UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 3, 2024
or

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

For the transition period from __________ to ___________

Commission File Number: 001-41249

Credo Technology Group Holding Ltd

(Exact name of registrant as specified in its charter)

Cayman Islands	**N/A**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
c/o Maples Corporate Services, Limited, PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands	**N/A**
(Address of principal executive offices)	(Zip Code)

(408) 664-9329
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
Ordinary shares, par value $0.00005 per share	**CRDO**	**The Nasdaq Stock Market LLC**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The registrant had 166,064,425 ordinary shares outstanding as of August 28, 2024.

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements relating to our expectations, projections, beliefs, and prospects, which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “anticipate,” “expect,” “intend,” “plan,” “goal,” “projects,” “believes,” “seeks,” “estimates,” "forecast," "target," “predict,” “future,” “may,” “can,” “will,” “would” or the negative of these terms or similar expressions. You should read these statements carefully because they may relate to future expectations around growth, strategy and anticipated trends in our business, contain projections of future results of operations or financial condition or state other “forward-looking” information. These statements are only predictions based on our current expectations, estimates, assumptions, and projections about future events and are applicable only as of the dates of such statements. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended April 27, 2024 and our Quarterly Reports on Form 10-Q and other reports we file with the U.S. Securities and Exchange Commission (SEC). Factors that could cause actual results to differ materially from those predicted include, but are not limited to:

- our expectations regarding our ability to address market and customer demands and to timely develop new or enhanced solutions to meet those demands;
- anticipated trends, challenges and growth in our business and the markets in which we operate, including pricing expectations;
- our expectations regarding our revenue, revenue mix, average selling prices, gross margin, and expenses;
- our expectations regarding dependence on a limited number of customers and end customers;
- our customer relationships and our ability to retain and expand our customer relationships and to achieve design wins;
- our expectations regarding the success, cost, and timing of new products;
- the size and growth potential of the markets for our solutions, and our ability to serve and expand our presence in those markets;
- our expectations regarding competition in our existing and future markets;
- the impact a pandemic, epidemic, or other outbreak of disease may in the future have on our business, results of operations and financial condition, as well as the businesses of our suppliers and customers;
- our expectations regarding regulatory developments in the United States and foreign countries;
- our expectations regarding the performance of, and our relationships with, our third-party suppliers and manufacturers;
- our expectations regarding our ability to attract and retain key personnel; and
- the accuracy of our estimates regarding capital requirements and needs for additional financing.

The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as may be required by law, we assume no obligation to update these forward-looking statements or the reasons that results could differ from these forward-looking statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or will occur.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Credo Technology Group Holding Ltd
Condensed Consolidated Balance Sheets

(unaudited, in thousands, except per share amounts)

	August 3, 2024	April 27, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 103,900	$ 66,942
Short-term investments	294,716	343,061
Accounts receivable	71,859	59,662
Inventories	31,557	25,907
Contract assets	24,400	21,562
Prepaid expenses and other current assets	15,921	13,131
Total current assets	542,353	530,265
Property and equipment, net	70,241	43,665
Right of use assets	15,860	13,077
Other non-current assets	16,411	14,925
Total assets	$ 644,865	$ 601,932
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 38,473	$ 13,417
Accrued compensation and benefits	7,808	9,000
Accrued expenses and other current liabilities	20,218	18,301
Deferred revenue	2,917	3,902
Total current liabilities	69,416	44,620
Non-current operating lease liabilities	13,530	11,133
Other non-current liabilities	8,817	5,981
Total liabilities	91,763	61,734
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Ordinary shares, $0.00005 par value; 1,000,000 shares authorized; 165,965 and 164,305 shares issued and outstanding at August 3, 2024 and April 27, 2024, respectively	8	8
Additional paid in capital	698,354	676,054
Accumulated other comprehensive loss	(375)	(519)
Accumulated deficit	(144,885)	(135,345)
Total shareholders' equity	553,102	540,198
Total liabilities and shareholders' equity	$ 644,865	$ 601,932

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

Credo Technology Group Holding Ltd
Condensed Consolidated Statements of Operations

(unaudited, in thousands, except per share amounts)

	Three Months Ended	
	August 3, 2024	July 29, 2023
Revenue:		
Product sales	$ 53,839	$ 30,028
Product engineering services	3,486	2,293
IP license	2,389	2,774
Total revenue	59,714	35,095
Cost of revenue:		
Cost of product sales revenue	21,884	13,868
Cost of product engineering services revenue	452	293
Cost of IP license revenue	95	144
Total cost of revenue	22,431	14,305
Gross profit	37,283	20,790
Operating expenses:		
Research and development	30,409	22,638
Selling, general and administrative	21,325	12,543
Total operating expenses	51,734	35,181
Operating loss	(14,451)	(14,391)
Other income, net	5,533	2,157
Loss before income taxes	(8,918)	(12,234)
Provision (benefit) for income taxes	622	(537)
Net loss	$ (9,540)	$ (11,697)
Net loss per share:		
Basic and diluted	$ (0.06)	$ (0.08)
Weighted-average shares:		
Basic and diluted	165,140	149,277

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

Credo Technology Group Holding Ltd
Condensed Consolidated Statements of Comprehensive Loss

(unaudited, in thousands)

	Three Months Ended	
	August 3, 2024	July 29, 2023
Net loss	$ (9,540)	$ (11,697)
Other comprehensive gain (loss):		
Foreign currency translation gain (loss)	144	(162)
Total comprehensive loss	$ (9,396)	$ (11,859)

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

Credo Technology Group Holding Ltd
Condensed Consolidated Statements of Shareholders' Equity

(unaudited, in thousands)

