PDF SOLUTIONS INC

FORM 10-Q
(Quarterly Report)

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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period ended June 30, 2025

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 000-31311

PDF SOLUTIONS, INC.

(Exact name of Registrant as Specified in its Charter)

Delaware	**25-1701361**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2858 De La Cruz Blvd. **Santa Clara, California**	**95050**
(Address of Principal Executive Offices)	(Zip Code)

(408) 280-7900
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.00015 par value	PDFS	The Nasdaq Stock Market LLC

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 (§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 ☑	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

There were 39,492,879 shares of the Registrant's Common Stock outstanding as of August 1, 2025.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

PDF SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except par value)

	June 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,415	$ 90,594
Short-term investments	2,987	24,291
Accounts receivable, net of allowance for credit losses	69,264	73,649
Prepaid expenses and other current assets	25,124	17,445
Total current assets	134,790	205,979
Property and equipment, net	61,853	48,465
Operating lease right-of-use assets, net	4,843	4,029
Goodwill	96,798	14,953
Intangible assets, net	56,330	12,307
Deferred tax assets, net	1,209	43
Other non-current assets	35,310	29,513
Total assets	$ 391,133	$ 315,289
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,555	$ 8,255
Accrued compensation and related benefits	13,984	16,855
Accrued and other current liabilities	9,069	8,752
Operating lease liabilities – current portion	1,752	1,675
Deferred revenues – current portion	23,363	25,005
Current portion of long-term debt, net	2,240	—
Total current liabilities	56,963	60,542
Long-term income taxes	2,958	2,915
Non-current portion of operating lease liabilities	4,176	3,504
Long-term debt, net	65,877	—
Other non-current liabilities	3,639	2,291
Total liabilities	133,613	69,252
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $0.00015 par value, 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.00015 par value, 70,000 shares authorized; shares issued 51,214 and 50,717, respectively; shares outstanding 39,163 and 38,801, respectively	6	6
Additional paid-in capital	518,055	502,902
Treasury stock, at cost, 12,051 and 11,916 shares, respectively	(162,887)	(159,352)
Accumulated deficit	(95,874)	(93,988)
Accumulated other comprehensive loss	(1,780)	(3,531)
Total stockholders' equity	257,520	246,037
Total liabilities and stockholders' equity	$ 391,133	$ 315,289

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

PDF SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues:				
Analytics	$ 48,822	$ 38,114	$ 91,293	$ 76,577
Integrated Yield Ramp	2,906	3,547	8,213	6,394
Total revenues	51,728	41,661	99,506	82,971
Costs and Expenses:				
Costs of revenues	14,886	12,230	27,841	25,759
Research and development	14,913	12,649	29,541	25,633
Selling, general, and administrative	19,744	16,259	43,116	32,757
Amortization of acquired intangible assets	1,068	259	1,446	518
Income (loss) from operations	1,117	264	(2,438)	(1,696)
Interest expense	(1,242)	—	(1,553)	—
Interest income and other, net	196	1,479	1,066	3,171
Income (loss) before income tax benefit (expense)	71	1,743	(2,925)	1,475
Income tax benefit (expense)	1,075	(38)	1,039	(163)
Net income (loss)	$ 1,146	$ 1,705	$ (1,886)	$ 1,312
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	1,298	(330)	1,760	(852)
Change in unrealized gain (loss) related to available-for-sale debt securities, net of tax	1	4	(9)	(16)
Total other comprehensive income (loss)	1,299	(326)	1,751	(868)
Comprehensive income (loss)	$ 2,445	$ 1,379	$ (135)	$ 444
Net income (loss) per share:				
Basic	$ 0.03	$ 0.04	$ (0.05)	$ 0.03
Diluted	$ 0.03	$ 0.04	$ (0.05)	$ 0.03
Weighted average common shares used to calculate net income (loss) per share:				
Basic	39,148	38,619	39,118	38,456
Diluted	39,260	39,132	39,118	38,989

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

PDF SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Three-Month Periods in the Six Months Ended June 30, 2025							
	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balances, December 31, 2024	38,801	$ 6	$ 502,902	11,916	$ (159,352)	$ (93,988)	$ (3,531)	$ 246,037
Shares issued under equity plans	329	—	2,128	—	—	—	—	2,128
Shares withheld for taxes related to shares issued under equity plans	—	—	—	124	(3,320)	—	—	(3,320)
Stock-based compensation expense	—	—	6,715	—	—	—	—	6,715
Comprehensive income (loss)	—	—	—	—	—	(3,032)	452	(2,580)
Balances, March 31, 2025	39,130	6	511,745	12,040	(162,672)	(97,020)	(3,079)	248,980
Shares issued under equity plans	33	—	27	—	—	—	—	27
Shares withheld for taxes related to shares issued under equity plans	—	—	—	11	(215)	—	—	(215)
Stock-based compensation expense	—	—	6,283	—	—	—	—	6,283
Comprehensive income	—	—	—	—	—	1,146	1,299	2,445
Balances, June 30, 2025	39,163	$ 6	$ 518,055	12,051	$ (162,887)	$ (95,874)	$ (1,780)	$ 257,520

	Three-Month Periods in the Six Months Ended June 30, 2024							
	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balances, December 31, 2023	38,289	$ 6	$ 473,295	11,460	$ (143,923)	$ (98,045)	$ (2,387)	$ 228,946
Shares issued under equity plans	306	—	1,941	—	—	—	—	1,941
Shares withheld for taxes related to shares issued under equity plans	—	—	—	118	(3,794)	—	—	(3,794)
Repurchase of common stock	(202)	—	—	202	(6,899)	—	—	(6,899)
Stock-based compensation expense	—	—	6,154	—	—	—	—	6,154
Comprehensive loss	—	—	—	—	—	(393)	(542)	(935)
Balances, March 31, 2024	38,393	6	481,390	11,780	(154,616)	(98,438)	(2,929)	225,413
Shares issued under equity plans	38	—	67	—	—	—	—	67
Shares withheld for taxes related to shares issued under equity plans	—	—	—	13	(468)	—	—	(468)
Stock-based compensation expense	—	—	5,762	—	—	—	—	5,762
Comprehensive income (loss)	—	—	—	—	—	1,705	(326)	1,379
Balances, June 30, 2024	38,431	$ 6	$ 487,219	11,793	$ (155,084)	$ (96,733)	$ (3,255)	$ 232,153

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

PDF SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2025	**2024**
Cash flows from operating activities:		
Net income (loss)	$ (1,886)	$ 1,312
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation expense	12,795	11,810
Depreciation and amortization	1,489	2,129
Amortization of acquired intangible assets	3,122	1,686
Amortization of costs capitalized to obtain revenue contracts	1,497	1,274
Net accretion of discounts on short-term investments	(266)	(896)
Recovery from previously written-off property and equipment	(641)	—
Deferred taxes	(1,298)	17
Other	(324)	(273)
Changes in operating assets and liabilities:		
Accounts receivable	7,413	(11,552)
Prepaid expenses and other current assets	(7,911)	(2,990)
Operating lease right-of-use assets	794	612
Other non-current assets	(2,097)	(7,066)
Accounts payable	(275)	482
Accrued compensation and related benefits	(3,244)	(3,188)
Accrued and other liabilities	(2,188)	255
Deferred revenues	(2,695)	5,895
Operating lease liabilities	(860)	(685)
Net cash provided by (used in) operating activities	3,425	(1,178)
Cash flows from investing activities:		
Proceeds from maturities and sales of short-term investments	24,498	37,000
Purchases of short-term investments	(2,938)	(25,464)
Purchases of property and equipment	(16,651)	(7,343)
Prepayment for the purchase of property and equipment	(78)	—
Recovery from previously written-off property and equipment	641	—
Payment for business acquisition, net of cash acquired	(129,718)	—
Net cash provided by (used in) investing activities	(124,246)	4,193
Cash flows from financing activities:		
Proceeds from long-term debt, net of debt financing costs	69,550	—
Payments of debt issuance costs	(900)	—
Repayments of long-term debt	(625)	—
Proceeds from exercise of stock options and employee stock purchase plan	2,155	2,008
Payments for taxes related to net share settlement of equity awards	(3,535)	(4,262)
Repurchases of common stock	—	(6,899)
Net cash provided by (used in) financing activities	66,645	(9,153)
Effect of exchange rate changes on cash and cash equivalents	997	(853)
Net change in cash and cash equivalents	(53,179)	(6,991)
Cash and cash equivalents at beginning of period	90,594	98,978
Cash and cash equivalents at end of period	$ 37,415	$ 91,987

Continued on next page

PDF SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED
(Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2025	**2024**
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 1,699	$ 1,290
Cash paid for amounts included in the measurement of operating lease liabilities	$ 960	$ 847
Cash paid for interest on long-term debt	$ 1,461	$ —
Supplemental disclosure of noncash information:		
Prepayments for purchase of property and equipment transferred from prepaid assets to property and equipment	$ 82	$ 89
Property and equipment received and accrued in accounts payable and accrued and other current liabilities	$ 6,794	$ 3,025
Stock-based compensation capitalized as property and equipment	$ 203	$ 106
Property and equipment transferred to sales-type leases and from other non-current assets, net	$ 3,242	$ 4,021
Operating lease liabilities arising from obtaining right-of-use assets	$ 1,563	$ 142

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

PDF SOLUTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim unaudited condensed consolidated financial statements included herein have been prepared by PDF Solutions, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), including the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The interim unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary (consisting only of normal recurring adjustments) to present a fair statement of results for the interim periods presented. The operating results for any interim period are not necessarily indicative of the results that may be expected for other interim periods or the full fiscal year. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on February 27, 2025.

The interim unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after the elimination of all intercompany balances and transactions.

The condensed consolidated balance sheet as of December 31, 2024 has been derived from the audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Significant estimates in these condensed consolidated financial statements include revenue recognition, the estimated useful lives of property and equipment and intangible assets, fair value of convertible note receivable, assumptions made in analysis of allowance for credit losses, impairment of goodwill and long-lived assets, realization of deferred tax assets ("DTAs"), and accounting for lease obligations, stock-based compensation expense, and income tax uncertainties and contingencies. Actual results could differ from those estimates and may result in material effects on the Company's operating results and financial position.

Reclassification of Prior Period Amount

Certain immaterial prior period amounts on the condensed consolidated balance sheet, condensed consolidated statements of stockholders' equity, and condensed consolidated statements of cash flows have been reclassified to conform with current period presentation.

Recent Accounting Standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. This ASU is intended to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The ASU's amendments are effective for public business entities for annual periods beginning after December 15, 2024. Entities are permitted to early adopt the standard for "annual financial statements that have not yet been issued or made available for issuance." This ASU may be applied either prospectively or retrospectively. The Company will adopt this ASU on a prospective basis. The Company is currently evaluating the impact of the new standard on the consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This ASU requires the disaggregation of certain expenses in the notes to the consolidated financial statements, to provide enhanced transparency into the expense captions presented on the face of the income statement. This ASU is effective on a prospective basis for fiscal years beginning after December 15, 2026 and for interim periods beginning after December 15, 2027, with early adoption permitted. This ASU may be applied either prospectively or retrospectively. The Company is currently evaluating the impact of the new standard on the consolidated financial statements and related disclosures.

In July 2025, the FASB issued ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides a practical expedient to measure credit losses on accounts receivable and contract assets. The ASU is effective for annual periods beginning after December 15, 2025, and interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the timing of the adoption and the impact of the new standard on the consolidated financial statements and related disclosures.

Management has reviewed other recently issued accounting pronouncements issued or proposed by the FASB and does not believe any of these accounting pronouncements has had or will have a material impact on the condensed consolidated financial statements.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company derives revenue from two sources: Analytics and Integrated Yield Ramp.

The Company recognizes revenue in accordance with FASB Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers, and its related amendments (collectively known as “ASC 606”). ASC 606 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. Revenue is recognized when control of products or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those promised products or services.

The Company determines revenue recognition through the following five steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectibility of consideration is probable.

Contracts with Multiple Performance Obligations

The Company enters into contracts that can include various combinations of licenses, products and services, some of which are distinct and are accounted for as separate performance obligations. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative basis using the standalone selling price (“SSP”).

