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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

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 000-50646

Ultra Clean Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**61-1430858**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
26462 Corporate Avenue, Hayward, California	**94545**
(Address of principal executive offices)	**(Zip Code)**

(510) 576-4400

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, par value $0.001 per share	UCTT	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, 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 ☒

Number of shares outstanding of the issuer's common stock as of November 4, 2022: 45,496,642

ULTRA CLEAN HOLDINGS, INC.

TABLE OF CONTENTS

	PART I. FINANCIAL INFORMATION	
ITEM 1.	UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	3
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	25
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	33
ITEM 4.	CONTROLS AND PROCEDURES	33
	PART II. OTHER INFORMATION	
ITEM 1.	LEGAL PROCEEDINGS	34
ITEM 1A.	RISK FACTORS	34
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	34
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	34
ITEM 4.	MINE SAFETY DISCLOSURES	34
ITEM 5.	OTHER INFORMATION	34
ITEM 6.	EXHIBITS	34
SIGNATURES		35

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

ULTRA CLEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except par value)	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 453.5	$ 466.5
Accounts receivable, net of allowance for doubtful accounts of $1.1 and $0.3 at September 30, 2022 and December 31, 2021, respectively	236.0	250.1
Inventories	405.1	379.2
Prepaid expenses and other current assets	41.5	41.3
Total current assets	1,136.1	1,137.1
Property, plant and equipment, net	242.3	242.3
Goodwill	248.8	270.0
Intangible assets, net	194.8	245.7
Deferred tax assets, net	37.3	37.6
Operating lease right-of-use assets	87.2	83.4
Other non-current assets	9.5	9.3
Total assets	$ 1,956.0	$ 2,025.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank borrowings	$ 20.1	$ 22.1
Accounts payable	271.3	332.9
Accrued compensation and related benefits	47.5	46.8
Operating lease liabilities	16.1	17.3
Other current liabilities	52.4	50.0
Total current liabilities	407.4	469.1
Bank borrowings, net of current portion	509.2	529.9
Deferred tax liabilities	54.9	54.9
Operating lease liabilities	69.0	65.9
Other liabilities	13.4	12.9
Total liabilities	1,053.9	1,132.7
Commitments and contingencies (See Note 10)		
Equity:		
UCT stockholders' equity:		
Preferred stock — $0.001 par value, 10.0 shares authorized; none outstanding	—	—
Common stock — $0.001 par value, 90.0 shares authorized; 45.4 shares and 44.9 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	0.1	0.1
Additional paid-in capital	526.5	514.9
Common shares held in treasury, at cost, 0.6 shares at September 30, 2022 and December 31, 2021	(3.3)	(3.3)
Retained earnings	349.9	337.4
Accumulated other comprehensive loss	(16.5)	(0.2)
Total UCT stockholders' equity	856.7	848.9
Noncontrolling interests	45.4	43.8
Total equity	902.1	892.7
Total liabilities and stockholders' equity	$ 1,956.0	$ 2,025.4

(See accompanying Notes to Condensed Consolidated Financial Statements)

ULTRA CLEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 24, 2021	September 30, 2022	September 24, 2021
Revenues:				
Products	$ 556.3	$ 482.0	$ 1,575.2	$ 1,270.1
Services	78.7	71.7	232.7	216.4
Total revenues	635.0	553.7	1,807.9	1,486.5
Cost of revenues:				
Products	459.3	393.4	1,299.9	1044.9
Services	51.3	46.2	151.4	140.7
Total cost of revenues	510.6	439.6	1,451.3	1185.6
Gross profit	124.4	114.1	356.6	300.9
Operating expenses:				
Research and development	7.4	6.5	21.5	16.8
Sales and marketing	13.5	13.8	41.2	34.1
General and administrative	46.4	43.2	139.9	127.1
Net loss on divestitures	20.8	-	77.4	-
Total operating expenses	88.1	63.5	280.0	178.0
Income from operations	36.3	50.6	76.6	122.9
Interest income	0.2	0.1	0.4	0.3
Interest expense	(9.4)	(6.9)	(23.1)	(17.6)
Other income (expense), net	(2.1)	(1.4)	(2.5)	(6.4)
Income before provision for income taxes	25.0	42.4	51.4	99.2
Provision for income taxes	12.1	8.4	29.4	21.6
Net income	12.9	34.0	22.0	77.6
Less: Net income attributable to noncontrolling interests	3.2	2.1	9.5	3.6
Net income attributable to UCT	$ 9.7	$ 31.9	$ 12.5	$ 74.0
Net income per share attributable to UCT common stockholders:				
Basic	0.21	$ 0.71	$ 0.28	$ 1.73
Diluted	$ 0.21	$ 0.70	$ 0.28	$ 1.69
Shares used in computing net income per share:				
Basic	45.4	44.8	45.2	42.8
Diluted	45.6	45.4	45.7	43.7

(See accompanying Notes to Condensed Consolidated Financial Statements)

ULTRA CLEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 24, 2021	September 30, 2022	September 24, 2021
Net income	$ 12.9	$ 34.0	$ 22.0	$ 77.6
Other comprehensive loss:				
Change in cumulative translation adjustment, net of tax	(10.5)	(3.5)	(22.5)	(4.1)
Change in fair value of derivatives, net of tax	(0.4)	(0.2)	(1.5)	(0.1)
Total other comprehensive loss	(10.9)	(3.7)	(24.0)	(4.2)
Comprehensive income (loss)	2.0	30.3	(2.0)	73.4
Comprehensive income (loss), attributable to noncontrolling interests	(4.5)	2.1	1.8	3.6
Comprehensive income (loss) attributable to UCT	$ 6.5	$ 28.2	$ (3.8)	$ 69.8

(See accompanying Notes to Condensed Consolidated Financial Statements)

ULTRA CLEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended September 30, 2022	Nine Months Ended September 24, 2021
Cash flows from operating activities:		
Net income	$ 22.0	$ 77.6
Adjustments to reconcile net income to net cash provided by operating activities (excluding assets acquired and liabilities assumed):		
Depreciation and amortization	29.7	24.0
Amortization of intangible assets	23.1	23.9
Stock-based compensation	14.8	11.5
Amortization of debt issuance costs	2.9	2.4
Gain from insurance proceeds	—	(7.3)
Net loss on divestitures	77.4	—
Deferred income taxes	0.8	0.8
Change in the fair value of financial instruments	(1.5)	13.0
Others	(0.1)	0.3
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	2.0	(35.4)
Inventories	(45.7)	(70.5)
Prepaid expenses and other current assets	(3.1)	(0.8)
Other non-current assets	(2.1)	(0.3)
Accounts payable	(43.9)	119.5
Accrued compensation and related benefits	2.1	7.0
Income taxes payable	(2.5)	1.0
Operating lease assets and liabilities	(1.4)	(0.3)
Other liabilities	11.5	3.6
Net cash provided by operating activities	86.0	170.0
Cash flows from investing activities:		
Purchases of property, plant and equipment	(67.9)	(42.7)
Proceeds from sale of equipment, including insurance proceeds	0.3	7.6
Settlement of forward contracts in conjunction with the acquisition of Ham-Let	—	(10.4)
Divestiture of subsidiaries	3.4	—
Acquisition of business, net of cash acquired	—	(344.8)
Net cash used in investing activities	(64.2)	(390.3)
Cash flows from financing activities:		
Proceeds from bank borrowings	4.7	394.7
Proceeds from issuance of common stock	0.7	193.1
Principal payments on bank borrowings	(27.8)	(93.9)
Payments of debt issuance costs	(0.7)	(8.9)
Payments of dividends to a joint venture shareholder	(0.2)	(0.1)
Employees' taxes paid upon vesting of restricted stock units	(3.9)	(7.0)
Net cash provided by (used in) financing activities	(27.2)	477.9
Effect of exchange rate changes on cash and cash equivalents	(7.6)	(0.9)
Net increase (decrease) in cash and cash equivalents	(13.0)	256.7
Cash and cash equivalents at beginning of period	466.5	200.3
Cash and cash equivalents at end of period	$ 453.5	$ 457.0
Supplemental cash flow information:		
Income taxes paid, net of income tax refunds	$ 27.7	$ 15.1
Interest paid	$ 20.3	$ 14.4
Non-cash investing and financing activities:		
Reclassification of common stock purchase obligation liability to noncontrolling interests	-	$ 16.4
Property, plant and equipment purchased included in accounts payable and other liabilities	$ 6.7	$ 6.3

(See accompanying Notes to Condensed Consolidated Financial Statements)

ULTRA CLEAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Three Months Ended September 30, 2022									
	Common Stock		Additional Paid-in	Treasury shares		Retained	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling	Total
(In millions)	Shares	Amount	Capital	Shares	Amount	Earnings	Income (Loss)	Equity of UCT	Interests	Equity
Balance July 1, 2022	45.4	$ 0.1	$ 521.9	0.6	$ (3.3)	$ 340.2	$ (13.3)	$ 845.6	$ 49.9	$ 895.5
Employees' taxes paid upon vesting of restricted stock units	—	—	(0.1)	—	—	—	—	(0.1)	—	(0.1)
Stock-based compensation expense	—	—	4.7	—	—	—	—	4.7	—	4.7
Net income	—	—	—	—	—	9.7	—	9.7	3.2	12.9
Other comprehensive loss	—	—	—	—	—	—	(3.2)	(3.2)	(7.7)	(10.9)
Balance September 30, 2022	45.4	$ 0.1	$ 526.5	0.6	$ (3.3)	$ 349.9	$ (16.5)	$ 856.7	$ 45.4	$ 902.1

	Nine Months Ended September 30, 2022									
	Common Stock		Additional Paid-in	Treasury shares		Retained	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling	Total
(In millions)	Shares	Amount	Capital	Shares	Amount	Earnings	Income (Loss)	Equity of UCT	Interests	Equity
Balance December 31, 2021	44.9	$ 0.1	$ 514.9	0.6	$ (3.3)	$ 337.4	$ (0.2)	$ 848.9	$ 43.8	$ 892.7
Issuance under employee stock plans	0.6	—	0.7	—	—	—	—	0.7	—	0.7
Employees' taxes paid upon vesting of restricted stock units	(0.1)		(3.9)	—	—	—	—	(3.9)	—	(3.9)
Stock-based compensation expense	—	—	14.8	—	—	—	—	14.8	—	14.8
Dividend payments to a joint venture shareholder	—	—	—	—	—	—	—	—	(0.2)	(0.2)
Net income	—	—	—	—	—	12.5	—	12.5	9.5	22.0
Other comprehensive loss	—	—	—	—	—	—	(16.3)	(16.3)	(7.7)	(24.0)
Balance September 30, 2022	45.4	$ 0.1	$ 526.5	0.6	$ (3.3)	$ 349.9	$ (16.5)	$ 856.7	$ 45.4	$ 902.1

