

Q2 2018 Conference Call

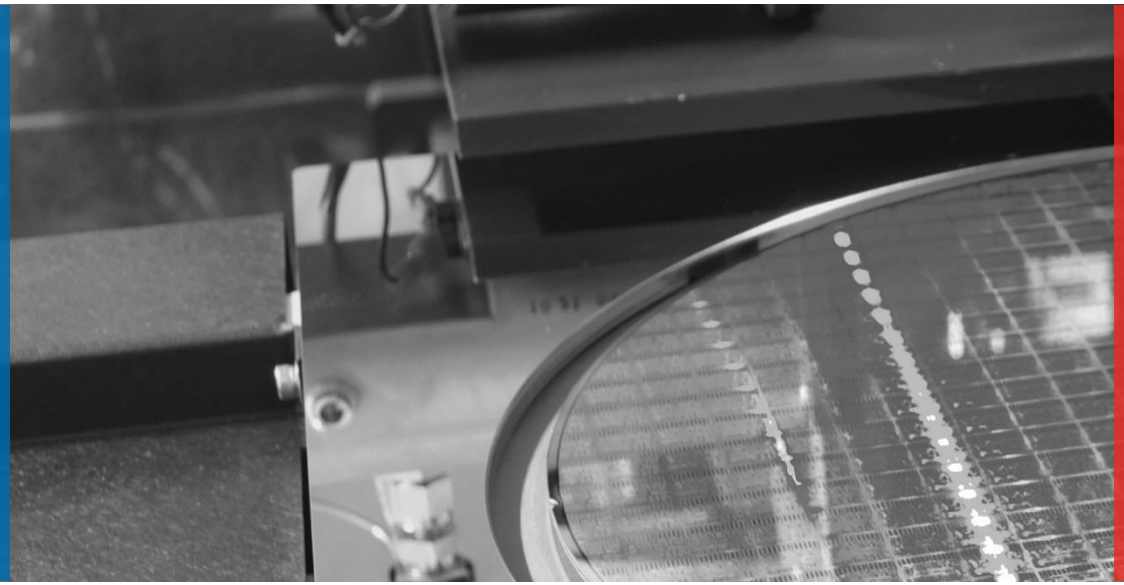
Veeco Instruments, Inc.

August 2, 2018

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, 2017 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

Q2 2018 Highlights

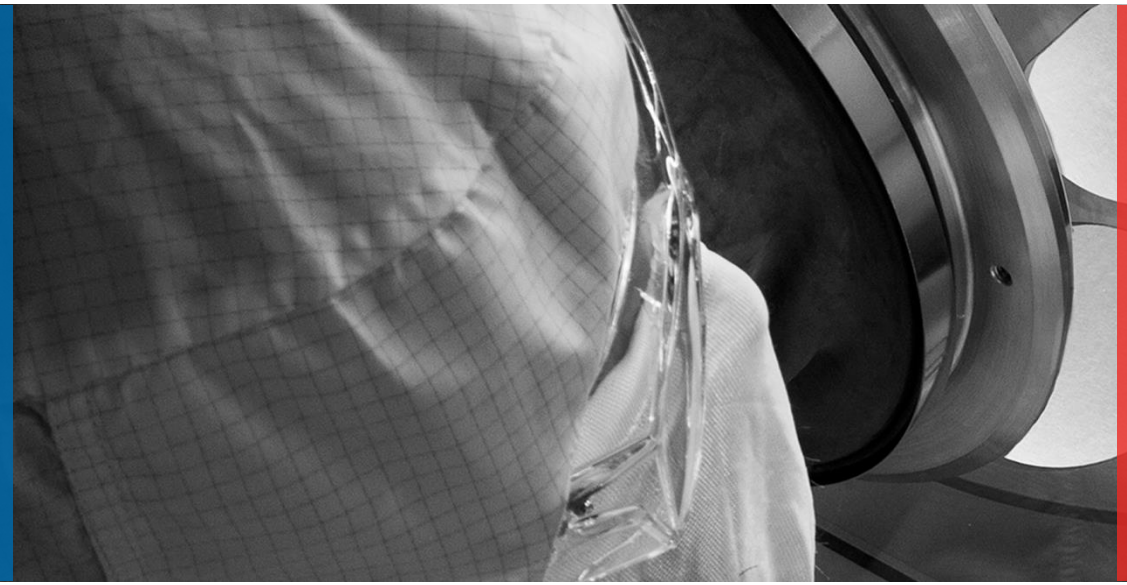
Q2	$132M	$158M	$11M	15¢
Results	*Bookings*	*Revenue*	*Non-GAAP Operating Income*	*Non-GAAP EPS*

