

Axcelis Technologies Inc

S&P Recommendation **STRONG BUY** ★★☆☆

Price
\$5.73 (as of Dec 19, 2006)

12-Mo. Target Price
\$9.00

Investment Style
Small-Cap Blend

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

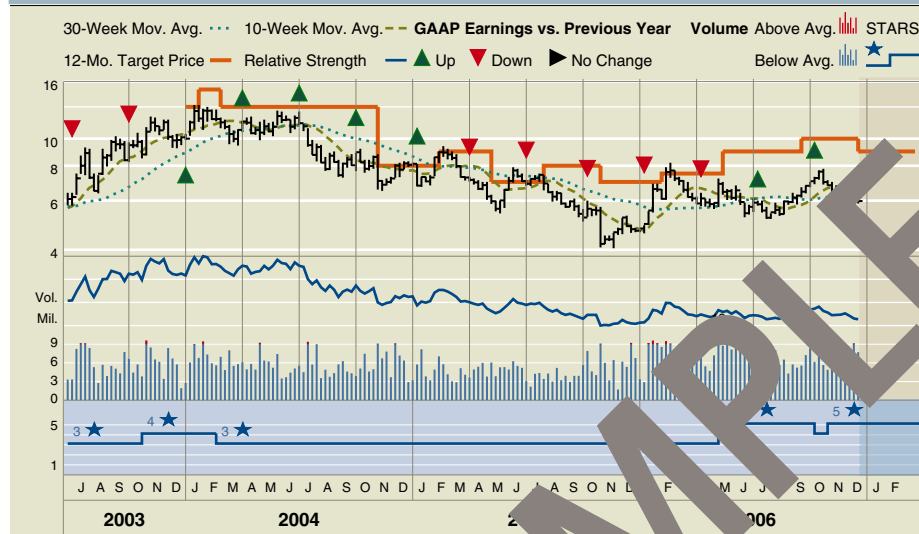
GICS Sector Information Technology
Sub-Industry Semiconductor Equipment

Comment This company provides high-productivity ion implantation equipment and complementary products to the semiconductor industry.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	\$8.20-4.58	S&P Oper. EPS 2006E	0.38	P/E on S&P Oper. EPS 2006E	15.1	Dividend Rate/Share	Nil
Trailing 12-Month EPS	\$0.24	S&P Oper. EPS 2007E	0.50	Common Shares Outstg. (M)	101.3	Yield (%)	Nil
Trailing 12-Month P/E	23.9	S&P Core EPS 2006E	0.38	Market Capitalization(B)	\$0.580	Beta	2.51
\$10K Invested 5 Yrs Ago	\$4,466	S&P Core EPS 2007E	0.50	Institutional Ownership (%)	94	S&P Credit Rating	NA

Price Performance



Qualitative Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment of the shares reflects the historical cyclicality of the semiconductor equipment industry, the lack of visibility in the medium term, the dynamic nature of changes in semiconductor technology, and intense competition. We believe this is partly offset by our view of the company's strong market position and financial condition.

Quantitative Evaluations

S&P Quality Ranking **NR**

D C B- B B+ A- A A+

Relative Strength Rank **WEAK**

9

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million \$)

	1Q	2Q	3Q	4Q	Year
2006	97.92	117.6	122.8	--	--
2005	100.0	92.18	87.38	92.94	372.5
2004	134.2	151.4	127.9	94.51	508.0
2003	82.41	84.67	59.01	95.89	322.0
2002	62.09	88.99	93.12	65.52	309.7
2001	152.2	102.0	61.80	49.32	365.3

Earnings Per Share (\$)

	1Q	2Q	3Q	4Q	Year
2006	0.01	0.12	0.12	E0.13	E0.38
2005	0.02	0.01	-0.05	-0.01	-0.04
2004	0.13	0.33	0.19	0.07	0.73
2003	-0.06	-0.80	-0.32	0.03	-1.16
2002	-0.18	-0.02	Nil	-0.07	-0.27
2001	0.17	-0.02	-0.17	-0.18	-0.21

Fiscal year ended Dec. 31. Next earnings report expected: Early February. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data

No cash dividends have been paid.

