

NANOMETRICS INC
Form 10-Q
October 31, 2014

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

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 September 27, 2014

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 0-13470

NANOMETRICS INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
1550 Buckeye Drive, Milpitas, CA
(Address of principal executive offices)
Registrant's telephone number, including area code: (408) 545-6000

94-2276314
(I. R. S. Employer
Identification No.)
95035
(Zip 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 during the preceding 12 months (or such shorter period that the registrant was required to submit and post such file) 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 Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 24, 2014, there were 24,158,015 shares of common stock, \$0.001 par value, issued and outstanding.

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 FOR QUARTER ENDED SEPTEMBER 27, 2014

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NANOMETRICS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

(Unaudited)

	September 27, 2014	December 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$35,625	\$44,765
Marketable securities	48,748	48,097
Accounts receivable, net of allowances of \$253 and \$293, respectively	26,061	31,436
Inventories	35,762	34,520
Inventories-delivered systems	501	6,901
Prepaid expenses and other	9,356	10,519
Deferred income tax assets	2,922	14,516
Total current assets	158,975	190,754
Property, plant and equipment, net	50,736	47,439
Goodwill	11,039	11,743
Intangible assets, net	5,255	7,864
Deferred income tax assets	362	4,338
Other assets	593	696
Total assets	\$226,960	\$262,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$5,948	\$10,604
Accrued payroll and related expenses	8,395	7,853
Deferred revenue	5,944	21,749
Other current liabilities	7,834	7,993
Income taxes payable	639	758
Total current liabilities	28,760	48,957
Deferred revenue	3,253	3,718
Income taxes payable	635	1,171
Deferred tax liability	2,701	—
Other long-term liabilities	1,673	1,615
Total liabilities	37,022	55,461
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 3,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.001 par value, 47,000,000 shares authorized; 24,156,554 shares and 23,537,275 shares, respectively, issued and outstanding	24	24
Additional paid-in capital	255,036	244,733
Accumulated deficit	(64,475)	(37,996)
Accumulated other comprehensive income (loss)	(647)	612
Total stockholders' equity	189,938	207,373

Total liabilities and stockholders' equity	\$226,960	\$262,834
See Notes to Condensed Consolidated Financial Statements		

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NANOMETRICS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net revenues:				
Products	\$ 19,487	\$ 30,164	\$ 101,991	\$ 69,776
Service	7,646	8,880	24,747	28,372
Total net revenues	27,133	39,044	126,738	98,148
Costs of net revenues:				
Cost of products	10,737	18,116	52,165	40,908
Cost of service	4,292	4,469	14,061	14,510
Amortization of intangible assets	688	658	2,039	1,963
Total costs of net revenues	15,717	23,243	68,265	57,381
Gross profit	11,416	15,801	58,473	40,767
Operating expenses:				
Research and development	8,037	8,926	25,724	24,695
Selling	6,389	6,758	20,443	20,303
General and administrative	5,781	5,424	18,120	16,442
Amortization of intangible assets	103	195	318	588
Restructuring charge	1,715	1,740	1,715	1,740
Total operating expenses	22,025	23,043	66,320	63,768
Loss from operations	(10,609	) (7,242	) (7,847	) (23,001
Other income (expense):				
Interest income	13	7	37	51
Interest expense	(90	) (118	) (286	) (549
Other income (expense), net	(57	) (334	) 111	(930
Total other expense, net	(134	) (445	) (138	) (1,428
Loss before income taxes	(10,743	) (7,687	) (7,985	) (24,429
Provision for (benefit from) income taxes	17,919	(3,133	) 18,494	(9,727
Net loss	\$(28,662	) \$(4,554	) \$(26,479	) \$(14,702
Net loss per share:				
Basic	\$(1.19	) \$(0.20	) \$(1.11	) \$(0.63
Diluted	\$(1.19	) \$(0.20	) \$(1.11	) \$(0.63
Weighted shares used in per share calculation:				
Basic	24,132	23,261	23,928	23,247
Diluted	24,132	23,261	23,928	23,247

See Notes to Condensed Consolidated Financial Statements

NANOMETRICS INCORPORATED
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net loss	\$(28,662)	\$(4,554)	\$(26,479)	\$(14,702)
Other comprehensive income (loss):				
Change in foreign currency translation adjustment	(1,637)	1,142	(1,252)	(837)
Net change on unrealized gains on available-for-sale investments	(15)	20	(7)	17
Other comprehensive income (loss)	(1,652)	1,162	(1,259)	(820)
Comprehensive loss	\$(30,314)	\$(3,392)	\$(27,738)	\$(15,522)

See Notes to Condensed Consolidated Financial Statements

NANOMETRICS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	September 27, 2014	September 28, 2013
Cash flows from operating activities:		
Net loss	\$(26,479	) \$(14,702
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	8,660	6,536
Stock-based compensation	5,115	5,912
Excess tax benefit from equity awards	—	467
Loss on disposal of fixed assets	80	173
Provision for doubtful accounts receivable	11	—
Inventory write-down	1,109	6,307
Deferred income taxes	20,776	(9,659
Changes in fair value of contingent consideration	118	1,045
Changes in assets and liabilities:		
Accounts receivable	4,871	(1,818
Inventories	(7,998	) (7,173
Inventories-delivered systems	6,400	(300
Prepaid expenses and other	1,751	820
Accounts payable, accrued and other liabilities	(4,535	) 6,798
Deferred revenue	(16,270	) 2,044
Income taxes payable	(3,158	) (363
Net cash used in operating activities	(9,549	) (3,913
Cash flows from investing activities:		
Maturities of marketable securities	25,570	38,030
Purchases of marketable securities	(26,810	) (40,797
Purchases of property, plant and equipment	(2,800	) (3,516
Net cash used in investing activities	(4,040	) (6,283
Cash flows from financing activities:		
Payments to Zygo Corporation related to acquisition	(470)