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Q1 FY25 Earnings Presentation
February 6, 2025

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 financial results; earnings guidance; product demand; expected future financial results or performance; 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, including legislative, tariffs, and trade policy reforms by the new U.S. administration and retaliatory actions by other countries, and uncertainty resulting therefrom; industry or business outlook; customer 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, market share, backlog, earnings or other financial results; and any statements using the terms “believe,” “expect,” “anticipate,” “can,” “should,” “would,” “could,” “estimate,” “expand,” “drive,” “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.

While forward-looking statements are based on assumptions and analyses made by the management of Varex that it believes to be reasonable under the circumstances, whether actual results and developments will meet such expectations depends on a number of risk and uncertainties which could cause actual results, performance, and financial condition to differ materially from such expectations. Such risks and uncertainties include: 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; market erosion or loss of customers due to pricing pressures and other factors; failure to meet customers’ needs and demands; economic instability, shifting political environments, changing tax treatment, reactionary import/export regulatory, tariff and trade policy regimes, and other risks associated with doing business internationally; supply chain disruptions; inability to maintain or defend our intellectual property rights, and the high cost of protecting such rights and defending against infringement claims; disruption of critical information systems or material security breaches in the security of such systems; noncompliance with product-related regulations and delays in obtaining regulatory clearances or approvals; limitations imposed by operating and financial restrictions of our debt financing agreements; 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 presentation 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. We assume 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 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 our Q1FY25 earnings release at www.vareximaging.com and the reconciliation contained at the end of this presentation.

Q1 FY25 Results



Revenue
\$200M

**Non-GAAP
Gross Margin¹**
35%

**Non-GAAP
EPS¹**
\$0.07

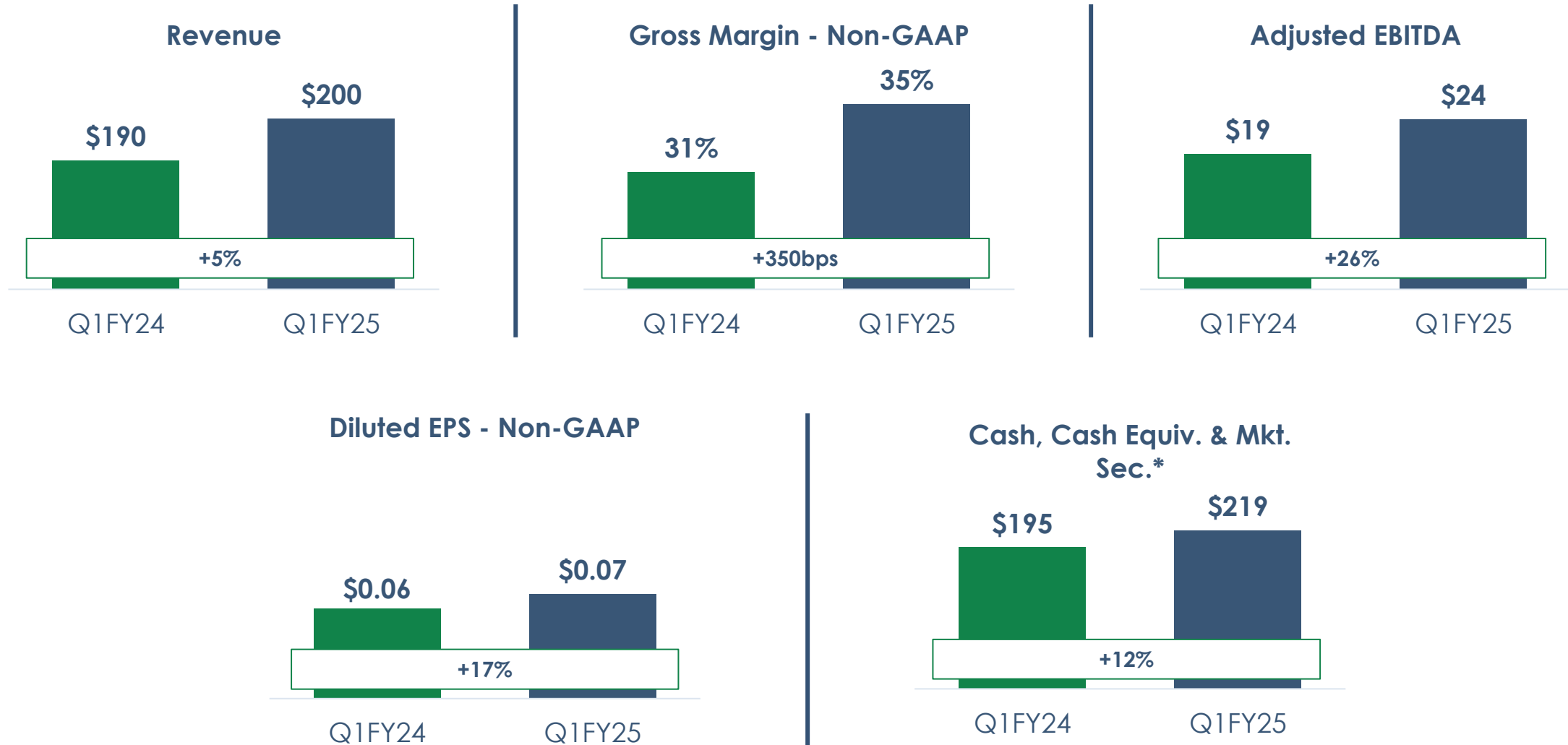
**Cash, Cash Equiv.,
& Mkt. Sec.²**
\$219M

