# First Quarter 2023 Financial Results

MKS Instruments, Inc.
May 4, 2023

# 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") and the impact of the ransomware incident we identified on February 3, 2023. 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 that we make are the need to generate sufficient cash flows to service and repay the substantial indebtedness we incurred in connection with our acquisition of Atotech Limited ("Atotech") in August 2022 (the "Atotech Acquisition"); the terms of our existing credit facilities under which we incurred such debt; our entry into the chemicals technology business through the Atotech Acquisition, in which we do not have experience and which may expose us to significant additional liabilities; the risk that we are unable to integrate the Atotech Acquisition successfully or realize the anticipated synergies, cost savings and other benefits of the Atotech Acquisition; the ongoing assessment of the ransomware incident we identified on February 3, 2023, including legal, reputational, financial and contractual risks resulting from the incident, 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 and the businesses of Atotech and Electro Scientific Industries, Inc., 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 and the impact of COVID-19 or any other pandemic, including with respect to such supply chain disruptions, component shortages and price increases; risks associated with doing business internationally, including trade compliance, 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 local and international 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, 2022 and any subsequent Quarterly Reports on Form 10-Q, as filed with the SEC. MKS is under no obligation to, and expressly disclaims any obligation to, update or alter these forward-looking statements, whether as a result of new information, future events or otherwise after the date of this presentation. Amounts reported in this presentation are preliminary and subject to finalization prior to the filing of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

# 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 Non-GAAP gross margin, operating expenses, operating income, operating margin, interest expense, net, income tax rate, net earnings, net earnings per diluted share and Adjusted EBITDA 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, acquisition and integration costs, amortization of intangible assets, ransomware remediation costs, restructuring and other expense, asset impairment, debt refinancing, prepayments of term loan principal, and the income tax effect of these items. These items are uncertain, depend on various factors, including, but not limited to, our acquisition of Atotech Limited (“Atotech”) in August 2022 (the “Atotech Acquisition”), timing of ransomware remediation, and interest rate and refinancing environment, and could have a material impact on GAAP reported results for the relevant period

**Combined Company Financial Information**

All references to “combined company” financial measures reflect the combined results of MKS and Atotech, which MKS acquired in August 2022, but are not calculated in accordance with Article 11 of Regulation S-X. In addition, except as otherwise indicated, Atotech financial information for periods up until MKS’ acquisition of Atotech has been adjusted from International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) to GAAP and includes adjustments to conform to the accounting policies of MKS.

MKS has not identified material differences in Atotech’s net revenue under GAAP and Atotech’s historical reported net revenue under IFRS. Net revenues by end market for Atotech are based on MKS' understanding of end market uses for Atotech products and services.

For further information regarding Non-GAAP financial measures and the calculation of certain combined company financial information, please refer to the appendix at the end of this presentation. In addition, for a detailed breakout of reported, Atotech and combined company revenues by end-market, please visit the Net Revenues by End Market presentation available under Events & Presentation on the Investor Relations section of MKS' website at investor.mks.com.

# Q1'23 Market Highlights

## Semiconductor

| REVENUE | $309M |
|---|---|
| Q/Q GROWTH | -38% |
| Y/Y GROWTH(1) | -37% |

- Estimated ransomware impact of approximately $110 million
- Business levels continued to soften in the first quarter consistent with decline in wafer fabrication equipment ("WFE") spending for 2023
- 2022 market share gain in critical subsystems market, on top of gains we made in 2021(2)

## Electronics & Packaging

| REVENUE | $222M |
|---|---|
| Q/Q GROWTH | -17% |
| Y/Y GROWTH(1) | -24% |

- Nominal impact from ransomware incident
- Revenue consistent with softness in global electronics demand
- Received a second order for Geode® HDI tool from Atotech customer – customer interest in combined capabilities an initial validation of potential for revenue synergy

## Specialty Industrial

| REVENUE | $263M |
|---|---|
| Q/Q GROWTH | -17% |
| Y/Y GROWTH(1) | -18% |

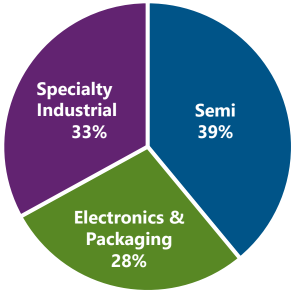
- Estimated ransomware impact of approximately $45 million
- Business levels softened slightly and GMF business held up well
- Excluding the estimated impact from the ransomware incident, and foreign exchange and palladium pass-through, first quarter revenue declined approximately 2% year-over-year on a combined company basis

