



# Hermes Microvision, Inc.

## Investor Presentation

May 2014



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# I. Introduction to HMI



# HMI Highlights

## Company Profile

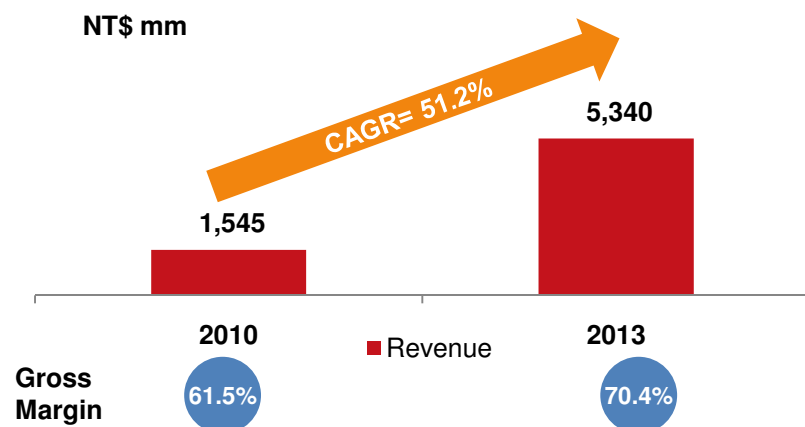
- World's leading supplier of EBI tools and solutions
- Founded in 1998, headquartered in Hsinchu, Taiwan
- Listed on GreTai Securities Market (Ticker: 3658)
- 574 employees, of which 216 are R&D engineers, as of March 31, 2014

## Leading-edge Inspection Tools and Solutions

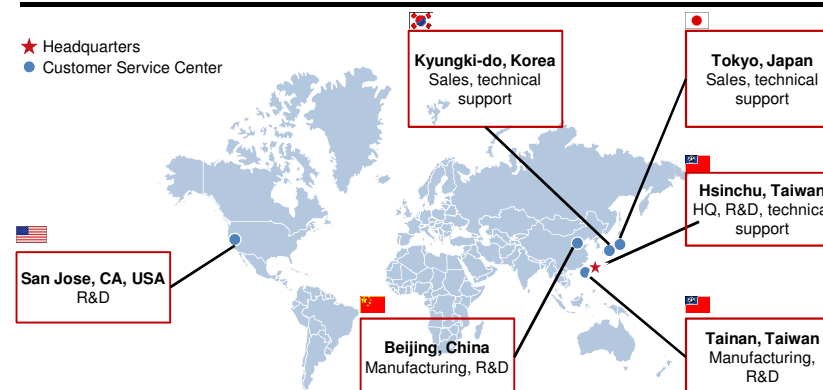


**HMI** HERMES  
MICROVISION

## Robust Growth Momentum



## Global Footprint

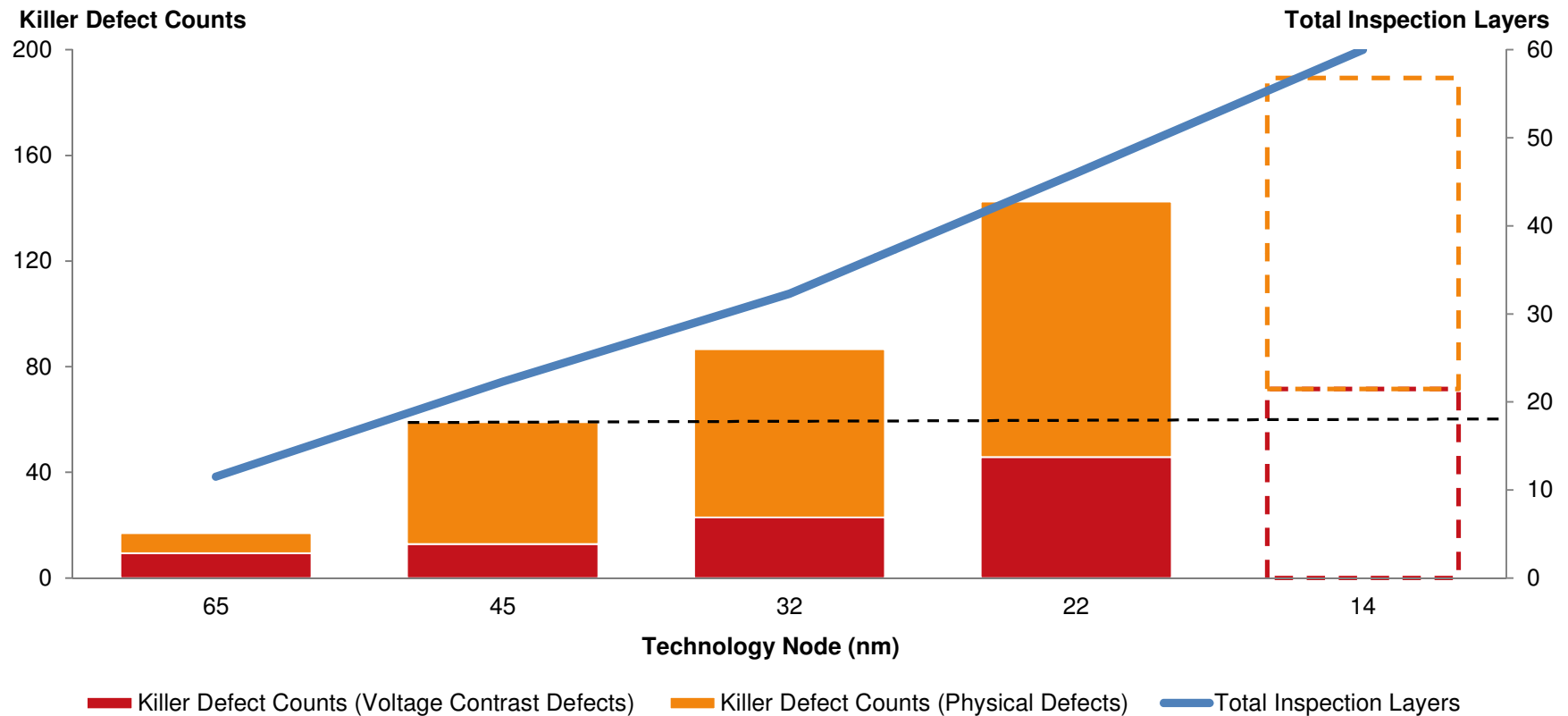


Source: Company Filings

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# Advanced Geometries and Complex Processes Require Enhanced Precision for Yield Improvement