	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Number of Shares	Amount				
Balances at April 27, 2024	**164,305**	**$ 8**	**$ 676,054**	**$ (519)**	**$ (135,345)**	**$ 540,198**
Ordinary shares issued under equity incentive plans	1,697	—	3,513	—	—	3,513
Tax withheld related to RSU settlement	(37)	—	(1,071)	—	—	(1,071)
Share-based compensation	—	—	16,640	—	—	16,640
Warrant contra revenue	—	—	3,218	—	—	3,218
Total comprehensive loss	—	—	—	144	(9,540)	(9,396)
Balances at August 3, 2024	**165,965**	**$ 8**	**$ 698,354**	**$ (375)**	**$ (144,885)**	**$ 553,102**
Balances at April 29, 2023	**148,651**	**$ 7**	**$ 454,795**	**$ (191)**	**$ (106,976)**	**$ 347,635**
Ordinary shares issued under equity incentive plans	1,214	—	3,440	—	—	3,440
Tax withheld related to RSU settlement	(11)	—	(180)	—	—	(180)
Share-based compensation	—	—	7,968	—	—	7,968
Warrant contra revenue	—	—	436	—	—	436
Total comprehensive loss	—	$ —	$ —	$ (162)	$ (11,697)	$ (11,859)
Balances at July 29, 2023	**149,854**	**7**	**466,459**	**(353)**	**(118,673)**	**347,440**

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

Credo Technology Group Holding Ltd
Condensed Consolidated Statements of Cash Flows

(unaudited, in thousands)

	Three Months Ended	
	August 3, 2024	July 29, 2023
Cash flows from operating activities:		
Net loss	$ (9,540)	$ (11,697)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,233	2,950
Share-based compensation	16,640	7,968
Warrant contra revenue	3,218	436
Write-downs (releases) for excess and obsolete inventory	(298)	181
Changes in operating assets and liabilities:		
Accounts receivable	(12,197)	21,574
Inventories	(5,352)	5,049
Contract assets	(2,838)	1,397
Prepaid and other current assets	(2,790)	(859)
Other non-current assets	647	(2,505)
Accounts payable	5,789	2,483
Accrued expenses, compensation and other liabilities	(3,662)	(1,519)
Deferred revenue	(1,086)	(850)
Net cash provided by (used in) operating activities	(7,236)	24,608
Cash flows from investing activities:		
Purchases of property and equipment	(5,863)	(5,312)
Maturities of short-term investments	162,061	59,228
Purchases of short-term investments	(113,716)	(60,526)
Net cash provided by (used in) investing activities	42,482	(6,610)
Cash flows from financing activities:		
Payments on technology license obligations	(838)	(2,726)
Proceeds from employee share incentive plans	3,513	3,440
Tax withheld related to RSU settlement	(1,071)	(180)
Net cash provided by financing activities	1,604	534
Effect of exchange rate changes on cash	108	(70)
Net increase in cash and cash equivalents	36,958	18,462
Cash and cash equivalents at beginning of the period	66,942	108,583
Cash and cash equivalents at end of the period	$ 103,900	$ 127,045
Supplemental cash flow information:		
Purchases of property and equipment included in accounts payable, accrued expenses and other liabilities	$ 27,320	$ 5,243

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

1. Description of Business and Basis of Presentation

Credo Technology Group Holding Ltd was formed as an exempted company under the laws of the Cayman Islands in September 2014. Credo Technology Group Holding Ltd directly owns Credo Technology Group Ltd., which owns, directly and indirectly, all of the shares of its subsidiaries in mainland China, Hong Kong, and the United States (U.S.). References to the “Company” in these notes refer to Credo Technology Group Holding Ltd and its subsidiaries on a consolidated basis, unless otherwise specified.

The Company is an innovator in providing secure, high-speed connectivity solutions that deliver improved power and cost efficiency. The Company’s connectivity solutions are optimized for optical and electrical Ethernet applications, including the 100G, 200G, 400G, 800G and emerging 1.6T markets. The Company’s products are based on its Serializer/Deserializer (SerDes) and Digital Signal Processor (DSP) technologies. The Company’s product families include integrated circuits (ICs), Active Electrical Cables (AECs) and SerDes Chiplets. The Company’s intellectual property (IP) solutions consist primarily of SerDes IP licensing.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States (US GAAP) applicable to interim periods, under the rules and regulations of the U.S. Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted as permitted by the SEC. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the Company’s fiscal year 2024 audited financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended April 27, 2024. The unaudited condensed consolidated financial statements include all adjustments, including normal recurring adjustments and other adjustments, that are considered necessary for fair presentation of the Company’s financial position and results of operations. All inter-company accounts and transactions have been eliminated. Operating results for the periods presented herein are not necessarily indicative of the results that may be expected for the entire year.

The Company’s fiscal year is a 52- or 53-week period ending on the Saturday closest to April 30. Its fiscal year ending May 3, 2025 (fiscal year 2025) is a 53-week fiscal year. The first quarter of fiscal year 2025 ended on August 3, 2024, the second quarter ends on November 2, 2024, and the third quarter ends on February 1, 2025.

2. Significant Accounting Policies

The Company believes that other than the accounting policies as described below, there have been no significant changes to the items disclosed in Note 2, “Significant Accounting Policies,” included in the Company’s Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

Use of Estimates

The preparation of these condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company’s condensed consolidated financial statements and accompanying notes.

The Company bases its estimates and judgments on historical experience, knowledge of current conditions and beliefs of what could occur in the future, given the available information. Estimates are used for, but not limited to, write-down for excess and obsolete inventories, the standalone selling price for each distinct performance obligation included in customer contracts with multiple performance obligations, variable consideration from revenue contracts, the realization of tax assets and estimates of tax reserves, and impairment of long-lived assets. Actual results may differ from those estimates and such differences may be material to the financial statements. In the current macroeconomic environment, these estimates require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, these estimates may change materially in future periods.

