



First Quarter 2021 Financial Results

MKS Instruments, Inc.
April 27, 2021



Safe Harbor for Forward-Looking Statements

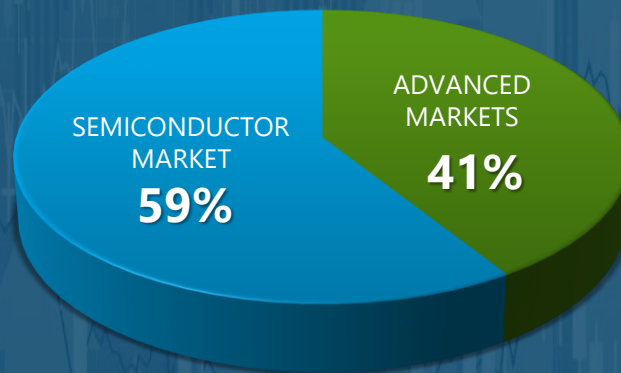
This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding the future financial performance, business prospects and growth 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 the conditions affecting the markets in which MKS operates, including the fluctuations in capital spending in the semiconductor industry and other advanced manufacturing markets, fluctuations in sales to our major customers, the ability to anticipate and meet customer demand, manufacturing and sourcing risks, including supply chain disruptions and component shortages, the terms of our term loan facility, competition from larger or more established companies in MKS' markets, MKS' ability to successfully grow its business and particularly the business of Electro Scientific Industries, Inc., which it acquired in February 2019, 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. 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. Please see the Appendix entitled “GAAP to Non-GAAP Reconciliations” at the end of this presentation for reconciliations of our Non-GAAP financial measures to the comparable GAAP financial measures.

Q1'21 Results

	Q1'21	Q4'20	Q1'20	Q/Q	Y/Y
REVENUE	\$694M	\$660M	\$536M	5%	30%
NON-GAAP EPS	\$2.56	\$2.34	\$1.54	9%	66%
GAAP EPS	\$2.20	\$2.08	\$1.25	6%	76%



Q1'21 Market Highlights

Semiconductor Market

REVENUE	\$412M
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Q/Q GROWTH	+5%
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Y/Y GROWTH	+32%
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- Record revenue for Pressure, Flow and Valve solutions
- Another exceptional quarter in RF Power, and robust sequential growth in our Plasma and Reactive Gas business
- Multiple design wins in World Class Optics initiative
- Meaningful win in Precision Motion business for an advanced wafer packaging application

Advanced Markets

REVENUE	\$282M
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Q/Q GROWTH	+6%
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Y/Y GROWTH	+27%
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- Growing demand in our Advanced Electronics Manufacturing
- Continued healthy demand for Flex PCB via drilling solutions
- Secured two design wins for our HDI via drilling solution, one of which is with a large multi-national PCB manufacturer

Significant Market Share Gains in 2020 Validated By VLSI

- More than 2% of share gain in overall Critical Subsystems
- Almost 10% of share gain in RF Power Supplies - MKS now "neck and neck" with historic market leader
- More than 6% of share gain in Remote Plasma Sources
- Gains in other critical vacuum subsystems - Pressure Gauges and Valves

Source: VLSI

Semiconductor Market – Powerful Secular Trends



Semiconductor demand to grow, driven by explosion in data and the need to store, transmit, and process it

More leading-edge chips are required, placing additional demands on the capital equipment ecosystem to drive technology breakthroughs

Technology breakthroughs need to occur faster, as product iterations are increasing, and development cycles are shortening

Continued Leadership and Outperformance in Semi

Revenue & Select Financial Measures

	Q1'21	Q4'20	Q1'20
Advanced Markets	\$282M	\$267M	\$223M
Semiconductor Market	\$412M	\$393M	\$313M
Revenue	\$694M	\$660M	\$536M

Non-GAAP Financial Measures

Gross Margin	46.4%	45.7%	44.7%
Operating Margin	25.8%	24.7%	20.5%
Interest Expense, Net	\$6M	\$6M	\$7M
Income Tax Rate	17.0%	17.5%	17.0%
Net Earnings	\$143M	\$130M	\$85M
Net Earnings per Diluted Share	\$2.56	\$2.34	\$1.54

