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 October 1, 2016

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	**41-1941551**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
129 Concord Road, Billerica, Massachusetts	**01821**
(Address of principal executive offices)	**(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 ☒

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 24, 2016
Common Stock, $0.01 par value per share	**141,341,822 shares**

ENTEGRIS, INC. AND SUBSIDIARIES
FORM 10-Q
TABLE OF CONTENTS
FOR THE QUARTER ENDED OCTOBER 1, 2016

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, 2015 under the headings “Risks Relating to our Business and Industry”, “Risks Related to Our Indebtedness”, “Manufacturing Risks”, “International Risks”, and “Risks Related to Owning Our Common Stock” 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.

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)	October 1, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 411,777	$ 349,825
Short-term investments	—	2,181
Trade accounts and notes receivable, net of allowance for doubtful accounts of $2,616 and $1,318	167,559	141,409
Inventories	186,021	173,176
Deferred tax charges and refundable income taxes	18,000	18,943
Other current assets	17,675	23,253
Total current assets	801,032	708,787
Property, plant and equipment, net of accumulated depreciation of $380,340 and $341,840	315,512	321,301
Other assets:		
Goodwill	349,980	342,111
Intangible assets, net of accumulated amortization of $227,044 and $193,884	230,987	258,942
Deferred tax assets and other noncurrent tax assets	8,690	7,771
Other	7,391	7,785
Total assets	$ 1,713,592	$ 1,646,697
LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt, current maturities	$ 100,000	$ 50,000
Accounts payable	54,001	36,916
Accrued payroll and related benefits	43,923	41,891
Other accrued liabilities	39,040	33,968
Income taxes payable	713	12,775
Total current liabilities	237,677	175,550
Long-term debt, excluding current maturities, net of unamortized discount and debt issuance costs of $10,074 and $12,807	508,775	606,044
Pension benefit obligations and other liabilities	27,848	24,608
Deferred tax liabilities and other noncurrent tax liabilities	42,089	37,612
Commitments and contingent liabilities	—	—
Equity:		
Preferred stock, par value $.01; 5,000,000 shares authorized; none issued and outstanding as of October 1, 2016 and December 31, 2015	—	—
Common stock, par value $.01; 400,000,000 shares authorized; issued and outstanding shares as of October 1, 2016 and December 31, 2015: 141,322,874 and 140,716,420	1,413	1,407
Additional paid-in capital	857,023	848,667
Retained earnings (accumulated loss)	68,830	(416)
Accumulated other comprehensive loss	(30,063)	(46,775)
Total equity	897,203	802,883
Total liabilities and equity	$ 1,713,592	$ 1,646,697

See the accompanying notes to condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
(In thousands, except per share data)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Net sales	$ 296,692	$ 270,253	$ 866,768	$ 814,335
Cost of sales	173,712	153,943	489,877	453,402
Gross profit	122,980	116,310	376,891	360,933
Selling, general and administrative expenses	51,614	46,730	153,167	147,890
Engineering, research and development expenses	25,720	26,841	79,768	79,183
Amortization of intangible assets	10,974	11,673	33,325	35,908
Operating income	34,672	31,066	110,631	97,952
Interest expense	9,468	9,291	27,778	28,884
Interest income	(123)	(90)	(233)	(340)
Other income, net	(565)	(5,624)	(2,294)	(8,466)
Income before income tax expense and equity in net loss of affiliates	25,892	27,489	85,380	77,874
Income tax expense	3,945	4,018	14,331	14,933
Equity in net loss of affiliates	—	68	—	218
Net income	$ 21,947	$ 23,403	$ 71,049	$ 62,723
Basic net income per common share	$ 0.16	$ 0.17	$ 0.50	$ 0.45
Diluted net income per common share	$ 0.15	$ 0.17	$ 0.50	$ 0.44
Weighted shares outstanding:				
Basic	141,324	140,555	141,019	140,282
Diluted	142,473	141,317	141,856	141,016

See the accompanying notes to condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
(In thousands)	**October 1, 2016**	**September 26, 2015**	**October 1, 2016**	**September 26, 2015**
Net income	$ 21,947	$ 23,403	$ 71,049	$ 62,723
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	10,512	(35,343)	17,276	(50,297)
Available-for-sale securities, unrealized (loss) gain	—	(430)	(611)	254
Pension liability adjustments	16	63	47	80
Other comprehensive income (loss)	10,528	(35,710)	16,712	(49,963)
Comprehensive income (loss)	$ 32,475	$ (12,307)	$ 87,761	$ 12,760

See the accompanying notes to condensed consolidated financial statements.

