

Financial Results June Quarter 2012



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Business Overview June Quarter 2012

Gabi Seligsohn
President & Chief Executive Officer



partnering for process control



- **Revenues of \$27.1M - up by 20% vs. the 1st quarter of 2012**
 - Strong bookings and aggressive delivery schedules
 - Revenues and EPS exceeded the top end of our guidance as we continued to ratchet up R&D expenses
- **Nova is an integral part of the current 28nm ramp:**
 - Delivering tools to all relevant foundries
 - TSMC, our largest customer, reaffirmed plans to double 28nm capacity by mid next year
- **Nova is also an integral part of the 20nm and 14nm ramp ups:**
 - TSMC communicated plan to spend most of its cap-ex next year on 20nm ramp
- **Recent announcements:**
 - Technology win and ramp up at advanced memory technology node of <10nm
 - Nova T600 stand alone tool selected by leading flash manufacturers for future tech node development
 - Nova V2600 - Semicon announcement of TSV product gained attention through IBM presentation
 - A real technology breakthrough offering measurement of the most critical parameters for high volume manufacturing
 - Expecting multiple customers orders during the 3rd quarter

Widening our product offering for an expanded SAM

- Short term efforts geared towards expanding fab footprint to more areas in the fab
 - Extending field presence to support customers relying on Optical CD
- Mid term – demand for on tool process control solutions in Etch as well as 3D interconnect stand alone metrology solutions
- Initial revenues expected H2/12 and H1/13
 - In Etch – opportunity is growing with the addition of multiple etch steps:
 - Focus on Lam and AMAT – deepen existing integration schemes and add functionality
 - Ship customer evaluation units to qualify the capabilities
 - Offer a solution that supports industry's wish to further push out EUV by adding Etch steps
 - In 3D interconnect – fabless customers getting deeply engaged in defining needs:
 - Serve these needs by partnering with foundries
 - Add more capabilities to cater for high volume manufacturing needs
 - Ship multiple evaluation units and support efforts in the field

Expect software solutions to continue and increase in our product offering

Investing for the future while demonstrating solid profitability

- Longer term efforts are centered around the move to 450mm:
 - Our OEM partners are receiving demand for better wafer uniformity, higher productivity and reliability
 - Level of complexity and sophistication from process tools will see a step function increase
 - Strong belief that the need for on board metrology solutions will significantly grow to more steps in the process
 - High productivity demand for stand alone metrology as well – an area where Nova excels
- Positioning will depend on compelling product roadmaps and collaborations:
 - Active participation in industry consortiums – very few but very strong customers
 - Tool evaluations carrying mutual obligations at different stages of product maturity
- Management is certain that these measures will prove beneficial to customers and shareholders alike
- Throughout this journey we remain committed to our long term profitability model of 20%-25% operating margins
 - The planned increases in operating expenses lay the foundation for supporting a higher revenue base over time as we continue executing on plans for continued secular growth

Nova is the right partner to offer sophisticated solutions to customers and OEM's

Expecting foundry spending to continue well into 2013

- In the short term we see some deceleration in order volumes
- Capacity insufficiency remains and requires that spending continue well into 2013
- Customers at advanced stages of solving yield issues ramping faster than others
- Statements in recent days about 20nm investments next year:
 - Influence of 20nm announcement sure to be felt across the foundry world
 - Nova very well positioned to take part
- Memory expected to remain weak until beginning of next year
 - Recent technology wins will secure position once spending resumes
- Guidance for the 3rd quarter of 2012:
 - Management expects revenues of \$23.0-25.5 million, with diluted earnings per share of \$0.04-\$0.12 on a non GAAP basis

Financial Overview June Quarter 2012

Dror David
Chief Financial Officer



partnering for process control



- **Quarterly revenues of \$27.1 million, +20% Q/Q**
- **Products bookings breakdown:**
 - Foundry - 75%; Memory - 25%
 - Asia Pacific - 83%; Europe - 9%; US - 8%
- **Blended gross margins of 54%**
 - Products gross margins of 59%
 - Services gross margins of 33%
 - Higher time and materials revenues

- **Operating expenses of \$9.9 million, +7% Q/Q**
 - Research and development \$5.9M, +6% Q/Q
 - Continued initiation and execution of product development programs
- **Operating margins of 17%**
- **GAAP net income of \$3.7M, or \$0.14 per diluted share**
- **NON-GAAP net income of \$5.4M, or \$0.20 per diluted share**
 - Excluding \$1.2M adjustment of deferred tax assets
 - Excluding \$0.4M Stock based compensation expenses
- **Positive cash flow from operating activities \$4.5M**

Key Metrics	Three Months Ended	
	Jun 12	Mar 12
Total Cash Reserves	\$90.5M	\$86.7M
Accounts Receivables	\$17.5M	\$18.5M
DSO	60	63
Inventory	\$16.1M	\$13.3M
Inventory Turns	3.4	3.5
Deferred Revenues	\$4.1M	\$3.9M
Capital Investments <small>(gross)</small>	\$1.2M	\$0.9M
Depreciation	\$0.6M	\$0.6M

Thank you

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