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

FORM 8-K

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

**November 8, 2024
Date of Report (date of earliest event reported)**

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

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)

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 (see General Instruction A.2):

- 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:

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

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.

Item 1.01 Entry into a Material Definitive Agreement.

On November 8, 2024, Intevac, Inc. (the “Company”) entered into a letter agreement (the “Agreement”) with Palogic Value Management, L.P. and certain of its affiliates (collectively, “Palogic”). Among other things, the Agreement provides that:

- The Company will increase the size of its board of directors (the “Board”) from six to seven directors and appoint Ryan L. Vardeman as a director.
- During the Restricted Period (as defined in the Agreement), Palogic will vote, subject to certain limited exceptions provided in the Agreement, its shares of the Company’s common stock in favor of the election of each person nominated by the Board for election as a director, against any proposals or resolutions to remove a member of the Board and in accordance with the recommendation of the Board on all other proposals or business.
- During the Restricted Period, Palogic and certain related persons will be subject to customary “standstill” provisions as set forth in the Agreement. The standstill provisions provide, among other things, that Palogic and such persons cannot, subject to certain exceptions provided in the Agreement:
 - initiate, propose, or otherwise solicit the Company’s stockholders for the approval of any stockholder proposals, or cause or encourage the initiation or submissions of any such stockholder proposal;
 - seek, alone or in concert with others, representation on the Board, encourage others to nominate or propose members to the Board, or seek, alone or in concert with others, the removal of any member of the Board;
 - increase their ownership of the Company’s common stock in excess of 9.5% of the outstanding voting securities; or
 - sell, offer or agree to sell, through swap or hedging transactions or otherwise, any securities of the Company to any third party that would knowingly result in such third party owning, controlling or otherwise having any beneficial or other ownership interest of more than 4.99% of the then-outstanding voting securities.
- If at any time Palogic no longer beneficially own shares of the Company’s common stock representing in the aggregate at least such number of shares equal to 50% of the aggregate amount of shares of the Company’s common stock owned by Palogic as of the date of the Agreement, then Mr. Vardeman will promptly offer to resign from the Board.

The foregoing summary of the Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement, a copy of which is filed with this Current Report on Form 8-K as Exhibit 10.1 and is incorporated herein by reference.

Item 2.02 Results of Operations and Financial Condition.

On November 11, 2024, the Company issued a press release reporting its financial results for the three and nine months ended September 28, 2024 (the “Earnings Press Release”). A copy of the Earnings Press Release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

Also on November 11, 2024, following the issuance of the Earnings Release, the Company conducted a conference call to discuss its reported financial results for the three and nine months ended September 28, 2024. The Company had issued a press release on October 14, 2024 to announce the scheduling of the conference call. A copy of the transcript of the conference call is furnished herewith as Exhibit 99.2.

The information included under Item 2.02 and in Exhibit 99.1 and Exhibit 99.2 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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of Director

On November 8, 2024, in connection with entering into the Agreement, the Board increased the size of the Board to seven members and appointed Mr. Vardeman to the Board, effective November 11, 2024. Mr. Vardeman was not appointed to serve on any Board committees.

Mr. Vardeman serves as a principal and co-founder of Palogic Value Management, L.P., a Dallas, Texas based investment management company, a position he has held since January 2007. Mr. Vardeman has extensive corporate strategy, operating, financial and investment experience including capital structure analysis, a focus on small-cap equities, and investing in a broad range of industries with an emphasis on technology and software companies. Mr. Vardeman also served on the board of directors of BSQUARE Corporation from 2018 to 2023. Mr. Vardeman holds a B.S. in Electrical Engineering and Computer Science from Texas Tech University and an M.B.A. from the Owen Graduate School of Management at Vanderbilt University.

Other than as described in Item 1.01, there are no arrangements or understandings between Mr. Vardeman and any other persons pursuant to which Mr. Vardeman was selected as a director. There are no family relationships between Mr. Vardeman and any director or executive officer of the Company, and Mr. Vardeman has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

In connection with his appointment to the Board, Mr. Vardeman was granted (i) an option to purchase 10,300 shares of the Company's common stock, which will become exercisable in full on May 15, 2025, subject to continued service with the Company, and (ii) an award of restricted stock units covering 12,000 shares of the Company's common stock, which will vest in full on May 15, 2025, subject to continued service with the Company. The equity awards were granted pursuant to the Company's 2020 Equity Incentive Plan, as amended. Mr. Vardeman will also receive cash compensation in accordance with the Company's standard non-employee director compensation guidelines.

A copy of the press release issued by the Company announcing the appointment of Mr. Vardeman to the Board is filed as Exhibit 99.3.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Letter agreement dated as of November 8, 2024, between Intevac, Inc. and Palogic Value Management, L.P. and certain of its affiliates
99.1	Earnings press release dated November 11, 2024
99.2	Transcript of fiscal 2024 third quarter earnings call of Intevac, Inc.
99.3	Press release dated November 11, 2024
104	Cover Page Interactive Date File (embedded within the Inline XBRL document)

SIGNATURES

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.

Date: November 13, 2024

INTEVAC, INC.

/s/ CAMERON MCAULAY

Cameron McAulay

Chief Financial Officer, Secretary and Treasurer

Intevac, Inc.
3560 Bassett Street
Santa Clara, California 95054

November 8, 2024

Palogic Value Management, L.P.
8333 Douglas Avenue, Suite 775
Dallas, Texas 75225
Attn: Ryan L. Vardeman

Ladies and Gentlemen:

This letter (this “**Agreement**”) constitutes the agreement between (a) Intevac, Inc. (“**Company**”) and (b) Palogic Value Management, L.P. and each of the other related Persons (as defined below) set forth on the signature pages to this Agreement (collectively, the “**Palogic Signatories**”). Company and the Palogic Signatories are collectively referred to as the “**Parties**.” The Palogic Signatories and each Affiliate (as defined below) of each Palogic Signatory are collectively referred to as the “**Palogic Group**.”

1. *Board Matters.*

(a) *Initial Appointment.* Subject to the execution of this Agreement by the Parties, Company’s Board of Directors (the “**Board**”) and any applicable committee of the Board have taken all actions necessary (including increasing the size of the Board) to appoint Ryan L. Vardeman (the “**New Director**”) to the Board, with a term expiring at Company’s 2025 Annual Meeting of Stockholders (the “**2025 Annual Meeting**”). Unless the New Director notifies Company in writing no later than 11:59 p.m., Pacific time, on the 2025 Deadline that New Director will not stand for election at the 2025 Annual Meeting, the Board and any applicable committee of the Board will also take all actions necessary to include the New Director on the Board’s slate of directors nominees standing for election at the 2025 Annual Meeting, to list the New Director in the proxy statement and the proxy card prepared, filed and delivered in connection with the 2025 Annual Meeting and to solicit proxies for the election of the New Director at the 2025 Annual Meeting in the same manner as it solicits proxies for the election of Company’s other director nominees, and recommend for election the New Director at the 2025 Annual Meeting in the same manner as it recommends for the election of Company’s other director nominees.

(b) *2026 Annual Meeting.* If (i) the Board (in its sole discretion) offers to nominate the New Director for election as a director at the 2026 Annual Meeting (which offer must be in writing and made no later than 11:59 p.m., Pacific time, on the 2026 Deadline) and (ii) such offer is accepted in writing by New Director no later than ten (10) Business Days after the making of such offer, then the Board and any applicable committee of the Board will take all actions necessary to include the New Director on the Board’s slate of directors nominees standing for election at the 2026 Annual Meeting, to list the New Director in the proxy statement and the proxy card prepared, filed and delivered in connection with the 2026 Annual Meeting and to solicit proxies for the election of the New Director at the 2026 Annual Meeting in the same manner as it solicits proxies for the election of Company’s other director nominees, and recommend for election the New Director at the 2026 Annual Meeting in the same manner as it recommends for the election of Company’s other director nominees.

2. *Recusal.* The New Director understands and agrees that the Board or any of its committees, in the exercise of its fiduciary duties, may require that the New Director be recused from any Board or committee meeting or portion thereof at which the Board or any such committee is evaluating or taking action with respect to the exercise of any of Company's rights or enforcement of any of the obligations under this Agreement, or in other reasonable customary circumstances (e.g., material conflict of interest).

3. *Compliance with Laws and Company Policies.* The New Director acknowledges that the New Director will be subject to and governed by the same laws, policies, procedures, processes, codes, rules, standards and guidelines applicable to members of the Board, including Company's corporate governance guidelines, code of business conduct and ethics, insider trading policy, Regulation FD policy and related party transactions policy, in each case in effect and as amended from time to time.

4. *No Fiduciary Restriction.* Notwithstanding anything to the contrary in this Agreement, Company acknowledges and agrees that nothing in this Agreement will prohibit the New Director, during the New Director's service as a director of Company, from acting in the New Director's capacity as a director of Company or from complying with the New Director's fiduciary duties as a director of Company (including voting on any matter submitted for consideration by the Board, participating in deliberations or discussions of the Board, and making suggestions or raising any issues or recommendations to the Board). Company agrees that, so long as the non-disclosure agreement (as it may be amended, modified or extended) attached as Exhibit B is in effect, the New Director may engage in the activities explicitly permitted by that agreement.

5. *Director Benefits.* The New Director will be entitled to the same director benefits as other non-employee members of the Board, including (a) compensation for such director's service as a director and reimbursement of such director's expenses incurred after joining the Board, in each case on the same basis as all other non-employee directors of Company; (b) equity-based compensation grants and other benefits, if any, on the same basis as all other non-employee directors of Company; and (c) the same rights of indemnification and directors' and officers' liability insurance coverage as the other non-employee directors of Company as such rights may exist from time to time.

