

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 28, 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

(State or other jurisdiction of
incorporation or organization)

13-3711155

(I.R.S. Employer
Identification No.)

7005 Southfront Road, Livermore, California

(Address of principal executive offices)

94551

(Zip Code)

(925) 290-4000

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 par value	FORM	Nasdaq Global Select Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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:

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepares or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on June 29, 2024 (the last business day of the registrant's most recently completed second quarter) as reported by Nasdaq Global Select Market on that date: \$3,338.4 million.

The number of shares of the registrant's common stock, par value \$0.001 per share, outstanding as of February 14, 2025 was 77,565,827 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed within 120 days of the end of the registrant's fiscal year ended December 28, 2024, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as a part of this Annual Report on Form 10-K.

FORMFACTOR, INC.
Form 10-K for the Fiscal Year Ended December 28, 2024
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Throughout this Annual Report on Form 10-K, we refer to FormFactor, Inc. and its consolidated subsidiaries as “the Company,” “FormFactor,” “we,” “us,” and “our.” Our fiscal year ends on the last Saturday in December. Our last three fiscal years ended on December 28, 2024, December 30, 2023 and December 31, 2022.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Securities Exchange Act of 1934 and the Securities Act of 1933, which are subject to known and unknown risks and uncertainties. The forward-looking statements include statements concerning, among other things, our business strategy (including the influence of anticipated trends and developments in our business and the markets in which we operate), financial results, operating results, revenues, gross margins, liquidity, operating expenses, products, projected costs and capital expenditures, research and development programs, sales and marketing initiatives, competition, and the impact of accounting standards. In some cases, you can identify these statements by our use of 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. Forward-looking statements are based on information available to us as of the filing date of this Annual Report on Form 10-K and our current expectations about future events, which are inherently subject to change and involve known and unknown risks and uncertainties. You should not place undue reliance on these forward-looking statements. We have no obligation to update any of these statements, and we assume no obligation to do so. Actual events or results may differ materially from those expressed or implied by these statements due to various factors, including but not limited to the matters discussed below in the section entitled “Item 1A: Risk Factors,” and elsewhere in this Annual Report on Form 10-K.

Our operating results have fluctuated in the past and are likely to continue to fluctuate. You should not rely on period-to-period comparisons of our financial results as indicators of our future performance. Some of the important factors that could cause our revenues, operating results and outlook to fluctuate from period to period include:

- customer demand for and adoption of our products;
- market and competitive conditions in our industry, the semiconductor industry and the economy as a whole;
- the timing and success of new technologies and product introductions by our competitors and by us;
- our ability to work efficiently with our customers on their qualification of our new technologies and products;
- our ability to deliver reliable, cost-effective products that meet our customers’ testing requirements in a timely manner;
- our ability to transition to new product architectures to solve next-generation semiconductor test and measurement challenges, and to bring new products into volume production on time and at acceptable yields and cost;
- our ability to implement measures for enabling efficiencies and supporting growth in our design, applications, manufacturing and other operational activities;
- changes in trade, tariff or export regulations in the markets where we produce or sell our products;
- the reduction, rescheduling or cancellation of orders by our customers;
- our ability to collect accounts receivable owed by our customers;
- our product and customer sales mix and geographical sales mix;
- reductions in the prices or the profitability of our products due to competitive pressures or other factors;
- the timely availability or the cost of labor, components and materials utilized in our products;
- our ability to efficiently optimize manufacturing capacity and production yields as necessary to meet customer demand and ramp variable production volumes at our manufacturing facilities;
- our ability to protect our intellectual property against infringement and continue our investment in research and development and design activities;
- the timing of and return on our investments in research and development;
- any disruption in the operation of our manufacturing facilities;
- risks to the Company’s realization of benefits from acquisitions and investments in capacity and data systems; and
- factors impacting political and global economic stability, including natural disasters, pandemics, military conflicts, climate change, and other factors acting alone or in combination.

PART I

Item 1: *Business*

General

FormFactor, Inc. is a leading provider of electrical and optical 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 and optical 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, reducing scrap, and improving yields.

Founded in 1993, we introduced our first product in 1995. From time to time, we have acquired businesses to help transform our business into a semiconductor test and measurement market leader with greater scale, diversification, breadth and market opportunities from Lab to Fab. We continue to evaluate opportunities to acquire businesses and technologies to further these goals.

As of December 28, 2024, 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.

Products

We design, manufacture and sell multiple product lines, including probe cards, analytical probes, probe stations, thermal systems, cryogenic systems, and related services.

Probe Cards. Our probe cards utilize a variety of technologies and product architectures, including micro-electromechanical systems (MEMS) technologies. We use advanced design and automation technologies to enable rapid and cost-effective manufacturing of resilient composite contact elements with characteristic length scales of a few microns. These contact elements are designed to provide a specific range of forces on and across a chip's bond pad, solder bump, micro-bump, through-silicon-via (TSV), or copper pillar, during the test process, and maintain their shape and position over a range of compression levels. In addition, while maintaining these mechanical characteristics, the contact elements must achieve reliable and high-fidelity electrical contact through wafer surfaces that are generally oxidized or otherwise contaminated, and must maintain these attributes over hundreds of thousands, and even millions, of compression cycles. Our range of capabilities enable us to rapidly produce customer-design specific probe cards that deliver leading precision, quality, reliability, and electro-mechanical performance.

Our probe cards are customized for our customers' unique wafer and chip designs by modifying and adapting our standard product architectures to meet an individual customer's specific wafer and chip layouts and electrical test requirements. We offer probe cards to test a variety of semiconductor device types, including systems on a chip (SoCs), mobile application processors, microprocessors, microcontrollers, graphic processors, network and digital signal processing integrated circuits (ICs), radio frequency amplifiers, filters and antenna in package devices, analog, mixed signal, image sensors, electro-optical, DRAM memory (including high-bandwidth memory, or "HBM"), NAND flash memory, NOR flash memory, and quantum computer processor devices.

For many advanced applications, our products must maintain tens of thousands of simultaneous high-fidelity low-impedance electrical contacts with the corresponding chip contacts on the wafer. Our present technologies enable probe cards with over 150,000 contact elements with spacings as small as 40 microns over geometries as large as an entire 300mm wafer. In addition, for high signal-fidelity devices such as wireless radio frequency transceivers and automotive radar chips, our probe card technologies are capable of testing at millimeter-wave frequencies range, currently up to 81 GHz.

We have invested, and intend to continue to invest, considerable resources in proprietary probe card design tools and processes. These tools and processes are intended to enable the rapid and accurate customization of products required to meet customer requirements, including automated routing and trace length adjustment within our probe cards, to rapidly design complex structures.

In addition, some of our customers test certain chips over a large range of operating temperatures, such as for automotive and cryogenic applications. We design probe cards to provide for a precise match with the thermal expansion characteristics of the wafer under test across the range of test operating temperatures. For many of our products, our customers can use the same

probe card for both low and high temperature testing. We also design probe cards for customers that require extreme positional accuracy at a specific temperature.

Through ongoing investments in both our technology and operations, we continue to innovate and improve so that our products will meet customers' future technical roadmap performance, quality, and commercial requirements. We also focus on leveraging these ongoing investments across all advanced probe card markets to realize synergies and economies of scale to benefit our competitiveness, time-to-market and overall profitability.

Analytical Probes. We offer over 50 different analytical probe models for engineering and production testing. Analytical probes are used for a diverse set of applications, including device characterization, electrical simulation model development, failure analysis, and prototype design debugging. Our customers for analytical probes include universities, research institutions, semiconductor integrated device manufacturers, semiconductor foundries, and fabless semiconductor companies. We continue to add new models of analytical probes that address measurements with higher complexities and at higher frequencies.

Probe Stations. Probe stations, also referred to as probe systems, are a critical tool for the development of new generations of semiconductor and electro-optical processes and designs. Probe stations are highly configurable for the required measurements, the size and type of wafer under test, the characteristics of the device design to be tested, and the temperatures at which testing is to be performed. Process development and design complexities have continually increased with each new generation of semiconductor technology to accommodate smaller design geometries, complex 3-D architectures, new materials and more layers. Probe systems are a fundamental tool for characterizing and verifying electrical performance and reliability to enable new semiconductor technologies. We design our probe systems for semiconductor development engineers to capture and analyze more accurate data in a shorter amount of time and to be able to control and manage testing at temperatures from near absolute zero to hundreds of degrees centigrade.

We build upon our probe stations to create integrated measurement systems that provide complete solutions for our customers' complex measurement requirements. These systems include test instrumentation, probe, cabling configurations, and software to enable fast, accurate, on-wafer data collection for complex application and measurement needs. We offer pre-configured and customized measurement systems for production testing, power device characterization, vacuum probing, cryogenic probing, high-pressure probing, photonics testing, and a variety of other specific applications.

We are in the early stages of collaborating with certain customers to transition from the lab to the fab with co-packaged optics, which is poised to revolutionize chip-to-chip communication in the data center by significantly reducing power consumption at high data rates. As silicon photonics matures and moves to high-volume-production in the coming years, we expect that our leadership positions in combined electrical and optical test will provide new growth.

Thermal Subsystems. Our thermal subsystems include thermal chucks and other test systems used in probe stations and other applications where precise temperature management is required. Thermal chuck systems enable the testing of devices at precise temperatures or across a range of temperatures. These systems are both marketed externally and allow for vertical integration with our probe stations.

Cryogenic Systems. Our cryogenic systems include the manufacture of precision cryogenic instruments and semiconductor test and measurement systems. These include advanced cryogenic probe systems to test complete wafers or singulated die, as well as dilution refrigerator cryostats used in various applications at temperatures close to absolute zero, including quantum and superconducting computing applications, astronomy, and other situations where cryogenic temperature management is required. These systems are marketed externally and also allow for vertical integration with our existing cryogenic wafer and chip probe stations and cryogenic probes.

Services and Support. In addition to routine installation services at the time of sale, we offer services to enable our customers to maintain and more effectively utilize our products and to enhance our customer relationships. Our applications engineers assist our customers in test methodologies to make advanced measurements during process and product development, and during mass production, along with offering traditional maintenance services.

Customers

Our customers include companies, universities and institutions that design or make semiconductor and semiconductor related products in the foundry & logic, DRAM, flash, display, sensor and quantum computer markets. Our customers use our products to test nearly all semiconductor device types, including SoCs, mobile application processors, microprocessors, microcontrollers, graphic processors, network and digital signal processing integrated circuits (ICs), radio frequency amplifiers, filters and antenna in package devices, analog, mixed signal, image sensors, electro-optical, DRAM memory (including HBM), NAND flash memory, NOR flash memory, and quantum computer processor devices.

Fabless semiconductor suppliers do not manufacture their own semiconductors, but they purchase our analytical probes, probe stations, and other System segment products for research and development, and device characterization. They also purchase, or direct their foundries or wafer test facilities to purchase, our probe cards to test wafers manufactured for them.

We believe our customers consider timely service and support to be an important aspect of our relationship as our products are critical elements of high-volume manufacturing and design-specific product ramps. Our probe stations are installed at customer sites either by us, our manufacturers' representatives or our distributors, depending on the complexity of the installation and the customer's geographic location. We assist our customers in the selection, integration and use of our products through application engineering support. We also provide worldwide on-site probe card maintenance and service training, seminars and telephone support. In certain geographic regions, and for selected products, our manufacturers' representatives and distributors provide additional service and support.

Information concerning revenue concentration by customer appears under Note 2 of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K. The following customers represented 10% or more of our quarterly revenues for the quarters indicated:

	Fiscal Quarters Ended							
	Dec. 28, 2024	Sep. 28, 2024	Jun. 29, 2024	Mar. 30, 2024	Dec. 30, 2023	Sep. 30, 2023	Jul. 1, 2023	Apr. 1, 2023
SK hynix Inc.	22.0%	18.1%	19.5%	15.5%	10.7%	*	*	*
Intel Corporation	*	17.1%	16.7%	15.7%	16.7%	17.1%	14.2%	20.0%
Samsung Electronics Co., LTD.	*	*	*	12.4%	*	11.2%	*	*
	<u>22.0%</u>	<u>35.2%</u>	<u>36.2%</u>	<u>43.6%</u>	<u>27.4%</u>	<u>28.3%</u>	<u>14.2%</u>	<u>20.0%</u>

* Less than 10% of revenues.

Manufacturing

Our probe cards are designed for each of our customers' unique chip design, by modifying and adapting our product architectures to meet an individual customer's chip layout and test requirements. The manufacturing process includes a complex interconnection system-level design process; a front-end process, which may include wire bonding, photolithography, plating and metallurgical processes, dry and electro-deposition, and pick and place assembly; and a back-end process, which includes general assembly and test. Critical steps in our manufacturing process are performed in a variety of clean room environments as stringent as a Class 100, depending on the requirements of the specific manufacturing processes.

Our probe stations are designed to provide highly accurate electrical and optical measurements enabled by precise and reliable mechanical components and assemblies. We prototype and perform robust testing of our product designs and components to ensure high electrical signal integrity, mechanical accuracy and safety. We also monitor our product quality throughout the various stages of our manufacturing processes using a variety of process control methods and tests.

We depend on suppliers for materials and some critical components of our manufacturing processes, including ceramic and organic substrates and complex printed circuit boards. We also rely on suppliers to provide certain contact elements and interconnects that are incorporated into our products. Some of these components and materials are supplied by a single vendor, and some are subject to certain minimum order quantities. Generally, we rely on purchase orders rather than long-term contracts with our suppliers, which subjects us to risks, including price increases, manufacturing capacity constraints and component shortages. We regularly assess and evaluate alternative sources of supply for all components and materials.

Our primary manufacturing facilities are located in Livermore, Carlsbad, and Baldwin Park, California; Beaverton, Oregon; Boulder, Colorado; and Woburn, Massachusetts, all in the United States; and in Thiendorf and Munich, Germany. We also have smaller manufacturing operations in Yokohama, Japan.

We maintain repair and service capabilities in Livermore, Carlsbad, and Baldwin Park, California and Beaverton, Oregon, United States; Thiendorf, Dresden and Munich Germany; Bundang, South Korea; Yokohama, Japan; Hsinchu, Taiwan; and Singapore.

Research, Development and Engineering

The semiconductor industry is subject to rapid technological change with a continuous stream of new product introductions and technology enhancements. We believe that our continued commitment to research and development and our timely introduction of new and enhanced products and technologies are integral to maintaining and enhancing our competitive position. We allocate

significant resources to these efforts and prioritize those resources to prepare for our customers' next generation electrical test and measurement challenges. We also increasingly seek to deploy our resources to solve fundamental challenges that are both common to, and provide competitive advantage across, our probe card and system product offerings and roadmaps.

Sales and Marketing

We sell our products worldwide through a global direct sales force and through a combination of manufacturers' representatives and distributors.

Our direct sales and marketing staff is located in the United States, France, Germany, Italy, United Kingdom, Japan, Singapore, South Korea, and Taiwan. They work closely with customers in the effort to understand their businesses, anticipate trends and define products that will provide significant technical and economic advantages to our customers. We employ a highly skilled team of application and customer support engineers that support our customers as they integrate our products into their research, development and manufacturing processes. Through these customer relationships, we seek to develop a strong understanding of customer and product requirements to align our capabilities with our customers' roadmaps and production ramps.

We also have a network of representatives and distributors across the globe to broaden our reach. We engage sales representatives to act as independent third parties that agree to promote our products, at our prices and on terms set by us, in return for a commission based on sales. We typically use sales representatives in areas that we believe require greater levels of customer support than we can deliver from our own sales offices and where local language capabilities can offer an advantage. Our distributors purchase our products and resell them at prices and upon terms set by the particular distributor. We typically use distributors in particular geographies due to local regulations or business customs.

Governmental Regulations

We are subject to international, federal, state and local regulations that are customary to businesses in our industry. These regulations relate to, among other things, environmental matters, anti-corruption, marketing, fraud and abuse, trade, employment, and privacy.

Environmental Matters

We are subject to U.S. federal, state, local, and foreign governmental laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites and the maintenance of a safe workplace. We believe that we comply in all material respects with the environmental laws and regulations that apply to us as of December 28, 2024. There are no matters pending that we currently believe are reasonably possible of having a material impact to our business, consolidated financial condition, results of operations or cash flows. In the future, we may receive notices of violations of environmental regulations, or otherwise learn of such violations. Environmental contamination or violations may negatively impact our business.

Import and Export Control

We manufacture, market and sell our products both inside and outside the U.S. Certain products are subject to export control regulations. Failure to comply with these laws could result in sanctions by the U.S. or other respective governments, including substantial monetary penalties, denial of import, export or other privileges, and debarment from government contracts. Approximately 14% of our fiscal 2024 revenue and 14% of our fiscal 2023 revenue was derived from sales to customers in China, which were subject to the expanded export license requirements imposed by the United States government.

Competition

The markets for our products are highly competitive, and we anticipate that these markets will continually evolve and be subject to rapid technological change. Our current and potential competitors are as below:

Probe Cards. The probe card market is comprised of many domestic and foreign companies, and has historically been fragmented with many local suppliers servicing individual customers in often differentiated applications. Our primary competitors are Chungwa Precision Technology, Feinmetall GmbH, Japan Electronic Materials Corporation, Korea Instrument Co., Ltd., Microfriend Inc., Micronics Japan Co., Ltd., MPI Corporation, Soulbrain Engineering, STAr Technologies, Inc., Max One, Nidec SV TCL, Synergie CAD, Technoprobe S.p.A, TSE Co., Ltd., WinWay Technology Co., Ltd., WILL-Technology Co., Ltd., and Yokowo, among others.

Probe card vendors such as Japan Electronic Materials Corporation, Micronics Japan Co., and Technoprobe offer probe cards built using similar types of MEMS technology as we do. The high capital investment and other costs associated with the

development of MEMS probe cards and the time and high cost of the customer evaluation process represent significant barriers to entry for this type of technology.

We believe that the primary competitive factors in the production probe card market depend upon the type of integrated circuit being tested. These factors include customer service, knowledge of measurement techniques, custom design success, delivery time, price, probe card lifetime, chip damage prevention, probe tip touch-down accuracy, electrical signal speed and current carrying capability, number of chips contacted in parallel, number of probe tips and their layout and pitch, signal integrity, and the frequency and effectiveness of any required cleaning. As a result of our relative strengths in these areas, we believe that we compete favorably in the advanced probe card market, and in probe cards for parallel testing of chips with densely-packed bond pads, bumps or pillars, and in high signal integrity testing of wireless radio frequency devices that operate up to millimeter-wave frequencies, a capability needed for components used in 5G applications. We believe that this high-frequency capability also enables us to compete favorably in high bandwidth memory (“HBM”) testing, which is a stack of eight, twelve, or even sixteen individual DRAM die assembled with advanced packaging processes like through-silicon-vias and thermo-compression bonding.

Analytical Probes. Our primary competitors in the analytical probe market are GGB Industries Inc. and MPI Corporation. We believe that the primary competitive factors in this market are breadth of probe types, probe frequency and electrical signal integrity, contact integrity and the related cleaning required, knowledge of measurement techniques, calibration support, delivery time and price. We believe that we compete favorably with respect to these factors.

Probe Stations. Our primary competitors in the probe station market are MPI Corporation, Shenzhen Senmeixieer Technology Co., Ltd (“Semishare”), STAr Technologies, Inc., Tokyo Electron Limited (“TEL”), and Wentworth Laboratories, Inc. We believe that the primary competitive factors in the probe station market are measurement accuracy and versatility at temperature, including cryogenic temperatures, measurement speed, automation features, knowledge of measurement techniques, completeness of the measurement solutions, delivery time and price. We believe that we compete favorably with respect to these factors.

Thermal Subsystems. In the market for thermal subsystems, we compete principally against AEM Singapore Pte., ERS Electronic GmbH, and Temptronic Corporation. In addition, many of our probe station competitors develop and produce their own thermal subsystems for use in their products. We believe the primary competitive factors in this market are thermal performance, reliability, flexibility and completeness of product offerings. We believe that we compete favorably with respect to these factors.

Cryogenic Systems. In the market for cryogenic systems, we compete principally against Bluefors Oy, Lake Shore Cryotronics, Inc, Maybell Quantum Industries Inc., Montana Instruments, and Oxford Instruments. We believe the primary competitive factors in this market are cryogenic performance, reliability, throughput and application expertise. We believe we compete favorably with respect to these factors.

Some of our competitors are also suppliers of other types of test and measurement equipment or other semiconductor equipment and may have greater financial and other resources than we do. Our competitors may enhance their current products and may introduce new products that will be competitive with ours. New alternatives to our products may also be introduced, by our current competitors or others, which may reduce the value of one or more of our products.

Semiconductor manufacturers may implement chip designs that include capabilities or use other methodologies that increase test throughput and reduce test content. This may reduce or eliminate some or all of our current products’ advantages. Semiconductor manufacturers may also increase their use of test strategies that include low performance semiconductor testers, less complex probe cards, or test procedures that do not involve our products. Our ability to compete favorably may also be adversely affected by the long-standing relationships between our competitors and certain semiconductor manufacturers.

Intellectual Property

Our success depends in part upon our ability to continue to innovate and invest in research and development to meet the test and measurement requirements of our customers, to maintain and protect our proprietary technology, and to conduct our business without infringing on the proprietary rights of others. We rely on a combination of patents, trade secrets, trademarks and contractual restrictions on disclosure to protect our intellectual property rights. We have filed actions to enforce those rights against third parties in the past, and may pursue such actions in the future.

We have generated, and continue to generate and maintain, patents and other intellectual property rights covering innovations that are intended to create a competitive advantage, and to support the protection of our investments in research and development. We believe that we possess one of the most substantial patent portfolios relevant to our products.

Although we believe that our patents and other intellectual property rights have significant value for each of our segments, we do not believe that maintaining or growing our business is materially dependent on any single patent. Due to the rapid pace of innovation within the markets that we serve, it is possible that our protection through patents may be less important than factors such as our technological expertise, continuing development of new products and technologies, protection of trade secrets, market penetration, customer relationships, and our ability to provide comprehensive support and service to customers worldwide.

No assurance can be given that patents will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide us with a sustained competitive advantage. In addition, there can be no assurance that we will be able to protect our technology, or that competitors will not be able to independently develop similar or functionally competitive technologies, design around our patents, or attempt to manufacture and sell infringing products in countries that do not strongly enforce intellectual property rights.

Our People

We are committed to a set of core values that define our company culture, represent what we believe, and guide our actions. We cultivate our culture through our people development programs that enhance talent acquisition, retention, and employee engagement. These initiatives include thoughtfully designed compensation programs across all levels, learning and development opportunities, diversity and inclusion programs, and various other initiatives.

Our compensation programs help attract and retain key talent and are designed for our employees to share in our company's success. These programs focus on compensation that we believe is market-competitive, reflects company performance, and aligns with drivers of stockholder value with differentiation based on performance, skills, geographic location, and tenure. We use information from outside compensation and benefits consulting firms to evaluate the competitiveness of the compensation we offer to employees in specific job types, and to evaluate the structure of our compensation programs, as a benchmark against our peers within the industry.

We offer a variety of benefits such as health insurance, paid and unpaid leaves, retirement, and life and disability/accident coverage as applicable to their geographic location. We also offer a variety of other benefits which allow employees to select the options which meet their needs such as for wellness, insurance and professional services.

