

Camtek

Key AI packaging beneficiary, reiterate Buy

Reiterate Rating: BUY | PO: 90.00 USD | Price: 80.31 USD

Continued order trends and visibility; raise PO to \$90

Reiterate Buy and raise PO to \$90 (on 30x CY25E P/E) from \$75 (26x) on modestly better results/guide and continued order visibility through CY24E. CAMT remains a key beneficiary of the rising demand for AI-related heterogeneous integration (HI) chiplets and HBM tools, and we expect continued WFE outgrowth in CY24E at +24% YoY (+14% organically) vs. just +5% for the broader industry. Despite modestly higher OSAT mix in orders QTD (MarQ), CAMT reiterated its HBM/HI tool mix goal of >30% this year, with additional “substantial orders” anticipated to land in 2H. Particularly, there are no signs of slowing demand amid continued customer deployment of advanced packaging for HBM (memory for AI GPUs) and chiplets (AI CPUs, GPUs), and the ramp of AI at the edge (PCs, smartphones, etc.) should further increase opportunities for CAMT in the coming years. While the addition of FormFactor’s FRT business is modestly OpM dilutive in the near-term, we eventually expect a 30%+ OpM run-rate on continued sales growth, margin improvements (opex synergies, new platform launches) by CY25E, above mgmt’s long-term target of ~26.5%. Overall, we tweak CY24/25E sales by +1%/+2% and pf-EPS by +6%/+5%. Our new 30x CY25E P/E is above peers (20x-26x) but within CAMT’s l-t (8x-40x) range and is justified by CAMT’s high growth and exposure to key AI segments.

Likes: AI packaging tools, CY24 visibility, OSAT strengths

(1) CAMT is a key beneficiary of rising demand for HI (chiplets) and HBM tools, with strong backlog at all leading DRAM and chiplet (TSMC/Intel) vendors. (2) CAMT has received 300 system tool orders since in 2H’23 (up from 240 announced in November), most of which should ship throughout CY24E and giving great visibility amid signs of potential trailing-edge weaknesses (per GFS, AMAT). (3) OSAT (non-HBM, non-chiplet) advanced packaging customers will comprise of ~35% of sales in CY24E, with strong early-year order trends particularly driven by Chinese customers.

Risks: Premium multiple, HBM/chiplet mix, restrictions

(1) CAMT has continued to outperform the SOX (+20% YTD vs. SOX +6%), and multiple has increased to 32x NTM P/E (ex-cash) today vs. just 11x twelve months ago, though still within Camtek’s l-t 8-40x range. (2) While mgmt reiterated HBM/chiplet tool mix of 30%+ in CY24E, we highlight a potential mix shift toward more OSAT-based customers could dent the current high valuation built on AI excitement. (3) High China exposure (~45% of sales) could be impacted by a potential broadening of trade restrictions.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.88	1.96	2.40	2.79	3.15
GAAP EPS	1.66	1.61	1.93	2.30	2.63
EPS Change (YoY)	19.0%	4.3%	22.4%	16.3%	12.9%
Consensus EPS (Bloomberg)			2.32	2.79	NA
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	46.7x	44.8x	36.6x	31.5x	27.9x
GAAP P/E	52.9x	54.5x	45.5x	38.2x	33.4x
EV / EBITDA*	40.5x	44.6x	33.8x	27.8x	23.8x
Free Cash Flow Yield*	1.3%	1.8%	2.8%	3.4%	4.0%

* For full definitions of *IQmethod*SM measures, see page 10.

