



July 25, 2017

## MKS Instruments Reports Second Quarter 2017 Financial Results

- | **Achieved new quarterly records for total semiconductor revenue and Non-GAAP net earnings**
- | **Total quarterly revenue up 34% compared to Q2 2016 on a pro-forma basis**
- | **Achieved new quarterly revenue record for Light and Motion Division**

ANDOVER, Mass., July 25, 2017 (GLOBE NEWSWIRE) -- MKS Instruments, Inc. (NASDAQ:MKSI), a global provider of technologies that enable advanced processes and improve productivity, today reported second quarter 2017 financial results.

### Quarterly Financial Results (in millions, except per share data)

|                         | Q2 2017 | Q1 2017 |
|-------------------------|---------|---------|
| <b>GAAP Results</b>     |         |         |
| Net revenues            | \$481   | \$437   |
| Gross margin            | 45.7%   | 47.0%   |
| Operating margin        | 19.3%   | 19.1%   |
| Net income              | \$120.4 | \$65.1  |
| Diluted EPS             | \$2.19  | \$1.18  |
| <b>Non-GAAP Results</b> |         |         |
| Gross margin            | 45.9%   | 47.0%   |
| Operating margin        | 24.0%   | 22.5%   |
| Net earnings            | \$77.7  | \$70.0  |
| Diluted EPS             | \$1.41  | \$1.27  |

### Second Quarter 2017 Financial Results

Revenue was \$481 million, an increase of 10% from \$437 million in the first quarter of 2017 and an increase of 34% from \$359 million in the second quarter of 2016 on a pro-forma basis.

Net income was \$120.4 million, or \$2.19 per diluted share, compared to net income of \$65.1 million, or \$1.18 per diluted share in the first quarter of 2017, and \$9.2 million, or \$0.17 per diluted share in the second quarter of 2016.

Non-GAAP net earnings, which exclude special charges and credits, were \$77.7 million, or \$1.41 per diluted share, compared to \$70.0 million, or \$1.27 per diluted share in the first quarter of 2017, and \$38.7 million, or \$0.72 per diluted share in the second quarter of 2016.

"We are very pleased with our continued progress in 2017 in achieving our objective of sustainable and profitable growth," said Gerald Colella, Chief Executive Officer and President. Mr. Colella added, "This quarter, we set new records for quarterly revenue and Non-GAAP net earnings and our focus on integrating the Newport Corporation acquisition into our organization has produced both excellent results and new growth opportunities. We achieved our initial cost synergies ahead of plan, while also substantially improving the revenue growth profile and profitability of the Light and Motion Division."

"We also continue to execute on our strategy to delever our balance sheet and significantly reduce our interest cost. I am pleased to report that as of June 30, the Company was in a net cash position. In addition, in early July, we completed our third successful re-pricing of our Term Loan and completed another \$50 million voluntary pre-payment on our Term Loan facility, which brought our cumulative pre-payments to date to \$250 million. Since origination on April 29, 2016, we have reduced our non-GAAP interest expense by \$20 million or approximately 50% on an annualized basis," said Seth Bagshaw, Senior Vice President and Chief Financial Officer.

### Additional Financial Information

The Company had \$577 million in cash and short-term investments as of June 30, 2017 and \$573 million outstanding under its Term Loan (reduced to \$523 million on July 11, 2017). During the second quarter of 2017, MKS paid a dividend of \$9.5 million or \$0.175 per diluted share.

In April, the Company completed the sale of its Data Analytics Solutions Business Unit and recognized a net after tax gain of \$72 million in the second quarter.

### **Third Quarter 2017 Outlook**

Based on current business levels, the Company expects that revenue in the third quarter of 2017 may range from \$450 to \$490 million.

At these volumes, GAAP net income could range from \$1.12 to \$1.37 per diluted share and non-GAAP net earnings could range from \$1.32 to \$1.56 per diluted share.

### **Conference Call Details**

A conference call with management will be held on Wednesday, July 26, 2017 at 8:30 a.m. (Eastern Time). To participate in the conference call, please dial (877) 212-6076 for domestic callers and (707) 287-9331 for international callers, and an operator will connect you. Participants will need to provide the operator with the Conference ID of 40213368, which has been reserved for this call. A live and archived webcast of the call will be available on the company's website at [www.mksinst.com](http://www.mksinst.com).

### **About MKS Instruments**

MKS Instruments, Inc. is a global provider of instruments, subsystems and process control solutions that measure, control, power, monitor, and analyze critical parameters of advanced manufacturing processes to improve process performance and productivity. Our products are derived from our core competencies in pressure measurement and control, flow measurement and control, gas and vapor delivery, gas composition analysis, residual gas analysis, leak detection, control technology, ozone generation and delivery, RF & DC power, reactive gas generation, vacuum technology, lasers, photonics, sub-micron positioning, vibration isolation, and optics. Our primary served markets include semiconductor capital equipment, general industrial, life sciences, and research. Additional information can be found at [www.mksinst.com](http://www.mksinst.com).

