

VAREX IMAGING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In millions, except for per share amounts)	Three Months Ended		Twelve Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Revenues, net				
Medical	\$ 163.7	\$ 181.5	\$ 673.3	\$ 674.7
Industrial	63.7	49.9	220.1	184.7
Total revenues	227.4	231.4	893.4	859.4
Gross profit				
Medical	52.8	56.8	205.5	210.5
Industrial	25.2	17.7	84.8	73.0
Total gross profit	78.0	74.5	290.3	283.5
Operating expenses:				
Research and development	21.8	20.2	84.8	77.0
Selling, general and administrative	31.9	29.7	128.4	118.3
Total operating expenses	53.7	49.9	213.2	195.3
Operating income	24.3	24.6	77.1	88.2
Interest income	1.6	0.2	3.7	0.4
Interest expense	(7.2)	(9.4)	(29.3)	(39.8)
Other expense, net	(17.7)	(1.3)	(20.2)	(4.3)
Interest and other expense, net	(23.3)	(10.5)	(45.8)	(43.7)
Income before taxes	1.0	14.1	31.3	44.5
Income tax (benefit) expense	(31.0)	0.9	(17.4)	13.7
Net income	32.0	13.2	48.7	30.8
Less: Net income attributable to noncontrolling interests	0.1	0.1	0.5	0.5
Net income attributable to Varex	\$ 31.9	\$ 13.1	\$ 48.2	\$ 30.3
Net income per common share attributable to Varex				
Basic	\$ 0.79	\$ 0.33	\$ 1.20	\$ 0.76
Diluted	\$ 0.66	\$ 0.32	\$ 1.08	\$ 0.73
Weighted average common shares outstanding				
Basic	40.4	40.0	40.3	39.8
Diluted	50.5	40.9	50.3	41.6

VAREX IMAGING CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share and per share amounts)	September 29, 2023	September 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 152.6	\$ 89.4
Account receivable, net	163.6	173.3
Inventories, net	277.5	303.2
Prepaid expenses and other current assets	64.6	44.0
Total current assets	658.3	609.9
Property, plant and equipment, net	143.6	141.3
Goodwill	288.5	284.5
Intangible assets, net	22.4	33.6
Investments in privately-held companies	29.0	46.4
Deferred tax assets	41.3	2.3
Operating lease assets	29.0	23.2
Other assets	37.5	43.2
Total assets	\$ 1,249.6	\$ 1,184.4
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 64.7	\$ 78.2
Accrued liabilities and other current liabilities	82.6	81.4
Current operating lease liabilities	3.8	4.0
Current maturities of long-term debt	1.5	2.1
Deferred revenues	10.2	7.4
Total current liabilities	162.8	173.1
Long-term debt, net	441.1	412.3
Deferred tax liabilities	—	0.5
Operating lease liabilities	23.1	18.0
Other long-term liabilities	41.6	33.8
Total liabilities	668.6	637.7
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: 40,529,573 and 40,085,126 at September 29, 2023 and September 30, 2022, respectively	0.4	0.4
Additional paid-in capital	450.4	469.1
Accumulated other comprehensive (loss) income	(1.2)	0.1
Retained earnings	118.1	63.8
Total Varex stockholders' equity	567.7	533.4
Noncontrolling interests	13.3	13.3
Total stockholders' equity	581.0	546.7
Total liabilities and stockholders' equity	\$ 1,249.6	\$ 1,184.4

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

(In millions, except per share amounts)	Three Months Ended		Twelve Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
GROSS PROFIT RECONCILIATION				
Revenues, net	\$ 227.4	\$ 231.4	\$ 893.4	\$ 859.4
Gross profit	78.0	74.5	290.3	283.5
Amortization of intangible assets	1.9	1.7	7.3	7.2
Other non-operational costs	1.1	—	1.1	—
Non-GAAP gross profit	\$ 81.0	76.2	298.7	290.7
Gross margin	34.3 %	32.2 %	32.5 %	33.0 %
Non-GAAP gross margin	35.6 %	32.9 %	33.4 %	33.8 %
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE RECONCILIATION				
Selling, general and administrative	\$ 31.9	\$ 29.7	\$ 128.4	\$ 118.3
Amortization of intangible assets	1.6	1.7	6.4	7.4
Restructuring charges	1.0	1.7	3.2	7.3
Other non-operational costs	(0.3)	(0.6)	4.3	1.4
Non-GAAP selling, general and administrative expense	\$ 29.6	\$ 26.9	\$ 114.5	\$ 102.2
OPERATING EXPENSE RECONCILIATION				
Total operating expenses	\$ 53.7	\$ 49.9	\$ 213.2	\$ 195.3
Amortization of intangible assets	1.6	1.7	6.4	7.4
Restructuring charges	1.0	1.7	3.2	7.3
Other non-operational costs	(0.3)	(0.6)	4.3	1.4
Non-GAAP operating expense	\$ 51.4	\$ 47.1	\$ 199.3	\$ 179.2

