



















# Intevac, Inc.



Kevin Fairbairn, CEO  
Charley Eddy, CFO

March 2004

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# 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 Registration Statement No. 333-111342 on Form S-3, a copy of which is available to you here today, 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.

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- 1991 LBO From Varian Associates

## Equipment Business

Leader in Sputtering Equipment for  
Hard Disk Manufacturing

- Peak Revenue \$124 Million in 1997
- Now Delivering Next Generation Systems

2004 Expect Significant  
Revenue Growth

## Imaging Business

Leader in Low Light Technology

- Commercialized Night Vision Goggles For U.S. Army
- Developing Next Generation Low Light Sensors and Cameras

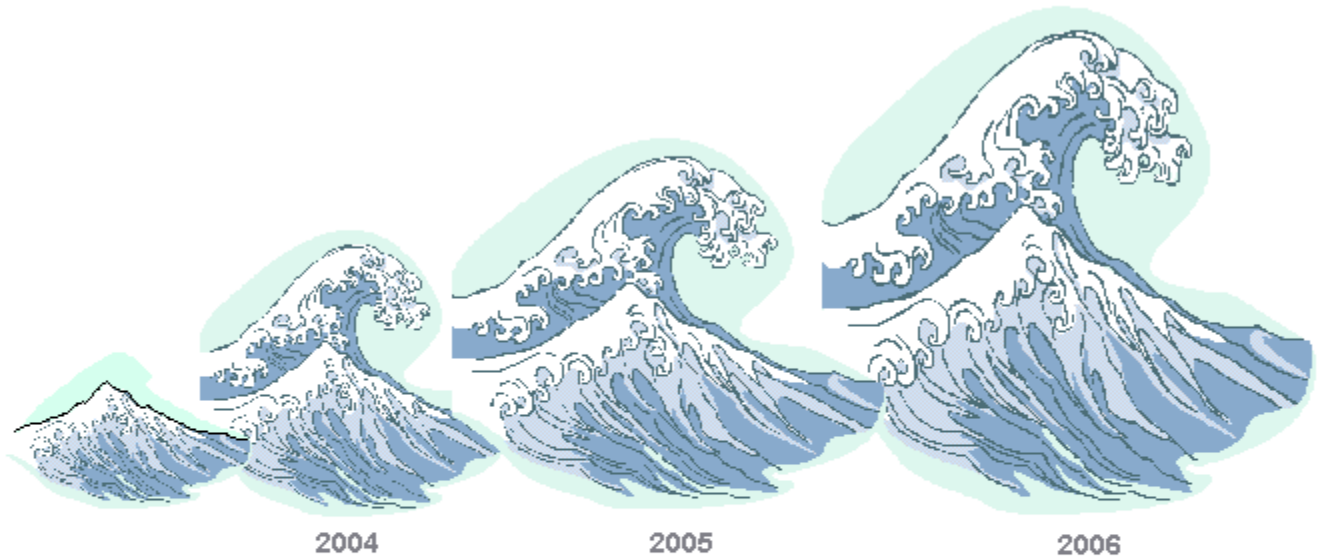
Post 2005 Expect Significant  
Revenue Growth

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# Business Growth Drivers



**Equipment  
Products  
Business**

Capacity Buys

New Media Technology Buys

Service, Spares & Consumables

**Imaging  
Business**

LIVAR® Imaging Products

Low Light Imaging Products

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# Investment Highlights

- Major Expansion in Hard Disk Manufacturing Equipment Market Underway
- Market Share Leader in Disk Sputtering Equipment
- Competitive Next Generation Intevac® 200 Lean Product
- Providing Leading Edge Low Light Imaging Products
- New Management Team Drawn From Industry Leaders
- Sound Balance Sheet and Attractive Business Model