- **Solid demand in the quarter across both segments**
- **Headwinds from inventory destocking & China subsiding**
- **Revenue potential not fully realized in the quarter**
- **Gross margin benefited from favorable mix & productivity**
- **Solid cash generation**

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 (\$176M) + Marketable securities (\$43M). Cash, cash equivalents and marketable securities balance excludes restricted cash of \$124M raised from the Senior Secured debt offering in December 2024

Q1 FY25 Year-over-Year Performance



Note: \$millions except for per share data

* Cash, cash equivalents and marketable securities balance excludes restricted cash of \$124M raised from the Senior Secured debt offering in December 2024.

2/6/2025

Q1 FY25 Sales Performance¹



CT	
Fluoroscopy	
Oncology	
Dental	

Mammography	
Radiography & Others	
Industrial	



¹Sales performance is Q1FY25 sales compared to five quarter average trend

Varex's Portfolio of Cargo and Vehicle Inspection Systems

Solid interest and adoption in newly launched security screening systems business



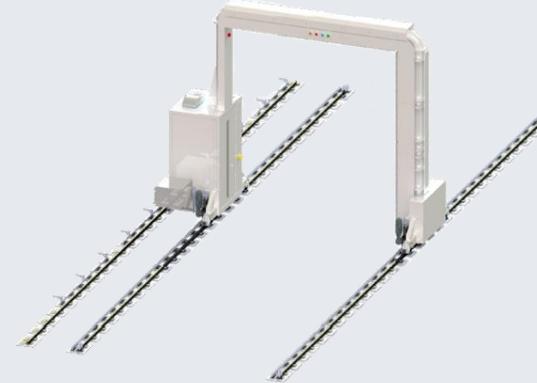
Mobile System



VXM-6

Mobile Cargo and Vehicle Inspection System

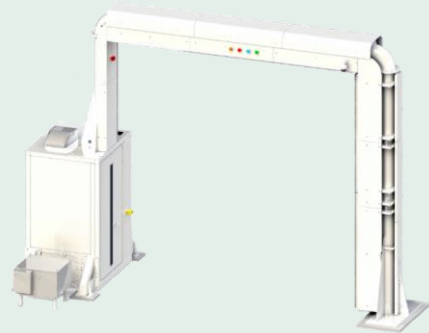
Gantry System



VXG-6

Gantry Cargo and Vehicle Inspection System

Portal System



VXP-6

Drive Through Cargo and Vehicle Inspection System

Car Scanner



VXC-300

Drive Through Car and Small Vehicle Scanning System

Recently received orders for Mobile and Portal Systems valued at approximately \$14M