As technology nodes become smaller, inspection tools with higher resolutions will be required to meet the needs



Source: Company Filings

# E-Beam Meeting the Challenges of Technology Advancement

Optical inspection does not meet the challenges of advanced node evolution due to low sensitivity and the inability to detect electrical defects in addition to physical defects



**Optical Inspection**



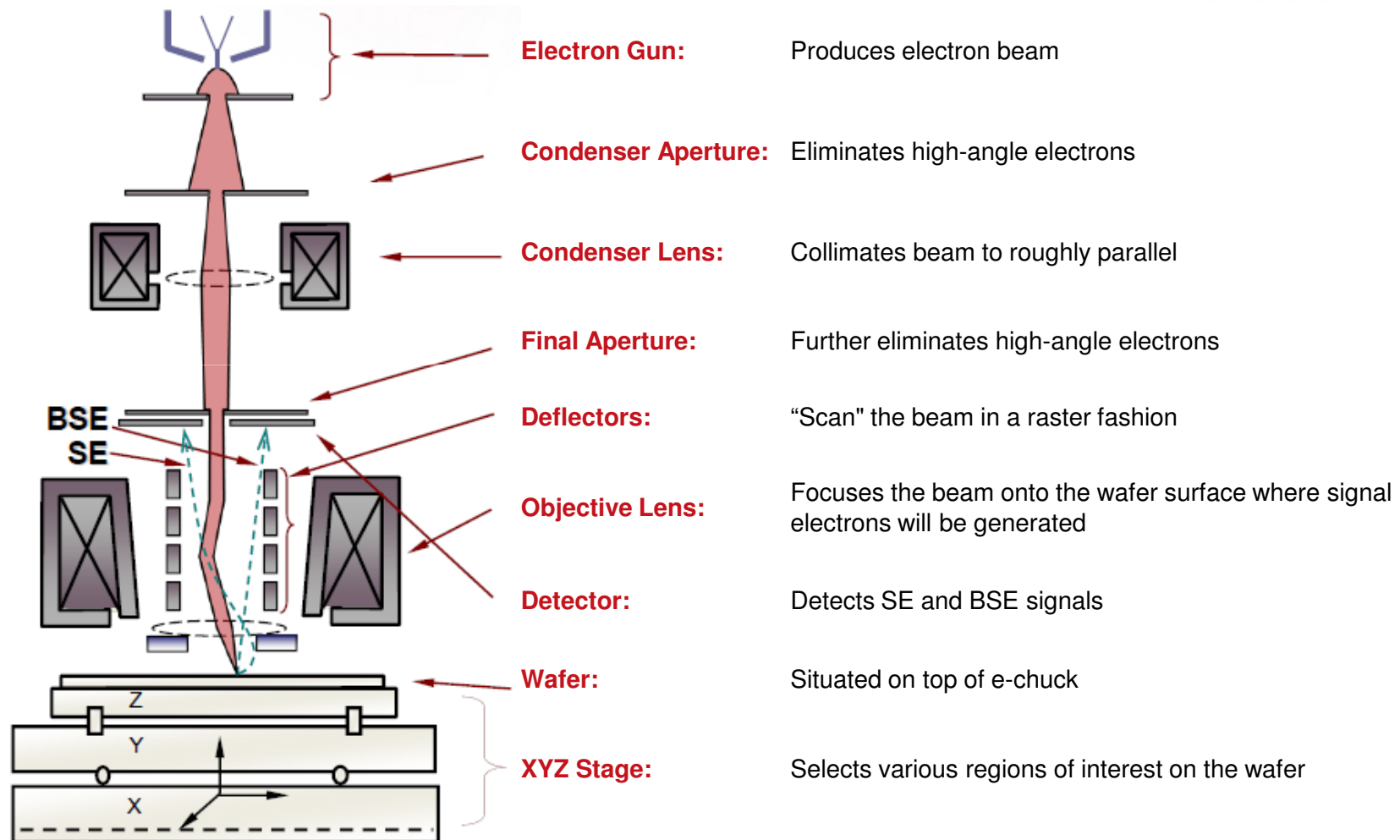
**E-Beam Inspection**

	vs.	
Medium	<b>Resolution</b>	High
Fast	<b>Scanning Speed</b>	Slower
Physical defects	<b>Defects Capability</b>	Nano-scaled physical defects; electrical defects
45nm: Image blurred 28nm: Extremely difficult	<b>Sensitivity</b>	Below 10nm
Largely adopted in manufacturing process above 40nm	<b>Current Application</b>	Advanced process research and development and mass production
Sampling at each stop Large area scanning	<b>Scanning</b>	At crucial process stops Used for high risk wafer areas
~90%	<b>Market Share</b>	~10%
High	<b>Technology Difficulty</b>	High
High	<b>Price</b>	Lower
KLA Tencor; Applied Materials	<b>Major Suppliers</b>	HMI; KLA Tencor

