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 27, 2024

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: 001-37961

ICHOR HOLDINGS, LTD.
(Exact Name of Registrant as Specified in its Charter)

Cayman Islands	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3185 Laurelview Ct. **Fremont, California**	**94538**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (510) 897-5200

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, par value $0.0001	ICHR	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Small 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 ☒

As of November 1, 2024, the registrant had 33,733,340 ordinary shares, $0.0001 par value per share, outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

ICHOR HOLDINGS, LTD.
Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	September 27, 2024	December 29, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 116,447	$ 79,955
Accounts receivable, net	84,150	66,721
Inventories	239,359	245,885
Prepaid expenses and other current assets	7,105	8,804
Total current assets	447,061	401,365
Property and equipment, net	89,283	92,755
Operating lease right-of-use assets	35,136	36,611
Other noncurrent assets	14,675	11,912
Deferred tax assets, net	3,366	3,148
Intangible assets, net	50,979	57,288
Goodwill	335,402	335,402
Total assets	$ 975,902	$ 938,481
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 80,963	$ 60,490
Accrued liabilities	17,338	14,871
Other current liabilities	6,899	6,638
Current portion of long-term debt	7,500	7,500
Current portion of lease liabilities	10,239	9,463
Total current liabilities	122,939	98,962
Long-term debt, less current portion, net	122,782	241,183
Lease liabilities, less current portion	26,090	28,187
Deferred tax liabilities, net	1,169	1,169
Other non-current liabilities	5,647	4,303
Total liabilities	278,627	373,804
Shareholders' equity:		
Preferred shares ($0.0001 par value; 20,000,000 shares authorized; 0 shares issued and outstanding)	—	—
Ordinary shares ($0.0001 par value; 200,000,000 shares authorized; 33,724,917 and 29,435,398 shares outstanding, respectively; 38,162,356 and 33,872,837 shares issued, respectively)	3	3
Additional paid in capital	601,056	451,581
Treasury shares at cost (4,437,439 shares)	(91,578)	(91,578)
Retained earnings	187,794	204,671
Total shareholders' equity	697,275	564,677
Total liabilities and shareholders' equity	$ 975,902	$ 938,481

The accompanying notes are an integral part of these consolidated financial statements.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Net sales	$ 211,139	$ 196,761	$ 615,749	$ 607,639
Cost of sales	183,348	172,692	539,407	524,588
Gross profit	27,791	24,069	76,342	83,051
Operating expenses:				
Research and development	5,872	5,188	17,168	14,689
Selling, general, and administrative	20,227	20,066	59,253	59,733
Amortization of intangible assets	2,077	3,639	6,309	11,565
Total operating expenses	28,176	28,893	82,730	85,987
Operating loss	(385)	(4,824)	(6,388)	(2,936)
Interest expense, net	1,638	5,136	7,592	14,716
Other expense, net	587	29	876	913
Loss before income taxes	(2,610)	(9,989)	(14,856)	(18,565)
Income tax expense	166	436	2,021	12,521
Net loss	$ (2,776)	$ (10,425)	$ (16,877)	$ (31,086)
Net loss per share				
Basic	$ (0.08)	$ (0.36)	$ (0.52)	$ (1.07)
Diluted	$ (0.08)	$ (0.36)	$ (0.52)	$ (1.07)
Shares used to compute Net loss per share:				
Basic	33,700,246	29,297,347	32,419,762	29,132,879
Diluted	33,700,246	29,297,347	32,419,762	29,132,879

The accompanying notes are an integral part of these consolidated financial statements.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Shareholders' Equity
(in thousands, except share amounts)
(unaudited)

For the three months ending September 27, 2024	Ordinary Shares		Additional Paid-In Capital	Treasury Shares		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		Shares	Amount		
Balance at June 28, 2024	33,629,331	$ 3	$ 595,881	4,437,439	$ (91,578)	$ 190,570	$ 694,876
Ordinary shares issued from exercise of stock options	7,309	—	170	—	—	—	170
Ordinary shares issued from vesting of restricted share units	43,290	—	(953)	—	—	—	(953)
Ordinary shares issued from employee share purchase plan	44,987	—	1,286	—	—	—	1,286
Share-based compensation expense	—	—	4,672	—	—	—	4,672
Net loss	—	—	—	—	—	(2,776)	(2,776)
Balance at September 27, 2024	33,724,917	$ 3	$ 601,056	4,437,439	$ (91,578)	$ 187,794	$ 697,275

For the three months ending September 29, 2023	Ordinary Shares		Additional Paid-In Capital	Treasury Shares		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		Shares	Amount		
Balance at June 30, 2023	29,241,561	$ 3	$ 441,883	4,437,439	$ (91,578)	$ 226,995	$ 577,303
Ordinary shares issued from exercise of stock options	90,247	—	1,602	—	—	—	1,602
Ordinary shares issued from vesting of restricted share units	43,580	—	(553)	—	—	—	(553)
Share-based compensation expense	—	—	4,752	—	—	—	4,752
Net loss	—	—	—	—	—	(10,425)	(10,425)
Balance at September 29, 2023	29,375,388	$ 3	$ 447,684	4,437,439	$ (91,578)	$ 216,570	$ 572,679

The accompanying notes are an integral part of these consolidated financial statements.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Shareholders' Equity
(in thousands, except share amounts)
(unaudited)

For the nine months ending September 27, 2024	Ordinary Shares		Additional Paid-In Capital	Treasury Shares		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		Shares	Amount		
Balance at December 29, 2023	29,435,398	$ 3	$ 451,581	4,437,439	$ (91,578)	$ 204,671	$ 564,677
Ordinary shares issued, net of transaction costs	3,833,334	—	136,738	—	—	—	136,738
Ordinary shares issued from exercise of stock options	149,640	—	3,670	—	—	—	3,670
Ordinary shares issued from vesting of restricted share units	225,505	—	(4,225)	—	—	—	(4,225)
Ordinary shares issued from employee share purchase plan	81,040	—	2,307	—	—	—	2,307
Share-based compensation expense	—	—	10,985	—	—	—	10,985
Net loss	—	—	—	—	—	(16,877)	(16,877)
Balance at September 27, 2024	33,724,917	$ 3	$ 601,056	4,437,439	$ (91,578)	$ 187,794	$ 697,275

For the nine months ending September 29, 2023	Ordinary Shares		Additional Paid-In Capital	Treasury Shares		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		Shares	Amount		
Balance at December 30, 2022	28,861,949	$ 3	$ 431,415	4,437,439	$ (91,578)	$ 247,656	$ 587,496
Ordinary shares issued from exercise of stock options	215,009	—	4,452	—	—	—	4,452
Ordinary shares issued from vesting of restricted share units	200,809	—	(2,882)	—	—	—	(2,882)
Ordinary shares issued from employee share purchase plan	97,621	—	2,033	—	—	—	2,033
Share-based compensation expense	—	—	12,666	—	—	—	12,666
Net loss	—	—	—	—	—	(31,086)	(31,086)
Balance at September 29, 2023	29,375,388	$ 3	$ 447,684	4,437,439	$ (91,578)	$ 216,570	$ 572,679

The accompanying notes are an integral part of these consolidated financial statements.