Analysis prepared by **David A Kaplan** on December 19, 2006, when the stock traded at **\$5.95**.

Highlights

- **ACLS reported 4% sequential revenue growth** in the third quarter of 2006, in line with expectations and following 20% sequential growth in the second quarter. We expect revenue to be flat for the fourth quarter. Overall, we see annual revenue growth of 24% for 2006 and 17% for 2007, following a 27% decline in 2005, when ACLS lost market share to Varian Semiconductor (VSEA: sell, \$39). We expect the company to regain share in 2007, as sales of the Optima HD system gain traction.
- We expect gross margins of 40.8% in 2006 and 40% in 2007, down from 41.5% in 2005, as R&D expenditures increase ahead of revenue from ACLS's new Optima HD systems. We look for operating margins to widen to 4.3% in 2006 and to 5.6% in 2007, from negative levels in 2005, as fixed costs are spread over higher revenue.
- We estimate EPS of \$0.38 for 2006 and \$0.50 for 2007, based on our outlook for the Optima HD over the coming 12 months, compared with a loss per share of \$0.04 in 2005.

Investment Rationale/Risk

- We expect ion implant sales to strengthen in 2006, and we believe ACLS is poised to regain some market share that it lost to Varian Semiconductor in 2005. We see a slower industry environment as beneficial in easing customer transitions to new ion implant technologies. We are encouraged by indications of customer interest in the new product, and we regard the valuation as compelling.
- Risks to our recommendation and target price include a failure in execution, competition from larger, better capitalized companies, technology obsolescence, and pricing pressure. In addition, some investors appear to be skeptical about future prospects and executions, following disappointments in 2004-2005.
- The stock recently traded at 1.3X our 2006 sales per share projection, versus 2.4X for front-end peers and around 12X our 2007 EPS estimate. Our 12-month target price of \$9 is derived by applying a peer-based target P/E of 18X to our 2007 EPS estimate.

Axcelis Technologies Inc

Business Summary December 15, 2006

CORPORATE OVERVIEW. Axcelis Technologies, formerly a subsidiary of Eaton Corp., is a leading producer of ion implantation equipment used in the fabrication of semiconductors. Through acquisitions, it has added complementary products, including dry strip, photostabilization, and rapid thermal processing equipment, used primarily before and after the ion implantation process. It also offers aftermarket service and support to customers.

In the chip manufacturing process, a thin layer of photoresist, a light sensitive material, is spread on the wafer. Then in the photolithography stage, the photoresist is developed into a pattern, effectively creating a stencil. ACLS's photostabilization products use ultraviolet light to further strengthen the photoresist (stencil), before subsequent processes. ACLS's ion implanters inject charged ions, or dopants, into the silicon wafer with precisely controlled amounts of energy, in order to change the electrical properties of the silicon, in the areas not covered by the photoresist (stencil). Following that process, ACLS's dry strip products use microwave energy to remove the photoresist left behind after implantation. Rapid thermal processing products rapidly heat silicon to high temperatures in order to complete various chemical or electronic reactions.

Ion implant products accounted for 80% of 2005 revenues, while 20% was derived from combined sales of dry strip products, photostabilization products, and rapid thermal processing systems. Revenues generated from service and support businesses represented 42% of 2005 revenue (33% in 2004). According to a 2004 Gartner DataQuest report, ACLS has been the market share leader in ion implantation for eight of the last 10 years.

ACLS offers three types of ion implanters: high energy, high current, and high tilt/medium current, each of which produces chips with varying degrees of computing speed, miniaturization, and power consumption. Industry analysts believe that the high current market will be the fastest growing implantation market over the next few years.

An equally owned joint venture with Sumitomo Heavy Industries -- known as Sumitomo Ion Note (SIN) -- provides ACLS with additional ion implant manufacturing capacity, local access to the Japanese market, and a substantial stream of royalty revenue. Through its exclusive license with Applied Materials, ACLS is the leading producer of ion implant equipment in Japan.

