
**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 March 31, 2024

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 000-30941

AXCELIS TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

34-1818596
(IRS Employer
Identification No.)

108 Cherry Hill Drive
Beverly, Massachusetts 01915
(Address of principal executive offices, including zip code)

(978) 787-4000
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value	ACLS	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No .

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if 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.

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

As of April 30, 2024, there were 32,532,498 shares of the registrant's common stock outstanding.

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PART 1—FINANCIAL INFORMATION**Item 1. Financial Statements.**

Axcelis Technologies, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three months ended March 31,	
	2024	2023
Revenue:		
Product	\$ 243,418	\$ 246,007
Services	8,954	8,013
Total revenue	<u>252,372</u>	<u>254,020</u>
Cost of revenue:		
Product	127,912	142,771
Services	8,409	7,230
Total cost of revenue	<u>136,321</u>	<u>150,001</u>
Gross profit	116,051	104,019
Operating expenses:		
Research and development	25,662	23,773
Sales and marketing	17,445	14,144
General and administrative	16,405	14,745
Total operating expenses	<u>59,512</u>	<u>52,662</u>
Income from operations	56,539	51,357
Other income (expense):		
Interest income	5,516	3,936
Interest expense	(1,346)	(1,353)
Other, net	(1,710)	(1,038)
Total other income	<u>2,460</u>	<u>1,545</u>
Income before income taxes	58,999	52,902
Income tax provision	7,404	5,205
Net income	<u>\$ 51,595</u>	<u>\$ 47,697</u>
Net income per share:		
Basic	<u>\$ 1.58</u>	<u>\$ 1.46</u>
Diluted	<u>\$ 1.57</u>	<u>\$ 1.43</u>
Shares used in computing net income per share:		
Basic weighted average shares of common stock	<u>32,638</u>	<u>32,744</u>
Diluted weighted average shares of common stock	<u>32,926</u>	<u>33,293</u>

See accompanying Notes to these Consolidated Financial Statements (Unaudited)

Axcelis Technologies, Inc.
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three months ended March 31,	
	2024	2023
Net income	\$ 51,595	\$ 47,697
Other comprehensive (loss) / income:		
Foreign currency translation adjustments	(1,731)	50
Amortization of actuarial net gain and other adjustments from pension plan, net of tax	5	—
Total other comprehensive (loss) / income	(1,726)	50
Comprehensive income	<u>\$ 49,869</u>	<u>\$ 47,747</u>

See accompanying Notes to these Consolidated Financial Statements (Unaudited)

Axcelis Technologies, Inc.
Consolidated Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 133,963	\$ 167,297
Short-term investments	396,228	338,851
Accounts receivable, net	208,544	217,964
Inventories, net	312,170	306,482
Prepaid expenses and other current assets	54,544	49,397
Total current assets	1,105,449	1,079,991
Property, plant and equipment, net	53,032	53,971
Operating lease assets	29,557	30,716
Finance lease assets, net	16,310	16,632
Long-term restricted cash	6,652	6,654
Deferred income taxes	54,525	53,428
Other assets	41,094	40,575
Total assets	<u>\$ 1,306,619</u>	<u>\$ 1,281,967</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 39,853	\$ 54,400
Accrued compensation	16,413	31,445
Warranty	14,355	14,098
Income taxes	26,850	6,164
Deferred revenue	164,700	164,677
Current portion of finance lease obligation	1,503	1,511
Other current liabilities	12,894	12,834
Total current liabilities	276,568	285,129
Long-term finance lease obligation	43,328	43,674
Long-term deferred revenue	43,718	46,208
Other long-term liabilities	41,262	42,074
Total liabilities	404,876	417,085
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Common stock, \$0.001 par value, 75,000 shares authorized; 32,605 shares issued and outstanding at March 31, 2024; 32,685 shares issued and outstanding at December 31, 2023	33	33
Additional paid-in capital	546,979	547,189
Retained earnings	358,303	319,506
Accumulated other comprehensive loss	(3,572)	(1,846)
Total stockholders' equity	901,743	864,882
Total liabilities and stockholders' equity	<u>\$ 1,306,619</u>	<u>\$ 1,281,967</u>

See accompanying Notes to these Consolidated Financial Statements (Unaudited)

Axcelis Technologies, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2022	32,775	\$ 33	\$ 550,299	\$ 118,892	\$ (1,968)	\$ 667,256
Net income	—	—	—	47,697	—	47,697
Foreign currency translation adjustments	—	—	—	—	50	50
Exercise of stock options	2	—	25	—	—	25
Issuance of common stock on restricted stock units, net of shares withheld	56	—	(3,907)	—	—	(3,907)
Stock-based compensation expense	—	—	3,199	—	—	3,199
Repurchase of common stock	(107)	—	(1,924)	(10,575)	—	(12,499)
Balance at March 31, 2023	<u>32,726</u>	<u>\$ 33</u>	<u>\$ 547,692</u>	<u>\$ 156,014</u>	<u>\$ (1,918)</u>	<u>\$ 701,821</u>
	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2023	32,685	\$ 33	\$ 547,189	\$ 319,506	\$ (1,846)	\$ 864,882
Net income	—	—	—	51,595	—	51,595
Foreign currency translation adjustments	—	—	—	—	(1,731)	(1,731)
Change in pension obligation	—	—	—	—	5	5
Issuance of common stock on restricted stock units, net of shares withheld	42	—	(2,699)	—	—	(2,699)
Stock-based compensation expense	—	—	4,690	—	—	4,690
Repurchase of common stock	(122)	—	(2,201)	(12,798)	—	(14,999)
Balance at March 31, 2024	<u>32,605</u>	<u>\$ 33</u>	<u>\$ 546,979</u>	<u>\$ 358,303</u>	<u>\$ (3,572)</u>	<u>\$ 901,743</u>

See accompanying Notes to these Consolidated Financial Statements (Unaudited)

