

Q2 2021 Earnings Investor Presentation

August 3, 2021



MATERION

Agenda

Introduction

Andrew Vento – Manager, Investor Relations and Corporate Development

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, 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 impact of any U.S. Federal Government shutdowns and 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, including the integration of Optics Balzers; the impact of the results of acquisitions on our ability to fully achieve the strategic and financial objectives related to these acquisitions, including, without limitation, the acquisition of Optics Balzers being accretive in the expected timeframe or at all; 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 financing 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. 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 discrete 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 20 and 21 in the appendix.

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 (EBIT), 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.

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

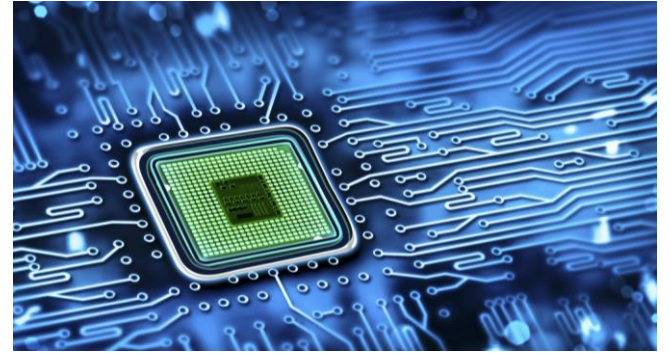
Opening Remarks & Business Update

Jugal Vijayvargiya

President and Chief Executive Officer

Q2 2021 Highlights

- **Record quarterly value-added (VA) sales of \$208 million, up 31% year-over-year**
 - Fifth quarter of sequential top line growth driven by market outperformance in semiconductor, automotive, industrial, and consumer electronics
 - All-time high VA sales in Advanced Materials segment, exceeding previous record performance in Q1
- **Adjusted EBIT of \$22.1 million, an increase of 73% year-over-year**
 - Adjusted EBIT margin of 10.6% compared to 8.0% in the prior-year period
 - Strong volumes, value-based pricing, and improved operating performance
- **Adjusted EPS of \$0.86, an increase of 91% versus prior year**
- **Increasing investments in R&D, commercial and capex to continue strengthening the organic pipeline**



Key Strategic Initiatives

- **Engineered precision clad strip project ramping up**
 - Construction of new leading-edge manufacturing facility nears completion; commencing start-up activities
 - Received \$67M in prepayments for the project to date
 - Continuing to ship product from existing facility
- **Optics Balzers integration is complete**
 - Several synergistic initiatives underway
- **Strong organic initiatives pipeline delivering**
 - Organic projects in each segment support above-market growth
- **Investing in our facilities and capabilities to accelerate growth**
 - Capital spending of \$100M for 2021 well above average run rate
 - New precision clad strip plant, expanded capabilities, AI for the factory floor, equipment maintenance to increase yield and up time – among key projects



Materion Solutions Enable Growing Space Sector






















Strong Partnership with NASA to Develop
Faster Travel and Greater Propellant
Efficiency Technologies

ToughMET® and Preform Products
Integral in Recent and Future
Commercial Space Travel

Optical Filter Arrays Provide Leading-Edge
Space Imaging in Extreme Environments

Beryllium Mirrors Offer Exceptional Performance
for Space-Based Optical Systems

Q2 2021 End Market Performance

Market	Q2 2021 VA Sales	%	vs. Q2 2020	Full Year Outlook	Comments
 Semiconductor	\$47.8	23%	 35%		<ul style="list-style-type: none"> • Overall demand remains very strong led by growth drivers such as 5G, Cloud, automotive and IoT digital infrastructure build-out • Continued ramp-up and implementation of new products
 Industrial	\$41.3	20%	 40%		<ul style="list-style-type: none"> • Growth across all three segments led by general industrial market recovery • Increase in construction driving demand for nickel beryllium alloys • Launching new ToughMet 2 product, broadening product portfolio
 Aerospace & Defense	\$24.6	12%	 11%		<ul style="list-style-type: none"> • Defense market continues to remain strong; new multi-year program wins • Aerospace market showed signs of recovery in Q2
 Automotive	\$21.8	10%	 66%		<ul style="list-style-type: none"> • Strong market recovery in automotive despite chip shortages • Significant content growth for the emerging EV space • Strong growth in connector market along with ramp of Visteon optics business
 Consumer Electronics	\$16.6	8%	 47%		<ul style="list-style-type: none"> • Growth across all segments with multiple products serving the wireless device market
 Energy	\$12.8	6%	 4%		<ul style="list-style-type: none"> • Strengthening smart glass market; partially offset by continued weakness in oil & gas
 Telecom & Data Center	\$10.7	5%	 -1%		<ul style="list-style-type: none"> • Modest first half growth with improved outlook for second half