CORPORATE STRATEGY. ACLS intends to continue to grow its complementary products business, while retaining a leading position in ion implantation. The company's strategy is typical for equipment makers, in our opinion, and includes goals of technology leadership, operational excellence, and superior customer partnerships. The company invests substantially in R&D throughout the business cycle to ensure investments in technology lead to unique product advantages. ACLS is focused on reducing manufacturing and designs costs, and shrinking delivery times. On the customer partnership front, ACLS has established global customer teams to strengthen customer relationships. Companies competing in the ion implant market include Varian Semiconductor and Applied Materials as well as Liscor, Electro, and Ulvac Technologies in Japan.

FINANCIAL TRENDS. Semiconductor equipment and semiconductor manufacturers have historically been highly cyclical, with periods of strong growth leading to over-investment and excess supply followed by periods of weakness. We believe that going forward, there will be less volatility in the cycles due to: industry growth and maturation; increasing diversity among end user; greater information sharing throughout the supply chain; and the continued trend toward outsourcing.

While visibility is weak beyond six months, we believe industry dynamics and the current industry position are not far from natural equilibrium, and we therefore expect moderate industry growth over the next 12-18 months. Since 1998, ACLS was only profitable in three years: 1999, 2000, and 2004. In 2004, ROA was 11% and ROE was 17%.

Corporate Information

Investor Contact
S.G. Bassett (978-787-4110)

Office
108 Cherry Hill Dr, Beverly, MA 01915.

Telephone
978-787-4000 .

Fax
978-787-4200.

Website
<http://www.axcelis.com>

Officers

Chrmn & CEO
M.G. Puma

SVP, Secy & General Counsel
L.C. Fallon

SVP & CFO
S.G. Bassett

SVP, Treas & Cntrl
D.W. Palette

Board of Directors

A. M. Cutler
R. J. Fletcher
S. R. Hardis
W. C. Jennings
M. Natuto
P. H. Nettles
M. G. Puma
H. B. Thompson
G. Wild

Domicile
Delaware

Founded
1995

Employees
0

Stockholders
7,088

Axcelis Technologies Inc

Quantitative Evaluations

S&P Fair Value Rank	4	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **\$6.10** Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that ACLS is slightly undervalued by \$0.37 or 6.5%.

Investability Quotient Percentile	55
	LOWEST = 1 HIGHEST = 100

ACLS scored higher than 55% of all companies for which an S&P Report is available.

Volatility	LOW	AVERAGE	HIGH
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ACLS has had High price volatility over the past year.

Technical Evaluation **BEARISH** Since December, 2006, the technical indicators for ACLS have been BEARISH.

Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2005	2004	2003	2002
Price/Revenue	1.28	1.62	3.14	1.77
Price/EBITDA	40.20	10.95	NM	NM
Price/Pretax Income	NM	10.95	NM	NM
Price/Net Income	NM	11.09	NM	NM
Avg. Diluted Shares Outstg (M)	100.3	101.2	98.5	97.9

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-26.66	10.63	-5.51	NA
Net Income	NM	NM	NM	NA

Ratio Analysis (Annual Avg.)

	2005	2004	2003	2002
Net Margin (%)	NM	NM	NM	NM
LTD of Capitalization (%)	22.68	23.60	18.37	11.48
Return on Equity (%)	NM	NM	NM	NA

Company Financials

Per Share Data (\$) Year Ended Dec. 31	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Tangible Book Value	3.61	3.79	2.60	4.00	4.41	3.36	2.33	NA	NA	NA
Cash Flow	0.17	0.96	-1.02	0.75	0.31	1.33	0.42	-0.78	-0.64	NA
Earnings	-0.04	0.73	1.16	0.27	-0.21	1.13	0.15	-1.03	-0.77	NA
S&P Core Earnings	-0.24	0.52	0.72	0.22	-0.34	NA	NA	NA	NA	NA
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA
Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA
Prices:High	9.49	12.00	12.00	3.26	80.00	30.00	NA	NA	NA	NA
Prices:Low	4.05	6.00	6.00	3.44	8.19	6.28	NA	NA	NA	NA
P/E Ratio:High	NM	18.00	NM	NM	NM	27	NA	NA	NA	NA
P/E Ratio:Low	NM	9.00	NM	NM	NM	6	NA	NA	NA	NA

