

VEECO INSTRUMENTS INC

FORM 8-K (Current report filing)

Filed 11/12/13 for the Period Ending 11/11/13

Address	TERMINAL DRIVE PLAINVIEW, NY 11803
Telephone	516 677-0200
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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): **November 11 , 2013**

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))
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Item 8.01 Other Events

On November 8, 2013, Veeco Instruments Inc. (“Veeco”) issued a press release announcing its financial results for quarter ended September 30, 2013. Veeco also announced a conference call to discuss the financial results to be held on November 11, 2013. In connection with the call, Veeco posted a presentation relating to its third quarter 2013 financial results on its website (www.veeco.com). A copy of the presentation is furnished as Exhibit 99.1 to this report.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*.

<u>Exhibit</u>	<u>Description</u>
99.1	Veeco Q3 2013 Conference Call Presentation, November 11, 2013

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.

November 11, 2013

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	Veeco Q3 2013 Conference Call Presentation, November 11, 2013



Q3 2013 Conference Call

Innovation.
Performance.
Brilliant.

November 11, 2013

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, 2012 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.

Agenda

John Peeler

Introduction and Q3 2013 Highlights

David Glass

Accounting Review Summary

2012 and 9M 2013 Results

Q3 2013 Results and Outlook

John Peeler

Market and Business Update

ALD Opportunity

Go Forward Plan



Introduction and Q3 2013 Highlights

Innovation.
Performance.
Brilliant.

Select Q3 2013 Highlights

**Revenues up 2%
sequentially to \$99M**

Weak business conditions persist

**Bookings up 8%
sequentially to
~\$92M**

MOCVD \$67M (+28%)

MBE \$7M (+12%)

Data Storage \$18M (-33%)

**Cash and Short Term
Investments
~\$570M**

Strong balance sheet



Accounting Review and Financial Highlights

Innovation.
Performance.
Brilliant.

Accounting Review Highlights

Have completed an **accurate and thorough review** of our historical financials.



100+ multiple element arrangements reviewed; **covering >\$1.8B of revenue.**



Review is complete and no restatement is required: all major issues of accounting principle and application of GAAP have been addressed, analyzed and documented.

Errors in reported revenue and warranty **were not material**, individually or in the aggregate.



2012 Financial Highlights

	2012	2011	% Change
Revenue	\$516M	\$979M	-47%
GM	42%	48%	6 bps
OPEX	\$178M	\$198M	-10%
Net income from continuing operations	\$27M	\$191M	-86%
Adjusted EBITA	\$61M	\$296M	-79%
Non-GAAP EPS	\$1.07	\$5.01	-79%

2013 Financial Highlights

	Q1 2013	Q2 2013	Q3 2013
Revenues	\$62M	\$97M	\$99M
Gross Margin	37%	36%	31%
OPEX	\$42M	\$41M	\$40M
Adjusted EBITA	(\$16M)	(\$2M)	(\$5M)
Non-GAAP EPS	(\$0.19)	(\$0.03)	(\$0.08)

9M 2013	9M 2012
\$258M	\$409M
34%	43%
\$124M	\$133M
(\$23M)	\$60M
(\$0.30)	\$1.16

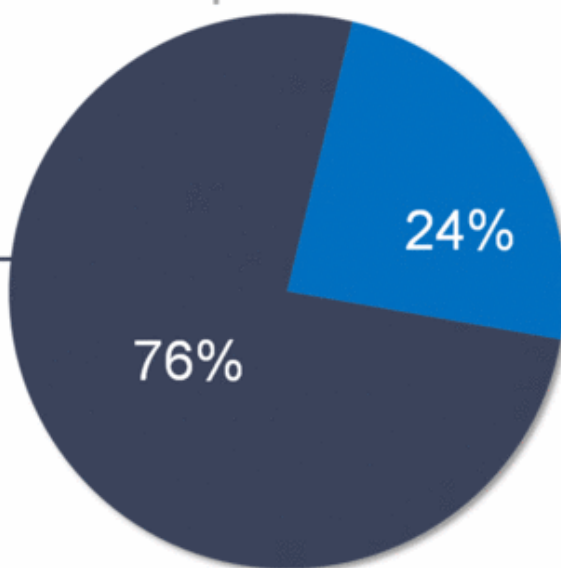
2013 OPEX includes \$3-4M quarterly expenses related to accounting review

Q3 2013 Revenue Highlights

Total Revenue:
\$99M

LED & Solar
~\$75M

MOCVD \$68M; flat sequentially
MBE at \$7M



Data Storage
~\$24M

Data Storage up 13% sequentially

(\$M)	Q3 '13	Q2 '13
Adj EBITA	(\$1.7M)	\$3.1M

(\$M)	Q3 '13	Q2 '13
Adj EBITA	\$2.1M	(\$.1M)

