

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

August 1, 2019

Date of Report (Date of earliest event reported)

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-36117

(Commission File Number)

22-2370659

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

804 East Gate Drive, Suite 200, Mt. Laurel, New Jersey 08054

(Address of Principal Executive Offices, including zip code)

(856) 505-8800

(Registrant's Telephone Number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written Communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.01 per share	INTT	NYSE American

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

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.

Item 2.02. Results of Operations and Financial Condition

On August 1, 2019, inTEST Corporation (the "Company") issued a press release, held a webcast conference call (as previously announced) and posted conference call supplemental information to its website regarding its financial results for the second quarter ended June 30, 2019. After issuance of the press release, the Company corrected certain typographical errors appearing in the reconciliation tables in the press release and the conference call supplemental information. The Company's corrected press release is furnished as Exhibit 99.1, the corrected conference call supplemental information is furnished as Exhibit 99.2 and the textual representation of the conference call is furnished as Exhibit 99.3 to this Current Report on Form 8-K.

Item 8.01. Other Events.

On August 1, 2019, the Company issued a press release announcing that the Company's Board of Directors has authorized the repurchase of up to \$3 million of the Company's common stock from time to time on the open market, in accordance with Rule 10b-18 under the Securities Exchange Act of 1934, or in privately negotiated transactions pursuant to a newly authorized stock repurchase plan. A copy of the press release is filed as Exhibit 99.4 to this Current Report on Form 8-K and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Second Quarter 2019 Press Release dated August 1, 2019.
99.2	Second Quarter 2019 Conference Call Supplemental Information dated August 1, 2019.
99.3	Textual representation of conference call of August 1, 2019.
99.4	Stock Repurchase Program Press Release dated August 1, 2019

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

inTEST CORPORATION

By: /s/ Hugh T. Regan, Jr.
Hugh T. Regan, Jr.
Secretary, Treasurer and Chief Financial Officer

Date: August 6, 2019

FOR IMMEDIATE RELEASE

inTEST REPORTS 2019 SECOND QUARTER FINANCIAL RESULTS*Total Bookings Increased 34 Percent Sequentially*

MANSFIELD, Mass., Aug. 01, 2019 (GLOBE NEWSWIRE) -- In a release issued under the same headline earlier today by inTEST Corporation (NYSE American: INTT), please note that there were some incorrect numbers in the final two financial tables. The complete, corrected release follows.

inTEST Corporation (NYSE American: INTT), a global supplier of precision-engineered solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, energy, industrial, semiconductor and telecommunications, today announced financial results for the quarter ended June 30, 2019.

2019 Second Quarter Financial Summary
(\$ in Millions, Except Per Share Data)

	Three Months Ended		
	6/30/2019	3/31/2019	6/30/2018
Semi Market Bookings (1)	\$ 8.6	\$ 5.6	\$ 12.0
Multi Markets Bookings (2)	7.3	6.3	7.3
Total Bookings	\$ 15.9	\$ 11.9	\$ 19.3
Semi Market Bookings (1) - % of Total Bookings	54%	47%	62%
Multi Markets Bookings (2) - % of Total Bookings	46%	53%	38%
Semi Market Net Revenues (1)	\$ 7.7	\$ 10.1	\$ 13.0
Multi Markets Net Revenues (2)	6.7	8.0	8.1
Total Net Revenues	\$ 14.4	\$ 18.1	\$ 21.1
Semi Market Net Revenues (1) - % of Total Net Revenues	53%	56%	62%
Multi Markets Net Revenues (2) - % of Total Net Revenues	47%	44%	38%
Gross Margin	\$ 6.7	\$ 8.8	\$ 10.9
Gross Margin	47%	49%	52%
Net Earnings (Loss) (GAAP) (3)	\$ (0.2)	\$ 1.1	\$ 4.0
Net Earnings (Loss) per diluted share (GAAP) (3)	\$ (0.02)	\$ 0.11	\$ 0.39
Adjusted Net Earnings (Non-GAAP) (4)	\$ 0.1	\$ 1.5	\$ 3.5
Adjusted Net Earnings per diluted share (Non-GAAP) (4)	\$ 0.01	\$ 0.14	\$ 0.34
Adjusted EBITDA (Non-GAAP) (4)	\$ 0.2	\$ 2.0	\$ 4.1
	As of		
	6/30/2019	3/31/2019	12/31/2018
Cash and cash equivalents	\$ 7.6	\$ 8.2	\$ 17.9

- (1) Semi Market: These amounts include all bookings and net revenues from the semiconductor market.
- (2) Multi Markets: Formerly referred to as “Non Semi Bookings” and “Non Semi Net Revenues.” These amounts include all bookings and net revenues from markets other than the semiconductor market.
- (3) For the second quarter of 2018, Net Earnings (Loss) (GAAP) and Net Earnings (Loss) per diluted share (GAAP) include the impact of a decrease in the liability for contingent consideration of \$710,000 and the reversal of the \$476,000 Federal transition tax payable that was estimated during the quarter ended December 31, 2017 under new tax legislation. During the second quarter of 2018, we determined that this tax was not due.
- (4) Further information can be found under “Non-GAAP Results.” See also the reconciliation of GAAP financial measures to non-GAAP financial measures that accompanies this earnings release.

2019 Six Month Year-to-Date Financial Summary
(\$ in Millions, Except Per Share Data)

	Six Months Ended	
	6/30/2019	6/30/2018
Semi Market Bookings (5)	\$ 14.2	\$ 24.6
Multi Markets Bookings (6)	13.6	15.3
Total Bookings	\$ 27.8	\$ 39.9
Semi Market Bookings (5) - % of Total Bookings	51%	62%
Multi Markets Bookings (6) - % of Total Bookings	49%	38%
Semi Market Net Revenues (5)	\$ 17.7	\$ 23.6
Multi Markets Net Revenues (6)	14.7	16.4
Total Net Revenues	\$ 32.4	\$ 40.0
Semi Market Net Revenues (5) - % of Total Net Revenues	55%	59%
Multi Markets Net Revenues (6) - % of Total Net Revenues	45%	41%
Gross Margin	\$ 15.6	\$ 20.3
Gross Margin	48%	51%
Net Earnings (GAAP) (7)	\$ 1.0	\$ 4.4
Net Earnings per diluted share (GAAP) (7)	\$ 0.09	\$ 0.42
Adjusted Net Earnings (Non-GAAP) (8)	\$ 1.6	\$ 5.9
Adjusted Net Earnings per diluted share (Non-GAAP) (8)	\$ 0.15	\$ 0.57
Adjusted EBITDA (Non-GAAP) (8)	\$ 2.2	\$ 7.2

- (5) Semi Market: These amounts include all bookings and net revenues from the semiconductor market.
- (6) Multi Markets: Formerly referred to as “Non Semi Bookings” and “Non Semi Net Revenues.” These amounts include all bookings and net revenues from markets other than the semiconductor market.
- (7) For the six months ended June 30, 2018, Net Earnings (GAAP) and Net Earnings per diluted share (GAAP) include the impact of an increase in the liability for contingent consideration of \$1.0 million and the reversal of the \$476,000 Federal transition tax payable that was estimated during the quarter ended December 31, 2017 under new tax legislation. During the six months ended June 30, 2018, we determined that this tax was not due.
- (8) Further information can be found under “Non-GAAP Results.” See also the reconciliation of GAAP financial measures to non-GAAP financial measures that accompanies this earnings release.

