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Q2 FY22 Earnings Presentation
May 3, 2022

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; price increases from suppliers and service providers and inflation generally; 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 and political 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; and the impact of competitive products and pricing.

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 2QFY22 earnings release at www.vareximaging.com and the reconciliation contained at the end of this supplement.

Q2 FY22 Results



**Revenue
\$215M**

**Non-GAAP
Gross Margin*
34%**

**Non-GAAP
EPS*
\$0.37**

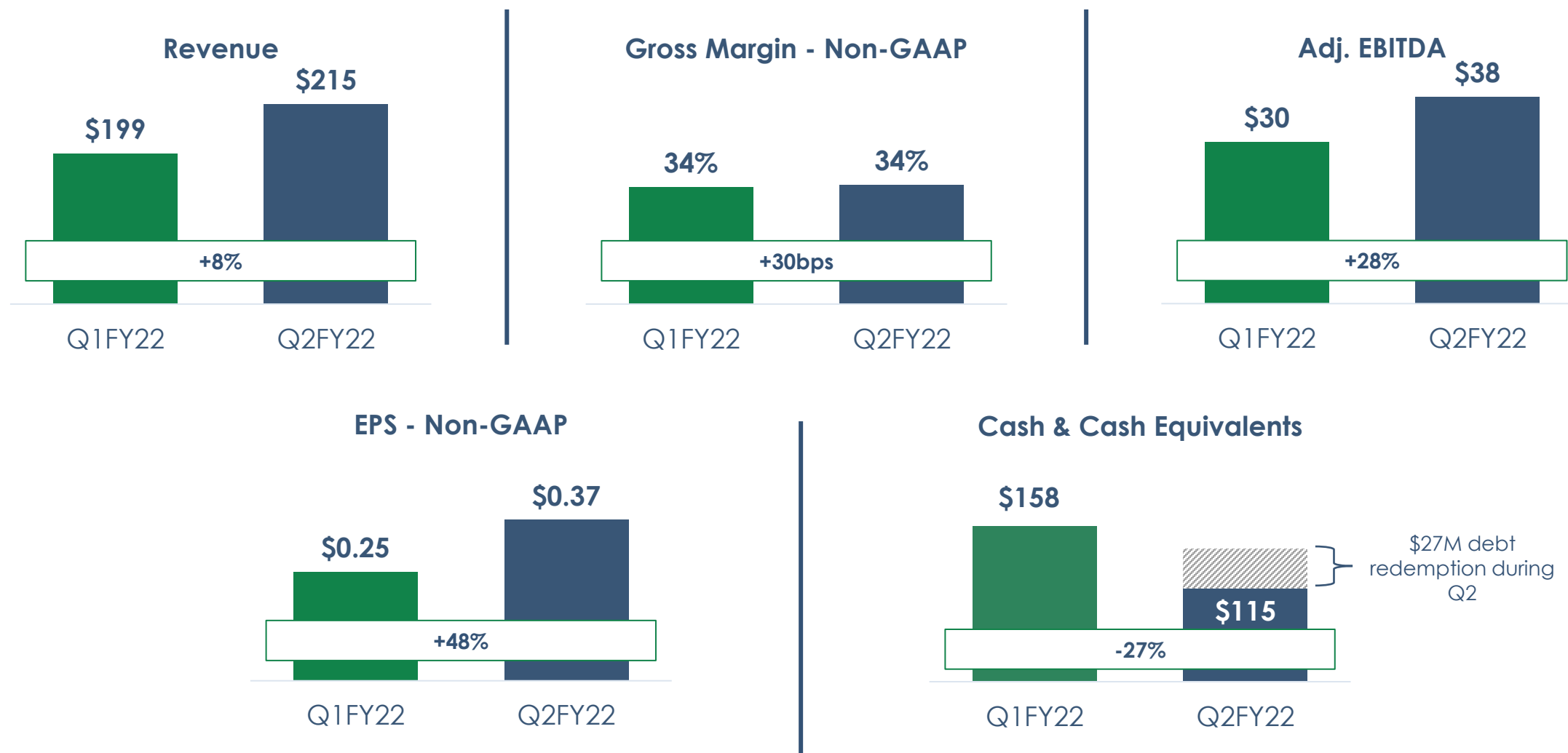
**Cash
\$115M**

- Robust broad-based demand continued
- Sales grew despite persistent supply chain challenges
- Price actions helped offset cost inflation
- Solid cash position enabled debt redemption

