

## Amtech Reports Fourth Quarter Fiscal 2016 Results

TEMPE, Ariz., Nov. 17, 2016 /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 fourth quarter and fiscal year ended September 30, 2016.

### Fourth Quarter Fiscal 2016 Operations and Financial Highlights

- Customer orders of \$27.7 million (solar \$11.8 million)
- Net revenue of \$42.4 million (solar \$22.6 million)
- Quarter-end backlog of \$48.6 million (solar \$34.0 million)
- Non-cash charge for valuation allowance on deferred tax assets of \$0.4 million
- Provision for doubtful accounts receivable of \$1.8 million
- Net loss of \$0.3 million, or \$0.02 per share

### Fiscal Year 2016 Financial Highlights

- Customer orders of \$138.3 million (solar \$76.0 million)
- Net revenue of \$120.3 million (solar \$60.9 million)
- Book to bill ratio of 1.1:1 (solar 1.2:1)

Mr. Fokko Pentinga, Chief Executive Officer of Amtech, commented, "We are seeing a high level of interest in our newly introduced next generation technology solutions. There has been strong quoting activity throughout this past year which is translating to bookings including those for our new high throughput PECVD and ALD systems. We shipped our first combined PECVD and ALD PERC solution to a top-tier customer in November 2016. The market is showing interest in selective capacity expansion needs, line upgrades, and high-efficiency technology adaptation to ensure competitiveness and long-term profitable growth. We are also pleased to report that our SEMI business saw good volumes and margins in the fourth quarter."

"Over the course of the last few years we have been diligent in our efforts to best align our global businesses with the rapidly changing market environment. With measurable improvements throughout our fiscal year 2016, our ongoing initiatives have positioned us very well to leverage our many strengths as markets improve."

### Financial Results

Customer orders in the fourth quarter of fiscal 2016 were \$27.7 million (\$11.8 million solar), compared to \$30.0 million (\$13.2 million solar) in the preceding quarter and \$18.8 million (\$5.3 million solar) in the fourth quarter of fiscal 2015. For the year ended September 30, 2016 and 2015 customer orders were \$138.3 million (\$76.0 million solar) and \$109.9 million (\$61.2 million solar), respectively.

At September 30, 2016, the Company's order backlog was \$48.6 million (solar \$34.0 million), compared to total backlog of \$63.8 million (solar \$45.3 million) at June 30, 2016 and \$34.6 million (solar \$22.9 million) at September 30, 2015. Backlog includes deferred revenue and customer orders that are expected to ship within the next 12 months.

Net revenue for the fourth quarter of fiscal 2016 was \$42.4 million compared to \$33.3 million in the preceding quarter and \$28.2 million in the fourth quarter of fiscal 2015. The sequential and year-over-year increases were due to higher shipments from our solar, semiconductor and polishing segments. Gross margin in the fourth quarter of fiscal 2016 was 29%, compared to 29% in the previous quarter and 23% in the fourth quarter of fiscal 2015. Sequentially, the gross margins were higher in our semiconductor segment primarily due to favorable product mix but were offset by lower gross margins in

our solar segment primarily due to increased revenue deferrals. The higher gross margin compared to a year ago is primarily due to higher gross margins achieved in our semiconductor segment due to favorable product mix.

Selling, general and administrative (SG&A) expenses in the fourth quarter of fiscal 2016 were \$10.3 million compared to \$8.7 million in the preceding quarter and \$9.1 million in the fourth quarter of fiscal 2015. The increase compared to the previous quarter was primarily due to a provision for doubtful accounts receivable of \$1.8 million, partially offset by lower selling expenses as a percentage of shipments and lower commissionable sales. The increase compared to a year ago was due to an increase in the provision for doubtful accounts receivable, offset by lower legal fees and lower compensation expense.

