

Q3 2018 Conference Call

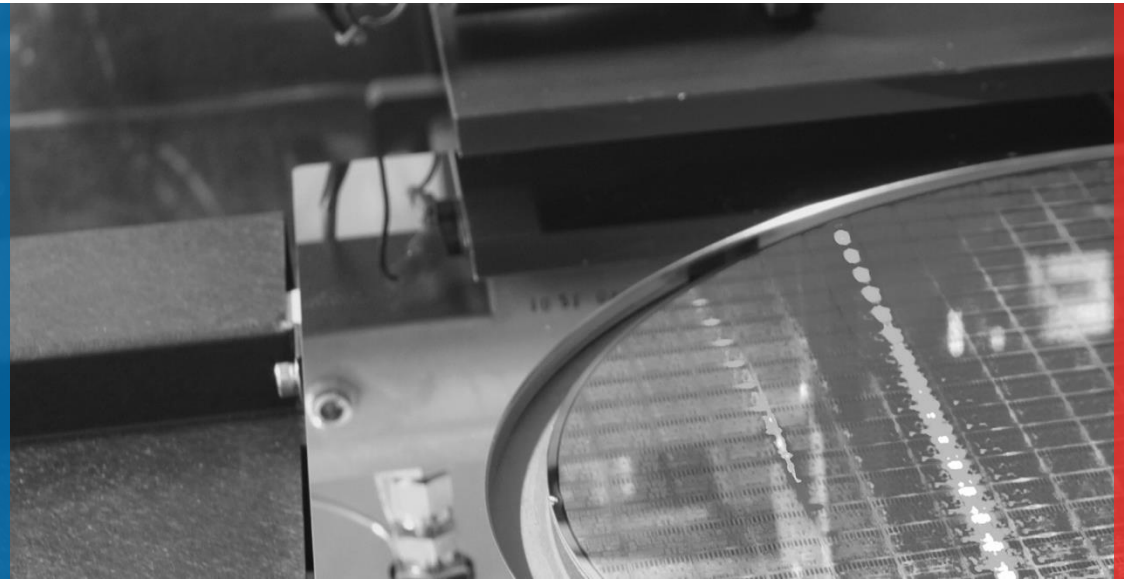
Veeco Instruments Inc.

November 1, 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
William J. Miller, Ph.D.

Q3 2018 Highlights

Q3	$100M	$127M	$8.0M	11¢
Results	*Bookings*	*Revenue*	*Non-GAAP Operating Income*	*Non-GAAP EPS*

- Bookings growth in Front-End Semiconductor
- Ending backlog of $276M
- Profitability above the mid-point of guidance
- Generated positive cash flow
- Repurchased 1.8% of outstanding shares

