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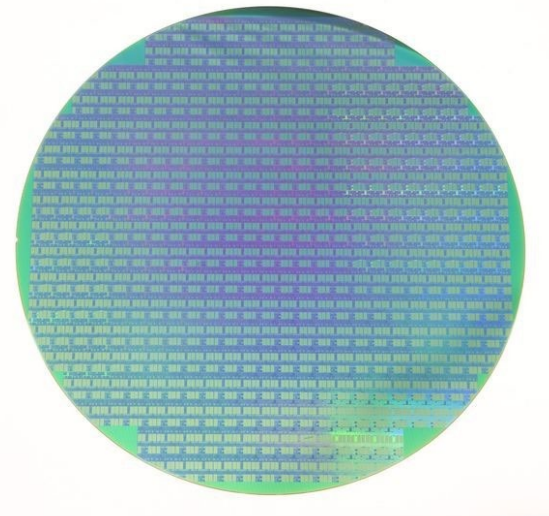
The Gold Rush in Semiconductors

Are all 'pick and shovel' suppliers the same? What if there is something better?



Source: www.worthpoint.com.

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Source: www.computerhistory.org.

Thesis Summary

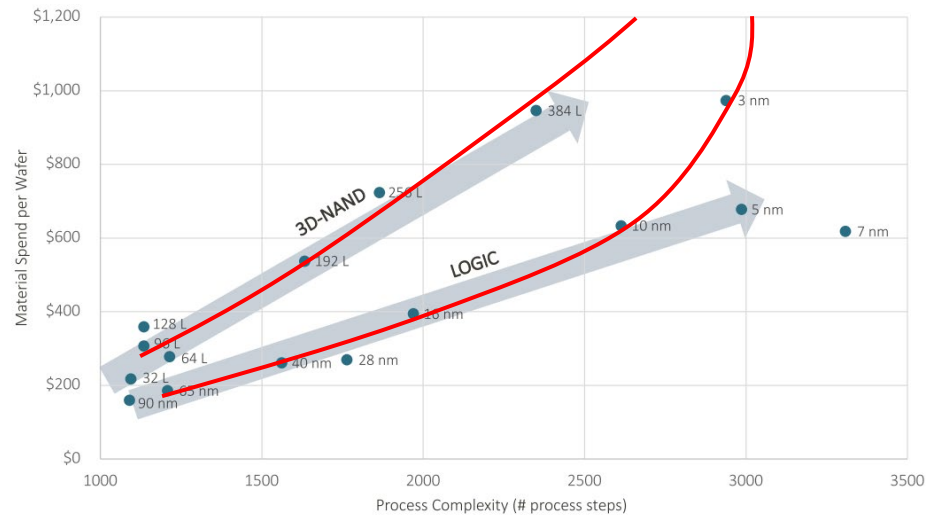
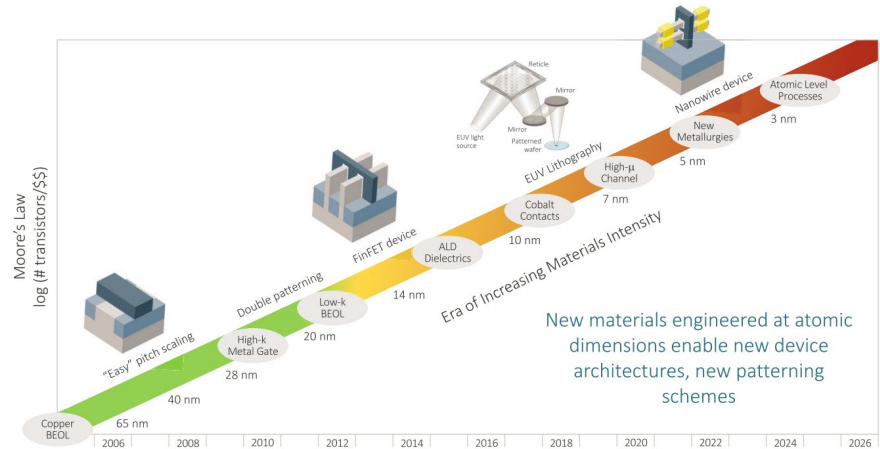
A Long-Term Compounder Benefiting From Increased Complexity in Semiconductors

