

Kulicke & Soffa Reports Second Quarter 2019 Results

SINGAPORE--(BUSINESS WIRE)--May 2, 2019-- Kulicke and Soffa Industries, Inc. (NASDAQ: KLIC) (“Kulicke & Soffa”, “K&S” or the “Company”), today announced financial results of its second fiscal quarter ended March 30, 2019. The Company reported second quarter net revenue of \$115.9 million, net loss of \$3.6 million and non-GAAP net income of \$0.2 million.

During its second fiscal quarter, K&S repurchased \$26.9 million of common stock in open market transactions at an average price of \$21.98 per share. The Company also recorded a quarterly dividend equivalent to \$0.12 per share during its second fiscal quarter.

Quarterly Results - U.S. GAAP

| | Fiscal Q2 2019 | Change vs. Fiscal Q2 2018 | Change vs. Fiscal Q1 2019 |
|----------------------|-----------------|------------------------------|------------------------------|
| Net Revenue | \$115.9 million | down 47.7% | down 26.3% |
| Gross Profit | \$55.6 million | down 44.1% | down 25.7% |
| Gross Margin | 47.9% | up 310 bps | up 30 bps |
| Loss from Operations | \$(2.5) million | down 106.5% | down 117.1% |
| Operating Margin | (2.1)% | down 1940 bps | down 1140 bps |
| Net Loss | \$(3.6) million | down 109.9% | down 148.0% |
| Net Margin | (3.1)% | down 1950 bps | down 790 bps |
| EPS – Diluted(a) | \$(0.05) | down 109.8% | down 145.5% |

GAAP diluted net earnings per share reflects any dilutive effect of outstanding restricted stock units and stock options, but that effect is excluded when calculating GAAP diluted net (loss) per share because it would be anti-dilutive. For the three months ended March 30, 2019, 0.8 million shares of restricted stock units and stock options were excluded due to the Company's net loss.

Quarterly Results - Non-GAAP

| | Fiscal Q2 2019 | Change vs. Fiscal Q2 2018 | Change vs. Fiscal Q1 2019 |
|----------------------|-----------------|------------------------------|------------------------------|
| Loss from Operations | \$(1.2) million | down 103.0% | down 107.3% |
| Operating Margin | (1.1)% | down 1930 bps | down 1160 bps |
| Net Income | \$0.2 million | down 99.5% | down 98.8% |
| Net Margin | 0.2% | down 1700 bps | down 1060 bps |
| EPS - Diluted | \$— | down 100.0% | down 100.0% |

** A reconciliation of the GAAP and non-GAAP adjusted results is provided in the financial tables included in this release. See also “Use of non-GAAP Financial Results” section.*

Dr. Fusen Chen, Kulicke & Soffa's President and Chief Executive Officer, stated, “We continue to be extremely focused on cost control while we prioritize ongoing business development, drive fundamental business optimization, and also continue to deliver value through our ongoing repurchase and dividend programs.”

During the March quarter the Company incurred a \$4.7 million tax expense primarily related to an adjustment to the one-time transition tax associated with the Tax Cuts and Reform Act of 2017, specifically due to new guidance issued by the U.S. Department of Treasury in February 2019.

Second Quarter Fiscal 2019 Financial Highlights

- Net revenue of \$115.9 million.
- Gross margin of 47.9%.
- Net loss of \$(3.6) million or \$(0.05) per share; non-GAAP net income of \$0.2 million.
- Cash, cash equivalents, and short-term investments were \$626.9 million as of March 30, 2019.

Third Quarter Fiscal 2019 Outlook

The Company currently expects net revenue in the third fiscal quarter of 2019 ending June 29, 2019 to be approximately \$120 million to \$140 million, representing a 12% sequential improvement.

Looking forward, Dr. Fusen Chen commented, "Improving field utilization rates and also customer sentiment supports our view that the current demand environment is only a short-term headwind. Our core businesses continue to be very aligned with major market trends such as IoT, 5G and advanced packaging. New opportunities in emerging LED technology and our ongoing efforts to enhance recurring revenue and profitability across our broad portfolio provides additional optimism."

Earnings Conference Call Details

A conference call to discuss these results will be held today, May 2, 2019, beginning at 6:00pm EDT. To access the conference call, interested parties may call +1-877-407-8037 or internationally +1-201-689-8037. A live webcast will also be available at investor.kns.com.

