



Q2 2017 Conference Call

Veeco Instruments Inc.
August 3, 2017



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, 2016 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 Introduction John Peeler

Q2 2017 Highlights

Q2	\$123M	\$115M	15¢	\$12.8M
<i>Results</i>	<i>Bookings</i>	<i>Revenue</i>	<i>Non-GAAP EPS</i>	<i>Adjusted EBITDA</i>

- > Bookings up sequentially; backlog building
- > Revenue and Adjusted EBITDA* in line with guidance
- > MOCVD & PSP System demand drove results in Lighting, Display & Power
- > Completed strategic acquisition of Ultratech to build scale and diversify revenue

* Represents Veeco excluding Ultratech, Inc., which Veeco acquired on May 26, 2017

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

Ultratech At a Glance

Track Record of Technology Leadership



Lithography for Advanced Packaging

- Comprehensive portfolio, addressing critical A/P process steps



LSA and 3D Inspection for Semiconductor Manufacturing

- Laser Annealing/Millisecond Anneal - Required for Logic at 28nm and below
- 3D Inspection Tool - Addresses both Logic and Memory



Together with Veeco's Ion Beam Deposition and Etch, addresses emerging opportunities with greater scale

Blue-chip customer base

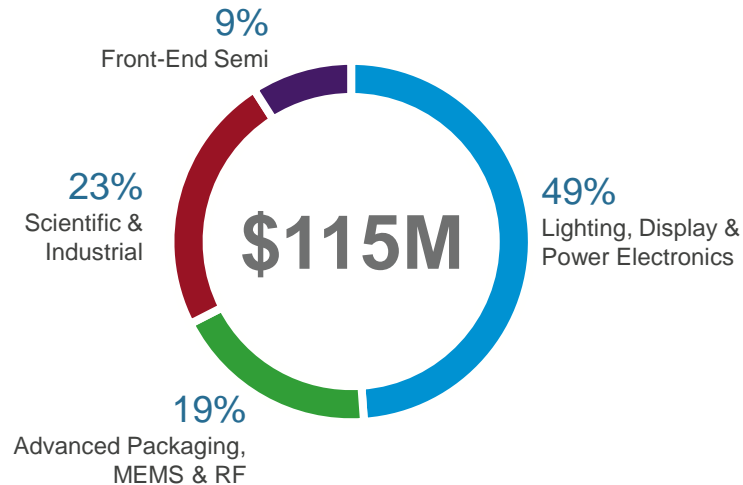




CFO Financial Review Sam Maheshwari

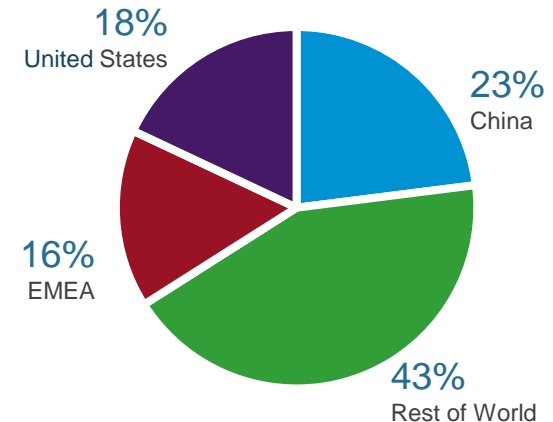
Q2 2017 Revenue Breakdown by End Market and Geography

Q2 2017 Revenue by End Market



- > Lighting, Display & Power Electronics driven by continued roll-out of MOCVD and PSP systems into China

Q2 2017 Revenue by Geography



- > Concentration of revenue from China decreased from 43% last quarter

Note: Amounts may not calculate precisely due to rounding

P&L Highlights

(\$M)	GAAP		Non-GAAP	
	Q1 17	Q2 17	Q1 17	Q2 17
Revenue	\$94.4	\$115.1	\$94.4	\$115.1
Gross Profit	34.2	38.7	34.9	46.7
%	36.2%	33.6%	37.0%	40.6%
R&D	15.0	18.6	14.6	17.9
SG&A & Other	20.4	22.7	15.9	19.2
Operating Income	(5.8)	(27.0)	4.4	9.6
Net Income	1.1	(18.4)	3.6	6.4
EPS	\$0.03	(\$0.43)	\$0.09	\$0.15
Adjusted EBITDA			7.3	12.8
%			7.7%	11.1%

> Gross margins reflect favorable mix, and the inclusion of Ultratech results from the acquisition date (May 26, 2017)

Financial Highlights

(\$M)	Q4 16	Q1 17	Q2 17
Cash & Short-term Investments	344	682	303
Accounts Receivable	58	51	108
Inventories	77	65	120
Accounts Payable	23	31	46
Long-term Debt	0.8	268	270
Cash Flow from Operations	0.4	6.3	(15.9)
DSO	56	49	85
DOI	134	107	109
DPO	36	47	54

> Cash balance primarily reflects net cash used for Ultratech acquisition of \$378 million.

