

Financial Results December Quarter 2012



February 19, 2013



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Business Overview December Quarter 2012



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Gabi Seligsohn
President & Chief Executive Officer

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- **2012 was a fourth consecutive year of outperforming the industry:**
 - Leveraging strong foundry position while logic and memory sectors remained weak
 - Foundry capital intensity continues to rise with each technology generation
 - Optical metrology deployment growing at the highest rate
- **Executing to our three legged strategy:**
 - Becoming a multi-product company; Expanding fab footprint; Delivering disruptive technology
- **Nova's CAGR from 2007-2012 far exceeds that of the industry:**
 - Nova CAGR grew 10% while WFE declined (-1.2%) and optical metrology grew 6.6%
 - Nova's foundry revenues grew 46% while overall foundry WFE only grew 18%
- **Nova's addressable market continues to grow on a per fab basis:**
 - From \$30M to over \$150M in a 100K WSPM foundry at <28nm

Strong bookings during Q4 provide good momentum for 2013

- **Proliferating previously announced products and launching new ones:**
 - Nova T600, Nova i500 and NovaMARS adopted by all key customers for advanced tech nodes down to 11nm
 - Ground breaking announcement of Nova V2600 for 3D interconnect yielded 4 customers in 6 months
 - Shipping our first 450mm tool to key PEM for early development efforts
- **R&D efforts deliver high productivity solutions that support our business model:**
 - Significant increase in number of IM tools shipping with OCD SW
 - Extensive deployment of NovaMARS modeling SW
 - Achieving remarkable gross margin profile even while introducing new products
- **Excellent financial performance during 2012 even as we increased R&D spending:**
 - Revenues of \$96.2M ; non-GAAP net income of \$14.2M; gross margin 53%; cash >\$90M
 - Foundry represented 75% of revenues
 - Finishing Q4 at high end of revenue guidance as a result of operational efficiency
 - Temporary reduction in Q4 gross margin to 50% - expect to be back on track in Q1/13

Expecting foundry to remain robust

- **Foundry 28nm ramp up is still under way:**
 - Significant capacity insufficiency – expecting an addition of 70,000-100,000 wafer starts per month
 - Smartphone market remains key driver for 28nm node with several trends driving growth:
 - Windows 8 proliferation; Nokia Lumia; Blackberry 10
 - 2.5G smartphones in China for a mass market
 - And, overall market share battles
- **Foundry 20nm ramp to start towards end of H1/13:**
 - Extent of ramp up during H2/13 still not clear
 - Spells **big business for Nova**
 - **OCD** is an **enabling** technology
- **Memory customers focused on achieving desired yield numbers:**
 - Next generation DRAM and NAND flash depend on significant gate design changes
 - OCD is a key component
 - Nova is actively engaged in these customer efforts
 - Memory to remain weak at least throughout H1/13

Continue to expand product offering for larger opportunity

- Strategic software development team:
 - Developing multiple new products to extend differentiation and strategic position with customers and PEM partners
 - Products include productivity enhancements, modeling capabilities and novel approaches to process control
 - Strong support to our profitability model – expect initial revenues by EO/13
- 3D interconnect:
 - Continue to focus on expanding penetration
 - Leverage footing at 4 accounts into several others
 - Ultimately expecting a \$100M SAM increase once industry moves to HVM
- 450mm – continue early collaborations to secure long term position

- **Guidance for the 1st quarter of 2013:**
 - Revenues of \$25-\$27 million
 - Diluted earnings per share of \$0.06-\$0.09 on a GAAP basis
 - Diluted earnings per share of \$0.09-\$0.13 on a NON-GAAP basis

Financial Overview December Quarter 2012

Dror David
Chief Financial Officer



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- **Quarterly revenues of \$22.1 million, -10% Q/Q**
 - Decrease in integrated metrology revenues
 - Service revenues stable at the \$5M level

- **Products bookings breakdown:**
 - Foundry/Memory
 - Q4 2012: 90%/10%
 - 2012: 75%/25%
 - Regional distribution
 - Q4 2012: Asia Pacific - 70%; US - 25%; Europe - 5%
 - 2012: Asia Pacific - 80%; US - 15%; Europe - 5%

- **Quarterly blended gross margins of 50%; 2012 – 53%:**
 - Q4 products gross margins of 57% (product mix and fixed expenses impact); 2012 - 59%
 - Q4 services gross margins of 28% (higher repair costs); 2012 - 30%

- **Operating expenses of \$11.4 million, up 15% Q/Q**
 - \$0.5M one time loss related to equipment and inventory damage
 - Higher R&D expenses related to products roadmap acceleration
- **Deferred taxes income of \$2.5M**
 - Expecting to reach net income for tax purposes in 2013/2014
 - First 2 years of taxable income expected to bare minimal income tax actual cash payments (<5%)
 - Long term tax rate ~15% (2015/2016 and beyond)
 - GAAP effective tax rate in 2013 - 22%
- **GAAP net income of \$2.5M, or \$0.09 per diluted share**
- **NON-GAAP net income of \$1.0M, or \$0.04 per diluted share**
- **Cash flow from operating activities -\$1.1M; 2012 +\$7.7M**

Key Metrics	Three Months Ended	
	Dec 12	Sep 12
Total Cash Reserves	\$91.4M	\$94.0M
Accounts Receivables	\$17.4M	\$14.9M
DSO	66	60
Inventory	\$17.8M	\$19.4M
Inventory Turns	2.4	2.6
Deferred Revenues	\$4.9M	\$4.7M
Capital Investments <small>(gross)</small>	\$2.2M	\$1.2M
Depreciation	\$0.9M	\$0.8M

Thank you

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