

# Q4 2017 Conference Call

- > **Veeco Instruments Inc.**
- > February 12, 2018

# Safe Harbor

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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, 2016 and subsequent Quarterly Reports on form 10Q 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 John Peeler

# Q4 2017 Highlights

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<b>Q4</b>	<b>\$179M</b>	<b>\$143M</b>	<b>\$10.5M</b>	<b>19¢</b>
<i>Results</i>	<i>Bookings</i>	<i>Revenue</i>	<i>Non-GAAP Op Income</i>	<i>Non-GAAP EPS</i>

- > Bookings up 3<sup>rd</sup> consecutive quarter; backlog building
- > Revenue up 9% from previous quarter
- > Strongest quarter of the year in Non-GAAP operating income
- > Non-GAAP EPS above high end of guided range

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**Executed well with positive momentum**

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*Note: A reconciliation of GAAP to Non-GAAP financial measures may be found in Back-up & Reconciliation Tables*

# 2017: A Transformational Year – Positioned to Grow

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A division of  Veeco

## Expanded Market Reach with Complementary Acquisition

- » Closed Ultratech acquisition; integration progressing well
- » Synergies greater than originally expected



## Executed Manufacturing Consolidation

- » New Jersey manufacturing consolidation complete
- » Generating \$4M in annualized cost savings



## Poised to Diversify Revenues; Accelerate Profitable Growth

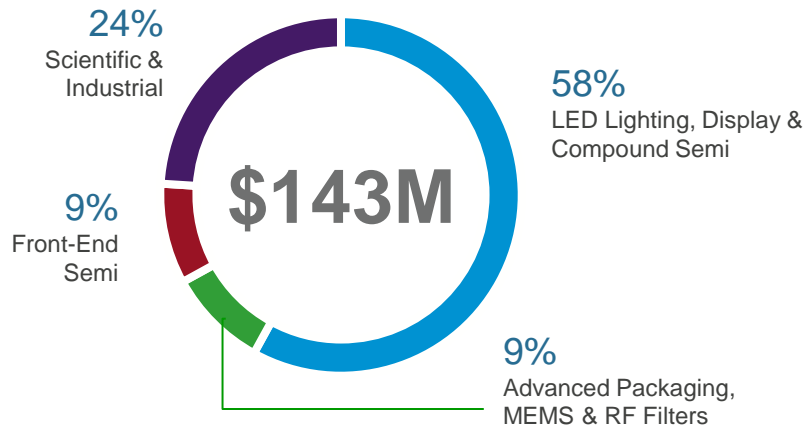
- » Delivered 40.6% Non-GAAP gross margin in 2017
- » Bookings trends point to growth and diversification in 2018



# CFO Financial Review Sam Maheshwari

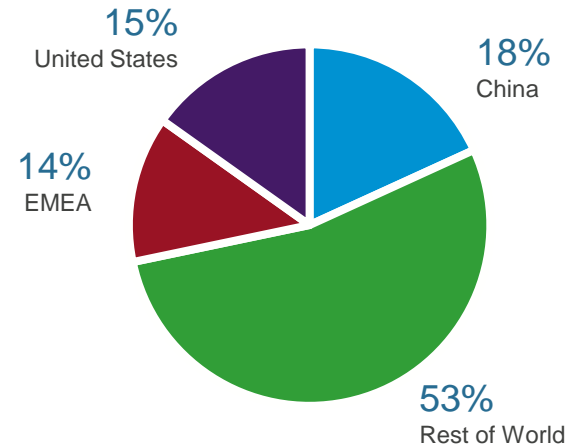
# Q4 2017 Revenue by End Market and Geography

## Mix By End Market



- > Bookings grew to ~\$179M
- > Building backlog for 6 quarters in a row
- > Growth in Front-End Semi and AP, will lead to more diverse 2018
- > China, Blue LED accounted for 13% of total Veeco revenue

## By Geography



- > Geographically diverse revenue streams
- > ROW driven by LED sales into South East Asia, South Korea and Taiwan