Axcelis Technologies, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three months ended	
	March 31,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 51,595	\$ 47,697
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,775	3,100
Deferred income taxes	(1,097)	(3,621)
Stock-based compensation expense	4,690	3,199
Provision for doubtful accounts	(459)	—
Provision for excess and obsolete inventory	1,445	1,069
Accretion of discounts and premiums on marketable securities	(3,306)	(2,840)
Currency loss on foreign denominated transactions	6,560	1,343
Changes in operating assets and liabilities:		
Accounts receivable	7,042	(20,762)
Inventories	(11,427)	(21,105)
Prepaid expenses and other current assets	(5,489)	(4,794)
Accounts payable and other current liabilities	(29,118)	(22,976)
Deferred revenue	(1,963)	47,160
Income taxes	21,374	8,891
Other assets and liabilities	(1,399)	(1,802)
Net cash provided by operating activities	42,223	34,559
Cash flows from investing activities		
Expenditures for property, plant and equipment and capitalized software	(1,620)	(2,240)
Purchase of short-term investments	(145,121)	(61,809)
Maturities of short-term investments	91,050	31,000
Net cash used in investing activities	(55,691)	(33,049)
Cash flows from financing activities		
Net settlement on restricted stock grants	(2,699)	(3,907)
Repurchase of common stock	(14,999)	(12,499)
Principal payments on finance lease obligation	(357)	(289)
Proceeds from exercise of stock options	—	25
Net cash used in financing activities	(18,055)	(16,670)
Effect of exchange rate changes on cash and cash equivalents	(1,813)	(55)
Net decrease in cash, cash equivalents and restricted cash	(33,336)	(15,215)
Cash, cash equivalents and restricted cash at beginning of period	173,951	186,347
Cash, cash equivalents and restricted cash at end of period	<u>\$ 140,615</u>	<u>\$ 171,132</u>

See accompanying Notes to these Consolidated Financial Statements (Unaudited)

Axcelis Technologies, Inc.
Notes to Consolidated Financial Statements (Unaudited)

Note 1. Nature of Business

Axcelis Technologies, Inc. (“Axcelis” or the “Company”) was incorporated in Delaware in 1995 and is a producer of ion implantation equipment used in the fabrication of semiconductor chips in the United States, Europe and Asia. In addition, we provide extensive worldwide aftermarket service and support, including spare parts, equipment upgrades, used equipment and maintenance services to the semiconductor industry.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments which are of a normal recurring nature and considered necessary for a fair presentation of these financial statements have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for other interim periods or for the year as a whole.

The balance sheet at December 31, 2023 has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. As of March 31, 2024, there have been no material changes in the Company’s significant accounting policies, other than with respect to the Company’s accounting policy for derivative financial instruments, which it had not held in prior periods, as described in Note 2 below. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the “SEC”) on February 23, 2024, as amended by Amendment No. 1 thereto, filed with the SEC on February 28, 2024 (as so amended, the “2023 Form 10-K”).

Note 2. Significant Accounting Policies

Derivative instruments

We are exposed to certain risks relating to our ongoing business operations, including market risks relating to fluctuations in foreign currency exchange rates. We have entered into forward exchange contracts in order to mitigate risks associated with fluctuations in exchange rates on forecasted transactions denominated in foreign currencies and to minimize the impact of foreign currency fluctuations on our earnings and cash flows. These contracts have month-to-month settlement dates. As of March 31, 2024, we had open contracts with a notional value of \$100 million. We measure these instruments at fair value and recognize assets or liabilities associated with the intrinsic value on these open contracts on the Consolidated Balance Sheets at the end of each reporting period. At March 31, 2024, the recognized unrealized gain on these forward exchange contracts was approximately \$18 thousand and is included in other current assets within our Consolidated Balance Sheets. Unrealized gains and losses are shown in our cash flows from operating activities within our Consolidated Statement of Cash Flows. We have not designated these forward exchange contracts as hedging instruments and we record changes in the fair values at each measurement date in Other, net on the Consolidated Statements of Operations. For the three months ended March 31, 2024, we recorded \$1.5 million of gain on forward currency exchange contracts.

We do not offset fair value amounts of derivative instruments. We do not use derivative instruments for speculative purposes.

Note 3. Stock-Based Compensation

We maintain the Axcelis Technologies, Inc. 2012 Equity Incentive Plan, as amended (the “2012 Equity Plan”), which became effective on May 2, 2012, and permits the issuance of options, restricted stock, restricted stock units (“RSUs”) and performance awards to selected employees, directors and consultants of the Company.

The 2012 Equity Plan is more fully described in Note 13 to the consolidated financial statements in our 2023 Form 10-K.

We recognized stock-based compensation expense of \$4.7 million and \$3.2 million for the three-month periods ended March 31, 2024 and 2023, respectively. These amounts include compensation expense related to RSUs and non-qualified stock options.

In the three-month period ended March 31, 2024, we issued 41,941 shares of common stock upon vesting of RSUs. In the three-month period ended March 31, 2023, we issued 57,604 shares of common stock upon vesting of RSUs and stock option exercises. In the three-month period ended March 31, 2024, we received no proceeds in connection with the exercise of stock options. In the three-month period ended March 31, 2023, we received proceeds of \$25.0 thousand in connection with the exercise of stock options.

Note 4. Leases

We have operating leases for manufacturing, office space, warehouse space, computer and office equipment and vehicles used in our business operations. We have a finance lease in relation to the 2015 sale-leaseback of our corporate headquarters in Beverly, Massachusetts. We review all agreements to determine if the agreement contains a lease component. An agreement contains a lease component if it provides for the use of a specific physical space or a specific physical item.

We recognize operating lease obligations under Accounting Standards Codification Topic 842, *Leases* (“Topic 842”). The guidance in Topic 842 requires recognition of lease assets and related liabilities on a discounted basis using the explicit or implicit discount rate stated within the agreement. We recognize a corresponding right-of-use asset, which is initially determined based upon the net present value of the associated liability and is adjusted for deferred costs and possible impairment, if any. For those lease agreements that do not indicate the applicable discount rate, we use our incremental borrowing rate. We have made the following policy elections: (i) operating leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets; (ii) we recognize lease expense for operating leases on a straight-line basis over the lease term; and (iii) we account for lease components and non-lease components that are fixed payments as one component. Some of our operating leases include one or more options to renew, with renewal terms that can extend the respective lease term by one to three years. The exercise of lease renewal options is at our sole discretion. For lease extensions that are reasonably certain to occur, we have included the renewal periods in our calculation of the net present value of the lease obligation and related right-of-use asset. Certain leases also include options to purchase the leased property. The depreciable life of certain assets and leasehold improvements is limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. The amounts of operating and finance lease right-of-use assets and related lease obligations recorded within our consolidated balance sheets are as follows:

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Leases	Classification	March 31,	December 31,
		2024	2023
Assets			
(in thousands)			
Operating leases	Operating lease assets	\$ 29,557	\$ 30,716
Finance lease	Finance lease assets*	16,310	16,632
Total leased assets		\$ 45,867	\$ 47,348
Liabilities			
Current			
Operating	Other current liabilities	\$ 4,645	\$ 4,978
Finance	Current portion of finance lease obligation	1,503	1,511
Non-current			
Operating	Other long-term liabilities	24,963	25,724
Finance	Finance lease obligation	43,328	43,674
Total lease liabilities		\$ 74,439	\$ 75,887

*Finance lease assets are recorded net of accumulated depreciation of \$46.7 million and include \$0.6 million of prepaid financing costs as of March 31, 2024. Finance lease assets are recorded net of accumulated depreciation of \$46.4 million and include \$0.6 million of prepaid financing costs as of December 31, 2023.