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20 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	75.00	90.00
2024E Rev (m)	385.2	390.4
2025E Rev (m)	432.4	443.0
2026E Rev (m)	NA	492.0
2024E EPS	2.26	2.40
2025E EPS	2.66	2.79
2026E EPS	NA	3.15

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Stock Data

Price	80.31 USD
Price Objective	90.00 USD
Date Established	20-Feb-2024
Investment Opinion	C-1-9
52-Week Range	24.81 USD - 89.65 USD
Mrkt Val (mn) / Shares Out (mn)	3,604 USD / 44.9
Free Float	60.9%
Average Daily Value (mn)	33.35 USD
BofA Ticker / Exchange	CAMT / NAS
Bloomberg / Reuters	CAMT US / CAMT.OQ
ROE (2024E)	22.3%
Net Dbt to Eqty (Dec-2023A)	-25.2%

ESGMeterTM **Low**

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

See page 5 for abbreviations

iQprofileSM Camtek

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	16.4%	14.8%	15.8%	16.0%	15.7%
Return on Equity	26.7%	22.3%	22.3%	21.4%	20.0%
Operating Margin	28.7%	26.4%	28.3%	30.4%	32.0%
Free Cash Flow	50	71	109	133	159

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.6x	0.8x	1.0x	1.0x	1.1x
Asset Replacement Ratio	1.6x	1.7x	1.7x	1.7x	1.7x
Tax Rate	9.3%	10.3%	8.7%	8.9%	9.1%
Net Debt-to-Equity Ratio	-38.6%	-25.2%	-38.7%	-49.7%	-58.7%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	321	315	390	443	492
% Change	19.0%	-1.7%	23.8%	13.5%	11.0%
Gross Profit	161	153	196	227	256
% Change	16.7%	-5.2%	28.6%	15.6%	12.6%
EBITDA	97	88	116	141	165
% Change	21.8%	-9.0%	32.0%	21.4%	16.6%
Net Interest & Other Income	7	22	21	21	21
Net Income (Adjusted)	90	96	119	141	161
% Change	26.7%	5.8%	24.4%	18.3%	14.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	80	79	96	116	135
Depreciation & Amortization	5	5	6	7	7
Change in Working Capital	(31)	(17)	4	7	13
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	4	12	13	14	16
Capital Expenditure	(8)	(8)	(10)	(11)	(12)
Free Cash Flow	50	71	109	133	159
% Change	-12.4%	43.6%	52.1%	22.0%	19.7%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	148	120	229	361	520
Trade Receivables	81	87	91	93	92
Other Current Assets	328	340	338	336	331
Property, Plant & Equipment	33	42	52	63	75
Other Non-Current Assets	87	199	199	199	199
Total Assets	677	788	908	1,052	1,217
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	89	97	102	110	117
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	204	215	215	215	215
Total Liabilities	293	312	317	325	332
Total Equity	384	476	590	727	886
Total Equity & Liabilities	677	788	908	1,052	1,217

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Semiconductor Capital Equipment

Company Description

Camtek is an Israeli-based SMid-cap semicap equipment vendor focused on developing high-end inspection and metrology equipment for the semiconductor industry. Camtek's system inspect and measure wafers throughout the production process to improve yield and ensure only good wafers are shipped to end users. Their tools address front-end macro inspection and outgoing Quality Control (OQC), inspection and metrology of bumps in the mid-end, and inspection of post-diced wafers in the back-end.

Investment Rationale

We rate Camtek Buy. We like Camtek's strong product portfolio, share gains, and exposure to key growth markets across advanced packaging for high performance logic and memory, compound semis for electric vehicles, and CMOS image sensors for 5G smartphones.

