

September Quarter 2014

October 29th , 2014



Yearly growth with improved profitability

PASSION. INNOVATION. PERFORMANCE

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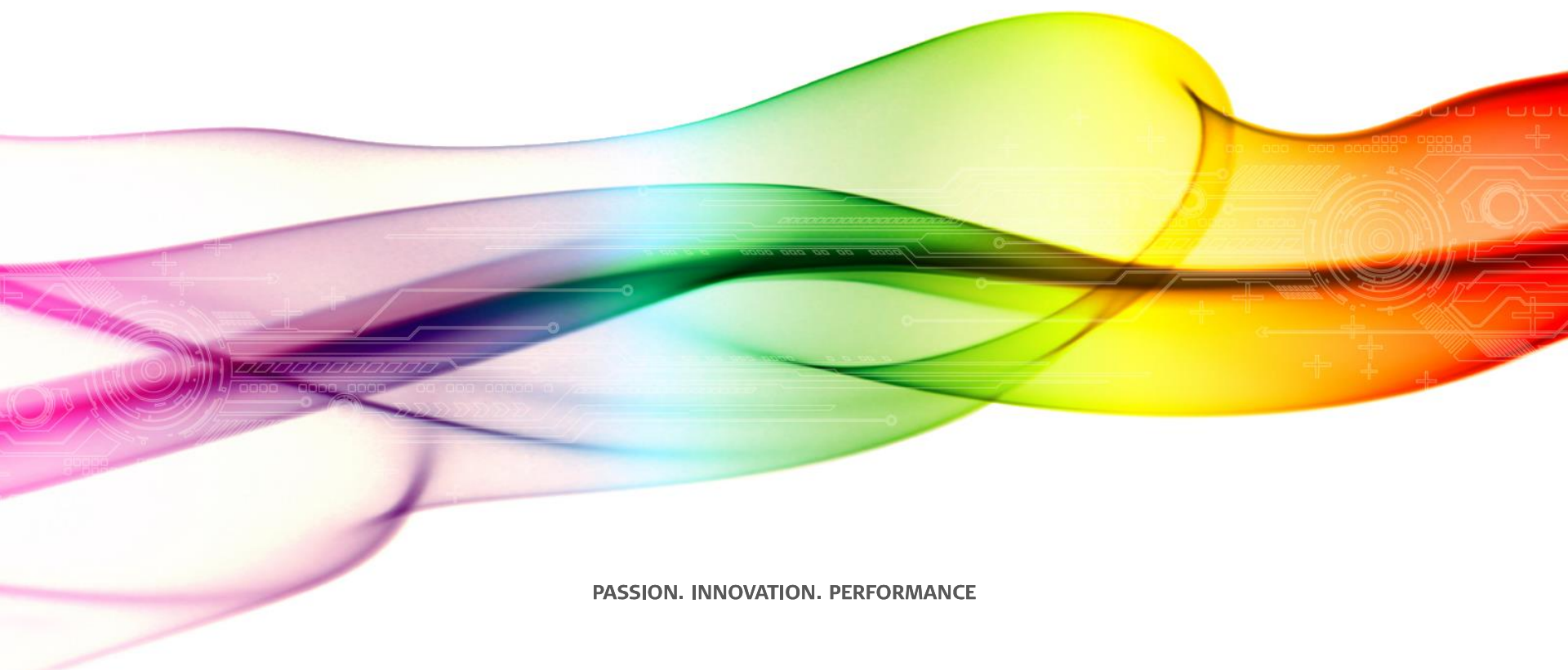
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Business Review & Highlights

September Quarter 2014

Eitan Oppenheim

President and Chief Executive Officer



Q3 Results – Business Highlights

- Financial highlights
 - Quarterly sales revenues – in line with guidance
 - Revenues - \$27.4M USD
 - Non GAAP net income - \$3.9M USD
 - Non GAAP EPS - \$0.14
 - Year-to-Date GAAP net Income more than doubles
 - Solid operational model
 - Improved year over year profitability
 - Continuous investment in technology & innovation leadership
 - Optimizing shareholder value
 - Maintained 12M Dollars share repurchase program
 - Diverse customer base across Foundry and Memory
 - Memory orders increased

