

VEECO INSTRUMENTS INC

FORM 8-K

(Current report filing)

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Industry	Semiconductors
Sector	Technology
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **February 7, 2011**

VEECO INSTRUMENTS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-16244
(Commission
File Number)

11-2989601
(IRS Employer
Identification No.)

Terminal Drive, Plainview, New York 11803
(Address of principal executive offices)

(516) 677-0200
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 2 - Financial Information

Item 2.02 Results of Operations and Financial Condition.

On February 7, 2011, Veeco Instruments Inc. (Veeco) issued a press release announcing its financial results for the quarter ended December 31, 2010. In connection with the release and the related conference call, Veeco posted a presentation relating to its fourth quarter 2010 financial results on its website (www.veeco.com). Copies of the press release and presentation are furnished as Exhibit 99.1 and Exhibit 99.2 to this report.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*.

Exhibit	Description
99.1	Press release issued by Veeco dated February 7, 2011
99.2	Veeco Q4 2010 Highlights, Earnings Conference Call 2/7/11

The information in this report, including exhibits 99.1 and 99.2, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities under that Section, nor shall this information or these exhibits be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VEECO INSTRUMENTS INC.

February 7, 2011

By: /s/ Gregory A. Robbins

Gregory A. Robbins
Senior Vice President and General Counsel

EXHIBIT INDEX

Exhibit	Description
99.1	Press release issued by Veeco dated February 7, 2011
99.2	Veeco Q4 2010 Highlights, Earnings Conference Call 2/7/11



NEWS

Veeco Instruments Inc., Terminal Drive, Plainview, NY 11803 Tel. 516-677-0200 Fax. 516-677-0380

FOR IMMEDIATE RELEASE

Financial Contact: Debra Wasser, SVP Investor Relations & Corporate Communications, 516-677-0200 x1472

Media Contact: Fran Brennen, Senior Director Marcom, 516-677-0200 x1222

VEECO REPORTS RECORD FOURTH QUARTER & FULL-YEAR 2010 RESULTS

2011 Forecast: Revenues >\$1B and >\$5.00 Non-GAAP EPS

Launches MaxBright: Industry's Most Productive MOCVD System

Plainview, NY, February 7, 2011 — Veeco Instruments Inc. (Nasdaq: VECO) announced its financial results for the fourth quarter and full-year ended December 31, 2010. Veeco reports its results on a U.S. generally accepted accounting principles ("GAAP") basis, and also provides results excluding certain items. Please refer to the attached table for details of the reconciliation between GAAP operating results and Non-GAAP operating results. All results presented herein are for Veeco's "Continuing Operations" which excludes the Metrology business sold to Bruker Corporation on October 7, 2010.

GAAP Results (\$M except EPS)

	Q4 '10	Q4 '09
Revenues	\$ 300.0	\$ 119.1
Net income	\$ 96.7	\$ 16.0
EPS (diluted)	\$ 2.30	\$ 0.42

Non-GAAP Results (\$M except EPS)

	Q4 '10	Q4 '09
Net income	\$ 67.9	\$ 13.6
EPS (diluted)	\$ 1.62	\$ 0.36

John R. Peeler, Veeco's Chief Executive Officer, commented, "The fourth quarter of 2010 was the best in our history, and we are extremely proud of our performance. Revenues were \$300 million, gross margin was 51% and net income was \$97 million. Veeco's revenues grew 8% sequentially and 152% from the fourth quarter of last year. Both Veeco segments delivered excellent performance: LED & Solar revenues were up 6% sequentially to a record \$258 million, and Data Storage revenues were up 21% to \$42 million, our best quarter since 2008. Full year 2010 results were also at record levels, with revenue of \$933 million and net income of \$261 million. These results were achieved through a combination of world-class products, a focus on high-growth market opportunities, operational excellence, our flexible manufacturing strategy, and a deep commitment to satisfying our global customers."

"Veeco's fourth quarter bookings totaled \$295 million," continued Mr. Peeler, "with another very strong quarter in LED & Solar of \$253 million, which was up about 4% sequentially. Orders for MOCVD systems were placed by twenty customers across all regions, with strength continuing in China. Data Storage orders were \$42 million, up 20% sequentially as technology buys for new Veeco deposition systems continue." The Company's Q4 2010 book-to-bill ratio was .98 to 1, and quarter end backlog was \$555 million.

On August 24th, Veeco announced that its Board of Directors had authorized the repurchase of up to \$200 million of the Company's common stock through August 2011. During the fourth quarter, Veeco purchased 189,218 shares of its common stock at an average price of \$34.33 per share, for a total of approximately \$6.5 million bringing the total purchased under the Company's share repurchase program during 2010 to \$38 million, or about 1.1 million shares.

Veeco Launches MaxBright MOCVD System

Mr. Peeler commented, "We currently estimate that the total available market for MOCVD from 2011 through 2015 is greater than 5,000 reactors. In order to capitalize on this opportunity, drive our business, and continue to gain market share, today we launched the TurboDisc® MaxBright™ Multi-reactor ("cluster") MOCVD system. By dramatically accelerating our new product roadmap to create MaxBright, the most productive MOCVD system on the market, Veeco will help enable the industry's transition to LED lighting."

First Quarter and Full-Year 2011 Guidance

Veeco's first quarter 2011 revenue is currently forecasted to be between \$215 and \$265 million. Earnings per share are currently forecasted to be between \$0.94 to \$1.31 on a GAAP basis and \$1.02 to \$1.39 on a non-GAAP basis. Please refer to the attached financial table for more details.

Commenting on Q1 2011 guidance, Mr. Peeler stated, "Q1 2011 revenues will be lower than Q4 2010 because we are planning to ship 12-20 MOCVD reactors in the new MaxBright "cluster" format, and will not be recording any revenue on these systems in the first quarter. Timing of revenue is also being impacted by the longer order-to-revenue cycle times associated with the high percentage of business currently coming from China, primarily due to customer facility readiness. The average time to convert orders to revenue is currently several months longer in China than in other regions."

"With starting backlog of \$555 million, and anticipating strong first half 2011 bookings, we currently forecast that Veeco's 2011 revenues will be greater than \$1 billion, resulting in non-GAAP earnings per share of greater than \$5.00," continued Mr. Peeler. "We are optimistic about the future and confident that we are well positioned from a technology, product, and operational standpoint to grow our LED & Solar and Data Storage businesses in 2011 and beyond."

