

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

(Mark One)

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended October 1, 2023 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 001-34218  
**COGNEX CORPORATION**

(Exact name of registrant as specified in its charter)

**Massachusetts**

(State or other jurisdiction of  
incorporation or organization)

**04-2713778**

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

**One Vision Drive  
Natick, Massachusetts 01760-2059  
(508) 650-3000**

(Address, including zip code, and telephone number, including area code, of principal executive offices)

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

Title of each class  
Common Stock, par value \$.002 per share

Trading Symbol(s)  
CGNX

Name of each exchange on which registered  
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 (Check one):

Large accelerated filer ☒ Accelerated filer ☐  
Non-accelerated filer ☐ Smaller reporting company ☐  
Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of October 1, 2023, there were 172,142,092 shares of Common Stock, \$.002 par value per share, of the registrant outstanding.

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PART I: FINANCIAL INFORMATION  
ITEM 1: FINANCIAL STATEMENTS

COGNEX CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per share amounts)

|                                                                     | Three-months Ended |                 | Nine-months Ended |                 |
|---------------------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                                     | October 1, 2023    | October 2, 2022 | October 1, 2023   | October 2, 2022 |
|                                                                     | (unaudited)        |                 | (unaudited)       |                 |
| Revenue                                                             | \$ 197,241         | \$ 209,622      | \$ 640,877        | \$ 766,657      |
| Cost of revenue                                                     | 54,467             | 57,383          | 174,680           | 214,316         |
| Gross margin                                                        | 142,774            | 152,239         | 466,197           | 552,341         |
| Research, development, and engineering expenses                     | 32,580             | 33,954          | 104,707           | 103,999         |
| Selling, general, and administrative expenses                       | 82,307             | 75,371          | 248,767           | 236,156         |
| Loss (recovery) from fire (Note 17)                                 | (2,750)            | 2,891           | (5,250)           | 20,294          |
| Operating income                                                    | 30,637             | 40,023          | 117,973           | 191,892         |
| Foreign currency gain (loss)                                        | (8,699)            | (1,880)         | (9,910)           | (4,367)         |
| Investment income                                                   | 4,891              | 1,416           | 12,573            | 4,389           |
| Other income (expense)                                              | 173                | (214)           | 358               | (450)           |
| Income before income tax expense                                    | 27,002             | 39,345          | 120,994           | 191,464         |
| Income tax expense                                                  | 8,086              | 5,365           | 18,989            | 31,250          |
| Net income                                                          | \$ 18,916          | \$ 33,980       | \$ 102,005        | \$ 160,214      |
| Net income per weighted-average common and common-equivalent share: |                    |                 |                   |                 |
| Basic                                                               | \$ 0.11            | \$ 0.20         | \$ 0.59           | \$ 0.92         |
| Diluted                                                             | \$ 0.11            | \$ 0.19         | \$ 0.59           | \$ 0.91         |
| Weighted-average common and common-equivalent shares outstanding:   |                    |                 |                   |                 |
| Basic                                                               | 172,169            | 173,256         | 172,408           | 173,640         |
| Diluted                                                             | 173,354            | 174,327         | 173,659           | 175,233         |
| Cash dividends per common share                                     | \$ 0.070           | \$ 0.065        | \$ 0.210          | \$ 0.195        |

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

**COGNEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands)

|                                                                                                                                                                           | Three-months Ended |                 | Nine-months Ended |                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                                                                                                                                           | October 1, 2023    | October 2, 2022 | October 1, 2023   | October 2, 2022 |
|                                                                                                                                                                           | (unaudited)        |                 | (unaudited)       |                 |
| Net income                                                                                                                                                                | \$ 18,916          | \$ 33,980       | \$ 102,005        | \$ 160,214      |
| Other comprehensive income (loss), net of tax:                                                                                                                            |                    |                 |                   |                 |
| Available-for-sale investments:                                                                                                                                           |                    |                 |                   |                 |
| Net unrealized gain (loss), net of tax of \$707 and \$(1,564) in the three-month periods, and net of tax of \$1,981 and \$(6,298) in the nine-month periods, respectively | 738                | (5,315)         | 4,458             | (21,185)        |
| Reclassification of net realized (gain) loss on the sale of available-for-sale investments into current operations                                                        | 624                | 79              | 624               | 103             |
| Net change related to available-for-sale investments                                                                                                                      | 1,362              | (5,236)         | 5,082             | (21,082)        |
| Foreign currency translation adjustments:                                                                                                                                 |                    |                 |                   |                 |
| Foreign currency translation adjustments                                                                                                                                  | (2,603)            | (7,352)         | (5,828)           | (13,425)        |
| Net change related to foreign currency translation adjustments                                                                                                            | (2,603)            | (7,352)         | (5,828)           | (13,425)        |
| Other comprehensive income (loss), net of tax                                                                                                                             | (1,241)            | (12,588)        | (746)             | (34,507)        |
| Total comprehensive income                                                                                                                                                | \$ 17,675          | \$ 21,392       | \$ 101,259        | \$ 125,707      |

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

**COGNEX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands)

|                                                                                                                                                                               | October 1, 2023<br>(unaudited) | December 31, 2022 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------|
| <b>ASSETS</b>                                                                                                                                                                 |                                |                   |
| Current assets:                                                                                                                                                               |                                |                   |
| Cash and cash equivalents                                                                                                                                                     | \$ 395,501                     | \$ 181,374        |
| Current investments, amortized cost of \$120,831 and \$223,545 in 2023 and 2022, respectively, allowance for credit losses of \$0 in 2023 and 2022                            | 117,147                        | 218,759           |
| Accounts receivable, allowance for credit losses of \$580 and \$730 in 2023 and 2022, respectively                                                                            | 130,542                        | 125,417           |
| Unbilled revenue                                                                                                                                                              | 1,588                          | 2,179             |
| Inventories                                                                                                                                                                   | 133,866                        | 122,480           |
| Prepaid expenses and other current assets                                                                                                                                     | 68,347                         | 67,490            |
| Total current assets                                                                                                                                                          | 846,991                        | 717,699           |
| Non-current investments, amortized cost of \$349,060 and \$476,148 in 2023 and 2022, respectively, allowance for credit losses of \$0 in 2023 and 2022                        | 332,991                        | 454,117           |
| Property, plant, and equipment, net                                                                                                                                           | 82,965                         | 79,714            |
| Operating lease assets                                                                                                                                                        | 66,760                         | 37,682            |
| Goodwill                                                                                                                                                                      | 241,042                        | 242,630           |
| Intangible assets, net                                                                                                                                                        | 9,986                          | 12,414            |
| Deferred income taxes                                                                                                                                                         | 403,013                        | 407,241           |
| Other assets                                                                                                                                                                  | 6,151                          | 6,643             |
| Total assets                                                                                                                                                                  | \$ 1,989,899                   | \$ 1,958,140      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                                                                                   |                                |                   |
| Current liabilities:                                                                                                                                                          |                                |                   |
| Accounts payable                                                                                                                                                              | \$ 23,053                      | \$ 27,103         |
| Accrued expenses                                                                                                                                                              | 79,121                         | 93,235            |
| Accrued income taxes                                                                                                                                                          | 19,302                         | 18,129            |
| Deferred revenue and customer deposits                                                                                                                                        | 40,246                         | 40,787            |
| Operating lease liabilities                                                                                                                                                   | 7,982                          | 8,454             |
| Total current liabilities                                                                                                                                                     | 169,704                        | 187,708           |
| Non-current operating lease liabilities                                                                                                                                       | 60,450                         | 31,298            |
| Deferred income taxes                                                                                                                                                         | 233,360                        | 249,961           |
| Reserve for income taxes                                                                                                                                                      | 19,450                         | 15,866            |
| Non-current accrued income taxes                                                                                                                                              | 18,337                         | 33,008            |
| Other liabilities                                                                                                                                                             | —                              | 1,905             |
| Total liabilities                                                                                                                                                             | 501,301                        | 519,746           |
| Commitments and contingencies (Note 10)                                                                                                                                       |                                |                   |
| Shareholders' equity:                                                                                                                                                         |                                |                   |
| Preferred stock, \$ .01 par value – Authorized: 400 shares in 2023 and 2022, respectively; no shares issued and outstanding                                                   | —                              | —                 |
| Common stock, \$.002 par value – Authorized: 300,000 shares in 2023 and 2022, respectively; issued and outstanding: 172,142 and 172,631 shares in 2023 and 2022, respectively | 344                            | 345               |
| Additional paid-in capital                                                                                                                                                    | 1,023,960                      | 979,167           |
| Retained earnings                                                                                                                                                             | 534,337                        | 528,179           |
| Accumulated other comprehensive loss, net of tax                                                                                                                              | (70,043)                       | (69,297)          |
| Total shareholders' equity                                                                                                                                                    | 1,488,598                      | 1,438,394         |
| Total liabilities and shareholders' equity                                                                                                                                    | \$ 1,989,899                   | \$ 1,958,140      |

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

**COGNEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

|                                                                                             | October 1, 2023 | Nine-months Ended<br>(unaudited) | October 2, 2022 |
|---------------------------------------------------------------------------------------------|-----------------|----------------------------------|-----------------|
| Cash flows from operating activities:                                                       |                 |                                  |                 |
| Net income                                                                                  | \$              | 102,005                          | \$ 160,214      |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                 |                                  |                 |
| Stock-based compensation expense                                                            |                 | 41,518                           | 41,419          |
| Depreciation of property, plant, and equipment                                              |                 | 12,557                           | 12,176          |
| (Gain) loss on disposal of property, plant, and equipment                                   |                 | (2)                              | 12              |
| Amortization of intangible assets                                                           |                 | 2,428                            | 2,468           |
| Excess and obsolete inventory charges                                                       |                 | 1,703                            | 2,728           |
| Non-cash impact of write-offs related to fire (Note 17)                                     |                 | —                                | 45,827          |
| Amortization of discounts or premiums on investments                                        |                 | 1,347                            | 3,976           |
| Realized (gain) loss on sale of investments                                                 |                 | 624                              | 103             |
| Change in deferred income taxes                                                             |                 | (14,691)                         | (14,799)        |
| Change in operating assets and liabilities:                                                 |                 |                                  |                 |
| Accounts receivable                                                                         |                 | (6,488)                          | 31,018          |
| Unbilled revenue                                                                            |                 | 534                              | 1,760           |
| Inventories                                                                                 |                 | (12,954)                         | (35,815)        |
| Prepaid expenses and other current assets                                                   |                 | (2,007)                          | (46,817)        |
| Accounts payable                                                                            |                 | (3,986)                          | (21,577)        |
| Accrued expenses                                                                            |                 | (13,214)                         | (23,813)        |
| Accrued income taxes                                                                        |                 | (13,513)                         | (6,644)         |
| Deferred revenue and customer deposits                                                      |                 | (151)                            | 20,882          |
| Other                                                                                       |                 | 2,715                            | 4,031           |
| Net cash provided by (used in) operating activities                                         |                 | 98,425                           | 177,149         |
| Cash flows from investing activities:                                                       |                 |                                  |                 |
| Purchases of investments                                                                    |                 | (174,330)                        | (77,760)        |
| Maturities and sales of investments                                                         |                 | 402,160                          | 215,876         |
| Purchases of property, plant, and equipment                                                 |                 | (16,062)                         | (15,605)        |
| Net cash provided by (used in) investing activities                                         |                 | 211,768                          | 122,511         |
| Cash flows from financing activities:                                                       |                 |                                  |                 |
| Net payments from issuance of common stock under stock plans                                |                 | 3,276                            | 4,225           |
| Repurchase of common stock                                                                  |                 | (59,640)                         | (178,387)       |
| Payment of dividends                                                                        |                 | (36,209)                         | (33,837)        |
| Net cash provided by (used in) financing activities                                         |                 | (92,573)                         | (207,999)       |
| Effect of foreign exchange rate changes on cash and cash equivalents                        |                 | (3,493)                          | (11,818)        |
| Net change in cash and cash equivalents                                                     |                 | 214,127                          | 79,843          |
| Cash and cash equivalents at beginning of period                                            |                 | 181,374                          | 186,161         |
| Cash and cash equivalents at end of period                                                  | \$              | 395,501                          | \$ 266,004      |

