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

FORM 8-K

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

Date of Report (Date of Earliest Event Reported): May 9, 2024

PDF SOLUTIONS, INC.  
(Exact name of registrant as specified in its charter)

000-31311  
(Commission File Number)

Delaware  
(State or Other Jurisdiction of Incorporation)

25-1701361  
(I.R.S. Employer Identification No.)

2858 De La Cruz Boulevard  
Santa Clara, CA 95050  
(Address of principal executive offices, with zip code)

(408) 280-7900  
(Registrant's telephone number, including area code)

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

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

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

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.

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

On May 9, 2024, PDF Solutions (the “Company”) issued a press release regarding its financial results and certain other information related to the first quarter ended March 31, 2024. The Company also posted on the Investors section of its website ([www.pdf.com](http://www.pdf.com)) a management report with regard to the first quarter ended March 31, 2024. Copies of the press release and management report are attached to this report as Exhibits 99.1 and 99.2, respectively. Information on the website is not, and will not be deemed, a part of this report or incorporated into any other filings the Company makes with the Securities and Exchange Commission.

The information in this Item 2.02, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities under that Section, and shall not be deemed incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

## Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press Release dated May 9, 2024, regarding financial results and certain other information related to the first quarter ended March 31, 2024.</a>
99.2	<a href="#">Management Report by PDF Solutions, Inc. as of May 9, 2024.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

## 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 hereunto duly authorized.

PDF SOLUTIONS, INC. (Registrant)

By: /s/ Adnan Raza  
*Adnan Raza*  
*EVP, Finance, and Chief Financial Officer*  
*(principal financial and accounting officer)*

Dated: May 9, 2024

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## News Release

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### PDF Solutions® Reports First Quarter 2024 Results

Santa Clara, CA, May 9, 2024, – PDF Solutions, Inc. (Nasdaq: PDFS), a leading provider of comprehensive data solutions for the semiconductor ecosystem, today announced financial results for its first quarter ended March 31, 2024.

#### Financial Highlights of First Quarter 2024 and Other Updates

- **Analytics revenues of \$38.5 million, up 6% over last year's comparable quarter**
- **Quarterly revenues of \$41.3 million, up 1% over last year's comparable quarter**
- **GAAP gross margin of 67% and Non-GAAP gross margin of 72%**
- **GAAP diluted loss per share of \$0.01 and non-GAAP diluted earnings per share of \$0.15**
- **Backlog of \$262.2 million as of March 31, 2024, up 14% quarter over quarter**
- **Repurchased shares for \$6.9 million from the \$35 million stock repurchase program ended April 2024**
- **Adopted a new \$40 million, 2-year stock repurchase program in April 2024**

Total revenues for the first quarter of 2024 were \$41.3 million, compared to \$41.1 million for the fourth quarter of 2023 and \$40.8 million for the first quarter of 2023. Analytics revenue for the first quarter of 2024 was \$38.5 million, compared to \$39.1 million for the fourth quarter of 2023 and \$36.3 million for the first quarter of 2023. Integrated Yield Ramp revenue for the first quarter of 2024 was \$2.8 million, compared to \$2.0 million for the fourth quarter of 2023 and \$4.4 million for the first quarter of 2023.

GAAP gross margin for the first quarter of 2024 was 67%, compared to 68% for the fourth quarter of 2023 and 71% for the first quarter of 2023.

Non-GAAP gross margin for the first quarter of 2024 was 72%, compared to 72% for the fourth quarter of 2023 and 75% for the first quarter of 2023.

On a GAAP basis, net loss for the first quarter of 2024 was \$0.4 million, or (\$0.01) per diluted share, compared to a net income of \$0.9 million, or \$0.02 per diluted share, for the fourth quarter of 2023, and a net income of \$0.4 million, or \$0.01 per diluted share, for the first quarter of 2023.

Non-GAAP net income for the first quarter of 2024 was \$5.7 million, or \$0.15 per diluted share, compared to a non-GAAP net income of \$5.7 million, or \$0.15 per diluted share, for the fourth quarter of 2023, and non-GAAP net income of \$7.3 million, or \$0.19 per diluted share, for the first quarter of 2023.

Cash, cash equivalents and short-term investments as of March 31, 2024, were \$122.9 million.

