

NANOMETRICS INC
Form 10-Q
July 28, 2016

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 June 25, 2016

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: 000-13470

NANOMETRICS INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware 94-2276314
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

1550 Buckeye Drive

Milpitas, California 95035
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (408) 545-6000

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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 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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

As of July 22, 2016, there were 24,792,611 shares of common stock, \$0.001 par value, issued and outstanding.

NANOMETRICS INCORPORATED

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FOR THE QUARTER ENDED JUNE 25, 2016

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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)

	June 25, 2016	December 26, 2015		
ASSETS				
Current assets:				
Cash and cash equivalents	\$60,032	\$38,154		
Marketable securities	35,952	44,931		
Accounts receivable, net of allowances of \$136 and \$150, respectively	54,099	37,832		
Inventories	41,111	47,749		
Inventories-delivered systems	9,594	2,856		
Prepaid expenses and other	6,793	6,592		
Total current assets	207,581	178,114		
Property, plant and equipment, net	43,484	44,493		
Goodwill	9,680	9,415		
Intangible assets, net	989	1,867		
Deferred income tax assets	1,272	1,118		
Other assets	549	533		
Total assets	\$263,555	\$235,540		
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$11,004	\$11,675		
Accrued payroll and related expenses	10,565	10,097		
Deferred revenue	25,603	12,790		
Other current liabilities	9,333	8,878		
Income taxes payable				
Net income	\$18,409	\$6,801	\$5,295	\$3,403
Basic earnings per share	\$0.34	\$0.12	\$0.10	\$0.06
Diluted earnings per share	\$0.33	\$0.12	\$0.09	\$0.06
Weighted average number of shares used in				

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computing earnings per share

Basic	54,927,272	54,680,822	55,134,977	54,719,903
Diluted	55,752,642	54,851,967	55,962,447	55,237,923

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GILAT SATELLITE NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND
NON-GAAP STATEMENTS OF
OPERATIONS
FOR COMPARATIVE PURPOSES
U.S. dollars in thousands (except share and per share data)

	Three months ended December 31, 2018			Three months ended December 31, 2017		
	GAAP Unaudited	Adjustments		GAAP Unaudited	Adjustments	
		(1)	Non-GAAP		(1)	Non-GAAP
Gross profit	\$26,014	269	\$26,283	\$25,236	1,212	\$26,448
Operating expenses	18,505	(91)	18,414	19,593	(160)	19,433
Operating income	7,509	360	7,869	5,643	1,372	7,015
Income before taxes on income	6,377	360	6,737	4,505	1,318	5,823
Net income	\$5,295	360	\$5,655	\$3,403	1,318	\$4,721
Basic earnings per share	\$0.10	\$ -	\$0.10	\$0.06	\$ 0.03	\$0.09
Diluted earnings per share	\$0.09	\$ 0.01	\$0.10	\$0.06	\$ 0.03	\$0.09
Weighted average number of shares used in computing earnings per share						
Basic	55,134,977		55,134,977	54,719,903		54,719,903
Diluted	55,962,447		56,160,425	55,237,923		55,507,634

Adjustments reflect the effect of non-cash stock-based compensation as per ASC 718, amortization of intangible (1) assets related to shares acquisition transactions, trade secrets litigation income and tax benefit under amnesty program.

	Three months ended December 31, 2018 Unaudited	Three months ended December 31, 2017 Unaudited
GAAP net income	\$ 5,295	\$ 3,403
Gross profit		
Non-cash stock-based compensation expenses	37	17
Amortization of intangible assets related to acquisition transactions	232	1,195
	269	1,212
Operating expenses		
Non-cash stock-based compensation expenses	239	213
Amortization of intangible assets related to acquisition transactions	52	125

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Trade secrets litigation income	(200)	-
Tax benefit under amnesty program	-	(178)
	91	160
Finance and taxes on income under amnesty program	-	(54)
Non-GAAP net income	\$ 5,655	\$ 4,721

GILAT SATELLITE NETWORKS LTD.
 RECONCILIATION BETWEEN GAAP AND
 NON-GAAP STATEMENTS OF OPERATIONS
 FOR COMPARATIVE PURPOSES

U.S. dollars in thousands (except share and per
 share data)

