

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

May 7, 2021

Date of Report (Date of earliest event reported)

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-36117

(Commission File Number)

22-2370659

(I.R.S. Employer Identification No.)

804 East Gate Drive, Suite 200, Mt. Laurel, New Jersey 08054

(Address of Principal Executive Offices, including zip code)

(856) 505-8800

(Registrant's Telephone Number, including area code)

N/A

(Former name or former address, if changed since last report)

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 Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.01 per share	INTT	NYSE American

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition

On May 7, 2021, inTEST Corporation (the "Company") issued a press release, held a webcast conference call (as previously announced) and posted the conference call supplemental information and accompanying presentation to its website regarding its financial results for the first quarter ended March 31, 2021. The Company's press release is furnished as Exhibit 99.1, the conference call supplemental information is furnished as Exhibit 99.2, the conference call presentation is furnished as Exhibit 99.3 and the textual representation of the conference call is furnished as Exhibit 99.4 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	2021 First Quarter Results Press Release dated May 7, 2021.
99.2	First Quarter 2021 Conference Call Supplemental Information dated May 7, 2021.
99.3	2021 First Quarter Results Conference Call Presentation dated May 7, 2021.
99.4	Textual representation of conference call of May 7, 2021.

SIGNATURE

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.

inTEST CORPORATION

By: /s/ Hugh T. Regan, Jr.
Hugh T. Regan, Jr.
Secretary, Treasurer and Chief Financial Officer

Date: May 11, 2021

FOR IMMEDIATE RELEASE

inTEST REPORTS 2021 FIRST QUARTER FINANCIAL RESULTS

- Bookings of \$25.2 million increased 43% sequentially and 83% year-over-year
- Revenues of \$19.6 million increased 31% sequentially and 74% year-over-year
- Reported GAAP EPS of \$0.21 and Non-GAAP Adjusted EPS of \$0.24

MT. LAUREL, NJ – May 7, 2021 – inTEST Corporation (NYSE American: INTT), a global supplier of innovative test and process solutions for use in manufacturing and testing across a wide range of markets, including automotive, defense/aerospace, industrial, medical, semiconductor and telecommunications, today announced financial results for the quarter ended March 31, 2021.

2021 First Quarter Summary

(\$ in Millions, Except Per Share Data)

	Three Months Ended		
	3/31/2021	12/31/2020	3/31/2020
Semi Market Bookings (1)	\$ 17.2	\$ 11.1	\$ 6.7
Multimarket Bookings (2)	8.0	6.5	7.1
Total Bookings	\$ 25.2	\$ 17.6	\$ 13.8
Semi Market Bookings (1) - % of Total Bookings	68%	63%	49%
Multimarket Bookings (2) - % of Total Bookings	32%	37%	51%
Semi Market Net Revenues (1)	\$ 13.3	\$ 7.6	\$ 5.0
Multimarket Net Revenues (2)	6.3	7.3	6.2
Total Net Revenues	\$ 19.6	\$ 14.9	\$ 11.2
Semi Market Net Revenues (1) - % of Total Net Revenues	68%	51%	45%
Multimarket Net Revenues (2) - % of Total Net Revenues	32%	49%	55%
Gross Margin	\$ 9.5	\$ 6.7	\$ 4.9
Gross Margin	49%	45%	43%
Net Earnings (Loss) (GAAP)	\$ 2.2	\$ (0.4)	\$ (1.1)
Net Earnings (Loss) per diluted share (GAAP)	\$ 0.21	\$ (0.04)	\$ (0.11)
Adjusted Net Earnings (Loss) (Non-GAAP) (3)	\$ 2.5	\$ (0.1)	\$ (0.8)
Adjusted Net Earnings (Loss) per diluted share (Non-GAAP) (3)	\$ 0.24	\$ (0.01)	\$ (0.08)
EBITDA (Non-GAAP) (3)	\$ 3.0	\$ 0.0	\$ (0.9)
	As of		
	3/31/2021	12/31/2020	3/31/2020
Cash and cash equivalents	\$ 10.2	\$ 10.3	\$ 7.3

(1) Semi Market: These amounts include all bookings and net revenues from the semiconductor market.

(2) Multimarket: These amounts include all bookings and net revenues from markets other than the semiconductor market.

(3) Adjusted Net Earnings (Loss), Adjusted Net Earnings (Loss) per diluted share and EBITDA are non-GAAP financial measures. Further information can be found under “Non-GAAP Financial Measures.” See also the reconciliations of GAAP financial measures to non-GAAP financial measures that accompany this press release.

“inTEST delivered solid financial results for the first quarter, driven predominantly by continued semiconductor demand,” commented inTEST President & CEO Nick Grant. “Momentum has continued unabated, with strong demand for our innovative test and process technology solutions across a diverse set of end applications. Bookings have been steadily increasing over the past year and order flow during the quarter was exceptionally strong. First quarter consolidated bookings of \$25.2 million approached the record levels we saw back in 2000, increasing 43% sequentially and 83% year-over-year. Consolidated net revenues of \$19.6 million exceeded our guidance range and increased 31% sequentially and 74% year-over-year. Gross margin of 49% increased sequentially and on a year-over-year basis from 45% and 43%, respectively. And we returned to profitability for the quarter, reporting GAAP net earnings per diluted share of \$0.21 and non-GAAP adjusted net earnings per diluted share of \$0.24.”

Mr. Grant added, “We continue to make progress developing vertical growth markets and segments outside of the semiconductor market which will serve to lessen our dependency on this cyclical industry. However, at the present time the semi market is a considerable driver of our growth, given the strong industry tailwinds and broad end market demand for semiconductors, compounded by industry-wide chip shortages.

We are laser focused on capturing growth and driving investments that will position us well long-term and I am pleased with the progress we are making. We are setting the stage for our long-term growth and diversification, in-line with our strategic plan.”

2021 Second Quarter Financial Outlook

inTEST’s guidance for the 2021 second quarter includes both GAAP and non-GAAP financial estimates. A reconciliation between these GAAP and non-GAAP financial measures is included below.

inTEST expects that net revenues for the 2021 second quarter will be in the range of \$20.0 million to \$21.0 million and that on a GAAP basis, our net earnings per diluted share will range from \$0.20 to \$0.24. On a non-GAAP basis, we expect our adjusted net earnings per diluted share will range from \$0.23 to \$0.27. In addition, we expect that our gross margin will range from 49% to 51%.

This outlook is based on the Company’s current views with respect to operating and market conditions and customers’ forecasts, which are subject to change. Actual results may differ materially as a result of, among other things, the factors described under “Forward-Looking Statements” below.

2021 First Quarter Supplemental Information and Conference Call Details

inTEST is providing Supplemental Information (“Information”) in combination with its press release. This Information is offered to provide shareholders and analysts with additional information and detail for analyzing the Company’s financial results in advance of the Company’s quarterly conference call. The Information will be available in conjunction with the press release at inTEST’s website www.intest.com, under the “Investors” section.

inTEST management will host a conference call on Friday, May 7, 2021 at 8:30 am Eastern Daylight Time. The conference call will address the Company’s 2021 first quarter financial results and management’s current expectations and views of the industry. The call may also include discussion of strategic, operating, product initiatives or developments, or other matters relating to the Company’s current or future performance. To access the live conference call, please dial (323) 289-6576 or (800) 437-2398. The passcode for the conference call is 5369295. Please reference the inTEST 2021 Q1 Financial Results Conference Call.

2021 First Quarter Live Webcast Details

inTEST Corporation will provide a webcast in conjunction with the conference call. To access the live webcast, including presentation materials, please visit inTEST's website www.intest.com under the "Investors" section.

2021 First Quarter Replay Details (Webcast)

A replay of the webcast will be available on inTEST's website for one year following the live broadcast. To access the webcast replay, including presentation materials, please visit inTEST's website www.intest.com under the "Investors" section.

Submit Questions

In advance of the conference call, and for those investors accessing the webcast, inTEST Corporation welcomes individual investors to submit their questions via email to laura@ga-ir.com.

Non-GAAP Financial Measures

In addition to disclosing results that are determined in accordance with GAAP, we also disclose non-GAAP financial measures. These non-GAAP financial measures consist of adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and EBITDA. Adjusted net earnings (loss) is derived by adding acquired intangible amortization, adjusted for the related income tax expense (benefit), to net earnings (loss). Adjusted net earnings (loss) per diluted share is derived by dividing adjusted net earnings (loss) by diluted weighted average shares outstanding. EBITDA is derived by adding acquired intangible amortization, interest expense, income tax expense, and depreciation to net earnings (loss). These results are provided as a complement to the results provided in accordance with GAAP. Adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and EBITDA are non-GAAP financial measures presented to provide investors with meaningful, supplemental information regarding our baseline performance before acquired intangible amortization charges as this expense may not be indicative of our current core business or future outlook. These measures may be useful to an investor in evaluating the underlying operating performance of our business. The non-GAAP financial measures presented in this press release are used by management to make operational decisions, to forecast future operational results, and for comparison with our business plan, historical operating results and the operating results of our peers. Reconciliations from net earnings (loss) and net earnings (loss) per diluted share to adjusted net earnings (loss) and adjusted net earnings (loss) per diluted share and from net earnings (loss) to EBITDA, are contained in the tables below. The non-GAAP financial measures discussed in this press release may not be comparable to similarly titled measures used by other companies. The presentation of non-GAAP financial measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP.

About inTEST Corporation

inTEST Corporation is a global supplier of innovative test and process solutions for use in manufacturing and testing across a wide range of markets including automotive, defense/aerospace, medical, industrial, semiconductor and telecommunications. Backed by decades of engineering expertise and a culture of operational excellence, we solve difficult thermal, mechanical and electronic challenges for customers worldwide while generating strong cash flow and profits. Our strategy uses these strengths to grow and increase stockholder value by maximizing our businesses and by identifying, acquiring and optimizing complementary businesses.

For more information visit www.intest.com.

Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements do not convey historical information but relate to predicted or potential future events and financial results, such as statements of our plans, strategies and intentions, or our future performance or goals, that are based upon management's current expectations. Our forward-looking statements can often be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," "will," "should," "plans," "projects," "forecasts," "outlook," "anticipates" or similar terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

Such risks and uncertainties include, but are not limited to, any mentioned in this press release as well as the impact of the COVID-19 pandemic on our business, liquidity, financial condition and results of operations; indications of a change in the market cycles in the Semi Market or other markets we serve; changes in business conditions and general economic conditions both domestically and globally; changes in the demand for semiconductors; the success of our strategy to diversify our business by entering markets outside the Semi Market; our ability to successfully consolidate our EMS operations without any impact on customer shipments, quality or the level of our warranty claims and to realize the benefits of the consolidation; the possibility of future acquisitions or dispositions and the successful integration of any acquired operations; our ability to borrow funds or raise capital to finance potential acquisitions; changes in the rates and timing of capital expenditures by our customers; and other risk factors set forth from time to time in our Securities and Exchange Commission filings, including, but not limited to, our annual report on Form 10-K for the year ended December 31, 2020. Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks to circumstances only as of the date on which it is made. We undertake no obligation to update the information in this press release to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events.