6. *Resignation.* Notwithstanding anything to the contrary in this Agreement, the New Director will promptly offer to resign from the Board if the Palogic Group no longer beneficially owns shares of Company's common stock (which shares are determined to be Net Long Shares (as defined below)) representing in the aggregate at least such number of shares equal to fifty percent (50%) of the aggregate amount of shares of Company's common stock owned by the Palogic Group as of the date of this Agreement (subject to adjustment for stock splits, stock dividends, reclassifications, recapitalizations, combinations and similar adjustments). The Parties acknowledge that it will be in the Board's sole discretion whether to accept or reject such offer to resign.

7. *Voting Commitment.* During the Restricted Period, at each annual or special meeting of Company's stockholders (including any adjournments, postponements or other delays thereof) or action by written consent, the Palogic Signatories will cause all Voting Securities (as defined below) that are beneficially owned by the Palogic Group to be (a) present for quorum purposes (if applicable) and (b) voted or consented (i) in favor of the election of each person nominated by the Board for election as a director; (ii) against any proposals or resolutions to remove any member of the Board; and (iii) in accordance with the recommendation of the Board on all other proposals or business that may be the subject of stockholder action at such meeting or action by written consent, except that each member of the Palogic Group will be permitted to vote in its sole discretion on any proposal with respect to an Extraordinary Transaction (as defined below); provided that nothing in this paragraph 7 shall require the Palogic Signatories to hold Voting Securities in record or registered form.

8. *Standstill.* During the Restricted Period, the Palogic Signatories will not, and will cause the other Restricted Persons (other than any agents and representatives not acting on behalf of any member of the Palogic Group) not to, in any way, directly or indirectly (in each case, except as expressly permitted by this Agreement):

(a) with respect to Company or the Voting Securities, (i) make, participate in or encourage any "solicitation" (as such term is used in the proxy rules of the SEC (as defined below), including any solicitations of the type contemplated by Rule 14a-2(b) promulgated under the Securities Exchange Act of 1934 (the "**Exchange Act**")) of proxies or consents with respect to the election or removal of directors in any manner or any other matter or proposal; (ii) become a "participant" (as such term is used in the proxy rules of the SEC) in any such solicitation of proxies or consents; (iii) seek to advise, encourage or influence any Person, or assist any Person in so encouraging, advising or influencing any Person, with respect to the giving or withholding of any proxy, consent or other authority to vote or act (other than such encouragement, advice or influence that is consistent with the Board's recommendation in connection with such matter, if applicable); or (iv) initiate, encourage or participate, directly or indirectly, in any "vote no," "withhold" or similar campaign;

(b) initiate, propose or otherwise "solicit" (as such term is used in the proxy rules of the SEC, including any solicitations of the type contemplated by Rule 14a-2(b) promulgated under the Exchange Act) Company's stockholders for the approval of any shareholder proposal, whether made pursuant to Rule 14a-4 or Rule 14a-8 promulgated under the Exchange Act, or otherwise, or cause or encourage any Person to initiate or submit any such shareholder proposal;

(c) with respect to Company or the Voting Securities, (i) communicate with Company's stockholders or others pursuant to Rule 14a-1(l)(2)(iv) promulgated under the Exchange Act; (ii) participate in, or take any action pursuant to, or encourage any Person to take any action pursuant to, any type of "proxy access"; or (iii) conduct any nonbinding referendum or hold a "stockholder forum";

(d) (i) seek, alone or in concert with others, election or appointment to, or representation on, the Board; (ii) nominate or propose the nomination of, or recommend the nomination of, or encourage any Person to nominate or propose the nomination of or recommend the nomination of, any candidate to the Board (other than informal recommendations of qualified individuals if such recommendations are solicited from members of the Board generally); or (iii) seek, alone or in concert with others, or encourage any Person to seek, the removal of any member of the Board;

(e) (i) call or seek to call a special meeting of Company's stockholders, or encourage any Person to call a special meeting of Company's stockholders; (ii) act or seek to act by written consent of stockholders; or (iii) make a request for any stockholder list or other records of Company;

(f) other than solely with other Restricted Persons with respect to Voting Securities now or subsequently owned by them, (i) form, join (whether or not in writing), encourage, influence, advise or participate in a partnership, limited partnership, syndicate or other group, including a "group" as defined pursuant to Section 13(d) of the Exchange Act, with respect to any Voting Securities; (ii) deposit any Voting Securities into a voting trust, arrangement or agreement; or (iii) subject any Voting Securities to any voting trust, arrangement or agreement (other than granting proxies in solicitations approved by the Board);

(g) (i) make any offer or proposal (with or without conditions) with respect to any tender offer, exchange offer, merger, amalgamation, consolidation, acquisition, business combination, recapitalization, consolidation, restructuring, liquidation, dissolution or similar extraordinary transaction involving Company, any of its subsidiaries or any of their respective securities or assets (each, an "**Extraordinary Transaction**") and any Restricted Person; (ii) knowingly solicit any Person not a party to this Agreement (a "**Third Party**") to, on an unsolicited basis, make an offer or proposal (with or without conditions) with respect to any Extraordinary Transaction, or encourage, initiate or support any Third Party in making such an offer or proposal; (iii) participate in any way in, either alone or in concert with others, any Extraordinary Transaction; or (iv) prior to Company announcing an Extraordinary Transaction, publicly or privately comment to any Third Party on any proposal regarding any Extraordinary Transaction (it being understood that this clause (g) will not restrict any Restricted Person from tendering shares, receiving payment for shares or otherwise participating in any such Extraordinary Transaction on the same basis as other stockholders of Company);

(h) institute, solicit, assist or join, as a party, any litigation, arbitration or other proceeding against or involving Company or any of its respective current or former directors or officers (including derivative actions), except that this clause (h) will not prevent any Restricted Person from (i) bringing litigation to enforce the provisions of this Agreement instituted in accordance with this Agreement; (ii) making counterclaims with respect to any proceeding initiated by, or on behalf of, Company or its Affiliates against a Restricted Person; (iii) bringing bona fide commercial disputes that do not in any manner relate to the subject matter of this Agreement; (iv) exercising statutory appraisal rights; or (v) responding to or complying with a validly issued legal process;

(i) take any action in support of, or make any proposal or request that constitutes: (i) controlling, changing or influencing the Board or management of Company, including any plans or proposals to change the number or term of directors or to fill any vacancies on the Board; (ii) controlling, changing or influencing the capitalization, stock repurchase programs and practices, capital allocation programs and practices, or dividend policy of Company; (iii) controlling, changing or influencing Company's management, business or corporate structure; (iv) seeking to have Company waive or make amendments or modifications to its certificate of incorporation or bylaws; (v) causing a class of securities of Company to be delisted from, or to cease to be authorized to be quoted on, any securities exchange; or (vi) causing a class of securities of Company to become eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act; provided that, without limiting the application of paragraph 4 to any other provision, this clause (i) shall not apply to recommendations of the New Director, in his capacity as a director of Company, in confidential Board discussions;

(j) sell, offer or agree to sell to any Third Party, through swap or hedging transactions, derivative agreements or otherwise, any voting rights decoupled from the underlying Voting Securities;

(k) engage in any short sale or any purchase, sale or grant of any option, warrant, convertible security, stock appreciation right or other similar right (including any put or call option or swap transaction) with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from a decline in the market price or value of the securities of Company;

(l) enter into any stock borrowing, stock pledging or stock lending arrangement or agreement with respect to securities of Company;

(m) other than through non-public communications with Company that would not reasonably be expected to trigger public disclosure obligations for any Party, make or disclose any statement regarding any intent, purpose, plan or proposal with respect to the Board, Company or its management, policies, affairs or assets, or the Voting Securities or this Agreement, that is inconsistent with the provisions of this Agreement, including any intent, purpose, plan or proposal that is conditioned on, or that would require, the waiver, amendment, nullification or invalidation of any provision of this Agreement, or take any action that would reasonably be expected to require Company to make any public disclosure relating to any such intent, purpose, plan, proposal or condition;

(n) enter into any economic relationship with any Person in respect of Company, or compensate or enter into any agreement, arrangement or understanding, whether written or oral, to compensate any person for his or her service as a director of Company (other than pursuant to ordinary course compensation arrangements related to the New Director's service as an employee, member or partner of any member of the Palogic Group, which arrangements may include a share of performance fees or carried interest tied to the performance of a portfolio inclusive of Company securities) with any cash, securities (including any rights or options convertible into or exercisable for or exchangeable into securities or any profit sharing agreement or arrangement) or other form of compensation directly or indirectly related to the performance of the securities of Company (it being understood that, notwithstanding anything to the contrary in this Agreement and notwithstanding any termination of this Agreement, the restrictions on the Palogic Signatories and the other Restricted Persons contemplated by this clause (n) will be operative so long as the New Director is serving on the Board);

(o) other than with other Restricted Persons, enter into any negotiations, agreements (whether written or oral), arrangements or understandings with, or advise, finance, assist or encourage, any Third Party to take any action that the Restricted Persons are prohibited from taking pursuant to this Agreement;