In line with guided revenue. Exceeded Q3 profitability guidance

Q3 Results – Portfolio Highlights

- Standalone portfolio
 - Undergo VNAND Flash evaluations towards next round of investment
 - Selected by a leading logic manufacturer for 10nm and 7nm
 - Next generation tools to be introduced in 2015
- i500 (Integrated) – increased TAM
 - Won two DRAM selections
 - Opportunity growth in multiple process steps
- TSV (Through Silicon Via) – Solution adopted by multiple customers
 - Leading Memory and Logic customer placed first order
 - Evaluations continue with major Foundry and Memory customers
- SW revenue – surpass estimations with 4% annual revenue pace
- Partnership agreement with IMEC (the world-leading research center in nanoelectronics)

DRAM

- Strongest segment in 2014
- Growing demand for mobile and server DRAM
- Continuous Transition to 2x nm and below

NAND

- Investment in Planar below 2Xnm
- VNAND continuous development
- Gradual transition towards volume production in 2015

Foundry

- 14/16nm FinFET product tape out by leading Foundries
- 28nm expansion in several locations
- 10nm development – acceleration in 2015
- 2015 - Moderate FinFET ramp up in several locations

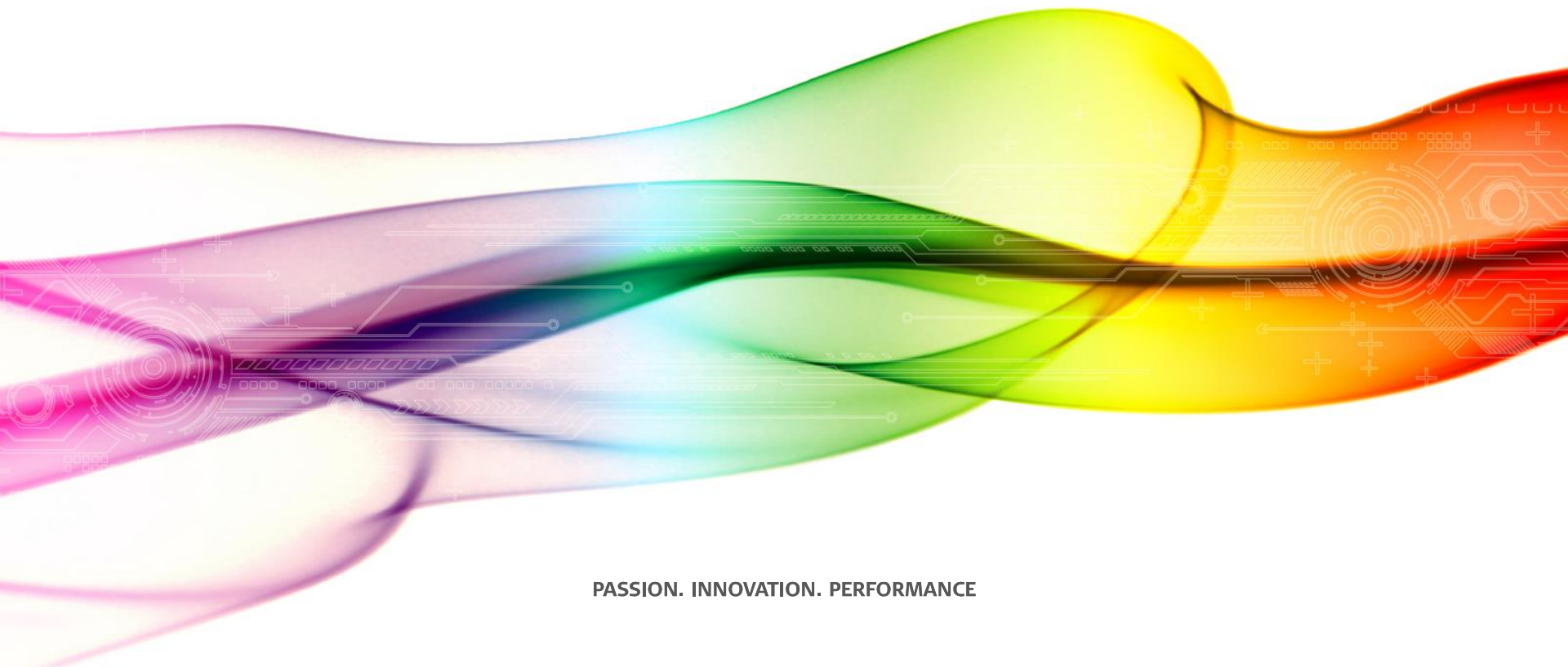
Near term volatility in long term solid investment cycle
Favorable market conditions for Optical Metrology

- Q4 2014:
 - Revenues - \$24M-\$26.5M million
 - EPS (GAAP basis) - \$0.05-\$0.10
 - EPS (NON GAAP basis) - \$0.01-\$0.06
- 2014 on an annual basis:
 - Revenues - \$119M-\$121M million
 - EPS (GAAP basis) - \$0.60-\$0.65
 - EPS (NON GAAP basis) - \$0.61-\$0.67
- On track to another record revenues year, with increased profitability

Year 2014 – Record year. Sustainable profitable growth.

