

ENTEGRIS INC
Form 10-Q
October 29, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2015

OR

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

For the transition period from _____ to _____

Commission file number: 001-32598

Entegris, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization) 41-1941551
(I.R.S. Employer Identification No.)

129 Concord Road, Billerica, Massachusetts
(Address of principal executive offices) 01821
(Zip Code)

(978) 436-6500
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Edgar Filing: ENTEGRIS INC - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 27, 2015
Common Stock, \$0.01 par value per share	140,561,354 shares

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
 FORM 10-Q
 TABLE OF CONTENTS
 FOR THE QUARTER ENDED SEPTEMBER 26, 2015

Description	Page
<u>PART I Financial Information</u>	
<u>Item 1. Unaudited Condensed Consolidated Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of September 26, 2015 and December 31, 2014</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 26, 2015 and September 27, 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive (Loss) Income for the Three and Nine Months Ended September 26, 2015 and September 27, 2014</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 26, 2015 and September 27, 2014</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>27</u>
<u>Item 4. Controls and Procedures</u>	<u>27</u>
<u>PART II Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>28</u>
<u>Item 1A. Risk Factors</u>	<u>28</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
<u>Item 6. Exhibits</u>	<u>28</u>
<u>Signatures</u>	<u>29</u>
<u>Exhibit Index</u>	<u>30</u>

Cautionary Statements

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve substantial risks and uncertainties and reflect the Company’s current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “should,” “may,” “will” and “would” and similar expressions are intended to identify these “forward-looking statements.” You should read statements that contain these words carefully because they discuss future expectations, contain projections of future results of operations or of financial position or state other “forward-looking” information. All forecasts and projections in this report are “forward-looking statements,” and are based on management’s current expectations of the Company’s near-term results, based on current information available pertaining to the Company. The risks which could cause actual results to differ from those contained in such “forward looking statements” include, without limit, the risks described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 under the headings “Risks Relating to our Business and Industry”, “Additional Risks Related to Our Business”, “Risks Related to Our Indebtedness”, “Manufacturing Risks”, “International Risks”, and “Risks Related to Owning Our Securities” as well as in the Company’s quarterly reports on Form 10-Q and current reports on Form 8-K as filed with the Securities and Exchange Commission.

Any forward-looking statements in this Quarterly Report on Form 10-Q are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements, possibly materially. We disclaim any duty to update any forward-looking statements.

Table of Contents

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

ENTEGRIS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share data)	September 26, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$301,061	\$389,699
Short-term investments	2,178	4,601
Trade accounts and notes receivable, net of allowance for doubtful accounts of \$1,414 and \$1,827	184,297	153,961
Inventories	188,439	163,125
Deferred tax assets, deferred tax charges and refundable income taxes	27,877	30,556
Other current assets	20,392	23,713
Total current assets	724,244	765,655
Property, plant and equipment, net of accumulated depreciation of \$331,265 and \$315,949	315,695	313,569
Other assets:		
Goodwill	341,305	340,743
Intangible assets, net of accumulated amortization of \$182,443 and \$146,535	269,895	308,554
Deferred tax assets and other noncurrent tax assets	5,183	5,068
Other	22,126	28,502
Total assets	\$1,678,448	\$1,762,091
LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt, current maturities	\$50,000	\$100,000
Accounts payable	53,823	57,417
Accrued payroll and related benefits	42,571	51,164
Interest payable	13,475	5,561
Other accrued liabilities	40,246	34,826
Deferred tax liabilities and income taxes payable	8,950	13,552
Total current liabilities	209,065	262,520
Long-term debt, excluding current maturities	617,130	666,796
Pension benefit obligations and other liabilities	22,414	25,373
Deferred tax liabilities and other noncurrent tax liabilities	59,704	58,961
Commitments and contingent liabilities	—	—
Equity:		
Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued and outstanding as of September 26, 2015 and December 31, 2014	—	—
Common stock, par value \$.01; 400,000,000 shares authorized; issued and outstanding shares as of September 26, 2015 and December 31, 2014: 140,561,354 and 139,792,583	1,406	1,398
Additional paid-in capital	839,357	830,430
Retained deficit	(17,990)	(80,712)
Accumulated other comprehensive loss	(52,638)	(2,675)
Total equity	770,135	748,441

Edgar Filing: ENTEGRIS INC - Form 10-Q

Total liabilities and equity	\$1,678,448	\$1,762,091
------------------------------	-------------	-------------

See the accompanying notes to condensed consolidated financial statements.

3

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

(In thousands, except per share data)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales	\$270,253	\$ 273,054	\$814,335	\$ 690,436
Cost of sales	153,943	174,311	453,402	431,673
Gross profit	116,310	98,743	360,933	258,763
Selling, general and administrative expenses	46,730	55,820	147,890	172,954
Engineering, research and development expenses	26,841	24,427	79,183	61,698
Amortization of intangible assets	11,673	13,128	35,908	24,854
Contingent consideration fair value adjustment	—	—	—	(1,282)
Operating income	31,066	5,368	97,952	539
Interest expense	9,291	10,443	28,884	23,009
Interest income	(90)	(347)	(340)	(762)
Other (income) expense, net	(5,624)	110	(8,466)	1,639
Income (loss) before income tax expense (benefit) and equity in net loss of affiliates	27,489	(4,838)	77,874	(23,347)
Income tax expense (benefit)	4,018	(3,810)	14,933	(22,012)
Equity in net loss of affiliates	68	40	218	90
Net income (loss)	\$23,403	\$ (1,068)	\$62,723	\$ (1,425)
Basic net income (loss) per common share	\$0.17	\$ (0.01)	\$0.45	\$ (0.01)
Diluted net income (loss) per common share	\$0.17	\$ (0.01)	\$0.44	\$ (0.01)
Weighted shares outstanding:				
Basic	140,555	139,480	140,282	139,215
Diluted	141,317	139,480	141,016	139,215

See the accompanying notes to condensed consolidated financial statements.

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
 (Unaudited)

(In thousands)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income (loss)	\$23,403	\$ (1,068)	\$62,723	\$ (1,425)
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	(35,343)	(8,749)	(50,297)	(2,919)
Available-for-sale securities, unrealized (loss) gain	(430)	(393)	254	(1,037)
Pension liability adjustments	63	26	80	45
Other comprehensive loss	(35,710)	(9,116)	(49,963)	(3,911)
Comprehensive (loss) income	\$(12,307)	\$(10,184)	\$12,760	\$(5,336)

See the accompanying notes to condensed consolidated financial statements.

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

(In thousands)	Nine months ended	
	September 26, 2015	September 27, 2014
Operating activities:		
Net income (loss)	\$62,723	\$(1,425)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	40,080	33,005
Amortization	35,908	24,854
Share-based compensation expense	8,120	6,513
Charge for fair value write-up of acquired inventory sold	—	48,586
Provision for deferred income taxes	2,594	(28,782)
Other	7,569	7,036
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(38,020)	(21,299)
Inventories	(39,550)	(8,078)
Accounts payable and accrued liabilities	12,576	27,929
Other current assets	4,845	45
Income taxes payable and refundable income taxes	(3,647)	(3,153)
Other	(24,498)	5,989
Net cash provided by operating activities	68,700	91,220
Investing activities:		
Acquisition of business, net of cash acquired	—	(809,390)
Acquisition of property, plant and equipment	(55,696)	(44,013)
Proceeds from sale and maturities of short-term investments	2,111	8,888
Payments for non-compete agreements	—	(7,517)
Other	347	560
Net cash used in investing activities	(53,238)	(851,472)
Financing activities:		
Proceeds from long-term debt	—	855,200
Payments of long-term debt	(100,000)	(62,500)
Issuance of common stock	2,608	1,705
Taxes paid related to net share settlement of equity awards	(2,458)	(2,290)
Payments for debt issue costs	—	(20,747)
Other	665	763
Net cash (used in) provided by financing activities	(99,185)	772,131
Effect of exchange rate changes on cash and cash equivalents	(4,915)	(5,812)
(Decrease) increase in cash and cash equivalents	(88,638)	6,067
Cash and cash equivalents at beginning of period	389,699	384,426
Cash and cash equivalents at end of period	\$301,061	\$390,493

See the accompanying notes to condensed consolidated financial statements.

Table of Contents

ENTEGRIS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations Entegris, Inc. (Entegris or the Company) is a leading provider of yield-enhancing materials and solutions for advanced manufacturing processes in the semiconductor and other high-technology industries.

Principles of Consolidation The condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany profits, transactions and balances have been eliminated in consolidation.

