



Second Quarter 2022
Financial Results

MKS Instruments, Inc.
July 28, 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, component shortages and price increases, and changes in global demand and the impact of the COVID-19 pandemic with respect to such disruptions, shortages and price increases, 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., which it acquired in February 2019, potential adverse reactions or changes to business relationships resulting from the 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, 2021 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

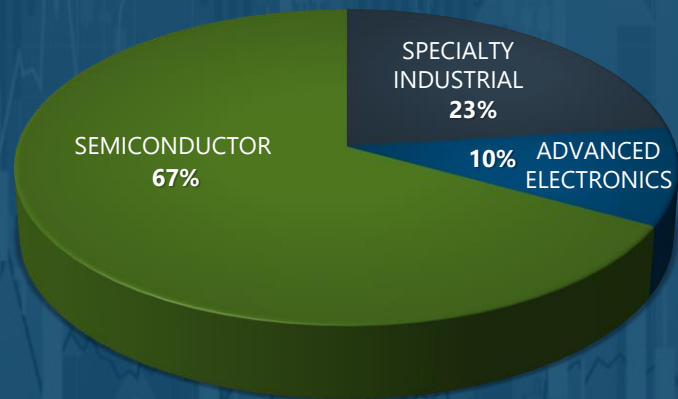
Uses of Non-GAAP Financial Measures

This presentation includes financial measures that are not in accordance with U.S. generally accepted accounting principles (“Non-GAAP financial measures”). These Non-GAAP financial measures should be viewed in addition to, and not as a substitute for, MKS’ reported GAAP results, and may be different from Non-GAAP financial measures used by other companies. In addition, these Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. MKS management believes the presentation of these Non-GAAP financial measures is useful to investors for comparing prior periods and analyzing ongoing business trends and operating results.

MKS is not providing a quantitative reconciliation of forward-looking Non-GAAP gross margin, operating expenses, operating income, operating margin, interest expense, net, tax rate, net earnings and net earnings per diluted share to the most directly comparable GAAP financial measures because it is unable to estimate with reasonable certainty the ultimate timing or amount of certain significant items without unreasonable efforts. These items include, but are not limited to, acquisition and integration costs, acquisition inventory step-up, amortization of intangible assets, restructuring and other expense, asset impairment, debt issuance costs and the income tax effect of these items. These items are uncertain, depend on various factors, including, but not limited to, our pending acquisition of Atotech and could have a material impact on GAAP reported results for the relevant period.

Q2'22 Results

	Q2'22	Q1'22	Q2'21	Q/Q	Y/Y
REVENUE	\$765M	\$742M	\$750M	3%	2%
NON-GAAP EPS	\$2.59	\$2.71	\$3.02	-4%	-14%
GAAP EPS	\$2.32	\$2.57	\$2.63	-10%	-12%



Q2'22 Market Highlights

SEMICONDUCTOR

REVENUE **\$515M**

Q/Q GROWTH **+6%**

Y/Y GROWTH **+19%**

- Continued strength in RF Power Supplies led by dielectric etch, with opportunities in conductor etch and deposition
- Record revenue from our Plasma & Reactive Gas, Valves, Pressure, and Analytical Control solutions
- Robust demand for Optical Solutions and acceleration in Precision Motion for advanced packaging, metrology and inspection

ADVANCED ELECTRONICS

REVENUE **\$77M**

Q/Q GROWTH **-6%**

Y/Y GROWTH **-44%**

- Reflects transitory softness in Flex PCB via drilling market
- Repeat order activity from HDI customers and continued focus on securing new design wins
- Excited about potential cross-selling opportunities the pending acquisition of Atotech brings to MKS

SPECIALTY INDUSTRIAL

REVENUE **\$173M**

Q/Q GROWTH **+1%**

Y/Y GROWTH **-5%**

- Steady demand across Industrial, Life and Health Sciences, and Research and Defense

Foundational Enabler of Miniaturization & Complexity Across Broad Array of Applications

Revenue & Select Financial Measures

	Q2'22	Q1'22	Q2'21
Semiconductor	\$515M	\$488M	\$431M
Advanced Electronics	\$77M	\$82M	\$137M
Specialty Industrial	\$173M	\$172M	\$182M
Revenue	\$765M	\$742M	\$750M

Non-GAAP Financial Measures

Gross Margin	44.2%	45.0%	47.4%
Operating Margin	24.1%	25.6%	27.7%
Interest Expense, Net	\$6M	\$6M	\$6M
Income Tax Rate	18.0%	17.8%	17.0%
Net Earnings	\$145M	\$151M	\$168M
Net Earnings per Diluted Share	\$2.59	\$2.71	\$3.02

GAAP Financial Measures

Gross Margin	44.2%	45.0%	47.4%
Operating Margin	21.5%	23.1%	24.8%
Interest Expense, Net	\$6M	\$6M	\$6M
Income Tax Rate	17.0%	16.3%	15.1%
Net Income	\$130M	\$143M	\$146M
Net Income per Diluted Share	\$2.32	\$2.57	\$2.63

