

# Materion Corporation 4Q 2022 Earnings Call

*February 16, 2023*



**MATERION**

# Agenda

## Introduction

John Zaranec – Chief Accounting Officer

## 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

# 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 23 through 28 in the appendix.

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# Opening Remarks & Business Update

Jugal Vijayvargiya

President and Chief Executive Officer

# Q4 2022 Financial Highlights

## 4<sup>th</sup> Consecutive Quarter of Record Value-Added Sales, Adjusted EBITDA and EPS

**Delivered record value-added (VA) sales of \$309.2 million, up 30% year over year**

- 11<sup>th</sup> consecutive quarter of VA sales growth
- Organic\* VA sales up 26%, with meaningful contribution from outgrowth initiatives including precision clad strip, coupled with strong end market demand led by industrial, energy and aerospace

**Achieved record adjusted EBITDA of \$55.6 million or 18.0% of VA, up 40% year-over-year**

- All time high VA sales and favorable price/cost delivered strong results
- EBITDA margin approaching mid term target

**Record quarterly adjusted EPS of \$1.49, up 32% year over year and 14% sequentially**

**Generated ~\$60M of free cash flow in the quarter**



\* Organic results exclude the impact of both acquisitions and currency

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.

# 2022 Financial Highlights

## Record Value-Added Sales, Adjusted EBITDA and EPS

### Delivered record VA sales of \$1.14 billion, up 33% year over year

- Up 18% organic with significant outgrowth in semiconductor, industrial, energy and aerospace
- Acquisition of HCS-Electronic Materials exceeding expectations

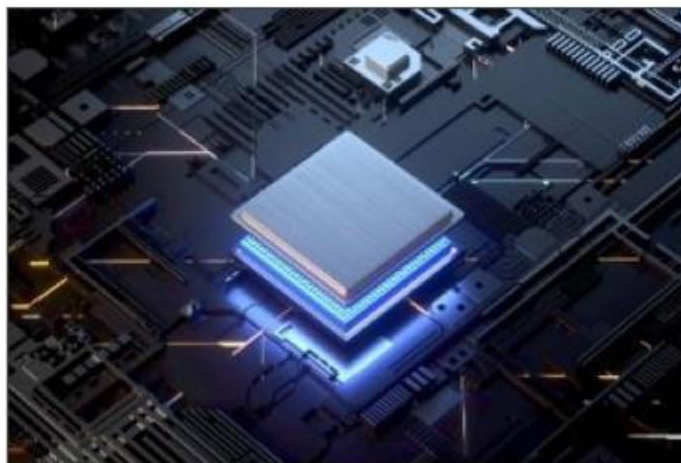
### Achieved record adjusted EBITDA of \$196.0 million, an increase of 37% year-over-year

- Organic outgrowth, favorable price/cost and contributions from HCS acquisition drove record results
- Doubled EBITDA over the last two years

### Record adjusted EPS of \$5.27, an increase of 30% versus prior year

- Strong performance despite interest headwinds

### Reduced leverage to midpoint of targeted range while investing for growth



# 2022 Performance Highlights

## Significant Advancement of Our Strategic Initiatives

### Secured key new business wins to deliver continued outgrowth in 2023

- Meaningful wins in defense, aerospace, semiconductor and automotive will contribute

### Completed qualification of customer funded Precision Clad Strip facility

- Facility fully qualified in Q4 of 2022; on track to contribute meaningfully in 2023
- Awarded significant capacity expansion from customer, to be on-line in late 2024




















### Drove significant growth at HCS Electronic Materials acquisition; above synergy case

### Established a new advanced chemicals facility to accelerate growth in semiconductor and electric vehicle applications

### Invested ~\$80M in capital expenditures to support accelerated organic growth



# End Market Performance

Q4 2022				FY 2022	
Market	VA Sales	vs. Q4 2021	Q4 Comments	VA Sales	vs. FY 2021
 <b>Semiconductor</b>	\$84.8	 19%	<ul style="list-style-type: none"> <li>Driven by increased content and new applications</li> <li>2% organic growth led by ALD and packaging portfolio</li> </ul>	\$363.5	 69%
 <b>Industrial</b>	\$55.9	 11%	<ul style="list-style-type: none"> <li>Continued strong demand from non-residential construction, e-commerce warehouse customers and general industrial applications</li> </ul>	\$215.3	 27%
 <b>Aerospace &amp; Defense</b>	\$34.7	 14%	<ul style="list-style-type: none"> <li>Aerospace continuing to strengthen with seventh consecutive quarter of growth; driven by increased content and build rate</li> <li>Defense flat with strong Q4 in 2021; up 33% sequentially</li> </ul>	\$119.7	 12%
 <b>Energy</b>	\$21.7	 49%	<ul style="list-style-type: none"> <li>Oil field tool demand remains robust with another strong quarter in Oil &amp; Gas</li> <li>Increase in demand for architectural glass technologies portfolio</li> </ul>	\$80.9	 48%
 <b>Automotive</b>	\$19.2	 -11%	<ul style="list-style-type: none"> <li>Sales to ICE vehicles down from prior year peak, offset by strong EV demand</li> </ul>	\$80.3	 -9%
 <b>Consumer Electronics</b>	\$13.6	 -22%	<ul style="list-style-type: none"> <li>Decrease mainly driven by discontinued applications and timing in Precision Optics</li> </ul>	\$63.7	 -8%
 <b>Telecom &amp; Data Center</b>	\$14.2	 25%	<ul style="list-style-type: none"> <li>Strong connector demand driven by increasing 5G applications</li> </ul>	\$51.7	 19%

