

June Quarter 2016

August 3rd , 2016

Record Q2 bookings leads to record Q3 revenues

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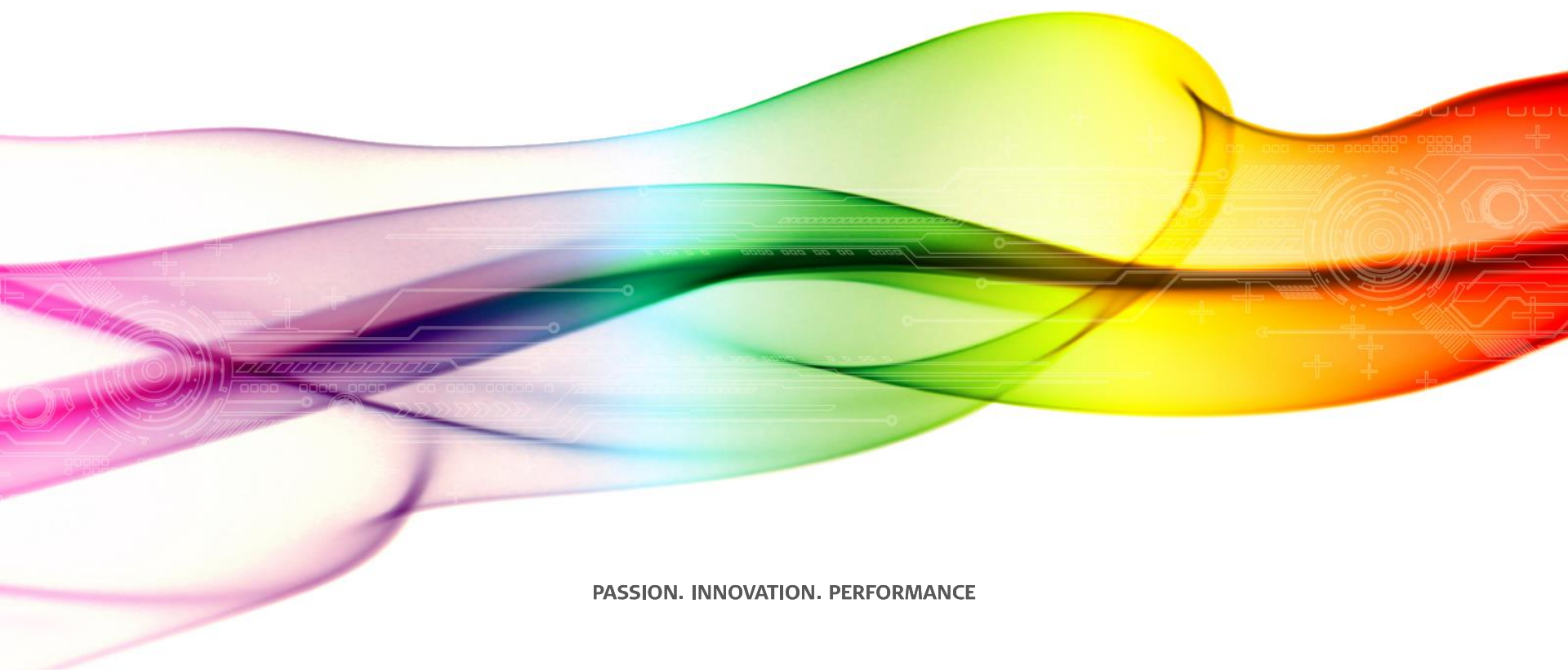
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Business Highlights

2016 Second Quarter Results

Eitan Oppenheim

President and Chief Executive Officer



June Quarter Results - Highlights

- Quarterly Financial Results

- Revenue - \$35.6M – within the guidance
- GAAP net income of \$3.2 million, or \$0.11 per diluted share, within guidance
- Non-GAAP net income of \$4.7 million, or \$0.17 per diluted share, exceeding guidance
- Service revenue – record high with annual pace of above \$40M
- Mix of Mature and Advanced technology nodes

- Customer mix

- Tighter partnership with TSMC led to a significant growth in TSMC booking
- TSMC growing contribution – 57% of product revenue mix
- Memory diversification with Micron as 10% customer
- Continued geographical shift towards China – multiple wins
- Stronger position in Foundry – improved visibility towards H2 2016

Multiple foundry wins – growth in Book to Bill

June Quarter Results – Offering

- Rich product offering – differentiated technology
 - Multiple new Optical CD models addressing advanced Memory & Foundry nodes
 - Differentiated modeling SW solutions to meet customers complex applications
 - Growing demand for Nova's Stand alone solutions
 - Newly introduced Hybrid solution - X-ray and Optical
 - Repeat order from Memory customer for X-ray solution
 - Composition & film thickens capabilities
 - Most advanced VNAND applications
 - Growing metrology intensity in advanced nodes – Memory and Foundry
 - Additional development program with leading R&D center – Joint program with Leti

