Materion Corporation
1Q 2022 Earnings Call

April 28, 2022



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Agenda

Introduction	John Zaranec – Vice President, Corporate Controller and Investor Relations
Opening Remarks & Business Update	Jugal Vijayvargiya – President and Chief Executive Officer
Financial Review	Shelly Chadwick – Vice President and Chief Financial Officer
Q&A	Question and Answer Session

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Forward Looking Statements and Non-GAAP Financial Information

These slides contain (and the accompanying oral discussion will contain, where applicable) "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results expressed or implied by these statements, including, but not limited to, our ability to achieve the strategic and other objectives related to the acquisition of HCS-Electronic Materials, including any expected synergies; our ability to successfully integrate the HCS-Electronic Materials business and other such acquisitions and achieve the expected results of the acquisition, the ultimate impact of the COVID-19 pandemic on our business, results of operations, financial condition, and liquidity; the global economy, including the impact of tariffs and trade agreements; the condition of the markets which we serve, whether defined geographically or by segment; changes in product mix and the financial condition of customers; our success in developing and introducing new products and new product ramp-up rates; our success in passing through the costs of raw materials to customers or otherwise mitigating fluctuating prices for those materials, including the impact of fluctuating prices on inventory values; our success in implementing our strategic plans and the timely and successful completion and start-up of any capital projects; other financial and economic factors, including the cost and availability of raw materials (both base and precious metals), physical inventory valuations, metal consignment fees, tax rates, exchange rates, interest rates, pension costs and required cash contributions and other employee benefit costs, energy costs, regulatory compliance costs, the cost and availability of insurance, credit availability, and the impact of the Company's stock price on the cost of incentive compensation plans; the uncertainties related to the impact of war, terrorist activities, and acts of God; changes in government regulatory requirements and the enactment of new legislation that impacts our obligations and operations; the conclusion of pending litigation matters in accordance with our expectation that there will be no material adverse effects; the disruptions on operations from, and other effects of, catastrophic and other extraordinary events including the COVID-19 pandemic; and other risk factors disclosed in periodic reports filed with the Securities and Exchange Commission. Consequently, these forward-looking statements should be regarded as the Company's current plans, estimates, and beliefs.

The Company does not undertake and specifically declines any obligation to update or publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

To supplement our consolidated financial statements presented in accordance with GAAP, the Company considers certain financial measures that are not prepared in accordance with GAAP, including value-added sales (VA sales), adjusted earnings before interest and taxes depreciation and amortization (EBITDA), adjusted net income, adjusted earnings per diluted share and net debt (cash). The company uses these non-GAAP financial measures, in addition to GAAP financial measures, to evaluate our operating and financial performance and to compare such performance to that of prior periods and to the performance of our competitors. Also, the company uses these non-GAAP financial measures in making operational and financial decisions and in establishing operational goals. The Company also believes providing these non-GAAP financial measures to investors, as a supplement to GAAP financial measures, helps investors evaluate our operating and financial performance and trends in our business, consistent with how management evaluates such performance and trends. The company also believes these non-GAAP financial measures may be useful to investors in comparing its performance to the performance of other companies, although its non-GAAP financial measures are specific to the company and the non-GAAP financial measures of other companies may not be calculated in the same manner.

It is not possible for the Company to identify the amount or significance of future adjustments associated with potential insurance and litigation claims, legacy environmental costs, acquisition and integration costs, certain income tax items, or other non-routine costs that the Company adjusts in the presentation of adjusted earnings guidance. These items are dependent on future events that are not reasonably estimable at this time. Accordingly, the Company is unable to reconcile without unreasonable effort the forecasted range of adjusted earnings guidance for the full year to a comparable GAAP range. However, items excluded from the Company's adjusted earnings guidance include the historical adjustments noted in slides 19 through 25 in the appendix.

For more information on Non-GAAP measures, please refer to the Appendix.

Opening Remarks & Business Update

Jugal Vijayvargiya

President and Chief Executive Officer

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Q1 2022 Highlights

Record Value-Added Sales, Adjusted EBITDA and EPS

Delivered record value-added (VA) sales of $266.8 million, up 34% year-over-year

- First full quarter of HCS-Electronic Materials (HCS); VA sales contribution and integration progress exceeding expectations
- Continued strong end-market demand combined with meaningful organic outgrowth; 13% VA sales growth excluding HCS

Achieved record adjusted EBITDA of $44.6 million, an increase of 49% versus prior year

- Record VA sales, improved pricing and first full quarter of HCS
- Adjusted EBITDA margin expanded by 160 bps over prior year

Record quarterly adjusted EPS of $1.20, an increase of 38% versus prior year

- Adjusted EPS with acquisition amortization of $1.08, an increase of 32% versus prior year

Awarded significant expansion of precision clad strip business with customer investing approximately $40 million





See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS and EPS with acquisition amortization to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

