

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 1, 2022

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 No. 0-121

**KULICKE AND SOFFA INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

**Pennsylvania**

(State or other jurisdiction of incorporation)

**23-1498399**

(IRS Employer  
Identification No.)

23A Serangoon North Avenue 5, #01-01, Singapore 554369

1005 Virginia Dr., Fort Washington, PA 19034

(Address of principal executive offices and Zip Code)

**(215) 784-6000**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Without Par Value	KLIC	The Nasdaq Global Market

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, 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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 January 28, 2022, there were 62,300,428 shares of the Registrant's Common Stock, no par value, outstanding.

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**PART I. - FINANCIAL INFORMATION**
**Item 1. – FINANCIAL STATEMENTS**

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

	As of	
	January 1, 2022	October 2, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 441,490	\$ 362,788
Short-term investments	367,000	377,000
Accounts and other receivable, net of allowance for doubtful accounts of \$687 and \$687, respectively	431,574	421,193
Inventories, net	197,234	167,323
Prepaid expenses and other current assets	25,765	23,586
Total current assets	1,463,063	1,351,890
Property, plant and equipment, net	67,109	67,982
Operating right-of-use assets	39,124	41,592
Goodwill	72,353	72,949
Intangible assets, net	40,702	42,752
Deferred tax assets	13,332	15,715
Equity investments	6,412	6,388
Other assets	2,436	2,363
<b>TOTAL ASSETS</b>	<b>\$ 1,704,531</b>	<b>\$ 1,601,631</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	148,769	154,636
Operating lease liabilities	5,056	4,903
Income taxes payable	43,828	30,766
Accrued expenses and other current liabilities	146,152	161,570
Total current liabilities	343,805	351,875
Deferred tax liabilities	33,371	32,828
Income taxes payable	69,618	69,422
Operating lease liabilities	35,961	38,084
Other liabilities	14,600	14,185
<b>TOTAL LIABILITIES</b>	<b>\$ 497,355</b>	<b>\$ 506,394</b>
Commitments and contingent liabilities (Note 15)		
Shareholders' equity:		
Preferred stock, without par value: Authorized 5,000 shares; issued - none	\$ —	\$ —
Common stock, without par value: Authorized 200,000 shares; issued 85,364 and 85,364, respectively; outstanding 62,384 and 61,931 shares, respectively	548,425	550,117
Treasury stock, at cost, 22,980 and 23,433 shares, respectively	(408,788)	(400,412)
Retained earnings	1,071,550	948,554
Accumulated other comprehensive loss	(4,011)	(3,022)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 1,207,176</b>	<b>\$ 1,095,237</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,704,531</b>	<b>\$ 1,601,631</b>

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

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

	Three months ended	
	January 1, 2022	January 2, 2021
Net revenue	\$ 460,888	\$ 267,857
Cost of sales	237,650	146,371
Gross profit	223,238	121,486
Selling, general and administrative	38,959	35,900
Research and development	33,169	31,544
Operating expenses	72,128	67,444
Income from operations	151,110	54,042
Interest income	471	651
Interest expense	(40)	(32)
Income before income taxes	151,541	54,661
Provision for income taxes	17,935	6,298
Net income	\$ 133,606	\$ 48,363
Net income per share:		
Basic	\$ 2.14	\$ 0.78
Diluted	\$ 2.11	\$ 0.77
Weighted average shares outstanding:		
Basic	62,385	61,965
Diluted	63,316	62,740

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

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**  
*(in thousands)*

	Three months ended	
	January 1, 2022	January 2, 2021
Net income	\$ 133,606	\$ 48,363
Other comprehensive income:		
Foreign currency translation adjustment	(1,665)	7,186
Unrecognized actuarial loss on pension plan, net of tax	(68)	(139)
	(1,733)	7,047
Derivatives designated as hedging instruments:		
Unrealized gain on derivative instruments, net of tax	208	1,006
Reclassification adjustment for loss/(gain) on derivative instruments recognized, net of tax	536	(290)
Net increase from derivatives designated as hedging instruments, net of tax	744	716
Total other comprehensive (loss)/gain	(989)	7,763
Comprehensive income	\$ 132,617	\$ 56,126

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

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**  
*(in thousands)*

	Common Stock		Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Shareholders' Equity
	Shares	Amount				
Balances as of October 2, 2021	61,931	\$ 550,117	\$ (400,412)	\$ 948,554	\$ (3,022)	\$ 1,095,237
Issuance of stock for services rendered	4	197	41	—	—	238
Repurchase of common stock	(276)	—	(15,380)	—	—	(15,380)
Issuance of shares for equity-based compensation	725	(6,963)	6,963	—	—	—
Equity-based compensation	—	5,074	—	—	—	5,074
Cash dividend declared	—	—	—	(10,610)	—	(10,610)
Components of comprehensive income:						
Net income	—	—	—	133,606	—	133,606
Other comprehensive income	—	—	—	—	(989)	(989)
Total comprehensive income	—	—	—	133,606	(989)	132,617
Balances as of January 1, 2022	62,384	\$ 548,425	\$ (408,788)	\$ 1,071,550	\$ (4,011)	\$ 1,207,176

	Common Stock		Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Shareholders' Equity
	Shares	Amount				
Balances as of October 3, 2020	61,558	\$ 539,213	\$ (394,817)	\$ 616,119	\$ (2,521)	\$ 757,994
Issuance of stock for services rendered	8	96	77	—	—	173
Repurchase of common stock	(48)	—	(1,206)	—	—	(1,206)
Issuance of shares for equity-based compensation	535	(4,076)	4,076	—	—	—
Equity-based compensation	—	3,216	—	—	—	3,216
Cash dividend declared	—	—	—	(8,687)	—	(8,687)
Components of comprehensive income:						
Net income	—	—	—	48,363	—	48,363
Other comprehensive income	—	—	—	—	7,763	7,763
Total comprehensive income	—	—	—	48,363	7,763	56,126
Balances as of January 2, 2021	62,053	\$ 538,449	\$ (391,870)	\$ 655,795	\$ 5,242	\$ 807,616

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

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

	Three months ended	
	January 1, 2022	January 2, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 133,606	\$ 48,363
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,339	5,147
Equity-based compensation and employee benefits	5,312	3,389
Adjustment for doubtful accounts	—	33
Adjustment for inventory valuation	1,519	(48)
Deferred taxes	2,926	(568)
Gain on disposal of property, plant and equipment	—	(14)
Unrealized foreign currency translation	(414)	2,230
Changes in operating assets and liabilities, net of assets and liabilities assumed in businesses combinations:		
Accounts and other receivable	(10,322)	(28,608)
Inventories	(31,410)	(13,115)
Prepaid expenses and other current assets	(1,551)	(856)
Accounts payable, accrued expenses and other current liabilities	(23,278)	38,983
Income taxes payable	13,256	2,778
Other, net	891	921
Net cash provided by operating activities	95,874	58,635
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(2,711)	(4,897)
Proceeds from sales of property, plant and equipment	—	121
Purchase of short-term investments	(89,000)	(80,000)
Maturity of short-term investments	99,000	85,000
Net cash provided by investing activities	7,289	224
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment on short-term debt	(12,000)	—
Proceeds from short-term debt	12,000	—
Payment for finance lease	(118)	(77)
Repurchase of common stock	(15,286)	(1,731)
Common stock cash dividends paid	(8,673)	(7,399)
Net cash used in financing activities	(24,077)	(9,207)
Effect of exchange rate changes on cash and cash equivalents	(384)	1,891
Changes in cash and cash equivalents	78,702	51,543
Cash and cash equivalents at beginning of period	362,788	188,127
Cash and cash equivalents at end of period	\$ 441,490	\$ 239,670
<b>CASH PAID FOR:</b>		
Interest	\$ 40	\$ 32
Income taxes, net of refunds	\$ 2,385	\$ 5,246

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



**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited**

**NOTE 1: BASIS OF PRESENTATION**

These consolidated condensed financial statements include the accounts of Kulicke and Soffa Industries, Inc. and its subsidiaries (“we,” “us,” “our,” or the “Company”) with appropriate elimination of intercompany balances and transactions.

The interim consolidated condensed financial statements are unaudited and, in management's opinion, include all adjustments (consisting only of normal and recurring adjustments) necessary for a fair presentation of results for these interim periods. The interim consolidated condensed financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 2021, filed with the Securities and Exchange Commission, which includes Consolidated Balance Sheets as of October 2, 2021 and October 3, 2020, and the related Consolidated Statements of Operations, Statements of Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for each of the years in the three-year period ended October 2, 2021. The results of operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full year.

***Fiscal Year***

Each of the Company's first three fiscal quarters end on the Saturday that is 13 weeks after the end of the immediately preceding fiscal quarter. The fourth quarter of each fiscal year ends on the Saturday closest to September 30. Fiscal 2022 quarters end on January 1, 2022, April 2, 2022, July 2, 2022 and October 1, 2022. In fiscal years consisting of 53 weeks, the fourth quarter will consist of 14 weeks. Fiscal 2021 quarters ended on January 2, 2021, April 3, 2021, July 3, 2021 and October 2, 2021.

***Nature of Business***

The Company designs, manufactures and sells capital equipment and tools as well as services, maintains, repairs and upgrades equipment, all used to assemble semiconductor devices. The Company's operating results depend upon the capital and operating expenditures of semiconductor device manufacturers, integrated device manufacturers (“IDMs”), outsourced semiconductor assembly and test providers (“OSATs”), and other electronics manufacturers including automotive electronics suppliers worldwide which, in turn, depend on the current and anticipated market demand for semiconductors and products utilizing semiconductors. The semiconductor industry is highly volatile and experiences downturns and slowdowns which can have a severe negative effect on the semiconductor industry's demand for semiconductor capital equipment, including assembly equipment manufactured and sold by the Company and, to a lesser extent, tools, including those sold by the Company. These downturns and slowdowns have in the past adversely affected the Company's operating results. The Company believes such volatility will continue to characterize the industry and the Company's operations in the future.

***Use of Estimates***

The preparation of consolidated condensed financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets and liabilities, net revenue and expenses during the reporting periods, and disclosures of contingent assets and liabilities as of the date of the consolidated condensed financial statements. On an ongoing basis, management evaluates estimates, including but not limited to, those related to accounts receivable, reserves for excess and obsolete inventory, carrying value and lives of fixed assets, goodwill and intangible assets, the valuation estimates and assessment of impairment and observable price adjustments, income taxes, equity-based compensation expense, and warranties. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable. As a result, management makes judgments regarding the carrying values of the Company's assets and liabilities that are not readily apparent from other sources. Authoritative pronouncements, historical experience and assumptions are used as the basis for making estimates, and on an ongoing basis, management evaluates these estimates. Actual results may differ from these estimates.

Due to the coronavirus (“COVID-19”) pandemic, there has been uncertainty and disruption in the global economy and financial markets. The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of January 1, 2022. While there was no material impact to our consolidated condensed financial statements as of and for the quarter ended January 1, 2022, these estimates may change, as new events occur and additional information is obtained, as well as other factors related to COVID-19 that could materially impact our consolidated condensed financial statements in future reporting periods.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

***Vulnerability to Certain Concentrations***

Financial instruments which may subject the Company to concentrations of credit risk as of January 1, 2022 and October 2, 2021 consisted primarily of trade receivables. The Company manages credit risk associated with investments by investing its excess cash in highly rated debt instruments of the U.S. government and its agencies, financial institutions, and corporations. The Company has established investment guidelines relative to diversification and maturities designed to maintain safety and liquidity. These guidelines are periodically reviewed and modified as appropriate.

