



Cohu Reports Third Quarter 2021 Results

October 28, 2021

- Third quarter revenue \$225.1 million, up 49% year-over-year
- Gross margin of 42.5%; non-GAAP gross margin of 42.3%
- Board authorized a \$70 million share repurchase program

POWAY, Calif.--(BUSINESS WIRE)--Oct. 28, 2021-- Cohu, Inc. (NASDAQ: COHU), a global leader in back-end semiconductor equipment and services, today reported fiscal 2021 third quarter net sales of \$225.1 million and GAAP income of \$23.7 million or \$0.48 per share. Net sales for the first nine months of 2021 were \$695.4 million and GAAP income was \$146.4 million or \$3.04 per share.⁽¹⁾

Cohu also reported non-GAAP results, with third quarter 2021 income of \$34.6 million or \$0.70 per share and income of \$119.5 million or \$2.48 per share for the first nine months of 2021.⁽¹⁾

GAAP Results ⁽¹⁾

<i>(in millions, except per share amounts)</i>	Q3 FY 2021	Q2 FY 2021	Q3 FY 2020	9 Months 2021	9 Months 2020
Net sales	\$225.1	\$244.8	\$150.6	\$ 695.4	\$ 433.7
Income (loss)	\$ 23.7	\$ 95.1	\$ (6.6)	\$ 146.4	\$ (28.7)
Income (loss) per share	\$ 0.48	\$ 1.92	\$ (0.16)	\$ 3.04	\$ (0.69)

Non-GAAP Results ⁽¹⁾

<i>(in millions, except per share amounts)</i>	Q3 FY 2021	Q2 FY 2021	Q3 FY 2020	9 Months 2021	9 Months 2020
Income	\$ 34.6	\$ 44.2	\$ 11.6	\$ 119.5	\$ 18.9
Income per share	\$ 0.70	\$ 0.89	\$ 0.27	\$ 2.48	\$ 0.44

(1) All amounts presented are from continuing operations.

Total cash and investments at the end of third quarter 2021 were \$364.8 million.

“Demand for test and inspection systems remained strong in the third quarter, underscoring the significant year-over-year growth in revenue and profitability. We also continued deployment of our DI-Core data analytics software with follow-on orders and design-wins at several automotive segment customers,” said Cohu President and CEO Luis Müller. “Looking ahead, we are encouraged by current estimated test cell utilization of 87% and the expansion of our testers and contactors in power management, display driver, RF mmWave and broader mixed signal applications.”

Cohu expects fourth quarter 2021 sales to be between \$182 million and \$195 million.

Cohu’s Board of Directors has authorized a \$70 million share repurchase program. This share repurchase program is effective as of November 2, 2021 and has no expiration date and the timing of share repurchases and the number of shares of common stock to be repurchased will depend upon prevailing market conditions and other factors. Repurchases under this program will be made using the Company’s existing cash resources and may be commenced or suspended from time-to-time at the Company’s discretion without prior notice. Repurchases may be made in the open market, through 10b5-1 programs or in privately negotiated transactions at prevailing market rates in accordance with federal securities laws.

Conference Call Information:

The Company will host a live conference call and webcast with slides to discuss third quarter 2021 results at 1:30 p.m. Pacific Time/4:30 p.m. Eastern Time on October 28, 2021. Interested investors and analysts are invited to dial into the conference call by

using 1-866-434-5330 (domestic) or +1-213-660-0873 (international) and entering the pass code 9237355. Webcast access will be available on the Investor Information section of the Company's website at www.cohu.com.

About Cohu:

Cohu (NASDAQ: COHU) is a global leader in back-end semiconductor equipment and services, delivering leading-edge solutions for the manufacturing of semiconductors. Additional information can be found at www.cohu.com.