Reclassifications

Certain prior period balances were reclassified to conform to the current period’s presentation. None of these reclassifications had an impact on reported net income or cash flows for any of the periods presented.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures, which requires disclosure of incremental segment information on an annual and interim basis. This standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. The Company is evaluating the impact that this new standard will have on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures, which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. This standard is effective for fiscal years beginning after May 4, 2025, and may be applied on a retrospective or prospective basis. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements and disclosures.

3. Concentrations

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Cash is placed in major financial institutions around the world. The Company's cash deposits exceed insured limits. Short-term investments are subject to counterparty risk up to the amount presented on the balance sheet.

Historically, a relatively small number of customers have accounted for a significant portion of the Company's revenue. The particular customers which account for revenue concentration have varied from period-to-period as a result of the addition of new contracts, completion of existing contracts, and the volumes and prices at which the customers have recently bought the Company's products. These variations are expected to continue in the foreseeable future.

The following tables summarize the accounts receivable and revenue as a percentage of total accounts receivable and total revenue, respectively, for the Company's most significant customers. In the tables below, customers are defined as the contracting entities who place purchase orders or enter into revenue contracts with the Company:

Accounts Receivable	**August 3, 2024**	**April 27, 2024**
Customer A	70 %	53 %
Customer B	*	23 %

	Three Months Ended	
Revenue	**August 3, 2024**	**July 29, 2023**
Customer A	56 %	41 %
Customer C	*	14 %
Customer B	*	12 %

* Less than 10% of total accounts receivable or total revenue.

4. Revenue Recognition

The following table summarizes revenue disaggregated by primary geographical market based on destination of shipment and location of contracting entity, which may differ from the customer's principal offices (in thousands):

	Three Months Ended	
	August 3, 2024	July 29, 2023
Hong Kong	$ 29,272	$ 1,990
United States	10,800	6,415
Mainland China	9,748	16,081
Taiwan	758	5,346
Rest of World	9,136	5,263
	$ 59,714	$ 35,095

Contract Balances

The contract assets are primarily related to the Company's fixed fee IP licensing arrangements and rights to consideration for performance obligations delivered but not billed as of August 3, 2024 and April 27, 2024.

During the three months ended August 3, 2024, the Company recognized $1.3 million of revenue that was included in the deferred revenue balance as of April 27, 2024. During the three months ended July 29, 2023, the Company recognized $1.3 million of revenue that was included in the deferred revenue balance as of April 29, 2023.

During the three months ended August 3, 2024, the increase in contract assets of $2.1 million was primarily driven by certain product engineering services and IP licensing arrangements where certain billing milestones were not met prior to the timing of revenue recognition.

Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. The contracted but unsatisfied performance obligation was approximately $8.5 million and the satisfied but unrecognized performance obligation was approximately $1.1 million as of August 3, 2024 which the Company expects to recognize over the next 12 months. The Company applied a performance constraint on the satisfied but unrecognized performance obligation due to uncertainty around the collectability of milestone payments.

Customer Warrant

During fiscal year 2022, the Company issued a warrant to Amazon.com NV Investment Holdings LLC (Holder) to purchase an aggregate of up to 4,080 thousand of the Company's ordinary shares at an exercise price of $10.74 per share (the Customer Warrant). The exercise period of the Customer Warrant is through the seventh anniversary of the issue date. Upon issuance of the Customer Warrant, 40 thousand of the shares issuable upon exercise of the Customer Warrant vested immediately and the remainder of the shares issuable will vest in tranches over the contract term based on the amount of global payments by Holder and its affiliates to us, up to $201 million in aggregate payments. A total of 1,580 thousand and 1,080 thousand of the shares issuable upon exercise of the Customer Warrant were vested as of August 3, 2024 and April 27, 2024, respectively.

Using a grant date fair value of $4.65, the Company recognized $3.2 million for the three months ended August 3, 2024, and $0.4 million for the three months ended July 29, 2023, as contra revenue within product sales revenue on the condensed consolidated statements of operations.

5. Fair Value Measurements

Fair value is an exit price representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.

Level 2 - Other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company measures the fair value of money market funds using Level 1 inputs. The Company's certificates of deposit are classified as held-to-maturity securities as the Company intends to hold until their maturity dates. The certificates of deposit are valued using Level 2 inputs. Pricing sources may include industry standard data providers, security master files from large financial institutions, and other third-party sources used to determine a daily market value.

The following tables present the fair value of the financial instruments measured on a recurring basis as of August 3, 2024 and April 27, 2024 (in thousands).

	August 3, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 45,028	$ —	$ —	$ 45,028
Certificates of deposit	—	52,504	—	52,504
Short-term investments:				
Certificates of deposit	—	294,716	—	294,716
Total cash equivalents and short-term investments	$ 45,028	$ 347,220	$ —	$ 392,248

	April 27, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 57,175	$ —	$ —	$ 57,175
Short-term investments:				
Certificates of deposit	—	343,061	—	343,061
Total cash equivalents and short-term investments	$ 57,175	$ 343,061	$ —	$ 400,236

The carrying amount of the Company's financial instruments, including cash equivalents, short-term investments, accounts receivable and accounts payable, approximate their respective fair values because of their short maturities. As of August 3, 2024 and April 27, 2024, there were no unrealized losses or gains associated with the Company's financial instruments.

Interest income recognized for the three months ended August 3, 2024 and July 29, 2023 was $5.8 million and $2.6 million, respectively.

