Materion Corporation
1Q 2024 Earnings Presentation

May 1, 2024







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Agenda

Introduction	Kyle Kelleher – Director, Investor Relations and Corporate FP&A
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 18 through 24 in the appendix.

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

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Opening Remarks & Business Update

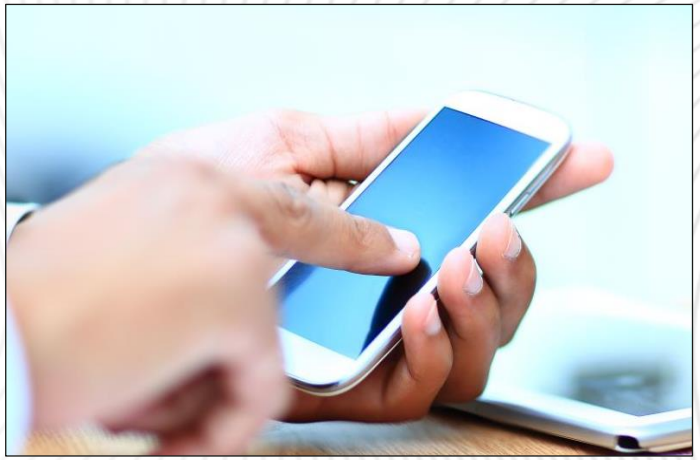
Jugal Vijayvargiya

President and Chief Executive Officer

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Q1 2024 Highlights

Operational Challenges and Softer Demand Impact Q1 Results; Cost Improvement Initiatives Protect Margins





Value-added (VA) sales of $257.8 million

- VA sales down 14% from prior year driven largely by continued weakness in semiconductor and industrial end markets
  - Temporary operational challenges also contributed to the decline
  - Strong growth in space, defense and consumer electronics

Adjusted EBITDA of $45.2 million or 17.5% of VA

- Impact of lower volume, partially offset by the benefit of strong cost control
- Implemented structural cost improvement initiatives to benefit the full year
- EBITDA margin roughly flat despite significant volume decline

Adjusted EPS of $0.96

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

End Market Performance

Q1 2024			
Market	**VA Sales**	**vs. Q1 2023**	**Q1 Comments**
Semiconductor	$64.0	-25%	▪ Continued inventory correction and customer destocking ▪ Q1 expected to be the low point with quarterly sequential improvement
Aerospace & Defense	$46.6	41%	▪ Twelfth consecutive quarter of growth in Aerospace led by significant contribution from emerging Space market more than offsetting declines in commercial aerospace ▪ Defense sales remain strong
Industrial	$36.7	-29%	▪ Significant inventory correction for the beryllium-nickel spring used in non-residential construction along with general market softness
Automotive	$15.8	-32%	▪ Compared to a very strong Q1 '23, continued inventory correction with lower projections for EV
Energy	$13.3	-36%	▪ Lower rig count impacting demand in Oil & Gas ▪ Smart glass application impacted by market slowdown ▪ Clean/nuclear energy projects contributing
Consumer Electronics	$12.8	15%	▪ Handheld device recovery driving growth in Asia
Telecom & Data Center	$11.0	-22%	▪ Decline due to slowing 5G carrier buildout, partially offset by strength in undersea cable demand

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Key Takeaways

Top line headwinds drove lower results

- Continued weakness in the semiconductor and industrial end markets; softer demand in commercial aerospace and EV
- Performance Materials impacted by temporary operational challenges

Significant cost actions helping to mitigate headwinds and deliver strong margins

- EBITDA margin relatively flat despite significant volume decline
- Electronic Materials delivered ~500 bps of margin expansion despite 25% VA sales decline

Precision Clad Strip opportunity contributing meaningfully

Outlook for 2024

- Meaningful top line improvement in Q2 and rest of year
- Operational challenges addressed; normalizing output in Q2
- Modest adjustment to full year guidance with strong execution offsetting market challenges
  - Market softness across commercial aerospace and electric vehicles, combined with some inventory correction from precision clad strip customer
  - Higher interest expense due to current rate outlook

