



# Conference Call Brooks Automation

## Second Quarter FY19 Financial Results

April 29th, 2019

# Safe Harbor Statement



“Safe Harbor” Statement under the U.S. Private Securities Litigation Reform Act of 1995; certain matters in this presentation, including forecasts of future demand and future Company performance, are forward-looking statements that are subject to risks and uncertainties that could cause actual results to materially differ, either better or worse, from those projected. Further discussions of risk factors are available in the Company’s most recent SEC filings including form 10-K for the fiscal year ended September 30, 2018. The Company assumes no obligation to update the information in this presentation.

## **Regulation G**

This presentation contains certain non-GAAP measures which are provided to assist in an understanding of the Brooks business and its operational performance. These measures should always be considered in conjunction with the appropriate GAAP measure. Reconciliations of all non-GAAP amounts to the relevant GAAP amount are provided in either an attachment to our second quarter financial results press release issued on April 29, 2019 or as an attachment to call slides used to accompany prepared comments made during our financial results conference call of the same date. Both documents are available on our website at [www.brooks.com](http://www.brooks.com).

# Brooks Q2 FY 2019 Overview



- Transformation milestone with 43% of Brooks revenue from Life Sciences
  - ✓ 26% YtY Total revenue growth with portfolio re-positioned for sustained growth
  - ✓ 4%YtY Semiconductor Solutions growth – Outperforming market again with strong demand for vacuum and contaminant-free environments
  - ✓ 76%YtY Life Sciences growth – Acquisition and 11% organic growth in a market expanding on cell- and gene-based research and therapies
- FY '19 Building momentum with sequential growth continuing through 2nd half
  - Targeting 27% growth for the full year revenue of ~\$800 million



# Brooks Automation Operating Performance

## Quarter Ended March 31, 2019



\$ millions, except EPS

	GAAP		non-GAAP		
	Q2'19	QtQ	Q2'19	QtQ	YtY
<b>Revenue</b>	<b>198</b>	<b>11%</b>	<b>198</b>	<b>11%</b>	<b>26%</b>
Gross profit	81	12%	83	12%	31%
%	40.6%	0.4 pts.	42.0%	0.6 pts.	1.6 pts.
R&D	14	7%	14	7%	24%
SG&A	53	(2%)	46	10%	33%
Operating Income	14	156%	23	19%	33%
%	6.9%	3.9 pts.	11.8%	0.9 pts.	0.6 pts.
Interest Income (Expense)	(7.7)	(\$3)	(7.7)	58%	319%
Loss on debt extinguishment	(9.1)	(\$9)	-	n/a	n/a
Other Income (Expense)	(0.8)	(\$1)	(0.8)	nm	51%
Tax Benefit (Expense)	1.0	(\$5)	(2.8)	(4%)	(4%)
Continuing Ops - Net Income	(2.8)	(\$9)	12.2	3%	(1%)
%	(1.4%)	(4.9) pts.	6.2%	(0.5) pts.	(1.7) pts.
<b>Continuing Ops - Diluted EPS</b>	<b>(0.04)</b>	<b>(0.13)</b>	<b>0.17</b>	<b>0.00</b>	<b>(0.01)</b>
Total Brooks - Diluted EPS	0.05	(76%)			
<b>Adjusted EBITDA</b>			<b>32.9</b>	<b>18%</b>	<b>29%</b>

- Revenue growth with operating margin expansion
- Debt extinguishment costs from syndication impacted GAAP EPS by (\$0.10)

# Brooks Semiconductor Solutions Performance



\$ millions

Continuing Operations – non-GAAP

	<b>Q2'19</b>	<b>QtQ</b>	<b>YtY</b>
Revenue	113	<i>0%</i>	<i>4%</i>
<i>Organic</i>			<i>1%</i>
Gross profit	47	<i>0%</i>	<i>7%</i>
%	41.6%	<i>(0.2) pts.</i>	<i>0.9 pts.</i>
Operating expenses	28	<i>(6%)</i>	<i>(0%)</i>
Operating income	19	<i>10%</i>	<i>18%</i>
%	<i>16.7%</i>	<i>1.4 pts.</i>	<i>2.0 pts.</i>

- Growth in Automation Systems and Contamination Control
  - Advanced Packaging expanding
  - Memory fabs qualifying reticle management tools
  - Expansion in China
  
- Operating margin expansion

# Brooks Life Sciences Performance



\$ millions

	<u>Q2'19</u>	<u>QtQ</u>	<u>YtY</u>
Revenue	86	28%	76%
<i>Organic</i>			11%
Gross profit	36	34%	88%
%	42.6%	1.7 pts.	2.7 pts.
Operating expenses	31	28%	80%
Operating income	5	89%	163%
%	5.9%	1.9 pts.	1.9 pts.

