

REFINITIV

DELTA REPORT

10-Q

AEHR - AEHR TEST SYSTEMS

10-Q - FEBRUARY 29, 2024 COMPARED TO 10-Q - NOVEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	445
CHANGES	122
DELETIONS	147
ADDITIONS	176

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **November 30, 2023** **February 29, 2024**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-22893

AEHR TEST SYSTEMS

(Exact name of Registrant as Specified in its Charter)

California

(State or Other Jurisdiction of Incorporation or Organization)

94-2424084

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

400 Kato Terrace, Fremont, CA

(Address of Principal Executive Offices)

94539

(Zip Code)

(510) 623-9400

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock par value of \$0.01 per share	AEHR	The NASDAQ Capital Market

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

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

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

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒

Smaller reporting company

☒

Emerging growth company

☐

If an emerging growth company, indicated by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 28,849,237 28,914,729 shares of the Registrant's Common Stock outstanding as of December 31, 2023 April 1, 2024.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

	AEHR TEST SYSTEMS		CONDENSED (Unaudited) CONSOLIDATED BALANCE SHEETS	
(In thousands, except par value)	November 30, 2023	May 31, 2023	February 29, 2024	May 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 50,514	\$ 30,054	\$ 47,581	\$ 30,054
Short-term investments	-	17,853	-	17,853
Accounts receivable, net	4,573	16,594	5,468	16,594
Inventories	33,817	23,908	38,085	23,908
Prepaid expenses and other current assets	2,861	621	1,215	621
Total current assets	91,765	89,030	92,349	89,030
Property and equipment, net	3,185	2,759	3,150	2,759
Operating lease right-of-use assets, net	5,987	6,123	5,863	6,123
Other non-current assets	238	231	234	231
Total assets	\$ 101,175	\$ 98,143	\$ 101,596	\$ 98,143
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				

Accounts payable	\$ 4,183	\$ 9,206	\$ 4,979	\$ 9,206
Accrued expenses	3,232	4,143	3,287	4,143
Operating lease liabilities, short-term	397	137	428	137
Deferred revenue, short-term	147	2,822	486	2,822
Total current liabilities	7,959	16,308	9,180	16,308
Operating lease liabilities, long-term	6,016	6,163	5,878	6,163
Deferred revenue, long-term	4	31	-	31
Other long-term liabilities	42	41	41	41
Total liabilities	14,021	22,543	15,099	22,543
Commitments and contingencies (Note 6)				
Shareholders' equity:				
Preferred stock, \$0.01 par value: Authorized: 10,000 shares;				
Issued and outstanding: none	-	-	-	-
Common stock, \$0.01 par value: Authorized: 75,000 shares;				
Issued and outstanding: 28,826 shares and 28,539 shares at November 30, 2023 and May 31, 2023, respectively	288	285		
Issued and outstanding: 28,906 shares and 28,539 shares at February 29, 2024 and May 31, 2023, respectively			289	285
Additional paid-in-capital	128,543	127,776	129,366	127,776
Accumulated other comprehensive loss	(134)	(155)	(144)	(155)
Accumulated deficit	(41,543)	(52,306)	(43,014)	(52,306)
Total shareholders' equity	87,154	75,600	86,497	75,600
Total liabilities and shareholders' equity	\$ 101,175	\$ 98,143	\$ 101,596	\$ 98,143

The Condensed Consolidated Balance Sheet as of May 31, 2023 has been derived from the audited consolidated financial statements at that date.

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

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AEHR TEST SYSTEMS

CONDENSED (Unaudited) CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)					Three Months Ended		Nine Months Ended		
	Three Months Ended November 30,		Six Months Ended November 30,		February 29,		February 29,		
					February 28,		February 29,		
	2023	2022	2023	2022	2024	2023	2024	2023	2023
Revenue:									
Product	\$ 19,837	\$ 14,007	\$ 39,194	\$ 23,595	\$ 6,730	\$ 16,120	\$ 45,924	\$ 39,715	
Services	1,594	808	2,861	1,891	833	1,086	3,694	2,977	
Total revenue	21,431	14,815	42,055	25,486	7,563	17,206	49,618	42,692	
Cost of revenue:									
Product	9,707	6,497	19,626	12,011	3,948	7,728	23,574	19,739	

Services	766	407	1,490	1,083	459	603	1,949	1,686
Total cost of revenue	10,473	6,904	21,116	13,094	4,407	8,331	25,523	21,425
Gross profit	10,958	7,911	20,939	12,392	3,156	8,875	24,095	21,267
Operating expenses:								
Research and development	1,972	1,551	4,429	3,049	2,139	1,832	6,568	4,881
Selling, general and administrative	3,518	2,875	6,927	5,400	3,063	3,250	9,990	8,650
Total operating expenses	5,490	4,426	11,356	8,449	5,202	5,082	16,558	13,531
Income from operations	5,468	3,485	9,583	3,943				
Income (loss) from operations					(2,046)	3,793	7,537	7,736
Interest income, net	631	263	1,212	384	584	374	1,796	758
Other income (expense), net	10	(5)	4	19	(2)	(18)	2	1
Income before provision for income taxes	6,109	3,743	10,799	4,346				
Income (loss) before provision for income taxes					(1,464)	4,149	9,335	8,495
Provision for income taxes	20	18	36	32	7	17	43	49
Net income	\$ 6,089	\$ 3,725	\$ 10,763	\$ 4,314				
Net income (loss)					\$ (1,471)	\$ 4,132	\$ 9,292	\$ 8,446
Net income per share:								
Net income (loss) per share:								
Basic	\$ 0.21	\$ 0.14	\$ 0.37	\$ 0.16	\$ (0.05)	\$ 0.15	\$ 0.32	\$ 0.31
Diluted	\$ 0.20	\$ 0.13	\$ 0.36	\$ 0.15	\$ (0.05)	\$ 0.14	\$ 0.31	\$ 0.29
Shares used in per share calculations:								
Basic	28,801	27,579	28,725	27,410	28,866	27,893	28,773	27,571
Diluted	29,769	29,080	29,700	28,934	28,866	29,373	29,670	29,080

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

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AEHR TEST SYSTEMS								CONDENSED (Unaudited) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
	Three Months Ended November 30,		Six Months Ended November 30,		Three Months Ended		Nine Months Ended	
					February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
(In thousands)	2023	2022	2023	2022	2024	2023	2024	2023
Net income	\$ 6,089	\$ 3,725	\$ 10,763	\$ 4,314				
Net income (loss)					\$ (1,471)	\$ 4,132	\$ 9,292	\$ 8,446
Other comprehensive income (loss), net of tax:								
Net change in cumulative translation adjustment	7	1	4	(44)	(10)	9	(6)	(35)
Net change in unrealized gain (loss) on investments	-	(6)	17	(6)	-	(16)	17	(22)
Comprehensive income	\$ 6,096	\$ 3,720	\$ 10,784	\$ 4,264				
Comprehensive income (loss)					\$ (1,481)	\$ 4,125	\$ 9,303	\$ 8,389

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

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AEHR TEST SYSTEMS										
(In thousands)	Common Stock		Additional Paid-in Capital		Accumulated Other Comprehensive Income (loss)		Accumulated Deficit		Total Shareholders' Equity	
	Shares	Amount	Capital		Income (loss)	Deficit			Equity	
Three Months Ended November 30, 2023										

Balances, August 31, 2023												
28,763 \$ 288 \$ 127,630 \$ (141) \$ (47,632) \$ 80,145												
Three Months Ended February 29, 2024												
Balances, November 30, 2023												
28,826 \$ 288 \$ 128,543 \$ (134) \$ (41,543)												
Issuance of common stock under employee plans	74	-	774	-	-	774	81	1	177	-	-	
Issuance cost of common stock offering	-	-	(72)	-	-	(72)						
Shares repurchased for tax withholdings on vesting of restricted stock units	(11)	-	(448)	-	-	(448)	(1)	-	(20)	-	-	
Stock-based compensation	-	-	659	-	-	659	-	-	666	-	-	
Net income	-	-	-	-	6,089	6,089						
Net loss							-	-	-	-	(1,471)	
Foreign currency translation adjustment	-	-	-	7	-	7	-	-	-	(10)	-	
Balances, November 30, 2023												
28,826 \$ 288 \$ 128,543 \$ (134) \$ (41,543) \$ 87,154												
Balances, February 29, 2024												
28,906 \$ 289 \$ 129,366 \$ (144) \$ (43,014)												

(In thousands)	Accumulated										Acc
	Common		Additional	Other					Additional	Other	
	Stock	Paid-in	Comprehensive	Accumulated	Shareholders'	Total	Common Stock	Paid-in	Comprehensive	Accumulated	
	Shares	Amount	Capital	Income (loss)	Deficit	Equity	Shares	Amount	Capital	Income (loss)	Deficit
Six Months Ended November 30, 2023											
Nine Months Ended February 29, 2024											

