

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

**Form 8-K**

**CURRENT REPORT**

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

March 5, 2013

Date of Report (Date of earliest event reported)

**inTEST Corporation**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation)

**0-22529**

(Commission File Number)

**22-2370659**

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

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

(Address of Principal Executive Offices, including zip code)

**(856) 505-8800**

(Registrant's Telephone Number, including area code)

**N/A**

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

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

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

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**Item 2.02. Results of Operations and Financial Condition**

On March 6, 2013, inTEST Corporation (the "Company") issued a press release and held a webcast conference call (as previously announced) regarding its financial results for the fourth quarter ended December 31, 2012. The Company's press release is furnished as Exhibit 99.1 and the textual representation of the conference call is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

On March 5, 2013, the Compensation Committee of the Board of Directors of the Company approved the compensation arrangements for the executive officers for 2013, affirmed the determination of incentive compensation to certain executive officers based upon performance in 2012 (in accordance with performance based formulas previously disclosed) and awarded a discretionary bonus to the Chief Financial Officer. There were no adjustments to the current compensation arrangements of our

executive officers. The performance based compensation paid to the Chief Executive Officer, the General Manager of both our Mechanical Products and Electrical Products Segments and the General Manager-Thermal Products Segment was \$128,026, \$52,600 and \$75,842, respectively. The discretionary bonus awarded to the Chief Financial Officer was \$90,567.

**Item 9.01. Financial Statements and Exhibits**

A list of the Exhibits which are required by Item 601 of Regulation S-K and furnished with this Report is set forth in the Exhibit Index immediately following the signature page, which Exhibit Index is incorporated herein by reference.

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**SIGNATURE**

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

**inTEST CORPORATION**

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

Date: March 8, 2013

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**Exhibit Index**

- 99.1 Press Release dated March 6, 2013
- 99.2 Textual representation of conference call

[inTEST News Release Letterhead]

## inTEST REPORTS 2012 FOURTH QUARTER AND YEAR-END RESULTS

*\* 2012 Marks inTEST's Third Consecutive Year of Profitability*

*\* Fourth Quarter Total Bookings Increased 7 Percent*

*\* Fourth Quarter Non-Semiconductor Test Bookings Increased 23 Percent*

*\* Fourth Quarter Non-Semiconductor Test Net Revenues Increased 16 Percent*

MOUNT LAUREL, NJ, March 6, 2013 - inTEST Corporation (Nasdaq: INTT), an independent designer, manufacturer and marketer of temperature management products and semiconductor automatic test equipment (ATE) interface solutions, today announced financial results for the fourth quarter and year ended December 31, 2012.

### 2012 Fourth Quarter

- Fourth quarter 2012 bookings were \$9.3 million, as compared with third quarter 2012 bookings of \$8.7 million, and fourth quarter 2011 bookings of \$8.1 million; 20% of fourth quarter 2012 bookings derived from non-semiconductor test.
- Fourth quarter 2012 net revenues were \$8.3 million, as compared with third quarter 2012 net revenues of \$10.8 million, and fourth quarter 2011 net revenues of \$10.1 million; 15% of fourth quarter 2012 net revenues derived from non-semiconductor test.
- Fourth quarter 2012 gross margin was \$3.5 million, or 42%, as compared with third quarter 2012 gross margin of \$4.8 million, or 44%, and fourth quarter 2011 gross margin of \$4.9 million, or 48%.
- Fourth quarter 2012 net income was \$201,000, or \$0.02 per diluted share, as compared with third quarter 2012 net income of \$664,000, or \$0.06 per diluted share, and fourth quarter 2011 net earnings of \$769,000, or \$0.08 per diluted share.
- Cash and cash equivalents of \$15.6 million at December 31, 2012 increased by \$876,000 as compared with September 30, 2012.

### 2012 Year-End

- 2012 net revenues were \$43.4 million as compared with 2011 net revenues of \$47.3 million.
- 2012 gross margin was \$19.1 million, or 44%, as compared with 2011 gross margin of \$22.9 million, or 48%.
- 2012 net earnings were \$2.2 million, or \$0.21 per diluted share, compared with 2011 net earnings of \$9.9 million, or \$0.96 per diluted share. Net earnings in 2012 reflect the effect of approximately \$650,000 in non-recurring costs related to the acquisition of Thermonics on January 16, 2012; these costs include restructuring costs of \$313,000 (related to facility closure costs) and acquisition related expenses of \$337,000. Net earnings in 2011 reflect the effect of a reversal of \$3.1 million of valuation allowance against our deferred tax assets. The impact of the reversal of the valuation allowance was an increase in our diluted earnings per share of \$0.30. Absent the reversal of the deferred tax valuation allowance, 2011 net earnings would have been \$0.66 per diluted share.