(p) acquire, offer, agree or propose to acquire, whether by purchase, tender or exchange offer, through the acquisition of control of another Person or through swap or hedging transactions, any securities of Company or any rights decoupled from the underlying securities of Company that would, in any case, result in the Palogic Group in the aggregate owning, controlling or otherwise having any beneficial or other ownership interest of any additional Voting Securities (including, for purpose of this calculation, all Voting Securities that a member of the Palogic Group has the right to acquire pursuant to the exercise of any rights in connection with any securities or any agreement, regardless of when such rights may be exercised and whether they are conditional and including economic ownership pursuant to a cash settled call option or other derivative security, contract or instrument primarily related to the price of Voting Securities) in excess of 9.5% of the outstanding Voting Securities, it being understood that the following will not be deemed to cause a violation of this clause (p): (i) the receipt by the New Director from Company of any ordinary course compensation in the form of Voting Securities (or securities exercisable for Voting Securities); and (ii) the pro rata acquisition of securities of Company or any rights decoupled from the underlying securities of Company pursuant to any stock splits, stock dividends, reclassifications, recapitalizations, combinations or rights issuances (including the pro rata acquisition of securities upon the exercise of such rights) in respect of securities of Company beneficially owned by the Palogic Group in compliance with this Agreement; or

(q) sell, offer or agree to sell, through swap or hedging transactions or otherwise, any securities of Company to any Third Party that would knowingly result in such Third Party, together with its Affiliates, owning, controlling or otherwise having any beneficial or other ownership interest of more than 4.99 percent of the then-outstanding Voting Securities (it being understood that the restrictions in this clause (q) will not apply to any Third Party that is a Schedule 13G filer and is a mutual fund, pension fund, index fund or investment fund manager with no known history of activism or known plans to engage in activism).

9. Mutual Non-Disparagement.

(a) *With Respect to Palogic Group.* During the Restricted Period, Company will not, and will cause its directors, officers and employees not to, make or cause to be made any public statement that disparages, calls into disrepute, slanders, impugns, casts in a negative light or otherwise damages the reputation of any member of the Palogic Group or any of its current or former officers, directors or employees, or any of its businesses, products or services.

(b) *With Respect to Company.* During the Restricted Period, the Palogic Signatories will not, and will cause the other Restricted Persons not to, make or cause to be made any public statement that disparages, calls into disrepute, slanders, impugns, casts in a negative light or otherwise damages the reputation of Company or any of its Affiliates or Associates or any of its or their current or former officers, directors or employees, or any of its or their respective businesses, products or services (in each case in their capacity as such).

(c) *Exceptions.* Notwithstanding the foregoing, this paragraph 9 will not restrict the ability of any Person to (i) comply with any subpoena or other legal process or respond to a request for information from any governmental authority with jurisdiction over such Person; (ii) enforce such Person's rights pursuant to this Agreement; or (iii) publicly respond to a statement made in violation of paragraph 9(a) or paragraph 9(b), as applicable.

10. *Compliance with this Agreement.* The Palogic Signatories will cause the other members of the Palogic Group to comply with the applicable terms of this Agreement and will be responsible for any breach of the terms of this Agreement by such members; provided that for avoidance of doubt, except as expressly provided in this Agreement or to the extent that such policies expressly require the New Director to cause compliance by Affiliates of the members of the Palogic Group, only the New Director is subject to Company's policies applicable to members of the Board.

11. *Public Disclosure.*

(a) *Press Release.* No later than 1:15 p.m., Pacific time, on November 11, 2024, Company will issue a press release in the form attached as Exhibit A (the "**Press Release**"). During the Restricted Period, neither Company nor any member of the Palogic Group will (i) make any public statements with respect to the matters covered by this Agreement (or in any other filing with the SEC, any other regulatory or governmental agency, any stock exchange or in any materials that would reasonably be expected to be filed with the SEC) that are inconsistent with, or otherwise contrary to, the statements in the Press Release or the terms of this Agreement; or (ii) speak on the record or on background with the press, media or any analysts about the other Party or any of its respective Affiliates, Associates, subsidiaries, successors or assigns, or any of its or their respective current or former officers, directors or employees (in each case in their capacity as such). Prior to the issuance of the Press Release, neither Company nor any member of the Palogic Group will issue any press release or public announcement regarding this Agreement or take any action that would require public disclosure of this Agreement.

(b) *Form 8-K.* Company will promptly prepare and file (but not before the issuance of the Press Release) with the SEC a Current Report on Form 8-K (the "**Form 8-K**") reporting the entry into this Agreement. All disclosure in the Form 8-K will be consistent with this Agreement. Company will provide the Palogic Signatories and their counsel with a reasonable opportunity to review and comment on the Form 8-K prior to filing, and Company will consider in good faith any changes proposed by the Palogic Signatories or their counsel.

12. *Definitions.* As used in this Agreement, the following terms have the following meanings:

(a) "**Affiliate**" has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act and will include Persons who become Affiliates of any Person after the date of this Agreement. The term "Affiliate" does not include any publicly traded portfolio company of any member of the Palogic Group. For purposes of this Agreement, no member of the Palogic Group will be deemed to be an Affiliate of Company and Company will not be deemed to be an Affiliate of any member of the Palogic Group.

(b) “**2025 Deadline**” means the day that is 15 days prior to the deadline for the submission of stockholder nominations of directors and business proposals for the 2025 Annual Meeting.

(c) “**2026 Deadline**” means the day that is 15 days prior to the deadline for the submission of stockholder nominations of directors and business proposals for the 2026 Annual Meeting.

(d) “**2026 Annual Meeting**” means Company’s 2026 Annual Meeting of Stockholders.

(e) “**Associate**” has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act and will include Persons who become Associates of any Person after the date of this Agreement.

(f) “**beneficially own**,” “**beneficially owned**” and “**beneficial owners**” has the meaning set forth in Rule 13d-3 and Rule 13d-5(b)(1) promulgated under the Exchange Act.

(g) “**Business Day**” means any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of San Francisco is closed.

(h) “**Net Long Shares**” will be limited to the number of shares of Company’s common stock that are beneficially owned by any Person that constitute such Person’s net long position as defined in Rule 14e-4 promulgated under the Exchange Act (except that for purposes of such definition, the date that the tender offer is first announced will instead refer to the date for determining or documenting such Person’s Net Long Shares and the reference to the highest tender price will refer to the market price on such date).

(i) “**Person**” will be interpreted broadly to include, among others, any individual, general or limited partnership, corporation, limited liability or unlimited liability company, joint venture, estate, trust, group, association or other entity of any kind or structure.

(j) “**Restricted Period**” means the period from the date of this Agreement until 11:59 p.m., Pacific time, on the 2026 Deadline; provided that (i) if the Board (in its sole discretion) offers to nominate the New Director for election as a director at the 2026 Annual Meeting (which offer must be in writing and made no later than 11:59 p.m., Pacific time, on the 2026 Deadline) and (ii) the New Director does not decline in writing such nomination within ten (10) Business Days of the making of such offer, then, notwithstanding anything to the contrary in this Agreement, the Restricted Period will end on the later of (i) 30 days after the date that the New Director is no longer serving as a director of Company or (ii) immediately following the conclusion of the 2026 Annual Meeting.

(k) “**Restricted Persons**” means the members of the Palogic Group and the principals, directors, general partners, officers, employees, agents and representatives of each member of the Palogic Group.

(l) “**SEC**” means the U.S. Securities and Exchange Commission.

(m) “**Voting Securities**” means the shares of Company’s capital stock and any other securities of Company entitled to vote in the election of directors, or securities convertible into, or exercisable or exchangeable for, such shares or other securities, whether or not subject to the passage of time or other contingencies.

13. *Interpretations.* The words “include,” “includes” and “including” will be deemed to be followed by the words “without limitation.” Unless the context requires otherwise, “or” is not exclusive. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. Any agreement, instrument, law, rule or statute defined or referred to in this Agreement means, unless otherwise indicated, such agreement, instrument, law, rule or statute as from time to time amended, modified or supplemented. The measure of a period of one month or year for purposes of this Agreement will be the day of the following month or year corresponding to the starting date. If no corresponding date exists, then the end date of such period being measured will be the next actual day of the following month or year (for example, one month following February 18 is March 18 and one month following March 31 is May 1).

14. *Representations of the Palogic Signatories.* Each of the Palogic Signatories, severally and not jointly, represents that (a) its authorized signatory set forth on the signature page of this Agreement has the power and authority to execute this Agreement and any other documents or agreements to be entered into in connection with this Agreement and to bind such Person; (b) this Agreement has been duly authorized, executed and delivered by it and is a valid and binding obligation of such Person, enforceable against it in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws generally affecting the rights of creditors and subject to general equity principles; (c) this Agreement does not and will not violate any law, any order of any court or other agency of government, its organizational documents or any provision of any agreement or other instrument to which it or any of its properties or assets is bound, or conflict with, result in a material breach of or constitute (with due notice or lapse of time or both) a default under any such agreement or other instrument to which any member of the Palogic Group is bound, or result in the creation or imposition of, or give rise to, any material lien, charge, restriction, claim, encumbrance or adverse penalty of any nature whatsoever; (d) except as otherwise disclosed to Company, it has not, and no member of the Palogic Group has, directly or indirectly, compensated or entered into any agreement, arrangement or understanding to compensate any person for his or her service as a director of Company with any cash, securities (including any rights or options convertible into or exercisable for or exchangeable into securities or any profit sharing agreement or arrangement) or other form of compensation directly or indirectly related to the performance of the securities of Company; and (e) except as otherwise disclosed to Company, as of the date of this Agreement, the Palogic Group (i) is the beneficial owner of an aggregate of 1,053,924 shares of Company’s common stock; (ii) has voting authority over such shares; (iii) owns no other equity or equity-related interest in Company; and (iv) is not a party to any short sale or any purchase, sale or grant of any option, warrant, convertible security, stock appreciation right or other similar right (including any put or call option or swap transaction) with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from a decline in the market price or value of any securities of Company.

