

VAREX ANNOUNCES FINANCIAL RESULTS FOR SECOND QUARTER FISCAL YEAR 2021

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

2QFY21 Summary

- Revenues \$204 million
- GAAP gross margin 32% | Non-GAAP gross margin* 35%
- GAAP operating expense \$49 million | Non-GAAP operating expense* \$45 million
- GAAP operating margin 8% | Non-GAAP operating margin* 13%
- GAAP net earnings \$0.08 per diluted share | Non-GAAP net earnings* \$0.35 per diluted share

“Financial results for the second quarter of fiscal year 2021 were stronger than our expectations and exceeded pre-COVID revenue levels. Driving this was continued strong global CT tube sales and higher sales of industrial digital detectors. We also had higher demand for our other medical imaging products related to certain elective medical procedures,” said Sunny Sanyal, Chief Executive Officer of Varex. Sanyal added, “We also continued to have strong expense management, which led to excellent bottom-line results.”

Varex’s revenues in the second quarter increased 15% sequentially from the first quarter of fiscal year 2021 due to sales gains in both the medical and industrial segments. Revenues increased 3% year-over-year from the same quarter of the prior year. Non-GAAP gross margin increased to 35 percent due to higher sales volume and a favorable product mix. Non-GAAP operating expense declined sequentially and year-over-year reflecting benefits from previous cost reduction actions.

Balance Sheet & Cash Flow

Cash flow from operations was \$13 million for the second quarter of fiscal year 2021. Cash and cash equivalents improved to \$111 million at the end of the second quarter.

Outlook

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

- Revenues are expected to be between \$195 million and \$215 million
- Non-GAAP earnings per diluted share is expected to be between \$0.15 and \$0.35

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 second quarter of fiscal year 2021 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 May 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 13719035.

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



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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 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 second 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)

(In millions, except for per share amounts)	Three Months Ended		Six Months Ended	
	April 2, 2021	April 3, 2020	April 2, 2021	April 3, 2020
Revenues:				
Medical	\$ 156.6	\$ 155.4	\$ 295.8	\$ 311.0
Industrial	46.9	41.6	84.8	86.1
Total revenues	203.5	197.0	380.6	397.1
Gross profit:				
Medical	45.7	43.2	89.8	87.2
Industrial	18.9	14.4	32.0	31.5
Total gross profit	64.6	57.6	121.8	118.7
Operating Expenses:				
Research and development	18.2	20.9	34.9	42.6
Selling, general and administrative	30.6	35.3	65.0	70.1
Operating expenses	48.8	56.2	99.9	112.7
Operating income:	15.8	1.4	21.9	6.0
Interest income	—	0.1	—	0.1
Interest expense	(10.4)	(4.6)	(20.7)	(10.0)
Other (expense) income, net	(2.2)	2.0	(2.7)	1.6
Interest and other expense, net	(12.6)	(2.5)	(23.4)	(8.3)
Income (loss) before taxes	3.2	(1.1)	(1.5)	(2.3)
Income tax expense	—	0.7	1.6	0.7
Net income (loss)	3.2	(1.8)	(3.1)	(3.0)
Less: Net income attributable to noncontrolling interests	0.1	0.1	0.2	0.2
Net income (loss) attributable to Varex	\$ 3.1	\$ (1.9)	\$ (3.3)	\$ (3.2)
Net income (loss) per common share attributable to Varex				
Basic	\$ 0.08	\$ (0.05)	\$ (0.09)	\$ (0.08)
Diluted	\$ 0.08	\$ (0.05)	\$ (0.09)	\$ (0.08)
Weighted average common shares outstanding				
Basic	39.2	38.6	39.2	38.5
Diluted	40.0	38.6	39.2	38.5

VAREX IMAGING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share and per share amounts)

	<u>April 2, 2021</u>	<u>October 2, 2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 111.1	\$ 100.6
Accounts receivable, net	129.1	123.8
Inventories	248.2	271.9
Prepaid expenses and other current assets	41.4	25.7
Total current assets	<u>529.8</u>	<u>522.0</u>
Property, plant and equipment, net	142.2	145.2
Goodwill	293.3	293.1
Intangibles assets, net	59.2	67.5
Investments in privately-held companies	49.0	51.3
Deferred tax assets	—	0.5
Operating lease right-of-use assets	26.9	27.7
Other assets	32.2	32.2
Total assets	<u><u>\$ 1,132.6</u></u>	<u><u>\$ 1,139.5</u></u>
Liabilities and shareholder's equity		
Current liabilities:		
Accounts payable	\$ 51.8	\$ 72.9
Accrued expenses and other current liabilities	76.6	70.5
Current operating lease liabilities	6.2	6.1
Current maturities of long-term debt	2.9	2.5
Deferred revenues	8.8	8.6
Total current liabilities	<u>146.3</u>	<u>160.6</u>
Long-term debt, net	458.0	452.8
Deferred tax liabilities	2.2	2.3
Operating lease liabilities	22.0	23.1
Other long-term liabilities	35.2	34.9
Total liabilities	<u>663.7</u>	<u>673.7</u>
Stockholders' 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: 39,300,288 and 39,059,094 at April 2, 2021 and October 2, 2020, respectively.	0.4	0.4
Additional paid-in capital	441.3	434.4
Accumulated other comprehensive income	0.2	0.8
Retained earnings	12.8	16.1
Total Varex equity	<u>454.7</u>	<u>451.7</u>
Noncontrolling interests	14.2	14.1
Total stockholders' equity	<u>468.9</u>	<u>465.8</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,132.6</u></u>	<u><u>\$ 1,139.5</u></u>

