

# Third Quarter 2024 Financial Results

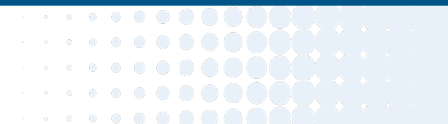
MKS Instruments, Inc.  
November 7, 2024



# 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”). 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 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 level and terms of our substantial indebtedness and our ability to service such debt; our entry into the chemicals technology business through our acquisition of Atotech Limited (“Atotech”) in August 2022 (the “Atotech Acquisition”), which may expose us to significant additional liabilities; the risk that we are unable to integrate Atotech successfully or realize the anticipated synergies, cost savings and other benefits of the Atotech Acquisition; legal, reputational, financial and contractual risks resulting from the ransomware incident we identified in February 2023, 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, including through growth of the Atotech business and growth of the Electro Scientific Industries, Inc. business, 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; the impact of a pandemic or other widespread health crisis; risks associated with doing business internationally, including geopolitical conflicts, such as the conflict in the Middle East, 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 global 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, 2023 and any subsequent Quarterly Reports on Form 10-Q, as filed with the U.S. Securities and Exchange Commission. 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 September 30, 2024.

# 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, restructuring expense, goodwill and intangible asset impairments, excess and obsolescence inventory charges, amortization of deferred financing costs, debt refinancing fees, loss on extinguishment of debt, and the income tax effect of these items. These items are uncertain, depend on various factors, including, but not limited to, the Atotech Acquisition, and the interest rate and refinancing environment, and could have a material impact on GAAP reported results for the relevant period.

For further information regarding Non-GAAP financial measures, including a change in the fourth quarter of 2023 to the definition of Adjusted EBITDA, please refer to the appendix at the end of this presentation. In addition, for a detailed breakout of net revenues by end-market and division, please visit the Net Revenues by End Market & Division presentation available under Events & Presentation on the Investor Relations section of MKS’ website at [investor.mks.com](http://investor.mks.com).

# Q3 2024 Results: Resilience, Execution, Profitability



- All key financial metrics at or above the high end of guidance
- Strong gross margins above 48%, reflective of the value of our broad and differentiated product portfolio
- Operating margin demonstrates continued cost discipline
- Proactively managing leverage by repricing our Term Loan B reducing our interest rate by 25 basis points and making year-to-date voluntary prepayments of \$426M

# Semiconductor

## Q3 Highlights

Q3 2024

**\$378M**

REVENUE

Q/Q CHANGE +3%

Y/Y CHANGE +3%

Y/Y CHANGE<sup>1</sup> +8%

Excluding FX and Ransomware Recovery

- Revenue above high end of guidance range driven by in-quarter demand conversion related to DRAM and Logic/Foundry applications
- NAND remained relatively stable in the quarter at historically low levels

<sup>1</sup> For further information regarding estimated impact of FX and Ransomware Recovery, refer to appendix at the end of this presentation.

## Business Trends

Guidance

Q4 2024

**\$380M**

+/- \$15M

REVENUE

- Engaged with Equipment OEMs and leading semiconductor fabs addressing a broad range of technology inflections
- Continued momentum in our World Class Optics initiative and new laser order related to HBM applications
- Expect Q4 revenue to be flattish vs Q3'24 with continued stability in DRAM and Logic/Foundry and NAND remaining at low levels

