

Kulicke & Soffa Reports Second Quarter 2021 Results Delivers GAAP Operating Margin of 24.4% and Strong Outlook

SINGAPORE, May 5, 2021 /PRNewswire/ -- [Kulicke and Soffa Industries, Inc.](#) (NASDAQ: KLIC) ("Kulicke & Soffa," "K&S" or the "Company"), today announced financial results of its second fiscal quarter ended April 3, 2021. The Company reported second quarter net revenue of \$340.2 million, net income of \$71.3 million, representing EPS of \$1.13 per fully diluted share, and non-GAAP net income of \$79.4 million, representing non-GAAP EPS of \$1.26 per fully diluted share.

Quarterly Results - U.S. GAAP

| | Fiscal Q2 2021 | Change vs. Fiscal Q2 2020 | Change vs. Fiscal Q1 2021 |
|------------------------|-----------------------|--------------------------------------|--------------------------------------|
| Net Revenue | \$340.2 million | up 125.7% | up 27% |
| Gross Profit | \$148.5 million | up 114.3% | up 22.2% |
| Gross Margin | 43.7% | down 230 bps | down 170 bps |
| Income from Operations | \$83.1 million | up 648.6% | up 53.9% |
| Operating Margin | 24.4% | up 1700 bps | up 420 bps |
| Net Income | \$71.3 million | up 499.2% | up 47.3% |
| Net Margin | 21.0% | up 1310 bps | up 290 bps |
| EPS – Diluted | \$1.13 | up 494.7% | up 46.8% |

Quarterly Results - Non-GAAP

| | Fiscal Q2 2021 | Change vs. Fiscal Q2 2020 | Change vs. Fiscal Q1 2021 |
|------------------------|-----------------------|--------------------------------------|--------------------------------------|
| Income from Operations | \$89.8 million | up 441% | up 50.2% |
| Operating Margin | 26.4% | up 1540 bps | up 410 bps |
| Net Income | \$79.4 million | up 367.1% | up 47.9% |
| Net Margin | 23.4% | up 1210 bps | up 340 bps |
| EPS - Diluted | \$1.26 | up 384.6% | up 46.5% |

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

Due to ongoing global supply chain challenges and strong business conditions, the Company incurred expediting fees and spot purchases of \$4.9 million during the second fiscal quarter. These incremental expenses materially contributed to the sequential gross margin change in the second fiscal quarter and are anticipated to continue temporarily through the second fiscal half of 2021. Management remains committed to fundamental gross margin improvement over the long-term.

Fusen Chen, Kulicke & Soffa's President and Chief Executive Officer, stated, "Demand continues to be strong for our solutions and is supported by structural dynamics, including the increasing global reliance on semiconductors and the increasing capital intensity within the semiconductor assembly process. These improving dynamics, combined with our ongoing strategic execution in supporting technology change for leading-edge applications and also for the display market, provide many new opportunities for shareholder value creation."

Second Quarter Fiscal 2021 Financial Highlights

- Net revenue of \$340.2 million.
- Gross margin of 43.7%.
- Net income of \$71.3 million or \$1.13 per share; non-GAAP net income of \$79.4 million or \$1.26 per share.
- Cash, cash equivalents, and short-term investments were \$564.3 million as of April 3, 2021.

Third Quarter Fiscal 2021 Outlook

The Company currently expects net revenue in the third fiscal quarter of 2021 ending July 3, 2021 to be approximately \$400 million +/- \$20 million, and expects non-GAAP EPS to be approximately \$1.35 +/- 10%.

Looking forward, Fusen Chen commented, "Our global operations and R&D teams have aggressively worked to mitigate supply chain constraints within our control. While ongoing challenges remain, these efforts have allowed us to further support our customers during this period of industry growth and increase our outlook into the second fiscal half."