Conference Call Information

A conference call reviewing these results has been scheduled for 5:00pm ET today at 1-888-349-9585 (toll free) or 1-719-325-2142 using passcode 4065533. The call will also be webcast live on the Veeco website at www.veeco.com. A replay of the call will be available beginning at 8:00pm ET tonight through 8:00pm ET on February 21, 2011 at 888-203-1112 or 719-457-0820, using passcode 4065533, or on the Veeco website. ***Please follow along with our slide presentation also posted on the website.***

About Veeco

Veeco makes equipment to develop and manufacture LEDs, solar panels, hard disk drives and other devices. We support our customers through product development, manufacturing, sales and service sites in the U.S., Korea, Taiwan, China, Singapore, Japan, Europe and other locations. Please visit us at www.veeco.com.

To the extent that this news release discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made. These factors include the risks discussed in the Business Description and Management's Discussion and Analysis sections of Veeco's Annual Report on Form 10-K for the year ended December 31, 2009 and in our subsequent quarterly reports on Form 10-Q, current reports on Form 8-K and press releases. Veeco does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

- financial tables attached -

Veeco Instruments Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share data)

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	
Net sales	\$ 299,998	\$ 119,142	\$ 933,231	\$ 282,412
Cost of sales	147,196	65,611	489,406	171,177
Gross profit	152,802	53,531	443,825	111,235
Operating expenses (income):				
Selling, general and administrative	28,925	20,226	91,777	62,151
Research and development	23,529	14,156	71,390	43,483
Amortization	1,165	1,393	4,876	5,168
Restructuring	—	67	(179)	4,837
Asset impairment	—	—	—	304
Other, net	(1,689)	(344)	(1,614)	24
Total operating expenses	51,930	35,498	166,250	115,967
Operating income (loss)	100,872	18,033	277,575	(4,732)
Interest expense, net	1,391	1,787	6,572	6,850
Income (loss) from continuing operations before income taxes	99,481	16,246	271,003	(11,582)
Income tax provision	2,809	268	10,472	2,647
Income (loss) from continuing operations	96,672	15,978	260,531	(14,229)
Discontinued operations:				
Income (loss) from discontinued operations before income taxes (includes gain on disposal of \$156,290 in 2010)	151,909	2,504	155,455	(2,703)
Income tax provision (benefit)	51,421	(263)	54,226	(1,300)
Income (loss) from discontinued operations	100,488	2,767	101,229	(1,403)
Net income (loss)	197,160	18,745	361,760	(15,632)
Net loss attributable to noncontrolling interest	—	—	—	(65)
Net income (loss) attributable to Veeco	\$ 197,160	\$ 18,745	\$ 361,760	\$ (15,567)
Income (loss) per common share attributable to Veeco:				
Basic:				
Continuing operations	\$ 2.45	\$ 0.45	\$ 6.60	\$ (0.44)
Discontinued operations	2.55	0.08	2.56	(0.04)
Income (loss)	\$ 5.00	\$ 0.53	\$ 9.16	\$ (0.48)
Diluted :				
Continuing operations	\$ 2.30	\$ 0.42	\$ 6.13	\$ (0.44)
Discontinued operations	2.40	0.08	2.38	(0.04)
Income (loss)	\$ 4.70	\$ 0.50	\$ 8.51	\$ (0.48)
Weighted average shares outstanding:				
Basic	39,453	35,623	39,499	32,628
Diluted	41,972	37,742	42,514	32,628

Veeco Instruments Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)

	December 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 245,132	\$ 148,500
Short-term investments	394,180	135,000
Restricted cash	76,115	—
Accounts receivable, net	150,528	67,546
Inventories, net	108,487	55,807
Prepaid expenses and other current assets	34,328	6,419
Assets of discontinued segment held for sale	—	40,058
Deferred income taxes, current	13,803	3,105
Total current assets	1,022,573	456,435
Property, plant and equipment, net	42,320	44,707
Goodwill	52,003	52,003
Deferred income taxes	9,403	—
Other assets, net	21,735	22,199
Assets of discontinued segment held for sale	—	30,028
Total assets	<u>\$ 1,148,034</u>	<u>\$ 605,372</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 32,220	\$ 24,910
Accrued expenses and other current liabilities	183,010	99,823
Deferred profit	4,109	2,520
Income taxes payable	56,369	829
Liabilities of discontinued segment held for sale	5,359	10,824
Current portion of long-term debt	229	212
Total current liabilities	281,296	139,118
Deferred income taxes	—	5,039
Long-term debt	103,792	100,964
Other liabilities	434	1,192
Total non-current liabilities	104,226	107,195
Equity	762,512	359,059
Total liabilities and equity	<u>\$ 1,148,034</u>	<u>\$ 605,372</u>

Veeco Instruments Inc. and Subsidiaries
Reconciliation of operating income (loss) to non-GAAP net income from continuing operations
(In thousands, except per share data)
(Unaudited)

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
Operating income (loss)	\$ 100,872	\$ 18,033	\$ 277,575	\$ (4,732)
Adjustments:				
Amortization	1,165	1,393	4,876	5,168
Equity-based compensation	2,645	2,441	9,648	7,547
Restructuring	—	67(2)	(179)(1)	4,837(2)
Asset impairment	—	—	—	304(3)
Inventory write-off	—	—	—	1,526(4)
Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA")	104,682	21,934	291,920	14,650
Interest expense, net	1,391	1,787	6,572	6,850
Adjustment to add back non-cash portion of interest expense	(1,123)(5)	(732)(5)	(3,474)(5)	(2,862)(5)
Earnings excluding certain items from continuing operations before income taxes	104,414	20,879	288,822	10,662
Income tax provision at 35%	36,545	7,308	101,088	3,732
Earnings from continuing operations excluding certain items	67,869	13,571	187,734	6,930
Loss attributable to noncontrolling interest, net of income tax benefit at 35%	—	—	—	(42)
Earnings from continuing operations excluding certain items attributable to Veeco ("Non-GAAP Net Income")	<u>\$ 67,869</u>	<u>\$ 13,571</u>	<u>\$ 187,734</u>	<u>\$ 6,972</u>
Earnings from continuing operations per diluted share excluding certain items attributable to Veeco ("Non- GAAP EPS")	<u>\$ 1.62</u>	<u>\$ 0.36</u>	<u>\$ 4.42</u>	<u>\$ 0.21</u>
Diluted weighted average shares outstanding	41,972	37,742	42,514	33,389

(1) During the first quarter of 2010, we recorded a restructuring credit of \$0.2 million associated with a change in estimate.