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

(In thousands)	Nine months ended October 1, 2016	Nine months ended September 26, 2015
Operating activities:		
Net income	$ 71,049	$ 62,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	41,320	40,080
Amortization	33,325	35,908
Share-based compensation expense	10,063	8,120
Provision for deferred income taxes	(334)	2,594
Other	19,667	(12,102)
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(22,252)	(38,020)
Inventories	(17,296)	(39,550)
Accounts payable and accrued liabilities	26,517	12,576
Other current assets	7,387	4,845
Income taxes payable and refundable income taxes	(11,364)	(3,647)
Other	(7,606)	(4,827)
Net cash provided by operating activities	150,476	68,700
Investing activities:		
Acquisition of property, plant and equipment	(45,268)	(55,696)
Proceeds from sale and maturities of short-term investments	1,726	2,111
Other	(3,246)	347
Net cash used in investing activities	(46,788)	(53,238)
Financing activities:		
Payments of long-term debt	(50,000)	(100,000)
Issuance of common stock	2,892	2,608
Repurchase and retirement of common stock	(3,573)	—
Taxes paid related to net share settlement of equity awards	(3,316)	(2,458)
Other	493	665
Net cash used in financing activities	(53,504)	(99,185)
Effect of exchange rate changes on cash and cash equivalents	11,768	(4,915)
Increase (decrease) in cash and cash equivalents	61,952	(88,638)
Cash and cash equivalents at beginning of period	349,825	389,699
Cash and cash equivalents at end of period	$ 411,777	$ 301,061

See the accompanying notes to condensed consolidated financial statements.

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 leader in specialty chemicals and advanced materials solutions for the microelectronics industry 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 October 1, 2016 and December 31, 2015, the results of operations and comprehensive income for the three and nine months ended October 1, 2016 and September 26, 2015, and cash flows for the nine months ended October 1, 2016 and September 26, 2015.

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, 2015. The results of operations for the three and nine months ended October 1, 2016 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, was $624.9 million at October 1, 2016 compared to the carrying amount of long-term debt, including current maturities, of $608.8 million.

Recent Accounting Pronouncements In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU No. 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 No. 2014-09 also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers. ASU No. 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. To assist in this assessment, and to oversee the eventual adoption of ASU No. 2014-09, the Company has established a cross-functional steering committee. The initial analysis of identifying revenue streams and potential impacts of the new guidance is substantially complete, and the Company is now analyzing the potential magnitude to the consolidated financial statements and related disclosures. The Company has not yet selected a transition approach.

On April 7, 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* 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 represents a change in accounting principle and required retrospective application. The update became effective January 1, 2016. Based on the balances as of December 31, 2015, in accordance with ASU No. 2015-03, the Company reclassified $11.2 million of unamortized debt issuance costs from other current assets and other noncurrent assets to long-term debt.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve-month term, these arrangements must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU No. 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases, and amortization and interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU No. 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU No. 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and disclosures, and the timing of adoption.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718).* ASU No. 2016-09 identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. ASU No. 2016-09 is effective beginning January 1, 2017. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and disclosures.

2. INVENTORIES

Inventories consist of the following:

(In thousands)	October 1, 2016	December 31, 2015
Raw materials	$ 51,116	$ 51,063
Work-in process	17,078	11,644
Finished goods	117,827	110,469
Total inventories	$ 186,021	$ 173,176

3. GOODWILL AND INTANGIBLE ASSETS

Goodwill activity for each period was as follows:

(In thousands)	Critical Materials Handling	Electronic Materials	Total
December 31, 2015	$ 47,411	$ 294,700	$ 342,111
Addition due to purchase accounting adjustment	—	4,434	4,434
Foreign currency translation	—	3,435	3,435
October 1, 2016	$ 47,411	$ 302,569	$ 349,980

Identifiable intangible assets at October 1, 2016 and December 31, 2015 consist of the following:

October 1, 2016

(In thousands)	Gross carrying Amount	Accumulated amortization	Net carrying value
Developed technology	$ 202,692	$ 120,250	$ 82,442
Trademarks and trade names	16,729	12,133	4,596
Customer relationships	220,024	86,732	133,292
Other	18,586	7,929	10,657
	$ 458,031	$ 227,044	$ 230,987

December 31, 2015

(In thousands)	Gross carrying amount	Accumulated amortization	Net carrying value
Developed technology	$ 200,692	$ 102,883	$ 97,809
Trademarks and trade names	17,085	10,905	6,180
Customer relationships	218,283	72,948	145,335
Other	16,766	7,148	9,618
	$ 452,826	$ 193,884	$ 258,942

Future amortization expense for each of the five succeeding years and thereafter relating to intangible assets currently recorded in the Company's consolidated balance sheets is estimated at October 1, 2016 to be the following:

Fiscal year ending December 31	(In thousands)
2016	$ 10,945
2017	42,860
2018	40,563
2019	38,241
2020	26,550
Thereafter	71,828
	$ 230,987

4. EARNINGS PER COMMON SHARE

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

	Three months ended		Nine months ended	
(In thousands)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Basic—weighted common shares outstanding	141,324	140,555	141,019	140,282
Weighted common shares assumed upon exercise of stock options and vesting of restricted common stock	1,149	762	837	734
Diluted—weighted common shares and common shares equivalent outstanding	142,473	141,317	141,856	141,016

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 October 1, 2016 and September 26, 2015:

	Three months ended		Nine months ended	
(In thousands)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Shares excluded from calculations of diluted EPS	23	1,002	831	980

5. FAIR VALUE

Financial Assets Measured at Fair Value on a Recurring Basis

The following table presents the Company's financial assets that are measured at fair value on a recurring basis at October 1, 2016 and December 31, 2015. 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.

