



Fellow Shareholders,

Maxeon's financial performance was largely consistent with our guidance for the second quarter, but the Company continues to face significant market headwinds and uncertainties due to intense competitive pressures, subdued distributed generation (DG) market demand, project delays and order cancellations affecting our large-scale business, and an unpredictable policy environment. In addition to these broader challenges, we recently experienced Customs and Border Protection's (CBP) first-ever detentions of our modules being imported into the U.S. from our factories in Mexico to assess compliance with the Uyghur Forced Labor Prevention Act (UFLPA). It is our understanding that these detentions are routine, however, they have effectively stopped all of our shipments into the U.S., a market that accounted for over 60% of our second quarter revenue, and are causing intense pressure on the Company's revenue realization and cash flow. We have no visibility into the CBP's process or timing, and we are therefore uncertain as to when we will be able to recommence deliveries into our largest end-market.

Because of this unprecedented level of uncertainty, we are currently unable to provide financial guidance for the third quarter and are therefore withdrawing full year 2024 revenue and adjusted EBITDA guidance. However, we expect that our third quarter revenue will decline significantly from the second quarter for the reasons discussed above. Due to these uncertainties as well as the rolling closing of the recapitalization-related transactions and related note conversions, we will not conduct a conference call to discuss second quarter results. Instead, we are providing an overview of our business as detailed in this letter. We intend to resume quarterly earnings conference calls once the business has stabilized, and we can offer more meaningful insights on current business metrics and future expectations.

We are taking aggressive actions to address the challenges we face. We recently improved our balance sheet by securing consequential new financing and renegotiating maturing debt. We have put a special committee in place to drive transformation, and we are evaluating several aspects of our operations to respond to the new market environment. We share below some of the actions we are taking to address the current challenges, and resume growth and profitability.

First, we will review second quarter results, which were largely in line with our expectations.

Business Overview

The Company's second quarter 2024 revenue stood at \$184 million and total shipments were 526 MW. There were no sales to SunPower Corp., as the committed volumes under the settlement and release agreement were fully delivered during the previous quarter. GAAP operating expenses for this quarter stood at \$62 million and included a provision for expected credit losses of \$11 million resulting from SunPower Corp.'s recent bankruptcy filing, largely associated with unsecured indemnifications for ongoing litigation and warranty claims inherited from the spin off in 2020.

In our utility scale business, we increased revenue by 12% sequentially to \$109 million driven by higher volume shipments to U.S. customers. However, we anticipate that the project push-outs and contract cancellations announced last quarter as well as the current CBP detentions will result in significantly lower shipment run-rates in the second half of this year. Looking forward, we are also facing considerable risks and uncertainties in this business primarily due to trade policy issues, including the re-imposition of Section 201 bifacial tariffs on modules imported into the U.S. from our Mexicali, Mexico facility as well as proposed new AD/CVD tariffs on solar cells manufactured at our Malaysian cell fab. While we believe that these types of import tariffs will be fundamentally supportive for our planned Albuquerque cell and module factories, they critically impact the economic viability of our current supply chain. For this reason, we are evaluating the shutdown of our Malaysian Fab 3, where we have been manufacturing solar cells since 2011, and plan to re-tool Mexicali Modco for P7 TOPCon with solar cells sourced from independent third parties in the future. In this event, we would expect associated charges of at least \$100 million in the second half of the year, a large majority of which would be non-cash charges for related asset write-downs.

Revenue for our DG business landed at \$75 million for the second quarter of 2024. This represents 11% sequential growth, after excluding sales to SunPower Corp. from the first quarter and IP licensing fees of \$10 million in connection with the sale of our former joint venture HSPV from the second quarter. The growth was driven in part by continuing to clear inventory of our older generation P-series products. The competitive landscape in our European and Australian markets remains challenging, with extreme price pressure due to significant oversupply from Southeast Asia and China. In the U.S., since terminating our contract with SunPower Corp. last year, we have been heavily focused on building out our own U.S. dealer channel. While the weak demand environment and the impact of SunPower Corp.'s bankruptcy has affected all market players and slowed the growth of our channel partners, we added more than 25 new partners during the quarter and believe that SunPower Corp.'s bankruptcy may create an opportunity to attract a dealer base that is used to selling our products.

Recapitalization

We are taking critical actions to fund our immediate cash needs, provide capital to invest in our transformation initiatives, and to reduce pressures from debt maturities. As we close the transactions described below, we believe we will be on an improved financial footing, with a strengthened balance sheet, and higher equity book value.

Unfortunately, these transactions have significantly diluted and will continue to dilute current shareholders. Total shares outstanding increased from 55.7 million prior to the restructuring to approximately 1.4 billion currently. We expect further dilution to existing shareholders as detailed later in this section. The Company's proposed 100 for 1 reverse share split was approved by its shareholders during the recent Annual General Meeting and once effected is intended to increase the market price per share to regain compliance with the Nasdaq listing-requirements.

