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Q1 FY24 Earnings Presentation
February 6, 2024

Forward Looking Statements / Non-GAAP Measures

Forward Looking Statements

This supplement contains “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements concerning revenue and earnings guidance; supply chain and logistics challenges; cost increases and expense management; changes in U.S. and worldwide economic conditions, such as the impact of inflation, and fluctuations in foreign currency exchange rates; geopolitical tensions; industry or market segment outlook; market acceptance of or transition to new products or technologies such as advanced X-ray tube and digital flat panel detector products; growth drivers; future orders, revenues, backlog, earnings or other financial results; and any statements using the terms “believe,” “expect,” “anticipate,” “can,” “should,” “would,” “could,” “estimate,” “may,” “intend,” “potential,” and “possible” or similar statements are forward-looking statements that involve risks and uncertainties that could cause our actual results and the outcome and timing of certain events to differ materially from those projected or management’s current expectations.

These forward-looking statements are based on the beliefs of, estimates made by, and information currently available to the management of Varex . Actual results and the outcome or timing of certain events described in these forward-looking statements are subject to risk and uncertainties and may differ materially from those described. Important factors that could cause our actual results and financial condition to differ significantly from our projections or expectations include, among other things, the following: reduction in or loss of business of one or more of our limited OEM customers; loss of business to, and an inability to effectively compete with, competitors; pricing pressures and other factors that could result in margin erosion and loss of customers; failure to meet customers’ needs and demands; global, regional, and country-specific economic instability, shifting political environments, changing tax treatment, reactionary import/export regulatory regimes, and other risks associated with international manufacturing, operations, and sales; supply chain disruptions resulting in delayed product delivery, and increased costs as a result of reliance on a limited number of suppliers for certain key components; inability to maintain or defend our intellectual property rights, and high cost of protecting our intellectual property and defending against infringement claims; disruption of critical information systems or material breaches in the security of our systems; noncompliance with regulations applicable to marketing, manufacturing, labeling, and distributing our products and delays in obtaining regulatory clearances or approvals; limitations imposed by operating and financial restrictions of our debt financing agreements could harm our long-term interests, limit our ability to make payments on our debt obligations, and impact our ability to maintain sufficient liquidity and/or to refinance our debt obligations; 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 statement made in this supplement is based only on information currently available to Varex and our management and speaks only as of the date on which it is made. We assume no obligation to, and you should not expect us 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 presentation includes financial measurements that are not required by, or presented in accordance with, generally accepted accounting principles in the United States (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 Q1FY24 earnings release at www.vareximaging.com and the reconciliation contained at the end of this presentation.