(2) During the year ended December 31, 2009, we recorded a restructuring charge of \$4.8 million (\$3.5 million for personnel severance costs and \$1.3 million related to lease and other charges associated with vacating two facilities in our Data Storage segment) of which \$0.1 million was incurred during the fourth quarter (consisting primarily of personnel severance costs and related charges).

(3) During the second quarter of 2009, we recorded a \$0.3 million asset impairment charge in our Data Storage segment for assets no longer being utilized.

(4) During the first quarter of 2009, we recorded a \$1.5 million inventory write-off in our Data Storage segment associated with the discontinuance of certain products. This was included in cost of sales in the GAAP income statement.

(5) Adjustment to exclude non-cash interest expense on convertible subordinated notes, and accretion of debt discounts and amortization of debt premiums related to the Company's short-term investments.

NOTE - The above reconciliation is intended to present Veeco's operating results, excluding certain items and providing income taxes at a 35% statutory rate. This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States, and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITA reports baseline performance and thus provides useful information.

Veeco Instruments Inc. and Subsidiaries
Reconciliation of operating income to non-GAAP net income from continuing operations
(In thousands, except per share data)
(Unaudited)

	Guidance for the three months ending March 31, 2011	
	LOW	HIGH
Operating income	\$ 61,121	\$ 84,793
Adjustments:		
Amortization	1,136	1,136
Equity-based compensation	<u>3,127</u>	<u>3,127</u>
Earnings from continuing operations before interest, income taxes depreciation and amortization excluding certain items ("Adjusted EBITA")	65,384	89,056
Interest expense, net	712	712
Adjustment to add back non-cash portion of interest expense	<u>(798)(1)</u>	<u>(798)(1)</u>
Earnings from continuing operations excluding certain items before income taxes	65,470	89,142
Income tax provision at 33%	<u>21,605</u>	<u>29,417</u>
Earnings from continuing operations excluding certain items ("Non-GAAP Net Income")	<u>\$ 43,865</u>	<u>\$ 59,725</u>
Earnings from continuing operations per diluted share excluding certain items ("Non-GAAP EPS")	<u>\$ 1.02</u>	<u>\$ 1.39</u>
Diluted weighted average shares outstanding	43,000	43,000


(1) Adjustment to exclude non-cash interest expense on convertible subordinated notes, and accretion of debt discounts and amortization of debt premiums related to the Company's short-term investments.

NOTE - The above reconciliation is intended to present Veeco's operating results, excluding certain items and providing income taxes at a 33% effective rate. By the end of 2010, the Company had fully utilized all prior NOL and tax credit carryforwards. As a result, beginning in 2011, the Company will use an effective tax rate in its calculation of non-GAAP net income and earnings per share. This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States, and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITA reports baseline performance and thus provides useful information.

Veeco Instruments Inc. and Subsidiaries
Segment Bookings, Revenues, and Reconciliation
of Operating Income (Loss) to Adjusted EBITA (Loss)
(In thousands)
(Unaudited)

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
LED & Solar				
Bookings	\$ 252,912	\$ 176,692	\$ 968,232	\$ 440,784
Revenues	\$ 258,138	\$ 98,102	\$ 797,904	\$ 205,153
Operating income	\$ 96,866	\$ 24,273	\$ 270,296	\$ 22,135
Amortization	733	796	3,121	3,137
Equity-based compensation	923	739	2,643	1,358
Restructuring	—	67	—	1,196
Adjusted EBITA**	<u>\$ 98,522</u>	<u>\$ 25,875</u>	<u>\$ 276,060</u>	<u>\$ 27,826</u>
Data Storage				
Bookings	\$ 42,037	\$ 53,118	\$ 153,406	\$ 97,497
Revenues	\$ 41,860	\$ 21,040	\$ 135,327	\$ 77,259
Operating income (loss)	\$ 11,943	\$ 49	\$ 32,051	\$ (10,033)
Amortization	373	386	1,522	1,599
Equity-based compensation	359	128	1,140	1,020
Restructuring	—	(49)	(179)	3,006
Inventory write-off	—	—	—	1,526
Asset impairment	—	—	—	304
Adjusted EBITA (loss)**	<u>\$ 12,675</u>	<u>\$ 514</u>	<u>\$ 34,534</u>	<u>\$ (2,578)</u>
Unallocated Corporate				
Operating loss	\$ (7,937)	\$ (6,289)	\$ (24,772)	\$ (16,834)
Amortization	59	211	233	432
Equity-based compensation	1,363	1,574	5,865	5,169
Restructuring	—	49	—	635
Adjusted loss**	<u>\$ (6,515)</u>	<u>\$ (4,455)</u>	<u>\$ (18,674)</u>	<u>\$ (10,598)</u>
Total				
Bookings	\$ 294,949	\$ 229,810	\$ 1,121,638	\$ 538,281
Revenues	\$ 299,998	\$ 119,142	\$ 933,231	\$ 282,412
Operating income (loss)	\$ 100,872	\$ 18,033	\$ 277,575	\$ (4,732)
Amortization	1,165	1,393	4,876	5,168
Equity-based compensation	2,645	2,441	9,648	7,547
Restructuring	—	67	(179)	4,837
Inventory write-off	—	—	—	1,526
Asset impairment	—	—	—	304
Adjusted EBITA**	<u>\$ 104,682</u>	<u>\$ 21,934</u>	<u>\$ 291,920</u>	<u>\$ 14,650</u>

** Refer to footnotes on 'Reconciliation of operating income (loss) to non-GAAP net income from continuing operations' for further details.



Q4 2010 Highlights

Earnings Conference Call 2/7/11



Innovation. Performance. Brilliant.

Introduction

Debra A. Wasser, SVP, Investor Relations



Innovation. Performance. Brilliant.

Safe Harbor Statement

To the extent that this presentation discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made. These items include the risk factors discussed in the Business Description and Management's Discussion and Analysis sections of Veeco's Annual Report on Form 10-K for the year ended December 31, 2009 and subsequent Quarterly Reports on Form 10-Q and current reports on Form 8-K. Veeco does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

In addition, this presentation includes non-GAAP financial measures. For GAAP reconciliation, please refer to the reconciliation section in this presentation as well as Veeco's financial press releases and 10-K and 10-Q filings available on www.veeco.com.

Note: All results presented herein are for Veeco's "Continuing Operations" which excludes the Metrology business sold to Bruker Corporation on October 7, 2010.