Analytics Revenue

Analytics revenue is derived from the following primary offerings: licenses and services for on-premise software (which is primarily Exensio® and Cimetrix® products, and includes some secureWISE® products), software-as-a-service (“SaaS”) (which is primarily Exensio products, and includes some secureWISE products and services), and Design-for-Inspection™ (“DFI™”) systems and Characterization Vehicle® (“CV®”) systems that do not include performance incentives based on customers’ yield achievement.

Revenue from on-premise software is recognized depending on whether the license is perpetual or time-based. Perpetual (one-time charge) license software is recognized at the time of the inception of the arrangement when control transfers to the customers if the software license is considered as a separate performance obligation from the services offered by the Company. Revenue from post-contract support is recognized over the contract term on a straight-line basis, because the Company is providing (i) support and (ii) unspecified software updates on a when-and-if available basis over the contract term. Revenue from time-based-licensed software is allocated to each performance obligation and is recognized either at a point in time or over time as follows. The license component is recognized at the time when control transfers to customers, with the post-contract support component recognized ratably over the committed term of the contract. For contracts with any combination of licenses, support, and other services, distinct performance obligations are accounted for separately. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative basis using the SSP attributed to each performance obligation.

Revenue from SaaS arrangements, which allow for the use of a software product or service over a contractually determined period of time without the customer taking possession of the software, e.g., cloud-based or via a network of secureWISE servers, is accounted for as a subscription and is recognized as revenue ratably, on a straight-line basis, over the subscription period beginning on the date the service is first made available to customers. For contracts with any combination of SaaS and related services, distinct performance obligations are accounted for separately. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative basis using the SSP attributed to each performance obligation.

Revenue from DFI systems and CV systems (including Characterization services) that do not include performance incentives based on customers' yield achievement is recognized primarily as services are performed. Where there are distinct performance obligations, the Company allocates revenue to all deliverables based on their SSPs. For those contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative basis using the SSP attributed to each performance obligation. Where there are not discrete performance obligations, historically, revenue is primarily recognized as services are performed using a percentage of completion method based on costs or labor-hours inputs, whichever is the most appropriate measure of the progress towards completion of the contract. The estimation of percentage of completion method is complex and subject to many variables that require significant judgment. Please refer to the "Significant Judgments" section of this Note for further discussion.

The Company also leases some of its DFI system and CV system assets to some customers. The Company determines the existence of a lease when the customer controls the use of these identified assets for a period of time defined in the lease agreement and classifies such leases as operating leases or sales-type leases. A lease is classified as a sales-type lease if it meets certain criteria under ASC Topic 842, Leases; otherwise, it is classified as an operating lease. Operating lease revenue is recognized on a straight-line basis over the lease term. Sales-type lease revenue and corresponding lease receivables are recognized at lease commencement based on the present value of the future lease payments, and related interest income on lease receivable is recognized over the lease term and are recorded under Analytics revenue in the condensed consolidated statements of comprehensive income (loss). Payments under sales-type leases are discounted using the interest rate implicit in the lease. When the Company's leases are embedded in contracts with customers that include non-lease performance obligations, the Company allocates consideration in the contract between lease and non-lease components based on their relative SSPs. Assets subject to operating leases remain in property and equipment and continue to be depreciated. Assets subject to sales-type leases are derecognized from property and equipment, net at lease commencement and a net investment in the lease asset is recognized in prepaid expenses and other current assets and other non-current assets in the condensed consolidated balance sheets.

The Company generates revenue from the sale of DFI system products. Revenue is recognized at a point in time when the Company's performance obligations have been completed, and the customer has accepted the product.

Integrated Yield Ramp Revenue

Integrated Yield Ramp revenue is comprised of all fees from the Company's contracts that include any performance incentives based on customers' yield achievement.

Fixed fees under these project-based contracts, which are delivered over a specific period of time and typically paid on a set schedule, are recognized as services are performed using a percentage of completion method based on costs or labor-hours inputs, whichever is the most appropriate measure of the progress towards completion of the contract. Where there are distinct performance obligations, the Company allocates revenue to all deliverables based on their SSPs and allocates the transaction price of the contract to each performance obligation on a relative basis using the SSP. Similar to the services provided in connection with DFI systems and CV systems that are contributing to Analytics revenue, due to the nature of the work performed in these arrangements, the estimation of percentage of completion method is complex and subject to many variables that require significant judgment. Please refer to the "Significant Judgments" section of this Note for further discussion.

Variable fees contained in Integrated Yield Ramp contracts that relate to continued usage of the Company's intellectual property after the fixed-fee service period ends depend on a customer's yield achievement (which the Company refers to as "Gainshare fees") and are generally subsequent to the delivery of all contractual services and performance obligations. The Company typically recognizes Gainshare as a usage-based royalty derived from customers' usage of intellectual property in the same period in which the usage occurs.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers into the timing of the transfer of goods and services and the geographical regions. The Company determined that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

The Company's performance obligations are satisfied either over time or at a point-in-time. The following table represents a disaggregation of revenue percentage by timing of revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Over time	70%	72%	65%	69%
Point-in-time	30%	28%	35%	31%
Total	100%	100%	100%	100%

International revenues accounted for approximately 61% and 54% of the Company's total revenues during the three months ended June 30, 2025 and 2024, respectively, and approximately 62% and 55% of the Company's total revenues during the six months ended June 30, 2025 and 2024, respectively. See Note 9, *Customer and Geographic Information*.

Significant Judgments

Judgments and estimates are required under ASC 606. Due to the complexity of certain contracts, the actual revenue recognition treatment required under ASC 606 for the Company's arrangements may be dependent on contract-specific terms and may vary in some instances.

For revenue under project-based contracts for fixed-price services, revenue is recognized as services are performed using a percentage-of-completion method based on costs or labor-hours input method, whichever is the most appropriate measure of the progress towards completion of the contract. Due to the nature of the work performed in these arrangements, the estimation of percentage of completion method is complex, subject to many variables and requires significant judgment. Key factors reviewed by the Company to estimate costs to complete each contract are future labor and product costs and expected productivity efficiencies. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in revenue on a cumulative catch-up basis in the period in which the circumstances that gave rise to the revision become known.

The Company's contracts with customers often include promises to transfer products, software licenses and provide services, including professional services, technical support services, and rights to unspecified updates to a customer. Determining whether licenses and services are distinct performance obligations that should be accounted for separately, or not distinct and thus accounted for together, requires significant judgment. The Company is required to estimate the range of the SSPs for each performance obligation and in instances where the SSP is not directly observable because the Company does not license the software or sell the service separately, the Company determines the SSP using information that may include market conditions and other observable inputs.

The Company is required to recognize Gainshare revenue in the same period in which the usage occurs. Because the Company generally does not receive the acknowledgment reports from its customers during a given quarter within the time frame necessary to adequately review the reports and include the actual amounts in quarterly results for such quarter, the Company accrues the related revenue based on estimates of customers underlying sales achievement. The Company's estimation process can be based on historical data, trends, seasonality, changes in the contract rate, knowledge of the changes in the industry and changes in the customer's manufacturing environment learned through discussions with customers and sales personnel. As a result of accruing revenue for the quarter based on such estimates, adjustments will be required in the following quarter to true-up revenue to the actual amounts reported.

Contract Balances

The Company performs its obligations under a contract with a customer primarily by licensing software or providing services in exchange for consideration from the customer. The timing of the Company's performance often differs from the timing of the customer's payment, which results in the recognition of a receivable, a contract asset or a contract liability.

The Company classifies the right to consideration in exchange for software or services transferred to a customer as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional, as compared to a contract asset, which is a right to consideration that is conditional upon factors other than the passage of time. The majority of the Company's contract assets represent unbilled amounts related to fixed-price service contracts when the revenue recognized exceeds the amount billed to the customer.

The contract assets are recorded on a net basis with deferred revenue (i.e., contract liabilities) at the contract level. The contract assets were as follows (in thousands):

	June 30, 2025	December 31, 2024
Current (included in Prepaid expenses and other current assets)	$ 7,930	$ 3,224
Non-current (included in Other non-current assets)	237	617
Total contract assets	$ 8,167	$ 3,841

The Company did not record any asset impairment charges related to contract assets for the periods presented.

Deferred revenues and billings in excess of recognized revenues consist substantially of amounts invoiced in advance of revenue recognition and are recognized as the revenue recognition criteria are met. Deferred revenues that will be recognized during the succeeding twelve-month period are recorded as current deferred revenues and the remaining portion is recorded in other non-current liabilities in the condensed consolidated balance sheets.

Deferred revenues were as follows (in thousands):

	June 30, 2025	December 31, 2024
Current	$ 23,363	$ 25,005
Non-current (included in Other non-current liabilities)	1,108	1,512
Total deferred revenues	$ 24,471	$ 26,517

Additional information related to deferred revenue were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue recognized that was included in the deferred revenues and billings in excess of recognized revenues balances at the beginning of each year	$ 12,063	$ 14,453	$ 18,625	$ 18,929

As of June 30, 2025, the aggregate amount of the transaction price allocated to the remaining performance obligations related to customer contracts that were unsatisfied or partially unsatisfied was approximately $232.6 million. Given the applicable contract terms with customers, more than half of this amount is expected to be recognized as revenue over the next two years with the remainder to be recognized thereafter. This amount does not include insignificant contracts to which the customer is not committed, nor significant contracts for which the Company recognizes revenue equal to the amount the Company has the right to invoice for services performed, or future sales-based or usage-based royalty payments in exchange for a license of intellectual property. This amount is subject to change due to future revaluations of variable consideration, terminations, other contract modifications, or currency adjustments. The estimated timing of the recognition of remaining unsatisfied performance obligations is subject to change and is affected by changes to the scope, change in timing of delivery of products and services, or contract modifications.

The adjustment to revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods was a decrease of $1.5 million and a decrease of $0.3 million during the three months ended June 30, 2025 and 2024, respectively, and an increase of $0.2 million and a decrease of $1.1 million during the six months ended June 30, 2025 and 2024, respectively. These amounts primarily represent changes in estimated percentage-of-completion based contracts and changes in actual versus estimated Gainshare.

Costs to Obtain or Fulfill a Contract

The Company capitalizes the incremental costs to obtain or fulfill a contract with a customer, including direct sales commissions and related fees, when it expects to recover those costs. Amortization expense related to these capitalized costs is recognized over the period associated with the revenue from which the cost was incurred.

Total capitalized direct sales commission costs and related fees were as follows (in thousands):

	June 30, 2025	December 31, 2024
Current (included in Prepaid expenses and other current assets)	$ 2,381	$ 2,929
Non-current (included in Other non-current assets)	4,160	2,385
Total capitalized direct sales commission costs	$ 6,541	$ 5,314

Amortization of capitalized direct sales commission costs were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Amortization of capitalized direct sales commission costs	$ 625	$ 640	$ 1,497	$ 1,274

There was no impairment loss in relation to the costs capitalized for the periods presented.

Practical Expedient

The Company does not adjust the transaction price for the effects of a significant financing component when the period between the transfers of the promised good or service to the customer and payment for that good or service by the customer is expected to be one year or less. The Company assessed each of its revenue generating arrangements in order to determine whether a significant financing component exists, and determined its contracts did not include a material significant financing component during the six months ended June 30, 2025 and 2024.

3. BALANCE SHEET COMPONENTS

Accounts Receivable

Accounts receivable include amounts that are unbilled at the end of the period that are expected to be billed and collected within a 12-month period. Unbilled accounts receivable, included in accounts receivable, totaled $29.3 million and $23.0 million as of June 30, 2025, and December 31, 2024, respectively. Unbilled accounts receivable that are not expected to be billed and collected during the succeeding 12-month period are recorded in other non-current assets and totaled $8.7 million and $9.0 million as of June 30, 2025, and December 31, 2024, respectively.