- All Non-GAAP P&L metrics either met or exceeded guidance
- Bookings declined due to LED market weakness
- Recorded intangible asset impairment charge of $252M

- Initiated cost reduction by eliminating redundant Singapore manufacturing operations
- Announced wins in growth markets – Photonics, Display, Advanced Packaging for Memory, Power Electronics

Solid P&L Performance in Q2

A reconciliation of GAAP to Non-GAAP financial measures can be found in the backup section of this presentation.



CFO Financial Review
Sam Maheshwari

Intangible Asset Impairment

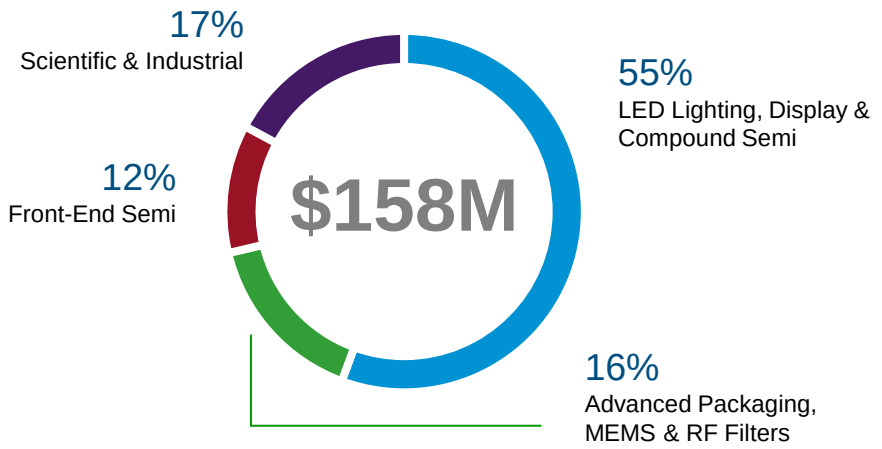
- Ultratech product lines have performed below prior projections
- Current projections triggered an impairment of intangible assets of $252M
- This non-cash charge does not affect our liquidity nor our day-to-day operations
- Remain optimistic about the combined strength of Veeco & Ultratech and continue to execute on our growth strategies



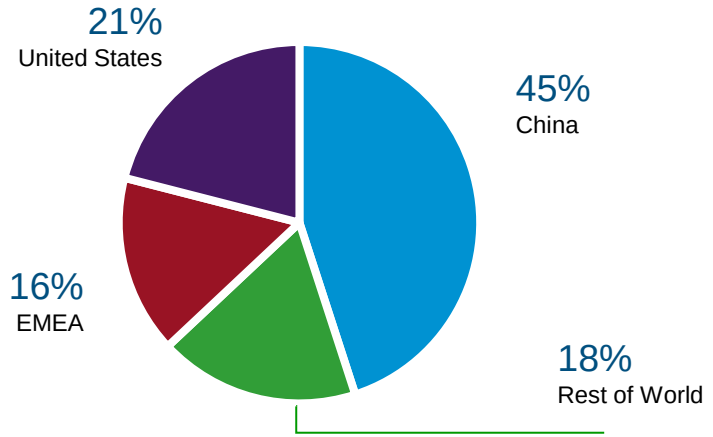
Remain Optimistic about our Long-Term Growth Opportunities

