

# March Quarter 2014

April 30<sup>th</sup> , 2014

*Record revenues and operational efficiency assure  
strong start for 2014*

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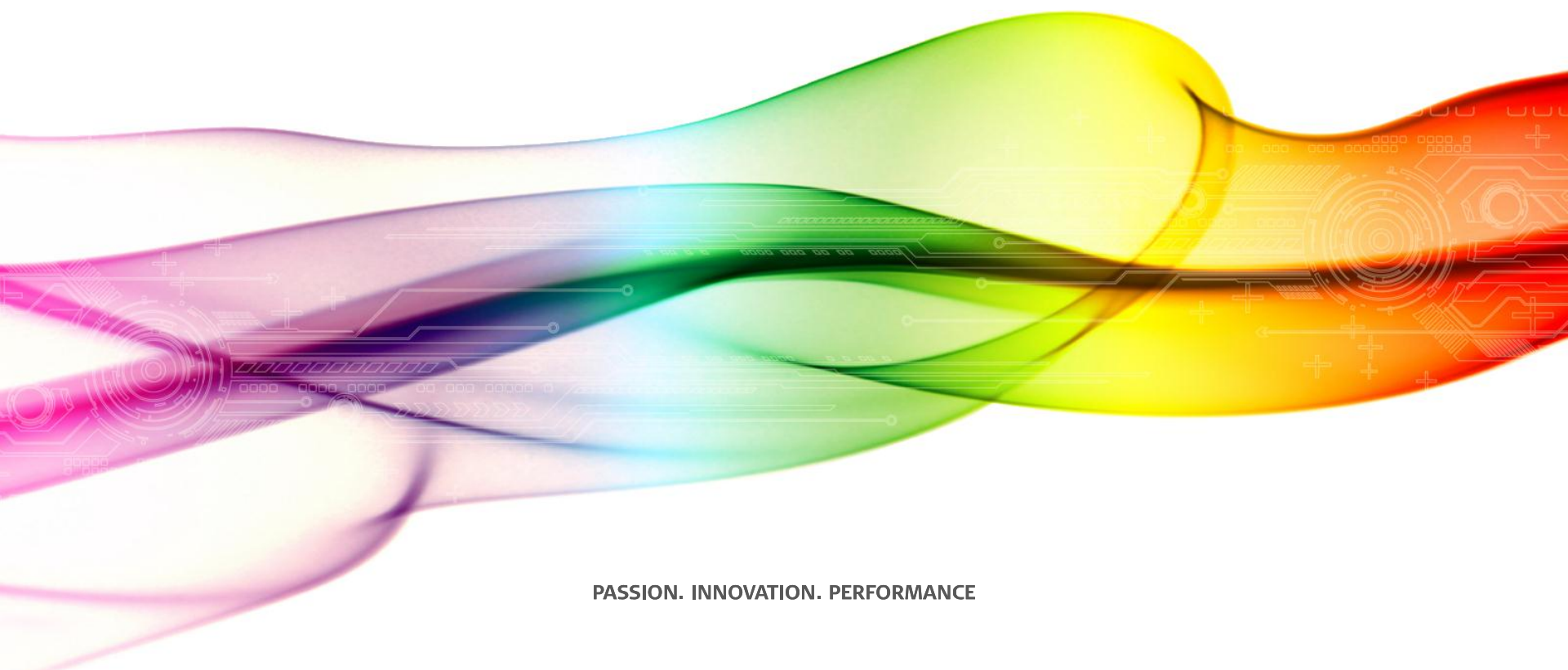
This following presentation includes financial measures that are not calculated in accordance with generally accepted accounting principals (GAAP). The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Nova's earning release, including a presentation of the most directly comparable financial measures calculated and presented in accordance with GAAP and a reconciliation of each GAAP to non-GAAP financial measure discussed in the presentation is available at the Investors section of the company’s website.

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# Business Summary

## March Quarter 2014

Eitan Oppenheim  
President and Chief Executive Officer



# Q1 Results - Highlights

- Financial highlights
  - Quarterly sales revenues – meeting the high end of our guidance
    - Revenues - \$34.7M USD
    - Non GAAP net income - \$6.4M USD
    - EPS - \$0.25
  - Revenues from Standalone tools at record levels
  - Exposure to the most advanced technology nodes
    - More than 25% of the orders - 1Xnm nodes (20% in Q4 2013)
    - Undergo 10nm evaluations
  - Secured number two position in Optical Metrology in 2013 (By Gartner)
    - Market share growth - 5% market share gain from 2012
  - Solid operation efficiency
    - YTD cash reserves - \$113M
    - Announced share repurchase program of \$12M

Exceeding the high end of Q1 profitability guidance. Record sales revenues

# Q1 Results – Business Highlights

- Extensive delivery to Foundry customers
  - Intensive tools delivery to support 20nm ramp up
  - Continuous delivery to support 16/14nm Risk Production and Pilot lines
  - Continuous delivery to support 28nm existing lines – strong demand
  - Undergo major 10nm evaluations – strong cooperation with customers' R&D
  - T600 tools were accepted for production with all major Foundry customers
- Best metrology suite for FinFET – proven experience
- I500 (Integrated) – increasing requirements & attach rate
  - Closer to the process
  - Wafer to Wafer variability
  - Film thickness & Optical CD measurements
- Undergo VNAND evaluations
- TSV evaluations continue with major customers
- Several orders for SW solutions – Hybrid & Fleet Management