6. Supplemental Financial Information

Inventories

Inventories consisted of the following (in thousands):

	August 3, 2024	April 27, 2024
Raw materials	$ 11,837	$ 9,415
Work in process	9,561	7,470
Finished goods	10,159	9,022
	$ 31,557	$ 25,907

Property and Equipment, Net

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

	August 3, 2024	April 27, 2024
Production equipment	$ 31,410	$ 27,608
Computer equipment and software	26,771	18,271
Laboratory equipment	21,181	19,840
Leasehold improvements	2,721	2,525
Others	618	534
Construction in progress	20,499	3,616
	103,200	72,394
Less: Accumulated depreciation and amortization	(32,959)	(28,729)
	$ 70,241	$ 43,665

Depreciation and amortization expense was $4.2 million for the three months ended August 3, 2024, and $3.0 million for the three months ended July 29, 2023. Computer equipment and software primarily includes technology licenses for computer-aided design tools relating to the Company’s R&D design of future products and intellectual properties. Production equipment and construction in progress primarily include mask set costs capitalized relating to the Company’s products already introduced or to be introduced.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	August 3, 2024	April 27, 2024
Accrued expenses	$ 10,641	$ 9,610
Current payables relating to purchases of property and equipment	6,452	5,950
Current portion of operating lease liabilities	3,125	2,741
	$ 20,218	$ 18,301

Other Non-current Liabilities

Other non-current liabilities consisted of the following (in thousands):

	August 3, 2024	April 27, 2024
Non-current payables relating to purchases of property and equipment	$ 7,882	$ 4,950
Other non-current liabilities	935	1,031
	$ 8,817	$ 5,981

7. Commitments and Contingencies

Non-cancelable Purchase Obligations

Total future non-cancelable purchase obligations as of August 3, 2024 are as follows (in thousands):

Fiscal Year	Purchase Commitments to Manufacturing Vendors	Technology License Fees	Total
Remainder of 2025	$ 22,850	$ 6,801	29,651
2026	7,306	8,342	15,648
2027	9,598	7,805	17,403
2028	12,417	350	12,767
2029	2,153	350	2,503
Total unconditional purchase commitments	$ 54,324	$ 23,648	$ 77,972

Technology license fees include the liabilities under agreements for technology licenses between the Company and various vendors.

Under the Company's manufacturing relationships with its foundry partners, cancellation of outstanding purchase orders is allowed but requires payment of all costs and expenses incurred through the date of cancellation.

As of August 3, 2024, the total value of non-cancelable purchase orders payable within the next one year that were committed with the Company's third-party subcontractors was approximately $22.9 million. Such purchase commitments are included in the preceding table.

The Company has a manufacturing supply capacity reservation agreement with an assembly subcontractor as of August 3, 2024. Under this arrangement, the Company has paid refundable deposits to the supplier in exchange for reserved manufacturing production capacity over the term of the agreement, which approximates five years. In addition, the Company committed to certain purchase levels that were in line with the capacity reserved. If the Company does not meet the purchase level commitment, the agreement requires the Company to pay a fee equal to the difference between the actual purchase and the purchase commitment, up to the value of refundable deposits made. The Company currently estimates that it has made purchase level commitments of at least $34.2 million for the remainder of fiscal year 2025 through fiscal year 2029 under the capacity reservation agreement. Such purchase commitments are included in the preceding table. In addition, the Company had refundable deposits of $8.6 million of which $0.7 million was recorded in prepaid expenses and other current assets and $7.9 million was recorded in other non-current assets on the unaudited condensed consolidated balance sheet.

Warranty Obligations

The Company's products generally carry a standard one-year warranty. The Company's warranty expense was not material in the periods presented.

Indemnifications

In the ordinary course of business, the Company has entered into agreements that contain certain indemnification obligations of varying scope and terms to customers, vendors, lessors, investors, directors, officers, employees and other parties with respect to certain matters, including, but not limited to, certain losses arising out of the Company's breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. These indemnification obligations may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss limitations. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification obligations. Accordingly, the Company had no liabilities recorded for these agreements as of August 3, 2024 and April 27, 2024.

Legal Proceedings

From time to time, the Company may be a party to various litigation claims in the ordinary course of business. Legal fees and other costs associated with such actions are expensed as incurred. The Company assesses, in conjunction with legal counsel, the need to record a liability for litigation and contingencies. Accrual estimates are recorded when and if it is determined that such a liability for litigation and contingencies are both probable and reasonably estimable. As of the date of issuance of these unaudited condensed consolidated financial statements, the Company was not subject to any material litigation. No accruals for loss contingencies or recognition of actual losses have been recorded in any of the periods presented.

8. Leases

The Company leases office space, in the United States and internationally, under operating leases. The Company's leases have remaining lease terms generally between one year and seven years. Operating leases are included in right of use assets, accrued expenses and other current liabilities, and non-current operating lease liabilities on the Company's unaudited condensed consolidated balance sheets. The Company does not have any finance leases.

Lease expense and supplemental cash flow information are as follows (in thousands):

	Three Months Ended	
	August 3, 2024	July 29, 2023
Operating lease expenses	$ 1,016	$ 921
Cash paid for amounts included in the measurement of operating lease liabilities	$ 955	$ 836
Right-of-use assets obtained in exchange for lease obligation	$ 3,531	$ —

The aggregate future lease payments for operating leases as of August 3, 2024 are as follows (in thousands):

Fiscal Year	Operating Leases
2025	$ 2,827
2026	3,623
2027	3,067
2028	3,067
2029	3,158
Thereafter	3,913
Total lease payments	19,655
Less: Interest	6,531
Present value of lease liabilities	$ 13,124

As of August 3, 2024, the weighted-average remaining lease term for the Company's operating leases was 5.7 years and the weighted-average discount rate used to determine the present value of the Company's operating leases was 6.6%.

9. Share Incentive Plan

Restricted Stock Unit (RSU) Awards

A summary of information related to RSU activity during the three months ended August 3, 2024 is as follows:

	RSUs Outstanding			
	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Balances as of April 27, 2024	10,139	$16.11	1.52	$ 188.2
Granted	294	$28.06		
Vested	(732)	$12.26		
Canceled/ forfeited	(232)	$17.41		
Balances and expected to vest as of August 3, 2024	9,469	$16.76	1.37	$ 239.8

Share Option Awards

A summary of information related to share option activity during the three months ended August 3, 2024 is as follows:

	Options Outstanding			
	Outstanding Share Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Balance as of April 27, 2024	6,421	$1.97	5.30	$ 106.5
Options vested and exercised	(799)	$1.79		
Options canceled/ forfeited	(3)	$2.33		
Balance and expected to vest as of August 3, 2024	5,619	$2.00	5.11	$ 131.1
Exercisable as of August 3, 2024	5,614	$2.00	5.11	$ 131.0

As of August 3, 2024, 5 thousand shares from share option early exercises remained subject to the Company's repurchase rights. These shares are excluded from ordinary shares outstanding.