Contacts

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Investors:
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– tables follow –

SELECTED FINANCIAL DATA
(Unaudited)
(In thousands, except per share data)

Condensed Consolidated Statements of Operations Data:

	Three Months Ended		
	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>3/31/2020</u>
Net revenues	\$ 19,556	\$ 14,875	\$ 11,230
Gross margin	9,521	6,720	4,867
Operating expenses:			
Selling expense	2,403	1,962	2,052
Engineering and product development expense	1,322	1,245	1,292
General and administrative expense	3,161	2,919	2,876
Restructuring and other charges	55	1,078	8
Operating income (loss)	2,580	(484)	(1,361)
Other income (expense)	(2)	30	(32)
Earnings (loss) before income tax expense (benefit)	2,578	(454)	(1,393)
Income tax expense (benefit)	366	(74)	(250)
Net earnings (loss)	2,212	(380)	(1,143)
Net earnings (loss) per share – basic	\$ 0.21	\$ (0.04)	\$ (0.11)
Weighted average shares outstanding – basic	10,329	10,283	10,221
Net earnings (loss) per share – diluted	\$ 0.21	\$ (0.04)	\$ (0.11)
Weighted average shares outstanding – diluted	10,526	10,283	10,221

Condensed Consolidated Balance Sheets Data:

	As of:		
	<u>3/31/2021</u>	<u>12/31/2020</u>	<u>3/31/2020</u>
Cash and cash equivalents	\$ 10,195	\$ 10,277	\$ 7,318
Trade accounts receivable, net	13,487	8,435	8,052
Inventories	8,212	7,476	7,720
Total current assets	32,456	26,964	23,776
Net property and equipment	2,538	2,350	2,341
Total assets	67,126	62,030	59,059
Accounts payable	3,655	2,424	2,299
Accrued expenses	5,188	4,388	3,754
Total current liabilities	11,171	8,856	8,016
Noncurrent liabilities	8,106	8,422	7,277
Total stockholders' equity	47,849	44,752	43,766

Reconciliation of Net Earnings (Loss) (GAAP) to Adjusted Net Earnings (Loss) (Non-GAAP) and Net Earnings (Loss) Per Share – Diluted (GAAP) to Adjusted Net Earnings (Loss) Per Share – Diluted (Non-GAAP):

	Three Months Ended		
	3/31/2021	12/31/2020	3/31/2020
Net earnings (loss) (GAAP)	\$ 2,212	\$ (380)	\$ (1,143)
Acquired intangible amortization	304	306	311
Tax adjustments	(4)	(2)	(4)
Adjusted net earnings (loss) (Non-GAAP)	<u>\$ 2,512</u>	<u>\$ (76)</u>	<u>\$ (836)</u>
Diluted weighted average shares outstanding	<u>10,526</u>	<u>10,283</u>	<u>10,221</u>
Net earnings (loss) per share – diluted:			
Net earnings (loss) (GAAP)	\$ 0.21	\$ (0.04)	\$ (0.11)
Acquired intangible amortization	0.03	0.03	0.03
Tax adjustments	-	-	-
Adjusted net earnings (loss) per share – diluted (Non-GAAP)	<u>\$ 0.24</u>	<u>\$ (0.01)</u>	<u>\$ (0.08)</u>

Reconciliation of Net Earnings (Loss) (GAAP) to EBITDA (Non-GAAP):

	Three Months Ended		
	3/31/2021	12/31/2020	3/31/2020
Net earnings (loss) (GAAP)	\$ 2,212	\$ (380)	\$ (1,143)
Acquired intangible amortization	304	306	311
Interest expense	-	4	-
Income tax expense (benefit)	366	(74)	(250)
Depreciation	156	156	155
EBITDA (Non-GAAP)	<u>\$ 3,038</u>	<u>\$ 12</u>	<u>\$ (927)</u>

Supplemental Information – Reconciliation of Second Quarter 2021 Estimated Net Earnings Per Share – Diluted (GAAP) to Estimated Adjusted Net Earnings Per Share – Diluted (Non-GAAP):

	Low	High
	Estimated net earnings per share – diluted (GAAP)	\$ 0.20
Acquired intangible amortization	0.03	0.03
Tax adjustments	-	-
Estimated adjusted net earnings per share – diluted (Non-GAAP)	<u>\$ 0.23</u>	<u>\$ 0.27</u>

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inTEST Corporation

**inTEST Corporation
FIRST QUARTER 2021 FINANCIAL RESULTS ANNOUNCEMENT
CONFERENCE CALL SUPPLEMENTAL INFORMATION
MAY 7, 2021**

inTEST Corporation (NYSE American: INTT) is providing this Supplemental Information in conjunction with our 2021 first quarter press release in order to provide shareholders and analysts with additional information and detail for analyzing our financial results in advance of our quarterly conference call. The conference call will begin today, Friday, May 7, 2021, at 8:30 am EDT. To access the conference call, please dial (323) 289-6576 or (800) 437-2398. The passcode for the conference call is 5369295. Please reference the inTEST 2021 Q1 Financial Results Conference Call. In addition, a live webcast will be available on inTEST's website, www.intest.com under the "Investors" section and a replay of the webcast will be available for one year following the live broadcast.

The historical roots of inTEST serve the inherently cyclical semiconductor market. In addition, we also serve a number of diversified growth markets for our precision equipment. As the cornerstone of inTEST, the semiconductor market (Semi Market) is an important component of our business. Complementing this market is our 'Non-Semi' market, which is referred to as 'Multimarket.' 'Multimarket' represents our diversification and refers to any markets other than the semiconductor market. This stems from our strategic objective of growing our business in non-semiconductor markets both organically as well as through acquisition. It is important to note that business within our Thermal segment can fall into either 'Semi' or 'Multimarket,' depending upon how our customers utilize our products or upon their respective applications.

Non-GAAP Financial Measures

In addition to disclosing results that are determined in accordance with GAAP, we also disclose non-GAAP financial measures. These non-GAAP financial measures consist of adjusted net earnings (loss), adjusted net earnings (loss) per diluted share, EBITDA, net earnings excluding restructuring and other non-recurring charges and net earnings excluding restructuring and other non-recurring charges per diluted share. Adjusted net earnings (loss) is derived by adding acquired intangible amortization, adjusted for the related income tax expense (benefit), to net earnings (loss). Adjusted net earnings (loss) per diluted share is derived by dividing adjusted net earnings (loss) by diluted weighted average shares outstanding. EBITDA is derived by adding acquired intangible amortization, interest expense, income tax expense, and depreciation to net earnings (loss). Net earnings per diluted share excluding restructuring and other non-recurring charges is derived by adding restructuring and other charges and other non-recurring charges, both tax effected, to net earnings (loss) and net earnings excluding restructuring and other non-recurring charges per diluted share is derived by dividing net earnings excluding restructuring and other non-recurring charges by diluted weighted average shares outstanding. These results are provided as a complement to the results provided in accordance with GAAP. Adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and EBITDA are non-GAAP financial measures presented to provide investors with meaningful, supplemental information regarding our baseline performance before acquired intangible amortization charges as this expense may not be indicative of our current core business or future outlook. Net earnings excluding restructuring and other non-recurring charges and net earnings excluding restructuring and other non-recurring charges per diluted share are non-GAAP financial measures presented to provide investors with meaningful, supplemental information regarding our baseline performance before restructuring and other non-recurring charges as these restructuring and other non-recurring charges may not be indicative of our current core business or future outlook. These non-GAAP financial measures are used by management to make operational decisions, to forecast future operational results, and for comparison with our business plan, historical operating results and the operating results of our peers. Reconciliations from net earnings (loss) and net earnings (loss) per diluted share to adjusted net earnings (loss) and adjusted net earnings (loss) per diluted share, from net earnings (loss) to EBITDA and from net earnings (loss) and net earnings (loss) per diluted share to net earnings excluding restructuring and other non-recurring charges and net earnings excluding restructuring and other non-recurring charges per diluted share, which are discussed in this Supplemental Information, are contained in the tables below. The non-GAAP financial measures discussed in this Supplemental Information may not be comparable to similarly titled measures used by other companies. The presentation of non-GAAP financial measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP.

Summary of Business and Financial Highlights

Today we reported the following results for the first quarter of 2021:

- Bookings were \$25.2 million, up 43% from \$17.6 million reported for Q4 2020, and up 83% from \$13.8 million reported for Q1 2020.
- Semi bookings were \$17.2 million, up 54% from \$11.1 million reported for Q4 2020 and up 157% from \$6.7 million reported for Q1 2020.
- Multimarket bookings were \$8.1 million, up 24% from \$6.5 million reported for Q4 2020 and up 14% from \$7.1 million reported for Q1 2020.
- Multimarket bookings were 32% of total bookings for Q1 2021, compared to 37% in Q4 2020 and 51% in Q1 2020.
- Net revenues were \$19.6 million, up 31% from \$14.9 million reported for Q4 2020, and up 74% from \$11.2 million reported for Q1 2020.
- Semi net revenues were \$13.3 million, up 75% from \$7.6 million reported for Q4 2020, and up 166% from \$5.0 million reported for Q1 2020.
- Multimarket net revenues were \$6.2 million, down 14% from \$7.3 million reported for Q4 2020 and no change from \$6.2 million reported for Q1 2020.
- Multimarket net revenues were 32% of total net revenues for Q1 2021, compared to 49% in Q4 2020 and 55% in Q1 2020.
- Gross margin was \$9.5 million or 49%, up from \$6.7 million or 45% reported for Q4 2020, and up from \$4.9 million or 43% reported for Q1 2020.
- Operating income was \$2.6 million, up from an operating (loss) of \$(484,000) reported for Q4 2020 and up from an operating (loss) of \$(1.4) million reported for Q1 2020.
- Net earnings were \$2.2 million or \$0.21 per diluted share, up from a net (loss) of \$(380,000) or \$(0.04) per diluted share reported for Q4 2020, and up from a net (loss) of \$(1.1) million or \$(0.11) per diluted share reported for Q1 2020.
- Q1 2021 results included restructuring and other non-recurring costs of \$55,000, details of which are included in this Supplemental Information. These charges were related to the consolidation of our EMS Products Segment. When tax effected, these charges amounted to \$47,000 or less than \$0.01 per diluted share. Excluding this non-recurring charge, Q1 2021 net earnings would have been \$2.3 million or \$0.21 per diluted share (Non-GAAP).
- Q4 2020 results included restructuring and other non-recurring costs of \$1.3M, details of which are included in this Supplemental Information. These charges were primarily related to the restructuring and consolidation of our EMS Products Segment. When tax effected, these charges amounted to \$1.1 million or \$0.11 per diluted share. Excluding these non-recurring charges, Q4 2020 net earnings would have been \$693,000 or \$0.07 per diluted share (Non-GAAP).

