

REFINITIV




DELTA REPORT

10-Q

ACLS - AXCELIS TECHNOLOGIES INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	551
 CHANGES	201
 DELETIONS	199
 ADDITIONS	151

**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 **September 30, 2023** **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 ☒

Accelerated filer ☐

Non-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 **October 31, 2023** **April 30, 2024**, there were **32,747,459** **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 September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenue:						
Product	\$ 283,367	\$ 221,540	\$ 795,047	\$631,998	\$243,418	\$246,007
Services	8,959	7,635	25,269	21,949	8,954	8,013
Total revenue	292,326	229,175	820,316	653,947	252,372	254,020
Cost of revenue:						
Product	154,798	118,992	444,311	342,387	127,912	142,771
Services	7,844	6,862	22,600	19,291	8,409	7,230
Total cost of revenue	162,642	125,854	466,911	361,678	136,321	150,001
Gross profit	129,684	103,321	353,405	292,269	116,051	104,019
Operating expenses:						
Research and development	24,093	20,563	71,996	56,267	25,662	23,773
Sales and marketing	16,465	14,573	46,146	38,567	17,445	14,144
General and administrative	17,446	14,983	48,519	41,163	16,405	14,745
Total operating expenses	58,004	50,119	166,661	135,997	59,512	52,662

Income from operations	71,680	53,202	186,744	156,272	56,539	51,357
Other income (expense):						
Interest income	4,580	1,111	12,824	1,558	5,516	3,936
Interest expense	(1,325)	(1,333)	(4,027)	(4,101)	(1,346)	(1,353)
Other, net	(1,260)	(7,971)	(4,348)	(14,640)	(1,710)	(1,038)
Total other income (expense)	1,995	(8,193)	4,449	(17,183)		
Total other income					2,460	1,545
Income before income taxes	73,675	45,009	191,193	139,089	58,999	52,902
Income tax provision	7,744	4,726	15,986	13,002	7,404	5,205
Net income	\$ 65,931	\$ 40,283	\$ 175,207	\$126,087	\$ 51,595	\$ 47,697
Net income per share:						
Basic	\$ 2.01	\$ 1.22	\$ 5.35	\$ 3.81	\$ 1.58	\$ 1.46
Diluted	\$ 1.99	\$ 1.21	\$ 5.28	\$ 3.75	\$ 1.57	\$ 1.43
Shares used in computing net income per share:						
Basic weighted average shares of common stock	32,807	33,011	32,775	33,116	32,638	32,744
Diluted weighted average shares of common stock	33,159	33,389	33,208	33,638	32,926	33,293

See accompanying Notes to these Consolidated Financial Statements (Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Net income	\$ 65,931	\$ 40,283	\$175,207	\$126,087	\$51,595	\$47,697
Other comprehensive loss:						
Other comprehensive (loss) / income:						
Foreign currency translation adjustments	(1,231)	(3,690)	(2,192)	(7,561)	(1,731)	50
Amortization of actuarial net gain and other adjustments from pension plan, net of tax	—	8	—	25	5	—
Total other comprehensive loss	(1,231)	(3,682)	(2,192)	(7,536)		
Total other comprehensive (loss) / income					(1,726)	50
Comprehensive income	\$ 64,700	\$ 36,601	\$173,015	\$118,551	\$49,869	\$47,747

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

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
ASSETS	ASSETS		ASSETS	
Current assets:				
Cash and cash equivalents	\$ 142,300	\$ 185,595	\$ 133,963	\$ 167,297
Short-term investments	318,710	246,571	396,228	338,851
Accounts receivable, net	192,327	169,773	208,544	217,964
Inventories, net	312,223	242,406	312,170	306,482
Prepaid expenses and other current assets	49,481	33,300	54,544	49,397
Total current assets	1,015,041	877,645	1,105,449	1,079,991
Property, plant and equipment, net	47,169	39,664	53,032	53,971
Operating lease assets	31,082	12,146	29,557	30,716
Finance lease assets, net	16,981	17,942	16,310	16,632
Long-term restricted cash	6,650	752	6,652	6,654
Deferred income taxes	44,323	31,701	54,525	53,428
Other assets	40,448	33,791	41,094	40,575
Total assets	\$ 1,201,694	\$ 1,013,641	\$1,306,619	\$ 1,281,967
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY		LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:				
Accounts payable	\$ 60,061	\$ 62,346	\$ 39,853	\$ 54,400
Accrued compensation	26,535	35,540	16,413	31,445
Warranty	11,464	8,299	14,355	14,098
Income taxes	582	4,304	26,850	6,164
Deferred revenue	148,299	123,471	164,700	164,677
Current portion of finance lease obligation	1,438	1,229	1,503	1,511
Other current liabilities	12,799	12,943	12,894	12,834
Total current liabilities	261,178	248,132	276,568	285,129
Long-term finance lease obligation	44,070	45,185	43,328	43,674
Long-term deferred revenue	53,730	31,306	43,718	46,208
Other long-term liabilities	41,745	21,762	41,262	42,074

Total liabilities	400,723	346,385	404,876	417,085
Commitments and contingencies (Note 16)				
Commitments and contingencies (Note 17)				
Stockholders' equity:				
Common stock, \$0.001 par value, 75,000 shares authorized; 32,772 shares issued and outstanding at September 30, 2023; 32,775 shares issued and outstanding at December 31, 2022	33	33		
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	543,577	550,299	546,979	547,189
Retained earnings	261,521	118,892	358,303	319,506
Accumulated other comprehensive loss	(4,160)	(1,968)	(3,572)	(1,846)
Total stockholders' equity	800,971	667,256	901,743	864,882
Total liabilities and stockholders' equity	\$ 1,201,694	\$ 1,013,641	\$1,306,619	\$ 1,281,967

See accompanying Notes to these Consolidated Financial Statements (Unaudited)