	Twelve months ended December 31, 2018			Twelve months ended December 31, 2017		
	GAAP Unaudited	Adjustments		GAAP Audited	Adjustments	
		(1)	Non-GAAP		(1)	Non-GAAP
Gross profit	\$94,037	2,967	\$97,004	\$82,495	4,832	\$87,327
Operating expenses	72,753	(896)	71,857	71,634	(2,802)	68,832
Operating income	21,284	3,863	25,147	10,861	7,634	18,495
Income before taxes on income	16,986	3,863	20,849	6,554	7,817	14,371
Net income	\$18,409	(248)	\$18,161	\$6,801	7,817	\$14,618
Basic earnings per share	\$0.34	\$ (0.01)	\$0.33	\$0.12	\$0.15	\$0.27
Diluted earnings per share	\$0.33	\$ (0.01)	\$0.32	\$0.12	\$0.15	\$0.27
Weighted average number of shares used in computing earnings per share						
Basic	54,927,272		54,927,272	54,680,822		54,680,822
Diluted	55,752,642		55,962,811	54,851,967		55,014,640

Adjustments reflect the effect of non-cash stock-based compensation as per ASC 718, amortization of intangible (1) assets related to shares acquisition transactions, trade secrets litigation expenses or income, tax expenses under amnesty program and initial recognition of deferred tax asset with respect to carry forward losses.

	Twelve months ended December 31, 2018 Unaudited	Twelve months ended December 31, 2017 Unaudited
GAAP net income	\$ 18,409	\$ 6,801
Gross profit		
Non-cash stock-based compensation expenses	114	56
Amortization of intangible assets related to acquisition transactions	2,853	4,776
	2,967	4,832
Operating expenses		
Non-cash stock-based compensation expenses	892	800
Amortization of intangible assets related to acquisition transactions	204	679
Trade secrets litigation expenses (income)	(200)	873
Tax expenses under amnesty program	-	450

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	896	2,802
Finance and taxes on income under amnesty program	-	183
Tax benefit adjustment	(4,111)	-
Non-GAAP net income	\$ 18,161	\$ 14,618

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GILAT SATELLITE NETWORKS LTD.
 SUPPLEMENTAL INFORMATION
 U.S. dollars in thousands

ADJUSTED EBITDA:

	Twelve months ended December 31, 2018		Three months ended December 31, 2018	
	2017 Unaudited	2017 Unaudited	2017 Unaudited	2017 Unaudited
GAAP operating income	\$21,284	\$10,861	\$7,509	\$5,643
Add (deduct):				
Non-cash stock-based compensation expenses	1,006	856	276	230
Trade secrets litigation expenses (income)	(200)	873	(200)	-
Tax expenses (benefit) under amnesty program	-	450	-	(178)
Depreciation and amortization	13,149	13,140	2,944	3,256
Adjusted EBITDA	\$35,239	\$26,180	\$10,529	\$8,951

SEGMENT REVENUE:

	Twelve months ended December 31, 2018		Three months ended December 31, 2018	
	2017 Unaudited	2017 Unaudited	2017 Unaudited	2017 Unaudited
Fixed Networks	\$144,208	\$116,105	\$35,421	\$34,698
Mobility Solutions	97,180	88,397	29,555	32,600
Terrestrial Infrastructure Projects	25,003	78,254	4,753	15,354
Total revenue	\$266,391	\$282,756	\$69,729	\$82,652

GILAT SATELLITE NETWORKS LTD.
CONSOLIDATED BALANCE SHEET
U.S. dollars in thousands

	December 31, 2018 Unaudited	December 31, 2017 Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 67,381	\$ 52,957
Restricted cash	32,305	29,288
Restricted cash held by trustees	4,372	4,325
Trade receivables, net	94,924	108,842
Inventories	21,109	28,853
Other current assets	26,022	19,415
 Total current assets	 246,113	 243,680
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Long-term restricted cash	146	187
Severance pay funds	6,780	8,188
Long term deferred tax asset	4,127	861
Other long term receivables	7,276	7,217
 Total long-term investments and receivables	 18,329	 16,453
PROPERTY AND EQUIPMENT, NET	84,403	82,246
INTANGIBLE ASSETS, NET	2,434	5,709
GOODWILL	43,468	43,468
<u>TOTAL ASSETS</u>	<u>\$ 394,747</u>	<u>\$ 391,556</u>