Employee Stock Purchase Plan (ESPP)

The Company issued 139 thousand shares during the three months ended August 3, 2024 and 205 thousand shares during the three months ended July 29, 2023, under the ESPP.

Summary of Share-based Compensation Expense

The following table summarizes share-based compensation expense included in the unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended	
	August 3, 2024	July 29, 2023
Cost of revenue	$ 281	$ 189
Research and development	9,170	4,732
Selling, general and administrative	7,189	3,047
	$ 16,640	**$ 7,968**

10. Income Taxes

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, excluding zero rate jurisdictions, and adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period. The Company's quarterly tax provision, and estimate of its annual effective tax rate, is subject to variation due to several factors, including variability in accurately predicting its pre-tax income or loss and the mix of jurisdictions to which they relate, intercompany transactions, changes in tax laws, the applicability of special tax regimes, changes in how we do business, and discrete items.

Provision (benefit) for income taxes for the three months ended August 3, 2024 and July 29, 2023 was as follows (in thousands except percentages):

	Three Months Ended		
	August 3, 2024	July 29, 2023	% Change
Provision (benefit) for income taxes	$ 622	$ (537)	(115.8)%
Effective tax rate	(7)%	4 %	

The Company's effective tax rate for the three months ended August 3, 2024 differs from the same period in the prior fiscal year primarily due to the tax benefit of share-based compensation being offset by a full valuation allowance in the U.S. entity.

During the three months ended August 3, 2024, there were no material changes to the total amount of unrecognized tax benefits and the Company does not expect any significant changes in the next 12 months.

11. Net Loss Per Share

The Company reports both basic net income (loss) per share, which is based on the weighted-average number of ordinary shares outstanding during the period, and diluted net income (loss) per share, which is based on the weighted-average number of ordinary shares outstanding and potentially dilutive shares outstanding during the period. Net loss per share for the three months ended August 3, 2024 and July 29. 2023, respectively, was determined as follows (in thousands, except per share amounts):

	Three Months Ended	
	August 3, 2024	July 29, 2023
Numerator:		
Net loss	$ (9,540)	$ (11,697)
Denominator:		
Weighted-average shares - basic and diluted	165,140	149,277
Net income (loss) per share:		
Basic and diluted	$ (0.06)	$ (0.08)

Potential dilutive securities include dilutive ordinary shares from the Customer Warrant, share-based awards attributable to the assumed exercise of share options and vesting of RSUs and ESPP shares using the treasury stock method. Under the treasury stock method, potential ordinary shares outstanding are not included in the computation of diluted net income per share if their effect is anti-dilutive. The following potentially dilutive securities outstanding (in thousands) have been excluded from the computations of diluted weighted-average shares outstanding for the three months ended August 3, 2024 and July 29, 2023:

	Three Months Ended	
	August 3, 2024	July 29, 2023
Share-based compensation awards	15,227	15,652
Customer Warrant	4,080	4,080
	19,307	19,732

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management’s discussion and analysis of financial condition and results of operations for the fiscal year ended April 27, 2024 included in the Company’s Annual Report on Form 10-K for the fiscal year ended April 27, 2024. Some of the information contained in this discussion and analysis includes forward-looking statements that involve risks and uncertainties as described under the heading “Special Note Regarding Forward-Looking Statements” of this Quarterly Report on Form 10-Q.

Overview

Credo provides innovative, secure, high-speed and power-efficient connectivity solutions. Our solutions target the data infrastructure market, where bandwidth requirements are increasing exponentially, driven by the accelerating deployment of leading edge Artificial Intelligence infrastructure and applications. Our connectivity solutions are optimized for optical and electrical Ethernet applications, including the 100G (or Gigabits per second), 200G, 400G, 800G and emerging 1.6T (or Terabits per second) markets. Our products are based on our Serializer/Deserializer (SerDes) and Digital Signal Processor (DSP) technologies. Our product families include integrated circuits (ICs), Active Electrical Cables (AECs) and SerDes Chiplets. Our intellectual property (IP) solutions consist primarily of SerDes IP licensing.

Data generation has increased dramatically over the past ten years, creating new and complicated challenges in both circuit and system design. Our proprietary SerDes and DSP technologies enable us to achieve similar performance to leading competitors’ products but at a lower cost and more highly available legacy node (n-1 advantage). Beyond power and performance, Credo continues to innovate to address customers’ system level requirements. We partner with Microsoft on our HiWire Switch AEC and open-source implementation that helps realize Microsoft’s vision for a highly reliable network-managed dual-Top-of-Rack (ToR) architecture (a network architecture design in which computing equipment located within the same or an adjacent rack are, for redundancy, connected to two in-rack network switches, which are, in turn, connected to aggregation switches via fiber optic cables), overcome complex and slow legacy enterprise approaches, simplify deployment and improve connection reliability in the data center.

The multibillion-dollar data infrastructure market that we serve is driven largely by hyperscale data centers (hyperscalers), as well as general compute, AI/ML infrastructure, multi-service operators (MSOs), and mobile network operators (MNOs). The demands for increased bandwidth, improved power and cost efficiency and heightened security have simultaneously and dramatically expanded as work, education and entertainment have rapidly digitized across myriad endpoint users.