GAAP Financial Measures

Gross Margin	46.4%	45.7%	44.7%
Operating Margin	22.4%	22.2%	16.8%
Interest Expense, Net	\$6M	\$6M	\$8M
Income Tax Rate	17.5%	17.7%	15.0%
Net Income	\$122M	\$116M	\$69M
Net Income per Diluted Share	\$2.20	\$2.08	\$1.25

Q1'21 Summary

- Record revenue, +5% Q/Q, +30% Y/Y, above the high end of guidance
- Record Advanced Markets revenue +6% Q/Q, +27% Y/Y
- Record Semiconductor Market revenue +5% Q/Q, +32% Y/Y
- Non-GAAP Gross Margin +70 bps Q/Q, +170 bps Y/Y
- Non-GAAP Operating Margin +110 bps Q/Q, +530 bps Y/Y
- Record non-GAAP net earnings and non-GAAP EPS, each of which increased at >2x year-over-year revenue growth rate

Balance Sheet & Cash Flow

	Q1'21	Q4'20	Q1'20
Cash & Short-Term Investments	\$910M	\$836M	\$503M
Accounts Receivable	\$421M	\$393M	\$381M
Inventories	\$515M	\$501M	\$474M
Total Current Assets	\$1,922M	\$1,804M	\$1,457M
Total Assets	\$4,018M	\$3,904M	\$3,475M
Term Loan Principal	\$831M	\$833M	\$840M
Total Liabilities	\$1,549M	\$1,543M	\$1,422M
Stockholders' Equity	\$2,469M	\$2,361M	\$2,053M
Operating Cash Flow	\$127M	\$147M	\$75M
Free Cash Flow	\$100M	\$122M	\$65M

- Exited Q1'21 with \$910M of cash and short-term investments
- Remain focused on improving cash conversion cycle
- Q1'21 operating cash flow +69% Y/Y
- Q1'21 free cash flow +55% Y/Y
- Issued cash dividend in Q1'21 of \$11M or \$0.20 per share

Q2'21 Guidance

	Q2'21	Q1'21
Revenue	\$740M +/- \$30M	\$694M

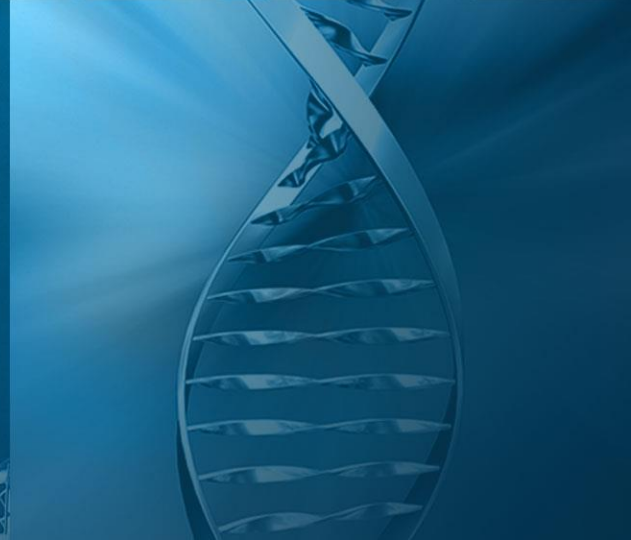
Non-GAAP Financial Measures

Gross Margin	47.0% +/- 100 bps	46.4%
Operating Expenses	\$146M +/- \$4M	\$143M
Operating Income	\$203M +/- \$18M	\$179M
Operating Margin	27.4% +/- 130 bps	25.8%
Interest Expense, Net	\$6M	\$6M
Tax Rate	17.0%	17.0%
Net Earnings	\$163M +/- \$15M	\$143M
Net Earnings per Diluted Share	\$2.92 +/- \$0.26	\$2.56

Diluted Share Count	55.8M	55.6M
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- Revenue from both Semiconductor Market and Advanced Markets expected to grow sequentially
- Non-GAAP gross margin reflects anticipated product mix and revenue levels
- Non-GAAP tax rate reflects anticipated geographic mix of taxable income