Key Takeaways

- **Accelerating performance in the second quarter**
 - Another record quarter for value-added sales for Materion and Advanced Materials segment
 - Fifth consecutive quarter of sequential sales and profit growth
 - Strong underlying market demand across key end markets
 - Growing organic pipeline supports above-market growth expectations
- **Delivering on key strategic growth initiatives**
 - Construction of engineered precision clad strip manufacturing facility near completion; commencing start-up activities
 - Optics Balzers integration complete; focusing on commercial synergy capture
 - Continued investment in R&D, positioning the company for above-market organic growth
 - Investing in our facilities and capabilities to support strong organic pipeline
- **Exceptional start to 2021, continuing momentum into 2nd half**
 - Strong end market demand coupled with accelerating organic initiatives
 - Increasing full-year adjusted EPS guidance to \$3.25 – \$3.45, a 65% year-over-year improvement at the midpoint

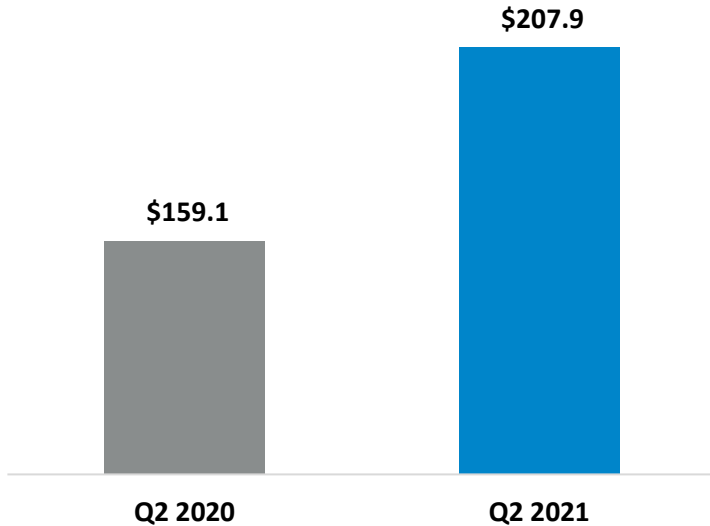
Financial Review

Shelly Chadwick

Vice President and Chief Financial Officer

Q2 2021 Operating Performance

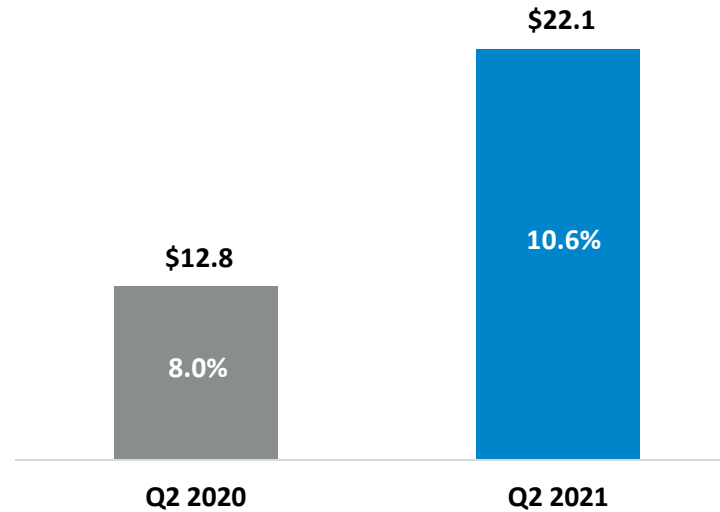
Value-added Sales (\$M)



- Value-added sales were \$207.9 million, up 31% from prior year

- Robust demand across key end markets led by semiconductor, automotive, industrial, and consumer electronics
- Strong organic initiatives pipeline delivering

