

VEECO INSTRUMENTS INC

FORM 8-K (Current report filing)

Filed 10/29/14 for the Period Ending 10/29/14

Address	TERMINAL DRIVE PLAINVIEW, NY 11803
Telephone	516 677-0200
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Symbol	VECO
SIC Code	3559 - Special Industry Machinery, Not Elsewhere Classified
Industry	Semiconductors
Sector	Technology
Fiscal Year	12/31

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

FORM 8-K

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

Date of Report (Date of earliest event reported): **October 29 , 2014**

VEECO INSTRUMENTS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-16244
(Commission
File Number)

11-2989601
(IRS Employer
Identification No.)

Terminal Drive, Plainview, New York 11803
(Address of principal executive offices)

(516) 677-0200
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-
-

Item 2.02 Results of Operations and Financial Condition.

On October 29, 2014, Veeco Instruments Inc. issued a press release announcing its financial results for the quarter ended September 30, 2014. In connection with the release and the related conference call, Veeco posted a presentation relating to its third quarter 2014 financial results on its website (www.veeco.com). Copies of the press release and presentation are furnished as Exhibit 99.1 and Exhibit 99.2 to this report.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits* .

<u>Exhibit</u>	<u>Description</u>
99.1	Press release issued by Veeco dated October 29, 2014
99.2	Veeco Q3 2014 Conference Call, October 29, 2014

The information in this report, including the exhibits, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities under that Section, nor shall this information or these exhibits be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

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 hereunto duly authorized.

October 29, 2014

VEECO INSTRUMENTS INC.

By: /s/ Gregory A. Robbins

Name: Gregory A. Robbins

Title: Senior Vice President and General Counsel

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
99.1	Press release issued by Veeco dated October 29, 2014
99.2	Veeco Q3 2014 Conference Call, October 29, 2014



NEWS

FOR IMMEDIATE RELEASE

VEECO REPORTS THIRD QUARTER 2014 FINANCIAL RESULTS

Plainview, N.Y., October 29, 2014 — Veeco Instruments Inc. (Nasdaq: VECO) announced its financial results for the third quarter ended September 30, 2014. Veeco reports its results on a U.S. generally accepted accounting principles (“GAAP”) basis, and also provides results excluding certain items. Refer to the attached table for details of the reconciliation between GAAP operating results and Non-GAAP operating results.

GAAP Results (\$M except per share data)

	Q3 '14	Q3 '13
Revenues	\$ 93.3	\$ 99.3
Net loss	\$ (14.0)	\$ (6.0)
Per share loss	\$ (0.35)	\$ (0.16)

Non-GAAP Results (\$M except per share data)

	Q3 '14	Q3 '13
Adjusted EBITDA	\$ (1.8)	\$ (1.8)
Net loss	\$ (0.8)	\$ (3.0)
Per share loss	\$ (0.02)	\$ (0.08)

“Veeco reported \$93 million in revenues, a slight decline from the second quarter of 2014, as an increase in MOCVD revenue was offset by declines in our other businesses,” commented John R. Peeler, Chairman and Chief Executive Officer. “We have been steadily improving Veeco’s bottom line performance this year by lowering our operating expenses and driving higher gross margins, resulting in an adjusted EBITDA loss of \$2M. We continue to manage our cash well, ending the quarter with a cash balance of \$487 million, up \$2 million from the prior quarter.”

“Third quarter 2014 orders were \$107 million, higher than the second quarter of 2014,” continued Peeler. “LED & Solar orders totaled \$93M, the highest level since the third quarter of 2011, driven by an 8% increase in MOCVD. MBE won several key R&D deals and booked a total of \$9 million in the quarter, the highest level this year. We also booked our prototype FAST-ALD system for development of flexible OLED displays at our key customer. With no capacity purchases by hard drive customers, Data Storage orders remained weak at \$14M.”

Outlook

Veeco’s fourth quarter 2014 revenue is currently forecasted to be between \$100 and \$115 million. Earnings per share is currently forecasted to be a loss of between (\$0.25) to (\$0.13) on a GAAP basis, and a (\$0.03) loss to \$0.09 earnings on a non-GAAP basis. Please refer to the attached financial table for more details.

Peeler added, “Veeco’s second half 2014 orders are currently expected to be higher than the first half, driven by growth in MOCVD, as LED unit demand and quoting activity remain strong. Veeco is making progress improving bottom line performance through a combination of better business conditions, execution on growth initiatives, and a more streamlined company with lower operating expenses.”