Use of Non-GAAP Financial Information:

Included within this press release and accompanying materials are non-GAAP financial measures, including non-GAAP Gross Margin/Profit, Income and Income (adjusted earnings) per share, Operating Income, Operating Expense, effective tax rate and Adjusted EBITDA that supplement the Company's Condensed Consolidated Statements of Operations prepared under generally accepted accounting principles (GAAP). These non-GAAP financial measures adjust the Company's actual results prepared under GAAP to exclude charges and the related income tax effect for: share-based compensation, the amortization of purchased intangible assets, restructuring costs, manufacturing transition and severance costs, asset impairment charges, gain on sale of business, gain on sale of facility, employer payroll taxes related to accelerated vesting share-based awards, depreciation of purchase accounting adjustments to property, plant and equipment, amortization of cloud-based software implementation costs (Adjusted EBITDA only) and gain (loss) on extinguishment of debt (Adjusted EBITDA only). Reconciliations of GAAP to non-GAAP amounts for the periods presented herein are provided in schedules accompanying this release and should be considered together with the Condensed Consolidated Statements of Operations. With respect to any forward looking non-GAAP figures, we are unable to provide without unreasonable efforts, at this time, a GAAP to non-GAAP reconciliation of any forward-looking figures due to their inherent uncertainty.

These non-GAAP measures are not meant as a substitute for GAAP, but are included solely for informational and comparative purposes. The Company's management believes that this information can assist investors in evaluating the Company's operational trends, financial performance, and cash generating capacity. Management uses non-GAAP measures for a variety of reasons, including to make operational decisions, to determine executive compensation in part, to forecast future operational results, and for comparison to our annual operating plan. However, the non-GAAP financial measures should not be regarded as a replacement for (or superior to) corresponding, similarly captioned, GAAP measures.

Forward Looking Statements:

Certain statements contained in this release and accompanying materials may be considered forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including statements regarding estimated test cell utilization, expansion of testers and contactors in power management, display driver, RF mmWave and broader mixed signal applications, product deployments and design wins including for DI-Core software platform, test data analytics market, product mix changes and impact on gross margin, gross margin improvement goals and progress, Q4'21 gross margin improvement, improving contactor sales, gross margin and operational efficiencies, RF/Satcom test and inspection cell and market growth, Neon/inspection products 2021 sales, any other comments on Cohu's FY 2021 or 2022 outlook, growth or momentum, target mid-term financial model, % of incremental revenue expected to fall to operating income, estimated system versus recurring sales, Cohu's fourth quarter 2021 sales forecast, guidance, sales mix, non-GAAP operating expenses, gross margin, operating income, adjusted EBITDA, effective tax rate, free cash flow, cap ex, cash and shares outstanding, estimated minimum cash needed, estimated EBITDA breakeven point, deleveraging and any future Term Loan B principal reduction, the amount, timing or manner of any share repurchases and any other statements that are predictive in nature and depend upon or refer to future events or conditions, and/or include words such as "may," "will," "should," "would," "expect," "anticipate," "plan," "likely," "believe," "estimate," "project," "intend," and/or other similar expressions among others. Statements that are not historical facts are forward-looking statements. Forward-looking statements are based on current beliefs and assumptions that are subject to risks and uncertainties and are not guarantees of future performance. Any third party industry analyst forecasts quoted are for reference only and Cohu does not adopt or affirm any such forecasts.

