Materion Corporation
3Q 2023 Earnings Call

November 1, 2023



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Agenda

Introduction	Kyle Kelleher – Manager, 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 as a result of a variety of factors. These factors include, in addition to those mentioned elsewhere herein: the global economy, including inflationary pressures, potential future recessionary conditions and the impact of tariffs and trade agreements; the impact of any U.S. Federal Government shutdowns or sequestrations; 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 identifying acquisition candidates and in acquiring and integrating such businesses; the impact of the results of acquisitions on our ability to fully achieve the strategic and financial objectives related to these acquisitions; our success in implementing our strategic plans and the timely and successful start-up and completion 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, hostilities, 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 in operations from, and other effects of, catastrophic and other extraordinary events including outbreaks from infectious diseases and the conflict between Russia and Ukraine and other hostilities; realization of expected financial benefits expected from the Inflation Reduction Act of 2022; 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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Q3 2023 Highlights

Record Earnings on Strong Operational Performance

Outperformed adjusted EBITDA margin target for second consecutive quarter

Achieved twelfth consecutive quarter of YoY growth for adjusted EBITDA and EPS

Value-added (VA) sales of $270.5 million, up 8% excluding semiconductor softness

- VA sales down 5% from prior year
  - Diverse portfolio and organic initiatives offsetting significant semiconductor headwinds

Record third quarter adjusted EBITDA of $55.4 million or 20.5% of VA, up 14% YoY

- 330 bps margin expansion YoY
- Driven by favorable price/mix and strong operational performance including the targeted cost improvement initiatives

Record adjusted EPS of $1.51, up 15% YoY

Multiple opportunities in space & defense continuing to fuel the organic growth pipeline





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

Space & Defense Opportunities Accelerating Organic Growth

Awarded
$5M
from U.S. Air Force for development of Beryllium Additive Manufacturing

Notification of
$10M
award to supply critical materials for defense related space applications

Secured 3rd order of
$13M
to supply critical materials for space propulsion systems

$10M
Doubling ToughMet sales in '24 for next-gen space applications; +$5M

Secured
$8M
in Precision Optics contracts for space & defense



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End Market Performance

	Q3 2023			YTD 2023	
Market	**VA Sales**	**vs. Q3 2022**	**Q3 Comments**	**VA Sales**	**vs. YTD**
Semiconductor	$59.7	↓ -33%	▪ Continued inventory correction and customer destocking	$207.2	↓ -20%
Industrial	$42.2	↓ -19%	▪ Slowing non-residential construction and continued softness in consumer goods related manufacturing	$145.2	↓ -7%
Aerospace & Defense	$35.9	↑ 27%	▪ Tenth consecutive quarter of growth in Aerospace led by increased content and build rate; including growth in Space ▪ Defense projects accelerating	$104.8	↑ 23%
Energy	$19.6	↓ -9%	▪ Lower rig count impacting near-term demand in Oil & Gas ▪ Positive contributions from new business in clean energy	$59.8	↔ 0%
Automotive	$18.2	↓ -12%	▪ Order timing and inventory correction	$60.9	↔ 0%
Consumer Electronics	$13.6	↓ -8%	▪ Continued decline due to discontinued product application and general market softness	$36.8	↓ -27%
Telecom & Data Center	$13.3	↑ 7%	▪ Ninth consecutive quarter of growth in Telecom & Data Center ▪ Strength driven by undersea cable market through new customer programs	$41.9	↑ 12%

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Key Takeaways

Delivered record quarterly earnings

- Outperformed mid-term adjusted EBITDA margin target of 20% for second consecutive quarter
- Record quarterly adjusted EPS; record 3rd quarter adjusted EBITDA
- Twelfth consecutive quarter of year-over-year growth in adjusted EBITDA and adjusted EPS

Delivering on key strategic growth initiatives

- Organic initiatives and diverse portfolio offsetting significant semiconductor softness
- Announcement of several space & defense awards and opportunities; well positioning Materion for continued market outgrowth
- Precision Clad Strip opportunity contributing meaningfully, expansion remains on track

