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 29, 2023

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 3, 2023: 44,830,779

ULTRA CLEAN HOLDINGS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

(In millions, except par value)	September 29, 2023	December 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 342.0	$ 358.8
Accounts receivable, net of allowance for credit losses of $1.1 and $1.5 at September 29, 2023 and December 30, 2022, respectively	170.5	253.7
Inventories	378.3	443.9
Prepaid expenses and other current assets	35.0	42.4
Total current assets	925.8	1,098.8
Property, plant and equipment, net	308.9	279.6
Goodwill	248.8	248.8
Intangible assets, net	170.9	187.9
Deferred tax assets, net	36.5	36.0
Operating lease right-of-use assets	144.5	99.0
Other non-current assets	10.1	10.8
Total assets	$ 1,845.5	$ 1,960.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank borrowings	$ 17.6	$ 20.8
Accounts payable	187.5	253.5
Accrued compensation and related benefits	40.8	52.5
Operating lease liabilities	16.5	17.1
Other current liabilities	31.2	45.3
Total current liabilities	293.6	389.2
Bank borrowings, net of current portion	464.1	493.0
Deferred tax liabilities	52.5	52.2
Operating lease liabilities	131.0	80.3
Other liabilities	9.2	9.2
Total liabilities	950.4	1,023.9
Commitments and contingencies (See Note 9)		
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; 46.5 and 45.2 shares issued and 44.8 and 45.2 shares outstanding at September 29, 2023 and December 30, 2022, respectively	0.1	0.1
Additional paid-in capital	537.3	530.8
Common shares held in treasury, at cost, 1.7 and 0.9 shares at September 29, 2023 and December 30, 2022, respectively	(39.1)	(15.4)
Retained earnings	350.5	377.8
Accumulated other comprehensive loss	(10.8)	(5.4)
Total UCT stockholders' equity	838.0	887.9
Noncontrolling interests	57.1	49.1
Total equity	895.1	937.0
Total liabilities and equity	$ 1,845.5	$ 1,960.9

(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 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Revenues:				
Product	$ 380.9	$ 556.3	$ 1,112.0	$ 1,575.2
Services	54.1	78.7	177.8	232.7
Total revenues	435.0	635.0	1,289.8	1,807.9
Cost of revenues:				
Product	329.3	459.3	955.5	1299.9
Services	40.5	51.3	128.0	151.4
Total cost revenues	369.8	510.6	1,083.5	1,451.3
Gross margin	65.2	124.4	206.3	356.6
Operating expenses:				
Research and development	7.4	7.4	21.7	21.5
Sales and marketing	12.8	13.5	38.6	41.2
General and administrative	39.3	46.4	115.3	139.9
Net loss on divestitures	—	20.8	—	77.4
Total operating expenses	59.5	88.1	175.6	280.0
Income from operations	5.7	36.3	30.7	76.6
Interest income	1.2	0.2	2.5	0.4
Interest expense	(12.3)	(9.4)	(35.9)	(23.1)
Other expense, net	(2.1)	(2.1)	(0.8)	(2.5)
Income (loss) before provision for income taxes	(7.5)	25.0	(3.5)	51.4
Provision for income taxes	5.3	12.1	17.1	29.4
Net income (loss)	(12.8)	12.9	(20.6)	22.0
Less: Net income attributable to noncontrolling interests	1.7	3.2	6.7	9.5
Net income (loss) attributable to UCT	$ (14.5)	$ 9.7	$ (27.3)	$ 12.5
Net income (loss) per share attributable to UCT common stockholders:				
Basic	$ (0.32)	$ 0.21	$ (0.61)	$ 0.28
Diluted	$ (0.32)	$ 0.21	$ (0.61)	$ 0.28
Shares used in computing net income (loss) per share:				
Basic	44.8	45.4	44.8	45.2
Diluted	44.8	45.6	44.8	45.7

(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 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Net income (loss)	$ (12.8)	$ 12.9	$ (20.6)	$ 22.0
Other comprehensive income (loss):				
Change in cumulative translation adjustment, net of tax	(2.1)	(10.5)	(3.8)	(22.5)
Change in pension net actuarial gain, net of tax	(0.2)	—	(0.4)	—
Change in fair value of derivatives, net of tax	—	(0.4)	0.2	(1.5)
Total other comprehensive loss	(2.3)	(10.9)	(4.0)	(24.0)
Comprehensive income (loss)	(15.1)	2.0	(24.6)	(2.0)
Comprehensive income (loss), attributable to noncontrolling interests	0.6	(4.5)	8.0	1.8
Comprehensive loss (income) attributable to UCT	(15.7)	6.5	(32.6)	(3.8)

(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 29, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net income (loss)	$ (20.6)	$ 22.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	27.9	29.7
Amortization of intangible assets	16.9	23.1
Stock-based compensation	8.7	14.8
Amortization of debt issuance costs	2.9	2.9
Gain on sale of property, plant and equipment	(1.1)	(0.1)
Deferred income taxes	0.1	0.8
Change in the fair value of financial instruments	(0.3)	(1.5)
Net loss on divestitures	—	77.4
Changes in assets and liabilities:		
Accounts receivable	83.2	2.0
Inventories	65.6	(45.7)
Prepaid expenses and other current assets	7.5	(3.1)
Other non-current assets	0.8	(2.1)
Accounts payable	(61.2)	(43.9)
Accrued compensation and related benefits	(11.8)	2.1
Income taxes payable	(8.9)	(2.5)
Operating lease assets and liabilities	(3.7)	(1.4)
Other liabilities	(5.4)	11.5
Net cash provided by operating activities	100.6	86.0
Cash flows from investing activities:		
Purchases of property, plant and equipment	(59.2)	(67.9)
Proceeds from sale of property, plant and equipment	2.3	0.3
Divestiture of subsidiaries	—	3.4
Net cash used in investing activities	(56.9)	(64.2)
Cash flows from financing activities:		
Principal payments on bank borrowings	(34.7)	(27.8)
Repurchase of shares	(23.7)	—
Employees' taxes paid upon vesting of restricted stock units	(2.2)	(3.9)
Payments of debt issuance costs	(0.3)	(0.7)
Payments of dividends to a joint venture shareholder	(0.1)	(0.2)
Proceeds from bank borrowings	—	4.7
Proceeds from issuance of common stock	—	0.7
Net cash used in financing activities	(61.0)	(27.2)
Effect of exchange rate changes on cash and cash equivalents	0.5	(7.6)
Net decrease in cash and cash equivalents	(16.8)	(13.0)
Cash and cash equivalents at beginning of period	358.8	466.5
Cash and cash equivalents at end of period	342.0	$ 453.5
Supplemental cash flow information:		
Income taxes paid, net of income tax refunds	$ 26.7	$ 27.7
Interest paid	$ 33.0	$ 20.3
Non-cash investing and financing activities:		
Property, plant and equipment purchased included in accounts payable and other liabilities	$ 12.0	$ 6.7