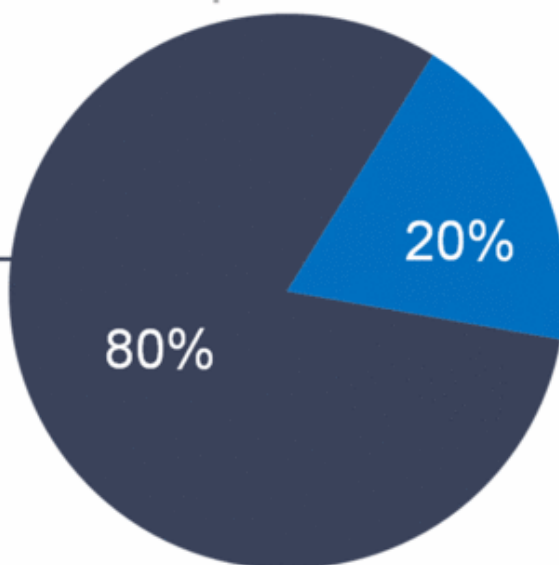
Q3 2013 Bookings Highlights

Total Bookings:
\$92M

LED & Solar
~\$74M

MOCVD at \$67M; up 28% sequentially but still at "trough" levels

MBE \$7M; up 12% sequentially



Data Storage
~\$18M

Down 33% sequentially; no capacity investments

Strong Balance Sheet

(\$ millions)	9/30/13	12/31/12
Cash & Short-term Investments*	\$573	\$579
Accounts Receivable	\$38	\$63
Inventory	\$58	\$60
Fixed Assets, Net	\$96	\$98
Total Assets	\$909	\$937
Long-term Debt (including current portion)	\$2	\$2
Equity	\$797	\$811

- Cash balance down \$6M from year-end
- Accounts receivable decreased \$25M to \$38M (DSO = 34 days)
- Q3 inventory declined by \$2M to \$58M

*Includes \$2.9 million and \$2.0 million of restricted cash for 9/30/13 and 12/31/12 respectively. Does not take into effect the acquisition of Synos on 10/1/13.

Challenging Fourth Quarter Outlook

- Bookings expected to be weak
- Q4 Revenue in the range of \$65-\$75M
 - Weak shipment levels in both MOCVD and Data Storage
- Gross Margins expected to be lower
- OPEX expected to increase



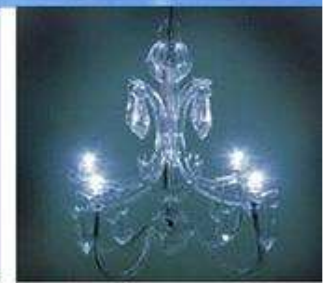
Market and Business Update

Innovation.
Performance.
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End-Market Trends Still Muted

MOCVD/LED:

- Top customers' utilization rates stable and high (80-90%+)
- Some pick-up in LED customer financial results and business confidence
- BUT... customers remain cautious on capacity expansion



MBE:

- Deal funnel is improving for R&D; starting to increase our win rate
- Wireless market still digesting capacity – unclear when demand returns; orders remain depressed