2019 Second Quarter Highlights

- Second quarter thermal segment bookings increased 37% sequentially.
 - Defense/aerospace bookings were received for a variety of products intended for satellite, tactical, and secure communications applications. Also included was a new aerospace customer for ThermoStream® brand products for long wave infrared cameras.
 - Thermonics® process chillers achieved record bookings levels, driven by semiconductor and defense customers. Several of the chiller orders were for the chemical extraction market.
 - We received significant orders for Ambrell EKOHEAT® induction heating equipment from an Original Equipment Manufacturer (OEM) for use in Chemical Vapor Deposition equipment and from a customer in the medical sector.
 - A new customer for critical processing of silicon carbide semiconductor materials placed an order for several Ambrell EKOHEAT® systems.
- Second quarter semiconductor test related bookings increased 24% sequentially.
 - inTEST EMS secured an order for a new jointly developed interface product with a prominent integrated aerospace test and measurement manufacturer supporting 5G device test.
 - A major US-based fabless semiconductor manufacturer placed significant probe docking system orders.
 - Top tier Integrated Device Manufacturers continued to purchase EMS products for immediate increased test capacity and the next product ramp cycle.

inTEST President & CEO James Pelrin commented, “I am very pleased with the manner in which the entire inTEST team performed in a challenging environment. Despite incurring a slight operating loss, we reported a solid gross margin and our balance sheet continues to be healthy. Second quarter total bookings increased 34% sequentially, paving the way for our expectations of increasing revenues in the second half of 2019.”

Mr. Pelrin added, “Beginning this quarter, we are referring to our business somewhat differently in order to more crisply define our historical roots in serving the inherently cyclical semiconductor market and the many other large, more diversified and growing markets for our precision equipment. As the cornerstone of inTEST, the semiconductor market (Semi Market) is an important component of our business. Complementing this market is our ‘Non-Semi’ market, which will now be known as our ‘Multi Markets.’ ‘Multi Markets’ represents our diversification and refers to any markets other than the semiconductor market. This stems from our strategic objective of growing our business in non-semiconductor markets both organically as well as through acquisition. It is important to note that business within our Thermal segment can fall into either ‘Semi’ or ‘Multi,’ depending upon how our customers utilize our products or upon their respective applications.”

Mr. Pelrin concluded, “We are continuing to expand the company from our foundation in semiconductors to be a broad-based supplier to multiple strategic markets, and our product set and our technologies continue to be in demand. We continue to strive to excel with our capabilities to deliver precision-engineered thermal, mechanical and electronic solutions, and believe we are also well positioned to participate as the semiconductor industry rebounds.”

2019 Third Quarter Financial Outlook

inTEST’s guidance for the 2019 third quarter includes both GAAP and non-GAAP estimates. A reconciliation between these GAAP and non-GAAP financial measures is included below.

Actual results may differ materially as a result of, among other things, the factors described under “Forward-Looking Statements” below.

inTEST expects that net revenues for the third quarter of 2019 will be in the range of \$14.5 million to \$15.5 million and that on a GAAP basis, net earnings per diluted share will range from \$0.02 to \$0.06. 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.

2019 Second Quarter Supplemental Information and Conference Call Details

inTEST is providing Supplemental Information (“Information”) in combination with its press release. This Information is offered to provide shareholders and analysts with additional time and detail for analyzing the Company’s financial results in advance of the Company’s quarterly conference call. The Information will be available in conjunction with the press release at inTEST’s website www.intest.com, under the “Investors” section.

inTEST management will host a conference call on Thursday, August 1, 2019 at 5:00 pm Eastern Daylight Time. The conference call will address the Company’s 2019 second quarter financial results and management’s current expectations and views of the industry. The call may also include discussion of strategic, operating, product initiatives or developments, or other matters relating to the Company’s current or future performance. To access the live conference call, please dial (323) 794-2597 or (800) 458-4121. The Passcode for the conference call is 6116328. Please reference the inTEST 2019 Q2 Financial Results Conference Call.

2019 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.

2019 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 lguerrant@guerrantir.com.

Non-GAAP Results

In addition to disclosing results that are determined in accordance with GAAP, we also disclose non-GAAP financial measures. These non-GAAP financial measures include adjusted net earnings (loss), adjusted net earnings (loss) per diluted share, EBITDA and adjusted EBITDA. Adjusted net earnings (loss) is derived by adding acquired intangible amortization, adjusted for the related income tax expense (benefit), to net earnings (loss) and removing any change in the fair value of our contingent consideration liability from net earnings (loss). Adjusted net earnings (loss) per diluted share is derived by dividing adjusted net earnings (loss) by diluted weighted average shares outstanding. EBITDA is derived by adding acquired intangible amortization, interest expense, income tax expense, and depreciation to net earnings (loss). Adjusted EBITDA is derived by removing any change in the fair value of our contingent consideration liability from EBITDA. These results are provided as a complement to the results provided in accordance with GAAP. Adjusted net earnings (loss), adjusted net earnings (loss) per diluted share, EBITDA and adjusted EBITDA are non-GAAP financial 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 financial 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 (loss) and net earnings (loss) per diluted share to adjusted net earnings (loss) and adjusted net earnings (loss) per diluted share and from net earnings (loss) to EBITDA and adjusted EBITDA, which are discussed in this earnings release, is contained in the tables below. The non-GAAP financial measures discussed in this earnings release may not be comparable to similarly titled measures used by other companies. The presentation of non-GAAP financial 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 is a global supplier of precision-engineered solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, energy, industrial, semiconductor and telecommunications. Backed by decades of engineering expertise and a culture of operational excellence, we solve difficult thermal, mechanical and electronic challenges for customers worldwide while generating strong cash flow and profits. Our strategy uses these strengths to grow and increase shareholder value by maximizing our businesses and by identifying, acquiring and optimizing complementary businesses.

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, as amended. These statements do not convey historical information, but relate to predicted or potential future events and financial results, such as statements of our plans, strategies and intentions, or our future performance or goals, that are based upon management's current expectations. Our forward-looking statements can often be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," "will," "should," "plans," "projects," "forecasts," "outlook," or "anticipates" or similar terminology. 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, indications of a change in the market cycles in the semiconductor and ATE markets or other markets we serve; changes in business conditions and general economic conditions both domestically and globally; changes in the demand for semiconductors, generally; the success of our strategy to diversify our business by entering markets outside the semiconductor or ATE markets; the possibility of future acquisitions or dispositions and the successful integration of any acquired operations; the ability to borrow funds or raise capital to finance major potential acquisitions; changes in the rates of, and timing of, capital expenditures by our customers; 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 Securities and Exchange Commission filings, including, but not limited to, our periodic reports on Form 10-K and Form 10-Q. Any forward-looking statement made by inTEST in this press release is based only on information currently available to inTEST and speaks to circumstances only as of the date on which it is made. 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.

