



**Third Quarter 2022  
Financial Results**

**MKS Instruments, Inc.  
November 3, 2022**



# Safe Harbor for Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding the future financial performance, business prospects and growth of MKS Instruments, Inc. ("MKS" or the "Company"). These statements are only predictions based on current assumptions and expectations. Any statements that are not statements of historical fact (including statements containing the words "will," "projects," "intends," "believes," "plans," "anticipates," "expects," "estimates," "forecasts," "continues" and similar expressions) should be considered to be forward-looking statements. Actual events or results may differ materially from those in the forward-looking statements set forth herein. Among the important factors that could cause actual events to differ materially from those in the forward-looking statements are the need to generate sufficient cash flows to service and repay the substantial indebtedness MKS has incurred in connection with the acquisition of Atotech Limited ("Atotech"), the terms of the existing term loans under which MKS incurred such debt, MKS' entry into the chemicals technology business through its acquisition of Atotech, in which MKS does not have experience and which may expose MKS to significant additional liabilities, the risk of litigation relating to the Atotech acquisition, the risk that disruption from the Atotech acquisition materially and adversely affects MKS' businesses and operations, MKS' ability to realize the anticipated synergies, cost savings and other benefits of the Atotech acquisition, competition from larger, more advanced or more established companies in MKS' markets, MKS' ability to successfully grow its business and the businesses of Atotech, which MKS acquired in August 2022, and Electro Scientific Industries, Inc., which MKS acquired in February 2019, and financial risks associated with those and potential future acquisitions, including goodwill and intangible asset impairments, potential adverse reactions or changes to business relationships resulting from the completion of the Atotech acquisition, manufacturing and sourcing risks, including those associated with limited and sole source suppliers and the impact and duration of supply chain disruptions and component shortages, and changes in global demand and the impact of COVID-19 or any other pandemic with respect to such disruptions, shortages and increases, risks associated with doing business internationally, including trade compliance, regulatory restrictions on MKS' products or components and unfavorable currency exchange and tax rate fluctuations, which risks become more significant as MKS grows its business internationally and in China specifically, conditions affecting the markets in which MKS operates, including fluctuations in capital spending in the semiconductor industry and other advanced manufacturing markets, and fluctuations in sales to MKS' major customers or disruptions or delays from third-party service providers upon which our operations may rely, the ability to anticipate and meet customer demand, the challenges, risks and costs involved with integrating or transitioning local and international operations of the companies MKS has acquired, risks associated with the attraction and retention of key personnel, potential fluctuations in quarterly results, dependence on new product development, rapid technological and market change, acquisition strategy, volatility of stock price, risks associated with chemical manufacturing and environmental regulation compliance, risks related to MKS' products resulting from defects, which would increase MKS' costs and seriously harm the business, financial condition, operating results and customer relationships, financial and legal risk management, risks related to cybersecurity and data privacy threats and the challenges associated with intellectual property protection, and the other factors described in Exhibit 99.1 to MKS' Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on August 17, 2022, and any subsequent Quarterly Reports on Form 10-Q. MKS is under no obligation to, and expressly disclaims any obligation to, update or alter these forward-looking statements, whether as a result of new information, future events or otherwise after the date of this presentation.

# Notes on Presentation

## Uses of Non-GAAP Financial Measures

This presentation includes financial measures that are not in accordance with U.S. generally accepted accounting principles (“Non-GAAP financial measures”). These Non-GAAP financial measures should be viewed in addition to, and not as a substitute for, MKS’ reported results under U.S. generally accepted accounting principles (“GAAP”), and may be different from Non-GAAP financial measures used by other companies. In addition, these Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. MKS management believes the presentation of these Non-GAAP financial measures is useful to investors for comparing prior periods and analyzing ongoing business trends and operating results.

MKS is not providing a quantitative reconciliation of forward-looking Non-GAAP gross margin, operating expenses, interest expense, net, income tax rate, net earnings, net earnings per diluted share and adjusted EBITDA to the most directly comparable GAAP financial measures because it is unable to estimate with reasonable certainty the ultimate timing or amount of certain significant items without unreasonable efforts. These items include, but are not limited to, acquisition and integration costs, acquisition inventory step-up, amortization of intangible assets, restructuring and other expense, asset impairment, and the income tax effect of these items. These items are uncertain, depend on various factors, including, but not limited to, our recent acquisition of Atotech and could have a material impact on GAAP reported results for the relevant period.