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

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	April 2, 2021	April 3, 2020	April 2, 2021	April 3, 2020
GROSS PROFIT RECONCILIATION				
Revenues	\$ 203.5	\$ 197.0	\$ 380.6	\$ 397.1
Gross profit	\$ 64.6	\$ 57.6	\$ 121.8	\$ 118.7
Amortization of intangible assets	2.2	2.3	4.4	4.8
Restructuring charges	0.1	0.9	0.2	1.2
Other non-operational costs	3.5	2.1	3.5	4.0
Purchase price accounting adjustments	—	—	—	0.3
Non-GAAP gross profit	\$ 70.4	\$ 62.9	\$ 129.9	\$ 129.0
Gross margin %	31.7 %	29.2 %	32.0 %	29.9 %
Non-GAAP gross margin %	34.6 %	31.9 %	34.1 %	32.5 %
OPERATING EXPENSE RECONCILIATION				
Operating expense	\$ 48.8	\$ 56.2	\$ 99.9	\$ 112.7
Amortization of intangible assets	2.1	2.0	4.1	4.1
Separation and related costs	—	—	—	2.5
Restructuring charges	0.2	0.8	0.4	1.3
Acquisition and integration related costs	0.3	1.0	1.2	1.6
Other non-operational costs	1.7	0.2	4.2	0.3
Non-GAAP operating expense	\$ 44.5	\$ 52.2	\$ 90.0	\$ 102.9
OPERATING INCOME RECONCILIATION				
Operating income	\$ 15.8	\$ 1.4	\$ 21.9	\$ 6.0
Amortization of intangible assets (includes amortization impacts to cost of revenues)	4.3	4.3	8.5	8.9
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	1.7	0.6	2.5
Acquisition and integration related costs	0.3	1.0	1.2	1.6
Other non-operational costs (includes other non-operational impacts to cost of revenues)	5.2	2.3	7.7	4.3
Total operating income adjustments	\$ 10.1	\$ 9.3	\$ 18.0	\$ 20.1
Non-GAAP operating income	\$ 25.9	\$ 10.7	\$ 39.9	\$ 26.1
Operating income margin	7.8 %	0.7 %	5.8 %	1.5 %
Non-GAAP operating income margin	12.7 %	5.4 %	10.5 %	6.6 %

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(Unaudited)

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	April 2, 2021	April 3, 2020	April 2, 2021	April 3, 2020
INCOME (LOSS) BEFORE TAXES RECONCILIATION				
Income (loss) before taxes	\$ 3.2	\$ (1.1)	\$ (1.5)	\$ (2.3)
Total operating income adjustments	10.1	9.3	18.0	20.1
Convertible notes non-cash interest expense	1.9	—	3.8	—
Acquisition related (benefit) costs	—	(2.7)	—	(2.0)
Total income before tax adjustments	\$ 12.0	\$ 6.6	\$ 21.8	\$ 18.1
Non-GAAP income before taxes	\$ 15.2	\$ 5.5	\$ 20.3	\$ 15.8
NET INCOME (LOSS) AND DILUTED NET LOSS PER SHARE RECONCILIATION				
Net income (loss) attributable to Varex	\$ 3.1	\$ (1.9)	\$ (3.3)	\$ (3.2)
Total earnings before taxes adjustments	\$ 12.0	\$ 6.6	\$ 21.8	\$ 18.1
Effective tax rate on non-GAAP adjustments	8.3 %	3.4 %	5.0 %	12.7 %
Tax effect on non-GAAP adjustments	\$ (1.0)	\$ (0.2)	\$ (1.1)	\$ (2.3)
Non-GAAP net income	\$ 14.1	\$ 4.5	\$ 17.4	\$ 12.6
Diluted net income (loss) per share	\$ 0.08	\$ (0.05)	\$ (0.09)	\$ (0.08)
Non-GAAP diluted net earnings per share	\$ 0.35	\$ 0.12	\$ 0.44	\$ 0.32
Dilutive shares	39.2	38.6	39.2	38.5
Non-GAAP dilutive shares	40.0	39.1	39.5	39.1
ADJUSTED EBITDA RECONCILIATION				
Net income (loss) attributable to Varex	\$ 3.1	\$ (1.9)	\$ (3.3)	\$ (3.2)
Interest expense	10.4	4.6	20.7	10.0
Income tax expense	—	0.7	1.6	0.7
Depreciation	5.3	6.2	10.5	11.4
Amortization	4.3	4.3	8.5	8.9
Stock based compensation	3.6	3.3	7.2	6.5
Purchase price accounting adjustments	—	—	—	0.3
Separation and related costs	—	—	—	2.5
Restructuring charges	0.3	0.8	0.6	1.4
Acquisition and integration related costs	0.3	(1.7)	1.2	(0.4)
Other non-operational costs	5.2	2.3	7.7	4.3
Adjusted EBITDA	\$ 32.5	\$ 18.6	\$ 54.7	\$ 42.4

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. 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 non-GAAP adjustments to the GAAP pretax income to calculate the non-GAAP effective tax rate. This application of our non-GAAP effective tax rate excludes any discrete items, as defined in the guidance for accounting for income taxes in interim periods, or any other non-operational tax adjustments.