# Our Customers Continue to Choose Materion

## PREVIOUSLY ANNOUNCED 2022

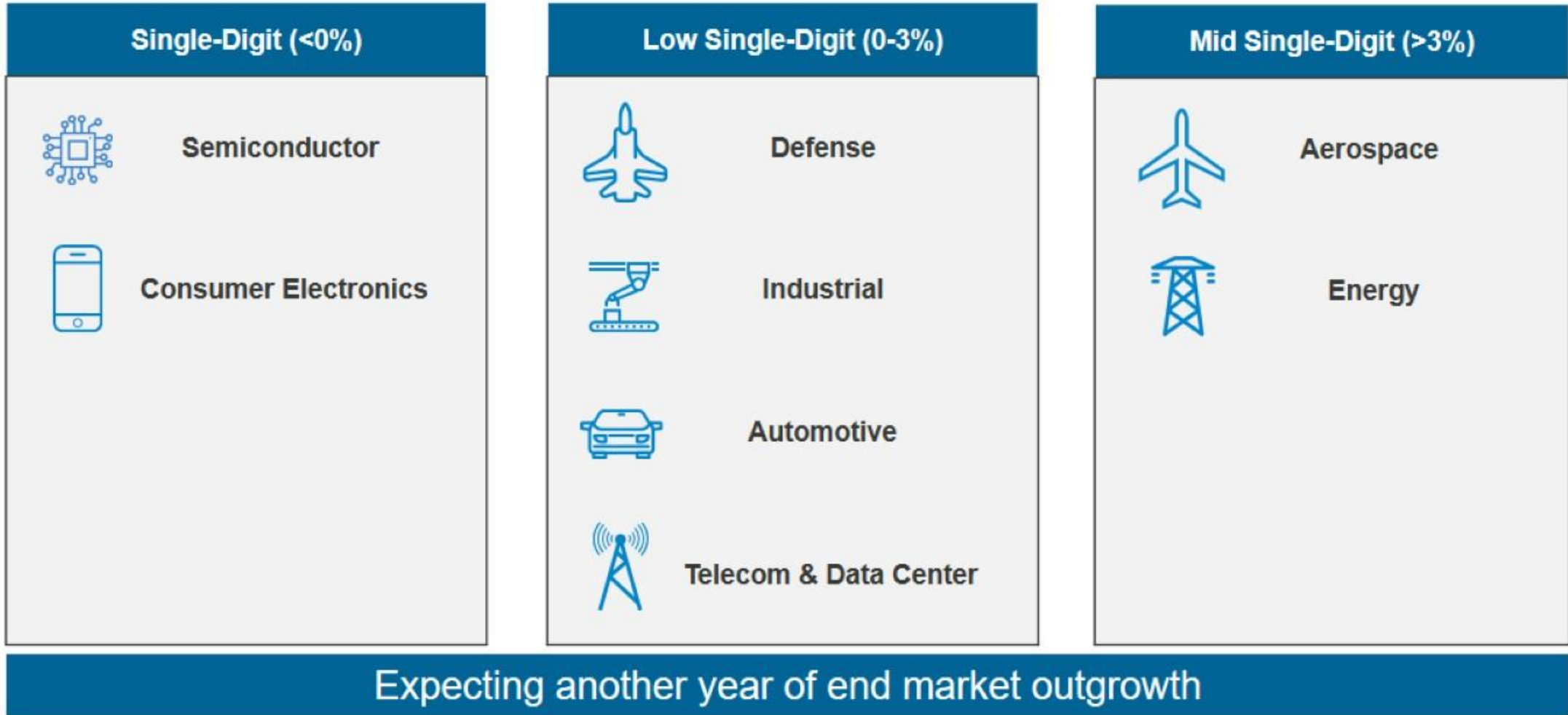
Precision Clad Strip	Next Generation Battery Tech	Clean Energy Partnership
2020 - 2022* ~\$125M Investments	Q2 2022* ~\$7M Investment	Q2 2022* ~\$2M Investment
Precision Clad Strip phase one investment complete; phase two expansion on track for 2024 start up	Partnership with leading battery manufacturer for development of NextGen battery solutions	Jointly commissioned a Molten Salt Purification Plant with Kairos Power for use in clean energy production
		

## ANNOUNCED TODAY

Clean Energy Partnership	Critical Space Application
~\$15M Investment	~\$10M Initial Order
Customer funded initiative to supply critical materials for clean energy power generation	3-year material supply agreement to support the development of space propulsion systems
	