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End Market Performance

Market	VA Sales	vs. Q1 2021	Q1 Comments	FY 2022 Growth Outlook*
Semiconductor	$89.2	↑ 103%	▪ Demand remains strong led by end market strength and increasing customer applications ▪ 20% increase without HCS	+++
Industrial	$53.4	↑ 48%	▪ Industrial market recovery driving expansion across all products with more customers served ▪ Increase in commercial construction and e-commerce warehouses driving demand for nickel beryllium alloys ▪ 36% increase without HCS	++
Aerospace & Defense	$27.3	↔ 0%	▪ Aerospace continuing to show momentum with fourth straight quarter of growth - airplane builds continuing to grow from 2020 lows ▪ Defense slightly lower due to order timing	+++ / ++
Automotive	$19.1	↓ 9%	▪ Chip availability, China lockdowns and European conflict impacted Q1	++
Energy	$18.6	↑ 72%	▪ Oil & Gas saw fifth quarter of consecutive growth ▪ Continued growth in smart glass applications	+++
Consumer Electronics	$15.8	↓ 15%	▪ Excluding discontinued customer application in Precision Optics, VA sales up 8%	+
Telecom & Data Center	$12.5	↑ 31%	▪ Strong connector demand driven by increasing 5G deployments	+

Growth Outlook Legend:
+++ – High Single-Digits Plus *++ – Mid Single-Digits* *+ – Low Single-Digits*

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New Segment Names Reflect Transformation

- Operating Segment name changes better reflect our strong portfolio of products to support customers and end markets
- Reinforces our growth strategy, alignment with global megatrends like smart devices, high-speed connectivity, autonomous driving and AI
- Marks another step in our transformation journey, as we deliver next generation solutions for our customers' most complex technical challenges







Previous Name		New Name
Performance Alloys & Composites (PAC)	→	Performance Materials (PM)
Advanced Materials (AM)	→	Electronic Materials (EM)
Precision Optics (PO)	→	Unchanged

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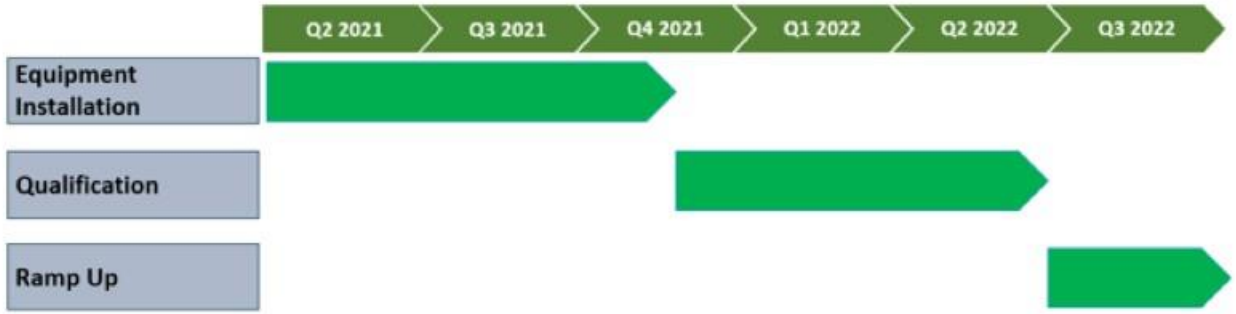
Precision Clad Strip Project

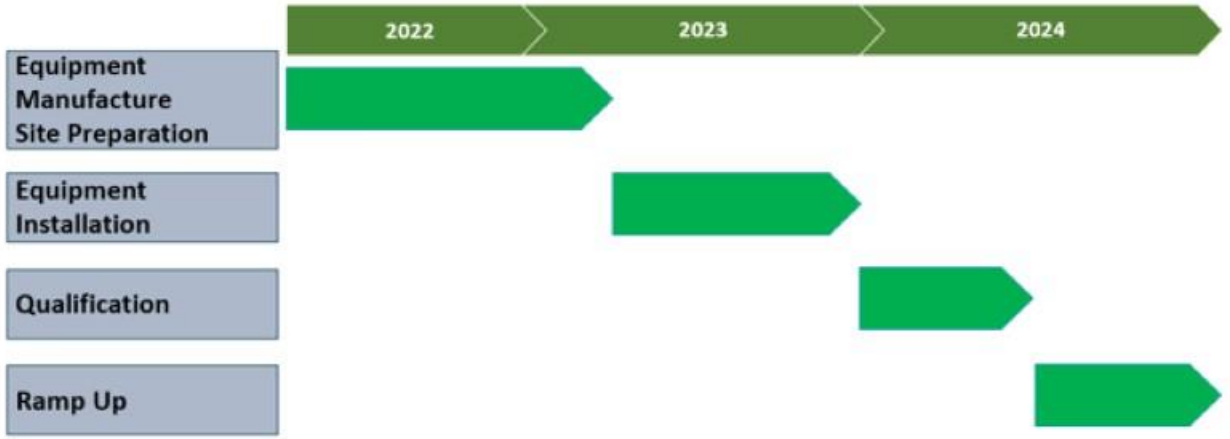
Initial Project

- Continuing to build on strong customer partnership
- On track to complete qualification at new facility in Q2
- Expect meaningful contribution to 2H results



