Fourth Quarter and Full Year 2024 Financial Results

MKS Instruments, Inc.
February 13, 2025

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”, the “Company”, “our”, or “we”). 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 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 that we make are the level and terms of our substantial indebtedness and our ability to service such debt; our entry into the chemicals technology business through our acquisition of Atotech Limited (“Atotech”) in August 2022 (the “Atotech Acquisition”), which has exposed us to significant additional liabilities; the risk that we are unable to realize the anticipated benefits of the Atotech Acquisition; legal, reputational, financial and contractual risks resulting from the ransomware incident we identified in February 2023, and other risks related to cybersecurity, data privacy and intellectual property; competition from larger, more advanced or more established companies in our markets; the ability to successfully grow our business, including through growth of the Atotech business and growth of the Electro Scientific Industries, Inc. business, which we acquired in February 2019, and financial risks associated with those and potential future acquisitions, including goodwill and intangible asset impairments; manufacturing and sourcing risks, including those associated with limited and sole source suppliers and the impact and duration of supply chain disruptions, component shortages, and price increases; changes in global demand; the impact of a pandemic or other widespread health crisis; risks associated with doing business internationally, including geopolitical conflicts, such as the conflict in the Middle East, trade compliance, trade protection measures, such as import tariffs by the United States or retaliatory actions taken by other countries, regulatory restrictions on our products, components or markets, particularly the semiconductor market, and unfavorable currency exchange and tax rate fluctuations, which risks become more significant as we grow our business internationally and in China specifically; conditions affecting the markets in which we operate, including fluctuations in capital spending in the semiconductor, electronics manufacturing and automotive industries, and fluctuations in sales to our major customers; 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 global operations of the companies we have 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 defective products; financial and legal risk management; and the other important factors described in MKS’ Annual Report on Form 10-K for the year ended December 31, 2023 and any subsequent Quarterly Reports on Form 10-Q, as filed with the U.S. Securities and Exchange Commission. 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. Amounts reported in this presentation are preliminary and subject to finalization prior to the filing of our Annual Report on form 10-K for the year ended December 31, 2024.

Notes on 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 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 full year Non-GAAP operating expenses and income tax rate to their 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, restructuring expense, goodwill and intangible asset impairments, debt refinancing fees, and the income tax effect of these items as well as tax planning strategies, legislation and other discrete items.

For a detailed breakout of net revenues by end-market and division, please visit the Net Revenues by End Market & Division presentation available under Events & Presentation on the Investor Relations section of MKS' website at investor.mks.com.

2024 Results: Execution, Profitability, Resiliency

FY 2024	FY 2024	FY 2024	FY 2024
$3.6B	**47.6%**	**$914M**	**$6.58**
REVENUE	NON-GAAP GROSS MARGIN	ADJUSTED EBITDA	NON-GAAP NET EARNINGS PER DILUTED SHARE
-1% vs 2023	+1.9% vs 2023	+5.9% vs 2023	+49% vs 2023

- Expanded gross margin and effectively managed operating expenses
- Increased Non-GAAP earnings per share and free cash flow
- Proactively managed leverage and, combined with Q1'25 actions and interest rate environment, reduced Non-GAAP interest expense run rate by over $130 million
- Maintained investments in R&D and strategic initiatives

