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CYBE - Q2 2019 CyberOptics Corp Earnings Call

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## PRESENTATION

### Operator

Good day and welcome to the CyberOptics Second Quarter 2019 Earnings Call. Today's conference is being recorded.

At this time, I'd like to turn the conference over to Dr. Subodh Kulkarni, President and CEO of CyberOptics. Please go ahead, sir.

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

Thank you. Good afternoon and thanks for taking the time to participate in CyberOptics' Second Quarter 2019 Earnings Conference Call. Joining me is Jeff Bertelsen, our CFO and Chief Operating Officer, who will review our operating results in some detail following my overview of our recent performance. We will then be pleased to answer your questions at the conclusion of our remarks.

In keeping with Regulation FD, we have made forward-looking statements regarding our outlook in this afternoon's earnings release. These forward-looking statements reflect our outlook for future results, which is subject to a number of risks that are discussed in our Form 10-K for the year ended December 31, 2018, and other filings with the Securities and Exchange Commission. We urge you to review these discussions of risk factors.

CyberOptics' recent performance, like that of many companies serving the SMT and semiconductor capital equipment space, has been affected by a cyclical market slowdown as well as uncertainty surrounding the global trade environment. The current market cycle is expected to persist during the second half of 2019 before strengthening in 2020 according to many industry observers.

Despite near-term headwinds, we will continue investing in research and development to further strengthen CyberOptics' ability to capitalize on strong growth opportunities for our 3D MRS-enabled sensors, inspection and metrology systems and WaferSense semiconductor products. This means that our confidence in CyberOptics future is undiminished.

Turning now to our second quarter results. Sales of \$15 million were down 5% from \$15.9 million in the year earlier period. This was at a low end of our previously issued guidance for this period. Our second quarter earnings totaled \$464,000 or \$0.06 per diluted share compared to \$740,000 or \$0.10 per diluted share in last year's second quarter.

Sales of sensors, inspection and metrology systems based on our 3D MRS technology totaled \$6 million in the second quarter of 2019, up 38% from \$4.3 million in the year earlier period. This increase was driven by strong sales growth of 3D MRS-based SQ3000 AOI inspection systems in the second quarter. MRS-based products, together with our semiconductor sensors consisting primarily of the WaferSense product line, accounted for 60% of our total second quarter revenue, up from 52% in the year earlier period.



Now I will briefly review our second quarter performance by product line. Second quarter sales of inspection and metrology systems increased 49% year-over-year to \$9.9 million. This growth was paced by 75% increase in year-over-year sales growth of SQ3000 3D AOI systems. Sales of SQ3000 and SQ3000 CMM systems totaled \$4.6 million in the second quarter. The competitive advantage of our 3D MRS technology platform is allowing us to capitalize upon growing worldwide acceptance and demand for high-precision inspection with our 3D AOI systems. Reflecting this progress, over 100 customers worldwide are now using our 3D SQ3000 systems. CyberOptics received customer acceptances totaling \$1.1 million in the second quarter for MX600 memory module inspection systems, and we expect to revenue our remaining MX backlog in the third quarter. Given the proven benefits of the MX600, we are actively pursuing opportunities for this system with additional customers. Multiple customers are now expressing interest in the 3D MRS version of MX600 or memory module inspection.

Looking ahead, sales of inspection and metrology systems are forecasted to decline in the third quarter on both a sequential and year-over-year basis. Sales of 3D and 2D sensors fell 62% year-over-year in the second quarter of 2019 to \$2 million. Within this category, sales of 3D MRS-enabled sensors were down 30% year-over-year to \$1.1 million. Again, this pattern reflects the overall weakness in the global SMT and semiconductor markets. Although sensor sales are forecasted to rebound modestly in the third quarter of 2019 on a sequential basis, soft market conditions are expected to persist resulting in lower year-over-year sales. Sales of semiconductor sensors, primarily the WaferSense product line, fell 21% year-over-year in the second quarter of 2019 to \$3.1 million. Sales of semiconductor sensors are forecasted to be flat to down slightly in the third quarter of 2019 on both a sequential and year-over-year basis. Additional WaferSense products are under development, and we believe this suite of high-margin products will be an important growth and profitability driver going forward.