***Ransomware incident had a negative impact on revenue of approximately $160 million***

*(1) See Slide 3 for additional information regarding the calculation of combined company results of MKS and Atotech. Year-over-year percentages compare the net revenue of MKS for Q1'23 with the combined company net revenue of MKS and Atotech for Q1'22. (2) TechInsights*

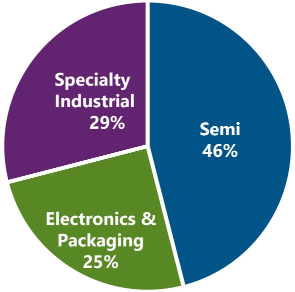
# Revenue

## Q1’23



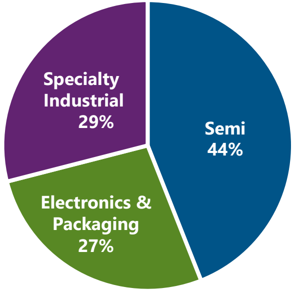

Consumables & Service 43%

## Q4’22




Consumables & Service 37%

## Combined Company Q1’22[(1)]




Consumables & Service 38%

| | Q1'23 | Q4'22 | Q1'22[(1)] | Q1'23 vs Q1'22[(1)] Total Change | FX | Pd | Change Excluding FX & Pd | Ransomware | Change Excluding FX, Pd & Ransomware |
|---|---|---|---|---|---|---|---|---|---|
| Semiconductor | $ 309 | $ 503 | $ 488 | -37% | -1% | 0% | -35% | -22% | -13% |
| Electronics & Packaging | 222 | 266 | 292 | -24% | -4% | 0% | -20% | -2% | -18% |
| Specialty Industrial | 263 | 316 | 320 | -18% | -3% | 0% | -15% | -13% | -2% |
| | **$ 794** | **$ 1,085** | **$ 1,100** | -28% | -3% | 0% | -25% | -14% | -11% |

[1] *For comparability, figures for Q1’22 combine the revenue of MKS and Atotech for the full period. See Slide 3 for additional information regarding the calculation of combined company results of MKS and Atotech.*
*“Total Change” represents the percentage change in net revenues. “FX”, “Pd” and “Ransomware” reflect the estimated impact of foreign exchange rates, palladium prices and the ransomware incident identified in Q1’23, on net revenues, respectively. “Change Excluding FX & Pd” is the difference between “Total Change” and “FX” and “Pd.” “Change Excluding FX. Pd & Ransomware” is the difference between “Total Change” and “FX”, “Pd” and “Ransomware.”*

# Revenue & Select Financial Measures

| | Q1'23 | Q4'22 | Q1'22 |
|---|---|---|---|
| Semiconductor | $309M | $503M | $488M |
| Electronics & Packaging | $222M | $266M | $60M |
| Specialty Industrial | $263M | $316M | $194M |
| Revenue | $794M | $1,085M | $742M |
| **Non-GAAP Financial Measures** | | | |
| Gross Margin | 42.2% | 45.9% | 45.0% |
| Operating Margin | 12.1% | 23.6% | 25.6% |
| Interest Expense, Net | $76M | $75M | $6M |
| Income Tax Rate | (46.8)% | 19.9% | 17.8% |
| Net Earnings | $32M | $133M | $151M |
| Net Earnings per Diluted Share | $0.48 | $2.00 | $2.71 |
| Adjusted EBITDA | $142M | $282M | $211M |
| **GAAP Financial Measures** | | | |
| Gross Margin | 42.2.% | 44.7% | 45.0% |
| Operating Margin | 0.1% | 15.0% | 23.1% |
| Interest Expense, net | $82M | $83M | $6M |
| Income Tax Rate | 46.6% | 17.1% | 16.3% |
| Net (Loss) Income | $(42M) | $54M | $143M |
| Net (Loss) Income per Diluted Share | $(0.64) | $0.81 | $2.57 |

