

COMPANY UPDATE | COMMENT

AUGUST 6, 2007

**Camtek Ltd. (NASDAQ: CAMT)**  
Reported 2Q07 results

**Sector Perform**  
**Speculative Risk**

Price:	3.01	Price Target:	5.00
Shares O/S (MM):	30.1	Implied All-In Return:	66.1%
Dividend:	0.00	Market Cap (MM):	91
Float (MM):	10.8	Yield:	0.0%
Debt to Cap:	0.0%	Tr. 12 ROE:	4.29%
Institutional Ownership:	6%	Avg. Daily Volume (MM):	0.05
		3-Yr. Est. EPS Growth:	NM

**Event: Reported 2Q07 results**

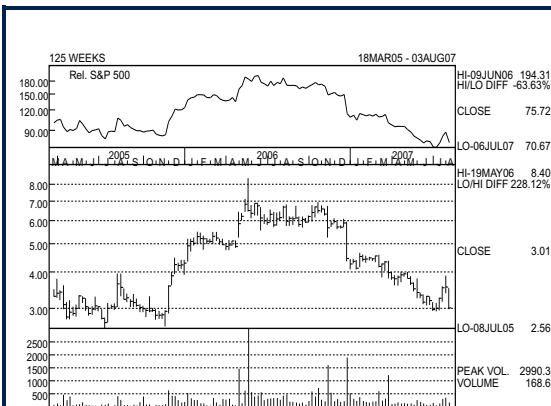
**Investment Opinion**

Camtek reported 2Q07 revenues of \$15.3M, below our estimate of \$16M but EPS was in-line due to lower operating expenses. We are raising our CY07 EPS estimates due to lower operating expenses but lowering our CY08 estimates because of slower recovery in semiconductor business. Our price target remains unchanged at \$5. We are maintaining our Sector Perform rating.

**2Q07 EPS in-line due to lower operating expenses.** Revenues of \$15.3M were slightly below our estimate of \$16M. EPS of (\$0.11) was in line with our estimates. Lower revenues and gross margins (40.8% versus our estimate of 42.5%) were compensated by lower operating expenses (\$9.4M versus our \$9.9M). Operating expenses declined about \$1M or 10% sequentially. The Company is making steady progress towards trimming operating expenses to bring them in line with revenue levels. Operating expenses are expected to go down further in the September quarter, according to management.

**Management expects continued weakness in semiconductor business** and a recovery in the PCB business. We continue to model a gradual recovery in PCB business and pushing out the recovery in semiconductor business to 2CQ08. Revenue breakdown in the June quarter was 60.4% PCB, 8.5% IC substrate and 31.1% semiconductor manufacturing and packaging products.

**We are trimming our CY08 estimates** but raising our CY07 estimates. We have increased our CY07 EPS estimate from (\$0.34) to (\$0.29) due to lower operating expenses. We are lowering our CY08 estimates from \$108M and \$0.45 to \$99 and \$0.38. Our Price target remains at \$5 (12X CY08 EPS).



**RBC Capital Markets Corp.**

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FY Dec	2006A	2007E	2008E
EPS (Op) - FD	0.39	(0.29)	0.38
Prev.		(0.34)	0.45
P/E	7.7x	NM	7.9x
Revenue (MM)	100.0	68.8	99.0
Prev.		69.5	108.0

EPS (Op) - FD	Q1	Q2	Q3	Q4
2006	0.16A	0.17A	0.13A	(0.07)A
2007	(0.14)A	(0.11)A	(0.04)E	0.00E
Prev.			(0.06)E	(0.02)E
2008	0.01E	0.07E	0.14E	0.14E
Prev.	0.05E	0.11E	0.16E	0.12E

Revenue (MM)	2006	2007	2008
2006	24.9A	27.9A	26.3A
2007	14.5A	15.3A	18.5E
Prev.		16.0E	
2008	21.0E	24.0E	27.0E
Prev.	23.0E	27.0E	30.0E

All values in USD unless otherwise noted.

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## Details

### Valuation

CAMT is currently trading around 8X our new CY08 EPS estimate of \$0.38. Our Price target remains at \$5 and is based on 12X our CY 2008 EPS estimate.

Considering Company's exposure to semiconductor equipment industry, which trades around 15X, and PCB industry, which trades at much lower multiples, we believe that 12X is the appropriate multiple.

### Price Target Impediment

Several factors could prevent our stocks from reaching our price target:

- Economic slowdown triggered by factors including natural disaster, political instability, terrorism, high inflation and high energy prices.
- Cyclical downturn in the semiconductor and PCB industry,
- Significant market share loss, delay in new product introduction, emergence of alternative technology, aggressive pricing by competition
- Inability to control expenses in timely manner.
- Management turnover, inability to recruit or retain key employees, lawsuits and patent litigation.