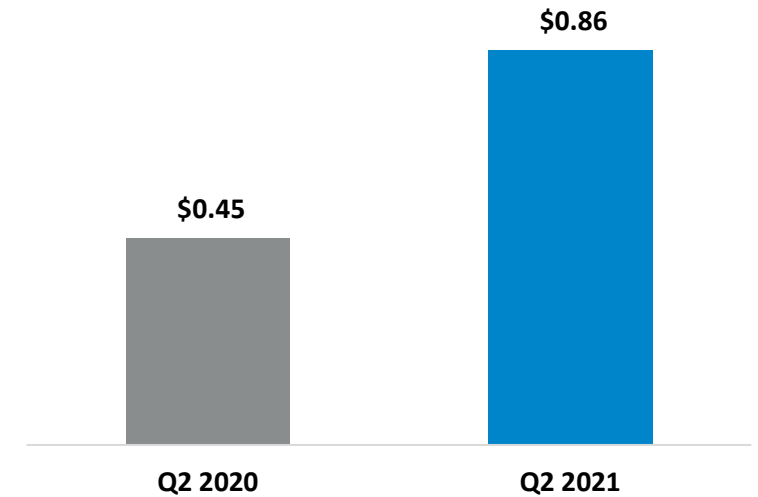
Adj. EBIT (\$M)



- Adjusted EBIT margin of 10.6%, up 260 bps from prior year

- Higher volume, strong price/mix, and favorable operating performance
- Continued R&D investment to drive long-term profitable growth

Adj. EPS

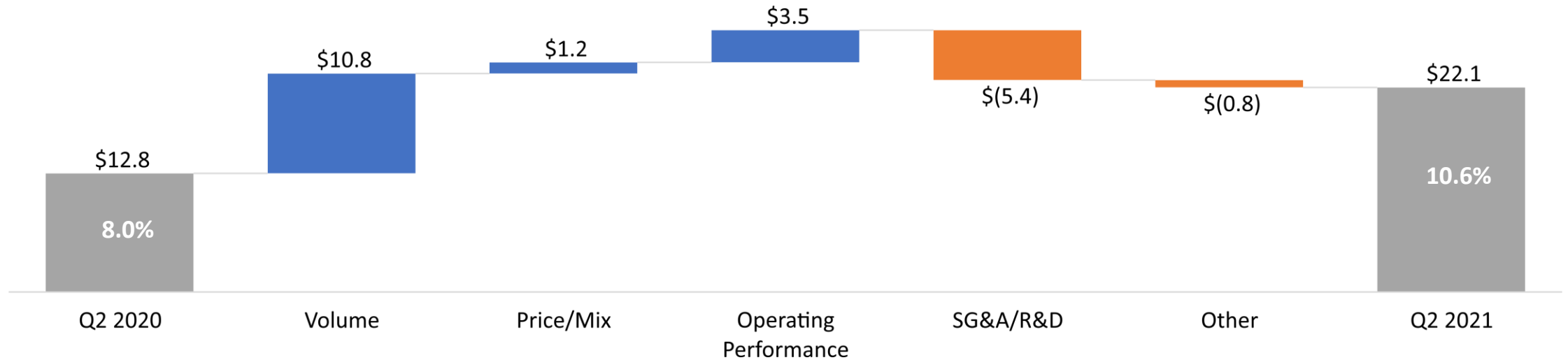


- Adjusted EPS of \$0.86 versus \$0.45 in the prior year period

- Improved sales and margin performance
- Lower adjusted effective tax rate in Q2 2021 due to geographic mix of earnings



