

**Electro Scientific Industries,
Inc.**

Company▲

ESIO
Ticker▲Q1 2014 Earnings Call
Event Type▲Aug. 6, 2013
Date▲**— PARTICIPANTS****Corporate Participants****Brian Smith** – Director-Investor Relations, Electro Scientific Industries, Inc.**Nicholas Konidaris** – President, Chief Executive Officer & Director, Electro Scientific Industries, Inc.**Paul Oldham** – Chief Financial Officer, Corporate Secretary & Vice President-Administration, Electro Scientific Industries, Inc.**Other Participants****James Ricchiuti** – Analyst, Needham & Co. LLC**Tom R. Diffely** – Analyst, D. A. Davidson & Co.**David Duley** – Analyst, Steelhead Securities LLC**Mark S. Miller** – Analyst, Noble Financial Capital Markets**— MANAGEMENT DISCUSSION SECTION**

Operator: Good day, ladies and gentlemen, and welcome to the ESI Fiscal 2014 First Quarter Earnings Conference Call. My name is Celia, and I'll be your operator for today. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions] As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today, Mr. Brian Smith. Please proceed, sir.

Brian Smith, Director-Investor Relations

Thank you, Celia, and good afternoon, everyone. My name is Brian Smith, Director of Investor Relations for ESI. With me today are Nick Konidaris, our CEO, and Paul Oldham, our Chief Financial Officer. This call will cover our fiscal first quarter of 2014 results.

Before we go into the details of the call, I would like to remind you that some of what we say on this call will include forward-looking statements concerning customer orders, shipments, revenue, gross margin, expenses and earnings.

These statements are subject to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include a number of risks and uncertainties that are discussed in more detail in today's press release and our filings with the SEC. Actual results may differ materially from those forward-looking statements.

This call also contains time-sensitive information that we believe to be accurate as of today, August 6, 2013, and which could change in the future. This call is the property of ESI.

Now, I will turn the call over to Nick.

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Thank you, Brian. Good afternoon and welcome to our first quarter conference call. From a strategic point of view this was a truly outstanding quarter for our growth strategy. We achieved customer acceptance for the initial DiamondBlaze glass singulation system. We received our first order for ceramic based dicing for LED packaging, and reached agreements to place our 9900 advanced singulation platform at two major semiconductor manufacturers. The initial applications are technology development in next-generation thin film scribing and interposer dicing.

In addition, we added an important design win with a premier flex PCB manufacturer and expanded our presence with Tier 1 customers with our recent Semiconductor Systems acquisition. And we won several design-ins for our advanced microfabrication systems and continue to see a strong funnel of new opportunities in this business.

From a financial perspective, we drove across-the-board improvement over last quarter. We grew orders, revenues and gross margin while reducing our core expenses, all of which resulted in improvement on the bottom line. Revenues for the quarter were \$46.2 million. Non-GAAP earnings per share were \$0.01. Paul will go into more detail around the financials in a moment.

Now we'll discuss each of our businesses, the Interconnect & Microfabrication Group had revenue of \$34.4 million and grew almost 50% from last quarter. On the order side advanced microfabrication grew significantly quarter-over-quarter. We secured several new design wins which resulted in orders this quarter and have the potential for capacity buys in the future. We also received some follow-on orders from previous design wins.

Looking forward, the funnel of activity remains robust and we see opportunities for new design wins in this business every quarter this year. We continue to invest in innovation and capability which will allow us to address an increasing number of new applications for our largest customers in this market. Orders for flex via drilling products remains robust this quarter reflecting the continued penetration of flexible circuitry into smart consumer electronics.

We're seeing good adoption for our new model 5335 with our proprietary Third Dynamics technology and industry-leading cost of ownership proving our continued performance and cost leadership in the space. Last quarter we introduced and received our first multiunit order for the new DiamondBlaze system for rapidly cutting next generation strengthened glass. This quarter we shipped and received customer acceptance for the first unit of that order.