A replay will be available from approximately one hour after the completion of the call through May 16th by calling toll-free +1-877-660-6853 or internationally +1-201-612-7415 and using the replay ID number of 13689604. A webcast replay will also be available at investor.kns.com.

Use of Non-GAAP Financial Results

In addition to U.S. GAAP results, this press release also contains non-GAAP financial results. The Company's non-GAAP results exclude amortization related to intangible assets acquired through business combinations, goodwill impairment, costs associated with restructuring, income tax expense related to the Tax Cuts and Jobs Act of 2017 as well as tax benefits or expense associated with the foregoing non-GAAP items. These non-GAAP measures are consistent with the way management analyzes and assesses the Company's operating results. The Company believes these non-GAAP measures enhance investors' understanding of the Company's underlying operational performance, as well as their ability to compare the Company's period-to-period financial results and the Company's overall performance to that of its competitors.

Management uses both U.S. GAAP metrics as well as non-GAAP operating income, operating margin, net income, net margin and net income per diluted share to evaluate the Company's operating and financial results. Non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in the Company's industry, as other companies in the industry may calculate non-GAAP financial results differently. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact on the Company's reported financial results. The presentation of non-GAAP items is meant to supplement, but not substitute for, GAAP financial measures or information. The Company believes the presentation of non-GAAP results in combination with GAAP results provides better transparency to the investment community when analyzing business trends, providing meaningful comparisons with prior period performance and enhancing investors' ability to view the Company's

results from management's perspective. A reconciliation of each available GAAP to non-GAAP financial measure discussed in this press release is contained in the attached exhibit.

About Kulicke & Soffa

Kulicke & Soffa (NASDAQ: KLIC) is a leading provider of semiconductor packaging and electronic assembly solutions supporting the global automotive, consumer, communications, computing and industrial segments. As a pioneer in the semiconductor space, 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, electronics assembly, wedge bonding and a broader range of tools to its core offerings. Combined with its extensive expertise in process technology and focus on development, K&S is well positioned to help customers meet the challenges of packaging and assembling the next-generation of electronic 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 expected dividend payouts and growth opportunities. 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 the Company fails to meet its operational and financial targets in order to adhere to its dividend policy; 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; the risk that identified market opportunities may not grow or developed as we anticipated; 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; the possibility that we may need to impair the carrying value of goodwill and/or intangibles established in connection with one or more of our prior acquisitions; 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; the impact of changes in tax law; the risk that the Company will not identify suitable acquisition opportunities or that any acquisitions will not be successful; the risk that the Company fails to timely remediate the material weaknesses identified in the Company's internal controls over financial reporting or that new material weaknesses or significant deficiencies emerge; and the factors listed or discussed in Kulicke and Soffa Industries, Inc. 2018 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 CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share and employee data)

(Unaudited)

| | Three months ended | | Six months ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2019 | March 31, 2018 | March 30, 2019 | March 31, 2018 |
| Net revenue | \$ 115,908 | \$ 221,772 | \$ 273,116 | \$ 435,463 |
| Cost of sales | 60,335 | 122,325 | 142,744 | 238,814 |
| Gross profit | 55,573 | 99,447 | 130,372 | 196,649 |
| Operating expenses: | | | | |
| Selling, general and administrative | 27,235 | 30,339 | 55,768 | 54,875 |
| Research and development | 29,577 | 28,657 | 59,380 | 58,907 |
| Amortization of intangible assets | 1,869 | 2,022 | 3,746 | 3,965 |
| Restructuring | (643 |) (7 |) (612 |) 1,307 |
| Total operating expenses | 58,038 | 61,011 | 118,282 | 119,054 |
| (Loss)/income from operations | (2,465 |) 38,436 | 12,090 | 77,595 |
| Other income (expense): | | | | |
| Interest income | 3,865 | 2,986 | 7,691 | 4,961 |
| Interest expense | (254 |) (270 |) (505 |) (536 |
| Income before income taxes | 1,146 | 41,152 | 19,276 | 82,020 |
| Income tax expense | 4,672 | 4,800 | 15,242 | 115,212 |
| Share of results of equity-method investee, net of tax | 29 | 39 | 72 | 23 |
| Net (loss)/income | \$ (3,555 |) \$ 36,313 | \$ 3,962 | \$ (33,215 |
| Net (loss)/income per share: | | | | |
| Basic | \$ (0.05 |) \$ 0.52 | \$ 0.06 | \$ (0.47 |
| Diluted | \$ (0.05 |) \$ 0.51 | \$ 0.06 | \$ (0.47 |
| Cash dividends declared per share | \$ 0.12 | \$ — | \$ 0.24 | \$ — |
| Weighted average shares outstanding: | | | | |
| Basic | 65,930 | 70,361 | 66,530 | 70,467 |
| Diluted | 65,930 | 71,425 | 67,344 | 70,467 |

