

Q3 2019 Conference Call

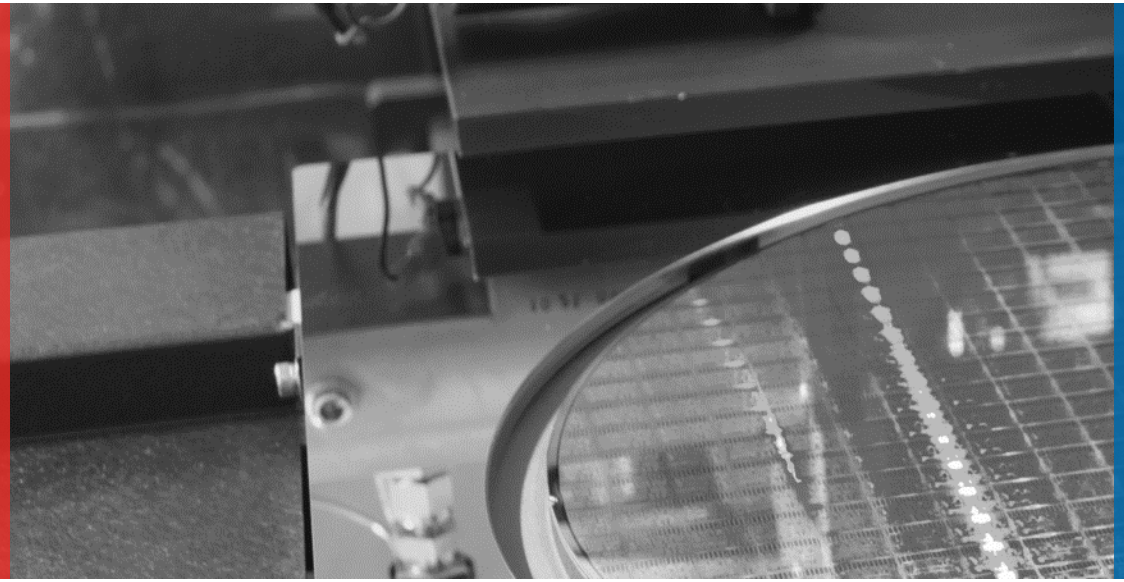
Veeco Instruments Inc.

November 4, 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.

Q3 2019 Highlights

Q3	$115M	$109M	$4.0M	5¢
Results	*Bookings*	*Revenue*	*Non-GAAP Operating Income*	*Non-GAAP EPS*

- Top and bottom line exceeded midpoint of guided range – achieved non-GAAP profitability
- Strong revenue in the Front-End Semi and Data Storage markets
- Non-GAAP gross margin at 40.3%
- Grew backlog to $279M

Continuing to Focus on Growing Top-Line and Improving Profitability

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

Transformation Update



Phase 1: Returning to Profitability

- Shift MOCVD market focus from commodity LED to higher value photonics
- Execute general infrastructure reductions
- Rationalize product line investments

Phase 1: well underway



Phase 2: Driving Growth

Grow in current markets

- Front-End Semi with laser annealing
- Advanced Packaging with lithography
- Data Storage with ion beam