Q4 2024: Performance Above Expectations

Q4 2024
$935M
REVENUE

Q4 2024
47.2%
NON-GAAP GROSS MARGIN

Q4 2024
$237M
ADJUSTED EBITDA

Q4 2024
$2.15
NON-GAAP NET EARNINGS PER DILUTED SHARE

Semiconductor

Q4 Highlights

Q4 2024

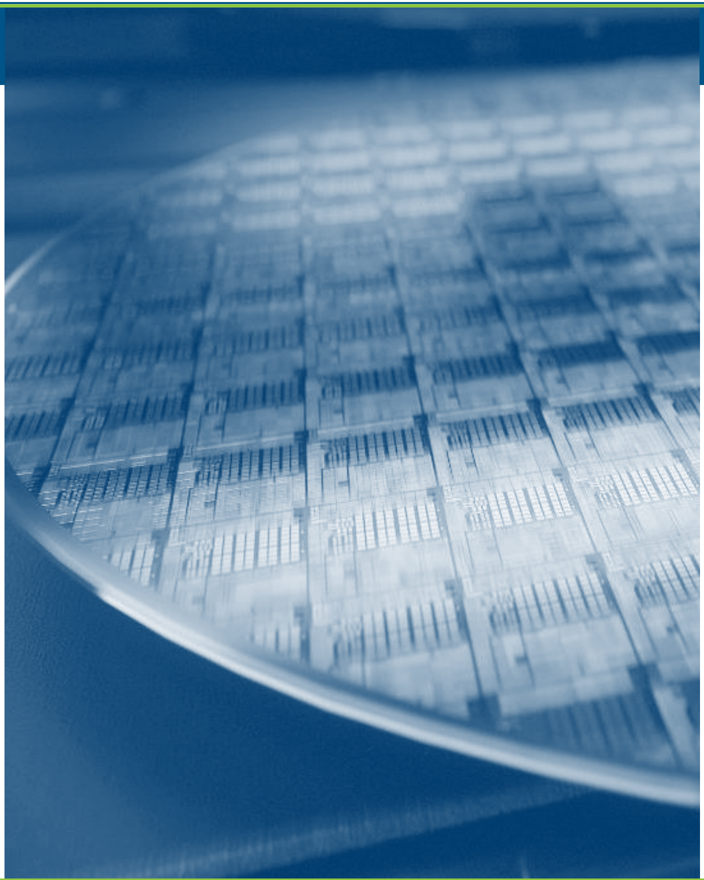
$400M

REVENUE

Q/Q CHANGE	+6%
Y/Y CHANGE	+10%
Y/Y CHANGE[1] Excluding FX	+11%

- Revenue above high end of guidance range driven by in-quarter demand related to DRAM and Logic/Foundry applications
- NAND improving but remains at historically low levels

[1] *For further information regarding estimated impact of FX, refer to appendix at the end of this presentation.*



Business Trends

Guidance
Q1 2025

$400M
+/- $15M

REVENUE

- Well positioned for market recovery and achieving a healthy pace of design wins
- Continued momentum in our laser business related to HBM applications
- Expect Q1 revenue to be flattish vs Q4'24 with continued stability in DRAM and Logic/Foundry and NAND remaining at low levels

Electronics & Packaging

Q4 Highlights

Q4 2024

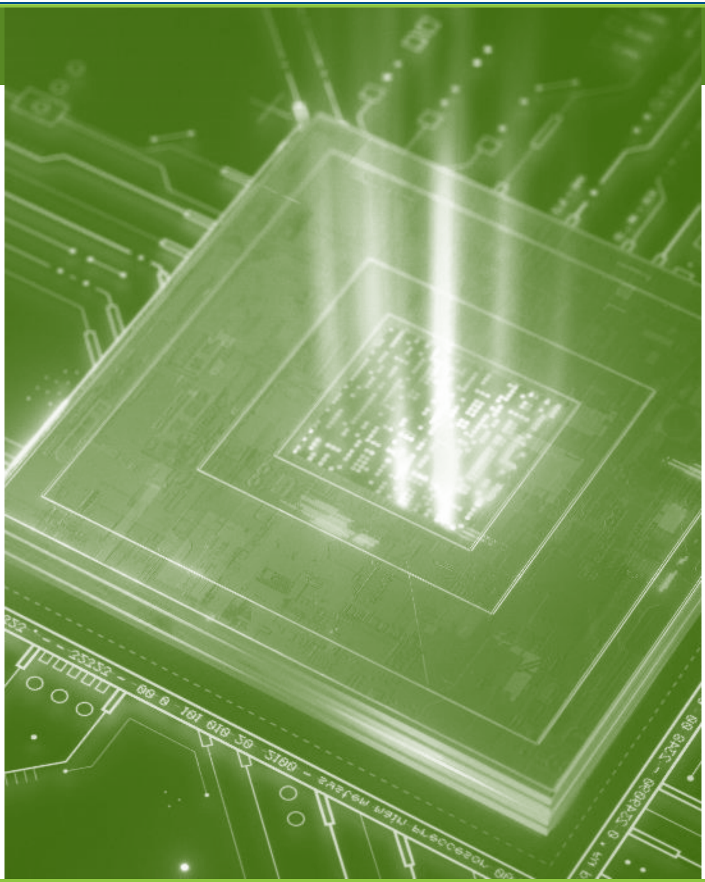
$254M

REVENUE

Q/Q CHANGE	+10%
Y/Y CHANGE	+13%
Y/Y CHANGE[1] Excluding FX & Palladium	+16%

- Continued momentum in orders for chemistry and equipment solutions for advanced MLB, HDI, and packaged substrates related to AI applications
- Excluding the impact of FX and palladium, chemistry sales grew 9% year over year and 12% for the full year