\* Announcement timing

# 2023 End-Market Growth Outlook



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## Looking Ahead to 2023

- **Expect another year of record VA sales, EBITDA and EPS**
- **Top line VA sales growth despite market uncertainty, supported by our organic outgrowth initiatives**
- **Significant momentum on customer partnerships, further building out organic pipeline**
- **Clad strip project at full run rate heading into '23, with expansion on track**
- **Investments in our business will continue, balanced with debt paydown to keep leverage ratio in the low to middle of our target range**

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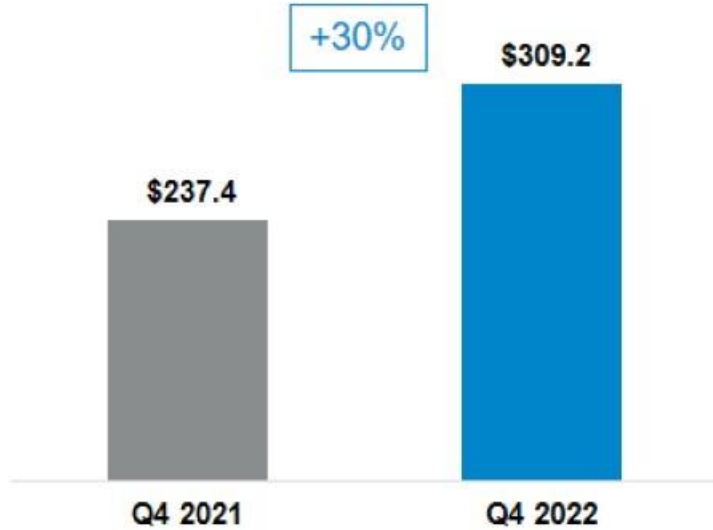
# Financial Review

Shelly Chadwick

Vice President and Chief Financial Officer

# Q4 2022 Operating Performance

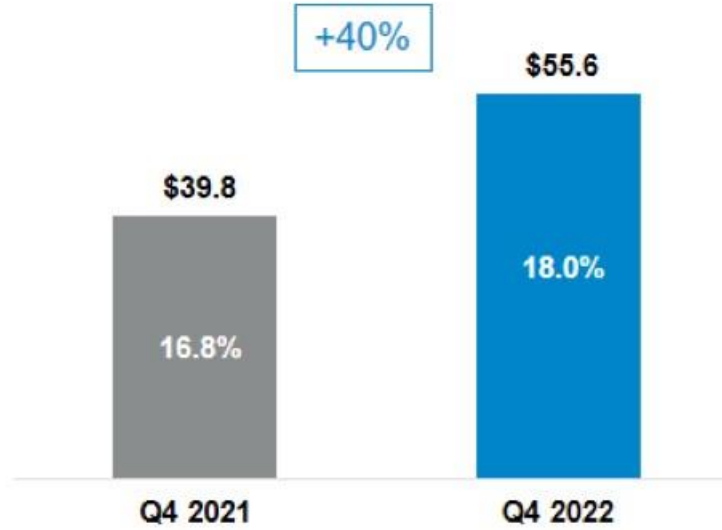
## Value-added Sales (\$M)



Value-added sales were \$309.2 million, up 30% from prior year

- Strong demand across key end markets led by industrial, aerospace and energy, plus higher clad strip sales
- VA up ~26% organic, with significant above market growth

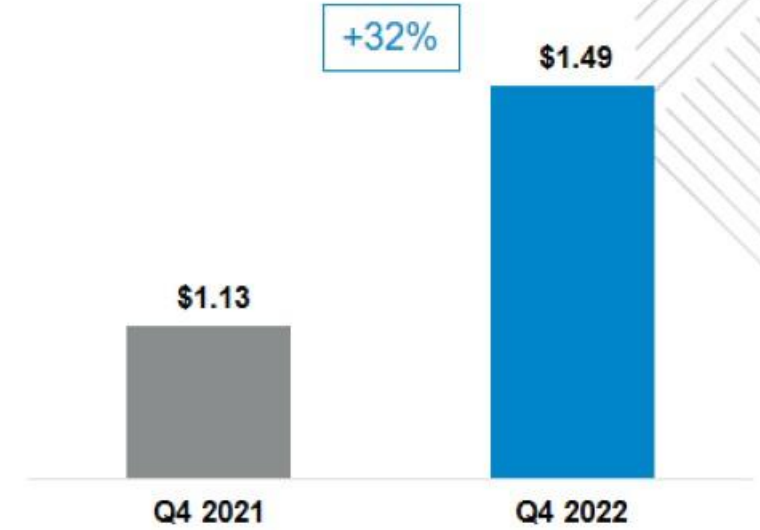
## Adj. EBITDA (\$M)



