

Q1 2016 Conference Call

Veeco Instruments Inc.

May 4, 2016

Safe Harbor

To the extent that this presentation discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made.

These items include the risk factors discussed in the Business Description and Management's Discussion and Analysis sections of Veeco's Annual Report on Form 10-K for the year ended December 31, 2015 and subsequent Quarterly Reports on Form 10-Q and current reports on Form 8-K. Veeco does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

CEO Introduction
John Peeler

Q1 2016 Results Summary



Revenue **$78M**

Non-GAAP Gross Margin* **42%**

Adjusted EBITDA* **($2.1M)**

Non-GAAP EPS* **($0.15)**

Bookings **$62M**

Cash & Short-term Investments **$349M****

Continue to execute well in a tough business climate

*A reconciliation of GAAP to Non-GAAP financial measures is contained in the Back Up & Reconciliation Tables
**Repurchased ~730K shares of common stock in Q1 2016, returning ~$13M to shareholders



CFO Financial Review
Sam Maheshwari

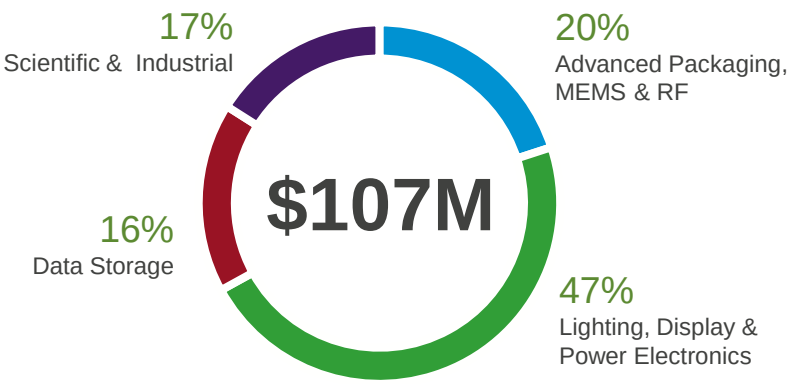
P&L Highlights (Non-GAAP)

($M)	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
Revenue	$98.3	$131.4	$140.7	$106.5	$78.0
Gross Profit	37.0	49.8	55.0	39.2	32.5
%	*37.7%*	*37.9%*	*39.1%*	*36.8%*	*41.7%*
SG&A**	19.1	21.0	18.2	18.7	17.0
R&D	18.0	19.0	18.2	19.3	21.0
OPEX	37.1	40.0	36.4	38.0	38.0
%	*37.7%*	*30.5%*	*25.9%*	*35.7%*	*48.7%*
Adjusted EBITDA	2.7	12.8	21.8	4.4	(2.1)
%	*2.7%*	*9.7%*	*15.5%*	*4.2%*	*-2.7%*
Non-GAAP EPS	($0.01)	$0.20	$0.33	$0.01	($0.15)

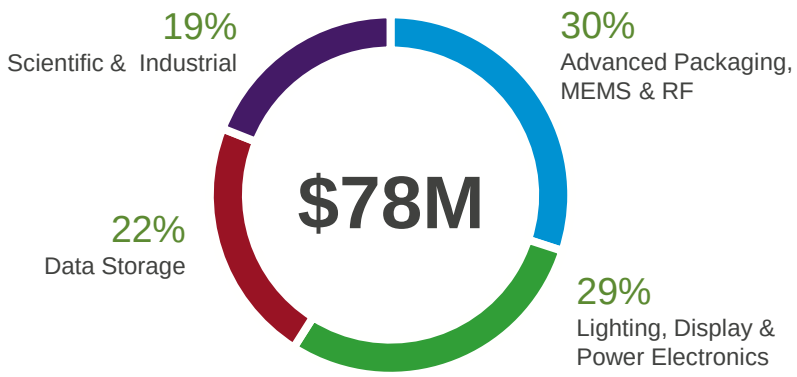
**This line item also includes “other items”
Note: Amounts may not calculate precisely due to rounding