Income Statement Analysis (Million \$)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Revenue	373	508	322	310	365	680	397	266	460	NA
Operating Income	11.9	75.1	-34.6	-46.6	-41.0	122	31.4	-75.7	23.7	NA
Depreciation		23.0	13.6	11.8	21.2	17.8	19.1	19.8	10.7	NA
Interest Expense	6.63	6.67	6.23	5.80	Nil	Nil	Nil	Nil	Nil	NA
Pretax Income	-1.98	75.1	-44.3	-49.7	-40.4	144	19.6	-133	-61.4	NA
Effective Tax Rate		1.28%	NM	NM	NM	31.3%	26.2%	NM	NM	NA
Net Income	-3.86	74.2	-114	-26.2	-20.2	99.1	14.4	-82.0	-61.5	NA
S&P Core Earnings	-23.8	52.6	-134	-40.9	-32.8	NA	NA	NA	NA	NA

Balance Sheet & Other Financial Data (Million \$)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Cash	165	168	93.2	151	124	168	3.53	3.34	NA	NA
Current Assets	395	406	330	380	311	468	235	148	NA	NA
Total Assets	661	689	586	669	551	672	423	341	NA	NA
Current Liabilities	94.2	107	102	87.2	84.8	170	65.7	57.3	NA	NA
Long Term Debt	125	125	125	125	Nil	Nil	Nil	Nil	NA	NA
Common Equity	426	443	353	469	487	491	342	269	NA	NA
Total Capital	551	568	478	594	487	499	353	280	NA	NA
Capital Expenditures	108	NA	4.99	11.8	29.6	21.8	16.9	15.0	NA	NA
Cash Flow	17.4	97.2	-100	-14.4	1.05	117	33.5	-62.2	NA	NA
Current Ratio	4.2	3.8	3.2	4.4	3.7	2.7	3.6	2.6	NA	NA
% Long Term Debt of Capitalization	22.7	22.0	26.1	21.0	Nil	Nil	Nil	Nil	NA	NA
% Net Income of Revenue	NM	14.6	NM	NM	NM	14.6	3.6	NM	NM	NA
% Return on Assets	NM	11.6	NM	NM	NM	18.1	3.4	NM	NM	NA
% Return on Equity	NM	18.6	NM	NM	NM	23.8	4.2	NM	NM	NA

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Axcelis Technologies Inc

Sub-Industry Outlook

Our fundamental outlook for the semiconductor equipment sub-industry is negative based on our view that growth in chip demand will be a moderate 9% in 2007 and that chipmakers have overspent on equipment in 2006, year-to-date. The Semiconductor Industry Association reported semiconductor factory utilization of 88.6% for the third quarter of 2006, down from 91.2% for the second quarter, and within the 3-year historical range of 84.8% to 95.4%. We attribute the lower utilization to the rapid growth in demand for semiconductor equipment in 2006, year-to-date, and we therefore expect demand for equipment to soften for the next few quarters. Our outlook for weakness ahead is also driven by above average chip inventories, a slowing global economy, and a cautious stance by many chipmakers and semiconductor equipment companies.

We see this weakness extending through the first half of 2007, as chipmakers digest recent capacity additions, followed by industry growth in the second half of 2007. Overall for 2007, we see sales flat, following industry sales growth of 25% for 2006. Indications of weakness are already well established with leading equipment manufacturers, chipmakers, and industry research firms having noted weaker near-term demand. We expect the weakness to be less severe than prior downturns, due to increasing geographic and product diversification of semiconductor chips. More specifically, we see strength in NAND (driven by portable entertainment devices) and DRAM (driven by Microsoft VISTA) memory chips cushioning the downturn. From a macroeconomic standpoint, we see elevated oil prices, rising global interest rates, and declining housing values in the U.S. as potential threats to consumer spending and semiconductor chip demand.