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All of our operating lease office locations support selling and servicing functions. Our Axcelis Asia Operations Center facility in South Korea brings production capability closer to our Asia-based customers. Our state-of-the-art 101,800 square foot logistics and flex manufacturing center was built to our specifications in Beverly, Massachusetts. Operating lease expense and depreciation and interest expense relating to our finance lease obligation are recognized within our Consolidated Statement of Operations for the three months ended March 31, 2024 and 2023 as follows:

Lease cost	Classification	Three months ended	
		March 31,	
		2024	2023
Operating lease cost		(in thousands)	
Product / services*	Cost of revenue	\$ 1,828	\$ 1,466
Research and development	Operating expenses	123	106
Sales and marketing*	Operating expenses	451	396
General and administrative*	Operating expenses	194	276
Total operating lease cost		<u>\$ 2,596</u>	<u>\$ 2,244</u>
Finance lease cost			
Depreciation of leased assets	Cost of revenue, Research and development, Sales and marketing and General and administrative	\$ 319	\$ 319
Interest on lease liabilities	Interest expense	1,197	1,231
Total finance lease cost		<u>\$ 1,516</u>	<u>\$ 1,550</u>
Total lease cost		<u>\$ 4,112</u>	<u>\$ 3,794</u>

* Product / services, sales and marketing and general and administrative expense also includes short-term lease and variable lease costs of approximately \$0.6 million and \$0.5 million for the three months ended March 31, 2024 and 2023, respectively.

The lease of our corporate headquarters, shown below under finance leases, had an original lease term of 22 years, beginning in January 2015 and expiring in January 2037, with renewal options. All other locations are treated as operating leases, with lease terms ranging from one to 16 years. The tables below reflect the minimum cash outflow regarding our current lease obligations as well as the weighted-average remaining lease term and weighted-average discount rates used in our calculation of our lease obligations and right-of-use assets as of March 31, 2024:

Maturity of Lease Liabilities	Finance Leases	Operating Leases	Total Leases
		(in thousands)	
2024	\$ 4,698	\$ 4,979	\$ 9,677
2025	5,930	3,484	9,414
2026	6,008	2,443	8,451
2027	6,128	1,915	8,043
2028	6,251	22,730	28,981
Thereafter	55,336	42,139	97,475
Total lease payments	<u>\$ 84,351</u>	<u>\$ 77,690</u>	<u>\$ 162,041</u>
Less interest portion*	(39,520)	(48,082)	(87,602)
Finance lease and operating lease obligations	<u>\$ 44,831</u>	<u>\$ 29,608</u>	<u>\$ 74,439</u>

* Finance lease interest calculated using the implied interest rate; operating lease interest calculated using estimated corporate borrowing rate.

The table above does not include options to renew lease terms that are not reasonably certain of being exercised.

Lease term and discount rate	March 31, 2024
Weighted-average remaining lease term (years):	
Operating leases	11.5
Finance leases	12.8
Weighted-average discount rate:	
Operating leases	5.5%
Finance leases	10.5%

Our cash outflows from our operating leases include rent expense and other charges associated with these leases. These cash flows are included within the operating activities section of our statement of cash flows. Our cash flows from our finance lease include both an interest component and a principal component. The table below shows our cash outflows by lease type and related section of our statement of cash flows, as well as the non-cash amount capitalized on our balance sheet in relation to our operating lease right-of-use assets for the three months ended March 31, 2024 and 2023, respectively:

Cash paid for amounts included in the measurement of lease liabilities	Three months ended March 31,	
	2024	2023
	(in thousands)	
Operating cash outflows from operating leases	\$ 2,596	\$ 2,244
Operating cash outflows from finance leases	1,197	1,231
Financing cash outflows from finance leases	357	289
Operating lease assets obtained in exchange for operating lease liabilities	632	757
Finance lease assets obtained in exchange for new finance lease liabilities	—	—

Note 5. Revenue

To reflect the organization of our business operations, we divide revenue into two categories: revenue from sales of new systems and revenue arising from the sale of used systems, parts and labor to customers who own systems, which we refer to as “Aftermarket.”

Revenue by categories used by management are as follows:

	Three months ended March 31,	
	2024	2023
	(in thousands)	
Systems	\$ 195,432	\$ 195,198
Aftermarket	56,940	58,822
Total Revenue	<u>\$ 252,372</u>	<u>\$ 254,020</u>

We also consider revenue by geography. Revenue is allocated to geographic markets based upon the location to which our products are shipped and in which our services are performed. Revenue in our principal geographic markets is as follows:

	Three months ended	
	March 31,	
	2024	2023
	(in thousands)	
North America	\$ 45,503	\$ 45,166
Asia Pacific	188,217	191,103
Europe	18,652	17,751
Total Revenue	<u>\$ 252,372</u>	<u>\$ 254,020</u>

Our system sales revenue transactions give rise to contract liabilities (in the case of pre-payments and the fair value of goods and services to be delivered after the system delivery, such as installation and certain warranty obligations).

Contract liabilities are as follows:

	March 31,	December 31,
	2024	2023
	(in thousands)	
Contract liabilities	<u>\$ 208,418</u>	<u>\$ 210,885</u>

Contract liabilities are reflected as deferred revenue on the consolidated balance sheets and include payments received in advance of system sales as well as deferral of revenue from systems sales for installation and other future performance obligations. Contract liabilities are recognized as revenue upon the fulfillment of performance obligations.

	Three months ended	
	March 31,	
	2024	2023
	(in thousands)	
Balance, beginning of the period	\$ 210,885	\$ 154,777
Deferral of revenue	42,974	88,048
Recognition of deferred revenue	(45,441)	(41,100)
Balance, end of the period	<u>\$ 208,418</u>	<u>\$ 201,725</u>

The majority of our system transactions have either (1) payment terms of 90% due upon shipment of the system and 10% due upon acceptance or (2) a pre-shipment deposit ranging from 20% to 60%, with the remainder due upon shipment, less 10% due at acceptance. Aftermarket transaction payment terms typically provide that payment is due either within 30 or 60 days after the service is provided or parts delivered.

Note 6. Receivables and Allowances for Credit Losses

All trade receivables are reported on the consolidated balance sheets at their amortized cost adjusted for any write-offs and net of allowances for credit losses.