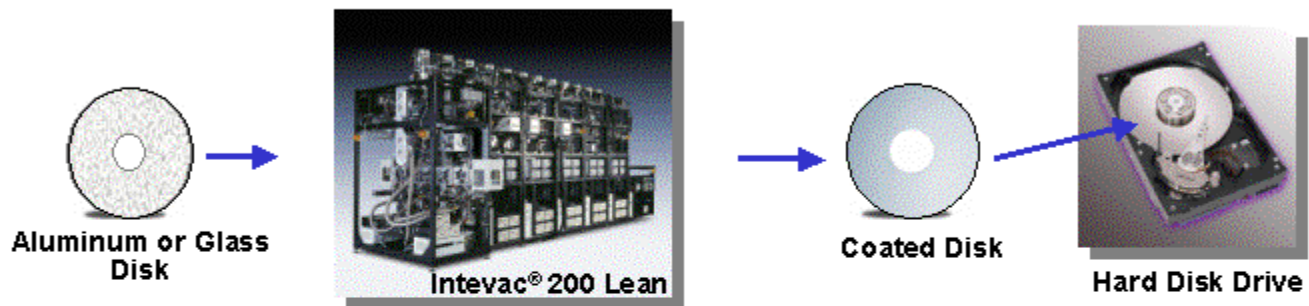
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# Leading Provider of Hard Disk Sputtering Equipment



## Customers



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# Evolution of Hard Drive Media Industry

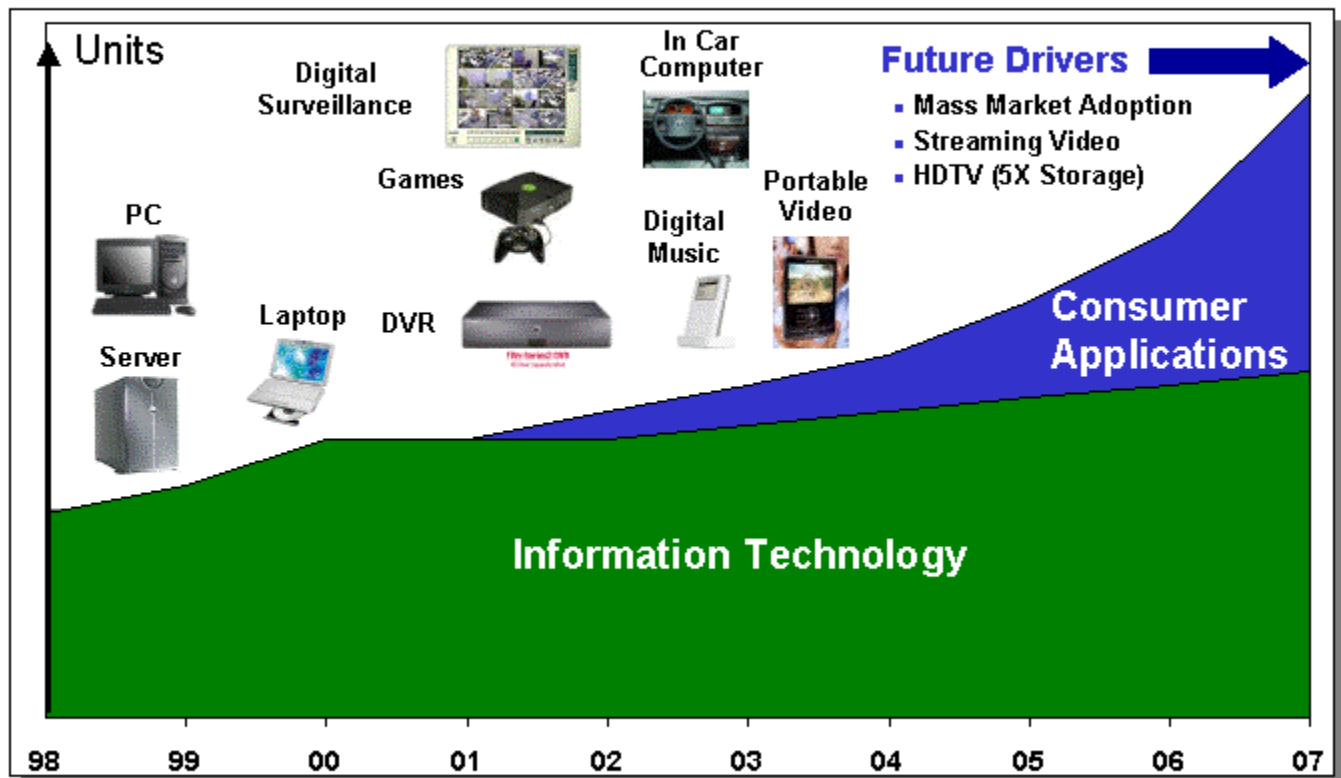
<b>1995 - 1998</b> <b>Initial Expansion</b>	<ul style="list-style-type: none"><li>■ Surge in Demand Driven by PC</li><li>■ Majority of Today's Installed Equipment Purchased</li></ul>
<b>1999 – 2003</b> <b>Consolidation</b>	<ul style="list-style-type: none"><li>■ Areal Density Increases Faster Than End Storage Needs</li><li>■ Excess Equipment Capacity</li></ul>
<b>2004 – 2007</b> <b>Expansion and Technology Transition</b>	<ul style="list-style-type: none"><li>■ End Storage Needs Increase Faster Than Areal Density</li><li>■ Rapidly Growing Consumer Applications</li><li>■ Additional Equipment Needed for Capacity Expansion</li><li>■ Media Technology Changing From Longitudinal to Perpendicular</li><li>■ Retooling of Installed Base Required</li></ul>

