

# INTEVAC

*Investor Update*

*May 2013*

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Chief Financial Officer



## Cautionary Disclaimer

During the course of this presentation, we will comment upon future events and may make projections about our future financial performance, including statements related to our expected sales, product shipments and acceptance, gross margin, operating expense, profit, cash flow and income tax expense. We will discuss our business strategy, our products, the markets our products address, our position in those markets, expected market acceptance of those products and production capacity. We wish to caution you that these are forward looking statements that are based upon our current expectations, and that actual results could differ materially as a result of various risks and uncertainties, including, without limitation, the following: inability to develop and deliver new products as planned; inability to accurately forecast the demand for our products and services; the possibility that orders in backlog may be cancelled, delayed or rescheduled; inability to achieve gross margin and expense goals and other risk factors discussed in documents filed by us with the Securities and Exchange Commission, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. We undertake no obligation to update the forward-looking statements made during this presentation.

# Business Segments

## Equipment Business: Very High Productivity Vacuum Process Solutions

### Hard Drive Media



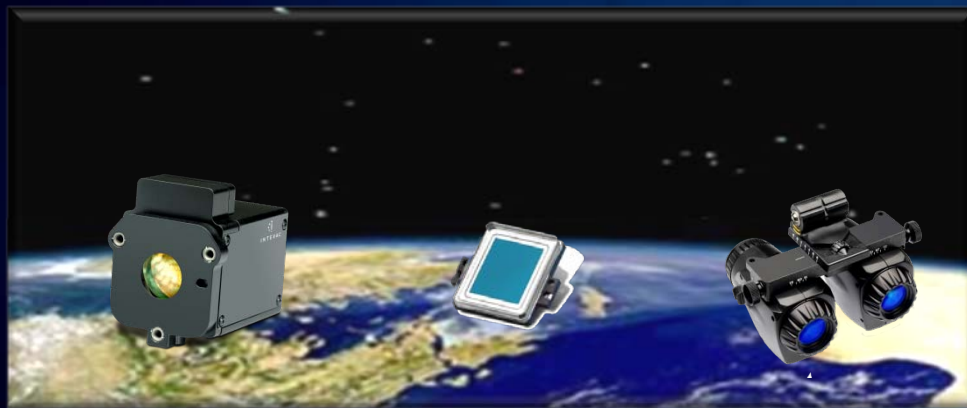
- Technology and Market Leader
- Industry Manufacturing  
~1 Billion Disks Per Year

### Photovoltaic Cells



- Enabling Process Solutions
- Focus on Efficiency and Cost

## Photonics Business: Digital Low-Light Sensor Technology Leader



- Sensor of Choice for Digital Night Vision Systems
- Military Transitioning from Analog to Digital
- Programs Ramping to Drive Ongoing Revenue Growth



# Hard Drive Media Business Overview

## Market Environment

- Data Storage Transitioning from Decentralized (PC) to Centralized (Cloud)
- Long-Term Media Growth Expected With Driver Shifting to Bytes from Units
- Mature and Cyclical

## Market Position

- Market Share Leader (~60% of Media Units), with Only One Competitor
- Technology Leader
- Largest Installed Base

## Strategies

- Extend Technology Leadership
- Increase Non-Systems Business (Upgrades, Spares and Service)
- Position for Market Share Gain in Both Systems and Installed Base Support

## Impact on Financials

- Consistently Profitable
  - Break Even at 2-3 Systems Plus Service / Upgrades
- Annual Average Last 10 Years:
  - >\$100M Revenue
  - >20% Operating Profit

# Hard Drive Media Unit Drivers

Impact:

Data Growth	+	Growing at ~50%/Year
+ Exabytes Stored	+	CAGR of 35%
+ Areal Density	+	Improvement Slowing to <25%
+ Disk Utilization	-	Increasing Due to Centralized Storage (Moving to the Cloud)
<hr/>		
Media Units	+	After Current “Rebalancing” Transition Period