Use of Estimates The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, particularly receivables, inventories, property, plant and equipment, goodwill, intangibles, accrued expenses, and income taxes and related accounts, and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and contain all adjustments considered necessary, and are of a normal recurring nature, to present fairly the financial position as of September 26, 2015 and December 31, 2014, the results of operations and comprehensive income (loss) for the three and nine months ended September 26, 2015 and September 27, 2014, and the equity and cash flows for the nine months ended September 26, 2015 and September 27, 2014.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2014. The results of operations for the three and nine months ended September 26, 2015 are not necessarily indicative of the results to be expected for the full year.

Fair Value of Financial Instruments The carrying value of cash equivalents, accounts receivable, accounts payable, accrued payroll and related benefits, and other accrued liabilities approximates fair value due to the short maturity of those items. The fair value of long-term debt, including current maturities, based upon models utilizing market observable (Level 2) inputs and credit risk, was \$670.9 million at September 26, 2015 compared to the carrying amount of long-term debt, including current maturities, of \$667.1 million.

Recent Accounting Pronouncements In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)(ASU 2014-09). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. ASU 2014-09 is effective beginning January 1, 2018. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and disclosures.

On April 7, 2015, the FASB issued Accounting Standards Update No. 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU No. 2015-03) which requires an entity to present debt issuance costs as a direct deduction from the carrying amount of the related debt liability on the balance sheet. The update requires retrospective application and represents a change in accounting principle. The update becomes effective January 1, 2016. Based on the balances as of September 26, 2015, the adoption of ASU No. 2015-03 will require the Company to reclassify \$13.1 million of unamortized debt issuance costs from other current assets and other noncurrent assets to long-term debt.

2. ACQUISITIONS

ATMI

On April 30, 2014, the Company acquired ATMI, Inc. (the Merger), a Delaware corporation (ATMI), for approximately \$1.1 billion in cash pursuant to an Agreement and Plan of Merger (the Merger Agreement), dated as of February 4, 2014. As a result

7

Table of Contents

of the Merger, ATMI became a wholly-owned subsidiary of the Company. The Merger was accounted for under the acquisition method of accounting and the results of operations of ATMI are included in the Company's condensed consolidated financial statements as of and since April 30, 2014.

ATMI is a leading supplier of high-performance materials, materials packaging and materials delivery systems used worldwide in the manufacture of microelectronic devices. The acquisition was executed to expand the Company's product offering base and technological base, and enhance the leverage of its selling and administrative functions.

The purchase price of ATMI consisted of the following:

(In thousands):

Cash paid to ATMI shareholders	\$ 1,099,033
Cash paid in settlement of share-based compensation awards	31,451
Total purchase price	1,130,484
Less cash and cash equivalents acquired	321,094
Total purchase price, net of cash acquired	\$ 809,390

The following table summarizes the allocation of the purchase price to the fair values assigned to the assets acquired and liabilities assumed at the date of the ATMI acquisition:

(In thousands):

Accounts receivable and other current assets	\$ 109,965
Inventory	114,200
Property, plant and equipment	124,025
Identifiable intangible assets	297,040
Other noncurrent assets	8,954
Current liabilities	(60,943)
Deferred tax liabilities and other noncurrent liabilities	(120,946)
Net assets acquired	472,295
Goodwill	337,095
Total purchase price, net of cash acquired	\$ 809,390

The fair value of acquired property, plant and equipment of \$124.0 million is valued at its value-in-use, unless there was a known plan to dispose of an asset.

The fair value of acquired identifiable intangible assets was determined using the "income approach" on an individual project basis. In performing these valuations, the key underlying probability-adjusted assumptions of the discounted cash flows were projected revenues, gross margin expectations and operating cost estimates. The valuations were based on the information that was available as of the acquisition date and the expectations and assumptions that have been deemed reasonable by the Company's management. There are inherent uncertainties and management judgment required in these determinations. The fair value measurements of the assets acquired and liabilities assumed were based on valuations involving significant unobservable inputs, or Level 3 in the fair value hierarchy.

The purchase price of ATMI exceeded the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed by \$337.1 million. Cash flows used to determine the purchase price included strategic and synergistic benefits (investment value) specific to the Company, which resulted in a purchase price in excess of the fair value of identifiable net assets. The purchase price also included the fair values of other assets that were not identifiable, not separately recognizable under accounting rules (e.g., assembled workforce) or of immaterial value in addition to a going-concern element that represents the Company's ability to earn a higher rate of return on the group of assets than would be expected on the separate assets as determined during the valuation process. This additional investment value resulted in goodwill. No amount of goodwill is expected to be deductible for income tax purposes.

The final valuation of assets acquired and liabilities assumed was completed in the second quarter of 2015.

3. INVENTORIES

Inventories consist of the following:

8

Table of Contents

(In thousands)	September 26, 2015	December 31, 2014
Raw materials	\$54,285	\$41,015
Work-in process	14,588	14,190
Finished goods ^(a)	119,566	107,920
Total inventories	\$188,439	\$163,125

^(a) Includes consignment inventories held by customers of \$15.3 million and \$11.0 million at September 26, 2015 and December 31, 2014, respectively.

4. GOODWILL

Goodwill activity for each period was as follows:

(In thousands)	CMH	EM	Total
December 31, 2013	\$12,274	\$—	\$12,274
Additions due to acquisitions	31,440	292,586	324,026
Other, including foreign currency translation	(23) (25) (48
September 27, 2014	\$43,691	\$292,561	\$336,252
(In thousands)	CMH	EM	Total
December 31, 2014	\$47,483	\$293,260	\$340,743
Purchase accounting adjustments	—	4,972	4,972
Other, including foreign currency translation	(81) (4,329) (4,410
September 26, 2015	\$47,402	\$293,903	\$341,305

As of September 26, 2015, goodwill amounted to approximately \$341.3 million, an increase of \$0.6 million from the balance at December 31, 2014. The increase in goodwill relates to purchase accounting adjustments related to the acquisition of ATMI completed in April 2014. The final valuation of assets acquired and liabilities was completed in the second quarter of 2015. The increase was partially offset by the foreign currency translation adjustments.

5. DEBT

Long-term debt at September 26, 2015 and December 31, 2014 consists of the following:

(In thousands)	September 26, 2015	December 31, 2014
Senior secured term loan facility due 2021	\$307,130	\$406,796
Senior unsecured notes due 2022	360,000	360,000
Senior secured asset-based revolving credit facility	—	—
Total long-term debt, including current maturities	\$667,130	\$766,796

Senior Secured Term Loan Facility and Security Agreement

On April 30, 2014, the Company entered into a term loan credit and guaranty agreement with Goldman Sachs Bank USA, as administrative agent, collateral agent, sole lead arranger, sole bookrunner and sole syndication agent (the Term Loan Facility), that provided senior secured financing of \$460 million. Borrowings under the Term Loan Facility bear interest at a rate per annum equal to, at the Company's option, a base rate, such as prime rate or LIBOR, plus an applicable margin. The Company's interest rate is 3.5% at September 26, 2015. In addition to paying interest on outstanding principal under the Term Loan Facility, the Company is required to pay customary agency fees.

Table of Contents

During the nine months ended September 26, 2015, the Company made discretionary prepayments totaling \$100 million on the Term Loan Facility.

The Company may voluntarily prepay outstanding loans under the Term Loan Facility at any time without premium or penalty other than customary “breakage” costs with respect to LIBOR loans.

The Company is in compliance with all of the covenants associated with the Term Loan Facility at September 26, 2015.

2022 Senior Unsecured Notes

On April 1, 2014, the Company issued \$360 million aggregate principal amount of 6% senior unsecured notes due April 1, 2022 (the 2022 Senior Unsecured Notes). The 2022 Senior Unsecured Notes were issued under an indenture dated as of April 1, 2014 (the 2022 Senior Unsecured Notes Indenture) by and among the Company and Wells Fargo Bank, National Association, as trustee (the 2022 Senior Unsecured Notes Trustee). Interest on the 2022 Senior Unsecured Notes is payable semi-annually in arrears on April 1 and October 1, commencing October 1, 2014. As provided in the Senior Unsecured Notes Indenture, the Company may at its option on one or more occasions redeem all or a part of the 2022 Senior Unsecured Notes at a redemption price equal to (a) 100% of the principal amount of the 2022 Senior Unsecured Notes redeemed plus a make-whole premium if redeemed prior to April 1, 2017, or (b) a percentage of principal amount between a percentage from 100% and 104.5% of the aggregate principal amount of notes to be redeemed depending on the period of redemption, if redeemed on or after April 1, 2017, plus, in each case, accrued and unpaid interest thereto.

The Company is in compliance with all of the covenants associated with the 2022 Senior Unsecured Note at September 26, 2015.

