

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): July 29, 2020

PDF SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

000-31311
(Commission File Number)

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

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

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

Not Applicable
(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 240.13d-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§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 1.01 Entry into a Material Definitive Agreement

Securities Purchase Agreement

On July 29, 2020, PDF Solutions, Inc. (the “**Company**”) entered into a Securities Purchase Agreement (the “**Purchase Agreement**”) with Advantest America, Inc., a wholly owned subsidiary of Advantest Corporation (the “**Investor**”).

Pursuant to the Purchase Agreement, the Company agreed to issue and sell an aggregate of 3,306,924 shares of its common stock, par value \$0.00015 per share (the “**Shares**”), at a purchase price equal to \$19.7805 per share to the Investor for aggregate gross proceeds of \$65.2 million (the “**Offering**”). The closing of the Offering occurred on July 30, 2020. Prior to the expiration of the lock-up period described below, upon the occurrence of certain events, the Shares are subject to repurchase at the option of the Company in its sole option at a purchase price equal to the greater of: (i) the average of the daily volume-weighted average sales price per share of the Company’s common stock on the Nasdaq Global Market, as such daily volume-weighted average sales price per share is reported by Bloomberg L.P., calculated to four decimal places and determined without regard to after-hours trading or any other trading outside the regular trading session trading hours, for each of the ten (10) consecutive trading days ending on and including the trading day immediately preceding the repurchase date or (ii) the closing price per share of the Company’s common stock on the Nasdaq Global Market on the trading day immediately preceding such date (the “**Repurchase Price**”).

All of the Shares were offered and sold by the Company pursuant to an exemption from the registration requirements of the Securities Act 1933, as amended, provided by Section 4(a)(2) as a transaction with an accredited investor not involving a public offering.

Stockholder Agreement

In connection with the Offering, the Company entered into a Stockholder Agreement (the “**Stockholder Agreement**”) with the Investor on July 30, 2020. Pursuant to the Stockholder Agreement, the Investor agreed that the Shares will be subject to a five-year lock-up period and the Investor will be subject to a five-year standstill period, in each case, from the closing of the Offering; provided however the lock-up period and standstill period shall terminate upon the first to occur of any of the following events: (i) if two or more directors are elected against the recommendation of the Board of Directors of the Company (the “**Board**”) or in settlement with an activist stockholder, (ii) Amendment #1 to SLA (defined below) is terminated due to a breach by the Company, or (iii) certain actions or events related to change of control transactions (collectively, the “**Termination Events**”). Notwithstanding the foregoing, the Investor shall be permitted to sell, transfer or dispose of the Shares at any time to an affiliate of the Investor or in order to maintain the Investor’s equivalent percentage beneficial ownership at 9.9% of the Company’s outstanding shares of Common Stock. Following the earlier of the expiration of the lock-up period or a Termination Event, for so long as the Shares constitute at least 2.00% of the Company’s outstanding shares of common stock, if the Investor proposes to sell, transfer or dispose of any Shares, the Investor shall first notify the Company of the number of Shares to be sold, and the Company shall have an option to repurchase all of such Shares to be sold at a purchase price equal to the Repurchase Price as of such date.

Pursuant to the Stockholder Agreement, for so long as a Termination Event has not occurred, the Investor agreed to vote the Shares in the manner recommended by the Board as reflected in any Company proxy or information statement in connection with such vote (unless the Company consents in writing), except that the Investor may vote in its sole discretion on matters of: (i) the issuance of Company securities subject to Nasdaq Rule 5635(b), (ii) the approval of any merger, consolidation, or amalgamation (or similar business combination) of the Company, (iii) an amendment of the Company’s Certificate of Incorporation that would disproportionately and adversely affect the Investor, or (iv) any voluntary or involuntary bankruptcy, dissolution, insolvency, reorganization, rehabilitation or similar event of the Company.

Amendment #1 to Software License & Related Services Agreement

On July 29, 2020, the Company entered into Amendment #1 to that certain Software License and Related Services Agreement, dated as of March 25, 2020 (“***Amendment #1 to SLA***”) with the Investor. Amendment #1 to SLA provides for an exclusive commercial arrangement in which the Company and the Investor will collaborate on, and the Company will initially host, develop and maintain, an Advantest-specific cloud layer on the Exensio platform. Amendment #1 to SLA provides for a renewable five-year cloud-based subscription by the Investor to the Company’s Exensio analytics platform and related services to be provided by the Company for an aggregate subscription price of over \$50 million over the initial five-year term, subject to the achievement of certain milestones and the Company’s standard warranty and service level commitments.

