



October 24, 2013

FormFactor, Inc. Reports Third Quarter Results

Company Delivers Second Consecutive Quarter of Positive Cash Flow

LIVERMORE, CA -- (Marketwired) -- 10/24/13 -- FormFactor, Inc. (NASDAQ: FORM) today announced its financial results for the third quarter of fiscal 2013 that ended on September 28, 2013. Quarterly revenues were \$67.6 million, up 7.8% from \$62.7 million in the second quarter of fiscal 2013, and up 63.9% from \$41.3 million in the third quarter of fiscal 2012.

On a GAAP basis, net loss for the third quarter of fiscal 2013 was \$10.7 million or \$(0.20) per fully-diluted share, compared to a net loss for the second quarter of fiscal 2013 of \$8.4 million or \$(0.16) per fully-diluted share, and a net loss for the third quarter of fiscal 2012 of \$14.5 million or \$(0.29) per fully-diluted share.

On a Non-GAAP basis, net loss for the third quarter of fiscal 2013 was \$3.5 million, or \$(0.06) per fully-diluted share, compared to a net loss for the second quarter of fiscal 2013 of \$0.3 million or \$(0.01) per fully-diluted share, and a net loss for the third quarter of fiscal 2012 of \$7.7 million or \$(0.15) per fully-diluted share.

Although third quarter revenue was within the anticipated range, Non-GAAP gross profit at 24% of sales was significantly below the anticipated range, due to a combination of factors including lower than forecasted manufacturing utilization during September due to a significant drop in demand, lower margins on a specific high-volume DRAM design, increased warranty and service expenses caused by execution challenges at a specific customer and increased excess inventory charges.

For the third quarter, the difference between GAAP gross profit of \$12.5 million, 19% of sales, and Non-GAAP gross profit of \$16.3 million, 24% of sales, is that Non-GAAP gross profit excludes \$0.6 million of stock-based compensation expense and \$3.2 million of intangible asset amortization expense.

A reconciliation of GAAP to non-GAAP net loss and net loss per share is provided in the schedules included below.

Cash generation for the third quarter of fiscal 2013 was \$1.8 million, compared to cash generation of \$1.0 million for the second quarter of fiscal 2013 and cash usage of \$1.6 million for the third quarter of fiscal 2012.

"We are currently addressing our Q3 operational execution challenges," said Tom St. Dennis, CEO and Executive Chairman of FormFactor. "Despite our financial performance in Q3, the company made progress in products addressing all markets and delivered positive cash flow for the second consecutive quarter."

The company has posted its revenue breakdown by region and market segment on the Investors section of its website at www.formfactor.com. FormFactor will conduct a conference call at 5:30 a.m. PDT, or 8:30 a.m. EDT, today.

The public is invited to listen to a live webcast of FormFactor's conference call on the Investors section of the company's website at www.formfactor.com. A telephone replay of the conference call will be available approximately two hours after the conclusion of the call. The telephone replay will be available through October 26, 2013, 9:00 p.m. Pacific Daylight Time, and can be accessed by dialing (855) 859-2056 (domestic) or (404) 537-3406 (international) and entering confirmation code 72494882. Additionally, the replay will be available on the Investors section of our website, www.formfactor.com.

Non-GAAP Financial Measures:

This press release highlights the company's financial results on both a GAAP and a non-GAAP basis. The GAAP results include certain charges that are excluded from non-GAAP results. By publishing the non-GAAP measures, management intends to provide investors with additional information to further analyze the company's performance, core results and underlying trends. FormFactor's management evaluates results and makes operating decisions using both GAAP and non-GAAP measures included in this press release. Non-GAAP results are not prepared in accordance with GAAP, and non-GAAP information should be considered a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures to their most directly comparable GAAP measures attached to this press release.

About FormFactor:

FormFactor, Inc. (NASDAQ: FORM) is a leader in advanced wafer test solutions. The company's advanced wafer probe cards enable semiconductor manufacturers to lower their overall production costs, improve yields and bring next-generation devices to market. FormFactor's acquisition of MicroProbe creates the leading wafer test solution provider for both memory and non-memory semiconductor manufacturers. FormFactor is headquartered in Livermore, California with operations in Europe, Asia and North America. For more information, visit the company's website at www.formfactor.com.

FormFactor, MicroProbe, and the FormFactor and MicroProbe logos are registered or unregistered trademarks of FormFactor, Inc. All other product, trademark, company or service names mentioned herein are the property of their respective owners.

Forward-looking Statements:

Statements in this press release that are not strictly historical in nature are forward-looking statements within the meaning of the federal securities laws, including statements regarding anticipated results, market conditions or trends, expectations and operating plans. These forward-looking statements are based on current information and expectations that are inherently subject to change and involve a number of risks and uncertainties. Actual events or results might differ materially from those in any forward-looking statement due to various factors, including, but not limited to: unexpected changes in the company's manufacturing utilization, greater than anticipated warranty and service expenses, variances in margins on specific product designs, increased inventory charges, and seasonal industry trends; risks of the company's ability to realize further operational efficiencies and achieve synergies through the MicroProbe integration; and changes in the market and macro-economic environments. Additional information concerning factors that could cause actual events or results to differ materially from those in any forward-looking statement is contained in the company's Form 10-K for the fiscal year ended December 29, 2012, as filed with the SEC, and subsequent SEC filings, including the company's Quarterly Reports on Forms 10-Q. Copies of the company's SEC filings are available at <http://investors.formfactor.com/edgar.cfm>. The company assumes no obligation to update the information in this press release, to revise any forward-looking statements or to update the reasons actual results could differ materially from those anticipated in forward-looking statements.

