

VEECO INSTRUMENTS INC  
Form 10-Q  
May 04, 2016  
Table of Contents

**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: 0-16244**

---

## VEECO INSTRUMENTS INC.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**11-2989601**  
(I.R.S. Employer Identification No.)

**Terminal Drive**  
**Plainview, New York**  
(Address of principal executive offices)

**11803**  
(Zip Code)

**(516) 677-0200**

(Registrant's telephone number, including area code)

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 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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

Title of Class	Shares Outstanding
Common Stock par value \$0.01 per share	as of April 26, 2016 39,843,796

---

Table of Contents

VEECO INSTRUMENTS INC.

INDEX

<u>Safe Harbor Statement</u>	1
<u>PART I FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	26
<u>Item 4. Controls and Procedures</u>	26
<u>PART II OTHER INFORMATION</u>	27
<u>Item 1. Legal Proceedings</u>	27
<u>Item 1A. Risk Factors</u>	27
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 3. Defaults Upon Senior Securities</u>	27
<u>Item 4. Mine Safety Disclosures</u>	27
<u>Item 5. Other Information</u>	27
<u>Item 6. Exhibits</u>	28
<u>SIGNATURES</u>	29

---

Table of Contents

**Safe Harbor Statement**

This quarterly report on Form 10-Q (the Report ) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Discussions containing such forward-looking statements may be found in Part I - Items 1, 2, and 3 hereof, as well as within this Report generally. In addition, when used in this Report, the words believes, anticipates, expects, estimates, targets, plans, intends, will, and similar expressions related to the future are intended to represent forward-looking statements. All forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from projected results.

In addition, the preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ( U.S. GAAP ) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates and assumptions are based on knowledge of current events and planned actions to be undertaken in the future, they may ultimately differ from actual results. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. All estimates and assumptions are subject to a number of risks and uncertainties that could cause actual results to differ materially from these estimates and assumptions.

The risks and uncertainties of Veeco Instruments Inc. (together with its consolidated subsidiaries, Veeco, the Company, we, us, and our, unless the context indicates otherwise) include, without limitation, the following:

- Unfavorable market conditions may adversely affect our operating results;
  
- A reduction or elimination of foreign government subsidies and economic incentives may adversely affect the future order rate for our MOCVD equipment;
  
- The cyclicity of the industries we serve directly affects our business;
  
- We operate in industries characterized by rapid technological change;
  
- We have a concentrated customer base, located primarily in a limited number of regions, which operate in highly concentrated industries;
  
- We face significant competition;

- The timing of our orders, shipments, and revenue recognition may cause our quarterly operating results to fluctuate significantly;
- Our sales cycle is long and unpredictable;
- Our backlog is subject to customer cancellation or modification which could result in decreased sales, increased inventory obsolescence, and/or liabilities to our suppliers for products no longer needed;
- Our failure to estimate customer demand accurately could result in inventory obsolescence, liabilities to our suppliers for products no longer needed, and/or manufacturing interruptions or delays which could affect our ability to meet customer demand;
- Our failure to successfully manage our outsourcing activities or failure of our outsourcing partners to perform as anticipated could adversely affect our results of operations and our ability to adapt to fluctuating order volumes;
- We rely on a limited number of suppliers, some of whom are our sole source for particular components;
- Our inability to attract, retain, and motivate employees could have a material adverse effect on our business;
- Our acquisition strategy subjects us to risks associated with evaluating and pursuing these opportunities and integrating these businesses;
- Timing of market adoption of LED technology for general lighting is uncertain;
- Our sales to manufacturers are highly dependent on sales of consumer electronics applications, which can experience significant volatility due to seasonal and other factors and materially adversely impact our future results of operations;

Table of Contents

- Our operating results have been, and may continue to be, adversely affected by tightening credit markets;
  
- We are exposed to the risks of operating a global business, including the need to obtain export licenses for certain of our shipments and political risks in the countries we operate;
  
- We may be exposed to liabilities under the Foreign Corrupt Practices Act and any determination that we violated these or similar laws could have a material adverse effect on our business;
  
