

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

ENTG - Entegris Inc Corporate Analyst Meeting

EVENT DATE/TIME: JULY 14, 2015 / 8:30PM GMT



## CORPORATE PARTICIPANTS

**Steve Cantor** *Entegris, Inc. - Director - IR*

**Bertrand Loy** *Entegris, Inc. - CEO, President, Director*

**James O'Neill** *Entegris, Inc. - CTO*

**Greg Graves** *Entegris, Inc. - EVP, CFO*

**Todd Edlund** *Entegris, Inc. - SVP, COO*

## CONFERENCE CALL PARTICIPANTS

**Jairam Nathan Sidoti** *- Analyst*

**Amanda Scarnati** *Citigroup - Analyst*

**Christian Schwab** *Craig-Hallum - Analyst*

**Dick Ryan** *Dougherty & Company - Analyst*

**Weston Twigg** *Pacific Crest - Analyst*

## PRESENTATION

**Steve Cantor** *- Entegris, Inc. - Director - IR*

So I think we're going to get started now. My name is Steve Cantor, I'm the Vice-President of Corporate Relations for Entegris, and I'd like to welcome everybody to the Entegris 2015 Analyst Meeting.

Before we begin, I just wanted to run through a few things. So the first thing is our agenda, we have four speakers today and I think the prepared presentation should take about an hour. First we have Bertrand Loy, our CEO and President. We have Todd Edlund, SVP and Chief Operating Officer; Jim O'Neill, our Chief Technology Officer; and Greg Graves our CFO.

I'd like to ask you all to hold your questions until the end of the presentations and then we should have enough time to cover everything.

The second thing I'd like to cover too is we may be making forward-looking statements today. And as such, we encourage you to read our disclosures with the SEC very carefully to understand all the risks and uncertainties regarding those statements.

Before I turn it over Bertrand, I do want to let everyone know in the room that we are having a reception at the W from 5 p.m. to 8 p.m. this evening and you should have cards in front of you that we'll give you the details and if you're interested, we do have some product over there and some refreshments and hope to see you there if you have time.

And with that, I'd like to turn it over to Bertrand.

---

**Bertrand Loy** *- Entegris, Inc. - CEO, President, Director*

Thank you, and good afternoon everyone. Thank you for joining us here at SEMICON West today. It's been a little over a year since we completed the acquisition of ATMI. And we thought that the best way to spend our time together today would be to reflect on our recent performance, the performance of the last 12 months and to share our views about the future and the potential of the new Entegris platform that we have created.

With the course of our respective presentations, Todd, Jim, Greg and I, we'll be touching on all of those major themes. The ATMI acquisition has been a resounding success and is creating significant value for all stakeholders, our investors, our customers and our employees. We are optimistic



about the prospects of the semiconductor industry. We believe that the Internet of Things and advances in process technology will be good for the industry and will be good for Entegris. And as a result, our SAN will expand.

We have a very unique value proposition to offer. The value proposition based on a broad technology portfolio, deep application knowledge and long-standing customer relationships. Then we will leverage all of those capabilities to gain additional market share. We have a stable business model. We are not an equipment company. Most of what we do is unit-driven.

And finally, I have the privilege of leading a very talented team. I am proud of our operational and financial discipline. And I expect significant expansion of our EPS for the many years to come.

So Entegris has changed a lot in the recent past and I thought that a few key numbers could be helpful. These are not estimates. They are not projections. These numbers reflect what we have accomplished thus far. They are trailing 12 months metrics. So as you can see, the top line of Entegris now is exceeding \$1 billion. The vast majority of our revenue, 77% to be precise is unit driven and recurring in nature which provides stability to our business model and stability to our financial performance. We generate very healthy levels of profits. Our EBITDA margin of 22% compares very favorably against our peers in the semiconductor space but also against more diversified specialty chemical companies.

And finally, the last 12 months have provided you with an opportunity to get a glimpse at the earnings power of the new platform and Greg will share with you details around a path rate to continue to expand our EPS going forward.

So a year ago, early 2014, Greg and I met with many of you and we shared our excitement about the impending, at that time, impending acquisition of ATMI, the transaction that we characterized as very compelling both financially and strategically and we have to say that I'm very pleased with how things have turned out. If you look at this very crude scorecard, I would say that the integration is now complete. Most specifically, our sales and application teams as well as our technical platforms are fully integrated and free aligned and Todd and Jim will describe to you why those two platforms are so complimentary and how Entegris is now in a position to provide unique value to its customers.

\$30 million of merger synergies that was our target (technical difficulty) than original planned to realize this synergy. So we're feeling good about that as well. The acquisition of ATMI did provide the opportunity to leverage the balance sheet and in the process we lowered our cost of capital. And then we are starting to unlock EPS growth and I would expect that to continue as we continue to grow, as we start to capture the full benefits of the merger synergies and as we delever the balance sheet.

Now, having said all of that, I would say beyond the short-term financial success, beyond the larger scale that we have created, what is most exciting to this leadership team is the opportunity and the desire to create a better platform.

So one of the major conditions to our future success will be the ability to maintain our growth momentum. So let's talk about growth for the next few slides. And as you know, 80% of what we do ties to the semiconductor manufacturing process and more specifically to wafer [starts].

So this chart illustrates wafer starts growth and we are using a proxy for that. That's the MSI Index. So the million of square inches of silicon produced, that's the red line. And we compare that to the amount of capital that the semiconductor industry has been spending in wafer fab equipment. And that's the blue line. And to make it easier to read, we have normalized the data. We are indexing it to the activity level of 2001.

Now, let me make a few comments and observations around all of that. First of all, again, we are not an equipment company. Most of what we do is unit driven. So our business is really more closely aligned to the red line. So certainly, there is some volatility in our business. As you can see, but it's nowhere near as dramatic as what pure equipment companies are experiencing and you can see that in the difference in amplitude of the cycles.

And then lastly, and most importantly, we participate, Entegris does participate and the one segment of the semiconductor industry that has been and is expected to grow the fastest. So, it's also fair to say that the drivers beyond IC demand have been fairly hard to predict, diverse, erratic at times in the past 15 years. We all remember the years when it was as simple as trying to estimate the new timing of the windows product release



cycles and trying to understand how it would impact the demand for new PCs. Then our attention started shifting to the rate of penetration of new form factors, notebooks first and then tablets and most recently smartphones.

I'm here to tell you that going forward, I am convinced that the Internet of Things will have a very significant and lasting impact on the semiconductor industry. Cisco estimates that today 10 billion devices are connected to a network in one way or another. Cisco further estimates that by 2020, 40 billion to 50 billion devices will be connected. So we are entering an era that will actually reshape our lives, our daily lives, an era where many more devices will be connected. And that will require better network performance. It will require more powerful computing capabilities which in turn will be demanding ever larger and more energy-efficient server farms. And yes, it will also most likely require less obtrusive and more user-friendly end devices. In other words, hyperconnectivity and Big Data will be driving IC demand which in turn will be driving wafer starts and ultimately will benefit the unit-driven business model of Entegris.

Now, I can already hear some of the skeptics in the back of the room whispering -- yes, but. Yes, the Internet of Things will have a big impact, positive impact on IC demand. But many of those devices will likely be produced on trailing edge technology. So my answer to that is first of all, who knows. But more importantly, it doesn't matter. For Entegris, it really doesn't matter.

And for those of you who are following Entegris very closely and those of you who understand our business model well, you know, that two-third of our semiconductor business comes from products and solutions that are used and consumed daily in trailing edge fabs where we have very strong market share.

So it's true that we'll have to talk about the leading edge and today will be no different. We'll talk a lot about the leading edge. And we don't do that to confuse you. We do that because every new transition is a unique opportunity for Entegris to recast its value proposition. And what it means, it's a unique opportunity to increase our SAN and increase our market share. Those windows are narrow but once we lock our solutions into the fab recipe, our solutions are sticky and we can enjoy many years of steady recurring revenues and cash flows.

And as you can tell, from this slide, fabs are front [lives]. So that's why we spend so much time or so many resources and so much R&D money on the leading edge is really to make sure that we actually benefit from our success for many years to come. So the punch line of all of that is that I think that the Internet of Things will benefit trailing edge fabs and in both cases Entegris will benefit from this trend.