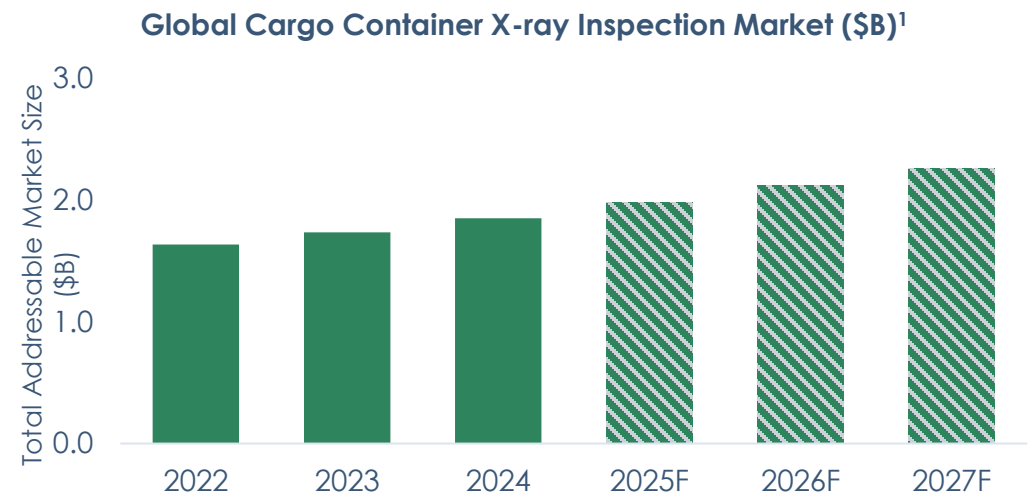
Security and Cargo Inspection Systems Update



Varex's Entry into Large Established and Growing Global Security Systems Market

- Leveraging imaging component expertise as a global leader in linear accelerator and high energy imaging technologies
- Vertically integrated systems and services
- Provide differentiated value directly to end customers
- Systems installations expected to drive future service revenues

- >\$1B TAM expected to grow at 7% CAGR over next 5 years
- Demand driven by global security threats & correct declaration of goods transported across borders

