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 December 31, 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	**23-1498399**
(State or other jurisdiction of incorporation)	(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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 27, 2023, there were 56,687,879 shares of the Registrant's Common Stock, no par value, outstanding.

KULICKE AND SOFFA INDUSTRIES, INC.

FORM 10 – Q

December 31, 2022
Index

PART I. - FINANCIAL INFORMATION

Item 1. – FINANCIAL STATEMENTS

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

	As of	
	December 31, 2022	October 1, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 550,613	$ 555,537
Short-term investments	245,000	220,000
Accounts and other receivable, net of allowance for doubtful accounts of $0 and $0, respectively	200,337	309,323
Inventories, net	211,637	184,986
Prepaid expenses and other current assets	63,122	62,200
Total current assets	1,270,709	1,332,046
Property, plant and equipment, net	92,819	80,908
Operating right-of-use assets	45,377	41,767
Goodwill	70,536	68,096
Intangible assets, net	33,281	31,939
Deferred tax assets	28,414	25,572
Equity investments	5,433	5,397
Other assets	3,249	2,874
TOTAL ASSETS	$ 1,549,818	$ 1,588,599
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	57,482	67,311
Operating lease liabilities	6,841	6,766
Income taxes payable	45,799	40,063
Accrued expenses and other current liabilities	110,933	134,541
Total current liabilities	221,055	248,681
Deferred tax liabilities	34,139	34,037
Income taxes payable	64,641	64,634
Operating lease liabilities	40,325	34,927
Other liabilities	12,429	11,670
TOTAL LIABILITIES	$ 372,589	$ 393,949
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 56,747 and 57,128 shares, respectively	561,736	561,684
Treasury stock, at cost, 28,617 and 28,237 shares, respectively	(714,713)	(675,800)
Retained earnings	1,345,461	1,341,666
Accumulated other comprehensive loss	(15,255)	(32,900)
TOTAL SHAREHOLDERS' EQUITY	$ 1,177,229	$ 1,194,650
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,549,818	$ 1,588,599

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	
	December 31, 2022	January 1, 2022
Net revenue	$ 176,233	$ 460,888
Cost of sales	87,527	237,650
Gross profit	88,706	223,238
Selling, general and administrative	42,376	38,959
Research and development	34,508	33,169
Operating expenses	76,884	72,128
Income from operations	11,822	151,110
Interest income	6,559	471
Interest expense	(34)	(40)
Income before income taxes	18,347	151,541
Provision for income taxes	3,758	17,935
Net income	$ 14,589	$ 133,606
Net income per share:		
Basic	$ 0.26	$ 2.14
Diluted	$ 0.25	$ 2.11
Weighted average shares outstanding:		
Basic	57,051	62,385
Diluted	57,729	63,316

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	
	December 31, 2022	January 1, 2022
Net income	$ 14,589	$ 133,606
Other comprehensive income:		
Foreign currency translation adjustment	14,319	(1,665)
Unrecognized actuarial loss on pension plan, net of tax	(47)	(68)
	14,272	(1,733)
Derivatives designated as hedging instruments:		
Unrealized gain on derivative instruments, net of tax	3,093	208
Reclassification adjustment for loss on derivative instruments recognized, net of tax	280	536
Net increase from derivatives designated as hedging instruments, net of tax	3,373	744
Total other comprehensive income/(loss)	17,645	(989)
Comprehensive income	$ 32,234	$ 132,617

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					
	Shares	Amount	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Shareholders' Equity
Balances as of October 1, 2022	57,128	$ 561,684	$ (675,800)	$ 1,341,666	$ (32,900)	$ 1,194,650
Issuance of stock for services rendered	6	180	57	—	—	237
Repurchase of common stock	(1,054)	—	(45,382)	—	—	(45,382)
Issuance of shares for equity-based compensation	667	(6,412)	6,412	—	—	—
Equity-based compensation	—	6,284	—	—	—	6,284
Cash dividend declared	—	—	—	(10,794)	—	(10,794)
Components of comprehensive income:						
Net income	—	—	—	14,589	—	14,589
Other comprehensive income	—	—	—	—	17,645	17,645
Total comprehensive income	—	—	—	14,589	17,645	32,234
Balances as of December 31, 2022	56,747	$ 561,736	$ (714,713)	$ 1,345,461	$ (15,255)	$ 1,177,229

	Common Stock					
	Shares	Amount	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Shareholders' Equity
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 loss	—	—	—	—	(989)	(989)
Total comprehensive income/(loss)	—	—	—	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

