

AMTECH SYSTEMS INC
Form 10-Q
May 05, 2016
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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: March 31, 2016

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

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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 April 28, 2016: 13,173,197

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)

	March 31, 2016	September 30, 2015
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 31,818	\$ 25,852
Restricted cash	535	638
Accounts receivable		
Trade (less allowance for doubtful accounts of \$3,537 and \$5,009 at March 31, 2016, and September 30, 2015, respectively)	16,641	14,488
Unbilled and other	6,089	8,494
Inventories	24,054	23,329
Deferred income taxes	2,050	2,050
Notes and other receivable	—	7,079
Other	3,888	3,772
Total current assets	85,075	85,702
Property, Plant and Equipment - Net	16,896	17,761
Deferred income taxes - Long Term	430	430
Other Assets - Long Term	1,167	3,356
Investments	3,404	2,733
Intangible Assets - Net	4,568	4,939
Goodwill	11,188	10,535
Total Assets	\$ 122,728	\$ 125,456
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 15,021	\$ 15,646
Current maturities of long-term debt	747	919
Accrued compensation and related taxes	5,242	5,605
Accrued warranty expense	859	793
Deferred profit	3,431	4,873
Customer deposits	10,495	7,154
Other accrued liabilities	2,180	3,551
Income taxes payable	2,400	830
Total current liabilities	40,375	39,371
Long-term Debt	9,351	8,448
Income Taxes Payable - Long Term	5,960	4,990
Total liabilities	55,686	52,809
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: 13,173,197 and 13,150,469 at March 31, 2016, and September 30, 2015, respectively	132	131
Additional paid-in capital	110,930	110,191
Accumulated other comprehensive loss	(8,611) (8,666)

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Retained deficit	(34,335)	(28,822)
Total stockholders' equity	68,116		72,834	
Noncontrolling interest	(1,074)	(187)
Total equity	67,042		72,647	
Total Liabilities and Stockholders' Equity	\$ 122,728		\$ 125,456	

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		Six Months Ended	
	Ended March 31,		March 31,	
	2016	2015	2016	2015
Revenues, net of returns and allowances	\$22,483	\$24,273	\$44,557	36,669
Cost of sales	16,482	17,384	32,601	26,352
Gross profit	6,001	6,889	11,956	10,317
Selling, general and administrative	7,448	8,075	15,044	14,459
Research, development and engineering	2,160	750	4,447	2,586
Operating loss	(3,607)	(1,936)	(7,535)	(6,728)
Gain on sale of other assets	2,576	—	2,576	—
Income from equity method investment	688	—	671	—
Interest expense and other income, net	33	(217)	(169)	(120)
Loss before income taxes	(310)	(2,153)	(4,457)	(6,848)
Income tax provision	1,670	170	1,970	350
Net loss	(1,980)	(2,323)	(6,427)	(7,198)
Add: net loss (income) attributable to noncontrolling interest	481	2	914	(317)
Net loss attributable to Amtech Systems, Inc.	\$(1,499)	\$(2,321)	\$(5,513)	\$(7,515)

Loss Per Share:

Basic loss per share attributable to Amtech shareholders	\$(0.11)	\$(0.19)	\$(0.42)	\$(0.69)
Weighted average shares outstanding	13,169	11,997	13,161	10,914
Diluted loss per share attributable to Amtech shareholders	\$(0.11)	\$(0.19)	\$(0.42)	\$(0.69)
Weighted average shares outstanding	13,169	11,997	13,161	10,914

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 (Loss)

(Unaudited)

(in thousands)

	Three Months		Six Months Ended	
	Ended March 31,		March 31,	
	2016	2015	2016	2015
Net loss	\$(1,980)	\$(2,323)	\$(6,427)	\$(7,198)
Foreign currency translation adjustment	617	(2,322)	82	(3,380)
Comprehensive loss	(1,363)	(4,645)	(6,345)	(10,578)
Comprehensive (income) loss attributable to noncontrolling interest	454	175	887	(138)
Comprehensive loss attributable to Amtech Systems, Inc.	\$(909)	\$(4,470)	\$(5,458)	\$(10,716)

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)

	Six months ended	
	March 31,	
	2016	2015
Operating Activities		
Net loss	\$(6,427)	\$(7,198)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,529	1,641
Write-down of inventory	74	81
Deferred income taxes	(5)	901
Non-cash share based compensation expense	708	568
Gain on sale of other assets	(2,576)	—
Income from equity method investment	(671)	—
Reversal of allowance for doubtful accounts	(122)	(281)
Changes in operating assets and liabilities:		
Restricted cash	97	844
Accounts receivable	475	(1,406)
Inventories	(656)	(7,482)
Accrued income taxes	1,939	(922)
Other assets	(120)	(2,027)
Accounts payable	(707)	7,664
Accrued liabilities and customer deposits	1,515	5,269
Deferred profit	(1,440)	(643)
Net cash used in operating activities	(6,387)	(2,991)
Investing Activities		
Purchases of property, plant and equipment	(192)	(125)
Acquisitions, net of cash acquired	—	8,595
Proceeds from partial sale of subsidiary	7,012	—
Proceeds from sale of other assets	4,884	—
Net cash provided by investing activities	11,704	8,470
Financing Activities		
Proceeds from the exercise of stock options	30	55
Payments on long-term debt	(259)	(121)
Borrowings on long-term debt	830	335
Net cash provided by financing activities	601	269
Effect of Exchange Rate Changes on Cash	48	(508)
Net Increase in Cash and Cash Equivalents	5,966	5,240
Cash and Cash Equivalents, Beginning of Period	25,852	27,367
Cash and Cash Equivalents, End of Period	\$31,818	\$32,607
Supplemental Cash Flow Information:		
Cash paid for interest	\$176	\$58
Issuance of common stock for acquisitions	\$—	\$26,625

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 SIX MONTHS ENDED MARCH 31, 2016 AND 2015
(UNAUDITED)

1. Summary of Significant Accounting Policies

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

The Company serves niche markets in industries that are experiencing rapid technological advances and which historically have been very cyclical. Therefore, future profitability and growth depend on the Company’s ability to develop or acquire and market profitable new products and on its ability to adapt to cyclical trends.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the 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 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 for the fiscal year ended September 30, 2015.

The consolidated results of operations for the three and six months ended March 31, 2016, are not necessarily indicative of the results to be expected for the full fiscal year.

Principles of Consolidation –