



First Quarter 2022
Financial Results

MKS Instruments, Inc.
April 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, component 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., 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 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, 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 this presentation.

Use of Non-GAAP Financial Measures; Pro Forma Combined Financial Information

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.

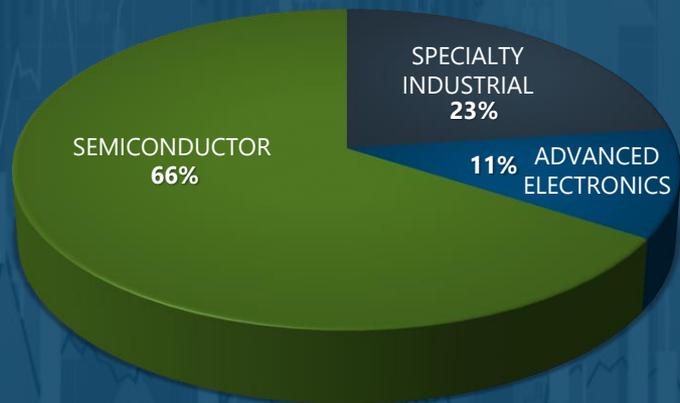
Pro Forma Combined Financial Information

Pro forma combined financial information of MKS and Atotech has not been prepared in accordance with Article 11 of Regulation S-X but rather represents a combination of the results of MKS, which are reported in accordance with GAAP, with the results of Atotech, which are reported in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (“IFRS”). Certain pro forma combined financial information includes adjustments to Atotech’s financial information to align with GAAP and MKS’ financial reporting policies. Pro forma combined financial information pursuant to Article 11 of Regulation S-X could differ materially from the combined information presented herein.

For further information regarding pro forma combined company information, please refer to the tables presenting reconciliations of pro forma combined company financial information in the appendix of this presentation.

Q1'22 Results

	Q1'22	Q4'21	Q1'21	Q/Q	Y/Y
REVENUE	\$742M	\$764M	\$694M	-3%	7%
NON-GAAP EPS	\$2.71	\$3.02	\$2.56	-10%	6%
GAAP EPS	\$2.57	\$2.69	\$2.20	-4%	17%



Driving Technology Enablement Across Markets



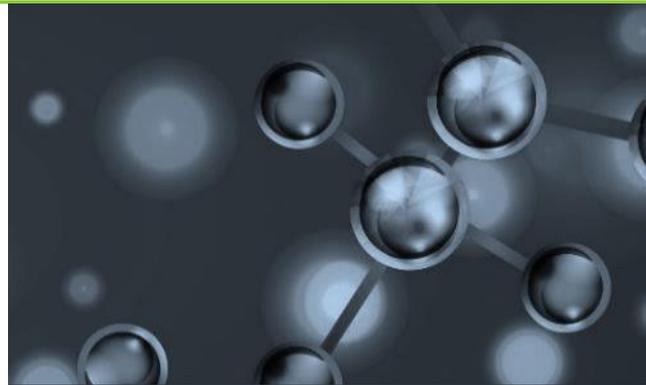
SEMICONDUCTOR

- Deposition and Etch
- Lithography
- Metrology and Inspection
- Wet Clean
- Packaging



ADVANCED ELECTRONICS

- PCB Via Drilling
- Solar and Display processing
- Electronic Component Manufacturing



SPECIALTY INDUSTRIAL

- Industrial
- Life & Health Sciences
- Research
- Defense

Foundational Enabler of Miniaturization & Complexity Across Broad Array of Applications

Q1'22 Market Highlights

SEMICONDUCTOR

REVENUE **\$488M**

Q/Q GROWTH **-1%**

Y/Y GROWTH **+19%**

- Broad-based strength across Vacuum and Photonics
- Commenced shipments of Cleanline® compact remote plasma source solution
- Precision Motion subsystems design wins across multiple applications
- TechInsights confirms 2021 share gains and market leadership in RF Power Supplies

ADVANCED ELECTRONICS

REVENUE **\$82M**

Q/Q GROWTH **-15%**

Y/Y GROWTH **-29%**

- Reflects softer industry demand for Flex PCB via drilling
- Continuing to generate interest from new and existing HDI customers, with dozens of tools in high volume manufacturing

SPECIALTY INDUSTRIAL

REVENUE **\$172M**

Q/Q GROWTH **-1%**

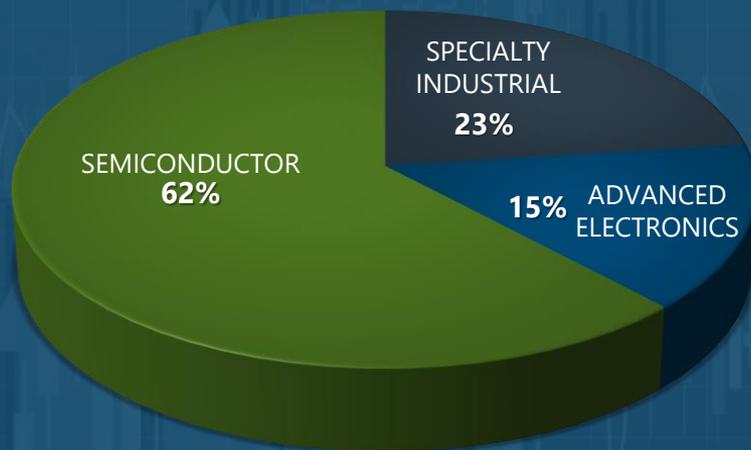
Y/Y GROWTH **+2%**

- Sequential and year-over-year growth in Life & Health Sciences applications
- Sequential growth in Defense applications
- Seasonal softness in Research market