- We are subject to internal control evaluations and attestation requirements of Section 404 of the Sarbanes-Oxley Act and any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and our stock price;
  
- Changes in accounting pronouncements or taxation rules or practices may adversely affect our financial results;
  
- Our income taxes can change;
  
- We may be required to take additional impairment charges on assets;
  
- The price of our common shares is volatile and could decline significantly;
  
- The enforcement and protection of our intellectual property rights may be expensive and/or divert our limited resources;
  
- We may be subject to claims of intellectual property infringement by others;
  
- We are subject to foreign currency exchange risks;

- If we are subject to cyber-attacks we could incur substantial costs and, if such attacks are successful, we could incur significant liabilities, reputational harm, and disruption to our operations;
- We have adopted certain measures that may have anti-takeover effects which may make an acquisition of our Company by another company more difficult;
- We are subject to risks of non-compliance with environmental, health, and safety regulations;
- Regulations related to conflict minerals will force us to incur additional expenses, may make our supply chain more complex, and may result in damage to our relationships with customers; and
- We have significant operations in locations which could be materially and adversely impacted in the event of a natural disaster, an act of terrorism or other significant disruption.

Consequently, such forward looking statements and estimates should be regarded solely as the current plans and beliefs of Veeco. We do not undertake any obligation to update any forward looking statements to reflect future events or circumstances after the date of such statements.



Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Veeco Instruments Inc. and Subsidiaries****Consolidated Balance Sheets**

(in thousands, except share amounts)

	<b>March 31, 2016</b>	<i>(unaudited)</i>	<b>December 31, 2015</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 243,722		\$ 269,232
Short-term investments	104,979		116,050
Accounts receivable, net	56,089		49,524
Inventories	77,205		77,469
Deferred cost of sales	1,090		2,100
Prepaid expenses and other current assets	29,420		22,760
Assets held for sale	4,983		5,000
<b>Total current assets</b>	<b>517,488</b>		<b>542,135</b>
Property, plant and equipment, net	80,225		79,590
Intangible assets, net	126,653		131,674
Goodwill	114,908		114,908
Deferred income taxes	1,384		1,384
Other assets	21,098		21,098
<b>Total assets</b>	<b>\$ 861,756</b>		<b>\$ 890,789</b>
<b>Liabilities and stockholders equity</b>			
Current liabilities:			
Accounts payable	\$ 30,624		\$ 30,074
Accrued expenses and other current liabilities	46,318		49,393
Customer deposits and deferred revenue	74,473		76,216
Income taxes payable	5,315		6,208
Current portion of long-term debt	347		340
<b>Total current liabilities</b>	<b>157,077</b>		<b>162,231</b>
Deferred income taxes	11,658		11,211
Long-term debt	1,104		1,193
Other liabilities	1,447		1,539
<b>Total liabilities</b>	<b>171,286</b>		<b>176,174</b>
Stockholders equity:			
Preferred stock, 500,000 shares authorized; no shares issued and outstanding			
Common stock, \$0.01 par value; 120,000,000 shares authorized; 40,984,233 shares issued and 39,829,128 shares outstanding at March 31, 2016; 40,995,694 shares issued and 40,526,902 shares outstanding at December 31, 2015.	410		410
Additional paid-in capital	771,983		767,137
Accumulated deficit	(61,906)		(45,058)

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

Accumulated other comprehensive income	1,437	1,348
Treasury stock, at cost, 1,155,105 shares at March 31, 2016; 468,792 shares at December 31, 2015.	(21,454)	(9,222)
<b>Total stockholders equity</b>	<b>690,470</b>	<b>714,615</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 861,756</b>	<b>\$ 890,789</b>

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents

**Veeco Instruments Inc. and Subsidiaries**

**Consolidated Statements of Operations**

(in thousands, except per share amounts)

(unaudited)

	<b>Three months ended March 31,</b>			
		<b>2016</b>		<b>2015</b>
Net sales	\$	78,011	\$	98,341
Cost of sales		46,055		63,205