# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**
# Form 10-Q

**(Mark one)**

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

**For the quarterly period ended June 29, 2024**

**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 number: 000-50307**

## FormFactor, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **13-3711155** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**7005 Southfront Road, Livermore, California 94551**
(Address of principal executive offices, including zip code)

**(925) 290-4000**
(Registrant's telephone number, including area code)

Securities registered pursuant to Section12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common stock, $0.001 par value** | **FORM** | **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 submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of the 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, a 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. (Check one):

| | | | | | |
|---|---|---|---|---|---|
| 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 July 31, 2024, 77,389,392 shares of the registrant's common stock, par value $0.001 per share, were outstanding.

**FORMFACTOR, INC.**
**FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 29, 2024**
**INDEX**

## PART I - FINANCIAL INFORMATION

**Item 1.** ***Financial Statements***

**FORMFACTOR, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | June 29, 2024 | December 30, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 195,914 | $ 177,812 |
| Marketable securities | 161,710 | 150,507 |
| Accounts receivable, net of allowance for credit losses of $501 and $501 | 113,277 | 102,957 |
| Inventories, net | 114,814 | 111,685 |
| Restricted cash | 5,939 | 1,152 |
| Prepaid expenses and other current assets | 28,964 | 29,667 |
| Total current assets | 620,618 | 573,780 |
| Restricted cash | 2,098 | 2,309 |
| Operating lease, right-of-use-assets | 26,650 | 30,519 |
| Property, plant and equipment, net of accumulated depreciation | 204,102 | 204,399 |
| Goodwill | 199,548 | 201,090 |
| Intangibles, net | 11,657 | 12,938 |
| Deferred tax assets | 88,841 | 78,964 |
| Other assets | 2,751 | 2,795 |
| Total assets | $ 1,156,265 | $ 1,106,794 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 62,235 | $ 63,857 |
| Accrued liabilities | 49,523 | 41,037 |
| Current portion of term loan, net of unamortized issuance costs | 1,090 | 1,075 |
| Deferred revenue | 17,953 | 16,704 |
| Operating lease liabilities | 8,240 | 8,422 |
| Total current liabilities | 139,041 | 131,095 |
| Term loan, less current portion, net of unamortized issuance costs | 12,765 | 13,314 |
| Long-term operating lease liabilities | 21,441 | 25,334 |
| Deferred grant | 18,000 | 18,000 |
| Other liabilities | 17,102 | 10,247 |
| Total liabilities | 208,349 | 197,990 |
| Stockholders' equity: | | |
| Common stock, $0.001 par value: | | |
| 250,000,000 shares authorized; 77,281,052 and 77,376,903 shares issued and outstanding | 77 | 77 |
| Additional paid-in capital | 863,283 | 861,448 |
| Accumulated other comprehensive loss | (7,948) | (4,052) |
| Accumulated income | 92,504 | 51,331 |
| Total stockholders' equity | 947,916 | 908,804 |
| Total liabilities and stockholders' equity | $ 1,156,265 | $ 1,106,794 |

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

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Revenues | $ 197,474 | $ 155,916 | $ 366,199 | $ 323,364 |
| Cost of revenues | 110,574 | 95,633 | 216,561 | 202,003 |
| Gross profit | 86,900 | 60,283 | 149,638 | 121,361 |
| Operating expenses: | | | | |
| Research and development | 31,564 | 28,340 | 60,191 | 56,585 |
| Selling, general and administrative | 37,874 | 33,255 | 70,953 | 65,997 |
| Total operating expenses | 69,438 | 61,595 | 131,144 | 122,582 |
| Gain on sale of business | 310 | — | 20,581 | — |
| Operating income (loss) | 17,772 | (1,312) | 39,075 | (1,221) |
| Interest income, net | 3,415 | 1,482 | 6,571 | 2,758 |
| Other income, net | 360 | 450 | 880 | 473 |
| Income before income taxes | 21,547 | 620 | 46,526 | 2,010 |
| Provision (benefit) for income taxes | 2,155 | (208) | 5,353 | (160) |
| Net income | $ 19,392 | $ 828 | $ 41,173 | $ 2,170 |
| Net income per share: | | | | |
| Basic | $ 0.25 | $ 0.01 | $ 0.53 | $ 0.03 |
| Diluted | $ 0.25 | $ 0.01 | $ 0.52 | $ 0.03 |
| Weighted-average number of shares used in per share calculations: | | | | |
| Basic | 77,235 | 77,159 | 77,343 | 77,112 |
| Diluted | 78,717 | 77,616 | 78,746 | 77,450 |

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

**FORMFACTOR, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In thousands)**
**(Unaudited)**

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **June 29, 2024** | **July 1, 2023** | **June 29, 2024** | **July 1, 2023** |
| Net income | $ 19,392 | $ 828 | $ 41,173 | $ 2,170 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments | (1,075) | (122) | (3,358) | 710 |
| Unrealized gains (losses) on available-for-sale marketable securities | (39) | (85) | (237) | 518 |
| Unrealized losses on derivative instruments | (69) | (52) | (301) | (95) |
| Other comprehensive income (loss) | (1,183) | (259) | (3,896) | 1,133 |
| Comprehensive income | $ 18,209 | $ 569 | $ 37,277 | $ 3,303 |

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

**FORMFACTOR, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(In thousands, except shares)**
**(Unaudited)**

| | Shares of Common Stock | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Income (Deficit) | Total |
|---|---|---|---|---|---|---|
| | **Three Months Ended June 29, 2024** | | | | | |
| **Balances, March 30, 2024** | 77,241,118 | $ 77 | $ 857,326 | $ (6,765) | $ 73,112 | $ 923,750 |
| Issuance of common stock pursuant to vesting of restricted stock units, net of stock withheld for tax | 112,129 | — | (1,729) | — | — | (1,729) |
| Purchase and retirement of common stock through repurchase program | (72,195) | — | (2,904) | — | — | (2,904) |
| Stock-based compensation | — | — | 10,590 | — | — | 10,590 |
| Other comprehensive loss | — | — | — | (1,183) | — | (1,183) |
| Net income | — | — | — | — | 19,392 | 19,392 |
| **Balances, June 29, 2024** | 77,281,052 | $ 77 | $ 863,283 | $ (7,948) | $ 92,504 | $ 947,916 |
| | **Six Months Ended June 29, 2024** | | | | | |
| **Balances, December 30, 2023** | 77,376,903 | $ 77 | $ 861,448 | $ (4,052) | $ 51,331 | $ 908,804 |
| Issuance of common stock under the Employee Stock Purchase Plan | 197,014 | — | 4,948 | — | — | 4,948 |
| Issuance of common stock pursuant to vesting of restricted stock units, net of stock withheld for tax | 191,086 | — | (3,569) | — | — | (3,569) |
| Purchase and retirement of common stock through repurchase program | (483,951) | — | (20,302) | — | — | (20,302) |
| Stock-based compensation | — | — | 20,758 | — | — | 20,758 |
| Other comprehensive loss | — | — | — | (3,896) | — | (3,896) |
| Net income | — | — | — | — | 41,173 | 41,173 |
| **Balances, June 29, 2024** | 77,281,052 | $ 77 | $ 863,283 | $ (7,948) | $ 92,504 | $ 947,916 |
| | **Three Months Ended July 1, 2023** | | | | | |
| **Balances, April 1, 2023** | 77,142,023 | $ 77 | $ 858,195 | $ (4,186) | $ (29,714) | $ 824,372 |
| Issuance of common stock pursuant to vesting of restricted stock units, net of stock withheld for tax | 41,989 | — | (69) | — | — | (69) |
| Stock-based compensation | — | — | 9,391 | — | — | 9,391 |
| Other comprehensive loss | — | — | — | (259) | — | (259) |
| Net income | — | — | — | — | 828 | 828 |
| **Balances, July 1, 2023** | 77,184,012 | $ 77 | $ 867,517 | $ (4,445) | $ (28,886) | $ 834,263 |
| | **Six Months Ended July 1, 2023** | | | | | |
| **Balances, December 31, 2022** | 76,914,590 | $ 77 | $ 844,842 | $ (5,578) | $ (31,056) | $ 808,285 |
| Issuance of common stock under the Employee Stock Purchase Plan | 210,055 | — | 5,024 | — | — | 5,024 |
| Issuance of common stock pursuant to vesting of restricted stock units, net of stock withheld for tax | 59,367 | — | (456) | — | — | (456) |
| Stock-based compensation | — | — | 18,107 | — | — | 18,107 |
| Other comprehensive income | — | — | — | 1,133 | — | 1,133 |
| Net income | — | — | — | — | 2,170 | 2,170 |
| **Balances, July 1, 2023** | 77,184,012 | $ 77 | $ 867,517 | $ (4,445) | $ (28,886) | $ 834,263 |

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

**FORMFACTOR, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Six Months Ended | |
|---|---|---|
| | June 29, 2024 | July 1, 2023 |
| **Cash flows from operating activities:** | | |
| Net income | $ 41,173 | $ 2,170 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 14,563 | 15,121 |
| Amortization | 1,280 | 4,766 |
| Reduction in the carrying amount of right-of-use assets | 3,195 | 3,914 |
| Stock-based compensation expense | 20,614 | 18,494 |
| Deferred income tax benefit | (10,181) | (3,639) |
| Provision for excess and obsolete inventories | 6,277 | 8,628 |
| Gain on sale of business | (20,581) | — |
| Other adjustments to reconcile net income to net cash provided by operating activities | 344 | 1,801 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (10,833) | (6,830) |
| Inventories | (14,469) | (5,880) |
| Prepaid expenses and other current assets | 2,094 | (1,099) |
| Other assets | 14 | (83) |
| Accounts payable | 2,317 | 3,578 |
| Accrued liabilities | 10,244 | (10,606) |
| Other liabilities | 7,316 | 456 |
| Deferred revenues | 4,940 | (9,945) |
| Deferred grant | — | 18,000 |
| Operating lease liabilities | (3,417) | (4,065) |
| Net cash provided by operating activities | 54,890 | 34,781 |
| **Cash flows from investing activities:** | | |
| Acquisition of property, plant and equipment | (21,834) | (40,177) |
| Proceeds from sale of business | 21,585 | — |
| Purchases of marketable securities | (78,524) | (66,650) |
| Proceeds from maturities and sales of marketable securities | 68,813 | 58,363 |
| Net cash used in investing activities | (9,960) | (48,464) |
| **Cash flows from financing activities:** | | |
| Proceeds from issuances of common stock | 4,948 | 5,024 |
| Purchase of common stock through stock repurchase program | (20,271) | — |
| Tax withholdings related to net share settlements of equity awards | (3,569) | (456) |
| Payments on term loan | (534) | (519) |
| Net cash provided by (used in) financing activities | (19,426) | 4,049 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (2,826) | (1,958) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 22,678 | (11,592) |
| Cash, cash equivalents and restricted cash, beginning of year | 181,273 | 112,982 |
| Cash, cash equivalents and restricted cash, end of year | $ 203,951 | $ 101,390 |

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

**FORMFACTOR, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Six Months Ended | |
|---|---|---|
| | **June 29, 2024** | **July 1, 2023** |
| **Non-cash investing and financing activities:** | | |
| Decrease in accounts payable and accrued liabilities related to property, plant and equipment purchases | $ 3,388 | $ 9,187 |
| Operating lease, right-of-use assets obtained in exchange for lease obligations | — | 3,635 |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for income taxes, net | $ 6,924 | $ 9,427 |
| Cash paid for interest | 201 | 212 |
| Operating cash outflows from operating leases | 4,563 | 4,514 |
| | | |
| **Reconciliation of cash, cash equivalents and restricted cash:** | | |
| Cash and cash equivalents | $ 195,914 | $ 97,981 |
| Restricted cash, current | 5,939 | 1,144 |
| Restricted cash | 2,098 | 2,265 |
| **Total cash, cash equivalents and restricted cash** | $ 203,951 | $ 101,390 |

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

**Note 1 — Basis of Presentation and Significant Accounting Policies**

**Basis of Presentation**
The accompanying condensed consolidated financial information of FormFactor, Inc. is unaudited and has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). However, such information reflects all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and the notes thereto included in our 2023 Annual Report on Form 10-K filed with the SEC on February 23, 2024. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

**Fiscal Year**
We operate on a 52/53 week fiscal year, whereby the fiscal year ends on the last Saturday of December. Fiscal 2024 and 2023 each contain 52 weeks and the six months ended June 29, 2024 and July 1, 2023 each contained 26 weeks. Fiscal 2024 will end on December 28, 2024.

**Significant Accounting Policies**
Our significant accounting policies have not changed during the six months ended June 29, 2024 from those disclosed in our Annual Report on Form 10-K for the year ended December 30, 2023.

**New Accounting Pronouncements**
*ASU 2023-09*
In December 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*." The ASU includes requirements that an entity disclose specific categories in the rate reconciliation and provide additional information for reconciling items that are greater than five percent of the amount computed by multiplying pretax income by the applicable statutory income tax rate. The standard also requires that entities disclose income before income taxes and provision for income taxes disaggregated between domestic and foreign. This ASU is effective for annual periods beginning after December 15, 2024, with early adoption permitted. We have not yet determined the impact of this standard on our financial statements.

*ASU 2023-07*
In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*." The ASU includes requirements that an entity disclose the title of the chief operating decision maker ("CODM") and on an interim and annual basis, significant segment expenses and the composition of other segment items for each segment's reported profit. The standard also permits disclosure of additional measures of segment profit. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis, with early adoption permitted. We have not yet determined the impact of this standard on our financial statements.