[1] *For further information regarding estimated impact of FX and Palladium, refer to appendix at the end of this presentation.*



Business Trends

Guidance
Q1 2025

$245M

+/- $10M

REVENUE

- Our products and technologies play a key role by enabling the manufacturing of increasingly complex electronic devices
- Expect Q1 revenue to be lower vs Q4'24 mainly due to seasonality associated with the Lunar New Year

Specialty Industrial

Q4 Highlights

Q4 2024

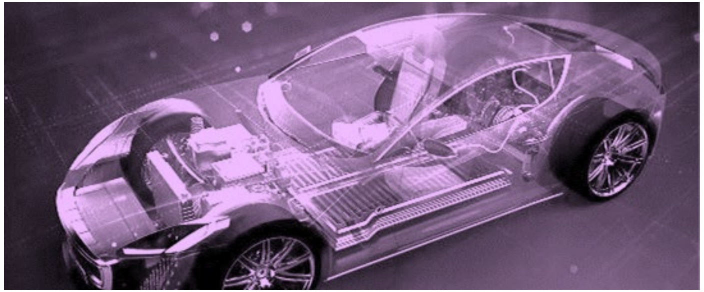
$281M

REVENUE

Q/Q CHANGE	-2%
Y/Y CHANGE	-8%
Y/Y CHANGE[1] Excluding FX and Palladium	-6%

- Steady performance in life and health sciences, and research and defense end markets
- Revenue decreased sequentially from softness across the broader industrial market

[1] *For further information regarding estimated impact of FX and Palladium, refer to appendix at the end of this presentation.*



Business Trends

Guidance
Q1 2025

$265M
+/- $15M

REVENUE

- Leverages our proprietary technologies and R&D investments in other markets, yielding strong incremental margin and cash generation
- Expect Q1 revenue to decrease vs Q4’24 due to softness in the industrial market and the impact of Lunar New Year on our General Metal Finishing business

Reflections on 2024

- Delivered solid financial performance
- Green shoots emerging in a few key areas
- Entering 2025 in a robust financial position

America's Most Responsible Companies

Newsweek and Statista

Best Companies To Work For

US News and World Report

Q4’24 Revenue & Select Financial Measures

	Q4'24	Q3'24	Q4'23	2024	2023
Semiconductor	$400M	$378M	$362M	$1,498M	$1,479M
Electronics & Packaging	$254M	$231M	$226M	$922M	$916M
Specialty Industrial	$281M	$287M	$305M	$1,166M	$1,227M
Revenue	$935M	$896M	$893M	$3,586M	$3,622M
Non-GAAP Financial Measures					
Gross Margin	47.2%	48.2%	46.0%	47.6%	45.7%
Operating Margin	21.3%	21.8%	20.3%	21.3%	19.5%
Interest Expense, Net	$45M	$53M	$76M	$242M	$315M
Income Tax Rate	4.0%	15.1%	15.6%	14.8%	18.9%
Net Earnings	$146M	$116M	$78M	$444M	$297M
Net Earnings per Diluted Share	$2.15	$1.72	$1.17	$6.58	$4.43
Adjusted EBITDA	$237M	$232M	$218M	$914M	$863M
Adjusted EBITDA Margin	25.3%	25.9%	24.4%	25.5%	23.8%
GAAP Financial Measures					
Gross Margin	47.2%	48.2%	46.0%	47.6%	45.3%
Operating Margin	14.5%	14.3%	2.7%	13.9%	-42.9%
Interest Expense, Net	$49M	$58M	$83M	$263M	$339M
Income Tax Rate	-14.5%	-4.0%	14.2%	-5.7%	4.5%
Net Income (Loss)	$90M	$62M	($68)M	$190M	($1,841)M
Net Income (Loss) per Diluted Share	$1.33	$0.92	($1.02)	$2.81	($27.54)

