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Q4 FY21 Earnings Presentation
November 16, 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; growth drivers; trends; market size; 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, in our other public filings and press releases, and on our website. These risks, uncertainties, and other factors include risks related to COVID-19; supply chain challenges; 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 in this supplement 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 4QFY21 earnings release at www.vareximaging.com and the reconciliation contained at the end of this supplement.

Q4 FY21 Results

Revenue
\$226M

Non-GAAP
Gross Margin*
34%

Non-GAAP
EPS*
\$0.45

Cash
\$145M

- Strong demand drives record revenue
- Profitability enabled by improved operating leverage
- Robust cash generation of \$45M
- Supply chain constrained challenges continued

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



Q4 FY21 Sequential Trends

CT	↑
Fluoroscopy	→
Oncology	↑
Dental	↑

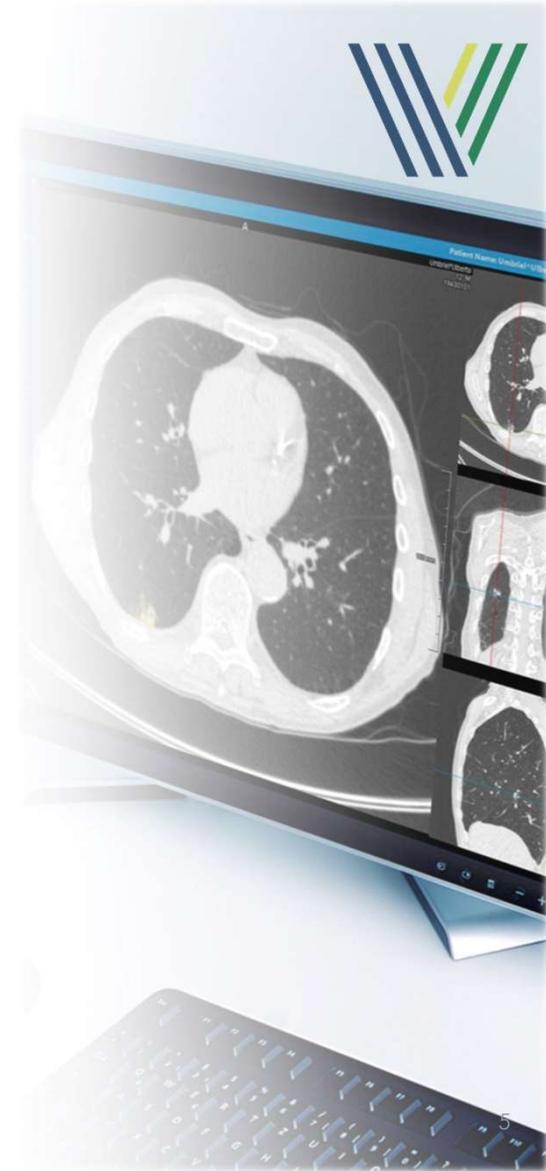
Mammography	↑
Radiography & Others	↑
Industrial	↑



Quarterly Highlight: AI-aided Software

Portfolio of AI-aided Software

- >50% of \$30M+ software platform
- Focus on investment in growing AI market
- Innovation through various clinical competences
- Cloud-based solution