GILAT SATELLITE NETWORKS LTD.
 CONSOLIDATED BALANCE SHEET (Cont.)
 U.S. dollars in thousands

	December 31, 2018 Unaudited	December 31, 2017 Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loans	\$4,458	\$4,479
Trade payables	24,636	33,715
Accrued expenses	67,533	75,270
Advances from customers and deferred revenues	29,133	16,721
Advances from customers, held by trustees	-	1,416
Other current liabilities	14,588	20,044
 Total current liabilities	 140,348	 151,645
LONG-TERM LIABILITIES:		
Accrued severance pay	6,649	7,999
Long-term loans, net of current maturities	8,098	12,582
Other long-term liabilities	580	1,008
 Total long-term liabilities	 15,327	 21,589
SHAREHOLDERS' EQUITY:		
Share capital - ordinary shares of NIS 0.2 par value	2,625	2,601
Additional paid-in capital	924,856	921,726
Accumulated other comprehensive loss	(5,380)	(3,046)
Accumulated deficit	(683,029)	(702,959)
 Total shareholders' equity	 239,072	 218,322
 <u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	 <u>\$ 394,747</u>	 <u>\$ 391,556</u>

(*) Certain comparative figures have been reclassified to conform to the current year presentation. The reclassification had no effect on previously reported net income or

shareholders'
equity.

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GILAT SATELLITE NETWORKS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (*)
U.S. dollars in thousands

	Twelve months ended December 31,		Three months ended December 31,	
	2018	2017	2018	2017
	Unaudited	Audited	Unaudited	
<u>Cash flows from operating activities:</u>				
Net income	\$18,409	\$6,801	\$5,295	\$3,403
Adjustments required to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	13,149	13,140	2,944	3,256
Capital loss from disposal of property and equipment	761	245	665	110
Stock-based compensation of options and RSU's	1,006	856	276	230
Accrued severance pay, net	57	118	12	(11)
Exchange rate differences on long-term loans	(34)	186	(10)	35
Deferred income taxes, net	(3,671)	189	744	489
Decrease (increase) in trade receivables, net	13,090	(19,588)	(9,119)	(22,421)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(4,917)	(9,147)	1,007	(5,307)
Decrease (increase) in inventories	5,257	(10,763)	4,423	(1,534)
Increase (decrease) in trade payables	(8,926)	4,087	3,323	5,169
Increase (decrease) in accrued expenses	(7,206)	19,633	(2,283)	4,978
Increase (decrease) in advance from customers	9,899	(18,959)	(1,230)	(7,245)
Decrease in advances from customers, held by trustees	(1,478)	(6,185)	-	(3,845)
Increase (decrease) in other current liabilities and other long term liabilities	(3,379)	2,164	(2,057)	1,806
Net cash provided by (used in) operating activities	32,017	(17,223)	3,990	(20,887)
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(10,759)	(3,692)	(2,854)	(284)
Net cash used in investing activities	(10,759)	(3,692)	(2,854)	(284)
<u>Cash flows from financing activities:</u>				
Issuance of restricted stock units and exercise of stock options	2,149	661	511	92
Repayment of long-term loans	(4,470)	(4,673)	(114)	(145)
Net cash provided by (used in) financing activities	(2,321)	(4,012)	397	(53)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,490)	51	(652)	(204)
Increase (decrease) in cash, cash equivalents and restricted cash	17,447	(24,876)	881	(21,428)
Cash, cash equivalents and restricted cash at the beginning of the period	86,757	111,633	103,323	108,185
Cash, cash equivalents and restricted cash at the end of the period	\$104,204	\$86,757	\$104,204	\$86,757

(* In November 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash”, which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for annual and interim periods beginning after December 15, 2017. The Company adopted this standard during the first quarter of 2018 using the retrospective transition method, as required by the new standard.

The following table provides a reconciliation of cash and cash equivalents, restricted cash, restricted cash held by trustees and long term restricted cash reported within the consolidated balance sheets that sum to the total of such amounts in the consolidated statements of cash flows:

	December 31,	
	2018	2017
	Unaudited	Audited
Cash and cash equivalents	\$67,381	\$52,957
Restricted cash	32,305	29,288
Restricted cash held by trustees	4,372	4,325
Long term restricted cash	146	187
Cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	\$104,204	\$86,757