Contacts

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Treasurer and Chief Financial Officer
Tel: 856-505-8999

Investors:
Laura Guerrant-Oiye, Principal
Guerrant Associates
guerrant@guerrantir.com
Tel: (808) 960-2642

– tables follow –

SELECTED FINANCIAL DATA
(Unaudited)
(In thousands, except per share data)

Condensed Consolidated Statements of Operations Data:

	Three Months Ended			Six Months Ended	
	6/30/2019	6/30/2018	3/31/2019	6/30/2019	6/30/2018
Net revenues	\$ 14,352	\$ 21,097	\$ 18,062	\$ 32,414	\$ 39,968
Gross margin	6,719	10,910	8,836	15,555	20,305
Operating expenses:					
Selling expense	2,087	2,538	2,374	4,461	5,014
Engineering and product development expense	1,208	1,230	1,284	2,492	2,526
General and administrative expense	3,718	3,335	3,737	7,455	6,325
Adjustment to contingent consideration liability	-	(710)	-	-	1,016
Operating income (loss)	(294)	4,517	1,441	1,147	5,424
Other income (loss)	(6)	(121)	21	15	(46)
Earnings (loss) before income tax expense	(300)	4,396	1,462	1,162	5,378
Income tax expense (benefit)	(113)	382	324	211	983
Net earnings (loss)	(187)	4,014	1,138	951	4,395
Net earnings (loss) per share – basic	\$ (0.02)	\$ 0.39	\$ 0.11	\$ 0.09	\$ 0.43
Weighted average shares outstanding – basic	10,411	10,343	10,385	10,398	10,334
Net earnings (loss) per share – diluted	\$ (0.02)	\$ 0.39	\$ 0.11	\$ 0.09	\$ 0.42
Weighted average shares outstanding – diluted	10,411	10,370	10,414	10,420	10,368

Condensed Consolidated Balance Sheets Data:

	As of:		
	6/30/2019	3/31/2019	12/31/2018
Cash and cash equivalents	\$ 7,594	\$ 8,191	\$ 17,861
Trade accounts receivable, net	9,172	10,161	10,563
Inventories	7,183	7,146	6,520
Total current assets	24,493	26,261	35,621
Net property and equipment	2,572	2,620	2,717
Total assets	60,796	61,442	67,187
Accounts payable	2,412	2,508	1,787
Accrued expenses	4,653	4,575	6,764
Total current liabilities	9,116	11,546	21,418
Noncurrent liabilities	7,477	5,778	2,889
Total stockholders' equity	44,203	44,118	42,880

Reconciliation of Net Earnings (Loss) (GAAP) to Adjusted Net Earnings (Non-GAAP) and Net Earnings (Loss) Per Share – Diluted (GAAP) to Adjusted Net Earnings Per Share – Diluted (Non-GAAP):

	Three Months Ended			Six Months Ended	
	6/30/2019	6/30/2018	3/31/2019	6/30/2019	6/30/2018
Net earnings (loss) (GAAP)	\$ (187)	\$ 4,014	\$ 1,138	\$ 951	\$ 4,395
Acquired intangible amortization	315	247	317	632	463
Contingent consideration liability adjustment	-	(710)	-	-	1,016
Tax adjustments	(3)	(2)	(5)	(8)	(13)
Adjusted net earnings (Non-GAAP)	<u>\$ 125</u>	<u>\$ 3,549</u>	<u>\$ 1,450</u>	<u>\$ 1,575</u>	<u>\$ 5,861</u>
Diluted weighted average shares outstanding	<u>10,425</u>	<u>10,370</u>	<u>10,414</u>	<u>10,420</u>	<u>10,368</u>
Net earnings per share – diluted:					
Net earnings (loss) (GAAP)	\$ (0.02)	\$ 0.39	\$ 0.11	\$ 0.09	\$ 0.42
Acquired intangible amortization	0.03	0.02	0.03	0.06	0.05
Contingent consideration liability adjustment	-	(0.07)	-	-	0.10
Tax adjustments	-	-	-	-	-
Adjusted net earnings per share – diluted (Non-GAAP)	<u>\$ 0.01</u>	<u>\$ 0.34</u>	<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.57</u>

Reconciliation of Net Earnings (Loss) (GAAP) to EBITDA (Non-GAAP) and Adjusted EBITDA (Non-GAAP):

	Three Months Ended			Six Months Ended	
	6/30/2019	6/30/2018	3/31/2019	6/30/2019	6/30/2018
Net earnings (loss) (GAAP)	\$ (187)	\$ 4,014	\$ 1,138	\$ 951	\$ 4,395
Acquired intangible amortization	315	247	317	632	463
Interest expense	-	-	-	-	-
Income tax expense (benefit)	(113)	382	324	211	983
Depreciation	184	188	181	365	377
EBITDA (Non-GAAP)	199	4,831	1,960	2,159	6,218
Contingent consideration liability adjustment	-	(710)	-	-	1,016
Adjusted EBITDA (Non-GAAP)	<u>\$ 199</u>	<u>\$ 4,121</u>	<u>\$ 1,960</u>	<u>\$ 2,159</u>	<u>\$ 7,234</u>

Supplemental Information – Reconciliation of Third Quarter 2019 Estimated Net Earnings Per Share – Diluted (GAAP) to Estimated Adjusted Net Earnings Per Share – Diluted (Non-GAAP):

	Low	High
Estimated net earnings per share – diluted (GAAP)	\$ 0.02	\$ 0.06
Estimated acquired intangible amortization	0.03	0.03
Estimated tax adjustments	-	-
Estimated adjusted net earnings per share – diluted (Non-GAAP)	<u>\$ 0.05</u>	<u>\$ 0.09</u>

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inTEST Corporation

**inTEST Corporation
SECOND QUARTER 2019 EARNINGS ANNOUNCEMENT
CONFERENCE CALL SUPPLEMENTAL INFORMATION
August 1, 2019**

inTEST Corporation is providing Supplemental Information in conjunction with our 2019 second quarter press release in order to provide shareholders and analysts with additional time and detail for analyzing our financial results in advance of our quarterly conference call. The conference call will begin today, August 1, 2019, at 5:00 pm EDT. To access the conference call, please dial (323) 794-2597 or (800) 458-4121. The passcode for the live call is 6116328. In addition, a live webcast will be available on inTEST's website, www.intest.com under the "Investors" section and a replay of the webcast will be available for one year following the live broadcast.

With this Q2 2019 earnings announcement, we are referring to our business somewhat differently in order to more crisply define our historical roots in serving the inherently cyclical semiconductor market and the many other large, more diversified and growing markets for our precision equipment. As the cornerstone of inTEST, the semiconductor market (Semi Market) is an important component of our business. Complementing this market is our 'Non-Semi' market, which will now be known as our 'Multi Markets.' 'Multi Markets' represents our diversification and refers to any markets other than the semiconductor market. This stems from our strategic objective of growing our business in non-semiconductor markets both organically as well as through acquisition. It is important to note that business within our Thermal segment can fall into either 'Semi' or 'Multi,' depending upon how our customers utilize our products or upon their respective applications.

Please see the "Reconciliation of Net Earnings (Loss) (GAAP) to EBITDA (Non-GAAP)" later in this document for more details on non-GAAP financial measures, as well as a reconciliation from net earnings (loss) to EBITDA, a non-GAAP financial measure.

Summary of Business and Financial Highlights

Today we reported the following results for the second quarter of 2019:

- Bookings were \$15.9 million, up 34% from \$11.9 million reported for Q1 2019, and down 17% from \$19.3 million reported for Q2 2018. Bookings from Multi Markets were 46% of total bookings for Q2 2019, compared to 53% in Q1 2019 and 38% in Q2 2018.
- Net revenues were \$14.4 million, down 21% from \$18.1 million reported for Q1 2019, and down 32% from \$21.1 million reported for Q2 2018. Net revenues from Multi Markets were 47% of total net revenues for Q2 2019, compared to 44% in Q1 2019 and 38% in Q2 2018.
- Gross margin was \$6.7 million or 47%, down from \$8.8 million or 49% reported for Q1 2019, and down from \$10.9 million or 52% reported for Q2 2018.
- Operating loss was (\$294,000), down from operating income of \$1.4 million reported for Q1 2019 and down from operating income of \$4.5 million reported for Q2 2018.
- Net loss was (\$187,000) or (\$0.02) per diluted share, down from net earnings of \$1.1 million or \$0.11 per diluted share reported for Q1 2019, and down from net earnings of \$4.0 million or \$0.39 per diluted share reported for Q2 2018.

