

Q4 2018 Conference Call

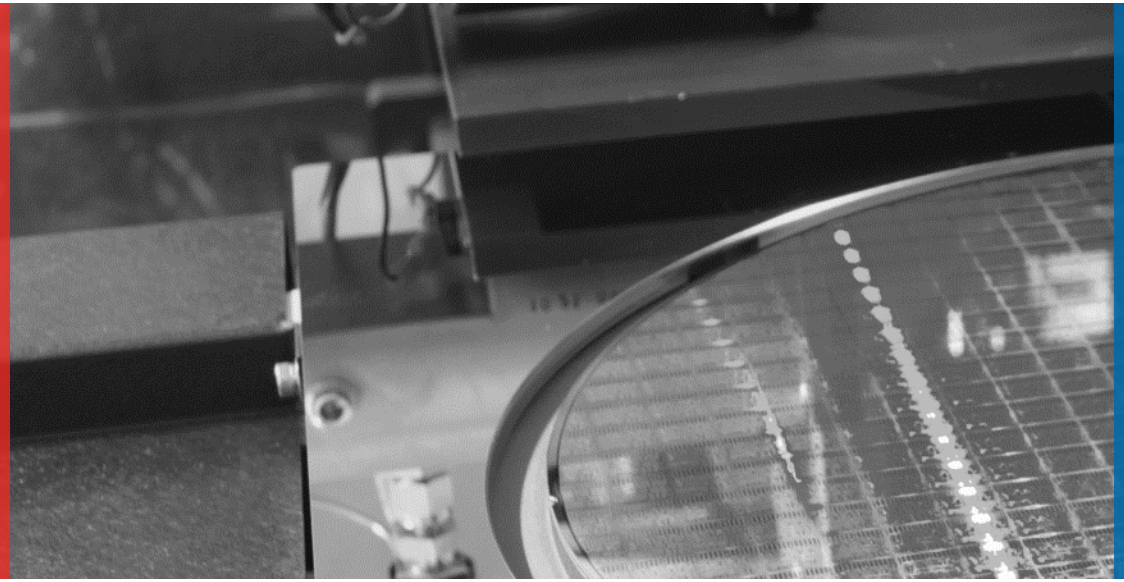
Veeco Instruments Inc.

February 11, 2019

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 Overview
William Miller

Q4 2018 Highlights

Q4	$112M	$99.0M	($6.9M)	(16¢)
Results	*Bookings*	*Revenue*	*Non-GAAP Operating Loss*	*Non-GAAP EPS*

- Bookings led by Front-End Semiconductor Foundry and EUV Mask Blank Customers
- Revenue declined due to significantly lower MOCVD China LED business
- Backlog grew to $288M
- Ending cash and short-term investments of $261M

Focused on Business Transition to Front-End and Compound Semiconductor Markets

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

2019 Growth Opportunities

Front-End Semiconductor

EUV Mask Blanks
Ion Beam Deposition



Front-End Wafer Processing
Laser Annealing



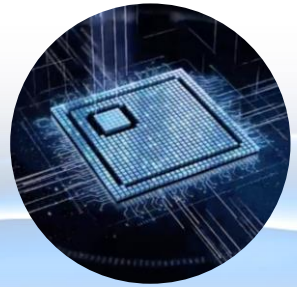
Compound Semiconductor

3D Sensing / VCSEL
MOCVD



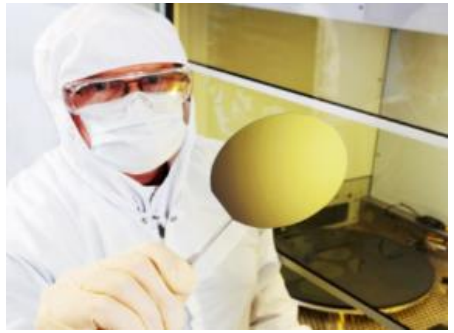
Advanced Packaging

Wafer Level Packaging
Lithography



EUV – Extreme Ultraviolet
VCSEL – Vertical Cavity Surface Emitting Laser
MOCVD – Metal Organic Chemical Vapor Deposition