Q2 2021 Financial Comparison

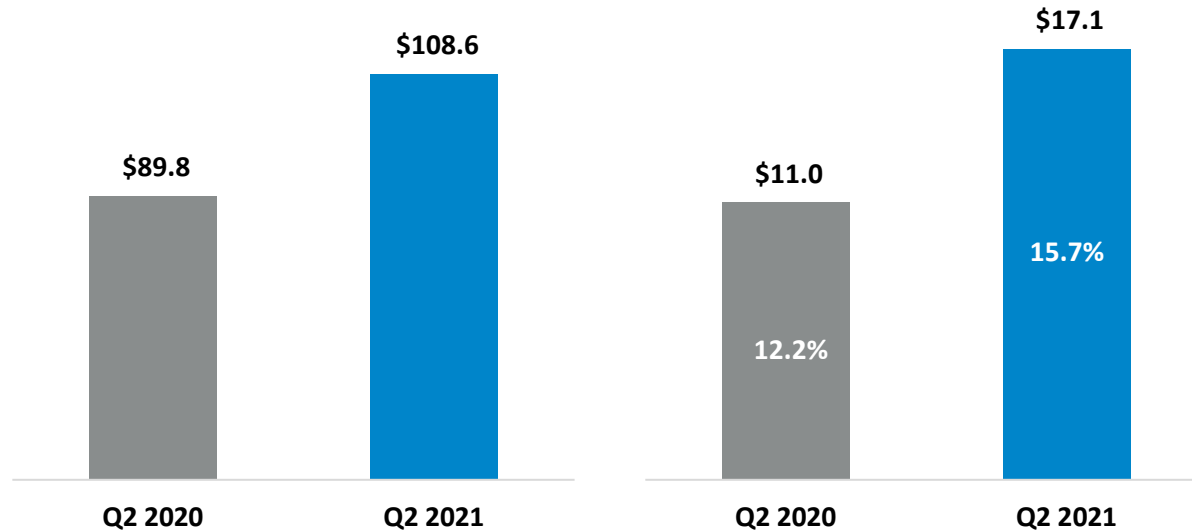


- **Adjusted EBIT of \$22.1 million or 10.6% of VA sales compared with \$12.8M or 8.0% of VA sales in the prior year period**
 - Significant increase in adjusted EBIT driven by strong volumes, favorable price/mix, and improved operating performance
 - SG&A reflects increased R&D, commercial investments, and variable compensation

Performance Alloys and Composites Segment

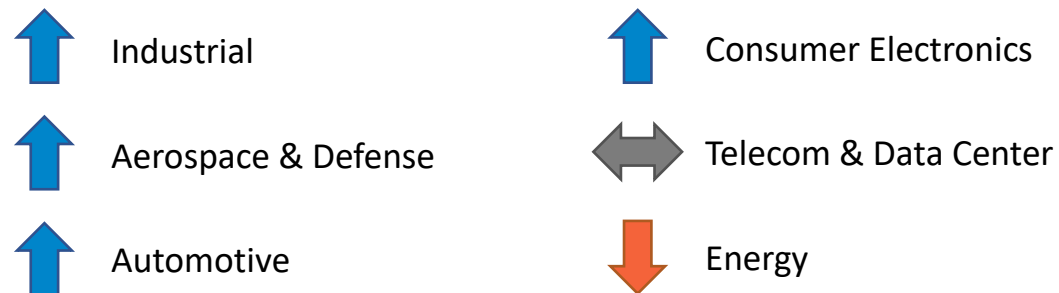
Value-added Sales (\$M)

Adj. EBIT (\$M)



- **Value-added sales of \$108.6 million, up 21% from prior year**
 - New engineered precision clad strip opportunity
 - Significant market demand and new automotive connector applications
 - Strong performance in industrial market driven by sprinkler components, appliance connectors, and mining equipment
- **Adjusted EBIT of \$17.1 million, or 15.7% VA sales, up 350 bps from prior year**
 - Higher sales volumes, favorable price, and improved operating performance