(In millions)	Three Months Ended September 24, 2021									
	Common Stock		Additional Paid-in	Treasury shares		Retained	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling	Total
	Shares	Amount	Capital	Shares	Amount	Earnings	Income (Loss)	Equity of UCT	Interests	Equity
Balance June 25, 2021	44.8	$ 0.1	$ 506.1	0.6	$ (3.3)	$ 260.0	$ 4.6	$ 767.5	$ 21.2	$ 788.7
Issuance under employee stock plans	0.1	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	4.3	—	—	—	—	4.3	—	4.3
Noncontrolling interests from acquisition of Ham-let	—	—	—	—	—	—	—	—	0.6	0.6
Net income	—	—	—	—	—	31.9	—	31.9	2.1	34.0
Reclassification of common stock purchase obligation liability upon modification of agreement (see Note 11)	—	—	—	—	—	—	—	—	16.4	16.4
Other comprehensive loss	—	—	—	—	—	—	(3.7)	(3.7)	—	(3.7)
Balance September 24, 2021	44.9	$ 0.1	$ 510.4	0.6	$ (3.3)	$ 291.9	$ 0.9	$ 800.0	$ 40.3	$ 840.3

(In millions)	Nine Months Ended September 24, 2021									
	Common Stock		Additional Paid-in	Treasury shares		Retained	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling	Total
	Shares	Amount	Capital	Shares	Amount	Earnings	Income (Loss)	Equity of UCT	Interests	Equity
Balance December 25, 2020	40.6	$ 0.1	$ 312.8	0.6	$ (3.3)	$ 217.9	$ 5.1	$ 532.6	$ 18.6	$ 551.2
Issuance of common stock in public offering	3.7	—	192.8	—	—	—	—	192.8	—	192.8
Issuance under employee stock plans	0.7	—	0.3	—	—	—	—	0.3	—	0.3
Employees' taxes paid upon vesting of restricted stock units	(0.1)	—	(7.0)	—	—	—	—	(7.0)	—	(7.0)
Stock-based compensation expense	—	—	11.5	—	—	—	—	11.5	—	11.5
Noncontrolling interests from acquisition of Ham-let	—	—	—	—	—	—	—	—	1.8	1.8
Net income	—	—	—	—	—	74.0	—	74.0	3.6	77.6
Dividend payments to a joint venture shareholder	—	—	—	—	—	—	—	—	(0.1)	(0.1)
Reclassification of common stock purchase obligation liability upon modification of agreement (see Note 11)	—	—	—	—	—	—	—	—	16.4	16.4
Other comprehensive loss	—	—	—	—	—	—	(4.2)	(4.2)	—	(4.2)
Balance September 24, 2021	44.9	$ 0.1	$ 510.4	0.6	$ (3.3)	$ 291.9	$ 0.9	$ 800.0	$ 40.3	$ 840.3

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization — Ultra Clean Holdings, Inc., (the "Company" or "UCT") was incorporated in Delaware in November 2002 and became a publicly traded company on the NASDAQ Global Market in March 2004. Ultra Clean Holdings, Inc. is a leading developer and supplier of critical subsystems, components, parts, and ultra-high purity cleaning and analytical services, primarily for the semiconductor industry. UCT offers its customers an integrated outsourced solution for major subassemblies, improved design-to-delivery cycle times, design for manufacturability, prototyping and part and component manufacturing, as well as tool chamber parts cleaning and coating, and micro-contamination analytical services. The Company has two reportable segments: Products and Services. The Company's Products business primarily designs, engineers and manufactures production tools, components and parts, and modules and subsystems for the semiconductor and display capital equipment markets. Products include chemical delivery modules, frame assemblies, gas delivery systems, fluid delivery systems, precision robotics, process modules as well as other high-level assemblies. The Company's Services business provides ultra-high purity parts cleaning, process tool part recoating, surface encapsulation and high sensitivity micro contamination analysis primarily for the semiconductor device makers and wafer fabrication equipment markets. In 2021, the Company completed the acquisition of Ham-Let (Israel-Canada) Ltd. ("Ham-Let" or "Fluid Solutions"). Fluid Solutions engages in the development, manufacturing and marketing of innovative control valves, fittings, and hoses for the control and monitoring of industrial systems in a variety of markets, including the semiconductor market, and is included in the Products reportable segment. These products are primarily used in ultra clean gas delivery systems as well as other systems for the transmission of liquids and gases. In 2022, the Company divested certain non-core subsidiary entities of Ham-Let. See Note 3 for further discussion.

Basis of Presentation — The unaudited Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q include the accounts of the Company and its majority-owned subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). This financial information reflects all adjustments which are, in the opinion of the Company, normal, recurring and necessary for the fair financial statement presentation for the dates and periods presented. Certain information and footnote disclosures normally included in our annual financial statements, prepared in accordance with GAAP, have been condensed or omitted from the interim financial statements in this Quarterly Report on Form 10-Q. Therefore, these unaudited financial statements should be read in conjunction with the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Fiscal Year — The Company uses a 52-53 week fiscal year ending on the Friday nearest December 31. All references to quarters refer to fiscal quarters and all references to years refer to fiscal years.

Principles of Consolidation — The Company's Condensed Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Noncontrolling interests — Noncontrolling interests are recognized to reflect the portion of the equity of the majority-owned subsidiaries which is not attributable, directly or indirectly, to the controlling stockholder. The Company's consolidated entities include partially-owned entities, which are (1) Cinos Co., Ltd ("Cinos Korea"), a South Korean company that provides outsourced cleaning and recycling of precision parts for the semiconductor industry through its operating facilities in South Korea and whose results the Company consolidates, (2) Cinos Xian Clean Technology, Ltd. ("Cinos China"), a Chinese entity that is majority owned by Cinos Korea and (3) Rovac Pte, Ltd ("Rovac"), a Singaporean Company that is majority owned by Ham-Let. The interest held by others in Cinos Korea, in Cinos China and in Rovac are presented as noncontrolling interests in the accompanying Condensed Consolidated Financial Statements. The noncontrolling interests will continue to be attributed its share of gains and losses even if that attribution results in a deficit noncontrolling interest balance. See Note 11 for further discussion.

Segments — The Financial Accounting Standards Board's ("FASB") guidance regarding disclosure about segments in an enterprise and related information establishes standards for the reporting by public business enterprises of information about reportable segments, products and services, geographic areas, and major customers. The method for determining what information to report is based on the manner in which management organizes the reportable segments within the Company for making operational decisions and assessments of financial performance. The Company's Chief Executive Officer is the chief operating decision-maker ("CODM"). The Company operates two reportable segments: Products and Services. The Company has three operating segments as of September 30, 2022 with two operating segments within the Product reportable segment and one operating segment within the Services reportable segment. See Note 16 of the Notes to the Condensed Consolidated Financial Statements.

Foreign Currency Translation and Remeasurement — The functional currency of the Products business's foreign subsidiaries, excluding the subsidiaries of Ham-Let, is the U.S. Dollar. The functional currency of the Ham-Let subsidiaries in Singapore, United Kingdom, Taiwan and China, is their local currency, except for Israel, which is the U.S. Dollar. The functional currency of the Services division's foreign subsidiaries is the local currency except for that of its Singapore, Scotland and Ireland entities, which is the U.S. dollar.

For the Company's foreign subsidiaries where the local currency is the functional currency, the Company translates the financial statements of these subsidiaries to U.S. dollars using month-end exchange rates for assets and liabilities, and average exchange rates for revenue, costs and expenses. Translation gains and losses are recorded in accumulated other comprehensive income ("AOCI") within UCT stockholders' equity. For the Company's foreign subsidiaries where the U.S. dollar is the functional currency and functional currency differs from their local currency, any gains and losses resulting from the remeasurement of the assets and liabilities of these subsidiaries are recorded in other income (expense), net.

Use of Estimates — The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions include, but not limited to, inventory valuation, accounting for income taxes, business combinations, valuation of goodwill, intangible assets and long-lived assets. The Company bases its estimates and judgments on historical experience and on various other assumptions that it believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustments. Actual amounts may differ from those estimates.

Cash and Cash Equivalents — The Company considers currency on hand, demand deposits, time deposits, and all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash and cash equivalents. Cash and cash equivalents are held in various financial institutions in the United States and internationally.

Concentration of Credit Risk — Financial instruments which subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company sells its products and provides services primarily to semiconductor capital equipment manufacturers in the United States. The Company performs credit evaluations of its customers' financial condition and generally requires no collateral.

The Company's most significant customers (having individually accounted for 10% or more of revenues) and their related revenues as a percentage of total revenues were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 24, 2021	September 30, 2022	September 24, 2021
Lam Research Corporation	40.0%	42.3%	39.4%	40.8%
Applied Materials, Inc.	24.2%	24.3%	23.4%	23.4%
Total	64.2%	66.6%	62.8%	64.2%

Two customers' accounts receivable balances, Lam Research Corporation and Applied Materials, Inc., were individually greater than 10% of accounts receivable as of September 30, 2022 and December 31, 2021, and in the aggregate were approximately 35.7% and 39.0% of total accounts receivable, respectively.

Fair Value of Measurements — The Company measures its cash equivalents, derivative contracts, pension obligation and common stock purchase obligation (prior to the reclass to non-controlling interests) at fair value on a recurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be derived from observable market data. Where applicable, these models project future cash flows and discount the

future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and credit ratings.

Level 3 — Unobservable inputs that are supported by little or no market activities.

Derivative Financial Instruments — The Company uses forward contracts to hedge a portion of, but not all, existing and anticipated foreign currency denominated transactions typically expected to occur within 24 months. The purpose of the hedge is to mitigate the effect of exchange rate fluctuations on certain foreign currency denominated costs and eventual cash flows. The Company recognizes derivative instruments as either assets or liabilities in the accompanying Condensed Consolidated Balance Sheets at fair value. The Company records changes in the fair value of the derivatives in the accompanying Condensed Consolidated Statements of Operations as other income (expense), net, or as a component of AOCI in the accompanying Condensed Consolidated Balance Sheets.

Inventories — Inventories are stated at the lower of cost (which approximates actual cost on a first-in, first-out basis) or net realizable value. The Company evaluates the valuation of all inventories, including raw materials, work-in-process, finished goods and spare parts on a periodic basis. Obsolete inventory or inventory in excess of management's estimated usage is written down to its estimated market value less costs to sell, if less than its cost. Inherent in the estimates of market value are management's estimates related to economic trends, and future demand for the Company's products.

Inventory write downs inherently involve judgments based on assumptions about expected future demand and the impact of market conditions on those assumptions. Although the Company believes that the assumptions it used in estimating inventory write downs are reasonable, significant changes in any one of the assumptions in the future could produce a significantly different result. There can be no assurances that future events and changing market conditions will not result in significant increases in inventory write downs.

Property, Plant and Equipment — Property, plant and equipment are stated at cost, or, in the case of equipment under finance leases, the present value of future minimum lease payments at inception of the related lease. The Company also capitalizes interest on borrowings related to eligible capital expenditures. Capitalized interest is added to the cost of the qualified assets and is subject to depreciation. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets or the terms of the leases. Useful lives range from three to fifty years. Direct costs incurred to develop software for internal use are capitalized and amortized over an estimated useful life of three to ten years. Costs related to the design or maintenance of internal use software are expensed as incurred. Capitalized internal use software is included in computer equipment and software.