We maintain an allowance for credit losses, which represents an estimate of expected losses over the remaining contractual life of our receivables, considering current market conditions and estimates for supportable forecasts when appropriate. The estimate is a result of our ongoing assessments and evaluations of collectability, historical loss experience, and future expectations in estimating credit losses in our receivable portfolio. We use historical loss experience rates and apply them to a related aging analysis while also considering customer and/or economic risk where appropriate. Determination of the proper amount of allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, as a result, net earnings. The allowance takes into consideration numerous quantitative and qualitative factors that include receivable type, historical loss

experience, loss migration, delinquency trends, collection experience, current economic conditions, trade restrictions, estimates for supportable forecasts, when appropriate, and credit risk characteristics.

We evaluate the credit risk of the customer when extending credit based on a combination of financial and qualitative factors that may affect our customers' ability to pay. These factors may include the customer's financial condition, past payment experience, and credit bureau report, as well as the value of the underlying collateral.

Management performs detailed reviews of our receivables on a quarterly basis to assess the adequacy of the allowances and to determine if any impairment has occurred. Amounts determined to be uncollectable are charged directly against the allowances, while amounts recovered on previously written-off accounts increase the allowances. Changes to the allowances for credit losses are maintained through adjustments to the provision for credit losses, which are charged to current period earnings. We recorded \$0.5 million of recovery of bad debt expense for the three-month period ended March 31, 2024. We did not have any allowance or incur any credit losses or recoveries for the three-month period ended March 31, 2023. As of both March 31, 2024 and 2023, we had no provision for credit losses.

Note 7. Computation of Net Earnings per Share

Basic earnings per share is computed by dividing income available to common stockholders (the numerator) by the weighted-average number of shares of common stock outstanding (the denominator) for the period. The computation of diluted earnings per share is similar to basic earnings per share, except that the denominator is increased by the number of additional shares of common stock that would have been outstanding if the potentially dilutive shares of common stock issuable on exercise of stock options and vesting of RSUs had been issued, calculated using the treasury stock method.

The components of net earnings per share are as follows:

	Three months ended March 31,	
	2024	2023
Net income available to common stockholders	\$ 51,595	\$ 47,697
Weighted average shares of common stock outstanding used in computing basic income per share	32,638	32,744
Incremental options and RSUs	288	549
Weighted average shares of common stock used in computing diluted net income per share	32,926	33,293
Net income per share		
Basic	\$ 1.58	\$ 1.46
Diluted	\$ 1.57	\$ 1.43

Diluted weighted average shares of common stock outstanding does not include 19,548 and 1,120 common equivalent shares issuable with respect to outstanding equity awards for the three-month periods ended March 31, 2024 and 2023, respectively, as their effect would have been anti-dilutive.

Note 8. Accumulated Other Comprehensive Loss

The following table presents the changes in accumulated other comprehensive loss, net of tax, by component, for the three months ended March 31, 2024:

	Foreign currency	Defined benefit pension plan (in thousands)	Total
Balance at December 31, 2023	\$ (1,956)	\$ 110	\$ (1,846)
Other comprehensive loss and pension reclassification	(1,731)	5	(1,726)
Balance at March 31, 2024	\$ (3,687)	\$ 115	\$ (3,572)

Note 9. Cash, cash equivalents and restricted cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets to the total of the amounts shown in the statement of cash flows:

	March 31, 2024	December 31, 2023
	(in thousands)	
Cash and cash equivalents	\$ 133,963	\$ 167,297
Long-term restricted cash	6,652	6,654
Total cash, cash equivalents and restricted cash	<u>\$ 140,615</u>	<u>\$ 173,951</u>

As of March 31, 2024, we had \$6.7 million in restricted cash representing the total of (i) a \$5.9 million cash collateral relating to our lease for our headquarters in Beverly, Massachusetts, (ii) a \$0.7 million letter of credit relating to workers' compensation insurance and (iii) a \$0.1 million deposit relating to customs activity. See Note 13 for further discussion on the \$5.9 million cash collateral.

Note 10. Inventories, net

The components of inventories are as follows:

	March 31, 2024	December 31, 2023
	(in thousands)	
Raw materials	\$ 236,480	\$ 231,200
Work in process	47,455	45,373
Finished goods (completed systems)	28,235	29,909
Inventories, net	<u>\$ 312,170</u>	<u>\$ 306,482</u>

When recorded, inventory reserves reduce the carrying value of inventories to their net realizable value. We establish inventory reserves when conditions exist that indicate inventory may be in excess of anticipated demand or is obsolete based upon assumptions about future demand for our products or market conditions. We regularly evaluate the ability to realize the value of inventories based on a combination of factors including the following: forecasted sales or usage, estimated product end of life dates, estimated current and future market value and new product introductions. Purchasing and usage alternatives are also explored to mitigate inventory exposure.

Note 11. Product Warranty

We generally offer a one-year warranty for all of our systems, the terms and conditions of which vary depending upon the product sold. For all systems sold, we accrue a liability for the estimated cost of standard warranty at the time of system shipment and, if applicable, defer the portion of systems revenue attributable to non-standard warranty. Costs for non-standard warranty are expensed as incurred. Factors that affect our warranty liability include the number of installed units, historical and anticipated product failure rates, material usage and service labor costs. We periodically assess the adequacy of our recorded liability and adjust the amount as necessary.

The changes in our standard product warranty liability are as follows:

	Three months ended	
	March 31,	
	2024	2023
	(in thousands)	
Balance at January 1 (beginning of year)	\$ 16,757	\$ 10,487
Warranties issued during the period	2,809	2,629
Settlements made during the period	(3,022)	(2,587)
Changes in estimate of liability for pre-existing warranties during the period	88	865
Balance at March 31 (end of period)	<u>\$ 16,632</u>	<u>\$ 11,394</u>
Amount classified as current	\$ 14,355	\$ 9,599
Amount classified as long-term (within other long-term liabilities)	2,277	1,795
Total warranty liability	<u>\$ 16,632</u>	<u>\$ 11,394</u>

Note 12. Fair Value Measurements

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

(a) Fair Value Hierarchy

The accounting guidance for fair value measurement requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1 - applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

(b) Fair Value Measurements

Our money market funds and short-term investments with initial maturities of three months or less are included in cash and cash equivalents in the consolidated balance sheets. Other investments that have a maturity of greater than three months but less than one year are included within short-term investments in the consolidated balance sheets.

The following table sets forth our assets by level within the fair value hierarchy:

	March 31, 2024			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Cash equivalents and other short-term investments:				
Cash equivalents (money market funds, U.S. Government Securities and Agency Investments)	\$ 74,229	\$ —	\$ —	\$ 74,229
Short-term investments (U.S. Government Securities and Agency Investments)	396,154	—	—	396,154
Mark-to-market adjustment on forward exchange contracts	—	18	—	18
Total	\$ 470,383	\$ 18	\$ —	\$ 470,401
	December 31, 2023			
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Cash equivalents and other short-term investments:				
Cash equivalents (money market funds, U.S. Government Securities and Agency Investments)	\$ 118,278	\$ —	\$ —	\$ 118,278
Short-term investments (U.S. Government Securities and Agency Investments)	339,240	—	—	339,240
Total	\$ 457,518	\$ —	\$ —	\$ 457,518

(c) Other Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for accounts receivable, prepaid expenses, forward currency exchange contracts and other current assets and non-current assets, restricted cash, accounts payable and accrued expenses approximate fair value due to their short-term maturities.