Senior Secured Asset-Based Revolving Credit Facility and Security Agreement

On April 30, 2014, the Company entered into an asset-based credit agreement with Goldman Sachs Bank USA, as administrative agent, collateral agent, sole lead arranger, sole bookrunner and sole syndication agent (the ABL Facility), that provides senior secured financing of \$75 million (which may be increased by up to \$35 million in certain circumstances), subject to a borrowing base limitation. The borrowing base for the ABL Facility at any time equals the sum of certain percentages of various accounts and inventories.

There is no scheduled amortization under the Company’s ABL Facility. The principal amount outstanding under the ABL Facility is due and payable in full on April 30, 2019.

The Company is in compliance with of the covenants associated with the ABL Facility at September 26, 2015.

6. INCOME TAXES

Income tax expense (benefit) differs from the expected amounts based on the statutory federal tax rates for the three and nine months ended September 26, 2015 and September 27, 2014 as follows:

(In thousands)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Expected federal income tax expense (benefit) at statutory rate	\$9,621	\$ (1,693)	\$27,256	\$ (8,171)
Effect of foreign source income	(5,858)	(3,460)	(14,133)	(12,958)
Effect of foreign dividend	—	1,800	—	(2,936)
Valuation allowance	508	—	1,542	—
Nondeductible acquisition costs	—	(353)	—	1,503
Other items, net	(253)	(104)	268	550

Edgar Filing: ENTEGRIS INC - Form 10-Q

Income tax expense (benefit)	\$4,018	\$(3,810)	\$14,933	\$(22,012)
------------------------------	---------	----------	---	----------	-----------	---

The Company's year-to-date effective tax rate was 19.2% in 2015, compared to an effective tax rate of 94.3% in 2014. This variance reflects the nondeductibility of certain acquisition-related expenditures incurred in connection with the ATMI acquisition and the benefit of a foreign dividend in 2014. The effective tax rates in both years reflects a greater concentration in the Company's geographic composition of income toward jurisdictions with lower tax rates.

7. EARNINGS (LOSS) PER COMMON SHARE

10

The following table presents a reconciliation of the denominators used in the computation of basic and diluted earnings (loss) per common share (EPS):

(In thousands)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Basic—weighted common shares outstanding	140,555	139,480	140,282	139,215
Weighted common shares assumed upon exercise of stock options and vesting of restricted common stock	762	—	734	—
Diluted—weighted common shares and common shares equivalent outstanding	141,317	139,480	141,016	139,215

The Company excluded the following shares underlying stock-based awards from the calculations of diluted EPS because their inclusion would have been anti-dilutive for the three and nine months ended September 26, 2015 and September 27, 2014:

(In thousands)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Shares excluded from calculations of diluted EPS	1,002	1,389	980	1,896

8. FAIR VALUE

Financial Assets Measured at Fair Value on a Recurring Basis

The carrying value of accounts receivable and accounts payable approximates fair value due to the short maturity of those instruments.

The following table presents the Company's financial assets that are measured at fair value on a recurring basis at September 26, 2015 and December 31, 2014. Level 1 inputs are based on quoted prices in active markets accessible at the reporting date for identical assets and liabilities. Level 2 inputs are based on quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques for which all significant assumptions are observable in a market. Level 3 inputs are based on prices or valuations that require inputs that are significant to the valuation and are unobservable.

(In thousands)	September 26, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Short-term investments								
Common stock	\$2,178	\$—	\$—	\$2,178	\$4,601	\$—	\$—	\$4,601
Total assets measured and recorded at fair value	\$2,178	\$—	\$—	\$2,178	\$4,601	\$—	\$—	\$4,601
Liabilities:								
Other accrued liabilities								
Foreign currency contracts ^(a)	\$—	\$10,927	\$—	\$10,927	\$—	\$1,851	\$—	\$1,851
Total liabilities measured and recorded at fair value	\$—	\$10,927	\$—	\$10,927	\$—	\$1,851	\$—	\$1,851

(a) Based on observable market transactions of spot currency rates and forward currency rates on equivalently termed instruments.

A reconciliation of the net fair value of foreign currency contract assets and liabilities subject to master netting arrangements that are recorded in the September 26, 2015 and December 31, 2014 condensed consolidated balance sheets to the net fair value that could have been reported in the respective condensed consolidated balance sheets is as follows:

11

Table of Contents

(In thousands)	September 26, 2015			December 31, 2014		
	Gross amounts of recognized liabilities	Gross amounts offset in the condensed consolidated balance sheet	Net amount of liabilities in the condensed consolidated balance sheet	Gross amounts of recognized liabilities	Gross amounts offset in the condensed consolidated balance sheet	Net amount of liabilities in the condensed consolidated balance sheet
Foreign currency contracts	\$11,354	\$427	\$ 10,927	\$4,336	\$2,485	\$ 1,851

(Losses) gains associated with derivatives are recorded in other (income) expense, net, in the condensed consolidated statements of operations. (Losses) gains associated with derivative instruments not designated as hedging instruments were as follows:

(In thousands)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
(Losses) gains on foreign currency contracts	\$(10,927)	\$1,181	\$(13,249)	\$740

In the first quarter of 2015, the Company recorded an other-than-temporary impairment of \$0.5 million related to an available-for-sale common stock investment classified in short-term investments in its condensed consolidated balance sheet. The Company determined that it was an other-than-temporary impairment due to the significant decline in the fair value compared to the acquisition cost for an extended period of time and the financial condition of the issuer.

9. SEGMENT REPORTING

The Company reports its financial performance based on two reportable segments: Critical Materials Handling (CMH) and Electronic Materials (EM). The manager of CMH and EM is accountable for results at the segment profit level and reports directly to the Company's Chief Executive Officer, who is responsible for evaluating companywide performance and resource allocation decisions between the product groups. The Company's two reportable segments are business divisions that provide unique products and services.

CMH: provides a broad range of products that filter, handle, dispense, and protect critical materials used in the semiconductor manufacturing process and in other high-technology manufacturing. CMH's products and subsystems include high-purity materials packaging, fluid handling and dispensing systems and liquid filters as well as microenvironment products that protect critical substrates such as wafers during shipping and manufacturing. CMH also provides specialized graphite components and specialty coatings for high-temperature applications.

EM: provides high-performance materials, materials packaging and materials delivery systems that enable high yield, cost effective semiconductor manufacturing. EM's products consist of specialized chemistries and performance materials, gas microcontamination control systems and components, and sub-atmospheric pressure gas delivery systems for the safe and efficient handling of hazardous gases to semiconductor process equipment.

Inter-segment sales are not significant. Segment profit is defined as net sales less direct segment operating expenses, excluding certain unallocated expenses, consisting mainly of general and administrative costs for the Company's human resources, finance and information technology functions as well as interest expense, amortization of intangible assets, charges for the fair value write-up of acquired inventory sold and contingent consideration fair value adjustments.

Summarized financial information for the Company's reportable segments is shown in the following tables.

Edgar Filing: ENTEGRIS INC - Form 10-Q

(In thousands)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales				
CMH	\$ 166,043	\$ 165,368	\$ 507,764	\$ 487,757
EM	104,210	107,686	306,571	202,679
Total net sales	\$ 270,253	\$ 273,054	\$ 814,335	\$ 690,436

(In thousands)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Segment profit				
CMH	\$ 37,109	\$ 35,520	\$ 122,182	\$ 107,115
EM	23,919	33,316	72,700	59,728
Total segment profit	\$ 61,028	\$ 68,836	\$ 194,882	\$ 166,843

The following table reconciles total segment profit to income (loss) before income taxes and equity in net loss of affiliates:

(In thousands)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Total segment profit	\$ 61,028	\$ 68,836	\$ 194,882	\$ 166,843
Less:				
Charge for fair value write-up of acquired inventory sold	—	24,293	—	48,586
Amortization of intangible assets	11,673	13,128	35,908	24,854
Contingent consideration fair value adjustment	—	—	—	(1,282)
Unallocated general and administrative expenses	18,289	26,047	61,022	94,146
Operating income	31,066	5,368	97,952	539
Interest expense	9,291	10,443	28,884	23,009
Interest income	(90)	(347)	(340)	(762)
Other (income) expense, net	(5,624)	110	(8,466)	1,639
Income (loss) before income taxes and equity in net loss of affiliates	\$ 27,489	\$ (4,838)	\$ 77,874	\$ (23,347)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the Company's condensed consolidated financial condition and results of operations should be read along with the condensed consolidated financial statements and the accompanying notes to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q includes forward-looking statements that involve risks and uncertainties. You should review the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

This overview is not a complete discussion of the Company's financial condition, changes in financial condition and results of operations; it is intended merely to facilitate an understanding of the most salient aspects of its financial condition and operating performance and to provide a context for the detailed discussion and analysis that follows and must be read in its entirety in order to fully understand the Company's financial condition and results of operations.

