

AMTECH SYSTEMS INC
Form 10-Q
August 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended: June 30, 2018

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: 0-11412

AMTECH SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Arizona 86-0411215
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

131 South Clark Drive, Tempe, Arizona 85281
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 480-967-5146

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company
Emerging Growth Company

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

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

Shares of Common Stock outstanding as of August 3, 2018: 14,987,745

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

AMTECH SYSTEMS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share data)

	June 30, 2018	September 30, 2017
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 48,729	\$ 51,121
Restricted cash	6,876	24,640
Accounts receivable		
Trade (less allowance for doubtful accounts of \$1,441 and \$866 at June 30, 2018, and September 30, 2017, respectively)	27,627	22,519
Unbilled and other	14,748	14,275
Inventories	22,590	30,210
Note receivable	5,738	—
Vendor deposits	1,802	11,806
Other	2,688	2,542
Total current assets	130,798	157,113
Property, Plant and Equipment - Net	16,314	15,792
Intangible Assets - Net	3,039	3,495
Goodwill - Net	11,342	11,405
Investments	—	2,615
Deferred Income Taxes - Long-Term	—	200
Other Assets - Long-Term	948	1,003
Total Assets	\$ 162,441	\$ 191,623
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 12,579	\$ 21,555
Accrued compensation and related taxes	6,539	7,592
Accrued warranty expense	1,223	1,254
Other accrued liabilities	3,077	2,056
Customer deposits	15,065	48,784
Current maturities of long-term debt	371	361
Deferred profit	3,560	4,081
Income taxes payable	2,246	286
Total current liabilities	44,660	85,969
Long-Term Debt	8,028	8,134
Income Taxes Payable - Long-Term	3,334	7,037
Total Liabilities	56,022	101,140
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock; 100,000,000 shares authorized; none issued	—	—
Common stock; \$0.01 par value; 100,000,000 shares authorized; shares issued and outstanding: 14,986,620 and 14,710,591 at June 30, 2018 and September 30, 2017, respectively	150	147
Additional paid-in capital	128,083	125,564
Accumulated other comprehensive loss	(9,373)	(8,529)

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Retained deficit	(12,441) (26,699)
Total stockholders' equity	106,419	90,483	
Total Liabilities and Stockholders' Equity	\$ 162,441	\$ 191,623	

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Revenues, net of returns and allowances	\$41,200	\$47,760	\$147,594	\$109,839
Cost of sales	26,601	32,258	100,933	77,499
Gross profit	14,599	15,502	46,661	32,340
Selling, general and administrative	9,541	10,108	29,599	25,366
Research, development and engineering	2,122	1,423	6,295	4,586
Operating income	2,936	3,971	10,767	2,388
Gain on sale of other assets	2,883	—	2,883	—
Income (loss) from equity method investment	232	(110)	234	(200)
Interest expense and other income, net	310	(34)	224	(151)
Income before income taxes	6,361	3,827	14,108	2,037
Income tax provision (benefit)	1,390	986	(150)	1,270
Net income	4,971	2,841	14,258	767
Add: net loss attributable to noncontrolling interest	—	446	—	1,045
Net income attributable to Amtech Systems, Inc.	\$4,971	\$3,287	\$14,258	\$1,812
Income Per Share:				
Basic income per share attributable to Amtech shareholders	\$0.33	\$0.25	\$0.96	\$0.14
Weighted average shares outstanding	14,925	13,242	14,867	13,203
Diluted income per share attributable to Amtech shareholders	\$0.33	\$0.25	\$0.94	\$0.14
Weighted average shares outstanding	15,091	13,398	15,181	13,288

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
 Condensed Consolidated Statements of Comprehensive Income
 (Unaudited)
 (in thousands)

	Three Months		Nine Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Net income	\$4,971	\$2,841	\$14,258	\$767
Foreign currency translation adjustment	(2,181)	740	(844)	118
Comprehensive income	2,790	3,581	13,414	885
Comprehensive loss attributable to noncontrolling interest	—	302	—	969
Comprehensive income attributable to Amtech Systems, Inc.	\$2,790	\$3,883	\$13,414	\$1,854

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended June 30,	
	2018	2017
Operating Activities		
Net income	\$14,258	\$767
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,622	1,871
Write-down of inventory	195	448
Capitalized interest	143	307
Deferred income taxes	206	(10)
Non-cash share based compensation expense	632	978
(Gain) loss on sale of property, plant and equipment	(53)	107
Gain on sale of other assets	(2,883)	—
(Gain) loss from equity method investment	(234)	200
Provision for (reversal of) allowance for doubtful accounts, net	64	(898)
Changes in operating assets and liabilities:		
Restricted cash	17,956	(3,576)
Accounts receivable	(5,877)	(8,997)
Inventories	6,565	(245)
Accrued income taxes	(1,742)	742
Vendor deposits and other assets	10,034	(5,521)
Accounts payable	(9,022)	6,616
Customer deposits and accrued liabilities	(34,025)	17,526
Deferred profit	(486)	626
Net cash (used in) provided by operating activities	(2,647)	10,941
Investing Activities		
Purchases of property, plant and equipment	(845)	(355)
Proceeds from sale of property, plant and equipment	64	39
Costs related to sale of equity method investment	(6)	—
Net cash used in investing activities	(787)	(316)
Financing Activities		
Proceeds from the exercise of stock options	1,889	894
Payments on long-term debt	(275)	(485)
Borrowings on long-term debt	—	384
Net cash provided by financing activities	1,614	793
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(572)	87
Net (Decrease) Increase in Cash and Cash Equivalents	(2,392)	11,505
Cash and Cash Equivalents, Beginning of Period	51,121	27,655
Cash and Cash Equivalents, End of Period	\$48,729	\$39,160
Supplemental Non-cash Financing and Investing Activities:		
Short-term note receivable received in sale of investment (See Note 10)	\$5,738	\$—
Transfer of inventory to property, plant and equipment	\$908	\$—

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)

1. Basis of Presentation and Significant Accounting Policies

Nature of Operations and Basis of Presentation – Amtech Systems, Inc. (the “Company”, “Amtech”, “we”, “our” or “us”) is a global manufacturer of capital equipment, including thermal processing, silicon wafer handling automation, and related consumables used in fabricating solar cells, LED and semiconductor devices. We sell these products to solar cell and semiconductor manufacturers worldwide, particularly in Asia, the United States and Europe.

We serve niche markets in industries that are experiencing rapid technological advances and which historically have been very cyclical. Therefore, future profitability and growth depend on our ability to develop or acquire and market profitable new products and on our ability to adapt to cyclical trends.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”), and consequently do not include all disclosures normally required by accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments necessary, all of which are of a normal and recurring nature, to present fairly our financial position, results of operations and cash flows. Certain information and note disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, as amended, for the fiscal year ended September 30, 2017.

The consolidated results of operations for the three and nine months ended June 30, 2018, are not necessarily indicative of the results to be expected for the full fiscal year.

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries and subsidiaries in which we have a controlling interest. We report non-controlling interests in consolidated entities as a component of equity separate from our equity. The equity method of accounting is used for investments over which we have a significant influence but not a controlling financial interest. All material intercompany accounts and transactions have been eliminated in consolidation. Effective July 1, 2017, we purchased the non-controlling interest in SoLayTec B.V. (“SoLayTec”), pursuant to which SoLayTec became a wholly-owned subsidiary of Amtech. Beginning July 1, 2017, the non-controlling interest will no longer be reported. Prior amounts have not been restated.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – We review product and service sales contracts with multiple deliverables to determine if separate units of accounting are present. Where separate units of acco