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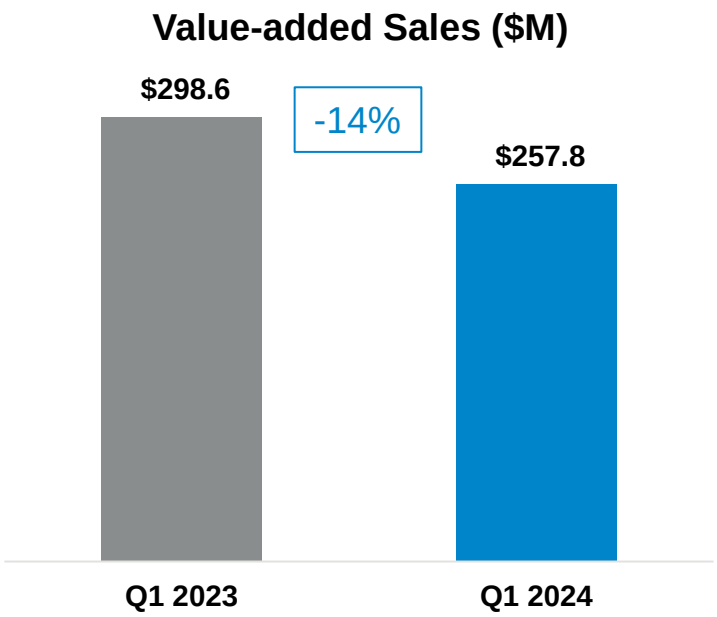
Financial Review