Another very important aspect of our business model is the fact that we sell solutions across the ecosystem. We sell a broad array of solutions to fab customers of course. But we also sell high-value components and subsystems to OEM customers and we also sell filtrations and packaging solutions to name only a few to a material suppliers.

So Jim will tell you why this positions Entegris unique to develop defect reduction and yield-enabling solutions for our customers. You see, contamination control, safety, cleanliness, stability of process chemistries are increasingly important considerations for this industry. And they present very complex challenges that are very pervasive across the ecosystem and across the supply chain. And let me tell you, nobody is better equipped than Entegris to understand those challenges and to provide solutions.

So, from a financial standpoint the value of our position in the ecosystem is really around the very well-balanced and diversified customer profile that you can see on this slide.

So how do we win in the semiconductor ecosystem? We believe that to win, you need three distinct attributes. You need a very broad technology platform. You need deep and rear global capabilities and by that I mean talent, I mean application knowledge, I mean technical labs and you need the very strong ongoing commitment to operational excellence.

Todd Edlund will dive into all those considerations in great details and you will appreciate that, number one, Entegris has all of those three attributes. And that, number one, we will be putting them to good use to create unparalleled value for our customers and in doing so continue to expand our market share all the time.

So if I want to summarize my previous four or five slides which were focused on our core semiconductor markets, I would say that for the many years to come, we expect favorable business environment in which Entegris will be doing very well.

In addition to that, we will be supplementing our growth strategy with a shopper focus on adjacent markets. We are constantly looking for ways to leverage the Entegris platform in new areas. We're looking for example for new applications that require cleaner, better, more performant materials. We are looking for new process technologies that are more susceptible to complex contamination challenges. Today, those non-semi applications represent about 20% of our top line. And I would expect this ratio to continue to expand over time.

In closing, I would like to share with you our short-term to mid-term priorities. And I will do that at very high levels since Greg will be going in more details in his section. Let's start with the financial objectives which are pretty straightforward and are consistent with what we did show you about a year ago.

We want to continue to grow and we want to grow faster than our underlying industry by about 100 basis points to 200 basis points. We want to continue to deliver very healthy profit levels in accordance to our target level. We will continue to generate strong cash flows that we will use in the short term to pay down our debt. We will continue to invest, to be better at what we do and to earn the rights to be viewed by our customers as their indispensable strategic supplier. And that's something we will never take for granted.

And then lastly, I would say that we are very proud of the quality of our execution. And you have the commitment of this team that we will continue to run our business with rigor and with discipline.

With that, thank you. And I'll turn the mic to you, Greg.

---

**Greg Graves** - Entegris, Inc. - EVP, CFO

Okay. I turn it over to Todd to just really kind of summarize. The key things that I take away from Bertrand's presentation, A, is this ATMI acquisition has gone really well. You can index our stock price against almost anything since we announced it. And it shows up in the stock price and it shows up in the numbers I'll talk about.

We like the industry. The Internet of Things we think will continue to drive unit volume, big data, hyperconnectivity. So our underlying industry dynamics are good. And I think specifically, we like the way we're positioned in that industry because, A, unit driven, and, B, we saw that everyone were holding to none.

What's important about those two points is it makes our model more stable. When we look at specialty chemical companies or industrial tech companies, like filtration companies, they command much higher multiples than we do. It's about the stability. And we think within semiconductor, it is stable as one can be.

With that, I'm going to introduce Todd Edlund. Todd is our chief operating officer. He's been in that role for about six months. In that role, he's responsible for all of our business units, both the CMH and the electronic materials. So with that, Todd?

---

**Todd Edlund** - Entegris, Inc. - SVP, COO

Thanks, Greg. Good afternoon. Thanks for coming. I'm going to talk a little bit and take a little bit of a different slant on what Bertrand talked about. He talked about the integration of the companies has gone well. It's a great combination.

So I'll look at it from a perspective of does it make us a better partner to our customers, does it enable us to do things now that we couldn't do before? And I'm pleased to say that that's what I'm seeing from my chair, which is really looking at R&D, product development, strategic direction.

We're starting to really see the opportunities. I'll describe a little bit of that to you, and then Jim O'Neill will follow up with some more details about how the things that are going out in the industry affect us. Well, we're not advancing. Oh, there we go. Okay. I need to make sure we're caught up.

So Bertrand talked about this three pillars of success. These are the things that we need to do to address our customers' needs. So the portfolio is really about are we able to help customers get to the 16 nanometer, 14 nanometer, 10 nanometer, 7 nanometer. That's the portfolio.

Do we have the solutions that they need when they need them? So be caught up, be ready, be able to partner to them as they advance their state of the art. But we can't just do that, we also have to do it because as you saw we serve the global ecosystem of semiconductor, we have to do it globally, and what I mean by that is locally.

So we have to be able to be in the Hsinchu with the same level of talent that we have when we're dealing with North America, whether it be in Korea, with the same level of talent that we have in Hsinchu, Japan, the same thing. So I'll talk a little bit more about that.

But being able to be local is the only way that you get invited into the fab to work on a daily basis, or that we can get the customers to come work with us in our facilities on a daily basis. We have been able to do that.

And then further, there was a time when that was good enough. You got a good product, you got the right price, we'll buy it. That's no longer the case. Because the demands for yield and reproducibility of our customers' processes are driven back to us to make sure that we got a supply chain manufacturing capabilities, quality systems that are going to ensure continuity of supply, safety of supply, and also be able to drive down cost, because we need to do that and we need to help our customers do that. And we actually do that very well.

So all three of these are really essential to being an able trusted partner in semiconductor. And if we do that, we're going to deliver this value proposition which is higher yields, improved performance in terms of the chip capabilities, and reduced cost. And we want to help our customers achieve all three of those.

So the breadth of our portfolio. So you've probably seen this slide from us before, and I'm not going to dwell on it because Jim is going to talk about it in a little more detail and give you some specifics about how what we do for different inflections happening in the industry spreads out across the company.

That's an interesting thing to think about if you look at Entegris, if you look at -- just pick any of these main fab processes, and we serve all of these. These are some of the solutions that we have for them to think about what's unique about this Company.

So you know already clean, so wet etch and clean processes. We make the chemistries, we make specialties, formulated cleans. We actually make the containers that they go in so they get to the fab in our packaging. We do the filtration during the manufacturing. And then we do the fluid handling and distribution throughout the fab and through equipment.

So we actually can touch the liquids from making them, and all the way through to their use on the wafer.

It's the same thing in litho, we make packaging that actually takes resists and solvents to the fab. That keeps them in a pristine state. Helps with the dispense to the tool, and then the actual dispense to the wafer in a lot of cases; filtering those resists along the way, both in manufacturing and the fab; doing gas and liquid purification around the whole litho cell, around track and scanner; and then actually handling the reticle pods.

So we see so many parts of these processes, that we have a unique perspective that it's really a value to our customers to be able to have us come in and help them advance these processes.

In implants, it's the same way, from delivering very, very toxic chemicals, gases in a very safe way. So actually providing some of the materials used in the fab, handling the wafers with our trucks, doing gas purification around those processes, and then providing coatings in materials that they extend the life, and improve the COO of the implant tools.

So just three examples. But this kind of depth across the process gives us a unique perspective to help them find the sources of issues, help them achieve their ramps.

So we're in a lot of collaborations, and we've talked about this before. And it's not something that you can just want to do, it's something you have to be really invited to do by the customers.

So how do we do that? You've probably seen this from us as well, and this is something we're trying to actually construct it for us years ago to help describe how we become that relevant trusted partner to the companies that we work with.

One of course is listen. You have to be there. You have to be local. You have to be in the fab, and they have to be working with you directly.

You have to be able to give them solutions to try very, very quickly. Work with them as they test them. And then get to a final solution and ramp that to a reliable supply with good continuity, in a very quick manner. Figure out what you'll learn from that and apply it again quickly. And this whole cycle of learning, we have to do faster and faster.

If we do that, we achieve our goal which is to be the first company that our customers call for help or for solutions, or to collaborate. We want to be the first ones, and as you can see here from our JDA agreement count, it's grown very steadily year upon year. And many of these are multi-party JDAs. So we might be working with the IDM, their equipment provider, their material provider, their wafer provider all together to solve the problem, because you can't do these things by yourself anymore. No company can solve the problem alone.

