VEECO INSTRUMENTS INC
Form 10-Q
August 03, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-16244

VEECO INSTRUMENTS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**11-2989601**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Terminal Drive **Plainview, New York**	**11803**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s telephone number, including area code:

(516) 677-0200

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
		Emerging growth company	o

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. o

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

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

Title of Class	Shares Outstanding
Common Stock par value $0.01 per share	as of July 26, 2017 48,420,617

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Safe Harbor Statement

This quarterly report on Form 10-Q (the Report) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Discussions containing such forward-looking statements may be found in Part I - Items 1, 2, and 3 hereof, as well as within this Report generally. In addition, when used in this Report, the words believes, anticipates, expects, estimates, targets, plans, intends, will, and similar expressions related to the future are intende forward-looking statements. All forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from projected results.

In addition, the preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates and assumptions are based on knowledge of current events and planned actions to be undertaken in the future, they may ultimately differ from actual results. Operating results for the six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. All estimates and assumptions are subject to a number of risks and uncertainties that could cause actual results to differ materially from these estimates and assumptions.

The risks and uncertainties of Veeco Instruments Inc. (together with its consolidated subsidiaries, Veeco, the Company, we, us, and our, unl the context indicates otherwise) include, without limitation, the following:

- Unfavorable market conditions may adversely affect our operating results;
- A reduction or elimination of foreign government subsidies and economic incentives may adversely affect the future order rate for our MOCVD equipment;
- The cyclicality of the industries we serve directly affects our business;
- We operate in industries characterized by rapid technological change;
- We have a concentrated customer base, located primarily in a limited number of regions, which operate in highly concentrated industries;
- We face significant competition;

- The timing of our orders, shipments, and revenue recognition may cause our quarterly operating results to fluctuate significantly;

- Our sales cycle is long and unpredictable;

- Our backlog is subject to customer cancellation or modification which could result in decreased sales, increased inventory obsolescence, and/or liabilities to our suppliers for products no longer needed;

- Our failure to estimate customer demand accurately could result in inventory obsolescence, liabilities to our suppliers for products no longer needed, and/or manufacturing interruptions or delays which could affect our ability to meet customer demand;

- Our failure to successfully manage our outsourcing activities or failure of our outsourcing partners to perform as anticipated could adversely affect our results of operations and our ability to adapt to fluctuating order volumes;

- We rely on a limited number of suppliers, some of whom are our sole source for particular components;

- Our inability to attract, retain, and motivate employees could have a material adverse effect on our business;

- Our acquisition strategy subjects us to risks associated with evaluating and pursuing these opportunities and integrating these businesses;

- Timing of market adoption of LED technology for general lighting is uncertain;

- Our sales to manufacturers are highly dependent on sales of consumer electronics applications, which can experience significant volatility due to seasonal and other factors and materially adversely impact our future results of operations;

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- Our operating results have been, and may continue to be, adversely affected by tightening credit markets;

- We are exposed to the risks of operating a global business, including the need to obtain export licenses for certain of our shipments and political risks in the countries we operate;

- We may be exposed to liabilities under the Foreign Corrupt Practices Act and any determination that we violated these or similar laws could have a material adverse effect on our business;

- We are subject to internal control evaluations and attestation requirements of Section 404 of the Sarbanes-Oxley Act and any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and our stock price;

- Changes in accounting pronouncements or taxation rules or practices may adversely affect our financial results;

- Our income taxes can change;

- We may be required to take additional impairment charges on assets;

- We have indebtedness in the form of convertible senior notes which could adversely affect our financial position, prevent us from implementing our strategy, and dilute the ownership interest of our existing shareholders;

- The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Senior Notes, could have a material effect on our reported financial results;

- The price of our common shares is volatile and could decline significantly;

- The enforcement and protection of our intellectual property rights may be expensive and/or divert our limited resources;

- We may be subject to claims of intellectual property infringement by others;

- We are subject to foreign currency exchange risks;

- If we are subject to cyber-attacks we could incur substantial costs and, if such attacks are successful, we could incur significant liabilities, reputational harm, and disruption to our operations;

- We have adopted certain measures that may have anti-takeover effects which may make an acquisition of our Company by another company more difficult;

- We are subject to risks of non-compliance with environmental, health, and safety regulations;

- Regulations related to conflict minerals will force us to incur additional expenses, may make our supply chain more complex, and may result in damage to our relationships with customers;

- We have significant operations in locations which could be materially and adversely impacted in the event of a natural disaster, an act of terrorism or other significant disruption; and

- We may not be able to successfully integrate the business of Ultratech with our own or realize the anticipated benefits of the merger.