Penetrate with new applications

- Front-End Semi with ion beam
- Compound Semi / VCSEL with MOCVD

Phase 2: early stages

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

Markets and Technologies

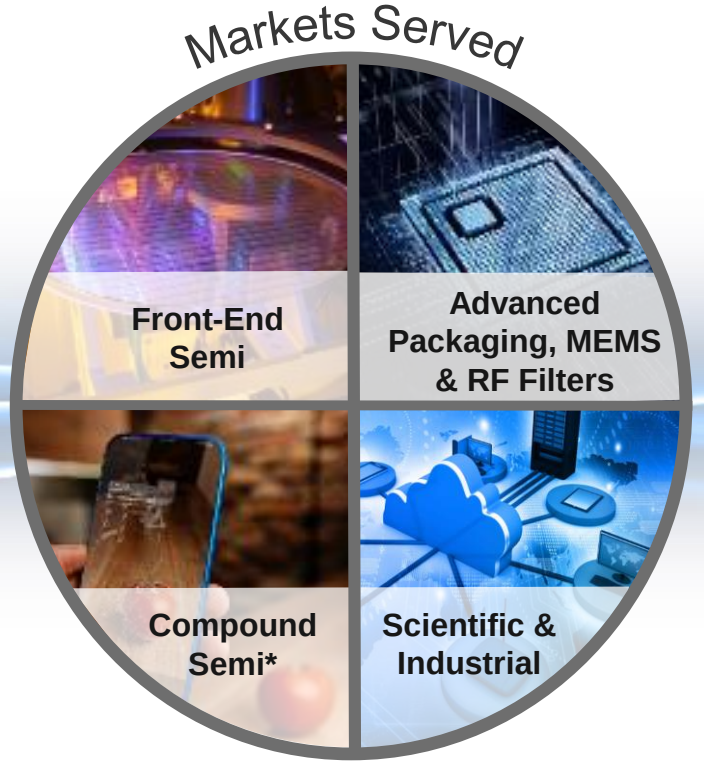
Megatrend Technology

High Performance Computing

- Laser Annealing
- Ion Beam Deposition & Etch

VCSEL / 5G

- MOCVD



AI / High Performance Computing

- AP Lithography

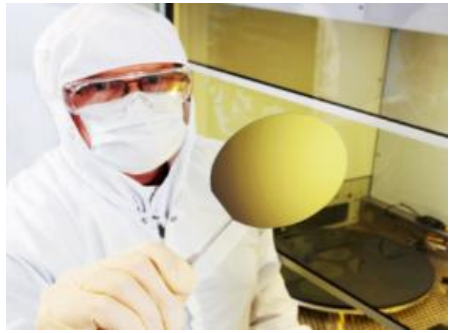
Cloud / Data Storage

- Ion Beam Deposition & Etch

Veeco is a Proven High Technology Capital Equipment Leader
Solving Tough Materials Problems to Ramp Growing Markets

* Compound Semi includes LED, Lighting & Display
AI – Artificial Intelligence
MOCVD – Metal Organic Chemical Vapor Deposition
5G – Fifth Generation Wireless
AP – Advanced Packaging
VCSEL – Vertical Cavity Surface Emitting Laser

2019 Update



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

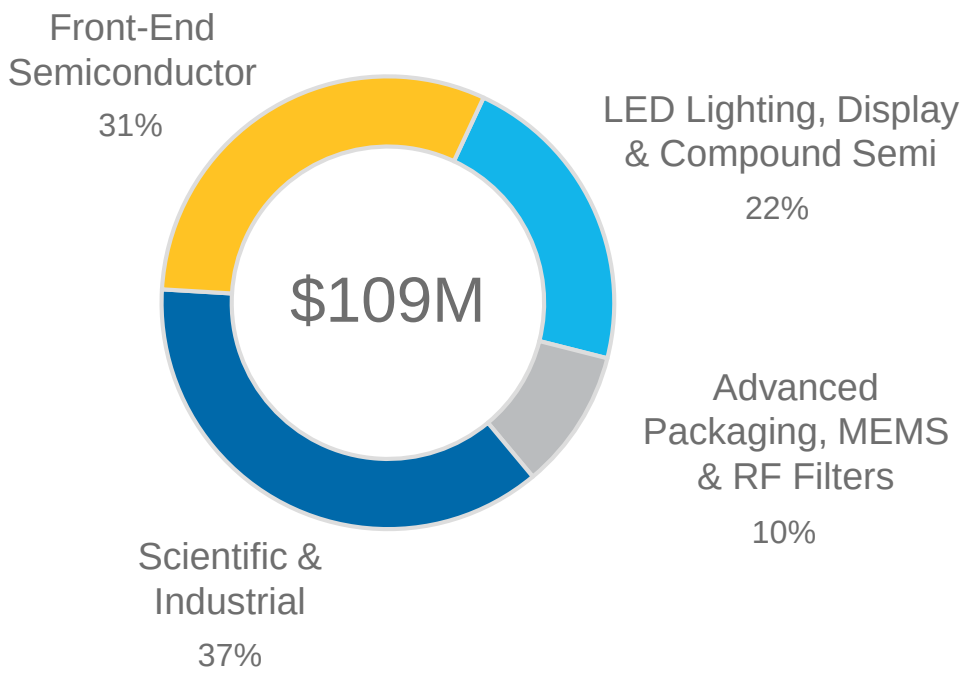
Making Progress with New Products, Penetrating Markets and Improving Profitability