ICHOR HOLDINGS, LTD.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended	
	September 27, 2024	September 29, 2023
Cash flows from operating activities:		
Net loss	$ (16,877)	$ (31,086)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	22,768	26,036
Share-based compensation	10,985	12,666
Deferred income taxes	(218)	9,388
Amortization of debt issuance costs	349	349
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(17,429)	32,971
Inventories	6,526	16,760
Prepaid expenses and other assets	3,060	8,610
Accounts payable	22,746	(34,756)
Accrued liabilities	2,845	(7,106)
Other liabilities	(4,387)	(13,774)
Net cash provided by operating activities	30,368	20,058
Cash flows from investing activities:		
Capital expenditures	(13,238)	(13,239)
Net cash used in investing activities	(13,238)	(13,239)
Cash flows from financing activities:		
Issuance of ordinary shares, net of fees	136,738	—
Issuance of ordinary shares under share-based compensation plans	5,599	6,151
Employees' taxes paid upon vesting of restricted share units	(4,225)	(2,882)
Repayments on revolving credit facility	(115,000)	(15,000)
Repayments on term loan	(3,750)	(5,625)
Net cash provided by (used in) financing activities	19,362	(17,356)
Net increase (decrease) in cash	36,492	(10,537)
Cash at beginning of period	79,955	86,470
Cash at end of period	$ 116,447	$ 75,933
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 9,201	$ 15,132
Cash paid during the period for taxes, net of refunds	$ 1,804	$ 3,852
Supplemental disclosures of non-cash activities:		
Capital expenditures included in accounts payable	$ 569	$ 145
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 4,671	$ 3,103

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – Basis of Presentation and Selected Significant Accounting Policies

Basis of Presentation

These consolidated unaudited financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP"). All intercompany balances and transactions have been eliminated upon consolidation. All dollar figures presented in tables in the notes to the consolidated financial statements are in thousands, except per share amounts. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted as permitted by the U.S. Securities and Exchange Commission's rules and regulations for interim reporting. These consolidated financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 29, 2023.

Year End

We use a 52- or 53-week fiscal year ending on the last Friday in December. Our fiscal years ending December 27, 2024 and December 29, 2023 are each 52 weeks. References to 2024 and 2023 relate to the fiscal years then ended, respectively. The three-month periods ended September 27, 2024 and September 29, 2023 are each 13 weeks. References to the third quarter of 2024 and 2023 relate to the three-month periods then ended.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods presented. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results could differ from the estimates made by management. Significant estimates include inventory valuation, uncertain tax positions, valuation allowance on deferred tax assets, and impairment analysis for both definite-lived intangible assets and goodwill.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits and financial instruments which are readily convertible into cash and have original maturities of 90 days or less at the time of acquisition.

Fair Value of Financial Instruments

The carrying values of our financial instruments, including cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities, and long-term debt, net of unamortized debt issuance costs, approximate fair value.

Revenue Recognition

We recognize revenue when control of promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. This amount is recorded as net sales in our consolidated statements of operations.

Transaction price – In most of our contracts, prices are generally determined by a customer-issued purchase order and generally remain fixed over the duration of the contract. Certain contracts contain variable consideration, including early-payment discounts and rebates. When a contract includes variable consideration, we evaluate the estimate of the variable consideration to determine whether the estimate needs to be constrained; therefore, we include the variable consideration in the transaction price only to the extent that it is probable that a significant reversal will not occur. Variable consideration estimates are updated at each reporting date. Historically, we have not incurred significant costs to obtain a contract. All amounts billed to a customer relating to shipping and handling are classified as net sales, while all costs incurred by us for shipping and handling are classified as cost of sales.

Performance obligations – Substantially all of our performance obligations pertain to promised goods (“products”), which are primarily comprised of fluid delivery subsystems, weldments, and other components. Most of our contracts contain a single performance obligation and are generally completed within 12 months. Product sales are recognized at a point-in-time, upon "delivery," as such term is defined within the contract, which is generally at the time of shipment, as that is when control of the product has transferred. Products are covered by a standard assurance warranty, generally extended for a period of one to two years depending on the customer, which promises that delivered products conform to contract specifications. As such, we account for such warranties under Accounting Standards Codification ("ASC") Topic 460, *Guarantees*, and not as a separate performance obligation.

Contract balances – Accounts receivable represents our unconditional right to receive consideration from our customers. Accounts receivable are carried at invoice price less an estimate for doubtful accounts and estimated payment discounts. Payment terms vary by customer, but payment is generally due within 15 to 60 days of purchase. Historically, we have not experienced significant payment issues with our customers. We had no significant contract assets or liabilities on our consolidated balance sheets in any of the periods presented herein.

Public Offering of Shares

In March 2024, we completed an underwritten public offering of 3.8 million ordinary shares, which included the exercise in full of the underwriters' option to purchase additional ordinary shares. We received net proceeds from the offering of approximately $136.7 million, after deducting the underwriting discount of $1.59 per share and incremental offering expenses of $0.9 million.

Accounting Pronouncements Recently Issued

In November 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting - Improvements to Reportable Segment Disclosures (Topic 280). This ASU updates reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires all annual disclosures currently required by Topic 280 to be included in interim periods. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. We are currently evaluating the ASU's impact on the required disclosures.

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740). This ASU is intended to enhance the transparency, decision usefulness, and effectiveness of income tax disclosures. The ASU requires a public entity to disclose a tabular tax rate reconciliation, using both percentages and currency, with specific categories. The ASU also requires a public entity to provide a qualitative description of the state and local income tax category and the net amount of income taxes paid, disaggregated by federal, state, and foreign taxes as well as by individual jurisdictions. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024, and early adoption and retrospective application are permitted. We are currently evaluating the effect that the adoption of this ASU may have on our consolidated financial statements.

Note 2 – Inventories

Inventories consist of the following:

	September 27, 2024	December 29, 2023
Raw materials	$ 188,553	$ 190,027
Work in process	44,898	36,849
Finished goods	39,908	47,449
Excess and obsolete adjustment	(34,000)	(28,440)
Total inventories	$ 239,359	$ 245,885

Note 3 – Property and Equipment and Other Noncurrent Assets

Property and equipment consist of the following:

	September 27, 2024	December 29, 2023
Machinery	$ 118,387	$ 113,529
Leasehold improvements	47,815	46,129
Computer software, hardware, and equipment	9,054	10,316
Office furniture, fixtures, and equipment	1,327	1,320
Vehicles	395	396
Construction-in-process	8,858	4,216
	185,836	175,906
Less accumulated depreciation	(96,553)	(83,151)
Total property and equipment, net	$ 89,283	$ 92,755

Depreciation expense was $5.2 million and $4.9 million for the third quarter of 2024 and 2023, respectively. Depreciation expense was $15.6 million and $13.7 million for the nine months ended September 27, 2024 and September 29, 2023, respectively.