Holistic approach – converging wide portfolio to interlaced Fab solution

June Quarter Results – Market

- Market rich in opportunities
 - Second half shift towards foundry spending
 - Mainly weighted towards 10/7 nanometer
 - 28/40nm additions - fueled by low/mid end smartphones and IoT devices
 - VNAND spending will continue moderately in 2016
 - Commercializing next generation VNAND device (48-64 layers)
 - Will continue in 2017 to reach additional end-user applications (servers and beyond)
 - DRAM spending remains focused on 2X and 1X nanometer scaling
 - Modest recovery towards the end of the year

Nova is well positioned to benefit from market dynamics

Guidance – Q3 2016

Guidance for the 3rd quarter of 2016

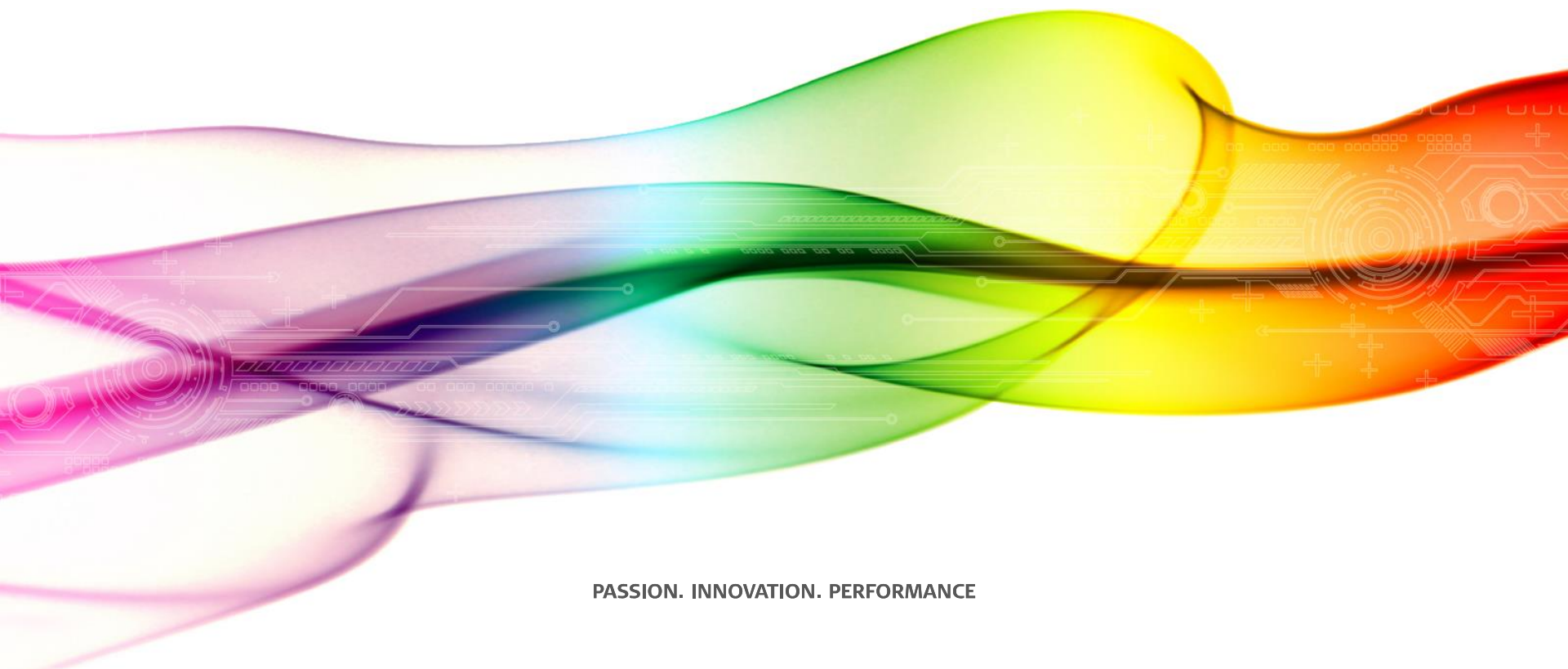
- Record revenues of \$42M-\$44M
- Diluted earnings per share of \$0.16-\$0.19 on a GAAP basis
- Diluted earnings per share of \$0.24-\$0.27 on a NON-GAAP basis

Growing confidence in H2 performance

Financial Overview

2016 Second Quarter Results

Dror David
Chief Financial Officer



June Quarter Financial Results

- Quarterly revenues of \$35.6 million, up 4% QoQ
- Product revenue distribution:
 - Foundry – 75%
 - Memory – 25%
 - 10% Customers:
 - TSMC - 57%
 - Micron - 12%
 - SMIC - 11%

