GTAT Q3CY12 Earnings Call
Prepared Remarks
November 7, 2012

Safe Harbor (Ryan Blair Flaim, Investor Relations)
As we begin, I would like to remind everyone that certain statements made during this call may be forward-looking for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. We may discuss our expectations regarding future events. In particular, these may be forward-looking statements regarding estimated future financial results for calendar 2012 and beyond, factors likely to affect financial results and other forward looking statements regarding market conditions and factors which may affect the performance of each of our business segments. In this connection, we direct your attention to the slide entitled Forward Looking Statements and the final slide in the presentation accompanying this call.

Important factors that could cause actual results to be different than our expectations are discussed in GT Advanced Technologies' filings with the Securities and Exchange Commission, including the statements under the heading "Risk Factors" in the Company's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2012. Statements made during this call should be evaluated in light of these important factors. GT Advanced Technologies is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

A webcasted replay of today's presentation will be available for 90 days beginning today at approximately 10 am eastern and can be accessed on the IR section of our website. An audio replay will also be available. Please refer to the company's website for details.

In addition, following today's call we will be posting a copy of our prepared remarks to our website.

And finally, during the Q&A session we ask that you limit your questions to an initial question and one follow up.

With that, I will now turn the call over to Tom Gutierrez, president and CEO of GT Advanced Technologies.

CY12 Q2 Commentary (Tom Gutierrez, President & CEO)

Good morning. With me today is Rick Gaynor, our chief financial officer.

I'll start with an overview of the current state of our business and the markets we serve, along with a summary of recent actions we have taken as we navigate through the current environment and continue to prepare for the significant longer-term growth opportunities that we have identified.

Rick will then review financial details for the third quarter.

As noted in in our press release last night, we will hold an additional conference call in mid-December to discuss our quarterly outlook and view of 2013.

The severe downturn in the solar industry, which first became evident early this year, is having a significant impact across the entire value chain. The financial performance of many Asian solar companies, some of them our customers, has continued to deteriorate as evidenced by the increasing reports of turmoil in the industry.

Tensions over the PV trade disputes that have developed between China, the EU and the U.S continue to escalate and there is growing uncertainty over the outcome of the various trade investigations that are underway.

In addition we have seen accelerated efforts, led by the Coalition for American Solar Manufacturing, to expand the scope of the current tariffs in order to remove the exemptions for Chinese solar modules produced with cells manufactured outside of China.

Given the rhetoric coming out of China and their recently initiated trade investigation into polysilicon imports from the US, Korea, and the EU, there is a growing concern that a broad trade war could develop.

Most agree that the issues in the solar industry are structural: too much capacity, pricing at or approaching cost levels, barriers to consolidation and an industry cost structure that makes it challenging for anyone to make a profit, absent significant technological advancement.

Perhaps the most severe issue facing many of our Asian customers, and one that unexpectedly impacted our third quarter, is the difficulty that many of them are having in accessing credit.

With a backdrop of a slowing Chinese economy, many Asian banks with significant balance sheet exposure to solar, are severely limiting access to new credit. The impact of this liquidity crunch has not been limited to solar; rather, it has begun to have a broader impact on nearly all equipment purchases in our served markets in Asia.

Our PV business remains very soft. The sale of our DSS products, which peaked at $240 million of quarterly revenue in late 2010 were only $2 million in the third quarter.

While we have seen potential opportunities developing in the Middle East, the order pipeline is otherwise limited and no one is adding significant multicrystalline or MonoCast capacity.

Given our view that there is more than enough multicrystalline capacity in place, even if China accelerates internal deployment of solar projects, and the belief that the market will slowly shift away from multicrystalline structures as the next generation of high efficiency solar cell technologies evolves, we are considering all strategic options with respect to the DSS segment of our business.

Looking forward, despite the current solar industry and macro challenges we've described, we continue to expect that the solar sector will rebound in late 2013 or early 2014 driven in large part by the adoption of new technologies that provide critical cost per watt reductions.

We are continuing to invest in technologies that we believe will help solve the industry's cost issues and drive business opportunities and growth for GT. This includes the development of our HiCz product, a technology that we believe is key in addressing some of the industry's critical cost and performance challenges.

Our pilot facility in St. Louis is now complete and material samples are being shipped to select customers who are developing next generation high efficiency cell structures.

