



# Media Release

Haag, Switzerland, April 16, 2019

## Q1 ORDERS AND NET SALES BELOW 2018 RECORD BUT CLOSE TO TOP END OF GUIDANCE, IMPROVEMENTS TO OPERATIONAL MODEL AND MARKET SHARE CONTINUE

### Q1 2019

- Stable demand for service and general vacuum businesses, while demand from semiconductor and display sectors below record Q1 2018 levels
- Orders down 41% year-over-year, 5% lower than Q4 2018; net sales decrease 35% year-over-year, down 14% versus Q4 2018
- VAT sees moderating quarter-over-quarter orders and sales decline as signal that bottom of current weak cycle may have been reached
- Specification wins in Semiconductor, Display and Solar support future market share gains, resulting from VAT's focus on leading edge innovation

### Outlook 2019 confirmed

- Softer market expected to reduce sales<sup>1</sup>, EBITDA, EBITDA margin and net income vs 2018
- Mid-term EBITDA margin target confirmed at 33%, supported by continuous improvements in operating model, market share gains and product innovation—achievement by 2020 depends on 2019 market development
- Capex of CHF 30-35 million; free cash flow expected to be above 2018 level

### Guidance for Q2 2019

- VAT expects net sales<sup>1</sup> of CHF 125 - 135 million

<sup>1</sup> at constant foreign exchange rates

### VAT GROUP

in CHF million	Q1 2019	Q4 2018	Change quarter-over-quarter	Q1 2018	Change year-over-year
Order intake	127.8	134.5	-5.0%	215.3	-40.6%
Net sales	127.7	148.8	-14.2%	197.8	-35.4%
	Mar 31, 2019	Dec 31, 2018	Change quarter-over-quarter	Mar 31, 2018	Change year-over-year
Order Backlog	113.5	113.6	-0.1%	183.5	-38.1%

### Pace of market slowdown eases in the first quarter of 2019

The market moderation that started in the middle of 2018 continued in the first quarter of 2019, albeit at a slower pace. Significant reductions in capital expenditures by semiconductor and display customers in new fabrication projects are reflected in the year-over-year comparison, with order intake and net sales down 41% and 35%, respectively, compared with the all-time net-sales record achieved in the first quarter a year ago. However, VAT



believes the more moderate decline in orders and net sales quarter-over-quarter compared with Q4 2018 (-5% and -14%, respectively) indicates, that the bottom of the current lower market cycle may have been reached.

Order intake in the first quarter of 2019 was CHF 128 million and the order backlog amounted to CHF 114 million, unchanged compared to the year-end 2018 level. The book-to-bill ratio in the quarter amounted to 1.0x. The decline in net sales was entirely driven by lower volumes, more than offsetting the mildly positive impact from product mix and the small tailwind from foreign exchange gains.

### **Steady demand in Global Service and General Vacuum, slowdown persists in Semiconductor and Display markets**

Compared to the all-time record results in the first quarter of 2018, the Valves segment reported a year-over-year net sales decline in the first quarter of 41% to CHF 96 million. Net sales in Global Service were flat at CHF 27 million. Net sales in the Industry segment were down 38% to CHF 5 million.

Starting January 1, 2019, VAT moved its third-party bellows business from the Industry segment into the Valves segment. The move reflects VAT's ambition to drive greater growth in the bellows business by better aligning it with its primary markets and the needs of customers in the semiconductor and general vacuum sectors.

On a quarter-over-quarter basis compared with the fourth quarter of 2018, net sales declined 17% in the Valves segment, 2% in Global Services and 14% in Industry.

#### **Valves**

Net sales in the Valves segment continued to be negatively affected by lower customer investments into new fabrication equipment compared with the high levels seen in the first quarter of 2018. Nevertheless, VAT's technology leadership supported an increase in customer requests during the quarter for new products needed in the next generation of semiconductor and display manufacturing equipment tools. The segment also delivered the first of its new remote plasma source valves to a leading global OEM serving the semiconductor industry, and carried out the first installation of its latest transfer and pendulum valves for TV-sized OLED (organic light-emitting diode) displays, in line with its strategy to gain market share in the display sector. Order activity remained high in VAT's solar business, driven by demand for transfer and control valves used in PERC (Passivated Emitter and Rear Cell) technology for high-efficiency solar panels.

Sales in the General Vacuum business unit increased in the first quarter compared with the same period a year earlier, driven primarily by higher demand in the research and scientific instrument sectors for increasingly pure vacuum environments and the application of more advanced light sources, such as synchrotrons used in the latest particle accelerators. The business also introduced a new electrically driven valve technology at several strategic customers in both Europe and Asia.