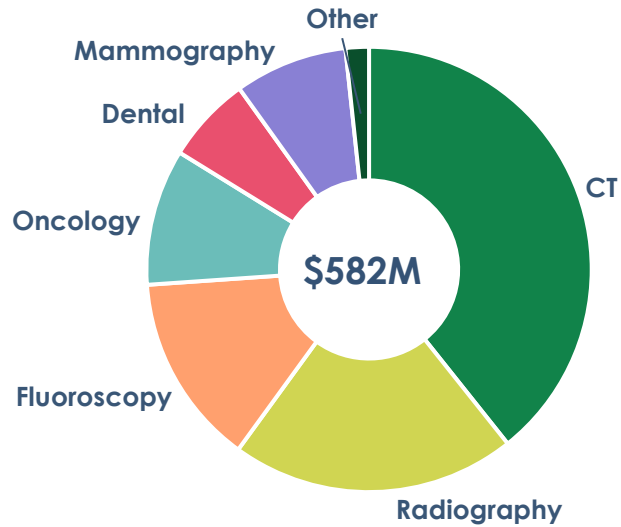


FY24 Revenue Splits

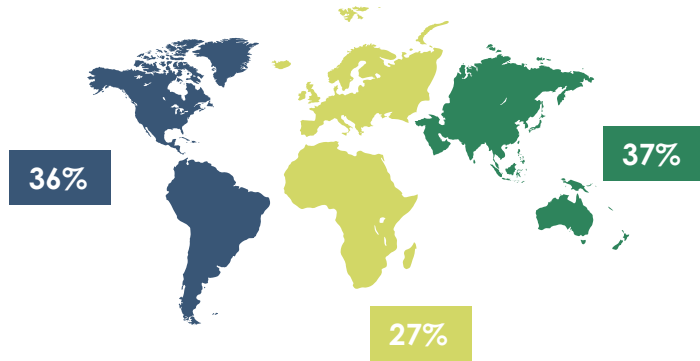


Medical

FY2024 Revenue by Modality

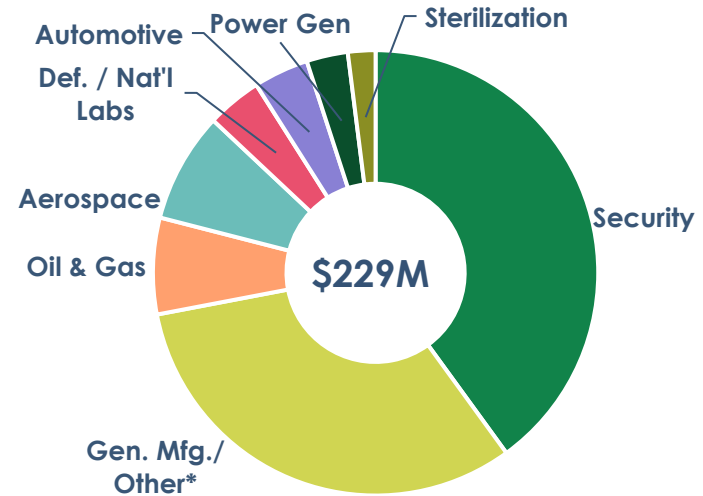


FY2024 Revenue by Geography

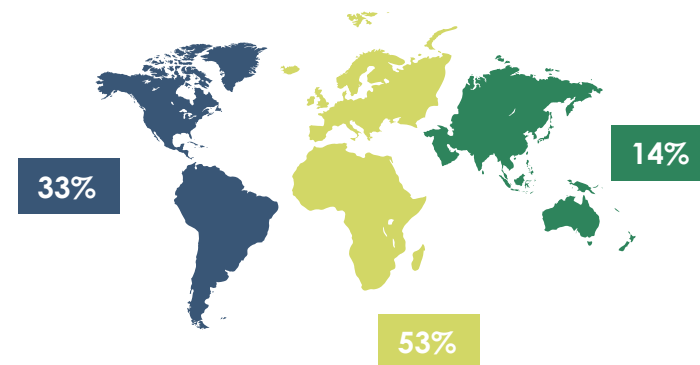


Industrial

FY2024 Revenue by Vertical



FY2024 Revenue by Geography

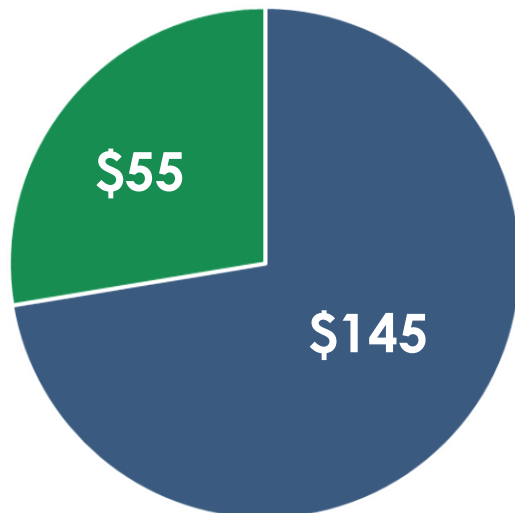


Q1 FY25 Revenue Details



Segment Mix

(\$ in millions)