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	
	December 31, 2022	January 1, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 14,589	$ 133,606
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,613	5,339
Equity-based compensation and employee benefits	6,521	5,312
Adjustment for inventory valuation	809	1,519
Deferred taxes	(2,740)	2,926
Gain on disposal of property, plant and equipment	(256)	—
Unrealized foreign currency translation	3,588	(414)
Changes in operating assets and liabilities, net of assets and liabilities assumed in businesses combinations:		
Accounts and other receivable	108,754	(10,322)
Inventories	(27,229)	(31,410)
Prepaid expenses and other current assets	252	(1,551)
Accounts payable, accrued expenses and other current liabilities	(32,763)	(23,278)
Income taxes payable	5,745	13,256
Other, net	2,233	891
Net cash provided by operating activities	85,116	95,874
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(13,878)	(2,711)
Investment in private equity fund	(36)	—
Purchase of short-term investments	(85,000)	(89,000)
Maturity of short-term investments	60,000	99,000
Net cash (used in)/provided by investing activities	(38,914)	7,289
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on short-term debt	—	(12,000)
Proceeds from short-term debt	—	12,000
Payment for finance lease	(159)	(118)
Repurchase of common stock/treasury stock	(46,328)	(15,286)
Common stock cash dividends paid	(9,743)	(8,673)
Net cash used in financing activities	(56,230)	(24,077)
Effect of exchange rate changes on cash and cash equivalents	5,104	(384)
Changes in cash and cash equivalents	(4,924)	78,702
Cash and cash equivalents at beginning of period	555,537	362,788
Cash and cash equivalents at end of period	550,613	$ 441,490
CASH (RECEIVED)/PAID FOR		
Cash paid for interest	$ 34	$ 40
Cash (received)/paid for income taxes, net of refunds	$ (4,702)	$ 2,385

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 statement 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 1, 2022, filed with the Securities and Exchange Commission, which includes Consolidated Balance Sheets as of October 1, 2022 and October 2, 2021, 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 1, 2022. 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 2023 quarters end on December 31, 2022, April 1, 2023, July 1, 2023 and September 30, 2023. In fiscal years consisting of 53 weeks, the fourth quarter will consist of 14 weeks. Fiscal 2022 quarters ended on January 1, 2022, April 2, 2022, July 2, 2022 and October 1, 2022.

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 and macroeconomic headwinds, 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 December 31, 2022. While there was no material impact to our consolidated condensed financial statements as of and for the quarter ended December 31, 2022, these estimates may change, as new events occur and additional information is obtained, as well as other factors related to COVID-19 and macroeconomic headwinds that could materially impact our consolidated condensed financial statements in future reporting periods.

Significant Accounting Policies

There have been no material changes to our significant accounting policies summarized in Note 1 "Basis of Presentation" to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended October 1, 2022.

Recent Accounting Pronouncements

Government Assistance

In November 2021, the FASB issued ASU 2021-10, *Government Assistance* (Topic 832): Disclosure by Business Entities about Government Assistance which aims at increasing the transparency of government assistance received by most business entities. The standard requires business entities to make annual disclosures about the nature of the transactions and the related accounting policy used to account for the transactions, the line items and applicable amounts on the balance sheet and income statement that are affected by the transactions, and significant terms and conditions of the transactions, including commitments and contingencies. If an entity omits any required disclosures because it is legally prohibited, it must describe the general nature of the information and indicate that the omitted disclosures are legally prohibited from being disclosed. This ASU is effective for fiscal years beginning after December 15, 2021, which for the Company is in fiscal 2023. The Company will include disclosures for material items with the filing of its Annual Report on Form 10-K for the year ending on September 30, 2023.

NOTE 2. BALANCE SHEET COMPONENTS

The following tables reflect the components of significant balance sheet accounts as of December 31, 2022 and October 1, 2022:

	As of	
(in thousands)	December 31, 2022	October 1, 2022
Short-term investments, available-for-sale [(1)]	$ 245,000	$ 220,000
Inventories, net:		
Raw materials and supplies	$ 142,520	$ 118,833
Work in process	43,117	40,114
Finished goods	45,118	45,277
	230,755	204,224
Inventory reserves	(19,118)	(19,238)
	$ 211,637	$ 184,986
Property, plant and equipment, net:		
Land	$ 2,182	$ 2,182
Buildings and building improvements	22,964	22,783
Leasehold improvements	32,784	32,400
Data processing equipment and software	39,282	38,223
Machinery, equipment, furniture and fixtures	93,931	90,151
Construction in progress	37,356	25,004
	228,499	210,743
Accumulated depreciation	(135,680)	(129,835)
	$ 92,819	$ 80,908
Accrued expenses and other current liabilities:		
Accrued customer obligations [(2)]	$ 55,833	$ 58,916
Wages and benefits	26,494	50,279
Dividends payable	10,794	9,743
Commissions and professional fees	3,435	5,019
Severance	88	19
Other	14,289	10,565
	$ 110,933	$ 134,541

(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 December 31, 2022 and January 1, 2022.

(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.

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 2022 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 non-cash impairment in the future.

During the three months ended December 31, 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 December 31, 2022, the prolonged COVID-19 pandemic and macroeconomic headwinds 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 December 31, 2022 and October 1, 2022:

(in thousands)	Capital Equipment	APS	Total
Balance at October 1, 2022	$ 42,189	$ 25,907	$ 68,096
Other	2,198	242	$ 2,440
Balance at December 31, 2022	$ 44,387	$ 26,149	$ 70,536

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, and trade and brand names.