- Entegris provides gas/liquid filters, specialty chemicals, and wafer transport products to semiconductor manufacturers and their raw material suppliers.
 - ~70% of revenue derived from recurring consumables, ~30% from industry capital spending.
 - Focused almost exclusively on the semiconductor market, one of the only semiconductor material specialists with comprehensive portfolio.
 - No pure public market comparable makes valuation difficult for some market participants.
- Shrinking of transistor sizes results in nonlinear increases in material spend per wafer.
 - Shift to 3D structures for logic/memory chips should intensify material/purity demands.
 - Node transitions result in improving economics/market dynamics that do not revert.
- Real and durable use case expansion for semiconductors driven by 5G, IoT, AI, et al.
 - Semis are the ‘real world’ beneficiaries of the digitization trend accelerated by the pandemic.
 - Recent announcements by TSMC and INTC highlight the near- and long-term need for increased semiconductor manufacturing capacity.
- We see ~65% upside to the current market price and believe the valuation estimate is conservative.

What's Happening With Semiconductors? Part I

Materials Science Increasingly Vital, 2D Transistor Shrink Reaching Asymptotic Level

- As the number of transistors per wafer increase, so has material intensity with designs getting more and more complex.
- With each transition, more process steps are required and more materials are consumed, which increases the material spend per wafer.
 - Logic node shrinkage is currently 2D and going asymptotic. 3D designs in development.
 - 3D NAND shows a steeper though more stable gradient, a possible expectation for 3D logic at a higher \$/wafer.
- Entegris is the only semiconductor supplier materially exposed to these nonlinear demand factors.



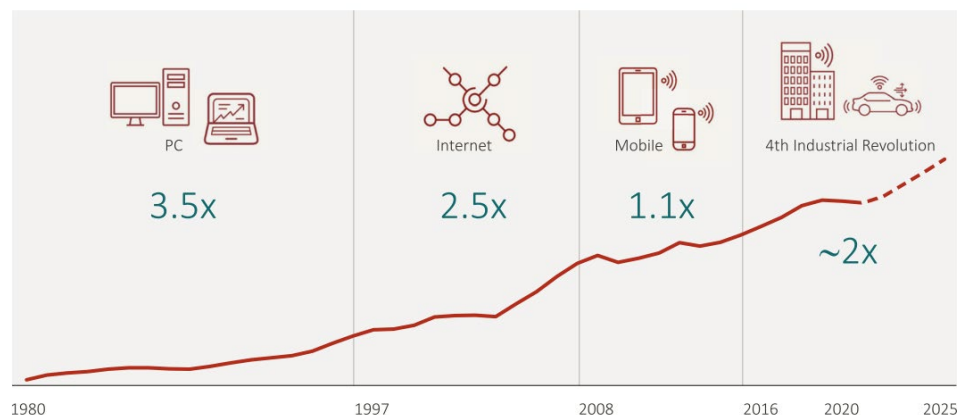
Source: Entegris, red lines added by Author.

What's Happening With Semiconductors? Part II

Semiconductors Being Used in More Devices, Industries and 'Things'

- Semiconductor volumes have expanded since the advent of the consumer computer in 1980, though with considerable cyclicality.
- Use cases are expanding as more of the physical world is undergoing 'digitization', requiring a greater number and variety of semiconductors.
- These new use cases should dampen the overall cyclicality of the semiconductor market, as each industry has different business cycles.
- Rising tide for all 'picks and shovels' suppliers to the semi manufacturers.

Semiconductor MSI Growth¹ vs. GDP Growth²



Source: Entegris.