Adjusted EBITDA was \$55.6 million, margin of 18.0%, up 120 bps from prior year

- Record quarterly EBITDA
- 18% margin nearing mid-term target

## Adj. EPS



Adjusted EPS of \$1.49, up 32% from prior year

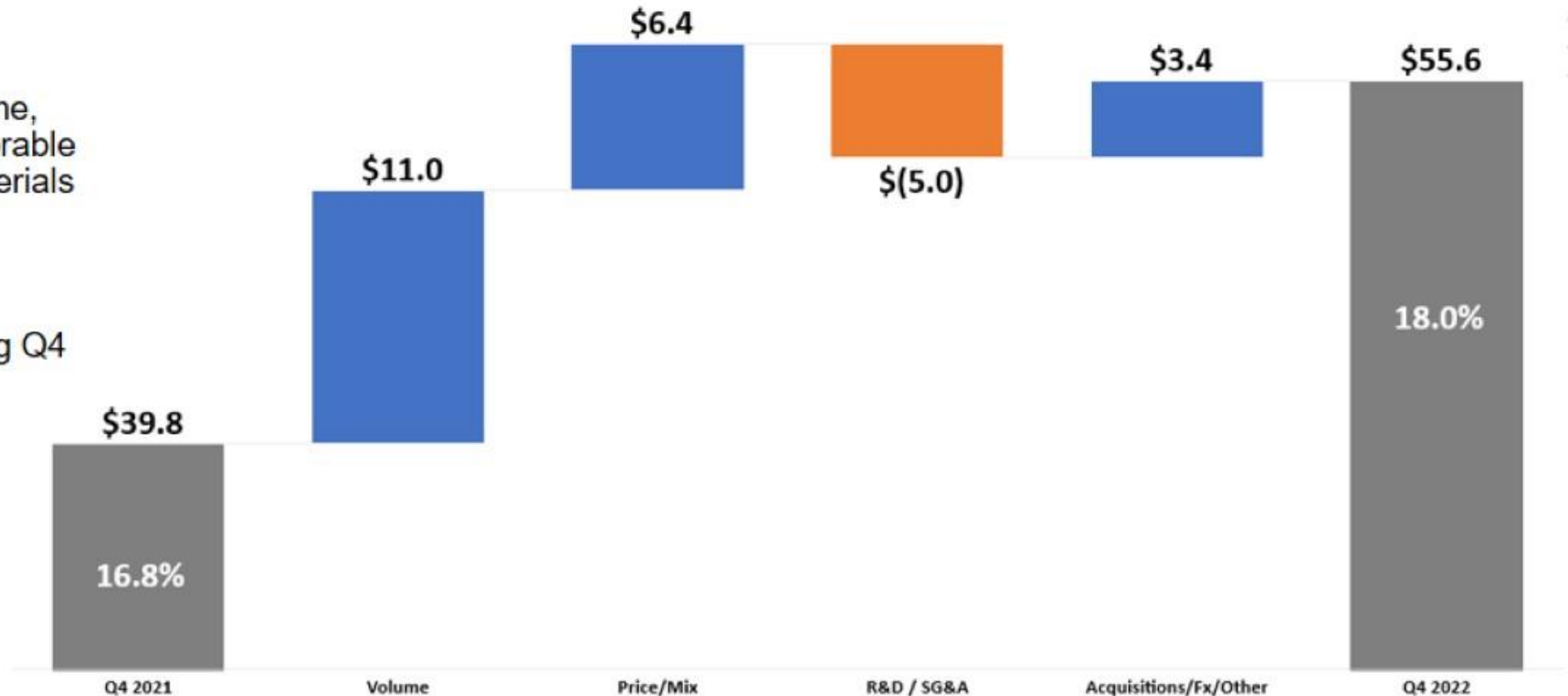
- Delivered record quarter to close out a record year
- HCS acquisition accretive despite interest headwinds
- Lower effective tax rate due to favorable credits



# Q4 2022 Financial Comparison

**Record adjusted EBITDA of \$55.6 million, or 18.0% of VA Sales**

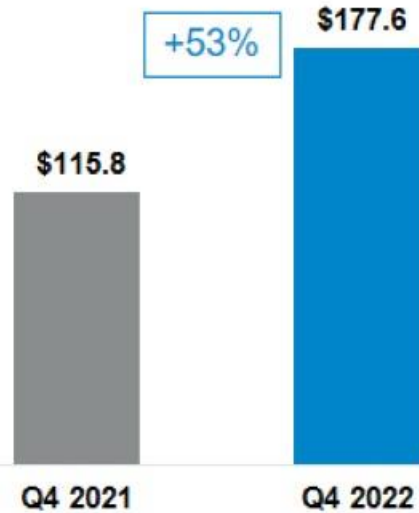
- Growth driven by strong volume, meaningful price/mix and favorable impact of HCS Electronic Materials acquisition
- SG&A includes incentive compensation driven by strong Q4 performance



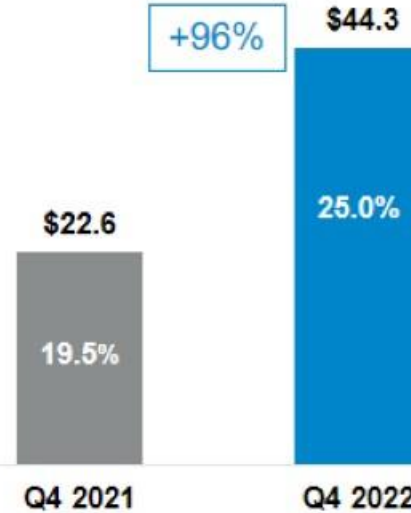
See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS and EPS with acquisition amortization to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