#### Financial Outlook

“Bookings in the first quarter benefited greatly from our DFI investment, which included a contract with a new customer that included an eProbe system. Our enterprise platform and MLOps products drove our presales activity in the quarter. With a strong start in the first quarter, we continue to expect revenue for the second half of the year to grow by 20% over the comparable period of the prior year.” said John Kibarian, CEO and President.

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**Conference Call**

As previously announced, PDF Solutions will discuss these results on a live conference call beginning at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time today. To participate on the live call, analysts and investors should pre-register at: <https://register.vevent.com/register/BI50c8bbd5960d42939342fecec15e9d69>. Registrants will receive dial-in information and a unique passcode to access the call. We encourage participants to dial into the call ten minutes ahead of the scheduled time. The teleconference will also be webcast simultaneously on the Company's website at <https://ir.pdf.com/webcasts>. A replay of the conference call webcast will be available after the call on the Company's investor relations website. A copy of this press release, including the disclosure and reconciliation of certain non-GAAP financial measures to the comparable GAAP measures, which non-GAAP measures may be used periodically by PDF Solutions' management when discussing financial results with investors and analysts, will also be available on PDF Solutions' website at <http://www.pdf.com/press-releases> following the date of this release.

**First Quarter 2024 Financial Commentary Available Online**

A Management Report reviewing the Company's first quarter 2024 financial results will be furnished to the Securities and Exchange Commission on Form 8-K and published on the Company's website at <http://ir.pdf.com/financial-reports>. Analysts and investors are encouraged to review this commentary prior to participating in the conference call.

**Information Regarding Use of Non-GAAP Financial Measures**

In addition to providing results that are determined in accordance with Generally Accepted Accounting Principles in the United States of America (“GAAP”), PDF Solutions also provides certain non-GAAP financial measures. Non-GAAP gross profit and margin exclude stock-based compensation expense and the amortization of acquired technology under costs of revenues. Non-GAAP net income excludes stock-based compensation expense, amortization of acquired technology under costs of revenues, amortization of other acquired intangible assets, and the effects of certain non-recurring items, such as expenses related to an arbitration proceeding for a disputed contract with a customer, and their related income tax effects, as applicable, as well as adjustments for the valuation allowance for deferred tax assets and reconciling items. These non-GAAP financial measures are used by management internally to measure the Company’s profitability and performance. PDF Solutions’ management believes that these non-GAAP measures provide useful supplemental information to investors regarding the Company’s ongoing operations in light of the fact that none of these categories of expense has a current effect on the future uses of cash (with the exception of expenses related to an arbitration proceeding for a disputed contract with a customer) nor do they impact the generation of current or future revenues. These non-GAAP results should not be considered an alternative to, or a substitute for, GAAP financial information, and may differ from similarly titled non-GAAP measures used by other companies. In particular, these non-GAAP financial measures are not a substitute for GAAP measures of income or loss as a measure of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity. Since management uses these non-GAAP financial measures internally to measure profitability and performance, PDF Solutions has included these non-GAAP measures to give investors an opportunity to see the Company’s financial results as viewed by management. A reconciliation of the comparable GAAP financial measures to the non-GAAP financial measures is provided at the end of the Company’s condensed consolidated financial statements presented below.

**Forward-Looking Statements**

The press release and the planned conference call include forward-looking statements regarding the Company’s future expected business performance and financial results, including expectations about total revenue growth for 2024, that are subject to future events and circumstances. Actual results could differ materially from those expressed in these forward-looking statements. Risks and uncertainties that could cause results to differ materially include, but are not limited to, risks associated with: expectations about the effectiveness of our business and technology strategies; expectations and integration concerns regarding recent and future acquisitions; current semiconductor industry trends; expectations of continued adoption of the Company’s solutions by new and existing customers; project milestones or delays and performance criteria achieved; cost and schedule of new product development; the continuing impact of global economic trends and rising global inflation and increased interest rates; supply chain disruptions; the success of the Company’s strategic growth opportunities and partnerships; customers’ production volumes under contracts that provide Gainshare royalties; possible impacts from the evolving trade regulatory environment and geopolitical tensions; our ability to obtain additional financing if needed; and other risks set forth in PDF Solutions’ periodic public filings with the Securities and Exchange Commission, including, without limitation, its Annual Report on Form 10-K for the year ended December 31, 2023, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K and amendments to such reports. The forward-looking statements made in the conference call are made as of the date hereof, and PDF Solutions does not assume any obligation to update such statements nor the reasons why actual results could differ materially from those projected in such statements.