Stock Data

Average Daily Volume 415,247

Quarterly Earnings Estimates

	2023	2024
Q1	0.42A	0.57E
Q2	0.45A	0.58E
Q3	0.51A	0.62E
Q4	0.57A	0.62E

Summary of model changes

Exhibit 1: Summary of estimate changes

We adjust our CY24/25E sales by +\$5mn/+\$11mn and EPS by +\$0.13/+\$0.13

	Sales (\$mn)			Non-GAAP EPS		
	Old	NEW	delta	Old	NEW	delta
Mar-23	\$72	\$72	\$0	\$0.42	\$0.42	\$0.00
Jun-23	\$74	\$74	\$0	\$0.45	\$0.45	\$0.00
Sep-23	\$80	\$80	\$0	\$0.51	\$0.51	\$0.00
Dec-23	\$88	\$89	\$1	\$0.51	\$0.57	\$0.06
FY23E	\$315	\$315	\$1	\$1.90	\$1.96	\$0.06
YoY%	-1.9%	-1.7%	0.2%	1.2%	4.6%	3.4%
Mar-24E	\$92	\$94	\$2	\$0.52	\$0.57	\$0.04
Jun-24E	\$95	\$96	\$1	\$0.56	\$0.58	\$0.03
Sep-24E	\$98	\$99	\$1	\$0.59	\$0.62	\$0.03
Dec-24E	\$100	\$101	\$1	\$0.59	\$0.62	\$0.03
FY24E	\$385	\$390	\$5	\$2.26	\$2.40	\$0.13
YoY%	22.4%	23.8%	1.3%	19.3%	22.2%	5.9%
Mar-25E	\$104	\$106	\$2	\$0.64	\$0.67	\$0.04
Jun-25E	\$107	\$109	\$3	\$0.65	\$0.69	\$0.04
Sep-25E	\$109	\$112	\$3	\$0.68	\$0.71	\$0.03
Dec-25E	\$112	\$115	\$3	\$0.69	\$0.71	\$0.02
FY25E	\$432	\$443	\$11	\$2.66	\$2.79	\$0.13
YoY%	12.2%	13.5%	2.5%	17.6%	16.5%	4.9%

Source: BofA Global Research estimates, company reports

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DecQ reported vs. expectations

Exhibit 2: Summary of DecQ earnings results vs. our/Consensus expectations

DecQ sales were 1% above initial guidance. EPS came in 4c ahead of the Street

	Dec-22	Sep-23	Dec-23						
			Original Guidance	Consensus	BofA	Reported	Delta	QoQ	YoY
Sales (\$mn)	\$82.2	\$80.5	\$88.0	\$88.0	\$88.1	\$88.7	0.7%	10.2%	7.9%
QoQ%	0.2%	9.1%			9.5%	10.2%			
YoY%	10.8%	-1.9%			7.2%	7.9%			
Gross Margin % (GAAP)	48.6%	48.5%			48.6%	44.9%	-376	-361	-375
Gross Margin % (Non-GAAP)	49.0%	49.0%		49.2%	49.1%	49.2%	19	29	28
Gross Profit (GAAP)	39.9	39.0			42.8	39.8	-7.1%	2.0%	-0.4%
Gross Profit (Non-GAAP)	40.2	39.4			43.2	43.7	1.0%	10.9%	8.5%
R&D	6.7	7.8			9.3	8.0	-13.6%	3.7%	20.3%
SG&A	12.8	12.2			13.4	14.5	8.4%	19.2%	13.5%
Opex Total (GAAP)	19.5	19.9			22.7	22.6	-0.6%	13.2%	15.8%
Opex Total (Non-GAAP)	17.4	17.2			19.7	18.2	-7.6%	5.7%	4.4%
Operating Income (GAAP)	20.5	19.1			20.1	17.2	-14.4%	-9.7%	-15.8%
Operating Income (Non-GAAP)	22.8	22.2		24.4	23.6	25.5	8.2%	14.8%	11.7%
Operating Margin % (GAAP)	24.9%	23.7%			22.8%	19.4%	-343	-428	-548
Operating Margin % (Non-GAAP)	27.8%	27.6%		27.7%	26.7%	28.7%	200	115	96
Pretax Income (GAAP)	24.3	24.7			24.4	22.9	6.4%	10.8%	14.6%
Pretax Income (Non-GAAP)	26.6	27.9			27.9	31.2	-4.0%	-5.7%	-4.1%
Tax Rate (Non-GAAP)	9.7%	9.6%			10.0%	9.5%	12.4%	12.0%	17.3%
Tax expense (Non-GAAP)	-2.6	-2.7			-2.8	-3.0	-4.0%	-6.1%	-5.7%
Net Income (GAAP)	21.7	22.1			21.7	20.8	12.4%	11.5%	15.3%
Net Income (Non-GAAP)	24.0	25.2			25.1	28.2	0.0%	0.4%	1.7%
Diluted EPS (GAAP)	\$0.45	\$0.45			\$0.44	\$0.42	-4.0%	-6.1%	-5.7%
Diluted EPS (Non-GAAP)	\$0.50	\$0.51		\$0.53	\$0.51	\$0.57	12.4%	11.5%	15.3%
Diluted Shares	48.3	49.0			49.2	49.1	0.0%	0.4%	1.7%

