



News Release

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FORMFACTOR, INC. REPORTS 2021 SECOND QUARTER RESULTS

Company Delivers Q2 Revenue at High End of Outlook Range, Expects Similar Levels in Q3

LIVERMORE, Calif. — July 28, 2021 —FormFactor, Inc. (Nasdaq: FORM) today announced its financial results for the second quarter of fiscal 2021 ended June 26, 2021. Quarterly revenues were \$188.1 million, an increase of 0.8% compared to \$186.6 million in the first quarter of fiscal 2021, and an increase of 19.2% from \$157.8 million in the second quarter of fiscal 2020.

- Strong DRAM demand and record Systems segment sales produced second-highest revenue in company history
- Favorable product mix, better yields on a new DRAM design, increased precious metals recovery and improved utilization and absorption led to gross margins exceeding outlook range
- New manufacturing center in Livermore on-track to produce initial customer shipments in Q4

“FormFactor performed well during Q2, with revenue surpassing Q1 to reach levels second only to Q4’20,” said Mike Slessor, CEO of FormFactor, Inc. “Non-GAAP gross margin, while down 60 basis points sequentially, exceeded our outlook range and we benefited from solid demand for FormFactor’s diversified set of market-leading semiconductor test and measurement products.”

Second Quarter Highlights

On a GAAP basis, net income for the second quarter of fiscal 2021 was \$17.9 million, or \$0.23 per fully-diluted share, compared to net income for the first quarter of fiscal 2021 of \$19.6 million, or \$0.25 per fully-diluted share, and net income for the second quarter of fiscal 2020 of \$20.5 million, or \$0.26 per fully-diluted share. Gross margin for the second quarter of 2021 was 40.6%, compared with 41.1% in the first quarter of 2021, and 41.9% in the second quarter of 2020.

On a non-GAAP basis, net income for the second quarter of fiscal 2021 was \$28.4 million, or \$0.36 per fully-diluted share, compared to net income for the first quarter of fiscal 2021 of \$30.8 million, or \$0.38 per fully-diluted share, and net income for the second quarter of fiscal 2020 of \$25.8 million, or \$0.33 per fully-diluted share. On a non-GAAP basis, gross margin for the second quarter of 2021 was 44.4%, compared with 45.0% in the first quarter of 2021, and 45.8% in the second quarter of 2020.

A reconciliation of GAAP to non-GAAP measures is provided in the schedules included below.

Free cash flow for the second quarter of fiscal 2021 was \$16.2 million, compared to free cash flow for the first quarter of fiscal 2021 of \$19.2 million, and free cash flow for the second quarter of 2020 of \$18.6 million. A reconciliation of net cash provided by operating activities to free cash flow is provided in the schedules included below.

Outlook

Dr. Slessor added, “Solid demand for FormFactor’s diversified set of market-leading semiconductor test and measurement products is continuing in the current quarter, and we are executing our planned investments to increase capacity for our products.”

For the third quarter ending September 25, 2021, FormFactor is providing the following outlook*:

	GAAP	Reconciling Items**	Non-GAAP
Revenue	\$182 million to \$194 million	—	\$182 million to \$194 million
Gross Margin	42% to 45%	\$2.0 million	43% to 46%
Net income per diluted share	\$0.21 to \$0.29	\$0.10	\$0.31 to \$0.39

*This outlook assumes consistent foreign currency rates.

**Reconciling items are stock-based compensation, restructuring charges, and amortization of intangibles, inventory and fixed asset fair value adjustments due to acquisitions.

We posted our revenue breakdown by geographic region, by market segment and with customers with greater than 10% of total revenue on the Investor Relations section of our website at www.formfactor.com. We will conduct a conference call at 1:25 p.m. PDT, or 4:25 p.m. EDT, today.

The public is invited to listen to a live webcast of FormFactor’s conference call on the Investor Relations section of our web site at www.formfactor.com. A telephone replay of the conference call will be available approximately two hours after the conclusion of the call. The telephone replay will be available through July 30, 4:25 p.m. Pacific Time, and can be accessed by dialing (855) 859-2056 (domestic) or (404) 537-3406 (international) and entering confirmation code 7497439. Additionally, the replay will be available on the Investor Relations section of our website, www.formfactor.com.