Robert E. Matthiessen, president and chief executive officer, commented, "2012 marks inTEST's third consecutive year of profitability, and we ended the year well positioned for growth, with a solid balance sheet. During 2012, we maintained profitability, generated cash and continue to carry no debt. We operated this past year amidst challenging industry conditions that were driven by a number of capital equipment suppliers and semiconductor companies who delayed certain capital expenditures. We met these challenges head-on and further strengthened and grew inTEST's operations, particularly with our acquisition of Thermonics Corporation, which provides us with considerable growth opportunities."

The Company noted that fourth quarter overall bookings increased by approximately 7% as compared with the third quarter of 2012, and non-semiconductor test bookings and revenue increased both in terms of absolute dollars and as a percent of revenue. Non-semi related bookings increased 23% sequentially and represented nearly 20% of total fourth quarter bookings, while non-semi related net revenues sequentially increased 16% and represented 15% of total fourth quarter net revenues.

Mr. Matthiessen continued, "The fourth quarter is a clear testament to the resiliency that has resulted from our past restructuring efforts, which we undertook in 2009. One of our primary goals was to structure inTEST such that we would be break-even operationally even at the lower revenue levels we were seeing in our core semiconductor businesses. Despite fourth quarter revenues being at their lowest point since we restructured, we delivered profitable results, and have what we consider a stable business as a platform to operate and grow from. Over the last few years we have transformed inTEST through the strategic diversification of our Thermal Products segment, and we now address growth markets in both the semiconductor and non-semiconductor areas, including aerospace, defense, automotive, telecommunications, and energy. Our long-term objective is to grow and evolve inTEST Corporation into a broad-based industrial test company as we continue to execute on our differentiated product strategy. We enter 2013 with a diversified product portfolio, serving growth markets, and we are well positioned to meet the needs of our customers who continue to strategically increase their overall test capacity as they seek to meet end market demand for a broad range of products."

### 2012 Business Highlights

- inTEST declared a special one-time cash dividend of \$0.08 per share, which was paid on December 17, 2012 to stockholders of record at close of business on December 10, 2012. The special dividend was economically advantageous to stockholders due to the increase in 2013 tax rates, and was funded with \$834,000 of available cash on hand.
- inTEST was recognized for excellence by Texas Instruments and awarded TI's 2011 Supplier Excellence Award in recognition of its role in supporting the manufacture of TI's innovative products. Specifically, inTEST's Mechanical and Electrical Product Segments were recognized for their docking, manipulator, and wafer probing interface products.
- inTEST Thermal Solutions Group launched the Thermostream® ATS Series, the industry's most comprehensive line of precision temperature forcing systems. With temperature range extremes as high as +300<sup>0</sup>C (+570<sup>0</sup>F) and as low as -100<sup>0</sup>C (-148<sup>0</sup>F), countless test and conditioning applications can now be solved with a compact, precise, portable system. The ATS product line's increased thermal capacity translates to a broader range of applications, addressing an expanded market, and the increased number of models offered in the ATS product line will enhance the Thermostream® margin profile.
- Tempronics Corporation, a member of inTEST's Thermal Solutions Group, closed on the acquisition of Thermonics, Inc., a division of Test Enterprises, Inc., on January 16, 2012. The purchase price for the assets, including net working capital of \$1.1 million, was approximately \$3.8 million in cash. The addition of Thermonics further enhanced inTEST's presence in the ATE industry, while, at the same time it provided additional leverage into growth industries outside of the semiconductor industry. As inTEST evolves from its origins as an ATE company with a primary focus on semiconductors to a broad-based industrial test company, we expect that non-semiconductor related products will play an even greater role in our growth strategy and success.

### First Quarter 2013 Financial Outlook:

We expect that net revenues for the first quarter ended March 31, 2013 will be in the range of \$8.0 million to \$9.0 million and that financial results will range

from a net loss of \$(0.02) per diluted share to net earnings of \$0.03 per diluted share. Our outlook is based on our current views with respect to operating and market conditions and customers' forecasts, which are subject to change.

#### Investor Conference Call / Webcast Details:

There will be a conference call with investors and analysts this evening at 5:00 pm EST to discuss inTEST's fourth quarter and year-end 2012 results and management's current expectations and views of the industry. The call may also include discussion of strategic, operating, product initiatives or developments, or other matters relating to inTEST's current or future performance.