Cloud Computing Implementation Costs

We capitalize implementation costs associated with hosting arrangements that are service contracts. These costs are recorded to prepaid expenses or other noncurrent assets. To date, these costs have been those incurred to implement a new company-wide enterprise resource planning system. The balance of capitalized cloud computing implementation costs, net of accumulated amortization, was $10.0 million and $8.1 million as of September 27, 2024 and December 29, 2023, respectively, and is included in other noncurrent assets on our consolidated balance sheets. The related amortization expense, which is included in selling, general, and administrative expense on our consolidated statements of operations, was $0.3 million and $0.3 million for the third quarter of 2024 and 2023, respectively, and $0.8 million and $0.8 million for the nine months ended September 27, 2024 and September 29, 2023, respectively.

Note 4 – Intangible Assets

Definite-lived intangible assets consist of the following:

	September 27, 2024				
	Gross value	Accumulated amortization	Accumulated impairment charges	Carrying amount	Weighted average useful life
Customer relationships	$ 73,142	$ (26,784)	$ —	$ 46,358	9.9 years
Developed technology	11,047	(6,426)	—	4,621	10.0 years
Total intangible assets	$ 84,189	$ (33,210)	$ —	$ 50,979	

	December 29, 2023				
	Gross value	Accumulated amortization	Accumulated impairment charges	Carrying amount	Weighted average useful life
Customer relationships	$ 105,542	$ (53,680)	$ —	$ 51,862	8.7 years
Developed technology	11,047	(5,621)	—	5,426	10.0 years
Total intangible assets	$ 116,589	$ (59,301)	$ —	$ 57,288	

Note 5 – Leases

Operating lease right-of-use (“ROU”) assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For purposes of calculating operating lease ROU assets and liabilities, we use the non-cancelable lease term plus options to extend that we are reasonably certain to take. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Our leases generally do not provide an implicit rate. As such, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

We lease facilities under non-cancelable operating leases that expire at various dates during the years 2024 through 2031. In addition to base rental payments, we are generally responsible for our proportionate share of operating expenses, including facility maintenance, insurance, and property taxes. As these amounts are variable, they are not included in lease liabilities.

The components of lease expense are as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Operating lease cost	$ 2,603	$ 2,384	$ 7,587	$ 7,188

Supplemental cash flow information related to leases is as follows:

	Nine Months Ended	
	September 27, 2024	September 29, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 7,404	$ 6,953

Supplemental balance sheet information related to leases is as follows:

	September 27, 2024	December 29, 2023
Weighted-average remaining lease term of operating leases	4.2 years	4.6 years
Weighted-average discount rate of operating leases	4.1%	3.4%

Future minimum lease payments under non-cancelable leases are as follows as of September 27, 2024:

2024, remaining	$	2,537
2025		10,252
2026		9,732
2027		8,883
2028		4,270
Thereafter		3,944
Total future minimum lease payments		39,618
Less imputed interest		(3,289)
Total lease liabilities	$	36,329

Note 6 – Income Taxes

Income tax information for the periods reported is as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Income tax expense	$ 166	$ 436	$ 2,021	$ 12,521
Loss before income taxes	$ (2,610)	$ (9,989)	$ (14,856)	$ (18,565)
Effective income tax rate	(6.4)%	(4.4)%	(13.6)%	(67.4)%

Our effective tax rate for the three and nine months ended September 27, 2024 differs from the statutory rate primarily due to taxes on foreign income that differs from the U.S. tax rate, including a tax holiday in Singapore from which we will benefit through 2026, and a valuation allowance against U.S. deferred tax assets.

Our effective tax rate for the three and nine months ended September 29, 2023 differs from the statutory rate primarily due to a valuation allowance recorded against our U.S. federal and state deferred tax assets, as well as taxes on foreign income that differ from the U.S. tax rate, including a tax holiday in Singapore from which we will benefit through 2026. We recorded an $11.1 million valuation allowance in the second quarter of 2023 based on an assessment of available positive and negative evidence, including an estimate of being in a three-year cumulative loss position in the U.S. by the end of 2023, projections of future taxable income, and other quantitative and qualitative information. We intend to maintain a full valuation allowance on our U.S. federal and state net deferred tax assets until there is sufficient positive evidence to support the reversal of all or some portion of the valuation allowance.

The ending balance for the unrecognized tax benefits for uncertain tax positions was approximately $4.4 million as of September 27, 2024, of which $0.5 million relates to estimated interest and penalties. The uncertain tax positions that are reasonably possible to decrease in the next twelve months are insignificant.

As of September 27, 2024, we were under examination by California tax authorities.

Note 7 – Employee Benefit Programs

401(k) Plan

We sponsor a 401(k) plan available to employees of our U.S.-based subsidiaries. Participants may make salary deferral contributions not to exceed 50% of a participant's annual compensation or the maximum amount otherwise allowed by law. Eligible employees receive a discretionary matching contribution equal to 50% of a participant's deferral, up to an annual matching maximum of 4% of a participant's annual compensation. Matching contributions were $0.6 million and $0.7 million for the third quarter of 2024 and 2023, respectively, and $2.0 million and $2.2 million for the nine months ended September 27, 2024 and September 29, 2023, respectively.

Note 8 – Long-Term Debt

Long-term debt consists of the following:

	September 27, 2024	December 29, 2023
Term loan	$ 131,250	$ 135,000
Revolving credit facility	—	115,000
Total principal amount of long-term debt	131,250	250,000
Less unamortized debt issuance costs	(968)	(1,317)
Total long-term debt, net	130,282	248,683
Less current portion	(7,500)	(7,500)
Total long-term debt, less current portion, net	$ 122,782	$ 241,183

On October 29, 2021, we entered into an amended and restated credit agreement, which includes a group of financial institutions as direct lenders under the agreement. The credit agreement includes a $150.0 million term loan facility and a $250.0 million revolving credit facility (together, "credit facilities"). Term loan principal payments of $1.9 million are due on a quarterly basis. The credit facilities mature, and amounts due thereunder become payable, on October 29, 2026.