Revenue Breakdown by Market and Geography

Q4 2015 Revenue by End Market



Q1 2016 Revenue by End Market



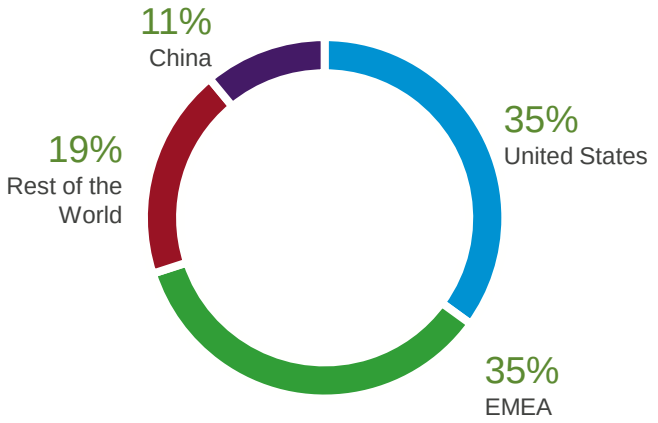
Q1 2016 Revenue of $78M:

- Advanced Packaging, MEMS & RF grew sequentially Q/Q, driven by investments for mobile devices
- LED, Lighting & Display demand remained soft, as anticipated

Q1 2016 Bookings of $62M:

- Strong MBE* orders with multiple production and R&D systems
- Digestion period for Advanced Packaging, MEMS & RF after record Q4

Q1 2016 Revenue by Geography



Note: Amounts may not calculate precisely due to rounding
*MBE - Molecular Beam Epitaxy

Financial Highlights

($M)	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
Cash & Short-term Investments	393	396	403	385	**349**
Accounts Receivable	64	83	47	50	**56**
Inventories	57	64	70	77	**77**
Accounts Payable	41	46	25	30	**31**
Cash Flow from Operations	4	8	10	(6)	**(19)**
DSO	59	57	30	42	**65**
DOI	89	72	73	101	**157**
DPO	59	51	26	41	**61**

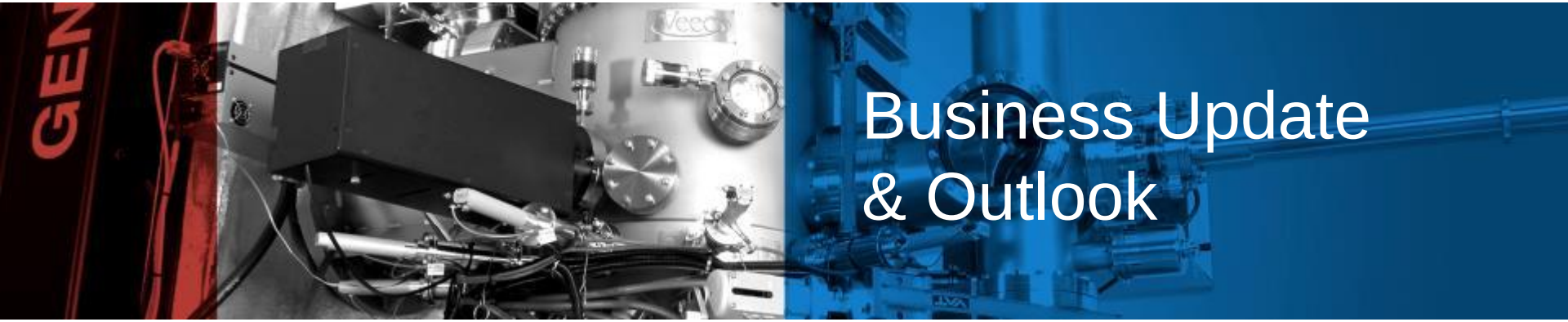
- Repurchased ~730K shares of common stock in Q1 2016, returning ~$13M to shareholders

Note: Amounts may not calculate precisely due to rounding

Q2 2016 Guidance



	GAAP	Non-GAAP
Net Sales	$70M–$83M	$70M–$83M
Gross Margins	38%–40%	39%–41%
Adjusted EBITDA	N/A	($6M)–$0M
Net income (Loss)	($23M)–($17M)	($11M)–($5M)
EPS	($0.59)–($0.44)	($0.29)–($0.14)