Source: BofA Global Research estimates, company reports, Bloomberg

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MarQ guidance vs. expectations

Exhibit 3: DecQ guidance vs. our/Consensus expectations

MarQ sales guided \$2.0mn above consensus

	Dec-23	Mar-24E			
	Actual	Old BofA	Consensus	Guidance	New BofA
Sales (\$mn)	\$88.7	\$91.6	\$92.0	\$94.0	\$94.0
QoQ%		4.0%			6.0%
YoY%		26.5%			29.7%
Gross Margin % (GAAP)	44.9%	48.9%			45.4%
Gross Margin % (Non-GAAP)	49.2%	49.4%	49.4%		49.5%
Gross Profit (GAAP)	39.8	44.8			42.7
Gross Profit (Non-GAAP)	43.7	45.2			46.6
R&D	8.0	10.0			8.5
SG&A	14.5	13.9			15.1
Opex Total (GAAP)	22.6	23.9			23.6
Opex Total (Non-GAAP)	18.2	20.8			21.0
Operating Income (GAAP)	17.2	20.9			19.1
Operating Income (Non-GAAP)	25.5	24.5	25		25.6
Operating Margin % (GAAP)	19.4%	22.8%			20.3%
Operating Margin % (Non-GAAP)	28.7%	26.7%	27.3%		27.3%
Pretax Income (GAAP)	22.9	25.2			24.4
Pretax Income (Non-GAAP)	31.2	28.8			30.9
Tax Rate (Non-GAAP)	9.5%	10.0%			9.5%
Tax expense (Non-GAAP)	-3.0	-2.9			-2.9
Net Income (GAAP)	20.8	22.3			22.3
Net Income (Non-GAAP)	28.2	25.9			28.0
Diluted EPS (GAAP)	\$0.42	\$0.45			\$0.45
Diluted EPS (Non-GAAP)	\$0.57	\$0.52	\$0.54		\$0.57
Diluted Shares	49.1	49.4			49.3

Source: BofA Global Research estimates, company reports, Bloomberg

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Balance sheet & cash flow snapshot

Exhibit 4: Summary of balance sheet and cash flow statement

Net cash decreased QoQ; inventory \$s increased and days increased QoQ

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	QoQ	YoY
Total cash	\$479	\$493	\$506	\$517	\$449	-13.2%	-6.3%
ST debt	\$0	-	-	-	\$0		
LT debt	\$196	196	196	197	\$197		
Total debt	\$196	196	196	197	\$197		
Net cash	\$283	297	310	321	252	-21.4%	-11.0%
Net cash / share	\$5.86	\$6.13	\$6.37	\$6.55	\$5.12	-21.7%	-12.5%
Days sales outstanding (DSO)	89.3	83.3	97.5	103.3	89.6		
Days payables outstanding (DPO)	68.2	66.2	73.3	74.0	78.5		
Inventory \$	\$66	\$65	\$61	\$65	\$86	32.7%	31.1%
Inventory turns	2.6	2.4	2.5	2.6	2.3		
Inventory days	141.6	152.6	144.0	142.4	160.3	17.9	18.7
Cash conversion days	162.7	169.7	168.2	171.8	171.4		
Cash flow from ops	\$20	\$17	\$16	\$12	\$34	175.8%	74.5%