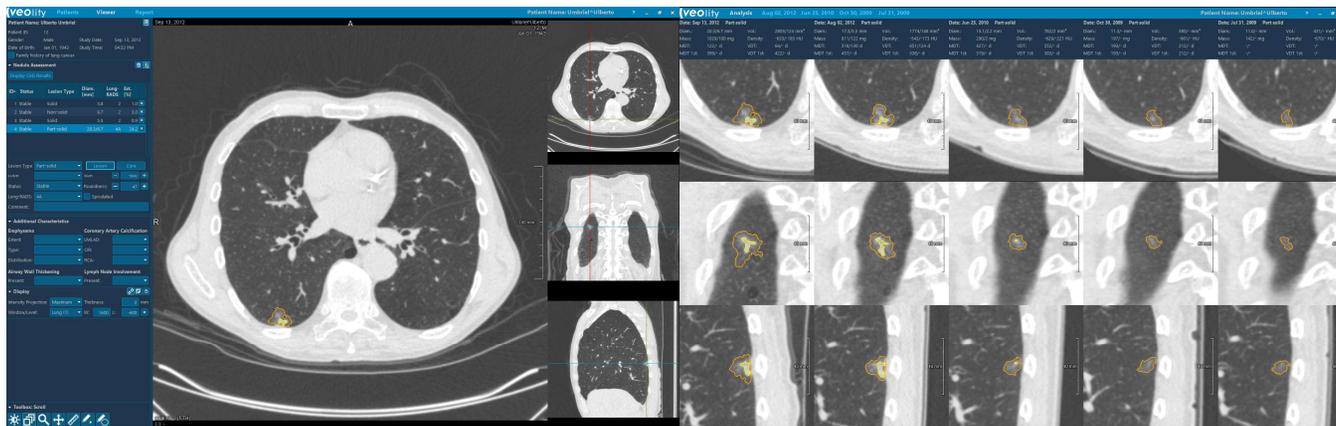




Lung Cancer Screening Software

Background – Lung Cancer in the USA

- 200,000+ lung cancer cases & 60,000 deaths per year¹
- Eligible candidates in US doubling to >15 million per year
- Late diagnosis increases risk – 18.6% survival rate²
- LDCT screening with AI-aided diagnosis
- Reimbursable under most health insurance plans³



1: American Cancer Society (ACS), Facts & Figures 2020

2: 5-year survival rate; Lung.org

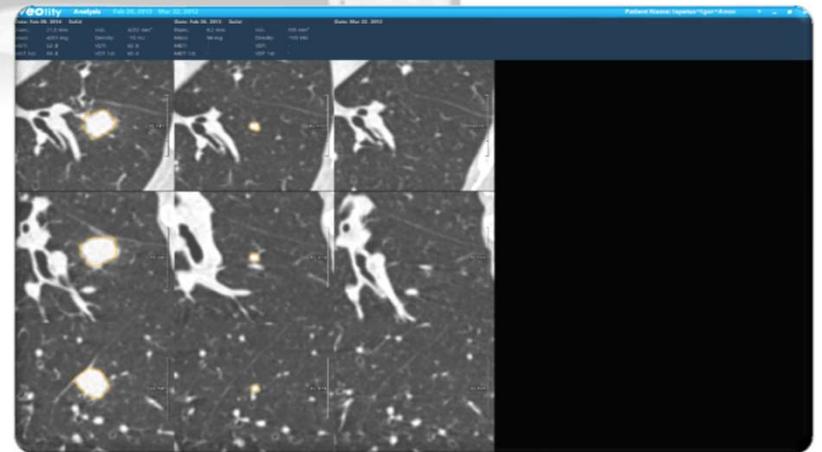
3: Lung.org – As long as patient meets certain criteria for screening

CT Lung Screening Workstation: Veolity LungRead



Stand-alone lung reading and reporting solution

- **Diagnostic Quality:** AI-aided detection of pulmonary nodules (CAD)
- **Faster Radiologist Reading:** Automated workflow, temporal comparison
- **Precision Diagnostics:** Automated measurements
- **Patient Follow-up:** Structured reporting schemes Lung-RADS, BTS



Lung Screening Market



Market Growth: ~20% CAGR through 2025

**2021 Market:
~\$20M***

**Installed base:
>570**

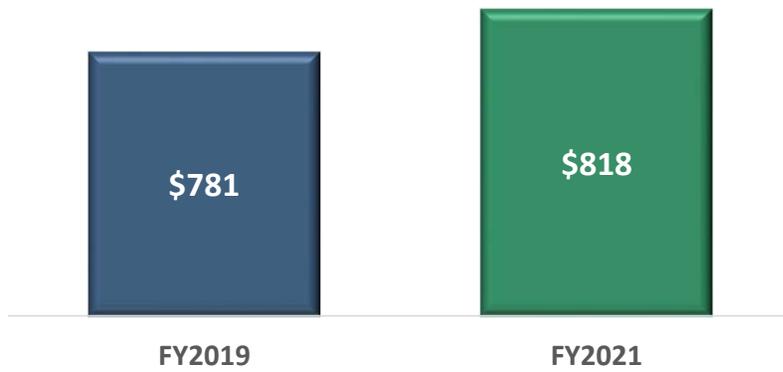


*Includes Workstation and CAD, as well as reporting and analysis tools
Note: Green circles represent installed base locations