The dial-in number for the live audio call beginning at 5:00 pm EST on March 6, 2013 is (480) 629-9664. The Passcode for the conference call is 4600894. Please reference inTEST 2012 Q4 Financial Results Conference Call. inTEST Corporation will provide a live webcast in conjunction with the conference call. To access the live webcast, please visit inTEST's website [www.intest.com](http://www.intest.com) under the "Investors" section.

#### 2012 Q4 & YE Replay Details (Webcast)

A replay of the webcast will be available on inTEST's website for one year following the live broadcast. To access the webcast replay, please visit inTEST's website [www.intest.com](http://www.intest.com) under the "Investors" section.

#### About inTEST Corporation

inTEST Corporation is an independent designer, manufacturer and marketer of temperature management products and ATE interface solutions, which are used by semiconductor manufacturers to perform final testing of integrated circuits (ICs) and wafers. inTEST's high-performance products are designed to enable semiconductor manufacturers to improve the speed, reliability, efficiency and profitability of IC test processes. inTEST's products are also sold into the automotive, consumer electronics, defense/aerospace, energy and telecommunications industries. Specific products include temperature management systems, manipulator and docking hardware products and customized interface solutions. inTEST has established strong relationships with its customers globally, which it supports through a network of local offices. For more information visit [www.intest.com](http://www.intest.com).

#### Forward-Looking Statements:

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

#### Contacts:

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#### Investors:

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- Tables Follow -

### SELECTED FINANCIAL DATA

(Unaudited)

(In thousands, except per share data)

#### Condensed Consolidated Statements of Operations Data:

	Three Months Ended			Years Ended	
	12/31/2012	12/31/2011	9/30/2012	12/31/2012	12/31/2011
Net revenues	\$ 8,270	\$10,081	\$10,799	\$43,376	\$47,266
Gross margin	3,507	4,869	4,762	19,059	22,893
Operating expenses:					
Selling expense	1,142	1,275	1,322	5,425	5,708
Engineering and product development expense	985	796	1,006	3,895	3,240
General and administrative expense	1,329	1,619	1,445	6,430	6,367
Restructuring and other charges	(46)	-	-	313	-
Other income	21	10	23	57	81
Earnings before income tax expense (benefit)	118	1,189	1,012	3,053	7,659
Income tax expense (benefit)	(83)	420	348	897	(2,204)
Net earnings	201	769	664	2,156	9,863
Net earnings per share - basic	\$0.02	\$0.08	\$0.06	\$0.21	\$0.97
Weighted average shares outstanding - basic	10,311	10,192	10,302	10,273	10,148
Net earnings per share - diluted	\$0.02	\$0.08	\$0.06	\$0.21	\$0.96
Weighted average shares outstanding - diluted	10,344	10,281	10,360	10,347	10,286

#### Condensed Consolidated Balance Sheets Data:

As of:

12/31/2012	9/30/2012	12/31/2011
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Cash and cash equivalents	\$15,576	\$14,700	\$13,957
Trade accounts receivable, net	5,501	6,892	6,189
Inventories	3,135	3,843	3,896
Total current assets	25,579	26,246	24,797
Net property and equipment	1,250	1,246	1,134
Total assets	32,399	33,668	31,237
Accounts payable	1,041	1,488	1,031
Accrued expenses	3,455	3,583	3,960
Total current liabilities	4,579	5,287	5,038
Noncurrent liabilities	-	-	-
Total stockholders' equity	27,820	28,381	26,199

###

**On March 6, 2013, inTEST Corporation held its quarterly conference call. The following represents a textual representation of the content of the conference call and while efforts are made to provide an accurate transcription, there may be errors, omissions or inaccuracies in this transcript. A recording of the conference call is available for one year on our website at [www.intest.com](http://www.intest.com).**

**Operator:**

Welcome to inTEST Corporation's 2012 Fourth Quarter and Year-End Financial Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question, you'll need to press star, one on your pushbutton telephone. As a reminder, this conference is being recorded today. A replay will be accessible at [www.intest.com](http://www.intest.com).

I would now like to turn the conference over to Laura Guerrant, inTEST's Investor Relations Consultant. Please go ahead.

**Laura Guerrant:**

Thank you, Vince. Joining us today from the Company are Robert Matthiessen, President and Chief Executive Officer; Hugh Regan, Treasurer and Chief Financial Officer; Jim Pelrin, Vice President and General Manager of inTEST's Thermal Product segment; and Dan Graham, Senior Vice President and General Manager of inTEST's Electrical and Mechanical Products segment.

Mr. Matthiessen will briefly review highlights from the fourth quarter, as well as current business trends. Mr. Regan will then review inTEST's detailed financial results and discuss guidance for the first quarter of 2013. We'll then have time your questions.