Financial Overview September Quarter 2014

Dror David
Chief Financial Officer



September Quarter Financial Results

- Quarterly revenues of \$27.4 million, up 6% year-over-year
 - All-time record of service revenues
 - SW revenues >\$1M (quarterly)
- Products bookings breakdown:
 - Foundry/Memory: 80%/20% (Q3/2014 - 90%/10%)
 - Regional distribution: Asia Pacific - 60%, US - 30%, JP & EU - 10%
- Quarterly blended gross margins of 54%
 - Products gross margins of 58% - favorable product mix
 - Services gross margins of 45%
 - Higher T&M revenues utilizing existing infrastructure

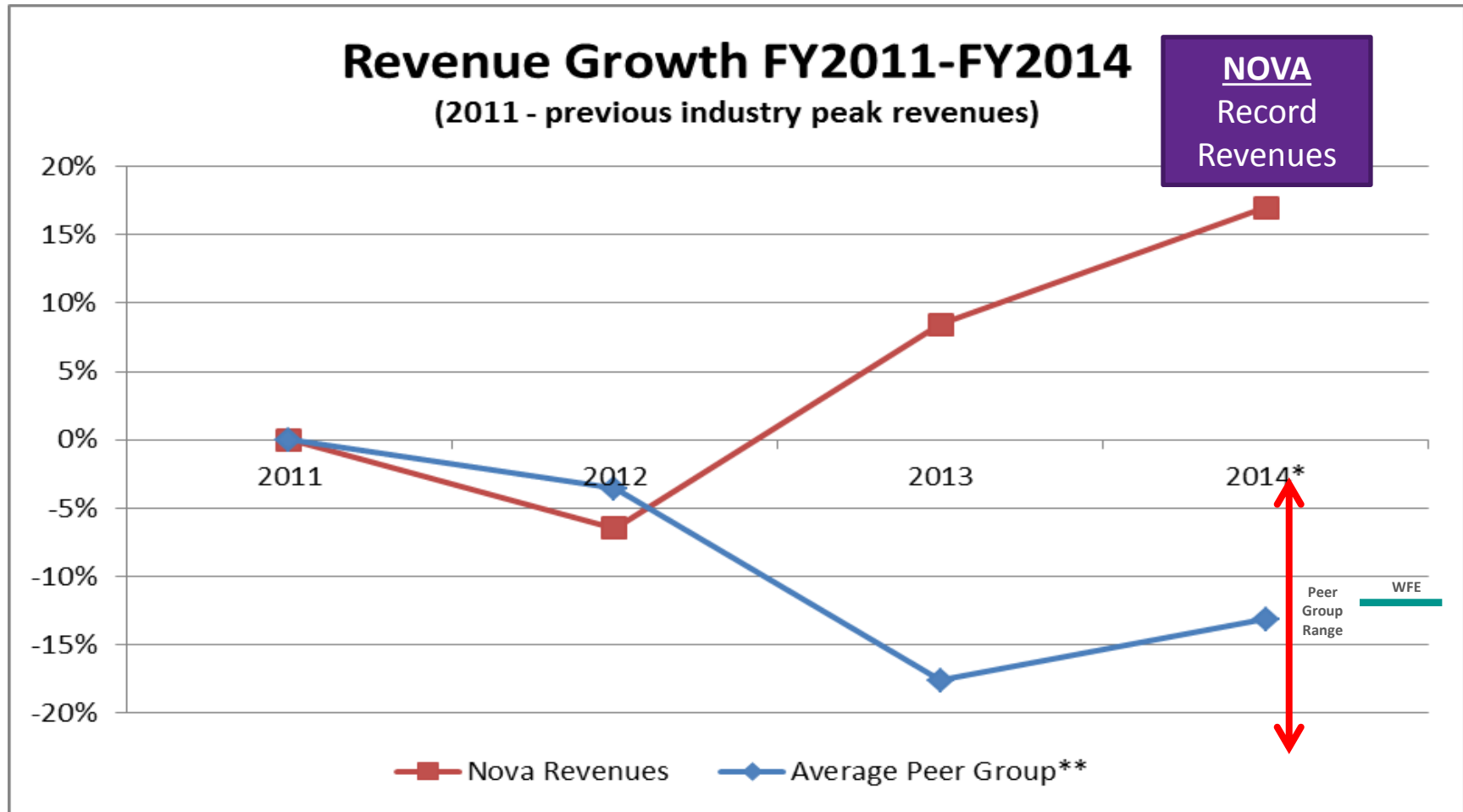
September Quarter Financial Results

- Operating expenses of \$11.5 million
 - Increasing R&D investment while prudently managing SG&A