Research, development and engineering (RD&E) expense was \$2.0 million in the fourth quarter of fiscal 2016 compared to \$1.6 million in the preceding quarter and \$3.0 million in the fourth quarter of fiscal 2015. The higher RD&E expense compared to the previous quarter was due to higher spending and slightly lower recognition of grant revenue. The lower RD&E expense compared to a year ago was due primarily to the deconsolidation of Kingstone in fiscal 2015.

Depreciation and amortization expense in the fourth quarter of fiscal 2016 was \$0.7 million, compared to \$0.7 million in the preceding quarter and \$0.9 million in the fourth quarter of fiscal 2015.

Income tax expense was \$1.1 million for the three months ended September 30, 2016 compared to less than \$0.1 million in the preceding quarter and \$1.3 million in the fourth quarter of fiscal 2015. The increase in income tax expense in the current quarter was primarily due to an increase in income before taxes in the United States and an increase in the valuation allowance. As of September 30, 2016, there was a valuation allowance on all deferred tax assets except for a \$0.2 million deferred tax asset that we believe is more likely than not to be realized. This increase in the valuation allowance accounted for approximately \$0.4 million of tax expense.

Net loss for the fourth quarter of fiscal 2016 was \$0.3 million, or \$0.02 per share, compared to a net loss of \$1.2 million or \$0.09 per share in the preceding quarter and net income of \$1.3 million, or \$0.10 per share for the fourth quarter of fiscal 2015, which included a gain on partial disposition of our investment in Kingstone of approximately \$7.8 million, net of tax.

Unrestricted cash and cash equivalents at September 30, 2016 were \$27.7 million, compared to \$28.3 million at June 30, 2016. The decrease in cash and cash equivalents during the quarter was primarily due to cash used for capital expenditures and debt service payments.

## **Outlook**

The company expects revenues for the quarter ending December 31, 2016 to be in the range of \$25 to \$27 million and gross margin to be in the mid 20s percent range.

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 fourth quarter and fiscal 2016 financial results. Those in the USA wishing to participate in the live call should dial 1-844-868-9329. From Canada, dial 1-866-605-3852, and internationally, dial 1-412-317-6703. 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 November 24, 2016. To access the replay please dial US toll free 1-877-344-7529 and enter code 10094719. Internationally, dial 1-412-317-0088 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)**  
**November 17, 2016**

**Condensed Consolidated Statements of Operations**  
**(in thousands, except per share data)**

|   | Quarters Ended September 30, |                     | Years Ended September 30, |                   |
|---|------------------------------|---------------------|---------------------------|-------------------|
|   | (unaudited)<br>2016          | (unaudited)<br>2015 | 2016                      | 2015              |
| Revenues, net of returns and allowances                             | \$ 42,409                    | \$ 28,198           | \$ 120,308                | \$ 104,883        |
| Cost of sales   | 29,934                       | 21,635              | 86,245                    | 77,875            |
| Gross profit  | 12,475                       | 6,563               | 34,063                    | 27,008            |
| Selling, general and administrative                                 | 10,259                       | 8,516               | 33,967                    | 33,028            |
| Research, development and engineering                               | 1,989                        | 3,024               | 8,004                     | 6,918             |
| Restructuring charges   | -                            | 583                 | -                         | 583               |
| Operating income (loss)   | 227                          | (5,560)             | (7,908)                   | (13,521)          |
| Gain on deconsolidation of Kingstone                                | -                            | 8,814               | -                         | 8,814             |
| Gain on sale of other assets  | -                            | -                   | 2,576                     | -                 |
| Income from equity method investment                                | 72                           | -                   | 299                       | -                 |
| Interest and other income (expense), net                            | 16                           | 35                  | (417)                     | (100)             |
| Income (loss) before income taxes                                   | 315                          | 3,289               | (5,450)                   | (4,807)           |
| Income tax provision  | 1,060                        | 1,270               | 3,100                     | 1,910             |
| <b>Net income (loss)</b>  | <b>(745)</b>                 | <b>2,019</b>        | <b>(8,550)</b>            | <b>(6,717)</b>    |
| Add: net (income) loss attributable to noncontrolling interest      | 456                          | (670)               | 1,542                     | (1,054)           |
| <b>Net income (loss) attributable to Amtech Systems, Inc.</b>       | <b>\$ (289)</b>              | <b>\$ 1,349</b>     | <b>\$ (7,008)</b>         | <b>\$ (7,771)</b> |
| <b>Income (Loss) Per Share:</b>                                     |                              |                     |                           |                   |
| Basic income (loss) per share attributable to Amtech shareholders   | \$ (0.02)                    | \$ 0.10             | \$ (0.53)                 | \$ (0.65)         |
| Weighted average shares outstanding                                 | 13,177                       | 13,150              | 13,168                    | 12,022            |
| Diluted income (loss) per share attributable to Amtech shareholders | \$ (0.02)                    | \$ 0.10             | \$ (0.53)                 | \$ (0.65)         |
| Weighted average shares outstanding                                 | 13,177                       | 13,259              | 13,168                    | 12,022            |