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

	(Accumulated Deficit)						(Accumulated Deficit)					
	Common Stock		Additional	Retained	Other	Total	Common Stock		Additional	Retained	Other	Total
	Shares	Amount	Paid-in Capital	Earnings	Comprehensive Income	Stockholders' Equity	Shares	Amount	Paid-in Capital	Earnings	(Loss)	Stockholders' Equity
Balance at December 31, 2021	33,240	\$ 33	\$559,883	\$ (22,722)	\$ 1,765	\$ 538,959						
Balance at December 31, 2022							32,775	\$ 33	\$550,299	\$118,892	\$ (1,968)	\$ 667,256
Net income	—	—	—	41,614	—	41,614	—	—	—	47,697	—	47,697
Foreign currency translation adjustments	—	—	—	—	(1,186)	(1,186)	—	—	—	—	50	50

Change in pension obligation	—	—	—	—	9	9								
Exercise of stock options	41	—	491	—	—	491	2	—	25	—				
Issuance of common stock on restricted stock units, net of shares withheld	67	—	(3,315)	—	—	(3,315)	56	—	(3,907)	—	—	—	(3,907)	
Stock-based compensation expense	—	—	2,701	—	—	2,701	—	—	3,199	—	—	—	3,199	
Repurchase of common stock	(284)	—	(5,127)	(14,873)	—	(20,000)	(107)	—	(1,924)	(10,575)	—	—	(12,606)	
Balance at March 31, 2022	<u>33,064</u>	<u>\$ 33</u>	<u>\$554,633</u>	<u>\$ 4,019</u>	<u>\$ 588</u>	<u>\$ 559,273</u>								
Net income	—	—	—	44,189	—	44,189								
Foreign currency translation adjustments	—	—	—	—	(2,685)	(2,685)								
Change in pension obligation	—	—	—	—	8	8								
Exercise of stock options	25	—	298	—	—	298								
Issuance of stock under Employee Stock Purchase Plan	15	—	711	—	—	711								
Issuance of common stock on restricted stock units, net of shares withheld	205	—	(5,896)	—	—	(5,896)								
Stock-based compensation expense	—	—	3,527	—	—	3,527								
Repurchase of common stock	(215)	—	(3,872)	(8,626)	—	(12,498)								

Balance at							
June 30,							
2022	<u>33,094</u>	<u>\$ 33</u>	<u>\$549,401</u>	<u>\$ 39,582</u>	<u>\$ (2,089)</u>	<u>\$ 586,927</u>	
Net income	—	—	—	40,283	—	40,283	
Foreign							
currency							
translation							
adjustments	—	—	—	—	(3,690)	(3,690)	
Change in							
pension							
obligation	—	—	—	—	8	8	
Exercise of							
stock options	30	—	367	—	—	367	
Issuance of							
common							
stock on							
restricted							
stock units,							
net of stock							
withheld	8	—	(70)	—	—	(70)	
Stock-based							
compensation							
expense	—	—	3,562	—	—	3,562	
Repurchase							
of common							
stock	(195)	—	(3,525)	(8,972)	—	(12,497)	
Balance at							
September							
30, 2022	<u>32,937</u>	<u>\$ 33</u>	<u>\$549,735</u>	<u>\$ 70,893</u>	<u>\$ (5,771)</u>	<u>\$ 614,890</u>	
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>\$ 701,7</u>

See accompanying Notes to these Consolidated Financial Statements (Unaudited)

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

	Accumulated						Accumulated					
	Common Stock		Additional	Retained	Other	Total	Common Stock		Additional	Retained	Other	Total
	Shares	Amount	Paid-in Capital	Earnings	Comprehensive Loss	Stockholders' Equity	Shares	Amount	Capital	Earnings	(Loss)	Equity
Balance at December 31, 2022	32,775	\$ 33	\$550,299	\$118,892	\$ (1,968)	\$ 667,256						
Balance at December 31, 2023	32,685	\$ 33	\$547,189	\$319,506	\$ (1,846)	\$ 864,882						
Net income	—	—	—	47,697	—	47,697	—	—	—	51,595	—	51,595
Foreign currency translation adjustments	—	—	—	—	50	50	—	—	—	—	(1,731)	(1,731)
Exercise of stock options	2	—	25	—	—	25						
Change in pension obligation							—	—	—	—	5	5
Issuance of common stock on restricted stock units, net of shares withheld	56	—	(3,907)	—	—	(3,907)	42	—	(2,699)	—	—	(2,699)
Stock-based compensation expense	—	—	3,199	—	—	3,199	—	—	4,690	—	—	4,690
Repurchase of common stock	(107)	—	(1,924)	(10,575)	—	(12,499)	(122)	—	(2,201)	(12,798)	—	(14,999)
Balance at March 31, 2023	32,726	\$ 33	\$547,692	\$156,014	\$ (1,918)	\$ 701,821						
Net income	—	—	—	61,579	—	61,579						
Foreign currency translation adjustments	—	—	—	—	(1,011)	(1,011)						
Issuance of stock under Employee Stock Purchase Plan	6	—	957	—	—	957						