Entegris is a worldwide developer, manufacturer and supplier of yield-enhancing materials and solutions for advanced manufacturing processes in the semiconductor and other high-technology industries. Our products and materials are used to manufacture semiconductors, micro-electromechanical systems or MEMS, flat panel displays, light emitting diodes or "LEDs", high-purity chemicals, such as photoresists, solar cells, gas lasers, optical and magnetic storage devices, and critical components for aerospace, glass manufacturing and biomedical applications. We sell our products worldwide through a direct sales force and through selected distributors.

We offer a diverse product portfolio that includes approximately 19,000 standard and customized products which include both unit driven and capital expense driven products. As a result of the acquisition of ATMI on April 30, 2014, unit-driven products now comprise approximately 80% of our combined sales, with the balance being capital driven products. Our unit-driven products are consumed or exhausted during the customer's manufacturing process and rely on the level of semiconductor and other manufacturing activity to drive growth. Our unit-driven product class includes membrane-based liquid filters, resin-based gas purifiers, wafer shippers, disk-shipping containers and test assembly and packaging products, implant gas storage and delivery systems, copper electroplating materials, advanced precursor materials for thin film deposition and photoresist strip and post chemical mechanical planarization (CMP) or CMP cleaning materials and consumable graphite and silicon carbide components. Capital expense driven products, which generally have a lifetime of 18 months or more, rely on the expansion of manufacturing capacity to drive growth and include our fluid management components, systems and subsystems that transfer, monitor, and control process liquids used in the semiconductor manufacturing processes, gas filtration and purification components, systems and subsystems that remove contaminants at equipment and factory level for manufacturing, our process carriers that protect the integrity of in-process wafers and graphite, silicon carbide and specialty coated components for manufacturing equipment.

The Company's fiscal year is the calendar period ending each December 31. The Company's fiscal quarters consist of 13-week or 14-week periods that end on Saturday. The Company's fiscal quarters in 2015 end March 28, 2015, June 27, 2015, September 26, 2015 and December 31, 2015. Unaudited information for the three and nine months ended September 26, 2015 and September 27, 2014 and the financial position as of September 26, 2015 and December 31, 2014 are included in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

The information in this Management's Discussion and Analysis of Financial Condition and Results of Operations, except for the historical information, contains forward-looking statements. These statements are subject to risks and uncertainties and to the cautionary statement set forth above. These forward-looking statements could differ materially

from actual results. The Company assumes no obligation to publicly release the results of any revision or updates to these forward-looking statements to reflect future events or unanticipated occurrences. This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the related notes thereto, which are included elsewhere in this report.

Key operating factors Key factors, which management believes have the largest impact on the overall results of operations of Entegris, Inc., include:

- Level of sales Since a significant portion of the Company's product costs (except for raw materials, purchased components and direct labor) are largely fixed in the short-to-medium term, an increase or decrease in sales affects

Table of Contents

gross profits and overall profitability significantly. Also, increases or decreases in sales and operating profitability affect certain costs such as incentive compensation and commissions, which are highly variable in nature. The Company's sales are subject to the effects of industry cyclicality, technological change, substantial competition, pricing pressures and foreign currency fluctuation.

Variable margin on sales The Company's variable margin on sales is determined by selling prices and the costs of manufacturing and raw materials. This is affected by a number of factors, which include the Company's sales mix, purchase prices of raw material (especially polymers, membranes, stainless steel and purchased components), competition, both domestic and international, direct labor costs, and the efficiency of the Company's production operations, among others.

Fixed cost structure. The Company's operations include a number of large fixed or semi-fixed cost components, which include salaries, indirect labor and benefits, facility costs, lease expense, and depreciation and amortization. It is not possible to vary these costs easily in the short-term as volumes fluctuate. Accordingly, increases or decreases in sales volume can have a large effect on the usage and productivity of these cost components, resulting in a large impact on the Company's profitability.

Overall Summary of Financial Results for the Three and Nine Months Ended September 26, 2015

For the three months ended September 26, 2015, net sales decreased by \$2.8 million, or 1%, to \$270.3 million, compared to \$273.1 million for the three months ended September 27, 2014. The Company's sales decrease was mainly due to unfavorable foreign currency translation effects of \$12.6 million. Exclusive of that factor, the Company's sales increased 4%, reflecting slightly improved demand from the Company's semiconductor industry customers compared to the year-ago period, and an increase in sales of specialty materials products.

Despite the net sales decrease, the Company's gross profit grew by \$17.6 million for the three months ended September 26, 2015, to \$116.3 million, up from \$98.7 million for the three months ended September 27, 2014. The Company experienced a 43.0% gross margin rate for the three months ended September 26, 2015 compared to 36.2% in the comparable year-ago period. The gross profit and gross margin improvements in 2015 were primarily associated with the \$24.3 million charge for the fair value write-up of acquired ATMI inventory sold during the third quarter of 2014. Excluding that charge, the Company's gross margin for the year-ago quarter was 45.1%. When compared to adjusted gross margin for 2014, the 2015 gross margin decline relates to a slightly unfavorable sales mix, higher warranty costs and lower levels of factory utilization.

The Company's selling, general and administrative (SG&A) expenses decreased by \$9.1 million for the three months ended September 26, 2015 compared to the year-ago quarter, mainly due to the lower cost of integration activities related to the April 30, 2014 ATMI acquisition.

The Company incurred interest expense of \$9.3 million for the quarter ended September 26, 2015 compared to \$10.4 million in the three-month period ended September 27, 2014. The decrease reflects a year-over-year reduction in outstanding borrowings.

As a result of the aforementioned factors, the Company reported net income of \$23.4 million, or \$0.17 per diluted share, for the quarter ended September 26, 2015 compared to a net loss \$1.1 million, or \$0.01 per diluted share, a year ago.

Net sales for the nine months ended September 26, 2015 were \$814.3 million, up 18% from \$690.4 million in the comparable year-ago period, principally driven by the inclusion of incremental ATMI sales of \$120.3 million through April 2015. Exclusive of the ATMI sales and unfavorable foreign currency effects of \$30.5 million, the Company's sales grew 5%, reflecting slightly improved demand from the Company's semiconductor industry customers compared to the year-ago period, and an increase in sales of specialty materials products. Gross profit, operating expenses, interest and tax expense for the nine months ended September 27, 2014, as described in further detail below, were all affected by the ATMI-related items. As a result, the Company reported net income of \$62.7 million, or \$0.44 per

diluted share, for the nine months ended September 26, 2015, which compares favorably to a net loss of \$1.4 million, or \$0.01 per diluted share, in the comparable year-ago period.

Sales were down 4% on a sequential basis over the second quarter of 2015. Exclusive of unfavorable foreign currency translation effects of \$2.8 million, the Company's sales decreased 3%. Sequentially, overall demand from the Company's semiconductor industry customers declined, reflecting both slightly lower industry fab utilization rates and reduced industry capital spending.

The Company's reportable segments' net sales and operating results for the three-month and nine-month periods are described in detail below.

Table of Contents

During the nine-month period ended September 26, 2015, the Company's operating activities provided cash flow of \$68.7 million. Cash used for capital expenditures was \$55.7 million and the Company made debt payments of \$100.0 million for the period. Cash and cash equivalents were \$301.1 million at September 26, 2015 compared with cash and cash equivalents of \$389.7 million at December 31, 2014. The Company had outstanding long-term debt of \$667.1 million at September 26, 2015, compared to \$766.8 million at December 31, 2014.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations are based upon the Company's condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

The critical accounting policies affected most significantly by estimates, assumptions and judgments used in the preparation of the Company's condensed consolidated financial statements are described in Item 7 of its Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission. On an ongoing basis, the Company evaluates the critical accounting policies used to prepare its condensed consolidated financial statements, including, but not limited to, those related to inventory valuation, impairment of long-lived assets, goodwill, income taxes and business acquisitions. There have been no material changes in these aforementioned critical accounting policies.

Table of Contents

Three and Nine Months Ended September 26, 2015 Compared to Three and Nine Months Ended September 27, 2014 and Three Months Ended June 27, 2015

The following table compares operating results for the three and nine months ended September 26, 2015 with results for the three and nine months ended September 27, 2014 and for the three months ended June 27, 2015, both in dollars and as a percentage of net sales, for each caption.