#### **Global Services**

The Global Services segment reported flat net sales in the first quarter despite the general downturn in the semiconductor market compared with the same quarter in 2018. The result was supported by sales of spare parts and valve upgrades as many customers focused on improving the productivity of their existing installed assets. Sales also reflect the Global



Service segment's increased focus on serving new markets, such as subfab valves used in pumping and abatement systems below the wafer fabrication floor.

## Industry

Industry segment orders and net sales were negatively impacted by declining sales of dampers needed for the latest generation of high-efficiency fuel injection systems to the automotive sector as the result of new emissions regulations in several markets.

## Execution of internal improvement measures continues

VAT's medium-term growth drivers remain firmly in place. In order to further optimize its operational setup and take full advantage of its flexible global organization, the company will continue to adjust costs in response to the changing market situation. This includes gains from economies of scale in global supply chains, as well as continued operational excellence measures across all of its business processes, such as product value engineering, introduction of flow line assemblies and measures to reduce trade working capital.

At the same time, VAT is committed to building its long-term innovation and market leadership and intends to maintain investments in new product development and productivity improvements in 2019. The company will also continue to invest in the ramp-up of the facility in Penang, Malaysia, to better serve the key Asia market and enable faster and more flexible capacity adjustments through the cycle.

## Segment data

### Valves

in CHF million	Q1 2019	Q4 2018 adjusted	Change quarter- over-quarter	Q1 2018 adjusted	Change year-over-year
Order intake	98	97.7	0.3%	175.2	-44.1%
Net sales	96.3	116.1	-17.1%	163.8	-41.2%
Inter-segment sales	12.2	9.3	31.2%	11.3	8.0%
Segment net sales	108.5	125.4	-13.5%	175.1	-38.0%

### Global Service

in CHF million	Q1 2019	Q4 2018 adjusted	Change quarter- over-quarter	Q1 2018 adjusted	Change year-over-year
Order intake	27.1	28.7	-5.6%	27.8	-2.5%
Net sales	26.9	27.6	-2.4%	26.8	0.4%
Inter-segment sales	-	-	-	-	-
Segment net sales	26.9	27.6	-2.4%	26.7	0.7%

### Industry

in CHF million	Q1 2019	Q4 2018 adjusted	Change quarter- over-quarter	Q1 2018 adjusted	Change year-over-year
Order intake	2.7	8.1	-66.7%	12.4	-78.2%
Net sales	4.5	5.2	-13.5%	7.2	-37.5%
Inter-segment sales	2.1	3.4	-38.2%	6.8	-69.1%
Segment net sales	6.6	8.6	-23.3%	14.0	-52.9%



## Additional information

There is a short media and investor conference call today, April 16, 2019, at 10am CEST.

To participate in the call please dial:

+41 58 310 5000 (CH/Europe)

+44 207 107 0613 (UK)

+1 631 570 5613 (USA)

A playback of the call can be accessed through our website [www.vatvalve.com](http://www.vatvalve.com) approximately one hour after the call has finished.

For further information, please contact:

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## Financial calendar

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Annual General Meeting	Thursday, May 16, 2019
Ex-date	Monday, May 20, 2019
Dividend payment	Wednesday, May 22, 2019
Half-year 2019 results	Thursday, August 8, 2019
Q3 2019 trading update	Thursday, October 24, 2019
Full-year 2019 results	Tuesday, March 3, 2020

## ABOUT VAT

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VAT is the leading global developer, manufacturer and supplier of high-end vacuum valves. VAT vacuum valves are mission-critical components for advanced manufacturing processes of innovative products used in daily life such as portable devices, flat screen monitors or solar panels. VAT is organized into three different reporting segments: Valves, Global Service and Industry offering high-end vacuum valves, multi-valve modules, edge-welded bellows and related value-added services for an array of vacuum applications. VAT Group is a global player with over 1'700 employees and main manufacturing sites in Haag (Switzerland), Penang (Malaysia) and Arad (Romania). Net sales in the financial year 2018 amounted to CHF 698 million.

## FORWARD-LOOKING STATEMENT

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Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "estimates" and similar expressions) should be considered to be forward-looking statements. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the company to be materially different from those expressed or implied by such forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the company's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the performance, security and reliability of the company's information technology systems, political, economic and regulatory changes in the countries in which the company operates or in economic or technological trends or conditions. As a result, investors are cautioned not to place undue reliance on such forward-looking statements.

Except as otherwise required by law, VAT disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this report.