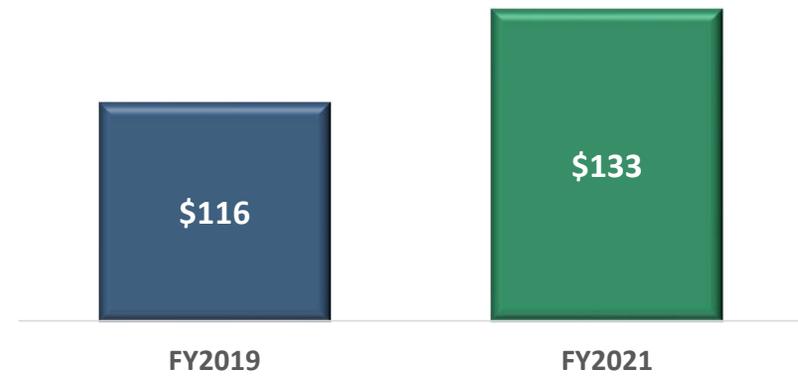
FY2021 vs. FY2019



Revenue +5%

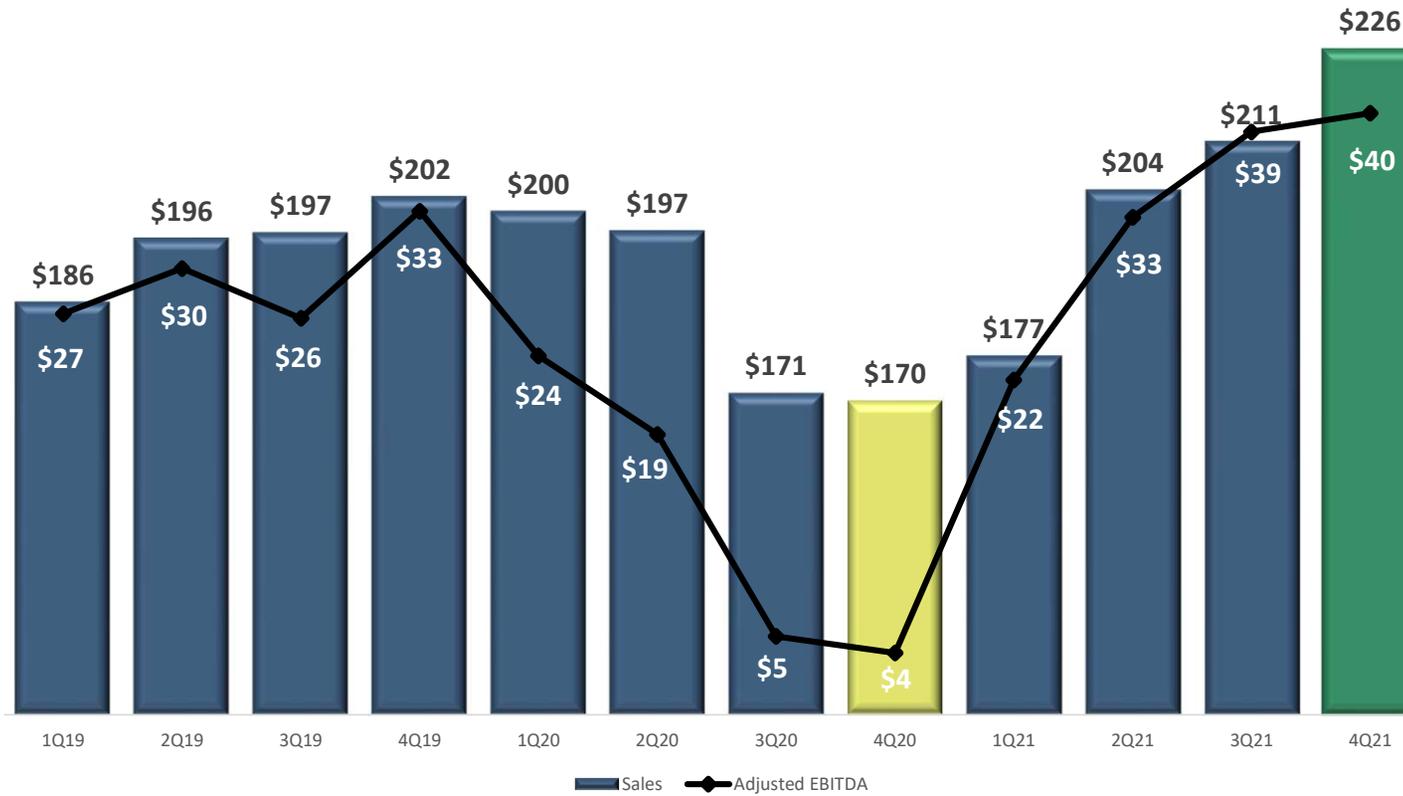


Adjusted EBITDA +15%



Note: \$millions

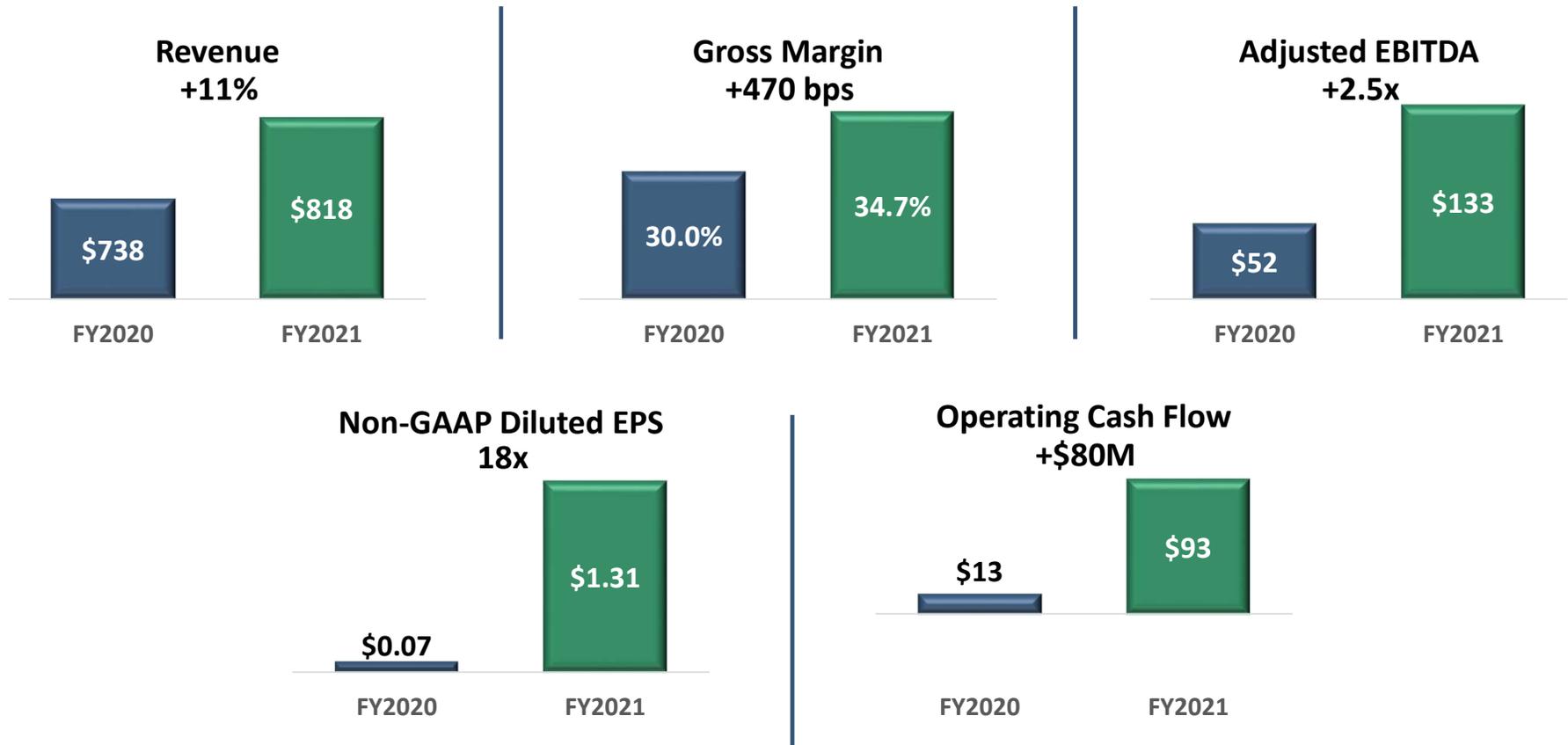
Robust Growth Trajectory



Note: \$millions



FY2021 – Record Performance

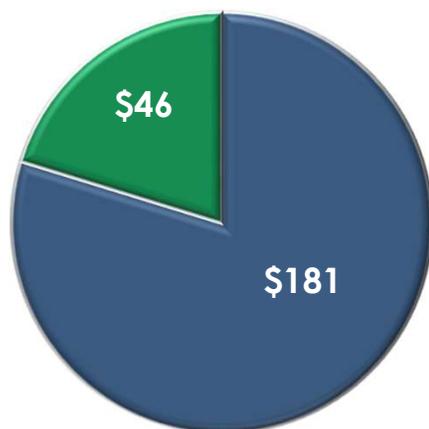


Note: \$millions except for per share data

Q4 FY21 Revenue Details

Segment Mix

(\$ in millions)

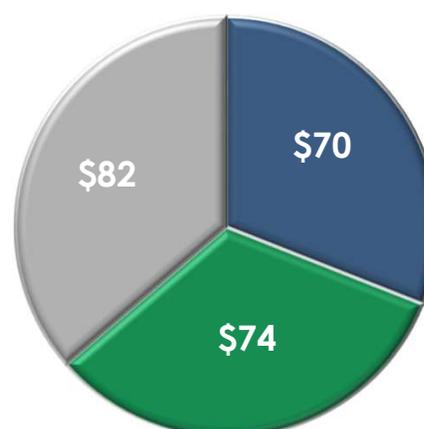


■ Medical ■ Industrial

Revenue, \$M	Q4 21	Q3 21	Q2 21	Q1 21	Q4 20
Medical	181	167	157	139	136
Industrial	46	44	47	38	34

Geographic Mix

(\$ in millions)



■ Americas ■ EMEA ■ APAC