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



Q2 FY22 Sequential Performance



Note: \$millions except for per share data

Current Demand Environment



CT	↑
Fluoroscopy	↑
Oncology	↑
Dental	↑

Mammography	↑
Radiography & Others	↑
Industrial	↑



Business dynamics



Demand

- Order momentum remains strong
- Robust demand across all Medical and Industrial modalities

Supply Chain

- Supply chain constraints continue for some components
- Inflationary pressure and high freight costs continue

Varex Response

- Mitigating supply chain uncertainty through R&D and supplier diversification efforts
- Increasing inventory of key parts and materials

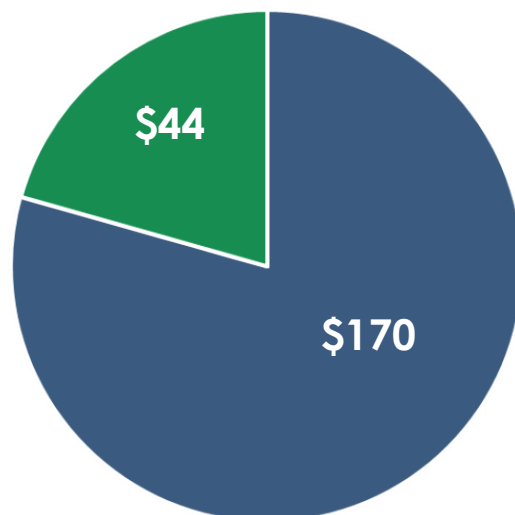


Q2 FY22 Revenue Details



Segment Mix

(\$ in millions)

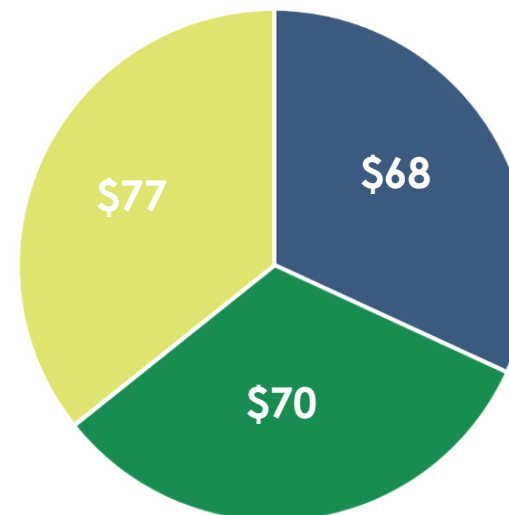


■ Medical ■ Industrial

Revenue, \$M	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21
Medical	170	156	181	167	157
Industrial	44	43	46	44	47

Geographic Mix

(\$ in millions)



■ Americas ■ EMEA ■ APAC

Revenue, \$M	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21
Americas	68	61	70	66	71
EMEA	70	67	74	76	68
APAC	77	71	82	69	65



Quarterly Results - GAAP



\$ in Millions, except per share data	Q2 FY22	Q1 FY22	Q2 FY21
Revenue	\$215	\$199	\$204
Gross Margin	33%	33%	32%
Operating Expenses	\$44 21%	\$51 26%	\$49 24%
Operating Income	\$27 12%	\$14 7%	\$16 8%
Net Earnings	\$8	\$1	\$3
EPS, diluted Avg. shares, diluted	\$0.18 42.2	\$0.03 43.9	\$0.08 40.0



Quarterly results – Non-GAAP*

\$ in Millions, except per share data	Q2 FY22	Q1 FY22	Q2 FY21
Revenue	\$215	\$199	\$204
Gross Margin (Non-GAAP)	34%	34%	35%
Operating Expenses (Non-GAAP)	\$41 19%	\$44 22%	\$45 22%
Operating Income (Non-GAAP)	\$32 15%	\$23 11%	\$26 13%
Net Earnings (Non-GAAP)	\$15	\$10	\$14
EPS, diluted (Non-GAAP) Avg. shares, diluted	\$0.37 40.5	\$0.25 41.4	\$0.35 40.0



