



Designed for Brilliance. Engineered for Production.

Electro Scientific Industries

MW IDEAS Conference

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August 27, 2015

Safe Harbor

This presentation may contain forward-looking statements which are subject to a number of risks and uncertainties. Risks and uncertainties that may affect the forward-looking statements include:

- The relative strength and volatility of the electronics industry – which is dependent on many factors including component prices, global economic and political stability, and overall demand for electronic devices (such as capacitors, semiconductor memory devices and advanced electronic packages) used in wireless telecommunications equipment, computers, and other consumer and automotive electronics
- The ability of the company to respond promptly to customer requirements
- The ability of the company to develop, manufacture and successfully deliver new products and enhancements
- The company's need to continue investing in research and development
- The company's ability to create and sustain intellectual property protection around its products.

Such risks and uncertainties are discussed in more detail in the company's annual report on Form 10-K and other interim reports on Form 10-Q.

ESI at a Glance

- Founded 1944
- Technology: Laser-based microfabrication
- Valuable intellectual property portfolio
- Markets: Consumer Electronics, Semiconductor, Industrial Micromachining
- Manufacturing: Singapore, United States, China
- Fiscal 2015 revenue: \$159M
- Employees: ~700
- Solid balance sheet



Revitalization of ESI

Strong foundation of precision laser and systems technology

Changing our approach to reduce execution risk, better commercialize our technology, and empower the organization

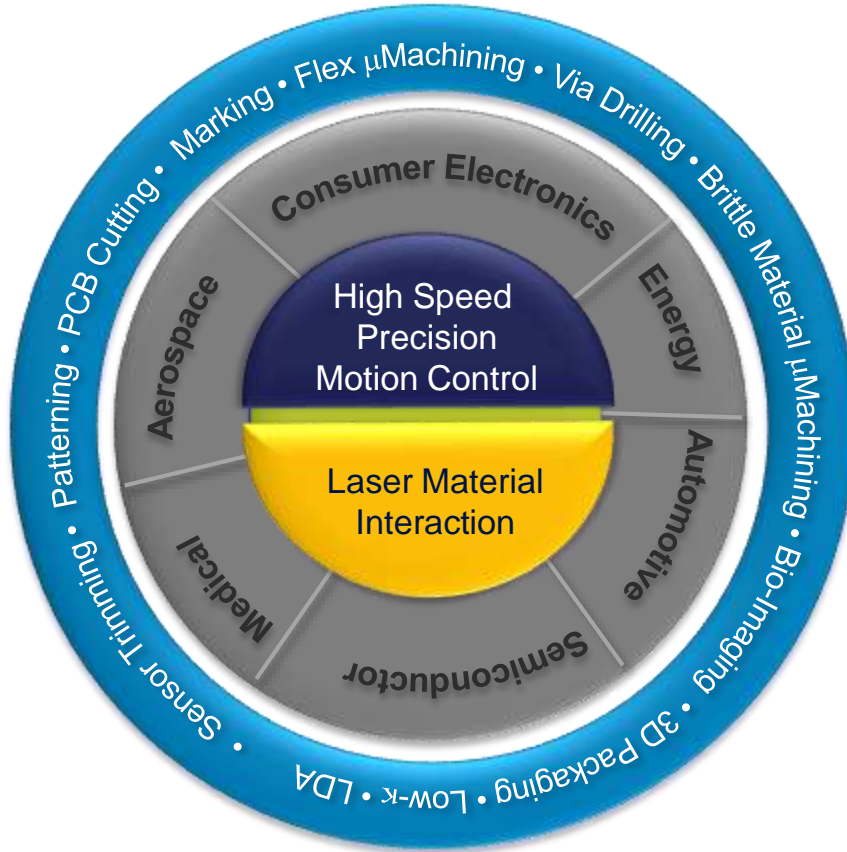
Expanding into adjacent market segments and geographies

