

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

Commission File Number: 001-39304

XPERI HOLDING CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

3025 Orchard Parkway, San Jose, California
(Address of Principal Executive Offices)

84-4734590
(I.R.S. Employer
Identification No.)

95134
(Zip Code)

(408) 321-6000

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value \$0.001 per share)	XPER	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

The number of shares outstanding of the registrant's common stock as of April 25, 2022 was 103,950,742.

XPERI HOLDING CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2022
TABLE OF CONTENTS

	<u>Page</u>	
<u>PART I</u>		
Item 1.	<u>Financial Statements (unaudited)</u>	
	<u>Condensed Consolidated Statements of Operations – Three Months Ended March 31, 2022 and 2021</u>	3
	<u>Condensed Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2022 and 2021</u>	4
	<u>Condensed Consolidated Balance Sheets – March 31, 2022 and December 31, 2021</u>	5
	<u>Condensed Consolidated Statements of Cash Flows – Three Months Ended March 31, 2022 and 2021</u>	6
	<u>Condensed Consolidated Statements of Equity – Three Months Ended March 31, 2022 and 2021</u>	7
	<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	30
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	39
Item 4.	<u>Controls and Procedures</u>	40
<u>PART II</u>		
Item 1.	<u>Legal Proceedings</u>	41
Item 1A.	<u>Risk Factors</u>	42
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
Item 3.	<u>Defaults Upon Senior Securities</u>	43
Item 4.	<u>Mine Safety Disclosures</u>	43
Item 5.	<u>Other Information</u>	43
Item 6.	<u>Exhibits</u>	44
	<u>Signatures</u>	45

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
Revenue:	\$ 257,420	\$ 221,596
Operating expenses:		
Cost of revenue, excluding depreciation and amortization of intangible assets	27,697	28,132
Research, development and other related costs	59,370	55,223
Selling, general and administrative	70,446	67,430
Depreciation expense	5,866	5,684
Amortization expense	39,319	52,195
Litigation expense	1,753	2,533
Total operating expenses	<u>204,451</u>	<u>211,197</u>
Operating income	52,969	10,399
Interest expense	(8,429)	(11,313)
Other income (expense), net	968	1,425
Income before taxes	45,508	511
Provision for (benefit from) income taxes	21,533	(4,015)
Net income	<u>23,975</u>	<u>4,526</u>
Less: net loss attributable to noncontrolling interest	(968)	(761)
Net income attributable to the Company	<u>\$ 24,943</u>	<u>\$ 5,287</u>
Income per share attributable to the Company:		
Basic	\$ 0.24	\$ 0.05
Diluted	\$ 0.24	\$ 0.05
Weighted average number of shares used in per share calculations-basic	<u>103,679</u>	<u>104,940</u>
Weighted average number of shares used in per share calculations-diluted	<u>105,332</u>	<u>107,776</u>

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

XPERI HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net income	\$ 23,975	\$ 4,526
Other comprehensive loss, net of tax:		
Change in foreign currency translation adjustment	(892)	(1,045)
Net unrealized loss on available-for-sale debt securities	(122)	(34)
Other comprehensive loss, net of tax	(1,014)	(1,079)
Comprehensive income	22,961	3,447
Less: comprehensive loss attributable to noncontrolling interest	(968)	(761)
Comprehensive income attributable to the Company	\$ 23,929	\$ 4,208

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

XPERI HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for par value)
(unaudited)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 214,095	\$ 201,121
Available-for-sale debt securities	52,720	60,534
Accounts receivable, net of allowance for credit losses of \$2,895 and \$3,012, respectively	100,203	143,683
Unbilled contracts receivable, net	121,778	77,677
Other current assets	42,737	36,459
Total current assets	531,533	\$ 519,474
Long-term unbilled contracts receivable	43,112	4,107
Property and equipment, net	59,251	60,974
Operating lease right-of-use assets	65,513	68,498
Intangible assets, net	778,680	817,916
Goodwill	850,100	851,088
Other long-term assets	150,641	147,965
Total assets	\$ 2,478,830	\$ 2,470,022
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 11,835	\$ 7,811
Accrued liabilities	99,540	110,705
Current portion of long-term debt, net	36,152	36,095
Deferred revenue	48,913	35,136
Total current liabilities	196,440	\$ 189,747
Deferred revenue, less current portion	34,128	37,107
Long-term deferred tax liabilities	19,085	19,848
Long-term debt, net	720,333	729,392
Noncurrent operating lease liabilities	51,930	54,658
Other long-term liabilities	102,267	98,842
Total liabilities	1,124,183	\$ 1,129,594
Commitments and contingencies (Note 15)		
Company stockholders' equity:		
Preferred stock: \$0.001 par value; (2022: authorized 15,000 shares; 2021: authorized 15,000 shares; and no shares issued and outstanding)	—	—
Common stock: \$0.001 par value; (2022: authorized 350,000 shares, issued 115,647 shares, outstanding 103,921 shares; 2021: authorized 350,000 shares, issued 113,460, outstanding 103,260 shares)	116	113
Additional paid-in capital	1,365,277	1,340,480
Treasury stock at cost (2022: 11,726 shares; 2021: 10,200 shares)	(206,350)	(178,022)
Accumulated other comprehensive loss	(1,766)	(752)
Retained earnings	207,539	187,814
Total Company stockholders' equity	1,364,816	1,349,633
Noncontrolling interest	(10,169)	(9,205)
Total equity	1,354,647	1,340,428
Total liabilities and equity	\$ 2,478,830	\$ 2,470,022

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

XPERI HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	March 31, 2022	March 31, 2021
Cash flows from operating activities:		
Net income	\$ 23,975	\$ 4,526
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation of property and equipment	5,866	5,684
Amortization of intangible assets	39,319	52,195
Stock-based compensation expense	16,804	13,219
Deferred income taxes	(911)	666
Other	1,984	3,217
Changes in operating assets and liabilities:		
Accounts receivable	43,698	(7,632)
Unbilled contracts receivable	(82,995)	2,295
Other assets	(8,806)	(10,697)
Accounts payable	4,024	11,429
Accrued and other liabilities	(7,483)	(45,687)
Deferred revenue	10,798	(2,486)
Net cash from operating activities	<u>46,273</u>	<u>26,729</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,289)	(1,772)
Proceeds from sale of property and equipment	—	5
Purchases of intangible assets	(180)	(36)
Purchases of short-term investments	(4,490)	(42,505)
Proceeds from sales of investments	2,000	16,921
Proceeds from maturities of investments	10,023	10,000
Net cash from investing activities	<u>3,064</u>	<u>(17,387)</u>
Cash flows from financing activities:		
Dividends paid	(5,218)	(5,264)
Repayment of debt	(10,125)	(13,125)
Proceeds from employee stock purchase program and exercise of stock options	8,000	6,715
Repurchases of common stock	(28,328)	(32,359)
Net cash from financing activities	<u>(35,671)</u>	<u>(44,033)</u>
Effect of exchange rate changes on cash and cash equivalents	(692)	(738)
Net increase (decrease) in cash and cash equivalents	12,974	(35,429)
Cash and cash equivalents at beginning of period	201,121	170,188
Cash and cash equivalents at end of period	<u>\$ 214,095</u>	<u>\$ 134,759</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7,188	\$ 9,015
Income taxes paid, net of refunds	<u>\$ 3,334</u>	<u>\$ 5,921</u>

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

XPERI HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)
(unaudited)

	Total Company Stockholders' Equity								
	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest	Total Equity
	Shares	Amount		Shares	Amount				
Three Months Ended March 31, 2022									
Balance at January 1, 2022	103,260	\$ 113	\$ 1,340,480	10,200	\$ (178,022)	\$ (752)	\$ 187,814	\$ (9,205)	\$ 1,340,428
Issuance of subsidiary shares to noncontrolling interest	—	—	(4)	—	—	—	—	4	—
Net income (loss)	—	—	—	—	—	—	24,943	(968)	23,975
Other comprehensive loss	—	—	—	—	—	(1,014)	—	—	(1,014)
Cash dividends paid on common stock (\$0.05 per share)	—	—	—	—	—	—	(5,218)	—	(5,218)
Issuance of common stock in connection with exercise of stock options	1	—	4	—	—	—	—	—	4
Issuance of common stock in connection with employee stock purchase plan	739	1	7,993	—	—	—	—	—	7,994
Issuance of restricted stock, net of shares canceled	1,609	2	—	—	—	—	—	—	2
Repurchases of common stock, shares exchanged	(659)	—	—	659	(11,068)	—	—	—	(11,068)
Shares exchanged and returned to assumed plans	—	—	—	(162)	—	—	—	—	—
Repurchases of common stock	(1,029)	—	—	1,029	(17,260)	—	—	—	(17,260)
Stock-based compensation expense	—	—	16,804	—	—	—	—	—	16,804
Balance at March 31, 2022	<u>103,921</u>	<u>\$ 116</u>	<u>\$ 1,365,277</u>	<u>11,726</u>	<u>\$ (206,350)</u>	<u>\$ (1,766)</u>	<u>\$ 207,539</u>	<u>\$ (10,169)</u>	<u>\$ 1,354,647</u>

	Total Company Stockholders' Equity								
	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total Equity
	Shares	Amount		Shares	Amount				
Three Months Ended March 31, 2021									
Balance at January 1, 2021	104,775	\$ 110	\$ 1,268,471	5,407	\$ (77,218)	\$ 1,264	\$ 264,250	\$ (5,758)	\$ 1,451,119
Issuance of subsidiary shares to noncontrolling interest	—	—	(3)	—	—	—	—	3	—
Net income (loss)	—	—	—	—	—	—	5,287	(761)	4,526
Other comprehensive loss	—	—	—	—	—	(1,079)	—	—	(1,079)
Cash dividends paid on common stock (\$0.05 per share)	—	—	—	—	—	—	(5,264)	—	(5,264)
Issuance of common stock in connection with exercise of stock options	12	—	228	—	—	—	—	—	228
Issuance of common stock in connection with employee stock purchase plan	633	1	6,485	—	—	—	—	—	6,486
Issuance of restricted stock, net of shares canceled	873	1	—	—	—	—	—	—	1
Repurchases of common stock, shares exchanged	(347)	—	—	347	(7,352)	—	—	—	(7,352)
Repurchases of common stock	(1,071)	—	—	1,071	(25,007)	—	—	—	(25,007)
Stock-based compensation expense	—	—	13,219	—	—	—	—	—	13,219
Balance at March 31, 2021	<u>104,875</u>	<u>\$ 112</u>	<u>\$ 1,288,400</u>	<u>6,825</u>	<u>\$ (109,577)</u>	<u>\$ 185</u>	<u>\$ 264,273</u>	<u>\$ (6,516)</u>	<u>\$ 1,436,877</u>

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

XPERI HOLDING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

On December 18, 2019, Xperi Corporation (“Xperi”) entered into an Agreement and Plan of Merger and Reorganization with TiVo Corporation (“TiVo”) to combine in an all-stock merger of equals transaction (the “Mergers”). Immediately following the consummation of the Mergers on June 1, 2020, (the “Merger Date”), Xperi Holding Corporation (the “Company”), a Delaware corporation founded in December 2019 under the name “XRAY-TWOLF HoldCo Corporation,” became the parent company of both Xperi and TiVo. The common stock of Xperi and TiVo were de-registered after completion of the Mergers. On June 2, 2020, Xperi Holding Corporation’s common stock, par value \$0.001 per share, commenced trading on the Nasdaq Global Select Market (“Nasdaq”) under the ticker symbol “XPER.”

Xperi Holding Corporation is a leading consumer and entertainment product/solutions licensing company and one of the industry’s largest intellectual property licensing platforms, with a diverse portfolio of media and semiconductor intellectual property and more than 11,000 patents and patent applications worldwide. The Company creates extraordinary experiences at home and on the go for millions of consumers around the world, elevating content and how audiences connect with it in a way that is more intelligent, immersive and personal. Powering smart devices, connected cars, entertainment experiences and more, the Company has created a unified ecosystem that reaches highly engaged consumers, uncovering significant new business opportunities, now and in the future. The Company’s technologies are integrated into billions of consumer devices, media platforms, and semiconductors worldwide, driving increased value for partners, customers and consumers.

The accompanying interim unaudited condensed consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles (“GAAP”) in the United States (“U.S.”) and the applicable rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. The amounts as of December 31, 2021 have been derived from the Company’s annual audited financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2021, filed on February 24, 2022 (the “Form 10-K”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary (consisting of normal recurring adjustments) to state fairly the financial position of the Company and its results of operations and cash flows as of and for the periods presented. These financial statements should be read in conjunction with the annual audited financial statements and notes thereto as of and for the year ended December 31, 2021, included in the Form 10-K.

The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022 or any future period and the Company makes no representations related thereto.

In the fourth quarter of 2018, the Company funded a new subsidiary, Perceive Corporation (“Perceive”), which was created to focus on delivering edge inference solutions. As of March 31, 2022, the Company’s ownership interest in Perceive was approximately 80%. The operating results of Perceive have been consolidated in the Company’s condensed consolidated financial statements for all periods presented.

The Company is currently planning, subject to any required regulatory approvals, a separation of the Company’s product business and IP licensing business through a tax-efficient transaction, resulting in two independent, publicly traded companies. The Company continues to evaluate the optimal timing of the contemplated business separation and currently anticipates that such separation will be completed in the second half of 2022.

Reclassification

Certain reclassifications have been made to prior period balances in order to conform to the current period’s presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes in the Company’s significant accounting policies during the three months ended March 31, 2022, as compared to the significant accounting policies described in the Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The accounting estimates and assumptions that require management's most significant, challenging, and subjective judgment include the estimation of licensees' quarterly royalties prior to receiving the royalty reports, the determination of stand-alone selling price and the transaction price in an arrangement with multiple performance obligations, the estimation of variable consideration, the assessment of the recoverability of goodwill, the assessment of useful lives and recoverability of other intangible assets and long-lived assets, recognition and measurement of current and deferred income tax assets and liabilities, the assessment of unrecognized tax benefits, and purchase accounting resulting from business combinations, among others. Actual results experienced by the Company may differ from management's estimates.

The COVID-19 pandemic has resulted in a global slowdown of economic activity which has reduced demand for a broad variety of goods and services, while disrupting sales channels, marketing activities and supply chains. The Company's business operations have been negatively impacted by the COVID-19 pandemic and related events, and the Company expects this disruption may continue to have a negative impact on its revenue and results of operations, especially in light of the spread of the highly transmissible BA.2 Omicron subvariant and potential new variants that may arise in the future. The full extent of the future impact of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside the Company's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic; the availability, distribution and effectiveness of vaccines; the spread of new variants of COVID-19; the continued or renewed imposition of protective public safety measures; the continuing disruption of the global supply chain affecting the Company's industry; and the impact of the pandemic on the global economy and demand for consumer products.

The impact of the COVID-19 pandemic and related events, including actions taken by various government authorities in response, have increased market volatility and make the estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes more difficult. As of the date of issuance of the financial statements, the Company is not aware of any specific event or circumstance that would require it to update its estimates, judgments or revise the carrying value of its assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known.

Recently Adopted Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU 2021-08, "*Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*" ("ASU 2021-08"), which amends the guidance in ASC 805 to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers ("Topic 606"). As a result of the amendments, it is expected that an acquirer will generally recognize and measure acquired contract assets and contract liabilities in a manner consistent with how the acquiree recognized and measured them in its preacquisition financial statements. ASU 2021-08 is effective for public business entities for fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company elected to early adopt the new standard on January 1, 2022. The adoption did not have an impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848), which provides further clarification on the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848. ASU 2020-04 became effective upon issuance and may be applied prospectively to contract modifications made on or before December 31, 2022. ASU 2021-01 became effective upon issuance and may be applied on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 or prospectively for contract modifications made on or before December 31, 2022. The Company currently has debt agreements that reference LIBOR and will apply the amendments prospectively through December 31, 2022 as these contracts are modified to reference other rates.

NOTE 3 – REVENUE

Revenue Recognition

General

Revenue is recognized when control of the promised goods or services is transferred to a customer in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services, which may include various combinations of goods and services which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of sales taxes collected from customers which are subsequently remitted to governmental authorities. In situations where foreign withholding taxes are withheld by the Company's licensee, revenue is recognized gross of withholding taxes that are remitted directly by the licensee to a local tax authority.