Expansion

- Customer now expecting higher levels of growth
- Materion awarded significant capacity expansion
  - ~$60 million total investment
  - Customer will make up-front payments of approximately $40 million
  - Will increase capacity by two-thirds
  - New capacity expected in 2024



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Key Takeaways

- **Achieved outstanding first quarter results**
  - Record value-added sales for Materion, Performance Materials and Electronic Materials
  - Outpaced challenges from inflation, supply chain, labor availability and COVID related absences and closures
  - Record adjusted EBITDA and EPS
- **Delivering on key strategic growth initiatives**
  - HCS-Electronic Materials performing better than expected with seamless integration to date
  - Additional precision clad strip customer commitment drives stronger growth outlook
  - R&D initiatives building pipeline of new organic opportunities
- **Taking the next step in our transformation journey in 2022**
  - Operating Segment name changes better reflect our strong portfolio of products to support customers and end markets
  - Expect to deliver 40% year-over-year growth in adjusted EPS

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Financial Review

Shelly Chadwick

Vice President and Chief Financial Officer

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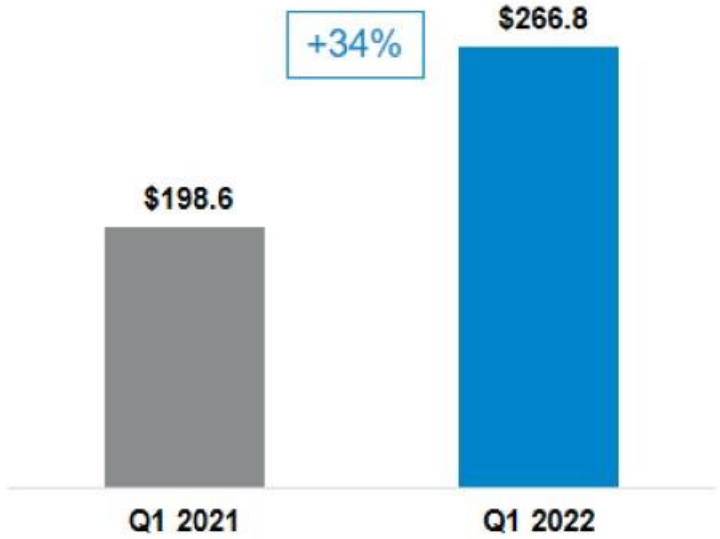
Q1 2022 Operating Performance

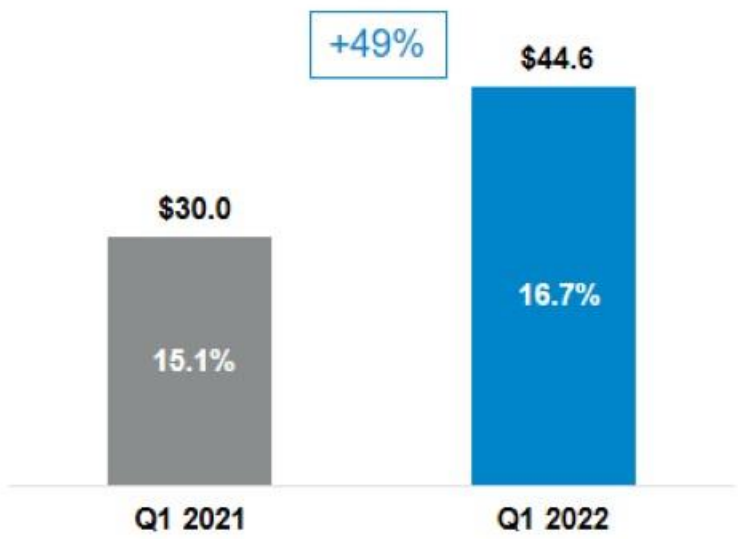
Value-added Sales ($M)



Value-added sales were $266.8 million, up 34% from prior year

- Strong demand across key end markets led by semiconductor, industrial, aerospace and energy
- Meaningful contribution from organic initiatives pipeline and HCS

Adj. EBITDA ($M)



Adjusted EBITDA margin of 16.7%, up 160 bps from prior year

- Higher volume, improved pricing, mix and operating performance
- Significant contribution from full quarter of HCS
- Strong mix with higher than anticipated Beryllium Hydroxide shipments

Adj. EPS



Adjusted EPS of $1.20 versus $0.87 in the prior year period

- Finished the quarter strong despite challenges in the macro environment
- HCS accretive to EPS as expected
- Higher adjusted effective tax rate in Q1 due to earnings mix and timing of R&D credits