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(Unaudited)

(In millions, except per share amounts)	Three Months Ended		Twelve Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
OPERATING INCOME RECONCILIATION				
Operating income	\$ 24.3	\$ 24.6	\$ 77.1	\$ 88.2
Amortization of intangible assets (includes amortization impacts to cost of revenues)	3.5	3.4	13.7	14.6
Restructuring charges (includes restructuring impact to cost of revenues)	1.0	1.7	3.2	7.3
Other non-operational costs (includes other non-operational impacts to cost of revenues)	0.8	(0.6)	5.4	1.4
Total operating income adjustments	5.3	4.5	22.3	23.3
Non-GAAP operating income	\$ 29.6	\$ 29.1	\$ 99.4	\$ 111.5
Operating margin	10.7 %	10.6 %	8.6 %	10.3 %
Non-GAAP operating margin	13.0 %	12.6 %	11.1 %	13.0 %

INCOME BEFORE TAXES RECONCILIATION

Income before taxes	\$ 1.0	\$ 14.1	\$ 31.3	\$ 44.5
Total operating income adjustments	5.3	4.5	22.3	23.3
Convertible notes non-cash interest expense	—	2.3	—	8.8
Investment impairment charges	16.4	—	16.4	—
Other non-operational costs	—	—	—	1.2
Total income before taxes adjustments	21.7	6.8	38.7	33.3
Non-GAAP income before taxes	\$ 22.7	\$ 20.9	\$ 70.0	\$ 77.8

INCOME TAX (BENEFIT) EXPENSE RECONCILIATION

Income tax (benefit) expense	\$ (31.0)	\$ 0.9	\$ (17.4)	\$ 13.7
Tax effect on non-GAAP adjustments	(32.4)	(2.7)	(29.1)	(6.1)
Non-GAAP income tax (benefit) expense	\$ 1.4	\$ 3.6	\$ 11.7	\$ 19.8

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RECONCILIATION BETWEEN GAAP AND NON-GAAP FINANCIAL MEASURES
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
(In millions, except per share amounts)				
NET INCOME AND DILUTED NET INCOME PER SHARE RECONCILIATION				
Net income attributable to Varex	\$ 31.9	\$ 13.1	\$ 48.2	\$ 30.3
Total income before taxes adjustments	21.7	6.8	38.7	33.3
Effective tax rate on non-GAAP adjustments	(149.3)%	(39.7)%	(75.2)%	(18.3)%
Tax effect on non-GAAP adjustments	(32.4)	(2.7)	(29.1)	(6.1)
Non-GAAP net income	21.2	17.2	57.8	57.5
Interest expense on Convertible Notes, net of tax	1.5	—	6.2	—
Diluted Non-GAAP net income	22.7	17.2	64.0	57.5
Diluted net income per share	0.66	0.32	1.08	0.73
Non-GAAP diluted net income per share	\$ 0.45	\$ 0.42	\$ 1.27	\$ 1.43
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING RECONCILIATION				
GAAP weighted average common shares - dilutive	50.5	40.9	50.3	41.6
Dilution offset from convertible notes hedge transaction	—	(0.5)	—	(1.3)
Non-GAAP dilutive shares	50.5	40.4	50.3	40.3
ADJUSTED EBITDA RECONCILIATION				
Net income attributable to Varex	\$ 31.9	\$ 13.1	\$ 48.2	\$ 30.3
Interest expense	7.2	9.4	29.3	38.6
Income tax (benefit) expense	(31.0)	0.9	(17.4)	13.7
Depreciation	5.3	4.7	19.5	19.0
Amortization	3.5	3.4	13.7	14.6
Stock based compensation	3.4	3.3	13.5	14.0
Restructuring charges	1.0	1.7	3.2	7.3

Impairment charges	16.4	—	16.4	—
Other non-operational costs	0.8	(0.6)	5.4	2.6
Adjusted EBITDA	<u>\$ 38.5</u>	<u>\$ 35.9</u>	<u>\$ 131.8</u>	<u>\$ 140.1</u>

Discussion of Non-GAAP Financial Measures

This press release includes non-GAAP financial measures derived from our Consolidated Statements of Operations. 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 selling, general and administrative expense; non-GAAP operating expense; non-GAAP operating income; non-GAAP operating margin; non-GAAP income before taxes; non-GAAP income tax (benefit) expense; non-GAAP net income; non-GAAP diluted net income per share, non-GAAP dilutive shares; and adjusted 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 income 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.