Balance sheet and core technology provide foundation for growth

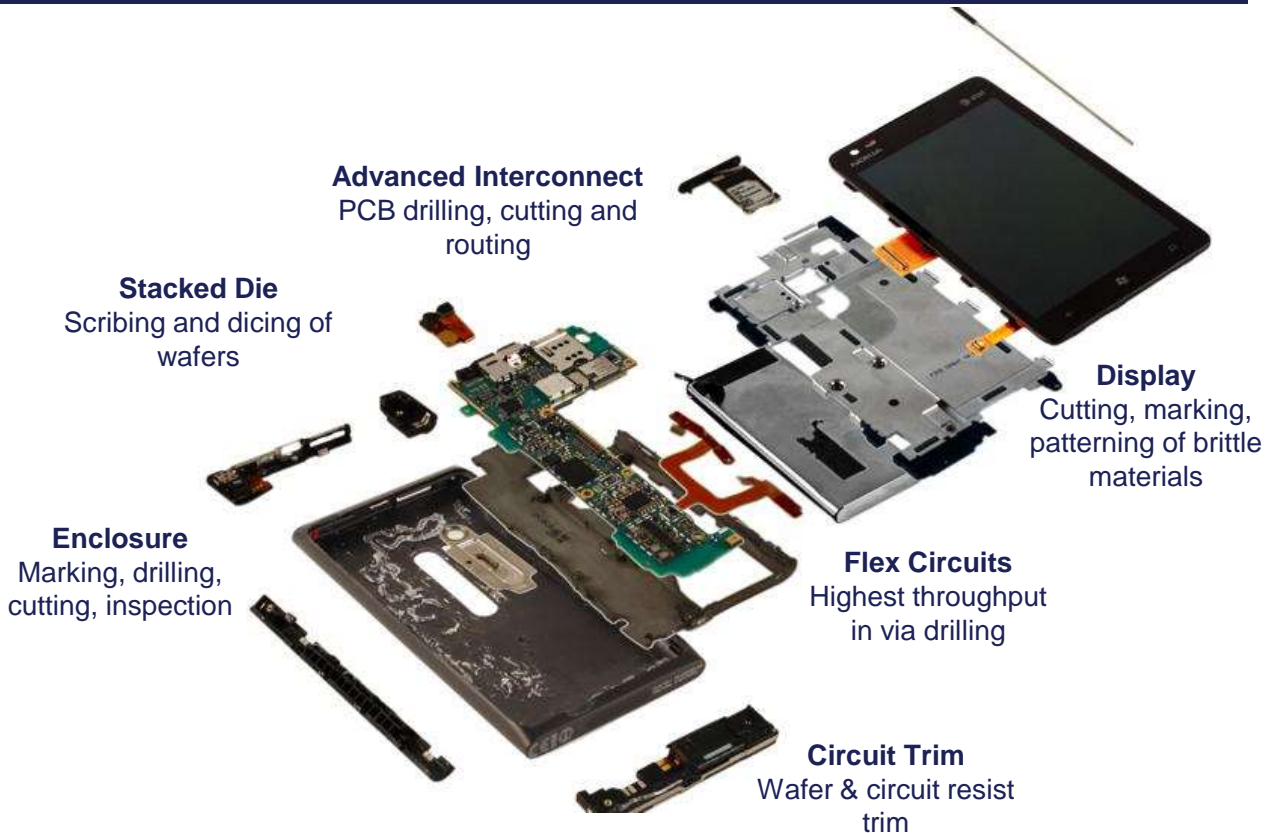
Revitalization of ESI has begun with a clear path to success