Transitioning MOCVD from Commodity LED to Compound Semiconductor Market

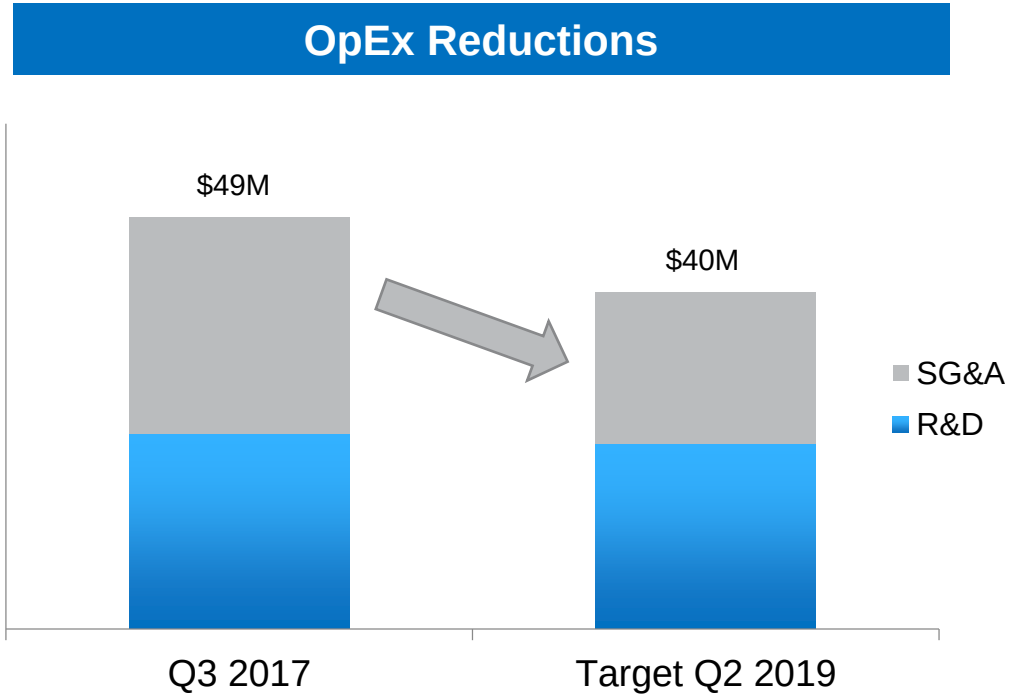
A reconciliation of GAAP to Non-GAAP financial measures can be found in the backup section of this presentation.



CFO Financial Review
Sam Maheshwari

Expense Reduction Update

Initiative	Status
Ultratech synergies ($15M annually)	• Complete by Q1 2019
New initiative to align cost structure with business conditions ($20M annually)	• In process • Targeted completion by end of Q2 2019

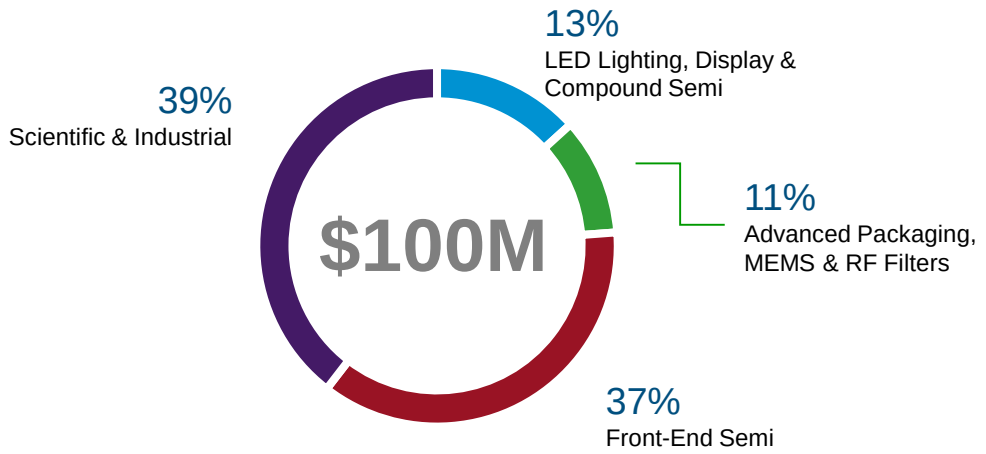


Carefully Executing OpEx Reduction – Reducing SG&A while Preserving R&D

Amounts may not calculate precisely due to rounding

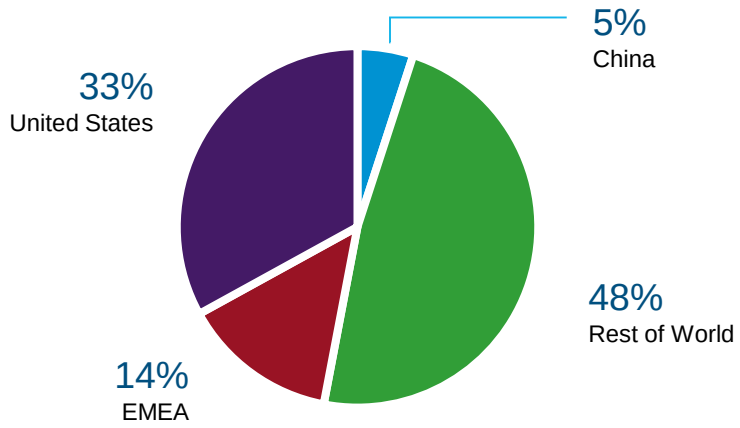
Q3 2018 Bookings by End Market and Geography

