AXT INC Form 10-Q August 13, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC. 20549

FORM 10-Q

(Mark One)

X

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

for the quarterly period ended June 30, 2007

or

0

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

for the transition period from to

Commission File Number 000-24085

AXT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of Incorporation or organization)

4281 Technology Drive, Fremont, California 94538

(Address of principal executive offices) (Zip code)

(510) 683-5900

(Registrant s telephone number, including area code)

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

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Act. (Check one):

94-3031310

(I.R.S. Employer Identification No.)

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Large accelerated filer o

Accelerated filer O

Non-accelerated filer X

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

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

Class

Common Stock, \$0.001 par value

Outstanding at July 31, 2007

30,021,987

AXT, INC. FORM 10-Q TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	3
Item 1. Financial Statements (unaudited)	3
Condensed Consolidated Balance Sheets as of June 30, 2007 and December 31, 2006	3
Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2007 and 2006	4
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006	5
Notes To Condensed Consolidated Financial Statements	6
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4T. Controls and Procedures	29
PART II. OTHER INFORMATION	30
Item 1. Legal Proceedings	30
Item 1A. Risk Factors	30
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 3. Defaults Upon Senior Securities	30
Item 4. Submission of Matters to a Vote of Security Holders	31
Item 5. Other Information	31
Item 6. Exhibits	32
Signatures	33

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AXT, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share data)