Some of the Company's contracts with customers contain multiple performance obligations. For these contracts, the individual performance obligations are separately accounted for if they are distinct. In an arrangement with multiple performance obligations, the transaction price is allocated among the separate performance obligations on a relative stand-alone selling price basis. The determination of stand-alone selling price considers market conditions, the size and scope of the contract, customer and geographic information, and other factors. When observable prices are not available, stand-alone selling price for separate performance obligations is based on the cost-plus-margin approach, considering overall pricing objectives. The allocation of transaction price among performance obligations in a contract may impact the amount and timing of revenue recognized in the Condensed Consolidated Statements of Operations during a given period.

When a contract with a customer includes a variable transaction price, an estimate of the consideration which the Company expects to be entitled to for transferring the promised goods or services is made at contract inception. The amount of variable consideration is estimated at contract inception by considering all available information (historical, current and forecast) at the time and updated as additional information becomes available. The estimate of variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Subsequent changes in the transaction price resulting from changes in the estimate of variable consideration are allocated to the performance obligations in the contract on the same basis as at contract inception.

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

Description of Revenue-Generating Activities

The Company operates in two business segments. In its IP Licensing segment, the Company licenses its innovations to leading companies in the broader entertainment and semiconductor industries, and those developing new technologies that will help drive the industries forward. Licensing arrangements include access to one or more of the Company's foundational patent portfolios and may also include access to some of its industry-leading technologies and proven know-how. In its Product segment, the Company derives the majority of its revenue from licensing its technology to customers primarily through Technology License arrangements and Technology Solutions arrangements. For Technology License arrangements, the customer obtains rights to the technology delivered at the commencement of the agreement. For Technology Solutions arrangements, the customer receives access to a platform, media or data that includes frequent updates, where access to such updates is critical to the functionality of the technology.

IP License Arrangements

In its IP Licensing segment, the Company licenses (i) its media patent portfolios ("Media IP licensing") to multichannel video programming distributors, over-the-top video service providers, consumer electronics manufacturers, social media, and other new media companies and (ii) its semiconductor technologies and associated patent portfolios ("Semiconductor IP licensing") to memory, sensor, radio frequency ("RF") component, and foundry companies. The Company licenses its IP portfolios under three revenue models: (i) fixed-fee Media IP licensing, (ii) fixed-fee or minimum guarantee Semiconductor IP licensing, and (iii) per-unit or per-subscriber IP royalty licenses.

Fixed-fee Media IP licensing

The Company's long-term fixed-fee Media IP licensing agreements, which are related to the TiVo businesses following the Mergers, provide its customers with rights to future patented technologies over the term of the agreement that are highly

interdependent or highly interrelated to the patented technologies provided at the inception of the agreement. The Company treats these rights as a single performance obligation with revenue recognized on a straight-line basis over the term of the fixed-fee license agreement.

At times, the Company enters into license agreements in which a licensee is released from past patent infringement claims or is granted a license to ship an unlimited number of units or for an unlimited number of subscribers over a future period for a fixed fee. In these arrangements, the Company allocates the transaction price between the release for past patent infringement claims and the future license which requires significant management judgment. In determining the stand-alone selling price of the release for past patent infringement claims and the future license, the Company considers such factors as the number of units shipped in the past or the number of past subscribers and the relevant geographies of the shipped units or subscribers, the future number of subscribers or units, as well as the licensing rate the Company generally receives for per-subscriber or units shipped in the same geographies. As the release from past patent infringement claims is generally satisfied at execution of the agreement, the transaction price allocated to the release from past patent infringement claims is generally recognized in the period the agreement is executed and the amount of transaction price allocated to the future license is recognized ratably over the future license term.

Fixed-fee or minimum guarantee Semiconductor IP licensing

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

Per-unit or per-subscriber IP royalty licenses

The Company recognizes revenue from per-unit or per-subscriber IP royalty licenses in the period in which the licensee's sales or production are estimated to have occurred, which results in an adjustment to revenue when actual sales or production are subsequently reported by the licensee, which is generally in the month or quarter following usage or shipment. Estimating customers' monthly or quarterly royalties prior to receiving the royalty reports requires the Company to make significant assumptions and judgments related to forecasted trends and growth rates used to estimate quantities shipped or manufactured by customers, which could have a material impact on the amount of revenue it reports on a quarterly basis.

Technology License Arrangements

The Company licenses its audio, digital radio and imaging technology to consumer electronics ("CE") manufacturers, automotive manufacturers or their supply chain partners.

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

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

Technology Solutions Arrangements

Technology Solutions customers are primarily multi-channel video service providers, CE manufacturers, and end consumers. Technology Solutions revenue is primarily derived from licensing the Company's Pay-TV solutions, Personalized Content Discovery, enriched Metadata, and viewership data; selling TiVo-enabled devices like the Stream 4K; and advertising.

For Technology Solutions, the Company provides on-going media or data delivery, hosting and access to its platform, and software updates. For these solutions, the Company generally receives fees on a per-subscriber per-month basis or as a fixed fee, and revenue is recognized during the month in which the solutions are provided to the customer. For most of the Technology Solutions offerings, substantially all functionality is obtained through the Company's continuous hosting and/or updating of the data and content. In these instances, the Company typically has a single performance obligation related to these ongoing activities in the underlying arrangement. For those arrangements that include multiple performance obligations, the Company allocates the consideration as described above and recognizes revenue for each distinct performance obligation when control of the promised goods or services is transferred to the customer.

The Company also generates revenue from non-recurring engineering ("NRE") services, advertising, and hardware products, each of which was less than 5% of total revenue for all periods presented.

Practical Expedients and Exemptions

The Company applies a practical expedient to not perform an evaluation of whether a contract includes a significant financing component when the timing of revenue recognition differs from the timing of cash collection by one year or less.

The Company applies a practical expedient to expense costs to obtain a contract with a customer as incurred as a component of selling, general and administrative expenses when the amortization period would have been one year or less.

The Company applies a practical expedient when disclosing revenue expected to be recognized from unsatisfied performance obligations to exclude contracts with customers with an original duration of less than one year; amounts attributable to variable consideration arising from (i) a sales-based or usage-based royalty of an intellectual property license or (ii) when variable consideration is allocated entirely to a wholly unsatisfied performance obligation; or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

Revenue Details

The following information depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors by disaggregating revenue by product category/end market and geographic location (presented in "Note 16 - Segment and Geographic Information").

Revenue disaggregated by product category/end market was as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
IP Licensing revenue	\$ 138,531	\$ 98,014
Pay-TV	64,155	63,743
Consumer Electronics	28,091	31,105
Connected Car	19,719	22,891
Media Platform	6,924	5,843
Total Product revenue	118,889	123,582
Total revenue	\$ 257,420	\$ 221,596

Contract Balances

Contracts Assets

Contract assets primarily consist of unbilled contracts receivable that are expected to be received from customers in future periods, where the revenue recognized to date exceeds the amount billed. The amount of unbilled contracts receivable may not exceed their net realizable value and are classified as long-term assets if the payments are expected to be received more than one year from the reporting date. Contract assets also include the incremental costs of obtaining a contract with a customer, principally sales commissions when the renewal commission is not commensurate with the initial commission, and deferred engineering costs for significant software customization or modification and set-up services to the extent deemed recoverable.

Contract assets were recorded in the Condensed Consolidated Balance Sheets as follows (in thousands):

	March 31, 2022	December 31, 2021
Unbilled contracts receivable (1)	\$ 121,778	\$ 77,677
Other current assets	1,157	1,150
Long-term unbilled contracts receivable (2)	43,112	4,107
Other long-term assets	2,216	2,310
Total contract assets	\$ 168,263	\$ 85,244

- (1) The unbilled contracts receivable increase relates primarily to a change in billing process in the three months ended March 31, 2022. This change has no impact on the Company's cash flows.
- (2) The long-term unbilled contracts receivable increase relates primarily to the recognition of revenue from a multi-year contract with a customer in the three months ended March 31, 2022.

Contract Liabilities

Contract liabilities are mainly comprised of deferred revenue related to technology solutions arrangements, multi-period licensing, and other offerings for which the Company is paid in advance while the promised good or service is transferred to the customer at a future date or over time. Deferred revenue also includes amounts received related to professional services to be performed in the future. Deferred revenue arises when cash payments are received, including amounts which are refundable, in advance of performance obligations being completed.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for accounts receivable and unbilled contracts receivable, represents the Company's best estimate of lifetime expected credit losses inherent in those financial assets. The Company's lifetime expected credit losses are determined using relevant information about past events (including historical experience), current conditions, and reasonable and supportable forecasts that affect collectability. The Company monitors its credit exposure through ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, the Company performs routine credit management activities such as timely account reconciliations, dispute resolution, and payment confirmations. The Company may employ collection agencies and legal counsel to pursue recovery of defaulted receivables.

The Company's long-term unbilled contracts receivable is derived from fixed-fee or minimum-guarantee arrangements, primarily with large well-capitalized companies. It is generally considered to be of high credit quality due to past collection history and the nature of the customers.

The following table presents the activity in the allowance for credit losses for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended 2022	March 31, 2022	Three Months Ended 2021	March 31, 2021
	Accounts Receivable	Unbilled Contracts Receivable	Accounts Receivable	Unbilled Contracts Receivable
Beginning balance	\$ 3,102	\$ 729	\$ 7,336	\$ 2,231
Provision for (reversal of) credit losses	(180)	(111)	1,142	123
Recoveries	(38)	—	(591)	—
Charged-off/other adjustments	11	(76)	(3,849)	(1)
Balance at end of period	\$ 2,895	\$ 542	\$ 4,038	\$ 2,884

- (1) The charge off of accounts receivable in the first quarter of 2021 was primarily related to a customer whose account had been substantially reserved for credit losses in 2020 due to deteriorating financial condition and delinquent payment history.

Additional Disclosures

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

	Three Months Ended March 31,	
	2022	2021
Revenue recognized in the period from:		
Amounts included in deferred revenue at the beginning of the period	\$ 10,241	\$ 10,712
Performance obligations satisfied in previous periods (true ups, licensee reporting adjustments and settlements)*	\$ 153	\$ 19,863

*True ups represent the differences between the Company's quarterly estimates of per-unit royalty revenue and actual production/sales-based royalties reported by licensees in the following period. Licensee reporting adjustments represent corrections or revisions to previously reported per-unit royalties by licensees, generally resulting from the Company's inquiries or compliance audits. Settlements represent resolutions of litigation during the period for past royalties owed pursuant to expired or terminated IP license agreements.

Remaining revenue under contracts with performance obligations represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) under certain of the Company's fixed fee arrangements and engineering services contracts. The Company's remaining revenue under contracts with performance obligations was as follows (in thousands):

	As of	
	March 31, 2022	December 31, 2021
Revenue from contracts with performance obligations expected to be satisfied in:		
2022 (remaining 9 months)	\$ 130,163	\$ 176,646
2023	155,635	153,746
2024	126,123	122,488
2025	112,594	110,703
2026	10,940	10,735
Thereafter	4,647	4,441
Total	<u>\$ 540,102</u>	<u>\$ 578,759</u>

NOTE 4 – COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Other current assets consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Prepaid income taxes	\$ 6,557	\$ 6,103
Prepaid expenses	22,670	18,616
Inventory*	6,785	5,101
Other	6,725	6,639
	<u>\$ 42,737</u>	<u>\$ 36,459</u>

*All inventory is finished goods.

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

	March 31, 2022	December 31, 2021
Equipment, furniture and other	\$ 84,897	\$ 81,076
Building and improvements	18,331	18,331
Land	5,300	5,300
Leasehold improvements	25,607	25,535
	<u>134,135</u>	<u>130,242</u>
Less: accumulated depreciation and amortization	(74,884)	(69,268)
	<u>\$ 59,251</u>	<u>\$ 60,974</u>

Other long-term assets consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Long-term deferred tax assets	\$ 3,906	\$ 3,758
Non-current income tax receivable	119,028	118,085
Other assets	27,707	26,122
	<u>\$ 150,641</u>	<u>\$ 147,965</u>

Accrued liabilities consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Employee compensation and benefits	\$ 22,618	\$ 42,075
Third-party royalties	4,470	4,428
Accrued expenses	29,885	38,089
Accrued severance	2,359	1,921
Current portion of operating lease liabilities	16,277	16,467
Other	23,931	7,725
	<u>\$ 99,540</u>	<u>\$ 110,705</u>

Other long-term liabilities consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Long-term income tax payable	\$ 95,238	\$ 91,614
Other	7,029	7,228
	<u>\$ 102,267</u>	<u>\$ 98,842</u>

Accumulated other comprehensive loss consisted of the following (in thousands):

	March 31, 2022	December 31, 2021
Unrealized loss on available-for-sale debt securities, net of tax	\$ (243)	\$ (122)
Foreign currency translation adjustment, net of tax	(1,523)	(630)
	<u>\$ (1,766)</u>	<u>\$ (752)</u>

NOTE 5 – FINANCIAL INSTRUMENTS

The Company has investments in debt securities which include corporate bonds and notes, treasury and agency notes and bills, commercial paper, certificates of deposit, and in equity securities consisting of money market funds. The Company classifies its debt securities as available-for-sale (“AFS”), which are accounted for at fair value with credit related losses recognized as a provision for credit loss expense in its Condensed Consolidated Statements of Operations and all non-credit related unrealized gains and losses recognized in accumulated other comprehensive income or loss on the Condensed Consolidated Balance Sheets. Under ASU 2016-01 (Topic 321), equity securities are measured at fair value with unrealized gains and losses recognized in other income and expense, net, on the Condensed Consolidated Statements of Operations.

The following is a summary of marketable securities at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Values
Marketable securities					
Corporate bonds and notes	\$ 31,774	\$ —	\$ (136)	\$ —	\$ 31,638
Commercial paper	64,867	1	(58)	—	64,810
Total debt securities	96,641	1	(194)	—	96,448
Money market funds	5,938	—	—	—	5,938
Total equity securities	5,938	—	—	—	5,938
Total marketable securities	<u>\$ 102,579</u>	<u>\$ 1</u>	<u>\$ (194)</u>	<u>\$ —</u>	<u>\$ 102,386</u>
Reported in:					
Cash and cash equivalents					\$ 49,666
Available-for-sale debt securities					52,720
Total marketable securities					<u>\$ 102,386</u>

	December 31, 2021				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit losses	Estimated Fair Values
Marketable securities					
Corporate bonds and notes	\$ 40,466	\$ —	\$ (53)	\$ —	\$ 40,413
Commercial paper	49,609	—	(18)	—	49,591
Total debt securities	90,075	—	(71)	—	90,004
Money market funds	12,372	—	—	—	12,372
Total equity securities	12,372	—	—	—	12,372
Total marketable securities	<u>\$ 102,447</u>	<u>\$ —</u>	<u>\$ (71)</u>	<u>\$ —</u>	<u>\$ 102,376</u>
Reported in:					
Cash and cash equivalents					\$ 41,842
Available-for-sale debt securities					60,534
Total marketable securities					<u>\$ 102,376</u>

At March 31, 2022 and December 31, 2021, the Company had \$266.8 million and \$261.7 million, respectively, in cash, cash equivalents and short-term investments. A significant portion of these amounts was held in marketable securities, as shown above. The remaining balance of \$164.4 million and \$159.3 million at March 31, 2022 and December 31, 2021, respectively, was cash held in operating accounts not included in the tables above.

Debt Securities

The gross realized gains and losses on sales of marketable debt securities were not material during the three months ended March 31, 2022 and 2021, respectively.

Unrealized losses on AFS debt securities were \$0.2 million and \$0.1 million, net of tax, as of March 31, 2022 and December 31, 2021, respectively. The Company evaluated whether the decline in fair value has resulted from credit losses or other factors and concluded these amounts were related to temporary fluctuations in value of AFS securities and were due primarily to changes in interest rates and market conditions of the underlying securities. In addition, the contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. The Company does not intend to sell the debt securities and it is more-likely-than-not that it will not be required to sell the investments before recovery of their amortized cost bases. The Company did not recognize a provision for credit losses related to its AFS debt securities for the three months ended March 31, 2022 and 2021, respectively.