Note: Amounts may not calculate precisely due to rounding

Q3 2017 Guidance

	GAAP	Non-GAAP
Revenue	\$125M–\$145M	\$125M–\$145M
Gross Margins	37%–39%	39%–41%
Net Income (Loss)	(\$25M)–(\$16M)	(\$4M)–\$5M
Earnings Per Share	(\$0.53)–(\$0.34)	(\$0.09)–\$0.09
Non-GAAP Operating Income		\$0M–\$9M



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



Business Update & Outlook

Veeco MOCVD – Sustaining Our Leading Market Position



Stadium fine-pitch LED display

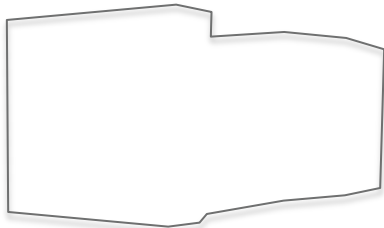
Demand driven by:

- Continued migration to larger sized TVs;
 - requiring more LEDs to backlight
- Growing adoption of Fine-pitch Display;
 - stadiums, lobbies, retail



Market strength drawing competition from China

- Chinese competitors trying to close gap

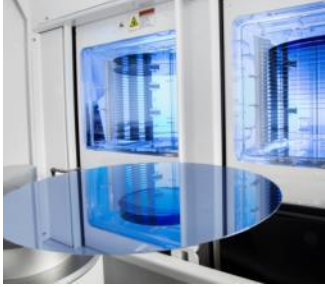


New Product
Formal launch soon

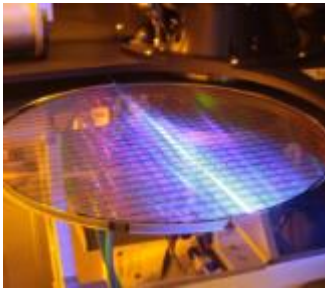
Executing technology roadmap

- New EPIK tool – the industry benchmark for highest productivity per fab foot
 - doubles capacity of EPIK 700
- Multiple system orders received from leading LED manufacturers

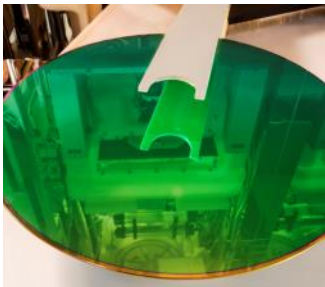
Veeco Advanced Packaging, MEMS and RF



- Booked multiple orders for Wafer Level Packaging (WLP), Cu Pillar, optical sensor and LED applications
- Achieved significant milestone with major memory manufacturer
- Advanced Packaging Lithography capacity expansion being moderated due to slower production of logic die for high end mobile devices



- Veeco PSP and Lithography positioned for longer term growth
 - Foundry and OSAT utilization projected to approach 80-90% to support wider adoption of Fan-Out Wafer Level Packaging (FOWLP) applications
 - Advanced FOWLP gaining traction with adoption of 7nm node, that will drive A/P capacity increase in early 2018



- MEMS market accelerating
- RF market showing signs of recovery

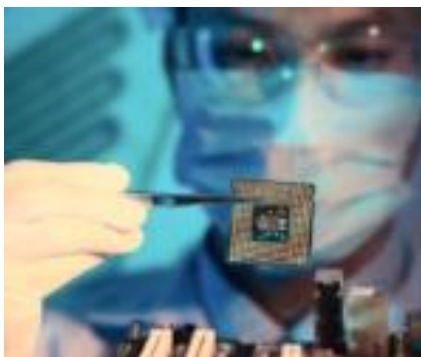
Ultratech Update – Integration on Track

Acquisition Closed May 26, 2017



- Integration proceeding well
 - Key milestones achievable over next 18-24 months
 - ✓ ERP conversion
 - ✓ Field integration
 - ✓ Material cost reductions
 - ✓ Focused R&D projects
- Synergies greater than originally anticipated