If you have not yet received a copy of today's release, please email me at [laura@guerrantir.com](mailto:laura@guerrantir.com) or you can get a copy of the release on inTEST's website, [www.intest.com](http://www.intest.com).

Before we begin the formal remarks, the Company's attorneys advise that this conference call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements do not convey historical information but relate to predicted or potential future events that are based upon management's current expectations.

These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, changes in business conditions in the economy; changes in the demand for semiconductors; changes in the rates of and timing of capital expenditures by semiconductor manufacturers; progress of product development programs; increases in raw material and fabrication costs associated with our products; implementation of restructuring initiatives and other risk factors set forth from time to time in the Company's SEC filings included, but not limited to, inTEST's periodic reports on Form 10-K and Form 10-Q.

The Company undertakes no obligation to update the information on today's conference call to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events.

And with that, let me now turn the call over to Robert Matthiessen. Please go ahead, Bob.

**Robert Matthiessen:**

Well, thanks, Laura. I'd like to welcome everyone to our 2012 Fourth Quarter and Year-End Conference Call. While Hugh will review the financial results in detail, I'll review some of the highlights and then we'll discuss our markets and what we're seeing in our customer base.

Two thousand twelve was a very solid year for inTEST and a clear testament to the strength of our business model, which is centered on our core semiconductor ATE market, balanced with an expanded product offering into non-traditional semiconductor markets that require thermal testing. Just like everyone in the ATE sector, we operated this past year amidst challenging industry conditions which were driven by a number of capital equipment suppliers and semiconductor companies who delayed certain capital expenditures. We met these challenges head on, and we further strengthened and grew inTEST's operations. What differentiates us from a number of our peers is that we did not lose money in these challenging times. In fact, 2012 marked our third consecutive year of profitability, that's 13 consecutive quarters, and we continued to generate cash.

Total bookings for the fourth quarter of \$9.3 million rose 7% compared with \$8.7 million in the third quarter of 2012, and fourth quarter non-semiconductor test bookings and revenue showed sharpened increases in terms of absolute

dollars and as a percent of revenue. Non-semi-related bookings of \$1.9 million increased 23% sequentially and represented nearly 20% of total fourth quarter bookings, the highest percentage recorded this year, while non-semi-related net revenues of \$1.3 million increased 16% sequentially and represented 15% of total fourth quarter net revenues.

Our diversification strategy outside of our traditional semiconductor markets helps to mitigate the cyclicity that's so closely tied to that industry and affords us several exciting new opportunities with multiple new customers.

Let me go over the segments for you. That would be Thermal, Mechanical and Electrical.

For the Thermal segment, 2012 fourth quarter bookings were \$6.4 million compared with third quarter bookings of \$5.7 million. Q4 thermal sales were \$5.7 million compared with third quarter thermal sales of \$6.0 million. We had a number of highlights for both the quarter and the year in the Thermal segment. During the quarter, we recorded our first order for the new 300-degree centigrade ThermoStream(R) to a large military communications company.

Our semi business showed some signs of improvement during the quarter, with the sale of six systems worth about \$225,000 to one of the largest makers of networking and communication chips. A multiple system sale that equaled about \$150,000 to a large domestic microprocessor manufacturer, and three systems were sold to a nanotechnology company to control heat dissipation while testing gallium nitride transistors.

In addition, we signed agreements with a Russian and Israeli distributor. We also introduced the new ATS series of ThermoStream(R) products. Along with this, we discontinued the Thermonics product line with minimal inventory obsolescence and we unified our sales channel to support the ATS product line.

In 2012, we acquired Thermonics in Sunnyvale, California. And after six weeks of local operation, we relocated those operations to Mansfield, Massachusetts. A leading energy services company supplying technology, information solutions and integrated product management approached Sigma with a need for mechanical refrigeration chambers capable of operating at temperatures above 200-degrees centigrade, which is traditionally accepted high temperature limit for conventional chambers using mechanical refrigeration. We developed an innovative mechanical refrigeration design and delivered a temperature chamber with a temperature range rated for up to 300-degrees centigrade. We believe we are the only manufacturer offering mechanical refrigeration chambers of this type.

We continue to sell a custom thermal source for missile testing to a major defense contractor, with sales since the program's inception surpassing \$1.0 million in 2012. We sold four minus 300-degree centigrade systems or cryosystems, these would be called, to a semiconductor fab. Cryosystems, by the way, go down to very low temperatures below 150-degrees centigrade typically, that would be below 230-degrees Fahrenheit for the rest of us. And we sold the first two ThermoStreams(R) for integration into a production line for newly developed ship-based infrared cameras for military and industrial use. These ThermoStreams(R) will be used for test and calibration with a potential of a million in sales in 2013.