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# New Applications Driving Growth In Hard Disk Market



Source: Company Estimates

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# New Factories Announced to Support Growth

- “Seagate Invests \$200 Million in Recording Media Facility”, July 2003
- “Hitachi Marks Integration Milestone With Start-up of Media Manufacturing in China”, Aug 2003
- “Maxtor / MMC Technology to Expand in Fremont”, Oct 2003

Source: Per Seagate, HGST and Maxtor Press Releases


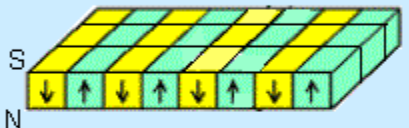
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# Media Technology Transition Next Generation Equipment Required

Year	<2002	2005	>2008
	<b>Longitudinal</b>		<b>Perpendicular</b>
			
Hard Disk (GB)	<40	160	240
Process Steps	≤ 12		>12 - 20
Tool Capability	<div style="background-color: yellow; padding: 5px; text-align: center;">MDP 250B ≤ 12 Process Stations</div> <div style="background-color: blue; color: white; padding: 5px; text-align: center; margin-top: 10px;">200 Lean 12 – 20 Process Stations</div>		

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# Equipment Market Opportunity \$980 Million

By 2007, IDC Forecasts 365M Disk Drives Per Year

- ➔ New Capacity Expansion
  - \$340 Million (76 200 Leans)\*

Perpendicular Media Production Starting in 2005

- ➔ Retooling of Existing Installed Base
  - \$640 Million (142 200 Leans)\*

**Major Variables:**

- Timing of Perpendicular
- Upgrade Timing
- Disk Drive Demand
- Disks/Drive

**Intevac Challenges:**

- Market Share, Revenue per System and Cost

\*Average Revenue Per System \$4.5M (Includes Upgrades)

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# Additional Business Opportunities

Pre 2003	Post 2003
<ul style="list-style-type: none"><li>■ System Sales (MDP 250B)</li><li>■ Technology Upgrades</li><li>■ Spares</li></ul>	<ul style="list-style-type: none"><li>■ System Sales (200 Lean)</li><li>■ Technology Upgrades</li><li>■ Spares</li></ul> <p style="text-align: center;">+</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"><ul style="list-style-type: none"><li>■ Consumables</li><li>■ Service</li></ul></div>