## Q1'23 SUMMARY

- Revenue impact from ransomware incident was approximately $160 million, favorable to expectation
- Non-GAAP gross margin and operating margins impacted by underutilization of our factories associated with the ransomware incident
- Non-GAAP net interest expense favorable to guidance

*Amounts for Q1'22 are reported actuals rather than Combined Company.*

# Balance Sheet & Cash Flow

| | Q1'23 | Q4'22 |
|---|---|---|
| Cash & Short-Term Investments | $880M | $910M |
| Accounts Receivable | $572M | $720M |
| Inventories | $1,058M | $977M |
| Total Current Assets | $2,748M | $2,794M |
| Total Assets | $11,366M | $11,495M |
| Term Loan Principal | $5,111M | $5,121M |
| Total Liabilities | $6,915M | $7,012M |
| Stockholders' Equity | $4,451M | $4,483M |
| Operating Cash Flow | $37M | $184M |
| Free Cash Flow | $20M | $130M |

## Q1'23 SUMMARY

- Maintained liquidity through the ransomware incident
- Net leverage ratio of 4.0x at March 31, 2023, calculated on a combined company basis
- Remain focused on improving cash conversion cycle and deleveraging
- Issued cash dividend of $15M or $0.22 per share

# Q2’23 Guidance

| | Q2’23 | Q1’23 |
|---|---|---|
| Revenue | $980M +/- $50M | $794M |
| **Non-GAAP Financial Measures** | | |
| Gross Margin | 45.0% +/- 100 bps | 42.2% |
| Operating Expenses | $255M +/- $6M | $240M |
| Operating Income | $186M +/- $27M | $96M |
| Operating Margin | 19.0% +/- 180 bps | 12.1% |
| Interest Expense, Net | $82M | $76M |
| Income Tax Rate | 27% | (46.8)% |
| Net Earnings | $76M +/- $20M | $32M |
| Net Earnings per Diluted Share | $1.13 +/- $0.29 | $0.48 |
| Adjusted EBITDA | $223M +/- $27M | $142M |
| Diluted Share Count | 67.2M | 66.8M |

## Q2’23 SUMMARY

- Revenue guidance includes approximately $110 million from first quarter delays due to the ransomware incident, with expectations by end market as follows:
  - Semiconductor – $400M +/- $20M
  - Electronics & Packaging – $240M +/- $10M
  - Specialty Industrial – $340M +/- $20M
- Non-GAAP gross margin reflects anticipated product mix and revenue levels
- Operating expenses reflect higher revenue volumes, timing of annual merit increases, variable compensation and normalization of project spending following the ransomware incident
- Non-GAAP tax rate reflects anticipated geographic mix of taxable income

# Q&A

# Appendix – GAAP to Non-GAAP Reconciliations

| | Q1'23 | Q4'22 | Q1'22 |
|---|---|---|---|
| Net income (loss) | $ (42) | $ 54 | $ 143 |
| Acquisition and integration costs (Note 1) | 6 | 11 | 8 |
| Acquisition inventory step-up (Note 2) | — | 13 | — |
| Restructuring and other (Note 3) | 1 | 1 | 2 |
| Amortization of intangible assets | 81 | 69 | 15 |
| Amortization of debt issuance costs (Note 4) | 6 | 7 | — |
| Ransomware incident (Note 5) | 7 | — | — |
| Gain on sale of long-lived assets (Note 6) | — | — | (7) |
| Currency hedge gain (Note 7) | — | — | (5) |
| Windfall tax benefit on stock-based compensation (Note 8) | — | — | (1) |
| Foreign tax rate adjustment (Note 9) | (3) | — | — |
| Tax effect of Non-GAAP adjustments (Note 10) | (24) | (22) | (4) |
| Non-GAAP net earnings | $ 32 | $ 133 | $ 151 |
| Non-GAAP net earnings per diluted share | $ 0.48 | $ 2.00 | $ 2.71 |
| Weighted average diluted shares outstanding | 66.8 | 66.7 | 55.8 |
| | | | |
| Gross profit | $ 335 | $ 485 | $ 334 |
| Acquisition inventory step-up (Note 2) | — | 13 | — |
| Non-GAAP gross profit | $ 335 | $ 498 | $ 334 |
| Non-GAAP gross margin | 42.2% | 45.9% | 45.0% |
| | | | |
| Operating expenses | $ 334 | $ 322 | $ 162 |
| Acquisition and integration costs (Note 1) | 6 | 11 | 8 |
| Restructuring and other (Note 3) | 1 | 1 | 2 |
| Gain on sale of long-lived assets (Note 6) | — | — | (7) |
| Amortization of intangible assets | 81 | 69 | 15 |
| Ransomware incident (Note 5) | 7 | — | — |
| Non-GAAP operating expenses | $ 240 | $ 242 | $ 144 |
| | | | |
| Net cash provided by operating activities | $ 37 | $ 184 | $ 41 |
| Purchases of property, plant and equipment | (17) | (54) | (19) |
| | $ 20 | $ 130 | $ 22 |