So our ability is to know all of these partners and to have technical contacts there. It's key for us being more relevant today than we were in the past.

So we have a full product pipeline. As they said that's one of the important things that we need to be able to serve our customers with.

Several years ago, we recognized that we weren't quite caught up to the technology roadmaps in the industry. The industry was going below 45 nanometer, 32 nanometer, below 28 nanometer. We needed to catch up a little bit.

And so we made a choice to increase our investment in R&D, and you can see we've done that steadily over the last several years. And we do that in a focused way, because we had a result that we were after. And first was half of that increase was really in advanced research, science, separation science, chemistry, basic knowledge around contamination control. So a lot of PhD level capabilities here and overseas to make sure that we would be able to help at the leading edge, and we've plugged that gap.

About a third was technical resources. Our technical resources in Asia have grown by about a third during this time. So we really tried to focus and make sure we've got enough people near the major customer sites for semi that we can be that relevant partner and work with them daily.

If you look at our product pipeline today, most of what we're launching is really intended to serve 10 nanometer and beyond. So a lot of what you're hearing about today is ramping of the 16 nanometer, 14 nanometer, 12 nanometer kind of things. And 10 nanometer is really where development is coming to a close. And we've had to have the products ready for that right now, and we're working on 7 nanometer to follow that. So we've had to have a good portion of our increase focused on that leading edge.

As Bertrand said, there's a large tail of business with Entegris. We have a lot of stuff we sell onto fabs all around the world every day. And they want help with cost of ownership, they want help with continuous improvement activities. So a portion of our increase in R&D has been focused on that as well. So make sure that we take care of that tail business in addition to the leading edge.

The most important thing I think is that we did that in a very careful way. We did it in a deliberate way so that we could maintain our target model, achieve our financial performance. So how did we do that? We did it primarily by moving dollars towards R&D and trying to get efficiency out of other parts of the Company to make that happen. We really looked through the whole company.



So we have now achieved this increase in R&D, and it's there. It's about where we need it to be today. And we did it by moving dollars to stay within our target model.

I think that we're unique amongst our competitors and in our focus of R&D on this industry. So if you look at our competitors, many of them do a little bit of what we do. And they may have served other industries more than they serve semiconductor. We're highly focused on supporting semiconductor, and our customers are recognizing that.

So again, as Bertrand said, we serve the ecosystem of semiconductor. And there's a common area that all of these entities are worried about. And that's technology performance, process yield, device cost. That's what everybody, from equipment manufacturers to materials providers and device manufacturers, are worried about.

We're at the center of that, because we work with all of them. We know the technical context that all of these kinds of companies. They're all our customers. And so we're working with them on a daily basis.

But I travel around now as a representative of the new Entegris. I hear things that I never heard before. Quotes from customers, "You guys are at the center of this. We need you to help solve these problems." That's why you see the JDAs. You are the ones that can see each part of this. You know all these different aspects, you can bring it together."

And when I walked into major device manufacturers now, it's a different dialogue than it was two years ago. They recognize the breadth of what we do in the fab, and so they want to work with us in a deliberate way such as a JDA.

But beyond that, we've seen -- this is everything that we're excited about, and Jim will talk a little about too, is we've seen the opportunities that the companies coming together provides from a technical perspective. I'll give you one simple example from the wet chemistries and wet surfaces.

So, before, we understood how to filter or purify a chemical, but we didn't always -- in fact, we rarely knew what the exact make-up of that chemical. Well, now, we're a chemical provider as well. So we know everything about the chemistry that's going to go into this. And those chemical developers know everything about how it's going to be filtered or purified.

There's a tremendous amount of interplay between a filter and what it's filtering today far beyond taking out particles. And so that's one of the things that we saw as an opportunity.

And it's the same for gases and gas withered surfaces and for solids delivery. We know many aspects of these things. So we're really obviously excited to start to think about what can we do in terms of positive synergies from bringing these companies together. And that's where we're really working on now. Jim and I are working very closely together on -- let's look at everything we do and how can we do things better now than we did before. And not just from a cost perspective but from a product performance and capability perspective.

So the obvious things are the easy kind of close end. I can give the customer data on how this filter and this chemistry work together. I can give the customer data on what a purification does to this gas. So I can give customers data on what we can do in terms of safe storage and what it looks like coming out of the canister. So I can tell them more today than I could tell them when we were separate companies. So that's quick and easy and that's stuff we're doing today.

But close behind that and starting actually a couple of months ago, start to work on optimizing those products. Make the filters a little bit better matched to those chemistries so they get the best combination, as one example. And then now, beyond that, start actual brand new and new product development projects. Let's start working on a new chemistry for a new application. Let's do the filtration and purification and let's start working on new deposition material. Let's talk about the metrology that we need to provide and we can provide around that; the filtration, to make sure there's no concerns about solids making it through to the film.

So all of these things are just getting underway right now. And then longer term, even more fully integrated technologies. We'll bring sensing, purification and change bath life times. Jim will talk a little bit about some of this but we're pretty excited that more than just the cost synergies



we've already delivered, there are some opportunities to do things better. These are long payoffs and these are underdone in our JDAs in a lot of cases. So we can't really talk about specifics of them but it's starting to happen where we see that these companies together can move faster than they could move before.

So we mentioned that we tried to have a lot of these resources near customers, and that's been one of the key things that I've liked about seeing these companies come together. Both companies have made investments, obviously, to be present in the major semiconductor centers of the world. We were pretty pleased of the complementary nature of the resources that ATMI have put on the ground, as well as Entegris. We had a lot of manufacturing capabilities over there, they had some great tech centers. So it was really actually fun to bring those together to enhance the speed and capability of what we're doing and do it near the customers.

So we brought together our tech centers in -- let's see if we can get this advanced. There we go. We've brought together tech centers in North America, working on filtration, working on purification and chemistries, deposition materials, wafer handling, sensing. And then in Asia, obviously Korea and Taiwan, we've actually combined our tech centers physically now. So the people are working together in the same facility, done some expansion to bring those together and actually have customers working with us in those facilities on a daily basis to help develop and move faster that cycle of learning on new products.

As the third leg, remember the three pillars again, the third leg being operational excellence. One of the things that we also embraced several years ago is the fact that it's not going to be just about delivering something on time, hit the right price anymore. There's ever advancing requirements from the leaders in the device manufacturing world to do more green initiatives, to have better roadmap alignment that focus on contamination control, apply statistical process control in a very consistent way.

Entegris has started this journey really I think first. And one of the real benefits of bringing ATMI, and as we were able to quickly start to proliferate that out across their manufacturing as well, which our customers were pleased to see. So now they can get from one resource, a company that understands all of these requirements that it takes to be that relevant trusted partner. And that's only continuing, but we're committed to do it.

And really not just because, again, the customer asked us for it but we really see that this is going to make us a better company that Bertrand talked about. And again, it's all about building the trust for the semiconductor companies which are really some of the most demanding customers in the world.

Are we succeeding? We've had some evidence of that. One, of course, wins by the number of engagements that I mentioned that we have. Our leading edge developments are increasing greatly, have increased greatly. But we're also starting to be recognized from a very tough customer, a very good and important customer of ours, Intel. We were one of 19 recipients out of their global supply chain to receive the PQS Award in 2014. And as Tim Hendry quoted here, it's all about all of those things we talked about -- cost quality, availability, technology, you got to be caught up to the roadmap, you got to be a reliable supplier, you got to be meeting all those things in that stack which I already showed you.

So we're pleased to get it but we really see it as kind of step one and we need to continue this journey. We talk to them all the time about what's next, what do we need to do to get to that next level, get further into controlling of our supply chain ourselves and so forth. And that's all the kind of activities that we're working on today.

So it's a start. We're very pleased and proud to have gotten this award. It recognizes the work we've done. But it's really, again, just the beginning of where we're going to head next. So I'll have Greg come up and make a comment and then Jim will talk about some of the things happening specifically in the technology world and how that impacts Entegris.

---

**Greg Graves - Entegris, Inc. - EVP, CFO**

To peel back the 8 or 10 slides that Todd went through, really what it's all about is it's our competitive advantage, is why do we win. And the reasons we win are, A, we're pervasive across that fab environment. The fact that we're pervasive across the supply chain puts us in a position where we've got much greater applications expertise in our customers.