Core Competences Match Market Requirements



Lasers Pervasive in Electronics Manufacturing



The New ESI

	Old ESI		New ESI	
Market Approach	<ul style="list-style-type: none">• Customer Reactive• Direct Channel• Passive		<ul style="list-style-type: none">• Market-based, Proactive• Expanded channel• Aggressive	➔
New Application Focus	<ul style="list-style-type: none">• Emerging Applications• Traditional Industries		<ul style="list-style-type: none">• Large Existing Adjacent Applications• Expanded Industry Set	➔
Product Differentiation	<ul style="list-style-type: none">• Max Performance		<ul style="list-style-type: none">• Cost of Ownership	➔
Laser Focus	<ul style="list-style-type: none">• Merchant Laser		<ul style="list-style-type: none">• Merchant Lasers• Captive Lasers	➔
Decision Making Approach	<ul style="list-style-type: none">• Centralized Top Down Command and Control		<ul style="list-style-type: none">• Empowerment, Teamwork and Accountability	➔



Growth Strategy



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Triple ESI Addressable Market in Three Years

Device Micromachining

Smartphones and tablets

Fast-growing

Time to market critical

Short design cycles

Mid-range applications

Chinese contract manufacturers

Component Processing

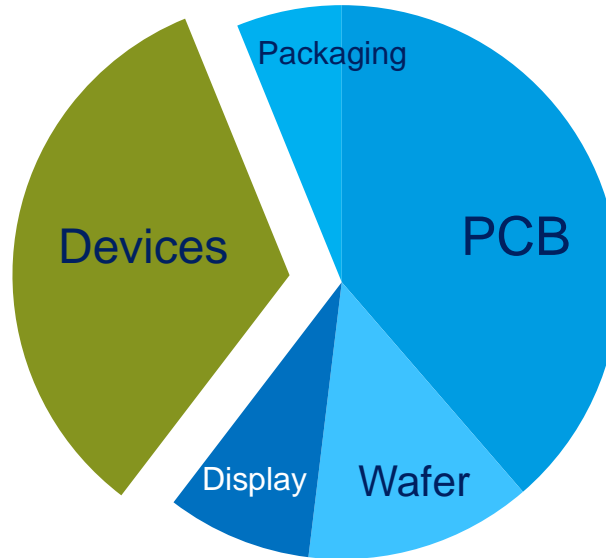
