Third Quarter 2021 Financial Results

MKS Instruments, Inc.
October 28, 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, MKS’ entry into Atotech’s chemicals technology business, in which MKS does not have experience and which may expose it 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 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

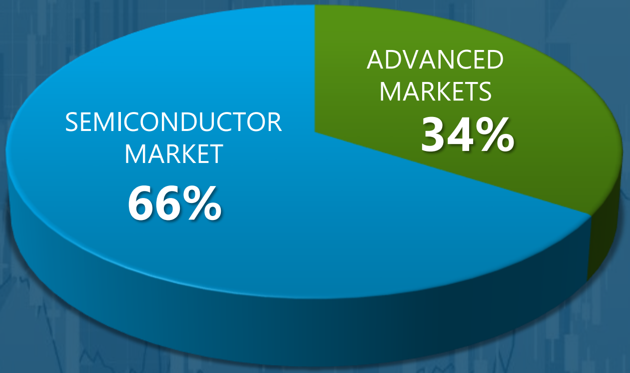
This presentation includes financial measures that are not in accordance with U.S. generally accepted accounting principles ("Non-GAAP financial measures"). These Non-GAAP financial measures should be viewed in addition to, and not as a substitute for, MKS' reported GAAP results, and may be different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

Q3'21 Results

	Q3'21	Q2'21	Q3'20	Q/Q	Y/Y
REVENUE	$742M	$750M	$590M	-1%	+26%
NON-GAAP EPS	$2.79	$3.02	$1.93	-8%	+45%
GAAP EPS	$2.38	$2.63	$1.66	-10%	+43%



Q3'21 Market Highlights

Semiconductor Market		Advanced Markets	
REVENUE	$488M	REVENUE	$254M
Q/Q GROWTH	+13%	Q/Q GROWTH	-20%
Y/Y GROWTH	+36%	Y/Y GROWTH	+10%

Semiconductor Market

- Record revenue for RF Power Solutions, with robust demand for leading edge 3D NAND applications and another year of meaningful market share gains
- Continued momentum for Plasma & Reactive Gas with strength in Dissolved Ozone
- Growth in Optical Solutions for lithography, metrology and inspection applications

Advanced Markets

- Picosecond laser design wins for Solar and PCB cutting
- World Class Optics design win for a defense application
- Added another beta customer for our HDI via drilling solution
- Laser Focus World Magazine's Innovators Award for our Capstone™ Flex PCB via drilling solution

Optimizing the Interconnect Demands an Integrated Approach

Increased device complexity driving PCB and Packaging innovation, especially in mobile devices

MKS:

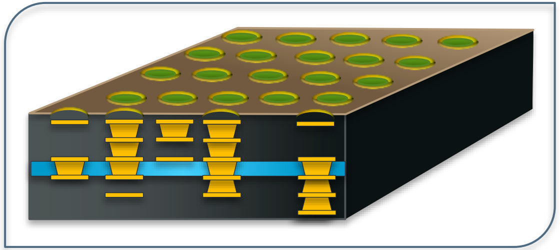
PCB via Drilling Systems, Lasers, Optics, Motion

Atotech Electronics:

Process Chemistry and Equipment

Combined PCB capabilities and expertise are unique and will accelerate new roadmaps

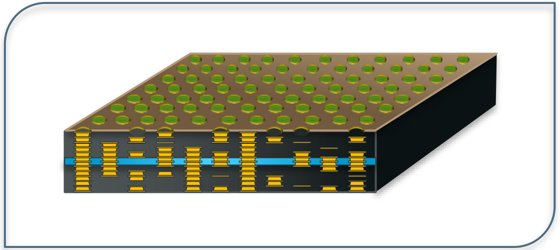
HDI PCB - **THEN**



Number of vias has increased by more than 4x from 250,000 to >1 million

Line/space and via size has decreased by more than 60%

HDI PCB - **NOW**



Adjacent Expertise Creates Significant Market Share Opportunities

Atotech's GMF Well-Positioned For Attractive Secular Trends

Electrification & Lightweight

- Enhanced plating of new plastics and lightweight metals
- Solutions for contact corrosion

Cr (VI) Replacement

- Driven by strict environmental regulations
- Demand for new chrome colors

Premiumization

- Constant trend towards higher quality
- Durability requirements

Wastewater Reduction

- Tighter global operating requirements

5G Infrastructure & Smartphones

- Plating of new plastics for 5G antennas
- Non-magnetic coatings for camera housings
- Electroless nickel for mobile device housings

Renewable Energy

- Cost-efficient solutions for solar cells
- Corrosion protection for wind turbines