Consequently, such forward looking statements and estimates should be regarded solely as the current plans and beliefs of Veeco. We do not undertake any obligation to update any forward looking statements to reflect future events or circumstances after the date of such statements.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Veeco Instruments Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share amounts)

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 205,564	$ 277,444
Short-term investments	97,086	66,787
Accounts receivable, net	108,349	58,020
Inventories	119,935	77,063
Deferred cost of sales	4,439	6,160
Prepaid expenses and other current assets	24,909	16,034
Total current assets	560,282	501,508
Property, plant and equipment, net	82,546	60,646
Intangible assets, net	396,097	58,378
Goodwill	303,160	114,908
Deferred income taxes	2,528	2,045
Other assets	25,056	21,047
Total assets	$ 1,369,669	$ 758,532
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 46,040	$ 22,607
Accrued expenses and other current liabilities	44,305	33,201
Customer deposits and deferred revenue	76,985	85,022
Income taxes payable	4,316	2,311
Current portion of long-term debt	1,013	368
Total current liabilities	172,659	143,509
Deferred income taxes	46,291	13,199
Long-term debt	270,071	826
Other liabilities	11,163	6,403
Total liabilities	500,184	163,937
Stockholders equity:		
Preferred stock, $0.01 par value; 500,000 shares authorized; no shares issued and outstanding		
Common stock, $0.01 par value; 120,000,000 shares authorized; 48,382,213 and 40,714,790 shares issued at June 30, 2017 and December 31, 2016, respectively; 48,382,213 and 40,588,194 shares outstanding at June 30, 2017 and December 31, 2016, respectively.	484	407
Additional paid-in capital	1,053,138	763,303

Accumulated deficit		(185,877)		(168,583)
Accumulated other comprehensive income		1,740		1,777
Treasury stock, at cost, 126,596 shares at December 31, 2016.				(2,309)
Total stockholders equity		869,485		594,595
Total liabilities and stockholders equity	$	1,369,669	$	758,532

See accompanying Notes to the Consolidated Financial Statements.

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Veeco Instruments Inc. and Subsidiaries

Consolidated Statements of Operations

(in thousands, except per share amounts)

(unaudited)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Net sales	$ 115,066	$ 75,348	$ 209,452	$ 153,359
Cost of sales	76,346	43,909	136,533	89,964
Gross profit	38,720	31,439	72,919	63,395
Operating expenses, net:				
Research and development	18,619	21,543	33,608	43,653
Selling, general, and administrative	22,698	19,995	41,801	39,834
Amortization of intangible assets	6,354	5,273	9,221	10,524
Restructuring	3,257	2,095	4,595	2,195
Acquisition costs	14,133		15,494	
Asset impairment	675	13,627	1,138	13,627
Other, net	(10)	159	(87)	88
Total operating expenses, net	65,726	62,692	105,770	109,921
Operating income (loss)	(27,006)	(31,253)	(32,851)	(46,526)
Interest income	782	290	1,575	596
Interest expense	(5,061)	(105)	(9,196)	(143)
Income (loss) before income taxes	(31,285)	(31,068)	(40,472)	(46,073)
Income tax expense (benefit)	(12,897)	1,014	(23,179)	1,542
Net income (loss)	$ (18,388)	$ (32,082)	$ (17,293)	$ (47,615)
Income (loss) per common share:				
Basic	$ (0.43)	$ (0.82)	$ (0.42)	$ (1.22)
Diluted	$ (0.43)	$ (0.82)	$ (0.42)	$ (1.22)
Weighted average number of shares:				
Basic	42,656	38,965	41,160	39,035
Diluted	42,656	38,965	41,160	39,035

See accompanying Notes to the Consolidated Financial Statements.

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Veeco Instruments Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Net income (loss)	$ (18,388)	$ (32,082)	$ (17,293)	$ (47,615)
Other comprehensive income, net of tax				
Unrealized gain (loss) on available-for-sale securities	53	(11)	(61)	39
Foreign currency translation	9	(12)	24	27
Total other comprehensive income, net of tax	62	(23)	(37)	66
Comprehensive income (loss)	$ (18,326)	$ (32,105)	$ (17,330)	$ (47,549)

See accompanying Notes to the Consolidated Financial Statements.