Q4 and Full-Year 2010 Results

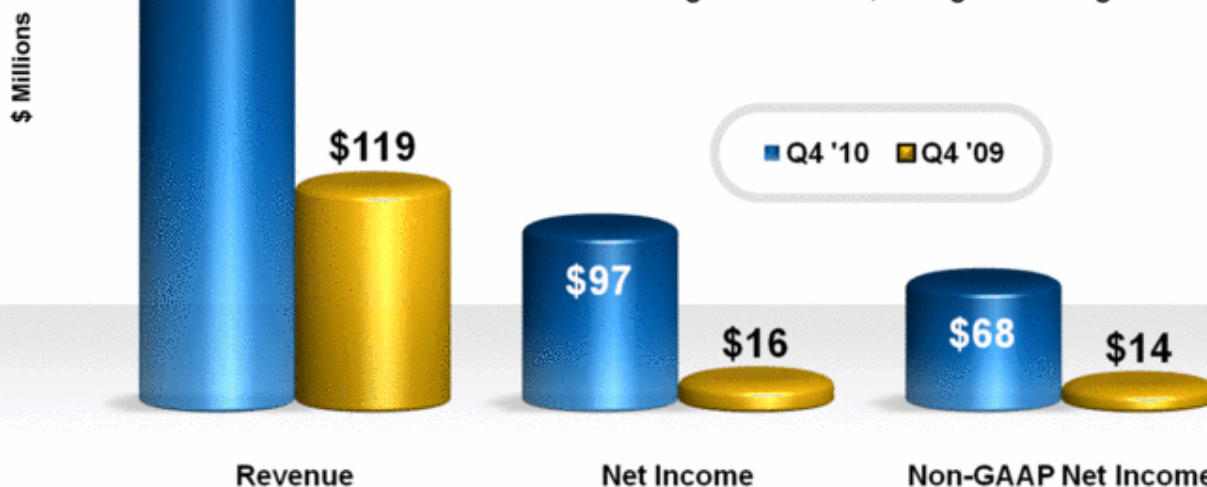
David D. Glass, CFO



Innovation. Performance. Brilliant.

Q4 2010 Record Performance Across the Board

- Revenue increased 8% from Q3 2010 and was up 152% from prior year
- GAAP EPS was \$2.30 and non-GAAP EPS was \$1.62
 - Record levels and in line with guidance
- Gross margin was 51%, at high end of guidance



See reconciliation to GAAP at end of presentation

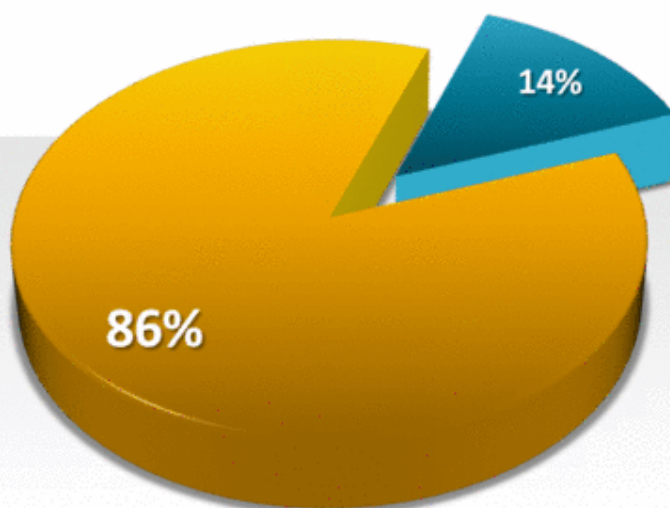
Q4 2010 Revenue Performance by Segment

Total: \$300M

LED & Solar \$258M

Up 6%
sequentially and
over 163% year-
over-year

MOCVD record
\$240M



Data Storage \$42M

Up 21%
sequentially and
99% year-over-
year

Best quarter since
Q4 2008

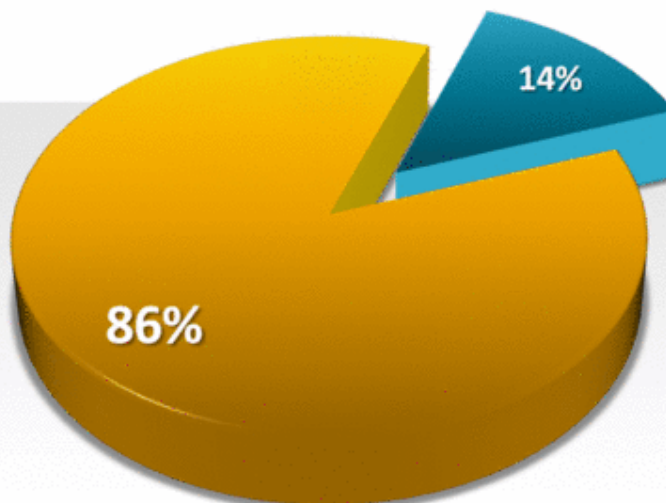
Q4 2010 Bookings Performance by Segment

Total: \$295M

LED & Solar \$253M

Up 4% sequentially
and 43% year over
year

MOCVD had
another solid
quarter at \$221M
and MBE improves
following low level
in Q3 2010



Data Storage \$42M

Up 20%
sequentially but
down 21% year
over year

B to B =
.98 to 1;
Backlog
\$555M

Q4 2010 Bookings Highlights

LED & Solar \$253M

20+ customers placed MOCVD orders

- China strength continues – EnRay-Tech, Shanghai Epilight, Focus Lighting and many others
- Key customer wins in US, Europe, Japan, Taiwan and Korea
- MBE booked \$32M – pickup from Q3 2010 with several production tool orders



Data Storage \$42M

Solid quarter for both technology and capacity buys at key customers



Q4 2010 P&L Highlights

(\$ millions except GM)

	Q4'10	Q4'09	Q3'10
Revenues	\$300.0	\$119.1	\$277.1
Gross Profit	152.8	53.5	135.5
Gross Margin	50.9%	44.9%	48.9%
Operating Income	100.9	18.0	91.6
GAAP Net Income	96.7	16.0	91.1
Non-GAAP Net Income	67.9	13.6	61.6