The following table summarizes the fair value and gross unrealized losses related to individual AFS debt securities at March 31, 2022 and December 31, 2021, which have been in a continuous unrealized loss position, aggregated by investment category and length of time (in thousands):

	Less Than 12 Months		12 Months or More		Total	Fair Value		
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses		Cash and Cash Equivalents	AFS Debt Securities	
March 31, 2022								
Corporate bonds and notes	\$ 18,212	\$ (88)	\$ 11,926	\$ (48)	\$ 30,138	\$ (136)	\$ —	\$ 30,138
Commercial paper	56,564	(58)	—	—	56,564	(58)	35,482	21,082
Total	<u>\$ 74,776</u>	<u>\$ (146)</u>	<u>\$ 11,926</u>	<u>\$ (48)</u>	<u>\$ 86,702</u>	<u>\$ (194)</u>	<u>\$ 35,482</u>	<u>\$ 51,220</u>

	Less Than 12 Months		12 Months or More		Total	Fair Value		
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses		Cash and Cash Equivalents	AFS Debt Securities	
December 31, 2021								
Corporate bonds and notes	\$ 29,807	\$ (45)	\$ 10,382	\$ (8)	\$ 40,189	\$ (53)	\$ —	\$ 40,189
Commercial paper	48,091	(18)	—	—	48,091	(18)	29,470	18,621
Total	<u>\$ 77,898</u>	<u>\$ (63)</u>	<u>\$ 10,382</u>	<u>\$ (8)</u>	<u>\$ 88,280</u>	<u>\$ (71)</u>	<u>\$ 29,470</u>	<u>\$ 58,810</u>

The estimated fair value of marketable debt securities by contractual maturity at March 31, 2022 is shown below (in thousands). Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties.

	Estimated Fair Value
Due in one year or less	\$ 48,599
Due in one to two years	4,121
Total	<u>\$ 52,720</u>

Non-marketable Equity Securities

As of March 31, 2022 and December 31, 2021, other long-term assets included equity securities accounted for under the equity method with a carrying amount of \$4.7 million and \$4.8 million, respectively, and equity securities without a readily determinable fair value with a carrying amount of \$0.1 million and \$0.1 million, respectively. No impairments or adjustments to the carrying amount of the Company's equity securities without a readily determinable fair value were recognized in the three months ended March 31, 2022 and 2021, respectively.

NOTE 6 – FAIR VALUE

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

- Level 1* Quoted prices in active markets for identical assets.
- Level 2* Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When applying fair value principles in the valuation of assets, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculates the fair value of its Level 1 and Level 2 instruments based on the exchange traded price of similar or identical instruments, where available, or based on other observable inputs. There were no significant transfers into or out of Level 1 or Level 2 that occurred between December 31, 2021 and March 31, 2022.

The following sets forth the fair value, and classification within the hierarchy, of the Company's assets required to be measured at fair value on a recurring basis as of March 31, 2022 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities				
Money market funds - equity securities (1)	\$ 5,938	\$ 5,938	\$ —	\$ —
Corporate bonds and notes - debt securities (2)	31,638	—	31,638	—
Commercial paper - debt securities (3)	64,810	—	64,810	—
Total Assets	<u>\$ 102,386</u>	<u>\$ 5,938</u>	<u>\$ 96,448</u>	<u>\$ —</u>

- (1) Reported as cash and cash equivalents in the Condensed Consolidated Balance Sheet.
- (2) Reported as AFS debt securities in the Condensed Consolidated Balance Sheet.
- (3) Reported as cash and cash equivalents if purchased with an original maturity of three months or less at the date of purchase; otherwise reported as AFS debt securities in the Condensed Consolidated Balance Sheet.

The following sets forth the fair value, and classification within the hierarchy, of the Company's assets required to be measured at fair value on a recurring basis as of December 31, 2021 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities				
Money market funds - equity securities (1)	\$ 12,372	\$ 10,372	\$ 2,000	\$ —
Corporate bonds and notes - debt securities (2)	40,413	—	40,413	—
Commercial paper - debt securities (3)	49,591	—	49,591	—
Total Assets	<u>\$ 102,376</u>	<u>\$ 10,372</u>	<u>\$ 92,004</u>	<u>\$ —</u>

- (1) Reported as cash and cash equivalents in the Condensed Consolidated Balance Sheet.
- (2) Reported as AFS debt securities in the Condensed Consolidated Balance Sheet.
- (3) Reported as cash and cash equivalents if purchased with an original maturity of three months or less at the date of purchase; otherwise reported as AFS debt securities in the Condensed Consolidated Balance Sheet.

Financial Instruments Not Recorded at Fair Value

The Company's long-term debt is carried at amortized cost and is measured at fair value on a quarterly basis for disclosure purposes. The carrying amounts and estimated fair values are as follows (in thousands):

	March 31, 2022		December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Refinanced Term B Loans (1)	\$ 756,485	\$ 745,138	\$ 765,487	\$ 764,530
Total long-term debt, net	<u>\$ 756,485</u>	<u>\$ 745,138</u>	<u>\$ 765,487</u>	<u>\$ 764,530</u>

- (1) Carrying amounts of long-term debt are net of unamortized debt discount and issuance costs of \$23.1 million and \$24.3 million as of March 31, 2022 and December 31, 2021, respectively. See "Note 9 – Debt" for additional information.

If reported at fair value in the Condensed Consolidated Balance Sheets, the Company's debt would be classified within Level 2 of the fair value hierarchy. The fair value of the debt was estimated based on the quoted market prices for the same or similar issues.

NOTE 7 – BUSINESS COMBINATION

On May 31, 2021, the Company completed its acquisition of certain assets and assumption of certain liabilities of MobiTV, Inc. (“MobiTV”, and the acquisition, the “MobiTV Acquisition”), a provider of application-based Pay-TV video delivery solutions. The acquisition expanded the Company’s IPTV Managed Service capabilities, which is expected to grow the addressable market for the Company’s IPTV products and further secure TiVo’s position as a leading provider of Pay-TV solutions. The net purchase price for the MobiTV Acquisition was \$17.4 million in cash.

Purchase Price Allocation

The MobiTV Acquisition has been accounted for as a business combination, using the acquisition method. The following table presents the allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on the fair values at the acquisition date, with any excess of the purchase price over the estimated fair value of the identifiable net assets acquired recorded to goodwill, all of which is expected to be deductible for tax purposes. The following table sets forth the final purchase price allocation with no measure period adjustments identified (\$ in thousands):

	Estimated Useful Life (years)	Final Fair Value
Other current assets		\$ 390
Property and equipment		9,223
Operating lease right-of-use assets		1,186
Identifiable intangible assets:		
Patents	10	5,000
Technology	6	3,260
Total identifiable intangible assets		8,260
Goodwill		4,059
Other long-term assets		115
Accrued liabilities		(5,288)
Noncurrent operating lease liabilities		(545)
Total purchase price		<u>\$ 17,400</u>

The results of operations and cash flows relating to the business acquired pursuant to the MobiTV Acquisition have been included in the Company’s consolidated financial statements for periods subsequent to May 31, 2021, and the related assets and liabilities were recorded at their estimated fair values in the Company’s Consolidated Balance Sheet as of May 31, 2021. The operations acquired in the MobiTV Acquisition are included in the Company’s Product segment.

NOTE 8 – GOODWILL AND IDENTIFIED INTANGIBLE ASSETS

Goodwill

The changes to the carrying value of goodwill from January 1, 2022 through March 31, 2022 are reflected below (in thousands):

December 31, 2021	\$ 851,088
Goodwill adjustment related to Mergers in prior periods (1)	(988)
March 31, 2022 (2)	<u>\$ 850,100</u>

- (1) Reflects the correction of an error in the purchase price allocation for the Mergers to reduce goodwill and revenue. The error was not material to the current period financial statements or any prior periods.
- (2) The Company’s reporting units include the IP Licensing segment and the Product segment (defined further in “Note 16 - *Segment and Geographic Information*”). Of the carrying value of goodwill, approximately \$322.3 million was allocated to the IP Licensing segment and approximately \$527.8 million was allocated to the Product segment as of each of March 31, 2022 and December 31, 2021.

Goodwill at each reporting unit is evaluated for potential impairment annually, as of the beginning of the fourth quarter, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable.

Identified Intangible Assets

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

	Average Life (Years)	March 31, 2022			December 31, 2021		
		Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
Finite-lived intangible assets							
Acquired patents / core technology	3-10	\$ 672,992	\$ (238,788)	\$ 434,204	\$ 672,872	\$ (224,508)	\$ 448,364
Existing technology / content database	5-10	251,465	(211,712)	39,753	251,445	(206,934)	44,511
Customer contracts and related relationships	3-9	649,838	(379,519)	270,319	649,926	(360,543)	289,383
Trademarks/trade name	4-10	40,083	(27,079)	13,004	40,083	(25,825)	14,258
Non-competition agreements	1	2,231	(2,231)	—	2,231	(2,231)	—
Total finite-lived intangible assets		<u>1,616,609</u>	<u>(859,329)</u>	<u>757,280</u>	<u>1,616,557</u>	<u>(820,041)</u>	<u>796,516</u>
Indefinite-lived intangible assets							
TiVo Tradename/trademarks	N/A	21,400	—	21,400	21,400	—	21,400
Total intangible assets		<u>\$ 1,638,009</u>	<u>\$ (859,329)</u>	<u>\$ 778,680</u>	<u>\$ 1,637,957</u>	<u>\$ (820,041)</u>	<u>\$ 817,916</u>

As of March 31, 2022, the estimated future amortization expense of total finite-lived intangible assets was as follows (in thousands):

2022 (remaining 9 months)	\$	116,730
2023		145,084
2024		106,171
2025		81,716
2026		78,719
Thereafter		228,860
	<u>\$</u>	<u>757,280</u>

NOTE 9 – DEBT

The outstanding amounts of debt were as follows (in thousands):

	March 31, 2022	December 31, 2021
Refinanced Term B Loans	\$ 779,625	\$ 789,750
Unamortized debt discount and issuance costs	(23,140)	(24,263)
	<u>756,485</u>	<u>765,487</u>
Less: current portion, net of debt discount and issuance costs	(36,152)	(36,095)
Total long-term debt, net of current portion	<u>\$ 720,333</u>	<u>\$ 729,392</u>

Refinanced Term B Loans

On June 8, 2021, the Company amended that certain Credit Agreement dated June 1, 2020 by and among the Company, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the “2020 Credit Agreement”). The 2020 Credit Agreement initially provided for a five-year senior secured term B loan facility in an aggregate principal amount of \$1,050 million (the “2020 Term B Loan Facility”). In connection with the amendment (the “Amendment”), the Company made a voluntary prepayment of \$50.6 million of the term loan outstanding under the 2020 Credit Agreement using cash on hand. The Amendment provided for, among other things, (i) a new tranche of term loans (the “Refinanced Term B Loans”) in an aggregate principal amount of \$810.0 million, (ii) a reduction of the interest rate margin applicable to such loans to (x) in the case of base rate loans, 2.50% per annum and (y) in the case of Eurodollar loans, LIBOR plus a margin of 3.50% per annum, (iii) a prepayment premium of 1.00% in connection with any repricing transaction with respect to the Refinanced Term B Loans within six months of the closing date of the Amendment, (iv) an extension of the maturity to June 8, 2028, and (v) certain additional amendments, including amendments to provide the Company with additional flexibility under the covenant governing restricted payments. The Company commenced repaying quarterly installments under the Refinanced Term B Loans in the third quarter of 2021.

The obligations under the 2020 Credit Agreement, inclusive of any changes by the Amendment, continue to be guaranteed by Xperi, TiVo and certain other of the Company’s wholly-owned material domestic subsidiaries (collectively, the “Guarantors”) and continue to be secured by a lien on substantially all of the assets of the Company and the Guarantors.

The 2020 Credit Agreement, as amended, contains customary events of default, upon the occurrence of which, after any applicable cure period, the lenders will have the ability to accelerate all outstanding loans thereunder. The 2020 Credit Agreement, as amended, also contains customary representations and warranties and affirmative and negative covenants that, among other things and subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create or incur certain liens, incur or guarantee additional indebtedness, merge or consolidate with other companies, transfer or sell assets and make restricted payments. The 2020 Credit Agreement, as amended, requires the Company to maintain a total net leverage ratio of no greater than 3.00x in order access an annual basket from which to make restricted payments (such as dividend payments and share repurchases). The Company was in compliance with all requirements as of March 31, 2022. The 2020 Credit Agreement, as amended, also requires the Company to make additional cash payments on an annual basis beginning in March 2023 based on certain leverage ratios and excess cash flow generated for the immediately preceding fiscal year.

Certain lenders of the 2020 Term B Loan Facility participated in the Amendment and the changes in terms were not considered substantial. Accordingly, the Company accounted for the refinancing event for these lenders as a debt modification under ASC 470-50, “Debt — Modifications and Extinguishments.” Under its policy, the Company elected to continue to defer the unamortized debt discount and issuance costs for these continuing lenders related to the partial pay-down of the debt. Certain lenders of the 2020 Term B Loan Facility did not participate in the Amendment. Accordingly, the Company accounted for the refinancing event for these lenders as a debt extinguishment. As a result, the Company recorded an \$8.0 million loss on debt extinguishment in the second quarter of 2021, related to the write-off of unamortized debt discount and issuance costs for the portions of the 2020 Term B Loan Facility considered to be extinguished.

In connection with its entry into the Amendment, the Company incurred \$6.8 million in debt financing costs, of which \$4.2 million were capitalized in accordance with ASC 835-30 “Debt Issuance Costs” and, together with a portion of the unamortized debt discount and issuance costs from the 2020 Term B Loan Facility, are being amortized into interest expense over the term of the Amendment. Under ASC 470-50, the remaining \$2.6 million, primarily related to third-party fees, were recorded as selling, general and administrative expense in the second quarter of 2021.

Interest Expense and Expected Principal Payments

At March 31, 2022, \$779.6 million in total debt was outstanding. There were also \$23.1 million of unamortized debt discount and issuance costs recorded as a reduction from the carrying amount of the debt. Interest rate on the Refinanced Term B Loans, including the amortization of debt discount and issuance costs was 4.2% and interest was payable monthly. Interest expense was \$8.4 million and \$11.3 million for the three months ended March 31, 2022 and 2021, respectively. Amortized debt discount and issuance costs, which were included in interest expense, amounted to \$1.1 million and \$2.3 million for the three months ended March 31, 2022 and 2021, respectively.

As of March 31, 2022, future minimum principal payments for long-term debt are summarized as follows (in thousands):

2022 (remaining 9 months)	\$	30,375
2023		40,500
2024		40,500
2025		40,500
2026		40,500
Thereafter		587,250
Total	\$	<u>779,625</u>

NOTE 10 – NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted shares (in thousands):

	Three Months Ended	
	March 31, 2022	March 31, 2021
Denominator:		
Weighted average shares of common stock outstanding	103,679	104,940
Total common shares-basic	103,679	104,940
Effect of dilutive securities:		
Options	3	32
Restricted stock awards and units	1,650	2,804
Total common shares-diluted	105,332	107,776

Basic net income per share is computed using the weighted average number of shares of common stock outstanding during the period, excluding any unvested restricted stock awards that are subject to repurchase. Diluted net income per share is computed using the treasury stock method to calculate the weighted average number of shares of common stock and, if dilutive, potential common shares outstanding during the period. Potentially dilutive common shares include unvested restricted stock awards and units and incremental common shares issuable upon the exercise of stock options, less shares repurchased from assumed proceeds. The assumed proceeds calculation includes actual proceeds to be received from the employee upon exercise and the average unrecognized stock compensation cost during the period.

In the calculation of net income per share for the three months ended March 31, 2022 and 2021, 3.6 million and 1.1 million shares, respectively, subject to stock options and restricted stock awards and units were excluded from the computation of diluted net income per share as they were anti-dilutive.

NOTE 11 – STOCKHOLDERS' EQUITY

Equity Incentive Plans

The 2020 EIP

In connection with the Mergers and immediately prior to June 1, 2020, the Company adopted the Xperi Holding Corporation 2020 Equity Incentive Plan (the "2020 EIP").

Under the 2020 EIP, the Company may grant equity-based awards to employees, non-employee directors, and consultants for services rendered to the Company (or any parent or subsidiary) in the form of stock options, stock awards, restricted stock awards, restricted stock units, stock appreciation rights, dividend equivalents and performance awards (or any combination thereof). A total of 8,000,000 shares have been reserved for issuance under the 2020 EIP provided that each share issued pursuant to "full value" awards (i.e., stock awards, restricted stock awards, restricted stock units, performance awards and dividend equivalents) are counted against shares available for issuance under the 2020 EIP on a 1.5 to 1 ratio.