Summary of Bookings and Net Revenues

Bookings by end market served in dollars and as a percentage of total bookings and net revenues by end market served in dollars and as a percentage of total net revenues for the periods presented:

(\$ in 000s)	Three Months Ended									
	6/30/19		3/31/19		Change		6/30/18		Change	
					\$	%			\$	%
<u>Bookings</u>										
Industrial	\$ 4,623	29.0%	\$ 4,683	39.3%	\$ (60)	-1.3%	\$ 4,829	25.1%	\$ (206)	-4.3%
Electronic Test	2,669	16.8%	1,639	13.8%	1,030	62.8%	2,456	12.7%	213	8.7%
Multi Markets (Non-Semi)	\$ 7,292	45.8%	\$ 6,322	53.1%	\$ 970	15.3%	\$ 7,285	37.8%	\$ 7	0.1%
Semi Market (Semiconductor)	8,629	54.2%	5,573	46.9%	3,056	54.8%	11,981	62.2%	(3,352)	-28.0%
	<u>\$ 15,921</u>	<u>100.0%</u>	<u>\$ 11,895</u>	<u>100.0%</u>	<u>\$ 4,026</u>	<u>33.8%</u>	<u>\$ 19,266</u>	<u>100.0%</u>	<u>\$ (3,345)</u>	<u>-17.4%</u>
<u>Net Revenues</u>										
Industrial	\$ 4,279	29.8%	\$ 5,946	32.9%	\$ (1,667)	-28.0%	\$ 5,000	23.7%	\$ (721)	-14.4%
Electronic Test	2,432	17.0%	2,005	11.1%	427	21.3%	3,054	14.5%	(622)	-20.4%
Multi Markets (Non-Semi)	\$ 6,711	46.8%	\$ 7,951	44.0%	\$ (1,240)	-15.6%	\$ 8,054	38.2%	\$ (1,343)	-16.7%
Semi Market (Semiconductor)	7,641	53.2%	10,111	56.0%	(2,470)	-24.4%	13,043	61.8%	(5,402)	-41.4%
	<u>\$ 14,352</u>	<u>100.0%</u>	<u>\$ 18,062</u>	<u>100.0%</u>	<u>\$ (3,710)</u>	<u>-20.5%</u>	<u>\$ 21,097</u>	<u>100.0%</u>	<u>\$ (6,745)</u>	<u>-32.0%</u>

Second quarter Multi Market (non-semi) bookings were \$7.3 million, or 46% of total bookings, compared with \$6.3 million, or 53% of total bookings in the first quarter.

Second quarter Multi Market (non-semi) net revenues were \$6.7 million, or 47% of total net revenues, compared with \$8.0 million, or 44% of total net revenues in the first quarter.

Summary of Component Material Costs, Cost of Revenues and Gross Margin

Component material costs, cost of revenues and gross margin by segment in dollars and as a percentage of total net revenues in the periods presented:

(\$ in 000s)	Three Months Ended					
	6/30/19		3/31/19		6/30/18	
Consolidated						
Component material costs	\$ 4,641	32.3%	\$ 5,991	33.2%	\$ 7,100	33.7%
Cost of revenues	\$ 7,633	53.2%	\$ 9,226	51.1%	\$ 10,187	48.3%
Gross margin	\$ 6,719	46.8%	\$ 8,836	48.9%	\$ 10,910	51.7%
Thermal						
Component material costs	\$ 3,259	31.0%	\$ 4,161	32.9%	\$ 4,694	33.5%
Cost of revenues	\$ 5,607	53.3%	\$ 6,722	53.2%	\$ 7,136	51.0%
Gross margin	\$ 4,913	46.5%	\$ 5,912	46.8%	\$ 6,863	49.0%
EMS						
Component material costs	\$ 1,382	36.0%	\$ 1,830	33.7%	\$ 2,406	33.9%
Cost of revenues	\$ 2,026	52.9%	\$ 2,504	46.1%	\$ 3,051	43.0%
Gross margin	\$ 1,806	47.1%	\$ 2,924	53.9%	\$ 4,047	57.0%

Second quarter gross margin was \$6.7 million, or 47%, as compared with \$8.8 million, or 49%, in the first quarter. The reduction in the gross margin was the result of an increase in our fixed manufacturing costs as a percentage of net revenues, partially offset by a reduction in our component material costs as a percentage of our net revenues. Consolidated component material costs decreased from 33.2% in Q1 to 32.3% in Q2, reflecting lower component material costs in our Thermal segment.

The decrease in the component material costs in our Thermal segment, which declined from 32.9% in the first quarter to 31.0% in the second quarter, was due to a more favorable product and customer mix in the second quarter as compared to the first quarter in our Ambrell operation. This decline was partially offset by a slight increase in the component material costs of our EMS segment, which saw its component material costs grow from 33.7% in the first quarter to 36.0% in the second quarter, reflecting a less favorable product and customer mix.

Fixed manufacturing costs declined \$253,000, or 9% sequentially, to \$2.5 million in Q2 2019, and were less favorably absorbed in the second quarter due to the lower net revenues. As a result, these costs represented 17.3% of our net revenues in the second quarter as compared to 15.2% in the first quarter. The reduction in the dollar amount of our fixed manufacturing costs was driven by reduced salary and benefits as we reduced headcount in response to lower production levels.

Summary of Results of Operations

Results of operations in dollars and as a percentage of total net revenues in the periods presented:

(\$ in 000s, except per share data)	Three Months Ended									
	6/30/2019		3/31/2019		Change		6/30/2018		Change	
					\$	%			\$	%
Net revenues	\$ 14,352	100.0%	\$ 18,062	100.0%	\$ (3,710)	-20.5%	\$ 21,097	100.0%	\$ (6,745)	-32.0%
Cost of revenues	7,633	53.2%	9,226	51.1%	(1,593)	-17.3%	10,187	48.3%	(2,554)	-25.1%
Gross margin	6,719	46.8%	8,836	48.9%	(2,117)	-24.0%	10,910	51.7%	(4,191)	-38.4%
Selling expense	2,087	14.5%	2,374	13.1%	(287)	-12.1%	2,538	12.0%	(451)	-17.8%
R&D expense	1,208	8.4%	1,284	7.1%	(76)	-5.9%	1,230	5.8%	(22)	-1.8%
G&A expense	3,718	25.9%	3,737	20.7%	(19)	-0.5%	3,335	15.8%	383	11.5%
Adjust to CCL	-	0.0%	-	0.0%	-	-	(710)	-3.4%	710	-100.0%
Operating expenses	7,013	48.8%	7,395	40.9%	(382)	-5.2%	6,393	30.2%	620	9.7%
Operating income (loss)	(294)	-2.0%	1,441	8.0%	(1,735)	-120.4%	4,517	21.5%	(4,811)	-106.5%
Other income (expense)	(6)	0.0%	21	0.1%	(27)	-128.6%	(121)	-0.6%	115	-95.0%
Pre-tax income (loss)	(300)	-2.1%	1,462	8.1%	(1,762)	-120.5%	4,396	20.9%	(4,696)	-106.8%
Income tax expense (benefit)	(113)	-0.8%	324	1.8%	(437)	-134.9%	382	1.8%	(495)	-129.6%
Net income (loss)	\$ (187)	-1.3%	\$ 1,138	6.3%	\$ (1,325)	-116.4%	\$ 4,014	19.1%	\$ (4,201)	-104.7%
Diluted EPS	\$ (0.02)		\$ 0.11				\$ 0.39			
Weighted Avg Shares - diluted	10,411		10,414				10,370			
EBITDA (Non-GAAP)	\$ 199	1.4%	\$ 1,960	10.9%	\$ (1,761)	-89.8%	\$ 4,831	22.9%	\$ (4,632)	-95.9%

Selling expense declined from \$2.4 million for the first quarter to \$2.1 million for the second quarter, a decrease of \$287,000 or 12%. The reduction in selling expense was primarily driven by reduced commission expense on lower net revenues as well as decreased salary & benefits costs. There were also reductions in warranty and sales travel expenses.

