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# Amtech Reports Second Quarter Fiscal 2012 Results

TEMPE, Ariz., May 10, 2012 /PRNewswire/ -- Amtech Systems, Inc. (NASDAQ: ASYS), a global supplier of production and automation systems and related supplies for the manufacture of solar cells, semiconductors, and sapphire and silicon wafers, today reported results for its second fiscal quarter ending March 31, 2012.

## Second Quarter Fiscal 2012 Financial Summary:

- Net revenue of \$21.6 million
- Solar revenue of \$10.6 million
- Semi revenue of \$11.0 million
- Quarterly bookings of \$18.0
- Quarter-end backlog of \$67.4 million; solar backlog \$54.1 million
- Gross margin of 19%
- Operating loss of \$6.0 million, including \$2.0 million of inventory write-down and impairment charges, and \$3.3 million in R&D
- Net loss of \$5.1 million, or \$(0.54) per diluted share

Mr. Fokko Pentinga, Chief Executive Officer of Amtech, commented, "As the second quarter results validate, the demand for solar equipment continues to be slow and we remain cautious about fiscal year 2012 expectations. While we have already reduced our headcount by almost 30% from the peak, we continue to review our cost structure and will take additional steps to reduce our expenses in the coming quarters."

Pentinga continued, "We were encouraged by our order intake in the quarter, which was up 62% sequentially, driven by an increase in both solar and semiconductor orders. And due to our continued investment during this slowdown we now look forward, after a little over a year of development time, to introducing our ion implant system to customers at the SNEC PV Power Expo in Shanghai next week, along with our new tube-type batch PECVD product."

Net revenue for the second quarter of fiscal 2012 was \$21.6 million, down 13% sequentially from \$24.7 million for the preceding quarter, and down 65% from \$61.3 million for the second quarter of fiscal 2011. The decrease was driven by lower system shipments to customers in the solar industry. Semiconductor revenue totaled \$11.0 million a 36% increase from semiconductor revenue in the second quarter of fiscal 2011 and 21% higher than the semiconductor revenue in first quarter of fiscal 2012.

Total orders in the second quarter of fiscal 2012 were \$18.0 million (\$7.2 million solar), up 62% compared to total orders of \$11.1 million (\$3.1 million solar) in the preceding quarter, due primarily to selective capacity expansion plans by both solar and semiconductor customers.

At March 31, 2012, the Company's total order backlog was \$67.4 million, compared to total backlog of \$69.2 million at December 31, 2011. Total backlog at March 31, 2012 includes \$54.0 million in solar orders and deferred revenue, compared to solar backlog of \$55.8 million at December 31, 2011. The effect of foreign exchange on backlog was a positive \$1.8 million in the March quarter. Backlog includes deferred revenue and customer orders that are expected to ship within the next 12 months.

Gross margin in the second quarter of fiscal 2012 was 19%, compared to 29% sequentially and 40% in the second quarter of fiscal 2011. The lower gross margin is primarily due to significantly lower capacity utilization and write-down of inventory, partially offset by recognition of previously deferred revenue. The inventory charge was \$1.3 million.

Selling, general and administrative (SG&A) expenses in the second quarter of fiscal 2012 decreased to \$6.0 million compared to \$6.3 million in the preceding quarter and \$11.2 million in the second quarter of fiscal 2011. The decrease in SG&A expenses, as compared to the second quarter of fiscal 2011 and the first quarter of fiscal 2012, was primarily due to lower commissions and shipping costs corresponding to reduced sales volumes and also reflected corporate-wide cost control initiatives.

Impairment charges of \$688,000 were recorded in the second quarter of fiscal 2012 due to the write-down of certain licenses and related assets associated with the Company's PSG removal and previous in-line PECVD tools.

Research and Development expense was \$3.3 million in the second quarter of fiscal 2012 compared to \$2.8 million in the preceding quarter and \$0.9 million in the second quarter of fiscal 2011. The year-over-year quarterly change is primarily due to investment in the Company's solar ion-implant project and development costs associated with other product and technology development programs.