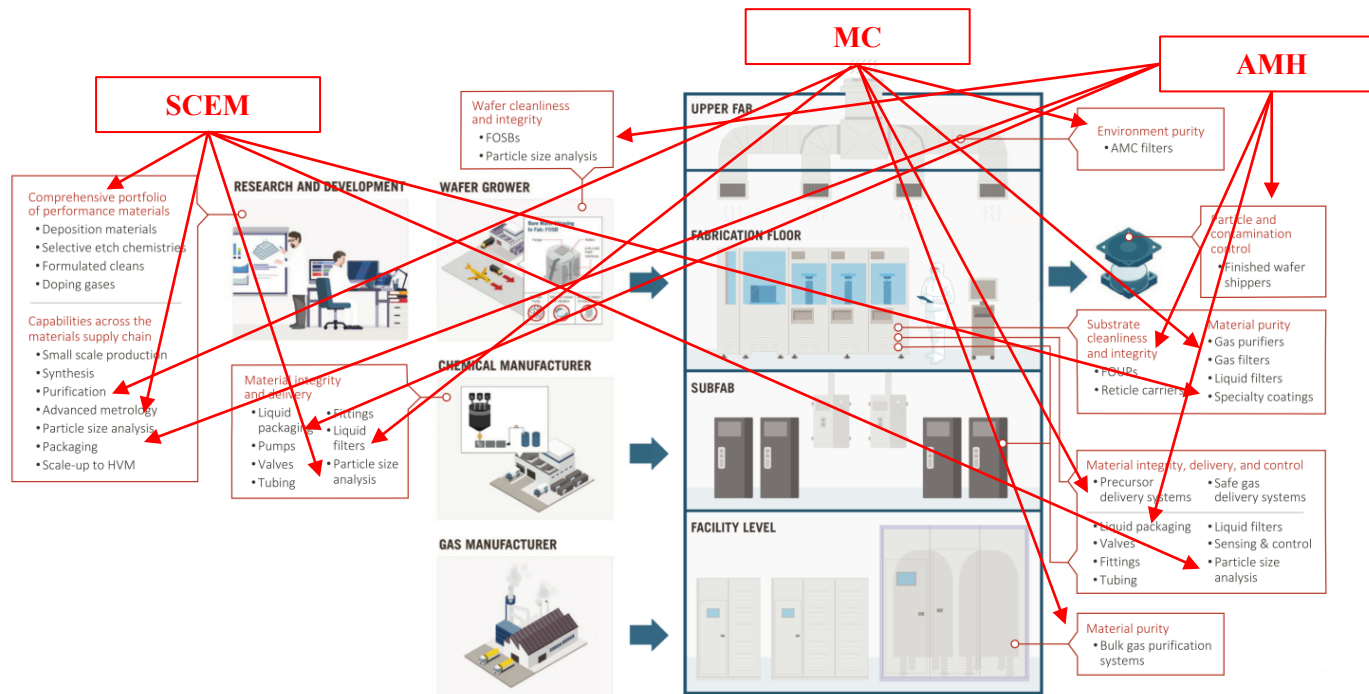
Semi content per unit	2015	2020	2025F
HIGH END SMARTPHONE	\$100	\$170	\$275
AUTO (GLOBAL AVERAGE)	\$310	\$460	\$690
DATACENTER SERVER (CPU + ACCELERATOR)	\$1,620	\$2,810	\$5,600
SMARTHOME (GLOBAL AVERAGE)	\$2	\$4	\$9

Source: Applied Materials.

Entegris is a Comprehensive Semi Materials Supplier

Hub-Spoke Model Addressing the Front-End Manufacturing Process

- The company revenue is ~40% derived from Microcontamination Control (MC), ~35% from Specialty Chemicals and Engineered Materials (SCEM) and ~25% from Advanced Handling Materials (AMH).
- Over half of revenue is from Fabs, 10%-15% from OEMs, Semi Chemical Suppliers, respectively and ~5% from Wafer Growers.
- All three divisions work together to develop optimal solutions specially tuned to their customers, increasing stickiness/switching costs and visibility into future developments.