As of September 27, 2024, interest is charged at either the Base Rate or the Bloomberg Short-Term Bank Yield ("BSBY") Rate (as such terms are defined in the credit agreement) at our option, plus an applicable margin. The Base Rate is equal to the higher of i) the Prime Rate, ii) the Federal Funds Rate plus 0.5%, or iii) the BSBY Rate plus 1.00%. The BSBY Rate is equal to BSBY for a particular tenor matching the respective interest period. The applicable margin on Base Rate and BSBY Rate loans is 0.375% to 1.375% and 1.375% to 2.375% per annum, respectively, depending on our leverage ratio, which is based on trailing 12-month Consolidated EBITDA, as defined in our credit agreement. We are also charged a commitment fee of 0.175% to 0.350%, depending on our leverage ratio, on the unused portion of our revolving credit facility. Base Rate interest payments and commitment fees are due quarterly. BSBY Rate interest payments are due on the last day of the applicable interest period, or quarterly for applicable interest periods longer than three months. As of September 27, 2024, our credit facilities bore interest under the BSBY rate option at 7.19%.

Note 9 – Share-Based Compensation

The 2016 Omnibus Incentive Plan provides for grants of share-based awards to employees, directors, and consultants. Awards may be in the form of stock options ("options"), tandem and non-tandem stock appreciation rights, restricted share awards or restricted share units ("RSUs"), performance awards, and other share-based awards. Forfeited or expired awards are returned to the incentive plan pool for future grants. Awards generally vest over four years, 25% on the first anniversary of the date of grant and quarterly thereafter over the remaining three years. Upon vesting of RSUs, shares are withheld to cover statutory minimum withholding taxes. Shares withheld are not reflected as an issuance of ordinary shares within our consolidated statements of shareholders' equity, as the shares are never issued, and the associated tax payments are reflected as financing activities within our consolidated statements of cash flows.

Share-based compensation expense across all plans for options, RSUs, and employee share purchase rights was $4.7 million and $4.8 million for the third quarter of 2024 and 2023, respectively, and $11.0 million and $12.7 million for the nine months ended September 27, 2024 and September 29, 2023, respectively.

Stock Options

The following table summarizes option activity:

	Number of Stock Options			
	Service condition	Weighted average exercise price per share	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding, December 29, 2023	582,163	$ 24.36		
Granted	—	$ —		
Exercised	(149,640)	$ 24.52		
Forfeited or expired	(639)	$ 21.76		
Outstanding, September 27, 2024	431,884	$ 24.30	1.2 years	$ 3,285
Exercisable, September 27, 2024	431,884	$ 24.30	1.2 years	$ 3,285

Restricted Share Units

The following table summarizes RSU activity:

	Number of RSUs			
	Service condition	Performance condition	Market condition	Weighted average grant-date fair value per share
Unvested, December 29, 2023	1,088,083	97,299	171,101	$ 30.37
Granted	410,033	100,941	62,776	$ 40.12
Vested	(326,285)	(6,609)	(8,617)	$ 32.15
Forfeited	(75,277)	(13,021)	(23,419)	$ 30.22
Unvested, September 27, 2024	1,096,554	178,610	201,841	$ 33.68

Employee Share Purchase Plan

The 2017 Employee Stock Purchase Plan (the “2017 ESPP”) grants employees the ability to designate a portion of their base-pay to purchase ordinary shares at a price equal to 85% of the fair market value of our ordinary shares on the first or last day of each six-month purchase period. Purchase periods begin on January 1 or July 1 and end on June 30 or December 31 (or the next business day if such date is not a business day). Shares are purchased on the last day of the purchase period.

As of September 27, 2024, approximately 2.1 million ordinary shares remain available for purchase under the 2017 ESPP.

Note 10 – Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share and a reconciliation of the numerator and denominator used in the calculation:

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Numerator:				
Net loss	$ (2,776)	$ (10,425)	$ (16,877)	$ (31,086)
Denominator:				
Basic weighted average ordinary shares outstanding	33,700,246	29,297,347	32,419,762	29,132,879
Dilutive effect of options	—	—	—	—
Dilutive effect of RSUs	—	—	—	—
Dilutive effect of ESPP	—	—	—	—
Diluted weighted average ordinary shares outstanding	33,700,246	29,297,347	32,419,762	29,132,879
Securities excluded from the calculation of diluted weighted average ordinary shares outstanding (1)	1,992,000	2,068,000	2,512,000	2,505,000
Net loss per share:				
Basic	$ (0.08)	$ (0.36)	$ (0.52)	$ (1.07)
Diluted	$ (0.08)	$ (0.36)	$ (0.52)	$ (1.07)

(1) Represents potentially dilutive options and RSUs excluded from the calculation of diluted weighted average ordinary shares outstanding, because including them would have been antidilutive under the treasury stock method.

Note 11 – Segment Information

Our CODM, the Chief Executive Officer, reviews our results of operations on a consolidated level, and executive staff is structured by function rather than by product category. Additionally, key resources, decisions, and assessment of performance are analyzed at a company-wide level. Therefore, we operate in one operating segment.

Foreign operations are conducted primarily through our wholly owned subsidiaries in Singapore and Malaysia and, to a lesser degree, Scotland, Korea, and Mexico. Our principal markets include North America, Asia, and, to a lesser degree, Europe.

Sales by geographic area represents sales to unaffiliated customers based upon the location to which the products were shipped. The following table sets forth sales by geographic area:

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
United States of America	$ 64,245	$ 64,529	$ 197,898	$ 215,204
Singapore	87,823	80,223	248,490	232,881
Europe	24,818	28,875	77,474	86,625
Other	34,253	23,134	91,887	72,929
Total net sales	$ 211,139	$ 196,761	$ 615,749	$ 607,639

Foreign long-lived assets, exclusive of deferred tax assets, were $49.4 million and $48.2 million as of September 27, 2024 and December 29, 2023, respectively.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Concerning Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. You should not place undue reliance on these statements. All statements other than statements of historical fact included in this report are forward-looking statements. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These forward-looking statements are identified by the use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and similar terms and phrases, including references to assumptions. However, these words are not the exclusive means of identifying such statements. These statements are contained in many sections of this report, including in this *Part I – Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations*. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that we will achieve those plans, intentions or expectations. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, include geopolitical, economic and market conditions, including high inflation, changes to fiscal and monetary policy, high interest rates, currency fluctuations, challenges in the supply chain and any disruptions in the global economy as a result of the conflicts in Ukraine and the Middle East; dependence on expenditures by manufacturers and cyclical downturns in the semiconductor capital equipment industry; reliance on a very small number of original equipment manufacturers ("OEMs") for a significant portion of sales; negotiating leverage held by our customers; competitiveness and rapid evolution of the industries in which we participate; keeping pace with developments in the industries we serve and with technological innovation generally; designing, developing and introducing new products that are accepted by OEMs in order to retain our existing customers and obtain new customers; managing our manufacturing and procurement process effectively; defects in our products that could damage our reputation, decrease market acceptance and result in potentially costly litigation; our dependence on a limited number of suppliers; and other factors set forth in this report, and those set forth in Part I – Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 29, 2023 ("2023 Annual Report on Form 10-K") and our other filings with the Securities and Exchange Commission (“SEC”). All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in *Part I – Item 1A. Risk Factors* to our 2023 Annual Report on Form 10-K, as well as other cautionary statements that are made from time to time in our other filings with the SEC and public communications. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated unaudited financial statements and related notes included elsewhere in this report.