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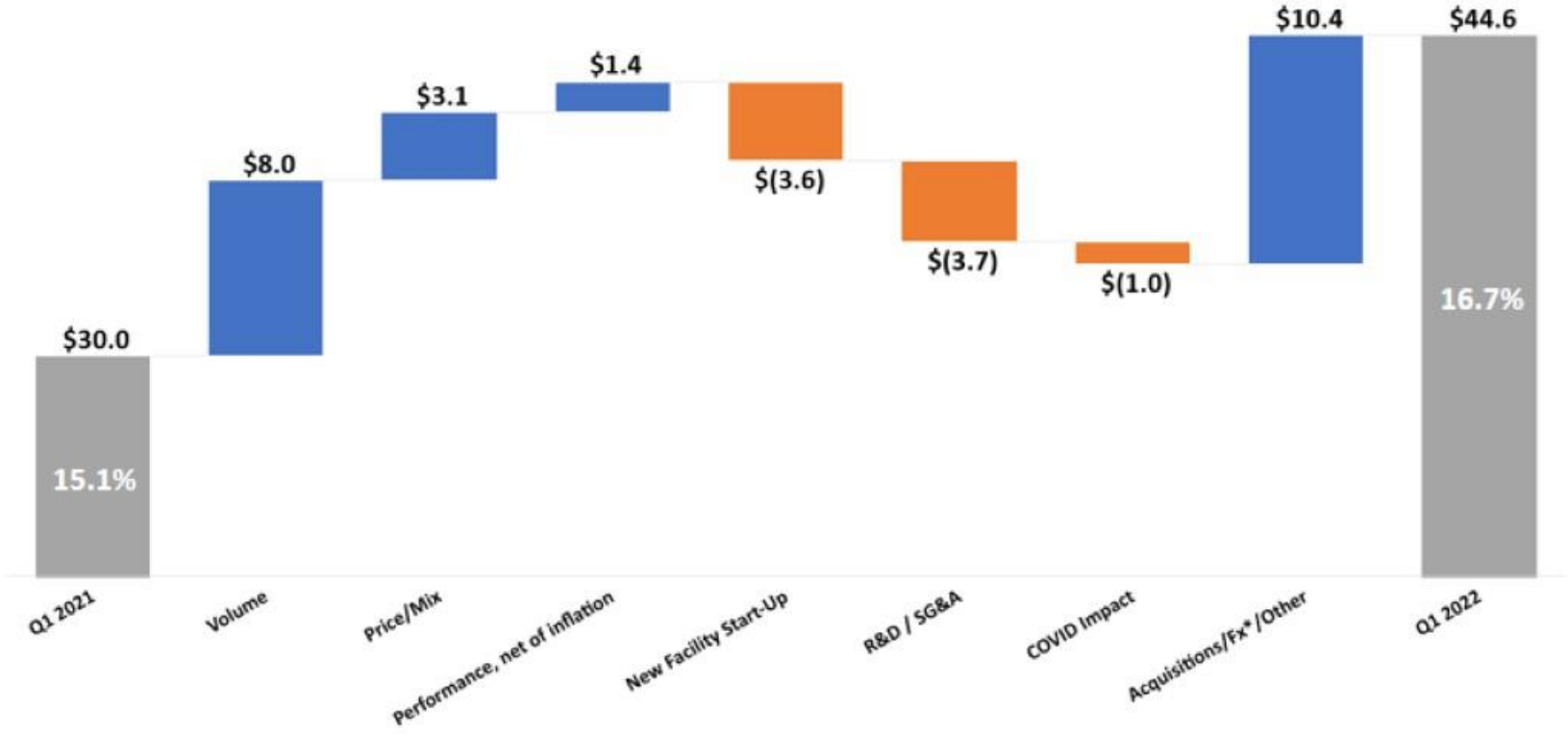
See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS and EPS with acquisition amortization to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Q1 2022 Financial Comparison

Record adjusted EBITDA of $44.6 million or 16.7% of VA sales compared with $30.0M or 15.1% of VA sales in the prior year period

- Significant increase in adjusted EBITDA driven by strong volumes, meaningful price / mix / performance improvements, and a full quarter of HCS
- New facility start up costs as expected to support precision clad strip project
- R&D and SG&A investments continuing to support growth pipeline



*Includes favorable Currency Impact of $1.6M.

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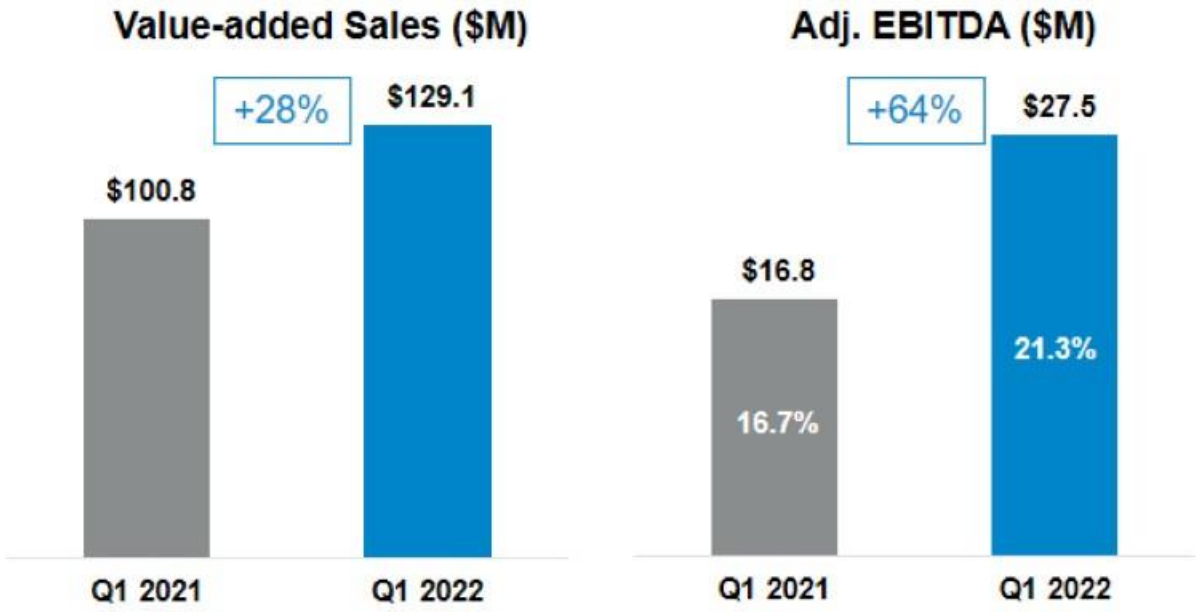
See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS and EPS with acquisition amortization to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Performance Materials Segment