Serves many industries

Roadmap-based

Largest market is PCBs

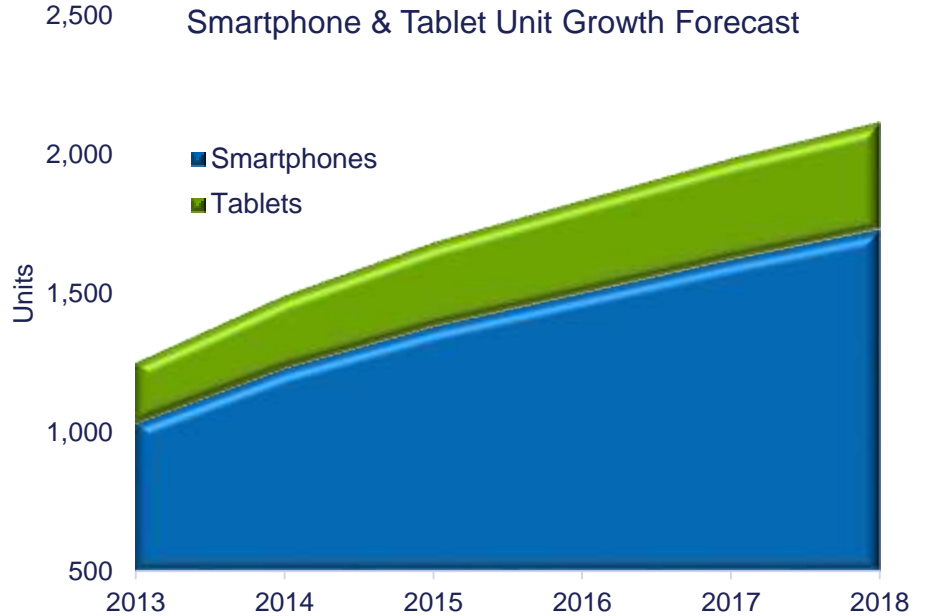
Large adjacent markets

Upside in Wafer and Display



2015 Global Laser Micromachining Systems
\$2.6 billion

Opportunities in Consumer Electronics Devices



Source: IDC

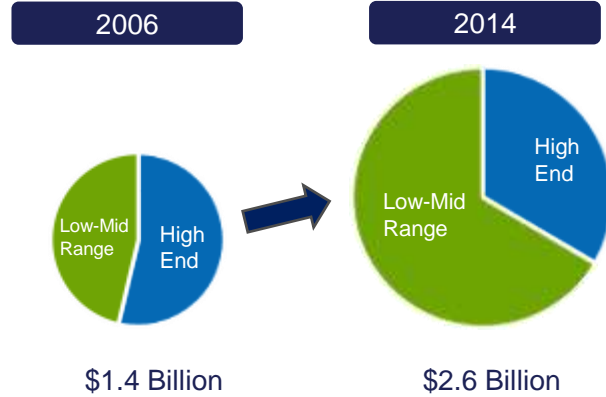
Moving into the Mid-Range

Laser microfabrication market has grown at a 10% CAGR for the past few years

Highest-growth segments are the low and mid-range

Introduced **Lumenesi**[™], a flexible and modular mid-range platform in Fall 2014

Introduced Jade, our new low-cost modular platform in June 2015.



Source: Company Market Model



Jade[™]
esi
Laser Micromachining Platform

Lumenesi[™]
Efficient design. Engineered for production.

China Initiative

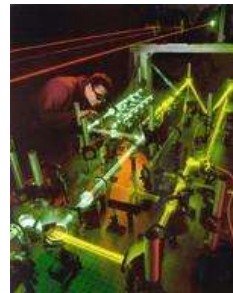
Large and growing market

Localized product development

Contract manufacturing of ESI products in China

New sales channels expand customer reach

Topwin acquisition adds new products and localized capability



Topwin Acquisition

Closed January 15

Expands ability to design, build and sell into the China market

Full product portfolio serving mid-range applications with differentiated technology

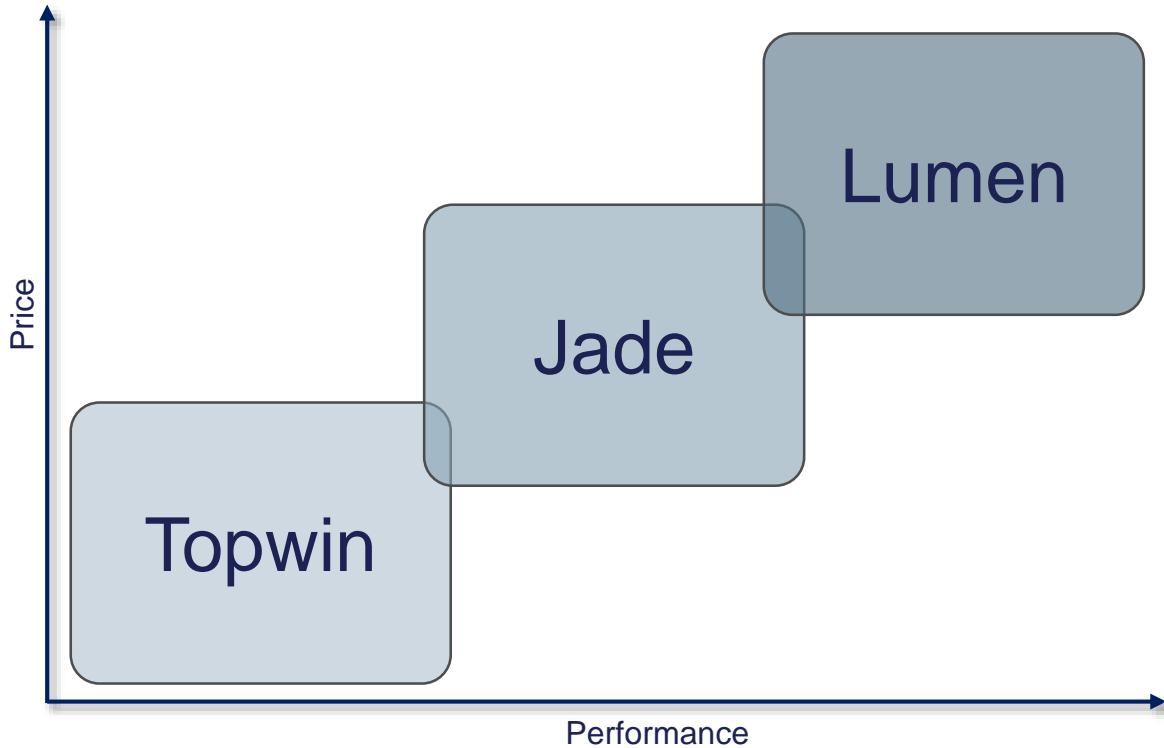
Rapid response to China market requirements