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

**COGNEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands)

|                                                                                            | Common Stock   |               | Additional<br>Paid-in Capital | Retained Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholders'<br>Equity |
|--------------------------------------------------------------------------------------------|----------------|---------------|-------------------------------|-------------------|-----------------------------------------------|----------------------------------|
|                                                                                            | Shares         | Par Value     |                               |                   |                                               |                                  |
| Balance as of July 2, 2023                                                                 | 172,293        | \$ 345        | \$ 1,010,973                  | \$ 537,947        | \$ (68,802)                                   | \$ 1,480,463                     |
| Net issuance of common stock under stock plans                                             | 40             | —             | 622                           | —                 | —                                             | 622                              |
| Repurchase of common stock                                                                 | (191)          | (1)           | —                             | (10,477)          | —                                             | (10,478)                         |
| Stock-based compensation expense                                                           | —              | —             | 12,365                        | —                 | —                                             | 12,365                           |
| Payment of dividends (\$0.070 per common share)                                            | —              | —             | —                             | (12,049)          | —                                             | (12,049)                         |
| Net income                                                                                 | —              | —             | —                             | 18,916            | —                                             | 18,916                           |
| Net unrealized gain (loss) on available-for-sale investments, net of tax of \$707          | —              | —             | —                             | —                 | 738                                           | 738                              |
| Reclassification of net realized (gain) loss on the sale of available-for-sale investments | —              | —             | —                             | —                 | 624                                           | 624                              |
| Foreign currency translation adjustment                                                    | —              | —             | —                             | —                 | (2,603)                                       | (2,603)                          |
| Balance as of October 1, 2023 (unaudited)                                                  | <u>172,142</u> | <u>\$ 344</u> | <u>\$ 1,023,960</u>           | <u>\$ 534,337</u> | <u>\$ (70,043)</u>                            | <u>\$ 1,488,598</u>              |

|                                                                                            | Common Stock   |               | Additional<br>Paid-in Capital | Retained Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholders'<br>Equity |
|--------------------------------------------------------------------------------------------|----------------|---------------|-------------------------------|-------------------|-----------------------------------------------|----------------------------------|
|                                                                                            | Shares         | Par Value     |                               |                   |                                               |                                  |
| Balance as of July 3, 2022                                                                 | 173,397        | \$ 347        | \$ 947,269                    | \$ 512,230        | \$ (69,861)                                   | \$ 1,389,985                     |
| Net issuance of common stock under stock plans                                             | 73             | —             | (189)                         | —                 | —                                             | (189)                            |
| Repurchase of common stock                                                                 | (540)          | (1)           | —                             | (24,069)          | —                                             | (24,070)                         |
| Stock-based compensation expense                                                           | —              | —             | 13,366                        | —                 | —                                             | 13,366                           |
| Payment of dividends (\$0.065 per common share)                                            | —              | —             | —                             | (11,264)          | —                                             | (11,264)                         |
| Net income                                                                                 | —              | —             | —                             | 33,980            | —                                             | 33,980                           |
| Net unrealized gain (loss) on available-for-sale investments, net of tax of \$(1,564)      | —              | —             | —                             | —                 | (5,315)                                       | (5,315)                          |
| Reclassification of net realized (gain) loss on the sale of available-for-sale investments | —              | —             | —                             | —                 | 79                                            | 79                               |
| Foreign currency translation adjustment                                                    | —              | —             | —                             | —                 | (7,352)                                       | (7,352)                          |
| Balance as of October 2, 2022 (unaudited)                                                  | <u>172,930</u> | <u>\$ 346</u> | <u>\$ 960,446</u>             | <u>\$ 510,877</u> | <u>\$ (82,449)</u>                            | <u>\$ 1,389,220</u>              |

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

**COGNEX CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands)

|                                                                                            | Common Stock   |               | Additional<br>Paid-in Capital | Retained Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholders'<br>Equity |
|--------------------------------------------------------------------------------------------|----------------|---------------|-------------------------------|-------------------|-----------------------------------------------|----------------------------------|
|                                                                                            | Shares         | Par Value     |                               |                   |                                               |                                  |
| Balance as of December 31, 2022                                                            | 172,631        | \$ 345        | \$ 979,167                    | \$ 528,179        | \$ (69,297)                                   | \$ 1,438,394                     |
| Net issuance of common stock under stock plans                                             | 668            | 1             | 3,275                         | —                 | —                                             | 3,276                            |
| Repurchase of common stock                                                                 | (1,157)        | (2)           | —                             | (59,638)          | —                                             | (59,640)                         |
| Stock-based compensation expense                                                           | —              | —             | 41,518                        | —                 | —                                             | 41,518                           |
| Payment of dividends (\$0.210 per common share)                                            | —              | —             | —                             | (36,209)          | —                                             | (36,209)                         |
| Net income                                                                                 | —              | —             | —                             | 102,005           | —                                             | 102,005                          |
| Net unrealized gain (loss) on available-for-sale investments, net of tax of \$1,981        | —              | —             | —                             | —                 | 4,458                                         | 4,458                            |
| Reclassification of net realized (gain) loss on the sale of available-for-sale investments | —              | —             | —                             | —                 | 624                                           | 624                              |
| Foreign currency translation adjustment                                                    | —              | —             | —                             | —                 | (5,828)                                       | (5,828)                          |
| Balance as of October 1, 2023 (unaudited)                                                  | <u>172,142</u> | <u>\$ 344</u> | <u>\$ 1,023,960</u>           | <u>\$ 534,337</u> | <u>\$ (70,043)</u>                            | <u>\$ 1,488,598</u>              |

|                                                                                            | Common Stock   |               | Additional<br>Paid-in Capital | Retained Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholders'<br>Equity |
|--------------------------------------------------------------------------------------------|----------------|---------------|-------------------------------|-------------------|-----------------------------------------------|----------------------------------|
|                                                                                            | Shares         | Par Value     |                               |                   |                                               |                                  |
| Balance as of December 31, 2021                                                            | 175,481        | \$ 351        | \$ 914,802                    | \$ 562,882        | \$ (47,942)                                   | \$ 1,430,093                     |
| Net issuance of common stock under stock plans                                             | 256            | —             | 4,225                         | —                 | —                                             | 4,225                            |
| Repurchase of common stock                                                                 | (2,807)        | (5)           | —                             | (178,382)         | —                                             | (178,387)                        |
| Stock-based compensation expense                                                           | —              | —             | 41,419                        | —                 | —                                             | 41,419                           |
| Payment of dividends (\$0.195 per common share)                                            | —              | —             | —                             | (33,837)          | —                                             | (33,837)                         |
| Net income                                                                                 | —              | —             | —                             | 160,214           | —                                             | 160,214                          |
| Net unrealized gain (loss) on available-for-sale investments, net of tax of \$(6,298)      | —              | —             | —                             | —                 | (21,185)                                      | (21,185)                         |
| Reclassification of net realized (gain) loss on the sale of available-for-sale investments | —              | —             | —                             | —                 | 103                                           | 103                              |
| Foreign currency translation adjustment                                                    | —              | —             | —                             | —                 | (13,425)                                      | (13,425)                         |
| Balance as of October 2, 2022 (unaudited)                                                  | <u>172,930</u> | <u>\$ 346</u> | <u>\$ 960,446</u>             | <u>\$ 510,877</u> | <u>\$ (82,449)</u>                            | <u>\$ 1,389,220</u>              |

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

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 1: Summary of Significant Accounting Policies**

As permitted by the rules of the Securities and Exchange Commission applicable to Quarterly Reports on Form 10-Q, these notes are condensed and do not contain all disclosures required by generally accepted accounting principles (GAAP). Reference should be made to the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 for a full description of other significant accounting policies.

In the opinion of the management of Cognex Corporation (the "Company"), the accompanying consolidated unaudited financial statements contain all adjustments, consisting of normal, recurring adjustments, adjustments related to losses and recoveries from the fire (Note 17), and financial statement reclassifications necessary to present fairly the Company's financial position as of October 1, 2023, and the results of its operations for the three-month and nine-month periods ended October 1, 2023 and October 2, 2022, and changes in shareholders' equity, comprehensive income, and cash flows for the periods presented.

The results disclosed in the Consolidated Statements of Operations for the three-month and nine-month periods ended October 1, 2023 are not necessarily indicative of the results to be expected for the full year.

**NOTE 2: New Pronouncements**

Accounting Standards Update (ASU) 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", (ASU) 2021-01, "Reference Rate Reform (Topic 848): Scope", and Accounting Standards Update (ASU) 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848"

The amendments in these ASUs apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. Together, the ASUs provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, except for hedging relationships existing as of December 31, 2024 that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The amendments in these ASUs are effective for all entities as of March 12, 2020 through December 31, 2024. Management adopted Topic 848 on January 1, 2023, and now uses the Secured Overnight Financing Rate (SOFR). The adoption did not have a material impact on the Company's financial statements and disclosures.

COGNEX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**NOTE 3: Fair Value Measurements**

Financial Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The following table summarizes the financial assets and liabilities required to be measured at fair value on a recurring basis as of October 1, 2023 (in thousands):

|                                  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable<br>Inputs (Level 2) | Unobservable Inputs (Level 3) |
|----------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------|
| <b>Assets:</b>                   |                                                                         |                                                     |                               |
| Money market instruments         | \$ 241,716                                                              | \$ —                                                | \$ —                          |
| Corporate bonds                  | —                                                                       | 349,405                                             | —                             |
| Treasury bills                   | —                                                                       | 61,742                                              | —                             |
| Asset-backed securities          | —                                                                       | 37,051                                              | —                             |
| Sovereign bonds                  | —                                                                       | 1,940                                               | —                             |
| Economic hedge forward contracts | —                                                                       | 196                                                 | —                             |
| <b>Liabilities:</b>              |                                                                         |                                                     |                               |
| Economic hedge forward contracts | —                                                                       | 128                                                 | —                             |

The Company's money market instruments are reported at fair value based upon the daily market price for identical assets in active markets, and are therefore classified as Level 1.

The Company's debt securities and forward contracts are reported at fair value based on model-driven valuations in which all significant inputs are observable or can be derived from or corroborated by observable market data for substantially the full term of the asset or liability, and are therefore classified as Level 2. Management is responsible for estimating the fair value of these financial assets and liabilities, and in doing so, considers valuations provided by a large, third-party pricing service. For debt securities, this service maintains regular contact with market makers, brokers, dealers, and analysts to gather information on market movement, direction, trends, and other specific data. They use this information to structure yield curves for various types of debt securities and arrive at the daily valuations. The Company's forward contracts are typically traded or executed in over-the-counter markets with a high degree of pricing transparency. The market participants are generally large commercial banks.

Non-financial Assets that are Measured at Fair Value on a Non-recurring Basis

Non-financial assets, such as property, plant and equipment, operating lease assets, goodwill, and intangible assets, are required to be measured at fair value only when an impairment loss is recognized. The Company did not record impairment charges related to non-financial assets during the three-month or nine-month periods ended October 1, 2023 or October 2, 2022.

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 4: Cash, Cash Equivalents, and Investments**

Cash, cash equivalents, and investments consisted of the following (in thousands):

|                           | October 1, 2023   | December 31, 2022 |
|---------------------------|-------------------|-------------------|
| Cash                      | \$ 153,785        | \$ 180,959        |
| Money market instruments  | 241,716           | 415               |
| Cash and cash equivalents | 395,501           | 181,374           |
| Corporate bonds           | 110,627           | 164,055           |
| Asset-backed securities   | 3,084             | 26,890            |
| Treasury bills            | 2,457             | 11,332            |
| Sovereign bonds           | 979               | —                 |
| Agency bonds              | —                 | 15,858            |
| Municipal bonds           | —                 | 624               |
| Current investments       | 117,147           | 218,759           |
| Corporate bonds           | 238,778           | 374,440           |
| Treasury bills            | 59,285            | 44,214            |
| Asset-backed securities   | 33,967            | 33,539            |
| Sovereign bonds           | 961               | 1,924             |
| Non-current investments   | 332,991           | 454,117           |
|                           | <u>\$ 845,639</u> | <u>\$ 854,250</u> |

Corporate bonds consist of debt securities issued by both domestic and foreign companies; asset-backed securities consist of debt securities collateralized by pools of receivables or loans with credit enhancement; treasury bills consist of debt securities issued by the U.S. government; sovereign bonds consist of direct debt issued by foreign governments; agency bonds consist of domestic or foreign obligations of government agencies and government-sponsored enterprises that have government backing; and municipal bonds consist of debt securities issued by state and local government entities. All of the Company's securities as of October 1, 2023 and December 31, 2022 were denominated in U.S. Dollars.