Q2 2018 Revenue by End Market and Geography

Mix by End Market



Mix by Geography



- China Blue LED was 31% of Veeco revenue in Q2
- Front-End Semiconductor doubled from last quarter

- United States and EMEA percentages increased and include LED, Photonics, Advanced Packaging and STT-MRAM revenue

Diversification will be More Pronounced in Q3 and Q4

Amounts may not calculate precisely due to rounding

P&L Highlights

$ millions *(except per share amounts)*	GAAP		Non-GAAP	
	Q1 18	Q2 18	Q1 18	Q2 18
Revenue	$158.6	$157.8	$158.6	$157.8
Gross Profit	56.7	55.4	57.8	56.5
Gross Margin	35.7%	*35.1%*	36.5%	*35.8%*
R&D	24.3	24.9	23.4	23.9
SG&A & Other	26.2	24.7	23.2	21.9
Operating Income/(Loss)	(11.4)	(261.2)	11.3	10.8
Net Income/(Loss)	(15.8)	(237.6)	9.2	7.2
Earnings/(Loss) Per Share	($0.34)	($5.02)	$0.20	$0.15

Gross Margin Improvement Expected in 2nd Half

Amounts may not calculate precisely due to rounding.
A reconciliation of GAAP to Non-GAAP financial measures can be found in the backup section of this presentation.

Balance Sheet Highlights

$ millions	Q1 18	Q2 18
Cash & Short-Term Investments	311	261
Accounts Receivable	108	134
Inventories	131	146
Accounts Payable	58	65
Long-Term Debt	278	281
Cash Flow from Operations	(12)	(46)
DSO (days)	61	76
DOI	118	130
DPO	52	58

Increased Working Capital Drove Down Cash Balance

Amounts may not calculate precisely due to rounding.
A reconciliation of GAAP to Non-GAAP financial measures can be found in the backup section of this presentation.

Q3 2018 Guidance

	GAAP	Non-GAAP
Revenue	$130M - $140M	$130M - $140M
Gross Margin	35% - 37%	36% - 38%
Net Income (Loss)	($12M)-($7M)	$1M-$6M
Earnings Per Share	($0.25)-($0.15)	$0.03-$0.13
Non-GAAP Operating Income		$4M-$9M



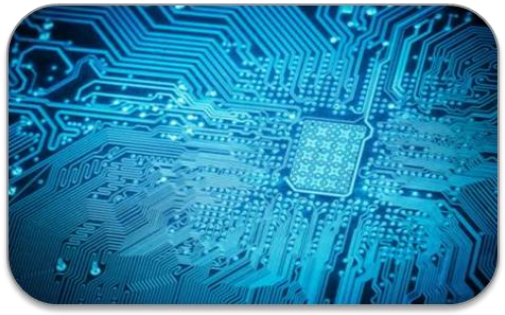
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Business Update & Outlook

Advanced Packaging, MEMS & RF Filters





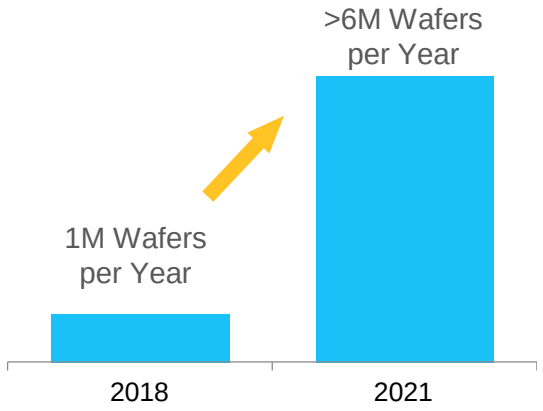
High-End Computing Driving Need for Advanced Packaging

- Artificial intelligence
- Big data analytics
- Autonomous vehicles (ADAS)
- Mobile processors

FO-WLP Demand Forecasted to Increase

- Wafers incorporating FO-WLP are forecasted to grow 6X between 2018 and 2021

Significant Increase in Demand for FO-WLP



Source: TechSearch International

Advanced Packaging Will Accelerate as Moore's Law Slows

Applicable Technologies: MOCVD | **Lithography** | **Wet Etch/Clean** | Laser Anneal | **Ion Beam** | MBE | 3D Inspection | ALD

Source: Veeco estimates

ADAS – Automated Driver Assisted Systems
FO-WLP – Fan Out Wafer Level Packaging

LED Lighting, Display & Compound Semiconductor

Mobile & TV Backlighting | **General Lighting** | **Emerging Applications**

Waves of Compound Semiconductor Demand

Global leader in MOCVD through waves of demand with >1,000 reactors installed at >100 customers.