The 2020 EIP provides for option grants designed as either incentive stock options or nonstatutory options. Options generally are granted with an exercise price not less than the value of the common stock on the grant date and have a term of ten years from the date of grant and vest over a four-year period. The vesting criteria for restricted stock awards and restricted stock units is generally the passage of time or meeting certain performance-based objectives, and continued employment through the vesting period generally over four years for time-based awards.

Assumed Plans

On June 1, 2020, the Company assumed all then-outstanding stock options, awards, and shares available and reserved for issuance under all legacy Equity Incentive Plans of TiVo (collectively, the "Assumed Plans"). Stock options assumed from the Assumed Plans generally have vesting periods of four years and a contractual term of seven years. Awards of restricted stock and restricted stock units assumed from the Assumed Plans are generally subject to a four year vesting period. The number of shares subject to stock options and restricted stock unit awards outstanding under these plans are included in the tables below. Shares reserved under the Assumed Plans will be available for future grants.

As of March 31, 2022, there were 1.8 million shares reserved for future grants under both the 2020 EIP and the Assumed Plans.

A summary of the stock option activity is presented below (in thousands, except per share amounts):

	Options Outstanding	
	Number of Shares Subject to Options	Weighted Average Exercise Price Per Share
Balance at December 31, 2021	447	\$ 25.22
Options granted	—	\$ —
Options exercised	(1)	\$ 17.60
Options canceled / forfeited / expired	(22)	\$ 54.69
Balance at March 31, 2022	424	\$ 23.64

Restricted Stock Awards and Units

Information with respect to outstanding restricted stock awards and units (including both time-based vesting and performance-based vesting) as of March 31, 2022 is as follows (in thousands, except per share amounts):

	Restricted Stock and Restricted Stock Units			
	Number of Shares Subject to Time-based Vesting	Number of Shares Subject to Performance-based Vesting	Total Number of Shares	Weighted Average Grant Date Fair Value Per Share
Balance at December 31, 2021	6,815	1,525	8,340	\$ 19.61
Awards and units granted	1,918	—	1,918	\$ 17.38
Awards and units vested / earned	(1,274)	(335)	(1,609)	\$ 20.87
Awards and units canceled / forfeited	(339)	(174)	(513)	\$ 19.73
Balance at March 31, 2022	7,120	1,016	8,136	\$ 18.83

Performance Awards and Units

Performance awards and units may be granted to employees or consultants based upon, among other things, the contributions, responsibilities and other compensation of the particular employee or consultant. The value and the vesting of such performance awards and units are generally linked to one or more performance goals or certain market conditions determined by the Company, in each case on a specified date or dates or over any period or periods determined by the Company, and may range from zero to 200 percent of the grant. For performance awards subject to a market vesting condition (“market-based PSUs”), the fair value per award is fixed at the grant date and the amount of compensation expense is not adjusted during the performance period regardless of changes in the level of achievement of the market condition.

Employee Stock Purchase Plans

Prior to the Mergers, the Company had implemented the Xperi Corporation 2003 Employee Stock Purchase Plan and the International Employee Stock Purchase Plan, both of which were terminated immediately prior to the effective time of the Mergers.

In connection with the Mergers and immediately prior to June 1, 2020, the Company adopted the Xperi Holding Corporation 2020 Employee Stock Purchase Plan (the “2020 ESPP”). The 2020 ESPP is implemented through consecutive overlapping 24-month offering periods, each of which is comprised of four six-month purchase periods. The first offering period commenced on September 1, 2020 and will end on August 31, 2022. Each subsequent offering period under the 2020 ESPP will be twenty-four (24) months long and will commence on each September 1 and March 1 during the term of the plan. Participants may contribute up to 100% of their base earnings and commissions through payroll deductions, and the accumulated deductions will be applied to the purchase of shares on each semi-annual purchase date. The purchase price per share will equal 85% of the fair market value per share on the start date of the offering period or, if lower, 85% of the fair market value per share on the semi-annual purchase date.

An eligible employee’s right to buy the Company’s common stock under the 2020 ESPP may not accrue at a rate in excess of \$25,000 of the fair market value of such shares per calendar year for each calendar year of an offering period. If the fair market value per share of the Company’s common stock on any purchase date during an offering period is less than the fair market value per share on the start date of the 24-month offering period, then that offering period will automatically terminate and a

new 24-month offering period will begin on the next business day. All participants in the terminated offering will be transferred to the new offering period.

As of March 31, 2022, there were 0.1 million shares reserved for grant under the Company's 2020 ESPP.

Stock Repurchase Programs

Following the termination of Xperi's prior stock repurchase program after the closing of the Mergers, on June 12, 2020 the Board of Directors (the "Board") of the Company authorized a new stock repurchase program providing for the repurchase of up to \$150.0 million of the Company's Common Stock dependent on market conditions, share prices and other factors. On April 22, 2021, the Board authorized an additional \$100.0 million of purchases under the existing stock repurchase plan.

As of March 31, 2022, the Company has repurchased a total of approximately 10.0 million shares of common stock, since inception of the plan, at an average price of \$17.24 per share for a total cost of \$172.2 million. As of December 31, 2021, the Company had repurchased a total of approximately 9.0 million shares of common stock, since inception of the plan, at an average price of \$17.29 per share for a total cost of \$155.0 million. The shares repurchased are recorded as treasury stock and are accounted for under the cost method. No expiration date has been specified for this plan. As of March 31, 2022, the total remaining amount available for repurchase under this plan was \$77.8 million. The Company plans to continue to execute authorized repurchases from time to time under the plan.

The Company issues restricted stock units as part of the equity incentive plans described above. For the majority of restricted awards, shares are withheld to satisfy required withholding taxes at the vesting date. Shares withheld to satisfy required withholding taxes in connection with the vesting of restricted awards are treated as common stock repurchases in the condensed consolidated financial statements because they reduce the number of shares that would have been issued on vesting. However, these withheld shares are not included in common stock repurchases under the Company's authorized share repurchase plan. During the three months ended March 31, 2022 and 2021, the Company withheld 0.7 million and 0.3 million shares of common stock to satisfy \$11.1 million and \$7.4 million of required withholding taxes, respectively.

NOTE 12 – STOCK-BASED COMPENSATION EXPENSE

The effect of recording stock-based compensation ("SBC") expense for the three months ended March 31, 2022 and 2021 is as follows (in thousands):

	Three Months Ended	
	March 31, 2022	March 31, 2021
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 628	\$ 323
Research, development and other related costs	5,475	4,347
Selling, general and administrative	10,701	8,549
Total stock-based compensation expense	16,804	13,219
Tax effect on stock-based compensation expense	(172)	(154)
Net effect on net income (loss)	<u>\$ 16,632</u>	<u>\$ 13,065</u>

SBC expense categorized by various equity components for the three months ended March 31, 2022 and 2021 is summarized in the table below (in thousands):

	Three Months Ended	
	March 31, 2022	March 31, 2021
Restricted stock awards and units	\$ 15,220	\$ 11,929
Employee stock purchase plan	1,584	1,271
Employee stock options	—	19
Total stock-based compensation expense	<u>\$ 16,804</u>	<u>\$ 13,219</u>

In connection with termination of employment with a former executive on March 1, 2022, the Company entered into a Separation Agreement and Release with the executive, dated February 18, 2022 (the "Separation Agreement"). Pursuant to the Separation Agreement, the Company approved, among other severance benefits, accelerated vesting of 372,244 of outstanding performance and time-based restricted stock units. As a result of this modification, the Company recorded incremental SBC of approximately \$2.2 million for the three months ended March 31, 2022.

There were no options granted in the three months ended March 31, 2022 and 2021.

The following assumptions were used to value the restricted stock units subject to market conditions granted during the period:

	<u>March 2022*</u>	<u>March 2021</u>
Expected life (years)	—	3.0
Risk-free interest rate	—	0.3%
Dividend yield	—	1.0%
Expected volatility	—	47.9%

*There were no market-based restricted stock units granted in the three months ended March 31, 2022.

ESPP grants occur in March and September. The following assumptions were used to value the ESPP shares for these grants:

	<u>March 2022</u>	<u>September 2021</u>	<u>March 2021</u>
Expected life (years)	2.0	2.0	2.0
Risk-free interest rate	1.3%	0.2%	0.1%
Dividend yield	1.1%	0.9%	1.2%
Expected volatility	48.5%	52.0%	52.0%

NOTE 13 – INCOME TAXES

For the three months ended March 31, 2022, the Company recorded an income tax expense of \$21.5 million on pretax income of \$45.5 million, which resulted in an effective tax rate of 47.3%. The income tax expense for the three months ended March 31, 2022 was primarily related to foreign withholding taxes, U.S. federal base erosion and anti-abuse tax (“BEAT”), state income taxes, and unrealized foreign exchange loss from the prior year South Korea refund claims.

For the three months ended March 31, 2021, the Company recorded an income tax benefit of \$4.0 million on pretax income of \$0.5 million, which resulted in an effective tax rate of (786.4)%. The income tax benefit for the three months ended March 31, 2021 was primarily related to foreign withholding taxes, BEAT and unrealized foreign exchange loss from the prior year South Korea refund claims. The Company’s negative effective tax rate is based on the projected 2021 GAAP U.S. pretax loss and is significantly less than the 21% U.S. federal tax rate. The Company’s effective tax rate is the result of the most significant components of income tax expense, primarily driven by foreign withholding and BEAT. The computed negative effective tax rate is applied to the year-to-date U.S. profit resulting in an income tax benefit for the quarter ended March 31, 2021.

As of March 31, 2022, gross unrecognized tax benefits increased \$3.6 million to \$244.0 million compared to \$240.4 million as of December 31, 2021. This was included in long-term deferred tax and other long-term liabilities on the Condensed Consolidated Balance Sheets. Of this amount, \$95.2 million would affect the effective tax rate if recognized. As of March 31, 2021, unrecognized tax benefits of \$228.7 million were included in long-term deferred tax and other long-term liabilities on the Condensed Consolidated Balance Sheets. Of this amount, \$96.0 million would affect the effective tax rate if recognized. The Company is unable to reasonably estimate the timing of the long-term payments or the amount by which the liability will increase or decrease.

It is the Company's policy to classify accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company recognized interest and penalties related to unrecognized tax benefits of \$0.2 million and \$0.6 million for the three months ended March 31, 2022 and 2021, respectively. Accrued interest and penalties were \$3.1 million and \$2.8 million as of March 31, 2022 and December 31, 2021, respectively.

As of March 31, 2022, the Company’s 2017 through 2021 tax years are generally open and subject to potential examination in one or more jurisdictions. Earlier tax years for the Company and its subsidiaries are also open in certain jurisdictions which are currently subject to examination. In addition, in the U.S., any net operating losses or credits that were generated in prior years but not yet fully utilized in a year that is closed under the statute of limitations may also be subject to examination. The Company has submitted a withholding tax refund claim with the South Korean authorities and the final outcome is not anticipated to be settled within the next twelve months.

NOTE 14 – LEASES

The Company leases office and research facilities, data centers and office equipment under operating leases which expire through 2029. The Company's leases have remaining lease terms of one year to eight years, some of which may include options to extend the leases for five years or longer, and some of which may include options to terminate the leases within the next 6 years or less. Leases with an initial term of 12 months or less are not recorded on the balance sheets; expense for these leases is recognized on a straight-line basis over the lease term. Variable lease payments are expensed as incurred and are not included within the lease liability and right-of-use assets calculation. As a practical expedient, the Company elected, for all office and facility leases, not to separate nonlease components (e.g., common-area maintenance costs) from lease components (e.g., fixed payments including rent) and instead to account for each separate lease component and its associated non-lease components as a single lease component. As most of the leases do not provide an implicit rate, the Company generally, for purposes of discounting lease payments, uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date.

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

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
Fixed lease cost (1)	\$ 5,526	\$ 5,466
Variable lease cost	1,274	1,365
Less: sublease income	(2,106)	(2,188)
Total operating lease cost	<u>\$ 4,694</u>	<u>\$ 4,643</u>

(1) Includes short-term leases, which were immaterial.

Other information related to leases was as follows (in thousands, except lease term and discount rate):

	Three Months Ended,	
	March 31, 2022	March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,585	\$ 5,555
ROU assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 1,908	\$ —
	March 31, 2022	December 31, 2021
Weighted-average remaining lease term (years):		
Operating leases	4.2	4.4
Weighted-average discount rate:		
Operating leases	5.0%	5.0%

Future minimum lease payments and related lease liabilities as of March 31, 2022 were as follows (in thousands):

	Operating Lease Payments (1)	Sublease Income	Net Operating Lease Payments
2022 (remaining 9 months)	\$ 14,479	\$ (5,470)	\$ 9,009
2023	19,179	(7,618)	11,561
2024	17,253	(7,610)	9,643
2025	15,374	(7,386)	7,988
2026	6,586	(935)	5,651
Thereafter	3,244	—	3,244
Total lease payments	<u>76,115</u>	<u>(29,019)</u>	<u>47,096</u>
Less: imputed interest	(7,908)	—	(7,908)
Present value of lease liabilities:	<u>\$ 68,207</u>	<u>\$ (29,019)</u>	<u>\$ 39,188</u>
Less: current obligations under leases (accrued liabilities)	16,277		
Noncurrent operating lease liabilities	<u>\$ 51,930</u>		

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Purchase and Other Contractual Obligations

In the ordinary course of business, the Company enters into contractual agreements with third parties that include non-cancelable payment obligations, for which it is liable in future periods. These arrangements primarily include unconditional purchase obligations to service providers. As of March 31, 2022, the Company's total future unconditional purchase obligations were approximately \$116.6 million.

Inventory Purchase Commitment

The Company uses contract manufacturers to provide manufacturing services for its products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate supply, the Company enters into agreements with its contract manufacturers that either allow them to procure inventory based on criteria as defined by the Company or that establish the parameters defining the Company's requirements. A significant portion of the Company's purchase commitments arising from these agreements consist of firm, non-cancelable and unconditional purchase commitments. In certain instances, these agreements allow the Company the option to cancel, reschedule or adjust the Company's requirements based on its business needs prior to firm orders being placed. As of March 31, 2022, the Company had total purchase commitments for inventory of \$9.8 million, of which \$2.9 million was accrued in the Condensed Consolidated Balance Sheet.

Indemnifications

In the normal course of business, the Company provides indemnifications of varying scopes and amounts to certain of its licensees, customers, and business partners against claims made by third parties arising from the use of the Company's products, intellectual property, services or technologies. The Company cannot reasonably estimate the possible range of losses that may be incurred pursuant to its indemnification obligations, if any. Variables affecting any such assessment include, but are not limited to: the nature of the claim asserted; the relative merits of the claim; the financial ability of the party suing the indemnified party to engage in protracted litigation; the number of parties seeking indemnification; the nature and amount of damages claimed by the party suing the indemnified party; and the willingness of such party to engage in settlement negotiations. To date, no such claims have been filed against the Company and no liability has been recorded in the Company's financial statements.

As permitted under Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company believes, given the absence of any such payments in the Company's history, and the estimated low probability of such payments in the future, that the estimated fair value of these indemnification agreements is immaterial. In addition, the Company has directors' and officers' liability insurance coverage that is intended to reduce its

financial exposure and may enable the Company to recover any payments under the indemnification agreements, should they occur.

Contingencies

At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of losses is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company is currently unable to predict the final outcome of lawsuits to which it is a party and therefore cannot determine the likelihood of loss nor estimate a range of possible losses. An adverse decision in any of these proceedings could significantly harm the Company's business and consolidated financial position, results of operations or cash flows.

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

The existing and any future legal actions may harm the Company's business. For example, legal actions could cause an existing licensee or strategic partner to cease making royalty or other payments to the Company, or to challenge the validity and enforceability of patents owned by the Company's subsidiaries or the scope of license agreements with the Company's subsidiaries, or could significantly damage the Company's relationship with such licensee or strategic partner and, as a result, prevent the adoption of the Company's other technologies by such licensee or strategic partner. Litigation could also severely disrupt or shut down the business operations of licensees or strategic partners of the Company's subsidiaries, which in turn would significantly harm ongoing relations with them and cause the Company to lose royalty revenue.