The Company's trade receivables result primarily from the sale of semiconductor equipment, related accessories and replacement parts, and tools to a relatively small number of large manufacturers in a highly concentrated industry. Write-offs of uncollectible accounts have historically not been material. The Company actively monitors its customers' financial strength to reduce the risk of loss, including as a result of COVID-19.

The Company's products are complex and require raw materials, components and subassemblies having a high degree of reliability, accuracy and performance. The Company relies on subcontractors to manufacture many of these components and subassemblies and it relies on sole source suppliers for some important components and raw material inventory.

***Foreign Currency Translation and Remeasurement***

The majority of the Company's business is transacted in U.S. dollars; however, the functional currencies of some of the Company's subsidiaries are their local currencies. In accordance with ASC No. 830, *Foreign Currency Matters* ("ASC 830"), for a subsidiary of the Company that has a functional currency other than the U.S. dollar, gains and losses resulting from the translation of the functional currency into U.S. dollars for financial statement presentation are not included in determining net income, but are accumulated in the cumulative translation adjustment account as a separate component of shareholders' equity (accumulated other comprehensive income). The tax effect of currency translation adjustments related to unremitted foreign earnings no longer deemed to be indefinitely reinvested outside the U.S. is reflected in the determination of the Company's net income or other comprehensive income ("OCI"). Gains and losses resulting from foreign currency transactions are included in the determination of net income.

The Company's operations are exposed to changes in foreign currency exchange rates due to transactions denominated in currencies other than the location's functional currency. The Company is also exposed to foreign currency fluctuations that impact the remeasurement of net monetary assets of those operations whose functional currency, the U.S. dollar, differs from their respective local currencies, most notably in Israel, Singapore and Switzerland. In addition to net monetary remeasurement, the Company has exposures related to the translation of subsidiary financial statements from their functional currency, the local currency, into its reporting currency, the U.S. dollar, most notably in the Netherlands, China, Taiwan, Japan and Germany. The Company's U.S. operations also have foreign currency exposure due to net monetary assets denominated in currencies other than the U.S. dollar.

***Derivative Financial Instruments***

The Company's primary objective for holding derivative financial instruments is to manage the fluctuation in foreign exchange rates and accordingly is not speculative in nature. The Company's international operations are exposed to changes in foreign exchange rates as described above. The Company has established a program to monitor the forecasted transaction currency risk to protect against foreign exchange rate volatility. Generally, the Company uses foreign exchange forward contracts in these hedging programs. These instruments, which have maturities of up to twelve months, are recorded at fair value and are included in prepaid expenses and other current assets, or accrued expenses and other current liabilities.

Our accounting policy for derivative financial instruments is based on whether they meet the criteria for designation as a cash flow hedge. A designated hedge with exposure to variability in the functional currency equivalent of the future foreign currency cash flows of a forecasted transaction is referred to as a cash flow hedge. The criteria for designating a derivative as a cash flow hedge include the assessment of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction, and the assessment of the probability that the underlying transaction will occur. For derivatives with cash flow hedge accounting designation, we report the after-tax gain / (loss) from the effective portion of the hedge as a component of accumulated other comprehensive income / (loss) and reclassify it into earnings in the same period in which the hedged transaction affects earnings and in the same line item on the Consolidated Condensed Statement of Operations as the impact of the hedged transaction. Derivatives that we designate as cash flow hedges are classified in the Consolidated Condensed Statement of Cash Flows in the same section as the underlying item, primarily within cash flows from operating activities.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

The hedge effectiveness of these derivative instruments is evaluated by comparing the cumulative change in the fair value of the hedge contract with the cumulative change in the fair value of the forecasted cash flows of the hedged item.

If a cash flow hedge is discontinued because it is no longer probable that the original hedged transaction will occur as previously anticipated, the cumulative unrealized gain or loss on the related derivative is reclassified from accumulated other comprehensive income / (loss) into earnings. Subsequent gain / (loss) on the related derivative instrument is recognized into earnings in each period until the instrument matures, is terminated, is re-designated as a qualified cash flow hedge, or is sold. Ineffective portions of cash flow hedges, as well as amounts excluded from the assessment of effectiveness, are recognized in earnings.

***Cash Equivalents***

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents are measured at fair value based on Level 1 measurement, or quoted market prices, as defined by ASC No. 820, *Fair Value Measurements and Disclosures*.

***Equity Investments***

The Company invests in equity securities in companies to promote business and strategic objectives. Equity investments are measured and recorded as follows:

- Non-marketable equity securities are equity securities without readily determinable fair value that are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes.

***Allowance for Doubtful Accounts***

The Company maintains allowances for doubtful accounts for estimated losses resulting from its customers' failure to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, including as a result of COVID-19, additional allowances may be required. If global or regional economic conditions deteriorate or political conditions were to change in some of the countries where the Company does business, including as a result of COVID-19, it could have a significant impact on the results of operations, and the Company's ability to realize the full value of its accounts receivable.

***Inventories***

Inventories are stated at the lower of cost (on a first-in, first-out basis) or net realizable value. The Company generally provides reserves for obsolete inventory and for inventory considered to be in excess of demand. Demand is generally defined as 18 months forecasted future consumption for equipment, 24 months forecasted future consumption for spare parts, and 12 months forecasted future consumption for tools. Forecasted consumption is based upon internal projections, historical sales volumes, customer order activity and a review of consumable inventory levels at customers' facilities. The Company communicates forecasts of its future consumption to its suppliers and adjusts commitments to those suppliers accordingly. If required, the Company reserves the difference between the carrying value of its inventory and the lower of cost or net realizable value, based upon projections about future consumption, and market conditions. If actual market conditions are less favorable than projections, additional inventory reserves may be required.

Inventory reserve provision for certain subsidiaries is determined based on management's estimate of future consumption for equipment and spare parts. This estimate is based on historical sales volumes, internal projections and market developments and trends.

***Property, Plant and Equipment***

Property, plant and equipment are carried at cost. The cost of additions and those improvements which increase the capacity or lengthen the useful lives of assets are capitalized, while repair and maintenance costs are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives as follows: buildings 25 years; machinery, equipment, furniture and fittings 3 to 10 years; toolings 1 year; and leasehold improvements are based on the shorter of the life of lease or life of asset. Purchased computer software costs related to business and financial systems are amortized over a five-year period on a straight-line basis. Land is not depreciated.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

**Valuation of Long-Lived Assets**

In accordance with ASC No. 360, *Property, Plant & Equipment* ("ASC 360"), the Company's definite lived intangible assets and property, plant and equipment are tested for impairment based on undiscounted cash flows when triggering events occur, and if impaired, written-down to fair value based on either discounted cash flows or appraised values. ASC 360 also provides a single accounting model for long-lived assets to be disposed of by sale and establishes additional criteria that would have to be met to classify an asset as held for sale. The carrying amount of an asset or asset group is not recoverable to the extent it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Estimates of future cash flows used to test the recoverability of a long-lived asset or asset group must incorporate the entity's own assumptions about its use of the asset or asset group and must factor in all available evidence.

ASC 360 requires that long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Such events include significant under-performance relative to historical internal forecasts or projected future operating results; significant changes in the manner of use of the assets; significant negative industry or economic trends; or significant changes in market capitalization. During the three months ended January 1, 2022, no "triggering" events occurred.

**Accounting for Impairment of Goodwill**

ASC No. 350, *Intangibles-Goodwill and Other* requires goodwill and other intangible assets with indefinite lives to be reviewed for impairment annually, or more frequently if circumstances indicate a possible impairment. We assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, after assessing the qualitative factors, a company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then performing the impairment test is unnecessary. However, if a company concludes otherwise, then it is required to perform the goodwill impairment test. The Company's impairment test is performed by comparing the fair value of a reporting unit with its carrying value, and determining if the carrying amount exceeds its fair value.

As part of the annual evaluation, the Company performs an impairment test of its goodwill in the fourth quarter of each fiscal year to coincide with the completion of its annual forecasting and refreshing of its business outlook processes. On an ongoing basis, the Company monitors if a "triggering" event has occurred that may have the effect of reducing the fair value of a reporting unit below its respective carrying value. Adverse changes in expected operating results and/or unfavorable changes in other economic factors used to estimate fair values could result in a non-cash impairment charge in the future.

Impairment assessments inherently involve judgment as to the assumptions made about the expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact the assumptions as to prices, costs, growth rates or other factors that may result in changes in the estimates of future cash flows. Although the Company believes the assumptions that it has used in testing for impairment are reasonable, significant changes in any one of the assumptions could produce a significantly different result. Indicators of potential impairment, including significant and unforeseen customer losses, a significant adverse change in legal factors or in the business climate, a significant adverse action or assessment by a regulator, a significant stock price decline or unanticipated competition may lead the Company to perform interim goodwill impairment assessments.

For further information on goodwill and other intangible assets, please refer to Note 3 below.

**Revenue Recognition**

In accordance with ASC No. 606, *Revenue from Contracts with Customers*, the Company recognizes revenue when we satisfy performance obligations as evidenced by the transfer of control of our products or services to customers. In general, the Company generates revenue from product sales, either directly to customers or to distributors. In determining whether a contract exists, we evaluate the terms of the agreement, the relationship with the customer or distributor and their ability to pay.

The Company recognizes revenue from sales of our products, including sales to our distributors, at a point in time, generally upon shipment or delivery to the customer or distributor, depending upon the terms of the sales order. Control is considered transferred when title and risk of loss pass, when the customer becomes obligated to pay and, where applicable, when the customer has accepted the products or upon expiration of the acceptance period. For sales to distributors, payment is due on our standard commercial terms and is not contingent upon the distributors' resale of the products.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

Our business is subject to contingencies related to customer orders, including:

- **Right of Return:** A large portion of our revenue comes from the sale of equipment used in the semiconductor assembly process. Other product sales relate to consumable products, which are sold in high-volume quantities, and are generally maintained at low stock levels at the customer's facility. Customer returns have historically represented a very small percentage of customer sales on an annual basis.
- **Warranties:** Our equipment is generally shipped with a one-year warranty against manufacturing defects. We establish reserves for estimated warranty expense when revenue for the related equipment is recognized. The reserve for estimated warranty expense is based upon historical experience and management's estimate of future expenses, including product parts replacement, freight charges and labor costs expected to be incurred to correct manufacturing defects during the warranty period.
- **Conditions of Acceptance:** Sales of our consumable products generally do not have customer acceptance terms. In certain cases, sales of our equipment have customer acceptance clauses which may require the equipment to perform in accordance with agreed specifications, customer specifications or subject to satisfactory installation at the customer's facility. In such cases, if the terms of acceptance are satisfied at our facility prior to shipment, the revenue for the equipment will be recognized upon shipment. If the terms of acceptance are satisfied at our customers' facilities, the revenue for the equipment will not be recognized until acceptance, which is typically obtained after installation and testing, is received from the customer.

Service revenue is generally recognized over time as the services are performed. For the three months ended January 1, 2022, and January 2, 2021, the service revenue is not material.