See reconciliation to GAAP at end of presentation

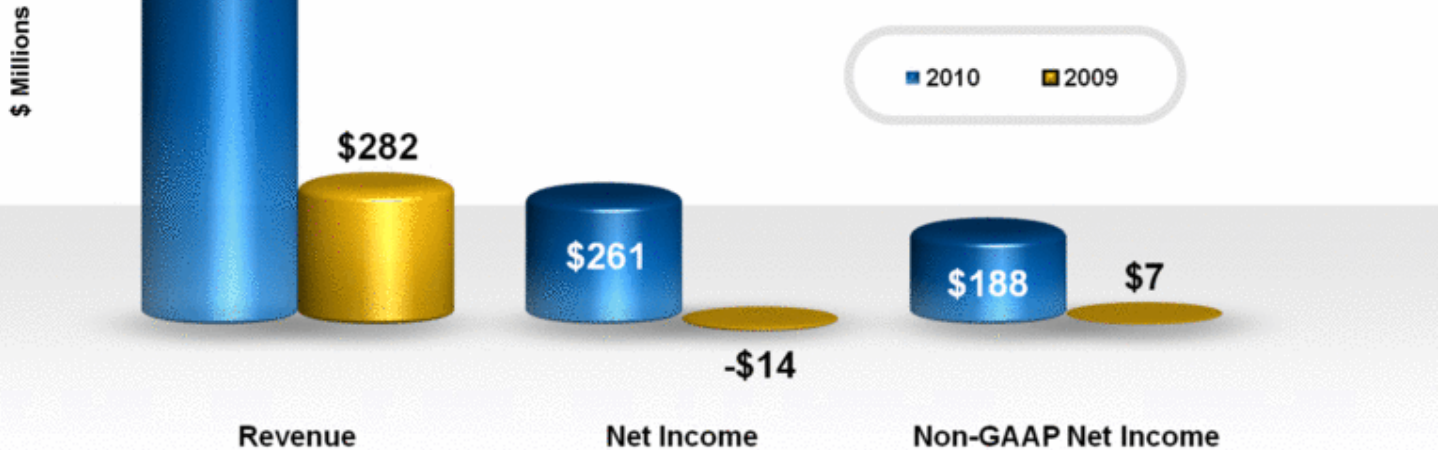
Q4 2010 Segment Performance

(\$ millions)

	Bookings			Revenue			Adjusted EBITA (Loss)	
	Q4'10	Q3'10	Change	Q4'10	Q3'10	Change	Q4'10	Q3'10
LED & Solar	\$252.9	\$243.2	4%	\$258.1	\$242.6	6%	\$98.5	\$91.8
Data Storage	42.0	35.0	20%	41.9	34.5	21%	12.7	9.4
Unallocated Corporate							(6.5)	(5.7)
Total Veeco	\$294.9	\$278.2	6%	\$300.0	\$277.1	8%	\$104.7	\$95.5

2010 Full Year Highlights

- Best year in Veeco's history
- Revenue increased 230% from prior year
- Gross margins improved to 47.6% from 39.4%
- GAAP EPS was \$6.13 compared to \$(0.44) in 2009 and Non-GAAP EPS grew to \$4.42 from \$0.21



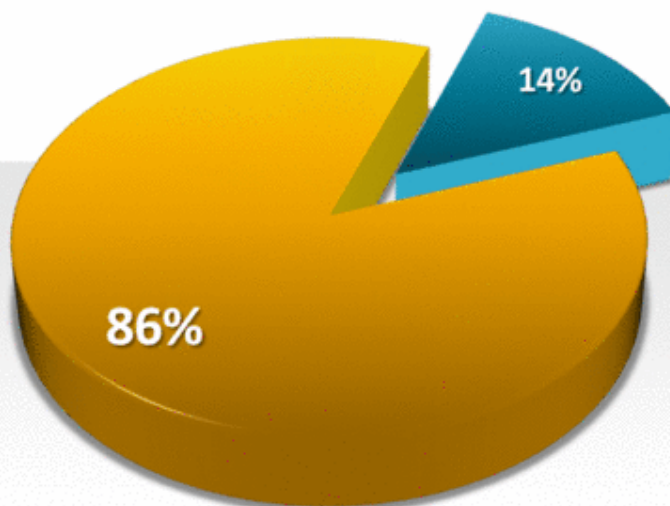
See reconciliation to GAAP at end of presentation

2010 Revenue Performance by Segment

Total: \$933M

**LED & Solar
increased
289% to \$798M**

Veeco gains dramatic market share in MOCVD to 46% by Q3 and ships tools to over 40 LED customers worldwide



**Data Storage
increased 75%
to \$135M**

Veeco remains the top equipment supplier to TFMH manufacturers

Highly profitable business with variable cost manufacturing

Veeco Balance Sheet Performance

(\$ millions)

	12/31/2010	9/30/2010
Cash & Short-term Investments*	\$715.4	\$466.8
Accounts Receivable	150.5	129.6
Inventory	108.5	80.5
Fixed Assets, Net	42.3	45.5
Total Assets	1,148.0	943.7
Long-term Debt (including current portion)	104.0	103.3
Equity	762.5	538.3

- Cash and short-term investments grew \$248.6M
 - Includes net proceeds of \$225M from Metrology sale
- Accounts receivable increased \$21M, representing 45 days sales outstanding (DSOs)
- Inventory grew by \$28M to \$109M, resulting in turns of 5.4
- Stock buy-back of ~\$6.5M (189,218 shares)

* Includes restricted cash of \$76.1M at 12/31/10 and \$31.6M at 9/30/10.