The Company performs ongoing credit evaluations of its customers' financial condition. An allowance for credit losses is maintained for probable credit losses based upon the Company's assessment of the expected collectibility of the accounts receivable. The allowance for credit losses is reviewed on a quarterly basis to assess the adequacy of the allowance. The allowance for credit losses was $0.9 million as of June 30, 2025 and December 31, 2024.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following (in thousands):

	June 30, 2025	December 31, 2024
Prepaid expense	$ 8,112	$ 6,481
Contract assets	7,930	3,224
Costs capitalized to obtain revenue contracts	2,381	2,929
Net investments in sales-type leases - current portion	5,014	4,526
Income tax receivable	1,687	285
Total prepaid expenses and other current assets	$ 25,124	$ 17,445

Property and Equipment

Property and equipment, net consist of the following (in thousands):

	June 30, 2025	December 31, 2024
Computer equipment	$ 13,597	$ 10,799
Software and capitalized software development cost	6,365	5,617
Furniture, fixtures, and equipment	2,611	2,529
Leasehold improvements	6,937	6,691
Laboratory and other equipment	6,268	5,734
Test equipment	24,378	22,680
Property and equipment in progress:		
DFI system assets	40,819	34,935
CV system and other assets	9,259	6,431
Total property and equipment	110,234	95,416
Less: Accumulated depreciation and amortization	(48,381)	(46,951)
Total property and equipment, net	$ 61,853	$ 48,465

Test equipment mainly includes DFI™ system and CV® system assets at customer sites that are contributing to revenue. Property and equipment in progress represent the development or construction of property and equipment that have not yet been placed in service for the Company's intended use and are not depreciated.

Depreciation and amortization expense was $0.8 million and $1.1 million for the three months ended June 30, 2025 and 2024, respectively, and $1.5 million and $2.1 million for the six months ended June 30, 2025 and 2024, respectively.

Goodwill and Intangible Assets, Net

The changes in goodwill were as follows (in thousands):

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Balance at the beginning of period	$ 14,953	$ 15,029
Addition	81,799	—
Foreign currency translation adjustment	46	(76)
Balance at the end of period	$ 96,798	$ 14,953

The Company completed the acquisition of SecureWise LLC ("SecureWise") on March 7, 2025. See Note 14, "Business Combination" for additional information related to the goodwill and intangible assets added from this acquisition.

Intangible assets, net, consisted of the following (in thousands):

		June 30, 2025			December 31, 2024		
	Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired intangible assets:							
Customer relationships	1 - 13	$ 38,404	$ (8,732)	$ 29,672	$ 9,499	$ (7,866)	$ 1,633
Developed technology	4 - 9	46,219	(26,380)	19,839	34,566	(24,601)	9,965
Tradename and trademarks	2 - 10	8,198	(1,567)	6,631	1,598	(1,120)	478
Patent	6 - 10	2,100	(1,912)	188	2,100	(1,869)	231
Noncompetition agreements	3	848	(848)	—	848	(848)	—
Total		$ 95,769	$ (39,439)	$ 56,330	$ 48,611	$ (36,304)	$ 12,307

The weighted average amortization period for acquired identifiable intangible assets was 8.9 years as of June 30, 2025. The amortization expense related to intangible assets were as follows (in thousands):

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Amortization of acquired technology (included in costs of revenues)	$ 998	$ 584	$ 1,676	$ 1,168
Amortization of acquired intangible assets (presented separately under costs and expenses)	1,068	259	1,446	518
Total amortization expense	$ 2,066	$ 843	$ 3,122	$ 1,686

The estimated future amortization of acquired identifiable intangible assets were as follows (in thousands):

Year Ending December 31,	Amount
2025 (remaining six months)	$ 4,134
2026	8,098
2027	7,946
2028	7,640
2029	5,955
2030 and thereafter	22,557
Total future amortization expense	$ 56,330

There was no impairment charges for goodwill and intangible assets during the three and six months ended June 30, 2025 and 2024.

Other Non-current Assets

Other non-current assets consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Net investments in sales-type leases (3)	$ 17,856	$ 13,226
Unbilled accounts receivable (2)	8,684	8,983
Costs capitalized to obtain revenue contracts (1)	4,160	2,385
Contract assets (1)	237	617
Other	4,373	4,302
Total other non-current assets	$ 35,310	$ 29,513

(1) See Note 2, *Revenue from Contracts with Customers*.
(2) See Note 3, *Balance Sheet Components – Accounts Receivable*.
(3) The Company’s net investments in sales-type leases were for its DFI system and CV system assets. The components of net investments in sales-type leases were as follows (in thousands):

	June 30, 2025	December 31, 2024
Present value of lease receivables	$ 11,924	$ 13,238
Less: Contract liability	—	(3,235)
Net lease receivables	11,924	10,003
Unguaranteed residual assets	10,946	7,749
Total net investments in sales-type leases	$ 22,870	$ 17,752
Reported as:		
Current (included in Prepaid expenses and other current assets)	$ 5,014	$ 4,526
Non-current (included in Other non-current assets)	17,856	13,226
Total net investments in sales-type leases	$ 22,870	$ 17,752

Maturities of leases payments under sales-type leases as of June 30, 2025, were as follows (in thousands):

Year Ending December 31,	Amount
2025 (remaining six months)	$ 2,484
2026	6,823
2027	2,576
2028	10
2029 and thereafter	51
Total future sales-type lease payments	11,944
Less: Present value adjustment (1)	(20)
Present value of lease receivables	$ 11,924

(1) Calculated using the rate implicit in the lease determined for each lease.

There was no allowance for credit losses on lease receivables as of June 30, 2025, and December 31, 2024. The Company’s ongoing risk management strategy for residual assets includes performing regular reviews of estimated residual values.

4. LEASES

The Company leases administrative and sales offices and certain equipment under non-cancellable operating leases, which contain various renewal or termination options and, in some cases, require payment of common area costs, taxes and utilities. These operating leases expire at various dates through 2031. The Company had no leases that were classified as a financing lease as of June 30, 2025, and December 31, 2024.

Lease expense was comprised of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Operating lease expense	$ 435	$ 379	$ 849	$ 760
Short-term lease and variable lease expense (1)	193	272	400	486
Total lease expense	$ 628	$ 651	$ 1,249	$ 1,246

(1) Leases with an initial term of 12 months or less are not recorded on the condensed consolidated balance sheets, and the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Variable lease expense for the periods presented primarily included common area maintenance charges.

Supplemental condensed consolidated balance sheets information related to operating leases was as follows:

	June 30, 2025	December 31, 2024
Weighted average remaining lease term under operating leases (in years)	3.4	3.3
Weighted average discount rate for operating lease liabilities	6.2%	6.0%

Maturities of operating lease liabilities as of June 30, 2025, were as follows (in thousands):

Year Ending December 31,	**Amount**
2025 (remaining six months)	$ 991
2026	1,966
2027	1,902
2028	1,202
2029	300
2030 and thereafter	263
Total future minimum lease payments	6,624
Less: Interest (1)	(696)
Present value of future minimum lease payments under operating lease liabilities	$ 5,928
Reported as of June 30, 2025:	
Operating lease liabilities – current	$ 1,752
Operating lease liabilities – non-current	4,176
Total operating lease liabilities	$ 5,928

(1) Calculated using incremental borrowing interest rate for each lease.

5. STOCKHOLDERS' EQUITY

Stock Repurchase Program

On April 11, 2022, the Board of Directors adopted a stock repurchase program (the "2022 Program") to repurchase up to $35.0 million of the Company's common stock both on the open market and in privately negotiated transactions, including through Rule 10b5-1 plans, from time to time, over the next two years from the adoption date. During the six months ended June 30, 2024, 201,561 shares were repurchased by the Company under the 2022 Program at an average price of $34.23 per share for an aggregate total price of $6.9 million. In total, the Company repurchased 937,501 shares under the 2022 Program at an average price of $25.96 per share for an aggregate total price of $24.3 million. The 2022 Program expired on April 11, 2024.

On April 15, 2024, the Board of Directors adopted a new stock repurchase program (the "2024 Program") to repurchase up to $40.0 million of the Company's common stock both on the open market and in privately negotiated transactions, including through Rule 10b5-1 plans, from time to time, over the next two years from the adoption date. The Company has not repurchased any shares under the 2024 Program as of June 30, 2025.

6. EMPLOYEE BENEFIT PLANS

Employee Stock Purchase Plan

On June 15, 2021, the Company's stockholders initially approved the 2021 Employee Stock Purchase Plan, which has been amended and restated by the Board of Directors and approved by the Company's stockholders since then (as amended through the date of this report, the "2021 Purchase Plan").

Under the 2021 Purchase Plan, eligible employees can contribute up to 10% of their compensation, as defined in the 2021 Purchase Plan, towards the purchase of shares of PDF common stock at a price of 85% of the lower of the fair market value at the beginning of the offering period or the end of the purchase period. The 2021 Purchase Plan commenced on August 1, 2021, and provided for twenty-four-month offering periods with four six-month purchase periods in each offering period.

The Company estimated the fair value of purchase rights granted under the 2021 Purchase Plan during the period using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions, resulting in the following weighted average fair values:

	Six Months Ended June 30,	
	2025	2024
Expected life (in years)	1.25	1.25
Volatility	40.22%	41.40%
Risk-free interest rate	4.22%	4.62%
Expected dividend	—	—
Weighted average fair value of purchase rights granted during the period	$ 9.36	$ 10.89

During the six months ended June 30, 2025 and 2024, a total of 90,076 shares and 73,854 shares, respectively, were issued under the 2021 Purchase Plan, at a weighted average purchase price of $23.68 per share and $25.94 per share, respectively. As of June 30, 2025, unrecognized compensation cost related to the 2021 Purchase Plan was $3.7 million, which is expected to be recognized over a weighted average period of 1.6 years.

As of June 30, 2025, 748,405 shares were available for future issuance under the 2021 Purchase Plan.

Stock Incentive Plan

On November 16, 2011, the Company's stockholders initially approved the 2011 Stock Incentive Plan, which has been amended and restated by the Board of Directors and approved by the Company's stockholders a number of times since then (as amended through the date of this report, the "2011 Plan"). Under the 2011 Plan, the Company may award stock options, stock appreciation rights ("SARs"), stock grants or stock units covering shares of the Company's common stock to employees, directors, non-employee directors and contractors. The aggregate number of shares reserved for awards under the 2011 Plan is 15.9 million shares, plus up to 3.5 million shares previously issued under the 2001 Stock Plan adopted by the Company in 2001, which expired in 2011 (the "2001 Plan") that are either (i) forfeited or (ii) repurchased by the Company or are shares subject to awards previously issued under the 2001 Plan that expire or that terminate without having been exercised or settled in full on or after November 16, 2011. In case of awards other than options or SARs, the aggregate number of shares reserved under the 2011 Plan will be decreased at a rate of 1.33 shares issued pursuant to such awards. The exercise price for stock options must generally be at prices no less than the fair market value at the date of grant. Stock options generally expire ten years from the date of grant and become vested and exercisable over a four-year period.

As of June 30, 2025, 15.9 million shares of common stock were reserved to cover stock-based awards under the 2011 Plan, of which 4.3 million shares were available for future grant. The number of shares reserved and available under the 2011 Plan includes 0.5 million shares that were subject to awards previously made under the 2001 Plan and were forfeited, expired, or repurchased by the Company after the adoption of the 2011 Plan through June 30, 2025. As of June 30, 2025, there were no outstanding awards that had been granted outside of the 2011 Plan.

The Company estimated the fair value of share-based awards granted under the 2011 Stock Plan during the period using the Black-Scholes-Merton option-pricing model. There were no stock options granted during the six months ended June 30, 2025 and 2024.

Stock-Based Compensation

Stock-based compensation is estimated at the grant date based on the award's fair value and is recognized on a straight-line basis over the vesting periods, generally four years. Stock-based compensation expense before taxes related to the Company's stock plan and employee stock purchase plan was allocated as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	**2024**	**2025**	**2024**
Costs of revenues	$ 1,257	$ 1,185	$ 2,599	$ 2,385
Research and development	2,251	2,063	4,670	4,265
Selling, general, and administrative	2,691	2,452	5,526	5,160
Total stock-based compensation expense	$ 6,199	$ 5,700	$ 12,795	$ 11,810

Stock Award Activities

Restricted stock unit ("RSU")

Nonvested RSU activities were as follows:

	Shares (in thousands)	Weighted Average Grant Date Fair Value Per Share
Nonvested, January 1, 2025	1,885	$ 33.14
Granted	68	23.66
Vested	(406)	29.77
Forfeited	(29)	33.85
Nonvested, June 30, 2025	1,518	$ 33.60

The weighted average grant date fair values of RSUs granted during the six months ended June 30, 2025 and 2024 were $23.66 and $33.63, respectively.