Q1 Performance by End Market

- ↑ Industrial
- ↑ Aerospace & Defense
- ↓ Automotive
- ↑ Energy
- ↑ Telecom & Data Center
- ↑ Consumer Electronics

Value-added sales of $129.1 million, up 28% from prior year

- Strong performance in the industrial, energy and aerospace end markets
- Precision clad strip opportunity contributed approximately $10M in the quarter

Adjusted EBITDA of $27.5 million, or 21.3% of VA sales, up 460 bps from prior year

- Increased volume, price and execution more than offsetting cost inflation
- Strong mix with higher than anticipated shipments of Beryllium Hydroxide
- Absorbing plant start up costs of $3.6M while expanding margins

2022 Outlook:

- Strong order book; expect another year of above market organic growth
- Precision Clad Strip project on track to contribute meaningfully in 2H; start up costs persist through 1H

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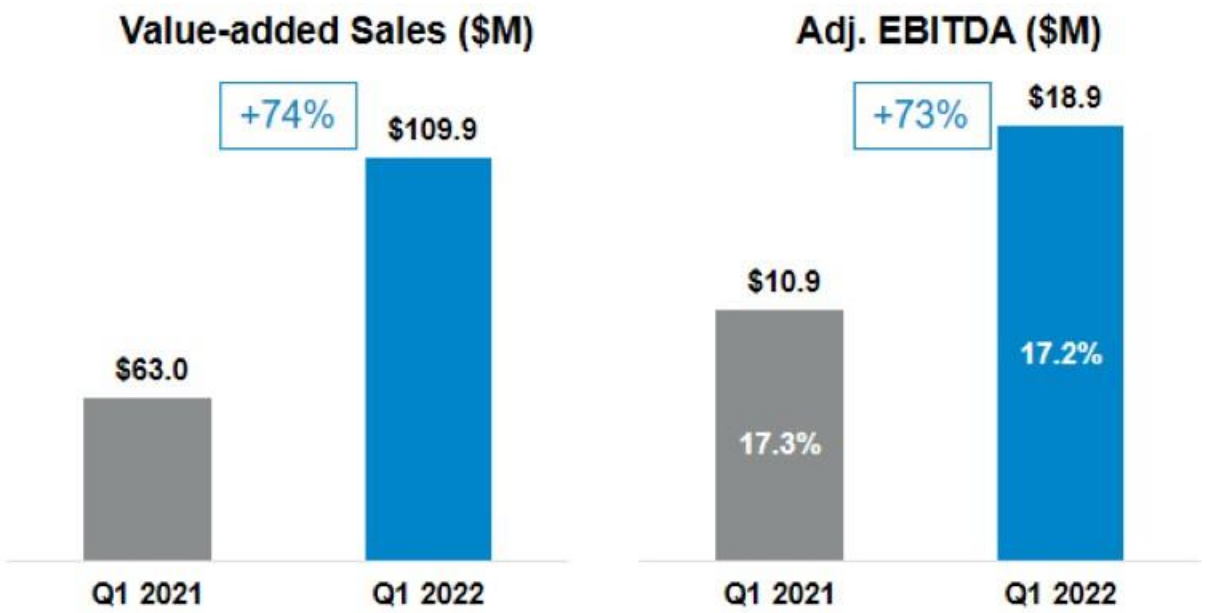
See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS and EPS with acquisition amortization to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Electronic Materials Segment



Q1 Performance by End Market

- Semiconductor
- Industrial
- Energy

Value-added sales of $109.9 million, up 74% from prior year

- All-time quarterly record for organic VA sales delivering 16.4% growth, exceeding previous record set in Q4 2021
- HCS-Electronic Materials integration well on track with meaningful VA growth

Adjusted EBITDA of $18.9 million, or 17.2% of VA sales

- Increased volume, price and execution more than offsetting cost inflation
- EBITDA margin up 40 basis points from full year 2021
- HCS accretive to EBITDA and EBITDA margin