Source: BofA Global Research estimates, company reports, Bloomberg

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Glossary

CAMT: Camtek;

WFE: Wafer Fab Equipment;

IDM: Integrated Device Manufacturer;

DRAM: Dynamic Random Access Memory;

HBM: High Bandwidth Memory;

DDR: Double-Data Rate;

SiC: Silicon Carbide;

HI: Heterogeneous Integration;

ASP: Average Selling Price;

FRT: FRT GmbH;

GFS: GlobalFoundries;

AMAT: Applied Materials

MU: Micron

TSMC: Taiwan Semiconductor

GPU: graphic processing unit

CPU: central processing unit

Exhibit 5: CAMT Income Statement (\$mn)

CAMT reported \$89mn in sales and 57c in EPS in DecQ

	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	FY23E	FY24E	FY25E	FY26E
FY (December)	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E	Jun-25E	Sep-25E	Dec-25E	Dec-23	Dec-24	Dec-25	Dec-26
Revenues	\$72	\$74	\$80	\$89	\$94	\$96	\$99	\$101	\$106	\$109	\$112	\$115	\$315	\$390	\$443	\$492
QoQ	-12%	2%	9%	10%	6%	2%	4%	2%	5%	3%	3%	3%				
YoY	-6%	-7%	-2%	8%	30%	30%	23%	14%	13%	14%	13%	14%	-2%	24%	13%	11%
Cost of Sales	39	39	41	49	51	52	53	54	56	57	58	60	168	210	232	252
Gross Profit (GAAP)	34	35	39	40	43	44	46	48	50	52	54	56	148	181	212	240
Gross Profit (Non-GAAP)	34	35	39	44	47	48	50	52	54	56	58	59	153	196	227	256
R&D Expense	8	8	8	8	8	9	8	9	9	10	10	10	31	34	39	43
SG&A Expense	12	12	12	15	15	15	16	16	16	16	17	18	51	63	67	70
Total Opex (GAAP)	20	20	20	23	24	24	24	25	25	26	27	28	82	97	105	113
Total Opex (Non-GAAP)	17	17	17	18	21	21	21	22	22	23	23	25	69	86	93	98
Operating Income (GAAP)	14	15	19	17	19	20	22	22	25	26	27	27	65	84	106	127
Operating Income (Non-GAAP)	17	18	22	25	26	27	29	29	32	33	34	35	83	110	135	157
Financing/Other Income (GAAP)	5	6	6	6	5	5	5	5	5	5	5	5	22	21	21	21
Financing/Other Income (Non-GAAP)	5	6	6	6	5	5	5	5	5	5	5	5	22	21	21	21
Pretax Income (GAAP)	19	21	25	23	24	25	28	28	30	32	33	33	88	105	127	148
Pretax Income (Non-GAAP)	22	24	28	31	31	32	34	34	37	39	40	40	106	132	156	178
Net Income (GAAP)	17	19	22	21	22	23	25	25	28	29	30	30	79	96	116	135
Net Income (Non-GAAP)	20	22	25	28	28	29	31	31	34	35	36	36	96	119	141	161
Diluted EPS (GAAP)	\$0.36	\$0.38	\$0.45	\$0.42	\$0.45	\$0.47	\$0.51	\$0.51	\$0.55	\$0.57	\$0.59	\$0.59	\$1.61	\$1.93	\$2.30	\$2.63
Diluted EPS (Non-GAAP)	\$0.42	\$0.45	\$0.51	\$0.57	\$0.57	\$0.58	\$0.62	\$0.62	\$0.67	\$0.69	\$0.71	\$0.71	\$1.96	\$2.40	\$2.79	\$3.15
YoY	-3%	-2%	7%	15%	34%	30%	21%	9%	19%	19%	14%	14%	5%	22%	16%	13%
Diluted Shares (Non-GAAP)	48	49	49	49	49	50	50	50	50	50	51	51	49	50	50	51
Margin Analysis (Non-GAAP)																
Gross Margin	47.3%	48.0%	49.0%	49.2%	49.5%	50.0%	50.6%	50.9%	50.8%	51.0%	51.4%	51.6%	48.4%	50.3%	51.3%	52.0%
R&D (GAAP)	10.4%	11.0%	9.6%	9.1%	9.0%	9.1%	8.4%	8.7%	8.6%	8.7%	8.7%	8.9%	10.0%	8.8%	8.7%	8.7%
SG&A (GAAP)	16.7%	16.2%	15.1%	16.4%	16.1%	16.0%	15.9%	16.2%	14.9%	14.8%	15.0%	15.5%	16.1%	16.1%	15.0%	14.2%
Opex	23.3%	23.2%	21.4%	20.5%	22.3%	22.3%	21.5%	22.1%	20.7%	20.6%	20.8%	21.5%	22.0%	22.0%	20.9%	20.0%
Operating Margin	24.0%	24.8%	27.6%	28.7%	27.3%	27.8%	29.2%	28.9%	30.2%	30.4%	30.7%	30.2%	26.4%	28.3%	30.4%	32.0%
Tax rate	9.2%	8.9%	9.6%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.3%	9.5%	9.5%	9.5%
Net Income	28.2%	29.6%	31.3%	31.8%	29.7%	30.1%	31.2%	30.8%	31.8%	31.9%	32.0%	31.5%	30.3%	30.5%	31.8%	32.8%