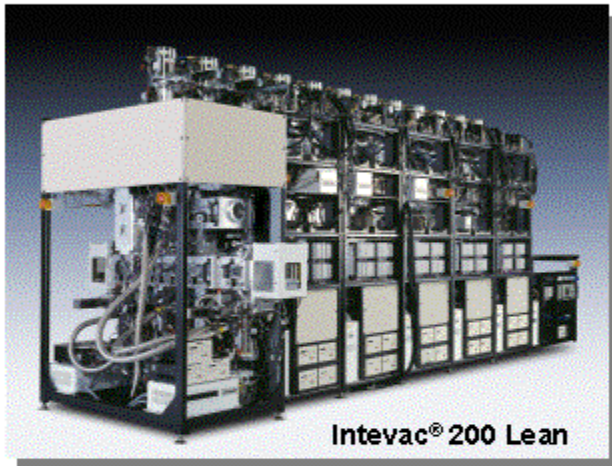
**Expanding Intevac Asia (Singapore) To Address  
After Market Business**

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# Intevac® 200 Lean Sputtering System



- Flexibility For Future Media
  - Modular design – simple to add additional process stations
  - Easy to reconfigure
  - Perpendicular capable
- Performance
  - True single disk processing
  - 700 disks per hour
- Low Cost of Ownership
  - High target utilization
  - Small footprint

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# First Major Customer Next Generation System “Run Off” Won By 200 Lean

## **Intevac Announces Signing of Agreement to Supply Next Generation Intevac 200 Lean Disk Deposition Systems**

August 2003

- Two Intevac® 200 Leans Ordered
- Deliveries Scheduled in Late 2003/early 2004

## **Intevac Receives Order for Intevac 200 Lean Systems**

October 2003

- Eight Intevac® 200 Leans Ordered
- Deliveries Scheduled for First Half of 2004

Source: Intevac Press Releases; [www.intevac.com](http://www.intevac.com)

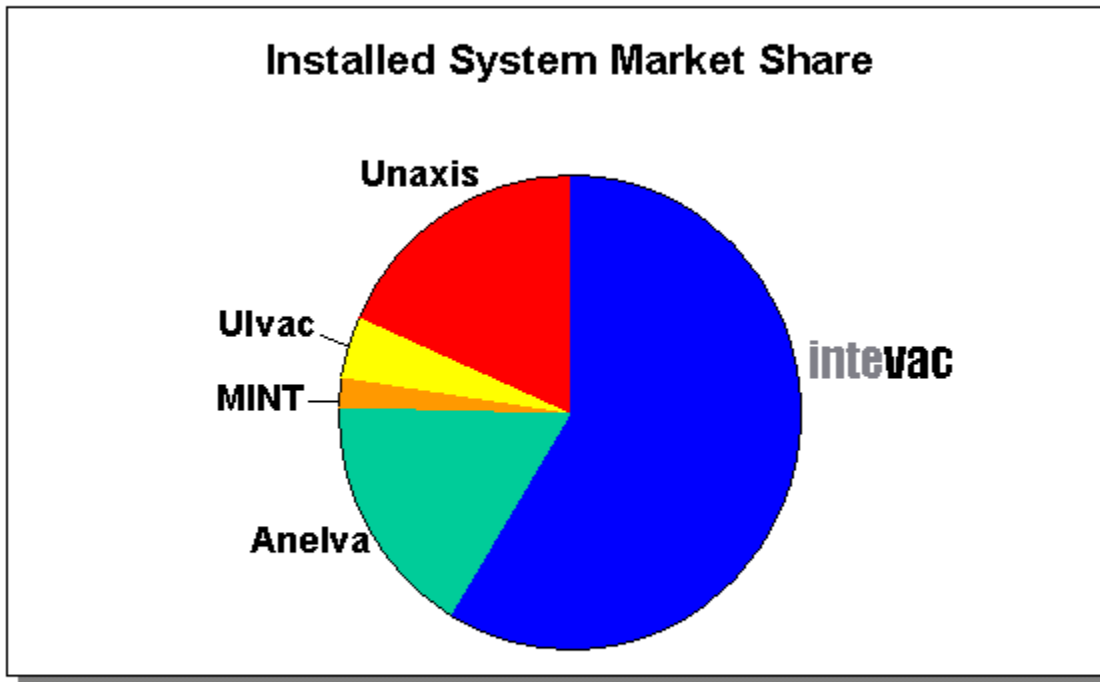
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# Leading Position in Disk Sputtering