Affirming full year guidance

- Significant focus on operational excellence with greater contribution from targeted cost improvement actions
- Capital investments remain on track to support growth opportunities

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Financial Review

Shelly Chadwick

Vice President and Chief Financial Officer

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Q3 2023 Operating Performance

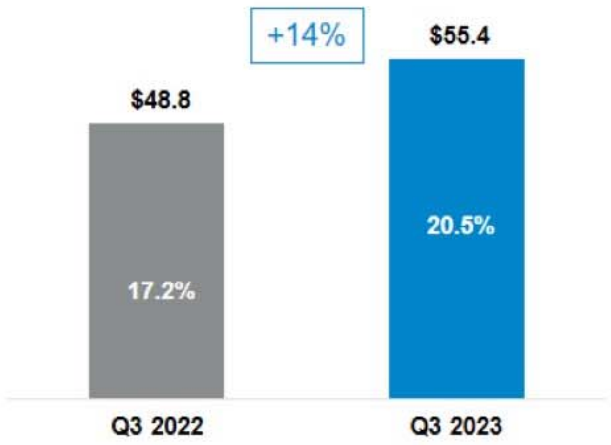
Value-added Sales ($M)



Value-added sales were $270.5 million, down slightly from prior year

- Excluding the semiconductor softness, remainder of business was up 8%
- Strength across key end markets led by aerospace & defense and telecom & data center
- Precision clad strip contributed meaningfully

Adj. EBITDA ($M)



Adjusted EBITDA was $55.4 million, margin of 20.5%, up 330 bps from prior year

- Outperformed mid-term target adjusted EBITDA % for second straight quarter
- Strong price/mix and operational excellence contributed to earnings growth
- Increased benefit from the targeted cost improvement initiatives

Adj. EPS



Adjusted EPS of $1.51, up 15% from prior year

- Record adjusted EPS for any quarter
- Favorable tax rate due to non-taxable production credit and foreign earnings benefit
- Interest expense headwind of ~$.08/share YoY

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

Q3 2023 Financial Comparison

Adjusted EBITDA of $55.4 million, or 20.5% of VA Sales

- Driven by favorable price/mix and strong operational performance, partially offset by lower volume
- Targeted cost improvement initiatives contributing across the company
- 330 bps margin expansion



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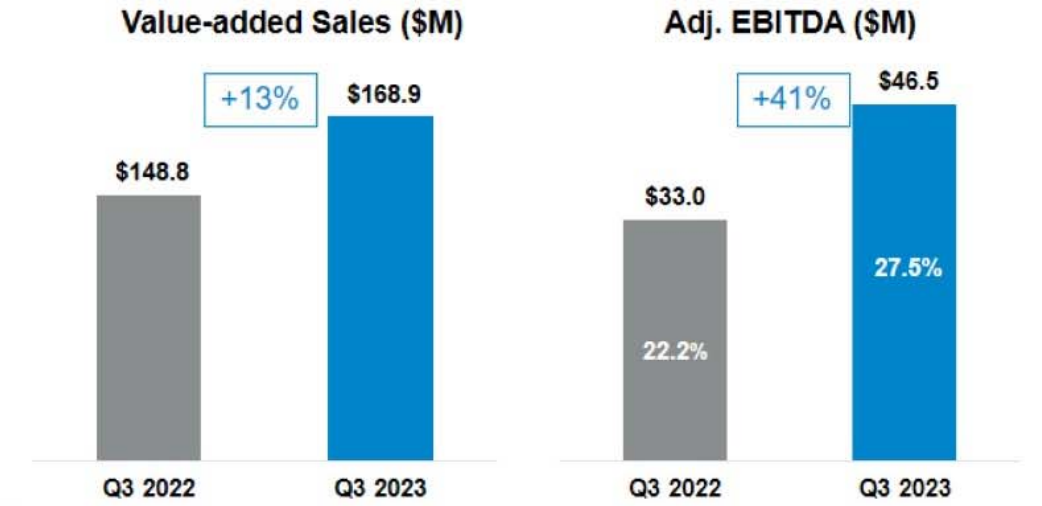
*Performance includes the Q3 '23 impact of the inflation reduction act production credit.
See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin and adjusted EPS (which excludes acquisition amortization) to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Performance Materials Segment