Our learning and development initiatives promote the continuous improvement of our workforce to keep pace with an increasingly complex business and industry and are designed to foster skills development and compliance and promote our company values. In addition to formal training, the capabilities of our workforce are intended to grow through structured feedback, mentorship, team building, career progression, tuition assistance, and a culture of transparency.

We leverage both formal and informal programs to identify, reward, and retain top talent. On an annual basis, we conduct a talent review process with our Chief Executive Officer and leaders of our business units and functions that is focused on performance, potential, and succession for critical roles.

We are continuing to build and sustain a culture of diversity and inclusion where our people can be their authentic selves and are encouraged to reach their full potential. As a global technology company, we believe that a diverse employee population makes FormFactor stronger, more innovative, and a more engaging place to work. We are always striving to attract talented individuals from a global candidate pool.

We are committed to providing a safe and healthy workplace for all employees. Our workplace health and safety programs include policies, procedures, training programs, and self-audits. Nearly all of our manufacturing employees are located in California, Oregon and Germany, where workplace safety and labor regulations support maintaining high standards of employee protection.

For our manufacturing activities, the speed at which we can recruit, train and deploy skilled new and replacement personnel is an important part of our ability to ramp up and maintain our production capacity. We rely upon both employees and resources from staffing firms to meet our manufacturing labor needs. Similarly, it is important to our business that we are able to regularly recruit and train engineering staff. For example, our probe card products require that we develop custom designs for our customers' new product designs. We face strong competition from companies in a variety of technology fields to secure the engineering talent that we require. In addition, restrictions on immigration and skilled-worker visas in a variety of jurisdictions impacts the ease and flexibility with which we can develop these resources.

As of December 28, 2024, we had 2,238 regular full-time employees, including 1,352 in operations, 424 in research and development, 268 in sales and marketing and 194 in general and administrative functions. By region, 1,663 of our employees were in North America, 314 in Asia, and 261 in Europe. As of December 28, 2024, our Probe Cards Segment had 1,674 regular full-time employees, our Systems Segment had 372 regular full-time employees, plus we had 192 regular full-time employees in corporate functions.

Available Information

We maintain a website at <http://www.formfactor.com>. We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the United States Securities and Exchange Commission, or SEC. The reference to our website does not constitute incorporation by reference of the information contained at the site.

Item 1A: Risk Factors

In addition to the other information in this Annual Report on Form 10-K, you should carefully consider the risk factors discussed in this Annual Report on Form 10-K in evaluating FormFactor and our business. If any of the identified risks actually occur, our business, financial condition and results of operations could be materially adversely affected, 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 this Annual Report on Form 10-K are not the only ones we face. Additional risks that we currently do not know about, or that we do not consider sufficiently important to describe here in accordance with applicable regulations, may also impair our business operations or the trading price of our common stock.

Risks Relating to our Operations and the Nature of Our Business

The markets in which we participate are competitive, and if we do not compete effectively, our operating results could be harmed.

We have experienced increased competition in the markets in which we operate, and we expect competition to intensify in the future. Increased competition has resulted in, and in the future may result in, price reductions, reduced gross margins or loss of market share.

Existing competitors might introduce new competitive products for the same markets that our products currently serve. These products may have better performance, lower prices, shorter delivery times or broader acceptance than our products.

In addition, new competitors, including test equipment manufacturers, may offer comparable or new technologies that reduce the value of our products. Also, semiconductor manufacturers may implement chip designs or methodologies that increase test throughput, reduce test content, or change their test procedures, thereby eliminating some or all of our current product advantages.

Our current or potential competitors may have larger customer bases, more established customer relationships or greater financial, technical, manufacturing, marketing and other resources than we do. As a result, they might be able to respond more quickly to new or emerging technologies and changes in customer requirements, devote greater resources to the development, promotion, sale and support of their products, and reduce prices to increase market share.

If we do not innovate and keep pace with technological developments in the semiconductor industry, our products might not be competitive, and our revenues and operating results could suffer.

We must continue to innovate and to invest in research and development to improve our competitive position and to meet the test and measurement requirements of our customers. Our future growth depends, in significant part, upon our ability to work effectively with and anticipate the future technical and operational needs of our customers and to develop and support new products and product enhancements to meet those needs on a timely and cost-effective basis. This may become more difficult to do as the semiconductor industry innovates to address demand for AI-related products, which may develop more slowly than we anticipate or change rapidly from one period to another for a variety of reasons, including industry-wide shifts in expectations and technological developments. Our customers' needs are becoming more challenging as the semiconductor industry continues to experience rapid technological change driven by the demand for complex circuits that are shrinking in size, are increasing in speed and functionality, have more complex layouts, and are produced on shorter cycle times and at reduced unit cost.

Successful product design, development and introduction on a timely basis require that we:

- collaborate with customers to understand their future requirements;
- design innovative and performance-enhancing product architectures, technologies and features that differentiate our products from those of our competitors;
- in some cases, engage with third parties who have particular expertise in order to complete one or more aspects of the design and manufacturing process;
- qualify with customers new products, or an existing product incorporating new technology;
- transition our products to new manufacturing technologies, as necessary;
- offer our products for sale at competitive price levels while maintaining our gross margins within our financial model;
- identify emerging technological trends in our target markets;
- maintain effective marketing strategies;
- obtain and maintain intellectual property rights where necessary;
- hire and retain high performing engineering personnel;
- respond effectively to technological changes or product announcements by others; and
- adjust to changing market conditions quickly and cost-effectively.

Not only do we need the technical expertise to implement the changes necessary to keep our technologies current, but we must also rely heavily on the judgment of our management to anticipate future market trends. If we are unable to timely predict industry changes or industry trends, or if we are unable to modify our products or design, manufacture and deliver new products on a timely basis, or if a third party with which we engage does not timely deliver a component or service for one of our product modifications or new products, we might lose customers or market share. In addition, we might not be able to recover our research and development expenditures, which could harm our operating results.

We depend upon the sale of our probe card products for the substantial majority of our revenues.

We derive the majority of our revenues from the sale of our probe card products, primarily to manufacturers of foundry & logic and memory devices, despite progress in diversifying our product offerings. We anticipate that sales of probe cards will represent a substantial majority of our revenues for the foreseeable future. Our success depends in large part upon the continued acceptance of our products on the basis of a variety of factors including performance, quality, timely delivery and price, and depends upon our ability to continue to develop and introduce new products that meet our customers' requirements. The degree to which we depend upon the sales of our probe card products for our revenues may increase our susceptibility to failures to satisfy the customers for such products, which may adversely affect our revenues and our ability to grow our business.

We derive a substantial portion of our revenues from a small number of customers.

A relatively small number of customers account for a significant portion of our revenues. Two customers represented a combined 33.5% of total revenues in fiscal 2024, one customer represented 17.1% of total revenues in fiscal 2023 and one customer represented 19.0% of total revenues in fiscal 2022. We anticipate that sales of our products to a relatively small number of customers will continue to account for a significant portion of our revenues, which can drive material fluctuations in sales volume, gross margins due to changes in mix, and leverage on fixed costs. Consolidation in the semiconductor industry may increase this concentration. In the future, the loss of any of these customers, or cancellation, reduction or deferral of even a small number of purchases of our products by these customers, could significantly reduce our revenues. A decline in our customers' market share and commercial success, including their ability to compete favorably within their respective end markets, could significantly impact demand for our products and reduce our revenues. Cancellations, reductions, deferrals or non-payment of invoices could result from downturns in the semiconductor industry, including the cyclical downturn we have been experiencing, manufacturing delays, quality or reliability issues with our products, or from interruptions to our customers' operations due to fire, natural disasters or other events, or other issues with the financial stability of our customers. Furthermore, because our probe cards are custom products designed for our customers' unique wafer designs, any cancellations, reductions or delays can result in significant non-recoverable costs, including but not limited to the potential for impairment of inventories. In some situations, our customers might be able to cancel or reduce orders without a significant penalty.

If our relationships with our customers deteriorate, our product development activities could be harmed.

The success of our product development efforts depends upon our ability to anticipate market trends and to collaborate closely with our customers. Our relationships with these customers provide us with access to valuable information regarding manufacturing and process technology trends in the semiconductor industry, which enables us to better plan our product development activities. These relationships also provide us with opportunities to understand the performance and functionality requirements of our customers, which improves our ability to customize our products to fulfill their needs. Our relationships with our customers could deteriorate as a result of a variety of factors, such as if they become concerned about our ability to deliver quality products on a timely basis or to protect their intellectual property. Many of our customers are large companies that place significant orders with us, and the consequences of deterioration in our relationship with any of these companies could be significant due to the competitiveness of our industry and the significant influence that these companies exert in our market.

Consolidation in the semiconductor industry and within the semiconductor test equipment market could adversely affect the market for our products and negatively impact our ability to compete.

Consolidation in the semiconductor industry may reduce our customer base and could adversely affect the market for our products, which could negatively impact our revenues. With consolidation, the number of actual and potential customers for our products has decreased in recent years. Consolidation may lead to relatively fewer opportunities to sell our products if we are not chosen as a supplier by any given prospective customer, and may lead to increased pricing pressures from customers that have greater volume purchasing power.

There has also been consolidation within the semiconductor test equipment market. This consolidation trend could change our interactions and relationships with complementary tester, instrument, and probe card suppliers, and negatively impact our revenue and operating results.

Changes in customers' test strategies, equipment and processes could decrease customer demand for our products.

The demand for our products depends in large part upon the number of semiconductor designs, the pace of technology and architecture transitions in chip designs and overall semiconductor unit volume. The number of probe cards involved in a customer's wafer testing can depend upon the number of devices being tested, the complexity of these devices, the test software program, the test equipment itself, and the utilization of chip designs featuring design-for-testability or self-testing capabilities. Customers may demand fewer probe cards or probing systems if they use test strategies that reduce the technical requirements on test equipment, improve available data on device performance earlier in the manufacturing process, or test devices later in the manufacturing process. Changes in the effectiveness of test technologies and test strategies used by customers may cause us to lose sales and revenues.

We may also lose sales if new semiconductor technologies or designs are implemented which cannot be efficiently tested using the products that we offer, or if semiconductor manufacturers reduce the amount or degree of testing that they perform. We may also incur significant research and development expenses in order to introduce new product architectures and platforms to serve the testing needs of new semiconductor technologies. These expenses are often incurred in advance of customer adoption or other anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be negatively impacted.

Cyclicalities in the semiconductor industry has in the past and may in the future adversely impact our sales.

The semiconductor industry has historically been cyclical and is characterized by wide fluctuations in product supply and demand. From time to time, this industry has experienced significant downturns, often in connection with, or in anticipation of, maturing product and technology cycles, excess inventories, and declines in general economic conditions. The global economic and semiconductor downturns have caused and may in the future cause our operating results to decline dramatically from one period to the next. For example, the semiconductor industry in general experienced a cyclical downturn beginning the second half of fiscal 2022 that extended through at least fiscal 2024, resulting in a significant decline in demand for foundry & logic and DRAM products over the same period. Global economic stability can be negatively affected by a variety of factors and interrelationships, including the impacts of epidemics and pandemics, military conflicts or regional tensions, climate change, trade tensions, barriers and conflicts (such as the U.S.-China trade restrictions implemented since fiscal 2022 and those proposed to be implemented by the new U.S. presidential administration) and other factors acting alone or in combination. Some of these factors can also have a more direct adverse impact upon our operations to varying degrees. Our business depends heavily upon the development and manufacture of new semiconductors, the rate at which semiconductor manufacturers make transitions to smaller nanometer technology nodes and implement tooling cycles, the volume of production by semiconductor manufacturers, and the overall financial strength of our customers, which, in turn, depend upon the current and anticipated market demand for semiconductors and products that use semiconductors, such as servers, personal computers, automobiles and cell phones. During industry downturns, semiconductor manufacturers sharply curtail their spending, including their spending on our products, which may adversely impact our revenues, gross margins and results of operations. Further, a protracted downturn could cause one or more of our customers to become insolvent, resulting in a loss of revenue and impacting our ability to collect on accounts receivable. The timing, length and severity of these cyclical downturns are difficult to predict, and our business depends on our ability to plan for and react to these cyclical changes.

Because we generally do not have a sufficient backlog of unfilled orders to meet our quarterly revenue targets, revenues in any quarter are substantially dependent upon customer orders received and fulfilled in that quarter.

Our revenues are difficult to forecast because we generally do not have sufficient backlog of unfilled orders to meet our quarterly revenue targets at the beginning of a quarter. Rather, a substantial percentage of our revenues in any quarter depend upon customer orders for our products that we receive and fulfill in that quarter. Because our expense levels are based in part on

our expectations as to future revenues and to a large extent are fixed in the short term, we might be unable to adjust spending in time to compensate for any unexpected shortfall in revenues.

If our ability to forecast demand for our products or the predictability of our manufacturing yields deteriorates, we could incur high inventory losses.

Each semiconductor chip design requires a custom probe card. Because our probe card products are design-specific, demand for these products is difficult to forecast. Due to our customers' short delivery time requirements, we often design and procure materials and, at times, produce our products in anticipation of demand for our products rather than in response to an order. Our manufacturing yields and inventory requirements, particularly for new products or when we are operating at high output levels, have at times been unpredictable. If we do not obtain orders as we anticipate, if we suffer manufacturing errors, or if we build additional inventory to compensate for unpredictable manufacturing yields, we could have excess or obsolete inventory that we may not be able to sell, which would likely result in inventory write-offs or material charges for scrap.

If we are unable to efficiently manufacture our existing and new products, our business may be materially adversely affected.

We must continuously improve our manufacturing processes in an effort to increase yields and product performance, lower our costs and reduce the time required for us to design, manufacture and deliver our products in volume. If we fail to do so, both our existing products and our new products may not be commercially successful, our revenues and profitability may be adversely affected, our customer relationships and our reputation may be harmed, and our business may be materially adversely affected.

To improve our manufacturing processes, we have incurred, and may incur in the future, substantial costs in an effort to optimize capacity and yields, open new manufacturing facilities, implement new manufacturing technologies, methods and processes, purchase new equipment, upgrade existing equipment, and train technical personnel. We have experienced, and may experience in the future, manufacturing delays and other inefficiencies in connection with implementation of these improvements and customer qualifications of new processes or products. These delays and other inefficiencies may arise from a variety of factors. Further, these investments may consume available cash in the short term for anticipated benefit that may or may not occur. Our operating results and liquidity have been and may in the future be negatively impacted by these factors.

We have also experienced, and may experience in the future, difficulties in manufacturing our complex products in volume, on time, and at acceptable yields and cost, and/or have installation issues in the field, due to the complexity of customer requirements. These challenges, if not timely resolved could have a material adverse effect on operating results and our ability to compete effectively.

If we are unable to continue to reduce the time it takes for us to design and produce products, our growth could be impeded.

Our customers continuously seek to reduce the time it takes them to introduce new products to market. The cyclical nature of the semiconductor industry, coupled with changing demands for semiconductor products, requires our customers to be flexible and highly adaptable to changes in the design, volume and mix of products they must produce. We may be unable to design, configure and produce our products within the short cycle times required to respond to such rapid changes. We have lost sales in the past where we were unable to meet a customer's required delivery schedules. If we are unable to continue to reduce the time it takes for us to design, manufacture and ship our products in response to the needs of our customers, our competitive position could be harmed and we could lose sales.

Products that do not meet specifications or that contain defects could damage our reputation, decrease market acceptance of our technology, cause us to lose customers and revenues, and result in liability to us.

The complexity and ongoing development of our product designs and manufacturing processes could lead to design or manufacturing problems. Problems might result from a number of factors, including design defects, materials failure, failure of components manufactured by our suppliers to meet our specifications, contamination in the manufacturing environment, impurities in the materials used, unknown sensitivities to process conditions such as temperature and humidity, and equipment failures. Any errors or defects could:

- cause lower than anticipated yields and lengthen delivery schedules;
- cause delays in product shipments;
- cause delays in new product introductions;
- cause us to incur warranty expenses;
- result in increased costs and diversion of development resources;
- cause us to incur increased charges due to unusable inventory;
- require design modifications;
- have implications for timing of revenue recognition and associated costs; or

- decrease market acceptance or customer satisfaction with these products.

The occurrence of any one or more of these events could adversely affect our business, reputation and operating results.

As part of our sales process, we could incur substantial sales and engineering expenses that do not result in revenues.

Our customers generally expend significant efforts evaluating and qualifying our products prior to placing an order. While our customers are evaluating our products, we might incur substantial sales, marketing, and research and development expenses. For example, we typically expend significant resources educating our prospective customers regarding the uses and benefits of our products and customizing them to the potential customer's needs, for which we might not be reimbursed. The substantial resources we commit to our sales efforts may not result in any revenues from a customer. For example, many semiconductor processes, architectures, and designs never reach production, including those for which we may have expended development effort and expense. In addition, prospective customers might decide not to use our products or use our products for a relatively small percentage of their requirements after we have expended significant effort and expense toward product design, development, and/or manufacturing. If we do not achieve the benefits anticipated from any of these investments, or if the achievement any of these benefits is delayed, our operating results may be negatively impacted.

We obtain some of the components and materials we use in our products from a sole source or a limited group of suppliers, and the partial or complete loss of one of these suppliers, or scarcity of raw materials from one of these suppliers, could cause production delays.

We obtain some of the components and materials used in our products, such as printed circuit board assemblies, plating materials and ceramic substrates, from a sole source or a limited group of suppliers, and in some cases alternative sources are not currently available. Because we rely on purchase orders rather than long-term contracts with the majority of our suppliers, we cannot guarantee our ability to obtain components and materials in the long term. A sole or limited source supplier could increase prices, which could lead to a decline in our gross profit. Our dependence upon sole or limited source suppliers exposes us to several other risks, including inability to obtain an adequate supply of materials, late deliveries, poor component quality, and business disruptions while we seek to identify and qualify alternative suppliers. This could be exacerbated by certain events outside the control of either the supplier or us, such as global, regional or national health crises, armed conflicts, increased tariffs and trade barriers, regional tensions or other adverse global, regional and national events. The occurrence of any of these risks could adversely impact our business, results of operations and financial condition.

We are dependent on the availability of certain key raw materials and natural resources used in our products and various manufacturing processes, and we rely on third parties to supply us with these materials in a cost-effective and timely manner. Our access to raw materials may be adversely affected if our suppliers' operations were disrupted as a result of limited or delayed access to key raw materials and natural resources, which may result in increased cost for these items.

Our operations, or those of our important suppliers, business partners and customers, could be adversely affected by events outside of our control such as natural disasters, pandemics and man-made disasters.

Our business is vulnerable to the direct and indirect impact of natural and man-made disasters, such as floods, earthquakes, volcanic eruptions, nuclear accidents, acts of terrorism, epidemics, pandemics, military conflicts, climate change, and other factors acting alone or in combination. It is also possible that future natural and man-made disasters could negatively impact the sales of our products as a result of impacts upon our customers' ability to make or sell their products, or impacts upon our suppliers' ability to supply components to us on a timely basis.

For example, the COVID-19 pandemic showed the extent to which new pathogens are capable of disrupting business operations and economic activity locally and worldwide. Health crises can severely disrupt global supply chains, including for parts and materials that we use to manufacture our products, and affect economic conditions in the markets for our products. The circumstances which give rise to epidemics and pandemics from new or existing pathogens with similar impacts are expected to persist indefinitely.

Another example of events outside of our control arises from our manufacturing facilities being located in seismically active areas in California and Oregon. The manufacturing equipment and processes that we use can be severely disrupted by seismic activity. A significant seismic event in an area of our operations could have a materially negative impact on our operations, financial results or financial condition.

Much of the infrastructure on which we rely for our operations is outside of our control, such as electric power infrastructure. We have previously experienced disruptions to electrical power at some of our premises in California and China, especially when aging infrastructure or inadequate electric power service has been impacted by high demand, fires, and weather which may worsen over time with climate change, and other events. Our efforts to mitigate the effects on us from interruptions in the

availability of electric power, or other infrastructure, may not adequately prevent materially negative impacts on our operations, and in turn our financial results.

Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business and operations.

The physical impacts of climate change could adversely impact our costs and operations. There has been public discussion that climate change may be associated with rising sea levels as well as extreme weather conditions such as more intense hurricanes, thunderstorms, tornadoes, drought, and snow or ice storms. Extreme weather conditions may increase our costs or cause damage to our facilities, and any damage resulting from extreme weather may not be fully insured, and may also limit our ability to fully insure facilities on a cost-effective basis in the future. Periods of extended inclement weather may inhibit construction of our capital improvement projects. Any such events could adversely impact our costs or results of operations.

Concerns relating to climate change have led to a range of local, state, federal, and international regulatory and policy efforts to seek to address greenhouse gas (“GHG”) emissions. In the U.S., various approaches are being proposed or adopted at the federal, state, and local government levels, such as recent legislation enacted in California. These efforts could lead to additional costs on the Company now or in the future, including increased energy and other capital or operational costs, or additional legal requirements on the Company. These efforts could also materially increase our costs of evaluating potential manufacturing sites, or in some cases eliminate some potential locations as feasible sites. In addition to the potential for additional GHG regulation or incentives, enhanced corporate, public, and stakeholder awareness of climate change could affect the Company's reputation or customer demand. Climate change concerns and GHG regulatory efforts could also affect the Company's customers themselves. We could also face pressure from these groups to adapt our physical facilities for alternative sources of energy, which may be less cost-effective than current sources. Any of these factors, individually or combined with one or more factors, or other unforeseen factors or other impacts of climate change, could affect the Company and adversely impact our business, operations, or financial condition.

Adverse global, regional and national economic conditions could have a negative effect on our business, results of operations, financial condition, liquidity, and access to capital markets.

A variety of factors, including natural disasters, health crises, climate change, military conflicts and other geopolitical events, may adversely affect national, regional and global economies and financial markets. Recent political changes have created an environment of tension and uncertainty in economic matters, particularly with regard to tariffs and international trade. Any such adverse events may result in global, regional or national economic slowdowns or other economic disruptions or downturns. Such disruption or downturns could curtail or delay spending by businesses and consumers which may ultimately result in reductions in the demand for our products, greater volatility in demand and supply conditions and other adverse impacts. For example, any deterioration in the relations between Taiwan and China, and other factors affecting military, political or economic conditions in Taiwan or elsewhere in Asia, could adversely impact our suppliers, manufacturers and customers with operations located in the region, which could disrupt our business operations, affect demand for our products or increase our costs, negatively impacting our revenues, gross margins, and overall results of operations. Additionally, these events may also increase uncertainty in global credit and financial markets. The impacts of such uncertainty and disruptions to the availability of credit or other sources of capital could also adversely affect our ability to access capital on favorable terms or on a timely basis to meet our objectives. Any of these factors could have a material adverse impact on our business, results of operations, financial condition and cash flows.

Sustained inflation could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Inflation rates in the markets in which we operate have increased and may continue to rise. Inflation in recent periods has led us to experience higher costs related to labor, materials from suppliers, and transportation. Our suppliers raised their prices and may continue to raise prices, and in the competitive markets in which we operate, we may not be able to make corresponding price increases, productivity improvements or cost reductions to preserve our gross margins and profitability. If inflation rates continue to rise or remain elevated for a sustained period of time, they could have a material adverse effect on our business, financial condition, results of operations and liquidity. We have generally been able to offset increases in these costs through various productivity improvement and cost reduction initiatives, as well as by adjusting our selling prices to pass through some of these higher costs to our customers; however, our ability to raise our selling prices depends on market conditions and competitive dynamics. Given the timing of our actions compared to the timing of these inflationary pressures, there may be periods during which we are unable to fully recover the increases in our costs.