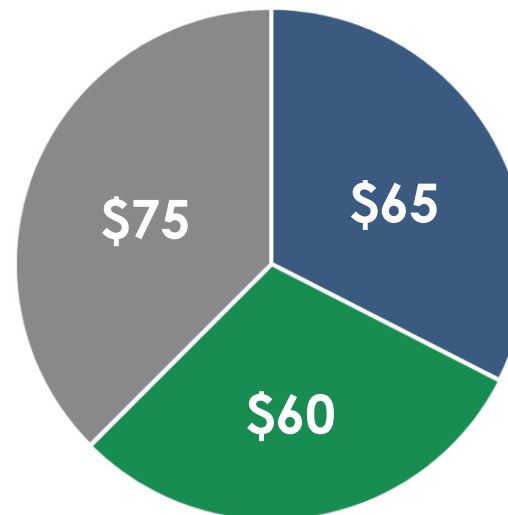


■ Medical ■ Industrial

Revenue, \$M	Q1 25	Q4 24	Q3 24	Q2 24	Q1 24
Medical	145	144	149	149	140
Industrial	55	61	60	57	50

Geographic Mix

(\$ in millions)



■ Americas ■ EMEA ■ APAC

Revenue, \$M	Q1 25	Q4 24	Q3 24	Q2 24	Q1 24
Americas	65	66	70	68	62
EMEA	60	72	71	72	66
APAC	75	68	68	66	62



Quarterly Results - GAAP



\$ in Millions, except per share data	Q1 FY25	Q4 FY24	Q1 FY24
Revenue	\$200	\$206	\$190
Gross Margin	34%	33%	30%
Operating Expenses	\$57 29%	\$56 27%	\$53 28%
Operating Income	\$11 6%	\$11 5%	\$4 2%
Net Earnings	(\$0)	(\$50)	(\$1)
EPS, diluted Avg. shares, diluted	(\$0.01) 41.1	(\$1.22) 40.9	(\$0.01) 40.6



Quarterly Results – Non-GAAP¹



\$ in Millions, except per share data	Q1 FY25	Q4 FY24	Q1 FY24
Revenue	\$200	\$206	\$190
Gross Margin (Non-GAAP)	35%	33%	31%
Operating Expenses (Non-GAAP)	\$55 27%	\$53 26%	\$49 26%
Operating Income (Non-GAAP)	\$14 7%	\$15 7%	\$10 5%
Net Earnings (Non-GAAP)	\$3	\$8	\$2
EPS, diluted (Non-GAAP)	\$0.07	\$0.19	\$0.06
Avg. shares, diluted	41.1	40.9	40.6

¹Please see slide 16-21 for a reconciliation of Q1FY25 non-GAAP financials. Prior quarters can be found on our website at www.vareximaging.com/financial-reports



Select Balance Sheet Data



\$ in Millions	Q1 FY25	Q4 FY24	Q1 FY24
Assets			
Cash, Cash Equiv., & Mkt. Sec. ¹	\$219	\$213	\$195
Accounts Receivable, net	\$138	\$158	\$140
Inventories, net	\$280	\$265	\$290
Total Assets	\$1,333	\$1,217	\$1,242
Liabilities			
Accounts Payable	\$66	\$59	\$74
Total Debt, net	\$567	\$443	\$443
Total Liabilities & Equity	\$1,333	\$1,217	\$1,242

Working Capital Performance	Q1 FY25	Q4 FY24	Q1 FY24
DSO (in days)	68	70	67
DOI	209	174	198
DPO	49	39	50

¹Q1FY25 Cash, cash equivalents and marketable securities balance excludes restricted cash of \$124M raised from the Senior Secured debt offering in December 2024