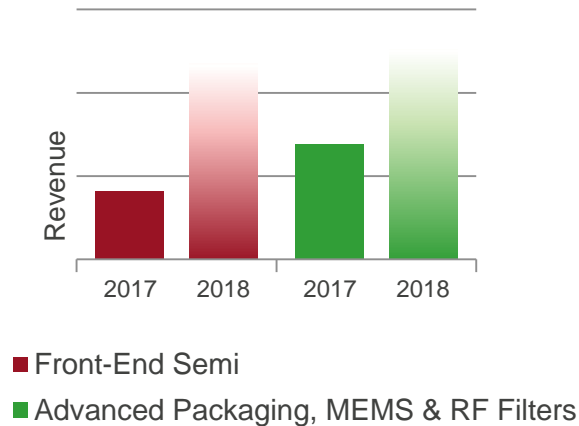
Bookings growth should lead to more diversified revenue mix

Note: Amounts may not calculate precisely due to rounding

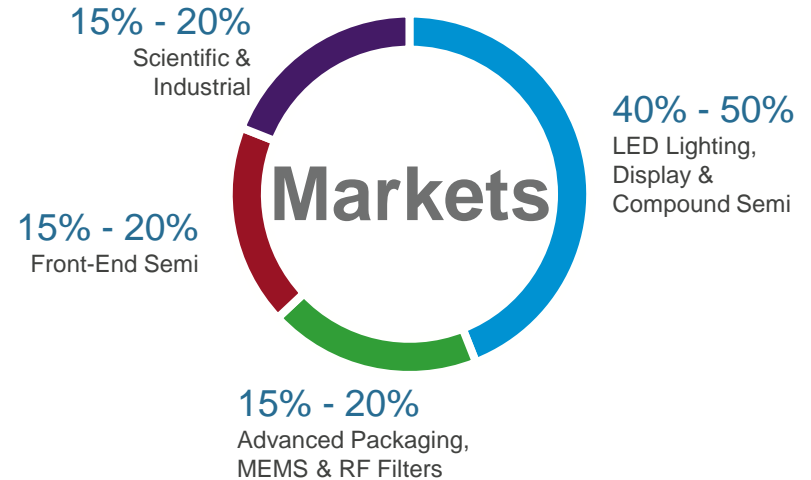


# 2018: Growing Our Way to More Diversified Revenue Mix

## Higher Growth Areas



## Mix By End Market



- > We expect 2018 to be a growth year for Veeco in all 4 market segments
- > Strongest growth in Front-End Semi and Advanced Packaging
- > Leading to a more balanced revenue mix

Note: Amounts may not calculate precisely due to rounding



# P&L Highlights

(\$M)	GAAP			Non-GAAP		
	Q3 17	Q4 17	2017	Q3 17	Q4 17	2017
Revenue	\$131.9	\$143.4	\$484.8	\$131.9	\$143.4	\$484.8
Gross Profit	53.1	58.3	184.3	55.8	59.5	196.9
%	40.2%	40.7%	38.0%	42.3%	41.5%	40.6%
R&D	24.1	24.3	82.0	23.2	23.3	79.0
SG&A & Other	29.6	28.5	99.9	25.7	25.6	86.5
Operating Income/(Loss)	(18.9)	(12.0)	(63.8)	6.8	10.5	31.3
Net Income/(Loss)	(21.9)	(5.6)	(44.8)	4.3	9.1	23.4
Earnings/(Loss) Per Share	(\$0.47)	(\$0.12)	(\$1.01)	\$0.09	\$0.19	\$0.53

- > 6th consecutive quarter of revenue growth
- > Non-GAAP gross margin benefiting from favorable product mix

Note: Amounts may not calculate precisely due to rounding

A reconciliation of GAAP to Non-GAAP financial measures is contained in the Back Up & Reconciliation Tables

