

**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 December 23, 2022

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: 001-39675

**ALLEGRO MICROSYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

46-2405937

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

955 Perimeter Road

Manchester, New Hampshire

03103

(Address of principal executive offices)

(Zip Code)

(603) 626-2300

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 \$0.01 per share	ALGM	The Nasdaq Global Select Market

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

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

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

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

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

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

As of January 23, 2023, the registrant had 191,508,272 shares of common stock, \$0.01 par value per share, outstanding.

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the “Quarterly Report”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future results of operations and financial position, business strategy, the impact of the ongoing and global COVID-19 pandemic on our business, prospective products and the plans and objectives of management for future operations, may be forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, including, among others, statements regarding the liquidity, growth and profitability strategies and factors and trends affecting our business are forward-looking statements. Without limiting the foregoing, in some cases, you can identify forward-looking statements by terms such as “aim,” “may,” “will,” “should,” “expect,” “exploring,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” “seek,” or “continue” or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words. No forward-looking statement is a guarantee of future results, performance, or achievements, and one should avoid placing undue reliance on such statements.

Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to us. Such beliefs and assumptions may or may not prove to be correct. Additionally, such forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A. “Risk Factors” in this Quarterly Report and Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended March 25, 2022, as amended by Amendment No. 1 on Form 10-K/A filed with the SEC on August 29, 2022 (as amended, the “2022 Annual Report”) as any such factors may be updated from time to time in our Quarterly Reports on Form 10-Q, and our other filings with the SEC. These risks and uncertainties include, but are not limited to:

- downturns or volatility in general economic conditions, including as a result of an economic recession or the lingering effects of the COVID-19 pandemic, particularly in the automotive market;
- our ability to compete effectively, expand our market share and increase our net sales and profitability;
- our reliance on a limited number of third-party wafer fabrication facilities and suppliers of other materials;
- our failure to adjust purchase commitments, supply chain volume and inventory management based on changing market conditions or customer demand;
- shifts in our product mix or customer mix, which could negatively impact our gross margin;
- the cyclical nature of the analog semiconductor industry;
- our ability to compensate for decreases in average selling prices of our products and increases in input costs;
- increases in inflation rates or sustained periods of inflation in the markets in which we operate;
- any disruptions at our primary third-party wafer fabrication facilities;
- our ability to manage any sustained yield problems or other delays at our third-party wafer fabrication facilities or in the final assembly and test of our products;
- our ability to fully realize the benefits of past and potential future initiatives designed to improve our competitiveness, growth and profitability;
- our ability to accurately predict our quarterly net sales and operating results;
- our dependence on manufacturing operations in the Philippines;
- our reliance on distributors to generate sales;
- COVID-19 induced lock-downs and suppression on our supply chain and customer demand;
- our ability to develop new product features or new products in a timely and cost-effective manner;
- our ability to manage growth;
- any slowdown in the growth of our end markets;
- the loss of one or more significant customers;
- our ability to meet customers’ quality requirements;
- uncertainties related to the design win process and our ability to recover design and development expenses and to generate timely or sufficient net sales or margins;

- changes in government trade policies, including the imposition of tariffs and export restrictions;
- our exposures to warranty claims, product liability claims and product recalls;
- our dependence on international customers and operations;
- the availability of rebates, tax credits and other financial incentives on end-user demands for certain products;
- risks related to governmental regulation and other legal obligations, including privacy, data protection, information security, consumer protection, environmental and occupational health and safety, anti-corruption and anti-bribery, and trade controls;
- the volatility of currency exchange rates;
- our indebtedness may limit our flexibility to operate our business;
- our ability to retain key and highly skilled personnel;
- our ability to protect our proprietary technology and inventions through patents or trade secrets;
- our ability to commercialize our products without infringing third-party intellectual property rights;
- disruptions or breaches of our information technology systems or those of our third-party service providers;
- our principal stockholders have substantial control over us;
- the inapplicability of the “corporate opportunity” doctrine to any director or stockholder who is not employed by us;
- the dilutive impact on the price of our shares upon future issuance by us or future sales by our stockholders;
- our lack of intent to declare or pay dividends for the foreseeable future;
- anti-takeover provisions in our organizational documents and under the General Corporation Law of the State of Delaware;
- the exclusive forum provision in our Certificate of Incorporation for disputes with stockholders;
- our inability to design, implement or maintain effective internal control over financial reporting;
- changes in tax rates or the adoption of new tax legislation; and
- other events beyond our control.

Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties.

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

Unless the context otherwise requires, references to “we,” “us,” “our,” the “Company” and “Allegro” refer to the operations of Allegro MicroSystems, Inc. and its consolidated subsidiaries.

**PART I – FINANCIAL INFORMATION**  
**Item 1. Condensed Consolidated Financial Statements**

**ALLEGRO MICROSYSTEMS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except par value and share amounts)  
(Unaudited)

	December 23, 2022	March 25, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 334,306	\$ 282,383
Restricted cash	9,822	7,416
Trade accounts receivable, net of provision for expected credit losses of \$147 and \$105 at December 23, 2022 and March 25, 2022, respectively	97,225	87,359
Trade and other accounts receivable due from related party	31,070	27,360
Accounts receivable – other	2,169	4,144
Inventories	119,580	86,160
Prepaid expenses and other current assets	22,030	14,995
Current portion of related party note receivable	3,750	1,875
Total current assets	619,952	511,692
Property, plant and equipment, net	232,076	210,028
Operating lease right-of-use assets	14,740	16,049
Deferred income tax assets	46,262	17,967
Goodwill	28,230	20,009
Intangible assets, net	53,130	35,970
Related party note receivable, less current portion	9,375	5,625
Equity investment in related party	27,968	27,671
Other assets	52,332	47,609
Total assets	<u>\$ 1,084,065</u>	<u>\$ 892,620</u>
<b>Liabilities, Non-Controlling Interest and Stockholders' Equity</b>		
Current liabilities:		
Trade accounts payable	\$ 49,945	\$ 29,836
Amounts due to related party	5,659	5,222
Accrued expenses and other current liabilities	77,796	65,459
Current portion of operating lease liabilities	3,828	3,706
Total current liabilities	137,228	104,223
Obligations due under Senior Secured Credit Facilities	25,000	25,000
Operating lease liabilities, less current portion	11,358	12,748
Deferred income tax liabilities	4,438	—
Other long-term liabilities	11,485	15,286
Total liabilities	189,509	157,257
Commitments and contingencies (Note 14)		
Stockholders' Equity:		
Preferred Stock, \$0.01 par value; 20,000,000 shares authorized, no shares issued or outstanding at December 23, 2022 and March 25, 2022	—	—
Common stock, \$0.01 par value; 1,000,000,000 shares authorized, 191,435,869 shares issued and outstanding at December 23, 2022; 1,000,000,000 shares authorized, 190,473,595 issued and outstanding at March 25, 2022	1,914	1,905
Additional paid-in capital	667,908	627,792
Retained earnings	248,338	122,958
Accumulated other comprehensive loss	(24,781)	(18,448)
Equity attributable to Allegro MicroSystems, Inc.	893,379	734,207
Non-controlling interests	1,177	1,156
Total stockholders' equity	894,556	735,363
Total liabilities, non-controlling interest and stockholders' equity	<u>\$ 1,084,065</u>	<u>\$ 892,620</u>

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

**ALLEGRO MICROSYSTEMS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share amounts)  
(Unaudited)

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Net sales	\$ 203,672	\$ 147,168	\$ 572,356	\$ 456,302
Net sales to related party	45,117	39,461	131,852	112,079
Total net sales	248,789	186,629	704,208	568,381
Cost of goods sold	84,776	66,675	247,805	214,811
Cost of goods sold to related party	21,419	18,789	63,413	55,713
Gross profit	142,594	101,165	392,990	297,857
Operating expenses:				
Research and development	39,593	30,297	109,017	89,441
Selling, general and administrative	37,373	37,963	146,470	104,115
Change in fair value of contingent consideration	—	(2,700)	(2,700)	(2,100)
Total operating expenses	76,966	65,560	252,787	191,456
Operating income	65,628	35,605	140,203	106,401
Other income (expense):				
Interest expense	(613)	(427)	(1,581)	(2,081)
Interest income	360	158	1,144	317
Foreign currency transaction gain (loss)	407	(3)	2,597	(55)
Income in earnings of equity investment	2,190	287	297	792
Other, net	4,119	3,634	765	5,216
Income before income taxes	72,091	39,254	143,425	110,590
Income tax provision	7,540	6,281	17,943	16,687
Net income	64,551	32,973	125,482	93,903
Net income attributable to non-controlling interests	32	37	102	112
Net income attributable to Allegro MicroSystems, Inc.	\$ 64,519	\$ 32,936	\$ 125,380	\$ 93,791
Net income attributable to Allegro MicroSystems, Inc. per share:				
Basic	\$ 0.34	\$ 0.17	\$ 0.66	\$ 0.49
Diluted	\$ 0.33	\$ 0.17	\$ 0.65	\$ 0.49
Weighted average shares outstanding:				
Basic	191,328,538	189,736,901	191,082,141	189,665,324
Diluted	193,935,908	192,068,222	193,100,762	191,678,951

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

**ALLEGRO MICROSYSTEMS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)  
(Unaudited)

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Net income	\$ 64,551	\$ 32,973	\$ 125,482	\$ 93,903
Net income attributable to non-controlling interest	32	37	102	112
Net income attributable to Allegro MicroSystems, Inc.	64,519	32,936	125,380	93,791
Other comprehensive loss (gain):				
Foreign currency translation adjustment	8,303	(1,306)	(6,414)	(4,873)
Comprehensive income	72,822	31,630	\$ 118,966	\$ 88,918
Other comprehensive (gain) loss attributable to non-controlling interest	(56)	(3)	81	61
Comprehensive income attributable to Allegro MicroSystems, Inc.	<u>\$ 72,766</u>	<u>\$ 31,627</u>	<u>\$ 119,047</u>	<u>\$ 88,979</u>

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

**ALLEGRO MICROSYSTEMS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(in thousands, except share amounts)  
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non- Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount					
<b>Balance at September 24, 2021</b>	—	\$ —	189,702,550	\$ 1,897	\$ 604,488	\$ 64,406	\$ (15,368)	\$ 1,130	\$ 656,553
Net income	—	—	—	—	—	32,936	—	37	32,973
Stock-based compensation, net of forfeitures	—	—	94,595	1	7,618	—	—	—	7,619
Foreign currency translation adjustment	—	—	—	—	—	—	(1,309)	3	(1,306)
<b>Balance at December 24, 2021</b>	—	\$ —	189,797,145	\$ 1,898	\$ 612,106	\$ 97,342	\$ (16,677)	\$ 1,170	\$ 695,839

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non- Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount					
<b>Balance at September 23, 2022</b>	—	\$ —	191,308,141	\$ 1,913	\$ 662,082	\$ 183,819	\$ (33,028)	\$ 1,089	\$ 815,875
Net income	—	—	—	—	—	64,519	—	32	64,551
Stock-based compensation, net of forfeitures	—	—	127,728	1	8,862	—	—	—	8,863
Payments of taxes withheld on net settlement of equity awards	—	—	—	—	(3,036)	—	—	—	(3,036)
Foreign currency translation adjustment	—	—	—	—	—	—	8,247	56	8,303
<b>Balance at December 23, 2022</b>	—	\$ —	191,435,869	\$ 1,914	\$ 667,908	\$ 248,338	\$ (24,781)	\$ 1,177	\$ 894,556



**ALLEGRO MICROSYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - continued**  
(in thousands, except share amounts)  
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non- Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount					
<b>Balance at March 26, 2021</b>	—	\$ —	189,588,161	\$ 1,896	\$ 592,170	\$ 3,551	\$ (11,865)	\$ 1,119	\$ 586,871
Net income	—	—	—	—	—	93,791	—	112	93,903
Employee stock purchase plan issuances	—	—	59,563	—	1,291	—	—	—	1,291
Stock-based compensation, net of forfeitures	—	—	149,421	2	18,645	—	—	—	18,647
Foreign currency translation adjustment	—	—	—	—	—	—	(4,812)	(61)	(4,873)
<b>Balance at December 24, 2021</b>	—	\$ —	189,797,145	\$ 1,898	\$ 612,106	\$ 97,342	\$ (16,677)	\$ 1,170	\$ 695,839

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non- Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount					
<b>Balance at March 25, 2022</b>	—	\$ —	190,473,595	\$ 1,905	\$ 627,792	\$ 122,958	\$ (18,448)	\$ 1,156	\$ 735,363
Net income	—	—	—	—	—	125,380	—	102	125,482
Employee stock purchase plan issuances	—	—	89,454	1	1,572	—	—	—	1,573
Stock-based compensation, net of forfeitures	—	—	872,820	8	51,186	—	—	—	51,194
Payments of taxes withheld on net settlement of equity awards	—	—	—	—	(12,642)	—	—	—	(12,642)
Foreign currency translation adjustment	—	—	—	—	—	—	(6,333)	(81)	(6,414)
<b>Balance at December 23, 2022</b>	—	\$ —	191,435,869	\$ 1,914	\$ 667,908	\$ 248,338	\$ (24,781)	\$ 1,177	\$ 894,556

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

**ALLEGRO MICROSYSTEMS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

	Nine-Month Period Ended	
	December 23, 2022	December 24, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 125,482	\$ 93,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,705	36,522
Amortization of deferred financing costs	74	75
Deferred income taxes	(28,387)	(3,061)
Stock-based compensation	51,242	18,647
Loss (gain) on disposal of assets	287	(349)
Change in fair value of contingent consideration	(2,700)	(2,100)
Provisions for inventory and receivables reserves	1,744	4,787
Unrealized loss (gain) on marketable securities	5	(4,482)
Changes in operating assets and liabilities:		
Trade accounts receivable	(5,894)	(6,133)
Accounts receivable - other	2,000	(9)
Inventories	(39,136)	3,251
Prepaid expenses and other assets	(17,761)	(11,870)
Trade accounts payable	19,553	2,026
Due to/from related parties	(3,273)	(2,775)
Accrued expenses and other current and long-term liabilities	5,717	(9,874)
Net cash provided by operating activities	145,658	118,558
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(49,563)	(55,792)
Acquisition of business, net of cash acquired	(19,728)	(12,549)
Proceeds from sales of property, plant and equipment	—	27,407
Investments in marketable securities	—	(9,189)
Net cash used in investing activities	(69,291)	(50,123)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loans made to related party	(7,500)	(7,500)
Receipts on related party notes receivable	1,875	—
Payments for taxes related to net share settlement of equity awards	(12,642)	—
Proceeds from issuance of common stock under employee stock purchase plan	1,573	1,291
Net cash used in financing activities	(16,694)	(6,209)
Effect of exchange rate changes on Cash and cash equivalents and Restricted cash	(5,344)	604
Net increase in Cash and cash equivalents and Restricted cash	54,329	62,830
Cash and cash equivalents and Restricted cash at beginning of period	289,799	203,875
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD:</b>	<b>\$ 344,128</b>	<b>\$ 266,705</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:</b>		
Cash and cash equivalents at beginning of period	\$ 282,383	\$ 197,214
Restricted cash at beginning of period	7,416	6,661
Cash and cash equivalents and Restricted cash at beginning of period	\$ 289,799	\$ 203,875
Cash and cash equivalents at end of period	334,306	259,208
Restricted cash at end of period	9,822	7,497
Cash and cash equivalents and Restricted cash at end of period	\$ 344,128	\$ 266,705
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Noncash transactions:		
Property, plant and equipment purchases included in trade accounts payable	\$ (2,462)	\$ (4,934)
Noncash lease liabilities arising from obtaining right-of-use assets	1,926	1,906

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

ALLEGRO MICROSYSTEMS, INC.

Notes to Unaudited Condensed Consolidated Financial Statements  
(Amounts in thousands, except share and per share amounts)

**1. Nature of the Business and Basis of Presentation**

Allegro MicroSystems, Inc., together with its consolidated subsidiaries (the “Company”), is a global leader in designing, developing and manufacturing sensing and power solutions for motion control and energy-efficient systems in automotive and industrial markets. The Company is headquartered in Manchester, New Hampshire and has a global footprint across multiple continents.

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The unaudited condensed consolidated financial statements include the Company’s accounts and those of its subsidiaries. All intercompany balances have been eliminated in consolidation. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended March 25, 2022 filed with the SEC on May 18, 2022, as amended by Amendment No. 1 on Form 10-K/A filed with the SEC on August 29, 2022 (as amended, the “2022 Annual Report”). In the opinion of the Company’s management, the financial statements for the interim periods presented reflects all adjustments necessary for a fair statement of the Company’s financial position, results of operations and cash flows. The results reported in these unaudited condensed consolidated financial statements are not necessarily indicative of results that may be expected for the entire year.

***Financial Periods***

The Company’s third quarter three-month period is a 13-week period. The Company’s third quarter of fiscal 2023 ended December 23, 2022, and the Company’s third quarter of fiscal 2022 ended December 24, 2021.

**2. Summary of Significant Accounting Policies**

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingencies at the date of the unaudited condensed consolidated financial statements and the reported amounts of net sales and expenses during the reporting period. Such estimates relate to useful lives of fixed and intangible assets, allowances for expected credit losses and customer returns and sales allowances. Such estimates could also relate to the fair value of acquired assets and liabilities, including goodwill and intangible assets, net realizable value of inventory, accrued liabilities, the valuation of stock-based awards, deferred tax valuation allowances, and other reserves. On an ongoing basis, management evaluates its estimates. Actual results could differ from those estimates, and such differences may be material to the unaudited condensed consolidated financial statements.

***Reclassifications***

Certain reclassifications have been made to prior-period amounts to conform to current-period reporting classifications.

***Concentrations of Credit Risk and Significant Customers***

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents with financial institutions, that management believes are of a high credit quality. To manage credit risk related to accounts receivables, the Company evaluates the creditworthiness of its customers and maintains allowances, to the extent necessary, for potential credit losses based upon the aging of its accounts receivable balances and known collection issues. The Company has not experienced any significant credit losses during the prior two years.

As of December 23, 2022 and March 25, 2022, Sanken Electric Co., Ltd. (“Sanken”) accounted for 24.1% and 23.8% of the Company’s outstanding trade accounts receivable, net, respectively, including related party trade accounts receivable. No other customers accounted for 10% or more of outstanding trade accounts receivable, as of those dates.

For the three- and nine-month periods ended December 23, 2022, Sanken accounted for 18.1% and 18.7% of total net sales, respectively. For the three- and nine-month periods ended December 24, 2021, Sanken accounted for 21.1% and 19.7% of total net sales, respectively. No other customers accounted for 10% or more of total net sales for the three- and nine-month

**ALLEGRO MICROSYSTEMS, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements – (continued)**  
**(Amounts in thousands, except share and per share amounts)**

periods ended December 23, 2022 and December 24, 2021. See Note 18, “Related Party Transactions” for a discussion of the Transition Agreement (as defined below) between Sanken and the Company to transition the marketing and sale of the Company’s products in Japan from Sanken to the Company during the twelve-month transition period beginning on September 29, 2022.

During the three-month period ended December 23, 2022, sales to customers located outside of the United States accounted for, in the aggregate, 86.5% of the Company’s total net sales, with Greater China accounting for 25.8%, Japan accounting for 18.1% and South Korea accounting for 10.3%. During the nine-month period ended December 23, 2022, sales to customers located outside of the United States accounted for, in the aggregate, 87.6% of the Company’s total net sales, with Greater China accounting for 25.9% and Japan accounting for 18.7%. No other country accounted for greater than 10% of total net sales for the three- and nine-month periods ended December 23, 2022.

During the three-month period ended December 24, 2021, sales to customers located outside of the United States, in the aggregate, accounted for 85.9% of the Company’s total net sales, with Greater China accounting for 26.1%, Japan accounting for 21.1% and South Korea accounting for 10.7%. During the nine-month period ended December 24, 2021, sales to customers located outside of the United States, in the aggregate, accounted for 85.8% of the Company’s total net sales, with Greater China accounting for 25.0%, Japan accounting for 19.7% and South Korea accounting for 10.8%. No other country accounted for greater than 10% of total net sales for the three- and nine-month periods ended December 24, 2021.

***Recently Adopted Accounting Standards***

In October 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (“ASU 2021-08”), which eliminates the diversity in practice and inconsistency related to the accounting for acquired revenue contracts with customers in a business combination. The amendments in ASU 2021-08 require an acquiring entity to apply ASC Topic 606, *Contracts with Customers* (“ASC 606”), to recognize and measure contract assets and contract liabilities in a business combination as if the acquired contracts with customers were originated by the acquiring entity at the acquisition date. An acquirer may assess how the acquiree applied ASC 606 and generally should recognize and measure the acquired contract assets and contract liabilities consistent with the recognition and measurement in the acquiree’s financial statements, as prepared in accordance with U.S. GAAP. If unable to rely on the acquiree’s accounting due to errors, noncompliance with U.S. GAAP, or differences in accounting policies, the acquirer should consider the terms of the acquired contracts, such as timing of payment, identify each performance obligation in the contracts, and allocate the total transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception (that is, the date the acquiree entered into the contracts) or contract modification to determine what should be recorded at the acquisition date. The Company early adopted ASU 2021-08, effective March 26, 2022 and concluded that adoption of this ASU did not have a material impact on its financial position, results of operations, cash flows, or related disclosures.

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)* (“ASU 2021-04”). ASU 2021-04 outlines how an entity should account for modifications made to equity-classified written call options, including stock options and warrants to purchase the entity’s own common stock. The guidance in the ASU requires an entity to treat a modification of an equity-classified written call option that does not cause the option to become liability-classified as an exchange of the original option for a new option. This guidance applies whether the modification is structured as an amendment to the terms and conditions of the equity-classified written call option or as termination of the original option and issuance of a new option. The Company adopted ASU 2021-04, effective March 26, 2022, and concluded that it did not have a material impact on its financial position, results of operations, cash flows, or related disclosures.

***Recently Issued Accounting Standards Not Yet Adopted***

In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848* (“ASU 2022-06”). In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provided temporary relief when transitioning from the London Interbank Offered Rate (“LIBOR”) to the Secured Overnight Financing Rate (“SOFR”) or another applicable rate during the original transition period ending on December 31, 2022. In March 2021, the UK Financial Conduct Authority (the “FCA”) announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of U.S. dollar LIBOR would be June 30, 2023, which is beyond the current sunset date of Topic 848. In light of this development, the FASB issued this update to defer the sunset date of Topic 848 from December 31, 2022, to December 31,

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2024, after which entities will no longer be permitted to apply the relief in Topic 848. The Company does not anticipate this new guidance to have a material impact on its financial position, results of operations, cash flows, or related disclosures.

**3. Heyday Acquisition**

On September 1, 2022, the Company completed its purchase of all of the equity interests in Heyday Integrated Circuits (“Heyday”), a privately held company specializing in compact, fully integrated isolated gate drivers that enable energy conversion in high-voltage gallium nitride and silicon carbide wide-bandgap semiconductor designs (the “Heyday Acquisition”). The Heyday Acquisition was undertaken to bring together Heyday’s isolated gate drivers and the Company’s isolated current sensors to enable potential development and commercialization of small high-voltage and high-efficiency power systems. Additionally, this acquisition is expected to increase the Company’s addressable market for electric vehicles (“xEV”), solar inverters, data center and 5G power supplies, and broad-market industrial applications. The total preliminary purchase price, as updated for measurement period adjustments, was \$20,501, consisting of cash consideration paid directly to the owners of Heyday and paid on their behalf for the settlement of certain outstanding debts and other obligations.

The Heyday Acquisition was accounted for as a business combination, and the Company recorded the assets acquired and liabilities assumed at their respective fair values as of the date of acquisition. The allocation of purchase consideration to assets and liabilities is not yet finalized. The preliminary allocation of the purchase price was based upon a preliminary valuation, and the Company’s estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). The primary areas of the preliminary purchase price allocation that are not yet finalized are the working capital settlement, finalization of our review of the estimates and assumptions included in the valuation reports, determination of the tax basis of certain assets and liabilities and certain tax carry forwards, and residual goodwill. During the three-month period ended December 23, 2022, the Company recorded measurement period adjustments to various accounts resulting in a decrease in goodwill of \$450. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date, updated for the measurement period adjustments above:

	As of September 1, 2022
Cash	\$ 324
Property and equipment	16
Completed technology	15,100
In-process research and development	1,600
Assets acquired	\$ 17,040
Current liabilities assumed	(282)
Net deferred tax liability	(4,036)
Net assets acquired	\$ 12,722
Total estimated fair value of consideration	(20,501)
Goodwill	\$ 7,779

The significant intangible assets identified in the preliminary purchase price allocation consisted of completed technology and in-process research and development. Completed technology assets will be amortized over an estimated useful life of 12 years. The acquired in-process research and development costs was determined to have an indefinite useful life.

Amortization of completed technology is included within cost of goods sold and consists of PowerThru technology that accomplishes gate driver power and signal transmission through an integrated transformer, reducing the size and complexity of the gate drive solution. The in-process research and development assets represent efforts to expand the power capability of these gate drivers for wide-bandgap semiconductor technology. To value the completed technology and the in-process research and development assets, the Company utilized the income approach, specifically a discounted cash-flow method known as the multi-period excess earnings method.

Goodwill was recognized for the excess purchase price over the fair value of the net assets acquired. The goodwill reflects the value of the synergies the Company expects to realize and the assembled workforce. Goodwill from the Heyday

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Acquisition is included within the Company’s one reporting unit and will be included in the Company’s enterprise-level annual review for impairment. Goodwill resulting from the Heyday Acquisition is not deductible for tax purposes.

The purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed based upon the respective estimates of fair value as of the date of the acquisition and using assumptions that the Company’s management believes are reasonable given the information available as of the date of the Heyday Acquisition. The final allocation of the purchase price may differ materially from the information presented in these condensed consolidated financial statements. Any changes to the preliminary estimates of the fair value of the assets acquired and liabilities assumed will be recorded as adjustments to those assets and liabilities, and residual amounts will be allocated to goodwill.

The revenues and income before income taxes from the Heyday Acquisition were immaterial to the Company’s consolidated results for the three- and nine-month periods ended December 23, 2022. The Company has not presented pro forma results of operations for the Heyday Acquisition because it is not material to the Company’s consolidated results of operations, financial position, or cash flows.

**4. Revenue from Contracts with Customers**

The Company generates revenue from the sale of magnetic sensor integrated circuits (“ICs”) and application-specific analog power semiconductors. The following tables summarize net sales disaggregated by application, by product and by geography for the three- and nine-month periods ended December 23, 2022 and December 24, 2021. The categorization of net sales by application is determined using various characteristics of the product and the application into which the Company’s product will be incorporated. The categorization of net sales by geography is determined based on the location to which the products are shipped.