Select Debt and Cash Flow Statement Data

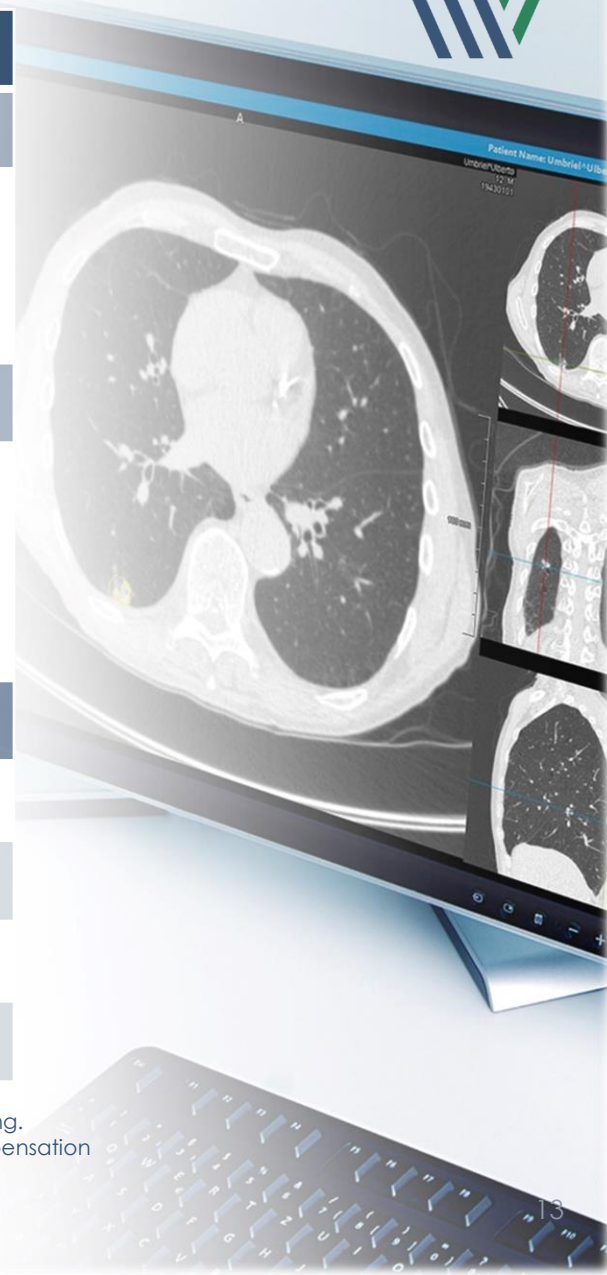


\$ in Millions	Q1 FY25	Q4 FY24	Q1 FY24
Debt			
Gross Debt ¹ (Ratings: Moody's B2 / S&P BB-)	\$571	\$447	\$448
Net Debt ²	\$228	\$234	\$253
Adjusted EBITDA³			
Adjusted EBITDA	\$24	\$23	\$19
Adjusted EBITDA (TTM)	\$94	\$89	\$125
Net debt leverage (TTM)	2.4x	2.6x	2.0x
Cash Flow Statement Summary			
Cash Flow from Operations	\$10	\$26	\$10
Capital Expenditures	(\$4)	(\$6)	(\$10)
Cash Interest	(\$14)	-	(\$14)
Cash Taxes	(\$6)	(\$4)	(\$3)

¹Gross Debt includes Total Debt, net of \$567m + unamortized debt issuance cost of \$4m in Q1FY25, \$3m in Q4FY24, & \$5m in Q1FY24.

²Net Debt is defined as gross debt less cash & cash equivalents, and marketable securities, as well as \$124M of restricted cash from the December 2024 Senior Secured debt offering.

³Adjusted EBITDA is defined as non-GAAP net earnings plus non-GAAP interest expense, non-GAAP taxes, non-GAAP depreciation, non-GAAP amortization and share-based compensation



Guidance Q2 FY25



Revenue	Non-GAAP EPS, diluted
\$200 - \$215M	\$0.05 - \$0.20

Assumptions

Gross Margin: 32% – 34%

Operating Expense: ~\$52M

Interest & Other Expense, net: (\$9M) – (\$10M)

Tax rate: ~22%

Share count, diluted: ~41M shares



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Q & A



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Non – GAAP
Reconciliation

Reconciliation between GAAP and Non-GAAP Financial Measures (Unaudited)



Three Months Ended

(In millions, except per share amounts)

