



## VAREX IMAGING ANNOUNCES FINANCIAL RESULTS FOR SECOND QUARTER OF FISCAL YEAR 2019

**SALT LAKE CITY, Utah, May 7, 2019** - Varex Imaging Corporation (Nasdaq: VREX) today announced its financial results for the second quarter of fiscal year 2019.

### Quarterly Highlights

- Revenues were \$196 million
- Gross margin was 33% | Adjusted gross margin\* was 34%
- Operating earnings margin was 7% | Adjusted operating earnings margin\* was 12%
- Net earnings were \$0.15 per diluted share | Adjusted net earnings\* were \$0.34 per diluted share

“We had solid performance in the second quarter of fiscal year 2019 led by continued strong product sales for the industrial, mammography and oncology markets. Our year to date revenues and adjusted gross margin remain on track with expectations,” said Sunny Sanyal, Chief Executive Officer of Varex. “We also continued to make good progress with reducing our operating expenses and cost synergies from operational consolidation of acquired imaging businesses are proceeding per plan. In addition, we completed the previously announced acquisition of Direct Conversion last week, which we believe will expand our addressable market by approximately \$200 million over the coming years,” Sanyal added.

### Second Quarter Fiscal Year 2019 Results

Revenues for the second quarter of fiscal year 2019 decreased 3% to \$196 million from \$201 million in the prior year quarter. Medical segment revenues decreased 6% to \$149 million and Industrial segment revenues increased 10% to \$47 million from the prior year quarter.

Gross margin for the second quarter of fiscal year 2019 was \$64 million, or 33% of revenues, compared to \$70 million, or 35% of revenues, in the prior year quarter. Adjusted gross margin\* was \$66 million, or 34% of revenues, compared to \$73 million, or 36% of revenues, in the prior year quarter.

For the second quarter of fiscal year 2019, R&D investment decreased to 9.6% of revenues, a \$3 million decline from the prior year quarter. SG&A expense were 15.9% of revenues and included approximately \$5 million of additional expenses for litigation, restructuring and impairment.

For the second quarter of fiscal year 2019, operating earnings were \$15 million and operating margin was 7% compared to operating earnings of \$17 million and operating margin of 9% in the prior year quarter. Adjusted operating earnings\* were \$23 million and adjusted operating margin\* of 12% compared to adjusted operating earnings\* of \$24 million and adjusted operating margin\* of 12% in the prior year quarter.

Net earnings for the second quarter of fiscal year 2019 were \$6 million, or \$0.15 per diluted share, compared to net earnings of \$12 million, or \$0.32 per diluted share, in the prior year quarter. Adjusted net earnings\* for the second quarter of fiscal year 2019 were \$13 million, or \$0.34 per diluted share, compared to \$17 million, or \$0.45 per diluted share, in the prior year quarter.



## **Year-To-Date Fiscal Year 2019**

Revenues for the first six months of fiscal year 2019 was \$382 million compared to revenues of \$377 million in the prior year period. Medical segment revenues decreased 2% to \$293 million and Industrial segment revenues increased 11% to \$89 million.

Gross margin for the first six months of fiscal year 2019 was \$124 million, or 33% of revenues, compared to \$132 million, or 35% of revenues, in the prior year period. Adjusted gross margin\* was \$132 million or 35% of revenues compared to \$136 million or 36% of revenues.

## **Balance Sheet**

At the end of the second quarter of fiscal year 2019, cash and cash equivalents were \$31 million. During the second quarter of fiscal year 2019, the company reduced its total debt outstanding by \$29 million to end the quarter at \$346 million, including fully paying-off its revolving line of credit. Cash flow from operations was \$33 million for the second quarter of fiscal year 2019.

## **Varex Outlook**

On April 29, 2019, the company completed the previously disclosed acquisition of 97.4% of the outstanding shares of common stock of Direct Conversion AB (publ) and five months of its financial results will be included in fiscal year 2019. Varex expects Direct Conversion to add approximately \$7 million to \$8 million of revenues with gross margins above the company's current level, but no impact to adjusted earnings per share due to their level of R&D spending and added interest expense.

As a result, the company now expects revenues to be in the range of \$760 million to \$785 million for fiscal year 2019. Varex is maintaining its expectations that adjusted net earnings per diluted share will be in the range of \$1.25 and \$1.55.

Guidance for the company's net earnings per diluted share is provided on an adjusted basis only. This adjusted 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 integration or restructuring costs.