Accrued interest receivable is recorded in "Prepaid expenses and other current assets" on the Consolidated Balance Sheets and amounted to \$4,094,000 and \$3,620,000 as of October 1, 2023 and December 31, 2022, respectively.

The following table summarizes the Company's available-for-sale investments as of October 1, 2023 (in thousands):

|                         | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair Value        |
|-------------------------|-------------------|------------------------------|-------------------------------|-------------------|
| Current:                |                   |                              |                               |                   |
| Corporate bonds         | \$ 114,188        | \$ —                         | \$ (3,561)                    | \$ 110,627        |
| Asset-backed securities | 3,128             | —                            | (44)                          | 3,084             |
| Treasury bills          | 2,498             | —                            | (41)                          | 2,457             |
| Sovereign bonds         | 1,017             | —                            | (38)                          | 979               |
| Non-current:            |                   |                              |                               |                   |
| Corporate bonds         | 251,635           | 9                            | (12,866)                      | 238,778           |
| Treasury bills          | 60,871            | —                            | (1,586)                       | 59,285            |
| Asset-backed securities | 35,512            | —                            | (1,545)                       | 33,967            |
| Sovereign bonds         | 1,042             | —                            | (81)                          | 961               |
|                         | <u>\$ 469,891</u> | <u>\$ 9</u>                  | <u>\$ (19,762)</u>            | <u>\$ 450,138</u> |

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following table summarizes the Company's gross unrealized losses and fair values for available-for-sale investments in an unrealized loss position as of October 1, 2023 (in thousands):

|                         | Unrealized Loss Position For: |                   |                      |                   |            |                   | Total |  |
|-------------------------|-------------------------------|-------------------|----------------------|-------------------|------------|-------------------|-------|--|
|                         | Less than 12 Months           |                   | 12 Months or Greater |                   |            |                   |       |  |
|                         | Fair Value                    | Unrealized Losses | Fair Value           | Unrealized Losses | Fair Value | Unrealized Losses |       |  |
| Corporate bonds         | \$ 103,100                    | \$ (2,900)        | \$ 244,535           | \$ (13,527)       | \$ 347,635 | \$ (16,427)       |       |  |
| Treasury bills          | 56,878                        | (1,492)           | 4,864                | (135)             | 61,742     | (1,627)           |       |  |
| Asset-backed securities | 32,425                        | (1,465)           | 4,626                | (124)             | 37,051     | (1,589)           |       |  |
| Sovereign bonds         | —                             | —                 | 1,940                | (119)             | 1,940      | (119)             |       |  |
|                         | \$ 192,403                    | \$ (5,857)        | \$ 255,965           | \$ (13,905)       | \$ 448,368 | \$ (19,762)       |       |  |

Management monitors debt securities that are in an unrealized loss position to determine whether a loss exists related to the credit quality of the issuer. When developing an estimate of expected credit losses, management considers all relevant information including historical experience, current conditions, and reasonable forecasts of expected future cash flows. Based on this evaluation, no allowance for credit losses on debt securities was recorded as of October 1, 2023 or December 31, 2022. There was no activity recorded in the allowance for credit losses during the three-month or nine-month periods ended October 1, 2023 or October 2, 2022.

The following table summarizes the Company's gross realized gains and losses on the sale of debt securities for the three-month and nine-month periods ended October 1, 2023 and October 2, 2022 (in thousands):

|                             | Three-months Ended |                 | Nine-months Ended |                 |
|-----------------------------|--------------------|-----------------|-------------------|-----------------|
|                             | October 1, 2023    | October 2, 2022 | October 1, 2023   | October 2, 2022 |
| Gross realized gains        | \$ 109             | \$ —            | \$ 109            | \$ 133          |
| Gross realized losses       | (733)              | (79)            | (733)             | (236)           |
| Net realized gains (losses) | <u>\$ (624)</u>    | <u>\$ (79)</u>  | <u>\$ (624)</u>   | <u>\$ (103)</u> |

Realized gains and losses are included in "Investment income" on the Consolidated Statements of Operations. Prior to the sale of these securities, unrealized gains and losses for these debt securities, net of tax, were recorded in shareholders' equity as accumulated other comprehensive income (loss).

The following table presents the effective maturity dates of the Company's available-for-sale investments as of October 1, 2023 (in thousands):

|                         | <1 year           | 1-2 Years         | 2-3 Years        | 3-4 Years        | 4-5 Years        | 5-8 Years       | Total             |
|-------------------------|-------------------|-------------------|------------------|------------------|------------------|-----------------|-------------------|
| Corporate bonds         | \$ 110,627        | \$ 95,497         | \$ 65,409        | \$ 34,878        | \$ 42,539        | \$ 455          | \$ 349,405        |
| Treasury bills          | 2,457             | 5,306             | 15,016           | 21,842           | 17,121           | —               | 61,742            |
| Asset-backed securities | 3,084             | 12,722            | 10,584           | 3,978            | —                | 6,683           | 37,051            |
| Sovereign bonds         | 979               | —                 | 961              | —                | —                | —               | 1,940             |
|                         | <u>\$ 117,147</u> | <u>\$ 113,525</u> | <u>\$ 91,970</u> | <u>\$ 60,698</u> | <u>\$ 59,660</u> | <u>\$ 7,138</u> | <u>\$ 450,138</u> |

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 5: Inventories**

Inventories consisted of the following (in thousands):

|                 | October 1, 2023   | December 31, 2022 |
|-----------------|-------------------|-------------------|
| Raw materials   | \$ 80,091         | \$ 71,720         |
| Work-in-process | 1,712             | 906               |
| Finished goods  | 52,063            | 49,854            |
|                 | <u>\$ 133,866</u> | <u>\$ 122,480</u> |

**NOTE 6: Leases**

The Company's leases are primarily leased properties across different worldwide locations where the Company conducts its operations. All of these leases are classified as operating leases. Certain leases may contain options to extend or terminate the lease at the Company's sole discretion.

As of October 1, 2023, there were no options to terminate and twenty-nine options to extend that were accounted for in the determination of the lease term for outstanding leases. Certain leases contain leasehold improvement incentives, retirement obligations, escalating clauses, rent holidays, and variable payments tied to a consumer price index. There were no restrictions or covenants for outstanding leases as of October 1, 2023.

The total operating lease expense for the three-month and nine-month periods ended October 1, 2023 was \$5,512,000 and \$8,151,000, respectively. The total operating lease cash payments for the three-month and nine-month periods ended October 1, 2023 were \$5,168,000 and \$7,532,000, respectively. The total lease expense for leases with a term of twelve months or less for which the Company elected not to recognize a lease asset or lease liability for the three-month and nine-month periods ended October 1, 2023 was \$132,000 and \$292,000, respectively.

The total operating lease expense for the three-month and nine-month periods ended October 2, 2022 was \$2,255,000 and \$6,699,000, respectively. The total operating lease cash payments for the three-month and nine-month periods ended October 2, 2022 were \$2,161,000 and \$6,467,000, respectively. The total lease expense for leases with a term of twelve months or less for which the Company elected not to recognize a lease asset or lease liability for the three-month and nine-month periods ended October 2, 2022 was \$35,000 and \$110,000, respectively.

Future operating lease cash payments are as follows (in thousands):

| Year Ended December 31,  | Amount           |
|--------------------------|------------------|
| Remainder of fiscal 2023 | \$ 2,510         |
| 2024                     | 11,580           |
| 2025                     | 9,677            |
| 2026                     | 7,799            |
| 2027                     | 7,231            |
| 2028                     | 6,992            |
| Thereafter               | 46,421           |
|                          | <u>\$ 92,210</u> |

The discounted present value of the future lease cash payments resulted in a total lease liability of \$68,432,000 and \$39,752,000 as of October 1, 2023 and December 31, 2022, respectively. The Company did not have any leases that had not yet commenced but that created significant rights and obligations as of October 1, 2023.

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

In June 2023, the Company entered into a lease for a 115,000 square-foot building in Singapore to serve as a new distribution center for customers in Asia. The lease contains two components, including a 88,000 square-foot premises with a term of ten years, six months. The Company has the right and option to extend the term of this lease component for an additional period of five years, commencing upon the expiration of the original term. This lease component commenced during the second quarter of 2023, and therefore the Company recorded approximately \$29,639,000, which reflects an estimated extension period of five years, within "Operating lease assets" and "Operating lease liabilities" on the Consolidated Balance Sheets on the commencement date. The second component of this Singapore lease is for a 27,000 square-foot premises with a term of eight years. The commencement date for this lease component is in the fourth quarter of 2025, and therefore it was not yet recorded on the Consolidated Balance Sheets, nor did it create any significant rights and obligations as of October 1, 2023. The Company has the right and option to extend the term of this lease component for an additional period of five years, commencing upon the expiration of the original term. Future payment obligations associated with this lease component total \$13,231,000, none of which is payable in 2023 and which reflects an estimated extension period of five years. Future payment obligations related to this lease component are not included in the future operating lease cash payments table above.

In December 2021, the Company entered into a lease for a 65,000 square-foot building in Southborough, Massachusetts for a term of ten years to serve as a new distribution center for customers in the Americas. The Company has the right and option to extend the term of this lease for an additional period of five years, commencing upon the expiration of the original ten-year term. This lease commenced during the first quarter of 2022, and therefore the Company recorded approximately \$9,271,000, which does not reflect an estimated extension period, within "Operating lease assets" and "Operating lease liabilities" on the Consolidated Balance Sheets on the commencement date.

The weighted-average discount rate was 5.4% and 3.3% for the leases outstanding as of October 1, 2023 and December 31, 2022, respectively. The weighted-average remaining lease term was 10.8 and 7.8 years for the leases outstanding as of October 1, 2023 and December 31, 2022, respectively.

**NOTE 7: Goodwill**

The changes in the carrying value of goodwill were as follows (in thousands):

|                                 |           |                |
|---------------------------------|-----------|----------------|
| Balance as of December 31, 2022 | \$        | 242,630        |
| Foreign exchange rate changes   |           | (1,588)        |
| Balance as of October 1, 2023   | <u>\$</u> | <u>241,042</u> |

**NOTE 8: Intangible Assets**

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

|                               | Gross<br>Carrying<br>Value | Accumulated<br>Amortization | Net<br>Carrying<br>Value |
|-------------------------------|----------------------------|-----------------------------|--------------------------|
| Completed technologies        | \$ 28,017                  | \$ (19,590)                 | \$ 8,427                 |
| Customer relationships        | 5,838                      | (4,400)                     | 1,438                    |
| Non-compete agreements        | 340                        | (219)                       | 121                      |
| Balance as of October 1, 2023 | <u>\$ 34,195</u>           | <u>\$ (24,209)</u>          | <u>\$ 9,986</u>          |

  

|                                 | Gross<br>Carrying<br>Value | Accumulated<br>Amortization | Net<br>Carrying<br>Value |
|---------------------------------|----------------------------|-----------------------------|--------------------------|
| Completed technologies          | \$ 28,017                  | \$ (17,744)                 | \$ 10,273                |
| Customer relationships          | 5,838                      | (3,860)                     | 1,978                    |
| Non-compete agreements          | 340                        | (177)                       | 163                      |
| Balance as of December 31, 2022 | <u>\$ 34,195</u>           | <u>\$ (21,781)</u>          | <u>\$ 12,414</u>         |

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

As of October 1, 2023, estimated future amortization expense related to intangible assets was as follows (in thousands):

| <b>Year Ended December 31,</b> | <b>Amount</b> |
|--------------------------------|---------------|
| Remainder of fiscal 2023       | \$ 709        |
| 2024                           | 2,623         |
| 2025                           | 2,300         |
| 2026                           | 1,995         |
| 2027                           | 1,273         |
| 2028                           | 543           |
| Thereafter                     | \$ 9,986      |

**NOTE 9: Warranty Obligations**

The Company records the estimated cost of fulfilling product warranties at the time of sale based upon historical costs to fulfill claims. Obligations may also be recorded subsequent to the time of sale whenever specific events or changes in circumstances impacting product quality become known that would not have been taken into account using historical data. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers and third-party contract manufacturers, the Company's warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. An adverse change in any of these factors may result in the need for additional warranty provisions. Warranty obligations are included in "Accrued expenses" on the Consolidated Balance Sheets.