Conference Call Information

A conference call reviewing these results has been scheduled for today at 5:00pm ET. To join the call, dial 1-888-684-1278 (toll free) or 913-312-0829 and use passcode 7677500. The call will also be webcast live on the Veeco website at ir.veeco.com. A replay of the call will be available beginning tonight at 8:00pm ET through 8:00pm ET on Wednesday, November 12, 2014 at 1-888-203-1112 (toll free) or 1-719-457-0820, using passcode 7677500, and on the Veeco website. *We will post an accompanying slide presentation to our website prior to the beginning of the call.*

About Veeco

Veeco's process equipment solutions enable the manufacture of LEDs, flexible OLED displays, solar cells, power electronics, hard drives, MEMS and wireless chips. We are the market leader in MOCVD, MBE, Ion Beam and other advanced thin film process technologies. Our high performance systems drive innovation in energy efficiency, consumer electronics and network storage and allow our customers to maximize productivity and achieve lower cost of ownership. For information on our company, products and worldwide service and support, please visit www.veeco.com.

To the extent that this news release discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made. These factors include the risks discussed in the Business Description and Management's Discussion and Analysis sections of Veeco's Annual Report on Form 10-K for the year ended December 31, 2013 and in our subsequent quarterly reports on Form 10-Q, current reports on Form 8-K and press releases. Veeco does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

- financial tables attached-

Veeco Contacts:

Investor Relations:
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dwasser@veeco.com

Media:
Jeffrey Pina 516-677-0200 x1222
jpina@veeco.com

Veeco Instruments Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Net sales	\$ 93,341	\$ 99,324	\$ 279,304	\$ 258,540
Cost of sales	60,783	69,016	182,296	171,040
Gross profit	32,558	30,308	97,008	87,500
Operating expenses:				
Selling, general and administrative	21,712	19,650	65,270	59,077
Research and development	19,968	18,993	60,747	60,600
Amortization	3,149	855	8,951	2,566
Restructuring	2,317	1,240	3,510	1,771
Asset impairment	2,864	—	2,864	—
Total operating expenses	50,010	40,738	141,342	124,014
Other operating, net	36	(493)	(334)	(141)
Changes in contingent consideration	—	—	(29,368)	—
Operating income (loss)	(17,488)	(9,937)	(14,632)	(36,373)
Interest income (expense), net	305	192	541	620
Income (loss) before income taxes	(17,183)	(9,745)	(14,091)	(35,753)
Income tax provision (benefit)	(3,206)	(3,719)	(4,063)	(15,575)
Net income (loss)	\$ (13,977)	\$ (6,026)	\$ (10,028)	\$ (20,178)
Income (loss) per common share:				
Basic:				
Income (loss)	\$ (0.35)	\$ (0.16)	\$ (0.26)	\$ (0.52)
Diluted:				
Income (loss)	\$ (0.35)	\$ (0.16)	\$ (0.26)	\$ (0.52)
Weighted average shares outstanding:				
Basic	39,401	38,841	39,317	38,774
Diluted	39,401	38,841	39,317	38,774

Veeco Instruments Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 264,008	\$ 210,799
Short-term investments	222,954	281,538
Restricted cash	487	2,738
Accounts receivable, net	61,588	23,823
Inventories	46,594	59,726
Prepaid expenses and other current assets	51,332	23,303
Assets held for sale	2,653	—
Deferred income taxes	8,384	11,716
Total current assets	<u>658,000</u>	<u>613,643</u>
Property, plant and equipment at cost, net	80,720	89,139
Goodwill	91,521	91,348
Deferred income taxes	397	397
Intangible assets, net	106,015	114,716
Other assets	19,745	38,726
Total assets	<u>\$ 956,398</u>	<u>\$ 947,969</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 26,113	\$ 35,755
Accrued expenses and other current liabilities	40,468	51,084
Customer deposits and deferred revenue	65,553	34,754
Income taxes payable	6,840	6,149
Deferred income taxes	159	159
Current portion of long-term debt	308	290
Total current liabilities	<u>139,441</u>	<u>128,191</u>
Deferred income taxes	19,741	28,052
Long-term debt	1,614	1,847
Other liabilities	3,484	9,649
Total liabilities	<u>164,280</u>	<u>167,739</u>
Equity	<u>792,118</u>	<u>780,230</u>
Total liabilities and equity	<u>\$ 956,398</u>	<u>\$ 947,969</u>