In the mid- to long term, we see growth rates for

technology leaders in the front end of the manufacturing process exceeding the industry average. We generally view semiconductor equipment company shares as trading at fair multiples, given the current risks we see and the group's historical range.

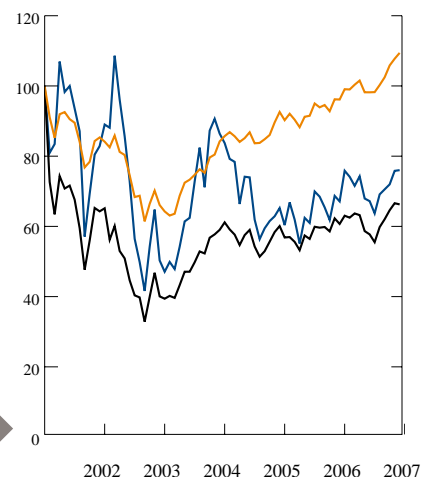
The S&P Semiconductor Equipment Index rose 15.3% year to date through November 24, versus a rise of 12.2% for the S&P 1500. In 2005, this index was up 2.9%, versus a 3.8% rise for the 1500. For the three months ending October 2006, the North American semiconductor equipment industry's preliminary book-to-bill ratio fell to 0.95 from 1.14 in June. We see book-to-bill continuing its decline in coming months. The current level of 0.95 remains meaningfully above the February 2005 bottom reading of 0.77 and indicates, in our view, that we still have substantial downside in this downturn.

--David Kaplan

Stock Performance

GICS Sector: Information Technology
Sub-Industry: Semiconductor Equipment

Based on S&P 1500 Indexes
Month-end Price Performance as of 11/30/06



Sub-Industry Sector S&P 1500

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Semiconductor Equipment Peer Group : Semiconductor Equipment - Larger Front-end

Peer Group	Symbol	Stk. Mkt. Value (Mill)	Recent Stock Price	P/E Ratio	12-Mo. Trailing EPS	30-Day Price Chg(%)	1 Year Price Chg(%)	Beta	Yield (%)	Quality Ranking	Ret. on Equity (%)	Pretax Margin (%)	LTD to Cap (%)
Axcelis Technologies	ACLS	1,090	5.79	24	0.24	-12%	22%	2.51	Nil	NR	NM	NM	22.7
ASM International	ASMI	1,090	20.69	NM	-0.66	-1%	40%	2.65	Nil	NR	NM	1.5	39.0
ASML Holding	ASML	12,039	24.84	36	0.69	0%	26%	NM	Nil	NR	20.1	17.2	16.5
Applied Materials	AMAT	25,487	18.30	19	0.97	1%	-3%	2.33	1.1	B-	19.5	23.6	3.0
Brooks Automation	BRKS	1,029	13.66	38	0.36	-5%	6%	2.97	Nil	B-	4.7	4.3	Nil
Cymer, Inc.	CYMI	1,654	44.54	20	2.22	-8%	16%	2.77	Nil	B-	8.8	11.9	20.2
FEI Co.	FEIC	866	25.61	NM	-0.77	2%	25%	2.09	Nil	C	NM	NM	42.9
KLA-Tencor Corp.	KLAC	10,060	50.53	29	1.75	-2%	0%	2.27	0.9	B	16.5	30.1	Nil
Lam Research	LRCX	7,616	53.45	16	3.26	-2%	48%	NM	Nil	B-	27.3	26.9	20.0
MKS Instruments	MKSI	1,275	22.58	16	1.43	8%	24%	2.88	Nil	B-	4.6	9.2	0.8
Novellus Systems	NVLS	4,269	34.54	26	1.33	12%	40%	2.61	Nil	B-	6.0	11.8	6.6
Photronics, Inc.	PLAB	682	16.34	26	0.63	8%	3%	2.60	Nil	B-	8.5	12.6	28.0
Varian Semiconductor Equipment	VSEA	2,338	42.25	25	1.66	3%	49%	2.69	Nil	NR	13.1	17.1	0.4