**AMTECH SYSTEMS, INC.**  
**(NASDAQ: ASYS)**  
**November 17, 2016**

**Condensed Consolidated Balance Sheets**  
**(in thousands, except share data)**

|  | September 30,<br>2016 | September 30,<br>2015 |
|--|-----------------------|-----------------------|
| <b>Assets</b>  |                       |                       |
| <b>Current Assets</b>  |                       |                       |
| Cash and cash equivalents  | \$ 27,655             | \$ 25,852             |
| Restricted cash  | 893                   | 638                   |
| Accounts receivable  |                       |                       |
| Trade (less allowance for doubtful accounts of \$3,730 and \$5,009 at September 30, 2016 and September 30, 2015, respectively) | 17,642                | 14,488                |
| Unbilled and other   | 8,634                 | 8,494                 |
| Inventories  | 23,223                | 23,329                |
| Deferred income taxes  | -                     | 2,050                 |
| Refundable income taxes  | 260                   | -                     |
| Notes and other receivable   | -                     | 7,079                 |
| Other  | 4,617                 | 3,772                 |
| Total current assets   | 82,924                | 85,702                |
| Property, Plant and Equipment - Net  | 15,960                | 17,761                |
| Deferred Income Taxes - Long Term  | 200                   | 430                   |
| Other Assets - Long Term   | 1,095                 | 3,356                 |
| Investments  | 3,032                 | 2,733                 |
| Intangible Assets - Net  | 4,100                 | 4,939                 |
| Goodwill - Net   | 11,119                | 10,535                |
| <b>Total Assets</b>  | <b>\$ 118,430</b>     | <b>\$ 125,456</b>     |
| <b>Liabilities and Stockholders' Equity</b>  |                       |                       |
| <b>Current Liabilities</b>   |                       |                       |
| Accounts payable   | \$ 15,397             | \$ 15,646             |

|  |                   |                   |
|--|-------------------|-------------------|
| Current maturities of long-term debt   | 1,134             | 919               |
| Accrued compensation and related taxes   | 5,710             | 5,605             |
| Accrued warranty expense   | 795               | 793               |
| Deferred profit  | 4,709             | 4,873             |
| Customer deposits  | 7,055             | 7,154             |
| Other accrued liabilities  | 2,164             | 3,551             |
| Income taxes payable   | 1,100             | 830               |
| Total current liabilities  | 38,064            | 39,371            |
| Long-term Debt   | 9,097             | 8,448             |
| Income Taxes Payable - Long-Term   | 5,930             | 4,990             |
| <b>Total Liabilities</b>   | <b>53,091</b>     | <b>52,809</b>     |
| <b>Commitments and Contingencies</b>   |                   |                   |
| <b>Stockholders' Equity</b>  |                   |                   |
| Common stock; \$0.01 par value; 100,000,000 shares authorized; shares issued and outstanding: 13,179,355 and 13,150,469 at September 30, 2016 and September 30, 2015, respectively | 132               | 131               |
| Additional paid-in capital   | 111,631           | 110,191           |
| Accumulated other comprehensive loss   | (8,876)           | (8,666)           |
| Retained deficit   | (35,830)          | (28,822)          |
| Total Stockholders' Equity   | 67,057            | 72,834            |
| Noncontrolling interest  | (1,718)           | (187)             |
| Total Equity   | 65,339            | 72,647            |
| <b>Total Liabilities and Stockholders' Equity</b>  | <b>\$ 118,430</b> | <b>\$ 125,456</b> |

