



Second Quarter 2021 Financial Results

MKS Instruments, Inc.
July 29, 2021



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 manufacturing and sourcing risks, including supply chain disruptions and component shortages, the ability of MKS to complete its acquisition of Atotech Limited ("Atotech"), the terms of MKS' existing term loan, the terms and availability of financing for the Atotech acquisition, the substantial indebtedness MKS expects to incur in connection with the Atotech acquisition and the need to generate sufficient cash flows to service and repay such debt, risk of litigation relating to the Atotech acquisition, the risk that disruption from the Atotech acquisition materially and adversely affects the respective businesses and operations of MKS and Atotech, the ability of MKS to realize the anticipated synergies, cost savings and other benefits of the Atotech acquisition, competition from larger or more established companies in MKS' and Atotech's respective markets, the ability of MKS to successfully grow its business and the businesses of Atotech, Photon Control Inc. ("Photon Control"), which it acquired in July 2021, and Electro Scientific Industries, Inc. ("ESI"), which it acquired in February 2019, potential adverse reactions or changes to business relationships resulting from the announcement, pendency or completion of the Atotech acquisition, conditions affecting the markets in which MKS and Atotech operate, including the fluctuations in capital spending in the semiconductor industry and other advanced manufacturing markets, and fluctuations in sales to MKS' and Atotech's major customers, the ability to anticipate and meet customer demand, the challenges, risks and costs involved with integrating the operations of the companies we have acquired, potential fluctuations in quarterly results, dependence on new product development, rapid technological and market change, acquisition strategy, volatility of stock price, international operations, financial risk management, and the other factors described in MKS' Annual Report on Form 10-K for the year ended December 31, 2020 and any subsequent Quarterly Reports on Form 10-Q, as filed with the SEC. 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.

Use of Non-GAAP Financial Measures

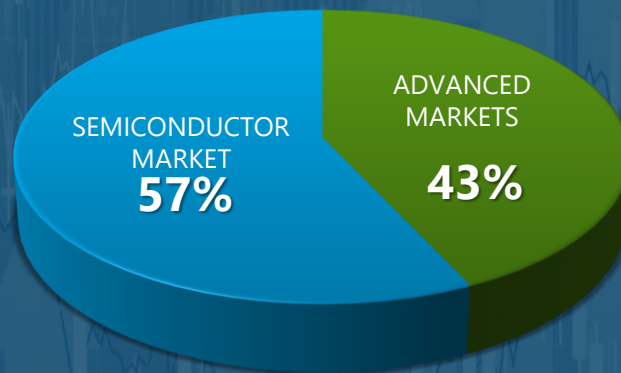
This presentation includes financial measures that are not in accordance with U.S. generally accepted accounting principles (“Non-GAAP financial measures”). These Non-GAAP financial measures should be viewed in addition to, and not as a substitute for, MKS’ reported GAAP results, and may be different 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.

MKS is not providing a quantitative reconciliation of forward-looking Non-GAAP gross margin, operating expenses, operating income, operating margin, interest expense, net, tax rate, net earnings and net earnings per diluted share 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 pending acquisition of Atotech and our recently completed acquisition of Photon Control, 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 related notes in the appendix of this presentation.

Q2'21 Results

	Q2'21	Q1'21	Q2'20	Q/Q	Y/Y
REVENUE	\$750M	\$694M	\$544M	8%	38%
NON-GAAP EPS	\$3.02	\$2.56	\$1.62	18%	86%
GAAP EPS	\$2.63	\$2.20	\$1.33	20%	98%