If you think about it, we come at it horizontally -- I said our customers. Most of our competitors come at it from a vertical perspective. So [Paul] is coming at it -- they're looking at filtration. Somebody else might be looking at flow control. We're looking at it across the piece. That applications expertise really separates us.

The second thing that we're doing is we're investing. Todd uses the term investing. I think about it as resource allocation because we're investing -- we're allocating more resources to ER&D and we're allocating more resources to things like our new product development process, like improving our Internet site, like expanding the global platform. But we're doing all of that within the target model. So it's about making smarter investments and smarter choices. And those are all things that are going to help us advance the ball and continue to become more competitive.

With that, I'll introduce Jim O'Neill. Jim is our Chief Technology Officer and he came from the ATMI side of the house. Previous to that, he had a long career in IBM's semiconductor process development area. So with that, Jim?

---

**James O'Neill - Entegris, Inc. - CTO**

Great, thank you and good afternoon. This is a really exciting time for Entegris from a technology perspective. I'm going to continue Todd's story of how we're going to grow the new Entegris by talking about how the major technology changes in the industry are really beginning to play into the strengths of this new Entegris.

So as you're aware, Moore's Law has driven semiconductor technology development for the last 50 years. And historically, this has really been a story about miniaturization, making things faster, making things denser by making them smaller. But today, the story has changed a little bit. We have begun to reach fundamental limits in patterning and process technology. And we're beginning to experience inflection points in many areas, including things like in lithography, transitioning from single exposure processes to multi-patterning techniques. In the types of device architectures we're seeing, from planar devices to now three-dimensional devices like FinFET or 3D NAND in memory.

And the industry has implemented a whole host of new materials that are intended to improve performance and reliability. And all this is really in an effort to keep pace with the spirit of Moore's Law but it's come at a tremendous expense in terms of process complexity and increasing yield challenges. And really, this is where Entegris comes into play because, as a company, Entegris' strengths is really all about helping our customers achieve yield in a timely manner.

So if you consider the impact of new materials along, as trips become more advanced -- that is, higher density and more functionality, the processes used to make them become more complex and more reliant on new materials. In fact, new materials are the dominant contributor to device performance improvements over the last several technology generations.

So the introduction of new materials brings with it the increase in the number of process steps; and therefore, process complexity. And this in turn makes our customers' job, the device manufacturers' job of improving yield for their technology even more difficult. So their already difficult product introduction cycles are even more difficult to achieve. And this is really the crux of the problem that Entegris is trying to work with our customers on to overcome using our strengths in materials discovery and materials development and critical materials handling capabilities.

So materials are increasingly important in advanced semiconductor technology development. They also happen to be part of a very long and complex supply chain. And there's significant opportunity to introduce contamination throughout the supply chain from the point where the materials are manufactured to where they're delivered on the wafer.

And so the ability to protect materials and deliver them safely throughout the supply chain is absolutely critical. And with a fundamental understanding of chemistry and materials interactions and how materials are used in the fab, Entegris is sort of uniquely positioned to enable defect-free material solutions throughout the supply chain from the point of production all the way to the point of consumption.

So let me just remind you of the types of technologies that our customers are struggling to implement in their most advanced technology nodes. These are things like multi-patterning, 3D structures like FinFETs or the whole host of new materials all in an effort to keep pace with Moore's Law.



And the impact of any one of these changes ripples throughout a large portion of the integrated process. It's not just isolated to the sector where that process changes but implementing it.

And that's what's really important here because an ability to recognize the interplay between materials allows Entegris to leverage the breadth of this product portfolio to help our customers enable any one of these implementations. So let me show you a few examples of how this works and how the breadth of our product portfolio really plays into the strengths of Entegris to be able to help our customers implement these rather difficult changes.

So you've seen this chart before from Todd depicting the breadth of the Entegris portfolio. And so let me explain why this breadth is so important in executing these inflection point technologies. So if you consider the example of multi-patterning, a technique used to improve the ability to achieve ever decreasing alignments and improved patterning control, the effects of multi-patterning is not just limited to the lithography sector where the photosensitive resist is dispensed and the actual imaging occurs. The effects ripple throughout large portions of the rest of the process, including deposition where patterning stacks are deposited, etch sector where they are patterned, the clean sector which follows.

And then because of the multiple patterning steps which occur, there needs to be an increased attention to overall defect management and control. So in effect, the overall impact of multi-patterning is felt throughout the integrated process and Entegris' broad portfolio of products is really what enables us to help our customers implement technologies like multi-patterning.

Similarly, you could look at 3D NAND. This is a technology, an approach that's used in memory to improve memory density and speed. Such 3D structures drive changes throughout the process from how materials are etched, to how they're deposited and cleaned. They place increasingly stringent requirements on how devices are doped and, again, increased attention is required on overall defect management and control.

So in short, the implementation of 3D structures ripples throughout the entire integrated process. And each of the challenges that are posed by this ripple effect can be addressed with an Entegris solution. So, again, the breadth of Entegris' product portfolio plays very well into our ability to help our most advanced customers implement difficult changes like this.

The last example I'll give is one of depositing a new material, [cobalt], as a new material that's being explored to improve interconnect performance and reliability. The use of cobalt requires more than just new deposition of precursors and new precursor delivery vessels. It requires new formulated cleans that are compatible with the material, both after etch and after polish. And then those cleans require new filtration and fluid handling capabilities.

So, again, you see the effect of changing one material in the wiring stack for the interconnect structures ripples throughout other process modules where Entegris plays quite strongly.

So just to dive a little bit deeper into the technical aspect of this, cobalt is considered to be applicable at the finest wiring levels in the circuit. Those are the levels just above the transistor. And at these levels, the resistivity and the reliability of copper, which is today's commonly used material, begins to degrade as the alignment gets smaller. So new materials are being explored and cobalt is one of them.

And so whether it's being considered as a new replacement for contacts or a barrier layer or a capping layer or a new via layer. Each one of these implementations drives the implementation of a new precursor, a new precursor delivery system. It also requires an entirely new infrastructure that's compatible with it from the formulated cleans that prevent galvanic corrosion to do CMP formulations that are suitable for removing cobalt.

And each of those materials in turn drives new fluid handling capabilities and new filtration and purification capabilities. So you see that all of this ripple effect plays into Entegris' strengths in being able to provide not only the material but the material handling capabilities to enable the implementation of new materials like cobalt.

But it's really not just about having an aggregate portfolio of products that touch a sector that our customers are working on. So consider the example of a wet clean module in a factory. Entegris has a whole lot of products that are useful in this sector, from the fluid materials to the purifiers, to the filters, the dispense tubing, the containers, nozzles both on the tool and in the sub-fab.

What's really important here is how we take those components and put them together in a way that brings value to our customer. So typically, the unit process engineer working for our customer will take this aggregate of products and assemble them in such a way that harkens back to giving them a process that performs one that yields and one that can be executed at an affordable cost.

But today, Entegris can do this. We can provide much more comprehensive material solutions, so our customers don't have to invest their time in doing that. They can focus on more important aspects of the technology such as the product performance and the device design. And I spent a lot of time travelling to many of our advanced customers with this message about how we can piece this together. And our customers acknowledge the value that we can bring to the table.

Now, our challenge is really to work with them to identify what are the specific problems that we need to work for them and what tailored solutions can we bring to the table to solve their problems. So let me give you one example of a portfolio that we're beginning to assemble to bring product synergies to our customer. And that is, again, an example from a wet etch and clean sector, this is a copper post-etch cleaning process intended to remove the residue that's left behind after the etching process.

Well, Entegris has long been a company that's provided leading formulations for cleaning advanced metallurgies after etch. Today, these formulations are matched with our best filter technology to provide lower defectivity cleaning solutions.

Moving forward, we're working to co-optimize the formulation and the filter to provide the optimized cleaning solution. And we're also bringing in our InVue process sensing capability to understand how the formulation bath ages and when it needs to be replenished.

And we have the goal of developing and providing purification capabilities that remove impurities that build up in the bath during the cleaning process. And so this is an example of a synergistic combination of the breadth of our portfolio that provides benefits from a performance yield and cost perspective for our most advanced customers.