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

	Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2024	2023
Cash flows from operating activities				
Net income	\$ 175,207	\$ 126,087	\$ 51,595	\$ 47,697
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	9,488	8,614	3,775	3,100
Deferred income taxes	(12,623)	6,416	(1,097)	(3,621)
Stock-based compensation expense	13,030	9,790	4,690	3,199
Provision for doubtful accounts	749	—	(459)	—
Provision for excess and obsolete inventory	3,912	3,292	1,445	1,069
Accretion of discounts and premiums on marketable securities	(8,463)	—	(3,306)	(2,840)
Currency loss on foreign denominated transactions	7,487	—	6,560	1,343
Changes in operating assets and liabilities:				
Accounts receivable	(26,674)	(77,449)	7,042	(20,762)
Inventories	(79,494)	(49,699)	(11,427)	(21,105)
Prepaid expenses and other current assets	(16,493)	(4,861)	(5,489)	(4,794)
Accounts payable and other current liabilities	(8,916)	17,695	(29,118)	(22,976)
Deferred revenue	47,704	54,814	(1,963)	47,160
Income taxes	(3,672)	(274)	21,374	8,891
Other assets and liabilities	(9,948)	(1,202)	(1,399)	(1,802)
Net cash provided by operating activities	91,294	93,223	42,223	34,559
Cash flows from investing activities				
Expenditures for property, plant and equipment and capitalized software	(10,503)	(6,876)	(1,620)	(2,240)
Purchase of short-term investments	(271,583)	(33,576)	(145,121)	(61,809)
Maturities of short-term investments	207,907	—	91,050	31,000
Net cash used in investing activities	(74,179)	(40,452)	(55,691)	(33,049)
Cash flows from financing activities				
Net settlement on restricted stock grants	(15,814)	(9,281)	(2,699)	(3,907)
Repurchase of common stock	(37,498)	(44,995)	(14,999)	(12,499)
Proceeds from Employee Stock Purchase Plan purchases	957	711	—	—
Principal payments on finance lease obligation	(915)	(728)	(357)	(289)
Proceeds from exercise of stock options	25	1,156	—	25
Net cash used in financing activities	(53,245)	(53,137)	(18,055)	(16,670)
Effect of exchange rate changes on cash and cash equivalents	(1,267)	13,987	(1,813)	(55)
Net (decrease) increase in cash, cash equivalents and restricted cash	(37,397)	13,621	(33,336)	(15,215)
Net decrease in cash, cash equivalents and restricted cash			(33,336)	(15,215)
Cash, cash equivalents and restricted cash at beginning of period	186,347	295,680	173,951	186,347
Cash, cash equivalents and restricted cash at end of period	\$ 148,950	\$ 309,301	\$ 140,615	\$ 171,132

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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, 2022** **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 **September 30, 2023** **March 31, 2024**, there have been no material changes in the Company's significant accounting **policies**, 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, 2022** **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 2.3. Stock-Based Compensation

We maintain the Axcelis Technologies, Inc. 2012 Equity Incentive Plan, as amended (the "2012 Equity Plan"), an Internal Revenue Code Section 423 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.

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The 2012 Equity Plan is more fully described in Note 13 to the consolidated financial statements in our Annual Report on 2023 Form 10-K for the year ended December 31, 2022, 10-K.

We recognized stock-based compensation expense of \$5.1 million \$4.7 million and \$3.6 million \$3.2 million for the three-month periods ended September 30, 2023 March 31, 2024 and 2022, respectively. We recognized stock-based compensation expense of \$13.0 million and \$9.8 million for the nine-month periods ended September 30, 2023 and 2022, 2023, respectively. These amounts include compensation expense related to RSUs and non-qualified stock options and stock issued to participants under the 2020 Employee Stock Purchase Plan (the "2020 ESPP"). options.

In the three-month period ended September 30, 2023 March 31, 2024, we issued 7,320 41,941 shares of common stock upon vesting of RSUs. In the three-month period ended September 30, 2022 March 31, 2023, we issued 38,507 57,604 shares of common stock upon vesting of RSUs and stock option exercises. In the three-month period ended September 30, 2023 March 31, 2024, we received no proceeds in connection with the exercise of stock options. In the three-month period ended September 30, 2022 March 31, 2023, we received proceeds of \$0.4 million \$25.0 thousand in connection with the exercise of stock options.

In the nine-month periods ended September 30, 2023 and 2022, we issued 0.3 million and 0.4 million shares of common stock, respectively, upon stock option exercises, purchases under the 2020 ESPP and vesting of RSUs. In the nine-month periods ended September 30, 2023 and 2022, we received proceeds of \$1.0 million and \$1.9 million, respectively, in connection with the exercise of stock options and purchases under the 2020 ESPP.

Note 3.4. 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

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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 sheet; (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:

Leases	Classification	September 30,	December 31,
		2023	2022
Assets		(in thousands)	
Operating leases	Operating lease assets	\$ 31,082	\$ 12,146
Finance lease	Finance lease assets*	16,981	17,942
Total leased assets		<u>\$ 48,063</u>	<u>\$ 30,088</u>
Liabilities			
Current			
Operating	Other current liabilities	\$ 5,001	\$ 5,367
	Current portion of finance lease		
Finance	obligation	1,438	1,229
Non-current			
Operating	Other long-term liabilities	25,850	6,931
Finance	Finance lease obligation	44,070	45,185
Total lease liabilities		<u>\$ 76,359</u>	<u>\$ 58,712</u>

*Finance lease assets are recorded net of accumulated depreciation of \$46.7 million and include \$0.6 million of prepaid financing costs as of September 30, 2023. Finance lease assets are recorded net of accumulated depreciation of \$45.9 million and include \$0.6 million of prepaid financing costs as of December 31, 2022.

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		March 31,	December 31,
Leases	Classification	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
	Current portion of finance lease		
Finance	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.

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 98,500 square foot logistics and flex manufacturing center in Beverly, Massachusetts became fully operational in the third quarter of 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 Consolidated Statement of operations Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 as follows:

		Three months ended					Three months ended	
		September 30,		September 30,			March 31,	
		2023	2022	2023	2022		2024	2023
Lease cost	Classification					Classification		
Operating lease cost								
Operating lease cost								
Operating lease cost								
Operating lease cost								
Operating lease cost								
Operating lease cost								

Operating lease cost								
Operating lease cost								
Operating lease cost								
Operating lease cost	(in thousands)					(in thousands)		
	Cost	of				Cost	of	
Product / services*	revenue		\$2,041	\$1,462	\$ 5,328	\$ 3,978	revenue	\$ 1,828 \$ 1,466
	Operating						Operating	
Research and development	expenses		183	54	426	186	expenses	123 106
	Operating						Operating	
Sales and marketing*	expenses		419	369	1,231	1,155	expenses	451 396
	Operating						Operating	
General and administrative*	expenses		298	253	813	773	expenses	194 276
Total operating lease cost			<u>\$2,941</u>	<u>\$2,138</u>	<u>\$ 7,798</u>	<u>\$ 6,092</u>		<u>\$ 2,596</u> <u>\$ 2,244</u>
Finance lease cost								
	Cost	of					Cost	of
	revenue,						revenue,	
	Research and						Research and	
	development,						development,	
	Sales and						Sales and	
	marketing and						marketing and	
	General and						General and	
Depreciation of leased assets	administrative		\$ 324	\$ 325	\$ 961	\$ 973	administrative	\$ 319 \$ 319
	Interest						Interest	
Interest on lease liabilities	expense		1,214	1,245	3,668	3,754	expense	1,197 1,231
Total finance lease cost			<u>\$1,538</u>	<u>\$1,570</u>	<u>\$ 4,629</u>	<u>\$ 4,727</u>		<u>\$ 1,516</u> <u>\$ 1,550</u>
Total lease cost			<u>\$4,479</u>	<u>\$3,708</u>	<u>\$12,427</u>	<u>\$10,819</u>		<u>\$ 4,112</u> <u>\$ 3,794</u>
<p>* 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 \$1.6 million for the three and nine months ended September 30, 2023, respectively, and includes short-term lease and variable lease costs of approximately \$0.4 million and \$1.4 million for the three and nine months ended September 30, 2022, respectively.</p> <p>* 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.</p>								