Q2'21 Market Highlights

Semiconductor Market

REVENUE	\$431M
Q/Q GROWTH	+5%
Y/Y GROWTH	+34%

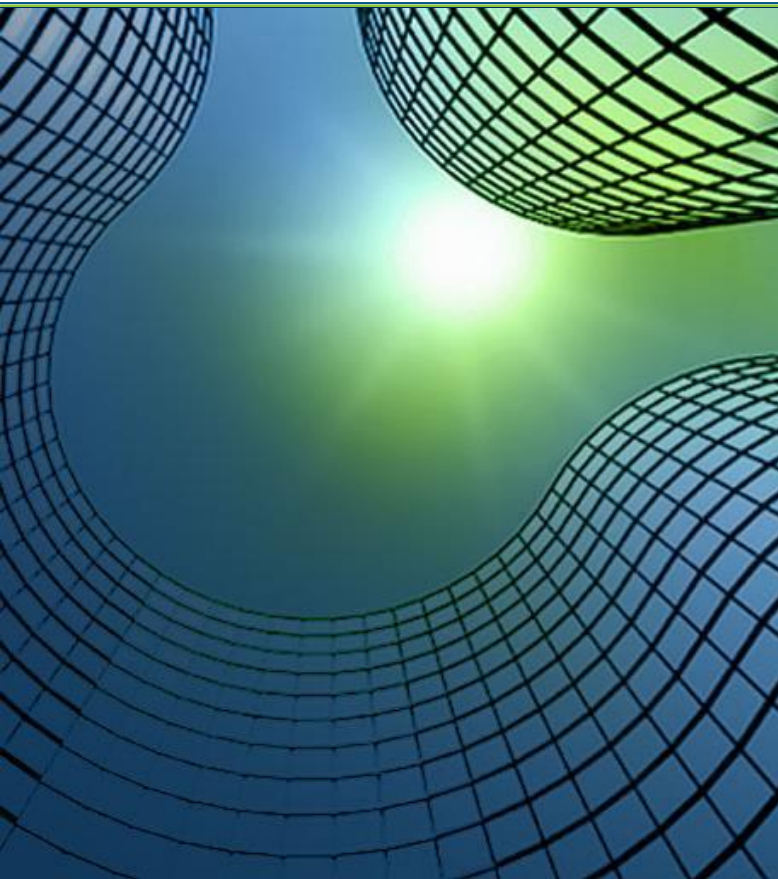
- Record revenue for RF Power
- Combined revenue from the remainder of Vacuum and Analysis Division reached another record
- Multiple large orders for our Dissolved Ozone and Dissolved Ammonia systems for advanced foundry applications
- Ten design wins in World Class Optics, eight of which were semiconductor applications

Advanced Markets

REVENUE	\$319M
Q/Q GROWTH	+13%
Y/Y GROWTH	+43%

- Strong adoption of our leading-edge Capstone™ Flex PCB via drilling solution
- Received first HDI order from TTM Technologies
- Commenced volume shipment of a picosecond UV laser platform for a meaningful advanced electronics design win
- Secured three new picosecond UV design wins

Photon Control—Extension of Surround the Chamber[®]



Fiber optic temperature sensing fits right into Surround the Chamber[®] portfolio

Enables growing complexity in Etch processing

Attractive gross margin profile and immediately accretive to Non-GAAP EPS

Atotech—Optimizing the Interconnect



Strong synergy with via drilling to optimize the interconnect

Robust margin profile and expected to accretive within the first year

Attractive recurring revenue stream estimated at ~40% of combined pro forma revenue

Revenue & Select Financial Measures

	Q2'21	Q1'21	Q2'20
Advanced Markets	\$319M	\$282M	\$223M
Semiconductor Market	\$431M	\$412M	\$321M
Revenue	\$750M	\$694M	\$544M

Non-GAAP Financial Measures

Gross Margin	47.4%	46.4%	45.3%
Operating Margin	27.7%	25.8%	21.6%
Interest Expense, Net	\$6M	\$6M	\$7M
Income Tax Rate	17.0%	17.0%	18.5%
Net Earnings	\$168M	\$143M	\$89M
Net Earnings per Diluted Share	\$3.02	\$2.56	\$1.62