Select Balance Sheet Data

\$ in Millions	Q2 FY22	Q1 FY22	Q2 FY21
Assets			
Cash and Cash Equivalents	\$115	\$158	\$111
Accounts Receivable, net	\$154	\$127	\$129
Inventories	\$270	\$248	\$248
Total Assets	\$1,143	\$1,139	\$1,133
Liabilities			
Accounts Payable	\$79	\$72	\$52
Long-Term Debt, net	\$411	\$436	\$461
Total Liabilities & Equity	\$1,143	\$1,139	\$1,133
Working Capital Performance	Q2 FY22	Q1 FY22	Q2 FY21
DSO (in days)	65	58	58
DOI	170	168	163
DPO	50	49	34

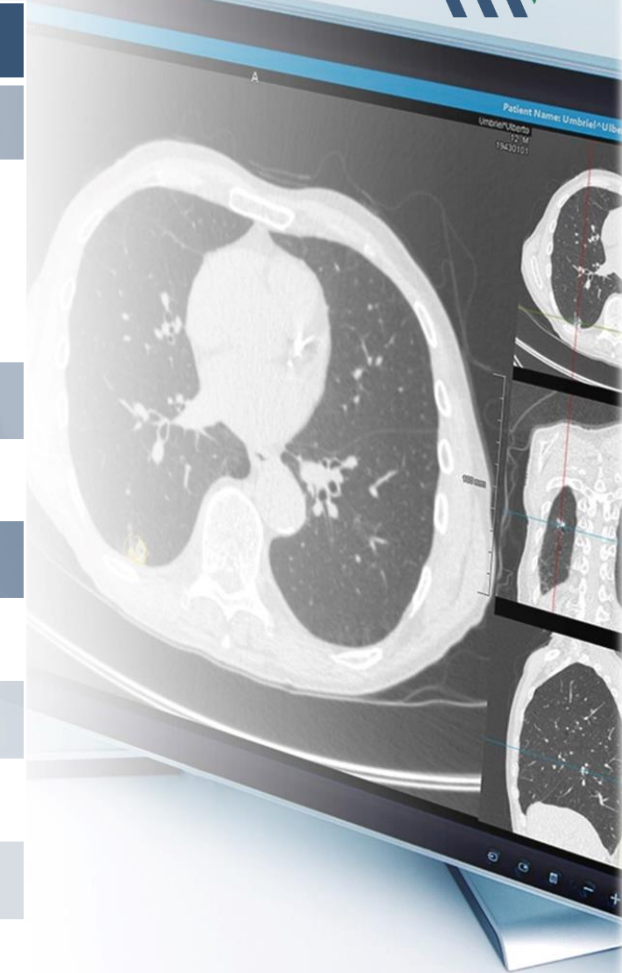


Select Debt and Cash Flow Data

\$ in Millions	Q2 FY22	Q1 FY22	Q2 FY21
Debt			
Gross Debt (Ratings: Moody's B2 / S&P B+)	\$452	\$480	\$512
Net Debt ¹	\$337	\$322	\$401
Adjusted EBITDA²			
Adjusted EBITDA	\$38	\$30	\$33
Cash Performance			
Cash Flow from Operations	(\$8)	\$11	\$13
Capital Expenditures	\$4	\$4	\$4
Cash Interest	\$1	\$15	\$0
Cash Taxes	\$4	\$0	\$9
Net Change in Cash	(\$42)	\$14	\$6

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 Q3 FY22

Guidance	Non-GAAP
Revenues, \$M	\$190 - \$220
EPS Per Diluted Share	\$0.10 - \$0.30
Assumptions	Non-GAAP
Gross Margin	32% - 34%
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		Six Months Ended	
	April 1, 2022	April 2, 2021	April 1, 2022	April 2, 2021
Revenues, net	\$ 214.7	\$ 203.5	\$ 413.5	\$ 380.6
Gross profit	\$ 70.8	\$ 64.6	\$ 135.6	\$ 121.8
Amortization of intangible assets	1.8	2.2	3.6	4.4
Restructuring charges	—	0.1	—	0.2
Other non-operational costs	—	3.5	—	3.5
Non-GAAP gross profit	\$ 72.6	\$ 70.4	\$ 139.2	\$ 129.9
Gross margin %	33.0 %	31.7 %	32.8 %	32.0 %
Non-GAAP gross margin %	33.8 %	34.6 %	33.7 %	34.1 %