Q1 FY24 Results



Revenue
\$190M

Non-GAAP
Gross Margin¹
31%

Non-GAAP
EPS¹
\$0.06

Cash, Cash Equiv.,
& Mkt. Sec.²
\$195M

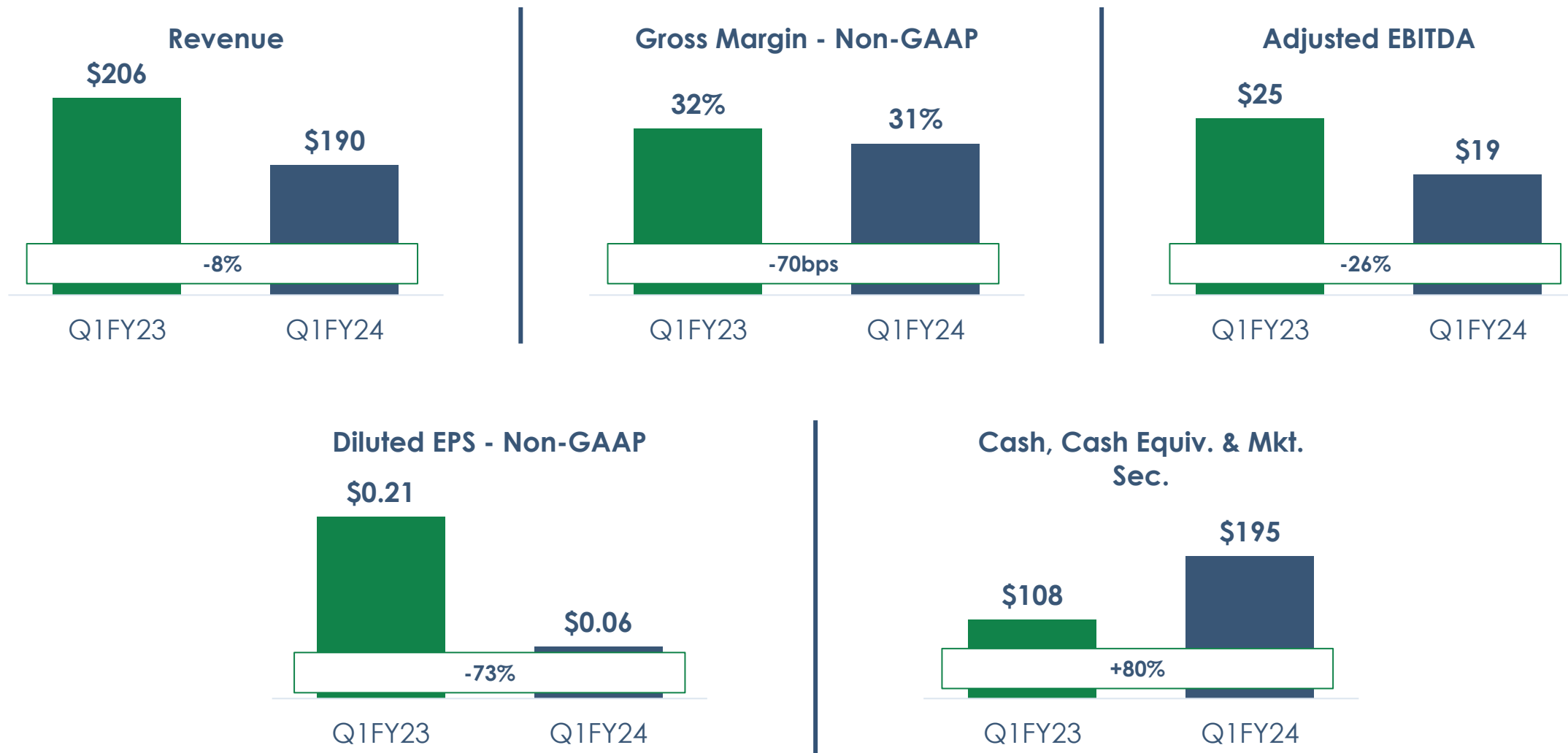
- Softer demand in both Medical and Industrial
- China business continues to be disrupted
- Gross margin impacted by lower volume and unfavorable mix

¹Non-GAAP. For a reconciliation to the most directly comparable GAAP financial measure please refer to the reconciliation at the end of this supplement.

²Cash & cash equivalents (\$141M) + Marketable securities (\$53M) + certificates of deposit (\$1M).



Q1 FY24 Year-over-Year Performance



Note: \$millions except for per share data

Q1 FY24 Sales Performance¹



CT	
Fluoroscopy	
Oncology	
Dental	

Mammography	
Radiography & Others	
Industrial	



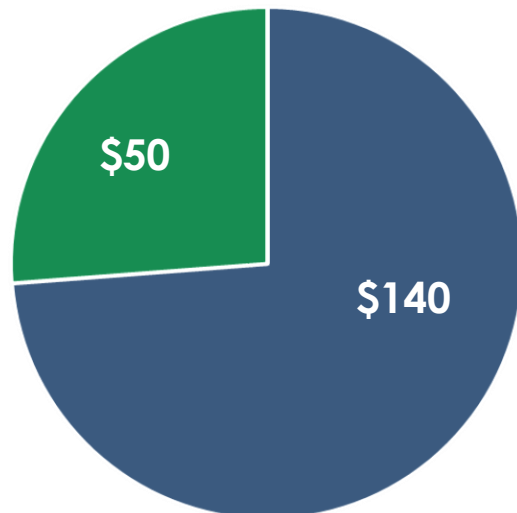
¹Sales performance is Q1FY24 sales compared to five quarter average trend

