

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-36117

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

22-2370659

(I.R.S. Employer Identification Number)

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)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (SS 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Number of shares of Common Stock, \$0.01 par value, outstanding as of the close of business on April 30, 2019: 10,565,683

inTEST CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

inTEST CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,191	\$ 17,861
Trade accounts receivable, net of allowance for doubtful accounts of \$233 and \$233, respectively	10,161	10,563
Inventories	7,146	6,520
Prepaid expenses and other current assets	763	677
Total current assets	<u>26,261</u>	<u>35,621</u>
Property and equipment:		
Machinery and equipment	5,230	5,166
Leasehold improvements	2,340	2,341
Gross property and equipment	7,570	7,507
Less: accumulated depreciation	(4,950)	(4,790)
Net property and equipment	<u>2,620</u>	<u>2,717</u>
Right-of-use assets, net	4,023	-
Goodwill	13,738	13,738
Intangible assets, net	14,594	14,911
Restricted certificates of deposit	175	175
Other assets	31	25
Total assets	<u>\$ 61,442</u>	<u>\$ 67,187</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,508	\$ 1,787
Accrued wages and benefits	1,728	2,921
Accrued professional fees	956	774
Customer deposits and deferred revenue	815	1,258
Current portion of operating lease liabilities	1,390	-
Domestic and foreign income taxes payable	954	700
Earnout payable	2,119	12,167
Other current liabilities	1,076	1,811
Total current liabilities	<u>11,546</u>	<u>21,418</u>
Operating lease liabilities, net of current portion	2,978	-
Contingent liability for repayment of state and local grant funds received	200	200
Deferred tax liabilities	2,600	2,689
Total liabilities	<u>17,324</u>	<u>24,307</u>
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.01 par value; 20,000,000 shares authorized; 10,603,335 and 10,523,035 shares issued, respectively	106	105
Additional paid-in capital	26,695	26,513
Retained earnings	16,821	15,683
Accumulated other comprehensive earnings	700	783
Treasury stock, at cost; 33,077 shares	(204)	(204)
Total stockholders' equity	<u>44,118</u>	<u>42,880</u>
Total liabilities and stockholders' equity	<u>\$ 61,442</u>	<u>\$ 67,187</u>

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net revenues	\$ 18,062	\$ 18,871
Cost of revenues	9,226	9,476
Gross margin	8,836	9,395
Operating expenses:		
Selling expense	2,374	2,476
Engineering and product development expense	1,284	1,296
General and administrative expense	3,737	2,990
Adjustment to contingent consideration liability	-	1,726
Total operating expenses	7,395	8,488
Operating income	1,441	907
Other income	21	75
Earnings before income tax expense	1,462	982
Income tax expense	324	601
Net earnings	\$ 1,138	\$ 381
Net earnings per common share - basic	\$ 0.11	\$ 0.04
Weighted average common shares outstanding - basic	10,385,017	10,326,309
Net earnings per common share - diluted	\$ 0.11	\$ 0.04
Weighted average common shares and common share equivalents outstanding - diluted	10,414,330	10,365,306

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	<u>2019</u>	<u>2018</u>
Net earnings	\$ 1,138	\$ 381
Foreign currency translation adjustments	(83)	38
Comprehensive earnings	<u>\$ 1,055</u>	<u>\$ 419</u>

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

(Unaudited)

Three Months Ended March 31, 2019

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance, January 1, 2019	10,523,035	\$ 105	\$ 26,513	\$ 15,683	\$ 783	\$ (204)	\$ 42,880
Net earnings	-	-	-	1,138	-	-	1,138
Other comprehensive loss	-	-	-	-	(83)	-	(83)
Amortization of deferred compensation related to stock-based awards	-	-	183	-	-	-	183
Issuance of unvested shares of restricted stock	80,300	1	(1)	-	-	-	-
Balance, March 31, 2019	<u>10,603,335</u>	<u>\$ 106</u>	<u>\$ 26,695</u>	<u>\$ 16,821</u>	<u>\$ 700</u>	<u>\$ (204)</u>	<u>\$ 44,118</u>

Three Months Ended March 31, 2018

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance, January 1, 2018	10,427,435	\$ 104	\$ 25,860	\$ 12,646	\$ 882	\$ (204)	\$ 39,288
Net earnings	-	-	-	381	-	-	381
Other comprehensive income	-	-	-	-	38	-	38
Amortization of deferred compensation related to stock-based awards	-	-	121	-	-	-	121
Issuance of unvested shares of restricted stock	79,200	1	(1)	-	-	-	-
Balance, March 31, 2018	<u>10,506,635</u>	<u>\$ 105</u>	<u>\$ 25,980</u>	<u>\$ 13,027</u>	<u>\$ 920</u>	<u>\$ (204)</u>	<u>\$ 39,828</u>

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 1,138	\$ 381
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	804	405
Payment of earnout for 2018 related to Ambrell acquisition	(10,048)	-
Adjustment to earnout payable	-	478
Adjustment to contingent consideration liability	-	1,248
Provision for excess and obsolete inventory	107	61
Foreign exchange gain	4	(74)
Amortization of deferred compensation related to stock-based awards	183	121
Loss on disposal of property and equipment	9	11
Proceeds from sale of demonstration equipment, net of gain	43	101
Deferred income tax benefit	(89)	(67)
Changes in assets and liabilities:		
Trade accounts receivable	374	723
Inventories	(737)	(1,760)
Prepaid expenses and other current assets	(88)	(80)
Other assets	(6)	(6)
Accounts payable	721	1,248
Accrued wages and benefits	(1,192)	(1,037)
Accrued professional fees	182	57
Customer deposits and deferred revenue	(442)	(121)
Operating lease liabilities	(341)	-
Domestic and foreign income taxes payable	258	575
Other current liabilities	(355)	15
Net cash provided by (used in) operating activities	<u>(9,475)</u>	<u>2,279</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(141)	(1,168)
Net cash used in investing activities	<u>(141)</u>	<u>(1,168)</u>
Effects of exchange rates on cash	(54)	37
Net cash provided by (used in) all activities	(9,670)	1,148
Cash and cash equivalents at beginning of period	17,861	13,290
Cash and cash equivalents at end of period	<u>\$ 8,191</u>	<u>\$ 14,438</u>
Cash payments for:		
Domestic and foreign income taxes	<u>\$ 1,168</u>	<u>\$ 110</u>

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(In thousands, except share and per share data)

(1) NATURE OF OPERATIONS

We are a global supplier of precision-engineered thermal, mechanical and electronic solutions for use in manufacturing and testing. Our products are used by semiconductor manufacturers to perform development, qualifying and final testing of integrated circuits (“ICs”) and wafers, and for other electronic testing across a range of markets including the automotive, defense/aerospace, energy, industrial and telecommunications markets. We also 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. We manufacture our products in the U.S. Marketing and support activities are conducted worldwide from our facilities in the U.S., Germany, Singapore, the Netherlands and the U.K. The consolidated entity is comprised of inTEST Corporation and our wholly owned subsidiaries. We have two reportable segments, which are also our reporting units, Thermal Products (“Thermal”) and Electromechanical Semiconductor Products (“EMS”).