2019 Focus



Innovate
technology leadership

- Solve tough materials problems
- Execute product roadmaps



Penetrate
market growth

- EUV Mask Blanks – Ion Beam Deposition
- Leading-Edge Front-End Semiconductor – Laser Anneal
- 3D Sensing / VCSEL – MOCVD
- Advanced Packaging – Lithography



Improve
profitability

- Improve gross margin
- Reduce operating expenses

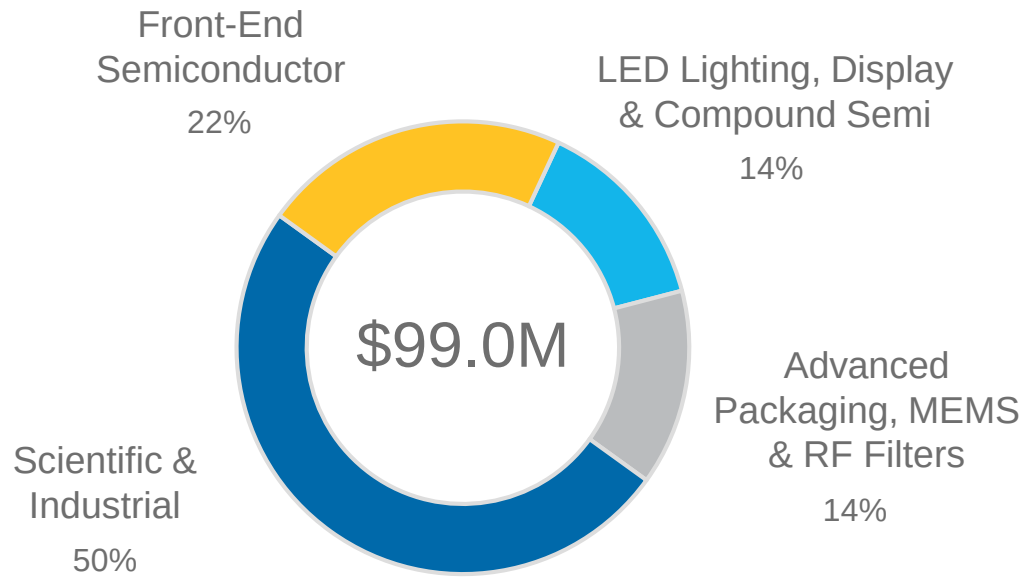
Operate with Discipline to Restore Growth and Profitability