Revenue, \$M	Q4 21	Q3 21	Q2 21	Q1 21	Q4 20
Americas	70	66	71	62	64
EMEA	74	76	68	58	55
APAC	82	69	65	57	51



Quarterly Results - GAAP

\$ in Millions, except per share data	Q4 FY21	Q3 FY21	Q4 FY20
Revenue	\$226	\$211	\$170
Gross Margin	33%	35%	27%
Operating Expenses	\$49	\$48	\$58
	22%	23%	34%
Operating Income	\$27	\$26	\$(13)
	12%	12%	(8)%
Net Earnings	\$9	\$12	\$(26)
EPS, diluted	\$0.20	\$0.29	\$(0.68)
Avg. shares, diluted	43.5	41.3	39.1



Quarterly results – Non-GAAP*

\$ in Millions, except per share data	Q4 FY21	Q3 FY21	Q4 FY20
Revenue	\$226	\$211	\$170
Gross Margin (Non-GAAP)	34%	36%	28%
Operating Expenses (Non-GAAP)	\$45 20%	\$46 22%	\$48 28%
Operating Income (Non-GAAP)	\$33 14%	\$30 14%	\$(1) (0)%
Net Earnings (Non-GAAP)	\$19	\$16	\$(2)
EPS, diluted (Non-GAAP) Avg. shares, diluted	\$0.45 41.0	\$0.40 39.8	\$(0.04) 39.2



Select Balance Sheet Data

\$ in Millions	Q4 FY21	Q3 FY21	Q4 FY20
Assets			
Cash and Cash Equivalents	\$145	\$128	\$101
Accounts Receivable, net	\$155	\$148	\$124
Inventories	\$225	\$243	\$272
Total Assets	\$1,148	\$1,161	\$1,140
Liabilities			
Accounts Payable	\$59	\$66	\$73
Long-Term Debt, net	\$435	\$463	\$455
Total Liabilities & Equity	\$1,148	\$1,161	\$1,140
Working Capital Performance	Q4 FY21	Q3 FY21	Q4 FY20
DSO (in days)	62	64	66
DOI	136	161	198
DPO	36	44	53