Actual results could differ materially from those contained in any forward-looking statement as a result of various factors, including, without limitation: the ongoing global COVID-19 pandemic has adversely affected, and is continuing to adversely affect, our business and results of operations; ongoing increases in material, labor, supplier, logistics and other operating costs, or supply chain delays and shortages, could cause lower gross margins or lost sales and adversely impact our business, financial position, results of operations and cash flows; increased market cyclicality can have an adverse impact on our sales and gross margins; we are making investments in new products and product enhancements, which may adversely affect our operating results and these investments may not be commercially successful; we are exposed to the risks of operating a global business; we have manufacturing operations in Asia, and any failure to effectively manage multiple manufacturing sites and to secure raw materials meeting our quality, cost and other requirements, or failures by our suppliers to perform, could harm our sales, service levels and reputation; failure of critical suppliers to deliver sufficient quantities of parts in a timely and cost-effective manner could adversely impact our operations; the semiconductor industry is seasonal, volatile and unpredictable; the semiconductor equipment industry is intensely competitive; semiconductor equipment is subject to rapid technological change, product introductions and transitions which may result in inventory write-offs, and our new product development involves numerous risks and uncertainties; the seasonal nature of the semiconductor equipment industry places enormous demands on our employees, operations and infrastructure; a limited number of customers account for a substantial percentage of our net sales; a majority of our revenues are generated from exports to foreign countries, primarily in Asia, that are subject to economic and political instability and we compete against a number of Asia-based test contactor, test handler and automated test equipment suppliers; the incurrence of substantial

indebtedness in connection with our financing of the Xcerra acquisition may have an adverse impact on Cohu's liquidity, limit Cohu's flexibility in responding to other business opportunities and increase Cohu's vulnerability to adverse economic and industry conditions; our Credit Agreement contains various representations and negative covenants that limit, subject to certain exceptions and baskets, our ability and/or our subsidiaries' ability to enter into financing and other transactions relating to our assets; because of high debt levels we may not be able to service our debt obligations in accordance with their terms; dilution of earnings per share due to our March 2021 follow-on equity offering; we are exposed to other risks associated with other acquisitions, investments and divestitures; we expect to continue to evaluate and pursue divestitures of non-core assets; our financial and operating results may vary and fall below analysts' estimates, or credit rating agencies may change their ratings on Cohu, any of which may cause the price of our common stock to decline or make it difficult to obtain other financing; potential goodwill impairments if our business underperforms; global economic and political conditions, including trade tariffs and export restrictions, and other regulatory requirements, have impacted our business and may continue to have an adverse impact on our business and financial condition; our business and operations could suffer in the event of cybersecurity breaches; and our stock price and volatility in our stock price and earnings.

These and other risks and uncertainties are discussed more fully in Cohu's filings with the SEC, including the most recently filed Form 10-K and Form 10-Q, and the other filings made by Cohu with the SEC from time to time, which are available via the SEC's website at www.sec.gov. Except as required by applicable law, Cohu does not undertake any obligation to revise or update any forward-looking statement, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

For press releases and other information of interest to investors, please visit Cohu's website at www.cohu.com.

COHU, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended ⁽¹⁾		Nine Months Ended ⁽¹⁾	
	September 25, 2021	September 26, 2020	September 25, 2021	September 26, 2020
Net sales	\$ 225,063	\$ 150,647	\$ 695,354	\$ 433,652
Cost and expenses:				
Cost of sales (excluding amortization)	129,358	87,147	392,787	253,111
Research and development	22,792	20,497	69,367	63,389
Selling, general and administrative	30,377	31,336	95,835	95,664
Amortization of purchased intangible assets	8,879	9,783	27,168	28,848
Gain on sale of PCB Test business ⁽²⁾	(90)	-	(75,754)	-
Restructuring charges	31	412	1,988	1,400
Impairment charges ⁽³⁾	-	7,300	-	11,249
Gain on sale of facilities ⁽⁴⁾	-	(4,468)	-	(4,495)
	<u>191,347</u>	<u>152,007</u>	<u>511,391</u>	<u>449,166</u>
Income (loss) from operations	33,716	(1,360)	183,963	(15,514)
Other (expense) income:				
Interest expense	(966)	(3,021)	(5,372)	(10,904)
Interest income	53	42	197	210
Foreign transaction loss	(28)	(1,484)	(315)	(2,528)
Gain (loss) on extinguishment of debt ⁽⁵⁾	(1,650)	293	(3,411)	293
Income (loss) from continuing operations before taxes	31,125	(5,530)	175,062	(28,443)
Income tax provision	7,392	1,116	28,626	261
Income (loss) from continuing operations	<u>23,733</u>	<u>(6,646)</u>	<u>146,436</u>	<u>(28,704)</u>
Discontinued operations: ⁽⁶⁾				
Income from discontinued operations before taxes	-	-	-	46
Income tax provision	-	-	-	4
Income from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>42</u>
Net income (loss)	<u>\$ 23,733</u>	<u>\$ (6,646)</u>	<u>\$ 146,436</u>	<u>\$ (28,662)</u>