Overview

We are a leader in the design, engineering, and manufacturing of critical fluid delivery subsystems and components for semiconductor capital equipment. Our product offerings include gas and chemical delivery systems and subsystems, collectively known as fluid delivery systems and subsystems, which are key elements of the process tools used in the manufacturing of semiconductor devices. Our gas delivery subsystems deliver, monitor, and control precise quantities of the specialized gases used in semiconductor manufacturing processes such as etch and deposition. Our chemical delivery systems and subsystems precisely blend and dispense the reactive liquid chemistries used in semiconductor manufacturing processes such as chemical-mechanical planarization, electroplating, and cleaning. We also provide precision-machined components, weldments, e-beam and laser-welded components, precision vacuum and hydrogen brazing, surface treatment technologies, and other proprietary products. This vertically integrated portion of our business is primarily focused on metal and plastic parts that are used in gas and chemical systems, respectively.

Fluid delivery subsystems ensure accurate measurement and uniform delivery of specialty gases and chemicals at critical steps in the semiconductor manufacturing processes. Any malfunction or material degradation in fluid delivery reduces yields and increases the likelihood of manufacturing defects in these processes. Most OEMs outsource all or a portion of the design, engineering, and manufacturing of their gas delivery subsystems to a few specialized suppliers, including us. Additionally, many OEMs are outsourcing the design, engineering, and manufacturing of their chemical delivery subsystems due to the increased fluid expertise required to manufacture these subsystems. Outsourcing these subsystems has allowed OEMs to leverage suppliers' highly specialized engineering, design, and production skills while focusing their internal resources on their own value-added processes.

We have a global footprint with production facilities in California, Minnesota, Oregon, Texas, Singapore, Malaysia, the United Kingdom, Korea, and Mexico.

The following table summarizes key financial information for the periods indicated. Amounts are presented in accordance with GAAP unless explicitly identified as being a non-GAAP metric. For a description of our non-GAAP metrics and reconciliations to the most comparable GAAP metrics, please refer below to the section entitled *Non-GAAP Financial Results* within this report.

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
	(dollars in thousands, except per share amounts)			
Net sales	$ 211,139	$ 196,761	$ 615,749	$ 607,639
Gross margin	13.2 %	12.2 %	12.4 %	13.7 %
Non-GAAP gross margin	13.6 %	13.1 %	12.9 %	14.4 %
Operating margin	(0.2)%	(2.5)%	(1.0)%	(0.5)%
Non-GAAP operating margin	3.0 %	2.2 %	2.2 %	3.9 %
Net loss	$ (2,776)	$ (10,425)	$ (16,877)	$ (31,086)
Non-GAAP net income	$ 4,020	$ 2,097	$ 3,127	$ 13,932
Diluted EPS	$ (0.08)	$ (0.36)	$ (0.52)	$ (1.07)
Non-GAAP diluted EPS	$ 0.12	$ 0.07	$ 0.10	$ 0.47

Macroeconomic Conditions and Business Update

The semiconductor industry is cyclical in nature. The industry entered a cyclical downturn in the fourth quarter of 2022 for the primary markets we serve, leading to reductions in spending on semiconductor capital equipment, which resulted in weakened customer demand. In particular, industry overcapacity and a number of macroeconomic factors may have contributed to this reduced spending environment, which combined with increased export controls for advanced semiconductor-related goods and services shipped to China and delayed business investment in electronic memory capacity had varying levels of unfavorable consequences to our business. Although the total market for semiconductor capital equipment has experienced year-over-year stability and growth, inventory digestion at our customers and the relative spending levels within our primary served markets, in particular lower spending levels for deposition and etch equipment, has resulted in demand from our customers persisting at lower levels over the past two years relative to the total semiconductor capital equipment market. To help mitigate these impacts and to better align our resources and cost structure with current and expected future levels of business, we initiated labor cost reduction initiatives starting in the fourth quarter of 2022, which continued through the second quarter of 2024. We did not initiate further, or continue, labor cost reduction initiatives in the third quarter of 2024.

While challenging macroeconomic conditions have impacted and will continue to impact our business and customers in the near term, we believe demand for semiconductors, semiconductor capital equipment, and our products will return to growth, fueled by the long-term growing need for more semiconductor productive capacity and enhanced process technologies.

Results of Operations

The following table sets forth our unaudited results of operations for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
	(in thousands)			
Net sales	$ 211,139	$ 196,761	$ 615,749	$ 607,639
Cost of sales	183,348	172,692	539,407	524,588
Gross profit	27,791	24,069	76,342	83,051
Operating expenses:				
Research and development	5,872	5,188	17,168	14,689
Selling, general, and administrative	20,227	20,066	59,253	59,733
Amortization of intangible assets	2,077	3,639	6,309	11,565
Total operating expenses	28,176	28,893	82,730	85,987
Operating loss	(385)	(4,824)	(6,388)	(2,936)
Interest expense, net	1,638	5,136	7,592	14,716
Other expense, net	587	29	876	913
Loss before income taxes	(2,610)	(9,989)	(14,856)	(18,565)
Income tax expense	166	436	2,021	12,521
Net loss	$ (2,776)	$ (10,425)	$ (16,877)	$ (31,086)

The following table sets forth our unaudited results of operations as a percentage of our total sales for the periods presented.

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
Net sales	100.0	100.0	100.0	100.0
Cost of sales	86.8	87.8	87.6	86.3
Gross profit	13.2	12.2	12.4	13.7
Operating expenses:				
Research and development	2.8	2.6	2.8	2.4
Selling, general, and administrative	9.6	10.2	9.6	9.8
Amortization of intangible assets	1.0	1.8	1.0	1.9
Total operating expenses	13.3	14.7	13.4	14.2
Operating loss	(0.2)	(2.5)	(1.0)	(0.5)
Interest expense, net	0.8	2.6	1.2	2.4
Other expense, net	0.3	0.0	0.1	0.2
Loss before income taxes	(1.2)	(5.1)	(2.4)	(3.1)
Income tax expense	0.1	0.2	0.3	2.1
Net loss	(1.3)	(5.3)	(2.7)	(5.1)

Comparison of the Three and Nine Months Ended September 27, 2024 and September 29, 2023

Net sales

	Three Months Ended		Change		Nine Months Ended		Change	
	September 27, 2024	September 29, 2023	Amount	%	September 27, 2024	September 29, 2023	Amount	%
				(dollars in thousands)				
Net sales	$ 211,139	$ 196,761	$ 14,378	7.3 %	$ 615,749	$ 607,639	$ 8,110	1.3 %

The increase in net sales from the three and nine months ended September 29, 2023 to the three and nine months ended September 27, 2024 was primarily due to increased customer demand as a result of a stronger semiconductor capital equipment spending environment. Further detail is provided above under the section entitled *Macroeconomic Conditions and Business Update*.