Veeco MOCVD

- **Photonics**
- **GaN RF**
- **GaN Power Electronics**
- **Micro LED**

Driven by mega trends:

- 3D Sensing/VCSEL
- Autonomous Vehicles
- 5G RF & High Speed Data
- Displays

Broad portfolio of MOCVD products to address market needs:

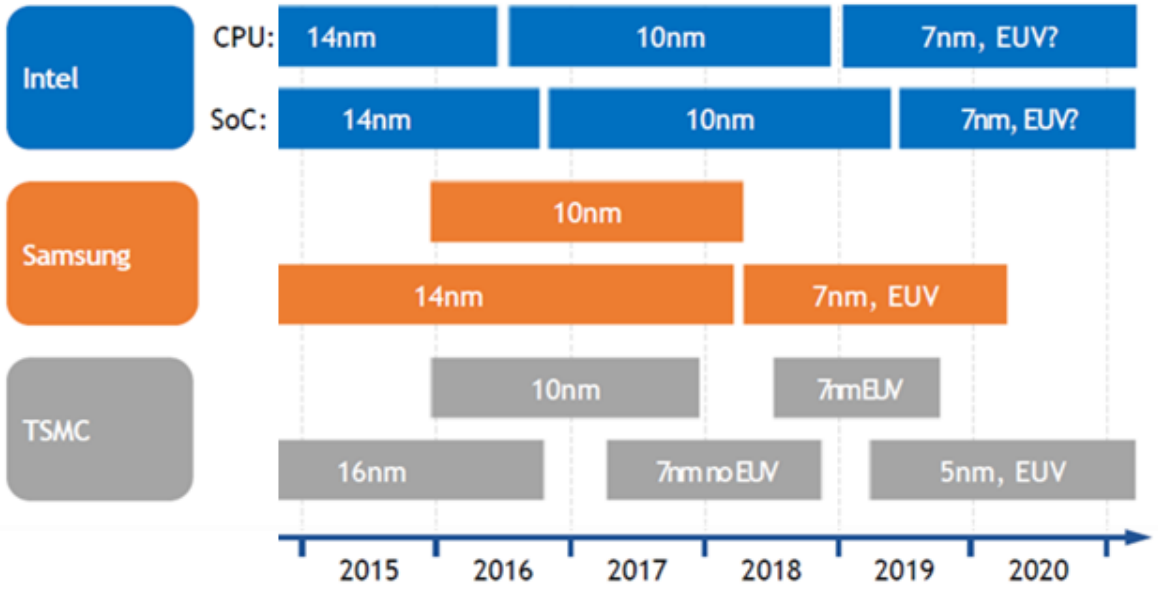
- K475i™
- EPIK®
- Propel™
- New Products

Emerging Compound Semiconductor Markets Grow at ~25% CAGR

Applicable Technologies: MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

Source: Veeco estimates

Front-End Semiconductor



Source: Adapted from New Street Research, May 2018

Extreme Ultraviolet (EUV) Lithography is an Enabler for Leading-Edge Nodes

- ASML is shipping/forecasting 50 EUV Lithography tools between 2018 and 2019*
- Veeco's Ion Beam technology is ideally positioned for producing EUV mask blanks

LSA / Melt

- China 28nm fabs delayed
- Melt tool being evaluated at 2 customers for applications at 7nm and below

