



**Q3 2025**

**Management Report**

**November 6, 2025**

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## Contents

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### ■ Q3 2025 Results

- Overview
- Key Financial & Operating Metrics
- Revenue by Geographic Area

### ■ Q3 2025 Non-GAAP Results

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

### ■ Related Information

The following commentary is provided by management and should be referenced in conjunction with PDF Solutions' Third Quarter 2025 financial results press release available on its Investor Relations website at <http://www.pdf.com/financial-news>. These remarks represent management's current views of the Company's financial and operational performance and are provided to give investors and analysts further insight into its performance in advance of the earnings call webcast. The Company disclaims any duty to update this information for future events.

# PDF Solutions Reports Third Quarter 2025 Results

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## Q3 2025 Key Metrics

Total Revenues: \$57.1M

GAAP Gross Margin: 72%

Non-GAAP Gross Margin: 76%

GAAP Operating Margin: 8%

Non-GAAP Operating Margin: 23%

GAAP Diluted EPS: \$0.03

Non-GAAP Diluted EPS: \$0.25

Operating Cash Flow: \$3.3M

Cash Used for Capital Expenditures:  
\$6.3M

## FINANCIAL RESULTS SUMMARY

- Q3 2025 Total revenues of \$57.1M was up 10% over Q2 2025 and up 23% over Q3 2024
- Q3 2025 Analytics revenue of \$54.7M was up 12% over Q2 2025 and up 22% over Q3 2024
- Q3 2025 Integrated yield ramp revenue of \$2.4M was down 16% over Q2 2025 and up 48% over Q3 2024

## Key Financial & Operating Metrics

### Quarterly

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

	Q3'25	Q2'25	Q1'25	Q4'24	Q3'24
Revenues	\$ 57,115	\$ 51,728	\$ 47,778	\$ 50,085	\$ 46,409
GAAP Gross Margin	72%	71%	73%	68%	73%
Non-GAAP Gross Margin	76%	76%	77%	72%	77%
GAAP Operating Margin	8%	2%	(7%)	1%	5%
Non-GAAP Operating Margin	23%	19%	18%	18%	21%
Outstanding Debt	\$ 67,558	\$ 68,117	\$ 68,656	\$ —	\$ —
Operating Cash Flow	\$ 3,287	\$ (5,215)	\$ 8,640	\$ 1,606	\$ 9,275
Cash Used for Capital Expenditures (CAPEX)	\$ 6,325	\$ 8,526	\$ 8,203	\$ 5,847	\$ 4,595
\$ Shares Repurchased	\$ 244	\$ —	\$ —	\$ —	\$ —
Weighted Average Common Shares Outstanding	39.5	39.1	39.1	38.8	38.7
Effective Tax Rate	63%	(1514)%	(1)%	63%	39%

## Key Financial & Operating Metrics

### Year to Date

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

	Nine Months Ended September 30,		
	2025	2024	2023
Revenues	\$ 156,621	\$ 129,380	\$ 124,710
GAAP Gross Margin	72%	70%	69%
Non-GAAP Gross Margin	76%	75%	73%
GAAP Operating Margin	2%	<1%	1%
Non-GAAP Operating Margin	20%	17%	17%
Outstanding Debt	\$ 67,558	\$ —	\$ —
Operating Cash Flow	\$ 6,712	\$ 8,097	\$ 12,571
Cash Used for CAPEX	\$ 23,054	\$ 11,938	\$ 8,917
\$ Shares Repurchased	\$ 244	\$ 6,899	\$ 743
Weighted Average Common Shares Outstanding	39.2	38.5	37.9
Effective Tax Rate	205%	31%	53%

## Revenue by Geographic Area

### Quarterly

*(Dollars in thousands)*

	Q3'25	Q2'25	Q1'25	Q4'24	Q3'24
<b>United States</b>	\$ 30,143	\$ 19,954	\$ 18,228	\$ 16,320	\$ 21,065
% of Total	53%	39%	38%	33%	45%
<b>Japan</b>	\$ 10,091	\$ 9,304	\$ 11,736	\$ 11,932	\$ 6,275
% of Total	18%	18%	25%	24%	14%
<b>China</b>	\$ 5,842	\$ 12,190	\$ 8,043	\$ 4,576	\$ 5,673
% of Total	10%	23%	17%	9%	12%
<b>Taiwan</b>	\$ 1,238	\$ 1,503	\$ 1,494	\$ 1,150	\$ 6,273
% of Total	2%	3%	3%	2%	14%
<b>Rest of the world</b>	\$ 9,801	\$ 8,777	\$ 8,277	\$ 16,107	\$ 7,123
% of Total	17%	17%	17%	32%	15%
<b>Total revenues</b>	<b>\$ 57,115</b>	<b>\$ 51,728</b>	<b>\$ 47,778</b>	<b>\$ 50,085</b>	<b>\$ 46,409</b>