Depreciation and amortization in the second quarter of fiscal 2012 was \$760,000, compared to \$769,000 in the first quarter of fiscal 2012.

Included in the second quarter of fiscal 2012 results is \$437,000 of stock option expense, compared to \$369,000 in the fiscal second quarter a year ago and \$465,000 in the first quarter of 2012.

Income tax in the second quarter of fiscal 2012 was a benefit of \$220,000, resulting in an effective tax rate of approximately 4%.

The net loss for the second quarter of fiscal 2012 was \$5.1 million, or (\$0.54) per diluted share, compared to a net loss of \$0.9 million, or (\$0.09) per diluted share, for the first quarter of fiscal 2012. The increased loss was primarily due to lower sales volumes, inventory write-down, impairment charges, and increased investment in research and development. Net income for the second quarter 2011 was \$7.5 million, or \$0.77 per diluted share.

Total cash and cash equivalents at March 31, 2012 were \$48.8 million, compared to \$54.9 million at December 31, 2011 and \$67.4 million at September 30, 2011.

## **Outlook**

The supply/demand imbalance for solar cells and modules continues to negatively impact

the entire solar supply chain. As a result, the Company expects revenues in its fiscal 2012 third quarter ending June 30, 2012 to be in the range of \$18 - \$20 million. Gross margins are expected to be in line with or slightly higher than the second quarter of fiscal 2012. Research and development expenses are expected to be significantly higher in the June quarter compared to the March quarter due primarily to the build of the beta version of the company's solar ion implant system. As a result, Amtech expects to incur a net loss in the third quarter.

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.

The Company continues to invest in next generation solar technologies while also evaluating opportunities to further diversify its business mix in solar or non-solar technologies.

### **Conference Call**

Amtech Systems will host a conference call and webcast today at 5:00pm ET to discuss second quarter fiscal 2012 financial results. Those in the USA wishing to participate in the live call should dial (877) 317-6789. From Canada, dial (866)-605-3852, and internationally, dial (412) 317-6789. Request "Amtech" when connected to the operator. A replay of the call will be available one hour after the end of the conference through May 18. To access the replay please dial US toll free (877) 344-7529 and enter code 10013678. 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. manufactures capital equipment, including silicon wafer handling automation, thermal processing equipment and related consumables used in fabricating solar cells, LED and semiconductor devices. Semiconductors, or semiconductor chips, are fabricated on silicon wafer substrates, sliced from ingots, and are part of the circuitry, or electronic components, of many products including solar cells, computers, telecommunications devices, automotive products, consumer goods, and industrial automation and control systems. 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 and the polishing of newly sliced silicon wafers.

### **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 ("the Company" or "Amtech"), other than statements of historical fact, are



Interest and other income (expense), net	39	75	126	46
Income (loss) before income taxes	(5,946)	12,595	(7,703)	20,917
Income tax provision (benefit)	(220)	5,100	(540)	8,430
<b>Net income (loss)</b>	<b>(5,726)</b>	<b>7,495</b>	<b>(7,163)</b>	<b>12,487</b>
Add: Net Loss Attributable to noncontrolling interest	647	22	1,208	22
<b>Net income (loss) attributable to Amtech Systems, Inc.</b>	<b>\$ (5,079)</b>	<b>\$ 7,517</b>	<b>\$ (5,955)</b>	<b>\$ 12,509</b>

**Earnings (Loss) Per Share:**

Basic income (loss) per share attributable to Amtech shareholders	\$ (0.54)	\$ 0.79	\$ (0.63)	\$ 1.33
Weighted average shares outstanding	9,479	9,487	9,462	9,381
Diluted income (loss) per share attributable to Amtech shareholders	\$ (0.54)	\$ 0.77	\$ (0.63)	\$ 1.29
Weighted average shares outstanding	9,479	9,781	9,462	9,702