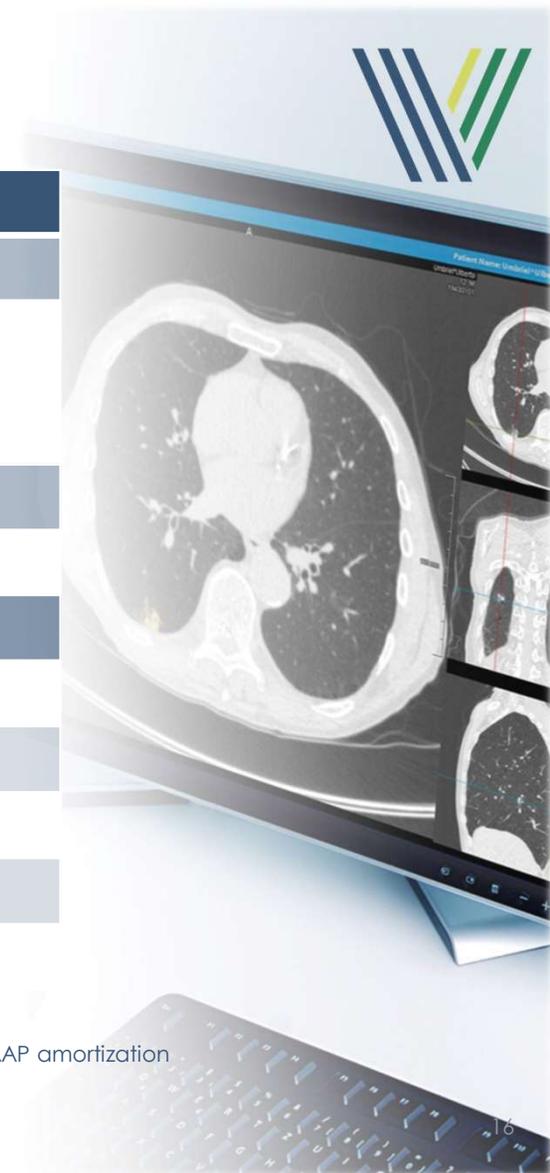


Select Debt and Cash Flow Data

\$ in Millions	Q4 FY21	Q3 FY21	Q4 FY20
Debt			
Gross Debt (Ratings: Moody's B2 / S&P B+)	\$481	\$512	\$511
Net Debt ¹	\$336	\$383	\$410
Adjusted EBITDA²			
Adjusted EBITDA	\$40	\$39	\$4
Cash Performance			
Cash Flow from Operations	\$51	\$22	(\$12)
Capital Expenditures	\$3	\$5	\$4
Cash Interest	\$0	\$17	\$5
Cash Taxes	\$0	\$1	(\$3)
Net Change in Cash	\$17	\$17	\$13

¹Net Debt is defined as gross debt less cash and cash equivalents

²Adjusted 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 Q1 FY22

Guidance	Non-GAAP
Revenues, \$M	\$200 - \$220
EPS Per Diluted Share	\$0.20 - \$0.40
Assumptions	Non-GAAP
Gross Margin	34% - 35%
Operating Expenses, \$M	\$45 - \$46





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Non – GAAP
Reconciliation

Reconciliation between GAAP and Non-GAAP Financial measures (unaudited)

(In millions, except per share amounts)

GROSS PROFIT RECONCILIATION

	Three Months Ended		Twelve Months Ended	
	October 1, 2021	October 2, 2020	October 1, 2021	October 2, 2020
Revenues	\$ 226.3	\$ 170.0	\$ 818.1	\$ 738.3
Gross profit	\$ 75.6	\$ 45.2	\$ 271.5	\$ 190.2
Amortization of intangible assets	2.0	2.2	8.6	9.1
Restructuring charges	—	0.7	0.2	4.2
Other non-operational costs	—	(0.8)	3.5	17.7
Purchase price accounting adjustments	—	—	—	0.3
Non-GAAP gross profit	\$ 77.6	\$ 47.3	\$ 283.8	\$ 221.5
Gross margin %	33.4 %	26.6 %	33.2 %	25.8 %
Non-GAAP gross margin %	34.3 %	27.8 %	34.7 %	30.0 %