# Balance Sheet Highlights

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(\$M)	Q3 17	Q4 17
Cash & Short-Term Investments	321	<b>328</b>
Accounts Receivable	114	<b>99</b>
Inventories	114	<b>120</b>
Accounts Payable	54	<b>50</b>
Long-Term Debt	273	<b>276</b>
Cash Flow from Operations	25	<b>19</b>
DSO (days)	78	<b>62</b>
DOI	133	<b>130</b>
DPO	61	<b>54</b>

Note: Amounts may not calculate precisely due to rounding

# Q1 2018 Guidance

	GAAP	Non-GAAP
Revenue	\$140M–\$165M	\$140M–\$165M
Gross Margins	33%–35%	34%–36%
Net Income (Loss)	(\$23M)–(\$15M)	(\$2M)–\$6M
Earnings Per Share	(\$0.50)–(\$0.32)	(\$0.04)–\$0.14
Non-GAAP Operating Income		\$2M–\$10M



Note: A reconciliation of GAAP to Non-GAAP financial measures is contained in the Back Up & Reconciliation Tables



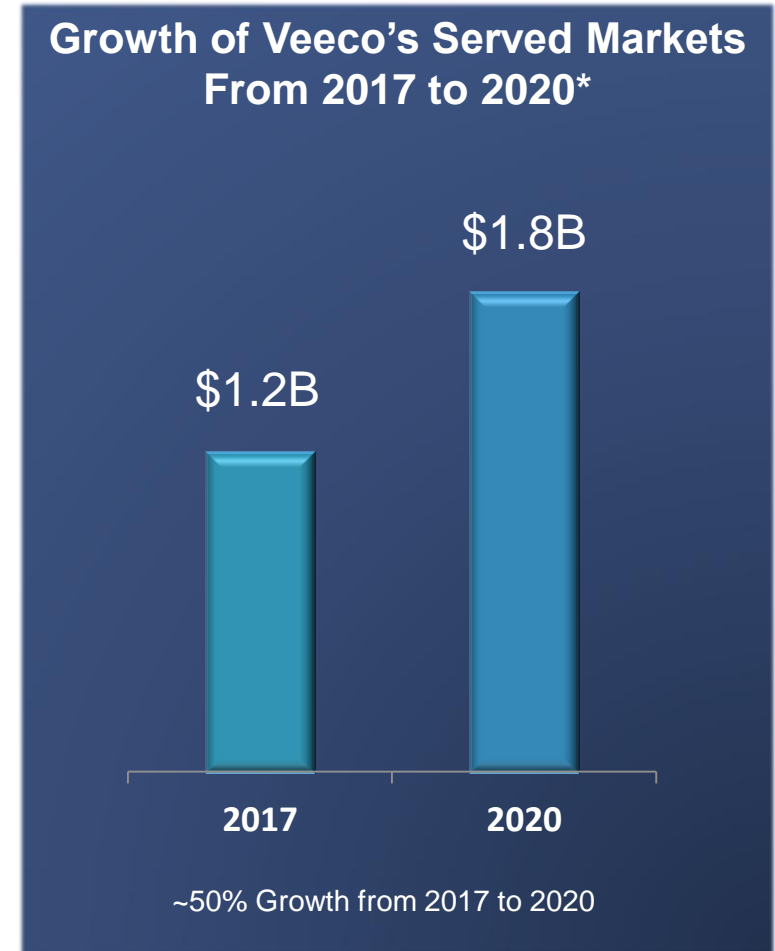
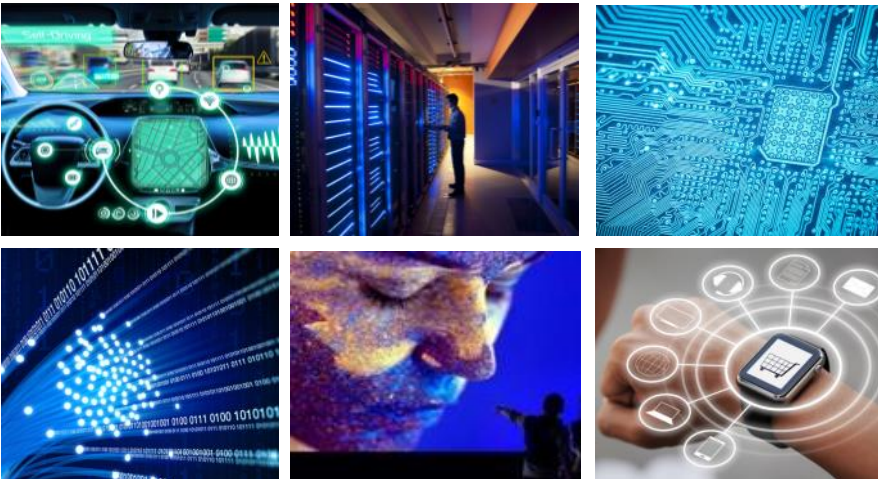
# Business Update & Outlook