The following table reflects net intangible assets as of December 31, 2022 and October 1, 2022:

	As of		Average estimated
(dollar amounts in thousands)	December 31, 2022	October 1, 2022	useful lives *(in years)*
Developed technology	$ 94,149	$ 89,017	6.0 to 15.0
Accumulated amortization	(62,335)	(58,636)	
Net developed technology	$ 31,814	$ 30,381	
Customer relationships	$ 34,822	$ 33,515	5.0 to 6.0
Accumulated amortization	(34,822)	(33,515)	
Net customer relationships	$ —	$ —	
Trade and brand name	$ 7,161	$ 6,945	7.0 to 8.0
Accumulated amortization	(7,161)	(6,945)	
Net trade and brand name	—	—	
Other intangible assets	$ 4,700	$ 4,700	1.9 to 6.0
Accumulated amortization	(3,233)	(3,142)	
Net other intangible assets	$ 1,467	$ 1,558	
	$ 33,281	$ 31,939	

The following table reflects estimated annual amortization expense related to intangible assets as of December 31, 2022:

	As of
(in thousands)	December 31, 2022
Remaining fiscal 2023	$ 4,354
Fiscal 2024	5,806
Fiscal 2025	5,806
Fiscal 2026	5,806
Fiscal 2027	5,108
Thereafter	6,401
Total amortization expense	$ 33,281

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.

Cash, cash equivalents, and short-term investments consisted of the following as of December 31, 2022:

(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	$ 124,825	$ —	$ —	$ 124,825
Cash equivalents:				
Money market funds [1]	300,785	—	(6)	300,779
Time deposits [2]	125,009	—	—	125,009
Total cash and cash equivalents	$ 550,619	$ —	$ (6)	$ 550,613
Short-term investments:				
Time deposits [2]	245,000	—	—	245,000
Total short-term investments	$ 245,000	$ —	$ —	$ 245,000
Total cash, cash equivalents and short-term investments	$ 795,619	$ —	$ (6)	$ 795,613

(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 1, 2022:

(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash	$ 173,402	$ —	$ —	$ 173,402
Cash equivalents:				
Money market funds [1]	157,145	—	(20)	157,125
Time deposits [2]	225,010	—	—	225,010
Total cash and cash equivalents	$ 555,557	$ —	$ (20)	$ 555,537
Short-term investments:				
Time deposits [2]	220,000	—	—	220,000
Total short-term investments	$ 220,000	$ —	$ —	$ 220,000
Total cash, cash equivalents and short-term investments	$ 775,557	$ —	$ (20)	$ 775,537

(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 December 31, 2022 and October 1, 2022:

	As of	
(in thousands)	December 31, 2022	October 1, 2022
Non-marketable equity securities	$ 5,433	$ 5,397

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 December 31, 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 December 31, 2022 and October 1, 2022 were as follows:

	As of			
	December 31, 2022		October 1, 2022	
(in thousands)	Notional Amount	Fair Value Asset Derivatives(1)	Notional Amount	Fair Value Liability Derivatives(2)
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts (3)	$ 47,395	$ 1,139	$ 57,570	$ (2,234)
Total derivatives	$ 47,395	$ 1,139	$ 57,570	$ (2,234)

(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.

The effects of derivative instruments designated as cash flow hedges in our Consolidated Condensed Statements of Comprehensive Income for the three months ended December 31, 2022 and January 1, 2022 were as follows:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Foreign exchange forward contract in cash flow hedging relationships:		
Net gain recognized in OCI, net of tax (1)	$ 3,093	$ 208
Net loss reclassified from accumulated OCI into income, net of tax (2)	$ (280)	$ (536)

(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 December 31, 2022, there were four options 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 December 31, 2022 and October 1, 2022, our finance leases are not material.

The following table shows the components of lease expense:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Operating lease expense [1]	$ 2,590	$ 2,054

(1) Operating lease expense includes short-term lease expense, which is immaterial for the three months ended December 31, 2022 and January 1, 2022.

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:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 2,284	$ 1,885

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

	As of	
	December 31, 2022	October 1, 2022
Operating leases:		
Weighted-average remaining lease term *(in years)*:	8.0	8.0
Weighted-average discount rate:	5.9 %	5.8 %

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

	As of
(in thousands)	December 31, 2022
Remaining fiscal 2023	$ 7,194
Fiscal 2024	8,906
Fiscal 2025	8,116
Fiscal 2026	7,152
Fiscal 2027	5,371
Thereafter	23,311
Total minimum lease payments	$ 60,050
Less: Interest	$ 12,884
Present value of lease obligations	$ 47,166
Less: Current portion	$ 6,841
Long-term portion of lease obligations	$ 40,325

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 December 31, 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 Secured Overnight Financing Rate (“SOFR”) 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 December 31, 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 “401(k) Plan”) for eligible U.S. employees. The 401(k) Plan allows for employee contributions and matching Company contributions from 4% to 6% based upon terms and conditions of the 401(k) Plan.