Business Update & Outlook

Current Business Outlook



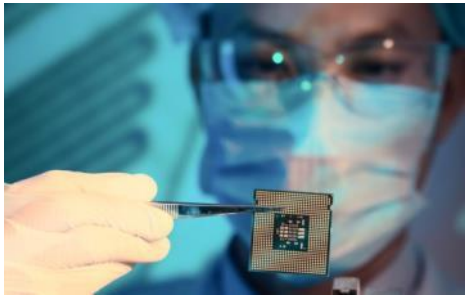
LED Lighting & Display

- LED lighting adoption is growing, however, TV demand remains weak
- Customers focused on preserving cash and improving profitability
- MOCVD equipment investments remain muted



MEMS & RF

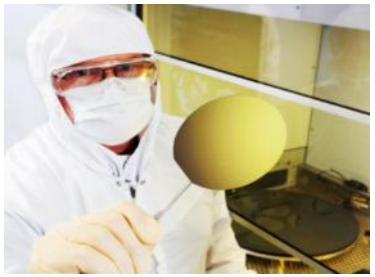
- Weaker than expected demand for high-end smartphones
- Customers focused on technology investments for next gen devices
- Expect incremental PSP and Ion Beam Etch businesses



Advanced Packaging

- OSATs transitioning to smaller geometries and next generation packaging technologies, which offer cost and performance advantage
- Provides incremental opportunities for PSP longer term

Focusing on our Strategic Objectives



Strengthening
our core

Leveraging our existing technologies to capitalize on opportunities within our existing markets