### **Use of Non-GAAP Financial Results**

Non-GAAP amounts exclude amortization of acquired intangible assets, an asset impairment, costs associated with completed and announced acquisitions, acquisition integration costs, restructuring charges, certain excess and obsolete inventory charges, fees and expenses related to re-pricing of our Term Loan, amortization of debt issuance costs, net proceeds from an insurance policy, costs associated with the sale of a business, the tax effect of a legal entity restructuring, other discrete tax benefits and charges, and the related tax effect of these adjustments. These non-GAAP measures are not in accordance with generally accepted accounting principles in the United States of America (GAAP). 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. Annualized GAAP interest expense based upon \$780 million principal outstanding and using the LIBOR based interest rate spread in effect on April 29, 2016, was \$44.0 million. Annualized GAAP interest expense based upon \$523 million in principal currently outstanding and LIBOR plus 225 basis points would be \$24.1 million. Pro-forma revenue amounts assume the acquisition of Newport Corporation had occurred as of the beginning of 2016.

### **SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS**

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the future financial performance of MKS, our future business prospects, our future growth, and our expected synergies and cost savings from our recent acquisition of Newport Corporation. These statements are only predictions based on current assumptions and expectations. 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 conditions affecting the markets in which we operate, including the fluctuations in capital spending in the semiconductor industry, and other advanced manufacturing markets, fluctuations in net sales to our major customers, our ability to successfully integrate Newport's operations and employees, unexpected risks, costs, charges or expenses resulting from the Newport acquisition or other acquisitions, the terms of the Term Loan financing, fluctuations in interest rates, MKS' ability to realize anticipated synergies and cost savings from the Newport acquisition, our ability to successfully grow our business, potential fluctuations in quarterly results, dependence on new product development, rapid technological and market change, acquisition strategy, manufacturing and sourcing risks, volatility of stock price, international operations, financial risk management, and the other factors described in MKS' most recent Annual Report on Form 10-K for the year ended December 31, 2016 filed with SEC. MKS is under no obligation to, and expressly disclaims any obligation to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise after the date of this press release.

|  | Three Months Ended |                  |                   |
|--|--------------------|------------------|-------------------|
|  | June 30,<br>2017   | June 30,<br>2016 | March 31,<br>2017 |
| Net revenues:                              |                    |                  |                   |
| Products                                   | \$ 431,950         | \$ 285,471       | \$ 392,922        |
| Services                                   | 48,807             | 40,390           | 44,231            |
| Total net revenues                         | 480,757            | 325,861          | 437,153           |
| Cost of revenues:                          |                    |                  |                   |
| Products                                   | 229,304            | 163,993          | 205,060           |
| Services                                   | 31,870             | 25,955           | 26,546            |
| Total cost of revenues                     | 261,174            | 189,948          | 231,606           |
| Gross profit                               | 219,583            | 135,913          | 205,547           |
| Research and development                   | 33,680             | 28,214           | 33,282            |
| Selling, general and administrative        | 71,979             | 59,579           | 74,220            |
| Acquisition and integration costs          | 790                | 20,055           | 1,442             |
| Restructuring                              | 2,064              | 24               | 522               |
| Asset impairment                           | 6,719              | -                | -                 |
| Amortization of intangible assets          | 11,468             | 8,855            | 12,501            |
| Income from operations                     | 92,883             | 19,186           | 83,580            |
| Interest income                            | 507                | 530              | 516               |
| Interest expense                           | 6,997              | 8,474            | 8,832             |
| Gain on sale of business                   | 74,856             | -                | -                 |
| Other (expense) income, net                | (3,277)            | 1,126            | 2,021             |
| Income from operations before income taxes | 157,972            | 12,368           | 77,285            |
| Provision for income taxes                 | 37,532             | 3,158            | 12,225            |
| Net income                                 | \$ 120,440         | \$ 9,210         | \$ 65,060         |
| Net income per share:                      |                    |                  |                   |
| Basic                                      | \$ 2.22            | \$ 0.17          | \$ 1.21           |
| Diluted                                    | \$ 2.19            | \$ 0.17          | \$ 1.18           |
| Cash dividends per common share            | \$ 0.175           | \$ 0.17          | \$ 0.175          |
| Weighted average shares outstanding:       |                    |                  |                   |
| Basic                                      | 54,178             | 53,461           | 53,769            |
| Diluted                                    | 55,001             | 53,806           | 54,958            |

**The following supplemental Non-GAAP earnings information is presented to aid in understanding MKS' operating results:**

|  |            |          |           |
|--|------------|----------|-----------|
| Net income   | \$ 120,440 | \$ 9,210 | \$ 65,060 |
| Adjustments:   |            |          |           |
| Acquisition and integration costs (Note 1)                     | 790        | 20,055   | 1,442     |
| Acquisition inventory step-up (Note 2)                         | -          | 10,119   | -         |
| Expenses related to sale of a business (Note 3)                | 436        | -        | 423       |
| Excess and obsolete inventory charge (Note 4)                  | 1,160      | -        | -         |
| Fees and expenses relating to re-pricing of term loan (Note 5) | -          | 713      | -         |
| Amortization of debt issuance costs (Note 6)                   | 694        | 1,629    | 2,414     |
| Restructuring (Note 7)   | 2,064      | 24       | 522       |
| Asset impairment (Note 8)                                      | 6,719      | -        | -         |
| Gain on sale of business (Note 9)                              | (74,856)   | -        | -         |
| Amortization of intangible assets                              | 11,468     | 8,855    | 12,501    |
| Windfall tax benefit on stock-based compensation (Note 10)     | (3,169)    | -        | (6,650)   |

