



VEECO REPORTS THIRD QUARTER 2022 FINANCIAL RESULTS

Third Quarter 2022 Highlights:

- Revenues of \$171.9 million, compared with \$150.2 million in the same period last year
- GAAP net income of \$15.0 million, or \$0.27 per diluted share, compared with \$9.0 million, or \$0.17 per diluted share in the same period last year
- Non-GAAP net income of \$26.0 million, or \$0.45 per diluted share, compared with \$20.5 million, or \$0.40 per diluted share in the same period last year

Plainview, N.Y., November 7, 2022 -- Veeco Instruments Inc. (Nasdaq: VECO) today announced financial results for its third quarter ended September 30, 2022. Results are reported in accordance with U.S. generally accepted accounting principles ("GAAP") and are also reported adjusting for certain items ("Non-GAAP"). A reconciliation between GAAP and Non-GAAP operating results is provided at the end of this press release.

U.S. Dollars in millions, except per share data		
GAAP Results		
	Q3 '22	Q3 '21
Revenue	\$ 171.9	\$ 150.2
Net income	\$ 15.0	\$ 9.0
Diluted earnings per share	\$ 0.27	\$ 0.17
Non-GAAP Results		
	Q3 '22	Q3 '21
Operating income	\$ 28.4	\$ 24.3
Net income	\$ 26.0	\$ 20.5
Diluted earnings per share	\$ 0.45	\$ 0.40

"With significant contributions from our laser annealing product line, as well as systems for advanced packaging and EUV mask blank production, we achieved another record revenue quarter in our semiconductor business which drove robust year-on-year revenue growth for the company," commented Bill Miller, Veeco's Chief Executive Officer. "Despite the challenging current macro environment, we continue to invest in executing our growth strategy, are well positioned with attractive technologies and we are optimistic about expanding our served available market."

Guidance and Outlook

The following guidance is provided for Veeco's fourth quarter 2022:

- Revenue is expected in the range of \$150 million to \$170 million
- GAAP diluted earnings per share are expected in the range of \$0.05 to \$0.23
- Non-GAAP diluted earnings per share are expected in the range of \$0.24 to \$0.40

Conference Call Information

A conference call reviewing these results has been scheduled for today, November 7, 2022 starting at 5:00pm ET. To join the call, dial 1-866-580-3963 (toll free) or 1-786-697-3501 and use password VECOQ32022. Participants may also access a live webcast of the call by visiting the investor relations section of Veeco's website at ir.veeco.com. A replay of the webcast will be made available on the Veeco website that evening. **We will post an accompanying slide presentation to our website prior to the beginning of the call.**

About Veeco

Veeco (NASDAQ: VECO) is an innovative manufacturer of semiconductor process equipment. Our proven ion beam, laser annealing, lithography, MOCVD, and single wafer etch & clean technologies play an integral role in the fabrication and packaging of advanced semiconductor devices. With equipment designed to optimize performance, yield and cost of ownership, Veeco holds leading technology positions in the markets we serve. To learn more about Veeco's systems and service offerings, visit www.veeco.com.

Forward-looking Statements

This press release contains "forward-looking statements", within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, as amended, that are based on management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, but are not limited to, those regarding anticipated growth and trends in our businesses and markets, industry outlooks and demand drivers, our investment and growth strategies, our development of new products and technologies, our business outlook for current and future periods, the impact of the COVID-19 pandemic, our ongoing transformation initiative and the effects thereof on our operations and financial results; and other statements that are not historical facts. These statements and their underlying assumptions are subject to risks and uncertainties and are not guarantees of future performance. Factors that could cause actual results to differ materially from those expressed or implied by such statements include, without limitation: the level of demand for our products; global economic and industry conditions; the effects of regional or global health epidemics, including the effects of the COVID-19 pandemic on the Company's operations and on those of our customers and suppliers; global trade issues, including the ongoing trade disputes between the U.S. and China, and changes in trade and export license policies; our dependency on third-party suppliers and outsourcing partners; the timing of customer orders; our ability to develop, deliver and support new products and technologies; our ability to expand our current markets, increase market share and develop new markets; the concentrated nature of our customer base; our ability to obtain and protect intellectual property rights in key technologies; our ability to achieve the objectives of operational and strategic initiatives and attract, motivate and retain key employees; the variability of results among products and end-markets, and our ability to accurately forecast future results, market conditions, and customer requirements; the impact of our indebtedness, including our convertible senior notes and our capped call transactions; and other risks and uncertainties described in our SEC filings on Forms 10-K, 10-Q and 8-K, and from time-to-time in our other SEC reports. All forward-looking statements speak only to management's expectations, estimates, projections and assumptions as of the date of this press release or, in the case of any document referenced herein or incorporated by reference, the date of that document. The Company does not undertake any obligation to update or publicly revise any forward-looking statements to reflect events, circumstances or changes in expectations after the date of this press release.