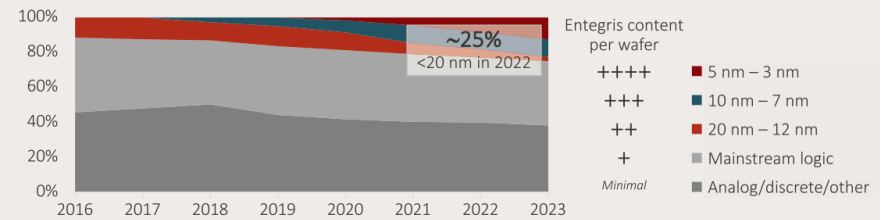


Leading Edge Complexity is an Opportunity

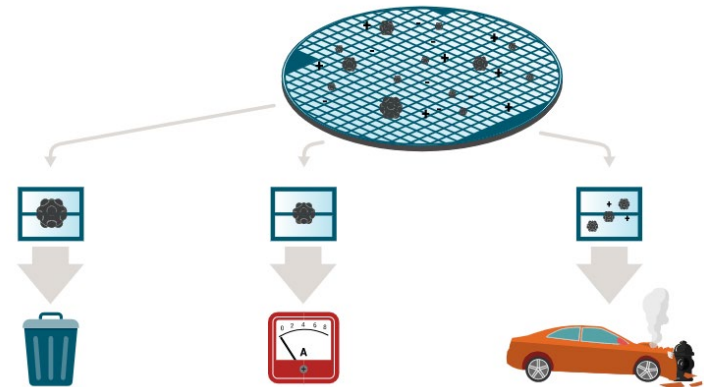
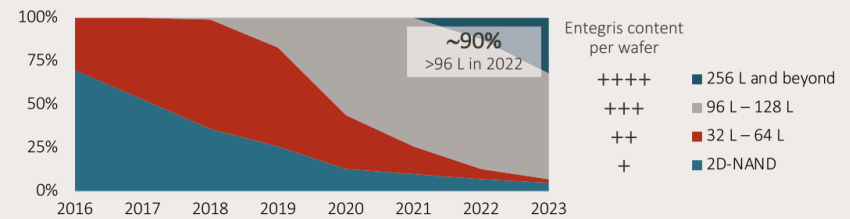
Node Transitions – Supplier Lock, Increased Content Per Wafer, Ramp in Volumes

- With each transition to a superior and smaller node, Entegris's content per wafer increases. For MC and SCFM, the demand is nonlinear.
- Leading edge node displaces trailing edge and the overall semi industry has greater complexity, locking in higher levels of costs.
- Expansion at the 5nm-3nm node starting today with new fab capex spending, followed by large ramp in wafer volumes in 2023.
- Higher purity requirements, for autos as an example, are modestly increasing filtration demands for trailing edge nodes as well.
- ENTG benefits partly from upfront fab capex but hits revenue inflection point once new fab volumes ramp; second derivative beneficiary of the leading edge capex spent today.

Leading Edge Logic Capacity by Node¹



NAND Capacity by Technology²



Source: Entegris.

Entegris is Unique in the Semiconductor Industry

Company is Structured to Benefit from Increasing Semi Manufacturing Intensity

- Complex, interconnected manufacturing processes coupled with atomic scale interactions of materials are driving fabs/OEMs to suppliers that can provide comprehensive solutions.
- Competitors, which include Pall (Danaher), Cabot Microelectronics, Ultra Clean Holdings, Dow, Parker Hannifin and Merck KGaA, have products that address one or only a few steps in the semi manufacturing process.
 - Importantly, semiconductors are not the sole focus of these competitors.
- Increasing R&D and capital intensity in the industry is forcing competitors to reassess capital allocation to the semi market. Suppliers are 'locked in' at each node transition.
 - At the trailing edge nodes, Entegris already has 50%-55% market share.
 - At the leading edge, the company's market share is closer to two-thirds.
- As the semiconductor industry increases in complexity, competitors should lose out or exit, customers should become more materials dependent and less price sensitive, which should increase Entegris's value proposition.