**About PDF Solutions**

PDF Solutions (Nasdaq: PDFS) provides comprehensive data solutions designed to empower organizations across the semiconductor and electronics ecosystem to improve the yield and quality of their products and operational efficiency for increased profitability. The Company’s products and services are used by Fortune 500 companies across the semiconductor and electronics ecosystem to achieve smart manufacturing goals by connecting and controlling equipment, collecting data generated during manufacturing and test operations, and performing advanced analytics and machine learning to enable profitable, high-volume manufacturing.

Founded in 1991, PDF Solutions is headquartered in Santa Clara, California, with operations across North America, Europe, and Asia. The Company (directly or through one or more subsidiaries) is an active member of SEMI, INEMI, TPCA, IPC, the OPC Foundation, and DMDII. For the latest news and information about PDF Solutions or to find office locations, visit <https://www.pdf.com>.

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**PDF SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(In thousands)

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 85,256	\$ 98,978
Short-term investments	37,628	36,544
Accounts receivable, net	47,267	44,904
Prepaid expenses and other current assets	17,165	17,422
Total current assets	<u>187,316</u>	<u>197,848</u>
Property and equipment, net	36,088	37,338
Operating lease right-of-use assets, net	4,742	4,926
Goodwill	15,003	15,029
Intangible assets, net	14,747	15,620
Deferred tax assets, net	145	157
Other non-current assets	28,782	19,218
Total assets	<u>\$ 286,823</u>	<u>\$ 290,136</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,729	\$ 2,561
Accrued compensation and related benefits	9,491	14,800
Accrued and other current liabilities	4,963	4,633
Operating lease liabilities – current portion	1,625	1,529
Deferred revenues – current portion	27,643	25,750
Billings in excess of recognized revenues	2,345	1,570
Total current liabilities	<u>51,796</u>	<u>50,843</u>
Long-term income taxes	2,980	2,972
Non-current operating lease liabilities	4,363	4,657
Other non-current liabilities	2,271	2,718
Total liabilities	<u>61,410</u>	<u>61,190</u>
Stockholders' equity:		
Common stock and additional paid-in capital	481,396	473,301
Treasury stock at cost	(154,616)	(143,923)
Accumulated deficit	(98,438)	(98,045)
Accumulated other comprehensive loss	(2,929)	(2,387)
Total stockholders' equity	<u>225,413</u>	<u>228,946</u>
Total liabilities and stockholders' equity	<u>\$ 286,823</u>	<u>\$ 290,136</u>

**PDF SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(In thousands, except per share amounts)

	Three months ended		
	March 31, 2024	December 31, 2023	March 31, 2023
<b>Revenues:</b>			
Analytics	\$ 38,463	\$ 39,128	\$ 36,326
Integrated yield ramp	2,847	1,997	4,433
Total revenues	<u>41,310</u>	<u>41,125</u>	<u>40,759</u>
<b>Costs and Expenses:</b>			
Costs of revenues	13,529	13,194	11,904
Research and development	12,984	12,308	13,051
Selling, general, and administrative	16,498	16,194	15,645
Amortization of acquired intangible assets	259	306	325
Interest and other expense (income), net	(1,692)	(1,020)	(911)
Income (loss) before income taxes	(268)	143	745
Income tax benefit (expense)	(125)	744	(390)
Net income (loss)	<u>\$ (393)</u>	<u>\$ 887</u>	<u>\$ 355</u>
<b>Net income (loss) per share:</b>			
Basic	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>
<b>Weighted average common shares used to calculate net income (loss) per share:</b>			
Basic	<u>38,500</u>	<u>38,269</u>	<u>37,737</u>
Diluted	<u>38,500</u>	<u>38,814</u>	<u>38,859</u>



PDF SOLUTIONS, INC.

RECONCILIATION OF GAAP GROSS MARGIN TO NON-GAAP GROSS MARGIN (UNAUDITED)

(In thousands)

	Three months ended		
	March 31, 2024	December 31, 2023	March 31, 2023
<b>GAAP</b>			
Total revenues	\$ 41,310	\$ 41,125	\$ 40,759
Costs of revenues	13,529	13,194	11,904
GAAP gross profit	\$ 27,781	\$ 27,931	\$ 28,855
GAAP gross margin	67 %	68 %	71 %
<b>Non-GAAP</b>			
GAAP gross profit	\$ 27,781	\$ 27,931	\$ 28,855
Adjustments to reconcile GAAP to non-GAAP gross margin:			
Stock-based compensation expense	1,200	1,147	964
Amortization of acquired technology	584	586	553
Non-GAAP gross profit	\$ 29,565	\$ 29,664	\$ 30,372
Non-GAAP gross margin	72 %	72 %	75 %