The Company measures revenue based on the amount of consideration we expect to be entitled to in exchange for products or services. Any variable consideration such as sales incentives are recognized as a reduction of net revenue at the time of revenue recognition.

The length of time between invoicing and payment is not significant under our payment terms. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component.

Shipping and handling costs billed to customers are recognized in net revenue. Shipping and handling costs paid by the Company are included in cost of sales.

#### ***Research and Development***

The Company charges research and development costs associated with the development of new products to expense when incurred. In certain circumstances, pre-production machines that the Company intends to sell are carried as inventory until sold.

#### ***Income Taxes***

In accordance with ASC No. 740, *Income Taxes*, deferred income taxes are determined using the balance sheet method. The Company records a valuation allowance to reduce its deferred tax assets to the amount expected, on a more likely than not basis, to be realized. While the Company has considered future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance, if it were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to deferred tax assets would increase income in the period when such determination is made. Likewise, should the Company determine it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to deferred tax assets would decrease income in the period when such determination is made.

The Company determines the amount of unrecognized tax benefit with respect to uncertain tax positions taken or expected to be taken on its income tax returns in accordance with ASC No. 740 Topic 10, *Income Taxes, General* ("ASC 740.10"). Under ASC 740.10, the Company utilizes a two-step approach for evaluating uncertain tax positions. Step one, or recognition, requires a company to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon examination solely based on its technical merit. Step two, or measurement, is based on the largest amount of benefit, which is more likely than not to be realized on settlement with the taxing authority, including resolution of related appeals or litigation processes, if any.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

***Equity-Based Compensation***

The Company accounts for equity-based compensation under the provisions of ASC No. 718, *Compensation - Stock Compensation* (“ASC 718”). ASC 718 requires the recognition of the fair value of the equity-based compensation in net income. Compensation expense associated with Relative TSR Performance Share Units is determined using a Monte-Carlo valuation model, and compensation expense associated with time-based and Growth Performance Share Units is determined based on the number of shares granted and the fair value on the date of grant. Please refer to Note 10 for a summary of the terms of these performance-based awards. The fair value of the Company's stock option awards is estimated using a Black-Scholes option valuation model. The fair value of equity-based awards is amortized over the vesting period of the award and the Company elected to use the straight-line method for awards granted after the adoption of ASC 718.

***Earnings per Share***

Earnings per share (“EPS”) are calculated in accordance with ASC No. 260, *Earnings per Share*. Basic EPS include only the weighted average number of common shares outstanding during the period. Diluted EPS include the weighted average number of common shares and the dilutive effect of stock options, restricted stock awards, performance share units and restricted share units outstanding during the period, when such instruments are dilutive.

***Restructuring Charges***

Restructuring charges may consist of voluntary or involuntary severance-related charges, asset-related charges and other costs due to exit activities. We recognize voluntary termination benefits when an employee accepts the offered benefit arrangement. We recognize involuntary severance-related charges depending on whether the termination benefits are provided under an ongoing benefit arrangement or under a one-time benefit arrangement. If the former, we recognize the charges once they are probable and the amounts are estimable. If the latter, we recognize the charges once the benefits have been communicated to employees.

***Recent Accounting Pronouncements******Income Taxes***

In December 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-12, *Income Taxes* (Topic 740). The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarify and amend existing guidance. We adopted this ASU in the first quarter of fiscal 2022. The adoption of this ASU did not have a material impact on our consolidated condensed financial statements.

***Codification Improvements***

In October 2020, the FASB issued ASU 2020-10, *Codification Improvements*. The amendments in this ASU affect a wide variety of Topics in the Codification and improve the consistency of the Codification by including all disclosure guidance in the appropriate disclosure section (Section 50). We adopted this ASU in the first quarter of fiscal 2022. The adoption of this ASU did not have a material impact on our consolidated condensed financial statements.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

**NOTE 2: BALANCE SHEET COMPONENTS**

The following tables reflect the components of significant balance sheet accounts as of January 1, 2022 and October 2, 2021:

(in thousands)	As of	
	January 1, 2022	October 2, 2021
Short-term investments, available-for-sale <sup>(1)</sup>	\$ 367,000	\$ 377,000
Inventories, net:		
Raw materials and supplies	\$ 102,886	\$ 94,493
Work in process	70,626	55,866
Finished goods	47,865	40,006
	221,377	190,365
Inventory reserves	(24,143)	(23,042)
	\$ 197,234	\$ 167,323
Property, plant and equipment, net:		
Land	\$ 2,182	\$ 2,182
Buildings and building improvements	23,402	23,314
Leasehold improvements	30,127	30,054
Data processing equipment and software	41,259	40,945
Machinery, equipment, furniture and fixtures	90,107	87,994
Construction in progress	10,175	9,562
	197,252	194,051
Accumulated depreciation	(130,143)	(126,069)
	\$ 67,109	\$ 67,982
Accrued expenses and other current liabilities:		
Accrued customer obligations <sup>(2)</sup>	\$ 87,568	\$ 72,478
Wages and benefits	36,000	66,531
Dividend payable	10,610	8,673
Commissions and professional fees	6,313	6,190
Severance	5	31
Other	5,656	7,667
	\$ 146,152	\$ 161,570

- (1) All short-term investments were classified as available-for-sale and the fair value approximates cost basis. The Company did not recognize any realized gains or losses on the sale of investments during the three months ended January 1, 2022 and January 2, 2021.
- (2) Represents customer advance payments, customer credit program, accrued warranty expense and accrued retrofit obligations.

**NOTE 3: GOODWILL AND INTANGIBLE ASSETS**
**Goodwill**

Intangible assets classified as goodwill are not amortized. The goodwill established in connection with our acquisitions represents the estimated future economic benefits arising from the assets we acquired that did not qualify to be identified and recognized individually. The goodwill also includes the value of expected future cash flows from the acquisitions, expected synergies with our other affiliates and other unidentifiable intangible assets.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

The Company performs an annual impairment test of its goodwill during the fourth quarter of each fiscal year, which coincides with the completion of its annual forecasting and refreshing of business outlook process.

The Company performed its annual impairment test in the fourth quarter of fiscal 2021 and concluded that no impairment charge was required. Any future adverse changes in expected operating results and/or unfavorable changes in other economic factors used to estimate fair values could result in a noncash impairment in the future.

During the three months ended January 1, 2022, the Company reviewed qualitative factors to ascertain if a "triggering" event may have taken place that may have the effect of reducing the fair value of the reporting unit below its carrying value and concluded that no triggering event had occurred. While we have concluded that a triggering event did not occur during the quarter ended January 1, 2022, a prolonged COVID-19 pandemic could impact the results of operations due to changes to assumptions utilized in the determination of the estimated fair values of the reporting units that could be significant enough to trigger an impairment. Net sales and earnings growth rates could be negatively impacted by reductions or changes in demand for our products. The discount rate utilized in our valuation model could also be impacted by changes in the underlying interest rates and risk premiums included in the determination of the cost of capital.

The following table summarizes the Company's recorded goodwill by reportable segments (refer to Note 14) as of January 1, 2022 and October 2, 2021:

<i>(in thousands)</i>	Capital Equipment	APS	Total
Balance at October 2, 2021	\$ 46,561	\$ 26,388	\$ 72,949
Other	(537)	(59)	(596)
Balance at January 1, 2022	<u>\$ 46,024</u>	<u>\$ 26,329</u>	<u>\$ 72,353</u>

***Intangible Assets***

Intangible assets with determinable lives are amortized over their estimated useful lives. The Company's intangible assets consist primarily of developed technology, customer relationships, in-process research and development, and trade and brand names.



**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

The following table reflects net intangible assets as of January 1, 2022 and October 2, 2021:

<i>(dollar amounts in thousands)</i>	As of		Average estimated useful lives <i>(in years)</i>
	January 1, 2022	October 2, 2021	
Developed technology	\$ 89,341	\$ 90,427	7.0 to 15.0
Accumulated amortization	(59,099)	(58,494)	
Net developed technology	\$ 30,242	\$ 31,933	
Customer relationships	\$ 35,795	\$ 36,114	5.0 to 6.0
Accumulated amortization	(35,795)	(36,114)	
Net customer relationships	\$ —	\$ —	
In-process research and development	\$ 8,627	\$ 8,795	N.A.
Accumulated amortization	—	—	
Net in-process research and development	\$ 8,627	\$ 8,795	
Trade and brand name	\$ 7,321	\$ 7,374	7.0 to 8.0
Accumulated amortization	(7,321)	(7,275)	
Net trade and brand name	—	99	
Other intangible assets	\$ 4,700	\$ 4,700	1.9 to 6.0
Accumulated amortization	(2,867)	(2,775)	
Net other intangible assets	\$ 1,833	\$ 1,925	
	<u>\$ 40,702</u>	<u>\$ 42,752</u>	

The following table reflects estimated annual amortization expense related to intangible assets as of January 1, 2022:

<i>(in thousands)</i>	As of January 1, 2022
Remaining fiscal 2022	\$ 3,892
Fiscal 2023	6,146
Fiscal 2024	6,146
Fiscal 2025	6,146
Fiscal 2026	6,146
Thereafter	12,226
Total amortization expense	<u>\$ 40,702</u>

**NOTE 4: CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS**

Cash equivalents consist of instruments with remaining maturities of three months or less at the date of purchase. In general, these investments are free of trading restrictions.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

Cash, cash equivalents, and short-term investments consisted of the following as of January 1, 2022:

<i>(in thousands)</i>	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
<b>Current assets:</b>				
Cash	\$ 262,962	\$ —	\$ —	\$ 262,962
<b>Cash equivalents:</b>				
Money market funds <sup>(1)</sup>	138,536	—	(19)	138,517
Time deposits <sup>(2)</sup>	40,011	—	—	40,011
Total cash and cash equivalents	\$ 441,509	\$ —	\$ (19)	\$ 441,490
<b>Short-term investments <sup>(2)</sup>:</b>				
Time deposits	367,000	—	—	367,000
Total short-term investments	\$ 367,000	\$ —	\$ —	\$ 367,000
Total cash, cash equivalents and short-term investments	\$ 808,509	\$ —	\$ (19)	\$ 808,490

(1) The fair value was determined using unadjusted prices in active, accessible markets for identical assets, and as such they were classified as Level 1 assets in the fair value hierarchy.

(2) Fair value approximates cost basis.

Cash, cash equivalents and short-term investments consisted of the following as of October 2, 2021:

<i>(in thousands)</i>	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
<b>Current assets:</b>				
Cash	\$ 269,201	\$ —	\$ —	\$ 269,201
<b>Cash equivalents:</b>				
Money market funds <sup>(1)</sup>	93,598	—	(18)	93,580
Time deposits <sup>(2)</sup>	7	—	—	7
Total cash and cash equivalents	\$ 362,806	\$ —	\$ (18)	\$ 362,788
<b>Short-term investments <sup>(2)</sup>:</b>				
Time deposits	377,000	—	—	377,000
Total short-term investments	\$ 377,000	\$ —	\$ —	\$ 377,000
Total cash, cash equivalents and short-term investments	\$ 739,806	\$ —	\$ (18)	\$ 739,788

(1) The fair value was determined using unadjusted prices in active, accessible markets for identical assets, and as such they were classified as Level 1 assets in the fair value hierarchy.