Source: BofA Global Research estimates, company reports

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Exhibit 6: CAMT – Balance Sheet (\$mn)

CAMT has a strong balance sheet with \$5.12 in cash per share

FY (December)	Q1 Mar-23	Q2 Jun-23	Q3 Sep-23	Q4 Dec-23	Q1E Mar-24E	Q2E Jun-24E	Q3E Sep-24E	Q4E Dec-24E	Q1E Mar-25E	Q2E Jun-25E	Q3E Sep-25E	Q4E Dec-25E	FY23E Dec-23	FY24E Dec-24	FY25E Dec-25	FY26E Dec-26
Assets																
Cash and cash equivalents	189	233	168	120	145	172	203	229	262	293	332	361	120	229	361	520
Short-term deposits	227	199	222	234	234	234	234	234	234	234	234	234	234	234	234	234
Trade accounts receivable, net	66	79	91	87	89	88	89	91	92	91	91	93	87	91	93	92
Inventories	65	61	65	86	87	87	83	84	84	86	81	82	86	84	82	77
Other current assets	15	15	17	20	20	20	20	20	20	20	20	20	20	20	20	20
Total current assets	562	587	562	547	575	601	629	657	691	724	757	790	547	657	790	943
Long-term deposits	77	75	127	95	95	95	95	95	95	95	95	95	95	95	95	95
Long-term inventory	7	7	8	9	9	9	9	9	9	9	9	9	9	9	9	9
Deferred tax assets	1	1	1	3	3	3	3	3	3	3	3	3	3	3	3	3
Other assets, net	2	3	2	1	1	1	1	1	1	1	1	1	1	1	1	1
Property and equipment, net	35	37	37	42	44	47	49	52	54	57	60	63	42	52	63	75
Intangible assets, net	1	1	1	91	91	91	91	91	91	91	91	91	91	91	91	91
Total Assets	683	710	738	788	818	846	877	908	945	980	1,016	1,052	788	908	1,052	1,217
Liabilities & Equity																
Trade accounts payable	28	31	34	42	46	46	47	48	52	53	54	55	42	48	55	62
Other current liabilities	46	46	46	54	54	54	54	54	54	54	54	54	54	54	54	54
Total current liabilities	74	77	80	97	100	101	102	102	107	108	109	110	97	102	110	117
Deferred tax liabilities, net	0	0	0	8	8	8	8	8	8	8	8	8	8	8	8	8
Other long-term liabilities	204	206	207	207	207	207	207	207	207	207	207	207	207	207	207	207
Total Liabilities	279	283	287	312	315	316	317	317	321	323	324	325	312	317	325	332
Total shareholders' equity	405	426	452	476	503	531	560	590	623	657	692	727	476	590	727	886
Total Liab. & Stock Equity	683	710	738	788	818	846	877	908	945	980	1,016	1,052	788	908	1,052	1,217
Cash and Liquidity Ratios																
Total Cash	493	506	517	449	474	501	532	557	590	622	660	690	449	557	690	849
Short-term debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Long-term debt	196	196	197	197	197	197	197	197	197	197	197	197	197	197	197	197
Total debt	196	196	197	197	197	197	197	197	197	197	197	197	197	197	197	197
Net Cash	297	310	321	252	277	304	335	361	393	425	464	493	252	361	493	652
Net Cash/dil. share	\$6.13	\$6.37	\$6.55	\$5.12	\$5.61	\$6.13	\$6.74	\$7.22	\$7.84	\$8.45	\$9.17	\$9.72	\$5.16	\$7.26	\$9.78	\$12.72