(See accompanying Notes to Condensed Consolidated Financial Statements)

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

Three Months Ended

September 29, 2023

(In millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury shares Shares	Treasury shares Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity of UCT	Noncontrolling Interests	Total Equity
Balance June 30, 2023	44.8	$ 0.1	$ 533.3	1.7	$ (39.1)	$ 365.0	$ (9.5)	$ 849.8	$ 56.4	$ 906.2
Stock-based compensation expense	—	—	4.0	—	—	—	—	4.0	—	4.0
Net income (loss)	—	—	—	—	—	(14.5)	—	(14.5)	1.7	(12.8)
Other comprehensive income (loss)	—	—	—	—	—	—	(1.3)	(1.3)	(1.0)	(2.3)
Balance September 29, 2023	44.8	$ 0.1	$ 537.3	1.7	$ (39.1)	$ 350.5	$ (10.8)	$ 838.0	$ 57.1	$ 895.1

Nine Months Ended

September 29, 2023

(In millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury shares Shares	Treasury shares Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity of UCT	Noncontrolling Interests	Total Equity
Balance December 30, 2022	45.2	$ 0.1	$ 530.8	0.9	$ (15.4)	$ 377.8	$ (5.4)	$ 887.9	$ 49.1	$ 937.0
Issuance under employee stock plans	0.5	—	—	—	—	—	—	—	—	—
Employees' taxes paid upon vesting of restricted stock units	(0.1)	—	(2.2)	—	—	—	—	(2.2)	—	(2.2)
Repurchase of shares	(0.8)	—	—	0.8	(23.7)	—	—	(23.7)	—	(23.7)
Stock-based compensation expense	—	—	8.7	—	—	—	—	8.7	—	8.7
Net income (loss)	—	—	—	—	—	(27.3)	—	(27.3)	6.7	(20.6)
Dividend payments to a joint venture shareholder	—	—	—	—	—	—	—	—	(0.1)	(0.1)
Other comprehensive income (loss)	—	—	—	—	—	—	(5.4)	(5.4)	1.4	(4.0)
Balance September 29, 2023	44.8	$ 0.1	$ 537.3	1.7	$ (39.1)	$ 350.5	$ (10.8)	$ 838.0	$ 57.1	$ 895.1

Three Months Ended

September 30, 2022

(In millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury shares Shares	Treasury shares Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity of UCT	Noncontrolling Interests	Total 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

(In millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury shares Shares	Treasury shares Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity of UCT	Noncontrolling Interests	Total 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
Net income	—	—	—	—	—	12.5	—	12.5	9.5	22.0
Dividend payments to a joint venture shareholder	—	—	—	—	—	—	—	—	(0.2)	(0.2)
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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization — Ultra Clean Holdings, Inc., (the "Company" or "UCT") a Delaware corporation, was founded in November 2002 and became a publicly traded company on the NASDAQ Global Market in March 2004. The Company 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'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.

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 30, 2022.

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 and 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 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, and Cinos Xian Clean Technology, Ltd. ("Cinos China"), a Chinese entity that is majority owned by Cinos Korea. The interest held by others in Cinos Korea and in Cinos China 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 interests' balance. See Note 10 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 operating decision-maker is the Chief Executive Officer. The Company operates two reportable segments: Products and Services. The Company has three operating segments as of September 29, 2023 with two operating segments within the Products reportable segment and one operating segment within the Services reportable segment. See Note 15 of the Notes to the Condensed Consolidated Financial Statements.

Foreign Currency Translation and Remeasurement — The functional currency of the Products business' foreign subsidiaries, excluding the subsidiaries of Ham-Let (Israel-Canada) Ltd. ("Ham-Let" or "Fluid Solutions"), is the U.S. Dollar. The functional currency of the Ham-Let subsidiaries in Singapore, United Kingdom, Netherlands 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 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 29, 2023		September 30, 2022		September 29, 2023		September 30, 2022	
Lam Research Corporation	33.0	%	40.0	%	34.5	%	39.4	%
Applied Materials, Inc.	25.7		24.2		22.9		23.4	
Total	58.7	%	64.2	%	57.4	%	62.8	%

Two customers' accounts receivable balances, Lam Research Corporation and Applied Materials, Inc., were individually greater than 10% of accounts receivable as of September 29, 2023 and December 30, 2022, in the aggregate approximately 28.2% and 38.5% of total accounts receivable, respectively.

Fair Value of Measurements — The Company measures its cash equivalents, derivative contracts and pension obligation 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 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. Direct costs incurred to develop software for internal use are capitalized. Costs related to the design or maintenance of internal use software are expensed as incurred. Depreciation expense is computed using the straight- line method over the estimated useful lives of assets. Leasehold improvements are depreciated over the shorter of the estimated useful lives or the term of the lease. The estimated useful life of an asset is reassessed whenever applicable facts and circumstances indicate a change in the estimated useful life of such asset has occurred.

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 in advance 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 29, 2023 and December 30, 2022 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 8 of the Notes to the Condensed Consolidated Financial Statements.

Revenue Recognition — Revenue is recognized when the Company satisfies performance obligations as evidenced by the transfer of control of the promised goods or services is transferred 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. The Company infrequently sells certain finished goods inventory on a bill and hold basis. The terms of the bill and hold agreement provide that title to the specified inventory is transferred to the customer prior to shipment and the Company has the right to payment (prior to physical delivery) which results in recorded revenue as determined under the revenue recognition standard.

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 requisite 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 11 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. The Company accounts for Global Intangible Low-Taxed Income as period costs when incurred.

Net Income (Loss) 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. In accordance with Accounting Standards Codification 718, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense of in-the-money stock options and restricted stock units. This results in the assumed buyback of additional shares, thereby reducing the dilutive impact of equity awards.