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Taxes related to sale of business (Note 11)                    | 15,007            | -                 | -                 |
| Pro-forma tax adjustments                                      | (3,047)           | (11,896)          | (5,718)           |
| Non-GAAP net earnings (Note 12)                                | <u>\$ 77,706</u>  | <u>\$ 38,709</u>  | <u>\$ 69,994</u>  |
| Non-GAAP net earnings per share (Note 12)                      | <u>\$ 1.41</u>    | <u>\$ 0.72</u>    | <u>\$ 1.27</u>    |
| Weighted average shares outstanding                            | 55,001            | 53,806            | 54,958            |
| Income from operations   | \$ 92,883         | \$ 19,186         | \$ 83,580         |
| Adjustments:   |                   |                   |                   |
| Acquisition and integration costs (Note 1)                     | 790               | 20,055            | 1,442             |
| Acquisition inventory step-up (Note 2)                         | -                 | 10,119            | -                 |
| Expenses related to sale of a business (Note 3)                | 436               | -                 | 423               |
| Excess and obsolete inventory charge (Note 4)                  | 1,160             | -                 | -                 |
| Fees and expenses relating to re-pricing of term loan (Note 5) | -                 | 713               | -                 |
| Restructuring (Note 7)   | 2,064             | 24                | 522               |
| Asset impairment (Note 8)                                      | 6,719             | -                 | -                 |
| Amortization of intangible assets                              | 11,468            | 8,855             | 12,501            |
| Non-GAAP income from operations (Note 13)                      | <u>\$ 115,520</u> | <u>\$ 58,952</u>  | <u>\$ 98,468</u>  |
| Non-GAAP operating margin percentage (Note 13)                 | <u>24.0%</u>      | <u>18.1%</u>      | <u>22.5%</u>      |
| Gross profit   | \$ 219,583        | \$ 135,913        | \$ 205,547        |
| Acquisition inventory step-up (Note 2)                         | -                 | 10,119            | -                 |
| Excess and obsolete inventory charge (Note 4)                  | 1,160             | -                 | -                 |
| Non-GAAP gross profit (Note 14)                                | <u>\$ 220,743</u> | <u>\$ 146,032</u> | <u>\$ 205,547</u> |
| Non-GAAP gross profit percentage (Note 14)                     | <u>45.9%</u>      | <u>44.8%</u>      | <u>47.0%</u>      |
| Interest expense   | \$ 6,997          | \$ 8,474          | \$ 8,832          |
| Amortization of debt issuance costs (Note 6)                   | 694               | 1,629             | 2,414             |
| Non-GAAP interest expense                                      | <u>\$ 6,303</u>   | <u>\$ 6,845</u>   | <u>\$ 6,418</u>   |
| Net Income   | \$ 120,440        | \$ 9,210          | \$ 65,060         |
| Interest expense (income), net                                 | 6,490             | 7,944             | 8,316             |
| Provision for income taxes                                     | 37,532            | 3,158             | 12,225            |
| Depreciation   | 9,120             | 7,575             | 9,332             |
| Amortization   | 11,468            | 8,855             | 12,501            |
| EBITDA (Note 15)   | <u>\$ 185,050</u> | <u>\$ 36,742</u>  | <u>\$ 107,434</u> |
| Stock-based compensation                                       | 6,207             | 10,517            | 8,782             |
| Acquisition and integration costs (Note 1)                     | 790               | 20,055            | 1,442             |
| Acquisition inventory step-up (Note 2)                         | -                 | 10,119            | -                 |
| Expenses related to sale of a business (Note 3)                | 436               | -                 | 423               |
| Excess and obsolete inventory charge (Note 4)                  | 1,160             | -                 | -                 |
| Fees and expenses relating to re-pricing of term loan (Note 5) | -                 | 713               | -                 |
| Restructuring (Note 7)   | 2,064             | 24                | 522               |
| Asset impairment (Note 8)                                      | 6,719             | -                 | -                 |
| Gain on sale of business (Note 9)                              | (74,856)          | -                 | -                 |
| Other adjustments  | 822               | 661               | 747               |
| Adjusted EBITDA (Note 16)                                      | <u>\$ 128,392</u> | <u>\$ 78,831</u>  | <u>\$ 119,350</u> |

Note 1: We recorded \$0.8 million, \$1.4 million and \$20.1 million of acquisition and integration costs during the three months ended June 30, 2017, March 31, 2017 and June 30, 2016, respectively, related to the Newport Corporation acquisition, which closed during the second quarter of 2016.

Note 2: We recorded \$10.1 million in cost of sales during the three months ended June 30, 2016 related to the step-up of inventory to fair value as a result of the Newport Corporation acquisition.