We continue to increase the throughput of the system
and HiCz, advanced n-type material, that has been manufactured into cells by our customers and development partners has demonstrated efficiencies that consistently outperform traditional Batch Cz wafers.

While we continue to target an introduction of this revolutionary technology in 2013, we are carefully assessing the market's readiness for it and what impact, if any, the current macro environment will have on the timing of market adoption and initial orders.

While we have an active pipeline of interested HiCz customers, we have seen some of our current and prospective customers outside of China put expansion plans on hold pending resolution of current trade proceedings.

Beyond HiCz, we are actively evaluating and working on other downstream PV technologies that we believe will have a significant impact on the solar cost structure.

Our polysilicon business continues to hold up well, with equipment and services from that business comprising over 85% of the quarter's revenue.

Despite a backdrop of oversupply and pricing pressure in the poly market, we continue to expect this segment to contribute meaningfully to our business in 2013 and 2014 as top tier producers remain focused on improving their market positions.

We have good visibility into our polysilicon revenue stream over the next 12 to 18 months. We have a significant level of deferred poly revenue related to equipment we have already shipped and most of the polysilicon equipment scheduled to ship in the balance of 2012 and 2013 is for projects that are already underway and unlikely to be halted.

Based on the extensive work already completed, we are also confident that the order for reactors that we booked with an incumbent late last year remains on schedule to ship by early CY13.

Furthermore, based on OCI's current schedule we expect to start shipments for their phase 4 project in 2014.

We also continue to make progress in negotiations on several new poly projects in Southeast Asia and the Middle East and expect to convert one or more of these into engineering contracts by mid 2013.

We expect reactor orders associated with these engineering projects would likely follow in late 2013 or early 2014 and could represent $400-$500 million of additional bookings. Beyond these projects, the pipeline for new polysilicon opportunities is limited given the current environment.

The focus in the polysilicon market, given low prices is shifting rapidly to cost reduction. Advancing our technology to help our polysilicon customers reduce cost remains a key differentiator for GT in today's environment of falling prices.

We remain on schedule for introduction of our next generation poly reactor in 2013. This new reactor will be capable of producing 1000 MT per year at a cash cost structure below $14/kg. This will complement our recently announced high-volume FBR hydrochlorination solution for making TCS that lowers the cost of ownership over current TCS production methods by approximately 20 percent.

In sapphire, several of our ASF customers are running at high utilization levels as they have had success supplementing their LED business with non-LED demand.

In our own sapphire materials business, we are seeing renewed interest in large diameter 6" substrates. While our ASF customers are fully capable of producing 6" and larger cores, the market for these sizes remains limited as downstream processes are much more challenging and the economics remain less attractive given the rapid decline of prices at the 2" and 4" levels.

Additionally, the adoption of the PSS process, which improves brightness, has made the smaller diameters harder to displace. That said, we welcome the renewed interest in larger diameters as our ASF technology is well suited to address this opportunity as it develops.

While our ASF customers remain largely committed to their plans, several of them have significant exposure to the solar industry and this has begun to hamper their ability to fund non-solar investments.

In addition, soft sapphire pricing is also presenting near term uncertainty and at the end of our third quarter, several ASF customers had difficulty securing the financing needed to take deliveries as expected. This had a significant impact on our third quarter. We continue to work closely with our customers to assess when these deliveries will likely take place.

We expect to see stronger sapphire demand in 2013 as the adoption of LEDs for general lighting accelerates and new end market applications develop.

On that note, we remain very enthusiastic about the cover and touch screen markets for sapphire.

Although manufacturers have been investigating sapphire as a possible touchscreen material for many years, only recently has it gained real traction as a viable replacement option.

This is largely because the paradigm has recently changed– Sapphire pricing has come down significantly; high volume, scalable, low cost sapphire production is now possible with the commercial availability of our technology; and breakthrough fabrication technologies have and will continue to drive out significant cost.

There has been a lot of discussion regarding the cost of sapphire for cover screens and questions as to whether the cost range that we recently published of $10 to $20 above current glass solutions is achievable.

While we are not able to reveal all of the details behind our published range due to customer and partner sensitivity, here are some important points to consider:

First, LED sapphire costs are not a proxy for sapphire screen costs. The requirements for sapphire cover screens are very different than for LED wafers.