The Company has made substantial progress on its capital raising and debt restructuring initiatives, as announced previously. On June 20, 2024, Maxeon completed the sale of \$97.5 million of 9.00% Convertible First Lien Senior Secured Notes due 2029 to TZE. Additionally, as of August 30, 2024, TZE has completed the \$100 million equity investment in Maxeon and has become the controlling shareholder of the Company. Further, as of August 30, 2024, 99% or \$137.2 million principal value of the Tranche A Second Lien Convertible Bonds converted to equity, and the remaining \$1.7 million principal value Tranche A bonds are scheduled to convert on or before September 9, 2024. Substantially all of the Company's debt is comprised of convertible bonds, and total Company debt has reduced from \$366 million at the end of the second quarter to \$278 million on a pro forma basis including the effect of Tranche A bond conversions to date. The Company has \$1.5 million principal value of convertible bonds due to mature in July 2025, which the holders may submit in the third quarter to be redeemed by the company per the terms of the indenture as a result of a fundamental change. Excluding this, there are no scheduled debt maturities before January 2028. The TZE \$100 million equity investment and Tranche A bond transactions helped to increase Maxeon's equity from negative \$22 million at the end of the second quarter to positive \$163 million on a pro forma basis.

The conversion prices of the Tranche B Adjustable-Rate Convertible Second Lien Senior Secured Notes, Variable Rate Convertible First Lien Senior Secured Notes and 9.00% Convertible First Lien Senior Secured Notes were all reset using the 10-day VWAP from August 14 to 27, 2024, at an average price of \$0.1608 per share. As a result, these notes are convertible into 505 million, 1,287 million and 606 million shares, respectively, should the Company elect to settle any conversion requests fully in shares and not in cash or a combination of cash and shares. As part of the restructuring, warrants for ordinary shares were issued to the Tranche A Adjustable-Rate Convertible Second Lien Senior Secured noteholders. The exercise price to purchase ordinary shares was set at a 31.3% premium to the same 10-day VWAP period at a price of \$0.2111 per share. These warrants are exercisable into 9.925% of fully diluted shares outstanding. TZE now controls approximately 69.3% of Maxeon's total outstanding shares and has the ability to purchase additional shares to prevent dilution of its ownership position if Tranche B notes or the Tranche A noteholder warrants are converted.

Transformation Initiatives

We have established a Strategy and Transformation Office ("STO") led by Mr. Luo Luo Xu, who currently serves as a Board member designated by TZE and has joined the executive team as Chief Transformation Officer, reporting to Maxeon's CEO. Maxeon's Board has also established a Strategy and Transformation Committee, with a focus on the implementation of transformation activities. The STO will develop and recommend initiatives to accelerate Maxeon's return to profitability by driving an intensive company-wide focus on improved cost, efficiency and competitiveness. It is also exploring various strategic initiatives to reposition the Company and accelerate growth. In anticipation of the various trade and tariff issues mentioned above, the STO is planning contingencies to reposition and adapt our supply chain and identify opportunities to leverage support from TZE and their parent company TCL. More details on key strategy and transformation initiatives will be shared in the coming months.

Leadership Changes

As previously announced, Mr. Kai Strohbecke stepped down as Maxeon's Chief Financial Officer at the end of August 2024 and Mr. Ken Olson, who joined Maxeon as Senior Vice President and Group Treasurer in October 2023, has taken on the role of Interim Chief Financial Officer effective September 1, 2024. We would like to take this opportunity to thank Mr. Kai Strohbecke for his exemplary leadership and contributions as Maxeon's CFO over the past three and a half years.

CBP Detentions

In July 2024, Maxeon experienced our first-ever detentions by CBP of modules imported from Mexico into the U.S. These detentions are intended to review whether Maxeon's products comply with anti-forced labor provisions as set out in the UFLPA. Since then, all of Maxeon's imports of solar modules into the U.S. have been detained by CBP. These detentions involved both Performance line panels manufactured in our Mexicali factory for utility scale customers as well as IBC panels manufactured in our Ensenada factory for DG customers. CBP has explained that these are routine detentions not related to any concerns specific to Maxeon. We are fully cooperating with CBP's information requests and are in continuous contact with CBP authorities to help facilitate CBP's investigation and respond to CBP's inquiries. While we continue to work towards an expedited release of Maxeon's modules, at this time we do not have any indication from CBP as to when the detained shipments might be released and when we will be able to resume module imports into the U.S. Maxeon has been a long time ESG-leader in the solar industry and a supporter of the UFLPA since its inception. Maxeon continues to require a UFLPA-compliant supply chain for its products imported into the U.S., including polysilicon produced outside of China for which we pay a meaningful premium compared to polysilicon produced within China. Based on our internal and third-party reviews, we believe our supply chains are in compliance with all relevant rules and regulations, as well as leading ESG-standards, but have no visibility into the CBP's process or timing, and are therefore uncertain as to when we will be able to recommence deliveries into our largest end-market.

Conclusion

Maxeon faces significant and unprecedented challenges primarily due to external market and policy factors. At the same time, our assets include almost 40 years of industry experience, a reputation for technology and product leadership, the industry's leading IP portfolio, a unique DG channel strategy, and a strong legacy of participation in utility-scale projects in the U.S. With critical financial support now in place from TZE, we look forward to utilizing these assets to first stabilize our business and then restore growth and profitability.

Sincerely,

Bill Mulligan
Chief Executive Officer