With smartphones, tablets, and now touch screen laptop computers, the demand for touch panel glass is expected to grow dramatically. Future demand for the DiamondBlaze product should be paced by the adoption of Corning's next-generation glass, which is very promising.

Turning to our Semiconductor business, this was an excellent quarter, as we execute our strategy to invest in emerging 3D packaging applications. We're gaining traction on multiple opportunities with compelling long-term growth potential. First, yesterday, we announced the model 9970 for advanced thin-film scribing. The 9970 contains newly developed technology that supports the industry in its move towards new materials and next-generation nodes. We're working with the world's leading semiconductor manufacturers and reached an agreement to place the initial 9970 tool at a customer site for technology development for their advanced chip manufacturing.

In addition, we were selected for a joint development agreement by a major foundry for 2.5 and 3D packaging. These are both long-term projects, which we expect to result in significant revenues for our Semi group.

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In LED, we shipped the first order for dicing of ceramic packaging from a Tier 1 LED manufacturer. Although the overall LED industry has been marred in overcapacity. We believe this represents a potential new application for laser processing, displacing mechanical tools in the growing packaging market for generalizing. Working closely with the customer, we're able to meet an aggressive time schedule, ship the first unit and can qualify it for production all within last quarter.

We also closed the acquisition of the Semiconductor Systems business from GSI Group. This business produces industry-leading wafer marking, wafer trimming and circuit trimming laser systems. The partial quarter of operation is included in our first quarter financial results. The integration is progressing smoothly and we are very pleased with the overall business results since the acquisition.

From a financial perspective, Semiconductor Group revenues were \$5.6 million. They were down from last quarter when we shipped \$5 million worth of memory repair tools. As mentioned previously, we don't expect memory repair to be a material part of our business in the future. And we have replaced this business with growing opportunities in consumer electronics and 3D semiconductor and LED packaging.

Turning now to our Components Group, revenues were \$6.1 million. We built considerable backlog in this business as our book-to-bill was nearly 2 to 1 and we had our highest order level in over three years. Although, the overall ceramic capacitor market remains in overcapacity, our performance and cost leadership in testing the smallest form factor and high-capacitance chips resulted in a large customer win and strong orders for our new model 3510.

Turning now to the outlook for the company, last March we discussed transformation of the company, growing with the expanding opportunities in microfabrication for consumer electronics and investing in emerging applications for 3D semiconductor, LED packaging and laser technology. Today, we are on track and making excellent progress in executing this growth strategy. We're executing well in our largest market, advanced laser microfabrication, which presents us with ongoing opportunities to win new designs and receive large orders from world-class customers.

Glass cutting is an emerging area and looks to become a significant market for us in the future. Flex circuits and component test remains solid businesses and with good growth potential.

In semiconductor and LED we have innovated and acquired our way into emerging revenue opportunities. Overall, our outlook for long-term growth and profitability remains bright. In the near term, we're very pleased with the pace of growth in our business although timing of design-ins and ongoing adjustments to capacity utilization can affect quarterly levels. For the second quarter of fiscal 2014, we expect revenues to be \$55 million to \$60 million and non-GAAP EPS is expected to be \$0.03 to \$0.08.

Now I will turn the call over to Paul for a detailed discussion of our results for the first quarter.

Paul Oldham, Chief Financial Officer, Corporate Secretary & Vice President-Administration

Thank you, Nick, and good afternoon, everyone. The following information includes results from our first quarter of fiscal 2014 which ended June 29. To improve comparability we are also providing earnings per share and related income statement results on a non-GAAP basis excluding the impact of purchase accounting, equity compensation, restructuring charges and other items.

Now turning to the operating results for the quarter, orders were \$58 million compared to \$44 million last quarter and \$74 million a year ago. Orders increased from Q4 primarily from design

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wins in advanced microfabrication, strong demand in component tests and the addition of Semi Systems. Excluding memory repair, orders from our core business grew over 50% sequentially.