Long-lived Assets — The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset group may not be recoverable. The Company assesses the fair value of the assets based on the amount of the undiscounted future cash flows that the assets are expected to generate and recognizes an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset are less than the carrying value of the asset. If the Company identifies an impairment, the Company reduces the carrying value of the group of assets to comparable market values, when available and appropriate, or to its estimated fair value based on a discounted cash flow approach.

Leases — The Company determines if an arrangement is a lease, or contains a lease, at the inception of the arrangement and reassesses that conclusion if the arrangement is modified. When the Company determines the arrangement is a lease, or contains a lease, at lease inception, it then determines whether the lease is an operating lease or a finance lease. Operating and finance leases with lease terms of greater than one year result in the Company recording a right-of-use ("ROU") asset and lease liability on its balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are initially recognized based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses the implicit interest rate if readily determinable or when the implicit interest rate is not readily determinable, the Company uses its incremental borrowing rate. The incremental borrowing rate is not a commonly quoted rate and is derived through a combination of inputs including the Company's credit rating and the impact of full collateralization. The incremental borrowing rate is based on the Company's collateralized borrowing capabilities over a similar term of the lease payments. The Company utilizes the incremental borrowing rate based on bank loan rates at the respective locations for leases where appropriate and the consolidated group bank loan rate where the Company does not have local bank financings. The operating lease ROU asset also includes any lease payments made prior to the adoption of ASC 842 and is reduced by any lease incentives. Specific lease terms used in computing the ROU assets and lease liabilities may include options to extend or terminate the lease when the Company believes it is reasonably certain that it will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected not to recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset. Operating leases are included in operating lease ROU assets, other current liabilities, and long-term operating lease liabilities on the Company's consolidated balance sheet. The Company's finance leases at September 30, 2022 and December 31, 2021 were not significant.

Goodwill and Indefinite-Lived Intangible Assets — Goodwill and indefinite-lived intangible assets are not amortized, but are reviewed for impairment annually or more frequently if indicators of potential impairment exist. Intangible assets are presented at cost, net of accumulated amortization, and are amortized on either a straight-line method or on an accelerated method over their estimated future discounted cash flows. The Company reviews goodwill and purchased intangible assets with indefinite lives for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable, such as when reductions in demand or significant economic slowdowns in the semiconductor industry are present.

Deferred Debt Issuance Costs — Debt issuance costs incurred in connection with obtaining debt financing are deferred and presented as a direct deduction from Bank Borrowings in the accompanying Condensed Consolidated Balance Sheets. Deferred costs are amortized on an effective interest method basis over the contractual term.

Defined Benefit Pension Plan — The Company has several noncontributory defined benefit pension plans covering substantially all of the employees of two of its foreign entities upon termination of their employee services. The benefits for these plans are based on expected years of service and average compensation. The net period costs are recognized as employees render the services necessary to earn the postretirement benefits. The Company records annual amounts relating to the pension plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases and turnover rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current and expected rates of return and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive gain (loss) and amortized to net periodic cost over future periods using the corridor method. The Company believes that the assumptions utilized in recording its obligations under the plan are reasonable based on its experience and market conditions. For further discussion of the Company's defined benefit pension plan see Note 9 of the Notes to the Condensed Consolidated Financial Statements.

Revenue Recognition — Revenue is recognized when we satisfy performance obligations as evidenced by the transfer of control of the promised goods or services to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company performs the following five steps to determine when to recognize revenue: (1) identification of the contract(s) with its customers, (2) identification of the performance obligations in the contract, (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligations in the contract, and (5) recognition of revenue when, or as, a performance obligation is satisfied.

Shipping and Handling Costs — Shipping and handling costs are included as a component of cost of revenues.

Research and Development Costs — Research and development costs are expensed as incurred.

Stock-Based Compensation Expense — The Company maintains stock-based compensation plans which allow for the issuance of equity-based awards to directors and certain employees. These equity-based awards include restricted stock awards ("RSAs"), performance stock units ("PSUs") and restricted stock units ("RSUs"). The RSAs and RSUs use the closing price of stock price on the day preceding the grant date as a proxy for fair value and compensation expense. The PSUs contain market conditions, and compensation expense is measured using a Monte Carlo simulation model and recognized over the derived service period based on the expected market performance as of the grant date. The Company also maintains an employee stock purchase plan ("ESPP") that provides for the issuance of shares to all eligible employees of the Company at a discounted price. See Note 12 for further discussion.

Income Taxes — The Company utilizes the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating our ability to realize our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future federal, state, and foreign pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider recent cumulative income (loss). A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

Income tax positions must meet a more likely than not recognition threshold to be recognized. The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of income as income tax expense.

Net Income per Share — Basic net income per share is computed by dividing net income by the weighted average number of shares outstanding for the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common shares outstanding and common equivalent shares from dilutive restricted stock using the treasury stock method, except when such shares are anti-dilutive.

Business Combinations — The Company recognizes assets acquired (including goodwill and identifiable intangible assets), liabilities assumed and noncontrolling interest at fair value on the acquisition date. Subsequent changes to the fair value of such assets acquired and liabilities assumed are recognized in earnings, after the expiration of the measurement period, a period not to exceed 12 months from the acquisition date. Acquisition-related expenses and acquisition-related restructuring costs are recognized in earnings in the period in which they are incurred.

Accounting Standard Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financing Reporting.* This guidance provides temporary optional expedients and exceptions through December 31, 2022 to the U.S. GAAP guidance on contract modifications to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The Company expects to adopt this guidance and apply it to reference rate reform effected arrangement modifications. The Company does not expect this new standard to have a material effect on its Condensed Consolidated Financial Statements.

2. BUSINESS COMBINATIONS

Ham-Let (Israel-Canada) Ltd.

On March 31, 2021, the Company acquired all of the outstanding common shares of Ham-Let (Israel-Canada) Ltd. ("Ham-let") for a total purchase consideration of $362.9 million paid in cash. The Company borrowed an additional $355.0 million from its existing credit facility to finance the acquisition. See further discussion in Note 7 to the Notes to Condensed Consolidated Financial Statements.

In December 2020, the Company announced the acquisition of Ham-Let. The expected cash consideration for the equity valuation at that time was approximately 934.7 million Israeli New Shekel (“ILS”) or $287.1 million. US GAAP requires the recording of the purchase price of the acquired entity at the spot rate on acquisition date, rather than the cash amount hedged and paid. A loss of $10.4 million on the forward hedge contract was recorded in the accompanying Condensed Consolidated Statements of Operations as other income (expense), net for the nine month periods ended September 30, 2021.

During the first quarter of fiscal year 2022, the Company completed its analysis of its worldwide tax position and recorded a reduction in tax liabilities that resulted in a decrease to goodwill of approximately $1.5 million. In the first quarter of fiscal year 2022, the Company completed the acquisition accounting and the valuation of the fair value of the assets acquired and the liabilities assumed. None of the goodwill recorded as part of the acquisition will be deductible for income tax purposes.

The following table summarizes the fair values of assets acquired, liabilities assumed and noncontrolling interest at the date of acquisition, including all measurement period adjustments:

(In millions)	Amount
Cash and cash equivalents	$ 20.1
Accounts receivable	51.6
Inventories	73.7
Prepaid expenses and other assets	17.3
Property, plant and equipment	52.1
Goodwill	97.4
Purchased intangible assets	118.6
Deferred tax assets	0.8
Operating lease right-of-use assets	27.7
Other non-current assets	2.2
Total assets acquired	461.5
Bank borrowings	(5.0)
Accounts payable	(30.8)
Accrued compensation and related benefits	(10.5)
Other current liabilities	(12.0)
Deferred tax liabilities	(10.7)
Operating lease liabilities	(23.8)
Other liabilities	(4.0)
Total liabilities assumed	(96.8)
Noncontrolling interests	(1.8)
Total consideration transferred	$ 362.9

	Useful Life (In years)	Purchased Intangible Assets (In millions)
Customer relationships	10	$ 69.0
IP Knowhow	10-15	35.5
Trade names	5	9.8
Backlog	1	4.3
Total purchased intangible assets		$ 118.6

The results of operations for Ham-Let have been included in our Condensed Consolidated Financial Statements since the date of the acquisition.

Unaudited Pro Forma Consolidated Results

The following unaudited pro forma consolidated results of operations assume the acquisition was completed as of the beginning of the earliest year of the reporting periods presented.

The unaudited pro forma consolidated results of operations for the nine months ended September 24, 2021 (in millions, except per share amounts) are summarized as follows:

(In millions, except per share amounts)	Nine Months Ended September 24, 2021
Revenues	$ 1,542.8
Net income	$ 87.8
Basic income per share	$ 2.05
Diluted income per share	$ 2.00

The unaudited pro forma results above include adjustments related to the purchase price allocation and financing of the acquisition, primarily to increase amortization for the identifiable intangible assets, to increase interest expense for the additional debt incurred to complete the acquisition, to record the $11.6 million cumulative loss related to the forward contracts entered into, in conjunction with the acquisition and to reflect the related income tax effect.

The unaudited pro forma combined financial information has been prepared by management for illustrative purposes only and are not necessarily indicative of the consolidated financial position or results of income in future periods or the results that would have been realized had UCT and Ham-Let been a combined company during the specified period. The unaudited pro forma combined financial information does not reflect any operating efficiencies and/or cost savings that the Company may achieve with respect to the combined companies or any liabilities that may result from integration activities.

3. BUSINESS DIVESTITURES

In 2022, the Company executed the sale of three of its non-semiconductor operating subsidiaries and committed to a plan to sell its majority interest in an entity of its Fluid Solutions subsidiary which is classified as held-for-sale and presented in Prepaid expenses and other current assets of the Condensed Consolidated Balance Sheets. This transaction is expected to close during the fourth quarter of 2022. Each of these entities is reported within the Products reportable segment. The purposes of the divestitures is to remain focused on its core semiconductor business. As a result of these divestitures, the Company recorded a net loss of $20.8 million and $77.4 million for the three and nine month periods ended September 30, 2022, respectively, which was recorded in the Condensed Consolidated Statements of Operations. The recorded net loss includes the write-off of intangible assets, net, goodwill and net assets of $27.8 million, $19.7 million and $33.3 million, respectively. Goodwill has been allocated to the divestitures based on the relative fair value of each component in relation to its respective reporting unit. See Note 6 Goodwill and Intangible Assets for further discussion.