Engineering and product development expense declined slightly from \$1.3 million for the first quarter to \$1.2 million in the second quarter, a decrease of \$76,000 or 6% sequentially. Reductions in salary & benefit costs and patent legal expense were partially offset by increased spending on product development materials.

General and administrative expense was unchanged at \$3.7 million for the first and second quarters. Both periods included non-recurring items, with our first quarter G&A expense having \$352,000 of acquisition related expense from the transaction that we did not close in the second quarter and \$74,000 of expense related to the search for a new board director, while our second quarter G&A expense had \$351,000 of acquisition related expense, \$175,000 of restructuring related expense and \$48,000 of severance related expense. We have now accrued all acquisition-related expenses associated with the aforementioned transaction.

When adjusted to remove these non-recurring costs, our second quarter G&A expense would have declined \$167,000 or 5% sequentially. The restructuring expense was related to a planned consolidation of Ambrell's European facilities and we expect these actions will reduce future operating expenses by \$345,000 annually. On an after-tax basis, these non-recurring costs represented \$331,000 or \$0.03 per diluted share in Q1 and \$358,000 or \$0.03 per diluted share in Q2.

Other expense was \$6,000 in the second quarter as compared to other income of \$21,000 in the first quarter. The other expense in the second quarter was driven by foreign exchange transaction losses as well as reduced interest income.

We accrued an income tax benefit of \$113,000 for the second quarter compared to \$324,000 of income tax expense recorded in the first quarter. Our effective tax rate was 38% in Q2 compared to 22% in the first quarter. Our unusually high effective tax rate in the second quarter was the result of adjustments made to reduce our year-to-date effective tax rate to 18%, approximately the same level we expect our effective tax rate to be for the balance of 2019.

For the quarter ended June 30, 2019, we had net loss of \$(187,000) or \$(0.02) per diluted share, compared to a net income of \$1.1 million or \$0.11 per diluted share for the first quarter.

Diluted weighted average shares outstanding were 10,411,276 at June 30, 2019. We issued 35,380 shares of restricted stock to employees during the second quarter and did not re-purchase any shares.

Depreciation expense was \$184,000 for the second quarter, while acquired intangible amortization was \$315,000, both relatively unchanged from the first quarter.

EBITDA declined from \$2.0 million for the first quarter to \$199,000 reported for the second quarter.

Balance Sheet and Cash Flow Highlights

Cash and cash equivalents at the end of the second quarter were \$7.6 million, down \$597,000 from March 31, 2019. During the second quarter the Company paid the final \$2.1 million of the earnout payable related to Ambrell. Excluding the \$2.1 million earnout payment, cash flow from operations would have been \$1.6 million. Cash today is \$8.9 million.

We currently expect cash and cash equivalents to grow sequentially through year-end, excluding the impact of any potential acquisition related activities, as well as the impact on cash from a stock buyback.

Accounts receivable decreased \$989,000 to \$9.2 million or 56 DSO at June 30, 2019.

Inventories were essentially flat at \$7.2 million at June 30, 2019, which corresponded to 135 days of inventory.

During the first quarter we implemented ASC 842 for Leases. During the second quarter of 2019, we had a lease modification for our Mansfield, MA facility, which increased our right of use asset and the related lease liability by \$1.8 million.

Capital expenditures during the second quarter were \$157,000, up slightly from \$141,000 in the first quarter.

The backlog at the end of June was \$8.8 million, up from \$7.2 million at March 31, 2019.

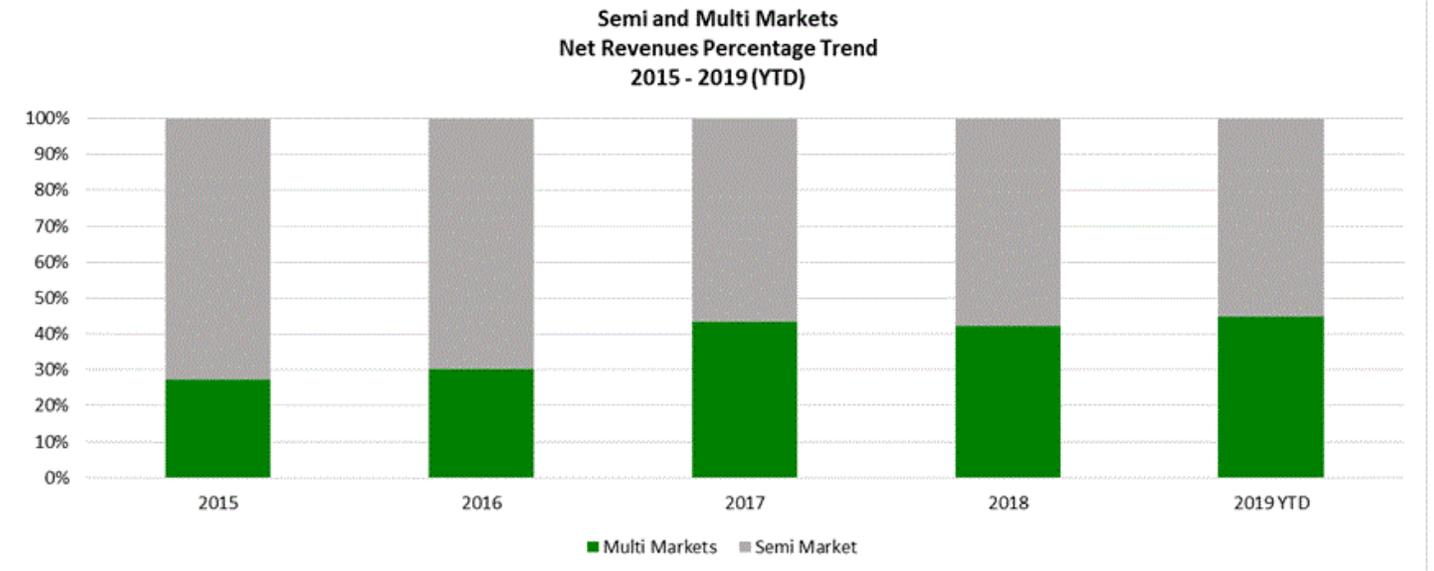
Reconciliation of Net Earnings (Loss) (GAAP) to Adjusted EBITDA (Non-GAAP)

	Three Months Ended		
	6/30/19	6/30/18	3/31/19
Net earnings (loss) (GAAP)	\$ (187)	\$ 4,014	\$ 1,138
Acquired intangible amortization	315	247	317
Interest expense	-	-	-
Income tax expense (benefit)	(113)	382	324
Depreciation	184	188	181
EBITDA (Non-GAAP)	\$ 199	\$ 4,831	\$ 1,960
Contingent consideration liability adjustment	-	(710)	-
Adjusted EBITDA (Non-GAAP)	\$ 199	\$ 4,121	\$ 1,960

Non-GAAP Results

In addition to disclosing results that are determined in accordance with GAAP, we also disclose adjusted EBITDA, which is a non-GAAP financial measure. Adjusted EBITDA is derived by adding acquired intangible amortization, interest expense, income tax expense, depreciation and the contingent consideration liability adjustment to net earnings (loss). This non-GAAP financial measure is provided as a complement to the results provided in accordance with GAAP. Adjusted EBITDA is a non-GAAP financial measure presented to provide investors with meaningful, supplemental information regarding our baseline performance before acquired intangible amortization charges, interest expense, income tax expense (benefit), depreciation and the contingent consideration liability adjustment as these expenses or income items may not be indicative of our current core business or future outlook. This non-GAAP financial measure is 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 (loss) to adjusted EBITDA, is contained in the table above. The presentation of a non-GAAP financial measure is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP.