(d) Forward Currency Exchange Contracts

Beginning in February 2024, we entered into forward currency exchange contracts to minimize the impact of foreign currency fluctuations on our earnings and cash flows. These contracts have month-to-month settlement dates. Any gains or losses on these contracts are reported within Other, net within our Consolidated Statement of Operations. Any open contracts at period end that have settlement dates within one month after the reported period end and any mark-to-market valuation adjustments related to these open contracts are recorded within the current asset or current liability account and any unrealized gain or loss recognized is recorded within Other, net within our Consolidated Statement of Operations. These contracts are measured at fair value using observable market inputs such as forward currency exchange rates and our counterparties' credit risks. Based on these inputs, the derivative instruments are classified within Level 2 of the valuation hierarchy. At March 31, 2024, the recognized unrealized gain on these forward exchange contracts was approximately \$18 thousand and is included in other current assets within our Consolidated Balance Sheets. Based on our continued ability to trade and enter into forward contracts, we consider the markets for our fair value instruments to be active. We evaluated the credit risk associated with the counterparties to these derivative instruments and determined that as of March 31, 2024, such credit risks have not had an adverse impact on the fair value of these instruments.

Note 13. Financing Arrangements

On January 30, 2015, we sold our corporate headquarters facility in Beverly, Massachusetts for \$48.9 million. As part of the sale, we also entered into a 22-year lease agreement of our headquarters facility. This sale-leaseback is accounted for as a financing lease under generally accepted accounting principles and, as such, we have recorded a financing obligation of \$44.8 million as of March 31, 2024. The associated lease payments include both an interest component and payment of principal, with the remaining liability being extinguished at the end of the original lease term.

As of March 31, 2024, we had a security deposit of \$5.9 million related to this lease in the form of a cash collateralized letter of credit issued with UBS Bank USA, which is classified as long-term restricted cash on our balance sheet at March 31, 2024.

Note 14. Income Taxes

Income tax expense was \$7.4 million for the three months ended March 31, 2024, compared to \$5.2 million for the three months ended March 31, 2023. The \$2.2 million increase was primarily due to an increase in pre-tax income and a decrease in stock compensation deduction partially offset by the tax deduction related to foreign sales taxed at a lower rate.

The effective tax rate for the three months ended March 31, 2024 was less than the U.S. statutory rate of 21% due to a forecasted Foreign Derived Intangible Income deduction, Federal research and development tax credits and a favorable discrete item related to equity compensation that reduces the annual tax rate.

The deferred income taxes of \$54.5 million and \$53.4 million as of March 31, 2024 and December 31, 2023, respectively, reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. As of March 31, 2024, we have recorded a \$10.8 million valuation allowance in the U.S. against certain tax credits and state net operating losses due to the uncertainty of their realization. Realization of our net deferred tax assets is dependent on future taxable income. We believe it is more likely than not that such assets will be realized; however, ultimate realization could be impacted by market conditions and other variables not known or anticipated at this time.

Note 15. Concentration of Risk

For the three months ended March 31, 2024, no individual customer accounted for greater than ten percent of total revenue. For the three months ended March 31, 2023, two customers accounted for 15.2% and 12.9% of total revenue, respectively.

At March 31, 2024, no individual customer accounted for greater than ten percent of accounts receivable. At December 31, 2023, one customer accounted for 12.2% of accounts receivable.

Note 16. Share Repurchase

In February 2022, our Board of Directors approved stock repurchases of up to \$100 million of our common stock. In August 2023, our Board of Directors approved additional funding of \$200 million for our stock repurchase program, to be available on full utilization of the \$100 million repurchase funding approved in February 2022. During the three months ended March 31, 2024, we repurchased 0.1 million shares at an average cost of \$122.99 per share. The timing and actual number of any additional shares to be repurchased under this program will depend on various factors including price, corporate and regulatory requirements, alternative investment opportunities and other market conditions.

Repurchased shares are accounted for when the transaction is settled and returned to the status of authorized but unissued shares. Accordingly, on our balance sheet, the repurchase price is deducted from common stock par value and from additional paid-in capital for the excess over par value. If additional paid-in capital has been exhausted, the excess over par value is deducted from retained earnings. Direct costs incurred to acquire the shares are included in the total cost of the shares.

Note 17. Contingencies

(a) Litigation

We are from time to time a party to litigation that arises in the normal course of our business operations. We are not presently a party to any litigation that we believe might have a material adverse effect on our business operations.

(b) Indemnifications

Our system sales agreements typically include provisions under which we agree to take certain actions, provide certain remedies and defend our customers against third-party claims of intellectual property infringement under specified conditions and indemnify customers against any damage and costs awarded in connection with such claims. We have not incurred any material costs as a result of such indemnifications and have not accrued any liabilities related to such obligations in the accompanying consolidated financial statements.

Note 18. Recent Accounting Guidance

In November 2023 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”). ASU 2023-07 is intended to enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC Topic 280, Segment Reporting (“ASC 280”). ASC 280 requires a public entity to report for each reportable segment a measure of segment profit or loss that its chief operating decision maker (“CODM”) uses to assess segment performance and to make decisions about resource allocations. ASU 2023-07 is intended to improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more useful financial analyses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply ASU 2023-07 retrospectively to all prior periods presented in the consolidated financial statements. We are currently evaluating the impact of ASU 2023- on our future consolidated financial statements and related disclosures.

In December 2023 the FASB issued Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 addresses investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. Early adoption is permitted. A public entity should apply ASU 2023-09 prospectively to all annual periods beginning after December 15, 2024. We are currently evaluating the impact of ASU 2023-09 on our future consolidated financial statements and related disclosures.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements within "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements that involve risks and uncertainties. Words such as may, will, should, would, anticipates, expects, intends, plans, believes, seeks, estimates and similar expressions identify such forward-looking statements. The forward-looking statements contained herein are based on current expectations and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. Factors that might cause such a difference include, among other things, those set forth under "Liquidity and Capital Resources" below and under "Risk Factors" in Part I, Item 1A to our [2023 Form 10-K](#), which discussion is incorporated herein by reference. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting forward-looking statements, except as may be required by law.