GAAP Financial Measures

Gross Margin	47.4%	46.4%	45.3%
Operating Margin	24.8%	22.4%	18.5%
Interest Expense, Net	\$6M	\$6M	\$7M
Income Tax Rate	15.1%	17.5%	20.2%
Net Income	\$147M	\$122M	\$74M
Net Income per Diluted Share	\$2.63	\$2.20	\$1.33

Q2'21 Summary

- Record revenue, +8% Q/Q, +38% Y/Y
- Record Advanced Markets revenue +13% Q/Q, +43% Y/Y
- Record Semiconductor Market revenue +5% Q/Q, +34% Y/Y
- Non-GAAP Gross Margin +100 bps Q/Q, +210 bps Y/Y
- Non-GAAP Operating Margin +190 bps Q/Q, +610 bps Y/Y
- Record non-GAAP EPS, increased at >2x year-over-year revenue growth rate

Balance Sheet & Cash Flow

	Q2'21	Q1'21	Q2'20
Cash & Short-Term Investments	\$1,039M	\$910M	\$607M
Accounts Receivable	\$432M	\$421M	\$381M
Inventories	\$527M	\$515M	\$490M
Total Current Assets	\$2,122M	\$1,922M	\$1,570M
Total Assets	\$4,209M	\$4,018M	\$3,631M
Term Loan Principal	\$829M	\$831M	\$838M
Total Liabilities	\$1,594M	\$1,549M	\$1,504M
Stockholders' Equity	\$2,615M	\$2,469M	\$2,127M
Operating Cash Flow	\$165M	\$127M	\$139M
Free Cash Flow	\$149M	\$100M	\$118M

- Exited Q2'21 with \$1,039M of cash and short-term investments
- Remain focused on improving cash conversion cycle
- Record Q2'21 operating cash flow +19% Y/Y
- Record Q2'21 free cash flow +26% Y/Y
- Increased cash dividend in Q2'21 by 10% to \$0.22 per share or \$12M

Q3'21 Guidance

	Q3'21	Q2'21
Revenue	\$720M +/- \$30M	\$750M

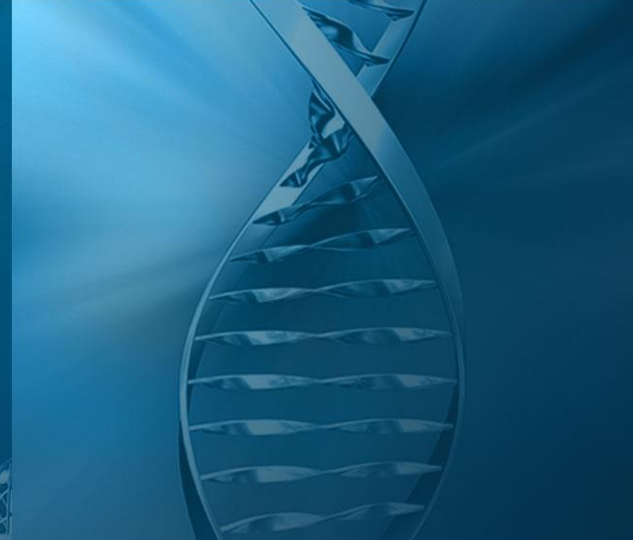
Non-GAAP Financial Measures

Gross Margin	47.0% +/- 100 bps	47.4%
Operating Expenses	\$149M +/- \$4M	\$147M
Operating Income	\$190M +/- \$17M	\$208M
Operating Margin	26.4% +/- 130 bps	27.7%
Interest Expense, Net	\$6M	\$6M
Tax Rate	17.0%	17.0%
Net Earnings	\$153M +/- \$15M	\$168M
Net Earnings per Diluted Share	\$2.74 +/- \$0.26	\$3.02