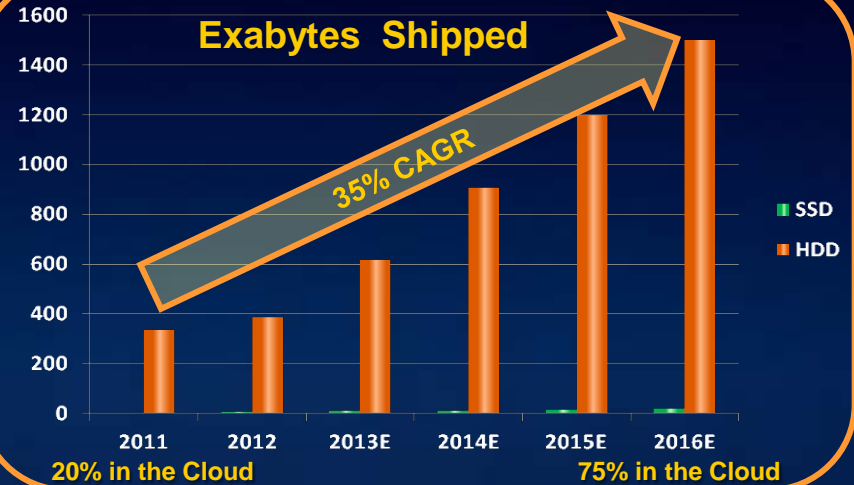


# Hard Drive Media Drivers

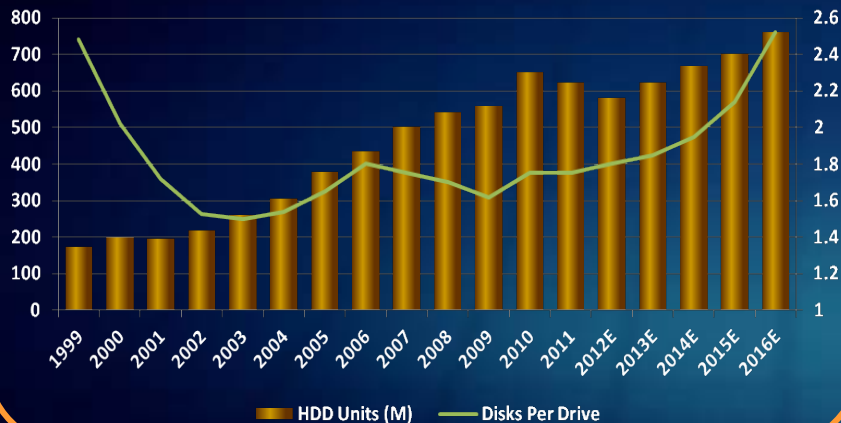
### Data Growth (in Exabytes)



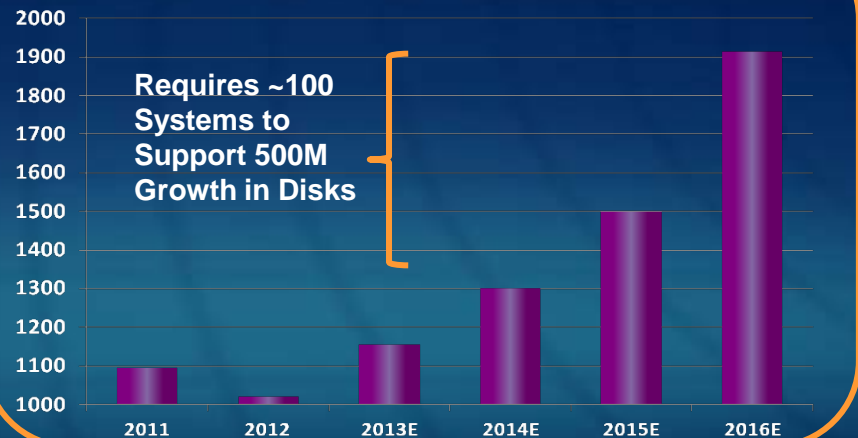
### Exabytes Shipped



### Disks Per Drive Increasing



### Media Unit Growth (M)



# Industry-Leading Platform for Media

## 200 Lean Platform



Leading Magnetic Media  
Manufacturing System

## Technology Solutions Available to Meet Industry's Roadmap

- **Advanced Film Deposition Technology (Now)**
  - Diamond-Like Film Deposition Sources
  - High Efficiency Sputter Sources
- **Energy/Heat Assisted Magnetic Recording (~2016)**
- **Patterned Media (Later)**