The costs associated with legal proceedings are typically high, relatively unpredictable, and not completely within the Company's control. These costs may be materially higher than expected, which could adversely affect the Company's operating results and lead to volatility in the price of its common stock. Whether or not determined in the Company's favor or ultimately settled, litigation diverts managerial, technical, legal, and financial resources from the Company's business operations. Furthermore, an adverse decision in any of these legal actions could result in a loss of the Company's proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses from others, limit the value of the Company's licensed technology or otherwise negatively impact the Company's stock price or its business and consolidated financial results.

NOTE 16 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company reports its financial results within two reportable segments: (1) Intellectual Property ("IP") Licensing and (2) Product. There are certain corporate overhead costs that are not allocated to these reportable segments because these operating amounts are not considered in evaluating the operating performance of the Company's business segments.

Reportable segments are identified based on the Company's organizational structure and information reviewed by the Company's chief operating decision maker ("CODM") to evaluate performance and allocate resources. The Company's Chief Executive Officer is also the CODM as defined by the authoritative guidance on segment reporting.

The IP Licensing segment consists primarily of licensing the Company's innovations to leading companies in the broader entertainment and semiconductor industries, and those developing new technologies that will help drive the industries forward. Licensing arrangements include access to one or more of the Company's foundational patent portfolios and may also include access to some of its industry-leading technologies and proven know-how.

In its Product segment, the Company derives the majority of its revenue from licensing its technology to customers primarily through Technology License arrangements and Technology Solutions arrangements. For Technology License arrangements, the customer obtains rights to the technology delivered at the commencement of the agreement. For Technology Solutions arrangements, the customer receives access to a platform, media or data that includes frequent updates, where access to such updates is critical to the functionality of the technology.

The Company does not identify or allocate assets by reportable segment, nor does the CODM evaluate reportable segments using discrete asset information. Reportable segments do not record inter-segment revenue and accordingly there are none to report. The Company does not allocate other income and expense to reportable segments. Although the CODM uses operating income to evaluate reportable segments, operating costs included in one segment may benefit other segments.

The following table sets forth the Company's segment revenue, operating expenses and operating income for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended	
	March 31, 2022	March 31, 2021
Revenue:		
IP Licensing segment	\$ 138,531	\$ 98,014
Product segment	118,889	123,582
Total revenue	257,420	221,596
Operating expenses:		
IP Licensing segment	35,292	33,567
Product segment	97,511	108,563
Unallocated operating expenses (1)	71,648	69,067
Total operating expenses	204,451	211,197
Operating income:		
IP Licensing segment	103,239	64,447
Product segment	21,378	15,019
Unallocated operating expenses (1)	(71,648)	(69,067)
Total operating income	\$ 52,969	\$ 10,399

- (1) Unallocated operating expenses consist primarily of selling, marketing, general and administrative expenses, such as administration, human resources, finance, information technology, corporate development and procurement. These expenses are not allocated because these amounts are not considered in evaluating the operating performance of the Company's business segments.

A significant portion of the Company's revenue is derived from licensees headquartered outside of the U.S., and it is expected that this revenue will continue to account for a significant portion of total revenue in future periods. The table below lists the geographic revenue for the periods indicated (in thousands):

	Three Months Ended			
	March 31, 2022		March 31, 2021	
U.S.	\$ 182,846	71%	\$ 131,498	59%
Japan	18,884	7	26,444	12
South Korea	7,056	3	18,513	9
Europe and Middle East	13,020	5	16,422	7
Other	35,614	14	28,719	13
	\$ 257,420	100%	\$ 221,596	100%

For the three months ended March 31, 2022 and 2021, there were one customer and no customers, respectively, that each accounted for 10% or more of total revenue. As of both March 31, 2022 and December 31, 2021, there was one customer that individually accounted for 10% or more of total accounts receivable.

NOTE 17 - SUBSEQUENT EVENTS

On April 29, 2022, the Board declared a cash dividend of \$0.05 per share of common stock, payable on June 21, 2022 to the stockholders of record at the close of business on May 31, 2022.

At the 2022 annual stockholders meeting on April 29, 2022, shareholders approved (i) an amendment to the 2020 EIP adding an additional 8.8 million shares to the share reserve and (ii) an amendment to the 2020 ESPP adding an additional 6.0 million shares to the share reserve.

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

The following discussion is intended to promote understanding of the results of operations and financial condition and should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto, and with our audited financial statements and notes thereto for the year ended December 31, 2021 found in the Form 10-K filed by Xperi Holding Corporation on February 24, 2022 (the “Form 10-K”).

This Quarterly Report contains forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Words such as “expects,” “anticipates,” “plans,” “believes,” “seeks,” “estimates,” “could,” “would,” “may,” “intends,” “targets” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Quarterly Report. The identification of certain statements as “forward-looking” is not intended to mean that other statements not specifically identified are not forward-looking. All statements other than statements about historical facts are statements that could be deemed forward-looking statements, including, but not limited to, statements that relate to our future revenue, product development, demand, acceptance and market share, growth rate, competitiveness, gross margins, levels of research, development and other related costs, expenditures, the outcome or effects of and expenses related to litigation and administrative proceedings related to our patents, our intent to enforce our intellectual property rights, our ability to license our intellectual property, tax expenses, cash flows, our ability to liquidate and recover the carrying value of our investments, our management’s plans and objectives for our current and future operations, our plans for quarterly dividends and stock repurchases, the levels of customer spending or research and development activities, general economic conditions, the impact of the COVID-19 pandemic and related events, the impact of the Mergers (as defined below) and other acquisitions on our financial condition and results of operations, our plans to separate our product and IP licensing businesses, and the sufficiency of financial resources to support future operations and capital expenditures.

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

Business Overview

On December 18, 2019, Xperi Corporation (“Xperi”) entered into a definitive agreement with TiVo Corporation (“TiVo”), to combine in an all-stock merger of equals transaction (the “Mergers”). Following consummation of the Mergers on June 1, 2020, Xperi Holding Corporation (“we”) became the parent company of both Xperi and TiVo.

We are a leading consumer and entertainment product/solutions licensing company and one of the industry’s largest intellectual property licensing platforms, with a diverse portfolio of media and semiconductor intellectual property and more than 11,000 patents and patent applications worldwide. We create extraordinary experiences at home and on the go for millions of consumers around the world, elevating content and how audiences connect with it in a way that is more intelligent, immersive and personal. Powering smart devices, connected cars, entertainment experiences and more, we have created a unified ecosystem that reaches highly engaged consumers, uncovering significant new business opportunities, now and in the future. Our technologies are integrated into billions of consumer devices, media platforms, and semiconductors worldwide, driving increased value for partners, customers and consumers. Headquartered in Silicon Valley with operations around the world, we have approximately 1,950 employees and more than 35 years of operating experience.

We are currently planning, subject to any required regulatory approvals, a separation of our Product business and IP Licensing business through a tax-efficient transaction, resulting in two independent, publicly traded companies. We continue to evaluate the optimal timing of the contemplated business separation and currently anticipate that such separation will be completed in the second half of 2022.

COVID-19 Impact

Our business and results of operations have been adversely affected by the global COVID-19 pandemic and related events and we expect its impact to continue. The impact to date has included periods of significant volatility in various markets and industries. The volatility has had, and we anticipate it will continue to have, an adverse effect on our customers and on our business, financial condition and results of operations, and may result in an impairment of our long-lived assets, including goodwill, increased credit losses and impairments of investments in other companies. In particular, the automotive market, as well as the broad consumer electronics industry, has been and may continue to be impacted by the pandemic and/or other events beyond our control, and further volatility could have an additional negative impact on these industries, customers, and our business. In addition, the COVID-19 pandemic and, to a lesser extent, U.S. restrictions on trade with certain Chinese customers, have impacted and may continue to impact the financial conditions of our customers.

Actions by United States federal, state and local governments, as well as by foreign governments, to address the COVID-19 pandemic, including travel bans, stay-at-home orders and school, business and entertainment venue closures, also had a significant adverse effect on the markets in which we conduct our businesses. COVID-19 poses the risk that our workforce, suppliers, and other partners may be prevented from conducting normal business activities for an extended period of time, including due to shutdowns or stay-at-home orders that may be requested or mandated by governmental authorities. We have implemented policies to allow our employees to work remotely as a result of the pandemic as we reviewed processes related to workplace safety, including social distancing and sanitation practices recommended by the Centers for Disease Control and Prevention (“CDC”). The COVID-19 pandemic could also cause delays in acquiring new customers and executing license renewals, and changes in consumer behaviors in response to the pandemic and related impacts may also affect our business operations and financial performance.

After surges in daily cases and hospitalization associated with the Omicron variant from late 2021 to early 2022, reported COVID-19 cases and hospitalizations declined sharply in the U.S. in spring 2022. In response, the CDC and state/local governments have eased restrictive measures aimed at slowing transmission. At the same time, the recent, rapid spread of the highly transmissible BA.2 Omicron subvariant is causing a significant rise in COVID-19 cases in parts of Europe and in Asia, raising concerns that the U.S. could experience another COVID-19 surge in the foreseeable future.

Our operations and those of our customers have also been negatively impacted by certain trends arising from the COVID-19 pandemic, including labor market constraints, shortage of semiconductor components and manufacturing capacities, and delays in shipments, product development and product launches. In addition, the widespread supply chain disruption has impeded global and regional economic activities, such as consumer spending and product availabilities, which has adversely affected our business operations and financial results, and such disruption may continue to negatively impact our operations. Moreover, the COVID-19 pandemic, its related impact, and United States federal, state and foreign government policies enacted to combat the pandemic have contributed to a recent rise of inflation that may increase the cost of our operations and reduce demand for our products and services and those of our customers, which may adversely affect our financial performance.

We have been closely monitoring the COVID-19 pandemic and its impact on our business, including legislation to mitigate the impact of COVID-19 such as the Coronavirus Aid, Relief, and Economic Security (CARES) Act which was enacted in March 2020, and the American Rescue Plan Act of 2021 which was enacted in March 2021. Although a significant portion of our anticipated revenue for 2022 is derived from fixed-fee and minimum-guarantee arrangements, primarily from large, well-capitalized customers which we believe somewhat mitigates the risks to our business, our per-unit and variable-fee based revenue will continue to be susceptible to the volatility, labor shortages, supply chain disruptions, microchip shortages, and potential market downturns precipitated by the COVID-19 pandemic.

The full extent of the future impact of the COVID-19 pandemic on our operational and financial performance is uncertain and will depend on many factors outside our control, including, without limitation, the timing, extent, trajectory and duration of the pandemic; the availability, distribution and effectiveness of vaccines; the spread of new variants of COVID-19; the continued and renewed imposition of protective public safety measures; the continuing global disruption in supply chains in our industries; rising inflation rates and costs of goods; and the impact of the pandemic on the global economy and demand for consumer products. Although we are unable to predict the full impact and duration of the COVID-19 pandemic on our business, we are actively managing our financial expenditures in response to continued uncertainty. Further discussion of the potential impacts on our business from the COVID-19 pandemic is provided under Part I, Item 1A – Risk Factors of the Form 10-K.

Results of Operations

Revenue

We derive the majority of our revenue from the licensing of our technologies and intellectual property (“IP”) rights to customers. For our revenue recognition policy including descriptions of revenue-generating activities, refer to “Note 3 – Revenue” of the Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
Revenue:	100	100%
Operating expenses:		
Cost of revenue, excluding depreciation and amortization of intangible assets	11	13
Research, development and other related costs	23	25
Selling, general and administrative	27	30
Depreciation expense	2	2
Amortization expense	15	24
Litigation expense	1	1
Total operating expenses	<u>79</u>	<u>95</u>
Operating income	21	5
Interest expense	3	5
Other income (expense), net	—	—
Income before taxes	<u>18</u>	<u>—</u>
Provision for (benefit from) income taxes	9	(2)
Net income	<u>9%</u>	<u>2%</u>

Revenue (in thousands, except for percentages):

	Three Months Ended		Increase/ (Decrease)	% Change
	March 31, 2022	March 31, 2021		
Revenue	\$ 257,420	\$ 221,596	\$ 35,824	16%

The \$35.8 million, or 16% increase in revenue for the three months ended March 31, 2022, compared to the same period in the prior year, was primarily due to the execution of a new, multi-year license agreement with Micron Technology for which a meaningful portion of the total revenue was recognized in the quarter, partially offset by a decline in Product revenue driven largely by a significant settlement of past royalties from a customer in the first quarter of 2021 and by continued supply chain disruptions from the COVID-19 pandemic.

Cost of Revenue, Excluding Depreciation and Amortization of Intangible Assets

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

Cost of revenue, excluding depreciation and amortization of intangible assets, for the three months ended March 31, 2022 was \$27.7 million, as compared to \$28.1 million for the three months ended March 31, 2021, a decrease of \$0.4 million. The decrease was primarily attributable to lower hardware product-related costs due to a decline in hardware product sales in the first quarter of 2022.

Research, Development and Other Related Costs

Research, development and other related costs (“R&D expense”) are comprised primarily of employee-related costs, stock-based compensation expense, engineering consulting expenses associated with new product and technology development, product commercialization, quality assurance and testing costs, as well as costs related to patent applications and examinations, reverse engineering, materials, supplies, and an allocation of facilities costs. All research, development and other related costs are expensed as incurred.

R&D expense for the three months ended March 31, 2022 was \$59.4 million, as compared to \$55.2 million for the three months ended March 31, 2021, an increase of \$4.2 million. The increase was primarily due to employees hired in connection with the

acquisition of certain assets of MobiTV (the “MobiTV Acquisition”) in May 2021, as well as hiring of employees that were previously outsourced, partially offset by reductions in outside services and contractor expenditure in the first quarter of 2022.

We believe that a significant level of R&D expense will be required for us to remain competitive in the future. We also anticipate that R&D expense will increase in 2022 when compared to 2021 primarily due to the inclusion of a full year of expense in 2022 related to the employees added in connection with the MobiTV Acquisition during 2021.

Selling, General and Administrative

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

Selling, general and administrative (“SG&A”) expenses for the three months ended March 31, 2022 were \$70.4 million, as compared to \$67.4 million for the three months ended March 31, 2021, an increase of \$3.0 million. The increase was due principally to incremental stock-based compensation recognized in connection with the accelerated vesting of outstanding restricted stock units upon the separation of a former executive, and an increase in costs related to planned business separation, partially offset by a reduction in the provision for credit losses, and decreases in severance and retention expenses in the first quarter of 2022.

Depreciation Expense

Depreciation expense for the three months ended March 31, 2022 was \$5.9 million, as compared to \$5.7 million for the three months ended March 31, 2021, an increase of \$0.2 million.

Amortization Expense

Amortization expense for the three months ended March 31, 2022 was \$39.3 million, as compared to \$52.2 million for the three months ended March 31, 2021, a decrease of \$12.9 million. The decrease was due to certain acquired intangible assets becoming fully amortized over the past six months.

With the Mergers, we anticipate that amortization expense will continue to be a significant expense since we acquired approximately \$878 million in intangible assets which will be amortized over the next several years. See “Note 8 – Goodwill and Identified Intangible Assets” in the Notes to Condensed Consolidated Financial Statements for additional information.

Litigation Expense

Litigation expense for the three months ended March 31, 2022 was \$1.8 million, as compared to \$2.5 million for the three months ended March 31, 2021, a decrease of \$0.7 million. The decrease was primarily due to reduced case activity.

We expect that litigation expense will continue to be a material portion of our operating expenses. Litigation expense may fluctuate between periods because of planned or ongoing litigation, as described in Part II, Item 1 – Legal Proceedings, and because of litigation planned for or initiated from time to time in the future in order to enforce and protect our intellectual property and contract rights.

Upon expiration of our customers’ licenses, if those licenses are not renewed, litigation may become necessary to secure payment of reasonable royalties for the use of our patented technology. If we plan for or initiate such litigation, our future litigation expenses may increase.

Stock-based Compensation Expense

The following table sets forth our stock-based compensation (“SBC”) expense for the three and nine months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended	
	March 31, 2022	March 31, 2021
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 628	\$ 323
Research, development and other related costs	5,475	4,347
Selling, general and administrative	10,701	8,549
Total stock-based compensation expense	<u>\$ 16,804</u>	<u>\$ 13,219</u>

Stock-based compensation awards include employee stock options, restricted stock awards and units, and employee stock plan purchases. The increase in SBC expense for the three months ended March 31, 2022, compared to the corresponding period in 2021, was primarily a result of incremental SBC recognized, in the first quarter of 2022, in connection with the accelerated vesting of outstanding restricted stock units upon the separation of a former executive, and secondarily from the vesting of stock award grants made in 2021 to increased employees resulting from the Mergers and the MobiTV Acquisition.