## **Adjusted Non-GAAP Financial Measures**

\*Please refer to *"Reconciliation between GAAP and Adjusted 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 2019 today at 3:00 p.m. Mountain Time. The conference call will be webcast live and can be accessed at the company's website at [investors.vareximaging.com](http://investors.vareximaging.com). Access will also be available by dialing 1-877-524-8416 from anywhere in the U.S. or by dialing 1-412-902-1028 from non-U.S. locations. The webcast of this call will be archived on the company's website and a replay of the call will be available from today through May 21st at 1-877-660-6853 from anywhere in the U.S. or 1-201-612-7415 from non-U.S. locations. The replay conference call access code is 13690009.

## **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 65+ 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 the company's X-ray



sources, digital detectors, connecting devices and imaging software in their systems to detect, diagnose and protect. Headquartered in Salt Lake City, Utah, Varex employs approximately 2,000 people located at manufacturing and service center sites in North America, Europe, and Asia. For more information visit [vareximaging.com](http://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 industry or market outlook; customer demand and acceptance of products or technology; R&D costs; potential impact of tariffs, revenues, product volumes, synergies; the contribution of Direct Conversion AB (publ) to our addressable market or revenues; earnings guidance for fiscal year 2019, 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 the company’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 restructuring charges being more than expected; the continued impact of tariffs or a global trade war on the company’s products and customer purchasing patterns; our ability to obtain the intended benefits and synergies of acquisitions; global economic conditions; demand for and delays in delivery of products of the company or its customers; 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; the company’s ability to maintain or increase margins; 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. The company assumes no obligation to update or revise the forward-looking statements in this release because of new information, future events, or otherwise.

###

For Information Contact:

Howard Goldman

Director of Investor & Public Relations

Varex Imaging Corporation

801.978.5274 | [howard.goldman@vareximaging.com](mailto:howard.goldman@vareximaging.com)

---

**VAREX IMAGING CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
(Unaudited)

(In millions, except for per share amounts)	Three Months Ended		Six Months Ended	
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
Revenues:				
Medical	\$ 148.9	\$ 158.5	\$ 292.8	\$ 297.7
Industrial	46.9	42.7	88.7	79.7
Total revenues	195.8	201.2	381.5	377.4
Gross margin:				
Medical	46.1	53.5	91.2	99.9
Industrial	18.3	16.6	33.2	31.7
Total gross margin	64.4	70.1	124.4	131.6
Operating Expenses:				
Research and development	18.8	22.0	37.6	41.8
Selling, general and administrative	31.1	30.9	61.9	59.1
Operating expenses	49.9	52.9	99.5	100.9
Operating earnings:	14.5	17.2	24.9	30.7
Interest income	0.1	—	0.1	0.1
Interest expense	(5.5)	(5.6)	(10.6)	(11.1)
Other (expense) income, net	(1.3)	4.1	(2.5)	3.1
Interest and other expense, net	(6.7)	(1.5)	(13.0)	(7.9)
Earnings before taxes	7.8	15.7	11.9	22.8
Taxes (benefit) on earnings	1.9	3.4	3.0	(1.1)
Net earnings	5.9	12.3	8.9	23.9
Less: Net earnings attributable to noncontrolling interests	0.1	0.1	0.1	0.3
Net earnings attributable to Varex	\$ 5.8	\$ 12.2	\$ 8.8	\$ 23.6
<b>Net earnings per common share attributable to Varex</b>				
Basic	\$ 0.15	\$ 0.32	\$ 0.23	\$ 0.62
Diluted	\$ 0.15	\$ 0.32	\$ 0.23	\$ 0.62
<b>Weighted average common shares outstanding</b>				
Basic	38.2	37.8	38.1	37.8
Diluted	38.5	38.4	38.4	38.3

**VAREX IMAGING CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

(In millions, except share amounts)	March 29, 2019	September 28, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 31.0	\$ 51.9
Accounts receivable, net	124.5	154.0
Inventories, net	261.2	235.1
Prepaid expenses and other current assets	20.6	17.1
Total current assets	437.3	458.1
Property, plant and equipment, net	137.1	144.9
Goodwill	243.6	243.6
Intangible assets	65.8	73.8
Investments in privately-held companies	52.0	51.0
Other assets	29.8	16.5
<b>Total assets</b>	\$ 965.6	\$ 987.9
<b>Liabilities, redeemable noncontrolling interests and equity</b>		
Current liabilities:		
Accounts payable	\$ 62.3	\$ 66.3
Accrued liabilities	51.7	47.5
Current maturities of long-term debt	29.4	25.0
Deferred revenues	12.9	13.2
Total current liabilities	156.3	152.0
Long-term debt	316.7	364.8
Deferred tax liabilities	19.0	23.2
Other long-term liabilities	27.6	8.5
Total liabilities	519.6	548.5
Redeemable noncontrolling interests	10.8	11.1
Equity:		
Preferred stock, \$.01 par value: 20,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value:		
Authorized shares - 150,000,000		
Shares issued and outstanding - 38,249,440 and 38,026,597 at March 29, 2019 and September 28, 2018, respectively.	0.4	0.4
Additional paid-in capital	363.1	357.6
Accumulated other comprehensive income	2.1	5.8
Retained earnings	67.7	62.4
Total Varex equity	433.3	426.2
Noncontrolling interests	1.9	2.1
Total equity	435.2	428.3
<b>Total liabilities, redeemable noncontrolling interests and equity</b>	\$ 965.6	\$ 987.9