Source: Company Filings



# How Does E-Beam Technology Work

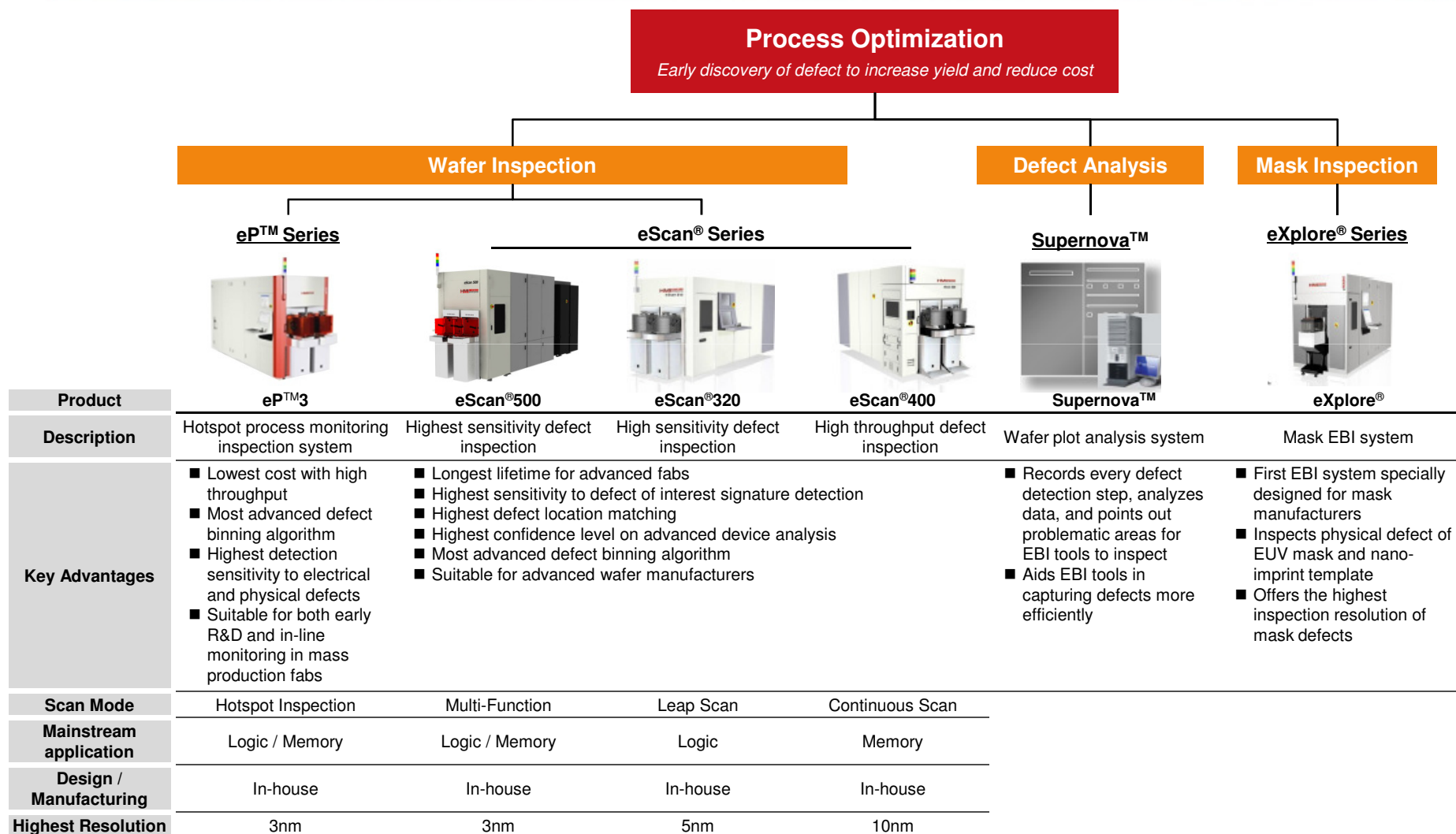


Source: Company Filings



# Overview of HMI's Product Portfolio

## *Diversified Product Offerings and Capabilities*



Source: Company Filings, Company Website



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## II. Key Investment Highlights