Q3 Performance by End Market

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

Value-added sales of $168.9 million, up 13% from prior year

- Meaningful contribution from precision clad strip
- Strong demand in the aerospace (space), consumer electronics and telecom & data center end markets

Adjusted EBITDA of $46.5 million, up 41% from prior year

- 27.5% adjusted EBITDA margin, up 530 bps from prior year
- Driven by higher volume and price, strong mix and operational excellence initiatives

Q4 2023 Outlook:

- Strong demand led by aerospace, defense and telecom & data center
- Meaningful contribution from organic initiatives

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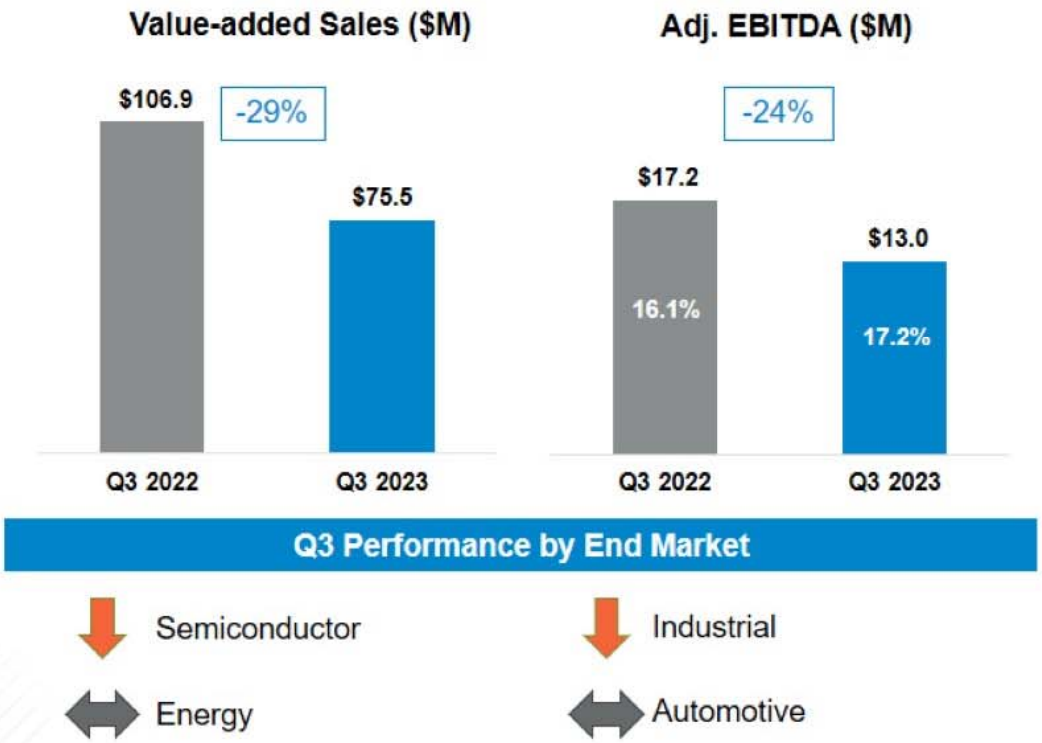
See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin and adjusted EPS (which excludes acquisition amortization) to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Electronic Materials Segment



Value-added sales of $75.5 million

- Continued slowdown in the semiconductor market
- Persistent inventory correction in logic and communication devices

Adjusted EBITDA of $13.0 million

- 110 bps of margin expansion from prior year
- Strong price/mix and targeted cost improvement initiatives and some one-time benefits, partially offsetting softer demand