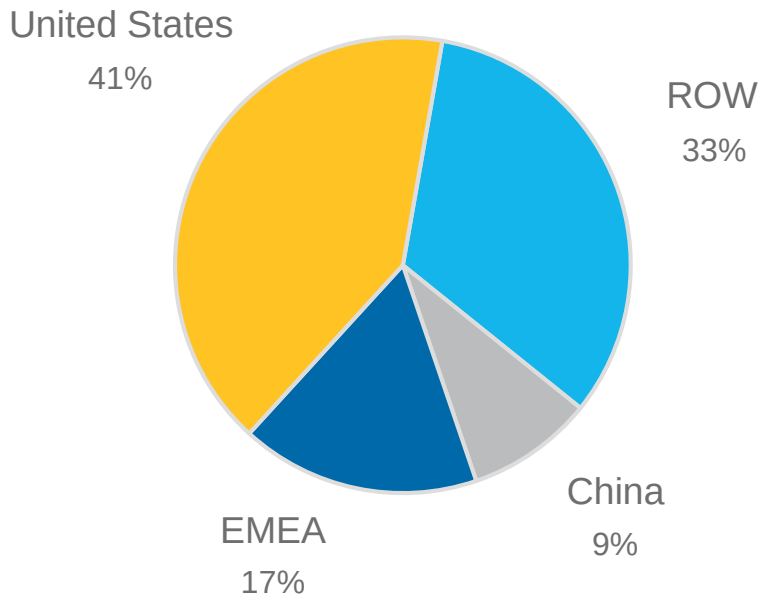
CFO Financial Review
Sam Maheshwari

Q4 2018 Revenue by Market & Region

Revenue by Market



Revenue by Region



P&L Highlights

$ millions *(except per share amounts)*	GAAP			Non-GAAP		
	Q3 18	Q4 18	2018	Q3 18	Q4 18	2018
Revenue	$126.8	$99.0	542.1	$126.8	$99.0	542.1
Gross Profit	46.4	35.3	193.7	48.4	35.7	198.5
Gross Margin	*36.6%*	*35.6%*	35.7%	*38.2%*	36.0%	*36.6%*
R&D	23.5	25.0	97.8	22.8	24.1	94.1
SG&A & Other	20.2	21.3	92.4	17.6	18.5	81.1
Asset Impairment	--	122.8	375.2	--	--	--
Operating Income/(Loss)	(3.9)	(139.0)	(415.5)	8.0	(6.9)	23.2
Net Income/(Loss)	(9.0)	(144.7)	(407.1)	5.3	(7.5)	14.2
Earnings/(Loss) Per Share	($0.19)	($3.11)	($8.63)	$0.11	($0.16)	0.30

Q4 Stock Price Decline Drove Non-Cash Goodwill Impairment Charge

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.

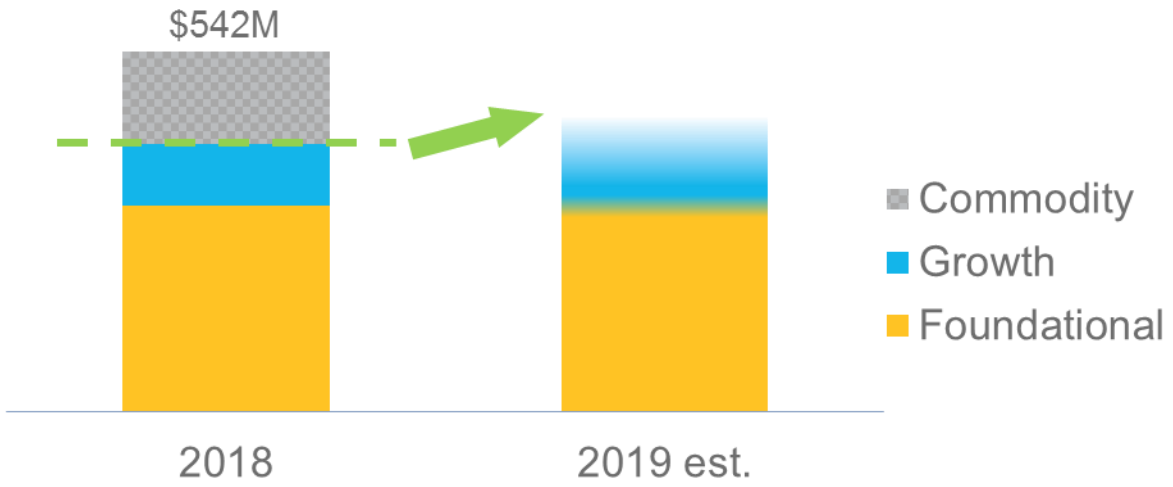
Balance Sheet Highlights

$ millions	Q3 18	Q4 18
Cash & Short-Term Investments	266	261
Accounts Receivable	91	67
Inventories	150	156
Accounts Payable	65	40
Long-Term Debt	284	287
Cash Flow from Operations	18	2
DSO (days)	64	61
DOI	173	219
DPO	74	56

Continued Investment in Inventory Related to New Products and Evaluation Units

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2019 – Focus on Foundational & Growth Markets