The total fair value of RSUs vested were as follows (in thousands):

	Six Months Ended June 30,	
	2025	2024
Fair value of restricted stock units vested	$ 10,501	$ 12,833

As of June 30, 2025, there was $38.0 million of total unrecognized compensation cost related RSUs which is expected to be recognized over a weighted average period of 2.3 years. RSUs do not have rights to dividends prior to vesting.

Stock Options

As of June 30, 2025, the outstanding stock options totaled 25,761 shares. Total fair value of shares vested during the six months ended June 30, 2025 was immaterial. As of June 30, 2025, there was no remaining unrecognized compensation cost related to unvested stock options.

7. INCOME TAXES

Income tax expense decreased by $1.2 million for the six months ended June 30, 2025, to $1.1 million tax benefit as compared to ($0.2) million income tax expense for the six months ended June 30, 2024. The Company's effective tax rate was 36% for the six months ended June 30, 2025, compared to 11% for the six months ended June 30, 2024. The increase was primarily due to changes in the foreign, federal and state taxes and year-to-date recognition of worldwide pre-tax income (loss) in relation to their forecasted amounts for the full year. The Company's provision for income taxes for the six months ended June 30, 2025, was primarily attributable to federal, state and foreign taxes.

The Company's total amount of unrecognized tax benefits, excluding interest, as of June 30, 2025, was $17.3 million, of which $2.4 million, if recognized, would affect the Company's effective tax rate. The Company's total amount of unrecognized tax benefits, excluding interest, as of December 31, 2024, was $16.6 million, of which $2.1 million, if recognized, would affect the Company's effective tax rate. As of June 30, 2025, the Company has recorded unrecognized tax benefits of $3.0 million, including interest of $0.6 million, as long-term taxes payable in the condensed consolidated balance sheets. The remaining $14.9 million has been recorded within the Company's DTAs, which is subject to a full valuation allowance.

The valuation allowance was approximately $67.9 million as of June 30, 2025, and December 31, 2024, which was related to U.S. net federal and state DTAs. The worldwide net DTAs balance were immaterial as of June 30, 2025, and December 31, 2024.

The Company conducts business globally and, as a result, files numerous consolidated and separate income tax returns in the U.S. federal and various state and foreign jurisdictions. For U.S. federal and California income tax purposes, the statute of limitations currently remains open for the tax years ended 2021 to present and 2020 to present, respectively. In addition, all of the net operating loss and research and development credit carryforwards that may be utilized in future years may be subject to federal and state examination. The Company is not currently under known income tax examinations in the U.S. or any other of its major foreign subsidiaries' jurisdictions.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the United States. The OBBBA includes significant provisions regarding corporate taxes, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework, and the restoration of favorable tax treatment for certain business provisions. The OBBBA has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. The Company is currently assessing the impact on the Company's consolidated financial statements. As the OBBBA was signed into law after the close of the Company's second quarter, no impact has been included in the Company's operating results for the six months ended June 30, 2025.

8. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period (excluding outstanding stock options, nonvested restricted stock units and shares subject to repurchase). Diluted net income (loss) per share is computed using the weighted average number of common shares outstanding for the period plus the potential effect of dilutive securities which are convertible into common shares (using the treasury stock method), except in cases in which the effect would be anti-dilutive. The following is a reconciliation of the numerators and denominators used in computing basic and diluted net loss per share (in thousands except per share amount):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net income (loss)	$ 1,146	$ 1,705	$ (1,886)	$ 1,312
Denominator:				
Basic weighted average common shares outstanding	39,148	38,619	39,118	38,456
Effect of dilutive stock options, unvested restricted stock units, and shares of common stock expected to be issued under employee stock purchase plan	112	513	—	533
Diluted weighted average common shares outstanding	39,260	39,132	39,118	38,989
Net income (loss) per share:				
Basic	$ 0.03	$ 0.04	$ (0.05)	$ 0.03
Diluted	$ 0.03	$ 0.04	$ (0.05)	$ 0.03

For the six months ended June 30, 2025, because the Company was in a loss position, diluted net loss per share is the same as basic net loss per share as the inclusion of the potential common shares would have been anti-dilutive.

The following table summarizes the potential shares of common stock that were not included in the diluted net loss per share calculation above because to do so would be anti-dilutive for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Non-vested restricted stock units	1,164	556	1,518	571
Outstanding stock options	6	—	26	—
Shares issuable under employee stock purchase plan	268	—	268	—
Total	1,438	556	1,812	571

9. CUSTOMER AND GEOGRAPHIC INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or group, in deciding how to allocate resources and in assessing performance.

The Company's chief operating decision maker ("CODM"), the Chief Executive Officer, reviews discrete financial information including total revenues, gross profit, and net income (loss) presented on a consolidated basis for purposes of regularly making operating decisions about allocation of resources and financial performance assessment. Further, the CODM reviews and utilizes functional expenses (costs of revenues, research and development, and selling, general and administrative) at the consolidated level to manage the Company's operations. Other segment items included in the condensed consolidated net income (loss) are amortization of acquired intangible assets, interest expense, interest income and other, net and income tax expense, which are reflected in the condensed consolidated statements of comprehensive income (loss). Accordingly, the Company considers itself as one operating and reporting segment because it does not distinguish between markets, specifically the provision of services for differentiated data and analytics solutions to the semiconductor and electronics industries.

The following table presents segment total revenues, costs of revenues, gross profit, and net loss for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Total revenues	$ 51,728	$ 41,661	$ 99,506	$ 82,971
Costs of revenues	$ 14,886	$ 12,230	$ 27,841	$ 25,759
Gross profit	$ 36,842	$ 29,431	$ 71,665	$ 57,212
Net income (loss)	$ 1,146	$ 1,705	$ (1,886)	$ 1,312

Revenues from an individual customer that are approximately 10% or more of the Company's consolidated total revenues were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Customer	2025	2024	2025	2024
A	19%	24%	17%	23%
B	12%	*%	15%	14%
C	17%	*%	14%	*%

* represents less than 10%

Gross accounts receivable balances (including amounts that are unbilled) from individual customers that are approximately 10% or more of the Company's gross accounts receivable balance were as follows:

Customer	June 30, 2025	December 31, 2024
A	28%	21%
B	*%	13%
C	26%	11%
E	*%	12%

* represents less than 10%

Revenues from customers by geographic area based on the location of the customers' work sites were as follows (amounts in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2025		2024		2025		2024	
	Revenues	Percentage of Revenues	Revenues	Percentage of Revenues	Revenues	Percentage of Revenues	Revenues	Percentage of Revenues
United States	$ 19,954	39%	$ 19,223	46%	$ 38,182	39%	$ 36,956	45%
Japan	9,304	18	7,932	19	21,040	21	19,220	23
China	12,190	23	7,000	17	20,233	20	11,853	14
Rest of the world	10,280	20	7,506	18	20,051	20	14,942	18
Total revenues	$ 51,728	100%	$ 41,661	100%	$ 99,506	100%	$ 82,971	100%

Long-lived assets, net by geographic area were as follows (in thousands):

	June 30, 2025	December 31, 2024
United States (1)	$ 75,236	$ 58,782
Rest of the world	2,406	1,461
Total long-lived assets, net	$ 77,642	$ 60,243

(1) Includes assets deployed at customer sites which could be outside the U.S.

10. FAIR VALUE MEASUREMENTS

Fair value is the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The multiple assumptions used to value financial instruments are referred to as inputs, and a hierarchy for inputs used in measuring fair value is established, that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions. These inputs are ranked according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3 - Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The Company's financial assets measured at fair value on a recurring basis and the basis for those measurements were as follows (in thousands):

Assets	Balance Sheet Classification	Fair Value Measurements Using June 30, 2025	(Level 1)	(Level 2)	(Level 3)
Money market mutual funds	Cash equivalents	$ 1,361	$ 1,361	$ —	$ —
Available-for-sale debt securities:					
U.S. Government securities (1)	Short-term investments	2,987	2,987	—	—
Convertible note receivable (2)	Other non-current assets	2,087	—	—	2,087
Total		$ 6,435	$ 4,348	$ —	$ 2,087

Assets	Balance Sheet Classification	Fair Value Measurements Using December 31, 2024	(Level 1)	(Level 2)	(Level 3)
Money market mutual funds	Cash equivalents	$ 66,213	$ 66,213	$ —	$ —
Available-for-sale debt securities:					
U.S. Government securities (1)	Short-term investments	24,291	24,291	—	—
Convertible note receivable (2)	Other non-current assets	2,038	—	—	2,038
Total		$ 92,542	$ 90,504	$ —	$ 2,038

(1) The amortized cost of the Company's investments in U.S. Government securities approximated their fair value due to their short-term maturities, and there have been no events or changes in circumstances that would have had a significant effect on the fair value of these securities in the periods presented. For the three and six months ended June 30, 2025 and 2024, there were no material realized or unrealized gains or losses, either individually or in the aggregate.

(2) In August 2024, the Company purchased a $2.0 million non-marketable convertible promissory note from an unrelated third party (the "convertible note"). The convertible note bears a 5% interest rate annually and will mature in August 2026.

11. COMMITMENTS AND CONTINGENCIES

Strategic Partnership with Advantest — See Note 12, *Strategic Partnership Agreement with Advantest and Related Party Transactions*, for the discussion about the Company's commitments under the strategic partnership with Advantest.

Operating Leases — Refer to Note 4, *Leases*, for the discussion about the Company's lease commitments.

Indemnifications — The Company generally provides a warranty to its customers that its software will perform substantially in accordance with documented specifications typically for a period of 90 days following initial delivery of its products. The Company also indemnifies certain customers from third-party claims of intellectual property infringement relating to the use of its products. Historically, costs related to these guarantees have not been significant. The Company is unable to estimate the maximum potential impact of these guarantees on its future results of operations.

The Company's standard product warranty terms for the sale of its DFI system product generally include post-sales support and repairs or replacement of a product at no additional charge for a contractually agreed period of time. The standard warranty reserve is based on estimated total expected costs to fulfill our warranty obligation based on best available information as of the reporting date. The standard warranty reserve was immaterial as of June 30, 2025, and December 31, 2024.

Purchase Obligations — The Company has purchase obligations with certain suppliers for the purchase of goods and services entered into in the ordinary course of business. As of June 30, 2025, total outstanding purchase obligations were $36.1 million, the majority of which is due within the next 12 months.

Indemnification of Officers and Directors — As permitted by the Delaware General Corporation Law, the Company has included a provision in its certificate of incorporation to eliminate the personal liability of its officers and directors for monetary damages for breach or alleged breach of their fiduciary duties as officers or directors.

In addition, the Bylaws of the Company provide that the Company is required to indemnify its officers and directors even when indemnification would otherwise be discretionary, and the Company is required to advance expenses to its officers and directors as incurred in connection with proceedings against them for which they may be indemnified. The Company has entered into indemnification agreements with its officers and directors containing provisions that are in some respects broader than the specific indemnification provisions contained in the Delaware General Corporation Law. The indemnification agreements require the Company to indemnify its officers and directors against liabilities that may arise by reason of their status or service as officers and directors other than for liabilities arising from willful misconduct of a culpable nature, to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and to obtain directors' and officers' insurance if available on reasonable terms. The Company has obtained directors' and officers' liability insurance in amounts comparable to other companies of the Company's size and in the Company's industry. Since a maximum obligation of the Company is not explicitly stated in the Company's Bylaws or in its indemnification agreements and will depend on the facts and circumstances that arise out of any future claims, the overall maximum amount of the obligations cannot be reasonably estimated.

Legal Proceedings — From time to time, the Company is subject to various claims and legal proceedings that arise in the ordinary course of business. The Company accrues for losses related to litigation when a potential loss is probable, and the loss can be reasonably estimated in accordance with FASB requirements. As of June 30, 2025, the Company was not party to any material legal proceedings for which a loss was probable or an amount was accrued. From time to time, the Company may enter into contingent fee arrangements with external legal firms that may represent the Company in legal proceedings related to disputes. Contingent legal fees are accrued by the Company when they are probable and reasonably estimable.