(Dollars in thousands)	Three months ended						Nine months ended					
	September 26, 2015		September 27, 2014		June 27, 2015		September 26, 2015		September 27, 2014			
Net sales	\$270,253	100.0 %	\$273,054	100.0 %	\$280,709	100.0 %	\$814,335	100.0 %	\$690,436	100.0 %		
Cost of sales	153,943	57.0	174,311	63.8	152,622	54.4	453,402	55.7	431,673	62.5		
Gross profit	116,310	43.0	98,743	36.2	128,087	45.6	360,933	44.3	258,763	37.5		
Selling, general and administrative expenses	46,730	17.3	55,820	20.4	50,270	17.9	147,890	18.2	172,954	25.0		
Engineering, research and development expenses	26,841	9.9	24,427	8.9	26,542	9.5	79,183	9.7	61,698	8.9		
Amortization of intangible assets	11,673	4.3	13,128	4.8	11,928	4.2	35,908	4.4	24,854	3.6		
Contingent consideration fair value adjustment	—	—	—	—	—	—	—	—	(1,282)	(0.2)		
Operating income	31,066	11.5	5,368	2.0	39,347	14.0	97,952	12.0	539	0.1		
Interest expense	9,291	3.4	10,443	3.8	9,752	3.5	28,884	3.5	23,009	3.3		
Interest income	(90)	—	(347)	(0.1)	(37)	—	(340)	—	(762)	(0.1)		
Other (income) expense, net	(5,624)	(2.1)	110	—	(1,109)	(0.4)	(8,466)	(1.0)	1,639	0.2		
Income (loss) before income taxes and equity in loss of affiliates	27,489	10.2	(4,838)	(1.8)	30,741	11.0	77,874	9.6	(23,347)	(3.4)		
Income tax expense (benefit)	4,018	1.5	(3,810)	(1.4)	6,245	2.2	14,933	1.8	(22,012)	(3.2)		
Equity in net loss of affiliates	68	—	40	—	48	—	218	—	90	—		
Net income (loss)	\$23,403	8.7 %	\$(1,068)	(0.4)%	\$24,448	8.7 %	\$62,723	7.7 %	\$(1,425)	(0.2)%		

Edgar Filing: ENTEGRIS INC - Form 10-Q

Net sales For the three months ended September 26, 2015, net sales decreased by \$2.8 million to \$270.3 million, compared to \$273.1 million for the three months ended September 27, 2014. An analysis of the factors underlying the decrease in net sales is presented in the following table:

(In thousands)

Net sales in the quarter ended September 27, 2014	\$273,054	
Growth associated with volume and pricing	9,755	
Decrease associated with effect of foreign currency translation	(12,556))
Net sales in the quarter ended September 26 2015	\$270,253	

The Company's sales decrease was mainly due to unfavorable foreign currency translation effects of \$12.6 million related to the year-over-year weakening of most currencies versus the U.S. dollar, most notably the Japanese yen, Korean won and Euro. Exclusive of that factor, the Company's sales increased 4%, reflecting slightly improved demand from the Company's semiconductor industry customers compared to the year-ago period, and an increase in sales of specialty materials products.

On a geographic basis, total sales in the third quarter of 2015 to North America were 22%, Asia (excluding Japan) 56%, Europe 10% and Japan 12% compared to prior year third quarter sales to North America of 23%, Asia (excluding Japan) 54%, Europe 10% and Japan 13%. Sales in Asia increased 4%, while falling by 6% and 12% in North America and Japan, respectively, in the third quarter of 2015 compared to last year's third quarter. Sales in Europe were flat with year ago.

Table of Contents

Net sales for the nine months ended September 26, 2015 were \$814.3 million, up 18% from \$690.4 million in the comparable year-ago period. An analysis of the factors underlying the increase in net sales is presented in the following table:

(In thousands)

Net sales in the nine months ended September 27, 2014	690,436	
Organic growth associated with volume and pricing	34,106	
Decrease associated with effect of foreign currency translation	(30,549)
Incremental sales associated with acquisition of ATMI, Inc	120,342	
Net sales in the nine months ended September 26, 2015	\$814,335	

The inclusion of incremental ATMI sales is the key factor underlying the increase. Partly offsetting this is an unfavorable foreign currency translation effects of \$30.5 million related to the year-over-year weakening of most currencies versus the U.S. dollar, most notably the Japanese yen, Korean won and Euro. Exclusive of those factors, the Company's sales grew 5%, most notably reflecting an increase in sales of specialty materials products. Sales were down 4% on a sequential basis compared to the second quarter of 2015. Exclusive of unfavorable foreign currency translation effects of \$2.8 million, the Company's sales decreased 3%. Sequentially, overall demand from the Company's semiconductor industry customers declined, reflecting both slightly lower industry fab utilization rates and reduced industry capital spending.

Gross profit Gross profit for the three months ended September 26, 2015 increased to \$116.3 million, up from \$98.7 million for the three months ended September 27, 2014. An analysis of the factors underlying the increase in gross profit is presented in the following table:

(In thousands)

Gross profit in the quarter ended September 27, 2014	\$98,743	
Charge for fair value mark-up of inventory sold in 2014	24,293	
Other	(6,726)
Gross profit in the quarter ended September 26, 2015	\$116,310	

The Company experienced a 43.0% gross margin rate for the three months ended September 26, 2015 compared to 36.2% in the comparable year-ago period. The gross profit and gross margin improvements primarily reflect the absence of the incremental cost of sales charges of \$24.3 million recorded in the third quarter of 2014 associated with the sale of inventory acquired in the acquisition with ATMI. Excluding that item, the Company's gross margin for the year-ago quarter was 45.1%. When compared to the adjusted gross margin for 2014, the 2015 gross margin decline relates to a slightly unfavorable sales mix, higher warranty costs and lower levels of factory utilization.

Gross profit for the nine months ended September 26, 2015 increased to \$360.9 million, up from \$258.8 million for the nine months ended September 27, 2014. An analysis of the factors underlying the increase in gross profit is presented in the following table:

(In thousands)

Gross profit in the nine months ended September 27, 2014	\$258,763	
Increase associated with incremental ATMI net sales	59,854	
Charge for fair value mark-up of inventory sold in 2014	48,586	
Other	(6,270)
Gross profit in the nine months ended September 26, 2015	\$360,933	

The Company experienced a 44.3% gross margin rate for the nine months ended September 26, 2015 compared to 37.5% in the comparable year-ago period. The gross profit and gross margin improvements primarily reflect the

inclusion of four additional months of sales from ATMI and the absence of the incremental cost of sales charges of \$48.6 million recorded in the second and third quarters of 2014 associated with the sale of inventory acquired in the acquisition with ATMI. Excluding the latter item, the Company's gross margin for the year-ago quarter was 44.5%. On a sequential basis, gross profit decreased by \$11.8 million to \$116.3 million, down from \$128.1 million in the second quarter of 2015. The gross margin rate of 43.0% for the third quarter of 2015 compared to 45.6% in the second quarter of 2015. The gross profit and gross margin declines relate primarily to lower sales, a slightly unfavorable sales mix, higher warranty costs and lower levels of factory utilization.

Table of Contents

Selling, general and administrative expenses Selling, general and administrative (SG&A) expenses were \$46.7 million for the three months ended September 26, 2015, down \$9.1 million, or 16%, from the comparable three-month period a year earlier. An analysis of the factors underlying the decrease in SG&A is presented in the following table:

(In thousands)

Selling, general and administrative expenses in the quarter ended September 27, 2014	\$55,820	
Decrease in integration costs	(5,052)
Other decreases, net	(4,038)

Selling, general and administrative expenses in the quarter ended September 26, 2015	\$46,730	
--	----------	--

SG&A expenses decreased 14% to \$147.9 million in the first nine months of 2015 compared to \$173.0 million in the year-ago period, a reduction of \$25.1 million. An analysis of the factors underlying the increase in SG&A is presented in the following table:

(In thousands)

Selling, general and administrative expenses in the nine months ended September 27, 2014	\$ 172,954	
Increase associated with ATMI, Inc. infrastructure	15,383	
Transaction-related costs incurred in prior year	(26,776)
Deal costs incurred in prior year	(9,125)
Decrease in integration costs	(3,541)
Other decreases, net	(1,005)
Selling, general and administrative expenses in the nine months ended September 26, 2015	\$ 147,890	

On a sequential basis, SG&A expenses decreased by \$3.5 million in the third quarter of 2015. This expected reduction in SG&A costs reflects savings associated with the Company's integration efforts, primarily resulting from the combination of corporate staff functions. In addition, integration costs decreased by \$0.3 million in the third quarter compared to the second quarter of 2015.

Engineering, research and development expenses The Company's overall ER&D efforts will continue to focus on the support or extension of current product lines, and the development of new products and manufacturing technologies.