Current assets: S 15,416 \$ 16,116 Cash and cash equivalents \$ 15,416 \$ 16,116 Short-term investments \$ 15,426 \$ 16,116 Accounts receivable, net of allowances of \$674 and \$140 as of June 30, 2007 and December 31, 2006. 9,882 9,658 Inventories, net 24,953 20,263 20,263 Prepaid expenses and other current assets 4,121 3,985 Assets held for sale 5,140 4,659 Total current assets 71,774 74,109 Prepaid expenses and other current assets 71,774 74,109 Property, plant and equipment, net 14,814 12,775 Restricted deposits 6,850 7,150 Other assets 4,843 4,298 4,298 9,8,323 Total assets 104,281 \$ 9,8,32 Current liabilities 3,426 3,358 Current liabilities 3,426 3,538 Current portion of long-term debt 4,50 4,50 Income taxes payable 3,532 7,750		June 30, 2007			December 31, 2006	
Cash and cash equivalents \$ 15,416 \$ 15,416 \$ 16,116 Short-term investments 12,622 19,428 Accounts receivable, net of allowances of \$674 and \$140 as of June 30, 2007 and December 31, 2006, 9,882 9,658 Inventories, net 24,953 20,263 Prepaid expenses and other current assets 4,121 3,985 Assets held for sale 5,140 4,659 Total current assets 77,774 74,109 Property, Jant and equipment, net 14,814 12,775 Restricted deposits 6,850 7,150 Other assets 6,850 7,150 Current liabilities: 2,141 \$ 98,332 Liabilities and stockholders equity: 2 4,50 Current liabilities: 3,426 3,358 Current liabilities 3,426 3,358 Current liabilities 6,552 7,750 Long-term debt, net of current portion 6,456 6,839 Other asset apable 3,540 1,132 Commitments and contingencies (Notet 11) 5,400 1,132 </td <td>Assets:</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Assets:					
Short-term investments 18,262 19,428 Accounts receivable, net of allowances of \$674 and \$140 as of June 30, 2007 and December 31, 2006, 9,882 9,658 Inventories, net 24,953 20,263 Prepaid expenses and other current assets 4,121 3,985 Sasets held for sale 7,174 74,109 Proport, plant and equipment, net 14,814 12,775 Restricted deposits 6,850 7,150 Other assets 4,843 4,298 Total assets 8 104,281 9,8,323 Chere assets 3,426 3,358 Corrent liabilities 3,426 3,358 Current portion of long-term debt 4,50 3,358 Current portion of long-term debt 4,50 3,358 Current portion of long-term debt 3,52 178 Income taxes payable 6,352 7,750 Long-term liabilities 5,400 1,132 Income taxes payable 6,352 7,750 Long-term liabilities 5,400 1,132 Income taxes payable 6,352 1,750 Long-term liabilities <td>Current assets:</td> <td></td> <td></td> <td></td> <td></td> <td></td>	Current assets:					
Accounts receivable, net of allowances of \$674 and \$140 as of June 30, 2007 and December 31, 2006, 9,882 9,658 respectively 9,882 20,263 Prepaid expenses and other current assets 4,121 3,985 Assets held for sale 5,140 4,659 Total current assets 77,774 74,109 Property, plant and equipment, net 14,814 12,775 Restricted deposits 6,850 7,150 Other assets 4,843 4,298 Total assets 8 104,281 \$ 98,332 Current liabilities: - - - Accruend liabilities 3,426 3,358 - Current payable 4,52 4,53 - Accruend liabilities 3,426 3,358 - Current portion of long-term debt 450 450 - Income taxes payable 6,352 7,750 - Commitments and contingencies (Note 11) - - - Total current liabilities 2,592 2,543 - Commitments and contingencies (Note 11) - - - <td>Cash and cash equivalents</td> <td></td> <td>/</td> <td></td> <td></td> <td>,</td>	Cash and cash equivalents		/			,
respectively 9,882 9,658 10ventories, net 24,953 20,63 Inventories, net 4,953 4,953 4,21 3,985 4,213 4,213 3,985 4,213 4,213 3,985 4,213 4,213 3,985 4,213	Short-term investments	18,2	62		19,42	28
Inventories, net24,95320,263Prepaid expenses and other current assets4,1213,985Assets held for sale5,1404,659Total current assets77,7474,109Property, plant and equipment, net14,81412,775Restricted deposits6,8507,150Other assets4,8434,298Total assets4,8434,298Total assets5104,28198,332Liabilities and stockholders equity:	Accounts receivable, net of allowances of \$674 and \$140 as of June 30, 2007 and December 31, 2006,					
Prepaid expenses and other current assets 4,121 3,985 Assets held for sale 5,140 4,659 Total current assets 77,774 74,109 Property, plant and equipment, net 14,814 12,775 Restricted deposits 6,850 7,150 Other assets 4,843 4,298 Total assets 4,843 4,298 Total assets 104,281 98,332 Liabilities and stockholders equity: Current liabilities: 3,266 3,358 Current liabilities: 2,141 \$_3,764 Accrued liabilities 3,426 3,358 Current portion of long-term debt 450 450 Income taxes payable 3,352 7,750 Long-term liabilities 6,352 7,750 Long-term liabilities 15,400 17,132 Total current liabilities 15,400 17,132 Coment methy and contingencies (Note 11) 5,400 17,132 Commitments and contingencies (Note 11) 3,232 3,532 Stockholders equity: 7,500 1,312 Preferred Stock, 50,001 par value per sha	respectively	9,88	2	9,658		
Assets held for sale $5,140$ $4,659$ Total current assets $77,774$ $74,109$ Property, plant and equipment, net $14,814$ $12,775$ Restricted deposits $6,850$ $7,150$ Other assets $4,843$ $4,298$ Total assets $4,843$ $4,298$ Total assets $4,843$ $4,298$ Current liabilities: $-14,281$ $9,8,332$ Accrued liabilities: $-14,281$ $3,764$ Accrued liabilities $3,426$ $3,358$ Current protion of long-term debt 450 450 Income taxes payable $6,352$ $7,750$ Cong-term debt, net of current portion $6,456$ $6,839$ Other long-term liabilities $2,592$ $2,543$ Total current liabilities $15,400$ $17,132$ Commitments and contingencies (Note 11) 500 $15,400$ $17,132$ Stockholders equity: $-15,400$ $17,132$ Commot stock, \$0.001 par value per share; 70,000 shares authorized; 28,975 and 29,011 share issued and outstanding as of June 30, 2007 and December 31, 2006, respectively 30 29 Additional paid-in capital $184,988$ $180,936$ $100,275$ $103,322$ Accumulated deficit $100,275$ $103,322$ 3535 Total stockholders equity 30 29 29 Additional paid-in capital $88,81$ $81,200$	Inventories, net			20,263		53