Income (loss) per share:				
Basic:				
Income (loss) from continuing operations	\$ 0.49	\$ (0.16)	\$ 3.12	\$ (0.69)
Income from discontinued operations	-	-	-	0.00
Net income (loss)	<u>\$ 0.49</u>	<u>\$ (0.16)</u>	<u>\$ 3.12</u>	<u>\$ (0.69)</u>
Diluted:				
Income (loss) from continuing operations	\$ 0.48	\$ (0.16)	\$ 3.04	\$ (0.69)
Income from discontinued operations	-	-	-	0.00
Net income (loss)	<u>\$ 0.48</u>	<u>\$ (0.16)</u>	<u>\$ 3.04</u>	<u>\$ (0.69)</u>
Weighted average shares used in computing income (loss) per share: ⁽⁷⁾				
Basic	<u>48,666</u>	41,947	<u>46,992</u>	41,764
Diluted	<u>49,457</u>	41,947	<u>48,137</u>	41,764

- (1) The three- and nine-month periods ended September 25, 2021 and September 26, 2020 were both comprised of 13 weeks and 39 weeks, respectively.
- (2) On June 24, 2021 the Company completed the divestment of its PCB Test business. The divestment of this business did not qualify for presentation as discontinued operations and the results of the PCB Test business are included in continuing operations for all periods presented.
- (3) Included in our results for the three- and nine-month period ended September 26, 2020 are impairment charges recorded in the third and first quarter to write certain of our in-process research and development assets ("IPR&D") obtained as part of our acquisition of Xcerra down to current estimated fair values.
- (4) During the third quarter of 2020 we completed the sale of our facility in Rosenheim, Germany which generated a gain of \$4.5 million. In the second quarter of 2020 we completed the sale of our facility in Penang, Malaysia which generated a gain of \$27,000. The gain related to the sale of the Penang facility was previously included in SG&A and has been reclassified to gain on sale of facility for the nine months ended September 26, 2020. Both facilities were sold as part of the previously announced Xcerra integration program.
- (5) Early prepayments of outstanding Term Loan B made during 2021 resulted in a loss from the extinguishment of debt. In August 2020 we repurchased and retired \$16.4 million of our outstanding Term Loan B which resulted in a gain from the extinguishment of debt. Gain (loss) on extinguishment of debt is the net result after any cash gain is offset by the required reduction in our capitalized debt issuance costs and original issuance discounts.
- (6) On October 1, 2018, the Company made the decision to sell the fixtures business acquired from Xcerra, and, as a result, the operating results of this business have been presented as discontinued operations. In February 2020, we completed the sale of this business.
- (7) For the three- and nine-month periods ended September 26, 2020, potentially dilutive securities were excluded from the per share computations due to their antidilutive effect. The Company has utilized the "control number" concept in the computation of diluted earnings per share to determine whether a potential common stock instrument is dilutive. The control number used is income from continuing operations. The control number concept requires that the same number of potentially dilutive securities applied in computing diluted earnings per share from continuing operations be applied to all other categories of income or loss, regardless of their anti-dilutive effect on such categories.

