

# INTEVAC INC

## **FORM 8-K** (Current report filing)

Filed 01/29/20 for the Period Ending 01/29/20

Address	3560 BASSETT STREET SANTA CLARA, CA, 95054
Telephone	4089869888
CIK	0001001902
Symbol	IVAC
SIC Code	3559 - Special Industry Machinery, Not Elsewhere Classified
Industry	Industrial Machinery & Equipment
Sector	Industrials
Fiscal Year	12/31

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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of**  
**The Securities Exchange Act of 1934**

**January 29, 2020**  
**Date of Report (date of earliest event reported)**

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**INTEVAC, INC.**  
**(Exact name of Registrant as specified in its charter)**

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**State of Delaware**  
**(State or other jurisdiction**  
**of incorporation or organization)**

**0-26946**  
**(Commission File Number)**

**94-3125814**  
**(IRS Employer**  
**Identification Number)**

**3560 Bassett Street**  
**Santa Clara, CA 95054**  
**(Address of principal executive offices)**

**(408) 986-9888**  
**(Registrant's telephone number, including area code)**

**N/A**  
**(Former name or former address if changed since last report)**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
<b>Common Stock (\$0.001 par value)</b>	<b>IVAC</b>	<b>The Nasdaq Stock Market LLC (Nasdaq) Global Select</b>

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02. Results of Operations and Financial Condition**

On January 29, 2020, Intevac, Inc. issued a press release reporting its financial results for the three months and full year ended December 28, 2019. A copy of the press release issued by the Company concerning the foregoing results is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

The foregoing information is intended to be furnished under Item 2.02 of Form 8-K, “Results of Operations and Financial Condition.” This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

99.1 [Press Release](#).

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTEVAC, INC.

Date: January 29, 2020

/s/ James Moniz

James Moniz

Executive Vice President, Finance and Administration,  
Chief Financial Officer and Treasurer



3560 Bassett Street, Santa Clara CA 95054

James Moniz  
Chief Financial Officer  
(408) 986-9888

Claire McAdams  
Investor Relations  
(530) 265-9899

## INTEVAC ANNOUNCES FOURTH QUARTER AND FULL YEAR 2019 FINANCIAL RESULTS

Santa Clara, Calif.—January 29, 2020—Intevac, Inc. (Nasdaq: IVAC) today reported financial results for the fiscal fourth quarter and year ended December 28, 2019.

### Fiscal 2019 Highlights

- *Photonics Business*
  - o Revenues grew 37% year-over-year
  - o Record \$40M order received in support of digital night vision programs for U.S. Government
  - o Strong ramp of development revenues for IVAS program, the first all-digital solution for the ground soldier
  - o Record year-end backlog of \$71M, up 62% over year-end 2018
- *Thin-film Equipment Business*
  - o Revenues grew 6% year-over-year
  - o Successful installation of VERTEX Spectra™ evaluation system with Tier 1 display cover glass manufacturer
  - o Introduced new VERTEX Marathon™ high-productivity platform, enabling ultra-durable *DiamondClad™* protective coatings for the display cover glass market
  - o Delivery of nine ENERGi® systems for high-efficiency solar cell manufacturing
  - o Successful installation of our first MATRIX® PVD evaluation system for advanced semiconductor packaging
- *Financial Performance*
  - o With year-over-year revenue growth of 14%, gross profit increased 25% over 2018, with higher gross margins in both TFE and Photonics
  - o With R&D and SG&A expenses held flat year-over-year, operating income grew to \$4M
  - o Return to profitability, with full-year earnings of \$0.05 per share exceeding prior guidance
  - o Positive cash flow from operations for the year, with a year-end balance of \$42.8 million in total cash, restricted cash and investments, an increase of \$2.5M over 2018

“We are very pleased to report a profitable year of growth for 2019, with continued momentum executing against our strategic growth initiatives,” commented Wendell Blonigan, president and chief executive officer of Intevac. “Technology investments by our hard drive customers resulted in a record fourth quarter for our HDD upgrades business, and revenues for the year exceeded expectations at \$109 million, up 14% over 2018, with profitability also above forecast.