Cover screens, for example, require a rectangular form factor, have lower crystal quality requirements and are exposed to far less strenuous temperature environments than LED wafers. These differences all have a favorable impact on cost.

The total cost for a sapphire cover screen can be divided into two categories: crystal growth and fabrication, with each currently representing about 50% of the total cost. This ratio is likely to shift as processes are further optimized and costs come down.

We estimate that, on a per screen basis, the pre-processing cost of ASF sapphire for a cover screen is at least 20% lower vs. the cost of sapphire of an equal thickness for a 4” LED grade wafer.

To the extent that a thinner sapphire screen is possible, which is likely given sapphire’s superior strength, this cost differential would be at least 30%. This does not reflect the other significant cost reductions that we believe can be achieved as we further optimize the ASF growth process for this application through adjustments such as optimized boule size, shorter cycle times and lower cost consumables.

With regard to fabrication, we estimate that the cost to fabricate sapphire from a brick to a screen is at least 40% less expensive than from a core to an LED wafer. This results largely from the fewer fabrication steps required for cover screen processing as well as the lower surface finishing requirements which allow for much faster grinding and polishing as well as less material loss.

And finally, several new technologies are being brought to market that will further drive cost reductions and optimizations. One such example is Meyer Burger's recently introduced bricking wire saw which is expected to make the harvesting of bricks from a sapphire boule economically feasible and significantly less expensive than the current rotary blade saw process in use.

Through our partnerships, we are also aware of several other fabrication technology improvements and second-generation techniques currently in development that could have a very significant impact on the cost of producing sapphire screens.

As a result of these factors, and several other proprietary datapoints that we are not able to share, we are confident that the cost targets are achievable and acceptable.

We continue to receive feedback from several prospective customers and downstream partners that GT's ASF process and the fabrication processes being developed by our partners can meet all of the critical requirements needed to drive adoption into this market.

As a result, momentum in this space has continued to build and several opportunities are developing including a project in the Point of Sale market, which we believe will materialize by mid 2013.

We have now delivered ASF machines or materials to several key smartphone players, including a maker of ruggedized phones, and their manufacturing partners, as well as downstream fabrication

players, as they validate the processes that will be used once ASF sapphire is adopted.
This activity has increased our confidence that the sapphire cover and touch screen device opportunity will translate into a significant inflow of ASF orders in the second half of CY13.

The chart on this slide shows our assessment of the potential demand for sapphire growth equipment from the LED <u>and</u> mobile phone markets.

Even with a very low, single digit mobile phone adoption rate, we believe that 3000+ sapphire growth furnaces would be needed over the next several years to address the mobile phone opportunity. This would represent about two times the number of furnaces currently projected to be needed to support the current LED demand forecast.

It is important to note that this scenario does not consider potential adoption by other cover screen applications like POS devices, navigation systems and music players that could drive additional sapphire furnace demand.

We remain committed to our other business development and diversification efforts as well.

We are making very good progress with our development of a Silicon Carbide furnace. Our first wafer level results indicate our furnaces are capable of producing material quality on par or better than industry incumbent leaders. We remain on track to release our first commercial Silicon Carbide offering in the first half of next year.

We continue to evaluate additional M&A opportunities, with the focus largely on next generation technology bolt-ons in the areas of GaN and next generation solar solutions that can significantly bring down cost per watt. We also continue to look at ways to capture the aftermarket potential our products create.

The workforce reduction that we announced last week, which will save us approximately $13 million annually, may be seen on the surface as a classic case of restructuring, driven by market dynamics and a desire to quickly improve short-term profitability at any cost.

This interpretation would be wrong.

While the workforce reduction does reduce cost, the primary driver of our action was to allow us the flexibility to make additional investments in growth and diversification projects without putting further pressure on our financial performance in the short term.

We expect to re-invest the cost savings, as our objective remains to grow long-term shareholder value through the development of additional growth opportunities and to enhance our competitive position as the markets we serve today return to growth.

We have taken several other steps recently to bolster our position to make important strategic investments.

In September, we completed a convertible debt offering, which raised net proceeds of $196 million enhancing our ability to continue to support the core business and execute on strategic M&A as well as technology development initiatives.