---



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

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
<b>GROSS MARGIN RECONCILIATION</b>				
<b>Revenues</b>	\$ 195.8	\$ 201.2	\$ 381.5	\$ 377.4
<b>Gross margin</b>	\$ 64.4	\$ 70.1	\$ 124.4	\$ 131.6
Amortization of intangible assets	1.9	2.4	3.8	4.8
Restructuring charges	—	—	4.2	—
<b>Adjusted gross margin</b>	\$ 66.3	\$ 72.5	\$ 132.4	\$ 136.4
<b>Gross margin %</b>	32.9%	34.8%	32.6%	34.9%
<b>Adjusted gross margin %</b>	33.9%	36.0%	34.7%	36.1%
<b>OPERATING EARNINGS RECONCILIATION</b>				
<b>Operating earnings</b>	\$ 14.5	\$ 17.2	\$ 24.9	\$ 30.7
Amortization of intangible assets (includes amortization impacts to cost of revenues)	3.6	4.2	7.3	8.4
Separation and related costs	0.8	—	1.2	—
Restructuring charges (includes restructuring impact to cost of revenues)	1.1	1.7	6.2	1.7
Acquisition and integration related costs	0.7	0.4	0.7	0.8
Impairment charges	0.8	—	0.8	—
Other non-operational costs	1.5	0.2	1.5	0.2
<b>Total operating earnings adjustments</b>	\$ 8.5	\$ 6.5	\$ 17.7	\$ 11.1
<b>Adjusted operating earnings</b>	\$ 23.0	\$ 23.7	\$ 42.6	\$ 41.8
<b>Operating earnings margin</b>	7.4%	8.5%	6.5%	8.1%
<b>Adjusted operating earnings margin</b>	11.7%	11.8%	11.2%	11.1%
<b>EARNINGS BEFORE TAXES RECONCILIATION</b>				
<b>Earnings before taxes</b>	\$ 7.8	\$ 15.7	\$ 11.9	\$ 22.8
Total operating earnings adjustments	8.5	6.5	17.7	11.1
Acquisition and integration related costs	0.6	—	0.6	—
<b>Total earnings before taxes adjustments</b>	\$ 9.1	\$ 6.5	\$ 18.3	\$ 11.1
<b>Adjusted earnings before taxes</b>	\$ 16.9	\$ 22.2	\$ 30.2	\$ 33.9
<b>NET EARNINGS AND DILUTED NET EARNINGS PER SHARE RECONCILIATION</b>				
<b>Net earnings</b>	\$ 5.8	\$ 12.2	\$ 8.8	\$ 23.6
Total earnings before taxes adjustments	\$ 9.1	\$ 6.5	\$ 18.3	\$ 11.1
Estimated annual effective tax rate(1)	21.6%	21.7%	22.1%	23.8%
Tax effects of operating earnings adjustments	\$ (1.9)	\$ (1.4)	\$ (4.0)	\$ (2.6)
Non-operational tax adjustments	\$ —	\$ —	\$ —	\$ (6.1)
<b>Adjusted net earnings</b>	\$ 13.0	\$ 17.3	\$ 23.1	\$ 26.0
<b>Diluted net earnings per share</b>	\$ 0.15	\$ 0.32	\$ 0.23	\$ 0.62

<b>Adjusted diluted net earnings per share</b>	\$ 0.34	\$ 0.45	\$ 0.60	\$ 0.68
<b>Dilutive shares</b>	38.5	38.4	38.4	38.3

(1) Estimated annual effective rate applied excludes discrete items related to estimated impacts from U.S. tax reform.

---

## Discussion of Adjusted Non-GAAP Financial Measures

This press release includes adjusted 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 adjusted measures include: adjusted gross margin; adjusted operating earnings; adjusted operating earnings margin; adjusted net earnings; and adjusted net earnings per diluted share. We are providing a reconciliation above of each adjusted 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 adjusted 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 adjusted, 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 adjusted 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 adjusted 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 adjusted 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.

Adjustments to 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.

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.

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 normal business operations. These may include such items as non-ordinary course litigation, legal settlements, environmental settlements, governmental settlements including tax settlements and other items of similar nature.

Tax effects of operating earnings adjustments: We apply our GAAP consolidated effective tax rate to our adjusted 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.