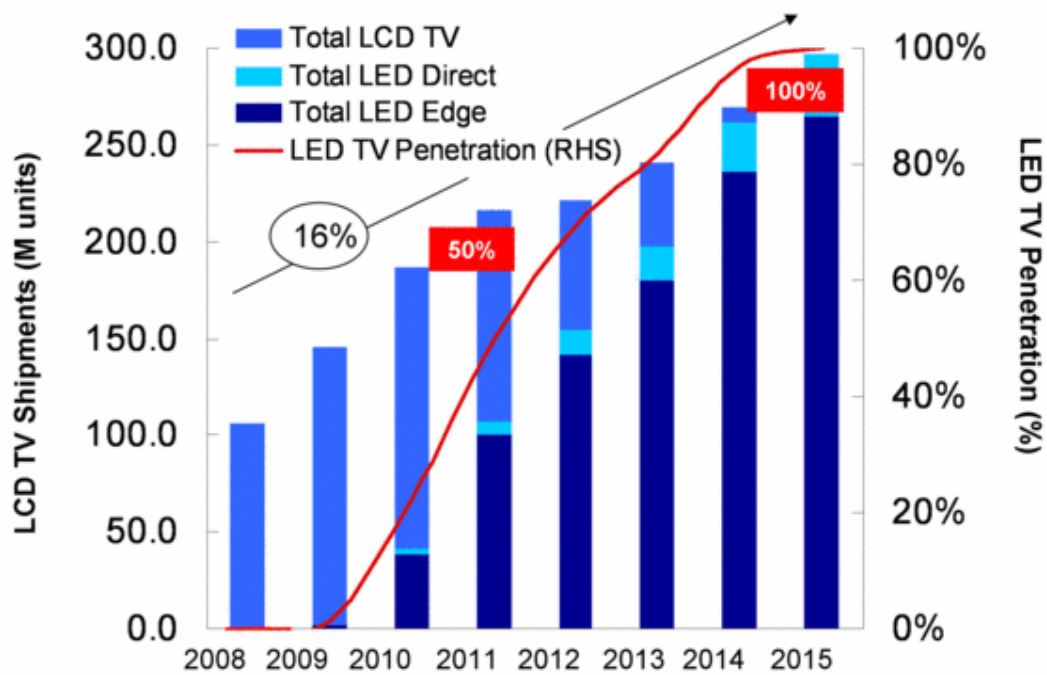
2011 Growth Outlook

John R. Peeler, CEO



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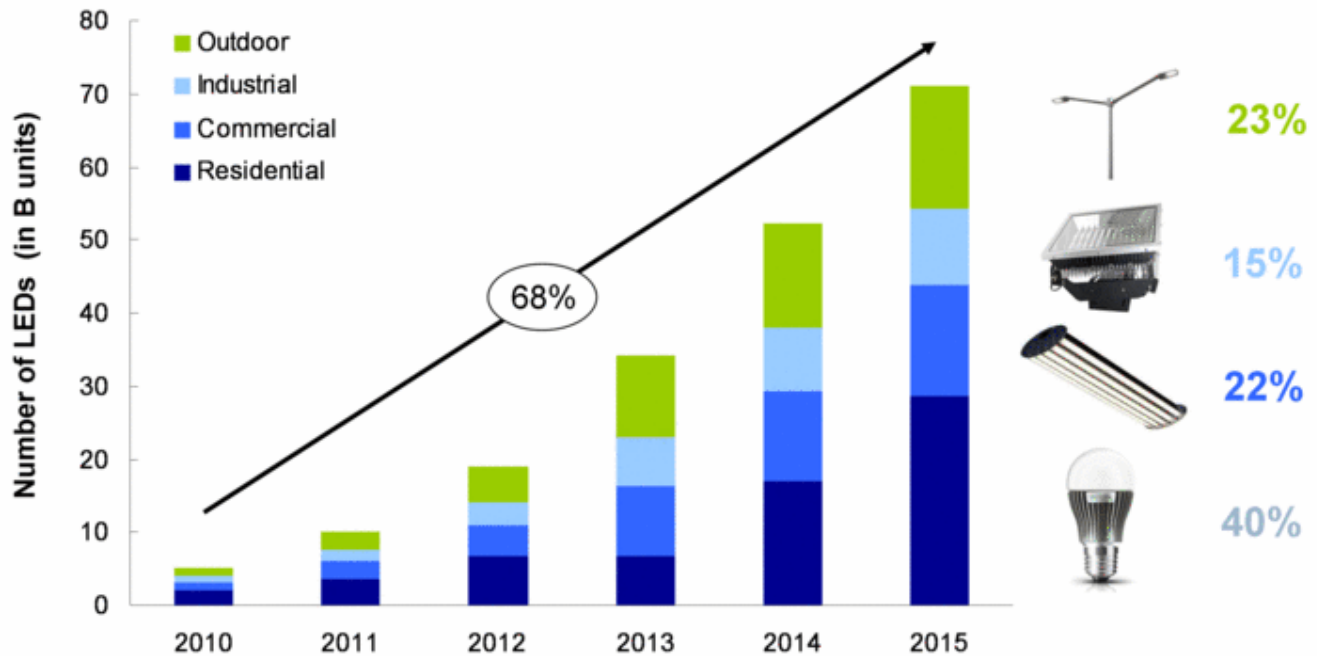
LED TV Opportunity: Penetration Continues



- LED TV penetration is expected to reach 50% in 2011 and increase to ~80% in 2013 or sooner
- LED TV leaders targeting 100% in 2011/2012
- More equipment required to meet this demand

DisplaySearch Q410 and Veeco estimates

LED Opportunity: Lighting Adoption Just Beginning



- LED lighting chip demand is projected to grow at a CAGR of 68% for the next 5 years
- Outdoor and Residential will lead all segments followed by Commercial and Industrial

Source: Veeco estimates

Introducing MaxBright: Industry's Most Productive MOCVD Platform

MaxBright

- MaxBright GaN MOCVD
- Compact cluster architecture
- High capacity configurations
 - 4-Reactor: 216 x 2", 56 x 4", 24 x 6", or 12 x 8"
 - 2-Reactor: 108 x 2", 28 x 4", 12 x 6", or 6 x 8"
- High throughput reactors based on K465i
 - Expanded wafer capacity
 - Advanced, closed-loop thermal control
 - 25% throughput improvement
- Single- or multi-chamber layer growth
- Seamless process transfer from K465i

Lowest Cost of Ownership

Highest throughput
Highest capacity
Highest footprint efficiency
Highest capital efficiency



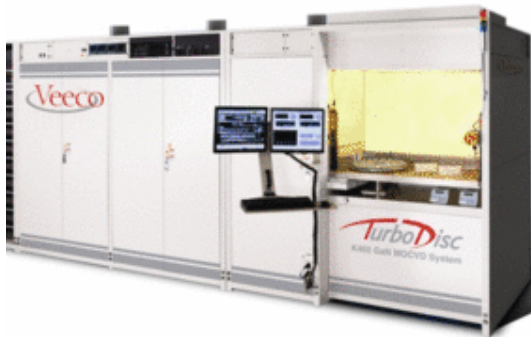
Veeco

MaxBright Raises the Bar with Industry's Lowest Cost of Ownership

2010

K465i Becomes Market Leading MOCVD System

- #1 selling MOCVD tool (IMS Research: 44% unit shipment share in Q3-10)
- K465i is yield and productivity leader



2011

MaxBright Extends Veeco's Leadership

- MaxBright delivers 500% productivity gain over K465i
- Highest capacity, throughput, footprint efficiency and capital efficiency



Veeco Accelerating LED Lighting with MOCVD Systems that Dramatically Reduce Costs

- MOCVD market opportunity is huge
 - We estimate >5,000 reactors required from 2011 through 2015; top Wall Street number is >7,000
- Veeco's accelerated product development: new talent, additional funding, parallel R&D programs
- MaxBright will help drive LED lighting:
 - Already accepted by a leading LED manufacturer
 - Shipping systems to top manufacturers in Korea, Taiwan and China