| | Three months ended | | Six months ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2019 | March 31, 2018 | March 30, 2019 | March 31, 2018 |
| <i>Supplemental financial data:</i> | | | | |
| Depreciation and amortization | \$ 5,237 | \$ 4,744 | \$ 10,006 | \$ 9,212 |
| Capital expenditures | 2,234 | 6,153 | 7,176 | 12,410 |
| Equity-based compensation expense: | | | | |
| Cost of sales | 160 | 126 | 310 | 258 |
| Selling, general and administrative | 2,330 | 1,443 | 5,255 | 3,766 |
| Research and development | 811 | 653 | 1,609 | 1,307 |
| Total equity-based compensation expense | \$ 3,301 | \$ 2,222 | \$ 7,174 | \$ 5,331 |

| | As of March 30, 2019 | March 31, 2018 |
|--------------------------------|-------------------------|----------------|
| Backlog of orders ¹ | \$ 89,439 | \$ 177,754 |
| Number of employees | 2,747 | 3,276 |

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

KULICKE & SOFFA INDUSTRIES, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)

(Unaudited)

| | As of March 30, 2019 | September 29, 2018 |
|--|----------------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 418,872 | \$ 320,630 |
| Restricted cash | 465 | 518 |
| Short-term investments | 208,000 | 293,000 |
| Accounts and other receivable, net of allowance for doubtful accounts of \$0 and \$385, respectively | 138,844 | 243,373 |
| Inventories, net | 102,549 | 115,191 |
| Prepaid expenses and other current assets | 13,638 | 14,561 |
| TOTAL CURRENT ASSETS | 882,368 | 987,273 |
| Property, plant and equipment, net | 76,343 | 76,067 |
| Goodwill | 56,050 | 56,550 |
| Intangible assets, net | 47,421 | 52,871 |
| Deferred income taxes | 9,232 | 9,017 |
| Equity investments | 6,301 | 1,373 |
| Other assets | 2,430 | 2,589 |
| TOTAL ASSETS | \$ 1,080,145 | \$ 1,185,740 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Short term debt | \$ 10,004 | \$ — |
| Accounts payable | 33,378 | 48,527 |
| Accrued expenses and other current liabilities | 64,813 | 105,978 |
| Income taxes payable | 14,553 | 19,571 |
| TOTAL CURRENT LIABILITIES | 122,748 | 174,076 |
| Financing obligation | 14,893 | 15,187 |
| Deferred income taxes | 25,263 | 25,591 |
| Income taxes payable | 84,627 | 81,491 |
| Other liabilities | 9,400 | 9,188 |
| TOTAL LIABILITIES | 256,931 | 305,533 |
| SHAREHOLDERS' EQUITY | | |
| Common stock, no par value | 526,419 | 519,244 |
| Treasury stock, at cost | (301,071 |) (248,664 |
| Retained earnings | 601,913 | 613,529 |
| Accumulated other comprehensive loss | (4,047 |) (3,902 |
| TOTAL SHAREHOLDERS' EQUITY | \$ 823,214 | \$ 880,207 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 1,080,145 | \$ 1,185,740 |