The changes in the warranty obligation were as follows (in thousands):

|                                                    |          |
|----------------------------------------------------|----------|
| Balance as of December 31, 2022                    | \$ 4,375 |
| Provisions for warranties issued during the period | 1,722    |
| Fulfillment of warranty obligations                | (2,292)  |
| Balance as of October 1, 2023                      | \$ 3,805 |

**NOTE 10: Commitments and Contingencies**

As of October 1, 2023, the Company had outstanding purchase orders totaling \$70,635,000 to procure inventory from various vendors. Certain of these purchase orders may be canceled by the Company, subject to cancellation penalties. These purchase commitments relate primarily to expected sales in the next twelve months.

A significant portion of the Company's outstanding inventory purchase orders as of October 1, 2023, as well as additional preauthorized commitments to procure strategic components based on the Company's expected customer demand, are placed with the Company's primary contract manufacturer for the Company's assembled products. The Company has the obligation to purchase any non-cancelable and non-returnable components that have been purchased by the contract manufacturer with the Company's preauthorization, when these components have not been consumed within the period defined in the terms of the Company's agreement with this contract manufacturer. While the Company typically expects such purchased components to be used in future production of Cognex finished goods, these components are considered in the Company's reserve estimate for excess and obsolete inventory. Furthermore, the Company accrues for losses on commitments for the future purchase of non-cancelable and non-returnable components from this contract manufacturer at the time that circumstances, such as changes in demand, indicate that the value of the components may not be recoverable, the loss is probable, and management has the ability to reasonably estimate the amount of the loss.

Various claims and legal proceedings generally incidental to the normal course of business are pending or threatened on behalf of or against the Company. While we cannot predict the outcome of these matters, we believe that any liability arising from them will not have a material adverse effect on our financial position, liquidity, or results of operations.

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 11: Derivative Instruments**

The Company's foreign currency risk management strategy is principally designed to mitigate the potential financial impact of changes in the value of transactions and balances denominated in foreign currencies resulting from changes in foreign currency exchange rates. The Company enters into economic hedges utilizing foreign currency forward contracts with maturities that do not exceed approximately three months to manage the exposure to fluctuations in foreign currency exchange rates arising primarily from foreign-denominated receivables and payables. The gains and losses on these derivatives are intended to be offset by the changes in the fair value of the assets and liabilities being hedged. These economic hedges are not designated as hedging instruments for hedge accounting treatment.

Additionally, during the three-month period ended October 1, 2023, the Company entered into a foreign currency forward contract to exchange U.S. Dollars for ¥40,000,000,000 to hedge the Japanese Yen purchase price of the acquisition of Moritex Corporation (refer to Note 19 of the consolidated financial statements). Upon the settlement of this contract, the Company recorded a foreign currency loss of \$8,456,000, which was recorded in "Foreign currency gain (loss)" on the Consolidated Statements of Operations for the three-month period ended October 1, 2023.

The Company had the following outstanding forward contracts (in thousands):

| Currency                                                  | October 1, 2023 |                | December 31, 2022 |                |
|-----------------------------------------------------------|-----------------|----------------|-------------------|----------------|
|                                                           | Notional Value  | USD Equivalent | Notional Value    | USD Equivalent |
| <i>Derivatives Not Designated as Hedging Instruments:</i> |                 |                |                   |                |
| Japanese Yen                                              | 40,600,000      | \$ 272,499     | 700,000           | \$ 5,281       |
| Euro                                                      | 37,500          | 39,741         | 60,000            | 64,174         |
| Singapore Dollar                                          | 40,500          | 29,747         | —                 | —              |
| Chinese Renminbi                                          | 200,000         | 27,445         | 55,000            | 7,619          |
| Mexican Peso                                              | 100,000         | 5,722          | 185,000           | 9,480          |
| Hungarian Forint                                          | 1,930,000       | 5,221          | 1,590,000         | 4,238          |
| British Pound                                             | 3,230           | 3,956          | 3,445             | 4,161          |
| Canadian Dollar                                           | 1,650           | 1,225          | 1,730             | 1,278          |
| Swiss Franc                                               | —               | —              | 1,120             | 1,218          |

Information regarding the fair value of the outstanding forward contracts was as follows (in thousands):

|                                                           | Asset Derivatives                         |                 |                   | Liability Derivatives  |                 |                   |
|-----------------------------------------------------------|-------------------------------------------|-----------------|-------------------|------------------------|-----------------|-------------------|
|                                                           | Balance Sheet Location                    | Fair Value      |                   | Balance Sheet Location | Fair Value      |                   |
|                                                           |                                           | October 1, 2023 | December 31, 2022 |                        | October 1, 2023 | December 31, 2022 |
| <i>Derivatives Not Designated as Hedging Instruments:</i> |                                           |                 |                   |                        |                 |                   |
| Economic hedge forward contracts                          | Prepaid expenses and other current assets | \$ 196          | \$ 27             | Accrued expenses       | \$ 128          | \$ 479            |

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following table presents the gross activity for all derivative assets and liabilities which were presented on a net basis on the Consolidated Balance Sheets due to the right of offset with each counterparty (in thousands):

| <b>Asset Derivatives</b>           |                        |                          | <b>Liability Derivatives</b>            |                        |                          |
|------------------------------------|------------------------|--------------------------|-----------------------------------------|------------------------|--------------------------|
|                                    | <b>October 1, 2023</b> | <b>December 31, 2022</b> |                                         | <b>October 1, 2023</b> | <b>December 31, 2022</b> |
| Gross amounts of recognized assets | \$ 196                 | \$ 27                    | Gross amounts of recognized liabilities | \$ 128                 | \$ 479                   |
| Gross amounts offset               | —                      | —                        | Gross amounts offset                    | —                      | —                        |
| Net amount of assets presented     | \$ 196                 | \$ 27                    | Net amount of liabilities presented     | \$ 128                 | \$ 479                   |

Information regarding the effect of derivative instruments on the consolidated financial statements was as follows (in thousands):

| <b>Location in Financial Statements</b>                   |                              | <b>Three-months Ended</b> |                        | <b>Nine-months Ended</b> |                        |
|-----------------------------------------------------------|------------------------------|---------------------------|------------------------|--------------------------|------------------------|
|                                                           |                              | <b>October 1, 2023</b>    | <b>October 2, 2022</b> | <b>October 1, 2023</b>   | <b>October 2, 2022</b> |
| <i>Derivatives Not Designated as Hedging Instruments:</i> |                              |                           |                        |                          |                        |
| Gains (losses) recognized in current operations           | Foreign currency gain (loss) | \$ (7,527)                | \$ 7,161               | \$ (8,139)               | \$ 15,091              |

**COGNEX CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 12: Revenue Recognition**

The following table summarizes disaggregated revenue information by geographic area based upon the customer's country of domicile (in thousands):

|               | Three-months Ended |                   | Nine-months Ended |                   |
|---------------|--------------------|-------------------|-------------------|-------------------|
|               | October 1, 2023    | October 2, 2022   | October 1, 2023   | October 2, 2022   |
| Americas      | \$ 80,156          | \$ 65,847         | \$ 243,067        | \$ 284,057        |
| Europe        | 51,827             | 48,930            | 168,529           | 173,561           |
| Greater China | 34,485             | 66,460            | 139,837           | 193,481           |
| Other Asia    | 30,773             | 28,385            | 89,444            | 115,558           |
|               | <u>\$ 197,241</u>  | <u>\$ 209,622</u> | <u>\$ 640,877</u> | <u>\$ 766,657</u> |

The following table summarizes disaggregated revenue information by revenue type (in thousands):

|                                         | Three-months Ended |                   | Nine-months Ended |                   |
|-----------------------------------------|--------------------|-------------------|-------------------|-------------------|
|                                         | October 1, 2023    | October 2, 2022   | October 1, 2023   | October 2, 2022   |
| Standard products and services          | \$ 170,104         | \$ 158,244        | \$ 555,831        | \$ 637,598        |
| Application-specific customer solutions | 27,137             | 51,378            | 85,046            | 129,059           |
|                                         | <u>\$ 197,241</u>  | <u>\$ 209,622</u> | <u>\$ 640,877</u> | <u>\$ 766,657</u> |

**Costs to Fulfill a Contract**

Costs to fulfill a contract are included in "Prepaid expenses and other current assets" on the Consolidated Balance Sheet and amounted to \$17,827,000 and \$14,578,000 as of October 1, 2023 and December 31, 2022, respectively.

**Accounts Receivable, Contract Assets, and Contract Liabilities**

Accounts receivable represent amounts billed and currently due from customers which are reported at their net estimated realizable value. The Company maintains an allowance against its accounts receivable for credit losses. Contract assets consist of unbilled revenue which arises when revenue is recognized in advance of billing for certain application-specific customer solutions contracts. Contract liabilities consist of deferred revenue and customer deposits which arise when amounts are billed to or collected from customers in advance of revenue recognition.

The following table summarizes the allowance for credit losses activity for the nine-month period ended October 1, 2023 (in thousands):

|                                              |               |
|----------------------------------------------|---------------|
| Balance as of December 31, 2022              | \$ 730        |
| Increases to the allowance for credit losses | 350           |
| Write-offs, net of recoveries                | (500)         |
| Foreign exchange rate changes                | —             |
| Balance as of October 1, 2023                | <u>\$ 580</u> |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following table summarizes the deferred revenue and customer deposits activity for the nine-month period ended October 1, 2023 (in thousands):

|                                                                      |    |               |
|----------------------------------------------------------------------|----|---------------|
| Balance as of December 31, 2022                                      | \$ | 40,787        |
| Deferral of revenue billed in the current period, net of recognition |    | 28,249        |
| Recognition of revenue deferred in prior period                      |    | (18,809)      |
| Returned customer deposit                                            |    | (9,205)       |
| Foreign exchange rate changes                                        |    | (776)         |
| Balance as of October 1, 2023                                        | \$ | <u>40,246</u> |

As a practical expedient, the Company has elected not to disclose the aggregate amount of the transaction price allocated to unsatisfied performance obligations, as our contracts have an original expected duration of less than one year.

**NOTE 13: Stock-Based Compensation Expense**

**Stock Plans**

The Company's stock-based awards that result in compensation expense consist of stock options, restricted stock units ("RSUs"), and performance restricted stock units ("PRSUs"). In May 2023, the shareholders of the Company approved the Cognex Corporation 2023 Stock Option and Incentive Plan (the "2023 Plan"). The 2023 Plan permits awards of stock options (both incentive and non-qualified options), stock appreciation rights, RSUs, and PRSUs. Up to 8,100,000 shares of common stock (subject to adjustment in the event of stock splits and other similar events) may be issued pursuant to awards granted under the 2023 Plan. In connection with the approval of the 2023 Plan, no further awards will be made under the Cognex Corporation 2001 General Stock Option Plan, as amended and restated (the "2001 Plan"), and the Cognex Corporation 2007 Stock Option and Incentive Plan, as amended and restated (the "2007 Plan"). With the approval of the 2023 Plan, the 10,610,800 shares of common stock subject to awards granted under the 2001 Plan and the 2007 Plan that were outstanding as of May 3, 2023 may become eligible for issuance under the 2023 Plan if such awards are forfeited, cancelled or otherwise terminated (other than by exercise) (the "Carryover Shares"). As of October 1, 2023, forfeits, cancellations, and other terminations from the 2001 Plan and the 2007 Plan have resulted in 214,024 Carryover Shares, raising the authorized total shares that may be issued under the 2023 Plan to 8,314,024.

As of October 1, 2023, the Company had 8,035,000 shares available for grant under its stock plans. Stock options are granted with an exercise price equal to the market value of the Company's common stock at the grant date and generally vest over four or five years based upon continuous service and expire ten years from the grant date. RSUs generally vest upon three or four years of continuous employment or incrementally over such three or four-year periods. PRSUs generally vest upon three years of continuous employment and achievement of performance criteria established by the Compensation Committee of our Board of Directors on or prior to the grant date. Participants are not entitled to dividends on stock options, RSUs, or PRSUs.