Summary of Bookings and Net Revenues

Bookings by end market served in dollars and as a percentage of total bookings and net revenues by end market served in dollars and as a percentage of total net revenues for the periods presented:

(\$ in 000s)	Three Months Ended									
	3/31/2021		12/31/2020		Change		3/31/2020		Change	
					\$	%			\$	%
<u>Bookings</u>										
Industrial	\$ 6,223	24.7%	\$ 3,665	20.8%	\$ 2,558	69.8%	\$ 5,061	36.7%	\$ 1,162	23.0%
Electronic Test	1,832	7.3%	2,825	16.0%	(993)	-35.2%	2,023	14.7%	(191)	-9.4%
Multimarket (Non-Semi)	\$ 8,055	31.9%	\$ 6,490	36.8%	\$ 1,565	24.1%	\$ 7,084	51.4%	\$ 971	13.7%
Semi Market	17,175	68.1%	11,129	63.2%	6,046	54.3%	6,692	48.6%	10,483	156.6%
	\$ 25,230	100.0%	\$ 17,619	100.0%	\$ 7,611	43.2%	\$ 13,776	100.0%	\$ 11,454	83.1%
<u>Net Revenues</u>										
Industrial	\$ 3,828	19.7%	\$ 4,995	33.7%	\$ (1,167)	-23.4%	\$ 4,227	37.6%	\$ (399)	-9.4%
Electronic Test	2,408	12.3%	2,266	15.2%	142	6.3%	1,992	17.7%	416	20.9%
Multimarket (Non-Semi)	\$ 6,236	31.9%	\$ 7,261	48.8%	\$ (1,025)	-14.1%	\$ 6,219	55.4%	\$ 17	0.3%
Semi Market	13,320	68.1%	7,614	51.2%	5,706	74.9%	5,011	44.6%	8,309	165.8%
	\$ 19,556	100.0%	\$ 14,875	100.0%	\$ 4,681	31.5%	\$ 11,230	100.0%	\$ 8,326	74.1%

First quarter 2021 Multimarket bookings were \$8.1 million, or 32% of total bookings, compared with \$6.5 million, or 37% of total bookings in the fourth quarter.

First quarter 2021 Multimarket net revenues were \$6.2 million, or 32% of total net revenues, compared with \$7.3 million, or 49% of total net revenues in the fourth quarter.

Top 10 customers represented 45% of year-to-date net revenues as of the end of the fourth quarter and Texas Instruments represented 16% of net revenues on a year-to-date basis.

Net revenues shipped into China for the quarter ended March 31, 2021 were \$2.2 million or 11% of consolidated net revenues.

Summary of Component Material Costs, Cost of Revenues and Gross Margin

Component material costs, cost of revenues and gross margin in dollars and as a percentage of total net revenues in the periods presented:

(\$ in 000s)	Three Months Ended								
	3/31/2021		12/31/2020		3/31/2020				
Consolidated									
Component material costs	\$	7,076	36.2%	\$	5,226	35.1%	\$	3,397	30.3%
Cost of revenues	\$	10,035	51.3%	\$	8,155	54.8%	\$	6,363	56.7%
Gross margin	\$	9,521	48.7%	\$	6,720	45.2%	\$	4,867	43.3%

First quarter 2021 gross margin was \$9.5 million, or 48.7%, as compared with \$6.7 million, or 45.2%, in the fourth quarter. The improvement in the gross margin percentage was primarily the result of a more favorable absorption of our \$2.5 million in fixed manufacturing costs, which represented 13% of net revenues in Q1 2021 compared to 17% of net revenues in Q4 2020. This improvement was partially offset by an increase in our component material costs of 110 basis points in the first quarter, driven by changes in product and customer mix.

Summary of Results of Operations

Results of operations in dollars and as a percentage of total net revenues in the periods presented:

(Amounts in 000s, except per share data)	Three Months Ended									
	3/31/2021		12/31/2020		Change		3/31/2020		Change	
	\$	%	\$	%	\$	%	\$	%	\$	%
Net revenues	\$ 19,556	100.0%	\$ 14,875	100.0%	\$ 4,681	31.5%	\$ 11,230	100.0%	\$ 8,326	74.1%
Cost of revenues	10,035	51.3%	8,155	54.8%	1,880	23.1%	6,363	56.7%	3,672	57.7%
Gross margin	9,521	48.7%	6,720	45.2%	2,801	41.7%	4,867	43.3%	4,654	95.6%
Selling expense	2,403	12.3%	1,962	13.2%	441	22.5%	2,052	18.2%	351	17.1%
R&D expense	1,322	6.8%	1,245	8.4%	77	6.2%	1,292	11.5%	30	2.3%
G&A expense	3,161	16.1%	2,919	19.6%	242	8.3%	2,876	25.6%	285	9.9%
Restructuring and other charges	55	0.3%	1,078	7.2%	(1,023)	-94.9%	8	0.1%	47	N/A
Operating expenses	6,941	35.5%	7,204	48.4%	(263)	-3.7%	6,228	55.4%	713	11.4%
Operating income (loss)	2,580	13.2%	(484)	-3.2%	3,064	-633.1%	(1,361)	-12.1%	3,941	-289.6%
Other income (expense)	(2)	0.0%	30	0.2%	(32)	106.7%	(32)	-0.3%	30	93.8%
Pre-tax income (loss)	2,578	13.2%	(454)	-3.0%	3,032	-667.8%	(1,393)	-12.4%	3,971	-285.1%
Income tax expense (benefit)	366	1.9%	(74)	-0.5%	440	594.6%	(250)	-2.2%	616	-246.4%
Net income (loss)	\$ 2,212	11.3%	\$ (380)	-2.5%	\$ 2,592	682.1%	\$ (1,143)	-10.2%	\$ 3,355	293.5%
Diluted EPS	\$ 0.21		\$ (0.04)				\$ (0.11)			
Weighted Avg Shares - diluted	10,329		10,283				10,221			
EBITDA	\$ 3,038	15.5%	\$ 12	0.1%	\$ 3,026	25216.7%	\$ (927)	-8.3%	\$ 3,965	-427.7%

Results of Operations Highlights

Selling expense increased by 23% sequentially to \$2.4 million for the first quarter. The \$441,000 increase was driven primarily by higher levels of commission expense in our EMS segment. To a lesser extent, there were also increases in salary & benefit costs as well as higher levels of product warranty accruals.

First quarter engineering and product development expense increased 6% sequentially to \$1.3 million. The \$77,000 increase was driven by a number of increased expense items including benefits, employer payroll taxes, and product development materials.

General and administrative expense increased 8% sequentially to \$3.2 million in the first quarter. The \$242,000 increase was driven primarily by profit related bonus accruals and to a lesser extent, increased stock-based compensation costs.

Restructuring and other charges were \$55,000 in the first quarter compared to \$1.1 million in the fourth quarter. The first quarter restructuring charge was related to the consolidation of the manufacturing operations of our EMS segment. The fourth quarter restructuring charges were driven primarily by costs associated with the restructuring and consolidation of the manufacturing operations of our EMS Products segment, which totaled \$889,000, as well as costs related to a reduction in our Mansfield, MA facility of \$189,000. These restructuring and other charges as well as other non-recurring costs are highlighted in the Summary of Non-Recurring Costs that appears later in this Supplemental Information.

Other income was \$2,000 in the first quarter compared to \$30,000 in the fourth quarter. Our fourth quarter other income included gains on sale of fixed assets and foreign exchange gains, while our first quarter other income did not include any gains on sale and reflected foreign exchange losses.

We booked income tax expense of \$366,000 in the first quarter, reflecting a 14% effective tax rate. This compares to an income tax benefit of \$(74,000) accrued in the fourth quarter, which reflected an effective tax rate of 16%. We currently expect that our effective tax rate for the balance of 2021 will range from 14% to 16%.

For the quarter ended March 31, 2021, we had net earnings of \$2.2 million or \$0.21 per diluted share, compared to a net loss of \$(380,000) or \$(0.04) per diluted share for the fourth quarter. Our first quarter results included restructuring and other charges of \$55,000, which when tax effected amounted to \$47,000 or less than a penny per diluted share. Excluding these non-recurring costs, our first quarter net earnings would have been \$2.3 million or \$0.21 per diluted share. Our fourth quarter results included non-recurring charges of \$1.3 million, which included the \$1.1 million in restructuring and other charges previously discussed, and when tax effected these costs amounted to \$1.1 million or \$0.11 per share. Excluding these non-recurring costs, our fourth quarter net earnings would have been \$693,000 or \$0.07 per diluted share (Non-GAAP).

Diluted weighted average shares outstanding were 10,525,826 for the first quarter of 2021. We issued 81,468 shares of restricted stock and had no forfeitures of shares of restricted stock and we did not repurchase any shares during the first quarter of 2021. During the first quarter of 2021, we had 99,740 option shares exercised and raised \$717,000 in cash from those exercises during the quarter.

Depreciation expense was \$156,000 for the first quarter (unchanged from the fourth quarter), while acquired intangible amortization was \$304,000 (essentially unchanged from \$306,000 for the fourth quarter). Stock-based compensation expense was \$269,000 for the first quarter of 2021 (compared to \$191,000 for the fourth quarter). The increase in stock-based compensation expense was driven by the Q1 2021 issuances of restricted stock and options at much higher prices per share than our historical stock-based compensation awards.

EBITDA increased from \$12,000 for the fourth quarter to \$3.0 million reported for the first quarter.

Balance Sheet and Cash Flow Highlights

Cash and cash equivalents at the end of the first quarter were \$10.2 million, down \$82,000 or 1% from December 31, 2020. During the quarter we had in cash flow used in operations of \$337,000. Today cash stands at \$12.0 million. We currently expect cash and cash equivalents to increase throughout 2021 before the impacts of any acquisition related activities.

In early April 2021, we increased the amount of our revolving credit facility from \$7.5 million to \$10.0 million and extended the term of the revolver from 364 days to 3 years. The increase in term also included the implementation of a 15 basis-point non-usage fee.

Accounts receivable increased \$5.1 million or 60% sequentially to \$13.5 million at March 31, 2021 with 62 DSO.

Inventories increased \$736,000 or 10% sequentially to \$8.2 million at March 31, 2021, which corresponded to 105 days of inventory.

Capital expenditures during the first quarter were \$388,000, up from \$138,000 in the fourth quarter. Included in the first quarter capital expenditures was \$267,000 for tenant improvements to our Mt. Laurel, NJ facility related to our EMS facility consolidation, which essentially completed these tenant improvements.

The backlog at the end of March was \$17.1 million, up \$5.7 million or 49% from \$11.5 million at December 31, 2020.