KULICKE & SOFFA INDUSTRIES, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Three months ended | | Six months ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2019 | March 31, 2018 | March 30, 2019 | March 31, 2018 |
| Net cash provided by operating activities | \$27,334 | \$6,740 | \$83,335 | \$57,073 |
| Net cash provided by/(used in) investing activities, continuing operations | 138,962 | (35,273) | 73,689 | (83,456) |
| Net cash used in financing activities, continuing operations | (25,176) | (20,850) | (59,092) | (24,241) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 275 | (1,120) | 257 | (1,630) |
| Changes in cash, cash equivalents and restricted cash | 141,395 | (50,503) | 98,189 | (52,254) |
| Cash, cash equivalents and restricted cash, beginning of period | 277,942 | 391,189 | 321,148 | 392,940 |
| Cash, cash equivalents and restricted cash, end of period | \$419,337 | \$340,686 | \$419,337 | \$340,686 |
| Short-term investments | 208,000 | 288,000 | 208,000 | 288,000 |
| Total cash, cash equivalents, restricted cash and short-term investments | \$627,337 | \$628,686 | \$627,337 | \$628,686 |

Reconciliation of U.S. GAAP Income from Operating

to Non-GAAP Income from Operation and Operating Margin

(in thousands, except percentages)

(unaudited)

| | Three months ended | | |
|--|--------------------|-------------------|----------------------|
| | March 30, 2019 | March 31, 2018 | December 29, 2018 |
| Net revenue | \$115,908 | \$221,772 | \$157,208 |
| U.S. GAAP (loss)/income from operations | (2,465) | 38,436 | 14,555 |
| U.S. GAAP operating margin | (2.1)% | 17.3 | % 9.3 |
| Pre-tax non-GAAP items: | | | |
| Amortization related to intangible assets acquired through business combination- selling, general and administrative | 1,869 | 2,022 | 1,877 |
| Restructuring | (643) | (7) | 31 |
| Non-GAAP (loss)/income from operations | \$(1,239) | \$40,451 | \$16,463 |
| Non-GAAP operating margin | (1.1)% | 18.2 | % 10.5 |

Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income and

U.S. GAAP net income per share to Non-GAAP net income per share

(in thousands, except per share data)

(unaudited)

| | Three months ended | | |
|---|--------------------|-------------------|----------------------|
| | March 30, 2019 | March 31, 2018 | December 29, 2018 |
| Net revenue | \$ 115,908 | \$ 221,772 | \$ 157,208 |
| U.S. GAAP net (loss)/income | (3,555) | 36,313 | 7,517 |
| U.S. GAAP net margin | (3.1)% | 16.4 % | 4.8 % |
| Non-GAAP adjustments: | | | |
| Amortization related to intangible assets acquired through business combination- selling, general and administrative | 1,869 | 2,022 | 1,877 |
| Restructuring | (643) | (7) | 31 |
| Income tax expense- Tax Reform | 2,499 | — | 7,712 |
| Net income tax expense/(benefit) on non-GAAP items | 28 | (111) | (141) |
| Total non-GAAP adjustments | 3,753 | 1,904 | 9,479 |
| Non-GAAP net income | 198 | 38,217 | 16,996 |
| Non-GAAP net margin | 0.2 % | 17.2 % | 10.8 % |
| U.S. GAAP net (loss)/income per share: | | | |
| Basic | (0.05) | 0.52 | 0.11 |
| Diluted(a) | (0.05) | 0.51 | 0.11 |
| Non-GAAP adjustments per share:(b) | | | |
| Basic | 0.05 | 0.03 | 0.14 |
| Diluted | 0.05 | 0.03 | 0.14 |
| Non-GAAP net income per share: | | | |
| Basic | \$— | \$0.54 | \$0.25 |
| Diluted(c) | \$— | \$0.54 | \$0.25 |

(a) GAAP diluted net earnings per share reflects any dilutive effect of outstanding restricted stock units and stock options, but that effect is excluded when calculating GAAP diluted net (loss) per share because it would be anti-dilutive. For the three months ended March 30, 2019, 0.8 million shares of restricted stock units and stock options were excluded due to the Company's net loss.

(b) Non-GAAP adjustments per share includes amortization related to intangible assets acquired through business combinations, costs associated with restructuring, income tax expense related to the Tax Cuts and Jobs Act of 2017 as well as tax benefits or expense associated with the foregoing non-GAAP items.

(c) Non-GAAP diluted net earnings per share reflects any dilutive effect of outstanding restricted stock units and stock options.

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Source: Kulicke & Sofa Industries, Inc.

Kulicke & Sofa Industries, Inc.
Joseph Elgindy

Investor Relations & Strategic Initiatives

P: +1-215-784-7518

F: +1-215-784-6180

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