- GENEWIZ growth in all offerings of Sanger and Next Generation Sequencing, and Gene Synthesis
- Sample Management achieved double-digit growth with 60 bps gross margin improvement
- 76% YtY revenue growth, 11% organic growth
  - Growth from acquisitions added \$33M
  - \$1.5M YtY headwind from currency and ASC 606

# Summary Balance Sheet



\$ millions

	<u>Q1'19</u>	<u>Q2'19</u>	<u>QtQ</u>
Cash and marketable securities	138	140	2
Accounts receivable, net	165	164	(1)
Inventories	110	109	(2)
Other current assets	42	35	(7)
Accounts payable	(71)	(57)	14
Deferred revenue	(31)	(31)	(0)
Short-term debt	(10)	(8)	1
Other current liabilities	(71)	(75)	(4)
Net assets held for sale	60	58	(2)
Net working capital	<u>194</u>	<u>194</u>	<u>(0)</u>
Property, plant and equipment	96	98	2
Goodwill and intangible assets	770	763	(6)
Long-term debt	(531)	(535)	(4)
Net long-term deferred tax assets (liabilities)	8	12	4
Other net long-term assets (liabilities)	(6)	(4)	1
Net assets held for sale	61	63	1
Net assets	<u>730</u>	<u>730</u>	<u>(0)</u>

- Finished Q2 with \$140M of cash and marketable securities and \$403M of net debt
- Anticipating closure of Semiconductor Cryogenics sale in Q3, which will relieve the assets held for sale and enable debt to be reduced

# Summary Cash Flow



\$ millions

	<u>Q2'19</u>	<u>Q2'19 YTD</u>
Net income	3	18
Deferred income tax benefit	(5)	(12)
Depreciation & Amortization	15	26
Stock compensation	5	10
Change in working capital	(11)	(26)
Loss on extinguishment of debt	9	9
Other operating items	(1)	(2)
<b>Cash flow from operations</b>	<b>16</b>	<b>22</b>
Capital expenditures	(6)	(10)
<b>Free Cash Flow</b>	<b>10</b>	<b>13</b>
Acquisitions	3	(443)
Net proceeds (payments) of debt	(5)	334
Dividends	(7)	(14)
Other	1	(1)
<b>Net change in cash and marketable sec.</b>	<b>2</b>	<b>(111)</b>

- \$16M of operating cash flow in Q2
- YTD cash decrease of \$111M reflects the net effect of acquisition



# Summary and Guidance



\$ millions, except EPS

	<u>Q2'19</u>	<u>Guidance Q3'19</u>
Revenue	\$198.4	\$200 - \$210
Adjusted EBITDA*	\$32.9	\$29 - \$35
Non-GAAP diluted EPS*	\$0.17	\$0.13 - \$0.18
GAAP diluted EPS - Total Brooks	\$0.05	\$0.04 - \$0.09

- Q3 Non-GAAP tax rate of 20-23%
- Q3 interest expense of approximately \$8M
- GAAP EPS guidance excludes the gain on the Semiconductor Cryogenics sale which is anticipated to close in the June quarter