On May 6, 2020, the Company initiated an arbitration proceeding with the Hong Kong International Arbitration Center (the "Tribunal") against SMIC New Technology Research & Development (Shanghai) Corporation ("SMIC") due to SMIC's failure to pay fees due to the Company under a series of contracts. The Company seeks to recover the unpaid fees, a declaration requiring SMIC to pay fees under the contracts in the future (or a lump sum payment to end the contract), and costs associated with bringing the arbitration proceeding. SMIC denies liability and an arbitration hearing was held in February 2023. Final written submissions were submitted by the parties at the end of August 2023, and the parties submitted answers to the Tribunal's final questions in August 2024. The Company is awaiting the Tribunal's decision on a judgment.

12. STRATEGIC PARTNERSHIP AGREEMENT WITH ADVANTEST AND RELATED PARTY TRANSACTIONS

In July 2020, the Company entered into a long-term strategic partnership with Advantest Corporation through its wholly-owned subsidiary, Advantest America, Inc. (collectively referred to herein as "Advantest"), which includes: (i) a Securities Purchase Agreement wherein the Company issued and sold to Advantest America, Inc., an aggregate of 3,306,924 shares of its common stock, for aggregate gross proceeds of $65.2 million; (ii) a significant agreement for its assistance in development of cloud-based applications for Advantest tools that leverages our Exensio analytics software; (iii) a commercial agreement providing for the license to third parties of solutions that result from the development work that combine Advantest's testing applications and our Exensio platform; and (iv) a 5-year cloud-based subscription for Exensio analytics software and related services.

Analytics revenue recognized from Advantest was $3.5 million and $3.0 million during the three months ended June 30, 2025 and 2024, respectively, and $7.1 million and $5.9 million during the six months ended June 30, 2025 and 2024, respectively. Accounts receivable from Advantest were not material as of June 30, 2025, and December 31, 2024. Deferred revenue amounted to $2.3 million and $8.3 million as of June 30, 2025, and December 31, 2024, respectively.

13. DEBT

Debt as of June 30, 2025, consisted of (in thousands):

	June 30, 2025
Term loan	$ 24,375
Revolving credit facility	45,000
Total debt (principal amount)	69,375
Unamortized debt discount and financing costs	(1,258)
Total debt, net of unamortized debt discount and financing costs	$ 68,117
Reported as:	
Current portion of long-term debt, net	$ 2,240
Long-term debt, net	65,877
Total debt, net	$ 68,117

On March 7, 2025, the Company entered into a Credit Agreement (the "Credit Agreement") with the lenders who are party to the Credit Agreement and the lenders who may become a party to the Credit Agreement pursuant to the terms thereof (the "Lenders") and Wells Fargo Bank, National Association, as administrative agent to the Lenders (the "Agent").

The Credit Agreement provides for (a) a revolving credit facility in an aggregate principal amount of $45.0 million (the "Revolving Credit Facility") and (b) a term loan facility in an aggregate principal amount of $25.0 million (the "Term Loan" and together with the Revolving Credit Facility, the "Credit Facilities").

The principal of the Revolving Credit facility is due as a balloon payment of $45.0 million in March 2030. The principal of the Term Loan is due in the amount of $0.6 million quarterly and a balloon payment of $13.1 million in March 2030.

Borrowings under the Credit Facilities will accrue interest at rates equal, at the Company's election, to (i) the alternate base rate, which is defined as the highest of (a) the federal funds effective rate in effect from time to time plus 0.50%, (b) the prime commercial lending rate in effect from time to time, and (c) the daily simple secured overnight financing rate ("SOFR") plus 1.00% or (ii) SOFR, plus, in each case, the applicable margin. The applicable margin for the Revolving Credit Facility borrowings bearing interest at the alternate base rate ranges from 1.00% to 1.75%, and the applicable margin for Revolving Credit Facility borrowings bearing interest based on the SOFR ranges from 2.00% to 2.75%, in each case, based on the Company's consolidated total net leverage ratio as of the most recently ended fiscal quarter. The applicable margin for Term Loan borrowings bearing interest at the alternate base rate ranges from 1.00% to 1.75%, and the applicable margin for Term Loan borrowings bearing interest based on the SOFR ranges from 2.00% to 2.75%, in each case, based on the Company's consolidated total net leverage ratio as of the most recently ended fiscal quarter. The Company will pay an annual commitment fee during the term of the Credit Agreement at a rate per annum equal to 0.50% for any undrawn portion of the Revolving Credit Facility.

The Credit Agreement contains customary representations and warranties, as well as customary affirmative and negative covenants. Negative covenants include, among others, restrictions on the incurrence of debt, the incurrence of liens, the making of investments and distributions, dividends, and stock buy-backs. In addition, the Credit Agreement requires that the Company maintain a consolidated total net leverage ratio of not greater than 3.00 to 1.00, and a consolidated fixed charge coverage ratio of not less than 1.25 to 1.00. As of June 30, 2025, the Company was in compliance with the covenants contained in the Credit Agreement.

The Credit Agreement contains customary events of default. Upon the occurrence and during the continuance of an event of default, the Agent may declare the outstanding advances and all other obligations under the Credit Agreement immediately due and payable.

The obligations under the Credit Agreement are guaranteed by all present and future material domestic subsidiaries of the Company (collectively with the Company referred to herein as the "Credit Parties"), subject to customary exceptions, and are secured by the equity interests of the Credit Parties (other than the Company) and substantially all of the personal property owned by the Credit Parties, including 65% of the equity interests of certain foreign subsidiaries owned by the Credit Parties.

The Company used the amounts borrowed under the Credit Facilities to finance, in part, the purchase price paid for the acquisition of SecureWise (see Note 14, *Business Combination*).

Future Payments on Total Debt

As of June 30, 2025, the estimated future principal payments of the total long-term debt were as follows (in thousands):

Year Ending December 31,		Amount
2025 (remaining six months)	$	1,250
2026		2,500
2027		2,500
2028		2,500
2029		2,500
2030		58,125
Total future principal payments of long-term debt	$	69,375

14. BUSINESS COMBINATION

On February 19, 2025, the Company entered into an Equity Purchase Agreement (the "Purchase Agreement") with Telit IOT Solutions Inc., a Delaware corporation (the "Seller"), and SecureWise, pursuant to which the Company agreed to acquire the Seller's SecureWise business (the "Business") by means of a purchase of all of the outstanding equity interests of SecureWise held by the Seller (the "Transaction").

On March 7, 2025, the Company completed the acquisition of the Business from the Seller pursuant to the Purchase Agreement for a cash purchase price of $130.0 million, subject to customary adjustments in respect of indebtedness, transaction expenses, cash and working capital of the Business, in each case, in accordance with the terms of the Purchase Agreement. The Company financed the Transaction using a combination of cash on hand and borrowings under the Credit Facilities.

The Company expects the Transaction to accelerate equipment makers' ability to derive value from equipment data by enabling them to leverage the Company's Exensio analytics software and to expand the capability of the Company's secure data exchange ("DEX") outsourced semiconductor assembly and test ("OSAT") network by allowing equipment makers, fab operators, and fabless companies to collaborate to optimize chip manufacturing and test.

The Company accounted for the Transaction as a business combination in accordance with FASB ASC Topic 805, *Business Combinations*. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their respective estimated fair values as of the acquisition date. The Company allocated the purchase price to identifiable assets acquired based on their estimated fair values. The fair value of the consideration transferred and the assets acquired and liabilities assumed was determined by the Company and in doing so management engaged a third-party valuation specialist to assist with the measurement of the fair value of identifiable intangible assets. The estimated fair value of the identifiable assets acquired and liabilities assumed was based on management's best estimates. The fair value of the customer relationships was determined using the multi-period excess earnings income approach or cost approach. The fair value of trade names and developed technology was determined using the relief-from-royalty method. The fair value of acquired technology was determined using the cost approach. The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The goodwill recorded from this acquisition represents business benefits the Company anticipates from the acquired workforce and expectation for expanded sales opportunities to foster further business growth. The goodwill associated with the acquisition is deductible for tax purposes.

The Company expensed all transaction costs in the period in which they were incurred. The total non-recurring legal, finance, integration and other costs related to the acquisition of SecureWise amounted to $5.4 million, of which $4.5 million was recorded in the six months ended June 30, 2025, and $0.9 million in the fourth quarter of 2024.

The preliminary allocation of the purchase price for the acquisition of SecureWise, as of the date of the completion of the Transaction, is as follows (in thousands, except amortization period):

	Amount	Amortization Period (Years)
Allocation of Purchase Price:		
Fair value estimates of assets acquired and liabilities assumed		
Cash	$ 1,049	
Accounts receivable	2,969	
Prepaid and other assets	1,049	
Fixed assets	1,592	
Fair value of intangible assets:		
Trademark	6,600	5
Customer relationships	28,900	13
Developed technology	11,600	7
Goodwill	81,799	N/A
Accounts payable and other current liabilities	(4,791)	
Total purchase price allocation	$ 130,767	

The estimated fair value of the accounts receivable acquired approximates the contractual value of $3.0 million.

The Company is still finalizing the allocation of the purchase price to the individual assets acquired. Accordingly, these preliminary estimates are subject to change during the measurement period, which is the period subsequent to the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination, not to exceed one year from the acquisition date. The final purchase price allocation, which may include changes in the allocations within intangible assets and between intangible assets and goodwill, as well as changes in the estimated useful lives of the intangible assets, will be determined when the Company has completed the detailed review of underlying inputs and assumptions used in its preliminary purchase price allocation.

Pro forma information reflecting the impact of the Transaction has not been presented as the Transaction was not material to the Company’s financial results.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion of our financial condition and results of operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact may be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "could," "projected," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "target" or "continue," the negative effect of terms like these or other similar expressions. *These statements include, but are not limited to, statements related to: the Company's business strategy and objectives; the Company's intellectual property and proprietary software, information and technology; the Company's sales and marketing strategy, expectations regarding strategic alliances and relationships; investments in research and development; industry trends; macroeconomic factors, inventories, and demand; changing export controls and sanctions; U.S. administrative initiatives; investments in semiconductor manufacturing; geopolitical tensions and conflicts; fluctuations in the Company's quarterly results; and other statements identified by words such as "could," "expects," "intends," "may," "plans," "potential," "should," "will," "would," or similar expressions and the negatives of those terms, that are subject to future events and circumstances, and uncertainties that could cause results to differ materially include risks associated with: the effectiveness of the Company's business and technology strategies; current semiconductor industry trends and competition; rates of adoption of the Company's solutions by new and existing customers; project milestones or delays and performance criteria achieved; cost and schedule of new product development and investments in research and development; the continuing impact of macroeconomic conditions, including inflation, changing interest rates and tariffs, the evolving trade regulatory environment and geopolitical tensions, and other trends impacting the semiconductor industry, the Company's customers, operations, and supply and demand for its products; supply chain disruptions; changes in laws and regulations, including recent tax and data privacy laws and regulations, or the interpretation or enforcement thereof; the success of the Company's strategic growth opportunities and partnerships; recent and future acquisitions, strategic alliances and relationships and the Company's ability to successfully integrate acquired businesses and technologies; whether the Company can successfully convert backlog into revenue; customers' production volumes under contracts that provide Gainshare; the sufficiency of the Company's cash resources and anticipated funds from operations; the Company's ability to obtain additional financing if needed; the Company's ability to use support and updates for certain open-source software; and other risks and uncertainties discussed in the Company's filings with the Securities and Exchange Commission ("SEC").* These forward-looking statements are only predictions. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those anticipated or projected. All forward-looking statements and other information included in this document are based on information available to us on the date of filing and we further caution investors that our business and financial performance are subject to substantial risks and uncertainties. We assume no obligation to update publicly any such forward-looking statements. In evaluating these statements, you should specifically consider various factors, including the risk factors set forth in Item 1. "Business" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on February 27, 2025 (the "Annual Report"). All references to "we," "us," "our," "PDF," "PDF Solutions" or "the Company" refer to PDF Solutions, Inc.

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Overview

We offer products and services designed to empower organizations across the semiconductor and electronics ecosystems to connect, collect, manage, transfer, and analyze data about design, equipment, manufacturing, and test to improve the yield and quality of their products. We derive revenues from two sources: Analytics and Integrated Yield Ramp. Our offerings combine proprietary software, professional services using proven methodologies, third-party cloud-hosting platforms for software-as-a-service ("SaaS"), electrical measurement hardware tools, and physical intellectual property ("IP") for integrated circuit ("IC") designs. We primarily monetize our offerings through license fees and contract fees for professional services and SaaS. In some cases, especially on our historical Integrated Yield Ramp engagements, we also receive a value-based variable fee or royalty, which we call Gainshare. Our products, services, and solutions have been sold to integrated device manufacturers ("IDMs"), fabless semiconductor companies, foundries, out-sourced semiconductor assembly and test ("OSATs"), capital equipment manufacturers, and system houses.