**Note 2 — Concentration of Credit and Other Risks**

Each of the following customers accounted for 10% or more of our revenues for the periods indicated:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **June 29, 2024** | **July 1, 2023** | **June 29, 2024** | **July 1, 2023** |
| SK hynix Inc. | 19.5 % | * | 17.6 % | * |
| Intel Corporation | 16.7 % | 14.2 % | 16.3 % | 17.2 % |
| | 36.2 % | 14.2 % | 33.9 % | 17.2 % |

* Less than 10% of revenues.

At June 29, 2024 and December 30, 2023, two customers accounted for 21.2% and 11.2% and two customers accounted for 17.8% and 11.0% of gross accounts receivable, respectively.

**Note 3 — Inventories, net**

Inventories are stated at the lower of cost (principally standard cost, which approximates actual cost on a first in, first out basis) or net realizable value.

Inventories, net, consisted of the following (in thousands):

| | June 29, 2024 | December 30, 2023 |
|---|---|---|
| Raw materials | $ 53,047 | $ 50,808 |
| Work-in-progress | 41,349 | 39,336 |
| Finished goods | 20,418 | 21,541 |
| | $ 114,814 | $ 111,685 |

**Note 4 — Divestitures**

*China Operations Divestiture*
On February 7, 2024, the Company entered into a definitive agreement to sell its China operations to Grand Junction Semiconductor Pte. Ltd. ("Grand Junction") for $25.0 million in cash, subject to customary purchase price adjustments, and establish an exclusive distribution and partnership agreement to continue sales and support of our products in the region. The following subsidiaries were included as part of the divestiture: Microprobe Hong Kong Limited, FormFactor Technology (Suzhou) Co. Ltd., Cascade Microtech Singapore Pte, Ltd, and FormFactor International (Shanghai) Trading Co., Ltd. These entities supported both the Probe Cards and Systems segments.

On February 26, 2024, we closed on the sale of the operations in China to Grand Junction and received total consideration of $21.4 million, net of cash transferred and transaction expenses, and after customary adjustments for indebtedness and changes in net working capital. The disposition of the China operations did not meet the criteria to be classified as a discontinued operation in the Company's financial statements because the disposition did not represent a strategic shift that had, or will have, a major effect on the Company's operations and financial results.

The following table summarizes the fair value of the sale proceeds received in connection with the divestiture (in thousands):

| | February 26, 2024 |
|---|---|
| Gross purchase price | $ 25,000 |
| Working capital adjustment | 159 |
| Cash transferred to the buyer at closing | (2,743) |
| Direct costs to sell | (986) |
| Fair value of sale consideration, net | $ 21,430 |

The carrying amount of net assets associated with the China operations was approximately $1.2 million. The major classes of assets and liabilities sold consisted of the following (in thousands):

| | February 26, 2024 |
|---|---|
| **ASSETS** | |
| Accounts receivable, net | $ 1,174 |
| Inventories, net | 3,729 |
| Other current assets | 391 |
| Total current assets | 5,294 |
| Property, plant and equipment, net | 1,283 |
| Goodwill | 1,117 |
| Other assets | 3,029 |
| Total assets | $ 10,723 |
| **LIABILITIES** | |
| Deferred Revenue | $ 3,739 |
| Other current liabilities | 1,546 |
| Other liabilities | 4,283 |
| Total liabilities | $ 9,568 |

As a result of the divestiture, the Company recognized a pre-tax gain of $20.3 million. The Company recorded an income tax liability associated with the divestiture of approximately $3.3 million.

*FRT Divestiture*

On September 18, 2023, the Company announced entry into a definitive agreement to sell its FRT Metrology ("FRT") business to Camtek Ltd. ("Camtek") for $100 million in cash, subject to customary purchase price adjustments. The Company acquired FRT GmbH in fiscal 2019 for total consideration of $24.4 million, net of cash acquired. Headquartered in Bergisch Gladbach, Germany, the FRT business is a leading supplier of high-precision metrology solutions for the Advanced Packaging and Silicon Carbide markets, and was part of the Company's Systems segment.

On November 1, 2023, we closed on the sale of the FRT business to Camtek and received net cash proceeds of $100.1 million, net of cash transferred and transaction expenses, and after customary adjustments for indebtedness and changes in net working capital.

The following table summarizes the fair value of the sale proceeds received in connection with the divestiture (in thousands):

| | November 1, 2023 |
|---|---|
| Gross purchase price | $ 99,100 |
| Estimated working capital adjustment | 4,266 |
| Cash transferred to the buyer at closing | (2,049) |
| Direct costs to sell | (1,225) |
| Fair value of sale consideration | $ 100,092 |

The carrying amount of net assets associated with the FRT business was approximately $26.8 million. The major classes of assets and liabilities sold consisted of the following (in thousands):

| | November 1, 2023 |
|---|---|
| **ASSETS** | |
| Accounts receivable, net | $ 7,738 |
| Inventories, net | 6,446 |
| Other current assets | 635 |
| Total current assets | 14,819 |
| Intangibles, net | 6,897 |
| Goodwill | 10,660 |
| Other assets | 1,612 |
| Total assets | $ 33,988 |
| **LIABILITIES** | |
| Current liabilities | $ 4,300 |
| Other liabilities | 2,856 |
| Total liabilities | $ 7,156 |

As a result of the divestiture, the Company recognized a pre-tax gain of $73.3 million. The Company recorded an income tax liability associated with the divestiture of approximately $6.0 million.

**Note 5 — Goodwill and Intangible Assets**

Goodwill by reportable segment was as follows (in thousands):

| | Probe Cards | Systems | Total |
|---|---|---|---|
| **Goodwill, as of December 31, 2022** | $ 178,424 | $ 33,020 | $ 211,444 |
| Reduction - FRT divestiture | — | (10,660) | (10,660) |
| Foreign currency translation | — | 306 | 306 |
| **Goodwill, as of December 30, 2023** | 178,424 | 22,666 | 201,090 |
| Reduction - China divestiture | (1,055) | (62) | (1,117) |
| Foreign currency translation | — | (425) | (425) |
| **Goodwill, as of June 29, 2024** | $ 177,369 | $ 22,179 | $ 199,548 |

We have not recorded goodwill impairments for the six months ended June 29, 2024.

Intangible assets were as follows (in thousands):

| | June 29, 2024 | | | December 30, 2023 | | |
|---|---|---|---|---|---|---|
| Intangible Assets | Gross | Accumulated Amortization | Net | Gross | Accumulated Amortization | Net |
| Existing developed technologies | $ 159,258 | $ 149,008 | $ 10,250 | $ 159,593 | $ 148,445 | $ 11,148 |
| Trade name | 7,770 | 7,712 | 58 | 7,808 | 7,728 | 80 |
| Customer relationships | 47,920 | 46,971 | 949 | 48,022 | 46,712 | 1,310 |
| In-process research and development | 400 | — | 400 | 400 | — | 400 |
| | $ 215,348 | $ 203,691 | $ 11,657 | $ 215,823 | $ 202,885 | $ 12,938 |

Amortization expense was included in our Condensed Consolidated Statements of Income as follows (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Cost of revenues | $ 449 | $ 838 | $ 898 | $ 1,669 |
| Selling, general and administrative | 191 | 1,550 | 382 | 3,097 |
| | $ 640 | $ 2,388 | $ 1,280 | $ 4,766 |

The estimated future amortization of definite-lived intangible assets, excluding in-process research and development, is as follows (in thousands):

| Fiscal Year | Amount |
|---|---|
| Remainder of 2024 | $ 1,280 |
| 2025 | 2,330 |
| 2026 | 1,630 |
| 2027 | 1,630 |
| 2028 | 1,630 |
| Thereafter | 2,757 |
| | $ 11,257 |

**Note 6 — Accrued Liabilities**

Accrued liabilities consisted of the following (in thousands):

| | June 29, 2024 | December 30, 2023 |
|---|---|---|
| Accrued compensation and benefits | $ 31,865 | $ 20,073 |
| Accrued income and other taxes | 5,877 | 8,205 |
| Accrued employee stock purchase plan contributions withheld | 4,727 | 4,263 |
| Accrued warranty | 3,359 | 3,177 |
| Other accrued expenses | 3,695 | 5,319 |
| | $ 49,523 | $ 41,037 |

**Note 7 — Fair Value and Derivative Instruments**

Whenever possible, the fair values of our financial assets and liabilities are determined using quoted market prices of identical securities or quoted market prices of similar securities from active markets. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical securities;
- Level 2 valuations utilize significant observable inputs, such as quoted prices for similar assets or liabilities, quoted prices near the reporting date in markets that are less active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 valuations utilize unobservable inputs to the valuation methodology and include our own data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

We did not have any transfers of assets or liabilities measured at fair value on a recurring basis to or from Level 1, Level 2 or Level 3 during the six months ended June 29, 2024 or the year ended December 30, 2023.

The carrying values of Cash, Accounts receivable, net, Restricted cash, Prepaid expenses and other current assets, Accounts payable, and Accrued liabilities approximate fair value due to their short maturities.

No changes were made to our valuation techniques during the first six months of fiscal 2024.

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

Assets and liabilities measured at fair value on a recurring basis were as follows (in thousands):

| **June 29, 2024** | **Level 1** | **Level 2** | **Total** |
|---|---|---|---|
| Assets: | | | |
| Cash equivalents: | | | |
| Money market funds | $ 132,315 | $ — | $ 132,315 |
| U.S. treasuries | 1,698 | — | 1,698 |
| Commercial paper | — | 4,483 | 4,483 |
| U.S. agency securities | — | 994 | 994 |
| | 134,013 | 5,477 | 139,490 |
| Marketable securities: | | | |
| U.S. treasuries | 61,305 | — | 61,305 |
| U.S. agency securities | — | 12,026 | 12,026 |
| Corporate bonds | — | 75,090 | 75,090 |
| Commercial paper | — | 13,289 | 13,289 |
| | 61,305 | 100,405 | 161,710 |
| Interest rate swap derivative contracts | — | 2,137 | 2,137 |
| Total assets | $ 195,318 | $ 108,019 | $ 303,337 |
| Liabilities: | | | |
| Foreign exchange derivative contracts | $ — | $ (195) | $ (195) |
| Total liabilities | $ — | $ (195) | $ (195) |

| **December 30, 2023** | **Level 1** | **Level 2** | **Total** |
|---|---|---|---|
| Assets: | | | |
| Cash equivalents: | | | |
| Money market funds | $ 110,980 | $ — | $ 110,980 |
| U.S. treasuries | 4,581 | — | 4,581 |
| | 115,561 | — | 115,561 |
| Marketable securities: | | | |
| U.S. treasuries | 45,837 | — | 45,837 |
| U.S. agency securities | — | 10,003 | 10,003 |
| Corporate bonds | — | 81,350 | 81,350 |
| Commercial paper | — | 13,317 | 13,317 |
| | 45,837 | 104,670 | 150,507 |
| Foreign exchange derivative contracts | — | 284 | 284 |
| Interest rate swap derivative contracts | — | 1,989 | 1,989 |
| Total assets | $ 161,398 | $ 106,943 | $ 268,341 |
| Liabilities: | | | |
| Foreign exchange derivative contracts | $ — | $ (30) | $ (30) |
| Total liabilities | $ — | $ (30) | $ (30) |

***Cash Equivalents***

The fair value of our cash equivalents is determined based on quoted market prices for similar or identical securities.

***Marketable Securities***

We classify our marketable securities as available-for-sale and value them utilizing a market approach. Our investments are priced by pricing vendors who provide observable inputs for their pricing without applying significant judgment. Broker pricing is used mainly when a quoted price is not available, the investment is not priced by our pricing vendors or when a broker price is more reflective of fair value. Our broker-priced investments are categorized as Level 2 investments because fair value is based on similar assets without applying significant judgments. In addition, all investments have a sufficient trading volume to demonstrate that the fair value is appropriate.

Unrealized gains and losses were immaterial and were recorded as a component of Accumulated other comprehensive loss in our Condensed Consolidated Balance Sheets. We did not have any other-than-temporary unrealized gains or losses at either period end included in these financial statements.

***Interest Rate Swap***

The fair value of our interest rate swap contract is determined at the end of each reporting period based on valuation models that use interest rate yield curves as inputs. For accounting purposes, our interest rate swap contract qualifies for, and is designated as a cash flow hedge. The hedged risk is the interest rate exposure to changes in interest payments attributable to changes in our variable-rate interest over the interest rate swap term. The changes in cash flows of the interest rate swap are expected to exactly offset changes in cash flows of the variable-rate debt. Cash settlements, in the form of cash payments or cash receipts, are recognized as a component of interest expense. The cash flows associated with the interest rate swaps are reported in Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows and the fair value of the interest rate swap contracts are recorded within Prepaid expenses and other current assets and Other assets in our Condensed Consolidated Balance Sheets.

***Foreign Exchange Derivative Contracts***

We operate and sell our products in various global markets. As a result, we are exposed to changes in foreign currency exchange rates. We utilize foreign currency forward contracts to hedge against future movements in foreign exchange rates that affect certain existing foreign currency denominated assets and liabilities and forecasted foreign currency revenue and expense transactions. Under this program, our strategy is to have increases or decreases in our foreign currency exposures mitigated by gains or losses on the foreign currency forward contracts in order to mitigate the risks and volatility associated with foreign currency transaction gains or losses.