Year-over-year, orders declined as last year we received several large microfabrication orders. Shipments were \$47 million and backlog increased to \$49 million. Our book-to-bill ratio was 1.24 to 1. Revenue for the quarter was \$46.2 million, up from \$39.6 million last quarter. Growth came from the Interconnect & Microfabrication Group, primarily for flex via drilling equipment. GAAP gross margin was 42% and included \$689,000 of purchase accounting and \$185,000 in equity compensation.

On a non-GAAP basis, gross margin was 43.9%, up from 42.2% last quarter on higher volume and product mix. Looking forward to next quarter, we expect non-GAAP gross margins to decrease on a product mix that favors higher volume, lower-priced applications.

GAAP operating expenses were \$22.5 million, which included \$2.4 million of equity compensation and \$266,000 of purchase accounting. In addition, we incurred \$400,000 of acquisition and integration costs, which was offset by a credit of \$464,000 for bargain purchase valuations related to the Semi Systems acquisition. Next quarter, we expect integration costs of approximately \$500,000.

Increased stock compensation this quarter was a result of the immediate expense recognition of annual grants to the board and CEO. For the year, we expect stock compensation will be down about 10% versus last year.

Non-GAAP operating expenses in Q1 were \$19.8 million, a slight increase from Q4. Our core expenses were actually down sequentially, reflecting the cost reduction measures we took in the March quarter. The increase was due to the addition of the Semi Systems business.

Looking forward to next quarter, we expect non-GAAP expenses to increase by about \$1.5 million to \$2 million, mostly related to a full quarter of the Semiconductor Systems expenses and incremental costs associated with the design wins this quarter.

On a GAAP basis, operating loss was \$3.1 million compared to a loss of \$31 million last quarter which included restructuring and asset write-downs. Non-GAAP operating income was \$462,000 or roughly 1% of sales, compared to a loss of \$2.7 million in the prior quarter. The sequential improvement reflects higher sales and gross margin. Our operating leverage this quarter was 48%, above our target model of 40%.

Income tax expense on a GAAP basis for the quarter was \$100,000, reflecting a tax rate of negative 3%. The expense reflects tax paid on income generated in foreign jurisdictions without a corresponding benefit from U.S. losses as a result of the valuation allowance recorded last quarter.

The non-GAAP tax rate was 12%, in line with the guidance we gave last quarter. As we mentioned, we now report our non-GAAP tax expense on a cash basis, which will approximate the GAAP tax rate over time, given the valuation allowance we took in the March quarter. Looking forward, we expect the tax rate for both the GAAP and non-GAAP basis to be around 10% for the year.

On a GAAP basis, first quarter net loss was \$3.2 million or \$0.11 per share, compared to a loss of \$2.23 per diluted share last quarter. On a non-GAAP basis, net income was \$355,000 or \$0.01 per diluted share, compared to a loss of \$0.03 per share last quarter.

Turning now to our balance sheet, cash and investments were \$136.3 million. During the quarter, we used \$8.7 million of operating cash, primarily due to increases in inventory and accounts receivable and payment of variable compensation earned last year.

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Also during the quarter, we paid \$8 million of cash for the Semiconductor Systems acquisition and \$2.4 million related to our normal quarterly dividend at \$0.08 per share. For the quarter, inventories increased by \$11 million which includes approximately \$7 million of Semi Systems inventory. Inventory turns were approximately 1.6 times.

Accounts receivable increased by \$6.4 million to \$38 million of which approximately \$5 million is from the Semi Systems business. DSO increased modestly to 75 days, primarily on the timing of shipments and the addition of Semi Systems receivables. Capital expenditures were \$1.2 million, and the depreciation and amortization excluding purchase accounting was \$1.7 million.

Finally I wanted to give some details on our Semiconductor System business acquisition. We paid \$8 million in cash in the first quarter and estimate an additional \$1.6 million for net working capital acquired as part of the purchase agreement. These amounts include valuation of – including valuation of intangibles are included in our balance sheet which resulted in a bargain purchase of \$464,000 that was recorded as a credit to GAAP expense this quarter.