- Operating margin of 12%
- Tax expenses of \$0.1M - utilizing tax incentives in Israel
- Net income exceeding the high end of the quarterly guidance
 - GAAP net income of \$3.3M, or \$0.12 per diluted share
 - NON-GAAP net income of \$3.9M, or \$0.14 per diluted share
- Cash flow
 - Generated ~\$4.5M of quarterly free cash flow
 - Used ~\$3M to repurchase company shares

Key Balance Sheet Metrics

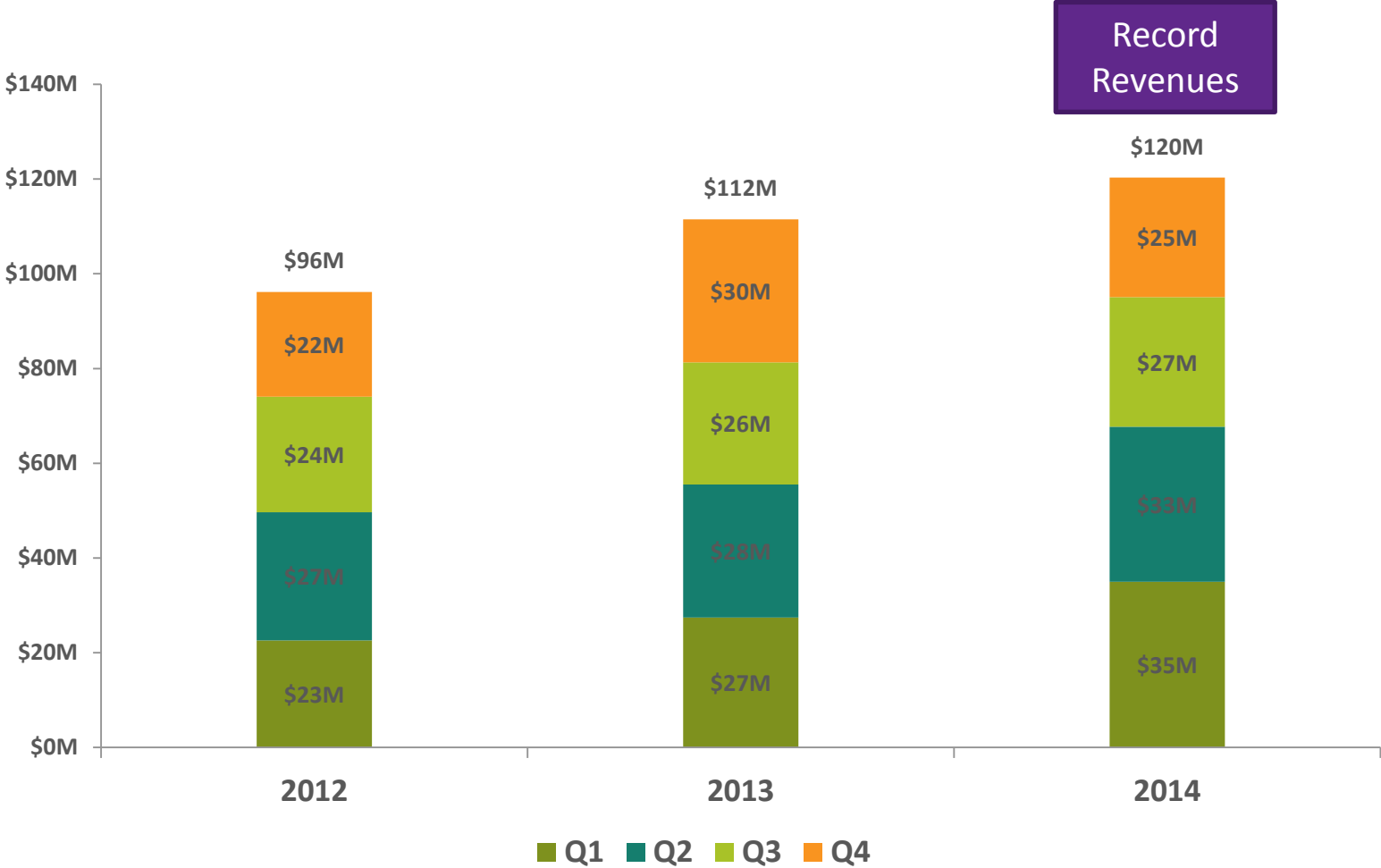
Key Metrics	Three Months Ended	
	Sep 14	Jun 14
Total Cash Reserves	\$116M	\$114M
Accounts Receivables	\$23M	\$26M
DSO	81	66
Inventory	\$17M	\$19M
Inventory Turns	2.8	3.2
Deferred Revenues	\$4.2M	\$6.1M
Capital Investments	\$1.8M	\$1.2M
Depreciation	\$1.1M	\$1.0M