The automated test equipment (“ATE”) market, which is the principal market in which we operate, is characterized by rapid technological change, competitive pricing pressures and cyclical as well as seasonal market patterns. This market is subject to significant economic downturns at various times. Our financial results are affected by a wide variety of factors, including, but not limited to, general economic conditions worldwide and in the markets in which we operate, economic conditions specific to the ATE market and the other markets we serve, our ability to safeguard patented technology and intellectual property in a rapidly evolving market, downward pricing pressures from customers, and our reliance on a relatively few number of customers for a significant portion of our sales. In addition, we are exposed to the risk of obsolescence of our inventory depending on the mix of future business and technological changes within the markets that we serve. We also continue to implement an acquisition strategy that may cause us to incur substantial expense in reviewing and evaluating potential transactions. We may or may not be successful in locating suitable businesses to acquire. In addition, we may not be able to successfully integrate any business we do acquire with our existing business and we may not be able to operate the acquired business profitably. As a result of these or other factors, we may experience significant period-to-period fluctuations in future operating results.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain of our accounts, including inventories, long-lived assets, goodwill, identifiable intangibles, contingent consideration and deferred tax assets and liabilities including related valuation allowances, are particularly impacted by estimates.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for the interim periods presented. Certain footnote information has been condensed or omitted from these consolidated financial statements. Therefore, these consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in our Form 10-K for the year ended December 31, 2018 (“2018 Form 10-K”) filed on March 26, 2019 with the Securities and Exchange Commission.

Reclassification

Certain prior period amounts have been reclassified to be comparable with the current period's presentation.

Business Combinations

Acquired businesses are accounted for using the purchase method of accounting, which requires that the purchase price be allocated to the net assets acquired at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Fair values of intangible assets are estimated by valuation models prepared by our management and third party advisors. The assets purchased and liabilities assumed have been reflected in our consolidated balance sheets, and the results are included in the consolidated statements of operations and consolidated statements of cash flows from the date of acquisition. Any change in the fair value of acquisition-related contingent consideration subsequent to the acquisition date, including changes from events after the acquisition date, will be recognized in the consolidated statement of operations in the period of the estimated fair value change. Acquisition-related transaction costs, including legal and accounting fees and other external costs directly related to the acquisition, are recognized separately from the acquisition and expensed as incurred in general and administrative expense in the consolidated statements of operations.

Goodwill, Intangible and Long-Lived Assets

We account for goodwill and intangible assets in accordance with Accounting Standards Codification (“ASC”) 350 (Intangibles - Goodwill and Other). Finite-lived intangible assets are amortized over their estimated useful economic life and are carried at cost less accumulated amortization. Goodwill is assessed for impairment annually in the fourth quarter on a reporting unit basis, or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. Goodwill is considered to be impaired if the fair value of a reporting unit is less than its carrying amount. As a part of the goodwill impairment assessment, we have the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If, as a result of our qualitative assessment, we determine that it is more-likely-than-not that the fair value of the reporting unit is greater than its carrying amount, a quantitative goodwill impairment test is not required. However, if, as a result of our qualitative assessment, we determine it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, or, if we choose not to perform a qualitative assessment, we are required to perform a quantitative goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized.

The quantitative goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The goodwill impairment assessment is based upon a combination of the income approach, which estimates the fair value of our reporting units based upon a discounted cash flow approach, and the market approach which estimates the fair value of our reporting units based upon comparable market multiples. This fair value is then reconciled to our market capitalization at year end with an appropriate control premium. The determination of the fair value of our reporting units requires management to make significant estimates and assumptions including the selection of appropriate peer group companies, control premiums, discount rate, terminal growth rates, forecasts of revenue and expense growth rates, income tax rates, changes in working capital, depreciation, amortization and capital expenditures. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting unit or the amount of the goodwill impairment charge.

Indefinite-lived intangible assets are assessed for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. As a part of the impairment assessment, we have the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If, as a result of our qualitative assessment, we determine that it is more-likely-than-not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, the quantitative impairment test is required; otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Long-lived assets, which consist of finite-lived intangible assets and property and equipment, are assessed for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the estimated undiscounted cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value. The cash flow estimates used to determine the impairment, if any, contain management's best estimates using appropriate assumptions and projections at that time.

Revenue Recognition

We recognize revenue in accordance with the guidance in ASC 606 (Revenue from Contracts with Customers). We recognize revenue for the sale of products or services when our performance obligations under the terms of a contract with a customer are satisfied and control of the product or service has been transferred to the customer. Generally this occurs when we ship a product or perform a service. In certain cases, recognition of revenue is deferred until the product is received by the customer or at some other point in the future when we have determined that we have satisfied our performance obligations under the contract. Our contracts with customers may include a combination of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. In addition to the sale of products and services, we also lease certain of our equipment under short-term lease agreements. We recognize revenue from equipment leases on a straight-line basis over the lease term.

Revenue is recorded in an amount that reflects the consideration we expect to receive in exchange for those products or services. We do not have any material variable consideration arrangements or any material payment terms with our customers other than standard net 30 or net 60 day payment terms. We generally do not provide a right of return to our customers. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

Nature of Products and Services

We sell thermal management products and semiconductor ATE interface solutions. Our thermal management products include ThermoStreams, ThermoChambers and process chillers, which we sell under our Temptronic, Sigma and Thermonics product lines, and Ambrell's precision induction heating systems, including EkoHeat and EasyHeat products. Our semiconductor ATE interface solutions include manipulators, docking hardware and electrical interface products. We provide post-warranty service for the equipment we sell. We sell semiconductor ATE interface solutions and certain thermal management products to the ATE market, which provides automated test equipment to the semiconductor market. We also sell our thermal management products to markets outside the semiconductor market which include the automotive, defense/aerospace, industrial, telecommunications and other markets.

We lease certain of our equipment under short-term leasing agreements with original lease terms of six months or less. Our lease agreements do not contain purchase options.

Types of Contracts with Customers

Our contracts with customers are generally structured as individual purchase orders which specify the exact products or services being sold or equipment being leased along with the selling price, service fee or monthly lease amount for each individual item on the purchase order. Payment terms and any other customer-specific acceptance criteria are also specified on the purchase order. We generally do not have any customer-specific acceptance criteria, other than that the product performs within the agreed upon specifications. We test substantially all products manufactured as part of our quality assurance process to determine that they comply with specifications prior to shipment to a customer.

Contract Balances

We record accounts receivable at the time of invoicing. Accounts receivable, net of the allowance for doubtful accounts, is included in current assets on our balance sheet. To the extent that we do not recognize revenue at the same time as we invoice, we record a liability for deferred revenue. In certain instances, we also receive customer deposits in advance of invoicing and recording of accounts receivable. Deferred revenue and customer deposits are included in current liabilities on our consolidated balance sheets.

The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, if any, historical experience, and other currently available evidence.

Costs to Obtain a Contract with a Customer

The only costs we incur associated with obtaining contracts with customers are sales commissions that we pay to our internal sales personnel or third-party sales representatives. These costs are calculated based on an established percentage of the selling price of each product or service sold. Commissions are considered earned by our internal sales personnel at the time we recognize revenue for a particular transaction. Commissions are considered earned by third-party sales representatives at the time that revenue is recognized for a particular transaction. We record commission expense in our consolidated statements of operations at the time the commission is earned. Commissions earned but not yet paid are included in current liabilities on our balance sheets.