# Key Investment Highlights

**1**

**Clear Beneficiary of Fast Growing Semiconductor Process Control Segment**

**2**

**Leading Expertise in E-Beam Inspection Technology**

**3**

**Strong Partnerships with Industry Leaders Based on Technology and Services**

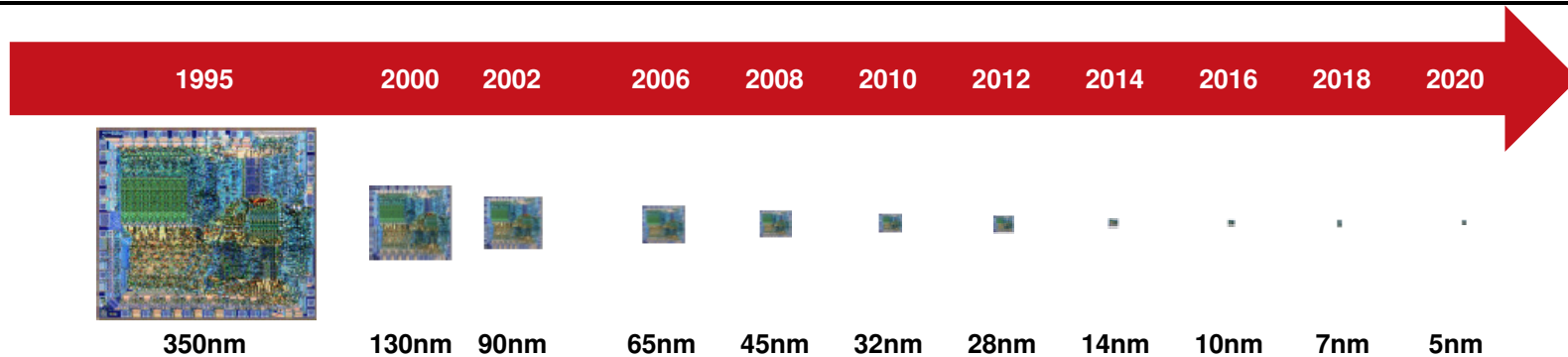
**4**

**Integrated Business Model Delivering Superior Operating Efficiency**

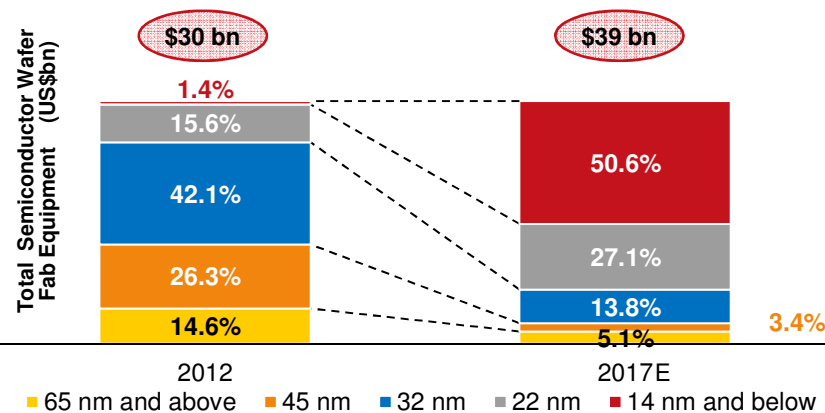
1

# Clear Beneficiary of Fast Growing Semiconductor Process Control Segment

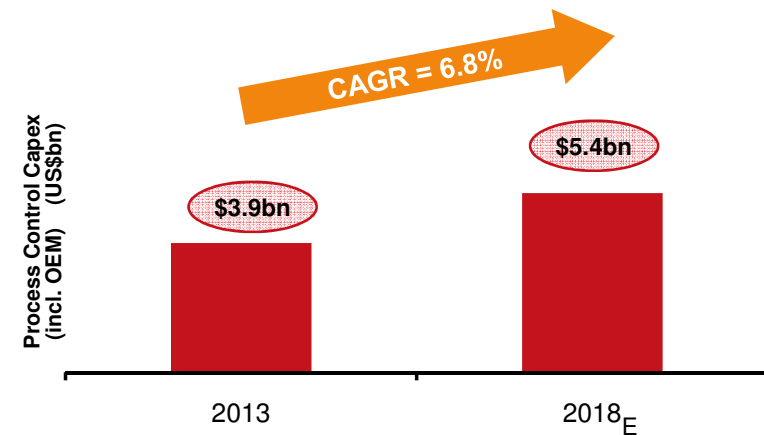
Industry Transitioning to Smaller Technology Nodes



Increasing Importance of Advanced Technology Nodes



Investment in Process Control Tools on the Rise



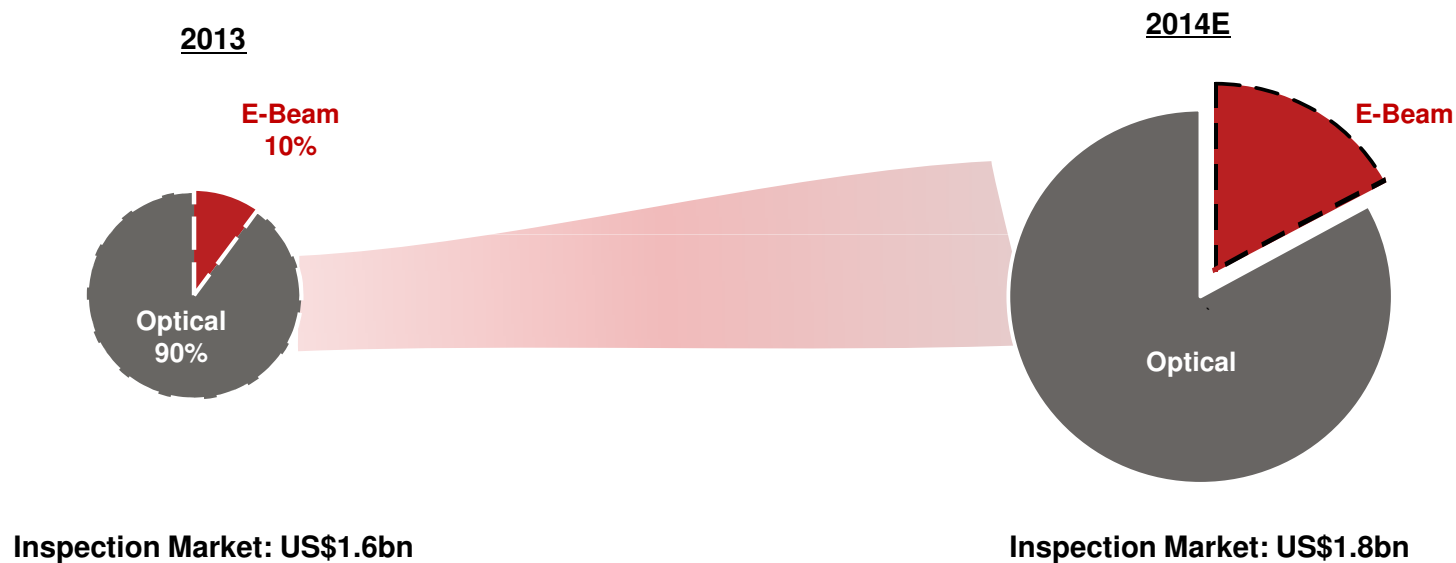
Source: Company Filings, Gartner Research

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1

# Clear Beneficiary of Fast Growing Semiconductor Process Control Segment

The distinct advantages of EBI over optical at advanced technology nodes encourages increasing adoption of EBI in wafer inspection. HMI continues to focus on new growth initiatives that include Multi-Column, EUV and TSV (3D)