We do not use derivative financial instruments for speculative or trading purposes. For accounting purposes, certain of our foreign currency forward contracts are not designated as hedging instruments and, accordingly, we record the fair value of these contracts as of the end of our reporting period in our Condensed Consolidated Balance Sheets with changes in fair value recorded within Other income, net in our Condensed Consolidated Statement of Income for both realized and unrealized gains and losses. Certain of our foreign currency forward contracts are designated as cash flow hedges, and, accordingly, we record the fair value of these contracts as of the end of our reporting period in our Condensed Consolidated Balance Sheets with changes in fair value recorded as a component of Accumulated other comprehensive loss and reclassified into earnings in the same period in which the hedged transaction affects earnings, and in the same line item on the Condensed Consolidated Statements of Income as the impact of the hedge transaction.

The fair value of our foreign exchange derivative contracts was determined based on current foreign currency exchange rates and forward points. All of our foreign exchange derivative contracts outstanding at June 29, 2024 will mature by the second quarter of fiscal 2025.

The following table provides information about our foreign currency forward contracts outstanding as of June 29, 2024 (in thousands):

| Currency | Contract Position | Contract Amount (Local Currency) | Contract Amount (U.S. Dollars) |
|---|---|---|---|
| Euro | Buy | 29,118 | $ 31,562 |
| Japanese Yen | Sell | 2,422,207 | 15,125 |
| Korean Won | Buy | 3,986,488 | 2,890 |
| Taiwan Dollar | Sell | 96,108 | 2,959 |

Our foreign currency contracts are classified within Level 2 of the fair value hierarchy as they are valued using pricing models that utilize observable market inputs.

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

We measure and report our non-financial assets such as Property, plant and equipment, Goodwill and Intangible assets at fair value on a non-recurring basis if we determine these assets to be impaired or in the period when we make a business acquisition. There were no assets or liabilities measured at fair value on a nonrecurring basis during the three and six months ended June 29, 2024 or July 1, 2023.

**Note 8 — Warranty**

We offer warranties on certain products and record a liability for the estimated future costs associated with warranty claims at the time revenue is recognized. The warranty liability is based upon historical experience and our estimate of the level of future costs. While we engage in product quality programs and processes, our warranty obligation is affected by product failure rates, material usage and service delivery costs. We regularly monitor product returns for warranty and maintain a reserve for the related expenses based upon our historical experience and any specifically identified failures. As we sell new products to our customers, we must exercise considerable judgment in estimating the expected failure rates. This estimating process is based on historical experience of similar products, as well as various other assumptions that we believe to be reasonable under the circumstances. We provide for the estimated cost of product warranties at the time revenue is recognized as a component of Cost of revenues in our Condensed Consolidated Statement of Income.

Changes in our warranty liability were as follows (in thousands):

| | Six Months Ended | |
|---|---|---|
| | **June 29, 2024** | **July 1, 2023** |
| **Balance at beginning of year** | $ 3,177 | $ 4,199 |
| Accruals | 4,361 | 2,934 |
| Settlements | (4,179) | (3,627) |
| **Balance at end of period** | $ 3,359 | $ 3,506 |

**Note 9 — Property, Plant and Equipment, net**

Property, plant and equipment, net consisted of the following (in thousands):

| | **June 29, 2024** | **December 30, 2023** |
|---|---|---|
| Land | $ 17,124 | $ 17,124 |
| Building and building improvements | 46,375 | 46,526 |
| Machinery and equipment | 296,345 | 286,215 |
| Computer equipment and software | 47,241 | 46,866 |
| Furniture and fixtures | 7,489 | 7,490 |
| Leasehold improvements | 91,837 | 91,063 |
| Sub-total | 506,411 | 495,284 |
| Less: Accumulated depreciation and amortization | (368,422) | (358,021) |
| Net property, plant and equipment | 137,989 | 137,263 |
| Construction-in-progress | 66,113 | 67,136 |
| Total | $ 204,102 | $ 204,399 |

**Note 10 — Stockholders' Equity and Stock-Based Compensation**

***Common Stock Repurchase Programs***

On May 20, 2022, our Board of Directors authorized a two-year program to repurchase up to $75.0 million of outstanding common stock to offset potential dilution from issuance of common stock under our stock-based compensation programs. During fiscal 2022 and fiscal 2023, we repurchased and retired 1,700,893 shares of common stock for $56.4 million and 504,352 shares of common stock for $18.6 million, respectively, utilizing the remaining shares available for repurchase under the program.

On October 30, 2023, our Board of Directors authorized an additional two-year program to repurchase up to $75.0 million of outstanding common stock, with the primary purpose of offsetting potential dilution from issuance of common stock under our stock-based compensation programs. This share repurchase program will expire on October 30, 2025. During fiscal 2023 we repurchased and retired 32,020 shares of common stock for $1.2 million. During the six months ended June 29, 2024, we repurchased and retired 483,951 shares of common stock for $20.3 million, and as of June 29, 2024, $53.5 million remained available for future repurchases.

Our policy related to repurchases of our common stock is to charge the excess of cost over par value to additional paid-in capital once the shares are retired. Share repurchases are subject to an excise tax enabled by the Inflation Reduction Act that is generally 1% of the fair market value of the shares repurchased at the time of the repurchase, net of the fair market value of certain new stock issuances during the same taxable year. Certain exceptions apply to the excise tax. The excise tax incurred reduces the amount available under the repurchase programs, as applicable, and is included in the cost of shares repurchased in the Condensed Consolidated Statement of Stockholders Equity. All repurchases were made in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended.

***Restricted Stock Units***

Restricted stock unit ("RSU") activity under our equity incentive plan was as follows:

| | Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| **RSUs at December 30, 2023** | 2,165,729 | $ 35.85 |
| Awards granted | 149,829 | 54.41 |
| Awards vested | (266,910) | 31.30 |
| Awards forfeited | (22,393) | 33.36 |
| **RSUs at June 29, 2024** | 2,026,255 | 37.79 |

***Performance Restricted Stock Units***

We may grant Performance RSUs ("PRSUs") to certain executives, which vest based upon us achieving certain market performance criteria. There were no market based PRSUs granted during the six months ended June 29, 2024. PRSUs are included as part of the RSU activity above.

***Employee Stock Purchase Plan***

Information related to activity under our Employee Stock Purchase Plan ("ESPP") was as follows:

| | Six Months Ended June 29, 2024 |
|---|---|
| Shares issued | 197,014 |
| Weighted average per share purchase price | $ 25.11 |
| Weighted average per share discount from the fair value of our common stock on the date of issuance | $ (13.66) |

***Stock-Based Compensation***

Stock-based compensation was included in our Condensed Consolidated Statements of Income as follows (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Cost of revenues | $ 1,932 | $ 1,515 | $ 3,860 | $ 3,425 |
| Research and development | 2,614 | 2,363 | 5,227 | 4,735 |
| Selling, general and administrative | 5,663 | 5,326 | 11,527 | 10,334 |
| Total stock-based compensation | $ 10,209 | $ 9,204 | $ 20,614 | $ 18,494 |

***Unrecognized Compensation Costs***

At June 29, 2024, the unrecognized stock-based compensation was as follows (dollars in thousands):

| | Unrecognized Expense | Average Expected Recognition Period in Years |
|---|---|---|
| Restricted stock units | $ 39,732 | 1.78 |
| Performance restricted stock units | 7,437 | 1.69 |
| Employee stock purchase plan | 264 | 0.09 |
| Total unrecognized stock-based compensation expense | $ 47,433 | 1.76 |

**Note 11 — Net Income per Share**

The following table reconciles the shares used in calculating basic net income per share and diluted net income per share (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Weighted-average shares used in computing basic net income per share | 77,235 | 77,159 | 77,343 | 77,112 |
| Add potentially dilutive securities | 1,482 | 457 | 1,403 | 338 |
| Weighted-average shares used in computing diluted net income per share | 78,717 | 77,616 | 78,746 | 77,450 |
| | | | | |
| Securities not included as they would have been antidilutive | 64 | 486 | 32 | 343 |

**Note 12 — Commitments and Contingencies**

***Leases***
See Note 13, *Leases*.

***Contractual Obligations and Commitments***
Our contractual obligations and commitments have not materially changed as of June 29, 2024 from those disclosed in our Annual Report on Form 10-K for the year ended December 30, 2023.

***Legal Matters***
From time to time, we are subject to legal proceedings and claims in the ordinary course of business, the outcomes of which cannot be estimated with certainty. Our ability to estimate the outcomes may change in the near term and the effect of any such change could have a material adverse effect on our financial position, results of operations or cash flows.

**Note 13 — Leases**

We lease real estate space under non-cancelable operating lease agreements for commercial and industrial space, as well as for a portion of our corporate headquarters located in Livermore, California. Our leases have remaining terms of 1 year to 10 years, and some leases include options to extend up to 20 years. We also have operating leases for automobiles with remaining lease terms of 1 year to 2 years. We did not include any of our renewal options in our lease terms for calculating our lease liability as the renewal options allow us to maintain operational flexibility and we are not reasonably certain we will exercise these options at this time. The weighted-average remaining lease term for our operating leases was 4.2 years as of June 29, 2024 and the weighted-average discount rate was 4.65%.

The components of lease expense were as follows (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Lease expense: | | | | |
| Operating lease expense | $ 2,050 | $ 2,124 | $ 4,180 | $ 4,076 |
| Short-term lease expense | 85 | 136 | 145 | 293 |
| Variable lease expense | 1,052 | 483 | 1,862 | 1,229 |
| | $ 3,187 | $ 2,743 | $ 6,187 | $ 5,598 |

Future minimum payments under our non-cancelable operating leases were as follows as of June 29, 2024 (in thousands):

| Fiscal Year | Amount |
|---|---|
| Remainder of 2024 | $ 4,515 |
| 2025 | 9,043 |
| 2026 | 7,638 |
| 2027 | 7,208 |
| 2028 | 3,892 |
| Thereafter | 1,391 |
| Total minimum lease payments | 33,687 |
| Less: interest | (4,006) |
| Present value of net minimum lease payments | 29,681 |
| Less: current portion | (8,240) |
| Total long-term operating lease liabilities | $ 21,441 |

**Note 14 — Revenue**

**Transaction price allocated to the remaining performance obligations:** On June 29, 2024, we had $9.2 million of remaining performance obligations, which were comprised of deferred service contracts, extended warranty contracts, and contracts with overtime revenue recognition that are not yet delivered. We expect to recognize approximately 65.1% of our remaining performance obligations as revenue in the remainder of fiscal 2024, approximately 27.7% in fiscal 2025, and approximately 7.2% in fiscal 2026 and thereafter. The foregoing excludes the value of other remaining performance obligations as they have original durations of one year or less, and also excludes information about variable consideration allocated entirely to a wholly unsatisfied performance obligation.

**Contract balances:** The timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable is recorded at the invoiced amount, net of an allowance for credit losses. A receivable is recognized in the period we deliver goods or provide services or when our right to consideration is unconditional. A contract asset is recorded when we have performed under the contract but our right to consideration is conditional on something other than the passage of time. Contract assets as of June 29, 2024 and December 30, 2023 were $5.1 million and $3.8 million, respectively, and are reported on the Condensed Consolidated Balance Sheets as a component of Prepaid expenses and other current assets.

Contract liabilities include payments received and payments due in advance of performance under a contract and are satisfied as the associated revenue is recognized. Contract liabilities are reported on the Condensed Consolidated Balance Sheets at the end of each reporting period as a component of Deferred revenue and Other liabilities. Contract liabilities as of June 29, 2024 and December 30, 2023 were $19.1 million and $18.0 million, respectively. During the six months ended June 29, 2024, we recognized $10.5 million of revenue that was included in contract liabilities as of December 30, 2023. During the six months ended June 29, 2024, we divested contract liabilities of $1.7 million as of December 30, 2023 with the divestiture of our China operations.

**Costs to obtain a contract:** We generally expense sales commissions when incurred as a component of Selling, general and administrative expense, as the amortization period is typically less than one year.

**Revenue by category:** Refer to Note 15, *Operating Segments and Enterprise-Wide Information*, for further details.

**Note 15 — Operating Segments and Enterprise-Wide Information**

Our CODM is our Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire company. We operate in two reportable segments consisting of the Probe Cards segment and the Systems segment. The following table summarizes the operating results by reportable segment (dollars in thousands):

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 29, 2024 | | | | July 1, 2023 | | | |
| | Probe Cards | Systems | Corporate and Other | Total | Probe Cards | Systems | Corporate and Other | Total |
| Revenues | $ 166,792 | $ 30,682 | $ — | $ 197,474 | $ 115,303 | $ 40,613 | $ — | $ 155,916 |
| Gross profit | 75,239 | 14,177 | (2,516) | 86,900 | 42,112 | 21,124 | (2,953) | 60,283 |
| Gross margin | 45.1 % | 46.2 % | | 44.0 % | 36.5 % | 52.0 % | | 38.7 % |

| | Six Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 29, 2024 | | | | July 1, 2023 | | | |
| | Probe Cards | Systems | Corporate and Other | Total | Probe Cards | Systems | Corporate and Other | Total |
| Revenues | $ 303,493 | $ 62,706 | $ — | $ 366,199 | $ 242,631 | $ 80,733 | $ — | $ 323,364 |
| Gross profit | 126,030 | 28,683 | (5,075) | 149,638 | 85,735 | 41,870 | (6,244) | 121,361 |
| Gross margin | 41.5 % | 45.7 % | | 40.9 % | 35.3 % | 51.9 % | | 37.5 % |

Operating results provide useful information to our management for assessment of our performance and results of operations. Certain components of our operating results are utilized to determine compensation along with other measures.

Corporate and Other includes unallocated expenses relating to amortization of intangible assets, inventory and fixed asset fair value adjustments due to acquisitions, share-based compensation, and restructuring charges which are not used in evaluating the results of, or in allocating resources to, our reportable segments.