# Performance Materials Segment

## Value-added Sales (\$M)



## Adj. EBITDA (\$M)



**Record value-added sales of \$177.6 million, up 53% from prior year**

- Strong performance in the industrial, energy and aerospace end markets
- New precision clad strip plant contributed significantly, with continued production from legacy facility

**Record adjusted EBITDA of \$44.3 million, up 96% from prior year, or 25.0% of VA sales**

- Increased volume driven by demand and outgrowth initiatives
- Favorable price more than offsetting cost
- Favorable mix from defense and hydroxide sales
- Sequential margin expansion of 280 bps

## 2023 Outlook:

- Order book remains strong; expect another year of above market growth

## Q4 Performance by End Market



# Electronic Materials Segment

## Value-added Sales (\$M)

## Adj. EBITDA (\$M)



Value-added sales of \$104.0 million, up 16% from prior year

- HCS-Electronic Materials contributing meaningful VA growth
- Organic sales up 2%

Adjusted EBITDA of \$17.1 million, or 16.4% of VA sales

- Increase due to HCS contribution and favorable price/cost
- Sequential margin expansion of 130 bps

2023 Outlook:

- Expect to outgrow market softness
- Continued strong performance from HCS

## Q4 Performance by End Market

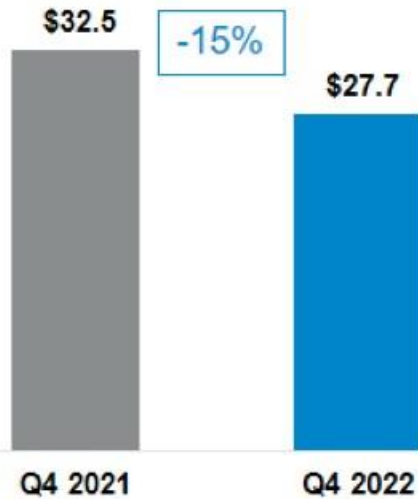
↔ Semiconductor

↓ Industrial

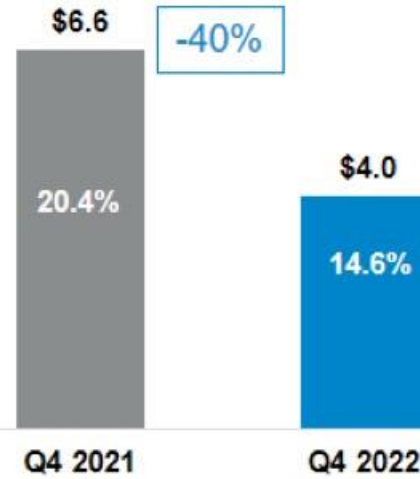
↑ Energy

# Precision Optics Segment

## Value-added Sales (\$M)



## Adj. EBITDA (\$M)



## Value-added sales of \$27.7 million

- Decrease mainly driven by discontinued applications and consumer electronics softening
- Currency negatively impacted VA by \$2M

## Adjusted EBITDA of \$4.0 million, or 14.6% of VA sales

- EBITDA margin expanded each quarter in 2022, managing costs while recovering top line
- Unfavorable year over year performance due to lower volume

## 2023 Outlook:

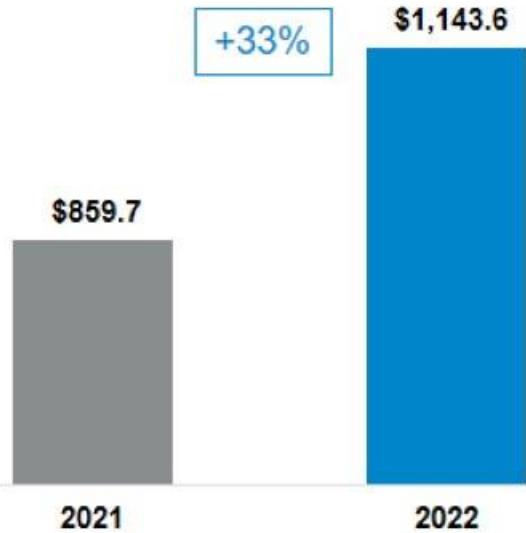
- Improvement expected supported by new business pipeline and growth in defense, automotive and space exploration

## Q4 Performance by End Market



# Full Year Operating Performance

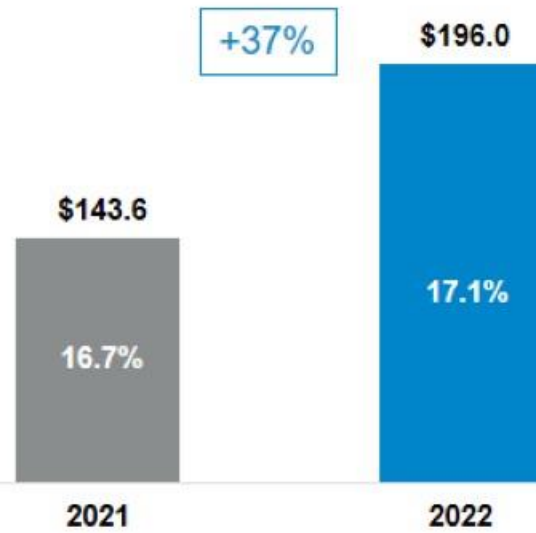
## Value-added Sales (\$M)