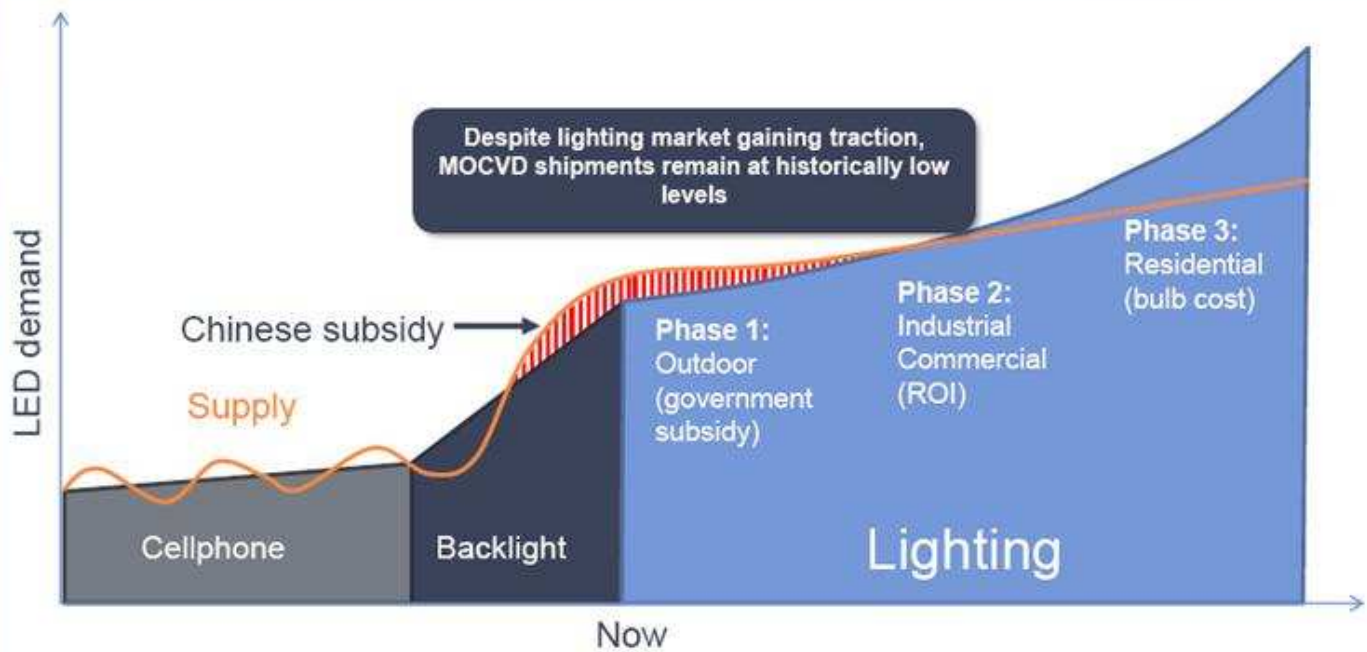


Data Storage:

- Strong data center growth and some reports that PC units may have "bottomed"
- Slow absorption of capacity - **no capacity buys in Q3 '13**
- Customers making strategic investments to enable areal density growth (HAMR and other next-gen technology)



LED Market Today: Oversupply Scenario Persists



Note: Veeco's estimate perfectly efficient market

Technology Improvements will Disrupt Supply and Demand



LED Lighting Market Adoption Is Accelerating



More cities adopting LED street lighting as ROI < 1yr

LA saved \$10M annually with LED lighting

>1000 vendors selling LED lights in China



\$10-\$15 bulbs in major US retail stores

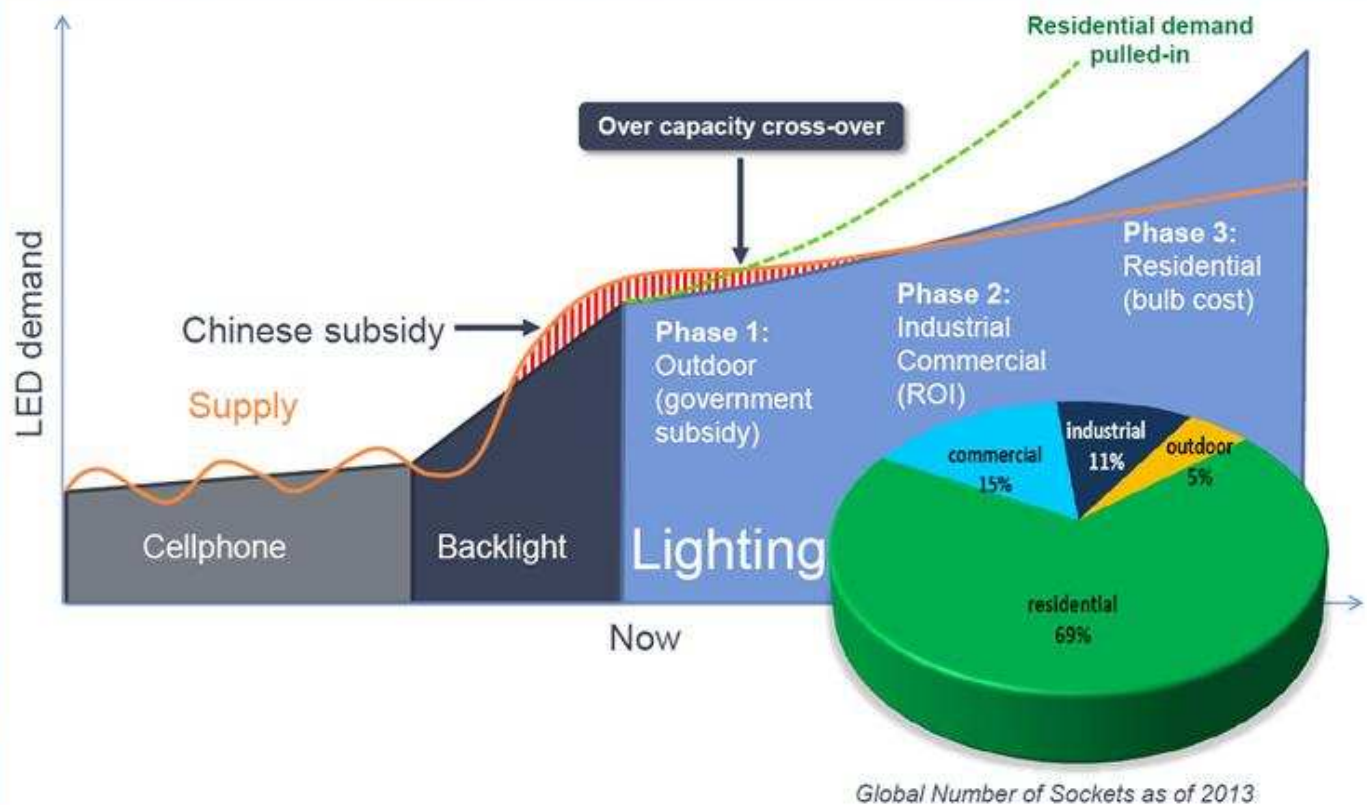


Increased customer awareness of LED lighting benefits driving residential adoption, US LED bulb price: 40W ~\$10; 60W ~\$15