Certain revenue category information by reportable segment was as follows (in thousands):

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 29, 2024 | | | July 1, 2023 | | |
| | Probe Cards | Systems | Total | Probe Cards | Systems | Total |
| **Market:** | | | | | | |
| Foundry & Logic | $ 103,660 | $ — | $ 103,660 | $ 81,967 | $ — | $ 81,967 |
| DRAM | 58,042 | — | 58,042 | 30,464 | — | 30,464 |
| Flash | 5,090 | — | 5,090 | 2,872 | — | 2,872 |
| Systems | — | 30,682 | 30,682 | — | 40,613 | 40,613 |
| Total | $ 166,792 | $ 30,682 | $ 197,474 | $ 115,303 | $ 40,613 | $ 155,916 |
| **Timing of revenue recognition:** | | | | | | |
| Products transferred at a point in time | $ 165,492 | $ 28,129 | $ 193,621 | $ 112,985 | $ 40,040 | $ 153,025 |
| Products and services transferred over time | 1,300 | 2,553 | 3,853 | 2,318 | 573 | 2,891 |
| Total | $ 166,792 | $ 30,682 | $ 197,474 | $ 115,303 | $ 40,613 | $ 155,916 |
| **Geographical region:** | | | | | | |
| South Korea | $ 48,691 | $ 416 | $ 49,107 | $ 26,455 | $ 1,408 | $ 27,863 |
| United States | 39,435 | 8,456 | 47,891 | 31,131 | 11,542 | 42,673 |
| Taiwan | 40,192 | 4,621 | 44,813 | 25,316 | 4,196 | 29,512 |
| China | 20,311 | 4,776 | 25,087 | 16,516 | 6,992 | 23,508 |
| Europe | 3,250 | 5,565 | 8,815 | 2,415 | 8,401 | 10,816 |
| Japan | 4,513 | 3,098 | 7,611 | 3,902 | 4,030 | 7,932 |
| Malaysia | 5,084 | 1,518 | 6,602 | 6,177 | 500 | 6,677 |
| Singapore | 4,112 | 410 | 4,522 | 1,718 | 1,105 | 2,823 |
| Rest of World | 1,204 | 1,822 | 3,026 | 1,673 | 2,439 | 4,112 |
| Total | $ 166,792 | $ 30,682 | $ 197,474 | $ 115,303 | $ 40,613 | $ 155,916 |

| | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 29, 2024 | | | July 1, 2023 | | |
| | Probe Cards | Systems | Total | Probe Cards | Systems | Total |
| **Market:** | | | | | | |
| Foundry & Logic | $ 190,428 | $ — | $ 190,428 | $ 183,529 | $ — | $ 183,529 |
| DRAM | 103,938 | — | 103,938 | 50,354 | — | 50,354 |
| Flash | 9,127 | — | 9,127 | 8,748 | — | 8,748 |
| Systems | — | 62,706 | 62,706 | — | 80,733 | 80,733 |
| Total | $ 303,493 | $ 62,706 | $ 366,199 | $ 242,631 | $ 80,733 | $ 323,364 |
| **Timing of revenue recognition:** | | | | | | |
| Products transferred at a point in time | $ 301,133 | $ 56,913 | $ 358,046 | $ 236,903 | $ 79,510 | $ 316,413 |
| Products and services transferred over time | 2,360 | 5,793 | 8,153 | 5,728 | 1,223 | 6,951 |
| Total | $ 303,493 | $ 62,706 | $ 366,199 | $ 242,631 | $ 80,733 | $ 323,364 |
| **Geographical region:** | | | | | | |
| South Korea | $ 99,363 | $ 461 | $ 99,824 | $ 46,027 | $ 2,611 | $ 48,638 |
| United States | 75,031 | 18,626 | 93,657 | 55,772 | 24,632 | 80,404 |
| Taiwan | 67,371 | 7,319 | 74,690 | 64,213 | 5,628 | 69,841 |
| China | 28,997 | 11,703 | 40,700 | 34,992 | 15,615 | 50,607 |
| Japan | 8,860 | 7,293 | 16,153 | 11,038 | 7,871 | 18,909 |
| Singapore | 7,628 | 1,652 | 9,280 | 4,918 | 3,245 | 8,163 |
| Europe | 6,778 | 10,886 | 17,664 | 5,841 | 14,401 | 20,242 |
| Malaysia | 6,692 | 1,773 | 8,465 | 16,501 | 1,446 | 17,947 |
| Rest of the world | 2,773 | 2,993 | 5,766 | 3,329 | 5,284 | 8,613 |
| Total | $ 303,493 | $ 62,706 | $ 366,199 | $ 242,631 | $ 80,733 | $ 323,364 |

## Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

### Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Securities Exchange Act of 1934 and the Securities Act of 1933, which are subject to risks and uncertainties. The forward-looking statements include statements concerning, among other things, our business strategy, financial and operating results, gross margins, liquidity and capital expenditure requirements and impact of accounting standards. In some cases, you can identify these statements by forward-looking words, such as "may," "might," "will," "could," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend" and "continue," the negative or plural of these words and other comparable terminology.

The forward-looking statements are only predictions based on our current expectations and our projections about future events. All forward-looking statements included in this Quarterly Report on Form 10-Q are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward-looking statements. We have no obligation to update any of these statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements, including risks related to general market trends, the benefits of acquisitions and investments, our supply chain, uncertainties related to global, regional or national public health-related crises and the impact of our responses to them, the interpretation and impacts of changes in export controls and other trade barriers, military conflicts, political volatility and similar factors, our ability to execute our business strategy and other risks discussed in the section titled "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 30, 2023 and in this Quarterly Report on Form 10-Q. You should carefully consider the numerous risks and uncertainties described under these sections.

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the accompanying notes contained in this Quarterly Report on Form 10-Q. Unless expressly stated or the context otherwise requires, the terms "we," "our," "us" and "FormFactor" refer to FormFactor, Inc. and its subsidiaries.

**Overview**

FormFactor, Inc., headquartered in Livermore, California, is a leading provider of essential test and measurement technologies along the full semiconductor product lifecycle — from characterization, modeling, reliability, and design de-bug, to qualification and production test. We provide a broad range of high-performance probe cards, analytical probes, probe stations, thermal systems, and cryogenic systems to both semiconductor companies and scientific institutions. Our products provide electrical information from a variety of semiconductor and electro-optical devices and integrated circuits from early research, through development, to high-volume production. Customers use our products and services to accelerate profitability by optimizing device performance and advancing yield knowledge.

We operate in two reportable segments consisting of the Probe Cards segment and the Systems segment. Sales of our probe cards and analytical probes are included in the Probe Cards segment, while sales of our probe stations, thermal systems and cryogenic systems are included in the Systems segment.

We generated net income of $41.2 million in the first six months of fiscal 2024 as compared to $2.2 million in the first six months of fiscal 2023. On February 26, 2024, we completed the sale of our China operations and established an exclusive distribution and partnership agreement to continue sales and support of our products in the region (the "China Transaction"). As a result of the China Transaction, we received net consideration of $21.4 million and the China Transaction resulted in a gain of $20.3 million.

The increase in net income in the first six months of fiscal 2024 compared to the first six months of fiscal 2023 was due to two factors. Certain areas of the semiconductor industry strengthened in the second quarter of fiscal 2024, increasing demand in most markets within our Probe Cards segment, particularly with demand for high bandwidth memory ("HBM") chips utilized in generative artificial intelligence applications, seasonal ramp of new mobile application processor designs, and demand for client PC and server microprocessor designs. While we experienced growth in total revenues during the first six months of fiscal 2024, our Systems segment revenues were negatively impacted due to the absence of metrology system sales during the first six months of fiscal 2024 as a result of the sale of our FRT Metrology business in the fourth quarter of fiscal 2023. Additionally, the increase in net income was attributable to the $20.3 million gain recognized from the China Transaction.

**Critical Accounting Estimates**

Management's Discussion and Analysis and Note 2, *Summary of Significant Accounting Policies*, to the Consolidated Financial Statements in our 2023 Annual Report on Form 10-K describe the significant accounting estimates and significant accounting policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates. During the six months ended June 29, 2024, there were no significant changes in our significant accounting policies or estimates from those reported in our Annual Report on Form 10-K for the year ended December 30, 2023.

**Results of Operations**

The following table sets forth our operating results as a percentage of revenues for the periods indicated:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Revenues | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Cost of revenues | 56.0 | 61.3 | 59.1 | 62.5 |
| Gross profit | 44.0 | 38.7 | 40.9 | 37.5 |
| Operating expenses: | | | | |
| Research and development | 16.0 | 18.2 | 16.4 | 17.5 |
| Selling, general and administrative | 19.2 | 21.3 | 19.4 | 20.4 |
| Total operating expenses | 35.2 | 39.5 | 35.8 | 37.9 |
| Gain on sale of business | 0.2 | — | 5.6 | — |
| Operating income (loss) | 9.0 | (0.8) | 10.7 | (0.4) |
| Interest income, net | 1.7 | 0.9 | 1.8 | 0.9 |
| Other income, net | 0.2 | 0.3 | 0.2 | 0.1 |
| Income before income taxes | 10.9 | 0.4 | 12.7 | 0.6 |
| Provision (benefit) for income taxes | 1.1 | (0.1) | 1.5 | (0.1) |
| Net income | 9.8 % | 0.5 % | 11.2 % | 0.7 % |

***Revenues by Segment and Market***

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| | (In thousands) | | | |
| Probe Cards | $ 166,792 | $ 115,303 | $ 303,493 | $ 242,631 |
| Systems[1] | 30,682 | 40,613 | 62,706 | 80,733 |
| | $ 197,474 | $ 155,916 | $ 366,199 | $ 323,364 |

[1] During the fourth quarter of fiscal 2023, we completed the sale of our FRT Metrology business. As a result, metrology systems revenue will not recur in future periods. We generated no metrology systems revenue during the three and six months ended June 29, 2024, compared to $4.5 million and $8.6 million, during the three and six months ended July 1, 2023, respectively.

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 29, 2024 | % of Revenues | July 1, 2023 | % of Revenues | $ Change | % Change |
| | (Dollars in thousands) | | | | | |
| Probe Cards Markets: | | | | | | |
| Foundry & Logic | $ 103,660 | 52.5 % | $ 81,967 | 52.6 % | $ 21,693 | 26.5 % |
| DRAM | 58,042 | 29.4 | 30,464 | 19.5 | 27,578 | 90.5 |
| Flash | 5,090 | 2.6 | 2,872 | 1.9 | 2,218 | 77.2 |
| Systems Market: | | | | | | |
| Systems[1] | 30,682 | 15.5 | 40,613 | 26.0 | (9,931) | (24.5) |
| Total revenues | $ 197,474 | 100.0 % | $ 155,916 | 100.0 % | $ 41,558 | 26.7 % |

| | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 29, 2024 | % of Revenues | July 1, 2023 | % of Revenues | $ Change | % Change |
| | (Dollars in thousands) | | | | | |
| Probe Cards Markets: | | | | | | |
| Foundry & Logic | $ 190,428 | 52.0 % | $ 183,529 | 56.7 % | $ 6,899 | 3.8 % |
| DRAM | 103,938 | 28.4 | 50,354 | 15.6 | 53,584 | 106.4 |
| Flash | 9,127 | 2.5 | 8,748 | 2.7 | 379 | 4.3 |
| Systems Market: | | | | | | |
| Systems[1] | 62,706 | 17.1 | 80,733 | 25.0 | (18,027) | (22.3) |
| Total revenues | $ 366,199 | 100.0 % | $ 323,364 | 100.0 % | $ 42,835 | 13.2 % |

[1] During the fourth quarter of fiscal 2023, we completed the sale of our FRT Metrology business. As a result, metrology systems revenue will not recur in future periods. We generated no metrology systems revenue during the three and six months ended June 29, 2024, compared to $4.5 million and $8.6 million, during the three and six months ended July 1, 2023, respectively.

*Foundry & Logic* — The increase in Foundry & Logic product revenue for the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023, was driven by the seasonal ramp of new mobile application processor designs and stronger probe-card demand for client PC and server microprocessor designs.

*DRAM* — The increase in DRAM product revenue for the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023, was driven by increased demand for HBM chips utilized in generative artificial intelligence applications.

*Flash* — The increase in Flash product revenue for the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023, was driven by increased customer production activity and demand for our products.

*Systems* — The decrease in Systems market revenue for the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023, was driven by the absence of sales of our metrology systems, and decreased sales of probe stations and cryogenic systems due to timing of demand. During the fourth quarter of fiscal 2023, we completed the sale of our FRT Metrology business. The decrease in Systems revenue from sources not associated with metrology systems for the three and six months ended June 29, 2024 was $5.4 million, or 15.0%, and $9.4 million, or 13.0%, respectively.