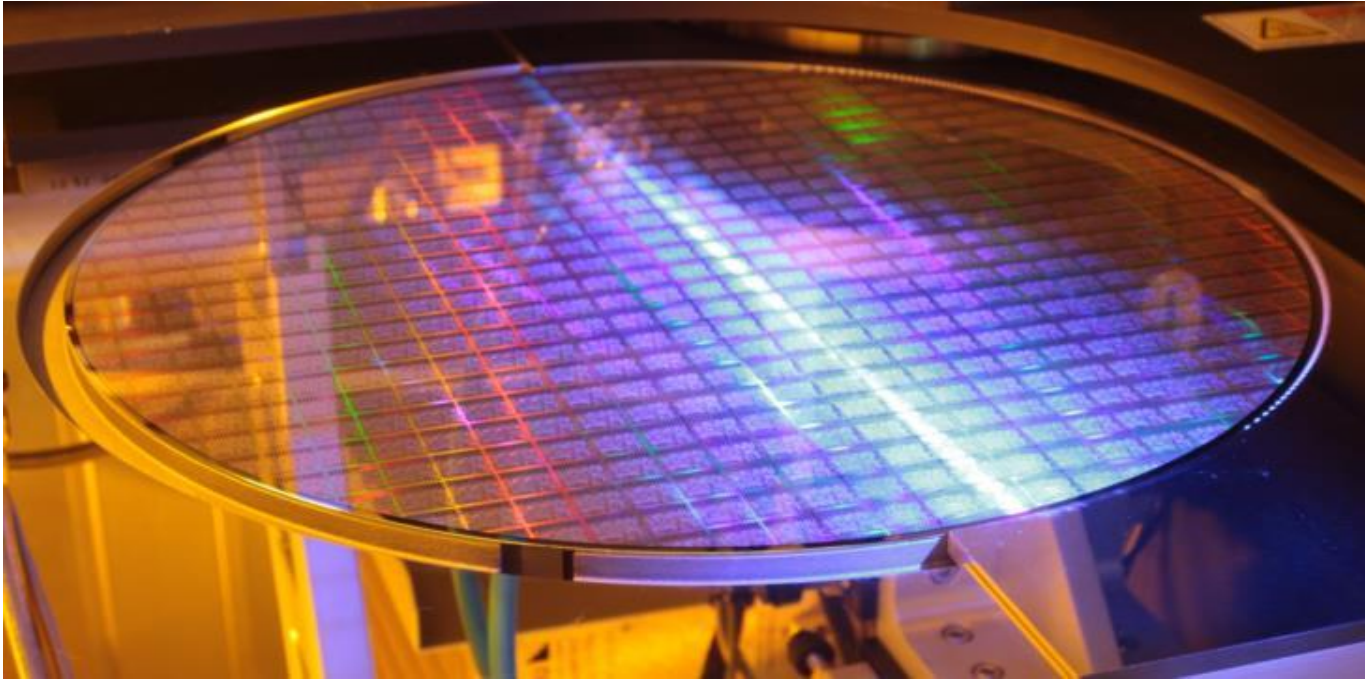
Platform to Deliver Enhanced Shareholder Value



- Accelerates growth potential in Advanced Packaging
- Expected to increase scale and diversify revenue

Summary

2017 will be a transformative year for Veeco



- Backlog building – expect stronger 2H
- Ultratech integration on track
- Veeco executing on strategy to increase scale, diversify revenue and improve profitability



Q&A



Back Up & 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, 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 Adjusted EBITDA and 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 17	Q2 17	US\$ millions	Q1 17	Q2 17	US\$ millions, except per share data	Q1 17	Q2 17
Net Sales	\$94.4	\$115.1	GAAP Net Income (Loss)	\$1.1	\$(18.4)	GAAP Basic EPS	0.03	(0.43)
GAAP Gross Profit	34.2	38.7	Add: Share-Based Comp	4.2	9.6	GAAP Diluted EPS	0.03	(0.43)
GAAP Gross Margin	36.2%	33.6%	Add: Amortization	2.9	6.4	GAAP Net Income (Loss)	1.1	(18.4)
Add: Release of inventory fair value step-up for purchase accounting	-	7.4	Add: Restructuring	1.3	2.4	Add: Share-Based Comp	4.2	9.6
Add: Share-Based Comp	0.7	0.5	Add: Acquisition Related	1.4	9.9	Add: Amortization	2.9	6.4
Add: Accelerated Depreciation	0.1	0.1	Add: Release of inventory fair value step-up for purchase accounting	-	7.4	Add: Restructuring	1.3	2.4
Non-GAAP Gross Profit	\$34.9	\$46.7	Add: Depreciation of PP&E fair value step-up for purchase accounting	-	0.1	Add: Acquisition Related	1.4	9.9
Non-GAAP Gross Margin	37.0%	40.6%	Add: Accelerated Depreciation	0.1	0.1	Add: Release of inventory fair value step-up for purchase accounting	-	7.4
			Add: Depreciation	2.8	3.2	Add: Depreciation of PP&E fair value step-up for purchase accounting	-	0.1
			Add: Asset Impairment	0.5	0.7	Add: Accelerated Depreciation	0.1	0.1
			Add: Interest Expense	3.3	4.3	Add: Asset Impairment	0.5	0.7
			Subtract: Tax benefit	(10.3)	(12.9)	Add: Non-Cash Interest Expense	2.2	2.7
			Adjusted EBITDA	\$7.3	\$12.8	Add: Tax Adjustment from GAAP to Non-GAAP	(9.9)	(14.5)
						Non-GAAP Net Income (Loss)	3.6	6.4
						Non-GAAP Basic EPS	0.09	0.15
						Non-GAAP Diluted EPS	0.09	0.15