# Electronics & Packaging

## Q3 Highlights

Q3 2024

**\$231M**

REVENUE

Q/Q CHANGE +1%

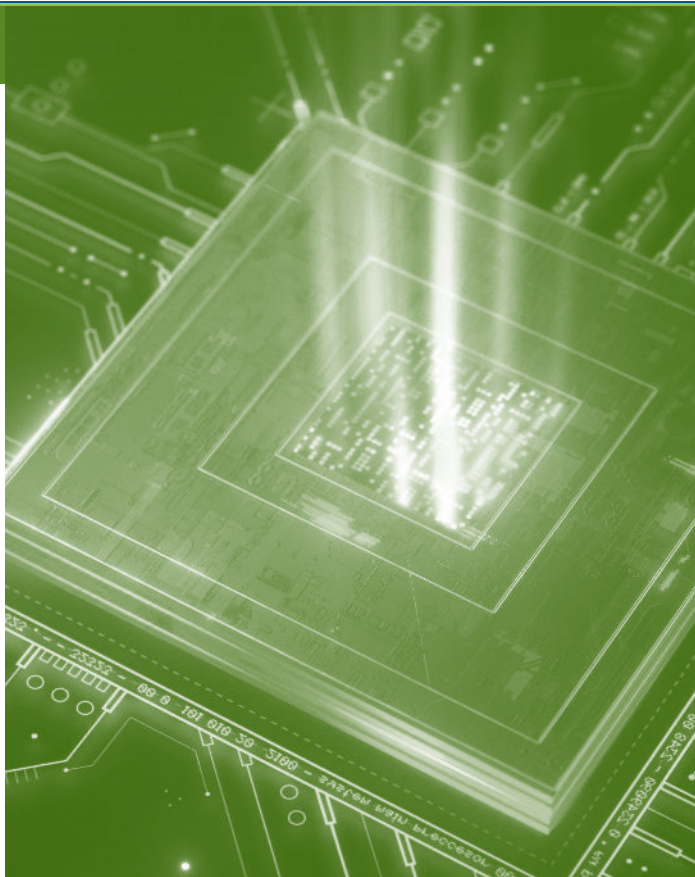
Y/Y CHANGE -5%

Y/Y CHANGE<sup>1</sup> -1%

Excluding FX, Palladium & Ransomware Recovery

- Seasonal growth in chemistry business partially offset by lower expected equipment sales
- Excluding the impact of FX and palladium, chemistry sales grew 7% year over year, continuing a gradual recovery trend from industry-wide softness

<sup>1</sup> For further information regarding estimated impact of FX, Palladium and Ransomware Recovery, refer to appendix at the end of this presentation.



## Business Trends

Guidance

Q4 2024

**\$240M**

+/- \$10M

REVENUE

- Demand overall remains muted, but encouraging order activity for flexible PCB drilling and chemistry and equipment solutions
- Expect Q4 revenue to be higher vs Q3'24 with support from recent wins

# Specialty Industrial

## Q3 Highlights

Q3 2024

**\$287M**

REVENUE

Q/Q CHANGE -1%

Y/Y CHANGE -11%

Y/Y CHANGE<sup>1</sup> -6%

Excluding FX, Palladium and Ransomware Recovery



## Business Trends

Guidance  
Q4 2024

**\$290M**

+/- \$15M

REVENUE

- Leverages our proprietary technologies and R&D investments in other markets, yielding strong incremental margin and cash generation
- Expect Q4 revenue to increase slightly vs Q3'24

<sup>1</sup> For further information regarding estimated impact of FX, Palladium and Ransomware Recovery, refer to appendix at the end of this presentation.

# Q3'24 Revenue & Select Financial Measures

	Q3'24	Q2'24	Q3'23	Y/Y Change Excl. FX, Pd and Ransomware Recovery <sup>1</sup>
Semiconductor	\$378M	\$369M	\$367M	8%
Electronics & Packaging	\$231M	\$229M	\$243M	-1%
Specialty Industrial	\$287M	\$289M	\$322M	-6%
Revenue	\$896M	\$887M	\$932M	1%

## Non-GAAP Financial Measures

Gross Margin	48.2%	47.3%	47.1%
Operating Margin	21.8%	21.7%	21.8%
Interest Expense, Net	\$53M	\$69M	\$83M
Income Tax Rate	15.1%	20.5%	14.2%
Net Earnings	\$116M	\$103M	\$98M
Net Earnings per Diluted Share	\$1.72	\$1.53	\$1.46
Adjusted EBITDA	\$232M	\$228M	\$241M
Adjusted EBITDA Margin	25.9%	25.7%	25.8%