(2) Fair value approximates cost basis.

**NOTE 5: EQUITY INVESTMENTS**

Equity investments consisted of the following as of January 1, 2022 and October 2, 2021:

<i>(in thousands)</i>	As of	
	January 1, 2022	October 2, 2021
Non-marketable equity securities	\$ 6,412	\$ 6,388
Total equity investments	\$ 6,412	\$ 6,388

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

**NOTE 6: FAIR VALUE MEASUREMENTS**

Accounting standards establish three levels of inputs that may be used to measure fair value: quoted prices in active markets for identical assets or liabilities (referred to as Level 1), inputs other than Level 1 that are observable for the asset or liability either directly or indirectly (referred to as Level 2) and unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities (referred to as Level 3).

**Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis**

We measure certain financial assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during the three months ended January 1, 2022.

**Fair Value Measurements on a Nonrecurring Basis**

Our non-financial assets such as intangible assets and property, plant and equipment are carried at cost unless impairment is deemed to have occurred.

**Fair Value of Financial Instruments**

Amounts reported as accounts receivables, prepaid expenses and other current assets, accounts payable and accrued expenses approximate fair value.

**NOTE 7: DERIVATIVE FINANCIAL INSTRUMENTS**

The Company's international operations are exposed to changes in foreign exchange rates due to transactions denominated in currencies other than U.S. dollars. Most of the Company's revenue and cost of materials are transacted in U.S. dollars. However, a significant amount of the Company's operating expenses is denominated in local currencies, primarily in Singapore.

The foreign currency exposure of our operating expenses is generally hedged with foreign exchange forward contracts. The Company's foreign exchange risk management programs include using foreign exchange forward contracts with cash flow hedge accounting designation to hedge exposures to the variability in the U.S. dollar equivalent of forecasted non-U.S. dollar-denominated operating expenses. These instruments generally mature within twelve months. For these derivatives, we report the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss), and we reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings and in the same line item on the Consolidated Condensed Statements of Operations as the impact of the hedged transaction.

The fair value of derivative instruments on our Consolidated Condensed Balance Sheets as of January 1, 2022 and October 2, 2021 were as follows:

	As of			
	January 1, 2022		October 2, 2021	
	Notional Amount	Fair Value Asset Derivatives <sup>(1)</sup>	Notional Amount	Fair Value Liability Derivatives <sup>(2)</sup>
<i>(in thousands)</i>				
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts <sup>(3)</sup>	\$ 43,715	\$ 128	\$ 57,682	\$ (616)
Total derivatives	\$ 43,715	\$ 128	\$ 57,682	\$ (616)

(1) The fair value of derivative assets is measured using level 2 fair value inputs and is included in prepaid expenses and other current assets on our Consolidated Condensed Balance Sheets.

(2) The fair value of derivative liabilities is measured using level 2 fair value inputs and is included in accrued expenses and other current liabilities on our Consolidated Condensed Balance Sheets.

(3) Hedged amounts expected to be recognized to income within the next twelve months.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

The effects of derivative instruments designated as cash flow hedges in our Consolidated Condensed Statements of Comprehensive Income for the three months ended January 1, 2022 and January 2, 2021 were as follows:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Foreign exchange forward contract in cash flow hedging relationships:		
Net gain recognized in OCI, net of tax <sup>(1)</sup>	\$ 208	\$ 1,006
Net (loss)/gain reclassified from accumulated OCI into income, net of tax <sup>(2)</sup>	\$ (536)	\$ 290

(1) Net change in the fair value of the effective portion classified in OCI.

(2) Effective portion classified as selling, general and administrative expense.

**NOTE 8: LEASES**

We have entered into various non-cancellable operating and finance lease agreements for certain of our offices, manufacturing, technology, sales support and service centers, equipment, and vehicles. We determine if an arrangement is a lease, or contains a lease, at inception and record the leases in our financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor. Our lease terms may include one or more options to extend the lease terms, for periods from one year to 20 years, when it is reasonably certain that we will exercise that option. As of January 1, 2022, there was no option to extend the lease which was recognized as a right-of-use ("ROU") asset, or a lease liability. We have lease agreements with lease and non-lease components, and non-lease components are accounted for separately and not included in our leased assets and corresponding liabilities. We have elected not to present short-term leases on the Consolidated Condensed Balance Sheets as these leases have a lease term of 12 months or less at lease inception.

Operating leases are included in operating ROU assets, current operating lease liabilities and non current operating lease liabilities, and finance leases are included in property, plant and equipment, accrued expenses and other current liabilities, and other liabilities on the Consolidated Condensed Balance Sheets. As of January 1, 2022 and October 2, 2021, our finance leases are not material.

The following table shows the components of lease expense:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Operating lease expense <sup>(1)</sup>	\$ 2,054	\$ 1,867

(1) Operating lease expense includes short-term lease expense, which is immaterial for the three months ended January 1, 2022 and January 2, 2021.

The following table shows the cash flows arising from lease transactions. Cash payments related to short-term leases are not included in the measurement of operating lease liabilities, and, as such, are excluded from the amounts below:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 1,885	\$ 1,746

The following table shows the weighted-average lease terms and discount rates for operating leases:

	As of	
	January 1, 2022	October 2, 2021
Operating leases:		
Weighted-average remaining lease term <i>(in years)</i> :	9.3	9.6
Weighted-average discount rate:	5.8 %	5.8 %

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

Future lease payments, excluding short-term leases are detailed as follows:

<i>(in thousands)</i>	As of	
	January 1, 2022	
Remaining fiscal 2022	\$	5,616
Fiscal 2023		6,648
Fiscal 2024		6,221
Fiscal 2025		5,884
Fiscal 2026		5,046
Thereafter		24,798
Total minimum lease payments	\$	54,213
Less: Interest	\$	13,196
Present value of lease obligations	\$	41,017
Less: Current portion	\$	5,056
Long-term portion of lease obligations	\$	35,961

**NOTE 9: DEBT AND OTHER OBLIGATIONS**

***Bank Guarantees***

On November 22, 2013, the Company obtained a \$5.0 million credit facility with Citibank in connection with the issuance of bank guarantees for operational purposes. As of January 1, 2022, the outstanding amount under this facility was \$3.1 million.

***Credit Facilities***

On February 15, 2019, the Company entered into a Facility Letter and Overdraft Agreement (collectively, the “Facility Agreements”) with MUFG Bank, Ltd., Singapore Branch (the “Bank”). The Facility Agreements provide the Company and one of its subsidiaries with an overdraft facility of up to \$150.0 million (the “Overdraft Facility”) for general corporate purposes. Amounts outstanding under the Overdraft Facility, including interest, are payable upon thirty days written demand by the Bank. Interest on the Overdraft Facility is calculated on a daily basis, and the applicable interest rate is calculated at the overnight U.S. Dollar LIBOR rate plus a margin of 1.5% per annum. The Overdraft Facility is an unsecured facility per the terms of the Facility Agreements. The Facility Agreements contain customary non-financial covenants, including, without limitation, covenants that restrict the Company’s ability to sell or dispose of its assets, cease owning at least 51% of two of its subsidiaries (the “Subsidiaries”), or encumber its assets with material security interests (including any pledge of monies in the Subsidiaries’ cash deposit account with the Bank). The Facility Agreements also contain typical events of default, including, without limitation, non-payment of financial obligations when due, cross defaults to other material indebtedness of the Company and any breach of a representation or warranty under the Facility Agreements. As of January 1, 2022, there were no outstanding amounts under the Overdraft Facility.

**NOTE 10: SHAREHOLDERS’ EQUITY AND EMPLOYEE BENEFIT PLANS**

***401(k) Retirement Income Plans***

The Company has a 401(k) retirement plan (the “Plan”) for eligible U.S. employees. The Plan allows for employee contributions and matching Company contributions from 4% to 6% based upon terms and conditions of the Plan.

The following table reflects the Company’s contributions to the Plan during the three months ended January 1, 2022 and January 2, 2021:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Cash	\$ 508	\$ 419

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

### **Share Repurchase Program**

On August 15, 2017, the Company's Board of Directors authorized a program (the "Program") to repurchase up to \$100 million of the Company's common stock on or before August 1, 2020. In 2018 and 2019, the Board of Directors increased the share repurchase authorization under the Program to \$200 million and \$300 million, respectively. On July 3, 2020, the Board of Directors increased the share repurchase authorization under the Program by an additional \$100 million to \$400 million, and extended its duration through August 1, 2022. The Company has entered into a written trading plan under Rule 10b5-1 of the Exchange Act to facilitate repurchases under the Program. The Program may be suspended or discontinued at any time and is funded using the Company's available cash, cash equivalents and short-term investments. Under the Program, shares may be repurchased through open market and/or privately negotiated transactions at prices deemed appropriate by management. The timing and amount of repurchase transactions under the Program depend on market conditions as well as corporate and regulatory considerations. During the three months ended January 1, 2022, the Company repurchased a total of approximately 276.0 thousand shares of common stock under the Program at a cost of approximately \$15.4 million. The stock repurchases were recorded in the periods they were delivered and accounted for as treasury stock in the Company's Consolidated Condensed Balance Sheets. The Company records treasury stock purchases under the cost method using the first-in, first-out (FIFO) method. Upon reissuance of treasury stock, amounts in excess of the acquisition cost are credited to additional paid-in capital. If the Company reissues treasury stock at an amount below its acquisition cost and additional paid-in capital associated with prior treasury stock transactions is insufficient to cover the difference between acquisition cost and the reissue price, this difference is recorded against retained earnings. As of January 1, 2022, our remaining stock repurchase authorization under the Program was approximately \$116.6 million.

### **Dividends**

On October 18, 2021, the Board of Directors declared a quarterly dividend of \$0.17 per share of common stock. Dividends paid during the three months ended January 1, 2022 totaled \$8.7 million. The declaration of any future cash dividend is at the discretion of the Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination that such dividends are in the best interests of the Company's shareholders.

### **Accumulated Other Comprehensive Income**

The following table reflects accumulated other comprehensive income/ loss reflected on the Consolidated Condensed Balance Sheets as of January 1, 2022 and October 2, 2021:

(in thousands)	As of	
	January 1, 2022	October 2, 2021
(Loss)/gain from foreign currency translation adjustments	\$ (983)	\$ 682
Unrecognized actuarial loss on pension plan, net of tax	(3,156)	(3,088)
Unrealized gain/(loss) on hedging	128	(616)
Accumulated other comprehensive income/(loss)	<u>\$ (4,011)</u>	<u>\$ (3,022)</u>

### **Equity-Based Compensation**

The Company has a stockholder-approved equity-based compensation plan, the 2021 Omnibus Incentive Plan (the "Plan") from which employees and directors receive grants. As of January 1, 2022, 3.3 million shares of common stock are available for grant to the Company's employees and directors under the Plan.