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 Standards Recently Adopted

In March 2020, the FASB issued ASU 2020-04, "Reference rate reform ("Topic 848"): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The ASU provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The amendments apply only to contracts and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The amendments are elective and are effective upon issuance. In December 2022, the FASB issued ASU

2022-06, “Topic 848: Deferral of the sunset date of Topic 848”, which defers the expiration date for Topic 848 from December 31, 2022 until December 31, 2024. In June 2023, the Company entered into a Fourth Amendment to the Credit Agreement to replace the LIBOR-based reference interest rate option with a reference interest option based upon Term Secured Overnight Financing Rate (“SOFR”) under the Credit Agreement. The Company applied practical expedients provided in Topic 848 allowing for the changes in contractual terms to be accounted for prospectively. These modifications had no significant impact on the Company’s Condensed Consolidated Financial Statements. See Note 6 for further discussion.

Accounting Standards Not Yet Adopted

Management has considered all recent accounting pronouncements and believes there is no accounting guidance issued but not yet effective that would be material to the Company’s condensed consolidated financial statements.

2. BUSINESS DIVESTITURES

In 2022, the Company executed the sale of four of its non-semiconductor operating subsidiaries of Fluid Solutions. Each of these entities was reported within the Products reportable segment. The purpose of the divestitures was to allow the Company 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 months ended September 30, 2022. The total net loss of $77.4 million included the write-off of intangible assets, goodwill and net assets of $27.8 million, $19.7 million and $29.9 million, respectively. Goodwill was allocated to the divestitures based on the relative fair value of each component in relation to its respective reporting unit.

3. BALANCE SHEET INFORMATION

Inventories consisted of the following:

(In millions)	September 29, 2023	December 30, 2022
Raw materials	$ 196.3	$ 230.4
Work in process	110.0	142.3
Finished goods	72.0	71.2
Total	$ 378.3	$ 443.9

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

(In millions)	Useful Life (In years)	September 29, 2023	December 30, 2022
Land	n/a	$ 2.9	$ 3.0
Buildings	50	54.4	58.6
Leasehold improvements	*	92.2	81.3
Machinery and equipment	5-10	174.0	152.5
Computer equipment and software	3-10	69.9	68.3
Furniture and fixtures	5	3.8	5.1
		397.2	368.8
Accumulated depreciation		(161.5)	(146.0)
Construction in progress		73.2	56.8
Total		$ 308.9	$ 279.6

* Lesser of estimated useful life or remaining lease term

4. FAIR VALUE

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:

		Fair Value Measurement at Reporting Date Using		
Description	September 29, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In millions)				
Other non-current assets:				
Plan assets	$ 1.0	$ —	$ —	$ 1.0
Other current liabilities:				
Forward contracts	$ 0.5	$ —	$ 0.5	$ —
Other liabilities:				
Pension obligation	$ 1.3	$ —	$ —	$ 1.3

		Fair Value Measurement at Reporting Date Using		
Description	December 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In millions)				
Prepaid expenses and other current assets:				
Forward contracts	$ 0.3	$ —	$ 0.3	$ —
Other non-current assets:				
Plan assets	$ 2.2	$ —	$ —	$ 2.2
Other liabilities:				
Pension obligation	$ 1.6	$ —	$ —	$ 1.6

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 pension obligation is based on expected years of service and average compensation. The valuation model used to value 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 resulting in a Level 3 classification. As of September 29, 2023, the Company's aggregate pension benefit obligations was $9.8 million and the fair value of the pension plan assets was $9.5 million. The underfunded pension benefit obligations was $0.3 million. The Company recognizes the overfunded or underfunded status of defined benefit pension plans, measured as the difference between the fair value of the plan assets and the benefit obligation. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability.

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.

5. 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.

During the three and nine months ended September 29, 2023, there were no changes to the Company's reporting units, and the Company did not recognize any impairment charges or additions to goodwill. Details of aggregate goodwill of the Company are as follows:

(In millions)	Products	Services	Total
Balance at September 29, 2023	$ 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 29, 2023			As of December 30, 2022		
(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	$ (93.0)	$ 79.0	$ 172.0	$ (81.8)	$ 90.2
Tradename	4 - 6*	32.5	(21.8)	10.7	32.5	(20.9)	11.6
Intellectual property/know-how	7 - 15	37.7	(17.5)	20.2	37.7	(15.7)	22.0
Recipes	20	73.2	(18.6)	54.6	73.2	(15.8)	57.4
Standard operating procedures	20	8.6	(2.2)	6.4	8.6	(1.9)	6.7
Total		$ 324.0	$ (153.1)	$ 170.9	$ 324.0	$ (136.1)	$ 187.9

* 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 $5.5 million and $16.9 million for the three and nine months ended September 29, 2023, respectively and $7.0 million and $23.1 million for the three and nine months ended September 30, 2022, 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 29, 2023, future estimated amortization expense is expected to be as follows:

(In millions)	Amortization Expense
2023 (remaining in year)	$ 5.5
2024	21.9
2025	19.9
2026	19.0
2027	18.7
Thereafter	76.9
Total	$ 161.9

6. BORROWING ARRANGEMENTS

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. The Company pays monthly interest payments in arrears and quarterly principal payments of 0.625% of the outstanding principal balance as of March 31, 2021, with the remaining principal paid upon maturity.

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 29, 2023, the Company had $146.1 million, net of $3.9 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 29, 2023, the Company had $3.9 million of outstanding letters of credit and $46.1 million of available commitments remaining under the letter of credit facility.

On June 29, 2023, the Company entered into a Fourth Amendment (the "Fourth Amendment") to the Credit Agreement to replace the LIBOR-based reference interest rate option with a reference interest option based upon Term SOFR under the Credit Agreement.

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 SOFR, 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.

At September 29, 2023, the Company had an outstanding amount under the Term Loan of $483.2 million, gross of unamortized debt issuance costs of $7.5 million. As of September 29, 2023, the interest rate on the outstanding Term Loan was 9.2%.

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. As of June 30, 2023, the Company was in default on the Credit Agreement related to the revolving credit facility due to the Company's failure to satisfy a certain financial covenant under the Credit Agreement. On July 27, 2023, the Company entered into a Fifth Amendment ("Amended Credit Agreement") to provide the Company with certain relief under the consolidated fixed charge coverage ratio and consolidated total gross leverage ratio maintenance covenants described in the Credit Agreement (the "Financial Covenant Adjustments"), which are applicable only to the revolving credit facility portion of its credit facilities. The Financial Covenant Adjustments are effective during the period commencing with the fiscal period ended June 30, 2023, through to the fiscal period ending December 31, 2024, subject to certain anti-cash hoarding and minimum liquidity requirements during such period. At the election of the Company, and subject to demonstrating compliance with certain financial ratio tests, the Financial Covenant Adjustments may terminate earlier than December 31, 2024. Upon termination of the Financial Covenant adjustments, such financial maintenance covenants will revert to the levels set forth in the existing Credit Agreement and the anti-cash hoarding and minimum liquidity requirements will no longer be applicable. The Company currently has no revolving loans outstanding under the Credit Agreement. As of September 29, 2023, the Company was in compliance with the financial covenants contained within the Amended Credit Agreement.