Q2'22 Summary

- Record revenue, +3% Q/Q, +2% Y/Y, exceeded high end of guidance range
 - Record Semiconductor revenue, +6% Q/Q, +19% Y/Y
 - Advanced Electronics revenue, -6% Q/Q, -44% Y/Y
 - Specialty Industrial revenue, +1% Q/Q, -5% Y/Y
 - Record Services revenue, +8% Q/Q, +9% Y/Y
- Non-GAAP Gross Margin exceeded midpoint guidance range by 70 basis points
- Non-GAAP Operating Margin exceeded high end of guidance range by 70 basis points
- Non-GAAP Net Earnings per Diluted Share, exceeded high end of guidance range

Balance Sheet & Cash Flow

	Q2'22	Q1'22	Q2'21
Cash & Short-Term Investments	\$1,067M	\$1,053M	\$1,039M
Accounts Receivable	\$481M	\$480M	\$432M
Inventories	\$689M	\$636M	\$527M
Total Current Assets	\$2,349M	\$2,258M	\$2,122M
Total Assets	\$4,749M	\$4,649M	\$4,209M
Term Loan Principal	\$820M	\$822M	\$829M
Total Liabilities	\$1,620M	\$1,622M	\$1,594M
Stockholders' Equity	\$3,129M	\$3,027M	\$2,615M
Operating Cash Flow	\$105M	\$41M	\$165M
Free Cash Flow	\$41M	\$22M	\$149M

- Exited Q2'22 with record cash and short-term investments
- Remain focused on improving cash conversion cycle
- Issued cash dividend in Q2'22 of \$12M or \$0.22 per share

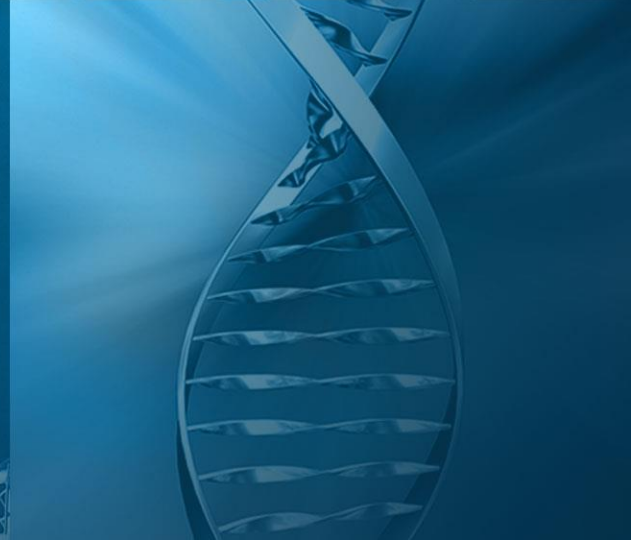
Q3'22 Guidance

	Q3'22	Q2'22
Revenue	\$770M +/- \$30M	\$765M
Non-GAAP Financial Measures		
Gross Margin	44.5% +/- 100 bps	44.2%
Operating Expenses	\$155M +/- \$4M	\$154M
Operating Income	\$188M +/- \$17M	\$184M
Operating Margin	24.4% +/- 130 bps	24.1%
Interest Expense, Net	\$6M	\$6M
Tax Rate	18.0%	18.0%
Net Earnings	\$149M +/- \$14M	\$145M
Net Earnings per Diluted Share	\$2.66 +/- \$0.25	\$2.59
Diluted Share Count	55.9M	55.8M

- Semiconductor, Advanced Electronics and Specialty Industrial Markets revenue each expected to be consistent with Q2'22
- Non-GAAP gross margin reflects anticipated product mix, revenue levels and inflationary impact
- 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

	Q2'22	Q1'22	Q2'21		Q2'22	Q1'22	Q2'21
Net income	\$ 130	\$ 143	\$ 146	Operating expenses	\$ 174	\$ 162	\$ 169
Acquisition and integration costs (Note 1)	2	8	6	Acquisition and integration costs (Note 1)	2	8	6
Restructuring and other (Note 2)	3	2	3	Restructuring and other (Note 2)	3	2	3
Amortization of intangible assets	15	15	13	Gain on sale of long-lived assets (Note 3)	—	(7)	—
Gain on sale of long-lived assets (Note 3)	—	(7)	—	Amortization of intangible assets	15	15	13
Currency hedge (gain) loss (Note 4)	—	(5)	8	Non-GAAP operating expenses	<u>\$ 154</u>	<u>\$ 144</u>	<u>\$ 147</u>
Windfall tax benefit on stock-based compensation (Note 5)	—	(1)	(3)	Income from operations	\$ 164	\$ 172	\$ 186
Tax effect of Non-GAAP adjustments (Note 6)	(5)	(4)	(5)	Acquisition and integration costs (Note 1)	2	8	6
Non-GAAP net earnings	<u>\$ 145</u>	<u>\$ 151</u>	<u>\$ 168</u>	Restructuring and other (Note 2)	3	2	3
Non-GAAP net earnings per diluted share	<u>\$ 2.59</u>	<u>\$ 2.71</u>	<u>\$ 3.02</u>	Gain on sale of long-lived assets (Note 3)	—	(7)	—
Weighted average diluted shares outstanding	55.8	55.8	55.7	Amortization of intangible assets	15	15	13
Net cash provided by operating activities	\$ 105	\$ 41	\$ 165	Non-GAAP income from operations	<u>\$ 184</u>	<u>\$ 190</u>	<u>\$ 208</u>
Purchases of property, plant and equipment	(64)	(19)	(16)	Non-GAAP operating margin	24.1%	25.6%	27.7%
Free cash flow	<u>\$ 41</u>	<u>\$ 22</u>	<u>\$ 149</u>				