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Axcelis Technologies Inc**S&P Analyst Research Notes and other Company News****December 19, 2006**

11:51 am EST... S&P REITERATES STRONG BUY RECOMMENDATION ON SHARES OF AXCELIS TECHNOLOGIES (ACLS 5.71****): We believe the product ramp of Optima HD tools remains intact. We believe the 14% decline in ACLS shares over the last 30 days is because of fewer order announcements than expected, with only 6 orders announced relative to the most recent guidance of 10 by year-end. We think any potential delays in finalizing orders are a matter of timing rather than reduced demand. ACLS said it will likely not publish news of any further tool orders until January, due to the reduced attention in the investment community during the final weeks of the year. Our 12-month target price remains \$9. /D. Kaplan

December 13, 2006

01:22 pm EST... S&P REITERATES STRONG BUY RECOMMENDATION ON SHARES OF AXCELIS (ACLS 5.92****): While ACLS seems to be taking longer than we expected to gain traction with its Optima HD tool, we still see strong prospects for a turnaround in 2007. We believe Varian Semiconductor (VSEA 41.78****) is likely taking some share from ACLS in 2006, but probably is taking more from Applied Materials (AMAT 17.90****). We think customers want to maintain supplier competition, which should give ACLS time to work out technical issues. We are lowering our '07 EPS estimate by \$0.09 to \$0.50 and our target price by \$1 to \$9, using peer-based target P/E of 18X on our '07 EPS est. /D. Kaplan

December 13, 2006

01:19 pm EST... S&P UPGRADES SHARES OF VARIAN SEMICONDUCTOR TO HOLD FROM SELL (VSEA 41.79****): We believe VSEA is likely to benefit near term from continued market-share gains. We think ion implant products from Applied Materials (AMAT 17.90****) have lost share in 2006 and we see VSEA's primary competitor Axcelis (ACLS 5.93****) as slower than expected in gaining traction with its new tool. Even so, we think customers want multiple suppliers for ion implant tools, which we think would limit to a degree further market-share gains by VSEA. We are raising our FY 07 (Sep.) EPS estimate by \$0.25 to \$2.30, largely on margin expansion, and our target price by \$9 to \$44. /D. Kaplan

November 3, 2006

NEW YORK (Standard & Poor's)--Nov 1, 2006, Axcelis Technologies announced 3Q EPS \$0.12 vs. loss of \$0.05 and 9 mos. EPS of \$0.25 vs. loss of \$0.03. Results for 2005 include restructuring charges of \$1.5 million and \$1.1 million for the 9 months.

November 2, 2006

10:23 am EST... S&P UPGRADES SHARES OF AXCELIS TO STRONG BUY FROM BUY (ACLS 6.21****): Q3 EPS of \$0.12 vs. \$0.08 estimate. Revenues were in line and gross margin beat our forecast but revenue from affiliate SEN was sharply lower on timing; but ACLS said SEN revenue should rise sharply in Q4. We are encouraged by expectations that Optima HD should be qualified in '06 and rising confidence in the product, despite some HD shipments being pushed to Q1 '07 and expectations that new products may reduce near-term gross margin. Our '06 EPS estimate falls by \$0.05 to \$0.38 and '07's by \$0.08 to \$0.59, but we keep our target price of \$10. /D.Kaplan

October 11, 2006

02:37 pm EDT... S&P DOWNGRADES SHARES OF AXCELIS TECHNOLOGY TO BUY FROM STRONG BUY (ACLS 7.37****): Following more than 35% share price appreciation over in the last 60 days, we continue to view ACLS as undervalued, though not quite so compellingly as before. We continue to believe the company is making solid progress with its new Optima HD ion implant systems, and we continue to expect ACLS to regain market share in 2007. We note that with only a handful of systems sold, and none yet having reached formal customer acceptance, risk of technological obstacles remain. We are keeping our '06 and '07 EPS estimates of \$0.43 and \$0.67; our 12-month target price remains \$10. /D.Kaplan

