
Management Meeting Invitation

Ceradyne, Inc
(Nasdaq: CRDN)

Joel Moskowitz, Chairman, CEO and President

One-On-One Meetings
Wednesday, August 18th, 2010
Los Angeles, CA

To request a meeting, contact:
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About Ceradyne, Inc.

Ceradyne develops and manufactures advanced technical ceramic products and components for the defense, industrial, automotive, energy and medical markets. The company is the leading supplier of ceramic body armor to the U.S. military. We estimate Ceradyne's revenue mix is approximately 30%-40% defense, 20%-30% alternative energy (solar and nuclear waste containment), and the rest is industrial for FY10. Ceradyne was founded in 1967 and is headquartered in Costa Mesa, California.

Benchmark Research Highlights

Detailed perspective on our current recommendation on CRDN can be found in our recent research note, dated July 28, 2010.

- ***Expect alternative energy to be key growth driver.*** The stock is up 25% YTD driven by prospects in non-defense initiatives. Ceradyne is a top player in solar crucible and has about 30% of the global market share. This market is expected to grow 30%-50% a year. Ceradyne's solar business is expected to grow from \$50 million to \$70 million in FY10 and has potential to double in FY11 from new capacity coming on-line in China. We estimate solar combined with nuclear waste containment will account for about 20%-30% of revenue in FY10.
- ***View improving body armor visibility and combat helmet awards as potential catalysts.*** We maintain our HOLD rating on CRDN due to the lack of visibility from the Army on body armor including ESAPI replacement and XSAPI upgrade. The Army has an ESAPI sustainment requirement (\$100 million) and could place an order in August, but Ceradyne and its competitors have to get re-certified through First Article Test, which could take longer than expected. However, Ceradyne could have upside if the threat increases in theater, which would require the Army to field additional next-generation XSAPI plates. We also view a potential combat helmet award in the fall as a potential catalyst.
- ***Strong balance sheet.*** Ceradyne is trading at 5x our FY11 EV/EBITDA, below the defense and homeland security sector average of 7x, primarily due to declining body armor sales and uncertainty related to the body armor upgrade. The company has a strong balance sheet with \$271 million in cash and \$84 million in convertible debt, which is approximately \$10.60 per share in cash.

Management

Joel Moskowitz, Chairman of the Board, Chief Executive Officer and President. Joel co-founded Ceradyne's predecessor company in 1967. He served as President since 1974 and has served as Chairman of the Board and Chief Executive Officer since 1983. Mr. Moskowitz currently serves on the Board of Trustees of Alfred University. Mr. Moskowitz obtained a B.S. in Ceramic Engineering from Alfred University in 1961 and an M.B.A. from the University of Southern California in 1966.