*Net sales by application:*

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Automotive	\$ 170,107	\$ 130,797	\$ 477,154	\$ 390,351
Industrial	51,014	31,903	139,330	98,533
Other	27,668	23,929	87,724	79,497
<b>Total net sales</b>	<b>\$ 248,789</b>	<b>\$ 186,629</b>	<b>\$ 704,208</b>	<b>\$ 568,381</b>

*Net sales by product:*

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Power integrated circuits	\$ 94,513	\$ 62,859	\$ 272,500	\$ 195,054
Magnetic sensors and other	154,276	123,770	431,708	373,327
<b>Total net sales</b>	<b>\$ 248,789</b>	<b>\$ 186,629</b>	<b>\$ 704,208</b>	<b>\$ 568,381</b>

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*Net sales by geography:*

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
<b>Americas:</b>				
United States	\$ 33,613	\$ 26,228	\$ 87,135	\$ 80,854
Other Americas	6,473	4,921	20,204	16,697
<b>EMEA:</b>				
Europe	39,650	29,891	115,693	97,108
<b>Asia:</b>				
Japan	45,117	39,461	131,852	112,079
Greater China	64,305	48,696	182,624	142,158
South Korea	25,504	19,935	67,414	61,614
Other Asia	34,127	17,497	99,286	57,871
<b>Total net sales</b>	<b>\$ 248,789</b>	<b>\$ 186,629</b>	<b>\$ 704,208</b>	<b>\$ 568,381</b>

The Company recognizes sales net of returns, credits issued, price protection adjustments and stock rotation rights. In addition, the Company recognizes expected credit losses on trade accounts receivable as bad debt expense in the unaudited statements of operations. At December 23, 2022 and March 25, 2022, these combined adjustments were \$18,896 and \$14,924, respectively, and were netted against trade accounts receivable in the unaudited condensed consolidated balance sheets. These amounts represent charges of \$3,972 and \$602 for the nine-month periods ended December 23, 2022 and December 24, 2021, respectively.

Unsatisfied performance obligations primarily represent contracts for products with future delivery dates. The Company elected not to disclose the amount of unsatisfied performance obligations as these contracts have original expected durations of less than one year.

#### 5. Fair Value Measurements

The following tables present information about the Company's financial assets and liabilities as of December 23, 2022 and March 25, 2022, measured at fair value on a recurring basis and indicate the level of the fair value hierarchy utilized to determine such fair values:

	Fair Value Measurement at December 23, 2022 Using:			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents:				
Money market fund deposits	\$ 172,518	\$ —	\$ —	\$ 172,518
Restricted cash:				
Money market fund deposits	9,822	—	—	9,822
Other assets (long-term):				
Investments in marketable securities	\$ 12,144	\$ —	\$ —	\$ 12,144
<b>Total assets</b>	<b>\$ 194,484</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 194,484</b>
<b>Liabilities:</b>				
Other long-term liabilities:				
Contingent consideration	\$ —	\$ —	\$ 100	\$ 100
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 100</b>	<b>\$ 100</b>

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	Fair Value Measurement at March 25, 2022 Using:			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents:				
Money market fund deposits	\$ 16,927	\$ —	\$ —	\$ 16,927
Restricted cash:				
Money market fund deposits	7,416	—	—	7,416
Other assets (long-term):				
Investments in marketable securities	12,346	—	—	12,346
<b>Total assets</b>	<u>\$ 36,689</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 36,689</u>
<b>Liabilities:</b>				
Other long-term liabilities:				
Contingent consideration	—	—	2,800	2,800
<b>Total liabilities</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,800</u>	<u>\$ 2,800</u>

The following table represents the unrealized gains and losses on investments in marketable securities held with a readily determinable fair value for the nine-month periods ended December 23, 2022 and December 24, 2021:

	Nine-Month Period Ended	
	December 23, 2022	December 24, 2021
Net (losses) gains recognized during the period on equity securities	\$ (5)	\$ 4,482
Less: Net gains and losses recognized during the period on equity securities sold during the period	—	—
Unrealized (losses) gains recognized during the reporting period on equity securities still held at the reporting date	<u>\$ (5)</u>	<u>\$ 4,482</u>

In addition to the unrealized losses and gains in the table above, the change in fair value of the equity securities was impacted by unrealized foreign currency exchange losses of \$197 and \$278 for the nine-month periods ended December 23, 2022 and December 24, 2021, respectively.

The following table shows the change in fair value of Level 3 contingent consideration in connection with the fiscal year 2021 purchase of Voxel, Inc. (“Voxel”), a privately held technology company located in Beaverton, Oregon that develops, manufactures and supplies photonic and advanced 3D imaging technologies (the “Voxel Acquisition”), for the nine-month periods ended December 23, 2022 and December 24, 2021:

	Level 3 Contingent Consideration
<b>Balance at March 25, 2022</b>	\$ 2,800
Change in fair value of contingent consideration	(2,700)
<b>Balance at December 23, 2022</b>	<u>\$ 100</u>
<b>Balance at March 26, 2021</b>	\$ 4,800
Change in fair value of contingent consideration	(2,100)
<b>Balance at December 24, 2021</b>	<u>\$ 2,700</u>

Assets and liabilities measured at fair value on a recurring basis also consist of marketable securities, unit investment trust funds, loans, bonds, stock and other investments which are the Company’s defined benefit plan assets. Fair value information for those assets and liabilities, including their classification in the fair value hierarchy, is included in Note 13, “Retirement Plans.”

During the nine-month periods ended December 23, 2022 and December 24, 2021, there were no transfers among Level 1, Level 2 and Level 3 assets or liabilities.



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**6. Trade Accounts Receivable, net**

Trade accounts receivable, net (including related party trade accounts receivable) consisted of the following:

	December 23, 2022	March 25, 2022
Trade accounts receivable	\$ 147,023	\$ 129,539
Less:		
Provision for expected credit losses	(147)	(105)
Returns and sales allowances	(18,749)	(14,819)
Related party trade accounts receivable	(30,902)	(27,256)
<b>Total</b>	<u>\$ 97,225</u>	<u>\$ 87,359</u>

The Company is exposed to credit losses primarily through trade and other financing receivables arising from revenue transactions. The Company uses an aging schedule method to estimate current expected credit losses (“CECL”) based on days of delinquency, including information about past events and current economic conditions. The Company’s accounts receivable are separated into two categories using a portfolio methodology to evaluate the allowance under the CECL impairment model based on sales categorization and similar credit quality and worthiness of the customers: original equipment manufacturers (“OEMs”) and distributors. The receivables in each category share similar risk characteristics. The Company increases the provision for expected credit losses when the Company determines all or a portion of a receivable is uncollectible, and the Company recognizes recoveries as a decrease to the provision for expected credit losses.

Changes in the Company’s expected credit losses and returns and sales allowances were as follows:

Description	Provision for Expected Credit Losses	Returns and Sales Allowances	Total
<b>Balance at March 25, 2022</b>	\$ 105	\$ 14,819	\$ 14,924
Charged to costs and expenses or revenue	42	78,737	78,779
Write-offs, net of recoveries	—	(74,807)	(74,807)
<b>Balance at December 23, 2022</b>	<u>\$ 147</u>	<u>\$ 18,749</u>	<u>\$ 18,896</u>
<b>Balance at March 26, 2021</b>	\$ 138	\$ 15,274	\$ 15,412
Charged to costs and expenses or revenue	(68)	114,047	113,979
Write-offs, net of recoveries	—	(113,377)	(113,377)
<b>Balance at December 24, 2021</b>	<u>\$ 70</u>	<u>\$ 15,944</u>	<u>\$ 16,014</u>

**7. Inventories**

Inventories include material, labor and overhead and consisted of the following:

	December 23, 2022	March 25, 2022
Raw materials and supplies	\$ 14,939	\$ 11,941
Work in process	75,672	55,855
Finished goods	28,969	18,364
<b>Total</b>	<u>\$ 119,580</u>	<u>\$ 86,160</u>

The Company recorded inventory write-offs totaling \$654 and \$5,716 for the three- and nine-month periods ended December 23, 2022, respectively, and \$348 and \$5,389 for the three- and nine-month periods ended December 24, 2021, respectively.

The Company discontinued a product line manufactured by Voxel and subsequently recognized impairment charges, which represented much of the increase in inventory provisions, for the related inventory of none and \$3,106 for the three- and nine-month periods ended December 24, 2021, respectively.

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**8. Property, Plant and Equipment, net**

Property, plant and equipment, net is stated at cost, and consisted of the following:

	December 23, 2022	March 25, 2022
Land	\$ 15,244	\$ 15,775
Buildings, building improvements and leasehold improvements	60,555	59,816
Machinery and equipment	584,800	542,745
Office equipment	6,075	6,247
Construction in progress	32,188	22,428
Total	698,862	647,011
Less accumulated depreciation	(466,786)	(436,983)
<b>Total</b>	<b>\$ 232,076</b>	<b>\$ 210,028</b>

Total depreciation expense amounted to \$11,128 and \$32,958 for the three- and nine-month periods ended December 23, 2022, respectively, and \$10,893 and \$33,235 for the three- and nine-month periods ended December 24, 2021, respectively.

Long-lived assets include property, plant and equipment and related deposits on such assets, and capitalized tooling costs. The geographic locations of the Company's long-lived assets, net, based on physical location of the assets, as of December 23, 2022 and March 25, 2022 are as follows:

	December 23, 2022	March 25, 2022
United States	\$ 36,706	\$ 35,221
Philippines	187,508	167,488
Other	9,395	7,746
<b>Total</b>	<b>\$ 233,609</b>	<b>\$ 210,455</b>

Amortization of prepaid tooling costs amounted to \$32 and \$97 for the three- and nine-month periods ended December 23, 2022, respectively, and \$31 and \$97 for the three- and nine-month periods ended December 24, 2021, respectively.

**9. Goodwill and Intangible Assets**

The table below summarizes the changes in the carrying amount of goodwill as follows:

	Total
<b>Balance at March 25, 2022</b>	<b>\$ 20,009</b>
Goodwill arising from acquisitions	8,229
Measurement period adjustments	(450)
Foreign currency translation	442
<b>Balance at December 23, 2022</b>	<b>\$ 28,230</b>
<b>Balance at March 26, 2021</b>	<b>\$ 20,106</b>
Foreign currency translation	(63)
<b>Balance at December 24, 2021</b>	<b>\$ 20,043</b>

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Intangible assets, net is as follows:

Description	December 23, 2022			
	Gross	Accumulated Amortization	Net Carrying Amount	Weighted- Average Lives
Patents	\$ 39,473	\$ 17,452	\$ 22,021	10 years
Customer relationships	6,837	6,656	181	9 years
Process technology	29,148	3,007	26,141	12 years
Indefinite-lived and legacy process technology	5,750	1,650	4,100	
Trademarks	200	94	106	5 years
Legacy trademarks	640	59	581	
Other	32	32	—	
<b>Total</b>	<u>\$ 82,080</u>	<u>\$ 28,950</u>	<u>\$ 53,130</u>	

Description	March 25, 2022			
	Gross	Accumulated Amortization	Net Carrying Amount	Weighted- Average Lives
Patents	\$ 36,577	\$ 15,304	\$ 21,273	10 years
Customer relationships	6,582	6,348	234	9 years
Process technology	13,100	1,742	11,358	12 years
Indefinite-lived and legacy process technology	4,050	1,650	2,400	
Trademarks	200	64	136	5 years
Legacy trademarks	627	58	569	
Other	32	32	—	
<b>Total</b>	<u>\$ 61,168</u>	<u>\$ 25,198</u>	<u>\$ 35,970</u>	

Intangible assets amortization expense was \$1,420 and \$3,650 for the three- and nine-month periods ended December 23, 2022, respectively, and \$1,087 and \$3,190 for the three- and nine-month periods ended December 24, 2021, respectively.

As of December 23, 2022, annual amortization expense of intangible assets for the next five fiscal years is expected to be as follows:

Remainder of 2023	\$ 1,074
2024	3,989
2025	3,704
2026	3,415
2027	3,081
Thereafter	33,186
<b>Total</b>	<u>\$ 48,449</u>

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**10. Accrued Expenses and Other Current Liabilities**

The composition of accrued expenses and other current liabilities is as follows:

	December 23, 2022	March 25, 2022
Accrued management incentives	\$ 30,095	\$ 33,607
Accrued salaries and wages	19,167	14,699
Accrued warranty costs	3,312	541
Accrued vacation	8,172	5,715
Accrued professional fees	4,491	1,252
Accrued income taxes	3,687	1,831
Other current liabilities	8,872	7,814
<b>Total</b>	<b>\$ 77,796</b>	<b>\$ 65,459</b>

**11. Debt and Other Borrowings**

On September 30, 2020, the Company entered into a term loan credit agreement with Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the other agents, arrangers and lenders party thereto, providing for a \$325,000 senior secured term loan facility due in fiscal 2028 (the “Term Loan Facility”). On September 30, 2020, the Company also entered into a revolving facility credit agreement with Mizuho Bank, Ltd., as administrative agent and collateral agent, and the other agents, arrangers and lenders party thereto, providing for a \$50,000 senior secured revolving credit facility expiring in 2023 (the “Revolving Credit Facility” and, together with the Term Loan Facility, the “Senior Secured Credit Facilities”). The Company’s outstanding borrowings bore an interest rate of 7.82% at December 23, 2022. As of both December 23, 2022 and March 25, 2022, the Company had \$25,000 outstanding under the Term Loan Facility and had not borrowed on the Revolving Credit Facility. As of December 23, 2022 and March 25, 2022, the unamortized portion of the deferred financing costs associated with the Revolving Credit Facility was \$74 and \$149, respectively, and the related short-term and long-term portions were classified within “Prepaid expenses and other current assets” and “Other assets, net” on its unaudited condensed consolidated balance sheets.

On November 26, 2019, the Company, through its subsidiaries, entered into a line of credit agreement with a financial institution that provides for a maximum borrowing capacity of 60,000 Philippine pesos (approximately \$1,088 at December 23, 2022) at the bank’s prevailing interest rate. The line of credit is due to expire on August 31, 2023. There were no borrowings outstanding under this line of credit as of December 23, 2022 and March 25, 2022.

On November 20, 2019, the Company, through its subsidiaries, entered into a line of credit agreement with a financial institution that provides for a maximum capacity of 75,000 Philippine pesos (approximately \$1,360 at December 23, 2022) at the bank’s prevailing interest rate. The line of credit is due to expire on June 30, 2023. There were no borrowings outstanding under this line of credit as of December 23, 2022 and March 25, 2022.

**12. Other Long-Term Liabilities**

The composition of other long-term liabilities is as follows:

	December 23, 2022	March 25, 2022
Accrued retirement	\$ 8,509	\$ 8,903
Provision for uncertain tax positions	2,795	2,757
Other long-term liabilities	181	3,626
<b>Total</b>	<b>\$ 11,485</b>	<b>\$ 15,286</b>

**13. Retirement Plans**

The Company recognizes the funded status (i.e., the difference between the fair value of plan assets and the benefit obligations) of its defined benefit pension plans in its unaudited condensed consolidated balance sheets with a corresponding adjustment to accumulated other comprehensive income, net of tax. These amounts will continue to be recognized as a

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component of future net periodic benefit costs consistent with the Company’s past practice. Further, actuarial gains and losses and prior service costs that arise in future periods and are not recognized as net periodic benefit costs in the same periods will be recognized as a component of other comprehensive income. Those amounts will also be recognized as a component of future net periodic benefit costs consistent with the Company’s past practice. The Company uses a measurement date for its defined benefit pension plans and other postretirement benefit plans that is equivalent to its fiscal year-end.

**Plan Descriptions**

*Non-U.S. Defined Benefit Plan*

The Company, through its wholly owned subsidiary, Allegro MicroSystems Philippines, Inc. (“AMPI”), has a defined benefit pension plan, which is a noncontributory plan that covers substantially all employees of the respective subsidiary. The plan’s assets are invested in common trust funds, bonds and other debt instruments and stocks.

**Effect on the unaudited statements of operations**

Expense related to the non-United States (“U.S.”) defined benefit plan was as follows:

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Service cost	\$ 297	\$ 365	\$ 932	\$ 1,119
Interest cost	179	158	561	485
Expected return on plan assets	(71)	(75)	(222)	(230)
Amortization of prior service cost	(2)	1	(6)	1
Actuarial loss	20	51	60	156
<b>Net periodic pension expense</b>	<b>\$ 423</b>	<b>\$ 500</b>	<b>\$ 1,325</b>	<b>\$ 1,531</b>

**Information on Plan Assets**

The table below sets forth the fair value of the non-U.S. defined benefit plan’s assets as of December 23, 2022 and March 25, 2022, using the same three-level hierarchy of fair value inputs described in the significant accounting policies included in the Company’s 2022 Annual Report.

	Fair Value at December 23, 2022	Level 1	Level 2	Level 3
	Assets of non-U.S. defined benefit plan:			
Government securities	\$ 2,104	\$ 2,104	\$ —	\$ —
Unit investment trust fund	1,180	—	1,180	—
Loans	578	—	—	578
Bonds	677	—	677	—
Stocks and other investments	2,414	1,323	3	1,088
<b>Total</b>	<b>\$ 6,953</b>	<b>\$ 3,427</b>	<b>\$ 1,860</b>	<b>\$ 1,666</b>

	Fair Value at March 25, 2022	Level 1	Level 2	Level 3
	Assets of non-U.S. defined benefit plan:			
Government securities	\$ 1,920	\$ 1,920	\$ —	\$ —
Unit investment trust fund	1,165	—	1,165	—
Loans	553	—	—	553
Bonds	676	—	676	—
Stocks and other investments	2,783	1,716	2	1,065
<b>Total</b>	<b>\$ 7,097</b>	<b>\$ 3,636</b>	<b>\$ 1,843</b>	<b>\$ 1,618</b>

**ALLEGRO MICROSYSTEMS, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements – (continued)**  
**(Amounts in thousands, except share and per share amounts)**

The following table shows the change in fair value of Level 3 plan assets for the nine-month periods ended December 23, 2022 and December 24, 2021:

	Level 3 Non-U.S. Defined Benefit Plan Assets	
	Loans	Stocks
<b>Balance at March 25, 2022</b>	\$ 553	\$ 1,065
Additions during the year	328	—
Redemptions during the year	(280)	—
Revaluation of equity securities	4	75
Change in foreign currency exchange rates	(27)	(52)
<b>Balance at December 23, 2022</b>	<u>\$ 578</u>	<u>\$ 1,088</u>
<b>Balance at March 26, 2021</b>	\$ 584	\$ 1,133
Additions during the year	308	—
Redemptions during the year	(289)	—
Revaluation of equity securities	(5)	13
Change in foreign currency exchange rates	(20)	(34)
<b>Balance at December 24, 2021</b>	<u>\$ 578</u>	<u>\$ 1,112</u>

The investments in the Company's major benefit plans largely consist of low-cost, broad-market index funds to mitigate risks of concentration within the market sectors. In recent years, the Company's investment policy has shifted toward a closer matching of the interest-rate sensitivity of the plan assets and liabilities. The appropriate mix of equity and bond investments is determined primarily through the use of detailed asset-liability modeling studies that look to balance the impact of changes in the discount rate against the need to provide asset growth to cover future service cost. The Company, through its wholly owned subsidiary, Allegro MicroSystems, LLC's ("AML"), non-U.S. defined benefit plan, has added a greater proportion of fixed income securities with return characteristics that are more closely aligned with changes in liabilities caused by discount rate volatility. There are no significant restrictions on the amount or nature of the investments that may be acquired or held by the plans.

During the three- and nine-month periods ended December 23, 2022, the Company contributed approximately \$403 and \$1,102 to its non-U.S. pension plan, respectively. During the three- and nine-month periods ended December 24, 2021, the Company contributed approximately \$344 and \$1,040 to its non-U.S. pension plan, respectively. The Company expects to contribute approximately \$1,546 to its non-U.S. pension plan in fiscal year 2023.

#### **Defined Contribution Plan**

The Company has a 401(k) plan that covers all employees meeting certain service and age requirements. Employees are eligible to participate in the plan upon hire when the service and age requirements are met. Employees may contribute up to 35% of their compensation, subject to the maximum contribution allowed by the Internal Revenue Service. All employees are 100% vested in their contributions at the time of plan entry.

Eligible AML U.S. employees may contribute up to 50% of their pretax compensation to a defined contribution plan, subject to certain limitations, and AML may match, at its discretion, 100% of the participants' pretax contributions, up to a maximum of 5% of their eligible compensation. Matching contributions by AML totaled approximately \$917 and \$3,399 for the three- and nine-month periods ended December 23, 2022, respectively, and approximately \$665 and \$3,000 for the three- and nine-month periods ended December 24, 2021, respectively.

#### **14. Commitments and Contingencies**

##### ***Insurance***

The Company, through its subsidiaries, utilizes self-insured employee health programs for employees in the United States. The Company records estimated liabilities for its self-insured health programs based on information provided by the third-party plan administrators, historical claims experience and expected costs of claims incurred but not reported. The Company monitors its estimated liabilities on a quarterly basis. As facts change, it may become necessary to make

**ALLEGRO MICROSYSTEMS, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements – (continued)**  
**(Amounts in thousands, except share and per share amounts)**

adjustments that could be material to the Company's unaudited condensed consolidated financial position and results of operations.

**Legal proceedings**

The Company is subject to various legal proceedings, claims and regulatory examinations or investigations arising in the normal course of business, the outcomes of which are subject to significant uncertainty, and the Company's ultimate liability, if any, is difficult to predict. The Company records an accrual for legal contingencies when it is determined that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In making such determinations, the Company evaluates, among other things, the degree of probability of an unfavorable outcome and, when it is probable that a liability has been incurred, the ability to make a reasonable estimate of the loss. If the occurrence of liability is probable and estimable, the Company will disclose the nature of the contingency and will provide the likely amount of such loss or range of loss. The Company does not believe there are any current matters that could have a material adverse effect on its financial position, results of operations or cash flows.

**Indemnification**

From time to time, the Company has agreed to indemnify and hold harmless certain customers for potential allegations of infringement of intellectual property rights and patents arising from the use of its products. To date, the Company has not recognized or incurred any costs in connection with such indemnification arrangements; therefore, there was no accrual of such amounts at December 23, 2022 or March 25, 2022.

**Environmental Matters**

The Company establishes accrued liabilities for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. If the contingency is resolved for an amount greater or less than the accrual, or the Company's share of the contingency increases or decreases or other assumptions relevant to the development of the estimate were to change, the Company would recognize an additional expense or benefit in the unaudited condensed consolidated statements of operations during the period such determination was made. No significant environmental accruals were established at December 23, 2022 or March 25, 2022.

**15. Net Income per Share**

The following table sets forth the basic and diluted net income attributable to Allegro MicroSystems, Inc. per share.

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Net income attributable to Allegro MicroSystems, Inc.	\$ 64,519	\$ 32,936	\$ 125,380	\$ 93,791
Net income attributable to common stockholders	64,551	32,973	125,482	93,903
Basic weighted average shares of common stock	191,328,538	189,736,901	191,082,141	189,665,324
Dilutive effect of common stock equivalents	2,607,370	2,331,321	2,018,621	2,013,627
Diluted weighted average shares of common stock	193,935,908	192,068,222	193,100,762	191,678,951
Basic net income attributable to Allegro MicroSystems, Inc. per share	\$ 0.34	\$ 0.17	\$ 0.66	\$ 0.49
Basic net income attributable to common stockholders per share	\$ 0.34	\$ 0.17	\$ 0.66	\$ 0.50
Diluted net income attributable to Allegro MicroSystems, Inc. per share	\$ 0.33	\$ 0.17	\$ 0.65	\$ 0.49
Diluted net income attributable to common stockholders per share	\$ 0.33	\$ 0.17	\$ 0.65	\$ 0.49

The computed net income per share for the three- and nine-month periods ended December 23, 2022 and December 24, 2021 does not assume conversion of securities that would have an antidilutive effect on income per share. The following table represents the securities excluded as conversion of such securities would have an antidilutive effect on income per share:

**ALLEGRO MICROSYSTEMS, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements – (continued)**  
**(Amounts in thousands, except share and per share amounts)**

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Restricted stock units	12,620	—	24,273	—

The following table represents issuable weighted average share information underlying our outstanding RSUs, PSUs (as defined in Note 16 below) and participation in our employee stock purchase plan for the respective periods:

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Restricted stock units	973,417	1,199,816	752,637	1,046,229
Performance stock units	1,612,824	1,117,532	1,244,855	959,084
Employee stock purchase plan	21,129	13,973	21,129	8,314
<b>Total</b>	<b>2,607,370</b>	<b>2,331,321</b>	<b>2,018,621</b>	<b>2,013,627</b>

### 16. Common Stock and Stock-Based Compensation

The Company accounts for stock-based compensation through the measurement and recognition of compensation expense for share-based payment awards made to employees over the related requisite service period, including performance-based restricted stock units (“PSUs”), time-based restricted stock units (“RSUs”) and restricted shares (all part of our equity incentive plan).

During the nine-month periods ended December 23, 2022 and December 24, 2021, the Company granted RSUs to employees of 2,153,507 and 1,030,887, respectively, with an estimated weighted-average grant date fair value of \$22.97 and \$25.47, respectively. During the nine-month periods ended December 23, 2022 and December 24, 2021, 1,115,354 and 168,717 shares vested, respectively, and 192,290 and 143,820 shares were cancelled, respectively. Stock-based compensation expense related to non-vested awards not yet recorded at December 23, 2022 was \$40,400, which is expected to be recognized over a weighted-average of 1.31 years.

PSUs are included at 10% - 200% of target goals. During the nine-month periods ended December 23, 2022 and December 24, 2021, the Company granted PSUs to employees of 3,392,208 and 465,732, respectively, with an estimated weighted-average grant date fair value of \$24.64 and \$27.08, respectively. A total of 1,046,255 and no shares vested during the nine-month periods ended December 23, 2022 and December 24, 2021, respectively, and 552,689 and 51,722 shares were cancelled, respectively. The intrinsic value of the PSUs that were unvested during the nine-month period ended December 23, 2022 was \$83,110. The total compensation cost related to unvested awards not yet recorded at December 23, 2022 was \$22,818, which is expected to be recognized over a weighted average of 2.86 years.

During the nine-month periods ended December 23, 2022 and December 24, 2021, 117,096 and 227,530, respectively, shares of the Company’s restricted common stock vested. No shares and 24,014 shares, respectively, were forfeited, which reduced common stock outstanding during the same periods. The Company had 23,430 unvested shares of restricted common stock at December 23, 2022 with a weighted average grant date fair value of \$14.00 and remaining vesting period of 0.44 years.

The Company recorded stock-based compensation expense in the following expense categories of its unaudited condensed consolidated statements of operations:

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Cost of sales	\$ 1,156	\$ 742	\$ 3,112	\$ 1,992
Research and development	3,174	1,019	6,013	2,814
Selling, general and administrative	4,572	5,859	42,117	13,841
<b>Total stock-based compensation</b>	<b>\$ 8,902</b>	<b>\$ 7,620</b>	<b>\$ 51,242</b>	<b>\$ 18,647</b>

During the first fiscal quarter of 2023, the Company’s (former) President and Chief Executive Officer, Ravi Vig, provided notice of his retirement from the Company and its board of directors (the “Board”), effective June 13, 2022.