- Relative TSR Performance Share Units ("Relative TSR PSUs") entitle the employee to receive common shares of the Company on the award vesting date, typically the third anniversary of the grant date (or as soon as administratively practicable if later), if market performance objectives which measure relative total shareholder return ("TSR") are attained. Relative TSR is calculated based upon the 90-calendar day average price at the end of the performance period of the Company's stock as compared to specific peer companies that comprise the GICS (45301020) Semiconductor Index. TSR is measured for the Company and each peer company over a performance period, which is generally three years. Vesting percentages range from 0% to 200% of awards granted. The provisions of the Relative TSR PSUs are reflected in the grant date fair value of the award; therefore, compensation expense is recognized regardless of whether the market condition is ultimately satisfied. Compensation expense is reversed if the award is forfeited prior to the vesting date.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

- Revenue Growth Performance Share Units ("Growth PSUs") entitle the employee to receive common shares of the Company on the award vesting date, typically the third anniversary of the grant date (or as soon as administratively practicable if later), based on organic revenue growth objectives and relative growth performance against named competitors as set by the Management Development and Compensation Committee ("MDCC") of the Company's Board of Directors. Organic revenue growth is calculated by averaging revenue growth (net of revenues from acquisitions) over a performance period, which is generally three years. Revenues from acquisitions will be included in the calculation after four fiscal quarters after acquisition. Any portion of the grant that does not meet the revenue growth objectives and relative growth performance is forfeited. Vesting percentages range from 0% to 200% of awards granted.
- In general, stock options and Time-based Restricted Share Units ("Time-based RSUs") awarded to employees vest ratably over a three-year period on the anniversary of the grant date provided the employee remains employed by the Company. The Company follows the non-substantive vesting method for stock options and recognizes compensation expense immediately for awards granted to retirement eligible employees, or over the period from the grant date to the date retirement eligibility is achieved.

Equity-based compensation expense recognized in the Consolidated Condensed Statements of Operations for the three months ended January 1, 2022 and January 2, 2021 was based upon awards ultimately expected to vest, with forfeiture accounted for when they occur.

The following table reflects Time-based RSUs, Relative TSR PSUs, Growth PSUs and common stock granted during the three months ended January 1, 2022 and January 2, 2021:

<i>(shares in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Time-based RSUs	295	476
Relative TSR PSUs	150	154
Growth PSUs	74	51
Common stock	4	8
Equity-based compensation in shares	523	689

The following table reflects total equity-based compensation expense, which includes Time-based RSUs, Relative TSR PSUs, Growth PSUs and common stock, included in the Consolidated Condensed Statements of Operations during the three months ended January 1, 2022 and January 2, 2021:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Cost of sales	\$ 226	\$ 205
Selling, general and administrative	3,956	2,279
Research and development	1,130	917
Total equity-based compensation expense	\$ 5,312	\$ 3,401

The following table reflects equity-based compensation expense, by type of award, for the three months ended January 1, 2022 and January 2, 2021:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Time-based RSUs	\$ 2,896	\$ 2,635
Relative TSR PSUs	913	1,042
Growth PSUs	1,265	(461)
Common stock	238	185
Total equity-based compensation expense	\$ 5,312	\$ 3,401

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

**NOTE 11: REVENUE AND CONTRACT LIABILITIES**

The Company recognizes revenue when we satisfy performance obligations as evidenced by the transfer of control of our products or services to customers. In general, the Company generates revenue from product sales, either directly to customers or to distributors. In determining whether a contract exists, we evaluate the terms of the agreement, the relationship with the customer or distributor and their ability to pay. Service revenue is generally recognized over time as the services are performed. For the three months ended January 1, 2022, and January 2, 2021, the service revenue is not material. Please refer to Note 1: Basis of Presentation - *Revenue Recognition*, for disclosure on the Company's revenue recognition policy.

The Company reports revenue based on our reportable segments. The Company believes that reporting revenue on this basis provides information about how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Please refer to Note 14: Segment Information, for disclosure of revenue by segment.

**Contract Liabilities**

Our contract liabilities are primarily related to payments received in advance of satisfying performance obligations, and are reported in the accompanying Consolidated Condensed Balance Sheets within accrued expenses and other current liabilities.

Contract liabilities increase as a result of receiving new advance payments from customers and decrease as revenue is recognized from product sales under advance payment arrangements upon satisfying the performance obligations.

The following table shows the changes in contract liability balances during the three months ended January 1, 2022 and January 2, 2021:

(in thousands)	Three months ended	
	January 1, 2022	January 2, 2021
Contract liabilities, beginning of period	\$ 15,596	\$ 2,950
Revenue recognized	(31,366)	(9,850)
Additions	43,998	11,112
Contract liabilities, end of period	<u>\$ 28,228</u>	<u>\$ 4,212</u>

**NOTE 12: EARNINGS PER SHARE**

Basic income per share is calculated using the weighted average number of shares of common stock outstanding during the period. Stock options and restricted stock are included in the calculation of diluted earnings per share, except when their effect would be anti-dilutive.

The following table reflects a reconciliation of the shares used in the basic and diluted net income per share computation for the three months ended January 1, 2022 and January 2, 2021:

(in thousands, except per share data)	Three months ended			
	January 1, 2022		January 2, 2021	
	Basic	Diluted	Basic	Diluted
<b>NUMERATOR:</b>				
Net income	\$ 133,606	\$ 133,606	\$ 48,363	\$ 48,363
<b>DENOMINATOR:</b>				
Weighted average shares outstanding - Basic	<u>62,385</u>	<u>62,385</u>	<u>61,965</u>	<u>61,965</u>
Dilutive effect of Equity Plans		<u>931</u>		<u>775</u>
Weighted average shares outstanding - Diluted		<u>63,316</u>		<u>62,740</u>
<b>EPS:</b>				
Net income per share - Basic	<u>\$ 2.14</u>	<u>\$ 2.14</u>	<u>\$ 0.78</u>	<u>\$ 0.78</u>
Effect of dilutive shares		<u>(0.03)</u>		<u>(0.01)</u>
Net income per share - Diluted		<u>\$ 2.11</u>		<u>\$ 0.77</u>



**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

**NOTE 13: INCOME TAXES**

The following table reflects the provision for income taxes and the effective tax rate for the three months ended January 1, 2022 and January 2, 2021:

<i>(dollar amounts in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Provision for income taxes	\$ 17,935	\$ 6,298
Effective tax rate	11.8 %	11.5 %

The increase in provision for income taxes and effective tax rate for the three months ended January 1, 2022 as compared to the three months ended January 2, 2021 is primarily related to an increase in profitability.

For the three months ended January 1, 2022, the effective tax rate is lower than the U.S. federal statutory tax rate primarily due to foreign income earned in lower tax jurisdictions and tax incentives, partially offset by foreign minimum tax.

**NOTE 14: SEGMENT INFORMATION**

Reportable segments are defined as components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker (the "CODM") in deciding how to allocate resources and assess performance. The Company's Chief Executive Officer is the CODM. The CODM does not review discrete asset information. The Company operates two reportable segments consisting of: (1) Capital Equipment; and (2) Aftermarket Products and Services ("APS").

The following table reflects operating information by segment for the three months ended January 1, 2022 and January 2, 2021:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Net revenue:		
Capital Equipment	\$ 408,528	\$ 223,089
APS	52,360	44,768
Net revenue	460,888	267,857
Income from operations:		
Capital Equipment	132,019	44,895
APS	19,091	9,147
Income from operations	\$ 151,110	\$ 54,042

We have considered (1) information that is regularly reviewed by our CODM as defined by the authoritative guidance on segment reporting, in evaluating financial performance; and (2) other financial data, including information that we include in our earnings releases but which is not included in our financial statements, to disaggregate revenues by end markets served. The principal category we use to disaggregate revenues is by the end markets served in the Capital Equipment segment.

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

The following table reflects net revenue by Capital Equipment end markets served for the three months ended January 1, 2022 and January 2, 2021:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
General Semiconductor	\$ 248,523	\$ 163,586
Automotive & Industrial	50,648	22,972
LED	66,155	32,381
Memory	43,202	4,150
Total Capital Equipment revenue	<u>\$ 408,528</u>	<u>\$ 223,089</u>

The following table reflects capital expenditures, depreciation expense and amortization expense for the three months ended January 1, 2022 and January 2, 2021:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Capital expenditures:		
Capital Equipment	\$ 1,966	\$ 2,139
APS	910	1,548
	<u>\$ 2,876</u>	<u>\$ 3,687</u>
Depreciation expense:		
Capital Equipment	\$ 2,283	\$ 1,563
APS	1,773	1,626
	<u>\$ 4,056</u>	<u>\$ 3,189</u>
Amortization expense:		
Capital Equipment	\$ 1,012	\$ 1,051
APS	271	907
	<u>\$ 1,283</u>	<u>\$ 1,958</u>

**NOTE 15: COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS**

***Warranty Expense***

The Company's equipment is generally shipped with a one-year warranty against manufacturing defects. The Company establishes reserves for estimated warranty expense when revenue for the related equipment is recognized. The reserve for estimated warranty expense is based upon historical experience and management's estimate of future warranty costs, including product part replacement, freight charges and related labor costs expected to be incurred in correcting manufacturing defects during the warranty period.

The following table reflects the reserve for warranty activity for the three months ended January 1, 2022 and January 2, 2021:

<i>(in thousands)</i>	Three months ended	
	January 1, 2022	January 2, 2021
Reserve for warranty, beginning of period	\$ 16,961	\$ 9,576
Provision for warranty	3,968	5,300
Utilization of reserve	(3,819)	(2,740)
Reserve for warranty, end of period	<u>\$ 17,110</u>	<u>\$ 12,136</u>

**KULICKE AND SOFFA INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**Unaudited (continued)**

**Other Commitments and Contingencies**

The following table reflects obligations not reflected on the Consolidated Condensed Balance Sheet as of January 1, 2022:

(in thousands)	Payments due by fiscal year						
	Total	2022	2023	2024	2025	2026	thereafter
Inventory purchase obligation <sup>(1)</sup>	\$ 471,258	\$ 204,484	\$ 266,774	\$ —	\$ —	\$ —	\$ —

(1) The Company orders inventory components in the normal course of its business. A portion of these orders are non-cancelable and a portion may have varying penalties and charges in the event of cancellation.

From time to time, the Company is party to or the target of lawsuits, claims, investigations and proceedings, including for personal injury, intellectual property, commercial, contract, and employment matters, which are handled and defended in the ordinary course of business. The Company accrues a contingent loss liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the Company accrues the minimum amount. The Company expenses legal costs, including those expected to be incurred in connection with a loss contingency, as incurred.

**Concentrations**

The following table reflects significant customer concentrations as a percentage of net revenue for the three months ended January 1, 2022 and January 2, 2021:

	Three months ended	
	January 1, 2022	January 2, 2021
Tianshui Huatian Technology Co., Ltd.	11.2 %	*
ASE Technology Holding Co	*	22.7 %
Haoseng Industrial Co., Ltd. <sup>(1)</sup>	*	11.3 %

\* Represents less than 10% of total net revenue

The following table reflects significant customer concentrations as a percentage of total accounts receivable as of January 1, 2022 and January 2, 2021:

	As of	
	January 1, 2022	January 2, 2021
Tianshui Huatian Technology Co., Ltd.	25 %	*
Haoseng Industrial Co., Ltd. <sup>(1)</sup>	15.6 %	14.4 %
Forehope Electronic Co., Ltd.	*	17.5 %

(1) Distributor of the Company's products.