# Multiple Veeco Technologies Serve Growing Markets

## Markets

- » Advanced Packaging, MEMS & RF Filters
- » LED Lighting, Display & Compound Semi
- » Front-End Semi
- » Scientific & Industrial

## Growth Drivers



**Veeco Technologies: MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD**

\*Source: Various industry reports and company estimates

# Advanced Packaging, MEMS & RF Filters

## Significant Increase in Demand for WLP Applications



Source: TechSearch International & IC Insights 2017

## Broad-Based Growth Vectors

- » Mobile devices and connectivity trends
- » Automotive electronics growth, including ADAS
- » Big Data Processing
- » 5G infrastructure deployment in 2019 and 2020



**Applicable Technologies:** MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

WLP – Wafer Level Packaging

ADAS – Advanced Driver Assisted Systems



# LED Lighting, Display & Compound Semi



## Veeco Remains the LED Market Leader

- » 55% market share for GaN LED\*
- » Fab utilization worldwide > 85%; market to remain robust



## Non General-Lighting Areas Such as Photonics and RF Driving Meaningful Growth

- » VCSELs & Laser Diodes
- » Micro-LEDs & Fine Pitched Displays
- » 5G driven RF devices
- » Power Electronics

**Applicable Technologies:** MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

\* Source IHS, Veeco

VCSEL – Vertical Cavity Surface-Emitting Laser



# Front-End Semi



## LSA

- » Demand from Taiwan and China
- » 2017 market share was approx. 40%
- » Melt being qualified for production at 7nm & 5nm

## EUV Photomask

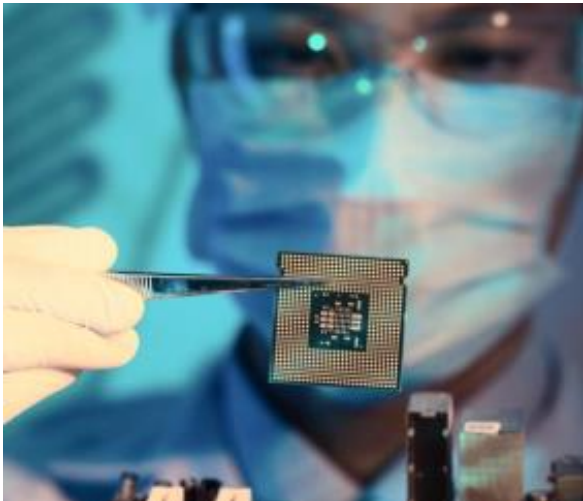
- » Strong interest from photomask industry
- » LDD-IBD ready for EUV adoption

## STT-MRAM

- » Well positioned for MRAM ramp with multiple engagements across 3 major customers