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Veeco Instruments Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Six months ended June 30, 2017	2016
Cash Flows from Operating Activities		
Net income (loss)	$ (17,293)	$ (47,615)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,620	17,291
Non-cash interest expense	4,887	
Deferred income taxes	(19,412)	1,821
Share-based compensation expense	13,806	8,390
Asset impairment	1,138	13,627
Provision for bad debts	92	160
Changes in operating assets and liabilities:		
Accounts receivable	(4,956)	7,584
Inventories and deferred cost of sales	20,496	(14,577)
Prepaid expenses and other current assets	608	2,404
Accounts payable and accrued expenses	(7,103)	(9,156)
Customer deposits and deferred revenue	(12,872)	(10,378)
Long-term income tax liability	(4,877)	
Other, net	277	(682)
Net cash provided by (used in) operating activities	(9,589)	(31,131)
Cash Flows from Investing Activities		
Acquisitions of businesses, net of cash acquired	(399,478)	
Capital expenditures	(10,057)	(9,179)
Proceeds from the sale of investments	235,586	78,145
Payments for purchases of investments	(219,141)	(35,533)
Other		(213)
Net cash provided by (used in) investing activities	(393,090)	33,220
Cash Flows from Financing Activities		
Proceeds (tax withholdings) from stock option exercises and employee stock purchase plan	1,498	473
Restricted stock tax withholdings	(6,294)	(665)
Purchases of common stock		(13,349)
Proceeds from long-term debt borrowings	335,751	
Principal payments on long-term debt	(180)	(166)
Net cash provided by (used in) financing activities	330,775	(13,707)
Effect of exchange rate changes on cash and cash equivalents	24	27
Net increase (decrease) in cash and cash equivalents	(71,880)	(11,591)
Cash and cash equivalents - beginning of period	277,444	269,232
Cash and cash equivalents - end of period	$ 205,564	$ 257,641
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 65	$ 103

Income taxes paid	1,422	1,284
Non-cash operating and financing activities		
Net transfer of inventory to property, plant and equipment	33	

See accompanying Notes to the Consolidated Financial Statements.

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Note 1 - Basis of Presentation

The accompanying unaudited Consolidated Financial Statements of Veeco have been prepared in accordance with U.S. GAAP as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification 270 for interim financial information and with the instructions to Rule 10-01 of Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements as the interim information is an update of the information that was presented in Veeco s most recent annual financial statements. For further information, refer to Veeco s Consolidated Financial Statements and Notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2016 (2016 Form 10-K). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal, recurring nature. Certain amounts previously reported have been reclassified in the financial statements to conform to the current presentation.

Veeco reports interim quarters on a 13-week basis ending on the last Sunday of each quarter. The fourth quarter always ends on the last day of the calendar year, December 31. The 2017 interim quarters end on April 2, July 2, and October 1, and the 2016 interim quarters ended on April 3, July 3, and October 2. These interim quarters are reported as March 31, June 30, and September 30 in Veeco s interim consolidated financial statements.

Revenue recognition

Veeco recognizes revenue when all of the following criteria have been met: persuasive evidence of an arrangement exists with a customer; delivery of the specified products has occurred or services have been rendered; prices are contractually fixed or determinable; and collectability is reasonably assured. Revenue is recorded including shipping and handling costs and excluding applicable taxes related to sales.

Contracts with customers frequently contain multiple deliverables, such as systems, upgrades, components, spare parts, maintenance, and service plans. Judgment is required to properly identify the accounting units of the multiple-element arrangements and to determine how the revenue should be allocated among the accounting units. Veeco also evaluates whether multiple transactions with the same customer or related parties should be considered part of a single, multiple-element arrangement based on an assessment of whether the contracts or agreements are negotiated or executed within a short time frame of each other or if there are indicators that the contracts are negotiated in contemplation of one another. Moreover, judgment is used in interpreting the commercial terms and determining when all criteria have been met in order to recognize revenue in the appropriate accounting period.

When there are separate units of accounting, Veeco allocates revenue to each element based on the following selling price hierarchy: vendor-specific objective evidence (VSOE) if available; third party evidence (TPE) if VSOE is not available; or the best estimate of selling price (BESP) if neither VSOE nor TPE is available. Veeco uses BESP for the elements in its arrangements. The maximum revenue recognized on a delivered element is limited to the amount that is not contingent upon the delivery of additional items.