We also implemented a new organizational structure that consolidates our existing business units and worldwide operations into a single business group under the leadership of Dan Squiller.

As you may recall, Dan, who worked for me at Invensys where he ran a billion dollar plus division within my group, joined GT earlier this year.

The consolidation of our business units provides synergies that enable us to continue to run the business effectively following the 25% reduction in force.

With Dan focused on running the operations of the business on a day to day basis, this allows me to focus more of my time on our business and technology development teams as well critical strategic growth and diversification initiatives.

We remain committed to building on our core strength as a technical innovator – this is the foundation of the company and will ensure GT's future as an industry leader in both our served and new markets.

With that, I will turn the call to over Rick to review our September quarter financial results.

Q3 CY12 Financial Review (Rick Gaynor, CFO)

Thanks Tom and good morning everyone.

Before I provide details on our performance in the September quarter, I would like to note that we will be discussing both GAAP and non-GAAP numbers today. A full reconciliation of GAAP to non-GAAP financial measures can be found in our press release as well as the presentation accompanying this call, both of which can be found at gtat.com.

Also, in keeping with our usual practice, we have published an investor financial summary on the IR section of our website.

Moving on to the results for the third quarter of calendar 2012, which ended September 29, 2012.

Revenue was $110 million in the third quarter. This included approximately $96 million of polysilicon revenue, $2 million of PV revenue and $13 million of sapphire revenue. The year-over-year decline in quarterly revenue is directly related to the market driven erosion of the PV segment.

We came in at the lower end of our revenue range in the September quarter primarily due to sapphire and DSS shipments coming in at the low end of our expectations. As Tom noted, the sapphire performance is reflective of the ongoing difficulty many of our ASF customers are having in securing letters of credit to take shipments.

Looking at our performance over a 9-month basis, revenue for the first three quarters of CY12 came in at $631 million compared to $720 million for the same period last year.

As shown on this slide, we grew the sapphire business from approximately $23 million in the first nine months of 2011 to $218 million in the first nine months of 2012 - reflecting our efforts to successfully grow the non-solar portion of our business.

Our gross margin for the September quarter was 31.8%.

The polysilicon gross margin was 37%.

The PV gross margin did not meaningfully impact the overall gross margin but was negative as we were unable to absorb our fixed period costs at these very low PV revenue levels.

While the overall sapphire gross margin was 26% the gross margin for our ASF equipment business was largely in line with our long term 40% target. The sapphire gross margin was negatively impacted by a higher proportion of sapphire materials business in the quarter. As a reminder, we run the sapphire materials business largely as an R&D facility, not as an optimized material business, which adversely affects the overall sapphire segment gross margin.

Overall opex in the September quarter was $29.9 million, down from $35.6 million in the June quarter. During the quarter we recorded a $9.9 million credit to our P&L as certain payout milestones associated with the Confluence acquisition were not met. Nonetheless, the build out of the St. Louis facility is complete, we continue to make good technical progress with HiCz and our schedule for commercializing HiCz remains on track.

Consistent with our stated strategy, we have continued to make significant investments in R&D. In the September quarter we spent $18.8 million in Research & Development, bringing CY12 spending to approximately $48 million - a 64% increase over the same period last year. The September quarter R&D was largely targeted at continued investments in HiCz, ASF and Silicon Carbide technology development.

Our year-to-date tax rate as of the end of the third quarter of CY12 was 32%.

Moving onto EPS…

Fully-diluted EPS in the September quarter was $0.02, compared to $0.12 in the prior quarter and $0.29 for the year-ago quarter.

Non-GAAP fully diluted EPS in the September quarter was $0.01, compared to $0.16 in the prior quarter and $0.35 for the year-ago quarter.

On both a GAAP and non-GAAP basis we had a profitable quarter at $110 million of revenue– which indicates a breakeven on an annualized revenue level below $440 million. Taking into account the impact of our recently announced 25% headcount reduction our breakeven revenue point would be approximately $400 million if we did not reinvest these savings.

Moving on to our balance sheet. We began the quarter with $332.4 million of cash and cash equivalents and $145 million of total debt.

During the September quarter, we invested approximately $7 million of capex, primarily to support the final build-out of our HiCz™ facility.