Summary of Non-Recurring Costs

<u>Description</u>	<u>Q1 20</u>	<u>Q2 20</u>	<u>Q3 20</u>	<u>Q420</u>	<u>2020</u>	<u>Q1 21</u>
Costs associated with the CEO transition						
Severance and Medical costs			133		133	
Other costs (legal, consulting, reversal of stock based comp)		136	108	20	264	
	-	136	241	20	397	-
EMS Restructure and Consolidation						
Restructuring costs (severance, other lease exit costs)				222	222	
Facility consolidation costs (moving, production start up)			14	145	159	55
Lease impairment charge				522	522	
Total EMS Restructure and Consolidation	-	-	14	889	903	55
Corporate restructuring costs	8				8	
Ambrell restructuring costs		38			38	
MA Lease Space Reduction				189	189	
Ambrell GM Relocation costs			14		14	
Other Items (including renewal of \$50M shelf S-3)		42	57	185	284	
Total Non-Recurring Costs	8	216	326	1,283	1,833	55
Total Restructuring and Other Costs Per Income Statement	8	38	161	1,078	1,285	55

Earnings (Loss) Excluding Non-Recurring Items:

GAAP Net Income (Loss)	(1,143)	170	458	(380)	(895)	2,212
Diluted Average Shares Outstanding	10,221	10,259	10,288	10,283	10,257	10,526
GAAP Diluted Net Income (Loss) per diluted share	\$ (0.11)	\$ 0.02	\$ 0.04	\$ (0.04)	\$ (0.09)	\$ 0.21
Tax effected non-recurring items - \$	7	201	307	1,073	1,588	47
- per diluted share	\$ 0.00	\$ 0.02	\$ 0.03	\$ 0.11	\$ 0.16	\$ -
GAAP Net Income (Loss) excluding non-recurring items - \$	(1,136)	371	765	693	693	2,259
- per diluted share	\$ (0.11)	\$ 0.04	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.21

Reconciliation of Net Earnings (GAAP) to EBITDA (Non-GAAP)

(\$ in 000s)	Three Months Ended		
	3/31/2021	12/31/2020	3/31/2020
Net earnings (loss) (GAAP)	\$ 2,212	\$ (380)	\$ (1,143)
Acquired intangible amortization	304	306	311
Interest expense	-	4	-
Income tax expense (benefit)	366	(74)	(250)
Depreciation	156	156	155
EBITDA (Non-GAAP)	<u>\$ 3,038</u>	<u>\$ 12</u>	<u>\$ (927)</u>

Reconciliation of Net Earnings (Loss) (GAAP) to Net Earnings (Loss) Excluding Restructuring and Other Non-Recurring Charges (Non-GAAP) and Net Earnings (Loss) Per Diluted Share (GAAP) to Net Earnings (Loss) Excluding Restructuring and Other Non-Recurring Charges Per Diluted Share (Non-GAAP)

(\$ in 000s)	Three Months Ended		
	3/31/2021	12/31/2020	3/31/2020
Net earnings (loss) (GAAP)	\$ 2,212	\$ (380)	\$ (1,143)
Less: Restructuring and other charges	55	1,078	8
Less: Other non-recurring charges	-	205	-
Tax adjustments	(8)	(210)	(1)
Net earnings (loss) excluding restructuring and other non-recurring charges (Non-GAAP)	<u>\$ 2,259</u>	<u>\$ 693</u>	<u>\$ (1,136)</u>
Net earnings (loss) per diluted share (GAAP)	\$ 0.21	\$ (0.04)	\$ (0.11)
Less: Restructuring and other charges	-	0.11	-
Less: Other non-recurring charges	-	0.02	-
Tax adjustments	-	(0.02)	-
Net earnings (loss) excluding restructuring and other non-recurring charges per diluted share (Non-GAAP)	<u>\$ 0.21</u>	<u>\$ 0.07</u>	<u>\$ (0.11)</u>

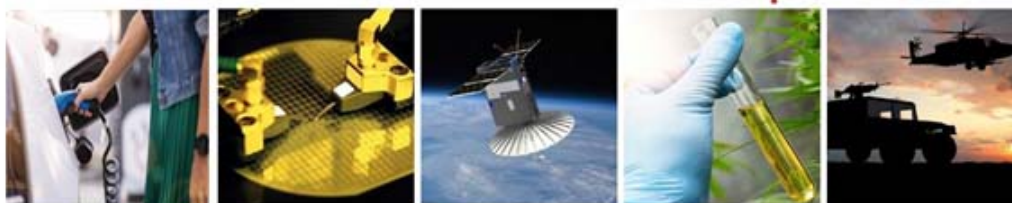
Forward-Looking Statements

This Supplemental Information includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements do not convey historical information but relate to predicted or potential future events and financial results, such as statements of our plans, strategies and intentions, or our future performance or goals, that are based upon management's current expectations. Our forward-looking statements can often be identified by the use of forward-looking terminology such as “believes,” “expects,” “intends,” “may,” “will,” “should,” “plans,” “projects,” “forecasts,” “outlook,” “anticipates” or similar terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

Such risks and uncertainties include, but are not limited to, any mentioned in this Supplemental Information as well as the impact of the COVID-19 pandemic on our business, liquidity, financial condition and results of operations; indications of a change in the market cycles in the Semi Market or other markets we serve; changes in business conditions and general economic conditions both domestically and globally; changes in the demand for semiconductors; the success of our strategy to diversify our business by entering markets outside the Semi Market; our ability to successfully consolidate our EMS operations without any impact on customer shipments, quality or the level of our warranty claims and to realize the benefits of the consolidation; the possibility of future acquisitions or dispositions and the successful integration of any acquired operations; our ability to borrow funds or raise capital to finance potential acquisitions; changes in the rates and timing of capital expenditures by our customers; and other risk factors set forth from time to time in our Securities and Exchange Commission filings, including, but not limited to, our annual report on Form 10-K for the year ended December 31, 2020. Any forward-looking statement made by us in this Supplemental Information is based only on information currently available to us and speaks to circumstances only as of the date on which it is made. We undertake no obligation to update the information in this Supplemental Information to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events.

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inTEST Corporation



Innovative **Test** & Process Solutions

2021 Q1 Financial Results
Conference Call Presentation
May 7, 2021

Nick Grant
President and CEO

Hugh Regan
Treasurer and CFO

inTEST

inTEST Corporation (NYSE American: INTT)

Forward-Looking Statements

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Non-GAAP Financial Measures

In addition to disclosing results that are determined in accordance with GAAP, we also disclose non-GAAP financial measures. These non-GAAP financial measures consist of adjusted net earnings (loss), adjusted net earnings (loss) per diluted share, EBITDA, net earnings excluding restructuring and other non-recurring charges and net earnings excluding restructuring and other non-recurring charges per diluted share. Adjusted net earnings (loss) is derived by adding acquired intangible amortization, adjusted for the related income tax expense (benefit), to net earnings (loss). Adjusted net earnings (loss) per diluted share is derived by dividing adjusted net earnings (loss) by diluted weighted average shares outstanding. EBITDA is derived by adding acquired intangible amortization, interest expense, income tax expense, and depreciation to net earnings (loss). Net earnings per diluted share excluding restructuring and other non-recurring charges is derived by adding restructuring and other charges and other non-recurring charges, both tax effected, to net earnings (loss) and net earnings excluding restructuring and other non-recurring charges per diluted share is derived by dividing net earnings excluding restructuring and other non-recurring charges by diluted weighted average shares outstanding. These results are provided as a complement to the results provided in accordance with GAAP. Adjusted net earnings (loss), adjusted net earnings (loss) per diluted share and EBITDA are non-GAAP financial measures presented to provide investors with meaningful, supplemental information regarding our baseline performance before acquired intangible amortization charges as this expense may not be indicative of our current core business or future outlook. These measures may be useful to an investor in evaluating the underlying operating performance of our business. Net earnings excluding restructuring and other non-recurring charges and net earnings excluding restructuring and other non-recurring charges per diluted share are non-GAAP financial measures presented to provide investors with meaningful, supplemental information regarding our baseline performance before restructuring and other non-recurring charges as these restructuring and other non-recurring charges may not be indicative of our current core business or future outlook. The non-GAAP financial measures included in this presentation are used by management to make operational decisions, to forecast future operational results, and for comparison with our business plan, historical operating results and the operating results of our peers. A reconciliation from net earnings (loss) and net earnings (loss) per diluted share to adjusted net earnings (loss) and adjusted net earnings (loss) per diluted share, from net earnings (loss) to EBITDA and from net earnings (loss) and net earnings (loss) per diluted share to net earnings excluding restructuring and other non-recurring charges and net earnings excluding restructuring and other non-recurring charges per diluted share, which are discussed in this earnings release, is contained in the tables below. The non-GAAP financial measures discussed in this presentation may not be comparable to similarly titled measures used by other companies. The presentation of non-GAAP financial measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP.

CEO Discussion



President & CEO, Nick Grant

- inTEST delivered truly solid Q1'21 financial results
- Momentum cited on Q4 & YE 2020 call has continued unabated
 - Strong demand for our innovative test and process technology solutions across a diverse set of end applications
- Continue to make progress developing vertical growth markets and segments outside of semiconductor market
 - Serves to lessen dependency on this cyclical industry
- Semi market is a considerable driver of our growth
 - Strong industry tailwinds
 - Broad end market demand for semiconductors
 - Compounded by chip shortages

Q1 2021 Bookings and Backlog

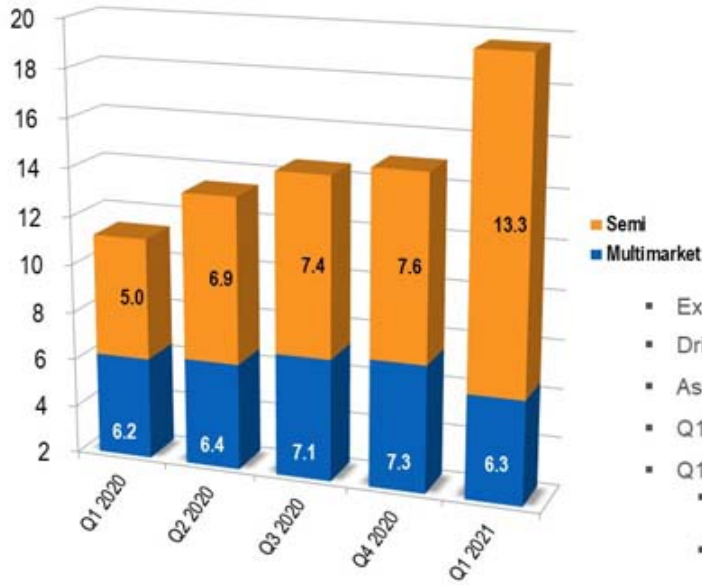
(\$ in millions)



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Q1 2021 Revenue

(\$ in millions)



\$19.6M

74% YoY

31% QoQ

- Exceeded guidance range
- Driven by strength in Semi market
- As % of Q1'21 revenue: Semi 68% / Multimarket 32%
- Q1'21 Semi revenues increased 75% QoQ
- Q1'21 Multimarket revenues declined 14% QoQ
 - Reflects slowdown seen in Q4'20 Multimarket bookings
 - Expect Multimarket shipments to regain QoQ growth in June quarter

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Q1 2021 Net Income and EPS

GAAP EPS



Adjusted EPS (Non-GAAP)



- EPS high-end of guidance range
- GAAP net earnings \$2.2M
- Adjusted net earnings \$2.5M
- EBITDA (Non-GAAP) \$3.0M

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EMS Products Segment



EMS serves 100% Semiconductor markets, specifically, production test for analog and mixed signal semiconductor applications

- EMS entered 2021 with expanded backlog & good momentum.
- Firing on all cylinders: business continues to benefit from broad-based recovery & demand resurgence that began in Q4'20.
- Semiconductor shortages, especially automotive and mobile, helping to drive orders as our customers race to add capacity.
- Continue to drive installed base diversification ~ securing new customers and broadening geographic reach.
- Q1 EMS bookings of \$10.5M up 60% QoQ and 220% YoY.
- Q1 EMS revenues of \$8.5M up 102% QoQ and 348% YoY.
- Q1 ramp-up notable: Q4'20 completed manufacturing consolidation of CA manufacturing operation into NJ.
 - Expect to have shipped more Interface products by end of May than shipped in 2020 entirely and more manipulators in 1H'21 than shipped in all of 2019 and 2020 combined.
- Expect to see QoQ revenue growth again in June quarter
 - EMS team working diligently to convert backlog while orders continue to come in at healthy pace.