Expanding
into adjacent markets

Diversify our revenue stream to provide stability through industry cycles



Investing
for growth

Prioritizing investments in areas that offer meaningful growth

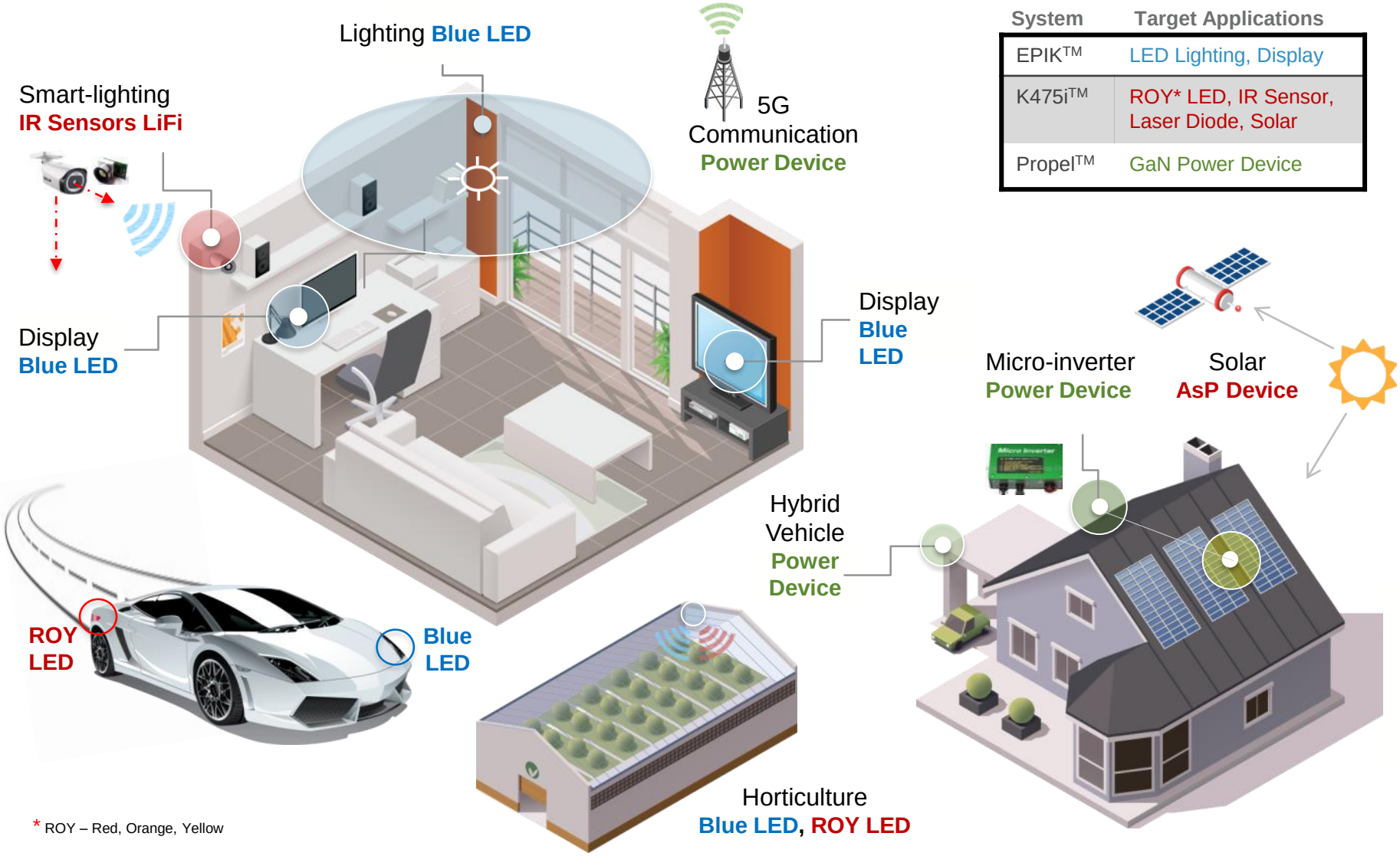


Maintaining
operational focus

Tightly controlling costs while positioning the company for long term growth

Applications Enabled by Veeco's MOCVD Technology Are Expanding

System	Target Applications
EPIK™	LED Lighting, Display
K475i™	ROY* LED, IR Sensor, Laser Diode, Solar
Propel™	GaN Power Device



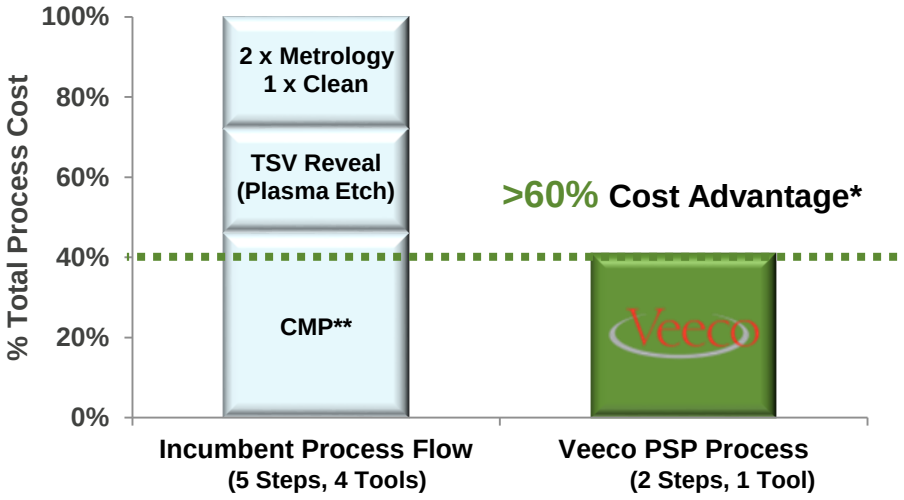
* ROY – Red, Orange, Yellow

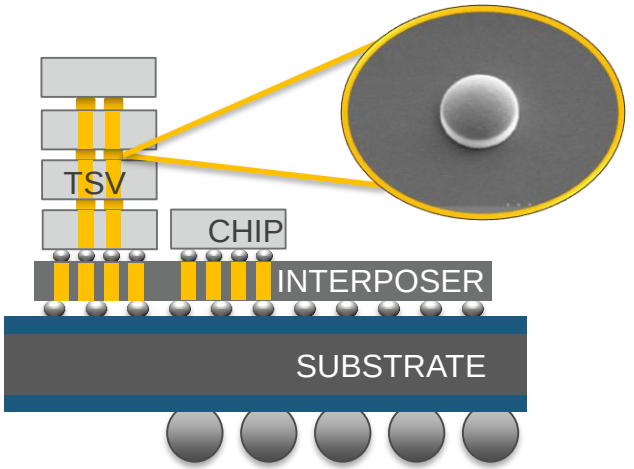
Veeco PSP Advantage for Through Silicon Via Reveal