We also completed a convertible debt offering in the September quarter. In connection with the convertible bonds, we entered into bond hedge and warrant transactions which had the effect of raising the effective conversion price to $9.93 per share. The net proceeds were $196 million after all the transactions fees including the purchase of bond hedges and the sale of warrants.

We ended the September quarter with $479.2 million of cash and cash equivalents and $298 million of total debt. Because the convertible debt may be wholly or partially settled in cash at the company's discretion, we are required to separately account for the liability and equity components of the notes.

In accordance with GAAP the total proceeds of $220 million were allocated between debt for $154.9 million and stockholders' equity for $65.1 million with the portion in stockholders' equity representing the fair value of the option to convert the debt. The debt discount related to the convertible debt is being amortized over the expected life of the Notes ending on October 1, 2017.

Excluding the proceeds from the convertible, we consumed $49 million of cash during the third quarter, $7 million of which was capex. If business activity were to stay at current levels we would expect to continue to consume cash until we begin to convert our backlog at a faster pace and our order rates recover as we introduce new products in 2013.

Moving on to our backlog, we entered the September quarter with a backlog of nearly $1.6 billion dollars.

During the quarter, we received orders totaling approximately $49 million which included $11 million of polysilicon, $5 million of PV, and $33 million of sapphire orders.

We recognized $110 million in revenue and had approximately $56 million of negative adjustments to our backlog. This related primarily to the termination of a polysilicon contract with a start-up Chinese player which we have indicated in previous earnings calls was likely at risk.

We ended the September quarter with backlog of $1.5 billion, which included $618 million of polysilicon, $141 million of PV and $718 million of sapphire.

Our total backlog security as of the end of the September quarter was approximately 27%, with approximately $93 million in deferred revenue, $53 million in letters of credit and $250 million in non-refundable customer deposits.

With that I will turn the call back to Tom to wrap up.

Concluding Remarks (Tom Gutierrez, President & CEO)

Thanks, Rick.

As I indicated earlier, market and macro-economic headwinds in our served markets have intensified and affected our business in the third quarter.

There continues to be volatility and uncertainty with respect to the balance of this year and how 2013 will evolve.

It is unclear, with banks increasingly limiting their financing and protecting their own balance sheets, how our customers will fare in the near to mid term as they attempt to finance their own diversification or expansion plans.

We do have clear visibility into a large portion of our near term polysilicon business, $44 million of which has already been shipped, is in deferred revenue and will convert to revenue in the December quarter.

In addition there is a $37 million polysilicon order currently scheduled to ship late in December; however the timing of that shipment is largely dependent on deliverables from a supplier and as such could slip into the first quarter.

We also have several ASF and PV customers scheduled to take significant deliveries at the back end of this quarter, which are dependent on those customers' ability to obtain the necessary financing.

To the extent that we are able to convert all of the business just discussed in the December quarter, we would be in a position to be within our previously provided revenue range for the year.

However, factors beyond our customers' control could potentially impact our ability to perform within this range and given the level of volatility and evolving liquidity issues we have described we are not in a position to provide a meaningful guidance range for the December quarter without additional due diligence.

To be clear we are not withdrawing, reiterating or updating guidance at this time.

We believe it is prudent to spend additional time with our customers and suppliers carefully assessing the situation. After doing so, we will hold a conference call in mid-December to provide our view on the December quarter as well as our preliminary outlook for 2013.

On that call we will also provide a more detailed and updated view on our backlog security as we move into CY13.

While we are cautious about the near term, we remain confident that our served markets will recover, and we remain committed to investing in strategic R&D and technology and bolt-on M&A initiatives in order to advance our competitive leadership position and continue to diversify our business. We are realistic about the challenges in front of us but we are excited and prepared for the opportunities ahead.

With that operator we will now open the call to questions.

Concluding Remarks

Thank you for joining us today and for your questions. We look forward to staying in touch in the weeks and months ahead. We will be presenting at the UBS Global Technology conference in New York next week and we look forward to updating you in mid December on our outlook for the quarter and for 2013.

