

February 9, 2017



# Amtech Reports First Quarter Fiscal 2017 Results

## Increasing market share with new advanced technology solutions

TEMPE, Ariz., Feb. 9, 2017 /PRNewswire/ -- Amtech Systems, Inc. (NASDAQ: ASYS), a global supplier of production equipment and related supplies for the solar, semiconductor, and LED markets, today reported results for its first fiscal quarter ended December 31, 2016.

### First Quarter Fiscal 2017 Operational and Financial Highlights

- Customer orders of \$34.7 million (solar \$15.9 million)
- Book-to-bill of 1.1:1 (solar 1.2:1)
- Net revenue of \$29.1 million (solar \$11.4 million)
- Quarter-end backlog of \$51.5 million (solar \$35.8 million)
- Essentially break-even with a net loss of \$53,000, or (\$0.00) per share
- Total cash of \$45.8 million as of January 31, 2017

Mr. Fokko Pentinga, Chief Executive Officer of Amtech, commented, "A significant portion of the Solar orders in the first quarter were for our new high throughput PECVD and N-type diffusion products. The first quarter shipments included our superior PERC solution that combines SoLayTec's spatial ALD deposition tool and Tempres's high throughput PECVD tool.

In addition to the reported first quarter orders, on January 24, 2017 we announced new orders for Semi and Solar Diffusion and PECVD and a large order from a new customer in China for a turnkey project using our proven n-type bi-facial technology. Those orders brought our year-to-date bookings through January 20, 2017 to \$84 million. The turnkey order, the first of a multiphase 1GW project, includes our high throughput PECVD and diffusion systems. The customer deposits we received with that turnkey and other orders for both Solar and Semi contributed to the increase in total cash. These orders demonstrate that the new Tempres PECVD platform is clearly significant to further strengthening our market position and increasing market penetration.

By working side-by-side with our customers and technology institutes we are able to offer P-type multi and mono and newer technologies, particularly proven N-type bi-facial, advanced N-PERT technologies, and PERC, which are clearly advancing the solar industry's goal of higher efficiency and lower total cost of ownership. Recently, we have experienced increased customer interest in our N-type technology.

Mr. Pentinga continued, "Our semi business has been a steady contributor over the last few quarters as its underlying markets have improved. During our first quarter, this segment produced both good volumes and margins. Our diversified mix of semiconductor business provides important cash flow which supports our growth business model. All of our

segments, solar, semiconductor and polishing contributed to achieving breakeven and positive EBITDA."

## **Financial Results**

Customer orders in the first quarter of fiscal 2017 were \$34.7 million (\$15.9 million solar), compared to \$27.7 million (\$11.8 million solar) in the preceding quarter and \$35.6 million (\$23.0 million solar) in the first quarter of fiscal 2016. These orders do not include the large order announced in January 2017 for a turnkey project in China for a solar cell manufacturing line for n-type bi-facial cells, or the other January orders in that order announcement.

At December 31, 2016, the Company's total order backlog was \$51.5 million (\$35.8 solar) compared to total backlog of \$48.6 million (solar \$34.0 million) at September 30, 2016 and \$42.9 million (solar \$31.3 million) at December 31, 2015. Backlog includes deferred revenue and customer orders that are expected to ship within the next 12 months.

Net revenue for the first quarter of fiscal 2017 was \$29.1 million, a decrease of 31% compared to \$42.4 million in the preceding quarter, and an increase of 32% compared to \$22.1 million in the first quarter of fiscal 2016. The sequential decrease is due primarily to the timing of the shipment of large systems orders that contributed to the higher solar revenue in the fourth quarter of fiscal 2016 and due to the seasonality in our semiconductor business. The increase from the first quarter of fiscal 2016 is due primarily to increased demand for our solar PECVD tools and semiconductor equipment.

Gross margin in the first quarter of fiscal 2017 was 29%, compared to 29% in the previous quarter and 27% in the first quarter of fiscal 2016. Sequentially, the gross margins benefitted from the recognition of previously deferred profit that was offset by lower capacity utilization. The higher gross margin compared to a year ago is primarily due to increased sales volumes and improved product mix in the semiconductor and polishing segments, offset by lower deferred profit recognition in the solar segment.

Selling, general and administrative (SG&A) expenses in the first quarter of fiscal 2017 were \$7.0 million compared to \$10.3 million in the preceding quarter and \$7.6 million in the first quarter of fiscal 2016. Sequentially, the decrease in SG&A results primarily from the collection of approximately \$1.0 million of previously reserved accounts receivable and a provision for doubtful accounts receivable of \$1.8 million recorded in the fourth quarter of fiscal 2016. Compared to the same quarter in fiscal 2016, the decrease results primarily from collection of previously reserved accounts receivable, partially offset by higher selling expenses related to higher revenues. SG&A expenses include \$0.3 million of stock-based compensation expense in the first quarter of fiscal 2017, fourth quarter of fiscal 2016 and first quarter of fiscal 2016.

Research, development and engineering (RD&E) expense was \$1.6 million in the first quarter of fiscal 2017 compared to \$2.0 million in the preceding quarter and \$2.3 million in the first quarter of fiscal 2016.