Q4’24 SUMMARY

- Revenue above the midpoint of guidance driven by Semiconductor and Electronics & Packaging markets
- Gross margin above midpoint of guidance but down sequentially due to higher equipment mix in the fourth quarter, consistent with our expectations
- Non-GAAP operating margin and Adjusted EBITDA margin above the midpoint of guidance driven mostly by higher gross margin
- Non-GAAP interest expense, net favorable to guidance due to a year-to-date reclassification of $3 million of pension plan interest costs
- Non-GAAP net earnings per diluted share above midpoint of guidance reflecting strong operating performance and lower non-GAAP tax rate due to favorable discrete items in the quarter

Balance Sheet & Cash Flow

	Q4'24	Q4'23
Cash and Cash Equivalents	$714M	$875M
Accounts Receivable, Net	$615M	$603M
Inventories	$893M	$991M
Total Current Assets	$2,474M	$2,696M
Total Assets	$8,590M	$9,118M
Debt Principal	$4,649M	$4,953M
Total Liabilities	$6,268M	$6,646M
Stockholders' Equity	$2,322M	$2,472M
Operating Cash Flow	$176M	$180M
Capex	$51M	$34M
Free Cash Flow	$125M	$146M
Unlevered Free Cash Flow	$171M	$194M

Q4’24 SUMMARY

- Free cash flow of $125 million after capital expenditures of $51 million
- Liquidity of about $1.4 billion, consisting of $714 million of cash and cash equivalents and an undrawn revolving credit facility of $675 million
- Net leverage ratio of 4.3x
- Voluntary principal prepayment of $216 million for a total of $426 million in 2024
- Issued cash dividend of $15 million or $0.22 per share

2024 Revenue & Select Financial Measures

	2024	2023	Total Change[(1)]	Change Excl. FX and Pd[(1)]
Semiconductor	$1,498M	$1,479M	1%	2%
Electronics & Packaging	$922M	$916M	1%	7%
Specialty Industrial	$1,166M	$1,227M	-5%	-3%
Revenue	$3,586M	$3,622M	-1%	2%

Non-GAAP Financial Measures

	2024	2023
Gross Margin	47.6%	45.7%
Operating Margin	21.3%	19.5%
Adjusted EBITDA	$914M	$863M
Adjusted EBITDA Margin	25.5%	23.8%

Cash Flow Measures

	2024	2023
Operating Cash Flow	$528M	$319M
Capex	$118M	$87M
Free Cash Flow	$410M	$232M
Unlevered Free Cash Flow	$624M	$473M

2024 SUMMARY

- The 2024 revenue split among our Semiconductor, Electronics & Packaging, and Specialty Industrial markets was 42%, 26%, and 32%, respectively
- Semiconductor revenue slightly higher, due to World Class Optics and continued stability in DRAM and Logic/Foundry demand, NAND remaining at low levels
- Electronics & Packaging chemistry sales increased 12% when excluding the impact of FX and palladium
- Non-GAAP gross margin increased 190 basis points from product mix and operating efficiencies, reflecting the value of our differentiated product portfolio and cost management measures
- Free cash flow conversion improved 500 basis points increasing $178 million
- Voluntary term loan prepayments of $426 million, upsized $1.4 billion convertible note offering, and opportunistic refinancing and repricing of our term loans

[1] *"Total Change" represents the percentage change in net revenues. "FX" and "Pd" reflect the estimated impact of foreign exchange rates and palladium prices on net revenues, respectively. "Change Excluding FX & Pd" is the difference between (i) "Total Change" and (ii) "FX" and "Pd."*

in millions except percentages

Outlook

	Q1'25		Q4'24 Actual
Revenue	$910M	+/- $40M	$935M
Non-GAAP Financial Measures			
Gross Margin	46.5%	+/- 100 bps	47.2%
Operating Expenses	$255M	+/- $5M	$242M
Operating Income	$168M		$199M
Operating Margin	18%		21.3%
Interest Expense, Net	$46M		$45M
Income Tax Rate	22%		4.0%
Net Earnings	$95M		$146M
Net Earnings per Diluted Share	$1.40	+/- $0.27	$2.15
Adjusted EBITDA	$217M	+/- $23M	$237M
Diluted Share Count	67.8M		67.7M
GAAP Financial Measures			
Gross Margin	46.5%	+/- 100 bps	47.2%
Operating Expenses	$317M	+/- $5M	$306M
Operating Income	$106M		$135M
Operating Margin	12%		14.5%
Interest Expense, Net	$50M		$49M
Income Tax Rate	19%		-14.5%
Net Income	$43M	+/- $19M	$90M
Net Income per Diluted Share	$0.63	+/- $0.28	$1.33
Diluted Share Count	67.8M		67.7M