### Company Description

Camtek is a leading supplier of PCB inspection equipment and a growing supplier of semiconductor back-end inspection equipment. Additionally, we believe that the company now has a competitive product in the HDI inspection market and will regain momentum in that market. The company has grown quickly in H1 2006, fueled primarily by its semiconductor related sales, and we are modeling 74% revenue growth in 2006.

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Camtek Ltd.

FYE Dec	FY2006					FY2007					FY2008				
	Mar-06 Q1A	Jun-06 Q2A	Sep-06 Q3A	Dec-06 Q4A	FY06A	Mar-07 Q1A	Jun-07 Q2A	Sep-07 Q3E	Dec-07 Q4E	FY07E	Mar-08 Q1E	Jun-08 Q2E	Sep-08 Q3E	Dec-08 Q4E	FY08E
<b>TOTAL REVENUE</b>	\$24.9	\$27.9	\$26.3	\$21.0	\$100.0	\$14.5	\$15.3	\$18.5	\$20.5	\$68.8	\$21.0	\$24.0	\$27.0	\$27.0	\$99.0
% Change Y/Y	172%	66%	48%	8%	59%	-42%	-45%	-30%	-2%	-31%	45%	57%	46%	32%	44%
% Change Q/Q	28%	12%	-6%	-20%		-31%	6%	21%	11%		2%	14%	13%	0%	
<b>Cost of Goods Sold</b>	\$11.8	\$12.7	\$12.3	\$11.7	\$48.4	\$8.5	\$9.1	\$10.5	\$11.5	\$39.5	\$11.3	\$12.0	\$12.4	\$12.4	\$48.2
% Change Y/Y	120%	50%	34%	19%	0.48	-28%	-28%	-14%	-2%	(0.18)	34%	32%	18%	8%	0.22
% Change Q/Q	21%	7%	-3%	-5%		-27%	7%	16%	9%		-1%	6%	3%	0%	
<b>GROSS PROFIT</b>	\$13.1	\$15.2	\$14.0	\$9.3	\$51.6	\$6.0	\$6.2	\$8.0	\$9.0	\$29.2	\$9.7	\$12.0	\$14.6	\$14.6	\$50.8
<b>GROSS MARGINS</b>	52.5%	54.6%	53.2%	44.4%	51.6%	41.5%	40.8%	43.0%	44.0%	42.5%	46.0%	50.0%	54.0%	54.0%	51.3%
<b>R &amp; D</b>	\$2.4	\$2.5	\$3.3	\$3.7	\$11.8	\$3.7	\$3.0	\$2.9	\$3.0	\$12.6	\$3.0	\$3.4	\$3.5	\$3.5	\$13.4
% of Revenue	9.8%	8.8%	12.5%	17.4%	11.8%	25.9%	19.9%	15.5%	14.5%	18.4%	14.5%	14.0%	13.0%	13.0%	13.6%
<b>S G &amp; A</b>	\$6.2	\$7.3	\$6.2	\$8.1	\$27.9	\$6.6	\$6.4	\$6.1	\$6.0	\$25.2	\$6.1	\$6.2	\$6.5	\$6.5	\$25.3
% of Revenue	25.0%	26.2%	23.6%	38.7%	27.8%	45.9%	41.5%	33.0%	29.5%	36.6%	29.0%	26.0%	24.0%	24.0%	25.5%
<b>OPERATING EXPENSES</b>	\$8.6	\$9.8	\$9.5	\$11.8	\$39.7	\$10.4	\$9.4	\$9.0	\$9.0	\$37.8	\$9.1	\$9.6	\$10.0	\$10.0	\$38.7
% of Revenue	35%	35%	36%	56%	40%	72%	61%	49%	44%	55%	44%	40%	37%	37%	39%
<b>OPERATING INCOME (LOSS)</b>	\$4.4	\$5.4	\$4.5	-\$2.4	\$11.9	-\$4.4	-\$3.2	-\$1.0	\$0.0	-\$8.6	\$0.5	\$2.4	\$4.6	\$4.6	\$12.1
<b>OPERATING MARGINS</b>	17.8%	19.5%	17.2%	-11.7%	11.9%	-30.3%	-20.6%	-5.5%	0.0%	-12.4%	2.5%	10.0%	17.0%	17.0%	12.2%
Interest and Other (Expense)	\$0	(\$0)	(\$0)	(\$0)	-\$0.3	\$0	(\$0)	(\$0)	(\$0)	-\$0.4	(\$0)	(\$0)	(\$0)	(\$0)	-\$0.4
<b>PRETAX INCOME</b>	\$4.5	\$5.4	\$4.3	-\$2.6	\$11.6	-\$4.3	-\$3.5	-\$1.1	-\$0.1	-\$8.9	\$0.4	\$2.3	\$4.5	\$4.5	\$11.7
% of Revenue	18%	19%	16%	-12%	12%	-29%	-23%	-6%	0%	-13%	2%	10%	17%	17%	12%
Income Taxes (Credit)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Rate	2%	3%	2%	2%	0%	-2%	-1%	2%	2%	-1%	2%	2%	2%	2%	2%
<b>GAAP INCOME</b>	\$4.4	\$5.2	\$4.2	(\$2.2)	\$11.6	(\$4.3)	(\$3.5)	(\$1.1)	(\$0.1)	(\$9.0)	\$0.4	\$2.3	\$4.4	\$4.4	\$11.5
<b>PRO FORMA NET INCOME</b>	\$4.4	\$5.2	\$4.2	(\$2.2)	\$11.6	(\$4.3)	(\$3.5)	(\$1.1)	(\$0.1)	(\$9.0)	\$0.4	\$2.3	\$4.4	\$4.4	\$11.5
<b>NET INCOME MARGINS</b>	17.8%	18.6%	16.0%	-10.6%	11.6%	-29.8%	-22.8%	-5.9%	-0.5%	-13.1%	2.0%	9.4%	16.3%	16.3%	11.6%
<b>GAAP EPS</b>	\$0.16	\$0.17	\$0.13	-\$0.07	\$0.39	-\$0.14	-\$0.11	-\$0.04	\$0.00	-\$0.29	\$0.01	\$0.07	\$0.14	\$0.14	\$0.38
<b>PRO FORMA EPS</b>	\$0.16	\$0.17	\$0.13	-\$0.07	\$0.39	-\$0.14	-\$0.11	-\$0.04	\$0.00	-\$0.29	\$0.01	\$0.07	\$0.14	\$0.14	\$0.38
% Change Q/Q	113.6%	6.8%	-21.0%	-154.9%		93.6%	-22.1%	-67.5%	-91.1%		-524.0%	440.3%	94.9%	-0.2%	
Shares Outstanding (in mil)	27	29	30	30	29	30	30	30	30	30	30	30	30	30	30
Fully diluted shares (in mil)	28	31	31	30	30	30	30	30	30	30	30	30	31	31	30