Deep knowledge of the laser systems market in China



TOPWIN
Optoelectronics Technology
An **esi** Company

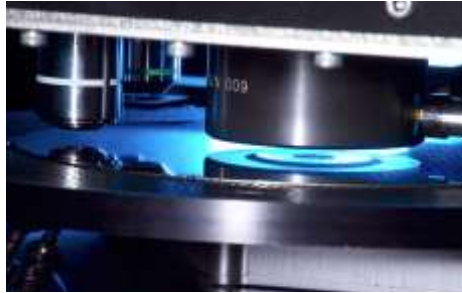
Complete Portfolio for the Mid-Range Market



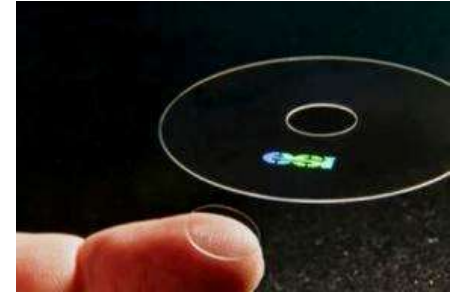
Opportunities in Electronic Components



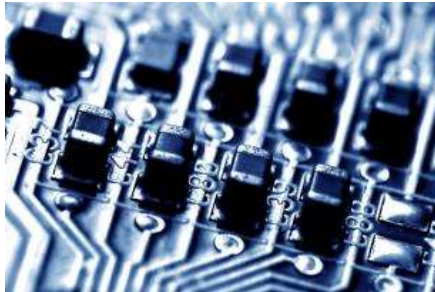
PCB Processing



Semiconductor Wafer Processing



Brittle Material Cutting



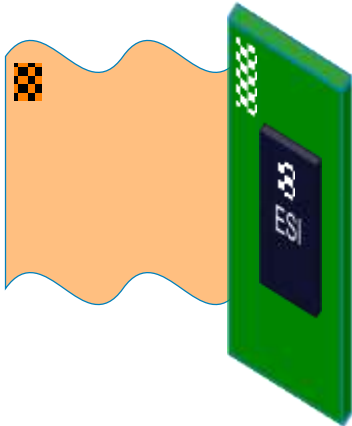
Component Testing



Resistor Trimming

Multiple Near Adjacent Markets in PCB

Flexible Printed Circuit (FPC)



Integrated Circuit Package (ICP)

High Density Interconnect Board (HDI)