4. BALANCE SHEET INFORMATION

Inventories consisted of the following:

(In millions)	September 30, 2022	December 31, 2021
Raw materials	$ 230.8	$ 220.9
Work in process	116.3	102.5
Finished goods	58.0	55.8
Total	$ 405.1	$ 379.2

Property, plant and equipment, net, consisted of the following:

(In millions)	Useful Life (in years)	September 30, 2022	December 31, 2021
Land	n/a	$ 2.7	$ 4.7
Buildings	50	52.8	52.1
Leasehold improvements	*	69.4	67.3
Machinery and equipment	5-10	145.6	132.6
Computer equipment and software	3-10	60.1	57.7
Furniture and fixtures	5	4.9	5.2
		335.5	319.6
Accumulated depreciation		(138.1)	(116.0)
Construction in progress		44.9	38.7
Total		$ 242.3	$ 242.3

* Lesser of estimated useful life or remaining lease term

5. FAIR VALUE MEASUREMENTS

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following table summarizes, for assets or liabilities measured at fair value, the respective fair value and the classification by level of input within the fair value hierarchy:

Description	September 30, 2022	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In millions)				
Other liabilities:				
Forward contracts	$ 2.4	$ —	$ 2.4	$ —
Pension obligation	$ 3.2	$ —	$ —	$ 3.2

Description	December 31, 2021	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In millions)				
Other liabilities:				
Forward contracts	$ 0.8	$ —	$ 0.8	$ —
Pension obligation	$ 4.0	$ —	$ —	$ 4.0

The estimated fair value of foreign currency forward contracts is based upon quoted market prices obtained from independent pricing services for similar derivative contracts and these financial instruments are characterized as Level 2 assets in the fair value hierarchy.

The estimated fair value of the pension obligation is based on expected years of service and average compensation. The valuation model used to value the pension obligation utilizes mortality rate, inflation, interest rate risks and changes in the life expectancy for pensioners. These assumptions are routinely made in the appraisal process by the independent actuary thus resulted in a Level 3 classification.

There were no transfers from Level 1 or Level 2. Fair value adjustments were noncash, and therefore did not impact the Company's liquidity or capital resources. Qualitative information about Level 3 fair value measurements is as follows:

(Dollars in millions, except rate/multiple)	September 30, 2022	Valuation Techniques	Unobservable Input	Range/Multiple
Pension obligation	$ 3.2	Projected unit credit method	Discount rate	2.1% to 2.7%
			Rate on return	1.7% to 2.1%
			Salary increase rate	2.0% to 3.0%

Following is a summary of the Level 3 activity:

(In millions)	Pension obligation
As of December 31, 2021	$ 4.0
Benefits, payments and other adjustments	(0.8)
As of September 30, 2022	$ 3.2

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company's methodology for allocating the purchase price relating to an acquisition is determined through established and generally accepted valuation techniques. Goodwill is measured as the excess of the consideration transferred over the sum of the amounts assigned to tangible and identifiable intangible assets acquired less liabilities assumed.

To test goodwill for impairment, the Company first performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the Company concludes it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, the Company does not proceed to perform a quantitative impairment test. If the Company concludes it is more likely than not that the fair value of the reporting unit is less than its carrying value, a quantitative goodwill impairment test will be performed by comparing the fair value of each reporting unit to its carrying value. A quantitative impairment analysis, if necessary, considers the income approach, which requires estimates of the present value of expected future cash flows to determine a reporting unit's fair value. Significant estimates include revenue growth rates and operating margins used to calculate projected future cash flows, discount rates, and future economic and market conditions. A goodwill impairment charge is recognized for the amount by which the reporting unit's fair value is less than its carrying value. Any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The process of evaluating the potential impairment of goodwill and intangible assets requires significant judgment. The Company regularly monitors current business conditions and other factors including, but not limited to, adverse industry or economic trends and lower projections of profitability that may impact future operating results.

In connection with the divestiture of certain Ham-Let subsidiaries during fiscal year 2022, the Company wrote off goodwill and intangible assets, net, of $19.7 million and $27.8 million, respectively.

Details of aggregate goodwill of the Company are as follows:

(In millions)	Products	Services	Total
Balance at December 31, 2021	$ 196.5	$ 73.5	$ 270.0
Adjustments	(1.5)	—	(1.5)
Divestiture of subsidiaries	(19.7)	—	(19.7)
Balance at September 30, 2022	$ 175.3	$ 73.5	$ 248.8

Intangible Assets

Intangible assets are generally recorded in connection with a business acquisition. The Company evaluates the useful lives of its intangible assets each reporting period to determine whether events and circumstances require revising the remaining period of amortization. In addition, the Company reviews indefinite lived intangible assets for impairment when events or changes in circumstances indicate their carrying value may not be recoverable and tests definite lived intangible assets at least annually for impairment. Management considers such indicators as significant differences in product demand from the estimates, changes in the competitive and economic environment, technological advances, and changes in cost structure.

Details of intangible assets were as follows:

		As of September 30, 2022			As of December 31, 2021		
(Dollars in millions)	Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Carrying Value	Gross Carrying Amount	Accumulated Amortization	Carrying Value
Customer relationships	6 - 10	$ 172.0	$ (77.8)	$ 94.2	$ 188.4	$ (66.9)	$ 121.5
Tradenames	4 - 6*	32.5	(19.8)	12.7	36.8	(17.5)	19.3
Intellectual property/know-how	7 - 15	37.7	(14.9)	22.8	49.4	(13.1)	36.3
Recipes	20	73.2	(14.9)	58.3	73.2	(12.2)	61.0
Standard operating procedures	20	8.6	(1.8)	6.8	8.6	(1.4)	7.2
Backlog	1	3.1	(3.1)	—	4.3	(3.9)	0.4
Total		$ 327.1	$ (132.3)	$ 194.8	$ 360.7	$ (115.0)	$ 245.7

* The Company concluded that the asset life of UCT tradename of $9.0 million is indefinite and is therefore not amortized but is reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

The Company amortizes its intangible assets on a straight-line or accelerated basis over the estimated economic life of the assets. Amortization expense was approximately $7.0 million and $23.1 million for the three and nine months ended September 30, 2022, respectively and $9.5 million and $23.9 million for the three and nine months ended September 24, 2021, respectively. Amortization expense related to recipes, standard operating procedures and certain intellectual property/know-how is charged to cost of revenues and the remainder is charged to general and administrative expense. As of September 30, 2022, future estimated amortization expense is expected to be as follows:

(In millions)	Amortization Expense
2022 (remaining in year)	$ 6.9
2023	22.5
2024	21.9
2025	19.9
2026	19.0
Thereafter	95.6
Total	$ 185.8

7. BORROWING ARRANGEMENTS

On August 27, 2018, the Company entered into a credit agreement with Barclays Bank that provided a term loan B, a revolving credit facility and a letter of credit facility (collectively, the “Credit Facilities”). UCT and certain of its subsidiaries have agreed to secure all of their obligations under the Credit Facilities by granting a first priority lien in substantially all of their respective personal property assets (subject to certain exceptions and limitations). The Company borrowed $350.0 million under the term loan and used the proceeds, together with cash on hand, to finance the acquisition of Quantum Global Technologies, LLC’s ("QGT") and to refinance its previous credit facilities.

On March 31, 2021, the Company entered into a Second Amendment (the “Second Amendment”), to the credit agreement dated as of August 27, 2018 and amended as of October 1, 2018 (as amended by the Second Amendment, the "Credit Agreement") to, among other things, (i) refinance and reprice $272.8 million of existing term B borrowings that will remain outstanding and (ii) obtain a $355.0 million senior secured incremental term loan B facility ((i) and (ii) collectively the “Term Loan”) with Barclays Bank, which increased the amount of term loan indebtedness outstanding under the Company’s Credit Facilities.

The Term Loan has a maturity date of August 27, 2025, with monthly interest payments in arrears, quarterly principal payments of 0.625% of the outstanding principal balance as of March 31, 2021, with the remaining principal paid upon maturity. Under the Credit Facilities, the Company may elect that the Term Loan bear interest at a rate per annum equal to either (a) “ABR” (as defined in the Credit Agreement), plus the applicable margin or (b) the “Eurodollar Rate” (as defined in the Credit Agreement), based on LIBOR, plus the applicable margin. The applicable margin for the Term Loan is equal to a rate per annum to either (i) at any time that the Company’s corporate family rating is Ba3 (with a stable outlook) or higher from Moody’s and BB- (with a stable outlook) or higher from S&P, (x) 3.50% for such Eurodollar term loans and (y) 2.50% for such ABR term loans or (ii) at all other times, (x) 3.75% for such Eurodollar term loans and (y) 2.75% for such ABR term loans. Interest on the Term Loan is payable on (1) in the case of such ABR term loans, the last day of each calendar quarter and (2) in the case of such Eurodollar term loans, the last day of each relevant interest period and, in the case of any interest period longer than three months, on each successive date three months after the first day of such interest period. On March 29, 2021, the Company elected that the Term Loan outstanding as of March 31, 2021 accrue interest based on the “Eurodollar Rate” for an initial interest period of one month. Pursuant to the Second Amendment to the Credit Agreement, the Credit Facilities contains customary LIBOR replacement provisions in the event LIBOR is discontinued. At September 30, 2022, the Company had an outstanding amount under the Term Loan of $532.3 million, gross of unamortized debt issuance costs of $11.1 million. As of September 30, 2022, the interest rate on the outstanding Term Loan was 6.3%.

On August 19, 2022, the Company entered into a Third Amendment (the “Third Amendment”) to the credit agreement dated as of August 27, 2018 and amended as of October 1, 2018 and March 31, 2021 (as amended by the Third Amendment, the "Credit Agreement") to, among other things, increase the revolving credit facility portion of the Credit Facilities to $150.0 million with several banks and with Barclays Bank as the administrative agent.

The revolving credit facility has an available commitment of $150.0 million and a maturity date of February 27, 2025. The Company pays a quarterly commitment fee in arrears equal to 0.25% of the average daily available commitment outstanding. Outstanding letters of credit reduce the availability of the revolving credit facility and, as of September 30, 2022, the Company had $146.6 million, net of $3.4 million of outstanding letters of credit, available under this revolving credit facility.

The letter of credit facility has an available commitment of $50.0 million and a maturity date of February 27, 2025. The Company pays a quarterly fee in arrears equal to 2.5% (subject to certain adjustments to the Term Loan) of the dollar equivalent of all outstanding letters of credit, and a fronting fee equal to 0.125% of the undrawn and unexpired amount of each letter of credit. As of

September 30, 2022, the Company had $3.4 million of outstanding letters of credit and $46.6 million of available commitments remaining under the letter of credit facility.

The Credit Agreement requires the Company to maintain certain financial covenants including a consolidated fixed charge coverage ratio (as defined in the Credit Agreement) as of the last day of any fiscal quarter of at least 1.25 to 1.00, and a consolidated leverage ratio (as defined in the Credit Agreement) as of the last day of any fiscal quarter of no greater than 3.75 to 1.00. The Company was in compliance with all financial covenants as of the quarter ended September 30, 2022.

In 2020, Cinos China amended its existing credit agreement with a local bank that provides a term loan of RMB 10.0 million (approximately $1.4 million) which matured on September 23, 2022.

UCT Fluid Delivery Solutions has a credit agreement with a local bank in the Czech Republic that provides for a revolving credit facility in the aggregate of up to 5.0 million euros (approximately $4.9 million). As of September 30, 2022, no debt was outstanding under this revolving credit facility.