We rely on the security and integrity of our electronic data systems, managed both internally and by third parties, for our business requirements, and our business can be damaged by disruptions, security breaches or compromises of these systems. We rely on electronic data systems, including a variety of software and networking, computing and storage equipment and other information technologies, to operate and manage our business and to collect, process, maintain, and safeguard information, including information belonging to our customers, partners, and personnel.

Our electronic data systems may be subject to defects, failures or disruptions as a result of, among other things, natural disasters, accidents, power disruptions, telecommunications failures, deficiencies in new system designs and implementations, acts of terrorism or war, physical security breaches, computer viruses or other cyber attacks. Such incidents or other system failures or disruptions could subject us to downtime and delays, compromise or loss of sensitive or proprietary information, destruction or corruption of data, financial losses from remedial actions, breaches of obligations to third parties under privacy laws or contracts, or damage to our reputation or customer relationships. Any of the foregoing could have a material adverse effect on our business, operating results and financial condition.

Because we conduct most of our business internationally, we are subject to operational, economic, financial and political risks abroad.

Sales of our products to customers outside of the United States represent a significant part of our past and anticipated revenues. Our international sales as a percentage of our revenues were 76%, 74% and 83% for fiscal 2024, 2023 and 2022, respectively. Certain of our non-U.S. based customers also purchase through their subsidiaries in the United States. In the future we expect international sales to continue to account for a significant percentage of our revenues. Accordingly, we will be subject to risks and challenges that we would not otherwise face if we conducted our business solely in the United States.

These risks and challenges include:

- compliance with a wide variety of foreign laws and regulations, including social, political, immigration, and tax and trade policies;
- legal uncertainties regarding taxes, tariffs, quotas, export controls, export licenses and other trade barriers;
- political and economic instability or foreign conflicts, including trade wars, that involve or affect the countries of our customers;
- government restrictions on, or nationalization of, our operations in any country, or restrictions on our ability to repatriate earnings from or distribute compensation or other funds in a particular country;
- adverse changes relating to government grants, tax credits, or other government incentives, including more favorable incentives provided to competitors;
- difficulties in collecting accounts receivable and longer accounts receivable payment cycles;
- difficulties in staffing and managing personnel, distributors and representatives;
- reduced protection for intellectual property rights in some countries;
- currency exchange rate fluctuations, which could affect the value of our assets denominated in local currency, as well as the price of our products relative to locally produced products;
- global, regional and national geopolitical or other events, such as political instability, acts of war or terrorism, regional tensions, health crises and natural disasters;
- seasonal fluctuations in purchasing patterns in other countries; and
- fluctuations in freight rates and transportation disruptions.

Any of these factors could harm our existing international operations, impair our ability to continue expanding into international markets or materially adversely affect our operating results. Political developments in the United States and elsewhere may increase the risks and uncertainties associated with conducting international business, including the possibilities of greater tariffs and other trade barriers in the regions where we conduct business. In fiscal 2024 and 2023, we observed a continuing trend of increasing risks and challenges in the conduct of our international business activities, including expanded tariffs and other trade barriers affecting the United States and China, and currently there are rising trade tensions and conflicts (including proposed tariffs) between the United States and other countries, such as China. Additionally, we are required to comply with foreign import and export requirements, customs and value added tax standards that can be unclear or complex. Our failure to meet these requirements and standards could negatively impact our business operations.

Our foreign operations expose us to additional risks relating to currency fluctuations.

Our international operations are significant to our revenues and net income, and we plan to continue to grow internationally. We have significant business operations located in Germany. While we report our financial results in U.S. dollars, we incur certain costs in other currencies, and have certain foreign currency denominated assets and liabilities. We, therefore, face exposure to fluctuations in currency exchange rates. Significant fluctuations in exchange rates between the U.S. dollar and foreign currencies may adversely affect our revenues and earnings, despite our hedging of a portion of our international

currency exposures. Additionally, hedging programs are inherently risky and could expose us to additional costs and risks that could adversely affect our financial condition and results of operations.

Increasingly restrictive export regulations and other trade barriers may materially harm our business.

Sales of our products to customers outside of the United States represent a significant part of our past and anticipated revenues, including sales involving exports from the United States to China. Geopolitical and trade tensions between the United States and China, one of our largest markets, have led to increased tariffs and trade restrictions and have affected customer ordering patterns, and this dynamic between the countries may persist or increase for the foreseeable future. For example, the U.S. Department of Commerce, Bureau of Industry and Security (“BIS”), has amended the U.S. Export Administration Regulations to expand license requirements on exports to entities in China that may support military end uses. These rules expand export license requirements on a broader set of items from the U.S., including many of our products, and for a broader set of customers in China and elsewhere. The BIS has also broadened the application of U.S. export controls to certain items which may be subject to Foreign Direct Product Rules (“FDPR”). There is no assurance that we will obtain any export licenses on a timely basis or at all. There also remains considerable uncertainty regarding the interpretation and implementation of new regulations. In reaction to U.S. trade regulations, governments and private businesses outside the United States, particularly in China, may implement retaliatory controls and preferences for non-U.S. or local suppliers, which can increase our manufacturing costs, make our products less competitive, reduce demand for our products, limit our ability to sell to certain customers, limit our ability to procure components or raw materials, or impede or slow the movement of our goods across borders. For example, China has restricted U.S. access to certain minerals and has blocked certain companies that provide products to Taiwan's military from selling products in China. Also, in China, we are observing stronger preferences for non-U.S. suppliers in general, and in favor of new and existing local suppliers in particular. These and other regulatory and policy changes, and the reactions of customers to such changes, in the U.S. and elsewhere, could materially and negatively affect our future sales and operating results.

If we fail to protect our proprietary rights, our competitors might gain access to our technology, which could adversely affect our ability to compete successfully in our markets.

If we choose not to protect our proprietary rights or fail in our efforts to protect our proprietary rights, our competitors might gain access to our technology. Unauthorized parties might attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Others might independently develop similar or competing technologies or methods or design around our patents. In addition, the laws of many foreign countries in which we or our customers do business do not protect our intellectual property rights to the same extent as the laws of the United States. As a result, our proprietary rights could be compromised, our competitors might offer products similar to ours, and we might not be able to compete successfully. We also cannot assure that:

- our means of protecting our proprietary rights will be adequate;
- patents will be issued from our pending or future applications;
- our existing or future patents will be sufficient in scope or strength to provide any meaningful protection or commercial advantage to us;
- our patents or other intellectual property will not be invalidated, circumvented or successfully challenged in the United States or foreign countries; or
- others will not misappropriate our proprietary technologies or independently develop similar technologies, duplicate our products or design around any of our patents or other intellectual property, or attempt to manufacture and sell infringing products in countries that do not strongly enforce intellectual property rights.

We have spent, and may be required to spend in the future, significant resources to monitor and protect our intellectual property rights. Any litigation, whether or not resolved in our favor, and whether initiated by us or by a third party, could result in significant and possibly material expenses to us and divert the efforts of our management and technical personnel.

We might be subject to claims of infringement of other parties' proprietary rights.

Our industry is characterized by uncertain and conflicting intellectual property claims. As we have in the past, we may receive claims that we are infringing intellectual property rights of others. The resolution of intellectual property claims, with or without merit, could be time consuming, result in costly litigation with highly uncertain outcomes, or impact our delivery of products. In the event of an adverse judgement or settlement, we might be required to pay substantial amounts, cease the use or sale of infringing products, spend significant resources to develop non-infringing technology, discontinue the use of certain technology, or enter into license agreements. License agreements might not be available on terms acceptable to us or at all. In addition, certain of our customer contracts contain provisions that require us to defend or indemnify our customers for third party intellectual property infringement claims, which could increase the costs and negative impacts of intellectual property claims.

We have recorded restructuring, inventory write-offs and asset impairment charges in the past, and may do so again in the future, which could have a material negative impact on our business.

We have recorded significant restructuring charges in prior periods, and we may implement restructuring plans in the future, which would require us to take additional, potentially material, restructuring charges related to employee terminations, asset disposal or exit costs. We may also be required to write-off additional inventory if our product build plans or usage of inventory experience declines, and such additional write-offs could constitute material charges. In addition, significant adverse changes in market conditions could require us to take additional material impairment charges related to our long-lived assets if the changes impact the critical assumptions or estimates that we use in our assessment of the recoverability of our long-lived assets. Any such additional charges, whether related to restructuring, asset impairment or factory underutilization, may have a material negative impact on our operating results and related financial statements.

We may not be able to recruit or retain qualified personnel.

We believe our ability to manage successfully and grow our business and to develop new products depends, in large part, on our ability to recruit and retain qualified employees, particularly highly skilled technical, sales, management, and other key personnel. Competition for qualified resources is intense. Other companies may have greater resources available to provide substantial inducements to lure key personnel away from us or to offer more competitive compensation packages to individuals we are trying to hire.

Our failure to comply with environmental laws and regulations could subject us to significant fines and liabilities, and new laws and regulations or changes in regulatory interpretation or enforcement could make compliance more difficult and costly.

We are subject to various U.S. federal, state and local, and foreign governmental laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites and the maintenance of a safe workplace. We could incur substantial costs, including cleanup costs, civil or criminal fines or sanctions, and third-party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws and regulations or non-compliance with the environmental permits required at our facilities.

Environmental laws, regulations and permits could require the installation of costly pollution or waste control equipment or operational changes to limit waste or emissions or decrease the likelihood of accidental releases of hazardous substances. In addition, changing laws and regulations, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination at our or others' sites, or the imposition of new cleanup requirements could require us to curtail our operations, restrict our future expansion, subject us to liability and cause us to incur future costs that could harm our operations, thereby adversely impacting our operating results and cash flow.

We are exposed to additional risks as a result of increased attention by our stakeholders to environmental, social and governance ("ESG") matters.

Our stakeholders, including customers, investors, advisory firms, employees, and suppliers, among others, are increasing their attention to, and establishing expectations for, ESG and related matters. These expectations can extend to our corporate practices, initiatives, and disclosures, as well as stakeholder standards or preferences for investments or doing business. Third-party agencies have also established or added standards for rating companies on a range of ESG-related factors that may be inconsistent and subject to change. As a result, these expectations may impact the attractiveness of our business, the manner in which we do business, our reputation, the costs of doing business, and the willingness of these stakeholders to engage with, invest in, or retain us. We may be further impacted by the adoption and evolution of ESG-related regulation and legislation in the jurisdictions in which we do business, which could result in increased compliance, operational, and other costs.

In addition, the Company has provided voluntary disclosures on ESG matters, including energy usage, greenhouse gas emissions, health and safety, diversity and inclusion, and labor and human rights. Such disclosures are aspirational and based on frameworks and standards for such initiatives and progress that are still developing, assumptions that may change, and disclosure control and procedures that continue to evolve. We may fail, or be perceived to fail, in attaining or maintaining our ESG-related initiatives. These events or perceptions may expose us to additional reputational and operational risks. Additionally, anti-ESG sentiment exists among certain stakeholders. We have been and may again be subject to negative responses from certain stakeholders regarding our selection of certain goals and our strategic choices regarding related matters due to anti-ESG sentiment, which could negatively impact our reputation, business and financial results.

Risks Relating to Our Acquisitions

We have made acquisitions and investments, and may make additional acquisitions or investments in the future, which could put a strain on our resources, cause ownership dilution to our stockholders, or adversely affect our financial results.

Our acquisitions or investments may subject us to new or heightened risks. Integrating any newly acquired businesses, products or technologies into our company draws upon our resources in ways that can be expensive and time consuming, particularly when we conduct these activities internationally. These activities can substantially affect our financial resources, could cause delays in product delivery and might not be successful. Acquisitions and investments can divert management's attention and expose our business to new liabilities or risks associated with entering into new business activities. In addition, we might lose key employees while integrating new organizations. We might not be successful in integrating any acquired businesses, products or technologies, and might not achieve anticipated revenues and cost benefits. Investments that we make may not result in a return consistent with our projections upon which such investments are made, or may require additional investment that we did not originally anticipate. In the case where we hold a minority equity interest in a company, we may not have the ability to exert control over the entity and therefore may be subject to additional risks that could adversely impact our reputation, business, financial performance and growth. In addition, acquisitions can result in customer dissatisfaction, performance problems with an acquired company, potentially dilutive issuances of equity securities or the incurrence of debt and restrictive debt covenants, contingent liabilities, possible impairment charges related to goodwill or other intangible assets, or other adverse impacts or circumstances. If any of these risks were to come about, our business, financial results and stock price could be materially and adversely affected.

If goodwill or other intangible assets that we recorded, or will record, in connection with our acquisitions become impaired, we could be required to take significant charges against earnings.

In connection with our accounting for acquired businesses, we record a significant amount of goodwill and other intangible assets. Under U.S. generally accepted accounting principles, or GAAP, we must assess, at least annually and potentially more frequently, whether the value of goodwill and other indefinite-lived intangible assets have been impaired. Finite-lived intangible assets are assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect our results of operations and stockholders' equity in future periods.

Risks Relating to Owning Our Stock

If we fail to maintain an effective system of internal and disclosure controls and procedures, we may not be able to accurately report our financial results or prevent fraud.

Effective internal and disclosure controls and procedures are necessary for us to provide reliable financial reports, to prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our business and reputation may be harmed. We regularly review and assess our internal controls over financial reporting and our disclosure controls and procedures. As part of that process, we may discover material weaknesses in our internal controls. If we fail to maintain effective controls or timely implement any necessary improvement of our internal and disclosure controls, we may not have accurate information to make management decisions, our operating results could be harmed, or we may fail to meet our reporting obligations. Ineffective internal and disclosure controls could also cause stockholders to lose confidence in our reported financial information and our ability to manage our business, which would likely have a negative effect on the trading price of our securities.

The trading price of our common stock has been and is likely to continue to be volatile, and you might not be able to sell your shares at or above the price that you paid for them.

The trading prices of the securities of technology companies have been highly volatile. During fiscal 2024, our stock price (Nasdaq Global Select Market close price) ranged from \$37.66 per share to \$62.22 per share. The trading price of our common stock is likely to continue to be subject to wide fluctuations. Factors affecting the trading price of our common stock could include:

- variations in our operating results;
- our forecasts and financial guidance for future periods;
- announcements of technological innovations, new products or product enhancements, new product adoptions at semiconductor customers or significant agreements by us or by our competitors;
- reports regarding our ability to bring new products into volume production efficiently;
- the gain or loss of significant orders or customers;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock;
- rulings on litigation and proceedings;

- seasonality, principally due to our customers' purchasing cycles;
- market and competitive conditions in our industry, the entire semiconductor industry and the economy as a whole;
- recruitment or departure of key personnel;
- announcements of mergers and acquisition transactions and the ability to successfully integrate the business activities of the acquired/merged company; and
- political and global economic instability, including as a result of trade barriers, natural disasters, epidemics and pandemics, military conflicts, climate change, and other factors acting alone or in combination.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our common stock also might decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In addition, in the past, following periods of volatility in the overall market and the market prices of a particular company's securities, securities class action litigation has often been instituted against that company. Securities litigation, if instituted against us, could result in substantial costs and divert our management's attention and resources from our business. This could have an adverse impact on our business, results of operations and financial condition.

Provisions of our certificate of incorporation and bylaws or Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Delaware corporate law and our certificate of incorporation and bylaws contain provisions that could discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- provide that directors may only be removed with the approval of 66.7% of our stockholders;
- require super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board could issue to increase the number of outstanding shares and to discourage a takeover attempt;
- limit the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company.

Item 1B: *Unresolved Staff Comments*

None.

Item 1C: *Cybersecurity*

Risk Management and Strategy

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats. These risks include, among other things, operational risks; intellectual property theft; fraud; extortion; harm to our employees or customers; violation of applicable privacy or security laws and other litigation and legal risk; and reputational risks.

Manage Material Risks & Integrated Overall Risks

We maintain an incident response plan to coordinate the activities we take to protect against, detect, respond to, mitigate the impact of, and remediate cybersecurity incidents, as well as to comply with applicable legal obligations and mitigate reputational damage.

We have strategically integrated cybersecurity risk management into our broader risk management framework to promote company-wide awareness of the importance of cybersecurity risk management. This integration ensures that cybersecurity considerations are incorporated in our strategic and operational decision-making processes. Our management team works closely with our Information Technology ("IT") team to continuously evaluate and address cybersecurity risks to ensure these efforts are in alignment with our business objectives and operational needs. We have implemented several cybersecurity

processes, technologies, and controls to aid in our efforts to identify, assess, and manage material risks, as well as to test and improve our incident response plan. Our approach includes, among other things:

- conducting regular network and endpoint monitoring, vulnerability assessments, and penetration testing to improve our information systems;
- regular cybersecurity training for employees, including management, and conducting regular cybersecurity management and incident training for employees involved in execution of our incident response plan;
- comparing our processes to standards set by the National Institute of Standards and Technology (“NIST”);
- leveraging the NIST incident handling framework to help us identify, protect, detect, respond, and recover when there is an actual or potential cybersecurity incident;
- operating threat intelligence processes designed to model and research our adversaries;
- monitoring emerging data protection laws and implementing changes to our processes designed to comply;
- conducting regular phishing email simulations for all employees and all contractors with access to corporate email systems to enhance awareness and responsiveness to such possible threats;
- through policy, practice and contract (as applicable) requiring employees, as well as third-parties who provide services on our behalf, to treat customer information and data with care;
- carrying information security risk insurance that provides protection against the potential losses arising from a cybersecurity incident; and
- leveraging third-party score cards within our supply chain to regularly evaluate and report on our cybersecurity environment, including by integrating certain metrics into our corporate goal setting processes.

These approaches vary in maturity across the business, and we work continually to improve them.

Engage Third Parties on Risk Management

Recognizing the complexity and evolving nature of cybersecurity threats, we engage with a range of external experts, including cybersecurity assessors, consultants, and auditors in evaluating and testing our cybersecurity environment. These partnerships enable us to leverage specialized knowledge and insights, ensuring our cybersecurity strategies and processes are responsive to our identified risks. Our collaboration with these third parties include regular audits, threat assessments, and consultation on security enhancements.

Oversee Third-party Risk

We are aware of and have processes in place to manage and mitigate the risks associated with third-party service providers. As needed in connection with certain third-party providers, we conduct risk-based diligence and assessment before engagement, implement contractual security provisions and maintain ongoing monitoring to ensure compliance with applicable cybersecurity standards or requirements.

Risks from Cybersecurity Threats

We have not experienced any material cybersecurity incidents, and the expenses we have incurred from cybersecurity incidents were immaterial.

Governance

The Board is acutely aware of the critical nature of managing risks associated with cybersecurity threats. The Board has established oversight mechanisms to ensure effective governance in managing risks associated with cybersecurity threats because we recognize the potential significance of these threats to our operational integrity and financial condition.

Board of Directors' Oversight

The Governance and Nominating Committee is central to the Board’s oversight of cybersecurity risks and bears the primary responsibility for this domain. The Governance and Nominating Committee and the Board are composed of Board members with diverse expertise including, risk management, technology, and finance, equipping them to oversee cybersecurity risks effectively.

Management’s Role Managing Risk

The management team provides comprehensive briefings to the Governance and Nominating Committee of our Board on a regular basis, with a minimum frequency of once per year. These briefings encompass a broad range of topics as discussed in *Reporting to Board of Directors* below.

In addition, the IT team maintains an ongoing dialog with our management team regarding emerging or potential cybersecurity risks. The management team receives updates on any significant developments in the cybersecurity domain, ensuring oversight

is proactive and responsive. This involvement ensures that cybersecurity considerations are integrated into our broader strategic objectives.

Risk Management Personnel

Our Chief Information Officer is primarily responsible for the overall assessment, monitoring, and management of our cybersecurity risks. Our Chief Information Officer has over 20 years of experience in information technology and holds a B.S. in accounting and management information systems. Our management team members are responsible for the management of cybersecurity risks within their respective functions. Our management team includes the Chief Financial Officer, Chief Executive Officer, and leaders of our business units and functions. Collectively their backgrounds include a wealth of expertise relevant to their roles.

Monitor Cybersecurity Incidents

The Chief Information Officer and executive management team are informed about the latest developments in cybersecurity, including risk management techniques, as well as significant potential threats, through their ongoing management of and participation in the cybersecurity risk management processes described above. This ongoing knowledge is crucial for the effective prevention, detection, mitigation, and remediation of cybersecurity incidents. The Chief Information Officer implements and oversees processes for the regular monitoring of our information systems. This includes the deployment of security measures and system audits to identify potential vulnerabilities.

Reporting to the Board of Directors

The Chief Information Officer regularly informs the Chief Financial Officer and Chief Executive Officer of critical aspects related to cybersecurity risks and incidents. This ensures that the highest levels of management are kept abreast of the Company's cybersecurity posture and potential risks. The Governance and Nominating Committee receives regular updates from management on cybersecurity risk, including:

- current cybersecurity landscape and emerging threats;
- status of ongoing cybersecurity initiatives and strategies;
- incident reporting and learnings from any cybersecurity events;
- information regarding the effectiveness of the Company's cybersecurity awareness program; and
- compliance with regulatory requirements and industry standards.

In such updates, the Governance and Nominating Committee generally receives materials including a cybersecurity scorecard and other materials indicating current and emerging cybersecurity threat risks and describing our ability to mitigate those risks, and discusses such matters with our Chief Information Officer.

Significant cybersecurity matters, and strategic risk management decisions are escalated to the Board, ensuring that they have comprehensive oversight and can provide guidance on critical cybersecurity matters.

Item 2: Properties

Our corporate headquarters, which includes sales, marketing, administration, manufacturing, engineering, and research and development facilities, is located in Livermore, California, United States. Our corporate headquarters comprises a campus of five buildings totaling approximately 259,000 square feet. We presently lease four of the buildings and own one of the buildings. Adjacent to our campus we own approximately 6 acres of vacant land for future expansion. In addition, we lease office, repair and service, manufacturing and/or research and development space both inside and outside of the United States. The leases expire at various times through 2034. We believe that our existing and planned facilities are suitable for our current needs.

Information concerning our properties as of December 28, 2024 is set forth below:

Location	Principal Use	Segment	Square Footage	Ownership
Livermore, California, United States	Manufacturing	Probe Cards	90,508	Owned
Livermore, California, United States	Corporate headquarters, sales, marketing, administration, product design, manufacturing, service and repair, distribution, research and development	All	168,636	Leased
Thiendorf, Germany	Sales, marketing, administration, manufacturing, service and repair, distribution, research and development	Systems	101,291	Leased
Beaverton, Oregon, United States	Sales, marketing, administration, product design, manufacturing, service and repair, distribution, research and development	Probe Cards	101,205	Leased
Baldwin Park, California, United States	Manufacturing, service and repair, distribution, research and development	Probe Cards	44,000	Leased
Boulder, Colorado, United States	Sales, marketing, administration, manufacturing, distribution, research and development	Systems	34,133	Leased
Carlsbad, California, United States	Sales, product design, administration, manufacturing, service and repair, distribution, research and development	Probe Cards	42,080	Leased
Woburn, Massachusetts, United States	Sales, marketing, administration, manufacturing, distribution, research and development	Systems	26,070	Leased
Zhubei City, Hsinchu, Taiwan	Sales, administration, product design, field service and repair center	All	34,892	Leased
Singapore	Sales, administration, product design, service, and field service	All	24,413	Leased
San Jose, California, United States	Sales, marketing, and distribution	Systems	21,489	Leased
Bundang, South Korea	Sales, administration, product design, field service, and repair center	All	17,161	Leased
Yokohama City, Japan	Sales, marketing, administration, product design, manufacturing, service and repair, distribution, research and development	All	16,150	Leased
Munich, Germany	Sales, manufacturing, administration, service and repair, distribution, research and development	Systems	18,786	Leased
Dresden, Germany	Sales and service	All	2,960	Leased

Item 3: *Legal Proceedings*

Information with respect to this item may be found under the caption “Legal Matters” in Note 11, *Commitments and Contingencies*, to our consolidated financial statements included herein, which information is incorporated into this Item 3 by reference.