	October 1, 2016				December 31, 2015			
(In thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Short-term investments								
Common stock	$ —	$ —	$ —	$ —	$ 2,181	$ —	$ —	$ 2,181
Other current assets								
Foreign currency contracts[a]	$ —	$ —	$ —	$ —	$ —	$ 2,463	$ —	$ 2,463
Total assets measured and recorded at fair value	$ —	$ —	$ —	$ —	$ 2,181	$ 2,463	$ —	$ 4,644
Liabilities:								
Other accrued liabilities								
Foreign currency contracts[a]	$ —	$ 267	$ —	$ 267	$ —	$ —	$ —	$ —
Total liabilities measured and recorded at fair value	$ —	$ 267	$ —	$ 267	$ —	$ —	$ —	$ —

(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 October 1, 2016 and December 31, 2015 condensed consolidated balance sheets to the net fair value that could have been reported in the respective condensed consolidated balance sheets is as follows:

	October 1, 2016			December 31, 2015		
(In thousands)	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 assets	Gross amounts offset in the condensed consolidated balance sheet	Net amount of assets in the condensed consolidated balance sheet
Foreign currency contracts	$ 267	$ —	$ 267	$ 2,958	$ 495	$ 2,463

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

	Three months ended		Nine months ended	
(In thousands)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Losses on foreign currency contracts	$ (267)	$ (10,927)	$ (6,432)	$ (13,249)

In the first quarter of 2015, the Company recorded an other-than-temporary impairment loss 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 investment's carrying value for an extended period of time and the financial condition of the issuer.

6. 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.

Intersegment 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, and amortization of intangible assets.

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

	Three months ended		Nine months ended	
(In thousands)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Net sales				
CMH	$ 192,744	$ 166,043	$ 553,853	$ 507,764
EM	103,948	104,210	312,915	306,571
Total net sales	$ 296,692	$ 270,253	$ 866,768	$ 814,335

	Three months ended		Nine months ended	
(In thousands)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Segment profit				
CMH	$ 45,352	$ 37,109	$ 135,768	$ 122,182
EM	20,454	23,919	69,504	72,700
Total segment profit	$ 65,806	$ 61,028	$ 205,272	$ 194,882

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

	Three months ended		Nine months ended	
(In thousands)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Total segment profit	$ 65,806	$ 61,028	$ 205,272	$ 194,882
Less:				
Amortization of intangible assets	10,974	11,673	33,325	35,908
Unallocated general and administrative expenses	20,160	18,289	61,316	61,022
Operating income	34,672	31,066	110,631	97,952
Interest expense	9,468	9,291	27,778	28,884
Interest income	(123)	(90)	(233)	(340)
Other income, net	(565)	(5,624)	(2,294)	(8,466)
Income before income tax expense and equity in net loss of affiliates	$ 25,892	$ 27,489	$ 85,380	$ 77,874

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

Risk Factors and Forward-Looking Statements

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. The information, except for historical 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. These forward-looking statements could differ materially from actual results. You should review the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015 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. 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.

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 the Company's 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 leader in specialty chemicals and advanced materials solutions for the microelectronics industry and other high-technology industries. Our products and materials are used to manufacture semiconductors, micro-electromechanical systems, flat panel displays, light emitting diodes (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 20,000 standard and customized products which include both unit-driven and capital-expense-driven products. Unit-driven products now comprise approximately 80% of our combined sales, with the balance being capital-expense-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, 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 2016 end April 2, 2016, July 2, 2016, October 1, 2016 and December 31, 2016. Unaudited information for the three and nine months ended October 1, 2016 and September 26, 2015 and the financial position as of October 1, 2016 and December 31, 2015 are included in this Quarterly Report on Form 10-Q.

Key operating factors Key factors that management believes have the largest impact on the overall results of operations of Entegris 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 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 months ended October 1, 2016, net sales increased 10% to $296.7 million, compared to $270.3 million for the three months ended September 26, 2015. The Company's sales increase reflects improved demand from the Company's semiconductor industry customers compared to the year-ago period. Favorable foreign currency translation effects were $7.5 million for the quarter. Exclusive of that factor, the Company's sales increased 7%.