Only Intevac and One Competitor Offer  
Perpendicular Capable Sputtering Equipment

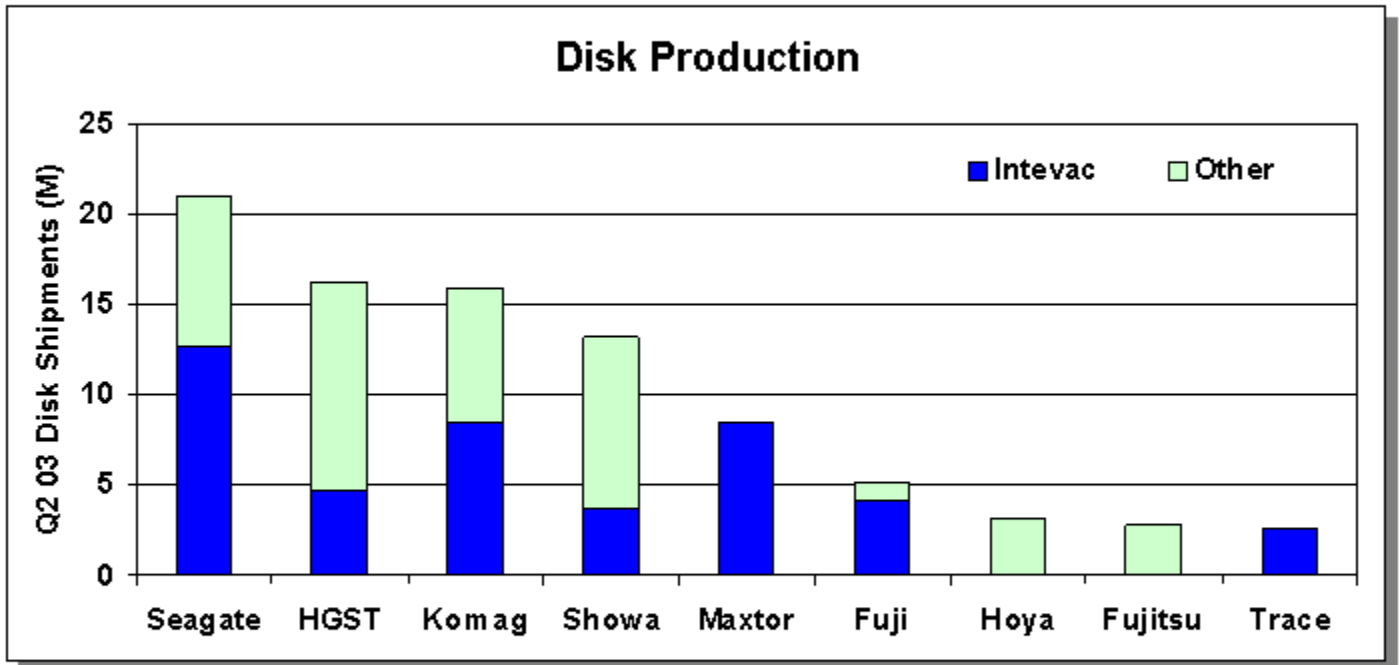
Company Estimates 11/03

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# Leading Position in Disk Sputtering



**~50% of Disks Manufactured on Intevac Equipment**

Company Estimates / TrendFocus

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# Growth Strategy

- Become Preferred Solutions Provider in the Hard Disk Drive Industry
- Deliver Highest Customer Value Proposition
- Expand Consumables, Spare Parts and Service Offerings
- Leverage Existing Technology Into New Markets