| | Q1'23 | Q4'22 | Q1'22 |
|---|---|---|---|
| Income from operations | $ 1 | $ 163 | $ 172 |
| Operating margin | 0.1% | 15.0% | 23.1% |
| Acquisition and integration costs (Note 1) | 6 | 11 | 8 |
| Acquisition inventory step-up (Note 2) | — | 13 | — |
| Restructuring and other (Note 3) | 1 | 1 | 2 |
| Gain on sale of long-lived assets (Note 6) | — | — | (7) |
| Amortization of intangible assets | 81 | 69 | 15 |
| Ransomware incident (Note 5) | 7 | — | — |
| Non-GAAP income from operations | $ 96 | $ 257 | $ 190 |
| Non-GAAP operating margin | 12.1% | 23.6% | 25.6% |
| | | | |
| Interest expense, net | $ 82 | $ 83 | $ 6 |
| Amortization of debt issuance costs (Note 4) | 6 | 7 | — |
| Non-GAAP interest expense, net | $ 76 | $ 75 | $ 6 |
| | | | |
| Net income | $ (42) | $ 54 | $ 143 |
| Interest expense, net | 82 | 83 | 6 |
| (Benefit) provision for income taxes | (37) | 11 | 28 |
| Depreciation | 26 | 27 | 13 |
| Amortization of intangible assets | 81 | 69 | 15 |
| EBITDA | $ 110 | $ 244 | $ 205 |
| Stock-based compensation | 18 | 13 | 8 |
| Acquisition and integration costs (Note 1) | 6 | 11 | 8 |
| Acquisition inventory step-up (Note 2) | — | 13 | — |
| Restructuring and other (Note 3) | 1 | 1 | 2 |
| Ransomware incident (Note 5) | 7 | — | — |
| Gain on sale of long-lived assets (Note 6) | — | — | (7) |
| Currency hedge gain (Note 7) | — | — | (5) |
| Adjusted EBITDA | $ 142 | $ 282 | $ 211 |
| Adjusted EBITDA margin | 17.8% | 26.0% | 28.4% |

*in millions other than per diluted share amounts*

# Appendix – GAAP to Non-GAAP Reconciliations

| | Q1'23 | | | Q4'22 | | |
|---|---|---|---|---|---|---|
| | (Loss) Income Before Income Tax | Benefit for Income Taxes | Effective Tax Rate | Income Before Income Tax | Provision for Income Taxes | Effective Tax Rate |
| GAAP | $ (79) | $ (37) | 46.6% | $ 65 | $ 11 | 17.1% |
| Acquisition and integration costs (Note 1) | 6 | — | | 11 | — | |
| Acquisition inventory step-up (Note 2) | — | — | | 13 | — | |
| Restructuring and other (Note 3) | 1 | — | | 1 | | |
| Amortization of intangible assets | 81 | — | | 69 | — | |
| Amortization of debt issuance costs (Note 4) | 6 | — | | 7 | — | |
| Ransomware incident (Note 5) | 7 | — | | — | — | |
| Foreign tax rate adjustment (Note 9) | 0 | 3 | | — | — | |
| Tax effect of Non-GAAP adjustments (Note 10) | — | 24 | | — | 22 | |
| Non-GAAP | $ 23 | $ (10) | (46.8%) | $ 166 | $ 33 | 19.9% |

| | Q1'22 | | |
|---|---|---|---|
| | Income Before Income Tax | Provision for Income Taxes | Effective Tax Rate |
| GAAP | $ 171 | $ 28 | 16.3% |
| Acquisition and integration costs (Note 1) | 8 | — | |
| Restructuring and other (Note 3) | 2 | — | |
| Amortization of intangible assets | 15 | — | |
| Gain on sale of long-lived assets (Note 6) | (7) | — | |
| Currency hedge gain (Note 7) | (5) | — | |
| Windfall tax benefit on stock-based compensation (Note 8) | — | 1 | |
| Tax effect of Non-GAAP adjustments (Note 10) | — | 4 | |
| Non-GAAP | $ 184 | $ 33 | 17.8% |