Interest Expense

Interest expense for the three months ended March 31, 2022 was \$8.4 million, as compared to \$11.3 million for the three months ended March 31, 2021. The decrease in interest expense was primarily due to a reduction in interest rate as a result of the debt refinancing in June 2021 described below, and secondly to a lower average debt balance as compared to the same period in 2021 as we continued to pay down principal balance during the intervening period.

We anticipate interest expense will decrease in 2022 when compared to 2021 as a result of a full year of the lower debt balance and amortization of debt discount and issuance costs. However, those reductions could potentially be offset by increasing interest rates since our interest rate is variable.

Other Income and Expense, Net

Other income and expense, net, for the three months ended March 31, 2022 was \$1.0 million, as compared to \$1.4 million for the three months ended March 31, 2021. Other income and expense, net, was slightly higher in the first quarter of 2021 due principally to miscellaneous other income.

Provision for Income Taxes

Our provision for income taxes is based on our worldwide estimated annualized effective tax rate. For jurisdictions in which a loss is forecast but no benefit can be realized for those losses, the tax is estimated separately. In certain circumstances we also record the income tax effects of discrete transactions in the quarter in which the transaction has occurred. Foreign withholding taxes, U.S. federal and state income taxes, and unrealized foreign exchange loss from the prior year South Korea refund claims are the primary drivers of income tax expense and the primary reasons for cash tax payments of income taxes. For the three months ended March 31, 2022, our effective tax rate varies significantly from the 21% U.S. federal tax rate due to foreign withholding taxes, BEAT, state income taxes, and unrealized foreign exchange loss from prior year South Korea refund claims.

For the three months ended March 31, 2022, we recorded an income tax expense of \$21.5 million on pretax income of \$45.5 million, which resulted in an effective tax rate of 47.3%. The income tax provision for the three months ended March 31, 2022 was primarily related to foreign withholding taxes, U.S. federal and state income taxes, and unrealized foreign exchange loss from prior year South Korea refund claims. For the three months ended March 31, 2021, we recorded an income tax benefit of \$4.0 million on pretax income of \$0.5 million, which resulted in an effective tax rate of (786.4)%. The income tax benefit for the three months ended March 31, 2021 was primarily related to foreign withholding taxes, BEAT, and unrealized foreign exchange loss from prior year South Korea refund claims.

The year-over-year increase in income tax expense for the quarter ended March 31, 2022 is largely attributable to the application of a negative effective tax rate to the March 31, 2021 year-to-date U.S. pre-tax income.

The need for a valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more-likely-than-not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction-by-jurisdiction basis. In making such assessment, significant weight is given to evidence that can be objectively verified. After considering both positive and negative evidence to assess the recoverability of our net deferred tax assets, we determined that it was not

more-likely-than-not that we would realize our federal, certain state and certain foreign deferred tax assets given the substantial amount of tax attributes that will remain unutilized to offset forecasted future tax liabilities. In the future, we may release our deferred tax asset valuation allowance associated with our federal, state or foreign deferred tax assets depending on achievement of future profitability in relevant jurisdictions or the implementation of tax planning strategies that enable us to utilize deferred tax assets. There can be no assurance that we will generate profits or implement tax strategies in future periods enabling us to fully realize our deferred tax assets. The timing of recording a deferred tax asset valuation allowance or the reversal of such valuation allowance is subject to objective and subjective factors that cannot be known in advance. We intend to continue maintaining a full valuation allowance on our federal deferred tax assets until there is sufficient evidence to support the reversal of all or a portion of these allowances. However, given our current earning and anticipated future earnings, we believe that there is a reasonable possibility that within the next 12 months, sufficient positive evidence may become available to allow us to reach a conclusion that a significant portion of our federal valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain federal deferred tax assets and a decrease to income tax expense for the period the release is recorded.

Segment Operating Results

We operate in two reportable segments: (1) IP Licensing and (2) Product. There are certain corporate overhead costs that are not allocated to these reportable segments because these operating amounts are not considered in evaluating the operating performance of our business segments.

Our Chief Executive Officer has been determined to be the Chief Operating Decision Maker (“CODM”) in consideration with the authoritative guidance on segment reporting.

In our IP Licensing segment, we primarily license our innovations to leading companies in the broader entertainment and semiconductor industries, and those developing new technologies that will help drive the industries forward. Licensing arrangements include access to one or more of our foundational patent portfolios and may also include access to some of our industry-leading technologies and proven know-how. In our Product segment, we derive the majority of the revenue from licensing our technology to customers primarily through Technology License arrangements and Technology Solutions arrangements. For Technology License arrangements, the customer obtains rights to the technology delivered at the commencement of the agreement. For Technology Solutions arrangements, the customer receives access to a platform, media or data that includes frequent updates, where access to such updates is critical to the functionality of the technology.

We do not identify or allocate assets by reportable segment, nor does the CODM evaluate reportable segments using discrete asset information. Reportable segments do not record inter-segment revenue and accordingly there are none to report. Although the CODM uses operating income to evaluate reportable segments, operating costs included in one segment may benefit other segments.

The following table sets forth our segments’ revenue, operating expenses and operating income (in thousands):

	Three Months Ended	
	March 31, 2022	March 31, 2021
Revenue:		
IP Licensing segment	\$ 138,531	\$ 98,014
Product segment	118,889	123,582
Total revenue	<u>257,420</u>	<u>221,596</u>
Operating expenses:		
IP Licensing segment	35,292	33,567
Product segment	97,511	108,563
Unallocated operating expenses (1)	71,648	69,067
Total operating expenses	<u>204,451</u>	<u>211,197</u>
Operating income:		
IP Licensing segment	103,239	64,447
Product segment	21,378	15,019
Unallocated operating expenses (1)	(71,648)	(69,067)
Total operating income	<u>\$ 52,969</u>	<u>\$ 10,399</u>

- (1) Unallocated operating expenses consist primarily of selling, marketing, general and administrative expenses, including administration, human resources, finance, information technology, corporate development and procurement. These expenses are not allocated because these amounts are not considered in evaluating the operating performance of our business segments.

For the three months ended March 31, 2022, the unallocated operating expenses were \$71.6 million, compared to \$69.1 million for the three months ended March 31, 2021. The increase of \$2.5 million was due principally to incremental stock-based compensation recognized in connection with the accelerated vesting of outstanding restricted stock units upon the separation of a former executive, and an increase in costs related to planned business separation, partially offset by a reduction in the provision for credit losses, and decreases in severance and retention expenses in the first quarter of 2022.

The revenue and operating income amounts in this section have been presented on a basis consistent with GAAP applied at the segment level. As of March 31, 2022, we had a total of \$850.1 million in goodwill, and approximately \$322.3 million of which was allocated to our IP Licensing segment and approximately \$527.8 million of which was allocated to our Product segment.

IP Licensing Segment

	Three Months Ended	
	March 31, 2022	March 31, 2021
Revenue	\$ 138,531	\$ 98,014
Operating expenses:		
Cost of revenue, excluding depreciation and amortization of intangible assets	290	146
Research, development and other related costs	9,155	7,225
Litigation	1,078	1,443
Depreciation	242	253
Amortization	24,527	24,500
Total operating expenses	35,292	33,567
Total operating income	\$ 103,239	\$ 64,447

IP Licensing revenue for the three months ended March 31, 2022 was \$138.5 million as compared to \$98.0 million for the three months ended March 31, 2021, an increase of \$40.5 million. The increase was primarily attributable to the execution of a new, multi-year license agreement with Micron Technology for which a meaningful portion of the total revenue was recognized in the quarter, partially offset by a decline in revenue from the Media IP licensing business due to past royalty revenue recorded in the first quarter of 2021.

Operating expenses for the three months ended March 31, 2022 were \$35.3 million, as compared to \$33.6 million for the three months ended March 31, 2021, an increase of \$1.7 million. The increase was primarily due to an increase in R&D cost due to increased headcount and personnel cost as well as investments in both Media and Semiconductor technology, partially offset by a decrease in litigation expense.

We expect that litigation expense will continue to be a material portion of our operating expenses and may fluctuate between periods because of planned or ongoing litigation, as described in Part II, Item 1 – Legal Proceedings, in this report, and because of litigation planned for or initiated from time to time in the future in order to enforce and protect our intellectual property and contract rights.

Operating income for the three months ended March 31, 2022 was \$103.2 million compared to operating income of \$64.4 million for the three months ended March 31, 2021, and the increase was due to reasons stated above, including the execution of a new, multi-year Semiconductor IP license agreement.

Product Segment

	Three Months Ended	
	March 31, 2022	March 31, 2021
Revenue	\$ 118,889	\$ 123,582
Operating expenses:		
Cost of revenue, excluding depreciation and amortization of intangible assets	27,407	27,986
Research, development and other related costs	50,215	47,998
Litigation	675	1,090
Depreciation	4,422	3,794
Amortization	14,792	27,695
Total operating expenses	97,511	108,563
Total operating income	\$ 21,378	\$ 15,019

Product revenue for the three months ended March 31, 2022 was \$118.9 million as compared to \$123.6 million for the three months ended March 31, 2021, a decrease of \$4.7 million. The decrease was primarily due to a significant settlement of past royalties from a customer in the first quarter of 2021, and to continued supply chain constraints that impacted our customers' shipment volumes in Connected Car and Consumer Electronics.

Operating expenses for the three months ended March 31, 2022 were \$97.5 million, as compared to \$108.6 million for the three months ended March 31, 2021, a decrease of \$11.1 million. The decrease was primarily driven by lower amortization expense, partially offset by an increase in R&D cost primarily due to employees hired in connection with the MobiTV Acquisition in May 2021. The lower amortization was attributable to certain intangible assets becoming fully amortized over the past six months.

Operating income in the three months ended March 31, 2022 was \$21.4 million compared to operating income of \$15.0 million in the three months ended March 31, 2021, and the increase was due to the reasons stated above.

Liquidity and Capital Resources

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

(in thousands, except for percentages)	As of	
	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 214,095	\$ 201,121
Short-term investments	52,720	60,534
Total cash, cash equivalents and short-term investments	\$ 266,815	\$ 261,655
Percentage of total assets	11%	11%

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net cash from operating activities	\$ 46,273	\$ 26,729
Net cash from investing activities	\$ 3,064	\$ (17,387)
Net cash from financing activities	\$ (35,671)	\$ (44,033)

Our primary sources of liquidity and capital resources are our operating cash flows and our short-term investments. Cash, cash equivalents and short-term investments were \$266.8 million at March 31, 2022, an increase of \$5.1 million from \$261.7 million at December 31, 2021. This increase resulted primarily from \$46.3 million in cash generated from operations and \$8.0 million in proceeds from the issuance of common stock under our employee stock grant programs and employee stock purchase plans, which was partially offset by \$5.2 million in dividends paid, \$28.3 million in repurchases of common stock, \$10.1 million in repayment of long-term debt, and \$4.3 million of capital expenditures. Cash and cash equivalents totaled \$214.1 million at March 31, 2022, an increase of \$13.0 million from \$201.1 million at December 31, 2021.

The primary objectives of our investment activities are to preserve principal and to maintain liquidity while at the same time capturing a market rate of return. To achieve these objectives, we maintain a diversified portfolio of securities including money market funds and debt securities including corporate bonds and notes, municipal bonds and notes, commercial paper, treasury and agency notes and bills and certificates of deposit. We invest excess cash predominantly in high-quality investment grade debt securities with less than three years to maturity. Our marketable debt securities are classified as available-for-sale ("AFS") with credit losses recognized as a credit loss expense and non-credit related unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income or loss.

For information about our material cash requirements, see "Liquidity and Capital Resources" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021. Other than the principal payment of \$10.1 million made by us under the Refinanced Term B Loans in March 2022, our cash requirements have not changed materially since December 31, 2021.

In addition to our cash requirements, we have returned cash to stockholders through both quarterly dividend payments and repurchases of our common stock under our stock repurchase plan.

Quarterly Dividends

In April 2022, our Board of Directors authorized payment of a quarterly dividend of \$0.05 per share, to be paid in June 2022. We anticipate that all quarterly dividends will be paid out of cash, cash equivalents and short-term investments.

Stock Repurchase Plan

On June 12, 2020, our Board of Directors terminated a prior stock repurchase program and approved a new stock repurchase plan (the "Plan") providing for the repurchase of up to \$150.0 million of our common stock dependent on market conditions, share price and other factors. No expiration has been specified for this Plan. On April 22, 2021, our Board of Directors authorized an additional \$100.0 million of purchases under the Plan. The stock repurchases may be made from time to time, through solicited or unsolicited transactions in the open market, in privately negotiated transactions, or pursuant to a Rule 10b5-1 plan. Since the inception of the Plan, and through March 31, 2022, we have repurchased an aggregate of approximately 10.0 million shares of common stock at a total cost of \$172.2 million at an average price of \$17.24. During the three months ended March 31, 2022, we repurchased an aggregate of approximately 1.0 million shares of common stock at a total cost of \$17.3 million at an average price of \$16.78. As of March 31, 2022, the total remaining amount available for repurchase under the Plan was \$77.8 million. We may continue to execute authorized repurchases from time to time under the Plan. The amount and timing of any repurchases under the Plan depend on a number of factors, including but not limited to, the trading price, volume and availability of our common shares. In addition, as we plan for the separation of our Product business and IP Licensing business we may reduce or suspend share repurchases as we plan for the capital needs of two independent businesses. There is no guarantee that such repurchases under the Plan will enhance the value of our common stock.

From 2020 through the first quarter of 2022, we generated approximately \$709 million of cash flows from operating activities. While we expect to continue to generate cash flows from operating activities in 2022, the COVID-19 pandemic continues to present uncertainties as to the level of such cash flows as compared to prior years. Additionally, transaction costs relating to the planned separation of our two business segments are expected to impact operating cash flow for at least the next 6 months. We have taken actions to manage cash flows by reducing discretionary spending and other variable costs, and closely monitoring receivables and payables.

We believe that based on current levels of operations and anticipated growth, our cash from operations, together with cash, cash equivalents and investments currently available, will be sufficient to satisfy our currently anticipated cash requirements through at least the next twelve (12) months and thereafter for the foreseeable future. Poor financial results, unanticipated expenses, unanticipated acquisitions of technologies or businesses, or unanticipated strategic investments could give rise to additional financing requirements sooner than we expect. There can be no assurance that equity or debt financing will be available when needed or, if available, that such financing will be on terms satisfactory to us. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and may include covenants that would restrict our operations.

Cash Flows from Operating Activities

Cash flows provided by operations were \$46.3 million for the three months ended March 31, 2022, primarily due to our net income of \$24.0 million being further adjusted for non-cash items of depreciation of \$5.9 million, amortization of intangible assets of \$39.3 million and stock-based compensation expense of \$16.8 million. These increases were partially offset by \$40.8 million in changes in operating assets and liabilities including payment during the quarter of employee bonuses earned in 2021.

Cash flows provided by operations were \$26.7 million for the three months ended March 31, 2021, primarily due to our net income of \$4.5 million being further adjusted for non-cash items of depreciation of \$5.7 million, amortization of intangible assets of \$52.5 million and stock-based compensation expense of \$13.2 million. These increases were partially offset by \$52.8 million in changes in operating assets and liabilities including payment during the quarter of employee bonuses earned in 2020.

Cash Flows from Investing Activities

Net cash provided by investing activities was \$3.1 million for the three months ended March 31, 2022, primarily related to maturities and sales of securities of \$12.0 million, partially offset by purchases of short-term investments of \$4.5 million and capital expenditures of \$4.3 million.

Net cash used in investing activities was \$17.4 million for the three months ended March 31, 2021, primarily related to purchases of short-term investments of \$42.5 million and capital expenditures of \$1.8 million, partially offset by maturities and sales of securities of \$26.9 million.