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FORMFACTOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | September 28, 2013 | September 29, 2012 | September 28, 2013 | September 29, 2012 |
| Revenues | \$ 67,634 | \$ 41,262 | \$ 182,987 | \$ 130,881 |
| Cost of revenues | 55,088 | 33,110 | 144,961 | 102,406 |
| Gross profit | 12,546 | 8,152 | 38,026 | 28,475 |
| Operating expenses: | | | | |
| Research and development | 10,301 | 8,573 | 32,145 | 30,355 |
| Selling, general and administrative | 12,952 | 11,594 | 41,057 | 34,273 |
| Restructuring charges, net | 143 | 2,481 | 4,215 | 2,584 |
| Loss on sale of subsidiary | -- | -- | 300 | -- |
| Impairment of long-lived assets | 15 | 143 | 194 | 372 |
| Total operating expenses | 23,411 | 22,791 | 77,911 | 67,584 |
| Operating loss | (10,865) | (14,639) | (39,885) | (39,109) |
| Interest income, net | 95 | 163 | 298 | 557 |
| Other income, net | (91) | 171 | 541 | 1,127 |
| Loss before income taxes | (10,861) | (14,305) | (39,046) | (37,425) |
| Provision for (benefit from) income taxes | (147) | 173 | (152) | (1,276) |
| Net loss | <u>\$ (10,714)</u> | <u>\$ (14,478)</u> | <u>\$ (38,894)</u> | <u>\$ (36,149)</u> |
| Net loss per share: | | | | |
| Basic and Diluted | <u>\$ (0.20)</u> | <u>\$ (0.29)</u> | <u>\$ (0.72)</u> | <u>\$ (0.73)</u> |
| Weighted-average number of shares used in per share calculations: | | | | |
| Basic and Diluted | <u>54,437</u> | <u>50,154</u> | <u>54,070</u> | <u>49,805</u> |

FORMFACTOR, INC.
RECONCILIATION OF NON-GAAP NET LOSS
(In thousands, except per share amounts)
(Unaudited)

| | <i>Three Months Ended</i> | | <i>Nine Months Ended</i> | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <i>September 28, 2013</i> | <i>September 29, 2012</i> | <i>September 28, 2013</i> | <i>September 29, 2012</i> |
| GAAP net loss | \$ (10,714) | \$ (14,478) | \$ (38,894) | \$ (36,149) |
| Stock-based compensation | 2,958 | 2,968 | 9,125 | 9,489 |
| Restructuring charges, net | 143 | 2,481 | 4,215 | 2,584 |
| Acquisition and integration related expenses | 106 | 1,175 | 1,300 | 1,175 |
| Amortization of intangibles, inventory and fixed assets fair value adjustment due to acquisition | 3,955 | -- | 12,947 | -- |
| Impairment of long-lived assets and loss on sale of subsidiary | 15 | 143 | 494 | 372 |
| Income tax valuation allowance | -- | -- | 150 | -- |
| Non-GAAP net loss | <u>\$ (3,537)</u> | <u>\$ (7,711)</u> | <u>\$ (10,663)</u> | <u>\$ (22,529)</u> |
| Non-GAAP net loss per share: | | | | |
| Basic and Diluted | <u>\$ (0.06)</u> | <u>\$ (0.15)</u> | <u>\$ (0.20)</u> | <u>\$ (0.45)</u> |
| Weighted-average number of shares used in per share calculations: | | | | |
| Basic and Diluted | <u>54,437</u> | <u>50,154</u> | <u>54,070</u> | <u>49,805</u> |

FORMFACTOR, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

| | <i>September 28, 2013</i> | <i>December 29, 2012</i> |
|---|---------------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 59,470 | \$ 72,243 |
| Marketable securities | 96,868 | 93,545 |
| Accounts receivable, net | 46,320 | 28,919 |
| Inventories, net | 22,369 | 23,616 |
| Deferred tax assets | 4,206 | 4,613 |
| Refundable income taxes | 1,568 | 5,667 |
| Prepaid expenses and other current assets | <u>7,844</u> | <u>10,569</u> |
| Total current assets | 238,645 | 239,172 |
| Restricted cash | 436 | 318 |
| Property, plant and equipment, net | 36,945 | 45,515 |
| Goodwill | 30,731 | 30,994 |
| Intangibles, net | 61,495 | 74,276 |
| Deferred tax assets | 4,460 | 4,207 |
| Other assets | <u>1,004</u> | <u>1,200</u> |
| Total assets | <u>\$ 373,716</u> | <u>\$ 395,682</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 28,676 | \$ 21,015 |
| Accrued liabilities | 15,313 | 17,270 |
| Capital leases, current portion | 400 | 573 |
| Income taxes payable | 1,344 | -- |
| Deferred revenue | <u>6,937</u> | <u>6,189</u> |

| | | |
|---|--------------------------|--------------------------|
| Total current liabilities | 52,670 | 45,047 |
| Long-term income taxes payable | 2,453 | 3,028 |
| Capital leases, net of current portion | -- | 340 |
| Deferred rent and other liabilities | 7,910 | 8,009 |
| Total liabilities | <u>63,033</u> | <u>56,424</u> |
| Stockholders' equity: | | |
| Common stock and capital in excess of par value | 692,940 | 681,211 |
| Accumulated other comprehensive income | 305 | 1,715 |
| Accumulated deficit | <u>(382,562)</u> | <u>(343,668)</u> |
| Total stockholders' equity | <u>310,683</u> | <u>339,258</u> |
| Total liabilities and stockholders' equity | <u><u>\$ 373,716</u></u> | <u><u>\$ 395,682</u></u> |

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Source: FormFactor

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