Semi Market and Multi Markets Net Revenues Percentage Trend (2015 - 2019 YTD)



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On August 1, 2019, inTEST Corporation held its quarterly conference call. The following represents a textual representation of the content of the conference call and while efforts are made to provide an accurate transcription, there may be errors, omissions or inaccuracies in this transcript. A recording of the conference call is available for one year on our website at www.intest.com.

Operator: Welcome to the inTEST Corporation 2019 second quarter financial results conference call. At this time all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. At that time if you have a question, you will need to press star, one, on your push-button phone. As a reminder, this conference is being recorded today. A replay will be made accessible at www.intest.com. I will now turn the call over to inTEST's Investor Relations consultant, Laura Guerrant. Please go ahead, Ma'am.

Laura Guerrant: Thank you, Cody. And thank you for joining us for inTEST's 2019 second quarter financial results conference call. With us today are Jim Pelrin, inTEST's President and CEO, and Hugh Regan, Treasurer and Chief Financial Officer. Jim will briefly review the quarter's highlights as well as current business trends. Hugh will then review inTEST's detailed financial results for the quarter and discuss guidance for the 2019 third quarter. We'll then have time for any questions. If you have not yet received a copy of today's release, it can be obtained on inTEST's website, www.intest.com.

Before we begin the formal remarks, the Company's attorneys advise that this conference call may contain 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 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 our press release, such risks and uncertainties include, but are not limited to, indications of a change in the market cycles in the semiconductor and ATE markets or other markets we serve; changes in business conditions and general economic conditions both domestically and globally; changes in the demand for semiconductors, generally; the success of our strategy to diversify our business by entering markets outside the semiconductor or ATE markets; the possibility of future acquisitions or dispositions and the successful integration of any acquired operations; the ability to borrow funds or raise capital to finance major potential acquisitions; changes in the rates of, and timing of, capital expenditures by our customers; 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. Any forward-looking statement made by inTEST during this conference call is based only on information currently available to inTEST and speaks to circumstances only as of the date on which it is made. 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.

During today's call, we will make reference to non-GAAP financial measures. We have provided additional information concerning these non-GAAP measures, including a reconciliation to the directly comparable GAAP measure, in our press release, which is posted on the investor page of our website, www.intest.com.

As noted in our press release, in an effort to improve the earnings reporting process and utilize your valuable time more efficiently, we have issued Supplemental Information in advance of this call. You can download the material from our website, intest.com, on the Investor Relations page. The Supplemental Information is offered to provide shareholders and analysts with additional time and detail for analyzing our results in advance of the Company's quarterly results conference call. We hope that this will help to streamline our conference call and maximize your time.

In addition, you'll notice that beginning this quarter, we are referring to our business somewhat differently. We are doing this to more crisply define our historical roots in serving the Semiconductor market – with all of its cyclicality – and the many other large, more diversified and growing markets for our precision equipment. As the cornerstone of inTEST, the semiconductor market is an important component of our business. Complementing this market is our "Non-Semi" market, which will now be known as our "Multi Markets." "Multi Markets" represents our diversification and refers to any markets other than the semiconductor market. This stems from our strategic objective of growing our business in non-semiconductor markets both organically as well as through acquisition. It's important to note that business within our Thermal segment can fall into either "Semi" or "Multi," depending upon how our customers utilize our products or upon their respective applications.

And lastly, we'll be attending the following upcoming investor conferences: Canaccord Genuity's 39th Annual Growth Conference in Boston August 7th, the Dougherty Institutional Investor Conference in Minneapolis September 5th, and the Lake Street Capital Markets Best Ideas Growth Conference in New York City September 12th. We look forward to seeing many of you. And with that, I'll turn the call over to Hugh Regan. Please go ahead, Hugh.

Hugh Regan:

Thank you Laura. I need to let everyone know that we have discovered a few minor typographical errors in the press release and supplemental information that we provided today. I'm going to let you know those errors now and we will be providing updated press release and Supplemental Information on our Web site after this call. And we'll be issuing amended press release for those numbers.

These errors appear in the reconciliation tables on the last page of the press release. The first errors are in the Reconciliation of Net Earnings (Loss) GAAP to EBITDA non-GAAP and Adjusted EBITDA non-GAAP and our Earnings (Loss) GAAP reported for June 30, 2019. The three months ended should be \$187,000 loss versus the \$228,000 that's shown.

In addition on that same table for the three months the Income Tax Expense Benefit shown for the three months ended June 30, 2019 should be a benefit of \$113,000 versus the \$72,000 that is currently shown. In that same table for the six months ended June 30, 2019, the Net Earnings (Loss) GAAP should be \$951,000 instead of the \$910,000 shown. And then finally in that table, the Income Tax Expense benefit for the six months ended June 30, 2019 should be \$211,000, not the \$252,000 shown.

Finally, in the Supplemental Information Reconciliation of Third Quarter 2019 Estimated Net Earnings Per Share Diluted GAAP to Estimated Adjusted Net Earnings Per Share Diluted non-GAAP, the Estimated Net Earnings Per Share Diluted GAAP high and low are incorrect as shown. On the low, the correct number should be 2 cents per share not the 4 cents shown. And for the high, the number should be 6 cents per share not the eight cents shown.

When you add the 3 cents of acquired intangible amortization on the low end you would come to 5 cents and not the 7 cents shown. And on the high end you would come to 9 cents and not the 11 cents shown. Again, we will file amended Press Release and Supplemental Information following the call.

On Supplemental Information in the Reconciliation of Net Earnings loss GAAP to Adjusted EBITDA in the three months ended 6/30/19, again, the Net Earnings Loss was shown incorrectly. The correct number is \$187,000 versus \$228,000. And the Income Tax Expense Benefit was shown incorrectly at \$113,000, and that should be, excuse me, incorrectly at \$72,000 and that should be \$113,000.

With that, I'll turn the call over to Jim Pelrin. Go ahead Jim.

James Pelrin:

Thank you, Hugh. We'd like to welcome everyone to our 2019 second quarter conference call. We're pleased with the sequential improvement in our level of orders, which exceeded revenues. This contributes to our confidence as we plan the second half of the year. In the face of a difficult second quarter, we continue to have a healthy balance sheet, despite incurring a slight operating loss. Often we watch other companies' gross margin deteriorate significantly during difficult times. Our gross margin of 47%, which was at the high end of our guidance, remained strong in spite of market weakness, which we believe speaks directly to the discipline with which we can plan and manage procurement and manufacturing for financial flexibility.

On our last call, I noted we saw Q1 as our low point for orders and that going forward, while we expected Q2 revenues to dip, we also expected to see gradual improvement in business -- and that's exactly what we saw in Q2. Second quarter total orders were up 34% sequentially and the adoption of our thermal products with new customers undoubtedly helped. While weak Q1 bookings drove a 21% sequential decline in Q2 net revenues to \$14.4 million, second quarter orders exceeded revenues by 11%, paving the way for our expectation of increasing revenues in the second half. I might add that we had a number of orders from new customers. Overall, I am pleased with the way the entire inTEST team performed in this challenging environment.

I want next to speak briefly to our continued strategic plans for the Company and then I will return to a discussion here on how we tactically measure our operational and financial execution.

