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Solutions in Sight™

Q1 FY21 Earnings Presentation

February 4, 2021

Forward Looking Statements / Non-GAAP Measures

Forward Looking Statements

Certain statements in this supplement contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward looking statements include statements concerning industry or market outlook; addressable market, market size; the potential benefits of consolidating operations and restructurings; customer demand; product volumes, synergies; expected future financial results and performance; and any statements using the terms "believe," "expect," "intend," "outlook," "future," "anticipate," "will," "could," "estimate," "guidance," or similar statements.

These forward-looking statements involve risks and uncertainties that could cause Varex's actual results to differ materially from those anticipated. While forward-looking statements are based on assumptions and analyses made by Varex and its management that we believe to be reasonable under the circumstances, whether actual results and developments will meet our expectations and predictions depend on a number of risks, uncertainties, and other factors discussed in our most recently filed Annual Report on Form 10-K, recently filed Quarterly Reports on Form 10-Q, recently filed Current Reports on Form 8-K, on our website, and in our other public filings and press releases. These risks, uncertainties, and other factors include risks related to COVID-19; the continued impact of tariffs or a global trade war on our products and customer purchasing patterns; our ability to obtain the intended benefits and synergies of acquisitions and facility consolidations; global economic conditions; demand for and delays in delivery of products; litigation costs; the company's ability to develop, commercialize and deploy new products; the impact of reduced or limited demand by purchasers of certain X-ray products; the impact of competitive products and pricing; and the ability to remediate material weaknesses in internal control.

Any forward-looking statements made by us in this presentation speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. The company assumes no obligation to update or revise the forward-looking statements in this presentation because of new information, future events, or otherwise.

Non-GAAP Measures

Certain information provided in this supplement includes financial measurements that are not required by, or presented in accordance with, generally accepted accounting principles (GAAP). These non-GAAP measures, such as non-GAAP gross margin, non-GAAP operating expense, non-GAAP operating margin, and non-GAAP net earnings per diluted share, should not be considered as alternatives to GAAP measures and may be calculated differently from, and therefore may not be comparable to, similarly titled measures used at other companies. For a reconciliation to the most directly comparable GAAP financial measures, please refer to Varex's first quarter 2021 earnings release at www.vareximaging.com and the reconciliation contained at the end of this supplement.

VAREX At-A-GLANCE

Successful Innovation

- +70 years of innovation
- Technology break throughs in CT tubes & digital detectors

~500
FTEs in Product Development

Strong Customer Relationships

- Majority of medical OEMs are customers
- Large end-user markets

~2000
Global Employees

Manufacturing Scale & Know-How

- One of the largest global manufacturers of X-ray components

550+
Patents

Q1 FY21 Results

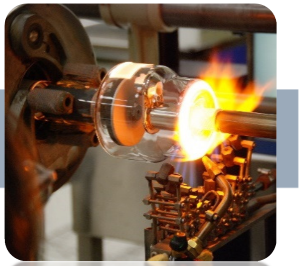
Revenue
$177M

Non-GAAP
Gross Margin*
34%

Non-GAAP
EPS*
$0.08

Cash
$106M

- ➢ Sequential recovery in Medical & Industrial segments
- ➢ Cost reductions & favorable product mix led to improved margins
- ➢ CT demand remains strong globally