Mix by End Market



- Front-End Semi growth driven by LSA and EUV Mask Blank Deposition systems
- Scientific & Industrial driven by Data Storage and Optical Coating systems
- No commodity LED MOCVD systems

Mix by Geography



- Strength in ROW driven by Japan orders for EUV Mask Blank Deposition systems and Taiwan orders for LSA and Advanced Packaging Lithography systems

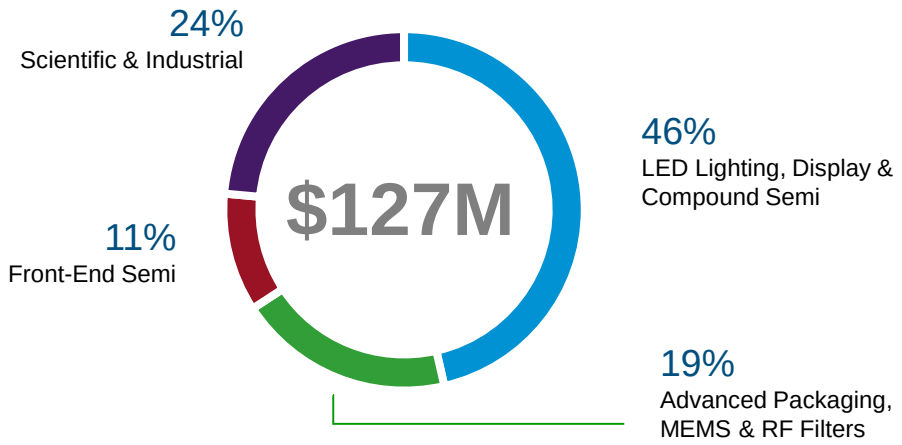
Strong Front-End Semiconductor Bookings Growth; Negligible Orders from China

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EUV – Extreme Ultraviolet
LSA – Laser Spike Anneal

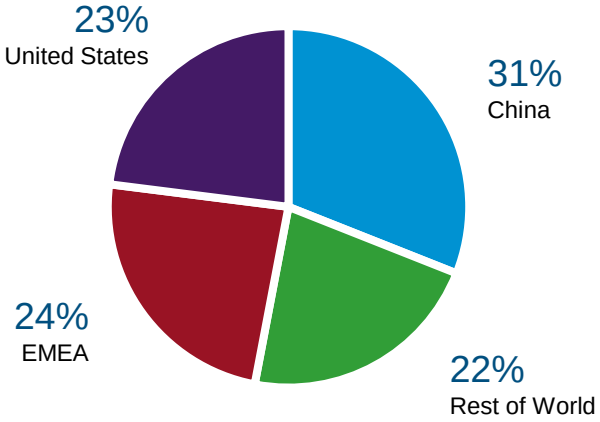
Q3 2018 Revenue by End Market and Geography

Mix by End Market



- China Blue LED was 21% of Veeco revenue in Q3 – This will decline going forward
- Remainder of LED Lighting, Display & Compound Semi was related to Photonics, Power, Display and RF Devices

Mix by Geography



- China as a percentage of revenue has declined from 47% in Q1 → 45% in Q2 → 31% in Q3