Development Agreement

On July 29, 2020, the Company also entered into a multi-year Amended and Restated Master Development Agreement (the “***Development Agreement***”) with the Investor, pursuant to which the Company and the Investor agreed to collaborate on extensions to or combinations of both of their existing technology and new technology to address mutual customers' needs (the “***Integrated Products***”) through one or more development phases subject to certain conditions as set forth therein. Except as may be separately set forth in a statement of work, each party will bear its own costs and expenses incurred in connection with its development thereunder. Either party may terminate the Development Agreement or any statement of work thereunder at any time upon thirty (30) days’ prior written notice.

Commercial Agreement

On July 29, 2020, the Company also entered into a multi-year Master Commercial Terms and Support Services Agreement (the “***Commercial Agreement***”) with the Investor. Pursuant to the Commercial Agreement, the Company and the Investor agreed to (i) commercialize and sell Integrated Products that are generated from the Development Agreement according to revenue sharing for each Integrated Product as generally set forth in the Commercial Agreement and Integrated-Product specific revenue sharing and other terms agreed by the parties from time to time in addenda entered into thereunder; and (ii) provide technical services to support end customers’ use of the Integrated Products according to agreed-upon technical support sharing principles as set forth in the Commercial Agreement. Either party may terminate the Commercial Agreement at any time upon ninety (90) days’ prior written notice. Notwithstanding the foregoing, each party agreed to provide continuing technical support services for Integrated Products sold prior to termination as generally set forth in the Commercial Agreement.

A joint press release announcing the Offering, Amendment #1 to SLA, the Development Agreement and the Commercial Agreement was issued on July 30, 2020, a copy of which is attached hereto as Exhibit 99.1.

The foregoing summaries of the Purchase Agreement, the Stockholder Agreement, Amendment #1 to SLA, the Development Agreement and the Commercial Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the Purchase Agreement, the Stockholder Agreement, Amendment #1 to SLA, the Development Agreement and the Commercial Agreement, copies of which will be filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ending September 30, 2020.

Item 3.02 Unregistered Sales of Equity Securities.

The information contained in Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 3.02.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release dated July 30, 2020

SIGNATURES

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

PDF SOLUTIONS, INC.

By: /s/ Adnan Raza

Name: Adnan Raza

Title: EVP, Finance, and Chief Financial Officer

Date: July 30, 2020



News Release

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Advantest and PDF Solutions Announce Partnership to Build Advantest Cloud Powered by Exensio

Advantest Becomes a Significant Stockholder in PDF Solutions in Private Placement

TOKYO and SANTA CLARA, CA – July 30, 2020 – Advantest Corporation (TSE: 6857), a leading semiconductor test equipment supplier, and PDF Solutions, Inc. (NASDAQ: PDFS), a leading provider of software-based data analytics solutions to the semiconductor industry, today announced that they have established a partnership that includes:

- a development agreement for PDF’s assistance in development of a cloud-based software solution for Advantest’s customers that is based on PDF’s Exensio software analytics platform – an Advantest Cloud powered by PDF Exensio – for both Advantest’s internal use as well as use by Advantest’s customers;
- a commercial agreement providing for the license of technology solutions based on Advantest’s testing platforms and PDF’s Exensio platform;
- a significant 5-year cloud-based, subscription by Advantest to PDF Solutions’ Exensio analytics platform; and
- the purchase by Advantest of 3,306,924 newly issued shares of PDF Solutions common stock for approximately \$65.2 million.

PDF Solutions’ big data analytics, cloud-based platform, Exensio, spans the entire spectrum of the semiconductor value chain from IC design through fabrication, sort, assembly, final test and system level test, and is used by over 20 thousand engineers at over 130 companies to control tens of thousands of tools to optimize time to market, and maximize yield, profitability, reliability and quality. As the semiconductor industry continues to move towards more advanced devices, the big data analytics provided by the PDF Solutions software platform, including the use of AI and machine learning (“ML”), is becoming critical to achieving yield on advanced manufacturing nodes, ensuring device quality and reducing test and measurement costs. Importantly, as semiconductor companies use a disaggregated supply chain to produce, test and package chips, the PDF Solutions Exensio platform and Data Exchange Network (“DEX”) connect semiconductor engineers with automated test equipment (“ATE”) across the semiconductor value chain, enabling important design and manufacturing insights to reduce testing costs and improving performance/yield.

By combining the PDF Solutions Exensio platform and DEX with Advantest’s advanced testing equipment, Advantest will be able to provide its customers with the ability to connect, test, measure and analyze at any point in the semiconductor value chain, helping customers increase yield and reduce testing costs. The partnership further demonstrates Advantest’s commitment to expanding test and measurement solutions throughout the semiconductor value chain and represents an important milestone in Advantest’s objectives of Grand Design. PDF Solutions recognizes the importance of connecting the Exensio platform with all semiconductor manufacturing systems across the semiconductor value chain and will continue to work with and maintain relationships with all manufacturers, both front-end and back-end.