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**Stock Options**

The following table summarizes the Company's stock option activity for the nine-month period ended October 1, 2023:

|                                                              | Shares<br>(in thousands) | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term (in years) | Aggregate<br>Intrinsic<br>Value<br>(in thousands) |
|--------------------------------------------------------------|--------------------------|-------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------|
| Outstanding as of December 31, 2022                          | 8,467                    | \$ 51.56                                  |                                                                     |                                                   |
| Granted                                                      | 1,395                    | 47.49                                     |                                                                     |                                                   |
| Exercised                                                    | (325)                    | 33.87                                     |                                                                     |                                                   |
| Forfeited or expired                                         | (562)                    | 57.71                                     |                                                                     |                                                   |
| Outstanding as of October 1, 2023                            | 8,975                    | \$ 51.19                                  | 6.13                                                                | \$ 17,396                                         |
| Exercisable as of October 1, 2023                            | 5,182                    | \$ 47.67                                  | 4.67                                                                | \$ 17,378                                         |
| Options vested or expected to vest as of October 1, 2023 (1) | 8,493                    | \$ 51.01                                  | 5.98                                                                | \$ 17,396                                         |

(1) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest are calculated by applying an estimated forfeiture rate to the unvested options.

The fair values of stock options granted in each period presented were estimated using the following weighted-average assumptions:

|                          | Three-months Ended |                 | Nine-months Ended |                 |
|--------------------------|--------------------|-----------------|-------------------|-----------------|
|                          | October 1, 2023    | October 2, 2022 | October 1, 2023   | October 2, 2022 |
| Risk-free rate           | 4.1 %              | 2.7 %           | 4.0 %             | 2.1 %           |
| Expected dividend yield  | 0.57 %             | 0.54 %          | 0.59 %            | 0.44 %          |
| Expected volatility      | 39 %               | 37 %            | 39 %              | 37 %            |
| Expected term (in years) | 5.9                | 6.4             | 4.9               | 5.5             |

**Risk-free rate**

The risk-free rate was based upon a treasury instrument whose term was consistent with the contractual term of the option.

**Expected dividend yield**

Generally, the current dividend yield is calculated by annualizing the cash dividend declared by the Company's Board of Directors and dividing that result by the closing stock price on the grant date.

**Expected volatility**

The expected volatility was based upon a combination of historical volatility of the Company's common stock over the contractual term of the option and implied volatility for traded options of the Company's stock.

**Expected term**

The expected term was derived from the binomial lattice model from the impact of events that trigger exercises over time.

The weighted-average grant-date fair values of stock options granted during the three-month and nine-month periods ended October 1, 2023 were \$20.55 and \$18.11, respectively, and during the three-month and nine-month periods ended October 2, 2022 were \$18.81 and \$21.40, respectively.

The total intrinsic values of stock options exercised for the three-month and nine-month periods ended October 1, 2023 were \$557,000 and \$6,119,000, respectively, and for the three-month and nine-month periods ended

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October 2, 2022 were \$516,000 and \$3,615,000, respectively. The total fair values of stock options vested for the three-month and nine-month periods ended October 1, 2023 were \$962,000 and \$33,035,000, respectively, and for the three-month and nine-month periods ended October 2, 2022 were \$1,159,000 and \$27,882,000, respectively.

**Restricted Stock Units (RSUs)**

The following table summarizes the Company's RSUs activity for the nine-month period ended October 1, 2023:

|                                   | Shares<br>(in thousands) | Weighted-Average<br>Grant Date Fair Value |
|-----------------------------------|--------------------------|-------------------------------------------|
| Nonvested as of December 31, 2022 | 1,269                    | \$ 61.74                                  |
| Granted                           | 748                      | 46.78                                     |
| Vested                            | (500)                    | 59.43                                     |
| Forfeited or expired              | (86)                     | 60.65                                     |
| Nonvested as of October 1, 2023   | <u>1,431</u>             | <u>\$ 54.79</u>                           |

The fair value of RSUs is determined based on the observable market price of the Company's stock on the grant date less the present value of expected future dividends. The weighted-average grant-date fair values of RSUs granted during the three-month and nine-month periods ended October 1, 2023 were \$46.17 and \$46.78, respectively, and during the three-month and nine-month periods ended October 2, 2022 were \$47.12 and \$58.44, respectively. There were 18,000 and 500,000 RSUs that vested during the three-month and nine-month periods ended October 1, 2023, respectively, and 67,000 and 141,000 that vested during the three-month and nine-month periods ended October 2, 2022, respectively.

**Performance Restricted Stock Units (PRSUs)**

The following table summarizes the Company's PRSUs activity for the nine-month period ended October 1, 2023:

|                                   | Shares<br>(in thousands) | Weighted-Average<br>Grant Date Fair Value |
|-----------------------------------|--------------------------|-------------------------------------------|
| Nonvested as of December 31, 2022 | 33                       | \$ 62.49                                  |
| Granted                           | 46                       | 44.86                                     |
| Vested                            | —                        | —                                         |
| Forfeited or expired              | —                        | —                                         |
| Nonvested as of October 1, 2023   | <u>79</u>                | <u>\$ 52.23</u>                           |

The fair value of PRSUs is calculated using the Monte Carlo simulation model to estimate the probability of satisfying the service and market conditions stipulated in the award grant. There were no PRSUs granted during the three-month periods ended October 1, 2023 and October 2, 2022. There were 46,000 and 33,000 PRSUs granted during the nine-month periods ended October 1, 2023 and October 2, 2022, respectively. No PRSUs vested during the three-month and nine-month periods ended October 1, 2023 and October 2, 2022.

**Stock-Based Compensation Expense**

The Company stratifies its employee population into three groups: one consisting of the CEO, one consisting of senior management, and another consisting of all other employees. The Company currently applies an estimated annual forfeiture rate of 0% to all stock-based awards for the CEO, 8% to all stock-based awards for senior management, and a rate of 13% for all other employees. Each year during the first quarter, the Company revises its forfeiture rate based on updated estimates of employee turnover. This resulted in a decrease to compensation expense of \$234,000 in 2023 and an increase to compensation expense of \$1,536,000 in 2022.

As of October 1, 2023, total unrecognized compensation expense, net of estimated forfeitures, related to non-vested equity awards, including stock options, RSUs, and PRSUs, was \$68,509,000, which is expected to be recognized over a weighted-average period of 2.0 years.

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The total stock-based compensation expense and the related income tax benefit recognized for the three-month period ended October 1, 2023 were \$12,365,000 and \$1,971,000, respectively, and for the nine-month period ended October 1, 2023 were \$41,518,000 and \$6,053,000, respectively. The total stock-based compensation expense and the related income tax benefit recognized for the three-month period ended October 2, 2022 were \$13,366,000 and \$2,133,000, respectively, and for the nine-month period ended October 2, 2022 were \$41,419,000 and \$6,496,000, respectively. No compensation expense was capitalized as of October 1, 2023 or December 31, 2022.

The following table presents the stock-based compensation expense by caption for each period presented on the Consolidated Statements of Operations (in thousands):

|                                        | Three-months Ended |                  | Nine-months Ended |                  |
|----------------------------------------|--------------------|------------------|-------------------|------------------|
|                                        | October 1, 2023    | October 2, 2022  | October 1, 2023   | October 2, 2022  |
| Cost of revenue                        | \$ 435             | \$ 468           | \$ 1,497          | \$ 1,513         |
| Research, development, and engineering | 3,459              | 4,209            | 12,657            | 12,508           |
| Selling, general, and administrative   | 8,471              | 8,689            | 27,364            | 27,398           |
|                                        | <u>\$ 12,365</u>   | <u>\$ 13,366</u> | <u>\$ 41,518</u>  | <u>\$ 41,419</u> |

**NOTE 14: Stock Repurchase Program**

On March 12, 2020, the Company's Board of Directors authorized the repurchase of \$200,000,000 of the Company's common stock. Under this March 2020 program, in addition to repurchases made in prior years, the Company repurchased 1,677,000 shares, and an additional 5,000 shares that were repurchased in 2021 and settled in 2022, at a cost of \$117,000,000 during the nine-month period ended October 2, 2022, which completed purchases under this program. On March 3, 2022, the Company's Board of Directors authorized the repurchase of an additional \$500,000,000 of the Company's common stock. Under this March 2022 program, the Company repurchased 1,125,000 shares at a total cost of \$61,387,000 during the nine-month period ended October 2, 2022. Under this same March 2022 program, in addition to repurchases made in the prior year, the Company repurchased 1,157,000 shares at a total cost of \$59,640,000 during the nine-month period ended October 1, 2023, leaving a remaining balance of \$353,046,000 as of October 1, 2023. The Company may repurchase shares under this program in future periods depending on a variety of factors, including, among other things, the impact of dilution from employee stock awards, stock price, share availability, and cash requirements. The Company is authorized to make repurchases of its common stock through open market purchases, pursuant to Rule 10b5-1 trading plans, or in privately negotiated transactions.

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**NOTE 15: Income Taxes**

The Company's effective tax rate was 30% and 16% for the three-month and nine-month periods ended October 1, 2023, respectively, and 14% and 16% for the three-month and nine-month periods ended October 2, 2022, respectively.

The Company has defined its major tax jurisdictions as the United States, Ireland, China, and Korea, and within the United States, Massachusetts. The statutory tax rate is 12.5% in Ireland, 25% in China, and 22% in Korea compared to the U.S. federal statutory corporate tax rate of 21%. These foreign tax rate differences resulted in a net decrease to the effective tax rate for both the three-month and nine-month periods ended October 1, 2023 and October 2, 2022.

The Company recorded a net discrete tax expense totaling \$4,035,000 and \$840,000 for the three-month and nine-month periods ended October 1, 2023, respectively and a net discrete tax benefit totaling \$2,000 and a net discrete tax expense totaling \$3,984,000 for the same periods in 2022.

Discrete tax items for the nine-month period ended October 1, 2023 included (1) a net decrease in tax expense of \$3,043,000 due primarily to the release of tax reserves on state tax credits and foreign audit settlements; (2) a decrease in tax expense of \$2,198,000 for adjustments to certain deferred tax assets; (3) an increase in tax expense of \$2,178,000 for an adjustment related to deferred state taxes due to a reduction in the Company's blended state rate; (4) a net increase in tax expense of \$2,134,000 for return-to-provision adjustments; and (5) an increase in tax expense of \$1,769,000 related to stock-based compensation.

Discrete tax items for the nine-month period ended October 2, 2022 included (1) a net increase in tax expense of \$3,822,000 primarily for return-to-provision adjustments; (2) a net decrease in tax expense of \$2,461,000 arising primarily from audit settlements and releases of reserves; (3) an increase in tax expense of \$2,316,000 to establish a reserve against certain deferred tax assets; and (4) an increase in tax expense of \$307,000 related to stock-based compensation;

The Company's reserve for income taxes, including gross interest and penalties, was \$19,450,000 as of October 1, 2023, which was classified as a non-current liability. If the Company's tax positions were sustained or the statutes of limitations related to certain positions expired, these reserves would be released and income tax expense would be reduced in a future period.

Within the United States, the tax years 2019 through 2022 remain open to examination by the IRS, and 2018 through 2022 remain open to examination by various state tax authorities. The tax years 2017 through 2022 remain open to examination by various international taxing authorities in other jurisdictions in which the Company operates.

**NOTE 16: Weighted-Average Shares**

Weighted-average shares were calculated as follows (in thousands):

|                                                                  | Three-months Ended |                 | Nine-months Ended |                 |
|------------------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                                                  | October 1, 2023    | October 2, 2022 | October 1, 2023   | October 2, 2022 |
| Basic weighted-average common shares outstanding                 | 172,169            | 173,256         | 172,408           | 173,640         |
| Effect of dilutive equity awards                                 | 1,185              | 1,071           | 1,251             | 1,593           |
| Weighted-average common and common-equivalent shares outstanding | 173,354            | 174,327         | 173,659           | 175,233         |

Stock options to purchase 6,893,000 and 6,775,000 shares of common stock, on a weighted-average basis, were outstanding during the three-month and nine-month periods ended October 1, 2023, respectively, and 6,167,000 and 3,297,000 for the same periods in 2022, respectively, but were not included in the calculation of dilutive net income per share because they were anti-dilutive. Restricted stock units totaling 3,000 and 1,000 shares of common stock, on a weighted-average basis, were outstanding during the three-month and nine-month periods ended October 1, 2023, respectively, and 607,000 and 26,000 for the same periods in 2022, respectively, but were not included in the calculation of dilutive net income per share because they were anti-dilutive. No PRSUs were excluded in the calculation of dilutive net income per share for the three-month and nine-month periods ended October 1, 2023, as PRSUs were not anti-dilutive on a weighted-average basis. PRSUs totaling 33,000 shares of common stock, on a weighted average basis, were outstanding during the three-month period ended October 2,

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2022, but were not included in the calculation of dilutive net income per share because they were anti-dilutive. No PRSUs were excluded in the calculation of dilutive net income per share for the nine-month period ended October 2, 2022 as PRSUs were not anti-dilutive on a weighted-average basis.