COHU, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in thousands)

	<u>September 25, 2021</u>	<u>December 26, 2020</u>
Assets:		
Current assets:		
Cash and investments	\$ 364,805	\$ 170,027
Accounts receivable	200,496	151,919
Inventories	157,512	142,500
Other current assets	20,694	20,600
Total current assets	<u>743,507</u>	485,046
Property, plant & equipment, net	65,158	66,916
Goodwill	223,683	252,304
Intangible assets, net	193,066	233,685

Operating lease right of use assets	26,274	29,203
Other assets	21,180	23,192
Total assets	<u>\$ 1,272,868</u>	<u>\$ 1,090,346</u>

Liabilities & Stockholders' Equity:

Current liabilities:

Short-term borrowings	\$ 3,160	\$ 5,314
Current installments of long-term debt	4,289	3,075
Deferred profit	11,295	8,671
Other current liabilities	<u>183,408</u>	<u>157,393</u>
Total current liabilities	202,152	174,453
Long-term debt	110,887	311,551
Non-current operating lease liabilities	23,144	25,787
Other noncurrent liabilities	64,706	66,267
Cohu stockholders' equity	<u>871,979</u>	<u>512,288</u>
Total liabilities & stockholders' equity	<u>\$ 1,272,868</u>	<u>\$ 1,090,346</u>

COHU, INC.

Supplemental Reconciliation of GAAP Results to Non-GAAP Financial Measures (Unaudited)

(in thousands, except per share amounts)

	Three Months Ended		
	September 25, 2021	June 26, 2021	September 26, 2020
Income (loss) from operations - GAAP basis (a)	\$ 33,716	\$ 114,517	\$ (1,360)
Non-GAAP adjustments:			
Share-based compensation included in (b):			
Cost of sales (COS)	239	191	218
Research and development (R&D)	889	763	782
Selling, general and administrative (SG&A)	<u>2,586</u>	<u>2,552</u>	<u>2,299</u>
	3,714	3,506	3,299
Amortization of purchased intangible assets (c)	8,879	9,045	9,783
Restructuring charges related to inventory adjustments in COS (d)	(836)	(263)	2,606
Restructuring charges (d)	31	617	412
Manufacturing and sales transition costs included in (e):			
SG&A	<u>-</u>	<u>-</u>	<u>179</u>
	-	-	179
Impairment charges (f)	-	-	7,300
Gain on sale of PCB Test business (f)	(90)	(75,779)	-
Gain on sale of facility (f)	-	-	(4,468)
PP&E step-up included in SG&A (g)	<u>145</u>	<u>145</u>	<u>243</u>
Income from operations - non-GAAP basis (h)	<u>\$ 45,559</u>	<u>\$ 51,788</u>	<u>\$ 17,994</u>
Income (loss) from continuing operations - GAAP basis	\$ 23,733	\$ 95,096	\$ (6,646)
Non-GAAP adjustments (as scheduled above)	11,843	(62,729)	19,354
Tax effect of non-GAAP adjustments (i)	<u>(964)</u>	<u>11,853</u>	<u>(1,080)</u>
Income from continuing operations - non-GAAP basis	<u>\$ 34,612</u>	<u>\$ 44,220</u>	<u>\$ 11,628</u>
GAAP income (loss) from continuing operations per share - diluted	\$ 0.48	\$ 1.92	\$ (0.16)
Non-GAAP income from continuing operations per share - diluted (j)	\$ 0.70	\$ 0.89	\$ 0.27

Management believes the presentation of these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding the Company's operating performance. Our management uses these non-GAAP financial measures in assessing the Company's operating results, as well as when planning, forecasting and analyzing future periods and these non-GAAP measures allow investors to evaluate the Company's financial

Income from operations - non-GAAP basis (j)	\$ 148,144	\$ 37,129
Income (loss) from continuing operations - GAAP basis	\$ 146,436	\$ (28,704)
Non-GAAP adjustments (as scheduled above)	(35,819)	52,643
Tax effect of non-GAAP adjustments (k)	8,844	(5,051)
Income from continuing operations - non-GAAP basis	<u>\$ 119,461</u>	<u>\$ 18,888</u>
GAAP income (loss) per share from continuing operations - diluted	\$ 3.04	\$ (0.69)
Non-GAAP income per share - diluted (l)	\$ 2.48	\$ 0.44