**ALLEGRO MICROSYSTEMS, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements – (continued)**  
**(Amounts in thousands, except share and per share amounts)**

Additionally, the Company entered into a second amended and restated severance agreement (the “Second A&R Severance Agreement”) with Mr. Vig that amended and restated the amended agreement from September 30, 2020. As provided for in the Second A&R Severance Agreement, the Company agreed, in addition to other cash-settled and health insurance-related compensation, to modifications to Mr. Vig’s stock-based compensation, including: (i) acceleration of the vesting of all unvested RSUs; (ii) modification of certain PSUs with performance conditions that had been achieved as of the retirement date to permit these awards to remain outstanding and eligible to vest in accordance with their terms; and (iii) the forfeiture of certain unvested PSUs with performance conditions that had not been achieved as of the retirement date and replacement thereof with new immediately vesting RSUs. The impact of these modifications on stock-based compensation expense was \$26,349 for the nine-month period ended December 23, 2022, which was recorded in selling, general and administrative expense in the Company’s unaudited condensed consolidated statements of operations.

**17. Income Taxes**

The Company recorded the following tax provision in its unaudited condensed consolidated statements of operations:

	Three-Month Period Ended		Nine-Month Period Ended	
	December 23, 2022	December 24, 2021	December 23, 2022	December 24, 2021
Provision for income taxes	\$ 7,540	\$ 6,281	\$ 17,943	\$ 16,687
Effective tax rate	10.5%	16.0%	12.5%	15.1%

The Company’s provision for income taxes is comprised of the year-to-date taxes based on an estimate of the annual effective tax rate plus the tax impact of discrete items.

The Company is subject to tax in the U.S. and various foreign jurisdictions. The Company’s effective tax rate can fluctuate primarily based on: the mix of its U.S. and foreign income; the impact of discrete transactions; and the difference between the amount of tax benefit generated by the foreign derived intangible income deduction (“FDII”) and research credits offset by the additional tax from the global intangible low-tax income (“GILTI”).

The effective tax rate (“ETR”) year-over-year was primarily impacted by Internal Revenue Code (“IRC”) Section 174 Capitalization (“174 Capitalization”), FDII deductions, a reduction in state taxes and an increase in current year non-deductible executive compensation expense. 174 Capitalization increased U.S. taxable income, cash taxes, FDII deductions, and GILTI inclusions. The net tax impact from 174 Capitalization is favorable because the increased FDII deductions of \$9,300 exceed the additional inclusion for GILTI income inclusions of \$945 (“Net 174 Benefit”). The Net 174 Benefit, current-year FDII deductions, and state tax benefits are offset in the current year by increased non-deductible executive compensation of \$6,694, and discrete tax impacts. The quarter over quarter ETR impact relates primarily to Net 174 benefits.

**18. Related Party Transactions**

*Transactions involving Sanken*

The Company sells products to, and purchases in-process products from, Sanken. As of December 23, 2022, Sanken held approximately 51.5% of the Company’s outstanding common stock.

Net sales of the Company’s products to Sanken totaled \$45,117 and \$131,852 during the three- and nine-month periods ended December 23, 2022, respectively, and \$39,461 and \$112,079 during the three- and nine-month periods ended December 24, 2021, respectively. Trade accounts receivables, net of allowances from Sanken, totaled \$30,902 and \$27,256 as of December 23, 2022 and March 25, 2022, respectively. Other accounts receivable from Sanken totaled \$168 and \$104 as of December 23, 2022 and March 25, 2022, respectively.

*Termination of Sanken Distribution Agreement*

On September 29, 2022, the Company entered into a transition agreement with Sanken that provides for the termination of the distribution agreement dated as of July 5, 2007, by and between the Company and Sanken (the “Distribution Agreement”) and sets forth the terms governing the collaboration between the parties to transition the marketing and sale of the Company’s products in Japan from Sanken to the Company during the 12-month transition period beginning on September 29, 2022 (the “Transition Agreement”). Following the 12-month transition period, both the Transition Agreement and the Distribution Agreement will terminate.

**ALLEGRO MICROSYSTEMS, INC.**  
**Notes to Unaudited Condensed Consolidated Financial Statements – (continued)**  
**(Amounts in thousands, except share and per share amounts)**

Under the terms of the Transition Agreement, Sanken will cease to place new orders for the Company's products and will begin to transition existing orders to the Company. All orders are expected to be transferred by June 30, 2023. Sanken also will continue to provide support to the Company's customers and logistical support to the Company during the transition period. In addition, in the Transition Agreement, the Company and Sanken agreed to enter into a separate agreement regarding the transfer of inventory to the Company and a one-time payment to Sanken based on Sanken's analysis of its inventory position as of December 23, 2022. The Transition Agreement had no impact on the Company's results during the third quarter of fiscal 2023.

The Transition Agreement and termination of the Distribution Agreement are expected to transfer related party distributor sales to third party distributors and direct customers, as well as eliminate the distributor discount historically provided to Sanken.

*Transactions involving Polar Semiconductor, LLC ("PSL")*

The Company purchases in-process products from PSL. PSL is a subsidiary of Sanken, 70% owned by Sanken and 30% owned by the Company.

Purchases of various products from PSL totaled \$15,995 and \$45,145 for the three- and nine-month periods ended December 23, 2022, respectively, and \$11,837 and \$38,346 for the three- and nine-month periods ended December 24, 2021, respectively. Accounts payable to PSL included in amounts due to a related party totaled \$5,659 and \$5,222 as of December 23, 2022 and March 25, 2022, respectively.

Effective January 26, 2023, the Company and PSL entered into a new Wafer Foundry Agreement ("WFA") for the fabrication of wafers. The WFA replaces the previous Wafer Foundry Agreement with PSL, dated April 12, 2013, which was due to expire on March 31, 2023.

The WFA has a three-year term, and auto renews for subsequent one-year terms, unless terminated by either party's providing two years notice. Pursuant to the WFA, the Company will provide a rolling annual forecast for three years, the first two years of which will be binding. If the Company fails to purchase the forecasted number of wafers for either of the first two years, it will pay a penalty for any shortfall for the given year. The parties also agreed upon production lead-times, as well as wafer, alignment, and mask pricing for the first two years of the term. Any changes to such pricing is subject to mutual agreement.

On December 2, 2021, AML entered into a loan agreement with PSL wherein PSL provided an initial promissory note to AML for a principal amount of \$7,500 (the "Initial PSL Loan"). The Initial PSL Loan will be repaid in equal installments, comprising principal and interest accrued at 1.26% per annum, over a term of four years with payments due on the first day of each calendar year quarter (April 1, July 1, October 1, and January 1). In addition, on July 1, 2022, PSL borrowed an additional \$7,500 under the same terms of the PSL Loan (the "Secondary PSL Loan" and, together with the Initial PSL Loan, the "PSL Promissory Notes"). The loan funds were used by PSL to procure a deep ultraviolet scanner and other associated manufacturing tools necessary to increase wafer fabrication capacity in support of the Company's increasing wafer demand. As of December 23, 2022, the outstanding balance of the PSL Promissory Notes was \$13,125. During the nine months ended December 23, 2022, PSL made required quarterly payments to AML totaling \$2,005, which included \$130 of interest income. On January 2, 2023, PSL made a quarterly payment to AML of \$1,009, which included \$72 of interest income.

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

*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 the related notes and other information included elsewhere in this Quarterly Report, as well as the audited financial statements and the related notes thereto, and the discussion under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” included in our Annual Report on Form 10-K for the year ended March 25, 2022, filed with the Securities and Exchange Commission (“SEC”) on May 18, 2022, as amended by Amendment No. 1 on Form 10-K/A filed with the SEC on August 29, 2022 (as amended, the “2022 Annual Report”).*

*In addition to historical data, this discussion contains forward-looking statements about our business, results of operations, cash flows, financial condition and prospects based on current expectations that involve risks, uncertainties and assumptions. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in the section titled “Forward-Looking Statements” and in Part I, Item 1A. “Risk Factors” of our 2022 Annual Report and Part II, Item 1A. “Risk Factors” of this Quarterly Report. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.*

*We operate on a 52- or 53-week fiscal year ending on the last Friday of March. Each fiscal quarter has 13 weeks, except in a 53-week year, when the fourth fiscal quarter has 14 weeks. All references to the three- and nine-month periods ended December 23, 2022 and December 24, 2021 relate to the 13- and 39-week periods ended December 23, 2022 and December 24, 2021, respectively. All references to “2023,” “fiscal year 2023” or similar references relate to the 53-week period ended March 31, 2023. All references to “2022,” “fiscal year 2022” or similar references relate to the 52-week period ended March 25, 2022.*

### **Overview**

Allegro MicroSystems, Inc., together with its consolidated subsidiaries (“Allegro”, “we”, “us” or “our”) is a leading global designer, developer, manufacturer and marketer of sensor integrated circuits (“ICs”) and application-specific analog power ICs enabling important emerging technologies in the automotive and industrial markets. We are a leading supplier of magnetic sensor IC solutions worldwide based on market share, driven by our market leadership in automotive. We focus on providing complete IC solutions to sense, regulate and drive a variety of mechanical systems. This includes sensing the angular or linear position of a shaft or actuator, driving an electric motor or actuator, and regulating the power applied to sensing and driving circuits so they operate safely and efficiently.

We are headquartered in Manchester, New Hampshire and have a global footprint with 17 locations across four continents. Our portfolio includes more than 1,000 products, and we ship over one billion units annually to more than 10,000 customers worldwide. During the three- and nine-month periods ended December 23, 2022, we generated \$248.8 million and \$704.2 million in total net sales, respectively, with \$64.6 million and \$125.5 million in net income, respectively. During the three- and nine-month periods ended December 24, 2021, we generated \$186.6 million and \$568.4 million in total net sales, respectively, with \$33.0 million and \$93.9 million in net income, respectively.

### **Recent Initiatives to Improve Results of Operations**

We implemented several initiatives during fiscal year 2022 and into fiscal year 2023 that were designed to improve our operating results during those fiscal years and going forward.

We continue to implement initiatives to improve gross margins, which is calculated as gross profit divided by total net sales. Our gross margin improved from 54.2% in the third quarter of 2022 to 57.3% in the third quarter of 2023. This gross margin improvement was a result of our improved product mix of higher average selling prices (“ASPs”) on more value-added products, increased leverage of our distribution channel, and continued efficiency and leverage on higher volumes. Additionally, we will continue to leverage our facility to increase production where demand for our products warrants.

We have been successful in increasing our ASPs through a focus on feature-rich products and selective price increases. Increased ASPs and manufacturing efficiencies have allowed us to continue to improve gross margin in an environment of limited capacity at our suppliers and rising input costs. Limited supply and increased demand for many of our products and applications, as well as supply chain disruptions related to the COVID-19 pandemic and inflation, have contributed to input cost increases on the components needed to manufacture our products. We will continue to consider opportunities for

strategic price increases and process efficiencies to offset input cost increases on the materials and supplies that we use in production.

With our efforts to leverage our fixed cost and operating margin improvements, we have attained efficiencies through cost structure improvements, streamlining of manufacturing and support processes, and further utilization of excess capacity. These manufacturing efficiencies allowed us to leverage higher volumes with increasing demand across most of our applications, while reducing cost of goods sold and increasing the absorption of fixed costs. Although these initiatives have resulted in gross margin and operating income improvements over the previous quarters, we cannot ensure that these trends will continue over the long-term.

In September 2022, we completed the acquisition of Heyday Integrated Circuits (“Heyday”), a privately held company specializing in compact, fully integrated isolated gate drivers that enable energy conversion in high-voltage gallium nitride and silicon carbide wide-bandgap semiconductor designs (the “Heyday Acquisition”). The Heyday Acquisition is expected to complement our existing solutions for energy efficiency, including our market-leading current sensor solutions. Additionally, it is expected to significantly expand Allegro’s addressable market for xEV, solar inverters, data center and 5G power supplies, and broad-market industrial applications.

In September 2022, the Company entered into a transition agreement with Sanken that provides for the termination of the distribution agreement dated as of July 5, 2007, by and between the Company and Sanken (the “Distribution Agreement”) and sets forth the terms governing the collaboration between the parties to transition the marketing and sale of the Company’s products in Japan from Sanken to the Company during the twelve-month transition period beginning on September 29, 2022 (the “Transition Agreement”). The Transition Agreement and termination of the Distribution Agreement are expected to transfer related party distributor sales to third party distributors and direct customers in Japan, as well as eliminate the distributor discount historically provided to Sanken. Additionally, we will invest in expanding our operations in Japan in order to directly manage and service our customers in that market, which is expected to result in increases in our cost of goods sold and operating expenses. The net impacts of the transition from the existing sales model in Japan is expected to provide incremental benefits to our gross margin over the long-term.

### **Other Key Factors and Trends Affecting our Operating Results**

Our financial condition and results of operations have been, and will continue to be, affected by numerous other factors and trends, including the following:

#### ***Inflation***

Inflation rates in the markets in which we operate have increased and may continue to rise. Inflation over the last several months has led us to experience higher costs, including higher labor costs, wafer and other costs for materials from suppliers, and transportation costs. Our suppliers have raised their prices and may continue to raise prices, and in the competitive markets in which we operate, we may not be able to make corresponding price increases to preserve our gross margins and profitability. If inflation rates continue to rise or remain elevated for a sustained period of time, they could have a material adverse effect on our business, financial condition, results of operations and liquidity. We have generally been able to offset increases in these costs through various productivity and cost reduction initiatives, as well as adjusting our selling prices to pass through some of these higher costs to our customers; however, our ability to raise our selling prices depends on market conditions and competitive dynamics. Given the timing of our actions compared to the timing of these inflationary pressures, there may be periods during which we are unable to fully recover the increases in our costs.

#### ***Design Wins with New and Existing Customers***

Our end customers continually develop new products in existing and new application areas, and we work closely with our significant OEM customers in most of our target markets to understand their product roadmaps and strategies. For new products, the time from design initiation and manufacturing until we generate sales can be lengthy, typically between two and four years. As a result, our future sales are highly dependent on our continued success at winning design mandates from our customers. Further, despite current inflationary and pricing conditions, we expect the ASPs of our products to decline over time, and we consider design wins to be critical to our future success. We anticipate being increasingly dependent on revenue from newer design wins for our newer products. The selection process is typically lengthy and may require us to incur significant design and development expenditures in pursuit of a design win, with no assurance that our solutions will be selected. As a result, the loss of any key design win or any significant delay in the ramp-up of volume production of the customer’s products into which our product is designed could adversely affect our business. In addition, volume production is contingent upon the successful introduction and market acceptance of our customers’ end products, which may be affected by many factors that are beyond our control.

### ***Customer Demand, Orders and Forecasts***

Demand for our products is highly dependent on market conditions in the end markets in which our customers operate, which are generally subject to seasonality, cyclical and competitive conditions. In addition, a substantial portion of our total net sales is derived from sales to customers that purchase large volumes of our products. These customers generally provide periodic forecasts of their requirements, but these forecasts do not commit such customers to minimum purchases, and customers can revise these forecasts without penalty. In addition, as is customary in the semiconductor industry, customers are generally permitted to cancel orders for our products within a specified period. While historically we have permitted order cancellations for most customers, most of our current customer order backlog is noncancellable, which helps mitigate our exposure to unforeseen order cancellations. However, cancellations of orders could still result in the loss of anticipated sales without allowing us sufficient time to reduce our inventory and operating expenses. In addition, changes in forecasts or the timing of orders from customers exposes us to the risks of inventory shortages or excess inventory. We continue to see demand for our products exceed supply, and we are currently operating in an inflationary environment.

### ***Manufacturing Costs and Product Mix***

Gross margin has been, and will continue to be, affected by a variety of factors, including the ASPs of our products, product mix in a given period, material costs, yields, manufacturing costs and efficiencies. We believe the primary driver of gross margin is the ASP negotiated between us and our customers relative to material costs and yields. Our pricing and margins depend on the volumes and the features of the products we produce and sell to our customers. As our products mature and unit volumes increase, despite current price leverage, we expect their ASPs to decline in the long term. We continually monitor and work to reduce the cost of our products and improve the potential value our solutions provide to our customers as we target new design win opportunities and manage the product life cycles of our existing customer designs. We also maintain a close relationship with our suppliers and subcontractors to improve quality, increase yields and lower manufacturing costs. As a result, these declines often coincide with improvements in manufacturing yields and lower wafer, assembly, and testing costs, which offset some or all of the margin reduction that results from declining ASPs. However, we expect our gross margin to fluctuate on a quarterly basis as a result of changes in ASPs due to product mix, new product introductions, transitions into volume manufacturing and manufacturing costs. Gross margin generally decreases if production volumes are lower as a result of decreased demand, which leads to a reduced absorption of our fixed manufacturing costs. Gross margin generally increases when the opposite occurs.

### ***Cyclical Nature of the Semiconductor Industry***

The semiconductor industry has historically been highly cyclical and is characterized by increasingly rapid technological change, product obsolescence, competitive pricing pressures, evolving standards, short product life cycles and fluctuations in product supply and demand. New technology may result in sudden changes in system designs or platform changes that may render some of our products obsolete and require us to devote significant research and development resources to compete effectively. Periods of rapid growth and capacity expansion are occasionally followed by significant market corrections in which sales decline, inventories accumulate, and facilities go underutilized. During periods of expansion, our margins generally improve as fixed costs are spread over higher manufacturing volumes and unit sales. In addition, we may build inventory to meet increasing market demand for our products during these times, which serves to absorb fixed costs further and increase our gross margins. During an expansion cycle, we may increase capital spending and hiring to add to our production capacity. During periods of slower growth or industry contractions, our sales, production and productivity suffer, and margins generally decline.

### ***2017 Tax Cuts and Jobs Act***

Pursuant to the 2017 Tax Cuts and Jobs Act (the “Jobs Act”), beginning in fiscal year 2023, U.S. tax law now requires us to capitalize and amortize domestic and foreign research and development expenditures over five and fifteen years, respectively (“174 Capitalization”). While it is possible that Congress may defer, modify, or repeal this provision, potentially with retroactive effect, we have no assurance that this provision will be reversed. If no new legislation is passed and made effective retroactively, we estimate the impact of the Jobs Act will increase our annual cash taxes by \$23.0 million and produce an increased FDII effective tax rate benefit. The actual impact of 174 Capitalization on cash taxes and the effective tax rate depends on if Congress passes additional legislation, whether such legislation is made retroactively, the amount of the research and development expenditures incurred by the Company during the fiscal year, and upon additional guidance the Internal Revenue Service may issue related to this provision.

## Results of Operations

### Three-Month Period Ended December 23, 2022 Compared to Three-Month Period Ended December 24, 2021

The following table summarizes our results of operations for the three-month periods ended December 23, 2022 and December 24, 2021.

	Three-Month Period Ended		Change	
	December 23, 2022	December 24, 2021	\$	%
	(Dollars in thousands)			
Total net sales <sup>(1)</sup>	\$ 248,789	\$ 186,629	\$ 62,160	33.3 %
Cost of goods sold <sup>(1)</sup>	106,195	85,464	20,731	24.3 %
Gross profit	142,594	101,165	41,429	41.0 %
Operating expenses:				
Research and development	39,593	30,297	9,296	30.7 %
Selling, general and administrative	37,373	37,963	(590)	(1.6)%
Change in fair value of contingent consideration	—	(2,700)	2,700	(100.0)%
Total operating expenses	76,966	65,560	11,406	17.4 %
Operating income	65,628	35,605	30,023	84.3 %
Other income (expense), net:				
Interest expense	(613)	(427)	(186)	43.6 %
Interest income	360	158	202	127.8 %
Foreign currency transaction gain (loss)	407	(3)	410	NM
Income in earnings of equity investment	2,190	287	1,903	663.1 %
Other, net	4,119	3,634	485	13.3 %
Total other income, net	6,463	3,649	2,814	77.1 %
Income before income tax provision	72,091	39,254	32,837	83.7 %
Income tax provision	7,540	6,281	1,259	20.0 %
Net income	64,551	32,973	31,578	95.8 %
Net income attributable to non-controlling interests	32	37	(5)	(13.5)%
Net income attributable to Allegro MicroSystems, Inc.	\$ 64,519	\$ 32,936	\$ 31,583	95.9 %

NM - Not meaningful

(1) Our total net sales and cost of goods sold for the periods presented above include related party net sales generated through our distribution agreement with Sanken. See our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report for additional information regarding our related party net sales for the periods set forth above.

The following table sets forth our results of operations as a percentage of total net sales for the periods presented.

	Three-Month Period Ended	
	December 23, 2022	December 24, 2021
Total net sales	100.0 %	100.0 %
Cost of goods sold	42.7 %	45.8 %
Gross profit	57.3 %	54.2 %
Operating expenses:		
Research and development	15.9 %	16.2 %
Selling, general and administrative	15.0 %	20.3 %
Change in fair value of contingent consideration	— %	(1.4)%
Total operating expenses	30.9 %	35.1 %
Operating income	26.4 %	19.1 %
Other income (expense), net:		
Interest expense	(0.2)%	(0.2)%
Interest income	0.1 %	0.1 %
Foreign currency transaction gain (loss)	0.2 %	— %
Income in earnings of equity investment	0.8 %	0.1 %
Other, net	1.6 %	1.9 %
Total other income, net	2.5 %	1.9 %
Income before income tax provision	28.9 %	21.0 %
Income tax provision	3.0 %	3.4 %
Net income	25.9 %	17.6 %
Net income attributable to non-controlling interests	— %	— %
Net income attributable to Allegro MicroSystems, Inc.	25.9 %	17.6 %

#### Total net sales

Total net sales increased by \$62.2 million, or 33.3%, to \$248.8 million in the three-month period ended December 23, 2022 from \$186.6 million in the three-month period ended December 24, 2021. This increase was primarily attributable to higher shipment of our advanced driver assistance systems (“ADAS”), safety, comfort and convenience, electrified vehicle (“xEV”), industrial, and household appliance applications.

#### Sales Trends by Market

The following table summarizes total net sales by market. The categorization of net sales by market is based on the characteristics of the end product and application into which our product will be designed.

	Three-Month Period Ended		Change	
	December 23, 2022	December 24, 2021	Amount	%
	(Dollars in thousands)			
Automotive	\$ 170,107	\$ 130,797	\$ 39,310	30.1 %
Industrial	51,014	31,903	19,111	59.9 %
Other	27,668	23,929	3,739	15.6 %
<b>Total net sales</b>	<b>\$ 248,789</b>	<b>\$ 186,629</b>	<b>\$ 62,160</b>	<b>33.3 %</b>

The increase in net sales by market was driven primarily by increases in automotive of \$39.3 million, or 30.1%, industrial of \$19.1 million, or 59.9%, and other of \$3.8 million, or 15.6%.

Automotive net sales increased in the three-month period ended December 23, 2022 compared to the three-month period ended December 24, 2021, primarily due to higher demand for our ADAS, safety, comfort and convenience and xEV applications.

Industrial net sales improved in the three-month period ended December 23, 2022 compared to the three-month period ended December 24, 2021, primarily due to increases in demand mainly for our broad-based and Industry 4.0 applications.

Other net sales increased in the three-month period ended December 23, 2022 compared to the three-month period ended December 24, 2021, primarily due to demand for our Energy Star household appliance applications, including consumer and Smart Home offerings.

#### Sales Trends by Product

The following table summarizes net sales by product.

	Three-Month Period Ended		Change	
	December 23, 2022	December 24, 2021	Amount	%
(Dollars in thousands)				
Magnetic sensors (“MS”) and other	154,276	123,770	30,506	24.6 %
Power integrated circuits (“PIC”)	\$ 94,513	\$ 62,859	\$ 31,654	50.4 %
<b>Total net sales</b>	<b>\$ 248,789</b>	<b>\$ 186,629</b>	<b>\$ 62,160</b>	<b>33.3 %</b>

The increase in net sales by product was driven by increases of \$31.7 million, or 50.4%, in PIC product sales and \$30.5 million, or 24.6%, in MS and other product sales.

#### Sales Trends by Geographic Location

The following table summarizes net sales by geographic location based on ship-to location.

	Three-Month Period Ended		Change	
	December 23, 2022	December 24, 2021	Amount	%
(Dollars in thousands)				
Americas:				
United States	\$ 33,613	\$ 26,228	\$ 7,385	28.2 %
Other Americas	6,473	4,921	1,552	31.5 %
EMEA:				
Europe	39,650	29,891	9,759	32.6 %
Asia:				
Greater China	64,305	48,696	15,609	32.1 %
Japan	45,117	39,461	5,656	14.3 %
South Korea	25,504	19,935	5,569	27.9 %
Other Asia	34,127	17,497	16,630	95.0 %
<b>Total net sales</b>	<b>\$ 248,789</b>	<b>\$ 186,629</b>	<b>\$ 62,160</b>	<b>33.3 %</b>

Net sales increased across all international locations in the three-month period ended December 23, 2022 compared to the three-month period ended December 24, 2021, primarily due to content and market share gains across all geographies.

Other Asia and South Korea experienced sales growth of \$16.6 million and \$5.6 million, respectively, primarily due to higher demand for our data center, internal combustion engine (“ICE”), safety, comfort and convenience, ADAS, xEV, consumer appliances and computing offerings. The increase in net sales of \$15.6 million, or 32.1%, in Greater China related to higher automotive demand, primarily in our ADAS, safety, comfort and convenience and xEV sectors. The increase in net sales of \$9.8 million, or 32.6%, in Europe, predominantly comprised of Germany and France, was primarily driven by increases in Industry 4.0, ADAS, xEV and broad-based industrial demand. The increase in net sales in the United States of \$7.4 million, or 28.2%, was primarily driven by increased demand in both the automotive and industrial sectors. Net sales in Japan grew \$5.7 million, or 14.3%, which was primarily driven by higher demand in our xEV and Industry 4.0 offerings. Other Americas increased \$1.6 million, or 31.5%, primarily due to higher automotive demand, specifically in our ADAS and safety, comfort and convenience applications.



***Cost of goods sold and gross profit***

Cost of goods sold increased by \$20.7 million, or 24.3%, to \$106.2 million in the three-month period ended December 23, 2022 from \$85.5 million in the three-month period ended December 24, 2021. The increase in cost of goods sold was primarily attributable to higher production volume in support of higher product sales.

Gross profit increased by \$41.4 million, or 41.0%, to \$142.6 million in the three-month period ended December 23, 2022 from \$101.2 million in the three-month period ended December 24, 2021. The increase in gross profit was driven by a \$62.2 million increase in net sales across all markets, partially offset by the impacts to cost of goods sold discussed above.

***R&D expenses***

R&D expenses increased by \$9.3 million, or 30.7%, to \$39.6 million in the three-month period ended December 23, 2022 from \$30.3 million in the three-month period ended December 24, 2021. This increase was primarily due to a combined \$5.5 million increase in personnel and outside service costs, higher stock-based compensation expense of \$2.2 million, and a \$1.4 million increase in general operating expenses.