15. *Representations of Company.* Company represents that (a) its authorized signatory set forth on the signature page to this Agreement has the power and authority to execute this Agreement and any other documents or agreements to be entered into in connection with this Agreement and to bind Company; (b) this Agreement has been duly authorized, executed and delivered by it and is a valid and binding obligation of Company, enforceable against Company in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws generally affecting the rights of creditors and subject to general equity principles; (c) this Agreement does not require the approval of the stockholders of Company; and (d) this Agreement does not and will not violate any law, any order of any court or other agency of government, Company's certificate of incorporation or bylaws, each as amended from time to time, or any provision of any agreement or other instrument to which Company or any of its properties or assets is bound, or conflict with, result in a material breach of or constitute (with due notice or lapse of time or both) a default under any such agreement or other instrument to which Company is bound, or result in the creation or imposition of, or give rise to, any material lien, charge, restriction, claim, encumbrance or adverse penalty of any nature whatsoever. Company has not taken any actions with respect to any matters related to this Agreement that require disclosure on a Current Report on Form 8-K prior to the date of this Agreement that have not previously been disclosed.

16. *Specific Performance; Fees.* Each Party acknowledges and agrees that money damages would not be a sufficient remedy for any breach (or threatened breach) of this Agreement by it and that, in the event of any breach or threatened breach of this Agreement, (i) the Party seeking specific performance will be entitled to seek injunctive and other equitable relief, without proof of actual damages; (ii) the Party against whom specific performance is sought will not plead in defense that there would be an adequate remedy at law; and (iii) the Party against whom specific performance is sought agrees to waive any applicable right or requirement that a bond be posted. Such remedies will not be the exclusive remedies for a breach of this Agreement and will be in addition to all other remedies available at law or in equity. If a Party institutes any legal suit, action, or proceeding against the other Party to enforce this Agreement (or obtain any other remedy regarding any breach of this Agreement) or arising out of or relating to this Agreement, including contract, equity, tort, fraud, and statutory claims, the prevailing Party in the suit, action, or proceeding is entitled to receive, and the non-prevailing Party will pay, in addition to all other remedies to which the prevailing Party may be entitled, the costs and expenses incurred by the prevailing Party in conducting the suit, action, or proceeding, including actual attorneys' fees and expenses, even if not recoverable by law.

17. *Entire Agreement; Binding Nature; Assignment; Waiver.* This Agreement constitutes the only agreement between the Parties with respect to the subject matter of this Agreement and it supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written. This Agreement binds, and will inure to the benefit of, the Parties and their respective successors and permitted assigns. No Party may assign or otherwise transfer either this Agreement or any of its rights, interests, or obligations under this Agreement without the prior written approval of the other Party. Any purported transfer requiring consent without such consent is void. No amendment, modification, supplement or waiver of any provision of this Agreement will be effective unless it is in writing and signed by the affected Party, and then

only in the specific instance and for the specific purpose stated in such writing. Any waiver by any Party of a breach of any provision of this Agreement will not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a Party to insist upon strict adherence to any term of this Agreement on one or more occasions will not be considered a waiver or deprive that Party of the right to insist upon strict adherence to that term or any other term of this Agreement in the future.

18. *Severability*. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, then the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement that is held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable, and this Agreement will otherwise be construed so as to effectuate the original intention of the Parties reflected in this Agreement. The Parties further agree to replace such invalid or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the purposes of such invalid or unenforceable provision.

19. *Governing Law; Forum*. This Agreement is governed by and will be construed in accordance with the laws of the State of Delaware. Each of the Parties (a) irrevocably and unconditionally consents to the exclusive personal jurisdiction and venue of the Court of Chancery of the State of Delaware and any appellate court thereof (unless the federal courts have exclusive jurisdiction over the matter, in which case the United States District Court for the District of Delaware and any appellate court thereof will have exclusive personal jurisdiction); (b) agrees that it will not challenge such personal jurisdiction by motion or other request for leave from any such court; (c) agrees that it will not bring any action relating to this Agreement or otherwise in any court other than the such courts; and (d) waives any claim of improper venue or any claim that those courts are an inconvenient forum. The Parties agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in paragraph 22 or in such other manner as may be permitted by applicable law, will be valid and sufficient service thereof.

20. *Waiver of Jury Trial*. EACH OF THE PARTIES, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THAT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF ANY OF THEM. No Party will seek to consolidate, by counterclaim or otherwise, any action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived.

21. *Third Party Beneficiaries*. This Agreement is solely for the benefit of the Parties and is not enforceable by any other Person.

22. *Notices*. All notices and other communications under this Agreement must be in writing and will be deemed to have been duly delivered and received (a) four Business Days after being sent by registered or certified mail, return receipt requested, postage prepaid; (b) one Business Day after being sent for next Business Day delivery, fees prepaid, via a reputable nationwide overnight courier service; (c) immediately upon delivery by hand; or (d) on the date

sent by email (except that notice given by email will not be effective unless either (i) a duplicate copy of such email notice is promptly given by one of the other methods described in this paragraph 22 or (ii) the receiving Party delivers a written confirmation of receipt of such notice either by email or any other method described in this paragraph 22 (excluding "out of office" or other automated replies)). The addresses for such communications are as follows. At any time, any Party may, by notice given to the other Parties in accordance with this paragraph 22, provide updated information for notices pursuant to this Agreement.

If to Company:

Intevac, Inc.
3560 Bassett Street
Santa Clara, California 95054
Attn: Chief Executive Officer
Email: nhunton@intevac.com

with a copy (which will not constitute notice) to:

Wilson Sonsini Goodrich & Rosati, Professional Corporation
650 Page Mill Road
Palo Alto, California 94304-1050
Attn: Richard C. Blake
Erika Muhl
Douglas K. Schnell
Sebastian Alsheimer
Email: rblake@wsgr.com
emuhl@wsgr.com
dschnell@wsgr.com
salsheimer@wsgr.com

If to the Palogic Signatories:

Palogic Value Management, L.P.
8333 Douglas Avenue, Suite 775
Dallas, Texas 75225
Attn: Ryan L. Vardeman
Email: rvardeman@palogicfund.com

with a copy (which will not constitute notice) to:

Foley & Lardner LLP
2021 McKinney Ave, Suite 3 1600
Dallas, Texas 75201
Attn: Evan D. Stone
Email: estone@foley.com

23. *Representation by Counsel.* Each of the Parties acknowledges that it has been represented by counsel of its choice throughout all negotiations that have preceded the execution of this Agreement, and that it has executed this Agreement with the advice of such counsel. Each Party and its counsel cooperated and participated in the drafting and preparation of this Agreement, and any and all drafts of this Agreement exchanged among the Parties will be deemed the work product of all of the Parties and may not be construed against any Party by reason of its drafting or preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against any Party that drafted or prepared it is of no application and is expressly waived by each of the Parties, and any controversy over interpretations of this Agreement will be decided without regard to events of drafting or preparation.

24. *Counterparts.* This Agreement and any amendments to this Agreement may be executed in one or more textually identical counterparts, all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart. Any such counterpart, to the extent delivered by fax or .pdf, .tif, .gif, .jpg or similar attachment to electronic mail or by an electronic signature service (any such delivery, an “**Electronic Delivery**”), will be treated in all manner and respects as an original executed counterpart and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No Party may raise the use of an Electronic Delivery to deliver a signature, or the fact that any signature or agreement or instrument was transmitted or communicated through the use of an Electronic Delivery, as a defense to the formation of a contract, and each Party forever waives any such defense, except to the extent that such defense relates to lack of authenticity.

25. *Headings; Defined Terms.* The headings and defined terms set forth in this Agreement are for convenience of reference purposes only and will not affect or be deemed to affect in any way the meaning or interpretation of this Agreement or any term or provision of this Agreement. In addition, for avoidance of doubt, the use of the defined term “Palologic Group” is for convenience only and shall at no time be construed to mean that any members or constituents thereof for purposes this Agreement (e.g., Affiliates) constitute or are members of a “group” as defined pursuant to Section 13(d) of the Exchange Act with respect to Company (or any other issuer) or would be required to file as (or be filing parties in respect of) a “group” as defined pursuant to Section 13(d) of the Exchange Act with respect to Company or any other issuer.

26. *Termination.* Unless otherwise mutually agreed in writing by each Party, this Agreement will terminate upon the expiration of the Restricted Period. Notwithstanding the foregoing, paragraphs 12, 13 and 16 through 26 will survive the termination of this Agreement. No termination of this Agreement will relieve any Party from liability for any breach of this Agreement prior to such termination.

[Signature page follows.]

Very truly yours,

INTEVAC, INC.

By: /s/ Kevin Barber

Name: Kevin Barber

Title: Chairman

ACCEPTED AND AGREED

as of the date written above:

PALOGIC VALUE MANAGEMENT, L.P.

By: Palogic Capital Management, LLC

Its: General Partner

By: /s/ Ryan L. Vardeman

Name: Ryan L. Vardeman

Title: Sole Member

PALOGIC VALUE FUND, L.P.

By: Palogic Value Management, L.P.