Gross margin

	Three Months Ended		Change		Nine Months Ended		Change	
	September 27, 2024	September 29, 2023	Amount	%	September 27, 2024	September 29, 2023	Amount	%
	(dollars in thousands)							
Cost of sales	$ 183,348	$ 172,692	$ 10,656		$ 539,407	$ 524,588	$ 14,819	
Gross profit	$ 27,791	$ 24,069	$ 3,722		$ 76,342	$ 83,051	$ (6,709)	
Gross margin	13.2 %	12.2 %		+100 bps	12.4 %	13.7 %		-130 bps

The increase in gross margin from the third quarter of 2023 to the third quarter of 2024 was primarily due to lower excess and obsolete inventory expense (+120bps), lower severance costs associated with our global reduction-in-force programs (+40bps), partially offset by unfavorable sales mix and higher fixed factory overhead costs (-20bps).

The decrease in gross margin from the nine months ended September 29, 2023 to the nine months ended September 27, 2024 was primarily due to unfavorable sales mix, increased fixed factory overhead costs (-40bps), and increased excess and obsolete inventory expense (-10bps), partially offset by lower severance costs associated with our global reduction-in-force programs (+20bps).

Research and development

	Three Months Ended		Change		Nine Months Ended		Change	
	September 27, 2024	September 29, 2023	Amount	%	September 27, 2024	September 29, 2023	Amount	%
	(dollars in thousands)							
Research and development	$ 5,872	$ 5,188	$ 684	13.2 %	$ 17,168	$ 14,689	$ 2,479	16.9 %

The increase in research and development expenses from the third quarter of 2023 to the third quarter of 2024 was primarily due to increased material and service costs from our new product development programs of $0.5 million and increased employee-related expenses of $0.2 million, inclusive of share-based compensation expense.

The increase from the nine months ended September 29, 2023 to the nine months ended September 27, 2024 was primarily due to increased material and service costs from our new product development programs of $1.7 million and increased employee-related expenses of $0.8 million, inclusive of share-based compensation expense.

Selling, general, and administrative

	Three Months Ended		Change		Nine Months Ended		Change	
	September 27, 2024	September 29, 2023	Amount	%	September 27, 2024	September 29, 2023	Amount	%
	(dollars in thousands)							
Selling, general, and administrative	$ 20,227	$ 20,066	$ 161	0.8 %	$ 59,253	$ 59,733	$ (480)	(0.8)%

Overall, our selling, general, and administrative expenses remained approximately unchanged from the third quarter of 2023 to the third quarter of 2024.

The decrease in selling, general, and administrative expense from the nine months ended September 29, 2023 to the nine months ended September 27, 2024 was primarily due to reduced share-based compensation expense of $2.0 million, partially offset by $0.8 million in transaction-related costs from our acquisitions pipeline and $0.5 million in costs from exiting and consolidating one of our U.S.-based manufacturing facilities incurred during the nine months ended September 27, 2024 only.

Amortization of intangible assets

	Three Months Ended		Change		Nine Months Ended		Change	
	September 27, 2024	September 29, 2023	Amount	%	September 27, 2024	September 29, 2023	Amount	%
				(dollars in thousands)				
Amortization of intangible assets	$ 2,077	$ 3,639	$ (1,562)	(42.9)%	$ 6,309	$ 11,565	$ (5,256)	(45.4)%

The decrease in amortization expense from the three and nine months ended September 29, 2023 to the three and nine months ended September 27, 2024 was due to certain intangible assets becoming fully amortized in the second half of 2023.

Interest expense, net

	Three Months Ended		Change		Nine Months Ended		Change	
	September 27, 2024	September 29, 2023	Amount	%	September 27, 2024	September 29, 2023	Amount	%
				(dollars in thousands)				
Interest expense, net	$ 1,638	$ 5,136	$ (3,498)	(68.1)%	$ 7,592	$ 14,716	$ (7,124)	(48.4)%
Weighted average borrowings outstanding	$ 131,250	$ 292,630	$ (161,380)	(55.1)%	$ 169,430	$ 298,553	$ (129,123)	(43.2)%
Weighted average borrowing rate	7.23 %	7.06 %		+17 bps	7.43 %	6.60 %		+83 bps

The decrease in interest expense, net from the three and nine months ended September 29, 2023 to the three and nine months ended September 27, 2024 was primarily due to decreases in the weighted average amounts borrowed, partially offset by an increase in our weighted average borrowing rate.

Other expense, net

	Three Months Ended		Change		Nine Months Ended		Change	
	September 27, 2024	September 29, 2023	Amount	%	September 27, 2024	September 29, 2023	Amount	%
				(dollars in thousands)				
Other expense, net	$ 587	$ 29	$ 558	1924.1 %	$ 876	$ 913	$ (37)	(4.1)%

The change in other expense, net from the three and nine months ended September 29, 2023 to the three and nine months ended September 27, 2024 was primarily due to currency exchange rate fluctuations during the periods related to our local currency payables of our foreign operations.

Income tax expense

	Three Months Ended		Change		Nine Months Ended		Change	
	September 27, 2024	September 29, 2023	Amount	%	September 27, 2024	September 29, 2023	Amount	%
				(dollars in thousands)				
Income tax expense	$ 166	$ 436	$ (270)	(61.9)%	$ 2,021	$ 12,521	$ (10,500)	(83.9)%
Loss before income taxes	$ (2,610)	$ (9,989)	$ 7,379	(73.9)%	$ (14,856)	$ (18,565)	$ 3,709	(20.0)%
Effective income tax rate	-6.4 %	-4.4 %		-200 bps	-13.6 %	-67.4 %		+5,380 bps

The decrease in income tax expense from the third quarter of 2023 to the third quarter of 2024 was primarily due to decreased foreign taxable income.

The decrease in income tax expense from the nine months ended September 29, 2023 to the nine months ended September 27, 2024 was primarily due to recording a valuation allowance against our U.S. federal and state deferred tax assets in the second quarter of 2023, resulting in an $11.1 million charge to income tax expense. Because we have a valuation allowance recorded against our U.S. state and federal deferred income taxes, we did not record tax benefits from our U.S. taxable losses during the nine months ended September 27, 2024.