Our MRS-based NanoResolution sensor for semiconductor wafer level and advanced-packaging inspection and metrology applications recently won the 2019 Best of the West Award at the SEMICON West Trade Show earlier in July. Interest in the NanoResolution sensor was high at the SEMICON West Trade Show and many potential customers are evaluating this product given its high-resolution and industry-best inspection speeds. We believe inspection and metrology for semiconductor wafer level and advanced-packaging applications represent compelling long-term growth opportunities.

CyberOptics ended the second quarter of 2019 with an order backlog of \$13 million, up from \$11.6 million at the end of first quarter. The June 30, 2019 backlog includes a large order for 3D MRS sensors from an existing OEM, which are primarily scheduled for delivery in periods after 2019. We are forecasting sales of \$12 million to \$13.5 million for the third quarter of 2019 ending September 30. We'll work through this period of cyclical market weakness without jeopardizing our market positions and ability to pursue a range of promising growth opportunities. In all, we remain highly optimistic about CyberOptics' future. Thank you.

Now Jeff Bertelsen will review our second quarter operating results in greater detail.

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**Jeffrey A. Bertelsen** - *CyberOptics Corporation - VP of Finance, CFO, COO & Secretary*

Thanks, Subodh. Since Subodh has already covered our sales results in some detail, I will provide additional information regarding other aspects of our second quarter performance. Our gross margin in the second quarter of 2019 fell to 44% from 46% in the year earlier period. This decline resulted principally from lower volumes of high-margin WaferSense products and 3D MRS sensors in our second quarter sales mix. Our revenue in the second quarter also included a lower margin X-ray system sale. We expect our gross margin percentage in the third quarter of 2019 to increase by 2 to 3 percentage point due to a shift in our sales mix toward higher margin WaferSense products and 3D MRS sensors. The absence of X-ray system sales as well as fewer sales of SQ3000 systems into the general purpose SMT market is also expected to benefit our third quarter gross margin percentage.

Total operating expenses in the second quarter of 2019 were down from a level in the year earlier period. The decrease was due to lower compensation cost, including bonus accruals, which were impacted by our financial performance in the second quarter of 2019. Investment and R&D will continue, reflecting our confidence in CyberOptics' future, as we work to further strengthen our ability to pursue growth opportunities for our 3D MRS technology and WaferSense semiconductor products. Depreciation and amortization expense totaled \$695,000 in the second quarter and stock compensation expense was \$249,000.

Total operating expenses in the third quarter of 2019 are expected to be flat to up modestly when compared to the level in the second quarter of 2019. We concluded our ongoing Singapore income tax audits in July and anticipate recognizing an approximate \$200,000 noncash income tax benefit in the third quarter of 2019 in connection with completion of these audits. Excluding the impact of the discrete \$200,000 noncash income tax benefit, we anticipate that our effective tax rate for the remainder of 2019 will be approximately 25%, roughly equal to our effective tax rate in the first 6 months of 2019.

Cash and marketable securities of \$25.8 million at June 30 were virtually unchanged from the level at the end of this year's first quarter. Earlier today, we announced the \$3 million share repurchase program through June 2020, reflecting our confidence in CyberOptics' future. We have the necessary capital resources to achieve our growth objective, given our available balances of cash and marketable securities. Thank you.

We would now be happy to take your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) And our first question today will come from Dick Ryan with Dougherty.

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**Richard Allen Ryan** - *Dougherty & Company LLC, Research Division - VP & Senior Research Analyst of Industrials*

So firstly, it's about on the new NanoResolution sensor and the release. I didn't hear it in your commentary, but you said you had 2 orders from OEM customers. Can you elaborate a little bit on that? And kind of what the applications are -- they are looking at?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

Sure. So this was in wafer-level, advanced-packaging kind of applications. The overall market, global market, from what we have seen in the reports, seems to be roughly \$400 million to \$500 million growing at about 20% to 25% CAGR right now. That's one of the brighter spots of the semiconductor industry, which is seeing some good growth, even when the rest of the industry is seeing some declines. So we are definitely going into that market with this NanoResolution sensor. The main advantage of this sensor, as we have said, is the speed. We are comparable in accuracy, repeatability and resolutions compared to some conventional technologies that exist right now out there, but our speed is a factor of at least 2 and sometimes a factor of 3 or 4 higher than conventional technologies. So that is the main differentiating advantage we have. The value of it is, right now, because of speed and the cost of equipment, most customers are doing sampling inspection. And with the speeds that we can enable with the NanoResolution sensor, we believe many of those customers who are interested in doing 100% inspection would gravitate towards our offering.