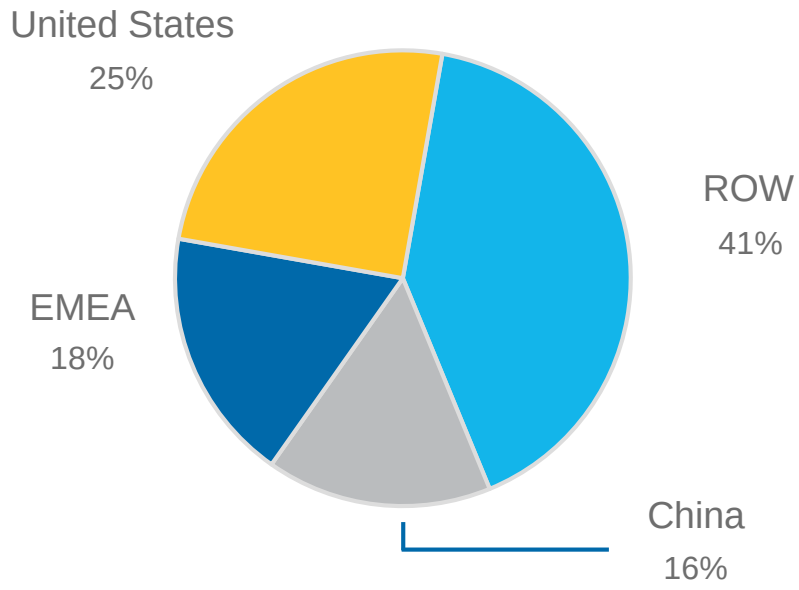
CFO Financial Review
Sam Maheshwari

Q3 2019 Revenue by Market & Region

Revenue by Market



Revenue by Region



Operating Results

$ millions *(except per share amounts)*	GAAP		Non-GAAP	
	Q2 19	Q3 19	Q2 19	Q3 19
Revenue	$97.8	$109.0	$97.8	$109.0
Gross Profit	36.3	42.2	36.9	43.9
Gross Margin	*37.1%*	38.8%	37.8%	*40.3%*
Operating Expenses	47.5	49.6	38.5	40.0
Operating Income/(Loss)	(11.2)	(7.4)	(1.6)	4.0
Net Income/(Loss)	(15.6)	(11.8)	(3.0)	2.6
Earnings/(Loss) Per Share	$(0.33)	$(0.25)	$(0.06)	$0.05

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	Q2 19	Q3 19
Cash & Short-Term Investments	247	232
Accounts Receivable	59	73
Inventories	140	135
Accounts Payable	22	35
Long-Term Debt	294	297
Cash Flow from Operations	14	(15)
DSO (days)	54	60
DOI	210	185
DPO	33	47

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Q4 2019 Guidance

	GAAP	Non-GAAP
Revenue	$100M - $120M	$100M - $120M
Gross Margin	39% - 41%	39% - 41%
Operating Expenses	~$48M	~$39M
Net Income (Loss)	$(15M) - $(5M)	$(2) - $8M
Earnings (Loss) Per Share	$(0.32) - $(0.10)	$(0.03) - $0.18



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



Q&A



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 19	Q3 19
Net Sales	$97.8	$109.0
GAAP Gross Profit	36.3	42.2
GAAP Gross Margin	37.1%	38.8%
Add: Share-Based Comp	0.6	0.4
Add: Release of inventory fair value step-up for purchase accounting	-	1.3
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.1	-
Non-GAAP Gross Profit	$36.9	$43.9
Non-GAAP Gross Margin	37.8%	40.3%

US$ millions	Q2 19	Q3 19
GAAP Net Income (Loss)	$(15.6)	$(11.8)
Add: Share-Based Comp	4.6	3.8
Add: Amortization	4.2	4.3
Add: Restructuring	0.6	1.8
Add: Release of inventory fair value step-up for purchase accounting	-	1.3
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.2	0.1
Add: Interest Expense	4.2	4.3
Subtract: Tax expense (benefit)	0.1	0.1
Non-GAAP Operating Income (Loss)	$(1.6)	$4.0

US$ millions, except per share amounts	Q2 19	Q3 19
GAAP Basic EPS	(0.33)	(0.25)
GAAP Diluted EPS	(0.33)	(0.25)
GAAP Net Income (Loss)	(15.6)	(11.8)
Add: Share-Based Comp	4.6	3.8
Add: Amortization	4.2	4.3
Add: Restructuring	0.6	1.8
Add: Release of inventory fair value step-up for purchase accounting	-	1.3
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.2	0.1
Add: Non-Cash Interest Expense	3.1	3.2
Add: Tax Adjustment from GAAP to Non-GAAP	(0.2)	(0.1)
Non-GAAP Net Income (Loss)	(3.0)	2.6
Non-GAAP Basic EPS	(0.06)	0.06
Non-GAAP Diluted EPS	(0.06)	0.05

Amounts may not calculate precisely due to rounding.

Q3 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	$109.0				$109.0
Gross Profit	42.2	0.4		1.3	43.9
Gross Margin	38.8%				40.3%
Operating Expenses	49.6	(3.4)	(4.3)	(1.9)	40.0
Operating Income (Loss)	(7.4)	3.8	4.3	3.2	4.0
Net Income (Loss)	$(11.8)	3.8	4.3	6.3	$2.6
Income (Loss) Per Common Share:					
Basic	$(0.25)				$0.06
Diluted	(0.25)				0.05
Weighted Average Number of Shares:					
Basic	47.5				47.5
Diluted	47.5				47.9
Other Non-GAAP Adjustments					
Restructuring					1.8
Release of inventory fair value step-up associated with the Ultratech purchase accounting					1.3
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					0.1
Subtotal					3.2
Non-Cash Interest Expense					3.2
Non-GAAP Tax Adjustment					(0.1)
Total Other					6.3

Amounts may not calculate precisely due to rounding

Q4 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	$100–$120				$100–$120
Gross Profit	38–48	1	—	—	39–49
Gross Margin	39%–41%				39%–41%
Operating Expenses	~$48	3	4	2	~$39
Operating Income (Loss)	$(10)-$0	4	4	2	$0-$10
Net Income (Loss)	$(15)–$(5)	4	4	5	$(2)–$8
Income (Loss) per Diluted Share	$(0.32)–$(0.10)				$(0.03)–$0.18

GAAP Net Income (Loss)	$(15)–$(5)
Share-Based Compensation	4
Amortization	4
Restructuring	2
Interest Expense, Net	4
Other	1
Non-GAAP Operating Income (Loss)	$0–$10

Amounts may not calculate precisely due to rounding

Thank You

Veeco Instruments

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