Item 4: *Mine Safety Disclosures*

Not applicable.

PART II

Item 5: *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Stock Information

Our common stock is listed on The Nasdaq Global Select Market under the symbol “FORM.” As of February 14, 2025, there were 105 registered holders of record of our common stock, which does not include beneficial owners of stock held in street name (i.e., through a brokerage firm, bank, broker-dealer, trust or other similar organization).

Dividends

No cash dividends have been declared on shares of our common stock, and the Company currently does not intend to pay dividends in the future.

Repurchases of Common Stock

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 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, the Company's current stock price, and other factors. The program may be modified or discontinued at any time. The current share repurchase program will expire October 2025.

The following table provides information as of December 28, 2024 with respect to the shares of common stock repurchased during the fourth quarter of fiscal 2024 pursuant to the foregoing Board authorization.

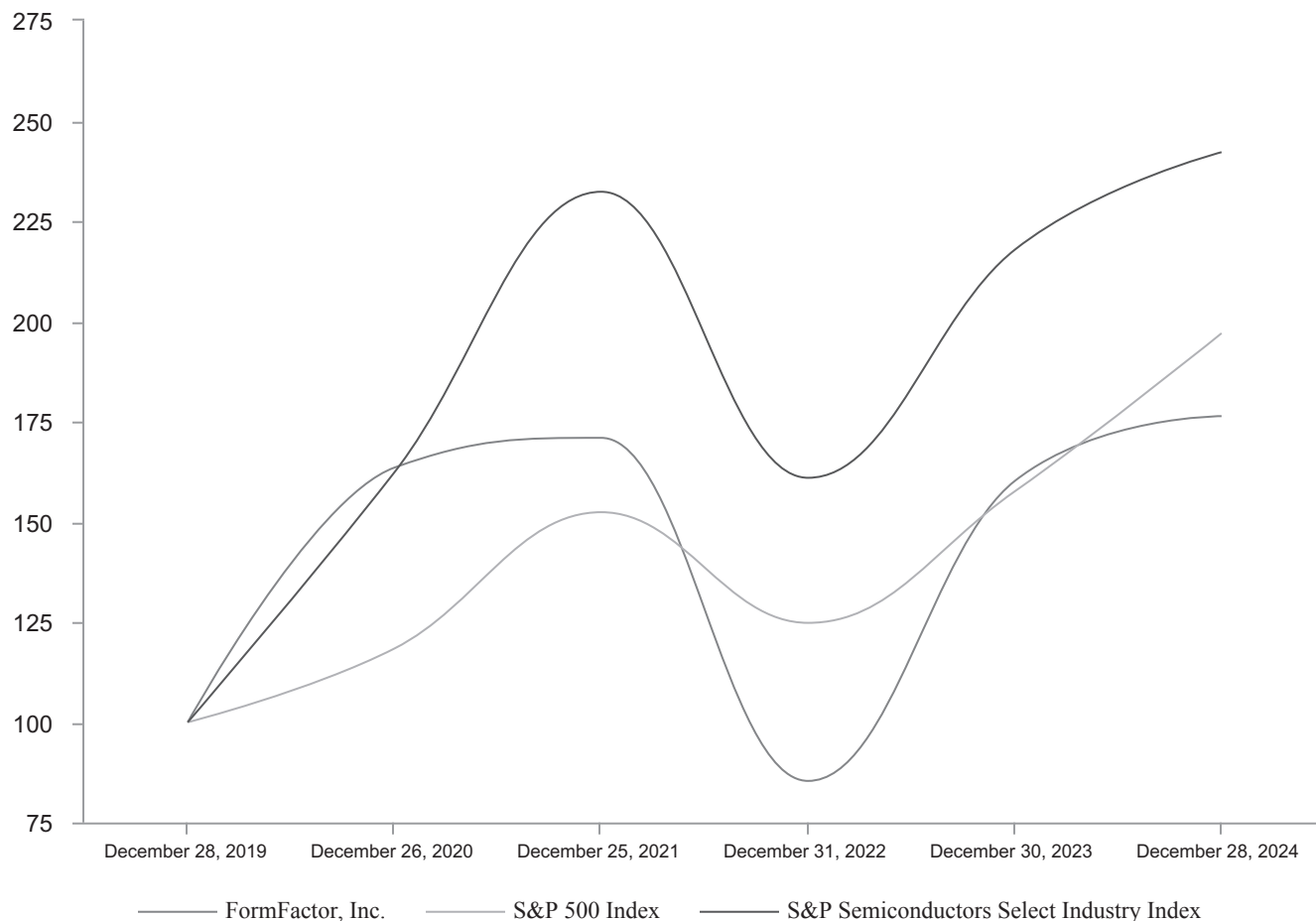
Period (fiscal months)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount that May Yet Be Purchased Under the Plans or Programs
September 29, 2024 - October 26, 2024	—	\$ —	—	\$ 36,623,543
October 27, 2024 - November 23, 2024	419,952	38.50	419,952	20,455,378
November 24, 2024 - December 28, 2024	—	—	—	20,455,378
	<u>419,952</u>	<u>\$ 38.50</u>	<u>419,952</u>	

Stock Price Performance Graph

The following graph shows the total stockholder return of an investment of \$100 in cash on December 28, 2019 through December 28, 2024 for (1) our common stock, (2) the S&P 500 Index, and (3) the S&P Semiconductors Select Industry Index. All values assume reinvestment of the full amount of all dividends. Stockholder returns over the indicated period are based on historical data and are not necessarily indicative of future stockholder returns.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among FormFactor, Inc., the S&P 500 Index, and the S&P Semiconductors Select Industry Index



*\$100 invested on December 28, 2019 in stock or index, including reinvestment of dividends.

	Cumulative Total Return					
	December 28, 2019	December 26, 2020	December 25, 2021	December 31, 2022	December 30, 2023	December 28, 2024
FormFactor, Inc.	\$ 100.00	\$ 163.52	\$ 170.93	\$ 85.37	\$ 160.18	\$ 176.34
S&P 500 Index	100.00	118.40	152.39	124.79	157.59	197.02
S&P Semiconductors Select Industry Index	100.00	162.36	232.31	160.97	217.85	242.18

Item 6: [Reserved]

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions as described under the "Note Regarding Forward-Looking Statements" that appears earlier in this Annual Report on Form 10-K. Our actual results could differ materially from those

anticipated by these forward-looking statements as a result of many factors, including those discussed under “Item 1A: Risk Factors” and elsewhere in this Annual Report on Form 10-K.

Overview

FormFactor, Inc., headquartered in Livermore, California, is a leading provider of electrical and optical 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 and optical 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, reducing scrap, and improving yields.

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.

Our fiscal 2024 financial results reflected our strengthening momentum driven by increasing demand for high bandwidth memory (“HBM”) chips utilized in generative artificial intelligence applications. On February 26, 2024, we completed the sale of our China operations, resulting in net consideration received of \$21.4 million and a pre-tax gain of \$20.3 million. With this transaction, we established an exclusive distribution and partnership agreement to continue sales and support of our products in the region (the “China Transaction”).

We generated net income of \$69.6 million in fiscal 2024 compared to net income of \$82.4 million in fiscal 2023 and net income of \$50.7 million in fiscal 2022. The decrease in net income in fiscal 2024 compared to fiscal 2023 was primarily due to a reduced gain on sale of business with the fiscal 2024 gain from the China Transaction being less than the fiscal 2023 gain from the sale of our FRT business further described below. Excluding the impact of gains in each period, our financial performance was driven by the strengthening of certain areas of the semiconductor industry, which increased demand in some markets within our Probe Cards segment, particularly with demand for HBM chips utilized in generative artificial intelligence applications and the ramp of new mobile application processor designs. While we experienced growth in total revenues year over year, the Systems segment was negatively impacted due to the absence of metrology system sales as a result of the sale of our FRT Metrology business in the fourth quarter of fiscal 2023.

The increase in net income in fiscal 2023 compared to fiscal 2022 was primarily due to a gain recognized from the sale of our FRT business of \$73.0 million. Apart from this gain, the semiconductor industry weakness that began in the third quarter of fiscal 2022 continued into fiscal 2023, impacting our Probe Cards segment with a \$93.5 million reduction in revenue and the associated decline in gross margins from the lower operating levels. Systems segment showed strength in fiscal 2023 with revenue increasing \$8.7 million, or about 5.6%, compared to fiscal 2022, driven by our customers' spending on research and development of next-generation innovation.

Recent Development

In February 2025, we, together with MBK Partners, a private equity firm, acquired FICT Limited (“FICT”) from Advantage Partners Inc. In connection with the acquisition, we obtained a 20% equity interest in FICT, in exchange for funding \$59.6 million of the purchase price. Headquartered in Nagano, Japan, FICT is a provider of semiconductor test and high-performance computing industries with complex multi-layer organic substrates, printed circuit boards, and related leading-edge technologies and services. Under the equity method, upon closing this investment, the investment will be included as a separate item in our Consolidated Balance Sheets and we will record our proportionate share of FICT’s net income or loss as a separate item in our Consolidated Statements of Operations.

Fiscal Year

We operate on a 52/53 week fiscal year, whereby the fiscal year ends on the last Saturday of December. The fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022 included 52 weeks, 52 weeks, and 53 weeks (with 14 weeks in the fourth quarter), respectively.

Use of Estimates

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses in the reporting period. Our accounting policies are fundamental to understanding our financial condition and results of operations reported in our financial statements and related disclosures. We have identified the following accounting policies as being critical because they require our management to make particularly difficult, subjective and/or complex judgments about the effect of matters that are inherently uncertain. Our management has discussed the development, selection, application and disclosure of these critical accounting policies with the Audit Committee of our Board of Directors.

Inventory Valuation

We state our inventories at the lower of cost (principally standard cost which approximates actual cost on a first in, first out basis) or net realizable value. We regularly assess the value of our inventory and will periodically write down its value for estimated excess inventory and product obsolescence based upon an analysis of existing inventory quantities compared to estimated future consumption. Future consumption is estimated based upon assumptions about how past consumption, recent purchases, backlog and other factors may indicate future consumption. On a quarterly basis, we review existing inventory quantities in comparison to our past consumption, recent purchases, backlog and other factors to determine what inventory quantities, if any, may not be sellable. Based on this analysis, we record an adjustment to the cost basis of inventory when evidence exists that the net realizable value of inventory is lower than its cost, which occurs when we have excess and/or obsolete inventory.

At the point of loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. Market conditions are subject to change, and demand for our products can fluctuate significantly. Actual consumption of inventories could differ from forecasted demand, and this difference could have a material impact on our gross profit and inventory balances based on additional provisions for excess or obsolete inventories, or a benefit from the sale of inventories previously written down.

Revenue Recognition

Revenue is recognized upon transferring control of products and services, and the amounts recognized reflect the consideration we expect to be entitled to receive in exchange for these products and services. An arrangement may include some or all of the following products and services: probe cards, systems, accessories, engineering services, installation services, service contracts and extended warranty contracts.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the performance obligation is distinct within the context of the contract at contract inception. Performance obligations that are not distinct at contract inception are combined and accounted for as one unit of account. Generally, the performance obligations in a contract are considered distinct within the context of the contract and are accounted for as separate units of account.

Our products may be customized to our customers’ specifications; however, control of our product is typically transferred to the customer at the point in time the product is either shipped or delivered, depending on the terms of the arrangement, as the criteria for over time recognition is not met. In limited circumstances, substantive acceptance by the customer exists which results in the deferral of revenue until acceptance is formally received from the customer. Judgment may be required in determining if the acceptance clause is substantive. In certain instances control of products is transferred to the customer over time based on performance and in those instances we utilize an appropriate input or output measure to determine to what extent control has transferred to the customer. Judgment may be required in determining an appropriate measure of performance.

Installation services are routinely provided to customers purchasing our systems. Installation services are a distinct performance obligation apart from the systems and are recognized in the period they are performed. Service contracts, which include repair

and maintenance service contracts, and extended warranty contracts are also distinct performance obligations and are recognized over the contractual service period, which ranges from one to three years. For these service contracts recognized over time, we use the input measure of days elapsed to measure progress.

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. In determining the transaction price, we evaluate whether the price is subject to refund or adjustment to determine the net consideration to which we expect to be entitled. We generally do not grant return privileges, except for defective products during the warranty period. Sales incentives and other programs that we may make available to our customers are considered to be a form of variable consideration, which is estimated in determining the contract's transaction price to be allocated to the performance obligations.

For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on its relative stand-alone selling price. The stand-alone selling prices are determined based on observable prices, which are the prices at which we separately sell these products. For items which do not have observable prices, we use our best estimate of the stand-alone selling prices.

We account for tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction (i.e., sales, use, value added) on a net (excluded from revenue) basis.

Results of Operations

In this section, we discuss the results of our operations for the year ended December 28, 2024 compared to the year ended December 30, 2023. For a discussion of the year ended December 30, 2023 compared to the year ended December 31, 2022, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 30, 2023.

The following table sets forth our operating results as a percentage of revenues:

	Fiscal 2024	Fiscal 2023	Fiscal 2022
Revenues	100.0 %	100.0 %	100.0 %
Cost of revenues	59.7	61.0	60.4
Gross profit	40.3	39.0	39.6
Operating expenses:			
Research and development	16.0	17.5	14.6
Selling, general and administrative	18.5	20.1	17.6
Total operating expenses	34.5	37.6	32.2
Gain on sale of business	2.7	11.0	—
Operating income	8.5	12.4	7.4
Interest income	1.8	1.1	0.3
Interest expense	—	(0.1)	(0.1)
Other income (expense), net	0.1	—	0.2
Income before income taxes	10.4	13.4	7.8
Provision for income taxes	1.3	1.0	1.0
Net income	9.1 %	12.4 %	6.8 %

Revenues by Segment

	Fiscal 2024	Fiscal 2023	Fiscal 2022
	(In thousands)		
Probe Cards	\$ 625,960	\$ 497,903	\$ 591,422
Systems ⁽¹⁾	137,639	165,199	156,515
Total	<u>\$ 763,599</u>	<u>\$ 663,102</u>	<u>\$ 747,937</u>

⁽¹⁾ During the fourth quarter of fiscal 2023, we completed the sale of our FRT business. As a result, we generated no metrology systems revenue during fiscal 2024, compared to \$21.2 million and \$29.0 million, during fiscal 2023 and fiscal 2022, respectively.

Revenues by Market

	<u>Fiscal</u>	<u>% of</u>	<u>Fiscal</u>	<u>% of</u>	<u>Change</u>	
	<u>2024</u>	<u>Revenues</u>	<u>2023</u>	<u>Revenues</u>	<u>\$</u>	<u>%</u>
(In thousands, except percentages)						
Probe Cards Markets:						
Foundry & Logic	\$ 381,182	49.9 %	\$ 363,539	54.8 %	\$ 17,643	4.9 %
DRAM	227,422	29.8	113,779	17.2	113,643	99.9
Flash	17,356	2.3	20,585	3.1	(3,229)	(15.7)
Systems Market:						
Systems ⁽¹⁾	137,639	18.0	165,199	24.9	(27,560)	(16.7)
Total revenues	<u>\$ 763,599</u>	<u>100.0 %</u>	<u>\$ 663,102</u>	<u>100.0 %</u>	<u>\$ 100,497</u>	<u>15.2 %</u>

	<u>Fiscal</u>	<u>% of</u>	<u>Fiscal</u>	<u>% of</u>	<u>Change</u>	
	<u>2023</u>	<u>Revenues</u>	<u>2022</u>	<u>Revenues</u>	<u>\$</u>	<u>%</u>
(In thousands, except percentages)						
Probe Cards Markets:						
Foundry & Logic	\$ 363,539	54.8 %	\$ 409,196	54.7 %	\$ (45,657)	(11.2)%
DRAM	113,779	17.2	133,446	17.8	(19,667)	(14.7)
Flash	20,585	3.1	48,780	6.5	(28,195)	(57.8)
Systems Market:						
Systems ⁽¹⁾	165,199	24.9	156,515	21.0	8,684	5.5
Total revenues	<u>\$ 663,102</u>	<u>100.0 %</u>	<u>\$ 747,937</u>	<u>100.0 %</u>	<u>\$ (84,835)</u>	<u>(11.3)%</u>

⁽¹⁾ During the fourth quarter of fiscal 2023, we completed the sale of our FRT business. As a result, we generated no metrology systems revenue during fiscal 2024, compared to \$21.2 million and \$29.0 million, during fiscal 2023 and fiscal 2022, respectively.

Foundry & Logic — The increase in Foundry & Logic product revenue in fiscal 2024 compared to fiscal 2023 was driven by the ramp of new mobile application processor designs.

DRAM — The increase in DRAM product revenues in fiscal 2024 compared to fiscal 2023 was driven by increased demand for HBM designs utilized in generative artificial intelligence applications as well as increased demand for other non-HBM DRAM designs, particularly DDR5.

Flash — The decrease in Flash product revenue in fiscal 2024 compared to fiscal 2023 was driven by lower customer production activity and demand for our products.

Systems — The decrease in Systems product revenue in fiscal 2024 compared to fiscal 2023 was primarily driven by the absence of metrology systems revenue due to the sale of our FRT Metrology business during the fourth quarter of fiscal 2023. Excluding the impact of the sale of our FRT Metrology business, Systems revenue decreased by \$6.3 million, or 4.4%, primarily due to a decline in sales of thermal systems and probe stations.

Revenues by Geographic Region

	<u>Fiscal 2024</u>	<u>% of Revenues</u>	<u>Fiscal 2023</u>	<u>% of Revenues</u>	<u>Fiscal 2022</u>	<u>% of Revenues</u>
(In thousands, except percentages)						
South Korea	\$ 184,528	24.2 %	\$ 117,747	17.8 %	\$ 111,419	14.9 %
United States	183,716	24.1	171,781	25.9	127,730	17.1
Taiwan	173,515	22.7	147,842	22.3	169,789	22.7
China	102,982	13.5	91,736	13.8	160,668	21.5
Europe	34,803	4.6	38,858	5.9	39,246	5.2
Japan	33,946	4.4	36,791	5.5	38,419	5.1
Singapore	20,186	2.6	18,335	2.8	39,388	5.3
Malaysia	18,240	2.4	26,601	4.0	50,067	6.7
Rest of World	11,683	1.5	13,411	2.0	11,211	1.5
Total revenues	<u>\$ 763,599</u>	<u>100.0 %</u>	<u>\$ 663,102</u>	<u>100.0 %</u>	<u>\$ 747,937</u>	<u>100.0 %</u>

Geographic revenue information is based on the location to which we ship the product. For example, if a certain South Korean customer purchases through their 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 United States.

Changes in revenue by geographic region in fiscal 2024 compared to fiscal 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:

- Increased demand for our DRAM probe card products, including those for HBM, contributed to the increase in revenue for South Korea in fiscal 2024 compared to fiscal 2023.
- A single large U.S.-based company shifted shipments from Malaysia and China to the United States that contributed to the fluctuations in revenue for those regions in fiscal 2024 compared to fiscal 2023.
- Increased demand from a large Chinese DRAM integrated device manufacturer contributed to the increase in revenue for China in fiscal 2024 compared to fiscal 2023.
- Expanded export license requirements for the export of advanced U.S. semiconductor technology to China that was imposed by the U.S. government beginning the fourth quarter of fiscal 2022 have caused volatility in the Chinese region over the last two fiscal years, negatively impacting our revenue compared to fiscal 2022. These requirements have restricted our ability to ship products to the region, decreasing demand from domestic China customers. Additionally, these requirements have caused, and continue to drive, some of our multinational customers to concentrate operations in regions other than China, lowering overall demand for those customers within the region. We anticipate a further reduction in demand in fiscal 2025 due to additional tightening of export controls, which will limit our ability to ship advanced probe cards in the region.

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 cost, 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.

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

Fiscal 2024				
	Probe Cards	Systems	Corporate and Other	Total
Gross profit	\$ 259,007	\$ 59,511	\$ (10,595)	\$ 307,923
Gross margin	41.4 %	43.2 %		40.3 %
Fiscal 2023				
	Probe Cards	Systems	Corporate and Other	Total
Gross profit	\$ 185,392	\$ 84,735	\$ (11,547)	\$ 258,580
Gross margin	37.2 %	51.3 %		39.0 %
Fiscal 2022				
	Probe Cards	Systems	Corporate and Other	Total
Gross profit	\$ 235,562	\$ 80,937	\$ (20,490)	\$ 296,009
Gross margin	39.8 %	51.7 %		39.6 %

Probe Cards—Gross profit and gross margin in the Probe Cards segment increased in fiscal 2024 compared to fiscal 2023, primarily due to greater revenues and more favorable absorption of costs on higher production volumes. These increases were partially offset by an unfavorable product mix with a higher concentration of lower-margin DRAM product sales and a lower concentration of higher-margin Foundry & Logic product sales. For fiscal 2024 compared to fiscal 2023, DRAM revenue was up from 22.9% of Probe Card sales to 36.3% of Probe Card sales, and Foundry & Logic revenue was down from 73.0% of Probe Card sales to 60.9% of Probe Card sales. In general, our DRAM products have lower margins than our Foundry & Logic products.

Systems—Gross profit and gross margin in the Systems segment decreased fiscal 2024 compared to fiscal 2023, primarily as a result of lower revenues, less favorable absorption of costs on lower production volumes, and a less favorable product mix, in part related to the divestiture of the FRT Metrology business, which was completed during the fourth quarter of fiscal 2023.

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. The Corporate and Other gross loss decreased in fiscal 2024 compared to fiscal 2023, primarily due to 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 margin fluctuate with revenue levels, product mix, selling prices, factory loading and material costs. For fiscal 2024 compared to fiscal 2023, gross profit and gross margins have increased primarily as a result of more favorable absorption of costs on higher revenues, partially offset by an unfavorable product mix, as described above.

Stock-based compensation expense included in cost of revenues for fiscal 2024 and 2023 was \$7.7 million and \$6.9 million, respectively. The increase of stock-based compensation in fiscal 2024 compared to fiscal 2023 was driven by an increase in weighted average fair value of awards outstanding.

Research and Development

	Fiscal Year Ended			
	December 28, 2024	December 30, 2023	\$ Change	% Change
	(Dollars in thousands)			
Research and development	\$ 121,938	\$ 115,765	\$ 6,173	5.3 %
% of revenues	16.0 %	17.5 %		

	Fiscal Year Ended			
	December 30, 2023	December 31, 2022	\$ Change	% Change
	(Dollars in thousands)			
Research and development	\$ 115,765	\$ 109,222	\$ 6,543	6.0 %
% of revenues	17.5 %	14.6 %		

The increase in research and development expense in fiscal 2024 compared to fiscal 2023 was primarily driven by an increase in employee compensation costs from higher performance-based compensation and general operational costs.