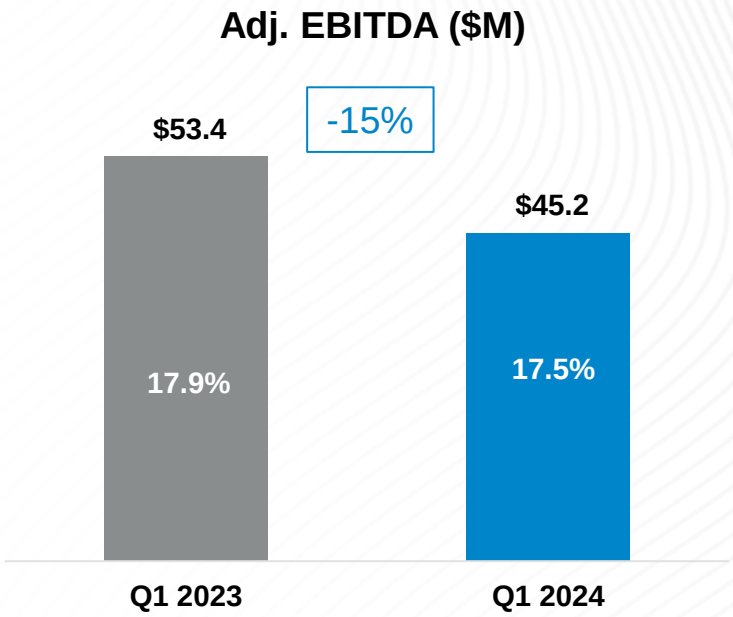
Shelly Chadwick

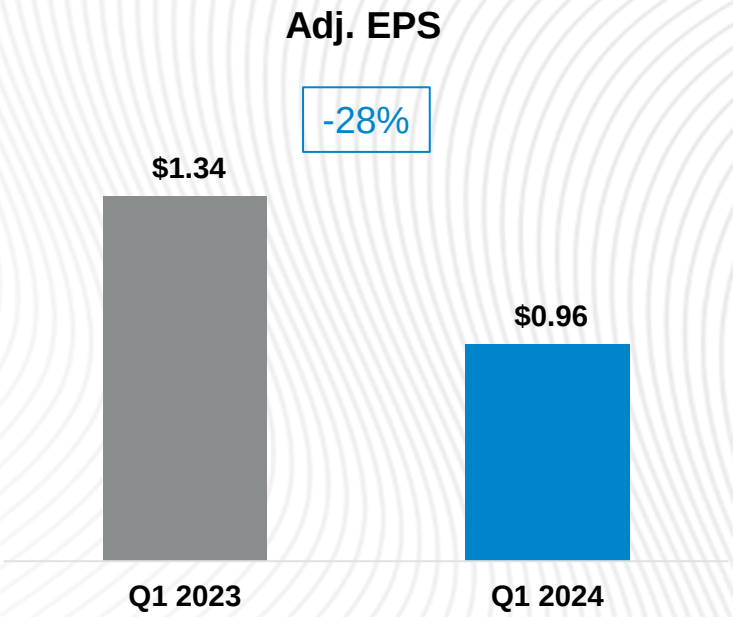
Vice President and Chief Financial Officer

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Q1 2024 Operating Performance







Value-added sales were $257.8 million, down from prior year

- Decrease primarily due to significant semiconductor and industrial market weakness
- Temporary operational challenges limited shipments
- Partially offset by strength in space & defense and consumer electronics

Adjusted EBITDA was $45.2 million, margin of 17.5%

- EBITDA margin ~flat despite significant volume decline
- Targeted cost improvement initiatives helping offset volume decline

Adjusted EPS of $0.96

- Interest expense headwind of ~$.03/share YoY

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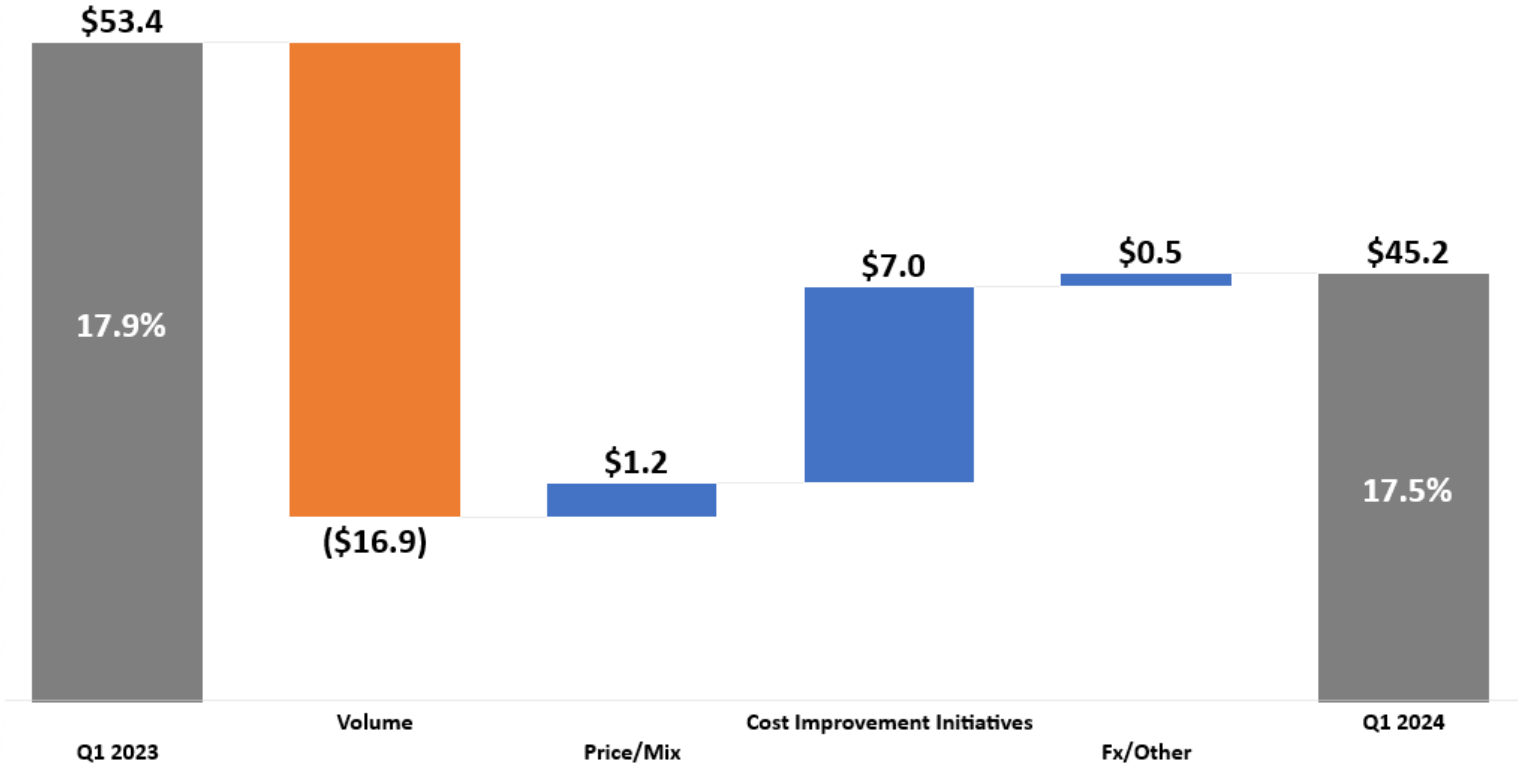
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See appendix for reconciliations of value-added sales, adjusted EBITDA, adjusted EBITDA margin, adjusted EPS (which excludes acquisition amortization) and free cash flow to their most comparable GAAP financial measures. Certain data presented above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