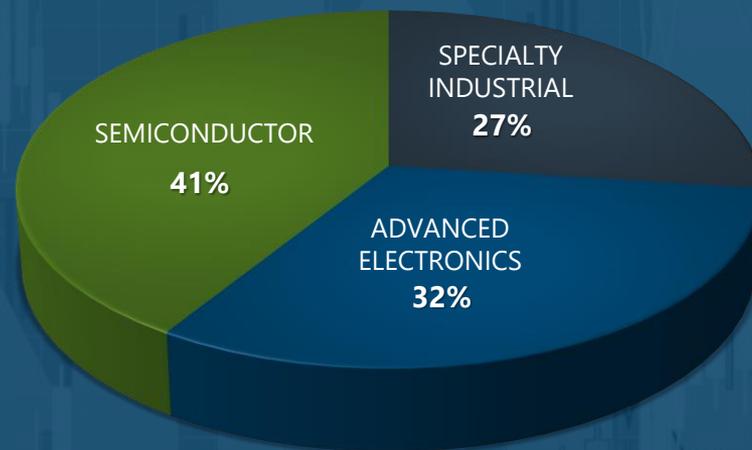
Foundational Enabler of Miniaturization & Complexity Across Broad Array of Applications

2021 Standalone and Pro Forma End Market Mix

MKS Standalone



Pro Forma with Atotech



Pro Forma percentages include 2021 reported financial results of Atotech. See Appendix for additional information.

Revenue & Select Financial Measures

	Q1'22	Q4'21	Q1'21
Semiconductor	\$488M	\$495M	\$412M
Advanced Electronics	\$82M	\$96M	\$115M
Specialty Industrial	\$172M	\$173M	\$167M
Revenue	\$742M	\$764M	\$694M
Non-GAAP Financial Measures			
Gross Margin	45.0%	46.4%	46.4%
Operating Margin	25.6%	27.1%	25.8%
Interest Expense, Net	\$6M	\$6M	\$6M
Income Tax Rate	17.8%	16.3%	17.0%
Net Earnings	\$151M	\$168M	\$143M
Net Earnings per Diluted Share	\$2.71	\$3.02	\$2.56
GAAP Financial Measures			
Gross Margin	45.0%	46.4%	46.4%
Operating Margin	23.1%	23.8%	22.4%
Interest Expense, Net	\$6M	\$6M	\$6M
Income Tax Rate	16.3%	15.9%	17.5%
Net Income	\$143M	\$150M	\$122M
Net Income per Diluted Share	\$2.57	\$2.69	\$2.20

Q1'22 Summary

- Total revenue, -3% Q/Q, +7% Y/Y
 - Semiconductor revenue -1% Q/Q, +19% Y/Y
 - Advanced Electronics revenue -15% Q/Q, -29% Y/Y
 - Specialty Industrial revenue -1% Q/Q, +2% Y/Y
- Gross Margin in line with guidance
- Non-GAAP Operating Margin near high end of guidance

Balance Sheet & Cash Flow

	Q1'22	Q4'21	Q1'21
Cash & Short-Term Investments	\$1,053M	\$1,043M	\$910M
Accounts Receivable	\$480M	\$443M	\$421M
Inventories	\$636M	\$577M	\$515M
Total Current Assets	\$2,258M	\$2,147M	\$1,922M
Total Assets	\$4,649M	\$4,540M	\$4,018M
Term Loan Principal	\$822M	\$824M	\$831M
Total Liabilities	\$1,622M	\$1,653M	\$1,549M
Stockholders' Equity	\$3,027M	\$2,887M	\$2,469M
Operating Cash Flow	\$41M	\$194M	\$127M
Free Cash Flow	\$22M	\$171M	\$100M

- Exited Q1'22 with record cash and short-term investments
- Operating and free cash flow reflecting the timing of revenue during the quarter and timing of annual bonus payment.
- Issued cash dividend in Q1'22 of \$12M or \$0.22 per share

Q2'22 Guidance

	Q2'22	Q1'22
Revenue	\$730M +/- \$30M	\$742M
Non-GAAP Financial Measures		
Gross Margin	43.5% +/- 100 bps	45.0%
Operating Expenses	\$156M +/- \$4M	\$144M
Operating Income	\$162M +/- \$17M	\$190M
Operating Margin	22.1% +/- 130 bps	25.6%
Interest Expense, Net	\$6M	\$6M
Tax Rate	18.0%	17.8%
Net Earnings	\$128M +/- \$13M	\$151M
Net Earnings per Diluted Share	\$2.28 +/- \$0.24	\$2.71
Diluted Share Count	56.2M	55.8M

