

VAREX ANNOUNCES FINANCIAL RESULTS FOR FIRST QUARTER FISCAL YEAR 2021

SALT LAKE CITY, February 4, 2021 – Varex Imaging Corporation (Nasdaq: VREX) today announced its unaudited financial results for the first quarter of fiscal year 2021.

1QFY21 Summary

- Revenues \$177 million
- GAAP gross margin 32% | Non-GAAP gross margin* 34%
- GAAP operating expense \$51 million | Non-GAAP operating expense* \$46 million
- GAAP operating margin 3% | Non-GAAP operating margin* 8%
- GAAP net earnings \$(0.16) per diluted share | Non-GAAP net earnings* \$0.08 per diluted share

“Our financial results for the first quarter of fiscal year 2021 were stronger than our expectations,” said Sunny Sanyal, Chief Executive Officer of Varex.

“Revenues increased 4% sequentially over the fourth quarter of fiscal year 2020, indicating the start of recovery in our business. Non-GAAP gross margin improved significantly to 34% and was sequentially higher by 580 basis points due primarily to the benefits from cost reductions, as well as a favorable shift in product mix in the medical segment. Non-GAAP operating expenses declined by about \$3 million sequentially, reflecting our continued focus on profitability.” Sanyal added.

Balance Sheet & Cash Flow

Cash flow from operations was \$7 million for the first quarter of fiscal year 2021. Cash and cash equivalents improved to \$106 million at the end of the first quarter.

Outlook

The following guidance is provided for the second quarter of fiscal year 2021:

- Revenues are expected to be between \$180 million and \$200 million
- Non-GAAP earnings per diluted share is expected to be between \$0.05 and \$0.25

Guidance for the company's net earnings per diluted share is provided on a non-GAAP basis only. This non-GAAP financial measure is forward-looking, and the company is unable to provide a meaningful or accurate GAAP forecast of net earnings per diluted share without unreasonable effort due to the uncertainty of amounts and timing of unusual items, such as restructuring costs.

Non-GAAP Financial Measures

*Please refer to *"Reconciliation between GAAP and non-GAAP Financial Measures"* below for a reconciliation of non-GAAP items to the comparable GAAP measures.

Conference Call Information

Varex will conduct its earnings conference call for the fourth quarter and fiscal year 2020 today at 3:00 p.m. Mountain Time. The conference call, including a supplemental slide presentation, will be webcast live and can be accessed at Varex's website at investors.vareximaging.com. Access will also be available by dialing 877-524-8416 from anywhere in the U.S. or by dialing 412-902-1028 from non-U.S. locations. The webcast and supplemental slide presentation will be archived on Varex's website. A replay of the call will be available from today through February 18th at 877-660-6853 from anywhere in the U.S. or 201-612-7415 from non-U.S. locations. The replay access code is 13715201.

About Varex

Varex Imaging Corporation is a leading innovator, designer and manufacturer of X-ray imaging components, which include X-ray tubes, digital detectors and other image processing solutions that are key components of X-ray imaging systems. With a 70+ year history of successful innovation, Varex's products are used in medical imaging as well as in industrial and security imaging applications. Global OEM manufacturers incorporate Varex's X-ray sources, digital detectors, connecting devices and imaging software in their systems to detect, diagnose, protect and inspect. Headquartered in Salt Lake City, Utah, Varex employs approximately 2,000 people located in North America, Europe, and Asia. For more information visit vareximaging.com.

Forward Looking Statements

This news release contains 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. Statements concerning unaudited financial results; the impact of COVID-19 on Varex's business; benefits of current and future restructurings and other cost reduction actions; industry or market outlook; customer demand; potential impact of tariffs, revenues, product volumes, or other expected future financial results or performance; and any statements using the terms "believe," "expect," "intend," "outlook," "future," "anticipate," "will," "could," "estimate," "guidance," or similar statements are forward-looking statements that 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 us 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 and uncertainties which could cause our actual results, performance, and financial condition to differ materially from our expectations. Such risks and uncertainties include the severity and duration of the COVID-19 pandemic and its impact on both the global economy and the Varex's business; our ability to maintain compliance with our financial covenants; shifts in product mix; not receiving the intended benefit of current or future restructurings or cost reduction actions; the continued impact of tariffs or a global trade war on Varex's products and customer purchasing patterns; global economic conditions; demand for and delays in delivery of products of Varex or its customers; litigation costs; Varex'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; the ability to remediate material weaknesses in internal control; and the other risks listed from time to time in our filings with the U.S. Securities and Exchange Commission, which by this reference are incorporated herein. Any forward-looking statements made by us in this news release 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. Varex assumes no obligation



NEWS
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to update or revise the forward-looking statements in this release because of new information, future events, or otherwise.