Q1 2024 Financial Comparison

Adjusted EBITDA of $45.2 million, or 17.5% of VA Sales

- EBITDA margin strong despite sales volume decline
- Positive price partially offset by unfavorable mix
- Cost improvement initiatives helping offset headwinds



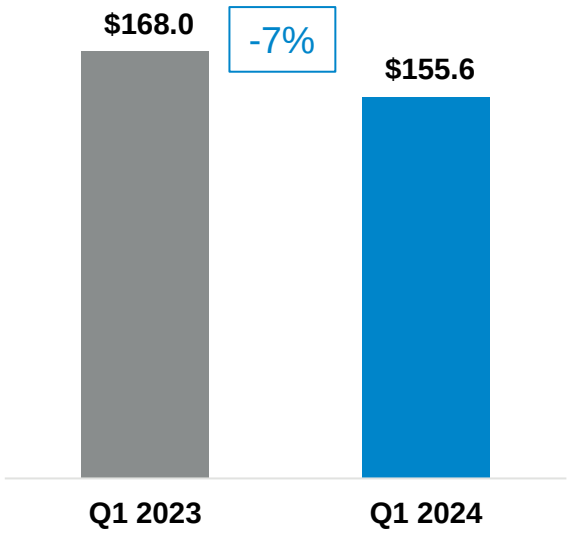
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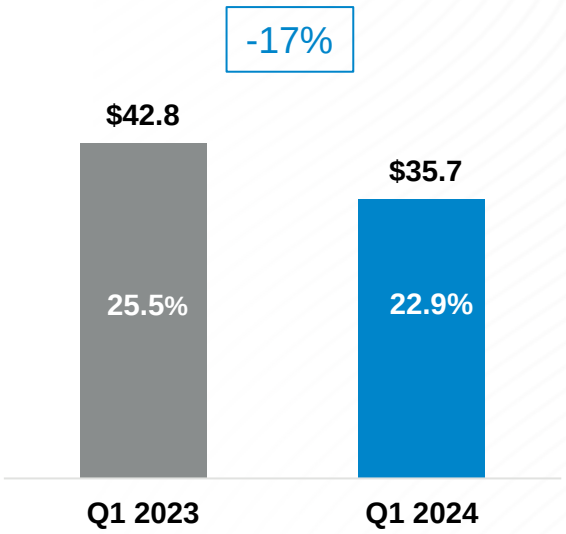
See appendix for reconciliations of value-added sales, adjusted EBITDA and adjusted EBITDA margin to their most comparable GAAP financial measures. Certain data presented above has been rounded for presentation purposes.