Outlook

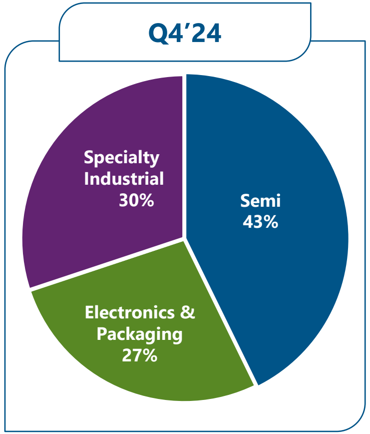
- Q1’25 Revenue outlook by end-market:
  - Semiconductor – $400M +/- $15M
  - Electronics & Packaging – $245M +/- $10M
  - Specialty Industrial – $265M +/- $15M
- Q1’25 Gross Margin reflects anticipated product mix, including lower chemistry sales in light of Lunar New Year
- 2025 Non-GAAP Operating Expense expected to remain in the range of $250-$260 million per quarter, investing in people and infrastructure
- January repricing and voluntary principal prepayment of $100 million on USD Term Loan B reducing annual interest expense run rate by about $15 million
- Q1’25 Non-GAAP Tax Rate of 22% with full year range of 19%-21%

MKS is well-positioned for the next cyclical upturn

- **Solid performance in 2024**
- **Leveraged broad and deep product portfolio to capture opportunities**
- **Managed costs, maintained strong gross margins and deleveraged balance sheet**
- **Incrementally investing in growth and business continuity**
- **Maintaining prudent focus on profit and cash generation**

Q&A

Q4’24 Revenue



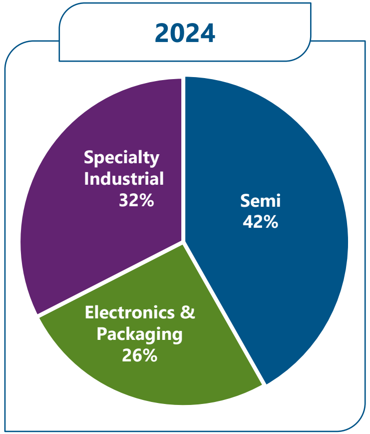
Consumables & Service 40%

	Q4'24	Q3'24	Q4'23	Q4'24 vs Q4'23[1] Total Change	FX	Pd	Change Excluding FX & Pd
Semiconductor	$ 400	$ 378	$ 362	10%	-1%	0%	11%
Electronics & Packaging	$ 254	231	226	13%	-1%	-3%	16%
Specialty Industrial	$ 281	287	305	-8%	-2%	0%	-6%
	$ 935	**$ 896**	**$ 893**	5%	-1%	-1%	7%

[1] "Total Change” represents the percentage change in net revenues. “FX” and “Pd” reflect the estimated impact of foreign exchange rates and palladium prices on net revenues, respectively. “Change Excluding FX & Pd” is the difference between (i) “Total Change” and (ii) “FX” and “Pd.”

in millions except percentages

2024 Revenue



Consumables & Service 42%

	2024	2023	Total Change	FX	Pd	Change Excluding FX & Pd
			2024 vs 2023(1)			
Semiconductor	$ 1,498	$ 1,479	1%	-1%	0%	2%
Electronics & Packaging	$ 922	$ 916	1%	-2%	-5%	7%
Specialty Industrial	$ 1,166	$ 1,227	-5%	-2%	-1%	-3%
	$ 3,586	**$ 3,622**	-1%	-1%	-1%	2%

[1] "Total Change" represents the percentage change in net revenues. "FX" and "Pd" reflect the estimated impact of foreign exchange rates and palladium prices on net revenues, respectively. "Change Excluding FX & Pd" is the difference between (i) "Total Change" and (ii) "FX" and "Pd."