**AMTECH SYSTEMS, INC.**  
**(NASDAQ: ASYS)**  
**November 17, 2016**

**Condensed Consolidated Statements of Cash Flows**  
**(in thousands)**

|   | <b>Year Ended September 30,</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>2016</b>                     | <b>2015</b>     |
| <b>Operating Activities</b>   |                                 |                 |
| Net loss  | \$ (8,550)                      | \$ (6,717)      |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                 |                 |
| Depreciation and amortization   | 2,974                           | 3,357           |
| Write-down of inventory   | 84                              | 138             |
| Capitalized interest  | 322                             | -               |
| (Reversal of) provision for allowance for doubtful accounts                 | 1,698                           | (194)           |
| Deferred income taxes   | 2,281                           | 454             |
| Non-cash share based compensation expense                                   | 1,390                           | 1,162           |
| Gain on deconsolidation of subsidiary                                       | -                               | (8,814)         |
| Gain on sale of fixed assets  | (60)                            | -               |
| Gain on sale of other assets  | (2,576)                         | -               |
| Income from equity method investment  | (299)                           | -               |
| Changes in operating assets and liabilities:                                |                                 |                 |
| Restricted cash   | (253)                           | (1,731)         |
| Accounts receivable   | (4,998)                         | 1,700           |
| Inventories   | 491                             | (1,308)         |
| Accrued income taxes  | 351                             | (4,329)         |
| Other assets  | (814)                           | 2,119           |
| Accounts payable  | (225)                           | 939             |
| Accrued liabilities and customer deposits                                   | (1,355)                         | 4,647           |
| Deferred profit   | (150)                           | (1,490)         |
| Net cash used in operating activities                                       | <u>(9,689)</u>                  | <u>(10,067)</u> |
| <b>Investing Activities</b>   |                                 |                 |
| Purchases of property, plant and equipment                                  | (978)                           | (610)           |
| Investment in acquisitions, net of cash                                     | -                               | 8,191           |
| Proceeds from sale of property, plant and equipment                         | 255                             | -               |
| Proceeds from partial sale of subsidiary                                    | 7,012                           | 700             |
| Proceeds from the sale of other assets                                      | 4,884                           | -               |
| Net cash provided by investing activities                                   | <u>11,173</u>                   | <u>8,281</u>    |
| <b>Financing Activities</b>   |                                 |                 |
| Proceeds from issuance of common stock, net                                 | 51                              | 523             |
| Payments on long-term debt obligations                                      | (739)                           | (482)           |
| Borrowings on long-term debt  | 1,145                           | 734             |

|   |                  |                  |
|---|------------------|------------------|
| Excess tax benefit of stock options                         | -                | 30               |
| Net cash provided by financing activities                   | 457              | 805              |
| <b>Effect of Exchange Rate Changes on Cash</b>              | <b>(138)</b>     | <b>(534)</b>     |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>1,803</b>     | <b>(1,515)</b>   |
| <b>Cash and Cash Equivalents, Beginning of Year</b>         | <b>25,852</b>    | <b>27,367</b>    |
| <b>Cash and Cash Equivalents, End of Year</b>               | <b>\$ 27,655</b> | <b>\$ 25,852</b> |