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 sixteen 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 September 30, 2023 March 31, 2024:

Maturity of Lease Liabilities	Finance Operating		Total	Finance Operating		Total
	Leases	Leases	Leases	Leases	Leases	Leases
	(in thousands)					

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

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	September 30, March 31,
	2023 2024
Lease term and discount rate	
Weighted-average remaining lease term (years):	
Operating leases	11.6 11.5
Finance leases	13.3 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 nine three months ended September 30, 2023 March 31, 2024 and 2022 2023, respectively:

	Nine months ended September 30,		Three months ended March 31,	
Cash paid for amounts included in the measurement of lease liabilities	2023	2022	2024	2023
	(in thousands)		(in thousands)	
Operating cash outflows from operating leases	\$ 7,798	\$ 6,092	\$ 2,596	\$ 2,244
Operating cash outflows from finance leases	3,668	3,754	1,197	1,231
Financing cash outflows from finance leases	915	728	357	289
Operating lease assets obtained in exchange for operating lease liabilities	25,697	5,494	632	757
Finance lease assets obtained in exchange for new finance lease liabilities	—	—	—	—

Note 4.5. 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:

[illegible]

[illegible][illegible]

future performance obligations under a contract. obligations. Contract liabilities are recognized as revenue upon the fulfillment of performance obligations.

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
	(in thousands)					
						(in thousands)
Balance, beginning of the period	\$ 182,540	\$ 71,549	\$ 154,777	\$ 68,436	\$210,885	\$154,777
Deferral of revenue	62,787	70,706	154,216	108,472	42,974	88,048
Recognition of deferred revenue	(43,298)	(19,666)	(106,964)	(54,319)	(45,441)	(41,100)
Balance, end of the period	\$ 202,029	\$ 122,589	\$ 202,029	\$122,589	\$208,418	\$201,725

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%, 70% to 30% with the remainder due upon shipment, and 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 5.6. 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 \$0.7 million in \$0.5 million of recovery of bad debt expense for the three and nine-month periods three-month period ended September 30, 2023 March 31, 2024. We did not have any allowance or incur any credit losses or recoveries for the three and nine-month periods three-month period ended September 30, 2022 March 31, 2023. As of September 30, 2023 both March 31, 2024 and 2022, respectively, 2023, we had no provision for credit losses.

Note 6.7. 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 September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
	(in thousands, except per share amounts)					
Net income available to common stockholders	\$ 65,931	\$ 40,283	\$ 175,207	\$ 126,087	\$51,595	\$47,697
Weighted average shares of common stock outstanding used in computing basic income per share	32,807	33,011	32,775	33,116	32,638	32,744
Incremental options and RSUs	352	378	433	522	288	549
Weighted average shares of common stock used in computing diluted net income per share	33,159	33,389	33,208	33,638	32,926	33,293
Net income per share						
Basic	\$ 2.01	\$ 1.22	\$ 5.35	\$ 3.81	\$ 1.58	\$ 1.46
Diluted	\$ 1.99	\$ 1.21	\$ 5.28	\$ 3.75	\$ 1.57	\$ 1.43

Diluted weighted average shares of common stock outstanding does not include 734 19,548 and 5,046 1,120 common equivalent shares issuable with respect to outstanding equity awards for the three-month periods ended September 30, 2023 March 31, 2024 and 2022, respectively, or 2,598 and 6,692 common equivalent shares issuable with respect to outstanding equity awards for the nine-month periods ended September 30, 2023 and 2022, 2023, respectively, as their effect would have been anti-dilutive.

Note 7.8. Accumulated Other Comprehensive Loss

The following table presents the changes in accumulated other comprehensive loss, net of tax, by component, for the nine three months ended September 30, 2023 March 31, 2024:

[illegible]

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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:

Cash and cash equivalents	\$ 142,300	\$ 185,595	\$133,963	\$167,297
Long-term restricted cash	6,650	752	6,652	6,654
Total cash, cash equivalents and restricted cash	\$ 148,950	\$ 186,347	\$140,615	\$173,951

As of **September 30, 2023** **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 **12** **13** for further discussion on the \$5.9 million cash collateral.

Note 9.10. Inventories, net

The components of inventories are as follows:

[illegible]

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 the Company's 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 10.11. 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 the fair value of 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.

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.

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

	September 30, 2023				March 31, 2024			
	Fair Value Measurements				Fair Value Measurements			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in thousands)							

	December 31, 2022				December 31, 2023			
	Fair Value Measurements				Fair Value Measurements			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in thousands)							

Note 12, 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 \$45.5 \$44.8 million as of September 30, 2023 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 September 30, 2023, we had a security deposit of \$5.9 million related to this lease.