“We achieved a number of significant milestones in 2019, in support of our long-term growth initiatives,” continued Mr. Blonigan. “We booked a record \$40M order in July in Photonics, which along with the IVAS program, drove Photonics backlog to new record levels, giving us multi-year visibility for continued strong growth and profitability for this business. In our TFE growth initiatives, in 2019 we launched our new Marathon™ system and ultra-durable *DiamondClad™* coatings, which enable best-in-class protective films at an attractive price point for the mobile device market. We were successful in placing evaluation systems with industry leaders, including VERTEX in the display cover panel market, and MATRIX in the advanced semiconductor packaging industry.

“Each of these milestones supports the long-term revenue growth and profitability objectives for Intevac,” concluded Mr. Blonigan. “As we look towards our outlook for 2020, we continue to drive towards another year of growth, which we expect will be supported by continued momentum in our Photonics business and the successful execution of our TFE growth initiatives.”

(\$ Millions, except per share amounts)

	Q4 2019		Q4 2018	
	GAAP Results	Non-GAAP Results	GAAP Results	Non-GAAP Results
Net Revenues	\$ 35.4	\$ 35.4	\$ 31.6	\$ 31.6
Operating Income	\$ 7.3	\$ 7.3	\$ 1.9	\$ 1.8
Net Income	\$ 5.2	\$ 5.2	\$ 10.0	\$ 1.9
Net Income per Diluted Share	\$ 0.22	\$ 0.22	\$ 0.44	\$ 0.08

	Year Ended December 28, 2019		Year Ended December 29, 2018	
	GAAP Results	Non-GAAP Results	GAAP Results	Non-GAAP Results
Net Revenues	\$108.9	\$ 108.9	\$ 95.1	\$ 95.1
Operating Income (Loss)	\$ 3.9	\$ 3.9	\$ (4.2)	\$ (4.3)
Net Income (Loss)	\$ 1.1	\$ 1.1	\$ 3.6	\$ (4.4)
Net Income (Loss) per Diluted Share	\$ 0.05	\$ 0.05	\$ 0.16	\$ (0.19)

Intevac’s non-GAAP adjusted results exclude where applicable: (1) changes in fair value of contingent consideration liabilities associated with business combinations; (2) restructuring charges and (3) the reversal of a deferred tax asset valuation allowance. A reconciliation of the GAAP and non-GAAP adjusted results is provided in the financial table included in this release. See also “Use of Non-GAAP Financial Measures” section.

#### Fourth Quarter Fiscal 2019 Summary

Net income for the quarter was \$5.2 million, or \$0.22 per diluted share, compared to net income of \$10.0 million, or \$0.44 per diluted share, in the fourth quarter of 2018. The Company’s fourth quarter 2018 financial results included the reversal of the valuation allowance recorded against the Singapore deferred tax assets. This reversal resulted in the recognition of a non-cash income tax benefit in the fourth quarter of 2018 of \$7.9 million, or \$0.34 per diluted share. Non-GAAP net income for the fourth quarter of 2019 was \$5.2 million, or \$0.22 per diluted share, compared to non-GAAP net income of \$1.9 million, or \$0.08 per diluted share, in the fourth quarter of 2018.

Revenues were \$35.4 million, including \$24.4 million of TFE revenues and \$11.1 million of Photonics revenues. TFE revenues consisted of two 200 Lean® HDD systems, upgrades, spares and service. Photonics revenues included \$6.2 million of research and development contracts and \$4.9 million of product sales. In the fourth quarter of 2018, revenues were \$31.6 million, including \$23.6 million of TFE revenues which consisted of one 200 Lean HDD system, three ENERGi® solar ion implant systems, upgrades, spares and service, and Photonics revenues of \$8.0 million, which included \$5.8 million of product sales and \$2.2 million of research and development contracts.