Front-End Semiconductor Provides Growth Opportunities

Applicable Technologies: MOCVD | Lithography | Wet Etch/Clean | **Laser Anneal** | **Ion Beam** | MBE | **3D Inspection** | ALD

* ASML Q2 2018 Earnings Call

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Scientific & Industrial





Spector® Ion Beam Sputtering System for Optical Coatings

Data Storage Endures through Cycles

- Megatrends drive increases in cloud storage
- Thin film magnetic head (TFMH) unit volumes are increasing to support larger hard drive storage capacities
- Manufacturers continue to leverage Veeco's expertise to upgrade TFMH technology to increase areal density

Continued Momentum in Optical Coatings

- Strong demand for Ion Beam Sputtering systems from industrial applications
- Edmund Optics expanded their laser optics coating capability

Scientific & Industrial Consistently Provides Foundational Support

Applicable Technologies: MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | **Ion Beam** | **MBE** | 3D Inspection | **ALD**

Source: Veeco estimates

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2018 Priorities Update

Delivering Growth – Diversifying Company

2018 anticipated to grow over 2017 in each market

Continuing to Invest in Innovation

Ongoing development in MOCVD, Lithography, Laser Anneal, Wet Etch

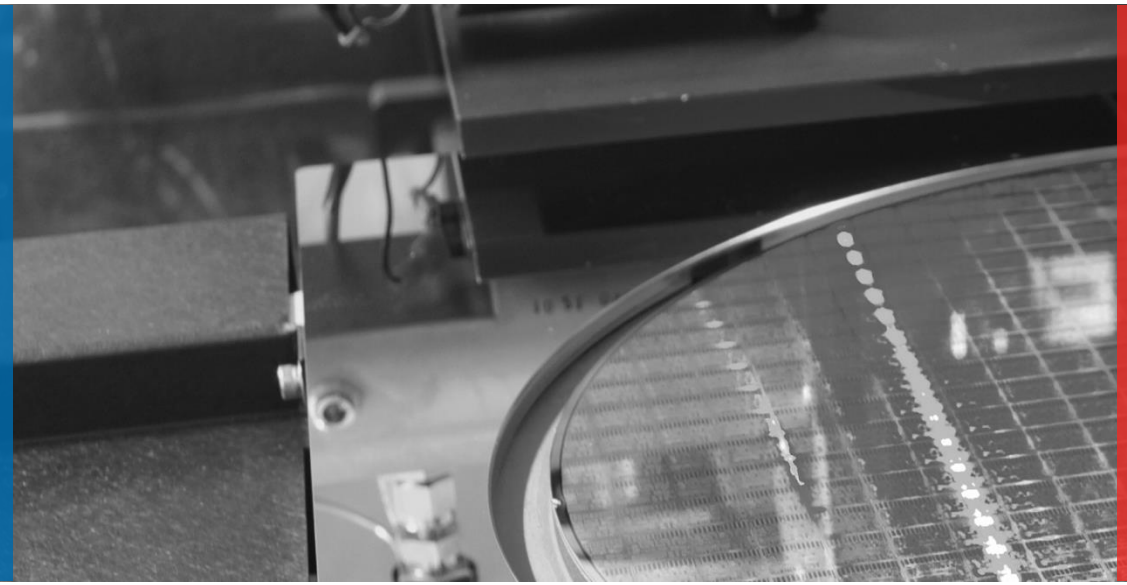
Ultratech Integration

Proceeding according to plan with additional manufacturing cost reduction underway

Operating Leverage

Solid Q2 Non-GAAP P&L

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Q&A



Backup & 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 certain integration costs.

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 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 Non-GAAP Operating Income, which is used to determine management incentive compensation as well as to 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 this news release to their most directly comparable GAAP financial measures.