The following table reflects the Company’s contributions to the 401(k) Plan during the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Cash	$ 474	$ 508

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, 2019 and 2020, the Board of Directors increased the share repurchase authorization under the Program to $200 million, $300 million, and $400 million, respectively. On March 3, 2022, the Board of Directors further increased the share repurchase authorization under the Program by an additional $400 million to $800 million, and extended its duration through August 1, 2025. 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 December 31, 2022, the Company repurchased a total of approximately 1,054.3 thousand shares of common stock under the Program at a cost of approximately $45.4 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 re-issuance 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 December 31, 2022, our remaining stock repurchase authorization under the Program was approximately $203.8 million.

Dividends

On November 16, 2022, the Board of Directors declared a quarterly dividend of $0.19 per share of common stock. Dividends paid during the three months ended December 31, 2022 totaled $9.7 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 Loss

The following table reflects accumulated other comprehensive loss reflected on the Consolidated Condensed Balance Sheets as of December 31, 2022 and October 1, 2022:

	As of	
(in thousands)	December 31, 2022	October 1, 2022
Loss from foreign currency translation adjustments	$ (15,535)	$ (29,854)
Unrecognized actuarial loss on pension plan, net of tax	(859)	(812)
Unrealized gain/(loss) on hedging	1,139	(2,234)
Accumulated other comprehensive loss	$ (15,255)	$ (32,900)

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 December 31, 2022, 2.5 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 stock 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 the 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.
- Revenue Growth Performance Share Units ("Growth PSUs") entitle the employee to receive common stock 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, 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.

Equity-based compensation expense recognized in the Consolidated Condensed Statements of Operations for the three months ended December 31, 2022 and January 1, 2022 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 December 31, 2022 and January 1, 2022:

	Three months ended	
(shares in thousands)	December 31, 2022	January 1, 2022
Time-based RSUs	508	295
Relative TSR PSUs	186	150
Growth PSUs	92	74
Common stock	6	4
Equity-based compensation in shares	792	523

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 December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Cost of sales	$ 308	$ 226
Selling, general and administrative	4,867	3,956
Research and development	1,346	1,130
Total equity-based compensation expense	$ 6,521	$ 5,312

The following table reflects equity-based compensation expense, by type of award, for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Time-based RSUs	$ 3,587	$ 2,896
Relative TSR PSUs	1,252	913
Growth PSUs	1,445	1,265
Common stock	237	238
Total equity-based compensation expense	$ 6,521	$ 5,312

NOTE 11. REVENUE AND CONTRACT BALANCES

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 December 31, 2022, and January 1, 2022, the service revenue was not material.

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 Balances

Our contract assets relate to our rights to consideration for revenue with collection dependent on events other than the passage of time, such as the achievement of specified payment milestones. The contract assets will be transferred to net account receivables as our right to consideration for these contract assets become unconditional. Contracts assets are reported in the accompanying Consolidated Condensed Balance Sheets within prepaid expenses and other current assets.

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 asset balances during the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Contract assets, beginning of period	$ 26,317	$ —
Additions	2,670	—
Contract assets, end of period	$ 28,987	$ —

The following table shows the changes in contract liability balances during the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Contract liabilities, beginning of period	$ 3,160	$ 15,596
Revenue recognized	(7,270)	(31,366)
Additions	11,891	43,998
Contract liabilities, end of period	$ 7,781	$ 28,228

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. 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 December 31, 2022 and January 1, 2022:

	Three months ended			
(in thousands, except per share data)	December 31, 2022		January 1, 2022	
	Basic	Diluted	Basic	Diluted
NUMERATOR:				
Net income	$ 14,589	$ 14,589	$ 133,606	$ 133,606
DENOMINATOR:				
Weighted average shares outstanding - Basic	57,051	57,051	62,385	62,385
Dilutive effect of Equity Plans		678		931
Weighted average shares outstanding - Diluted		57,729		63,316
EPS:				
Net income per share - Basic	$ 0.26	$ 0.26	$ 2.14	$ 2.14
Effect of dilutive shares		(0.01)		(0.03)
Net income per share - Diluted		$ 0.25		$ 2.11
Anti-dilutive shares[(1)]		1		38

(1) Represents the Relative TSR PSUs and Growth PSUs that are excluded from the calculation of diluted earnings per share for the three months ended December 31, 2022 and January 1, 2022 as the effect would have been anti-dilutive.

NOTE 13. INCOME TAXES

The following table reflects the provision for income taxes and the effective tax rate for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
(dollar amounts in thousands)	December 31, 2022	January 1, 2022
Provision for income taxes	$ 3,758	$ 17,935
Effective tax rate	20.5 %	11.8 %

The increase in the effective tax rate for the three months ended December 31, 2022 as compared to the three months ended January 1, 2022 is primarily related to the impact of mandatory capitalization of R&D expenditures to foreign minimum tax.