## GAAP Financial Measures

Gross Margin	48.2%	47.3%	45.7%
Operating Margin	14.3%	14.4%	12.6%
Interest Expense, Net	\$58M	\$74M	\$89M
Income Tax Rate	-4.0%	-3.6%	-75.3%
Net Income	\$62M	\$23M	\$39M
Net Income per Diluted Share	\$0.92	\$0.33	\$0.58

## Q3'24 SUMMARY

- Revenue at the high end of guidance driven by Semiconductor and Electronics & Packaging markets
- Gross margin above high end of guidance and up sequentially due to product mix and operating leverage on higher revenues
- Non-GAAP operating margin and Adjusted EBITDA margin exceeded high end of guidance due to strong sales, higher gross margin and prudent operating expense management
- Non-GAAP interest expense, net favorable to guidance reflecting decrease in Euribor rates
- Non-GAAP net earnings per diluted share well above guidance reflecting strong operating performance and lower than expected non-GAAP tax rate

<sup>1</sup> For further information regarding estimated impact of FX, Palladium and Ransomware Recovery, refer to the appendix at the end of this presentation.



# Balance Sheet & Cash Flow

	Q3'24	Q2'24
Cash and Cash Equivalents	\$861M	\$851M
Accounts Receivable, Net	\$609M	\$597M
Inventories	\$940M	\$938M
Total Current Assets	\$2,668M	\$2,648M
Total Assets	\$9,023M	\$8,863M
Debt Principal	\$4,930M	\$5,017M
Total Liabilities	\$6,625M	\$6,630M
Stockholders' Equity	\$2,398M	\$2,233M
Operating Cash Flow	\$163M	\$122M
Capex	\$22M	\$26M
Free Cash Flow	\$141M	\$96M
Unlevered Free Cash Flow	\$189M	\$156M

## Q3'24 SUMMARY

- Liquidity of more than \$1.5 billion, consisting of \$861 million of cash and cash equivalents and an undrawn revolving credit facility of \$675 million
- Net leverage ratio of 4.5x
- Free cash flow of \$141 million and unlevered free cash flow of \$189 million
- Repriced our Term Loan B and made a \$110 million voluntary prepayment
- Issued cash dividend of \$15 million or \$0.22 per share

# Outlook

	Q4'24		Q3'24 Actual
Revenue	\$910M	+/- \$40M	\$896M
<b>Non-GAAP Financial Measures</b>			
Gross Margin	47%	+/- 100 bps	48.2%
Operating Expenses	\$240M	+/- \$5M	\$237M
Operating Income	\$188M		\$195M
Operating Margin	21%		21.8%
Interest Expense, Net	\$48M		\$53M
Income Tax Rate	6%		15.1%
Net Earnings	\$132M		\$116M
Net Earnings per Diluted Share	\$1.95	+/- \$0.32	\$1.72
Adjusted EBITDA	\$226M	+/- \$23M	\$232M
Diluted Share Count	67.6M		67.6M

## Outlook

- Q4 '24 Revenue outlook by end-market:
  - Semiconductor – \$380M +/- \$15M
  - Electronics & Packaging – \$240M +/- \$10M
  - Specialty Industrial – \$290M +/- \$15M
- Q4 '24 Non-GAAP Gross Margin reflects anticipated product mix
- October voluntary debt prepayment of \$216 million
- Debt actions year-to-date as well as favorable changes in Euribor rates reduce our annual interest expense run rate by over \$100 million
- Q4 '24 Non-GAAP Tax Rate of 6%; bringing our full year '24 Non-GAAP Tax Rate to just under 16%