We design, market and sell both product and IP solutions. We help define industry conventions and standards within the markets we target by collaborating with technology leaders and standards bodies. We contract with a variety of manufacturing partners to build our products based on our proprietary SerDes and DSP technologies. We develop standard solutions we can sell broadly to our end markets and also develop tailored solutions designed to address specific customer needs. Once developed, these tailored solutions can generally be broadly leveraged across our portfolio and we are able to sell the part or license the IP to the broader market.

During the three months ended August 3, 2024 and July 29, 2023, we generated $59.7 million and $35.1 million in total revenue, respectively. Product sales and product engineering services revenue comprised 96.0% and 92.0% of our total revenue in the three months ended August 3, 2024 and July 29, 2023, respectively, and IP license revenue represented 4.0% and 8.0% of our total revenue in the three months ended August 3, 2024 and July 29, 2023, respectively. During the three months ended August 3, 2024 and July 29, 2023, we generated $9.5 million in net loss and $11.7 million in net loss, respectively.

We derive the substantial majority of our revenue from a limited number of customers. We anticipate we will continue to derive a significant portion of our revenue from a limited number of customers for the foreseeable future. We expect that as our products are more widely adopted and as our number of customers increase, customer concentration will decrease.

We sell our products to hyperscalers, original equipment manufacturers (OEMs), original design manufacturers (ODMs) and optical module manufacturers, as well as to companies in the enterprise and HPC markets. We work closely and have engagements with industry-leading companies across these segments. A relatively small number customers have historically accounted for and continue to account for a significant portion of our revenue. We report revenue by customer in our financial statement disclosure based on the contracting parties who place purchase orders or sign revenue contracts with us. See Note 3 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. However, certain of our end customers have their contract manufacturing partners place orders with us. As a result, the contract manufacturers, rather than the end customers, are reported as our customers for financial reporting purposes. As a supplement to our financial statement footnote disclosure, and to provide further insight into our end customer concentration, the following table summarizes our revenue by customer as a percentage of total revenue based on end customer profile, rather than based on the contracting parties who place purchase orders or sign revenue contracts with us:

	Three Months Ended	
Revenue	**August 3, 2024**	**July 29, 2023**
Customer D	52 %	12 %
Customer E	10 %	40 %
Customer C	*	14 %
Customer B	*	12 %

* Less than 10% of total revenue.

Our Business Model

We are a product-focused business with a strong foundation in IP, pioneering comprehensive connectivity solutions that deliver bandwidth, scalability and end-to-end signal integrity for next-generation platforms. We also develop IP solutions to address the specific and complex needs of our customers. We earn revenue from these IP solutions primarily through licensing fees and royalties. In addition to product sales and IP license revenue, we also generate revenue from providing engineering services as part of our product and license arrangements with certain customers. Over time, we expect to generate an increased proportion of our revenue from sales of our products. We expect to see a long-term benefit from improvements in our operating leverage as our business continues to gain scale.

We utilize a fabless business model, working with a network of third parties to manufacture, assemble and test our connectivity products. This approach allows us to focus our engineering and design resources on our core competencies and to control our fixed costs and capital expenditures.

We employ a two-pronged sales strategy targeting both the end users of our products, as well as the suppliers of our end users. By engaging directly with the end user, we are able to better understand the needs of our customers and cater our solutions to their most pressing connectivity requirements.

This strategy has enabled us to become the preferred vendor to a number of our customers who, in turn, in some cases, require their suppliers, OEMs, ODMs and optical module manufacturers to utilize our solutions.

Results of Operations

Three Months Ended August 3, 2024 and July 29, 2023

The following table sets forth information derived from our unaudited condensed consolidated statements of operations expressed as a percentage of total revenue:

	Three Months Ended	
	August 3, 2024	July 29, 2023
Revenue:		
Product sales	90.2 %	85.6 %
Product engineering services	5.8 %	6.5 %
IP license	4.0 %	7.9 %
Total revenue	100.0 %	100.0 %
Cost of revenue:		
Cost of product sales revenue	36.6 %	39.6 %
Cost of product engineering services revenue	0.8 %	0.8 %
Cost of IP license revenue	0.2 %	0.4 %
Total cost of revenue	37.6 %	40.8 %
Gross margin	62.4 %	59.2 %
Operating expenses:		
Research and development	50.9 %	64.5 %
Selling, general and administrative	35.7 %	35.7 %
Total operating expenses	86.6 %	100.2 %
Operating loss	(24.2)%	(41.0)%
Other income, net	9.3 %	6.2 %
Loss before income taxes	(14.9)%	(34.8)%
Benefit for income taxes	1.0 %	(1.5)%
Net income (loss)	(16.0)%	(33.3)%

Comparison of Three Months Ended August 3, 2024 and July 29, 2023

Revenue

	Three Months Ended		
	August 3, 2024	July 29, 2023	% Change
	(in thousands, except percentages)		
Product sales	$ 53,839	$ 30,028	79.3 %
Product engineering services	3,486	2,293	52.0 %
IP license	2,389	2,774	(13.9)%
Total revenue	$ 59,714	$ 35,095	70.1 %

Total revenue for the three months ended August 3, 2024 increased by $24.6 million, compared to the same period in fiscal year 2024, primarily due to an increase in product sales revenue of $23.8 million and product engineering services revenue of $1.2 million. IP license revenue was relatively consistent between the comparative periods.

The increase in product sales revenue for the three months ended August 3, 2024, compared to the same period in fiscal year 2024, was primarily due to a significant increase in the volume of unit shipments of AEC products which contributed over 90% of the increase in product sales revenue. The AEC sales increase was primarily driven by the ramp-up of our AEC solutions at our second hyperscale data center customer this fiscal quarter.

The increase in product engineering services revenue for the three months ended August 3, 2024, compared to the same period in fiscal year 2024, was primarily due to an increase in engineering time of 110% spent in our product engineering services arrangements.