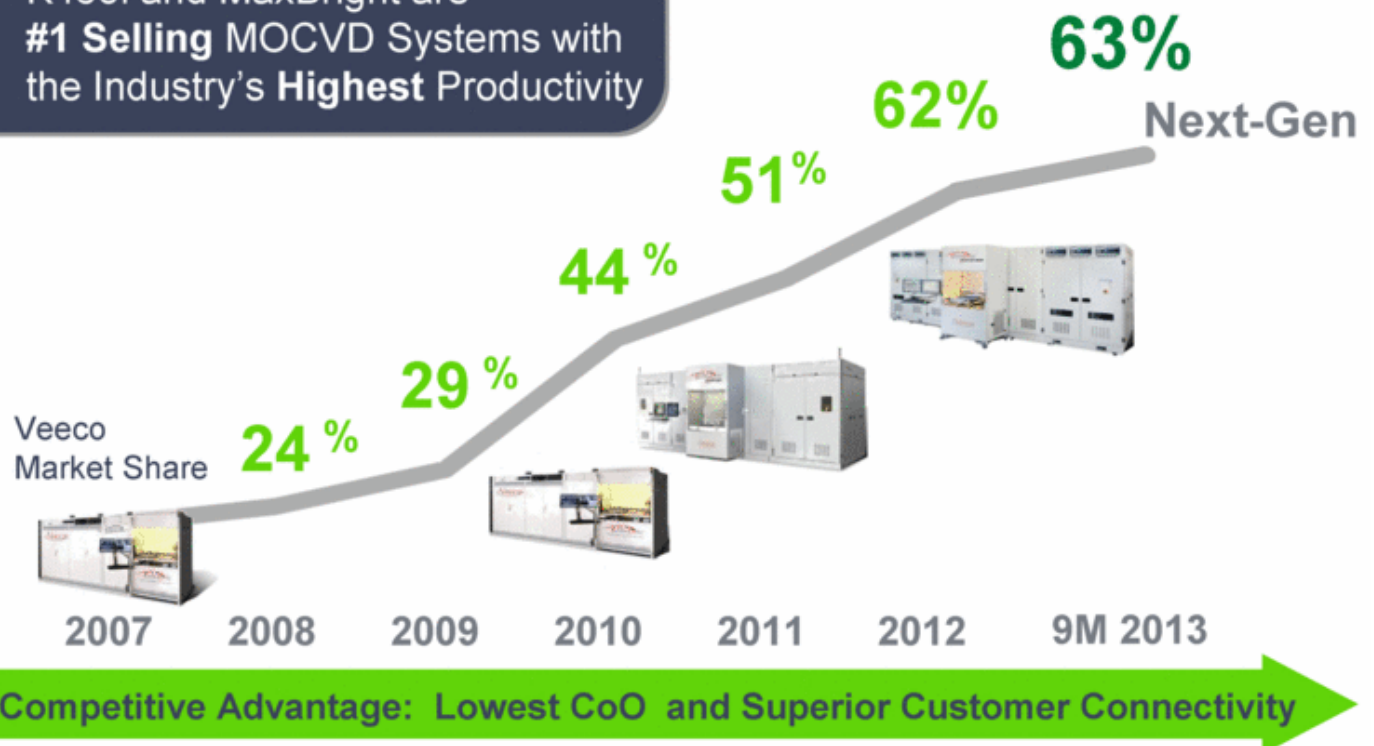
LED TV penetration reached 80% in 2013; new ultra HD TV 25-30% brighter LEDs and 10-20% more LEDs

Lighting Market Demand Will End LED Oversupply



Veeco Investing to Expand Our Leadership Position

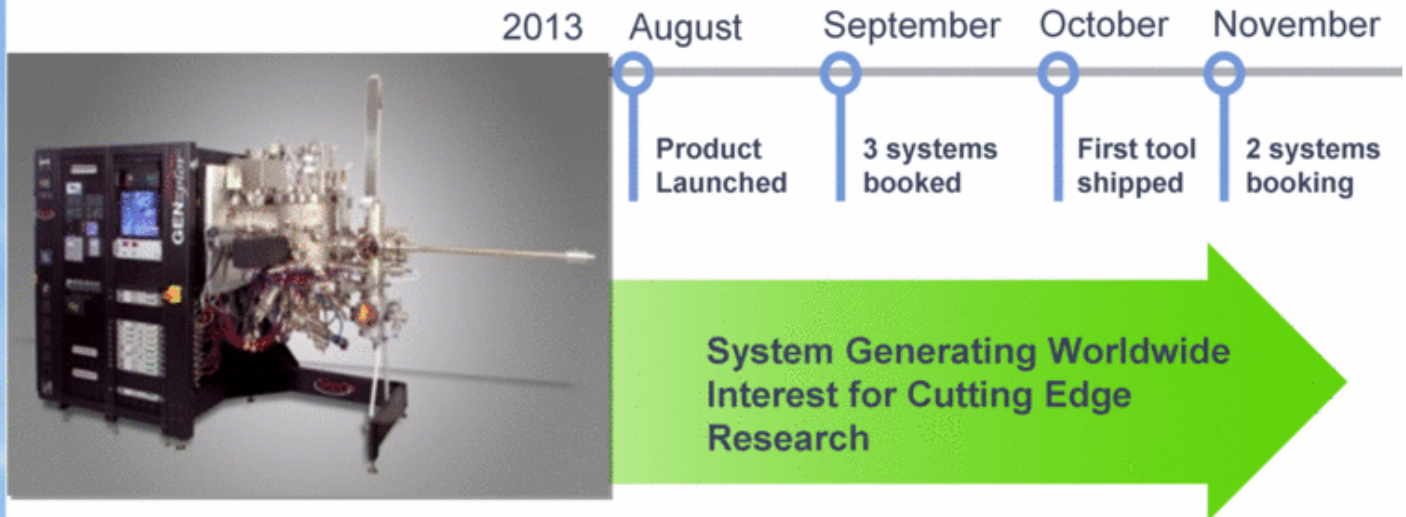
K465i and MaxBright are
#1 Selling MOCVD Systems with
the Industry's **Highest** Productivity