Overall, the business performed consistent with our expectations with solid orders for the first two months, strong shipments and overall profitability. The transition activity is on track and we continue to expect this business to generate \$0.05 to \$0.10 of EPS this fiscal year.

In summary revenues improved from last quarter and we achieved non-GAAP profitability. Looking forward, we expect business levels to be driven by capacity utilization, timing of design wins and technology buys. For Q2, we expect revenues to be \$55 million to \$60 million and non-GAAP earnings per share to be between \$0.03 and \$0.08.

Now, I'll turn the call back to Nick for a brief summary.

Nicholas Konidaris, President, Chief Executive Officer & Director

To summarize, we are actively pursuing multiple growth initiatives, principally focused on the many opportunities within smart consumer electronics. But with several design-ins and new promising applications such as thin film scribing and ceramic packaging relation, our long-term growth potential is also strong in semiconductor and LED.

Our ongoing commitment to technology innovation, customer partnering and operational excellence position us well to capture the many growth opportunities we're pursuing. This concludes our prepared remarks. We're ready for your questions. Celia?

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QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The first question comes from the line of Jim Ricchiuti. Please proceed.

<Q – Jim Ricchiuti – Needham & Co. LLC>: [indiscernible] (17:33) Paul, I'm wondering, if you can give us the orders and revenues from the business that you acquired from GSI in the quarter?

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Yeah. We typically don't break those out, Jim. But we said earlier that we would expect \$20 million to \$30 million annually for this business, and the orders were on track with that – the result for the two months that we owned it in the quarter.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Okay. And with respect to the bookings in the quarter, is it fair to say within the Interconnect & Micromachining Group [indiscernible] (18:08) getting at is were there any volume orders for microfabrication or were they mostly design wins?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: They were several design wins, and there were some volume orders. It was balanced between design wins and volume orders.

<Q – Jim Ricchiuti – Needham & Co. LLC>: That's helpful. One last question, if I may. Nick, would you be willing to maybe share some expectations for the glass cutting opportunities for the current fiscal year? I think you've talked about it in the past and I guess [indiscernible] (18:50).

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Yeah. This is a business that we think in the current year has the potential of – from \$10 million to \$20 million of revenues, and over time this is a business that – at least at the very specific narrow view that – of the application we're looking has a \$50 million per year potential in terms of revenues. [indiscernible] (19:23) couple of years to be realized. And again, the expectation for this year, as always, is a function of the speed of design wins for this new technology. It's the – it's probably the better term to say adoption by the people who make touch-panel laptops and smart consumer electronics.

<Q – Jim Ricchiuti – Needham & Co. LLC>: It's still a fairly wide range. It's early in the year. But would you say you're encouraged by what you're seeing from this standpoint of adoption?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: We feel very good. We have already a system that we have recognized revenue. The system is fully functioning. It is in Taiwan. We're making a lot of demos to a number of TPMs. Most of them, as you know, are in Taiwan and basically we are very encouraged and we feel very good about our position in the market. We think this is going to be a big market and we're very encouraged by the performance of our system.

<Q – Jim Ricchiuti – Needham & Co. LLC>: Okay, thanks a lot.

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Thank you.

Operator: We have a question from the line of Tom Diffely. Please proceed.

<Q – Tom Diffely – D. A. Davidson & Co.>: Yeah, good afternoon.

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Good afternoon.

<Q – Tom Diffely – D. A. Davidson & Co.>: I guess first of all, on the margin side, Paul, you mentioned that the margins would be coming down a little bit due to volume orders. Anyway to quantify that little bit more specifically?

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<A – Paul Oldham – Electro Scientific Industries, Inc.>: Yeah, it will depend ultimately on the mix in the quarter, but I would say it would be in a couple hundred basis point type of range, plus or minus.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. So I guess similar to last September quarter when we had a big slug of capacity buys come in, or volume come in. It typically takes a hit on just the volume just the overall number of units going out of the door.