Product Warranties

In connection with the sale of our products, we generally provide standard one or two year product warranties which are detailed in our terms and conditions and communicated to our customers. Our standard warranties are not offered for sale separately from our products, therefore there is not a separate performance obligation related to our standard warranties. We record estimated warranty expense for our standard warranties at the time of sale based upon historical claims experience. In very limited cases, we offer customers an option to separately purchase an extended warranty for certain of our products. In the case of extended warranties, we recognize revenue in the amount of the sale price for the extended warranty on a straight-line basis over the extended warranty period. We record costs incurred to provide service under an extended warranty at the time the service is provided. Warranty expense is included in selling expense in our consolidated statements of operations.

Refer to Notes 4 and 11 for further information about our revenue from contracts with customers.

Inventories

Inventories are valued at cost on a first-in, first-out basis, not in excess of market value. Cash flows from the sale of inventories are recorded in operating cash flows. On a quarterly basis, we review our inventories and record excess and obsolete inventory charges based upon our established objective excess and obsolete inventory criteria. These criteria identify material that has not been used in a work order during the prior twelve months and the quantity of material on hand that is greater than the average annual usage of that material over the prior three years. In certain cases, additional excess and obsolete inventory charges are recorded based upon current market conditions, anticipated product life cycles, new product introductions and expected future use of the inventory. The excess and obsolete inventory charges we record establish a new cost basis for the related inventories. We incurred excess and obsolete inventory charges of \$107 and \$61 for the three months ended March 31, 2019 and 2018, respectively.

Leases

We account for leases in accordance with ASC 842 (Leases). We determine if an arrangement is a lease at inception. A lease contract is within scope if the contract has an identified asset (property, plant or equipment) and grants the lessee the right to control the use of the asset during the lease term. The identified asset may be either explicitly or implicitly specified in the contract. In addition, the supplier must not have any practical ability to substitute a different asset and would not economically benefit from doing so for the lease contract to be in scope. The lessee's right to control the use of the asset during the term of the lease must include the ability to obtain substantially all of the economic benefits from the use of the asset as well as decision-making authority over how the asset will be used. Leases are classified as either operating leases or finance leases based on the guidance in ASC 842. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in our consolidated balance sheets. Finance leases are included in property and equipment and financing lease liabilities. We do not currently have any financing leases.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. None of our leases provide an implicit rate, therefore, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease. We include these options in the determination of the amount of the ROU asset and lease liability when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Certain of our operating leases contain predetermined fixed escalations of minimum rentals and rent holidays during the original lease terms. Rent holidays are periods during which we have control of the leased facility but are not obligated to pay rent. For these leases, our right-of-use asset and lease liability are calculated including any rent holiday in the determination of the life of the lease.

We have lease agreements which contain both lease and non-lease components, which are generally accounted for separately. In addition to the monthly rental payments due, most of our leases for our offices and warehouse facilities include non-lease components representing our portion of the common area maintenance, property taxes and insurance charges incurred by the landlord for the facilities which we occupy. These amounts are not included in the calculation of the ROU assets and lease liabilities as they are based on actual charges incurred in the periods to which they apply.

We have made an accounting policy election not to apply the recognition requirements of ASC 842 to short-term leases (leases with a term of one year or less at the commencement date of the lease). Lease expense for short-term lease payments is recognized on a straight-line basis over the lease term.

See "Effect of Recently Adopted Amendments to Authoritative Accounting Guidance" below and Note 7 for further disclosures regarding our leases.

Contingent Liability for Repayment of State and Local Grant Funds Received

In connection with a new facility in Rochester, New York, which our subsidiary, Ambrell Corporation (“Ambrell”), occupied in May 2018, we entered into agreements with the city of Rochester and the state of New York under which we expect to receive grants totaling \$550 to help offset a portion of the cost of the leasehold improvements we have made to this facility. In exchange for the funds granted to us under these agreements, we are required to create and maintain specified levels of employment in this location through various dates ending in 2023. If we fail to meet these employment targets, we will be required to repay a proportionate share of the funds received. As of March 31, 2019, we have received \$200 in grant funds. We currently expect to receive the remaining \$350 of grant funds during the balance of 2019. We have recorded the amounts received under these agreements as a contingent liability on our balance sheet. As time passes, portions of the funds received will no longer be subject to repayment if we have met the employment requirements of the agreements. Amounts which we are irrevocably entitled to keep will be reclassified to deferred revenue and amortized to income on a straight-line basis over the remaining lease term for the Rochester facility.

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718 (Compensation - Stock Compensation), which requires that employee share-based equity awards be accounted for under the fair value method and requires the use of an option pricing model for estimating fair value of stock options granted, which is then amortized to expense over the service periods. See further disclosures related to our stock-based compensation plan in Note 9.

Subsequent Events

We have made an assessment of our operations and determined that there were no material subsequent events requiring adjustment to, or disclosure in, our consolidated financial statements for the three months ended March 31, 2019 other than those described in Note 12.

Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carryforwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act. This legislation made significant changes in the U.S. tax laws including reducing the corporate tax rate to 21% and creating a territorial tax system with a one-time mandatory transition tax payable on previously unremitted earnings of foreign subsidiaries, among other things. See Note 12 to the consolidated financial statements in our 2018 Form 10-K for additional information regarding income taxes.

Net Earnings Per Common Share

Net earnings per common share - basic is computed by dividing net earnings by the weighted average number of common shares outstanding during each period. Net earnings per common share - diluted is computed by dividing net earnings by the weighted average number of common shares and common share equivalents outstanding during each period. Common share equivalents represent unvested shares of restricted stock and stock options and are calculated using the treasury stock method. Common share equivalents are excluded from the calculation if their effect is anti-dilutive.

The table below sets forth, for the periods indicated, a reconciliation of weighted average common shares outstanding - basic to weighted average common shares and common share equivalents outstanding - diluted and the average number of potentially dilutive securities that were excluded from the calculation of diluted earnings per share because their effect was anti-dilutive:

	Three Months Ended	
	March,	
	2019	2018
Weighted average common shares outstanding - basic	10,385,017	10,326,309
Potentially dilutive securities:		
Unvested shares of restricted stock and employee stock options	29,313	38,997
Weighted average common shares and common share equivalents outstanding - diluted	<u>10,414,330</u>	<u>10,365,306</u>
Average number of potentially dilutive securities excluded from calculation	<u>284,240</u>	<u>103,756</u>

Effect of Recently Adopted Amendments to Authoritative Accounting Guidance

In February 2016, the FASB issued amendments to the current guidance on accounting for lease transactions, which is presented in ASC 842. Subsequent to February 2016, the FASB has issued additional clarifying guidance on certain aspects of this new guidance, along with certain practical expedients that may be applied. The intent of the updated guidance is to increase transparency and comparability among organizations by requiring lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases and to disclose key information about leasing arrangements. Under the new guidance, a lessee is required to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The two permitted transition methods under the guidance are the modified retrospective transition approach, which requires application of the guidance for all comparative periods presented, and the cumulative effect adjustment approach, which requires prospective application at the adoption date.