Engineering, research and development (ER&D) expenses related to the support of current product lines and the development of new products and manufacturing technologies were \$26.8 million in the three months ended September 26, 2015 compared to \$24.4 million in the year-ago period, a \$2.4 million increase. The increase for the three months ended September 26, 2015 reflects higher ER&D activity levels, primarily reflecting increased legacy ATMI ER&D spending. On a sequential basis, ER&D expenses were in line with levels recorded in the first and second quarters of 2015.

ER&D expenses increased 28% to \$79.2 million in the first nine months of 2015 compared to \$61.7 million in the year ago period, primarily due to the addition of \$12.7 million incremental ER&D expenses from ATMI, accounting for approximately three-quarters of the increase. The remainder of the increase for the nine months ended September 26, 2015 reflects higher ER&D activity levels, including increased legacy Entegris employee costs of \$1.8 million.

Interest expense Interest expense includes interest associated with debt outstanding issued to help fund the acquisition of ATMI in 2014 and the amortization of debt issuance costs associated with such borrowings. In addition, bridge financing costs of \$4.0 million were recorded in the second quarter of 2014.

Interest expense was \$9.3 million in the three months ended September 26, 2015 compared to \$10.4 million in the three-month period ended September 27, 2014. The decrease reflects lower outstanding borrowings due to the Company's payments on its senior secured term loan.

The Company incurred interest expense of \$28.9 million for the nine-month period ended September 26, 2015 compared to \$23.0 million in the nine-month period ended September 27, 2014. The increase reflects nine months'

interest in 2015 compared to five months' interest in 2014, offset in part by the absence of the aforementioned second quarter 2014 bridge financing costs.

Other (income) expense, net Other income, net was \$5.6 million and \$8.5 million in the three and nine months ended September 26, 2015, respectively. Other income, net included foreign currency transaction gains of \$5.5 million and \$8.8 million for the three-month and nine-month periods, respectively. Partly offsetting the nine-month figure was a \$0.6 million loss related to the impairment and sale of an equity investment.

Table of Contents

Other expense, net was \$0.1 million and \$1.6 million in the three-month and nine-month periods ended September 27, 2014, respectively, which was mainly due to foreign currency transaction losses.

Income tax expense (benefit) The Company recorded income tax expense of \$4.0 million and \$14.9 million, respectively, in the three and nine months ended September 26, 2015 compared to income tax benefits of \$3.8 million and \$22.0 million, respectively, in the three and nine months ended September 27, 2014. The Company's year-to-date effective tax rate was 19.2% in 2015, compared to 94.3% in 2014. The tax rate in 2014 reflects the benefit of a foreign dividend, net of the nondeductibility of certain acquisition-related expenditures.

Net income (loss) Due to the factors noted above, the Company recorded net income of \$23.4 million, or \$0.17 per diluted share, in the three-month period ended September 26, 2015 compared to a net loss of \$1.1 million, or \$0.01 per diluted share, in the three-month period ended September 27, 2014. In the nine-month period ended September 26, 2015, the Company recorded net income of \$62.7 million, or \$0.44 per diluted share, compared to a net loss of \$1.4 million, or \$0.01 per diluted share, in the nine-month period ended September 27, 2014.

The net losses and diluted losses per share for the 2014 three-month and nine-month periods mainly reflect the effect of the significant costs associated with the ATMI acquisition described in detail above.

Non-GAAP Measures The Company's condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Company also utilizes certain non-GAAP financial measures as a complement to financial measures provided in accordance with GAAP in order to better assess and reflect trends affecting the Company's business and results of operations. See Non-GAAP Information included below in this section for additional detail, including the definition of non-GAAP financial measures and the reconciliation of GAAP measures to the Company's non-GAAP measures.

The Company's non-GAAP financial measures are Adjusted EBITDA and Adjusted Operating Income, together with related measures thereof, and non-GAAP Earnings Per Share.

Adjusted EBITDA decreased 9% to \$58.2 million in the three-month period ended September 26, 2015, compared to \$64.0 million in the three-month period ended September 27, 2014. Adjusted EBITDA, as a percent of net sales, declined to 21.5% from 23.4% in the year-ago period. Adjusted Operating Income decreased 10% to \$44.8 million in the three-month period ended September 26, 2015, compared to \$49.9 million in the three-month period ended September 27, 2014. Adjusted Operating Income, as a percent of net sales, declined to 16.6% from 18.3% in the year-ago period. Non-GAAP Earnings Per Share increased 10% to \$0.23 in the three-month period ended September 26, 2015, compared to \$0.21 in the three-month period ended September 27, 2014.

Adjusted EBITDA increased 19% to \$181.0 million in the nine-month period ended September 26, 2015, compared to \$152.2 million in the nine-month period ended September 27, 2014. Adjusted EBITDA, as a percent of net sales, increased to 22.2% from 22.0% in the year-ago period. Adjusted Operating Income increased 18% to \$140.9 million in the nine-month period ended September 26, 2015, compared to \$119.2 million in the nine-month period ended September 27, 2014. Adjusted Operating Income, as a percent of net sales, held steady at 17.3% in the year-ago period. Non-GAAP Earnings Per Share increased 25% to \$0.65 in the nine-month period ended September 26, 2015, compared to \$0.52 in the nine-month period ended September 27, 2014.

Segment Analysis

The Company reports its financial performance based on two reporting segments. The following is a discussion on the results of operations of these two business segments. See Note 9 to the condensed consolidated financial statements for additional information on the Company's two segments.

The following table presents selected net sales and segment profit data for the Company's two reportable segments for the three months ended September 26, 2015, September 27, 2014 and June 27, 2015, and for the nine months ended

September 26, 2015 and September 27, 2014.

20

Table of Contents

(In thousands)	Three months ended			Nine months ended	
	September 26, 2015	September 27, 2014	June 27, 2015	September 26, 2015	September 27, 2014
Critical Materials Handling					
Net sales	\$ 166,043	\$ 165,368	\$ 174,253	\$ 507,764	\$ 487,757
Segment profit	37,109	35,520	43,732	122,182	107,115
Electronic Materials					
Net sales	\$ 104,210	\$ 107,686	\$ 106,456	\$ 306,571	\$ 202,679
Segment profit	23,919	33,316	28,559	72,700	59,728

Critical Materials Handling (CMH)

For the third quarter of 2015, CMH net sales were flat at \$166.0 million, essentially unchanged from \$165.4 million in the comparable period last year. Increases in sales of specialty materials, and 300mm transport module products offset a reduction in sales of liquid packaging products, and unfavorable foreign currency translation effects. Despite the flat sales, CMH reported a segment profit of \$37.1 million in the third quarter of 2015, up 4% from \$35.5 million in the year-ago period due to a favorable sales mix and lower operating expenses, offset by increased warranty costs.

For the nine months ended September 26, 2015, CMH net sales increased 4% to \$507.8 million, from \$487.8 million in the comparable period last year. This increase primarily reflects the inclusion of incremental sales of \$15.1 million from ATMI and an increase in sales of specialty materials products. These factors were partly offset by modest reductions in the sales of fluid management and liquid microcontamination control products. CMH reported a segment profit of \$122.2 million in the nine months ended September 26, 2015, up 14% from \$107.1 million in the year-ago period, due to the higher sales and its associated slightly favorable sales mix and a 6% decrease in operating expenses.

Electronic Materials (EM)

For the third quarter of 2015, EM net sales decreased 3% to \$104.2 million, down from \$107.7 million in the comparable period last year. EM reported a segment profit of \$23.9 million in the third quarter of 2015 compared to a \$33.3 million segment profit in the year-ago period. The decrease in segment profit reflects lower sales levels, lower margins due to reduced plant utilization and higher operating expenses.

For the nine months ended September 26, 2015, EM net sales increased 51% to \$306.6 million, up from \$202.7 million in the comparable period last year. The sales increase primarily reflects the inclusion of incremental sales of \$105.3 million from ATMI, offsetting slightly lower sales of gas microcontamination control systems products. EM reported a segment profit of \$72.7 million in the nine months ended September 26, 2015 compared to a \$59.7 million segment profit in the year-ago period. The increase in the EM's profit for the nine months ended September 26, 2015 reflects the incremental ATMI sales and related gross margin, offset partly by the incremental costs associated of the ATMI infrastructure.

Unallocated general and administrative expenses

Unallocated general and administrative expenses totaled \$18.3 million in the third quarter of 2015 compared to \$26.0 million in the third quarter of 2014. The \$7.8 million decline includes lower integration expenses of \$5.1 million.

Unallocated general and administrative expenses for the nine months ended September 26, 2015 totaled \$61.0 million, down from \$94.1 million in the nine months ended September 27, 2014. The \$33.1 million decline includes the absence of transaction-related costs of \$26.8 million and deal costs of \$9.1 million, as well as a decrease in integration expenses of \$3.5 million. These items were offset by incremental ATMI infrastructure expenses of \$6.4 million.