Revenue Mix is Becoming Well Balanced between our Four Markets & Regions

Amounts may not calculate precisely due to rounding

P&L Highlights

$ millions *(except per share amounts)*	GAAP		Non-GAAP	
	Q2 18	Q3 18	Q2 18	Q3 18
Revenue	$157.8	$126.8	$157.8	$126.8
Gross Profit	55.4	46.4	56.5	48.4
Gross Margin	35.1%	*36.6%*	35.8%	*38.2%*
R&D	24.9	23.5	23.9	22.8
SG&A & Other	24.7	20.2	21.9	17.6
Operating Income/(Loss)	(261.2)	(3.9)	10.8	8.0
Net Income/(Loss)	(237.6)	(9.0)	7.2	5.3
Earnings/(Loss) Per Share	($5.02)	($0.19)	$0.15	$0.11

Sequentially Improved Gross Margin as Expected

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Balance Sheet Highlights

$ millions	Q2 18	Q3 18
Cash & Short-Term Investments	261	266
Accounts Receivable	134	91
Inventories	146	150
Accounts Payable	65	65
Long-Term Debt	281	284
Cash Flow from Operations	(46)	18
DSO (days)	76	64
DOI	130	173
DPO	58	74

Generated Cash While Repurchasing $10M in Shares

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Q4 2018 Guidance

	GAAP	Non-GAAP
Revenue	$85M - $105M	$85M - $105M
Gross Margin	35% - 37%	36% - 38%
Net Income (Loss)	($26M)-($19M)	($11M)-($4M)
Earnings Per Share	($0.56)-($0.40)	($0.25)-($0.09)
Non-GAAP Operating Income (Loss)		($10M)-($3M)



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



Business Update & Outlook

Summary

Expect FY 2018 to Slightly Decline from FY 2017

2018 revenue slightly lower than 2017 $546M Pro-Forma. Improved expense structure

Cost Reduction

Initiated additional actions to reduce costs. Committed to sizing for current run rates

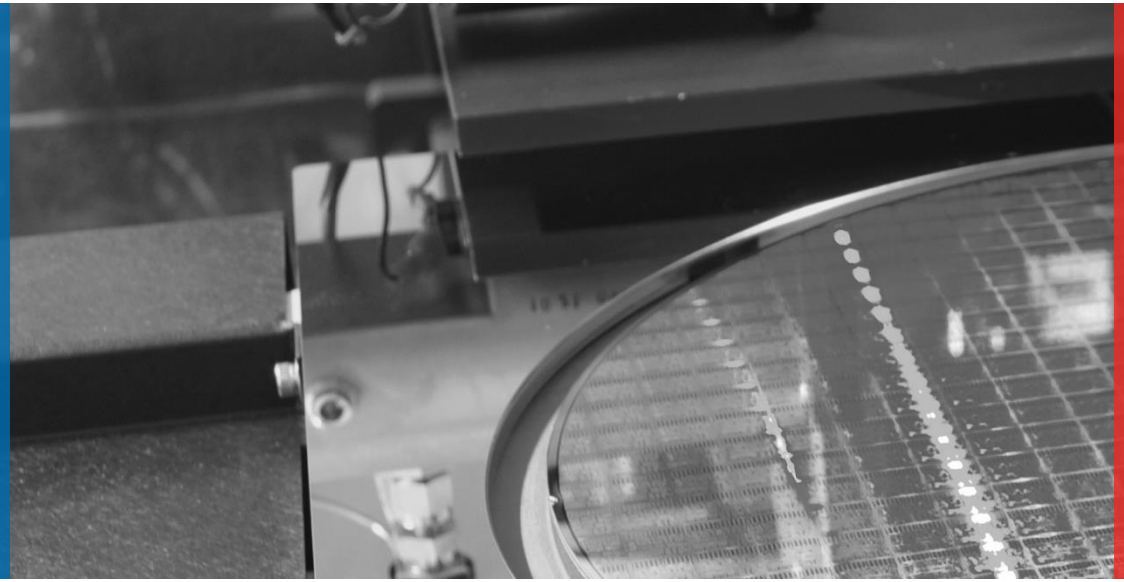
Preserving Innovation

Continue to develop products in Laser Anneal, MOCVD, Lithography

Market Softness is Temporary

Veeco long term growth prospects are sound. Great people, technology, markets

Note: Pro-Forma revenue for 2017 is as if Veeco and Ultratech were combined for the full year.