For further information regarding these Non-GAAP financial measures, please refer to the tables presenting reconciliations of our Non-GAAP results to our GAAP results and the “Notes on Our Non-GAAP Financial Information” at the end of this presentation.

Totals presented may not sum due to rounding.

## Atotech Financial Information

Atotech financial information for periods up until the close of MKS’ acquisition of Atotech has been adjusted from International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) to GAAP and includes adjustments to conform to accounting policies of MKS. MKS has not identified material differences in Atotech’s net revenue under GAAP and Atotech’s historical reported net revenue under IFRS. Net revenues by end market for Atotech are based on MKS’ understanding of end market uses for Atotech products and services.



ADVANCING  
**new frontiers**  
TOGETHER

We are  
excited to  
welcome  
Atotech to  
our team!

 | Atotech



# Q3'22 Pro Forma Market Highlights<sup>(1)</sup>

SEMICONDUCTOR	
REVENUE <sup>(1)</sup>	\$552M
Q/Q GROWTH	+4%
Y/Y GROWTH	+9%

- Record revenue with market leadership in RF Power Supplies for dielectric etch
- Record revenue from Analytical and Control Solutions, led by growth in physical vapor deposition chambers
- Record Photonics Solutions revenue, with market share gains and 35% Y/Y organic growth

ADVANCED ELECTRONICS	
REVENUE <sup>(1)</sup>	\$296M
Q/Q GROWTH	+1%
Y/Y GROWTH	-9%

- Reflects transitory softness in Flex PCB via drilling market and moderated demand for chemistry solutions
- Positive customer engagement confirming strong value proposition of combined laser drilling and chemistry expertise
- Excluding impact of FX and palladium pass-through, Advanced Electronics grew 1% on a year-over-year basis

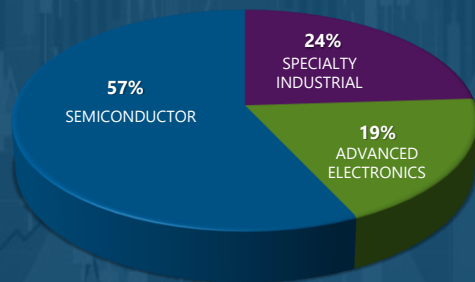
SPECIALTY INDUSTRIAL	
REVENUE <sup>(1)</sup>	\$292M
Q/Q GROWTH	-1%
Y/Y GROWTH	0%

- Steady demand across Industrial, Life and Health Sciences, and Research and Defense
- Automotive market supply chain constraints impacting General Metal Finishing, but third quarter demand was steady
- Excluding impact of FX and palladium, Specialty Industrial grew 7% on a year-over-year basis

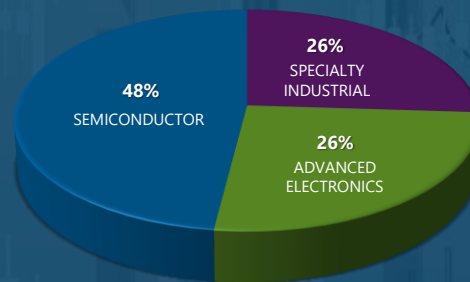
Consumables and Services Revenue 37% of Overall Revenue<sup>(1)</sup>

# Q3'22 Results

	Q3'22	Q2'22	Q3'21	Q/Q	Y/Y
REVENUE	\$954M	\$765M	\$742M	+25%	+29%
NON-GAAP EPS	\$2.74	\$2.59	\$2.79	+6%	-2%
GAAP EPS	\$0.09	\$2.32	\$2.38	-96%	-96%