Moving over to the Mechanical products. Bookings for 2012 fourth quarter were \$1.6 million compared with third quarter 2012 Mechanical bookings of \$1.8 million. Fourth quarter sales were \$1.6 million compared with third quarter sales of \$2.7 million. During the fourth quarter, we successfully proliferated PIB, or Prober Interface Board direct docking. We started with one customer, and that now includes between five and 10 installed sites. In addition, we recently shipped the first set of the inTEST version of this type of docking for Teradyne Ultra Probe. We secured design wins at a major IDM on various test platforms and we're working with another major IDM on manipulator docking and interface products for a new internal test system scheduled for release in Q3 of 2013.

Mechanical highlights for 2012 include the fact that we were awarded the TI Supplier Excellence Award. In fact, we were the only ATE company to make this list. Also, we achieved our first Cobal 500 installs, that was in Thailand. The customer is happy with the performance. The Cobal 250 manipulator is now available for over 20 test systems, and the Cobal 500 manipulator is now available for 10 different test systems. We are developing a new docking system for higher-end applications that offers sophisticated automation.

Our Electrical segment had bookings for the fourth quarter of 2012 of \$1.3 million compared with third quarter bookings of \$1.3 million. Fourth quarter sales were \$1.0 million compared with \$2.1 million for 2012 third quarter. During the fourth quarter, we developed a new wafer probe interface at the request of a major IDM. As of quarter end, this has been field-tested and approved. Consequently, orders should come in in 2013. On a full-year basis, 2012 revenue in the Electrical segment was up substantially by 79% from 2011. That is \$9.2 million worth versus \$5.1 million. During 2012, we relocated to a new facility in Fremont, California over a long weekend at the end of Q1. We are now the OEM supplier to Eagle Test for the ETS 200 wafer sort interface and we entered into a joint development with a major test company of a super high density 10,000-pin wafer sort interface and corresponding hardware.

So, in summary, our long-term objective is to grow and evolve inTEST Corporation from our origins as an ATE company with a primary focus on semiconductors into a broad-based industrial test company. And over the past few years, we have continued to further diversify our end market penetration and execute on our differentiated product strategy. We have transformed inTEST largely through acquisitions, most notably in our Thermal Products segment. While many of our peers are looking at M&A as a means of survival, we are fortunate in that our core semiconductor

business provides a very stable business platform to operate and grow from. We have added five companies to our operations in the last 15 years, a very successful track record of acquisitions, which have bolstered our growth opportunities. This past year, we acquired Thermonics, which further enhanced our presence in the ATE industry, while at the same time, providing additional leverage into growth industries outside of the semi industry. As a result, we now address growth markets in both the semi and non-semi areas including automotive, consumer electronics, defense/aerospace, energy and telecommunications. Going forward, we continue to see non-semiconductor-related products playing a substantial role in our growth strategy and success.

As I said in my opening remarks, we are differentiated from a number of our peers in that we continue to make money in these challenging times. 2012 marked our third consecutive year of profitability and we continue to generate cash. And let me stress that we expect to continue both trends in 2013. We enter 2013 with a diversified product portfolio serving growth markets and we are well positioned to meet the needs of our customers who continue to strategically increase their overall test capacity as they seek to meet the market demand for a broad range of products.

With that, I'd like to turn the call over to our CFO, Hugh Regan.

**Hugh Regan, Jr.:**

Net revenues for the quarter ended December 31, 2012 of \$8.3 million decreased 23% from the third quarter revenues of \$10.8 million. Fourth quarter 2012 end user net revenues were \$7.0 million or 84% of net revenues, compared with third quarter end user net revenues of \$9.0 million. OEM net revenues were \$1.3 million or 16% of net revenues compared with third quarter OEM net revenues of \$1.8 million. Net revenues from markets outside of semiconductor tests were \$1.3 million or 15% of net revenues compared with \$1.1 million, or 10% of net revenues in the third quarter.

Thermonics' fourth quarter 2012 revenue was \$1.2 million, which was down slightly from the level achieved during the third quarter. As Bob mentioned earlier, at the end of the fourth quarter of 2012, our Thermal Products segment introduced the new ATS series of ThermoStream(R) products, which incorporated the best features of the Temptronic and Thermonics Forced Hot Air System. Therefore, going forward, we will no longer break out Thermonics revenues as the product lines have been consolidated.