Use of Non-GAAP Financial Information:

To supplement our condensed consolidated financial results prepared under generally accepted accounting principles, or GAAP, we disclose certain non-GAAP measures of non-GAAP net income, non-GAAP earnings per fully-diluted share, non-GAAP gross margin, non-GAAP operating expenses and non-GAAP operating income, that are adjusted from the nearest GAAP financial measure to exclude certain costs, expenses, gains and losses. Reconciliations of the adjustments to GAAP results for the three and six months ended June 26, 2021 and for outlook provided before, as well as for the comparable periods of fiscal 2020, are provided below, and on the Investor Relations section of our website at www.formfactor.com. Information regarding the ways in which management uses non-GAAP financial information to evaluate its business, management’s reasons for using this non-GAAP financial information, and limitations associated with the use of non-GAAP financial information, is included under “About our Non-GAAP Financial Measures” following the tables below.

About FormFactor:

FormFactor, Inc. (Nasdaq:FORM), is a leading provider of essential test and measurement technologies along the full IC life cycle - from metrology and inspection, characterization, modeling, reliability, and design de-bug, to qualification and production test. Semiconductor companies rely upon FormFactor’s products and services to accelerate profitability by optimizing device performance and advancing yield knowledge. The Company serves customers through its network of facilities in Asia, Europe, and North America. For more information, visit the Company’s website at www.formfactor.com.

Forward-looking Statements:

This press release contains forward-looking statements within the meaning of the “safe harbor” provisions of the federal securities laws, including with respect to the Company’s future financial and operating results, the Company’s plans, strategies and objectives for future operations. These statements are based on management’s current expectations and beliefs as of the date hereof, and are subject to a number of risks and uncertainties, many of which are beyond the Company’s control, that could cause actual results to differ materially from those described in the forward-looking statements. These forward-looking statements include, but are not limited to statements regarding future financial and operating results, customer demand, conditions in the semiconductor industry, and growth opportunities, and other statements regarding the Company’s business. Forward-looking statements may contain words such as “may,” “might,” “will,” “expect,” “plan,” “anticipate,” and “continue,” the negative or plural of these words and similar expressions, and include the assumptions that underlie such statements. The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: changes in demand for the Company’s products; customer-specific demand; the speed of customer implementation of new technologies; industry seasonality; risks to the Company’s realization of benefits from acquisitions, investments in capacity and investments in new electronic data systems and information technology; changes in macro-economic environments; events affecting global and regional economic conditions and stability such as Brexit, infectious diseases and pandemics (such as the ongoing COVID-19 pandemic), military conflicts, political volatility and similar factors, operating separately or in combination; and other factors, including those set forth in the Company’s most current annual report on Form 10-K, quarterly reports on Form 10-Q and other filings by the Company with the U.S. Securities and Exchange Commission. We are operating in an environment with especially substantial uncertainties arising from the COVID-19 pandemic, including with respect to its current and future impact on our operations, workforce, manufacturing capacity, customer demand, supply chain, macroeconomic environment and other important aspects of our business. In addition, export regulations and other trade barriers and preferences in the U.S. and elsewhere may substantially impact our future sales such as in China, and there remains considerable uncertainty regarding the ultimate interpretation of existing regulations by relevant government agencies. No assurances can be given that any of the events anticipated by the forward-looking statements within this press release will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of the Company. Unless required by law, the Company is under no obligation (and expressly disclaims any such obligation) to update or revise its forward-looking statements whether as a result of new information, future events, or otherwise.