So we are pretty excited about what we are -- what we have developed and have launched. Regarding specifically the 2 customers, yes, we have signed up 2 OEMs, who are more like system integrators. So they are both Asia-based. So plan is they will -- they have taken our sensors, and they are integrating it in their system, and then they will sell it to fabs or OSATs in the Asian market. And that's our primary go-to-market model right now as we plan to sell this sensor to multiple system integrators or OEMs. We do not plan to give exclusive deal to anyone, although we get requested all the time. So our plan is to give it to multiple system integrators and OEMs and commercialize the technology that way. We feel pretty good about the potential, as I said, the market size, the growth rate, the differentiation we have, the IP we have around it. So we are pretty excited about what this product line will do for us in the next 5 to 10 years here. Does that answer your question?

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**Richard Allen Ryan** - *Dougherty & Company LLC, Research Division - VP & Senior Research Analyst of Industrials*

Yes, yes, it does. Moving to the MX600, how much revenue is left from those orders that's going to be recognized in Q3?



**Jeffrey A. Bertelsen** - *CyberOptics Corporation - VP of Finance, CFO, COO & Secretary*

About \$500,000.

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**Richard Allen Ryan** - *Dougherty & Company LLC, Research Division - VP & Senior Research Analyst of Industrials*

Okay. And it's about your commentary there that you started -- I think, you said you're starting to get interest in other memory guys for 3D capabilities?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

That is correct. We have been talking to -- I mean, as we have disclosed before, MX600 that we have sold in the last 3 years is primarily to one of the large 3 memory manufacturers. We have been talking to the other 2 large memory manufacturers as well as Tier 2. There are Tier 2 players in memory as well. And the current thinking for the other 2 large players is to go with MRS-based MX600, which would be a 3D MX600, and that's where the interest is and that's what we are working with them right now. Our existing customer is also interested in either upgrading their current MX600s with 3D MRS or buying new ones. So we'll continue this discussion, but overall we feel pretty bullish about the MX600 offering we have and what we will do in the next few years.

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**Richard Allen Ryan** - *Dougherty & Company LLC, Research Division - VP & Senior Research Analyst of Industrials*

Is there an upgrade path for the existing customer to go to 3D? Or do they have to buy a new system?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

We would prefer, obviously, that they buy new systems sort of upgrade, but we will work with the customer to see what makes sense from their standpoint and their ROI standpoint.

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**Richard Allen Ryan** - *Dougherty & Company LLC, Research Division - VP & Senior Research Analyst of Industrials*

Okay. One last one on the semiconductor side of the business that you touched. Has there been any change in your visibility or sense of the market for the second half of the year in the last month since you pre-released?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

I'm sure you are following the general announcements. I mean, there is a little bit of optimism that is growing in the last couple of weeks in the whole semiconductor sector, driven primarily by a few announcements. I think TSMC was a very positive announcement that they saw some growth in June and what they had to say about the second half. Yesterday, Texas Instruments had a fairly bullish looking outlook for 2020. So there is some positive news that have come from the fab side, and that's certainly injected some enthusiasm and optimism in the whole sector. Having said that, I haven't seen any formal reports coming from Gartner or IDC or anyone yet, actually changing their numbers. So the -- at least, the discussion at SEMICON West was that optimists are expecting a significant growth like 20-plus percent growth in semi cap in 2020. The pessimists are still talking about a flattish to even slight decline in 2020. So that's the bracket, if you will, somewhere in that range is what everyone is expecting right now semi caps to do. But we haven't heard anything concrete with anyone saying second half of this year is going to be better than last year's second half or anything along those lines.

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**Operator**

(Operator Instructions) Our next question will come from Greg Palm with Craig-Hallum Capital Group.