The amendments were effective for us as of January 1, 2019. We adopted the amendments on January 1, 2019 using the cumulative effect adjustment approach. Accordingly, prior periods have not been restated. We have decided to elect the package of practical expedients which includes the grandfathering of lease classification and, accordingly, we have not re-evaluated any of our leases for classification purposes in connection with the implementation of ASC 842. They are all still being treated as operating leases under ASC 842. We do not currently have any lease contracts that meet the criteria to be categorized as financing leases under ASC 842. We do not have embedded leases nor do we have any initial direct costs. We are not electing the hindsight practical expedient and therefore are not reevaluating the lease terms that we used under ASC 840. The implementation of this new guidance had a significant impact on our consolidated balance sheet as a result of recording right-of-use assets and lease liabilities for all of our multi-year leases. Under prior guidance, none of these leases had any related asset recorded on our balance sheets. The only related liability recorded on our balance sheets was the amount which represented the difference between the lease payments we had made and the straight-line rent expense we had recorded in our statements of operations. The implementation of this new guidance did not have a significant impact on our pattern of expense recognition for any of our multi-year leases. See "Leases" above and Note 7 for further disclosures regarding our leases.

(3) GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets on our balance sheets are the result of our acquisitions of Sigma Systems Corp. ("Sigma") in October 2008, Thermonics, Inc. ("Thermonics") in January 2012 and Ambrell in May 2017. All of our goodwill and intangible assets are allocated to our Thermal segment. Goodwill totaled \$13,738 at each of March 31, 2019 and December 31, 2018.

Intangible Assets

Changes in the amount of the carrying value of finite-lived intangible assets for the three months ended March 31, 2019 are as follows:

Balance - January 1, 2019	\$	8,201
Amortization		(317)
Balance March 31, 2019	<u>\$</u>	<u>7,884</u>

The following tables provide further detail about our intangible assets as of March 31, 2019 and December 31, 2018:

	March 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	\$ 10,480	\$ 2,987	\$ 7,493
Technology	600	287	313
Patents	590	512	78
Software	270	270	-
Trade name	140	140	-
Customer backlog	500	500	-
Total finite-lived intangible assets	<u>12,580</u>	<u>4,696</u>	<u>7,884</u>
Indefinite-lived intangible assets:			
Trademarks	6,710	-	6,710
Total intangible assets	<u>\$ 19,290</u>	<u>\$ 4,696</u>	<u>\$ 14,594</u>

	December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	\$ 10,480	\$ 2,717	\$ 7,763
Technology	600	250	350
Patents	590	502	88
Software	270	270	-
Trade name	140	140	-
Customer backlog	500	500	-
Total finite-lived intangible assets	<u>12,580</u>	<u>4,379</u>	<u>8,201</u>
Indefinite-lived intangible assets:			
Trademarks	6,710	-	6,710
Total intangible assets	<u>\$ 19,290</u>	<u>\$ 4,379</u>	<u>\$ 14,911</u>

We generally amortize our finite-lived intangible assets over their estimated useful lives on a straight-line basis, unless an alternate amortization method can be reliably determined. Any such alternate amortization method would be based on the pattern in which the economic benefits of the intangible asset are expected to be consumed. None of our intangible assets have any residual value.

Total amortization expense for our finite-lived intangible assets was \$317 and \$216, respectively, for the three months ended March 31, 2019 and 2018. The following table sets forth the estimated annual amortization expense for each of the next five years:

2019 (remainder)	\$ 940
2020	\$ 1,233
2021	\$ 1,227
2022	\$ 1,167
2023	\$ 1,067

(4) REVENUE FROM CONTRACTS WITH CUSTOMERS

The following tables provide additional information about our revenue from contracts with customers, including revenue by customer and product type and revenue by market. See also Note 11 for information about revenue by operating segment and geographic region.

	Three Months Ended March 31,	
	2019	2018
Net revenues by customer type:		
End user	\$ 16,037	\$ 16,328
OEM/Integrator	2,025	2,543
	<u>\$ 18,062</u>	<u>\$ 18,871</u>
Net revenues by product type:		
Thermal test	\$ 5,224	\$ 6,032
Induction heating	5,751	5,622
Semiconductor production test	5,284	5,339
Service/other	1,803	1,878
	<u>\$ 18,062</u>	<u>\$ 18,871</u>
Net revenues by market:		
Semiconductor	\$ 10,111	\$ 10,539
Industrial	5,946	5,653
Telecommunications	593	1,279
Other non-semiconductor markets	1,412	1,400
	<u>\$ 18,062</u>	<u>\$ 18,871</u>

There was no change in the amount of the allowance for doubtful accounts for the three months ended March 31, 2019.

(5) **MAJOR CUSTOMERS**

During the three months ended March 31, 2019 and 2018, Texas Instruments Incorporated accounted for 16% and 11% of our consolidated net revenues, respectively. While both of our segments sold to this customer, these revenues were primarily generated by our EMS segment. No other customers accounted for 10% or more of our consolidated net revenues during the three months ended March 31, 2019 and 2018.

(6) **INVENTORIES**

Inventories held at March 31, 2019 and December 31, 2018 were comprised of the following:

	March 31, 2019	December 31, 2018
Raw materials	\$ 5,068	\$ 4,654
Work in process	777	1,026
Inventory consigned to others	62	62
Finished goods	1,239	778
Total inventories	\$ 7,146	\$ 6,520

(7) **LEASES**

As previously discussed in Note 2, we account for our leases in accordance with the guidance in ASC 842, which was effective for us as of January 1, 2019. In connection with the implementation of ASC 842, we recorded non-cash increases in operating lease liabilities and right-of-use assets of \$5,197 and \$4,816, respectively, as of the effective date of this guidance.

We lease our offices, warehouse facilities and certain equipment under non-cancellable operating leases which expire at various dates through 2028. Total operating lease cost for the three months ended March 31, 2019 and 2018 was \$366 and \$418, respectively. Total short-term lease cost for the three months ended March 31, 2019 and 2018 was \$13 and \$14, respectively. The following is additional information about our leases as of March 31, 2019:

Range of remaining lease terms (in years)	0.5 to 9.2
Weighted average remaining lease term (in years)	5.0
Weighted average discount rate	5.0%

Supplemental cash flow information related to leases for the three months ended March 31, 2019 was as follows:

Non-cash decrease in operating lease liabilities and right-of-use assets as a result of lease modifications	\$ 486
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The decrease reflected in the table above is a result of a modification to reduce the term of the lease for Ambrell's facility located in the U.K. This lease originally had a 15 year term which extended through August 2029. The lease included the option to terminate the lease at specified points in time without penalty. We exercised this option in March 2019 and the lease now expires in September 2019.

Maturities of lease liabilities as of March 31, 2019 were as follows:

2019 (remainder)	\$ 1,188
2020	1,510
2021	820
2022	213
2023	207
Thereafter	981
Total lease payments	\$ 4,919
Less imputed interest	(551)
Total	\$ 4,368

(8) **DEBT**

Letters of Credit

We have issued letters of credit as the security deposits for certain of our domestic leases. These letters of credit are secured by pledged certificates of deposit which are classified as Restricted Certificates of Deposit on our balance sheets. The terms of our leases require us to renew these letters of credit at least 30 days prior to their expiration dates for successive terms of not less than one year until lease expiration. In accordance with the terms of our lease, the letter of credit related to our facility in Mt. Laurel, New Jersey was reduced from \$125 to \$90 on April 1, 2019. On April 8, 2019 the lease for our Mansfield, Massachusetts facility was modified as discussed further in Note 12.