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EMS Highlights

- Continue to gain traction with our automated manipulator solutions and received orders for the first LS Series units outside of the US.
- EMS was selected by an international IDM over an incumbent as their supplier of Interface solutions for burn in testing at the wafer level.
 - Historically burn in has been done only post assembly and packaging.
 - Performing sooner allows for earlier failure detection.
 - Development has significant potential with this customer, and we believe it will be for others as well.
- Major EMS win in China selling the first intelligent test cell at a new targeted account.
- Pleased with progress EMS business is making on diversifying its customer base, particularly in light of Semi demand surge we're experiencing.
- Outstanding job capturing growth and working across the supply chain, while watching our utilization rates closely to ensure that they are delivering on our commitments to customers.

Thermal Segment

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Thermal Segment



inTEST Thermal Solutions
an inTEST Company



Ambrell
SEMICONDUCTOR SOLUTIONS
an inTEST Company



Thermal accounts for all Multimarket revenue
and some revenue from
Semiconductor front-end manufacturing
and back-end test

- Continue to make inroads across multiple industries and verticals.
- Q1'21 bookings of \$14.7M up 33% QoQ and 40% YoY.
 - Fueled by improving industrial markets and associated with new budgets at beginning of year.
- Q1'21 revenues of \$11.1M up 4% QoQ and 18% YoY.
- Entered June quarter with larger backlog.
- Optimistic market conditions will continue to improve throughout year.

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Thermal Highlights

- Ambrell achieved highest bookings quarter in its 30-year history. Beat prior record by 34%.
- Demand for Thermal related semi solutions (front end applications) very strong driver of Q1 Thermal growth.
 - Ambrell: 3 of top 4 customers semi related. 4th was medical customer with crystal growing application.
 - ITS: Semi lab market continues strong. ThermoStream® bookings average > \$1M per month for 9 consecutive months (not happened since 2018).
- Automotive/EV:
 - Ambrell received major order for a new EV manufacturing facility in NA. Continues to receive robust orders from other OEMs and EV integrators.
 - ITS delivered number of Thermonics Chillers® to key OEM of materials used in automotive supply chain.
- New Product: Ambrell EKOHEAT® Compact Series first two units up and running with very positive feedback. Received order for 3 additional units from new OEM in Europe. Expect to fully release product in June quarter.
- Despite strength in much of the business, there are areas that were less robust, and we are watching these closely.
 - Bookings in Defense/Aero Thermal business were somewhat sluggish as we saw time to close orders slowed by a variety of approval loops resulting from the new administration.
 - Cannabis extraction orders were down, which seems to be a yearly trend driven by the seasonality surrounding the harvest. In that light, we would look for this business to pick-up later this year.
 - In addition, a couple of major customers' shipments negatively impacted the quarter on a timing related basis.
- Making good strides in Thermal Segment to capture growth opportunities in 2021 and expect that targeted growth investments being made will pay off for us in the future.

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Investing for the Future: Geographic & Market Expansion



Geographic Expansion Improves Presence in Global Served Markets

- In Q1 groundwork laid to drive future growth in Latin America (inTEST has not historically had a presence)
- Mexico provides significant expansion opportunity for our Thermal business with solid growth potential from a number of US manufacturers leveraging the region's low-cost position.
 - Industrial Base: large percentage of electric motors used in a variety of applications are manufactured in Mexico which plays well for Ambrell business.
 - GM announced plan to invest \$1B in Mexico for EV production, which also plays well for us.
 - Ambrell added full-time sales professional in the region.
 - Ambrell initiated plans to set up an application lab in Mexico and add an application engineer to support opportunity development within the region.
 - Already seeing traction from this investment.
- Making investments in Asia
 - Hiring sales manager to develop an ITS Thermonics Chiller network.
 - On Semi side, EMS focusing on expanding in SE Asia to better serve customers.
 - Engineering resource added to further our expansion in this important region.

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Market Expansion: New & Adjacent Markets Through Targeted Marketing & Product Development Programs

- **Emerging Markets:** See as high potential growth opportunities for Thermal (not significant areas of business today)
- **EV:** Increased organic activities with new EV integrators on multiple applications and expanded our solution to include coils with industry leader in EV space.
 - Coils are wear items, which will lead to recurring revenue stream at this strategic account.
 - Team also preparing to launch targeted 3D marketing campaign at 300 identified contacts in EV space to continue driving awareness of inTEST solutions and drive lead generation.
- **Cannabis:** Although Q1 slower order period due to seasonality in the industry, we are not easing our efforts.
 - Continued to make progress with OEM initiative launched earlier: (i) received 1st Chiller order from new OEM (just > \$300k), (ii) follow-on order from OEM we started working with last year, (iii) started working with 2 new OEMs.
 - Expect work we are doing with these OEMs will generate returns for years to come as industry continues to expand.
 - Launched targeted marketing campaign at > 800 potential customers to increase awareness of inTEST solutions and drive lead generation.
- **EMS:** Continue penetrating Memory space through targeted R&D development programs. Believe bigger opportunity has arisen in power device market with EMS' 2nd Gen. High Voltage Test Cell Solution introduced in Q1.
 - INTT teams worked with major ATE to successfully integrate new solution at global leader for analog power devices. Have since received follow-on orders and believe this solution is applicable to many others in this space.

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CEO Concluding Comments

- Pleased with progress around strategic investments being made in inTEST
 - Just getting started
 - Setting stage for long-term growth and diversification, in line with Strategic Plan
- inTEST team delivered a truly solid quarter
- Laser focused on capturing growth and driving investments that will position us well long-term
- See Q2 as another strong quarter and anticipate continuing improvement in industrial markets throughout the year as economies continue to strengthen

Financial Overview



Treasurer & CFO, Hugh Regan

- Returned to profitability in Q1'21
- Semi strength driving improved results
- EMS manufacturing consolidation complete resulting in \$600k of expected savings annually

Operating Performance

	2015	2016	2017	2018	2019	2020	2021 (YTD)
Gross Margin	48%	51%	52%	50%	48%	45%	49%
SG&A	31% ^a	31% ^a	30% ^{ab}	29% ^b	36% ^a	38% ^c	29%
Eng. & Prod. Development	10%	9%	6%	6%	8%	9%	7%
Operating Margin	7% ^a	11% ^a	16% ^{ab}	15% ^{ab}	5% ^a	(2)% ^c	13%
EBITDA	9% ^a	12% ^a	8% ^a	9%	8% ^a	1% ^c	16%

a. Includes acquisition related expenses: 2015 - \$329K; 2016 - \$510K; 2017 - \$905K; 2019 - \$683K

b. Adjusted for contingent consideration adjustment (related to earnout): \$7.0M (2017) and \$6.9M (2018)

c. Includes restructuring, CEO transition costs, lease impairment and other non-recurring costs of \$1.8 million

Q1 2021 Financial Results

(\$ in millions except EPS)



Balance Sheet Highlights

	As of 3/31/2021
Cash and Cash Equivalents	\$10.2M
Working Capital	\$21.3M
Total Assets	\$67.1M
Long-Term Debt	\$0
Shareholder Equity	\$47.8M

Q2 2021 Guidance

Net Revenue	\$20.0M to \$21.0M
GAAP Net Earnings per diluted share	\$0.20 to \$0.24 diluted EPS
Non-GAAP Adjusted Net Earnings per diluted share	\$0.23 to \$0.27 diluted EPS
Gross Margin	49% to 51%

This outlook is based on the Company's current views with respect to operating and market conditions and customers' forecasts, which are subject to change; as well as our expectations for the balance of the quarter, subject to any strategic investments we may choose to make. Actual results may differ materially as a result of, among other things, the factors described under "Forward-Looking Statements" on slide #2.



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Q&A



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Thank You



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Reconciliations for Non-GAAP Measures

Reconciliations for Non-GAAP Measures

(Dollars in thousands)

Reconciliation of Net Earnings (Loss) (GAAP) to EBITDA (Non-GAAP)	Years Ended December 31,					
	2015	2016	2017	2018	2019	2020
Net earnings (loss) (GAAP)	1,861	2,658	975	3,037	2,322	(895)
Net interest (income) expense	(27)	(49)	(47)	(22)	(17)	33
Income tax expense (benefit)	722	1,549	2,863	2,006	282	(336)
Depreciation expense	464	369	618	768	685	630
Amortization expense	289	229	1,161	1,102	1,257	1,233
EBITDA (Non-GAAP)	3,309	4,756	5,570	6,891	4,529	665

Reconciliations for Non-GAAP Measures (Dollars in thousands)

Reconciliation of Net Earnings (Loss) (GAAP) to EBITDA (Non-GAAP)	Quarters Ended				
	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21
Net earnings (loss) (GAAP)	(1,143)	170	458	(380)	2,212
Net interest (income) expense	0	25	4	4	0
Income tax expense (benefit)	(250)	13	(25)	(74)	366
Depreciation expense	155	155	164	156	156
Amortization expense	311	309	307	306	304
EBITDA (Non-GAAP)	(927)	672	908	12	3,038

Reconciliations for Non-GAAP Measures

(Dollars in thousands, except per share)

Reconciliation of Net Earnings (Loss) (GAAP) to Adjusted Net Earnings (Non-GAAP) and Net Earnings (Loss) Per Diluted Share (GAAP) to Adjusted Net Earnings Per Diluted Share (Non-GAAP)	Years Ended	
	2019	2020
Net earnings (loss) (GAAP)	2,322	(895)
Add back: Acquired intangible amortization	1,257	1,233
Tax adjustments	(9)	(26)
Adjusted net earnings (Non-GAAP)	3,570	312
Diluted weighted average shares outstanding	10,392	10,281
Net earnings (loss) per diluted share (GAAP)	\$ 0.22	\$ (0.09)
Add back: Acquired intangible amortization	0.12	0.12
Tax adjustments	0.00	0.00
Adjusted net earnings per diluted share (Non-GAAP)	\$ 0.34	\$ 0.03

Reconciliations for Non-GAAP Measures (Dollars in thousands, except per share)

Reconciliation of Net Earnings (Loss) (GAAP) to Adjusted Net Earnings (Loss) (Non-GAAP) and Net Earnings (Loss) Per Diluted Share (GAAP) to Adjusted Net Earnings (Loss) Per Diluted Share (Non-GAAP)	Quarters Ended				
	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Net earnings (loss) (GAAP)	(1,143)	170	458	(380)	2,212
Add back: Acquired intangible amortization	311	309	307	306	304
Tax adjustments	(4)	(5)	(15)	(2)	(4)
Adjusted net earnings (loss) (Non-GAAP)	(836)	474	750	(76)	2,512
Diluted weighted average shares outstanding	10,221	10,259	10,288	10,283	10,526
Net earnings (loss) per diluted share (GAAP)	\$ (0.11)	\$ 0.02	\$ 0.04	\$ (0.04)	\$ 0.21
Add back: Acquired intangible amortization	0.03	0.03	0.03	0.03	0.03
Tax adjustments	0.00	0.00	0.00	0.00	0.00
Adjusted net earnings (loss) per diluted share (Non-GAAP)	\$ (0.08)	\$ 0.05	\$ 0.07	\$ (0.01)	\$ 0.24