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Yeah, probably in that same range.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. And...

<A – Paul Oldham – Electro Scientific Industries, Inc.>: it's just the mix of business where we have these sort of lower priced but higher volume units.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. And I know a year ago there was an issue where – an issue came up where you had two different types of volume microfabrication tools you sent out one at a lower margin than the other. Would you classify this business that you're currently doing as lower margin?

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Every order comes with its own margin. We don't comment on those, in particular. But, in general, I'd say that this is consistent with our strategy to pursue business that has higher volume at these lower price points, and the overall results would be roughly consistent in total as a company is what we saw in the previous year.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. And then, I guess, based on what you've seen for both design wins and capacity shipments to date, do you think this year is a bigger or smaller year for your Microfabrication business?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Tom, this is Nick. We think this is going to be a big year for our Microfabrication. I think that we have a record of growing that business continually for the last few years, and we expect to do that this year too.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. Just little more skewed to the second half of the fiscal year?

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Yeah. We'd expect our order pattern to be more balanced through the year than what we saw last year, based on the timing of design wins and timing of new products and the adoption.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. And then you also mentioned that the costs were going up a little bit – the operating expenses due to design win costs, what are those?

<A – Paul Oldham – Electro Scientific Industries, Inc.>: As Nick mentioned, this last quarter, we had several design wins and opportunity to place tools at customer sites. That necessarily results in higher engineering expenses, as we get those tools on site, and that's what we see in this coming quarter.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. All right. Thank you.

Operator: We have a question from the line of Mr. David Duley. Please proceed, sir.

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<Q – Dave Duley – Steelhead Securities LLC>: Yeah. Thanks for taking my question. Just a clarification, is all the GSI revenue in the Semi bucket?

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Yes.

<Q – Dave Duley – Steelhead Securities LLC>: Okay. And could you...

<A – Paul Oldham – Electro Scientific Industries, Inc.>: And remember it's a couple of months for this quarter.

<Q – Dave Duley – Steelhead Securities LLC>: Right. Two out of three, right?

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Yeah.

<Q – Dave Duley – Steelhead Securities LLC>: And could you talk a little bit about – I know you rolled some inventory, probably built some inventory. But could you help us understand what your normalized turns might be over the next few quarters?

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Yeah. This quarter where we add-in a whole slug of inventory, but only have a couple of months of the revenue. We'd expect our normalized turns to probably be in the low 2s, and over time we'd like to get that up into the high 2s.

<Q – Dave Duley – Steelhead Securities LLC>: Okay. And it sounds like you've got a lot of different opportunities brewing this year and perhaps, as you mentioned, the micromachining business' orders will be spread out. Is that kind of indicative that you think that the December quarter will be roughly flattish or up, or what's the direction of December at this point?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: I will not comment on the direction of December, but I would comment on the first notion that we have several opportunities in microfabrication. We have opportunities in display. We have opportunities in the enclosure, and we have opportunities in the [ph] guts (25:14) of smart consumer electronics that basically are stemming from the design wins.

In display, we're expecting glass orders, I commented about that earlier. In the enclosure, we have several design wins that would be producing increasing opportunities throughout the year, and in the [indiscernible] (25:44), we have a significant design win with a premier flex PCB manufacturer. Now on top of that we have this – in the semiconductor area we have very significant design win with 9900, two, in fact, one for scribing of thin film, and the other for singulation of 2.5 to 3D interposers.

On top of that we have the first order for ceramic dicing. That's a total new application for us for LED packaging. That is a business that is as a market is not still fully covered, but that's a total new opportunity for us, and as the market recovers, that would mean additional revenues. And, of course, we have the expanded presence with quality Tier 1 customers as a result of the acquisition of the GSI systems business.