Ham-Let has credit facilities with various financial institutions. As of September 30, 2022, Ham-Let had an $8.1 million outstanding balance under the overdraft facility.

As of September 30, 2022, the Company's total bank debt was $529.3 million, net of unamortized debt issuance costs of $11.1 million. As of September 30, 2022, the Company had $146.6 million, and $4.9 million available to draw from its revolving credit facilities in the U.S., and Czech Republic, respectively.

The fair value of the Company's long-term debt was based on Level 2 inputs, and fair value was determined using quoted prices for similar liabilities in inactive markets. The Company's carrying value approximates fair value for the Company's long-term debt.

8. INCOME TAX

The Company's effective tax rate was 48.4% and 19.8% for the three months ended September 30, 2022 and September 24, 2021, respectively, and 57.2% and 21.8% for the nine months ended September 30, 2022 and September 24, 2021. The Company's income tax provision was $12.1 million and $8.4 million for the three months ended September 30, 2022 and September 24, 2021, respectively, and $29.4 million and $21.6 million for the nine months ended September 30, 2022 and September 24, 2021, respectively. The change in respective tax rates reflects, primarily, no tax benefit on the losses related to the divestitures during fiscal year 2022, changes in the geographic mix of worldwide earnings and financial results in jurisdictions which are taxed at different rates, and the impact of losses in jurisdictions with full federal and state valuation allowances.

Company management continuously evaluates the need for a valuation allowance and, as of September 30, 2022, concluded that a full valuation allowance on its U.S. federal and state and certain of its foreign deferred tax assets was still appropriate.

As of September 30, 2022 and September 24, 2021, the Company's gross liability for unrecognized tax benefits, excluding interest, was $1.7 million and $1.4 million, respectively. Increases or decreases to interest and penalties on uncertain tax positions are included in the income tax provision in the Condensed Consolidated Statements of Operations. Although it is possible that some of the unrecognized tax benefits could be settled within the next twelve months, the Company cannot reasonably estimate the outcome at this time.

9. RETIREMENT PLANS

Defined Benefit Plan

Cinos Korea has a noncontributory defined benefit pension plan covering substantially all of its employees upon their retirement. Ham-Let has a noncontributory defined benefit pension plans covering its employees in Israel upon their retirement. The benefits for these plans are based on expected years of service and average compensation. The net period costs are recognized as employees render the services necessary to earn the postretirement benefits. The Company records annual amounts relating to the pension plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases and turnover rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current and expected rates of return and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods using the corridor method. The Company believes that the assumptions utilized in recording its obligations under the plans are reasonable based on its experience and market conditions.

As of September 30, 2022, the benefit obligation of the plan was $10.3 million and the fair value of the benefit plan assets is $7.1 million which are invested in several fixed deposit accounts with financial institutions. As of September 30, 2022, the unfunded balance of the plans of $3.2 million has been accrued by the Company and is included in other liabilities. Amounts recognized in

accumulated other comprehensive loss as of September 30, 2022 are $0.2 million. The contributions to the plans by the Company and its subsidiaries during the period ended September 30, 2022 was nil.

As of September 30, 2022, the Company's future estimated payment obligations for the respective fiscal years are as follows:

(In millions)	Future payment
2022 (remaining in year)	$ —
2023	0.5
2024	2.2
2025	0.7
2026	1.4
Thereafter	3.8
Total	$ 8.6

Employee Savings and Retirement Plan

The Company sponsors a 401(k) savings and retirement plan (the "401(k) Plan") for all U.S. employees who meet certain eligibility requirements. Participants could elect to contribute to the 401(k) Plan, on a pre-tax basis, up to 25% of their salary to a maximum of the IRS limit. The Company matches 50.0% of each employee's contribution, up to a maximum of 6% of the employee's eligible earnings. The Company made $0.9 million and $2.4 million discretionary employer contributions to the 401(k) Plan for the three and nine months ended September 30, 2022 and $0.6 million and $1.8 million for the three and nine months ended September 24, 2021.

10. COMMITMENTS AND CONTINGENCIES

Commitment

The Company had commitments to various third parties to purchase inventories totaling approximately $645.2 million as of September 30, 2022.

Contingency

From time to time, the Company is subject to various legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. Although the outcome of the various legal proceedings and claims individually or in the aggregate cannot be predicted with certainty, the Company has not had a history of outcomes to date that have been material to the Condensed Consolidated Statements of Operations and does not believe that any of these proceedings or other claims will have a material adverse effect on its consolidated financial condition, results of operations or cash flows.

11. STOCKHOLDERS' EQUITY AND NONCONTROLLING INTERESTS

Equity Financings

During April 2021, the Company completed an underwritten public offering, which included an exercised underwriters' option of 3.7 million shares of the Company's common stock, for which the Company received net proceeds of approximately $192.8 million, after deducting the underwriting discounts and offering expenses payable by the Company.

Non-controlling Interests

QGT, through its wholly-owned subsidiary in Singapore, owns part of the outstanding shares of Cinos Korea, a South Korean company that provides outsourced cleaning and recycling of precision parts for the semiconductor industry through its operating facilities in South Korea and through a partial interest in Cinos China.

The carrying value of the remaining interest held by another shareholder in Cinos Korea and the remaining interest in Cinos China are presented as noncontrolling interests in the accompanying Condensed Consolidated Financial Statements. The fair values of the noncontrolling interests were estimated based on the values of Cinos Korea and Cinos China on a 100.0% basis. The values were calculated based on the pro-rata portion of total QGT earnings before interest expense, taxes, depreciation and amortization contributed by each entity.

Rovac Pte, Ltd., which is based in Singapore, is a majority-owned company of Ham-Let. The carrying value of the remaining interest held by the minority shareholder in Rovac is presented as non-controlling interests in the accompanying Condensed Consolidated Financial Statements. During the second quarter of 2022, the Company committed to a plan to sell its majority interest, and as a result, the Company recorded a loss of $5.2 million related to the write-off of goodwill and intangible assets. The transaction is expected to be finalized during fourth quarter of 2022.

12. EMPLOYEE STOCK PLANS

The Company grants stock awards in the form of restricted stock units ("RSUs") and performance stock units ("PSUs") to its employees as part of the Company's long-term equity compensation plan. These stock awards are granted to employees with a unit purchase price of zero dollars and typically vest over three years, subject to the employee's continued service with the Company and, in the case of PSUs, subject to achieving certain performance goals and market conditions. The Company also grants common stock to its board members in the form of restricted stock awards ("RSAs"), which vest on the earlier of 1) the next Annual Shareholder Meeting, or 2) 365 days from date of grant.

Stock-based compensation expense includes compensation costs related to estimated fair values of awards granted. The estimated fair value of the Company's equity-based awards, net of expected forfeitures, is amortized on a straight-line basis over the awards' vesting period and is adjusted for performance as it relates to PSUs. Under the current PSU program, which was effective beginning fiscal 2021, performance goals are set at the time of grant and performance is reviewed at the end of a three-year period. The percentage to be applied to each participant's target award ranges from zero to 200% based upon the extent to which the financial performance goals are achieved. If specific performance threshold levels for the financial goals are met on an annual basis, the amount earned for that element will be applied to one-third of the participants' PSU award granted to determine the number of total units earned.

At the end of the three-year performance period, the total units earned, if any, are adjusted by applying two modifiers, each ranging from 25% to (25)% based on (i) the Company's relative total shareholder return ("TSR") compounded annual growth rate ("CAGR") which is based on the Company's stock price changes relative to a group of peer companies and (ii) the "average annual difference in operating margin" is defined as non-GAAP operating margin divided by total revenue comparing the annual operating plan to actual results.

The following table shows the Company's stock-based compensation expense included in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Nine Months Ended	
(In millions)	September 30, 2022	September 24, 2021	September 30, 2022	September 24, 2021
Cost of revenues (1)	$ 0.1	$ 0.5	$ 1.1	$ 1.4
Research and development	0.1	0.1	0.3	0.2
Sales and marketing	0.4	0.3	1.0	1.0
General and administrative	4.1	3.4	12.4	8.9
Stock-based compensation expense	4.7	4.3	14.8	11.5

(1) Stock-based compensation expense capitalized in inventory for the three and nine months ended September 30, 2022 and September 24, 2021 and September 24, 2021 was not significant.

For the three and nine months ended September 30, 2022, 0.1 million and 0.5 million RSUs were granted with a weighted average fair value of $30.46 and $33.09 per share, respectively, and for the three and nine months ended September 24, 2021, 32,000 and 0.4 million RSUs were granted with a weighted average fair value of $44.54 and $48.64 per share.

For the three and nine months ended September 30, 2022, zero and 98,000, respectively PSUs were granted.

As of September 30, 2022, approximately $31.1 million of unrecognized stock-based compensation cost related to employee and director awards remains to be amortized on a straight-line basis over a weighted average period of 1.3 years, and will be adjusted for subsequent changes in future grants.

As of September 30, 2022, a total of 25,900 RSAs were outstanding. The total unamortized expense of the Company's unvested RSAs as of September 30, 2022 was $0.5 million.

The following table summarizes the Company's combined RSU, PSU and RSA activity for the nine months ended September 30, 2022:

(In millions)	Shares	Aggregate Fair Value
Unvested RSUs, PSUs and RSAs at December 31, 2021	1.2	$ 69.3
Granted	0.7	-
Vested	(0.6)	-
Forfeited	(0.1)	-
Unvested RSUs, PSUs and RSAs as of September 30, 2022	1.2	$ 30.0
Vested and expected to vest RSUs, PSUs and RSAs as of September 30, 2022	1.2	$ 30.0

Employee Stock Purchase Plan

The ESPP permits employees to purchase common stock at a discount through payroll withholdings at certain specified dates (purchase period) within a defined offering period. The purchase price is 85% of the fair market value of the common stock at the end of the purchase period and is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. During the three and nine months ended September 30, 2022, zero and 24,400 shares, respectively were issued under the ESPP, and the Company recorded zero and $0.1 million of expense related to the ESPP for the three and nine months ended September 30, 2022, respectively.

13. REVENUE RECOGNITION

Revenue is recognized when we satisfy performance obligations as evidenced by the transfer of control of the promised goods or services to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company sells its products and services primarily to customers in the semiconductor capital equipment industry. The Company's revenues are highly concentrated, and we are therefore highly dependent upon a small number of customers. Typical payment terms with our customers range from thirty to sixty days.

The Company's Products business segment provides warranty on its products for a period of up to two years and provides for warranty costs at the time of sale based on historical activity. Determination of the warranty reserve requires the Company to make estimates of product return rates and expected costs to repair or replace the products under warranty. If actual return rates and/or repair and replacement costs differ significantly from these estimates, adjustments to recognize additional cost of revenues may be required in future periods. The warranty reserve is included in other current liabilities on the Condensed Consolidated Balance Sheets and is not considered significant.