For the three months ended December 31, 2022, the effective tax rate is slightly lower than the U.S. federal statutory tax rate primarily due to foreign income earned in lower tax jurisdictions, tax incentives and tax credits, 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 December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Net revenue:		
Capital Equipment	$ 135,372	$ 408,528
APS	40,861	52,360
Net revenue	176,233	460,888
Income from operations:		
Capital Equipment	3,872	132,019
APS	7,950	19,091
Income from operations	$ 11,822	$ 151,110

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.

The following table reflects net revenue by Capital Equipment end markets served for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
General Semiconductor	$ 68,372	$ 248,523
Automotive & Industrial	53,180	50,648
LED	9,193	66,155
Memory	4,627	43,202
Total Capital Equipment revenue	$ 135,372	$ 408,528

The following table reflects capital expenditures, depreciation expense and amortization expense for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Capital expenditures:		
Capital Equipment	$ 14,099	$ 1,966
APS	1,552	910
	$ 15,651	$ 2,876
Depreciation expense:		
Capital Equipment	$ 2,440	$ 2,283
APS	1,779	1,773
	$ 4,219	$ 4,056
Amortization expense:		
Capital Equipment	$ 1,021	$ 1,012
APS	373	271
	$ 1,394	$ 1,283

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 December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Reserve for warranty, beginning of period	$ 13,443	$ 16,961
Provision for warranty	2,100	3,968
Utilization of reserve	(4,122)	(3,819)
Reserve for warranty, end of period	$ 11,421	$ 17,110

Other Commitments and Contingencies

The following table reflects obligations not reflected on the Consolidated Condensed Balance Sheets as of December 31, 2022:

		Payments due by fiscal year					
(in thousands)	Total	2023	2024	2025	2026	2027	thereafter
Inventory purchase obligation (1)	$ 273,139	$ 153,613	$ 119,526	$ —	$ —	$ —	$ —

(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.

Unfunded Capital Commitments

As of December 31, 2022, the Company also has an obligation to fund uncalled capital commitments of approximately $9.6 million, as and when required, in relation to its investment in a private equity fund.

Concentrations

The following table reflects significant customer concentrations as a percentage of net revenue for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
	December 31, 2022	January 1, 2022
Tianshui Huatian Technology Co., Ltd.	*	11.2 %
STMicroelectronics N.V.	12.8 %	*
First Technology China Ltd.	11.2 %	*

* Represents less than 10% of total net revenue

The following table reflects significant customer concentrations as a percentage of total accounts receivable as of December 31, 2022 and January 1, 2022:

	As of	
	December 31, 2022	January 1, 2022
Tianshui Huatian Technology Co., Ltd.	*	25.0 %
Haoseng Industrial Co., Ltd. (1)	15.7 %	15.6 %

(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; our capital allocation strategies, including any share repurchases; demand for our products, including replacement demand; our research and development effort; 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 actual or potential inflationary pressures, interest rate and risk premium adjustments, falling consumer sentiment, or economic recession caused, directly or indirectly, by the prolonged Ukraine/Russia conflict, geopolitical tensions and other macroeconomic factors;*
- *our expectations regarding the potential impacts on our business of the novel coronavirus ("COVID-19") pandemic, including supply chain disruptions, the economic and public health effects, and governmental and other responses to these impacts;*
- *our expectations regarding our effective tax rate and our unrecognized tax benefit;*
- *our ability to operate our business in accordance with our business plan;*
- *risks inherent in doing business on an international level, including currency risks, regulatory requirements, political risks, export restrictions and other trade barriers;*
- *projected growth rates in the overall semiconductor industry, the semiconductor assembly equipment market, and the market for semiconductor packaging materials; and*
- *projected demand for our products 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 1, 2022 (our "2022 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 the foundations for technological advancement - in creating and 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, mini and micro LED transfer 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, integrated device manufacturers ("IDMs"), outsourced semiconductor assembly and test providers ("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 December 31, 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 tools, mini and micro LED transfer solutions, hybrid and electronic assembly solutions to semiconductor device manufacturers, IDMs, foundries, OSATs, display manufacturers, 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.

From time to time, our customers may request that we deliver our products to countries where they own or operate production facilities or to countries where they utilize third-party subcontractors or warehouses as part of their supply chain. For example, customers headquartered in the U.S. may require us to deliver our products to their back-end production facilities in China. Our customer base in Asia/Pacific region has become more geographically concentrated over time due to customer's requests, including as a result of general economic and industry conditions. Approximately 89.1% and 97.6% of our net revenue for the three months ended December 31, 2022 and January 1, 2022, respectively, were for shipments to customer locations outside of the U.S., primarily in the Asia/Pacific region. Approximately 32.8% and 61.8% of our net revenue for the three months ended December 31, 2022 and January 1, 2022, respectively, were for shipments to customers headquartered in China. While our customers are impacted by the current macroeconomic conditions globally, China, as an important manufacturing and supply chain hub, has witnessed a faster decline in demand and, accordingly, a faster decline in product shipments, compared to the rest of the world. The shipments to customers headquartered in China are subject to heightened risks and uncertainties related to the respective policies of the government 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 markets.