Q1 2011 Outlook

Revenue

Q1 2011 guidance range of \$215-265M

Q1 2011 guidance below Q4 2010 results because:

- Planning to ship 12-20 reactors in new MaxBright "cluster" format – no revenue expected for these systems in Q1
- Longer order-to-revenue cycle times associated with the high percentage of business currently coming from China - customer facility readiness

Orders

Anticipate strong first half 2011 bookings

- Chinese government subsidies continue to drive LED fab expansion across broad customer base
- Korea customer utilization rates are increasing... Order rates should improve Q2/Q3 timeframe with customers focused on BLU and lighting
- Taiwan, U.S., Europe and Japan: Veeco penetrating key accounts with K465i and now MaxBright
- Trends in Data Storage remain favorable

Q1 2011 Guidance

Revenue	\$215-265M
Gross Margins	51-52%
Operating Spending	\$48-51M (19-22%)
Adjusted EBITA	30-34%
GAAP EPS	\$0.94-\$1.31
Non-GAAP EPS	\$1.02 - \$1.39

Veeco will switch from utilizing a statutory rate of 35% to an effective tax rate of 33% for GAAP and Non-GAAP EPS calculations (NOLs and other tax-credit carry-forwards were fully utilized in 2010). Guidance also assumes 43M shares.

Full Year 2011 Outlook

2011 Forecast:

>\$1B in revenue

> \$5.00 in Non-GAAP EPS

Beginning backlog of \$555M

Visibility to strong 1H 2011 orders

- Expect 2011 to be a solid year for MOCVD tool demand (BLU and lighting)
 - Veeco opportunity to continue to gain share with most productive MOCVD systems
 - Next-gen product already in development for 2012 launch
- CIGS Solar business will begin to deliver revenue in 2011 as we ship tools to key customers
- Data Storage business outlook remains favorable with strong customer alignment for technology and capacity buys

Q&A Session



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Financial Tables



Innovation. Performance. Brilliant.

Veeco Instruments Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	
Net sales	\$ 299,998	\$ 119,142	\$ 933,231	\$ 282,412
Cost of sales	147,196	65,611	489,406	171,177
Gross profit	152,802	53,531	443,825	111,235
Operating expenses (income):				
Selling, general and administrative	28,925	20,226	91,777	62,151
Research and development	23,529	14,156	71,390	43,483
Amortization	1,165	1,393	4,876	5,168
Restructuring	-	67	(179)	4,837
Asset impairment	-	-	-	304
Other, net	(1,689)	(344)	(1,614)	24
Total operating expenses	51,930	35,498	166,250	115,967
Operating income (loss)	100,872	18,033	277,575	(4,732)
Interest expense, net	1,391	1,787	6,572	6,850
Income (loss) from continuing operations before income taxes	99,481	16,246	271,003	(11,582)
Income tax provision	2,809	268	10,472	2,647
Income (loss) from continuing operations	96,672	15,978	260,531	(14,229)
Discontinued operations:				
Income (loss) from discontinued operations before income taxes (includes gain on disposal of \$156,290 in 2010)	151,909	2,504	155,455	(2,703)
Income tax provision (benefit)	51,421	(263)	54,226	(1,300)
Income (loss) from discontinued operations	100,488	2,767	101,229	(1,403)
Net income (loss)	197,160	18,745	361,760	(15,632)
Net loss attributable to noncontrolling interest	-	-	-	(65)
Net income (loss) attributable to Veeco	\$ 197,160	\$ 18,745	\$ 361,760	\$ (15,567)
Income (loss) per common share attributable to Veeco:				
Basic:				
Continuing operations	\$ 2.45	\$ 0.45	\$ 6.60	\$ (0.44)
Discontinued operations	2.55	0.08	2.56	(0.04)
Income (loss)	\$ 5.00	\$ 0.53	\$ 9.16	\$ (0.48)
Diluted :				
Continuing operations	\$ 2.30	\$ 0.42	\$ 6.13	\$ (0.44)
Discontinued operations	2.40	0.08	2.38	(0.04)
Income (loss)	\$ 4.70	\$ 0.50	\$ 8.51	\$ (0.48)
Weighted average shares outstanding:				
Basic	39,453	35,623	39,499	32,628
Diluted	41,972	37,742	42,514	32,628

Veeco Instruments Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)

	December 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 245,132	\$ 148,500
Short-term investments	394,180	135,000
Restricted cash	76,115	-
Accounts receivable, net	150,528	67,546
Inventories, net	108,487	55,807
Prepaid expenses and other current assets	34,328	6,419
Assets of discontinued segment held for sale	-	40,058
Deferred income taxes, current	13,803	3,105
Total current assets	1,022,573	456,435
Property, plant and equipment, net	42,320	44,707
Goodwill	52,003	52,003
Deferred income taxes	9,403	-
Other assets, net	21,735	22,199
Assets of discontinued segment held for sale	-	30,028
Total assets	<u>\$ 1,148,034</u>	<u>\$ 605,372</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 32,220	\$ 24,910
Accrued expenses and other current liabilities	183,010	99,823
Deferred profit	4,109	2,520
Income taxes payable	56,369	829
Liabilities of discontinued segment held for sale	5,359	10,824
Current portion of long-term debt	229	212
Total current liabilities	281,296	139,118
Deferred income taxes	-	5,039
Long-term debt	103,792	100,964
Other liabilities	434	1,192
Total non-current liabilities	104,226	107,195
Equity	762,512	359,059
Total liabilities and equity	<u>\$ 1,148,034</u>	<u>\$ 605,372</u>

Veeco Instruments Inc. and Subsidiaries
Reconciliation of operating income (loss) to non-GAAP net income from continuing operations
(In thousands, except per share data)
(Unaudited)