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



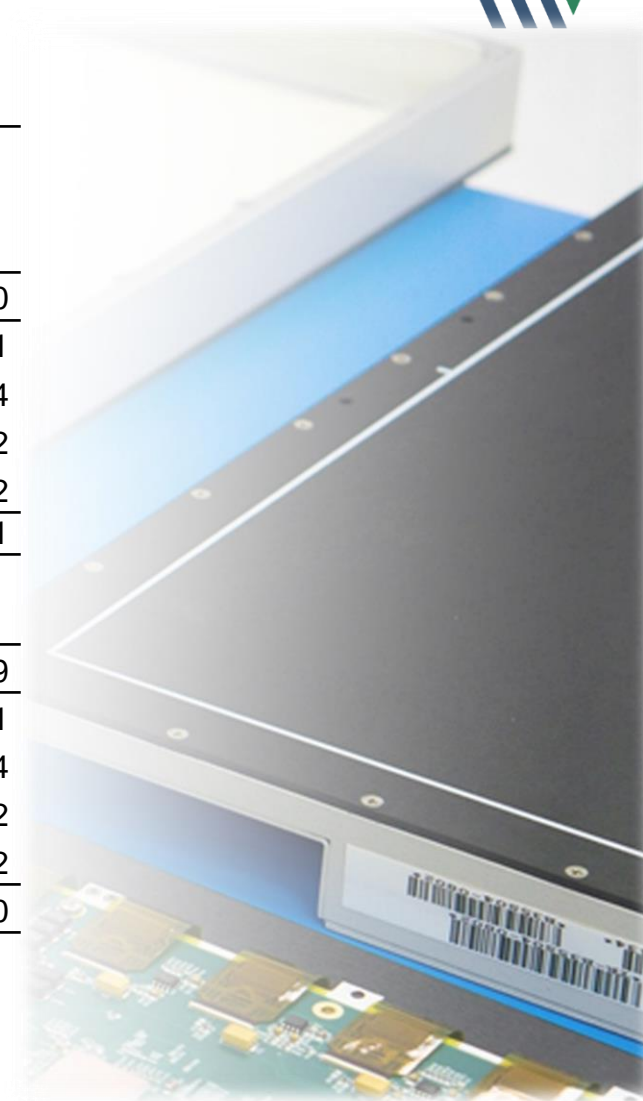
(In millions, except per share amounts)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE RECONCILIATION

	Three Months Ended		Six Months Ended	
	April 1, 2022	April 2, 2021	April 1, 2022	April 2, 2021
Selling, general and administrative	\$ 25.3	\$ 30.6	\$ 58.4	\$ 65.0
Amortization of intangible assets	1.9	2.1	3.8	4.1
Restructuring charges	1.1	0.2	4.3	0.4
Acquisition and integration related costs	—	0.3	—	1.2
Other non-operational costs	0.1	1.7	1.9	4.2
Non-GAAP selling, general and administrative expense	\$ 22.2	\$ 26.3	\$ 48.4	\$ 55.1

OPERATING EXPENSE RECONCILIATION

Other expense, net	\$ 44.2	\$ 48.8	\$ 95.0	\$ 99.9
Amortization of intangible assets	1.9	2.1	3.8	4.1
Restructuring charges	1.1	0.2	4.3	0.4
Acquisition and integration related costs	—	0.3	—	1.2
Other non-operational costs	0.1	1.7	1.9	4.2
Non-GAAP operating expense	\$ 41.1	\$ 44.5	\$ 85.0	\$ 90.0



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



(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	April 1, 2022	April 2, 2021	April 1, 2022	April 2, 2021
OPERATING INCOME (LOSS) RECONCILIATION				
Operating income	\$ 26.6	\$ 15.8	\$ 40.6	\$ 21.9
Amortization of intangible assets (includes amortization impacts to cost of revenues)	3.7	4.3	7.4	8.5
Restructuring charges (includes restructuring impact to cost of revenues)	1.1	0.3	4.3	0.6
Acquisition and integration related costs	—	0.3	—	1.2
Other non-operational costs (includes other non-operational impacts to cost of revenues)	0.1	5.2	1.9	7.7
Total operating income adjustments	\$ 4.9	\$ 10.1	\$ 13.6	\$ 18.0
Non-GAAP operating income (loss)	\$ 31.5	\$ 25.9	\$ 54.2	\$ 39.9
Operating margin	12.4 %	7.8 %	9.8 %	5.8 %
Non-GAAP operating margin	14.7 %	12.7 %	13.1 %	10.5 %