R&D expenses represented 15.9% of our total net sales for the three-month period ended December 23, 2022, a decrease from 16.2% of our total net sales for the three-month period ended December 24, 2021. This percentage decrease was primarily due to the growth in net sales in the three-month period ended December 23, 2022.

***SG&A expenses***

SG&A expenses decreased slightly by \$0.6 million, or 1.6%, to \$37.4 million in the three-month period ended December 23, 2022, from \$38.0 million in the three-month period ended December 24, 2021. This decrease was primarily due to lower combined general operating expenses and professional fees of \$5.7 million and lower stock-based compensation expense of \$1.3 million, partially offset by an increase in combined personnel costs, supplies, maintenance and travel costs of \$6.6 million.

SG&A expenses represented 15.0% of our total net sales for the three-month period ended December 23, 2022, a decrease from 20.3% of our total net sales for the three-month period ended December 24, 2021. This percentage decrease was primarily due to the growth in net sales in the three-month period ended December 23, 2022.

***Interest expense, net***

Interest expense, net was \$0.3 million for each of the three-month periods ended December 23, 2022 and December 24, 2021. For the three-month period ended December 23, 2022, higher mandatory interest payments on the Term Loan Facility were partially offset by higher interest income received from a related party and investments, compared to the three-month period ended December 24, 2021.

***Foreign currency transaction gain (loss)***

We recorded a foreign currency transaction gain of \$0.4 million in the three-month period ended December 23, 2022 compared to an insignificant amount of foreign currency transaction loss in the three-month period ended December 24, 2021. The foreign currency transaction gains recorded in the three-month period ended December 23, 2022 were primarily due to the unrealized gains on equity securities denominated in Euros, partially offset by losses from our United Kingdom and Philippines locations.

***Income in earnings of equity investment***

Income in earnings of equity investment reflected gains of \$2.2 million and \$0.3 million in the three-month periods ended December 23, 2022 and December 24, 2021, respectively, representing the earnings on our 30% investment in Polar Semiconductor, LLC ("PSL").

***Other, net***

Other, net increased by \$0.5 million to \$4.1 million of miscellaneous gains in the three-month period ended December 23, 2022 from \$3.6 million of miscellaneous gains in the three-month period ended December 24, 2021. This increase was largely attributable to unrealized gains on investments recognized during the third quarter of fiscal 2023.

***Income tax provision***

Income tax provision and the effective income tax rate were \$7.5 million and 10.5%, in the three-month period ended December 23, 2022 and \$6.3 million and 16.0%, in the three-month period ended December 24, 2021. The effective tax rate

(“ETR”) was primarily impacted by 174 Capitalization, FDII deductions, a reduction in state taxes and an increase in current year non-deductible executive compensation expense. 174 Capitalization increased U.S. taxable income, cash taxes, FDII deductions, and GILTI inclusions. The net tax impact from 174 Capitalization is favorable because the increased FDII deductions of \$9.3 million exceed the additional inclusion for GILTI income inclusions of \$0.9 million (“Net 174 Benefit”). The Net 174 Benefit, current year FDII deductions, and state tax benefits are offset in the current fiscal year by increased non-deductible executive compensation of \$6.7 million, and discrete tax impacts.

**Nine-Month Period Ended December 23, 2022 Compared to Nine-Month Period Ended December 24, 2021**

The following table summarizes our results of operations for the nine-month periods ended December 23, 2022 and December 24, 2021.

	Nine-Month Period Ended		Change	
	December 23, 2022	December 24, 2021	\$	%
	(Dollars in thousands)			
Total net sales <sup>(1)</sup>	\$ 704,208	\$ 568,381	\$ 135,827	23.9 %
Cost of goods sold <sup>(1)</sup>	311,218	270,524	40,694	15.0 %
Gross profit	392,990	297,857	95,133	31.9 %
Operating expenses:				
Research and development	109,017	89,441	19,576	21.9 %
Selling, general and administrative	146,470	104,115	42,355	40.7 %
Change in fair value of contingent consideration	(2,700)	(2,100)	(600)	28.6 %
Total operating expenses	252,787	191,456	61,331	32.0 %
Operating income	140,203	106,401	33,802	31.8 %
Other income (expense), net:				
Interest expense	(1,581)	(2,081)	500	(24.0)%
Interest income	1,144	317	827	260.9 %
Foreign currency transaction gain (loss)	2,597	(55)	2,652	NM
Income in earnings of equity investment	297	792	(495)	(62.5)%
Other, net	765	5,216	(4,451)	(85.3)%
Total other income, net	3,222	4,189	(967)	(23.1)%
Income before income tax provision	143,425	110,590	32,835	29.7 %
Income tax provision	17,943	16,687	1,256	7.5 %
Net income	125,482	93,903	31,579	33.6 %
Net income attributable to non-controlling interests	102	112	(10)	(8.9)%
Net income attributable to Allegro MicroSystems, Inc.	\$ 125,380	\$ 93,791	\$ 31,589	33.7 %

NM - Not meaningful

(1) Our total net sales and cost of goods sold for the periods presented above include related party net sales generated through our distribution agreement with Sanken. See our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report for additional information regarding our related party net sales for the periods set forth above.

The following table sets forth our results of operations as a percentage of total net sales for the periods presented.

	Nine-Month Period Ended	
	December 23, 2022	December 24, 2021
Total net sales	100.0 %	100.0 %
Cost of goods sold	44.2 %	47.6 %
Gross profit	55.8 %	52.4 %
Operating expenses:		
Research and development	15.5 %	15.7 %
Selling, general and administrative	20.8 %	18.3 %
Change in fair value of contingent consideration	(0.4)%	(0.4)%
Total operating expenses	35.9 %	33.6 %
Operating income	19.9 %	18.8 %
Other income (expense), net:		
Interest expense	(0.2)%	(0.4)%
Interest income	0.1 %	0.1 %
Foreign currency transaction gain (loss)	0.4 %	(0.1)%
Income in earnings of equity investment	— %	0.1 %
Other, net	0.1 %	1.0 %
Total other income, net	0.4 %	0.7 %
Income before income tax provision	20.3 %	19.5 %
Income tax provision	2.5 %	3.0 %
Net income	17.8 %	16.5 %
Net income attributable to non-controlling interests	— %	— %
Net income attributable to Allegro MicroSystems, Inc.	17.8 %	16.5 %

#### Total net sales

Total net sales increased by \$135.8 million, or 23.9%, to \$704.2 million in the nine-month period ended December 23, 2022 from \$568.4 million in the nine-month period ended December 24, 2021. This increase was primarily attributable to higher shipment of our ADAS, data center, xEV, safety, comfort and convenience, ICE and computing applications.

#### Sales Trends by Core End Market and Application

The following table summarizes total net sales by market. The categorization of net sales by market is based on the characteristics of the end product and application into which our product will be designed.

	Nine-Month Period Ended		Change	
	December 23, 2022	December 24, 2021	Amount	%
(Dollars in thousands)				
Automotive	\$ 477,154	\$ 390,351	\$ 86,803	22.2 %
Industrial	139,330	98,533	40,797	41.4 %
Other	87,724	79,497	8,227	10.3 %
<b>Total net sales</b>	<b>\$ 704,208</b>	<b>\$ 568,381</b>	<b>\$ 135,827</b>	<b>23.9 %</b>

The increase in net sales by market was driven by increases in automotive of \$86.8 million, or 22.2%, industrial of \$40.8 million, or 41.4%, and other of \$8.2 million, or 10.3%.

Automotive net sales increased in the nine-month period ended December 23, 2022 compared to the nine-month period ended December 24, 2021, as we continued to experience higher demand for our ADAS, xEV, safety, comfort and convenience and ICE applications.

Industrial net sales increased in the nine-month period ended December 23, 2022 compared to the nine-month period ended December 24, 2021, primarily due to increases in demand for our data center, personal mobility and grid infrastructure applications.

Other net sales increased in the nine-month period ended December 23, 2022 compared to the nine-month period ended December 24, 2021, primarily due to increases in demand for certain computer products.

#### Sales Trends by Product

The following table summarizes net sales by product.

	Nine-Month Period Ended		Change	
	December 23, 2022	December 24, 2021	Amount	%
(Dollars in thousands)				
MS and other	431,708	373,327	58,381	15.6 %
PIC	\$ 272,500	\$ 195,054	\$ 77,446	39.7 %
<b>Total net sales</b>	<b>\$ 704,208</b>	<b>\$ 568,381</b>	<b>\$ 135,827</b>	<b>23.9 %</b>

The growth in net sales by product was driven by increases of \$77.4 million in PIC product sales and \$58.4 million in MS and other product sales during the nine-month period ended December 23, 2022 compared to the same period last year.

#### Sales Trends by Geographic Location

The following table summarizes net sales by geographic location based on ship-to location.

	Nine-Month Period Ended		Change	
	December 23, 2022	December 24, 2021	Amount	%
(Dollars in thousands)				
Americas:				
United States	\$ 87,135	\$ 80,854	\$ 6,281	7.8 %
Other Americas	20,204	16,697	3,507	21.0 %
EMEA:				
Europe	115,693	97,108	18,585	19.1 %
Asia:				
Greater China	182,624	142,158	40,466	28.5 %
Japan	131,852	112,079	19,773	17.6 %
South Korea	67,414	61,614	5,800	9.4 %
Other Asia	99,286	57,871	41,415	71.6 %
<b>Total net sales</b>	<b>\$ 704,208</b>	<b>\$ 568,381</b>	<b>\$ 135,827</b>	<b>23.9 %</b>

The increase in net sales across all geographic locations in the nine-month period ended December 23, 2022 compared to the nine-month period ended December 24, 2021 was primarily due to content and market share gains.

Other Asia experienced sales growth of \$41.4 million, or 71.6%, primarily due to higher demand for our data center, computing, ICE, ADAS, and safety, comfort and convenience applications. The increase in net sales of \$40.5 million, or 28.5%, in Greater China related to higher automotive demand, primarily in our ADAS, safety, comfort and convenience and xEV sectors. Net sales in Japan grew \$19.8 million, or 17.6%, which was primarily driven by higher demand in our personal mobility, xEV, ICE, safety, comfort and convenience and data center applications. The increase in net sales of \$18.6 million, or 19.1%, in Europe, predominantly comprised of Germany and France, was primarily driven by increases in automotive and industrial demand. The increase in net sales in the United States of \$6.3 million, or 7.8%, was primarily driven by higher demand in our ADAS, household appliances and safety, comfort and convenience offerings. Net sales in South Korea grew \$5.8 million, or 9.4%, which was primarily due to higher automotive demand, specifically in our safety, comfort and convenience, xEV, and ADAS applications. Other Americas increased \$3.5 million, or 21.0%, primarily due to higher automotive demand, specifically in our ADAS and safety, comfort and convenience applications.

***Cost of goods sold and gross profit***

Cost of goods sold increased by \$40.7 million, or 15.0%, to \$311.2 million in the nine-month period ended December 23, 2022 from \$270.5 million in the nine-month period ended December 24, 2021. The increase in cost of goods sold was primarily attributable to higher production volume in support of higher product sales during the first nine months of fiscal 2023 and, to a lesser extent, higher warranty costs incurred.

Gross profit increased by \$95.1 million, or 31.9%, to \$393.0 million in the nine-month period ended December 23, 2022 from \$297.9 million in the nine-month period ended December 24, 2021. The increase in gross profit was driven by a \$135.8 million increase in total net sales to all end markets discussed above, partially offset by the impacts to cost of goods sold discussed above.

***R&D expenses***

R&D expenses increased by \$19.6 million, or 21.9%, to \$109.0 million in the nine-month period ended December 23, 2022 from \$89.4 million in the nine-month period ended December 24, 2021. This increase was primarily due to a combined \$14.6 million increase in employee salaries, contract labor, and inventory and supplies costs, a \$3.2 million increase in stock-based compensation expense, and a combined \$1.9 million increase in other general operating expenses.

R&D expenses represented 15.5% of our total net sales for the nine-month period ended December 23, 2022, a decrease from 15.7% of our total net sales in the nine-month period ended December 24, 2021. This percentage decrease was primarily due to the growth in net sales in the nine-month period ended December 23, 2022.

***SG&A expenses***

SG&A expenses increased by \$42.4 million, or 40.7%, to \$146.5 million in the nine-month period ended December 23, 2022 from \$104.1 million in the nine-month period ended December 24, 2021. This increase was primarily due to a \$28.3 million increase in stock-based compensation expense, including accelerated expense from the retirement of our former chief executive officer of approximately \$26.3 million, and a combined \$14.1 million increase in employee salaries, severance and insurance costs, partially offset by \$0.8 million in combined general operating expenses.

SG&A expenses represented 20.8% of our total net sales in the nine-month period ended December 23, 2022, an increase from 18.3% of our total net sales in the nine-month period ended December 24, 2021. This percentage increase was primarily due to the impacts noted above, partially offset by growth in net sales in the nine-month period ended December 23, 2022.

***Interest expense, net***

Interest expense, net was \$0.4 million in the nine-month period ended December 23, 2022 compared to \$1.8 million in the nine-month period ended December 24, 2021. The decrease in interest expense, net was primarily due to lower mandatory interest payments on the Term Loan Facility coupled with higher interest income received from investments and a related party in the nine-month period ended December 23, 2022.

***Foreign currency transaction gain (loss)***

Foreign currency transaction gains increased by \$2.7 million to \$2.6 million in the nine-month period ended December 23, 2022 compared to \$0.1 million in foreign currency transaction losses in the nine-month period ended December 24, 2021. The foreign currency transaction gain recorded in the nine-month period ended December 23, 2022 was primarily due to realized and unrealized gains from our United Kingdom location, partially offset by realized and unrealized losses from our Philippines location.

***Income in earnings of equity investment***

Income in earnings of equity investment reflected gains of \$0.3 million and gains of \$0.8 million in the nine-month periods ended December 23, 2022 and December 24, 2021, respectively, representing the earnings on our 30% investment in PSL.

***Other, net***

Other, net decreased by \$4.4 million to \$0.8 million of miscellaneous gains in the nine-month period ended December 23, 2022 from \$5.2 million of miscellaneous gains in the nine-month period ended December 24, 2021. This change was largely attributable to an insignificant amount of unrealized losses on equity securities recognized during the first

nine months of fiscal 2023 compared to \$4.5 million in unrealized gains on equity securities recognized during the same period last year.

### ***Income tax provision***

Income tax provision and the effective income tax rate were \$17.9 million and 12.5% for the nine-month period ended December 23, 2022 and \$16.7 million and 15.1% for the nine-month period ended December 24, 2021. The ETR year-over-year was primarily impacted by 174 Capitalization, FDII deductions, a reduction in state taxes and an increase in current year non-deductible executive compensation expense. 174 Capitalization increased U.S. taxable income, cash taxes, FDII deductions, and GILTI inclusions. The net tax impact from 174 Capitalization is favorable because the increased FDII deductions of \$9.3 million exceed the additional inclusion for GILTI income inclusions of \$0.9 million. The Net 174 Benefit, current year FDII deductions, and state tax benefits are offset in the current fiscal year by increased non-deductible executive compensation of \$6.7 million, state tax benefits and discrete tax impacts.

### **Liquidity and Capital Resources**

As of December 23, 2022, we had \$334.3 million of cash and cash equivalents and \$482.7 million of working capital compared to \$282.4 million of cash and cash equivalents and \$407.5 million of working capital as of March 25, 2022. Working capital is impacted by the timing and extent of our business needs.

Our primary requirements for liquidity and capital are working capital, capital expenditures, principal and interest payments on our outstanding debt and other general corporate needs. Historically, these cash requirements have been met through cash provided by operating activities and cash and cash equivalents. Our current capital deployment strategy for 2023 is to invest excess cash on hand to support our continued growth initiatives into select markets, planned capital expenditures and strategic arrangements, as well as consider potential acquisitions. As of December 23, 2022, the Company is not party to any off-balance sheet arrangements that have had or are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources. The cash requirements for the upcoming fiscal year relate to our operating leases, operating and capital purchase commitments and expected contributions to our defined benefit and contribution plans. Additionally, we expect to invest in expanding our operations in Japan in order to directly manage and service our customers in that market, which could result in increases in our total net sales, cost of goods sold and operating expenses. For information regarding the Company's expected cash requirements and timing of payments related to leases and noncancellable purchase commitments, see Note 17, "Commitments and Contingencies" to the Company's 2022 Annual Report. Additionally, refer to Note 16, "Retirement Plans" to the Company's 2022 Annual Report for more information related to the Company's pension and defined contribution plans.

We believe that our existing cash will be sufficient to finance our continued operations, growth strategy, planned capital expenditures and the additional expenses that we expect to incur during the next 12 months. In order to support and achieve our future growth plans, we may need or seek advantageously to obtain additional funding through equity or debt financing. We believe that our current operating structure will facilitate sufficient cash flows from operations to satisfy our expected long-term liquidity requirements beyond the next 12 months. If these resources are not sufficient to satisfy our liquidity requirements due to changes in circumstances, we may be required to seek additional financing. If we raise additional funds by issuing equity 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.

### Cash Flows from Operating, Investing and Financing Activities

The following table summarizes our cash flows for the nine-month periods ended December 23, 2022 and December 24, 2021:

	Nine-Month Period Ended	
	December 23, 2022	December 24, 2021
	(dollars in thousands)	
Net cash provided by operating activities	\$ 145,658	\$ 118,558
Net cash used in investing activities	(69,291)	(50,123)
Net cash used in financing activities	(16,694)	(6,209)
Effect of exchange rate changes on cash and cash equivalents	(5,344)	604
Net increase in cash and cash equivalents and restricted cash	<u>\$ 54,329</u>	<u>\$ 62,830</u>

#### Operating Activities

Net cash provided by operating activities was \$145.7 million in the nine-month period ended December 23, 2022, resulting primarily from net income of \$125.5 million and noncash charges of \$59.0 million, including a one-time charge of approximately \$26.3 million related to the acceleration of stock-based compensation expense from the retirement of our former chief executive officer, partially offset by a net decrease in cash from an increase in net operating assets of \$38.8 million. The net increase in operating assets consisted of a \$39.1 million increase in inventories, a \$17.8 million increase in prepaid expenses, a \$5.9 million increase in trade accounts receivable, net, and a \$3.3 million decrease in net amounts due from related parties, partially offset by a \$19.6 million increase in trade accounts payable, a \$5.7 million increase in accrued expenses and other current and long-term liabilities, and a \$2.0 million decrease in other receivables. The increase in inventories was primarily the result of inventory builds to support anticipated sales growth for the remainder of fiscal 2023 and into fiscal 2024. The increase in prepaid expenses and other assets were mostly due to higher long-term deposits and the timing of tax payments, including value-added taxes receivable, insurance and contract costs. The increase in trade accounts receivable, net was primarily due to higher sales volumes and the timing of receipts from customers. The decrease in net amounts due to related parties was primarily due to variations in the timing of such payments in the ordinary course of business. Accounts payable increased primarily due to the timing of payments to suppliers and vendors, partially offset by higher operating purchases, including unpaid capital expenditures of \$2.5 million. The increase in accrued expenses and other current and long-term liabilities was primarily the result of higher warranty costs, accrued personnel costs, income taxes, and accrued operating expenses, partially offset by a reduction in the balance due on the acquisition of Voxtel, Inc. (“Voxtel”). The decrease in other receivables was primarily due to the timing of receipts from Sanken.

Net cash provided by operating activities was \$118.6 million in the nine months ended December 24, 2021, resulting primarily from our net income of \$93.9 million and noncash charges of \$50.0 million, partially offset by a net decrease in cash from an increase in net operating assets of \$25.4 million. The net increase in net operating assets consisted of a \$11.9 million increase in prepaid expenses and other assets, a \$9.9 million decrease in accrued expenses and other current and long-term liabilities, a \$6.1 million increase in trade accounts receivable, net, and a \$2.8 million increase in net amounts due from related parties, partially offset by a \$3.3 million decrease in inventories and a \$2.0 million increase in trade accounts payable. The increase in prepaid expenses and other assets were primarily due to an increase in prepaid contracts and deposits and the timing of tax payments, including value-added taxes receivable, insurance and contract costs. The decrease in accrued expenses and other current and long-term liabilities was primarily due to the release of deposits related to the sale of our Thailand-based facility (“AMTC Facility”) and reduction of the balance due on the Voxtel acquisition, partially offset by higher accrued personnel costs, particularly for management incentive bonuses, and higher income taxes due. The increase in trade accounts receivable, net was primarily a result of increased sales year-over-year, as well as the timing of receipts from customers. The increase in net amounts due from related parties was primarily due to variations in the timing of such payments in the ordinary course of business. The decrease in inventories was primarily a result of the continued drawdown after building inventory up in prior periods to support anticipated sales growth and recovery from the COVID-19 pandemic. Accounts payable increased primarily due to higher operating purchases, including unpaid capital expenditures of \$4.9 million, partially offset by the timing of payments to vendors and suppliers.

#### Investing Activities

Net cash used in investing activities was \$69.3 million in the nine-month period ended December 23, 2022, consisting of purchases of property, plant and equipment of \$49.6 million and payments related to the acquisition of Heyday of \$19.7 million.

Net cash used in investing activities was \$50.1 million in the nine months ended December 24, 2021, consisting of purchases of property, plant and equipment of \$55.8 million, payments related to the acquisition of Voxel of \$12.5 million, and purchases of marketable securities of \$9.2 million, partially offset by \$27.4 million of cash received for the sale of the AMTC Facility.

#### *Financing Activities*

Net cash used in financing activities was \$16.7 million in the nine-month period ended December 23, 2022, consisting of taxes related to the net settlement of equity awards and additional funds loaned to PSL under our related party loan agreement, partially offset by proceeds received in connection with the issuance of common stock under our employee stock purchase plan and proceeds received related to the quarterly payments from PSL on our related party loan.

Net cash used in financing activities was \$6.2 million in the nine months ended December 24, 2021, consisting of funds loaned to PSL of \$7.5 million, partially offset by \$1.3 million of proceeds received in connection with the issuance of common stock under our employee stock purchase plan.

#### **Debt Obligations**

See Note 11, “Debt and Other Borrowings” in the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report for information regarding our debt obligations.

#### **Recent Accounting Pronouncements**

See Note 2, “Summary of Significant Accounting Policies” in the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report for a full description of recent accounting pronouncements, including the respective dates of adoption or expected adoption and effects on our condensed consolidated financial statements contained in Item 1 of this Quarterly Report.

#### **Critical Accounting Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our significant accounting policies are described in Note 2, “Summary of Significant Accounting Policies” to our consolidated financial statements included in our 2022 Annual Report. There have been no material changes in our critical accounting policies and estimates since March 25, 2022.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes in our exposures to market risk since March 25, 2022. For details on the Company’s interest rate, foreign currency exchange, and inflation risks, see “Part I, Item 7A. “Quantitative and Qualitative Information About Market Risks” in our 2022 Annual Report.

#### **Item 4. Controls and Procedures.**

##### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

##### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of December 23, 2022. Based on the evaluation of our disclosure controls and procedures as of December 23, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.



**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we may be involved in claims, regulatory examinations or investigations and proceedings arising in the ordinary course of our business. The outcome of any such claims or proceedings, regardless of the merits, and the Company's ultimate liability, if any, is inherently uncertain. We are not currently party to any material legal proceedings, and we are not aware of any pending or threatened legal proceeding against us that we believe could have a material adverse effect on our business, operating results, cash flows or financial condition.

### Item 1A. Risk Factors.

There have been no material changes in the risk factors previously disclosed in Item 1A. of our Annual Report, as amended and updated by Part II, Item 1A. of our Quarterly Report on Form 10-Q for the quarter ended June 24, 2022.

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

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

Effective January 26, 2023, the Company and PSL entered into a new Wafer Foundry Agreement ("WFA") for the fabrication of wafers. The WFA replaces the previous Wafer Foundry Agreement with PSL, dated April 12, 2013, which was due to expire on March 31, 2023.

The WFA has a three-year term, and auto renews for subsequent one-year terms, unless terminated by either party's providing two years notice. Pursuant to the WFA, the Company will provide a rolling annual forecast for three years, the first two years of which will be binding. If the Company fails to purchase the forecasted number of wafers for either of the first two years, it will pay a penalty for any shortfall for the given year. The parties also agreed upon production lead-times, as well as wafer, alignment, and mask pricing for the first two years of the term. Any changes to such pricing is subject to mutual agreement.

See Note 18, "Related Party Transactions" in the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report for a description of the relationship between the Company and PSL.

The foregoing description of the WFA does not purport to be complete and is qualified in its entirety by reference to the complete text of the WFA, a copy of which is filed as Exhibit 10.6 hereto and incorporated herein by reference.

**Item 6. Exhibits**

## (a) Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	<a href="#"><u>Transition Agreement by and among Allegro MicroSystems, Inc. and Sanken Electric Co., Ltd., dated as of September 29, 2022 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 3, 2022).</u></a>
10.2	<a href="#"><u>Summary of Allegro MicroSystems, Inc. Non-Employee Director Compensation.</u></a> <sup>**^</sup>
10.3	<a href="#"><u>Amended and Restated Severance Agreement, dated as of February 15, 2021, by and between Allegro MicroSystems, LLC, Allegro MicroSystems, Inc. and Suman Narayan.</u></a> <sup>**^</sup>
10.4	<a href="#"><u>Amended and Restated Severance Agreement, dated as of September 30, 2020, by and between Allegro MicroSystems, LLC, Allegro MicroSystems, Inc. and Thomas Teebagy, Sr.</u></a> <sup>**^</sup>
10.5	<a href="#"><u>Amended and Restated Severance Agreement, dated as of September 30, 2020, by and between Allegro MicroSystems, LLC, Allegro MicroSystems, Inc. and Joanne Valente.</u></a> <sup>**^</sup>
10.6	<a href="#"><u>Wafer Foundry Agreement, effective January 26, 2023, by and between Allegro MicroSystems, Inc. and Polar Semiconductor, LLC.</u></a> <sup>^</sup>
31.1	<a href="#"><u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1**	<a href="#"><u>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.</u></a>
32.2**	<a href="#"><u>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.</u></a>
101.INS	Inline XBRL Instance Document. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 filed herewith).

<sup>^</sup> Filed herewith.

<sup>\*</sup>Indicates management contract or compensatory plan, contract or arrangement.

<sup>\*\*</sup> Furnished herewith.

**SIGNATURES**

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

**ALLEGRO MICROSYSTEMS, INC.**

Date: February 1, 2023

By: \_\_\_\_\_  
/s/ Vineet Nargolwala  
**Vineet Nargolwala**  
**President and Chief Executive Officer**  
**(principal executive officer)**

Date: February 1, 2023

By: \_\_\_\_\_  
/s/ Derek P. D'Antilio  
**Derek P. D'Antilio**  
**Senior Vice President, Chief Financial Officer and Treasurer**  
**(principal financial and accounting officer)**

### Summary of Annual Non-Management Director Compensation

Compensation is made to each member of the Board who is not an employee of the Company, OEP SKNA, L.P. or Sanken Electric Co., Ltd or their respective subsidiaries.