June Quarter Financial Results

- Blended gross margin - 53%
 - Higher service materials & repairs costs in the second quarter of 2016
- Operating expenses - \$15.4M, +\$0.3M QoQ
- Operating margins:
 - 10% on a GAAP basis
 - 14% on a non-GAAP basis

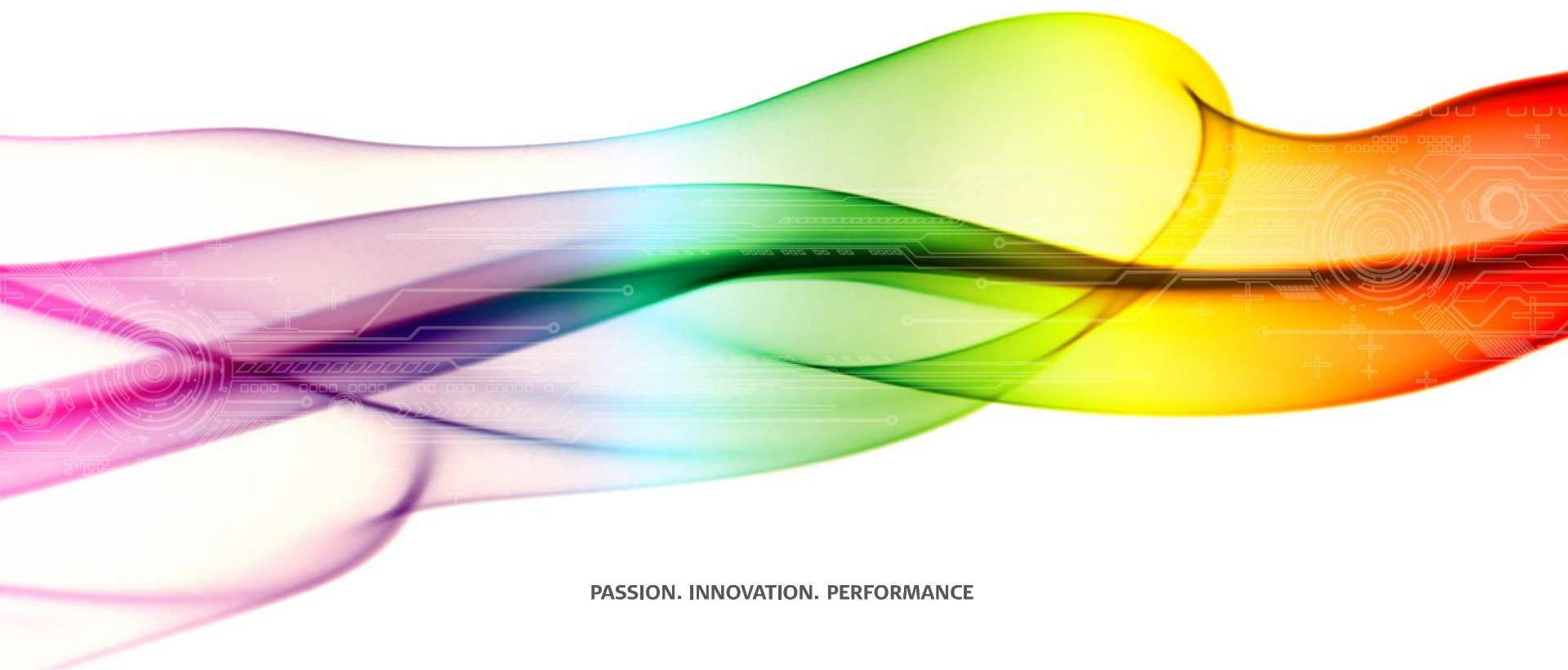
June Quarter Financial Results

- Tax expenses:
 - \$0.6M on a GAAP basis
 - \$0.4M on a non-GAAP basis
- Net income:
 - \$3.2M on a GAAP basis, or \$0.11 per diluted share, at the high end of the guidance
 - \$4.7M on a non-GAAP basis, or \$0.17 per diluted share, exceeding the guidance
- Positive operating cash flow - \$3.5M
- Cash reserves - \$95M

September Quarter Guidance

- Revenues of \$42M-\$44M
 - All time record of quarterly revenues
- Blended gross margins – 54%
- Operating expenses:
 - \$16.9M-\$17.2M on a GAAP basis
 - \$15.6M-\$16.0M on a non-GAAP basis
- Operating margins: (mid point of guidance)
 - ~14% on a GAAP basis
 - ~17% on a non-GAAP basis
- Tax:
 - ~20% on a GAAP basis
 - ~7% on a non-GAAP basis (excludes deferred tax assets adjustments)
- Earnings per share:
 - GAAP \$0.16-\$0.19
 - Non-GAAP \$0.24-\$0.27

THANK YOU



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