The Company's overall gross margin for the fourth quarter was \$3.5 million or 42%, as compared with \$4.8 million or 44% in the third quarter of 2012. The reduction in gross margin was driven by a less favorable absorption of our fixed manufacturing costs in the fourth quarter, which increased to 20% of revenues in the fourth quarter from 15% of revenues in the third quarter. While our fixed manufacturing cost increased as a percentage of revenues quarter over quarter, they were essentially flat quarter over quarter at \$1.6 million.

The increase in our fixed manufacturing costs as a percentage of net revenues in the fourth quarter was almost fully offset by a reduction in our consolidated material costs, which declined from 37.0% in the third quarter to 32.4% in the fourth quarter. All three of our product segments experienced decreases in their component material costs quarter over quarter, with our Electrical Products segment experiencing the largest reduction, from 45.5% of net revenues in Q3, to 37.3% of net revenues in Q4. The reduction was driven by a change in product mix in our Electrical segment, as well as in our other two product segments. Our Thermal Products segment's component material cost decreased from 33.0% in Q3, to 30.3% in Q4, while our Mechanical Products segment declined from 39.5% in Q3, to 36.8% in Q4.

I will now discuss the breakdown of operating expenses for the quarter.

Selling expense for the fourth quarter was \$1.1 million or 14% of net revenues, compared with \$1.3 million or 12% of net revenues for the third quarter, a decrease of \$180,000 or 14%. The decrease was primarily due to reduced levels of sales commission on lower revenue.

Engineering and product development expense was unchanged quarter over quarter, at \$1.0 million, which represented 12% of net revenues in Q4 compared to 9% of revenues in Q3.

General and administrative expense for the fourth quarter was \$1.3 million or 16% of net revenues, compared to \$1.4 million or 13% of net revenues in the third quarter, a decrease of \$116,000 or 8%. The decrease was primarily the result of reduced accruals for profit-related bonuses on lower profits in the fourth quarter and lower levels of professional fees.

Other income for the fourth quarter was \$21,000 compared to \$23,000 for the third quarter.

We booked an income tax benefit of \$83,000 in the fourth quarter, compared with income tax expense of \$348,000 at the third quarter. The income tax benefit booked in the fourth quarter was driven by the year end true up of our deferred tax assets.

Our effective tax rate in the fourth quarter was 70%, compared to 34% in the third quarter. We expect our effective tax rate will remain in the mid 30% range throughout 2013. At December 31, 2012, we had total deferred tax assets of \$2.0



million.

Fourth quarter net income was \$201,000 or \$0.02 per diluted share, compared with third quarter net income of \$664,000 or \$0.06 per diluted share. Average shares outstanding were 10,344,000 at year end, down slightly from the level at September 30, 2012.

Consolidated headcount at the end of December, which includes temporary staff, was 142, a decrease of four individuals during the fourth quarter. As we have noted before, we closely monitor our resource levels and will adjust as needed when we see any prolonged softness in demand. I will now turn to our balance sheet.

Cash and cash equivalents at the end of the fourth quarter were \$15.6 million, up \$876,000 from September 30th. During the fourth quarter, we paid a one-time dividend of \$0.08 per share, which used \$834,000 of cash. We currently expect cash and cash equivalents to increase sequentially throughout 2013.

Accounts receivable at the end of the fourth quarter was \$5.5 million, which decreased \$1.4 million during the quarter. The decrease was driven by a lower level of net revenues in the fourth quarter compared to the first, as well as a decrease in days sales outstanding, which were 58 days at December 31, 2012.

Inventory declined by approximately \$708,000 to \$3.1 million at the end of December. And capital expenditures during the fourth quarter were \$148,000, compared to \$154,000 in the third quarter.

Bob provided the consolidated segment booking data earlier in the call, but for the quarter ended December 31st, Thermonics bookings were \$994,000, compared to \$1.2 million in the third quarter. The backlog at the end of the fourth quarter was \$4.2 million, up from \$3.2 million at the end of the third quarter, and Thermonics backlog was \$315,000 at December 31, 2012.

In terms of our financial outlook, as quoted in our earnings release, we expect that net revenue for the quarter ended March 31, 2013 will be in the range of \$8.0 to \$9.0 million, with financial results ranging from a net loss of \$(0.02) per diluted share to net earnings of \$0.03 per diluted share. We currently expect that our Q1 2013 material cost as a percentage of net revenue will range from 33% to 35% due to a more favorable product mix. Please note that our outlook is based on the Company's current views with respect to operating and market conditions and customer forecast, which are subject to change.

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

**Operator:**

Thank you, sir. Ladies and gentlemen, we will begin the question-and-answer session. As a reminder, if you'd like to ask a question, please press star, one on your touch tone telephone. You can withdraw that question at any time by pressing star, two. If you're using speaker equipment today, please lift the handset before making your selection.