Veeco Instruments Inc. and Subsidiaries
Reconciliation GAAP to Non-GAAP Financial Data
(In thousands, except per share data)
(Unaudited)

For the three months ended September 30, 2014	GAAP	Non-GAAP Adjustments		Non-GAAP
		Equity-based Compensation	Other	
Net sales	\$ 93,341	\$ —	\$ —	\$ 93,341
Cost of sales	60,783	(619)	—	60,164
Gross profit	32,558	619	—	33,177
Gross margin	34.9%			35.5%
Operating expenses:				
Selling, general and administrative	21,712	(2,766)	—	18,946
Research and development	19,968	(1,105)	—	18,863
Amortization	3,149	—	(3,149)	—
Restructuring	2,317	—	(2,317)	—
Asset impairment	2,864	—	(2,864)	—
Total operating expenses	50,010	(3,871)	(8,330)	37,809
Other operating, net	36	—	—	36
Operating income (loss)	(17,488)	4,490	8,330	(4,668)
Interest income (expense), net	305	—	—	305
Income (loss) before income taxes	(17,183)	4,490	8,330	(4,363)
Income tax provision (benefit)	(3,206)	(140)	(261)	(3,607)(1)
Net income (loss)	<u>\$ (13,977)</u>	<u>\$ 4,630</u>	<u>\$ 8,591</u>	<u>\$ (756)</u>
Basic EPS	<u>\$ (0.35)</u>			<u>\$ (0.02)</u>
Diluted EPS	<u>\$ (0.35)</u>			<u>\$ (0.02)</u>
Basic shares	39,401			39,401
Diluted shares	39,401			39,401
Operating income (loss)				\$ (4,668)
Depreciation				2,900
Adjusted EBITDA				<u>\$ (1,768)</u>

(1) The Company utilized the with and without method to determine the income tax effect of non-GAAP adjustments.

NOTE - This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States (“GAAP”), and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITDA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITDA reports baseline performance and thus provides useful information.

Veeco Instruments Inc. and Subsidiaries
Reconciliation GAAP to Non-GAAP Financial Data
(In thousands, except per share data)
(Unaudited)

For the three months ended September 30, 2013	GAAP	Non-GAAP Adjustments		Non-GAAP
		Equity-based Compensation	Other	
Net sales	\$ 99,324	\$ —	\$ —	\$ 99,324
Cost of sales	69,016	(295)	—	68,721
Gross profit	30,308	295	—	30,603
Gross margin	30.5%			30.8%
Operating expenses:				
Selling, general and administrative	19,650	(1,794)	—	17,856
Research and development	18,993	(674)	—	18,319
Amortization	855	—	(855)	—
Restructuring	1,240	—	(1,240)	—
Total operating expenses	40,738	(2,468)	(2,095)	36,175
Other operating, net	(493)	—	—	(493)
Operating income (loss)	(9,937)	2,763	2,095	(5,079)
Interest income (expense), net	192	—	—	192
Income (loss) before income taxes	(9,745)	2,763	2,095	(4,887)
Income tax provision (benefit)	(3,719)	1,036	786	(1,897)(1)
Net income (loss)	\$ (6,026)	\$ 1,727	\$ 1,309	\$ (2,990)
Basic EPS	\$ (0.16)			\$ (0.08)
Diluted EPS	\$ (0.16)			\$ (0.08)
Basic shares	38,841			38,841
Diluted shares	38,841			38,841
Operating income (loss)				\$ (5,079)
Depreciation				3,240
Adjusted EBITDA				\$ (1,839)

(1) The Company utilized the with and without method to determine the income tax effect of non-GAAP adjustments.

NOTE - This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States (“GAAP”), and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITDA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITDA reports baseline performance and thus provides useful information.

