

inTEST Corporation

inTEST Reports 2018 Second Quarter Financial Results

August 2, 2018

- Net Revenue Increased 12 Percent Sequentially and 33 Percent Year-over-Year, Driven by Strength Across All Business Units;
- Net Earnings Per Diluted Share (GAAP) Increased Sequentially by \$0.35; Adjusted Net Earnings Per Diluted Share (Non-GAAP) Increased by \$0.12

MOUNT LAUREL, N.J., Aug. 02, 2018 (GLOBE NEWSWIRE) -- inTEST Corporation (NYSE American: INTT), an independent designer, manufacturer and marketer of thermal management products and semiconductor automatic test equipment (ATE) interface solutions, today announced financial results for the second quarter ended June 30, 2018.

2018 Second Quarter Summary

(\$ in Millions)	Three Months Ended		
	6/30/2018	3/31/2018	6/30/2017
Total Bookings	\$ 19.3	\$ 20.6	\$ 14.6
Total Bookings excluding Ambrell	\$ 13.6	\$ 13.6	\$ 12.3
Non Semi Bookings - \$	\$ 7.3	\$ 8.1	\$ 5.9
Non Semi Bookings - % of Total Bookings	38 %	39 %	41 %
Net Revenues	\$ 21.1	\$ 18.9	\$ 15.9
Net Revenues excluding Ambrell	\$ 14.7	\$ 12.7	\$ 13.9
Non Semi Net Revenues - \$	\$ 8.1	\$ 8.3	\$ 5.7
Non Semi Net Revenues - % of Total Net Revenues	38 %	44 %	36 %
Gross Margin - \$	\$ 10.9	\$ 9.4	\$ 8.4
Gross Margin - %	52 %	50 %	53 %
Net Earnings (GAAP) (1)(2)(3)	\$ 4.0	\$ 0.4	\$ 1.4
Net Earnings per diluted share (GAAP) (1)(2)(3)	\$ 0.39	\$ 0.04	\$ 0.14
Adjusted Net Earnings (Non-GAAP)(2)(3)	\$ 3.5	\$ 2.3	\$ 1.7
Adjusted Net Earnings per diluted share (Non-GAAP)(2)(3)	\$ 0.34	\$ 0.22	\$ 0.16
Adjusted EBITDA (Non-GAAP)(3)	\$ 4.1	\$ 3.1	\$ 2.7
		As of	
	6/30/2018	3/31/2018	12/31/2017
Cash and cash equivalents	\$ 10.7	\$ 14.4	\$ 13.3

- (1) Consolidated results include the impact of changes in the liability for contingent consideration as follows: a \$710,000 decrease in the second quarter of 2018 and a \$1.7 million increase in the first quarter of 2018.
- (2) Consolidated results for the second quarter of 2018 include the impact of the reversal of the \$476,000 Federal transition tax payable that was estimated during the quarter ended December 31, 2017 under new tax legislation.
- (3) Consolidated results include \$849,000 of acquisition-related expenses for Ambrell Corporation incurred during the second quarter of 2017.

2018 Six Month Year-to-Date Summary

(\$ in Millions)	Six Months Ended	
	6/30/18	6/30/17
Total Bookings	\$ 39.9	\$ 29.6
Total Bookings excluding Ambrell	\$ 27.1	\$ 27.3
Non Semi Bookings - \$	\$ 15.3	\$ 9.4
Non Semi Bookings - % of Total Bookings	39 %	32 %
Net Revenues	\$ 40.0	\$ 30.1
Net Revenues excluding Ambrell	\$ 27.3	\$ 28.1
Non Semi Net Revenues - \$	\$ 16.4	\$ 9.5
Non Semi Net Revenues - % of Total Net Revenues	41 %	32 %
Gross Margin - \$	\$ 20.3	\$ 16.1