Balances, May 31, 2023	28,539	\$	285	\$	127,776	\$	(155)	\$	(52,306)	\$	75,600	28,539	\$	285	\$	127,776	\$	(155)	\$	(52,306)
Issuance of common stock under employee plans	321		3		1,089		-		-		1,092	402		4		1,266		-		-
Issuance cost of common stock offering	-		-		(72)		-		-		(72)	-		-		(72)		-		-
Shares repurchased for tax withholdings on vesting of restricted stock units	(34)		-		(1,460)		-		-		(1,460)	(35)		-		(1,480)		-		-
Stock-based compensation	-		-		1,210		-		-		1,210	-		-		1,876		-		-
Net income	-		-		-		-		10,763		10,763	-		-		-		-		9,292
Foreign currency translation adjustment	-		-		-		4		-		4	-		-		-		(6)		-
Net unrealized gains on investments	-		-		-		17		-		17	-		-		-		17		-
Balances, November 30, 2023	28,826	\$	288	\$	128,543	\$	(134)	\$	(41,543)	\$	87,154									
Balances, February 29, 2024												28,906	\$	289	\$	129,366	\$	(144)	\$	(43,014)

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

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AEHR TEST SYSTEMS CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)	AEHR TEST SYSTEMS CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)									
	Accumulated					(Unaudited) Accumulated				
	Additional Other					Additional Other				
	Common Stock	Paid-in	Comprehensive	Accumulated	Shareholders' Total	Common Stock	Paid-in	Comprehensive	Accumulated	

(In thousands)	Shares	Amount	Capital	Income (loss)	Deficit	Equity	Shares	Amount	Capital	Income (loss)	Deficit
Three Months Ended November 30, 2022											
Balances, August 31, 2022	27,395	\$ 274	\$ 117,668	\$ (150)	\$ (66,274)	\$ 51,518					
Three Months Ended February 28, 2023											
Balances, November 30, 2022							27,732	\$ 277	\$ 119,094	\$ (155)	\$ (62,549)
Issuance of common stock under employee plans	339	3	654	-	-	657	395	4	849	-	-
Shares repurchased for tax withholdings on vesting of restricted stock units	(2)	-	(37)	-	-	(37)	(16)	-	(464)	-	-
Proceeds from public offering, net of issuance costs							209	2	6,851	-	-
Stock-based compensation	-	-	809	-	-	809	-	-	600	-	-
Net income	-	-	-	-	3,725	3,725	-	-	-	-	4,132
Net unrealized loss on investments							-	-	-	(16)	-
Foreign currency translation adjustment	-	-	-	1	-	1	-	-	-	9	-
Net unrealized loss on investments	-	-	-	(6)	-	(6)					
Balances, November 30, 2022	27,732	\$ 277	\$ 119,094	\$ (155)	\$ (62,549)	\$ 56,667					
Balances, February 28, 2023							28,320	\$ 283	\$ 126,930	\$ (162)	\$ (58,417)

(In thousands)	Accumulated										Acc
	Common		Additional	Other					Additional	Other	
	Stock	Paid-in	Comprehensive	Accumulated	Shareholders'	Total	Common Stock	Paid-in	Comprehensive	Accumulated	
	Shares	Amount	Capital	Income (loss)	Deficit	Equity	Shares	Amount	Capital	Income (loss)	Deficit

Six Months Ended November 30, 2022																			
Nine Months Ended February 28, 2023																			
Balances, May 31, 2022	27,120	\$	271	\$	117,686	\$	(105)	\$	(66,863)	\$50,989	27,120	\$	271	\$	117,686	\$	(105)	\$	(66,863)
Issuance of common stock under employee plans	761		7		1,105		-		-	1,112	1,156		11		1,954		-		-
Shares repurchased for tax withholdings on vesting of restricted stock units	(149)		(1)		(1,215)		-		-	(1,216)	(165)		(1)		(1,679)		-		-
Proceeds from public offering, net of issuance costs											209		2		6,851		-		-
Stock-based compensation	-		-		1,518		-		-	1,518	-		-		2,118		-		-
Net income	-		-		-		-		4,314	4,314	-		-		-		-		8,446
Net unrealized loss on investments											-		-		-		(22)		-
Foreign currency translation adjustment	-		-		-		(44)		-	(44)	-		-		-		(35)		-
Net unrealized loss on investments	-		-		-		(6)		-	(6)									
Balances, November 30, 2022	27,732	\$	277	\$	119,094	\$	(155)	\$	(62,549)	\$56,667									
Balances, February 28, 2023											28,320	\$	283	\$	126,930	\$	(162)	\$	(58,417)

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

AEHR TEST SYSTEMS

Condensed Consolidated (Unaudited)
Statements of Cash Flows

(In thousands)	Nine Months Ended			
	Six Months Ended November 30,		February 29,	February 28,
	2023	2022	2024	2023
Cash flows from operating activities:				
Net income	\$ 10,763	\$ 4,314	\$ 9,292	\$ 8,446
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation expense	1,160	1,503	1,744	2,095
Depreciation and amortization	283	225	469	337
Accretion of investment discount	(130)	(64)	(130)	(305)
Amortization of operating lease right-of-use assets	337	356	522	479
Provision for doubtful accounts	-	24	-	24
Changes in operating assets and liabilities:				
Accounts receivable	12,037	2,618	11,130	1,414
Inventories	(9,996)	(3,094)	(14,182)	(6,783)
Prepaid expenses and other current assets	(2,245)	(196)	(600)	(167)
Accounts payable	(5,099)	(210)	(4,232)	822
Accrued expenses	(974)	(1,045)	(874)	(126)
Deferred revenue	(2,703)	1,221	(2,368)	(1,633)
Operating lease liabilities	(89)	(390)	(257)	(469)
Income taxes payable	12	4	18	9
Net cash provided by operating activities	3,356	5,266	532	4,143
Cash flows from investing activities:				
Purchases of property and equipment	(440)	(99)	(703)	(178)
Proceeds from maturities of investments	18,000	-	18,000	8,000
Purchases of investments	-	(17,652)	-	(33,294)
Net cash provided by (used in) investing activities	17,560	(17,751)	17,297	(25,472)
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee plans	1,092	1,112	1,270	1,965
Shares repurchased for tax withholdings on vesting of restricted stock units	(1,460)	(1,216)	(1,480)	(1,680)
Issuance cost of common stock offering	(72)	-		
Net cash used in financing activities	(440)	(104)		
Proceeds from issuance of common stock from public offering, net of issuance costs			(72)	6,853
Net cash provided by (used in) financing activities			(282)	7,138
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(16)	(21)	(20)	(35)
Net increase (decrease) in cash, cash equivalents and restricted cash	20,460	(12,610)	17,527	(14,226)

Cash, cash equivalents and restricted cash, beginning of period ⁽¹⁾	30,204	31,564	30,204	31,564
Cash, cash equivalents and restricted cash, end of period ⁽¹⁾	\$ 50,664	\$ 18,954	\$ 47,731	\$ 17,338

(1) Includes restricted cash in other assets.

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

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AEHR TEST SYSTEMS
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Aehr Test Systems (the “Company”) was incorporated in California in May 1977 and develops and manufactures test and burn-in equipment used in the semiconductor industry. The Company’s principal products are the FOX-XP, FOX-NP, and FOX-CP wafer contact and singulated die/module parallel test and burn-in systems, the WaferPak full wafer contactor, the DiePak carrier, the WaferPak aligner, the DiePak autoloader, and test fixtures.

Basis of Presentation – The unaudited Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting and the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim reporting. Accordingly, the unaudited Condensed Consolidated Financial Statements do not include certain information and footnote disclosures normally included in the annual consolidated financial statements. In the opinion of management, the unaudited Condensed Consolidated Financial Statements for the interim periods presented have been prepared on a basis consistent with the May 31, 2023 audited Consolidated Financial Statements and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the condensed consolidated financial position and results of operations as of and for such periods indicated. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements contained in the Company’s Annual Report on Form 10-K for the year ended May 31, 2023.

Principles of Consolidation – The Company’s Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries and all significant intercompany accounts and transactions have been eliminated upon consolidation.

Critical Accounting Policies and use of Estimates – The Company’s significant accounting policies are disclosed in the Company’s Annual Report on Form 10-K for the year ended May 31, 2023. There have been no significant changes in the Company’s significant accounting policies during the three and six nine months ended November 30, 2023 February 29, 2024. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in these Condensed Consolidated Financial Statements include valuation of inventory at the lower of cost or net realizable value and warranty reserves. Actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the prior period Condensed Consolidated Financial Statements to conform to the current period presentation. The reclassifications had no impact on net income, total assets, total liabilities, or shareholders’ equity.