Cost of Revenue

	Three Months Ended		
	August 3, 2024	July 29, 2023	% Change
	(in thousands, except percentages)		
Cost of product sales revenue	$ 21,884	$ 13,868	57.8 %
Cost of product engineering services revenue	452	293	54.3 %
Cost of IP license revenue	95	144	(34.0)%
Total cost of revenue	$ 22,431	$ 14,305	56.8 %

Cost of revenue for the three months ended August 3, 2024 increased by $8.1 million, compared to the same period in fiscal year 2024, primarily due to an increase in cost of product sales revenue of $8.0 million. The increase was primarily due to the increased shipments of AEC products noted above.

Gross Profit and Gross Margin

	Three Months Ended		
	August 3, 2024	July 29, 2023	% Change
	(in thousands, except percentages)		
Gross profit	$ 37,283	$ 20,790	79.3 %
Gross margin	62.4 %	59.2 %	

Gross margin in the three months ended August 3, 2024 increased by 3.2 percentage points compared to the same period in fiscal year 2024, primarily driven by the improved economies of scale in our product sales. Our product sales gross margin increased by 5.5 percentage points for the three months ended August 3, 2024, compared to the same period in the prior year.

Research and Development

	Three Months Ended		
	August 3, 2024	July 29, 2023	% Change
	(in thousands, except percentages)		
Research and development	$ 30,409	$ 22,638	34.3 %
% of total revenue	50.9 %	64.5 %	

Research and development expense for the three months ended August 3, 2024 increased by $7.8 million compared to the same period in fiscal year 2024. The increase was due primarily to a $4.5 million increase in share-based compensation expense driven by increased amortization expense from new equity awards granted to employees, a $2.5 million increase in personnel costs as a result of new hires for product development and a $0.7 million increase in depreciation expense associated with increase in R&D equipment.

Selling, General and Administrative

	Three Months Ended		
	August 3, 2024	July 29, 2023	% Change
	(in thousands, except percentages)		
Selling, general and administrative	$ 21,325	$ 12,543	70.0 %
% of total revenue	35.7 %	35.7 %	

Selling, general and administrative expense for the three months ended August 3, 2024 increased by $8.8 million compared to the same period in fiscal year 2024. The increase was primarily due to a $4.1 million increase in share-based compensation expense driven by increased amortization expense from new equity awards granted to employees, $2.0 million increase in personnel costs as a result of higher selling, general and administrative headcount, and a $2.0 million increase in external consultation fees relating to general and administrative expenses.

Provision (Benefit) for Income Taxes

	Three Months Ended		
	August 3, 2024	July 29, 2023	% Change
	(in thousands, except percentages)		
Provision (Benefit) for income taxes	$ 622	$ (537)	(215.8)%
% of total revenue	1.0 %	(1.5)%	

Provision for income taxes for the three months ended August 3, 2024 increased by $1.2 million, compared to the same period in fiscal year 2024. The fluctuation was primarily due to the tax benefit of share-based compensation being offset by a full valuation allowance in the U.S. entity.

Liquidity and Capital Resources

Our activities consist primarily of selling our products, licensing our IP, providing product and IP engineering services, and conducting research and development of our products and technology. As of August 3, 2024 and April 27, 2024, we had $103.9 million and $66.9 million in cash and cash equivalents, respectively, and working capital of $472.9 million and $485.6 million, respectively. Our principal use of cash is to fund our operations and invest in research and development to support our growth. See Note 7 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a further discussion of our cash requirements under non-cancelable purchase obligations.

We believe our existing cash and cash equivalents and other components of working capital will be sufficient to meet our needs for at least the next 12 months and in the longer term. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of our sales and marketing and research and development expenditures, customer demand and the continuing market acceptance of our solutions. In the event that we need to borrow funds or issue additional equity, we cannot be assured that any such additional financing will be available on terms acceptable to us, if at all. If we are unable to raise additional capital when we need it, our business, results of operations and financial condition would be adversely affected.

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

	Three Months Ended	
	August 3, 2024	July 29, 2023
	(in thousands)	
Net cash provided by (used in) operating activities	$ (7,236)	$ 24,608
Net cash provided by (used in) investing activities	$ 42,482	$ (6,610)
Net cash provided by financing activities	$ 1,604	$ 534

Cash Flows Provided by (Used in) Operating Activities

Net cash used in operating activities was $7.2 million for the three months ended August 3, 2024. The cash outflows from operating activities for the three months ended August 3, 2024 were primarily due to $21.5 million of cash outflows for working capital purposes and $9.5 million in net loss, partially offset by $23.8 million of non-cash items. The cash outflows from working capital for the three months ended August 3, 2024 were primarily driven by (a) an increase in accounts receivable of $12.2 million primarily due to large billings from customers not due yet in the three months ended August 3, 2024; (b) an increase in inventory of $5.4 million to support unfulfilled backlog and related new product ramps; (c) a decrease in accrued expenses, compensation and other liabilities of $3.7 million due to ESPP purchase and final billing payment made for one of our technology license obligations and (d) an increase in contract assets of $2.8 million due to certain product engineering services and IP licensing arrangements where certain billing milestones were not met prior to the timing of revenue recognition. These cash outflows were offset by cash inflows relating to an increase in accounts payable of $5.8 million due to amounts payable relating to increased external consultation fees associated with general and administrative and outside research & development services.

Net cash provided by operating activities was $24.6 million for the three months ended July 29, 2023. The cash inflows from operating activities for the three months ended July 29, 2023 were primarily due to $24.8 million of cash inflows for working capital purposes and $11.5 million of non-cash items, partially offset by $11.7 million in net loss. The cash inflows from working capital for the three months ended July 29, 2023 were primarily driven by (a) an decrease in accounts receivable of $21.6 million primarily due to collection of large customer invoices in the fiscal quarter ended July 29, 2023; (b) an decrease in inventory of $5.0 million primarily driven by tightened production management and increased product sales compared to the fiscal quarter ended April 29, 2023; (c) an increase in accounts payable of $2.5 million due to amounts payable relating to increased research and development spending. These cash inflows were offset by cash outflows relating to an increase in other non-current assets of $2.5 million primarily relating to payments of refundable deposits for a manufacturing supply capacity reservation agreement.