Value-added sales were \$1.14 billion, up 33% from prior year

- Strong demand across key end markets led by semiconductor, industrial, energy and aerospace
- VA up ~18% organic
- Meaningful contribution from outgrowth initiatives and HCS acquisition

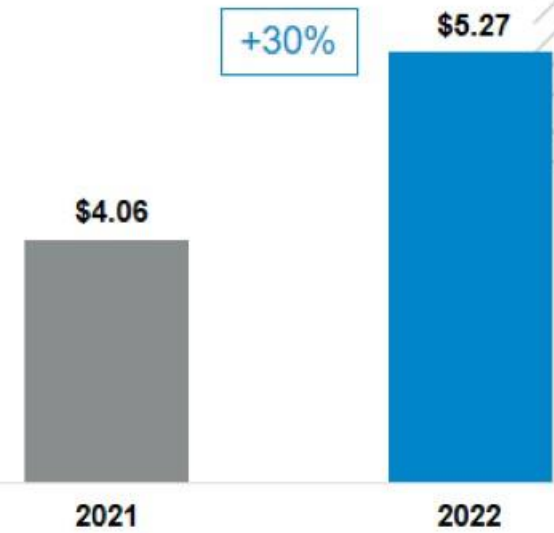
## Adj. EBITDA (\$M)



Adjusted EBITDA margin of 17.1%, up 40 bps from prior year

- Higher volume, favorable price and performance
- Record annual EBITDA

## Adj. EPS



Adjusted EPS of \$5.27 versus \$4.06 in the prior year period; 30% increase

- Strong performance led to record EPS despite \$0.70 additional interest expense
- Adjusted tax rate for the year at 17.4%

# Cash, Debt and Liquidity

(\$M)	2021	2022
Short-term Debt	\$15.4	\$21.1
Long-term Debt	\$434.4	\$410.8
<b>Total Debt</b>	<b>\$449.8</b>	<b>\$431.9</b>
Cash & Cash Equivalents	\$14.5	\$13.1
<b>Net Debt (Cash)</b>	<b>\$435.3</b>	<b>\$418.8</b>
TTM Adjusted EBITDA	\$143.6	\$196.0
Net Debt (Cash) / TTM Adj. EBITDA	3.0x	2.1x

**Leverage at mid point of target range of 1.5x – 3x**

**Approximately \$185 million available on existing credit facility**

- Adequate liquidity remains to support growth initiatives

**No share buyback activity in the quarter**

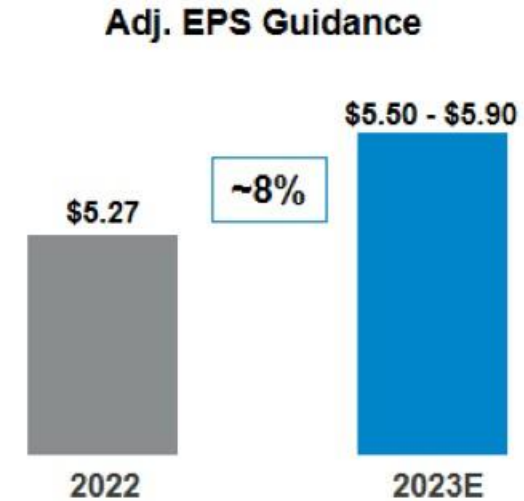
- Board authorization in place for up to \$50M worth of shares with \$8.3M remaining

**Will continue to balance growth investment and debt paydown into 2023**

# Full Year 2023 Guidance

## 2023 Guidance

- Full year adjusted EPS of **\$5.50 - \$5.90**, an increase of ~8% from 2022 at the midpoint



## 2023 Modeling Assumptions

Capital Expenditures	\$95M	Interest Expense	\$30M
HCS-Electronic Materials	\$11M	Effective Tax Rate	18-19%
Tailings Pond	\$10M	Mine Development – New Pit Opening	\$11M
Precision Clad Strip Plant – Phase Two	\$20M	Depreciation and Amortization	\$58M
Extrusion Press Retrofit	\$5M	Acquisition Amortization	\$12M
Normal Segment Capex	\$49M		



Note: This guidance was provided on February 16<sup>th</sup>, 2023 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.

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# 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

# Reconciliation for Value-added Sales

(\$ in millions)

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>2022</u>	<u>2021</u>
<b>Net Sales</b>				
Performance Materials	\$ 197.6	\$ 136.4	\$ 671.5	\$ 511.9
Electronic Materials	209.3	228.3	971.9	866.8
Precision Optics	27.7	32.5	113.7	131.9
Other	—	—	—	—
Total	<u>\$ 434.6</u>	<u>\$ 397.2</u>	<u>\$ 1,757.1</u>	<u>\$ 1,510.6</u>
<b>Less: Pass-through Metal Costs</b>				
Performance Materials	\$ 20.0	\$ 20.6	\$ 82.0	\$ 71.5
Electronic Materials	105.3	138.7	529.9	577.7
Precision Optics	—	0.1	0.1	0.1
Other	0.1	0.5	1.5	1.6
Total	<u>\$ 125.4</u>	<u>\$ 159.8</u>	<u>\$ 613.5</u>	<u>\$ 650.9</u>
<b>Value-added Sales</b>				
Performance Materials	\$ 177.6	\$ 115.8	\$ 589.5	\$ 440.4
Electronic Materials	104.0	89.6	442.0	289.1
Precision Optics	27.7	32.5	113.6	131.8
Other	(0.1)	(0.5)	(1.5)	(1.6)
Total	<u>\$ 309.2</u>	<u>\$ 237.4</u>	<u>\$ 1,143.6</u>	<u>\$ 859.7</u>

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.

