

KULICKE & SOFFA INDUSTRIES INC

Form 424B3

February 17, 2005

Prospectus Supplement

Dated February 17, 2005

(To Prospectus dated December 21, 2004)

Filed Pursuant to Rule 424(b)(3) and Rule 424(c)

Commission File No. 333-111478

**\$205,000,000**

**0.5% Convertible Subordinated Notes due 2008 and**

**the Common Stock issuable upon conversion of the Notes**

This prospectus supplement relates to the public offering of up to \$205,000,000 in principal amount of our 0.5% Convertible Subordinated Notes due 2008 and the Common Stock issuable upon conversion of the Notes by the selling securityholders identified in the prospectus, and contains information with respect to our recently completed first quarter of our 2005 fiscal year.

This prospectus supplement should be read in conjunction with, and may not be delivered or utilized without, the prospectus dated December 21, 2004, including any amendments or supplements thereto. This prospectus supplement is qualified by reference to the prospectus except to the extent that the information in this prospectus supplement updates and supersedes the information contained in the prospectus dated December 21, 2004.

**Investing in our securities involves risks. See Risk Factors beginning on page 4 of the prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**This prospectus supplement is dated February 17, 2005**

On February 9, 2005, we filed a Quarterly Report on Form 10-Q (the "Form 10-Q") for the period ended December 31, 2004 with the Securities and Exchange Commission. Below are the financial statements, management's discussion and analysis of financial condition and results of operations, and certain other disclosures from our Form 10-Q.

## KULICKE AND SOFFA INDUSTRIES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

*(in thousands)*

	(Unaudited)	
	September 30, 2004	December 31, 2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 60,333	\$ 82,431
Restricted cash	3,257	3,497
Short-term investments	32,176	24,989
Accounts and notes receivable (less allowance for doubtful accounts: 9/30/04 - \$3,646; 12/31/04 - \$3,346)	110,718	91,454
Inventories, net	58,017	57,856
Assets held for sale	6,072	
Prepaid expenses and other current assets	10,310	14,137
Deferred income taxes	12,417	12,250
<b>TOTAL CURRENT ASSETS</b>	<b>293,300</b>	<b>286,614</b>
Property, plant and equipment, net	51,434	44,674
Intangible assets, (net of accumulated amortization: 9/30/04 - \$35,209; 12/31/04 - \$37,465)	54,045	52,789
Goodwill	81,440	81,440
Other assets	7,463	7,222
<b>TOTAL ASSETS</b>	<b>\$ 487,682</b>	<b>\$ 472,739</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long term debt	\$ 202	\$ 42
Accounts payable	50,002	43,400
Accrued expenses	37,660	34,944
Income taxes payable	11,986	13,051
<b>TOTAL CURRENT LIABILITIES</b>	<b>99,850</b>	<b>91,437</b>
Long term debt	275,725	270,602
Other liabilities	8,112	9,333
Deferred taxes	36,975	37,567
<b>TOTAL LIABILITIES</b>	<b>420,662</b>	<b>408,939</b>
Commitments and contingencies		
<b>SHAREHOLDERS EQUITY</b>		
Common stock, without par value	213,847	214,960
Retained deficit	(139,912)	(147,103)
Accumulated other comprehensive loss	(6,915)	(4,057)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>67,020</b>	<b>63,800</b>

Edgar Filing: KULICKE & SOFFA INDUSTRIES INC - Form 424B3

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 487,682	\$ 472,739
---	------------	------------

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

## KULICKE AND SOFFA INDUSTRIES, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

*(in thousands, except per share data)**(unaudited)*

	Three months ended December 31,	
	2003	2004
Net revenue	\$ 153,869	\$ 116,321
Cost of sales	106,507	89,943
Gross profit	47,362	26,378
Selling, general and administrative	24,716	22,073
Research and development, net	8,176	8,878
Gain on sale of assets		(1,875)
Amortization of intangible assets	2,315	2,194
Operating expense	35,207	31,270
Income (loss) from operations	12,155	(4,892)
Interest income	204	449
Interest expense	(4,429)	(846)
Charge on early extinguishment of debt	(6,152)	
Income (loss) from continuing operations before income tax	1,778	(5,289)
Provision for income taxes	1,350	1,902
Income (loss) from continuing operations	428	(7,191)
Income from discontinued FCT operations	319	
Net income (loss)	\$ 747	\$ (7,191)
Income (loss) per share from continuing operations:		
Basic	\$ 0.01	\$ (0.14)
Diluted	\$ 0.01	\$ (0.14)
Loss per share from discontinued operations:		
Basic	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00
Net income (loss) per share:		

Edgar Filing: KULICKE & SOFFA INDUSTRIES INC - Form 424B3

Basic	\$ 0.01	\$ (0.14)
Diluted	\$ 0.01	\$ (0.14)
Weighted average shares outstanding:		
Basic	50,392	51,237
Diluted	56,932	51,237