Q4 2023 Outlook:

- Incremental improvement in Semiconductor sales expected
- Continued benefit from cost improvement initiatives

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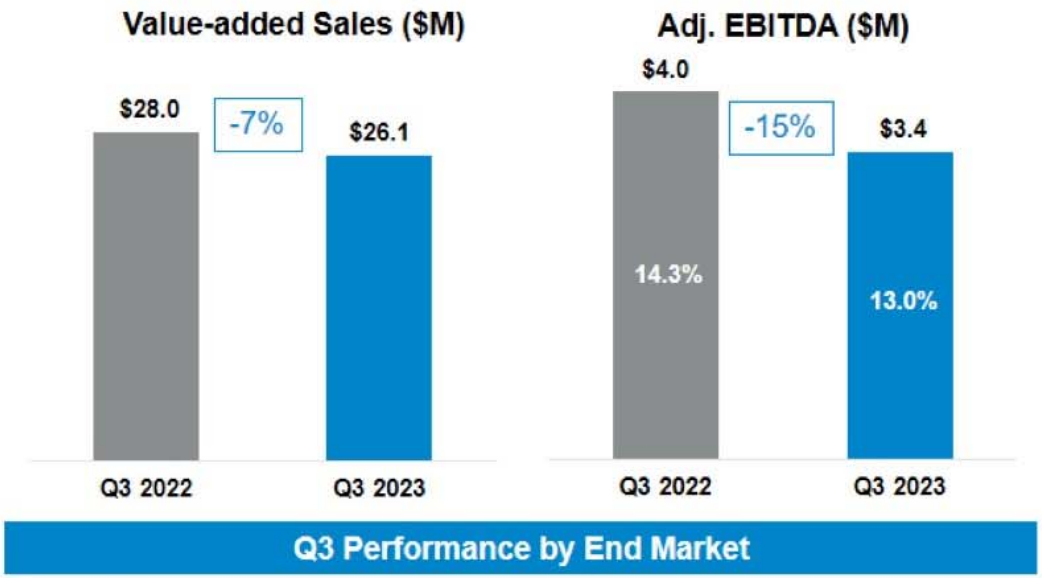
See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin and adjusted EPS (which excludes acquisition amortization) to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Precision Optics Segment



Q3 Performance by End Market

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

Value-added sales of $26.1 million

- Decrease mainly driven by reduced PCR filter demand, discontinued product application and general softening in the consumer electronics market
- Sequential improvement of $1M driven mainly by strength in defense

Adjusted EBITDA of $3.4 million

- Mainly driven by decrease in volume, offset by positive mix and targeted cost improvement initiatives
- Sequential EBITDA growth with 260 bps of margin expansion

Q4 2023 Outlook:

- Incremental contributions from defense, space and automotive opportunities
- Greater benefit from cost improvement initiatives

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

Cash, Debt and Liquidity

($M)	Q3 2022	Q3 2023
Short-term Debt	$19.7	$38.6
Long-term Debt	$474.3	$422.4
Total Debt	**$494.0**	**$461.0**
Cash & Cash Equivalents	$20.7	$16.4
Net Debt (Cash)	**$473.3**	**$444.6**
TTM Adjusted EBITDA	$180.2	$220.0
Net Debt (Cash) / TTM Adj. EBITDA	2.6x	2.0x

Leverage slightly below midpoint of target range of 1.5x – 3x

Approximately $151 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

Balancing organic growth investment and debt paydown

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Full Year 2023 Guidance

2023 Guidance

- Affirming midpoint of full year adjusted EPS with a range of **$5.70-$5.90**



2023 Modeling Assumptions			
Capital Expenditures	$105M	Interest Expense	$30M
HCS-Electronic Materials	$11M	Effective Tax Rate	15-16%
Tailings Pond	$10M	Mine Development – New Pit Opening	$11M
Precision Clad Strip Plant – Phase Two	$20M	Depreciation and Amortization	$62M
Extrusion Press Retrofit	$3M	Acquisition Amortization	$12M
Normal Segment Capex	$61M		

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Note: This guidance was provided on November 1, 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.