Forward Looking Statement

This document contains information about management's future expectations, plans and prospects of its business and industry/markets that constitute forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Such statements are identified by words or phrases such as "target", "will," "anticipate," "estimate," "expect," "project," "believe," "guidance," "forecast," "may", and other words and terms of similar meaning. In particular, forward-looking statements include, but are not limited to, statements regarding: Company will continue preparation for significant long-term growth opportunities it has identified; severe downturn in solar market will continue; tensions over PV trade dispute are escalating and the outcome of these disputes are uncertain; a PV trade war and a broader trade war may develop; significant technological advancement is necessary to overcome solar industry structural issues (including too much capacity, pricing at or approaching cost levels, barriers to consolidation, etc.); many Asian banks are and are expected to continue to limit access to new credit for solar and nearly all equipment purchases (including for our current and potential Asian customers); turnaround in the PV industry will be driven by new technologies; Company expects solar industry turn-around in late 2013/early 2014 driven by the adoption of new technologies (that provide critical cost per watt reductions) like HiCz™; HiCz™ equipment offering on schedule for CY13 introduction; Company is evaluating downstream PV technologies; opportunities in the PV business are developing in the Middle East; Company does not expect addition of significant multicrystalline or MonoCast™ capacity; PV market will shift away from multicrystalline structures as next generation of high-efficiency solar cell technologies evolve; Company is considering all strategic options with respect to DSS business; Company continuing to invest in technologies (including its HiCz™ equipment offering) it believes will help solve the industry's cost issues and drive business opportunities and growth for GT; Company believes HiCz™ will be key in addressing critical cost and performance challenges; Company has an active pipeline of potential HiCz™ customers; current and prospective customers outside of China have put expansion plans on hold pending resolution of current trade proceedings; Company evaluating and working with other downstream PV technologies it believes will have a significant impact on the solar cost structure; Company expects polysilicon segment to meaningfully contribute to business in 2013 and 2014 (as top-tier producers remain focused on improving their market positions); polysilicon order pipeline is active (and engineering service projects could convert by mid-2013); Company will continue to invest in next generation polysilicon technologies; most of the polysilicon equipment scheduled to ship in the balance of 2012 and 2013 is for projects that are already underway and unlikely to be halted; Company is confident that the order for reactors that it booked with an incumbent late last year remains on schedule to ship by early CY13; based on OCI's current schedule Company expects to start shipments for their phase 4 project in 2014; Company negotiating with several new poly projects in Southeast Asia and Middle East and expects to convert one or more of these into engineering projects by mid-2013 and expects reactor orders associated with these engineering projects would likely follow in late 2013 or early 2014 and could represent $400-$500 million of additional bookings (otherwise the polysilicon opportunities are limited); Company believes advancing its technology to help polysilicon customers reduce cost remains a key differentiator for GT in today's environment of falling polysilicon prices; Company will continue to invest in the advancement of its polysilicon technology including its next generation reactor, which remains on schedule for introduction in 2013 and will be capable of producing 1000 MT per year at a cash cost structure below $14/kg; sapphire demand is improving (but challenging pricing pressure and lending environment persist and are creating near-term uncertainties); soft sapphire pricing and tough lending environment are presenting new near term challenges for sapphire business segment; general lighting adoption of LEDs expected to accelerate late 2013; new sapphire end market applications developing; ASF technology is well suited to address the renewed interest in larger diameter sapphire; stronger sapphire demand expected in 2013 (as the adoption of LEDs for general lighting accelerates and new end market applications develop); Company remains very enthusiastic about the cover and touch screen markets for sapphire (this market opportunity is gaining traction); breakthrough sapphire fabrication technologies have and will continue to drive out significant cost and improve performance; the ratio of costs for crystal growth and fabrication (each currently representing about 50% of the total cost) is likely to shift as processes are further optimized and costs come down; Company believes significant sapphire cost reductions can be achieved as it further optimizes the ASF growth process for the touchscreen application through certain adjustments; new bricking wire saw which is expected to make the harvesting of bricks from a sapphire boule economically feasible and significantly less expensive than the current rotary blade saw process; several other fabrication technology improvements and second-generation techniques currently in development could have a very significant impact on the cost of producing sapphire screens (and optimize performance); Company believes that sapphire cost targets are achievable and acceptable for touchscreen market; the ASF process and the fabrication processes being developed by partners can meet all of the critical requirements needed to drive adoption into the touchscreen market; momentum in this touchscreen space has continued to build and several opportunities are developing (including a project in the Point of Sale market, which Company believes will materialize by mid 2013); expected demand for sapphire