Veeco Instruments Inc. and Subsidiaries
Reconciliation GAAP to Non-GAAP Financial Data
(In millions, except per share data)
(Unaudited)

		Guidance range for the three months ending December 31, 2014
Adjusted EBITDA		
Operating income (loss)	\$ (8.0)	+/- \$2.5
Adjustments:		
Depreciation	2.8	—
Amortization	3.1	—
Equity-based compensation	4.6	—
Restructuring & other items, net	1.7	—
Adjusted EBITDA	<u>\$ 4.2</u>	<u>+/- \$2.5</u>
Non-GAAP Net Income		
Net income (loss) (GAAP basis)	\$ (7.6)	+/- \$2.5
Non-GAAP adjustments:		
Amortization	3.1	—
Equity-based compensation	4.6	—
Restructuring & other items, net	1.7	—
Income tax effect of non-GAAP adjustments	(0.5)	— (1)
Non-GAAP net income (loss)	<u>\$ 1.3</u>	<u>+/- \$2.5</u>
Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS")	<u>\$ 0.03</u>	<u>+/- \$0.06</u>
GAAP earnings per diluted share excluding certain items ("GAAP EPS")	<u>\$ (0.19)</u>	<u>+/- \$0.06</u>
Weighted average shares outstanding:		
Basic	39,455	39,455
Diluted	40,065	40,065

(1) The Company utilizes the with and without method to determine the income tax effect of non-GAAP adjustments.

NOTE - This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States ("GAAP"), and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITDA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITDA reports baseline performance and thus provides useful information.



Q3 2014 Conference Call

Innovation.
Performance.
Brilliant.

October 29, 2014

Safe Harbor

To the extent that this presentation discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made.

These items include the risk factors discussed in the Business Description and Management's Discussion and Analysis sections of Veeco's Annual Report on Form 10-K for the year ended December 31, 2013 and subsequent Quarterly Reports on Form 10-Q and current reports on Form 8-K. Veeco does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.



John Peeler
Chairman & CEO

Introduction

Innovation.
Performance.
Brilliant.

Third Quarter 2014 Highlights

**Orders improve 3% to
\$107M**

Fourth sequential quarter with a positive book-to-bill ratio

Revenue at \$93M

Increase in MOCVD offset by declines in MBE and Data Storage

**Cash and Short Term
Investments
\$487M**

Track record of solid cash management continues



Sam Maheshwari, CFO
Financial Highlights

Innovation.
Performance.
Brilliant.

P&L Highlights

(\$M)	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Revenue	99	73	91	95	93
Gross Profit	30	16	34	31	33
%	31%	21%	37%	32%	35%
SG&A	19	26	21	22	22
R&D	19	21	20	21	20
OPEX*	38	46	41	43	42
%	38%	63%	45%	45%	45%
Adjusted EBITDA	(2)	(23)	0	(4)	(2)
%	-2%	-32%	0%	-4%	-2%
GAAP EPS	(\$0.16)	(\$0.57)	\$0.48**	(0.39)	(\$0.35)
Non-GAAP EPS	(\$0.08)	(\$0.42)	(\$0.06)	(0.16)	(\$0.02)

→ Synos Purchase 10/1/13

*Excludes amortization, restructuring and asset impairment.

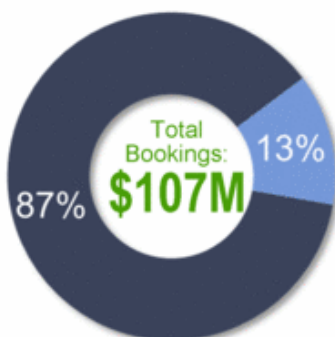
**Q1 2014 GAAP results include \$29M gain resulting from reversal of Synos acquisition related contingency accruals
See financial tables for further details.

Q3 2014 Bookings and Revenue Highlights and Trends

Bookings

LED & Solar
~\$93M

Data Storage
~\$14M



	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
LED & Solar	73	63	88	81	93
MOCVD	66	52	83	75	81
MBE	7	11	5	6	9
ALD	NA	0	0	0	3
Data Storage	18	22	15	23	14
Total	91	85	103	104	107

Revenue

LED & Solar
~\$77M

Data Storage
~\$16M



	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
LED & Solar	75	57	71	77	77
MOCVD	68	50	64	67	71
MBE	7	6	7	10	6
ALD	NA	1	0	0	0
Data Storage	24	16	20	18	16
Total	99	73	91	95	93

Balance Sheet Highlights

(\$M)	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Cash & Short-term Investments	573	495	483	485	487
Accounts Receivable	38	24	51	58	62
Inventory	58	60	52	48	47
Accounts Payable	28	36	28	28	26

**Track Record
of Solid Cash
Management
Continues**

(\$M)	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
DSO	34	29	50	55	59
DOI	76	95	83	69	70
DPO	37	57	45	39	39



Synos Purchase 10/1/13

Q4 2014 Guidance

	Q4 2014
Orders	Higher than Q3 2014
Revenue	\$107.5M +/- \$7.5M
Gross Margins	35% +/- 1%
OPEX*	\$41M +/- \$1M
GAAP EPS	\$(0.19) +/- \$0.06
Adjusted EBITDA	\$4.2M +/- \$2.5M
Non-GAAP EPS	\$0.03 +/- \$0.06

*Excludes Amortization, Restructuring and Asset Impairment

**Orders on Track to Grow in 2H 2014
Compared with 1H 2014**



Business Update and Outlook

Innovation.
Performance.
Brilliant.