The components of this increase were as follows (in thousands):

	Fiscal 2024 compared to Fiscal 2023
Employee compensation costs	\$ 3,956
General operational costs	2,169
Depreciation	(380)
Project material costs	359
Stock-based compensation expense	69
	<u>\$ 6,173</u>

Stock-based compensation expense included within research and development in fiscal 2024 and 2023 was relatively flat at \$10.7 million in both periods.

Selling, General and Administrative

	Fiscal Year Ended			
	December 28, 2024	December 30, 2023	\$ Change	% Change
	(Dollars in thousands)			
Selling, general and administrative	\$ 141,786	\$ 133,012	\$ 8,774	6.6 %
% of revenues	18.5 %	20.1 %		

	Fiscal Year Ended			
	December 30, 2023	December 31, 2022	\$ Change	% Change
	(Dollars in thousands)			
Selling, general and administrative	\$ 133,012	\$ 131,875	\$ 1,137	0.9 %
% of revenues	20.1 %	17.6 %		

The increase in selling, general and administrative expense in fiscal 2024 compared to fiscal 2023 was primarily driven by increased employee compensation from higher performance-based compensation and increased commissions expense from increased revenues, partially offset by lower amortization of intangibles.

The components of this overall increase were as follows (in thousands):

	Fiscal 2024 compared to Fiscal 2023
Employee compensation costs	\$ 8,303
Amortization of intangibles	(3,005)
Commission expenses	2,431
Consulting fees	753
Stock-based compensation expense	194
General operating expenses	98
	<u>\$ 8,774</u>

Stock-based compensation expense included within selling, general and administrative in fiscal 2024 and 2023 was \$21.3 million and \$21.1 million, respectively.

Gain on sale of business

Gain on sale of business represents the gain on the sale of our China operations for \$20.3 million during fiscal 2024 and the gain on the sale of our FRT business for \$73.3 million, of which \$73.0 million was recognized during fiscal 2023 and \$0.3 million was recognized during fiscal 2024. See Note 5, *Divestitures*, for additional information.

Interest Income and Interest Expense

	Fiscal Year Ended	
	December 28, 2024	December 30, 2023
	(Dollars in thousands)	
Interest Income	\$ 14,111	\$ 7,217
Weighted average balance of cash and investments	\$ 353,191	\$ 248,728
Weighted average yield on cash and investments	4.56 %	3.44 %
Interest Expense	\$ 418	\$ 421
Average debt outstanding	\$ 13,785	\$ 14,848
Weighted average interest rate on debt	2.75 %	2.75 %

Interest income is earned on our cash, cash equivalents, restricted cash and marketable securities. The increase in interest income in fiscal 2024 compared to fiscal 2023 was attributable to higher invested balances and higher weighted average yield on cash and investments.

Interest expense primarily includes interest on our term loan, interest rate swap derivative contract, and term loan issuance costs amortization charges. The interest expense for fiscal 2024 compared to fiscal 2023 was relatively flat. This stability is due to our interest rate swap, which converted the interest rate on our long-term debt to a fixed rate.

Other income (expense), net

Other income (expense), net, includes the effects of foreign currency and various other gains and losses. The increase in Other income (expense), net, in fiscal 2024 compared to fiscal 2023 was primarily attributable to an other than temporary impairment on a debt receivable for \$1.1 million in fiscal 2023 that did not recur in fiscal 2024 and an increase in foreign exchange gains. Foreign exchange gains for fiscal 2024 and fiscal 2023 were \$1.0 million and \$0.6 million, respectively.

Provision for income taxes

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
	(Dollars in thousands)		
Provision for income taxes	\$ 9,798	\$ 6,880	\$ 7,132
Effective tax rate	12.3 %	7.7 %	12.3 %

Provision 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 fiscal 2024, when compared to the corresponding period in the prior year, was primarily driven by the sale of our FRT business and the related capital gain exclusion for German tax purposes that impacted fiscal year ended December 30, 2023, that did not repeat in the current year.

The Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the “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 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 \$473.8 million at December 28, 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 and agency securities, and commercial paper. 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 \$360.0 million at December 28, 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, through at least the next 12 months, our liquidity requirements including those 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 in an effort to manage our worldwide cash and deploy funds to locations where they are 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

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
	(Dollars in thousands)		
Net cash provided by operating activities	\$ 117,534	\$ 64,602	\$ 131,786
Net cash provided by (used in) investing activities	(33,480)	29,049	(75,704)
Net cash used in financing activities	(64,612)	(22,711)	(95,932)

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 in fiscal 2024 was primarily attributable to net income of \$69.6 million and net non-cash items of \$56.6 million, partially offset by the increase in net working capital of \$8.7 million. The cash used in net working capital is related to an increase of inventories of \$8.3 million, a decrease in accounts payable of \$8.2 million, and decreased operating lease liabilities of \$7.3 million, partially offset by an increase of other liabilities of \$9.8 million, accrued liabilities of \$3.7 million, and deferred revenue of \$2.7 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 and deferred income tax benefits.

Investing Activities

Net cash used in investing activities in fiscal 2024 primarily related to \$38.4 million in property, plant and equipment purchases and \$15.1 million used for the purchase of marketable securities, net of maturities, partially offset by the \$21.6 million cash provided by the sale of businesses.

Financing Activities

Net cash used in financing activities in fiscal 2024 primarily related to \$53.3 million used to purchase common stock under our stock repurchase program, \$20.0 million used to pay tax withholdings for net share settlements of employee equity awards, and \$1.1 million of principal payments made towards the repayment of our term loan, partially offset by \$9.7 million of proceeds 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”) with MUFG Union Bank, National Association (“Union Bank”). 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 LIBOR with 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 0.1145%, plus 1.75% per annum. Interest payments are payable in monthly installments over a fifteen-year period. The interest rate at December 28, 2024, before consideration of the interest rate swap, was 6.42%.

On March 17, 2020, we entered into an interest rate swap agreement with Union Bank to hedge the interest payments on the Building Term Loan for the notional amount of \$18.0 million. As future levels of LIBOR over the life of the loan were 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 of 2.75%. As of December 28, 2024, the notional amount of the loan that is subject to this interest rate swap was \$13.4 million. See Note 9, *Fair Value*, for additional information.

The obligations under the Building Term Loan are guaranteed by a deed of trust covering certain real property and improvements and certain personal property used in connection therewith. The deed of trust creates a first priority lien or encumbrance on the property with only such exceptions as may be approved by Union Bank in writing.

The Building Term Loan contains covenants customary for financing of this type. As of December 28, 2024, the balance outstanding pursuant to the Building Term Loan was \$13.4 million, and we were in compliance with all covenants under the agreement.

Stock Repurchase Programs

On October 26, 2020, our Board of Directors authorized a two-year program to repurchase up to \$50 million of outstanding common stock to offset potential dilution from issuances of common stock under our stock-based compensation programs. During fiscal 2022, we repurchased and retired 676,408 shares of common stock for \$26.0 million, utilizing the remaining shares available for repurchase under the program.

On May 20, 2022, our Board of Directors authorized a two-year program to repurchase up to \$75 million of outstanding common stock to offset potential dilution from issuance of common stock under our stock-based compensation programs. During fiscal 2022 and 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 program to repurchase up to \$75 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 and 2024, we repurchased and retired 32,020 shares of common stock for \$1.2 million and 1,309,635 shares of common stock for \$53.3 million, respectively, and as of December 28, 2024, \$20.5 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 December 28, 2024 (in thousands):

	Payments Due In Fiscal Year						Total
	2025	2026	2027	2028	2029	2030 and thereafter	
Operating leases	\$ 9,080	\$ 7,610	\$ 7,181	\$ 3,872	\$ 232	\$ 1,118	\$ 29,093
Term loan - principal payments	1,111	1,142	1,175	1,208	1,242	7,490	13,368
Term loan - interest payments ⁽¹⁾	835	764	688	613	534	1,393	4,827
Total	<u>\$ 11,026</u>	<u>\$ 9,516</u>	<u>\$ 9,044</u>	<u>\$ 5,693</u>	<u>\$ 2,008</u>	<u>\$ 10,001</u>	<u>\$ 47,288</u>

⁽¹⁾ Represents our minimum interest payment commitments at 6.42% 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 \$48.4 million as of December 28, 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 December 28, 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 over the 5-year term. Accordingly, the timing of any repayment cannot be estimated.

Indemnification Arrangements

We have entered, and may from time to time in the ordinary course of our business enter, into contractual arrangements with third parties that include indemnification obligations. Under these contractual arrangements, we have agreed to defend, indemnify and/or hold the third party harmless from and against certain liabilities. These arrangements include indemnities in favor of customers in the event that our products or services infringe a third party's intellectual property, or cause property damage or other indemnities in favor of our lessors in connection with facility leasehold liabilities that we may cause. In addition, we have entered into indemnification agreements with our directors and certain of our officers, and our bylaws contain indemnification obligations in favor of our directors, officers and agents. These indemnity arrangements may limit the type of the claim, the total amount that we can be required to pay in connection with the indemnification obligation and the time within which an indemnification claim can be made. The duration of the indemnification obligation may vary, and for most arrangements, survives the agreement term and is indefinite. We believe that substantially all of our indemnity arrangements provide either for limitations on the maximum potential future payments we could be obligated to make, or for limitations on the types of claims and damages we could be obligated to indemnify, or both. However, it is not possible to determine or reasonably estimate the maximum potential amount of future payments under these indemnification obligations due to the varying terms of such obligations, a lack of history of prior indemnification claims, the unique facts and circumstances involved in each particular contractual arrangement and in each potential future claim for indemnification, and the contingency of any potential liabilities upon the occurrence of events that are not reasonably determinable. We have not had any material requests for indemnification under these arrangements. We have not recorded any liabilities for these indemnification arrangements on our Consolidated Balance Sheets as of December 28, 2024 or December 30, 2023.

New Accounting Pronouncements

See Note 17, *Recent Accounting Pronouncements*, of Notes to Consolidated Financial Statements.

Item 7A: *Quantitative and Qualitative Disclosures about Market Risk*

Foreign Currency Exchange Risk

We conduct certain operations in foreign currencies. We enter into currency forward exchange contracts to hedge a portion, but not all, of existing foreign currency denominated amounts. Gains and losses on these contracts are generally recognized in Other income (expense), net in our Consolidated Statements of Income. Because the effect of movements in currency exchange rates on the currency forward exchange contracts generally offsets the related effect on the underlying items being hedged, these financial instruments are not expected to subject us to risks that would otherwise result from changes in currency exchange rates as of December 28, 2024. We do not use derivative financial instruments for trading or speculative purposes. We recognized a net gain from foreign exchange of \$1.0 million, \$0.6 million, and \$1.1 million in fiscal 2024, 2023, and 2022, respectively.

Interest Rate Sensitivity

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We invest in a number of securities including U.S. treasuries, U.S. agency discount notes, money market funds, corporate bonds, and commercial paper. We attempt to maintain the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in high grade investment securities. By policy, we limit the amount of credit exposure to an issuer, except U.S. treasuries and U.S. agencies.

Our exposure to interest rate risk arising from our Term Loan (see Note 6, *Debt*, of Notes to Consolidated Financial Statements) is insignificant as a result of the interest-rate swap agreement (see Note 8, *Derivative Financial Instruments*, of Notes to Consolidated Financial Statements) that we entered into with Union Bank to hedge the interest payments on our Building Term Loan.

We use interest rate derivative instruments to manage certain interest rate exposures. We do not use derivative instruments for trading or speculative purposes. The fair market value of our fixed rate securities may be adversely impacted by increases in interest rates while income earned on floating rate securities may decline as a result of decreases in interest rates. A hypothetical 100 basis-point (one percentage point) increase or decrease in interest rates compared to rates at December 28, 2024 and December 30, 2023 would have affected the fair value of our investment portfolio by \$3.4 million and \$2.5 million, respectively.

Item 8: *Financial Statements and Supplementary Data*

Consolidated Financial Statements

The consolidated financial statements and supplementary data required by this item are included in the section entitled “Consolidated Financial Statements” of this Annual Report on Form 10-K. See Part VI, Item 15 for a list of our consolidated financial statements.

Item 9: *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A: *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”)) were effective as of December 28, 2024 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 fourth quarter of fiscal 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our board of directors, management and other personnel and consultants, 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, and includes those policies and procedures that:

- (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 28, 2024. In making this assessment, our management used the criteria set forth in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on the results of this assessment, management has concluded that our internal control over financial reporting was effective as of December 28, 2024.

The effectiveness of our internal control over financial reporting as of December 28, 2024 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

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 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 Annual Report on Form 10-K 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 9A be read in conjunction with the certifications for a more complete understanding of the subject matter presented.

Item 9B: *Other Information*

Insider Trading Arrangements

During the quarter ended December 28, 2024, no director or officer of the Company adopted 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.

Item 9C: *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections*

None.

PART III

Item 10: *Directors, Executive Officers and Corporate Governance*

The information required by this item is incorporated by reference to the proxy statement for our 2025 Annual Meeting of Stockholders under the captions Corporate Governance, Executive Officers, and, if applicable, Delinquent Section 16(a) Reports.

Insider Trading Policy

We have adopted an Insider Trading Policy governing the purchase, sale, and other dispositions of our securities by our directors, officers, employees and other individuals associated with us that we believe is reasonably designed to promote compliance with insider trading laws, rules and regulations, and listing standards applicable to us. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K.

Item 11: *Executive Compensation*

The information required by this item is incorporated by reference to the proxy statement for our 2025 Annual Meeting of Stockholders under the captions Compensation Discussion and Analysis, Executive Compensation and Related Information, Compensation Committee Interlocks and Insider Participation and Compensation Committee Report.

Item 12: *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is incorporated by reference to the proxy statement for our 2025 Annual Meeting of Stockholders under the captions Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, and Equity Compensation Plans.

Item 13: *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is incorporated by reference to the proxy statement for our 2025 Annual Meeting of Stockholders under the captions Certain Relationships and Related Person Transactions and Independence of Directors.

Item 14: *Principal Accountant Fees and Services*

Our independent registered public accounting firm is KPMG LLP; Portland, Oregon; Auditor Firm ID: 185.

The information required by this item is incorporated by reference to the proxy statement for our 2025 Annual Meeting of Stockholders under the caption Principal Auditor Fees and Services.

PART IV

Item 15: *Exhibits and Financial Statement Schedules*

Financial Statements and Schedules

The Consolidated Financial Statements, together with the report thereon of KPMG LLP, are included on the pages indicated below:

	Page
Report of Independent Registered Public Accounting Firm	47
Consolidated Balance Sheets as of December 28, 2024 and December 30, 2023	49
Consolidated Statements of Income for the fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022	50
Consolidated Statements of Comprehensive Income for the fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022	51
Consolidated Statements of Stockholders' Equity for the fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022	52
Consolidated Statements of Cash Flows for the fiscal years ended December 28, 2024, December 30, 2023 and December 31, 2022	53
Notes to Consolidated Financial Statements	55

Financial statement schedules have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Item 16: *Form 10-K Summary*

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No	Date of First Filing	Exhibit Number	
3.1	Certificate of Amendment of Amended and Restated Certificate of Incorporation of FormFactor, Inc.	—	—	—	—	X ***
3.2	Restated Certificate of Incorporation of FormFactor, Inc.	—	—	—	—	X***
3.3	Amended and Restated By-laws of FormFactor, Inc.	8-K	000-50307	6/3/2022	3.3	
4.1	Specimen Common Stock Certificate	S-1/A	333-86738	5/28/2002	4.01	
4.2	Description of Securities	10-K	000-50307	2/22/2021	4.2	
10.1+	FormFactor, Inc. Severance Plan for US Executives	—	—	—	—	X***
10.2+	Form of Indemnity Agreement	S-1/A	333-86738	5/28/2002	10.01	
10.3+	Employee Incentive Plan, as amended and restated effective January 28, 2025	—	—	—	—	X
10.4+	Employee Incentive Plan, as amended and restated effective January 25, 2022	—	—	—	—	X***
10.5+	Equity Incentive Plan, as amended and restated effective May 27, 2022	DEF 14A	000-50307	4/13/2022	Appendix B	
10.6+	Employee Stock Purchase Plan, as amended and restated May 19, 2023	DEF 14A	000-50307	4/4/2023	Appendix A	
10.7	Pacific Corporate Center Lease (Building 1) by and between Greenville Holding Company LLC (successor to Greenville Investors, L.P.) (“Greenville”) and the Registrant dated May 3, 2001	S-1/A	333-86738	6/10/2003	10.18	
10.8	First Amendment to Pacific Corporate Center Lease (Building 1) by and between Greenville and the Registrant dated January 31, 2003	S-1/A	333-86738	5/7/2003	10.18.1	
10.9	Pacific Corporate Center Lease (Building 2) by and between Greenville and the Registrant dated May 3, 2001	S-1/A	333-86738	6/10/2003	10.19	
10.10	First Amendment to Pacific Corporate Center Lease (Building 2) by and between Greenville and the Registrant dated January 31, 2003	S-1/A	333-86738	5/7/2003	10.19.1	
10.11	Pacific Corporate Center Lease (Building 3) by and between Greenville and the Registrant dated May 3, 2001	S-1/A	333-86738	6/10/2003	10.20	
10.12	First Amendment to Pacific Corporate Center Lease (Building 3) by and between Greenville and the Registrant dated January 31, 2003	S-1/A	333-86738	5/7/2003	10.20.1	
10.13	Third Amendment, dated December 19, 2016, between FormFactor, Inc. and MOHR PCC, LP, to Pacific Corporate Center Leases (Buildings 1, 2 and 3), dated May 3, 2001, by and between Greenville Investors, L.P. and FormFactor, Inc., as amended	8-K	000-50307	12/23/2016	10.2	
10.14++	Pacific Corporate Center Lease by and between Greenville and the Registrant dated September 7, 2004, as amended by First Amendment to Building 6 Lease dated August 16, 2006	10-Q	000-50307	11/7/2006	10.01	
10.15	Second Amendment, dated December 19, 2016, between FormFactor, Inc. and MOHR PCC, LP, to Pacific Corporate Center Lease, dated October 5, 2004, by and between Greenville Investors, L.P. and FormFactor, Inc., as amended	8-K	000-50307	12/23/2016	10.1	
10.16	Third Amendment, dated October 1, 2018, between FormFactor, Inc. and MOHR PCC, LP, to Pacific Corporate Center Lease, dated October 5, 2004, by and between Greenville Investors, L.P. and FormFactor, Inc., as amended	8-K	000-50307	10/2/2018	10.1	
10.17	Fourth Amendment, dated October 1, 2018, between FormFactor, Inc. and MOHR PCC, LP, to Pacific Corporate Center Lease, dated October 5, 2004, by and between Greenville Investors, L.P. and FormFactor, Inc., as amended	8-K	000-50307	10/2/2018	10.2	
10.18	Rental Agreement by and between Cascade Microtech Dresden GmbH and Süß Grundstücksverwaltungs GbR dated as of June 17, 2011.	10-Q	000-51072	8/10/2011	10.3	
10.19	First Amendment to Lease dated January 10, 2007, between Nimbus Center LLC (as successor in interest to Spieker Properties, L.P.) and Cascade Microtech, Inc.	10-Q	000-51072	5/9/2014	10.1	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No	Date of First Filing	Exhibit Number	
10.20	Second Amendment to Lease dated February 25, 2013, between Nimbus Center LLC and Cascade Microtech, Inc.	10-Q	000-51072	5/8/2013	10.2	
10.21	Third Amendment to Lease dated January 23, 2014, between Nimbus Center LLC and Cascade Microtech, Inc.	10-Q	000-51072	5/9/2014	10.2	
10.22	Fourth Amendment to Lease dated March 31, 2014, between Nimbus Center LLC and Cascade Microtech, Inc.	10-Q	000-51072	5/9/2014	10.3	
10.23	Fifth Amendment to Lease dated September 24, 2014, between Nimbus Center LLC and Cascade Microtech, Inc.	10-K	000-51072	3/7/2016	10.22	
10.24++	Sixth Amendment to Lease dated July 8, 2015, between Nimbus Center LLC and Cascade Microtech, Inc.	10-K	000-51072	3/7/2016	10.23	
10.25	Seventh Amendment to Lease dated June 5, 2018, between Nimbus Center LLC and FormFactor Beaverton, Inc.	10-K	000-50307	2/24/2023	10.35	
10.26	Eighth Amendment to Lease dated December 14, 2022, between Nimbus Center LLC and FormFactor, Inc.	10-K	000-50307	2/24/2023	10.36	
10.27+	Employment Offer Letter, dated August 29, 2012 to Mike Slessor	10-K	000-50307	3/13/2013	10.19+	
10.28+	CEO Change of Control and Severance Agreement, dated November 15, 2024 by and between Mike Slessor and the Registrant	—	—	—	—	X
10.29+	Employment Offer Letter, dated February 15, 2018 to Shai Shahar	10-Q	000-50307	5/8/2018	10.1	
10.30+	Change of Control Severance Agreement, dated July 20, 2022 by and between Shai Shahar and the Registrant	8-K	000-50307	7/26/2022	10.2	
10.31++#	Share Purchase Agreement by and among Camtek, Ltd. as purchaser and FormFactor GmbH as seller and FormFactor, Inc as Parent and FRT GmbH as Company, dated as of September 17, 2023	—	—	—	—	X***
19.1	Insider Trading Policy	—	—	—	—	X
21.1	List of Registrant's subsidiaries	—	—	—	—	X
23.1	Consent of Independent Registered Public Accounting Firm - KPMG LLP	—	—	—	—	X
24.1	Power of Attorney (included on the signature page of this Form 10-K)	—	—	—	—	X
31.1	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
31.2	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
32.1*	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	—	—	—	—	X
97.1	Incentive Compensation Clawback Policy, effective October 2, 2023	—	—	—	—	X***
101**	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 28, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.	—	—	—	—	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

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Form	File No	Date of First Filing	Exhibit Number	Filed Herewith
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	—	X
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 28, 2024, formatted in Inline XBRL (included as Exhibit 101).	—	—	—	—	X

- * 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.
- ** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.
- *** Exhibit is refiled to correct a formatting error in the previously filed version.
- + Indicates a management contract or compensatory plan or arrangement.
- ++ The schedules, exhibits, and annexes to this exhibit have been omitted in reliance on Item 601(a)(5) of Regulation S-K and will be furnished supplementally to the SEC upon request.
- # Certain information identified by bracketed asterisks ([**]) has been omitted from this exhibit pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that the Registrant treats as private or confidential.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 21, 2025

By:

/s/ SHAI SHAHAR

Shai Shahar
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MICHAEL D. SLESSOR</u> Michael D. Slessor	President, Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2025
<u>/s/ SHAI SHAHAR</u> Shai Shahar	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 21, 2025
<u>/s/ THOMAS ST. DENNIS</u> Thomas St. Dennis	Director	February 21, 2025
<u>/s/ KEVIN BREWER</u> Kevin Brewer	Director	February 21, 2025
<u>/s/ REBECA OBREGON-JIMENEZ</u> Rebeca Obregon-Jimenez	Director	February 21, 2025
<u>/s/ SHERI RHODES</u> Sheri Rhodes	Director	February 21, 2025
<u>/s/ KELLEY STEVEN-WAISS</u> Kelley Steven-Waiss	Director	February 21, 2025
<u>/s/ JORGE TITINGER</u> Jorge Titinger	Director	February 21, 2025
<u>/s/ BRIAN WHITE</u> Brian White	Director	February 21, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
FormFactor, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of FormFactor, Inc. and subsidiaries (the Company) as of December 28, 2024 and December 30, 2023, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 28, 2024, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 28, 2024, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 28, 2024 and December 30, 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 28, 2024, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2024 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of inventory excess and obsolescence

As discussed in notes 2 and 3 to the consolidated financial statements, the Company's net inventories were \$101.7 million as of December 28, 2024, and inventory write-downs totaled \$12.3 million for the year ended December 28, 2024. The Company states its inventories at the lower of cost or net realizable value. The Company records an adjustment to the cost basis of inventory when evidence exists that the net realizable value of inventory is lower than its cost, which occurs when the Company has excess and/or obsolete inventory. The Company's model to estimate the excess and/or obsolete inventory is based on an analysis of existing inventory quantities compared to estimated future consumption. Future consumption is estimated based upon assumptions about how past consumption, recent purchases, backlog or other factors indicate future consumption.