Our outstanding letters of credit at March 31, 2019 and December 31, 2018 consisted of the following:

	Original L/C Issue Date	L/C Expiration Date	Lease Expiration Date	Letters of Credit Amount Outstanding	
				March 31, 2019	December 31, 2018
Mt. Laurel, NJ	3/29/2010	3/31/2020	4/30/2021	\$ 125	\$ 125
Mansfield, MA	10/27/2010	11/08/2019	8/23/2021	50	50
				<u>\$ 175</u>	<u>\$ 175</u>

(9) STOCK-BASED COMPENSATION

As of March 31, 2019, we have unvested restricted stock awards and stock options granted under stock-based compensation plans that are described more fully in Note 14 to the consolidated financial statements in our 2018 Form 10-K.

As of March 31, 2019, total unrecognized compensation expense related to unvested restricted stock awards and stock options was \$2,055. The weighted average period over which this expense is expected to be recognized is 3.2 years. The following table shows the allocation of the compensation expense we recorded during the three months ended March 31, 2019 and 2018, respectively, related to stock-based compensation:

	Three Months Ended March 31,	
	2019	2018
Cost of revenues	\$ -	\$ -
Selling expense	-	-
Engineering and product development expense	3	1
General and administrative expense	180	120
	<u>\$ 183</u>	<u>\$ 121</u>

There was no stock-based compensation expense capitalized in the three months ended March 31, 2019 or 2018.

Restricted Stock Awards

We record compensation expense for restricted stock awards based on the quoted market price of our stock at the grant date and amortize the expense over the vesting period. Restricted stock awards generally vest over four years for employees and over one year for our independent directors. In March 2019 and 2018, we granted 36,000 and 32,000 shares of restricted stock, respectively, to our independent directors. These shares vest 25% at each of March 31, June 30, September 30, and December 31 of the year in which they were granted. The total compensation expense related to these shares is \$257 and \$270, respectively, and is recorded as the shares vest.

The following table summarizes the activity related to unvested shares of restricted stock for the three months ended March 31, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested shares outstanding, January 1, 2019	114,750	\$ 6.92
Granted	80,300	7.13
Vested	(34,000)	6.82
Forfeited	-	-
Unvested shares outstanding, March 31, 2019	<u>161,050</u>	7.04

The total fair value of the shares that vested during the three months ended March 31, 2019 and 2018 was \$239 and \$169, respectively, as of the vesting dates of these shares.

Stock Options

We record compensation expense for stock options based on the fair market value of the options as of the grant date. No option may be granted with an exercise period in excess of ten years from the date of grant. Generally, stock options will be granted with an exercise price equal to the fair market value of our stock on the date of grant and will vest over four years.

The fair value for stock options granted during the three months ended March 31, 2019 and 2018 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018
Risk-free interest rate	2.49%	2.70%
Dividend yield	0.00%	0.00%
Expected common stock market price volatility factor	.41	.39
Weighted average expected life of stock options (years)	6.25	6.25

The per share weighted average fair value of stock options issued during the three months ended March 31, 2019 and 2018 was \$3.13 and \$3.61, respectively.

The following table summarizes the activity related to stock options for the three months ended March 31, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value
Options outstanding, January 1, 2019 (21,800 exercisable)	264,400	\$ 7.54
Granted	132,600	7.13
Exercised	-	-
Forfeited	-	-
Options outstanding, March 31, 2019 (75,625 exercisable)	<u>397,000</u>	7.40

(10) EMPLOYEE BENEFIT PLANS

We have defined contribution 401(k) plans for our employees who work in the U.S. All permanent employees of inTEST Corporation, inTEST EMS LLC, Temptronic Corporation (“Temptronic”) and inTEST Silicon Valley Corporation who are at least 18 years of age are eligible to participate in the inTEST Corporation Incentive Savings Plan. We match employee contributions dollar for dollar up to 10% of the employee's annual compensation, with a maximum limit of \$5. Employer contributions vest ratably over four years. Matching contributions are discretionary. For the three months ended March 31, 2019 and 2018, we recorded \$190 and \$121 of expense for matching contributions, respectively.

All permanent employees of Ambrell are immediately eligible to participate in the Ambrell Corporation Savings & Profit Sharing Plan (the "Ambrell Plan") upon employment and are eligible for employer matching contributions after completing one year of service, as defined in the Ambrell Plan. The Ambrell Plan allows eligible employees to make voluntary contributions up to 100% of compensation, up to the federal government contribution limits. We will make a matching contribution of 25% of each employee's contributions up to a maximum of 2% of such employee's annual compensation. For the three months ended March 31, 2019 and 2018, we made matching contributions of \$23 and \$26, respectively.

(11) SEGMENT INFORMATION

We have two reportable segments, which are also our reporting units, Thermal and EMS. Thermal includes the operations of Temptronic, Thermonics, Sigma, inTEST Thermal Solutions GmbH (Germany), inTEST Pte, Limited (Singapore) and Ambrell. Sales of this segment consist primarily of temperature management systems which we design, manufacture and market under our Temptronic, Thermonics and Sigma product lines, and precision induction heating systems which are designed, manufactured and marketed by Ambrell. In addition, this segment provides post-warranty service and support. EMS includes the operations of our manufacturing facilities in Mt. Laurel, New Jersey and Fremont, California. Sales of this segment consist primarily of manipulator, docking hardware and tester interface products, which we design, manufacture and market.

We operate our business worldwide and sell our products both domestically and internationally. Both of our segments sell to semiconductor manufacturers, third-party test and assembly houses and ATE manufacturers. Thermal also sells into a variety of markets outside of the ATE market, including the automotive, consumer electronics, consumer product packaging, defense/aerospace, energy, fiber optics, industrial, telecommunications and other markets.

	Three Months Ended March 31,	
	2019	2018
Net Revenues:		
Thermal	\$ 12,634	\$ 13,234
EMS	5,428	5,637
	<u>\$ 18,062</u>	<u>\$ 18,871</u>
Earnings (loss) before income tax expense (benefit):		
Thermal	\$ 1,144	\$ (92)
EMS	1,047	1,292
Corporate	(729)	(218)
	<u>\$ 1,462</u>	<u>\$ 982</u>
Net earnings (loss):		
Thermal	\$ 891	\$ (455)
EMS	815	1,005
Corporate	(568)	(169)
	<u>\$ 1,138</u>	<u>\$ 381</u>
	March 31, 2019	December 31, 2018
Identifiable assets:		
Thermal	\$ 50,790	\$ 55,343
EMS	9,020	6,692
Corporate	1,632	5,152
	<u>\$ 61,442</u>	<u>\$ 67,187</u>

The following table provides information about our geographic areas of operation. Net revenues from unaffiliated customers are based on the location to which the goods are shipped.