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
Operating income (loss)	\$ 100,872	\$ 18,033	\$ 277,575	\$ (4,732)
Adjustments:				
Amortization	1,165	1,393	4,676	5,168
Equity-based compensation	2,645	2,441	9,648	7,547
Restructuring	-	67 (2)	(179) (1)	4,837 (2)
Asset impairment	-	-	-	304 (3)
Inventory write-off	-	-	-	1,526 (4)
Earnings from continuing operations before interest, income taxes and amortization excluding certain items ("Adjusted EBITA")	104,682	21,934	291,920	14,650
Interest expense, net	1,391	1,787	6,572	6,850
Adjustment to add back non-cash portion of interest expense	(1,123) (5)	(732) (5)	(3,474) (5)	(2,862) (5)
Earnings excluding certain items from continuing operations before income taxes	104,414	20,879	288,822	10,662
Income tax provision at 35%	36,545	7,308	101,088	3,732
Earnings from continuing operations excluding certain items	67,869	13,571	187,734	6,930
Loss attributable to noncontrolling interest, net of income tax benefit at 35%	-	-	-	(42)
Earnings from continuing operations excluding certain items attributable to Veeco ("Non-GAAP Net Income")	<u>\$ 67,869</u>	<u>\$ 13,571</u>	<u>\$ 187,734</u>	<u>\$ 6,972</u>
Earnings from continuing operations per diluted share excluding certain items attributable to Veeco ("Non-GAAP EPS")	<u>\$ 1.62</u>	<u>\$ 0.36</u>	<u>\$ 4.42</u>	<u>\$ 0.21</u>
Diluted weighted average shares outstanding	41,972	37,742	42,514	33,389

(1) During the first quarter of 2010, we recorded a restructuring credit of \$0.2 million associated with a change in estimate.

(2) During the year ended December 31, 2009, we recorded a restructuring charge of \$4.6 million (\$3.5 million for personnel severance costs and \$1.3 million related to lease and other charges associated with vacating two facilities in our Data Storage segment) of which \$0.1 million was incurred during the fourth quarter (consisting primarily of personnel severance costs and related charges).

(3) During the second quarter of 2009, we recorded a \$0.3 million asset impairment charge in our Data Storage segment for assets no longer being utilized.

(4) During the first quarter of 2009, we recorded a \$1.5 million inventory write-off in our Data Storage segment associated with the discontinuance of certain products. This was included in cost of sales in the GAAP income statement.

(5) Adjustment to exclude non-cash interest expense on convertible subordinated notes, and accretion of debt discounts and amortization of debt premiums related to the Company's short-term investments.

NOTE - The above reconciliation is intended to present Veeco's operating results, excluding certain items and providing income taxes at a 35% statutory rate. This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States, and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITA reports baseline performance and thus provides useful information.

Veeco Instruments Inc. and Subsidiaries
Reconciliation of operating income to non-GAAP net income from continuing operations
(In thousands, except per share data)
(Unaudited)


	Guidance for the three months ending March 31, 2011	
	LOW	HIGH
Operating income	\$ 61,121	\$ 84,793
Adjustments:		
Amortization	1,136	1,136
Equity-based compensation	<u>3,127</u>	<u>3,127</u>
Earnings from continuing operations before interest, income taxes depreciation and amortization excluding certain items ("Adjusted EBITA")	65,384	89,056
Interest expense, net	712	712
Adjustment to add back non-cash portion of interest expense	<u>(798) (1)</u>	<u>(798) (1)</u>
Earnings from continuing operations excluding certain items before income taxes	65,470	89,142
Income tax provision at 33%	<u>21,605</u>	<u>29,417</u>
Earnings from continuing operations excluding certain items ("Non-GAAP Net Income")	<u>\$ 43,865</u>	<u>\$ 59,725</u>
Earnings from continuing operations per diluted share excluding certain items ("Non- GAAP EPS")	<u>\$ 1.02</u>	<u>\$ 1.39</u>
Diluted weighted average shares outstanding	43,000	43,000

(1) Adjustment to exclude non-cash interest expense on convertible subordinated notes, and accretion of debt discounts and amortization of debt premiums related to the Company's short-term investments.

NOTE - The above reconciliation is intended to present Veeco's operating results, excluding certain items and providing income taxes at a 33% effective rate. By the end of 2010, the Company had fully utilized all prior NOL and tax credit carryforwards. As a result, beginning in 2011, the Company will use an effective tax rate in its calculation of non-GAAP net income and earnings per share. This reconciliation is not in accordance with, or an alternative method for, generally accepted accounting principles in the United States, and may be different from similar measures presented by other companies. Management of the Company evaluates performance of its business units based on adjusted EBITA, which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management of the Company believes adjusted EBITA reports baseline performance and thus provides useful information.

Veeco Instruments Inc. and Subsidiaries
Segment Bookings, Revenues, and Reconciliation
of Operating Income (Loss) to Adjusted EBITA (Loss)
(In thousands)
(Unaudited)

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
LED & Solar				
Bookings	\$ 252,912	\$ 176,692	\$ 968,232	\$ 440,784
Revenues	\$ 258,138	\$ 98,102	\$ 797,904	\$ 205,153
Operating income	\$ 96,866	\$ 24,273	\$ 270,296	\$ 22,135
Amortization	733	796	3,121	3,137
Equity-based compensation	923	739	2,643	1,358
Restructuring	-	67	-	1,196
Adjusted EBITA	\$ 98,522	\$ 25,875	\$ 276,060	\$ 27,826
Data Storage				
Bookings	\$ 42,037	\$ 53,118	\$ 153,406	\$ 97,497
Revenues	\$ 41,860	\$ 21,040	\$ 135,327	\$ 77,259
Operating income (loss)	\$ 11,943	\$ 49	\$ 32,051	\$ (10,033)
Amortization	373	386	1,522	1,599
Equity-based compensation	359	128	1,140	1,020
Restructuring	-	(49)	(179)	3,006
Inventory write-off	-	-	-	1,526
Asset impairment	-	-	-	304
Adjusted EBITA (loss)	\$ 12,675	\$ 514	\$ 34,534	\$ (2,578)
Unallocated Corporate				
Operating loss	\$ (7,937)	\$ (6,289)	\$ (24,772)	\$ (16,834)
Amortization	59	211	233	432
Equity-based compensation	1,363	1,574	5,865	5,169
Restructuring	-	49	-	635
Adjusted loss	\$ (6,515)	\$ (4,455)	\$ (18,674)	\$ (10,598)
Total				
Bookings	\$ 294,949	\$ 229,810	\$ 1,121,638	\$ 538,281
Revenues	\$ 299,998	\$ 119,142	\$ 933,231	\$ 282,412
Operating income (loss)	\$ 100,872	\$ 18,033	\$ 277,575	\$ (4,732)
Amortization	1,165	1,393	4,876	5,168
Equity-based compensation	2,645	2,441	9,648	7,547
Restructuring	-	67	(179)	4,837
Inventory write-off	-	-	-	1,526
Asset impairment	-	-	-	304
Adjusted EBITA	\$ 104,682	\$ 21,934	\$ 291,920	\$ 14,650



Q4 2010 Highlights

Earnings Conference Call 2/7/11



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