Outperforming peer group revenue growth



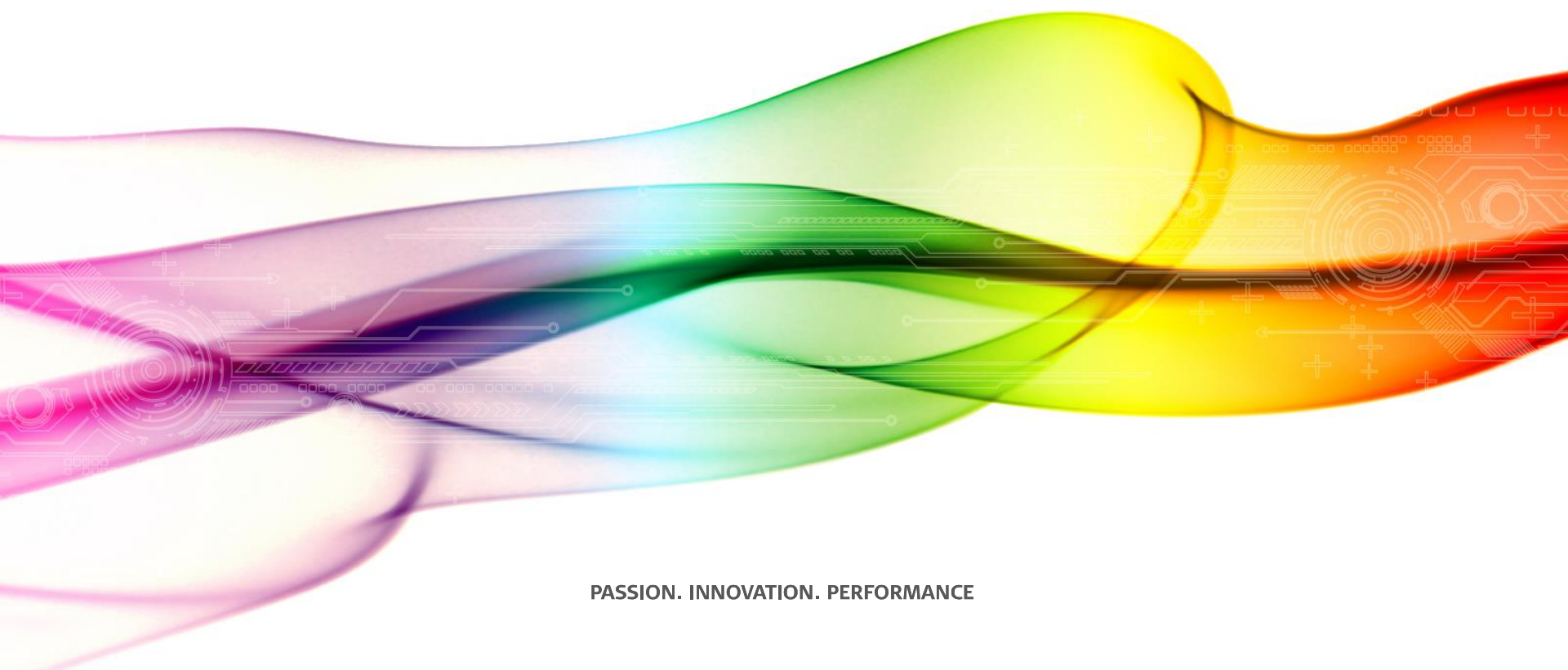
Source: SEC filings & Yahoo Finance. WFE – Gartner.

Revenue trends



* Q4 2014 based on mid-range of revenue guidance

THANK YOU



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