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**Gregory William Palm** - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

I guess, just starting on kind of the whole macro environment, I'm curious any specific areas or end markets that really stood out as being significantly worse or I guess vice versa anything that held up better than what you would have thought?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

We don't get direct exposure to the end markets of semi customers and electronics customers. But in general, from what we are hearing from our customers is clearly slowdown in smartphones, slowdown in auto, those were some of the drivers for the slowdown we are hearing right now. And clearly the optimism or enthusiasm is coming because of things like 5G and cloud-computing-type factors. That seems to be the general macro dynamics going on out there, Greg.

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**Gregory William Palm** - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Understood. And at this point, I know you've guided for Q3 specifically. I didn't hear you mention anything about the year, but should we expect another, at least, seasonal bump in Q4 versus Q3? Or what's kind of your return expectation? I think you're expecting a rebound in early 2020, but specifically for Q4, what are you thinking?

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**Jeffrey A. Bertelsen** - *CyberOptics Corporation - VP of Finance, CFO, COO & Secretary*

I mean, our visibility for Q4 is fairly limited right now. I think it looks like, in general, the market's going to stay sluggish for sure in Q3 and very possibly into Q4. So hopefully, we'll get that rebound in 2020, but visibility into Q4 is limited today.

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**Gregory William Palm** - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Okay. Fair enough. And then last one, congrats on the award for the NanoResolution sensor. I mean, in terms of our expectations, how should we be thinking about sort of a bold case for revenue recognition? I know you're expecting just a modest amount in this year, but if successful, would you expect that this could ramp up in a material way next year? Or would it be farther out?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

First of all, thanks. Yes, as I mentioned, to take the market is a sizable market for wafer-level, advanced-packaging inspection \$400 million to \$500 million at the system level, growing at about 20% to 25% CAGR. That's the best indication we have received from external reports. Now our plan is to monetize the technology by selling sensors to OEMs and system integrators. So that reduces the market -- total available market for us by about 10% to 15% of that system-level market. So we have a smaller place to play in, but on the other hand because of our differentiated sensor technology, we have a chance of getting a sizable market share of the sensor market.

So clearly, we are starting now. We will get some -- we are getting some traction. And usually these things take time, Greg. Unfortunately, they don't ramp up very quickly. I mean, people have to design their systems, then they have to get select fabs and OSATs to accept their systems with the new technology. So our experience with KLA on the back-end area, if you will, it took us a solid a year or 2 years to see some steady growth coming from that area. So I expect a mid-end or advanced-packaging area to be similar. So I think we're just starting right now. We'll see ramp going on through next year as next year goes on, and really, to start materially contributing in a big way beyond that. If it happens, then obviously we'll do it, but these things do take time.

**Operator**

(Operator Instructions) We'll go and take the next question from Jaeson Schmidt with Lake Street.

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**Jaeson Allen Min Schmidt** - *Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst*

Just wanted to confirm, there was no CyberGage revenue in Q2. And can you just update us on sort of the expectations for that product line for the rest of this year?

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**Jeffrey A. Bertelsen** - *CyberOptics Corporation - VP of Finance, CFO, COO & Secretary*

Yes. Just regarding CyberGage, really quick -- yes, there was a couple of CyberGages sold in the quarter. So we'll say roughly around \$250,000 of CyberGage revenue in Q2.

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

And regarding your general broader question, Jaeson, as we have said before, we seem to be selling roughly one a month or one every other month kind of a run rate, 5 to 10 right now, very low in the big scheme of things. And obviously, we are not happy with the run rate of CyberGage sales, but in all fairness -- and you saw our SQ and SQ/CMM sales grew very rapidly. CyberGage is a great lead generator for SQ/CMM. Many customers start with CyberGage. They like the concept, but then the imitations of CyberGage are, as you know, resolution and accuracy. And SQ/CMM is, almost in order of magnitude, better in resolution and accuracy because of the way we designed the optics around it. And even though SQ/CMM has limitation of only one size, they end up choosing SQ/CMM. So we like CyberGage as a lead-generating product, and as I mentioned, a few customers keep buying it. So we'll continue to develop it and keep investing into some level, but really the focus is all on SQ and SQ/CMM right now.