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 our 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 December 31, 2022, our total cash, cash equivalents and short-term investments were $795.6 million, a $20.1 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 2023 to Date

COVID-19 Pandemic

The COVID-19 pandemic and the resulting containment measures have 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. The global COVID-19 response remains dynamic and some countries continue to impose or newly introduce quarantines, containment measures or travel restrictions, especially in light of the current surge of COVID-19 cases in China due to the recent lifting of its stringent restrictions. In certain jurisdictions there has been a resurgence of illnesses, which has led to the re-tightening of restrictions. There continues to be a real threat of new variants of the virus emerging in other jurisdictions.

In response to the COVID-19 pandemic, we previously had to temporarily close certain offices in the United States, Europe and Asia, as well as execute our Business Continuity Plan ("BCP"), which measures have disrupted our business operations. Our manufacturing locations have returned to normal operations and, as most countries have relaxed the containment measures over the past few months, we have recalibrated our BCP and restarted other activities in conformance with local guidelines. Our BCP has not included significant headcount reductions or changes in our overall liquidity position.

Macroeconomic Headwinds

We continue to be 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 are challenging in many jurisdictions, especially to, from and within China. In addition, the cost of logistics have increased as a result of macroeconomic conditions and general inflationary pressures, and labor shortages have further contributed to rising costs across the supply chain, further exacerbating the impact the pandemic has had on the supply chain.

We believe that the semiconductor industry macroeconomics have not changed and we anticipate that the industry's long-term growth projections will normalize, but the sector is seeing short-term volatility and disruption due to general inflationary pressures, falling consumer sentiment, or economic downturn caused, directly or indirectly, by various macroeconomic factors, including the prolonged Ukraine/Russia conflict.

The prolonged Ukraine/Russia conflict has not materially impact on our financial condition and operating results in fiscal 2023 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, prolonged Ukraine/Russia conflict or other macroeconomic factors, for at least the next twelve months from the date of filing. However, this is a highly dynamic situation. As the macroeconomic situation remains highly volatile and the geopolitical situation remains uncertain, there is uncertainty surrounding the operations of our manufacturing locations, our business, our expectations regarding future demand or supply conditions and our near- and long-term liquidity, our financial condition and, consequentially, our operating results could deteriorate.

For a description of the risks to our business arising from or relating to the COVID-19 pandemic and general macroeconomic conditions, please see Part I, Item 1A, "Risk Factors" of our 2022 Annual Report.

RESULTS OF OPERATIONS

The following tables reflect our income from operations for the three months ended December 31, 2022 and January 1, 2022:

(dollar amounts in thousands)	Three months ended December 31, 2022	Three months ended January 1, 2022	$ Change	% Change
Net revenue	$ 176,233	$ 460,888	$ (284,655)	(61.8)%
Cost of sales	87,527	237,650	(150,123)	(63.2)%
Gross profit	88,706	223,238	(134,532)	(60.3)%
Selling, general and administrative	42,376	38,959	3,417	8.8 %
Research and development	34,508	33,169	1,339	4.0 %
Operating expenses	76,884	72,128	4,756	6.6 %
Income from operations	$ 11,822	$ 151,110	$ (139,288)	(92.2)%

Net Revenue

Our net revenue for the three months ended December 31, 2022 decreased as compared to our net revenue for the three months ended January 1, 2022. The decrease in net revenue is primarily due to lower volume in Capital Equipment and APS.

The following tables reflect net revenue by reportable segments for the three months ended December 31, 2022 and January 1, 2022:

(dollar amounts in thousands)	Three months ended December 31, 2022		Three months ended January 1, 2022		$ Change	% Change
	Net Revenue	% of total net revenue	Net Revenue	% of total net revenue		
Capital Equipment	$ 135,372	76.8 %	$ 408,528	88.6 %	$ (273,156)	(66.9)%
APS	40,861	23.2 %	52,360	11.4 %	(11,499)	(22.0)%
Total net revenue	$ 176,233	100.0 %	$ 460,888	100.0 %	$ (284,655)	(61.8)%

Capital Equipment

For the three months ended December 31, 2022, the lower Capital Equipment net revenue as compared to the prior year period was primarily due to lower volume. The lower volume was due to a decrease in customer investments as a result of uncertainties in the overall macroeconomic environment. The lower volume was partially offset by favorable price variance due to customer mix.

APS

For the three months ended December 31, 2022, the lower APS net revenue as compared to the prior year period was primarily due to lower volume in spares, services and bonding tools. The lower volume was due to a decrease in customer utilization.