Its: General Partner

By: Palogic Capital Management, LLC

Its: General Partner

By: /s/ Ryan L. Vardeman

Name: Ryan L. Vardeman

Title: Sole Member

PALOGIC CAPITAL MANAGEMENT, LLC

By: /s/ Ryan L. Vardeman

Name: Ryan L. Vardeman

Title: Sole Member

RYAN L. VARDEMAN

/s/ Ryan L. Vardeman

[Signature Page to Letter Agreement]

Form of Press Release

[see attached]

Non-Disclosure Agreement

[see attached]


INTEVAC

 Cameron McAulay
 Chief Financial Officer
 (408) 986-9888

3560 Bassett Street, Santa Clara CA 95054

 Claire McAdams
 Investor Relations
 (530) 265-9899

Intevac Announces Third Quarter 2024 Financial Results

Santa Clara, Calif.—November 11, 2024—Intevac, Inc. (Nasdaq: IVAC) today reported financial results for the quarter and nine months ended September 28, 2024.

“We are pleased to report third-quarter results favorable to our expectations going into the quarter,” commented Nigel Hunton, president and chief executive officer. “Technology upgrades in support of next-generation HAMR (heat-assisted magnetic recording) media continue to drive the majority of our business, and total revenues from HDD upgrades, spares, and field service totaled over \$13 million, exceeding our expectations. With an additional \$15 million of largely pass-through revenue associated with the transfer of inventory to a customer, the gross margin and earnings per share performance of the core business likewise exceeded expectations. Positive free cash flow performance in the quarter drove an increase in total cash, restricted cash, and investments to over \$72 million at quarter-end, and we remain on track to maintain the strength of the balance sheet in 2024 to enable strategic investments in support of future growth.”

(\$ Millions, except per share amounts)

	Three Months Ended September 28, 2024		Three Months Ended September 30, 2023	
	GAAP Results	Non-GAAP Results	GAAP Results	Non-GAAP Results
Net Revenues	\$ 28.5	\$ 28.5	\$ 17.9	\$ 17.9
Operating Income (Loss)	\$ (1.8)	\$ (1.8)	\$ (1.4)	\$ 0.5
Net Income (Loss)	\$ (2.2)	\$ (2.2)	\$ (1.6)	\$ 0.1
Net Income (Loss) per Share – Basic and Diluted	\$ (0.08)	\$ (0.08)	\$ (0.06)	\$ 0.00

	Nine Months Ended September 28, 2024		Nine Months Ended September 30, 2023	
	GAAP Results	Non-GAAP Results	GAAP Results	Non-GAAP Results
Net Revenues	\$ 52.7	\$ 52.7	\$ 39.8	\$ 39.8
Operating Loss	\$ (9.5)	\$ (9.5)	\$ (11.3)	\$ (9.4)
Net Loss	\$ (7.0)	\$ (8.1)	\$ (10.3)	\$ (9.0)
Net Loss per Share – Basic and Diluted	\$ (0.26)	\$ (0.30)	\$ (0.40)	\$ (0.35)

Intevac’s non-GAAP adjusted results exclude the impact of the following, where applicable: (i) restructuring charges and (ii) discontinued operations. 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.

Third Quarter 2024 Summary

Revenues were \$28.5 million, consisting of HDD upgrades, spares and service, as well as approximately \$15 million of revenue related to the inventory agreement with a customer. Gross margin was 24.8%, compared to 39.1%, in the third quarter of 2023. The inventory revenues included a small amount of gross profit to cover the operating expenses associated with procuring and storing the inventory, and the impact of this profit along with certain other inventory adjustments collectively impacted gross margin by approximately 20 percentage points. Operating expenses were \$8.8 million, compared to \$8.4 million in the third quarter of 2023. The operating loss was \$1.8 million compared to \$1.4 million in the third quarter of 2023.

The net loss for the quarter was \$2.2 million, or \$0.08 per diluted share, compared to a net loss of \$1.6 million, or \$0.06 per diluted share, in the third quarter of 2023. The non-GAAP net loss for the third quarter of 2024 was \$2.2 million, or \$0.08 per diluted share, compared to a non-GAAP net income of \$0.1 million, or \$0.00 per diluted share, in the third quarter of 2023.

Order backlog was \$44.4 million on September 28, 2024 compared to \$42.5 million on June 29, 2024 and \$46.5 million on September 30, 2023. Backlog at September 28, 2024 and June 29, 2024 did not include any 200 Lean HDD systems. Backlog at September 30, 2023 included two 200 Lean HDD systems.

The Company ended the quarter with \$72.1 million of total cash, cash equivalents, restricted cash and investments and \$111.5 million in tangible book value.

First Nine Months 2024 Summary

Revenues were \$52.7 million, compared to first nine months of 2023 revenues of \$39.8 million, and consisted of HDD upgrades, spares and service, as well as approximately \$15 million of revenue related to the inventory agreement with a customer. Gross margin was 31.9%, compared to 35.9% in the first nine months of 2023. The inventory revenues included a small amount of gross profit to cover the operating expenses associated with procuring and storing the inventory related to the cancelled order, and the impact of this profit along with certain other inventory adjustments collectively impacted year-to-date gross margin by approximately 13 percentage points. Operating expenses were \$26.3 million, compared to \$25.6 million in the first nine months of 2023. The net loss was \$7.0 million, or \$0.26 per diluted share, compared to a net loss of \$10.3 million, or \$0.40 per diluted share, for the first nine months of 2023. On a non-GAAP basis, the net loss was \$8.1 million, or \$0.30 per diluted share, compared to a net loss of \$9.0 million, or \$0.35 per diluted share, for the first nine months of 2023.

Use of Non-GAAP Financial Measures

Intevac's non-GAAP results exclude the impact, where applicable, of restructuring charges and discontinued operations. 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 13748961. For international callers, the dial-in number is +1 (201) 389-0921. You may also listen live via the Internet at <https://www.webcast-egs.com/login/intevac111124> or on the Company's investor relations website at <https://ir.intevac.com>. For those unable to attend live, an archived webcast of the call will be available at the same link.

About Intevac

Founded in 1991, we are a leading provider of thin-film process technology and manufacturing platforms for high-volume manufacturing environments. With over 30 years of leadership in designing, developing, and manufacturing high-productivity, thin-film processing systems, we deploy our materials science expertise primarily to the hard disk drive (HDD) industry. Our industry-leading 200 Lean® platform is our flagship system, supporting the majority of the world's capacity for HDD disk media production, including the vast majority of the industry's most advanced, leading-edge, heat-assisted magnetic recording (HAMR) media. The majority of Intevac's HDD business for the last several years has been focused on enabling the upgrades of the installed base of worldwide media capacity in close partnership with our HDD customers, thus enabling their technology roadmaps. For more information call 408-986-9888, or visit the Company's website at www.intevac.com.

200 Lean® is a registered trademark 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: quotations from management, the Company’s revenue growth potential, expected collection of receivables, and future financial performance, including improved operating results and preserving the strength of the balance sheet. 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, global macroeconomic conditions and supply chain challenges including shipment delays, availability of components, and freight, logistics and other disruptions, and changes in market dynamics that could change the forecasts and delivery schedules for both our systems and upgrades, each of which could have a material impact on our business, our financial results, and the Company’s most recent stock price. These risks and other factors are detailed in the Company’s periodic Form 10-K and 10-Q filings with the U.S. Securities and Exchange Commission.

All forward-looking statements in this press release are based on information available to the Company as of the date hereof, and Intevac does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law. Any future product, service, feature, or related specification that may be referenced in this release is for informational purposes only and is not a commitment to deliver any offering, technology or enhancement.

INTEVAC, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share amounts)

	Three months ended		Nine months ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net revenues	\$ 28,505	\$ 17,915	\$ 52,662	\$ 39,758
Gross profit	7,058	6,999	16,810	14,287
Gross margin	24.8%	39.1%	31.9%	35.9%
Operating expenses				
Research and development	3,967	3,720	11,846	11,340
Selling, general and administrative	4,843	4,707	14,433	14,281
Total operating expenses	8,810	8,427	26,279	25,621
Total operating loss	(1,752)	(1,428)	(9,469)	(11,334)
Interest and other income (expense), net	541	600	3,521	1,922
Loss from continuing operations before provision for income taxes	(1,211)	(828)	(5,948)	(9,412)
Provision for income taxes	962	796	2,189	1,298
Net loss from continuing operations	(2,173)	(1,624)	(8,137)	(10,710)
Net income from discontinued operations, net of taxes	—	48	1,095	365
Net loss	\$ (2,173)	\$ (1,576)	\$ (7,042)	\$ (10,345)
Net income (loss) per share				
Basic and diluted - continuing operations	\$ (0.08)	\$ (0.06)	\$ (0.30)	\$ (0.41)
Basic and diluted - discontinued operations	\$ 0.00	\$ 0.00	\$ 0.04	\$ 0.01
Basic and diluted - net loss	\$ (0.08)	\$ (0.06)	\$ (0.26)	\$ (0.40)
Weighted average common shares outstanding				
Basic and diluted	26,895	26,287	26,695	26,033