Summary Financials

Revenue Outperformance to Semi Market Accelerating, Consistent Margin Expansion

Capitalization as of May 7, 2021		
Price	\$	114.71
Shares Outstanding (M)		135.50
Market Cap		15,543.32
Net Debt		569.23
EV	\$	16,112.5

Comparables as of May 7, 2021					
FTM Multiple	ENTG	ASML	BRKS	ACMR	FORM
EV/EBITDA	19.49	30.23	25.80	22.45	13.90
EV/S	6.38	11.18	6.16	4.90	3.50
EV/FCF	34.33	42.75	N/M	N/M	25.00

←
Increasing Proximity to Semi Manufacturers
Increasing Supplier Industry Concentration

Financial Summary - Historicals and Internal Forecasts									
	'17	'18	'19	'20	'21E	'22E	'23E	'24E	'25E
Revenue	\$ 1,342.5	\$ 1,550.5	\$ 1,591.1	\$ 1,859.3	\$ 2,219.7	\$ 2,527.0	\$ 2,889.1	\$ 3,317.2	\$ 3,824.9
Revenue Growth	14.0%	15.5%	2.6%	16.9%	19.4%	13.8%	14.3%	14.8%	15.3%
Organic Revenue Growth	13.7%	10.3%	(3.4%)	13.9%	18.1%	11.3%	11.8%	12.3%	12.8%
M&A Revenue Growth	0.3%	5.2%	6.0%	3.0%	1.3%	2.5%	2.5%	2.5%	2.5%
Semi Market Growth	11.5%	7.0%	(7.0%)	5.0%	14.0%	8.5%	8.5%	8.5%	8.5%
ENTG Outperformance	2.2%	3.3%	3.6%	8.9%	4.1%	2.8%	3.3%	3.8%	4.3%
EBITDA	357.0	429.2	431.5	554.9	685.9	826.8	996.7	1,203.5	1,455.8
EBITDA Margin	26.6%	27.7%	27.1%	29.8%	30.9%	32.7%	34.5%	36.3%	38.1%
EBITDA Growth		20.2%	0.5%	28.6%	23.6%	20.5%	20.6%	20.7%	21.0%
CFO/EBITDA			88.6%	80.5%	67.6%	78.2%	73.4%	73.9%	74.3%
CFO/Revenue			24.0%	24.0%	20.9%	25.6%	25.3%	26.8%	28.3%
Capex/Revenue			7.1%	7.1%	10.4%	7.0%	7.0%	7.0%	7.0%
FCF Margin			17.0%	16.9%	10.5%	18.6%	18.3%	19.8%	21.3%
FCF/EBITDA			62.6%	56.7%	33.9%	56.8%	53.2%	54.6%	55.9%

Conservative Projections in Light of Tailwinds

Valuation

Unappreciated ‘Lollapalooza Effects’, Conservative Base Case

“Really big effects, lollapalooza effects, will often come only from large combinations of factors” - Charlie Munger

- Compounding/nonlinear elements of the business are underappreciated and only getting started.
 - Decade of 2D transistor shrink still ahead, 3D logic designs pending, U.S. semi manufacturing resurgence to increase industry capital intensity. All a ‘lollapalooza’ boon to Entegris long-term.
- The primary reasons for The Street’s continual underestimation of ENTG’s actual performance is due to nonlinear material demand at the wafer level on top of early-innings secular demand, no direct valuation comp and a conservative management focused on execution.
 - The Street anticipates revenue growth decelerates to 9% per annum from 17%-19% this year.
- At ~19.5x EV/’22 EBITDA, ENTG is at a considerable discount to front-end semi suppliers that operate in a similar or more highly consolidated market (ASML et al, on previous slide), highlighting the potential for a valuation rerate as the supplier industry evolves further downstream from the fabs.
- Our conservative Base Case valuation of **\$191.50/share** assumes ENTG’s growth and outperformance decelerates and is valued slightly above current levels of EBITDA, ~65% upside.
- Applying a compounding framework, consistent ~15% revenue growth, ~2.5% cash flow yield, ~5% valuation multiple expansion per annum should equate to **~\$315/share** in five years, ~175% upside.

Thank You For Your Time