Reconciliations for Non-GAAP Measures (Dollars in thousands, except per share)

Reconciliation of Net Earnings (Loss) (GAAP) to Net Earnings Excluding Restructuring and Other Non-Recurring Charges (Non-GAAP) and Net Earnings (Loss) per diluted share (GAAP) to Net Earnings Excluding Restructuring and Other Non-Recurring Charges per diluted share (Non-GAAP)	Years Ended	
	2019	2020
Net earnings (loss) (GAAP)	2,322	(895)
Less: Restructuring and other non-recurring charges	240	1,833
Tax adjustments	(26)	(245)
Net earnings excluding restructuring and other non-recurring charges (Non-GAAP)	2,536	693
Diluted weighted average shares outstanding	10,392	10,281
Net earnings (loss) per diluted share (GAAP)	\$ 0.22	\$ (0.09)
Less: Restructuring and other non-recurring charges	0.02	0.18
Tax adjustments	0.00	(0.02)
Net earnings per diluted share excluding restructuring and other non-recurring charges (Non-GAAP)	\$ 0.24	\$ 0.07

Reconciliations for Non-GAAP Measures (Dollars in thousands, except per share)

Reconciliation of Net Earnings (Loss) (GAAP) to Net Earnings (Loss) Excluding Restructuring and Other Non-Recurring Charges (Non-GAAP) and Net Earnings (Loss) per diluted share (GAAP) to Net Earnings (Loss) Excluding Restructuring and Other Non-Recurring Charges per diluted share (Non-GAAP)	Quarters Ended				
	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Net earnings (loss) (GAAP)	(1,143)	170	458	(380)	2,212
Less: Restructuring and other non-recurring charges	8	216	326	1,283	55
Tax adjustments	(1)	(15)	(19)	(210)	(8)
Net earnings (loss) per diluted share excluding restructuring and other non-recurring charges (Non-GAAP)	(1,136)	371	765	693	2,259
Diluted weighted average shares outstanding	10,221	10,269	10,288	10,340	10,526
Net earnings (loss) per diluted share (GAAP)	\$ (0.11)	\$ 0.02	\$ 0.04	\$ (0.04)	\$ 0.21
Less: Restructuring and other non-recurring charges	0.00	0.02	0.03	0.13	0.00
Tax adjustments	0.00	0.00	0.00	(0.02)	0.00
Net earnings (loss) per diluted share excluding restructuring and other non-recurring charges (Non-GAAP)	\$ (0.11)	\$ 0.04	\$ 0.07	\$ 0.07	\$ 0.21

On May 7, 2021, inTEST Corporation held its quarterly conference call. The following represents a textual representation of the content of the conference call and while efforts are made to provide an accurate transcription, there may be errors, omissions or inaccuracies in this transcript. A recording of the conference call is available for one year on our website at www.intest.com.

Operator:

Welcome to inTEST Corporation's 2021 first quarter financial results conference call. At this time all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. At that time if you have a question, you will need to press star, one, on your phone. As a reminder, this conference is being recorded today. A replay will be accessible at www.intest.com. I will now turn the call over to inTEST's Investor Relations consultant, Laura Guerrant. Please go ahead, Ma'am.

Laura Guerrant-Oiye, (inTEST Corporation IR Consultant)

Thank you, Operator. And thank you for joining us for inTEST's 2021 first quarter financial results conference call. With us today are Nick Grant, inTEST's President and CEO, and Hugh Regan, Treasurer and Chief Financial Officer. Nick will briefly review the quarter's highlights as well as current business trends. Hugh will then review inTEST's detailed financial results for the quarter and discuss guidance for the 2021 second quarter. We'll then have time for any questions. A copy of today's press release can be obtained on inTEST's website, www.intest.com. In addition to our press release we have issued Supplemental Information, which can be downloaded from our website on the Investors page just mentioned. The Supplemental Information is offered to provide shareholders and analysts with additional information and detail for analyzing our results in advance of the quarterly results conference call.

Before we begin the formal remarks, please note that this conference call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements do not convey historical information but relate to predicted or potential future events that are based upon management's current expectations. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In addition to the factors mentioned in our press release, such risks and uncertainties include, but are not limited to the risk factors set forth from time to time in our Securities and Exchange Commission filings, including, but not limited to, our annual report on Form 10-K for the year ended December 31, 2020. Any forward-looking statement made by us in this conference call is based only on information currently available to us and speaks to circumstances only as of the date on which it is made. We undertake no obligation to update the information on this call to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events.

During today's call, we will make reference to non-GAAP financial measures. We have provided additional information concerning these non-GAAP financial measures, including a reconciliation to the directly comparable GAAP financial measure, in our press release, as well as in the Supplemental Information and the slide presentation for this call. The release, Supplemental Information and slide presentation are posted on the Investor page of our website. www.intest.com.

And lastly, we will be participating in the CEO Summit Virtual Investor Conference on June 15th and will be joining Colliers Securities for a Virtual NDR May 14th.

And with that, let me now turn the call over to Nick Grant. Please go ahead, Nick.

Richard N. Grant (inTEST President, CEO & Director)

Thanks Laura, and welcome, everyone. Thank you for joining us for the first quarter 2021 financial results conference call. inTEST has delivered truly solid financial results in the first quarter. The momentum we cited on our Q4 and full year 2020 call back in March has continued unabated, with strong demand for our innovative test and process technology solutions across a diverse set of end applications. We continue to make progress developing vertical growth markets and segments outside of the semiconductor market which will serve to lessen our dependency on this cyclical industry. However, at the present time semi is a considerable driver of our growth, given the strong industry tailwinds and broad end market demand for semiconductors, compounded by chip shortages.

Let's look first at bookings and backlog. Bookings have been steadily increasing over the past year and order flow during the quarter was exceptionally strong. Q1 consolidated bookings of \$25.2 million approached the record levels we saw back in 2000, increasing 43% sequentially and 83% year-over-year. This level resulted in a book:bill ratio of 1.3. While this is clearly an elevated level from our target of just over 1.0, the team has worked diligently to ramp-up revenue in the quarter and we expect to bring this back in line in Q2. As noted, first quarter bookings were fueled by the Semi markets, which accounted for 68% of our consolidated bookings. Multimarket made up 32% of the overall bookings, driven by a solid rebound in demand from our customers in the industrial markets. This is similar to the 63% / 37% split for Semi and Multimarket last quarter. Both grew nicely sequentially, as Multimarket bookings increased 24% to \$8.1 million and Semi bookings increased 54% to \$17.2 million.

Our backlog continues to be healthy, standing at \$17.1 million at the end of March, a 49% increase over the prior quarter, with some products being requested immediately and others with deliveries nicely spaced throughout the year.

Looking at revenues, Q1 consolidated revenues of \$19.6 million exceeded our guidance range and increased 31% sequentially and 74% year-over-year; and as with bookings were driven by the Semi market. As a percentage of overall revenue, Semi comprised 68% and Multimarkets made up 32%. This compares with a 51% / 49% Semi / Multimarket split last quarter as the company captured growth driven by the strong demand from our Semi customers. Semi revenues for the first quarter increased 75% sequentially to \$13.3 million and Multimarket revenues declined 14% to \$6.2 million, this decline reflects the slowdown we saw in Multimarket bookings in the December quarter. However, with the order strength we saw in Q1, we expect multimarket shipments in the June quarter to regain growth sequentially.

I want to remind everyone... I joined inTEST roughly three quarters ago with a clear Board mandate and a personal vision of positioning the business for long-term growth, which requires a cultural shift and investments. And, as we discussed on our last call when we laid out our Strategic Plan, it will take time to achieve this; however, I'm pleased with the progress we have been able to make thus far. Am I concerned that the strength in Semi market distracts us from the larger mission of diversification? Absolutely. So this is something I pay attention to every day and I remind everyone at InTEST to keep their focus on the end goal. That doesn't mean we aren't going after every bit of growth the semi market is currently providing us - I assure you we are, and I believe our bookings reflect that; however, it's a balance of capturing growth and ensuring we are making the right long-term investments. More to come on that shortly.

Turning to net income ... I am pleased to report that we came in at the high end of our guidance range. We reported GAAP net earnings of \$2.2 million or \$0.21 per diluted share and non-GAAP adjusted net earnings of \$2.5 million or \$0.24 per diluted share. And our EBITDA for the quarter was \$3.0 million. Hugh will fill you in on the details around these figures in a few minutes.

So, let's now turn to our quarterly performance of our two operating segments along with some customer highlights, starting with EMS, which entered 2021 with an expanded backlog and good momentum. EMS is currently firing on all cylinders as the business continues to benefit from the broad-based recovery and demand resurgence that began in Q4. The present Semiconductor shortages, especially in the automotive and mobile market, are helping to drive orders as our customers race to add capacity. We continue to drive installed base diversification by securing new customers and broadening our geographic reach.

In Q1, EMS bookings of \$10.5 million increased 60% sequentially and 220% year-over-year, while EMS revenues of \$8.5 million increased 102% sequentially and 348% year-over-year. I would like to remind everyone that in Q4 we completed the manufacturing consolidation of our CA operation into NJ, so this ramp-up was quite notable in the Quarter. Why do I say that? Well, we currently expect that we will have shipped more Interface Products by the end of May than was shipped in 2020 entirely **and** we expect to have shipped more manipulators in the first half of 2021 than were shipped in all of 2019 + 2020 combined. I do believe that constitutes notable. We expect to see sequential revenue growth again in the current June quarter as the EMS team is working diligently to convert the backlog while orders continue to come in at a healthy pace.

Let me now share with you some specific EMS highlights in the quarter.

- We continue to gain traction with our automated manipulator solutions and received orders for the first LS Series units outside of the US.
- EMS was also selected by an international semi IDM over an incumbent as their supplier of Interface solutions for burn in testing at the wafer level. Historically burn in testing has been done only post assembly and packaging so doing it sooner allows for earlier detection of failures. This development has significant potential with this customer, and we believe it will for others as well.
- Finally, on the new customer front, EMS had a major win in China selling its first intelligent test cell at a targeted account.

I am pleased with the progress the EMS business is making on diversifying its customer base, particularly in light of the Semi demand surge we're experiencing. They have done an outstanding job capturing growth and working across the supply chain, while watching our utilization rates closely to ensure that they are delivering on our commitments to customers.

Shifting now to our Thermal Segment where we continue to make inroads across multiple industries and verticals. Thermal bookings for the first quarter of \$14.7 million were up 33% sequentially and 40% year-over-year, which was fueled by improving industrial markets and associated with new budgets at the beginning of the year. Revenues for the segment of \$11.1 million increased 4% sequentially and 18% year-over-year. We entered the June quarter with a larger backlog than previously and are optimistic market conditions will continue to improve throughout the year as global economies strengthen.