## GAAP to Non-GAAP Bridges

# GAAP to Non-GAAP Reconciliation

## Q2'19 – Continuing Operations



\$ millions, except EPS  
Continuing Operations

	Q2'19							
	GAAP Results Q2 FY19	Merger and Acquisition Costs	Amortization Expense	Restructuring Charges	Loss on debt extinguishment	Tax Effect on Adjustments	Other Tax Items	Non-GAAP Results Q2 FY19
Revenue	198.4	-	-	-	-	-	-	198.4
Gross profit	80.5	-	2.8	-	-	-	-	83.3
<i>Gross profit margin</i>	<i>40.6%</i>							<i>42.0%</i>
Operating Expenses	(66.5)	0.0	6.6	-	-	-	-	(59.8)
Restructuring charges	(0.4)	-	-	0.4	-	-	-	-
Operating profit	13.7	0.0	9.4	0.4	-	-	-	23.5
<i>Operating profit margin</i>	<i>6.9%</i>							<i>11.8%</i>
Interest income, net	(7.7)	-	-	-	-	-	-	(7.7)
Loss on debt extinguishment	(9.1)	-	-	-	9.1	-	-	-
Other income, net	(0.8)	-	-	-	-	-	-	(0.8)
Income tax benefit (provision)	1.0	-	-	-	-	(4.6)	0.8	(2.8)
Net Income (Loss) - continuing operatic	(2.8)	0.0	9.4	0.4	9.1	(4.6)	0.8	12.2
Diluted EPS - continuing operations	(0.04)	0.00	0.13	0.01	0.13	(0.06)	0.01	0.17

# GAAP to Non-GAAP Reconciliation

## Q2'19 Segments – Continuing Operations



\$ millions  
Continuing Operations

	Q2'19				
	GAAP Results Q2 FY19	Merger and Acquisition Costs	Amortization Expense	Restructuring Charges	Non-GAAP Results Q2 FY19
<b>BSSG</b>					
Revenue	112.9	-	-	-	112.9
Gross profit	46.0	-	0.9	-	46.9
<i>Gross profit margin</i>	40.7%				41.6%
Operating Expenses	(28.0)				(28.0)
Operating profit	18.0	-	0.9	-	18.9
<i>Operating profit margin</i>	15.9%				16.7%
<b>BLS</b>					
Revenue	85.5	-	-	-	85.5
Gross profit	34.5	-	1.9	-	36.4
<i>Gross profit margin</i>	40.4%				42.6%
Operating Expenses	(31.4)				(31.4)
Operating profit	3.1	-	1.9	-	5.0
<i>Operating profit margin</i>	3.7%				5.9%

# GAAP to Non-GAAP Reconciliation

## Q1'19 – Continuing Operations



\$ millions, except EPS  
Continuing Operations

	Q1'19							Non-GAAP Results Q1 FY19
	GAAP Results Q1 FY19	Merger and Acquisition Costs	Amortization Expense	Restructuring Charges	Tax Effect on Adjustments	Other Tax Items		
Revenue	179.4	-	-	-	-	-	-	179.4
Gross profit	72.1	0.2	2.0	-	-	-	-	74.3
<i>Gross profit margin</i>	<i>40.2%</i>							<i>41.4%</i>
Operating Expenses	(66.7)	6.4	5.8	-	-	-	-	(54.6)
Restructuring charges	(0.1)	-	-	0.1	-	-	-	-
Operating profit	5.3	6.5	7.8	0.1	-	-	-	19.7
<i>Operating profit margin</i>	<i>3.0%</i>							<i>11.0%</i>
Interest expense, net	(4.9)	-	-	-	-	-	-	(4.9)
Other income (expense), net	(0.0)	-	-	-	-	-	-	(0.0)
Income tax expense	5.8	-	-	-	(3.2)	(5.5)	(2.9)	(2.9)
Net Income - continuing operations	6.3	6.5	7.8	0.1	(3.2)	(5.5)	11.9	11.9
Diluted EPS - continuing operations	0.09	0.09	0.11	0.00	(0.04)	(0.08)	0.17	0.17

# GAAP to Non-GAAP Reconciliation

## Q1'19 Segments – Continuing Operations



\$ millions  
Continuing Operations

	Q1'19					
	GAAP Results Q1 FY19	Merger and Acquisition Costs	Amortization Expense	Restructuring Charges	Other Special Charges	Non-GAAP Results Q1 FY19
<b>BSSG</b>						
Revenue	112.7	-	-	-	-	112.7
Gross profit	45.9	0.2	0.9	-	-	47.0
<i>Gross profit margin</i>	<i>40.7%</i>					<i>41.7%</i>
Operating expenses	(29.8)					(29.8)
Operating profit	16.1	0.2	0.9	-	-	17.3
<i>Operating profit margin</i>	<i>14.3%</i>					<i>15.3%</i>
<b>BLS</b>						
Revenue	66.7	-	-	-	-	66.7
Gross profit	26.2	-	1.1	-	-	27.2
<i>Gross profit margin</i>	<i>39.3%</i>					<i>40.9%</i>
Operating expenses	(24.6)					(24.6)
Operating profit (loss)	1.6	-	1.1	-	-	2.7
<i>Operating profit margin</i>	<i>2.4%</i>					<i>4.0%</i>