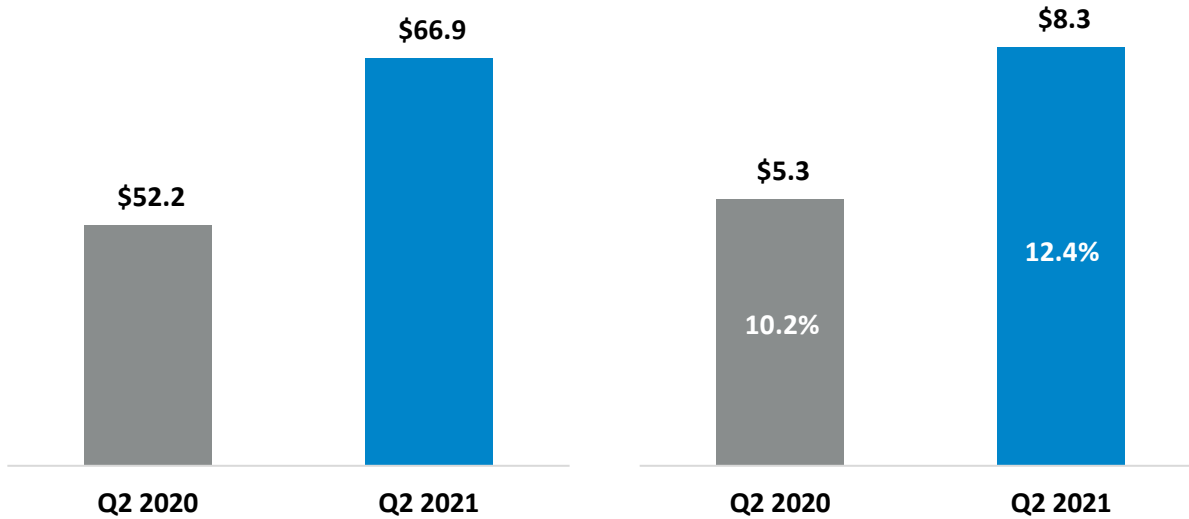
Q2 Performance by End Market



Advanced Materials Segment

Value-added Sales (\$M)

Adj. EBIT (\$M)



Q2 Performance by End Market

↑ Semiconductor

↑ Industrial

↑ Energy

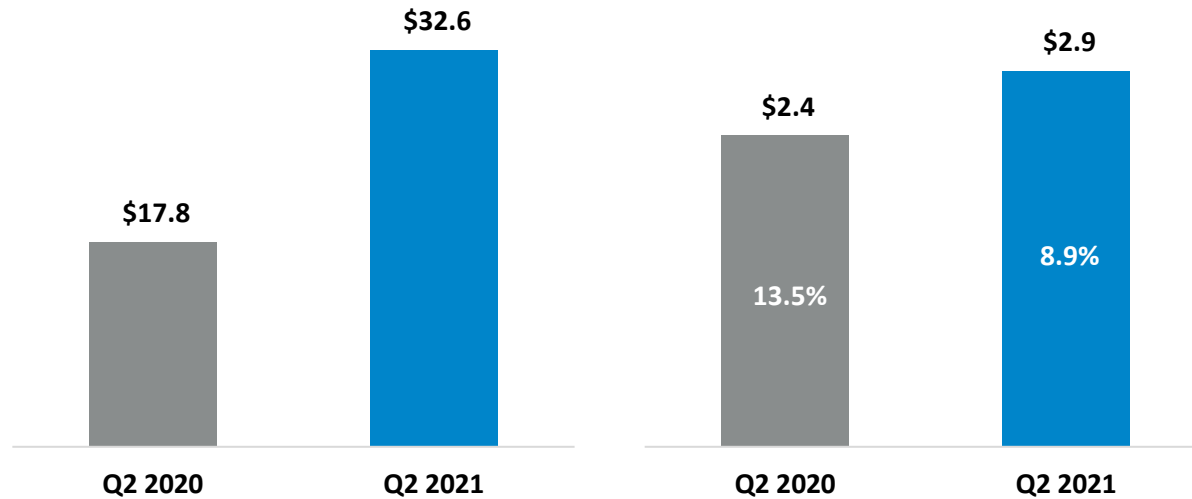
- **Value-added sales of \$66.9 million, up 28% from prior year**
 - All-time record for quarterly VA, exceeding previous record set in Q1 2021
 - Higher sales to the semiconductor market led by commercial initiatives and strong demand
 - Increased commercial construction driving growth in smart glass applications
- **Adjusted EBIT of \$8.3 million, or 12.4% of VA sales, up 220 bps from prior year**
 - Higher volume and favorable price/mix
 - Increased R&D and commercial investments to continue to drive above market growth



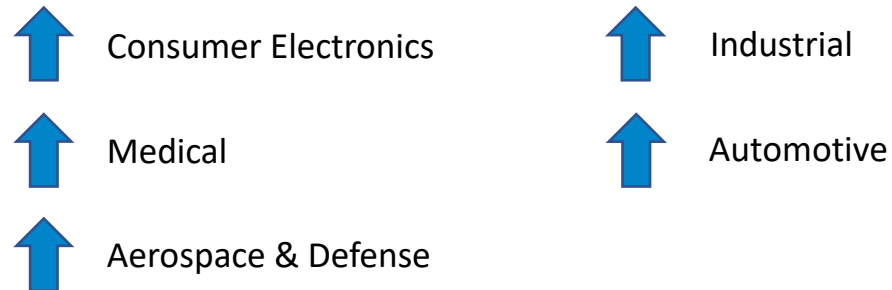
Precision Optics Segment

Value-added Sales (\$M)

Adj. EBIT (\$M)