Revenue & Select Financial Measures

	Q3'21	Q2'21	Q3'20
Advanced Markets	$254M	$319M	$231M
Semiconductor Market	$488M	$431M	$359M
Revenue	**$742M**	**$750M**	**$590M**
Non-GAAP Financial Measures			
Gross Margin	47.0%	47.4%	45.1%
Operating Margin	27.1%	27.7%	23.1%
Interest Expense, Net	$6M	$6M	$6M
Income Tax Rate	20.4%	17.0%	17.0%
Net Earnings	$155M	$168M	$107M
Net Earnings per Diluted Share	$2.79	$3.02	$1.93
GAAP Financial Measures			
Gross Margin	47.0%	47.4%	44.4%
Operating Margin	23.6%	24.8%	19.7%
Interest Expense, Net	$6M	$6M	$7M
Income Tax Rate	20.4%	15.1%	15.7%
Net Income	$132M	$147M	$92M
Net Income per Diluted Share	$2.38	$2.63	$1.66

Q3'21 Summary

- Revenue -1% Q/Q, +26% Y/Y
- Advanced Markets revenue -20% Q/Q, +10% Y/Y
- Record Semiconductor Market revenue +13% Q/Q, +36% Y/Y
- Non-GAAP Gross Margin -40 bps Q/Q, +190 bps Y/Y
- Non-GAAP Operating Margin -60 bps Q/Q, +400 bps Y/Y

Balance Sheet & Cash Flow

	Q3'21	Q2'21	Q3'20
Cash & Short-Term Investments	$880M	$1,039M	$716M
Accounts Receivable	$443M	$432M	$364M
Inventories	$550M	$527M	$494M
Total Current Assets	$1,995M	$2,122M	$1,670M
Total Assets	$4,366M	$4,209M	$3,751M
Term Loan Principal	$827M	$829M	$836M
Total Liabilities	$1,637M	$1,594M	$1,524M
Stockholders' Equity	$2,729M	$2,615M	$2,227M
Operating Cash Flow	$153M	$165M	$152M
Free Cash Flow	$133M	$149M	$123M

- Exited Q3'21 with $880M of cash and short-term investments following all-cash acquisition of Photon Control
- Remain focused on improving cash conversion cycle
- Q3'21 operating cash flow +1% Y/Y
- Q3'21 free cash flow +8% Y/Y
- Cash dividend of $0.22 per share or $12M

Atotech Term Loan Financing

Tranche:	USD Term Loan B	EUR Term Loan B
Size :	$4.7 billion	€500 million
Tenor:	7 years	
Pricing:	LIBOR+225 / 0.50% Floor @ 99.75 OID	EURIBOR +275 / 0.00% Floor @ 99.75 OID
Financing was 2x oversubscribed		

Q4'21 Guidance*

	Q4'21	Q3'21
Revenue	$760M +/- $30M	$742M
Non-GAAP Financial Measures		
Gross Margin	46.0% +/- 100 bps	47.0%
Operating Expenses	$151M +/- $4M	$148M
Operating Income	$199M +/- $17M	$201M
Operating Margin	26.2% +/- 130 bps	27.1%
Interest Expense, Net	$6M	$6M
Tax Rate	18%	20.4%
Net Earnings	$159M +/- $14M	$155M
Net Earnings per Diluted Share	$2.85 +/- $0.26	$2.79
Diluted Share Count	55.7M	55.7M

- Revenue from Semiconductor Market and Advanced Markets each expected to be consistent to up sequentially
- Non-GAAP gross margin reflects anticipated product mix, revenue levels and elevated input costs
- Non-GAAP tax rate reflects anticipated geographic mix of taxable income

*Guidance excludes contribution from Atotech Limited

Q&A

Appendix – GAAP to Non-GAAP Reconciliations

	Q3'21	Q2'21	Q3'20
Net income	$ 132.4	$ 146.5	$ 91.7
Acquisition and integration costs (Note 1)	8.6	6.0	0.5
Restructuring and other (Note 2)	2.0	3.0	3.1
Amortization of intangible assets	15.0	12.7	12.5
Amortization of debt issuance costs (Note 3)	0.2	0.5	0.2
Currency hedge loss (Note 4)	2.8	7.5	—
Inventory charge related to exit of product groups (Note 5)	—	—	3.9
Windfall tax benefit on stock-based compensation (Note 6)	—	(2.7)	(0.2)
Tax effect of Non-GAAP adjustments (Note 7)	(5.9)	(5.7)	(4.7)
Non-GAAP net earnings	$ 155.1	$ 167.8	$ 107.0
Non-GAAP net earnings per diluted share	$ 2.79	$ 3.02	$ 1.93
Weighted average diluted shares outstanding	55.7	55.7	55.4
Net cash provided by operating activities	$ 153.1	$ 165.2	$ 152.1
Purchases of property, plant and equipment	(20.5)	(16.3)	(29.0)
Free cash flow	$ 132.6	$ 148.9	$ 123.1