Gross Profit Margin

The following tables reflect gross profit margin as a percentage of net revenue by reportable segments for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended December 31, 2022	Three months ended January 1, 2022	Basis Point Change
Capital Equipment	48.8 %	46.9 %	190
APS	55.3 %	60.4 %	(510)
Total gross profit margin	50.3 %	48.4 %	190

Capital Equipment

For the three months ended December 31, 2022, the higher Capital Equipment gross profit margin as compared to the prior year period was primarily driven by favorable customer and product mix.

APS

For the three months ended December 31, 2022, the lower APS gross profit margin as compared to the prior year period was primarily driven by less favorable product mix in spares, services and bonding tools, and the less favorable price variance in bonding tools.

Operating Expenses

The following tables reflect operating expenses for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended			
(dollar amounts in thousands)	December 31, 2022	January 1, 2022	$ Change	% Change
Selling, general & administrative	$ 42,376	$ 38,959	$ 3,417	8.8 %
Research & development	34,508	33,169	1,339	4.0 %
Total	$ 76,884	$ 72,128	$ 4,756	6.6 %

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

For the three months ended December 31, 2022, the higher SG&A expenses as compared to the prior year period were primarily due to $6.4 million unfavorable variance in foreign exchange, $0.7 million professional services and $0.3 million severance expenses. These were partially offset by $4.1 million lower sales representative commissions.

Research and Development ("R&D")

For the three months ended December 31, 2022, the higher R&D expenses as compared to the prior year period were primarily due to higher staff costs related to increase in headcount.

Income from Operations

The following tables reflect income from operations by reportable segments for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended			
(dollar amounts in thousands)	December 31, 2022	January 1, 2022	$ Change	% Change
Capital Equipment	$ 3,872	$ 132,019	$ (128,147)	(97.1)%
APS	7,950	19,091	(11,141)	(58.4)%
Total income from operations	$ 11,822	$ 151,110	$ (139,288)	(92.2)%

Capital Equipment and APS

For the three months ended December 31, 2022, the lower Capital Equipment and APS income from operations as compared to the prior year period was primarily due to lower revenue as explained under "Net Revenue" above.

Interest Income and Expense

The following tables reflect interest income and interest expense for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended			
(dollar amounts in thousands)	December 31, 2022	January 1, 2022	$ Change	% Change
Interest income	$ 6,559	$ 471	$ 6,088	1,292.6 %
Interest expense	$ (34)	$ (40)	$ 6	(15.0)%

Interest income

For the three months ended December 31, 2022, the higher interest income as compared to the prior year period was primarily due to higher weighted average interest rate on cash, cash equivalents and short-term investments.

Provision for Income Taxes

The following table reflects the provision for income taxes and the effective tax rate for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended		
(dollar amounts in thousands)	December 31, 2022	January 1, 2022	Change
Provision for income taxes	$ 3,758	$ 17,935	$ (14,177)
Effective tax rate	20.5 %	11.8 %	8.7 %

Please refer to Note 13 of Item 1 for discussion on the provision for income taxes for the three months ended December 31, 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 December 31, 2022 and October 1, 2022:

	As of		
(dollar amounts in thousands)	December 31, 2022	October 1, 2022	$ Change
Cash and cash equivalents	$ 550,613	$ 555,537	$ (4,924)
Short-term investments	245,000	220,000	25,000
Total cash, cash equivalents, and short-term investments	$ 795,613	$ 775,537	$ 20,076
Percentage of total assets	51.3%	48.8%	

The following table reflects a summary of the Consolidated Condensed Statements of Cash Flow information for the three months ended December 31, 2022 and January 1, 2022:

	Three months ended	
(in thousands)	December 31, 2022	January 1, 2022
Net cash provided by operating activities	$ 85,116	$ 95,874
Net cash (used in)/provided by investing activities	(38,914)	7,289
Net cash used in financing activities	(56,230)	(24,077)
Effect of exchange rate changes on cash and cash equivalents	5,104	(384)
Changes in cash and cash equivalents	$ (4,924)	$ 78,702
Cash and cash equivalents, beginning of period	555,537	362,788
Cash and cash equivalents, end of period	$ 550,613	$ 441,490

Three months ended December 31, 2022

Net cash provided by operating activities was primarily due to net income of $14.6 million, non-cash adjustments to net income of $13.5 million and a net favorable change in operating assets and liabilities of $57.0 million. The net change in operating assets and liabilities was primarily driven by a decrease in accounts and other receivable of $108.8 million, prepaid expenses and other current assets of $0.3 million, and income tax payable of $5.7 million. This was partially offset by an increase in inventories of $27.2 million and a decrease in accounts payable and accrued expenses and other current liabilities of $32.8 million.

The decrease in accounts and other receivable in the three months ended December 31, 2022 was mainly due to lower sales in the period. The decrease in accounts payable and accrued expenses and other current liabilities was primarily due to higher payments to suppliers and lower accrued employee compensation that was paid out in the period. The increase in inventories was due to slower utilization in the period.