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

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

Note 2: Costs of revenues during the three months ended December 31, 2022 included the amortization from the step-up of inventory to fair value as a result of the Atotech Acquisition.

Note 3: Restructuring and other costs during the three months ended March 31, 2023 primarily related to severance costs from a global cost-saving initiative. Restructuring and other costs during the three months ended December 31, 2022 primarily related to the closure of two facilities in Europe and movement of certain products to low cost regions. Restructuring and other costs during the three months ended March 31, 2022 primarily related to the closure of a facility in Europe and the pending closure of another facility in Europe.

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

Note 5: 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.

Note 6: We recorded a gain on the sale of a minority interest investment in a private company.

Note 7: We realized a gain in the three months ended March 31, 2022 from a euro currency contract used to hedge our financing in connection with the Atotech Acquisition. The contract expired on January 31, 2022.

Note 8: We recorded windfall tax benefits on the vesting of stock-based compensation.

Note 9: We recorded a reduction in benefit for income taxes for a retrospective approval of an income tax rate reduction from a foreign jurisdiction we received in the first quarter of 2023.

Note 10: Non-GAAP adjustments are tax effected at applicable statutory rates resulting in a difference between the GAAP and Non-GAAP tax rates.

# Appendix – Reconciliation of Net Leverage Ratio

| Combined Company | Q1'23 | Q4'22 | Q3'22 | Q2'22 | Total |
|---|---|---|---|---|---|
| Net (loss) income | $ (42) | $ 54 | $ (12) | $ 150 | $ 150 |
| Interest expense, net | 82 | 83 | 105 | 21 | 291 |
| Provision for income taxes | (37) | 11 | 33 | 51 | 58 |
| Depreciation and amortization | 107 | 96 | 73 | 65 | 341 |
| Stock-based compensation | 18 | 13 | 13 | 17 | 61 |
| Acquisition and integration costs | 6 | 11 | 71 | 2 | 89 |
| Acquisition inventory step-up | — | 13 | 39 | — | 52 |
| Restructuring and other | 1 | 1 | 5 | 3 | 10 |
| Ransomware incident | 7 | — | — | — | 7 |
| Management fee | — | — | — | 1 | 1 |
| Adjusted EBITDA | $ 142 | $ 282 | $ 327 | $ 310 | $ 1,061 |

| March 31, 2023 | |
|---|---|
| Principal outstanding on New Credit Agreement | $ 5,111 |
| Less: Cash & Short-Term Investments | 880 |
| Net debt | $ 4,230 |
| Net leverage ratio | 4.0x |

| MKS | Q3'22 | Q2'22 |
|---|---|---|
| Net income | $ 54 | $ 130 |
| Interest expense, net | 79 | 6 |
| Provision for income taxes | 44 | 26 |
| Depreciation and amortization | 28 | 28 |
| Stock-based compensation | 10 | 13 |
| Acquisition and integration costs | 30 | 2 |
| Restructuring and other | — | 3 |
| Adjusted EBITDA | $ 245 | $ 208 |

| Atotech | | |
|---|---|---|
| Net (loss) income | $ (66) | $ 20 |
| Interest expense, net | 26 | 15 |
| Provision for income taxes | (11) | 25 |
| Depreciation and amortization | 45 | 37 |
| Stock-based compensation | 3 | 4 |
| Acquisition and integration costs | 41 | — |
| Acquisition inventory step-up | 39 | — |
| Restructuring and other | 5 | — |
| Management fee | — | 1 |
| Adjusted EBITDA | $ 82 | $ 102 |

*Combined Company combines the results of MKS (excluding Atotech/MSD for Q3'22) and the results of Atotech/MSD (including full quarter results for Q3'22)*
*in millions*