\* Represents less than 10% of total accounts receivable

## Item 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

*In addition to historical information, this filing contains statements relating to future events or our future results. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the safe harbor provisions created by statute. Such forward-looking statements include, but are not limited to, statements with respect to our future revenue, increasing, continuing or strengthening, or decreasing or weakening, demand for our products, replacement demand, our research and development efforts, our ability to identify and realize new growth opportunities, our ability to control costs and our operational flexibility as a result of (among other factors):*

- our expectations regarding the potential impacts on our business of the COVID-19 pandemic, including supply chain disruptions, the economic and public health effects, and governmental and other responses to these impacts;*
- projected growth rates in the overall semiconductor industry, the semiconductor assembly equipment market, and the market for semiconductor packaging materials; and*
- projected demand for ball bonder, wedge bonder, advanced packaging and electronic assembly equipment and for tools, spare parts and services.*

*Generally, words such as "may," "will," "should," "could," "anticipate," "expect," "intend," "estimate," "plan," "continue," "goal" and "believe," or the negative of or other variations on these and other similar expressions identify forward-looking statements. These forward-looking statements are made only as of the date of this filing. We do not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.*

*Forward-looking statements are based on current expectations and involve risks and uncertainties. Our future results could differ significantly from those expressed or implied by our forward-looking statements. These risks and uncertainties include, without limitation, those described below and under the heading "Risk Factors" in this report and in our Annual Report on Form 10-K for the fiscal year ended October 2, 2021 (our "Annual Report") and our other reports filed from time to time with the Securities and Exchange Commission. This discussion should be read in conjunction with the Consolidated Condensed Financial Statements and Notes included in this report, as well as our audited financial statements included in our Annual Report.*

*We operate in a rapidly changing and competitive environment. New risks emerge from time to time and it is not possible for us to predict all risks that may affect us. Given those risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictions of actual results.*

### OVERVIEW

Kulicke and Soffa Industries, Inc. ("we," "us," "our," or the "Company") is a leading provider of semiconductor, light-emitting diode ("LED") and electronic assembly solutions serving the global automotive, consumer, communications, computing and industrial markets. Founded in 1951, we pride ourselves 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, our 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, we collaborate with customers and technology partners to push the boundaries of possibility, enabling a smarter future.

We design, manufacture and sell capital equipment and tools used to assemble semiconductor devices, including integrated circuits, high and low powered discrete devices, LEDs, and power modules. In addition, we have a portfolio of equipment that is used to assemble components onto electronic circuit boards. We also service, maintain, repair and upgrade our equipment and sell consumable aftermarket tools for our and our peer companies' equipment. Our customers primarily consist of semiconductor device manufacturers, IDMs, OSATs, other electronics manufacturers and automotive electronics suppliers.

Our goal is to be the technology leader and the most competitive supplier in terms of cost and performance in each of our major product lines. Accordingly, we invest in research and engineering projects intended to enhance our position as a leader in semiconductor assembly technology. We also remain focused on our cost structure through continuous improvement and optimization of operations. Cost reduction efforts are an important part of our normal ongoing operations and are intended to generate savings without compromising overall product quality and service.

We operate two reportable segments, consisting of Capital Equipment and Aftermarket Products and Services (“APS”). We have aggregated twelve operating segments as of January 1, 2022, with six operating segments within the Capital Equipment reportable segment and six operating segments within the APS reportable segment.

Our Capital Equipment segment engages in the manufacture and sale of ball bonders, wafer level bonders, wedge bonders, advanced packaging, hybrid and electronic assembly solutions to semiconductor device manufacturers, IDMs, OSATs, other electronics manufacturers and automotive electronics suppliers. Our APS segment engages in the manufacture and sale of a variety of tools for a broad range of semiconductor packaging applications, spare parts, equipment repair, maintenance and servicing, training services, refurbishment and upgrades for our equipment.

## **Business Environment**

The semiconductor business environment is highly volatile and is driven by internal dynamics, both cyclical and seasonal, in addition to macroeconomic forces. Over the long term, semiconductor consumption has historically grown, and is forecast to continue to grow. This growth is driven, in part, by regular advances in device performance and by price declines that result from improvements in manufacturing technology. In order to exploit these trends, semiconductor manufacturers, both IDMs and OSATs, periodically invest aggressively in latest generation capital equipment. This buying pattern often leads to periods of excess supply and reduced capital spending—the so-called semiconductor cycle. Within this broad semiconductor cycle there are also, generally weaker, seasonal effects that are specifically tied to annual, end-consumer purchasing patterns. Typically, semiconductor manufacturers prepare for heightened demand by adding or replacing equipment capacity by the end of the September quarter. Occasionally, this results in subsequent reductions in the December quarter. This annual seasonality can be overshadowed by effects of the broader semiconductor cycle. Macroeconomic factors also affect the industry, primarily through their effect on business and consumer demand for electronic devices, as well as other products that have significant electronic content such as automobiles, white goods, and telecommunication equipment. There can be no assurances regarding levels of demand for our products and we believe historic industry-wide volatility will persist.

In the Asia/Pacific region, our customer base has also become more geographically concentrated as a result of economic and industry conditions. Approximately 97.6% and 97.5% of our net revenue for the three months ended January 1, 2022 and January 2, 2021, respectively, was for shipments to customer locations outside of the U.S., primarily in the Asia/Pacific region. Approximately 69.8% and 48.6% of our net revenue for the three months ended January 1, 2022 and January 2, 2021, respectively, was for shipments to customers located in China, which is subject to risks and uncertainties related to the respective policies of the governments of China and the U.S. Furthermore, there is a potential risk of conflict and instability in the relationship between Taiwan and China which could disrupt the operations of our customers and/or suppliers in both Taiwan and China and our manufacturing operations in China.

The U.S. and several other countries have levied tariffs on certain goods and have introduced other trade restrictions, which, together with the impact of the COVID-19 pandemic discussed below, has resulted in substantial uncertainties in the semiconductor, LED, memory and automotive market.

Our Capital Equipment segment is primarily affected by the industry's internal cyclical and seasonal dynamics in addition to broader macroeconomic factors that can positively or negatively affect our financial performance. The sales mix of IDM and OSAT customers in any period also impacts financial performance, as changes in this mix can affect our products' average selling prices and gross margins due to differences in volume purchases and machine configurations required by each customer type.

Our APS segment has historically been less volatile than our Capital Equipment segment. The APS sales are more directly tied to semiconductor unit consumption rather than capacity requirements and production capability improvements.

We continue to position our business to leverage our research and development leadership and innovation and to focus our efforts on mitigating volatility, improving profitability and ensuring longer-term growth. We remain focused on operational excellence, expanding our product offerings and managing our business efficiently throughout the business cycles. Our visibility into future demand is generally limited, forecasting is difficult, and we generally experience typical industry seasonality.

To limit potential adverse cyclical, seasonal and macroeconomic effects on our financial position, we have continued our efforts to maintain a strong balance sheet. As of January 1, 2022, our total cash, cash equivalents and short-term investments were \$808.5 million, a \$68.7 million increase from the prior fiscal year end. We believe our strong cash position will allow us to continue to invest in product development and pursue non-organic opportunities.

## **Key Events in Fiscal 2022 to Date**

### COVID-19 Pandemic

The COVID-19 pandemic has significantly impacted the global economy, disrupted global supply chains, created volatility in equity market valuations, created significant volatility and disruption in financial markets, and significantly increased unemployment levels. In addition, the COVID-19 pandemic has resulted in temporary closures and failures of many businesses and the institution of social distancing and sheltering-in-place requirements in many jurisdictions. While some of these measures have been relaxed in certain jurisdictions, there has been a resurgence of illnesses or emergence of new variants or strains of the virus in other jurisdictions, which has led to more severe restrictions.

In response to the COVID-19 pandemic, we temporarily closed certain offices in the United States, Europe and Asia as well as executed our Business Continuity Plan (“BCP”), which measures have disrupted how we operate our business. While we are currently operating at full capacity in all of our manufacturing locations, work-from-home practices were instituted across many offices worldwide, which have impacted our non-manufacturing productivity, including our research & development. At this point, our BCP has not included significant headcount reductions or changes in our overall liquidity position. As certain countries have relaxed the measures over the past few months, we have restarted certain activities in accordance with local guidelines.

We are impacted by the global shortage in electronic components and our supply chain is strained in some cases as the availability of materials, logistics and freight options continues to be challenging in many jurisdictions, especially in light of the emergence of new variants or strains of the virus. As a result, we continue to expect some delays in fulfilling customer deliveries during the course of fiscal 2022. However, to date we have successfully managed our customers' expectations in most cases. Demand for our products was consistent with or exceeded our expectations. We believe semiconductor industry macroeconomics have not changed and we anticipate the industry's long-term growth projections will normalize, but the sector could see short-term volatility and potential disruption.

Based on our current evaluation, the COVID-19 pandemic has not had a material impact on our financial condition and operating results in fiscal 2022 to date. We believe that our existing cash, cash equivalents, short-term investments, existing Facility Agreements, and anticipated cash flows from operations will be sufficient to meet our liquidity and capital requirements, notwithstanding the COVID-19 pandemic, for at least the next twelve months from the date of filing. However, as this is a highly dynamic situation, and it is still developing rapidly, including new strains as it relates to the effectiveness and utilization rates of vaccines for COVID-19 and its variants, there is uncertainty surrounding our business, and our near- and long-term liquidity, financial condition and operating results could deteriorate.

For a description of the risks to our business arising from or relating to the COVID-19 pandemic, please see Part I, Item 1A, “Risk Factors” of our 2021 Annual Report on Form 10-K.

## RESULTS OF OPERATIONS

The following tables reflect our income from operations for the three months ended January 1, 2022 and January 2, 2021:

(dollar amounts in thousands)	Three months ended		\$ Change	% Change
	January 1, 2022	January 2, 2021		
Net revenue	\$ 460,888	\$ 267,857	\$ 193,031	72.1 %
Cost of sales	237,650	146,371	91,279	62.4 %
Gross profit	223,238	121,486	101,752	83.8 %
Selling, general and administrative	38,959	35,900	3,059	8.5 %
Research and development	33,169	31,544	1,625	5.2 %
Operating expenses	72,128	67,444	4,684	6.9 %
Income from operations	\$ 151,110	\$ 54,042	\$ 97,068	179.6 %

Three months ended

### Net Revenue

Our net revenue for the three months ended January 1, 2022 increased as compared to our net revenue for the three months ended January 2, 2021. The increase in net revenue is primarily due to higher volume in both Capital Equipment and APS.

The following tables reflect net revenue by reportable segments for the three months ended January 1, 2022 and January 2, 2021:

(dollar amounts in thousands)	Three months ended				\$ Change	% Change
	January 1, 2022		January 2, 2021			
	Net Revenue	% of total net revenue	Net Revenue	% of total net revenue		
Capital Equipment	\$ 408,528	88.6 %	\$ 223,089	83.3 %	\$ 185,439	83.1 %
APS	52,360	11.4 %	44,768	16.7 %	7,592	17.0 %
Total net revenue	\$ 460,888	100.0 %	\$ 267,857	100.0 %	\$ 193,031	72.1 %

Three months ended

### Capital Equipment

For the three months ended January 1, 2022, the higher Capital Equipment net revenue as compared to the prior year period was primarily driven by broad-based industry expansion and technology transitions positively impacting demand in the general semiconductor end market for consumer applications, high performance computing and 5G transition, automotive end market, memory end market and advanced LED display.