Performance Materials Segment

Value-added Sales ($M)



Adj. EBITDA ($M)



Q1 Performance by End Market

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

Value-added sales of $155.6 million

- Decrease due to temporary operational challenges and market softness led by industrial, automotive and commercial aerospace
- Strong demand seen in the space, defense and consumer electronics end markets

Adjusted EBITDA of $35.7 million

- Decrease driven by reduced volume
- Partially offset by targeted cost improvement initiatives

2024 Outlook:

- Continued strong demand led by space & defense
- Operational challenges addressed; normalizing output in Q2

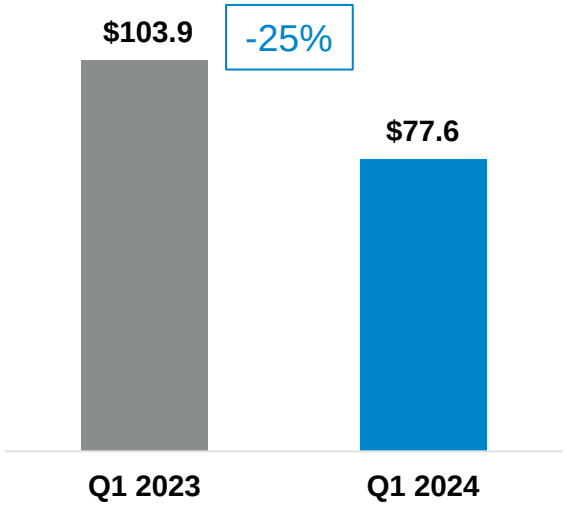
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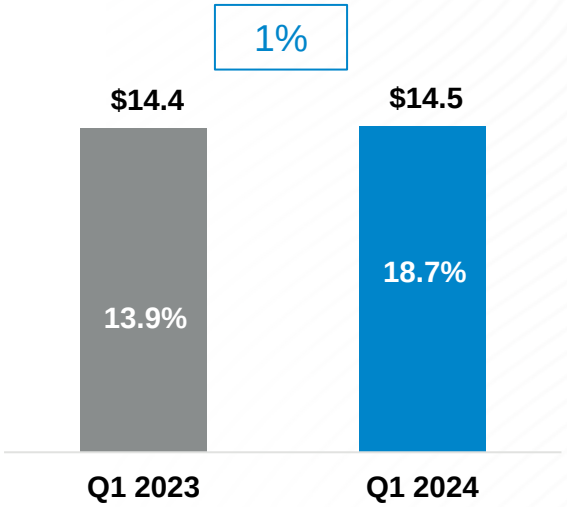
See appendix for reconciliations of value-added sales, adjusted EBITDA and adjusted EBITDA margin to their most comparable GAAP financial measures.
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Electronic Materials Segment

Value-added Sales ($M)



Adj. EBITDA ($M)



Q1 Performance by End Market

- Semiconductor
- Industrial
- Energy
- Automotive

Value-added sales of $77.6 million

- Continued significant weakness in the semiconductor market
- Energy and industrial markets remain challenged

Adjusted EBITDA of $14.5 million,

- Operational performance and targeted cost improvement initiatives mitigated significant semiconductor weakness
- Delivered ~500 bps of margin expansion YoY