Q1 FY24 Revenue Details



Segment Mix

(\$ in millions)

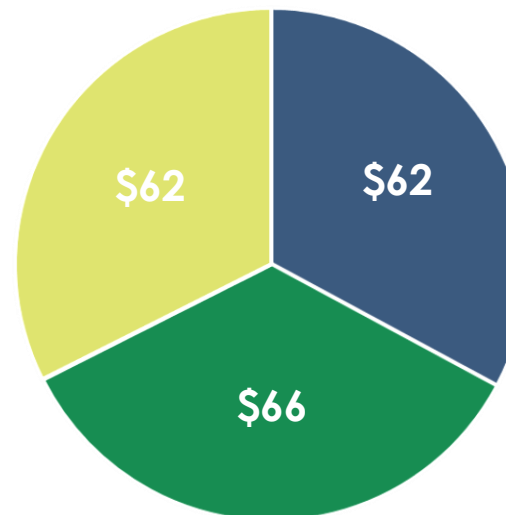


■ Medical ■ Industrial

Revenue, \$M	Q1 24	Q4 23	Q3 23	Q2 23	Q1 23
Medical	140	164	175	174	160
Industrial	50	64	57	54	46

Geographic Mix

(\$ in millions)



■ Americas ■ EMEA ■ APAC

Revenue, \$M	Q1 24	Q4 23	Q3 23	Q2 23	Q1 23 ¹
Americas	62	74	73	68	67
EMEA	66	78	77	70	65
APAC	62	75	82	91	74

¹Amounts for Q123 have been adjusted from how they were originally reported.



Quarterly Results - GAAP



\$ in Millions, except per share data	Q1 FY24	Q4 FY23	Q1 FY23
Revenue	\$190	\$227	\$206
Gross Margin	30%	34%	31%
Operating Expenses	\$53 28%	\$54 24%	\$50 24%
Operating Income	\$4 2%	\$24 11%	\$13 6%
Net Earnings¹	(\$1)	\$32	\$3
EPS, diluted	(\$0.01)	\$0.66	\$0.08
Avg. shares, diluted ²	40.6	50.5	40.6

¹Net earnings does not include the \$1.5m add back associated with the adoption of ASU 2020-06, which started for Varex in Q1FY23.

²Average diluted share count of 50.5m in Q4FY23 is due to the adoption of ASU 2020-06, which started for Varex in Q1FY23.



Quarterly results – Non-GAAP¹

\$ in Millions, except per share data	Q1 FY24	Q4 FY23	Q1 FY23
Revenue	\$190	\$227	\$206
Gross Margin (Non-GAAP)	31%	36%	32%
Operating Expenses (Non-GAAP)	\$49 26%	\$51 23%	\$47 23%
Operating Income (Non-GAAP)	\$10 5%	\$30 13%	\$18 9%
Net Earnings (Non-GAAP)²	\$2	\$21	\$8
EPS, diluted (Non-GAAP) Avg. shares, diluted ³	\$0.06 40.6	\$0.45 50.5	\$0.21 40.6

¹Please see slide 13 for a reconciliation of Q4FY23 non-GAAP financials. Prior quarters can be found on our website at www.vareximaging.com/financial-reports

²Net earnings does not include the \$1.5m add back associated with the adoption of ASU 2020-06, which started for Varex in Q1FY23.

³Average diluted share count of 50.5m in Q4FY23 is due to the adoption of ASU 2020-06, which started for Varex in Q1FY23.