Cash Flows Provided by (Used in) Investing Activities

Net cash provided by investing activities of $42.5 million in the three months ended August 3, 2024 was primarily attributable to maturities of certificates of deposit for $162.1 million, offset by purchase of the same for $113.7 million and purchases of property and equipment of $5.9 million. Purchases of property and equipment primarily related to third-party IP licenses and computer equipment and software used for research and development purposes.

Net cash used in investing activities of $6.6 million in the three months ended July 29, 2023 was attributable to purchases of property and equipment of $5.3 million and net outflow from certificates of deposit of $1.3 million from maturities of certificates of deposit for $59.2 million and purchases of the same for $60.5 million . Purchases of property and equipment primarily related to mask sets purchases for new products introduced or in process of being introduced, and computer equipment and software used for research and development purposes.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities of $1.6 million for the three months ended August 3, 2024 was primarily attributable to $2.4 million in proceeds from exercises of employee share options and the issuance of shares under the ESPP net of tax withheld for RSU settlement, offset by $0.8 million in payments for long-term technology license obligations.

Net cash provided by financing activities of $0.5 million for the three months ended July 29, 2023 was solely attributable to $3.4 million in proceeds from exercises of employee share options and issuances of shares under the ESPP offset by $2.7 million in payments for long-term technology license obligations.

Critical Accounting Estimates

There have been no material changes to our critical accounting estimates during the three months ended August 3, 2024, as compared to those disclosed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024. In the current macroeconomic environment, our estimates could require increased judgment and carry a higher degree of variability and volatility. We continue to monitor and assess our estimates in light of developments, and as events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For a discussion of market risks, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024. During the three months ended August 3, 2024, there were no material changes or developments that would materially alter the market risk assessment performed as of April 27, 2024.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under 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, to allow timely decisions regarding required disclosure.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our “internal control over financial reporting,” as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the quarter ended August 3, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Credo have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in various legal proceedings arising in the ordinary course of our business. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on us. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024, which could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our ordinary shares. As of the date of this Quarterly Report on Form 10-Q there have been no material changes from the risk factors previously disclosed in our in the Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

Item 5. Other Information.

Rule 10b5-1 Trading Plans

On June 26, 2024, Pantas Sutardja, a member of our board of directors, adopted a Rule 10b5-1 Trading Plan, intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act, pursuant to which a maximum amount of 32,291 of our ordinary shares held directly by Mr. Sutardja may be sold between November 1, 2024 and February 3, 2026. The plan terminates on the earlier of: (i) February 3, 2026, (ii) the first date on which all trades set forth in the plan have been executed or (iii) such date as the plan is otherwise terminated according to its terms.

On July 1, 2024, Daniel Fleming, our Chief Financial Officer, adopted a Rule 10b5-1 Trading Plan, intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act, pursuant to which a maximum amount of 198,750 of our ordinary shares held directly by Mr. Fleming may be sold between September 30, 2024 and September 30, 2025. The plan terminates on the earlier of: (i) September 30, 2025, (ii) the first date on which all trades set forth in the plan have been executed or (iii) such date as the plan is otherwise terminated according to its terms.

On July 2, 2024, Yat Tung (Job) Lam, our Chief Operating Officer and a member of our board of directors, adopted a Rule 10b5-1 Trading Plan ("the Plan"), intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act, pursuant to which a maximum amount of: (i) 120,000 of our ordinary shares held directly by Mr. Lam may be sold between November 12, 2024 and October 30, 2025, (ii) 720,000 of our ordinary shares held by Chung (BVI) Co Ltd may be sold between November 12, 2024 and October 30, 2025, (iii) 270,000 of our ordinary shares held by Zhan (BVI) Co Ltd may be sold between February 18, 2025 and October 30, 2025 and (iv) 60,000 of our ordinary shares held by the Evelyn Job and April Foundation may be sold between November 12, 2024 and October 30, 2025. The Plan terminates on the earlier of: (i) October 30, 2025, (ii) the first date on which all trades set forth in the Plan have been executed or (iii) such date as the Plan is otherwise terminated according to its terms. Mr. Lam and his spouse share voting and investment power over the shares held by each of Zhan (BVI) Co Ltd, Chung (BVI) Co Ltd and the Evelyn Job and April Foundation, which is a tax-exempt 501(c)(3) charitable institution.

Item 6. Exhibits.

			Incorporated by Reference				
Exhibit Number		Exhibit Description	Form	File No.	Exhibit No.	Filing Date	Provided Herewith
31.1	*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document)					
101.SCH	*	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	*	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104		Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

*Filed herewith
**Furnished herewith

SIGNATURES

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

CREDO TECHNOLOGY GROUP HOLDING LTD

Date: September 5, 2024	By:	/s/ William Brennan Name: William Brennan Title: President and Chief Executive Officer
Date: September 5, 2024	By:	/s/ Daniel Fleming Name: Daniel Fleming Title: Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credo Technology Group Holding Ltd;

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: September 5, 2024

By: /s/ William Brennan
William Brennan
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel Fleming, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credo Technology Group Holding Ltd;

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: September 5, 2024

By: /s/ Daniel Fleming
Daniel Fleming
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Credo Technology Group Holding Ltd (the “Company”) on Form 10-Q for the period ended August 3, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code, I, William Brennan, President and Chief Executive Officer of the Company, certify that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 5, 2024

By: /s/ William Brennan
William Brennan
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of Credo Technology Group Holding Ltd (the “Company”) on Form 10-Q for the period ended August 3, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code, I, Daniel Fleming, Chief Financial Officer of the Company, certify that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 5, 2024	By:	/s/ Daniel Fleming
		Daniel Fleming
		Chief Financial Officer
		(Principal Financial Officer)