The Company's products are manufactured and services provided at locations throughout the Americas, Asia Pacific and Europe and the Middle East ("EMEA"). Sales to customers are initiated through a purchase order and are governed by our standard terms and conditions, written agreements, or both. Revenue is recognized when performance obligations under the terms of an agreement with a customer are satisfied; generally, this occurs with the transfer of control of the products or when the Company provides the services. Based on the enforceable rights included in our agreements or prevailing terms and conditions, products produced by the Company without an alternative use are not protected by an enforceable right of payment that includes a reasonable profit throughout the duration of the agreement. Consignment sales are recognized in revenue at the earlier of the period that the goods are consumed or after a period of time subsequent to receipt by the customer as specified by terms of the agreement, provided control of the promised goods or services has transferred.

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales, value-add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Certain of our customers may receive cash-based incentives, such as rebates or credits, which are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to customers and reduce revenues recognized. As of September 30, 2022 and December 31, 2021, an accrual for unpaid customer rebates of $2.7 million and $5.1 million, respectively, was included in accounts receivable on the Company's Condensed Consolidated Balance Sheet. The Company's disaggregated revenues are apportioned by segments within the Company's Condensed Consolidated Statement of Operations.

The Company's principal markets include America, Asia Pacific and EMEA. The Company's foreign operations are conducted primarily through its subsidiaries in China, Singapore, Israel, Taiwan, South Korea, United Kingdom and the Czech Republic. Revenues by geographic area are categorized based on the customer's location to which the products were shipped or services performed. The following table sets forth revenue by geographic area (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 24, 2021	September 30, 2022	September 24, 2021
Singapore	$ 237.4	$ 201.8	$ 684.9	$ 537.6
United States	184.3	182.3	558.9	542.2
South Korea	32.8	43.5	119.8	106.8
China	40.6	26.4	97.0	67.8
Austria	27.7	28.6	84.8	67.9
Rest of the world	112.2	71.1	262.5	164.2
	$ 635.0	$ 553.7	$ 1,807.9	$ 1,486.5

14. LEASES

The Company leases offices, facilities and equipment in locations throughout the United States, Asia Pacific and EMEA.

The Company's leases do not provide an implicit rate, thus the Company uses an estimated incremental borrowing rate in determining the present value of lease payments.

The components of lease expense were summarized as follows:

	Three Months Ended		Nine Months Ended	
(Dollars in millions)	September 30, 2022	September 24, 2021	September 30, 2022	September 24, 2021
Operating lease cost	$ 6.7	$ 4.9	$ 17.7	$ 13.4
Short-term lease cost	0.1	0.5	1.1	1.4
Total lease cost	$ 6.8	$ 5.4	$ 18.8	$ 14.8
Operating cash flows from operating leases	$ 5.7	$ 5.3	$ 16.8	$ 14.5
Weighted-average remaining lease term – operating leases			7.2	1.8
Weighted-average discount rate – operating leases			4.7%	5.1%

Future minimum payments under operating leases as of September 30, 2022 were summarized as follows:

(In millions)	Operating Leases
2022 remaining	$ 5.4
2023	19.9
2024	16.6
2025	12.4
2026	10.1
Thereafter	35.4
Total minimum lease payments	99.8
Less: imputed interest	14.7
Lease liability	$ 85.1

15. NET INCOME PER SHARE

The following is a reconciliation of the numerators and denominators used in computing basic and diluted net income per share:

	Three Months Ended		Nine Months Ended	
(In millions, except share amounts)	September 30, 2022	September 24, 2021	September 30, 2022	September 24, 2021
Numerator:				
Net income attributable to UCT	$ 9.7	$ 31.9	$ 12.5	$ 74.0
Denominator:				
Shares used in computation — basic:				
Weighted average common shares outstanding	45.4	44.8	45.2	42.8
Shares used in computation — diluted:				
Weighted average common shares outstanding	45.4	44.8	45.2	42.8
Dilutive effect of common shares outstanding subject to repurchase	0.2	0.6	0.5	0.9
Shares used in computing diluted net income per share	45.6	45.4	45.7	43.7
Net income per share attributable to UCT — basic	$ 0.21	$ 0.71	$ 0.28	$ 1.73
Net income per share attributable to UCT — diluted	$ 0.21	$ 0.70	$ 0.28	$ 1.69

16. REPORTABLE SEGMENTS

The Company prepares financial results based on two reportable segments: Products and Services. These segments are organized primarily by the nature of the products and service they provide. The Company's Chief Executive Officer (chief operating decision maker) views and evaluates operations based on the results of each of the reportable segments. The following table describes each segment:

Segment	Product or Services	Primary Markets Served	Geographic Areas
Products	Assembly Weldments Machining Fabrication	Semiconductor	Americas Asia Pacific EMEA
Services	Cleaning Coating Analytics	Semiconductor	Americas Asia Pacific EMEA

The Company uses segment profit or loss as the primary measure of profitability to evaluate operating performance and to allocate capital resources. Segment profit or loss is defined as a segment's income or loss from continuing operations before other income and income taxes included in the accompanying Condensed Consolidated Statements of Operations.

Intercompany sales and associated profit are eliminated from segment results.

Segment Data

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 24, 2021	September 30, 2022	September 24, 2021
Revenues:				
Products	$ 556.3	$ 482.0	$ 1,575.2	$ 1,270.1
Services	78.7	71.7	232.7	216.4
Total segment revenues	$ 635.0	$ 553.7	$ 1,807.9	$ 1,486.5
Gross profit:				
Products	$ 97.0	$ 88.6	$ 275.3	$ 225.2
Services	27.4	25.5	81.3	75.7
Total segment gross profit	$ 124.4	$ 114.1	$ 356.6	$ 300.9
Operating profit (loss):				
Products	$ 26.8	$ 43.8	$ 50.1	$ 102.0
Services	9.5	6.8	26.5	20.9
Consolidated income (loss) from operations	$ 36.3	$ 50.6	$ 76.6	$ 122.9

	September 30, 2022	December 31, 2021
Assets		
Products	$ 1,661.0	$ 1,757.6
Services	295.0	267.8
Total segment assets	$ 1,956.0	$ 2,025.4

As of September 30, 2022, approximately $105.7 million and $72.3 million of the Company's net long-lived assets were located in Asia Pacific and EMEA, respectively, and the remaining balances were located in the United States. At December 31, 2021, approximately $129.0 million and $53.4 million of the Company's net long-lived assets were located in Asia Pacific and EMEA, respectively, and the remaining balances were located in the United States.

17. SUBSEQUENT EVENTS

On October 20, 2022, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to an aggregate of $150.0 million of the Company's common stock over a three-year period.

ITEM 2. Management's Discussion And Analysis of Financial Condition And Results Of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with the Condensed Consolidated Financial Statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K filed with the SEC on March 1, 2022. This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve substantial risks and uncertainties. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, including, but not limited to, statements regarding our expectations, beliefs, intentions, strategies, future operations, future financial position, future revenue, projected expenses, gross margins and plans and objectives of management. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "estimate," "expect," "intend," "may," "might," "plan," "project," "will," "would," "should," "could," "can," "predict," "potential," "continue," "objective," or the negative of these terms, and similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These forward-looking statements reflect our current views about future events and involve known risks, uncertainties and other factors that may cause our actual results, performance or achievement to be materially different from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K filed with the SEC on March 1, 2022. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Ultra Clean Holdings, Inc., ("UCT", the "Company" or "We") is a leading developer and supplier of critical subsystems, components, parts, and ultra-high purity cleaning and analytical services, primarily for the semiconductor industry. UCT offers its customers an integrated outsourced solution for major subassemblies, improved design-to-delivery cycle times, design for manufacturability, prototyping and part and component manufacturing, as well as tool chamber parts cleaning and coating, and micro-contamination analytical services. We have two reportable segments: Products and Services. Our Products business primarily designs, engineers and manufactures production tools, components and parts, and modules and subsystems for the semiconductor and display capital equipment markets. Products include chemical delivery modules, frame assemblies, gas delivery systems, fluid delivery systems, precision robotics, process modules as well as other high-level assemblies. Our Services segment provides ultra-high purity parts cleaning, process tool part recoating, surface encapsulation and high sensitivity micro contamination analysis primarily for the semiconductor device makers and wafer fabrication equipment ("WFE") markets.

We ship a majority of our products and provide most of our services to U.S. registered customers with locations both in and outside the U.S. In addition to U.S. manufacturing and service operations, we manufacture products and provide parts cleaning and other related services in our Asian, European and Middle Eastern facilities to support local and U.S. based customers. We conduct our operating activities primarily through our subsidiaries.

Over the long-term, we believe the semiconductor market we serve will continue to grow due to multi-year industry demand from a broad range of drivers including mobile demand driven by 5G, new CPU architectures that enable higher performance servers which are necessary for cloud, artificial intelligence ("AI") and Machine Learning applications. We also believe that semiconductor original equipment manufacturers ("OEM") are increasingly relying on partners like UCT to fulfill their expanding capacity requirements. Additionally, our Services segment is benefiting as device manufacturers rely on precision cleaning and coating to achieve ever more complex devices.

Critical Accounting Estimates

Our Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure at the date of our Condensed Consolidated Financial Statements. On an on-going basis, we evaluate our estimates and judgments, including those related to inventories, income taxes, business combinations and goodwill, intangible assets and long-lived assets. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis of our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We consider certain accounting policies related to revenue recognition, inventory valuation, accounting for income taxes, business combinations, valuation of goodwill, intangible assets and long-lived assets to be critical policies due to the estimates and judgments involved in each.

There have been no significant changes to our critical accounting policies, significant judgments and estimates disclosed in our Annual Report on Form 10-K subsequent to December 31, 2021. For further information on our critical and other significant

accounting policies and estimates, see Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as filed with the SEC.

Results of Operations

Fiscal Year

Our fiscal year is the 52- or 53-week period ending on the Friday nearest December 31. Fiscal year 2022 is a 52-week period ending December 30, 2022, and fiscal year 2021 was a 53-week period ended December 31, 2021. The fiscal quarters ended September 30, 2022 and September 24, 2021 were both 13-week periods.

Discussion of Results of Operations for the Three and Nine months ended September 30, 2022 Compared to the Three and Nine months ended September 24, 2021

Revenues

	Three Months Ended			Nine Months Ended		
Revenues by Segment (Dollars in millions)	**September 30, 2022**	**September 24, 2021**	**Percent Change**	**September 30, 2022**	**September 24, 2021**	**Percent Change**
Products	$ 556.3	$ 482.0	15.4%	$ 1,575.2	$ 1,270.1	24.0%
Services	78.7	71.7	9.8%	232.7	216.4	7.5%
Total Revenues	$ 635.0	$ 553.7	14.7%	$ 1,807.9	$ 1,486.5	21.6%
Products as a percentage of total revenues	*87.6%*	*87.1%*		*87.1%*	*85.4%*	
Services as a percentage of total revenues	*12.4%*	*12.9%*		*12.9%*	*14.6%*	

Total Products revenues increased in the three and nine months ended September 30, 2022, compared to the same periods in the prior year, primarily due to an increase in customer demand in the semiconductor industry, in particular, the wafer fabrication equipment industry and in part due to the inclusion of Fluid Solutions for the full nine month periods in fiscal 2022, as compared to only six months in fiscal 2021. Total Services revenues increased in the three and nine months ended September 30, 2022, compared to the same periods in the prior year, primarily due to increases in demand across our customer base.