### APS

For the three months ended January 1, 2022, the higher APS net revenue as compared to the prior year period was primarily due to higher volume in spares, services and bonding tools.

### Gross Profit Margin

The following tables reflect gross profit margin as a percentage of net revenue by reportable segments for the three months ended January 1, 2022 and January 2, 2021:

	Three months ended		Basis Point Change
	January 1, 2022	January 2, 2021	
Capital Equipment	46.9 %	43.0 %	390
APS	60.4 %	57.0 %	340
Total gross profit margin	48.4 %	45.4 %	300

Three months ended

Basis Point

### Capital Equipment

For the three months ended January 1, 2022, the higher Capital Equipment gross profit margin as compared to the prior year period was primarily driven by favorable product mix.

### APS

For the three months ended January 1, 2022, the higher APS gross profit margin as compared to the prior year period was primarily driven by favorable product mix in spares and services.

### Income from Operations

For the three months ended January 1, 2022, total income from operations was higher as compared to the prior year period. This was primarily due to increased revenue in the three months ended January 1, 2022, partially offset by higher operating expenses.

The following tables reflect income from operations by reportable segments for the three months ended January 1, 2022 and January 2, 2021:

(dollar amounts in thousands)	Three months ended		\$ Change	% Change
	January 1, 2022	January 2, 2021		
Capital Equipment	\$ 132,019	\$ 44,895	\$ 87,124	194.1 %
APS	19,091	9,147	9,944	108.7 %
Total income from operations	\$ 151,110	\$ 54,042	\$ 97,068	179.6 %

Three months ended

### Capital Equipment

For the three months ended January 1, 2022, the higher Capital Equipment income from operations as compared to the prior year period was primarily due to higher demand as explained under 'Net Revenue' above. This was partially offset by higher operating expenses as explained under 'Operating Expenses' below.

### APS

For the three months ended January 1, 2022, the higher APS income from operations as compared to the prior year period was primarily due to higher demand as explained under 'Net Revenue' above. This was partially offset by higher operating expenses as explained under 'Operating Expenses' below.

### Operating Expenses

The following tables reflect operating expenses for the three months ended January 1, 2022 and January 2, 2021:

(dollar amounts in thousands)	Three months ended		\$ Change	% Change
	January 1, 2022	January 2, 2021		
Selling, general & administrative	\$ 38,959	\$ 35,900	\$ 3,059	8.5 %
Research & development	33,169	31,544	1,625	5.2 %
Total	\$ 72,128	\$ 67,444	\$ 4,684	6.9 %

Three months ended

### Selling, General and Administrative ("SG&A")

For the three months ended January 1, 2022, the higher SG&A expenses as compared to the prior year period were primarily due to \$2.5 million higher staff costs related to an increase in headcount and \$3.3 million in sales representative commissions. These were partially offset by \$1.1 million miscellaneous income and \$1.6 million favorable variance in foreign exchange.

### Research and Development ("R&D")

For the three months ended January 1, 2022, the higher R&D expenses as compared to the prior year period were primarily due to higher staff costs related to an increase in headcount and increased engineering services.



### Interest Income and Expense

The following tables reflect interest income and interest expense for the three months ended January 1, 2022 and January 2, 2021:

(dollar amounts in thousands)	Three months ended		\$ Change	% Change
	January 1, 2022	January 2, 2021		
Interest income	\$ 471	\$ 651	\$ (180)	(27.6)%
Interest expense	\$ (40)	\$ (32)	\$ (8)	25.0 %

Three months ended

#### Interest income

For the three months ended January 1, 2022, the lower interest income as compared to the prior year period was primarily due to lower weighted average interest rate on cash, cash equivalents and short-term investments.

#### Interest expense

For the three months ended January 1, 2022, the higher interest expense as compared to the prior year period was primarily due to higher average short-term debt. Please refer to Note 9 of Item 1 for discussion on the Overdraft Facility.

### Provision for Income Taxes

The following table reflects the provision for income taxes and the effective tax rate for the three months ended January 1, 2022 and January 2, 2021:

(dollar amounts in thousands)	Three months ended		
	January 1, 2022	January 2, 2021	Change
Provision for income taxes	\$ 17,935	\$ 6,298	\$ 11,637
Effective tax rate	11.8 %	11.5 %	0.3 %

Please refer to Note 13 of Item 1 for discussion on the provision for income taxes and the effective tax rate for the three months ended January 1, 2022 as compared to the prior year period.

### LIQUIDITY AND CAPITAL RESOURCES

The following table reflects total cash, cash equivalents, and short-term investments as of January 1, 2022 and October 2, 2021:

(dollar amounts in thousands)	As of		\$ Change
	January 1, 2022	October 2, 2021	
Cash and cash equivalents	\$ 441,490	\$ 362,788	\$ 78,702
Short-term investments	367,000	377,000	(10,000)
Total cash, cash equivalents, and short-term investments	\$ 808,490	\$ 739,788	\$ 68,702
Percentage of total assets	47.4%	46.2%	

The following table reflects a summary of the Consolidated Condensed Statements of Cash Flow information for the three months ended January 1, 2022 and January 2, 2021:

(in thousands)	Three months ended	
	January 1, 2022	January 2, 2021
Net cash provided by operating activities	\$ 95,874	\$ 58,635
Net cash provided by investing activities	7,289	224
Net cash used in financing activities	(24,077)	(9,207)
Effect of exchange rate changes on cash and cash equivalents	(384)	1,891
Changes in cash and cash equivalents	\$ 78,702	\$ 51,543
Cash and cash equivalents, beginning of period	362,788	188,127
Cash and cash equivalents, end of period	\$ 441,490	\$ 239,670

### Three months ended January 1, 2022

Net cash provided by operating activities was primarily due to net income of \$133.6 million, non-cash adjustments to net income of \$14.7 million and a net unfavorable change in operating assets and liabilities of \$52.4 million. The net change in operating assets and liabilities was primarily driven by an increase in inventories of \$31.4 million, accounts and other receivable of \$10.3 million, and prepaid expenses and other current assets of \$1.6 million and a decrease in accounts payable and accrued expenses and other current liabilities of \$23.3 million. This was partially offset by an increase in income tax payable of \$13.3 million.

The increase in inventories was due to higher manufacturing activities in anticipation of higher demand in subsequent periods. The increase in accounts and other receivable was mainly due to a change in customer mix of different credit terms. The decrease in accounts payable and accrued expenses and other current liabilities in the three months ended January 1, 2022 was primarily due to lower accrued employee compensation that was paid out in the period.

Net cash provided by investing activities was due to net redemption of short-term investments of \$10.0 million. This was partially offset by capital expenditures of \$2.7 million.

Net cash used in financing activities was primarily due to common stock repurchases of \$15.3 million and dividend payments of \$8.7 million.

### Three months ended January 2, 2021

Net cash provided by operating activities was primarily due to net income of \$48.4 million, non-cash adjustments to net income of \$10.2 million and a net change in operating assets and liabilities of \$0.1 million. The net change in operating assets and liabilities was primarily driven by an increase in accounts payable, accrued expenses and other current liabilities of \$39.0 million, and an increase in income taxes payable of \$2.8 million. This was partially offset by an increase in accounts and other receivable of \$28.6 million, and an increase in inventory of \$13.1 million.

The higher accounts payable, accrued expenses and other current liabilities was primarily due to higher purchases, and higher accruals on customer rebate in the three months ended January 2, 2021. The increase in income taxes payable was mainly due to additional tax payable. The increase in accounts and other receivable was due to increase in sales. The increase in inventories was due to higher manufacturing activities in anticipation of higher demand in subsequent periods.

Net cash provided by investing activities was due to net redemption of short-term investments of \$5.0 million. This was partially offset by capital expenditures of \$4.9 million.

Net cash used in financing activities was primarily due to common stock repurchases of \$1.7 million and dividend payments of \$7.4 million.

### Fiscal 2022 Liquidity and Capital Resource Outlook

We expect our aggregate fiscal 2022 capital expenditures to be between approximately \$38.0 million and \$42.0 million, of which approximately \$2.9 million has been incurred through the first quarter. Expenditures are anticipated to be primarily for research and development projects, enhancements to our manufacturing operations, improvements to our information technology security, implementation of an enterprise resource planning system and leasehold improvements for our facilities. Our ability to make these expenditures will depend, in part, on our future cash flows, which are determined by our future operating performance and, therefore, subject to prevailing global macroeconomic conditions, including the impact from the COVID-19 pandemic, as well as financial, business and other factors, some of which are beyond our control.

As of January 1, 2022 and October 2, 2021, approximately \$803.4 million and \$724.5 million of cash, cash equivalents, and short-term investments were held by the Company's foreign subsidiaries, respectively, with a large portion of the cash amounts expected to be available for use in the U.S. without incurring additional U.S. income tax.

The Company's international operations and capital requirements are anticipated to be funded primarily by cash generated by foreign operating activities and cash held by foreign subsidiaries. Most of the Company's operations and liquidity needs are outside the U.S. The Company's U.S. operations and capital requirements are anticipated to be funded primarily by cash generated from U.S. operating activities, and by our existing Facility Agreements. In the future, the Company may repatriate additional cash held by foreign subsidiaries that has already been subject to U.S. income taxes. We believe these sources of cash and liquidity are sufficient to meet our business needs in the U.S. for the foreseeable future including funding of U.S. operations, capital expenditures, repayment of outstanding balances under the Facility Agreements, the dividend program, and the share repurchase program as approved by the Board of Directors.

We believe that our existing cash, cash equivalents, short-term investments, existing Facility Agreements, and anticipated cash flows from operations will be sufficient to meet our liquidity and capital requirements, notwithstanding the COVID-19 pandemic, for at least the next twelve months from the date of filing. Our liquidity is affected by many factors, some based on normal operations of our business and others related to global economic conditions and industry uncertainties, which we cannot predict. We also cannot predict economic conditions or industry downturns or the timing, strength or duration of recoveries. We intend to continue to use our cash for working capital needs and for general corporate purposes.

In this unprecedented environment, as a result of the COVID-19 pandemic or for other reasons, we may seek, as we believe appropriate, additional debt or equity financing that would provide capital for general corporate purposes, working capital funding, additional liquidity needs or to fund future growth opportunities, including possible acquisitions. The timing and amount of potential capital requirements cannot be determined at this time and will depend on a number of factors, including the actual and projected demand for our products, semiconductor and semiconductor capital equipment industry conditions, competitive factors, the condition of financial markets and the global economic situation.

#### *Share Repurchase Program*

On August 15, 2017, the Company's Board of Directors authorized a program (the "Program") to repurchase up to \$100 million in total of the Company's common stock on or before August 1, 2020. In 2018 and 2019, the Board of Directors increased the share repurchase authorization under the Program to \$200 million and \$300 million, respectively. On July 3, 2020, the Board of Directors increased the share repurchase authorization under the Company's existing share repurchase program by an additional \$100 million to \$400 million, and extended its duration through August 1, 2022. The Company has entered into a written trading plan under Rule 10b5-1 of the Exchange Act to facilitate repurchases under the Program. The Program may be suspended or discontinued at any time and is funded using the Company's available cash, cash equivalents and short-term investments. Under the Program, shares may be repurchased through open market and/or privately negotiated transactions at prices deemed appropriate by management. The timing and amount of repurchase transactions under the Program depend on market conditions as well as corporate and regulatory considerations. During the three months ended January 1, 2022, the Company repurchased a total of approximately 276.0 thousand shares of common stock under the Program at a cost of approximately \$15.4 million. As of January 1, 2022, our remaining stock repurchase authorization under the Program was approximately \$116.6 million.

