

Onto Innovation: Turning a Strategic Stake into a Product

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On August 10, Onto Innovation completed its purchase of a 27% minority stake in Rigaku Holdings Corporation for approximately \$720 million. Onto had announced the purchase in April at an estimated \$710 million, alongside a collaboration to combine Rigaku's X-ray measurement platform with Onto's analytics software. The closing made Onto a significant minority investor, not Rigaku's controlling parent.

The transaction arrived as semiconductor manufacturers were demanding more measurement capability for complex structures and advanced packaging. Onto's Q2 results were strong: quarterly revenue reached a record, Advanced Nodes revenue set a record, and Specialty Devices and Advanced Packaging also reached a quarterly high. Onto reported more than \$1 billion of backlog. Management said it expected demand to remain strong into the second half and 2027.

At the cutoff, Onto's leadership could consider how to organize the next phase of the collaboration. The public record did not disclose a specific management debate, staffing bottleneck, budget cap, or required decision date. The assignment below is constructed for classroom use; it does not describe an actual board request.

The assignment

You are a member of a hypothetical strategy and product team preparing a post-close execution recommendation for senior leadership. Recommend how Onto should sequence product, applications-engineering, customer-qualification and go-to-market effort between the Rigaku collaboration and Onto's own advanced-node and advanced-packaging roadmaps.

Two paths are available. One would accelerate joint commercialization, organizing customer work and coordinated product deployment around the combined X-ray and optical offering. The other would use technical and customer evidence gates to pace further collaboration work while protecting execution on existing product roadmaps. A hybrid is possible. Staging describes when to release effort under either path; it is not a separate destination for resources.

The record does not establish that Onto lacks cash or engineering capacity. Your recommendation must distinguish known facts from management and partner expectations, identify what the next decision should depend on, and explain what information is missing. Do not estimate a forced return on investment.

From collaboration to minority investment

Onto and Rigaku announced their collaboration on April 20. The companies were combining Onto's Ai Diffract model-based analysis software with Rigaku's critical-dimension small-angle X-ray scattering (CD-SAXS) platforms. Onto said the offering had been selected by two key customers and described systems delivered for advanced V-NAND and DRAM metrology, with expanding engagement across logic and memory customers. The customers were not named, and the release did not characterize the selections as signed orders, revenue or backlog.

Onto's announcement cited an external estimate of a market exceeding \$1 billion within five years. Rigaku's separate alliance announcement targeted at least \$300 million of incremental sales opportunity for Rigaku products by 2030. These are differently scoped statements by different parties. Neither is a forecast of Onto revenue, booked demand or realized return.

In April, Onto agreed to buy 61,123,436 existing Rigaku shares, representing 27%, from Atom Investment, an affiliate of Carlyle, for approximately \$710 million. The purchase agreement included a right to nominate one director to Rigaku's board. The purchase was for existing shares, not a capital injection into Rigaku. On August 10, Onto reported that the purchase had closed for approximately \$720 million. Onto stated it would account for the stake under the fair-value option and would not consolidate Rigaku's results. Rigaku said it would maintain management independence.

Strong core demand, new product uncertainty

For the three months ended June 30, 2026, Onto reported \$343.1 million of revenue, up 35.3% from \$253.6 million in the prior-year comparison period. GAAP gross margin was 53.4%, versus 48.2%; company-defined non-GAAP gross margin was 57.0%, versus 54.5%. Six-month revenue was \$635.1 million, up 22.1% from \$520.2 million.

Management reported Q2 record revenue of \$343.1 million, a 50% sequential increase in Advanced Nodes revenue to a quarterly record, and all-time highs in Specialty Devices and Advanced Packaging. It also described broad-based strengthening demand across logic and memory customers and backlog above \$1 billion. The company's Q3 revenue guidance was \$380-400 million. These measures describe Onto's company-wide business; the filings do not attribute the results or backlog to the Rigaku offering.

The period labels require care. Onto moved to a calendar fiscal year in 2026. Its 2026 second quarter ran April 1-June 30, whereas the comparable 2025 quarter ran March 30-June 28. The company said the shift was not expected to have a material impact on quarterly results, but it should remain visible in year-over-year comparisons.