## 3D Inspection

- » Evaluations in process with multiple customers in their fabs



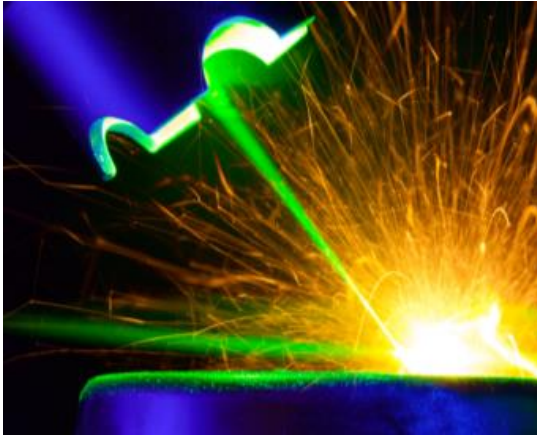
**Applicable Technologies:** MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

LSA – Laser Spike Anneal  
EUV – Extreme Ultraviolet

STT MRAM – Spin Transfer Torque Magnetic Random Access Memory  
LDD-IBD – Low Defect Density Ion Beam Deposition

# Scientific & Industrial

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## Good Momentum in Optical Coating Systems

- » Strong Bookings in 2017
- » Broad-based market demand including industrial lasers, optical components for telecom, and R&D

## Data Storage

- » Good momentum with 60% bookings growth in 2017

## Launched Lancer™ Ion Beam Etch System

- » A reduced-footprint, R&D-focused, ion-beam etch platform for emerging MEMS and magnetic-sensor applications



Lancer Ion Beam Etch System

**Applicable Technologies:** MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

# 2018 Priorities

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- > Complete Integration of Ultratech
- > Launch New Products
- > Deliver Growth in all 4 Markets
- > Diversify Revenue by End Market
- > Grow Earnings Faster than Revenue





Q&A



# Back Up & Reconciliation Tables

# Note on Reconciliation Tables

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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, and incremental transaction-related compensation.

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 17	Q4 17	2017
Net Sales	\$131.9	\$143.4	\$484.8
GAAP Gross Profit	53.1	58.3	184.3
GAAP Gross Margin	40.2%	40.7%	38.0%
Add: Release of inventory fair value step-up for purchase accounting	1.9	0.4	9.7
Add: Share-Based Comp	0.7	0.6	2.5
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.1	0.1	0.4
<b>Non-GAAP Gross Profit</b>	<b>\$55.8</b>	<b>\$59.5</b>	<b>\$196.9</b>
<b>Non-GAAP Gross Margin</b>	<b>42.3%</b>	<b>41.5%</b>	<b>40.6%</b>

US\$ millions	Q3 17	Q4 17	2017
GAAP Net Income (Loss)	\$(21.9)	\$(5.6)	\$(44.8)
Add: Share-Based Comp	6.2	4.4	24.4
Add: Amortization	12.5	13.8	35.5
Add: Restructuring	4.1	2.1	10.0
Add: Acquisition Related	0.8	1.5	13.6
Add: Release of inventory fair value step-up for purchase accounting	1.9	0.4	9.7
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.3	0.3	0.7
Add: Asset Impairment	-	-	1.1
Add: Accelerated depreciation	-	-	0.2
Add: Interest Expense	4.7	4.7	17.1
Subtract: Tax benefit	(1.8)	(11.1)	(36.1)
<b>Non-GAAP Operating Income</b>	<b>\$6.8</b>	<b>\$10.5</b>	<b>\$31.3</b>

US\$ millions, except per share data	Q3 17	Q4 17	2017
GAAP Basic EPS	(0.47)	(0.12)	(1.01)
GAAP Diluted EPS	(0.47)	(0.12)	(1.01)
GAAP Net Income (Loss)	(21.9)	(5.6)	(44.8)
Add: Share-Based Comp	6.2	4.4	24.4
Add: Amortization	12.5	13.8	35.5
Add: Restructuring	4.1	2.1	10.0
Add: Acquisition Related	0.8	1.5	13.6
Add: Release of inventory fair value step-up for purchase accounting	1.9	0.4	9.7
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.3	0.3	0.7
Add: Asset Impairment	-	-	1.1
Add: Accelerated depreciation	-	-	0.2
Add: Non-Cash Interest Expense	2.7	2.8	10.4
Add: Tax Adjustment from GAAP to Non-GAAP	(2.3)	(10.6)	(37.3)
<b>Non-GAAP Net Income (Loss)</b>	<b>4.3</b>	<b>9.1</b>	<b>23.4</b>
<b>Non-GAAP Basic EPS</b>	<b>0.09</b>	<b>0.19</b>	<b>0.53</b>
<b>Non-GAAP Diluted EPS</b>	<b>0.09</b>	<b>0.19</b>	<b>0.53</b>