Diluted Share Count	55.7M	55.7M
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- Revenue from Semiconductor Market expected to be consistent to slightly up sequentially
- Revenue from Advanced Markets expected to decline sequentially
- Non-GAAP gross margin reflects anticipated product mix and revenue levels
- Non-GAAP tax rate reflects anticipated geographic mix of taxable income
- Guidance inclusive of partial quarter results from Photon Control

Q&A



Appendix – GAAP to Non-GAAP Reconciliations

	Q2'21	Q1'21	Q2'20		Q2'21	Q1'21	Q2'20
Net income	\$ 146.5	\$ 122.3	\$ 73.7	Gross profit	\$ 355.2	\$ 322.1	\$ 246.3
Acquisition and integration costs (Note 1)	6.0	6.2	0.7	COVID-19 related net costs (Note 3)	—	—	0.3
Restructuring and other (Note 2)	3.0	4.9	3.3	Non-GAAP gross profit	<u>\$ 355.2</u>	<u>\$ 322.1</u>	<u>\$ 246.6</u>
Amortization of intangible assets	12.7	12.4	13.8	Non-GAAP gross margin	<u>47.4%</u>	<u>46.4%</u>	<u>45.3%</u>
COVID-19 related net credits (Note 3)	—	—	(0.9)				
Amortization of debt issuance costs (Note 4)	0.5	0.2	0.2	Operating expenses	\$ 168.9	\$ 166.6	\$ 145.5
Currency hedge loss (Note 5)	7.5	—	—	Acquisition and integration costs (Note 1)	6.0	6.2	0.7
Windfall tax benefit on stock-based compensation (Note 6)	(2.7)	(1.7)	(1.4)	Restructuring and other (Note 2)	3.0	4.9	3.3
Withholding tax related to Brexit (Note 7)	—	3.2	—	Amortization of intangible assets	12.7	12.4	13.8
Deferred tax asset write-off (Note 8)	—	—	3.5	COVID-19 related net credits (Note 3)	—	—	(1.2)
Tax effect of Non-GAAP adjustments (Note 9)	(5.7)	(4.8)	(3.6)	Non-GAAP operating expenses	<u>\$ 147.2</u>	<u>\$ 143.1</u>	<u>\$ 128.9</u>
Non-GAAP net earnings	<u>\$ 167.8</u>	<u>\$ 142.7</u>	<u>\$ 89.3</u>				
Non-GAAP net earnings per diluted share	<u>\$ 3.02</u>	<u>\$ 2.56</u>	<u>\$ 1.62</u>	Income from operations	\$ 186.3	\$ 155.5	\$ 100.8
Weighted average diluted shares outstanding	55.7	55.6	55.3	Acquisition and integration costs (Note 1)	6.0	6.2	0.7
				Restructuring and other (Note 2)	3.0	4.9	3.3
Net cash provided by operating activities	\$ 165.2	\$ 126.9	\$ 139.0	Amortization of intangible assets	12.7	12.4	13.8
Purchases of property, plant and equipment	(16.3)	(26.5)	(20.9)	COVID-19 related net credits (Note 3)	—	—	(0.9)
Free cash flow	<u>\$ 148.9</u>	<u>\$ 100.4</u>	<u>\$ 118.1</u>	Non-GAAP income from operations	<u>\$ 208.0</u>	<u>\$ 179.0</u>	<u>\$ 117.7</u>
				Non-GAAP operating margin	<u>27.7%</u>	<u>25.8%</u>	<u>21.6%</u>
				Interest expense, net	\$ 6.3	\$ 6.2	\$ 6.9
				Amortization of debt issuance costs (Note 4)	0.5	0.2	0.2
				Non-GAAP interest expense, net	<u>\$ 5.8</u>	<u>\$ 6.0</u>	<u>\$ 6.7</u>

Dollar amounts (except per share data) and diluted share count in millions.