in millions except percentages

Appendix – GAAP to Non-GAAP Reconciliations

	Q1'25	Q4'24	Q3'24	Q4'23	2024	2023
Net income (loss)	$ 43	$ 90	$ 62	$ (68)	$ 190	$ (1,841)
Acquisition and integration costs (Note 1)	—	3	3	3	9	16
Restructuring and other (Note 2)	—	1	1	7	6	20
Amortization of intangible assets	60	61	61	70	245	295
Loss on debt extinguishment (Note 3)	3	4	5	8	57	8
Amortization of debt issuance costs (Note 4)	4	5	5	7	21	24
Fees and expenses related to repricing of Term Loan Facility (Note 5)	2	—	2	2	5	2
Goodwill and intangible asset impairment (Note 6)	—	—	—	75	—	1,902
Gain on sale of long-lived assets (Note 7)	—	—	—	—	—	(2)
Ransomware incident (Note 8)	—	—	—	1	—	15
Excess and obsolete charge from discontinued product line (Note 9)	—	—	—	—	—	13
Tax effect of Non-GAAP adjustments (Note 10)	(17)	(18)	(23)	(26)	(89)	(156)
Non-GAAP net earnings	$ 95	$ 146	$ 116	$ 78	$ 444	$ 297
Non-GAAP net earnings per diluted share	$ 1.40	$ 2.15	$ 1.72	$ 1.17	$ 6.58	$ 4.43
Weighted average diluted shares outstanding	67.8	67.7	67.6	67.1	67.6	67.0

	Q1'25	Q4'24	Q3'24	Q4'23	2024	2023
Gross profit	$ 423	$ 441	$ 432	$ 411	$ 1,708	$ 1,642
GAAP gross margin	46.5%	47.2%	48.2%	46.0%	47.6%	45.3%
Excess and obsolete charge from discontinued product line (Note 9)	—	—	—	—	—	13
Non-GAAP gross profit	$ 423	$ 441	$ 432	$ 411	$ 1,708	$ 1,655
Non-GAAP gross margin	46.5%	47.2%	48.2%	46.0%	47.6%	45.7%

in millions, other than per diluted share amounts and percentages

Appendix – GAAP to Non-GAAP Reconciliations

	Q1'25	Q4'24	Q3'24	Q4'23	2024	2023
Operating expenses	$ 317	$ 306	$ 304	$ 387	$ 1,210	$ 3,196
Acquisition and integration costs (Note 1)	—	3	3	3	9	16
Restructuring and other (Note 2)	—	1	1	7	6	20
Amortization of intangible assets	60	61	61	70	245	295
Fees and expenses related to repricing of Term Loan Facility (Note 5)	2	—	2	2	5	2
Goodwill and intangible asset impairment (Note 6)	—	—	—	75	—	1,902
Gain on sale of long-lived assets (Note 7)	—	—	—	—	—	(2)
Ransomware incident (Note 8)	—	—	—	1	—	15
Non-GAAP operating expenses	$ 255	$ 242	$ 237	$ 229	$ 945	$ 948
Income (loss) from operations	$ 106	$ 135	$ 128	$ 24	$ 498	$ (1,554)
Operating margin	11.7%	14.5%	14.3%	2.7%	13.9%	-42.9%
Acquisition and integration costs (Note 1)	—	3	3	3	9	16
Restructuring and other (Note 2)	—	1	1	7	6	20
Amortization of intangible assets	60	61	61	70	245	295
Fees and expenses related to repricing of Term Loan Facility (Note 5)	2	—	2	2	5	2
Goodwill and intangible asset impairment (Note 6)	—	—	—	75	—	1,902
Gain on sale of long-lived assets (Note 7)	—	—	—	—	—	(2)
Ransomware incident (Note 8)	—	—	—	1	—	15
Excess and obsolete charge from discontinued product line (Note 9)	—	—	—	—	—	13
Non-GAAP income from operations	$ 168	$ 199	$ 195	$ 182	$ 763	$ 707
Non-GAAP operating margin	18.5%	21.3%	21.8%	20.3%	21.3%	19.5%
Interest expense, net	$ 50	$ 49	$ 58	$ 83	$ 263	$ 339
Amortization of debt issuance costs (Note 4)	4	5	5	7	21	24
Non-GAAP interest expense, net	$ 46	$ 45	$ 53	$ 76	$ 242	$ 315