Depreciation and amortization in the first quarter of fiscal 2017 was \$654,000, compared to \$697,000 in the preceding quarter and \$783,000 in the first quarter of fiscal 2016.

Income tax expense in the first quarter of fiscal 2017 was \$0.1 million compared to \$1.1

million in the preceding quarter. The sequential decrease is due primarily to an increase in the valuation allowance and an increase in income before taxes in the United States in the fourth quarter of fiscal 2016. The Company had income tax expense in the first quarter of fiscal 2016 of \$0.3 million.

Net loss for the first quarter of fiscal 2017 was \$53,000, or \$0.00 per share, compared to a net loss of \$0.3 million or \$0.02 per share in the preceding quarter and net loss for the first quarter of fiscal 2016 of \$4.0 million, or \$0.31 per share.

Total unrestricted cash and cash equivalents at December 31, 2016 were \$23.6 million, compared to \$27.7 million at September 30, 2016. The decrease in cash is due primarily to cash used to fund working capital. Total cash, including restricted cash, increased to \$45.8 million as of January 31, 2017 due primarily to the customer deposits we received with the turnkey and other orders for both Solar and Semi.

## **Outlook**

The company expects revenues for the quarter ending March 31, 2017, to be in the range of \$27 to \$30 million. Gross margin for the quarter ending March 31, 2017, is expected to be in the mid 20s percent range, with operating margin negative. Due to the recent increase in orders, including the large turnkey order received in January 2017, revenue is expected to increase significantly in the second half of fiscal 2017 and is expected to lead to an improvement in the results of operations for the second half as compared to the first half of the fiscal year.

Operating results could be impacted by the timing of system shipments, the net impact of revenue deferral on those shipments, and recognition of revenue based on customer acceptances, all of which can have a significant effect on operating results.

A substantial portion of Amtech's revenues are denominated in Euros. The revenue outlook provided in this press release is based on an assumed exchange rate between the United States Dollar and the Euro. A significant decrease in the value of the Euro in relation to the United States Dollar could cause actual revenues to be lower than anticipated.

## **Conference Call**

Amtech Systems will host a conference call and webcast today at 5:00pm ET to discuss first quarter fiscal 2017 financial results. Those in the USA wishing to participate in the live call should dial (844)-868-9329. From Canada, dial (866)-605-3852, and internationally, dial (412) 317-6703. Request "Amtech" when connected to the operator. A replay of the call will be available one hour after the end of the conference call through February 16, 2017. To access the replay please dial US toll free (877) 344-7529 and enter code 10100831. Internationally, dial (412) 317-0088 and use the same code.

A live and archived web cast of the conference call can be accessed in the investor relations section of Amtech's website at [www.amtechsystems.com](http://www.amtechsystems.com).

## **About Amtech Systems, Inc.**

Amtech Systems, Inc. is a global supplier of advanced thermal processing equipment to the solar, semiconductor / electronics, and LED manufacturing markets. Amtech's equipment

includes diffusion, ALD and PECVD systems and solder reflow systems. Amtech also supplies wafer handling automation and polishing equipment and related consumable products. The Company's wafer handling, thermal processing and consumable products currently address the diffusion, oxidation, and deposition steps used in the fabrication of solar cells, LEDs, semiconductors, MEMS, printed circuit boards, semiconductor packaging, and the polishing of newly sliced sapphire and silicon wafers. Amtech's products are recognized under the leading brand names Tempres Systems™, Bruce Technologies™, PR Hoffman™, R2D Automation™, SoLayTec, and BTU International.

### **Cautionary Note Regarding Forward-Looking Statements**

Certain information contained in this press release is forward-looking in nature. All statements in this press release, or made by management of Amtech Systems, Inc. and its subsidiaries ("Amtech"), other than statements of historical fact, are hereby identified as "forward-looking statements" (as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "would," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "continue," or the negative of these terms or other comparable terminology or our management are intended to identify such forward-looking statements. Examples of forward-looking statements include statements regarding Amtech's future financial results, operating results, business strategies, projected costs, products under development, competitive positions, and plans and objectives of Amtech and its management for future operations. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. The Form 10-K that Amtech filed with the Securities and Exchange Commission (the "SEC") for the year-ended September 30, 2016, listed various important factors that could affect the company's future operating results and financial condition and could cause actual results to differ materially from historical results and expectations based on forward-looking statements made in this document or elsewhere by Amtech or on its behalf. These factors can be found under the heading "Risk Factors" in the Form 10-Ks and investors should refer to them. Because it is not possible to predict or identify all such factors, any such list cannot be considered a complete set of all potential risks or uncertainties. Except as required by law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise.