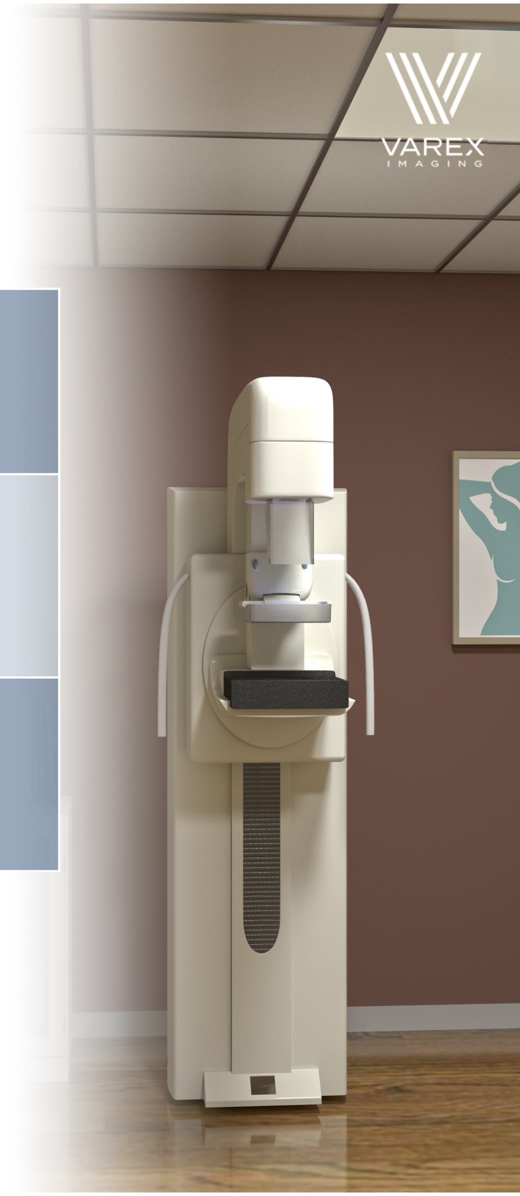


* Non-GAAP. For a reconciliation to the most directly comparable GAAP financial measure please refer to the reconciliation at the end of this supplement.

Q1 FY21 Sales Trends

CT	↑
Fluoroscopy	↑
Oncology	↑
Dental	→

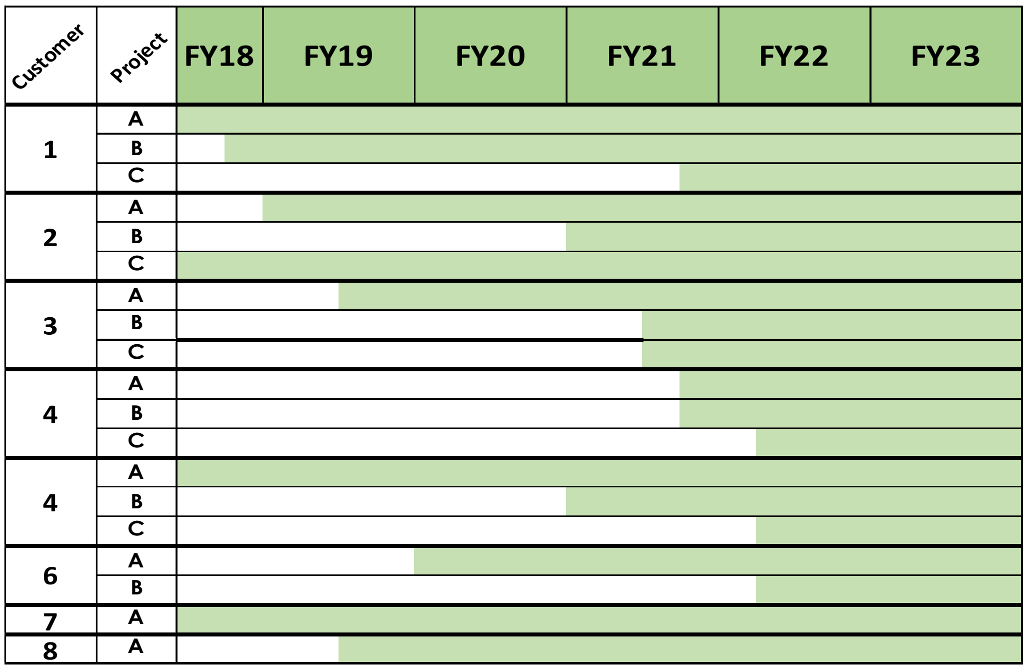
Mammography	→
Radiography & Others	→
Industrial	↑