2022 Outlook:

- Strong demand expected to continue in semiconductor, energy and industrial
- Organic initiatives on course to contribute throughout '22
- HCS full year contribution delivers step change for full year sales, earnings and EBITDA

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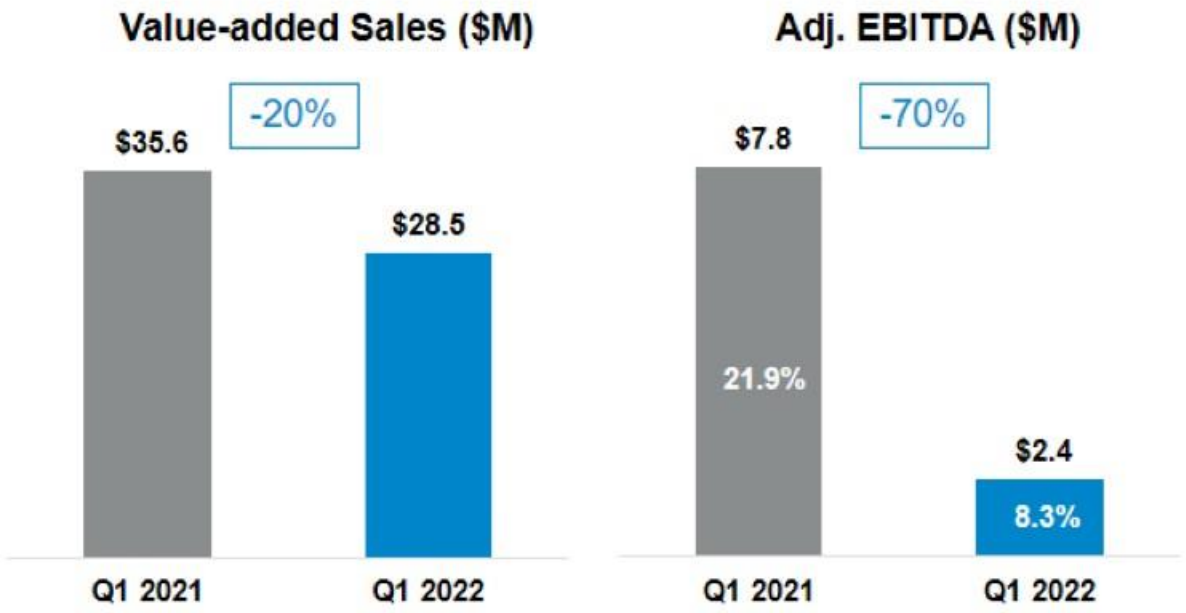
See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS and EPS with acquisition amortization to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Precision Optics Segment



Q1 Performance by End Market

- ↓ Consumer Electronics
- ↓ Aerospace & Defense
- ↓ Medical
- ↑ Industrial
- ↑ Automotive

Value-added sales of $28.5 million

- Decrease mainly driven by discontinued consumer electronics application and PCR testing declines as expected
- Also impacted by Shanghai COVID shutdown
- When excluding the above, VA sales up 3%

Adjusted EBITDA of $2.4 million, or 8.3% of VA sales

- The decrease in EBITDA was driven by lower volume of rich mix business and Shanghai COVID shutdown

2022 Outlook:

- Near term headwinds will persist into Q2; will fall off in 2H
- Sequential improvement expected each quarter supported by increasing order rate and new business pipeline

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See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS and EPS with acquisition amortization to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Cash, Debt and Liquidity

($M)	Q1 2021	Q1 2022
Short-term Debt	$1.5	$15.4
Long-term Debt	51.4	479.8
Total Debt	**$52.9**	**$495.2**
Cash & Cash Equivalents	18.9	20.2
Net Debt (Cash)	**$34.0**	**$475.0**
TTM Adjusted EBITDA	$103.6	$158.2
Net Debt (Cash) / TTM Adj. EBITDA	0.3x	3.0x
Net Debt (Cash) / TTM Adj. EBITDA – Pro Forma[1]	**n/a**	**2.7x**

Proforma leverage remains within target range of 1.5x – 3x

Approximately $127 million available on existing credit facility

- Meaningful available liquidity remains to support growth initiatives

No share buyback activity in the quarter

- Board authorization in place for up to $50M worth of shares with $8.3M remaining

Strong Free Cash Flow expected through remainder of 2022; will support organic growth investment and debt paydown

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1.) Q1 2022 Pro Forma TTM Adjusted EBITDA amount of $175.1 assuming a full year of HCS.