**PDF SOLUTIONS, INC.**  
**RECONCILIATION OF GAAP NET INCOME (LOSS) TO NON-GAAP NET INCOME (UNAUDITED)**  
(In thousands, except per share amounts)

	Three months ended		
	March 31, 2024	December 31, 2023	March 31, 2023
GAAP net income (loss)	\$ (393)	\$ 887	\$ 355
Adjustments to reconcile GAAP net income (loss) to non-GAAP net income:			
Stock-based compensation expense	6,110	5,923	4,884
Amortization of acquired technology under costs of revenues	584	586	553
Amortization of other acquired intangible assets	259	306	325
Expenses of arbitration (1)	—	75	2,133
Tax impact of valuation allowance for deferred tax assets and reconciling items (2)	(813)	(2,060)	(980)
Non-GAAP net income	<u>\$ 5,747</u>	<u>\$ 5,717</u>	<u>\$ 7,270</u>
GAAP net income (loss) per diluted share	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Non-GAAP net income per diluted share	<u>\$ 0.15</u>	<u>\$ 0.15</u>	<u>\$ 0.19</u>
Weighted average common shares used in GAAP net income (loss) per diluted share calculation	<u>38,500</u>	<u>38,814</u>	<u>38,859</u>
Weighted average common shares used in non-GAAP net income per diluted share calculation	<u>39,053</u>	<u>38,814</u>	<u>38,859</u>

- (1) Represents expenses related to an arbitration proceeding over a disputed customer contract, which expenses are expected to continue until the arbitration is resolved.
- (2) The difference between the GAAP and non-GAAP income tax provisions is primarily due to the valuation allowance on a GAAP basis and non-GAAP adjustments. For example, on a GAAP basis, the Company does not receive a deferred tax benefit for foreign tax credits or research and development credits after the valuation allowance. The Company's non-GAAP tax rate and resulting non-GAAP tax expense is not calculated with a full U.S. federal or state valuation allowance due to the Company's cumulative non-GAAP income and management's conclusion that it is more likely than not to utilize its net deferred tax assets (DTAs). Each reporting period, management evaluates the need for a valuation allowance and may place a valuation allowance against its U.S. net DTAs on a non-GAAP basis if it concludes it is more likely than not that it will not be able to utilize some or all of its U.S. DTAs on a non-GAAP basis.



**Q1 2024**  
**Management Report**  
**May 9, 2024**

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### ■ Q1 2024 Non-GAAP Results

- Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income
- Reconciliation of GAAP to Non-GAAP Spending by Function

### ■ Related Information

The following commentary is provided by management and should be referenced in conjunction with PDF Solutions' First Quarter 2024 financial results press release available on its Investor Relations website at <http://www.pdf.com/financial-news>. These remarks represent management's current views of the Company's financial and operational performance and are provided to give investors and analysts further insight into its performance in advance of the earnings call webcast. The Company disclaims any duty to update this information for future events.

## PDF Solutions Reports First Quarter 2024 Results

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### Q1 2024 Key Metrics

Revenue: \$41.3M

GAAP Gross Margin: 67%

Non-GAAP Gross Margin: 72%

GAAP Diluted EPS: (\$0.01)

Non-GAAP Diluted EPS: \$0.15

Operating Cash Flow: (\$1.9M)

Cash Used for Capital Expenditures: \$2.0M

### FINANCIAL RESULTS SUMMARY

- Q1 2024 Total revenues of \$41.3M, relatively flat over Q4 2023, and up 1% over Q1 2023.
- Q1 2024 Analytics revenue of \$38.5M, down 2% over Q4 2023, and up 6% over Q1 2023.
- Q1 2024 Integrated yield ramp revenue of \$2.8M, up 43% over Q4 2023, and down 36% over Q1 2023.