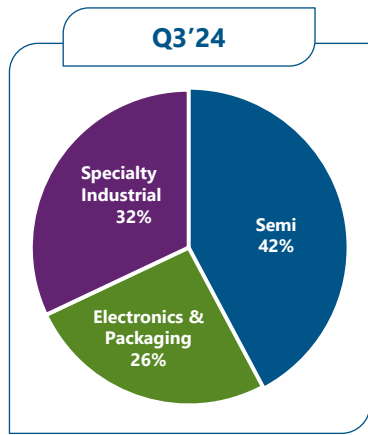
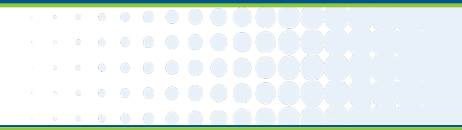
# MKS is well-positioned for the next cyclical upturn

- **Executing well while navigating cyclical challenges in end markets**
- **Differentiated product and technology portfolio**
- **Uniquely positioned to capitalize on secular trends ahead**

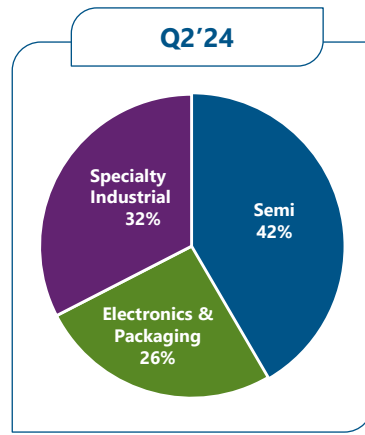
Q&A



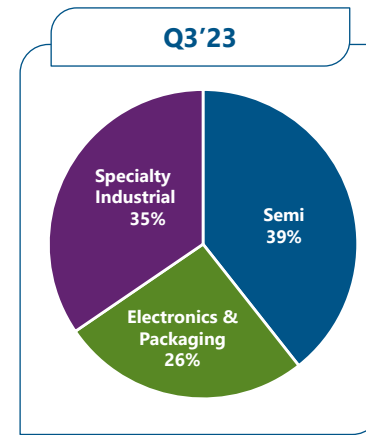
# Revenue



Consumables & Service 44%



Consumables & Service 43%



Consumables & Service 42%

# Revenue

	Q3'24			Q2'24			Q3'23			Q3'24 vs Q3'23 <sup>(1)</sup>					
	Total	FX	Pd	Total	FX	Pd	Total	FX	Pd	Total	FX	Pd	Change Excluding FX, Pd & Ransomware Recovery	Ransomware Recovery	Change Excluding FX, Pd & Ransomware Recovery
Semiconductor	\$	378	\$	369	\$	367	3%	0%	0%	3%	-4%	8%			
Electronics & Packaging		231		229		243	-5%	0%	-3%	-1%	-1%	-1%			
Specialty Industrial		287		289		322	-11%	-1%	0%	-9%	-3%	-6%			
	<b>\$</b>	<b>896</b>	<b>\$</b>	<b>887</b>	<b>\$</b>	<b>932</b>	-4%	-1%	-1%	-2%	-3%	1%			
Consumables & Service	\$	394	\$	380	\$	393									
Consumables & Service %		44%		43%		42%									

<sup>1</sup> "Total Change" represents the percentage change in net revenues. "FX" and "Pd" reflect the estimated impact of foreign exchange rates and palladium prices on net revenues, respectively. "Ransomware Recovery" reflects the estimated impact of the ransomware incident identified in Q1'23 on net revenues in Q3 '23. "Change Excluding FX & Pd" is the difference between (i) "Total Change" and (ii) "FX" and "Pd." "Change Excluding FX, Pd & Ransomware Recovery" is the difference between (i) "Total Change" and (ii) "FX", "Pd" and "Ransomware Recovery".