Note: Estimated comparative market share Veeco and Aixtron only

GENxplor MBE Driving Increased R&D Market Share

Customer engagements span multiple research fields including: IR detectors, laser diodes, novel HEMTs, graphene, solar, high-temp superconductors, UV LEDs, and thermo electrics

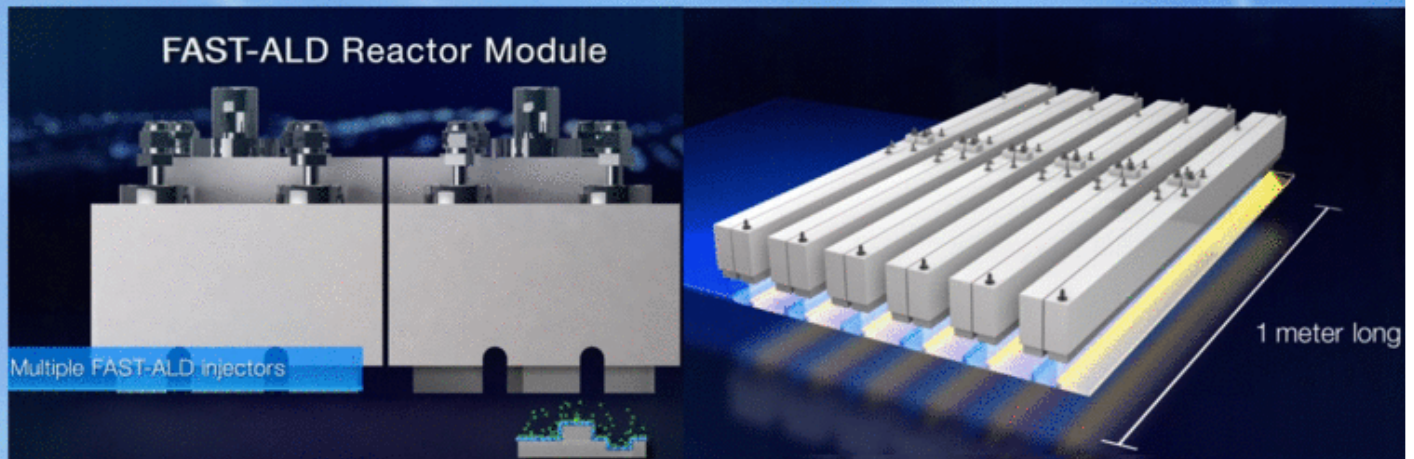




ALD Growth Opportunity

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Veeco ALD: 10x Faster Than Traditional ALD and Scaled With Virtually No Limits



A new generation of ALD:

Fast deposition

Low temperature

Large area format

Inflection Point for Flexible OLED
Production Manufacturing Ramp

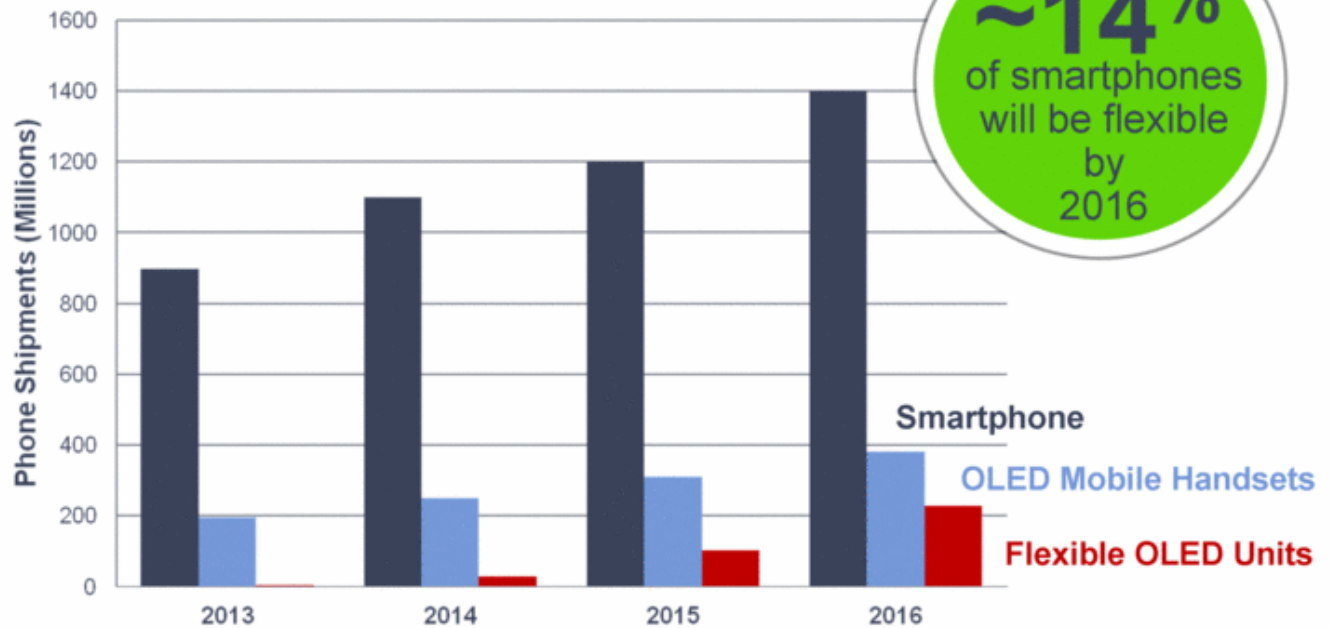
Mobile OLED Display Technology Transition



Rigid → Unbreakable → Curved → Bendable → Foldable

Flexible Product Introductions Have Begun

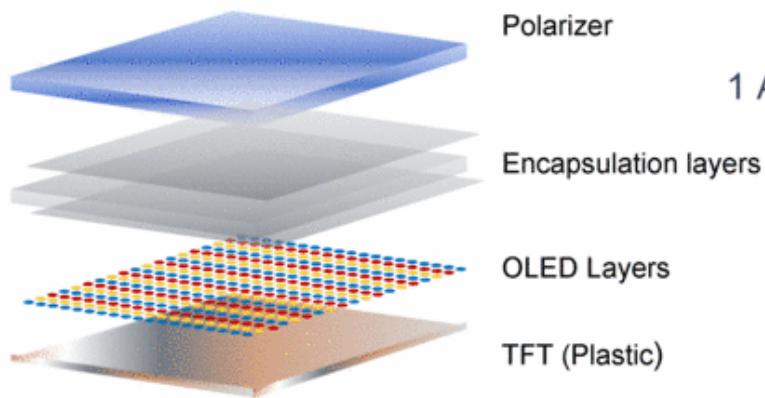
Huge Growth Wave as Flexible Displays Penetrate Mobile



**Mobile Flexible OLED Sales
Forecasted to Surge to \$5.5B by 2020**

Source: IHS iSuppli research, March 2013, Veeco estimates

Flexible OLED: “Zero-to-Sixty” Market Opportunity

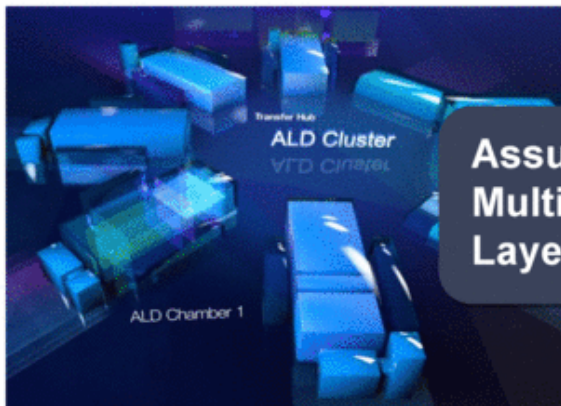


Today:

1 ALD cluster = 15-18M flexible phone displays/year

Tomorrow:

~250M flexible OLED phones will be produced in 2016



Assumes Veeco Wins Multiple ALD Encapsulation Layers at a Key Customer

That's a
\$200-400M
market
opportunity

Veeco estimate flexible OLED mobile shipments / production system throughput & yield

\$1B+ Near-Term Growth Opportunities

OLED Mobile
\$200-400M
TAM



OLED TV and
Lighting
>\$200M TAM



Energy
Storage
>\$100M TAM



Solar and Other
>\$200M TAM



Semiconductor
>\$200M TAM

FAST-ALD

Assessing Adjacent Market
Opportunities for Product Development

Veeco estimates for FAST-ALD TAM 2014 and 2015



Go-Forward Plan

Innovation.
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Solid Track Record Supports Our Future

Strengthened product development capability

Achieved #1 market positions

Established flexible manufacturing approach

Built a world class sales and support organization

Built a culture around quality and customer satisfaction

Built a great team and strong balance sheet

Operational Strategy

Carefully manage expenses

Execute manufacturing and supply chain programs to reduce costs of key products

Drive operational excellence in all areas of the business

Product and Services Leadership Initiatives

Funding Product Development to Extend Leadership in:

- LED Lighting with MOCVD
- Flexible OLED encapsulation with ALD
- GaN Power Electronics with MOCVD
- Compound Semiconductor with MBE

Established New Core R&D Group

Use our new Core R&D group to address adjacent market opportunities

Extending Services Offerings

Capability that adds more value to our customers

Prospecting for Acquisitions

Businesses that align with core markets and technology profile

Veeco's Future State

Global #1 in Exciting Markets:

- LED lighting (MOCVD)
- Flexible OLED encapsulation (ALD)
- Compound semi production and R&D (MBE)
- GaN Power Electronics (MOCVD)
- Niche applications like EUV Mask Blanks (IBD) and MEMS (IBE)



A Services business that contributes substantially to the bottom line

Gross Margins >40%

World class quality and customer satisfaction

Strong growth and Profitability



Q&A Session

Innovation.
Performance.
Brilliant.



**Non-GAAP
Reconciliation**

Innovation.
Performance.
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Income Statement

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net sales	\$ 99,324	\$ 132,715	\$ 258,540	\$ 409,171
Cost of sales	69,016	92,831	171,040	232,765
Gross profit	30,308	49,884	87,500	176,406
Operating expenses (income):				
Selling, general and administrative	19,650	13,892	59,077	54,558
Research and development	18,993	25,775	60,600	72,991
Amortization	655	1,477	2,566	3,877
Restructuring	1,240	2,014	1,771	2,077
Other, net	(493)	(737)	(141)	(626)
Total operating expenses	40,245	42,421	123,873	132,877
Operating (loss) income	(9,937)	7,463	(36,373)	43,529
Interest income, net	(102)	(176)	(620)	(708)
(Loss) income from continuing operations before income taxes	(9,749)	7,639	(35,753)	44,237
Income tax (benefit) provision	(3,719)	(69)	(15,575)	9,066
(Loss) income from continuing operations	(6,026)	7,698	(20,178)	35,171
Discontinued operations:				
Income from discontinued operations before income	-	5,396	-	6,534
Income tax provision	-	1,341	-	1,722
Income from discontinued operations, net of tax	-	4,055	-	4,812
Net (loss) income	\$ (6,026)	\$ 11,753	\$ (20,178)	\$ 39,983
(Loss) income per common share:				
Basic:				
Continuing operations	\$ (0.16)	\$ 0.20	\$ (0.52)	\$ 0.92
Discontinued operations	-	0.10	-	0.12
(Loss) income	\$ (0.16)	\$ 0.30	\$ (0.52)	\$ 1.04
Diluted:				
Continuing operations	\$ (0.16)	\$ 0.20	\$ (0.52)	\$ 0.90
Discontinued operations	-	0.10	-	0.13
(Loss) income	\$ (0.16)	\$ 0.30	\$ (0.52)	\$ 1.03
Weighted average shares outstanding:				
Basic	38,841	38,577	38,774	38,402
Diluted	38,841	39,169	38,774	39,006

Balance Sheet

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

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 247,666	\$ 384,557
Short-term investments	322,488	192,234
Restricted cash	2,850	2,017
Accounts receivable, net	37,769	63,169
Inventories, net	57,585	59,807
Prepaid expenses and other current assets	36,864	32,155
Deferred income taxes, current	10,545	10,545
Total current assets	715,767	744,484
Property, plant and equipment at cost, net	95,696	98,302
Goodwill	55,828	55,828
Deferred income taxes	6,072	935
Intangible assets, net	18,407	20,974
Other assets, net	17,341	16,781
Total assets	<u>\$ 909,113</u>	<u>\$ 937,304</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 28,334	\$ 26,087
Accrued expenses and other current liabilities	60,283	74,260
Deferred revenue	8,032	9,380
Income taxes payable	974	2,292
Current portion of long-term debt	285	268
Total current liabilities	97,908	112,287
Deferred income taxes	7,110	7,137
Long-term debt	1,922	2,138
Other liabilities	4,894	4,530
Total liabilities	111,834	126,092
Equity	797,279	811,212
Total liabilities and equity	<u>\$ 909,113</u>	<u>\$ 937,304</u>

Reconciliation

Veeco Instruments Inc. and Subsidiaries
Reconciliation of GAAP to non-GAAP results
(in thousands, except per share data)
(Unaudited)