Financing and room to invest

In May, Onto issued \$1.5 billion principal amount of 0.00% convertible senior notes due in 2031. Net proceeds after underwriter discounts and commissions, but before issuer offering expenses, were approximately \$1.470 billion. The filing reports approximately \$88.9 million for capped-call transactions and approximately \$204.9 million for a concurrent repurchase of 805,000 shares. The remaining net proceeds were for general corporate purposes, which may include financing the Rigaku transaction. The filing does not provide a complete dollar-for-dollar source-and-use trace for the August purchase.

Onto had arranged a \$500 million, 364-day bridge commitment as a possible source alongside other funds for the Rigaku transaction. It terminated that commitment on May 21 after the notes financing, reporting \$4.4 million of total associated costs. The filing does not say the

bridge was drawn.

At June 30, before the Rigaku closing, Onto reported \$1.253 billion of cash and equivalents and \$628.9 million of marketable securities, totaling \$1.882 billion. The company said it expected existing cash, equivalents and marketable securities to cover anticipated working capital, capital expenditures and other cash needs for the next 12 months following the Q2 filing. The June balance predates the August purchase and is not an August post-close liquidity figure. These facts make financing and return discipline relevant but do not establish a cash shortage.

Competitive setting

Onto's 2025 Form 10-K identifies competitors by product area: KLA and Nova for thin-film and critical-dimension OCD metrology; KLA and Camtek for advanced-packaging inspection; Ushio and Canon for advanced-packaging lithography; GigaVis for panel inspection; PDF Solutions for process-control software; and Nova for integrated metrology. For its material-characterization and 4D products serving opto-electronics, discrete-device, industrial and scientific markets, Onto says it faces numerous competitors and that no single competitor or group holds a majority position.

Onto describes the industry as intensely competitive and says development, improvement and worldwide support require significant resources; it acknowledges that some competitors may have greater financial, research, engineering, manufacturing and marketing resources. KLA's 2026 Form 10-K also names Onto among competitors alongside Applied Materials, ASML, Hitachi High-Tech and Lasertec. These disclosures establish a broad, product-specific competitive context. They do not provide market shares or a like-for-like scale comparison for Onto and Rigaku.

Decision exhibits

Exhibit 1. Operating context

Measure	Q2 2026	Q2 2025 comparison	Change / context
Revenue	\$343.1m	\$253.6m	+35.3% year over year
GAAP gross margin	53.4%	48.2%	+5.2 percentage points
Non-GAAP gross margin	57.0%	54.5%	+2.5 percentage points
Six-month revenue	\$635.1m	\$520.2m	+22.1%
Advanced Nodes	Record	-	Q2 +50% sequentially, issuer-reported
Specialty Devices and Advanced Packaging	All-time high	-	Issuer-reported
Company backlog	>\$1bn	-	Issuer-reported; no Rigaku allocation disclosed

Source: P1, Q2 release; P5, Form 10-Q. GAAP and non-GAAP margin measures are separate. Q2 2025 comparison period ran March 30-June 28, 2025; Q2 2026 ran April 1-June 30, 2026 (P5, Note 1). Backlog is a company-wide issuer measure, not Rigaku program revenue.

Exhibit 2. The collaboration and stake

Date	Disclosed milestone	What it does-and does not-establish
Apr. 20	Onto and Rigaku announce collaboration combining Ai Diffract software and CD-SAXS; two key customers selected the offering; Onto cites external >\$1bn market estimate within five years	Customer selection and external estimate; no named customers, contract amount, revenue, backlog or customer economics disclosed
Apr. 20/21	Onto signs to buy 61,123,436 existing Rigaku shares (27%) for approximately \$710m	Proposed purchase terms; one board-nomination right; minority position, not control
Aug. 10	Onto reports closing for approximately \$720m	Actual closing status and updated approximate USD amount; no post-close liquidity or funding waterfall disclosed
Aug. 10	Rigaku states target of $\geq$ \$300m incremental sales opportunity for Rigaku products by 2030	Partner target for Rigaku products, not Onto sales, a joint contracted forecast or a return estimate

Sources: P2, P6 and P7. April estimated price and August close amount are kept distinct. Product selections are not described as orders or sales.