in millions except percentages

# Appendix – GAAP to Non-GAAP Reconciliations

	Q3'24	Q2'24	Q3'23
Net income	\$ 62	\$ 23	\$ 39
Acquisition and integration costs (Note 1)	3	2	3
Restructuring and other (Note 2)	1	2	1
Fees and expenses related to amendments to the Term Loan Facility (Note 3)	2	—	—
Amortization of intangible assets	61	61	68
Gain on sale of long-lived assets (Note 5)	—	—	(2)
Amortization of deferred financing costs (Note 6)	5	5	6
Ransomware incident (Note 7)	—	—	2
Loss on extinguishment of debt (Note 8)	5	38	—
Excess and obsolete charge from discontinued product line (Note 9)	—	—	13
Tax effect of Non-GAAP adjustments (Note 10)	(23)	(28)	(32)
Non-GAAP net earnings	<u>\$ 116</u>	<u>\$ 103</u>	<u>\$ 98</u>
Non-GAAP net earnings per diluted share	<u>\$ 1.72</u>	<u>\$ 1.53</u>	<u>\$ 1.46</u>
Weighted average diluted shares outstanding	67.6	67.5	67.1
Gross profit	\$ 432	\$ 419	\$ 426
GAAP gross margin	48.2%	47.3%	45.7%
Excess and obsolete charge from discontinued product line (Note 9)	—	—	13
Non-GAAP gross profit	<u>\$ 432</u>	<u>\$ 419</u>	<u>\$ 439</u>
Non-GAAP gross margin	48.2%	47.3%	47.1%

*in millions, other than per diluted share amounts and percentages*

# Appendix – GAAP to Non-GAAP Reconciliations

	Q3'24	Q2'24	Q3'23
Operating expenses	\$ 304	\$ 292	\$ 308
Acquisition and integration costs (Note 1)	3	2	3
Restructuring and other (Note 2)	1	2	1
Fees and expenses related to amendments to the Term Loan Facility (Note 3)	2	—	—
Amortization of intangible assets	61	61	68
Gain on sale of long-lived assets (Note 5)	—	—	(2)
Ransomware incident (Note 7)	—	—	2
Non-GAAP operating expenses	<u>\$ 237</u>	<u>\$ 227</u>	<u>\$ 236</u>
Income from operations	\$ 128	\$ 127	\$ 118
Operating margin	14.3%	14.4%	12.6%
Acquisition and integration costs (Note 1)	3	2	3
Restructuring and other (Note 2)	1	2	1
Fees and expenses related to amendments to the Term Loan Facility (Note 3)	2	—	—
Amortization of intangible assets	61	61	68
Gain on sale of long-lived assets (Note 5)	—	—	(2)
Ransomware incident (Note 7)	—	—	2
Excess and obsolete charge from discontinued product line (Note 9)	—	—	13
Non-GAAP income from operations	<u>\$ 195</u>	<u>\$ 192</u>	<u>\$ 203</u>
Non-GAAP operating margin	21.8%	21.7%	21.8%
Interest expense, net	\$ 58	\$ 74	\$ 89
Amortization of deferred financing costs (Note 6)	5	5	6
Non-GAAP interest expense, net	<u>\$ 53</u>	<u>\$ 69</u>	<u>\$ 83</u>