# Solar Business Overview

## Market Environment

- Market is Large with Installed Capacity of 50GW
  - 15GW Mono c-Si, 35GW Multi c-Si
- Low Level of Capital Expenditures
- Expect Industry to Invest in Technologies that Improve Cell Efficiency and Cost Per Watt

## Market Position

- Developing New Equipment for Large Solar Opportunity
- Transition from Development to Pilot Production Tools Underway
- First Production System for Implant Shipped in Q1'13, Qualification Q2'13

## Strategies

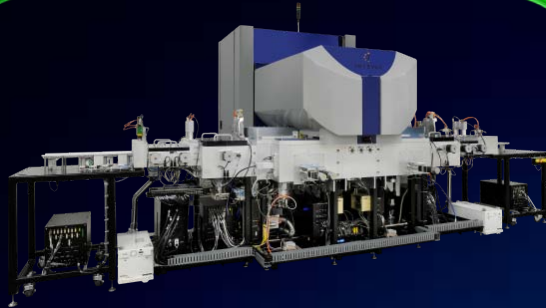
- Achieve Success in Beta Tool Qualification
- Leverage Qualifications to Penetrate Additional Tier 1 Customers

## Impact on Financials

- Investment Level Significantly Reduced In 2013 from 2012
- Goal is to Drive Revenue Growth while Offsetting HDD Cyclicalilty



# Solar Equipment Products



LEAN SOLAR ENERGi™  
(Implant Doping)



LEAN SOLAR NanoTexture™  
(Texture Etching)



LEAN SOLAR™ Deposition

- High Throughput Systems Designed to Increase Cell Efficiency and Lower Cost Per Watt
  - 0.3% Improvement <1.5 Year Payback
  - Replace Diffusion Furnace with Ion Implant Technology for Mono and N-Type Cells (**Future**)
  - NanoTexture System Increases Cell Efficiency

# Solar Implant Process Flow

## Diffusion Furnace - POCL3 Process



## ENERGi™ P-Type Process Flow



- Precise Accurate Dose Control for Higher Efficiency and Tighter Distribution of Cell Efficiency
- Extendible Technology to Other Cell Architectures and N-Type Wafers



# Photonics Business Overview

## Market Environment

- Military Undergoing Transition from Analog to Digital Night Vision
- Critical Need for Improved Situational Awareness
- Backlog Building to Record Levels, with Multi-Year Programs Underway

## Market Position

- Technology Leader with Only Digital Night Vision Solution Available Today
- Camera of Choice in Most Programs for U.S. Military
- First Digital Night Vision Deployment Uses Our Proprietary EBAPS Technology

## Strategies

- Extend Technology Leadership
- Leverage Current Programs Wins to Extend to New Programs, Build Backlog
- Improve Yields and Grow Operating Profits

## Impact on Financials

- Turned Profitable in 2H 2012 After Years of Investment
- Business Now Accretive to Earnings
- Significant Revenue Inflection Point Expected in 2014

# Photonics Business Overview

- Growth Driven by U.S. Military Investments in “Situational Awareness”
- Credible Path to \$100M Prior to U.S. Ground Force Deployment of Digital Night Vision (5-Years)

## Apache Night Vision Camera



- ~ 1600 Apache Helicopters
- >\$50M Program
- Product Deliveries Begin Q4 '13 Through 2017

## First Significant Ground Application for Digital Night Vision



- 5,000 Camera Modules Shipped

## LIVAR® Camera for Northrop Grumman LITENING Pod



- > \$50M Program
- Multi-Year Purchase Agreement in Place

# 2013 Guidance

	2010 Actual	2011 Actual	2012 Actual *	Q2'13 Guidance
Revenue	\$203M	\$83M	\$83M	\$14M – \$16.5M
Gross Margin	43%	37%	41%	26% – 27%
Operating Expenses	\$56M	\$61M	\$57M	\$11.8M – \$12.3M
Operating Profit / (Loss)	\$31M	(\$31M)	(\$23M)	EPS of (\$0.31) – (\$0.33)

## 2013 Outlook:

- Expect Revenue to be 5%-10% Lower than 2012
- Operating Profitability Expected for Both HDD & Photonics Businesses
- Expect Limited Solar Equipment Revenue Growth
- Operating Expenses Reduced by 23% versus 2012

\* 2012 Operating Expenses and Operating Loss are non-GAAP and exclude certain bad debt charges; an impairment of goodwill and intangible assets; and a gain on sale of technology assets. A reconciliation of the GAAP and non-GAAP results is attached to this presentation and is available at [www.intevac.com](http://www.intevac.com).