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

	Three Months Ended			Six Months Ended	
	June 26, 2021	March 27, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Revenues	\$ 188,076	\$ 186,636	\$ 157,824	\$ 374,712	\$ 318,577
Cost of revenues	111,793	109,930	91,657	221,723	185,020
Gross profit	76,283	76,706	66,167	152,989	133,557
Operating expenses:					
Research and development	25,454	24,046	20,919	49,500	42,186
Selling, general and administrative	30,479	30,015	22,755	60,494	50,448
Total operating expenses	55,933	54,061	43,674	109,994	92,634
Operating income	20,350	22,645	22,493	42,995	40,923
Interest income	148	194	376	342	1,061
Interest expense	(116)	(180)	(171)	(296)	(489)
Other income (expense), net	(194)	172	(67)	(22)	(158)
Income before income taxes	20,188	22,831	22,631	43,019	41,337
Provision for income taxes	2,283	3,206	2,162	5,489	4,978
Net income	<u>\$ 17,905</u>	<u>\$ 19,625</u>	<u>\$ 20,469</u>	<u>\$ 37,530</u>	<u>\$ 36,359</u>
Net income per share:					
Basic	<u>\$ 0.23</u>	<u>\$ 0.25</u>	<u>\$ 0.27</u>	<u>\$ 0.48</u>	<u>\$ 0.48</u>
Diluted	<u>\$ 0.23</u>	<u>\$ 0.25</u>	<u>\$ 0.26</u>	<u>\$ 0.47</u>	<u>\$ 0.46</u>
Weighted-average number of shares used in per share calculations:					
Basic	<u>77,463</u>	<u>77,598</u>	<u>76,275</u>	<u>77,530</u>	<u>76,140</u>
Diluted	<u>79,466</u>	<u>79,988</u>	<u>78,861</u>	<u>79,621</u>	<u>78,710</u>

FORMFACTOR, INC.
NON-GAAP FINANCIAL MEASURE RECONCILIATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended			Six Months Ended	
	June 26, 2021	March 27, 2021	June 27, 2020	June 26, 2021	June 27, 2020
GAAP Revenue	\$ 188,076	\$ 186,636	\$ 157,824	\$ 374,712	\$ 318,577
Adjustments:					
Amortization of deferred revenue fair value adjustments due to acquisitions	78	125	—	203	—
Non-GAAP Revenue	\$ 188,154	\$ 186,761	\$ 157,824	\$ 374,915	\$ 318,577
GAAP Gross Profit	\$ 76,283	\$ 76,706	\$ 66,167	\$ 152,989	\$ 133,557
Adjustments:					
Amortization of intangibles, inventory and fixed asset fair value adjustments due to acquisitions and other	6,223	5,998	5,174	12,221	10,924
Stock-based compensation	1,079	1,335	901	2,414	1,838
Non-GAAP Gross Profit	\$ 83,585	\$ 84,039	\$ 72,242	\$ 167,624	\$ 146,319
GAAP Gross Margin	40.6 %	41.1 %	41.9 %	40.8 %	41.9 %
Adjustments:					
Amortization of intangibles, inventory and fixed asset fair value adjustments due to acquisitions and other	3.2 %	3.2 %	3.3 %	3.3 %	3.4 %
Stock-based compensation	0.6 %	0.7 %	0.6 %	0.6 %	0.6 %
Non-GAAP Gross Margin	44.4 %	45.0 %	45.8 %	44.7 %	45.9 %
GAAP operating expenses	\$ 55,933	\$ 54,061	\$ 43,674	\$ 109,994	\$ 92,634
Adjustments:					
Amortization of intangibles, inventory and fixed asset fair value adjustments due to acquisitions and other	(2,056)	(1,715)	(1,528)	(3,771)	(3,041)
Stock-based compensation	(5,509)	(5,742)	(4,741)	(11,251)	(9,427)
Gain on contingent consideration	95	—	3,700	95	3,700
Acquisition related expenses	(43)	(166)	—	(209)	(35)
Non-GAAP operating expenses	\$ 48,420	\$ 46,438	\$ 41,105	\$ 94,858	\$ 83,831
GAAP operating income	\$ 20,350	\$ 22,645	\$ 22,493	\$ 42,995	\$ 40,923
Adjustments:					
Amortization of intangibles, inventory and fixed asset fair value adjustments due to acquisitions and other	8,279	7,713	6,702	15,992	13,965
Stock-based compensation	6,588	7,077	5,642	13,665	11,265
Gain on contingent consideration	(95)	—	(3,700)	(95)	(3,700)
Acquisition related expenses	43	166	—	209	35
Non-GAAP operating income	\$ 35,165	\$ 37,601	\$ 31,137	\$ 72,766	\$ 62,488