*in millions, except percentages*



# Appendix – GAAP to Non-GAAP Reconciliations

	Q3'24	Q2'24	Q1'24	Q4'23	Q3'23
Net income (loss)	\$ 62	\$ 23	\$ 15	\$ (68)	\$ 39
Interest expense, net	58	74	81	83	89
Other expense (income), net (Note 11)	5	(7)	(3)	12	7
(Benefit) provision for income taxes	(2)	(1)	4	(11)	(17)
Depreciation	26	25	26	25	25
Amortization of intangible assets	61	61	62	70	68
Stock-based compensation	11	11	15	11	13
Acquisition and integration costs (Note 1)	3	2	1	3	3
Restructuring and other (Note 2)	1	2	3	7	1
Fees and expenses related to amendments to the Term Loan Facility (Note 3)	2	—	3	2	—
Goodwill and intangible asset impairments (Note 4)	—	—	—	75	—
Gain on sale of long-lived assets (Note 5)	—	—	—	—	(2)
Ransomware incident (Note 7)	—	—	—	1	2
Loss on extinguishment of debt (Note 8)	5	38	9	8	—
Excess and obsolete charge from discontinued product line (Note 9)	—	—	—	—	13
Adjusted EBITDA (Note 11)	<u>\$ 232</u>	<u>\$ 228</u>	<u>\$ 217</u>	<u>\$ 218</u>	<u>\$ 241</u>
Adjusted EBITDA margin	25.9%	25.7%	25.0%	24.4%	25.8%
Debt principal outstanding as of September 30, 2024	\$ 4,930				
Cash and cash equivalents as of September 30, 2024	861				
Net debt as of September 30, 2024	<u>\$ 4,069</u>				
Adjusted EBITDA for twelve months ended September 30, 2024 (Note 11)	\$ 895				
Net leverage ratio at September 30, 2024	<b>4.5x</b>				

*in millions, except percentages and net leverage ratio*

# Appendix – GAAP to Non-GAAP Reconciliations

Net cash provided by operating activities  
Purchases of property, plant and equipment  
Free cash flow

	<b>Q3'24</b>	<b>Q2'24</b>	<b>Q3'23</b>
	\$ 163	\$ 122	\$ 160
	(22)	(26)	(18)
	<u>\$ 141</u>	<u>\$ 96</u>	<u>\$ 142</u>

Free cash flow  
Cash paid for interest  
Tax effect on cash paid for interest<sup>1</sup>  
Unlevered free cash flow

	<b>Q3'24</b>	<b>Q2'24</b>	<b>Q3'23</b>
	\$ 141	\$ 96	\$ 142
	61	77	86
	(13)	(16)	(18)
	<u>\$ 189</u>	<u>\$ 156</u>	<u>\$ 210</u>

<sup>1</sup>Tax effect of cash paid for interest was calculated at the US Federal Statutory rate of 21%

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 relate to the Atotech Acquisition.

Note 2: Restructuring and other costs primarily related to severance costs due to global cost-saving initiatives.

Note 3: During the three and nine months ended September 30, 2024, we recorded fees and expenses related to an amendment to our term loan facility where we refinanced our existing USD term loan B and EUR term loan B. During the nine months ended September 30, 2024, we recorded fees and expenses related to an amendment to our term loan facility where we borrowed additional amounts under our USD term loan B and EUR term loan B and fully paid our term loan A.

Note 4: During the nine months ended September 30, 2023, we noted softer industry demand, particularly in the personal computer and smartphone markets and concluded there was a triggering event at our Materials Solutions Division, which represents the former Atotech business, and Equipment Solutions Business, which represents the former Electro Scientific Industries business and is a reporting unit of our Photonics Solutions Division. We performed a quantitative assessment which resulted in an impairment of \$1.3 billion for our Materials Solutions Division and \$0.5 billion for our Equipment Solutions Business.

Note 5: We recorded a gain on the sale of a minority interest investment in a private company.

Note 6: We recorded additional interest expense related to the amortization of deferred financing costs associated with our term loan facility.

Note 7: 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 8: During the three and nine months ended September 30, 2024, we recorded charges to write-off deferred financing fees and original issue discount costs related to the extinguishment of debt on our USD term loan B and EUR term loan B. Additionally, during the nine months ended September 30, 2024, we recorded a charge to write-off deferred financing fees related to the extinguishment of our term loan A.

Note 9: We recorded an excess and obsolescence inventory charge related to a product line that was discontinued.

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

Note 11: In the fourth quarter of 2023, we modified our definition of Adjusted EBITDA to exclude other (income) expense, net from this Non-GAAP measure. Other (income) expense, net primarily relates to changes in foreign exchange rates. We believe this change enhances investor insight into our operational performance. We have applied this modified definition of Adjusted EBITDA to all periods presented.