**BALANCE SHEET - CONSOLIDATED**  
(in thousands)

Assets	March 31, 2012 (Unaudited)	September 30, 2011
<b>Current Assets</b>		
Cash and cash equivalents	\$ 48,769	\$ 67,382
Restricted cash	3,647	6,571
Accounts receivable		
Trade (less allowance for doubtful accounts of \$372 and \$246 at March 31, 2012 and September 30, 2011, respectively)	11,290	14,447
Unbilled and other	20,958	30,822
Inventories	36,866	37,162
Deferred income taxes	9,550	9,560
Prepaid income taxes	3,580	4,260
Other	4,383	4,647
Total current assets	139,043	174,851
<b>Property, Plant and Equipment - Net</b>	12,998	12,680
<b>Intangible Assets - Net</b>	4,316	5,021
<b>Goodwill</b>	13,236	13,313
<b>Total Assets</b>	\$ 169,593	\$ 205,865

**Liabilities and Stockholders' Equity**

<b>Current Liabilities</b>		
Accounts payable	\$ 6,733	\$ 8,928
Accrued compensation and related taxes	6,505	10,686
Accrued warranty expense	2,686	2,265
Deferred profit	19,013	27,608
Customer deposits	3,412	7,862
Other accrued liabilities	2,136	6,775

Income taxes payable	12,090	16,670
Total current liabilities	52,575	80,794
<b>Income Taxes Payable Long-term</b>	2,390	2,630
<b>Deferred Income Taxes Long-term</b>	90	110
<b>Total liabilities</b>	55,055	83,534

#### 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: 9,479,007 and 9,431,393 at March 31, 2012 and September 30, 2011, respectively	95	94
Additional paid-in capital	84,112	83,207
Accumulated other comprehensive (loss)	(3,607)	(2,078)
Retained earnings	29,143	35,096
Total Amtech Systems Inc. stockholders' equity	109,743	116,319
Noncontrolling interest	4,795	6,012
Total Equity	114,538	122,331
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 169,593</b>	<b>\$ 205,865</b>

#### STATEMENT OF CASH FLOWS - CONSOLIDATED Unaudited (in thousands)

	Six Months Ended	
	March 31,	
	2012	2011
<b>Operating Activities</b>		
Net income (loss)	(7,163)	12,487
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,528	1,222
Write-down of inventory	1,330	564
Impairment of assets	688	-
Deferred income taxes	-	(2,010)
Non-cash share based compensation expense	903	743
Provision for allowance for doubtful accounts	133	47
Changes in operating assets and liabilities:		
Restricted cash	2,878	(4,702)
Accounts receivable	12,009	(20,263)
Inventories	(2,487)	(9,882)
Accrued income taxes	(4,105)	3,725
Prepaid expenses and other assets	198	(2,140)

Accounts payable	(2,073)	6,479
Accrued liabilities and customer deposits	(8,379)	16,149
Deferred profit	(8,115)	8,814
Net cash (used in) provided by operating activities	<u>(12,655)</u>	<u>11,233</u>
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(1,062)	(2,866)
Acquisition of interest in Kingstone, net of cash acquired of \$365		<u>(1,055)</u>
Net cash used in investing activities	<u>(1,062)</u>	<u>(3,921)</u>
<b>Financing Activities</b>		
Proceeds from issuance of common stock, net	-	1,316
Repurchase of common stock	(4,080)	-
Payments on long-term obligations	(22)	(62)
Payment for license fee	(44)	-
Excess tax benefit of stock options	-	728
Net cash provided by (used in) financing activities	<u>(4,146)</u>	<u>1,982</u>
<b>Effect of Exchange Rate Changes on Cash</b>	<u>(750)</u>	<u>1,470</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(18,613)	10,764
<b>Cash and Cash Equivalents, Beginning of Period</b>	67,382	56,764
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 48,769</u>	<u>\$ 67,528</u>

SOURCE Amtech Systems, Inc.