Note 3: We recorded \$0.4 million during the three months ended June 30, 2017 and March 31, 2017, respectively, related to the sale of a business, which was completed in April of 2017.

Note 4: We recorded \$1.2 million of excess and obsolete inventory charges in cost of sales during the three months ended June 30, 2017, related to the discontinuation of a product line in connection with the consolidation of two manufacturing sites.

Note 5: We recorded \$0.7 million of fees and expenses during the three months ended June 30, 2016, related to the re-pricing of our Term Loan Credit Agreement.

Note 6: We recorded \$0.7 million, \$2.4 million and \$1.6 million of additional interest expense during the three months ended June 30, 2017, March 31, 2017 and June 30, 2016, respectively, related to the amortization of debt issuance costs affiliated with our Term Loan Credit Agreement and ABL Facility.

Note 7: We recorded \$2.1 million of restructuring costs during the three months ended June 30, 2017, related to the consolidation of two manufacturing plants and \$0.5 million of restructuring costs during the three months ended March 31, 2017, related to the restructuring of one of our international facilities and the consolidation of sales offices.

Note 8: We recorded a \$6.7 million asset impairment charge, primarily related to the write-off of goodwill and intangible assets during the three months ended June 30, 2017, in conjunction with the consolidation of two manufacturing plants.

Note 9: We recorded a \$74.9 million gain on the sale of our Data Analytics Solutions business during the three months ended June 30, 2017.

Note 10: We recorded a windfall tax benefit on the vesting of stock-based compensation of \$3.2 million and \$6.6 million during the three months ended June 30, 2017 and March 31, 2017, respectively, relating to the implementation of a new accounting standard issued by the Financial Statement Accounting Standards Board (Accounting Standards Update 2016-09).

Note 11: We recorded \$15.0 million of taxes related to the sale of our Data Analytics Solutions business during the three months ended June 30, 2017.

Note 12: The Non-GAAP net earnings and Non-GAAP net earnings per share amounts exclude acquisition and integration costs, an inventory step-up adjustment to fair value, expenses related to the sale of a business, an excess and obsolete inventory charge, fees and expenses related to the re-pricing of a term loan credit agreement, amortization of debt issuance costs, restructuring costs, an asset impairment charge, a gain on the sale of a business, amortization of intangible assets, a windfall tax benefit related to stock-based compensation expense, taxes related to the sale of a business and the related tax effect of these adjustments to reflect the expected full year effective tax rate in the related period.

Note 13: The Non-GAAP income from operations and Non-GAAP operating margin percentages exclude acquisition and integration costs, an inventory step-up adjustment to fair value, expenses related to the sale of a business, an excess and obsolete inventory charge, fees and expenses related to the re-pricing of a term loan credit agreement, restructuring costs, an asset impairment charge and amortization of intangible assets.

Note 14: The Non-GAAP gross profit amounts and Non-GAAP gross profit percentages exclude an inventory step-up adjustment and an excess and obsolete inventory charge.

Note 15: EBITDA excludes net interest, income taxes, depreciation and amortization of intangible assets.

Note 16: Adjusted EBITDA excludes stock-based compensation, acquisition and integration costs, expenses related to the sale of a business, an excess and obsolete inventory charge, fees and expenses related to the re-pricing of a term loan credit agreement, restructuring costs, an asset impairment charge, a gain on the sale of a business and other adjustments as defined in our Term Loan Credit Agreement.

|   | Six Months Ended<br>June 30, |                  |
|---|------------------------------|------------------|
|   | 2017                         | 2016             |
| Net revenues:   |                              |                  |
| Products  | \$ 824,872                   | \$ 439,092       |
| Services  | 93,038                       | 70,450           |
| Total net revenues                                    | 917,910                      | 509,542          |
| Cost of revenues:                                     |                              |                  |
| Products  | 434,364                      | 249,345          |
| Services  | 58,416                       | 46,371           |
| Total cost of revenues                                | 492,780                      | 295,716          |
| Gross profit  | 425,130                      | 213,826          |
| Research and development                              | 66,962                       | 45,441           |
| Selling, general and administrative                   | 146,199                      | 93,529           |
| Acquisition and integration costs                     | 2,232                        | 22,549           |
| Restructuring   | 2,586                        | 24               |
| Asset impairment                                      | 6,719                        | -                |
| Amortization of intangible assets                     | 23,969                       | 10,538           |
| Income from operations                                | 176,463                      | 41,745           |
| Interest income                                       | 1,023                        | 1,454            |
| Interest expense                                      | 15,829                       | 8,519            |
| Gain on sale of business                              | 74,856                       | -                |
| Other (expense) income, net                           | (1,256)                      | 1,493            |
| Income from continuing operations before income taxes | 235,257                      | 36,173           |
| Provision for income taxes                            | 49,757                       | 9,400            |
| Net income  | <u>\$ 185,500</u>            | <u>\$ 26,773</u> |
| Net income per share:                                 |                              |                  |
| Basic   | \$ 3.44                      | \$ 0.50          |
| Diluted   | \$ 3.37                      | \$ 0.50          |
| Cash dividends per common share                       | \$ 0.35                      | \$ 0.34          |
| Weighted average shares outstanding:                  |                              |                  |
| Basic   | 53,973                       | 53,348           |
| Diluted   | 54,979                       | 53,685           |