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

	<u>September 28, 2024</u> (Unaudited)	<u>December 30, 2023</u> (see Note)
ASSETS		
Current assets		
Cash, cash equivalents and short-term investments	\$ 63,148	\$ 68,846
Accounts receivable, net	14,461	18,613
Inventories	31,666	43,795
Prepaid expenses and other current assets	1,946	2,123
Total current assets	<u>111,221</u>	<u>133,377</u>
Long-term investments		
Restricted cash	8,276	2,687
Property, plant and equipment, net	700	700
Operating lease right-of-use assets	7,584	7,664
Intangible assets, net	6,492	7,658
Other long-term assets	851	954
Total assets	<u>\$ 136,980</u>	<u>\$ 156,506</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current operating lease liabilities	\$ 1,257	\$ 1,008
Accounts payable	3,040	5,800
Accrued payroll and related liabilities	4,921	3,475
Other accrued liabilities	1,830	1,820
Customer advances	6,291	20,407
Total current liabilities	<u>17,339</u>	<u>32,510</u>
Non-current liabilities		
Non-current operating lease liabilities	5,814	6,976
Customer advances	1,482	1,482
Other non-current liabilities	—	21
Total non-current liabilities	<u>7,296</u>	<u>8,479</u>
Stockholders' equity		
Common stock (\$0.001 par value)	27	26
Additional paid-in capital	213,748	210,320
Treasury stock, at cost	(29,551)	(29,551)
Accumulated other comprehensive income	538	97
Accumulated deficit	(72,417)	(65,375)
Total stockholders' equity	<u>112,345</u>	<u>115,517</u>
Total liabilities and stockholders' equity	<u>\$ 136,980</u>	<u>\$ 156,506</u>

Note: Amounts as of December 30, 2023 are derived from the December 30, 2023 audited consolidated financial statements

INTEVAC, INC.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(Unaudited, in thousands, except per share amounts)

	Three months ended		Nine months ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Non-GAAP Income (Loss) from Operations				
Reported operating loss (GAAP basis)	\$ (1,752)	\$ (1,428)	\$ (9,469)	\$ (11,334)
Restructuring charges ¹	—	1,950	—	1,950
Non-GAAP Operating Income (Loss)	<u>\$ (1,752)</u>	<u>\$ 522</u>	<u>\$ (9,469)</u>	<u>\$ (9,384)</u>
Non-GAAP Net Income (Loss)				
Reported net loss (GAAP basis)	\$ (2,173)	\$ (1,576)	\$ (7,042)	\$ (10,345)
Continuing operations:				
Restructuring charges ¹	—	1,950	—	1,950
Income tax effect of non-GAAP adjustments ²	—	(275)	—	(275)
Discontinued operations ³	—	(48)	(1,095)	(365)
Non-GAAP Net Income (Loss)	<u>\$ (2,173)</u>	<u>\$ 51</u>	<u>\$ (8,137)</u>	<u>\$ (9,035)</u>
Non-GAAP Net Income (Loss) Per Diluted Share				
Reported net loss per diluted share (GAAP basis)	\$ (0.08)	\$ (0.06)	\$ (0.26)	\$ (0.40)
Continuing operations:				
Restructuring charges ¹	\$ 0.00	\$ 0.06	\$ 0.00	\$ 0.06
Discontinued operations ³	\$ 0.00	\$ (0.00)	\$ (0.04)	\$ (0.01)
Non-GAAP Net Income (Loss) Per Diluted Share	<u>\$ (0.08)</u>	<u>\$ 0.00</u>	<u>\$ (0.30)</u>	<u>\$ (0.35)</u>
Weighted average number of basic shares	26,895	26,287	26,695	26,033
Weighted average number of diluted shares	26,895	26,799	26,695	26,033

¹ Results for the three and nine months ended September 30, 2023 include severance and other employee-related costs related to the 2023 Cost Reduction Program.

² 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.

³ The amount represents discontinued operations of the Photonics business that was sold on December 30, 2021.

Intevac, Inc.
Q3 Earnings
November 11, 2024

Presenters**Nigel Hunton - President, Chief Executive Officer****Cameron McAulay - Chief Financial Officer****Claire McAdams - Investor Relations****Q&A Participants****Peter Wright - PartnerCap Securities****Mark Miller - Benchmark****Hendi Susanto - Gabelli Funds****Operator**

Greetings, and welcome to Intevac's Third Quarter 2024 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow a formal presentation. If anyone should require operator assistance, please press star, zero on your telephone keypad. Please note that this conference is being recorded today, November 11th, 2024.

At this time, I would like to turn the call over to Claire McAdams, Investor Relations for Intevac. Please go ahead.

Claire McAdams

Thank you, operator, and good afternoon to everyone on today's call, especially our veterans. Thank you for joining us today to discuss Intevac's financial results for the third quarter of 2024, which ended on September 28th. In addition to discussing the company's recent results, we will discuss our outlook looking forward.

Joining me on today's call are Nigel Hunton, President and Chief Executive Officer, and Cameron McAulay, Chief Financial Officer. Nigel will begin with an overview of our business and outlook, followed by Cameron's review of our financial results for the third quarter and additional details regarding our guidance before turning the call over to Q&A.

I'd like to remind everyone that today's conference call contains certain forward-looking statements, including but not limited to statements regarding financial results for the company's most recently completed fiscal quarter, which remains subject to adjustment in connection with the preparation of our Form 10-Q, as well as comments regarding future events and projections about the future financial performance to Intevac.

These forward-looking statements are based upon our current expectations, and actual results could differ materially as a result of various risks and uncertainties relating to these comments and other risk factors discussed in documents filed by us with the Securities and Exchange Commission, including our annual report on Form 10-K and quarterly reports on Form 10-Q.

The contents of this November 11th call include time-sensitive forward-looking statements that represent our projections as of today. We undertake no obligation to update the forward-looking statements made during this conference call.

I will now turn the call over to Nigel.

Nigel Hunton

Thanks, Claire, and good afternoon to all of you on today's call. Our Q3 results demonstrate many positive developments for Intevac's business, including a strengthening of the HDD industry, upside in HDD upgrade demand, and strong gross margin performance for the underlying business. This resulted in a better bottom line and a strengthening of our cash position as compared to Q2 and a more positive view of the HDD business and its financial performance going forward.

In addition, we are pleased to report the resolution of a customer's inventory obligation. Approximately \$15 million of the \$28.5 million of revenue reported for Q3 is related to these inventory obligations. The \$15 million of inventory related revenue was largely pass-through, but did include a small amount of gross profit to cover our expenses of procuring and storing the inventory.

With a reported gross margin of 25%, this profit, along with certain other inventory adjustments, negatively impacted our gross margin by approximately 20 percentage points, while the positive impact on earnings per share was \$0.04. Absent this inventory-related revenue, our Q3 revenues indicate continued strong demand for HDD technology upgrades, which exceeded the high end of our forecast. We believe cloud data center demand trends are continuing to drive growing demand for our underlying core HDD business.

Unfortunately, a less positive development since quarter-end is the conclusion of the qualification process for our first ever TRIO shipment, which was delivered in April to a cover glass finisher in Asia. Over the past several months, the TRIO has demonstrated positive results through ongoing endurance testing in the field, and while the tool showed promise, the qualification concluded without the expected purchase order.

At the end of the day, the TRIO, as compelling as it was, was unable to decisively demonstrate material advantages to displace the sizable installed capacity of existing coating solutions, and as such, we missed the market opportunity for this next consumer device product cycle.

Given that this has impacted the expected TRIO opportunity, and taking into account today the strength of forecasts with our HDD customers, our focus for the TRIO has turned to rapidly monetizing our inventory investments. We believe the most advantageous path forward to achieving this objective is to continue supporting evaluations at multiple prospects for R&D work as well as polymer applications. However, to be very clear, we are no longer going to allocate any material resources to support evaluations with revenue potential that extends beyond the next 12 months.

The improving HDD industry dynamics support an increasingly strong financial forecast for Intevac, and our critical resources will be allocated entirely to our opportunities in the HDD sector, thus providing the most immediate and assured return on our investment. We have therefore ceased further development of the TRIO platform, and this will increase bottom line profitability to reduce TRIO engineering costs.

We will retain a small technology group to pursue partnerships that can leverage our compelling glass-coating IP and patent portfolio into additional applications, such as advanced panel-level semiconductor packaging.

While the TRIO efforts of recent months have concluded in a disappointing fashion, we continue to believe in the value residing in our material science expertise and IP, and our efforts in 2025 will be on monetizing the investments we've already made while assessing partnerships and collaborations that can enable additional growth opportunities for our technology without requiring further investments by Intevac.

This is because we are firmly committed to maintaining the strength of the balance sheet and preserving our strong cash position. As we assess the immediate opportunities ahead of us, we have likewise evaluated our cost structure and have made the appropriate decisions to align our resources with the strongest areas of potential growth, which is why we're also announcing today the restructuring of the company, including a 19% headcount reduction worldwide and consolidating our resources to our growing HDD business.

Our core HDD business remains strong, and the outlook continues to improve. In August of 2022, when our backlog was at its highest level in recent history, we had the visibility for around \$200 million of HDD revenues spanning the four-year period between 2022 and 2025. In spite of the subsequent system cancellations, today, we are firmly on track to achieve this original target through our technology-enabling upgrade business.

Even more importantly, the further strengthening of the financial outlook for the HDD sector gives us confidence in significant additional revenue potential between 2026 and 2028, based on the business climate that we currently see. This continued strong revenue momentum reflects not only the sustainability of record levels of upgrade revenues, but also new 200 Lean orders, which are once again on our radar screen, not necessarily for 2025, but certainly under consideration for 2026 or 2027.

This positive outlook for our HDD business has numerous fundamental drivers. Recently, an initial recovery in traditional server demand led to additional upside with an overall strengthening environment in hard drive and media demands. The most significant growth driver remains continued strong cloud demand strength, which we believe is driven in part by the rapidly growing AI industry, which for the third quarter, led to industry upside in mass capacity nearline drives within an increasingly favorable pricing and supply landscape. HDDs continue to demonstrate significant advantages in data-centers, with a cost per bit advantage of about 6x and a capital efficiency benefit of approximately 9x compared to enterprise class SSDs.