TFE gross margin was 46.9% compared to 30.6% in the fourth quarter of 2018 and 28.2% in the third quarter of 2019. The improvement from the fourth quarter of 2018 and the third quarter of 2019 was primarily due to favorable product mix. Photonics gross margin was 45.7% compared to 42.1% in the fourth quarter of 2018 and 43.1% in the third quarter of 2019. The improvement from the fourth quarter of 2018 and the third quarter of 2019 was primarily due to improved margins on research and development contracts. Consolidated gross margin was 46.5%, compared to 33.5% in the fourth quarter of 2018 and 33.4% in the third quarter of 2019.

R&D and SG&A expenses were \$9.2 million, compared to \$8.8 million in the fourth quarter of 2018 and to \$9.2 million in the third quarter of 2019.

Order backlog totaled \$92.4 million on December 28, 2019, compared to \$115.4 million on September 28, 2019 and \$108.5 million on December 29, 2018. Backlog at December 28, 2019 included two 200 Lean HDD systems. Backlog at September 28, 2019 included four 200 Lean HDD systems. Backlog at December 29, 2018 included six 200 Lean HDD systems and nine ENERGi solar ion implant systems.

The Company ended the year with \$42.8 million of total cash, restricted cash and investments and \$95.5 million in tangible book value, defined as total stockholders’ equity less intangible assets.

#### Fiscal Year 2019 Summary

Net income was \$1.1 million, or \$0.05 per diluted share, compared to \$3.6 million, or \$0.16 per diluted share, for fiscal 2018. Non-GAAP net income was \$1.1 million or \$0.05 per diluted share, compared to a non-GAAP net loss of \$4.4 million or \$0.19 per diluted share for fiscal 2018.

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Revenues were \$108.9 million, including \$73.7 million of TFE revenues and \$35.2 million of Photonics revenues, of which \$19.7 million was contract R&D revenues, compared to revenues of \$95.1 million, which included \$69.3 million of TFE revenues and \$25.8 million of Photonics revenues, for 2018.

TFE gross margin was 37.2%, compared to 36.5% in 2018, while Photonics gross margin was 38.3%, compared to 28.6% in 2018. Consolidated gross margin was 37.5% compared to 34.4% in 2018. The improvement from 2018 was primarily due to higher revenue levels and improved margins on research and development contracts. Total R&D and SG&A expenses were relatively flat at \$36.9 million, compared to \$37.1 million in 2018.

### **Use of Non-GAAP Financial Measures**

Intevac's non-GAAP results exclude the impact of the following, where applicable: (1) changes in fair value of contingent consideration liabilities associated with business combinations; (2) restructuring charges; and (3) the reversal of a deferred tax asset valuation allowance. A reconciliation of the GAAP and non-GAAP results is provided in the financial tables included in this release.

Management uses non-GAAP results to evaluate the company's operating and financial performance in light of business objectives and for planning purposes. These measures are not in accordance with GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. Intevac believes these measures enhance investors' ability to review the company's business from the same perspective as the company's management and facilitate comparisons of this period's results with prior periods. The presentation of this additional information should not be considered a substitute for results prepared in accordance with GAAP.

### **Conference Call Information**

The Company will discuss its financial results and outlook in a conference call today at 1:30 p.m. PST (4:30 p.m. EST). To participate in the teleconference, please call toll-free (877) 407-0989 prior to the start time, and reference meeting number 13697750. For international callers, the dial-in number is +1 (201) 389-0921. You may also listen live via the Internet on the Investors link of the company's website at [www.intevac.com](http://www.intevac.com). For those unable to attend live, the company's website will host an archived webcast of the call.

### **About Intevac**

Intevac was founded in 1991 and has two businesses: Thin-film Equipment and Photonics.

In our Thin-film Equipment business, we are a leader in the design and development of high-productivity, thin-film processing systems. Our production-proven platforms are designed for high-volume manufacturing of substrates with precise thin film properties, such as the hard drive media, display cover panel, and solar photovoltaic markets we serve currently.

In our Photonics business, we are a recognized leading developer of advanced high-sensitivity digital sensors, cameras and systems that primarily serve the defense industry. We are the provider of integrated digital imaging systems for most U.S. military night vision programs.