~60% Veeco cost advantage vs. incumbent

- Fewer process steps and fewer tools, lower cost and reduce risk

TSV Reveal Process Cost Comparison





Integrated approach provides greater process control to maximize yield

- High uniformity and repeatability with onboard metrology and selectivity

*Based on SavanSys Solutions model, including capital, process and labor related costs
**CMP – Chemical Mechanical Planarization

Summary



Strengthening
our core

LED Lighting & Display
Leveraging our technology to capture opportunities beyond LED



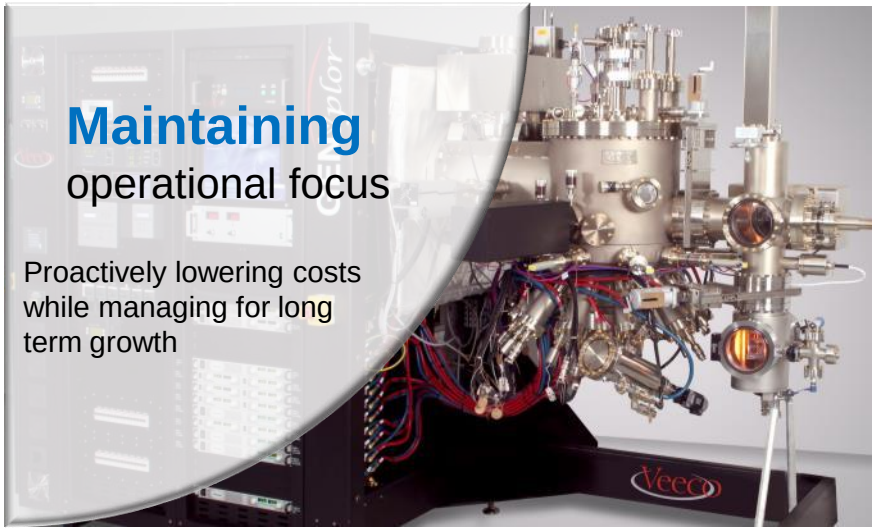
Expanding
into adjacent markets

Advanced Packaging
Formalizing customer engagements for TSV reveal



Investing
for growth

Front-end Semi
Generating strong customer interest for our ALD product



Maintaining
operational focus

Proactively lowering costs while managing for long term growth


Q&A



Back Up & Reconciliation Tables

Note On Reconciliation Tables

These tables include financial measures adjusted for the impact of certain items; these financial measures are therefore not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). These Non-GAAP financial measures exclude items such as: share-based compensation expense; charges relating to restructuring initiatives, non-cash asset impairments, certain other non-operating gains and losses, and acquisition-related items such as transaction costs, non-cash amortization of acquired intangible assets, incremental transaction-related compensation, and the stepped-up cost of sales associated with the purchase accounting of acquired inventory.

These Non-GAAP financial measures may be different from Non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. By excluding these items, Non-GAAP financial measures are intended to facilitate meaningful comparisons to historical operating results, competitors' operating results, and estimates made by securities analysts. Management is evaluated on key performance metrics including adjusted EBITDA, which is used to determine management incentive compensation as well as forecast future periods. These Non-GAAP financial measures may be useful to investors in allowing for greater transparency of supplemental information used by management in its financial and operational decision-making. In addition, similar Non-GAAP financial measures have historically been reported to investors; the inclusion of comparable numbers provides consistency in financial reporting.

Investors are encouraged to review the reconciliation of the Non-GAAP financial measures used in Veeco's news release to their most directly comparable GAAP financial measures.

