

Kulicke & Soffa Reports Fourth Quarter and Fiscal Year 2015 Results

SINGAPORE--(BUSINESS WIRE)-- Kulicke and Soffa Industries, Inc. (NASDAQ:KLIC) ("Kulicke & Soffa", "K&S" or the "Company") today announced results for its fourth quarter and fiscal year ended October 3, 2015.

Quarterly Results

| | Fiscal Q4 2015 | Change vs. Fiscal Q4 2014 | Change vs. Fiscal Q3 2015 |
|------------------------|-----------------|------------------------------|------------------------------|
| Net Revenue | \$119.2 million | down 38.8% | down 27.6% |
| Gross Profit | \$58.2 million | down 37.0% | down 25.0% |
| Gross Margin | 48.9% | up 150 bps | up 180 bps |
| Income from Operations | \$1.6 million | down 95.7% | down 90.1% |
| Operating Margin | 1.4% | down 1790 bps | down 840 bps |
| Net Income | \$9.8 million | down 66.6% | down 60.8% |
| Net Margin | 8.2% | down 680 bps | down 700 bps |
| EPS - Diluted | \$0.13 | down 65.8% | down 60.6% |

Jonathan Chou, Kulicke & Soffa's Chief Financial Officer and Interim Chief Executive Officer, stated, "While we exceeded our revised fourth quarter revenue guidance of \$100 to \$110 million and demonstrated strong operational performance, we ended the year in a challenging market environment. Considering this market softness, we drove further improvements to our operating model as well as refinements to our development initiatives which reduces our break-even point and further aligns our R&D efforts with market opportunities expected to drive the most meaningful and long-term shareholder returns."

The Company's reported fourth quarter net income included favorable non-cash tax benefits of approximately \$9.6 million, or approximately \$0.13 per share, which was lower than the anticipated non-cash tax benefit of \$20 million, or approximately \$0.27 per share.

Fourth Quarter Fiscal 2015 Key Product Trends

- Ball bonder equipment net revenue decreased 45.3% over the June quarter.
- 72.6% of ball bonder equipment was sold as copper capable.
- Wedge bonder equipment net revenue increased 8.5% over the June quarter.
- Advanced packaging mass reflow equipment net revenue increased by 0.7% over the June quarter.

Fiscal Year 2015 Financial Highlights

- Net revenue of \$536.5 million.
- Gross margin of 48.3%.
- Net income was \$50.6 million or \$0.67 per diluted share.
- Cash, cash equivalents and investments were \$498.6 million as at October 3, 2015.
- Through fiscal year end, 6.4 million shares, equivalent to over 8% of weighted average shares outstanding, had been repurchased since the stock repurchase program's August 2014 initiation.

First Quarter Fiscal 2016 Outlook

The Company currently expects net revenue in the first fiscal quarter of 2016 ending January 2, 2016 to be approximately \$90 million to \$100 million.

Looking forward, Jonathan Chou commented, "Our recent cost reduction efforts provide further enhancements to the flexibility of our established operational model which has been built on driving through-cycle performance. Tactically, our near-term growth initiatives continue to be centered on enhancing market breadth through highly-targeted product and feature releases which serve the deep-rooted core, sizeable Advanced SMT and expanding Advanced Packaging market opportunities. We are well situated to emerge from this softer demand environment a stronger, more agile and further diversified organization."

Earnings Conference Call Details

A conference call to discuss these results will be held today, November 17, 2015, beginning at 8:00am (EST). To access the conference call, interested parties may call +1-877-407-8037 or internationally +1-201-689-8037. The call will also be available by live webcast at investor.kns.com.

A replay will be available from approximately one hour after the completion of the call through November 24, 2015 by calling toll-free +1-877-660-6853 or internationally +1-201-612-7415 and using the replay ID number of 13623161. A webcast replay will also be available at investor.kns.com.