PCB Marking

PCB Cutting

FPC Drilling

HDI Drilling

ICP Drilling

HDI Marking

ICP Marking

Entering ICP Via Drilling with CornerStone™

Addresses the IC Package via drilling application

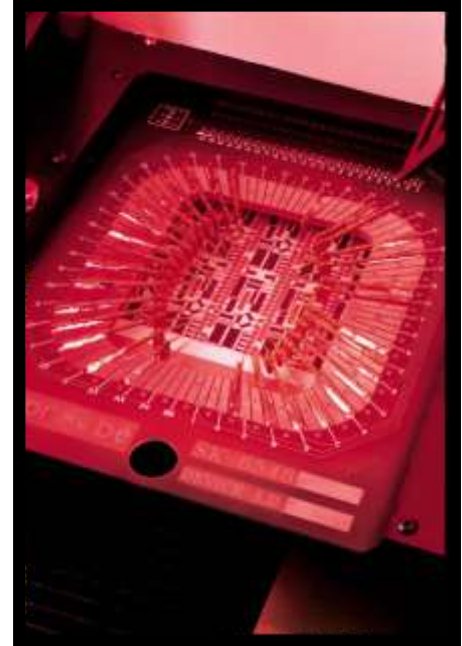
Superior cost advantage over current laser drilling technology

Tertiary motion technology provides more accuracy and speed

25% smaller footprint than the competition

Adds \$200+ million to our addressable market

Introduced January 2015



CornerStone™
esi

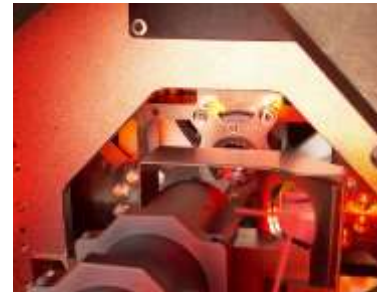
Superior performance today. Extensible for tomorrow

Internal Laser Capability Strengthens the Portfolio

Tailored pulse and high peak power fiber lasers are key differentiators

Deliver cost and performance advantages

Improves gross margin over the life of the system





Financial Execution



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Returning to Profitability

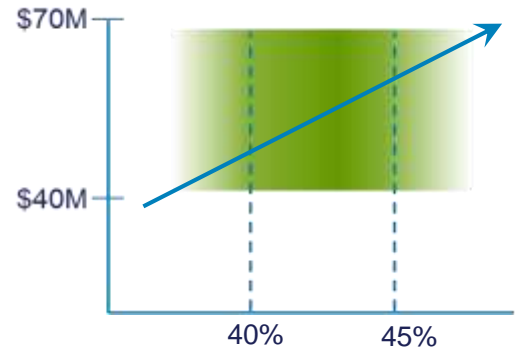
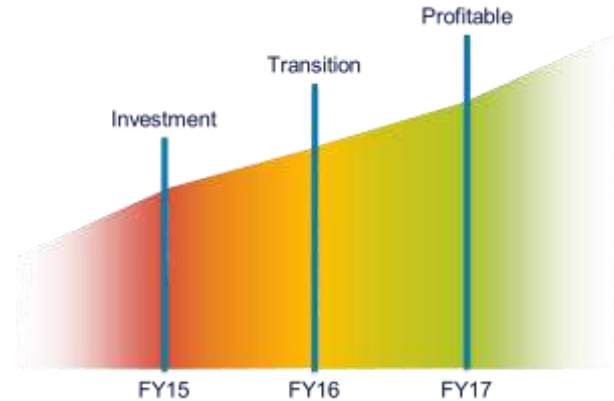
Driving to breakeven this fiscal year

- Breakeven ~\$50M per quarter

Operating leverage ~35%

- Lower gross margin on higher revenue
- Fund channel expansion on variable basis
- Maintain fixed cost structure

Instituting lean initiatives throughout the organization to drive out cost and reduce discretionary expenses