	Twelve months ended December 31,	
	2012	2011
Adjusted EBITA		
Operating income	\$ 37,212	\$ 276,259
Non-GAAP adjustments:		
Amortization	4,908	4,734
Equity-based compensation	13,854	12,807
Restructuring	3,813	1,288
Asset impairment	1,335	584
Other	-	758
Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA")	<u>\$ 61,122</u>	<u>\$ 296,430</u>
Non-GAAP Net Income		
Net income from continuing operations (GAAP basis)	\$ 26,529	\$ 190,502
Non-GAAP adjustments:		
Amortization	4,908	4,734
Equity-based compensation	13,854	12,807
Restructuring	3,813	1,288
Loss on extinguishment of debt	-	3,349
Asset impairment	1,335	584
Other	-	758
Non-cash portion of interest expense	-	1,259
Income tax effect of non-GAAP adjustments	<u>(8,789) (1)</u>	<u>(9,108) (1)</u>
Non-GAAP Net income	<u>\$ 41,643</u>	<u>\$ 206,173</u>
Non-GAAP earnings per diluted share excluding certain items ("Non-GAAP EPS")	<u>\$ 1.07</u>	<u>\$ 5.01</u>
Diluted weighted average shares outstanding	39,051	41,155

(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 EBITA, 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 EBITA reports baseline performance and thus provides useful information.

Reconciliation

Veeco Instruments Inc. and Subsidiaries
Reconciliation of GAAP to non-GAAP results
(In thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Adjusted EBITA				
Operating (loss) income	\$ (9,937)	\$ 7,463	\$ (36,373)	\$ 43,529
Non-GAAP adjustments:				
Amortization	855	1,477	2,566	3,877
Equity-based compensation	2,763	3,265	9,055	10,409
Restructuring	1,240	2,014	1,771	2,077
(Loss) earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA")	<u>\$ (5,079)</u>	<u>\$ 14,219</u>	<u>\$ (22,981)</u>	<u>\$ 59,892</u>
Non-GAAP Net (Loss) Income				
Net (loss) income from continuing operations (GAAP basis)	\$ (6,026)	\$ 7,698	\$ (20,178)	\$ 35,171
Non-GAAP adjustments:				
Amortization	855	1,477	2,566	3,877
Equity-based compensation	2,763	3,265	9,055	10,409
Restructuring	1,240	2,014	1,771	2,077
Income tax effect of non-GAAP adjustments	<u>(18,832)</u>	<u>(1) (2,772)</u>	<u>(1) (21,946)</u>	<u>(1) (6,400)</u>
Non-GAAP net (loss) income	<u>\$ (20,001)</u>	<u>\$ 11,682</u>	<u>\$ (28,732)</u>	<u>\$ 45,134</u>
Non-GAAP (loss) earnings per diluted share excluding certain items ("Non-GAAP EPS")	<u>\$ (0.51)</u>	<u>\$ 0.30</u>	<u>\$ (0.74)</u>	<u>\$ 1.16</u>
Diluted weighted average shares outstanding	38,841	39,169	38,774	39,006

(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 EBITA, 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 EBITA reports baseline performance and thus provides useful information.

Segment

Veeco Instruments Inc. and Subsidiaries
Segment Bookings, Revenues, and Reconciliation
of Operating (Loss) Income to Adjusted (Loss) EBITA
(In thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
LED & Solar				
Bookings	\$ 73,517	\$ 67,842	\$ 174,321	\$ 229,796
Revenues	\$ 75,001	\$ 96,905	\$ 193,241	\$ 281,257
Operating (loss) income	\$ (4,083)	\$ 5,733	\$ (15,674)	\$ 28,922
Amortization	531	1,154	1,595	2,878
Equity-based compensation	1,016	1,914	3,042	4,016
Restructuring	793	690	1,216	718
Adjusted (loss) EBITA	\$ (1,723)	\$ 9,461	\$ (9,821)	\$ 36,534
Data Storage				
Bookings	\$ 17,966	\$ 15,850	\$ 72,340	\$ 69,858
Revenues	\$ 24,323	\$ 33,810	\$ 65,299	\$ 127,914
Operating income (loss)	\$ 925	\$ 1,896	\$ (136)	\$ 21,453
Amortization	324	323	971	999
Equity-based compensation	439	763	1,057	1,614
Restructuring	447	1,298	497	1,301
Adjusted EBITA	\$ 2,135	\$ 4,278	\$ 2,389	\$ 25,367
Unallocated Corporate				
Operating loss	\$ (6,607)	\$ 10	\$ (19,943)	\$ (6,138)
Interest income, net	(192)	(176)	(620)	(706)
Equity-based compensation	1,308	586	4,956	4,779
Restructuring	-	58	58	58
Adjusted (loss) EBITA	\$ (5,491)	\$ 480	\$ (15,549)	\$ (2,009)
Total				
Bookings	\$ 91,483	\$ 83,692	\$ 246,661	\$ 299,654
Revenues	\$ 99,324	\$ 132,715	\$ 258,540	\$ 409,171
Operating (loss) income	\$ (9,745)	\$ 7,639	\$ (35,753)	\$ 44,237
Interest income, net	(192)	(176)	(620)	(706)
Amortization	855	1,477	2,566	3,877
Equity-based compensation	2,763	3,265	9,055	10,409
Restructuring	1,240	2,014	1,771	2,077
Adjusted (loss) EBITA	\$ (5,079)	\$ 14,219	\$ (22,651)	\$ 59,892



Q3 2013 Business Update Conference Call

Innovation.
Performance.
Brilliant.