



Media Release

Haag, Switzerland, October 24, 2019

CONTINUED TOP LINE GROWTH IN Q3 VS Q2 CONFIRMS THE BOTTOM OF THE CURRENT MARKET CYCLE HAS BEEN REACHED; NINE-MONTH ORDERS AND NET SALES BELOW 2018 LEVELS AS EXPECTED

Q3 2019 results

- Sequential orders up 10% and net sales 1% higher vs Q2 2019, as customer inventories normalize and demand for new technologies increases
- Q3 orders up 11% year-on-year; net sales 16% lower vs Q3 2018
- Internal measures continue to improve operational efficiency

Nine months 2019 results

- Development in line with expectations; orders 20% lower; net sales down 27%
- Market-leading R&D efforts intensified, Malaysia ramp-up proceeding according to plan

Guidance for Q4 and full-year 2019

- Q4 net sales¹ expected to return to year-on-year growth at CHF 150-160 million
- Full-year net sales forecast at CHF 550-560 million
- Full-year EBITDA margin expected to be above half-year 2019 level
- 2019 net income below 2018 level
- Full-year capex expected to be CHF 20 – 25 million; free cash flow above 2018 level

¹ at constant foreign exchange rates

VAT GROUP

in CHF million	Q3 2019	Q2 2019	CHANGE Q-O-Q ²	Q3 2018	CHANGE Y-O-Y ³	9M 2019	9M 2018	CHANGE Y-O-Y ³
Order intake	147.0	133.7	+9.9%	132.6	+10.9%	408.6	513.5	-20.4%
Net sales	137.0	135.3	+1.2%	162.7	-15.8%	400.0	549.3	-27.2%
	SEPT 30, 2019	JUNE 30, 2019	CHANGE Q-O-Q					
Order Backlog	120.7	111.8	+7.9%					

² QUARTER-ON-QUARTER ³ YEAR-ON-YEAR



Third-quarter and nine-month 2019 summary

Continued sequential quarterly growth confirms end of cyclical downturn

VAT's Q3 order intake and net sales improved on a sequential basis compared with the second quarter of the year. Orders grew 10% versus the second quarter to CHF 147 million. Q3 net sales were 1% higher than the second quarter at CHF 137 million, slightly above the midpoint of the company's Q3 guidance.

The higher demand was mainly driven by normalizing customer inventory levels, especially in the semiconductor foundry and logic market. While there is a record number of new production platforms being developed in anticipation of further technology advances and the expected medium-term recovery in equipment spending, semiconductor and display manufacturers continue to remain cautious in their capital investments.

On a year-on year comparison, third-quarter orders increased 11%. Group net sales declined 16%.

The second quarter book-to-bill ratio was 1.1 and as a result, VAT's order backlog at the end of the third quarter was CHF 121 million, up 8% compared with the end of June 2019.

Segment Review

Valves, VAT's largest segment, reported a sequential growth in orders and net sales in the third quarter of 2019 versus the second quarter of 15% and 2%, respectively, to CHF 116 million and CHF 103 million.

The growth was driven mainly by higher demand in the Semiconductors business unit as customer inventories returned to more normal levels. In addition, VAT recorded new specification wins and shipped several new product prototypes to be qualified by customers for use in the next generation of semiconductor fabrication equipment.

In the Displays business unit, vacuum valve demand is being driven in part by the newest generation OLED displays for mobile devices. The production of this newest display generation is more complex than previously and requires additional steps that are executed under vacuum as well.

In the General Vacuum business unit, additional market penetration efforts have started to show initial results, especially in China where VAT has added 6 additional distributors to take advantage of the expected growth.

Compared with the same period in 2018, third-quarter orders in the Valve segment increased 17%, while sales declined 20%. The Valve segment's book-to-bill ratio in the third quarter of 2019 amounted to 1.1x.

For the first nine months of 2019, the Valve segment's orders declined 23% and sales were 34% lower compared with the same period a year ago.

The **Global Service** segment reported third quarter 2019 net sales of CHF 28 million, a sequential decrease of 4% compared to the second quarter of 2019 but 3% higher than the same quarter in 2018. Third-quarter orders were down 6% versus the second quarter of the year, mainly due to the timing of new service projects in the subfab market. Compared with the same quarter in 2018, third-quarter service orders grew 1%.



For the first nine months of 2019, the Global Service segment increased orders by 2% to CHF 81 million, while net sales grew 8% to CHF 85 million. Growth was supported by the launch of new upgrade and retrofit products for major OEM platforms and new products in the subfab market.