But I think the real question is, so what does all that really matter to Entegris' business? So each of the inflection point technologies that I described requires solutions that Entegris is really uniquely positioned to provide.

So whether it's precursors for advanced patterning stacks or new metallurgies for advanced wiring, our new formulations and filters to improve yield or containers or fluid handling capabilities to safely delivery clean chemistry to the wafer, all of these inflection point technologies are really good for Entegris. And our ability to help our customers adapt them is a key element of our growth strategy.

So our participation in these challenges and working with our customers on this inflection point technologies, I think, is what's really going to enable us to outpace our competitors and outgrow the market by 100 basis points to 200 basis points. And that's really our goal here.

---

**Greg Graves** - Entegris, Inc. - EVP, CFO

Thank you, Jim. So I think, bottom line, materials are becoming more important in the semiconductor manufacturing process, you go back to 90 nanometers to 45 nanometers. It was lithography, it was scaling. As we come down below 45 nanometers, materials become much more important.

We're in the unique position to be able to integration sort of materials with the delivery of those materials whether it's a high purity chemical drum, the purification and cleaning of those chemistries and bring that all to bear on behalf of our customers.

I think the last point Jim makes is, as you run around this SEMICON West, you hear people talking about FinFET and cobalt and all of these advanced technologies. In each of these advanced technologies, we play a role and those things are all going to be important to us as we sort of drive toward that goal of outgrowing the industry.

So now, let's switch over to talk a little bit about Entegris from a financial perspective. This chart was the last chart in Bertrand's deck. Okay, so talk a little bit about the financial objectives, our investment priorities and the target model.

The financial objectives, really, this is a want to be graded on by you is what we grade ourselves on. For us, it's about we want to achieve growth in excess of the market by 100 basis points to 200 basis points. We want to consistently achieve that target model. We're focused on reducing our debt. And ultimately, we want to grow the earnings per share.

We do continue to invest heavily in the business whether it's ER or R&D or some of the things that Todd talked about. And then we have a continuous drive to be among the most profitable companies in the sector. And when we compare ourselves, we're comparing ourselves both to small and midcap semiconductor companies as well as filtration companies, specialty chem companies, with those beyond kind of that semiconductor universe. And then we stack up as Bertrand said quite well.

Okay, I wanted to just give you our perspective on the scorecard or report card. If you think about 2014 on a grade point average, I would give us a -- I'd say we had a 3.6. We made three As and a B minus. In other words, we achieved the target model, we paid down debt, we grew EPS nicely but we didn't grow as rapidly as the industry in 2014.

That happened for a number of reasons. In fact, we had currency headwinds, some of the migrations to the advanced modes didn't happen as quickly as we expected. We had some capacity constraints in some of our filtration areas. The point is, we made a B minus in 2014.

In 2015, we're much closer to that A average. If you think about the first year-over-year in Q1, our revenue was up 5%. That was even in light of about 2% headwind from currency. So we had very nice year-over-year growth in Q1. And then on the rest of the metrics, we continued to do well in Q1. And I'll talk about those other metrics now.

So starting over with the target model. For us, the target model internally is kind of our holy grail. We've been operating to a model since late 2009. We've only changed it twice. We changed it once in 2012 and we changed it last year when we did the ATMI acquisition.

So the way this model works for us folks in the top half of this page is going, a different revenue models, \$250, \$280, \$310, what can you expect us to deliver from an operating profit perspective and an EPS perspective?

So we started out using this as a Wall Street tool, but internally each of our businesses has a model that rolls up to this. We have business reviews. The talk is all about how'd you do relative to the model? So this has really given us great discipline internally.

The bottom of the page just shows how have we done against that model. The orange bars are what was our operating margin in that given quarter. The red hash mark is what did the target models say that our operating margin should be. And you can see in the last 21 quarters, we've made -- we've delivered on that model or delivered on our commitment 20 out of 21 quarters.

So when you talk about scorecard and I'd give us an A there. I think 20 out of 21 says we're doing quite well.

So now let's shift a little bit to the balance sheet here. Today, I feel very good about our balance sheet, very confident in the balance sheet. We've got about \$740 million in debt, \$340 in cash, so a net debt position of \$400 million, so about -- that's a ratio of 1.7 times EBITDA in that -- during the first quarter of this year, we had repaid \$75 million of the acquisition-related debt. We said we'd repay \$150 million within 18 months of the acquisition which means we've got another \$75 million that we're committed to repay by the end of Q3.

So the balance sheet continues to be in good shape. And now I think you can expect to see that leverage continue to come down.

For us, staying on that sort of report card was earnings per share growth. The chart up on the screen now shows that earnings progression from 2012 through to 2016. We're going to focus on that period, 2013 to 2015. So that really shows sort of the power of the ATMI acquisition.

In 2013, we made \$0.59 a share. In 2014, we made \$0.69 a share. So '14 over '13, we had about 15% earnings per share growth.

Shift to 2015 versus 2014, the strengths of \$0.80 for '15, so \$0.11 improvement over where we were in '14, so another year of sort of 15% earnings per share growth. Think about where we are in '15 in Q1, we did \$0.18. You take the target and you take the top end of our guidance in Q2 within



our guidance range. And we're essentially halfway to that \$0.80 after Q2. So the \$0.80 is the straight estimate, but it's not really a number that we view as kind of way out there.

2016, we think we can do close to \$1 per share. So when we talk about that earnings per share growth, we delivered a nice progression. And we think we'll continue to drive good earnings per share.

So how do we get to something close to \$1 in 2016? In 2014, at the far left, those are our published results, \$962 million in revenue, \$0.69 in the EPS. Had we owned ATMI for the full year, our revenue would have been \$1.76 billion. So our baseline in terms of revenue is \$1.76 billion.

Industry, we expect to grow about 2.5% a year. That essentially assumes CapEx as flat in 2015 and 2016 and wafers starts are up somewhere 2.5% to 3%. So that growth plus 125 basis points of our performance, would take us to \$1.156 billion in revenue by the end of 2016.

If you take the operating -- the target model which has significant leverage and as you move from that \$250 that we showed on the prior slide, to \$300, we're flowing through about \$0.40 for each incremental dollar of revenue. But you get up to sort of that to the \$1.156 billion number, we expect operating margins of about 19%.

We hadn't reduced any of the debt, our interest cost to be about \$38 million. Those numbers come down to a \$0.95 per share number.

As we deleverage, if we are to deleverage \$300 million from where we started and we are halfway there already, to the end of 2016, that adds another essentially nickel per share to earnings per share and brings us to that dollar number.

Our cash flow historically as a company, those of you who followed us for a long time, we've been a very good cash flow generator. In 2014, we had cash flow from operations of \$126 million. Think that will bump up to the range of \$160 million in 2015. That big increase from '14 to '15 is really driven by three things.

One, we will have owned ATMI for the entire year in '15, we only owned it for eight months in '14. Two, in '14, we had very significant integration-related costs. And the other thing in '14 is we had not achieved the synergies. So as we come into '15, we have much less in the way of integration costs.

We've achieved the synergies. So that step up is a realistic number. And then that moves to a \$180 million in 2016. The free cash -- so over the course of a three-year period we'll generate \$465 million in cash from operations.

For CapEx, through the orange area, we're assuming \$65 million in 2015 and \$65 million in 2016. That's slightly higher than we've talked about before. It relates primarily to two specific areas where we've got meaningful growth opportunities that we're going to invest behind as well as some incremental investment that we didn't expect related to the specialty gas business at ATMI.

So, the point of the chart is very strong cash flow generation. So then the question becomes -- what are we going to do with that free cash flow? If you think about the world that we live in, the job of the management team and Bertrand and I specifically, our number one priority is capital allocation. Today, we've been using mostly that capital to reduce debt, which is really all about giving us maximum flexibility. As we continue to drive that debt down, we start to look at other priorities but for today I think about it primarily as a debt reduction story.

So key takeaways, I think, from the meeting today, from the finance section, a, we're thrilled with how the ATMI acquisition has gone. We believe in the industry. Part of it is we really like the industry is because of where we're positioned. We're positioned in a much stabler place than most of the other companies you'll think about in this industry because we have a diverse customer base, because we have a diverse product line, because we're 80% unit driven.