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**Jaeson Allen Min Schmidt** - *Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst*

Okay. That make sense. And I know you guys never really are computing base OEM price, but just given the macro backdrop, have you seen your customers in any of our product lines become a bit more price-sensitive?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

In the traditional EMS market, there's always price sensitivity. And we always have to -- we are selling SQ or even SQ/CMM in the traditional EMS, there is always price pressures because they have over dozen of other competitors to choose from. But more and more of our business, at least, for SQ/CMM is coming from this very unique advanced applications where competition fades away and they cannot do what we can do, and there the price competition is not at all serious. So it depends on which customers we are going for.

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**Operator**

And our next question comes from [Eric Slate] with [Acme Analytics].

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**Unidentified Analyst**

I had a question. On your last buyback -- not this one. Not the one you just announced. What was the amount that you authorized last time?

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**Jeffrey A. Bertelsen** - *CyberOptics Corporation - VP of Finance, CFO, COO & Secretary*

I think it was \$2 million or \$3 million, Eric, if I recall. That's what I think we offered.

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**Unidentified Analyst**

And how much did you guys buyback then?

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**Jeffrey A. Bertelsen** - *CyberOptics Corporation - VP of Finance, CFO, COO & Secretary*

Yes. So that was the one that we had authorized in the third -- fourth quarter of 2017. We bought back about \$250,000 worth on that buyback.

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**Unidentified Analyst**

Okay. First time, you can get more aggressive if it stays down at these prices. I guess this question is for Subodh. One thing I know -- yes, just because I follow these cycles over the years, how come Teradyne is up 9 points today? And Lam new highs, ASML new highs. Rudolph is acting strong. And basically, I think of all the equipment stocks, you guys have been the worst performers. So I just don't get how these things must be sniffing out a better 2020. I don't understand because I just been parabolic, really?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

There are a couple of points. I mean, the names that you mentioned, they are much larger than we are, and we're definitely a micro cap competitors, not the large cap or at least mid-cap companies that you were talking about. That makes a big difference, I think, in terms of perception. But if you -- I can't comment on stock price, and why their stocks are doing well, literally. But what I can say is, if you look at the actual sales numbers and the growth and all that stuff, we're actually outperforming just about every other semi-cap company in terms of sales growth. Okay?

Our Q1, we delivered 6% growth. Q2, despite the headwinds, we delivered 5% decline. Whereas, if you look at just about any of the names that you mentioned, they are talking about 20% or even 30% decline year-over-year. So in terms of actual sales numbers, we are outperforming the broader semi-cap companies. I won't comment on the stock prices. There are so many other factors that go into stock price and why their stocks are at an all-time high.

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**Unidentified Analyst**

Okay. And then if we could throw another question. If we take the pessimistic view or whoever, that sales will be flat next year, can you grow in that kind of environment? This year, what's the semi-cap -- Jeff, I think you know that. What's the semi-equipment going to be down sequentially year-over-year? I know they are guesstimates, but what you guys have as far as the equipment itself across the industry?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

See, in general, they are -- because of MRS and WaferSense and the differentiation we get, we feel pretty good that we will be able to outperform the broader semi-cap sector. Okay? This year, unfortunately, the semi-cap and electronics is down, as I said, about 20% year-over-year. That's why our numbers are looking negative right now, but if semi cap as a whole and electronics as a whole is roughly flat next year and that's a pessimistic scenario. I think we will be able to grow -- we will be able to outperform that overall sector because of the MRS and WaferSense.





**Unidentified Analyst**

And I know you guys are -- you have a lot of iron in the fire. It's still quite possible because we haven't seen any big multiple order as far as dollar amount for some time now. Do you see that changing in the next 12 months because you guys, I think, have quite a few people you're talking to?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

I mean, our number of -- as we disclosed, we have number of customers for our MRS technology, particularly the SQ product line has exceeded 100 right now, and many of them are large customers, Fortune 100, or even at least Fortune 500 type companies. So anyone of them at any time can order multiple use systems, and the number will be rather large for us. It's always possible. But lately what we have noticed is many of the customers do buy 1, 2, 3 at a time, and then that's why we don't disclose those kinds of orders, obviously.