Q2 Performance by End Market



- **Value-added sales of \$32.6 million, up 83% from prior year**
 - Increase across key end markets; favorably impacted by acquisition of Optics Balzers
- **Adjusted EBIT of \$2.9 million, or 8.9% of VA sales**
 - Unfavorable mix and acquisition amortization driving lower margins
- **Year-to-date EBIT margins up 130 basis points from prior year**
- **Optics Balzers commercial synergy capture remains key focus**



Cash, Debt and Liquidity

(\$M)	Q2 2021	Q2 2020
Short-term Debt	\$0.4	\$151.8
Long-term Debt	58.8	—
Total Debt	\$59.2	\$151.8
Cash & Cash Equivalents	24.3	265.1
Net Debt (Cash)	\$34.9	(\$113.3)
TTM Adjusted EBITDA	\$114.4	\$103.7
Net Debt (Cash) / TTM Adj. EBITDA	0.3x	(1.1x)

- **Net debt position of \$35M and approximately \$273 million available on existing credit facility**
 - Net debt increase due to Optics Balzers acquisition
 - Target leverage range is 1.5x – 3x Net Debt/EBITDA
- **Capital Expenditures planned for \$100M in 2021**
- **Quarterly cash dividend increased for the ninth consecutive year***
- **No share buyback activity planned**
 - Board authorization in place for up to \$50M worth of shares with \$8.3M remaining
- **Continue to have significant available liquidity to support meaningful organic and inorganic growth opportunities**

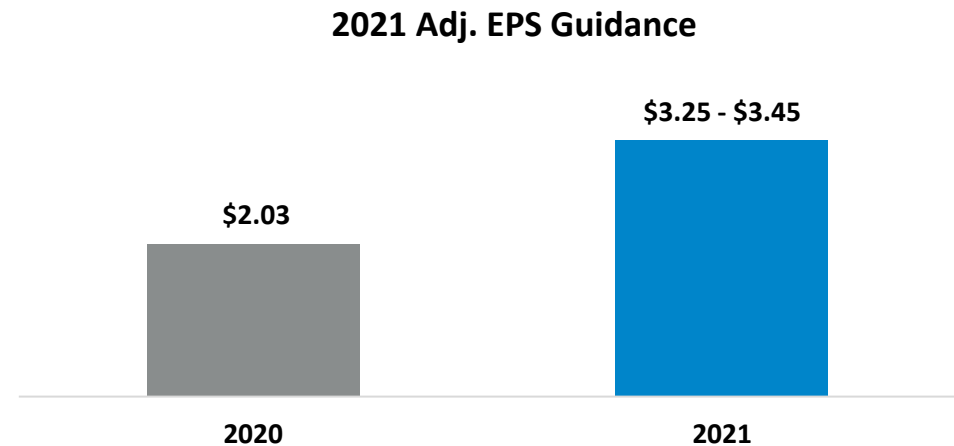
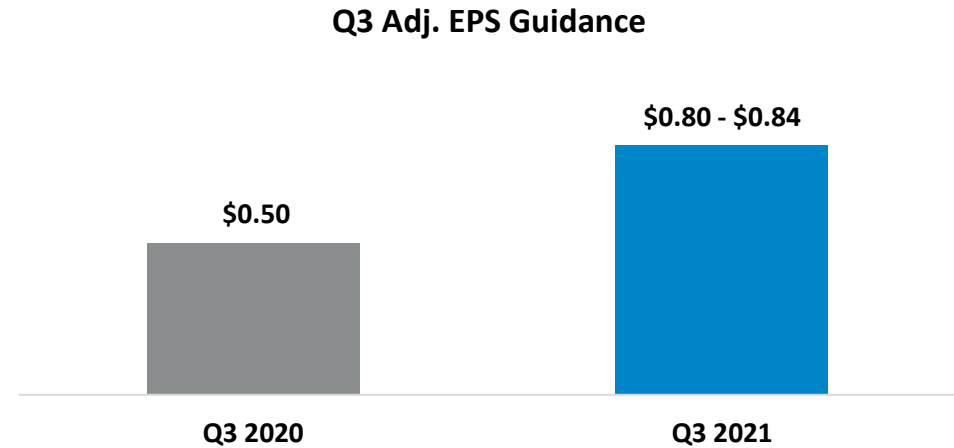
Q3 and Full Year 2021 Guidance

- **Q3 Guidance**

- Adjusted EPS of \$0.80 to \$0.84, an increase of 64% versus prior year at the midpoint

- **Updated FY 2021 Guidance**

- Adjusted EPS of \$3.25 to \$3.45, an increase of 65% versus prior year at the midpoint
- Includes new plant start up costs of ~ \$0.25



2021 Modeling Assumptions	
Capital Expenditures	~ \$100M
Mine Development Costs	\$0M
Depreciation and Amortization	~ \$45M
Effective Tax Rate	17% - 18%



Note: This guidance was provided on August 3rd, 2021 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.