The Company 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 7.0 million euros (approximately $7.4 million). As of September 29, 2023, no debt was outstanding under this revolving credit facility.

Fluid Solutions has credit facilities with various financial institutions in Israel that provides borrowing up to $18.5 million. As of September 29, 2023, Fluid Solutions had a $6.0 million outstanding balance under these facilities with average interest rate ranges from 7.5% to 8.4%.

As of September 29, 2023, the Company's total bank debt was $481.7 million, net of unamortized debt issuance costs of $7.5 million. As of September 29, 2023, the Company had $146.1 million, $12.5 million, and $7.4 million available to draw from its credit facilities in the U.S., Israel 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.

7. INCOME TAX

The Company's effective tax rate was (70.7)% and 48.3% for the three months ended September 29, 2023 and September 30, 2022, respectively, and (488.6)% and 57.2% for the nine months ended September 29, 2023 and September 30, 2022, respectively. The Company's income tax provision was $5.3 million and $12.1 million for the three months ended September 29, 2023 and September 30, 2022, respectively, and $17.1 and $29.4 million for the nine months ended September 29, 2023 and September 30, 2022, respectively. The change in respective tax rates reflects, primarily, 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 29, 2023, 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 29, 2023 and September 30, 2022, the Company's gross liability for unrecognized tax benefits, excluding interest, was $2.7 million and $1.7 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.

8. RETIREMENT PLANS

Defined Benefit Plan

Cinos Korea has a noncontributory defined benefit pension plan covering substantially all of its employees upon their retirement. Fluid Solutions 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 29, 2023, the benefit obligation of the plans was $9.8 million and the fair value of the benefit plan assets was $9.5 million which are invested in several fixed deposit accounts with financial institutions. As of September 29, 2023, the underfunded balance of the plans of $0.3 million has been recorded by the Company and is included in other liabilities. Amounts recognized in accumulated other comprehensive loss for the three and nine months ended September 29, 2023 were $0.2 million and $0.4 million, respectively. The Company and its subsidiaries contributed $0.1 million during the three and nine months ended September 29, 2023. During the three and nine months ended September 30, 2022, there were no amounts recognized in accumulated other comprehensive loss and the Company and its subsidiaries made immaterial contributions to the plans.

As of September 29, 2023, the Company's future estimated payment obligations for the respective fiscal years are as follows:

Employee Savings and Retirement Plan

(In millions)	
2023	$ —
2024	0.8
2025	2.0
2026	0.9
2027	1.1
Thereafter	5.3
Total	$ 10.1

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 can 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 $2.5 million discretionary employer contributions to the 401(k) Plan for the three and nine months ended September 29, 2023 and $0.9 million and $2.4 million for the three and nine months ended September 30, 2022.

9. COMMITMENTS AND CONTINGENCIES

Commitment

The Company leases real estate and equipment under various non-cancelable operating leases. For additional information, see Note 13 of the Notes to the Condensed Consolidated Financial Statements.

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.

10. STOCKHOLDERS' EQUITY AND NONCONTROLLING INTERESTS

Treasury Stock

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. For the nine months ended September 29, 2023, approximately 0.8 million shares were repurchased under this program with an aggregate cost of $23.7 million. No shares were repurchased for the three months ended September 29, 2023.

As of September 29, 2023, 1.1 million shares had been repurchased under the program and they are held in treasury stock. The Company records treasury stock using the cost method. The Company may reissue these treasury shares as part of its stock-based compensation programs.

Non-controlling Interests

Services, 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 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 Services earnings before interest expense, taxes, depreciation and amortization contributed by each entity.

11. 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 the next Annual Shareholder Meeting, or 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 is amortized on a straight-line basis over the awards' vesting period and is adjusted for performance as it relates to PSUs.

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 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Cost of revenues (1)	$ 0.3	$ 0.1	$ 0.9	$ 1.1
Research and development	0.1	0.1	0.2	0.3
Sales and marketing	0.4	0.4	1.1	1.0
General and administrative	3.2	4.1	6.5	12.4
Total stock-based compensation	$ 4.0	$ 4.7	$ 8.7	$ 14.8

(1) Stock-based compensation expense capitalized in inventory for the three and nine months ended September 29, 2023 and September 30, 2022 were immaterial.

For the three and nine months ended September 29, 2023, 14 thousand and 0.6 million RSUs were granted with a weighted average fair value of $32.55 and $28.41 per share, respectively, and 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.

For the nine months ended September 29, 2023 and September 30, 2022, 145 thousand and 98 thousand PSUs were granted, respectively. No PSUs were granted for the three months ended September 29, 2023 and September 30, 2022.

For the nine months ended September 29, 2023 and September 30, 2022, 37 thousand and 26 thousand RSAs were granted, respectively. No RSAs were granted for the three months ended September 29, 2023 and September 30, 2022.

The following table summarizes the Company's combined RSU, PSU and RSA activity for the nine months ended September 29, 2023 (in millions):

	Number of Shares	Aggregate Intrinsic Value
Unvested restricted stock units and restricted stock awards at December 30, 2022	1.1	$ 37.6
Granted	0.8	
Vested	(0.5)	
Forfeited	(0.1)	
Unvested restricted stock units and restricted stock awards at September 29, 2023	1.3	$ 39.1
Vested and expected to vest restricted stock units and restricted stock awards	1.3	$ 39.0

As of September 29, 2023, approximately $25.5 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 2.02 years, and will be adjusted for subsequent changes in future grants. The total unamortized expense of the Company's unvested RSAs as of September 29, 2023 was $0.7 million.

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 participant's 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 income" is defined as non-GAAP operating margin divided by total revenue comparing the annual operating plan to actual results.

The TSR modifier is intended to ensure that there are limited or no payouts under the PSU program if the Company's stock performance is significantly below the median TSR. Where the financial goals have been met and where there has been strong relative TSR performance over the three-year performance period, the PSU program may provide substantial rewards to participants with a maximum payout of two times the initial PSU award.