First question is from the line of Ken Nagy with Zacks Investment Research. Please go ahead.

**Ken Nagy:**

Hi. Thanks for taking my call. I just want to talk about the Thermal business for a minute. I know that you design equipment to fit the product and where the competition has standard products. Just wondering how long the typical test lasts until it's finished and if the market seems to be taking to that model? Thanks.

**Robert Matthiessen:**

Hi Ken, this is Bob Matthiessen. I'm going to let Jim Pelrin, our General Manager of that group, answer that. Jim?

**James Pelrin:**

Sure. Hi, Ken. I think the question you're asking refers to our sales cycle, is that correct?

**Ken Nagy:**

Right.

**James Pelrin:**

Okay. From the moment we-in quoting an order, it could take anywhere from one week to four weeks to quote an order because we actually develop a specification along with the customer, complete specification for that product. Once the order is in-house, if it's a cryo product, it's a six to eight-week delivery. If it's a mechanical product, it's an eight to 12-week delivery, which is actually very rapid for a customized product.

**Ken Nagy:**

Great. Do you see the markets taking to that model?

**James Pelrin:**

Oh, yes. I think that's one reason why we're successful.

**Ken Nagy:**

Okay.

**James Pelrin:**

There are other people that offer or try to offer customized solutions, but you're really looking at a five or six-month endeavor there.

**Ken Nagy:**

Right.

**James Pelrin:**

So the market is very happy with us.

**Ken Nagy:**

Okay. That's great. Thank you very much.

**James Pelrin:**

Okay.

**Operator:**

Thank you. Ladies and gentlemen, if there are any additional questions at this time, please press star, one on your touch tone phone. If you're using speaker equipment, please lift the handset before making your selection.

Next question is from the line of George Melas with MKH Management. Please go ahead.

**George Melas:**

Good afternoon guys.

**Robert Matthiessen:**

Good afternoon, George.

**George Melas:**

I think this is a question mostly for Jim. Jim, I think you've been very busy in the past year sort of integrating the Thermonics and moving it to Massachusetts and also developing sort of a new ATS line. Can you tell us a little bit about what some of the progress you guys have made in terms of go-to-market strategy on the non-semi side? And how you see that evolving in (inaudible)?

**James Pelrin:**

Yes I can. We've recently hired an individual that has been in the chiller market and through that individual we intend to expand our efforts in selling custom and very low temp chillers. In addition, we're at the latter stages of hiring a business development director, whose job will be to really expand our presence in the electronic test industry, as well as to look at our capabilities and try to bring them into new and different industries in whatever product form that may be.

**George Melas:**

Great. Okay, that's my question. Thanks very much.

**James Pelrin:**

Okay.

**Operator:**

Our next question comes from the line of Bob DeLean from Red Rock Partners. Please go ahead.

**Bob Delean:**

Hey guys. Thanks for taking my question. Bob, I was a little disappointed to see that your Q1 expectations for the top line, I guess, are a little lower than I'd expect. If I recall from my notes, I think around December 14, at a conference, you may have said that quote activity had increased substantially just recently. Can you talk about the flow of business through the quarter and the flow of order activity as you're looking at Q1? Has there been a dropoff recently?

**Robert Matthiessen:**

I'll tell you what, everything is really fluid right now. Yes, we did have a lot of quote activity, as you related to. And in fact, our quote pipe is quite full at the moment. We've had activity in the past couple of days that indicates that maybe things are really turning around, but of course, until you have the PO in hand, you don't have it in hand and that extends both to the semi and non-semi areas. Again, we have a full quote pipeline in both cases. And so as I say things are very fluid, I don't know whether it has to do with the situation in government spending at the time. That probably is having some effect on the Thermal business. But things are up in the air and it looks like it could break either way and we're hoping it breaks in a positive direction.

**Hugh Regan, Jr.:**

But the momentum of this is Hugh. The momentum of bookings did slow down slightly from what we had seen in the fourth quarter into the first quarter.

**Robert Matthiessen:**

Yes.

**Bob Delean:**

And then with respect to competition, as you guys track it, is your market share similar to what it was a year ago? Have you gained market share, have you lost?

**Hugh Regan, Jr.:**

Well, we believe, for instance, in our Electrical Products segment, we've gained some market share because we've had some customer wins there. And that's evidenced, we believe, by the significant increase in revenue that we had in that operation between 2011 and 2012. In our other product segments, we believe our market share is holding at this time.

**Robert Matthiessen:**

Yes. Our market share is holding in the Mechanical segments. In the Thermal business, we have the market share, if you will.