Solid Balance Sheet

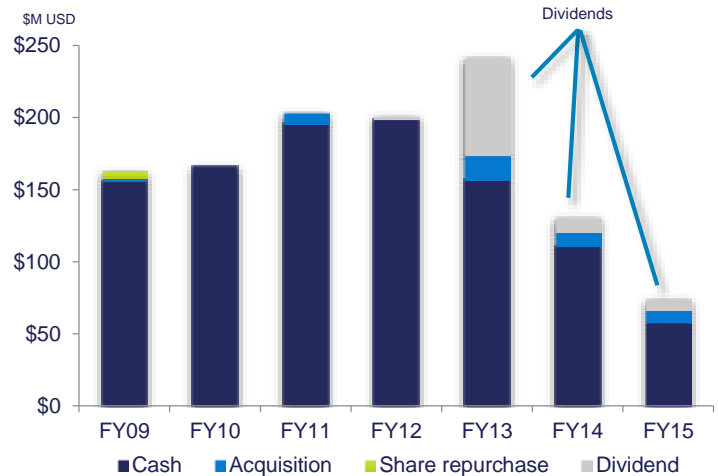
Cash balance of \$58M, no debt

Returned over \$80M to shareholders over last 10 quarters

- Discontinued dividend in February 2015 to concentrate resources on growth

Credit facility of up to \$30 million adds financial flexibility if needed

Cash Balance



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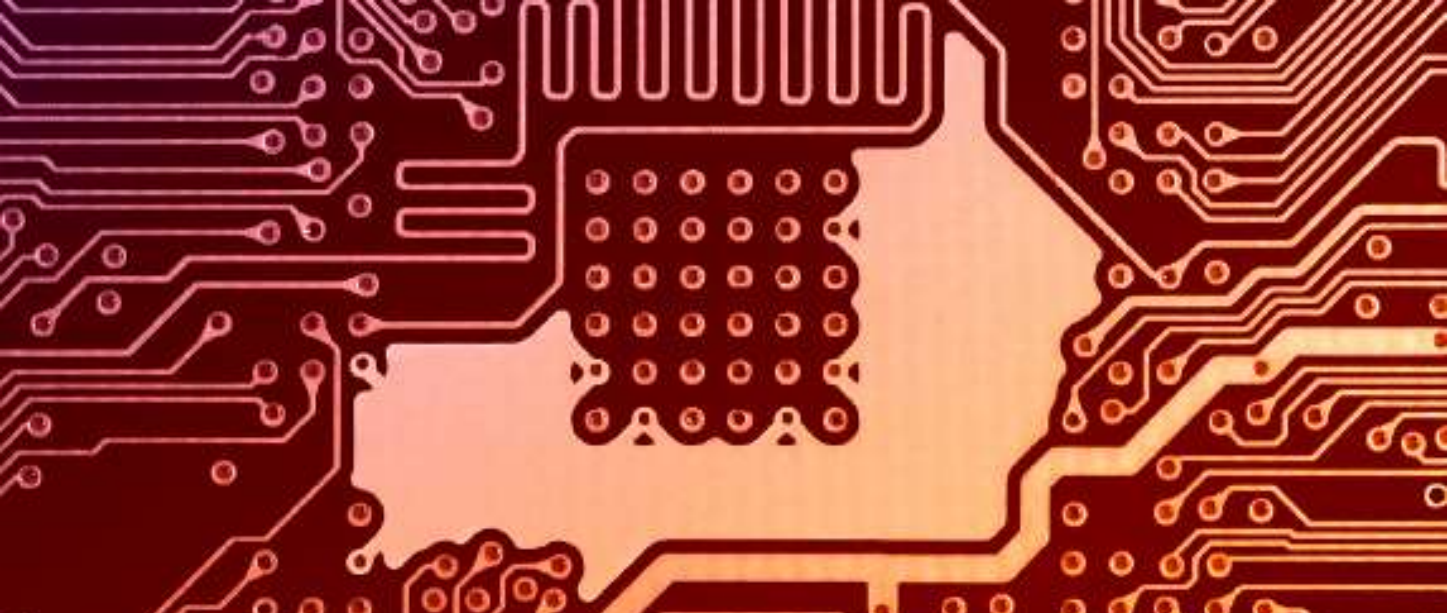
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Thank You



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