#### 1. Annual Cash Compensation

Annual Cash Retainer (Other than Chairman of the Board)	\$ 60,000
Annual Cash Retainer (Chairman of the Board)	\$ 75,000
Additional Cash Retainer for Chair of Audit Committee	\$ 25,000
Additional Cash Retainer for Chair of Compensation Committee	\$ 20,000
Additional Cash Retainer for Chair of Nominating and Corporate Governance Committee	\$ 10,000
Additional Cash Retainer for Chair of Research & Development and Strategy Committee	\$ 10,000
Additional Cash Retainer for member of Audit Committee	\$ 10,000
Additional Cash Retainer for member of Compensation Committee	\$ 8,500
Additional Cash Retainer for member of Nominating and Corporate Governance Committee	\$ 5,000
Additional Cash Retainer for member of Research & Development and Strategy Committee	\$ 8,500

#### 2. Equity Compensation

Each Director serving on the Board as of the date of the Annual Meeting will be granted an award of Restricted Stock Units with a value of \$185,000.

Directors elected or appointed to serve on the Board on a date other than the Annual meeting will be granted a prorated award in the first year of service on the Board.

#### 3. Travel Expenses

Directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings.

## SEVERANCE AGREEMENT

**THIS AGREEMENT** (the "Agreement") is entered into as of February 15th, 2021 between Allegro MicroSystems, LLC, a Delaware limited liability company("Allegro") and **Suman Narayan, VP, Magnetic Sensor Business Unit** of Allegro ("Executive").

**WHEREAS**, Allegro wishes to ensure that Allegro executives will continue to exert maximum effort toward the success of the Company and to continue their employment with Allegro without undue concern regarding the security of their employment.

**NOW, THEREFORE**, the parties agree as follows:

### **Certain Definitions.**

For purposes of this Agreement, certain terms shall have the meaning set forth below:

1.1 "Cause" means a good faith determination by the Board of Directors of Allegro MicroSystems, Inc. ("AMI") of any one or more of the following: (a) Executive's (x) continued or repeated failure or refusal (after prior written notice thereof from the Board of Directors of AMI and Executive's failure to cure the same (if curable) within ten (10) calendar days of such written notice, and other than due to Executive's disability) to substantially perform the duties required by Executive's position with AMI or any of its subsidiaries (it being understood that Executive's failure to attain performance goals or targets or to otherwise fail to substantially perform the duties required by Executive's position shall not constitute "Cause" hereunder if such failure is as a result of actions taken or not taken in good faith and with reasonable belief that such actions or omissions were in the best interests of AMI and its subsidiaries) or (y) failure or refusal to follow lawful directives of the Board of Directors of AMI; (b) gross negligence or willful misconduct (including unauthorized disclosure of material proprietary information) by Executive, which results in a material detriment to AMI or any of its subsidiaries; (c) Executive's conviction (by a court of competent jurisdiction, not subject to further appeal) of, or pleading guilty to, a felony that involves fraud or moral turpitude or that is perpetrated against AMI or any of its subsidiaries, their respective businesses or any of their respective assets, properties or personnel; or (d) a material breach by Executive of the Restrictive Covenants, this Agreement, or of any other written agreement with the Company to which Executive is a party.

1.2 The term "Company" means Allegro MicroSystems, LLC or any successor to Allegro, including without limitation any entity that acquires all or substantially all of Allegro's assets or any entity into which Allegro merges.

1.3 The term "Company's Governing Body" means the board of directors of AMI if the Company is then a subsidiary of AMI; if not, the board of directors of the Company if the Company is then a corporation or the board of managers or the managing member of the Company within the meaning of the applicable limited liability act if the Company is then a limited liability company; or, if none of the foregoing, the Company's governing body under applicable law or its constituent documents.

1.4 The term "Good Reason" shall mean the occurrence of any of the following without Executive's prior written consent: (a) a reduction in Executive's base salary paid or payable by the Company and/ or any of its subsidiaries; or (b) a reduction in the Target Bonus of Executive; (c) a material diminution in Executive's authority, duties, responsibilities, or reporting relationship in connection with Executive's employment with the Company; (d) the

relocation of Executive's principal work location in connection with his employment by the Company to a facility or location more than thirty-five (35) miles from Executive's present principal work location; or (e) the Company has materially breached this Agreement, including without limitation a failure to comply with the assignment to successor requirement in Section 8.

1.5 The term "Target Bonus" means the target bonus for a fiscal year as specified for Executive under Allegro's Annual Incentive Plan or any successor annual bonus plan maintained by the Company. In the event that a Target Bonus has not been established for a fiscal year because action has not yet been taken within such fiscal year to approve the annual bonus plan target pool and Target Bonuses, the Target Bonus shall be the same as Executive's Target Bonus for the preceding fiscal year.

**Severance Benefit and Health Care Continuation Benefit Following Termination without Cause.**

2.1 Executive shall be entitled to a "Severance Benefit" as described in this Section 2 in the event that the Company terminates Executive's employment without Cause and the release described in Section 5 has become effective.

2.2 In the event of termination without Cause, the Severance Benefit shall be equal to the sum of the following (the "Severance Benefit"):

- (a) 100% of Executive's annual base salary on the termination date.
- (b) 100% of Executive's Target Bonus on the termination date; and
- (c) a prorated bonus for the fiscal year in which termination occurs, determined by multiplying the Target Bonus on the termination date by a ratio equal to the number of completed days of employment in the fiscal year prior to and including the termination date divided by the total number of days in such fiscal year.

2.3 The applicable Severance Benefit shall be paid to Executive in a lump sum not later than fifteen (15) days following the termination date if the release described in Section 5 has become effective. If the Release described in Section 6 has not become effective more than 15 days following the termination date, the Severance Benefit shall be paid not later than five (5) days after the Release becomes effective.

2.4 Payment of the Severance Benefit shall be net of applicable withholding taxes.

2.5 In addition to the Severance Benefit, if Executive is a participant on the termination date in a group health plan of the Company that is subject to Section 601 et seq. of the Employee Retirement Income Security Act of 1974, as amended, or similar state health care continuation coverage law ("COBRA"), Executive shall be entitled for up to eighteen (18) months after the termination date to Company payment of the entire cost of COBRA health insurance continuation coverage for Executive and Executive's covered dependents, subject to the following conditions. The Company shall notify Executive of the right to continue Executive's health insurance coverage pursuant to COBRA. To the extent that Executive timely elects to accept continued health insurance coverage under COBRA, the Company shall pay or reimburse to Executive the full monthly cost of Executive's COBRA coverage, plus, if the Company determines that the inclusion of the monthly cost of COBRA coverage in Executive's gross income is necessary in order to avoid the adverse consequences of Section 105(h) of the Internal Revenue Code of 1986, as amended (the "Code"), or in order to avoid violations of the

Patient Protection and Affordable Care Act of 2010, as amended (the "ACA"), a tax gross- up payment for applicable taxes imposed on such monthly payment and on such gross- up payment, until the earlier of eighteen (18) months after the termination of employment date or such date as Executive becomes eligible for health insurance coverage through any subsequent employment. If Executive desires to continue health care coverage under COBRA after becoming eligible for other health insurance coverage, Executive may do so for the balance of the applicable COBRA period at Executive's expense consistent with the requirements of COBRA. Notwithstanding the foregoing, the Company shall not be required to provide Executive with the healthcare continuation coverage benefits in this Section 2.5 if doing so would result in the imposition of penalties or other adverse consequences to the Company pursuant to the ACA or any successor legislation or regulations thereunder. Payment of the health care continuation coverage benefit pursuant to this Section 2.5 shall be conditioned upon Executive's timely execution of the Release described in Section 6 and the Release having become effective by its terms on or before the sixtieth (60th) day following Executive's termination.

2.6 If the Company, at the time of giving Executive notice of termination, specifies or requests a termination date later than the notice date, Executive shall not be required to accept a termination date that is more than two weeks after the date of notice of termination, and the failure to agree to a later termination date shall not be construed as a voluntary termination by Executive. The termination date for purposes of this Section 2, consistent with the preceding sentence, shall be the final day of employment of Executive by the Company.

### **AMI Stock Rights.**

3.1 Executive's rights with respect to AMI stock awards, stock options, stock appreciation rights, and/or stock units that Executive may own or have a conditional right to at the time of termination shall be determined in accordance with AMI's Certificate of Incorporation, the Allegro MicroSystems, Inc. 2020 Omnibus Incentive Compensation Plan, the applicable grant agreements pursuant to which Executive acquired such rights and any other applicable governing documents, as any such documents may be amended from time to time. Notwithstanding any provision to the contrary in any such documents, for purposes of determining the extent to which Executive is vested in any such rights, termination of the Executive for Good Reason pursuant to Section 4 of this Agreement shall be treated in the same manner as a termination by the Company without Cause.

### **Voluntary Termination for Good Reason or Otherwise.**

4.1 Executive shall be entitled to terminate employment with the Company and receive the Severance Benefit, health care continuation benefits, and certain rights with respect to AMI stock awards, appreciation rights, and/or units (as specified in Section 3), upon the following conditions, provided that Executive timely executes the Release described in Section 6 and the Release becomes effective by its terms on or before the sixtieth (60th) day following Executive's termination:

4.2 If an event constituting Good Reason occurs, and Executive gives the Company written notice within sixty (60) days following the event of Good Reason, detailing why Executive believes a Good Reason event has occurred, the Company shall have thirty (30) days after receipt of such written notice to remedy or cure the event of Good Reason. If the Company does not remedy or cure the event within such period and the event constitutes Good Reason, as defined in this Agreement, Executive's employment shall be deemed terminated for Good Reason at the end of such thirty (30) day cure period. Executive's notice shall be delivered to the Company's Governing Body.



4.3 The termination date for purposes of Section 4.2 shall be, if earlier than the expiration of the thirty day cure period described in Section 4.2, the date that the Company gives written notice to Executive that the Company does not intend to cure the event of Good Reason.

4.4 If an event of Good Reason is (or includes) a material reduction in annual base salary or Target Bonus as described in Section 1.4(b), the applicable severance benefit shall be calculated on the basis of annual base salary and Target Bonus as the same existed immediately prior to such reduction.

4.5 In the absence of an event of Good Reason, termination by Executive for personal reasons if payment of the benefits hereunder is approved by the Company's Governing Body upon the recommendation of the Compensation Committee of such Company's Governing Body.

**Release Requirement; Compliance with Restrictive Covenants.**

5.1 As a prerequisite to the Company's payment of the Severance Benefit, the health care continuation benefit and any AMI stock awards, appreciation rights, and/or units, Executive shall have executed and delivered to the Company a general release of claims ("Release") and the Release shall have become effective in accordance with its terms as specified in this Section 5 on or prior to the sixtieth (60th) day following Executive's termination. The Release shall be substantially in the form attached as Exhibit A. The Company may modify the Release versus the form attached as Exhibit A in order to specify the amount of the Severance Benefit or other benefits, comply with changes in law, or reflect changes in relevant facts (such as the name of the Company). However, the Company shall not include any additional requirements or provisions in the Release, including without limitation any restrictive covenants concerning post-termination activities of Executive without Executive's prior written consent.

5.2 The Company shall deliver the form of Release to Executive on or prior to the date of termination. Executive shall have at least forty-five (45) days within which to consider the Release. Executive shall have up to seven (7) days after execution and delivery of the Release to revoke the Release. The Release shall not become effective until the revocation period has expired without revocation of the Release by Executive.

5.3 The health insurance continuation benefit described in Section 2.6 shall be provided to Executive on a monthly basis after the termination date on the assumption that the Release will become effective, provided that entitlement to such benefit shall expire if the Release does not become effective within sixty (60) days after the termination date and, in such case, Executive shall be required to promptly return amounts paid on his or her behalf to the Company.

5.4 Executive's entitlement to receive and to retain the Severance Benefit, the health care continuation benefit and any AMI stock awards, appreciation rights, and/or units will be conditioned upon Executive's compliance with the Restrictive Covenants, which Restrictive Covenants are hereby incorporated in their entirety as though fully set forth herein.

**Exclusive Remedy.**

6.1 Executive's receipt of the Severance Payment and other consideration provided in this Agreement shall be in lieu of any benefits specified under any other severance policy maintained by the Companies; any benefits pursuant to any other agreement or understanding between Executive and the Companies relating to termination of employment; and any benefits

under the Company's Annual Incentive Plan or its successor for the fiscal year in which termination occurs. However, this Agreement shall not divest Executive of Executive's right to distributions from Allegro's Executive Deferred Compensation Plan or any right to vested benefits under the terms of the Company's benefit plans, to be paid accrued wages and vacation through the termination date or to be reimbursed for properly substantiated business expenses in accordance with the Company's expense reimbursement policy.

### **Successors and Assigns.**

7.1 This Agreement shall inure to the benefit of, and shall be binding upon, the Company and its successors and assigns, including any successor entity by merger, consolidation or transfer of all or substantially all of the Company's assets. The Company shall require and cause any person, group or entity that acquires all or substantially all of the assets of the Company to accept a written assignment of this Agreement by the Company, and to acknowledge in such document that the acquiror accepts the assignment and undertakes to perform this Agreement in accordance with its terms.

### **Amended or Successor Agreements.**

8.1 If requested by the Company, Executive will in good faith consider and negotiate an amended or a successor agreement in order to address revised circumstances (for example the restructuring of the Allegro group of companies), providing that there is no diminution in the level of benefits available to Executive hereunder.

### **Miscellaneous Provisions.**

9.1 Arbitration. Any claim, dispute or controversy arising out of this Agreement, the interpretation, validity or enforceability of this Agreement or the alleged breach thereof shall be settled by binding arbitration. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association in Manchester, New Hampshire, or elsewhere by mutual agreement. The Company shall bear responsibility for all costs of arbitration and shall reimburse Executive for his or her reasonable attorneys' fees. Judgment may be entered on the arbitration award in any court having jurisdiction.

9.2 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the state of New Hampshire.

9.3 Entire Agreement. This Agreement constitutes the entire agreement and understanding between Executive and Company concerning the subject matter hereof, and supersedes all prior negotiations or understandings between the parties, whether written or oral, including employment offer letter, concerning such matter.

9.4 Employment at Will. Executive's employment with the Company shall remain at will. Nothing in the Agreement shall provide Executive with any right to continued employment with the Company for any specific period of time or interfere with or restrict the right of either Executive or the Company to terminate Executive's employment at any time.

9.5 Application of Section 409A. The payments contemplated by this Agreement are intended to be exempt from, or to comply with the requirements of, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and this Agreement shall be interpreted with that intent. Notwithstanding the foregoing, the tax treatment of amounts payable and benefits provided under this Agreement is not warranted or guaranteed, and neither the Companies,

nor any of their respective members, shareholders, employees, directors, officers, agents or affiliates, shall be held liable for any taxes, interest, penalties or other monetary amounts owed by Executive or any other taxpayer as a result of this Agreement, including by reason of Section 409A or any similar State statute. Notwithstanding anything to the contrary in this Agreement, if at the time Executive's employment terminates, Executive is a "specified employee," as defined below, any and all amounts payable under this Agreement on account of Executive's separation from service that would (but for this provision) be payable within six (6) months following the date of such separation from service, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon Executive's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (B) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section 1.409A-1(a)(5); or (C) other amounts or benefits that are not subject to the requirements of Section 409A of the Code. For purposes of this Agreement, with respect to payments that are subject to Section 409A and that are payment upon or with reference to Executive's termination of employment, all references to "termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), from the Company, and the term "specified employee" means an individual determined by the Company to be a specified employee of the Company under Treasury regulation Section 1.409A-1(i). Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. To the extent required by Section 409A, if the period for executing and not revoking the Release spans two taxable years, the Severance Benefit shall be paid in the second taxable year. Any tax gross up payment hereunder shall be made no later than the end of the calendar year following the calendar year in which the related taxes are remitted to the appropriate tax authorities, or at such other specified time or schedule that may be permitted under Treas. Reg. Section 1.409A-3(i)(1)(v).

#### 9.6 Application of Section 280G.

In the event that the Severance Benefit, the health care continuation coverage benefit, and/or any other any payment, coverage or benefit, including any accelerated vesting of equity compensation in AMI, provided in respect of Executive's employment or termination of employment with the Companies and their affiliates, whether under this Agreement or otherwise and whether before or after termination of Executive's employment would constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code or would subject Executive to an excise tax under Section 4999 of the Code, then, provided that the requirements of Treas. Reg. Section 1.280G-1 Q&A-6(a)(2)(i) are met, AMI shall use its reasonable best efforts to obtain shareholder approval with respect to such parachute payments pursuant to Section 280G(b)(5)(B) of the Code, subject to Executive's execution of a contingent waiver of Executive's receipt of or entitlement to retain any such parachute payments to the extent necessary to obtain such shareholder approval.

9.7 Proprietary Information. Nothing in this Agreement or the Release shall be construed as an elimination or waiver of Executive's obligations not to disclose confidential or proprietary information to third parties as required by Company policy and any agreements between the Company and Executive that were executed during Executive's employment with the Company.

9.8 Waiver; Amendment. No waiver of any breach of this Agreement shall be construed to be a waiver of any other breach of this Agreement. No waiver or amendment of this Agreement shall be effective unless set forth in a written document signed by Executive and an executive of the Company authorized by the Company's Governing Body.

9.9 Notices. Any notices required or permitted by this Agreement shall be in writing, and may be transmitted by personal delivery, by courier service or by e-mail if receipt of such e-mail is acknowledged by the receiving party. Notices shall be addressed to the recipient's principal business office.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date and year first above written.

**ALLEGRO MICROSYSTEMS, LLC**

/s/ Suman Narayan 3/13/2021  
Executive  
Suman Narayan

/s/ Ravi Vig 3/14/2021  
Ravi Vig  
President and Chief Executive Officer

**GENERAL RELEASE OF CLAIMS**

This GENERAL RELEASE OF CLAIMS (“Release”) is made by (“Executive”), a resident of , in favor of Allegro MicroSystems, LLC of Manchester, New Hampshire (the “Company”), and all related entities, corporations, partnerships and subsidiaries of the Company, as well as each of their current and former directors, insurers, officers, trustees, partners, successors in interest, representatives and agents.

WHEREAS, Executive’s employment by the Company has ended or will end on ,(the “Termination Date”); and

WHEREAS, Executive wishes to provide the Company with a general release in exchange for the consideration to be provided by the Company to Executive pursuant to that certain Severance Agreement between Executive and the Company dated January XX, 2021 (the “Severance Agreement”).

NOW THEREFORE, in consideration of the commitments and mutual promises contained in this document, it is agreed as follows:

ONE: This Release shall constitute full accord and satisfaction of any and all claims which have been or could be raised by Executive and a covenant not to sue (as set forth in Paragraph THREE below).

TWO: In return for Executive’s releases under this Release, Allegro shall provide the following “Consideration” to Executive:

- (a) The Severance Benefit defined in the Severance Agreement, which shall be an amount equal to (\$xxx,xxx.xx)
- (b) Company payment of COBRA medical insurance coverage for a period of time as specified in the Severance Agreement.
- (c) Vesting and payment of certain AMI stock awards, appreciation rights, and/or units.
- (d) Other commitments of the Company as set forth in the Severance Agreement.

THREE: In return for the Consideration to be provided by the Company to Executive, on behalf of Executive and his or her heirs, beneficiaries, devisees, executors, administrators, attorneys, personal representatives, and assigns, Executive promises not to sue, and Executive releases and gives up any claim he/she has or may have against, the Company or any of its current or former subsidiaries, affiliated companies, parent companies, shareholders, directors, officers, employees, agents, benefit plans, trustees or representatives, or their successors or assigns, including without limitation any claim under federal, state, or local law relating to Executive’s employment with the Company or the termination thereof, from the beginning of time up to and including the date of execution of this Release, including, but not limited to, any and all claims for breach of express or implied contract or any covenant of good faith and fair dealing; all claims for retaliation or violation of public policy; all claims for unpaid wages under the Massachusetts Wage Act or corresponding New Hampshire law; all claims arising under the Massachusetts and New Hampshire anti-discrimination in employment laws, the Massachusetts Civil Rights Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in

Employment Act, the Americans with Disabilities Act, Sarbanes-Oxley, the Patriot Act, the Family and Medical Leave Act, or any other federal, state, or local laws relating to employment or benefits associated with employment; claims for emotional distress, mental anguish, personal injury, loss of consortium, and any and all claims that may be asserted on Executive's behalf by others; any claim for wages, compensation, and expenses paid or unpaid during the term of Executive's employment; and any claim for compensatory, punitive, or liquidated damages, interest, attorney's fees, costs, or disbursements. Executive retains Executive's rights under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for any accrued vested benefits under any retirement plan covering Executive's employment, or rights to enforce the terms of this Release.

FOUR: Nothing contained in this Release of Claims shall be construed to prohibit Executive from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency, provided, however, that Executive hereby agrees to waive his or her right to recover monetary damages or other individual relief in any charge, complaint or lawsuit filed by Executive or by anyone else on his or her behalf.

Executive further acknowledges, understands, and agrees that Executive has been paid all wages (including all base compensation and accrued vacation pay) to which Executive is or was entitled by virtue of Executive's employment with the Company and that Executive is unaware of any facts or circumstances indicating that Executive may have an outstanding claim for unpaid wages.

FIVE: This Release, including without limitation the general release and covenant not to sue, applies to all claims due to anything arising before Executive signed this Release, including even those claims not presently known to Executive.

SIX: This Release sets forth the entire understanding between the parties pertaining to this subject matter except for the Severance Agreement. There is no other agreement, oral or written, which adds to or subtracts from this Release or the Severance Agreement or otherwise modifies them. In the event that any provision of this Release is held by any agency or court of competent jurisdiction to be illegal or invalid, the validity of the remaining provisions shall not be affected; and, the illegal or invalid provisions shall be reformed to the extent possible to be consistent with the other terms of this Release; and if they cannot be so reformed, then an invalid provision shall be deemed not to be a part of this Release.

SEVEN: This Release shall be interpreted under the laws of the state of New Hampshire.

EIGHT: Executive acknowledges that Executive received this Release and that Executive has been informed that Executive has forty-five (45) days to review and consider this Release and also acknowledges that Executive has been advised of the right to consult legal advisors of Executive's choosing with regard to this Release. Any modifications to the terms of this Release do not operate to extend the forty-five (45) day time limit for Executive's review of the Release. Executive may sign this Release prior to the expiration of the forty-five (45) day deadline expressed above, and Executive affirms that if Executive does so prior to that date it is done according to Executive's own free will. Executive understands that Executive may revoke this Release within seven (7) days after the date of Executive's signature on this Release by sending written notice of his/her intent to revoke to the Company's Vice President of Human Resources or its President via courier service on or before the expiration of that seven (7) day right of revocation. Executive acknowledges that this Release can be revoked only in its entirety and

that once revoked no provision of this Release is enforceable. The Company will have no obligations under this Release until the eighth (8th) day after Executive's signature on this Release.

NINE: EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS CAREFULLY READ AND UNDERSTANDS THIS RELEASE CONSISTING OF THREE PAGES. EXECUTIVE ALSO ACKNOWLEDGES THAT EXECUTIVE ENTERS INTO THIS RELEASE VOLUNTARILY, WITH FULL KNOWLEDGE OF ITS SIGNIFICANCE AND WITHOUT PRESSURE OR COERCION. EXECUTIVE ALSO ACKNOWLEDGES THAT EXECUTIVE HAS HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL PRIOR TO SIGNING THIS RELEASE.

IN WITNESS WHEREOF, Executive has executed this Release as of the date indicated below.

[Name]

Date:

**AMENDED AND RESTATED SEVERANCE AGREEMENT**

**THIS AGREEMENT** (the “Agreement”) is entered into as of September 30, 2020 between Allegro MicroSystems, LLC, a Delaware limited liability company (“Allegro”), and Thomas Teebagy, Sr. VP, Operations & Quality of Allegro (“Executive”).

**WHEREAS**, if there occurs a registered initial public offering of securities of Allegro MicroSystems, Inc. (“AMI”) or of any newly organized corporation or other business entity into which the assets or the ownership interests of AMI are merged or restructured (an “IPO”), Allegro wishes to ensure that Allegro executives will continue to exert maximum effort toward the success of the Company and to continue their employment with Allegro without undue concern regarding the security of their employment.

**NOW, THEREFORE**, contingent upon the occurrence of an IPO on or before March 31, 2021 the parties agree as follows:

1. [RESERVED]

2. **Certain Definitions.**

For purposes of this Agreement, certain terms shall have the meaning set forth below:

2.1 “Cause” means a good faith determination by the Board of Directors of Allegro MicroSystems, Inc. (“AMI”) of any one or more of the following: (a) Executive’s (x) continued or repeated failure or refusal (after prior written notice thereof from the Board of Directors of AMI and Executive’s failure to cure the same (if curable) within ten (10) calendar days of such written notice, and other than due to Executive’s disability) to substantially perform the duties required by Executive’s position with AMI or any of its subsidiaries (it being understood that Executive’s failure to attain performance goals or targets or to otherwise fail to substantially perform the duties required by Executive’s position shall not constitute “Cause” hereunder if such failure is as a result of actions taken or not taken in good faith and with reasonable belief that such actions or omissions were in the best interests of AMI and its subsidiaries) or (y) failure or refusal to follow lawful directives of the Board of Directors of AMI; (b) gross negligence or willful misconduct (including unauthorized disclosure of material proprietary information) by Executive which results in a material detriment to AMI or any of its subsidiaries; (c) Executive’s conviction (by a court of competent jurisdiction, not subject to further appeal) of, or pleading guilty to, a felony that involves fraud or moral turpitude or that is perpetrated against AMI or any of its subsidiaries, their respective businesses or any of their respective assets, properties or personnel; or (d) a material breach by Executive of the Restrictive Covenants, this Agreement, or of any other written agreement with the Company to which Executive is a party.

2.2 The term “Company” means Allegro MicroSystems, LLC or any successor to Allegro, including without limitation any entity that acquires all or substantially all of Allegro’s assets or any entity into which Allegro merges.



2.3 The term “Company’s Governing Body” means the board of directors of AMI if the Company is then a subsidiary of AMI; if not, the board of directors of the Company if the Company is then a corporation or the board of managers or the managing member of the Company within the meaning of the applicable limited liability act if the Company is then a limited liability company; or, if none of the foregoing, the Company’s governing body under applicable law or its constituent documents.

2.4 The term “Good Reason” shall mean the occurrence of any of the following without Executive’s prior written consent: (a) a material reduction in Executive’s base salary paid or payable by the Company and/or any of its subsidiaries; or (b) a material reduction in the Target Bonus of Executive; (c) a material diminution in Executive’s authority, duties, responsibilities, or reporting relationship in connection with Executive’s employment with the Company; (d) the relocation of Executive’s principal work location in connection with his employment by the Company to a facility or location more than thirty-five (35) miles from Executive’s present principal work location; or (e) the Company has materially breached this Agreement, including without limitation a failure to comply with the assignment to successor requirement in Section 9.