## Revenue by Geographic Area

### Year to Date

(Dollars in thousands)

	Nine Months Ended September 30,		
	2025	2024	2023
<b>United States</b>	\$ 68,325	\$ 58,021	\$ 70,090
% of Total	43%	45%	56%
<b>Japan</b>	\$ 31,131	\$ 25,495	\$ 8,005
% of Total	20%	20%	6%
<b>China</b>	\$ 26,075	\$ 17,526	\$ 21,927
% of Total	17%	14%	18%
<b>Taiwan</b>	\$ 4,235	\$ 8,107	\$ 4,660
% of Total	3%	6%	4%
<b>Rest of the world</b>	\$ 26,855	\$ 20,231	\$ 20,028
% of Total	17%	15%	16%
<b>Total revenues</b>	<b>\$ 156,621</b>	<b>\$ 129,380</b>	<b>\$ 124,710</b>

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## GAAP / Non-GAAP Presentation

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

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

### Quarterly

(in thousands, except for per share amounts)

	Q3'25	Q2'25	Q1'25	Q4'24	Q3'24
GAAP net income (loss)	\$ 1,294	\$ 1,146	\$ (3,032)	\$ 539	\$ 2,206
Adjustments to reconcile GAAP net income (loss) to non-GAAP net income:					
Stock-based compensation expense	6,264	6,199	6,596	6,507	6,730
Amortization of acquired intangible assets	2,067	2,066	1,056	765	780
Expenses for certain legal proceedings (1)	170	112	115	69	—
Acquisition-related and integration costs	22	159	4,345	940	—
Loss on damaged equipment in-transit, net of (recovery) from previously written-off property and equipment	—	(663)	—	663	(55)
Amortization of debt issuance costs	54	71	5	—	—
Tax impact of valuation allowance for deferred tax assets and reconciling items (2)	(66)	(1,789)	(970)	375	262
Non-GAAP net income	\$ 9,805	\$ 7,301	\$ 8,115	\$ 9,858	\$ 9,923
GAAP net income (loss) per diluted share	\$ 0.03	\$ 0.03	\$ (0.08)	\$ 0.01	\$ 0.06
Non-GAAP net income per diluted share	\$ 0.25	\$ 0.19	\$ 0.21	\$ 0.25	\$ 0.25
Weighted average common shares used in GAAP net income (loss) per diluted share calculation	39,619	39,260	39,088	39,104	39,105
Weighted average common shares used in Non-GAAP net income per diluted share calculation	39,619	39,260	39,285	39,104	39,105

(1) Represents legal costs and expenses related to certain litigation and an arbitration proceeding, which are expected to continue until these matters are resolved.

(2) The difference between the GAAP and non-GAAP income tax provisions is primarily due to the valuation allowance on a GAAP basis and non-GAAP adjustments. For example, on a GAAP basis, the Company does not receive a deferred tax benefit for foreign tax credits or research and development credits after the valuation allowance. The Company's non-GAAP tax rate and resulting non-GAAP tax expense is not calculated with a full U.S. federal or state valuation allowance due to the Company's cumulative non-GAAP income and management's conclusion that it is more likely than not to utilize its net deferred tax assets (DTAs). Each reporting period, management evaluates the need for a valuation allowance and may place a valuation allowance against its U.S.

net DTAs on a non-GAAP basis if it concludes it is more likely than not that it will not be able to utilize some or all of its U.S. DTAs on a non-GAAP basis.



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

## Year to Date

(in thousands, except for per share amounts)

	Nine Months Ended September 30,		
	2025	2024	2023
GAAP net income (loss)	\$ (592)	\$ 3,518	\$ 2,218
Adjustments to reconcile GAAP net income (loss) to non-GAAP net income:			
Stock-based compensation expense	19,059	18,540	15,561
Amortization of acquired intangible assets	5,189	2,466	2,659
Expenses for certain legal proceedings (1)	397	—	2,525
Acquisition-related and integration costs	4,526	—	209
Recovery from previously written-off property and equipment	(663)	(55)	(105)
Amortization of debt issuance costs	130	—	—
Tax impact of valuation allowance for deferred tax assets and reconciling items (2)	(2,825)	(1,710)	(314)
Non-GAAP net income	\$ 25,221	\$ 22,759	\$ 22,753
GAAP net income (loss) per diluted share	\$ (0.02)	\$ 0.09	\$ 0.06
Non-GAAP net income per diluted share	\$ 0.64	\$ 0.58	\$ 0.58
Weighted average common shares used in GAAP net income (loss) per diluted share calculation	39,247	39,028	38,977
Weighted average common shares used in Non-GAAP net income per diluted share calculation	39,390	39,028	38,977

(1) Represents legal costs and expenses related to certain litigation and an arbitration proceeding, which are expected to continue until these matters are resolved.