Exhibit 3. June 30 balance and note financing

Item	Reported amount / term	Basis
Cash and cash equivalents	\$1,253.2m	June 30, 2026 balance
Marketable securities	\$628.9m	June 30, 2026 balance
Combined cash, equivalents and securities	\$1,882.2m	June 30, before Rigaku close; not all cash
Convertible notes	\$1,500m principal; \$1,471.7m net carrying value	Issued May 21; 0.00% coupon; due June 1, 2031
Capped-call cash cost	\$88.9m	Company disclosure for final notes issuance
Concurrent share repurchase	\$204.9m; 805,000 shares	Company disclosure; \$254.53/share
Bridge commitment	\$500m; terminated May 21	Commitment, not evidence of a draw; \$4.4m total reported cost

Source: P4 and P5. Amounts rounded from filing data. General-purpose note proceeds may have financed Rigaku; the filing does not trace the closing price dollar for dollar. Do not roll June liquidity forward to August 31.

Exhibit 4. Company-identified competitors

Onto product area	Competitors named in Onto's 2025 10-K
Thin-film and critical-dimension OCD metrology	KLA; Nova
Advanced-packaging inspection	KLA; Camtek
Advanced-packaging lithography	Ushio; Canon
Panel inspection	GigaVis
Process-control software	PDF Solutions
Integrated metrology	Nova

Source: P9, Item 1 "Competition." KLA's 2026 Form 10-K (P10) separately names Onto among a wider field. This is product-context information, not a share or scale comparison.

Discussion questions

1. Which path should Onto use to govern commercialization of the Rigaku collaboration alongside its core roadmap: accelerate joint customer work or pace further effort through technical and customer gates? What evidence supports your choice?
2. Define three to five observable milestones that would justify the next increment of engineering, applications or go-to-market effort. Which would be leading indicators, and which would establish commercial value?
3. What do the \$720 million closing, June 30 liquidity and convertible financing imply for capital stewardship? Which conclusions cannot be drawn from these numbers?
4. What customer, product, alliance-governance and competitive information would you request before scaling the joint offering? How would that information change your recommendation?

Student source key

- **P1 - Q2 2026 results release**, Ex. 99.1 to Form 8-K, accession 0001193125-26-337990, accepted Aug. 6, 2026, 16:09:51 ET. [SEC index](#) · [Release](#). Highlights, operating results and Q3 guidance; reconciliations distinguish GAAP from company-defined non-GAAP.
- **P2 - Apr. 20 Rigaku collaboration and share-purchase announcement**, Form 8-K accession 0001193125-26-164529, accepted Apr. 20, 2026, 19:23:53 ET. [SEC index](#) · [Ex. 99.1](#) · [Share purchase agreement and alliance agreement, Ex. 2.1](#). Product description and customer-selection language, Ex. 99.1 lines 17-23; transaction terms lines 29-32; agreement rights as applicable.
- **P4 - May 21 convertible-note issuance**, Form 8-K accession 0001193125-26-234610. [SEC index](#) · [8-K and exhibits](#). Final note terms and pricing/use disclosures; the Q2 filing P5 is the source for reported H1 cash flows and balance-sheet values.
- **P5 - Q2 2026 Form 10-Q**, period ended June 30, accession 0001193125-26-338401, accepted Aug. 6, 2026, 17:03:51 ET. [SEC index](#) · [Filing](#). Period definition Note 1, lines 434-437; financing Note 7, lines 732-740 and MD&A lines 1206-1212; June balances and capital flows MD&A lines 1285-1327.
- **P6 - Rigaku closing**, Onto Form 8-K accession 0001193125-26-341337, accepted Aug. 10, 2026, 08:16:49 ET. [SEC index](#) · [8-K](#), Item 2.01 lines 92-95; [Ex. 99.1](#).
- **P7 - Rigaku strategic-alliance announcement**, Apr. 20, 2026. [Direct release](#). Partner's alliance aims and stated ≥\$300m Rigaku-product sales opportunity by 2030; not Onto sales or an independent forecast.
- **P8 - Issuer/SEC filing archive check through cutoff**. [Issuer SEC-filings archive](#) · [SEC company filings](#). Used only for bounded cutoff chronology; ownership filings are not operating disclosures.
- **P9 - Onto FY2025 Form 10-K**, period ended Jan. 3, 2026, accession 0001193125-26-066937. [SEC index](#) · [Filing](#), Item 1, "Competition."
- **P10 - KLA FY2026 Form 10-K**, filed Aug. 6, 2026. [Issuer filing](#), Item 1, "Competition." Used only as broad context, not a like-for-like comparator.

Information boundary: No information after August 31, 2026 is used. The company-wide June financial balances precede the Rigaku close. The \$720 million stake purchase is completed; no future transaction or product outcome is assumed.