2024 Outlook:

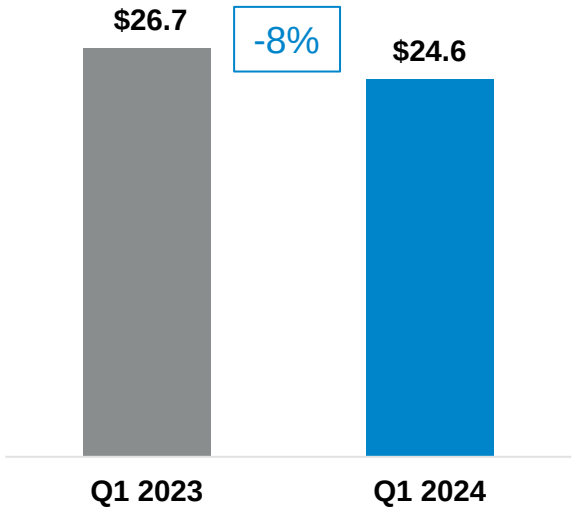
- Expect gradual recovery from Q1 low point with quarterly sequential improvement
- Continued benefit from targeted cost improvement initiatives

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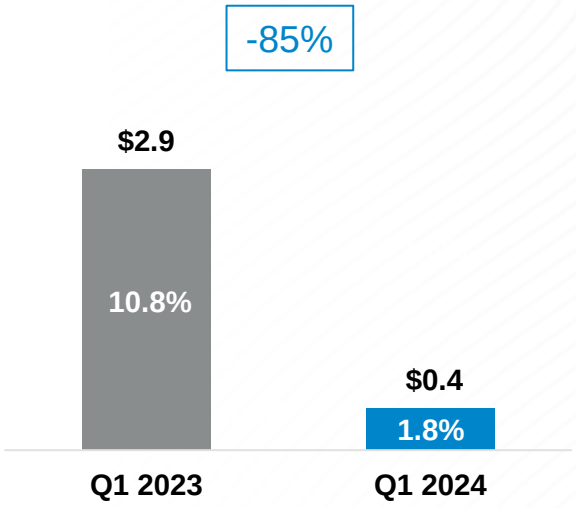
See appendix for reconciliations of value-added sales, adjusted EBITDA and adjusted EBITDA margin to their most comparable GAAP financial measures.
Certain data presented above has been rounded for presentation purposes.

Precision Optics Segment

Value-added Sales ($M)



Adj. EBITDA ($M)



Q1 Performance by End Market

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

Value-added sales of $24.6 million

- Strength in aerospace & defense, offset by reduced demand in industrial and automotive
- Operational challenges delayed some shipments

Adjusted EBITDA of $0.4 million

- Decrease driven by volume, unfavorable product mix and operational challenges

2024 Outlook:

- Expect meaningful step up in margin performance in Q2
- Continued benefit from targeted cost improvement initiatives

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

Cash, Debt and Liquidity

($M)	Q1 2023	Q1 2024
Short-term Debt	$27.7	$46.6
Long-term Debt	$405.5	$428.7
Total Debt	**$433.2**	**$475.3**
Cash & Cash Equivalents	$15.2	$13.1
Net Debt (Cash)	**$418.0**	**$462.2**
TTM Adjusted EBITDA	$204.8	$209.4
Net Debt (Cash) / TTM Adj. EBITDA	2.0x	2.2x

Leverage at midpoint of target range of 1.5x – 3x

Approximately $130 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

Balanced capital allocation approach, prioritizing organic investment

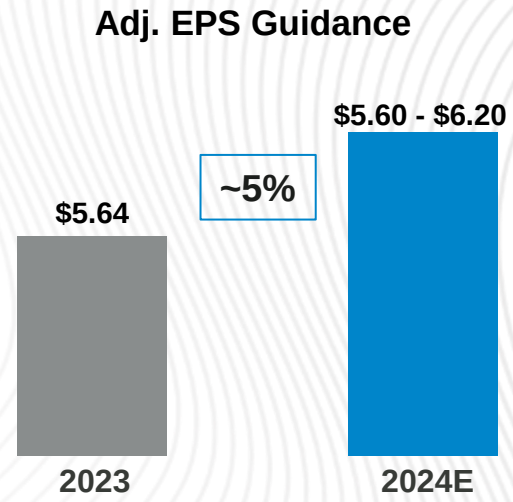
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Full Year 2024 Guidance