And then, I think, the final point is we're proven executors. We show that. What we've done over the last year on the ATMI integration, how we've delivered on the target model. So we continue to execute. The leverage will generate. We'll continue to drive growth and earnings per share growth specifically. So with that, I'll bring the rest of the group up and we'll take any questions.



## QUESTIONS AND ANSWERS

**Jairam Nathan** - *Sidoti - Analyst*

Hi. Thanks for taking my question here. It's Jairam from Sidoti. So, first on the revenue performance of 100 basis points to 200 basis points, does that include the revenue synergies you will expect going forward or that could add to that number?

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

It is inclusive of it and as Jim actually presented in his section, you could see that a lot of the additional gross momentum that we expect will come from the positive synergies that we expect to realize as we combine the capabilities of the legacy Entegris and the legacy of ATMI. So Jim did present a few examples. Those are examples. I think we are working on more. So I hope that there could be more than that but I think we have enough conviction today to actually commit to that 100 basis point to 200 basis point average.

---

**Jairam Nathan** - *Sidoti - Analyst*

Greg, just one question, on CapEx., you mentioned some kind of gas delivery systems, can you elaborate on that?

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

Yes. So, the specialty gas, sort of the STS business at ATMI, we own essentially cylinders or the delivery system for that product line. As we introduce new products there which we're introducing more than we initially expected, you can't take a canister that you've used for one gas and shift it and use it for another gas. As we introduce new products, we're having to invest -- we refer to our as our fleet of canisters. And that number, I would say, has proven to be higher than what we initially expected, in part, because we're introducing a lot more new mixtures than what we initially expected.

---

**Amanda Scarnati** - *Citigroup - Analyst*

First on the IoT that you mentioned Bertrand, you said that it doesn't really matter if it's on leading edge or lagging edge. Is there a benefit on the margin line if it's on lagging edge and on the revenue line if it's on leading edge? Or does it a kind of balance out between the two?

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

It's a good question. I'll try to keep my answer simple. We could go on to a lot of complexity. But at high level, I would say that the size of the opportunity for us at the leading edge remain larger, number one. But having said that I will say that the margin profile, the market share profile at the trailing edge are just as appealing as what we are seeing at the leading edge. And that's what I was trying to say in my comment.

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

And, Amanda, think about that as the operating margin because essentially what's happening at the trailing edge, you may have slightly lower gross margins but you have essentially no ER&D. Whereas, at the leading edge, you're probably going to have higher gross margins but you also have higher investment.

---

**Amanda Scarnati** - Citigroup - Analyst

And then, just one more question, on the net leverage you said there was about 1.7 times EBITDA currently?

---

**Greg Graves** - Entegris, Inc. - EVP, CFO

Correct.

---

**Amanda Scarnati** - Citigroup - Analyst

What is a leverage ratio that you feel comfortable with going forward?

---

**Greg Graves** - Entegris, Inc. - EVP, CFO

I think, as we think about the story, if somebody says, how does this play out in a perfect picture (technical difficulty) zero times and then we are presented with another nice opportunity like the ATMI situation and we take up back up to 2, 2.5 again and sort continue that vicious circle. But I would say you should look at the \$360 million of notes largely as permanent capital. I mean, those are eight year bullet repayment. And so that leverage level is likely to exist for a relatively long period of time.

---

**Bertrand Loy** - Entegris, Inc. - CEO, President, Director

But not to play on words, Amanda, I think we are comfortable with the current leverage ratio. We generate a lot of free cash flow. The reason why we are really spending so much focus on paying down the debt is first of all we want to demonstrate to all of you that we can manage within a levered world and we made a commitment to pay down the debt so we want to deliver on our commitment. But again, we are paying down the debt to regain flexibility so that options can open up down the road.

---

**Christian Schwab** - Craig-Hallum - Analyst

Christian Schwab, quick question, we're going to pay \$75 million in the next two quarters, Greg.

---

**Greg Graves** - Entegris, Inc. - EVP, CFO

We paid \$75 million through Q1 and we said in Q2 and Q3 we'll pay another \$75 million total.

---

**Christian Schwab** - Craig-Hallum - Analyst

Right. What was the total debt reduction for your fiscal year '16 goal? Is that another \$75 million? Does that equal [\$150] million of the term-loan note or is it more than that?

---

**Greg Graves** - Entegris, Inc. - EVP, CFO

I would say at this point, I don't want to say exactly, pin ourselves on the capital allocation for 2016. We'd certainly be in a position to make that kind of repayment if, I mean, from a -- what we'll generate and what we'll repatriate.

---



**Christian Schwab** - *Craig-Hallum - Analyst*

And then quickly remind us, of your \$341 million at the end of March, what percentage of that is offshore?

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

Approximately, quarter magnitude, \$100 million in the U.S.

---

**Christian Schwab** - *Craig-Hallum - Analyst*

Okay. And then, if we go to that customer side as you had on your diverse business mix, it's a little bit different than it was, I don't have the slides with me but I know it's different than what you had last year. Your largest customer is a little bit bigger and your next two customers are a little bit smaller than I believe they were last year, can you try to walk me through some of what happened in the marketplace that shook that around a little bit?

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

Well, first of all, you're looking at trailing 12 months numbers. I don't know exactly what was the basis for what we presented last year. But our number one customer is a large Taiwanese customer. They had a phenomenal year last year and so did we. And I think that's the primary reason for the bump in terms of their importance in our customer mix.

---

**Dick Ryan** - *Dougherty & Company - Analyst*

Thank you. Dick Ryan. Say, Greg, on the chart where you had the march towards the dollar in EPS, I don't have the size in front of me but I think earlier in the year you kind of had a bottom line number of \$1.10. Now, I don't know if that was off of a different base to start with but was there anything changing in those assumptions?

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

I would say, the only thing that is different and that might be different in those assumptions from what we have shown in the past is the industry growth rates are probably slightly lower. I don't remember showing \$1.10 though. But it doesn't mean it didn't happen, but I don't.

---

**Dick Ryan** - *Dougherty & Company - Analyst*

Just putting words in your mouth.

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

Yeah, I don't --

---

**Dick Ryan** - *Dougherty & Company - Analyst*

And on the CapEx, can you talk maybe a little bit more behind where that extra investment is going to be made -- was it this year or next?

---



**Greg Graves** - *Entegris, Inc. - EVP, CFO*

I mean, I would just say we had a significant opportunity. We have a significant opportunity within our specialty materials business specifically in the coatings area would be one. And we also have a relatively meaningful opportunity within the graphite area. And they're not forgone conclusions that we're going to make those investments. But as we run in the analysis, now they look pretty promising.

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

So it's really growth related and it's capacity as well as capability related.

---

**Dick Ryan** - *Dougherty & Company - Analyst*

Are there levers to push to increase the exposure to the aerospace side of the business?

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

These actually are both -- I'll just take broadly, they're both electronics-focused.

---

**Unidentified Company Representative**

We have some exposure to aerospace. But it's pretty small in the scope of the company.

---

**Dick Ryan** - *Dougherty & Company - Analyst*

Thank you. You're saying the graphite (inaudible) electronics?

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

Yes.

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

And that's one of the growth opportunities. The other part of the growth opportunity that will require additional CapEx will be the cylinders for specialty gasses. As you know the way we differentiate ourselves from our competitors will be, one, we believe that we have safer packaging solutions. But also we continuously introduce better gasses and also our new mixtures. And every time you introduce new mixtures, you need to invest into a new fleet of cylinders. And that's what we're doing.

---

**Dick Ryan** - *Dougherty & Company - Analyst*

If you look at the slide that was Entegris Wet-Etch and Clean road map for example at the end of your presentation.

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

Yes.

---



**Dick Ryan** - *Dougherty & Company - Analyst*

So you've got sort of these different year here, '14, '15, and '16 with the escalating impact. I think it would be helpful maybe just to hear from the different members of the team who are responsible for those different steps.

What would sort of this selling process on selling them? We can do A, B, and C. What was the technical implementation process on we did our internal work to figure out how to do A, B, and C? And then what's the sort of capital and revenue benefit.