2.5 [RESERVED]

2.6 The term “Restrictive Covenants” means the restrictive covenants set forth in Executive’s Class L Common Stock Grant Agreement between SKNA and Executive dated October 3rd, 2017.

2.7 The term “Target Bonus” means the target bonus for a fiscal year as specified for Executive under Allegro’s Annual Incentive Plan or any successor annual bonus plan maintained by the Company. In the event that a Target Bonus has not been established for a fiscal year because action has not yet been taken within such fiscal year to approve the annual bonus plan target pool and Target Bonuses, the Target Bonus shall be the same as Executive’s Target Bonus for the preceding fiscal year.

### **3. Severance Benefit and Health Care Continuation Benefit Following Termination without Cause.**

3.1 Executive shall be entitled to a “Severance Benefit” as described in this Section 3 in the event that the Company terminates Executive’s employment without Cause.

3.2 [RESERVED]

3.3 In the event of termination without Cause, the Severance Benefit shall be equal to the sum of the following (the “Severance Benefit”):

- (a) 100% of Executive’s annual base salary on the termination date;
- (b) 100% of Executive’s Target Bonus on the termination date; and
- (c) a prorated bonus for the fiscal year in which termination occurs, determined by multiplying the Target Bonus on the termination date by a ratio equal to the number of completed days of employment in the fiscal year prior to and including the termination date divided by the total number of days in such fiscal year.

3.4 The applicable Severance Benefit shall be paid to Executive in a lump sum not later than fifteen (15) days following the termination date if the Release described in Section 7 has become effective. If the Release described in Section 7 has not become effective more than 15 days following the termination date, the Severance Benefit shall be paid not later than five (5) days after the Release becomes effective.

3.5 Payment of the Severance Benefit shall be net of applicable withholding taxes.

3.6 In addition to the Severance Benefit, if Executive is a participant on the termination date in a group health plan of the Company that is subject to Section 601 *et seq.* of the Employee Retirement Income Security Act of 1974, as amended, or similar state health care continuation coverage law ("COBRA"), Executive shall be entitled for up to eighteen (18) months after the termination date to Company payment of the entire cost of COBRA health insurance continuation coverage for Executive and Executive's covered dependents, subject to the following conditions. The Company shall notify Executive of the right to continue Executive's health insurance coverage pursuant to COBRA. To the extent that Executive timely elects to accept continued health insurance coverage under COBRA, the Company shall pay or reimburse to Executive the full monthly cost of Executive's COBRA coverage. If Executive desires to continue health care coverage under COBRA after becoming eligible for other health insurance coverage, Executive may do so for the balance of the applicable COBRA period at Executive's expense consistent with the requirements of COBRA. Notwithstanding the foregoing, the Company shall not be required to provide Executive with the healthcare continuation coverage benefits in this Section 3.6 if doing so would result in the imposition of penalties or other adverse consequences to the Company pursuant to the ACA or any successor legislation or regulations thereunder. Payment of the health care continuation coverage benefit pursuant to this Section 3.6 shall be conditioned upon Executive's timely execution of the Release described in Section 7 and the Release having become effective by its terms on or before the sixtieth (60th) day following Executive's termination.

3.7 If the Company, at the time of giving Executive notice of termination, specifies or requests a termination date later than the notice date, Executive shall not be required to accept a termination date that is more than two weeks after the date of notice of termination, and the failure to agree to a later termination date shall not be construed as a voluntary termination by Executive. The termination date for purposes of this Section 3, consistent with the preceding sentence, shall be the final day of employment of Executive by the Company.

#### 4. [RESERVED]

#### 5. AMI Stock Rights.

Executive's rights with respect to AMI stock awards, stock options, stock appreciation rights, and/or stock units that Executive may own or have a conditional right to at the time of termination shall be determined in accordance with AMI's Certificate of Incorporation, the Allegro MicroSystems, Inc. 2020 Omnibus Incentive Compensation Plan, the applicable grant agreements pursuant to which Executive acquired such rights and any other applicable governing documents, as any such documents may be amended from time to time. Notwithstanding any provision to the contrary in any such documents, for purposes of determining the extent to which Executive is vested in any such rights, termination of the Executive for Good Reason pursuant to Section 6 of this Agreement shall be treated in the same manner as a termination by the Company without Cause.

## **6. Voluntary Termination for Good Reason or Otherwise.**

Executive shall be entitled to terminate employment with the Company and receive the Severance Benefit, the health care continuation benefit and the stock rights as specified in Sections 3 and 5, upon the following conditions, provided that Executive timely executes the Release described in Section 7 and the Release becomes effective by its terms on or before the sixtieth (60th) day following Executive's termination:

6.1 If an event constituting Good Reason occurs, and Executive gives the Company written notice within sixty (60) days following the event of Good Reason, detailing why Executive believes a Good Reason event has occurred, the Company shall have thirty (30) days after receipt of such written notice to remedy or cure the event of Good Reason. If the Company does not remedy or cure the event within such period and the event constitutes Good Reason as defined in this Agreement, Executive's employment shall be deemed terminated for Good Reason at the end of such thirty day cure period. Executive's notice shall be delivered to the Company's Governing Body.

6.2 The termination date for purposes of Section 6.1 shall be, if earlier than the expiration of the thirty day cure period described in Section 6.1, the date that the Company gives written notice to Executive that the Company does not intend to cure the event of Good Reason.

6.3 If an event of Good Reason is (or includes) a material reduction in annual base salary or Target Bonus as described in Section 2.4(b), the applicable severance benefit shall be calculated on the basis of annual base salary and Target Bonus as the same existed immediately prior to such reduction.

6.4 In the absence of an event of Good Reason, termination by Executive for personal reasons if payment of the benefits hereunder is approved by the Company's Governing Body upon the recommendation of the Compensation Committee of such Company's Governing Body.

## **7. Release Requirement; Compliance with Restrictive Covenants.**

7.1 As a prerequisite to the Company's payment of the benefits and payments described in this Agreement, Executive shall have executed and delivered to the Company a general release of claims ("Release") and the Release shall have become effective in accordance with its terms as specified in this Section 7 on or prior to the sixtieth (60th) day following Executive's termination. The Release shall be substantially in the form attached as Exhibit A. The Company may modify the Release versus the form attached as Exhibit A in order to specify the amount of the Severance Benefit or other benefits, comply with changes in law, or reflect changes in relevant facts (such as the name of the Company). However, the Company shall not include any additional requirements or provisions in the Release, including without limitation any restrictive covenants concerning post-termination activities of Executive without Executive's prior written consent.

7.2 The Company shall deliver the form of Release to Executive on or prior to the date of termination. Executive shall have at least twenty-one (21) days within which to consider the Release. Executive shall have up to seven (7) days after execution and delivery of the Release to revoke the Release. The Release shall not become effective until the revocation period has expired without revocation of the Release by Executive.

7.3 The health insurance continuation benefit described in Section 3.6 shall be provided to Executive on a monthly basis after the termination date on the assumption that the Release will become effective, provided that entitlement to such benefit shall expire if the Release does not become effective within sixty (60) days after the termination date and, in such case, Executive shall be required to promptly return amounts paid on his or her behalf to the Company.

7.4 Executive's entitlement to receive and to retain the benefits and payments described in this Agreement shall be conditioned upon Executive's compliance with the Restrictive Covenants, which Restrictive Covenants are hereby incorporated in their entirety as though fully set forth herein and which Restrictive Covenants shall survive any termination of Executive's Class L Common Stock Grant Agreement between SKNA and Executive dated October 3rd, 2017.

#### **8. Exclusive Remedy.**

Executive's receipt of the Severance Payment and other consideration provided in this Agreement shall be in lieu of any benefits specified under any prior severance agreement between Allegro and Executive, any other severance policy maintained by the Company; any benefits pursuant to any other agreement or understanding between Executive and the Company relating to termination of employment; and any benefits under the Company's Annual Incentive Plan or its successor for the fiscal year in which termination occurs. However, this Agreement shall not divest Executive of Executive's right to distributions from Allegro's Executive Deferred Compensation Plan or any right to vested benefits under the terms of the Company's benefit plans, to be paid accrued wages and vacation through the termination date or to be reimbursed for properly substantiated business expenses in accordance with the Company's expense reimbursement policy.

#### **9. Successors and Assigns.**

This Agreement shall inure to the benefit of, and shall be binding upon, the Company and its successors and assigns, including any successor entity by merger, consolidation or transfer of all or substantially all of the Company's assets. The Company shall require and cause any person, group or entity that acquires all or substantially all of the assets of the Company to accept a written assignment of this Agreement by the Company, and to acknowledge in such document that the acquiror accepts the assignment and undertakes to perform this Agreement in accordance with its terms.

#### **10. Amended or Successor Agreements.**

If requested by the Company, Executive will in good faith consider and negotiate an amended or a successor agreement in order to address revised circumstances (for example, or restructuring of the Allegro group of companies), providing that there is no diminution in the level of benefits available to Executive hereunder.

#### **11. Miscellaneous Provisions.**

11.1 Arbitration. Any claim, dispute or controversy arising out of this Agreement, the interpretation, validity or enforceability of this Agreement or the alleged breach thereof shall be settled by binding arbitration. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association in Boston, Massachusetts or elsewhere by mutual

agreement. The Company shall bear responsibility for all costs of arbitration and shall reimburse Executive for his or her reasonable attorneys' fees. Judgment may be entered on the arbitration award in any court having jurisdiction.

11.2 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the state of New Hampshire.

11.3 Entire Agreement. This Agreement constitutes the entire agreement and understanding between Executive and Company concerning the subject matter hereof, and supersedes all prior negotiations or understandings between the parties, whether written or oral, including employment offer letters, concerning such matter.

11.4 Employment at Will. Executive's employment with the Company shall remain at will. Nothing in the Agreement shall provide Executive with any right to continued employment with the Company for any specific period of time, or interfere with or restrict the right of either Executive or the Company to terminate Executive's employment at any time.

11.5 Application of Section 409A. The payments contemplated by this Agreement are intended to be exempt from, or to comply with the requirements of, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and this Agreement shall be interpreted with that intent. Notwithstanding the foregoing, the tax treatment of amounts payable and benefits provided under this Agreement is not warranted or guaranteed, and neither the Company, nor any of its members, shareholders, employees, directors, officers, agents or affiliates, shall be held liable for any taxes, interest, penalties or other monetary amounts owed by Executive or any other taxpayer as a result of this Agreement, including by reason of Section 409A or any similar State statute. Notwithstanding anything to the contrary in this Agreement, if at the time Executive's employment terminates, Executive is a "specified employee," as defined below, any and all amounts payable under this Agreement on account of Executive's separation from service that would (but for this provision) be payable within six (6) months following the date of such separation from service, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon Executive's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (B) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section 1.409A-1(a)(5); or (C) other amounts or benefits that are not subject to the requirements of Section 409A of the Code. For purposes of this Agreement, with respect to payments that are subject to Section 409A and that are payable upon or with reference to Executive's termination of employment, all references to "termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), from the Company, and the term "specified employee" means an individual determined by the Company to be a specified employee of the Company under Treasury regulation Section 1.409A-1(i). Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. To the extent required by Section 409A, if the period for executing and not revoking the Release spans two taxable years, the Severance Benefit shall be paid in the second taxable year. Any tax gross up payment hereunder shall be made no later than the end of the calendar year following the calendar year in which the related taxes are remitted to the appropriate tax authorities, or at such other specified time or schedule that may be permitted under Treas. Reg. Section 1.409A-3(i)(1)(v).

11.6 [RESERVED]

11.7 Proprietary Information. Nothing in this Agreement or the Release shall be construed as an elimination or waiver of Executive's obligations not to disclose confidential or proprietary information to third parties as required by Company policy and any agreements between the Company and Executive that were executed during Executive's employment with the Company.

11.8 Waiver; Amendment. No waiver of any breach of this Agreement shall be construed to be a waiver of any other breach of this Agreement. No waiver or amendment of this Agreement shall be effective unless set forth in a written document signed by Executive and an executive of the Company authorized by the Company's Governing Body.

11.9 Notices. Any notices required or permitted by this Agreement shall be in writing, and may be transmitted by personal delivery, by courier service or by e-mail if receipt of such e-mail is acknowledged by the receiving party. Notices shall be addressed to the recipient's principal business office.

9.10 Agreement Contingent upon IPO. This Agreement shall not be effective unless there occurs, on or before March 31, 2021, a registered initial public offering of securities of AMI or of any newly organized corporation or other business entity into which the assets or the ownership interests of AMI are merged or restructured.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date and year first above written.

**ALLEGRO MICROSYSTEMS, LLC**

*/s/ Thomas C. Teebagy*

\_\_\_\_\_  
Thomas Teebagy

*/s/ Ravi Vig*

\_\_\_\_\_  
Ravi Vig  
President and Chief Executive Officer

**GENERAL RELEASE OF CLAIMS**

This GENERAL RELEASE OF CLAIMS ("Release") is made by ("Executive"), a resident of , in favor of Allegro MicroSystems, LLC of Manchester, New Hampshire (the "Company"), and all related entities, corporations, partnerships and subsidiaries of the Company, as well as each of their current and former directors, insurers, officers, trustees, partners, successors in interest, representatives and agents.

WHEREAS, Executive's employment by the Company has ended or will end on ,(the "Termination Date"); and

WHEREAS, Executive wishes to provide the Company with a general release in exchange for the consideration to be provided by the Company to Executive pursuant to that certain Severance Agreement between Executive and the Company dated , 2020 (the "Severance Agreement").

NOW THEREFORE, in consideration of the commitments and mutual promises contained in this document, it is agreed as follows:

ONE: This Release shall constitute full accord and satisfaction of any and all claims which have been or could be raised by Executive and a covenant not to sue (as set forth in Paragraph THREE below).

TWO: In return for Executive's releases under this Release, Allegro shall provide the following "Consideration" to Executive:

- (a) The Severance Benefit defined in the Severance Agreement, which shall be an amount equal to .
- (b) Company payment of COBRA medical insurance coverage for a period of time as specified in the Severance Agreement.
- (c) Other commitments of the Company as set forth in the Severance Agreement.

THREE: In return for the Consideration to be provided by the Company to Executive, on behalf of Executive and his or her heirs, beneficiaries, devisees, executors, administrators, attorneys, personal representatives, and assigns, Executive promises not to sue, and Executive releases and gives up any claim he/she has or may have against, the Company or any of its current or former subsidiaries, affiliated companies, parent companies, shareholders, directors, officers, employees, agents, benefit plans, trustees or representatives, or their successors or assigns, including without limitation any claim under federal, state, or local law relating to Executive's employment with the Company or the termination thereof, from the beginning of time up to and including the date of execution of this Release, including, but not limited to, any and all claims for breach of express or implied contract or any covenant of good faith and fair dealing; all claims for retaliation or violation of public policy; all claims for unpaid wages under the Massachusetts Wage Act or corresponding New Hampshire law; all claims arising under the Massachusetts and New Hampshire anti-discrimination in employment laws, the Massachusetts Civil Rights Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, Sarbanes-Oxley, the Patriot Act, the Family and Medical Leave Act, or any other federal, state, or local laws relating to employment or benefits associated with employment; claims for emotional distress, mental anguish, personal injury, loss of consortium, and any and all claims that may be asserted on Executive's behalf by others; any claim for wages, compensation, and expenses paid or unpaid during the term of Executive's employment; and any claim for compensatory, punitive, or liquidated damages, interest, attorney's fees, costs, or disbursements. Executive retains Executive's rights under the

Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for any accrued vested benefits under any retirement plan covering Executive's employment, or rights to enforce the terms of this Release.

FOUR: Nothing contained in this Release of Claims shall be construed to prohibit Executive from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency, provided, however, that Executive hereby agrees to waive his or her right to recover monetary damages or other individual relief in any charge, complaint or lawsuit filed by Executive or by anyone else on his or her behalf.

Executive further acknowledges, understands, and agrees that Executive has been paid all wages (including all base compensation and accrued vacation pay) to which Executive is or was entitled by virtue of Executive's employment with the Company and that Executive is unaware of any facts or circumstances indicating that Executive may have an outstanding claim for unpaid wages.

FIVE: This Release, including without limitation the general release and covenant not to sue, applies to all claims due to anything arising before Executive signed this Release, including even those claims not presently known to Executive.

SIX: This Release sets forth the entire understanding between the parties pertaining to this subject matter except for the Severance Agreement. There is no other agreement, oral or written, which adds to or subtracts from this Release or the Severance Agreement or otherwise modifies them. In the event that any provision of this Release is held by any agency or court of competent jurisdiction to be illegal or invalid, the validity of the remaining provisions shall not be affected; and, the illegal or invalid provisions shall be reformed to the extent possible to be consistent with the other terms of this Release; and if they cannot be so reformed, then an invalid provision shall be deemed not to be a part of this Release.

SEVEN: This Release shall be interpreted under the laws of the State of New Hampshire.

EIGHT: Executive acknowledges that Executive received this Release on , and that Executive has been informed that Executive has twenty-one (21) days to review and consider this Release and also acknowledges that Executive has been advised of the right to consult legal advisors of Executive's choosing with regard to this Release. Any modifications to the terms of this Release do not operate to extend the twenty-one (21) day time limit for Executive's review of the Release. Executive may sign this Release prior to the expiration of the twenty-one (21) day deadline expressed above, and Executive affirms that if Executive does so prior to that date it is done according to Executive's own free will. Executive understands that Executive may revoke this Release within seven (7) days after the date of Executive's signature on this Release by sending written notice of his/her intent to revoke to the Company's Vice President of Human Resources or its President via courier service on or before the expiration of that seven (7) day right of revocation. Executive acknowledges that this Release can be revoked only in its entirety and that once revoked no provision of this Release is enforceable. The Company will have no obligations under this Release until the eighth (8th) day after Executive's signature on this Release.

NINE: EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS CAREFULLY READ AND UNDERSTANDS THIS RELEASE CONSISTING OF THREE PAGES. EXECUTIVE ALSO ACKNOWLEDGES THAT EXECUTIVE ENTERS INTO THIS RELEASE VOLUNTARILY, WITH FULL KNOWLEDGE OF ITS SIGNIFICANCE AND WITHOUT PRESSURE OR COERCION. EXECUTIVE ALSO ACKNOWLEDGES THAT EXECUTIVE HAS HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL PRIOR TO SIGNING THIS RELEASE.



IN WITNESS WHEREOF, Executive has executed this Release as of the date indicated below.

[Name]

Dated:

**AMENDED AND RESTATED SEVERANCE AGREEMENT**

**THIS AGREEMENT** (the "Agreement") is entered into as of September 30, 2020 between Allegro MicroSystems, LLC, a Delaware limited liability company ("Allegro") and **Joanne Valente, VP Global Human Resources** of Allegro ("Executive").

**WHEREAS**, if there occurs a registered initial public offering of securities of Allegro MicroSystems, Inc. ("AMI") or of any newly organized corporation or other business entity into which the assets or the ownership interests of AMI are merged or restructured (an "IPO"), Allegro wishes to ensure that Allegro executives will continue to exert maximum effort toward the success of the Company and to continue their employment with Allegro without undue concern regarding the security of their employment.

**NOW, THEREFORE**, contingent upon the occurrence of an IPO on or before March 31, 2021 the parties agree as follows:

**1. Certain Definitions.**

For purposes of this Agreement, certain terms shall have the meaning set forth below:

1.1 "Cause" means a good faith determination by the Board of Directors of Allegro MicroSystems, Inc. ("AMI") of any one or more of the following: (a) Executive's (x) continued or repeated failure or refusal (after prior written notice thereof from the Board of Directors of AMI and Executive's failure to cure the same (if curable) within ten (10) calendar days of such written notice, and other than due to Executive's disability) to substantially perform the duties required by Executive's position with AMI or any of its subsidiaries (it being understood that Executive's failure to attain performance goals or targets or to otherwise fail to substantially perform the duties required by Executive's position shall not constitute "Cause" hereunder if such failure is as a result of actions taken or not taken in good faith and with reasonable belief that such actions or omissions were in the best interests of AMI and its subsidiaries) or (y) failure or refusal to follow lawful directives of the Board of Directors of AMI; (b) gross negligence or willful misconduct (including unauthorized disclosure of material proprietary information) by Executive which results in a material detriment to AMI or any of its subsidiaries; (c) Executive's conviction (by a court of competent jurisdiction, not subject to further appeal) of, or pleading guilty to, a felony that involves fraud or moral turpitude or that is perpetrated against AMI or any of its subsidiaries, their respective businesses or any of their respective assets, properties or personnel; or (d) a material breach by Executive of the Restrictive Covenants, this Agreement, or of any other written agreement with the Company to which Executive is a party.

1.2 The term "Company" means Allegro MicroSystems, LLC or any successor to Allegro, including without limitation any entity that acquires all or substantially all of Allegro's assets or any entity into which Allegro merges.

1.3 The term "Company's Governing Body" means the board of directors of AMI if the Company is then a subsidiary of AMI; if not, the board of directors of the Company if the Company is then a corporation or the board of managers or the managing member of the

Company within the meaning of the applicable limited liability act if the Company is then a limited liability company; or, if none of the foregoing, the Company's governing body under applicable law or its constituent documents.

1.4 The term "Good Reason" shall mean the occurrence of any of the following without Executive's prior written consent: (a) a material reduction in Executive's base salary paid or payable by the Company and/or any of its subsidiaries; or (b) a material reduction in the Target Bonus of Executive; (c) a material diminution in Executive's authority, duties, responsibilities, or reporting relationship in connection with Executive's employment with the Company; (d) the relocation of Executive's principal work location in connection with his employment by the Company to a facility or location more than thirty-five (35) miles from Executive's present principal work location; or (e) the Company has materially breached this Agreement, including without limitation a failure to comply with the assignment to successor requirement in Section 8.

1.5 [RESERVED]

1.6 The term "Restrictive Covenants" means the restrictive covenants set forth in Executive's Class L Common Stock Grant Agreement between AMI and Executive dated April 23, 2018.

1.7 The term "Target Bonus" means the target bonus for a fiscal year as specified for Executive under Allegro's Annual Incentive Plan or any successor annual bonus plan maintained by the Company. In the event that a Target Bonus has not been established for a fiscal year because action has not yet been taken within such fiscal year to approve the annual bonus plan target pool and Target Bonuses, the Target Bonus shall be the same as Executive's Target Bonus for the preceding fiscal year.

## **2. Severance Benefit and Health Care Continuation Benefit Following Termination without Cause.**

2.1 Executive shall be entitled to a "Severance Benefit" as described in this Section 2 in the event that the Company terminates Executive's employment without Cause and the Release described in Section 6 has become effective.

2.2 In the event of termination without Cause, the Severance Benefit shall be equal to the sum of the following (the "Severance Benefit"):

- (a) 100% of Executive's annual base salary on the termination date.
- (b) 100% of Executive's Target Bonus on the termination date; and
- (c) a prorated bonus for the fiscal year in which termination occurs, determined by multiplying the Target Bonus on the termination date by a ratio equal to the number of completed days of employment in the fiscal year prior to and including the termination date divided by the total number of days in such fiscal year.

2.3 The applicable Severance Benefit shall be paid to Executive in a lump sum not later than fifteen (15) days following the termination date if the Release described in Section 6 has become effective. If the Release described in Section 6 has not become effective more than 15 days

following the termination date, the Severance Benefit shall be paid not later than five (5) days after the Release becomes effective.

2.4 Payment of the Severance Benefit shall be net of applicable withholding taxes.

2.5 In addition to the Severance Benefit, if Executive is a participant on the termination date in a group health plan of the Company that is subject to Section 601 *et seq.* of the Employee Retirement Income Security Act of 1974, as amended, or similar state health care continuation coverage law ("COBRA"), Executive shall be entitled for up to eighteen (18) months after the termination date to Company payment of the entire cost of COBRA health insurance continuation coverage for Executive and Executive's covered dependents, subject to the following conditions. The Company shall notify Executive of the right to continue Executive's health insurance coverage pursuant to COBRA. To the extent that Executive timely elects to accept continued health insurance coverage under COBRA, the Company shall pay or reimburse to Executive the full monthly cost of Executive's COBRA coverage, plus, if the Company determines that the inclusion of the monthly cost of COBRA coverage in Executive's gross income is necessary in order to avoid the adverse consequences of Section 105(h) of the Internal Revenue Code of 1986, as amended (the "Code"), or in order to avoid violations of the Patient Protection and Affordable Care Act of 2010, as amended (the "ACA"), a tax gross-up payment for applicable taxes imposed on such monthly payment and on such gross-up payment, until the earlier of eighteen (18) months after the termination of employment date or such date as Executive becomes eligible for health insurance coverage through any subsequent employment. If Executive desires to continue health care coverage under COBRA after becoming eligible for other health insurance coverage, Executive may do so for the balance of the applicable COBRA period at Executive's expense consistent with the requirements of COBRA. Notwithstanding the foregoing, the Company shall not be required to provide Executive with the healthcare continuation coverage benefits in this Section 2.6 if doing so would result in the imposition of penalties or other adverse consequences to the Company pursuant to the ACA or any successor legislation or regulations thereunder. Payment of the health care continuation coverage benefit pursuant to this Section 2.6 shall be

conditioned upon Executive's timely execution of the Release described in Section 6 and the Release having become effective by its terms on or before the sixtieth (60th) day following Executive's termination.

2.6 [RESERVED]

2.7 If the Company, at the time of giving Executive notice of termination, specifies or requests a termination date later than the notice date, Executive shall not be required to accept a termination date that is more than two weeks after the date of notice of termination, and the failure to agree to a later termination date shall not be construed as a voluntary termination by Executive. The termination date for purposes of this Section 2, consistent with the preceding sentence, shall be the final day of employment of Executive by the Company.

### **3. AMI Stock Rights.**

Executive's rights with respect to AMI stock awards, stock options, stock appreciation rights, and/or stock units that Executive may own or have a conditional right to at the time of termination shall be determined in accordance with AMI's Certificate of Incorporation, the Allegro MicroSystems, Inc. 2020 Omnibus Incentive Compensation Plan, the applicable grant agreements pursuant to which Executive acquired such rights and any other applicable

governing documents, as any such documents may be amended from time to time. Notwithstanding any provision to the contrary in any such documents, for purposes of determining the extent to which Executive is vested in any such rights, termination of the Executive for Good Reason pursuant to Section 4 of this Agreement shall be treated in the same manner as a termination by the Company without Cause.