Cash conversion ratios																
Days Sales Outstanding (DSO)	83.3	97.5	103.3	89.6	86.6	83.6	81.6	81.6	78.6	75.6	73.6	73.6				
Payable Days (DPO)	66.2	73.3	74.0	78.5	81.5	81.5	81.5	81.5	84.5	84.5	84.5	84.5				
Inventory Days (DIO)	152.6	144.0	142.4	160.3	154.3	153.3	143.3	143.3	137.3	136.3	126.3	126.3				
Cash Conversion Days	169.7	168.2	171.8	171.4	159.4	155.4	143.4	143.4	131.4	127.4	115.4	115.4				

Source: BofA Global Research estimates, company reports

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Exhibit 7: CAMT – Cash Flow Statement (\$mn)

CAMT should maintain FCF margins above 15%

FY (December)	Q1 Mar-23	Q2 Jun-23	Q3 Sep-23	Q4 Dec-23	Q1E Mar-24E	Q2E Jun-24E	Q3E Sep-24E	Q4E Dec-24E	Q1E Mar-25E	Q2E Jun-25E	Q3E Sep-25E	Q4E Dec-25E	FY23E Dec-23	FY24E Dec-24	FY25E Dec-25	FY26E Dec-26
Operating Activities																
Net income	17	19	22	21	22	23	25	25	28	29	30	30	79	96	116	135
Depreciation and Amortization	1	1	1	1	1	1	1	2	2	2	2	2	5	6	7	7
Stock-based compensation	3	3	3	3	3	3	3	3	3	4	4	4	13	13	14	16
Changes in operating assets and liabilities																
Trade accounts receivable	14	(13)	(12)	4	(2)	1	(1)	(2)	(1)	1	0	(2)	(7)	(3)	(2)	1
Inventories	1	3	(4)	(21)	(1)	(0)	4	(1)	(0)	(1)	5	(2)	(20)	2	2	5
Trade accounts payable	(4)	3	2	8	4	0	1	1	4	1	1	1	11	6	7	7
Cash From Operations	17	16	12	34	28	29	34	28	36	35	41	32	79	118	144	171
Investing Activities																
Investment in short-term deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of fixed assets	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(8)	(10)	(11)	(12)
Cash From Investing	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(8)	(10)	(11)	(12)
Financing Activities																
Share issuance, net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from exercise of share options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividend payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash From Financing	26	30	(76)	(80)	0	0	0	0	0	0	0	0	(100)	0	0	0
Net Change in Cash/Eqv.	41	44	(65)	(48)	25	27	31	25	33	32	38	30	(28)	109	133	159
Cash/Eqv. at beginning of period	148	189	233	168	120	145	172	203	229	262	293	332	148	120	229	361
Cash/Eqv. at end of period	189	233	168	120	145	172	203	229	262	293	332	361	120	229	361	520
Free Cash Flow	15	14	10	32	25	27	31	25	33	32	38	30	71	109	133	159
TTM FCF	69	71	58	71	82	95	116	109	116	122	128	133				
TTM FCF Margin	21.7%	22.8%	18.7%	22.7%	24.2%	26.4%	30.6%	27.9%	28.9%	29.2%	29.9%	29.9%	22.7%	27.9%	29.9%	32.3%

