

# Q2 2019 Conference Call

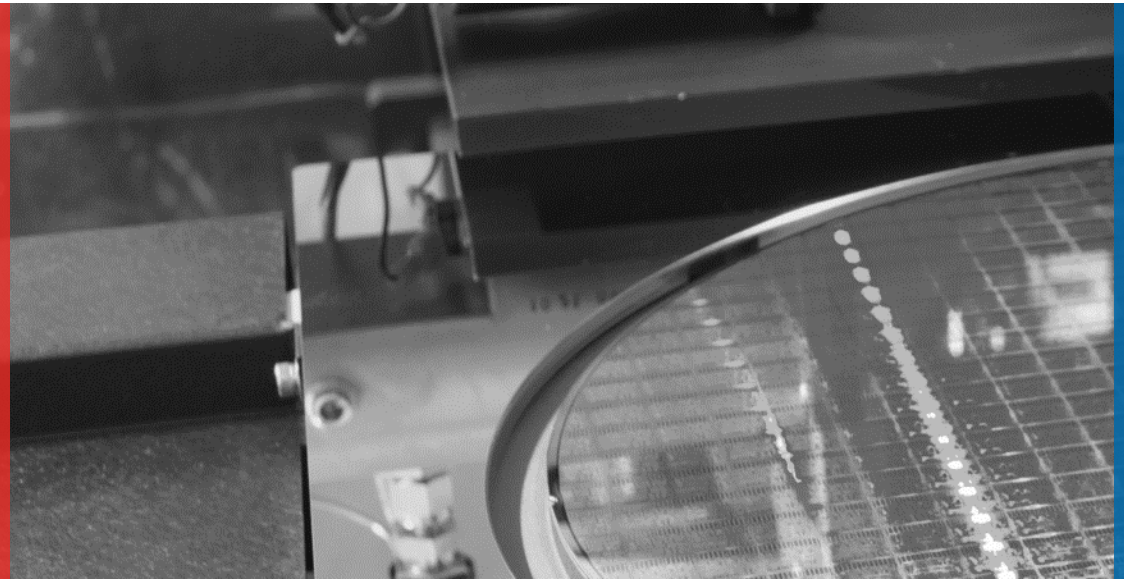
Veeco Instruments Inc.

August 5, 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, 2018 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 J. Miller, Ph.D.

# Q2 2019 Highlights

| Q2 | $78.2M | $97.8M | $(1.6M) | (6¢) |
|---|---|---|---|---|
| *Results* | *Bookings* | *Revenue* | *Non-GAAP Operating Loss* | *Non-GAAP EPS* |

- Executed according to guidance - narrowed losses
- Strength in Data Storage and EUV products
- Generated $10M in cash
- Ending cash and short-term investments grew to $247M