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)	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Net Sales				
Performance Materials	$ 184.6	$ 169.4	$ 554.4	$ 473.9
Electronic Materials	192.3	230.8	611.8	762.6
Precision Optics	26.2	28.0	77.9	86.0
Other	—	—	—	—
Total	$ 403.1	$ 428.2	$ 1,244.1	$ 1,322.5
Less: Pass-through Metal Costs				
Performance Materials	$ 15.7	$ 20.6	$ 51.9	$ 62.0
Electronic Materials	116.8	123.9	354.8	447.7
Precision Optics	0.1	—	0.1	0.1
Other	—	0.2	—	1.3
Total	$ 132.6	$ 144.7	$ 406.8	$ 511.1
Value-added Sales				
Performance Materials	$ 168.9	$ 148.8	$ 502.5	$ 411.9
Electronic Materials	75.5	106.9	257.0	314.9
Precision Optics	26.1	28.0	77.8	85.9
Other		(0.2)		(1.3)
Total	$ 270.5	$ 283.5	$ 837.3	$ 811.4

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)	Q3 2023	Q3 2022
Operating Profit (Loss)		
Performance Materials	$ 38.9	$ 22.9
Electronic Materials	6.0	12.8
Precision Optics	0.3	0.8
Other	(8.7)	(7.4)
Total	$ 36.5	$ 29.1
Non-Operating (Income)/Expense		
Performance Materials	$ 0.2	$ 0.1
Electronic Materials	—	—
Precision Optics	(0.2)	(0.2)
Other	(0.7)	(1.1)
Total	$ (0.7)	$ (1.2)
Depreciation, Depletion, and Amortization		
Performance Materials	$ 7.7	$ 6.1
Electronic Materials	4.1	4.0
Precision Optics	2.8	2.6
Other	0.5	0.4
Total	$ 15.1	$ 13.1
Segment EBITDA		
Performance Materials	$ 46.4	$ 28.9
Electronic Materials	10.1	16.8
Precision Optics	3.3	3.6
Other	(7.5)	(5.9)
Total	$ 52.3	$ 43.4

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.

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Reconciliation for Non-GAAP Measures (Cont.)

($ in millions)	Q3 2023	Q3 2022
Special Items		
Performance Materials	$ 0.1	$ 4.1
Electronic Materials	2.9	0.4
Precision Optics	0.1	0.4
Other	—	0.5
Total	$ 3.1	$ 5.4
Adjusted EBITDA Excluding Special Items		
Performance Materials	$ 46.5	$ 33.0
Electronic Materials	13.0	17.2
Precision Optics	3.4	4.0
Other	(7.5)	(5.4)
Total	$ 55.4	$ 48.8

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.

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Reconciliation for Non-GAAP Measures (Cont.)

($ in millions)	Q3 2023	Q3 2022	Q3 2023 TTM	Q3 2022 TTM
GAAP as Reported				
Net income	$ 26.6	$ 20.0	$ 105.0	$ 76.9
Income tax expense (benefit)	3.0	4.4	16.5	7.2
Interest expense	7.6	5.9	30.4	16.7
Depreciation, depletion, and amortization	15.1	13.1	60.7	51.0
Consolidated EBITDA	**$ 52.3**	**$ 43.4**	**$ 212.6**	**$ 151.8**
Special Items				
Restructuring and cost reduction	$ 3.1	$ 0.4	$ 6.9	$ 1.5
Merger and acquisition costs	—	0.9	1.0	22.8
Pension settlement			(0.5)	
Additional start-up resources and scrap	—	4.1		4.1
Total Special Items	3.1	5.4	7.4	28.4
Adjusted EBITDA	**$ 55.4**	**$ 48.8**	**$ 220.0**	**$ 180.2**

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.