For more information call 408-986-9888, or visit the Company's website at [www.intevac.com](http://www.intevac.com).

200 Lean®, INTEVAC MATRIX®, INTEVAC VERTEX®, and ENERGI® are registered trademarks and *DiamondClad*™, VERTEX Marathon™, VERTEX Spectra™ are trademarks of Intevac, Inc.

### **Safe Harbor Statement**

This press release includes statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Intevac claims the protection of the safe-harbor for forward-looking statements contained in the Reform Act. These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this press release include, but are not limited to: customer adoption of our products, multi-year visibility for Photonics, and the future financial performance of Intevac, such as continued revenue growth. The forward-looking statements contained herein involve risks and uncertainties that could cause actual results to differ materially from the Company's expectations. These risks include, but are not limited to: technology risk and challenges achieving customer adoption and revenue recognition in Thin-film Equipment markets and delays in Photonics programs, each of which could have a material impact on our business, our financial results, and the Company's stock price. These risks and other factors are detailed in the Company's periodic filings with the U.S. Securities and Exchange Commission.

## INTEVAC, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except percentages and per share amounts)

	Three months ended		Year ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net revenues				
TFE	\$ 24,352	\$ 23,604	\$ 73,678	\$ 69,348
Photonics	11,092	7,972	35,207	25,766
Total net revenues	35,444	31,576	108,885	95,114
Gross profit	16,493	10,572	40,868	32,694
Gross margin				
TFE	46.9%	30.6%	37.2%	36.5%
Photonics	45.7%	42.1%	38.3%	28.6%
Consolidated	46.5%	33.5%	37.5%	34.4%
Operating expenses				
Research and development	3,296	3,973	14,309	16,862
Selling, general and administrative	5,913	4,814	22,627	20,188
Acquisition-related <sup>1</sup>	—	(147)	7	(139)
Total operating expenses	9,209	8,640	36,943	36,911
Total operating income (loss)	7,284	1,932	3,925	(4,217)
Operating income (loss)				
TFE	5,181	861	1,747	(1,335)
Photonics	3,321	1,406	6,434	440
Corporate	(1,218)	(335)	(4,256)	(3,322)
Total operating income (loss)	7,284	1,932	3,925	(4,217)
Interest income and other income (expense), net	133	158	582	622
Income (loss) before income taxes	7,417	2,090	4,507	(3,595)
Benefit from (provision for) income taxes	(2,215)	7,893	(3,359)	7,176
Net income	\$ 5,202	\$ 9,983	\$ 1,148	\$ 3,581
Net income per share				
Basic	\$ 0.22	\$ 0.44	\$ 0.05	\$ 0.16
Diluted	\$ 0.22	\$ 0.44	\$ 0.05	\$ 0.16
Weighted average common shares outstanding				
Basic	23,275	22,790	23,063	22,519
Diluted	23,677	22,948	23,340	22,904

<sup>1</sup> Amounts for all periods presented include changes in fair value of contingent consideration obligations associated with the Solar Implant Technology (SIT) acquisition in 2010.



**INTEVAC, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except par value)

	<b>December 28, 2019</b>	<b>December 29, 2018</b>
	<b>(Unaudited)</b>	<b>(see Note)</b>
<b>ASSETS</b>		
Current assets		
Cash, cash equivalents and short-term investments	\$ 36,487	\$ 34,791
Accounts receivable, net	28,619	27,717
Inventories	24,907	30,597
Prepaid expenses and other current assets	1,504	2,528
Total current assets	91,517	95,633
Long-term investments	5,537	4,372
Restricted cash	787	1,169
Property, plant and equipment, net	11,598	11,198
Operating lease right-of-use assets	10,279	—
Intangible assets, net	274	889
Other long-term assets	6,330	8,809
Total assets	<u>\$ 126,322</u>	<u>\$ 122,070</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current operating lease liabilities	\$ 2,524	\$ —
Accounts payable	4,199	6,053
Accrued payroll and related liabilities	6,488	4,689
Other accrued liabilities	3,593	4,952
Customer advances	4,007	14,314
Total current liabilities	20,811	30,008
Non-current liabilities		
Non-current operating lease liabilities	9,532	—
Other long-term liabilities	186	2,438
Total non-current liabilities	9,718	2,438
Stockholders' equity		
Common stock (\$0.001 par value)	23	23
Additional paid-in capital	188,290	183,204
Treasury stock, at cost	(29,158)	(29,047)
Accumulated other comprehensive income	424	378
Accumulated deficit	(63,786)	(64,934)
Total stockholders' equity	95,793	89,624
Total liabilities and stockholders' equity	<u>\$ 126,322</u>	<u>\$ 122,070</u>