**The following supplemental Non-GAAP earnings information is presented to aid in understanding MKS' operating results:**

|  |            |           |
|--|------------|-----------|
| Net income   | \$ 185,500 | \$ 26,773 |
| Adjustments:   |            |           |
| Acquisition and integration costs (Note 1)                     | 2,232      | 22,549    |
| Acquisition inventory step-up (Note 2)                         | -          | 10,119    |
| Expenses related to sale of a business (Note 3)                | 859        | -         |
| Excess and obsolete inventory charge (Note 4)                  | 1,160      | -         |
| Fees and expenses relating to re-pricing of term loan (Note 5) | -          | 713       |
| Amortization of debt issuance costs (Note 6)                   | 3,108      | 1,629     |
| Restructuring (Note 7)   | 2,586      | 24        |
| Asset impairment (Note 8)                                      | 6,719      | -         |
| Gain on sale of business (Note 9)                              | (74,856)   | -         |
| Amortization of intangible assets                              | 23,969     | 10,538    |

|  |                   |                   |
|--|-------------------|-------------------|
| Windfall tax benefit on stock-based compensation (Note 10)     | (9,819)           | -                 |
| Taxes related to sale of business (Note 11)                    | 15,007            | -                 |
| Pro-forma tax adjustments                                      | (9,710)           | (13,489)          |
| Non-GAAP net earnings (Note 12)                                | <u>\$ 146,755</u> | <u>\$ 58,856</u>  |
| Non-GAAP net earnings per share (Note 12)                      | <u>\$ 2.67</u>    | <u>\$ 1.10</u>    |
| Weighted average shares outstanding                            | 54,979            | 53,685            |
| Income from operations   | \$ 176,463        | \$ 41,745         |
| Adjustments:   |                   |                   |
| Acquisition and integration costs (Note 1)                     | 2,232             | 22,549            |
| Acquisition inventory step-up (Note 2)                         | -                 | 10,119            |
| Expenses related to sale of a business (Note 3)                | 859               | -                 |
| Excess and obsolete inventory charge (Note 4)                  | 1,160             | -                 |
| Fees and expenses relating to re-pricing of term loan (Note 5) | -                 | 713               |
| Restructuring (Note 7)   | 2,586             | 24                |
| Asset impairment (Note 8)                                      | 6,719             | -                 |
| Amortization of intangible assets                              | 23,969            | 10,538            |
| Non-GAAP income from operations (Note 13)                      | <u>\$ 213,988</u> | <u>\$ 85,688</u>  |
| Non-GAAP operating margin percentage (Note 13)                 | <u>23.3%</u>      | <u>16.8%</u>      |
| Gross profit   | \$ 425,130        | \$ 213,826        |
| Acquisition inventory step-up (Note 2)                         | -                 | 10,119            |
| Excess and obsolete inventory charge (Note 4)                  | 1,160             | -                 |
| Non-GAAP gross profit (Note 14)                                | <u>\$ 426,290</u> | <u>\$ 223,945</u> |
| Non-GAAP gross profit percentage (Note 14)                     | <u>46.4%</u>      | <u>44.0%</u>      |
| Interest expense   | \$ 15,829         | \$ 8,519          |
| Amortization of debt issuance costs (Note 6)                   | 3,108             | 1,629             |
| Non-GAAP interest expense                                      | <u>\$ 12,721</u>  | <u>\$ 6,890</u>   |
| Net Income   | \$ 185,500        | \$ 26,773         |
| Interest expense (income), net                                 | 14,806            | 7,065             |
| Provision for income taxes                                     | 49,757            | 9,400             |
| Depreciation   | 18,452            | 11,170            |
| Amortization   | 23,969            | 10,538            |
| EBITDA (Note 15)   | <u>\$ 292,484</u> | <u>\$ 64,946</u>  |
| Stock-based compensation                                       | 14,989            | 14,668            |
| Acquisition and integration costs (Note 1)                     | 2,232             | 22,549            |
| Acquisition inventory step-up (Note 2)                         | -                 | 10,119            |
| Expenses related to sale of a business (Note 3)                | 859               | -                 |
| Excess and obsolete inventory charge (Note 4)                  | 1,160             | -                 |
| Fees and expenses relating to re-pricing of term loan (Note 5) | -                 | 713               |
| Restructuring (Note 7)   | 2,586             | 24                |
| Asset impairment (Note 8)                                      | 6,719             | -                 |
| Gain on sale of business (Note 9)                              | (74,856)          | -                 |
| Other adjustments  | 1,569             | 661               |
| Adjusted EBITDA (Note 16)                                      | <u>\$ 247,742</u> | <u>\$ 113,680</u> |

Note 1: We recorded \$2.2 million and \$22.5 million of acquisition and integration costs during the six months ended June 30, 2017 and 2016, respectively, related to the Newport Corporation acquisition, which closed during the second quarter of 2016.

Note 2: We recorded \$10.1 million in cost of sales during the six months ended June 30, 2016 related to the step-up of inventory to fair value as a result of the Newport Corporation acquisition.