Gross Margin - %	51	%	54	%
Net Earnings (GAAP) (4)(5)(6)	\$ 4.4		\$ 3.5	
Net Earnings per diluted share (GAAP)(4)(5)(6)	\$ 0.42		\$ 0.34	
Adjusted Net Earnings (Non-GAAP)(5)(6)	\$ 5.9		\$ 3.8	
Adjusted Net Earnings per diluted share (Non-GAAP)(5)(6)	\$ 0.57		\$ 0.37	
Adjusted EBITDA (Non-GAAP)(6)	\$ 7.2		\$ 6.0	

- (4) Consolidated results include the impact of an increase in the liability for contingent consideration of \$1.0 million in the first half of 2018.
- (5) Consolidated results for 2018 include the impact of the reversal of the \$476,000 Federal transition tax payable that was estimated during the quarter ended December 31, 2017 under new tax legislation.
- (6) Consolidated results for 2017 include \$849,000 of acquisition-related expenses for Ambrell.

“Second quarter operating results were exceptionally strong, driven by orders for our broad-based solutions across test and industrial manufacturing,” commented inTEST President & CEO James Pelrin. “Net revenues of \$21.1 million increased 12% sequentially and exceeded our guidance. Gross margin increased from 50% in the first quarter to 52%, coming in at the high end of our guidance, and net earnings per diluted share increased and exceeded our guidance. Net earnings of \$0.39 increased by \$0.35 sequentially, and adjusted net earnings of \$0.34 increased by \$0.12. The robust demand associated with the semiconductor industry, with automotive sensors, mobility technologies and Internet of Things (IoT), continues to benefit our semiconductor test business, while non-semi business drivers included solid demand from automotive, industrial and defense/aerospace markets.”

Mr. Pelrin added, “We continue to expand our customer base in the markets we serve, while growing inTEST’s footprint in additional thermal test and industrial markets. Looking forward, our long-term drivers remain squarely in place and we see solid opportunities as we take advantage of robust markets where we have a strong focus: semi with its super cycle, IoT, automotive including electric vehicle, optical transceiver and consumer markets. We will continue to direct our resources in these key markets to further grow market share and broaden our customer base.

“Our leadership in thermal continues to increase, with greater opportunities at Ambrell from our OEM partners and end-user projects. In our ITS business we expect continued solid bookings in the semiconductor, defense/aerospace and telecommunications markets, as well as additional demand driven by increased investment by a key industrial energy customer. We expect demand for our semi related products to remain brisk, benefitting both the ITS and EMS divisions.”

Mr. Pelrin concluded, “With the momentum of inTEST’s solid performance in the first half of the year, our commitment to focus resources in growth market areas, and the overall positive global economic climate, we are creating the conditions for our long-term success and a strong 2018.”

2018 Third Quarter Financial Outlook

inTEST expects that net revenues for the third quarter of 2018 will be in the range of \$19.0 million to \$20.0 million and that on a GAAP basis, net earnings per diluted share will range from \$0.19 to \$0.23. On a non-GAAP basis, adjusted net earnings per diluted share is expected to be in the range of \$0.21 to \$0.25. This outlook is based on the Company’s current views with respect to operating and market conditions and customers’ forecasts, which are subject to change.

2018 Second Quarter Conference Call Details

inTEST management will host a conference call on Thursday, August 2, 2018 at 5:00 pm Eastern Daylight Time. The conference call will address the Company’s 2018 second quarter financial results and management’s current expectations and views of the industry. The call may also include discussion of strategic, operating and product initiatives and developments, and other matters relating to the Company’s current or future performance. To access the live conference call, please dial (815) 680-6269 or (866) 900-9241. The Passcode for the conference call is 9197003. Please reference the inTEST 2018 Q2 Financial Results Conference Call.

2018 Second Quarter Live Webcast Details

inTEST Corporation will provide a webcast in conjunction with the conference call. To access the live webcast, please visit inTEST’s website www.intest.com under the “Investors” section.

2018 Second Quarter Replay Details (Webcast)

A replay of the webcast will be available on inTEST’s website for one year following the live broadcast. To access the webcast replay, please visit inTEST’s website www.intest.com under the “Investors” section.