On April 5, 2023 we terminated the Senior Secured Credit Facilities Credit Agreement, as amended (the "Credit Agreement"), with Silicon Valley Bank that we entered into on July 31, 2020. The Credit Agreement provided for a revolving credit facility covering borrowings and letters of credit in an aggregate principal amount not to exceed \$40.0 million. Our obligations under the Credit Agreement were secured by a security interest, senior to any current and future debts and to any security interest, in all of our rights, title, and interest in, to and under substantially all of our assets, subject to limited exceptions, including permitted liens. Upon termination, these liens and all other obligations under the credit agreement, were released. A letter of credit issued by Silicon Valley Bank, a division of First Citizens Bank & Trust Company (successor by purchase to the Federal Deposit Insurance Corporation as Receiver for Silicon Valley Bridge Bank, N.A.) as successor to Silicon Valley Bank, remains outstanding in the amount of \$5.9 million, securing our lease on our corporate headquarters. This letter of credit was transitioned to a cash collateral arrangement on March 30, 2023, and was classified as long-term restricted cash on our balance sheet at September 30, 2023.

Note 13. Income Taxes

Income tax expense was \$7.7 million for the three months ended September 30, 2023, compared to \$4.7 million for the three months ended September 30, 2022. The \$3.0 million increase was primarily due to an increase in pre-tax

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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. Income tax expense was \$16.0 million for the nine months ended September 30, 2023, compared to \$13.0 million for the nine months ended September 30, 2022. The \$3.0 million increase was primarily due to an increase in pre-tax income partially offset by the tax deduction related to stock based compensation and additional research and development tax credit.

The effective tax rate for the three and nine months ended September 30, 2023 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 \$44.3 million \$54.5 million and \$31.7 million \$53.4 million as of September 30, 2023 March 31, 2024 and December 31, 2022 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 September 30, 2023 March 31, 2024, we have recorded a \$10.6 \$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 14.15. Concentration of Risk

For the three months ended September 30, 2023 March 31, 2024, no individual customer accounted for greater than ten percent of total revenue. For the three months ended September 30, 2022 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 13.8% 12.2% of total revenue. accounts receivable.

For the nine months ended September 30, 2023, one customer accounted for 10.7% of total revenue. For the nine months ended September 30, 2022, one customer accounted for 14.8% of total revenue.

At September 30, 2023, three customers accounted for 11.8%, 11.0%, and 10.2% of accounts receivable, respectively. At December 31, 2022, two customers accounted for 19.4% and 11.5% of accounts receivable, respectively.

Note 15.16. 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 nine three months ended September 30, 2023 March 31, 2024, we repurchased 0.3 million 0.1 million shares at an average cost of \$137.54 \$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 16.17. 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.

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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.

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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 [Annual Report on 2023 Form 10-K for the year ended December 31, 2022](#), 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 55.1% 54.8% of total revenue for the nine three months ended September 30, 2023 March 31, 2024.

The first nine three months of 2023 2024 exhibited continued strong demand for our capital equipment, despite a downturn in the memory equipment. The overall mature process segment represented 99% of our industry 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 is causing other semiconductor equipment makers to experience lower revenues than the same period in the prior year. Supply chain performance has improved from challenges experienced during the global pandemic between 2020 and 2022, but has not completely recovered. Axcelis' strong results in 2023 demonstrate our ability to meet demand and manage supply chain difficulties. Our performance is closely related to the growing general mature process technology market, with 94% markets may improve in the second half of shipments during the first nine months of 2023 going 2024, and DRAM and "Not AND" memory segments are forecast to mature foundry/logic customers. 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 [Annual Report on 2023 Form 10-K for the year ended December 31, 2022](#) 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 [Annual Report on 2023 Form 10-K for the year ended December 31, 2022](#). 10-K.

Results of Operations

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

	Three months ended		Nine months ended		Three months ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Revenue:						
Product	96.9 %	96.7 %	96.9 %	96.6 %	96.5 %	96.8 %
Services	3.1	3.3	3.1	3.4	3.5	3.2
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenue:						
Product	53.0	51.9	54.2	52.4	50.7	56.2
Services	2.7	3.0	2.8	2.9	3.3	2.8
Total cost of revenue	55.7	54.9	57.0	55.3	54.0	59.0
Gross profit	44.3	45.1	43.0	44.7	46.0	41.0
Operating expenses:						
Research and development	8.2	9.0	8.8	8.6	10.2	9.4
Sales and marketing	5.6	6.4	5.6	5.9	6.9	5.6
General and administrative	6.0	6.5	5.9	6.3	6.5	5.8
Total operating expenses	19.8	21.9	20.3	20.8	23.6	20.8
Income from operations	24.5	23.2	22.7	23.9	22.4	20.2
Other income (expense):						
Interest income	1.6	0.5	1.6	0.2	2.2	1.5
Interest expense	(0.5)	(0.6)	(0.5)	(0.6)	(0.5)	(0.5)
Other, net	(0.4)	(3.5)	(0.5)	(2.2)	(0.7)	(0.4)
Total other income (expense)	0.7	(3.6)	0.6	(2.6)		
Total other income					1.0	0.6
Income before income taxes	25.2	19.6	23.3	21.3	23.4	20.8
Income tax provision	2.6	2.0	1.9	2.0	2.9	2.0
Net income	22.6 %	17.6 %	21.4 %	19.3 %	20.5 %	18.8 %

Revenue

The following table sets forth our product and services revenue:

	Three months ended		Period-to-Period		Nine months ended		Period-to-Period	
	September 30,		Change		September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(dollars in thousands)								
Revenue:								
Product	\$ 283,367	\$ 221,540	\$ 61,827	27.9 %	\$ 795,047	\$ 631,998	\$ 163,049	25.8 %
Percentage of revenue	96.9 %	96.7 %			96.9 %	96.6 %		
Services	8,959	7,635	1,324	17.3 %	25,269	21,949	3,320	15.1 %
Percentage of revenue	3.1 %	3.3 %			3.1 %	3.4 %		

Total revenue	\$ 292,326	\$ 229,175	\$ 63,151	27.6 %	\$ 820,316	\$ 653,947	\$ 166,369	25.4 %
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Three months ended September 30, 2023 Compared with Three months ended September 30, 2022

	Three months ended		Period-to-Period	
	March 31,		Change	
	2024	2023	\$	%
Revenue:				
Product	\$ 243,418	\$ 246,007	\$ (2,589)	(1.1)%
Percentage of revenue	96.5 %	96.8 %		
Services	8,954	8,013	941	11.7 %
Percentage of revenue	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 \$283.4 \$243.4 million, or 96.9% 96.5% of revenue, during the three months ended September 30, 2023 March 31, 2024, compared with \$221.5 \$246.0 million, or 96.7% 96.8% of revenue, for the three months ended September 30, 2022 March 31, 2023. The \$61.8 \$2.6 million increase 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.