Liquidity and Capital Resources

Operating activities Cash flows used in operating activities totaled \$68.7 million in the nine months ended September 26, 2015. Operating cash flows reflecting net income adjusted for non-cash expenses (such as depreciation, amortization and share-based compensation) was offset by changes in operating assets and liabilities of \$88.3 million, mainly reflecting significant increases in accounts receivable and inventories.

Accounts receivable increased by \$30.3 million during the nine months ended September 26, 2015, or \$38.0 million after accounting for foreign currency translation, mainly reflecting an increase in the Company's days sales outstanding (DSO). The Company's DSO was 62 days at September 26, 2015 compared to 52 days at the beginning of the year. The increase was

21

Table of Contents

primarily due to the Company's quarter closing date occurring several days prior to the end of the calendar month, the period during which receivable collections are typically heavy, particularly for the Company's Asia operations. Inventories increased by \$25.3 million during the three months ended September 26, 2015, but increased by \$39.6 million after accounting for foreign currency translation and the provision for excess and obsolete inventory. The net increase reflects higher levels of all inventory categories due to increased business activity and certain strategic purchases of critical raw materials.

Accounts payable and accrued liabilities increased \$1.1 million during the nine months ended September 26, 2015, but were \$12.6 million lower after accounting for foreign currency translation and payments for capital expenditures. The decrease, reflecting the payment of 2014 incentive compensation during the first quarter of 2015 and lower accounts payable, was partly offset by a \$7.9 million increase in accrued interest payable related to the long-term debt.

Working capital at September 26, 2015 was \$515.2 million, compared to \$503.1 million as of December 31, 2014, and included \$301.1 million in cash and cash equivalents, compared to cash and cash equivalents of \$389.7 million as of December 31, 2014.

Investing activities Cash flows used in investing activities totaled \$53.2 million in the nine-month period ended September 26, 2015.

Acquisition of property and equipment totaled \$55.7 million, which primarily reflected investments in equipment and tooling. The Company's 2015 capital expenditure plans generally reflect more normalized capital spending levels. As of September 26, 2015, the Company had outstanding capital purchase obligations of \$14.3 million for the construction or purchase of plant and equipment not yet recorded in the Company's condensed consolidated financial statements as the Company had not yet received the related goods or property. As of September 26, 2015, the Company expects its capital expenditures in 2015 to be approximately \$65 million to \$70 million.

Financing activities Cash flows used in financing activities totaled \$99.2 million during the nine-month period ended September 26, 2015. This primarily reflects the Company's payments of \$100 million on its senior secured term loan facility.

The Company has a senior secured asset-based revolving credit facility maturing April 30, 2019 that provides financing of \$75 million, subject to a borrowing base. The senior secured asset-based revolving credit facility bears interest at a rate per annum equal to at the Company's option, a base rate (prime rate or LIBOR), plus an applicable margin. As of September 26, 2015, the Company had no outstanding borrowings and \$0.2 million undrawn on outstanding letters of credit under the senior secured asset-based revolving credit facility.

Through September 26, 2015, the Company was in compliance with all applicable financial covenants included in the terms of its senior unsecured notes, senior secured term loan facility and senior secured asset-based revolving credit facility.

The Company also has lines of credit with two banks that provide for borrowings of Japanese yen for the Company's Japanese subsidiary, equivalent to an aggregate of approximately \$10.0 million. There were no outstanding borrowings under these lines of credit at September 26, 2015.

The Company believes that its cash and cash equivalents, funds available under its senior secured asset-based revolving credit facility and international credit facilities and cash flow generated from operations will be sufficient to meet its working capital and investment requirements for at least the next twelve months. If available liquidity is not sufficient to meet the Company's operating and debt service obligations as they come due, management would need to pursue alternative arrangements through additional equity or debt financing in order to meet the Company's cash requirements. There can be no assurance that any such financing would be available on commercially acceptable terms.

At September 26, 2015, the Company's shareholders' equity was \$770.1 million, up nominally from \$748.4 million at the beginning of the year. The increase mainly reflected net income of \$62.7 million and an increase to additional paid-in capital of \$8.1 million associated with the Company's share-based compensation expense. Among other

factors, these increases were partly offset by foreign currency translation effects of \$50.3 million, which is associated with the strengthening of the U.S. dollar versus most other currencies, primarily the Malaysian ringgit, Korean won and Euro.

As of September 26, 2015, the Company's resources included cash and cash equivalents of \$301.1 million, funds available under its \$75 million senior secured asset-based revolving credit facility and international credit facilities, and cash flow generated from operations. As of September 26, 2015, the amount of cash and cash equivalents held by foreign subsidiaries was \$234.1 million. These amounts held by foreign subsidiaries are generally subject to U.S. income taxation on repatriation to the United States. Certain of these amounts are associated with indefinitely reinvested foreign earnings and are subject to U.S. income taxation on repatriation to the United States. The Company does not anticipate the need to repatriate funds associated

Table of Contents

with indefinitely reinvested foreign earnings to the United States to satisfy domestic liquidity needs arising in the ordinary course of business. The Company believes its existing balances of domestic cash and cash equivalents, available cash and cash equivalents held by foreign subsidiaries not associated with indefinitely reinvested foreign earnings and operating cash flows will be sufficient to meet the Company's domestic cash needs arising in the ordinary course of business for the next twelve months.

New Accounting Pronouncements

Recently adopted accounting pronouncements There were no recently issued accounting pronouncement adopted during the nine months ended September 26, 2015.

Recently issued accounting pronouncements Refer to Note 1 to the Company's condensed consolidated financial statements for a discussion of accounting pronouncements recently issued by not yet adopted.

Non-GAAP Information The Company's condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP).

The Company also provides certain non-GAAP financial measures as a complement to financial measures provided in accordance with GAAP in order to better assess and reflect trends affecting the Company's business and results of operations. Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other regulations under the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. The Company provides non-GAAP financial measures of Adjusted EBITDA and Adjusted Operating Income together with related measures thereof, and non-GAAP Earnings Per Share (EPS).

Adjusted EBITDA, a non-GAAP term, is defined by the Company as net income (loss) before (1) equity in net loss of affiliates, (2) income tax expense (benefit), (3) interest expense (4) interest income (5) other (income) expense, net, (6) charge for the fair value write-up of acquired inventory sold, (7) transaction-related costs, (8) deal costs, (9) integration costs, (10) contingent consideration fair value adjustment, (11) amortization of intangible assets and (12) depreciation. Adjusted Operating Income, another non-GAAP term, is defined by the Company as Adjusted EBITDA exclusive of the depreciation addback noted above. The Company also utilizes non-GAAP measures whereby Adjusted EBITDA and Adjusted Operating Income are each divided by the Company's net sales to derive Adjusted EBITDA Margin and Adjusted Operating Margin, respectively.

Non-GAAP EPS, a non-GAAP term, is defined by the Company as net (loss) income before (1) charge for fair value write-up of acquired inventory sold, (2) transaction-related costs, (3) deal costs, (4) integration costs, (5) (gain) loss on impairment and sale of equity investment, (6) contingent consideration fair value adjustment, (7) amortization of intangible assets and (8) the tax effect of those adjustments to net income (loss).

The charge for fair value write-up of acquired inventory sold, transaction-related costs, deal costs and integration costs adjustments underlying Adjusted EBITDA and Non-GAAP EPS relate specifically to the ATMI acquisition.

The Company provides supplemental non-GAAP financial measures to better understand and manage its business and believes these measures provide investors and analysts additional and meaningful information for the assessment of the Company's ongoing results. Management also uses these non-GAAP measures to assist in the evaluation of the performance of its business segments and to make operating decisions.

Management believes the Company's non-GAAP measures help indicate the Company's baseline performance before certain gains, losses or other charges that may not be indicative of the Company's business or future outlook and offer a useful view of business performance in that the measures provide a more consistent means of comparing performance. The Company believes the non-GAAP measures aid investors' overall understanding of the Company's results by providing a higher degree of transparency for such items and providing a level of disclosure that will help investors understand how management plans, measures and evaluates the Company's business performance.

Management believes that the inclusion of non-GAAP measures provides consistency in its financial reporting and facilitates investors' understanding of the Company's historical operating trends by providing an additional basis for

comparisons to prior periods.

Management uses Adjusted EBITDA and Adjusted Operating Income to assist it in evaluations of the Company's operating performance by excluding items that management does not consider as relevant in the results of its ongoing operations. Internally, these non-GAAP measures are used by management for planning and forecasting purposes, including the preparation of internal budgets; for allocating resources to enhance financial performance; for evaluating the effectiveness of operational strategies; and for evaluating the Company's capacity to fund capital expenditures, secure financing and expand its business.