Let me share with you some of the Thermal March quarter highlights:

- Ambrell achieved its highest bookings quarter in the 30-year history of the company, and it did so by beating the prior record by 34%.
- And, as with EMS, demand for our Thermal related semi solutions (which are front end applications) was a very strong driver of Q1 Thermal growth. For Ambrell, three of their top four customers were semi related, and the other was a medical customer with a crystal growing application. For iTS, the Semi lab market continues to be strong with ThermoStream bookings averaging over \$1 million per month for nine consecutive months now. This hasn't happened since 2018.
- On the Automotive / EV front, our Ambrell business received a major order during Q1 for a new EV manufacturing facility in North America and continues to receive robust orders from other OEMs and EV Integrators. iTS also delivered in the quarter a number of Thermonics Chillers to a key OEM manufacturer of materials used in the Automotive supply chain.
- On the new product front, the Ambrell EKOHEAT Compact Series, which had a limited release in Q3 of 2020, has the first two units up and running with very positive feedback. As a result, we received an order for three additional units in the quarter from a new OEM in Europe and expect to fully release this product this quarter.
- Despite the strength we are seeing in much of the business, there are areas that were less robust in the quarter and we are watching these closely. Bookings in our Defense/Aero Thermal business were somewhat sluggish as we saw the time to close orders slowed by a variety of approval loops resulting from the new administration. And Cannabis extraction orders were down for the quarter; and this seems to be a yearly trend driven by the seasonality surrounding the harvest. And in light of that, we would look for this business to pick-up later this year. In addition, a couple of major customers' shipments delays negatively impacted the quarter on a timing related basis.

All in all, I believe we are making good strides in the Thermal Segment to capture growth opportunities in 2021 and expect that the targeted growth investments we are making will pay off for us in the future. So, let's discuss the investments we are making.

On our last call I shared with you our Vision and Strategic Plan along with the strategies we are driving to transform the business. I plan to spend a portion of each conference call going forward addressing a particular aspect of these core strategies to share with you our progress, and today I want to focus on investments we are making in Geographic and Market Expansion area.

Starting first with geographic expansion. We see geographic expansion as improving presence in our served markets globally. In the first quarter we laid the groundwork to drive future growth in Latin America, a region in which inTEST has historically not had a presence.

We believe Mexico provides a significant expansion opportunity for our Thermal business with solid growth potential from a number of US manufacturers leveraging the region's low-cost position. While Mexico is not a hotbed of semiconductor development, the region has a large industrial base. In fact, a large percentage of electric motors used in a variety of applications are manufactured in Mexico which plays well for our Ambrell business. You also may have heard that just a few days ago, GM announced its plan to invest \$1B in Mexico for EV production, which also plays well for us. To better position us there, we added a full-time sales professional in the region for our Ambrell business. Also, as one of our growth programs, Ambrell initiated plans to set up an application lab in Mexico and add an application engineer to support opportunity development within the region. Through the first quarter, they are already seeing traction from this investment.

We are also making investments in Asia, another region where we have plenty of room to grow. We are adding a sales manager in the region to develop an iTS Thermonics Chiller network; and on the Semi side, EMS is focusing on expanding in SE Asia to better serve customers, where an engineering resource was added to further our expansion in this important region.

Shifting now to the other side of this strategy, which is Market Expansion activities. For us this means going after new and adjacent markets organically, through targeted marketing and product development programs. I have been discussing two of these markets now on the last couple of earnings calls, Electric Vehicles and Cannabis, and while these emerging markets are not significant areas of our business today, we see them as high-potential growth opportunities for our Thermal solutions.

In the quarter we have increased our organic activities with new EV integrators on multiple applications and have expanded our solution to now include coils with the industry leader in the Electric Vehicle space. What's great about this is that these coils are wear items, which lead to recurring revenue streams at this strategic account. The team is also preparing to launch a targeted 3D marketing campaign at 300 identified contacts in this space to continue driving awareness of our solutions and to drive lead generation.

Regarding Cannabis market penetration -- as I mentioned earlier, while Q1 was a slower order period due to the seasonality in the industry, we are certainly not easing our efforts. The team continued to make progress with an OEM initiative we launched earlier by receiving their first Chiller order from a new OEM which was just over \$300k. They also received a follow-on order from another OEM which we started doing work with last year; and finally, they started working with 2 new OEMs in this quarter. We fully expect the work we are doing with these OEMs to generate returns for years to come as this industry continues to expand. In addition, we launched a targeted marketing campaign at over 800 potential customers to increase awareness of our solutions and drive lead generation.

Finally, as it relates to the EMS business, I have mentioned in the past their efforts around penetrating the memory space through targeted R&D development programs, and while this continues, we believe a bigger opportunity for them has arisen in the power device market thanks to EMS' 2nd Generation High Voltage Test Cell Solution which was introduced in Q1. In the quarter, our teams worked with a major ATE to successfully integrate this new solution at a global leader for analog power devices. As a result, they have since received follow-on orders and believe this solution is applicable to many others in this space.

So overall, I am pleased with the progress around the strategic investments we are making in the company, and while we're just getting started, we are setting the stage for long-term growth and diversification, which is in-line with our Strategic Plan. Before I turn it over to Hugh to walk you through the financials, I want to once again thank the entire inTEST team for delivering a truly solid quarter. The teams are laser focused on capturing growth and driving investments which will position us well long-term. We see Q2 as another strong quarter and anticipate continuing improvement in the industrial markets throughout the year as economies continue to strengthen. I will now turn it over to Hugh to walk you through the details of our most recent quarter's performance and discuss our guidance for Q2. Hugh, over to you...

Hugh T. Regan (inTEST Treasurer, CFO & Secretary)

Thanks, Nick. Our first quarter gross margin of 49% came in at the bottom of our guidance range and was improved from the gross margin we reported for the fourth quarter. While our fixed manufacturing costs of \$2.5 million were better absorbed at higher net revenue levels in the first quarter, representing 13% of net revenues in Q1 compared to 17% in Q4, our Q1 2021 component material costs were 36.2%, up 110 basis points compared to 35.1% in the fourth quarter. The increased component material costs were experienced across all business units and were driven by changes in customer and product mix along with increased supply chain costs.

Selling expense grew 22% sequentially to \$2.4 million in the first quarter, driven primarily by increased commission expense on higher net revenue levels and to a lesser extent to increased salary & benefit costs and accruals for product warranty.

Engineering and product development expense increased 6% sequentially to \$1.3 million, primarily as a result of higher levels of employee benefit costs as well as increased spending on product development supplies and consultants, partially offset by reduced spending on patent legal.

General and administrative expense increased 8% sequentially to \$3.2 million, driven primarily by increases in profit related bonuses and higher levels of stock-based compensation costs.

The increased stock-based compensation expense is being driven by several factors, including a broader distribution of stock-based awards in line with our recently adopted strategic plan, a tenant of which is the motivation and retention of key employees vital to our future growth and success, and larger award amounts. But the most significant factor behind the increased stock-based compensation expense has been the recent improvement in our stock price, which has tripled over the last six months.

We currently expect our 2021 stock-based compensation expense will be just below \$1.5 million, compared to \$671,000 incurred in 2020 and \$884,000 in 2019. The reduction in this expense in 2020 was driven by the forfeiture of stock awards made to our former CEO.

During the first quarter we incurred restructuring and other charges of \$55,000, compared to \$1.1 million in the fourth quarter. The first quarter restructuring charges were related to the recently completed manufacturing consolidation of our EMS Products segment, while the majority of the fourth quarter restructuring charges were also driven by costs associated with this action, which totaled \$889,000 during for the fourth quarter. We expect the EMS restructuring and consolidation action will generate approximately \$600,000 in annual savings. Also included in fourth quarter restructuring charges were \$189,000 accrued for costs associated with exiting the additional leased space in our Mansfield, MA offices. We expect some additional costs related to the EMS manufacturing consolidation to occur in the second quarter consistent with the level we saw in Q1 as we did complete this process and do not anticipate any further significant restructuring and other charges beyond these in connection with the EMS segment restructuring and manufacturing consolidation.

We accrued income tax expense of \$366,000 in the first quarter, reflecting a 14% effective tax rate. This compares to a \$74,000 income tax benefit accrued in the fourth quarter, which reflected an effective tax rate of 16%. The reduction in our effective tax rate in the quarter was the result of higher levels of overseas shipments during the quarter, which increased our FDII deduction, as well as expected increased R&D tax deductions. We expect that our effective tax rate in 2021 will now range from 14% to 16%.

We had net earnings of \$2.2 million or \$0.21 per diluted share for the first quarter, compared to a net loss of \$(380,000) or \$(0.04) per diluted share for the fourth quarter. As previously noted, our first quarter results included \$55,000 in restructuring and other charges, and when tax effected, these costs amounted to \$47,000 or less than a penny per share. Our fourth quarter results included \$1.3 million in restructuring and other non-recurring costs and when tax effected these costs amounted to \$1.1 million or \$0.11 per diluted share. Excluding these restructuring and other non-recurring costs, our fourth quarter net earnings would have been \$0.07 per diluted share, non-GAAP.

We have provided a summary of our non-recurring costs by quarter in the supplemental information posted to our website in connection with this call.

Diluted average shares outstanding were 10.5 million for the first quarter of 2021, and during the quarter we issued 81,468 shares of restricted stock, but did not have any forfeitures of restricted stock; nor did we repurchase any shares. During the first quarter we saw 99,740 option shares exercised, which raised \$717,000 in cash proceeds.

EBITDA increased to \$3.0 million for the first quarter, up from \$12,000 reported for the fourth quarter.

Consolidated headcount at March 31 was 208, an increase of 4 staff from the level we had at December 31 and primarily represented new staff in our Thermal segment. This add is net of heads that were terminated in the quarter from our CA operation as a result of the manufacturing consolidation, which included one month overlap of Interface Manufacturing resources.

I'll now turn to our balance sheet.

As expected, cash and cash equivalents declined by \$82,000 sequentially to \$10.2 million and we used \$337,000 of cash in operations during the first quarter. Cash today stands at approximately \$12 million. We currently expect cash and cash equivalents to increase throughout the balance of 2021 subject to any strategic investments we may choose to make. In early April, we increased our line of credit with M&T Bank from \$7.5 million to \$10.0 million and changed the facility from a 364-day facility to a committed 3-year facility that will mature on April 9, 2024. In connection with this change, the bank imposed a 15 basis-point non-usage fee.

Accounts receivable grew \$5.1 million or 60% sequentially to \$13.5 million at March 31, with 62 DSO (up from 52 DSO at December 31).

Inventories also grew \$736,000 or 10% sequentially, to \$8.2 million, primarily driven by raw material influx to support the increased Semi demand we are seeing.

Capital expenditures during the first quarter were \$388,000, up from \$138,000 in the fourth quarter. Included in the first quarter capital expenditures was \$236,000 to complete the tenant improvements to our Mt Laurel, NJ facility related to the EMS consolidation.

Our backlog at March 31st, was \$17.1 million, up \$5.7 million or 49% sequentially.

As to guidance, as noted in our earnings release, we expect that net revenues for the quarter ended June 30, 2021 will be in the range of \$20.0 million to \$21.0 million and that our GAAP financial results will range from net earnings of \$0.20 to \$0.24 per diluted share. On a non-GAAP basis, we expect our adjusted net earnings per diluted share will range from \$0.23 to \$0.27. We currently expect that our second quarter gross margin will range from 49% to 51%.