Emerging Market Update

Capture CT Share in China

Chinese CT Implementation Schedule



25,000+
CT sockets in China over a 10-year period

~$300M
Potential recurring opportunity

Varex estimates China will need 25,000 new CT systems over a 10-year period

Customer discussions indicate up to 10,000 CT system installations in the next few years

8 Chinese OEMs to implement Varex CT tubes and components

Positioned for Growth

Short Term

- Strong global CT demand
- Greater demand as elective procedures increases

Mid Term

- Governments & medical facilities likely to boost health care spending, including X-ray imaging
- Example: China accelerating CT system installations

Long Term

- New technologies & innovative products
  - Photon counting detectors
  - Nanotubes
- Greater healthcare demand
  - Demographics
  - Healthcare access
- Expansion in select industrial verticals

VAREX 2.0

New Capital Structure

- $300M of senior secured notes
- $200M of convertible notes
- Up to $100M capacity under ABL

New Operating Structure

- Improve gross margin
- Reduce operating expenses/inventory

New Products & Technologies

Medical
- Z Platform
- Photon Counting
- Nanotubes

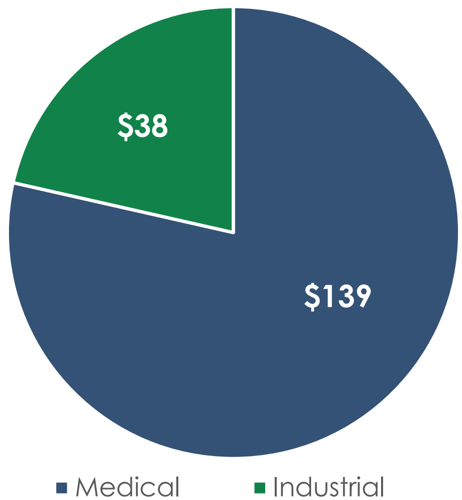
Industrial
- New verticals
- Systems

✓

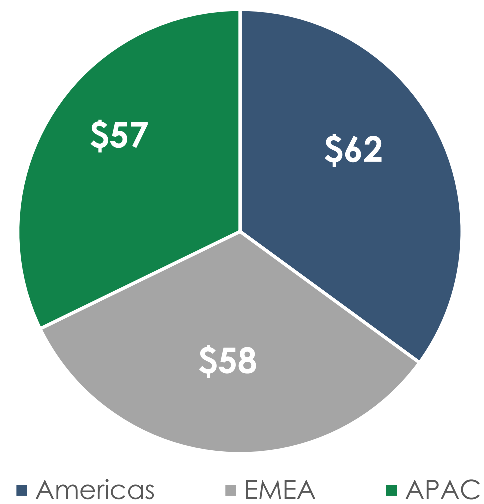
in progress

Q1 FY21 Revenue Details

Segment Mix



Geographic Mix



Revenue, $M	Q121	Q420	Q320	Q220	Q120
Medical	139	136	138	155	156
Industrial	38	34	34	42	45

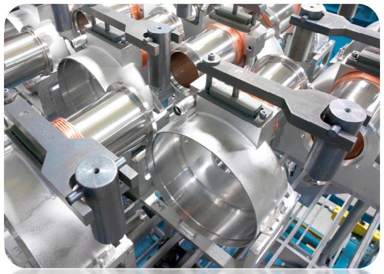
Revenue, $M	Q121	Q420	Q320	Q220	Q120
Americas	62	64	59	63	70
EMEA	58	55	47	64	65
APAC	57	51	66	71	65

Quarterly Results - GAAP

$ in Millions, except per share data	Q1 FY21	Q4 FY20	Q1 FY20
Revenue	$177	$170	$200
Gross Margin	32%	27%	31%
Operating Expenses	$51 29%	$58 34%	$57 28%
Operating Income	$6 3%	$(13) (8)%	$5 2%
Net Earnings	$(6)	$(26)	$(1)
EPS	$(0.16)	$(0.68)	$(0.03)