Sales were down 2% on a sequential basis over the second quarter of 2016. Exclusive of the favorable foreign currency translation effects of $3.0 million, the Company's sales decreased 3% sequentially.

Due to the net sales increase, the Company's gross profit for the three months ended October 1, 2016 rose to $123.0 million, up from $116.3 million for the three months ended September 26, 2015. The Company experienced a 41.5% gross margin rate for the three months ended October 1, 2016 compared to 43.0% in the comparable year-ago period. The gross profit and gross margin figures for the three months ended October 1, 2016 reflect $6.3 million of charges related to impairment of equipment and severance. Those charges reduced the Company's gross margin for the quarter by 2.1%.

The Company's selling, general and administrative (SG&A) expenses increased by $4.9 million for the three months ended October 1, 2016 compared to the year-ago quarter. The increase reflects higher employee costs offset by the absence of integration costs incurred in 2015 related to the April 30, 2014 acquisition of ATMI, Inc. (ATMI).

As a result of the aforementioned factors, the Company reported net income of $21.9 million, or $0.15 per diluted share, for the quarter ended October 1, 2016 compared to net income of $23.4 million, or $0.17 per diluted share, a year ago.

During the nine-month period ended October 1, 2016, the Company’s operating activities provided cash flow of $150.5 million and cash used for capital expenditures was $45.3 million. Cash and cash equivalents were $411.8 million at October 1, 2016 compared with cash and cash equivalents of $349.8 million at December 31, 2015. The Company had outstanding long-term debt of $608.8 million at October 1, 2016, compared to $656.0 million at December 31, 2015.

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, 2015 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.

Three and Nine Months Ended October 1, 2016 Compared to Three and Nine Months Ended September 26, 2015 and Three Months Ended July 2, 2016

The following table compares operating results for the three and nine months ended October 1, 2016 with results for the three and nine months ended September 26, 2015 and the three months ended July 2, 2016, both in dollars and as a percentage of net sales, for each caption.

(Dollars in thousands)	Three months ended October 1, 2016		Three months ended September 26, 2015		Three months ended July 2, 2016		Nine months ended October 1, 2016		Nine months ended September 26, 2015	
Net sales	$ 296,692	100.0 %	$ 270,253	100.0 %	$ 303,052	100.0 %	$ 866,768	100.0 %	$ 814,335	100.0 %
Cost of sales	173,712	58.5	153,943	57.0	163,847	54.1	489,877	56.5	453,402	55.7
Gross profit	122,980	41.5	116,310	43.0	139,205	45.9	376,891	43.5	360,933	44.3
Selling, general and administrative expenses	51,614	17.4	46,730	17.3	53,597	17.7	153,167	17.7	147,890	18.2
Engineering, research and development expenses	25,720	8.7	26,841	9.9	28,146	9.3	79,768	9.2	79,183	9.7
Amortization of intangible assets	10,974	3.7	11,673	4.3	11,062	3.7	33,325	3.8	35,908	4.4
Operating income	34,672	11.7	31,066	11.5	46,400	15.3	110,631	12.8	97,952	12.0
Interest expense	9,468	3.2	9,291	3.4	9,092	3.0	27,778	3.2	28,884	3.5
Interest income	(123)	—	(90)	—	(41)	—	(233)	—	(340)	—
Other income, net	(565)	(0.2)	(5,624)	(2.1)	(1,054)	(0.3)	(2,294)	(0.3)	(8,466)	(1.0)
Income before income taxes and equity in loss of affiliates	25,892	8.7	27,489	10.2	38,403	12.7	85,380	9.9	77,874	9.6
Income tax expense	3,945	1.3	4,018	1.5	5,513	1.8	14,331	1.7	14,933	1.8
Equity in net loss of affiliates	—	—	68	—	—	—	—	—	218	—
Net income	$ 21,947	7.4 %	$ 23,403	8.7 %	$ 32,890	10.9 %	$ 71,049	8.2 %	$ 62,723	7.7 %

Net sales For the three months ended October 1, 2016, net sales increased by 10% to $296.7 million, compared to $270.3 million for the three months ended September 26, 2015. An analysis of the factors underlying the increase in net sales is presented in the following table:

(In thousands)	
Net sales in the quarter ended September 26, 2015	$ 270,253
Growth associated with volume and pricing	18,966
Increase associated with effect of foreign currency translation	7,473
Net sales in the quarter ended October 1, 2016	$ 296,692

The Company's sales increase was due to improved demand from the Company's semiconductor industry customers, reflecting both higher industry fab utilization rates and semiconductor industry capital spending compared to the year-ago period. Improved sales of 300mm transport module, liquid filtration and certain specialty materials products accounted for the increase. Favorable foreign currency translation effects were $7.5 million for the quarter, mainly due to the strengthening of the Japanese yen relative to the U.S. dollar. Exclusive of that factor, the Company's sales increased 7%.