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three-month period ended September 30, 2023, in comparison to the same period in 2022, was primarily driven by an increase in the number of systems sold.

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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was \$202.0 \$208.4 million and \$154.7 \$210.9 million, respectively. The increase in deferred revenue was primarily due to payments received in advance of sales.

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 3.1% 3.5% of revenue, for the three months ended September 30, 2023 March 31, 2024, compared with \$7.6 \$8.0 million, or 3.3% 3.2% of revenue, for the three months ended September 30, 2022 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.

Nine months ended September 30, 2023 Compared with Nine months ended September 30, 2022

Product

Product revenue was \$795.0 million, or 96.9% of revenue, during the nine months ended September 30, 2023, compared with \$632.0 million, or 96.6% of revenue, for the nine months ended September 30, 2022. The \$163.0 million increase in product revenue for the nine-month period ended September 30, 2023, in comparison to the same period in 2022, was primarily driven by an increase in the number of systems sold.

Services

Services revenue was \$25.3 million, or 3.1% of revenue, for the nine months ended September 30, 2023, compared with \$21.9 million, or 3.4% of revenue, for the nine months ended September 30, 2022.

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.

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Aftermarket and Systems Revenue

Three months ended September 30, 2023 Compared with Three months ended September 30, 2022

Included in total revenue of \$292.3 \$252.4 million during the three months ended September 30, 2023 March 31, 2024 is revenue from our Aftermarket business of \$60.9 \$56.9 million, compared with \$58.1 \$58.8 million of Aftermarket revenue for the three months ended September 30, 2022 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 \$231.4 million \$195.5 million of revenue for the three months ended September 30, 2023 March 31, 2024 was from system sales, compared with \$171.1 million \$195.2 million of systems revenue for the three months ended September 30, 2022 March 31, 2023. Systems revenue fluctuates from period to period based on our customers' capital spending.

Nine months ended September 30, 2023 Compared with Nine months ended September 30, 2022

Included in total revenue Table of \$820.3 million during the nine months ended September 30, 2023 is revenue from our Aftermarket business of \$178.5 million, compared with \$165.7 million of Aftermarket revenue for the nine months ended September 30, 2022. The remaining \$641.8 million of revenue for the nine months ended September 30, 2023 was from system sales, compared with \$488.2 million of systems revenue for the nine months ended September 30, 2022. [Contents](#)

Gross Profit / Gross Margin

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

	Three months ended		Period-to-Period		Nine months ended		Period-to-Period	
	September 30,		Change		September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(dollars in thousands)								
Gross Profit:								
Product	\$ 128,569	\$ 102,548	\$ 26,021	25.4 %	\$ 350,736	\$ 289,611	\$ 61,125	21.1 %
Product gross margin	45.4 %	46.3 %			44.1 %	45.8 %		
Services	1,115	773	342	44.2 %	2,669	2,658	11	0.4 %
Services gross margin	12.4 %	10.1 %			10.6 %	12.1 %		
Total gross profit	\$ 129,684	\$ 103,321	\$ 26,363	25.5 %	\$ 353,405	\$ 292,269	\$ 61,136	20.9 %
Gross margin	44.3 %	45.1 %			43.0 %	44.7 %		

Three months ended September 30, 2023 Compared with Three months ended September 30, 2022

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

Product

Gross margin from product revenue was 45.4% 47.5% for the three months ended September 30, 2023 March 31, 2024, compared to 46.3% 42.0% for the three months ended September 30, 2022 March 31, 2023. The decrease increase in gross margin

primarily resulted from a less favorable mix of system revenue.

Services

Gross margin from services revenue was 12.4% 6.1% for the three months ended September 30, 2023 March 31, 2024, compared to 10.1% 9.8% for the three months ended September 30, 2022. The increase in gross margin is attributable to changes in the mix of service contracts.

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Nine months ended September 30, 2023 Compared with Nine months ended September 30, 2022

Product

Gross margin from product revenue was 44.1% for the nine months ended September 30, 2023, compared to 45.8% for the nine months ended September 30, 2022. The decrease in gross margin primarily resulted from a less favorable mix of system revenue.

Services

Gross margin from services revenue was 10.6% for the nine months ended September 30, 2023, compared to 12.1% for the nine months ended September 30, 2022 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								Three months			
	ended		Period-to-Period		Nine months ended		Period-to-Period		ended		Period-to-Period	
	September 30,		Change		September 30,		Change		March 31,		Change	
	2023	2022	\$	%	2023	2022	\$	%	2024	2023	\$	%
	(dollars in thousands)											
Research and development	\$ 24,093	\$ 20,563	\$ 3,530	17.2 %	\$ 71,996	\$ 56,267	\$ 15,729	28.0 %	\$25,662	\$23,773	\$1,889	7.9 %
Percentage of revenue	8.2 %	9.0 %			8.8 %	8.6 %			10.2 %	9.4 %		
Sales and marketing	16,465	14,573	1,892	13.0 %	46,146	38,567	7,579	19.7 %	17,445	14,144	3,301	23.3 %
Percentage of revenue	5.6 %	6.4 %			5.6 %	5.9 %			6.9 %	5.6 %		

General and administrative	17,446	14,983	2,463	16.4 %	48,519	41,163	7,356	17.9 %	16,405	14,745	1,660	11.3 %
Percentage of revenue	6.0 %	6.5 %			5.9 %	6.3 %			6.5 %	5.8 %		
Total operating expenses	\$ 58,004	\$ 50,119	\$ 7,885	15.7 %	\$ 166,661	\$ 135,997	\$ 30,664	22.5 %	\$ 59,512	\$ 52,662	\$ 6,850	13.0 %
Percentage of revenue	19.8 %	21.9 %			20.3 %	20.8 %			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 \$34.8 \$36.4 million, or 60.0% 61.2%, of our total operating expenses for the three months ended September 30, 2023 March 31, 2024, compared to \$31.4 \$30.7 million, or 62.6% 58.2%, of our total operating expenses for the three months ended September 30, 2022. Personnel costs were \$99.3 million, or 59.6%, of our total operating expenses for the nine months ended September 30, 2023, compared to \$83.0 million, or 61.0%, of our total operating expenses for the nine months ended September 30, 2022 March 31, 2023. The higher personnel costs for the three and nine months ended September 30, 2023 March 31, 2024 are primarily due to increases in personnel-related expenses to support growth, salary associated with an increase in headcount as well as bonus and stock compensation expenses.