- Semiconductor expected to be consistent to slightly down from Q1'22
- Advanced Electronics expected to be down from Q1'22
- Specialty Industrial expected to be consistent with Q1'22
- 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

	Q1'22	Q4'21	Q1'21		Q1'22	Q4'21	Q1'21
Net income	\$ 143	\$ 150	\$ 122	Operating expenses	\$ 162	\$ 173	\$ 166
Acquisition and integration costs (Note 1)	8	9	6	Acquisition and integration costs (Note 1)	8	9	6
Restructuring and other (Note 2)	2	1	5	Restructuring and other (Note 2)	2	1	5
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	12	Amortization of intangible assets	15	15	12
Currency hedge gain (Note 4)	(5)	(3)	—	Non-GAAP operating expenses	<u>\$ 144</u>	<u>\$ 148</u>	<u>\$ 143</u>
Windfall tax benefit on stock-based compensation (Note 5)	(1)	—	(1)				
Withholding tax related to Brexit (Note 6)	—	—	3	Income from operations	\$ 172	\$ 182	\$ 156
Tax effect of Non-GAAP adjustments (Note 7)	(4)	(4)	(4)	Acquisition and integration costs (Note 1)	8	9	6
Non-GAAP net earnings	<u>\$ 151</u>	<u>\$ 168</u>	<u>\$ 143</u>	Restructuring and other (Note 2)	2	1	5
Non-GAAP net earnings per diluted share	<u>\$ 2.71</u>	<u>\$ 3.02</u>	<u>\$ 2.56</u>	Gain on sale of long-lived assets (Note 3)	(7)	—	—
Weighted average diluted shares outstanding	55.8	55.7	55.6	Amortization of intangible assets	15	15	12
				Non-GAAP income from operations	<u>\$ 190</u>	<u>\$ 207</u>	<u>\$ 179</u>
Net cash provided by operating activities	\$ 41	\$ 194	\$ 127	Non-GAAP operating margin	25.6%	27.1%	25.8%
Purchases of property, plant and equipment	(19)	(23)	(27)				
Free cash flow	<u>\$ 22</u>	<u>\$ 171</u>	<u>\$ 122</u>				

in millions other than per diluted share amounts

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, 2022 and 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 March 31, 2021 primarily related to our proposed acquisition of Coherent, Inc.

Note 2: Restructuring and other costs during the three months ended March 31, 2022 and December 31, 2021 primarily related to the closure of a facility in Europe and the pending closure of another facility in Europe. 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.

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

Note 4: We realized a gain of \$5 million and \$3 million in the three months ended March 31, 2022 and December 31, 2021, respectively, from a currency contract used to hedge our financing in connection with the pending acquisition of Atotech. The contract expired on January 31, 2022.

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 withdrawal 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.

Appendix – 2021 Pro Forma Financial Data

	MKS	Atotech	Pro Forma
Semiconductor	\$ 1,826	\$ -	\$ 1,826
Advanced Electronics	438	981	\$ 1,419
Specialty Industrial	686	518	\$ 1,204
Revenue	\$ 2,950	\$ 1,499	\$ 4,449
Semiconductor	62%	0%	41%
Advanced Electronics	15%	65%	32%
Specialty Industrial	23%	35%	27%

Atotech's Electronics revenue would be categorized under MKS' Advanced Electronics Market. Atotech's General Metal Finishing revenue would be categorized under MKS' Specialty Industrial Market.

	MKS	Atotech	Pro Forma
Consolidated net income	\$ 551	\$ 8	\$ 559
Interest expense, net	25	97	122
Provision for income taxes	114	77	191
Depreciation and amortization (excl. impairment charges)	104	176	280
EBITDA	\$ 794	\$ 358	\$ 1,152
Stock-based compensation	37	-	37
COVID-19 related net adjustment	-	1	1
Acquisition and integration costs	30	-	30
Restructuring and other	11	(1)	11
Transaction related costs	-	20	20
Currency hedge loss	7	-	7
Foreign exchange loss, net	-	(13)	(13)
Management fee	-	3	3
Non-cash adjustments	-	90	90
Adj. EBITDA	\$ 879	\$ 458	\$ 1,337
IFRS-16 depreciation	-	(10)	(10)
Capitalized R&D Expense	-	(26)	(26)
Other adjustments	-	(7)	(7)
Adj. EBITDA (inc. IFRS to GAAP adjustments)	\$ 879	\$ 416	\$ 1,294

in millions

Appendix – Revenue by End Market & Division

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

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

Advanced Electronics and Specialty Industrial were previously reported as Advanced Markets

Vacuum Solutions was previously Vacuum & Analysis

Photonics Solutions was previously Light & Motion

Equipment Solutions was previously Equipment & Solutions

in millions