Earnings Conference Call Details

A conference call to discuss these results will be held on May 6, 2021, beginning at 8:00am EDT. To access the conference call, interested parties may call +1-877-407-8037 or internationally +1-201-689-8037. A live webcast link and supplemental earnings presentation 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 13th by calling toll-free +1-877-660-6853 or internationally +1-201-612-7415 and using the replay ID number of 13717954. 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 the following non-GAAP financial results: income from operations, operating margin, net income, net margin and net income per diluted share. The Company's non-GAAP results exclude amortization of intangibles, costs associated with restructuring and severance, equity-based compensation, acquisition and integration costs, impairment relating to assets acquired through business combinations, income tax expense arising from discrete tax items triggered by significant changes in tax law, gain/loss on disposals of businesses, as well as tax benefits or expense associated with the foregoing non-GAAP items. The non-GAAP adjustments may or may not be infrequent or nonrecurring in nature, but are a result of periodic or non-core operating activities. 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 these non-GAAP metrics 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 financial tables at the end of this press release.

About Kulicke & Soffa

Kulicke & Soffa (NASDAQ: KLIC) is a leading provider of semiconductor, LED and electronic assembly solutions serving the global automotive, consumer, communications, computing and industrial markets. Founded in 1951, K&S prides itself on establishing foundations for technological advancement - creating pioneering interconnect solutions that enable performance improvements, power efficiency, form-factor reductions and assembly excellence of current and next-generation semiconductor devices.

Leveraging decades of development proficiency and extensive process technology expertise, Kulicke & Soffa's expanding portfolio provides equipment solutions, aftermarket products and services supporting a comprehensive set of interconnect technologies including wire bonding, advanced packaging, lithography, and electronics assembly. Dedicated to empowering technological discovery, always, K&S collaborates with customers and technology partners to push the boundaries of possibility, enabling a smarter future.

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. 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 effects of the COVID-19 pandemic on our business, and the other factors listed or discussed in our Annual Report on Form 10-K for the fiscal year ended October 3, 2020, filed on November 20, 2020, 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.

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

| | Three months ended | | Six months ended | |
|---------------|--------------------|----------------|------------------|----------------|
| | April 3, 2021 | March 28, 2020 | April 3, 2021 | March 28, 2020 |
| Net revenue | \$ 340,163 | \$ 150,741 | \$ 608,020 | \$ 295,038 |
| Cost of sales | 191,673 | 81,438 | 338,044 | 155,371 |

| | | | | |
|--|-----------|-----------|------------|-----------|
| Gross profit | 148,490 | 69,303 | 269,976 | 139,667 |
| Operating expenses: | | | | |
| Selling, general and administrative | 27,774 | 27,331 | 61,274 | 53,755 |
| Research and development | 34,868 | 29,067 | 66,412 | 57,359 |
| Amortization of intangible assets | 1,355 | 1,820 | 3,313 | 3,637 |
| Acquisition-related costs | 1,379 | — | 1,730 | — |
| Restructuring | — | 9 | 91 | 426 |
| Total operating expenses | 65,376 | 58,227 | 132,820 | 115,177 |
| Income from operations | 83,114 | 11,076 | 137,156 | 24,490 |
| Other income (expense): | | | | |
| Interest income | 586 | 2,675 | 1,237 | 5,514 |
| Interest expense | (74) | (661) | (106) | (1,244) |
| Income before income taxes | 83,626 | 13,090 | 138,287 | 28,760 |
| Income tax expense | 12,212 | 1,162 | 18,510 | 3,295 |
| Share of results of equity-method investee, net of tax | 94 | 40 | 94 | 100 |
| Net income | \$ 71,320 | \$ 11,888 | \$ 119,683 | \$ 25,365 |
| Net income per share: | | | | |
| Basic | \$ 1.15 | \$ 0.19 | \$ 1.93 | \$ 0.40 |
| Diluted | \$ 1.13 | \$ 0.19 | \$ 1.90 | \$ 0.39 |
| Cash dividends declared per share | \$ 0.14 | \$ 0.12 | \$ 0.28 | \$ 0.24 |
| Weighted average shares outstanding: | | | | |
| Basic | 62,068 | 63,679 | 62,023 | 63,675 |
| Diluted | 63,237 | 64,219 | 63,118 | 64,266 |