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Reconciliation for Non-GAAP Measures (Cont.)

Performance Materials

(Millions)	Third Quarter Ended September 29, 2023	% of VA	September 30, 2022	% of VA
Net sales	$ 184.6		$ 169.4	
Pass-through metal cost	15.7		20.6	
Value-added sales	$ 168.9		$ 148.8	
EBITDA	$ 46.4	27.5 %	$ 28.9	19.4 %
Restructuring and cost reduction	0.1	0.1 %	—	— %
Additional start up resources and scrap	—	— %	4.1	2.8 %
Merger and acquisition costs	—	— %	—	— %
Adjusted EBITDA	$ 46.5	27.5 %	$ 33.0	22.2 %

Precision Optics

(Millions)	Third Quarter Ended September 29, 2023	% of VA	September 30, 2022	% of VA
Net sales	$ 26.2		$ 28.0	
Pass-through metal cost	0.1		—	
Value-added sales	$ 26.1		$ 28.0	
EBITDA	$ 3.3	12.6 %	$ 3.6	12.9 %
Restructuring and cost reduction	0.1	0.4 %	0.4	1.4 %
Merger and acquisition costs	—	— %	—	— %
Adjusted EBITDA	$ 3.4	13.0 %	$ 4.0	14.3 %

Electronic Materials

(Millions)	Third Quarter Ended September 29, 2023	% of VA	September 30, 2022	% of VA
Net sales	$ 192.3		$ 230.8	
Pass-through metal cost	116.8		123.9	
Value-added sales	$ 75.5		$ 106.9	
EBITDA	$ 10.1	13.4 %	$ 16.8	15.7 %
Restructuring and cost reduction	2.9	3.8 %	—	— %
Merger and acquisition costs	—	— %	0.4	0.4 %
Adjusted EBITDA	$ 13.0	17.2 %	$ 17.2	16.1 %

Other

(Millions)	Third Quarter Ended September 29, 2023	% of VA	September 30, 2022	% of VA
EBITDA	$ (7.5)		$ (5.9)	
Restructuring and cost reduction	—		—	
Merger and acquisition costs			0.5	
Adjusted EBITDA	$ (7.5)		$ (5.4)	

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.

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Reconciliation for Non-GAAP Measures (Cont.)

(Millions)	Third Quarter Ended September 29, 2023	Diluted EPS	September 30, 2022	Diluted EPS
Net income and EPS	$ 26.6	$ 1.27	$ 20.0	$ 0.96
Special items				
Restructuring and cost reduction	3.1		0.4	
Additional start up resources and scrap			4.1	
Merger and acquisition costs			0.9	
Provision for income taxes[(1)]	(0.6)		(0.5)	
Total special items	2.5	0.12	4.9	0.23
Adjusted net income and adjusted EPS	$ 29.1	$ 1.39	$ 24.9	$ 1.19
Acquisition amortization (net of tax)	2.5	0.12	2.4	0.12
Adjusted net income and adjusted EPS excl. amortization	$ 31.6	$ 1.51	$ 27.3	$ 1.31

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.

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Reconciliation for Non-GAAP Measures (Cont.)

Reconciliation of Adjusted Earnings per Share to GAAP Earnings per Share for Full Year 2023 Outlook and Year Ended December 31, 2022
(Unaudited)

	Forecasted Full Year Ended December 31, 2023		
	Low End Earnings per Share	High End Earnings per Share	Year Ended December 31, 2022
GAAP diluted earnings per share	$ 5.00	$ 5.20	$ 4.14
Adjustments:			
Restructuring, cost reduction and other special items, net [1]	0.23	0.23	0.66
Acquisition amortization, net	0.47	0.47	0.47
Adjusted diluted earnings per share	$ 5.70	$ 5.90	$ 5.27

[1] We have adjusted the results for certain special items such as restructuring and cost reductions (which includes costs associated with temporarily idled facilities as a result of decreased demand) additional start up resources and scrap and merger and acquisition costs.

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.

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