We identified the evaluation of inventory excess and obsolescence as a critical audit matter. Complex auditor judgment was required to evaluate certain assumptions used to estimate future consumption of inventory in the Company's model, specifically assumptions and qualitative other factors that have a higher degree of subjectivity and are based on the outcome of uncertain future events.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's process to estimate inventory excess and obsolescence. This included controls related to the development of certain assumptions used to estimate future consumption of inventory, including qualitative other factors. We assessed the Company's assumptions used to estimate future consumption of inventory, including qualitative other factors by:

- evaluating historical cumulative write down trends and relevant changes to the overall business environment, including key customers and product lines
- evaluating the Company's ability to accurately estimate future consumption by comparing certain assumptions made in the prior year to actual results in the current period
- performing inquiries with nonfinancial personnel, including sales and production employees, for a selection of products within inventory for which the Company evaluated excess and obsolescence based on assumptions or qualitative other factors with a higher degree of subjectivity
- selecting a sample of products within inventory and for each sample selection, we inspected internal and/or external information underlying the Company's evaluation of excess and obsolescence and recalculated the Company's estimate of the cumulative inventory write-downs based on the actual quantity of product on hand compared to the estimate of future consumption.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Portland, Oregon
February 21, 2025

FORMFACTOR, INC.
CONSOLIDATED BALANCE SHEETS

	December 28, 2024	December 30, 2023
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 190,728	\$ 177,812
Marketable securities	169,295	150,507
Accounts receivable, net	104,294	102,957
Inventories, net	101,676	111,685
Restricted cash	3,746	1,152
Prepaid expenses and other current assets	35,389	29,667
Total current assets	605,128	573,780
Restricted cash	2,732	2,309
Operating lease, right-of-use-assets	22,579	30,519
Property, plant and equipment, net of accumulated depreciation	210,230	204,399
Goodwill	199,171	201,090
Intangibles, net	10,355	12,938
Deferred tax assets	92,012	78,964
Other assets	4,008	2,795
Total assets	\$ 1,146,215	\$ 1,106,794
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 62,287	\$ 63,857
Accrued liabilities	43,742	41,037
Current portion of term loan, net of unamortized issuance cost of \$5 and \$5	1,106	1,075
Deferred revenue	15,847	16,704
Operating lease liabilities	8,363	8,422
Total current liabilities	131,345	131,095
Term loan, less current portion, net of unamortized issuance cost of \$49 and \$55	12,208	13,314
Long-term operating lease liabilities	17,550	25,334
Deferred grant	18,000	18,000
Other liabilities	19,344	10,247
Total liabilities	198,447	197,990
Stockholders' equity:		
Preferred stock, \$0.001 par value:		
10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value:		
250,000,000 shares authorized; 77,114,633 and 77,376,903 shares issued and outstanding	77	77
Additional paid-in capital	837,586	861,448
Accumulated other comprehensive loss	(10,840)	(4,052)
Accumulated income	120,945	51,331
Total stockholders' equity	947,768	908,804
Total liabilities and stockholders' equity	\$ 1,146,215	\$ 1,106,794

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

FORMFACTOR, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
	(In thousands, except per share data)		
Revenues	\$ 763,599	\$ 663,102	\$ 747,937
Cost of revenues	455,676	404,522	451,928
Gross profit	307,923	258,580	296,009
Operating expenses:			
Research and development	121,938	115,765	109,222
Selling, general and administrative	141,786	133,012	131,875
Total operating expenses	263,724	248,777	241,097
Gain on sale of business	20,581	72,953	—
Operating income	64,780	82,756	54,912
Interest income	14,111	7,217	2,220
Interest expense	(418)	(421)	(579)
Other income (expense), net	939	(285)	1,317
Income before income taxes	79,412	89,267	57,870
Provision for income taxes	9,798	6,880	7,132
Net income	<u>\$ 69,614</u>	<u>\$ 82,387</u>	<u>\$ 50,738</u>
Net income per share:			
Basic	<u>\$ 0.90</u>	<u>\$ 1.06</u>	<u>\$ 0.65</u>
Diluted	<u>\$ 0.89</u>	<u>\$ 1.05</u>	<u>\$ 0.65</u>
Weighted-average number of shares used in per share calculations:			
Basic	<u>77,340</u>	<u>77,370</u>	<u>77,578</u>
Diluted	<u>78,437</u>	<u>78,159</u>	<u>78,201</u>

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

FORMFACTOR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
	(In thousands)		
Net income	\$ 69,614	\$ 82,387	\$ 50,738
Other comprehensive income (loss), net of tax:			
Translation adjustments	(5,861)	107	(4,864)
Unrealized gains (losses) on available-for-sale marketable securities	432	2,022	(2,025)
Unrealized gains (losses) on derivative instruments	(1,359)	(603)	2,760
Other comprehensive income (loss), net of tax	(6,788)	1,526	(4,129)
Comprehensive income	<u>\$ 62,826</u>	<u>\$ 83,913</u>	<u>\$ 46,609</u>

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

FORMFACTOR, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Income (Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
	(In thousands, except shares)					
Balances, December 25, 2021	78,240,506	\$ 78	\$ 898,945	\$ (1,449)	\$ (81,794)	\$ 815,780
Issuance of common stock under the Employee Stock Purchase Plan	316,861	—	10,457	—	—	10,457
Issuance of common stock pursuant to exercise of options for cash	6,000	—	42	—	—	42
Issuance of common stock pursuant to vesting of restricted stock units, net of stock withheld for tax	728,524	1	(15,706)	—	—	(15,705)
Purchase and retirement of common stock	(2,377,301)	(2)	(82,326)	—	—	(82,328)
Stock-based compensation	—	—	33,430	—	—	33,430
Other comprehensive loss	—	—	—	(4,129)	—	(4,129)
Net income	—	—	—	—	50,738	50,738
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	363,190	—	8,822	—	—	8,822
Issuance of common stock pursuant to vesting of restricted stock units, net of stock withheld for tax	635,495	1	(10,688)	—	—	(10,687)
Purchase and retirement of common stock	(536,372)	(1)	(19,800)	—	—	(19,801)
Stock-based compensation	—	—	38,272	—	—	38,272
Other comprehensive income	—	—	—	1,526	—	1,526
Net income	—	—	—	—	82,387	82,387
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	340,989	—	9,748	—	—	9,748
Issuance of common stock pursuant to vesting of restricted stock units, net of stock withheld for tax	706,376	—	(19,983)	—	—	(19,983)
Purchase and retirement of common stock	(1,309,635)	—	(53,379)	—	—	(53,379)
Stock-based compensation	—	—	39,752	—	—	39,752
Other comprehensive loss	—	—	—	(6,788)	—	(6,788)
Net income	—	—	—	—	69,614	69,614
Balances, December 28, 2024	77,114,633	\$ 77	\$ 837,586	\$ (10,840)	\$ 120,945	\$ 947,768

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

FORMFACTOR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 69,614	\$ 82,387	\$ 50,738
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	30,321	30,603	28,646
Amortization	2,582	6,850	9,391
Amortization (accretion) of discount on investments	(3,240)	(2,828)	182
Reduction in the carrying amount of right-of-use assets	6,803	7,389	8,153
Stock-based compensation expense	39,763	38,616	31,337
Deferred income tax benefit	(13,355)	(12,100)	(6,343)
Gain on sale of business	(20,581)	(72,953)	—
Provision for excess and obsolete inventories	12,342	15,003	24,632
Acquired inventory step-up amortization	—	501	476
Loss on disposal of long-lived assets	—	—	296
Non-cash restructuring charges	428	—	200
Foreign currency transaction losses	1,509	2,282	2,251
Other than temporary impairment on debt receivable	—	1,083	—
Changes in assets and liabilities:			
Accounts receivable	(1,921)	(23,304)	26,028
Inventories	(8,259)	(9,488)	(28,780)
Prepaid expenses and other current assets	546	(3,057)	(4,591)
Other assets	285	(146)	66
Accounts payable	(8,235)	1,319	3,899
Accrued liabilities	3,675	(2,424)	(8,002)
Other liabilities	9,834	4,660	(63)
Deferred revenues	2,699	(10,176)	1,286
Deferred grant	—	18,000	—
Operating lease liabilities	(7,276)	(7,615)	(8,016)
Net cash provided by operating activities	117,534	64,602	131,786
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(38,436)	(56,027)	(65,254)
Acquisition of business, net of cash acquired	—	—	(3,350)
Proceeds from sale of business	21,585	101,785	—
Purchase of promissory note receivable	(1,500)	—	(1,000)
Purchases of marketable securities	(139,091)	(135,462)	(101,894)
Proceeds from maturities and sales of marketable securities	123,962	118,753	95,794
Net cash provided by (used in) investing activities	(33,480)	29,049	(75,704)
Cash flows from financing activities:			
Proceeds from issuances of common stock	9,748	8,822	10,499
Purchase of common stock through stock repurchase program	(53,302)	(19,801)	(82,328)
Tax withholdings related to net share settlements of equity awards	(19,983)	(10,687)	(15,705)
Payments on term loan	(1,075)	(1,045)	(8,398)
Net cash used in financing activities	(64,612)	(22,711)	(95,932)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,509)	(2,649)	(2,510)
Net increase (decrease) in cash, cash equivalents and restricted cash	15,933	68,291	(42,360)
Cash, cash equivalents and restricted cash, beginning of year	181,273	112,982	155,342
Cash, cash equivalents and restricted cash, end of year	<u>\$ 197,206</u>	<u>\$ 181,273</u>	<u>\$ 112,982</u>

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

FORMFACTOR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
	(In thousands)		
Supplemental disclosure of non-cash investing and financing activities:			
Operating lease, right-of-use assets obtained in exchange for lease obligations	\$ 61	\$ 6,491	\$ 4,975
Increase (decrease) in accounts payable and accrued liabilities related to property, plant and equipment purchases	7,194	(5,961)	7,469
Supplemental disclosure of cash flow information:			
Cash paid for income taxes, net	\$ 15,584	\$ 17,385	\$ 10,917
Cash paid for interest	391	422	535
Operating cash outflows from operating leases	9,308	9,135	8,913
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	\$ 190,728	\$ 177,812	\$ 109,130
Restricted cash, current	3,746	1,152	1,221
Restricted cash	2,732	2,309	2,631
Total cash, cash equivalents and restricted cash	\$ 197,206	\$ 181,273	\$ 112,982

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

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Formation and Nature of Business

FormFactor, Inc. is a leading provider of electrical and optical 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 and optical 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, reducing scrap, and improving yields.

Design, development and manufacturing operations are located in Livermore, Carlsbad, and Baldwin Park, California; Beaverton, Oregon; Boulder, Colorado; and Woburn, Massachusetts, all in the United States; Munich and Thiendorf, Germany, and sales, service and support operations are located in the United States, Germany, France, Italy, South Korea, Japan, Taiwan, and Singapore. We also have smaller manufacturing operations in Yokohama, Japan.

Fiscal Year

Our fiscal year ends on the last Saturday in December. The fiscal years ended on December 28, 2024, December 30, 2023 and December 31, 2022 consisted of 52 weeks, 52 weeks, and 53 weeks, respectively. The first three fiscal quarters in our fiscal year ended December 31, 2022 contained 13 weeks, and the fourth fiscal quarter contained 14 weeks.

Note 2—Summary of Significant Accounting Policies

Basis of Consolidation and Foreign Currency Translation

The consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

The functional currencies of certain of our foreign subsidiaries are the local currencies and, accordingly, all assets and liabilities of these foreign operations are translated to U.S. Dollars at current period-end exchange rates, and revenues and expenses are translated to U.S. Dollars using average exchange rates in effect during the period. The gains and losses from the foreign currency translation of these subsidiaries' financial statements are included as a separate component of stockholders' equity on our Consolidated Balance Sheets within Accumulated other comprehensive loss.

Certain other of our foreign subsidiaries use the U.S. Dollar as their functional currency. Accordingly, monetary assets and liabilities in non-functional currencies of these subsidiaries are remeasured using exchange rates in effect at the end of the period. Revenues and costs in local currency are remeasured using average exchange rates for the period, except for costs related to those balance sheet items that are remeasured using historical exchange rates. The resulting remeasurement gains and losses are included in the Consolidated Statements of Income as a component of Other income (expense), net as incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates may change as new information is obtained. We believe that the estimates, assumptions and judgments involved in revenue recognition, fair value of marketable securities, fair value of derivative financial instruments used to hedge both foreign currency and interest rate exposures, allowance for credit losses, reserves for product warranty, valuation of obsolete and slow moving inventory, assets acquired and liabilities assumed in business combinations, legal contingencies, valuation of goodwill, the assessment of recoverability of long-lived assets, valuation and recognition of stock-based compensation, loss contingencies, provision for income taxes and valuation of deferred tax assets have the greatest potential impact on our consolidated financial statements. Actual results could differ from those estimates.

Business Acquisitions

Our consolidated financial statements include the operations of acquired businesses after the completion of their respective acquisitions. We account for acquired businesses using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date, and

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

that the fair value of acquired intangibles be recorded on the balance sheet. Transaction costs are expensed as incurred. Any excess of the purchase price over the assigned fair values of the net assets acquired is recorded as goodwill.

Cash and Cash Equivalents and Marketable Securities

Cash and cash equivalents consist of deposits and financial instruments which are readily convertible into cash and have original maturities of 90 days or less at the time of acquisition. Marketable securities consist primarily of highly liquid investments with maturities of greater than 90 days when purchased. We classify our available-for-sale marketable securities as current assets because they represent investments of cash available for current operations. As a result, the Company recorded all its marketable securities in short-term investments regardless of the contractual maturity date of the securities. Furthermore, we report them at fair value with the related unrealized gains and losses included in Accumulated other comprehensive loss in our Consolidated Balance Sheets. Any unrealized losses which are considered to be other-than-temporary are recorded in Other income (expense), net, in the Consolidated Statements of Income. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in Other income (expense), net, in the Consolidated Statements of Income.

All of our available-for-sale investments are subject to a periodic impairment review. If an available-for-sale debt security's fair value is less than its amortized cost basis, then we evaluate whether the decline is the result of a credit loss, in which case an impairment is recorded through an allowance for credit losses. Unrealized gains and losses not attributable to credit losses are included, net of tax, in Accumulated other comprehensive loss in our Consolidated Balance Sheets. We did not record an allowance for credit losses related to our available-for-sale investments during fiscal 2024.

Foreign Exchange Management

We transact business in various foreign currencies. We enter into forward foreign exchange contracts in an effort to mitigate the risks associated with currency fluctuations on certain foreign currency balance sheet exposures and certain operational costs denominated in local currency impacting our statement of income. 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 Consolidated Balance Sheets with changes in fair value recorded within Other income (expense), net in our Consolidated Statements 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 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 Consolidated Statements of Income as the impact of the hedge transaction. We do not use derivative financial instruments for trading or speculative purposes.

Accounts Receivable and Allowance for Credit Losses

The majority of our accounts receivable are derived from sales to large multinational semiconductor manufacturers throughout the world, are recorded at their invoiced amount, and do not bear interest.

In order to monitor potential credit losses, we perform ongoing credit evaluations of our customers' financial condition. An allowance for credit losses is maintained based upon our assessment of the expected collectability of all accounts receivable. The allowance for credit losses is reviewed and assessed for adequacy on a quarterly basis. We take into consideration (1) any circumstances of which we are aware of a customer's inability to meet its financial obligations and (2) our judgments as to prevailing economic conditions in the industry and their impact on our customers. If circumstances change, and the financial condition of our customers is adversely affected and they are unable to meet their financial obligations, we may need to take additional allowances, which would result in an increase in our operating expense.

Activity related to our allowance for credit losses was as follows (in thousands):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Balance at beginning of year	\$ 501	\$ 168	\$ 195
Charges (reversals) to costs and expenses	20	333	(27)
Write-offs	(517)	—	—
Balance at end of year	<u>\$ 4</u>	<u>\$ 501</u>	<u>\$ 168</u>

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inventories

We state our inventories at the lower of cost (principally standard cost which approximates actual cost on a first in, first out basis) or net realizable value. We regularly assess the value of our inventory and will periodically write down its value for estimated excess inventory and product obsolescence based upon an analysis of existing inventory quantities compared to estimated future consumption. Future consumption is estimated based upon assumptions about how past consumption, recent purchases, backlog and other factors may indicate future consumption. On a quarterly basis, we review existing inventory quantities in comparison to our past consumption, recent purchases, backlog and other factors to determine what inventory quantities, if any, may not be sellable. Based on this analysis, we record an adjustment to the cost basis of inventory when evidence exists that the net realizable value of inventory is lower than its cost, which occurs when we have excess and/or obsolete inventory. Once the value is adjusted, the original cost of our inventory, less the related inventory write-down, represents the new cost basis. Reversal of these write downs is recognized only when the related inventory has been scrapped or sold. Shipping and handling costs are classified as a component of Cost of revenues in the Consolidated Statements of Income.

We design, manufacture and sell a custom product into a market that has been subject to cyclicity and significant demand fluctuations. Many of our products are complex, custom to a specific chip design and have to be delivered on short lead-times. Probe cards are manufactured in low volumes, but, for certain materials, the purchases are often subject to minimum order quantities in excess of the actual underlying probe card demand. It is not uncommon for us to acquire production materials and commence production activities based on estimated production yields and forecasted demand prior to, or in excess of, actual demand for our probe cards. These factors result in normal recurring inventory valuation charges to Cost of revenues.

Inventory write downs totaled \$12.3 million, \$15.0 million and \$24.6 million for fiscal 2024, 2023 and 2022, respectively.

Restricted Cash

Restricted cash is comprised primarily of funds held in escrow as required by the divestiture of our China Operations and funds held by our foreign subsidiaries for employee obligations, office leases, environmental remediation, temporary customs import permits, and customer deposits.

Property, Plant, and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is recorded on a straight-line method. Machinery and equipment, computer equipment and software, and furniture and fixtures are depreciated over 3 to 5 years. Leasehold improvements are amortized over 7 years. Building and building improvements are depreciated over 30 years. Construction-in-progress assets are not depreciated until the assets are placed in service. Upon sale or retirement of assets, the cost and related accumulated depreciation or amortization are removed from the Consolidated Balance Sheets and the resulting gain or loss, if any, is reflected in Operating income in our Consolidated Statements of Income.

Leases

The Company determines if an arrangement is a lease at its inception. Right-of-use (“ROU”) assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. We use our estimated incremental borrowing rate in determining the present value of lease payments considering the term of the lease, which is derived from information available at the lease commencement date. The lease term includes renewal options when it is reasonably certain that the option will be exercised and excludes termination options. To the extent that the Company’s agreements have variable lease payments, the Company includes variable lease payments that depend on an index or a rate and excludes those that depend on facts or circumstances occurring after the commencement date, other than the passage of time.

Lease expense for these leases is recognized on a straight-line basis over the lease term. We have elected not to recognize ROU assets and lease liabilities that arise from short-term leases for any class of underlying asset. Operating leases are included in Operating lease, right-of-use-assets, Operating lease liabilities, and Long-term operating lease liabilities in our Consolidated Balance Sheets.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed. Goodwill is not amortized, rather assessed, at least annually, for impairment at a reporting unit level. Impairment of goodwill exists when the carrying amount of a reporting unit exceeds its fair value. A goodwill impairment loss is recognized for the amount that the carrying amount of the reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit. If the fair value of a reporting unit exceeds the carrying amount, goodwill of the reporting unit is not considered impaired.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We evaluate impairment by first assessing qualitative factors to determine whether it is necessary to perform a quantitative impairment test. If we determine, as a result of the qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative impairment test is required. Otherwise, no further testing is required.

We perform our annual goodwill impairment test in the fourth quarter of each year by assessing qualitative factors, including, but not limited to, an assessment of our market capitalization, which was significantly higher than our book value. Based on these tests, we determined that the quantitative impairment test was not required and no impairment charges were recorded in fiscal 2024, 2023 or 2022.

The evaluation of goodwill for impairment requires the exercise of judgment. In the event of future changes in business conditions, we will be required to reassess and update our forecasts and estimates used in future impairment analysis. If the results of these analysis are lower than current estimates, a material impairment charge may result at that time.

See Note 10, *Goodwill and Intangible Assets*, for additional information.

Intangible Assets

Intangible assets consist of acquisition related intangible assets and intellectual property. The intangible assets are being amortized over periods of 1 to 10 years, which reflect the pattern in which economic benefits of the assets are expected to be realized. We perform a review of intangible assets when facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. Such facts and circumstances include significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the intangible assets; and current expectation that the intangible assets will more likely than not be sold or disposed of before the end of their estimated useful lives. We assess the recoverability of identified intangible assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets.

See Note 10, *Goodwill and Intangible Assets*, for additional information.

Impairment of Long-Lived Assets

We test long-lived assets or asset groups, such as property, plant and equipment and intangible assets, for recoverability when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life.

Recoverability is assessed based on the carrying amounts of the asset or asset group and the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, marketable securities and accounts receivable. Our cash equivalents and marketable securities are held in safekeeping by large, credit-worthy financial institutions. We invest our excess cash primarily in U.S. banks, government and agency bonds, money market funds and corporate obligations. We have established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. Deposits in these banks may exceed the amounts of insurance provided on such deposits. To date, we have not experienced any losses on our deposits of cash and cash equivalents. We market and sell our products to a relatively narrow base of customers and generally do not require collateral.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following customers represented 10% or more of our revenues:

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
SK hynix Inc.	18.9 %	*	*
Intel Corporation	14.6 %	17.1 %	19.0 %

* Less than 10% of revenues.

At December 28, 2024, one customer accounted for 22.0% of gross accounts receivable. At December 30, 2023, two customers accounted for 17.8% and 11.0% of gross accounts receivable. No other customers accounted for 10% or more of gross accounts receivable for these fiscal period ends.

We are exposed to non-performance risk by counterparties on our derivative instruments used in hedging activities. We seek to minimize risk by diversifying our hedging program across multiple financial institutions. These counterparties are large international financial institutions, and, to date, no such counterparty has failed to meet its financial obligations to us.

Government Assistance

California Competes Grant: In January 2023, we received \$18.0 million in cash from a California Competes Grant (the “Grant”) awarded from the California Governor’s Office of Business and Economic Development. The Grant requires us to create and maintain full-time jobs and make significant infrastructure investments within California over a 5-year term. If we do not meet the requirements of the Grant, we will be required to repay all or a portion of the Grant.