Non-GAAP Financial Results

Management uses certain non-GAAP metrics to evaluate our operating and financial results. We believe the presentation of non-GAAP results is useful to investors for analyzing business trends and comparing performance to prior periods, along with enhancing investors' ability to view our results from management's perspective. All non-GAAP adjustments are presented on a gross basis. Non-GAAP gross profit, operating income, and net income (loss) are defined as: gross profit, operating income (loss), or net income (loss), respectively, excluding (1) amortization of intangible assets, share-based compensation expense, and discrete or infrequent charges and gains that are outside of normal business operations, including transaction-related costs, contract and legal settlement gains and losses, facility shutdown costs, and severance costs associated with reduction-in-force programs, to the extent they are present in gross profit, operating income (loss), and net income (loss), respectively; and (2) with respect to non-GAAP net income (loss), the tax impacts associated with these non-GAAP adjustments, as well as non-recurring discrete tax items, including deferred tax asset valuation allowance charges. All non-GAAP adjustments are presented on a gross basis; the related income tax effects, including current and deferred income tax expense, are included in the adjustment line under the heading "Tax adjustments related to non-GAAP adjustments". Non-GAAP diluted earnings per share ("EPS") is defined as non-GAAP net income divided by weighted average diluted ordinary shares outstanding during the period. Non-GAAP gross margin and non-GAAP operating margin are defined as non-GAAP gross profit and non-GAAP operating income, respectively, divided by net sales.

Non-GAAP results have limitations as an analytical tool, and you should not consider them in isolation or as a substitute for our results reported under GAAP. Other companies may calculate non-GAAP results differently or may use other measures to evaluate their performance, both of which could reduce the usefulness of our non-GAAP results as a tool for comparison.

Because of these limitations, you should consider non-GAAP results alongside other financial performance measures and results presented in accordance with GAAP. In addition, in evaluating non-GAAP results, you should be aware that in the future we will incur expenses such as those that are the subject of adjustments in deriving non-GAAP results and you should not infer from our presentation of non-GAAP results that our future results will not be affected by these expenses or other discrete or infrequent charges and gains that are outside of normal business operations.

The following table presents our unaudited non-GAAP gross profit and non-GAAP gross margin and a reconciliation from GAAP gross profit, the most comparable GAAP measure, for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
	(dollars in thousands)			
U.S. GAAP gross profit	$ 27,791	$ 24,069	$ 76,342	$ 83,051
Non-GAAP adjustments:				
Share-based compensation	955	840	2,448	2,352
Other (1)	—	774	908	2,061
Non-GAAP gross profit	$ 28,746	$ 25,683	$ 79,698	$ 87,464
U.S. GAAP gross margin	13.2 %	12.2 %	12.4 %	13.7 %
Non-GAAP gross margin	13.6 %	13.1 %	12.9 %	14.4 %

(1) Represents severance costs associated with our global reduction-in-force programs.

The following table presents our unaudited non-GAAP operating income and non-GAAP operating margin and a reconciliation from GAAP operating income (loss), the most comparable GAAP measure, for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
	(dollars in thousands)			
U.S. GAAP operating income (loss)	$ (385)	$ (4,824)	$ (6,388)	$ (2,936)
Non-GAAP adjustments:				
Amortization of intangible assets	2,077	3,639	6,309	11,565
Share-based compensation	4,672	4,752	10,985	12,666
Transaction-related costs (1)	—	—	785	—
Other (2)	—	793	1,600	2,117
Non-GAAP operating income	$ 6,364	$ 4,360	$ 13,291	$ 23,412
U.S. GAAP operating margin	(0.2)%	(2.5)%	(1.0)%	(0.5)%
Non-GAAP operating margin	3.0 %	2.2 %	2.2 %	3.9 %

(1) Represents transaction-related costs incurred in connection with our acquisitions pipeline.

(2) Represents severance costs associated with our global reduction-in-force programs. Additionally, for the nine months ended September 27, 2024, this amount includes $0.5 million of costs incurred in connection with exiting and consolidating one of our U.S.-based manufacturing facilities.

The following table presents our unaudited non-GAAP net income (loss) and non-GAAP diluted EPS and a reconciliation from GAAP net loss, the most comparable GAAP measure, for the periods indicated. All non-GAAP adjustments are presented on a gross basis; the related income tax effects, including current and deferred income tax expense, are included in the adjustment line under the heading "Tax adjustments related to non-GAAP adjustments".

	Three Months Ended		Nine Months Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
	(dollars in thousands, except per share amounts)			
U.S. GAAP net loss	$ (2,776)	$ (10,425)	$ (16,877)	$ (31,086)
Non-GAAP adjustments:				
Amortization of intangible assets	2,077	3,639	6,309	11,565
Share-based compensation	4,672	4,752	10,985	12,666
Transaction-related costs (1)	—	—	785	—
Other (2)	—	793	1,600	2,117
Tax adjustments related to non-GAAP adjustments (3)	47	3,338	325	7,576
Tax expense from valuation allowance (4)	—	—	—	11,094
Non-GAAP net income (loss)	$ 4,020	$ 2,097	$ 3,127	$ 13,932
U.S. GAAP diluted EPS	$ (0.08)	$ (0.36)	$ (0.52)	$ (1.07)
Non-GAAP diluted EPS	$ 0.12	$ 0.07	$ 0.10	$ 0.47
Shares used to compute non-GAAP diluted EPS	33,986,269	29,733,904	32,851,091	29,507,060

(1) Represents transaction-related costs incurred in connection with our acquisitions pipeline.

(2) Represents severance costs associated with our global reduction-in-force programs. Additionally, for the nine months ended September 27, 2024, this amount includes $0.5 million of costs incurred in connection with exiting and consolidating one of our U.S.-based manufacturing facilities.

(3) Adjusts GAAP income tax expense for the impact of our non-GAAP adjustments, which are presented on a gross basis. During the second quarter of 2023, we recorded a valuation allowance against our U.S. federal and state deferred tax assets on a GAAP basis. In the first quarter of 2024, we determined that the valuation allowance should be recognized against our U.S. federal and state deferred tax assets on a non-GAAP basis as we were not in a three-year cumulative U.S. income position on a non-GAAP basis. Accordingly, from the first quarter of 2024 and forward, tax expense on a GAAP and non-GAAP basis reflects a valuation allowance against our U.S. federal and state deferred tax assets.

(4) During the second quarter of 2023, we recorded a valuation allowance of $11.1 million against our U.S. federal and state deferred tax assets. The valuation allowance was recorded based on an assessment of available positive and negative evidence, including an estimate of being in a three-year cumulative loss position in the U.S. by the end of 2023, projections of future taxable income, and other quantitative and qualitative information.

Liquidity and Capital Resources

The following section discusses our liquidity and capital resources, including our primary sources of liquidity and our material cash requirements. Our cash and cash equivalents are maintained in highly liquid and accessible accounts with no significant restrictions.

Material Cash Requirements

Our primary liquidity requirements arise from: (i) working capital requirements, including procurement of raw materials inventory for use in our factories and employee-related costs, (ii) business acquisitions, (iii) interest and principal payments under our credit facilities, (iv) research and development investments, (v) capital expenditures, and (vi) payment of income taxes. We have no significant long-term purchase commitments related to procuring raw materials inventory. Our ability to fund these material cash requirements will depend, in part, on our future cash flows, which are determined by our future operating performance, and our continued access to the capital markets and are therefore subject to prevailing global macroeconomic conditions and financial, business, and other factors, some of which are beyond our control.