In the **Industry** segment, third-quarter orders declined 9% compared with the second quarter of 2019, primarily the result of lower demand from the automotive sector, an important market for VAT dampers used in high-efficiency automotive fuel injection systems. Net sales increased 18% versus the second quarter, however, reflecting the delivery of orders received in previous quarters. Compared to the third quarter of 2018, orders declined 41% and sales were 6% lower.

For the first nine months of 2019, orders in the Industry segment decreased 51% to CHF 11 million while sales declined 22% to CHF 14 million.

Guidance for Q4 and outlook full year 2019

VAT's medium-term growth drivers such as the Internet of Things, cloud computing and storage, artificial intelligence and many other global digitalization trends remain firmly in place and are expected to fuel further demand for semiconductors and advanced displays. This, in turn, is forecast to drive demand for VAT's high-performance vacuum components and related services. In addition, VAT sees further expansion of vacuum-based production processes in a variety of industries.

The continued sequential improvement in orders and sales seen in the third quarter confirm that the cyclical market downturn is over. However, visibility for the rest of 2019 and the beginning of 2020 remains limited. End customers in VAT's largest end markets, such as semiconductor and display manufacturers, continue to be cautious in their capital investments.

On this basis, VAT expects net sales in the fourth quarter of 2019 to grow compared with the same quarter the previous year and amount to CHF 150 – 160 million.

For the full year 2019, VAT expects net sales of CHF 550 – 560 million at constant foreign exchange rates. The company also expects its second-half EBITDA margin to be above the level achieved in the first six months of the year. However, the full year EBITDA margin is expected to remain below the level of 2018, as previously reported. VAT maintains its mid-term EBITDA margin target of 33% by further improving the company's cost structure.

As a result of the expected lower net sales and EBITDA margin in 2019, VAT expects full-year net income to be below the level of 2018. Capital expenditures in 2019 are planned to be between CHF 20 – 25 million.

Free cash flow in 2019 is expected to increase compared with the previous year, mainly the result of improved net working capital management and lower capital expenditures.



Segment data

VALVES

in CHF million	Q3 2019	Q3 2018 adjusted ¹	Change	9M 2019	9M 2018 adjusted ¹	Change
Order intake	116.1	99.6	+16.6%	315.4	411.0	-23.3%
Net sales	103.3	129.8	-20.4%	301.0	453.1	-33.6%
Inter-segment sales	13.2	14.0	-5.7%	38.4	35.1	+9.4%
Segment net sales	116.5	143.8	-19.0%	339.4	488.2	-30.5%

GLOBAL SERVICE

in CHF million	Q3 2019	Q3 2018 adjusted ¹	Change	9M 2019	9M 2018 adjusted ¹	Change
Order intake	26.3	26.1	+0.8%	81.4	79.7	+2.1%
Net sales	28.4	27.5	+3.3%	84.8	78.2	+8.4%
Inter-segment sales	-	-	-	-	-	-
Segment net sales	28.4	27.5	+3.3%	84.8	78.2	+8.4%

INDUSTRY

in CHF million	Q3 2019	Q3 2018 adjusted ¹	Change	9M 2019	9M 2018 adjusted ¹	Change
Order intake	4.1	6.9	-40.6%	11.3	22.9	-50.7%
Net sales	5.2	5.5	-5.5%	14.1	18.1	-22.1%
Inter-segment sales	2.3	1.8	+27.8%	6.7	6.8	-1.5%
Segment net sales	7.5	7.3	+4.2%	20.9	24.8	-15.7%

¹ 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 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. The prior-period figures have been adjusted accordingly.



Additional information

There is a short media and investor conference call today, October 24, 2019, at 10am CEST.

To participate in the call please dial:

+41 58 310 50 00 (CH/Europe)

+44 207 107 06 13 (UK)

+1 631 570 56 13 (USA)

A playback of the call can be accessed through our website, www.vatvalve.com, approximately one hour after the call has finished.

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Financial calendar

Thursday, March 5, 2020	Full-year 2019 results
Thursday, April 23, 2020	Q1 2020 trading update
Tuesday, April 28, 2020	VAT Capital Markets Day
Thursday, May 14, 2020	Annual General Meeting 2020
Thursday, August 6, 2020	Half-year results 2020
Thursday, October 22, 2020	Q3 2020 trading update

ABOUT VAT

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 around 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 STATEMENTS

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.