Appendix

Reconciliation for Value-added Sales

(\$ in millions)

	<u>Q2 2021</u>	<u>Q2 2020</u>
Net Sales		
Performance Alloys and Composites	\$ 125.3	\$ 101.6
Advanced Materials	213.1	150.1
Precision Optics	32.6	19.8
Other	—	—
Total	<u>\$ 371.0</u>	<u>\$ 271.5</u>
Less: Pass-through Metal Costs		
Performance Alloys and Composites	\$ 16.7	\$ 11.8
Advanced Materials	146.2	97.9
Precision Optics	—	2.0
Other	0.2	0.7
Total	<u>\$ 163.1</u>	<u>\$ 112.4</u>
Value-added Sales		
Performance Alloys and Composites	\$ 108.6	\$ 89.8
Advanced Materials	66.9	52.2
Precision Optics	32.6	17.8
Other	(0.2)	(0.7)
Total	<u>\$ 207.9</u>	<u>\$ 159.1</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

<i>(\$ in millions)</i>	<u>Q2 2021</u>	<u>Q2 2020</u>
Operating Profit (Loss)		
Performance Alloys and Composites	\$ 17.3	\$ 6.9
Advanced Materials	8.3	4.7
Precision Optics	2.6	2.1
Other	(7.5)	(6.1)
Total	<u>\$ 20.7</u>	<u>\$ 7.6</u>
Special Items		
Performance Alloys and Composites	\$ —	\$ 4.2
Advanced Materials	—	0.6
Precision Optics	0.1	0.3
Other	—	(0.8)
Total	<u>\$ 0.1</u>	<u>\$ 4.3</u>
Non-Operating (Income) Expense		
Performance Alloys and Composites	\$ 0.2	\$ 0.1
Advanced Materials	—	—
Precision Optics	(0.2)	—
Other	(1.3)	(1.0)
Total	<u>\$ (1.3)</u>	<u>\$ (0.9)</u>
EBIT Excluding Special Items		
Performance Alloys and Composites	\$ 17.1	\$ 11.0
Advanced Materials	8.3	5.3
Precision Optics	2.9	2.4
Other	(6.2)	(5.9)
Total	<u>\$ 22.1</u>	<u>\$ 12.8</u>

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, 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.

(\$ in millions)

	<u>Q2 2021</u>	<u>Q2 2020</u>
GAAP as Reported		
Operating profit	\$ 20.7	\$ 7.6
Non-operating (income)	\$ (1.3)	\$ (0.9)
Net Income	\$ 17.9	\$ 5.8
Shares outstanding-Diluted	20,651	20,554
EPS-Diluted	\$ 0.87	\$ 0.28
Operating Profit Special Items		
Cost reduction initiatives	0.1	2.4
COVID-19 related costs	—	2.7
Merger and acquisition costs	—	1.4
Foreign currency hedge gain	—	(2.2)
Total Operating Profit Special Items	<u>\$ 0.1</u>	<u>\$ 4.3</u>
Operating Profit Special Items - net of tax	\$ 0.1	\$ 3.3
Tax Special Items	\$ (0.1)	\$ —
Special items per diluted share	\$ (0.01)	\$ 0.17
Non-GAAP Measures - Adjusted Profitability		
Operating profit	\$ 20.8	\$ 11.9
EBIT	\$ 22.1	\$ 12.8
Net income	\$ 17.8	\$ 9.1
EPS - Diluted	\$ 0.86	\$ 0.45

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, 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.

<i>(\$ in millions)</i>	<u>Q2 2021 TTM</u>	<u>Q2 2020 TTM</u>
GAAP as Reported		
Net income	\$ 48.3	\$ 20.7
Income tax (benefit) expense	(0.8)	4.6
Interest expense	4.0	2.1
Depreciation, depletion, and amortization	38.0	42.0
Consolidated EBITDA	\$ 89.4	\$ 69.4
Total Special Items	\$ 24.9	\$ 34.3
Adjusted EBITDA	\$ 114.4	\$ 103.7

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.