Supplemental Information—GAAP to Non-GAAP Reconciliation

US$ millions	Q1 18	Q2 18
Net Sales	$158.6	$157.8
GAAP Gross Profit	56.7	55.4
GAAP Gross Margin	35.7%	35.1%
Add: Release of inventory fair value step-up for purchase accounting	0.5	0.5
Add: Share-Based Comp	0.6	0.5
Add: Accelerated Depreciation	0.1	0.1
Non-GAAP Gross Profit	$57.8	$56.5
Non-GAAP Gross Margin	36.5%	35.8%

US$ millions	Q1 18	Q2 18
GAAP Net Income (Loss)	$(15.8)	$(237.6)
Add: Share-Based Comp	4.5	4.9
Add: Amortization	13.5	10.4
Add: Restructuring	2.5	2.3
Add: Acquisition Related	1.3	1.3
Add: Release of inventory fair value step-up for purchase accounting	0.5	0.5
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.3	0.3
Add: Asset Impairment	-	252.3
Add: Interest Expense	4.6	4.4
Subtract: Tax benefit	(0.2)	(28.0)
Non-GAAP Operating Income	$11.3	$10.8

US$ millions, except per share amounts	Q1 18	Q2 18
GAAP Basic EPS	(0.34)	(5.02)
GAAP Diluted EPS	(0.34)	(5.02)
GAAP Net Income (Loss)	(15.8)	(237.6)
Add: Share-Based Comp	4.5	4.9
Add: Amortization	13.5	10.4
Add: Restructuring	2.5	2.3
Add: Acquisition Related	1.3	1.3
Add: Release of inventory fair value step-up for purchase accounting	0.5	0.5
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.3	0.3
Add: Asset Impairment	-	252.3
Add: Non-Cash Interest Expense	2.9	2.9
Add: Tax Adjustment from GAAP to Non-GAAP	(0.5)	(30.1)
Non-GAAP Net Income (Loss)	9.2	7.2
Non-GAAP Basic EPS	0.20	0.15
Non-GAAP Diluted EPS	0.20	0.15

Amounts may not calculate precisely due to rounding. Prior period results have been recast to reflect the retrospective adoption of ASC 606.

Q2 2018 GAAP to Non-GAAP Reconciliation

In millions, except per share amounts	GAAP	Non-GAAP Adjustments: Share-Based Compensation	Non-GAAP Adjustments: Amortization	Non-GAAP Adjustments: Other	Non-GAAP
Net Sales	$157.8				$157.8
Gross Profit	55.4	0.5		0.6	56.5
Gross Margin	35.1%				35.8%
Research and Development	24.9	(1.1)			23.9
Selling, General, and Administrative and Other	24.7	(2.6)		(0.2)	21.9
Net Income (Loss)	$(237.6)	4.9	10.4	229.5	$7.2
Income (Loss) Per Common Share:					
Basic	$(5.02)				$0.15
Diluted	(5.02)				0.15
Weighted Average Number of Shares:					
Basic	47.3				47.3
Diluted	47.3				47.4
Other Non-GAAP Adjustments					
Asset Impairment					252.3
Restructuring					2.3
Acquisition Related					1.3
Release of inventory fair value step-up associated with the Ultratech purchase accounting					0.5
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					0.3
Non-Cash Interest Expense					2.9
Non-GAAP Tax Adjustment					(30.1)
Total Other					229.5

Amounts may not calculate precisely due to rounding

Q3 2018 Guidance GAAP to Non-GAAP Reconciliation

In millions, except per share amounts	GAAP	Non-GAAP Adjustments: Share-Based Compensation	Non-GAAP Adjustments: Amortization	Non-GAAP Adjustments: Other	Non-GAAP
Net Sales	$130–$140				$130–$140
Gross Profit	45–52	1	—	1	47–54
Gross Margin	35%–37%				36%–38%
Net Income (Loss)	$(12)–$(7)	4	4	5	$1–$6
Income (Loss) per Diluted Share	$(0.25)–$(0.15)				$0.03–$0.13

GAAP Net Income (Loss)	$(12)–$(7)
Share-Based Compensation	4
Amortization	4
Restructuring	1
Acquisition Related Expense	1
Accelerated depreciation	1
Interest Expense	4
Income Tax Expense (Benefit)	1
Non-GAAP Operating Income	$4–$9

Amounts may not calculate precisely due to rounding

Thank You!

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