Q&A



Appendix – GAAP to Non-GAAP Reconciliations



	Q1'21	Q4'20	Q1'20		Q1'21	Q4'20	Q1'20
Net income	\$ 122.3	\$ 115.6	\$ 69.1	Operating expenses	\$ 166.6	\$ 154.9	\$ 149.7
Acquisition and integration costs (Note 1)	6.2	0.4	2.2	Acquisition and integration costs (Note 1)	6.2	0.4	2.2
Amortization of intangible assets	12.4	12.6	16.3	Amortization of intangible assets	12.4	12.6	16.3
Amortization of debt issuance costs (Note 2)	0.2	0.2	0.9	Restructuring and other (Note 3)	4.9	2.6	0.4
Restructuring and other (Note 3)	4.9	2.6	0.4	Asset impairment (Note 4)	—	1.1	1.2
Asset impairment (Note 4)	—	1.1	1.2	Non-GAAP operating expenses	<u>\$ 143.1</u>	<u>\$ 138.2</u>	<u>\$ 129.6</u>
Windfall tax benefit on stock-based compensation (Note 5)	(1.7)	—	(0.9)	Income from operations	\$ 155.5	\$ 146.7	\$ 89.9
Withholding tax related to Brexit (Note 6)	3.2	—	—	Acquisition and integration costs (Note 1)	6.2	0.4	2.2
Tax effect of Non-GAAP adjustments (Note 7)	(4.8)	(2.7)	(4.3)	Amortization of intangible assets	12.4	12.6	16.3
Non-GAAP net earnings	<u>\$ 142.7</u>	<u>\$ 129.8</u>	<u>\$ 84.9</u>	Restructuring and other (Note 3)	4.9	2.6	0.4
Non-GAAP net earnings per diluted share	<u>\$ 2.56</u>	<u>\$ 2.34</u>	<u>\$ 1.54</u>	Asset impairment (Note 4)	—	1.1	1.2
Weighted average diluted shares outstanding	55.6	55.5	55.2	Non-GAAP income from operations	<u>\$ 179.0</u>	<u>\$ 163.4</u>	<u>\$ 110.0</u>
Net cash provided by operating activities	\$ 126.9	\$ 147.2	\$ 74.9	Non-GAAP operating margin	<u>25.8%</u>	<u>24.7%</u>	<u>20.5%</u>
Purchases of property, plant and equipment	(26.5)	(25.0)	(10.0)	Interest expense, net	\$ 6.2	\$ 6.2	\$ 8.2
Free cash flow	<u>\$ 100.4</u>	<u>\$ 122.2</u>	<u>\$ 64.9</u>	Amortization of debt issuance costs (Note 2)	0.2	0.2	0.9
				Non-GAAP interest expense, net	<u>\$ 6.0</u>	<u>\$ 6.0</u>	<u>\$ 7.3</u>

Dollar amounts and diluted share count in millions.

Appendix – GAAP to Non-GAAP Reconciliations

	Q1'21			Q4'20		
	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	\$ 148.2	\$ 25.9	17.5%	\$ 140.5	\$ 24.9	17.7%
Acquisition and integration costs (Note 1)	6.2	—		0.4	—	
Amortization of intangible assets	12.4	—		12.6	—	
Amortization of debt issuance costs (Note 2)	0.2	—		0.2	—	
Restructuring and other (Note 3)	4.9	—		2.6	—	
Asset impairment (Note 4)	—	—		1.1	—	
Windfall tax benefit on stock-based compensation (Note 5)	—	1.7		—	—	
Withholding tax related to Brexit (Note 6)	—	(3.2)		—	—	
Tax effect of Non-GAAP adjustments (Note 7)	—	4.8		—	2.7	
Non-GAAP	<u>\$ 171.9</u>	<u>\$ 29.2</u>	17.0%	<u>\$ 157.4</u>	<u>\$ 27.6</u>	17.5%
	Q1'20					
	Income Before Income Tax	Provision (benefit) for Income Taxes	Effective Tax Rate			
GAAP	\$ 81.3	\$ 12.2	15.0%			
Acquisition and integration costs (Note 1)	2.2	—				
Amortization of intangible assets	16.3	—				
Amortization of debt issuance costs (Note 2)	0.9	—				
Restructuring and other (Note 3)	0.4	—				
Asset impairment (Note 4)	1.2	—				
Windfall tax benefit on stock-based compensation (Note 5)	—	0.9				
Tax effect of Non-GAAP adjustments (Note 7)	—	4.3				
Non-GAAP	<u>\$ 102.3</u>	<u>\$ 17.4</u>	17.0%			