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Research and Development

	Three months ended		Period-to-Period		Nine months ended		Period-to-Period		Three months ended		Period-to-Period	
	September 30,		Change		September 30,		Change		March 31,		Change	
	2023	2022	\$	%	2023	2022	\$	%	2024	2023	\$	%
	(dollars in thousands)											
Research and development	\$24,093	\$20,563	\$3,530	17.2 %	\$71,996	\$56,267	\$15,729	28.0 %	\$25,662	\$23,773	\$ 1,889	7.9 %
Percentage of revenue	8.2 %	9.0 %			8.8 %	8.6 %			10.2 %	9.4 %		

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.

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Three months ended September 30, 2023 Compared with Three months ended September 30, 2022

Research and development expense was \$24.1 \$25.7 million during the three months ended September 30, 2023 March 31, 2024, an increase of \$3.5 million \$1.9 million, or 17.2% 7.9%, compared with \$20.6 million \$23.8 million during the three months ended September 30, 2022 March 31, 2023. The increase is primarily due to higher personnel expenses as well as associated with an increase in the cost of project materials and related services for ongoing projects.

Nine months ended September 30, 2023 Compared with Nine months ended September 30, 2022

Research and development expense was \$72.0 million during the nine months ended September 30, 2023, an increase of \$15.7 million, or 28.0%, compared with \$56.3 million during the nine months ended September 30, 2022. The increase is primarily due to higher personnel expenses as well as an increase in the cost of project materials and related services for ongoing projects. headcount.

Sales and Marketing

	Three months ended		Period-to-Period		Nine months ended		Period-to-Period		Three months ended		Period-to-Period	
	September 30,		Change		September 30,		Change		March 31,		Change	
	2023	2022	\$	%	2023	2022	\$	%	2024	2023	\$	%
	(dollars in thousands)											
Sales and marketing	\$16,465	\$14,573	\$1,892	13.0 %	\$46,146	\$38,567	\$7,579	19.7 %	\$17,445	\$14,144	\$3,301	23.3 %
Percentage of revenue	5.6 %	6.4 %			5.6 %	5.9 %			6.9 %	5.6 %		

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

Three months ended September 30, 2023 Compared with Three months ended September 30, 2022

Sales and marketing expense was \$16.5 \$17.4 million during the three months ended September 30, 2023 March 31, 2024, an increase of \$1.9 million \$3.3 million, or 13.0% 23.3%, compared with \$14.6 \$14.1 million during the three months ended September 30, 2022. The increase is primarily due to higher personnel expenses.

Nine months ended September 30, 2023 Compared with Nine months ended September 30, 2022

Sales and marketing expense was \$46.1 million during the nine months ended September 30, 2023, an increase of \$7.6 million, or 19.7%, compared with \$38.6 million during the nine months ended September 30, 2022 March 31, 2023. The increase is primarily due to higher personnel expenses and travel-related expense. associated with an increase in headcount.

General and Administrative

	Three months ended		Period-to-Period		Nine months ended		Period-to-Period		Three months ended		Period-to-Period	
	September 30,		Change		September 30,		Change		March 31,		Change	
	2023	2022	\$	%	2023	2022	\$	%	2024	2023	\$	%
	(dollars in thousands)											

General and administrative	\$17,446	\$14,983	\$2,463	16.4 %	\$48,519	\$41,163	\$7,356	17.9 %	\$16,405	\$14,745	\$1,660	11.3 %
Percentage of revenue	6.0 %	6.5 %			5.9 %	6.3 %			6.5 %	5.8 %		

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.

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Three months ended September 30, 2023 Compared with Three months ended September 30, 2022

General and administrative expense was \$17.4 million during the three months ended September 30, 2023, an increase of \$2.5 million, or 16.4%, compared with \$15.0 million during the three months ended September 30, 2022. The increase is primarily due to an increase in personnel expenses.

Nine months ended September 30, 2023 Compared with Nine months ended September 30, 2022

General and administrative expense was \$48.5 million during the nine months ended September 30, 2023, an increase of \$7.4 million, or 17.9%, compared with \$41.2 million during the nine months ended September 30, 2022. The increase is primarily due to an increase in personnel expenses.

Other Income (Expense)

	Three months ended		Period-to-period		Nine months ended		Period-to-period		Three months ended		Period-to-period	
	September 30,		change		September 30,		change		March 31,		change	
	2023	2022	\$	%	2023	2022	\$	%	2024	2023	\$	%
	(dollars in thousands)											
Other income (expense):	\$ 1,995	\$ (8,193)	\$ (10,188)	124.4 %	\$ 4,449	\$ (17,183)	\$ (21,632)	125.9 %	\$ 2,460	\$ 1,545	\$ 915	59.2 %
Percentage of revenue	0.7 %	(3.6)%			0.6 %	(2.6)%			1.0 %	0.6 %		

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, operate and forward currency exchange contracts.

Other income was \$2.0 million for the three months ended September 30, 2023, compared with other expense income of \$8.2 million for the three months ended September 30, 2022. The \$10.2 million change in other income (expense) compared to the same prior year period was primarily due to an increase in interest income of \$3.5 million and a decrease in foreign exchange losses of \$6.7 million. Other income was \$4.4 million for the nine months ended September 30, 2023, compared with other expense of \$17.2 million for the nine months ended September 30, 2022. The \$21.6 million change in other income (expense) compared to the same prior year period was primarily due to an increase in interest income of \$11.3 million and a decrease in foreign exchange losses of \$10.2 million from forward currency exchange contracts.