We are headquartered in Santa Clara, California and also operate worldwide with offices in Canada, China, France, Germany, Italy, Japan, Korea, and Taiwan.

Acquisition of SecureWise LLC

On March 7, 2025, we completed the acquisition of SecureWise LLC ("SecureWise"), a Delaware limited liability company (see Note 14, *Business Combinations*, in the notes to the condensed consolidated financial statements (unaudited) in Part I, Item 1 of this Quarterly Report on Form 10-Q), and added the widely-used, secure, remote secureWISE connectivity solution to our products and services portfolio. We expect this acquisition to also accelerate equipment makers' ability to derive value from equipment data by enabling them to leverage our Exensio analytics software and to expand the capability of our secure data exchange ("DEX") outsourced semiconductor assembly and test ("OSAT") network by allowing equipment makers, fab operators, and fabless companies to collaborate to optimize chip manufacturing and test.

Industry Trends

Certain trends may affect our Analytics revenue specifically. In particular, the confluence of Industry 4.0 (i.e. the fourth industrial revolution, or the automation and data exchange in manufacturing technologies and processes) and cloud computing (i.e. the on-demand availability of computing resources and data storage without direct active management by the user) is driving increased innovation in semiconductor and electronics manufacturing and analytics, as well as in the organization of information technology ("IT") networks and computing at semiconductor and electronics companies across the ecosystem. First, the ubiquity of wireless connectivity and sensor technology enables any manufacturing company to augment its factories and visualize its entire production line. In parallel, the cost per terabyte of data storage has generally decreased over time. The combination of these two trends means that more data is collected and stored than ever before. Further, semiconductor companies are striving to analyze these very large data sets in real-time to make rapid decisions that measurably improve manufacturing efficiency and quality. In parallel, the traditional practice of on-site data storage, even for highly sensitive data, is changing. The ability to cost-effectively and securely store, analyze, and retrieve massive quantities of data from the cloud versus on-premise enables data to be utilized across a much broader population of users, frequently resulting in greater demands on analytics programs. The combination of these latter two trends means that cloud-based, analytics programs that effectively manage identity management, physical security, and data protection are increasingly in demand for insights and efficiencies across the organizations of these companies. We believe that all these trends will continue for the next few years, and the challenges involved in adopting Industry 4.0 and secure cloud computing will create opportunities for our combination of advanced analytics capabilities, proven and established supporting infrastructure, and professional services to configure our products to meet customers' specialized needs.

Other trends may continue to affect our Characterization services business and Integrated Yield Ramp revenue specifically. For example, semiconductor manufacturers may experience lower wafer shipments due to weakness in the global economy, which would negatively impact the gainshare component of our Integrated Yield Ramp revenue. The logic foundry market at the leading-edge nodes, such as 5nm and smaller, underwent significant change over the past few years. The leading foundry continues to dominate market share. This trend will likely continue to impact our Characterization services business on these nodes. We expect most logic foundries to invest in derivatives of older process nodes, such as 14nm, to extract additional value as many of their customers will not move to advanced nodes due to either technological barriers or restrictive economics. Foundries that participate at leading edge nodes are expected to continue to invest in new technologies such as memory, 2.5D and 3D packaging, extreme ultraviolet lithography, and 3D architectures such as backside power and gate-all-around transistors, as well as new innovations in process control and variability management. We expect China's investment in semiconductors to continue. Compliance with changing U.S. export restrictions limit our possible business with Chinese semiconductor manufacturers on advanced nodes. As a result of these market developments, we have chosen to focus our resources and investments in products (including differentiated data), services, and solutions for analytics.

There are other global or business trends that may affect our business opportunities generally as follows:

- *Macroeconomy, inventories, and demand*. The worldwide economic performance is uneven, and the possibility of a recession persists, leading to uneven demand. Inventories of semiconductor devices remain elevated in some instances. With high inventories and soft demand for some product segments, some semiconductor fab utilization rates are also low and semiconductor capital equipment orders have been impacted for some vendors and market segments. As a result, some purchase cycles, especially for enterprise software and capital equipment and particularly with respect to larger deals, have lengthened in recent years and may continue to do so.

- *Changing export controls and sanctions*. The U.S. government continues intense export controls and sanctions focused on the destinations of and/or entities in the People's Republic of China ("P.R.C."), Russian Federation, and Belarus. Some customers in the P.R.C. have expressed concern about the potential for supply chain disruption due to such regulations. This has in some cases, and could in the future, negatively impact the demand for our products and services by these customers. More recently, increased volatility has appeared in controls as economic transactional views compete with traditional national security views in the U.S. government. For illustration, in late May 2025, the government issued orders (known as "is-informed" letters) further restricting electronic design automation products intended for P.R.C. customers. The government rescinded these orders in early July 2025, according to news reports. Other jurisdictions with important roles in our industry continue to update some of their export control regulations to further align with the U.S. government. Continued tight restrictions, rapid evolution, and/or unpredictability in regulations each could negatively affect our sales. Based on our current assessments, we expect the near-term impact of these evolving trade restrictions on our business to be limited but shifting and competing policy directions leave much unknown.

- *U.S. Administrative Initiatives.* The new U.S. Administration has made and is expected to continue to make changes to U.S. trade policy, including renegotiating or terminating existing trade agreements and leveraging tariffs. For example, the U.S. recently imposed additional tariffs on imports from China, Canada, and Mexico. We do not import into the U.S. a significant volume of goods of those countries. Trade conflict through exchange of tariffs and other retaliatory actions are expected to impact worldwide supply chains, increase prices and put downward pressure on economic activity, and could negatively affect our future sales in various geographic markets. The uncertainty caused by these recent regulations and the potential for additional future restrictions could negatively affect our future sales, including in but not limited to the P.R.C. market.

  Tax legislation continues to evolve globally with new laws and regulations that create uncertainty in the global economy. On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. which includes significant provisions regarding corporate taxes, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework, and the restoration of favorable tax treatment for certain business provisions. The OBBBA has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. These legislative changes could have a material impact on our future effective tax rate, tax liabilities, and cash tax, which we are currently assessing the impact on our consolidated financial statements.

- *Geopolitical tensions/conflicts*. Geopolitical tensions and conflicts in various locations around the world have created volatility in the global financial markets and may have further global economic consequences, including potential disruptions of the global supply chain, heightened volatility of commodity and raw material prices, and increased fears of a global recession. We have contractors located in the West Bank and in Israel, who are providing software development and customer technical support services, and we have developed contingency plans to use alternative resources to continue serving customers, if needed. Any escalations could lead to disruptions or reductions in international trade, deter or prevent purchasing activity of customers, and negatively impact our development timelines and customer support (with respect to the conflicts in the Middle East) or China sales (with respect to U.S.-P.R.C. tensions) and financial results in general (with respect to global tensions).

Financial Highlights

Financial highlights for the three months ended June 30, 2025, are as follows:

- Total revenues were $51.7 million, an increase of $10.1 million, or 24%, compared to the three months ended June 30, 2024. Analytics revenue was $48.8 million, an increase of $10.7 million, or 28%, compared to the three months ended June 30, 2024. The increase in Analytics revenue was primarily driven by an increase in revenues from CV systems, the addition of revenues related to secureWISE products and services, and an increase in revenues from DFI systems, partially offset by a decrease in revenues from Exensio software licenses. Integrated Yield Ramp revenue was $2.9 million, a decrease of $0.6 million, or 18%, compared to the three months ended June 30, 2024. The decrease in Integrated Yield Ramp revenue was primarily due to decrease in hours worked on fixed-fees engagements, partially offset by higher Gainshare from increased customer wafer shipments at non-leading-edge nodes.

- Costs of revenues increased by $2.7 million, compared to the three months ended June 30, 2024, primarily due to increases in subcontractor costs, facilities and IT-related costs including depreciation and amortization expense, hardware costs and personnel-related costs.

- Net income was $1.1 million, compared to a net income of $1.7 million for the three months ended June 30, 2024. The decrease in net income was primarily attributable to an increase in overall costs and expenses mainly due to acquisition costs related to the acquisition of SecureWise, partially offset by increase in total revenues and recognized income tax benefits during the quarter.

Financial highlights for the six months ended June 30, 2025, are as follows:

- Total revenues were $99.5 million, an increase of $16.5 million, or 20%, compared to the six months ended June 30, 2024. Analytics revenue was $91.3 million, an increase of $14.7 million, or 19%, compared to the six months ended June 30, 2024. The increase in Analytics revenue was primarily driven by an increase in revenues from CV systems, the addition of revenues related to secureWISE products and services, and an increase in revenues from Cimetrix software licenses, partially offset by a decrease in revenues from DFI systems. Integrated Yield Ramp revenue was $8.2 million, an increase of $1.8 million, or 28%, compared to the six months ended June 30, 2024. The increase in Integrated Yield Ramp revenue was primarily due to higher Gainshare from increased customer wafer shipments at non-leading-edge nodes; partially offset by a decrease in hours worked on fixed-fees engagements.

- Costs of revenues increased by $2.1 million, compared to the six months ended June 30, 2024, primarily due to increases in subcontractor costs, personnel-related costs, and facilities and IT-related costs including depreciation and amortization expense, partially offset by hardware costs.

- Net loss was $1.9 million, compared to a net income of $1.3 million for the six months ended June 30, 2024. The decrease in net income was primarily attributable to (i) an increase in sales and marketing activities, and general and administrative expenses, which was primarily due to acquisition costs related to the acquisition of SecureWise, and (ii) an increase in research and development expenses, partially offset by an increase in total revenues.

Critical Accounting Policies

Our discussion and analysis of our financial conditions, results of operations and cash flows are based on our condensed consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. Our preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The most significant estimates and assumptions relate to revenue recognition, valuation of long-lived assets including goodwill and intangible assets, stock-based compensation and the realization of deferred tax assets (“DTAs”). Actual amounts may differ from such estimates under different assumptions or conditions.

For additional information about our critical accounting policies, see Note 1, *Basis of Presentation and Summary of Significant Accounting Policies*, and Note 2, *Revenue from Contracts with Customers* to our unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q and Part II Item 7**,** *Management*’*s Discussion and Analysis of Financial Condition and Results of Operation, under the heading of* “*Critical Accounting Estimates*” in our Annual Report. There were no material changes during the three and six months ended June 30, 2025, to the items that we disclosed as our critical accounting policies and estimates in Part II, Item 7 of the Annual Report.

Recent Accounting Pronouncements and Accounting Changes

See Note 1, *Basis of Presentation and Summary of Significant Accounting Policies*, to our unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q, for a description of recent accounting pronouncements and accounting changes, including the expected dates of adoption and estimated effects, if any, on our condensed consolidated financial statements.

Results of Operations

Discussion of Financial Data for the Three and Six Months ended June 30, 2025 and 2024

Revenues, Costs of Revenues, and Gross Margin

(Dollars in thousands)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Change $	Change %	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024	Change $	Change %
Revenues:								
Analytics	$ 48,822	$ 38,114	$ 10,708	28%	$ 91,293	$ 76,577	$ 14,716	19%
Integrated Yield Ramp	2,906	3,547	(641)	(18)%	8,213	6,394	1,819	28%
Total revenues	51,728	41,661	10,067	24%	99,506	82,971	16,535	20%
Costs of revenues	14,886	12,230	2,656	22%	27,841	25,759	2,082	8%
Gross profit	$ 36,842	$ 29,431	$ 7,411	25%	$ 71,665	$ 57,212	$ 14,453	25%
Gross margin	71%	71%			72%	69%		
Analytics revenue as a percentage of total revenues	94%	91%			92%	92%		
Integrated Yield Ramp revenue as a percentage of total revenues	6%	9%			8%	8%		

Analytics Revenue

Analytics revenue increased $10.7 million for the three months ended June 30, 2025, compared to the same period in 2024. The increase in Analytics revenue was primarily driven by an increase in revenues from CV systems, the addition of revenues related to secureWISE products and services, and an increase in revenues from DFI systems, partially offset by a decrease in revenues from Exensio software licenses.

