Fourth Quarter and Full Year 2021 Financial Results

MKS Instruments, Inc.
January 27, 2022

Safe Harbor for Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding the future financial performance, business prospects and growth of MKS Instruments, Inc. ("MKS" or the "Company"). These statements are only predictions based on current assumptions and expectations. Any statements that are not statements of historical fact (including statements containing the words "will," "projects," "intends," "believes," "plans," "anticipates," "expects," "estimates," "forecasts," "continues" and similar expressions) should be considered to be forward-looking statements. Actual events or results may differ materially from those in the forward-looking statements set forth herein. Among the important factors that could cause actual events to differ materially from those in the forward-looking statements are manufacturing and sourcing risks, including the impact and duration of 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. Additional risk factors may be identified from time to time in MKS' future filings 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, 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.

Reflection on 2021

"2021 presented MKS with a number of unexpected challenges and unique circumstances, yet also significant opportunities for growth - and we seized them."

Growth

- Record performance in both Semi and Advanced Markets with a laser focus on meeting customers' needs, while ensuring the safety and well-being of our employees, our highest priority

Investment

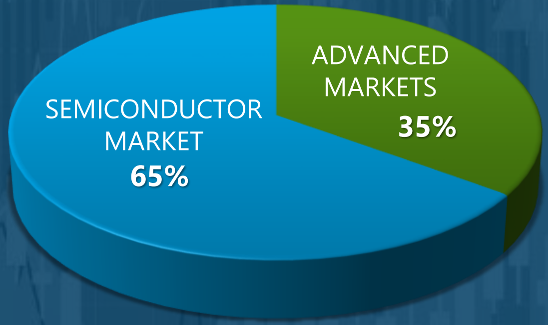
- Strategy for the long term – investing in organic growth, added temperature sensing from Photon Control and adding valuable chemistry expertise from our pending acquisition of Atotech

Corporate Social Responsibility

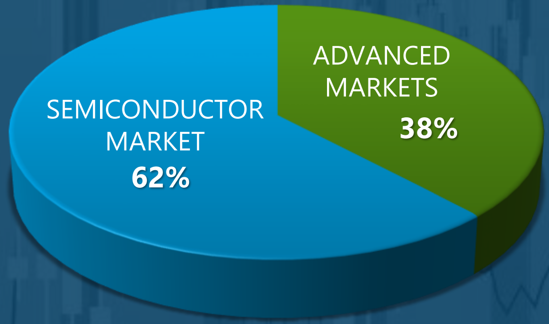
- Prioritizing our efforts with release of inaugural CSR report and strong commitments to diversity, equity and inclusion, environmental management, employee development and governance

Q4'21 and 2021 Results

	Q4'21	Q3'21	Q4'20	Y/Y	2021	2020	Y/Y
REVENUE	$764M	$742M	$660M	+16%	$2,950M	$2,330M	+27%
NON-GAAP EPS	$3.02	$2.79	$2.34	+29%	$11.38	$7.43	+53%
GAAP EPS	$2.69	$2.38	$2.08	+29%	$9.90	$6.33	+56%



Q4'21



2021

Q4'21 Market Highlights

Semiconductor Market

REVENUE	$495M
Q/Q GROWTH	+1%
Y/Y GROWTH	+26%

- Record Semiconductor Market revenue from our broad portfolio of vacuum subsystems and photonics
- Record revenue in Pressure Measurement and Plasma and Reactive Gas solutions
- Significant sequential and year-over-year growth in photonics solutions

Advanced Markets

REVENUE	$269M
Q/Q GROWTH	+6%
Y/Y GROWTH	+1%

- Recovery in revenue from Industrial applications
- Healthy sequential growth in Advanced Electronics applications
- Continued progress on HDI with a follow-on multi-unit order and design win