	Three Months Ended			Nine Months Ended		
Revenues by Geography (Dollars in millions)	**September 30, 2022**	**September 24, 2021**	**Percent Change**	**September 30, 2022**	**September 24, 2021**	**Percent Change**
United States	$ 191.9	$ 167.9	14.3%	$ 563.7	$ 475.6	18.5%
International	443.1	385.8	14.9%	1,244.2	1,010.9	23.1%
Total Revenues	$ 635.0	$ 553.7	14.7%	$ 1,807.9	$ 1,486.5	21.6%
United States as a percentage of total revenues	*30.2%*	*30.3%*		*31.2%*	*32.0%*	
International as a percentage of total revenues	*69.8%*	*69.7%*		*68.8%*	*68.0%*	

On a geographic basis, revenues represent products shipped from or services performed at our U.S. and international locations. For the three and nine month periods ended September 30, 2022, both U.S. and international revenues increased due to an overall global increase in semiconductor capital equipment and general industry demand.

Cost of Revenues

Cost of Revenues by Segment (Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 24, 2021	Percent Change	Nine Months Ended September 30, 2022	Nine Months Ended September 24, 2021	Percent Change
Products	$ 459.3	$ 393.4	16.8%	$ 1,299.9	$ 1,044.9	24.4%
Services	51.3	46.2	11.0%	151.4	140.7	7.6%
Total Cost of Revenues	$ 510.6	$ 439.6	16.2%	$ 1,451.3	$ 1,185.6	22.4%
Products cost as a percentage of total Products revenues	*82.6%*	*81.6%*		*82.5%*	*82.3%*	
Services cost as a percentage of total Services revenues	*65.2%*	*64.4%*		*65.1%*	*65.0%*	

Total cost of revenues increased for the three and nine months ended September 30, 2022 due to higher demand for both Products and Services and in part due to the inclusion of Fluid Solutions for the full nine months in fiscal 2022, as compared to only six months in fiscal 2021.

Cost of Products revenues consists of purchased materials, direct labor and manufacturing overhead. Cost of Products revenues increased $65.9 million and $255.0 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. The increases were due to the inclusion of Fluid Solutions for the full nine months in fiscal 2022, as compared to only six months in fiscal 2021, higher volume of sales driving increased material costs, as well as higher direct labor spending and overhead costs.

Cost of Services revenues consists of direct labor, manufacturing overhead and materials (such as chemicals, gases and consumables). Cost of Services revenues increased $5.1 million and $10.7 million for the three and nine months ended September 30, 2022, respectively, compared to the same period in the prior year driven by higher volumes of service orders, resulting in an increase in labor costs (the largest component of Cost of Services), higher material costs and overhead costs.

Gross Margin

Gross Profit by Segment (Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 24, 2021	Percent Change	Nine Months Ended September 30, 2022	Nine Months Ended September 24, 2021	Percent Change
Products	$ 97.0	$ 88.6	9.4%	$ 275.3	$ 225.2	22.2%
Services	27.4	25.5	7.6%	81.3	75.7	7.4%
Gross profit	$ 124.4	$ 114.1	9.0%	$ 356.6	$ 300.9	18.5%
Gross Margin by Segment						
Products	*17.4%*	*18.4%*		*17.5%*	*17.7%*	
Services	*34.8%*	*35.6%*		*34.9%*	*35.0%*	
Total Company	*19.6%*	*20.6%*		*19.7%*	*20.2%*	

Products gross margin decreased for the three and nine month periods ended September 30, 2022, compared to the same periods in the prior year, due to higher labor and overhead costs.

Services gross margins for the three and nine month periods ended September 30, 2022 were generally consistent compared to the same periods in the prior year.

Research and Development

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 24, 2021	Percent Change	Nine Months Ended September 30, 2022	Nine Months Ended September 24, 2021	Percent Change
Research and development	$ 7.4	$ 6.5	13.2%	$ 21.5	$ 16.8	27.7%
Research and development as a percentage of total revenues	*1.2%*	*1.2%*		*1.2%*	*1.1%*	

Research and development expenses increased $0.9 million in the three month period ended September 30, 2022 compared to the same period in the prior year due an increase in payroll costs and employee benefits including bonuses and incentives.

Research and development expenses increased $4.7 million in the nine month period ended September 30, 2022 compared to the same period in the prior year, primarily due to the inclusion of Fluid Solutions for the full nine month in fiscal 2022 as compared to only six months in fiscal 2021, and to an increase in personnel-related expenses associated with an increase in headcount.

Sales and Marketing

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	September 30, 2022	September 24, 2021	Percent Change	September 30, 2022	September 24, 2021	Percent Change
Sales and marketing	$ 13.5	$ 13.8	-1.9%	$ 41.2	$ 34.1	20.9%
Sales and marketing as a percentage of total revenues	*2.1%*	*2.5%*		*2.3%*	*2.3%*	

Sales and marketing expense decreased due to lower variable compensation costs for the three month period ended September 30, 2022 as compared to the same period in the prior year. Sales and marketing expenses increased $7.1 million in the nine month period ended September 30, 2022 as compared to the same period in the prior year primarily due to the inclusion of Fluid Solutions for a full nine month periods in fiscal 2022 as compared to only nine months in fiscal 2021, and an increase in personnel-related expenses associated with an increase in headcount.

General and Administrative

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	September 30, 2022	September 24, 2021	Percent Change	September 30, 2022	September 24, 2021	Percent Change
General and administrative	$ 46.4	$ 43.2	7.5%	$ 139.9	$ 127.1	10.1%
General and administrative as a percentage of total revenues	*7.3%*	*7.8%*		*7.7%*	*8.6%*	

General and administrative expenses increased $3.2 million and $12.8 million in the three and nine month periods ended September 30, 2022, respectively, compared to the same periods in the prior year, due to an increase in personnel-related expenses driven by higher headcount and in part due to the inclusion of Fluid Solutions for the full nine months in fiscal 2022, as compared to only six months in fiscal 2021.

Net Loss on Divestitures

In 2022, the Company sold three of its non-core subsidiary entities of Fluid Solutions and committed to a plan to sell its majority interest in another subsidiary entity of Fluid Solutions, which is expected to close during the fourth quarter of 2022. As a result of these divestitures, the Company recorded a loss of $20.8 million and $77.4 million for the three and nine month periods ended September 30, 2022, respectively, which was recorded in the Condensed Consolidated Statements of Operations.

Interest and Other Income (Expense), net

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	September 30, 2022	September 24, 2021	Percent Change	September 30, 2022	September 24, 2021	Percent Change
Interest income	$ 0.2	$ 0.1	100.0%	$ 0.4	$ 0.3	33.3%
Interest expense	$ (9.4)	$ (6.9)	36.2%	$ (23.1)	$ (17.6)	31.3%
Other income (expense), net	$ (2.1)	$ (1.4)	50.0%	$ (2.5)	$ (6.4)	-60.9%

Interest expense increased $2.5 million and $5.5 million in the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year, due primarily to higher interest rates resulting from higher LIBOR rates.

Other income (expense), net, increased $0.7 million and decreased $3.9 million in the three and nine month periods ended September 30, 2022, respectively, compared to the same periods in the prior year. The increase in other income (expense) for the three months ended September 30, 2022 compared to the same period in the prior year is mainly from foreign currency exchange transactions.

The decrease in the nine months ended September 30, 2022 compared to the same period in the previous year is mainly due to the absence of an $11.6 million loss in the fair value of forward contracts related to the non-U.S. dollar-denominated acquisition price of

Ham-Let, partially offset by the absence of insurance proceeds of $7.3 million received for the reimbursement of our losses in the Cinos Korea fire.

Provision for Income Taxes

(Dollars in millions)	Three Months Ended			Nine Months Ended		
	September 30, 2022	September 24, 2021	Percent Change	September 30, 2022	September 24, 2021	Percent Change
Provision for income taxes	$ 12.1	$ 8.4	44.1%	$ 29.4	$ 21.6	36.1%
Effective tax rate	*48.4%*	*19.8%*		*57.2%*	*21.8%*	

The increase in the effective tax rate for the three and nine months ended September 30, 2022, compared to the same periods in the prior year, is driven by the losses from divestures in 2022 which did not generate corresponding tax benefits, the effects of the mandatory capitalization and amortization of research and development expenses incurred in 2022, as required by the 2017 Tax Cuts and Jobs Act. If the mandatory capitalization requirement is deferred or repealed by a change in law, our effective tax rate in 2022 and our cash tax liabilities could be lower.

Company management continuously evaluates the need for a valuation allowance on its deferred tax assets and, as of September 30, 2022, concluded that a full valuation allowance on its federal, state and certain of its foreign deferred tax assets remained appropriate.

Liquidity and Capital Resources

Cash and cash Equivalents

The following table summarizes our cash and cash equivalents:

(In millions)	September 30, 2022	December 31, 2021	Increase (Decrease)
Total cash and cash equivalents	$ 453.5	$ 466.5	-2.8%

The following table summarizes the Condensed Consolidated Statements of Cash Flow information:

(In millions)	Nine Months Ended	
	September 30, 2022	September 24, 2021
Net cash flow provided by (used in):		
Operating activities	$ 86.0	$ 170.0
Investing activities	(64.2)	(390.3)
Financing activities	(27.2)	477.9
Effects of exchange rate changes on cash and cash equivalents	(7.6)	(0.9)
Net increase (decrease) in cash and cash equivalents	$ (13.0)	$ 256.7

Our primary cash inflows and outflows were as follows:

- For the nine months ended September 30, 2022, we generated cash of $86.0 million compared to $170.0 million for the nine months ended September 24, 2021. The lower net cash from operating activities was driven by a $106.9 million increase in levels of working capital to support customer demand and a $55.6 million decrease in net income, offset in part by a $78.5 million increase from non-cash items (which includes the net loss on divestitures of $77.4 million).
- The major contributors in net changes in operating assets and liabilities, when comparing the nine months ended September 30, 2022 to the nine months ended September 24, 2021, were as follows:
    - Accounts payable decreased $163.4 million, income taxes payable decreased $3.5 million and accrued compensation and related benefits increased $4.9 million, primarily due to the timing of payments.
    - Accounts receivable decreased $37.4 million primarily due to the timing of shipments and collections.
- During the nine months ended September 30, 2022, net cash used in investing activities was $64.2 million compared to $390.3 million provided in the nine months ended September 24, 2021. The change is primarily due to the absence of $355.2 million cash paid related to the acquisition of Ham-Let, $25.2 million higher purchases of property, plant and equipment, and the absence of insurance proceeds of $7.3 million in the current period compared to the comparative period in the prior year.
- During the nine months ended September 30, 2022, cash used in financing activities was $27.2 million, compared to cash provided by financing activities of $477.9 million in the nine months ended September 24, 2021. The change is mainly due to

$355.0 million of debt added to the term loan facility and $193.1 million of net proceeds from the equity offering in the prior year, offset by differences in principal payments on bank borrowings.