Supplemental Information—GAAP to Non-GAAP Reconciliation

US$ millions, except per share data	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
Net Sales	$98.3	$131.4	$140.7	$106.5	$78.0
GAAP Gross Profit	35.1	49.1	54.3	38.8	32.0
GAAP Gross Margin	35.7%	37.3%	38.5%	36.4%	41.0%
Add: Equity Comp	0.6	0.7	0.8	0.4	0.5
Add: Acquisition Related	1.3	—	—	—	—
Non-GAAP Gross Profit	$37.0	$49.8	$55.0	$39.2	$32.5
Non-GAAP Gross Margin	37.7%	37.9%	39.1%	36.8%	41.7%

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
GAAP Operating Income (Loss)	($15.9)	($4.0)	$6.5	($10.0)	($15.3)
Add: Equity Comp	4.0	4.9	5.1	4.0	4.3
Add: Acquisition Related	1.3	0.2	0.2	0.2	0.1
Add: Restructuring	2.4	0.7	0.5	1.2	0.1
Add: Amortization	8.0	8.0	5.9	5.8	5.3
Add: Asset Impairment	0.1	—	—	—	—
Add: Other, Net	—	—	0.4	—	—
Non-GAAP Operating Income	(0.1)	9.8	18.6	1.2	(5.5)
Add: Depreciation	2.8	3.0	3.2	3.2	3.3
Adjusted EBITDA	$2.7	$12.8	$21.8	$4.4	($2.1)

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16
GAAP Net Income (Loss)	($19.1)	($8.4)	$5.3	($9.8)	($15.5)
Add: Equity Comp	4.0	4.9	5.1	4.0	4.3
Add: Acquisition Related	1.3	0.2	0.2	0.2	0.1
Add: Restructuring	2.4	0.7	0.5	1.2	0.1
Add: Amortization	8.0	8.0	5.9	5.8	5.3
Add: Asset Impairment	0.1	—	—	—	—
Add: Other, Net	—	—	0.4	—	—
Add: Taxes	2.8	3.0	(3.7)	(0.8)	0.0
Non-GAAP Net Income (Loss)	($0.5)	$8.4	$13.6	$0.6	($5.7)
Non-GAAP Basic EPS	($0.01)	$0.21	$0.33	$0.01	($0.15)
Non-GAAP Diluted EPS	($0.01)	$0.20	$0.33	$0.01	($0.15)

Note: Amounts may not calculate precisely due to rounding

Q1 2016 GAAP to Non-GAAP Reconciliation

In millions, except per share data	GAAP	Non-GAAP Adjustments: Share-based Compensation	Non-GAAP Adjustments: Acquisition Related	Non-GAAP Adjustments: Other	Non-GAAP
Net Sales	$78.0	—	—	—	$78.0
Gross Profit	32.0	0.5	—	—	32.5
Gross Margin	41.0%				41.7%
SG&A**	19.8	(2.7)	(0.1)	—	17.0
R&D	22.1	(1.1)	—	—	21.0
Amortization	5.3	—	(5.3)	—	—
Restructuring	0.1	—	—	(0.1)	—
Operating Income (Loss)	($15.3)	$4.3	$5.4	$0.1	($5.5)
Interest Income, Net	0.3	—	—	—	0.3
Taxes	(0.5)	—	—	—	(0.5)
Net Income (Loss)	($15.5)	$4.3	$5.4	$0.1	($5.7)
Basic EPS	($0.40)				($0.15)
Diluted EPS	($0.40)				($0.15)
Basic Shares	39.1				39.1
Diluted Shares	39.1				39.1
Non-GAAP Operating Income					($5.5)
Depreciation					$3.3
Adjusted EBITDA					($2.1)

**This line item also includes “other items”
Note: Amounts may not calculate precisely due to rounding

Q2 2016 Guidance GAAP to Non-GAAP Reconciliation

In millions, except per share data	GAAP	Non-GAAP Adjustments: Share-Based Compensation	Non-GAAP Adjustments: Acquisition Related	Non-GAAP Adjustments: Other	Non-GAAP
Net Sales	$70–$83				$70–$83
Gross Profit	26–34	1	—	—	27–35
Gross Margin	38%–40%				39%–41%
Adjusted EBITDA					($6)–$0
Net Income (Loss)	($23)–($17)	5	6	1	($11)–($5)
Income (Loss) per Diluted Share	($0.59)–($0.44)				($0.29)–($0.14)

Note: Amounts may not calculate precisely due to rounding