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

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

### Quarterly

(in thousands)

	Q3'25	Q2'25	Q1'25	Q4'24	Q3'24
<b>Cost of Revenue - GAAP</b>	<b>\$ 15,840</b>	<b>\$ 14,886</b>	<b>\$ 12,955</b>	<b>\$ 15,901</b>	<b>\$ 12,484</b>
Adjustments to reconcile GAAP Cost of Revenue to Non-GAAP Cost of Revenue:					
Stock-based compensation expense	(1,274)	(1,257)	(1,342)	(1,336)	(1,366)
Amortization of acquired technology	(998)	(998)	(678)	(583)	(584)
<b>Cost of Revenue - Non-GAAP</b>	<b>\$ 13,568</b>	<b>\$ 12,631</b>	<b>\$ 10,935</b>	<b>\$ 13,982</b>	<b>\$ 10,534</b>
<b>Research &amp; Development - GAAP</b>	<b>\$ 15,435</b>	<b>\$ 14,913</b>	<b>\$ 14,628</b>	<b>\$ 14,417</b>	<b>\$ 13,516</b>
Adjustments to reconcile GAAP R&D to Non-GAAP R&D:					
Stock-based compensation expense	(2,204)	(2,251)	(2,419)	(2,318)	(2,375)
<b>Research &amp; Development - Non-GAAP</b>	<b>\$ 13,231</b>	<b>\$ 12,662</b>	<b>\$ 12,209</b>	<b>\$ 12,099</b>	<b>\$ 11,141</b>
<b>Selling, General, &amp; Administrative - GAAP</b>	<b>\$ 19,944</b>	<b>\$ 19,744</b>	<b>\$ 23,372</b>	<b>\$ 19,073</b>	<b>\$ 18,094</b>
Adjustment to reconcile GAAP SG&A to Non-GAAP SG&A:					
Stock-based compensation expense	(2,786)	(2,691)	(2,835)	(2,853)	(2,989)
Expenses for certain legal proceedings (1)	(170)	(112)	(115)	(69)	—
Acquisition-related and integration costs	(22)	(159)	(4,345)	(940)	—
<b>Selling, General, &amp; Administrative - Non-GAAP</b>	<b>\$ 16,966</b>	<b>\$ 16,782</b>	<b>\$ 16,077</b>	<b>\$ 15,211</b>	<b>\$ 15,105</b>

(1) Represents legal costs and expenses related to certain litigation and an arbitration proceeding, which are expected to continue until these matters are resolved.

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

### Year to Date

(in thousands)

	Nine Months Ended September 30,		
	2025	2024	2023
<b>Cost of Revenue - GAAP</b>	<b>\$ 43,681</b>	<b>\$ 38,243</b>	<b>\$ 38,555</b>
Adjustments to reconcile GAAP Cost of Revenue to Non-GAAP Cost of Revenue:			
Stock-based compensation expense	(3,873)	(3,751)	(3,022)
Amortization of acquired technology	(2,674)	(1,752)	(1,680)
<b>Cost of Revenue - Non-GAAP</b>	<b>\$ 37,134</b>	<b>\$ 32,740</b>	<b>\$ 33,853</b>
<b>Research &amp; Development - GAAP</b>	<b>\$ 44,976</b>	<b>\$ 39,149</b>	<b>\$ 38,428</b>
Adjustments to reconcile GAAP R&D to Non-GAAP R&D:			
Stock-based compensation expense	(6,874)	(6,640)	(5,609)
<b>Research &amp; Development - Non-GAAP</b>	<b>\$ 38,102</b>	<b>\$ 32,509</b>	<b>\$ 32,819</b>
<b>Selling, General, &amp; Administrative - GAAP</b>	<b>\$ 63,060</b>	<b>\$ 50,851</b>	<b>\$ 46,022</b>
Adjustment to reconcile GAAP SG&A to Non-GAAP SG&A:			
Stock-based compensation expense	(8,312)	(8,149)	(6,930)
Expenses for certain legal proceedings (1)	(397)	—	(2,525)
Acquisition-related and integration costs	(4,526)	—	(209)
<b>Selling, General, &amp; Administrative - Non-GAAP</b>	<b>\$ 49,825</b>	<b>\$ 42,702</b>	<b>\$ 36,358</b>

(1) Represents legal costs and expenses related to certain litigation and an arbitration proceeding, which are expected to continue until these matters are resolved.