Reported Q3'22  
Revenue – \$954M



Pro Forma Q3'22  
Revenue<sup>(1)</sup> – \$1.1B

# Revenue

	Reported			Combined Company			PF Q3'22 vs Combined Company Q3'21			
	Q3'22	Q2'22	Q3'21	PF Q3'22	Q2'22	Q3'21	Total Change	FX	Pd	Change Excluding FX & Pd
Semiconductor	\$541M	\$515M	\$488M	\$552M	\$533M	\$507M	+9%	-6%	0%	+15%
Advanced Electronics	\$185M	\$77M	\$90M	\$296M	\$294M	\$326M	-9%	-8%	-2%	+1%
Specialty Industrial	\$228M	\$173M	\$164M	\$292M	\$296M	\$293M	0%	-7%	0%	+7%
<b>Revenue</b>	<b>\$954M</b>	<b>\$765M</b>	<b>\$742M</b>	<b>\$1,141M</b>	<b>\$1,123M</b>	<b>\$1,125M</b>	<b>+1%</b>	<b>-7%</b>	<b>-1%</b>	<b>+9%</b>
Semiconductor	57%	67%	66%	48%	48%	45%				
Advanced Electronics	19%	10%	12%	26%	26%	29%				
Specialty Industrial	24%	23%	22%	26%	26%	26%				

"Combined Company" combines revenue of MKS and Atotech, with "PF Q3'22" combining the revenue of MKS and the full-quarter revenue of Atotech

"Total Change" represents the percentage change in revenue

"FX" and "Pd" reflect the estimated impact of foreign exchange rates and palladium prices on revenue, respectively

"Change Excluding FX & Pd" is the difference between "Total Change" and "FX" and "Pd"

# Revenue & Select Financial Measures

	Q3'22	Q2'22	Q3'21
Semiconductor	\$541M	\$515M	\$488M
Advanced Electronics	\$185M	\$77M	\$90M
Specialty Industrial	\$228M	\$173M	\$164M
<b>Revenue</b>	<b>\$954M</b>	<b>\$765M</b>	<b>\$742M</b>
<b>Non-GAAP Financial Measures</b>			
Gross Margin	44.9%	44.2%	47.0%
Operating Margin	25.1%	24.1%	27.1%
Interest Expense, Net	\$36M	\$6M	\$6M
Income Tax Rate	18.0%	18.0%	20.4%
Net Earnings	\$167M	\$145M	\$155M
Net Earnings per Diluted Share	\$2.74	\$2.59	\$2.79
Adjusted EBITDA	\$268M	\$208M	\$222M
<b>GAAP Financial Measures</b>			
Gross Margin	40.8%	44.2%	47.0%
Operating Margin	12.4%	21.5%	23.6%
Interest Expense, Net	\$79M	\$6M	\$6M
Income Tax Rate	85.5%	17.0%	20.4%
Net Income	\$6M	\$130M	\$132M
Net Income per Diluted Share	\$0.09	\$2.32	\$2.38



# Balance Sheet & Cash Flow

	Q3'22	Q2'22	Q3'21
Cash & Short-Term Investments	\$885M	\$1,067M	\$880M
Accounts Receivable	\$730M	\$481M	\$443M
Inventories	\$961M	\$689M	\$550M
Total Current Assets	\$2,791M	\$2,349M	\$1,995M
Total Assets	\$11,372M	\$4,749M	\$4,366M
Term Loan Principal	\$5,189M	\$820M	\$827M
Total Liabilities	\$7,223M	\$1,620M	\$1,637M
Stockholders' Equity	\$4,149M	\$3,129M	\$2,729M
Operating Cash Flow	\$199M	\$105M	\$153M
Free Cash Flow	\$173M	\$41M	\$132M

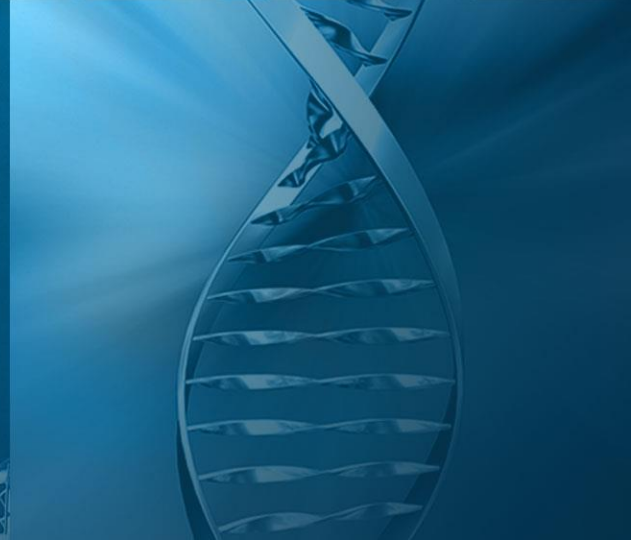
- Net leverage ratio of 3.3x at Q3'22, calculated on a combined company basis
- Remain focused on improving cash conversion cycle
- Issued cash dividend in Q3'22 of \$12M or \$0.22 per share