**NOTE 17: Loss (Recovery) from Fire**

On June 7, 2022, the Company's primary contract manufacturer experienced a fire at its plant in Indonesia. The fire destroyed a significant amount of Cognex-owned consigned inventories, as well as component inventories owned by the contract manufacturer that were designated for Cognex products. There was no significant damage to the Company's production equipment. Since the date of the fire, the Company has worked with the contract manufacturer to resume production, maintain standards of product quality, and replenish inventories destroyed by the fire. The Company has also been working to ramp up an additional contract manufacturer to further mitigate risk, diversify the supply chain, and expand production capacity.

During the nine-month period ended October 2, 2022, the Company recorded a net loss related to the fire of \$20,294,000, consisting primarily of losses from inventories and other assets of \$47,794,000, including \$2,891,000 during the three-month period ended October 2, 2022, partially offset by an estimated insurance recovery of \$27,500,000. These losses are presented in the caption "Loss (recovery) from fire" on the Consolidated Statements of Operations. The Company received insurance proceeds of \$27,560,000 from the Company's insurance carrier in the fourth quarter of 2022, and gross losses recorded during 2022 related to the fire were further reduced by the proceeds received in excess of the original estimated insurance recovery.

During the nine-month period ended October 1, 2023, the Company recorded recoveries related to the fire of \$5,250,000, consisting of \$2,500,000 during the three-month period ended July 2, 2023 for proceeds received from the Company's insurance carrier in relation to a business interruption claim and \$2,750,000 during the three-month period ended October 1, 2023 for proceeds received as part of a financial settlement for lost inventory and other losses incurred as a result of the fire. The Company expects to receive an additional \$2,750,000 by the end of 2023. These recovery amounts are presented in the caption "Loss (recovery) from fire" on the Consolidated Statements of Operations.

As of October 1, 2023 and through the date of financial statement issuance, management does not anticipate additional recoveries other than disclosed.

**NOTE 18: Restructuring Charges**

On December 7, 2022, the Company acquired all of the outstanding shares of SAC Sirius Advanced Cybernetics GmbH ("SAC"), a leader in computational lighting technology based in Germany. Following its acquisition of SAC, the Company performed restructuring activities to align the cost and operating structure of the acquired business with the Company's business strategy. As of December 31, 2022, the majority of these restructuring actions were completed. No additional charges were recorded during the three-month and nine-month periods ended October 1, 2023, or are expected to be incurred in future periods in relation to this restructuring plan.

The following table summarizes the activity in the Company's restructuring reserve related to these restructuring activities, which is included in "Accrued expenses" on the Consolidated Balance Sheets (in thousands):

|                                 | One-time Termination Benefits | Contract Termination Costs | Total        |
|---------------------------------|-------------------------------|----------------------------|--------------|
| Balance as of December 31, 2022 | \$ 964                        | \$ 75                      | \$ 1,039     |
| Cash payments                   | (973)                         | (56)                       | (1,029)      |
| Foreign exchange rate changes   | 9                             | 1                          | 10           |
| Balance as of October 1, 2023   | <u>\$ —</u>                   | <u>\$ 20</u>               | <u>\$ 20</u> |

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**NOTE 19: Subsequent Events**

On October 18, 2023, the Company acquired all of the outstanding shares of Moritex Corporation, a leading global provider of optics components with a strong presence in Japan, for an enterprise value of ¥40 billion, or approximately \$270 million based on closing-date foreign exchange rates, in an all-cash transaction. Given the timing of this acquisition, the Company is in the process of completing the purchase price allocation for the consideration paid. Transaction costs incurred to date were not material and were expensed as incurred. The financial results of Moritex Corporation prior to the acquisition date are not material to the consolidated financial results of the Company.

On October 31, 2023, the Company's Board of Directors declared a cash dividend of \$0.075 per share. The dividend is payable on December 1, 2023 to all shareholders of record as of the close of business on November 17, 2023.

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

### Forward-Looking Statements

Certain statements made in this report, as well as oral statements made by the Company from time to time, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers can identify these forward-looking statements by our use of the words "expects," "anticipates," "estimates," "potential," "believes," "projects," "intends," "plans," "will," "may," "shall," "could," "should," and similar words and other statements of a similar sense. These statements are based on our current estimates and expectations as to prospective events and circumstances, which may or may not be in our control and as to which there can be no firm assurances given. These forward-looking statements, which include statements regarding business and market trends, future financial performance and financial targets, the integration and expected results from acquired businesses, including Moritex Corporation, customer demand and order rates and timing of related revenue, managing supply shortages, delivery lead times, future product mix, research and development activities, sales and marketing activities, new product offerings and product development activities, cost management, capital expenditures, investments, liquidity, dividends and stock repurchases, strategic and growth plans and opportunities (including our "Emerging Customer" sales initiative), and estimated tax benefits and expenses and other tax matters, involve known and unknown risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include: (1) the reliance on key suppliers, such as our primary contract manufacturer, to manufacture and deliver products; (2) delays in the delivery of our products, the failure to meet delivery schedules, and resulting customer dissatisfaction or loss of sales; (3) the inability to obtain, or the delay in obtaining, components for our products at reasonable prices; (4) the failure to effectively manage product transitions or accurately forecast customer demand which could result in excess or obsolete inventory and resulting charges; (5) the inability to manage disruptions to our distribution centers or to our key suppliers; (6) the expected impact of the fire at our primary contract manufacturer's plant and related recoveries; (7) the inability to design and manufacture high-quality products; (8) the loss of, or curtailment of purchases by, large customers in the logistics, consumer electronics, or automotive industries; (9) information security breaches; (10) the failure to comply with laws or regulations relating to data privacy or data protection; (11) the inability to protect our proprietary technology and intellectual property; (12) the inability to attract and retain skilled employees and maintain our unique corporate culture; (13) the inability to keep pace with the rapid rate of technological change and customer demands in the high-technology marketplace, the inability to develop and introduce new products to the market in a successful and timely manner, and the technological obsolescence of current products; (14) the failure to properly manage the distribution of products and services, including the management of lead times and delivery dates; (15) the impact of competitive pressures; (16) the challenges in integrating and achieving expected results from acquired businesses, including Moritex Corporation; (17) potential disruptions in our business systems; (18) potential impairment charges with respect to our investments or acquired intangible assets; (19) exposure to additional tax liabilities, increases and fluctuations in our effective tax rate, and other tax matters; (20) fluctuations in foreign currency exchange rates and the use of derivative instruments; (21) unfavorable global economic conditions, including increases in interest rates and high inflation rates; (22) business disruptions from natural or man-made disasters, such as fire, or public health issues; (23) economic, political, and other risks associated with international sales and operations, including the impact of trade disputes with China, the Russia-Ukraine war, and the Israel-Hamas war; (24) exposure to potential liabilities, increased costs, reputational harm, and other adverse effects associated with expectations relating to environmental, social, and governance considerations; (25) stock price volatility; and (26) our involvement in time-consuming and costly litigation or activist shareholder activities. The foregoing list should not be construed as exhaustive and we encourage readers to refer to the detailed discussion of risk factors included in Part I - Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as updated by Part II - Item 1A of this Quarterly Report on Form 10-Q. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation to subsequently revise forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date such statements are made.

### Executive Overview

Cognex Corporation (the "Company") invents and commercializes technologies that address some of the most critical manufacturing and distribution challenges. We are a leading global provider of machine vision products and solutions that improve efficiency and quality in high-growth potential businesses across attractive industrial end markets. In addition to product revenue derived from the sale of machine vision products, the Company also generates revenue by providing maintenance and support, consulting, and training services to its customers;

however, service revenue accounted for less than 10% of total revenue for all periods presented.

Machine vision is used in a variety of industries where technology is widely recognized as an important component of automated production, distribution, and quality assurance. Virtually every manufacturer or distributor can achieve better quality and efficiency by using machine vision; thus, our applications have a broad base of customers across a variety of industries, including automotive, logistics, consumer electronics, medical-related, semiconductor, consumer products, and food and beverage.

Revenue for the third quarter of 2023 totaled \$197,241,000, representing a decrease of 6% from the third quarter of 2022. The decrease was driven primarily by lower revenue from the consumer electronics industry due to weaker demand and the quarterly timing of large customer deployments. Gross margin as a percentage of revenue was 72% for the third quarter of 2023 as compared to 73% for the third quarter of 2022, as the impact of a less favorable revenue mix was partially offset by lower inventory costs.

Operating expenses for the third quarter of 2023 totaled \$112,137,000 and were relatively consistent with operating expenses for the third quarter of 2022. On June 7, 2022, our primary contract manufacturer suffered a fire at its Indonesian plant destroying a large portion of the Company's component inventories (refer to Note 17 of the consolidated financial statements). Excluding the impact of losses and recoveries related to the fire, operating expenses for the third quarter of 2023 increased 5% from the third quarter of 2022, primarily due to additional headcount and expenses incurred to support our "Emerging Customer" sales initiative, partially offset by lower incentive compensation expenses based on the Company's expected performance against relevant full-year goals and lower revenue levels.

Operating income decreased to 16% of revenue for the third quarter of 2023 as compared to 19% of revenue for the third quarter of 2022. Excluding the impact of losses and recoveries related to the fire, operating income decreased to 14% of revenue for the third quarter of 2023 as compared to 20% of revenue for the third quarter of 2022, primarily as a result of the lower revenue levels and continued investment in our "Emerging Customer" sales initiative. Net income as a percentage of revenue was 10%, or \$0.11 per diluted share, for the third quarter of 2023, and 16% of revenue, or \$0.19 per diluted share, for the third quarter of 2022.

#### Results of Operations

As foreign currency exchange rates are a factor in understanding period-to-period comparisons, we believe the presentation of results on a constant-currency basis in addition to reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. We also use results on a constant-currency basis as one measure to evaluate our performance. Constant-currency information compares results between periods as if exchange rates had remained constant period-over-period. We generally refer to such amounts calculated on a constant-currency basis as excluding the impact of foreign currency exchange rate changes. Results on a constant-currency basis are not in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and should be considered in addition to, and not as a substitute for, results prepared in accordance with U.S. GAAP.

#### Revenue

Revenue decreased by \$12,381,000, or 6%, for the three-month period and decreased by \$125,780,000, or 16%, for the nine-month period as compared to the same periods in 2022. Changes in foreign currency exchange rates resulted in a lower level of total reported revenue for both the three-month and nine-month periods in 2023 as compared to the same periods in 2022. Excluding the impact of foreign currency exchange rate changes, revenue decreased by 5% for the three-month period and decreased by 14% for the nine-month period as compared to the same periods in 2022.

For the three-month period, the decrease in revenue was driven primarily by lower revenue from the consumer electronics industry due to weaker demand and the quarterly timing of large customer deployments. This decrease was partially offset by increases in revenue from other industries, most notably logistics and automotive. Revenue for the third quarter of 2022 was negatively impacted by the fire at our primary contract manufacturer's plant in Indonesia in June of 2022, which destroyed a large amount of component inventory limiting our ability to fulfill certain orders.

For the nine-month period, the decrease in revenue was due primarily to lower spending trends across our factory automation business, most notably in the consumer electronics and semiconductor industries, and the continued pause in investments by a few large e-commerce logistics customers. Although this trend in logistics was a primary driver of the overall revenue decrease for the nine-month period, logistics revenue for the three-month period was higher than the prior year comparable quarter due to project timing and the negative impact the fire had on revenue across multiple industries, including logistics, specifically for the third quarter of 2022.