Note 3: We recorded \$0.9 million during the six months ended June 30, 2017, which is comprised of legal and consulting and compensation related expenses related to the sale of a business, which was completed in April of 2017.

Note 4: We recorded \$1.2 million of excess and obsolete inventory charges in cost of sales during the six months ended June 30, 2017 related to the discontinuation of a product line in connection with the consolidation of two manufacturing plants.

Note 5: We recorded \$0.7 million of fees and expenses during the six months ended June 30, 2016, related to the re-pricing of our Term Loan Credit Agreement.

Note 6: We recorded \$3.1 million and \$1.6 million of additional interest expense during the six months ended June 30, 2017 and 2016, respectively, related to the amortization of debt issuance costs affiliated with our Term Loan Credit Agreement and ABL Facility.

Note 7: We recorded \$2.6 million of restructuring costs during the six months ended June 30, 2017, related to the consolidation of two manufacturing plants, a restructuring of one of our international facilities and the consolidation of sales offices.

Note 8: We recorded a \$6.7 million asset impairment charge, primarily related to the write-off of goodwill and intangible assets during the six months ended June 30, 2017, in connection with the consolidation of two manufacturing plants.

Note 9: We recorded a \$74.9 gain on the sale of our Data Analytics Solutions business during the six months ended June 30, 2017.

Note 10: We recorded a windfall tax benefit on the vesting of stock-based compensation of \$9.8 million, relating to the implementation of a new accounting standard issued by the Financial Statement Accounting Standards Board (Accounting Standards Update 2016-09).

Note 11: We recorded \$15.0 million of taxes related to the sale of our Data Analytics Solutions business during the six months ended June 30, 2017.

Note 12: The Non-GAAP net earnings and Non-GAAP net earnings per share amounts exclude acquisition and integration costs, an inventory step-up adjustment to fair value, expenses related to the sale of a business, an excess and obsolete inventory charge, fees and expenses related to the re-pricing of a term loan credit agreement, amortization of debt issuance costs, restructuring costs, an asset impairment charge, a gain on the sale of a business, amortization of intangible assets, a windfall tax benefit related to stock-based compensation expense, taxes related to the sale of a business and the related tax effect of these adjustments to reflect the expected full year effective tax rate in the related period.

Note 13: The Non-GAAP income from operations and Non-GAAP operating margin percentages exclude acquisition and integration costs, an inventory step-up adjustment to fair value, expenses related to the sale of a business, an excess and obsolete inventory charge, fees and expenses related to the re-pricing of a term loan credit agreement, restructuring costs, an asset impairment charge and amortization of intangible assets.

Note 14: The Non-GAAP gross profit amounts and Non-GAAP gross profit percentages exclude an inventory step-up adjustment and an excess and obsolete inventory charge.

Note 15: EBITDA excludes net interest, income taxes, depreciation and amortization of intangible assets.

Note 16: Adjusted EBITDA excludes stock-based compensation, acquisition and integration costs, expenses related to the sale of a business, an excess and obsolete inventory charge, fees and expenses related to the re-pricing of a term loan credit agreement, restructuring costs, an asset impairment charge, a gain on the sale of a business and other adjustments as defined in our Term Loan Credit Agreement.

**MKS Instruments, Inc.**  
**Reconciliation of GAAP Income Tax Rate to Non-GAAP Income Tax Rate**  
(In thousands)

| Three Months Ended June 30, 2017 |                     |           | Three Months Ended March 31, 2017 |                     |           |
|----------------------------------|---------------------|-----------|-----------------------------------|---------------------|-----------|
| Income Before                    | Provision (benefit) | Effective | Income Before                     | Provision (benefit) | Effective |



|  | Income Taxes | for Income Taxes | Tax Rate | Income Taxes | for Income Taxes | Tax Rate |
|--|--------------|------------------|----------|--------------|------------------|----------|
| GAAP   | \$ 157,972   | \$ 37,532        | 23.8%    | \$ 77,285    | \$ 12,225        | 15.8%    |
| Adjustments:   |              |                  |          |              |                  |          |
| Acquisition and integration costs (Note 1)                 | 790          | -                |          | 1,442        | -                |          |
| Expenses related to sale of a business (Note 3)            | 436          | -                |          | 423          | -                |          |
| Excess and obsolete inventory charge (Note 4)              | 1,160        | -                |          | -            | -                |          |
| Amortization of debt issuance costs (Note 6)               | 694          | -                |          | 2,414        | -                |          |
| Restructuring (Note 7)                                     | 2,064        | -                |          | 522          | -                |          |
| Asset impairment (Note 8)                                  | 6,719        | -                |          | -            | -                |          |
| Gain on sale of business (Note 9)                          | (74,856)     | -                |          | -            | -                |          |
| Amortization of intangible assets                          | 11,468       | -                |          | 12,501       | -                |          |
| Windfall tax benefit on stock-based compensation (Note 10) | -            | 3,169            |          | -            | 6,650            |          |
| Taxes related to sale of business (Note 11)                | -            | (15,007)         |          | -            | -                |          |
| Tax effect of pro-forma adjustments                        | -            | 3,047            |          | -            | 5,718            |          |
| Non-GAAP   | \$ 106,447   | \$ 28,741        | 27.0%    | \$ 94,587    | \$ 24,593        | 26.0%    |