Recipients of PSU awards generally must remain employed by the Company on a continuous basis through the end of the three-year performance period in order to receive any amount of the PSUs covered by that award. In events such as death, disability or retirement, the recipient may be entitled to pro-rata amounts of PSUs as defined in the Plan. Target shares subject to PSU awards do not have voting rights of common stock until earned and issued following the end of the three-year performance period.

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.

No shares were issued under the ESPP during the three and nine months ended September 29, 2023. The Company recorded $0.2 million and $0.3 million of expense related to ESPP for the three and nine months ended September 29, 2023, respectively. During the three and nine months ended September 30, 2022, zero and 24 thousand 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.

12. REVENUE RECOGNITION

Revenue is recognized when the Company satisfies the 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 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 the Company's 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. Accruals for unpaid customer rebates of $2.5 million and $3.8 million as of September 29, 2023 and December 30, 2022, respectively, were netted against accounts receivable. 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, Malaysia, 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 were performed. The following table sets forth revenue by geographic area (in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Singapore	$ 155.4	$ 237.3	$ 446.5	$ 684.8
United States	125.8	184.3	393.7	558.9
Austria	33.1	27.7	94.9	84.8
South Korea	21.9	32.8	71.9	119.8
China	26.7	40.6	80.8	97.0
Taiwan	20.0	24.4	60.5	73.9
Israel	4.4	5.6	13.7	13.9
Malaysia	5.4	12.4	12.7	37.4
Others	42.3	69.9	115.1	137.4
Total	$ 435.0	$ 635.0	$ 1,289.8	$ 1,807.9

13. 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. Renewal options are typically solely at our discretion and are only included within the lease obligation and right-of-use asset when we are reasonably certain that the renewal options would be exercised.

The components of lease expense were summarized as follows:

	Three Months Ended		Nine Months Ended	
(Dollars in millions)	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Operating lease cost	$ 7.0	$ 6.7	$ 19.4	$ 17.7
Short-term lease cost	0.9	0.1	2.6	1.1
Sublease income	(0.1)	—	(0.3)	—
Total lease cost	$ 7.8	$ 6.8	$ 21.7	$ 18.8
Operating cash flows used in operating leases	$ 6.1	$ 5.7	$ 18.1	$ 16.8
Weighted-average remaining lease term – operating leases			10.2	7.2
Weighted-average discount rate – operating leases			6.6%	4.7%

Future minimum payments under operating leases as of September 29, 2023 were summarized as follows:

(In millions)	Operating Leases
2023 (remaining in year)	$ 6.5
2024	24.5
2025	22.1
2026	18.7
2027	18.4
Thereafter	118.4
Total minimum lease payments	208.6
Less: imputed interest	(61.1)
Lease liability	$ 147.5

14. NET INCOME PER SHARE

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

(In millions, except share amounts)	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Numerator:				
Net income (loss) attributable to UCT	$ (14.5)	$ 9.7	$ (27.3)	$ 12.5
Denominator:				
Shares used in computation — basic:				
Weighted average common shares outstanding	44.8	45.4	44.8	45.2
Shares used in computation — diluted:				
Weighted average common shares outstanding	44.8	45.4	44.8	45.2
Effect of potential dilutive securities:				
Employee stock plans	—	0.2	—	0.5
Shares used in computing diluted net income (loss) per share	44.8	45.6	44.8	45.7
Net income (loss) per share attributable to UCT — basic	$ (0.32)	$ 0.21	$ (0.61)	$ 0.28
Net income (loss) per share attributable to UCT — diluted	$ (0.32)	$ 0.21	$ (0.61)	$ 0.28

15. REPORTABLE SEGMENTS

The Company prepares financial results based on three operating segments (Products, Services, and Fluid Solutions) and two reportable segments (Products and Services). The Products and Fluid Solutions operating segments have been aggregated into the Products reportable segment based upon consistency of economic characteristics, nature of products, similarity of production process, and class of customers. 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.

Any intercompany sales and associated profit (and any other intercompany items) are eliminated from segment results. There were no significant intercompany eliminations for the periods presented.

Segment Data

(In millions)	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Revenues:				
Products	$ 380.9	$ 556.3	$ 1,112.0	$ 1,575.2
Services	54.1	78.7	177.8	232.7
Total segment revenues	$ 435.0	$ 635.0	$ 1,289.8	$ 1,807.9
Gross margin:				
Products	$ 51.6	$ 97.0	$ 156.5	$ 275.3
Services	13.6	27.4	49.8	81.3
Total segment gross margin	$ 65.2	$ 124.4	$ 206.3	$ 356.6
Income (loss) from operations:				
Products	$ 7.7	$ 26.8	$ 27.3	$ 50.1
Services	(2.0)	9.5	3.4	26.5
Total segment income (loss) from operations	$ 5.7	$ 36.3	$ 30.7	$ 76.6

(In millions)	September 29, 2023	December 30, 2022
Assets		
Products	$ 1,591.0	$ 1,650.2
Services	254.5	310.7
Total segment assets	$ 1,845.5	$ 1,960.9

As of September 29, 2023, approximately $128.7 million and $80.3 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 30, 2022, approximately $129.1 million and $76.2 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.

16. SUBSEQUENT EVENTS

On October 25, 2023, subsequent to the balance sheet date, we acquired 100.0% of the shares of HIS Innovations Group ("HIS"), a privately held company based in Hillsboro, Oregon. HIS is a leading supplier to the semiconductor sub-fab segment including the design, manufacturing, and integration of components, process solutions, and fully integrated sub-systems. The purchase price was comprised of initial cash consideration of $50.0 million, subject to customary post-closing adjustments, and up to $70.0 million of additional cash consideration that may be payable subject to the performance of the acquired business during the remainder of fiscal years 2023, 2024, and 2025. The acquisition strengthens our leadership in developing and supplying critical products to the semiconductor industry, and extends our reach into the sub-fab area.

The transaction will be accounted for as a business combination under ASC 805, which requires, among other things, that purchase consideration, assets acquired, and liabilities assumed be measured at their fair values as of the acquisition date. Due to the limited time since the acquisition date, the initial purchase allocation for the business combination is incomplete at this time. Disclosures regarding amounts recognized for major classes of assets acquired and liabilities assumed will be provided once the initial accounting is completed. The acquired subsidiary is not expected to be material to the Company's operations and overall financial position.

Costs related to legal, financial and due diligence services performed in connection with this transaction were not material for the three and nine months ended September 29, 2023.