## Key Financial & Operating Metrics – Quarterly

(in thousands, except outstanding shares, which are in millions, and percentages)

	Q1'24	Q4'23	Q3'23	Q2'23	Q1'23
Revenues	\$ 41,310	\$ 41,125	\$ 42,350	\$ 41,601	\$ 40,759
GAAP Gross Margin	67%	68%	66%	70%	71%
Non-GAAP Gross Margin	72%	72%	70%	74%	75%
Outstanding Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Cash Flow	(\$ 1,862)	\$ 2,029	\$ 19,186	(\$ 5,633)	(\$ 982)
Cash Used for Capital Expenditures (CAPEX)	\$ 2,023	\$ 2,408	\$ 2,916	\$ 3,099	\$ 2,902
\$ Shares Repurchased	\$ 6,899	\$ -	\$ 743	\$ -	\$ -
Weighted Average Common Shares Outstanding	38.5	38.3	38.2	37.9	37.7
Effective Tax Rate Expense (Benefit)	47%	(520)%	581%	(132)%	52%

## Revenue by Geographic Area – Quarterly

(Dollars in thousands)

	Q1'24	Q4'23	Q3'23	Q2'23	Q1'23
<b>United States</b>	\$ 17,733	\$ 22,708	\$ 24,477	\$ 22,339	\$ 23,274
% of Total	43%	55%	58%	54%	57%
<b>Japan</b>	\$ 11,288	\$ 2,460	\$ 3,135	\$ 2,593	\$ 2,277
% of Total	27%	6%	7%	6%	6%
<b>China</b>	\$ 4,853	\$ 4,562	\$ 7,549	\$ 7,421	\$ 6,956
% of Total	12%	11%	18%	18%	17%
<b>Rest of the world</b>	\$ 7,436	\$ 11,395	\$ 7,189	\$ 9,248	\$ 8,252
% of Total	18%	28%	17%	22%	20%
<b>Total revenues</b>	<b>\$ 41,310</b>	<b>\$ 41,125</b>	<b>\$ 42,350</b>	<b>\$ 41,601</b>	<b>\$ 40,759</b>

## GAAP / Non-GAAP Presentation

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In addition to providing results that are determined in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP), the Company also provides certain non-GAAP financial measures. Non-GAAP gross profit and margin exclude stock-based compensation expense and the amortization of acquired technology under costs of revenues. Non-GAAP net income excludes stock-based compensation expense, amortization of acquired technology under costs of revenues, amortization of other acquired intangible assets and the effects of certain non-recurring items, such as expenses related to an arbitration proceeding for a disputed contract with a customer, acquisition-related costs, proceeds from the sale of previously written-off property and equipment, and their related income tax effects, as applicable, as well as adjustments for the valuation allowance for deferred tax assets and reconciling items. These non-GAAP financial measures are used by management internally to measure the Company's profitability and performance. PDF Solutions' management believes that these non-GAAP measures provide useful supplemental information to investors regarding the Company's ongoing operations in light of the fact that none of these categories of expense has a current effect on the future uses of cash (with the exception of expenses related to an arbitration proceeding for a disputed contract with a customer and acquisition-related costs) nor do they impact the generation of current or future revenues. These non-GAAP results should not be considered an alternative to, or a substitute for, GAAP financial information, and may differ from similarly titled non-GAAP measures used by other companies. In particular, these non-GAAP financial measures are not a substitute for GAAP measures of income or loss as a measure of performance, or to cash flows from operating, investing and financing activities as a measure of liquidity. Since management uses these non-GAAP financial measures internally to measure profitability and performance; PDF Solutions has included these non-GAAP measures to give investors an opportunity to see the Company's financial results as viewed by management. A reconciliation of the comparable GAAP financial measures to the non-GAAP financial measures is included herein.



## Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income

### Quarterly

(in thousands, except for per share amounts)

	Q1'24	Q4'23	Q3'23	Q2'23	Q1'23
GAAP net income (loss)	(\$ 393)	\$ 887	(\$ 4,972)	\$ 6,835	\$ 355
Adjustments to reconcile GAAP net income (loss) to non-GAAP net income:					
Stock-based compensation expense	6,110	5,923	5,999	4,678	4,884
Amortization of acquired technology under costs of revenues	584	586	574	553	553
Amortization of other acquired intangible assets	259	306	328	326	325
Expenses of arbitration (1)	—	75	226	166	2,133
Acquisition-related costs (2)	—	—	33	176	—
Proceeds from the sale of previously written-off property and equipment	—	—	(105)	—	—
Tax impact of valuation allowance for deferred tax assets and reconciling items (3)	(813)	(2,060)	5,904	(5,238)	(980)
Non-GAAP net income	\$ 5,747	\$ 5,717	\$ 7,987	\$ 7,496	\$ 7,270
GAAP net income (loss) per diluted share	(\$ 0.01)	\$ 0.02	(\$ 0.13)	\$ 0.17	\$ 0.01
Non-GAAP net income per diluted share	\$ 0.15	\$ 0.15	\$ 0.20	\$ 0.19	\$ 0.19
Weighted average common shares used in GAAP net income (loss) per diluted share calculation	38,500	38,814	38,187	39,076	38,859
Weighted average common shares used in Non-GAAP net income per diluted share calculation	39,053	38,814	38,992	39,076	38,859