# Q4'22 Guidance

	Q4'22	Q3'22
Revenue	\$1.00B +/- \$50M	\$954M
<b>Non-GAAP Financial Measures</b>		
Gross Margin	44.5% +/- 100 bps	44.9%
Operating Expenses	\$240M +/- \$6M	\$189M
Operating Income	\$205M +/- \$27M	\$240M
Operating Margin	20.5% +/- 150 bps	25.1%
Interest Expense, Net	\$81M	\$36M
Tax Rate	27.0%	18.0%
Net Earnings	\$90M +/- \$18M	\$167M
Net Earnings per Diluted Share	\$1.34 +/- \$0.27	\$2.74
Adjusted EBITDA	\$240M +/- \$27M	\$268M
Diluted Share Count	66.7M	61.1M

- Semiconductor and Advanced Electronics revenue expected to decline sequentially
- Specialty Industrial revenue expected to remain consistent with Q3'22
- Non-GAAP gross margin reflects anticipated product mix, revenue levels and inflationary impact
- Non-GAAP tax rate reflects anticipated geographic mix of taxable income

Q&A



# Appendix – GAAP to Non-GAAP Reconciliations

	Q3'22	Q2'22	Q3'21
Net income	\$ 6	\$ 130	\$ 132
Acquisition and integration costs (Note 1)	31	2	9
Acquisition inventory step-up (Note 2)	39	—	—
Restructuring and other (Note 3)	5	3	2
Amortization of intangible assets	47	15	15
Amortization of debt issuance costs (Note 4)	43	—	—
Currency hedge loss (Note 5)	—	—	3
Reversal of indefinite reinvestment assertion (Note 6)	30	—	—
Tax effect of Non-GAAP adjustments (Note 7)	(34)	(5)	(6)
Non-GAAP net earnings	<u>\$ 167</u>	<u>\$ 145</u>	<u>\$ 155</u>
Non-GAAP net earnings per diluted share	<u>\$ 2.74</u>	<u>\$ 2.59</u>	<u>\$ 2.79</u>
Weighted average diluted shares outstanding	61.1	55.8	55.7
Gross profit	\$ 390	\$ 338	\$ 348
Acquisition inventory step-up (Note 2)	39	—	—
Non-GAAP gross profit	<u>\$ 429</u>	<u>\$ 338</u>	<u>\$ 348</u>
Non-GAAP gross margin	44.9%	44.2%	47.0%
Operating expenses	\$ 272	\$ 174	\$ 173
Acquisition and integration costs (Note 1)	31	2	9
Restructuring and other (Note 3)	5	3	2
Amortization of intangible assets	47	15	15
Non-GAAP operating expenses	<u>\$ 189</u>	<u>\$ 154</u>	<u>\$ 147</u>
Income from operations	\$ 118	\$ 164	\$ 175
Acquisition and integration costs (Note 1)	31	2	9
Acquisition inventory step-up (Note 2)	39	—	—
Restructuring and other (Note 3)	5	3	2
Amortization of intangible assets	47	15	15
Non-GAAP income from operations	<u>\$ 240</u>	<u>\$ 184</u>	<u>\$ 201</u>
Non-GAAP operating margin	25.1%	24.1%	27.1%