Reconciliation between GAAP and Non-GAAP Financial measures (unaudited)



(In millions, except per share amounts)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE RECONCILIATION

	Three Months Ended		Twelve Months Ended	
	October 1, 2021	October 2, 2020	October 1, 2021	October 2, 2020
Selling, general and administrative expense	\$ 31.3	\$ 40.7	\$ 125.5	\$ 142.2
Amortization of intangible assets	2.1	1.9	8.2	8.1
Separation and related costs	—	—	—	2.5
Restructuring charges	0.1	6.7	0.8	9.3
Acquisition and integration related costs	0.1	0.6	1.5	2.6
Impairment charges	0.5	—	0.5	—
Other non-operational costs	1.3	0.9	5.4	1.4
Non-GAAP selling, general and administrative expense	\$ 27.2	\$ 30.6	\$ 109.1	\$ 118.3

OPERATING EXPENSE RECONCILIATION

Operating expense	\$ 49.1	\$ 58.1	\$ 197.4	\$ 223.9
Amortization of intangible assets	2.1	1.9	8.2	8.1
Separation and related costs	—	—	—	2.5
Restructuring charges	0.1	6.7	0.8	9.3
Acquisition and integration related costs	0.1	0.6	1.5	2.6
Intangible impairment charges	0.5	—	0.5	2.7
Other non-operational costs	1.3	0.9	5.4	1.4
Non-GAAP operating expense	\$ 45.0	\$ 48.0	\$ 181.0	\$ 197.3



Reconciliation between GAAP and Non-GAAP Financial measures (unaudited)



(In millions, except per share amounts)	Three Months Ended		Twelve Months Ended	
	October 1, 2021	October 2, 2020	October 1, 2021	October 2, 2020
OPERATING INCOME (LOSS) RECONCILIATION				
Operating income (loss)	\$ 26.5	\$ (12.9)	\$ 74.1	\$ (33.7)
Amortization of intangible assets (includes amortization impacts to cost of revenues)	4.1	4.1	16.8	17.2
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)	0.1	7.4	1.0	13.5
Acquisition and integration related costs	0.1	0.6	1.5	2.6
Intangible impairment charges	0.5	—	0.5	2.7
Other non-operational costs (includes other non-operational impacts to cost of revenues)	1.3	0.1	8.9	19.1
Total operating income adjustments	\$ 6.1	\$ 12.2	\$ 28.7	\$ 57.9
Non-GAAP operating income (loss)	\$ 32.6	\$ (0.7)	\$ 102.8	\$ 24.2
Operating margin	11.7 %	(7.6)%	9.1 %	(4.6)%
Non-GAAP operating margin	14.4 %	(0.4)%	12.6 %	3.3 %



Reconciliation between GAAP and Non-GAAP Financial measures (unaudited)

(In millions, except per share amounts)	Three Months Ended		Twelve Months Ended	
	October 1, 2021	October 2, 2020	October 1, 2021	October 2, 2020
INCOME (LOSS) BEFORE TAXES				
RECONCILIATION				
Income (loss) before taxes	\$ 14.8	\$ (30.5)	\$ 28.6	\$ (72.6)
Total operating earnings adjustments	6.1	12.2	28.7	57.9
Convertible notes non-cash interest expense	2.0	2.0	7.9	2.5
Acquisition related (benefit) costs	—	—	—	(0.8)
Investment impairment charges	—	—	—	2.7
Other non-operational costs	1.5	7.4	1.5	7.4
Total income before tax adjustments	\$ 9.6	\$ 21.6	\$ 38.1	\$ 69.7
Non-GAAP income (loss) before taxes	\$ 24.4	\$ (8.9)	\$ 66.7	\$ (2.9)
INCOME TAX EXPENSE (BENEFIT)				
RECONCILIATION				
Income tax expense (benefit)	\$ 6.0	\$ (4.3)	\$ 10.7	\$ (15.2)
Tax effect on non-GAAP adjustments	0.2	3.1	(3.5)	(8.9)
Non-GAAP income tax expense (benefit)	\$ 5.8	\$ (7.4)	\$ 14.2	\$ (6.3)
NET INCOME (LOSS) AND DILUTED NET INCOME				
(LOSS) PER SHARE RECONCILIATION				
Net income (loss) attributable to Varex	\$ 8.7	\$ (26.4)	\$ 17.4	\$ (57.9)
Total earnings before taxes adjustments	\$ 9.6	\$ 21.6	\$ 38.1	\$ 69.7
Effective tax rate on non-GAAP adjustments	2.1 %	14.4 %	(9.2) %	(12.8) %
Tax effect on non-GAAP adjustments	\$ 0.2	\$ 3.1	\$ (3.5)	\$ (8.9)
Non-GAAP net income (loss)	\$ 18.5	\$ (1.7)	\$ 52.0	\$ 2.9
Diluted net income (loss) per share	\$ 0.20	\$ (0.68)	\$ 0.43	\$ (1.49)
Non-GAAP diluted net income (loss) per share	\$ 0.45	\$ (0.04)	\$ 1.31	\$ 0.07