Dollar amounts in millions.

Appendix – GAAP to Non-GAAP Reconciliations

Q2'21 Guidance

	<u>Percentage Plus or Minus</u>	
GAAP and Non-GAAP gross margin	47.0%	1.0%

	<u>Amount</u>	<u>Plus or Minus</u>
GAAP operating expenses	\$ 160.5	\$ 4.0
Amortization of intangible assets	(12.2)	—
Acquisition and integration costs	(0.4)	—
Restructuring and other	(2.4)	—
Non-GAAP operating expenses	<u>\$ 145.5</u>	<u>\$ 4.0</u>

	<u>Amount</u>	<u>Plus or Minus</u>	<u>Percentage</u>	<u>Plus or Minus</u>
GAAP operating income and margin	\$ 187.5	\$ 17.5	25.3%	1.3%
Amortization of intangible assets	12.2	—	1.7%	—
Acquisition and integration costs	0.4	—	0.1%	—
Restructuring and other	2.4	—	0.3%	—
Non-GAAP operating income and margin	<u>\$ 202.5</u>	<u>\$ 17.5</u>	<u>27.4%</u>	<u>1.3%</u>

GAAP interest expense, net	\$ 6.2
Amortization of debt issuance costs	(0.2)
Non-GAAP interest expense, net	<u>\$ 6.0</u>

	<u>Amount</u>	<u>Plus or Minus</u>	<u>Per Share</u>	<u>Plus or Minus</u>
GAAP net income	\$ 150.4	\$ 14.5	\$ 2.70	\$ 0.26
Amortization of intangible assets	12.2	—	0.21	—
Amortization of debt issuance costs	0.2	—	—	—
Acquisition and integration costs	0.4	—	0.01	—
Restructuring and other	2.4	—	0.04	—
Tax effect of non-GAAP adjustments	(2.6)	—	(0.04)	—
Non-GAAP net earnings	<u>\$ 163.0</u>	<u>\$ 14.5</u>	<u>\$ 2.92</u>	<u>\$ 0.26</u>
Estimated weighted average diluted shares				55.8

Dollar amounts and diluted share count 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 March 31, 2021 primarily related to our proposed acquisition of Coherent, Inc. Acquisition and integration costs during the three months ended March 31, 2020 and December 31, 2020 related to integration costs from our acquisition of Electro Scientific Industries, Inc., which closed on February 1, 2019.

Note 2: 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 3: Restructuring and other costs during the three months ended March 31, 2021 primarily related to severance costs due to a global cost saving initiative and duplicate facility costs attributed to entering into new leases. Restructuring and other costs during the three months ended December 31, 2020 and March 31, 2020 primarily related to duplicate facility costs attributed to entering into new leases, and costs related to the pending closure of a facility in Europe. Such costs for the three months ended March 31, 2020 were offset by an insurance reimbursement related to a legal settlement.

Note 4: During the three months ended March 31, 2020, we recorded an asset impairment charge as a result of the write-down of long-lived assets related to the pending closure of a facility. During the three months ended December 31, 2020, we recorded the write-off of goodwill, related to the pending closure of a facility in Europe.

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

Note 6: We recorded additional withholding taxes on inter-company undistributed earnings following the United Kingdom's departure from the European Union.

Note 7: Non-GAAP adjustments are tax effected at applicable statutory rates resulting in a difference between the GAAP and Non-GAAP tax rates. For the three months ending June 30, 2021, we forecast a GAAP and Non-GAAP tax rate of approximately 17%.