About Kulicke & Soffa

Kulicke & Soffa (NASDAQ: KLIC) is a global leader in the design and manufacture of semiconductor, LED and electronic assembly equipment. As a pioneer in this industry, K&S has provided customers with market leading packaging solutions for decades. In recent years, K&S has expanded its product offerings through strategic acquisitions and organic development, adding advanced packaging, advanced SMT, wedge bonding and a broader range of expendable tools to its core ball bonding products. Combined with its extensive expertise in process technology, K&S is well positioned to help customers meet the challenges of assembling the next-generation semiconductor and LED devices. (www.kns.com)

Caution Concerning Results and Forward Looking Statements

In addition to historical statements, this press release contains statements relating to future events and our future results. These statements are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, and include, but are not limited to, statements that relate to our future revenue, sustained, increasing, continuing or strengthening demand for our products, the continuing transition from gold to copper wire bonding, replacement demand, our research and development efforts, our ability to identify and realize new growth opportunities and our ability to control costs. While these forward-looking statements represent our judgments and future expectations concerning our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: the risk that customer orders already received may be postponed or canceled, generally without charges; the risk that anticipated customer orders may not materialize; the risk that our suppliers may not be able to meet our demands on a timely basis; the volatility in the demand for semiconductors and our products and services; a substantial completion of transition from gold to copper wire bonding by the industry, volatile global economic conditions, which could result in, among other things, sharply lower demand for products containing semiconductors and for the Company's products, and disruption of capital and credit markets; the risk of failure to successfully manage our operations; acts of terrorism and violence; risks, such as changes in trade regulations, currency fluctuations, political instability and war, which may be associated with a substantial non-U.S. customer and supplier base and substantial non-U.S. manufacturing operations; and the factors listed or discussed in Kulicke and Soffa Industries, Inc. 2015 Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission. Kulicke and Soffa Industries, Inc. is under no obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

KULICKE & SOFFA INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share and employee data)
(Unaudited)

| | Three months ended | | Twelve months ended | |
|--|--------------------|-----------------------|---------------------|-----------------------|
| | October 3, 2015 | September 27, 2014 | October 3, 2015 | September 27, 2014 |
| Net revenue | \$ 119,172 | \$ 194,733 | \$ 536,471 | \$ 568,569 |
| Cost of sales | 60,955 | 102,373 | 277,379 | 295,015 |
| Gross profit | 58,217 | 92,360 | 259,092 | 273,554 |
| Operating expenses: | | | | |
| Selling, general and administrative | 29,944 | 30,774 | 120,084 | 107,077 |
| Research and development | 21,900 | 22,779 | 90,033 | 83,056 |
| Amortization of intangible assets | 2,851 | 1,330 | 9,883 | 5,318 |
| Restructuring | 1,874 | (20) | 1,841 | 1,119 |
| Total operating expenses | 56,569 | 54,863 | 221,841 | 196,570 |
| Income from operations | 1,648 | 37,497 | 37,251 | 76,984 |
| Other income (expense): | | | | |
| Interest income | 453 | 319 | 1,637 | 1,197 |
| Interest expense | (273) | (316) | (1,183) | (1,048) |
| Income from operations before income taxes | 1,828 | 37,500 | 37,705 | 77,133 |
| Income taxes (benefit)/ expense | (7,999) | 8,241 | (12,934) | 14,145 |
| Net income | \$ 9,827 | \$ 29,259 | \$ 50,639 | \$ 62,988 |

| | | | | |
|--------------------------------------|---------|---------|---------|---------|
| Net income per share: | | | | |
| Basic | \$ 0.14 | \$ 0.38 | \$ 0.67 | \$ 0.82 |
| Diluted | \$ 0.13 | \$ 0.38 | \$ 0.67 | \$ 0.81 |
| Weighted average shares outstanding: | | | | |
| Basic | 72,731 | 76,658 | 75,414 | 76,396 |
| Diluted | 72,883 | 77,925 | 75,659 | 77,292 |

| | Three months ended | | Twelve months ended | |
|---|--------------------|--------------------|---------------------|--------------------|
| <i>Supplemental financial data:</i> | October 3, 2015 | September 27, 2014 | October 3, 2015 | September 27, 2014 |
| Depreciation and amortization | \$ 4,994 | \$ 3,525 | \$ 18,972 | \$ 13,520 |
| Capital expenditures | 3,810 | 2,805 | 9,519 | 12,401 |
| Equity-based compensation expense: | | | | |
| Cost of sales | 89 | 75 | 393 | 344 |
| Selling, general and administrative | 2,738 | 1,982 | 9,127 | 8,906 |
| Research and development | 626 | 462 | 2,469 | 2,086 |
| Total equity-based compensation expense | \$ 3,453 | \$ 2,519 | \$ 11,989 | \$ 11,336 |