Overview

We are primarily a producer of ion implantation equipment used in the fabrication of semiconductor chips in the United States, Europe, and Asia. In addition, we provide extensive worldwide aftermarket service and support, including spare parts, equipment upgrades and maintenance services to the semiconductor industry. Our product development and manufacturing activities currently occur primarily in the United States and South Korea. Our equipment and service products are highly technical and are sold through a direct sales force in the United States, Europe, and Asia. Consolidation and partnering within the semiconductor manufacturing industry has resulted in a small number of customers representing a substantial portion of our business. Our ten largest customers accounted for 54.8% of total revenue for the three months ended March 31, 2024.

The first three months of 2024 exhibited continued strong demand for our capital equipment. The overall mature process segment represented 99% of our shipped systems revenue, with 1% of shipments to dynamic random-access memory (“DRAM”). Power device shipments comprised 55% of total systems revenue with the general mature segment representing 41%, and image sensors at 3%. Looking ahead, we expect that the general mature process technology markets may improve in the second half of 2024, and DRAM and “Not AND” memory segments are forecast to have a strong year in 2025.

Critical Accounting Estimates

Management’s discussion and analysis of our financial condition and results of operations included herein and in our 2023 Form 10-K are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions. Management’s estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management has not identified any need to make any material change in, and has not changed, any of our critical accounting estimates and judgments as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2023 Form 10-K.

Results of Operations

The following table sets forth our results of operations as a percentage of total revenue:

	Three months ended March 31,	
	2024	2023
Revenue:		
Product	96.5 %	96.8 %
Services	3.5	3.2
Total revenue	100.0	100.0
Cost of revenue:		
Product	50.7	56.2
Services	3.3	2.8
Total cost of revenue	54.0	59.0
Gross profit	46.0	41.0
Operating expenses:		
Research and development	10.2	9.4
Sales and marketing	6.9	5.6
General and administrative	6.5	5.8
Total operating expenses	23.6	20.8
Income from operations	22.4	20.2
Other income (expense):		
Interest income	2.2	1.5
Interest expense	(0.5)	(0.5)
Other, net	(0.7)	(0.4)
Total other income	1.0	0.6
Income before income taxes	23.4	20.8
Income tax provision	2.9	2.0
Net income	20.5 %	18.8 %

Revenue

The following table sets forth our product and services revenue:

	Three months ended March 31,		Period-to-Period Change	
	2024	2023	\$	%
Revenue:				
Product	\$ 243,418	\$ 246,007	\$ (2,589)	(1.1)%
<i>Percentage of revenue</i>	96.5 %	96.8 %		
Services	8,954	8,013	941	11.7 %
<i>Percentage of revenue</i>	3.5 %	3.2 %		
Total revenue	\$ 252,372	\$ 254,020	\$ (1,648)	(0.6)%

Product

Product revenue, which includes systems sales, sales of spare parts, product upgrades and used systems, was \$243.4 million, or 96.5% of revenue, during the three months ended March 31, 2024, compared with \$246.0 million, or 96.8% of revenue, for the three months ended March 31, 2023. The \$2.6 million decrease in product revenue for the three-month period ended March 31, 2024, in comparison to the same period in 2023, was primarily driven by a decrease in aftermarket sales.

Deferred revenue includes payments received in advance of system sales as well as deferral of revenue from systems sales for installation and other future performance obligations. The total amount of deferred revenue at March 31, 2024 and December 31, 2023 was \$208.4 million and \$210.9 million, respectively.

Services

Services revenue, which includes the labor component of maintenance and service contracts and fees for service hours provided by on-site service personnel, was \$9.0 million, or 3.5% of revenue, for the three months ended March 31, 2024, compared with \$8.0 million, or 3.2% of revenue, for the three months ended March 31, 2023. Although services revenue typically increases with the expansion of the installed base of systems, it can fluctuate from period to period based on capacity utilization at customers' manufacturing facilities, which affects the need for equipment service.

Revenue Categories used by Management

In addition to the line item revenue categories discussed above, management also regularly disaggregates revenue in the following categories, which it finds relevant and useful:

- Systems and Aftermarket revenues, in which "Aftermarket" is:
 - A. The portion of Product revenue relating to spare parts, product upgrades and used equipment, combined with
 - B. Services revenue, which is the labor component of Aftermarket revenues;

(Aftermarket purchases reflect current fab utilization as opposed to Systems purchases which reflect capital investment decisions by our customers, which have differing economic drivers);

- Revenue by geographic regions, since economic factors impacting customer purchasing decisions may vary by geographic region; and
- Revenue by our customer market segments, since they can be subject to different economic drivers at different periods of time, impacting a customer's likelihood of purchasing capital equipment during any particular period. Currently, management references three customer market segments: memory, mature process technology and leading edge foundry and logic.

Aftermarket and Systems Revenue

Included in total revenue of \$252.4 million during the three months ended March 31, 2024 is revenue from our Aftermarket business of \$56.9 million, compared with \$58.8 million of Aftermarket revenue for the three months ended March 31, 2023. Aftermarket revenue fluctuates from period to period based on capacity utilization at customers' manufacturing facilities, which affects the sale of spare parts and demand for equipment service. Aftermarket revenue can also fluctuate from period to period based on the demand for system upgrades or used equipment. The remaining \$195.5 million of revenue for the three months ended March 31, 2024 was from system sales, compared with \$195.2 million of systems revenue for the three months ended March 31, 2023. Systems revenue fluctuates from period to period based on our customers' capital spending.

Gross Profit / Gross Margin

The following table sets forth our gross profit / gross margin:

	Three months ended March 31,		Period-to-Period Change	
	2024	2023	\$	%
Gross Profit:				
Product	\$ 115,506	\$ 103,236	\$ 12,270	11.9 %
<i>Product gross margin</i>	47.5 %	42.0 %		
Services	545	783	(238)	(30.4)%
<i>Services gross margin</i>	6.1 %	9.8 %		
Total gross profit	<u>\$ 116,051</u>	<u>\$ 104,019</u>	<u>\$ 12,032</u>	11.6 %
Gross margin	46.0 %	41.0 %		

Product

Gross margin from product revenue was 47.5% for the three months ended March 31, 2024, compared to 42.0% for the three months ended March 31, 2023. The increase in gross margin primarily resulted from a favorable mix of system revenue.

Services

Gross margin from services revenue was 6.1% for the three months ended March 31, 2024, compared to 9.8% for the three months ended March 31, 2023. The decrease in gross margin is attributable to changes in the mix of service contracts.