	Q3'21	Q2'21	Q3'20
Gross profit	$ 348.4	$ 355.2	$ 262.0
Inventory charge related to exit of product groups (Note 5)	—	—	3.9
Non-GAAP gross profit	$ 348.4	$ 355.2	$ 265.9
Non-GAAP gross margin	47.0%	47.4%	45.1%
Operating expenses	$ 173.1	$ 168.9	$ 145.6
Acquisition and integration costs (Note 1)	8.6	6.0	0.5
Restructuring and other (Note 2)	2.0	3.0	3.1
Amortization of intangible assets	15.0	12.7	12.5
Non-GAAP operating expenses	$ 147.5	$ 147.2	$ 129.5
Income from operations	$ 175.3	$ 186.3	$ 116.4
Acquisition and integration costs (Note 1)	8.6	6.0	0.5
Restructuring and other (Note 2)	2.0	3.0	3.1
Amortization of intangible assets	15.0	12.7	12.5
Inventory charge related to exit of product groups (Note 5)	—	—	3.9
Non-GAAP income from operations	$ 200.9	$ 208.0	$ 136.4
Non-GAAP operating margin	27.1%	27.7%	23.1%
Interest expense, net	$ 6.2	$ 6.3	$ 6.5
Amortization of debt issuance costs (Note 3)	0.2	0.5	0.2
Non-GAAP interest expense, net	$ 6.0	$ 5.8	$ 6.3

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

Appendix – GAAP to Non-GAAP Reconciliations

	Q3'21			Q2'21		
	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	$ 166.2	$ 33.8	20.4%	$ 172.5	$ 26.0	15.1%
Acquisition and integration costs (Note 1)	8.6	—		6.0	—	
Restructuring and other (Note 2)	2.0	—		3.0	—	
Amortization of intangible assets	15.0	—		12.7	—	
Amortization of debt issuance costs (Note 3)	0.2	—		0.5	—	
Currency hedge loss (Note 4)	2.8	—		7.5	—	
Windfall tax benefit on stock-based compensation (Note 6)	—	—		—	2.7	
Tax effect of Non-GAAP adjustments (Note 7)	—	5.9		—	5.7	
Non-GAAP	$ 194.8	$ 39.7	20.4%	$ 202.2	$ 34.4	17.0%

	Q3'20		
	Income Before Income Tax	Provision (benefit) for Income Taxes	Effective Tax Rate
GAAP	$ 108.8	$ 17.1	15.7%
Acquisition and integration costs (Note 1)	0.5	—	
Restructuring and other (Note 2)	3.1	—	
Amortization of intangible assets	12.5	—	
Amortization of debt issuance costs (Note 3)	0.2	—	
Inventory charge related to exit of product groups (Note 5)	3.9	—	
Windfall tax benefit on stock-based compensation (Note 6)	—	0.2	
Tax effect of Non-GAAP adjustments (Note 7)	—	4.7	
Non-GAAP	$ 129.0	$ 22.0	17.0%

Dollar amounts in millions.

Appendix – GAAP to Non-GAAP Reconciliation

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, 2021 primarily related to our acquisition of Photon Control and our pending acquisition of Atotech announced on July 1, 2021. Acquisition and integrations costs during the three months ended June 30, 2021 primarily related to our acquisition of Photon Control, our pending acquisition of Atotech and our proposed acquisition of Coherent, Inc. Acquisition and integration costs during the three months ended September 30, 2020 related to integration costs related to our acquisition of Electro Scientific Industries, Inc.

Note 2: Restructuring and other costs during the three months 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 pending closure of two facilities in Europe and movement of certain products to low cost regions. Restructuring and other costs during the three 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 two facilities in Europe and movement of certain products to low cost regions. Restructuring and other costs during the three months ended September 30, 2020 primarily related to duplicate facility costs attributed to entering into new facility leases, costs related to the exit of certain product groups and costs related to the pending closure of a facility in Europe.

Note 3: 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 4: 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 5: We recorded an inventory charge related to the exit of certain product groups.

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

Note 7: 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 December 31, 2021, we forecast a Non-GAAP tax rate of approximately 18%.