

VEECO INSTRUMENTS INC  
Form 10-Q  
May 06, 2015  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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, 2015**

**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**

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## 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"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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:

Title of Class	Shares Outstanding
Common Stock par value \$0.01 per share	as of April 30, 2015 40,384,427



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**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 identify 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, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. 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 cyclical nature of the industries we serve directly affects our business;
  
- We operate in industries characterized by rapid technological change;
  
- We depend on a limited number of customers, located primarily in a limited number of regions, which operate in highly concentrated industries;
  
- We face significant competition;

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- 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 and such cancellation could result in decreased sales and increased provisions for excess and obsolete inventory and/or liabilities to our suppliers for products no longer needed;
- Our failure to estimate customer demand accurately could result in excess or obsolete inventory and/or liabilities to our suppliers for products no longer needed, while manufacturing interruptions or delays 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 key 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 LED, data storage and other manufacturers are highly dependent on these manufacturers' sales for consumer electronics applications, which can experience significant volatility due to seasonal and other factors, which could materially adversely impact our future results of operations;

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- 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;
  
- We may be required to take additional impairment charges for goodwill and indefinite-lived intangible assets or definite-lived intangible and long-lived assets;
  
- The price of our common shares may be volatile and could decline significantly;
  
- The enforcement and protection of our intellectual property rights may be expensive and could 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, significant liabilities, reputational harm, and disruption to our operations;

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- 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 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, 2015 (unaudited)</b>	<b>December 31, 2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 303,123	\$ 270,811
Short-term investments	88,997	120,572
Restricted cash	493	539
Accounts receivable, net	64,285	60,085
Inventory	57,197	61,471
Deferred cost of sales	15,506	5,076
Prepaid expenses and other current assets	32,102	23,132
Assets held for sale	6,000	6,000
Deferred income taxes	7,014	7,976
Total current assets	574,717	555,662
Property, plant and equipment, net	80,301	78,752
Goodwill	114,972	114,959
Deferred income taxes	1,180	1,180
Intangible assets, net	151,346	159,308
Other assets	19,574	19,594
<b>Total assets</b>	<b>\$ 942,090</b>	<b>\$ 929,455</b>
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 41,128	\$ 18,111
Accrued expenses and other current liabilities	36,491	48,418
Customer deposits and deferred revenue	109,993	96,004
Income taxes payable	8,041	5,441
Deferred income taxes	120	120
Current portion of long-term debt	320	314
Total current liabilities	196,093	168,408
Deferred income taxes	16,041	16,397
Long-term debt	1,451	1,533
Other liabilities	4,680	4,185
<b>Total liabilities</b>	<b>218,265</b>	<b>190,523</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; 40,375,054 and 40,360,069 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	404	404

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Additional paid-in capital	754,125	750,139
Accumulated deficit	(32,190)	(13,080)
Accumulated other comprehensive income	1,486	1,469
<b>Total stockholders equity</b>	<b>723,825</b>	<b>738,932</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 942,090</b>	<b>\$ 929,455</b>

See accompanying Notes to the Consolidated Financial Statements.

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**Veeco Instruments Inc. and Subsidiaries**

**Consolidated Statements of Operations**