**Hugh Regan, Jr.:**

Right.

**Robert Matthiessen:**

I mean, we control most of that in the semi area. And in fact, any business we get in the non-semi area in the Thermal business is a gain of market share on somebody else.

**Bob Delean:**

With respect to the nuclear piece of business, has there been any shipments yet there and what's the timetable for that?

**Robert Matthiessen:**

Jim, why don't you describe?

**James Pelrin:**

Yes, sorry. There have been no shipments yet. The timetable is for late in the fourth quarter or early in the first quarter. It's still undergoing the final stages of qualification and then it has a six-month run time test that needs to be conducted.

**Bob Delean:**

Okay.

**James Pelrin:**

It's quite a lengthy product introduction as well.

**Bob Delean:**

I think all that additional detail is very helpful. Just a couple of things. Hugh, with respect to capex and D&A for 2013, do you have some estimates there?

**Hugh Regan, Jr.:**

Our capex has been running about \$150,000 a quarter, so I would assume it's going to be in the neighborhood of about \$600,000 for next year. And what was the second part of your question, Bob, I'm sorry? Was it the DTA?

**Bob Delean:**

Depreciation and amortization.

**Hugh Regan, Jr.:**

Oh. Depreciation and amortization, bear with me one moment. For the year, depreciation came in at \$456,000 and amortization was another \$476,000. So a combined total of just around \$900,000 a year.

**Bob Delean:**

And is that a relatively reasonable expectation for 2013 as well?

**Hugh Regan, Jr.:**

The depreciation I would say is reasonable going forward. The amortization, we had some front-end loaded amortization related to the Thermonics acquisition. I would expect that to drop down to about a \$350,000 to \$400,000 level going forward next year.

**Bob Delean:**

Okay. One last thing for Bob. You guys did Temptronics, that acquisition about a year ago. I guess, can you comment at all what the current appetite is for acquisitions? What are you seeing out there and where are you in that process?

**Hugh Regan, Jr.:**

Well, first of all, it was Thermonics that we acquired a year ago, not Temptronics, that was in 2000, but...

**Bob Delean:**

Oh, I'm sorry.

**Robert Matthiessen:**

That's okay. I get confused, too, Bob. Yes, we, as you know, we have an M&A effort going on. Right now, for your information, we have a target list that has 16 companies on it. Some of them make a lot of sense, some of them don't make so much sense, but we're working through that. We've spent this past year, since the Thermonics acquisition, looking for new things but being very careful not to go forward on something just because we want to get something. We've been very careful with our acquisitions in the past and they've all been very successful for us. I will say that, as we stated before, it will probably be something in the thermal test business. Those are the companies that, so far, are fitting us the very best. And as I said, we have a list of 16 and of that 16, probably we have five that are-that seem reasonable for us. So....

**Hugh Regan, Jr.:**

But I think the one thing that we need to add at this point is that the Company does not have anything currently identified that it's ready to execute on and...

**Robert Matthiessen:**

That's correct.

**Hugh Regan, Jr.:**

We continue to evaluate opportunities. And as we have things that become more concrete, we'd be happy to disclose them. But there's really nothing at this time that we're in a position to publicly discuss because there's really nothing moving forward.

**Robert Matthiessen:**

That was Hugh wrapping my knuckles, in case you didn't know.

**Bob Delean:**

Hugh, were you an attorney as well?

**Hugh Regan, Jr.:**

I double as one in my...

**Robert Matthiessen:**

He's the closest thing we have to one in this room.

**Hugh Regan, Jr.:**

When you are responsible for public disclosures you get a quick education in the stuff.

**Bob Delean:**

There you go. Hey, thanks guys. Appreciate taking my questions.

**Hugh Regan, Jr.:**

Thanks, Hugh.

**Robert Matthiessen:**

You're very welcome.

**Operator:**

Thank you. Again, ladies and gentlemen, if there are any additional questions at this time, please press star, one on your touch tone phone. If you are using speaker equipment, please lift the handset before making your selection.

And I'm showing no further questions at this time. I'd like to turn the conference back over to Mr. Matthiessen for any closing remarks.

**Robert Matthiessen:**

Okay. Thanks for your interest in inTEST. In closing, our confidence in our business prospects remains high. inTEST occupies a profitable niche space. We have a proven long-term history with customers across the globe and provide high-quality mission-critical products that perform in high stress environments. We'll continue to work with our customers and drive innovations that allow us to continue being a leader in our targeted markets. Thanks again and we look forward to updating you on our progress when we report our first quarter results. Good night.

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**[Non-material closing remarks omitted]**