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 February 28, 2023. 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 February 28, 2023. 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 report results for two operating segments: Products and Services. Our Products segment 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 Asia Pacific, Europe and Middle East ("EMEA") 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, such as new CPU architectures that enable higher performance servers 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 business is benefiting as device manufacturers rely on precision cleaning and coating to achieve ever more advanced 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 ongoing 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 30, 2022. 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 30, 2022, 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 2023 is a 52-week period ending December 29, 2023, and fiscal year 2022 was a 52-week period ended December 30, 2022. The fiscal quarters ended September 29, 2023 and September 30, 2022 were both 13-week periods.

Discussion of Results of Operations for the Three and Nine months ended September 29, 2023 compared to the Three and Nine months ended September 30, 2022

Revenues

	Three Months Ended			Nine Months Ended		
Revenues by Segment (Dollars in millions)	**September 29, 2023**	**September 30, 2022**	**Percent Change**	**September 29, 2023**	**September 30, 2022**	**Percent Change**
Products	$ 380.9	$ 556.3	(31.5) %	$ 1,112.0	$ 1,575.2	(29.4) %
Services	54.1	78.7	(31.3) %	177.8	232.7	(23.6) %
Total revenues	$ 435.0	$ 635.0	(31.5) %	$ 1,289.8	$ 1,807.9	(28.7) %
Products as a percentage of total revenues	*87.6%*	*87.6%*		*86.2%*	*87.1%*	
Services as a percentage of total revenues	*12.4%*	*12.4%*		*13.8%*	*12.9%*	

Total Products and Services revenues decreased in the three and nine months ended September 29, 2023, compared to the same periods in the prior year, primarily due to a weakened demand in the semiconductor industry driven largely by macroeconomic and geopolitical factors.

	Three Months Ended			Nine Months Ended		
Revenues by Geography (Dollars in millions)	**September 29, 2023**	**September 30, 2022**	**Percent Change**	**September 29, 2023**	**September 30, 2022**	**Percent Change**
United States	$ 125.8	$ 184.3	(31.7) %	$ 393.7	$ 558.9	(29.6) %
International	309.2	450.7	(31.4) %	896.1	1,249.0	(28.3) %
Total revenues	$ 435.0	$ 635.0	(31.5) %	$ 1,289.8	$ 1,807.9	(28.7) %
United States as a percentage of total revenues	*28.9%*	*29.0%*		*30.5%*	*30.9%*	
International as a percentage of total revenues	*71.1%*	*71.0%*		*69.5%*	*69.1%*	

Revenues by geographic area are categorized based on the customer’s location to which the products were shipped or services were performed. For the three and nine months period ended September 29, 2023, both U.S. and international revenues decreased, compared to the same periods in the prior year, primarily as a result of the global slowdown in semiconductor industry resulting in less demand for our products and services.

Cost of Revenues

	Three Months Ended			Nine Months Ended		
Cost of revenues by Segment (Dollars in millions)	**September 29, 2023**	**September 30, 2022**	**Percent Change**	**September 29, 2023**	**September 30, 2022**	**Percent Change**
Products	$ 329.3	$ 459.3	(28.3) %	$ 955.5	$ 1,299.9	(26.5) %
Services	40.5	51.3	(21.0) %	128.0	151.4	(15.5) %
Total Cost of revenues	$ 369.8	$ 510.6	(27.6) %	$ 1,083.5	$ 1,451.3	(25.3) %
Products cost as a percentage of total Products revenues	*86.5%*	*82.6%*		*85.9%*	*82.5%*	
Services cost as a percentage of total Services revenues	*74.9%*	*65.2%*		*72.0%*	*65.1%*	

Total cost of revenues decreased for the three and nine months ended September 29, 2023 compared to the same periods in the prior year, due to lower demand for both Products and Services driven by reduced spending within the semiconductor industry globally.

Cost of Products revenues consists of purchased materials, direct labor and manufacturing overhead. Cost of Products revenues decreased $130.0 million and $344.4 million for the three and nine months ended September 29, 2023, respectively, compared to the same periods in the prior year, due to lower volume of sales driving decreased material costs, lower direct labor spending, unfavorable absorption of overhead costs and lower freight costs.

Cost of Services revenues consists of direct labor, manufacturing overhead and materials (such as chemicals, gases and consumables). Cost of Services revenues decreased $10.8 million and $23.4 million for the three and nine months ended September 29, 2023, respectively, compared to the same periods in the prior year, driven by lower volumes of service orders, resulting in decrease in labor costs (the largest component of Cost of Services) and lower material costs.

In both segments, costs of revenue as a percent of revenue increased as certain fixed costs remain regardless of volume.

Gross Margin

	Three Months Ended			Nine Months Ended		
Gross Profit by Segment (Dollars in millions)	**September 29, 2023**	**September 30, 2022**	**Percent Change**	**September 29, 2023**	**September 30, 2022**	**Percent Change**
Products	$ 51.6	$ 97.0	(46.8) %	$ 156.5	$ 275.3	(43.1) %
Services	13.6	27.4	(50.4) %	49.8	81.3	(38.8) %
Gross profit	$ 65.2	$ 124.4	(47.6) %	$ 206.3	$ 356.6	(42.1) %
Gross Margin by Segment						
Products	13.5%	17.4%		14.1%	17.5%	
Services	25.1%	34.8%		28.0%	34.9%	
Total Company	15.0%	19.6%		16.0%	19.7%	

Gross profit and gross margins fluctuate with revenue levels, product mix, material costs, and labor costs. Products and Services gross profit and gross margin decreased for the three and nine months ended September 29, 2023, compared to the same periods in the prior year, primarily due to lower revenue levels and lower factory utilization.

Operating Margin

	Three Months Ended			Nine Months Ended		
Operating Profit (Loss) by Segment (Dollars in millions)	**September 29, 2023**	**September 30, 2022**	**Percent Change**	**September 29, 2023**	**September 30, 2022**	**Percent Change**
Products	$ 7.7	$ 26.8	71.2 %	$ 27.3	$ 50.1	(45.5) %
Services	(2.0)	9.5	(121.1) %	3.4	26.5	(87.2) %
Operating profit	$ 5.7	$ 36.3	84.3 %	$ 30.7	$ 76.6	(59.9) %
Operating Margin by Segment						
Products	2.0%	4.8%		2.5%	3.2%	
Services	-3.7%	12.1%		1.9%	11.4%	
Total Company	1.3%	5.7%		2.4%	4.2%	

Operating profit and operating margin of Products decreased for the three and nine months period ended September 29, 2023, compared to the same period in the prior year, primarily due to decreases in business volumes and customer demands offset partially by the absence of net loss on divestitures.