#### **4. Voluntary Termination for Good Reason or Otherwise.**

Executive shall be entitled to terminate employment with the Company and receive the Severance Benefit, the health care continuation benefit and payment and the stock rights as specified in Sections 2 and 3 upon the following conditions, provided that Executive timely executes the Release described in Section 6 and the Release becomes effective by its terms on or before the sixtieth (60th) day following Executive's termination:

4.1 If an event constituting Good Reason occurs, and Executive gives the Company written notice within sixty (60) days following the event of Good Reason, detailing why Executive believes a Good Reason event has occurred, the Company shall have thirty (30) days after receipt of such written notice to remedy or cure the event of Good Reason. If the Company does not remedy or cure the event within such period and the event constitutes Good Reason as defined in this Agreement, Executive's employment shall be deemed terminated for Good Reason at the end of such thirty day cure period. Executive's notice shall be delivered to the Company's Governing Body.

4.2 The termination date for purposes of Section 5.1 shall be, if earlier than the expiration of the thirty day cure period described in Section 5.1, the date that the Company gives written notice to Executive that the Company does not intend to cure the event of Good Reason.

4.3 If an event of Good Reason is (or includes) a material reduction in annual base salary or Target Bonus as described in Section 1.4(b), the applicable severance benefit shall be calculated on the basis of annual base salary and Target Bonus as the same existed immediately prior to such reduction.

4.4 In the absence of an event of Good Reason, termination by Executive for personal reasons if payment of the benefits hereunder is approved by the Company's Governing Body upon the recommendation of the Compensation Committee of such Company's Governing Body.

#### **5. Release Requirement; Compliance with Restrictive Covenants.**

5.1 As a prerequisite to the Company's payment of the benefits and payments described in this Agreement, Executive shall have executed and delivered to the Company a general release of claims ("Release") and the Release shall have become effective in accordance with its terms as specified in this Section 7 on or prior to the sixtieth (60th) day following Executive's termination. The Release shall be substantially in the form attached as Exhibit A. The Company may modify the Release versus the form attached as Exhibit A in order to specify the amount of the Severance Benefit or other benefits, comply with changes in law, or reflect changes in relevant facts (such as the name of the Company). However, the Company shall not include any additional requirements or provisions in the Release, including without limitation any restrictive covenants concerning post-termination activities of Executive without Executive's prior written consent.

5.2 The Company shall deliver the form of Release to Executive on or prior to the date of termination. Executive shall have at least twenty-one (21) days within which to consider the Release. Executive shall have up to seven (7) days after execution and delivery of the Release to revoke the Release. The Release shall not become effective until the revocation period has expired without revocation of the Release by Executive.

5.3 The health insurance continuation benefit described in Section 2.6 shall be provided to Executive on a monthly basis after the termination date on the assumption that the Release will become effective, provided that entitlement to such benefit shall expire if the Release does not become effective within sixty (60) days after the termination date and, in such case, Executive shall be required to promptly return amounts paid on his or her behalf to the Company.

5.4 Executive's entitlement to receive and to retain the benefits and payments described in this Agreement shall be conditioned upon Executive's compliance with the Restrictive Covenants, which Restrictive Covenants are hereby incorporated in their entirety as though fully set forth herein and which Restrictive Covenants shall survive any termination of Executive's Class L Common Stock Grant Agreement between AMI and Executive dated April 23, 2018.

## **6. Exclusive Remedy.**

Executive's receipt of the Severance Payment and other consideration provided in this Agreement shall be in lieu of any benefits specified under any prior severance agreement between Allegro and Executive or any other severance policy maintained by the Company; any benefits pursuant to any other agreement or understanding between Executive and the Company relating to termination of employment; and any benefits under the Company's Annual Incentive Plan or its successor for the fiscal year in which termination occurs. However, this Agreement shall not divest Executive of Executive's right to distributions from Allegro's Executive Deferred Compensation Plan or any right to vested benefits under the terms of the Company's benefit plans, to be paid accrued wages and vacation through the termination date or to be reimbursed for properly substantiated business expenses in accordance with the Company's expense reimbursement policy.

## **7. Successors and Assigns.**

This Agreement shall inure to the benefit of, and shall be binding upon, the Company and its successors and assigns, including any successor entity by merger, consolidation or transfer of all or substantially all of the Company's assets. The Company shall require and cause any person, group or entity that acquires all or substantially all of the assets of the Company to accept a written assignment of this Agreement by the Company, and to acknowledge in such document that the acquiror accepts the assignment and undertakes to perform this Agreement in accordance with its terms.

## **8. Amended or Successor Agreements.**

If requested by the Company, Executive will in good faith consider and negotiate an amended or a successor agreement in order to address revised circumstances (for example, restructuring of the Allegro group of companies), providing that there is no diminution in the level of benefits available to Executive hereunder.

## **9. Miscellaneous Provisions.**

9.1 Arbitration. Any claim, dispute or controversy arising out of this Agreement, the interpretation, validity or enforceability of this Agreement or the alleged breach thereof shall be settled by binding arbitration. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association in Boston, Massachusetts or elsewhere by mutual agreement. The Company shall bear responsibility for all costs of arbitration and shall reimburse Executive for his or her reasonable attorneys' fees. Judgment may be entered on the arbitration award in any court having jurisdiction.

9.2 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the state of New Hampshire.

9.3 Entire Agreement. This Agreement constitutes the entire agreement and understanding between Executive and Company concerning the subject matter hereof, and supersedes all prior negotiations or understandings between the parties, whether written or oral, including employment offer letters, concerning such matter.

9.4 Employment at Will. Executive's employment with the Company shall remain at will. Nothing in the Agreement shall provide Executive with any right to continued employment with the Company for any specific period of time, or interfere with or restrict the right of either Executive or the Company to terminate Executive's employment at any time.

9.5 Application of Section 409A. The payments contemplated by this Agreement are intended to be exempt from, or to comply with the requirements of, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and this Agreement shall be interpreted with that intent. Notwithstanding the foregoing, the tax treatment of amounts payable and benefits provided under this Agreement is not warranted or guaranteed, and neither the Company nor any of its members, shareholders, employees, directors, officers, agents or affiliates, shall be held liable for any taxes, interest, penalties or other monetary amounts owed by Executive or any other taxpayer as a result of this Agreement, including by reason of Section 409A or any similar State statute. Notwithstanding anything to the contrary in this Agreement, if at the time Executive's employment terminates, Executive is a "specified employee," as defined below, any and all amounts payable under this Agreement on account of Executive's separation from service that would (but for this provision) be payable within six (6) months following the date of such separation from service, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon Executive's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (B) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section 1.409A-1(a)(5); or (C) other amounts or benefits that are not subject to the requirements of Section 409A of the Code. For purposes of this Agreement, with respect to payments that are subject to Section 409A and that are payable upon or with reference to Executive's termination of employment, all references to "termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), from the Company, and the term "specified employee" means an individual determined by the Company to be a specified employee of the Company under Treasury regulation Section 1.409A-1(i). Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. To the extent required by Section 409A, if

the period for executing and not revoking the Release spans two taxable years, the Severance Benefit shall be paid in the second taxable year. Any tax gross up payment hereunder shall be made no later than the end of the calendar year following the calendar year in which the related taxes are remitted to the appropriate tax authorities, or at such other specified time or schedule that may be permitted under Treas. Reg. Section 1.409A-3(i)(1)(v).

9.6 [RESERVED]

9.7 Proprietary Information. Nothing in this Agreement or the Release shall be construed as an elimination or waiver of Executive's obligations not to disclose confidential or proprietary information to third parties as required by Company policy and any agreements between the Company and Executive that were executed during Executive's employment with the Company.

9.8 Waiver; Amendment. No waiver of any breach of this Agreement shall be construed to be a waiver of any other breach of this Agreement. No waiver or amendment of this Agreement shall be effective unless set forth in a written document signed by Executive and an executive of the Company authorized by the Company's Governing Body.

9.9 Notices. Any notices required or permitted by this Agreement shall be in writing, and may be transmitted by personal delivery, by courier service or by e-mail if receipt of such e-mail is acknowledged by the receiving party. Notices shall be addressed to the recipient's principal business office.

9.10 Agreement Contingent upon IPO. This Agreement shall not be effective unless there occurs, on or before March 31, 2021, a registered initial public offering of securities of AMI or of any newly organized corporation or other business entity into which the assets or the ownership interests of AMI are merged or restructured.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date and year first above written.

**ALLEGRO MICROSYSTEMS, LLC**

*/s/ Joanne Valente*

Joanne Valente

*/s/ Ravi Vig*

Ravi Vig

President and Chief Executive Officer



**GENERAL RELEASE OF CLAIMS**

This GENERAL RELEASE OF CLAIMS (“Release”) is made by (“Executive”), a resident of , in favor of Allegro MicroSystems, LLC of Manchester, New Hampshire (the “Company”), and all related entities, corporations, partnerships and subsidiaries of the Company, as well as each of their current and former directors, insurers, officers, trustees, partners, successors in interest, representatives and agents.

WHEREAS, Executive’s employment by the Company has ended or will end on ,(the “Termination Date”); and

WHEREAS, Executive wishes to provide the Company with a general release in exchange for the consideration to be provided by the Company to Executive pursuant to that certain Severance Agreement between Executive and the Company dated , 2020 (the “Severance Agreement”).

NOW THEREFORE, in consideration of the commitments and mutual promises contained in this document, it is agreed as follows:

ONE: This Release shall constitute full accord and satisfaction of any and all claims which have been or could be raised by Executive and a covenant not to sue (as set forth in Paragraph THREE below).

TWO: In return for Executive’s releases under this Release, Allegro shall provide the following “Consideration” to Executive:

- (a) The Severance Benefit defined in the Severance Agreement, which shall be an amount equal to .
- (b) Company payment of COBRA medical insurance coverage for a period of time as specified in the Severance Agreement.
- (c) Other commitments of the Company as set forth in the Severance Agreement.

THREE: In return for the Consideration to be provided by the Company to Executive, on behalf of Executive and his or her heirs, beneficiaries, devisees, executors, administrators, attorneys, personal representatives, and assigns, Executive promises not to sue, and Executive releases and gives up any claim he/she has or may have against, the Company or any of its current or former subsidiaries, affiliated companies, parent companies, shareholders, directors, officers, employees, agents, benefit plans, trustees or representatives, or their successors or assigns, including without limitation any claim under federal, state, or local law relating to Executive’s employment with the Company or the termination thereof, from the beginning of time up to and including the date of execution of this Release, including, but not limited to, any and all claims for breach of express or implied contract or any covenant of good faith and fair dealing; all claims for retaliation or violation of public policy; all claims for unpaid wages under the Massachusetts Wage Act or corresponding New Hampshire law; all claims arising under the Massachusetts and New Hampshire anti-discrimination in employment laws, the Massachusetts Civil Rights Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, Sarbanes-Oxley, the Patriot Act, the

Family and Medical Leave Act, or any other federal, state, or local laws relating to employment or benefits associated with employment; claims for emotional distress, mental anguish, personal injury, loss of consortium, and any and all claims that may be asserted on Executive's behalf by others; any claim for wages, compensation, and expenses paid or unpaid during the term of Executive's employment; and any claim for compensatory, punitive, or liquidated damages, interest, attorney's fees, costs, or disbursements. Executive retains Executive's rights under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for any accrued vested benefits under any retirement plan covering Executive's employment, or rights to enforce the terms of this Release.

FOUR: Nothing contained in this Release of Claims shall be construed to prohibit Executive from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency, provided, however, that Executive hereby agrees to waive his or her right to recover monetary damages or other individual relief in any charge, complaint or lawsuit filed by Executive or by anyone else on his or her behalf.

Executive further acknowledges, understands, and agrees that Executive has been paid all wages (including all base compensation and accrued vacation pay) to which Executive is or was entitled by virtue of Executive's employment with the Company and that Executive is unaware of any facts or circumstances indicating that Executive may have an outstanding claim for unpaid wages.

FIVE: This Release, including without limitation the general release and covenant not to sue, applies to all claims due to anything arising before Executive signed this Release, including even those claims not presently known to Executive.

SIX: This Release sets forth the entire understanding between the parties pertaining to this subject matter except for the Severance Agreement. There is no other agreement, oral or written, which adds to or subtracts from this Release or the Severance Agreement or otherwise modifies them. In the event that any provision of this Release is held by any agency or court of competent jurisdiction to be illegal or invalid, the validity of the remaining provisions shall not be affected; and, the illegal or invalid provisions shall be reformed to the extent possible to be consistent with the other terms of this Release; and if they cannot be so reformed, then an invalid provision shall be deemed not to be a part of this Release.

SEVEN: This Release shall be interpreted under the laws of the State of New Hampshire.

EIGHT: Executive acknowledges that Executive received this Release on , and that Executive has been informed that Executive has twenty-one (21) days to review and consider this Release and also acknowledges that Executive has been advised of the right to consult legal advisors of Executive's choosing with regard to this Release. Any modifications to the terms of this Release do not operate to extend the twenty-one (21) day time limit for Executive's review of the Release. Executive may sign this Release prior to the expiration of the twenty-one (21) day deadline expressed above, and Executive affirms that if Executive does so prior to that date it is done according to Executive's own free will. Executive understands that Executive may revoke this Release within seven (7) days after the date of Executive's signature on this Release by sending written notice of his/her intent to revoke to the Company's Vice President of Human Resources or its President via courier service on or before the expiration of that seven (7) day right of revocation. Executive acknowledges that this Release can be revoked only in its entirety and that once revoked no provision of this Release is enforceable. The

Company will have no obligations under this Release until the eighth (8th) day after Executive's signature on this Release.

NINE: EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS CAREFULLY READ AND UNDERSTANDS THIS RELEASE CONSISTING OF THREE PAGES. EXECUTIVE ALSO ACKNOWLEDGES THAT EXECUTIVE ENTERS INTO THIS RELEASE VOLUNTARILY, WITH FULL KNOWLEDGE OF ITS SIGNIFICANCE AND WITHOUT PRESSURE OR COERCION. EXECUTIVE ALSO ACKNOWLEDGES THAT EXECUTIVE HAS HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL PRIOR TO SIGNING THIS RELEASE.

IN WITNESS WHEREOF, Executive has executed this Release as of the date indicated below.

[Name]

Dated:

[XXX] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

## WAFER FOUNDRY AGREEMENT

This Wafer Foundry Agreement (this “Agreement”) is made and entered into as of January 26, 2023 (the “Effective Date”) by and between Polar Semiconductor, LLC, a Delaware limited liability company, with its principal offices at 2800 East Old Shakopee Road, Bloomington, MN 55245 (“Polar”) and Allegro MicroSystems, Inc., a Delaware corporation with its principal offices at 955 Perimeter Road, Manchester, New Hampshire, USA 03103 (“Customer”). Polar and Customer are sometimes referred to herein individually as a “Party” and collectively as the “Parties”.

### RECITALS:

**WHEREAS**, Customer wishes Polar to provide processed semiconductor wafers and various wafer foundry services according to Customer’s specifications and certain technology and intellectual property rights owned or otherwise controlled by Customer as well as Polar’s proprietary processes and related intellectual property rights for the purpose of manufacturing the ordered semiconductor wafers in accordance with this Agreement; and

**WHEREAS**, Polar agrees to fabricate and provide such semiconductor wafers for Customer (“Wafers”) subject to Customer’s compliance with its obligations under this Agreement; and

**WHEREAS**, Polar agrees to abide by industry norms; and

**WHEREAS**, Polar will take reasonable efforts to accommodate Customer requests, but will not be obligated to do so.

**NOW, THEREFORE**, in consideration of the mutual promises made herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties further agree as follows:

### Section 1. Wafer Fabrication

1.1. **Order**. Polar will fabricate all Production and Engineering Wafers in accordance with process specifications (“Process Specifications”) documented in a purchase order (“Order”) or as otherwise agreed to between the Parties. Polar and Customer will mutually agree on the Wafer Lot Size and whether or not any Wafer lots will be split lots. Subject to Customer’s compliance with its obligations as to the Minimum Commitment (defined below), Polar intends on a commercially reasonable basis to accept all Orders that comply with: (i) the Capacity Commitment specified in Section 2.2 below; (ii) the established part lead-time specified in specified in Section 2.2 below; and (iii) the part Process Specification has Checkpoint III approval (Process Qualified); and (iv) this Agreement. For the avoidance of doubt, Polar is not obligated to accept an Order for which Polar has not established a Capacity Commitment in Section 2.2. Once fabrication has started on an Order, that Order may be changed upon mutual agreement of the Parties and documented in writing. Wafer Order may be cancelled only if fabrication has not started and its scheduled ship date is outside part lead-time specified in Section 2.2 below. If an Order is cancelled, Customer will provide a replacement Order for the same Wafers quantity and the same delivery period. If the ordered Wafers use a common mask, upon mutual agreement Customer may change the product name during fabrication. In this case,

the contents of the Order may also be changed, and the delivery date will be agreed upon by both parties in a written change to the Order.

- 1.2. Fabrication. Upon acceptance of an Order, Polar will fabricate the Production and Engineering Wafers in accordance with the Process Specifications. Subject to Section 1.3, Polar will provide Customer with the Production Wafer parametric critical test results for Wafers shipped to verify compliance to the Process Specifications. Subject to Section 1.3, the Wafers will be covered by the Limited Warranty specified in Exhibit A, attached hereto and incorporated herein by reference. Production Wafers placed on hold by the Customer in excess of [XXX] days will be reviewed by Polar and Customer. Customer will have [XXX] business days to remove the hold, if hold is not removed or the hold period is not extended upon mutual agreement of the Parties, the Order for the Production Wafers will be terminated and charges will be assessed per Section 3.2. Engineering Wafers placed on hold by the customer in excess of [XXX] days will be reviewed by Polar and Customer. Customer will have [XXX] business days to remove the hold unless hold period is extended upon mutual agreement of the Parties, if hold is not removed the Order for the Engineering Wafers will be terminated and charges will be assessed per Section 3.2. Polar will provide Customer [XX] days' notice prior to any such termination and invoicing of applicable charges. Customer shall not be liable for Production Wafers or Engineering Wafers placed on hold as a result of Polar process excursion and non-conformances.
- 1.3. Acceptance. Acceptance period duration for Production Wafers will be [XXX] days unless extended upon mutual agreement of the Parties. Following the date the Production Wafers are shipped Customer will have the acceptance period duration to verify the Production Wafers conform to the Process Specifications or that the Wafers meet approval of Polar's Material Review Board (MRB). If Customer determines that the Production Wafers do not meet the Process Specifications, Customer will provide detailed information to Polar regarding the alleged non-conformance and including the product name, lot number, quantity, Order number. If Customer does not issue a non-conformance within the acceptance period duration, the Production Wafers are deemed accepted. If Customer timely issues a non-conformance notice, Polar will have [XXX] business days following receipt of the non-conformance notice to verify or dispute the same or mutually agree to extend the review period. If Polar verifies the non-conformance, then Polar will issue a return material authorization ("RMA") for Customer within [XXX] business days from the date of the verification. Polar may request specific Wafers covered under the RMA be returned back to Polar with shipping costs paid by Polar. Notwithstanding the foregoing, Customer acknowledges that Engineering Wafers (i.e., NRE) processed correctly within practical limits according to an agreed upon process flow will be provided "AS IS" and with all faults and without warranties, either express or implied, and no right to an acceptance process.
- 1.4. Non-conforming Wafers. If Polar determines prior to shipment that Production Wafers do not conform to the Process Specifications, Polar will send a Waiver Request with applicable data (detailing any defects or problems that occur during fabrication) to Customer for review. Customer will have [XXX] business days unless extended upon mutual agreement of the Parties to respond to Polar regarding the Waiver Request. If Customer deems the Production Wafers acceptable through written acceptance of the Waiver Request, Polar will ship Production Wafers to Customer. In the event the Customer rejects the Waiver Request, Polar will scrap the wafers and will cancel the associated Order.

- 1.5. Expedited Fabrications. Customer may request priority two (P2) processing for a lot, provided that Customer may not request P2 processing for more than [XXX]% of Customer's total active lots being fabricated. Customer may request priority one (P1) processing for a lot, P1 lots are extremely rare and must be approved by Polar's Head of Operations, if granted, Customer acknowledges that the P1 Additional Fee will be invoiced as specified in Section 3.2. Additional P1 processing requests may be considered by Polar's Head of Operations. Upon request, Polar will communicate expected lot completion for the expedited processing.
- 1.6. Status. Polar will provide Customer with on-line access to fabrication reporting Polar makes available to its customers. Customer and Polar will share data and participate in joint management meetings regarding Orders and status of fabrication in accordance with **Exhibit B** and **Exhibit C**.

## **Section 2. Commitments**

- 2.1. Sales Forecast. Customer will provide Polar with a rolling thirty-six (36) month Wafer Orders sales forecast. The sales forecast will be updated quarterly. The Wafer Orders sales forecast is subject only to Polar's confirmation of the available capacity. Any updates to the rolling sales forecast will not reduce the Capacity Commitment or Minimum Commitment as defined in the CCA. Customer will provide thirty (30) day notice to Polar prior to transferring a new part out to another Foundry or in from another Foundry.
- 2.2. Capacity Commitment. The Parties mutually agree to execute a separate Capacity Commitment Agreement ("CCA") by January 30 of each calendar year. The Production Wafer volumes that Polar will fabricate and deliver to Customer for purchase for the following two (2) fiscal years ("Capacity Commitment") will be defined in the CCA. The sales forecast used in determining the Capacity Commitment along with Process Route Lead-times will be documented in the CCA.
- 2.3. Minimum Commitment. Unless otherwise agreed by Customer and Polar, should the volume in a given fiscal year fall below the Minimum Commitment for such fiscal year, as defined in the CCA, Customer agrees to pay Polar within [XXX] days following the end of the applicable fiscal year an amount, as defined in the CCA, for the difference between the actual number of Production Wafers for the applicable fiscal year and the Minimum Commitment ("Shortfall Amount"). Payment of the Shortfall Amount will be the Customer's sole responsibility and liability in the event that the Customer fails to meet the Minimum Commitment.
- 2.4. Performance to Meet Minimum Commitment. If Polar fails to meet the Minimum Commitment for a fiscal year then Customer will have no responsibility to pay the Shortfall Amount. In such event, Polar will provide best efforts to expedite production and shipment for the difference between the Wafers requested under Order and Wafers actually delivered.
- 2.5. Modifications. Each of Polar and Customer may only reduce their commitments upon mutual agreement documented in writing. Any change requests as to the technology mix or quantities of the Orders must also be agreed upon by the Parties in writing. Customer will promptly notify Polar in writing of any proposed changes or additions to an Order (e.g., part number or processing requirements). Polar shall investigate the feasibility of making such change and either accept the Order modifications in accordance with Section 3.2, including schedule and pricing, or decline the requested change.
- 2.6. Order Processing. Customer will issue Orders with requested ship dates on a weekly basis and upon acceptance by Polar, such Order will be binding upon the Parties. Polar will accept the

Order, subject to the Order including those elements required (e.g., a part number approved for mass production), by acknowledgment of receipt and provision of the scheduled ship dates. Any orders not acknowledged by Polar within five (5) business days shall be deemed accepted.

- 2.7. Pack; Ship. Polar will pack and ship the Wafers in accordance with any standards specified between the Parties, if not specified, in accordance with Polar's standard process.
- (a) Each shipping package will include a rigid container of the type customarily used by silicon wafer vendors; such container shall be sealed to protect from environmental contamination.
  - (b) A packing list shall accompany each shipment containing: a bill of lading or equivalent, invoice noting Order number(s) where applicable, part number(s), Wafer quantities, Wafer lot identification, die quantity, and shipping address. The lot shipped is based on the Wafer quantity specified on the packing list with the remaining quantity, if any, on the Order to be deemed cancelled.
  - (c) Unless otherwise agreed to by the Parties, Polar will use commercially reasonable efforts to make shipments from the Polar facility no more than five (5) days early or zero (0) days late of the scheduled ship date provided, provided that Polar shall not be liable for delays subject to the shipper's acts or omissions or if the delay is due to Customer's unwillingness or inability to accept delivery. Notwithstanding the foregoing, Customer acknowledges that Polar has limited capacity and limited abilities to remedy capacity and shipping issues outside of its control. On-time delivery (OTD) metric will be measured from the shipment date of Production Wafers to Order schedule date or a mutually agreed upon re-schedule date. Upon mutual agreement of the Parties, OTD may exclude low volume technologies and/or low volume Parts.
  - (d) Polar shall not be liable for any delay or failure to perform caused by fires, strikes, embargoes, government requirements, civil or military unrest, lack of precious metals, acts of God or by the public enemy, or acts or omissions of suppliers or carriers (including if such supplier or carrier invoked its own force majeure clause) or other causes beyond Polar's control.

### **Section 3. Pricing; Invoices; Taxes**

- 3.1. Order Required. This Agreement does not constitute a purchase order or release for Wafers. Polar will not undertake any expenses or other acts on Customer's behalf before receiving and agreeing to an actual Order or other written authorization from Customer.
- 3.2. Prices. The prices for the Wafers, Foundry Services, Masks, Wafer Termination charges and other fees are as agreed upon in the CCA and incorporated herein by this reference. All prices are in U.S. Dollars. Notwithstanding the foregoing, in the event that the price of precious metals, rare earth materials, chemicals or substrate wafers increase from the cost in effect at the time of establishing prices in the CCA **Exhibit B**, Polar may upon mutual written agreement between Customer and Polar invoke price adjustments as necessary to compensate for such increases.
- 3.3. Shipping Method. All prices are based on shipments of Production Wafers to the Customer will be Ex Works basis from Polar's Bloomington, Minnesota facility.

- 3.4. Transfer of Title; Risk of Loss. Transfer of title to the ownership and risk of loss for the Production Wafers will be satisfied at the time Polar provides the Production Wafers to the carrier.
- 3.5. Taxes. All prices are stated exclusive of all applicable state, local and national sales, use, import and value-added and other similar taxes (“Taxes”). Customer is liable for all Taxes associated with the sale of the Wafers provided to Customer hereunder. Taxes will be separately listed under invoices.
- 3.6. Invoices. Polar will invoice Customer no earlier than the actual shipment date for an Order. All payments will be provided to Polar under the address and/or account specified on the invoice. All invoices shall be paid within [XXX] days from the date of the invoice. Any disputes about an invoice must be provided to Polar within such 30-day period with sufficient detail for Polar to understand the dispute. Customer shall pay any undisputed amounts in the event it disputes only portions of an invoice. Any portion of an Order subject to an RMA request due to a non-conformance will be deemed a dispute for such portion of the invoice.