- Near term digestion versus long term committed investment
  - Investment cycle – long term solid investment with short term fluctuations
- Foundry segment
  - Intensive 20nm ramp up by our leading customer
  - Continues efforts to qualify 14/16nm FinFET devices by major Foundries
  - Continues 28nm expansion in several locations – strong demand for 28nm
  - 10nm development starts to pick up
- Memory segment
  - Various Memory capacity expansions & conversions
  - VNAND investment
    - Technical challenges in vertical scaling
    - 2014 – Planar investment with initial VNAND device development
    - 2015 – gradual transition to VNAND
  - Tight mobile DRAM supply / demand scheme leads to capacity expansions

Near term fluctuations as part of long term solid investment cycle  
Favorable market conditions for Optical Metrology growth



- Guidance for the 2<sup>nd</sup> Quarter of 2014:
  - Revenues of \$32-\$34.5 million
  - Diluted earnings per share of \$0.15-\$0.20 on a GAAP basis
  - Diluted earnings per share of \$0.16-\$0.22 on a NON-GAAP basis

# Financial Overview March Quarter 2014

Dror David  
Chief Financial Officer





# March Quarter Financial Results

- Record quarterly revenues of \$34.7 million
- Products bookings breakdown:
  - Foundry/Memory: 80%/20% (FY2013 – 90%/10%)
  - Regional distribution: Asia Pacific - 75%, US and Europe - 25%
- Quarterly blended gross margins of 51%
  - Products gross margins of 56%
    - Incremental revenues with lower gross margins at penetration phase
  - Services gross margins of 30%
    - Increase in both contracts and T&M