The Grant is included in our Consolidated Balance Sheets within Deferred grant and we will recognize the Grant over time when earned as an offset to Cost of revenues and Operating expenses within our Consolidated Statements of Income. We have presented the proceeds from the Grant as cash provided by operating activities within our Consolidated Statements of Cash Flows as the Grant is to offset operations. No amounts were recognized as an offset to expenses in fiscal 2024 and 2023 and the full grant remains deferred.

Advanced Manufacturing Investment Credit: The Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the “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. The Company expects to receive refundable federal investment tax credits through the CHIPS Act in connection with ongoing expansion projects. At least a portion of our capital expenditures qualify for this credit, which benefits us by allowing us to net the credit received against our costs. The AMIC credit is accounted as a reduction to the depreciable basis of the assets used in operations. The Company has offset the cost of property, plant, and equipment by the amount of the estimated credit of \$7.3 million and \$3.7 million for fiscal December 28, 2024 and December 30, 2023, respectively. The receivable recorded is an estimate based on the Company's interpretation of the Section 48D Advanced Manufacturing Investment Credit under the CHIPS Act, which may be refunded to us in cash to the extent it exceeds our outstanding income tax liabilities.

Revenue Recognition

Revenue is recognized upon transferring control of products and services, and the amounts recognized reflect the consideration we expect to be entitled to receive in exchange for these products and services. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. An arrangement may include some or all of the following products and services: probe cards, systems, accessories, engineering services, installation services, service contracts and extended warranty contracts. We sell our products and services direct to customers and to partners in two distribution channels: global direct sales force and through a combination of manufacturers’ representatives and distributors.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the performance obligation is distinct within the context of the contract at contract inception. Performance obligations that are not distinct at contract inception are combined and accounted for as one unit of account. Generally, the performance obligations in a contract are considered distinct within the context of the contract and are accounted for as separate units of account.

Our products may be customized to our customers’ specifications; however, control of our product is typically transferred to the customer at the point in time the product is either shipped or delivered, depending on the terms of the arrangement, as the criteria for over time recognition is not met. In limited circumstances, substantive acceptance by the customer exists which

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

results in the deferral of revenue until acceptance is formally received from the customer. Judgment may be required in determining if the acceptance clause is substantive. In certain instances control of products is transferred to the customer over time based on performance and in those instances we utilize an appropriate input or output measure to determine to what extent control has transferred to the customer. Judgment may be required in determining an appropriate measure of performance.

Installation services are routinely provided to customers purchasing our systems. Installation services are a distinct performance obligation apart from the systems and are recognized in the period they are performed. Service contracts, which include repair and maintenance service contracts, and extended warranty contracts are also distinct performance obligations and are recognized over the contractual service period, which ranges from one to three years. For these service contracts recognized over time, we use the input measure of days elapsed to measure progress.

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. In determining the transaction price, we evaluate whether the price is subject to refund or adjustment to determine the net consideration to which we expect to be entitled. We generally do not grant return privileges, except for defective products during the warranty period. Sales incentives and other programs that we may make available to our customers are considered to be a form of variable consideration, which is estimated in determining the contract's transaction price to be allocated to the performance obligations.

For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on its relative stand-alone selling price. The stand-alone selling prices are determined based on observable prices, which are the prices at which we separately sell these products. For items which do not have observable prices, we use our best estimate of the stand-alone selling prices.

Transaction price allocated to the remaining performance obligations: On December 28, 2024, we had \$20.7 million of remaining performance obligations, which were comprised of deferred service contracts, extended warranty contracts, and contracts with over time revenue recognition that are not yet delivered. We expect to recognize approximately 69.0% of our remaining performance obligations as revenue in fiscal 2025, approximately 26.3% in fiscal 2026, and approximately 4.7% in fiscal 2027 and thereafter. The foregoing excludes the value of remaining performance obligations that 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 December 28, 2024 and December 30, 2023 were \$6.9 million and \$3.8 million, respectively, and are reported on the 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 Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period as a component of Deferred revenue and Other liabilities. Contract liabilities totaled \$16.9 million and \$18.0 million at December 28, 2024 and December 30, 2023, respectively. During fiscal 2024, we recognized \$14.1 million of revenue that was included in contract liabilities as of December 30, 2023.

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 16, *Segments and Geographic Information*, for further details.

Warranty Obligations

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 incurred in correcting a product failure. We continuously monitor product returns for warranty and maintain a reserve for the related expenses based upon our historical experience and any specifically identified field 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.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We provide for the estimated cost of product warranties at the time revenue is recognized. Warranty costs are reflected in the Consolidated Statement of Income as a Cost of revenues.

A reconciliation of the changes in our warranty liability is as follows (in thousands):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Balance at beginning of year	\$ 3,177	\$ 4,199	\$ 2,805
Accruals	8,580	7,771	7,746
Settlements	(8,199)	(8,687)	(6,352)
Reduction - FRT divestiture	—	(106)	—
Balance at end of year	<u>\$ 3,558</u>	<u>\$ 3,177</u>	<u>\$ 4,199</u>

Research and Development

Research and development expenses include expenses related to product development, engineering and material costs. All research and development costs are expensed as incurred.

Income Taxes

We utilize the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse and for operating losses and tax credit carryforwards. We estimate our provision for income taxes and amounts ultimately payable or recoverable in numerous tax jurisdictions around the world. Estimates involve interpretations of regulations and are inherently complex. Resolution of income tax treatments in individual jurisdictions may not be known for many years after completion of any fiscal year. We are required to evaluate the realizability of our deferred tax assets on an ongoing basis to determine whether there is a need for a valuation allowance with respect to such deferred tax assets. A valuation allowance is recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating the ability to recover deferred tax assets, we consider all available positive and negative evidence giving greater weight to our recent cumulative income, our historical ability to utilize net operating losses in recent years, and our forecast of future taxable income, including the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies.

We recognize and measure uncertain tax positions taken or expected to be taken in a tax return if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized are then measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves, as well as the related net interest. We recognize interest and penalties related to unrecognized tax benefits within the income tax provision. Accrued interest and penalties are included within the related tax liability in the Consolidated Balance Sheets.

We file annual income tax returns in multiple taxing jurisdictions around the world. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our related liability reflects the most likely outcome. We adjust the liability, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position could require the use of cash.

Stock-Based Compensation

We recognize compensation expense for all stock-based awards based on the grant-date estimated fair values. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods in our Consolidated Statements of Income. The fair value of restricted stock units ("RSUs") is measured based on the closing market price of our common stock on the date of grant. The fair value of Performance RSUs ("PRSU") is based on certain market performance criteria and is measured using a Monte Carlo simulation pricing model.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

See Note 12, *Stockholders' Equity*, and Note 13, *Stock-Based Compensation*, for additional information.

Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed giving effect to all potentially dilutive common stock and common stock equivalents, including stock options, RSUs and common stock subject to repurchase.

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

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Weighted-average shares used in computing basic net income per share	77,340	77,370	77,578
Add potentially dilutive securities	1,097	789	623
Weighted-average shares used in computing basic and diluted net income per share	<u>78,437</u>	<u>78,159</u>	<u>78,201</u>

Accumulated other comprehensive loss

Accumulated other comprehensive loss ("AOCL") includes the following items, the impact of which has been excluded from earnings and reflected as components of stockholders' equity as shown below (in thousands):

	December 28, 2024	December 30, 2023
Unrealized losses on available-for-sale marketable securities and other investments	\$ (295)	\$ (727)
Translation adjustments	(11,429)	(5,568)
Unrealized gains on derivative instruments	884	2,243
Accumulated other comprehensive loss	<u>\$ (10,840)</u>	<u>\$ (4,052)</u>

Note 3—Balance Sheet Components

Marketable Securities

Marketable securities consisted of the following (in thousands):

December 28, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasuries	\$ 71,188	\$ 139	\$ (75)	\$ 71,252
Commercial paper	998	—	—	998
Corporate bonds	83,091	211	(126)	83,176
U.S. agency securities	13,881	15	(27)	13,869
	<u>\$ 169,158</u>	<u>\$ 365</u>	<u>\$ (228)</u>	<u>\$ 169,295</u>

December 30, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasuries	\$ 45,772	\$ 91	\$ (26)	\$ 45,837
Commercial paper	13,319	—	(2)	13,317
Corporate bonds	81,612	267	(529)	81,350
U.S. agency securities	10,086	9	(92)	10,003
	<u>\$ 150,789</u>	<u>\$ 367</u>	<u>\$ (649)</u>	<u>\$ 150,507</u>

We typically invest in highly-rated securities with low probabilities of default. Our investment policy requires investments to be rated single A or better, limits the types of acceptable investments, concentration as to security holder and duration of the investment. The gross unrealized gains and losses in fiscal 2024 and 2023 were caused primarily by changes in interest rates.

The longer the duration of marketable securities, the more susceptible they are to changes in market interest rates and bond yields. As yields increase, those securities with a lower yield-at-cost show a mark-to-market unrealized loss. We anticipate

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

recovering the full cost of the securities either as market conditions improve or as the securities mature. Accordingly, we believe that the unrealized losses are not as a result of a credit loss.

The contractual maturities of marketable securities were as follows (in thousands):

	December 28, 2024		December 30, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 82,492	\$ 82,587	\$ 94,772	\$ 94,370
Due after one year to five years	86,666	86,708	56,017	56,137
	<u>\$ 169,158</u>	<u>\$ 169,295</u>	<u>\$ 150,789</u>	<u>\$ 150,507</u>

See also Note 9, *Fair Value*.

Inventories, net

Inventories consisted of the following (in thousands):

	December 28, 2024	December 30, 2023
Raw materials	\$ 45,547	\$ 50,808
Work-in-progress	38,366	39,336
Finished goods	17,763	21,541
	<u>\$ 101,676</u>	<u>\$ 111,685</u>

Property, Plant and Equipment, net

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

	December 28, 2024	December 30, 2023
Land	\$ 17,124	\$ 17,124
Building and building improvements	46,578	46,526
Machinery and equipment	307,201	286,215
Computer equipment and software	47,344	46,866
Furniture and fixtures	7,430	7,490
Leasehold improvements	101,374	91,063
Sub-total	527,051	495,284
Less: Accumulated depreciation and amortization	(379,968)	(358,021)
Net property, plant and equipment	147,083	137,263
Construction-in-progress	63,147	67,136
Total	<u>\$ 210,230</u>	<u>\$ 204,399</u>

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	December 28, 2024	December 30, 2023
Accrued compensation and benefits	\$ 26,077	\$ 20,073
Accrued income and other taxes	2,969	8,205
Accrued employee stock purchase plan contributions withheld	6,034	4,263
Accrued warranty	3,558	3,177
Other accrued expenses	5,104	5,319
	<u>\$ 43,742</u>	<u>\$ 41,037</u>

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4—Acquisition

On June 9, 2022 we acquired the assets of the dilution refrigerator product line of American ULT Cryogenics, formerly d/b/a JanisULT (“Woburn”), for total consideration of \$3.4 million. This acquisition added cryogen-free dilution refrigerators capable of cooling to sub-10 millikelvin to our product portfolio, which is required for operation of superconducting quantum computers.

The acquisition price was allocated to the tangible and identified intangible assets acquired and liabilities assumed as of the closing date of the acquisition based upon their respective fair values. The fair values assigned to assets acquired and liabilities assumed were based on management’s assumptions as of the reporting date. Goodwill represents the excess of purchase price over the fair value assigned to the assets acquired and liabilities assumed and is allocated to the HPD reporting unit within the Systems reportable segment. The identified intangible asset, developed technology, has a useful life of three years.

The fair value of assets acquired, including goodwill and intangibles, and liabilities assumed for the purchase are as follows (in thousands):

	Amount
Accounts receivable	\$ 178
Inventories	7,041
Property, plant and equipment	479
Prepaid expenses and other assets	117
Other asset	28
Tangible assets acquired	7,843
Deferred revenue	(5,513)
Accounts payable and accrued liabilities	(30)
Total net tangible assets acquired and liabilities assumed	2,300
Intangible assets	500
Goodwill	550
Net assets acquired	<u>\$ 3,350</u>

Note 5—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	<u>\$ 21,430</u>

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	<u>\$ 10,723</u>
LIABILITIES	
Deferred revenue	\$ 3,739
Other current liabilities	1,546
Other liabilities	4,283
Total liabilities	<u>\$ 9,568</u>

As a result of the divestiture, the Company recognized a pre-tax gain of \$20.3 million. The Company recorded income tax expense 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 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	<u>\$ 100,092</u>

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	<u>\$ 33,988</u>
LIABILITIES	
Current liabilities	\$ 4,300
Other liabilities	2,856
Total liabilities	<u>\$ 7,156</u>

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

Note 6—Debt

Our debt consisted of the following (in thousands):

	December 28, 2024	December 30, 2023
Term loan	\$ 13,368	\$ 14,448
Less unamortized issuance costs	(54)	(59)
Term loan less issuance costs	<u>\$ 13,314</u>	<u>\$ 14,389</u>

On June 22, 2020, we entered into an \$18.0 million 15-year credit facility loan agreement (the “Building Term Loan”) with MUFG Union Bank, National Association (“Union Bank”). 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 LIBOR with 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 0.1145%, plus 1.75% per annum. Interest payments are payable in monthly installments over a fifteen-year period. The interest rate at December 28, 2024 was 6.42% before consideration of the interest rate swap.

On March 17, 2020, we entered into an interest rate swap agreement with Union Bank to hedge the interest payments on the Building Term Loan for the notional amount of \$18.0 million. As future levels of LIBOR over the life of the loan were 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 of 2.75%. As of December 28, 2024, the notional amount of the loan that is subject to this interest rate swap was \$13.4 million. See Note 9, *Fair Value*, for additional information.

The obligations under the Building Term Loan are guaranteed by a deed of trust covering certain real property and improvements and certain personal property used in connection therewith. The deed of trust creates a first priority lien or encumbrance on the property with only such exceptions as may be approved by Union Bank in writing.

The Building Term Loan contains covenants customary for financing of this type. As of December 28, 2024, the balance outstanding pursuant to the Building Term Loan was \$13.4 million.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future principal and interest payments on our term loans as of December 28, 2024, based on the interest rate in effect at that date were as follows (in thousands):

	Payments Due In Fiscal Year						Total
	2025	2026	2027	2028	2029	2030 and thereafter	
Term loan - principal payments	\$ 1,111	\$ 1,142	\$ 1,175	\$ 1,208	\$ 1,242	\$ 7,490	\$ 13,368
Term loans - interest payments ⁽¹⁾	835	764	688	613	534	1,393	4,827
	<u>\$ 1,946</u>	<u>\$ 1,906</u>	<u>\$ 1,863</u>	<u>\$ 1,821</u>	<u>\$ 1,776</u>	<u>\$ 8,883</u>	<u>\$ 18,195</u>

⁽¹⁾ Represents our minimum interest payment commitment at 6.42% per annum, excluding the interest rate swap described above.

Note 7—Leases

Our operating lease, right-of-use assets relate to real estate space under non-cancelable operating lease agreements for commercial and industrial space, as well as for our corporate headquarters located in Livermore, California. Our leases have remaining terms of one to ten, and some leases include options to extend up to twenty 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 four years at December 28, 2024 and the weighted-average discount rate was 4.72%.

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

	Lease Expense		
	December 28, 2024	December 30, 2023	December 31, 2022
Operating lease expense	\$ 8,457	\$ 8,453	\$ 8,595
Short-term lease expense	341	524	385
Variable lease expense	4,194	2,389	2,393
	<u>\$ 12,992</u>	<u>\$ 11,366</u>	<u>\$ 11,373</u>

Future minimum payments under our non-cancelable operating leases were as follows as of December 28, 2024 (in thousands):

Fiscal Year	Amount
2025	\$ 9,080
2026	7,610
2027	7,181
2028	3,872
2029	232
Thereafter	1,118
Total minimum lease payments	29,093
Less: interest	(3,180)
Present value of net minimum lease payments	25,913
Less: current portion	(8,363)
Total long-term operating lease liabilities	<u>\$ 17,550</u>

Note 8—Derivative Financial Instruments

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.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 Consolidated Balance Sheets with changes in fair value recorded within Other income (expense), net in our Consolidated Statements 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 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 Consolidated Statements of Income as the impact of the hedge transaction. At December 28, 2024, we expect to reclassify \$1.1 million of the amount accumulated in other comprehensive loss to earnings during the next 12 months, due to the recognition in earnings of the hedged forecasted transactions.

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 December 28, 2024 will mature by the fourth quarter of fiscal 2025.

The following table provides information about our foreign currency forward contracts outstanding as of December 28, 2024 (in thousands):

Currency	Contract Position	Contract Amount (Local Currency)	Contract Amount (U.S. Dollars)
Euro	Buy	31,463	\$ 34,149
Japanese Yen	Sell	3,523,717	22,397
Korean Won	Buy	2,809,799	1,909
Taiwan Dollar	Sell	117,405	3,586

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.

The location and amount of gains related to non-designated derivative instruments in the Consolidated Statements of Income were as follows (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized	Fiscal Year Ended		
		December 28, 2024	December 30, 2023	December 31, 2022
Foreign exchange forward contracts	Other income (expense), net	\$ 2,225	\$ 2,504	\$ 2,439

The location and amount of gains (losses) related to foreign currency derivative instruments designated as cash flow hedges on our Consolidated Statements of Income was as follows (in thousands):

	Amount of Gain or (Loss) Recognized in AOCL on Derivative	Location of Gain or (Loss) Reclassified from AOCL into Income	Amount of Gain or (Loss) Reclassified from AOCL into Income
Fiscal 2024	<u>\$ (2,023)</u>	Cost of revenues	\$ (389)
		Research and development	(141)
		Selling, general and administrative	(98)
			<u>\$ (628)</u>
Fiscal 2023	<u>\$ 160</u>	Cost of revenues	\$ 222
		Research and development	75
		Selling, general and administrative	80
			<u>\$ 377</u>
Fiscal 2022	<u>\$ (1,688)</u>	Cost of revenues	\$ (1,816)
		Research and development	(376)
		Selling, general and administrative	(456)
			<u>\$ (2,648)</u>

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest Rate Swaps

During fiscal 2020, we entered into an interest rate swap agreement with Union Bank to hedge the interest payments on the Building Term Loan for the notional amount of \$18.0 million. 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. By entering into the agreement, we convert a floating rate interest at one-month LIBOR plus 1.75% into a fixed rate interest at 2.75%. This agreement was amended in fiscal 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 December 28, 2024, the notional amount of the loan that is subject to this interest rate swap was \$13.4 million. See Note 6, *Debt*, for additional information.

For accounting purposes, the interest-rate swap contracts qualify for and are designated as cash flow hedges. All hedging relationships are formally documented, and the hedges are designed to offset changes to future cash flows on hedged transactions. We evaluate hedge effectiveness at hedge inception and on an ongoing basis.

The fair value of our interest rate swap contracts are determined at the end of each reporting period based on valuation models that use interest rate yield curves as inputs. The cash flows associated with the interest rate swaps are reported in Net cash provided by operating activities in our 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.

The impact of the interest rate swaps on the Consolidated Statements of Income was as follows (in thousands):

	Amount of Gain Recognized in AOCL on Derivative (Effective Portion)	Location of Gain Reclassified from AOCL into Income (Effective Portion)	Amount of Gain Reclassified from AOCL into Income (Effective Portion)
Fiscal 2024	\$ 638	Other income (expense), net	\$ 602
Fiscal 2023	230	Other income (expense), net	615
Fiscal 2022	1,906	Other income (expense), net	106

See also Note 9, *Fair Value*.

Note 9—Fair Value

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 fiscal 2024, 2023 or 2022.

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 fiscal 2024.

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

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 of our investments have a sufficient level of trading volume to demonstrate that the fair value is appropriate.

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):

December 28, 2024	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 131,519	\$ —	\$ —	\$ 131,519
Marketable securities:				
U.S. treasuries	71,252	—	—	71,252
U.S. agency securities	—	13,869	—	13,869
Corporate bonds	—	83,176	—	83,176
Commercial paper	—	998	—	998
	<u>71,252</u>	<u>98,043</u>	<u>—</u>	<u>169,295</u>
Promissory note receivable	—	—	1,512	1,512
Interest rate swap derivative contracts	—	2,025	—	2,025
Total assets	<u>\$ 202,771</u>	<u>\$ 100,068</u>	<u>\$ 1,512</u>	<u>\$ 304,351</u>
Liabilities:				
Foreign exchange derivative contracts	\$ —	\$ (1,141)	\$ —	\$ (1,141)
Total liabilities	<u>\$ —</u>	<u>\$ (1,141)</u>	<u>\$ —</u>	<u>\$ (1,141)</u>
December 30, 2023	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 110,980	\$ —	\$ —	\$ 110,980
U.S. treasuries	4,581	—	—	4,581
	<u>115,561</u>	<u>—</u>	<u>—</u>	<u>115,561</u>
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
	<u>45,837</u>	<u>104,670</u>	<u>—</u>	<u>150,507</u>
Foreign exchange derivative contracts	—	284	—	284
Interest rate swap derivative contracts	—	1,989	—	1,989
Total assets	<u>\$ 161,398</u>	<u>\$ 106,943</u>	<u>\$ —</u>	<u>\$ 268,341</u>
Liabilities:				
Foreign exchange derivative contracts	\$ —	\$ (30)	\$ —	\$ (30)
Total liabilities	<u>\$ —</u>	<u>\$ (30)</u>	<u>\$ —</u>	<u>\$ (30)</u>

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. Other than as discussed in Note 4, *Acquisition*, there were no assets or liabilities measured at fair value on a non-recurring basis during fiscal 2024, 2023 or 2022.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10—Goodwill and Intangible Assets

Goodwill

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	—	(802)	(802)
Goodwill, as of December 28, 2024	<u>\$ 177,369</u>	<u>\$ 21,802</u>	<u>\$ 199,171</u>

Intangible Assets

Intangible assets were as follows (in thousands):

Other Intangible Assets	December 28, 2024			December 30, 2023		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Existing developed technologies	\$ 159,360	\$ 149,631	\$ 9,729	\$ 159,593	\$ 148,445	\$ 11,148
Trade name	7,736	7,700	36	7,808	7,728	80
Customer relationships	47,831	47,241	590	48,022	46,712	1,310
In-process research and development	—	—	—	400	—	400
	<u>\$ 214,927</u>	<u>\$ 204,572</u>	<u>\$ 10,355</u>	<u>\$ 215,823</u>	<u>\$ 202,885</u>	<u>\$ 12,938</u>

During fiscal 2024, \$0.4 million of in-process research and development assets were transferred to definite-lived intangible assets.

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

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Cost of revenues	\$ 1,818	\$ 3,081	\$ 3,225
Selling, general and administrative	764	3,769	6,166
	<u>\$ 2,582</u>	<u>\$ 6,850</u>	<u>\$ 9,391</u>

The estimated future amortization of definite-lived intangible assets, is as follows (in thousands):

Fiscal Year	Amount
2025	\$ 2,463
2026	1,763
2027	1,741
2028	1,630
2029	1,630
Thereafter	1,128
Total	<u>\$ 10,355</u>

We did not record any impairment of intangible assets in fiscal 2024, 2023 and 2022.

Note 11—Commitments and Contingencies

Leases

See Note 7, *Leases*.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Government Assistance

In January 2023, we received a \$18.0 million Grant from the California Governor's Office of Business and Economic Development. The Grant requires us to create and maintain full-time jobs and make significant infrastructure investments within California over a 5-year term. If we do not meet the requirements of the Grant, we will be required to repay all or a portion of the Grant. See Note 2, *Summary of Significant Accounting Policies* under the caption "Government Assistance," for additional information.