Concentration of Credit Risk – Financial instruments which subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company performs credit evaluations of its customers’ financial condition and generally requires no collateral. The Company had revenues from individual customers in excess of 10% of total revenues as follows:

	Three Months Ended				Nine Months Ended			
	Three Months Ended November 30,		Six Months Ended November 30,		February 29,		February 28,	
	2023		2022		2024		2023	
Customer A	46.9 %	79.0 %	66.9 %	74.0 %	59.6 %	82.5 %	65.8 %	77.5 %

Customer B	34.6 %	*	20.0 %	*	19.3 %	11.6 %	*	15.7 %
Customer C	*	15.0 %	*	18.0 %	*	*	17.2 %	*

* Amount was less than 10% of total revenue

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The Company had gross accounts receivable from individual customers in excess of 10% of gross accounts receivable as follows:

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	November 30, 2023	May 31, 2023	February 29, 2024	May 31, 2023
Customer A	29.2 %	81.6 %	70.2 %	81.6 %
Customer B	22.8 %	16.5 %	18.0 %	*
Customer D	22.6 %	*		
Customer E	14.7 %	*		
Customer C			*	16.5 %

* Amount was less than 10% of total gross accounts receivable

Recent Accounting Pronouncements —The Company's accounts receivable are recorded at invoiced amounts less allowance for any credit losses. According to the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13 that the Company adopted on June 1, 2023, the Company recognizes credit losses based on forward-looking current expected credit losses ("CECL"). The Company makes estimates of expected credit losses based upon its assessment of various factors, including the age of accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The allowance for credit losses is recognized in the condensed consolidated statements of operations. The uncollectible accounts receivable are written off in the period in which a determination is made that all commercially reasonable means of recovering them have been exhausted. The total allowance for credit losses was \$0 at both **November 30, 2023** **February 29, 2024** and May 31, 2023, and there was no write-off of accounts receivable for the periods presented. The adoption of ASU 2016-13 did not have a material impact on the Company's Condensed Consolidated Financial Statements.

Although there are several other new accounting pronouncements issued by*Recent Accounting Pronouncements Not Yet Adopted*

Improvements to Reportable Segment Disclosures: In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07), which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. The Company is currently evaluating the **Company does not believe any effect of these accounting pronouncements had or will have a significant impact this pronouncement on its Condensed Consolidated Financial Statements, disclosures.**

Improvements to Income Tax Disclosures: In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands the disclosures required for income taxes. This ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendment should be applied on a prospective basis while retrospective application is permitted. The Company is currently evaluating the effect of this pronouncement on its disclosures.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Measurements — The Company measures its cash equivalents and money market funds at fair value on a recurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be derived from observable market data. Where applicable, these models

project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and credit ratings.

Level 3 — Unobservable inputs that are supported by little or no market activities.

The following table represents the Company's assets measured at fair value on a recurring basis as of **November 30, 2023** **February 29, 2024**, and the basis for that measurement:

(In thousands)	Balance as of			
	November 30, 2023	Level 1	Level 2	Level 3
Money market funds	\$ 46,606	\$ 46,606	\$ -	\$ -
Total	\$ 46,606	\$ 46,606	\$ -	\$ -

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(In thousands)	Balance as of			
	February 29, 2024	Level 1	Level 2	Level 3
Money market funds	\$ 44,189	\$ 44,189	\$ -	\$ -
Total	\$ 44,189	\$ 44,189	\$ -	\$ -

The following table represents the Company's assets measured at fair value on a recurring basis as of May 31, 2023, and the basis for that measurement:

(In thousands)	Balance as of				Balance as of			
	May 31, 2023	Level 1	Level 2	Level 3	May 31, 2023	Level 1	Level 2	Level 3
Money market funds	\$ 27,022	\$ 27,022	\$ -	\$ -	\$ 27,022	\$ 27,022	\$ -	\$ -
U. S. treasury securities	17,853	17,853	-	-	17,853	17,853	-	-
Total	\$ 44,875	\$ 44,875	\$ -	\$ -	\$ 44,875	\$ 44,875	\$ -	\$ -

Included in money market funds as of **November 30, 2023** **February 29, 2024** and May 31, 2023 is \$150,000 restricted cash representing a security deposit for the Company's United States manufacturing and office space lease. There were no financial liabilities measured at fair value as of **November 30, 2023** **February 29, 2024** and May 31, 2023. There were no transfers between Level 1 and Level 2 fair value measurements during the three and **six** **nine** months ended **November 30, 2023** **February 29, 2024**. The carrying amounts of financial instruments, including cash equivalents, accounts receivable, accounts payable and certain other accrued liabilities, approximate fair value due to their short maturities.

The following table summarizes the Company's cash, cash equivalents and investments by security type as of **November 30, 2023** **February 29, 2024** and May 31, 2023, respectively:

Balances as of	Gross			Balances as of	Gross		
	Unrealized	Estimated			Unrealized	Estimated	
November 30, 2023				February 29, 2024			
(In thousands)	Cost	Loss	Fair Value		Cost	Loss	Fair Value
Cash	\$ 4,058	\$ -	\$ 4,058		\$ 3,542	\$ -	\$ 3,542
Cash equivalents:							

Money market funds	\$ 46,456	\$ -	\$ 46,456	\$ 44,039	\$ -	\$ 44,039
Total cash and cash equivalents	\$ 50,514	\$ -	\$ 50,514	\$ 47,581	\$ -	\$ 47,581
Long-term investments:						
Money market funds	\$ 150	\$ -	\$ 150	\$ 150	\$ -	\$ 150
Total cash, cash equivalents and investments	\$ 50,664	\$ -	\$ 50,664	\$ 47,731	\$ -	\$ 47,731

Balances as of May 31, 2023 (In thousands)	Cost	Gross Unrealized	Estimated Fair Value
		Loss	
Cash	\$ 3,182	\$ -	\$ 3,182
Cash equivalents:			
Money market funds	\$ 26,872	\$ -	\$ 26,872
Total cash and cash equivalents	\$ 30,054	\$ -	\$ 30,054
Short term investments:			
U. S. treasury securities	\$ 17,870	\$ (17)	\$ 17,853
Long-term investments:			
Money market funds	\$ 150	\$ -	\$ 150
Total cash, cash equivalents and investments	\$ 48,074	\$ (17)	\$ 48,057

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Long-term investments are included in other assets on the accompanying Condensed Consolidated Balance Sheets. Unrealized gains and temporary losses on investments classified as available-for-sale debt securities are included within accumulated other comprehensive loss, net of any related tax effect. Upon realization, those amounts are reclassified from accumulated other comprehensive loss to results of operations.

3. BALANCE SHEET INFORMATION

Inventories

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Inventories consisted of the following:

(In thousands)	November 30, 2023	May 31, 2023	February 29, 2024	May 31, 2023
Raw materials and sub-assemblies	\$ 20,717	\$ 15,953	\$ 24,770	\$ 15,953
Work in process	11,926	5,764	11,080	5,764
Finished goods	1,174	2,191	2,235	2,191
	\$ 33,817	\$ 23,908	\$ 38,085	\$ 23,908

Property and equipment

Property and equipment, net consisted of the following:

(In thousands)	Useful life (in years)	November 30, 2023	May 31, 2023

Leasehold improvements	*	\$ 1,553	\$ 1,310
Machinery and equipment	3 - 6	5,782	5,445
Test equipment	4 - 6	3,121	2,998
Furniture and fixtures	2 - 6	702	706
		11,158	10,459
Less: accumulated depreciation and amortization		(7,973)	(7,700)
		\$ 3,185	\$ 2,759

	Useful life (in years)	February 29, 2024	May 31, 2023
(In thousands)			
Leasehold improvements	*	\$ 1,643	\$ 1,310
Machinery and equipment	3 - 5	5,775	5,445
Test equipment	4 - 5	3,030	2,998
Furniture and fixtures	2 - 5	717	706
		11,165	10,459
Less: accumulated depreciation and amortization		(8,015)	(7,700)
		\$ 3,150	\$ 2,759

* Lesser of estimated useful life or lease term.

Product warranties

The Company provides for the estimated cost of product warranties at the time revenues are recognized on the products shipped. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, the Company's warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from the Company's estimates, revisions to the estimated warranty liability would be required. The standard warranty period is one year for systems and ninety days for parts and service.

The following is a summary of changes in the Company's liability for product warranties during the three and ~~six~~nine months ended ~~November 30, 2023~~ February 29, 2024 and ~~2022~~ February 28, 2023:

(In thousands)					Three Months Ended		Nine Months Ended		
	Three Months Ended November 30,		Six Months Ended November 30,		February 29,	February 28,	February 29,	February 28,	
	2023	2022	2023	2022	2024	2023	2024	2023	
Balance at the beginning of the period	\$ 232	\$ 424	\$ 267	\$ 410	\$ 221	\$ 311	\$ 267	\$ 410	
Accruals for warranties issued during the period	162	5	227	123	117	84	344	207	
Adjustments to previously existing warranty accruals	-	-	-	61	-	-	-	61	
Consumption of reserves	(173)	(118)	(273)	(283)	(123)	(107)	(396)	(390)	
Balance at the end of the period	\$ 221	\$ 311	\$ 221	\$ 311	\$ 215	\$ 288	\$ 215	\$ 288	

Deferred revenue The accrued warranty balance is included in accrued expenses on the accompanying Condensed Consolidated Balance Sheets.