#### **Section 4. IP Rights; License**

- 4.1. Specifications. Subject to the terms of this Agreement, Polar will fabricate certain Wafers ordered by Customer under the specifications provided by Customer. Customer represents and warrants that it has all rights, title and interest necessary to provide such specifications for Polar to use in the fabrication of the Wafers.
- 4.2. Polar License. Subject to the terms and conditions set forth in this Agreement, Customer grants to Polar a limited, royalty-free, non-exclusive license for the Term of this Agreement for any Customer IP Rights (defined below) to use the Customer IP Rights included in the specifications for an Order as required to fabricate the Wafers. Such license shall be used only by Polar and its authorized Personnel (defined below) solely as necessary to fulfill Polar’s obligations in the fabricate and shipment of the Wafers to Customer.
- 4.3. Customer License. Subject to the terms and conditions set forth in this Agreement, Polar grants to Customer a limited, royalty-free, non-exclusive license for the Term of this Agreement for any Polar IP Rights (defined below) to use the Polar IP Rights as necessary to verify the Wafers provided to Customer as part of Customer’s quality assurance and acceptance process. Such license shall be used only by Customer and its authorized Personnel (defined below) solely as necessary to fulfill Customer’s obligations in the quality assurance and acceptance process of the Wafers provided to Customer.
- 4.4. Rights Reserved. Except for the above license grants, no other license or right to any IP Rights of either Party is granted to the other Party, and all such rights are expressly reserved by the Party owning such IP Rights. A Party may only disclose the other Party’s IP Rights to its employees, consultants and contractors (“Personnel”) subject to a confidentiality obligation and solely as necessary to fulfill such Party’s obligations under this Agreement.
- 4.5. IP Rights. Each Party acknowledges that the other Party may, only to the extent necessary to fulfill their obligations under this Agreement, utilize (a) its name, logos, domain names, product names and other trademarks, (b) certain audio and visual information, documents, software and other works of authorship; and (c) other technology, software, hardware, products, processes, algorithms, user interfaces, know-how, mask works and other trade secrets, techniques, designs,



inventions, and other tangible or intangible technical material or information covered by intellectual property rights owned or licensed by such Party ("IP Rights").

## **Section 5. Confidentiality**

- 5.1. NDA. The Mutual Non-Disclosure Agreement dated 12 April 2018 ("NDA"), between Polar and Customer shall be deemed incorporated into this Agreement by reference. Upon termination of the NDA Section 5.2 will apply.
- 5.2. Confidentiality Obligation. If no NDA is in force the following terms shall apply to each Party's confidentiality obligation:
- (a) "Confidential Information" shall include any information designated as proprietary or confidential when disclosed by the disclosing Party or which the receiving Party reasonably understood to be confidential considering the nature of the information and/or the circumstances of disclosure. The Parties agree that the following information shall be Confidential Information: each Party's IP Rights disclosed, any technology or specifications disclosed, the pricing and other non-public terms of this Agreement, any non-public technical or business information, and any trade secrets. Confidential Information shall not include information that (i) is or becomes generally known to the public without the receiving Party's breach of its confidentiality obligation; or (ii) is rightfully received from another party without any obligation of confidentiality.
  - (b) The receiving Party shall limit disclosure to those Personnel who have a need to know and shall not disclose or use any Confidential Information of the disclosing Party for any purpose outside the scope of this Agreement, except with the disclosing Party's prior written permission. The receiving Party agrees to protect the confidentiality of the Confidential Information of the disclosing Party in the same manner that it protects the confidentiality of its own proprietary and confidential information of like kind, but in no event shall either Party exercise less than reasonable care in protecting such Confidential Information. If the receiving Party is compelled by law to disclose Confidential Information of the disclosing Party, it shall provide the disclosing Party with prior notice of such compelled disclosure (to the extent legally permissible) and reasonable assistance (at the disclosing Party's cost) if the disclosing Party wishes to contest the disclosure.
  - (c) If the receiving Party discloses or uses (or threatens to disclose or use) any Confidential Information of the disclosing Party in breach of this Section 5.2, the disclosing Party shall have the right, in addition to any other remedies available to it, to seek injunctive relief to enjoin such acts, without the requirements of posting a bond, it being specifically acknowledged by the Parties that any other available remedies may be inadequate.
  - (d) If the receiving Party is required by law to comply with a court order or other lawful governmental action to disclose this Agreement or any Confidential Information, the receiving Party may so disclose, but only to the extent so ordered, and provided that that the receiving Party shall notify the disclosing Party, if permissible, so the disclosing Party may seek a protective order.

## **Section 6. Support; Audits**

- 6.1. Place of Fabrication. Polar will fabricate the Wafers at the Polar facility. Polar shall not relocate production of the Wafers to a new facility without prior notice to Customer and Customer's prior written consent and such consent will be deemed a change to the Order. Polar will provide Customer with information on security standards, processing standards and other information reasonably requested, subject to all such information being protected as Polar Confidential Information.
- 6.2. Subcontractors. Customer acknowledges that Polar has the right to utilize subcontractors as necessary for all or part of the fabrication of Wafers subject to Customer's prior written consent, and Polar shall remain liable for the acts and omissions of any such subcontractors.
- 6.3. Engineering Support. Customer shall work with Polar, in providing engineering support and consultation as may be reasonably required to meet schedules and milestones of this Agreement. Each Party shall bear its own costs and expenses associated with such efforts. Engineering support may include, cooperative efforts between Customer and Polar in optimizing process variables (e.g., by comparing test results by split Wafer lot experiments) and providing any test program information (e.g., for Wafers, devices, circuit design information) or such other information as may be deemed helpful in assessing and eliminating process problems. Either Party's Personnel shall, while visiting on any location of the other Party, comply with the other Party's reasonable rules and regulations with regard to safety and security at their location. The visiting Party shall have full control over its Personnel and shall be entirely responsible for such Personnel complying with such rules and regulations.
- 6.4. Audit. Each Party may audit the other Party's relevant records upon reasonable prior written request to verify compliance with this Agreement and quality assurance systems. Upon mutual agreement Customer (including the Customer's customers or users of the Customer's products incorporating the Wafer) may audit Polar fabrication provided there is a signed confidentiality agreement for such persons, an agreed upon agenda thirty (30) days prior to a visit and Customer and such third-parties agree to abide by Polar's Visitor Auditing Protocol.

#### **Section 7. Limitation of Liability; Indemnification**

- 7.1. Limitation of Liability. Except for either Party's willful or grossly negligent violation of such Party's confidentiality or indemnification obligations under this Agreement, NEITHER POLAR NOR CUSTOMER SHALL HAVE ANY LIABILITY TO THE OTHER PARTY OR TO ANY THIRD PARTY (e.g., PERSON OR ENTITY WHO SHALL PURCHASE FROM CUSTOMER ANY OF THE WAFERS OR OTHER ITEMS OR SERVICES SUPPLIED BY POLAR FOR ANY LATE DELIVERIES, LOST PROFITS, LOSS OF DATA, LOSS OF USE, COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, OR FOR ANY INDIRECT, SPECIAL, RELIANCE, PUNITIVE, INCIDENTAL OR OTHER CONSEQUENTIAL LOSS OR DAMAGE ARISING OUT OF THIS AGREEMENT OR AN ORDER HOWEVER CAUSED AND, WHETHER IN AN ACTION ARISING OUT OF BREACH OF WARRANTY, BREACH OF CONTRACT, DELAY, NEGLIGENCE, STRICT LIABILITY IN TORT OR UNDER ANY OTHER THEORY OF LIABILITY, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

Polar's entire liability for any claim or loss, damage or expense arising out of related to the Wafers shall be as specified in Section 1.3 and the Limited Warranty included in Exhibit A. Polar's liability for direct damages otherwise under this Agreement from any other cause not

addressed by the Limited Warranty shall in no event exceed the lesser of the fees paid under the applicable Order for the prior [XXX] months or the fees specific to services or product to which the claim arises.

7.2. Disclaimers; No Third-Party Liability; Force Majeure.

- (a) Neither Party may hold the other Party liable for any use, transfer, sale, or other access to any Wafers (regardless of state of completion) by a third party. Consequently, except as expressly provided elsewhere in this Agreement, NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER PARTY OR TO ANY THIRD-PARTY WHO RECEIVES FROM A PARTY ANY OF THE WAFERS (CUSTOMER DESIGNED OR POLAR FABRICATED) FOR INDIRECT, SPECIAL, RELIANCE, INCIDENTAL OR CONSEQUENTIAL LOSS OR DAMAGE ARISING OUT OF THIS AGREEMENT OR AN ORDER PLACED PURSUANT TO THIS AGREEMENT OR ANY TRANSACTION ASSOCIATED WITH EITHER OR ANY OBLIGATION RESULTING THERE FROM OR THE USE OR PERFORMANCE OF ANY SUCH WAFERS, WHETHER IN AN ACTION ARISING OUT OF BREACH OF WARRANTY, BREACH OF CONTRACT, DELAY, NEGLIGENCE, STRICT LIABILITY IN TORT OR OTHERWISE.
- (b) CUSTOMER ACKNOWLEDGES THAT OTHER THAN THE LIMITED WARRANTY IN EXHIBIT A, POLAR DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES, REPRESENTATIONS OR ENDORSEMENTS OF ANY KIND WHATSOEVER (INCLUDING WITHOUT LIMITATION, WARRANTIES OF TITLE OR NON-INFRINGEMENT, OR ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE) WITH REGARD TO THE WAFERS AND CUSTOMER SHALL NOT REPRESENT OTHERWISE TO ANY THIRD PARTY. POLAR DOES NOT WARRANT THAT THE WAFERS WILL BE ERROR FREE. NEITHER POLAR NOR CUSTOMER MAKES ANY WARRANTY AS TO ANY RESULTS THAT MAY BE OBTAINED BY USE OF THE WAFERS. Some jurisdictions do not allow the exclusion of implied warranties, so this exclusion may not apply to a third-party.
- (c) Neither Party shall be liable to the other Party for any delay or non-performance of any of its obligations under the Agreement arising from any cause beyond its reasonable control, such as any earthquake, riot, civil commotion, war, terrorist acts, strike, epidemic, pandemic, flood, or governmental act or restriction to the extent such event occurs after the Effective Date, and which is not reasonably foreseeable or which could not have been avoided by reasonable precautions (“Force Majeure Event”). A Party affected by a Force Majeure Event will notify the other Party within three (3) days of such Force Majeure Event. If a Force Majeure Event continues for more than ninety (90) days, the affected Party may treat such ongoing Force Majeure Event as a material breach of this Agreement. However, such Force Majeure Event shall not excuse Customer from any payment obligation under the Agreement.

7.3. Statute of Limitations. No action or proceeding against either Party relating to any claim under this Agreement may be commenced more than [XXX] years after such an alleged claim first arises, notwithstanding any statute of limitations period otherwise applicable, provided that this shortening of the statute of limitations shall not apply to any willful breach of the other Party’s intellectual property rights. The limitation of liability expressed herein shall survive failure of an exclusive remedy.

#### 7.4. Indemnification.

- (a) Polar will indemnify, defend and hold Customer harmless against any claim for damages, losses, liability costs and expenses, including reasonable attorneys' fees, ("Claim") incurred by Customer as a result of a third-party's Claim of infringement of the third-party's United States patent related to or arising out of any Polar IP Rights. This indemnification obligation does not apply where the Claim is based on: (i) Customer's modifications of Polar IP Rights; (ii) Customer's unauthorized use of the Polar IP Rights; or (iii) use of the Polar IP Rights in combination with any Customer or third-party product where the Claim would not have been brought but for such combination. For the avoidance of doubt, Polar's indemnification obligation applies notwithstanding any failure to warrant non-infringement.
- (b) Customer will indemnify, defend and hold Polar harmless against any Claim of intellectual property infringement of the third-party's United States patent related to or arising out of any Customer IP Rights. This indemnification obligation does not apply where the Claim is based on: (i) Polar's modifications of Customer IP Rights; (ii) Polar's unauthorized use of the Customer IP Rights; or (iii) use of the Customer IP Rights in combination with any Polar or third-party product where the Claim would not have been brought but for such combination. Customer will further indemnify, defend and hold Polar harmless against any Claim related to or arising out of Customer's possession, use, sale, licensing, or distribution of the Wafers.
- (c) Either Party as the indemnifying party may resolve any such third-party IP claim by: acquiring a license to use such third-party intellectual property, replacing the alleged infringing material with non-infringing equivalent, or if neither of those options are available, by requiring the discontinuance of the infringing material and covering costs associated with such discontinuance.
- (d) The indemnitee Party must timely inform the indemnifying Party of the claim and provide assistance at the indemnifying Party's expense in the defense of the same. The indemnifying Party shall have the sole right to control the defense. No claim may be settled without the indemnitee Party's consent unless the settlement does not require any admission by the indemnitee Party and fully absolves the indemnitee Party of all further liability.

#### **Section 8. Term; Termination**

- 8.1. Term. The term of this Agreement will commence on the Effective Date and continue until March 27, 2026 ("Initial Term"), and will automatically be renewed for subsequent one (1) fiscal year period (each a "Renewal Term") unless the Agreement is terminated under this Section 8.1 for convenience or under Section 8.2 for cause. Termination for convenience requires either Party to provide a notice of non-renewal at least twenty-four (24) months in advance with termination effective as of the later of 24-months from such notice or a later date in the termination notice. The Initial Term and Renewal Term(s) are collectively the "Term."
- 8.2. Termination. A Party may terminate this Agreement for cause: (a) upon days written notice to the other Party of a material breach, provided such breach remains uncured at the expiration of the notice period; or (b) if the other Party becomes the subject of a petition in bankruptcy or any proceeding relating to insolvency, receivership, liquidation or assignment for the benefit of creditors and such filing is not withdrawn or dismissed within [XXX] days of filing. In case either Party breaches or defaults in the effective performance of any of the terms, conditions, covenants,

or agreements contained in this Agreement, then the Parties will first attempt in good faith to resolve such breach. [XXX] days after delivery of written notice to the breaching Party that a breach, described in this Section 8.2 has occurred, the non-breaching Party may terminate this Agreement without liability for such termination; provided, that if the breaching Party has begun substantial corrective action to remedy the breach, the non-breaching Party may only terminate this Agreement without liability for such termination [XXX] days after delivery of its written notice to the breaching Party, if such breach remains uncured as of such date; provided, however, that if allowing [XXX] days for the breaching Party to cure the breach would cause irreparable harm to the business prospects of the non-breaching Party, notwithstanding any dispute resolution provisions herein to the contrary, temporary or preliminary injunctive relief in a court of competent jurisdiction will be appropriate to prevent either an initial or continuing breach in addition to any other relief to which the non-breaching Party may be entitled.

8.3. Effect of Termination. In the event that Polar terminates this Agreement, pursuant to Section 8.2, Customer will be liable for any and all Wafer finished goods and work-in-process held by Polar at the date of termination, and resulting from an Order issued by Customer hereunder. In case that Customer terminates this Agreement, pursuant to Section 8.2, Customer may cancel any or all pending Orders without any liability to Customer. In the event of termination under Section 8.1, Customer will promptly pay Polar for all fees and expenses due to Polar, including any Minimum Commitment (unless Customer has terminated for uncured cause under Section 8.2) due as of the date of termination. Upon request by the disclosing Party, receiving Party will promptly return to the disclosing Party all Confidential Information, in the commercially reasonable format requested by the disclosing Party, and all records (in any form, format or medium) containing or relating to Confidential Information of the disclosing Party. Alternatively, the disclosing Party may permit the Confidential Information to be destroyed with such destruction certified.

8.4. Surviving Provisions. The following Sections will survive any expiration, termination or cancellation of this Agreement, and the Parties will continue to be bound by the terms and conditions thereof: Section 4.5, Section 5, Section 6.4, Section 7, Section 8.3, Section 8.4, and Section 9.

## **Section 9. Miscellaneous**

9.1. Notices. All notices, demands, or consents required or permitted hereunder will be in writing and will be delivered by e-mail, or sent by facsimile, or mailed to the respective Parties at the addresses set forth below, or at such other address as will have been given to the other Party, in writing for the purposes of this clause. Such notices and other communications will be deemed effective upon the earliest to occur of:

- (a) Actual delivery (e-mail, facsimile, hard copy),
- (b) Five (5) days after mailing, addressed and postage prepaid, return receipt requested,

To Customer: Allegro MicroSystems  
955 Perimeter Road  
Manchester, NH 03103, USA  
Attn: Foundry Sourcing Director  
Email: [XXX]

To Polar: Polar Semiconductor, LLC  
2800 East Old Shakopee Road  
Bloomington, MN 55425, USA  
Attn: Senior Director of Supply Chain  
Email: [XXX]

- 9.2. Waiver; Amendment. Failure by either Party, at any time, to require performance by the other Party, or to claim a breach of any provision of this Agreement, will not be construed as a waiver of any right accruing under this Agreement, nor will it affect any subsequent breach or the effectiveness of this Agreement, or any part hereof, or prejudice either Party with respect to any subsequent action. A waiver of any right accruing to either Party, pursuant to this Agreement, will not be effective unless given in writing.
- 9.3. Assignment. Neither Party will assign, transfer, or otherwise dispose of this Agreement in whole or in part, without the prior written consent of the other Party, and such consent will not be unreasonably withheld. Upon assignment, the assignee will assume all obligations of the assigning Party, including as to Customer the assignee's obligations for the Capacity Commitment.
- 9.4. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regards to its conflict of laws principles. The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this agreement.
- 9.5. Compliance with Laws. Each Party will comply at their own expense with all applicable federal, state and local laws, ordinances, regulations and codes ("Applicable Law").
- (a) Polar and its Personnel will comply Applicable Law, including those relating to the use of chlorofluorocarbons, and including the identification and procurement of required permits, certificates, licenses, insurance, consents and inspections in performance under this Agreement.
  - (b) Each Party shall comply with all United States and foreign export control laws or regulations applicable to its performance under this Agreement. Each Party agrees to comply with all applicable U.S. export control laws, including the Export Administration Regulations (EAR) Part 734.2(b)(ii) for the release of controlled technology and/or software, and the International Traffic in Arms Regulations (ITAR), including restrictions on providing access to, or transferring, controlled technology to non-U.S. Persons in the United States.
  - (c) In connection with this Agreement, each Party represents, warrants and covenants that is and at all times has been in compliance with all applicable anti-bribery and anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, the Organization for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Except as previously disclosed to the other Party in writing, each Party represents, warrants and covenants that: (i) it has not and will not make, permit or authorize, directly or indirectly, any offer, payment, promise, gift or transfer of money, anything of value, or any financial or other advantage to any person to secure any improper advantage; (ii) it has not been and is not currently subject to any governmental or regulatory review, audit, inspection or investigation related to applicable anti-bribery laws; and (iii) it is not aware of any allegations, investigations or inquiries by any

governmental authority with regard to a potential violation of applicable anti-bribery law by it or its employees or agents or persons acting on its behalf. Each Party agrees to accurately record in its books and records any and all expenses related to this Agreement. Each Party agrees that it will not permit any of its employees or agents to pay bribes in connection with its execution of its obligations under this Agreement. In the event a Party obtains credible information indicating that any of its employees or agents have paid bribes in connection with its execution of its obligations under this Agreement, such Party will promptly notify the other Party in writing

- 9.6. Severability. In the event that any provision of this Agreement is found to be unlawful or otherwise unenforceable, such provision will be severed, and the entire Agreement will not fail on account thereof, the balance continuing in full force and effect, and the Parties will endeavor to replace the severed provision with a similar provision that is not unlawful or otherwise unenforceable.
- 9.7. Headings. The headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be a part of, or affect the interpretation of, any provision of this Agreement.
- 9.8. Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart hereof will be deemed to be an original instrument, but all such counterparts together will constitute but one Agreement.
- 9.9. Entire Agreement. This Agreement, and each Exhibit attached hereto and incorporated herein, sets forth the entire Agreement and understanding between the Parties, as to the subject matter hereof; and supersedes and merges all prior discussions between them, and none of the Parties will be bound by any conditions, definitions, warranties, modifications, understandings or representations with respect to such subject matter other than as expressly provided herein, or as duly set forth on or subsequent to the effective date hereof in writing and signed by a proper and duly authorized representative of the Party to be bound thereby. This Agreement may be modified or amended as set forth in writing and signed by a duly authorized representative of each Party.
- 9.10. Independent Parties. Neither Party to this Agreement will have the power to bind the other by any guarantee or representation that it may give, or to incur any debts or liabilities in the name of or on behalf of the other Party. The Parties acknowledge and agree that nothing contained in this Agreement will be deemed or construed to constitute or create between the Parties hereto a partnership, association, joint venture or other agency.
- 9.11. No Third-Party Beneficiary. No person not a Party to this Agreement will have any rights under this Agreement as a third-party beneficiary, or otherwise, other than persons entitled to indemnification as expressly set forth herein.
- 9.12. Dispute Resolution. In the event of any dispute, claim, question, or disagreement arising from, or relating to this Agreement, the Parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both Parties. If they do not reach such solution within a period of one hundred twenty (120) days, then, upon notice by either Party to the other, all such disputes, claims, questions, or differences shall be finally settled by arbitration administered by the American

Arbitration Association in accordance with the provisions of its Commercial Arbitration Rules. All arbitration proceedings shall take place in a mutually agreed upon location, including without limitation an electronic meeting option. Judgment on the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

*[Signature page to follow.]*



**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement, as of the Effective Date first above written.

**Customer: Allegro MicroSystems, Inc.**

By: /s/ Vineet Nargolwala\_\_\_\_\_

Name: Vineet Nargolwala

Title: President and CEO

**Polar Semiconductor, LLC**

By: /s/ Kojiro Hatano\_\_\_\_\_

Name: Kojiro Hatano

Title: Chairman and CEO

## EXHIBIT A

### LIMITED WARRANTY

This Exhibit A – Limited Warranty (“Exhibit A”) is attached to and incorporated into (by this reference) that certain Wafer Foundry Agreement dated January 26, 2023 (“Agreement”) by and between Polar and Customer (as named in the preamble of the Agreement. Capitalized terms used herein, but not defined herein shall have the meaning set forth in the Agreement.

Warranty. Other than the non-conformance and RMA process or when provided “AS IS” as specified in Section 1.3 of the Agreement, Polar warrants that the Wafers will be free from material defects in workmanship and material (“Limited Warranty”) for [XXX] months from the shipment date (“Warranty Period”). Wafers will only be deemed to have defects if the same is verifiable by Polar. If during the Warranty Period, Customer determines, and Polar verifies, that the Wafers have defects, Customer shall return the defected Wafers to Polar. Polar, in its sole discretion, will either repair or replace such defective Wafers, or if no such repair or replace option is possible, Polar will refund the purchase price for such defective Wafers. This Limited Warranty does not apply to any Wafers which are defective due to improper storage (including failure to control for environmental factors such as heat and humidity which may affect the Wafers), dicing, installation, application or inspection, or which have been subject to misuse, neglect or accident, or have been modified or repaired by Customer or any third party. Polar’s discretion to repair, replace or refund the purchase price for defective Wafers shall be Customer’s sole remedy and Polar’s sole obligation for this Limited Warranty. This Limited Warranty is in lieu of all other warranties, and POLAR EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SATISFACTORY QUALITY, NON-INFRINGEMENT, AND ALL OTHER WARRANTIES, WHICH MIGHT OTHERWISE ARISE FROM COURSE OF DEALING BETWEEN THE PARTIES OR USAGE OF TRADE.

## EXHIBIT B

### DATA SHARING

This Exhibit B – Data Sharing (“Exhibit B”) is attached to and incorporated into (by this reference) that certain Wafer Foundry Agreement dated January 26, 2023 (“Agreement”) by and between Polar and Customer (as named in the preamble of the Agreement. Capitalized terms used herein, but not defined herein shall have the meaning set forth in the Agreement.

#### RECITALS:

**WHEREAS**, Customer and Polar jointly would like to establish a process for the sharing of data related to the fabrication of Wafers (“Data Sharing”); and

**WHEREAS**, Customer and Polar acknowledge that this Data Sharing requires additional terms to protect each Party’s IP Rights and specify each Party’s obligations for the Data Sharing.

**NOW, THEREFORE**, in consideration of the mutual promises made herein, the Parties agree that any Data Sharing is subject to mutual agreement and subject to the following terms:

1. Standard Data Sharing from Polar to Customer on mutually agreed data format. Parties will mutually agree on frequency of data share for the following:
  - (a) Route Control Plans for technologies used by Customer.
  - (b) Lot History, excluding internal-only history.
  - (c) WIP Status.
  - (d) Order Backlog.
  - (e) Parametric critical test data for wafers shipped.
  - (f) Inline Cpk data for Critical Characteristics for technologies used by Customer.
2. Standard Data Sharing from Customer to Polar on mutually agreed upon data format. Parties will mutually agree on frequency of data share for the following:
  - (a) Probe test data.
  - (b) Product quality data.
  - (c) Product yield data.
  - (d) Supplier performance assessment based upon mutually agreeable scoring criteria.
3. Non-Standard Data Sharing. Each of Polar and Customer may request information and data will be shared when mutually agreed to as to the content of the request.

## EXHIBIT C

### JOINT MANAGEMENT MEETINGS

This Exhibit C – Joint Management Meetings (“Exhibit C”) is attached to and incorporated into (by this reference) that certain Wafer Foundry Agreement dated January 26, 2023 (“Agreement”) by and between Polar and Customer (as named in the preamble of the Agreement. Capitalized terms used herein, but not defined herein shall have the meaning set forth in the Agreement.

1. Preapproved Joint Management Meetings.
  - 1.1. SCM Update Meeting. Customer Head of Supply Chain or designee will meet Polar Head of Supply Chain or designee to review supply performance and issues. Update content will be based on mutual agreement of the Parties. Meeting will be held upon mutual agreement of the Parties.
  - 1.2. Supply Planning Meeting. Customer Head of Supply Chain or designee will meet with Polar Head of Supply Chain or designee to review forecast and capacity plans. Meeting will be held no more than once a quarter unless Parties agree otherwise.
  - 1.3. Fabrication Quality Meetings. Customer Head of Quality or designee will meet with Polar Head of Fabricating Quality or designee to review process changes and issues. Meeting will be held no more than once a month unless Parties agree otherwise.
  - 1.4. Semi-Annual Business Review (SBR). Customer Head of Sourcing or designee will organize SBR with Polar Head of Supply Chain or designee to review corporate business updates, Polar SBR scorecard, and other business-related topics. Meeting will be held upon mutual agreement of the Parties, but at a frequency of no less than two (2) times per year.
2. Agendas for Joint Meetings. Meetings may have standing agendas, if not then agendas will be mutually agreed upon by the Parties and communicated one (1) week prior to meeting.

**CERTIFICATION**

I, Vineet Nargolwala, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Allegro MicroSystems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2023

By:

/s/ Vineet Nargolwala

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Vineet Nargolwala  
President and Chief Executive Officer  
(principal executive officer)

**CERTIFICATION**

I, Derek P. D'Antilio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Allegro MicroSystems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2023

By:

/s/ Derek P. D'Antilio

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Derek P. D'Antilio  
Chief Financial Officer  
(principal financial officer)

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

In connection with the Quarterly Report on Form 10-Q of Allegro MicroSystems, Inc. (the "Company") for the quarterly period ended December 23, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: February 1, 2023

By:

/s/ Vineet Nargolwala

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Vineet Nargolwala  
President and Chief Executive Officer  
(principal executive officer)

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

In connection with the Quarterly Report on Form 10-Q of Allegro MicroSystems, Inc. (the "Company") for the quarterly period ended December 23, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: February 1, 2023

By:

/s/ Derek P. D'Antilio

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Derek P. D'Antilio  
Chief Financial Officer  
(principal financial officer)