Varex has not filed its Form 10-Q for the first quarter of fiscal year 2021. All financial results described here should be considered preliminary, and are subject to change to reflect any necessary adjustments or changes in accounting estimates, that are identified prior to the time Varex files the Form 10-Q.

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VAREX IMAGING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
(In millions, except for per share amounts)	January 1, 2021	January 3, 2020
Revenues:		
Medical	\$ 139.2	\$ 155.6
Industrial	37.9	44.5
Total revenues	177.1	200.1
Gross profit:		
Medical	44.1	43.8
Industrial	13.1	17.3
Total gross profit	57.2	61.1
Operating Expenses:		
Research and development	16.7	21.7
Selling, general and administrative	34.4	34.8
Operating expenses	51.1	56.5
Operating earnings:	6.1	4.6
Interest expense	(10.3)	(5.4)
Other expense, net	(0.5)	(0.4)
Interest and other expense, net	(10.8)	(5.8)
Loss before taxes	(4.7)	(1.2)
Income tax expense	1.6	—
Net loss	(6.3)	(1.2)
Less: Net earnings attributable to noncontrolling interests	0.1	0.1
Net loss attributable to Varex	\$ (6.4)	\$ (1.3)
Net loss per common share attributable to Varex		
Basic	\$ (0.16)	\$ (0.03)
Diluted	\$ (0.16)	\$ (0.03)
Weighted average common shares outstanding		
Basic	39.1	38.5
Diluted	39.1	38.5

VAREX IMAGING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	January 1, 2021	October 2, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 105.5	\$ 100.6
Accounts receivable, net	121.0	123.8
Inventories	269.8	271.9
Prepaid expenses and other current assets	26.3	25.7
Total current assets	522.6	522.0
Property, plant and equipment, net	144.8	145.2
Goodwill	295.3	293.1
Intangibles assets, net	64.5	67.5
Investments in privately-held companies	49.7	51.3
Deferred tax assets	—	0.5
Operating lease assets	26.3	27.7
Other assets	33.9	32.2
Total assets	\$ 1,137.1	\$ 1,139.5
Liabilities and shareholder's equity		
Current liabilities:		
Accounts payable	\$ 68.1	\$ 72.9
Accrued expenses and other current liabilities	67.4	70.5
Current operating lease liabilities	6.1	6.1
Current maturities of long-term debt	2.6	2.5
Deferred revenues	8.3	8.6
Total current liabilities	152.5	160.6
Long-term debt	457.5	452.8
Deferred tax liabilities	1.7	2.3
Operating lease liabilities	22.2	23.1
Other long-term liabilities	38.8	34.9
Total liabilities	672.7	673.7
Shareholders' equity:		
Preferred stock, \$.01 par value: 20,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value: 150,000,000 shares authorized, Shares issued and outstanding: 39,184,538 and 39,059,094 at January 1, 2021 and October 2, 2020, respectively.	0.4	0.4
Additional paid-in capital	439.2	434.4
Accumulated other comprehensive (loss) income	0.9	0.8
Retained earnings	9.7	16.1
Total Varex stockholders' equity	450.2	451.7
Noncontrolling interests	14.2	14.1
Total stockholders' equity	464.4	465.8
Total liabilities and shareholder's equity	\$ 1,137.1	\$ 1,139.5

VAREX IMAGING CORPORATION
RECONCILIATION BETWEEN GAAP AND NON-GAAP FINANCIAL MEASURES
(Unaudited)

(In millions, except per share amounts)	Three Months Ended	
	January 1, 2021	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
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 %

VAREX IMAGING CORPORATION
RECONCILIATION BETWEEN GAAP AND NON-GAAP FINANCIAL MEASURES
(Unaudited)

(In millions, except per share amounts)	Three Months Ended	
	January 1, 2021	January 3, 2020
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
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 press release 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 a number of 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 future 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 also 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 also 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 also 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 fairly 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.