2024 Guidance

- Updating full year adjusted EPS to **$5.60-$6.20**, an increase of 5% from 2023 at the midpoint



2024 Modeling Assumptions			
Capital Expenditures	$90M	Interest Expense	$32M
Precision Clad Strip Plant – Phase Two	$20M	Effective Tax Rate	16-17%
HCS-Electronic Materials	$15M	Mine Development – New Pit Opening	$13M
Extrusion Press	$5M	Depreciation and Amortization	$70M
Normal Segment Capex	$50M	Acquisition Amortization	$12M

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Note: This guidance was provided on May 1, 2024 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

(Millions)	First Quarter Ended March 29, 2024	First Quarter Ended March 31, 2023
Net Sales		
Performance Materials	$ 168.6	$ 187.0
Electronic Materials	192.0	228.8
Precision Optics	24.7	26.7
Other	—	—
Total	$ 385.3	$ 442.5
Less: Pass-through Metal Cost		
Performance Materials	$ 13.0	$ 19.0
Electronic Materials	114.4	124.9
Precision Optics	0.1	—
Other	—	
Total	$ 127.5	$ 143.9
Value-added Sales (non-GAAP)		
Performance Materials	$ 155.6	$ 168.0
Electronic Materials	77.6	103.9
Precision Optics	24.6	26.7
Other	—	—
Total	$ 257.8	$ 298.6

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

(Millions)	First Quarter Ended March 29, 2024	First Quarter Ended March 31, 2023
Operating Profit		
Performance Materials	$ 22.6	$ 35.5
Electronic Materials	9.8	9.7
Precision Optics	(3.3)	(0.4)
Other	(6.9)	(7.9)
Total	$ 22.2	$ 36.9
Non-Operating (Income) Expense		
Performance Materials	$ 0.1	$ 0.1
Electronic Materials	—	—
Precision Optics	(0.1)	(0.2)
Other	(0.7)	(0.7)
Total	$ (0.7)	$ (0.8)
Depreciation, Depletion, and Amortization		
Performance Materials	$ 8.2	$ 7.4
Electronic Materials	4.6	4.3
Precision Optics	2.9	2.9
Other	0.5	0.5
Total	$ 16.2	$ 15.1
Segment EBITDA		
Performance Materials	$ 30.7	$ 42.8
Electronic Materials	14.4	14.0
Precision Optics	(0.3)	2.7
Other	(5.7)	(6.7)
Total	$ 39.1	$ 52.8

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

Special Items[(2)]		
Performance Materials	$ 5.0	$ —
Electronic Materials	0.1	0.4
Precision Optics	0.7	0.2
Other	0.3	—
Total	$ 6.1	$ 0.6
Adjusted EBITDA Excluding Special Items		
Performance Materials	$ 35.7	$ 42.8
Electronic Materials	14.5	14.4
Precision Optics	0.4	2.9
Other	(5.4)	(6.7)
Total	$ 45.2	$ 53.4

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance) and additional start up resources and scrap 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)	Three Months Ended March 29, 2024	% of VA	Three Months Ended March 31, 2023	% of VA
Net sales	$ 385.3		$ 442.5	
Pass-through metal cost	127.5		143.9	
Value-added sales	$ 257.8		$ 298.6	
Net income	$ 13.4	5.2 %	$ 25.6	8.6 %
Income tax expense	1.2	0.5 %	4.6	1.5 %
Interest expense - net	8.3	3.2 %	7.5	2.5 %
Depreciation, depletion and amortization	16.2	6.3 %	15.1	5.1 %
Consolidated EBITDA	$ 39.1	15.2 %	$ 52.8	17.7 %
Special items				
Restructuring and cost reduction	$ 2.4	0.9 %	$ 0.6	0.2 %
Additional start up resources and scrap	3.7	1.4 %	—	— %
Total special items	6.1	2.4 %	0.6	0.2 %
Adjusted EBITDA	$ 45.2	17.5 %	$ 53.4	17.9 %