	Three Months Ended March 31,	
	2019	2018
Net revenues:		
U.S.	\$ 6,810	\$ 6,543
Foreign	11,252	12,328
	<u>\$ 18,062</u>	<u>\$ 18,871</u>
	March 31, 2019	December 31, 2018
Property and equipment:		
U.S.	\$ 2,281	\$ 2,327
Foreign	339	390
	<u>\$ 2,620</u>	<u>\$ 2,717</u>

(12) SUBSEQUENT EVENTS

On April 8, 2019, we executed an amendment to the lease for our facility in Mansfield, Massachusetts which extended the term of the lease for an additional forty months to December 31, 2024, and expanded the amount of leased space by approximately 6,100 square feet. The current rate per square foot which is in place through August 31, 2021 (the original expiration date of the lease) did not change. After August 31, 2021, there are predetermined fixed escalations of the rate as outlined in the amendment. At the effective date of this modification, we will record an increase in our ROU assets and operating lease liabilities of approximately \$1,831.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Risk Factors and Forward-Looking Statements**

In addition to historical information, this report and management's discussion and analysis ("MD&A") contains statements relating to possible future events and results that are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements can often be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," "will," "should," "plans" or "anticipates" or similar terminology. See Part I, Item 1 - "Business - Cautionary Statement Regarding Forward-Looking Statements" in our 2018 Form 10-K for examples of statements made in this report which may be "forward-looking statements." These statements involve risks and uncertainties and are based on various assumptions. Although we believe that our expectations are based on reasonable assumptions, investors and prospective investors are cautioned that such statements are only projections, and there cannot be any assurance that these events or results will occur. We undertake no obligation to update the information in this report and MD&A to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events.

Information about the primary risks and uncertainties that could cause our actual future results to differ materially from our historic results or the results described in the forward-looking statements made in this report or presented elsewhere by management from time to time 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 included in Part I, Item 1A - "Risk Factors" in our 2018 Form 10-K. Material changes to such risk factors may be reported in subsequent Quarterly Reports on Form 10-Q in Part II, Item 1A.

Overview

This MD&A should be read in conjunction with the accompanying consolidated financial statements.

Our business and results of operations are substantially dependent upon the demand for ATE by semiconductor manufacturers and companies that specialize in the testing of ICs. Demand for ATE is driven by semiconductor manufacturers that are opening new, or expanding existing, semiconductor fabrication facilities or upgrading equipment, which in turn is dependent upon the current and anticipated market demand for semiconductors and products incorporating semiconductors. Such market demand can be the result of market expansion, development of new technologies or redesigned products to incorporate new features, or the replacement of aging equipment. In addition, we continue to focus on design improvements and new approaches for our own products which contribute to our net revenues as our customers adopt these new products. In May 2017, we acquired Ambrell Corporation ("Ambrell"), which has historically sold its products almost exclusively to customers in the industrial market, which is a non-semiconductor market. The acquisition of Ambrell has reduced our dependence on customers in the semiconductor market and increased our orders and net revenues from markets outside the semiconductor market. We expect that our future orders and net revenues will be approximately equally split between the semiconductor and non-semiconductor markets.

In the past, the semiconductor market has been highly cyclical with recurring periods of oversupply, which often have a severe impact on the semiconductor market's demand for ATE, including the products we manufacture. This cyclical nature can cause wide fluctuations in both our orders and net revenues and, depending on our ability to react quickly to these shifts in demand, can significantly impact our results of operations. Semiconductor and ATE market cycles are difficult to predict and because the market cycles are generally characterized by sequential periods of growth or declines in orders and net revenues during each cycle, year over year comparisons of operating results may not always be as meaningful as comparisons of periods at similar points in either up or down cycles. In addition, during both downward and upward cycles in our market, in any given quarter, the trend in both our orders and net revenues can be erratic. This can occur, for example, when orders are canceled or currently scheduled delivery dates are accelerated or postponed by a significant customer or when customer forecasts and general business conditions fluctuate during a quarter.

In addition to being cyclical, the ATE market has also developed a seasonal pattern, with the second and third quarters being the periods of strong demand and the first and fourth quarters being periods of weakened demand. These periods of heightened or reduced demand can shift depending on various factors impacting both our customers and the markets that we serve.

Third-party market share statistics are not available for the products we manufacture and sell into the ATE market; therefore, comparisons of period over period changes in our market share are not easily determined. As a result, it is difficult to ascertain if ATE market volatility in any period is the result of macro-economic or customer-specific factors impacting ATE market demand, or if we have gained or lost market share to a competitor during the period.

As part of our ongoing strategy to reduce the impact of semiconductor and ATE market volatility on our business operations, we continue to diversify our served markets to address the thermal test requirements of several other markets outside the semiconductor market. These include the automotive, consumer electronics, consumer product packaging, defense/aerospace, energy, fiber optics, industrial, telecommunications and other markets. We believe that these markets usually are less cyclical than the semiconductor and ATE markets. While market share statistics exist for some of the markets we serve outside the semiconductor market, due to the nature of our highly specialized product offerings in these non-semiconductor markets, we do not expect broad market penetration in many of these markets and, therefore, do not anticipate developing meaningful market shares in these non-semiconductor markets. In addition, our orders and net revenues in any given period in these markets do not necessarily reflect the overall trends in these non-semiconductor markets due to our limited market shares. Consequently, we are continuing to evaluate buying patterns and opportunities for growth in these non-semiconductor markets that may affect our performance. The level of our orders and net revenues from these non-semiconductor markets has varied in the past, and we expect will vary significantly in the future, as we work to build our presence in these markets and establish new markets for our products.

While the majority of our orders and net revenues are derived from the ATE market, our operating results do not always follow the overall trend in the ATE market in any given period. We believe that these anomalies may be driven by a variety of factors within the ATE market, including, for example, changing product requirements, longer time periods between new product offerings by OEMs and changes in customer buying patterns. In addition, in recent periods we have seen instances where demand for ATE is not consistent for each of our product segments or for any given product within a particular product segment. This inconsistency in demand for ATE can be driven by a number of factors, but in most cases, we have found that the primary reason is unique customer-specific changes in demand for certain products driven by the needs of their customers or markets served. These shifts in market practices and customer-specific needs have had, and may continue to have, varying levels of impact on our operating results and are difficult to quantify or predict from period to period. Management has taken, and will continue to take, such actions it deems appropriate to adjust our strategies, products and operations to counter such shifts in market practices as they become evident.

Orders and Backlog

The following table sets forth, for the periods indicated, a breakdown of the orders received by operating segment and market (in thousands).

	Three Months Ended March 31,				Three Months Ended December 31,			
	2019		2018		2018		2018	
	\$	%	\$	%	\$	%	\$	%
Orders:								
Thermal	\$ 8,821		\$ 14,501	(39)%	\$ 12,424		\$ (3,603)	(29)%
EMS	3,074		6,087	(49)%	5,962		(2,888)	(48)%
	<u>\$ 11,895</u>		<u>\$ 20,588</u>	<u>(42)%</u>	<u>\$ 18,386</u>		<u>\$ (6,491)</u>	<u>(35)%</u>
Semiconductor market	\$ 5,573		\$ 12,531	(56)%	\$ 10,836		\$ (5,263)	(49)%
Non-semiconductor market	6,322		8,057	(22)%	7,550		(1,228)	(16)%
	<u>\$ 11,895</u>		<u>\$ 20,588</u>	<u>(42)%</u>	<u>\$ 18,386</u>		<u>\$ (6,491)</u>	<u>(35)%</u>

Total consolidated orders for the three months ended March 31, 2019 were \$11.9 million compared to \$20.6 million for the same period in 2018 and \$18.4 million for the three months ended December 31, 2018. Orders from customers in non-semiconductor markets for the three months ended March 31, 2019 were \$6.3 million, or 53% of total consolidated orders, compared to \$8.1 million, or 39% of total consolidated orders for the same period in 2018 and \$7.6 million or 41% of total consolidated orders for the three months ended December 31, 2018.