LED Backlighting Demand Remains Strong

Trends favoring LED:



UHD TV sales expected to double to **32M in 2015** from 13.5M in 2014... **14% of TV market by 2015**



iPhone shipments **200M** by 2015

Apple iPhone 6 and 6+
Larger screens = more LEDs



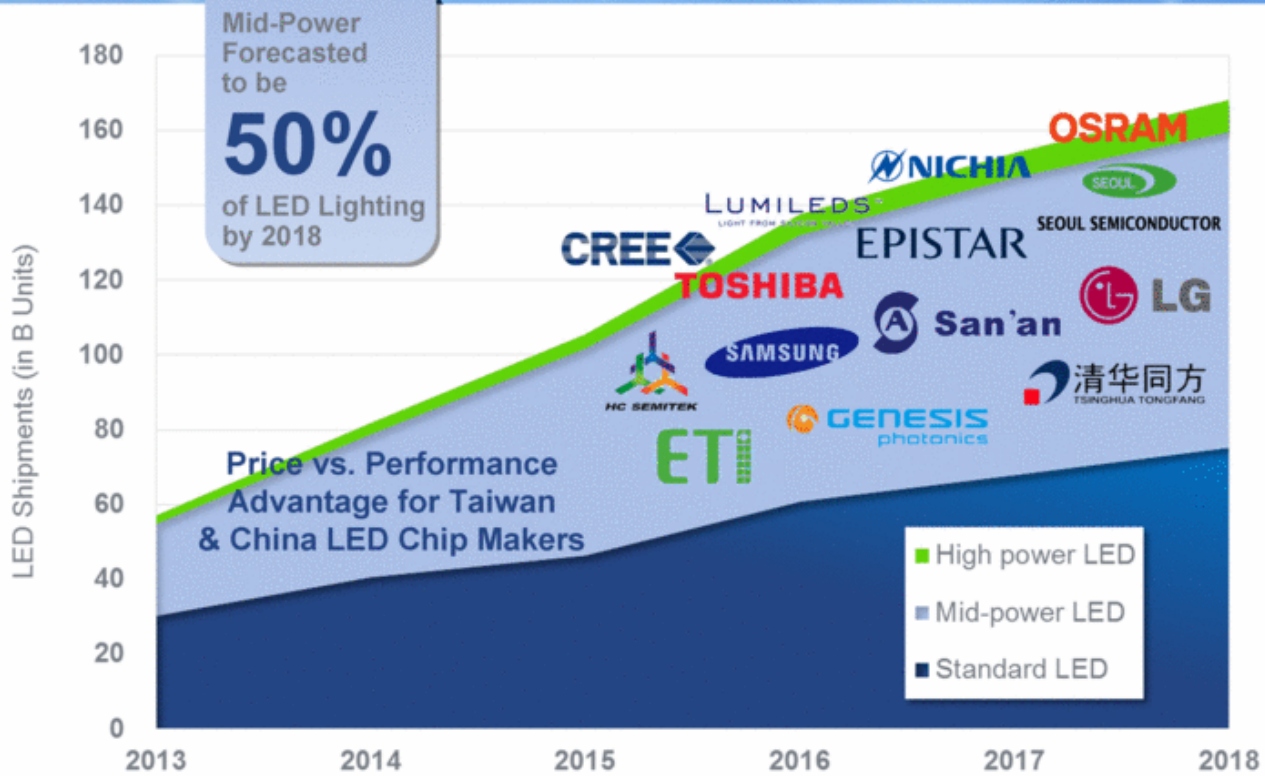
Wearables gain traction

- Unit shipments to grow from 54M in 2014 to **800M in 2023**
- LED backlighting currently featured in certain devices

Utilization rates remain high overall, adjusting for seasonality

Sources: DisplaySearch, IHS Research, Digitimes Forecast Reports

Asian LED Customers Benefitting from Growth in Mid-Power Chips



Source LEDInside

EPIK700: Highest Productivity and Lowest Cost of Ownership MOCVD System

- Highest productivity platform with up to 20% improved CoO compared to previous generations
- Designed for best-in-class uniformity which provides greater wafer yield
- Fastest to production with easy process transfer
- Most efficient capital investment for maximum profitability



EPIK700 Surpasses Competition: More Good LEDs for Less Money

EPIK700 Roll-Out Status

"EPIK's **performance, reliability and production readiness**, as well as the support we received... fully met our high manufacturing standards. The EPIK700's cost of ownership advantage will help **reduce our cost per wafer**... a highly attractive platform for our **future capacity expansions**."