Quarterly Results - Non-GAAP*

$ in Millions, except per share data	Q1 FY21	Q4 FY20	Q1 FY20
Revenue	$177	$170	$200
Gross Margin (Non-GAAP)	34%	28%	33%
Operating Expenses (Non-GAAP)	$46 26%	$48 28%	$51 25%
Operating Income (Non-GAAP)	$14 8%	$(1) 0%	$15 8%
Net Earnings (Non-GAAP)	$3	$(2)	$8
EPS (Non-GAAP)	$0.08	$(0.04)	$0.21

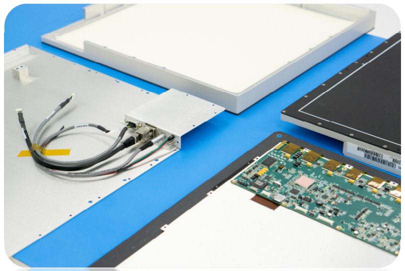


*For a reconciliation to the most directly comparable GAAP financial measure please refer to the reconciliation at the end of this supplement.

Select Balance Sheet Data

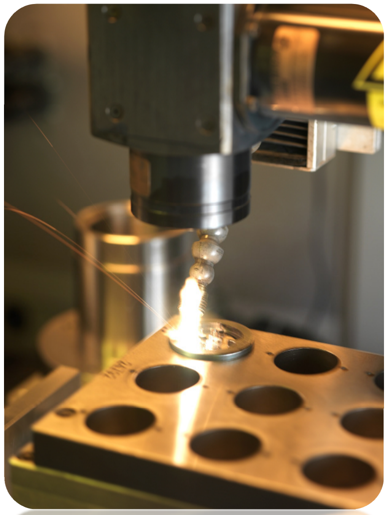
$ in Millions	Q1 FY21	Q4 FY20	Q1 FY20
Assets			
Cash and Cash Equivalents	$106	$101	$30
Accounts Receivable, net	$121	$124	$123
Inventories	$270	$272	$269
Total Assets	$1,137	$1,140	$1,068
Liabilities			
Accounts Payable	$68	$73	$73
Long-Term Debt, net	$460	$455	$381
Total Liabilities & Equity	$1,137	$1,040	$1,068

Working Capital Performance	Q1 FY21	Q4 FY20	Q1 FY20
DSO (in days)	62	66	60
DOI	205	198	190
DPO	52	53	52



Select Debt and Cash Flow Data

$ in Millions	Q1 FY21	Q4 FY20	Q1 FY20
Debt			
Gross Debt (Ratings: Moody's B2 / S&P B)	$514	$511	$386
Net Debt[1]	$408	$411	$356
Adjusted EBITDA[2]			
Adjusted EBITDA (QTD)	$22	$4	$24
Cash Performance			
Cash Flow from Operations	$7	$(12)	$23
Capital Expenditures	$4	$4	$8
Cash Interest	$4	$5	$5
Cash Taxes	$4	$(3)	$1
Net Change in Cash	$5	$13	$0



[1]Net Debt is defined as gross debt less cash and cash equivalents
[2]Adjusted EBITDA is defined as non-GAAP net earnings plus non-GAAP interest expense, non-GAAP taxes, non-GAAP depreciation, non-GAAP amortization and stock-based compensation

Outlook Q2 FY21

Guidance	Non-GAAP
Revenues, $M	$180 - $200
EPS Per Diluted Share	$0.05 - $0.25

Assumptions	Non-GAAP
Gross Margin	33% - 35%
Operating Expenses, $M	$44 - $45
Interest Expense, $M	$8M

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Non-GAAP Reconciliation

Reconciliation Between GAAP and Non–GAAP Financial Measures (Unaudited)

(In millions, except per share amounts)	Three Months Ended January 1, 2021	Three Months Ended January 3, 2020
GROSS PROFIT RECONCILIATION		
Revenues	$ 177.1	$ 200.1
Gross profit	$ 57.2	$ 61.1
Amortization of intangible assets	2.2	2.5
Restructuring charges	0.1	0.3
Other non-operational costs	—	1.9
Purchase price accounting adjustments	—	0.3
Non-GAAP gross profit	$ 59.5	$ 66.1
Gross margin %	32.3 %	30.5 %
Non-GAAP gross margin %	33.6 %	33.0 %
OPERATING EXPENSE RECONCILIATION		
Operating expense	$ 51.1	$ 56.5
Amortization of intangible assets	2.0	2.1
Separation and related costs	—	2.5
Restructuring charges	0.2	0.5
Acquisition and integration related costs	0.9	0.6
Other non-operational costs	2.5	0.1
Non-GAAP operating expense	$ 45.5	$ 50.7