Deferred revenue, short-term consisted of the following:

(In thousands)	November 30,	May 31,
	2023	2023
Customer deposits	\$ 68	\$ 2,690
Deferred revenue	79	132
	<u>\$ 147</u>	<u>\$ 2,822</u>

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Deferred revenue

Deferred revenue, short-term consisted of the following:

(In thousands)	February 29,	May 31,
	2024	2023
Customer deposits	\$ 418	\$ 2,690
Deferred revenue	68	132
	<u>\$ 486</u>	<u>\$ 2,822</u>

4. INCOME TAX

The Company is subject to U.S federal and state and foreign income taxes as a corporation. The Company's tax provision and the resulting effective tax rate for the interim period is determined based upon its estimated annual effective tax rate adjusted for the effect of discrete items arising in that quarter. The Company recorded a provision for income taxes of \$20,000 \$7,000 and \$36,000 \$43,000 for the three and six nine months ended November 30, 2023 February 29, 2024, respectively, which consisted primarily of foreign withholding taxes and foreign income taxes. The Company recorded a provision for income taxes of \$18,000 \$17,000 and \$32,000 \$49,000 for the three and six nine months ended November 30, 2022 February 28, 2023, respectively, which consisted primarily of foreign withholding taxes and foreign income taxes.

Income taxes have been provided using the liability method whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and net operating loss and tax credit carryforwards measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, or the carryforwards are utilized. Valuation allowances are established when it is determined that it is more likely than not that such assets will not be realized.

Since fiscal 2009, a full valuation allowance was established against all deferred tax assets, as management determined that it was more likely than not that certain deferred tax assets would not be realized. The Company continues to reassess the need for a valuation allowance on a quarterly basis.

The Company accounts for uncertain tax positions consistent with authoritative guidance. The guidance prescribes a "more likely than not" recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income taxes.

5. BORROWING ARRANGEMENTS

On January 16, 2020, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with Silicon Valley Bank ("SVB"). Pursuant to the Loan Agreement, the Company may borrow up to (a) the lesser of (i) the revolving line of \$4.0 million or (ii) the amount available under the borrowing base under a revolving line of credit which is collateralized by all the Company's assets except intellectual property. The borrowing base is 80% of eligible accounts, as determined by SVB from the Company's most recent borrowing base statement; provided, however, SVB has the right to decrease the foregoing percentage in its good faith business judgment to mitigate the impact of certain events or conditions, which may adversely affect the collateral or its value. Subject to an event of default, the principal amount outstanding under the revolving line of credit will accrue interest at a floating per annum rate equal to the greater of (a) the prime rate plus an additional percentage of up to 1%, which additional percentage depends on the Company's adjusted quick ratio, and (b) 4.75%. Interest is payable monthly on the last calendar day of each month and the outstanding principal amount, the unpaid interest and all other obligations are due on the maturity date, which is 364 days from the effective date of January 13, 2020.

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On January 14, 2021, the Company entered into the First Amendment to Loan and Security Agreement (the "Amendment") with SVB. The Amendment, among other things, extended the Revolving Line Maturity Date to July 14, 2021; provided, however, that if the Company achieved specified operating metrics on a consolidated basis on or prior to May 31, 2021 the Amended Revolving Line Maturity Date would be extended to January 13, 2022.

On January 11, 2022, the Company entered into the Second Amendment to the Loan and Security Agreement (the "Second Amendment") with SVB. The Second Amendment, among other things, (A) increased the available amount of the line up to the lesser of (i) \$10 million or (ii) the available amount under the borrowing base, under a revolving line of credit, (B) allowed for borrowing up to \$3 million of the available balance based upon eligible customer purchase orders, (C) reduced the interest rate for account advances under the line to the greater of (a) prime rate plus an additional percentage up to 1.0%, which additional percentage depends on the Company's adjusted quick ratio, and (b) 3.25%, reduces the interest rate for purchase order advances under the line to the greater of (a) prime rate plus an additional percentage up to 1.5%, which additional percentage depends on the Company's adjusted quick ratio, and (b) 3.75%, and (D) extended the maturity date to January 13, 2023.

On January 10, 2023, the Company entered into the Third Amendment to the Loan and Security Agreement (the "Third Amendment") with SVB. The Third Amendment, among other things, extends the Revolving Line Maturity Date to January 13, 2024, provided, however, that (i) if the Company submits a fiscal year 2024 plan of record that is generally acceptable to SVB, and (ii) the minimum net liquidity at the end of November 30, 2023 is at least \$20.0 million, the Amended Revolving Line Maturity Date would be extended to January 13, 2025.

The Company terminated the revolving line on January 4, 2024.

As of November 30, 2023, the Company had not drawn against the credit facility and was in compliance with all covenants related to obligations to meet reporting requirements. The balance available to borrow under the line as of November 30, 2023 was \$4,212,000. There are no financial covenants in the agreement.

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6. COMMITMENTS AND CONTINGENCIES

Purchase Obligations

The Company has purchase obligations to certain suppliers. In some cases, the products the Company purchases are unique and have provisions against cancellation of the order.

Contingencies

The Company may, from time to time, be involved in legal proceedings arising in the ordinary course of business. While there can be no assurances as to the ultimate outcome of any litigation involving the Company, management does not believe any pending legal proceedings will result in judgment or settlement that will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

In the normal course of business to facilitate sales of its products, the Company indemnifies other parties, including customers, with respect to certain matters, for example, including against losses arising from a breach of representations or covenants, or from intellectual property infringement or other claims. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, the Company has entered into indemnification agreements with its officers and directors, and the Company's bylaws contain similar indemnification obligations to the Company's agents.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. To date, payments made by the Company under these agreements have not had a material impact on the Company's operating results, financial position or cash flow.

7. SHAREHOLDERS' EQUITY

On August 25, 2021, the Board of Directors authorized management to take actions necessary for the execution of a \$75 million shelf registration. A Registration Statement on Form S-3 was filed with the SEC on September 3, 2021. A Prospectus Supplement for an "At the Market" ("ATM") sale of \$25 million of common stock was subsequently filed on September 17, 2021. On October 8, 2021, the Company executed the ATM offering by selling 1,696,729 shares of common stock at an average selling price of \$14.73 per share. The gross proceeds to the Company were \$25.0 million, before commission fees of \$0.7 million and offering expenses of \$0.3 million. Another Prospectus Supplement for an ATM sale of \$25 million of common stock was subsequently filed on February 8, 2023. The Company partially executed the ATM offering by selling 208,917 shares of common stock at an average selling price of \$34.78 per share. The gross proceeds to the Company during the quarter ended February 28, 2023 were \$7.3 million, before commissions of \$0.2 million and offering expenses of \$0.2 million. As of November 30, 2023 February 29, 2024, the remaining amount of the ATM offering was \$17.7 million.

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in the components of accumulated other comprehensive loss, net of tax, were as follows (in thousands):

(In thousands)	Cumulative translation adjustment	Unrealized loss on investments, net	Total	Cumulative translation adjustment	Unrealized loss on investments, net	Total
Balance as of May 31, 2023	\$ (138)	\$ (17)	\$ (155)	\$ (138)	\$ (17)	\$ (155)
Other comprehensive income (loss) before reclassifications	4	17	21	(6)	17	11
Balance as of November 30, 2023	\$ (134)	\$ -	\$ (134)			
Balance as of February 29, 2024	\$ (144)	\$ -	\$ (144)			

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9. REVENUE

Revenue recognition

The Company recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Company satisfies a performance obligation, as further described below.

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Performance obligations include sales of systems, contactors, spare parts, and services, as well as installation and training services included in customer contracts. A contract's transaction price is allocated to each distinct performance obligation. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. The Company generally does not grant return privileges, except for defective products during the warranty period.

For contracts that contain multiple performance obligations, the Company allocates the transaction price to the performance obligations on a relative standalone selling price basis. Standalone selling prices are based on multiple factors including, but not limited to historical discounting trends for products and services and pricing practices in different geographies. Revenue for systems and spares is recognized at a point in time, which is generally upon shipment or delivery and evidenced by transfer of title and risk of loss to the customer. Revenue from services is recognized over time as the customer receives the benefit over the contractual period of generally one year or less.

The Company has elected the practical expedient to not assess whether a contract has a significant financing component as the Company's standard payment terms are less than one year.

The Company sells its products primarily through a direct sales force. In certain international markets, the Company sells its products through independent distributors.

