

AXT INC
Form 10-Q
August 05, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended June 30, 2016

Or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from to

Commission File Number 000-24085

AXT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	94-3031310
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

4281 Technology Drive, Fremont, California 94538

(Address of principal executive offices) (Zip code)

(510) 438-4700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 2, 2016
Common Stock, \$0.001 par value	32,390,706

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

AXT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share data)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,115	\$ 24,875
Short-term investments	10,460	11,437
Accounts receivable, net of allowances of \$951 and \$985 as of June 30, 2016 and December 31, 2015	18,036	18,468
Inventories	38,625	38,012
Prepaid expenses and other current assets	5,101	4,096
Total current assets	98,337	96,888
Long-term investments	8,387	7,691
Property, plant and equipment, net	30,178	31,422
Related party notes receivable – long-term	1,741	1,781
Other assets	12,787	14,114
Total assets	\$ 151,430	\$ 151,896
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,848	\$ 6,460
Accrued liabilities	5,371	6,381
Total current liabilities	13,219	12,841
Long-term portion of royalty payments	863	1,150
Other long-term liabilities	307	344
Total liabilities	14,389	14,335
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock Series A, \$0.001 par value; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2016 and December 31, 2015 (Liquidation preference of \$6.6 million and \$6.5 million as of June 30, 2016 and December 31, 2015)	3,532	3,532
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Common stock, \$0.001 par value; 70,000 shares authorized; 32,391 and 32,548 shares issued and outstanding as of June 30, 2016 and December 31, 2015

Additional paid-in-capital	195,156	194,646
Accumulated deficit	(69,428)	(70,621)
Accumulated other comprehensive income	2,844	4,382
Total AXT, Inc. stockholders' equity	132,136	131,971
Noncontrolling interests	4,905	5,590
Total stockholders' equity	137,041	137,561
Total liabilities and stockholders' equity	\$ 151,430	\$ 151,896

See accompanying notes to condensed consolidated financial statements.

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AXT, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenue	\$ 20,495	\$ 21,010	\$ 39,208	\$ 41,074
Cost of revenue	14,468	16,625	27,928	31,940
Gross profit	6,027	4,385	11,280	9,134
Operating expenses:				
Selling, general, and administrative	3,419	3,775	6,793	9,026
Research and development	1,472	1,389	2,853	2,630
Restructuring charge	226	—	226	—
Total operating expenses	5,117	5,164	9,872	11,656
Income (loss) from operations	910	(779)	1,408	(2,522)
Interest income, net	100	108	198	205
Equity in (loss) earnings of unconsolidated joint ventures	(400)	410	(856)	610
Other income, net	328	626	518	1,259
Income (loss) before provision for income taxes	938	365	1,268	(448)
Provision for income taxes	140	241	537	327
Net income (loss)	798	124	731	(775)
Less: Net (income) loss attributable to noncontrolling interests	353	(127)	462	(252)
Net income (loss) attributable to AXT, Inc.	\$ 1,151	\$ (3)	\$ 1,193	\$ (1,027)
Net income (loss) attributable to AXT, Inc. per common share:				
Basic	\$ 0.03	\$ (0.00)	\$ 0.03	\$ (0.03)
Diluted	\$ 0.03	\$ (0.00)	\$ 0.03	\$ (0.03)
Weighted average number of common shares outstanding:				