Total current assets $77,774$ $74,109$ Property, plant and equipment, net14,81412,775Restricted deposits $6,850$ $7,150$ Other assets $4,843$ 4,298Total assets 8 $104,281$ $98,332$ Current liabilities: $2,141$ $8,3,764$ Accounds payable $3,426$ $3,358$ Current portion of long-term debt 450 450 Income taxes payable $3,355$ 178 Total current liabilities: $6,352$ $7,750$ Long-term debt, net of current portion $6,456$ $6,839$ Other ong-term debt, net of current portion $6,456$ $6,839$ Other long-term debt, net of current portion $5,400$ $17,132$ Commitments and contingencies (Note 11) $15,400$ $17,132$ Stockholders equity: $7,500$ $3,532$ $3,532$ Common stock, \$0,001 par value per share; 2,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively 30 29 Additional paid-in capital 1606 535 700 Accumulated deficit $(101,275)$ $(103,832)$ Accumulated deficit $1,006$ 535 Total stockholders equity $88,881$ $81,200$,		3,985		
Property, plant and equipment, net14,81412,775Restricted deposits6,8507,150Other assets4,8434,298Total assets104,2818State assets104,2818Accounts payable104,2818Accrued liabilities3,4263,358Current portion of long-term debt450450Income taxes payable6,3527,750Long-term liabilities6,3527,750Long-term liabilities6,3527,750Cong-term liabilities6,3527,750Cong-term liabilities6,3523,532Other long-term liabilities6,3527,750Long-term liabilities6,3523,532Total current portion of pertern by portion6,4566,839Other long-term liabilities15,40017,132Commitments and contingencies (Note 11)15,40017,132Stockholders equity:15,4003,5323,532Preferred stock, \$0,001 par value per share; 2,000 shares authorized; \$83 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital184,988180,936Accumulated deficit101,2751013,832Accumulated other comprehensive income1,606535Total stockholders equity15,606535Total stockholders equity88,8181,200	Assets held for sale	5,140		4,659		9
Restricted deposits 6,850 7,150 Other assets 6,850 7,150 Other assets 4,843 4,298 Total assets $$104,281$ $$98,332$ Liabilities and stockholders equity: Current liabilities: Accounts payable $$2,141$ $$3,764$ Accrued liabilities 3,426 3,458 Current portion of long-term debt 450 450 Income taxes payable 335 178 Total current liabilities 6,352 7,750 Long-term debt, net of current portion 6,456 6,839 Other long-term liabilities 15,400 17,132 Commitments and contingencies (Note 11) Stockholders equity: Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively 30 29 Additional paid-in capital 18,000 and December 31, 2006, respectively 30 29 Additional paid-in capital 18,000 and December 31, 2006, respectively 184,988 180,936 Accumulated other comprehensive income 1,606 535 Total stockholders equity 88,881 81,200	Total current assets	77,7	74	74,109		09
Other assets 4,843 4,298 Total assets \$ 104,281 \$ 98,332 Liabilities and stockholders equity:	Property, plant and equipment, net	14,8	14	12,775		75
Total assets \$ 104,281 \$ 98,332 Liabilities and stockholders equity:	Restricted deposits	6,85	0	7,150)
Liabilities and stockholders equity:Current liabilities:Accounts payable\$ 2,141\$ 3,764Accrued liabilities3,4263,358Current portion of long-term debt450450Income taxes payable335178Total current liabilities6,3527,750Long-term debt, net of current portion6,4566,839Other long-term liabilities2,5922,543Total liabilities15,40017,132Commitments and contingencies (Note 11)55Stockholders equity:3,5323,532Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 28,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital184,988180,936Accumulated deficit(101,275(103,832Accumulated other comprehensive income1,606535Total stockholders equity88,88181,200	Other assets	4,84	3	4,298		8
Current liabilities: \$ 2,141 \$ 3,764 Accounts payable \$ 2,141 \$ 3,764 Accrued liabilities 3,426 3,358 Current portion of long-term debt 450 450 Income taxes payable 335 178 Total current liabilities 6,352 7,750 Long-term debt, net of current portion 6,456 6,839 Other long-term liabilities 2,592 2,543 Total liabilities 15,400 17,132 Commitments and contingencies (Note 11) 15,400 17,132 Stockholders equity: 3,532 3,532 Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively 30 29 Additional paid-in capital 184,988 180,936 Accumulated deficit (101,275) (103,832 Accumulated other comprehensive income 1,606 535 Total stockholders equity 88,881 81,200	Total assets	\$	104,281		\$	98,332
Current liabilities: \$ 2,141 \$ 3,764 Accounts payable \$ 2,141 \$ 3,764 Accrued liabilities 3,426 3,358 Current portion of long-term debt 450 450 Income taxes payable 335 178 Total current liabilities 6,352 7,750 Long-term debt, net of current portion 6,456 6,839 Other long-term liabilities 2,592 2,543 Total liabilities 15,400 17,132 Commitments and contingencies (Note 11) 15,400 17,132 Stockholders equity: 3,532 3,532 Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively 30 29 Additional paid-in capital 184,988 180,936 Accumulated deficit (101,275) (103,832 Accumulated other comprehensive income 1,606 535 Total stockholders equity 88,881 81,200						
Accounts payable \$ 2,141 \$ 3,764 Accounts payable 3,426 3,358 Current portion of long-term debt 450 450 Income taxes payable 335 178 Total current liabilities 6,352 7,750 Long-term debt, net of current portion 6,456 6,839 Other long-term liabilities 2,592 2,543 Total liabilities 15,400 17,132 Commitments and contingencies (Note 11) 5 5,22 3,532 Stockholders equity:	Liabilities and stockholders equity:					
Accrued liabilities 3,426 3,358 Current portion of long-term debt 450 450 Income taxes payable 335 178 Total current liabilities 6,352 7,750 Long-term debt, net of current portion 6,456 6,839 Other long-term liabilities 2,592 2,543 Total liabilities 15,400 17,132 Commitments and contingencies (Note 11) 15,400 17,132 Stockholders equity: 15,400 3,532 3,532 Preferered stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006. 3,532 3,532 Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively 30 29 Additional paid-in capital 184,988 180,936 Accumulated deficit (101,275) (103,832 Accumulated other comprehensive income 1,606 535 Total stockholders equity 88,881 81,200	Current liabilities:					