October 3, 2006

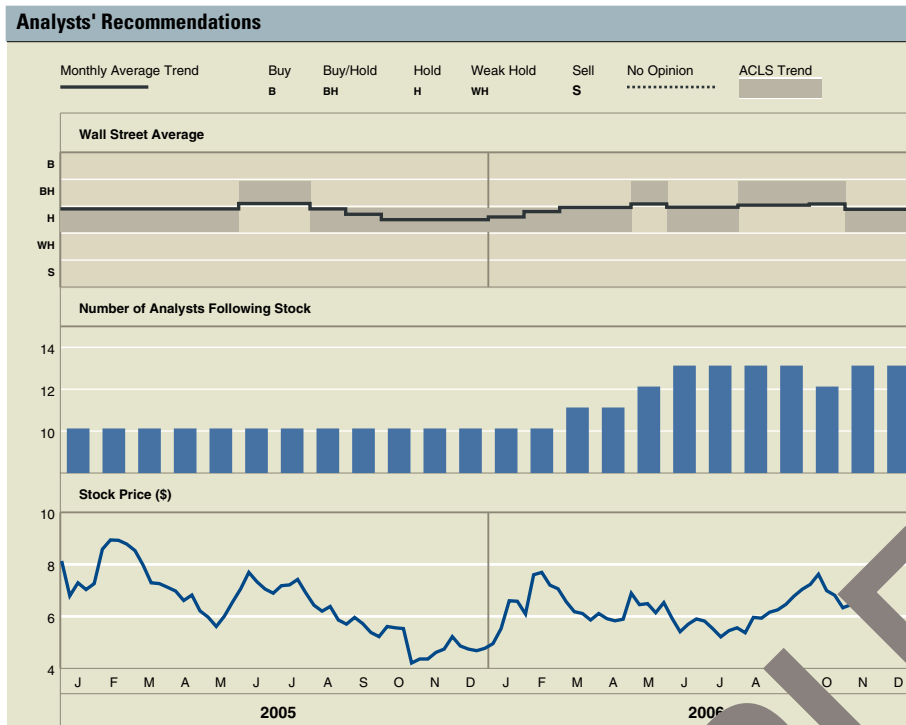
11:17 am EDT... S&P REITERATES STRONG BUY RECOMMENDATION ON SHARES OF AXCELIS TECHNOLOGIES (ACLS 7.0****): ACLS announces the first order for its Imax-powered, single-wafer Optima HD high-dose implant system. We are encouraged by this announcement and continue to believe ACLS will achieve its target of 10 orders by the end of 2006. We believe ACLS is likely to regain market share in 2007. We note that this order, expected to be shipped in Q4, will most

likely be recognized as revenue in '07, after an evaluation period. Our '06 and '07 EPS estimates remain \$0.43 and \$0.67, respectively, and our 12-month target price stays \$10. /D. Kaplan

September 18, 2006

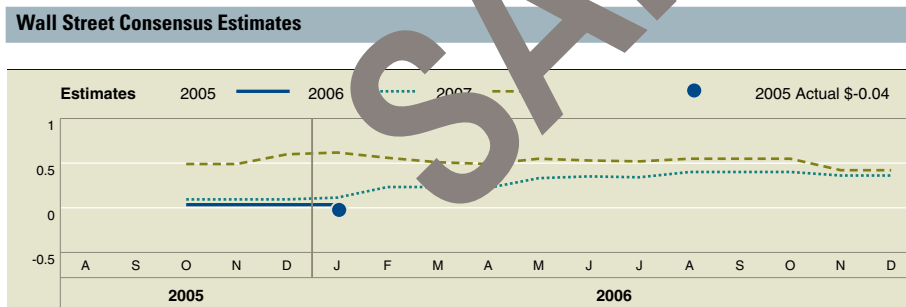
10:28 am EDT... S&P DOWNGRADES OPINION ON SHARES OF VARIAN SEMICONDUCTOR TO SELL FROM HOLD (VSEA 36.89**): Following marketshare gains in ion implant in recent years, we believe VSEA now faces intensifying competition from competitor Axcelis (ACLS 6.50****) following the launch of ACLS's new single-wafer Optima HD system. We believe ACLS will regain some marketshare in 2007. VSEA shares have had substantial insider selling in recent weeks and is the sole semiconductor equipment company we cover that is currently trading at 52-week highs. By applying a peer-based target P/E multiple of 16.5X our CY 2007 EPS estimate of \$2.12, our 12-month target price falls by \$2 to \$35. /D. Kaplan