Capital Expenditures

Our capital expenditures for property, plant, and equipment consist primarily of purchases of computer hardware and software, information systems, production and test equipment. During the three months ended March 31, 2022 and 2021, we spent \$4.3 million and \$1.8 million on capital expenditures, respectively, and we expect capital expenditures in 2022 to be between \$20.0 million to \$25.0 million. These expenditures are expected to be financed with cash from operations, existing cash and cash equivalents, and short-term investments. There can be no assurance that current expectations will be realized and plans are subject to change upon further review of our capital expenditure needs.

Cash Flows from Financing Activities

Net cash used in financing activities was \$35.7 million for the three months ended March 31, 2022 principally due to \$10.1 million in repayment of indebtedness, \$5.2 million in dividends paid, and \$28.3 million in repurchases of common stock, partially offset by \$8.0 million in proceeds due to the issuance of common stock under our employee stock grant programs and employee stock purchase plans.

Net cash used in financing activities was \$44.0 million for the three months ended March 31, 2021 principally due to \$13.1 million in repayment of indebtedness, \$5.3 million in dividends paid, and \$32.4 million in repurchases of common stock, partially offset by \$6.7 million in proceeds due to the issuance of common stock under our employee stock grant programs and employee stock purchase plans.

Long-term Debt

On June 8, 2021, we amended that certain Credit Agreement dated June 1, 2020 by and among us, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the “2020 Credit Agreement”). The 2020 Credit Agreement initially provided for a five-year senior secured term B loan facility in an aggregate principal amount of \$1,050 million (the “2020 Term B Loan Facility”). In connection with the amendment (the “Amendment”), we made a voluntary prepayment of \$50.6 million of the term loan outstanding under the 2020 Credit Agreement using cash on hand. The Amendment provided for, among other things, (i) a new tranche of term loans (the “Refinanced Term B Loans”) in an aggregate principal amount of \$810.0 million, (ii) a reduction of the interest rate margin applicable to such loans to (x) in the case of base rate loans, 2.50% per annum and (y) in the case of Eurodollar loans, LIBOR plus a margin of 3.50% per annum, (iii) a prepayment premium of 1.00% in connection with any repricing transaction with respect to the Refinanced Term B Loans within six months of the closing date of the Amendment, (iv) an extension of the maturity to June 8, 2028, and (v) certain additional amendments, including amendments to provide us with additional flexibility under the covenant governing restricted payments. We commenced repaying quarterly installments under the Refinanced Term B Loans in the third quarter of 2021.

At March 31, 2022, \$779.6 million was outstanding under the Refinanced Term B Loans with an interest rate, including amortization of debt discount and issuance costs, of 4.2%. Interest is payable monthly. Under the existing loan agreements, we have future minimum principal payments for our debt of \$30.4 million for the remainder of 2022, \$40.5 million in each year from 2023 through 2027, with the remaining principal balance of \$546.8 million due in 2028. We are obligated to pay a portion of excess cash flow on an annual basis beginning in March 2023 based on certain leverage ratios and our excess cash flow generated for the immediately preceding calendar year. The Refinanced Term B Loans contain customary covenants, and as of March 31, 2022, we were in full compliance with such covenants.

Critical Accounting Policies and Estimates

During the three months ended March 31, 2022, there were no significant changes in our critical accounting policies and estimates. See “Note 2 – Summary of Significant Accounting Policies” of Notes to the Condensed Consolidated Financial Statements for additional detail. For a discussion of our critical accounting policies and estimates, see Part II, Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K.

Recent Accounting Pronouncements

See “Note 2 – Summary of Significant Accounting Policies” of the Notes to Condensed Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoption.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Attached as exhibits to this Form 10-Q are certifications of Xperi Holding Corporation's Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications and it should be read in conjunction with the certifications, for a more complete understanding of the topics presented.

Evaluation of Controls and Procedures

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the evaluation date). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the evaluation date that our disclosure controls and procedures were effective to provide reasonable assurance that the information relating to Xperi Holding Corporation, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to Xperi Holding Corporation's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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 15d-15(f) of the Exchange Act, during the last fiscal quarter covered by this Quarterly Report on Form 10-Q that materially affected or are reasonably likely to materially affect our internal control over financial reporting, except as noted below.

To prepare for business separation, in January 2022 we implemented a new enterprise resource planning system for our IP Licensing business for various financial reporting and operational purposes. In connection with this implementation and related business process changes, we replaced multiple internal controls that were previously considered effective with new or modified controls.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of our business, we are involved in legal proceedings. In the past, we have litigated to enforce our respective patents and other intellectual property rights, to enforce the terms of license agreements, to protect trade secrets, to determine the validity and scope of the proprietary rights of others and to defend ourselves or our customers against claims of infringement or invalidity. We expect to continue to be involved in similar legal proceedings in the future, including proceedings regarding infringement of our patents and proceedings to ensure proper and full payment of royalties by licensees under the terms of our license agreements.

Other than to the extent the proceedings described below have concluded, we cannot predict the outcome of any of the proceedings described below. An adverse decision in any of these proceedings could significantly harm our business and our consolidated financial position, results of operations, and cash flows.

Patent Infringement Litigation

From time-to-time in the ordinary course of our patent licensing business, we are required to engage in litigation to protect our intellectual property from infringement. While litigation is never our preference and we prefer to reach mutually agreeable commercial licensing arrangements with third parties, it is sometimes a necessary step to effectively protect our investment in patented technology. As a result of these lawsuits, defendants have often filed *Inter Partes* Review (“IPR”) petitions with the U.S. Patent Office’s Patent Trial and Appeal Board (and other similar post-grant proceedings outside of the U.S.) seeking to invalidate one or more of the patents-in-suit. We are currently engaged in multiple lawsuits with several third parties.

Videotron Patent Infringement Litigation

On June 23, 2017, Rovi Guides, Inc. and TiVo Solutions Inc. (together, “TiVo”) filed a patent infringement complaint against Videotron Ltd. and Videotron G.P. (together, “Videotron”) in Toronto, Canada, alleging infringement of six patents (“Videotron 1”). Videotron was a prior licensee under the Rovi patent portfolio. The first week of trial on four patents was held the week of March 9, 2020. The Federal Court of Canada closed due to the COVID-19 pandemic on March 16, 2020, and the trial was temporarily stayed. The trial resumed on May 25, 2020, conducted remotely by video, and concluded on June 17, 2020. The parties filed their written closing submissions on September 30, 2020. The closing arguments were held in January 2021. On May 6, 2022, the Court posted a docket entry stating that it intends to issue the Confidential Reasons and Judgment in Videotron 1 on June 3, 2022.

On May 21, 2021, Rovi filed a patent infringement complaint against Videotron in Toronto, Canada, alleging infringement of four patents (“Videotron 2”). On July 21, 2021, the Federal Court of Canada held a case management conference in Videotron 2, shortly before which Videotron filed a motion to strike various portions of the statement of claim. On October 22, 2021, the Court held a hearing on Videotron’s motion to strike. On March 22, 2022, the Court issued an order on Videotron’s motion to strike, dismissing the motion in its entirety. On April 1, 2022, Videotron filed an appeal of the Court’s order dismissing Videotron’s motion to strike. A hearing on Videotron’s appeal is scheduled for May 31, 2022. A case management conference is scheduled for June 6, 2022.

Bell and Telus Patent Infringement Litigation

On January 19, 2018, TiVo filed a patent infringement complaint against Bell Canada (and four of its affiliates) in Toronto, Canada, alleging infringement of six patents (“Bell 1”). On February 2, 2018, TiVo filed a patent infringement complaint against Telus Corporation (and two of its affiliates) in Toronto, Canada, alleging infringement of the same six patents (“Telus 1”). Bell Canada and Telus Corporation were previously indirectly licensed to some of Rovi’s patents through a prior agreement between Rovi and one of their suppliers. Bell 1 and Telus 1 are being heard together for purposes of pre-trial and trial proceedings. On August 27, 2019, the Court issued an order bifurcating the liability phase from the damages phase of the cases. There is no set trial date or procedural schedule for the damages phase of the cases. The liability and injunction trial on four patents was held from July 13 – August 6, 2020. The closing arguments were held in January 2021. On May 6, 2022, the Court posted a docket entry stating that it will advise the parties of the anticipated date of the judgment in Bell 1 and Telus 1 promptly after it issues the Confidential Reasonings and Judgment in Videotron 1 on June 3, 2022.

On July 27, 2021, Rovi filed a patent infringement complaint against Bell Canada and four of its affiliates, Telefonaktiebolaget L M Ericsson and Ericsson Canada Inc., and MK Systems USA Inc. and MK Mediatech Canada Inc. (collectively, “Defendants”) in Toronto, Canada, alleging infringement of four patents (“Bell 2”). The Defendants filed a motion to strike various portions of the statement of claim in Bell 2. On October 22, 2021, the Federal Court of Canada held a hearing on Defendants’ motion to strike. On March 22, 2022, the Court issued an order on Defendants’ motion to strike, dismissing-in-part

and granting-in-part. On April 1, 2022, the Defendants filed a Notice of Motion to Appeal the Court's order on Defendants' motion to strike. A hearing on Defendants' appeal is scheduled for May 31, 2022. No further dates have been set.

NVIDIA Patent Infringement Litigation

On May 8, 2019, Invensas Corporation and Tessera Advanced Technologies, Inc. filed a complaint against NVIDIA Corporation ("NVIDIA") in the United States District Court for the District of Delaware, alleging infringement of five patents, and requesting, among other things, that NVIDIA be ordered to pay compensatory damages in an amount no less than a reasonable royalty. NVIDIA answered the complaint on July 1, 2019 and subsequently moved to transfer the case to the United States District Court for the Northern District of California. The court denied NVIDIA's motion to transfer on September 17, 2019.

In September 2020, the Patent Trial and Appeal Board ("PTAB") instituted IPRs of several patents-in-suit. The parties stipulated to an order staying the litigation pending resolution of the IPR proceedings, and to dismissal of claims relating to two patents. As a result, there are three patents-in-suit remaining. One patent has no IPRs pending against it. Two patents are subject to IPRs. On June 9, 2021, the PTAB held oral arguments in the IPRs. On September 1, 2021, the PTAB issued final written decisions in the IPRs in which it found all challenged claims of the two patents invalid. On November 1, 2021, Invensas filed appeals of each of the IPR decisions with the United States Court of Appeals for the Federal Circuit. Invensas filed its opening brief on March 14, 2022. NVIDIA's response brief is due May 25, 2022, and Invensas's reply brief is due June 15, 2022. No date has been set yet for oral argument. The District Court Litigation will remain stayed pending the outcome of the IPR appeals.

Item 1A. Risk Factors

Except as set forth below, there were no material changes to the risk factors previously disclosed in Part 1, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2021, which is incorporated by reference herein.

Uncertainty and instability resulting from the conflict between Russia and Ukraine could negatively impact our business, financial condition and operations.

Russia's recent invasion of Ukraine and the uncertainty surrounding the escalating conflict could negatively impact global and regional economic conditions and financial markets, which may adversely affect our business operations. In response to the conflict, the U.S., European Union and other countries have imposed financial and economic sanctions against Russia and certain businesses and companies associated with Russia, which are creating, and may continue to create, market disruption and volatility and instability in the geopolitical environment. The extent to which this conflict escalates to other countries and the resulting impact of sanctions on the global market, including supply chain disruptions, shortages of energy supplies and raw materials, inflation and rising cost of fuels and transportation, cyberwarfare, consumer confidence, and spending in the United States and other countries in which we operate, remains uncertain. While we do not currently generate sales or have locations or employees in those two countries, we outsource some of our engineering activities to a small number of third-party contractors that have employees and operations located in Ukraine, and any escalation of conflicts in the area could have an adverse impact on our third-party contractors. In addition, continued conflict and the resulting uncertainty would negatively impact certain of our customers who either have operations or derive sales in the region, which could ultimately have an adverse effect on us. If the war continues without resolution, it may lead to further sanctions, embargoes, regional instability, geopolitical shifts and recession in the global economy, any of which may adversely affect our business and financial conditions.

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

Items 2(a) and 2(b) are not applicable.

(c) Stock Repurchases

<i>(in thousands, except share price)</i>	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of our share repurchase program	Approximate dollar value of shares that may yet be purchased under our share repurchase program (a)
2022				
January	—	\$ —	—	
February	—	—	—	
March	1,029	16.78	1,029	
Total	<u>1,029</u>	<u>\$ 16.78</u>	<u>1,029</u>	\$ 77,772

(a) Calculated as of March 31, 2022. On June 12, 2020, our Board of Directors authorized a stock repurchase program providing for the repurchase of up to \$150.0 million of our common stock. The timing, price and volume of repurchases will be based on market conditions, relevant securities laws and other factors. The stock repurchases may be made from time to time, through solicited or unsolicited transactions in the open market, in privately negotiated transactions, or pursuant to a Rule 10b5-1 plan. The program may be discontinued or amended at any time and has no specified expiration date. On April 22, 2021, our Board of Directors approved an increase in the repurchase authorization under the program by \$100.0 million. All repurchases in the three months ended March 31, 2022 were made under this program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Exhibit Title</u>
10.1*	Separation Agreement and Release dated February 18, 2022 between the Company and Samir Armaly
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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.

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.

Dated: May 9, 2022

XPERI HOLDING CORPORATION

By: /s/ Robert Andersen
Robert Andersen
Chief Financial Officer

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (“Agreement”) is made by and between Samir Armaly (“Executive”) and Xperi Holding Corporation (the “Company”) (collectively referred to as the “Parties” or individually referred to as a “Party”) as of February 18, 2022.

RECITALS

WHEREAS, Executive is currently serving as the Company’s President of IP Licensing;

WHEREAS, Executive and the Company have agreed that Executive will separate from employment with the Company on the Separation Date (as defined below); and

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees (as defined below), including, but not limited to, any and all claims arising out of or in any way related to Executive’s employment with or separation from the Company.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

COVENANTS

1. Separation from Employment.

(a) Separation. Effective as of March 1, 2022 (the “Separation Date”), Executive will separate from his position as an employee of the Company, and from any other advisory, director, and officer positions with the Company, and any parent or subsidiaries (as applicable). Executive agrees to execute any documents as necessary or desirable to effectuate any such separations. Effective as of the Separation Date, Executive shall no longer be employed by the Company, and shall refrain from any further representations that Executive is an employee or agent of the Company.

(b) Payment of Wages; Termination of Benefits. Whether or not Executive enters into this Agreement, the Company will pay Executive for all final wages through the Separation Date in accordance with applicable law. Executive’s health insurance benefits with the Company shall cease on the last day of the month of the Separation Date, subject to Executive’s right to continue Executive’s health insurance under COBRA, as described more fully below. Executive’s participation in all benefits and incidents of employment, and the accrual of bonuses, incentive payments, vacation, and paid time off, shall cease as of the Separation Date. Except as otherwise provided in Section 2 below, vesting of all equity awards previously granted to Executive and outstanding on the Separation Date shall cease as of the Separation Date.

2. Severance Benefits. In consideration of and contingent on Executive’s timely execution, return, non-revocation, and full compliance with the terms of this Agreement (including, but not limited to, Executive’s continued compliance with Section 10 (Trade Secrets and Confidential Information/Company Property)), the Company agrees to pay Executive the severance benefits set forth below.

(a) For the period beginning on the date of Executive's Separation Date and ending on the date which is twelve (12) full months following the Separation Date (or, if earlier, the date on which the applicable continuation period under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") expires) (the "COBRA Coverage Period"), the Company shall continue to provide Executive and his eligible dependents who were covered under the Company's health insurance plans as of the date of Executive's Separation Date, at no additional cost or expense to Executive, with the same health (including medical and dental) insurance benefits (or if the same are not available, substantially similar benefits to those) provided to Executive and his dependents immediately prior to the Separation Date. If any of the Company's health benefits are self-funded as of the Separation Date, or if the Company cannot provide the foregoing benefits in a manner that is exempt from or otherwise compliant with applicable law or the provision of such benefits may result in the Company incurring penalties under applicable law (including, without limitation, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and Section 2716 of the Public Health Service Act), instead of providing continued health insurance benefits as set forth above, the Company shall instead pay to Executive an amount equal to the monthly premium payment for Executive and his eligible dependents who were covered under the Company's health plans as of the Separation Date (calculated by reference to the premium as of the Separation Date) as taxable compensation, in substantially equal monthly installments over the COBRA Coverage Period (or the remaining portion thereof).

(b) The Company shall pay Executive the annual bonus earned for calendar year 2021 in the amount of US \$495,000.00 as determined by the Compensation Committee with such payment to be made by March 15, 2022.