Current portion of long-term debt 450 450 Income taxes payable 335 178 Total current liabilities 6,352 7,750 Long-term debt, net of current portion 6,456 6,839 Other long-term liabilities 2,592 2,543 Total liabilities 15,400 17,132 Commitments and contingencies (Note 11) 50 3,532 Stockholders equity: 7 750 Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006. 3,532 3,532 Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively 30 29 Additional paid-in capital 184,988 180,936 Accumulated deficit (101,275 (103,832 Accumulated other comprehensive income 1,606 535 Total stockholders equity 88,881 81,200	Accounts payable	\$	2,141		\$	3,764
Income taxes payable335178Total current liabilities6,3527,750Long-term debt, net of current portion6,4566,839Other long-term liabilities2,5922,543Total liabilities15,40017,132Commitments and contingencies (Note 11)Stockholders equity:Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006.3,5323,532Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital184,988180,936Accumulated deficit(101,275) (103,832Accumulated other comprehensive income1,606535Total stockholders equity88,88181,200	Accrued liabilities	3,42	6		3,358	8
Total current liabilities6,3527,750Long-term debt, net of current portion6,4566,839Other long-term liabilities2,5922,543Total liabilities15,40017,132Commitments and contingencies (Note 11)	Current portion of long-term debt	450			450	
Long-term debt, net of current portion6,4566,839Other long-term liabilities2,5922,543Total liabilities15,40017,132Commitments and contingencies (Note 11)55Stockholders equity:3,5323,532Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006.3,5323,532Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital184,988180,936Accumulated deficit(101,275)(103,832Accumulated other comprehensive income1,606535Total stockholders equity88,88181,200	Income taxes payable	335			178	
Other long-term liabilities2,5922,543Total liabilities15,40017,132Commitments and contingencies (Note 11)15,40017,132Stockholders equity:111Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006.3,5323,532Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital184,988180,936Accumulated deficit(101,275)(103,832)Accumulated other comprehensive income1,606535Total stockholders equity88,88181,200	Total current liabilities	6,35	2		7,750	0
Total liabilities15,40017,132Commitments and contingencies (Note 11)17,132Stockholders equity:17,132Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006.3,532Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively30Additional paid-in capital184,988180,936Accumulated deficit(101,275)Accumulated other comprehensive income1,606535Total stockholders equity88,88181,200	Long-term debt, net of current portion	6,456		6,839		9
Commitments and contingencies (Note 11)EventsStockholders equity:Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006.3,5323,532Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital184,988180,936Accumulated deficit(101,275)(103,832Accumulated other comprehensive income1,606535Total stockholders equity88,88181,200	Other long-term liabilities	2,59	2		2,543	3
Stockholdersequity:Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006.3,5323,532Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital184,988180,936Accumulated deficit(101,275)(103,832Accumulated other comprehensive income1,606535Total stockholders88,88181,200	Total liabilities	15,4	00		17,13	32
Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding as of June 30, 2007 and December 31, 2006.3,5323,532Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital Accumulated deficit184,988180,936Accumulated deficit Total stockholders equity1,606535	Commitments and contingencies (Note 11)					
as of June 30, 2007 and December 31, 2006.3,5323,532Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued3029Additional paid-in capital184,988180,936Accumulated deficit(101,275)(103,832)Accumulated other comprehensive income1,606535Total stockholdersequity88,88181,200	Stockholders equity:					
Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued3029and outstanding as of June 30, 2007 and December 31, 2006, respectively30180,936Additional paid-in capital184,988180,936Accumulated deficit(101,275)(103,832Accumulated other comprehensive income1,606535Total stockholdersequity88,88181,200	Preferred stock, \$0.001 par value per share; 2,000 shares authorized; 883 shares issued and outstanding					
and outstanding as of June 30, 2007 and December 31, 2006, respectively3029Additional paid-in capital184,988180,936Accumulated deficit(101,275)(103,832Accumulated other comprehensive income1,606535Total stockholdersequity88,88181,200	as of June 30, 2007 and December 31, 2006.	3,53	2		3,532	2
Additional paid-in capital184,988180,936Accumulated deficit(101,275)(103,832Accumulated other comprehensive income1,606535Total stockholdersequity88,88181,200	Common stock, \$0.001 par value per share; 70,000 shares authorized; 29,975 and 29,011 shares issued					
Accumulated deficit(101,275)(103,832)Accumulated other comprehensive income1,606535Total stockholders88,88181,200	and outstanding as of June 30, 2007 and December 31, 2006, respectively	30			29	
Accumulated deficit(101,275)(103,832)Accumulated other comprehensive income1,606535Total stockholders88,88181,200	Additional paid-in capital			936		
Total stockholders equity 88,881 81,200	Accumulated deficit	(101	,275)	(103	,832
Total stockholders equity 88,881 81,200	Accumulated other comprehensive income	1,60	6			
	Total stockholders equity			81,200		00
	Total liabilities and stockholders equity					