FORMFACTOR, INC.
NON-GAAP FINANCIAL MEASURE RECONCILIATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended			Six Months Ended	
	June 26, 2021	March 27, 2021	June 27, 2020	June 26, 2021	June 27, 2020
GAAP net income	\$ 17,905	\$ 19,625	\$ 20,469	\$ 37,530	\$ 36,359
Adjustments:					
Amortization of intangibles, inventory and fixed asset fair value adjustments due to acquisitions and other	8,279	7,713	6,702	15,992	13,965
Stock-based compensation	6,588	7,077	5,642	13,665	11,265
Gain on contingent consideration	(95)	—	(3,700)	(95)	(3,700)
Acquisition related expenses	43	166	—	209	35
Income tax effect of non-GAAP adjustments	(4,273)	(3,806)	(3,265)	(8,079)	(6,024)
Non-GAAP net income	<u>\$ 28,447</u>	<u>\$ 30,775</u>	<u>\$ 25,848</u>	<u>\$ 59,222</u>	<u>\$ 51,900</u>
GAAP net income per share:					
Basic	<u>\$ 0.23</u>	<u>\$ 0.25</u>	<u>\$ 0.27</u>	<u>\$ 0.48</u>	<u>\$ 0.48</u>
Diluted	<u>\$ 0.23</u>	<u>\$ 0.25</u>	<u>\$ 0.26</u>	<u>\$ 0.47</u>	<u>\$ 0.46</u>
Non-GAAP net income per share:					
Basic	<u>\$ 0.37</u>	<u>\$ 0.40</u>	<u>\$ 0.34</u>	<u>\$ 0.76</u>	<u>\$ 0.68</u>
Diluted	<u>\$ 0.36</u>	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 0.74</u>	<u>\$ 0.66</u>

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

	Six Months Ended	
	June 26, 2021	June 27, 2020
Cash flows from operating activities:		
Net income	\$ 37,530	\$ 36,359
Selected adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,678	9,240
Amortization	13,900	13,717
Stock-based compensation expense	13,665	11,265
Provision for excess and obsolete inventories	6,898	6,407
Gain on contingent consideration	(95)	(3,700)
Other activity impacting operating cash flows	(18,421)	9,159
Net cash provided by operating activities	66,155	82,447
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(31,322)	(36,743)
Proceeds (purchases) of marketable securities, net	(28,491)	15,684
Other activity impacting investing cash flows	—	82
Net cash used in investing activities	(59,813)	(20,977)
Cash flows from financing activities:		
Purchase of common stock through stock repurchase program	(23,951)	—
Proceeds from issuances of common stock	5,909	4,935
Tax withholdings related to net share settlements of equity awards	(5,261)	(3,800)
Payment of contingent consideration	(3,873)	—
Proceeds from term loan debt	—	18,000
Payment of term loan debt issuance costs	—	(78)
Principal repayments on term loans	(4,740)	(26,322)
Net cash used in financing activities	(31,916)	(7,265)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,558)	583
Net increase (decrease) in cash, cash equivalents and restricted cash	(27,132)	54,788
Cash, cash equivalents and restricted cash, beginning of period	191,098	147,937
Cash, cash equivalents and restricted cash, end of period	\$ 163,966	\$ 202,725

FORMFACTOR, INC.
RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW
(In thousands)
(Unaudited)

	Three Months Ended			Six Months Ended	
	June 26, 2021	March 27, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Net cash provided by operating activities	\$ 33,799	\$ 32,356	\$ 43,108	\$ 66,155	\$ 82,447
Adjustments:					
Cash paid for interest	166	166	182	339	473
Acquisition related payments in working capital	43	173	—	209	35
Capital expenditures	(17,852)	(13,470)	(24,693)	(31,322)	(36,743)
Free cash flow	\$ 16,156	\$ 19,225	\$ 18,597	\$ 35,381	\$ 46,212