Disaggregation of revenue

The following presents information about the Company's net revenues in different geographic areas, which are based upon ship-to locations, and by product category:

					Three Months Ended		Nine Months Ended	
(In thousands)	Three Months Ended November 30,		Six Months Ended November 30,		February 29,	February 28,	February 29,	February 28,
	2023	2022	2023	2022	2024	2023	2024	2023
Asia	\$ 18,922	\$ 12,216	\$ 38,153	\$ 20,024	\$ 5,167	\$ 14,849	\$ 43,320	\$ 34,873
United States					1,640	2,343	3,105	7,761
Europe	1,833	44	2,437	44	756	14	3,193	58
United States	676	2,555	1,465	5,418				
	\$ 21,431	\$ 14,815	\$ 42,055	\$ 25,486	\$ 7,563	\$ 17,206	\$ 49,618	\$ 42,692

(In thousands)					Three Months Ended		Nine Months Ended	
	Three Months Ended November 30,		Six Months Ended November 30,		February 29,	February 28,	February 29,	February 28,
	2023	2022	2023	2022	2024	2023	2024	2023
Systems	\$ 10,685	\$ 7,400	\$ 18,779	\$ 16,494	\$ 1,971	\$ 9,821	\$ 20,750	\$ 26,315
Contactors	9,152	6,607	20,415	7,101	4,759	6,299	25,174	13,400
Services	1,594	808	2,861	1,891	833	1,086	3,694	2,977
	<u>\$ 21,431</u>	<u>\$ 14,815</u>	<u>\$ 42,055</u>	<u>\$ 25,486</u>	<u>\$ 7,563</u>	<u>\$ 17,206</u>	<u>\$ 49,618</u>	<u>\$ 42,692</u>

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With the exception of the amount of service contracts and extended warranties, the Company's product net revenues are recognized at a point in time when control transfers to the customer. The following presents net revenues based on timing of recognition:

(In thousands)					Three Months Ended		Nine Months Ended	
	Three Months Ended November 30,		Six Months Ended November 30,		February 29,	February 28,	February 29,	February 28,
	2023	2022	2023	2022	2024	2023	2024	2023
Timing of revenue recognition:								
Products and services transferred at a point in time	\$ 20,974	\$ 14,427	\$ 40,985	\$ 24,681	\$ 7,240	\$ 16,863	\$ 48,225	\$ 41,523
Services transferred over time	457	388	1,070	805	323	343	1,393	1,169
	<u>\$ 21,431</u>	<u>\$ 14,815</u>	<u>\$ 42,055</u>	<u>\$ 25,486</u>	<u>\$ 7,563</u>	<u>\$ 17,206</u>	<u>\$ 49,618</u>	<u>\$ 42,692</u>

Contract balances

Accounts receivable are recognized in the period the Company delivers goods or provides services and when the Company's right to consideration is unconditional. Contract assets include unbilled receivables which represent revenues that are earned in advance of scheduled billings to customers. These amounts are primarily related to product sales where transfer of control has occurred but the Company has not yet invoiced. As of **November 30, 2023** **February 29, 2024**, unbilled receivables were **\$2,051,000** **\$345,000** and were included in prepaid expenses and other current assets on the accompanying Condensed Consolidated Balance Sheets. Contract assets were not significant as of May 31, 2023.

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Contract liabilities include payments received in advance of performance under a contract and are satisfied as the associated revenue is recognized. Contract liabilities as of **November 30, 2023** **February 29, 2024** and May 31, 2023 were **\$151,000** **\$486,000** and \$2,853,000, respectively, and were included in deferred revenue, short-term and deferred revenue, long-term on the accompanying Condensed Consolidated Balance Sheets. During the three and **six** **nine** months ended **November 30, 2023** **February 29, 2024**, the Company recognized **\$2,101,000** **\$31,000** and **\$2,771,000** **\$2,802,000** in revenue, respectively, which were included in contract liabilities as of May 31, 2023.

Remaining performance obligations

On **November 30, 2023** **February 29, 2024**, the Company had **\$83,000** **\$68,000** of remaining performance obligations, which were comprised of service contracts and extended warranty contracts not yet delivered. The Company expects to recognize approximately **63.5%** **30.2%** of its remaining performance obligations as revenue in the remainder of fiscal 2024, and an additional **36.5%** **69.8%** in fiscal **2025 and thereafter**. **2025**. The foregoing excludes the value of other remaining performance obligations, as they have original durations of one year or less and excludes information about variable consideration allocated entirely to a wholly unsatisfied performance obligation.

The Company generally expenses sales commissions when incurred as a component of selling, general and administrative expenses as the amortization period is typically less than one year. Additionally, the majority of the Company's cost of fulfillment as a manufacturer of products is classified as inventory and fixed assets, which are accounted for under the respective guidance for those asset types. Other costs of contract fulfillment are immaterial due to the nature of the Company's products and their respective manufacturing process.

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10. STOCK-BASED COMPENSATION

Stock-based compensation expense consists of expenses for stock options, restricted stock units ("RSUs"), performance RSUs ("PRSUs"), restricted shares, performance restricted shares and employee stock purchase plan ("ESPP"), purchase rights. Stock-based compensation expense for stock options and ESPP purchase rights is measured at each grant date, based on the fair value of the award using the Black-Scholes option valuation model, and is recognized as expense over the employee's requisite service period. This model was developed for use in estimating the value of publicly traded options that have no vesting restrictions and are fully transferable. The Company's employee stock options have characteristics significantly different from those of publicly traded options. For RSUs, PRSUs, restricted shares and performance restricted shares, stock-based compensation expense is based on the fair value of the Company's common stock at the grant date and is recognized as expense over the employee's requisite service period. All of the Company's stock-based compensation is accounted for as equity instruments. See Note 13 in the Company's Annual Report on Form 10-K for fiscal 2023 filed on August 28, 2023 for further information regarding the 2016 Equity Incentive Plan and the ESPP. On October 23, 2023, the shareholders of the Company approved the 2023 Equity Incentive Plan and on October 27, 2023, the Company filed the Form S-8 to issue awards during this quarter onwards from a pool of 1,500,000 shares. Full value awards, which are equity awards other than options, stock appreciation rights or other awards that are based solely on an increase in value of the shares following the grant date, when granted or forfeited will be counted as the same number of common stock shares added or deducted to the remaining available shares for issuance under the 2023 Equity Incentive Plan.

The following table summarizes the stock-based compensation expense for the three and ~~six~~ nine months ended ~~November 30, 2023~~ February 29, 2024 and ~~2022~~ February 28, 2023:

					Three Months Ended		Nine Months Ended	
(In thousands)	Three Months Ended November 30,				February 29,	February 28,	February 29,	February 28,
			Six Months Ended November 30,					
	2023	2022	2023	2022	2024	2023	2024	2023
Cost of sales	\$ 101	\$ 85	\$ 164	\$ 177	\$ 58	\$ 75	\$ 222	\$ 252
Research and development	139	201	292	355	148	158	440	513
Selling, general and administrative	398	507	704	971	377	359	1,081	1,330
	\$ 638	\$ 793	\$ 1,160	\$ 1,503	\$ 583	\$ 592	\$ 1,743	\$ 2,095

~~There was \$170,000~~ Stock-based compensation expense totaling \$252,000 and \$120,000 ~~in stock-based compensation expense was~~ capitalized as part of inventory as of ~~November 30, 2023~~ February 29, 2024 and as of May 31, 2023, respectively.

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The Company's nonvested RSU, PRSU and restricted shares activities during the three and ~~six~~ nine months ended ~~November 30, 2023~~ February 29, 2024 were as follows:

	Weighted Average Grant Date Fair Value		Weighted Average Grant Date Fair Value	
	Shares (in thousands)	Per Share	Shares (in thousands)	Per Share
Unvested, May 31, 2023	345	\$ 6.40	345	\$ 6.40
Granted	-		-	

Vested	(77)	7.16	(77)	7.16
Forfeited	(52)	5.79	(52)	5.79
Unvested, August 31, 2023	216	\$ 6.27	216	\$ 6.27
Granted	203	31.51	203	31.51
Vested	(28)	8.02	(28)	8.02
Forfeited	(1)	29.79	(1)	29.79
Unvested, November 30, 2023	390	\$ 19.28	390	\$ 19.28
Granted			1	22.57
Vested			(32)	12.42
Forfeited			(6)	6.21
Unvested, February 29, 2024			353	\$ 20.16

Under the ESPP, the Company issued 24,000 and 109,000 shares, respectively, during the six nine months ended November 30, 2023 February 29, 2024 and 2022. February 28, 2023. As of November 30, 2023 February 29, 2024 and 2022, there were 373,000 and 499,000 February 28, 2023, ESPP shares available for issuance totaled 373,000 and 499,000, respectively.

11. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is determined using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is determined using the weighted average number of common shares and potential common shares (representing the hypothetical number of incremental shares issuable under the assumed exercise of outstanding stock options, and vesting of outstanding RSUs and ESPP shares) during the period using the treasury stock method. The calculation of dilutive shares outstanding excludes securities that would have an antidilutive effect on net income (loss) per share.