(c) Executive shall vest in (i) 247,821 of Executive's outstanding performance-based restricted stock units granted on July 28, 2020, (ii) 87,658 of Executive's outstanding performance-based restricted stock units granted on March 1, 2021, and (iii) 36,765 of Executive's outstanding time-based restricted stock units granted on July 28, 2020, each as applicable under the Company's 2020 Equity Incentive Plan and the TiVo Corporation 2008 Equity Incentive Plan (collectively the "Accelerated RSUs"). Company acknowledges that the accelerated vesting of the stock units identified above shall occur irrespective of any other terms and conditions in any other agreements between Executive and the Company, including but limited to the documents associated with the respective grants. Company acknowledges that Executive has an additional 17,795 of Executive's time-based restricted stock units granted on March 1, 2021 that are automatically vesting on March 1, 2022 that are in addition to the Accelerated RSUs. Shares of the Company underlying the Accelerated RSUs (net of shares withheld by the Company in satisfaction of all applicable withholding taxes) shall be distributed to Executive by March 15, 2022. Except as provided in this subsection (c), Executive shall have no further rights under any time-based or performance-based restricted stock unit awards or any other equity awards.

3. Payment of Salary and Receipt of All Benefits. Company shall return to Executive any payments made into the Company's employee stock purchase program that remain unused as of the Executive's Separation Date, in accordance with the terms of the plan. Executive shall be reimbursed for any unpaid expense reports that have been properly submitted before the Executive's Separation Date. Executive acknowledges and represents that, other than the payments and other consideration set forth in this Agreement, the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, leave, interest, severance, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Executive. Executive further acknowledges and represents that Executive has received any

leave to which Executive was entitled or which Executive requested, if any, under the California Family Rights Act and/or the Family Medical Leave Act, and that Executive did not sustain any workplace injury, during Executive's employment with the Company.

4. Release of Claims. Executive agrees that this shall be deemed a negotiated agreement and that the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company and its current and former officers, directors, Executives, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on Executive's own behalf and on behalf of Executive's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement, including, without limitation:

(a) any and all claims relating to or arising from Executive's employment relationship with the Company and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act, except as prohibited by law; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Executive Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act, except as prohibited by law; the Sarbanes-Oxley Act of 2002; the Uniformed Services Employment and Reemployment Rights Act; the California Family Rights Act; the California Labor Code; and the California Fair Employment and Housing Act; and any federal, state, local, and/or municipal statute, law, amendment, directive, order, and/or regulation enacted in response to the COVID-19 pandemic. This release shall also include any claims related to any action or inaction associated directly or indirectly with the COVID-19 pandemic to the maximum extent permitted by law.

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Agreement; and

(h) any and all claims for attorneys' fees and costs.

Notwithstanding the foregoing general releases, Executive acknowledges that Executive has not made any claims or allegations related to sexual harassment or sexual abuse, and none of the payments set forth as consideration in this Agreement are related to sexual harassment or sexual abuse.

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. Although this is a general release, it does *not* apply to: (i) any unemployment insurance claim; (ii) any workers' compensation insurance benefits to the extent any applicable state law prohibits the direct release of such benefits without judicial or agency approval, with the understanding that such benefits, if any, would only be payable in accordance with the terms of any workers' compensation coverage or fund of the Company; (iii) continued participation in certain benefits under COBRA (and any state law counterpart), if applicable; (iv) any benefit entitlements vested as of Executive's last day of employment, pursuant to written terms of any applicable Executive benefit plan sponsored by the Company; (v) any claims that cannot be waived as a matter of law; or (vi) claims that arise after Executive signs this Agreement. Executive represents that Executive has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section.

5. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has twenty-one (21) days within which to consider this Agreement; (c) Executive has seven (7) days following Executive's execution of this Agreement to revoke this Agreement; and (d) this Agreement shall not be effective until after the revocation period has expired. In the event Executive signs this Agreement and returns it to the Company in less than the twenty-one (21)-day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

6. California Civil Code Section 1542. Executive acknowledges that Executive has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR
RELEASING PARTY DOES NOT KNOW OR

SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive, being aware of said code section, agrees to expressly waive any rights Executive may have thereunder, as well as under any other statute or common law principles of similar effect.

7. No Pending or Future Lawsuits. Executive represents that Executive has no lawsuits, claims, or actions pending in Executive's name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Executive also represents that Executive does not intend to bring any claims on Executive's own behalf or on behalf of any other person or entity against the Company or any of the other Releasees. Notwithstanding, nothing herein prevents any actions or disclosures expressly allowed by the Permitted Disclosures and Actions provision set forth below.

8. No Right to Future Employment. Executive understands and agrees that, as a condition of this Agreement, Executive shall not be entitled to any employment with the Company, and Executive hereby waives any right, or alleged right, of employment with the Company. Executive further agrees that if Executive wishes to apply for employment with the Company in the future, Executive will provide written notice that Executive will apply to the Company's General Counsel.

9. Confidentiality. Executive agrees to maintain in complete confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (hereinafter collectively referred to as "Separation Information"). Except as required by law, Executive may disclose Separation Information only to Executive's immediate family members, the Court in any proceedings to enforce the terms of this Agreement, Executive's legal counsel, and Executive's financial advisor and any professional tax advisor to the extent that they need to know the Separation Information in order to provide advice on tax treatment or to prepare tax returns, subject to such parties agreeing to maintain such information as confidential, and must prevent disclosure of any Separation Information to all other third parties. Executive agrees that Executive will not publicize, directly or indirectly, any Separation Information. Nothing in this Agreement prevents Executive from discussing or disclosing information to the extent expressly allowed by the Permitted Disclosures and Actions provision set forth below.

10. Trade Secrets and Confidential Information/Company Property. Executive reaffirms and agrees to observe and abide by the terms of any confidentiality, inventions assignment, restrictive covenant, and/or non-disclosure agreement entered into with the Company (collectively, the "Confidentiality Agreement"), specifically including any provisions therein regarding nondisclosure of the Company's trade secrets and confidential and proprietary information. Executive's signature below constitutes Executive's certification that Executive has returned all documents and other items provided to Executive by the Company, developed or obtained by Executive in connection with Executive's employment with the Company, or otherwise belonging to the Company. Notwithstanding the foregoing, Executive shall be entitled to keep his laptop, tablet and mobile phone that he received from the Company, but (i) all confidential or proprietary information belonging to the Company or its affiliates must be deleted; (ii) such devices will no longer be able to access the Company's network or services after the Separation Date, and (iii) Executive shall be responsible for all costs and expenses associated with such devices after the Separation Date. Executive shall also be entitled to return to the Company's

Burbank office when he returns to California to collect his personal items. Without limiting the foregoing in any way, Executive explicitly agrees not to use any of the Company's confidential, proprietary, or trade secret information, at any time, to engage in any activities that would be competitive with or otherwise detrimental to the interests of the Company. Executive further agrees not to tortiously interfere, at any time, with the Company's contractual relations or prospective economic advantage.

11. DTSA Notice. Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions: (a) Where the disclosure is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. *See* 18 U.S.C. § 1833(b)(1). Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (x) files any document containing the trade secret under seal; and (y) does not disclose the trade secret, except pursuant to court order. *See* 18 U.S.C. § 1833(b)(2). Nothing in this Agreement is intended in any way to limit such statutory rights.

12. Cooperation with Legal Proceedings. Executive agrees to reasonably cooperate with the Company and its legal affiliates in the defense or prosecution of any claims or actions now in existence, or which may be brought in the future against or on behalf of the Company or its legal affiliates, that relate to events or occurrences that transpired while Executive was engaged by the Company (whether as an employee or independent contractor). Executive's reasonable cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with legal counsel of the Company's choosing to prepare for discovery or trial and to act as a witness on behalf of the Company or its legal affiliates. Executive also agrees to reasonably cooperate with the Company in connection with any investigation or review of any federal, state, or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was engaged by the Company (whether as an employee or independent contractor). Executive similarly agrees to reasonably cooperate with the Company in the prosecution of any patent or securing of other intellectual property rights that relate to any inventions or developments involving Executive while Executive was engaged by the Company. To the extent such cooperation activities require, in the aggregate, fifteen (15) or fewer hours of Executive's time in any given calendar year, then Executive agrees that the consideration provided hereunder shall serve as sufficient remuneration for any such activities. However, in the event additional time is needed, then the Parties agree that Executive may be entitled to reasonable remuneration (to be negotiated separately by the Parties at such time of engagement), except to the extent such cooperation is otherwise required under applicable law or judicial authority. Executive understands that in any legal action, investigation, or review covered by this Section the Company expects Executive to provide only accurate and truthful information or testimony.

13. Permitted Disclosures and Actions. This Agreement does not prohibit or restrict Executive, the Company, or the other Releasees from: (i) discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Executive has reason to believe is unlawful, including, but not limited to, harassment, retaliation or discrimination under California law or factual information related to any claims for

sexual assault or under California's Fair Employment and Housing Act ("FEHA"); (ii) initiating communications directly with, cooperating with, providing relevant information, or otherwise assisting in an investigation by (A) the SEC, or any other governmental, regulatory, or legislative body regarding a possible violation of any federal law; or (B) the EEOC or any other governmental authority with responsibility for the administration of fair employment practices laws regarding a possible violation of such laws, or as compelled or requested by lawful process; (iii) responding to any inquiry from any such governmental, regulatory, or legislative body or official or governmental authority, including an inquiry about the existence of this Agreement or its underlying facts or circumstances; or (iv) participating, cooperating, testifying, or otherwise assisting in any governmental action, investigation, or proceeding relating to a possible violation of any such law, rule or regulation. Executive is, however, waiving any right to recover money in connection with any agency charge or agency or judicial decision, including class or collective action rulings, other than bounty money properly awarded by the SEC.

14. Mutual Non-Disparagement. Except to the extent allowed under the Permitted Disclosures and Actions provision, Executive agrees to refrain from any disparagement, defamation, libel, or slander of the Company or any of the other Releasees, and agrees to refrain from any tortious interference with the contracts and relationships of any of the Releasees. The Company similarly agrees to, and will instruct its executives and directors to, refrain from any disparagement, defamation, libel, or slander of Employee, noting that such instruction applies only for such period that these individuals maintain their roles as executives or directors of the Company.

15. Breach. Executive acknowledges and agrees that any material breach of this Agreement, or of any provision of the Confidentiality Agreement shall entitle the Company immediately to recover and/or cease providing the consideration provided to Executive under this Agreement.

16. No Admission of Liability. Executive understands and acknowledges that this Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by Executive. No action taken by the Company hereto, either previously or in connection with this Agreement, shall be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to Executive or to any third party.

17. ARBITRATION. THE PARTIES AGREE THAT ANY AND ALL DISPUTES ARISING OUT OF THE TERMS OF THIS AGREEMENT, THEIR INTERPRETATION, AND ANY OF THE MATTERS HEREIN RELEASED, SHALL BE SUBJECT TO ARBITRATION, BEFORE JUDICIAL ARBITRATION & MEDIATION SERVICES, INC. ("JAMS"), PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES ("JAMS RULES"). THE ARBITRATOR MAY GRANT INJUNCTIONS AND OTHER RELIEF IN SUCH DISPUTES. THE ARBITRATOR SHALL ADMINISTER AND CONDUCT ANY ARBITRATION IN ACCORDANCE WITH CALIFORNIA LAW, INCLUDING THE CALIFORNIA CODE OF CIVIL PROCEDURE, AND THE ARBITRATOR SHALL APPLY SUBSTANTIVE AND PROCEDURAL CALIFORNIA LAW TO ANY DISPUTE OR CLAIM, WITHOUT REFERENCE TO ANY CONFLICT-OF-LAW PROVISIONS OF ANY JURISDICTION. TO THE EXTENT THAT THE JAMS RULES CONFLICT WITH CALIFORNIA LAW, CALIFORNIA LAW SHALL TAKE PRECEDENCE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE, AND BINDING ON THE PARTIES TO THE ARBITRATION. THE PARTIES AGREE THAT THE PREVAILING

PARTY IN ANY ARBITRATION SHALL BE ENTITLED TO INJUNCTIVE RELIEF IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE THE ARBITRATION AWARD. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY.

18. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Executive or made on Executive's behalf under the terms of this Agreement. Executive agrees and understands that Executive is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon. Executive further agrees to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of (a) Executive's failure to pay or the Company's failure to withhold, or Executive's delayed payment of, federal or state taxes, or (b) damages sustained by the Company by reason of any such claims, including attorneys' fees and costs.

19. Section 409A. The payments and benefits set forth in this Agreement are intended to comply with the "short-term deferral" exception to the requirements of section 409A of the Code and the regulations thereunder ("Section 409A"). If it is determined that Section 409A applies to any payment or benefit under this Agreement, such payment or benefit shall be administered in accordance with Section 409A. In no event may Executive, directly or indirectly, designate the calendar year of a payment and if a payment that is subject to execution of this Agreement could be made in more than one taxable year, and such payment is subject to Section 409A, payment will be made in the later taxable year. The Parties agree that the Separation Date shall be a "separation from service" under Section 409A. For purposes of Section 409A, each payment hereunder shall be treated as a separate payment, and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. Executive will be solely responsible for any tax imposed under Section 409A and in no event will the Company have any liability with respect to any tax, interest or other penalty imposed under Section 409A.

20. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Executive represents and warrants that Executive has the capacity to act on Executive's own behalf and on behalf of all who might claim through Executive to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

21. No Representations. Executive represents that Executive has had an opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

22. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

23. Attorneys' Fees. The Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement. However, in the event either Party brings an action to enforce or effect its rights under this Agreement or the Confidentiality Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

24. Entire Agreement. This Agreement represents the entire agreement and understanding between the Company and Executive concerning the subject matter of this Agreement and Executive's employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Executive's relationship with the Company (including the Severance Agreement between the Parties dated September 29, 2020), with the exception of the Confidentiality Agreement. This Agreement may only be amended in a writing signed by Executive and a duly authorized executive of the Company.

25. Governing Law. This Agreement shall be governed by the laws of the State of California, without regard for choice-of-law provisions. Executive consents to personal and exclusive jurisdiction and venue in the State of California.

26. Effective Date. Each Party has seven (7) days after that Party signs this Agreement to revoke it. This Agreement will become effective on the eighth (8th) day after Executive signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the "Effective Date").

27. Expiration of Agreement. This Agreement is executable until the twenty-second (22nd) day after it is received by Executive (the "Expiration Date"). This Agreement is null and void if the Company has not received a copy of this Agreement executed by the Executive on or before the Expiration Date. Executive acknowledges that this affords Executive a reasonable period to consult an attorney regarding this Agreement. If Executive chooses to sign this Agreement prior to the end of the Expiration Date, then Executive acknowledges that Executive did so knowingly and voluntarily, and was not induced to do so by fraud, misrepresentation or threat to withdraw or alter the offer.

28. Counterparts. This Agreement may be executed in counterparts and by facsimile, and each counterpart and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

29. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Agreement; (b) Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Executive's own choice or has been provided five (5) business days to retain such counsel and has elected not to retain legal counsel; (c) Executive understands the terms and consequences of this Agreement and of the releases it contains; and (d) Executive is fully aware of the legal and binding effect of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties executed this Agreement on the dates set forth below.

Samir Armaly

Dated: 2/18/2022
Armaly

/s/ Samir

Samir Armaly, an individual

Xperi Holding Corporation

Dated: 2/18/2022 By
Davis

/s/ Paul

Name:
Title:

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

I, Jon Kirchner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Xperi Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - 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: May 9, 2022

/s/ Jon Kirchner

Jon Kirchner

Chief Executive Officer and President

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

I, Robert Andersen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Xperi Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - 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: May 9, 2022

/s/ Robert Andersen
Robert Andersen
Chief Financial Officer

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

In connection with the Quarterly Report of Xperi Holding Corporation, a Delaware corporation (the “Company”), on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission (the “Report”), I, Jon Kirchner, Chief Executive Officer and President, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Jon Kirchner

Jon Kirchner
Chief Executive Officer and President
May 9, 2022

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

In connection with the Quarterly Report of Xperi Holding Corporation, a Delaware corporation (the “Company”), on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission (the “Report”), I, Robert Andersen, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Robert Andersen

Robert Andersen
Chief Financial Officer
May 9, 2022

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