We believe that our cash and cash equivalents, the amounts available under our credit facilities, and our operating cash flow will be sufficient to fund our business and our current obligations for at least the next 12 months and beyond.

Sources and Conditions of Liquidity

Our ongoing sources of liquidity to fund our material cash requirements are primarily derived from: (i) sales to our customers and the related changes in our net operating assets and liabilities and (ii) proceeds from our credit facilities and equity offerings, when applicable. Our credit facilities are comprised of a $150.0 million term loan facility and a $250.0 million revolving credit facility, of which $250.0 million remained available to draw on as of September 27, 2024.

Summary of Cash Flows

We ended the third quarter of 2024 with cash and cash equivalents of $116.4 million, an increase of $36.5 million from the prior year ended December 29, 2023. The increase was primarily due to net proceeds of $136.7 million from our issuance of 3.8 million ordinary shares in March 2024 in connection with an underwritten public offering and net cash provided by operating activities of $30.4 million, partially offset by net payments on credit facilities of $118.8 million and capital expenditures of $13.2 million.

The following table sets forth a summary of operating, investing, and financing activities for the periods presented:

	Nine Months Ended	
	September 27, 2024	September 29, 2023
	(in thousands)	
Cash provided by operating activities	$ 30,368	$ 20,058
Cash used in investing activities	(13,238)	(13,239)
Cash provided by (used in) financing activities	19,362	(17,356)
Net increase (decrease) in cash	$ 36,492	$ (10,537)

Our cash provided by operating activities of $30.4 million for the nine months ended September 27, 2024 consisted of net non-cash charges of $33.9 million, consisting primarily of depreciation and amortization of $22.8 million and share-based compensation expense of $11.0 million, and a decrease in our net operating assets and liabilities of $13.4 million, partially offset by net loss of $16.9 million.

The decrease in our net operating assets and liabilities of $13.4 million during the nine months ended September 27, 2024 was primarily due to an increase in accounts payable of $22.7 million and a decrease in inventories of $6.5 million, partially offset by an increase in accounts receivable of $17.4 million.

Compared to the nine months ended September 29, 2023, higher cash provided by operating activities of $10.3 million in the nine months ended September 27, 2024 was primarily due to $10.7 million in favorable changes in the balances of our working capital accounts.

Cash used in investing activities during the nine months ended September 27, 2024 and September 29, 2023 consisted of capital expenditures.

Cash provided by financing activities during the nine months ended September 27, 2024 consisted of net proceeds of $136.7 million from our issuance of 3.8 million ordinary shares in March 2024 in connection with an underwritten public offering and net proceeds from share-based compensation activity of $1.4 million, partially offset by net payment on our credit facilities of $118.8 million. Cash used in financing activities during the nine months ended September 29, 2023 consisted of net payments on our credit facilities of $20.6 million, partially offset by net proceeds from share-based compensation activity of $3.3 million.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are identified and described in our annual consolidated financial statements and the notes included in our 2023 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Substantially all of our sales arrangement with customers, and the significant majority of our arrangements with third-party suppliers, provide for pricing and payment in U.S. dollars and, therefore, are not subject to material exchange rate fluctuations. As a result, we do not expect foreign currency exchange rate fluctuations to have a material effect on our results of operations. However, increases in the value of the U.S. dollar relative to other currencies would make our products more expensive relative to competing products priced in such other currencies, which could negatively impact our ability to compete. Conversely, decreases in the value of the U.S. dollar relative to other currencies could result in our foreign suppliers raising their prices in order to continue doing business with us.

We have certain operating expenses that are denominated in currencies of the countries in which our operations are located and may be subject to fluctuations due to foreign currency exchange rates, particularly the Singapore dollar, Malaysian ringgit, British pound, euro, Korean won, and Mexican peso. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. To date, foreign currency transaction gains and losses have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions.

Interest Rate Risk

We had total indebtedness of $131.3 million as of September 27, 2024, exclusive of $1.0 million in debt issuance costs, of which $7.5 million was due within 12 months. We do not enter into investments for trading or speculative purposes and have not used derivative financial instruments to manage our interest rate risk exposure. We have not been, nor do we anticipate being exposed to, material risks due to changes in interest rates. As of September 27, 2024, the interest rate on our outstanding debt is based on BSBY, plus an applicable rate depending on our leverage ratio. A hypothetical 100 basis point change in the interest rate on our outstanding debt would have resulted in a $0.3 million change to interest expense during the quarter, or $1.3 million on an annualized basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (the "certifying officers"), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on this evaluation, our certifying officers concluded that our disclosure controls and procedures were effective as of September 27, 2024.

Limitations on Effectiveness of Controls and Procedures

A company's internal control over financial reporting is a process designed by, or under the supervision of, a company's principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate. If we cannot provide reliable financial information, our business, operating results, and share price could be negatively impacted.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the period covered by this report 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

We are currently not a party to any material pending or threatened litigation.

ITEM 1A. RISK FACTORS

This quarterly report should be read in conjunction with the risk factors included in our 2023 Annual Report on Form 10-K. These risk factors do not identify all risks that we face – our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Insider Trading Arrangements

On September 5, 2024, Thomas Rohrs, Chairman of our Board of Directors, entered into a 10b5-1 trading arrangement intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) promulgated under the Exchange Act. The trading arrangement provides for the potential sale of an aggregate of up to 78,128 of our ordinary shares issuable upon the exercise of option awards granted to Mr. Rohrs under our 2016 Omnibus Incentive Plan. The trading arrangement will expire on February 14, 2025, and may be terminated earlier in the limited circumstances defined in the trading arrangement.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal 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
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

* Filed herewith.
** Furnished herewith and not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	ICHOR HOLDINGS, LTD.	
Date: November 5, 2024	By:	/s/ Jeffrey S. Andreson
		Jeffrey S. Andreson *Chief Executive Officer* *(Principal Executive Officer)*
Date: November 5, 2024	By:	/s/ Greg Swyt
		Greg Swyt *Chief Financial Officer* *(Principal Accounting and Financial Officer)*

Exhibit 31.1

CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey S. Andreson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ichor Holdings, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 5, 2024 By: /s/ Jeffrey S. Andreson

Jeffrey S. Andreson

Chief Executive Officer

Exhibit 31.2

CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Greg Swyt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ichor Holdings, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 5, 2024

By: /s/ Greg Swyt

Greg Swyt

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ichor Holdings, Ltd. (the “Company”) on Form 10-Q for the period ending September 27, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 5, 2024	By:	/s/ Jeffrey S. Andreson
		Jeffrey S. Andreson
		Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ichor Holdings, Ltd. (the “Company”) on Form 10-Q for the period ending September 27, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 5, 2024

By: /s/ Greg Swyt

Greg Swyt

Chief Financial Officer