The following table presents the computation of basic and diluted net income per share:

(In thousands, except per share data)	Three Months Ended November 30,		Six Months Ended November 30,	
	2023	2022	2023	2022
Numerator:				
Net income	\$ 6,089	\$ 3,725	\$ 10,763	\$ 4,314
Denominator:				
Basic weighted average shares outstanding	28,801	27,579	28,725	27,410
Dilutive effect of common equivalent shares outstanding	968	1,501	975	1,524
Diluted weighted average shares outstanding	29,769	29,080	29,700	28,934
Net income per share - Basic	\$ 0.21	\$ 0.14	\$ 0.37	\$ 0.16
Net income per share - Diluted	\$ 0.20	\$ 0.13	\$ 0.36	\$ 0.15
Antidilutive employee share-based award shares, excluded	9	14	4	14

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The following table presents the computation of basic and diluted net income (loss) per share:

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Numerator:				
Net income (loss)	\$ (1,471)	\$ 4,132	\$ 9,292	\$ 8,446
Denominator:				
Basic weighted average shares outstanding	28,866	27,893	28,773	27,571
Dilutive effect of common equivalent shares outstanding	-	1,480	897	1,509
Diluted weighted average shares outstanding	28,866	29,373	29,670	29,080

Net income per share - Basic	\$ (0.05)	\$ 0.15	\$ 0.32	\$ 0.31
Net income per share - Diluted	\$ (0.05)	\$ 0.14	\$ 0.31	\$ 0.29
Antidilutive employee share-based award shares, excluded	1,203	15	71	15

12. SEGMENT AND CONCENTRATION INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or group, in deciding how to allocate resources and in assessing performance.

The Company's chief operating decision maker, the chief executive officer, reviews discrete financial information presented on a consolidated basis for purposes of regularly making operating decisions and assessing financial performance. Accordingly, the Company considers itself to be in one operating segment.

Long-lived assets, net by geographic area are as follows:

(In thousands)	November 30, 2023	May 31, 2023	February 29, 2024	May 31, 2023
United States	\$ 3,121	\$ 2,713	\$ 3,015	\$ 2,713
International	64	46	135	46
Total long-lived assets, net	\$ 3,185	\$ 2,759	\$ 3,150	\$ 2,759

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact may be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "could," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "target" or "continue," the negative effect of terms like these or other similar expressions. Any statement concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries, which may be provided by us are also forward-looking statements. These forward-looking statements are only predictions. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those anticipated or projected. All forward-looking statements included in this document are based on information available to us on the date of filing and we further caution investors that our business and financial performance are subject to substantial risks and uncertainties. We assume no obligation to update any such forward-looking statements. In evaluating these statements, you should specifically consider various factors, including the risk factors set forth in Item 1. "Business" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended May 31, 2023, filed with the Securities and Exchange Commission on August 28, 2023. All references to "we," "us", "our", "Aehr Test", "Aehr Test Systems" or the "Company" refer to Aehr Test Systems.

Overview

We are a leading provider of test solutions for testing, burning-in, and stabilizing semiconductor devices in wafer level, singulated die, and package part form, and have installed thousands of systems worldwide. Increasing quality, reliability, safety, and security needs of semiconductors used across multiple applications, including electric vehicles, electric vehicle charging infrastructure, solar and wind power, computing, data and telecommunications infrastructure, and solid-state memory and storage, are driving additional test requirements, incremental capacity needs, and new opportunities for our test products and solutions.

We have developed and introduced several innovative products including the FOX-P family of test and burn-in systems and FOX WaferPak Aligner, FOX WaferPak Contactor, FOX DiePak Carrier and FOX DiePak Loader. The FOX-XP and FOX-NP systems are full wafer contact and singulated die/module test and burn-in systems that can test, burn-in, and stabilize a wide range of devices such as leading-edge silicon carbide-based and other power semiconductors, 2D and 3D sensors used in mobile phones, tablets, and other computing devices, memory semiconductors, processors, microcontrollers, systems-on-a-chip, and photonics and integrated optical devices. The FOX-CP system is a low-cost single-wafer compact test solution for logic, memory and photonic devices and the newest addition to the FOX-P product family. The FOX WaferPak Contactor contains a unique full wafer contactor capable of testing wafers up to 300mm that enables Integrated Circuit manufacturers to perform test, burn-in, and stabilization of full wafers on the FOX-P systems. The FOX DiePak Carrier allows testing, burning in, and stabilization of singulated bare die and modules up to 1,024 devices in parallel per DiePak on the FOX-NP and FOX-XP systems up to nine DiePaks at a time.

Our net revenue consists primarily of sales of FOX-P systems, WaferPak Aligners and DiePak Loaders, WaferPak contactors, DiePak carriers, test fixtures, upgrades and spare parts, service contracts revenues, and non-recurring engineering charges. Our selling arrangements may include contractual customer acceptance provisions, which are mostly deemed perfunctory or inconsequential, and installation of the product occurs after shipment, transfer of title and risk of loss.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, assumptions and judgments, including those related to customer programs and incentives, product returns, credit losses, inventories, income taxes, warranty obligations, and long-term service contracts. Our estimates are derived from historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Those results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. For a discussion of the critical accounting policies, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended May 31, 2023.

There have been no material changes to our critical accounting policies and estimates during the three and **six nine** months ended **November 30, 2023** **February 29, 2024** compared to those discussed in our Annual Report on Form 10-K for the fiscal year ended May 31, 2023.

Results of Operations

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Results of Operations

Discussion of Results of Operations for the Three and **Six Nine** Months Ended **November 30, 2023** **February 29, 2024** compared to the Three and **Six Nine** Months Ended **November 30, 2022** **February 28, 2023**

Revenues

Revenue by Category	Three Months Ended November 30,			Six Months Ended November 30,			Three Months Ended			Nine Months Ended		
	November 30,	Percent		November 30,	Percent		February 29,	February 28,	Percent	February 29,	February 28,	Percent
(Dollars in thousands)	2023	2022	Change	2023	2022	Change	2024	2023	Change	2024	2023	Change
Products	\$ 19,837	\$ 14,007	42%	\$ 39,194	\$ 23,595	66%	\$ 6,730	\$ 16,120	(58%)	\$ 45,924	\$ 39,715	16%
Services	1,594	808	97%	2,861	1,891	51%	833	1,086	(23%)	3,694	2,977	24%
Total revenues	\$ 21,431	\$ 14,815	45%	\$ 42,055	\$ 25,486	65%	\$ 7,563	\$ 17,206	(56%)	\$ 49,618	\$ 42,692	16%
Products as a percentage of total revenues	92.6%	94.5%		93.2%	92.6%		89.0%	93.7%		92.6%	93.0%	
Services as a percentage of total revenues	7.4%	5.5%		6.8%	7.4%		11.0%	6.3%		7.4%	7.0%	

Revenue decreased to \$7.6 million for the three months ended February 29, 2024 from \$17.2 million for the three months ended February 28, 2023, driven by a decrease in shipments for our products and services due to the recent overall softness in the demand for electric vehicles. Our systems revenue decreased by \$7.8 million, our contactors revenue decreased by \$1.5 million, and our services revenue decreased by \$0.3 million.

Revenue increased to \$21.4 million \$49.6 million for the three nine months ended November 30, 2023 February 29, 2024 from \$14.8 million \$42.7 million for the three nine months ended November 30, 2022 February 28, 2023, primarily driven by growth strong sales in all our revenue streams. Our systems revenue increased by \$3.3 million, our contactors revenue increased by \$2.5 million \$11.8 million, and our services revenue increased by \$0.8 million \$0.7 million. The increase was partially offset by a decrease in systems revenue of \$5.6 million.

Revenue increased to \$42.1 million for the six months ended November 30, 2023 from \$25.5 million for the six months ended November 30, 2022, also driven by growth in all our revenue streams. Our contactors revenue increased by \$13.3 million, our systems revenue increased by \$2.3 million, and our services revenue increased by \$1.0 million.