Reconciliation Between GAAP and Non–GAAP Financial Measures (Unaudited)

(In millions, except per share amounts)	Three Months Ended January 1, 2021	Three Months Ended January 3, 2020
OPERATING EARNINGS RECONCILIATION		
Operating earnings	$ 6.1	$ 4.6
Amortization of intangible assets (includes amortization impacts to cost of revenues)	4.2	4.6
Purchase price accounting adjustments (includes purchase price accounting impacts to cost of revenues)	—	0.3
Separation and related costs	—	2.5
Restructuring charges (includes restructuring impact to cost of revenues)	0.3	0.8
Acquisition and integration related costs	0.9	0.6
Other non-operational costs (includes other non-operational impacts to cost of revenues)	2.5	2.0
Total operating earnings adjustments	$ 7.9	$ 10.8
Non-GAAP operating earnings	$ 14.0	$ 15.4
Operating earnings margin	3.4 %	2.3 %
Non-GAAP operating earnings margin	7.9 %	7.7 %
LOSS BEFORE TAXES RECONCILIATION		
Loss before taxes	$ (4.7)	$ (1.2)
Total operating earnings adjustments	7.9	10.8
Convertible notes non-cash interest expense	1.9	—
Acquisition related (benefit) costs	—	0.8
Total earnings before tax adjustments	$ 9.8	$ 11.6
Non-GAAP earnings before taxes	$ 5.1	$ 10.4

Reconciliation Between GAAP and Non–GAAP Financial Measures (Unaudited)

(In millions, except per share amounts)	Three Months Ended January 1, 2021	Three Months Ended January 3, 2020
NET LOSS AND DILUTED NET LOSS PER SHARE RECONCILIATION		
Net loss attributable to Varex	$ (6.4)	$ (1.3)
Total earnings before taxes adjustments	$ 9.8	$ 11.6
Estimated annual effective tax rate	1.0 %	19.0 %
Effective tax rate for non-GAAP adjustments	$ (0.1)	$ (2.2)
Non-GAAP net earnings	$ 3.3	$ 8.1
Diluted net loss per share	$ (0.16)	$ (0.03)
Non-GAAP diluted net earnings per share	$ 0.08	$ 0.21
Dilutive shares	39.1	38.5
Non-GAAP dilutive shares	39.4	39.1
ADJUSTED EBITDA RECONCILIATION		
Net loss attributable to Varex	$ (6.4)	$ (1.3)
Interest expense	10.3	5.4
Income tax expense	1.6	—
Depreciation	5.2	5.2
Amortization	4.2	4.6
Stock based compensation	3.6	3.2
Purchase price accounting adjustments	—	0.3
Separation and related costs	—	2.5
Restructuring charges	0.3	0.5
Acquisition and integration related costs	0.9	1.4
Other non-operational costs	2.5	2.0
Adjusted EBITDA	$ 22.2	$ 23.8

Discussion of Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures derived from our Condensed Consolidated Statements of Earnings. These measures are not presented in accordance with, nor are they a substitute for U.S. generally accepted accounting principles, or GAAP. These measures include non-GAAP gross profit; non-GAAP gross margin; non-GAAP operating expense; non-GAAP operating earnings; non-GAAP operating earnings margin; non-GAAP earnings before taxes; non-GAAP net earnings; non-GAAP net earnings per diluted share, non-GAAP dilutive shares; and non-GAAP EBITDA. We are providing a reconciliation above of each non-GAAP financial measure used in this earnings release to the most directly comparable GAAP financial measure. We are unable to provide without unreasonable effort a reconciliation of non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis due to the potential significant variability and limited visibility of the excluded items discussed.