Full Year 2022 Guidance

2022 Guidance

- Raising adjusted EPS to **$5.50 - $5.90**, an increase of 40% from 2021, at the midpoint
  - Expect $3-4M of plant start-up costs in Q2
- Increasing capex for new Precision Clad Strip expansion; 2/3 to be funded by customer



2022 Modeling Assumptions			
Capital Expenditures	$107M	Interest Expense – assumes 5 rate hikes	$18M
HCS-Electronic Materials	$20M	Effective Tax Rate	~19-20%
Complete Tailings Pond	$10M	Mine Development Costs	$1M
Precision Clad Strip Plant - Initial	$5M	Depreciation and Amortization	$60M
Precision Clad Strip Plant - New Award	$27M	Acquisition Amortization	$12.5M
Normal Segment Capex	$45M		

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Note: This guidance was provided on April 28th, 2022 and has not been confirmed or updated. The Company disclaims any obligation to do so based on any subsequent event or any other reason. In addition, as discussed on slide 3, it is not possible for the Company to forecast future adjustments to GAAP earnings.

Invest in Materion as we Advance our Strategy



Becoming a global leader in high-performing advanced materials serving diverse and attractive markets well aligned with megatrends



Building robust pipeline with investments in R&D as we focus on developing innovative solutions for our customers



Leveraging strong cash flow and deploying a disciplined, strategic approach toward profitable growth opportunities, both organic and inorganic



Energized management team laser focused on execution and increasing value for all stakeholders

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Appendix

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Reconciliation for Value-added Sales

($ in millions)	Q1 2022	Q1 2021
Net Sales		
Performance Materials	$ 149.6	$ 114.1
Electronic Materials	270.8	204.7
Precision Optics	28.6	35.6
Other	—	—
Total	$ 449.0	$ 354.4
Less: Pass-through Metal Costs		
Performance Materials	$ 20.5	$ 13.3
Electronic Materials	160.9	141.7
Precision Optics	0.1	—
Other	0.7	0.8
Total	$ 182.2	$ 155.8
Value-added Sales		
Performance Materials	$ 129.1	$ 100.8
Electronic Materials	109.9	63.0
Precision Optics	28.5	35.6
Other	(0.7)	(0.8)
Total	$ 266.8	$ 198.6

The cost of gold, silver, platinum, palladium, copper, ruthenium, iridium, rhodium, rhenium, and osmium is passed through to customers and, therefore, the trends and comparisons of net sales are affected by movements in the market price of these metals. The use of value-added sales allows management to assess the impact of differences in net sales and analyze the resulting profitability without the distortion of metal pricing movements, which the Company believes would be useful information for investors.

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Reconciliation for Non-GAAP Measures

($ in millions)	Q1 2022	Q1 2021
Operating Profit (Loss)		
Performance Materials	$ 19.1	$ 13.5
Electronic Materials	8.0	8.9
Precision Optics	(0.7)	4.6
Other	(6.8)	(7.3)
Total	$ 19.6	$ 19.7
Non-Operating (Income) Expense		
Performance Materials	$ 0.2	$ 0.1
Electronic Materials	—	—
Precision Optics	(0.2)	(0.2)
Other	(1.1)	(1.2)
Total	$ (1.1)	$ (1.3)
Depreciation, Depletion, and Amortization		
Performance Materials	$ 5.9	$ 3.4
Electronic Materials	4.1	2.0
Precision Optics	2.7	2.7
Other	0.5	0.5
Total	$ 13.2	$ 8.6
Segment EBITDA		
Performance Materials	$ 24.8	$ 16.8
Electronic Materials	12.1	10.9
Precision Optics	2.2	7.5
Other	(5.2)	(5.6)
Total	$ 33.9	$ 29.6

We have adjusted the results for certain special items such as non-cash impairment charges, non-cash inventory adjustments, cost reduction initiatives (i.e., severance), COVID-19 related costs, mine development costs, merger and acquisition costs, and certain discrete income tax items from the applicable GAAP financial measure. Management reviews the results of operations without the impact of these items to assess profitability from ongoing activities and believes this will assist investors in analyzing our financial results.

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Reconciliation for Non-GAAP Measures (Cont.)

($ in millions)	Q1 2022	Q1 2021
Special Items		
Performance Materials	$ 2.7	$ —
Electronic Materials	6.8	—
Precision Optics	0.2	0.3
Other	1.0	0.1
Total	$ 10.7	$ 0.4
Adjusted EBITDA Excluding Special Items		
Performance Materials	$ 27.5	$ 16.8
Electronic Materials	18.9	10.9
Precision Optics	2.4	7.8
Other	(4.2)	(5.5)
Total	$ 44.6	$ 30.0

We have adjusted the results for certain special items such as non-cash impairment charges, non-cash inventory adjustments, cost reduction initiatives (i.e., severance), COVID-19 related costs, mine development costs, merger and acquisition costs, and certain discrete income tax items from the applicable GAAP financial measure. Management reviews the results of operations without the impact of these items to assess profitability from ongoing activities and believes this will assist investors in analyzing our financial results.

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Reconciliation for Non-GAAP Measures (Cont.)