Three Months Ended June 30, 2016

|  | Income Before<br>Income Taxes | Provision (benefit)<br>for Income Taxes | Effective<br>Tax Rate |  |  |  |
|--|-------------------------------|---|-----------------------|--|--|--|
| GAAP   | \$ 12,368                     | \$ 3,158                                | 25.5%                 |  |  |  |
| Adjustments:   |                               |   |                       |  |  |  |
| Acquisition and integration costs (Note 1)                     | 20,055                        | -                                       |                       |  |  |  |
| Acquisition inventory step-up (Note 2)                         | 10,119                        | -                                       |                       |  |  |  |
| Fees and expenses relating to re-pricing of term loan (Note 5) | 713                           | -                                       |                       |  |  |  |
| Amortization of debt issuance costs (Note 6)                   | 1,629                         | -                                       |                       |  |  |  |
| Restructuring  | 24                            | -                                       |                       |  |  |  |
| Amortization of intangible assets                              | 8,855                         | -                                       |                       |  |  |  |
| Tax effect of pro-forma adjustments                            | -                             | 11,896                                  |                       |  |  |  |
| Non-GAAP   | \$ 53,763                     | \$ 15,054                               | 28.0%                 |  |  |  |

Six Months Ended June 30, 2017

Six Months Ended June 30,  
2016

|  | Income Before<br>Income Taxes | Provision (benefit)<br>for Income Taxes | Effective<br>Tax Rate | Income Before<br>Income Taxes | Provision (benefit)<br>for Income Taxes | Effective<br>Tax Rate |
|--|-------------------------------|---|-----------------------|-------------------------------|---|-----------------------|
| GAAP   | \$ 235,257                    | \$ 49,757                               | 21.2%                 | \$ 36,173                     | \$ 9,400                                | 26.0%                 |
| Adjustments:   |                               |   |                       |                               |   |                       |
| Acquisition and integration costs (Note 1)                     | 2,232                         | -                                       |                       | 22,549                        | -                                       |                       |
| Acquisition inventory step-up (Note 2)                         | -                             | -                                       |                       | 10,119                        | -                                       |                       |
| Expenses related to sale of a business (Note 3)                | 859                           | -                                       |                       | -                             | -                                       |                       |
| Excess and obsolete inventory charge (Note 4)                  | 1,160                         | -                                       |                       | -                             | -                                       |                       |
| Fees and expenses relating to re-pricing of term loan (Note 5) | -                             | -                                       |                       | 713                           | -                                       |                       |
| Amortization of debt issuance costs (Note 6)                   | 3,108                         | -                                       |                       | 1,629                         | -                                       |                       |
| Restructuring (Note 7)   | 2,586                         | -                                       |                       | 24                            | -                                       |                       |
| Asset impairment (Note 8)                                      | 6,719                         | -                                       |                       | -                             | -                                       |                       |

|  |                   |                  |        |   |
|--|-------------------|------------------|--------|---|
| Gain on sale of business (Note 9)                          | (74,856)          | -                | -      | -                                       |
| Amortization of intangible assets                          | 23,969            | -                | 10,538 | -                                       |
| Windfall tax benefit on stock-based compensation (Note 10) | -                 | 9,819            | -      | -                                       |
| Taxes related to sale of business (Note 11)                | -                 | (15,007)         | -      | -                                       |
| Tax effect of pro-forma adjustments                        | -                 | 9,710            | -      | 13,489                                  |
| Non-GAAP   | <u>\$ 201,034</u> | <u>\$ 54,279</u> | 27.0%  | <u>\$ 81,745</u> <u>\$ 22,889</u> 28.0% |

Note 1: Acquisition and integration costs during the three and six months ended June 30, 2017 relate to the Newport Corporation acquisition, which closed during the second quarter of 2016.

Note 2: We recorded \$10.1 million in cost of sales during the three and six months ended June 30, 2016 related to the step-up of inventory to fair value as a result of the Newport Corporation acquisition.

Note 3: We recorded \$0.4 million and \$0.9 million during the three and six months ended June 30, 2017, respectively, and \$0.4 million for the three months ended March 31, 2017, related to the sale of a business, which was completed in April of 2017.

Note 4: We recorded \$1.2 million of excess and obsolete inventory charges in cost of sales during the three months ended June 30, 2017, related to the discontinuation of a product line in connection with the consolidation of two manufacturing plants.

Note 5: We recorded \$0.7 million of fees and expenses during the three and six months ended June 30, 2016, related to the re-pricing of our Term Loan Credit Agreement.

Note 6: Amortization of debt issuance costs for the three and six months ended June 30, 2017 and 2016, respectively, and the three months ended March 31, 2017, are affiliated with our Term Loan Credit Agreement and ABL Facility.

Note 7: We recorded \$2.1 million and \$2.6 million of restructuring costs during the three and six months ended June 30, 2017, respectively, and \$0.5 million for the three months ended March 31, 2017, related to the consolidation of two manufacturing plants, a restructuring of one of our international facilities and the consolidation of sales offices.