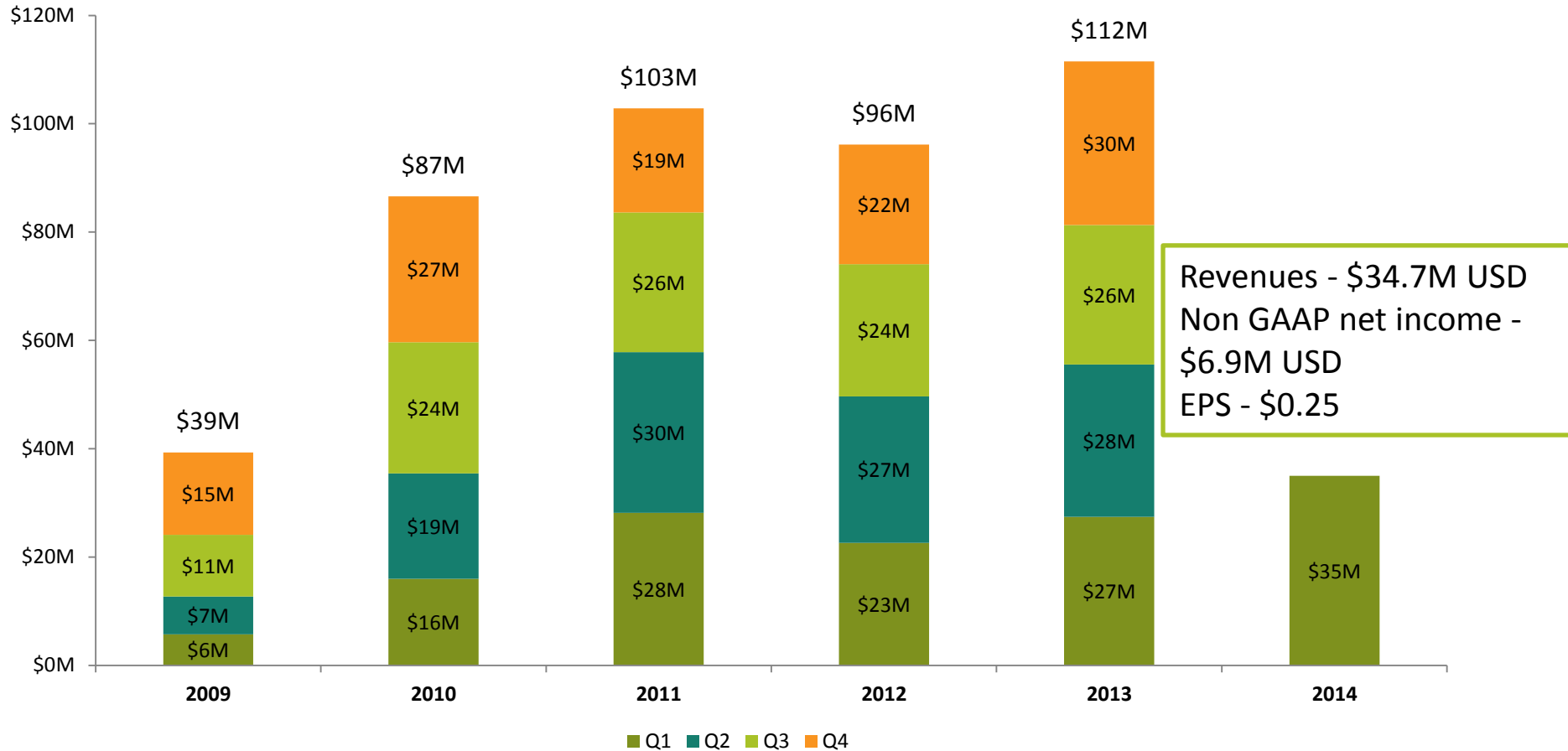
# March Quarter Financial Results

- Operating expenses of \$11.4 million
  - Higher income from the office of chief scientist in Israel
  - Strong dependency on R&D prototypes related expenses
  - Sales and marketing investment – focused on expanding presence at leafing customers
- Operating margin of 18% - Within the company target model
- Tax expenses of \$0.1M - Started utilizing tax incentives in Israel
- GAAP net income of \$6.4M, or \$0.23 per diluted share
- NON-GAAP net income of \$6.9M, or \$0.25 per diluted share
- Record free cash flow of \$12.2M

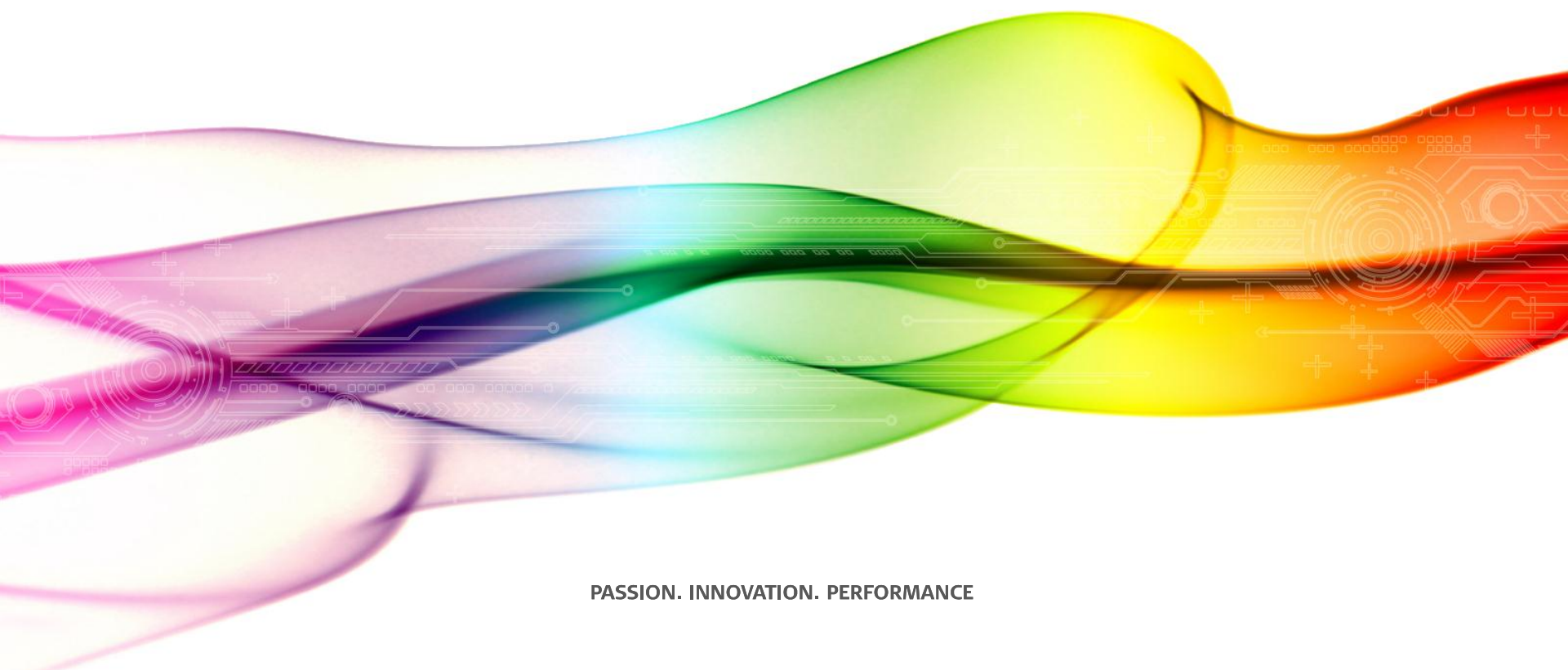
# Key Balance Sheet Metrics

Key Metrics	Three Months Ended	
	Mar 14	Dec 13
Total Cash Reserves	\$113M	\$100M
Accounts Receivables	\$22M	\$28M
DSO	65	73
Inventory	\$19M	\$18M
Inventory Turns	3.6	3.3
Deferred Revenues	\$4.8M	\$3.8M
Capital Investments (gross)	\$0.5M	\$2.0M
Depreciation	\$0.9M	\$0.9M

# Q1 – Record sales revenues



# THANK YOU



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