On a geographic basis, in the third quarter of 2016, total sales to Asia (excluding Japan) were 57%, to North America were 20%, to Japan were 14% and to Europe were 9% compared to prior year third quarter sales to Asia (excluding Japan) of 56%, to North America of 22%, to Japan of 12% and to Europe of 10%. Sales increased by 28%, 2%, and 12% in Japan, North America and Asia, respectively, in the third quarter of 2016 compared to the prior year's third quarter. The majority of the improvement in Japan was due to favorable foreign currency translation effects related to the year-over-year strengthening of the Japanese yen. Sales in Europe fell 8%.

Net sales for the nine months ended October 1, 2016 were $866.8 million, up 6% from $814.3 million in the comparable year-ago period. An analysis of the factors underlying the increase in net sales is present in the following table:

(In thousands)		
Net sales in the nine months ended September 26, 2015	$	814,335
Growth associated with volume and pricing		42,496
Increase associated with effect of foreign currency translation		9,937
Net sales in the nine months ended October 1, 2016	$	866,768

The Company's sales increase was due to improved demand from the Company's semiconductor industry customers and primarily reflects increased sales of 300mm transport module, container, liquid filtration and advanced deposition material products, offset partly by a decrease in sales of certain specialty materials products. Favorable foreign currency translation effects were $9.9 million for the nine months ended October 1, 2016, mainly due the Japanese yen. Exclusive of that factor, the Company's sales increased 5%.

Sales were down 2% on a sequential basis over the second quarter of 2016. Exclusive of a favorable foreign currency translation effect, the Company sales decreased 3%. The decrease in revenue resulted from modest declines across the Company's product lines.

Gross profit Due mainly to the sales increase, the Company's gross profit rose 6% for the three months ended October 1, 2016 to $123.0 million, compared to $116.3 million for the three months ended September 26, 2015. The Company experienced a 41.5% gross margin rate for the three months ended October 1, 2016 compared to 43.0% in the comparable year-ago period. The gross profit and gross margin figures for the three months ended October 1, 2016 include charges of $6.3 million related to the impairment of equipment and severance. Those charges reduced the Company's gross margin for the quarter by 2.1%.

For the nine months ended October 1, 2016, the Company's gross profit rose 4% to $376.9 million, compared to $360.9 million for the nine months ended September 26, 2015. The Company experienced a 43.5% gross margin rate for the nine months ended October 1, 2016 compared to 44.3% in the comparable year-ago period. The gross profit and gross margin figures for the nine months ended October 1, 2016 include charges of $6.3 million related to the impairment of equipment and severance. Those charges reduced the Company's gross margin for the nine months by 0.7%.

Selling, general and administrative expenses Selling, general and administrative (SG&A) expenses were $51.6 million for the three months ended October 1, 2016, up $4.9 million, or 10%, from the comparable three-month period a year earlier. 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 quarter ended September 26, 2015	$	46,730
Integration costs recorded in prior year		(2,075)
Employee costs		4,597
Other increases, net		2,362
Selling, general and administrative expenses in the quarter ended October 1, 2016	$	51,614

SG&A expenses were $153.2 million for the first nine months of 2016, up 4% compared to SG&A expenses of $147.9 million in the year-ago period. An analysis of the factors underlying changes in SG&A is presented in the following table:

(In thousands)		
Selling, general and administrative expenses in the nine months ended September 26, 2015	$	147,890
Integration costs recorded in prior year		(7,083)
Professional fees		1,762
Employee costs		9,923
Other increases, net		675
Selling, general and administrative expenses in the nine months ended October 1, 2016	$	153,167

Engineering, research and development expenses The Company’s engineering, research and development (ER&D) efforts focus on the support or extension of current product lines, and the development of new products and manufacturing technologies. ER&D expenses were $25.7 million in the three months ended October 1, 2016 compared to $26.8 million in the year-ago period, a $1.1 million decrease. The decrease for the quarter was mainly due to lower project expenses.

ER&D expenses increased 1% to $79.8 million in the first nine months of 2016 compared to $79.2 million in the year ago period, primarily due to higher employee costs.

Interest expense Interest expense includes interest associated with debt outstanding issued to help fund the 2014 acquisition of ATMI and the amortization of debt issuance costs associated with such borrowings. Interest expense was $9.5 million in the three months ended October 1, 2016 compared to $9.3 million in the three-month period ended September 26, 2015. The increase reflects higher amortization of debt issuance costs due to the acceleration of actual and expected payments on the Company's senior secured term loan, offset partly by the reduced interest payable on lower outstanding borrowings.

Interest expense was $27.8 million in the nine-month period ended October 1, 2016 compared to $28.9 million in the nine-month period ended September 26, 2015. The decrease reflects lower outstanding borrowings due to the Company's payments on its senior secured term loan in 2015, offset partly by the higher amortization of debt issuance costs noted above.