Select Balance Sheet Data

\$ in Millions	Q1 FY24	Q4 FY23	Q1 FY23
Assets			
Cash, Cash Equiv., Mkt. Sec. & CDs	\$195	\$195	\$108
Accounts Receivable, net	\$140	\$164	\$158
Inventories	\$290	\$278	\$320
Total Assets	\$1,242	\$1,250	\$1,181
Liabilities			
Accounts Payable	\$74	\$65	\$86
Total Debt, net	\$443	\$443	\$443
Total Liabilities & Equity	\$1,242	\$1,250	\$1,181
Working Capital Performance	Q1 FY24	Q4 FY23	Q1 FY23
DSO (in days)	67	65	70
DOI	198	169	203
DPO	50	39	55



Select Debt and Cash Flow Statement Data

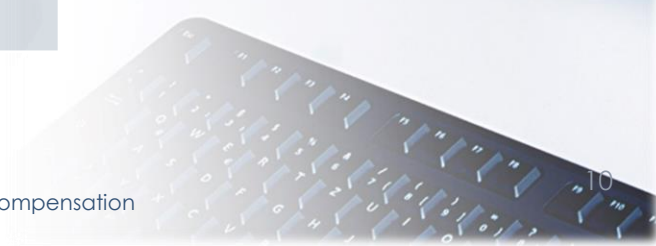
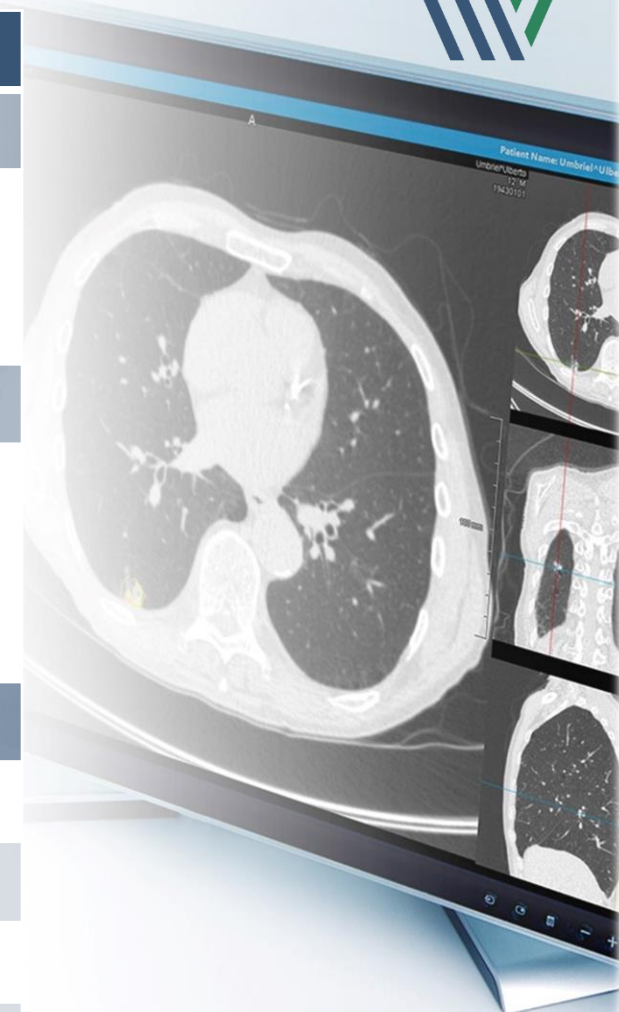


\$ in Millions	Q1 FY24	Q4 FY23	Q1 FY23
Debt			
Gross Debt ¹ (Ratings: Moody's B2 / S&P BB-)	\$448	\$448	\$450
Net Debt ²	\$253	\$253	\$342
Adjusted EBITDA³			
Adjusted EBITDA	\$19	\$38	\$25
Adjusted EBITDA (TTM)	\$125	\$132	\$136
Net debt leverage (TTM)	2.0x	1.9x	2.5x
Cash Flow Statement Summary			
Cash Flow from Operations	\$10	\$47	(\$4)
Capital Expenditures	(\$10)	(\$5)	(\$6)
Cash Interest	(\$14)	-	(\$14)
Cash Taxes	(\$3)	\$7	(\$5)

¹Gross Debt includes Total Debt, net of \$443m + mortgage of \$5m in Q1FY24 & Q4FY23 and \$7M in Q1FY23.