	January 3, 2025	December 29, 2023
GROSS PROFIT RECONCILIATION		
Revenues, net	\$ 199.8	\$ 190.0
Gross profit	68.5	57.1
Amortization of intangible assets	0.5	1.8
Non-GAAP gross profit	\$ 69.0	\$ 58.9
Gross margin %	34.3 %	30.1 %
Non-GAAP gross margin %	34.5 %	31.0 %

Reconciliation between GAAP and Non-GAAP Financial Measures (Unaudited)



(In millions, except per share amounts)	Three Months Ended	
	January 3, 2025	December 29, 2023
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE RECONCILIATION		
Selling, general, and administrative	\$ 33.8	\$ 32.4
Amortization of intangible assets	0.4	1.8
Restructuring charges	0.7	0.1
Other non-operational costs	1.6	1.9
Non-GAAP selling, general, and administrative expense	\$ 31.1	\$ 28.6
OPERATING EXPENSE RECONCILIATION		
Total operating expenses	\$ 57.3	\$ 52.9
Amortization of intangible assets	0.4	1.8
Restructuring charges	0.7	0.1
Other non-operational costs	1.6	1.9
Non-GAAP operating expense	\$ 54.6	\$ 49.1

Reconciliation between GAAP and Non-GAAP Financial Measures (Unaudited)



(In millions, except per share amounts)	Three Months Ended	
	January 3, 2025	December 29, 2023
OPERATING INCOME RECONCILIATION		
Operating income	\$ 11.2	\$ 4.2
Amortization of intangible assets (includes amortization impacts to cost of revenues)	0.9	3.6
Restructuring charges (includes restructuring impacts to cost of revenues)	0.7	0.1
Other non-operational costs (includes other non-operational impacts to cost of revenues)	1.6	1.9
Total operating income adjustments	3.2	5.6
Non-GAAP operating income	\$ 14.4	\$ 9.8
Operating margin %	5.6 %	2.2 %
Non-GAAP operating margin %	7.2 %	5.2 %

Reconciliation between GAAP and Non-GAAP Financial Measures (Unaudited)



Three Months Ended

(In millions, except per share amounts)

INCOME (LOSS) BEFORE TAXES RECONCILIATION

	January 3, 2025	December 29, 2023
Income (loss) before taxes	\$ 2.5	\$ (0.6)
Total operating earnings adjustments	3.2	5.6
Gain on purchase of business	—	(2.1)
Other non-operational costs	0.1	0.1
Total income before tax adjustments	3.3	3.6
Non-GAAP income before taxes	\$ 5.8	\$ 3.0

INCOME TAX EXPENSE (BENEFIT) RECONCILIATION

Income tax expense (benefit)	\$ 2.6	\$ (0.2)
Tax effect on non-GAAP adjustments	(0.1)	(0.8)
Non-GAAP income tax expense	\$ 2.7	\$ 0.6

NET LOSS AND DILUTED NET LOSS PER SHARE RECONCILIATION

Net loss attributable to Varex	\$ (0.3)	\$ (0.5)
Total earnings before taxes adjustments	3.3	3.6
Effective tax rate on non-GAAP adjustments %	3.0 %	22.2 %
Tax effect on non-GAAP adjustments	(0.1)	(0.8)
Diluted non-GAAP net income	2.9	2.3
Diluted net loss per share	(0.01)	(0.01)
Non-GAAP diluted net income per share	\$ 0.07	\$ 0.06

Reconciliation between GAAP and Non-GAAP Financial Measures (Unaudited)



Three Months Ended

(In millions, except per share amounts)

January 3, 2025 December 29, 2023

ADJUSTED EBITDA RECONCILIATION

Net loss attributable to Varex	\$ (0.3)	\$ (0.5)
Interest expense	7.9	7.3
Income tax expense (benefit)	2.6	(0.2)
Depreciation	6.2	5.1
Amortization of intangible assets	0.9	3.6
Share-based compensation	4.1	3.7
Restructuring charges	0.7	0.1
Gain on purchase of business	—	(2.1)
Other non-operational costs	1.7	2.0
Adjusted EBITDA	\$ 23.8	\$ 19.0

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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