Management believes the presentation of these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding the Company's operating performance. Our management uses these non-GAAP financial measures in assessing the Company's operating results, as well as when planning, forecasting and analyzing future periods and these non-GAAP measures allow investors to evaluate the Company's financial performance using some of the same measures as management. Management views share-based compensation as an expense that is unrelated to the Company's operational performance as it does not require cash payments and can vary in amount from period to period and the elimination of amortization charges provides better comparability of pre and post-acquisition operating results and to results of businesses utilizing internally developed intangible assets. Management initiated certain restructuring activities including employee headcount reductions and other organizational changes to align our business strategies in light of the merger with Xcerra. Restructuring costs have been excluded because such expense is not used by Management to assess the core profitability of Cohu's business operations. Manufacturing and sales transition costs relate principally to expenses incurred as a result of moving certain manufacturing activities to Asia and incremental costs incurred related to the buildup of a direct sales force for certain equipment sales in Asia. Employee severance are costs incurred in conjunction with the termination of certain employees to streamline our operations and reduce costs. Management has excluded these costs primarily because they are not reflective of the ongoing operating results and they are not used to assess ongoing operational performance. Impairment charges and gains from the sale of the PCB Test business and the facility in Penang Malaysia have been excluded as these amounts are infrequent and are unrelated to the operational performance of Cohu. Employer payroll taxes related to accelerated severance stock-based compensation are dependent on the Company's stock price and the timing and size of the vesting of their restricted stock, over which management has limited to no control, and as such management does not believe it correlates to the company's operation of the business. Impairment charges and gain on sale of facility have been excluded as these amounts are infrequent and are unrelated to the operational performance of Cohu. PP&E step-up costs have been excluded by management as they are unrelated to the core operating activities of the Company. Excluding this data provides investors with a basis to compare Cohu's performance against the performance of other companies without this variability. However, the non-GAAP financial measures should not be regarded as a replacement for (or superior to) corresponding, similarly captioned, GAAP measures. The presentation of non-GAAP financial measures above may not be comparable to similarly titled measures reported by other companies and investors should be careful when comparing our non-GAAP financial measures to those of other companies.

- (a) 26.5% and (3.6)% of net sales, respectively.
- (b) To eliminate compensation expense for employee stock options, stock units and our employee stock purchase plan.
- (c) To eliminate the amortization of acquired intangible assets.
- (d) To eliminate restructuring costs incurred related to the integration of Xcerra and the Company's German operations.
- (e) To eliminate manufacturing and sales transition and severance costs.
- (f) To eliminate impairment charges recorded to adjust IPR&D assets obtained in the acquisition of Xcerra to current fair value.
- (g) To eliminate the gains generated from the sale of the PCB Test business and the facilities in Rosenheim, Germany and Penang Malaysia.
- (h) To eliminate the property, plant & equipment step-up depreciation accelerated related to the acquisition of Xcerra.
- (i) To eliminate the impact of employer payroll taxes associated with the acceleration of Pascal Rondé share-based awards under the terms of his separation agreement.
- (j) 21.3% and 8.6% of net sales, respectively.
- (k) To adjust the provision for income taxes related to the adjustments described above based on applicable tax rates.
- (l) The nine-months ended September 26, 2020 was computed using 42,457 shares outstanding, respectively, as the effect of dilutive securities was excluded from GAAP diluted common shares due to the reported net loss under GAAP, but are included for non-GAAP diluted common shares since the Company has non-GAAP net income. All other periods were calculated utilizing the GAAP diluted shares outstanding.

COHU, INC.