Operating profit and operating margin of Services decreased for the three and nine months period ended September 29, 2023, compared to the same periods in the prior year, primarily due to the lower gross profit resulting from reduced customer demand.

Research and Development

	Three Months Ended			Nine Months Ended		
(Dollars in millions)	**September 29, 2023**	**September 30, 2022**	**Percent Change**	**September 29, 2023**	**September 30, 2022**	**Percent Change**
Research and development	$ 7.4	$ 7.4	0.6 %	$ 21.7	$ 21.5	1.1 %
Research and development as a percentage of total revenues	1.7%	1.2%		1.7%	1.2%	

Research and development expenses were generally consistent in the three and nine months ended September 29, 2023, compared to the same periods in the prior year.

Sales and Marketing

(Dollars in millions)	Three Months Ended			Nine Months Ended		
	September 29, 2023	September 30, 2022	Percent Change	September 29, 2023	September 30, 2022	Percent Change
Sales and marketing	$ 12.8	$ 13.5	(5.5) %	$ 38.6	$ 41.2	(6.4) %
Sales and marketing as a percentage of total revenues	2.9%	2.1%		3.0%	2.3%	

Sales and marketing expense decreased $0.7 million and $2.6 million in the three and nine month periods ended September 29, 2023, compared to the same periods in the prior year, due to the decrease in compensation costs and related employee benefits.

General and Administrative

(Dollars in millions)	Three Months Ended			Nine Months Ended		
	September 29, 2023	September 30, 2022	Percent Change	September 29, 2023	September 30, 2022	Percent Change
General and administrative	$ 39.3	$ 46.4	(15.3) %	$ 115.3	$ 139.9	(17.6) %
General and administrative as a percentage of total revenues	9.0%	7.3%		8.9%	7.7%	

General and administrative expenses decreased $7.1 million and $24.6 million in the three and nine month periods ended September 29, 2023, compared to the same periods in the prior year, primarily driven by decreases in stock-based compensation expense, in amortization of intangible assets acquired through business combinations, in spending for certain third party professional services and in depreciation expense partially offset by an increase in restructuring costs. These restructuring costs primarily reflect employee severance costs and facilities consolidation costs to improve efficiencies in our operational activities and to reduce redundancies.

Net Loss on Divestitures

In 2022, the Company sold four of its non-semiconductor operating subsidiaries of Fluid Solutions. 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 months ended September 30, 2022, respectively.

Interest and Other Expense, net

(Dollars in millions)	Three Months Ended			Nine Months Ended		
	September 29, 2023	September 30, 2022	Percent Change	September 29, 2023	September 30, 2022	Percent Change
Interest income	$ 1.2	$ 0.2	397.9 %	$ 2.5	$ 0.4	466.9 %
Interest expense	$ (12.3)	$ (9.4)	31.2 %	$ (35.9)	$ (23.1)	55.6 %
Other expense, net	$ (2.1)	$ (2.1)	0.1 %	$ (0.8)	$ (2.5)	68.0 %

Interest income increased $1.0 million and $2.1 million in the three and nine months ended September 29, 2023 compared to the same periods in the prior year, primarily due to higher interest income earned on cash and cash equivalent balances attributed to higher interest rates in the current period.

Interest expense increased $2.9 million and $12.8 million in the three and nine months ended September 29, 2023 compared to the same periods in the prior year, due primarily to higher interest rates.

Other expense, net, decreased $1.7 million in the nine month period ended September 29, 2023, compared to the same period in the prior year, due to the favorable foreign exchange transactions and remeasurements as the U.S. dollar strengthened in the current period partially offset by a loss from fair value adjustments.

Provision for Income Taxes

(Dollars in millions)	Three Months Ended			Nine Months Ended		
	September 29, 2023	September 30, 2022	Percent Change	September 29, 2023	September 30, 2022	Percent Change
Provision for income taxes	$ 5.3	$ 12.1	(56.2) %	$ 17.1	$ 29.4	(41.8) %
Effective tax rate	-70.7%	48.3%		-488.6%	57.2%	

The increase in the effective tax rate for the three and nine month periods ended September 29, 2023 compared to the same periods in the prior year is primarily attributable to 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 on its deferred tax assets and, as of September 29, 2023, 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 29, 2023	December 30, 2022	Decrease
Total cash and cash equivalents	$ 342.0	$ 358.8	$ (16.8)

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

(In millions)	Nine Months Ended	
	September 29, 2023	September 30, 2022
Operating activities	$ 100.6	$ 86.0
Investing activities	(56.9)	(64.2)
Financing activities	(61.0)	(27.2)
Effects of exchange rate changes on cash and cash equivalents	0.5	(7.6)
Net decrease in cash and cash equivalents	$ (16.8)	$ (13.0)

Our primary cash inflows and outflows were as follows:

- For the nine months ended September 29, 2023, we generated cash from operating activities of $100.6 million compared to $86.0 million for the nine months ended September 30, 2022. The $14.6 million increase in net cash from operating activities was driven by a $149.2 favorable change in net working capital offset in part by a $92.0 million decrease from non-cash items and by a $42.6 million decrease in net income.

- The major contributors in net changes in operating assets and liabilities for the nine months ended September 29, 2023 were as follows:
  - Accounts receivable decreased $83.2 million primarily due to the timing of shipments and collections, inventories and prepaid expenses decreased $65.6 million and $7.5 million, respectively.
  - Accounts payable decreased $61.2 million, income taxes payable decreased $8.9 million, and accrued compensation and related benefits decreased $11.8 million, primarily due to the timing of payments.

- Net cash used in investing activities during the nine months ended September 29, 2023 and September 30, 2022 consisted primarily of $59.2 million and $67.9 million purchases of property, plant and equipment, respectively.

- During the nine months ended September 29, 2023, cash used in financing activities was $61.0 million, compared to cash used in financing activities of $27.2 million in the nine months ended September 30, 2022. The change is due to $6.9 million higher principal payments on bank borrowings and to $23.7 million cash used in our share repurchase program initiated in the fourth quarter of fiscal year 2022.

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 29, 2023, we had cash of $342.0 million compared to $358.8 million as of December 30, 2022. 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 29, 2023.

Fluid Solutions 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 29, 2023, Fluid Solutions factored $7.4 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 29, 2023, we have cash of approximately $213.9 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 29, 2023	
(Dollars in millions)	**Amount**	**Weighted-Average Interest Rate**
U.S. Term Loan	$ 483.2	8.7%
Fluid Solutions Debt Facilities	6.0	8.3%
Debt issuance costs	(7.5)	
	$ 481.7	

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.