in millions, except percentages

Appendix – GAAP to Non-GAAP Reconciliations

	Q1'25	Q4'24	Q3'24	Q4'23	2024	2023
Net income (loss)	$ 43	$ 90	$ 62	$ (68)	$ 190	$ (1,841)
Interest expense, net	50	49	58	83	263	339
Other expense (income), net	—	3	5	12	(2)	27
(Benefit) provision for income taxes	10	(11)	(2)	(11)	(10)	(87)
Depreciation	26	26	26	25	103	102
Amortization of intangible assets	60	61	61	70	245	295
Stock-based compensation	23	11	11	11	48	54
Acquisition and integration costs (Note 1)	—	3	3	3	9	16
Restructuring and other (Note 2)	—	1	1	7	6	20
Loss on debt extinguishment (Note3)	3	4	5	8	57	8
Fees and expenses related to repricing of Term Loan Facility (Note 5)	2	—	2	2	5	2
Goodwill and intangible asset impairment (Note 6)	—	—	—	75	—	1,902
Gain on sale of long-lived assets (Note 7)	—	—	—	—	—	(2)
Ransomware incident (Note 8)	—	—	—	1	—	15
Excess and obsolete charge from discontinued product line (Note 9)	—	—	—	—	—	13
Adjusted EBITDA	$ 217	$ 237	$ 232	$ 218	$ 914	$ 863
Adjusted EBITDA margin	23.8%	25.3%	25.9%	24.4%	25.5%	23.8%

Debt principal outstanding as of December 31, 2024	$ 4,649
Cash and cash equivalents as of December 31, 2024	714
Net debt as of December 31, 2024	$ 3,935
Adjusted EBITDA for twelve months ended December 31, 2024	$ 914
Net leverage ratio at December 31, 2024	**4.3x**

in millions, except percentages and net leverage ratio

Appendix – GAAP to Non-GAAP Reconciliations

	Q4'24	Q3'24	Q4'23	2024	2023
Net cash provided by operating activities	$ 176	$ 163	$ 180	$ 528	$ 319
Purchases of property, plant and equipment	(51)	(22)	(34)	(118)	(87)
Free cash flow	$ 125	$ 141	$ 146	$ 410	$ 232

	Q4'24	Q3'24	Q4'23	2024	2023
Free cash flow	$ 125	$ 141	$ 146	$ 410	$ 232
Cash paid for interest	58	61	61	270	305
Tax effect on cash paid for interest[1]	(12)	(13)	(13)	(57)	(64)
Unlevered free cash flow	$ 171	$ 189	$ 194	$ 624	$ 473

[1]*Tax effect of cash paid for interest was calculated at the US Federal Statutory rate of 21%*

in millions

Appendix – GAAP to Non-GAAP Reconciliations

	Q4'24			Q4'23		
	Income Before Income Tax	(Benefit) Provision for Income Taxes	Effective Tax Rate	(Loss) Income Before Income Tax	(Benefit) Provision for Income Taxes	Effective Tax Rate
GAAP	$ 79	$ (11)	-14.5%	$ (79)	$ (11)	14.2%
Acquisition and integration costs (Note 1)	3	—		3	—	
Restructuring and other (Note 2)	1	—		7	—	
Amortization of intangible assets	61	—		70	—	
Loss on debt extinguishment (Note 3)	4	—		8	—	
Amortization of debt issuance costs (Note 4)	5	—		7	—	
Fees and expenses related to repricing of Term Loan Facility (Note 5)	—	—		2	—	
Goodwill and intangible asset impairments (Note 6)	—	—		75	—	
Ransomware incident (Note 8)	—	—		1	—	
Tax effect of Non-GAAP adjustments (Note 10)	—	18		—	26	
Non-GAAP	$ 153	$ 7	4.0%	$ 94	$ 15	15.6%

	Q3'24			Q1'25		
	Income Before Income Tax	(Benefit) Provision for Income Taxes	Effective Tax Rate	Income Before Income Tax	Provision for Income Taxes	Effective Tax Rate
GAAP	$ 60	$ (2)	-4.0%	$ 53	$ 10	19.3%
Acquisition and integration costs (Note 1)	3	—		—	—	
Restructuring and other (Note 2)	1	—		—	—	
Amortization of intangible assets	61	—		60	—	
Loss on debt extinguishment (Note 3)	5	—		3	—	
Amortization of debt issuance costs (Note 4)	5	—		4	—	
Fees and expenses related to repricing of Term Loan Facility (Note 5)	2	—		2	—	
Tax effect of Non-GAAP adjustments (Note 10)	—	23		—	17	
Non-GAAP	$ 137	$ 21	15.1%	$ 121	$ 27	21.8%