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

I'll take a first crack at it and then I'll turn to Todd. You can explain everything. But this is part of it and then maybe on the technology side, Jim, you can actually provide some more details. But again, remember what Todd said in this presentation. First of all, increasingly when you do with the advance nodes, you work likely more closely with the customers than ever before. And you are really literally invited to collaborate and to co-develop. So that gives you a lot of insight into their process challenges. And it is really allowing us to really tune the types of solutions that we can develop with them.

So I would say that for the last year, all of us and many more within the company have spent a lot of time on the road telling the story about the value of the new Entegris platform and reminding our customers that we could do a lot more for them than what they've been used to seeing from using Entegris and ATMI. So let me turn to you, Todd.

---

**Todd Edlund** - *Entegris, Inc. - SVP, COO*

Oh, yeah, I mean, you covered it but really there's things we did (technical difficulty) of the company together and what we want to learn from each other and we always wondered about what the other could do and how our products interact and that was pretty fertile, it gave us those three blocks of wetted surfaces gas, wetted surfaces. And that led to some ideas around that.

And then as Bertrand said, really, we visit a lot of customers and talk about the new company to show those graphs and the breadth and depth and how we've touched all these processes. And they give us ideas back -- hey, with all that, you should be able to do this. You should be able to help the cost of ownership. You should be able to enable those process. If we bring these things together, I'll have to help as a customer because I'll have to do things a little differently myself but it's got to be payoff for me.

And those kind of validate it. These are the way of commercial investments. So we kind of narrow down to kind of 8 to 10 things that we're working on right now that we think are going to feed into that. And Jim gave you a little bit of a view there of what some of that looks like specifically in terms of bat-life extension and including cost of ownership enabling the next nodes.

---

**James O'Neill** - *Entegris, Inc. - CTO*

Yeah, and I think, one of the most exciting parts of integrating the two companies was throwing two highly technical teams together and sort of letting them go at coming up with new ideas. I mean, both teams have been out in front of the customer, understood what their customer's problems were from their perspective. And then when they get together, they come up with a lot of new ideas.

Did we go at the first time? No. But what we brought to the customer is part of the discussion. And the discussions really led to much better refinement of the ideas that we're now working on. And these have to be continuously validated as we generate data.

But I think in doing things like this of bringing in the two companies together, or getting the two technical teams together, we've opened up a path for increased dialogue with our customer. And if nothing else, that's probably the most valuable thing that we can do as a technical company, which is engage them technically, get our customers' input, and then develop according to their needs as opposed to developing things and trying to push them.

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

And it was really interesting for us, I would say, that some customers got it, they want. The minute we announced the transaction, I have calls from some customers saying, "This is wonderful. We need to get together now." And we said, "The merger has not even closed, we cannot do that. But I'm glad that you're understanding value that we're going to bring."

Other customers, it took a little bit longer, but not very long. And very soon they were saying, "Well," as we said Todd, "you don't understand, you are really now in the middle of it and your value has grown tremendously."

And some of the customer, it took much longer and it took several meetings. We tried to get some easy things to do, demonstrated the value. And now, we are at the state where we said, "Oh, wow. We could maybe do a lot more."

So, I think again that every customer has had a different pace of adoption or understanding of the new value proposition. But I will say to that, at most, everybody gets it. And that's really, really exciting.

**Todd Edlund** - *Entegris, Inc. - SVP, COO*

I'll just add one point from a process perspective. And that is sort of picking 8 or 10 projects the Todd talks we're working on, or evaluating our R&D pipeline, and deciding where to invest them, it is very formal process for us. I mean, next week or three days of meetings of what's going on with our portfolio.

It's essential. The portfolio review committee with all the business leaders, their technical leaders, their finance people come together and everybody goes kind of, "Here's my pipeline," "Here's what I'm working on," "Here's where I can use your help," "Here's where we need investment." It's actually a very rigorous process, and it happens every quarter.

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

And I think that's a good point. I mean, we are managing the Company differently.

I would argue that in the past, a lot of the business units were really managed in a silo way. And Todd and Jim are doing a great job at really making sure that there is a lot more cross-fertilization between the businesses. And we've been handling it in a very prudent in a careful way in terms of what we share or we will not share even between the views internally. But this is happening to a much greater extent that it ever did before.

**Weston Twigg** - *Pacific Crest - Analyst*

I got the mic now. West Twigg, Pacific Crest.

So I have a question on the leading edge demand. So last year, you under-grew the model a little bit because there weren't as many or there wasn't as much in terms of advanced nodes, no transitions as you expected. And I'm wondering, are you seeing any change in either the cadence of no transition or the number of wafer starts and advanced nodes? And how is that affecting your thinking moving forward?

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

So you're right. I think one of the headwinds last year was this lack of activity at the leading edge. One customer, a Taiwanese customer, had a lot of activity there, they did well. We did very well and that shows in the customer mix that I presented to you. But besides them, there was really nobody else that was really active at the leading edge.



So, I think that if they have it their way, the cadence would probably intensify. But as Jim said, this is becoming really, really more complicated. So in terms of the number of wafers being around at the leading edge, it was less than we expected last year. This year, most likely, would be also, probably, a little than we expected.

But again, as I said at the beginning, I think you know we are not an equipment company. The type of opportunities that we want at 20, at 28, are generating very nice steady revenues for us. And so I think that the leading edge is the oomph, if you want. That's the incremental growth that we are after.

I will say that this year we have a lot of oomph already in the portfolio. So it would be nice if we see more wafers coming from 14 and 16. My guess is that we'll do well with or without.

---

**Weston Twigg** - *Pacific Crest - Analyst*

Okay. I didn't see in the slide deck here, maybe I missed it because I walked in late. A mix of leading edge versus [lagging] edge like you've done in the past, did you have that number today?

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

Yes. It's really hard to thing for us to guess. But I mean, if you think about -- the way we usually approximate that is we look at the new products that we have been introducing over the last few years, and typically those products go into the leading edge. And that's somewhere between 25% and 30% of our revenues. So, that's how we come up with the approximation that we made.

---

**Weston Twigg** - *Pacific Crest - Analyst*

Okay. And then finally for me just you have some non-semi revenue. You talked about growth in adjacent markets, except when you talk about your long-term model, you're still talking about outgrowing the semi industry. And so I'm wondering why don't factor in some growth in adjacent markets. So maybe you could just comment on that, what are you expectations are on it?

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

Do you want to take that one?

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

Well, it's because we try to keep it simple. I mean, it could mean that it could be a very complicated index, the aggregation of multiple index. So I think you will all be scratching your heads and saying, "What does that all mean?"

So, we try to keep it simple. And at times, it's probably going to be an easier comparison. At other times, it probably would be harder comparison. But we decided to go for simplicity.

---

**Greg Graves** - *Entegris, Inc. - EVP, CFO*

But to be clear, we are definitely -- I mean, when you talk about where we're investing, we continue to invest in some of those adjacent markets, some of the newer technologies that ATMI owned around carbon, around resource efficiency, evolved as they called it. As well as we've made investments in new business development people. For the first time, we've got real professional new business development people helping us look at those new markets.



**Unidentified Audience Member**

Hi. Could you talk about the relative revenue from memory wafer versus a logic wafer, is it much different? And if so, could you just share on it?

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

I'll pass it on to Todd in a minute. But I think, I mean, it's a hard question, and we don't track that this way. As a matter of fact, we are trying to change our systems that we will have a little bit more visibility to that, but we don't really have a precise way of tracking.

At a high level, I would say that the size of the opportunity for what we do is usually a little greater in logic environments. But this is changing. And this is changing actually pretty rapidly, and that's getting actually interesting even on the memory side as well.

Todd, Jim, let me know if you want to add to that.

---

**James O'Neill** - *Entegris, Inc. - CTO*

I would just say that, I think that if you think about the complexity of the chip, the complexity of the process, that's generally good for us.

And there's also differences on how those kinds of customers use our products. Some of them will try to use them longer, shorter, different dilutions, et cetera. So, there are a lot of factors that play in, and they don't depend on the node that the memories have as opposed to the node that a lot of you get. But I think that Bertrand generalized it the right way.

---

**Unidentified Audience Member**

So, hi. Just one quick question on the volatility of the [semiconductor] with regards to the ups and downs of the fab utilization. So for example, whether there is one person or 20 people in this room, we need to keep the lights on anyway. So I was just wondering if this would be an adequate analogy for your unit-driven products from the perspective of your clients?