Appendix – GAAP to Non-GAAP Reconciliations

	Q2'21			Q1'21		
	Income Before Income Tax	Provision (benefit) for Income Taxes	Effective Tax Rate	Income Before Income Tax	Provision (benefit) for Income Taxes	Effective Tax Rate
GAAP	\$ 172.5	\$ 26.0	15.1%	\$ 148.2	\$ 25.9	17.5%
Acquisition and integration costs (Note 1)	6.0	—		6.2	—	
Restructuring and other (Note 2)	3.0	—		4.9	—	
Amortization of intangible assets	12.7	—		12.4	—	
Amortization of debt issuance costs (Note 4)	0.5	—		0.2	—	
Currency hedge loss (Note 5)	7.5	—		—	—	
Windfall tax benefit on stock-based compensation (Note 6)	—	2.7		—	1.7	
Deferred tax asset write-off (Note 8)	—	—		—	(3.2)	
Tax effect of Non-GAAP adjustments (Note 9)	—	5.7		—	4.8	
Non-GAAP	<u>\$ 202.2</u>	<u>\$ 34.4</u>	17.0%	<u>\$ 171.9</u>	<u>\$ 29.2</u>	17.0%
	Q4'20					
	Income Before Income Tax	Provision (benefit) for Income Taxes	Effective Tax Rate			
GAAP	\$ 92.4	\$ 18.7	20.2%			
Acquisition and integration costs (Note 1)	0.7	—				
Restructuring and other (Note 2)	3.3	—				
Amortization of intangible assets	13.8	—				
COVID-19 related net credits (Note 3)	(0.9)	—				
Amortization of debt issuance costs (Note 4)	0.2	—				
Windfall tax benefit on stock-based compensation (Note 6)	—	1.4				
Withholding tax related to Brexit (Note 7)	—	(3.5)				
Tax effect of Non-GAAP adjustments (Note 9)	—	3.6				
Non-GAAP	<u>\$ 109.5</u>	<u>\$ 20.2</u>	18.5%			

Dollar amounts 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 and six months ended June 30, 2021 primarily related to our acquisition of Photon Control, our pending acquisition of Atotech announced on July 1, 2021 and our proposed acquisition of Coherent, Inc. Acquisition and integration costs during the three months ended March 31, 2021 primarily related to our attempted acquisition of Coherent, Inc. Acquisition and integration costs during the three and six months ended June 30, 2020 related to integration costs related to our acquisition of ESI, which closed on February 1, 2019.

Note 2: Restructuring and other costs during the three and six months ended June 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 pending closure of a facility in Europe and movement of certain products to low cost regions. Restructuring and other costs during the three months ended March 31, 2021 primarily related to severance costs due to a global cost saving initiative and duplicate facility costs attributed to entering into new leases. Restructuring and other costs during the three and six months ended June 30, 2020 primarily related to duplicate facility costs attributed to entering into new facility leases and costs related to the closing of a facility in Europe.

Note 3: During the three and six months ended June 30, 2020, we recorded COVID-19 related costs and credits that were direct, incremental and not expected to recur. The amounts consisted of US and foreign payroll-tax credits for maintaining our workforce during the pandemic, offset by shift premiums and bonuses.

Note 4: We recorded additional interest expense related to the amortization of debt issuance costs related to our Term Loan Credit Agreement and our ABL Credit Agreement (each credit agreement, as defined in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 23, 2021).

Note 5: We recorded a fair-value loss from Canadian dollar contracts related to hedge currency fluctuations in connection with the funding of our acquisition of Photon Control, which was consummated on July 15, 2021.

Note 6: We recorded windfall tax benefits on the vesting of stock-based compensation

Note 7: We recorded additional withholding taxes on inter-company undistributed earnings following the United Kingdom's withdrawal from the European Union.

Note 8: We recorded a write-off of a deferred tax asset relate to foreign net operating losses.

Note 9: Non-GAAP adjustments are tax effected at applicable statutory rates resulting in a difference between the GAAP and Non-GAAP tax rates. For the three months ending September 30, 2021, we forecast a Non-GAAP tax rate of approximately 17.0%.