Other income, net Other income, net was $0.6 million and $2.3 million in the three and nine months ended October 1, 2016, respectively, and consisted mainly of foreign currency transaction gains.

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.

Income tax expense The Company recorded income tax expense of $3.9 million and $14.3 million, respectively, in the three and nine months ended October 1, 2016 compared to income tax expense of $4.0 million and $14.9 million, respectively in the three and nine months ended September 26, 2015. The Company’s year-to-date effective tax rate was 16.8% in 2016, compared to 19.2% in 2015. The tax rate in both years reflect the benefit of foreign source income being taxed at lower rates than the U.S. statutory rate. Year-to-date income tax expense in 2016 also includes a discrete benefit of $1.1 million recorded in the second quarter related to the consolidation of certain of the Company's Taiwan entities.

Net income Due to the factors noted above, the Company recorded net income of $21.9 million, or $0.15 per diluted share, in the three-month period ended October 1, 2016 compared to net income of $23.4 million, or $0.17 per diluted share, in the three-month period ended September 26, 2015. In the nine-month period ended October 1, 2016, the Company recorded net income of $71.0 million, or $0.50 per diluted share, compared to net income of $62.7 million, or $0.44 per diluted share, in the nine-month period ended September 26, 2015.

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 increased 16% to $67.7 million in the three-month period ended October 1, 2016, compared to $58.2 million in the three-month period ended September 26, 2015. Adjusted EBITDA, as a percent of net sales, increased to 22.8% from 21.5% in the year-ago period. Adjusted EBITDA increased 7% to $193.5 million in the nine-month period ended October 1, 2016, compared to $181.0 million in the nine-month period ended September 26, 2015. In the nine-month period ended October 1, 2016, Adjusted EBITDA, as a percent of net sales, increased to 22.3% from 22.2% in the year-ago period.

Adjusted Operating Income increased 20% to $53.9 million in the three-month period ended October 1, 2016, compared to $44.8 million in the three-month period ended September 26, 2015. Adjusted Operating Income, as a percent of net sales, increased to 18.2% from 16.6% in the year-ago period. Adjusted Operating Income increased 8% to $152.2 million in the nine-month period ended October 1, 2016, compared to $140.9 million in the nine-month period ended September 26, 2015. In the nine-month period ended October 1, 2016, Adjusted Operating Income, as a percent of net sales, increased to 17.6% from 17.3% in the year-ago period.

Non-GAAP Earnings Per Share increased 4% to $0.24 in the three-month period ended October 1, 2016, compared to $0.23 in the three-month period ended September 26, 2015. Non-GAAP Earnings Per Share increased 6% to $0.69 in the nine-month period ended October 1, 2016, compared to $0.65 in the nine-month period ended September 26, 2015.

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 6 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 October 1, 2016, September 26, 2015 and July 2, 2016, and for the nine months ended October 1, 2016 and September 26, 2015.

(In thousands)	Three months ended October 1, 2016	Three months ended September 26, 2015	July 2, 2016	Nine months ended October 1, 2016	Nine months ended September 26, 2015
Critical Materials Handling					
Net sales	$ 192,744	$ 166,043	$ 194,880	$ 553,853	$ 507,764
Segment profit	45,352	37,109	52,524	135,768	122,182
Electronic Materials					
Net sales	$ 103,948	$ 104,210	$ 108,172	$ 312,915	$ 306,571
Segment profit	20,454	23,919	27,475	69,504	72,700

Critical Materials Handling (CMH)
For the third quarter of 2016, CMH net sales increased to $192.7 million, compared to $166.0 million in the comparable period last year. This increase was due to improved sales of 300mm transport module and liquid filtration products, as well as favorable foreign currency translation effects of $5.2 million. CMH reported a segment profit of $45.4 million in the third quarter of 2016, up 22% from $37.1 million in the year-ago period primarily due to the increased sales, offset in part by an 8% increase in operating expenses, reflecting higher selling expenses.

For the nine months ended October 1, 2016, CMH net sales increased 9% to $553.9 million from $507.8 million in the comparable period last year. This increase also reflects improved sales of 300mm transport module, container and liquid filtration products, partly offset by lower sales of certain specialty materials products. Favorable foreign currency translation effects were $7.2 million year-to-date. CMH reported a segment profit of $135.8 million in the nine months ended September 26, 2015, up 11% from $122.2 million in the year-ago period also due to higher sales levels, partly offset by a 7% increase in operating expenses, mainly reflecting higher selling expenses.

Electronic Materials (EM)
For the third quarter of 2016, EM net sales were flat at $103.9 million compared to $104.2 million in the comparable period last year. This result reflected a small improvement in the sale of advanced deposition material products, offset by a nominal decline in surface preparation product sales. EM reported a segment profit of $20.5 million in the third quarter of 2016 compared to a $23.9 million segment profit in the year-ago period.