The aerial density improvements being achieved at this time are the most significant advancements in over a decade, and these have been enabled by our tool upgrades, specifically HAMR. While a HAMR upgrade cycle remains in its early stages, with another three or four years ahead, the next vector for HDD upgrades is driven by additional performance enhancements — advancements that will enable increasingly higher capacity drives. We're already engaged with our customers in supporting these additional future advancements, which underpins the continued 200 Lean technology upgrade path to the end of the decade.

This increasing visibility for long-term strength for our HDD upgrade business again provides further support to our decision to focus the company's resources on the revenue opportunity supporting the HDD industry, with Intevac playing a critical role within HDD technology roadmap as it proceeds to develop increasingly higher capacity drives.

With the HDD technology roadmap requiring close partnership with our customers in deploying upgrade technology through at least the end of this decade, and at the same time, over the last five quarters, we've observed from industry analysts that media capacity utilization has recovered from a low of under 40% to now approximately 70%, which means that we can also start thinking about planning for new systems being required within the next few years.

Returning to the near-term outlook for our HDD business, the upside in demand witnessed this year has likewise boosted our HDD expectations for both 2024 and 2025. Our forecast for total HDD revenues this year has improved once again to the \$46 million to \$48 million range. This is excluding the inventory pass-through.

This forecast has improved incrementally every quarter of the year and importantly provides us also with a strong base of business to fund our operations in 2025.

Further upside towards the \$50 million revenue level and above will be driven by the acceleration of upgrade activities by multiple media manufacturers. We believe \$50 million is the HDD revenue baseline ahead for 2025 as we expect to play an integral role in every major upgrade initiative. We're already seeing increased demand and accelerated timelines from additional HDD customers upgrading to HAMR.

Importantly for Intevac and the decisions being made today to increase our return on investment with the most assured and immediate business opportunities, the strengthening HDD revenue baseline in combination with our restructuring and the corresponding improvements to our cost structure are enabling a revised P&L forecast, which is also expected to be cash flow neutral for the year.

Before we turn the call over to Cameron, I'm delighted to welcome Ryan Vardeman to our Board effective today. Ryan is a Principal and Co-Founder of Palogic Value Fund and one of our largest investors. Ryan brings not only an investor perspective, but extensive corporate strategy, operating and financial experience. He also has an engineering background and prior board experience with BSQUARE where he was the Board Chairman prior to its sale in 2023. We very much look forward to his contributions to our board.

And with that, I'll turn the call over to Cameron.

Cameron McAulay

Thank you, Nigel. Turning first to the income statement, third quarter revenues totaled \$28.5 million, well above our guidance range of \$10.5 million to \$12 million. The majority of this upside represents \$15 million of largely pass-through revenue resulted from the required accounting treatment for the resolution of a customer's obligation regarding last year's order. Absent this revenue component, revenues still came in above the high end of the range due to incrementally strong HDD technology upgrade demand during Q3.

Q3 gross margin was 24.8%. The inventory revenues included a small amount of gross profit to cover the operating expenses associated with procuring and storing the inventory related to the order. And the impact of this profit along with certain other inventory adjustments collectively impacted gross margin by approximately 20 percentage points.

The strength of upgrade demand in Q3 likewise drove strong gross margin performance for the underlying business of approximately 45%, above the high end of the guidance range. Q3 operating expenses remained stable at \$8.8 million. Following our recent restructuring, we expect our resulting OpEx run rate to be in the range of \$7 million to \$7.2 million by the first quarter of 2025.

Net other income and expense was \$500,000. With more of our cash moved to higher interest rate investments, interest income increased to \$800,000 in Q3. However, this income was partially offset by unfavorable foreign exchange. The resulting net loss was \$0.08 per share. The net EPS results for the underlying business were likewise favorable to our earlier expectations.

Moving now to the balance sheet, we ended the quarter with cash and investments, including restricted cash, of \$72.1 million, equivalent to \$2.67 per share based on 27 million shares at quarter end. The net increase in cash over Q2 was nearly \$1.7 million, reflecting positive cash flow from operations enabled by our cash flow neutral P&L as well as strong collection of receivables during the quarter.

Q3 CapEx was \$400,000, non-cash expenses for Q3 included \$1 million for stock based compensation, \$500,000 for depreciation and amortization and \$800,000 in deferred tax.

Now, I will provide further details regarding our outlook. For the fourth quarter, we are projecting revenues to be in the range of \$9 million to \$10.5 million. We expect fourth quarter gross margins to be in the 30% to 32% range, reflecting the expected mix of upgrades and factory absorption levels during the quarter. Q4 operating expenses are expected to be in the range of \$8.4 million to \$8.6 million. This range includes approximately \$900,000 of cash restructuring costs in the quarter.

We expect net interest income of approximately \$700,000 in Q4 and GAAP tax expense of about \$400,000, most of which will be non-cash. We are projecting our net loss in the range of \$0.19 to \$0.21 per share based on 27 million shares outstanding.

As we look ahead to fiscal 2025, our strategic three-year plan and forecast for the next fiscal year is currently being concluded. We expect our growing base of HDD business to deliver a revenue baseline of \$50 million, which after the restructuring will support cash flow neutral to cash flow positive results. We believe this is achievable through a combination of factors—gross margins of at least 40%, the reduced OpEx run rate as a result of today's restructuring announcement, and the income generated by our investments.

This completes the formal part of our presentation. Operator, we are ready for questions.

Operator

Thank you. We'll now be conducting a question and answer session. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

Thank you. Our first question is from Peter Wright of PartnerCap Securities. Please proceed with your question.

Peter Wright

Great. Thank you for taking my question, guys. I've got a couple of questions. So, firstly Nigel, I guess when looking at the '22 to '25 cycle, you had some pretty good insight into calling that at about \$200 million, and we're now looking at kind of the next cycle of '26 to '28, three-year cycle instead of four-year cycle. Any comfort in kind of guiding what you think this cycle looks like and what the unit count of 200 Leans would look like in that assumption?

Nigel Hunton

Thank you, Peter, that — for the question. As I said in the prepared remarks, we feel that this next period has the opportunity to be as strong as that four-year cycle, giving you a guidance of a similar level of revenues over that three-year period.

That really is absolutely underpinned by upgrades. But the upgrade business is going to stay strong. We believe we're playing a key part in that industry transformation. And as we said, as we see the utilization improving and we see the continued growth of demand over that period, we believe that there will be a couple, or a few I think, we've said on previous calls, of 200 Leans likely in that '26, '27 period. So, the majority of that business will still be very much continuing this upgrade cycle that we've seen maintain the strength for Intevac, and that will continue into the future.

Peter Wright

And can you guide on when you think the installed base of 200 Leans will be HAMR upgraded? Is that largely complete in the '26 through '28 cycle? Is that the underlying assumption?

Nigel Hunton

No, it's — the timeline for that is probably at least three to four years, which is good. It's going to maintain that strength of multiple upgrades each year over the next sort of three to four years. And I think beyond that, I think there'll be further upgrades. I think there'll be upgrades beyond that, which is good as technology and advancements keep continuing.

Peter Wright

And on the 7 to 7.2 OpEx guide, that is a guide for where you think it's going to average out in 2025? Did I catch that right?

Cameron McAulay

Yes, that's right. The 8.4 to 8.6 this quarter, and then once the OpEx will level out, Peter, kind of 7 to 7.2 pretty much from the start of 2025, that's right.

Nigel Hunton

And that's absolutely linked to this, as you said, this restructuring we've announced today and the refocusing, and that's a key part of that.

Peter Wright

Wonderful. And then so from a cash flow perspective, cash neutrality for you guys suggest mid-50's then on the sales side? Is that about right at that level?

Cameron McAulay

Roughly, yes. Roughly, perhaps a little bit higher for cash neutrality. But we, with the actions that we've announced today, we think we can be cash neutral to cash positive in 2025. We're maintaining a solid cash balance this year. as well, Peter. We started the year roughly where we're at right now, at \$72 million. So the cash position is a very solid one.

Peter Wright

And my last question, sitting on the cash that you are sitting on, clearly, more cash than you need to run HDD—what is the use of cash from a priority perspective going to be looking forward?

Nigel Hunton

Yeah. And I think as you've known all along, one of the key things we've done is by maintaining the strong balance sheet in that cash position, as it might give you confidence from our HDD customers that the business is going to be robust, it's going to be supported. And as we look at moving some of that technology support onto HDD, we'll continue to sort of invest and focus on what is, as I've said, a more assured business for us going forward.

We always look at cash allocation. We'll continue to look at cash allocation. We've talked in the past about strategic process. Strategic process is the — continues look at all alternatives. But for us, I mean, the difficult decision today, I think if you go back to '22, when I shut down all the programs except one, we believe, at that point, there was value to extract from the one coating business we kept.

The consumer device market then needed a horizontal coater. We made the decision to invest in that. We believe that, by eliminating the need for tape in the industry, we'd have an opportunity. If we thought it was easy, someone else would have done it. We gave it our best shot. We talked with a glass partner. We talked with a glass finisher. And that resulted in today's restructuring and tough decision we've taken.

But we have, throughout this process, maintained a critical focus on maintaining a strong cash balance, and that will continue into the future.

Peter Wright

Great. Well, excellent job being a steward of capital. Sometimes it's tougher. If it's easy, it's easy, but good job being a good steward of capital.

Nigel Hunton

Thank you.

Operator

Thank you. Our next question is from Mark Miller with Benchmark. Please proceed with your question.