Operating Expenses

The following table sets forth our operating expenses:

	Three months ended March 31,		Period-to-Period Change	
	2024	2023	\$	%
Research and development	\$ 25,662	\$ 23,773	\$ 1,889	7.9 %
<i>Percentage of revenue</i>	10.2 %	9.4 %		
Sales and marketing	17,445	14,144	3,301	23.3 %
<i>Percentage of revenue</i>	6.9 %	5.6 %		
General and administrative	16,405	14,745	1,660	11.3 %
<i>Percentage of revenue</i>	6.5 %	5.8 %		
Total operating expenses	<u>\$ 59,512</u>	<u>\$ 52,662</u>	<u>\$ 6,850</u>	13.0 %
<i>Percentage of revenue</i>	23.6 %	20.8 %		

Our operating expenses consist primarily of personnel costs, including salaries, commissions, incentive-based compensation, stock-based compensation and related benefits and taxes; project material costs related to the design and development of new products and enhancement of existing products; and professional fees, travel and depreciation expenses.

Personnel costs are our largest expense, representing \$36.4 million, or 61.2%, of our total operating expenses for the three months ended March 31, 2024, compared to \$30.7 million, or 58.2%, of our total operating expenses for the three months ended March 31, 2023. The higher personnel costs for the three months ended March 31, 2024 are primarily due to increases in salary associated with an increase in headcount as well as bonus and stock compensation expenses.

Research and Development

	Three months ended March 31,		Period-to-Period Change	
	2024	2023	\$	%
Research and development	\$ 25,662	\$ 23,773	\$ 1,889	7.9 %
<i>Percentage of revenue</i>	<i>10.2 %</i>	<i>9.4 %</i>		

Our ability to remain competitive depends largely on continuously developing innovative technology, with new and enhanced features and systems and introducing them at competitive prices on a timely basis. Accordingly, based on our strategic plan, we establish annual research and development budgets to fund programs that we expect will solve customers' high value, high impact, ion implantation challenges.

Research and development expense was \$25.7 million during the three months ended March 31, 2024, an increase of \$1.9 million, or 7.9%, compared with \$23.8 million during the three months ended March 31, 2023. The increase is primarily due to higher personnel expenses associated with an increase in headcount.

Sales and Marketing

	Three months ended March 31,		Period-to-Period Change	
	2024	2023	\$	%
Sales and marketing	\$ 17,445	\$ 14,144	\$ 3,301	23.3 %
<i>Percentage of revenue</i>	<i>6.9 %</i>	<i>5.6 %</i>		

Our sales and marketing expenses result primarily from the sale of our equipment and services through our direct sales force.

Sales and marketing expense was \$17.4 million during the three months ended March 31, 2024, an increase of \$3.3 million, or 23.3%, compared with \$14.1 million during the three months ended March 31, 2023. The increase is primarily due to higher personnel expenses associated with an increase in headcount.

General and Administrative

	Three months ended March 31,		Period-to-Period Change	
	2024	2023	\$	%
General and administrative	\$ 16,405	\$ 14,745	\$ 1,660	11.3 %
<i>Percentage of revenue</i>	<i>6.5 %</i>	<i>5.8 %</i>		

Our general and administrative expenses result primarily from the costs associated with our executive, finance, information technology, legal and human resource functions.

General and administrative expense was \$16.4 million during the three months ended March 31, 2024, an increase of \$1.7 million, or 11.3%, compared with \$14.7 million during the three months ended March 31, 2023. The increase is primarily due to higher personnel expenses associated with an increase in headcount.

Other Income (Expense)

	Three months ended March 31,		Period-to-period change	
	2024	2023	\$	%
Other income (expense):	\$ 2,460	\$ 1,545	\$ 915	59.2 %
<i>Percentage of revenue</i>	<i>1.0 %</i>	<i>0.6 %</i>		

Other income (expense) consists of interest earned and accretion on our invested cash balances, interest expense relating to the finance lease obligation we incurred in connection with the 2015 sale of our headquarters facility and other financing obligations as well as foreign exchange gains and losses attributable to both fluctuations of the U.S. dollar against local currencies of the countries in which we operate and forward currency exchange contracts.

Other income was \$2.5 million for the three months ended March 31, 2024, compared with other income of \$1.5 million for the three months ended March 31, 2023. The \$0.9 million change in other income (expense) compared to the same prior year period was primarily due to an increase in interest income of \$1.6 million and an increase in foreign exchange losses of \$2.2 million partially offset by foreign exchange gains of \$1.5 million from forward currency exchange contracts.

Income Tax Provision

	Three months ended March 31,		Period-to-period change	
	2024	2023	\$	%
Income tax provision	\$ 7,404	\$ 5,205	\$ 2,199	42.2 %
<i>Percentage of revenue</i>	<i>2.9 %</i>	<i>2.0 %</i>		

Income tax expense was \$7.4 million for the three months ended March 31, 2024, compared to \$5.2 million for the three months ended March 31, 2023. The \$2.2 million increase was primarily due to an increase in pre-tax income and a decrease in stock compensation deduction partially offset by the tax deduction related to foreign sales taxed at a lower rate.

The effective tax rate for the three months ended March 31, 2024 was less than the U.S. statutory rate of 21% due to a forecasted Foreign Derived Intangible Income deduction, Federal research and development tax credits and a favorable discrete item related to equity compensation that reduces the annual tax rate.

The deferred income taxes of \$54.5 million and \$53.4 million as of March 31, 2024 and December 31, 2023, respectively, reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. As of March 31, 2024, we have recorded a \$10.8 million valuation allowance in the U.S. against certain tax credits and state net operating losses due to the uncertainty of their realization. Realization of our net deferred tax assets is dependent on future taxable income. We believe it is more likely than not that such assets will be realized; however, ultimate realization could be impacted by market conditions and other variables not known or anticipated at this time.

Liquidity and Capital Resources

At March 31, 2024, we had \$134.0 million in unrestricted cash and cash equivalents and \$396.2 million in short-term investments, in addition to \$6.7 million in restricted cash. Management believes that maintaining a strong cash balance is necessary to fund a continuing ramp in our business which can require significant cash investment to meet sudden demand. Additionally, we are using cash to repurchase shares as part of our stock repurchase program and are considering both organic and inorganic opportunities to drive future growth, for which cash resources will be necessary.

Our liquidity is affected by many factors. Some of these relate specifically to the operations of our business, for example, the rate of sales of our products, and others relate to the uncertainties of global economic conditions, including the availability of credit and the condition of the overall semiconductor equipment industry. Our industry requires ongoing investments in operations and research and development that are not easily adjusted to reflect changes in revenue. As a result, profitability and cash flows can fluctuate more widely than revenue. Stock repurchases, as discussed below, also reduce our cash balances.

During the three months ended March 31, 2024 and 2023, we generated \$42.2 million and \$34.6 million, respectively, of cash related to operating activities.