*Focused on Growing Top-Line and Returning to Profitability*

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

# Executing 2019 Growth Opportunities

## Front-End Semiconductor

EUV Mask Blanks
Ion Beam Deposition



Front-End Wafer Processing
Laser Annealing



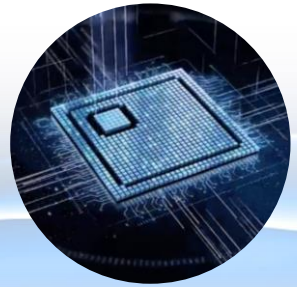
## Compound Semiconductor

3D Sensing / VCSEL
MOCVD



## Advanced Packaging

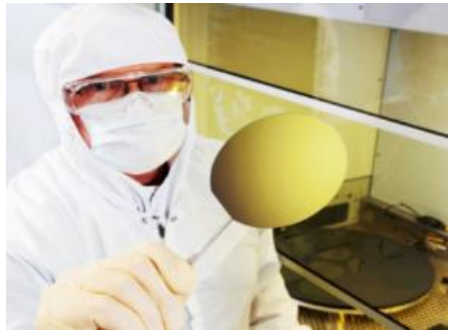
Wafer Level Packaging
Lithography





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

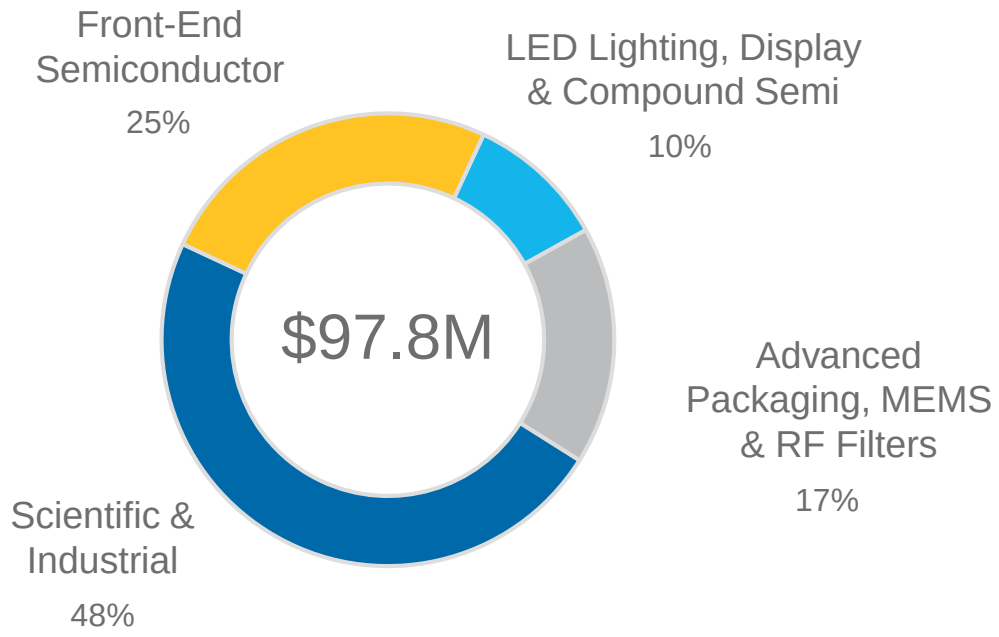
*Making Progress with New Products, Penetrating Markets and Profitability*



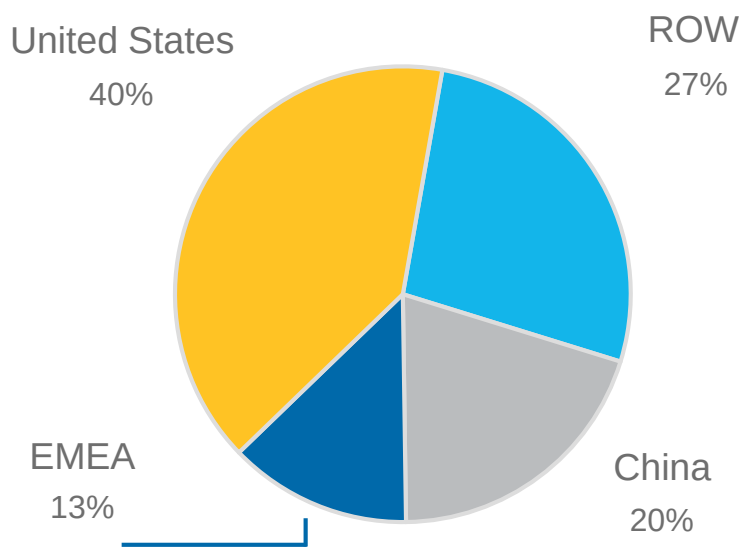
# CFO Financial Review
# Sam Maheshwari

# Q2 2019 Revenue by Market & Region

## *Revenue by Market*




## *Revenue by Region*



# Operating Results

| $ millions *(except per share amounts)* | GAAP | | Non-GAAP | |
|---|---|---|---|---|
| | Q1 19 | Q2 19 | Q1 19 | Q2 19 |
| **Revenue** | $99.4 | $97.8 | $99.4 | $97.8 |
| **Gross Profit** | 34.7 | 36.3 | 35.2 | 36.9 |
| **Gross Margin** | *34.9%* | 37.1% | 35.5% | *37.8%* |
| **Operating Expenses** | 48.9 | 47.5 | 40.0 | 38.5 |
| **Operating Income/(Loss)** | (14.1) | (11.2) | (4.8) | (1.6) |
| **Net Income/(Loss)** | (18.5) | (15.6) | (6.4) | (3.0) |
| **Earnings/(Loss) Per Share** | $(0.40) | $(0.33) | $(0.14) | $(0.06) |

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 and Cash Flow Highlights

| $ millions | Q1 19 | Q2 19 |
|---|---|---|
| **Cash & Short-Term Investments** | 237 | 247 |
| **Accounts Receivable** | 75 | 59 |
| **Inventories** | 148 | 140 |
| **Accounts Payable** | 36 | 22 |
| **Long-Term Debt** | 290 | 294 |
| **Cash Flow from Operations** | (22) | 14 |
| **DSO (days)** | 68 | 54 |
| **DOI** | 212 | 210 |
| **DPO** | 52 | 33 |

*Cashflow from Operations Driven by Improvements in Accounts Receivable, Customer Deposits and Inventory*

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# Q3 2019 Guidance

| | GAAP | Non-GAAP |
|---|---|---|
| Revenue | $95M - $115M | $95M - $115M |
| Gross Margin | 36% - 38% | 37% - 39% |
| Operating Expenses | ~$49M | ~$39M |
| Net Income (Loss) | $(18M) - $(9M) | $(5M) - $4M |
| Earnings (Loss) Per Share | $(0.40) - $(0.20) | $(0.10) - $0.10 |