Axcelis Technologies Inc



Of the total 13 companies following ACLS, 13 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	2	15.4%	2	2
Buy/Hold	4	30.8%	4	4
Hold	5	38.5%	5	6
Weak Hold	1	7.7%	1	1
Sell	1	7.7%	1	0
No Opinion	0	0%	0	0
Total	13		13	13



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2007	0.43	0.67	0.24	12	13.3
2006	0.37	0.43	0.33	13	15.5
2007 vs. 2006	▲16%	▲56%	▼-27%	▼-8%	▼-14%
Q4'07	0.15	0.18	0.06	10	38.2
Q4'06	0.12	0.16	0.10	13	47.8
Q4'07 vs. Q4'06	▲25%	▲12%	▼-40%	▼-23%	▼-20%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

HOLD

Companies Offering Coverage

- AG Edwards & Sons
- Banc of America Securities Llc.
- Bear Stearns & Co.
- Cowen & Co.
- Credit Suisse First Boston
- D A Davidson & Company
- Deutsche Bank
- Goldman Sachs & Co.
- Lehman Brothers, Inc.
- M.S. Howells & Co.
- Needham & Co.
- Pacific Crest Securities
- Smith Barney

Wall Street Consensus vs. Performance

For fiscal year 2006, analysts estimate that ACLS will earn \$0.37. For the 3rd quarter of fiscal year 2006, ACLS announced earnings per share of \$0.12, representing 32% of the total annual estimate. For fiscal year 2007, analysts estimate that ACLS's earnings per share will grow by 16% to \$0.43.

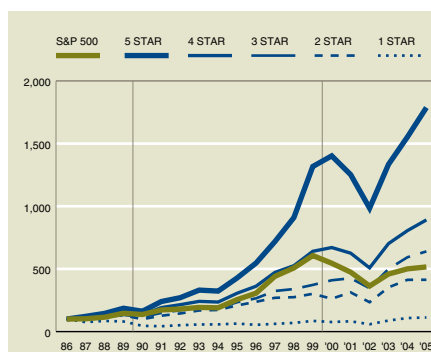
Axcelis Technologies Inc

Glossary

S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification

Characterizes the stock as either a growth- or value-oriented investment, and, indicates the market value (size) of the company as large-cap, mid-cap or small-cap. Growth stocks typically have a high price-to-earnings and price-to-cash flow ratio that represents the premium that is being paid for the expected higher growth. Value stocks typically have higher dividends and more moderate price-to-earnings ratios consistent with their current return policies.

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that the stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. Fair Value rankings imply the following: 1-Stock is significantly undervalued; 2-Stock is moderately undervalued; 3-Stock is fairly valued; 4-Stock is moderately overvalued; 5-Stock is significantly overvalued.

S&P Fair Value Change

The price at which a stock should trade, according to S&P's exclusive proprietary quantitative model that incorporates both fundamental and technical variables (as opposed to only actual variables of the S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on the company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:

Axcelis Technologies

	Raw Score	Max Value
Proprietary S&P Measures	58	115
Technical Indicators	13	40
Liquidity/Volatility Measures	13	20
Quantitative Measures	5	75
IQ Total	89	250

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and

trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

S&P Core Earnings

Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Axcelis Technologies Inc

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In Europe: As of September 30, 2006, research analysts at Standard & Poor's Equity Research Services Europe have recommended 43.8% of issuers with buy recommendations, 40.5% with hold recommendations and 15.7% with sell recommendations.

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★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STAR (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In the U.S. the relevant benchmark is the S&P 500 Index, in Europe and Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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For residents of Malaysia, all queries in relation to this report should be referred to Alexander Chia, Lee Leng Hoe, or Ching Wah Tam.

This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041.