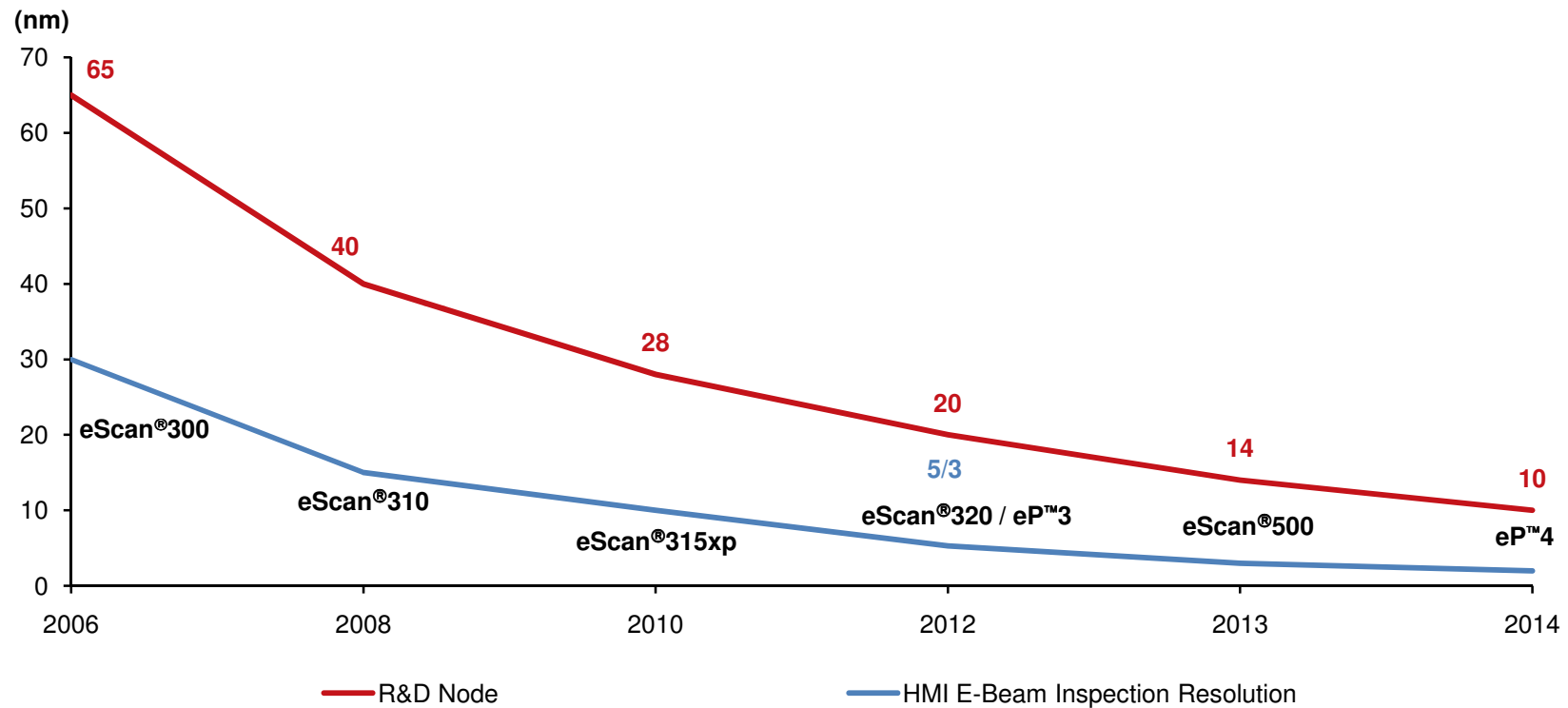


Source: Company Filings, Gartner Research

## 2

## Leading Expertise in E-Beam Inspection Technology

HMI has achieved approximately a 30% improvement in resolution with every generation of tech node evolution



HMI is committed to leading technology innovation through R&D

Source: Company filings



3

## Strong Partnerships with Industry Leaders Based on Technology and Services

### Partnerships for Long-term Success

#### Top IDMs<sup>1</sup>



#### Top Foundries



<sup>1</sup> IDM (Integrated Device Manufacturers) includes both logic and memory IC companies.  
Source: Company Filings, Gartner Research

### HMI's Winning Business Model

- ☑ HMI *teams up with customers in R&D* and shares the benefits of innovation
- ☑ HMI *customizes to meet different needs*
- ☑ HMI *provides instant customer service globally*
- Our customer service centers are located where our customers are located

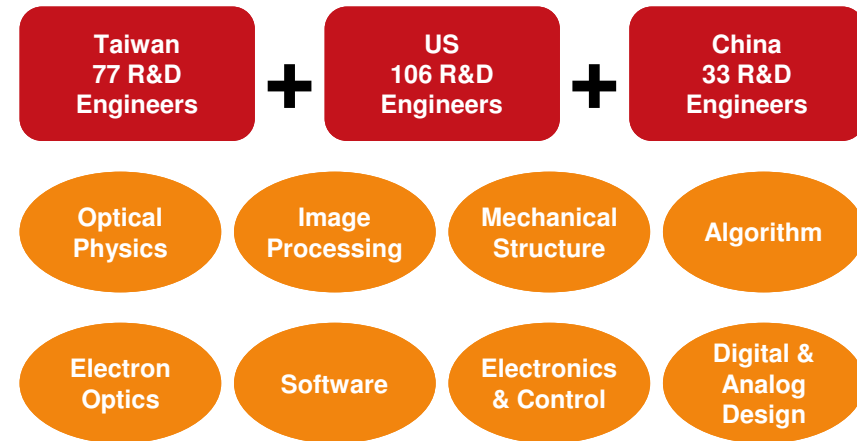
## 4

# Integrated Business Model Delivering Superior Operating Efficiency

## Key Technologies

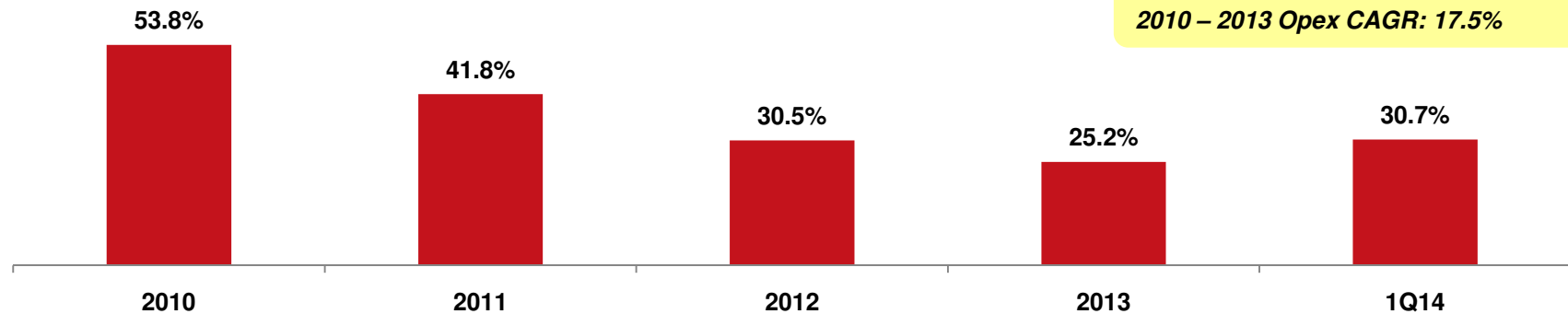
- ☑ Designs all and manufactures 80% of the key components, modules and systems in-house, which ensures uniqueness, quality, performance and lifetime of products while providing cost advantages
- ☑ Extensive technological expertise in:
  - E-Beam system: e-optics, deflection, imaging
  - Algorithm: image comparison and defect detection
  - Mechanical systems: vacuum and precision movement
  - GDS analysis: defect tracking and analysis database