Note 8: We recorded a \$6.7 million asset impairment charge, primarily related to the write-off of goodwill and intangible assets during the three and six months ended June 30, 2017, in conjunction with the consolidation of two manufacturing plants.

Note 9: We recorded a \$74.9 million gain on the sale of our Data Analytics Solutions business during the three and six months ended June 30, 2017.

Note 10: We recorded a windfall tax benefit on the vesting of stock-based compensation of \$3.2 million and \$9.8 million during the three and six months ended June 30, 2017, respectively, and \$6.6 million for the three months ended March 31, 2017, relating to the implementation of a new accounting standard issued by the Financial Statement Accounting Standards Board (Accounting Standards Update 2016-09).

Note 11: We recorded \$15.0 million of taxes related to the sale of our Data Analytics Solutions business during the three and six months ended June 30, 2017.

**MKS Instruments, Inc.**  
**Reconciliation of Q3-17 Guidance - GAAP Net Income to Non-GAAP Net Earnings**  
(In thousands, except per share data)

|                 | Three Months Ended September 30, 2017 |              |               |              |
|-----------------|---------------------------------------|--------------|---------------|--------------|
|                 | Low Guidance                          |              | High Guidance |              |
|                 | \$ Amount                             | \$ Per Share | \$ Amount     | \$ Per Share |
| GAAP net income | \$ 62,200                             | \$ 1.12      | \$ 75,600     | \$ 1.37      |
| Amortization    | 10,800                                | 0.20         | 10,800        | 0.20         |

|                                    |                  |                |                  |                |
|------------------------------------|------------------|----------------|------------------|----------------|
| Integration costs                  | 1,700            | 0.03           | 1,700            | 0.03           |
| Deferred financing costs           | 2,300            | 0.04           | 2,300            | 0.04           |
| Tax effect of adjustments (Note 1) | <u>(4,000)</u>   | <u>(0.07)</u>  | <u>(4,000)</u>   | <u>(0.07)</u>  |
| Non-GAAP net earnings              | <u>\$ 73,000</u> | <u>\$ 1.32</u> | <u>\$ 86,400</u> | <u>\$ 1.56</u> |
| Q3 -17 forecasted shares           |                  | 55,300         |                  | 55,300         |

Note 1: The Non-GAAP adjustments are tax effected at the applicable statutory rates and the difference between the GAAP and Non-GAAP tax rates.

**MKS Instruments, Inc.**  
**Unaudited Consolidated Balance Sheet**  
(In thousands)

|   | June 30,<br>2017    | December 31,<br>2016 |
|---|---------------------|----------------------|
| <b>ASSETS</b>                               |                     |                      |
| Cash and cash equivalents                   | \$ 422,830          | \$ 228,623           |
| Restricted cash                             | 5,282               | 5,287                |
| Short-term investments                      | 149,016             | 189,463              |
| Trade accounts receivable, net              | 268,544             | 248,757              |
| Inventories                                 | 304,707             | 275,869              |
| Other current assets                        | <u>51,721</u>       | <u>50,770</u>        |
| Total current assets                        | 1,202,100           | 998,769              |
| Property, plant and equipment, net          | 167,212             | 174,559              |
| Goodwill                                    | 586,865             | 588,585              |
| Intangible assets, net                      | 386,075             | 408,004              |
| Long-term investments                       | 10,329              | 9,858                |
| Other assets                                | <u>32,102</u>       | <u>32,467</u>        |
| Total assets                                | <u>\$ 2,384,683</u> | <u>\$ 2,212,242</u>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                     |                      |
| Short-term debt                             | \$ 9,810            | \$ 10,993            |
| Accounts payable                            | 73,291              | 69,337               |
| Accrued compensation                        | 65,243              | 67,728               |
| Income taxes payable                        | 42,142              | 22,794               |
| Deferred revenue                            | 9,975               | 14,463               |
| Other current liabilities                   | <u>57,795</u>       | <u>51,985</u>        |
| Total current liabilities                   | 258,256             | 237,300              |
| Long-term debt, net                         | 551,846             | 601,229              |
| Non-current deferred taxes                  | 71,895              | 66,446               |
| Non-current accrued compensation            | 48,560              | 44,714               |

|  |                            |                     |                     |
|--|----------------------------|---------------------|---------------------|
| Other liabilities                          |                            | <u>24,370</u>       | <u>20,761</u>       |
|  | Total liabilities          | <u>954,927</u>      | <u>970,450</u>      |
| Stockholders' equity:                      |                            |                     |                     |
| Common stock                               |                            | 113                 | 113                 |
| Additional paid-in capital                 |                            | 779,058             | 777,482             |
| Retained earnings                          |                            | 661,341             | 494,744             |
| Accumulated other comprehensive loss       |                            | <u>(10,756)</u>     | <u>(30,547)</u>     |
|  | Total stockholders' equity | <u>1,429,756</u>    | <u>1,241,792</u>    |
| Total liabilities and stockholders' equity |                            | <u>\$ 2,384,683</u> | <u>\$ 2,212,242</u> |

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