	Q3'22	Q2'22	Q3'21
Interest expense, net	\$ 79	\$ 6	\$ 6
Amortization of debt issuance costs (Note 4)	43	—	—
Non-GAAP interest expense, net	<u>\$ 36</u>	<u>\$ 6</u>	<u>\$ 6</u>
Net income	\$ 6	\$ 130	\$ 132
Interest expense, net	79	6	6
Provision for income taxes	34	26	34
Depreciation	17	13	12
Amortization of intangible assets	47	15	15
EBITDA	<u>\$ 183</u>	<u>\$ 190</u>	<u>\$ 199</u>
Stock-based compensation	10	13	9
Acquisition and integration costs (Note 1)	31	2	9
Acquisition inventory step-up (Note 2)	39	—	—
Restructuring and other (Note 3)	5	3	2
Currency hedge loss (Note 5)	—	—	3
Adjusted EBITDA	<u>\$ 268</u>	<u>\$ 208</u>	<u>\$ 222</u>
Adjusted EBITDA margin	28.0%	27.2%	29.9%
Net cash provided by operating activities	\$ 199	\$ 105	\$ 153
Purchases of property, plant and equipment	(26)	(64)	(21)
Free cash flow	<u>\$ 173</u>	<u>\$ 41</u>	<u>\$ 132</u>

in millions other than per diluted share amounts



# Appendix – GAAP to Non-GAAP Reconciliations

	Q3'22		
	Reported	MKS <sup>(1)</sup>	Guidance <sup>(2)</sup>
Revenue	\$ 954	\$ 777	\$770 +/- \$30
Operating expenses	\$ 272	\$ 192	
Acquisition and integration costs (Note 1)	31	30	
Restructuring and other (Note 3)	5	1	
Amortization of intangible assets	47	15	
Non-GAAP operating expenses	<u>\$ 189</u>	<u>\$ 146</u>	\$155 +/- \$4
Income from operations	\$ 118	153	
Acquisition and integration costs (Note 1)	31	30	
Acquisition inventory step-up (Note 2)	39	—	
Restructuring and other (Note 3)	5	1	
Amortization of intangible assets	47	15	
Non-GAAP income from operations	<u>\$ 240</u>	<u>\$ 199</u>	
Non-GAAP operating margin	25.1%	25.6%	24.4% +/- 130 bps

in millions

(1) Represents MKS results excluding the results of Atotech

(2) Guidance provided on July 28, 2022, which excluded contribution from Atotech

# Appendix – GAAP to Non-GAAP Reconciliations

	Q3'22			Q2'22		
	Income Before Income Tax	Provision for Income Taxes	Effective Tax Rate	Income Before Income Tax	Provision for Income Taxes	Effective Tax Rate
GAAP	\$ 40	\$ 34	85.5%	\$ 156	\$ 26	17.0%
Acquisition and integration costs (Note 1)	31	—		2	—	
Acquisition inventory step-up (Note 2)	39	—		—	—	
Restructuring and other (Note 3)	5	—		3	—	
Amortization of intangible assets	47	—		15	—	
Amortization of debt issuance costs (Note 4)	43	—		—	—	
Reverssal of indefinite reinvestment assertion (Note 6)	—	(30)		—	—	
Tax effect of Non-GAAP adjustments (Note 7)	—	34		—	5	
Non-GAAP	\$ 204	\$ 37	18.0%	\$ 176	\$ 31	18.0%

	Q3'21		
	Income Before Income Tax	Provision for Income Taxes	Effective Tax Rate
GAAP	\$ 166	\$ 34	20.4%
Acquisition and integration costs (Note 1)	9	—	
Restructuring and other (Note 3)	2	—	
Amortization of intangible assets	15	—	
Currency hedge loss (Note 5)	3	—	
Tax effect of Non-GAAP adjustments (Note 7)	—	6	
Non-GAAP	\$ 195	\$ 40	20.4%

in millions

# Appendix – GAAP to Non-GAAP Reconciliations



Non-GAAP financial measures adjust GAAP financial measures for the items listed below. These Non-GAAP financial measures should be viewed in addition to, and not as a substitute for, MKS' reported GAAP results, and may be different from Non-GAAP financial measures used by other companies. In addition, these Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. MKS management believes the presentation of these Non-GAAP financial measures is useful to investors for comparing prior periods and analyzing ongoing business trends and operating results.

Note 1: Acquisition and integration costs during the three months ended September 30, 2022 and the three months ended June 30, 2022 primarily related to the Atotech Acquisition. Acquisition and integration costs during the three ended September 30, 2021 primarily related to our acquisition of Photon Control and the Atotech Acquisition.

Note 2: Costs of revenues during the three ended September 30, 2022 include the amortization from the step-up of inventory to fair value as a result of the Atotech Acquisition.