in millions other than per diluted share amounts

Appendix – GAAP to Non-GAAP Reconciliations

	Q2'22			Q1'21		
	Income Before	Provision for	Effective	Income Before	Provision for	Effective
	Income Tax	Income Taxes	Tax Rate	Income Tax	Income Taxes	Tax Rate
GAAP	\$ 156	\$ 26	17.0%	\$ 171	\$ 28	16.3%
Acquisition and integration costs (Note 1)	2	—		8	—	
Restructuring and other (Note 2)	3	—		2	—	
Amortization of intangible assets	15	—		15	—	
Gain on sale of long-lived assets (Note 3)	—	—		(7)	—	
Currency hedge gain (Note 4)	—	—		(5)	—	
Windfall tax benefit on stock-based compensation (Note 5)	—	—		—	1	
Tax effect of Non-GAAP adjustments (Note 6)	—	5		—	4	
Non-GAAP	\$ 176	\$ 31	18.0%	\$ 184	\$ 33	17.8%

	Q2'21		
	Income Before	Provision for	Effective
	Income Tax	Income Taxes	Tax Rate
GAAP	\$ 172	\$ 26	15.1%
Acquisition and integration costs (Note 1)	6	—	
Restructuring and other (Note 2)	3	—	
Amortization of intangible assets	13	—	
Currency hedge loss (Note 4)	8	—	
Windfall tax benefit on stock-based compensation (Note 5)	—	3	
Tax effect of Non-GAAP adjustments (Note 6)	—	5	
Non-GAAP	\$ 202	\$ 34	17.0%

in millions

Appendix – GAAP to Non-GAAP Reconciliations



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

Note 1: Acquisition and integration costs during the three months ended June 30, 2022 and the three months ended March 31, 2022 primarily related to our pending acquisition of Atotech announced on July 1, 2021. Acquisition and integration costs during the three months ended June 30, 2021 primarily related to our acquisition of Photon Control and our pending acquisition of Atotech.

Note 2: Restructuring and other costs during the three months ended June 30, 2022 primarily related to severance costs due to a global cost-saving initiative and the closure of two facilities in Europe. Restructuring and other costs during the three months ended March 31, 2022 primarily related to the closure of a facility in Europe. Restructuring and other costs during the three months ended June 30, 2021 primarily related to duplicate facility costs attributed to entering into new facility leases, severance costs due to a global cost-saving initiative, costs related to the pending closure of a facility in Europe and movement of certain products to low-cost regions.

Note 3: We recorded a gain on the sale of a minority interest investment in a private company.

Note 4: We realized a gain in the three ended March 31, 2022 from a euro currency contract used to hedge our financing in connection with the pending acquisition of Atotech. The contract expired on January 31, 2022. We recorded a fair-value loss in the three months ended June 30, 2021 from Canadian dollar contracts used to hedge the funding of our acquisition of Photon Control.

Note 5: We recorded windfall tax benefits on the vesting of stock-based compensation.

Note 6: Non-GAAP adjustments are tax effected at applicable statutory rates resulting in a difference between the GAAP and Non-GAAP tax rates.

Appendix – Revenue by End Market & Division



Revenue by End Market	2019				2020				2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Semiconductor	\$ 220	\$ 214	\$ 223	\$ 271	\$ 313	\$ 322	\$ 359	\$ 393	\$ 412	\$ 431	\$ 488	\$ 495	\$ 488	\$ 515
Advanced Electronics	63	88	72	56	73	83	76	101	115	137	90	96	82	77
Specialty Industrial	181	172	167	173	150	139	155	166	167	182	164	173	172	173
Total Revenue	\$ 464	\$ 474	\$ 462	\$ 500	\$ 536	\$ 544	\$ 590	\$ 660	\$ 694	\$ 750	\$ 742	\$ 764	\$ 742	\$ 765

Revenue by Division	2019				2020				2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Vacuum Solutions	\$ 234	\$ 236	\$ 241	\$ 280	\$ 319	\$ 315	\$ 361	\$ 411	\$ 436	\$ 458	\$ 483	\$ 485	\$ 474	\$ 507
Photonics Solutions	194	183	172	177	166	166	176	182	182	193	209	230	228	228
Equipment Solutions	36	55	49	43	51	63	53	67	76	99	50	49	40	30
Total Revenue	\$ 464	\$ 474	\$ 462	\$ 500	\$ 536	\$ 544	\$ 590	\$ 660	\$ 694	\$ 750	\$ 742	\$ 764	\$ 742	\$ 765

in millions