Revenue & Select Financial Measures

	Q4'21	Q3'21	Q4'20	2021	2020
Advanced Markets	$269M	$254M	$267M	$1,124M	$944M
Semiconductor Market	$495M	$488M	$393M	$1,826M	$1,386M
Revenue	**$764M**	**$742M**	**$660M**	**$2,950M**	**$2,330M**
Non-GAAP Financial Measures					
Gross Margin	46.4%	47.0%	45.7%	46.8%	45.2%
Operating Margin	27.1%	27.1%	24.7%	27.0%	22.6%
Interest Expense, Net	$6M	$6M	$6M	$24M	$26M
Income Tax Rate	16.3%	20.4%	17.5%	17.7%	17.5%
Net Earnings	$168M	$155M	$130M	$634M	$411M
Net Earnings per Diluted Share	$3.02	$2.79	$2.34	$11.38	$7.43
GAAP Financial Measures					
Gross Margin	46.4%	47.0%	45.7%	46.8%	45.0%
Operating Margin	23.8%	23.6%	22.2%	23.7%	19.5%
Interest Expense, Net	$6M	$6M	$6M	$25M	$28M
Income Tax Rate	15.9%	20.4%	17.7%	17.1%	17.2%
Net Income	$150M	$132M	$116M	$551M	$350M
Net Income per Diluted Share	$2.69	$2.38	$2.08	$9.90	$6.33

Q4'21 Summary

- Record revenue, +3% Q/Q, +16% Y/Y
- Record Semiconductor Market revenue +1% Q/Q, +26% Y/Y
- Advanced Markets revenue +6% Q/Q, +1% Y/Y
- Gross Margin -60 bps Q/Q, +70 bps Y/Y
- Non-GAAP Operating Margin +240 bps Y/Y
- Record non-GAAP net earnings

Balance Sheet & Cash Flow

	Q4'21	Q3'21	Q4'20
Cash & Short-Term Investments	$1,043M	$880M	$836M
Accounts Receivable	$443M	$443M	$393M
Inventories	$577M	$550M	$501M
Total Current Assets	$2,147M	$1,995M	$1,804M
Total Assets	$4,540M	$4,366M	$3,904M
Term Loan Principal	$824M	$827M	$833M
Total Liabilities	$1,653M	$1,637M	$1,543M
Stockholders' Equity	$2,887M	$2,729M	$2,361M
Operating Cash Flow	$194M	$153M	$147M
Free Cash Flow	$171M	$133M	$122M

- Exited Q4'21 with record $1,043M in cash and short-term investments
- Remain focused on improving cash conversion cycle
- Record Q4'21 operating cash flow of $194M, +32% Y/Y
- Record Q4'21 free cash flow of $171M, +40% Y/Y
- Issued cash dividend in Q4'21 of $12M or $0.22 per share

Q1’22 Guidance

	Q1’22	Q4’21
Revenue	$750M +/- $30M	$764M
Non-GAAP Financial Measures		
Gross Margin	45.0% +/- 100 bps	46.4%
Operating Expenses	$153M +/- $4M	$147M
Operating Income	$185M +/- $17M	$207M
Operating Margin	24.6% +/- 130 bps	27.1%
Interest Expense, Net	$6M	$6M
Tax Rate	19.0%	16.3%
Net Earnings	$144M +/- $14M	$168M
Net Earnings per Diluted Share	$2.57 +/- $0.25	$3.02
Diluted Share Count	55.9M	55.7M

- Semiconductor market expected to be consistent-to-slightly down from Q4’21
- Advanced Markets expected to be consistent-to-slightly down from Q4’21
- Non-GAAP gross margin reflects anticipated product mix and revenue levels
- 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