For the nine months ended October 1, 2016, EM net sales of $312.9 million were up 2% from $306.6 million in the comparable period last year. The sales increase reflected an improvement in the sale of advanced deposition material products. EM reported a segment profit of $69.5 million in the nine months ended October 1, 2016, essentially unchanged compared to a $72.7 million segment profit in the year-ago period. The 4% decrease in segment profit mainly reflects an unfavorable sales mix, partly offset by a 2% decrease in operating expenses.

Unallocated general and administrative expenses
Unallocated general and administrative expenses totaled $20.2 million in the third quarter of 2016 compared to $18.3 million in the third quarter of 2015. The $1.9 million increase mainly reflects the increased employee and severance costs noted above and higher professional fees, offset in part by the absence of the integration expenses of $2.1 million recorded a year ago.

Unallocated general and administrative expenses for the nine months ended October 1, 2016 totaled $61.3 million, flat from $61.0 million in the nine months ended September 26, 2015. The year-to-year comparison reflects the absence of the integration expenses of $7.1 million recorded a year ago, offset by the increased employee and severance costs noted above and higher professional fees.

Liquidity and Capital Resources

Operating activities Cash flows provided by operating activities totaled $150.5 million in the nine months ended October 1, 2016. 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 $24.6 million, mainly reflecting increases in accounts receivable and inventories, offset by an increase in accounts payable and accrued liabilities.

Accounts receivable increased by $26.2 million during the nine months ended October 1, 2016, or $22.3 million after accounting for foreign currency translation, mainly reflecting an increase in the Company’s days sales outstanding (DSO). The Company’s DSO was 52 days at October 1, 2016 compared to 48 days at the beginning of the year.

Inventories increased by $12.8 million during the nine months ended October 1, 2016, or $17.3 million after accounting for foreign currency translation and the provision for excess and obsolete inventory. The net increase primarily reflects higher levels of work-in-process inventory and finished goods due to increased levels of business activity.

Accounts payable and accrued liabilities increased $24.2 million during the nine months ended October 1, 2016, or $26.5 million after accounting for foreign currency translation and payments for capital expenditures. The increase mainly reflects higher accounts payable associated with increased levels of business activity offset partly by the change in the Company's incentive compensation accruals, which includes the payment of 2015 incentive compensation during the first quarter of 2016.

Working capital at October 1, 2016 was $563.4 million, compared to $533.2 million as of December 31, 2015, and included $411.8 million in cash and cash equivalents, compared to cash and cash equivalents of $349.8 million as of December 31, 2015.

Investing activities Cash flows used in investing activities totaled $46.8 million in the nine-month period ended October 1, 2016.

Acquisition of property and equipment totaled $45.3 million, which primarily reflected investments in equipment and tooling. As of October 1, 2016, the Company expects its full-year capital expenditures in 2016 to be in a range from $60 million to $65 million. The Company's 2016 capital expenditure plans generally reflect more normalized capital spending levels. As of October 1, 2016, the Company had outstanding capital purchase obligations of $10.9 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.

Financing activities Cash flows used in financing activities totaled $53.5 million during the nine-month period ended October 1, 2016. This primarily reflects the Company's payment of $50.0 million on its senior secured term loan described below. In addition, the Company repurchased shares of the Company's common stock during the first quarter of 2016 at a total cost of $3.6 million under the stock repurchase program authorized by the Company's Board of Directors. The Company received proceeds of $2.9 million in connection with common shares issued under the Company's stock plans, while expending $3.3 million for taxes related to the net share settlement of equity awards under the Company's stock plans.

As of October 1, 2016, the Company had outstanding long-term debt, including the current portion thereof, of $608.8 million, related to debt issued by the Company to fund its acquisition of ATMI as described in more detail below.

At October 1, 2016, the Company had outstanding $360 million aggregate principal amount of 6% senior unsecured notes due April 1, 2022.

On April 30, 2014, the Company entered into a 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 may voluntarily prepay outstanding loans under the term loan facility at any time. The principal amount outstanding under the term loan facility at October 1, 2016 was $258.9 million. Based on management's plans and intent, the Company reflected $100 million as current maturities of long-term debt in its condensed consolidated balance sheet as of October 1, 2016.

The Company also 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 October 1, 2016, 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 October 1, 2016, 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 $11.9 million. There were no outstanding borrowings under these lines of credit at October 1, 2016.

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 October 1, 2016, the Company's shareholders' equity was $897.2 million, up from $802.9 million at the beginning of the year. The increase mainly reflected net income of $71.0 million, an increase to additional paid-in capital of $10.1 million associated with the Company's share-based compensation expense, proceeds of $2.9 million in connection with common shares issued under the Company's stock plans, and foreign currency translation effects of $17.3 million, mainly associated with the weakening of the U.S. dollar versus the Korean won and Japanese yen. These increases were offset partly by the repurchase of the Company's common stock at a total cost of $3.6 million and the payment of $3.3 million for taxes related to the net share settlement of equity awards under the Company's stock plans.