Veeco considers many facts when evaluating each of its sales arrangements to determine the timing of revenue recognition including its contractual obligations, the customer s creditworthiness, and the nature of the customer s post-delivery acceptance provisions. Veeco s system sales arrangements, including certain upgrades, generally include field acceptance provisions that may include functional or mechanical test procedures. For the majority of the arrangements, a customer source inspection of the system is performed in Veeco s facility or test data is sent to the customer documenting that the system is functioning to the agreed upon specifications prior to delivery. Historically, such source inspection or test data replicates the field acceptance provisions that are performed at the customer s site prior to final acceptance of the system. When Veeco objectively demonstrates that the criteria specified in the contractual acceptance provisions are achieved prior to delivery, revenue is recognized upon system delivery since there is no substantive contingency remaining related to the acceptance provisions at that date, subject to the retention amount constraint described below for certain contracts. For new products, new applications of existing products, or for products with substantive customer acceptance provisions where Veeco cannot objectively demonstrate that the criteria specified in the contractual acceptance provisions have been achieved prior to delivery, revenue and the associated costs are deferred and fully recognized upon the receipt of final customer acceptance, assuming all other revenue recognition criteria have been met.

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The Company s system sales arrangements, including certain upgrades, generally do not contain provisions for the right of return, forfeiture, refund, or other purchase price concession. In the rare instances where such provisions are included, all revenue is deferred until such rights expire. The sales arrangements generally include installation. The installation process is not deemed essential to the functionality of the equipment since it is not complex; it does not require significant changes to the features or capabilities of the equipment or involve constructing elaborate interfaces or connections subsequent to factory acceptance. Veeco has a demonstrated history of consistently completing installations in a timely manner and can reliably estimate the costs of such activities. Most customers engage Veeco to perform the installation services, although there are other third-party providers with sufficient knowledge who could complete these services. Based on these factors, installation is deemed to be inconsequential or perfunctory relative to the system sale as a whole, and as a result, installation service is not considered a separate element of the arrangement. As such, Veeco records the cost of the installation at the earlier of the time of revenue recognition for the system or when installation services are performed.

In certain cases Veeco s products are sold with a billing retention, typically 10% of the sales price, which is billed by Veeco and payable by the customer when field acceptance provisions are completed. The amount of revenue recognized upon delivery of a system or upgrade, if any, is limited to the lower of i) the amount billed that is not contingent upon acceptance provisions or ii) the value of the arrangement consideration allocated to the delivered elements, if such sale is part of a multiple-element arrangement.

The Company recognizes revenue related to maintenance and service contracts ratably over the applicable contract term. Veeco recognizes revenue from the sales of components, spare parts, and specified service engagements at the time of delivery in accordance with the terms of the applicable sales arrangement.

Incremental direct costs incurred related to the acquisition of a customer contract, such as sales commissions, are expensed as incurred, even if the related revenue is deferred in accordance with the above policy.

Recent accounting pronouncements

The FASB issued ASU 2014-09, as amended: *Revenue from Contracts with Customers*, which has been codified as Accounting Standards Codification 606 (ASC 606). ASC 606 requires the Company s revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. ASC 606 outlines a five-step model to make the revenue recognition determination and requires new financial statement disclosures. Publicly-traded companies are required to adopt ASC 606 for reporting periods beginning after December 15, 2017, but can adopt early for annual periods beginning after December 15, 2016. The Company is still completing its evaluation of the impact of adopting this standard; however, the Company currently expects the most significant financial statement impacts of adopting ASC 606 will be the elimination of the constraint on revenue associated with the billing retention related to the receipt of customer final acceptance as well as the identification of installation services as a performance obligation. The elimination of the constraint on revenue related to customer final acceptance, which is usually about 10 percent of a system sale, will generally be recognized at the time the Company transfers control of the system to the customer, which is earlier than under the Company s current revenue recognition model for certain contracts that are subject to the billing retention constraint described above. The new performance obligation related to installation services under the new standard will generally be recognized as the installation services are performed, which is later than under the Company s current revenue recognition model. Taken together, the Company currently believes there will be a net acceleration of a small percentage of its revenue under ASC 606 as compared to its current revenue recognition model. ASC 606 provides for different transition alternatives, and the Company is evaluating which method of adoption to select.