23

Table of Contents

In addition, and as a consequence of the importance of these non-GAAP financial measures in managing its business, the Company's Board of Directors uses non-GAAP financial measures in the evaluation process to determine management compensation.

The Company believes that certain analysts and investors use Adjusted EBITDA, Adjusted Operating Income and non-GAAP EPS as supplemental measures to evaluate the overall operating performance of firms in the Company's industry. Additionally, lenders or potential lenders use Adjusted EBITDA measures to evaluate the Company's creditworthiness.

The presentation of non-GAAP financial measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure.

Management notes that the use of non-GAAP measures has limitations:

First, non-GAAP financial measures are not standardized. Accordingly, the methodology used to produce the Company's non-GAAP financial measures is not computed under GAAP and may differ notably from the methodology used by other companies. For example, the Company's non-GAAP measure of Adjusted EBITDA may not be directly comparable to EBITDA or an adjusted EBITDA measure reported by other companies.

Second, the Company's non-GAAP financial measures exclude items such as amortization and depreciation that are recurring. Amortization of intangibles and depreciation have been, and will continue to be for the foreseeable future, a significant recurring expense with an impact upon the Company's results of operations, notwithstanding the lack of immediate impact upon cash flows.

Third, there is no assurance the Company will not have future restructuring activities, translation-related costs, gains or losses on sale of equity investments, or similar items and, therefore, may need to record additional charges (or credits) associated with such items, including the tax effects thereon. The exclusion of these items from the Company's non-GAAP measures should not be construed as an implication that these costs are unusual, infrequent or non-recurring.

Table of Contents

Management considers these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures and evaluating these non-GAAP financial measures together with their most directly comparable financial measures calculated in accordance with GAAP. The calculations of Adjusted EBITDA, Adjusted Operating Income, and non-GAAP EPS, and reconciliations between these financial measures and their most directly comparable GAAP equivalents are presented below in the accompanying tables.

Reconciliation of GAAP Net income attributable to Entegris, Inc. to Adjusted Operating Income and Adjusted EBITDA

(In thousands)	Three months ended		Nine months ended		
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014	
Net sales	\$270,253	\$273,054	\$814,335	\$690,436	
Net income (loss)	\$23,403	\$(1,068)	\$62,723	\$(1,425))
Adjustments to net income					
Equity in net loss of affiliates	68	40	218	90	
Income tax expense (benefit)	4,018	(3,810)	14,933	(22,012))
Interest expense	9,291	10,443	28,884	23,009	
Interest income	(90)	(347)	(340)	(762))
Other (income) expense, net	(5,624)	110	(8,466)	1,639)
GAAP – Operating income (loss)	31,066	5,368	97,952	539	
Charge for fair value mark-up of acquired inventory sold	—	24,293	—	48,586	
Transaction-related costs	—	(30)	—	26,776	
Deal costs	—	—	—	9,125	
Integration costs	2,075	7,127	7,083	10,624	
Contingent consideration fair value adjustment	—	—	—	(1,282))
Amortization of intangible assets	11,673	13,128	35,908	24,854	
Adjusted operating income	44,814	49,886	140,943	119,222	
Depreciation	13,356	14,130	40,080	33,005	
Adjusted EBITDA	\$58,170	\$64,016	\$181,023	\$152,227	
Adjusted operating income – as a % of net sales	16.6	% 18.3	% 17.3	% 17.3	%
Adjusted EBITDA – as a % of net sales	21.5	% 23.4	% 22.2	% 22.0	%

Table of Contents

Reconciliation of GAAP Earnings per Share to Non-GAAP Earnings per Share

(In thousands, except per share data)	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net income (loss)	\$23,403	\$(1,068)	\$62,723	\$(1,425)
Adjustments to net income (loss)				
Charge for fair value mark-up of acquired inventory sold	—	24,293	—	48,586
Transaction-related costs	—	(30)	—	26,776
Deal costs	—	—	—	13,288
Integration costs	2,075	6,985	7,083	10,482
(Gain) loss on impairment and sale of equity investment	(50)	—	567	—
Contingent consideration fair value adjustment	—	—	—	(1,282)
Amortization of intangible assets	11,673	13,128	35,908	24,854
Tax effect of adjustments to net income	(4,657)	(14,485)	(14,488)	(48,374)
Non-GAAP net income	\$32,444	\$28,823	\$91,793	\$ 72,905
Diluted earnings (loss) per common share	\$0.17	\$(0.01)	\$0.44	\$(0.01)
Effect of adjustments to net income	0.06	0.21	0.21	0.53
Diluted non-GAAP earnings per common share	\$0.23	\$0.21	\$0.65	\$ 0.52

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Entegris' principal financial market risks are sensitivities to interest rates and foreign currency exchange rates. The Company's interest-bearing cash equivalents and senior secured financing obligation are subject to interest rate fluctuations. The Company's cash equivalents are instruments with maturities of three months or less. A 100 basis point change in interest rates would potentially increase or decrease annual net income by approximately \$24.0 thousand annually.

The cash flows and results of operations of the Company's foreign-based operations are subject to fluctuations in foreign exchange rates. The Company occasionally uses derivative financial instruments to manage the foreign currency exchange rate risks associated with its foreign-based operations. At September 26, 2015, the Company had no net exposure to any foreign currency forward contracts.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the 1934 Act)) as of September 26, 2015. The term "disclosure controls and procedures" means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the 1934 Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on management's evaluation (with the participation of our CEO and CFO), as of September 26, 2015, the Company's CEO and CFO have concluded that the disclosure controls and procedures used by the Company, were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the 1934 Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company acquired ATMI, Inc. (ATMI) on April 30, 2014. The Company completed the integration of the former ATMI financial system operations onto the Company's SAP ERP platform during the quarter ended March 28, 2015. The Company continues to evaluate the associated financial reporting controls to ensure the operating effectiveness of these controls.

Table of Contents

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

As of September 26, 2015, the Company is subject to various claims, legal actions, and complaints arising in the ordinary course of business. The Company believes the final outcome of these matters will not have a material adverse effect on its condensed consolidated financial statements. The Company expenses legal costs as incurred.

Item 1A. Risk Factors.

The following risk factor under International Risks appearing in registrant's Form 10-K Annual Report for the year ended December 31, 2014 has been revised to read in its entirety as follows:

We will lose sales if we are unable to obtain government authorization to export certain of our products or to import certain of our products into foreign markets, and we would be subject to legal and regulatory consequences if we do not comply with applicable export and import control laws and regulations. Exports of certain of our products are subject to export controls imposed by the U.S. Government and administered by the U.S. Departments of State and Commerce. In certain instances, these regulations may require pre-shipment authorization from the administering department. For products subject to the Export Administration Regulations (EAR) administered by the Department of Commerce's Bureau of Industry and Security, the requirement for a license is dependent on the type and end use of the product, the final destination, the identity of the end user and whether a license exception might apply. Virtually all exports of products subject to the International Traffic in Arms Regulations (ITAR) administered by the Department of State's Directorate of Defense Trade Controls, require a license. Certain of our products are subject to EAR and ITAR. Products developed and manufactured in our foreign locations are subject to export controls of the applicable foreign nation.

Given the current global political climate, obtaining export licenses can be difficult and time-consuming. Failure to obtain export licenses for these shipments could significantly reduce our revenue and materially and adversely affect our business, financial condition and results of operations. Compliance with U.S. Government regulations may also subject us to additional fees and costs. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position.

In addition, certain countries require import and other special licenses in order for certain of our products to be imported into or sold in that country. Our inability to satisfy these requirements in a timely manner has in the past, and may continue to, prevent us from meeting our customers' expectations in these countries and to lose sales. For example, in response to recent explosions at gas storage facilities in Singapore and China, the import of gas canisters and chemicals viewed as dangerous have come under increased regulatory scrutiny by governmental officials. This increased regulation may impair the ability of our Electronic Materials business segment to import those products into Singapore and China and may cause us to lose sales.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 6. Exhibits

- 31.1 Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a).
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document

Edgar Filing: ENTEGRIS INC - Form 10-Q

101.SCH XBRL Taxonomy Extension Schema Document
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

28

Table of Contents

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 thereunto duly authorized.

Date: October 29, 2015

ENTEGRIS, INC.

/s/ Gregory B. Graves
Gregory B. Graves
Executive Vice President and Chief
Financial
Officer (on behalf of the registrant and as
principal financial officer)

Table of Contents

EXHIBIT INDEX

31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a).
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a).
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document