## Multi-Disciplinary R&D Team



## Strong Operating Leverage

### Operating Expense as % of Revenues



Source: Company Filings



# Growth Strategies

**1**

**Continue to focus on R&D to extend technology leadership**

**2**

**Diversify product offerings and capabilities**

**3**

**Continue to strengthen partnerships with customers**

**4**

**Continue to evaluate and make strategic investments**

**5**

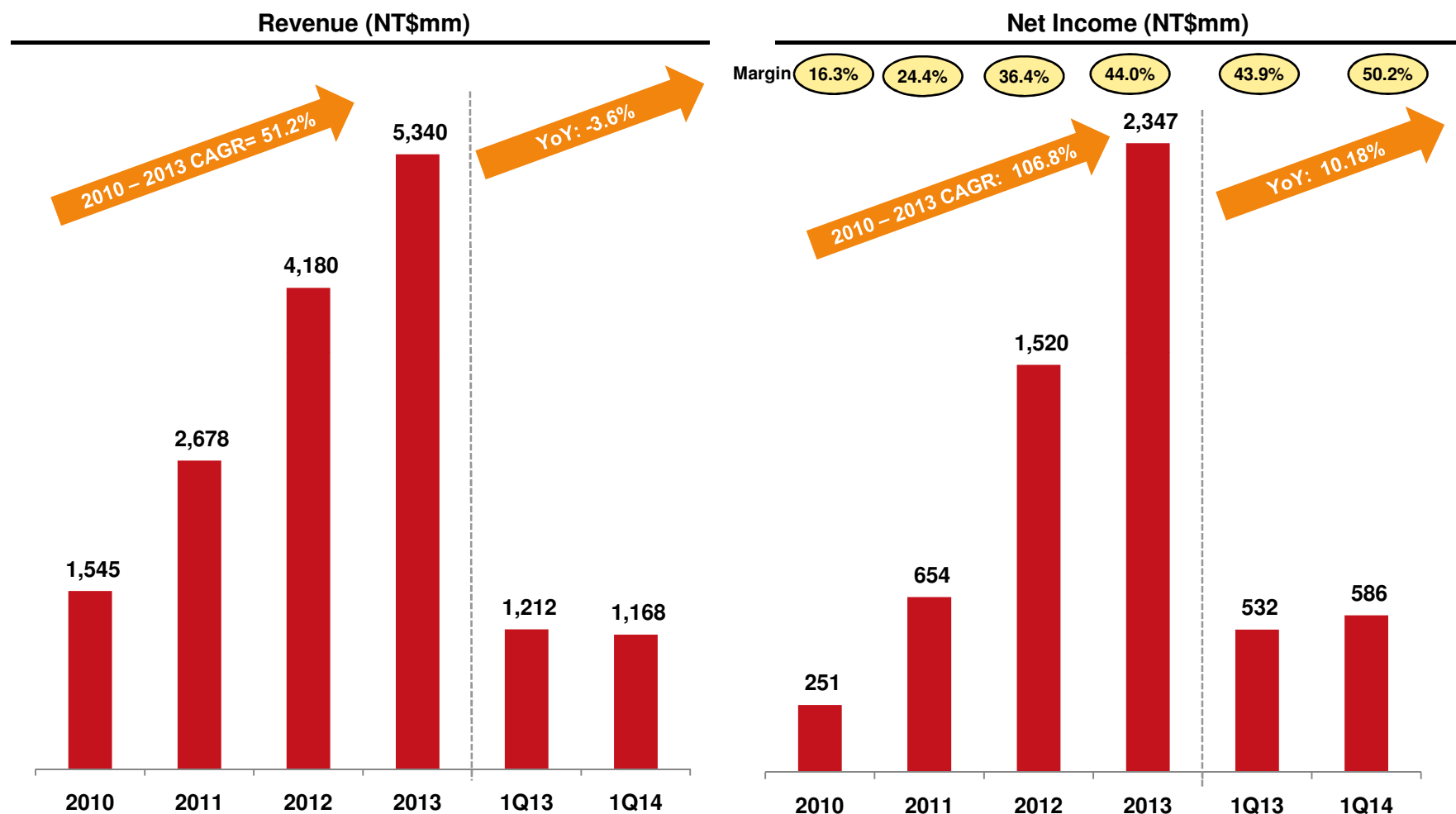
**Attract, train, and retain top talent**

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## III. Financial Highlights



# Robust Revenue Momentum and Profitability

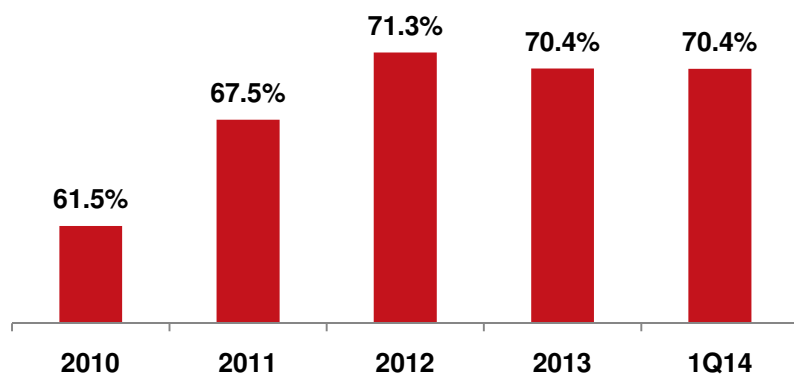


Source: Company Filings

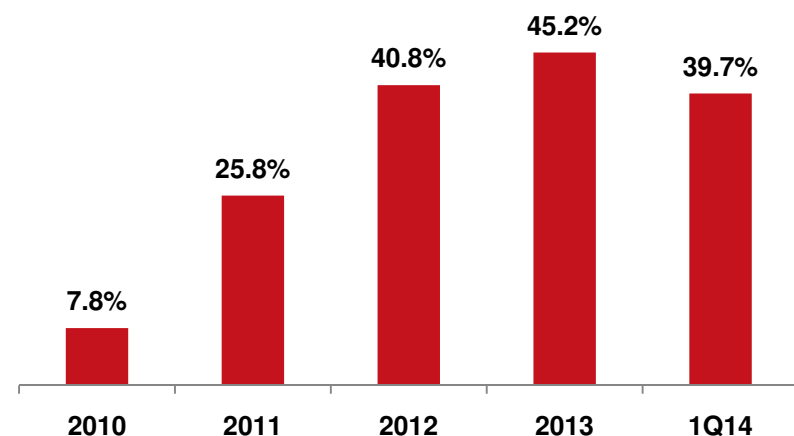
\* Profit for the period, excluding other comprehensive income.