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



# Q&A



# 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 | Q1 19 | Q2 19 |
|---|---|---|
| Net Sales | $99.4 | $97.8 |
| GAAP Gross Profit | 34.7 | 36.3 |
| GAAP Gross Margin | 34.9% | 37.1% |
| Add: Share-Based Comp | 0.5 | 0.6 |
| Add: Depreciation of PP&E fair value step-up for purchase accounting | - | 0.1 |
| Non-GAAP Gross Profit | $35.2 | $36.9 |
| Non-GAAP Gross Margin | 35.5% | 37.8% |

| US$ millions | Q1 19 | Q2 19 |
|---|---|---|
| GAAP Net Income (Loss) | $(18.5) | $(15.6) |
| Add: Share-Based Comp | 3.2 | 4.6 |
| Add: Amortization | 4.2 | 4.2 |
| Add: Restructuring | 1.4 | 0.6 |
| Add: Depreciation of PP&E fair value step-up for purchase accounting | 0.1 | 0.2 |
| Add: Accelerated Depreciation | 0.4 | - |
| Add: Interest Expense | 4.2 | 4.2 |
| Subtract: Tax expense (benefit) | 0.2 | 0.1 |
| Non-GAAP Operating Income (Loss) | $(4.8) | $(1.6) |

| US$ millions, except per share amounts | Q1 19 | Q2 19 |
|---|---|---|
| GAAP Basic EPS | (0.40) | (0.33) |
| GAAP Diluted EPS | (0.40) | (0.33) |
| GAAP Net Income (Loss) | (18.5) | (15.6) |
| Add: Share-Based Comp | 3.2 | 4.6 |
| Add: Amortization | 4.2 | 4.2 |
| Add: Restructuring | 1.4 | 0.6 |
| Add: Depreciation of PP&E fair value step-up for purchase accounting | 0.1 | 0.2 |
| Add: Accelerated Depreciation | 0.4 | - |
| Add: Non-Cash Interest Expense | 3.1 | 3.1 |
| Add: Tax Adjustment from GAAP to Non-GAAP | (0.3) | (0.2) |
| Non-GAAP Net Income (Loss) | (6.4) | (3.0) |
| Non-GAAP Basic EPS | (0.14) | (0.06) |
| Non-GAAP Diluted EPS | (0.14) | (0.06) |

Amounts may not calculate precisely due to rounding.

# Q2 2019 Actual: 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 | $97.8 | | | | $97.8 |
| Gross Profit | 36.3 | 0.6 | | | 36.9 |
| Gross Margin | 37.1% | | | | 37.8% |
| Operating Expenses | 47.5 | (4.0) | (4.2) | (0.8) | 38.5 |
| Operating Income (Loss) | (11.2) | 4.6 | 4.2 | 0.8 | (1.6) |
| Net Income (Loss) | $(15.6) | 4.6 | 4.2 | 3.8 | $(3.0) |
| | | | | | |
| Income (Loss) Per Common Share: | | | | | |
| Basic | $(0.33) | | | | $(0.06) |
| Diluted | (0.33) | | | | (0.06) |
| Weighted Average Number of Shares: | | | | | |
| Basic | 47.1 | | | | 47.1 |
| Diluted | 47.1 | | | | 47.1 |
| Other Non-GAAP Adjustments | | | | | |
| Restructuring | | | | | 0.6 |
| Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting | | | | | 0.2 |
| Subtotal | | | | | 0.8 |
| Non-Cash Interest Expense | | | | | 3.1 |
| Non-GAAP Tax Adjustment | | | | | (0.2) |
| Total Other | | | | | 3.8 |

Amounts may not calculate precisely due to rounding

# Q3 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 | $95–$115 | | | | $95–$115 |
| Gross Profit | 35–44 | 1 | — | — | 36–45 |
| Gross Margin | 36%–38% | | | | 37%–39% |
| Operating Expenses | ~$49 | 3 | 4 | 2 | ~$39 |
| Operating Income (Loss) | $(14)-$(5) | 4 | 4 | 3 | $(3)-$6 |
| Net Income (Loss) | $(18)–$(9) | 4 | 4 | 5 | $(5)–$4 |
| Income (Loss) per Diluted Share | $(0.40)–$(0.20) | | | | $(0.10)–$0.10 |

| | |
|---|---|
| GAAP Net Income (Loss) | $(18)–$(9) |
| Share-Based Compensation | 4 |
| Amortization | 4 |
| Restructuring | 2 |
| Interest Expense, Net | 4 |
| Other | 1 |
| Non-GAAP Operating Income (Loss) | $(3)–$6 |

Amounts may not calculate precisely due to rounding

# Thank You

**Veeco Instruments**

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