| | Three months ended | | Six months ended | |
|-------------------------------------|--------------------|----------------|------------------|----------------|
| <i>Supplemental financial data:</i> | April 3, 2021 | March 28, 2020 | April 3, 2021 | March 28, 2020 |
| Depreciation and amortization | \$ 4,600 | \$ 4,769 | \$ 9,747 | \$ 9,528 |
| Capital expenditures | 5,121 | 2,775 | 8,808 | 5,099 |
| Equity-based compensation | | | | |

| | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| expense of sales | 210 | 183 | 415 | 415 |
| Selling, general and administrative | 2,824 | 2,695 | 5,103 | 5,430 |
| Research and development | 929 | 844 | 1,846 | 1,486 |
| Total equity-based compensation expense | <u>\$ 3,963</u> | <u>\$ 3,722</u> | <u>\$ 7,364</u> | <u>\$ 7,331</u> |

| | | |
|--------------------------------|----------------------|-----------------------|
| | As of | |
| | <u>April 3, 2021</u> | <u>March 28, 2020</u> |
| Backlog of orders ¹ | \$ 664,831 | \$ 136,353 |
| Number of employees | 3,434 | 2,929 |

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

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

| | | |
|--|----------------------|------------------------|
| | As of | |
| | <u>April 3, 2021</u> | <u>October 3, 2020</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 257,333 | \$ 188,127 |
| Short-term investments | 307,000 | 342,000 |
| Accounts and other receivable, net of allowance for doubtful accounts of \$942 and \$968, respectively | 307,934 | 198,640 |
| Inventories, net | 139,999 | 111,809 |
| Prepaid expenses and other current assets | 23,471 | 19,620 |
| TOTAL CURRENT ASSETS | <u>1,035,737</u> | <u>860,196</u> |
| Property, plant and equipment, net | 61,965 | 59,147 |
| Operating right-of-use assets | 21,346 | 22,688 |
| Goodwill | 73,548 | 56,695 |
| Intangible assets, net | 46,046 | 37,972 |
| Deferred tax assets | 9,668 | 8,147 |
| Equity investments | 6,371 | 7,535 |
| Other assets | 2,292 | 2,186 |
| TOTAL ASSETS | <u>\$ 1,256,973</u> | <u>\$ 1,054,566</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|------------------|---------|--------|
| Accounts payable | 123,832 | 57,688 |
|------------------|---------|--------|

| | | |
|---|---------------------|---------------------|
| Operating lease liabilities | 6,171 | 5,903 |
| Accrued expenses and other current liabilities | 104,386 | 76,762 |
| Income taxes payable | 25,183 | 17,540 |
| TOTAL CURRENT LIABILITIES | <u>259,572</u> | <u>157,893</u> |
| Deferred income taxes | 33,395 | 33,005 |
| Income taxes payable | 67,234 | 74,957 |
| Operating lease liabilities | 16,741 | 18,325 |
| Other liabilities | 13,171 | 12,392 |
| TOTAL LIABILITIES | <u>390,113</u> | <u>296,572</u> |
| SHAREHOLDERS' EQUITY | | |
| Common stock, no par value | 542,112 | 539,213 |
| Treasury stock, at cost | (392,680) | (394,817) |
| Retained earnings | 718,427 | 616,119 |
| Accumulated other comprehensive loss | (999) | (2,521) |
| TOTAL SHAREHOLDERS' EQUITY | <u>\$ 866,860</u> | <u>\$ 757,994</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 1,256,973</u> | <u>\$ 1,054,566</u> |

KULICKE AND SOFFA INDUSTRIES, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Three months ended | | Six months ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | April 3, 2021 | March 28, 2020 | April 3, 2021 | March 28, 2020 |
| Net cash provided by operating activities | \$ 27,085 | \$ 14,055 | \$ 85,720 | \$ 39,083 |
| Net cash provided by/(used in) investing activities | 1,775 | (131,466) | 1,999 | (24,979) |
| Net cash (used in)/provided by financing activities | (9,910) | 12,106 | (19,117) | 14,258 |
| Effect of exchange rate changes on cash and cash equivalents | (1,287) | 238 | 604 | (239) |
| Changes in cash and cash equivalents | 17,663 | (105,067) | 69,206 | 28,123 |
| Cash and cash equivalents, beginning of period | <u>239,670</u> | <u>497,374</u> | <u>188,127</u> | <u>364,184</u> |
| Cash and cash equivalents, end of period | <u>\$ 257,333</u> | <u>\$ 392,307</u> | <u>\$ 257,333</u> | <u>\$ 392,307</u> |