Revenue by Geography	Three Months Ended			Nine Months Ended		
	February 29,	February 28,	Percent	February 29,	February 28,	Percent
	2024	2023		2024	2023	
(Dollars in thousands)			Change			Change
Asia	\$ 5,167	\$ 14,849	(65%)	\$ 43,320	\$ 34,873	24 %
United States	1,640	2,343	(30%)	3,105	7,761	(60 %)
Europe	\$ 756	14	N.M.	3,193	58	N.M.
Total revenues	\$ 7,563	\$ 17,206	(56%)	\$ 49,618	\$ 42,692	16 %
Asia as a percentage of total revenues	68.3 %	86.3 %		87.3 %	81.7 %	
United States as a percentage of total revenues	21.7 %	13.6 %		6.3 %	18.2 %	
Europe as a percentage of total revenues	10.0 %	0.1 %		6.4 %	0.1 %	

Revenue by Geography (Dollars in thousands)	Three Months Ended		Percent Change	Six Months Ended November		Percent Change
	November 30,			30,		
	2023	2022		2023	2022	
Asia	\$ 18,922	\$ 12,216	55 %	\$ 38,153	\$ 20,024	91 %
Europe	1,833	44	N.M.	2,437	44	N.M.
United States	\$ 676	\$ 2,555	(74 %)	\$ 1,465	\$ 5,418	(73 %)
Total revenues	\$ 21,431	\$ 14,815	45 %	\$ 42,055	\$ 25,486	65 %
Asia as a percentage of total revenues	88.3 %	82.5 %		90.7 %	78.6 %	
Europe as a percentage of total revenues	8.6 %	0.3 %		5.8 %	0.2 %	
United States as a percentage of total revenues	3.1 %	17.2 %		3.5 %	21.2 %	

N.M.-Not meaningful

On a geographic basis, revenues represent products that were shipped to or services that were performed at our customer locations. For the three and six months ended November 30, 2023 February 29, 2024 compared to the three months ended February 28, 2023, revenue in Asia and United States decreased, driven by fewer shipments to our customers in Asia and United States due to the recent overall softness in the demand for electric vehicles, partially offset by the increase in revenue from customers in Europe. For the nine months ended February 29, 2024, international revenues significantly increased, compared to the same periods period in the prior year, primarily as a result of the more shipments to our customers in Asia and Europe, partially offset by the decline in net revenue from a customer in the United States.

Gross Margin

Gross Profit by Category (Dollars in thousands)	Three Months Ended		Percent	Six Months Ended November		Percent
	November 30,			30,		
	2023	2022	Change	2023	2022	Change
	Products	\$ 10,130	\$ 7,510	35 %	\$ 19,568	\$ 11,584
Services	828	401	106 %	1,371	808	70 %
Gross profit	<u>\$ 10,958</u>	<u>\$ 7,911</u>	39 %	<u>\$ 20,939</u>	<u>\$ 12,392</u>	69 %
Gross Margin by Category						
Product	51.1 %	53.6 %		49.9 %	49.1 %	
Services	51.9 %	49.6 %		47.9 %	42.7 %	
Gross margin	51.1 %	53.4 %		49.8 %	48.6 %	

Gross profit increased to \$11.0 million for the three months ended November 30, 2023 from \$7.9 million for the three months ended November 30, 2022. Gross margin decreased to 51.1% for the three months ended November 30, 2023 from 53.4% for the three months ended November 30, 2022. The decrease in gross margin of 2.3 percentage points was primarily due to an increase in inventory reserve, and higher warranty expenses and logistics costs.

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Gross Profit by Category (Dollars in thousands)	Three Months Ended			Nine Months Ended		
	February 29, 2024	February 28, 2023	Percent Change	February 29, 2024	February 28, 2023	Percent Change
Products	\$ 2,782	\$ 8,392	(67%)	\$ 22,350	\$ 19,976	12 %
Services	374	483	(23%)	1,745	1,291	35 %
Gross profit	<u>\$ 3,156</u>	<u>\$ 8,875</u>	(64%)	<u>\$ 24,095</u>	<u>\$ 21,267</u>	13 %
Gross Margin by Category						
Product	41.3 %	52.1 %		48.7 %	50.3 %	
Services	44.9 %	44.5 %		47.2 %	43.4 %	
Gross margin	41.7 %	51.6 %		48.6 %	49.8 %	

Gross profit decreased to \$3.2 million for the three months ended February 29, 2024 from \$8.9 million for the three months ended February 28, 2023. Gross margin decreased to 41.7% for the three months ended February 29, 2024 from 51.6% for the three months ended February 28, 2023. The decrease in gross margin of 9.9 percentage points was primarily due to lower shipments resulting in lower manufacturing efficiencies, an increase in costs from design changes, and higher warranty expenses.

Gross profit increased to \$20.9 million \$24.1 million for the six nine months ended November 30, 2023 February 29, 2024 from \$12.4 million \$21.3 million for the six nine months ended November 30, 2022 February 28, 2023. Gross margin increased decreased to 48.6% for the nine months ended February 29, 2024 from 49.8% for the six nine months ended November 30, 2023 from 48.6% for the six months ended November 30, 2022 February 28, 2023. The increase decrease in gross margin of 1.2 percentage points was primarily due to the increased sales of higher driven by a slight decrease in products gross margin contactor products, as well as manufacturing efficiencies due to higher production rates. costs from design changes and logistics, partially offset by improved services gross margin.

Research and Development

(Dollars in thousands)	Three Months Ended						Nine Months Ended					
	Three Months Ended November 30,		Percent Change	Six Months Ended November 30,		Percent Change	February 29, 2024		Percent Change	February 29, 2024		Percent Change
	2023	2022		2023	2022		2024	2023		2024	2023	
Research and development	<u>\$ 1,972</u>	<u>\$ 1,551</u>	27 %	<u>\$ 4,429</u>	<u>\$ 3,049</u>	45 %	<u>\$ 2,139</u>	<u>\$ 1,832</u>	17 %	<u>\$ 6,568</u>	<u>\$ 4,881</u>	35 %
As a percentage of total revenues	9.2 %	10.5 %		10.5 %	12.0 %		28.3 %	10.6 %		13.2 %	11.4 %	

Research and development expenses consist primarily of compensation and benefits for product development personnel, outside development service costs, travel expenses, facilities cost allocations, and stock-based compensation charges. Research and development expenses increased to \$2.0 million \$2.1 million for the three months ended November 30, 2023 February 29, 2024, compared to \$1.6 million \$1.8 million for the three months ended November 30, 2022 February 28, 2023. The increase of \$0.4 million \$0.3 million was primarily driven by higher non-recurring engineering services charges, an increase in allocated facility cost and higher employment costs due to an increase in headcount. We anticipate our expenses in research and development will fluctuate in absolute dollars from period to period as a result of the timing of product development projects and revenue generating activity requirements.

Research and development expenses increased to \$4.4 million \$6.6 million for the six nine months ended November 30, 2023 February 29, 2024, compared to \$3.0 million \$4.9 million for the six nine months ended November 30, 2022 February 28, 2023. The increase of \$1.4 million \$1.7 million was primarily due to higher non-recurring engineering services charges of \$0.7 million, higher employment-related costs of \$0.6 million and higher employment related costs an increase in allocated facility cost of \$0.5 million \$0.2 million.

Selling, General and Administrative

							Three Months Ended			Nine Months Ended		
	Three Months Ended November 30,			Six Months Ended November 30,			February 29,	February 28,	Percent	February 29,	February 28,	Percent
	Percent			Percent								
	2023	2022	Change	2023	2022	Change	2024	2023	Change	2024	2023	Change
(Dollars in thousands)												
Selling, general and administrative	\$ 3,518	\$ 2,875	22 %	\$ 6,927	\$ 5,400	28 %	\$ 3,063	\$ 3,250	(6%)	\$ 9,990	\$ 8,650	15 %
As a percentage of total revenues	16.4 %	19.4 %		16.5 %	21.2 %		40.5 %	18.9 %		20.1 %	20.3 %	

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Selling, general and administrative expenses consist primarily of compensation and benefits for sales, marketing and general and administrative personnel, legal and accounting service costs, marketing communications costs, travel expenses, facilities cost allocations, and stock-based compensation charges. Selling, general and administrative expenses increased decreased to \$3.5 million \$3.1 million for the three months ended November 30, 2023 February 29, 2024, compared to \$2.9 million \$3.3 million for the three months ended November 30, 2022 February 28, 2023. The increase of \$0.6 million decrease was primarily driven by higher employment cost due to an increase in headcount. the reversal of a prior period accrual for bonuses based on revenue and profitability levels that are now not anticipated to be met.

Selling, general and administrative expenses increased to \$6.9 million \$10.0 million for the six nine months ended November 30, 2023 February 29, 2024, compared to \$5.4 million \$8.7 million for the six nine months ended November 30, 2022 February 28, 2023. The increase of \$1.5 million \$1.3 million was primarily due to an increase in employment employment-related cost of \$1.3 million \$1.1 million and an increase in audit and legal service fees of \$0.3 million.

Interest and Other Income (Expense), Net

							Three Months Ended			Nine Months Ended		
	Three Months Ended November 30,			Six Months Ended November 30,			February 29,	February 28,	Percent	February 29,	February 28,	Percent
	Percent			Percent								
	2023	2022	Change	2023	2022	Change	2024	2023	Change	2024	2023	Change
(Dollars in thousands)												
Interest income	\$ 631	\$ 263	140 %	\$ 1,212	\$ 384	216 %	\$ 584	\$ 374	56 %	\$ 1,796	\$ 758	137 %
Other income (expense), net	10	(5)	300 %	4	19	(79 %)	(2)	(18)	(89 %)	2	1	100 %
Interest and other income (expense), net	\$ 641	\$ 258	148 %	\$ 1,216	\$ 403	202 %	\$ 582	\$ 356	63 %	\$ 1,798	\$ 759	137 %

Interest and other income (expense), net, primarily consists of interest income and foreign currency transaction exchange gains and losses. Interest and other income (expense), net, increased for the three and six nine months ended November 30, 2023 February 29, 2024, compared to the same periods in the prior year, primarily driven by higher interest income earned due to higher average cash and investment balances and higher yields from our investments in money market funds.