See accompanying notes to condensed consolidated financial statements.

AXT, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months June 30, 2007	Ended 2006	Six Months En June 30, 2007	nded 2006	
Revenue	\$ 13,639	\$ 10,355	\$ 26,165	\$ 18,826	
Cost of revenue	8,607	7,596	15,728	14,557	
Gross profit	5,032	2,759	10,437	4,269	
Operating expenses:					
Selling, general and administrative	3,743	3,853	7,446	7,083	
Research and development	348	571	808	1,105	
Recovery of impairment on assets held for sale	(481)		(481)		
Restructuring benefit				(2)	
Total operating expenses	3,610	4,424	7,773	8,186	
Income (loss) from continuing operations	1,422	(1,665)	2,664	(3,917)	
Interest income, net	225	111	449	239	
Other income (expense), net	(272)	814	(283)	1,052	
Income (loss) before provision for income taxes	1,375	(740)	2,830	(2,626)	
Provision for income taxes	162	138	273	456	
Income (loss) from continuing operations	1,213	(878)	2,557	(3,082)	
Discontinued operations:					
Gain from discontinued operations, net of tax		2		3	
Net income (loss)	\$ 1,213	\$ (876)	\$ 2,557	\$ (3,079)	
Basic income (loss) per share:					
Income (loss) from continuing operations	\$ 0.04	\$ (0.04)	\$ 0.08	\$ (0.14)	
Gain from discontinued operations, net of tax					
Net income (loss)	\$ 0.04	\$ (0.04)	\$ 0.08	\$ (0.14)	
Shares used in computing basic income (loss) per share	29,943	23,052	29,871	23,019	
Diluted income (loss) per share:					
Income (loss) from continuing operations	\$ 0.04	\$ (0.04)	\$ 0.08	\$ (0.14)	
Gain from discontinued operations, net of tax					
Net income (loss)	\$ 0.04	\$ (0.04)	\$ 0.08	\$ (0.14)	
Shares used in computing diluted income (loss) per share	31,142	23,052	31,233	23,019	