“We will be able to offer stronger solutions to our diversified customer base and continue to add significant customer value in an evolving semiconductor value chain by entering into this partnership,” said Yoshiaki Yoshida, Advantest President and Chief Executive Officer. “The complexity of scaling production as well as decreasing test times and costs is shifting the entire industry towards analytics to achieve productivity gains. Together with PDF Solutions, we will be able to offer our customers a compelling technological solution to improve their manufacturing and economic efficiency, from design through system level test. Importantly, our partnership with PDF Solutions will enable Advantest to accelerate our Grand Design objectives, delivering important artificial intelligence-based test analytics to our customers years ahead of schedule. Both companies have many common customers globally, and we have already worked together with certain leading IDMs to validate the combination of our systems with PDF Solutions’ technology.”

“We are thrilled to partner with Advantest to develop the Advantest Cloud powered by PDF Exensio,” said John Kibarian, PDF Solutions President, Chief Executive Officer, and co-founder. “We share the common vision that foundries, fabless, OSATs and system companies benefit when they can apply advanced analytics in a collaborative fashion to improve their operations, yields and product quality. Advantest decision to develop -advanced analytics on top of our industry-leading PDF Exensio platform will enable better collaboration across the supply chain. Advantest’s technology, customer relationships, and global footprint will enable us to both accelerate our technology roadmap and customer adoption of our AI-driven data analytics solutions. As part of the partnership, Advantest has entered into a five-year Exensio cloud-based subscription agreement to power the Advantest Cloud, which we expect will result in more than \$50 million of revenue over the next five years, subject to successful deployment of the Exensio platform, which is anticipated to be completed this year. Furthermore, we believe the future sale of joint solutions developed by Advantest and PDF Solutions to Advantest’s global ATE customer base represents an additional revenue opportunity.”

The agreements related to this partnership became effective on July 29, 2020. The Securities Purchase Agreement is expected to close on July 30, 2020. GCA Advisors, LLC acted as exclusive financial advisor to Advantest. Skadden, Arps, Slate Meagher & Flom LLP acted as Advantest’s legal counsel and Orrick, Herrington & Sutcliffe LLP acted as PDF Solutions’ legal counsel for the investment.

PDF Solutions will provide additional information about this partnership with Advantest during its second quarter financial results teleconference on August 6, 2020.

Forward-Looking Statements regarding PDF Solutions’ Statements

The statements in this press release regarding PDF Solutions’ future expected business performance and financial results, the ability to accelerate its technology roadmap, the ability to develop joint solutions that address the needs of mutual customers, the ability to deliver increased yield while lowering cost, the expected acceleration of the adoption of PDF Solutions’ products, the expected revenue from the license with Advantest, and the anticipation for additional revenue from joint solutions are forward looking and are subject to future events and circumstances. Actual results could differ materially from those expressed in these forward-looking statements. Risks and uncertainties that could cause results to differ materially include risks associated with: the success of the Advantest/PDF partnership; cost and schedule of new product development; adoption of solutions by new and existing customers; project milestones or delays and performance criteria achieved; the provision of technology and services prior to the execution of a final contract; the potential impact of the coronavirus (COVID-19) on the semiconductor industry and on PDF Solutions’ operations or demand for its products; and other risks set forth in PDF Solutions’ periodic public filings with the Securities and Exchange Commission, including, without limitation, its Annual Reports on Form 10-K, most recently filed for the year ended December 31, 2019, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K and amendments to such reports. The forward-looking statements made in this press release are made as of the date hereof, and PDF Solutions does not assume any obligation to update such statements nor the reasons why actual results could differ materially from those projected in such statements.

About PDF Solutions

PDF Solutions (NASDAQ: PDFS) offers an end-to-end analytics platform that empowers engineers and data scientists across the semiconductor ecosystem to rapidly improve the yield, quality, and profitability of their products. By combining industry-leading data analytics and professional services with exclusive, differentiated product data generated during the manufacturing process, PDF Solutions is delivering on the promise of Industry 4.0 today by transforming how the ecosystem collects, analyzes, and shares data. Key Fortune 500 organizations around the world rely on PDF Solutions to remove the data barriers that encumber and constrain new product introductions and to deliver the machine learning insights that drive efficient and profitable high-volume manufacturing.

Headquartered in Santa Clara, California, PDF Solutions also operates worldwide in Canada, China, France, Germany, Italy, Japan, Korea, and Taiwan. For the Company's latest news and information, visit <http://www.pdf.com/>.

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