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## **Imaging Business**

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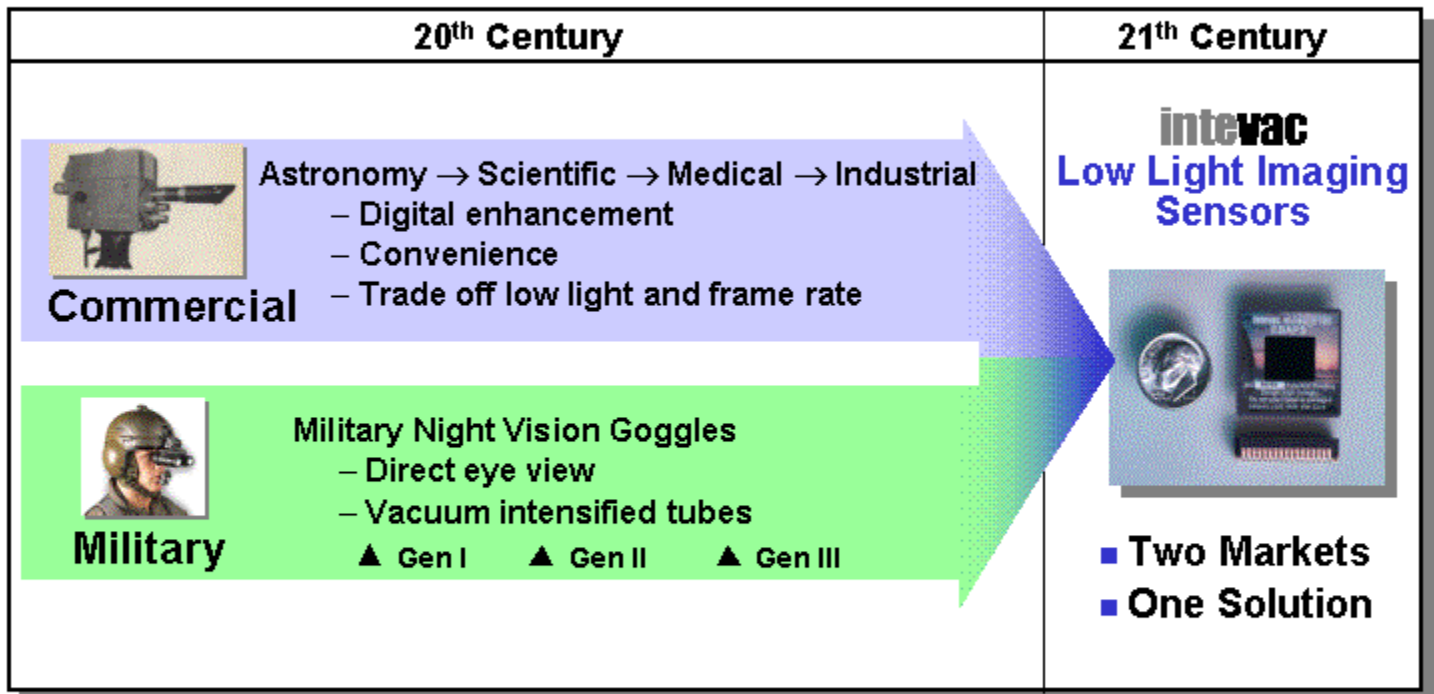
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# Evolution Of Low Light Imaging Technology



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# Imaging Customers

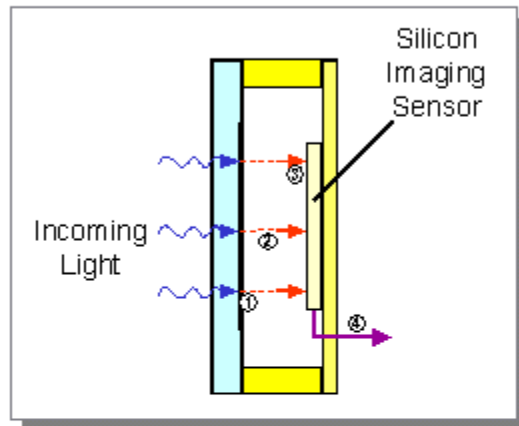


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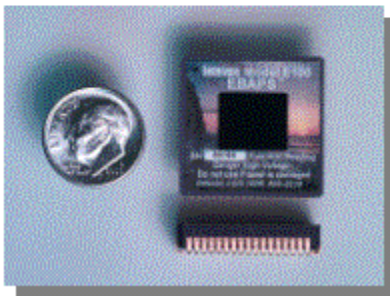
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# intevac Proprietary Low Light Sensor