See accompanying notes to condensed consolidated financial statements.

AXT, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Six Months Ended June 30, 2007			2006		
Cash flows from operating activities:						
Net income (loss)	\$ 2	2,557		\$	(3,079)
Adjustments to reconcile net income (loss) to net cash used in operations:						
Depreciation	686			1,7		
Accretion of marketable securities premium/discount	(48)	(30)
Loss on disposal of property, plant and equipment				67		
Stock-based compensation	211			443	3	
Realized loss (gain) on sale of investments	29			(1,4	438)
Recovery of impairment on assets held for sale	(481)			
Changes in assets and liabilities:						
Accounts receivable, net	(183)	(2,2	203)
Inventories	(4,59	0)	(36)
Prepaid expenses	(36)	(1,8	301)
Other assets	(512)	89		
Accounts payable	(1,65	6)	383	3	
Accrued liabilities	51			(97	5)
Income taxes payable	149			13		
Other long-term liabilities	(26)	61		
Net cash used in operating activities	(3,84	9)	(6,	745)
Cash flows from investing activities:						
Purchases of property, plant and equipment	(2,29)	8)	(1,3	331)
Proceeds from disposal of property, plant and equipment				161	l	
Purchases of marketable securities	(10,2	54)	(4,0	597)
Proceeds from sale of marketable securities	11,91	1		5,9	85	
Decrease in restricted deposits	300			150)	
Net cash used in investing activities	(341)	268	3	
			-			
Cash flows from financing activities:						
Proceeds from issuance of common stock, net	3,842			298	3	
Long-term debt payments	(387)	(31	8)
Net cash provided by (used in) financing activities	3,455			(20)
Effect of exchange rate changes on cash and cash equivalents	35			78		Í
Net decrease in cash and cash equivalents	(700)	(6,4	419)
Cash and cash equivalents at the beginning of the period	16,11	6	,		472	Í
Cash and cash equivalents at the end of the period	\$	15,416		\$	11,053	

See accompanying notes to condensed consolidated financial statements.

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AXT, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of AXT, Inc. (AXT, Company, we, us, and our refer to AXT, Inc. and all of its consolidated subsidiaries) are unaudited, and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the year-end condensed consolidated balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of our management, the unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, considered necessary to present fairly the financial position, results of operations and cash flows of AXT and our subsidiaries for all periods presented.

Our management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ materially from those estimates.

The results of operations are not necessarily indicative of the results to be expected in the future or for the full fiscal year. It is recommended that these condensed consolidated financial statements be read in conjunction with our consolidated financial statements and the notes thereto included in our 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 23, 2007 and our Quarterly Report on Form 10-Q filed with the SEC on May 11, 2007.

Note 2. Discontinued Operations

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Our condensed consolidated financial statements have been presented to reflect the opto-electronics business as a discontinued operation for all periods presented. Operating results of the discontinued operation are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		
	2007	2006	2007	2006	
Revenue	\$	\$	\$		