Note: Amounts as of December 29, 2018 are derived from the December 29, 2018 audited consolidated financial statements.

**INTEVAC, INC.**
**RECONCILIATION OF GAAP TO NON-GAAP RESULTS**

(Unaudited, in thousands, except per share amounts)

	Three months ended		Year ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
<b>Non-GAAP Income (Loss) from Operations</b>				
Reported operating income (loss) (GAAP basis)	\$ 7,284	\$ 1,932	\$ 3,925	\$ (4,217)
Change in fair value of contingent consideration obligations <sup>1</sup>	—	(147)	7	(139)
Restructuring charges <sup>2</sup>	—	—	—	95
Non-GAAP Operating Income (Loss)	<u>\$ 7,284</u>	<u>\$ 1,785</u>	<u>\$ 3,932</u>	<u>\$ (4,261)</u>
<b>Non-GAAP Net Income (Loss)</b>				
Reported net income (GAAP basis)	\$ 5,202	\$ 9,983	\$ 1,148	\$ 3,581
Change in fair value of contingent consideration obligations <sup>1</sup>	—	(147)	7	(139)
Restructuring charges <sup>2</sup>	—	—	—	95
Reversal of a deferred tax asset valuation allowance <sup>3</sup>	—	(7,909)	—	(7,909)
Income tax effect of non-GAAP adjustments <sup>4</sup>	—	—	—	—
Non-GAAP Net Income (Loss)	<u>\$ 5,202</u>	<u>\$ 1,927</u>	<u>\$ 1,155</u>	<u>\$ (4,372)</u>
<b>Non-GAAP Net Income (Loss) Per Diluted Share</b>				
Reported net income per diluted share (GAAP basis)	\$ 0.22	\$ 0.44	\$ 0.05	\$ 0.16
Change in fair value of contingent consideration obligations <sup>1</sup>	\$ —	\$ (0.01)	\$ —	\$ (0.01)
Restructuring charges <sup>2</sup>	\$ —	\$ —	\$ —	\$ —
Reversal of a deferred tax asset valuation allowance <sup>3</sup>	\$ —	\$ (0.34)	\$ —	\$ (0.35)
Non-GAAP Net Income (Loss) Per Diluted Share	<u>\$ 0.22</u>	<u>\$ 0.08</u>	<u>\$ 0.05</u>	<u>\$ (0.19)</u>
Weighted average number of diluted shares	23,677	22,948	23,340	22,904

<sup>1</sup> Results for all periods presented include changes in fair value of contingent consideration obligations associated with the Solar Implant Technology (SIT) acquisition in 2010.

<sup>2</sup> Results for the year ended December 29, 2018 include severance and other employee-related costs related to a restructuring program.

<sup>3</sup> Results for the fourth quarter and year ended December 29, 2018 include the reversal of the valuation allowance recorded against the deferred tax assets of the Company's Singapore operations. The Company concluded that, as of December 29, 2018 it is more likely than not that the Company will generate sufficient taxable income in Singapore to realize its deferred tax assets. This conclusion, and the resulting reversal of the deferred tax asset valuation allowance, was based upon consideration of a number of factors, including the Company's completion of seven consecutive quarters of profitability in Singapore and its forecast of future profitability of its Singapore operations.

<sup>4</sup> The amount represents the estimated income tax effect of the non-GAAP adjustments. The Company calculated the tax effect of non-GAAP adjustments by applying an applicable estimated jurisdictional tax rate to each specific non-GAAP item.