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**AMTECH SYSTEMS, INC.**  
**(NASDAQ: ASYS)**  
**February 9, 2017**

	<u>Three Months Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revenues, net of returns and allowances	\$ 29,135	\$ 22,074
Cost of sales	<u>20,692</u>	<u>16,119</u>
Gross profit	8,443	5,955
Selling, general and administrative	6,996	7,596
Research, development and engineering	<u>1,627</u>	<u>2,288</u>
Operating loss	(180)	(3,929)
Loss from equity method investment	(143)	(17)
Interest expense and other income, net	<u>81</u>	<u>(202)</u>
Loss before income taxes	(242)	(4,148)
Income tax provision	<u>90</u>	<u>300</u>
<b>Net loss</b>	<u>(332)</u>	<u>(4,448)</u>
Add: net loss attributable to noncontrolling interest	<u>279</u>	<u>433</u>
<b>Net loss attributable to Amtech Systems, Inc.</b>	<u>\$ (53)</u>	<u>\$ (4,015)</u>
<b>Loss Per Share:</b>		
Basic loss per share attributable to Amtech shareholders	\$ (0.00)	\$ (0.31)
Weighted average shares outstanding	13,179	13,152
Diluted loss per share attributable to Amtech shareholders	\$ (0.00)	\$ (0.31)
Weighted average shares outstanding	13,179	13,152

**AMTECH SYSTEMS, INC.**  
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**Condensed Consolidated Balance Sheets**  
**(in thousands)**

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<b>Assets</b>	<b>December 31,</b>	<b>September 30,</b>
	<b>2016</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 23,638	\$ 27,655
Restricted cash	3,250	893
Accounts receivable		
Trade (less allowance for doubtful accounts of \$1,787 and \$3,730 at December 31, 2016 and September 30, 2016, respectively)	23,146	17,642

Unbilled and other	7,094	8,634
Inventories	20,853	23,223
Refundable income taxes	-	260
Other	3,804	4,617
<b>Total current assets</b>	<b>81,785</b>	<b>82,924</b>
Property, Plant and Equipment - Net	15,290	15,960
Deferred Income Taxes - Long Term	200	200
Other Assets - Long Term	1,049	1,095
Investments	2,890	3,032
Intangible Assets - Net	3,915	4,100
Goodwill	10,789	11,119
<b>Total Assets</b>	<b>\$ 115,918</b>	<b>\$ 118,430</b>

#### **Liabilities and Stockholders' Equity**

##### **Current Liabilities**

Accounts payable	\$ 14,986	\$ 15,397
Current maturities of long-term debt	1,010	1,134
Accrued compensation and related taxes	6,232	5,710
Accrued warranty expense	879	795
Deferred profit	3,812	4,709
Customer deposits	6,920	7,055
Other accrued liabilities	1,577	2,164
Income taxes payable	960	1,100
<b>Total current liabilities</b>	<b>36,376</b>	<b>38,064</b>

Long-term Debt	9,105	9,097
Income Taxes Payable - Long Term	6,050	5,930
<b>Total Liabilities</b>	<b>51,531</b>	<b>53,091</b>

##### **Stockholders' Equity**

Common stock; \$0.01 par value; 100,000,000 shares authorized; shares issued and outstanding: 13,179,355 and 13,179,355 at December 31, 2016 and September 30, 2016, respectively

	132	132
Additional paid-in capital	111,952	111,631
Accumulated other comprehensive loss	(9,721)	(8,876)
Retained deficit	(35,883)	(35,830)
<b>Total stockholders' equity</b>	<b>66,480</b>	<b>67,057</b>
Noncontrolling interest	(2,093)	(1,718)
<b>Total equity</b>	<b>64,387</b>	<b>65,339</b>

<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 115,918</b>	<b>\$ 118,430</b>
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**AMTECH SYSTEMS, INC.**  
**(NASDAQ: ASYS)**  
**February 9, 2017**

	<b>Three Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating Activities</b>		
Net loss	\$ (332)	\$ (4,448)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	654	783
Write-down of inventory	33	39
Capitalized interest	190	-
Deferred income taxes	31	9
Non-cash share based compensation expense	319	342
Loss from equity method investment	143	17
Reversal of allowance for doubtful accounts	(1,178)	(158)
Changes in operating assets and liabilities:		
Restricted cash	(2,425)	(220)
Accounts receivable	(3,600)	(309)
Inventories	1,621	1,412
Accrued income taxes	239	212
Other assets	725	(167)
Accounts payable	78	(4,861)
Accrued liabilities and customer deposits	584	(3,354)
Deferred profit	(619)	(50)
Net cash used in operating activities	<u>(3,537)</u>	<u>(10,753)</u>
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(86)	(108)
Proceeds from sale of property, plant and equipment	1	-
Proceeds from partial sale of subsidiary	-	7,012
Net cash (used in) provided by investing activities	<u>(85)</u>	<u>6,904</u>
<b>Financing Activities</b>		
Proceeds from the exercise of stock options	1	-
Payments on long-term debt	(160)	(180)
Borrowings on long-term debt	21	830
Net cash (used in) provided by financing activities	<u>(138)</u>	<u>650</u>
<b>Effect of Exchange Rate Changes on Cash</b>	<u>(257)</u>	<u>(36)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(4,017)	(3,235)
<b>Cash and Cash Equivalents, Beginning of Period</b>	27,655	25,852
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 23,638</u>	<u>\$ 22,617</u>

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