During the nine-month periods ended September 30, 2023 and 2022, we had no significant off-balance sheet risk such as exchange contracts, option contracts or other hedging arrangements.

Income Tax Provision

	Three months ended		Period-to-period		Nine months ended		Period-to-period		Three months ended		Period-to-period	
	September 30,		change		September 30,		change		March 31,		change	
	2023	2022	\$	%	2023	2022	\$	%	2024	2023	\$	%
	(dollars in thousands)											
Income tax provision	\$ 7,744	\$ 4,726	\$ 3,018	63.9 %	\$ 15,986	\$ 13,002	\$ 2,984	23.0 %	\$ 7,404	\$ 5,205	\$ 2,199	42.2 %
Percentage of revenue	2.6 %	2.0 %			1.9 %	2.0 %			2.9 %	2.0 %		

Income tax expense was \$7.7 million for the three months ended September 30, 2023, compared to \$4.7 million for the three months ended September 30, 2022. The \$3.0 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. Income tax expense was \$16.0 million for the nine months ended September 30, 2023, compared to \$13.0 million for the nine months ended September 30, 2022. The \$3.0 million increase was primarily due to an increase in pre-tax income partially offset by the tax deduction related to stock based compensation and additional research and development tax credit.

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The effective tax rate for the three and nine months ended September 30, 2023, 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 \$44.3 million and \$31.7 million as of September 30, 2023, March 31, 2024 and December 31, 2022, 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 September 30, 2023, March 31, 2024, we have recorded a \$10.6 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 September 30, 2023 March 31, 2024, we had \$142.3 \$134.0 million in unrestricted cash and cash equivalents and \$318.7 million \$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.

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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 nine three months ended September 30, 2023 March 31, 2024 and 2022 2023, we generated \$91.3 \$42.2 million and \$93.2 million \$34.6 million, respectively, of cash related to operating activities.

Investing activities for the nine three months ended September 30, 2023 March 31, 2024 resulted in cash outflows of \$74.2 million \$55.7 million, \$10.5 million \$1.6 million of which was used for capital expenditures and \$271.6 million \$145.1 million of which was used to purchase short-term investments, offset by \$207.9 million \$91.1 million related to maturities of short-term investments. Investing activities for the nine three months ended September 30, 2022 March 31, 2023 resulted in cash outflows of \$40.5 \$33.0 million, \$6.9 million \$2.2 million of which was used for capital expenditures and \$33.6 million \$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 nine three months ended September 30, 2023 March 31, 2024 resulted in a cash usage of \$53.2 \$18.1 million. During the first nine three months of 2023, \$37.5 million 2024, \$15.0 million in cash was used to repurchase our common stock and \$15.8 million \$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 the Company us to cover taxes, as well as \$0.9 million \$0.4 million relating to the reduction of the liability under the finance lease of our corporate headquarters. These amounts were partially offset by \$1.0 million of proceeds related to the purchase of shares under our 2020 ESPP and exercise of stock options during the first nine months of 2023. In comparison, financing activities for the nine three months ended September 30, 2022 March 31, 2023 resulted in cash usage of \$53.1 \$16.7 million, \$45.0 million \$12.5 million of which related to the repurchase of our common stock and \$9.3 million \$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 \$0.7 million \$0.3 million relating to the reduction of our financing lease liability. These amounts were partially offset by \$1.9 million of proceeds related to the purchase of shares under our ESPP and exercise of stock options during the first nine months of 2022.

On April 5, 2023 As of March 31, 2024, we terminated the Senior Secured Credit Facilities Credit Agreement, as amended (the "Credit Agreement"), with Silicon Valley Bank that we entered into on July 31, 2020. The Credit Agreement provided for a revolving credit facility covering borrowings and letters of credit in an aggregate principal amount not to exceed \$40.0 million. Our obligations under the Credit Agreement were secured by had a security interest, senior deposit of \$5.9 million related to any current and future debts and to any security interest, this lease in all the form of our rights, title, and interest in, to and under substantially all of our assets, subject to limited exceptions, including permitted liens. Upon termination, these liens and all other obligations under the credit agreement, were released. A cash collateralized letter of credit issued by Silicon Valley with UBS Bank a division of First Citizens Bank & Trust

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Company (successor by purchase to the Federal Deposit Insurance Corporation as Receiver for Silicon Valley Bridge Bank, N.A.) as successor to Silicon Valley Bank, remains outstanding in the amount of \$5.9 million, securing our lease on our corporate headquarters. This letter of credit was transitioned to a cash collateral arrangement on March 30, 2023, and was USA, which is classified as long-term restricted cash on our balance sheet at September 30, 2023. 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 September 30, 2023 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 Annual Report on 2023 Form 10-K for the fiscal year ended December 31, 2022. 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As of September 30, 2023 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 Annual Report on 2023 Form 10-K for the year ended December 31, 2022. 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.

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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 **September 30, 2023** **March 31, 2024** that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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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 **September 30, 2023** **March 31, 2024**, there have been no material changes to the risk factors described in Item 1A, "Risk Factors" included in our **Annual Report on 2023 Form 10-K for the year ended December 31, 2022**. **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** **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 **September 30, 2023** **March 31, 2024** as well as the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

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 November 2, 2023 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 November 2, 2023 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 November 2, 2023 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 November 2, 2023 May 2, 2024.
101*	The following materials from the Company's Form 10-Q for the quarter ended September 30, 2023 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: November 2, 2023 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

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Exhibit 31.1

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: November 2, 2023 May 2, 2024

/s/ RUSSELL J. LOW

Russell J. Low,
President and Chief Executive Officer

Exhibit 31.2

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: November 2, 2023 May 2, 2024

/s/ JAMES G. COOGAN

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

EXHIBIT 32.1

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 November 2, 2023 May 2, 2024.

/s/ RUSSELL J. LOW

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

EXHIBIT 32.2

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 November 2, 2023 May 2, 2024.

/s/ JAMES G. COOGAN

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

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