Analytics revenue increased $14.7 million for the six months ended June 30, 2025, compared to the same period in 2024. The increase in Analytics revenue was primarily driven by an increase in revenues from CV systems, the addition of revenues related to secureWISE products and services, and an increase in revenues from Cimetrix software licenses, partially offset by a decrease in revenues from DFI systems.

Integrated Yield Ramp Revenue

Integrated Yield Ramp revenue decreased $0.6 million for the three months ended June 30, 2025, compared to the same period in 2024, primarily due to decrease in hours worked on fixed fee engagements, partially offset by higher Gainshare from increased customer wafer shipments at non-leading-edge nodes.

Integrated Yield Ramp revenue increased $1.8 million for the six months ended June 30, 2025, compared to the same period in 2024, primarily due to higher Gainshare from increased customer wafer shipments at non-leading-edge nodes, partially offset by a decrease in hours worked on fixed-fees engagements.

Our Integrated Yield Ramp revenue may continue to fluctuate from period to period primarily due to the contribution of Gainshare, which is dependent on many factors that are outside our control, including among others, continued production of ICs by our customers at facilities at which we generate Gainshare, sustained yield improvements by our customers, and whether we enter into new contracts containing Gainshare.

Our Analytics and Integrated Yield Ramp revenues may also fluctuate in the future and are dependent on a number of factors, including the semiconductor industry's continued acceptance of our products, services and solutions, the timing of purchases by existing and new customers, cancellations by existing customers, and our ability to attract new customers and penetrate new markets, supply chain challenges and further penetration of our current customer base. Fluctuations in future results may also occur if any of our significant customers renegotiate pre-existing contractual commitments, including due to adverse changes in their own business.

Costs of Revenues

Costs of revenues consist primarily of costs incurred to provide and support our services, costs recognized in connection with licensing our software, IT and facilities-related costs, and amortization of acquired technology. Service costs include material costs, hardware costs (including cost of leased assets under sales-type lease), personnel-related costs (including compensation, employee benefits, bonus and stock-based compensation expense), subcontractor costs, overhead costs, travel expenses, and allocated facilities-related costs. Software license costs consist of costs associated with third-party cloud-delivery related expenses and licensing third-party software used by us in providing services to our customers in solution engagements or sold in conjunction with our software products.

The increase in costs of revenues of $2.7 million for the three months ended June 30, 2025, compared to the same period in 2024, was primarily due to (i) a $0.9 million increase in subcontractor costs, (ii) a $0.6 million increase in facilities and IT-related costs including depreciation and amortization expense, (iii) a $0.6 million increase in hardware costs, (iv) a $0.4 million increase in third-party cloud-delivery costs, and (v) a $0.1 million increase in personnel-related costs due to increased headcount and worldwide salary increases.

The increase in costs of revenues of $2.1 million for the six months ended June 30, 2025, compared to the same period in 2024, was primarily due to (i) a $1.3 million increase in subcontractor costs, (ii) a $0.8 million increase in personnel-related costs due to higher wages, and (iii) a $0.3 million increase in facilities and IT-related costs including depreciation and amortization expense, partially offset by a $0.4 million decrease in hardware costs.

Gross Margin

Gross margin was flat at 71% for the three months ended June 30, 2025, compared to the same period in 2024, primarily due to higher Analytics revenue and contributions to revenue from Gainshare, offset by corresponding increases in costs of revenues.

Gross margin increased three percentage points for the six months ended June 30, 2025, to 72%, compared to 69% for the same period in 2024. The higher gross margin during the six months ended June 30, 2025, was primarily due to higher contribution to revenue from Gainshare for the six months ended June 30, 2025.

Operating Expenses:

Research and Development

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	**2025**	**2024**	**$**	**%**	**2025**	**2024**	**$**	**%**
Research and development	$ 14,913	$ 12,649	$ 2,264	18%	$ 29,541	$ 25,633	$ 3,908	15%
As a percentage of total revenues	29%	30%			30%	31%		

Research and development expenses consist primarily of personnel-related costs (including compensation, employee benefits, bonus and stock-based compensation expense), outside development services, travel expenses, third-party cloud-services related costs, IT and facilities cost allocations to support product development activities.

Research and development expenses increased $2.3 million for the three months ended June 30, 2025, compared to the same period in 2024, primarily due to (i) a $1.4 million increase in personnel-related costs due to increased headcount, worldwide salary increases, bonus and stock-based compensation expense, (ii) a $0.4 million increase in subcontractor fees primarily related to Cimetrix software, and (iii) a $0.4 million increase in facilities and IT-related costs.

Research and development expenses increased $3.9 million for the six months ended June 30, 2025, compared to the same period in 2024, primarily due to (i) a $1.7 million increase in personnel-related costs due to increased headcount, worldwide salary increases, bonus and stock-based compensation expense, (ii) a $1.1 million increase in subcontractor fees primarily related to Cimetrix software, (iii) a $0.8 million increase in facilities and IT-related costs, and (iv) a $0.3 million increase in travel expenses.

We anticipate our expenses in research and development will fluctuate in absolute dollars from period to period as a result of the size and the timing of product development projects.

Selling, General, and Administrative

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	**2025**	**2024**	**$**	**%**	**2025**	**2024**	**$**	**%**
Selling, general, and administrative	$ 19,744	$ 16,259	$ 3,485	21%	$ 43,116	$ 32,757	$ 10,359	32%
As a percentage of total revenues	38%	39%			43%	39%		

Selling, general, and administrative expenses consist primarily of personnel-related costs (including compensation, employee benefits, bonus, commission and stock-based compensation expense for sales, marketing, and general and administrative personnel), legal, tax and accounting services, marketing communications and trade conference-related expenses, third-party cloud-services related costs, travel, business acquisition costs, IT and facilities cost allocations.

Selling, general, and administrative expenses increased $3.5 million for the three months ended June 30, 2025, compared to the same period in 2024, primarily due to (i) a $3.1 million increase in personnel-related costs mainly resulting from increased headcount, worldwide salary increases, bonus expense, and stock-based compensation expense, (ii) a $0.5 million increase in subcontractor fees, (iii) $0.2 million in non-recurring legal, finance, integration, and other costs related to the acquisition of SecureWise, and (iv) a $0.2 million travel expense, partially offset by a $0.6 million decrease in general legal and professional fees.

Selling, general, and administrative expenses increased $10.4 million for the six months ended June 30, 2025, compared to the same period in 2024, primarily due to (i) a $5.3 million increase in personnel-related costs mainly resulting from increased headcount, worldwide salary increases, bonus expense, and stock-based compensation expense, (ii) a $0.4 million increase in subcontractor fees, (iii) a $1.2 million increase in facilities and IT-related costs including shipping costs and depreciation expense, (iv) $4.5 million in non-recurring legal, finance, integration, and other costs related to the acquisition of SecureWise, and (v) $0.3 million of travel expense, partially offset by a $1.3 million decrease in general legal and professional fees.

We anticipate our selling, general, and administrative expenses will fluctuate in absolute dollars from period to period as a result of cost control initiatives and to support increased selling efforts in the future.

Amortization of Acquired Intangible Assets

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	**2025**	**2024**	**$**	**%**	**2025**	**2024**	**$**	**%**
Amortization of acquired intangible assets	$ 1,068	$ 259	$ 809	312%	$ 1,446	$ 518	$ 928	179%

Amortization of acquired intangible assets primarily consists of amortization of intangibles acquired from prior business combinations.

Interest Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	**2025**	**2024**	**$**	**%**	**2025**	**2024**	**$**	**%**
Interest expense	$ (1,242)	$ —	$ (1,242)	(100)%	$ (1,553)	$ —	$ (1,553)	(100)%

Interest expense is from our long-term debt that was used in financing the acquisition of SecureWise, and amortization of debt discount and financing costs.

Interest Income and Other, Net

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	**2025**	**2024**	**$**	**%**	**2025**	**2024**	**$**	**%**
Interest income and other, net	$ 196	$ 1,479	$ (1,283)	(87)%	$ 1,066	$ 3,171	$ (2,105)	(66)%

Interest income and other, net, primarily consists of interest income and foreign currency transaction exchange gains and losses. Interest income and other, net decreased $1.3 million for the three months ended June 30, 2025, compared to the same period in 2024, primarily due to (i) $1.3 million decrease in interest income from cash, cash equivalents and short-term investments, and (ii) $0.8 million net unfavorable fluctuations in foreign currency exchange rates, partially offset by a $0.6 million recovery from previously written-off property and equipment.

Interest income and other, net decreased $2.1 million for the six months ended June 30, 2025, compared to the same period in 2024, primarily due to (i) a $1.9 million decrease in interest income from cash, cash equivalents and short-term investments, and (ii) $1.0 million net unfavorable fluctuations in foreign currency exchange rates, partially offset by a $0.6 million recovery from previously written-off property and equipment.

Income Tax Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Dollars in thousands)	**2025**	**2024**	**$**	**%**	**2025**	**2024**	**$**	**%**
Income tax benefit (expense)	$ 1,075	$ (38)	$ (1,113)	(2,929)%	$ 1,039	$ (163)	$ (1,202)	(737)%

Income tax expense decreased for the three and six months ended June 30, 2025, compared to the same period in 2024, primarily due to changes in the foreign, federal and state taxes and year-to-date recognition of worldwide pre-tax income in relation to their forecasted amounts for full years.

Any significant change in our future effective tax rates could adversely impact our consolidated financial position, results of operations and cash flows. Our future tax rates may be adversely affected by a number of factors including increase in expenses not deductible for tax purposes, new or changing tax legislation in the United States and in foreign countries where we are subject to tax jurisdictions, the geographic composition of our pre-tax income, the amount of our pre-tax income as business activities fluctuate, our ability to use tax attributes such as research and development tax credits and net operation losses, the tax effects of employee stock activity, audit examinations with adverse outcomes, changes in accounting principles generally accepted in the United States of America and the effectiveness of our tax planning strategies.

On July 4, 2025, the One Big Beautiful Bill Act (“OBBBA”) was enacted in the United States. The OBBBA includes significant provisions regarding corporate taxes, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework, and the restoration of favorable tax treatment for certain business provisions. The OBBBA has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. We are currently assessing the impact on our consolidated financial statements. As the OBBBA was signed into law after the close of our second quarter, no impact has been included in our operating results for the six months ended June 30, 2025.

Liquidity and Capital Resources

As of June 30, 2025, our working capital, defined as total current assets less total current liabilities, was $77.8 million, compared to $145.4 million as of December 31, 2024. Total cash, cash equivalents, and short-term investments were $40.4 million as of June 30, 2025, compared to cash, cash equivalents, and short-term investments of $114.9 million as of December 31, 2024. As of June 30, 2025, and December 31, 2024, cash and cash equivalents held by our foreign subsidiaries were $13.1 million and $13.3 million, respectively.

Our material cash requirements include principal and interest payments on our debt, operating lease payments, and purchase obligations to support our operations. Refer to Part I, Item 1, Financial Statements, Note 13, *Debt*, Note 4, *Leases*, Note 14, *Business Combination* and Note 11, *Commitments and Contingencies* for details relating to our material cash requirements for debt, leasing arrangements, including future maturities of operating lease liabilities, and purchase obligations, respectively.

We believe that our existing cash resources and anticipated funds from operations will satisfy our cash requirements to fund our operating activities, capital expenditures, other obligations including repayment of long-term debt and corresponding interest for at least the next twelve months, and thereafter for the foreseeable future; however, we will continue to evaluate if we require additional funding to meet our longer-term needs.

Term Loan and Revolving Credit Facility

On March 7, 2025, we entered into a Credit Agreement (the "Credit Agreement") with the lenders who are party to the Credit Agreement and the lenders who may become a party to the Credit Agreement pursuant to the terms thereof (the "Lenders") and Wells Fargo Bank, National Association, as administrative agent to the Lenders (the "Agent").

The Credit Agreement provides for (a) a revolving credit facility in an aggregate principal amount of $45 million (the "Revolving Credit Facility") and (b) a term loan facility in an aggregate principal amount of $25 million (the "Term Loan" and together with the Revolving Credit Facility, the "Credit Facilities").