#### *Dividends*

On October 18, 2021, the Board of Directors declared a quarterly dividend of \$0.17 per share of common stock. Dividends paid during the three months ended January 1, 2022 totaled \$8.7 million. The declaration of any future cash dividend is at the discretion of the Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements, business conditions and other factors, as well as a determination that such dividends are in the best interests of the Company's shareholders.

#### **Other Obligations and Contingent Payments**

In accordance with GAAP, certain obligations and commitments are not required to be included in the Consolidated Condensed Balance Sheets and Statements of Operations. These obligations and commitments, while entered into in the normal course of business, may have a material impact on our liquidity and are disclosed in the table below.

As of January 1, 2022, the Company had deferred tax liabilities of \$33.4 million and unrecognized tax benefits within the income taxes payable for uncertain tax positions of \$15.2 million, inclusive of accrued interest on uncertain tax positions of \$1.8 million, substantially all of which would affect our effective tax rate in the future, if recognized.

It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain unrecognized tax positions will increase or decrease during the next 12 months due to the expected lapse of statutes of limitation and / or settlements of tax examinations. Given the number of years and numerous matters that remain subject to examination in various tax jurisdictions, we cannot practicably estimate the timing or financial outcomes of these examinations and, therefore, these amounts are excluded from the amounts below. When estimating its tax positions, the Company considers and evaluates numerous complex areas of taxation, which may require periodic adjustments and which may not reflect the final tax liabilities.

The following table presents certain payments due by the Company under contractual and statutory obligations with minimum firm commitments as of January 1, 2022:

(in thousands)	Total	Payments due in			
		Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Inventory purchase obligations <sup>(1)</sup>	\$ 471,258	\$ 204,484	\$ 266,774	\$ —	\$ —
U.S. one-time transition tax payable <sup>(2)</sup> (reflected on our Consolidated Condensed Balance Sheets)	60,870	6,461	19,329	35,080	—
<b>Total</b>	<b>\$ 532,128</b>	<b>\$ 210,945</b>	<b>\$ 286,103</b>	<b>\$ 35,080</b>	<b>\$ —</b>

(1) The Company orders inventory components in the normal course of its business. A portion of these orders are non-cancellable and some orders impose varying penalties and charges in the event of cancellation.

(2) Associated with the U.S. one-time transition tax on certain earnings and profits of our foreign subsidiaries in relation to the U.S Tax Cuts and Job Act of 2017.

### Off-Balance Sheet Arrangements

#### Credit facilities

On February 15, 2019, the Company entered into a Facility Letter and Overdraft Agreement (collectively, the “Facility Agreements”) with MUFG Bank, Ltd., Singapore Branch (the “Bank”). The Facility Agreements provide the Company and one of its subsidiaries with an overdraft facility of up to \$150.0 million (the “Overdraft Facility”) for general corporate purposes. Amounts outstanding under the Overdraft Facility, including interest, are payable upon thirty days written demand by the Bank. Interest on the Overdraft Facility is calculated on a daily basis, and the applicable interest rate is calculated at the overnight U.S. Dollar LIBOR rate plus a margin of 1.5% per annum. The Overdraft Facility is an unsecured facility per the terms of the Facility Agreements. The Facility Agreements contain customary non-financial covenants, including, without limitation, covenants that restrict the Company’s ability to sell or dispose of its assets, cease owning at least 51% of two of its subsidiaries (the “Subsidiaries”) or encumber its assets with material security interests (including any pledge of monies in the Subsidiaries’ cash deposit account with the Bank). The Facility Agreements also contain typical events of default, including, without limitation, non-payment of financial obligations when due, cross defaults to other material indebtedness of the Company, and breach of a representation or warranty under the Facility Agreements. As of January 1, 2022, there were no outstanding amounts under the Overdraft Facility.

As of January 1, 2022, other than the bank guarantee disclosed in Note 9 of Item 1, we did not have any other off-balance sheet arrangements, such as contingent interests or obligations associated with variable interest entities.

### Item 3. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Interest Rate Risk

Our available-for-sale securities, if applicable, may consist of short-term investments in highly rated debt instruments of the U.S. Government and its agencies, financial institutions, and corporations. We continually monitor our exposure to changes in interest rates and credit ratings of issuers with respect to any available-for-sale securities and target an average life to maturity of less than 18 months. Accordingly, we believe that the effects on us of changes in interest rates and credit ratings of issuers are limited and would not have a material impact on our financial condition or results of operations.

## **Foreign Currency Risk**

Our international operations are exposed to changes in foreign currency exchange rates due to transactions denominated in currencies other than the location's functional currency. Our international operations are also exposed to foreign currency fluctuations that impact the remeasurement of net monetary assets of those operations whose functional currency, the U.S. dollar, differs from their respective local currencies, most notably in Israel, Singapore and Switzerland. Our U.S. operations also have foreign currency exposure due to net monetary assets denominated in currencies other than the U.S. dollar. In addition to net monetary remeasurement, we have exposures related to the translation of subsidiary financial statements from their functional currency, the local currency, into its reporting currency, the U.S. dollar, most notably in the Netherlands, China, Taiwan, Japan and Germany.

Based on our foreign currency exposure as of January 1, 2022, a 10.0% fluctuation could impact our financial position, results of operations or cash flows by \$2.0 to \$3.0 million. Our attempts to hedge against these risks may not be successful and may result in a material adverse impact on our financial results and cash flow.

We enter into foreign exchange forward contracts to hedge a portion of our forecasted foreign currency-denominated expenses in the normal course of business and, accordingly, they are not speculative in nature. These instruments generally mature within twelve months. We have foreign exchange forward contracts with a notional amount of \$43.7 million outstanding as of January 1, 2022.

#### **Item 4. - CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of January 1, 2022. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of January 1, 2022 our disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms; and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

##### **Changes in Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

In connection with the evaluation by our management, including with the participation of our Chief Executive Officer and Chief Financial Officer, of our internal control over financial reporting, no changes during the three months ended January 1, 2022 were identified to have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. - OTHER INFORMATION

### Item 1. - LEGAL PROCEEDINGS

From time to time, we may be a plaintiff or defendant in cases arising out of our business. We are party to ordinary, routine litigation incidental to our business. We cannot be assured of the results of any pending or future litigation, but we do not believe resolution of any currently pending matters will have a material adverse effect on our business, financial condition or operating results.

### Item 1A. - RISK FACTORS

#### Certain Risks Related to Our Business

There have been no material changes from the risk factors discussed in Part I, Item 1A, “Risk Factors,” of our 2021 Annual Report on Form 10-K.

### Item 2. - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### *Purchases of Equity Securities by the Issuer and Affiliated Purchasers*

The following table summarizes the repurchases of common stock during the three months ended January 1, 2022 (in millions, except number of shares, which are reflected in thousands, and per share amounts):

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
October 3, 2021 to October 30, 2021	117	\$ 52.49	117	\$ 125.8
October 31, 2021 to December 4, 2021	83	\$ 58.08	83	\$ 121.0
December 5, 2021 to January 1, 2022	76	\$ 57.97	76	\$ 116.6
For the three months ended January 1, 2022	<u>276</u>		<u>276</u>	

- (1) On August 15, 2017, the Company's Board of Directors authorized the Program to repurchase up to \$100 million in total of the Company's common stock on or before August 1, 2020. In 2018 and 2019, the Board of Directors increased the share repurchase authorization under the Program to \$200 million and \$300 million, respectively. On July 3, 2020, the Board of Directors increased the share repurchase authorization under the Company's existing share repurchase program by an additional \$100 million to \$400 million, and extended its duration through August 1, 2022. The Company may repurchase shares of its common stock through open market and privately negotiated transactions at prices deemed appropriate by management. The Company has entered into a written trading plan under Rule 10b5-1 of the Exchange Act to facilitate repurchases under the Program. The Program may be suspended or discontinued at any time and will be funded using the Company's available cash, cash equivalents and short-term investments. The timing and amount of repurchase transactions under the Program depend on market conditions as well as corporate and regulatory considerations.

**Item 6. -**

Exhibit No.	Description
3.1	<a href="#"><u>The Company's Amended and Restated Articles of Incorporation, dated December 5, 2007, are incorporated herein by reference to Exhibit 3(i) to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2007, SEC file number 000-00121.</u></a>
3.2	<a href="#"><u>The Company's Amended and Restated By-Laws, dated October 22, 2015, are incorporated herein by reference to Exhibit 3(ii) to the Company's Current Report on Form 8-K dated October 22, 2015, SEC file number 000-00121.</u></a>
10.1	<a href="#"><u>The Company's 2021 Omnibus Incentive Plan is incorporated herein by reference to the Company's Proxy Statement on Schedule 14A for the annual meeting of shareholders on March 4, 2021.</u></a>
31.1	<a href="#"><u>Certification of Fusen Chen, Chief Executive Officer of Kulicke and Soffa Industries, Inc., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Lester Wong, Chief Financial Officer of Kulicke and Soffa Industries, Inc., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1*	<a href="#"><u>Certification of Fusen Chen, Chief Executive Officer of Kulicke and Soffa Industries, Inc., pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2*	<a href="#"><u>Certification of Lester Wong, Chief Financial Officer of Kulicke and Soffa Industries, Inc., pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101.INS).
*	This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act or the Exchange Act.



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.

KULICKE AND SOFFA INDUSTRIES, INC.

Date: February 3, 2022

By: /s/ LESTER WONG  
Lester Wong  
Executive Vice President and Chief Financial Officer  
(principal financial officer and principal accounting officer)

## CERTIFICATION

I, Fusen Chen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kulicke and Soffa Industries, Inc.;
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 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 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: February 3, 2022

By: /s/ FUSEN CHEN  
Fusen Chen  
President and Chief Executive Officer

## CERTIFICATION

I, Lester Wong, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kulicke and Soffa Industries, Inc.;
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 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 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: February 3, 2022

By: /s/ LESTER WONG

Lester Wong

Executive Vice President and Chief Financial Officer

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

I, Fusen Chen, President and Chief Executive Officer of Kulicke and Soffa Industries, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of Kulicke and Soffa Industries, Inc. for the period ended January 1, 2022 (the “ January 1, 2022 Form 10-Q”), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the January 1, 2022 Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Kulicke and Soffa Industries, Inc.

Date: February 3, 2022

By: /s/ FUSEN CHEN  
Fusen Chen  
President and Chief Executive Officer

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

I, Lester Wong, Executive Vice President and Chief Financial Officer of Kulicke and Soffa Industries, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of Kulicke and Soffa Industries, Inc. for the period ended January 1, 2022 (the “January 1, 2022 Form 10-Q”), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the January 1, 2022 Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Kulicke and Soffa Industries, Inc.

Date: February 3, 2022

By: /s/ LESTER WONG

Lester Wong

Executive Vice President and Chief Financial Officer