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



(In millions, except per share amounts)

INCOME (LOSS) BEFORE TAXES RECONCILIATION

	Three Months Ended		Six Months Ended	
	April 1, 2022	April 2, 2021	April 1, 2022	April 2, 2021
Income (loss) before taxes	\$ 13.6	\$ 3.2	\$ 16.9	\$ (1.5)
Total operating earnings adjustments	4.9	10.1	13.6	18.0
Convertible notes non-cash interest expense	2.2	1.9	4.3	3.8
Other non-operational costs	\$ 1.2	\$ —	\$ 1.2	\$ —
Total income before tax adjustments	\$ 8.3	\$ 12.0	\$ 19.1	\$ 21.8
Non-GAAP income (loss) before taxes	\$ 21.9	\$ 15.2	\$ 36.0	\$ 20.3

INCOME TAX EXPENSE RECONCILIATION

Income tax expense	\$ 6.0	\$ —	\$ 7.7	\$ 1.6
Tax effect on non-GAAP adjustments	(0.8)	(1.0)	(2.6)	(1.1)
Non-GAAP income tax expense	\$ 6.8	\$ 1.0	\$ 10.3	\$ 2.7

NET INCOME (LOSS) AND DILUTED NET INCOME (LOSS) PER SHARE RECONCILIATION

Net income (loss) attributable to Varex	\$ 7.6	\$ 3.1	\$ 9.0	\$ (3.3)
Total earnings before taxes adjustments	\$ 8.3	\$ 12.0	\$ 19.1	\$ 21.8
Effective tax rate on non-GAAP adjustments	9.6 %	8.3 %	13.6 %	5.0 %
Tax effect on non-GAAP adjustments	\$ (0.8)	\$ (1.0)	\$ (2.6)	\$ (1.1)
Non-operational tax adjustments	\$ —	\$ —	\$ —	\$ —
Non-GAAP net income (loss)	\$ 15.1	\$ 14.1	\$ 25.5	\$ 17.4
Diluted net income (loss) per share	\$ 0.18	\$ 0.08	\$ 0.21	\$ (0.09)
Non-GAAP diluted net income (loss) per share	\$ 0.37	\$ 0.36	\$ 0.62	\$ 0.44



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



(In millions, except per share amounts)

DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING RECONCILIATION

	Three Months Ended		Six Months Ended	
	April 1, 2022	April 2, 2021	April 1, 2022	April 2, 2021
GAAP weighted average common shares - dilutive	42.2	40.0	43.2	39.2
Dilution offset from convertible notes hedge transaction	(1.7)	(0.3)	(2.2)	—
Dilutive shares not included for GAAP due to net loss	—	—	—	0.3
Non-GAAP dilutive shares	40.5	39.7	41.0	39.5

ADJUSTED EBITDA RECONCILIATION

Net income (loss) attributable to Varex

	\$ 7.6	\$ 3.1	\$ 9.0	\$ (3.3)
Interest expense	9.9	10.4	19.8	20.7
Income tax expense	6.0	—	7.7	1.6
Depreciation	4.8	5.3	9.6	10.5
Amortization	3.7	4.3	7.5	8.5
Stock based compensation	3.9	3.6	7.3	7.2
Restructuring charges	1.1	0.3	4.3	0.6
Acquisition and integration related costs	—	0.3	—	1.2
Other non-operational costs	1.3	5.2	3.1	7.7
Adjusted EBITDA	\$ 38.3	\$ 32.5	\$ 68.3	\$ 54.7



Effect of Convertible Loan and Warrants on Diluted Share count

Share Price*	<u>Incremental Diluted Shares</u>	
	GAAP Shares	Non-GAAP Shares
\$20.00	—	—
\$20.81	—	—
\$21.00	85,790	—
\$22.00	518,691	—
\$23.00	913,948	—
\$24.00	1,276,267	—
\$24.98	1,601,592	—
\$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.

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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