We believe we have sufficient capital to fund our working capital needs, satisfy our debt obligations, maintain our existing capital equipment, purchase new capital equipment and make strategic acquisitions from time to time. As of September 30, 2022, we had cash of $453.5 million compared to $466.5 million as of December 31, 2021. Our cash and cash equivalents, cash generated from operations, and amounts available under our revolving line of credit described below were our principal sources of liquidity as of September 30, 2022.

Our subsidiary Ham-Let, has an existing factoring arrangement with a financial institution in which a portion of its accounts receivable are sold on a non-recourse basis. For the nine months ended September 30, 2022, Ham-Let factored $8.2 million under this arrangement.

We anticipate that our existing cash and cash equivalents balance and operating cash flow will be sufficient to service our indebtedness and meet our working capital requirements and technology development projects for at least the next twelve months. The adequacy of these resources to meet our liquidity needs beyond that period will depend on our growth, the size and number of any acquisitions, the state of the worldwide economy, our ability to meet our financial covenants with our credit facility, the cyclical expansion or contraction of the semiconductor capital equipment industry and the other industries we serve and capital expenditures required to meet possible increased demand for our products.

In order to expand our business or acquire additional complementary businesses or technologies, we may need to raise additional funds through equity or debt financing. If required, additional financing may not be available on terms that are favorable to us, if at all. If we raise additional funds through the issuance of equity or convertible debt securities, our stockholders' equity interest will be diluted and these securities might have rights, preferences and privileges senior to those of our current stockholders. We may also require the consent of our new lenders to raise additional funds through equity or debt financing. No assurance can be given that additional financing will be available or that, if available, such financing can be obtained on terms favorable to our stockholders and us.

As of September 30, 2022, we have cash of approximately $393.4 million in our foreign subsidiaries. It is not practicable to determine the tax liability that might be incurred if the undistributed earnings of these foreign subsidiaries were to be distributed. For undistributed earnings of foreign subsidiaries which are not considered indefinitely reinvested, deferred taxes have been accrued.

Borrowing Arrangements

The following table summarizes our borrowings:

	September 30, 2022	
(Dollars in millions)	**Amount**	**Weighted-Average Interest Rate**
U.S. Term Loan	$ 532.3	4.8%
Ham-Let Credit Facilities	8.1	4.1%
Debt issuance costs	(11.1)	
	$ 529.3	

On August 27, 2018, the Company entered into a credit agreement with Barclays Bank that provided a term loan B, a revolving credit facility and a letter of credit facility (collectively, the "Credit Facilities"). UCT and certain of its subsidiaries have agreed to secure all of their obligations under the Credit Facilities by granting a first priority lien in substantially all of their respective personal property assets (subject to certain exceptions and limitations). The Company borrowed $350.0 million under the term loan and used the proceeds, together with cash on hand, to finance the acquisition of Quantum Global Technologies, LLC's ("QGT") and to refinance its previous credit facilities.

On March 31, 2021, the Company entered into a Second Amendment (the "Second Amendment"), to the credit agreement dated as of August 27, 2018 and amended as of October 1, 2018 (as amended by the Second Amendment, the "Credit Agreement") to, among other things, (i) refinance and reprice $272.8 million of existing term B borrowings that will remain outstanding and (ii) obtain a $355.0 million senior secured incremental term loan B facility ((i) and (ii) collectively the "Term Loan") with Barclays Bank, which increased the amount of term loan indebtedness outstanding under the Company's Credit Facilities.

The Term Loan has a maturity date of August 27, 2025, with monthly interest payments in arrears, quarterly principal payments of 0.625% of the outstanding principal balance as of March 31, 2021, with the remaining principal paid upon maturity. Under the Credit Facilities, the Company may elect that the Term Loan bear interest at a rate per annum equal to either (a) "ABR" (as defined in the Credit Agreement), plus the applicable margin or (b) the "Eurodollar Rate" (as defined in the Credit Agreement), based on LIBOR,

plus the applicable margin. The applicable margin for the Term Loan is equal to a rate per annum to either (i) at any time that the Company's corporate family rating is Ba3 (with a stable outlook) or higher from Moody's and BB- (with a stable outlook) or higher from S&P, (x) 3.50% for such Eurodollar term loans and (y) 2.50% for such ABR term loans or (ii) at all other times, (x) 3.75% for such Eurodollar term loans and (y) 2.75% for such ABR term loans. Interest on the Term Loan is payable on (1) in the case of such ABR term loans, the last day of each calendar quarter and (2) in the case of such Eurodollar term loans, the last day of each relevant interest period and, in the case of any interest period longer than three months, on each successive date three months after the first day of such interest period. On March 29, 2021, the Company elected that the Term Loan outstanding as of March 31, 2021 accrue interest based on the "Eurodollar Rate" for an initial interest period of one month. Pursuant to the Second Amendment to the Credit Agreement, the Credit Facilities contains customary LIBOR replacement provisions in the event LIBOR is discontinued. At September 30, 2022, the Company had an outstanding amount under the Term Loan of $532.3 million, gross of unamortized debt issuance costs of $11.1 million. As of September 30, 2022, the interest rate on the outstanding Term Loan was 6.3%.

On August 19, 2022, we entered into a Third Amendment (the "Third Amendment") to the credit agreement dated as of August 27, 2018 and amended as of October 1, 2018 and March 31, 2021 (as amended by the Third Amendment, the "Credit Agreement") to, among other things, increase the revolving credit facility portion of the Credit Facilities to $150.0 million with several banks and Barclays Bank as administrative agent.

The revolving credit facility has an available commitment of $150.0 million and a maturity date of February 27, 2025. The Company pays a quarterly commitment fee in arrears equal to 0.25% of the average daily available commitment outstanding. Outstanding letters of credit reduce the availability of the revolving credit facility and, as of September 30, 2022, the Company had $146.6 million, net of $3.4 million of outstanding letters of credit, available under this revolving credit facility.

The letter of credit facility has an available commitment of $50.0 million and a maturity date of August 27, 2025. The Company pays a quarterly fee in arrears equal to 2.5% (subject to certain adjustments to the Term Loan) of the dollar equivalent of all outstanding letters of credit, and a fronting fee equal to 0.125% of the undrawn and unexpired amount of each letter of credit. As of September 30, 2022, the Company had $3.4 million of outstanding letters of credit and $46.6 million of available commitments remaining under the letter of credit facility.

The Credit Agreement requires the Company to maintain certain financial covenants including a consolidated fixed charge coverage ratio (as defined in the Credit Agreement) as of the last day of any fiscal quarter of at least 1.25 to 1.00, and a consolidated leverage ratio (as defined in the Credit Agreement) as of the last day of any fiscal quarter of no greater than 3.75 to 1.00. The Company was in compliance with all financial covenants as of the quarter ended September 30, 2022.

In 2020, Cinos China amended its existing credit agreement with a local bank that provides a term loan of RMB 10.0 million (approximately $1.4 million) which matured on September 23, 2022.

UCT Fluid Delivery Solutions has a credit agreement with a local bank in the Czech Republic that provides for a revolving credit facility in the aggregate of up to 5.0 million euros (approximately $4.9 million). As of September 30, 2022, no debt was outstanding under this revolving credit facility.

Ham-Let has credit facilities with various financial institutions. As of September 30, 2022, Ham-Let had an $8.1 million outstanding balance under the overdraft facility.

As of September 30, 2022, the Company's total bank debt was $529.3 million, net of unamortized debt issuance costs of $11.1 million. As of September 30, 2022, the Company had $146.6 million, and $4.9 million available to draw from its revolving credit facilities in the U.S., and Czech Republic, respectively.

The fair value of the Company's long-term debt was based on Level 2 inputs, and fair value was determined using quoted prices for similar liabilities in inactive markets. The Company's carrying value approximates fair value for the Company's long-term debt.

Capital Expenditures

Capital expenditures were $60.1 million during the nine months ended September 30, 2022 and were primarily attributable to the capital invested in our manufacturing facilities worldwide as well as costs associated with the ongoing design and implementation of our new enterprise resource planning system. The Company's anticipated capital expenditures for the remainder of 2022, are expected to be financed primarily from our cash flow generated from operations.

Contractual Obligations

The Company had commitments to various third parties to purchase inventories totaling approximately $645.2 million as of September 30, 2022.

In conjunction with the sale of our products in the ordinary course of business, we provide standard indemnification against certain liabilities to our customers, which may include claims of losses by their own customers resulting out of property damages, bodily injuries or deaths, or infringement of intellectual property rights by our products. Our potential liability arising out of intellectual property infringement claims by any third party is generally uncapped. As of September 30, 2022, we have not incurred any significant costs to defend lawsuits or settle claims related to these indemnification arrangements. As a result, we believe the estimated fair value of these arrangements is minimal.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

There were no significant changes to our quantitative and qualitative disclosures about market risk during the period covered by this report. Refer to Part II, Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” included in our Annual Report on Form 10-K for our fiscal year ended December 31, 2021, for a more complete discussion of the market risks we encounter.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information related to the Company, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in internal controls over financial reporting during the third fiscal quarter ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time, we are subject to various legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. Although the outcome of the various legal proceedings and claims cannot be predicted with certainty, we have not had a history of outcomes to date that have been material to our Condensed Consolidated Statement of Operations and do not believe that any of these proceedings or other claims will have a material adverse effect on our condensed consolidated financial condition or results of operations.

ITEM 1A. Risk Factors

There were no material changes during the period covered in this report to the risk factors previously disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2021.

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

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not Applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

(a) Exhibits

The following exhibits are filed with this quarterly Report on Form 10-Q for the quarter ended September 30, 2022:

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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.

ULTRA CLEAN HOLDINGS, INC.
(Registrant)

Date: November 9, 2022

By: /S/ JAMES P. SCHOLHAMER
Name: **James P. Scholhamer**
Title: **Chief Executive Officer**
(Principal Executive Officer and duly authorized signatory)

Date: November 9, 2022

By: /S/ SHERI SAVAGE
Name: **Sheri Savage**
Title: **Chief Financial Officer**
(Principal Financial Officer and duly authorized signatory)

Exhibit 31.1

CERTIFICATION

I, James P. Scholhamer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ultra Clean Holdings, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: November 9, 2022

/s/ JAMES P. SCHOLHAMER
James P. Scholhamer
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Sheri Savage, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ultra Clean Holdings, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: November 9, 2022

/s/ SHERI SAVAGE
Sheri Savage
Chief Financial Officer and Senior Vice President of Finance

Exhibit 32.1

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

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q (the "Report") of Ultra Clean Holdings, Inc. (the "Company") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

James P. Scholhamer, the Chief Executive Officer and Sheri Savage, the Chief Financial Officer of the Company, each certifies that, to the best of his or her 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 results of operations of the Company.

Date: November 9, 2022

/s/ JAMES P. SCHOLHAMER
James P. Scholhamer
Chief Executive Officer

Date: November 9, 2022

/s/ SHERI SAVAGE
Sheri Savage
Chief Financial Officer and Senior Vice President of Finance