We have repeatedly described our strategic approach as one of acquiring operations that will continue to build our base of less volatile, non-semiconductor related revenues. This strategy remains an important focus, despite recent challenges in acquiring new businesses. Our second quarter revenues from Multi Markets rose to 47% of all sales vs. 44% in the first quarter. While we don't expect this mix to increase every quarter, the goal is for it to rise materially over the longer term. We plan to do this through organic growth as well as growing the company through acquisition.

When it comes to financial results, we manage our businesses differently... on a more tactical basis. With four separate manufacturing facilities covering a broad range of products, we are organized into two operating segments: the Thermal Segment and the Electro/ Mechanical Semiconductor (or EMS) Segment.

Let's start with Thermal. By the numbers, it includes the results of inTEST Thermal Solutions and Ambrell. As expected, Q2 thermal segment net revenues of \$10.5 million were down compared to \$12.6 million in the prior quarter—we do, however, expect this downward trend to reverse in the current 3rd quarter, as we experienced a 37% sequential uptick in Q2 Thermal orders to \$12.1 million. Notably, this growth was largely driven by semiconductor and secondarily by defense/aerospace customers who continue to expand their capital equipment needs by purchasing a variety of thermal equipment, much of it intended for satellite, tactical, and secure communications applications. We received an order from an aerospace customer for long wave infrared cameras. And we recently won significant orders for induction heating equipment from an OEM for use in Chemical Vapor Deposition equipment and from a customer in the medical sector. In addition, our emerging chiller business experienced its best quarter ever. We are pleased to see this organic product development effort bear fruit, as it contributes to revenue diversification and growth.

Tactically, the other segment of our business is the EMS Products Segment, which includes the historical roots of our company in semiconductor "back-end" test equipment. Overall, and as expected, Q2 EMS net revenues of \$3.8 million were down compared to \$5.4 million reported in the prior quarter due to the light Q1 bookings. Q2 EMS bookings were up 24% sequentially to \$3.8 million, giving us confidence that while our semiconductor business is still slow, it is not as weak as we had seen in the first quarter. Of note, in the second quarter, EMS acquired a new OEM customer for interface products. In addition, we won back business, with orders for docking products from a major semiconductor manufacturer in the communications sector.

Let me close here with a couple of comments and then hand off to Hugh for the detailed operating numbers.

We were pleased to see business improve during the second quarter. Variable market conditions are simply the nature of our business and we have structured the company for both operational and financial efficiency -- to be as close to cash flow neutral as possible during downturns and healthy cash generation at other times. We continue to strategically expand the Company from our core roots in semiconductors to be a broad-based supplier to multiple growth markets, and our product set and our technologies are very much in demand.

One last note, in yesterday's Board meeting, our Board of Directors approved a stock buyback program, and Hugh will provide details. The stock repurchase program demonstrates our confidence in the strength of our business and our commitment to our shareholder values. In closing, let me say we continue to strive to excel with our capabilities to deliver precision-engineered thermal, mechanical and electronic solutions, and we believe we are also well positioned to participate as the semiconductor industry rebounds. And with that I'd like to turn the call over to Hugh. Hugh?

Hugh Regan:

Thanks, Jim. In-line with our guidance, second quarter net revenues were \$14.4 million, down 21% sequentially and 32% vs. the second quarter of 2018. Notable in the second quarter were increasingly significant shipments to customers in Multi Markets, which constituted 47% of net revenues versus 44% in the first quarter. This increasing percentage is one of the ways we monitor our progress in executing our strategy to diversify from our core business to best offset the cyclical volatility that is inherent to semiconductor capital spending worldwide.

Our second quarter gross margin was 47% vs. 49% in the first quarter, despite the relatively large sequential revenue dip. By closely controlling our fixed production costs, we are able to sustain better margins even in difficult times.

Selling expense declined to \$2.1 million from \$2.4 million in the prior quarter, driven primarily by reduced commission expense on lower net revenues.

Engineering and product development expense declined slightly to \$1.2 million from \$1.3 million in the first quarter, a 6% decrease. The reduction was not material to any specific program or product development and is best understood as normal timing fluctuations in spending.

General and administrative expense was unchanged at \$3.7 million for both the first and second quarters. Both periods included approximately \$450,000 of acquisition-related and other expenses. We have now accrued all acquisition-related expenses associated with the transaction we did not close in the second quarter. We currently expect our quarterly G&A expense will range from \$3.2 million to \$3.3 million per quarter through the balance of the year, excluding the impact of any potential future acquisition activities.

We accrued an income tax benefit of \$113,000 for the second quarter compared to \$324,000 of income tax expense recorded in the first quarter. Our effective tax rate was 38% in Q2 compared to 22% in the first quarter. Our unusually high effective tax rate in the second quarter was the result of adjustments made to bring our year-to-date effective tax rate to 18%, approximately the same level we expect our effective tax rate to be for the balance of 2019.

For the second quarter we reported a net loss of \$(187,000) or \$(0.02) per diluted share, compared to net income of \$1.1 million or \$0.11 per diluted share for the first quarter and net income of \$4.0 million or \$0.39 per diluted share in the second quarter of 2018. Diluted weighted average shares outstanding were 10.4 million as of June 30, 2019. During the second quarter, we issued 117,000 shares of restricted stock to employees and did not re-purchase any shares. At our board meeting on July 31, 2019, our Board approved a \$3 million stock repurchase plan, which will commence in approximately 30 days.

EBITDA declined from \$2.0 million in the first quarter to \$200,000 in the second quarter.

Consolidated headcount at the end of June (which includes temporary staff) was 210, a reduction of 15 from the level we had at March 31st. The reductions were primarily due to staff attrition and to a lesser extent, were the result of the planned consolidation of Ambrell's European operations.

I will now turn to our balance sheet.

Cash and cash equivalents at the end of the second quarter were \$7.6 million, down approximately \$600,000 from March 31. During the second quarter the Company paid the final \$2.1 million of the earnout payable related to the 2017 acquisition of Ambrell; excluding this payment, cash flow from operations for the second quarter would have been \$1.6 million.

We currently expect cash and cash equivalents to grow sequentially through year-end, excluding the impact of any potential acquisition related activities, as well as the impact on cash from the stock buyback.

Q2 accounts receivable decreased \$989,000 to \$9.2 million or a DSO of 56. Inventories were essentially flat at \$7.2 million at June 30th, which corresponded to 135 days of inventory.

During the first quarter we implemented ASC 842 for Leases. During the second quarter of 2019, we had a lease modification on our lease in Mansfield, Massachusetts, which increased our right of use asset and the related lease liability by \$1.8 million.

Capital expenditures during the second quarter were \$157,000, up slightly from \$141,000 in the first quarter.

The backlog at the end of June was \$8.8 million, up from \$7.2 million at March 31, reflecting the upturn in orders in the quarter.

In terms of our financial outlook, as noted in our earnings release, we expect that the net revenues for the third quarter ending on September 30th will be in the range of \$14.5 million to \$15.5 million and that on a GAAP basis, net earnings per diluted share will range from \$0.02 to \$0.06. In addition, we currently expect that our third quarter gross margin will range from 46% to 49%. While we do not typically comment on our outlook beyond the next quarter, we thought providing some additional color for the remainder of the year would be helpful. Where we stand today, we see the fourth quarter being up slightly compared to the third quarter guidance.

Operator, that concludes our formal remarks. We can now take questions.