1. Light Converted to Electrons
2. Electrons Accelerated by High Voltage
3. Electrons Collected on Mega pixel Silicon Sensor
  - CCD, or
  - Low cost, low power CMOS
4. Digital Output



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# Low Light Military Applications Roadmap

## LIVAR<sup>®</sup> – Cameras & Systems

2003	2004	2005	2006	2007	2008
Engineering			Production		

### Products and Applications

- Long Range Target I.D. (> 5 km)
- Covert
- Cost Effective



LIVAR<sup>®</sup>



Airborne Laser  
Anti-Missile



Airborne



Manportable



Ground Vehicle



Maritime

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# Low Light Military Applications Roadmap Night Vision Systems – Cameras and Sensors

2003	2004	2005	2006	2007	2008
Engineering				Production	

## Products and Applications

- Digital Low Light Capability
- Low Power
- 2003 Market Size Legacy Technology (\$347M)



Sensor



Head Mounted



Stand Alone  
Camera

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# Commercial Low Light Imaging Opportunity

Market	Intevac Capabilities	Market Timing
Security	<ul style="list-style-type: none"><li>■ Low Light Sensitivity</li><li>■ Low Cost</li></ul>	Night Vista Launched
Physical Science	<ul style="list-style-type: none"><li>■ Low Light Sensitivity in Near IR</li><li>■ Low Light Sensitivity at High Frame Rate</li></ul>	Product Availability Q4 04
Life Science	<ul style="list-style-type: none"><li>■ Low Light Sensitivity at High Frame Rate</li><li>■ Imaging Down to Molecular Levels</li></ul>	Product Availability Q3 05

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# Proven & Experienced Management Team

Name	Title	Experience
Kevin Fairbairn	President & Chief Executive Officer	CEO Since 2002 <i>Previous: Applied Materials, VP &amp; GM</i>
Charles Eddy	Chief Financial Officer	CFO at Intevac since 1991 <i>Previous: Intel</i>
Ralph Kerns	VP, Equipment Business Development	Intevac since August 2003 <i>Previous: GM at Applied Materials, LAM</i>
Hari Ponnekanti	VP, Equipment Engineering	Intevac since March 2003 <i>Previous: Applied Materials</i>
Robert Weiss	VP, CTO, Equipment	Intevac since 1991 <i>Previous: Varian</i>
Verle Aebi	President, Photonics Technology Division	Intevac since 1991 <i>Previous: Varian</i>
Christopher Lane	VP, GM Commercial Imaging Division	Intevac since July 2002 <i>Previous: Applied Materials</i>

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## **Financial Overview**

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# Financial Overview

- Attractive Growth Prospects in Both Businesses
  - Expansion in hard disk market underway
  - Imaging transitioning from R&D to production
- Operating Leverage
- Restructured Balance Sheet