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Provision for Income Taxes

							Three Months Ended			Nine Months Ended		
(Dollars in thousands)	Three Months Ended November 30,			Six Months Ended November 30,			February 29,	February 28,	Percent	February 29,	February 28,	Percent
	Percent			Percent								
	2023	2022	Change	2023	2022	Change	2024	2023	Change	2024	2023	Change
	Provision for income taxes	\$ 20	\$ 18	11%	\$ 36	\$ 32	13%	\$ 7	\$ 17	(59%)	\$ 43	\$ 49

Income tax expense was not significant due to the available net operating losses and research and development credits carryforwards.

Liquidity and Capital Resources

Cash, cash equivalents, and restricted cash were \$50.7 million \$47.7 million as of November 30, 2023 February 29, 2024, compared to \$19.0 million \$17.3 million as of November 30, 2022 February 28, 2023. Short term investments were \$0 as of February 29, 2024, compared to \$25.6 million of February 28, 2023. We believe that our existing cash resources and anticipated funds from operations will satisfy our cash requirements to fund our operating activities, capital expenditures and other obligations for the next twelve months.

(In thousands)				Nine Months Ended		
	Six Months Ended November 30,			February 29,	February 28,	
	2023	2022	Change	2024	2023	Change
Operating activities	\$ 3,356	\$ 5,266	\$ (1,910)	\$ 532	\$ 4,143	\$ (3,611)
Investing activities	17,560	(17,751)	35,311	17,297	(25,472)	42,769
Financing activities	(440)	(104)	(336)	(282)	7,138	(7,420)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(16)	(21)	5	(20)	(35)	15
Net increase in cash, cash equivalents and restricted cash	\$ 20,460	\$ (12,610)	\$ 33,070	\$ 17,527	\$ (14,226)	\$ 31,753

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Net Cash Flows Provided by Operating Activities

Cash flow from operating activities during the six nine months ended November 30, 2023 February 29, 2024 mostly consisted of net income, adjusted for certain non-cash items which primarily consisted of depreciation and amortization, share-based compensation expense and amortization of operating lease right-of-use assets. The \$1.9 million \$3.6 million decrease in cash flows from operating activities for the six nine months ended November 30, 2023 February 29, 2024, compared to the six nine months ended November 30, 2022 February 28, 2023, was driven primarily by an increase in cash used in inventory production and vendor payments due to anticipated customer demand, and a decrease in cash provided by deferred revenue due to timing of customer deposits and revenue recognition, partially offset by an increase in cash provided by collection of accounts receivable and a higher net income.

Net Cash Flows Provided by (Used in) Investing Activities

Net cash provided by investing activities increased by \$35.3 million \$42.8 million for the six nine months ended November 30, 2023 February 29, 2024 compared to the six nine months ended November 30, 2022 February 28, 2023. The increase was primarily due to the maturity of our short-term investments which were purchased in of \$18.0 million during the six nine months ended November 30, 2022 February 29, 2024, while the net purchase of short-term investments was \$25.3 million during the nine months ended February 28, 2023.

Net Cash Flows Used in Provided by (Used in) Financing Activities

Net cash used in provided by financing activities increased decreased by \$0.3 million \$7.4 million for the six nine months ended November 30, 2023 February 29, 2024, compared to the six nine months ended November 30, 2022 February 28, 2023. For During the six nine months ended November 30, 2023 February 28, 2023, net cash used in financing activities primarily consisted of cash used to repurchase shares proceeds from the sale of our common stock on vesting of RSUs, partially offset by the proceeds from issuance of common stock under our employee plans. "At the market" offering program were \$6.9 million compared to no such sales during the same period in the current year.

Off-Balance Sheet Agreements

We do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. There have been no material changes in the composition, magnitude or other key characteristics of our contractual obligations or other commitments as disclosed in the Company's Annual Report on Form 10-K for the year ended May 31, 2023.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer, or CEO, and chief financial officer, or CFO, evaluated the effectiveness of our "disclosure controls and procedures" as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of November 30, 2023 February 29, 2024, in connection with the filing of this Quarterly Report on Form 10-Q. Based on that evaluation as of November 30, 2023 February 29, 2024, our CEO and CFO concluded that our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in rules and forms of the SEC and accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three and six months ended November 30, 2023 February 29, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to various claims and legal proceedings that arise in the ordinary course of business. We accrue for losses related to litigation when a potential loss is probable and the loss can be reasonably estimated in accordance with FASB requirements. During the reported period, we were not a party to any material legal proceedings, thus no loss was probable and no amount was accrued as of November 30, 2023 February 29, 2024.

Item 1A. Risk Factors

Item 1A, "Risk Factors," on pages 10 through 16 of the Company's Annual Report on Form 10-K for the year ended May 31, 2023, provides information on the significant risks associated with our business. There have been no subsequent material changes to these risks.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None. During the fiscal quarter ended February 29, 2024, none of our directors or officers informed us of the adoption or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408(a).

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Item 6. Exhibits

Exhibit

Number

Number

Description

3.1(1)	Restated Article of Incorporation of Registrant
3.2(2)	Amended and Restated Bylaws of the Registrant
4.1(3)	Form of Common Stock certificate
31.01	Certification of the principal executive officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†
31.02	Certification of the principal financial and accounting officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†
32.01	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.02	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document.†
101.SCH	XBRL Taxonomy Extension Schema Document.†
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.†
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.†
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.†
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.†

- 1 Incorporated by reference to the same-numbered exhibit previously filed with the Company's Registration Statement on Form S-1 filed June 11, 1997 (File No. 333-28987).
- 2 Incorporated by reference to Exhibit 3.1 previously filed with the Company's Current Report on Form 8-K filed September 9, 2020 (File No. 000-22893).
- 3 Incorporated by reference to the same-numbered exhibit previously filed with Amendment No.1 to the Company's Registration Statement on Form S-1 filed July 17, 1997 (File No. 333-28987).
- † Filed herewith.
- ** Furnished, and not filed.

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SIGNATURES

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

AEHR TEST SYSTEMS

Date: January 12, 2024 April 10, 2024

By: /s/ GAYN ERICKSON

Gayn Erickson
President and Chief Executive Officer
(Principal Executive Officer)

Date: January 12, 2024 April 10, 2024

By: /s/ CHRIS P. SIU

Chris P. Siu
Executive Vice President of Finance,
Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

EXHIBIT 31.01 31.01

CERTIFICATIONS

I, Gayn Erickson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aehr Test Systems;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ GAYN ERICKSON

Gayn Erickson

President and Chief Executive Officer

(Principal Executive Officer)

Date: January 12, 2024 April 10, 2024

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EXHIBIT 31.02

CERTIFICATIONS

I, Chris P. Siu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aehr Test Systems;

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

2. By: /s/ CHRIS P. SIU
Chris P. Siu
Executive Vice President Based on my knowledge, this report a material fact or does not contain any untrue statement of Finance, omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

4.

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

Date: January 12, 2024
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EXHIBIT 32.01

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aehr Test Systems (the "Company") on Form 10-Q for the quarter ended November 30, 2023, as filed with the Securities and Exchange Commission on January 12, 2024 (the "Report"), I, Gayn Erickson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

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

/s/

GAYN

ERICKSON

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 12, 2024

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EXHIBIT 32.02

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aehr Test Systems (the "Company") on Form 10-Q for the quarter ended November 30, 2023 as filed with the Securities and Exchange Commission on January 12, 2024 (the "Report"), I, Chris P. Siu, Executive Vice President of Finance, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ CHRIS P. SIU

Chris P. Siu

Executive Vice President of Finance,
Chief Financial Officer and Secretary

(Principal Financial and Accounting Officer)

Date: April 10, 2024

EXHIBIT 32.01

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aehr Test Systems (the "Company") on Form 10-Q for the quarter ended February 29, 2024, as filed with the Securities and Exchange Commission on April 10, 2024 (the "Report"), I, Gayn Erickson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ GAYN ERICKSON

Gayn Erickson

President and Chief Executive Officer
(Principal Executive Officer)

Date: January 12, 2024 April 10, 2024

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EXHIBIT 32.02

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aehr Test Systems (the "Company") on Form 10-Q for the quarter ended February 29, 2024 as filed with the Securities and Exchange Commission on April 10, 2024 (the "Report"), I, Chris P. Siu, Executive Vice President of Finance, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ CHRIS P. SIU

Chris P. Siu

Executive Vice President of Finance,
Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

Date: April 10, 2024

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