# Attractive Margin Profile Attributable to Competitive Cost Structure

## Gross Margin

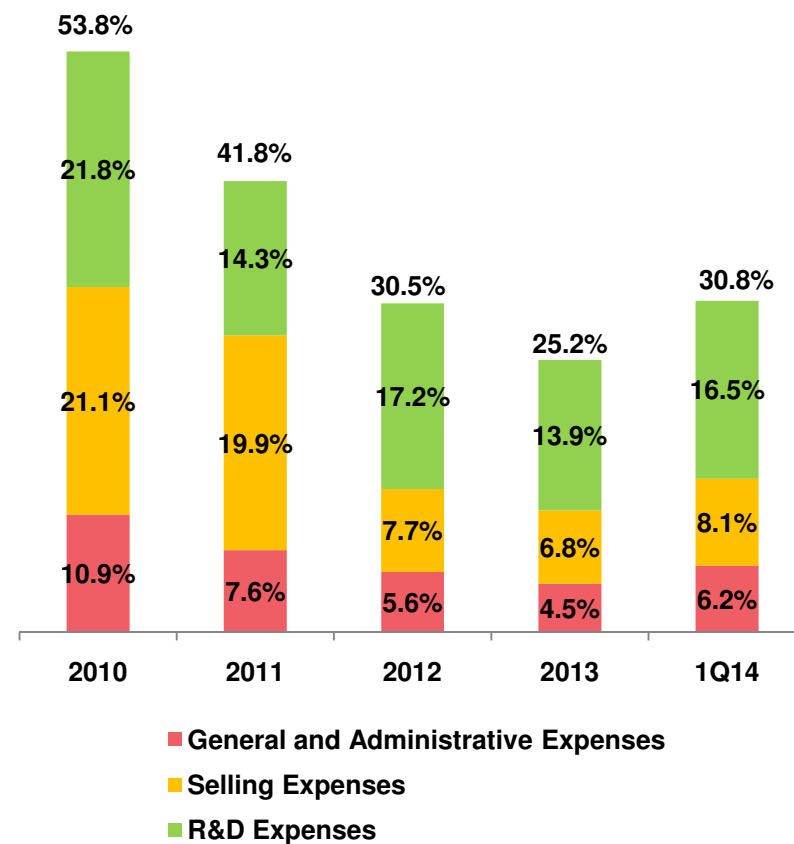


## Operating Margin



## Disciplined Cost Structure

Operating Expense  
as % of Revenues



Source: Company Filings

# Healthy Balance Sheet and Strong Cash Flow Position

## Selected Balance Sheet Items

NT\$mm	2010	2011	2012	2013	1Q14
<b>Cash and Cash Equivalents</b>	<b>742</b>	<b>612</b>	<b>2,776</b>	<b>5,371</b>	<b>6,050</b>
Bond Investment without Active Market- Current	-	-	-	2,891	2,956
Short-Term Borrowings	1,571	657	-	-	-
Long-Term Debt	-	-	-	-	-
<b>Total Debt</b>	<b>1,571</b>	<b>657</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Common Equity	729	1,354	3,867	9,694	10,295
Minority Interest	13	21	33	39	41
<b>Total Equity</b>	<b>742</b>	<b>1,375</b>	<b>3,900</b>	<b>9,733</b>	<b>10,336</b>
<b>Total Liabilities And Equity</b>	<b>2,777</b>	<b>2,740</b>	<b>5,188</b>	<b>11,852</b>	<b>12,706</b>

## Selected Cash Flow Statement Items

NT\$mm	2010	2011	2012	2013	1Q14
<b>Cash from Operations</b>	<b>(267)</b>	<b>821</b>	<b>1,858</b>	<b>2,171</b>	<b>829</b>
Capex	(15)	(53)	(46)	(147)	(86)
<b>Cash from Investing</b>	<b>(19)</b>	<b>(62)</b>	<b>(52)</b>	<b>(3,048)</b>	<b>(89)</b>
Dividend	-	-	(264)	(792)	-
<b>Cash from Financing</b>	<b>699</b>	<b>(902)</b>	<b>347</b>	<b>3,446</b>	<b>-</b>

Source: Company Filings

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# Q&A

**[http://www.hermes-microvision.com/  
investor@hermes-microvision.com](http://www.hermes-microvision.com/investor@hermes-microvision.com)**