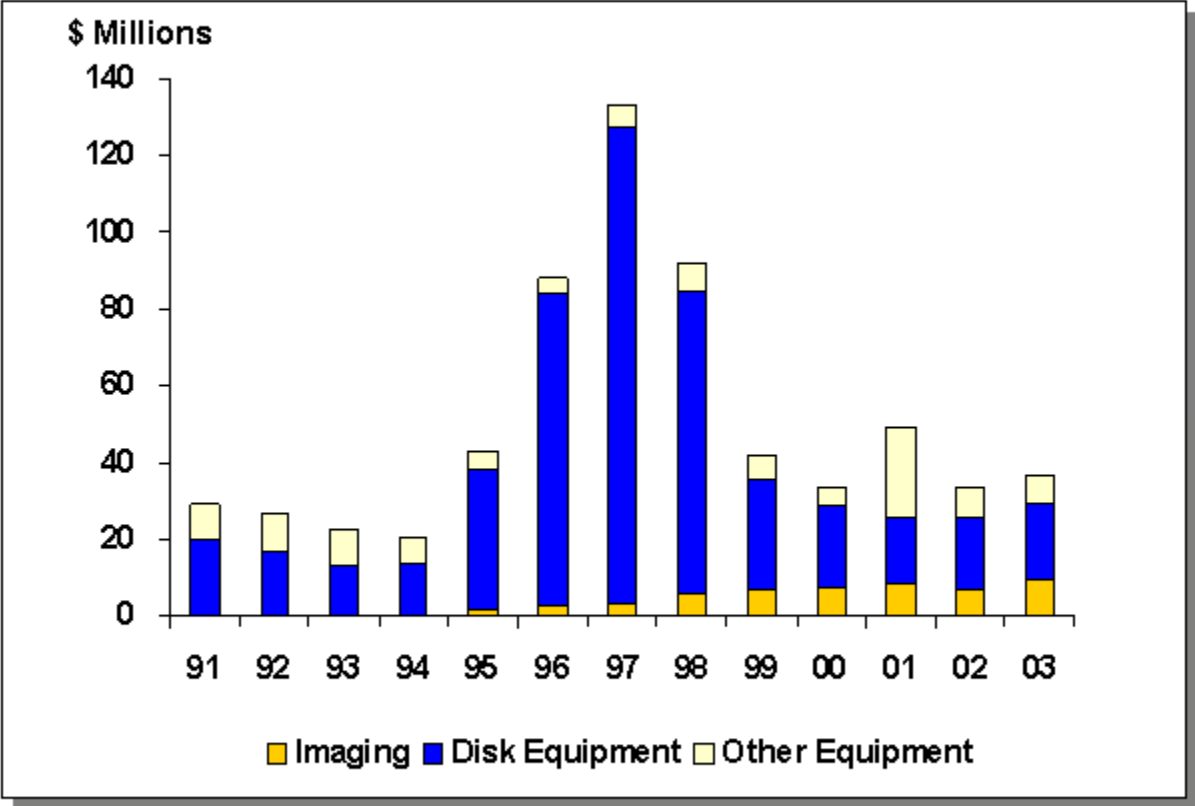
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# Annual Revenue



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# Equipment Business Model

	<u>'95 - '97</u>	<u>'04 Goal</u>	<u>Long Term Goal</u>
Revenue	100%	100%	100%
Gross Margin	34%	35%	45%
Operating Expense			
- R&D	11%	12%	15%
- MG&A	8%	8%	10%
Operating Expense	<u>20%</u>	<u>20%</u>	<u>25%</u>
Operating Income	14%	15%	20%
After Tax Income	9%	13%	13%

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# Imaging Long Term Business Model

Revenue	100%
Gross Margin	50%
Operating Expense	
- R&D	10%
- MG&A	20%
	<hr/>
Operating Expense	30%
Operating Income	20%
After Tax Income	13%

2004 Goal: Breakeven

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## Balance Sheet (Millions)

	12/31/03	Pro Forma As Adjusted <sup>1</sup>
Cash	\$20	\$61
Inventory	13	13
Accounts Receivable	14	14
Property, Plant and Equipment	6	6
Other	3	3
<b>Total Assets</b>	<b>\$56</b>	<b>\$97</b>
Accounts Payable and Accruals	\$8	\$8
Customer Advances	16	16
Convertible Notes due 2004	1	1
Shareholders' Equity	31	72
<b>Liabilities and Shareholders' Equity</b>	<b>\$56</b>	<b>\$97</b>
Shares Outstanding	17.0	19.9

<sup>1</sup> Adjusted for sale of 3.0 million shares at \$15.00 per share in February 2004

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