The significant decrease in our consolidated orders during the three months ended March 31, 2019 as compared to the same period in 2018 and to the three months ended December 31, 2018 primarily represents cyclical and seasonal softening in the semiconductor market in both the ATE submarket and front end manufacturing, where over half of our business is derived. Orders were also affected by reduced demand in some of our non-semiconductor markets, specifically the optical transceivers segment within the telecommunications market, which we believe primarily reflects technological changes occurring in that market. In addition to market specific drivers, we believe slowing growth in the global economy has also contributed to the declines in demand which we have experienced.

At March 31, 2019, our backlog of unfilled orders for all products was approximately \$7.2 million compared with approximately \$15.4 million at March 31, 2018 and \$13.4 million at December 31, 2018. Our backlog includes customer orders which we have accepted, substantially all of which we expect to deliver in 2019. The significant decline in our backlog at March 31, 2019 as compared to both March 31, 2018 and December 31, 2018 primarily reflects the impact of the aforementioned weakness in the semiconductor market and, to a lesser extent, reduced demand in certain of the non-semiconductor markets that we serve. While backlog is calculated on the basis of firm purchase orders, a customer may cancel an order or accelerate or postpone currently scheduled delivery dates. Our backlog may be affected by the tendency of customers to rely on short lead times available from suppliers, including us, in periods of depressed demand. In periods of increased demand, there is a tendency towards longer lead times that has the effect of increasing backlog. As a result, our backlog at a particular date is not necessarily indicative of sales for any future period.

Net Revenues

The following table sets forth, for the periods indicated, a breakdown of the net revenues by operating segment and market (in thousands).

	Three Months Ended				Three Months Ended			
	March 31,		Change		December 31,		Change	
	2019	2018	\$	%	2018	\$	%	
Net revenues:								
Thermal	\$ 12,634	\$ 13,234	\$ (600)	(5)%	\$ 14,145	\$ (1,511)	(11)%	
EMS	5,428	5,637	(209)	(4)%	4,290	1,138	27%	
	<u>\$ 18,062</u>	<u>\$ 18,871</u>	<u>\$ (809)</u>	(4)%	<u>\$ 18,435</u>	<u>\$ (373)</u>	(2)%	
Semiconductor market	\$ 10,111	\$ 10,539	\$ (428)	(4)%	\$ 10,381	\$ (270)	(3)%	
Non-semiconductor market	7,951	8,332	(381)	(5)%	8,054	(103)	(1)%	
	<u>\$ 18,062</u>	<u>\$ 18,871</u>	<u>\$ (809)</u>	(4)%	<u>\$ 18,435</u>	<u>\$ (373)</u>	(2)%	

Total consolidated net revenues for the three months ended March 31, 2019 were \$18.1 million compared to \$18.9 million for the same period in 2018 and \$18.4 million for the three months ended December 31, 2018. We believe the decrease in our consolidated net revenues as compared to the same period in 2018 primarily reflects the aforementioned softening in the semiconductor market, reduced demand in certain of the non-semiconductor markets that we serve and, to a lesser extent, slowing growth in the global economy. The increase in the net revenues of our EMS segment for the three months ended March 31, 2019 as compared to the three months ended December 31, 2018 primarily reflects a very large order we received from one of our customers at the end of December 2018, all of which shipped during the first three months of 2019. We do not expect this to repeat in the near term, as this was driven by a one-time large order our customer had received from one of its customers related to a new product roll-out.

As a percent of our total consolidated net revenues, net revenues from customers in non-semiconductor markets were 44% for each of the three months ended March 31, 2019 and 2018 and the three months ended December 31, 2018.

Product/Customer Mix

Both of our operating segments each have multiple products that we design, manufacture and market to our customers. Due to a number of factors, our products have varying levels of gross margin. The mix of products we sell in any period is ultimately determined by our customers' needs. Therefore, the mix of products sold in any given period can change significantly from the prior period. As a result, our consolidated gross margin can be significantly impacted in any given period by a change in the mix of products sold in that period.

We sell most of our thermal test and semiconductor production test products to semiconductor manufacturers and third-party test and assembly houses (end user sales) and to ATE manufacturers (OEM sales), who ultimately resell our equipment with theirs to both semiconductor manufacturers and third-party test and assembly houses. Our Thermal segment also sells into a variety of other markets, including the automotive, consumer electronics, defense/aerospace, energy, industrial and telecommunications markets. As a result of the acquisition of Ambrell, we also sell into the consumer products packaging, fiber optics and other markets within the broader industrial market. The mix of customers during any given period will affect our gross margin due to differing sales discounts and commissions. For the three months ended March 31, 2019 and 2018, our OEM sales as a percentage of net revenues were 11% and 14%, respectively.

OEM sales generally have a lower gross margin than end user sales, as OEM sales historically have had a more significant discount. Our current net operating margins on most OEM sales, however, are only slightly less than margins on end user sales because of the payment of third party sales commissions on most end user sales. We have also continued to experience demands from our OEM customers' supply chain managers to reduce our sales prices to them. If we cannot further reduce our manufacturing and operating costs, these pricing pressures will negatively affect our gross and operating margins.

Results of Operations

The results of operations for our two operating segments are generally affected by the same factors described in the Overview section above. Separate discussions and analyses for each segment would be repetitive. The discussion and analysis that follows, therefore, is presented on a consolidated basis and includes discussion of factors unique to each segment where significant to an understanding of that segment.

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

Net Revenues. Net revenues were \$18.1 million for the three months ended March 31, 2019 compared to \$18.9 million for the same period in 2018, a decrease of \$809,000, or 4%. We believe the decrease in our net revenues during the first quarter of 2019 primarily reflects the factors previously discussed in the Overview.

Gross Margin. Our consolidated gross margin was 49% of net revenues for the three months ended March 31, 2019 as compared to 50% of net revenues for the same period in 2018. The decrease in our gross margin as a percentage of net revenues primarily reflects an increase in our fixed operating costs. Although our fixed operating costs only increased \$28,000 in absolute dollar terms, they represented 15% of net revenues for the three months ended March 31, 2019 as compared to 14% of net revenues for the same period in 2018. This is a result of not being as fully absorbed by the lower net revenues levels in the first three months of 2019. The \$28,000 increase in our fixed operating costs primarily reflects increased salary and benefits expense for our Thermal segment which was partially offset by a reduction in facility costs in this segment.

Selling Expense. Selling expense was \$2.4 million for the three months ended March 31, 2019 compared to \$2.5 million for the same period in 2018, a decrease of \$102,000, or 4%. The decrease primarily reflects lower levels of payroll tax as a result of a reduction in commissions paid to internal sales employees in our Thermal segment. The reduction in commissions reflects changes in product mix as well as the lower net revenue levels achieved for the three months ended March 31, 2019 compared to the same period in 2018. To a lesser extent, we also had reductions in consolidated warranty costs, advertising expenditures and travel costs.