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance) and additional start up resources and scrap 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)	Three Months Ended March 29, 2024	% of VA	Three Months Ended March 31, 2023	% of VA
Net sales	$ 168.6		$ 187.0	
Pass-through metal cost	13.0		19.0	
Value-added sales	$ 155.6		$ 168.0	
EBITDA	$ 30.7	19.7 %	$ 42.8	25.5 %
Restructuring and cost reduction	1.3	0.8 %	—	— %
Additional start up resources and scrap	3.7	2.4 %	—	— %
Adjusted EBITDA	$ 35.7	22.9 %	$ 42.8	25.5 %

Electronic Materials

(Millions)	Three Months Ended March 29, 2024	% of VA	Three Months Ended March 31, 2023	% of VA
Net sales	$ 192.0		$ 228.8	
Pass-through metal cost	114.4		124.9	
Value-added sales	$ 77.6		$ 103.9	
EBITDA	$ 14.4	18.6 %	$ 14.0	13.5 %
Restructuring and cost reduction	0.1	0.1 %	0.4	0.4 %
Adjusted EBITDA	$ 14.5	18.7 %	$ 14.4	13.9 %

Precision Optics

(Millions)	Three Months Ended March 29, 2024	% of VA	Three Months Ended March 31, 2023	% of VA
Net sales	$ 24.7		$ 26.7	
Pass-through metal cost	0.1		—	
Value-added sales	$ 24.6		$ 26.7	
EBITDA	$ (0.3)	(1.0)%	$ 2.7	10.1 %
Restructuring and cost reduction	0.7	2.8 %	0.2	0.7 %
Adjusted EBITDA	$ 0.4	1.8 %	$ 2.9	10.8 %

Other

(Millions)	Three Months Ended March 29, 2024	Three Months Ended March 31, 2023
EBITDA	$ (5.7)	$ (6.7)
Restructuring and cost reduction	0.3	—
Adjusted EBITDA	$ (5.4)	$ (6.7)

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance) and additional start up resources and scrap 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)	Three Months Ended March 29, 2024	Diluted EPS	Three Months Ended March 31, 2023	Diluted EPS
Net income and EPS	$ 13.4	$ 0.64	$ 25.6	$ 1.23
Special items				
Restructuring and cost reduction	2.4		0.6	
Additional start up resources and scrap	3.7		—	
Provision for income taxes[1]	(1.9)		(0.7)	
Total special items	4.2	0.20	(0.1)	(0.01)
Adjusted net income and adjusted EPS	$ 17.6	$ 0.84	$ 25.5	$ 1.22
Acquisition amortization (net of tax)	2.5	0.12	2.5	0.12
Adjusted net income and adjusted EPS excl. amortization	$ 20.1	$ 0.96	$ 28.0	$ 1.34

We have adjusted the results for certain special items such as restructuring and cost reduction initiatives (i.e., severance) and additional start up resources and scrap 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 2024	Q1 2023	Q1 2024 TTM	Q1 2023 TTM
GAAP as Reported				
Net income	$ 13.4	$ 25.6	$ 83.5	$ 97.6
Income tax expense (benefit)	1.2	4.6	8.8	18.7
Interest expense	8.3	7.5	32.1	25.7
Depreciation, depletion, and amortization	16.2	15.1	62.7	55.3
Consolidated EBITDA	**$ 39.1**	**$ 52.8**	**$ 187.1**	**$ 197.3**
Special Items				
Restructuring and cost reduction	$ 2.4	$ 0.6	$ 12.8	$ 1.0
Merger and acquisition costs	—	—	—	2.9
Pension settlement	—	—	0.2	(0.5)
Additional start-up resources and scrap	3.7	—	9.3	4.1
Total Special Items	6.1	0.6	22.3	7.5
Adjusted EBITDA	**$ 45.2**	**$ 53.4**	**$ 209.4**	**$ 204.8**

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