| | As of October 3, 2015 | September 27, 2014 |
|--------------------------------|-----------------------------|-----------------------|
| Backlog of orders ¹ | \$ 52,500 | \$ 79,100 |
| Number of employees | 2,373 | 2,164 |

1. Represents customer purchase commitments. While the Company believes these orders will proceed, they are generally cancellable by customers without penalty.

KULICKE & SOFFA INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

| | As of October 3, 2015 | September 27, 2014 |
|---|-----------------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 498,614 | \$ 587,981 |
| Short-term investments | — | 9,105 |
| Accounts and notes receivable, net of allowance for doubtful accounts of \$621 and \$143 respectively | 108,596 | 171,530 |
| Inventories, net | 79,096 | 49,694 |
| Prepaid expenses and other current assets | 16,937 | 15,090 |
| Deferred income taxes | 4,126 | 4,291 |
| TOTAL CURRENT ASSETS | 707,369 | 837,691 |
| Property, plant and equipment, net | 53,234 | 52,755 |
| Goodwill | 81,272 | 41,546 |
| Intangible assets | 57,471 | 5,891 |
| Other assets | 5,120 | 6,565 |
| TOTAL ASSETS | \$ 904,466 | \$ 944,448 |

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|--|-----------|-----------|
| Accounts payable | \$ 25,521 | \$ 35,132 |
| Accrued expenses and other current liabilities | 45,971 | 43,731 |
| Income taxes payable | 2,442 | 2,488 |
| TOTAL CURRENT LIABILITIES | 73,934 | 81,351 |

| | | |
|-----------------------|---------|---------|
| Financing obligation | 16,483 | 19,102 |
| Deferred income taxes | 31,316 | 44,963 |
| Other liabilities | 10,842 | 9,790 |
| TOTAL LIABILITIES | 132,575 | 155,206 |

SHAREHOLDERS' EQUITY

| | | |
|---|------------|------------|
| Common stock, no par value | 492,339 | 479,116 |
| Treasury stock, at cost | (124,856) | (46,984) |
| Retained earnings | 405,505 | 354,866 |
| Accumulated other comprehensive (loss) income | (1,097) | 2,244 |
| TOTAL SHAREHOLDERS' EQUITY | \$ 771,891 | \$ 789,242 |

| | | |
|--|------------|------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 904,466 | \$ 944,448 |
|--|------------|------------|

KULICKE & SOFFA INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Three months ended | | Twelve months ended | |
|--|--------------------|--------------------|---------------------|--------------------|
| | October 3, 2015 | September 27, 2014 | October 3, 2015 | September 27, 2014 |
| Net cash provided by (used in) operating activities | 39,529 | (1,781) | 87,875 | 82,460 |
| Net cash used in investing activities, continuing operations | (3,190) | (7,302) | (94,109) | (15,974) |
| Net cash used in financing activities, continuing operations | (14,622) | (369) | (84,459) | (164) |
| Effect of exchange rate changes on cash and cash equivalents | 972 | (76) | 1,326 | (129) |
| Changes in cash and cash equivalents | 22,689 | (9,528) | (89,367) | 66,193 |
| Cash and cash equivalents, beginning of period | 475,925 | 597,509 | 587,981 | 521,788 |
| Cash and cash equivalents, end of period | \$ 498,614 | \$ 587,981 | \$ 498,614 | \$ 587,981 |
| Short-term investments | — | 9,105 | — | 9,105 |
| Total cash, cash equivalents and short-term investments | \$ 498,614 | \$ 597,086 | \$ 498,614 | \$ 597,086 |

View source version on [businesswire.com](http://www.businesswire.com/news/home/20151117005790/en/): <http://www.businesswire.com/news/home/20151117005790/en/>

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