In January 2016, the FASB issued ASU 2016-01: *Financial Instruments Overall*, which requires certain equity investments to be measured at fair value, with changes in fair value recognized in net income. Publicly-traded companies are required to adopt the update for reporting periods beginning after December 15, 2017; early adoption is permitted. The Company does not expect this ASU will have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02: *Leases*, which generally requires operating lessee rights and

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obligations to be recognized as assets and liabilities on the balance sheet. In addition, interest on lease liabilities is to be recognized separately from the amortization of right-of-use assets in the Statement of Operations. Further, payments of the principal portion of lease liabilities are to be classified as financing activities while payments of interest on lease liabilities and variable lease payments are to be classified as operating activities in the Statement of Cash Flows. When the standard is adopted, the Company will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early application permitted. The Company is evaluating the anticipated impact of adopting the ASU on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight specific cash flow issues, including debt prepayments or debt extinguishment costs. Publicly-traded companies are required to adopt the update for reporting periods beginning after December 15, 2017. This ASU will not have a material impact on the consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*, which requires that entities recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. Publicly-traded companies are required to adopt the update for reporting periods beginning after December 15, 2017. The Company is evaluating the anticipated effect the ASU will have on the consolidated financial statements.

The Company is also evaluating other pronouncements recently issued but not yet adopted. The adoption of these pronouncements is not expected to have a material impact on our consolidated financial statements.

Note 2 - Income (Loss) Per Common Share

The Company considers unvested share-based awards that have non-forfeitable rights to dividends prior to vesting to be participating shares, which are treated as a separate class of security from the Company s common shares for calculating per share data. Therefore, the Company applies the two-class method when calculating income (loss) per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. However, since the holders of the participating shares are not obligated to fund losses, participating shares are excluded from the calculation of loss per share.

The dilutive effect of the Convertible Senior Notes on income (loss) per share is calculated using the treasury stock method since the Company has both the current intent and ability to settle the principal amount of the Convertible Senior Notes in cash. See Note 5, Liabilities, for additional information on the Convertible Senior Notes.

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the period under the two-class method. Diluted income per share is calculated by dividing net income by the weighted average number of shares used to calculate basic income (loss) per share plus the weighted average number of common share equivalents outstanding during the period. The dilutive effect of outstanding options to purchase common stock and non-participating share-based awards is considered in diluted income per share by application of the treasury stock method. The dilutive effect of performance share units is included in diluted income per common share in the periods the performance targets have been achieved. The computations of basic and diluted income (loss) per share for the three and six months ended June 30, 2017 and 2016 are as follows:

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	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Net income (loss)	$ (18,388)	$ (32,082)	$ (17,293)	$ (47,615)
Net income (loss) per common share:				
Basic	$ (0.43)	$ (0.82)	$ (0.42)	$ (1.22)
Diluted	$ (0.43)	$ (0.82)	$ (0.42)	$ (1.22)
Basic weighted average shares outstanding	42,656	38,965	41,160	39,035
Effect of potentially dilutive share-based awards				
Diluted weighted average shares outstanding	42,656	38,965	41,160	39,035
Unvested participating shares excluded from basic weighted average shares outstanding since the securityholders are not obligated to fund losses	228	659	228	691
Common share equivalents excluded from the diluted weighted average shares outstanding since Veeco incurred a net loss and their effect would be antidilutive	330	34	294	50
Potentially dilutive non-participating shares excluded from the diluted calculation as their effect would be antidilutive	1,265	2,425	1,462	2,350
Maximum potential shares to be issued for settlement of Convertible Senior Notes excluded from the diluted calculation as their effect would be antidilutive	8,618		8,618	

Note 3 Business Combinations

Ultratech

On May 26, 2017, the Company completed its acquisition of Ultratech, Inc. (Ultratech). Ultratech designs, manufactures, and markets lithography, laser annealing, and inspection equipment for manufacturers of semiconductor devices, including advanced packaging, MEMS, and atomic layer deposition (ALD) applications. Ultratech s customers are primarily located throughout the United States, EMEA, China, Japan, Taiwan, and Korea. With the addition of Ultratech, the Company establishes itself as a leading equipment supplier in the advanced packaging market, forming a strong technology portfolio to address critical advanced packaging applications. The results of Ultratech s operations have been included in the consolidated financial statements since the date of acquisition.

Ultratech shareholders received (i) $21.75 per share in cash and (ii) 0.2675 of a share of Veeco common stock for each Ultratech common share outstanding on the acquisition date. The Company plans to finalize the purchase accounting within the measurement period, which may include adjustments to the fair values of assets acquired and liabilities assumed. The preliminary acquisition date fair value of the consideration totaled $633.4 million, net of cash acquired, which consisted of the following:

		Acquisition Date (May 26, 2017) (in thousands)
Amount paid, net of cash acquired	$	399,478
Fair value of equity issuances (7.4 million shares issued)		233,655
Replacement equity awards attributable to pre-acquisition service		228
Acquisition date fair value	$	633,361

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The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

	Acquisition Date (May 26, 2017) (in thousands)
Short-term investments	$ 47,161