US\$ millions	Q1 17	Q2 17
GAAP Net Income (Loss)	\$1.1	\$(18.4)
Add: Share-Based Comp	4.2	9.6
Add: Amortization	2.9	6.4
Add: Restructuring	1.3	2.4
Add: Acquisition Related	1.4	9.9
Add: Release of inventory fair value step-up for purchase accounting	-	7.4
Add: Depreciation of PP&E fair value step-up for purchase accounting	-	0.1
Add: Accelerated Depreciation	0.1	0.1
Add: Asset Impairment	0.5	0.7
Add: Interest Expense	3.3	4.3
Subtract: Tax benefit	(10.3)	(12.9)
Non-GAAP Operating Income	\$4.5	\$9.6

Note: Amounts may not calculate precisely due to rounding

Q2 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	\$115.1				\$115.1
Gross Profit	38.7	0.5		7.5	46.7
Gross Margin	33.6%				40.6%
Research and Development	18.6	(0.7)			17.9
Selling, General, and Administrative and Other	22.7	(3.4)		(0.1)	19.2
Net Income (Loss)	\$(18.4)	9.6	6.4	8.8	\$6.4
Income (Loss) Per Common Share:					
Basic	\$(0.43)				\$0.15
Diluted	(0.43)				0.15
Weighted Average Number of Shares:					
Basic	42.7				42.9
Diluted	42.7				43.2
Other Non-GAAP Adjustments					
Restructuring					2.4
Acquisition Related					9.9
Release of inventory fair value step-up associated with the Ultratech purchase accounting					7.4
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					0.1
Accelerated Depreciation					0.1
Asset Impairment					0.7
Non-Cash Interest Expense					2.7
Non-GAAP Tax Adjustment					(14.5)
Total Other					8.8

Note: Amounts may not calculate precisely due to rounding

Q3 2017 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	\$125–\$145				\$125–\$145
Gross Profit	46–56	1	—	3	50–60
Gross Margin	37%–39%				39%–41%
Net Income (Loss)	(\$25)–(\$16)	5	13	3	(\$4)–\$5
Income (Loss) per Diluted Share	(\$0.53)–(\$0.34)				(\$0.09)–\$0.09

GAAP Net Income (Loss)	(\$25)–(\$16)
Share-Based Compensation	5
Amortization	13
Restructuring	2
Acquisition related expense	1
Release of inventory fair value step-up associated with Ultratech purchase accounting	3
Interest Expense	5
Income Tax Expense (Benefit)	(4)
Non-GAAP Operating Income	\$0–\$9

Note: Amounts may not calculate precisely due to rounding

Historical Revenue by Market (New Category vs. Old Category)

\$M

New Market Category	Q1 16	Q2 16	Q3 16	Q4 16	FY 16	Q1 17	Q2 17
Lighting, Display & Power Electronics	22.9	24.8	49.4	39.1	136.2	54.2	56.2
Advanced Packaging, MEMS & RF	23.3	17.0	12.1	15.9	68.3	11.6	21.4
Scientific & Industrial (includes Data Storage)	30.8	31.8	21.0	36.0	119.6	27.2	27.0
Front-End Semiconductor (previously in Scientific & Industrial)	1.0	1.8	3.0	2.5	8.3	1.5	10.4

\$M

Old Market Category	Q1 16	Q2 16	Q3 16	Q4 16	FY 16	Q1 17	Q2 17
Lighting, Display & Power Electronics	22.9	24.8	49.4	39.1	136.2	54.2	56.2
Advanced Packaging, MEMS & RF	23.3	17.0	12.1	15.9	68.3	11.6	21.4
Scientific & Industrial	14.9	19.8	13.9	26.3	74.9	15.1	26.5
Data Storage	16.9	13.7	10.0	12.4	53.0	13.6	10.9