furnaces through 2016; the sapphire cover and touch screen device opportunity will translate into a significant inflow of ASF orders in the second half of CY13; potential demand for sapphire growth equipment from the LED and mobile phone markets; with a very low, single digit mobile phone adoption rate, the Company believes that 3000+ sapphire growth furnaces would be needed over the next several years to address the mobile phone opportunity (this would represent about 2xs the number of furnaces currently projected to support the current LED demand forecast, however, this scenario does not consider potential adoption by other cover screen applications like POS devices, navigation systems and music players that could drive additional sapphire furnace demand; Company remains committed to business development and diversification initiatives as a key underpinning of growth strategy; SiC development progressing and Company expects to release commercial product in 1H 2013; SiC furnace capable of producing material quality on par or better than industry incumbent leaders; Company continues to evaluate additional M&A opportunities, with the focus largely on next generation technology bolt-ons in the areas of GaN and next generation solar solutions that can significantly bring down cost per watt and at ways to capture the aftermarket potential Company products create; cost savings position Company to continue to make strategic investments and drive future growth; Company will realize $13M in annual savings from headcount reduction; reorganization will allow for additional focus on strategic growth initiatives; cost savings from headcount reduction is expected to be re-invested as Company objective remains to grow long-term shareholder value through the development of additional growth opportunities and to enhance our competitive position as the markets Company serves today return to growth; convertible note proceeds enhancing ability to continue to support the core business and execute on strategic M&A as well as technology development initiatives; Company is committed to building on core strength as a technical innovator – this is the foundation of the company and will ensure GT's future as an industry leader in both our served and new markets; long term gross margin target for sapphire business is approximately 40%; Company committed to R&D investment; Company would be breakeven on an annualized revenue level below $440 million; taking into account the impact of 25% headcount reduction Company breakeven revenue point would be approximately $400 million if it did not reinvest these savings; if business activity were to stay at current levels Company would expect to continue to consume cash until it begins to convert backlog at a faster pace and order rates recover as it introduces new products in 2013; there continues to be volatility and uncertainty with respect to the balance of this year and how 2013 will evolve; in polysilicon business, $44 million of orders has already been shipped, is in deferred revenue and will convert to revenue in the December quarter; $37 million polysilicon order is currently scheduled to ship late in December, however the timing of that shipment is largely dependent on deliverables from a supplier and as such could slip into the first quarter of CY13; Company has several ASF and PV customers scheduled to take significant deliveries at the back end of this quarter, which are dependent on those customers' ability to obtain the necessary financing; if the Company were to convert all of the identified business in the December quarter, it would be in a position to achieve the previously provided revenue range for the year but factors beyond customers' control could impact ability to perform within this range; the previously disclosed revenue guidance for CY12 referenced in this presentation; and Company remains confident that served markets will recover. These statements are based on management's current expectations or beliefs. These forward-looking statements are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside the Company's control, which could cause actual events to differ materially from those expressed or implied by the statements. These factors may include the possibility that the Company is unable to recognize revenue on contracts in its order backlog. Although the Company's backlog is based on signed purchase orders or other written contractual commitments in effect as of September 29, 2012, the Company cannot guarantee that its bookings or order backlog will result in actual revenue in the originally anticipated period or at all, which could reduce the company's revenue, profitability and liquidity. Other factors that may cause actual events to differ materially from those expressed or implied by our forward-looking statements include the impact of continued decreased demand and/or excess capacity in the markets for the output of our solar and sapphire equipment, general economic conditions and the tightening credit market having an adverse impact on demand for our products, the possibility that changes in government incentives may reduce demand for solar products, which would, in turn, reduce demand for our equipment, technological changes could render existing products or technologies obsolete, the Company may be unable to protect its intellectual property rights, competition from other manufacturers may increase, exchange rate fluctuations and conditions in the credit markets and economy may reduce demand for the company's products and various other risks as outlined in GT Advanced Technologies Inc.'s filings with the Securities and Exchange Commission, including the statements under the heading "Risk Factors" in the company's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2012. Statements in this presentation should be evaluated in light of these important factors. The statements in this presentation represent GT Advanced Technologies Inc.'s expectations and beliefs as of the date hereof. GT Advanced Technologies Inc. anticipates that subsequent events and developments may cause these expectations and beliefs to change. GT Advanced Technologies Inc. is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.