---

**James O'Neill** - *Entegris, Inc. - CTO*

Well, I think the first thing to think about is that if you think of semiconductor units, they've only been down sort of twice in the history of the world, in 2001 and then in the 2009 timeframe. So we don't really think about -- I mean, it can happen, but it's clearly much stable. And then if you look at how many times capital has been down, it's been much, much greater than that.

If you think about our cost structure, one of the things that the target model has done for us though is it's created much more discipline around variabilizing cost. So when somebody says, "Hey, we want to add this functionality or we're going to invest more here," we're always asking the question, is there a way to make those cost variable? So, we don't lock ourselves into a situation where we can't flex down, if things were to get really ugly.

---

**Unidentified Audience Member**

Thanks. You guys talked a couple of times about not being in the equipment business anymore. There are a couple of pieces that start to look a little bit like an equipment business, maybe the food business looks like an equipment business.

Is there a possibility that perhaps divesting pieces of the business, not specifically that one, if you don't want to comment on it, but are there pieces that you might call from the portfolio over the next several years?



**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

All right. I think the way we -- the reason why we try to discriminate between unit driven and more capital type of products is really to make it easier for you to follow, and understand the trends in our own business.

Frankly, we have some really exciting CapEx types of product lines through being one of that. And if you think about contamination control, the contamination control in terms of the microenvironment around the in-process wafer are great and are very significant. And we've had actually a lot of value to our customers by helping them develop new solutions for their advance nodes.

So, yes, it follows different buying patterns. But the margins are good, we have an incredibly high market share. It's a good product line, and it belongs to the portfolio. It's consistent with the overall value proposition that we are trying to provide for our customers, which is being the leaders in contamination control, advanced chemistries, et cetera.

---

**James O'Neill** - *Entegris, Inc. - CTO*

I think I would just add to that that we do look at every business, because we have a lot of business to look at, and decide where to place our bets kind of every day. Certainly, every quarter, as Greg mentioned, our portfolio review committee.

But it's really about where we can get -- do the most of the customer get the best return in our investments, agnostic of really which clarifying business unit it is. And that's where we really require our business unit leaders to be very mature and think about the good of the overall company. And we'll make those bets in their right prices.

So we may see parts of the business where we feel like we're not so certain about the growth perspective there. So we're going to make sure we get the funding in the right place, what's going to provide the most growth for the company, add them on a daily basis. So, it's really a portfolio for my view, and again trying to do that the best allocation we can.

---

**Unidentified Audience Member**

So, to me, the gems of the business are sort of the filtration part of the business and the chemistries part of business. Now, that you owned ATMI for a year, I guess what I'm a little surprised about is I didn't hear much about the chemistries side. I mean, I hear STS, which is chemistry, I understand. And then you guys were talking about the graphite, and coatings area.

One of my concerns about ATMI, I think I've told you this, was that they were getting picked off on certain applications like first process CMP, clean, by little Asian guys. And do you see a roadmap now that you owned it for a year, and changed, to be able to differentiate the chemistries enough to maintain it or strengthen your position in chemistries? And does that just take longer and so we're not hearing about it now? I don't know if you could just discuss that ...

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

I'll turn it to Todd or Jim to answer the second part of your question. But I will just tell you that in general terms, as I stated at the beginning, I am very pleased with the results of that integration and the acquisition of ATMI. And then that includes the quality of the overall portfolio.

So the reason we didn't talk about -- well, you probably noticed, we didn't talk about products at all today. We didn't talk about filters, we didn't talk about chemistry, we didn't talk about products. That was by design. We didn't have a lot of time. And as you know we have a very broad portfolio. So in fact, we didn't want to fall into the trap of singling out one product line and not the other ones. So we kept the message at a much higher level.

And actually, that message is very consistent with the way we are trying to engage with our customers today. We talked about what we call internally a blue ocean strategy, which is really trying to distill it down to the quintessential value that we can bring to our customers. And a lot of the discussions we're having with our customers is really around the value proposition of contamination control, advanced chemistries, et cetera, and not the products. And that's the big difference in terms of how we're approaching customers today versus how we were approaching customers in the past.

Now, in terms of the ability to differentiate the chemistries or the mixtures, I'll turn to you, Todd. But I like what we're seeing in the portfolio.

---

**Todd Edlund** - *Entegris, Inc. - SVP, COO*

Yes. So as Jim covered, there's a lot of cross effects as they change one part of the process. So they bring cobalt and there's a lot of concerns about the formulated cleans and what are the effects. So that's going to be kind of throughout the other process steps.

And what I'm seeing, I'm liking the chemistry part of the business, because I'm seeing, especially in advanced nodes, 10 nanometer and beyond, there's a whole new set of demands that really weren't there. And not only for the formulation but also for the purity consistency, ability to deliver that chemistry, which I think we're going to be uniquely capable to do.

So we'll stay in that specialty role where we can really bring differentiation through our chemists around the world and do something different, and deliver it in a very clean way to the customers. But I think those demands are really growing, if anything. I think there may have been a little bit of a wall in that in the last couple of years, but I'm encouraged from what I'm hearing from the market.

---

**James O'Neill** - *Entegris, Inc. - CTO*

Yes. I mean, on the technical front, every customer's integration scheme, the way in which they build a chip, it's a little bit different. So increasingly, we're finding that our chemistries need to be tailored off of a backbone kind of chemistry. So that's one point.

The second point is that with greater exposure to the overall customers' needs to the combination with Entegris, we're identifying errors where our products are working much closer together. Not just materials handling and chemistries, but one chemistry with another.

So formulated cleans and deposition is an area that's absolutely right for significant acceptance by our customer base at this time, and that's an area that we're pushing quite hard, both preparing surfaces for deposition, cleaning materials that are new to an integration scheme. And because of the breadth of our portfolio, we get a call one day, do you have this precursor? Then they say, "We need it clean." We get a call the next day, it's for the clean. We got both.

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

And I will you, Todd, and maybe I shouldn't go down that path. But when we're doing the due diligence on ATMI, I was very skeptical about the appeal of the deposition of materials. And I really thought it was mostly a commodity business, and I was dead wrong. I would argue today that we have some really, really exciting opportunities on that side of the business. And I'd like to be proven wrong on that one, believe me.

So now we need to put the business together. And Jim gave you a glimpse at how we're doing that. But that's actually a very, very nice and very sound business.

---

**Steve Cantor** - *Entegris, Inc. - Director - IR*

So I think we're almost out of time. But if there's one last question, we can take. Otherwise, we'll wrap up.



Okay, [Gerald]. Last question.

---

**Unidentified Audience Member**

On 2014, you mentioned capacity constraints [where they hurt] -- you by -- but now with the membrane i2M facility being done. Is there any way to quantify how much you heard and how much you could benefit this year?

---

**Steve Cantor** - *Entegris, Inc. - Director - IR*

Do you want to comment on that, Todd?

---

**Todd Edlund** - *Entegris, Inc. - SVP, COO*

I don't know if I could. I don't think we lost any market share. I do know that customers hung with us. We tried different combinations of products to try to keep them satisfied while we brought it back to our own center.

Now it's up. It's got almost all of the membranes, volume qualified it in, or kind of laid in the PCM process with our customers who are starting to convert to supply from there. So we're starting to see that relief.

But there's been others where we're being constrained as well. We've been constrained in our chemical drum business, but we've added capacity that we're quickly filling up actually in Minnesota. We're going to be adding more capacity in Asia very soon because we're fuller. So there's a lot of demand in some other parts of the business that are going to start to free up as well.

I don't think we lost any share in it. I think we have some opportunity actually to grow. We see some good opportunities for set filters, was a gem in your eye. I like it too. And I do see that growing as we unlock that capacity and just because of the demands of these advanced chemistries, resists, going forward.

---

**Bertrand Loy** - *Entegris, Inc. - CEO, President, Director*

But to be clear, I think that the filtration opportunity is probably one of our largest growth opportunity growing forward over the next couple of years. And it doesn't necessarily only have to do with removing the capacity constraints. It has more to do the adoption of that particular UPE media into a number of applications.

---

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2015, Thomson Reuters. All Rights Reserved.