***Revenues by Geographic Region***

| | Three Months Ended | | | | Six Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **June 29, 2024** | **% of Revenues** | **July 1, 2023** | **% of Revenues** | **June 29, 2024** | **% of Revenue** | **July 1, 2023** | **% of Revenue** |
| | **(Dollars in thousands)** | | | | | | | |
| South Korea | $ 49,107 | 24.9 % | $ 27,863 | 17.9 % | $ 99,824 | 27.3 % | $ 48,638 | 15.0 % |
| United States | 47,891 | 24.3 | 42,673 | 27.4 | 93,657 | 25.6 | 80,404 | 24.9 |
| Taiwan | 44,813 | 22.7 | 29,512 | 18.9 | 74,690 | 20.4 | 69,841 | 21.6 |
| China | 25,087 | 12.7 | 23,508 | 15.1 | 40,700 | 11.1 | 50,607 | 15.7 |
| Europe | 8,815 | 4.5 | 10,816 | 6.9 | 17,664 | 4.8 | 20,242 | 6.3 |
| Japan | 7,611 | 3.9 | 7,932 | 5.1 | 16,153 | 4.4 | 18,909 | 5.8 |
| Malaysia | 6,602 | 3.3 | 6,677 | 4.3 | 8,465 | 2.3 | 17,947 | 5.6 |
| Singapore | 4,522 | 2.3 | 2,823 | 1.8 | 9,280 | 2.5 | 8,163 | 2.5 |
| Rest of the world | 3,026 | 1.4 | 4,112 | 2.6 | 5,766 | 1.6 | 8,613 | 2.6 |
| Total revenues | $ 197,474 | 100.0 % | $ 155,916 | 100.0 % | $ 366,199 | 100.0 % | $ 323,364 | 100.0 % |

Geographic revenue information is based on the location to which we ship the product. For example, if a certain South Korean customer purchases through its U.S. subsidiary and requests the products to be shipped to an address in South Korea, this sale will be reflected in the revenue for South Korea rather than the U.S.

Changes in revenue by geographic region for the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023, were primarily attributable to changes in customer demand, shifts in customer regional manufacturing strategies, particularly with our large multinational customers, product sales mix, and impacts from trade restrictions. Specifically, the changes in revenue by geographic region was attributable to the following:

- The increase in revenue for South Korea for the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023 was driven principally by increased demand for our DRAM probe card products, including those for HBM.
- The increase in revenues for the United States, and decreases in revenues for China and Malaysia, for the six months ended June 29, 2024, compared to the six months ended July 1, 2023 were driven principally by a single large U.S.-based company with operations in these regions that shifted shipments from these regions to the United States.
- The decrease in revenues for China for the six months ended June 29, 2024, compared to the six months ended July 1, 2023, was also impacted by lowered demand caused by expanded export license requirements imposed by the U.S. government beginning the fourth quarter of fiscal 2022 for exporting advanced U.S. semiconductor technology to China. These trade restrictions have caused, and continue to drive, multinational customers to concentrate operations in regions other than China, and lowering overall demand in China, impacting our geographical mix.

***Cost of Revenues and Gross Margins***

Cost of revenues consists primarily of manufacturing materials, compensation and benefits, shipping and handling costs, manufacturing-related overhead (including equipment costs, related occupancy, and computer services), warranty costs, inventory adjustments (including write-downs for inventory obsolescence), and amortization of certain intangible assets. Our manufacturing operations rely on a limited number of suppliers to provide key components and materials for our products, some of which are a sole source. We order materials and supplies based on backlog and forecasted customer orders. Tooling and setup costs related to changing manufacturing lots at our suppliers are also included in the cost of revenues. We expense all warranty costs, inventory provisions and amortization of certain intangible assets as cost of revenues.

Our gross profit and gross margin were as follows (dollars in thousands):

| | Three Months Ended | | | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | $ Change | % Change |
| Gross profit | $ 86,900 | $ 60,283 | $ 26,617 | 44.2 % |
| Gross margin | 44.0 % | 38.7 % | | |

| | Six Months Ended | | | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | $ Change | % Change |
| Gross profit | $ 149,638 | $ 121,361 | $ 28,277 | 23.3 % |
| Gross margin | 40.9 % | 37.5 % | | |

Our gross profit and gross margin by segment were as follows (dollars in thousands):

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 29, 2024 | | | | July 1, 2023 | | | |
| | Probe Cards | Systems | Corporate and Other | Total | Probe Cards | Systems | Corporate and Other | Total |
| Gross profit | $ 75,239 | $ 14,177 | $ (2,516) | $ 86,900 | $ 42,112 | $ 21,124 | $ (2,953) | $ 60,283 |
| Gross margin | 45.1 % | 46.2 % | | 44.0 % | 36.5 % | 52.0 % | | 38.7 % |

| | Six Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 29, 2024 | | | | July 1, 2023 | | | |
| | Probe Cards | Systems | Corporate and Other | Total | Probe Cards | Systems | Corporate and Other | Total |
| Gross profit | $ 126,030 | $ 28,683 | $ (5,075) | $ 149,638 | $ 85,735 | $ 41,870 | $ (6,244) | $ 121,361 |
| Gross margin | 41.5 % | 45.7 % | | 40.9 % | 35.3 % | 51.9 % | | 37.5 % |

*Probe Cards* — For the three and six months ended June 29, 2024, gross profit and gross margins increased compared to the three and six months ended July 1, 2023, primarily due to greater revenues and a more favorable absorption of costs on higher production volumes. This was partially offset by an unfavorable product mix resulting from a higher concentration of sales of lower-margin DRAM products for the three and six months ended June 29, 2024 compared to the corresponding period in the prior year, up from 26.4% and 20.8% of Probe Card sales to 34.8% and 34.2% of Probe Card sales, and a lower concentration of higher-margin Foundry & Logic sales for the three and six months ended June 29, 2024 when compared to the corresponding period in the prior year, down from 71.1% and 75.6% of Probe Card sales to 62.1% and 62.7% of Probe Card sales. In general, our DRAM products have lower margins than our Foundry & Logic products.

*Systems* — For the three and six months ended June 29, 2024, gross profit and gross margins decreased compared to the three and six months ended July 1, 2023, primarily as a result of lower revenues and a less favorable absorption of costs on lower production volumes, and a less favorable product mix.

*Corporate and Other* — Corporate and Other includes unallocated expenses relating to stock-based compensation expense, amortization of intangible assets, inventory and fixed asset fair value adjustments due to acquisitions, and restructuring charges, net, which are not used in evaluating the results of, or in allocating resources to, our reportable segments. For the three and six months ended June 29, 2024, Corporate and Other gross profit increased compared to the three and six months ended July 1, 2023, primarily from the absence of amortization expense associated with our FRT Metrology business, which was sold during the fourth quarter of fiscal 2023.

*Overall* — Gross profit and gross margins fluctuate with revenue levels, product mix, selling prices, factory loading, and material costs. For the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023, gross profit and gross margins have increased primarily as a result of more favorable absorption of costs and lower inventory excess and obsolescence reserves, partially offset by an unfavorable product mix, as described above.

Cost of revenues included stock-based compensation expense as follows (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Stock-based compensation | $ 1,932 | $ 1,515 | $ 3,860 | $ 3,425 |

***Research and Development***

| | Three Months Ended | | | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | $ Change | % Change |
| | (Dollars in thousands) | | | |
| Research and development | $ 31,564 | $ 28,340 | $ 3,224 | 11.4 % |
| % of revenues | 16.0 % | 18.2 % | | |

| | Six Months Ended | | | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | $ Change | % Change |
| | (Dollars in thousands) | | | |
| Research and development | $ 60,191 | $ 56,585 | $ 3,606 | 6.4 % |
| % of revenues | 16.4 % | 17.5 % | | |

Research and development expenses in the three months ended June 29, 2024 increased compared to the corresponding period in the prior year primarily due to increased employee compensation costs from higher performance-based compensation, increased general operational costs and stock-based compensation expense.

Research and development expenses in the six months ended June 29, 2024 increased compared to the corresponding period in the prior year primarily due to increased employee compensation costs from higher performance-based compensation, increased project material costs and general operational costs.

A detail of the changes is as follows (in thousands):

| | Three Months Ended June 29, 2024 compared to Three Months Ended July 1, 2023 | Six Months Ended June 29, 2024 compared to Six Months Ended July 1, 2023 |
|---|---|---|
| Employee compensation costs | $ 2,938 | $ 1,766 |
| General operational costs | 338 | 679 |
| Stock-based compensation | 251 | 492 |
| Restructuring charges | (221) | (291) |
| Depreciation | (73) | (182) |
| Project material costs | (9) | 1,142 |
| | $ 3,224 | $ 3,606 |

Research and development included stock-based compensation expense as follows (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Stock-based compensation | $ 2,614 | $ 2,363 | $ 5,227 | $ 4,735 |

***Selling, General and Administrative***

| | Three Months Ended | | | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | $ Change | % Change |
| | (Dollars in thousands) | | | |
| Selling, general and administrative | $ 37,874 | $ 33,255 | $ 4,619 | 13.9 % |
| % of revenues | 19.2 % | 21.3 % | | |

| | Six Months Ended | | | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | $ Change | % Change |
| | (Dollars in thousands) | | | |
| Selling, general and administrative | $ 70,953 | $ 65,997 | $ 4,956 | 7.5 % |
| % of revenues | 19.4 % | 20.4 % | | |

Selling, general and administrative expenses increased in the three months ended June 29, 2024 compared to the corresponding period in the prior year. The drivers of the increase for the three month period were increased employee compensation costs from higher performance-based compensation and increased commissions expense from increased revenues, partially offset by lower amortization expense from significant intangible assets becoming fully amortized.

Selling, general and administrative expenses increased in the six months ended June 29, 2024 compared to the corresponding period in the prior year. The drivers of the increase for the six month period were increased employee compensation costs from higher performance-based compensation, increased consulting fees from transaction expenses related to the sale of our FRT Metrology business in the fourth quarter of fiscal 2023 and the China Transaction in the first quarter of fiscal 2024, increased stock-based compensation expense from an increase in weighted average fair value of awards outstanding, and increased recruiting costs, partially offset by lower amortization expense from significant intangible assets becoming fully amortized and lower restructuring charges.

A detail of the changes is as follows (in thousands):

| | Three Months Ended June 29, 2024 compared to Three Months Ended July 1, 2023 | Six Months Ended June 29, 2024 compared to Six Months Ended July 1, 2023 |
|---|---|---|
| Employee compensation costs | $ 4,732 | $ 4,431 |
| Amortization of intangibles | (1,360) | (2,715) |
| Commission expenses | 782 | 736 |
| Stock-based compensation | 337 | 1,193 |
| Recruiting costs | 280 | 693 |
| General operating expenses | (200) | 269 |
| Consulting fees | 48 | 1,239 |
| Restructuring charges | — | (890) |
| | $ 4,619 | $ 4,956 |

Selling, general and administrative included stock-based compensation expense as follows (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Stock-based compensation | $ 5,663 | $ 5,326 | $ 11,527 | $ 10,334 |

***Gain on sale of business***

Gain on sale of business of $0.3 million for the three months ended June 29, 2024 represents an adjustment to the gain recognized from the China Transaction.

Gain on sale of business for the six months ended June 29, 2024 represents the gain recognized from the China Transaction of $20.3 million and an adjustment to the gain recognized from the sale of our FRT Metrology business of $0.3 million. See Note 4, *Divestitures*, for additional information.

***Interest Income (Expense), Net***

Interest income is earned on our cash, cash equivalents, restricted cash and marketable securities. The increase in interest income for the three and six months ended June 29, 2024 compared with the corresponding period of the prior year, was attributable to an increase in weighted average yields due to the higher interest rate environment and on higher invested balances.

Interest expense primarily includes interest on our term loan, interest rate swap derivative contracts, and term loan issuance costs amortization charges. The interest expense for the three and six months ended June 29, 2024 decreased compared to the corresponding period of the prior year due to lower outstanding debt.

***Other Income, Net***

Other income, net, primarily includes the effects of foreign currency and various other gains and losses. We partially mitigate our risks from currency movements by hedging certain balance sheet exposures, which minimizes the impacts during periods of foreign exchange volatility.

***Provision for Income Taxes***

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **June 29, 2024** | **July 1, 2023** | **June 29, 2024** | **July 1, 2023** |
| | **(In thousands, except percentages)** | | | |
| Provision (benefit) for income taxes | $ 2,155 | $ (208) | $ 5,353 | $ (160) |
| Effective tax rate | 10.0 % | (33.5)% | 11.5 % | (8.0)% |

Provision (benefit) for income taxes reflects the tax provision on our operations in foreign and U.S. jurisdictions, offset by tax benefits from tax credits and the foreign-derived intangible income deduction. Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss by jurisdiction, changes to the valuation allowance, changes to U.S. federal, state or foreign tax laws, changes in stock-based compensation expense/benefit, future expansion into areas with varying country, state, and local income tax rates, and deductibility of certain costs and expenses by jurisdiction. The increase in our effective tax rate for the three and six months ended June 29, 2024 compared to the corresponding period in the prior year was primarily driven by higher taxable income during fiscal 2024.

The Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (“CHIPS Act”) was signed into law on August 9, 2022. The CHIPS Act provides for various incentives and tax credits, among other items, including the Advanced Manufacturing Investment Credit (“AMIC”), which equals 25% of qualified investments in an advanced manufacturing facility that is placed in service after December 31, 2022. At least a portion of our future capital expenditures and research and development costs will qualify for this credit, which benefits us by allowing us to net the credit received against our costs. The AMIC credit is accounted for outside of ASC 740 as a reduction to the depreciable basis of the assets used in operations and will not have an impact on our effective tax rate.

Beginning in 2022, the U.S. Tax Cuts and Jobs Act of 2017 eliminated the existing option to deduct research and development expenditures and requires taxpayers to amortize such expenditures attributable to domestic and foreign research over five and fifteen years, respectively, pursuant to IRC Section 174. While the capitalization requirement has a negative impact on our cash flows, there are offsetting benefits from the enactment of this provision that we have included in our estimated annual effective tax rate. While it is possible that Congress may defer, modify, or repeal this provision, potentially with retroactive effect, we have no assurance that this provision will be deferred, modified, or repealed. Changes in our tax provisions or an increase in our tax liabilities, whether due to changes in applicable laws and regulations, the interpretation or application thereof, or a final determination of tax audits or litigation or agreements, could have a material adverse effect on our financial position, results of operations and/or cash flows.