# Reconciliation for Non-GAAP Measures

(\$ in millions)

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>2022</u>	<u>2021</u>
<b>Operating Profit (Loss)</b>				
Performance Materials	\$ 37.6	\$ 16.2	\$ 101.4	\$ 67.9
Electronic Materials	12.3	8.8	51.3	35.3
Precision Optics	1.1	3.7	1.9	14.2
Other	(11.8)	(13.2)	(34.8)	(40.3)
Total	\$ 39.2	\$ 15.5	\$ 119.8	\$ 77.1
<b>Non-Operating (Income)/Expense</b>				
Performance Materials	\$ 0.1	\$ 0.1	\$ 0.5	\$ 0.6
Electronic Materials	—	—	—	0.1
Precision Optics	(0.6)	(0.2)	(1.3)	(0.8)
Other	(1.2)	(1.3)	(4.4)	(5.0)
Total	\$ (1.7)	\$ (1.3)	\$ (5.2)	\$ (5.1)
<b>Depreciation, Depletion, and Amortization</b>				
Performance Materials	\$ 6.8	\$ 5.0	\$ 24.3	\$ 21.7
Electronic Materials	4.2	3.4	16.5	9.6
Precision Optics	2.7	2.7	10.5	10.9
Other	0.5	0.6	2.1	2.0
Total	\$ 14.2	\$ 11.7	\$ 53.4	\$ 44.2
<b>Segment EBITDA</b>				
Performance Materials	\$ 44.3	\$ 21.0	\$ 125.2	\$ 89.0
Electronic Materials	16.5	12.2	67.8	44.8
Precision Optics	4.4	6.6	13.7	25.9
Other	(10.1)	(11.3)	(28.3)	(33.3)
Total	\$ 55.1	\$ 28.5	\$ 178.4	\$ 126.4

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance), additional start up resources and scrap, merger and acquisition costs and pension settlement 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.)

(\$ in millions)

	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>2022</u>	<u>2021</u>
<b>Special Items</b>				
Performance Materials	\$ —	\$ 1.6	\$ 6.8	\$ 1.6
Electronic Materials	0.6	3.7	8.2	3.7
Precision Optics	(0.4)	—	0.3	0.4
Other	0.3	6.0	2.3	11.5
Total	\$ 0.5	\$ 11.3	\$ 17.6	\$ 17.2
<b>Adjusted EBITDA Excluding Special Items</b>				
Performance Materials	\$ 44.3	\$ 22.6	\$ 132.0	\$ 90.6
Electronic Materials	17.1	15.9	76.0	48.5
Precision Optics	4.0	6.6	14.0	26.3
Other	(9.8)	(5.3)	(26.0)	(21.8)
Total	\$ 55.6	\$ 39.8	\$ 196.0	\$ 143.6

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance), additional start up resources and scrap, merger and acquisition costs and pension settlement 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.)

(\$ in millions)

	Q4 2022	Q4 2021	Q4 2022 TTM	Q4 2021 TTM
<b>GAAP as Reported</b>				
Net income	\$ 28.8	\$ 19.7	\$ 86.0	\$ 72.5
Income tax expense (benefit)	4.5	(5.3)	17.1	4.8
Interest expense	7.6	2.4	21.9	4.9
Depreciation, depletion, and amortization	14.2	11.7	53.4	44.2
<b>Consolidated EBITDA</b>	<b>\$ 55.1</b>	<b>\$ 28.5</b>	<b>\$ 178.4</b>	<b>\$ 126.4</b>
<b>Special Items</b>				
Restructuring and cost reduction	\$ —	\$ —	\$ 1.5	\$ 0.4
Merger and acquisition costs	1.0	11.3	12.5	16.8
Additional start up resources and scrap	—	—	4.1	—
Pension settlement	(0.5)	—	(0.5)	—
Total Special Items	0.5	11.3	17.6	17.2
<b>Adjusted EBITDA</b>	<b>\$ 55.6</b>	<b>\$ 39.8</b>	<b>\$ 196.0</b>	<b>\$ 143.6</b>

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance), additional start up resources and scrap, merger and acquisition costs and pension settlement 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.)