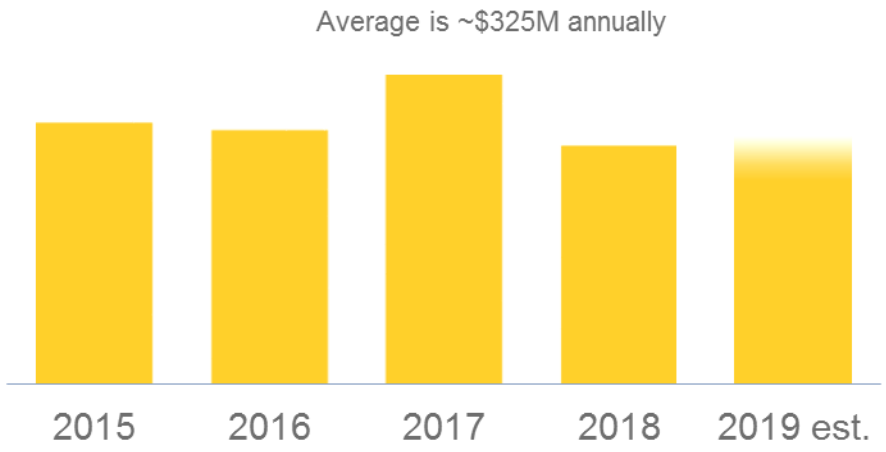


- Commodity blue LED business reducing significantly in 2019
- Reduced China revenue going forward
- Growth initiatives aligned with multiple megatrends
- Foundational businesses remain stable

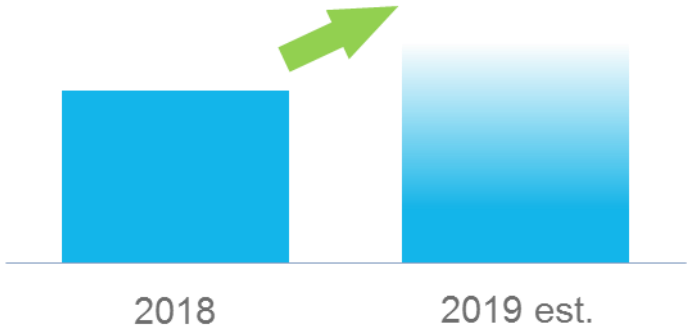
Foundational and Growth Revenue Combined are Expected to Increase in 2019

2019 – Growth on a Solid Foundation

Foundational Revenue



Growth Revenue



Key Foundational Businesses

- Service Business
- Wet Etch & Clean
- Data Storage
- Universities & Research Labs
- Optical Coatings for Industrial, Medical & Military

Key Growth Initiatives

- EUV Mask Blanks - Ion Beam Deposition
- Advanced Front-End Semiconductor – Laser Annealing
- 3D Sensing / VCSEL – MOCVD
- Advanced Packaging – Lithography

Foundational Businesses Generate Cash, Support Growth Initiatives

Q1 2019 Guidance

	GAAP	Non-GAAP
Revenue	$85M - $105M	$85M - $105M
Gross Margin	33% - 35%	34% - 36%
Net Income (Loss)	($28M)-($19M)	($14M)-($5M)
Earnings Per Share	($0.59)-($0.39)	($0.30)-($0.10)
Non-GAAP Operating Income (Loss)		($12M)-($3M)



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



Q&A

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Reconciliation Tables

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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	Q3 18	Q4 18	2018
Net Sales	$126.8	$99.0	$542.1
GAAP Gross Profit	46.4	35.3	193.7
GAAP Gross Margin	36.6%	35.6%	35.7%
Add: Release of inventory fair value step-up for purchase accounting	1.4	0.1	2.5
Add: Share-Based Comp	0.5	0.3	1.9
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.1	0.1	0.3
Non-GAAP Gross Profit	$48.4	$35.7	$198.5
Non-GAAP Gross Margin	38.2%	36.0%	36.6%

US$ millions	Q3 18	Q4 18	2018
GAAP Net Income (Loss)	$(9.0)	$(144.7)	$(407.1)
Add: Share-Based Comp	3.3	3.4	16.1
Add: Amortization	4.2	4.2	32.4
Add: Restructuring	1.9	0.7	7.4
Add: Acquisition Related	0.2	0.1	3.0
Add: Release of inventory fair value step-up for purchase accounting	1.4	0.1	2.5
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.2	0.2	1.0
Add: Accelerated Depreciation	0.6	0.6	1.2
Add: Asset Impairment	-	122.8	375.2
Add: Interest Expense	4.8	4.5	18.3
Subtract: Tax Expense (Benefit)	0.3	1.2	(26.7)
Non-GAAP Operating Income (Loss)	$8.0	$(6.9)	$23.2