We utilize several different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of our business, in making operating decisions, and forecasting and planning for future periods. We consider the use of the non-GAAP measures to be helpful in assessing the performance of the ongoing operation of our business by excluding unusual and one-time costs. We believe that disclosing non-GAAP financial measures provides useful supplemental data that allows for greater transparency in the review of our financial and operational performance. We also believe that disclosing non-GAAP financial measures provides useful information to investors and others in understanding and evaluating our operating results and prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

Non-GAAP measures include the following items:
Amortization of intangible assets: We do not acquire businesses and assets on a predictable cycle. The amount of purchase price allocated to intangible assets and the term of amortization can vary significantly and are unique to each acquisition or purchase. We believe that excluding amortization of intangible assets allows the users of our financial statements to better review and understand the historic and current results of our operations and facilitates comparisons to peer companies.

Purchase price accounting charges to cost of revenues: We may incur charges to cost of revenues as a result of acquisitions. We believe that excluding these charges allows the users of our financial statements to better understand the historic and current cost of our products, our gross margin, and facilitates comparisons to peer companies.

Separation and related costs: We separated from Varian Medical Systems on January 28, 2017 and incurred non-operational expenses associated with the separation. We believe that excluding separation costs allows the users of our financial statements to better understand the historic and current results of our operations and facilitates comparisons to peer companies.

Restructuring charges: We incur restructuring charges that result from events, which arise from unforeseen circumstances and/or often occur outside of the ordinary course of our on-going business. Although these events are reflected in our GAAP financials, these unique transactions may limit the comparability of our on-going operations with prior and future periods.

Acquisition and integration related costs: We incur expenses or benefits with respect to certain items associated with our acquisitions, such as transaction costs, changes in fair value of acquisition related hedges, changes in the fair value of contingent consideration liabilities, gain or expense on settlement of pre-existing relationships, etc. We exclude such expenses or benefits as they are related to acquisitions and have no direct correlation to the operation of our on-going business. We also incur expenses or benefits with respect to certain items associated with our acquisitions, such as integration costs relating to acquisitions for any costs incurred prior to closing and up to 12 months after the closing date of the acquisition.

Impairment charges: We may incur impairment charges that result from events, which arise from unforeseen circumstances and/or often occur outside of the ordinary course of our on-going business and such charges may limit the comparability of our on-going operations with prior and future periods.

Other non-operational costs: Certain items may be non-recurring, unusual, infrequent and directly related to an event that is distinct and non-reflective of the Company's ongoing business operations. These may include such items as non-ordinary course litigation, legal settlements, inventory write-downs for discontinued products, cost of facilities no longer in use, extinguishment of debt and hedge costs, environmental settlements, governmental settlements including tax settlements, and other items of similar nature.

Convertible notes non-cash interest expense: We issued convertible notes in June 2020 at a discount related to the conversion feature of the notes and capitalized certain costs related to the issuance of these notes. The discount and capitalized issuance costs are amortized into interest expense over the term of the convertible notes. The amortization recognized for the convertible notes will be greater than the cash interest payments for the notes. We believe that excluding the convertible notes non-cash interest expense allows the users of our financial statements to better understand the historic and current results of our operations. This also facilitates comparisons to peer companies.

Non-operational tax adjustments: Certain tax items may be non-recurring, unusual, infrequent and directly related to an event that is distinct and non-reflective of the Company's normal business operations, including the enactment of the Tax Cuts and Jobs Act in December 2017. These may include such items as the retroactive impact of significant changes in tax laws, including changes to statutory tax rates and one-time tax charges.

Tax effects of operating earnings adjustments: We apply our GAAP consolidated effective tax rate to our non-GAAP financial measures as our historical annual consolidated effective tax rate has remained consistent and is expected to remain consistent for the foreseeable future. This application of our effective tax rate excludes any discrete items, as defined in the guidance for accounting for income taxes in interim periods, such as those related to tax reform or any other non-operational tax adjustments.

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