Note: Amounts may not calculate precisely due to rounding



# Q4 2017 GAAP to Non-GAAP Reconciliation

In millions, except per share data	GAAP	Non-GAAP Adjustments			Non-GAAP
		Share-Based Compensation	Amortization	Other	
Net Sales	\$143.4				\$143.4
Gross Profit	58.3	0.6		0.5	59.5
Gross Margin	40.7%				41.5%
Research and Development	24.3	(1.0)			23.3
Selling, General, and Administrative and Other	28.5	(2.7)		(0.2)	25.6
Net Income (Loss)	\$(5.6)	4.4	13.8	(3.5)	\$9.1
<b>Income (Loss) Per Common Share:</b>					
Basic	\$(0.12)				\$0.19
Diluted	(0.12)				0.19
<b>Weighted Average Number of Shares:</b>					
Basic	47.0				47.1
Diluted	47.0				47.2
<b>Other Non-GAAP Adjustments</b>					
Restructuring					2.1
Acquisition Related					1.5
Release of inventory fair value step-up associated with the Ultratech purchase accounting					0.4
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					0.3
Non-Cash Interest Expense					2.8
Non-GAAP Tax Adjustment					(10.6)
Total Other					(3.5)

Note: Amounts may not calculate precisely due to rounding

# 2017 GAAP to Non-GAAP Reconciliation

In millions, except per share data	GAAP	Non-GAAP Adjustments			Non-GAAP
		Share-Based Compensation	Amortization	Other	
Net Sales	\$484.8				\$484.8
Gross Profit	184.3	2.5		10.1	196.9
Gross Margin	38.0%				40.6%
Research and Development	82.0	(3.0)			79.0
Selling, General, and Administrative and Other	99.9	(12.9)		(0.5)	86.5
Net Income (Loss)	\$(44.8)	24.4	35.5	8.4	\$23.4
<b>Income (Loss) Per Common Share:</b>					
Basic	\$(1.01)				\$0.53
Diluted	(1.01)				0.53
<b>Weighted Average Number of Shares:</b>					
Basic	44.2				44.2
Diluted	44.2				44.5
<b>Other Non-GAAP Adjustments</b>					
Restructuring					10.0
Acquisition Related					13.6
Release of inventory fair value step-up associated with the Ultratech purchase accounting					9.7
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					0.7
Asset Impairment					1.1
Accelerated Depreciation					0.2
Non-Cash Interest Expense					10.4
Non-GAAP Tax Adjustment					(37.3)
<b>Total Other</b>					<b>8.4</b>

Note: Amounts may not calculate precisely due to rounding

# Q1 2018 Guidance GAAP to Non-GAAP Reconciliation

In millions, except per share data	GAAP	Non-GAAP Adjustments			Non-GAAP
		Share-Based Compensation	Amortization	Other	
Net Sales	\$140–\$165				\$140–\$165
Gross Profit	47–58	1	—	—	48–59
Gross Margin	33%–35%				34%–36%
Net Income (Loss)	\$(23)–\$(15)	4	13	4	\$(2)–\$6
Income (Loss) per Diluted Share	\$(0.50)–\$(0.32)				\$(0.04)–\$0.14

GAAP Net Income (Loss)	\$(23)–\$(15)
Share-Based Compensation	4
Amortization	13
Restructuring	1
Acquisition related expense	1
Interest Expense	5
Income Tax Expense (Benefit)	1
Non-GAAP Operating Income	\$2–\$10

Note: Amounts may not calculate precisely due to rounding