	Q4'21	Q3'21	Q4'20	2021	2020
Net income	$150.2	$132.4	$115.6	$ 551.4	$ 350.1
COVID-19 related net credits (Note 1)	—	—	—	—	(0.9)
Inventory charge related to exit of product groups (Note 2)	—	—	—	—	3.9
Acquisition and integration costs (Note 3)	9.0	8.6	0.4	29.8	3.8
Amortization of debt issuance costs (Note 4)	0.2	0.2	0.2	1.2	1.5
Restructuring and other (Note 5)	1.2	2.0	2.6	11.1	9.4
Amortization of intangible assets	15.2	15.0	12.6	55.3	55.2
Asset impairment (Note 6)	—	—	1.1	—	2.3
Currency hedge (gain) loss (Note 7)	(3.4)	2.8	—	6.9	—
Windfall tax benefit on stock-based compensation (Note 8)	(0.2)	—	—	(4.6)	(2.4)
Deferred tax asset write-off (Note 9)	—	—	—	—	3.5
Withholding tax related to Brexit (Note 10)	—	—	—	3.2	—
Tax effect of Non-GAAP adjustments (Note 11)	(4.1)	(5.9)	(2.7)	(20.6)	(15.4)
Non-GAAP net earnings	$168.1	$155.1	$129.8	$ 633.7	$ 411.0
Non-GAAP net earnings per diluted share	$ 3.02	$ 2.79	$ 2.34	$ 11.38	$ 7.43
Weighted average diluted shares outstanding	55.7	55.7	55.5	55.7	55.3
Net cash provided by operating activities	$194.3	$153.1	$147.2	$ 639.5	$ 513.2
Purchases of property, plant and equipment	(23.2)	(20.5)	(25.0)	(86.6)	(84.9)
Free cash flow	$171.1	$132.6	$122.2	$ 552.9	$ 428.3

In millions other than per diluted share amounts.

Appendix – GAAP to Non-GAAP Reconciliations

	Q4'21	Q3'21	Q4'20	2021	2020
Gross profit	$354.5	$348.4	$301.6	$1,380.2	$1,049.5
COVID-19 related net costs (Note 1)	—	—	—	—	0.3
Inventory charge related to exit of product groups (Note 2)	—	—	—	—	3.9
Non-GAAP gross profit	$354.5	$348.4	$301.6	$1,380.2	$1,053.7
Non-GAAP gross margin	46.4%	47.0%	45.7%	46.8%	45.2%
Operating expenses	$172.7	$173.1	$154.9	$ 681.3	$ 595.7
COVID-19 related net credits (Note 1)	—	—	—	—	(1.2)
Acquisition and integration costs (Note 3)	9.0	8.6	0.4	29.8	3.8
Restructuring and other (Note 5)	1.2	2.0	2.6	11.1	9.4
Amortization of intangible assets	15.2	15.0	12.6	55.3	55.2
Asset impairment (Note 6)	—	—	1.1	—	2.3
Non-GAAP operating expenses	$147.3	$147.5	$138.2	$ 585.1	$ 526.2
Income from operations	$181.8	$175.3	$146.7	$ 698.9	$ 453.8
COVID-19 related net credits (Note 1)	—	—	—	—	(0.9)
Inventory charge related to exit of product groups (Note 2)	—	—	—	—	3.9
Acquisition and integration costs (Note 3)	9.0	8.6	0.4	29.8	3.8
Restructuring and other (Note 5)	1.2	2.0	2.6	11.1	9.4
Amortization of intangible assets	15.2	15.0	12.6	55.3	55.2
Asset impairment (Note 6)	—	—	1.1	—	2.3
Non-GAAP income from operations	$207.2	$200.9	$163.4	$ 795.1	$ 527.5
Non-GAAP operating margin	27.1%	27.1%	24.7%	27.0%	22.6%
Interest expense, net	6.1	6.2	6.2	24.8	27.7
Amortization of debt issuance costs (Note 4)	0.2	0.2	0.2	1.2	1.5
Non-GAAP interest expense, net	$ 5.9	$ 6.0	$ 6.0	$ 23.6	$ 26.2

Dollar amounts in millions.

Appendix – GAAP to Non-GAAP Reconciliations

	Q4'21			Q4'20		
	Income Before Income Tax	Provision for Income Taxes	Effective Tax Rate	Income Before Income Tax	Provision for Income Taxes	Effective Tax Rate
GAAP	$ 178.6	$ 28.4	15.9%	$ 140.5	$ 24.9	17.7%
Acquisition and integration costs (Note 3)	9.0	—		0.4	—	
Amortization of debt issuance costs (Note 4)	0.2	—		0.2	—	
Restructuring and other (Note 5)	1.2	—		2.6	—	
Amortization of intangible assets	15.2	—		12.6	—	
Asset impairment (Note 6)	—	—		1.1	—	
Currency hedge gain (Note 7)	(3.4)	—		—	—	
Windfall tax benefit on stock-based compensation (Note 8)	—	0.2		—	—	
Tax effect of Non-GAAP adjustments (Note 11)	—	4.1		—	2.7	
Non-GAAP	$ 200.8	$ 32.7	16.3%	$ 157.4	$ 27.6	17.5%