**Liquidity and Capital Resources**

***Capital Resources***

Our working capital increased to $481.6 million at June 29, 2024, compared to $442.7 million at December 30, 2023.

Cash and cash equivalents primarily consist of deposits held at banks and money market funds. Marketable securities primarily consist of corporate bonds, U.S. treasuries, commercial paper, and U.S. agency securities. We typically invest in highly rated securities with low probabilities of default. Our investment policy requires investments to be rated single A or better, and limits the types of acceptable investments, issuer concentration and duration of the investment.

Our cash, cash equivalents and marketable securities totaled approximately $357.6 million at June 29, 2024, compared to $328.3 million at December 30, 2023. Based on our historical results of operations, we expect that our cash, cash equivalents, and marketable securities on hand, and the cash we expect to generate from operations, will be sufficient to fund our short-term and long-term liquidity requirements primarily arising from: research and development, capital expenditures, working capital, outstanding commitments, and other liquidity requirements associated with existing operations. However, we cannot be certain that our cash, cash equivalents, and marketable securities on hand, and cash generated from operations, will be available in the future to fund all of our capital and operating requirements. In addition, any future strategic investments and significant acquisitions may require additional cash and capital resources. To the extent necessary, we may consider entering into short and long-term debt obligations, raising cash through a stock issuance, or obtaining new financing facilities, which may not be available on terms favorable to us. If we are unable to obtain sufficient cash or capital to meet our needs on a timely basis and on favorable terms, our business and operations could be materially and adversely affected.

If we are unsuccessful in maintaining or growing our revenues, maintaining or reducing our cost structure, or increasing our available cash through debt or equity financings, our cash, cash equivalents and marketable securities may decline.

We utilize a variety of tax planning and financing strategies to manage our worldwide cash and deploy funds to locations where needed. As part of these strategies, we indefinitely reinvest a portion of our foreign earnings. Should we require additional capital in the United States, we may elect to repatriate indefinitely-reinvested foreign funds or raise capital in the United States.

***Cash Flows***

The following table sets forth our net cash flows from operating, investing and financing activities:

| | Six Months Ended | |
|---|---|---|
| | **June 29, 2024** | **July 1, 2023** |
| | **(In thousands)** | |
| Net cash provided by operating activities | $ 54,890 | $ 34,781 |
| Net cash used in investing activities | $ (9,960) | $ (48,464) |
| Net cash provided by (used in) financing activities | $ (19,426) | $ 4,049 |

***Operating Activities***

Net cash provided by operating activities consists of net income for the period adjusted for certain non-cash items and changes in certain operating assets and liabilities. Net cash provided by operating activities for the six months ended June 29, 2024 was attributable to net income of $41.2 million and net non-cash expenses of $15.5 million, partially offset by the increase in net working capital of $1.8 million. The cash used in net working capital is related to increased inventories of $14.5 million and increased accounts receivable, net, of $10.8 million, largely offset by increased accrued liabilities of $10.2 million, other liabilities of $7.3 million, and deferred revenue of $4.9 million. The non-cash expenses consisted of depreciation, amortization, stock-based compensation, and the provision for excess and obsolete inventories, partially offset by the $20.6 million gain on sale of business.

***Investing Activities***

Net cash used in investing activities for the six months ended June 29, 2024 primarily related to $21.8 million in property, plant and equipment purchases and $9.7 million in net purchases of marketable securities, partially offset by $21.6 million cash provided by the sale of businesses.

***Financing Activities***

Net cash used in financing activities for the six months ended June 29, 2024 primarily related to $20.3 million used to purchase common stock under our stock repurchase program, $3.6 million used to pay tax withholdings for net share settlements of employee stock awards, partially offset by $4.9 million received from issuances of common stock under our employee stock purchase plan.

**Debt**

On June 22, 2020, we entered into an $18.0 million 15-year credit facility loan agreement (the "Building Term Loan"). The proceeds of the Building Term Loan were used to purchase a building adjacent to our leased facilities in Livermore, California. On May 19, 2023, we amended the Building Term Loan, replacing the benchmark reference rate London Interbank Offered

Rate (“LIBOR“) with the term Secured Overnight Financing Rate (“SOFR”), with no change to the amount or timing of contractual cash flows.

The Building Term Loan bears interest at a rate equal to the applicable SOFR rate, plus 1.86% per annum. Interest payments are payable in monthly installments over a fifteen-year period. The interest rate at June 29, 2024, before consideration of the interest rate swap discussed in the next paragraph, was 7.19%. As of June 29, 2024, the balance outstanding pursuant to the Building Term Loan was $13.9 million.

On March 17, 2020, we entered into an interest rate swap agreement to hedge the interest payment on the Building Term Loan for the notional amount of $18.0 million, and an amortization period that matches the debt. As future levels of LIBOR over the life of the loan are uncertain, we entered into this interest-rate swap agreement to hedge the exposure in interest rate risks associated with movement in LIBOR rates. This agreement was amended on May 19, 2023 to replace the benchmark reference rate LIBOR with SOFR to match the Building Term Loan agreement (as amended). After the amendment, the interest rate swap continues to convert our floating-rate interest into a fixed-rate at 2.75%. As of June 29, 2024, the notional amount of the loan that is subject to this interest rate swap is $13.9 million.

**Stock Repurchase Programs**

On May 20, 2022, our Board of Directors authorized a two-year program to repurchase up to $75.0 million of outstanding common stock to offset potential dilution from issuance of common stock under our stock-based compensation programs. During fiscal 2022 and fiscal 2023, we repurchased and retired 1,700,893 shares of common stock for $56.4 million and 504,352 shares of common stock for $18.6 million, respectively, utilizing the remaining shares available for repurchase under the program.

On October 30, 2023, our Board of Directors authorized an additional two-year program to repurchase up to $75.0 million of outstanding common stock, also with the primary purpose of offsetting potential dilution from issuance of common stock under our stock-based compensation programs. This share repurchase program will expire on October 30, 2025. During fiscal 2023, we repurchased and retired 32,020 shares of common stock for $1.2 million. During the six months ended June 29, 2024, we repurchased and retired 483,951 shares of common stock for $20.3 million, and as of June 29, 2024, $53.5 million remained available for future repurchases.

**Contractual Obligations and Commitments**

The following table summarizes our significant contractual commitments to make future payments in cash under contractual obligations as of June 29, 2024:

| | Payments Due In Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | Remainder 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
| Operating leases | $ 4,515 | $ 9,043 | $ 7,638 | $ 7,208 | $ 3,892 | $ 1,391 | $ 33,687 |
| Term loans - principal payments | 544 | 1,111 | 1,142 | 1,175 | 1,208 | 8,732 | 13,912 |
| Term loans - interest payments [1] | 498 | 936 | 856 | 772 | 687 | 2,161 | 5,910 |
| Total | $ 5,557 | $ 11,090 | $ 9,636 | $ 9,155 | $ 5,787 | $ 12,284 | $ 53,509 |

[1] Represents our minimum interest payment commitments at 7.19% per annum, excluding the interest rate swap described in *Debt*, above.

The table above excludes our gross liability for unrecognized tax benefits and our deferred grant. The gross liability for unrecognized tax benefits was $50.3 million as of June 29, 2024. The timing of any payments which could result from these unrecognized tax benefits will depend upon a number of factors and, accordingly, the timing of payment cannot be estimated. The deferred grant was $18.0 million as of June 29, 2024, and consists of cash received from a California Competes Grant awarded from the California Governor's Office of Business and Economic Development. The timing of any potential repayments is dependent upon a number of factors, including the number of employees and capital investments within California. Accordingly, the timing of any repayment cannot be estimated.

**Off-Balance Sheet Arrangements**

Historically, we have not participated in transactions that have generated relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of June 29, 2024, we were not involved in any such off-balance sheet arrangements.

**Recent Accounting Standards**

For a description of a recent change in accounting standards, including the expected dates of adoption and estimated effects, if any, in our condensed consolidated financial statements, see Note 1, *Basis of Presentation and Significant Accounting Policies,* in Part I, Item 1 of this Form 10-Q.

**Item 3. *Quantitative and Qualitative Disclosures about Market Risk***

For financial market risks related to changes in interest rates and foreign currency exchange rates, reference is made to Item 7A "Quantitative and Qualitative Disclosures about Market Risk" contained in Part II of our Annual Report on Form 10-K for the fiscal year ended December 30, 2023. Our exposure to market risk has not changed materially since December 30, 2023.

**Item 4. *Controls and Procedures***

**Evaluation of Disclosure Controls and Procedures**

Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on the Effectiveness of Controls**

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems' objectives are being met. Further, the design of any control systems must reflect the fact that there are resource constraints, and the benefits of all controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of a simple error or mistake. Control systems can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based, in part, on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

**CEO and CFO Certifications**

We have attached as exhibits to this Quarterly Report on Form 10-Q the certifications of our Chief Executive Officer and Chief Financial Officer, which are required in accordance with the Exchange Act. We recommend that this Item 4 be read in conjunction with the certifications for a more complete understanding of the subject matter presented.

## PART II - OTHER INFORMATION

**Item 1A.** ***Risk Factors***

There have been no material changes during the three months ended June 29, 2024 to the risk factors discussed in our Annual Report on Form 10-K for the year ended December 30, 2023. If any of the identified risks actually occur, our business, financial condition and results of operations could suffer. The trading price of our common stock could decline and you may lose all or part of your investment in our common stock. The risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 30, 2023 are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business operations.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds***

**Repurchase of Common Stock**

The following table summarizes our repurchases of outstanding common stock for the three months ended June 29, 2024:

| Period (fiscal months) | Total Number of Shares Purchased | Average Price Paid per Share(2) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Amount that May Yet Be Purchased Under the Plans or Programs(1)(2) |
|---|---|---|---|---|
| March 31, 2024 - April 27, 2024 | 72,195 | $ 40.22 | 72,195 | $ 53,532,725 |
| April 28, 2024 - May 25, 2024 | — | — | — | 53,532,725 |
| May 26, 2024 - June 29, 2024 | — | — | — | 53,532,725 |
| | 72,195 | $ 40.22 | 72,195 | |

[1] In October 2023, our Board of Directors authorized a program to repurchase up to $75.0 million of outstanding common stock to offset potential dilution from issuances of our common stock under our employee stock purchase plan and equity incentive plan. Under the authorized stock repurchase program, we may repurchase shares from time to time on the open market. The pace of repurchase activity will depend on levels of cash generation, current stock price and other factors. The program may be modified or discontinued at any time. This share repurchase program will expire October 2025.

[2] Amounts include the 1% surcharge on stock repurchases under the Inflation Reduction Act's excise tax. This excise tax is recorded in equity and reduces the amount available under the repurchase program, as applicable.

**Item 5.** ***Other Information***

**Rule 10b5-1 Trading Arrangements**

During the quarter ended June 29, 2024, no director or officer of the Company adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408(a) of Regulation S-K.

The information below is reported in lieu of information that would be reported under Item 5.02 under Form 8-K.

**Form of Change of Control Severance Agreement**

On August 2, 2024, we adopted a severance plan (the "Plan") to better provide for the retention of key executives by providing them with a higher degree of financial security. Shai Shahar, our Chief Financial Officer, is a participant under the Plan, which supersedes our Change of Control Severance Agreement, dated July 20, 2022, with him. The Plan provides Mr. Shahar with substantially the same benefits he had under his prior agreement with the Company and, subject to his signing a release of claims in favor of our Company, adds the following new severance benefits for a qualifying termination outside of the period beginning 90 days prior to a change of control and ending within 12 months following a change of control of our Company:

- A lump sum cash severance payment equal to one year's annual base salary and the product of the annual base salary and the annual target bonus percentage in effect in effect on the date of termination; and
- A lump sum cash payment for up to 12 months of the amount of the Company's monthly health insurance premium under COBRA in effect on the date of the employee's separation under the Company's group health plan for the type of coverage in effect for the employee under such plan.

The foregoing description of the Plan is qualified in its entirety by reference to the full text of the FormFactor, Inc. Severance Plan For US Executives, which is filed as exhibit 10.01 to this Quarterly Report on Form 10-Q.

**Item 6.** ***Exhibits***

The following exhibits are filed herewith and this list constitutes the exhibit index.

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | Filed Herewith |
|---|---|---|---|---|---|
| | | Form | Date | Number | |
| 10.01+ | FormFactor, Inc. Severance Plan for US Executives | | | | X |
| 31.01 | Certification of Chief Executive Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | X |
| 31.02 | Certification of Chief Financial Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | X |
| 32.01 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | * |
| 101 | The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 2024, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags | | | | X |
| 101.INS | XBRL Instance Document | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | X |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | X |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 2024, formatted in Inline XBRL (included as Exhibit 101) | | | | X |

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* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

\+ Indicates a management contract or compensatory plan or arrangement.

**SIGNATURE**

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.

FormFactor, Inc.

| | | | |
|---|---|---|---|
| Date: | August 6, 2024 | By: | /s/ SHAI SHAHAR |
| | | | Shai Shahar<br>Chief Financial Officer<br>*(Duly Authorized Officer, Principal Financial Officer, and Principal Accounting Officer)* |

**FORMFACTOR, INC. SEVERANCE PLAN FOR US EXECUTIVES**
(Adopted August 2, 2024)

The purpose of the FormFactor, Inc. Severance for US Executives, as amended from time to time (the "Plan"), is to better provide for the retention of key executives through providing them with a higher degree of financial security, on the terms and conditions hereinafter stated. The Plan is intended to be a severance pay plan governed by Title I of ERISA primarily for the purpose of providing benefits for a select group of management or highly compensated employees. All benefits under the Plan will be paid solely from the general assets of the Company.