Net cash used in investing activities was due to net purchase of short-term investments of $25.0 million and capital expenditures of $13.9 million.

Net cash used in financing activities was primarily due to common stock repurchases of $46.3 million and dividend payments of $9.7 million.

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.

Fiscal 2023 Liquidity and Capital Resource Outlook

We expect our aggregate fiscal 2023 capital expenditures to be between approximately $70.0 million and $74.0 million, of which approximately $15.7 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 macroeconomic conditions, including the impact from the COVID-19 pandemic, actual or potential inflationary pressures, geopolitical tensions including the prolonged Ukraine/Russia conflict and other factors, some of which are beyond our control.

As of December 31, 2022 and October 1, 2022, approximately $548.3 million and $499.8 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. The Company's U.S. operations and capital requirements are anticipated to be funded primarily by cash generated from U.S. operating activities and cash held by U.S. entities. In the future, the Company may repatriate additional cash held by foreign subsidiaries that has already been subject to U.S. income taxes or drawdown cash from our existing Facility Agreements. We believe these sources of cash and liquidity are sufficient to meet our additional liquidity needs for the foreseeable future including repayment of outstanding balances under the Facility Agreements, as well as payment of dividends, share repurchases and income taxes.

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 and macroeconomic headwinds, for at least the next twelve months and beyond. Our liquidity is affected by many factors, some based on normal operations of our business and others related to macroeconomic conditions including actual or potential inflationary pressures, industry-related uncertainties, effects arising from the prolonged Ukraine/Russia conflict, 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, the prolonged Ukraine/Russia conflict 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 of the Company's common stock on or before August 1, 2020. In 2018, 2019 and 2020, the Board of Directors increased the share repurchase authorization under the Program to $200 million, $300 million, and $400 million, respectively. On March 3, 2022, the Board of Directors further increased the share repurchase authorization under the Program by an additional $400 million to $800 million, and extended its duration through August 1, 2025. 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 December 31, 2022, the Company repurchased a total of approximately 1,054.3 thousand shares of common stock under the Program at a cost of approximately $45.4 million. The stock repurchases were recorded in the periods in which the shares 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 re-issuance 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 December 31, 2022, our remaining stock repurchase authorization under the Program was approximately $203.8 million.

Dividends

On November 16, 2022, the Board of Directors declared a quarterly dividend of $0.19 per share of common stock. Dividends paid during the three months ended December 31, 2022 totaled $9.7 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 December 31, 2022, the Company had deferred tax liabilities of $34.1 million and unrecognized tax benefits within the income taxes payable for uncertain tax positions of $17.0 million, inclusive of accrued interest on uncertain tax positions of $2.2 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 December 31, 2022:

		Payments due in			
(in thousands)	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Inventory purchase obligations [1]	$ 273,139	$ 153,613	$ 119,526	$ —	$ —
U.S. one-time transition tax payable [2] (reflected on our Consolidated Condensed Balance Sheets)	$ 54,408	6,723	29,414	18,271	—
Total	$ 327,547	$ 160,336	$ 148,940	$ 18,271	$ —

(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.

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 Secured Overnight Financing Rate ("SOFR") 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 December 31, 2022, there were no outstanding amounts under the Overdraft Facility.

As of December 31, 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 December 31, 2022, a 10.0% fluctuation could impact our financial position, results of operations or cash flows by $4.0 million to $5.0 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 $47.4 million outstanding as of December 31, 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 December 31, 2022. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 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 December 31, 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 2022 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 December 31, 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(1)
October 2, 2022 to October 29, 2022	450	$ 39.94	450	$ 231.2
October 30, 2022 to December 3, 2022	469	$ 45.20	469	$ 210.0
December 4, 2022 to December 31, 2022	135	$ 45.89	135	$ 203.8
For the three months ended December 31, 2022	1,054		1,054	

(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, 2019 and 2020, the Board of Directors increased the share repurchase authorization under the Program to $200 million, $300 million and $400 million, respectively. On May 3, 2022, the Board of Directors further increased the share repurchase authorization under the Company's existing share repurchase program by an additional $400 million to $800 million, and extended its duration through August 1, 2025. 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 3. – Defaults Upon Senior Securities.

None.

Item 4. – Mine Safety Disclosures

None.

Item 5. – Other Information

None.

Item 6. -

Exhibit No.	Description
3.1	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.
3.2	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.
31.1	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.
31.2	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.
32.1*	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.
32.2*	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.
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 2, 2023	By:	/s/ LESTER WONG
		Lester Wong
		Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)

Exhibit 31.1

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 2, 2023

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

Exhibit 31.2

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 2, 2023

By: /s/ LESTER WONG
Lester Wong
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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 December 31, 2022 (the " December 31, 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 December 31, 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 2, 2023

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

Exhibit 32.2

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 December 31, 2022 (the "December 31, 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 December 31, 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 2, 2023	By:	/s/ LESTER WONG
		Lester Wong
		Executive Vice President and Chief Financial Officer