Supplemental Reconciliation of GAAP Results to Non-GAAP Financial Measures (Unaudited)

(in thousands)

	Three Months Ended
September 25,	June 26, September 26,

	2021	2021	2020
Gross Profit Reconciliation			
Gross profit - GAAP basis (excluding amortization) ⁽¹⁾	\$ 95,705	\$ 104,657	\$ 63,500
Non-GAAP adjustments to cost of sales (as scheduled above)	(597)	(72)	2,824
Gross profit - Non-GAAP basis	<u>\$ 95,108</u>	<u>\$ 104,585</u>	<u>\$ 66,324</u>
As a percentage of net sales:			
GAAP gross profit	42.5%	42.8%	42.2%
Non-GAAP gross profit	42.3%	42.7%	44.0%

Adjusted EBITDA Reconciliation			
Net income (loss) - GAAP Basis	\$ 23,733	\$ 95,096	\$ (6,646)
Income tax provision	7,392	17,659	1,116
Interest expense	966	1,831	3,021
Interest income	(53)	(94)	(42)
Amortization of purchased intangible assets	8,879	9,045	9,783
Depreciation	3,226	3,385	3,462
Amortization of cloud-based software implementation costs ⁽²⁾	409	378	318
(Gain) loss on extinguishment of debt	1,650	-	(293)
Other non-GAAP adjustments (as scheduled above)	2,819	(71,919)	9,328
Adjusted EBITDA	<u>\$ 49,021</u>	<u>\$ 55,381</u>	<u>\$ 20,047</u>
As a percentage of net sales:			
Net income (loss) - GAAP Basis	10.5%	38.8%	(4.4)%
Adjusted EBITDA	21.8%	22.6%	13.3%

Operating Expense Reconciliation			
Operating Expense - GAAP basis	\$ 62,079	\$ 65,919	\$ 64,860
Non-GAAP adjustments to operating expenses (as scheduled above)	(12,530)	(13,122)	(16,530)
Operating Expenses - Non-GAAP basis	<u>\$ 49,549</u>	<u>\$ 52,797</u>	<u>\$ 48,330</u>

(1) Excludes amortization of \$6,988, \$7,043 and \$7,447 for the three months ending September 25, 2021, June 26, 2021 and September 26, 2020, respectively.

(2) Represents amortization of capitalized implementation costs related to cloud-based software arrangements that are included within SG&A.

	Nine Months Ended	
	September 25, 2021	September 26, 2020
Gross Profit Reconciliation		
Gross profit - GAAP basis (excluding amortization) ⁽¹⁾	\$ 302,567	\$ 180,541
Non-GAAP adjustments to cost of sales (as scheduled above)	(7)	4,922
Gross profit - Non-GAAP basis	<u>\$ 302,560</u>	<u>\$ 185,463</u>
As a percentage of net sales:		
GAAP gross profit	43.5%	41.6%
Non-GAAP gross profit	43.5%	42.8%

Adjusted EBITDA Reconciliation		
Net income (loss) - GAAP Basis	\$ 146,436	\$ (28,662)
(Income) loss from discontinued operations	-	(42)
Income tax provision	28,626	261
Interest expense	5,372	10,904
Interest income	(197)	(210)

Amortization of purchased intangible assets	27,168	28,848
Depreciation	9,934	10,435
Amortization of cloud-based software implementation costs ⁽²⁾	1,157	831
(Gain) loss on extinguishment of debt	3,411	(293)
Other non-GAAP adjustments (as scheduled above)	(63,422)	23,066
Adjusted EBITDA	<u>\$ 158,485</u>	<u>\$ 45,138</u>
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As a percentage of net sales:		
Net income (loss) - GAAP Basis	21.1%	(6.6)%
Adjusted EBITDA	22.8%	10.4%
Operating Expense Reconciliation		
Operating Expense - GAAP basis	\$ 194,358	\$ 196,055
Non-GAAP adjustments to operating expenses (as scheduled above)	(39,942)	(47,721)
Operating Expenses - Non-GAAP basis	<u>\$ 154,416</u>	<u>\$ 148,334</u>

(1) Excludes amortization of \$21,132 and \$21,969 for the nine months ending September 25, 2021 and September 26, 2020, respectively.

(2) Represents amortization of capitalized implementation costs related to cloud-based software arrangements that are included within SG&A.

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