Investing activities for the three months ended March 31, 2024 resulted in cash outflows of \$55.7 million, \$1.6 million of which was used for capital expenditures and \$145.1 million of which was used to purchase short-term investments, offset by \$91.1 million related to maturities of short-term investments. Investing activities for the three months ended March 31, 2023 resulted in cash outflows of \$33.0 million, \$2.2 million of which was used for capital expenditures and \$61.8 million of which was used to purchase short-term investments, offset by \$31.0 million related to maturities of short-term investments.

Financing activities for the three months ended March 31, 2024 resulted in a cash usage of \$18.1 million. During the first three months of 2024, \$15.0 million in cash was used to repurchase our common stock and \$2.7 million was used for payments to government tax authorities for income tax withholding on employee compensation arising from the vesting of RSUs, where units are withheld by us to cover taxes, as well as \$0.4 million relating to the reduction of the liability under the finance lease of our corporate headquarters. In comparison, financing activities for the three months ended March 31, 2023 resulted in cash usage of \$16.7 million, \$12.5 million of which related to the repurchase of our common stock and \$3.9 million of which related to payments made to government tax authorities for income tax withholding on employee compensation arising from the vesting of RSUs, as well as \$0.3 million relating to the reduction of our financing lease liability.

As of March 31, 2024, we had a security deposit of \$5.9 million related to this lease in the form of a cash collateralized letter of credit issued with UBS Bank USA, which is classified as long-term restricted cash on our balance sheet.

We believe that based on our current market, revenue, expense and cash flow forecasts, our existing cash and cash equivalents will be sufficient to satisfy our anticipated cash requirements for the short- and long-term.

Commitments and Contingencies

Significant commitments and contingencies at March 31, 2024 are consistent with those discussed in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Note 16 to the consolidated financial statements included in our 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As of March 31, 2024, there have been no material changes to the quantitative information about market risk disclosed in Item 7A, “Quantitative and Qualitative Disclosures about Market Risk” included in our 2023 Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report (the “Evaluation Date”). Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, these disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control that occurred during the three months ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are, from time to time, a party to litigation that arises in the normal course of our business operations. We are not presently a party to any litigation that we believe might have a material adverse effect on our business operations.

Item 1A. Risk Factors.

As of March 31, 2024, there have been no material changes to the risk factors described in Item 1A, “Risk Factors” included in our 2023 Form 10-K.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

In February 2022, our Board of Directors authorized a share repurchase program for up to \$100 million of the Company’s common stock. This program was announced on March 1, 2022. In August 2023, our Board of Directors approved additional funding of \$200 million for our stock repurchase program, to be available upon the full utilization of the \$100 million repurchase funding approved in February 2022. This additional funding was announced on September 12, 2023. The Company’s share repurchase program does not have an expiration date.

The following table summarizes the stock repurchase activity, based upon settlement date, for the three months ended March 31, 2024 as well as the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

	Total Number of Shares Purchased	Average Price Paid per Share (in thousands except per share amounts)	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
January 1 through January 31	60	\$124.72	60	\$ 182,523
February 1 through February 29	62	\$121.31	62	175,007
March 1 through March 31	—	—	—	175,007
Total	122		122	

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

During the quarter ended March 31, 2024, no director or officer adopted or terminated any contract, instrument or written plan for the purchase or sale of Axcelis securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any non-Rule 10b5-1 trading arrangement as defined in Item 408(c) of Regulation S-K.

Item 6. Exhibits.

The following exhibits are filed herewith:

Exhibit No	Description
3.1	Restated Certificate of Incorporation of the Company filed November 2, 2017. Incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q filed with the Commission on November 3, 2017.
3.2	Bylaws of the Company, as amended as of May 11, 2022. Incorporated by reference to Exhibit 3.2 of the Company's Form 8-K filed with the SEC on May 11, 2022.
31.1*	Certification of the Principal Executive Officer under Exchange Act Rule 13a-14(a)/15d-14(a) (Section 302 of the Sarbanes-Oxley Act), dated May 2, 2024.
31.2*	Certification of the Principal Financial Officer under Exchange Act Rule 13a-14(a)/15d-14(a) (Section 302 of the Sarbanes-Oxley Act), dated May 2, 2024.
32.1**	Certification of the Principal Executive Officer pursuant to Section 1350 of Chapter 63 of title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act), dated May 2, 2024.
32.2**	Certification of the Principal Financial Officer pursuant to Section 1350 of Chapter 63 of title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act), dated May 2, 2024.
101*	The following materials from the Company's Form 10-Q for the quarter ended March 31, 2024, formatted in inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements (Unaudited). Filed herewith.
104*	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

* Filed herewith

** This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

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, thereunto duly authorized.

DATED: May 2, 2024

AXCELIS TECHNOLOGIES, INC.

By: /s/ JAMES G. COOGAN

James G. Coogan

Executive Vice President and Chief Financial Officer

Duly Authorized Officer and Principal Financial Officer

CERTIFICATION
of the Principal Executive Officer
Pursuant to Rule 13a-14(a)/15d-14(a) (implementing Section 302 of the Sarbanes-Oxley Act)

I, Russell J. Low, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Axcelis Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ RUSSELL J. LOW

Russell J. Low,
President and Chief Executive Officer

CERTIFICATION
of the Principal Financial Officer
Pursuant to Rule 13a-14(a)/15d-14(a) (implementing Section 302 of the Sarbanes-Oxley Act)

I, James G. Coogan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Axcelis Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ JAMES G. COOGAN

James G. Coogan,
Executive Vice President and Chief Financial Officer

AXCELIS TECHNOLOGIES, INC.
Certification of the Principal Executive Officer
Pursuant to Section 1350 of Chapter 63 of title 18 of the United States Code

The undersigned Chief Executive Officer of Axcelis Technologies, Inc., a Delaware corporation, hereby certifies, for the purposes of Section 1350 of Chapter 63 of title 18 of the United States Code (as implemented by Section 906 of the Sarbanes-Oxley Act of 2002) as follows:

This Form 10-Q quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and the information contained herein fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this Certification as of May 2, 2024.

/s/ RUSSELL J. LOW

Russell J. Low
*President and Chief Executive Officer of Axcelis
Technologies, Inc.*

AXCELIS TECHNOLOGIES, INC.
Certification of the Principal Financial Officer
Pursuant to Section 1350 of Chapter 63 of title 18 of the United States Code

The undersigned Chief Financial Officer of Axcelis Technologies, Inc., a Delaware corporation, hereby certifies, for the purposes of Section 1350 of Chapter 63 of title 18 of the United States Code (as implemented by Section 906 of the Sarbanes-Oxley Act of 2002) as follows:

This Form 10-Q quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and the information contained herein fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this Certification as of May 2, 2024.

/s/ JAMES G. COOGAN

James G. Coogan
*Executive Vice President and Chief Financial Officer of
Axcelis Technologies, Inc.*