Submit Questions

In advance of the conference call, and for those investors accessing the webcast, inTEST Corporation welcomes individual investors to submit their questions via email to lquerrant@querrantir.com. The Company will address as many questions as possible on the conference call.

Non-GAAP Results

In addition to disclosing results that are determined in accordance with GAAP, we also disclose non-GAAP performance measures. These non-GAAP performance measures include adjusted net earnings, adjusted net earnings per diluted share and adjusted EBITDA. Adjusted net earnings is derived by adding acquired intangible amortization, adjusted for the related income tax expense, to net earnings and removing any change in the fair value of our contingent consideration liability from net earnings. Adjusted net earnings per diluted share is derived by dividing adjusted net earnings by diluted weighted average shares outstanding. Adjusted EBITDA is derived by adding interest expense, income tax expense, depreciation and acquired intangible amortization, adjusted for the related income tax expense, to net earnings and removing any change in the fair value of our contingent consideration liability from net earnings. These results are provided as a complement to results provided in accordance with GAAP. Adjusted net earnings, adjusted net earnings per diluted share and adjusted EBITDA are non-GAAP performance measures presented to provide investors with

meaningful supplemental information regarding our baseline performance before acquired intangible amortization charges and changes in the estimate of future consideration that may be paid out related to prior acquisitions as these expenses or income items may not be indicative of our current core business or future outlook. These non-GAAP performance measures are used by management to make operational decisions, to forecast future operational results, and for comparison with our business plan, historical operating results and the operating results of our peers. A reconciliation from net earnings and net earnings per diluted share to adjusted net earnings and adjusted net earnings per diluted share and from net earnings to adjusted EBITDA, which are discussed in this earnings release, is contained in the tables below. The non-GAAP performance measures discussed in this earnings release may not be comparable to similarly titled measures used by other companies. The presentation of non-GAAP measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP.

About inTEST Corporation

inTEST Corporation designs and manufactures engineered solutions for ATE and other electronic test, as well as industrial process applications. Our products are used by semiconductor manufacturers to perform development, qualifying and final testing of integrated circuits (ICs) and wafers, and for other electronic test across a range of industries including the automotive, defense/aerospace, energy, industrial and telecommunications markets. We offer induction heating products for joining and forming metals in a variety of industrial markets, including automotive, aerospace, machinery, wire & fasteners, medical, semiconductor, food & beverage, and packaging. Specific products include temperature management systems, induction heating products, manipulator and docking hardware products, and customized interface solutions. We have established strong relationships with our customers globally, which we support through a network of local offices. For more information visit www.intest.com.

Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements do not convey historical information, but relate to predicted or potential future events and financial results that are based upon management's current expectations. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In addition to the factors mentioned in this press release, such risks and uncertainties include, but are not limited to, changes in business conditions and the economy, generally; changes in the demand for semiconductors, generally; changes in the rates of, and timing of, capital expenditures by our customers; the success of our strategy to diversify our business by entering markets outside the semiconductor or ATE markets; progress of product development programs; increases in raw material and fabrication costs associated with our products, and other risk factors set forth from time to time in our SEC filings, including, but not limited to, our periodic reports on Form 10-K and Form 10-Q. inTEST undertakes no obligation to update the information in this press release to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events.

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SELECTED FINANCIAL DATA

(Unaudited)

(In thousands, except per share data)

Condensed Consolidated Statements of Operations Data:

	Three Months Ended			Six Months Ended	
	6/30/2018	6/30/2017	3/31/2018	6/30/2018	6/30/2017
Net revenues	\$ 21,097	\$ 15,888	\$ 18,871	\$ 39,968	\$ 30,068
Gross margin	10,910	8,421	9,395	20,305	16,149
Operating expenses:					
Selling expense	2,538	1,871	2,476	5,014	3,539
Engineering and product development expense	1,230	982	1,296	2,526	1,917
General and administrative expense	3,335	3,286	2,990	6,325	5,280
Adjustment to contingent consideration liability	(710)	-	1,726	1,016	-
Operating income	4,517	2,282	907	5,424	5,413
Other income (loss)	(121)	54	75	(46)	95
Earnings before income tax expense	4,396	2,336	982	5,378	5,508
Income tax expense	382	891	601	983	1,985
Net earnings	4,014	1,445	381	4,395	3,523
Net earnings per share – basic	\$ 0.39	\$ 0.14	\$ 0.04	\$ 0.43	\$ 0.34
Weighted average shares outstanding – basic	10,343	10,277	10,326	10,335	10,271