Mark Miller

Yes. I'm just curious, in terms of the TRIO qualification, you said that the instrument or the coater could not provide advantages over existing equipment. I'm just curious, was it yields or throughput or uptime, what caused that situation?

Nigel Hunton

Thank you, Mark - a very good question. As we said to Peter, if it was easy, someone would have already done it, and we'd have a horizontal coater that can actually eliminate that tape. We put a lot of effort in. We worked hard with a glass partner. Then we worked with a leading glass finisher, but we couldn't deliver the required yield performance.

The yield performance to compete with the vertical coaters had to be 97% particle free. At the moment there is no horizontal technology that can achieve particle-free coating. We believe that was not a reason not to have a go at this task, and we applied our capabilities to try and create what would have been the only horizontal coater with zero particles in the market.

At this stage, with us not being able to achieve the particle yield performance, I felt we needed to stop further development costs, focus on our core business, which was growing again. And I hope you appreciate that it was not an easy decision, but it is the right one for Intevac.

When I started my role here in 2022, I stated very clearly that we would invest in TRIO because of a real market need, and that if we were not confident in the success of the product, we would shut it down fast, and that is what we've done today.

Mark Miller

I appreciate that added color. So there's no more quals or anything else. You've just basically put TRIO to bed. You're not trying to explore any other customers. Is that correct?

Nigel Hunton

We have some active qualifications in the research and development opportunity for low-volume equipment for sampling and testing. We believe those can come to fruition in 2025. Anything we can do with that will be upside on the forecast we've given. Therefore, the qualifications that we had that we thought could deliver revenue in the 12-month period, we'll complete those qualifications. So there is still interest in a sort of R&D level tool, but not in the high volume, high throughput we were hoping in the early stage of this development cycle.

Mark Miller

Thank you.

Operator

Thank you. Our next question is from Hendi Susanto with Gabelli Funds. Please proceed with your question.

Hendi Susanto

Good evening, Nigel, Cameron, and Claire.

Nigel Hunton

Good evening, Hendi.

Hendi Susanto

Yeah, my first question - excluding the customer's inventory obligation, what was the pro forma gross margin in Q3?

Cameron McAulay

We have a mid-40's margin, just over mid-40's margin, excluding the pass-through and other inventory adjustments.

Hendi Susanto

Okay, yeah. And then, Nigel, maybe you can give us some color on what kinds of up or down seasonality, cyclicalities of the hard disk drive business that is typical in Q4, Q1, Q2, Q3, maybe you can remind us. I know that this may not represent a normal cycle yet, but in terms of expectation and colors, any guideposts?

Nigel Hunton

I think if you look through this year and this sort of upgrade cycle, which is we've really been in 12 months of an upgrade cycle, and we'll see most of that going through 2025. So, yes, there's always going to be some minor levels of cyclicalities between quarters, especially as some of our customers' different year ends to us, and therefore, timing of some of their investments can change and be modified through a calendar year.

But overall for the year, we see this year at sort of just under the \$50 million, and next year about the same level, and therefore keeping that relatively smooth throughout the whole financial year. So overall, we've seen the upgrades flow through each quarter, and we expect that to continue through 2025. So it's not like it's got big system upgrades or new systems this year or into 2025. It's all about upgrades and the relatively even quarterly performance.

Hendi Susanto

And Nigel, like when it comes to upgrades, what kind of timing does customer usually pursue? Whether it's more coming in waves, whether it's more like a step-up upgrade, and then followed by, let's say, some inactive upgrade activities. So what kind of upgrade patterns in terms of the orders that customers place?

Nigel Hunton

Yeah, I mean, I think as you know, typically, we get - we have very, very good relationships with our customers, and all of our customers give us good forecasting and longer-term visibility. And we typically run with lead times in the nine to 12 month period. So if you look at our order backlog in the sort of \$45 million level, we get good visibility that gives us confidence in the level of ordering through 2025.

I think the biggest driver as you go beyond '25 into the future will be the industry adoption of HAMR, which if you listen to some of our customers' earnings releases, everyone is talking about the opportunities not just for HAMR, but increased terabytes for hard disk drives. And as those keep increasing and there's adoption of the latest technology, that could see some pull-in or some acceleration. But at the moment, we've got good visibility for the output for the next 12 months, which is a good position to be in.

Hendi Susanto

And then one question on TRIO - now that TRIO is putting on - you put aside TRIO, is there any risk of inventory write-off of components in your inventories?

Nigel Hunton

I think the key thing there is, as I said on the - to Mark, we've got good opportunities to conclude on evaluations, R&D tools, glass substrates. We've got an opportunity with some polymer substrates. So even though the efforts of recent months have concluded in what is a clear disappointing fashion, we continue to believe in the value residing in our material science and expertise, and our efforts through 2025 will be on turning that inventory into revenues. So at this point, we're not taking any additional inventory reserves, because we believe we have opportunities to actually turn that inventory into revenue for R&D units.

Hendi Susanto

And any information, how much TRIO-related inventory in the balance sheet?

Cameron McAulay

The balance of inventory pertaining to TRIO is just over \$16 million at the moment.

Hendi Susanto

\$60 million?

Nigel Hunton

One-six, my apologies.

Hendi Susanto

Oh, one-six, okay, at 16, okay. So let's say will - let's say if the R&D turned into something more meaningful, you believe that it can consume that \$16 million in 2025?

Nigel Hunton

That is our hope, which is why there's been no inventory reserve taken.

Hendi Susanto

Okay. Yeah. Okay, yeah, that's all. Thank you so much, Nigel, Cameron, Claire.

Nigel Hunton

Thank you, Hendi. I appreciate the questions and your support.

Operator

As a reminder, if you would like to ask a question, please press star, one on your telephone keypad.

Thank you. There are no further questions at this time. I'd like to hand the floor back over to Nigel Hunton for any closing comments.

Nigel Hunton

Thank you. And thank you for all your questions. I also want to wish - to thank all of our employees, as well as their counterparts with our industry partners, for all the hard work and efforts, and a very strong quarterly performance.

I'd also like to wish our investors for their ongoing support. And we're also welcoming a new IR firm, KCSA. So if you want to reach out to Cameron in the short term for any follow-ups as they transition into their new role. I also look forward to updating you on our progress on our Q4 call in early February. So, thank you for joining me today.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

Intevac Announces Appointment of Ryan L. Vardeman to Board of Directors

SANTA CLARA, Calif, November 11, 2024 – Intevac, Inc. (Nasdaq: IVAC), a leading supplier of thin-film processing systems, today announced the appointment of Ryan L. Vardeman to its board of directors (the “Board”), effective immediately. Mr. Vardeman is a principal and co-founder of Palogic Value Fund, L.P. (“Palogic”), which is a substantial shareholder of Intevac.

“We are pleased to welcome Ryan to the Board,” said Kevin Barber, chair of the Board. “We look forward to Ryan’s contributions as a director and believe that he will further enhance the strength of our Board as we focus on building value for all stockholders.”

“I believe that Intevac is an outstanding company,” said Mr. Vardeman. “I look forward to working with the Board and supporting the management team as they continue to execute on initiatives to improve profitability, drive greater operational efficiency and enhance value creation.”

In connection with the appointment of Mr. Vardeman, Intevac and Palogic entered into a customary cooperation agreement. This agreement will be included as an exhibit to a Current Report on Form 8-K, which will be filed by Intevac with the Securities and Exchange Commission.

About Ryan L. Vardeman

Mr. Vardeman serves as a principal and co-founder of Palogic Value Management, L.P., a Dallas, Texas based investment management company, a position he has held since January 2007. Mr. Vardeman has extensive corporate strategy, operating, financial and investment experience including capital structure analysis, a focus on small-cap equities, and investing in a broad range of industries with an emphasis on technology and software companies. Mr. Vardeman holds a B.S. in Electrical Engineering and Computer Science from Texas Tech University and an M.B.A. from the Owen Graduate School of Management at Vanderbilt University. He previously served on the board of directors of Bsquare Corporation.

About Intevac

Founded in 1991, we are a leading provider of thin-film process technology and manufacturing platforms for high-volume manufacturing environments. With over 30 years of leadership in designing, developing, and manufacturing high-productivity, thin-film processing systems, we deploy our materials science expertise primarily to the hard disk drive (HDD) industry. Our industry-leading 200 Lean® platform is our flagship system, supporting the majority of the world’s capacity for HDD disk media production, including the vast majority of the industry’s most advanced, leading-edge, heat-assisted magnetic recording (HAMR) media. The majority of Intevac’s HDD business for the last several years has been focused on enabling the upgrades of the installed base of worldwide media capacity in close partnership with our HDD customers, thus enabling their technology roadmaps. For more information call 408-986-9888, or visit the Company’s website at www.intevac.com.

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: quotations from officials of Intevac and Intevac's plans and expectations for value creation. The forward-looking statements contained herein involve risks and uncertainties that could cause actual results to differ materially from Intevac's expectations. These risks include, but are not limited to, global macroeconomic conditions and supply chain challenges including shipment delays, availability of components, and freight, logistics and other disruptions, and changes in market dynamics that could change the forecasts and delivery schedules for both our systems and upgrades, each of which could have a material impact on our business, our financial results, and Intevac's stock price. These risks and other factors are detailed in Intevac's periodic filings with the U.S. Securities and Exchange Commission, including its most recent quarterly report on Form 10-Q.

All forward-looking statements in this press release are based on information available to Intevac as of the date hereof, and Intevac does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law. Any future product, service, feature, or related specification that may be referenced in this release is for informational purposes only and is not a commitment to deliver any offering, technology or enhancement.

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