<Q – Dave Duley – Steelhead Securities LLC>: And just as far as one of those newer opportunities, I'm quite interested in the interposer singulation opportunity you talked about. So you're working with a major foundry on this opportunity, is that the one that's already got production of these devices?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Yeah, this is a major foundry. This is for state-of-the-art devices. The idea is to create denser and lower cost packaging. Laser technology has a place there. And that's the nature of the opportunity. As we see success in that

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opportunity, we see that that will accelerate to other class of devices and many other customers were involved in that packaging.

<Q – Dave Duley – Steelhead Securities LLC>: So I guess, you think these interposers are going to expand beyond the FPGA design [indiscernible] (27:48) of the world.

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Yes.

<Q – Dave Duley – Steelhead Securities LLC>: Okay. That's it for me. Thank you.

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Thank you.

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Thanks, David.

Operator: We have a question from the line of Mr. Mark Miller. Please proceed.

<Q – Mark Miller – Noble Financial Capital Markets>: Congratulations on your orders.

<A – Paul Oldham – Electro Scientific Industries, Inc.>: Thank you.

<Q – Mark Miller – Noble Financial Capital Markets>: I was just wondering, in terms of the design wins, are you displacing some of your competitors or are these just follow-on with customers you've previously served?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: First of all, several of them are with new customers in which case, when we deal with new customers, we, in one case, we are displacing. And in the other case, it's totally a new opportunity. But there is always competition about these design wins. In a more technical way, since these are new opportunities, no one has them but somehow the incumbent is not being chosen. In that regard, we are displacing.

In the area of consumer electronics, in terms of the premier flex PCB we're displacing a mechanical – the mechanical technology as a competitor. And in the areas of displays, we're addressing a totally new opportunity.

So it's really a mixture of between displacing and new opportunities. But given the fact that these are new opportunities, I think that may not be the – the better way to think is what these opportunities mean for our growth strategy. That's what I would say.

<Q – Mark Miller – Noble Financial Capital Markets>: In terms of glass singulation opportunity, is it beneficial – are you equally exposed to the major players there, or would the success of one player have a greater weighting for you?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Well, it's – these are major players, and the success of any of these design wins, it is extremely important, because the reference we're going to be getting in the singulation market from the design wins, and the players that we're playing right now, is the best reference you can get to expand to the rest of the market.

<Q – Mark Miller – Noble Financial Capital Markets>: My final question was the linearity of the quarter in terms of orders. Was it stronger at the beginning, or was it fairly smooth throughout the quarter?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Nothing in particular to mention. I would say, it is kind of a mixture between fairly smooth with a lot of [indiscernible] (30:46) towards the end.

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<Q – Mark Miller – Noble Financial Capital Markets>: So no signs of weakness over in Asia and any of the areas that would impact you?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: No.

<Q – Mark Miller – Noble Financial Capital Markets>: Thank you.

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Thank you.

Operator: [Operator Instructions] We have a question from the line of Tom Diffely. Please proceed, sir. Please proceed, sir.

<Q – Tom Diffely – D. A. Davidson & Co.>: Yeah, sorry about that. One more question on microfabrication. Are you seeing enough work with new players or for new designs to broaden out that customer base beyond previous years?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: I mean this is an expanding opportunity through the customers who play, and, again, the customers who play are people who are involved with making these consumer electronic devices. They are big, and they are few, and we see opportunities throughout the market.

<Q – Tom Diffely – D. A. Davidson & Co.>: Okay. So it sounds like for maybe the current year you're still leveraged to maybe one large player, but going forward you look to expand that to several large players?

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: That's a fair statement.

<Q – Tom Diffely – D. A. Davidson & Co.>: Thank you.

<A – Nick Konidaris – Electro Scientific Industries, Inc.>: Thank you.

Operator: Without any further questions in queue, we're going turn the call back over to Mr. Nick Konidaris. Please proceed, sir.

Nicholas Konidaris, President, Chief Executive Officer & Director

Thank you very much for joining us. You are welcome to call Paul, Brian, or me, if you have further questions. This concludes our call. Thanks for your interest in ESI.

Operator: Ladies and gentlemen that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.

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