## Performance Materials

(Millions)	Fourth Quarter Ended				Twelve Months Ended			
	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021	
	\$	% of VA	\$	% of VA	\$	% of VA	\$	% of VA
Net sales	\$ 197.6		\$ 136.4		\$ 671.5		\$ 511.9	
Pass-through metal cost	20.0		20.6		82.0		71.5	
Value-added sales	\$ 177.6		\$ 115.8		\$ 589.5		\$ 440.4	
EBITDA	\$ 44.3	24.9 %	\$ 21.0	18.1 %	\$ 125.2	21.2 %	\$ 89.0	20.2 %
Additional start up resources and scrap	—	— %	—	— %	4.1	0.7 %	—	— %
Merger and acquisition costs	—	— %	1.6	1.4 %	2.7	0.5 %	1.6	0.4 %
Adjusted EBITDA	\$ 44.3	24.9 %	\$ 22.6	19.5 %	\$ 132.0	22.4 %	\$ 90.6	20.6 %

## Precision Optics

(Millions)	Fourth Quarter Ended				Twelve Months Ended			
	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021	
	\$	% of VA	\$	% of VA	\$	% of VA	\$	% of VA
Net sales	\$ 27.7		\$ 32.5		\$ 113.7		\$ 131.9	
Pass-through metal cost	—		—		0.1		0.1	
Value-added sales	\$ 27.7		\$ 32.5		\$ 113.6		\$ 131.8	
EBITDA	\$ 4.4	15.9 %	\$ 6.6	20.3 %	\$ 13.7	12.1 %	\$ 25.9	19.7 %
Restructuring and cost reduction	—	— %	—	— %	0.6	0.5 %	0.4	0.3 %
Pension settlement	(0.5)	(1.8) %	—	— %	(0.5)	(0.4) %	—	— %
Merger and acquisition costs	0.1	0.4 %	—	— %	0.2	0.2 %	—	— %
Adjusted EBITDA	\$ 4.0	14.4 %	\$ 6.6	20.3 %	\$ 14.0	12.3 %	\$ 26.3	20.0 %

## Electronic Materials

(Millions)	Fourth Quarter Ended				Twelve Months Ended			
	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021	
	\$	% of VA	\$	% of VA	\$	% of VA	\$	% of VA
Net sales	\$ 209.3		\$ 228.3		\$ 971.9		\$ 866.8	
Pass-through metal cost	105.3		138.7		529.9		577.7	
Value-added sales	\$ 104.0		\$ 89.6		\$ 442.0		\$ 289.1	
EBITDA	\$ 16.5	15.9 %	\$ 12.2	13.6 %	\$ 67.8	15.3 %	\$ 44.8	15.5 %
Restructuring and cost reduction	—	— %	—	— %	0.8	0.2 %	—	— %
Merger and acquisition costs	0.6	0.6 %	3.7	4.1 %	7.4	1.7 %	3.7	1.3 %
Adjusted EBITDA	\$ 17.1	16.4 %	\$ 15.9	17.7 %	\$ 76.0	17.2 %	\$ 48.5	16.8 %

## Other

(Millions)	Fourth Quarter Ended				Twelve Months Ended			
	December 31, 2022		December 31, 2021		December 31, 2022		December 31, 2021	
	\$	% of VA	\$	% of VA	\$	% of VA	\$	% of VA
EBITDA	\$ (10.1)		\$ (11.3)		\$ (28.3)		\$ (33.3)	
Restructuring and cost reduction	—		—		0.1		—	
Merger and acquisition costs	0.3		6.0		2.2		11.5	
Adjusted EBITDA	\$ (9.8)		\$ (5.3)		\$ (26.0)		\$ (21.8)	

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance), additional start up resources and scrap, merger and acquisition costs and pension settlement 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)	Fourth Quarter Ended				Twelve Months Ended			
	December 31, 2022	Diluted EPS	December 31, 2021	Diluted EPS	December 31, 2022	Diluted EPS	December 31, 2021	Diluted EPS
Net income and EPS	\$ 28.8	\$ 1.38	\$ 19.7	\$ 0.95	\$ 86.0	\$ 4.14	\$ 72.5	\$ 3.50
<b>Special items</b>								
Restructuring and cost reduction	—	—	—	—	1.5	—	0.4	—
Additional start up resources and scrap	—	—	—	—	4.1	—	—	—
Merger and acquisition costs	1.0	—	11.3	—	12.5	—	16.8	—
Pension settlement	(0.5)	—	—	—	(0.5)	—	—	—
Provision for income taxes <sup>(1)</sup>	(0.8)	—	(9.6)	—	(3.9)	—	(10.9)	—
<b>Total special items</b>	<b>(0.3)</b>	<b>(0.01)</b>	<b>1.7</b>	<b>0.08</b>	<b>13.7</b>	<b>0.66</b>	<b>6.3</b>	<b>0.30</b>
Adjusted net income and adjusted EPS	\$ 28.5	\$ 1.37	\$ 21.4	\$ 1.03	\$ 99.7	\$ 4.80	\$ 78.8	\$ 3.80
Acquisition amortization (net of tax)	2.4	0.12	2.0	0.10	9.8	0.47	5.2	0.26
Adjusted net income and adjusted EPS excl. amortization	\$ 30.9	\$ 1.49	\$ 23.4	\$ 1.13	\$ 109.5	\$ 5.27	\$ 84.0	\$ 4.06

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance), additional start up resources and scrap, merger and acquisition costs and pension settlement 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.