The following table sets forth our disaggregated revenue information by geographic area based upon the customer's country of domicile (in thousands) for the three-month and nine-month periods ended October 1, 2023 and October 2, 2022 with the dollar and percentage changes between the corresponding periods, and the line item as a percentage of total revenue.

|                             | Three-months Ended |                 |             |          | Nine-months Ended |                 |              |          |
|-----------------------------|--------------------|-----------------|-------------|----------|-------------------|-----------------|--------------|----------|
|                             | October 1, 2023    | October 2, 2022 | \$ Change   | % Change | October 1, 2023   | October 2, 2022 | \$ Change    | % Change |
|                             | (unaudited)        |                 |             |          | (unaudited)       |                 |              |          |
| Americas                    | \$ 80,156          | \$ 65,847       | \$ 14,309   | 22 %     | \$ 243,067        | \$ 284,057      | \$ (40,990)  | (14)%    |
| Percentage of total revenue | 41 %               | 31 %            |             |          | 38 %              | 37 %            |              |          |
| Europe                      | \$ 51,827          | \$ 48,930       | \$ 2,897    | 6 %      | \$ 168,529        | \$ 173,561      | \$ (5,032)   | (3)%     |
| Percentage of total revenue | 26 %               | 23 %            |             |          | 26 %              | 23 %            |              |          |
| Greater China               | \$ 34,485          | \$ 66,460       | \$ (31,975) | (48)%    | \$ 139,837        | \$ 193,481      | \$ (53,644)  | (28)%    |
| Percentage of total revenue | 17 %               | 32 %            |             |          | 22 %              | 25 %            |              |          |
| Other Asia                  | \$ 30,773          | \$ 28,385       | \$ 2,388    | 8 %      | \$ 89,444         | \$ 115,558      | \$ (26,114)  | (23)%    |
| Percentage of total revenue | 16 %               | 14 %            |             |          | 14 %              | 15 %            |              |          |
| Total revenue               | \$ 197,241         | \$ 209,622      | \$ (12,381) | (6)%     | \$ 640,877        | \$ 766,657      | \$ (125,780) | (16)%    |

Changes in revenue from a geographic perspective were as follows:

- Revenue from customers based in the Americas increased by 22% for the three-month period and decreased by 14% for the nine-month period as compared to the same periods in 2022. For the three-month period, the increase was driven primarily by higher revenue from the logistics and automotive industries due to the negative impact that the fire had on revenue for these industries during the third quarter of 2022, as well as logistics project timing. For the nine-month period, the decrease was primarily driven by lower revenue from the logistics industry, mainly attributable to the continued pause in investments by a few large e-commerce customers.
- Revenue from customers based in Europe increased by 6% for the three-month period and decreased by 3% for the nine-month period as compared to the same periods in 2022. Excluding the impact of foreign currency exchange rate changes, revenue from customers based in Europe remained flat for the three-month period and decreased by 3% for the nine-month period as compared to the same periods in 2022. For the three-month period, the increase in revenue on a U.S. GAAP basis was driven primarily by higher revenue from the automotive industry, partially offset by lower revenue from the consumer electronics industry. For the nine-month period, the decrease in revenue on a U.S. GAAP basis was driven primarily by lower revenue from the logistics and consumer electronics industries, partially offset by increases in revenue from the automotive industry.
- Revenue from customers based in Greater China decreased by 48% for the three-month period and decreased by 28% for the nine-month period as compared to the same periods in 2022. Excluding the impact of foreign currency exchange rate changes, revenue from customers based in Greater China decreased by 41% for the three-month period and decreased by 22% for the nine-month period as compared to the same periods in 2022. These decreases in revenue were driven primarily by lower revenue from the consumer electronics industry due to weaker demand, and for the three-month period specifically, the quarterly timing of large customer deployments. Challenging business conditions in China also resulted in broad-based declines in revenue from customers across multiple industries, further contributing to the overall decreases in revenue for the nine-month period.
- Revenue from customers based in other countries in Asia increased by 8% for the three-month period and decreased by 23% for the nine-month period as compared to the same periods in 2022. Excluding the impact of foreign currency exchange rate changes, revenue from customers based in other countries in Asia increased by 10% for the three-month period and decreased by 18% for the nine-month period as compared to the same periods in 2022. For the three-month period, the increases were driven by higher revenue from the automotive and logistics industries. For the nine-month period, the decreases resulted from broad-based declines in revenue from customers across multiple industries, most notably the semiconductor industry.

### Gross Margin

The following table sets forth our gross margin (in thousands) for the three-month and nine-month periods ended October 1, 2023 and October 2, 2022 with the dollar and percentage changes between the corresponding periods, and the line item as a percentage of total revenue.

|                             | Three-months Ended |                 |            |          | Nine-months Ended |                 |             |          |
|-----------------------------|--------------------|-----------------|------------|----------|-------------------|-----------------|-------------|----------|
|                             | October 1, 2023    | October 2, 2022 | \$ Change  | % Change | October 1, 2023   | October 2, 2022 | \$ Change   | % Change |
|                             | (unaudited)        |                 |            |          | (unaudited)       |                 |             |          |
| Gross margin                | \$ 142,774         | \$ 152,239      | \$ (9,465) | (6)%     | \$ 466,197        | \$ 552,341      | \$ (86,144) | (16)%    |
| Percentage of total revenue | 72 %               | 73 %            |            |          | 73 %              | 72 %            |             |          |

Gross margin as a percentage of revenue was 72% and 73% for the three-month and nine-month periods in 2023, respectively, as compared to 73% and 72% for the same periods in 2022. Gross margin as a percentage of revenue remained relatively flat for these periods, as the impact of a less favorable revenue mix was offset by lower inventory costs. These lower costs were driven by a reduction in premiums paid to brokers for the purchase of components in response to global supply chain constraints and the replenishment of inventory after the fire at our primary contract manufacturer's plant in Indonesia in June of 2022.

### Operating Expenses

The following table sets forth our operating expenses (in thousands) for the three-month and nine-month periods ended October 1, 2023 and October 2, 2022 with the dollar and percentage changes between the corresponding periods, and the line item as a percentage of total revenue.

|                                                 | Three-months Ended |                 |            |          | Nine-months Ended |                 |             |          |
|-------------------------------------------------|--------------------|-----------------|------------|----------|-------------------|-----------------|-------------|----------|
|                                                 | October 1, 2023    | October 2, 2022 | \$ Change  | % Change | October 1, 2023   | October 2, 2022 | \$ Change   | % Change |
|                                                 | (unaudited)        |                 |            |          | (unaudited)       |                 |             |          |
| Research, development, and engineering expenses | \$ 32,580          | \$ 33,954       | \$ (1,374) | (4)%     | \$ 104,707        | \$ 103,999      | \$ 708      | 1 %      |
| Percentage of total revenue                     | 17 %               | 16 %            |            |          | 16 %              | 14 %            |             |          |
| Selling, general, and administrative expenses   | \$ 82,307          | \$ 75,371       | \$ 6,936   | 9 %      | \$ 248,767        | \$ 236,156      | \$ 12,611   | 5 %      |
| Percentage of total revenue                     | 42 %               | 36 %            |            |          | 39 %              | 31 %            |             |          |
| Loss (recovery) from fire                       | \$ (2,750)         | \$ 2,891        | \$ (5,641) | (195)%   | \$ (5,250)        | \$ 20,294       | \$ (25,544) | (126)%   |
| Percentage of total revenue                     | (1)%               | 1 %             |            |          | (1)%              | 3 %             |             |          |
| Total operating expenses                        | \$ 112,137         | \$ 112,216      | \$ (79)    | — %      | \$ 348,224        | \$ 360,449      | \$ (12,225) | (3)%     |
| Percentage of total revenue                     | 57 %               | 54 %            |            |          | 54 %              | 47 %            |             |          |

### Research, Development, and Engineering Expenses

Research, development, and engineering (RD&E) expenses decreased by \$1,374,000, or 4%, for the three-month period and increased by \$708,000, or 1%, for the nine-month period as compared to the same periods in 2022. For both the three-month and nine-month periods, personnel-related costs increased as a result of headcount additions to support new product initiatives and compensation increases provided to employees as part of our annual merit process, although this increase moderated for the three-month period as headcount levels were realigned to the lower business levels. These increases were offset by lower incentive compensation expenses for both the three-month and nine-month periods based on the Company's expected performance against relevant full-year goals.

RD&E expenses as a percentage of revenue were 17% and 16% for the three-month and nine-month periods in 2023, respectively, as compared to 16% and 14% for the same periods in 2022, respectively. We believe that a continued commitment to RD&E activities is essential in order to maintain product leadership with our existing products and to provide innovative new product offerings, as well as to provide engineering support for large customers. In addition, we consider our ability to accelerate the time to market for new products to be critical to our revenue growth and competitive position. These percentages are impacted by revenue levels and investing cycles.

#### *Selling, General, and Administrative Expenses*

Selling, general, and administrative (SG&A) expenses increased by \$6,936,000, or 9%, for the three-month period and increased by \$12,611,000, or 5%, for the nine-month period as compared to the same periods in 2022. SG&A expenses increased due to costs related to our "Emerging Customer" sales initiative, including additional headcount, travel expenses, and sales demonstration equipment. We launched this initiative towards the end of 2022 to broaden the reach of our sales force to customers who are relatively new to factory automation and have not fully realized the advantages of machine vision.

Unrelated to our "Emerging Customer" sales initiative, for both the three-month and nine-month periods, we also had higher personnel-related costs resulting primarily from compensation increases provided to employees as part of our annual merit process. Transaction costs related to the acquisition of Moritex Corporation (refer to Note 19 of the consolidated financial statements) further contributed to the increases to total SG&A expenses.

These increases to total SG&A expenses were partially offset by lower incentive compensation expenses than the prior year, which included sales commissions and incentive bonuses, due to lower revenue levels and based on the Company's expected performance against relevant full-year goals.

#### *Loss (Recovery) from Fire*

On June 7, 2022, the Company's primary contract manufacturer experienced a fire at its plant in Indonesia. The fire destroyed a significant amount of Cognex-owned consigned inventories, as well as component inventories owned by the contract manufacturer that were designated for Cognex products. There was no significant damage to the Company's production equipment. Since the date of the fire, the Company has worked with the contract manufacturer to resume production, maintain standards of product quality, and replenish inventories destroyed by the fire. The Company has also been working to ramp up an additional contract manufacturer to further mitigate risk, diversify the supply chain, and expand production capacity.

In the third quarter of 2022, the Company recorded a loss of \$2,891,000 primarily related to the deleveraging of fixed costs of distribution centers and inventory write-offs for products deemed to have a net realizable value of zero as a result of the fire. In the third quarter of 2023, the Company recorded a recovery related to the fire of \$2,750,000 for proceeds received as part of a financial settlement for lost inventory and other losses incurred as a result of the fire. The Company expects to receive an additional \$2,750,000 by the end of 2023.

As of October 1, 2023 and through the date of financial statement issuance, management does not anticipate additional recoveries other than disclosed.

#### *Non-operating Income (Expense)*

The following table sets forth our non-operating income (expense) (in thousands) for the three-month and nine-month periods ended October 1, 2023 and October 2, 2022 with the dollar and percentage changes between the corresponding periods.

|                                      | Three-months Ended |                 |            |          | Nine-months Ended |                 |            |          |
|--------------------------------------|--------------------|-----------------|------------|----------|-------------------|-----------------|------------|----------|
|                                      | October 1, 2023    | October 2, 2022 | \$ Change  | % Change | October 1, 2023   | October 2, 2022 | \$ Change  | % Change |
|                                      | (unaudited)        |                 |            |          | (unaudited)       |                 |            |          |
| Foreign currency gain (loss)         | \$ (8,699)         | \$ (1,880)      | \$ (6,819) | 363 %    | \$ (9,910)        | \$ (4,367)      | \$ (5,543) | 127 %    |
| Investment income                    | \$ 4,891           | \$ 1,416        | \$ 3,475   | 245 %    | \$ 12,573         | \$ 4,389        | \$ 8,184   | 186 %    |
| Other income (expense)               | \$ 173             | \$ (214)        | \$ 387     | (181)%   | \$ 358            | \$ (450)        | \$ 808     | (180)%   |
| Total non-operating income (expense) | \$ (3,635)         | \$ (678)        | \$ (2,957) | 436 %    | \$ 3,021          | \$ (428)        | \$ 3,449   | (806)%   |

The Company recorded foreign currency losses of \$8,699,000 and \$9,910,000 for the three-month and nine-month periods in 2023, respectively, and \$1,880,000 and \$4,367,000 for the three-month and nine-month periods in 2022, respectively. In the third quarter of 2023, the Company recorded a foreign currency loss of \$8,456,000 on the settlement of a foreign currency forward contract entered into to hedge the Japanese Yen purchase price of the acquisition of Moritex Corporation (refer to Note 19 of the consolidated financial statements). Remaining foreign currency gains and losses in each period resulted primarily from the revaluation and settlement of assets and liabilities that are denominated in currencies other than the functional currency of the Company, which is the U.S. Dollar, or its subsidiaries.

