attestation requirements of Section 404 and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Silvaco Group, Inc. (filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2026)
3.2	Amended and Restated Bylaws of Silvaco Group, Inc. (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 19, 2026)
4.1	Form of Common Stock Certificate (filed as Exhibit 4.1 to the Registrant's Registration on Form S-1 (No. 333-278666) initially filed with the Securities and Exchange Commission on April 12, 2024)
4.2	Registration Rights Agreement, dated April 12, 2024, among the Registrant and the stockholders named therein (filed as Exhibit 10.25 to the Registrant's Registration on Form S-1 (No. 333-278666) initially filed with the Securities and Exchange Commission on April 12, 2024)
4.3	Stockholders Agreement, dated April 12, 2024, among the Registrant and the stockholders named therein (filed as Exhibit 10.26 to the Registrant's Registration on Form S-1 (No. 333-278666) initially filed with the Securities and Exchange Commission on April 12, 2024)
10.1	Open Market Sales Agreement, dated March 13, 2026, by and between Silvaco Group, Inc. and Jefferies LLC. (filed as Exhibit 1.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 13, 2026)
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	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 as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

** The certification attached as Exhibit 32.1 and 32.2 accompanying this Quarterly Report on Form 10-Q, is deemed furnished and not filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Clara, State of California, on May 7, 2026.

SILVACO GROUP, INC.

/s/ Walden C. Rhines
Name: Dr. Walden C. Rhines
Title: Chief Executive Officer

/s/ Christopher J. Zegarelli
Name: Christopher J. Zegarelli
Title: Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Dr. Walden C. Rhines, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Silvaco Group, Inc;

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

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

4. The registrant’s other certifying officer(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.

By: /s/ Walden C. Rhines

Dr. Walden C. Rhines

Chief Executive Officer

Date: May 7, 2026

Exhibit 31.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Christopher J. Zegarelli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Silvaco Group, Inc;

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

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

4. The registrant's other certifying officer(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.

By: /s/ Christopher J. Zegarelli

Christopher J. Zegarelli

Chief Financial Officer

Date: May 7, 2026

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
OF THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350

I, Dr. Walden C. Rhines, Chief Executive Officer of Silvaco Group Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2026 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

By: /s/ Walden C. Rhines

Dr. Walden C. Rhines

Chief Executive Officer

Date: May 7, 2026

Exhibit 32.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
OF THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350

I, Christopher J. Zegarelli, Chief Financial Officer of Silvaco Group Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2026 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

By: /s/ Christopher J. Zegarelli

Christopher J. Zegarelli

Chief Financial Officer

Date: May 7, 2026