## ARTICLE I

## DEFINITIONS

Section 1.01 As used in this Plan, the following terms shall have the respective meanings set forth below:

(a) "Accountants" has the meaning ascribed to such term in Section 6.04 of the Plan.

(b) "Board" means the Board of Directors of the Company.

(c) "Bonus" means the annual bonuses payable pursuant to the Company's Employee Incentive Plan or such other plan that provides for the payment of annual incentive bonuses as may be, from time to time, authorized by the Board or the Compensation Committee.

(d) "Cause" means: (i) any act of personal dishonesty or breach of trust taken by the Participant which is reasonably likely to result in material harm to the Company, (ii) the Participant's performance of any act or omission with respect to which, if Participant were prosecuted, would constitute a felony or a misdemeanor involving a crime of dishonesty, fraud or moral turpitude, (iii) continued willful violations by the Participant of the Participant's obligations to the Company after the Participant has received a written demand for performance from the Company which describes the basis for the Company's belief that the Participant has not substantially performed their duties, or (iv) Participant's breach or violation, in any material respect, of any agreement between Participant and the Company, or any material policy of the Company, including but not limited to the Company's Code of Conduct, Confidential Information and Invention Assignment Agreement. Cause shall be determined in the Company's sole discretion.

(e) "Change in Control" means: the first to occur of any of the following events after the date hereof:

(i) any one person, or more than one person acting as a group (as defined under Treasury Regulation section 1.409A-3(i)(5)(v)(B)), other than the Company, an affiliate or any employee benefit plan sponsored by the Company or an affiliate, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value of the stock of the Company;

(ii) any one person, or more than one person acting as a group (as defined under Treasury Regulation section 1.409A-3(i)(5)(v)(B)), other than the Company, an affiliate or any employee benefit plan sponsored by the Company or an affiliate, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company;

(iii) a majority of members of the Board are replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of each appointment or election; or

(iv) any one person, or more than one person acting as a group (as defined in Treasury Regulation section 1.409A-3(i)(5)(v)(B)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For purposes of this clause (iv), gross fair market value means the value of the assets of the Company (without regard to assets of affiliates), or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For the avoidance of doubt, a transaction shall not constitute a Change in Control if it does not constitute a "change in control event" within the meaning of the Treasury Regulations promulgated under Section 409A of the Code.

(f) "CIC Period" means the period of time beginning on the date that is ninety (90) days prior to the date of a Change in Control and ending on the date that is twelve (12) months following the date of the Change in Control.

(g) "CIC Qualifying Termination" means (i) a termination of the Participant's employment by the Company other than for Cause and other than as a result of the Participant's death or Permanent Disability, or (ii) a termination of the Participant's employment as a result of a resignation by the Participant for Good Reason during a CIC Period.

(h) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, including the continuation coverage provisions under Section 4980 of the Code and the Treasury Regulations thereunder and any similar group health plan insurance continuation coverage program.

(i) "COBRA Payment Period" has the meaning ascribed to such term in Section 3.01(c) of the Plan.

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Company" means FormFactor, Inc., a Delaware corporation, and any successor corporation thereto.

(l) "Company Change" means any merger, consolidation or corporate reorganization of the Company, including, for the avoidance of any doubt, a Change in Control.

(m) "Compensation Committee" means the Compensation Committee of the Board.

(n) "Date of Termination" means the date on which a Participant's employment by the Company and its Subsidiaries terminates, in accordance with Section 8.05(b) of the Plan.

(o) "Effective Date" means the date that the Plan is adopted by the Board.

(p) "Eligible Executive" means an employee of the Company who is designated by the Company as a senior executive reporting to the Company's Chief Executive Officer.

(q) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(r) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(s) "Excise Tax" means the excise tax imposed by Section 4999 of the Code.

(t) "Good Reason" means the occurrence of any of the following: (i) without the Participant's express written consent, a material reduction of the Participant's duties, position or responsibilities relative to the Participant's duties, position or responsibilities in effect immediately prior to such reduction; (ii) without the Participant's express written consent, a reduction by more than ten percent (10%) of the Participant's base salary or target bonus as in effect immediately prior to the Change in Control; (iii) without the Participant's express written consent, the relocation of the Participant's primary work location by more than fifty (50) miles; or (iv) the failure of the Company to obtain the assumption of the Plan by a successor (by express agreement or operation of law); provided, however, that the Participant will have Good Reason to terminate employment only if (i) the Participant provides notice to the Company of the existence of the event or circumstances constituting Good Reason specified in any of the preceding clauses within ninety (90) days of the initial existence of such event or circumstances, and (ii) the Company does not remedy such event or circumstances within thirty (30) days following receipt of such notice.

(u) "Incumbent Directors" means directors who either (A) are directors of the Company as of the Effective Date, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of those directors then still in office who either were directors on the Effective Date or whose election or nomination for election was so approved.

(v) "Non-CIC Period" means the period prior to or following a CIC Period.

(w) "Non-CIC Qualifying Termination" means a termination of the Participant's employment by the Company other than for Cause and other than as a result of the Participant's death or Permanent Disability

(x) "Participant" means any Eligible Executive who is selected to be a participant in the Plan by action of the Compensation Committee as specified in Section 2.01 herein.

(y) "Permanent Disability" means that the Participant would qualify to receive long-term disability payments under the long-term disability policy, as it may be amended from time to time, of the Company or the Subsidiary to which the Participant provides services covering the Participant or, if no such plan exists or applies, such term will mean a determination that a person is "totally disabled" by the Social Security Administration.

(z) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of shares of the Company.

(aa) "Plan" has the meaning given in the introductory section to this Plan.

(bb) "Plan Administrator" means the Company, acting through the Compensation Committee or another duly constituted committee of members of the Board, or any Person to whom the Plan Administrator has delegated, in writing, any authority or responsibility with respect to the Plan, but only to the extent of such delegation.

(cc) "Recoupment Rules" means the Company's Clawback Policy, as amended from time to time, or any other compensation recoupment policy required to be adopted by the Company pursuant to applicable law, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, regulatory requirements, or rules of the stock exchange on which the Company's securities are listed.

(dd) "Separation from Service" means a "separation from service" within the meaning of Section 409A of the Code.

(ee) "Subsidiary" means any corporation or other entity in which the Company has a direct or indirect ownership interest of fifty percent (50%) or more of the total combined voting power of the then outstanding securities of such corporation or other entity.

(ff) "Year" means the fiscal year of the Company.

## ARTICLE II

## PARTICIPATION

Section 2.01 Participation in the Plan. The Compensation Committee may designate any Eligible Executive to be a Participant. Promptly following such designation, each Participant shall be notified of their participation in writing from the Company. Participation in the Plan shall be determined in the Compensation Committee's sole discretion. Participation in the Plan means that the severance payments and benefits under the Plan supersede and replace any previously offered or agreed payments or benefits (including non-monetary) in the nature of severance, howsoever arising. Once participation in the Plan has commenced, a Participant shall remain a Participant until the first to occur of (i) the Participant is terminated for Cause, (ii) the completion of the delivery of all benefits under the Plan following the termination of their employment under circumstances giving rise to a right to such benefits, (iii) the Participant ceases to be an Eligible Executive, or (iv) the Compensation Committee determines in its sole discretion to remove the Participant from the Plan.

Section 2.02 Benefits Eligibility. A Participant shall become entitled to benefits under the Plan in the event they experience a CIC Qualifying Termination or Non-CIC Qualifying

Termination, provided that all of the conditions set forth in Section 2.03 of the Plan are satisfied, and provided further that any benefits or severance entitlements provided to a Participant under this Plan shall be offset as contemplated under Section 2.05 of the Plan.

Section 2.03 Conditions. As a condition precedent to entitlement of each Participant to benefits under Sections 3.01(a) and (b) and 3.02(a), (b) and (c) of the Plan, the Participant agrees to each of the following:

(a) The Participant shall have executed a release with the Company, and the applicable revocation period set forth in such release shall have expired;

(b) The Participant agrees to execute a resignation letter stating that effective as of the Participant's Date of Termination, or such earlier date as required or requested by the Company, the Participant resigns as any officer or director position with the Company or any of its Subsidiaries of which they are a member and/or to which they has been appointed;

(c) The Participant shall return to the Company all property of the Company (or Subsidiary) in the possession of the Participant (or of a person controlled by the Participant);

(d) The Participant shall reasonably cooperate with the Company to complete the transition of matters with which the Participant is familiar or responsible to other executives or employees and to make themself reasonably available to answer questions or assist in matters which may require attention after the Participant's Date of Termination; and

Section 2.04 A Participant shall not be required to mitigate the amount of any payment or benefit provided for in the Plan by seeking other employment or otherwise and, except as provided in 3.01(b), no such payment or benefit shall be offset or reduced by the amount of any compensation or benefits provided to the Participant in any subsequent employment.

Section 2.05 The severance payments and benefits under the Plan to a Participant are intended to constitute the exclusive payments and benefits in the nature of severance or termination pay that shall be due to a Participant upon termination of their employment and to supersede any previously offered or agreed payments or benefits (including non-monetary) in the nature of severance, howsoever arising. Without limiting any of the foregoing, the severance payments and benefits under the Plan shall be in lieu of (or offset by) severance benefits or entitlements, termination indemnities, pay in lieu of notice, or the like provided under any of the Participant's other agreements, plans, practices or arrangements with the Company or a Subsidiary. Any reductions in payments or benefits shall be made in a manner that complies with Section 409A of the Code. For the avoidance of doubt, there shall be no duplication of benefits under the Plan or otherwise.

## ARTICLE III

## TERMINATION BENEFITS

Section 3.01 Termination During Non-CIC Period. If during a Non-CIC Period the employment of a Participant terminates as a result of a Non-CIC Qualifying Termination, then, subject to the terms of the Plan and in addition to any amounts required to be paid by applicable law such as earned and unpaid salary, the Participant shall be entitled to the following (which shall be payable in accordance with Article IV):

(a) an amount equal to the sum of (i) twelve (12) months of base salary calculated based on the Participant's base salary as of the Date of Termination, plus (ii) Participant's target annual bonus amount for the Year in which the Participant's Date of Termination occurs;

(b) provided that the Participant properly and timely elects continuation healthcare coverage under COBRA, the Company shall pay to the COBRA administrator the cost of the entire amount of the COBRA premiums for the continuation of group healthcare coverage for the Participant based on the level of coverage in effect, and, if applicable, with respect to the Participant's eligible dependents who were participating as of the Date of Termination under the Company's medical and dental group plans from the date coverage is lost following the Date of Termination and continuing until the earlier of (i) the date that is twelve (12) months following the first day of the month immediately following the Date of Termination, (ii) the date that the Participant becomes eligible to receive benefits under another employer's group health plan and (iii) the date that the Participant ceases to be eligible for COBRA (the "COBRA Payment Period"). Any further continuation of coverage under applicable law shall be at the Participant's sole responsibility and expense. A Participant may not increase the number of eligible dependents, if any, during the COBRA Payment Period unless the Participant does so at their own expense. Notwithstanding the foregoing, if the payment of COBRA premiums or the provision of benefits hereunder is likely to result in a penalty to the Participant or at any time the Company determines, in its sole discretion, that the payment of COBRA premiums or the provision of benefits hereunder is likely to result in a penalty to the Company or violation of the nondiscrimination rules of Section 105(h)(2) of the Code or any statute or regulation of similar effect (including, without limitation, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of paying the cost of the COBRA premiums, the Company will instead pay the Participant, on the Company's regular payroll dates during the remainder of the COBRA Payment Period, a fully taxable cash payment equal to the amount of the COBRA premiums that the Company has agreed to pay pursuant to this Section 3.01(c) for the corresponding payroll period.

Section 3.02 Termination During CIC Period. If, during the CIC Period, the employment of the Participant terminates as a result of a CIC Qualifying Termination, then, subject to the terms of the Plan and in addition to any amounts required to be paid by applicable law such as earned and unpaid salary, the Participant shall be entitled to the following (which shall be payable in accordance with Article IV):

(a) an aggregate amount equal to one (1) times the sum of (i) twelve (12) months of base salary calculated based on the Participant's base salary as of the Date of Termination, plus (ii) the greater of (x) the target annual bonus amount for the Year in which the Participant's Date of Termination occurs, or (y) the average of the last 2 year's actual bonus awarded to the Participant.

(b) an amount equal to one (1) times the sum of twelve (12) months of the COBRA premiums for the continuation of group healthcare coverage for the Participant based on the level of coverage in effect and, if applicable, with respect to the Participant's eligible dependents who were participating as of the Date of Termination under the Company's medical and dental group plans,

(c) the vesting and exercisability of (i) each option, restricted stock award, restricted stock unit or other stock-based award that is outstanding and unvested at the time of the Change in Control, and (ii) any cash-based or stock-based award that was granted in substitution for any award described in the previous clause (i) at the time of the Change in Control (any award of either (i) and (ii) each, an "Equity Award"), shall be automatically accelerated in full and the forfeiture provisions and/or Company right of repurchase of each Equity Award shall automatically lapse in full.

## ARTICLE IV

## FORM AND TIME OF PAYMENT

Section 4.01 The monthly installments contemplated under Section 3.01(a) of the Plan shall begin on the sixtieth ($60^{th}$) day after the Participant's Separation from Service.