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 29, 2023, the Company had $146.1 million, net of $3.9 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 29, 2023, the Company had $3.9 million of outstanding letters of credit and $46.1 million of available commitments remaining under the letter of credit facility.

On June 29, 2023, the Company entered into a Fourth Amendment (the "Fourth Amendment") to the Credit Agreement to replace the LIBOR-based reference interest rate option with a reference interest option based upon Term SOFR under the Credit Agreement.

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 SOFR, 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. At September 29, 2023, the Company had an outstanding amount under the Term Loan of $483.2 million, gross of unamortized debt issuance costs of $7.5 million. As of September 29, 2023, the interest rate on the outstanding Term Loan was 9.2%.

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. On July 27, 2023, the Company entered into a Fifth Amendment ("Amended Credit Agreement") to provide the Company with certain relief under the consolidated fixed charge coverage ratio and consolidated total gross leverage ratio maintenance covenants described in the Credit Agreement (the "Financial Covenant Adjustments"), which are applicable only to the revolving credit facility portion of its credit facilities. The Financial Covenant Adjustments are effective during the period commencing with the fiscal period ended June 30, 2023, through to the fiscal period ending December 31, 2024, subject to certain anti-cash hoarding and minimum liquidity requirements during such period. At the election of the Company, and subject to demonstrating compliance with certain financial ratio tests, the Financial Covenant Adjustments may terminate earlier than December 31, 2024. Upon termination of the Financial Covenant adjustments, such financial maintenance covenants will revert to the levels set forth in the existing Credit Agreement and the anti-cash hoarding and minimum liquidity requirements will no longer be applicable. The Company currently has no revolving loans outstanding under the Credit Agreement. As of September 29, 2023, the Company was in compliance with the financial covenants contained within the Amended Credit Agreement.

The Company 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 7.0 million euros (approximately $7.4 million). As of September 29, 2023, no debt was outstanding under this revolving credit facility.

Fluid Solutions has credit facilities with various financial institutions in Israel that provides borrowings of up to $18.5 million. As of September 29, 2023, Fluid Solutions had $6.0 million of outstanding debt with average interest rate ranges from 7.5% to 8.4%.

As of September 29, 2023, the Company's total bank debt was $481.7 million, net of unamortized debt issuance costs of $7.5 million. As of September 29, 2023, the Company had $146.1 million, $12.5 million and $7.4 million available to draw from our credit facilities in the U.S., Israel 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 $59.2 million during the nine months ended September 29, 2023 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 2023 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 $422.5 million as of September 29, 2023.

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 29, 2023, 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 30, 2022, 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 chief executive officer and chief financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon this evaluation, our chief executive officer and our chief financial officer concluded the disclosure controls and procedures were not effective as of September 29, 2023, the end of the period covered by this Quarterly Report on Form 10-Q, due to the material weaknesses in internal control over financial reporting that were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 30, 2022.

Previously Identified Material Weaknesses in Internal Control Over Financial Reporting

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 30, 2022, we previously identified material weaknesses in our internal control over financial reporting related to information technology general controls (“ITGCs”) over user access within our primary Enterprise Resource Planning (“ERP”) system, our primary revenue system for the Services segment, and related ERP access controls affecting the independent review of manual journal entry postings. Business process controls that depend on the affected information systems, or that depend on data or financial reports generated from the affected information systems to be accurate and complete, could be adversely affected.

These material weaknesses did not result in a misstatement to the consolidated financial statements or disclosures. Based on additional procedures and post-closing review, management concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States.

Remediation Plan

Management has been executing and remains committed to implementing measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. The following remediation actions are currently being implemented and are in progress:

- Reviewing all ITGCs to identify opportunities to expand and/or automate controls to address the design and operation of ITGCs on systems supporting our financial processes.
- Enhancing training programs addressing ITGCs and policies, including educating control owners concerning the principles and requirements of each control, with a focus on those related to user access over IT systems impacting financial reporting.
- Strengthening policy documentation underlying ITGCs.
- Implementing an IT management review process and increased the frequency of testing plans to monitor ITGCs with a specific focus on systems supporting our financial reporting processes.
- Enhancing regular reporting on the remediation measures to the Audit Committee of the Board of Directors.

As we continue to evaluate and work to improve our internal control over financial reporting, we may decide to take additional measures to address control deficiencies or modify the remediation plans described above. We believe that these actions will remediate the material weaknesses, however the material weaknesses will not be considered remediated until the applicable controls have operated for a period of time in order to have sufficient samples to test. Management must conduct testing to conclude that these controls are operating effectively. While Management believes that the aforementioned plans will effectively remediate the material weaknesses prior to the end of fiscal 2023, there is no assurance on the exact timing of the completion of the remediation. As the remediation plans continue to be implemented, management may be required to take additional measures or modify the plan elements.

Changes in Internal Control Over Financial Reporting

Except for the remediation efforts discussed above under “Remediation Plan”, there were no changes in internal control over financial reporting during the fiscal third quarter ended September 29, 2023, 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 30, 2022.

ITEM 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds from Securities

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

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. This program may be suspended or discontinued at any time and does not obligate the Company to acquire any amount of common stock.

The following table sets forth information related to repurchases of our equity securities during the nine months ended September 29, 2023:

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (In millions)
December 31, 2022 — January 27, 2023	389,299	$ 33.12	389,299	$ 125.0
January 28, 2023 — February 24, 2023	—	—	—	$ 125.0
February 25, 2023 — March 31, 2023	43,387	$ 29.67	43,387	$ 123.7
April 1, 2023 — April 28, 2023	159,180	$ 28.67	159,180	$ 119.1
April 29, 2023 — May 26, 2023	177,683	$ 27.84	177,683	$ 114.2
May 27, 2023 — June 30, 2023	—	$ —	—	$ 114.2
July 1, 2023 — July 28, 2023	—	$ —	—	$ 114.2
July 29, 2023 — August 25, 2023	—	$ —	—	$ 114.2
August 26, 2023 — September 29, 2023	—	$ —	—	$ 114.2

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 29, 2023:

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 7, 2023

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

Date: November 7, 2023

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 7, 2023

/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 7, 2023

/s/ SHERI SAVAGE

Sheri Savage
Chief Financial Officer

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 7, 2023

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

Date: November 7, 2023

/s/ SHERI SAVAGE
Sheri Savage
Chief Financial Officer