Note 3: Restructuring and other costs during the three months ended September 30, 2022 primarily related to executive payments made related to the Atotech Acquisition. Restructuring and other costs during the three months ended June 30, 2022 primarily related to severance costs due to a global cost-saving initiative and the closure of two facilities in Europe. Restructuring and other costs during the three ended September 30, 2021 primarily related to duplicate facility costs attributed to entering into new facility leases, severance costs due to a global cost saving initiative, costs related to the closure of two facilities in Europe and movement of certain products to low-cost regions.

Note 4: We recorded additional interest expense related to the amortization of debt issuance costs associated with our new and prior term loan facilities.

Note 5: We recorded a fair-value loss in the three months ended September 30, 2021 from Canadian dollar contracts used to hedge the funding of our acquisition of Photon Control.

Note 6: We no longer intend to indefinitely reinvest earnings of our foreign subsidiaries after the Atotech Acquisition. Additional income tax expense was recorded to reflect an estimate of withholding taxes that would be due on repatriation of prior period earnings.

Note 7: Non-GAAP adjustments are tax effected at applicable statutory rates resulting in a difference between the GAAP and Non-GAAP tax rates.

# Appendix – Reconciliation of Net Leverage Ratio

<b>Combined</b>	<b>Q3'22</b>	<b>Q2'22</b>	<b>Q1'22</b>	<b>Q4'21</b>	<b>Total</b>	<b>MKS</b>	<b>Q3'22</b>	<b>Q2'22</b>	<b>Q1'22</b>	<b>Q4'21</b>	<b>Total</b>
Net income	\$ (12)	\$ 150	\$ 187	\$ 175	\$ 500	Net income	\$ 54	\$ 130	\$ 143	\$ 150	\$ 477
Interest expense, net	105	21	20	19	165	Interest expense, net	79	6	6	6	97
Provision for income taxes	33	51	46	46	176	Provision for income taxes	44	26	28	29	127
Depreciation and amortization	73	65	67	69	274	Depreciation and amortization	28	28	28	28	112
Stock-based compensation	13	17	11	13	54	Stock-based compensation	10	13	8	9	40
Acquisition and integration costs	71	2	9	15	97	Acquisition and integration costs	30	2	8	9	49
Acquisition inventory step-up	39	—	—	—	39	Restructuring and other	—	3	2	1	6
Restructuring and other	5	3	3	4	15	Gain on sale of long-lived assets	—	—	(7)	—	(7)
Gain on sale of long-lived assets	—	—	(7)	—	(7)	Currency hedge loss (gain)	—	—	(5)	—	(5)
Currency hedge loss (gain)	—	—	(5)	—	(5)	Adjusted EBITDA	<u>\$ 245</u>	<u>\$ 208</u>	<u>\$ 211</u>	<u>\$ 232</u>	<u>\$ 896</u>
Management fee	—	1	1	1	3						
Adjusted EBITDA	<u>\$ 327</u>	<u>\$ 310</u>	<u>\$ 332</u>	<u>\$ 342</u>	<u>\$ 1,311</u>	<b>Atotech</b>					
					\$ 5,189	Net income	\$ (66)	\$ 20	\$ 44	\$ 25	\$ 23
Principal outstanding on New Credit Agreement at September 30, 2022					885	Interest expense, net	26	15	14	13	68
Less: Cash & Short Term Investments at September 30, 2022					<u>\$ 4,304</u>	Provision for income taxes	(11)	25	18	17	49
Net debt at September 30, 2022					3.3x	Depreciation and amortization	45	37	39	41	162
Net leverage ratio at September 30, 2022						Stock-based compensation	3	4	3	4	14
						Acquisition and integration costs	41	—	1	6	48
						Acquisition inventory step-up	39	—	—	—	39
						Restructuring and other	5	—	1	3	9
						Management fee	—	1	1	1	3
						Adjusted EBITDA	<u>\$ 82</u>	<u>\$ 102</u>	<u>\$ 121</u>	<u>\$ 110</u>	<u>\$ 415</u>

Combined Company combines the results of MKS (excluding Atotech/MSD for Q3'22) and the results of Atotech (including full quarter results for Q3'22) in millions