Our guidance is based on the Company's current views with respect to operating and market conditions and customers' forecasts, which are subject to change; as well as our expectations for the balance of the quarter and are subject to any strategic investments we may choose to make. Actual results may differ materially as a result of, among other things, the factors described under "Forward-Looking Statements" found in the materials that accompany this conference call, including the press release, the Supplemental Information, and the deck.

Operator, that concludes our formal remarks. We can now take questions.

Question & Answer Session:

Operator

[Operator Instructions] And we can now take our first question from Jaeson Schmidt of Lake Street.

Jaeson Schmidt (Lake Street Capital Markets, LLC) Research Analyst

I just want to start on the supply chain. Obviously, it's been well discussed on the component and supply chain constraints out there. Just curious if you're seeing an impact from that and how you're positioning yourselves going forward to deal with those challenges.

Richard N. Grant (inTEST President, CEO & Director)

Jaeson, this is Nick. And thanks for the question, and a great one. Supply chain is something we're managing very carefully here. And I'm quite pleased with the ability our team has been able to ramp these guys up and be able to meet customer deliveries that we have committed to in that. So at this point, I'd say, they're working really well with the supply chain. And I think there's opportunities for us over time to strengthen our supply chain. But right now, everything is working well.

Jaeson Schmidt (Lake Street Capital Markets, LLC) Research Analyst

Okay. That's helpful. And I guess relatedly, are you seeing any sort of gross margin impact due to expedited freight costs, increased costs along those lines?

Richard N. Grant (inTEST President, CEO & Director)

Yes, absolutely. I would say, with the surge we saw in our EMS business, there was quite a bit of expediting going on in Q1. And expediting happens regularly as part of any business, so to speak. So, it was updated for sure in Q1 as we work to bring in material to support the volumes that were being requested. So, it was quite heavy in Q1. Now we've increased our inventories. We've got the material flow coming through there. So, we'd expect that to be back in normal levels in Q2.

Jaeson Schmidt (Lake Street Capital Markets, LLC) Research Analyst

Okay. And then just the last one for me, and I'll jump back into queue. Seeing some really nice traction with your handler products, can you just talk about what sort of is driving that uptick?

Richard N. Grant (inTEST President, CEO & Director)

Yes. Well, it's a combination of -- we've been working with customers on the technology to better support their applications out there. And so, this high-voltage, high-current application that we penetrated on the power side is one that started working with an ATE and the end user and implemented quite successfully. But one of the key drivers is -- behind this is, when I came onboard, I'm challenging the teams to look at our market spaces and how we can further penetrate new customers, new segments - like power - and the teams are doing a great job. And it takes time to penetrate accounts, as we all know. But I'd say, they're actively working it, and we're really pleased with the progress.

Operator

And we can now take our next question from Dick Ryan of Colliers.

Richard Ryan (Colliers Securities LLC) Research Analyst

Say, Nick, what sort of visibility do you have into the second half of the year? I know the general Semi cap commentary has improved with that. What's your sense? I'm not asking you for specific guidance, but how do you handicap second half versus first half?

Richard N. Grant (inTEST President, CEO & Director)

Yes. Great question, Dick. And it's something that Joe McManus and I, as the new leader of EMS business there, we discussed that and try to -- looking at the funnel health and everything. And really, they only have about a 90-day visibility of, I would say, meaningful clarity on what's in the pipeline. With that said, the orders have been strong. We've been backfilling these projects as we book them with other projects. And we aren't seeing right now any kind of slowdown, but we really only have that 90-day visibility beyond that. But I do like what the industries -- a lot of the folks are saying out there around us having more legs and everything else, and we're positioned to capture it as long as we can.

Richard Ryan (Colliers Securities LLC) Research Analyst

One of your initiatives is to increase your service revenue. What level percent of revenue is service now? And where can that drive eventually?

Richard N. Grant (inTEST President, CEO & Director)

Yes. Great question. I'll let Hugh give you the specifics on service level there. But I can tell you, we haven't quite got our initiatives underway yet on that particular aspect there. So more of the traditional service that's still resulting in the numbers here. So, Hugh, do you have the Q1 service?

Hugh T. Regan (inTEST Treasurer, CFO & Secretary)

Yes, I do, Nick. Q1 service, the actual service component was just over \$1 million. That was down from about \$1.2 million that we saw in Q1 and \$1.2 million we saw about a year ago the same quarter. And that was due to a number of factors and not seasonality, but just an ability to get into some of our clients in order to perform service during the first quarter. But we expect that level to return to a more seasonably normal level in Q2.

Richard Ryan (Colliers Securities LLC) Research Analyst

Okay. And Hugh, I heard your stock-based comp commentary for the year, but I may have missed what it was in Q1.

Hugh T. Regan (inTEST Treasurer, CFO & Secretary)

In Q1, stock-based comp was \$269,000.

Richard Ryan (Colliers Securities LLC) Research Analyst

Okay. One last one for me. Nick, you talked about expanding into these other markets and you mentioned EV and cannabis. But you said kind of organically. What's your view of M&A at this point? And where would you be looking at any M&A efforts out there?

Richard N. Grant (inTEST President, CEO & Director)

Great question. As you know, 1 of our 5 core strategies is strategic acquisitions and partnerships. And it's an area that we are spending fair amount of time on and absolutely looking at technologies that would complement our current portfolios as well as companies that would position us in targeted markets that we see as long-term strategic fit for us. So, it's a space we're active in, and as inTEST has always done, we really can't go into details too much on that. But certainly, being one of our core strategies, we're focused on it.

Richard Ryan (Colliers Securities LLC) Research Analyst

Okay. Great. Thank you and congratulations on strong execution.

Richard N. Grant (inTEST President, CEO & Director)

Thanks, Dick.

Operator

And we can now take our next question from Robert Marcin of Penn Capital.

Robert Marcin (Penn Capital Management) Consultant

Congratulations on an excellent quarter also. Regarding the EMS business, Nick, you mentioned that when you came aboard, there was a material amount of low-hanging fruit in pursuing geographical diversification as well as increased penetration in other applications for the products. Have you been able to size the increase in the TAM since you've made the adjustments and have invested money in going after these markets? Just another way of asking peak-to-peak in the Semi cap equipment cycle, what kind of improvement in your addressable market do you think you've achieved?

Richard N. Grant (inTEST President, CEO & Director)

Yes. Robert, thanks for the comments about the quarter. Relative to your question on EMS from TAM, we absolutely targeted on expanding our TAM. Today, working with Joe, we believe the TAM, their served available market is roughly \$135 million. And they are actively, with their new product expansions like the intelligent test cell, pushing that higher as well as this new high-power, high-current test solution that they've been working with the ATE on. They see that is also opening up a nice attractive space. So, we're inching that up higher and higher over time. And when we say how much are we expanding as we enter these spaces, it's coming in at chunks of \$5 million to \$10 million of additional TAM. But as we succeed with additional ATEs and opening up other geographic regions with our solutions, that will only increase.

Robert Marcin (Penn Capital Management) Consultant

Is there upside to 2x the number you cited, over a 2- or 3-year period? Or is that being too optimistic?

Richard N. Grant (inTEST President, CEO & Director)

Well, it's a huge space, as you know, as this EMS test market that we're playing in, and that -- but we do have some limitations due to the fact that these ATEs have certain capabilities internally in that. So, we're working around that, working with them and trying to penetrate and expand our space as much as possible there. But could we give 2x? I don't know if I have enough visibility yet to be able to say that.

Robert Marcin (Penn Capital Management) Consultant

All right. Regarding acquisitions, which you've already addressed a question. I'm going to come from it from a different perspective. The -- obviously, you want to keep diversification, but that means adding non-Semi business. The non-Semi business in the marketplace today for industrial, I guess, thermal products is probably priced for small businesses around 1x revenues, maybe 1.5, 2 -- something like that. That's where we're priced. The semiconductor equipment business, the big guys or your customers are priced at 4 to 5, 6x sales. So, you do face an issue and that the Semi business tends to be more highly valued for both acquiring and valuing your own stock. But at the same time, you obviously want some more diversification away from the deeper cyclicity of that business.

As you've been there now 3 quarters, have you had a chance to look at the valuations and the benefits and the trade-offs of acquiring more Semi-cap equipped niche businesses versus the industrial businesses? And have you come to any conclusions on where you'd prefer to go with your first acquisition?

Richard N. Grant (inTEST President, CEO & Director)

Yes. Great question there, and you're spot on. Semi market being as hot as it is, valuations are elevated in there. But as I've alluded to in the past, it is a space that we will be looking to add inorganically to our portfolio. So, we've got to make sure we do acquisitions when the time is appropriate at the right valuations for the business and our shareholders there. So, it is challenging in that space now. So, I would say, our activity, our focus is more weighted in the non-Semi, just because valuations are more in line with what we would expect.

Robert Marcin (Penn Capital Management) Consultant

And you would stay in the thermal area or you would move outside of that and have a whole new area of market to address?

Richard N. Grant (inTEST President, CEO & Director)

Yes. No, we are -- I think, I alluded to before, we're looking to expand our capabilities and technologies beyond just thermal, moving more into like environmental, getting into vibration testing and humidity, et cetera. So really expanding beyond thermal -- there's a space that we're looking into and then building out around our Ambrell process technologies. How do we do more to support automation and bring in technologies that can benefit not only that side, but across the EMS and thermal piece that's out there. So yes, we're looking, I would say, automation, environmental and, of course, in an electronic set.

Operator

[Operator Instructions] We have now got our next question from Tom Diffely of D.A. Davidson.

Thomas Diffely (D.A. Davidson & Co.) Research Analyst

I was intrigued by your comments about wafer-level burn-in test. Is this a new market, a new trend? And is it traditional Semi? Or is it some kind of specialty, like optical or silicon carbide?

Richard N. Grant (inTEST President, CEO & Director)

Yes. Tom, this is -- obviously, the power device space is a big space and is one that is well mature from that sense. But what we've been doing is working with the end user there and the ATE to really looking at their challenges and when they're actually doing the testing. They wanted to move it earlier in the process in their operations. So prior, they had been doing it after they've already packaged device -- a single package the device, and that's doing this testing. They wanted to check the wafers much earlier before they get and start building these things up in order from a cost perspective. But if there's a failure, they don't waste time and improve yields at the end of the line there. So, we work with them to move that testing earlier on in their process, in the burn-in stage, and it's proved quite successful, which has led to the follow-on orders at this one particular account. And now we see working through the ATE here opportunities to duplicate the success around.

Thomas Diffely (D.A. Davidson & Co.) Research Analyst

Great. Very interesting. I appreciate it.

Richard N. Grant (inTEST President, CEO & Director)

Absolutely.

Operator

And this concludes our question-and-answer session. I would now like to hand the call back to Nick Grant for closing comments.

Richard N. Grant (inTEST President, CEO & Director)

All right. Thank you. And thanks, everyone, for listening in. Really, again, pleased with the Q1 performance. I want to thank the entire inTEST team for delivering exceptional results here and look forward to continuing our momentum here in Q2. And thanks again for your participation today.

Operator

This concludes today's call. Thank you all for your participation. You may now disconnect.