The principal of the Revolving Credit facility is due as **a** balloon payment of $45.0 million in March 2030. The principal of the Term Loan is due in the amount of $0.6 million quarterly and a balloon payment of $13.1 million in March 2030.

Borrowings under the Credit Facilities will accrue interest at rates equal, at our election, to (i) the alternate base rate, which is defined as the highest of (a) the federal funds effective rate in effect from time to time plus 0.50%, (b) the prime commercial lending rate in effect from time to time, and (c) the daily simple secured overnight financing rate ("SOFR") plus 1.00% or (ii) SOFR, plus, in each case, the applicable margin. The applicable margin for the Revolving Credit Facility borrowings bearing interest at the alternate base rate ranges from 1.00% to 1.75%, and the applicable margin for Revolving Credit Facility borrowings bearing interest based on the SOFR ranges from 2.00% to 2.75%, in each case, based on our consolidated total net leverage ratio as of the most recently ended fiscal quarter. The applicable margin for Term Loan borrowings bearing interest at the alternate base rate ranges from 1.00% to 1.75%, and the applicable margin for Term Loan borrowings bearing interest based on the SOFR ranges from 2.00% to 2.75%, in each case, based on our consolidated total net leverage ratio as of the most recently ended fiscal quarter. We will pay an annual commitment fee during the term of the Credit Agreement at a rate per annum equal to 0.50% for any undrawn portion of the Revolving Credit Facility.

The Credit Agreement contains customary representations and warranties, as well as customary affirmative and negative covenants. Negative covenants include, among others, restrictions on the incurrence of debt, the incurrence of liens, the making of investments and distributions, dividends, and stock buy-backs. In addition, the Credit Agreement requires that we maintain a consolidated total net leverage ratio of not greater than 3.00 to 1.00, and a consolidated fixed charge coverage ratio of not less than 1.25 to 1.00. As of June 30, 2025, we were in compliance with the covenants contained in the Credit Agreement.

The Credit Agreement contains customary events of default. Upon the occurrence and during the continuance of an event of default, the Agent may declare the outstanding advances and all other obligations under the Credit Agreement immediately due and payable.

The obligations under the Credit Agreement are guaranteed by all present and future material domestic subsidiaries of the Company (collectively with the Company referred to herein as the “Credit Parties”), subject to customary exceptions, and are secured by the equity interests of the Credit Parties (other than the Company) and substantially all of the personal property owned by the Credit Parties, including 65% of the equity interests of certain foreign subsidiaries owned by the Credit Parties.

The Company used the amounts borrowed under the Credit Facilities to finance, in part, the purchase price paid for the acquisition of SecureWise.

Repurchase of Company's Common Stock

On April 15, 2024, the Board of Directors adopted a stock repurchase program (the “2024 Program”) to repurchase up to $40.0 million of the Company's common stock both on the open market and in privately negotiated transactions, including through Rule 10b5-1 plans, from time to time, over the next two years from the adoption date. The actual timing and amount of repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors. The 2024 Program does not obligate the Company to acquire a minimum amount of shares and may be modified, suspended or terminated without prior notice. The Company has not repurchased any shares under the 2024 Program as of June 30, 2025.

Cash Flow Data

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30,		
(In thousands)	**2025**	**2024**	**$ Change**
Net cash flows provided by (used in):			
Operating activities	$ 3,425	$ (1,178)	$ 4,603
Investing activities	(124,246)	4,193	(128,439)
Financing activities	66,645	(9,153)	75,798
Effect of exchange rate changes on cash and cash equivalents	997	(853)	1,850
Net change in cash and cash equivalents	$ (53,179)	$ (6,991)	$ (46,188)

Net Cash Flows Provided by (Used in) Operating Activities

Cash flows provided by operating activities during the six months ended June 30, 2025, consisted of net loss, adjusted for certain non-cash items which primarily consisted of depreciation and amortization, stock-based compensation expense, amortization of acquired intangible expense, amortization of costs capitalized to obtain revenue contracts, net accretion of discounts on short-term investments, accretion of unguaranteed residual assets and net change in operating assets and liabilities.

Net cash flows provided by operating activities was $3.4 million for the six months ended June 30, 2025, compared to net cash used in operating activities of $1.2 million for the six months ended June 30, 2024. The increase in net cash provided by operating activities between the periods was driven primarily by higher collections from customers, partially offset by (i) an increase in bonus payments under the Company's bonus plan, and (ii) increases in payments of personnel-related costs and vendor invoices.

Net Cash Flows Provided by (Used in) Investing Activities

Net cash used in investing activities was $124.2 million for the six months ended June 30, 2025, compared to net cash provided by investing activities of $4.2 million for the six months ended June 30, 2024.

For the six months ended June 30, 2025, net cash used in investing activities primarily related to $129.7 million payments for the acquisition of SecureWise, net of cash acquired and $16.7 million purchases and prepayments of property and equipment primarily related to our DFI systems, partially offset by $21.6 million proceeds from maturities and sales, net of purchases of short-term investments and $0.6 million recovery from previously written-off property and equipment.

For the six months ended June 30, 2024, net cash provided by investing activities primarily related to proceeds from maturities and sales of short-term investments of $37.0 million, partially offset by purchases of short-term investments of $25.5 million and purchases of property and equipment of $7.3 million primarily related to our DFI systems.

Net Cash Flows Provided by (Used in) Financing Activities

Net cash provided by financing activities was $66.6 million for the six months ended June 30, 2025, compared to net cash used in financing activities of $9.2 million for the six months ended June 30, 2024.

For the six months ended June 30, 2025, net cash provided by financing activities primarily consisted of $69.6 million proceeds from long-term debt, net of debt discount, that was used in financing the acquisition of SecureWise and $2.2 million proceeds from our employee stock purchase plan, partially offset by (i) $3.5 million in cash payments for taxes related to net share settlement of equity awards, (ii) $0.9 million payments of debt issuance costs, and (iii) $0.6 million repayment of long-term debt.

For the six months ended June 30, 2024, net cash used in financing activities primarily consisted of repurchases of common stock of $6.9 million, and $4.3 million in cash payments for taxes related to net share settlement of equity awards, partially offset by $2.0 million of proceeds from our employee stock purchase plan and exercise of stock options.

Related Party Transactions

Refer to Note 12, *Strategic Partnership Agreement with Advantest and Related Party Transactions*, to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q, for the discussion about related party transactions between the Company and Advantest (as defined therein).

Off-Balance Sheet Agreements

As of June 30, 2025, we do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The following discusses our exposure to market risk related to changes in interest rates and foreign currency exchange rates. We do not currently own any equity investments, nor do we expect to own any in the foreseeable future. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors.

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and long-term debt as described below.

As of June 30, 2025, we had cash, cash equivalents and short-term investments of $40.4 million. Cash and cash equivalents consisted of cash and highly liquid money market instruments and short-term investments consisted of U.S. Government securities. We would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest on our portfolio. A hypothetical increase in market interest rates of 100 basis points from the market rates in effect as of June 30, 2025, would cause the fair value of these investments to decrease by an immaterial amount which would not have significantly impacted our financial position or results of operations.

As of June 30, 2025, and periodically throughout the year, we have maintained cash balances in various operating accounts in excess of federally insured limits. We limit the amount of credit exposure to any financial institution by evaluating the creditworthiness of the financial institutions with which we invest and investing through more than one financial institution.

We are exposed to interest rate risk through our variable rate debt. As of June 30, 2025, we had $68.1 million of debt that is subject to variable interest rates that are based on the daily simple secured overnight financing rate (“SOFR”) or an alternate base rate. Refer to Note 13 – *Debt* for details relating to the debt. If the rates were to increase by 100 basis points from the rates in effect as of June 30, 2025, our interest expense on the variable rate debt would increase by an average of $0.4 million annually. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumptions that interest rate changes would be instantaneous, while SOFR changes regularly. We do not currently hedge our interest rate risks but may determine to do so in the future. We will continue to monitor our exposure to interest rate risk.

Foreign Currency and Exchange Risk. Certain of our cash balances, receivables and payables for our international offices are denominated in the local currency, including the Euro, Yen, Chinese Yuan, New Taiwan Dollar, and Canadian Dollar. Therefore, some of our activities including a portion of our revenues and operating expenditures are subject to foreign currency risks. We also have intercompany transactions with and between certain of our subsidiaries of differing functional currencies, resulting in foreign transaction gains or losses based on our period-end exchange rates. Due to potential volatility of currency exchange rates, we cannot predict the effect of exchange fluctuations on our business. To date, we have not entered into any foreign currency exchange contracts and currently do not expect to enter into foreign currency exchange contracts for trading or speculative purposes.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial and accounting officer, evaluated the effectiveness of our "disclosure controls and procedures" as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of June 30, 2025, in connection with the filing of this Quarterly Report on Form 10-Q. Based on that evaluation as of June 30, 2025, our principal executive officer and principal financial and accounting officer concluded that our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

On March 7, 2025, we completed the acquisition of SecureWise. SEC guidance permits management to omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year from the date of the acquisition. Accordingly, management has not assessed SecureWise internal control over financial reporting as of June 30, 2025.

Changes in Internal Control over Financial Reporting

Other than as described above, there were no changes in the Company's internal control over financial reporting during the six months ended June 30, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Refer to Note 11, *Commitments and Contingencies* to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q, for information regarding our legal proceedings.

Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on February 27, 2025. Any of such factors could result in a significant or material adverse effect on our result of operations or financial conditions. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

There were no stock repurchases during the second quarter of 2025.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the quarter ended June 30, 2025, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408.

Table of Contents

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Provided Herewith
		Form	Filing Date	Exhibit Number	SEC File No.	
2.01	Equity Purchase Agreement, dated as of February 19, 2025, by and among PDF Solutions, Inc., SecureWise LLC and Telit IOT Solutions Inc.	8-K	2/19/2025	2.1	000-31311	
3.01	Third Amended and Restated Certificate of Incorporation of PDF Solutions, Inc., and Certificate of Amendment to Third Amended and Restated Certificate of Incorporation of PDF Solutions, Inc.	10-Q	8/8/2024	3.01	000-31311	
3.02	Amended and Restated Bylaws of PDF Solutions, Inc.	8-K	5/1/2019	3.1	000-31311	
10.01	PDF Solutions, Inc.'s Tenth Amended and Restated 2011 Stock Incentive Plan	8-K	6/23/2025	10.1	000-31311	
10.02	PDF Solutions, Inc.'s Second Amended and Restated 2021 Employee Stock Purchase Plan	8-K	6/23/2025	10.2	000-31311	
31.01	Certification of the principal executive officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.02	Certification of the principal financial and accounting officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.01	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*					X
32.02	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*					X
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					

* Furnished, and not filed.

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.

PDF SOLUTIONS, INC.

Date: August 7, 2025	By:	/s/ JOHN K. KIBARIAN John K. Kibarian President and Chief Executive Officer (principal executive officer)
Date: August 7, 2025	By:	/s/ ADNAN RAZA Adnan Raza Executive Vice President, Finance and Chief Financial Officer (principal financial and accounting officer)

Exhibit 31.01

CERTIFICATIONS

I, John K. Kibarian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PDF Solutions, Inc.;

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(s) 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(s) 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 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.

By: /s/ John K. Kibarian
John K. Kibarian
President and Chief Executive Officer
(principal executive officer)

Date: August 7, 2025

Exhibit 31.02

CERTIFICATIONS

I, Adnan Raza, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PDF Solutions, Inc.;

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(s) 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(s) 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 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.

By: /s/ Adnan Raza

Adnan Raza
Executive Vice President, Finance
and Chief Financial Officer
(principal financial and accounting
officer)

Date: August 7, 2025

Exhibit 32.01

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 PDF Solutions, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on August 7, 2025 (the "Report"), I, John K. Kibarian, 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, to my knowledge:

(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 result of operations of the Company.

By: */s/* John K. Kibarian
John K. Kibarian
President and Chief Executive Officer
(principal executive officer)

Date: August 7, 2025

Exhibit 32.02

**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 PDF Solutions, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on August 7, 2025 (the "Report"), I, Adnan Raza, Executive Vice President, Finance 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, to my knowledge:

(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 result of operations of the Company.

By: /s/ Adnan Raza
Adnan Raza
Executive Vice President, Finance
and Chief Financial Officer
(principal financial and accounting
officer)

Date: August 7, 2025