- Operator:** Thank you. If you'd like to ask a question please signal by pressing star 1 on your telephone keypad. If you're using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that is star 1 if you'd like to ask a question. We'll take our first question from Jaeson Schmidt with Lake Street. Please go ahead.
- Jaeson Schmidt:** Hi, guys. Thanks for taking my questions. I just want to start with the orders. It sounds like it picked up in Q2. Can you just talk about the linearity of order patterns you saw in Q2?
- James Pelrin:** Hi, Jaeson, this is Jim. Yes, Q2, we showed a pickup in our semiconductor business; and in our iTS business, it was fairly linear across the quarter. In our EMS business, that tends to be more lumpy with some larger orders followed by smaller orders. So, that was sort of sporadic, but if you average them out, it just showed a continual slope, which was a good thing. Our non-semiconductor or our Multi Market business, that continues to be healthy and that showed a slight uptick as well.
- Jaeson Schmidt:** Okay, that's helpful. And just following up on that with your comments expecting a sequential increase in Q4, what's really driving that confidence? Is it just the momentum of the order patterns you have seen or do you actually have visibility extending into Q4 at this point?
- James Pelrin:** No, I hesitate to say we have visibility. We see the semiconductor market in our world beginning to respond positively, and we think that's going to continue in our Multi Market world. We see that continuing healthy. But we don't really have visibility, but we're confident that the fourth quarter will be slightly up from the third quarter.
- Jaeson Schmidt:** Okay, that makes sense. And the last one for me, and I'll jump back into queue. Could you just comment on any particular markets that you're seeing strength?
- James Pelrin:** Well, we're certainly seeing strength in the mil aerospace market. We have developed new customers. We've developed new applications in that market. And that's across a wide breadth of segments. The satellite industry continues to be strong. We've actually gotten some significant orders from armaments manufacturers and that type of thing. And our chiller business has certainly begun to grow in a way that pleases us. As we said, we had the best quarter ever, and that's spread across both the defense industry as well as in the extraction world, chemical extraction.
- Jaeson Schmidt:** Okay. Thanks a lot guys.
- James Pelrin:** Thank you, Jaeson.
- Operator:** Thank you. And we'll take our next question from Theodore O'Neill with Litchfield Hills Research.
- Theodore O'Neill:** Thanks. Jim, before you even said anything about the margins, I was going to congratulate you all for having such good margins for almost \$4 million downturn in business sequentially.
- James Pelrin:** Well, thank you for that.
- Theodore O'Neill:** I was seriously shaking my head over that. So a couple -- one question here. You said you've got a new customer for critical processing in silicon carbide semiconductor materials. Now you already -- if I remember correctly, you already had a customer in that space, and it was making equipment for LEDs, if I remember correctly. So is this another customer in that space?
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James Pelrin: That is correct. Yes, that is correct. We had a customer and we have now won another OEM customer in that space.

Theodore O'Neill: That's great. I think that's really what I was most interested in hearing about. Thank you.

James Pelrin: Thank you, Theodore.

Operator: And once again as a reminder that is star 1 if you'd like to ask a question. We'll hear now from Dick Ryan with Dougherty.

Dick Ryan: Thank you. Guys, I was just trying to, you know, kind of reconcile your new buckets that you've put in the supplemental. So the semi test will – includes - the semi portion of Ambrell and EMS, correct?

James Pelrin: Correct.

Hugh Regan: That is correct.

Dick Ryan: Okay. So with the strong order pattern in semi that you talked about, are you seeing that in both kind of the front-end for Ambrell and the back-end for EMS or is it more heavily weighted one side or the other? It sounds like Ambrell.

James Pelrin: Well, we're seeing -- no, we're seeing some positive results in EMS in that regard. Ambrell, we are seeing front-end orders. The problem with the front-end orders, Dick to be perfectly honest, is that they're very lumpy, and we got some significant orders in Q2 that were very, very good. But it was from OEMs that order in a variety of ways and usually multiple units. And we don't have clear visibility where that's going throughout the rest of the year.

Dick Ryan: Is that kind of memory related, foundry logic or don't you have that visibility?

James Pelrin: I don't have that visibility. They actually take our product into stock, and then they implement it in their equipment, and it's shipped out for a variety of reasons and to a variety of customers.

Dick Ryan: Okay. And, you know, you got a nice uptick in guidance for gross margin. I think, Hugh, you said 46 to 49, with, you know, let's say, modestly higher revenue - is there any pricing in there or is it just volume related?

Hugh Regan: It's really volume related, Dick. We actually see the next quarter slightly less favorable than the current quarter. So it really is volume related.

Dick Ryan: Okay. And how did the customer concentration look, Hugh?

Hugh Regan: Actually, customer concentration, good question, came down, Dick. Top 10 customers in the quarter were down to 38% from 45% the prior quarter and only one 10 percent, TI, which is typically in our 10% or over list.

Dick Ryan: And Jim, it sounds like you talked about on the industrial side the thermal business is holding pretty well. Can you just discuss kind of what you're seeing for a pipeline of opportunities, how does that currently look?

James Pelrin: The pipeline I would say is steadily increasing. It's in various pockets. Some of the industrial or what we would have called the industrial customers, some of the Multi Market customers, some of the OEMs are significantly off this year, but that's been made up by other customers. In many cases, that's been made up by many customers as opposed to one. So it's a mixed bag, is my answer. But it's moving in a positive direction.

Dick Ryan: Okay, great. Thank you.

James Pelrin: Pleasure.

Operator:

Thank you. And that does conclude today's question and answer session. I'd like to turn the conference back over to Mr. Pelrin for any additional or closing remarks.

James Pelrin:

Thank you, Operator. And I'd like to thank everyone for their interest in inTEST. We look forward to seeing you at the conferences Laura mentioned, as well as updating you on our progress when we report our third quarter results. Operator, the call is concluded.

FOR IMMEDIATE RELEASE

inTEST ANNOUNCES STOCK REPURCHASE PROGRAM

MANSFIELD, MA, August 1, 2019 - inTEST Corporation (NYSE American: INTT), a global supplier of precision-engineered solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, energy, industrial, semiconductor and telecommunications, today announced that its Board of Directors has authorized the repurchase of up to \$3 million of the Company's common stock from time to time on the open market, in accordance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended, or in privately negotiated transactions pursuant to a newly authorized stock repurchase plan (the "2019 Repurchase Plan"). The timing and amount of any shares repurchased under the 2019 Repurchase Plan will be determined by the Company's management, based on its evaluation of market conditions and other factors. Repurchases may also be made under a Rule 10b5-1 plan to be entered into with RW Baird & Co, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws and the Company's internal trading windows.

The 2019 Repurchase Plan does not obligate the Company to purchase any particular amount of common stock and may be suspended or discontinued at any time without prior notice. The 2019 Repurchase Plan will be funded using the Company's operating cash flow or available cash. inTEST Corporation had approximately 10.6 million shares of common stock outstanding as of June 30, 2019.

The stock repurchase program is intended to provide the Company with an effective mechanism for capital management. inTEST Chairman of the Board Joseph W. Dews, IV commented, "The Board of Directors and senior management strongly believe that inTEST's growth prospects and long-term strategy are not reflected in the Company's current stock price. This stock repurchase program demonstrates our confidence in the strength of our business and our commitment to creating and returning value to all of our shareholders."

About inTEST Corporation

inTEST Corporation is a global supplier of precision-engineered solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, energy, industrial, semiconductor and telecommunications. Backed by decades of engineering expertise and a culture of operational excellence, we solve difficult thermal, mechanical and electronic challenges for customers worldwide while generating strong cash flow and profits. Our strategy uses these strengths to grow and increase shareholder value by maximizing our businesses and by identifying, acquiring and optimizing complementary businesses.

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, as amended. These statements do not convey historical information, but relate to predicted or potential future events 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, the Company's ability to implement and execute the 2019 Repurchase Plan 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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