²Net Debt is defined as gross debt less cash & cash equivalents, marketable securities and CDs.

³Adjusted 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 Q2 FY24



Guidance	Non-GAAP
Revenues, \$M	\$195 - \$215
EPS Per Diluted Share	\$0.10 - \$0.30
Assumptions	Non-GAAP
Gross Margin	32% - 33%
Operating Expenses, \$M	\$49 - \$50





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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

Revenues, net

Gross profit

Amortization of intangible assets

Non-GAAP gross profit

Gross margin %

Non-GAAP gross margin %

	Three Months Ended	
	December 29, 2023	December 30, 2022
	\$ 190.0	\$ 205.6
	57.1	63.3
	1.8	1.8
	\$ 58.9	\$ 65.1
	30.1 %	30.8 %
	31.0 %	31.7 %



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



(In millions, except per share amounts)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE RECONCILIATION

Selling, general, and administrative
 Amortization of intangible assets
 Restructuring charges
 Other non-operational costs
 Non-GAAP selling, general, and administrative expense

	Three Months Ended	
	December 29, 2023	December 30, 2022
	\$ 32.4	\$ 30.3
	1.8	1.6
	0.1	0.7
	1.9	0.6
	\$ 28.6	\$ 27.4

OPERATING EXPENSE RECONCILIATION

Total operating expenses
 Amortization of intangible assets
 Restructuring charges
 Other non-operational costs
 Non-GAAP operating expense

	\$ 52.9	\$ 50.3
	1.8	1.6
	0.1	0.7
	1.9	0.6
	\$ 49.1	\$ 47.4



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



(In millions, except per share amounts)

	Three Months Ended	
	December 29, 2023	December 30, 2022
OPERATING INCOME RECONCILIATION		
Operating income	\$ 4.2	\$ 13.0
Amortization of intangible assets (includes amortization impacts to cost of revenues)	3.6	3.4
Restructuring charges (includes restructuring impact to cost of revenues)	0.1	0.7
Other non-operational costs (includes other non-operational impacts to cost of revenues)	1.9	0.6
Total operating income adjustments	5.6	4.7
Non-GAAP operating income	\$ 9.8	\$ 17.7
Operating margin	2.2 %	6.3 %
Non-GAAP operating margin	5.2 %	8.6 %



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



	Three Months Ended	
	December 29, 2023	December 30, 2022
(In millions, except per share amounts)		
INCOME (LOSS) BEFORE TAXES RECONCILIATION		
(Loss) income before taxes	\$ (0.6)	\$ 5.4
Total operating earnings adjustments	5.6	4.7
Acquisition related (benefit) costs	(2.1)	—
Other non-operational costs	0.1	—
Total income before tax adjustments	3.6	4.7
Non-GAAP income before taxes	\$ 3.0	\$ 10.1
INCOME TAX EXPENSE RECONCILIATION		
Income tax (benefit) expense	\$ (0.2)	\$ 2.2
Tax effect on non-GAAP adjustments	(0.8)	0.7
Non-GAAP income tax expense	\$ 0.6	\$ 1.5
NET (LOSS) INCOME AND DILUTED NET (LOSS) INCOME PER SHARE RECONCILIATION		
Net (loss) income attributable to Varex	\$ (0.5)	\$ 3.1
Total earnings before taxes adjustments	3.6	4.7
Effective tax rate on non-GAAP adjustments	22.2 %	(14.9)%
Tax effect on non-GAAP adjustments	(0.8)	0.7
Diluted Non-GAAP net income	2.3	8.5
Diluted net (loss) income per share	(0.01)	0.08
Non-GAAP diluted net income (loss) per share	\$ 0.06	\$ 0.21



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



(In millions, except per share amounts)