in millions, except percentages

Appendix – GAAP to Non-GAAP Reconciliations

	2024			2023		
	Income Before Income Tax	(Benefit) Provision for Income Taxes	Effective Tax Rate	(Loss) Income Before Income Taxes	(Benefit) Provision for Income Taxes	Effective Tax Rate
GAAP	$ 180	$ (10)	-5.7%	$ (1,928)	$ (87)	4.5%
Acquisition and integration costs (Note 1)	9	—		16	—	
Restructuring and other (Note 2)	6	—		20	—	
Amortization of intangible assets	245	—		295	—	
Loss on debt extinguishment (Note 3)	57	—		8	—	
Amortization of debt issuance costs (Note 4)	21	—		24	—	
Fees and expenses related to repricing of Term Loan Facility (Note 5)	5	—		2	—	
Goodwill and intangible asset impairment (Note 6)	—	—		1,902	—	
Gain on sale of long-lived assets (Note 7)	—	—		(2)	—	
Ransomware incident (Note 8)	—	—		15	—	
Excess and obsolete charge from discontinued product line (Note 9)	—	—		13	—	
Tax effect of Non-GAAP adjustments (Note 10)	—	89		—	156	
Non-GAAP	$ 523	$ 78	14.8%	$ 366	$ 69	18.9%

in millions, except percentages

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. Totals presented may not sum and percentages may not recalculate using figures presented due to rounding.

Note 1: Acquisition and integration costs related to the Atotech Acquisition.

Note 2: Restructuring costs primarily related to severance costs due to global cost-saving initiatives. Other costs related to certain legal matters.

Note 3: During the three and twelve months ended December 31, 2024, we recorded charges to write-off deferred financing fees and original issue discount costs related to voluntary principal prepayments on our USD term loan B. During the three months ended September 30, 2024 and the twelve months ended December 31, 2024, we recorded charges to write-off deferred financing fees and original issue discount costs related to the repricing of our USD term loan B and EUR term loan B. Additionally, during the twelve months ended December 31, 2024, we recorded charges to (i) write-off deferred financing fees and original issue discount costs related to voluntary principal prepayments on our EUR term loan B and (ii) write-off deferred financing fees related to the extinguishment of our term loan A. During the three and twelve months ended December 31, 2023, we recorded a charge to write-off deferred financing fees and original issue discount costs related to the repricing of our USD term loan B and the voluntary prepayment on our USD Tranche A loan.

Note 4: We recorded additional interest expense related to the amortization of deferred financing costs associated with our term loan facility.

Note 5: During the twelve months ended December 31, 2024 and the three months ended September 30, 2024, we recorded fees and expenses related to the repricing of our USD term loan B and EUR term loan B. During the twelve months ended December 31, 2024, we also recorded fees and expenses related to an amendment to our term loan facility where we borrowed additional amounts under our USD term loan B and EUR term loan B and fully repaid our term loan A. During the three and twelve months ended December 31, 2023, we recorded fees and expenses related to the repricing of our USD term loan B.

Note 6: During the twelve months ended December 31, 2023, we noted softer industry demand, particularly in the personal computer and smartphone markets and concluded there was a triggering event at our Materials Solutions Division, which represents the former Atotech business, and Equipment Solutions Business, which represents the former Electro Scientific Industries business and is a reporting unit of our Photonics Solutions Division. We performed a quantitative assessment which resulted in an impairment of $1.3 billion for our Materials Solutions Division and $0.5 billion for our Equipment Solutions Business. In addition, during the three months ended December 31, 2023, as part of our annual goodwill and intangible asset impairment analysis, we recorded additional impairment charges of $62 million for our Materials Solutions Division and $13 million for our Equipment Solutions Business.

Note 7: We recorded a gain on the sale of a minority interest investment in a private company.

Note 8: We recorded costs, net of recoveries, associated with the ransomware incident we identified on February 3, 2023. These costs were primarily comprised of various third-party consulting services, including forensic experts, restoration experts, legal counsel, and other information technology and accounting professional expenses, enhancements to our cybersecurity measures, and costs to restore our systems and access our data.

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. Totals presented may not sum and percentages may not recalculate using figures presented due to rounding.

Note 9: We recorded an excess and obsolescence inventory charge related to a product line that was discontinued.

Note10: Non-GAAP adjustments are tax effected at applicable statutory rates resulting in a difference between the GAAP and Non-GAAP tax rates.