# GAAP to Non-GAAP Reconciliation

## Q2'18 – Continuing Operations



\$ millions, except EPS  
Continuing Operations

	Q2'18					Non-GAAP Results Q2 FY18
	GAAP Results Q2 FY18	Merger and Acquisition Costs	Amortization Expense	Tax Effect on Adjustments	Other Tax Items	
Revenue	157.0	-	-	-	-	157.0
Gross profit	62.4	-	1.0	-	-	63.4
<i>Gross profit margin</i>	<i>39.7%</i>					<i>40.4%</i>
Operating Expenses	(52.0)	1.6	4.6	-	-	(45.7)
Restructuring charges	(0.0)	-	-	-	-	0.0
Operating profit	10.3	1.6	5.6	-	-	17.6
<i>Operating profit margin</i>	<i>6.6%</i>					<i>11.2%</i>
Interest expense, net	(1.8)	-	-	-	-	(1.8)
Other income (expense), net	(0.5)	-	-	-	-	(0.5)
Income tax expense	54.5	-	-	0.6	(58.0)	(2.9)
Net Income - continuing operations	62.5	1.6	5.6	0.6	(58.0)	12.4
Diluted EPS - continuing operations	0.89	0.02	0.08	0.01	(0.82)	0.18

# GAAP to Non-GAAP Reconciliation

## Q2'18 Segments – Continuing Operations



\$ millions  
Continuing Operations

	Q2'18				
	GAAP Results Q2 FY18	Merger and Acquisition Costs	Amortization Expense	Restructuring Charges	Non-GAAP Results Q2 FY18
<b>BSSG</b>					
Revenue	108.4	-	-	-	108.4
Gross profit	43.5	-	0.6	-	44.0
<i>Gross profit margin</i>	<i>40.1%</i>				<i>40.6%</i>
Operating Expenses	(28.0)				(28.0)
Operating profit	15.4	-	0.6	-	16.0
<i>Operating profit margin</i>	<i>14.2%</i>				<i>14.8%</i>
<b>BLS</b>					
Revenue	48.5	-	-	-	48.5
Gross profit	18.9	-	0.4	-	19.3
<i>Gross profit margin</i>	<i>39.0%</i>				<i>39.8%</i>
Operating Expenses	(17.4)				(17.4)
Operating profit (loss)	1.5	-	0.4	-	1.9
<i>Operating profit margin</i>	<i>3.1%</i>				<i>3.9%</i>



# Net Income Reconciliation to Adjusted EBITDA Q2'19 - Continuing Operations



\$ millions  
Continuing Operations

	<u>Q2'18</u>	<u>Q1'19</u>	<u>Q2'19</u>
Net income	67.0	14.4	3.4
Income from discontinued operations, net of tax	<u>(4.5)</u>	<u>(8.1)</u>	<u>(6.2)</u>
<b>Net income (loss) from continuing operations</b>	<b>62.5</b>	<b>6.3</b>	<b>(2.8)</b>
<u>Adjustments:</u>			
Interest income	(0.4)	(0.4)	(0.3)
Interest expense	2.2	5.3	8.0
Income tax provision	(54.5)	(5.8)	(1.0)
Depreciation	3.3	4.1	5.1
Amortization of intangible assets	5.6	7.8	9.4
Loss on extinguishment of debt	-	-	9.1
<b>EBITDA-from Continuing Operations</b>	<b>18.7</b>	<b>17.1</b>	<b>27.4</b>
<u>Non-GAAP adjustments:</u>			
Purchase accounting impact on inventory and contracts acquired	-	0.2	-
Stock-based compensation	5.1	4.2	5.1
Restructuring charges	0.0	0.1	0.4
Merger and acquisition costs / Other	1.6	6.4	0.0
<b>Adjusted EBITDA - from Continuing Operations</b>	<b>25.5</b>	<b>27.9</b>	<b>32.9</b>