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	Q2 18	Q3 18
Net Sales	$157.8	$126.8
GAAP Gross Profit	55.4	46.4
GAAP Gross Margin	35.1%	36.6%
Add: Release of inventory fair value step-up for purchase accounting	0.5	1.4
Add: Share-Based Comp	0.5	0.5
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.1	0.1
Non-GAAP Gross Profit	$56.5	$48.4
Non-GAAP Gross Margin	35.8%	38.2%

US$ millions	Q2 18	Q3 18
GAAP Net Income (Loss)	$(237.6)	$(9.0)
Add: Share-Based Comp	4.9	3.3
Add: Amortization	10.4	4.2
Add: Restructuring	2.3	1.9
Add: Acquisition Related	1.3	0.2
Add: Release of inventory fair value step-up for purchase accounting	0.5	1.4
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.3	0.2
Add: Accelerated Depreciation	-	0.6
Add: Asset Impairment	252.3	-
Add: Interest Expense	4.4	4.8
Subtract: Tax benefit	(28.0)	0.3
Non-GAAP Operating Income	$10.8	$8.0

US$ millions, except per share amounts	Q2 18	Q3 18
GAAP Basic EPS	(5.02)	(0.19)
GAAP Diluted EPS	(5.02)	(0.19)
GAAP Net Income (Loss)	(237.6)	(9.0)
Add: Share-Based Comp	4.9	3.3
Add: Amortization	10.4	4.2
Add: Restructuring	2.3	1.9
Add: Acquisition Related	1.3	0.2
Add: Release of inventory fair value step-up for purchase accounting	0.5	1.4
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.3	0.2
Add: Accelerated Depreciation	-	0.6
Add: Asset Impairment	252.3	-
Add: Non-Cash Interest Expense	2.9	3.0
Add: Tax Adjustment from GAAP to Non-GAAP	(30.1)	(0.5)
Non-GAAP Net Income (Loss)	7.2	5.3
Non-GAAP Basic EPS	0.15	0.11
Non-GAAP Diluted EPS	0.15	0.11

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

Q3 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	$126.8				$126.8
Gross Profit	46.4	0.5		1.5	48.4
Gross Margin	36.6%				38.2%
Research and Development	23.5	(0.7)			22.8
Selling, General, and Administrative and Other	20.2	(1.9)		(0.8)	17.6
Net Income (Loss)	$(9.0)	3.3	4.2	6.8	$5.3
Income (Loss) Per Common Share:					
Basic	$(0.19)				$0.11
Diluted	(0.19)				0.11
Weighted Average Number of Shares:					
Basic	47.0				47.0
Diluted	47.0				47.0
Other Non-GAAP Adjustments					
Restructuring					1.9
Acquisition Related					0.2
Release of inventory fair value step-up associated with the Ultratech purchase accounting					1.4
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					0.2
Accelerated Depreciation					0.6
Non-Cash Interest Expense					3.0
Non-GAAP Tax Adjustment					(0.5)
Total Other					6.8

Amounts may not calculate precisely due to rounding

Q4 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	$85–$105				$85–$105
Gross Profit	30–39	1	—	—	31–40
Gross Margin	35%–37%				36%–38%
Net Income (Loss)	$(26)–$(19)	4	4	7	$(11)–$(4)
Income (Loss) per Diluted Share	$(0.56)–$(0.40)				$(0.25)–$(0.09)

GAAP Net Income (Loss)	$(26)–$(19)
Share-Based Compensation	4
Amortization	4
Restructuring	2
Accelerated Depreciation	1
Interest Expense	4
Income Tax Expense (Benefit)	1
Non-GAAP Operating Income	$(10)–$(3)

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Thank You

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