# Investment Rationale

## HDD Market Leader

- Technology and Market Share Leader
- Mature and Cyclical Market
- Long-Term Positive Growth Drivers for Media Units
- Consistently Profitable
- Expect Incremental Capacity Needs in 2H 2014

## Investing in Large New Market

- Developing New Equipment Solutions for Large Solar Opportunity
- Transitioning from Development to Pilot Production
- First Production System for Implant Shipped in Q1'13

## Positive Contribution From Photonics

- Revenue Growth YoY for 2012
- Backlog at Record Levels, Multiple Projects Underway
- Critical Role in Military's Transition from Analog to Digital
- Turned the Corner to Profitability in 2H'12

## Solid Financial Foundation

- Focused on Maintaining Strong Balance Sheet
- \$93.6M in Cash and Investments at Q1'13
- No Debt
- Cash Burn Forecasted to Decline by Half vs. 2012 Level

# INTEVAC, INC.

## RECONCILIATION OF GAAP TO NON-GAAP RESULTS

(Unaudited, in thousands, except per share amounts)



INTEVAC

	<u>FY 2012</u>	<u>FY 2011</u>
<b>Non-GAAP Loss from Operations</b>		
Reported operating loss (GAAP basis)	\$ (42,533)	\$ (30,741)
Impairment of goodwill and intangible assets	18,419	—
Write-off of promissory note receivable <sup>1</sup>	3,017	—
Gain on sale of mainframe technology <sup>2</sup>	(2,207)	—
<b>Non-GAAP Operating Loss</b>	<b>\$ (23,304)</b>	<b>\$ (30,741)</b>
<b>Non-GAAP Net Loss</b>		
Reported net loss (GAAP basis)	\$ (55,319)	\$ (21,975)
Impairment of goodwill and intangible assets	18,419	—
Write-off of promissory note receivable	3,017	—
Gain on sale of mainframe technology	(2,207)	—
Valuation allowance on deferred tax assets <sup>3</sup>	23,437	—
Income tax effect of non-GAAP adjustments <sup>4</sup>	(3,279)	—
<b>Non-GAAP Net Loss</b>	<b>\$ (15,932)</b>	<b>\$ (21,975)</b>
<b>Non-GAAP Loss Per Diluted Share</b>		
Reported loss per diluted share (GAAP basis)	\$ (2.37)	\$ (0.96)
Impairment of goodwill and intangible assets	0.67	—
Write-off of promissory note receivable	0.08	—
Gain on sale of mainframe technology	(0.07)	—
Valuation allowance on deferred tax assets	1.00	—
<b>Non-GAAP Loss Per Diluted Share</b>	<b>\$ (0.68)</b>	<b>\$ (0.96)</b>
Weighted average number of diluted shares	23,336	22,903

<sup>1</sup>The year ended December 31, 2012 includes a write-off of a promissory note from a customer in the amount of \$3.0 million due to the insolvency of the customer.

<sup>2</sup>The year ended December 31, 2012 includes the gain on sale of the mainframe technology of \$2.2 million. On January 6, 2012, the Company sold certain assets including intellectual property and residual assets which comprised its semiconductor mainframe technology for proceeds of \$3.0 million.

<sup>3</sup>In accordance with ASC Topic 740, Income Taxes, the Company determined based upon an evaluation of all available objectively verifiable evidence, including but not limited to the Company's U.S. operations falling into a cumulative three year loss, that a non-cash valuation allowance should be established against its U.S. deferred tax assets which are comprised of accumulated and unused U.S. tax credits, and net operating losses and other temporary book-tax differences. The establishment of a non-cash valuation allowance on the Company's U.S. deferred tax assets does not have any impact on its cash, nor does such an allowance preclude the Company from utilizing its tax losses, tax credits or other deferred tax assets in future periods.

<sup>4</sup>The amount represents the estimated income tax effect of the non-GAAP adjustments. The Company calculated the tax effect of non-GAAP adjustments by applying an applicable estimated jurisdictional tax rate to each specific non-GAAP item.