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Short-term investments | 307,000 | 248,000 | 307,000 | 248,000 |
| Total cash, cash equivalents and short-term investments | <u>\$ 564,333</u> | <u>\$ 640,307</u> | <u>\$ 564,333</u> | <u>\$ 640,307</u> |

**Reconciliation of U.S. GAAP
to Non-GAAP Income from Operation and Operating Margin**
(In thousands, except percentages)
(Unaudited)

| | Three months ended | | |
|---|--------------------|------------------|------------------|
| | April 3, 2021 | March 28, 2020 | January 2, 2021 |
| Net revenue | \$ 340,163 | \$ 150,741 | \$ 267,857 |
| U.S. GAAP income from operations | 83,114 | 11,076 | 54,042 |
| U.S. GAAP operating margin | 24.4 % | 7.3 % | 20.2 % |
| Pre-tax non-GAAP items: | | | |
| Amortization related to intangible assets acquired through business combination-selling, general and administrative | 1,355 | 1,820 | 1,958 |
| Restructuring | — | 9 | 91 |
| Equity-based compensation ^(a) | 3,963 | 3,722 | 3,401 |
| Acquisition-related costs | 1,379 | — | 351 |
| Non-GAAP income from operations | <u>\$ 89,811</u> | <u>\$ 16,627</u> | <u>\$ 59,843</u> |
| Non-GAAP operating margin | 26.4 % | 11.0 % | 22.3 % |

(a) This non-GAAP measure is newly included for the three months ended January 2, 2021. Comparatives have been included.

**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 percentages and per share data)
(Unaudited)


| | Three months ended | | |
|----------------------|--------------------|----------------|-----------------|
| | April 3, 2021 | March 28, 2020 | January 2, 2021 |
| Net revenue | \$ 340,163 | \$ 150,741 | \$ 267,857 |
| U.S. GAAP net income | 71,320 | 11,888 | 48,363 |
| U.S. GAAP net margin | 21.0 % | 7.9 % | 18.1 % |

Non-GAAP adjustments:
Amortization related to intangible assets acquired through business combination- selling, general and

| | | | |
|--|------------------|------------------|------------------|
| administrative | 1,355 | 1,820 | 1,958 |
| Restructuring | — | 9 | 91 |
| Equity-based compensation | 3,963 | 3,722 | 3,401 |
| Acquisition-related costs | 1,379 | — | 351 |
| Income tax effects on non-GAAP items | 1,429 | (432) | (474) |
| Total non-GAAP adjustments | <u>\$ 8,126</u> | <u>\$ 5,119</u> | <u>\$ 5,327</u> |
| Non-GAAP net income | <u>\$ 79,446</u> | <u>\$ 17,007</u> | <u>\$ 53,690</u> |
| Non-GAAP net margin | 23.4 % | 11.3 % | 20.0 % |
| U.S. GAAP net income per share: | | | |
| Basic | 1.15 | 0.19 | 0.78 |
| Diluted ^(a) | 1.13 | 0.19 | 0.77 |
| Non-GAAP adjustments per share: ^(b) | | | |
| Basic | 0.13 | 0.08 | 0.09 |
| Diluted | 0.13 | 0.07 | 0.09 |
| Non-GAAP net income per share: | | | |
| Basic | <u>\$ 1.28</u> | <u>\$ 0.27</u> | <u>\$ 0.87</u> |
| Diluted ^(c) | <u>\$ 1.26</u> | <u>\$ 0.26</u> | <u>\$ 0.86</u> |

- (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.
- (b) Non-GAAP adjustments per share include amortization related to intangible assets acquired through business combinations, costs associated with restructuring, equity-based compensation expenses and acquisition-related costs as well as income tax effects 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.

SOURCE Kulicke & Soffa Industries, Inc.

Additional assets available online:  [Photos \(1\)](#)

<https://investor.kns.com/2021-05-05-Kulicke-Soffa-Reports-Second-Quarter-2021-Results>