	Q3'21		
	Income Before Income Tax	Provision for Income Taxes	Effective Tax Rate
GAAP	$ 166.2	$ 33.8	20.4%
Acquisition and integration costs (Note 3)	8.6	—	
Amortization of debt issuance costs (Note 4)	0.2	—	
Restructuring and other (Note 5)	2.0	—	
Amortization of intangible assets	15.0	—	
Currency hedge loss (Note 7)	2.8	—	
Tax effect of Non-GAAP adjustments (Note 11)	—	5.9	
Non-GAAP	$ 194.8	$ 39.7	20.4%

Dollar amounts in millions.

Appendix – GAAP to Non-GAAP Reconciliations

	2021			2020		
	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	$ 665.5	$ 114.1	17.1%	$ 423.0	$ 72.9	17.2%
COVID-19 related net credits (Note 1)	—	—		(0.9)	—	
Inventory charge related to exit of product groups (Note 2)	—	—		3.9	—	
Acquisition and integration costs (Note 3)	29.8	—		3.8	—	
Amortization of debt issuance costs (Note 4)	1.2	—		1.5	—	
Restructuring and other (Note 5)	11.1	—		9.4	—	
Amortization of intangible assets	55.3	—		55.2	—	
Asset impairment (Note 6)	—	—		2.3	—	
Currency hedge loss (Note 7)	6.9	—		—	—	
Windfall tax benefit on stock-based compensation (Note 8)	—	4.6		—	2.4	
Deferred tax asset write-off (Note 9)	—	—			(3.5)	
Withholding tax related to Brexit (Note 10)	—	(3.2)		—	—	
Tax effect of Non-GAAP adjustments (Note 11)	—	20.6		—	15.4	
Non-GAAP	$ 769.8	$ 136.1	17.7%	$ 498.2	$ 87.2	17.5%

Dollar amounts in millions.

Appendix – GAAP to Non-GAAP Reconciliations

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

Note 1: We recorded COVID-19 related costs and credits that were direct, incremental, and not expected to recur. The amounts consisted of payroll-tax credits for maintaining our workforce during the pandemic, offset by shift premiums and bonuses.

Note 2: We recorded an inventory charge related to the exit of certain product groups.

Note 3: Acquisition and integration costs during the three months ended December 31, 2021 primarily related to our pending acquisition of Atotech announced on July 1, 2021. 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. Acquisition and integration costs during the twelve months ended December 31, 2021 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 and twelve months ended December 31, 2020 related to our acquisition of ESI.

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

Note 5: Restructuring and other costs during the three months ended December 31, 2021 and September 30, 2021 and the twelve months ended December 31, 2021 primarily related to 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. In addition, restructuring and other costs during the twelve months ended December 31, 2021 included duplicate facility costs attributed to entering into new facility leases. Restructuring and other costs during the three and twelve months ended December 31, 2020 included 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. Such costs for the twelve months ended December 31, 2020 were offset by an insurance reimbursement related to a legal settlement.

Note 6: During the twelve months ended December 31, 2020, we recorded an asset impairment charge for the write-down of long-lived assets related to the pending closure of a facility in Europe. During the three and twelve months ended December 31, 2020, we recorded the write-off of goodwill related to the pending closure of a facility in Europe.

Note 7: During the three and twelve months ended December 31, 2021, we recorded a fair-value gain from European dollar contracts related to hedge currency fluctuations in connection with the funding of our pending acquisition of Atotech. During the three months ended September 30, 2021 and twelve months ended December 31, 2021, 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 8: We recorded windfall tax benefits on the vesting of stock-based compensation.

Note 9: We recorded a write-off of a deferred tax asset related to foreign net operating losses.

Note 10: We recorded additional withholding taxes on inter-company undistributed earnings following the United Kingdom’s withdrawal from the European Union.

Note 11: Non-GAAP adjustments are tax effected at applicable statutory rates resulting in a difference between the GAAP and Non-GAAP tax rates.