- Dr. MJ Jou, President **EPISTAR**



Aligning FAST-ALD Technology for Near and Longer-Term Market Growth Opportunities

OLED Mobile Encapsulation
\$300-500M TAM



Engaged with Key Customer on 6G-H Process Development;
2015 Ramp Opportunity

OLED Display Encapsulation
>\$200M TAM



Sell 3.5G FAST-ALD System to OLED Panel Makers
Lab Tool On-Line by Q1'15

Semiconductor & Other
>\$200M TAM



Market Validation for New Applications

On-Track for Profitable Growth in 2015

Develop and launch
game changing new
products

EPIK700 and FAST-ALD to
drive growth in 2015

Improve customers'
CoO and our gross
margins

GM Goal >40%

Drive process
improvement initiatives
and lower expenses

Streamlining initiatives to
improve profitability...OPEX
below \$40M by Q1'15

Goal to be EBITDA Profitable in Every Quarter of 2015



Q&A Session

Innovation.
Performance.
Brilliant.



Reconciliation Tables

Innovation.
Performance.
Brilliant.

Q3 2014 GAAP-Non-GAAP Reconciliation

	GAAP	Non GAAP Adjustments		Non- GAAP
	Q3 2014	Equity Comp	Other	Q3 2014
Net sales	\$ 93,341			\$ 93,341
Cost of sales	60,783	(619)		60,164
Gross profit	32,558	619		33,177
Operating expenses:				
Selling, general and administrative	21,712	(2,766)		18,946
Research and development	19,968	(1,105)		18,863
Amortization	3,149		(3,149)	-
Restructuring	2,317		(2,317)	-
Asset Impairment	2,864		(2,864)	-
Total operating expenses	50,010	(3,871)	(8,330)	37,809
Other operating, net	36			36
Operating income (loss)	(17,488)	4,490	8,330	(4,668)
Interest income (expense), net	305			305
Income (loss) before income taxes	(17,183)	4,490	8,330	(4,363)
Income tax provision (benefit)	(3,206)	(140)	(261)	(3,607)
Net income (loss)	\$ (13,977)	\$ 4,490	\$ 8,731	\$ (756)
Basic EPS	\$ (0.35)			\$ (0.02)
Diluted EPS	\$ (0.35)			\$ (0.02)
Basic Shares	39,401			39,401
Diluted Shares	39,401			39,401
Operating income (loss)				\$ (4,668)
Depreciation				2,900
Adjusted EBITDA				\$ (1,768)

NOTE - This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States ("GAAP"), and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITDA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITDA reports baseline performance and thus provides useful information.

Q4 2014 GAAP-Non-GAAP Guidance Reconciliation

(In millions, except per share data)	Guidance for the three months ending December 31, 2014	
Adjusted EBITDA		
Operating income (loss)	\$ (8.0)	+/- \$ 2.5
Adjustments:		
Depreciation	2.8	-
Amortization	3.1	-
Equity-based compensation	4.6	-
Restructuring & other items, net	1.7	-
Adjusted EBITDA	\$4.2	+/- \$ 2.5
Non-GAAP Net Income (Loss)		
Net income (loss) (GAAP)	\$ (7.6)	+/- \$ 2.5
Non-GAAP Adjustments:		
Amortization	3.1	-
Equity-based compensation	4.6	-
Restructuring & other items, net	1.7	-
Income tax effect of non-GAAP adjustments	(0.5)	-
Non-GAAP net income (loss)	\$ 1.3	+/- \$ 2.5
Non-GAAP EPS	\$ 0.03	+/- \$ 0.06
GAAP EPS	\$ (0.19)	+/- \$ 0.06
Basic Shares	39,455	39,455
Diluted Shares	40,065	40,065

NOTE - This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States ("GAAP"), and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITDA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITDA reports baseline performance and thus provides useful information.