Net earnings per share – diluted	\$ 0.39	\$ 0.14	\$ 0.04	\$ 0.42	\$ 0.34
Weighted average shares outstanding – diluted	10,370	10,335	10,365	10,368	10,315

Condensed Consolidated Balance Sheets Data:

		As of:		
	6/30/2018	3/31/2018	12/31/2017	
Cash and cash equivalents	\$ 10,713	\$ 14,438	\$ 13,290	
Trade accounts receivable, net	11,596	11,524	12,166	
Inventories	6,859	6,668	4,966	
Total current assets	29,602	33,287	30,999	
Net property and equipment	2,941	2,403	1,541	
Total assets	62,037	65,433	62,493	
Accounts payable	2,738	3,280	2,032	
Accrued expenses	5,374	4,752	5,833	
Total current liabilities	15,680	15,638	14,419	
Noncurrent liabilities	2,464	9,967	8,786	
Total stockholders' equity	43,893	39,828	39,288	

Reconciliation of GAAP to Non-GAAP Net Earnings and Net Earnings per Diluted Share:

	Three Months Ended			Six Months Ended	
	6/30/2018	6/30/2017	3/31/2018	6/30/2018	6/30/2017
Net earnings (GAAP)	\$ 4,014	\$ 1,445	\$ 381	\$ 4,395	\$ 3,523
Acquired intangible amortization	247	250	216	463	303
Contingent consideration liability adjustment	(710)	-	1,726	1,016	-
Tax adjustments	(2)	(6)	(11)	(13)	(12)
Adjusted net earnings (Non-GAAP)	\$ 3,549	\$ 1,689	\$ 2,312	\$ 5,861	\$ 3,814
Diluted weighted average shares outstanding	10,370	10,335	10,365	10,368	10,315
Net earnings per share – diluted:					
Net earnings (GAAP)	\$ 0.39	\$ 0.14	\$ 0.04	\$ 0.42	\$ 0.34
Acquired intangible amortization	0.02	0.02	0.02	0.05	0.03
Contingent consideration liability adjustment	(0.07)	-	0.16	0.10	-
Tax adjustments	-	-	-	-	-
Adjusted net earnings per share – diluted (Non-GAAP)	\$ 0.34	\$ 0.16	\$ 0.22	\$ 0.57	\$ 0.37

Reconciliation of GAAP Net Earnings to Non-GAAP Adjusted EBITDA:

	Three Months Ended			Six Months Ended	
	6/30/2018	6/30/2017	3/31/2018	6/30/2018	6/30/2017
Net earnings (GAAP)	\$ 4,014	\$ 1,445	\$ 381	\$ 4,395	\$ 3,523
Acquired intangible amortization	247	250	216	463	303
Interest expense	-	-	-	-	-
Income tax expense	382	891	601	983	1,985
Depreciation	188	123	189	377	220
Contingent consideration liability adjustment	(710)	-	1,726	1,016	-
Adjusted EBITDA (Non-GAAP)	\$ 4,121	\$ 2,709	\$ 3,113	\$ 7,234	\$ 6,031

Supplemental Information – Reconciliation of Third Quarter 2018 GAAP to Non-GAAP Guidance

	Low	High
Estimated net earnings per share – diluted (GAAP)	\$ 0.19	\$ 0.23
Acquired intangible amortization	0.02	0.02
Contingent consideration liability adjustment	-	-
Tax adjustments	-	-
Estimated adjusted net earnings per share – diluted (Non-GAAP)	\$ 0.21	\$ 0.25

 [Primary Logo](#)