US$ millions, except per share amounts	Q3 18	Q4 18	2018
GAAP Basic EPS	(0.19)	(3.11)	(8.63)
GAAP Diluted EPS	(0.19)	(3.11)	(8.63)
GAAP Net Income (Loss)	(9.0)	(144.7)	(407.1)
Add: Share-Based Comp	3.3	3.4	16.1
Add: Amortization	4.2	4.2	32.4
Add: Restructuring	1.9	0.7	7.4
Add: Acquisition Related	0.2	0.1	3.0
Add: Release of inventory fair value step-up for purchase accounting	1.4	0.1	2.5
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.2	0.2	1.0
Add: Accelerated Depreciation	0.6	0.6	1.2
Add: Asset Impairment	-	122.8	375.2
Add: Non-Cash Interest Expense	3.0	3.0	11.8
Add: Tax Adjustment from GAAP to Non-GAAP	(0.5)	2.0	(29.1)
Non-GAAP Net Income (Loss)	5.3	(7.5)	14.2
Non-GAAP Basic EPS	0.11	(0.16)	0.30
Non-GAAP Diluted EPS	0.11	(0.16)	0.30

Amounts may not calculate precisely due to rounding.

Q4 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	$99.0				$99.0
Gross Profit	35.3	0.3		0.1	35.7
Gross Margin	35.6%				36.0%
Research and Development	25.0	(0.9)			24.1
Selling, General, and Administrative and Other	21.3	(2.0)		(0.7)	18.5
Net Income (Loss)	$(144.7)	3.4	4.2	129.5	$(7.5)
Income (Loss) Per Common Share:					
Basic	$(3.11)				$(0.16)
Diluted	(3.11)				(0.16)
Weighted Average Number of Shares:					
Basic	46.6				46.6
Diluted	46.6				46.6
Other Non-GAAP Adjustments					
Restructuring					0.7
Acquisition Related					0.1
Release of inventory fair value step-up associated with the Ultratech purchase accounting					0.1
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					0.2
Accelerated Depreciation					0.6
Asset Impairment					122.8
Non-Cash Interest Expense					3.0
Non-GAAP Tax Adjustment					2.0
Total Other					129.5

Amounts may not calculate precisely due to rounding

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	$542.1				$542.1
Gross Profit	193.7	1.9		2.8	198.5
Gross Margin	35.7%				36.6%
Research and Development	97.8	(3.6)			94.1
Selling, General, and Administrative and Other	92.4	(9.4)		(1.9)	81.1
Net Income (Loss)	$(407.1)	16.1	32.4	372.9	$14.2
Income (Loss) Per Common Share:					
Basic	$(8.63)				$0.30
Diluted	(8.63)				0.30
Weighted Average Number of Shares:					
Basic	47.2				47.2
Diluted	47.2				47.2
Other Non-GAAP Adjustments					
Restructuring					7.4
Acquisition Related					3.0
Release of inventory fair value step-up associated with the Ultratech purchase accounting					2.5
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					1.0
Accelerated Depreciation					1.2
Asset Impairment					375.2
Non-Cash Interest Expense					11.8
Non-GAAP Tax Adjustment					(29.1)
Total Other					372.9

Amounts may not calculate precisely due to rounding

Q1 2019 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	28–37	1	—	—	29–38
Gross Margin	33%–35%				34%–36%
Net Income (Loss)	$(28)–$(19)	4	4	6	$(14)–$(5)
Income (Loss) per Diluted Share	$(0.59)–$(0.39)				$(0.30)–$(0.10)

GAAP Net Income (Loss)	$(28)–$(19)
Share-Based Compensation	4
Amortization	4
Restructuring	2
Interest Expense, Net	4
Income Tax Expense (Benefit)	1
Other	1
Non-GAAP Operating Income (Loss)	$(12)–$(3)

Amounts may not calculate precisely due to rounding

Thank You

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