($ in millions)	Q1 2022	Q1 2021	Q1 2022 TTM	Q1 2021 TTM
GAAP as Reported				
Net income	$ 14.0	$ 16.8	$ 69.7	$ 36.1
Income tax expense (benefit)	3.0	3.5	4.4	(2.7)
Interest expense	3.7	0.7	7.9	4.4
Depreciation, depletion, and amortization	13.2	8.6	48.7	36.4
Consolidated EBITDA	**$ 33.9**	**$ 29.6**	**$ 130.7**	**$ 74.4**
Special Items				
Restructuring and cost reduction	$ 1.1	$ 0.3	$ 1.2	$ 9.8
Merger and acquisition costs	9.6	0.1	26.3	8.0
Impairment charges				(0.2)
Mine development costs				12.9
Forfeiture of non-cash stock-based compensation				(2.1)
COVID-19 related costs				3.9
Foreign currency hedge gain				(3.3)
Legacy legal & environmental costs				0.2
Total Special Items	10.7	0.4	27.5	29.2
Adjusted EBITDA	**$ 44.6**	**$ 30.0**	**$ 158.2**	**$ 103.6**
HCS-Electronic Materials Proforma EBITDA[1]			16.9	
Q1 2022 Proforma Adjusted TTM EBITDA			**$ 175.1**	

We have adjusted the results for certain special items such as non-cash impairment charges, non-cash inventory adjustments, cost reduction initiatives (i.e., severance), COVID-19 related costs, merger and acquisition costs, mine development costs, and certain discrete income tax items from the applicable GAAP financial measure. Management reviews the results of operations without the impact of these items to assess profitability from ongoing activities and believes this will assist investors in analyzing our financial results.

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1 Results represent unaudited forward-looking estimates and are subject to the forward-looking statements considerations discussed on slide 3

Reconciliation for Non-GAAP Measures (Cont.)

Performance Materials

(Millions)	Three Months Ended April 1, 2022	% of VA	Three Months Ended April 2, 2021	% of VA
Net sales	$ 149.6		$ 114.1	
Pass-through metal cost	20.5		13.3	
Value-added sales	$ 129.1		$ 100.8	
EBITDA	$ 24.8	19.2 %	$ 16.8	16.7 %
Merger and acquisition costs	2.7	2.1 %	—	— %
Adjusted EBITDA	$ 27.5	21.3 %	$ 16.8	16.7 %

Precision Optics

(Millions)	Three Months Ended April 1, 2022	% of VA	Three Months Ended April 2, 2021	% of VA
Net sales	$ 28.6		$ 35.6	
Pass-through metal cost	$ 0.1		$ —	
Value-added sales	$ 28.5		$ 35.6	
EBITDA	$ 2.2	7.7 %	$ 7.5	21.1 %
Restructuring and cost reduction	0.2	0.6 %	0.3	0.8 %
Adjusted EBITDA	$ 2.4	8.3 %	$ 7.8	21.9 %

Electronic Materials

(Millions)	Three Months Ended April 1, 2022	% of VA	Three Months Ended April 2, 2021	% of VA
Net sales	$ 270.8		$ 204.7	
Pass-through metal cost	160.9		141.7	
Value-added sales	$ 109.9		$ 63.0	
EBITDA	$ 12.1	11.0 %	$ 10.9	17.3 %
Restructuring and cost reduction	0.8	0.7 %	—	— %
Merger and acquisition costs	6.0	5.5 %	—	— %
Adjusted EBITDA	$ 18.9	17.2 %	$ 10.9	17.3 %

Other

(Millions)	Three Months Ended April 1, 2022	Three Months Ended April 2, 2021
EBITDA	$ (5.2)	$ (5.6)
Restructuring and cost reduction	0.1	—
Merger and acquisition costs	0.9	0.1
Adjusted EBITDA	$ (4.2)	$ (5.5)

We have adjusted the results for certain special items such as non-cash impairment charges, non-cash inventory adjustments, cost reduction initiatives (i.e., severance), COVID-19 related costs, mine development costs, merger and acquisition costs, and certain discrete income tax items from the applicable GAAP financial measure. Management reviews the results of operations without the impact of these items to assess profitability from ongoing activities and believes this will assist investors in analyzing our financial results.

Reconciliation for Non-GAAP Measures (Cont.)

(Millions)	Three Months Ended April 1, 2022	Diluted EPS	Three Months Ended April 2, 2021	Diluted EPS
Net income and EPS	$ 14.0	$ 0.68	$ 16.8	$ 0.81
Special items				
Restructuring and cost reduction	1.1		0.3	
Merger and acquisition costs	9.6		0.1	
Provision for income taxes[1]	(2.3)		(0.3)	
Total special items	8.4	0.40	0.1	0.01
Adjusted net income and adjusted EPS	$ 22.4	$ 1.08	$ 16.9	$ 0.82
Acquisition amortization (net of tax)	2.5	0.12	1.1	0.05
Adjusted net income and adjusted EPS excl. amortization	$ 24.9	$ 1.20	$ 18.0	$ 0.87

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We have adjusted the results for certain special items such as certain foreign currency hedge gains, cost reduction initiatives (i.e., severance), COVID-19 related costs, merger and acquisition costs, mine development costs, and certain discrete income tax items from the applicable GAAP financial measure. Management reviews the results of operations without the impact of these items to assess profitability from ongoing activities and believes this will assist investors in analyzing our financial results.