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**Unidentified Analyst**

Right. But -- and I guess the other question is, as a rule, I wasn't sure, it seems like you're making very good inroads to those -- the next -- you already have one memory customer. Do you have a second, third one going? Or just the one right now and you're still doing a valuation with the second and third of the big memory players?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

More than that. So currently, all of our MX has been sold to one large memory customer. We are going to the other 2 -- and as well as the Tier 2. There are Tier 2 players that matter. And the large 3 obviously have more than 80% or 85% market share, but the remaining is in the Tier 2s. So we are talking. We feel pretty confident that we will be able to get some MX600, particularly the 3D version of MX600 seems going here to other customer zone.

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**Unidentified Analyst**

So really with everything you have out there and we get a better market environment, the floodgates could open for you guys, right?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

To be -- obviously, we want them to open but...

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**Unidentified Analyst**

Well, we all do. But I mean, if we have like a -- if we had a 15% to 20% growth next year, let's take the optimistic view, could we start seeing a lot more active years as far as big orders if we see real growth in the industry without any capacity?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

Of course, it will help everyone. Rising tide is good for all the players in the market.

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**Operator**

And next will be [Myles Jennings], a private investor.

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**Unidentified Participant**

I'd like to know if you are now offering the new NanoResolution sensor in SQ version system. You mentioned the OEM orders for the sensors themselves. I just want to know if you're now offering a regular SQ system equipped with the nano sensor?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

No, Miles. Unfortunately, the sensor -- nano sensor -- I mean, we are dealing with microns and nanometers as the main switches, and it needs to be a stationary sensor. You cannot move that sensor and try to get those kinds of accuracies and resolutions. And SQ, fundamentally, is designed where the sensor is moving to scan the whole product. So there is an architectural challenge where we cannot put nano sensor in the SQ frame, but frame is relatively trivial in the big scheme of things. So what we are doing right now or our integrators are doing is, there are off-the-shelf wafer stages so the sensor is stationary and the wafer stage is moving the wafer in and moving it around, while the sensor is taking all the pictures. So that's what the system will look like. We don't plan to put the nano sensor in SQ. SQ is primarily, as you know, targeting SMT and a "real backend of semiconductor kind of market," some advanced packaging. Nano is really targeting the stacking those kinds of applications, fan-in and fan-out type applications. So we think it's best to keep nano with a stationary sensor and the wafer stage right now.

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**Unidentified Participant**

Thanks for the clarification. You said that you have these 2 new OEMs for the nano sensor. And did I hear you correctly that one is a systems integrator and one is a manufacturer?

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

No, both are more or less system integrator/OEM. It's hard to differentiate a system integrator and an OEM. These are typically, as I said, they are mostly in Asia. They are servicing 3 or 4 customers that did know really well. Usually, the customers are all fabs and OSATs. So those names are well-known. So usually it's those smaller companies integrators who specialize in servicing a few fabs and OSATs.

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**Unidentified Participant**

I can understand the distinction now. And I guess one more thing, which seems obvious, but I just want to nail it down. You said that you received a large order for delivery after 2019, and that's for a traditional MRS 3D sensors, it's not for the nano sensor?

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**Jeffrey A. Bertelsen** - *CyberOptics Corporation - VP of Finance, CFO, COO & Secretary*

That's correct. It's for our existing OEMs for our older MRS sensors, not the nano sensor.

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**Unidentified Participant**

Right. Good. Congratulations on this new nano tech sensor. This whole idea of inspecting and measuring at level, which is lower than what you can -- I think an eye can see, it's just hired to wrap your head around. I mean, it's -- things are just falling hard for me to visualize how this is at all possible. So my hats off for your performance.

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**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

Thanks, Miles. Appreciate your support.

**Operator**

And at this time, there are no further questions. I'll now turn the conference back over to you for any additional remarks.

**Subodh K. Kulkarni** - *CyberOptics Corporation - President, CEO & Director*

Well, thank you all for your interest in CyberOptics, and we look forward to updating you after Q3. Thank you.

**Operator**

Well, thank you. That does conclude today's conference. We do thank you for your participation. Have a wonderful day.

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