CALENDAR

Calendar Revenues  
Calendar Gross Margin  
Calendar EPS

CY06

\$100	58.7%
51.6%	
\$0.39	

CY07

\$69	-31.3%
42.5%	
(\$0.29)	

CY08

\$99	43.9%
51.3%	
\$0.38	

Source: Company Reports, RBCCM estimates

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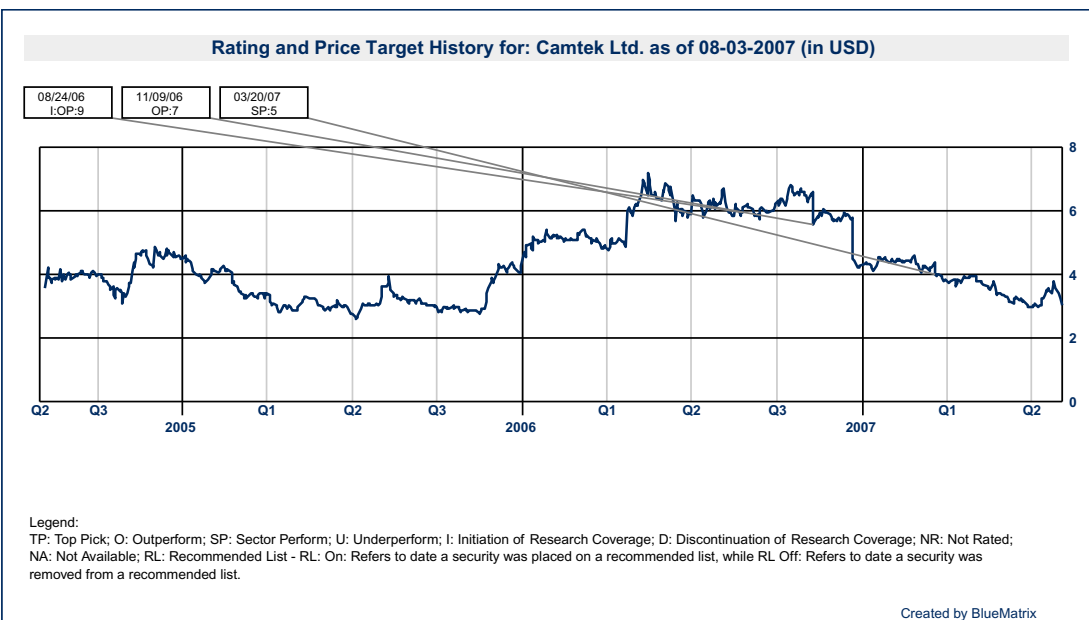
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			Count	Percent
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