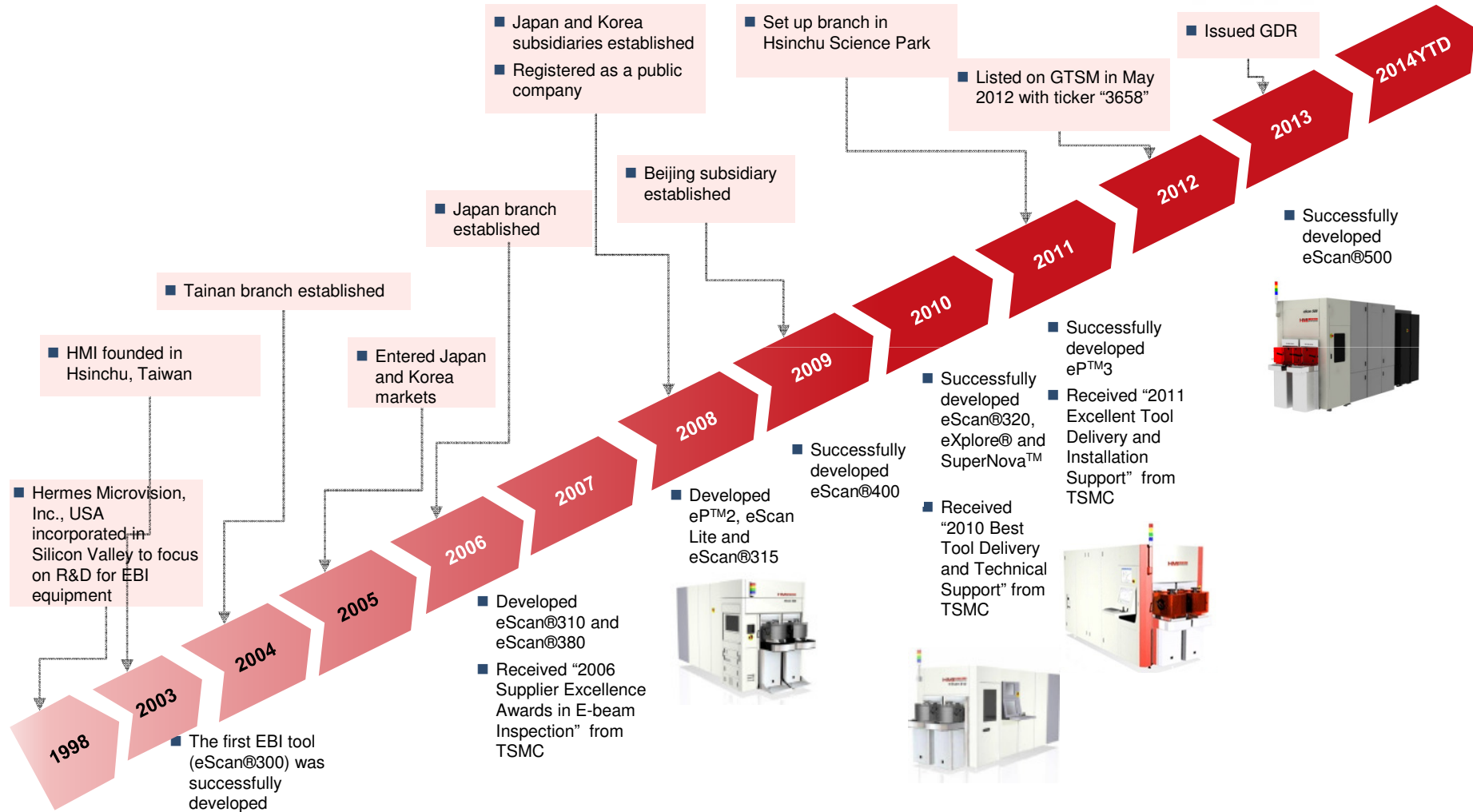


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# APPENDIX



# History and Key Milestones



Source: Company Filings

# Summary Income Statement

NT\$mm, unless otherwise stated	2010	2011	2012	2013	1Q14
<b>Total Revenue</b>	<b>1,545</b>	<b>2,678</b>	<b>4,180</b>	<b>5,340</b>	<b>1,168</b>
<i>YoY Growth %</i>	<i>32.3%</i>	<i>73.3%</i>	<i>56.1%</i>	<i>27.8%</i>	<i>-3.6%</i>
<b>Gross Profit</b>	<b>951</b>	<b>1,808</b>	<b>2,981</b>	<b>3,758</b>	<b>822</b>
<i>Margin %</i>	<i>61.5%</i>	<i>67.5%</i>	<i>71.3%</i>	<i>70.4%</i>	<i>70.4%</i>
<b>Operating Expenses</b>	<b>(831)</b>	<b>(1,118)</b>	<b>(1,274)</b>	<b>(1,347)</b>	<b>(359)</b>
<i>As % of Total Revenue</i>	<i>(53.8)%</i>	<i>(41.8)%</i>	<i>(30.5)%</i>	<i>(25.2)%</i>	<i>(30.7)%</i>
<b>Operating Income</b>	<b>120</b>	<b>690</b>	<b>1,707</b>	<b>2,412</b>	<b>463</b>
<i>Margin %</i>	<i>7.8%</i>	<i>25.8%</i>	<i>40.8%</i>	<i>45.2%</i>	<i>39.7%</i>
<b>Net Income</b>	<b>251</b>	<b>654</b>	<b>1,520<sup>1</sup></b>	<b>2,347<sup>1</sup></b>	<b>586<sup>1</sup></b>
<i>Margin %</i>	<i>16.3%</i>	<i>24.4%</i>	<i>36.4%</i>	<i>44.0%</i>	<i>50.2%</i>
<b>Diluted EPS (NT\$)</b>	<b>6</b>	<b>11</b>	<b>23</b>	<b>35</b>	<b>8</b>
<i>YoY Growth %</i>	<i>NM</i>	<i>89.5%</i>	<i>116.1%</i>	<i>50.3%</i>	<i>2.4%</i>

Source: Company Filings

<sup>1</sup> Profit for the period, excluding other comprehensive income.

# Summary Balance Sheet

NT\$mm	2010	2011	2012	2013	1Q14
Cash and Cash Equivalents	743	612	2,776	5,371	6,050
Bond Investments without Active Markets- Current	-	-	-	2,891	2,956
Accounts Receivable – Third Parties	722	653	848	1,557	1,370
Inventories, Net	1,074	1,190	1,279	1,516	1,809
Total Current Assets	2,587	2,523	4,972	11,444	12,303
Property, Plant and Equipment	132	168	170	335	329
<b>Total Assets</b>	<b>2,777</b>	<b>2,740</b>	<b>5,188</b>	<b>11,852</b>	<b>12,706</b>
Short-term Loans	1,571	657	-	-	-
Provisions for Liabilities – Current	130	219	577	972	1,053
Total Current Liabilities	2,008	1,300	1,199	2,035	2,286
Other Liabilities	27	65	89	84	84
<b>Total Liabilities</b>	<b>2,035</b>	<b>1,365</b>	<b>1,288</b>	<b>2,119</b>	<b>2,370</b>
<b>Total Stockholders' Equity</b>	<b>742</b>	<b>1,375</b>	<b>3,900</b>	<b>9,733</b>	<b>10,336</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>2,777</b>	<b>2,740</b>	<b>5,188</b>	<b>11,852</b>	<b>12,706</b>

Source: Company Filings

# Summary Cashflow Statement

NT\$mm	2010	2011	2012	2013	1Q14
Depreciation & Amortization	46	52	63	60	15
<b>Cash from Operations</b>	<b>(267)</b>	<b>821</b>	<b>1,858</b>	<b>2,171</b>	<b>829</b>
Capex	(15)	(53)	(46)	(147)	(86)
<b>Cash from Investing</b>	<b>(19)</b>	<b>(62)</b>	<b>(52)</b>	<b>(3,048)</b>	<b>(89)</b>
Dividend	-	-	(264)	(792)	-
<b>Cash from Financing</b>	<b>699</b>	<b>(902)</b>	<b>347</b>	<b>3,446</b>	<b>-</b>

Source: Company Filings