ADJUSTED EBITDA RECONCILIATION

Net (loss) income attributable to Varex

Interest expense
 Income tax expense
 Depreciation
 Amortization
 Stock based compensation
 Restructuring charges
 Acquisition related (benefit) costs
 Other non-operational costs
 Adjusted EBITDA

	Three Months Ended	
	December 29, 2023	December 30, 2022
	\$ (0.5)	\$ 3.1
Interest expense	7.3	7.5
Income tax expense	(0.2)	2.2
Depreciation	5.1	4.6
Amortization	3.6	3.4
Stock based compensation	3.7	3.3
Restructuring charges	0.1	0.7
Acquisition related (benefit) costs	(2.1)	—
Other non-operational costs	2.0	0.6
Adjusted EBITDA	\$ 19.0	\$ 25.4



Effect of Convertible Note Hedge and Warrants on Non-GAAP Diluted Share count



<u>Impact of Warrants and Convertible Note Hedge at Various Share Prices</u>		
Share Price*	Impact of Warrants on GAAP Diluted Shares	Shares added back for non-GAAP related to convertible note hedge Non-GAAP Diluted 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	9,610	1,609,600
\$26.00	378,840	1,917,292
\$27.00	720,720	2,202,193
\$28.00	1,038,180	2,466,743
\$29.00	1,333,746	2,713,048
\$30.00	1,609,608	2,942,933
\$31.00	1,867,672	3,157,987
\$32.00	2,109,608	3,359,600
\$33.00	2,336,880	3,548,994
\$34.00	2,550,784	3,727,247
\$35.00	2,752,464	3,895,314



Illustrative Impact of ASU 2020-06



Quarterly ASU 2020-06 Share Count Illustration

GAAP			NON-GAAP*		
Net Income before effect of Convertible Notes (\$M)	Add-back of After-tax Interest Expense	Incremental Dilutive Shares for EPS Calculation	Net Income before effect of Convertible Notes (\$M)	Add-back of After-tax Interest Expense	Incremental Dilutive Shares for EPS Calculation
\$1	\$0.0	0	\$7	\$0.0	0
\$4	\$0.0	0	\$10	\$0.0	0
\$5	\$0.0	0	\$11	\$0.0	0
\$6	\$0.0	0	\$12	\$0.0	0
\$7	\$1.5	10	\$13	\$1.5	10
\$8	\$1.5	10	\$14	\$1.5	10
\$9	\$1.5	10	\$15	\$1.5	10
\$10 and above	\$1.5	10	\$16	\$1.5	10

Annual ASU 2020-06 Share Count Illustration

GAAP			NON-GAAP*		
Net Income before effect of Convertible Notes (\$M)	Add-back of After-tax Interest Expense	Incremental Dilutive Shares for EPS Calculation	Net Income before effect of Convertible Notes (\$M)	Add-back of After-tax Interest Expense	Incremental Dilutive Shares for EPS Calculation
\$0	\$0.0	0	\$22	\$0.0	0
\$10	\$0.0	0	\$32	\$0.0	0
\$20	\$0.0	0	\$42	\$0.0	0
\$30	\$6.2	10	\$52	\$6.2	10
\$40	\$6.2	10	\$62	\$6.2	10
\$50 and above	\$6.2	10	\$72	\$6.2	10

Note: The table above assumes 41 million diluted shares for GAAP earnings per share as a starting point and various other estimates. The tables above are illustrative only and actual results may differ from those presented above.

* Non-GAAP shares include the benefit of call option issued by the company in association with its convertible notes issued June 2020

Discussion of Non – GAAP Financial Measures



This presentation includes non-GAAP financial measures derived from our Condensed 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 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 presentation 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 our 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 our 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 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 our Convertible Senior Unsecured Notes (the Convertible Notes) in June 2020, we 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 our 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 we have GAAP net income, the non-GAAP diluted share count includes the anti-dilutive impact of our Hedge Transactions, which reduces the potential dilution that otherwise would occur upon conversion of our 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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