-financial tables attached-

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Veeco Instruments Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net sales	\$ 171,913	\$ 150,246	\$ 492,338	\$ 430,305
Cost of sales	101,962	87,077	292,109	252,055
Gross profit	69,951	63,169	200,229	178,250
Operating expenses, net:				
Research and development	27,104	21,999	77,237	66,397
Selling, general, and administrative	22,144	21,603	67,987	63,325
Amortization of intangible assets	2,505	2,976	7,514	9,305
Other operating expense (income), net	634	175	587	138
Total operating expenses, net	52,387	46,753	153,325	139,165
Operating income	17,564	16,416	46,904	39,085
Interest expense, net	(2,315)	(7,012)	(7,753)	(20,221)
Income before income taxes	15,249	9,404	39,151	18,864
Income tax expense (benefit)	208	411	1,125	1,029
Net income	<u>\$ 15,041</u>	<u>\$ 8,993</u>	<u>\$ 38,026</u>	<u>\$ 17,835</u>
Income per common share:				
Basic	\$ 0.30	\$ 0.18	\$ 0.76	\$ 0.36
Diluted	\$ 0.27	\$ 0.17	\$ 0.70	\$ 0.33
Weighted average number of shares:				
Basic	49,887	49,021	49,831	48,968
Diluted	65,151	53,849	65,090	53,606

Veeco Instruments Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

	September 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 169,111	\$ 119,747
Restricted cash	557	725
Short-term investments	101,862	104,181
Accounts receivable, net	142,985	109,609
Contract assets	29,865	18,293
Inventories	187,737	170,858
Prepaid expenses and other current assets	17,586	25,974
Total current assets	649,703	549,387
Property, plant and equipment, net	108,416	99,743
Operating lease right-of-use assets	25,119	28,813
Intangible assets, net	26,391	33,905
Goodwill	181,943	181,943
Deferred income taxes	1,639	1,639
Other assets	3,406	3,546
Total assets	\$ 996,617	\$ 898,976
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 51,129	\$ 44,456
Accrued expenses and other current liabilities	65,062	79,752
Customer deposits and deferred revenue	122,285	63,136
Income taxes payable	1,565	1,860
Current portion of long-term debt	20,144	—
Total current liabilities	260,185	189,204
Deferred income taxes	4,748	4,792
Long-term debt	254,272	229,438
Long-term operating lease liabilities	31,266	32,834
Other liabilities	5,031	5,080
Total liabilities	555,502	461,348
Total stockholders' equity	441,115	437,628
Total liabilities and stockholders' equity	\$ 996,617	\$ 898,976

Note on Reconciliation Tables

The below 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, 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 (loss), 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.

Reconciliation of GAAP to Non-GAAP Financial Data (Q3 2022)

(in thousands)

(unaudited)

Three months ended September 30, 2022	GAAP	Non-GAAP Adjustments			Non-GAAP
		Share-Based Compensation	Amortization	Other	
Net sales	\$ 171,913				\$ 171,913
Gross profit	69,951	1,195		1,102	72,248
Gross margin	40.7 %				42.0 %
Operating expenses	52,387	(5,015)	(2,505)	(981)	43,886
Operating income	17,564	6,210	2,505	2,083 ^	28,362
Net income	15,041	6,210	2,505	2,252 ^	26,008

^ - See table below for additional details.

Other Non-GAAP Adjustments (Q3 2022)

(in thousands)

(unaudited)

Three months ended September 30, 2022	
Transition expenses related to San Jose expansion project	\$ 1,936
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting	147
Subtotal	2,083
Non-cash interest expense	242
Non-GAAP tax adjustment *	(73)
Total Other	\$ 2,252

* - The 'with or without' method is utilized to determine the income tax effect of all Non-GAAP adjustments.

Net Income per Common Share (Q3 2022)

(in thousands, except per share amounts)

(unaudited)

	Three months ended September 30, 2022	
	GAAP	Non-GAAP
Numerator:		
Net income	\$ 15,041	\$ 26,008
Interest expense associated with convertible notes	2,549	2,467
Net income available to common shareholders	\$ 17,590	\$ 28,475
Denominator:		
Basic weighted average shares outstanding	49,887	49,887
Effect of potentially dilutive share-based awards	801	801
Dilutive effect of 2023 Convertible Senior Notes	—	504
Dilutive effect of 2025 Convertible Senior Notes	5,521	5,521
Dilutive effect of 2027 Convertible Senior Notes ⁽¹⁾	8,942	6,771
Diluted weighted average shares outstanding	65,151	63,484
Net income per common share:		
Basic	\$ 0.30	\$ 0.52
Diluted	\$ 0.27	\$ 0.45

⁽¹⁾ - The non-GAAP incremental dilutive shares includes the impact of the Company's capped call transaction issued concurrently with our 2027 Notes, and as such, an effective conversion price of \$18.46 is used when determining incremental shares to add to the dilutive share count. The GAAP incremental dilutive shares does not include the impact of the Company's capped call transaction, and as such, an effective conversion price of \$13.98 is used when determining incremental shares to add to the dilutive share count.