Section 4.02 The lump sum payments contemplated under Section 3.02(a) and (b) of the Plan shall be made on the sixtieth ($60^{th}$) day after the later of the Participant's Separation from Service and the date of the Change in Control.

Section 4.03 Notwithstanding Article III or any of the foregoing, if the Participant becomes entitled to payment under Section 3.01, and if within 90 days after the Participant's Separation from Service there occurs a Change in Control causing the Participant to become entitled to payments under Section 3.02, then:

(a) to the extent payment under Section 3.01(a) is subject to (and not exempt from) Code Section 409A, the amount payable under 3.02(a) shall be paid as provided in Section 4.02 but shall be reduced by the aggregate amount payable pursuant to 3.01(a), and the amount payable under Section 3.01(a) shall continue to be paid as provided in Section 4.01;

(b) to the extent payment under 3.01(a) is exempt from Code Section 409A, the amount payable under 3.02(a) shall be paid as provided in Section 4.02 but shall be reduced by the amount previously paid under 4.01, and no further amounts shall be payable under Sections 3.01(a) or 4.01; and

(c) if the Participant has been receiving nontaxable COBRA contributions under Section 3.01(b), such amounts shall cease as of the date of the Change in Control and instead the Participant shall be entitled to the payment described in Section 3.02(b), reduced by the amount of COBRA premiums paid by the Company as of the date of the Change in Control, and payable as provided in Section 4.02; and

(d) if the Participant has been receiving taxable amounts in lieu of COBRA contributions under Section 3.01(b), such amounts shall be continued by the Company (or its successor) after the date of the Change in Control.

## ARTICLE V

## AMENDMENT AND TERMINATION OF PLAN

Section 5.01 This Plan may be amended or terminated at the sole discretion of the Board or Compensation Committee provided that the Board, or the Compensation Committee, as applicable, shall provide written notice to the Participant no less than one (1) year prior to any amendment that materially and adversely impacts the right of a Participant under the Plan or the termination of the Plan, and provided further that the Plan shall not be amended once the Company enters into a definite binding agreement, the consummation of which would result in the occurrence of a Change in Control.

## ARTICLE VI

## FEDERAL EXCISE TAX UNDER SECTION 4999 OF THE CODE

Section 6.01 In the event that the benefits provided for in this Plan (together with any other benefits or amounts payable or provided to a Participant) otherwise constitute "parachute payments" within the meaning of Section 280G of the Code and would, but for this Article VI be subject to the Excise Tax, then the Participant's benefits under this Plan (together with any other benefits or amounts payable or provided to such Participant) shall be either: (i) delivered in full, or (ii) delivered as to such lesser extent as would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Participant on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. In the event of a reduction of benefits hereunder, the Accountants (as defined below) shall determine which benefits shall be reduced, in accordance with Section 6.02 of the Plan hereof, so as to achieve the principle set forth in the preceding sentence. In no event shall the foregoing be interpreted or administered so as to result in an acceleration of payment or further deferral of payment of any amounts (whether under this Plan or any other arrangement) in violation of Section 409A of the Code.

Section 6.02 Any reduction in the Participant's benefits under this Plan and/or otherwise payable or provided to such Participant shall be made as follows:

(a) first, payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first;

(b) second, payments due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable or deliverable last reduced first;

(c) third, payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24 will be reduced (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24);

(d) fourth, payments due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24 will be reduced (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); and

(e) fifth, all other non-cash benefits will be reduced pro-rata.

Section 6.03 In each case, the amounts of the payments and benefits shall be reduced in the inverse order of their originally scheduled dates of payment or vesting, as applicable, and shall be so reduced only to the extent necessary to achieve the reductions contemplated under Section 6.01 of the Plan.

Section 6.04 Unless the Company and the Participant otherwise agree in writing, all determinations required to be made under this Article VI, including the manner and amount of any reduction in the Participant's benefits under this Plan, and the assumptions to be utilized in arriving at such determinations, shall be promptly determined and reported in writing to the Company and the Participant by the independent public accountants or other independent advisors selected by the Company that are not serving as the accountants or auditors for the individual, entity or group effecting the Change in Control (the "Accountants"), and all such computation and determinations shall be conclusive and binding upon the Participant and the Company. All fees and expenses of the Accountants shall be borne solely by the Company, and the Company shall enter into any agreement requested by the Accountants in connection with the performance of the services hereunder. For purposes of making the calculations required by this Article VI, the Accountants may make reasonable assumptions and approximations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request to make a determination under this Article VI.

## ARTICLE VII

## PLAN ADMINISTRATION

Section 7.01 The Plan Administrator shall have full and exclusive discretionary authority and control to administer the Plan including to, interpret the Plan, prescribe, amend and rescind rules and regulations under the Plan, resolve disputed issues of fact, grant or deny benefits under the Plan in accordance with its terms, including coverage, eligibility, and benefit determinations, and make all other determinations necessary or advisable for the administration of the Plan, subject to all of the provisions of the Plan.

Section 7.02 The Plan Administrator has the authority to delegate certain of its powers and duties to a third party. In instances in which this occurs, the third party shall have such powers as the Plan Administrator delegates to it. Benefits will be paid hereunder only if the Plan Administrator (or its delegate) decides in its discretion that the applicant is entitled to them by the terms of the Plan.

Section 7.03 The exercise of discretion and determinations of the Plan Administrator (or its delegate) in all matters are final and binding upon employees, participants, and beneficiaries, and all other persons, and shall be entitled to the highest deference permitted by law.

Section 7.04 The Plan Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as it deems necessary or advisable to assist it in the performance of its duties under the Plan. The functions of any such persons engaged by the Plan Administrator will be limited to the specified services and duties for which they are engaged, and such persons will have no other duties, obligations or responsibilities under the Plan. Such persons will exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof will be borne by the Company.

Section 7.05 Following the occurrence of a Change in Control, the Company may not remove from office the individual or individuals who served as Plan Administrator immediately prior to the Change in Control; provided, however, if any such individual ceases to be affiliated with the Company, the Company may appoint another individual or individuals as Plan Administrator so long as the substitute Plan Administrator consists solely of an individual or individuals who (a) were officers of the Company immediately prior to the Change in Control, (b) were directors of the Company immediately prior to the Change in Control and are not affiliated with the acquiring entity in the Change in Control or (c) were selected or approved in writing by an officer or director described in clause (a) or (b).

**ARTICLE VIII**

**MISCELLANEOUS PROVISIONS**

Section 8.01 Withholding Taxes. The Company may withhold from all payments due to the Participant (or their beneficiary or estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

Section 8.02 Scope of Benefits under Plan. Nothing in this Plan shall be deemed to entitle the Participant to continued employment with the Company or its Subsidiaries; provided, however, that notwithstanding anything herein to the contrary, any termination of the Participant's employment shall be subject to all of the benefit and payment provisions of this Plan.

Section 8.03 Successors' Binding Obligation.

(a) This Plan shall not be terminated by any Company Change or transfer of assets. In the event of any Company Change or transfer of assets, the provisions of this Plan shall be binding upon the surviving or resulting corporation or any person or entity to which the assets of the Company are transferred.

(b) The Company agrees that concurrently with any Company Change or transfer of assets, it will cause any successor or transferee unconditionally to assume by written instrument delivered to the Participant (or their beneficiary or estate) all of the obligations of the Company hereunder. Failure of the Company to obtain such assumption prior to the effectiveness of any such Company Change or transfer of assets that results in a Change in Control shall constitute Good Reason hereunder and shall entitle the Participant to compensation and other benefits from the Company in the same amount and on the same terms as the Participant would be entitled hereunder if the Participant's employment were terminated in connection with a CIC Qualifying Termination. For purposes of implementing the foregoing, the date on which any such Company Change or transfer of assets becomes effective shall be deemed the date Good Reason occurs, and the Participant may terminate employment for Good Reason on or following such date.

(c) The rights under this Plan shall inure to the benefit of and be enforceable by the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Participant shall die while any amounts would be payable to the Participant hereunder had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such person or persons appointed in writing by the Participant to receive such amounts or, if no person is so appointed, to the Participant's estate.

Section 8.04 Compensation Recoupment. The benefits provided for in this Plan shall not be deemed fully earned or vested, even if paid or distributed to the Participant, if the amount payable under Article III or any portion thereof is deemed subject to recovery, or "clawback" by the Company pursuant to the provisions of any Recoupment Rules.

Section 8.05 Notice.

(a) For purposes of this Plan, all notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered by e-mail, by hand or overnight courier or three (3) days after deposit in the United States mail, registered and return receipt requested, postage prepaid, addressed as follows:

**If to the Participant**:

To the most recent address of the Participant set forth in the personnel records of the Company

**If to the Company**:

FormFactor, Inc.
c/o Office of the Chief Legal Officer
7005 Southfront Road
Livermore, CA 94551
Attention: Chief Legal Officer

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt. Alternatively, notice may be deemed to have been delivered when sent by facsimile to a location provided by the other party hereto.

(b) A written notice of the Participant's Date of Termination by the Company or the Participant, as the case may be, to the other, shall (i) indicate the specific termination provision in this Plan relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Participant's employment under the provision so indicated and (iii) specify the Date of Termination. In the case of a termination by the Company other than a termination for Cause, the Date of Termination shall not be less than (30) days after the notice of termination is given. In the case of a termination by the Participant, the

Date of Termination shall be the date that the cure period contemplated under Section 1.01(v) has expired if the Company has failed to remedy within such period the circumstances constituting Good Reason. The failure by the Participant or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Participant or the Company hereunder or preclude the Participant or the Company from asserting such fact or circumstance in enforcing the Participant's or the Company's rights hereunder.

Section 8.06 Employment with Subsidiaries. Employment with the Company for purposes of this Plan shall include employment with any Subsidiary.

Section 8.07 Governing Law; Validity. The interpretation, construction and performance of the provisions of this Plan shall be governed by and construed and enforced in accordance with the internal laws of the State of California without regard to the principle of conflicts of laws, to the extent the laws of the State of California are not preempted by ERISA. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which other provisions shall remain in full force and effect.

Section 8.08 Waiver. No provision of this Plan may be waived unless such waiver is agreed to in writing and signed by the Participant and by a duly authorized officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Plan to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Failure by the Participant or the Company to insist upon strict compliance with any provision of this Plan or to assert any right the Participant or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Plan.

Section 8.09 Limitations on Assignment. Except as otherwise provided herein or by law, no right or interest of any Eligible Executive under the Plan will be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof will be effective; and no third party creditors of an Eligible Executive will have any right or interest in any Eligible Executive's rights or interests under the Plan. When a payment is due under this Plan to a severed employee who is unable to care for their affairs or dies after accruing benefit rights under the Plan, payment may be made directly to their legal guardian or personal representative, executor or estate administrator, as the case may be.

Section 8.10 Code Section 409A. It is intended that this Plan shall comply with the provisions of Section 409A of the Code, and the Plan shall be interpreted and administered in a manner consistent with this intent. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify the Plan to ensure that all payments are made in a manner that complies with Section 409A of the Code (including, without limitation, the avoidance of penalties thereunder) to the extent permitted under Section 409A of the Code; provided, however, that the Company is under no obligation to make such amendment or modification and makes no representations that the payments hereunder will be exempt from any penalties that may apply under Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to this Plan. Nothing in this Plan shall provide a basis for any person to take action against the Company or any affiliate thereof based on matters covered by Section 409A of the Code, including the tax treatment of any amount paid under the Plan, and neither the Company nor any of its affiliates shall under any circumstances have any liability to the Participant or the Participant's estate or any other party for any taxes, penalties or interest due on amounts paid or payable under this Plan, including taxes, penalties or interest imposed under Section 409A of the Code.

Section 8.11 Unfunded Plan. The Plan will not be required to be funded unless such funding is authorized by the Board in its sole discretion. Regardless of whether the Plan is funded, no Eligible Executive will have any right to, or interest in, any assets of the Company which may be applied by the Company to the payment of benefits or other rights under this Plan.

**EXHIBIT 31.01**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO 15 U.S.C. SECTION 7241, AS**
**ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael D. Slessor, certify that:

1. I have reviewed the quarterly report on Form 10-Q of FormFactor, 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 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.

| | | |
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| Date: | August 6, 2024 | /s/ MICHAEL D. SLESSOR |
| | | Michael D. Slessor<br>*Chief Executive Officer*<br>*(Principal Executive Officer and Director)* |

**EXHIBIT 31.02**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO 15 U.S.C. SECTION 7241,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shai Shahar, certify that:

1. I have reviewed the quarterly report on Form 10-Q of FormFactor, 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 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: August 6, 2024

/s/ SHAI SHAHAR
Shai Shahar
*Chief Financial Officer*
*(Principal Financial Officer and Principal Accounting Officer)*

**EXHIBIT 32.01**

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

In connection with the quarterly report on Form 10-Q of FormFactor, Inc., a Delaware corporation, for the period ended June 29, 2024, as filed with the Securities and Exchange Commission, each of the undersigned officers of FormFactor, Inc. certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his respective knowledge:

1. the quarterly report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of FormFactor, Inc. for the periods presented therein.

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| Date: | August 6, 2024 | /s/ MICHAEL D. SLESSOR<br>Michael D. Slessor<br>*Chief Executive Officer*<br>*(Principal Executive Officer and Director)* |
| Date: | August 6, 2024 | /s/ SHAI SHAHAR<br>Shai Shahar<br>*Chief Financial Officer*<br>*(Principal Financial Officer and Principal Accounting Officer)* |