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH



Price objective basis & risk

Camtek (CAMT)

We assign a \$90 PO which is based on 30x our non-GAAP CY25E EPS adjusted for net cash. This is well within Camtek's long-term 8x-40x range and a bit above other semicap peers which we think is fair given similar growth prospects.

Upside risks: (1) accelerated share gains vs. key competitor, Onto Innovations. (2) stronger than expected electronics demand that would tighten up semiconductor capacity further, driving increased semiconductor equipment sales. (3) potential as a target of industry consolidation.

Downside risks: (1) Slower than expected capital spending cycle. (2) heightened competition with larger players like KLA Corp. (3) historically cyclical nature of semiconductor capital spending, particularly on packaging equipment. (4) further restrictions on companies in China/Asia given high relative exposure, 5) Geopolitics conflicts.

Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology Group Ltd.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
NEUTRAL				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Allegro MicroSystems	ALGM	ALGM US	Blake Friedman
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	Coherent Corp	COHR	COHR US	Vivek Arya
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Blake Friedman
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
UNDERPERFORM				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya



US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales
Basic EBIT + Depreciation + Amortization

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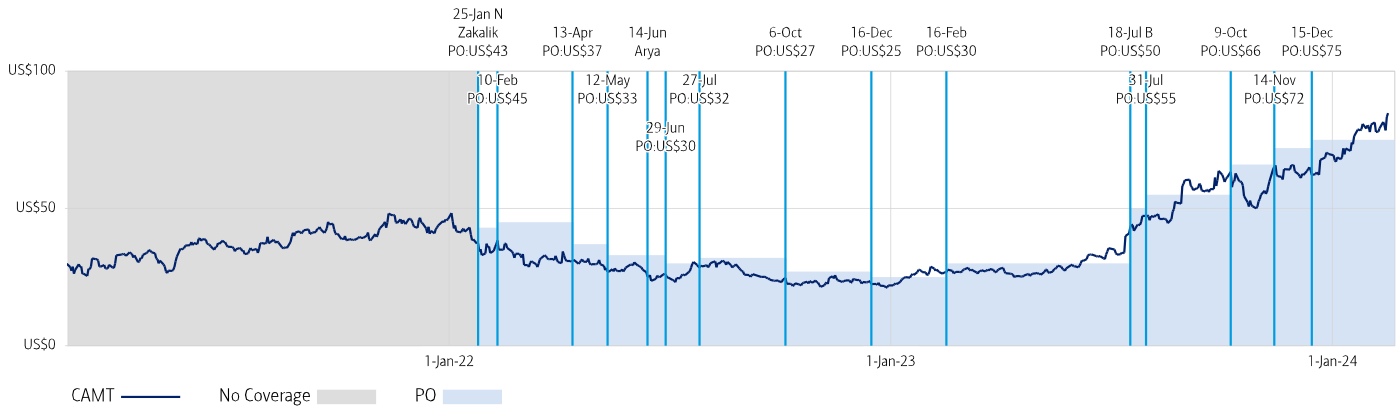
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Disclosures

Important Disclosures

Camtek (CAMT) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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