Environmental Matters

We are subject to U.S. federal, state, local, and foreign governmental laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites and the maintenance of a safe workplace. We believe that we comply in all material respects with the environmental laws and regulations that apply to us as of December 28, 2024. There are no matters pending that we currently believe are reasonably possible of having a material impact to our business, consolidated financial condition, results of operations or cash flows. In the future, we may receive notices of violations of environmental regulations, or otherwise learn of such violations. Environmental contamination or violations may negatively impact our business.

Indemnification Arrangements

We have entered, and may from time to time in the ordinary course of our business enter, into contractual arrangements with third parties that include indemnification obligations. Under these contractual arrangements, we have agreed to defend, indemnify and/or hold the third party harmless from and against certain liabilities. These arrangements include indemnities in favor of customers in the event that our products or services infringe a third party's intellectual property, or cause property damage or other indemnities in favor of our lessors in connection with facility leasehold liabilities that we may cause. In addition, we have entered into indemnification agreements with our directors and certain of our officers, and our bylaws contain indemnification obligations in favor of our directors, officers and agents. These indemnity arrangements may limit the type of the claim, the total amount that we can be required to pay in connection with the indemnification obligation and the time within which an indemnification claim can be made. The duration of the indemnification obligation may vary, and for most arrangements, survives the agreement term and is indefinite. We believe that substantially all of our indemnity arrangements provide either for limitations on the maximum potential future payments we could be obligated to make, or for limitations on the types of claims and damages we could be obligated to indemnify, or both. However, it is not possible to determine or reasonably estimate the maximum potential amount of future payments under these indemnification obligations due to the varying terms of such obligations, a lack of history of prior indemnification claims, the unique facts and circumstances involved in each particular contractual arrangement and in each potential future claim for indemnification, and the contingency of any potential liabilities upon the occurrence of events that are not reasonably determinable. We have not had any material requests for indemnification under these arrangements. We have not recorded any liabilities for these indemnification arrangements on our Consolidated Balance Sheets as of December 28, 2024 or 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 12—Stockholders' Equity

Preferred Stock

We have authorized 10,000,000 shares of undesignated preferred stock, \$0.001 par value, none of which is issued and outstanding. Our Board of Directors shall determine the rights, preferences, privileges and restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of any series.

Common Stock

Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders, if any, of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid as of December 28, 2024.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Common Stock Repurchase Programs

On October 26, 2020, our Board of Directors authorized a two-year program to repurchase up to \$50 million of outstanding common stock to offset potential dilution from issuances of common stock under our stock-based compensation programs. During fiscal 2022, we repurchased and retired 676,408 shares of common stock for \$26.0 million, utilizing the remaining shares available for repurchase under the program.

On May 20, 2022, our Board of Directors authorized a two-year program to repurchase up to \$75 million of outstanding common stock to offset potential dilution from issuance of common stock under our stock-based compensation programs. During fiscal 2022 and 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 program to repurchase up to \$75 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 and 2024, we repurchased and retired 32,020 shares of common stock for \$1.2 million and 1,309,635 shares of common stock for \$53.3 million, respectively, and as of December 28, 2024 \$20.5 million remained available for future repurchases.

Equity Incentive Plan

We currently grant equity-based awards under our Equity Incentive Plan, as amended (the “2012 Plan”) which was approved by our stockholders. As amended, the 2012 Plan has authorized for issuance a total of 27.4 million shares, 3.7 million of which were available for grant as of December 28, 2024.

Restricted stock units (“RSUs”) granted under the 2012 Plan generally vest over three years. RSUs, including Performance Restricted Stock Units (“PRSUs”) are converted into shares of our common stock upon vesting on a one-for-one basis. The vesting of RSUs is subject to the employee's continuing service.

RSU activity was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock units at December 30, 2023	2,165,729	\$ 35.85
Awards granted	924,082	44.13
Awards vested	(1,115,782)	36.08
Awards forfeited	(197,286)	43.27
Restricted stock units at December 28, 2024	<u>1,776,743</u>	<u>39.07</u>

The PRSUs granted in fiscal 2024, 2023 and 2022 listed below vest based on us achieving certain market performance criteria. The performance criteria are based on a metric called Total Shareholder Return (“TSR”) for the performance period of three years, relative to the TSR of the companies identified as being part of the S&P Semiconductor Select Industry Index (FormFactor peer companies) as of a specific date.

Of the 197,128 PRSUs granted in fiscal 2021, 56,685 shares were forfeited during the requisite service period, resulting in 140,443 shares vesting in 2024. These shares achieved 146% TSR performance, which resulted in an additional 64,525 shares issued in fiscal 2024 in excess of the target number of units related to the fiscal 2021 PRSU grant.

PRSU grant activity was as follows:

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Grant Date	August 5, 2024	August 7, 2023	August 1, 2022
Performance period	July 1, 2024 - June 30, 2027	July 1, 2023 - June 30, 2026	July 1, 2022 - June 30, 2025
Number of shares	125,496	172,680	204,903
TSR as-of date	August 5, 2024	August 7, 2023	August 1, 2022
Stock-based compensation	\$6.2 million	\$8.6 million	\$8.6 million

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Employee Stock Purchase Plan

Our 2012 Employee Stock Purchase Plan (the “ESPP”), as amended, allows for the issuance of a total of 12,137,559 shares. The offering periods under the ESPP are 12 months commencing on February 1 of each calendar year and ending on January 31 of the subsequent calendar year, and a six-month fixed offering period commencing on August 1 of each calendar year and ending on January 31 of the subsequent calendar year. The 12-month offering period consists of two six-month purchase periods and the six-month offering period consists of one six-month purchase period. The price of the common stock purchased is 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period or the last day of each purchase period. We have treated the 2012 ESPP as a compensatory plan.

During fiscal 2024, employees purchased 340,989 shares under this program at a weighted average exercise price of \$28.59 per share, which represented a weighted average discount of \$16.43 per share from the fair value of the stock purchased. As of December 28, 2024, 3,272,032 shares remained available for issuance.

Note 13—Stock-Based Compensation

Stock-Based Compensation Expense

Certain information regarding our stock-based compensation was as follows (in thousands, except per share amounts):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Weighted average grant date per share fair value of RSUs granted	\$ 44.13	\$ 33.85	\$ 34.83
Fair value of RSUs vested	53,990	32,820	42,324

Pre-tax stock-based compensation expense by financial statement line and related tax benefit in the Consolidated Statements of Income are as follows (in thousands):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Stock-based compensation expense included in:			
Cost of revenues	\$ 7,738	\$ 6,854	\$ 3,807
Research and development	10,721	10,652	8,217
Selling, general and administrative	21,304	21,110	19,313
Total stock-based compensation	<u>\$ 39,763</u>	<u>\$ 38,616</u>	<u>\$ 31,337</u>
Stock-based compensation tax benefit (expense)	<u>\$ 2,833</u>	<u>\$ (1,424)</u>	<u>\$ 2,772</u>

Unrecognized Stock-Based Compensation Expense

Unrecognized stock-based compensation expense at December 28, 2024 consisted of the following (in thousands):

	Unrecognized Expense	Weighted Average Recognition Period (Years)
Restricted stock units	\$ 43,768	1.9
Performance restricted stock units	9,357	1.9
Employee stock purchase plan	474	0.1
Total unrecognized stock-based compensation expense	<u>\$ 53,599</u>	1.9

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Valuation Assumptions

The following assumptions were used in estimating the fair value of PRSUs:

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
PRSUs:			
Dividend yield	—%	—%	—%
Expected volatility	50.8%	50.7%	53.0%
Risk-free interest rate	3.7%	4.4%	2.8%
Expected life (in years)	2.9	2.9	2.9

The following assumptions were used in estimating the fair value of shares under the Employee Stock Purchase Plan:

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Employee Stock Purchase Plan:			
Dividend yield	—%	—%	—%
Expected volatility	40.4% - 58.7%	40.6% - 60.2%	42.6% - 60.8%
Risk-free interest rate	4.7% - 5.5%	0.8% - 5.5%	0.1% - 3.0%
Expected life (in years)	0.5 - 1.0	0.5 - 1.0	0.5 - 1.0

Note 14—Income Taxes

Components of Income Before Income Taxes

The components of income before income taxes were as follows (in thousands):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
United States	\$ 66,953	\$ (10,681)	\$ 30,047
Foreign	12,459	99,948	27,823
	<u>\$ 79,412</u>	<u>\$ 89,267</u>	<u>\$ 57,870</u>

Provision for Income Taxes

The components of the provision for income taxes are as follows (in thousands):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Current provision:			
Federal	\$ 15,688	\$ 8,970	\$ 4,330
State	1,703	835	520
Foreign	5,762	9,175	8,625
	<u>23,153</u>	<u>18,980</u>	<u>13,475</u>
Deferred provision (benefit):			
Federal	(11,446)	(10,810)	(5,886)
State	(1,806)	(330)	118
Foreign	(103)	(960)	(575)
	<u>(13,355)</u>	<u>(12,100)</u>	<u>(6,343)</u>
Total provision for income taxes	<u>\$ 9,798</u>	<u>\$ 6,880</u>	<u>\$ 7,132</u>

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tax Rate Reconciliation

The following is a reconciliation of the difference between income taxes computed by applying the federal statutory rate of 21% and the provision from income taxes (in thousands):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
U.S. statutory federal tax rate	\$ 16,676	\$ 18,746	\$ 12,153
State taxes and credits, net of federal benefit	589	(87)	16
Amortization of stock-based compensation	(2,833)	1,424	(2,772)
Tax credits	(12,890)	(13,368)	(8,264)
Foreign taxes at rates different than the U.S.	1,312	9,046	2,404
Other permanent differences	2,532	1,010	1,964
Reversal of book gain on China Sale	(3,476)	—	—
Foreign gain exclusion ⁽¹⁾	—	(21,567)	—
Global intangible low-taxed income	3,768	7,885	7
Foreign derived intangible income	(3,774)	(2,986)	(5,160)
Foreign tax on the divestiture of the China operations	2,395	—	—
Change in valuation allowance	2,074	2,569	2,597
Tax contingencies, net of reversals	3,661	4,259	3,124
Other	(236)	(51)	1,063
Total	<u>\$ 9,798</u>	<u>\$ 6,880</u>	<u>\$ 7,132</u>

⁽¹⁾ The rate reconciliation includes an exclusion of a portion of the gain on the sale of the FRT business under German tax law.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using enacted tax rates in effect for the year in which the differences are expected to be reversed.

Significant deferred tax assets and liabilities consisted of the following (in thousands):

	As of	
	December 28, 2024	December 30, 2023
Tax credits	\$ 31,196	\$ 29,074
Inventory reserve	12,818	14,626
Other reserves and accruals	10,600	9,580
Non-statutory stock options	2,213	2,771
Lease liability	4,857	6,175
Research and development expenditures capitalization	65,520	51,698
Net operating loss carryforwards	17,295	17,484
Gross deferred tax assets	144,499	131,408
Valuation allowance	(47,938)	(45,864)
Total deferred tax assets	96,561	85,544
Right-of-use assets	(4,104)	(5,445)
Acquired intangibles and fixed assets	(445)	(863)
Unrealized investment gains	—	(103)
Tax on undistributed earnings	—	(169)
Total deferred tax liabilities	(4,549)	(6,580)
Net deferred tax assets	<u>\$ 92,012</u>	<u>\$ 78,964</u>

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We are required to evaluate the realizability of our deferred tax assets in both our U.S. and non-U.S. jurisdictions on an ongoing basis to determine whether there is a need for a valuation allowance with respect to such deferred tax assets. As of December 28, 2024, we maintained a valuation allowance of \$47.9 million, primarily related to California deferred tax assets and foreign tax credit carryovers, due to uncertainty about the future realization of these assets. We believe that future reversals of taxable temporary differences, and our forecast of continued earnings in both our U.S. and non-U.S. jurisdictions, support our decision to not record a valuation allowance on other deferred tax assets.

Tax Credits and Carryforwards

Tax credits and carryforwards available to us at December 28, 2024 consisted of the following (in thousands):

	Amount	Expiration Date(s)
Federal research and development tax credit	\$ 12,107	2042-2044
Foreign tax credit carryforwards	752	2025-2027
California research credits	61,491	Indefinite
State net operating loss carryforwards	238,852	2028-Indefinite
Singapore net operating loss carryforwards	3,936	Indefinite

Undistributed Earnings

As of December 28, 2024, unremitted earnings of foreign subsidiaries was estimated at \$43.1 million. We intend to permanently invest \$12.0 million of undistributed earnings indefinitely outside of the U.S. To the extent we repatriate the remaining \$31.1 million of undistributed foreign earnings to the U.S., we have not established a deferred tax liability for foreign withholding taxes. Foreign earnings that can be remitted back to the U.S. are from jurisdictions with current tax treaties, which exempt us from withholding taxes. Our estimates are provisional and subject to change because of the complexity and variety of assumptions necessary to compute the tax.

Unrecognized Tax Benefits

We recognize the benefits of tax return positions if we determine that the positions are “more-likely-than-not” to be sustained by the taxing authority. Interest and penalties accrued on unrecognized tax benefits are recorded as tax expense in the period incurred.

The following table reflects changes in the unrecognized tax benefits (in thousands):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Unrecognized tax benefit, beginning balance	\$ 45,574	\$ 40,098	\$ 35,745
Additions based on tax positions related to the current year	3,813	4,726	3,868
Additions based on tax positions from prior years	—	858	795
Reductions for tax positions of prior years	(990)	—	—
Reductions due to lapse of the applicable statute of limitations	(33)	(108)	(310)
Unrecognized tax benefit, ending balance	<u>\$ 48,364</u>	<u>\$ 45,574</u>	<u>\$ 40,098</u>
Interest and penalties recognized as a component of provision for income taxes	\$ 205	\$ 34	\$ 30
Interest and penalties accrued at period end	269	63	85

Of the unrecognized tax benefits at December 28, 2024, \$25.3 million would impact the effective tax rate if recognized.

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities which might result in proposed assessments. Our estimate for the potential outcome for any uncertain tax issue is judgmental in nature. However, we believe we have adequately provided for any reasonably foreseeable outcome related to those matters. Our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire. As of December 28, 2024, changes to our uncertain tax positions in the next 12 months that are reasonably possible are not expected to have a significant impact on our financial position or results of operations.

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 28, 2024, our tax years 2021 through 2024, 2020 through 2024 and 2019 through 2024 remain open for examination in the federal, state and foreign jurisdictions, respectively. However, to the extent allowed by law, the taxing authorities may have the right to examine prior periods where net operating losses and credits were generated and carried forward, and make adjustments up to the net operating loss and credit carryforward amounts.

Note 15—Employee Benefit Plans

We have an employee savings plan that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. The plan is designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis and provide for annual discretionary employer contributions. The total charge to net income under the 401(k) plan for fiscal 2024, 2023 and 2022 aggregated to \$2.6 million, \$2.3 million and \$2.7 million, respectively.

Note 16—Segments and Geographic Information

We operate in two reportable segments consisting of the Probe Cards Segment and the Systems Segment.

Our chief operating decision maker (“CODM”) is our President and Chief Executive Officer, who assesses the reportable segments' performance by using each reportable segment's net contribution to make decisions about allocating resources and assessing performance for the entire company. The CODM uses net contribution for each reportable segment predominantly in the annual budget and forecasting process, as well as consideration of budget-to-actual variances on a quarterly basis when making decisions for assessment of our performance and results of operations. Certain components of net contribution are utilized to determine executive compensation along with other measures.

The following table provides net contribution by reportable segment and includes a reconciliation to income before income taxes (dollars in thousands):

	Fiscal 2024			
	Probe Cards	Systems	Corporate and Other	Total
Revenues	\$ 625,960	\$ 137,639	\$ —	\$ 763,599
Cost of revenues	366,953	78,128	10,595	455,676
Gross profit	259,007	59,511	(10,595)	307,923
Gross margin	41.4 %	43.2 %		40.3 %
Research and development	90,463	20,617	10,858	121,938
Selling	31,462	16,082	5,994	53,538
Marketing	8,775	7,184	5,120	21,079
Net Contribution	<u>\$ 128,307</u>	<u>\$ 15,628</u>	<u>\$ (32,567)</u>	111,368
General and administrative				67,169
Gain on sale of business				20,581
Operating income				64,780
Interest income				14,111
Interest expense				(418)
Other income (expense), net				939
Income before income taxes				<u>\$ 79,412</u>

FORMFACTOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Fiscal 2023			
	Probe Cards	Systems	Corporate and Other	Total
Revenues	\$ 497,903	\$ 165,199	\$ —	\$ 663,102
Cost of revenues	312,511	80,464	11,547	404,522
Gross profit	185,392	84,735	(11,547)	258,580
Gross margin	37.2 %	51.3 %		39.0 %
Research and development	83,104	21,487	11,174	115,765
Selling	26,912	17,026	8,581	52,519
Marketing	5,983	9,367	7,273	22,623
Net Contribution	<u>\$ 69,393</u>	<u>\$ 36,855</u>	<u>\$ (38,575)</u>	67,673
General and administrative				57,870
Gain on sale of business				72,953
Operating income				82,756
Interest income				7,217
Interest expense				(421)
Other income (expense), net				(285)
Income before income taxes				<u>\$ 89,267</u>

	Fiscal 2022			
	Probe Cards	Systems	Corporate and Other	Total
Revenues	\$ 591,422	\$ 156,515	\$ —	\$ 747,937
Cost of revenues	355,860	75,578	20,490	451,928
Gross profit	235,562	80,937	(20,490)	296,009
Gross margin	39.8 %	51.7 %		39.6 %
Research and development	82,428	17,078	9,716	109,222
Selling	29,583	14,953	13,612	58,148
Marketing	7,249	7,147	8,569	22,965
Net Contribution	<u>\$ 116,302</u>	<u>\$ 41,759</u>	<u>\$ (52,387)</u>	105,674
General and administrative				50,762
Operating income				54,912
Interest income				2,220
Interest expense				(579)
Other income (expense), net				1,317
Income before income taxes				<u>\$ 57,870</u>

Corporate and Other includes unallocated expenses relating to amortization of stock-based compensation expense, intangible assets, acquisition-related costs, including charges related to inventory and fixed assets stepped up to fair value, restructuring charges, and other costs, which are not used in evaluating the results of, or in allocating resources to, our reportable segments. Acquisition-related costs include transaction costs and any costs directly related to the acquisition and integration of acquired businesses.

Net Contribution represents Operating income excluding general and administrative expenses and gains on sale of business, which are not used in evaluating the results of, or in allocating resources to, our reportable segments.

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The following table summarizes revenue, by geographic region, as a percentage of total revenues based upon ship-to location:

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
South Korea	24.2 %	17.8 %	14.9 %
United States	24.1	25.9	17.1
Taiwan	22.7	22.3	22.7
China	13.5	13.8	21.5
Europe	4.6	5.9	5.2
Japan	4.4	5.5	5.1
Singapore	2.6	2.8	5.3
Malaysia	2.4	4.0	6.7
Rest of World	1.5	2.0	1.5
Total revenues	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

The following table summarizes revenue by market (in thousands):

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Foundry & Logic	\$ 381,182	\$ 363,539	\$ 409,196
DRAM	227,422	113,779	133,446
Flash	17,356	20,585	48,780
Systems	137,639	165,199	156,515
Total revenues	<u>\$ 763,599</u>	<u>\$ 663,102</u>	<u>\$ 747,937</u>

The following table summarizes revenue by timing of revenue recognition (in thousands):

	Fiscal Year Ended								
	December 28, 2024			December 30, 2023			December 31, 2022		
	Probe Cards	Systems	Total	Probe Cards	Systems	Total	Probe Cards	Systems	Total
Products transferred at a point in time	\$620,598	\$122,181	\$742,779	\$494,624	\$155,145	\$649,769	\$587,738	\$144,456	\$732,194
Services transferred over time	5,362	15,458	20,820	3,279	10,054	13,333	3,684	12,059	15,743
Total	<u>\$625,960</u>	<u>\$137,639</u>	<u>\$763,599</u>	<u>\$497,903</u>	<u>\$165,199</u>	<u>\$663,102</u>	<u>\$591,422</u>	<u>\$156,515</u>	<u>\$747,937</u>

Long-lived assets, comprised of Operating lease, Right-of-use assets, Property, plant and equipment, net, Goodwill and Intangibles, net, reported based on the location of the asset was as follows (in thousands):

	December 28, 2024	December 30, 2023	December 31, 2022
United States	\$ 411,646	\$ 414,607	\$ 406,529
Europe	21,323	23,204	42,640
Asia-Pacific	9,366	11,135	10,236
Total	<u>\$ 442,335</u>	<u>\$ 448,946</u>	<u>\$ 459,405</u>

Note 17—Recent Accounting Pronouncements

Adopted

ASU 2023-07

In November 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2023-07, “*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*.” The ASU includes requirements that an entity disclose the title of the 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

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measures of segment profit. The ASU does not change how a public entity identifies its operating segments, aggregates them, or applies the quantitative thresholds to determine its reportable segments. 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. We adopted the new standard effective December 28, 2024. As a result, we have enhanced our segment disclosures to include the presentation of cost of revenues, Research and development, Selling, and Marketing expenses by segment. The adoption of this ASU affects only our disclosures, with no impacts to our financial condition and results of operations. See Note 16, *Segments and Geographic Information*, for the additional information.

Pending Adoption

ASU 2024-03

In November 2024, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2024-03, *“Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses.”* This ASU requires an entity to disclose the amounts of purchases of inventory, employee compensation, depreciation, and intangible asset amortization included in each relevant expense caption. It also requires an entity to include certain amounts that are already required to be disclosed under current GAAP in the same disclosure. Additionally, it requires an entity to disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, and to disclose the total amount of selling expenses and, in annual reporting periods, an entity’s definition of selling expenses. The amendments in the ASU are effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. An entity may apply the amendments prospectively for reporting periods after the effective date or retrospectively to any or all prior periods presented in the financial statements. While this ASU will impact only our disclosures and not our financial condition and results of operations, we are currently evaluating when we will adopt the ASU.

ASU 2023-09

In December 2023, the FASB issued 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. An entity may apply the amendments in this ASU prospectively by providing the revised disclosures for the period ending December 27, 2025 and continuing to provide the pre-ASU disclosures for the prior periods, or may apply the amendments retrospectively by providing the revised disclosures for all periods presented. We will adopt this ASU retrospectively for the period ending December 27, 2025, and it will impact only our disclosures with no impacts to our financial condition and results of operations.

Note 18—Subsequent Events

Advantest Private Placement

On January 10, 2025, Advantest America, Inc., a Delaware corporation, acquired 334,971 shares of FormFactor's common stock in a private placement for \$44.78 per share, representing the 5-day trailing volume-weighted average price prior to signing the related private placement agreement.

FICT Equity Investment

On February 21, 2025, we, together with MBK Partners, a private equity firm, acquired FICT Limited (“FICT”) from Advantage Partners Inc. In connection with the acquisition, we obtained a 20% equity interest in FICT, in exchange for funding \$59.6 million of the purchase price. Headquartered in Nagano, Japan, FICT is a provider of semiconductor test and high-performance computing industries with complex multi-layer organic substrates, printed circuit boards, and related leading-edge technologies and services. Under the equity method, upon closing this investment, the investment will be included as a separate item in our Consolidated Balance Sheets and we will record our proportionate share of FICT’s net income or loss as a separate item in our Consolidated Statements of Operations.

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