Engineering and Product Development Expense. Engineering and product development expense was relatively unchanged at \$1.3 million for both the three months ended March 31, 2019 and 2018. Increases in salary and benefits expense in our Thermal segment were offset by a reduction in consolidated spending on materials used in new product development and legal fees paid related to our intellectual property.

General and Administrative Expense. General and administrative expense was \$3.7 million for the three months ended March 31, 2019 compared to \$3.0 million for the same period in 2018, an increase of \$747,000, or 25%. The increase primarily reflects higher levels of fees paid to third party professionals who assist us in a variety of strategic and compliance related matters. To a lesser extent there was also an increase in salary and benefits expense, reflecting hiring new employees, and higher levels of amortization expense related to intangible assets.

Contingent Consideration Liability Adjustment. During the three months ended March 31, 2018, we recorded an increase in the fair value of our liability for contingent consideration of \$1.7 million. This liability is a result of our acquisition of Ambrell in May 2017 and is discussed further in Notes 3 and 4 to our consolidated financial statements in our 2018 Form 10-K. There was no similar adjustment for the three months ended March 31, 2019 as we no longer have a contingent consideration liability.

Income Tax Expense. For the three months ended March 31, 2019, we recorded income tax expense of \$324,000 compared to \$601,000 for the same period in 2018. Our effective tax rate was 22% for the three months ended March 31, 2019 compared to 61% for the same period in 2018. On a quarterly basis, we record income tax expense or benefit based on the expected annualized effective tax rate for the various taxing jurisdictions in which we operate our businesses. The higher effective tax rate for the three months ended March 31, 2018 reflects recording the aforementioned increase of \$1.7 million in our liability for contingent consideration during that period. This expense was not deductible for tax purposes.

Liquidity and Capital Resources

As discussed more fully in the Overview, our business and results of operations are substantially dependent upon the demand for ATE by semiconductor manufacturers and companies that specialize in the testing of ICs. The cyclical and volatile nature of demand for ATE makes estimates of future revenues, results of operations and net cash flows difficult.

Our primary historical source of liquidity and capital resources has been cash flow generated by our operations, and we manage our businesses to maximize operating cash flows as our primary source of liquidity. We use cash to fund growth in our operating assets, for new product research and development, for acquisitions and for stock repurchases.

Liquidity

Our cash and cash equivalents and working capital were as follows (in thousands):

	March 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 8,191	\$ 17,861
Working capital	\$ 14,715	\$ 14,203

As of March 31, 2019, \$3.6 million, or 44%, of our cash and cash equivalents was held by our foreign subsidiaries. The earnout payable of \$2.1 million on our balance sheet at March 31, 2019 was paid in April 2019, as further described below. We currently expect our cash and cash equivalents and projected future cash flow to be sufficient to support our short term working capital requirements and other corporate requirements. However, we may need additional financial resources, which could include debt or equity financings, to consummate a significant acquisition if the consideration in such a transaction would require us to utilize a substantial portion of, or an amount equal to or in excess of, our available cash. We do not currently have any credit facilities under which we can borrow to help fund our working capital or other requirements.

Cash Flows

Operating Activities. Net cash used in operations for the three months ended March 31, 2019 was \$9.5 million. During the three months ended March 31, 2019, we paid \$10.0 million of the \$12.2 million earnout payable that was on our balance sheet at December 31, 2018. This earnout payable is related to the aforementioned acquisition of Ambrell. The remaining balance of the earnout was paid in April 2019. For the three months ended March 31, 2019 we recorded net earnings of \$1.1 million. During this same period, we had non-cash charges of \$804,000 for depreciation and amortization which included \$306,000 of amortization related to our right-of-use assets. These right-of-use assets, and the related operating lease liabilities, were established at January 1, 2019 in connection with the adoption of ASC 842, as discussed further in Notes 2 and 7 to our consolidated financial statements. During the three months ended March 31, 2019, we also recorded \$183,000 for amortization of deferred compensation expense related to stock-based awards. Inventories and accounts payable increased \$737,000 and \$721,000, respectively, during the three months ended March 31, 2019. Accrued wages and benefits declined \$1.2 million during the first three months of 2019, primarily reflecting the payout of profit-related bonuses that had been accrued at December 31, 2018 on our results for the year.

Investing Activities. During the three months ended March 31, 2019, purchases of property and equipment were \$141,000. We have no significant commitments for capital expenditures for the balance of 2019; however, depending upon changes in market demand or manufacturing and sales strategies, we may make such purchases or investments as we deem necessary and appropriate.

New or Recently Adopted Accounting Standards

See the Notes to our consolidated financial statements for information concerning the implementation and impact of new or recently adopted accounting standards.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to inventories, long-lived assets, goodwill, identifiable intangibles, contingent consideration liabilities and deferred income tax valuation allowances. We base our estimates on historical experience and on appropriate and customary assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Some of these accounting estimates and assumptions are particularly sensitive because of their significance to our consolidated financial statements and because of the possibility that future events affecting them may differ markedly from what had been assumed when the financial statements were prepared. As of March 31, 2019, there have been no significant changes to the accounting policies that we have deemed critical. These policies are more fully described in our 2018 Form 10-K.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the three months ended March 31, 2019 that have or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This disclosure is not required for a smaller reporting company.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Because there are inherent limitations in all control systems, a control system, no matter how well conceived and operated, can provide only reasonable, as opposed to absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Accordingly, our management has designed the disclosure controls and procedures to provide reasonable assurance that the objectives of the control system were met.

CEO/CFO Conclusions about the Effectiveness of the Disclosure Controls and Procedures. As required by Rule 13a-15(b), management, including our CEO and CFO, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be a party to legal proceedings occurring in the ordinary course of business. We are not currently involved in any material legal proceedings.

Item 1A. Risk Factors

Information regarding the primary risks and uncertainties that could materially and adversely affect our future performance or could cause actual results to differ materially from those expressed or implied in our forward-looking statements, appears in Part I, Item 1A - "Risk Factors" of our 2018 Form 10-K filed with the Securities and Exchange Commission on March 26, 2019. There have been no changes from the risk factors set forth in our 2018 Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

- 10.1 [Second Amendment to Lease Dated April 8, 2019 between Temptronic Corporation and James Campbell Company, LLC \(1\)](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\)](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\)](#)
- 32.1 [Certification of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.INS XBRL Taxonomy Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Previously filed as an exhibit to the Company's Current Report on Form 8-K dated April 8, 2019, File No. 001-36117, filed April 12, 2019, and incorporated herein by reference.

Signatures

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

inTEST Corporation

Date: May 15, 2019

/s/ James Pelrin
James Pelrin
President and Chief Executive Officer

Date: May 15, 2019

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

CERTIFICATION

I, James Pelrin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of inTEST Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2019

/s/ James Pelrin
James Pelrin
President and Chief Executive Officer

CERTIFICATION

I, Hugh T. Regan, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of inTEST Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2019

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

inTEST CORPORATION**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of inTEST Corporation (the "Company") on Form 10-Q for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Pelrin, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2019

/s/ James Pelrin
James Pelrin
President and Chief Executive Officer

inTEST CORPORATION**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of inTEST Corporation (the "Company") on Form 10-Q for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh T. Regan, Jr., Secretary, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2019

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