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

## KULICKE AND SOFFA INDUSTRIES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

*(in thousands)**(unaudited)*

	Three months ended December 31,	
	2003	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 747	\$ (7,191)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,351	7,012
Gain on sale of assets		(1,875)
Charge on early extinguishment of debt	6,152	
Changes in components of working capital:		
Accounts receivable	(25,648)	20,729
Inventory	(2,401)	127
Prepaid expenses and other assets	(544)	(4,203)
Accounts payable and accrued expenses	19,668	(12,614)
Taxes payable	684	1,108
Other, net	1,723	1,872
Net cash provided by operating activities	8,732	4,965
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments classified as available for sale	4,200	11,710
Purchase of investments classified as available for sale	(7,624)	(4,514)
Purchases of property, plant and equipment	(2,928)	(2,978)
Proceeds from sale of assets		11,831
Net cash provided by (used in) investing activities	(6,352)	16,049
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock	3,001	438
Changes in restricted cash	(421)	(240)
Net proceeds from issuance of 0.5% convertible subordinated notes	199,736	
Purchase of 4.75% convertible subordinate notes	(178,563)	
Payments on borrowings, including capitalized leases	(61)	(9)
Net cash provided by financing activities	23,692	189
Effect of exchange rate changes on cash and cash equivalents		895
Changes in cash and cash equivalents	26,072	22,098
Cash and cash equivalents at beginning of period	65,725	60,333
Cash and cash equivalents at end of period	\$ 91,797	\$ 82,431
<b>CASH PAID DURING THE PERIOD FOR:</b>		

Edgar Filing: KULICKE & SOFFA INDUSTRIES INC - Form 424B3

Interest	\$	4,427	\$	848
Income taxes	\$	355	\$	1,185

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



---

**KULICKE AND SOFFA INDUSTRIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*(unaudited)*

**NOTE 1 - BASIS OF PRESENTATION**

The condensed consolidated financial statement information included herein is unaudited, but in the opinion of management, contains all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position at December 31, 2004, the results of its operations for the three month periods ended December 31, 2003 and 2004, and its cash flows for the three month periods ended December 31, 2003 and 2004. The results of operations for interim periods are not necessarily indicative of the results that may be expected for a full year. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2004.

In February 2004, the Company sold the remaining assets of its advanced packaging technology segment, which consisted solely of the flip chip business unit which licensed flip chip technology and provided flip chip bumping and wafer level packaging services. As a result, we have reflected the flip chip business unit as a discontinued operation and do not include the results of its operations in our revenues and expenses from continuing operations as reported in our financial statements and this discussion of our results of operations.

During the three months ended December 31, 2004, the Company sold the land and building held through the variable interest entity that was previously consolidated into the Company's financial statements. The impact of this sale decreased assets and liabilities by approximately \$5.8 million and \$5.5 million, as of December 31, 2004.

Certain amounts in the Company's prior fiscal year financial statements have been reclassified to conform to their presentation in the current fiscal year.

**NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS**

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, Inventory Costs—an amendment of ARB 43, chapter 4 (FAS 151). FAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) in the determination of inventory carrying costs. The statement requires such costs be recognized as a current-period expense. FAS 151 also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for fiscal years beginning after July 15, 2005. The Company does not expect the adoption of this standard to have a material impact on its financial condition or results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R (revised 2004), Share-Based Payment (FAS 123R). In summary, FAS 123R requires companies to expense the fair value of employee stock options and similar awards as of the date the Company grants the awards to employees. The expense would be recognized over the vesting period for each option and adjusted for actual forfeitures that occur before vesting. The effective date for this standard is interim and annual periods beginning after June 15, 2005, and applies to all outstanding and unvested share-based payment awards at a company's adoption date. The Company is currently assessing each of the three transition methods offered by FAS 123R and believes adoption of FAS 123R will have a material impact on its consolidated financial

statements, regardless of the method selected.

**NOTE 3 ACCOUNTING FOR STOCK-BASED COMPENSATION**

The Company accounts for stock option grants using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ( APB No. 25 ), and discloses the pro forma effect on net income and earnings per share as if the fair value method had been applied to stock option grants, in accordance with SFAS 123, *Accounting For Stock-Based Compensation*.

At December 31, 2004, the Company had five stock-based employee compensation plans and two director compensation plans. No stock-based employee or director compensation cost is reflected in net income (loss), as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income (loss) and earning (loss) per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee and director compensation:

	<i>(in thousands)</i>	
	<b>Three months ended</b>	
	<b>December 31,</b>	
	<b>2003</b>	<b>2004</b>
	<u>          </u>	<u>          </u>
Net income (loss), as reported	\$ 747	\$ (7,191)
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(2,608)	(5,476)
Pro forma net loss	<u>\$ (1,861)</u>	<u>\$ (12,667)</u>
Net income (loss) per share:		
Basic-as reported	<u>\$ 0.01</u>	<u>\$ (0.14)</u>
Basic-pro forma	<u>\$ (0.04)</u>	<u>\$ (0.25)</u>
Diluted - as reported	<u>\$ 0.01</u>	<u>\$ (0.14)</u>
Diluted - pro forma	<u>\$ (0.04)</u>	<u>\$ (0.25)</u>

**NOTE 4 - GOODWILL AND OTHER INTANGIBLES**