Investment income for the three-month and nine-month periods in 2023 was \$4,891,000 and \$12,573,000, respectively, representing increases of \$3,475,000 and \$8,184,000, respectively, from the prior comparable periods in 2022. The increases were primarily due to higher yields on the Company's portfolio of debt securities, and to a lesser extent, higher investment balances.

The Company recorded other income of \$173,000 and \$358,000 for the three-month and nine-month periods in 2023, respectively, compared to other expense of \$214,000 and \$450,000 for the three-month and nine-month periods in 2022, respectively.

#### Income Tax Expense

The following table sets forth income tax information (in thousands) for the three-month and nine-month periods ended October 1, 2023 and October 2, 2022 with the dollar and percentage changes between the corresponding periods.

|                                  | Three-months Ended |                 |             |          | Nine-months Ended |                 |             |          |
|----------------------------------|--------------------|-----------------|-------------|----------|-------------------|-----------------|-------------|----------|
|                                  | October 1, 2023    | October 2, 2022 | \$ Change   | % Change | October 1, 2023   | October 2, 2022 | \$ Change   | % Change |
|                                  | (unaudited)        |                 |             |          | (unaudited)       |                 |             |          |
| Income before income tax expense | \$ 27,002          | \$ 39,345       | \$ (12,343) | (31)%    | \$ 120,994        | \$ 191,464      | \$ (70,470) | (37)%    |
| Income tax expense               | \$ 8,086           | \$ 5,365        | \$ 2,721    | 51 %     | \$ 18,989         | \$ 31,250       | \$ (12,261) | (39)%    |
| Effective income tax rate        | 30 %               | 14 %            |             |          | 16 %              | 16 %            |             |          |

The Company's effective tax rate was 30% and 16% for the three-month and nine-month periods in 2023, respectively, and 14% and 16% for the same periods in 2022.

The increase in the effective tax rate from 14% to 30% for the three-month period primarily resulted from the impact of discrete tax items. Compared to a net discrete tax benefit recorded for the three-month period in 2022, the Company recorded a net discrete tax expense for the three-month period in 2023 primarily driven by return-to-provision adjustments and an adjustment related to deferred state taxes due to a reduction in our blended state rate.

The effective tax rate remained at 16% for both the nine-month periods in 2023 and 2022.

#### **Liquidity and Capital Resources**

The Company has historically been able to generate positive cash flow from operations, which has funded its operating activities and other cash requirements and has resulted in an accumulated cash and investment balance of \$845,639,000 as of October 1, 2023. The Company has established guidelines relative to credit ratings, diversification, and maturities of its investments to maintain the liquidity and safety of the investment portfolio.

As of October 1, 2023, the Company's portfolio of debt securities was in a net unrealized loss position of \$19,753,000. Although the Company typically holds investments in an unrealized loss position until full value recovery at maturity, if the Company is required to sell debt securities to meet liquidity needs, it may sell these investments at a loss. In preparation for the acquisition of Moritex Corporation (refer to Note 19 of the consolidated financial statements), the Company liquidated certain debt securities in an unrealized loss position and recorded gross realized losses of approximately \$733,000 in the third quarter of 2023, and approximately \$1,332,000 in the fourth quarter of 2023 prior to the October 18, 2023 purchase date.

#### *Operating activities*

Net cash provided by operating activities totaled \$98,425,000 for the nine-month period in 2023. Significant uses of cash for the nine-month period consisted of payments made to build up inventory levels, as well as incentive compensation payments made in the first quarter that were earned and accrued in 2022.

#### *Investing activities*

Net cash provided by investing activities totaled \$211,768,000 for the nine-month period in 2023. Investing activities included proceeds from the maturities and sales of investments to fund the acquisition of Moritex Corporation. Investing activities also included capital expenditures, which totaled \$16,062,000 for the nine-month period in 2023 and consisted primarily of continued investments in business systems related to the Company's sales process, manufacturing test equipment related to new product introductions, and leasehold improvements.

#### *Financing activities*

Net cash used in financing activities totaled \$92,573,000 for the nine-month period in 2023.

On March 12, 2020, the Company's Board of Directors authorized the repurchase of \$200,000,000 of the Company's common stock. Under this March 2020 program, in addition to repurchases made in prior years, the Company repurchased 1,677,000 shares, and an additional 5,000 shares that were repurchased in 2021 and settled in 2022, at a cost of \$117,000,000 during the nine-month period ended October 2, 2022, which completed purchases under this program. On March 3, 2022, the Company's Board of Directors authorized the repurchase of an additional \$500,000,000 of the Company's common stock. Under this March 2022 program, the Company repurchased 1,125,000 shares at a total cost of \$61,387,000 during the nine-month period ended October 2, 2022. Under this same March 2022 program, in addition to repurchases made in the prior year, the Company repurchased 1,157,000 shares at a total cost of \$59,640,000 during the nine-month period ended October 1, 2023, leaving a remaining balance of \$353,046,000 as of October 1, 2023. The Company may repurchase shares under this program in future periods depending on a variety of factors, including, among other things, the impact of dilution from employee stock awards, stock price, share availability, and cash requirements. The Company is authorized to make repurchases of its common stock through open market purchases, pursuant to Rule 10b5-1 trading plans, or in privately negotiated transactions.

The Company's Board of Directors declared and paid cash dividends of \$0.070 per share for the first, second, and third quarters of 2023, totaling \$36,209,000. Future dividends will be declared at the discretion of the Company's Board of Directors and will depend on such factors as the Board deems relevant, including, among other things, the Company's ability to generate positive cash flow from operations.

#### *Future Cash Requirements*

The Company's future material cash requirements include contractual obligations related to inventory purchase commitments and leases. As of October 1, 2023, the Company had inventory purchase commitments of \$70,635,000, with the majority payable in the next twelve months, and lease payment obligations of \$105,441,000, with \$11,255,000 payable in the next twelve months.

Other significant and/or expected cash outlays for 2023 are as follows:

- On October 18, 2023, the Company acquired all of the outstanding shares of Moritex Corporation, a leading global provider of optics components with a strong presence in Japan, for an enterprise value of ¥40 billion, or approximately \$270 million based on closing-date foreign exchange rates, in an all-cash transaction. The payment related to this acquisition was made in full during the fourth quarter of 2023.
- On October 16, 2019, the Company acquired all the outstanding shares of Sualab Co., Ltd., a provider of deep learning-based vision software for industrial image analysis based in Korea. The total consideration for the acquisition included deferred payments of \$24,040,000 contingent on the continued employment of key talent that had been accrued over the term of employment. These payments were made in full during the fourth quarter of 2023.
- For the remainder of 2023, we expect significant cash outlays related to the Company's "Emerging Customer" sales initiative as we continue to grow our sales force in order to reach customers who may not be utilizing machine vision to its full potential.

We believe that the Company's existing cash and investment balances, together with cash flow from operations, will be sufficient to meet its operating, investing, and financing activities for the next twelve months. In addition, the Company has no long-term debt. We believe that our balance sheet condition has put us in a strong position with respect to anticipated longer-term liquidity needs.

**New Pronouncements**

Refer to Part I - Note 2 within this Form 10-Q, for a full description of recently issued accounting pronouncements including the expected dates of adoption and the expected impact on the financial position and results of operations of the Company.

**ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to the Company's exposures to market risk since December 31, 2022.

**ITEM 4: CONTROLS AND PROCEDURES**

As required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, the Company has evaluated, with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of its disclosure controls and procedures (as defined in such rules) as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of that date. From time to time, the Company reviews its disclosure controls and procedures, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that the Company's systems evolve with its business.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended October 1, 2023 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various claims and legal proceedings generally incidental to the normal course of business are pending or threatened on behalf of or against the Company. While we cannot predict the outcome of these matters, we believe that any liability arising from them will not have a material adverse effect on our financial position, liquidity, or results of operations.

ITEM 1A. RISK FACTORS

For a list of factors that could affect the Company's business, results of operations, and financial condition, see the risk factors discussion provided in Part I—Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

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

The following table sets forth information with respect to purchases by the Company of shares of its common stock during the three-month period ended October 1, 2023:

|                                   | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price Paid<br>per Share | Total Number of<br>Shares<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs (1) | Approximate<br>Dollar Value<br>of Shares that<br>May Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs (1) |
|-----------------------------------|-------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| July 3, 2023 - July 30, 2023      | 144,000                                   | \$ 56.00                           | 144,000                                                                                                | \$ 355,464,000                                                                                                    |
| July 31, 2023 - August 27, 2023   | 47,000                                    | 52.09                              | 47,000                                                                                                 | 353,046,000                                                                                                       |
| August 28, 2023 - October 1, 2023 | —                                         | —                                  | —                                                                                                      | —                                                                                                                 |
| Total                             | 191,000                                   | \$ 55.05                           | 191,000                                                                                                | \$ 353,046,000                                                                                                    |

(1) On March 3, 2022, the Company's Board of Directors authorized the repurchase of an additional \$500,000,000 of the Company's common stock. Purchases under this program commenced in March 2022. The Company may repurchase shares under this program in future periods depending on a variety of factors, including, among other things, the impact of dilution from employee stock awards, stock price, share availability, and cash requirements. The Company is authorized to make repurchases of its common stock through open market purchases, pursuant to Rule 10b5-1 trading plans, or in privately negotiated transactions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three-month period ended October 1, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

**ITEM 6. EXHIBITS**

| <b>Exhibit Number</b> |                                                                                                                                                                                                                      |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1                   | Amended and Restated By-laws of Cognex Corporation, effective August 2, 2023, (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the SEC on August 3, 2023) |
| 31.1                  | Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934*                                                                                         |
| 31.2                  | Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934*                                                                                         |
| 32.1                  | Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**                                                                      |
| 32.2                  | Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**                                                                      |
| 101.SCH               | Inline XBRL Taxonomy Extension Schema Document*                                                                                                                                                                      |
| 101.CAL               | Inline XBRL Taxonomy Extension Calculation Linkbase Document*                                                                                                                                                        |
| 101.LAB               | Inline XBRL Taxonomy Extension Label Linkbase Document*                                                                                                                                                              |
| 101.PRE               | Inline XBRL Taxonomy Extension Presentation Linkbase Document*                                                                                                                                                       |
| 101.DEF               | Inline XBRL Taxonomy Extension Definition Linkbase Document*                                                                                                                                                         |
| 104                   | Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)                                                                               |
| *                     | Filed herewith                                                                                                                                                                                                       |
| **                    | Furnished herewith                                                                                                                                                                                                   |

SIGNATURES

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

Date:           October 31, 2023

COGNEX CORPORATION

By:           /s/ Robert J. Willett  
Robert J. Willett  
President and Chief Executive Officer  
(Principal Executive Officer)

By:           /s/ Paul D. Todgham  
Paul D. Todgham  
Senior Vice President of Finance and Chief Financial Officer  
(Principal Financial Officer)

CERTIFICATION

I, Robert J. Willett, certify that:

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

Date: October 31, 2023

By: /s/ Robert J. Willett  
Robert J. Willett  
President and Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION

I, Paul D. Todgham, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of Cognex Corporation;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:October 31, 2023

By:

/s/ Paul D. Todgham  
Paul D. Todgham  
Senior Vice President of Finance and Chief Financial Officer  
(Principal Financial Officer)

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

The undersigned officer of Cognex Corporation (the "Company") hereby certifies to his knowledge that the Company's quarterly report on Form 10-Q for the quarterly period ended October 1, 2023 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2023

By: /s/ Robert J. Willett  
Robert J. Willett  
President and Chief Executive Officer  
(Principal Executive Officer)

\* This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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

The undersigned officer of Cognex Corporation (the "Company") hereby certifies to his knowledge that the Company's quarterly report on Form 10-Q for the quarterly period ended October 1, 2023 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2023

By: /s/ Paul D. Todgham  
Paul D. Todgham  
Senior Vice President of Finance and Chief Financial Officer  
(Principal Financial Officer)

\* This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.