Reconciliation of GAAP to Non-GAAP Financial Data (Q3 2021)

(in thousands, except per share amounts)

(unaudited)

Three months ended September 30, 2021	GAAP	Non-GAAP Adjustments			Non-GAAP
		Share-based Compensation	Amortization	Other	
Net sales	\$ 150,246				\$ 150,246
Gross profit	63,169	620		150	63,939
Gross margin	42.0 %				42.6 %
Operating expenses	46,753	(3,510)	(2,976)	(637)	39,630
Operating income	16,416	4,130	2,976	787 ^	24,309
Net income	8,993	4,130	2,976	4,375 ^	20,474
Income per common share:					
Basic	\$ 0.18				\$ 0.42
Diluted	0.17				0.40
Weighted average number of shares:					
Basic	49,021				49,021
Diluted ⁽¹⁾	53,849				51,679

^ - See table below for additional details.

⁽¹⁾ - The non-GAAP incremental dilutive shares includes the impact of the Company's capped call transaction issued concurrently with our 2027 Notes, and as such, no incremental shares are added to the dilutive share count in periods in which the average stock price per share is below \$18.46. The GAAP incremental dilutive shares does not include the impact of the Company's capped call transaction, and as such, incremental shares are added to the dilutive share count in periods in which the average stock price per share is above \$13.98, and the Company is in a net income position. The average stock price for the three months ended September 30, 2021 was \$22.24, and therefore 1.2 million shares were included in the non-GAAP diluted share count, and 3.3 million shares were included in the GAAP diluted share count related to the 2027 Notes.

Other Non-GAAP Adjustments (Q3 2021)

(in thousands)

(unaudited)

Three months ended September 30, 2021	
Transition expenses related to San Jose expansion project	\$ 705
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting	82
Subtotal	787
Non-cash interest expense	3,663
Non-GAAP tax adjustment *	(75)
Total Other	\$ 4,375

* - The 'with or without' method is utilized to determine the income tax effect of all Non-GAAP adjustments.

Reconciliation of GAAP Net Income to Non-GAAP Operating Income (Q3 2022 and 2021)

(in thousands)

(unaudited)

	Three months ended September 30, 2022	Three months ended September 30, 2021
GAAP Net income	\$ 15,041	\$ 8,993
Share-based compensation	6,210	4,130
Amortization	2,505	2,976
Transition expenses related to San Jose expansion project	1,936	705
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting	147	82
Interest (income) expense, net	2,315	7,012
Income tax expense (benefit)	208	411
Non-GAAP Operating income	\$ 28,362	\$ 24,309

Reconciliation of GAAP to Non-GAAP Financial Data (Q4 2022)

(in millions, except per share amounts)
(unaudited)

Guidance for the three months ending December 31, 2022	Non-GAAP Adjustments						Non-GAAP		
	GAAP			Share-based Compensation	Amortization	Other			
Net sales	\$ 150	-	\$ 170				\$ 150	-	\$ 170
Gross profit	56	-	68	1	—	1	58	-	70
Gross margin	37%	-	40%				39%	-	41%
Operating expenses	51	-	53	(5)	(3)	(1)	43	-	45
Operating income	5	-	15	6	3	1	15	-	25
Net income	\$ 2	-	\$ 12	6	3	2	\$ 13	-	\$ 23
Income per diluted common share	\$ 0.05	-	\$ 0.23				\$ 0.24	-	\$ 0.40

Income per Diluted Common Share (Q4 2022)

(in millions, except per share amounts)
(unaudited)

Guidance for the three months ending December 31, 2022	GAAP			Non-GAAP		
Numerator:						
Net income	\$	2	-	\$	12	\$ 13 - \$ 23
Interest expense associated with convertible notes		—			3	2 2
Net income available to common shareholders	\$	2	-	\$	15	\$ 15 - \$ 25
Denominator:						
Basic weighted average shares outstanding		50			50	50 50
Effect of potentially dilutive share-based awards		1			1	1 1
Dilutive effect of 2023 Convertible Senior Notes		—			—	— —
Dilutive effect of 2025 Convertible Senior Notes		—			6	6 6
Dilutive effect of 2027 Convertible Senior Notes ⁽¹⁾		—			9	7 7
Diluted weighted average shares outstanding		51			66	64 64
Net income per common share:						
Income per diluted common share	\$	0.05	-	\$	0.23	\$ 0.24 - \$ 0.40

⁽¹⁾ - The non-GAAP incremental dilutive shares includes the impact of the Company's capped call transaction issued concurrently with our 2027 Notes, and as such, an effective conversion price of \$18.46 is used when determining incremental shares to add to the dilutive share count. The GAAP incremental dilutive shares does not include the impact of the Company's capped call transaction, and as such, an effective conversion price of \$13.98 is used when determining incremental shares to add to the dilutive share count.

Reconciliation of GAAP Net Income to Non-GAAP Operating Income (Q4 2022)

(in millions)
(unaudited)

Guidance for the three months ending December 31, 2022			
GAAP Net income	\$ 2	-	\$ 12
Share-based compensation	6	-	6
Amortization	3	-	3
Interest expense, net	2	-	2
Other	2	-	2
Non-GAAP Operating income	<u>\$ 15</u>	-	<u>\$ 25</u>

Note: Amounts may not calculate precisely due to rounding.