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

	June 26, 2021	March 27, 2021	December 26, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 160,273	\$ 173,616	\$ 187,225
Marketable securities	95,962	94,093	67,810
Accounts receivable, net of allowance for doubtful accounts	108,265	103,500	107,603
Inventories, net	111,890	104,727	99,229
Restricted cash	1,857	2,798	1,904
Prepaid expenses and other current assets	19,244	19,371	23,303
Total current assets	497,491	498,105	487,074
Restricted cash	1,836	1,894	1,969
Operating lease, right-of-use-assets	38,485	37,208	30,756
Property, plant and equipment, net of accumulated depreciation	125,348	112,312	104,103
Goodwill	214,548	214,218	212,761
Intangibles, net	41,913	48,786	59,147
Deferred tax assets	66,945	65,821	66,242
Other assets	1,980	1,867	1,165
Total assets	<u>\$ 988,546</u>	<u>\$ 980,211</u>	<u>\$ 963,217</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 62,445	\$ 67,720	\$ 62,045
Accrued liabilities	51,487	43,468	55,342
Current portion of term loans, net of unamortized issuance costs	9,356	9,260	9,516
Deferred revenue	22,655	18,644	20,964
Operating lease liabilities	7,908	7,557	6,704
Total current liabilities	153,851	146,649	154,571
Term loans, less current portion, net of unamortized issuance costs	20,123	22,390	24,978
Deferred tax liabilities	4,613	4,965	5,346
Long-term operating lease liabilities	34,211	33,485	27,996
Other liabilities	6,201	6,189	6,242
Total liabilities	218,999	213,678	219,133
Stockholders' equity:			
Common stock	77	78	78
Treasury stock	—	(5,738)	—
Additional paid-in capital	894,062	915,136	903,838
Accumulated other comprehensive income	3,596	3,150	5,886
Accumulated deficit	(128,188)	(146,093)	(165,718)
Total stockholders' equity	769,547	766,533	744,084
Total liabilities and stockholders' equity	<u>\$ 988,546</u>	<u>\$ 980,211</u>	<u>\$ 963,217</u>

About our Non-GAAP Financial Measures:

We believe that the presentation of non-GAAP net income, non-GAAP earnings per fully-diluted share, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income and free cash flow provides supplemental information that is important to understanding financial and business trends and other factors relating to our financial condition and results of operations. Non-GAAP net income, non-GAAP earnings per fully-diluted share, non-GAAP gross margin, non-GAAP operating expenses, and non-GAAP operating income are among the primary indicators used by management as a basis for planning and forecasting future periods, and by management and our board of directors to determine whether our operating performance has met certain targets and thresholds. Management uses non-GAAP net income, non-GAAP earnings per fully-diluted share, non-GAAP gross margin, non-GAAP operating expenses, and non-GAAP operating income when evaluating operating performance because it believes that the exclusion of the items indicated herein, for which the amounts or timing may vary significantly depending upon our activities and other factors, facilitates comparability of our operating performance from period to period. We use free cash flow to conduct and evaluate our business as an additional way of viewing our liquidity that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our cash flows. Many investors also prefer to track free cash flow, as opposed to only GAAP earnings. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures, and therefore it is important to view free cash flow as a complement to our entire consolidated statements of cash flows. We have chosen to provide this non-GAAP information to investors so they can analyze our operating results closer to the way that management does, and use this information in their assessment of our business and the valuation of our company. We compute non-GAAP net income, non-GAAP fully-diluted earnings per share, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, by adjusting GAAP net income, GAAP earnings per fully-diluted share, GAAP gross margin, GAAP operating expenses, and GAAP operating income to remove the impact of certain items and the tax effect, if applicable, of those adjustments. These non-GAAP measures are not in accordance with, or an alternative to, GAAP and may be materially different from other non-GAAP measures, including similarly titled non-GAAP measures used by other companies. The presentation of this additional information should not be considered in isolation from, as a substitute for, or superior to, net income, earnings per fully-diluted share, gross margin, operating expenses, or operating income in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect certain items that may have a material impact upon our reported financial results. We may expect to continue to incur expenses of a nature similar to the non-GAAP adjustments described above, and exclusion of these items from our non-GAAP net income, non-GAAP earnings per fully-diluted share, non-GAAP gross margin, non-GAAP operating expenses, and non-GAAP operating income should not be construed as an inference that these costs are unusual, infrequent or non-recurring. For more information on the non-GAAP adjustments, please see the table captioned "Non-GAAP Financial Measure Reconciliations" and "Reconciliation of Cash Provided By Operating Activities to Free Cash Flow" included in this press release.

Source: FormFactor, Inc.

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