Reconciliation between GAAP and Non-GAAP Financial measures (unaudited)

(In millions, except per share amounts)

	Three Months Ended		Twelve Months Ended	
	October 1, 2021	October 2, 2020	October 1, 2021	October 2, 2020
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING RECONCILIATION				
GAAP weighted average common shares - dilutive	43.5	39.1	40.3	38.8
Dilution offset from convertible notes hedge transaction	(2.5)	—	(0.6)	—
Non-GAAP dilutive shares	41.0	39.1	39.7	38.8
ADJUSTED EBITDA RECONCILIATION				
Net income (loss) attributable to Varex	\$ 8.7	\$ (26.4)	\$ 17.4	\$ (57.9)
Interest expense	10.8	14.5	42.1	31.4
Income tax expense	6.0	(4.3)	10.7	(15.2)
Depreciation	5.0	5.0	20.5	22.3
Amortization	4.1	4.1	16.8	17.2
Share based compensation	3.3	3.2	13.9	13.4
Purchase price accounting adjustments	—	—	—	0.3
Separation and related costs	—	—	—	2.5
Restructuring charges	(0.1)	6.6	0.8	10.6
Acquisition and integration related costs	0.1	0.6	1.5	1.8
Impairment charges	0.5	—	0.5	5.4
Other non-operational costs	1.5	0.8	9.1	19.9
Adjusted EBITDA	\$ 39.9	\$ 4.1	\$ 133.3	\$ 51.7



Effect of Convertible Loan and Warrants on Diluted Share count

Share Price*	Incremental Diluted Shares	
	GAAP Shares	Non-GAAP Shares
\$25.00	1,619,210	9,610
\$26.00	2,296,132	378,840
\$27.00	2,922,913	720,720
\$28.00	3,504,923	1,038,180
\$29.00	4,046,794	1,333,746
\$30.00	4,552,541	1,609,608
\$31.00	5,025,659	1,867,672
\$32.00	5,469,208	2,109,608
\$33.00	5,885,874	2,336,880
\$34.00	6,278,031	2,550,784
\$35.00	6,647,778	2,752,464



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 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.

Dilution offset from convertible notes hedge transaction: In connection with the issuance of the Company's Convertible Senior Unsecured Notes (the Convertible Notes) in June 2020, the Company entered into convertible note hedge transactions (the Hedge Transactions) to reduce the potential dilutive effect on common shares upon the eventual conversion of the Convertible Notes. GAAP diluted shares outstanding includes the incremental dilutive shares from the Company's Convertible Notes. Under GAAP, the anti-dilutive impact of the Convertible Note Hedge Transactions is not reflected in GAAP diluted shares outstanding. In periods in which the average stock price per share exceeds \$20.81 and the Company has GAAP net income, the non-GAAP diluted share count includes the anti-dilutive impact of the Company's Hedge Transactions, which reduces the potential dilution that otherwise would occur upon conversion of the Company's Convertible Notes. We believe non-GAAP diluted shares is a useful non-GAAP metric because it provides insight into the offsetting economic effect of the Hedge Transactions against potential conversion of the Convertible Notes.



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