- Represents expenses related to an arbitration proceeding over a disputed customer contract, which expenses are expected to continue until the arbitration is resolved.
- Acquisition-related costs are incremental expenses related to a business or asset acquisition transaction(s). These expenses may include consulting, legal and other fees. For the three months ended September 30, 2023, and June 30, 2023, the charges were related to the acquisition of Lantern Machinery Analytics, Inc.
- The difference between the GAAP and non-GAAP income tax provisions is primarily due to the valuation allowance on a GAAP basis and non-GAAP adjustments. For example, on a GAAP basis, the Company does not receive a deferred tax benefit for foreign tax credits or research and development credits after the valuation allowance. The Company's non-GAAP tax rate and resulting non-GAAP tax expense is not calculated with a full U.S. federal or state valuation allowance due to the Company's cumulative non-GAAP income and management's conclusion that it is more likely than not to utilize its net deferred tax assets (DTAs). Each reporting period, management evaluates the need for a valuation allowance and may place a valuation allowance against its U.S. net DTAs on a non-GAAP basis if it concludes it is more likely than not that it will not be able to utilize some or all of its U.S. DTAs on a non-GAAP basis.

## Reconciliation of GAAP to Non-GAAP Spending by Function

### Quarterly

(in thousands)

	Q1'24	Q4'23	Q3'23	Q2'23	Q1'23
<b>Cost of Revenue - GAAP</b>	<b>\$ 13,529</b>	<b>\$ 13,194</b>	<b>\$ 14,282</b>	<b>\$ 12,369</b>	<b>\$ 11,904</b>
Adjustments to reconcile GAAP Cost of Revenue to Non-GAAP Cost of Revenue:					
Stock-based compensation expense	(1,200)	(1,147)	(1,120)	(938)	(964)
Amortization of acquired technology	(584)	(586)	(574)	(553)	(553)
<b>Cost of Revenue - Non-GAAP</b>	<b>\$ 11,745</b>	<b>\$ 11,461</b>	<b>\$ 12,588</b>	<b>\$ 10,878</b>	<b>\$ 10,387</b>
<b>Research &amp; Development - GAAP</b>	<b>\$ 12,984</b>	<b>\$ 12,308</b>	<b>\$ 13,113</b>	<b>\$ 12,264</b>	<b>\$ 13,051</b>
Adjustments to reconcile GAAP R&D to Non-GAAP R&D:					
Stock-based compensation expense	(2,202)	(2,102)	(2,196)	(1,619)	(1,794)
<b>Research &amp; Development - Non-GAAP</b>	<b>\$ 10,782</b>	<b>\$ 10,206</b>	<b>\$ 10,917</b>	<b>\$ 10,645</b>	<b>\$ 11,257</b>
<b>Selling, General, &amp; Administrative - GAAP</b>	<b>\$ 16,498</b>	<b>\$ 16,194</b>	<b>\$ 15,611</b>	<b>\$ 14,766</b>	<b>\$ 15,645</b>
Adjustment to reconcile GAAP SG&A to Non-GAAP SG&A:					
Stock-based compensation expense	(2,708)	(2,674)	(2,683)	(2,121)	(2,126)
Expenses of arbitration (1)	—	(75)	(226)	(166)	(2,133)
Acquisition-related costs (2)	—	—	(33)	(176)	—
<b>Selling, General, &amp; Administrative - Non-GAAP</b>	<b>\$ 13,790</b>	<b>\$ 13,445</b>	<b>\$ 12,669</b>	<b>\$ 12,303</b>	<b>\$ 11,386</b>

- (1) Represents expenses related to an arbitration proceeding over a disputed contract with a customer, which expenses are expected to continue until the arbitration is resolved.
- (2) Acquisition-related costs are incremental expenses related to a business or asset acquisition transaction(s). These expenses may include consulting, legal and other fees. For the three months ended September 30, 2023, and June 30, 2023, the charges were related to the acquisition of Lantern Machinery Analytics, Inc.