As of October 1, 2016, the Company's resources included cash and cash equivalents of $411.8 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 October 1, 2016, the amount of cash and cash equivalents held by foreign subsidiaries was $239.6 million. These amounts held by foreign subsidiaries, certain of which are associated with indefinitely reinvested foreign earnings, may be subject to U.S. income taxation on repatriation to the United States. The Company does not anticipate the need to repatriate funds associated 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.

Recently adopted accounting pronouncements Refer to Note 1 to the Company's condensed consolidated financial statements for a discussion of accounting pronouncements recently adopted.

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 before (1) equity in net loss of affiliates, (2) income tax expense, (3) interest expense, (4) interest income, (5) other income, net, (6) severance related to organizational realignment, (7) impairment of equipment, (8) integration costs, (9) amortization of intangible assets and (10) 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 income before (1) severance related to organizational realignment, (2) impairment of equipment, (3) integration costs, (4) (gain) loss on impairment and sale of equity investment, (5) amortization of intangible assets and (6) the tax effect of those adjustments to net income, stated on a per share basis.

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.

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.

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 to Adjusted Operating Income and Adjusted EBITDA

	Three months ended		Nine months ended	
(In thousands)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Net sales	$ 296,692	$ 270,253	$ 866,768	$ 814,335
Net income	$ 21,947	$ 23,403	$ 71,049	$ 62,723
Adjustments to net income				
Equity in net loss of affiliates	—	68	—	218
Income tax expense	3,945	4,018	14,331	14,933
Interest expense	9,468	9,291	27,778	28,884
Interest income	(123)	(90)	(233)	(340)
Other income, net	(565)	(5,624)	(2,294)	(8,466)
GAAP – Operating income	34,672	31,066	110,631	97,952
Severance related to organizational realignment	2,405	—	2,405	—
Impairment of equipment	5,826	—	5,826	—
Integration costs	—	2,075	—	7,083
Amortization of intangible assets	10,974	11,673	33,325	35,908
Adjusted operating income	53,877	44,814	152,187	140,943
Depreciation	13,795	13,356	41,320	40,080
Adjusted EBITDA	$ 67,672	$ 58,170	$ 193,507	$ 181,023
Adjusted operating income – as a % of net sales	18.2%	16.6%	17.6%	17.3%
Adjusted EBITDA – as a % of net sales	22.8%	21.5%	22.3%	22.2%

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

	Three months ended		Nine months ended	
(In thousands, except per share data)	October 1, 2016	September 26, 2015	October 1, 2016	September 26, 2015
Net income	$ 21,947	$ 23,403	$ 71,049	$ 62,723
Adjustments to net income				
Severance related to organizational realignment	2,405	—	2,405	—
Impairment of equipment	5,826	—	5,826	—
Integration costs	—	2,075	—	7,083
(Gain) loss on impairment and sale of equity investment	—	(50)	(156)	567
Amortization of intangible assets	10,974	11,673	33,325	35,908
Tax effect of adjustments to net income	(6,505)	(4,657)	(13,895)	(14,488)
Non-GAAP net income	$ 34,647	$ 32,444	$ 98,554	$ 91,793
Diluted earnings per common share	$ 0.15	$ 0.17	$ 0.50	$ 0.44
Effect of adjustments to net income	0.09	0.06	0.19	0.21
Diluted non-GAAP earnings per common share	$ 0.24	$ 0.23	$ 0.69	$ 0.65

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 $1.0 million 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 October 1, 2016, 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 October 1, 2016. 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 October 1, 2016, 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.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

As of October 1, 2016, 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 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
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

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.

	ENTEGRIS, INC.
Date: October 26, 2016	/s/ Gregory B. Graves
	Gregory B. Graves Executive Vice President and Chief Financial Officer (on behalf of the registrant and as principal financial officer)

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

Exhibit 31.1

CERTIFICATIONS

I, Bertrand Loy, certify that:

1. I have reviewed this Report on Form 10-Q of Entegris, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2016

/s/ Bertrand Loy

Bertrand Loy
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Gregory B. Graves, certify that:

1. I have reviewed this Report on Form 10-Q of Entegris, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2016

/s/ Gregory B. Graves

Gregory B. Graves
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q (the “Report”) of Entegris, Inc, a Delaware corporation (the “Company”), for the period ended October 1, 2016 as filed with the Securities and Exchange Commission on the date hereof, Bertrand Loy, President and Chief Executive Officer of the Company, and Gregory B. Graves, Chief Financial Officer of the Company, each hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 26, 2016

/s/ Bertrand Loy
Bertrand Loy
Chief Executive Officer

/s/ Gregory B. Graves
Gregory B. Graves
Chief Financial Officer