



Haag, Switzerland, May 14, 2020

VAT Annual General Meeting 2020

Speech of Dr. Martin Komischke, Chairman of the Board of Directors

Ladies and Gentlemen, fellow shareholders, good morning and welcome.

Today we are taking the extraordinary step of holding our fourth annual general meeting since the IPO in 2016 in the absence of you, our valued shareholders. Regrettably, the ongoing global COVID-19 pandemic has required us to take this step, in line with both the safety guidelines of the Swiss government as well as our own commitment to protect the health and well-being of all of our stakeholders: employees, customers, suppliers, the communities in which we operate and, of course, our shareholders.

These are unprecedented times. We face new challenges at every turn: trying our best to keep ourselves and our loved ones safe and healthy; adjusting to personal restrictions that would be unimaginable under normal circumstances; and coming to grips with the unknown economic costs of the pandemic, both on a personal level but also as entrepreneurs who want to successfully and profitably grow a dynamic global business. These are significant tests for all of us, and require solidarity, commitment and responsibility. But I am optimistic that we will come through this stronger than we were before, as individuals, as a society and as a company.

Let me first give you a brief overview of the company and our performance in 2019 before describing where we stand today and what we see ahead, difficult though such forecasts may be.

As you know, VAT is the world's leading supplier of high-end vacuum valves used to make semiconductors, digital displays, solar panels, and many other high-precision products. Our valves are mission-critical for the Digital Era and make possible the continued development of Big Data, the Internet of Things, artificial intelligence, and all kinds of smart personal and industrial devices, to name just a few trends. This is a large and growing market with a very positive mid- to long-term outlook. As the clear global market leader in high-end vacuum valves, we are very strongly positioned to take advantage of the many growth opportunities ahead.

Although the semiconductor market, our biggest growth driver, has become much less cyclical than in the past—thanks largely to the diversification in demand for digital solutions across the economy—it remains a cyclical business. Market conditions reflected this in 2019, with orders and net sales declining in line with the slowdown that began in the second half of 2018.

However, we continued to focus on delivering customer value while building a fast and flexible global organization to secure our competitive success over the long term. I believe our 2019 results show the success of that approach. Despite an 18% decline in full-year net sales, we were able to maintain our EBITDA margin about 200 basis points above the average level of earlier cyclical downturns. We also once again increased our leading market share, now at 50%, and achieved record free cash flow. Net sales returned to year-over-year growth in the fourth quarter, a positive trend that was confirmed by our strong top-line results in the first quarter of this year.



I believe these results reflect the success of our efforts to create a faster, more flexible and more resilient business model, and our simple business strategy built around growth, profitability, and free cash flow.

Our growth strategy is focused on continuously building our market share through deep customer relationships and technology innovation. As I mentioned a moment ago, we succeeded in expanding our market share once again in 2019 by continuing to introduce new products across all of our businesses. We are developing new technologies that reduce particle emissions, increase valve reliability and improve high-speed process control. We integrate mechanical, electronic and computing capabilities into smart valves that make the fabrication of semiconductors and displays more efficient. Our strong pipeline of specification wins, which are product designs that our customers will use in the next generation of fabrication equipment, confirms our technology leadership and our ability to meet the changing needs of our customers.

We also aim for sector-leading profitability. Since VAT went public in 2016, we have driven increased operational agility through the cycle. We have broadened our global footprint, made supply chains more flexible and sped up internal processes. In 2019, we further increased production capacity at our Malaysia plant. The cost and efficiency program we introduced at the beginning of the cyclical downturn in 2018 played a significant role in our ability to generate an EBITDA margin in 2019 that was well above previous downturns.

And, we focus on generating healthy and sustainable free cash flows. That is the foundation of our financial strength and will allow us to take advantage of the many growth opportunities to come. It also supports our commitment to paying a sustainable dividend. We achieved a record level of free cash flow in 2019 by continuing to drive improved working capital management and, with the completion of our expansion at the Malaysia plant, reducing capital expenditures. We expect this to further support free cash generation in the coming years.

These three pillars allow us to create long-term economic value, but we also strive to create social and environmental value. For example, we invest in our people around the world through extensive training and transferring know-how. By expanding our global supply chains, we create value for the communities where we operate, whether in Switzerland, Romania or Malaysia. We develop production methods that reduce our physical impact on the environment, such as ground-source heat pumps to cool buildings during the summer. We are participating in an energy-saving initiative in Malaysia using solar panels on the roof of our plant there. Our ambition is to build a sustainability culture in VAT that supports our business, guides the attitudes and behaviors of our people, and contributes to the long-term well-being of all of our stakeholders.

Ladies and gentlemen, what I have just described is a company with significant competitive advantages: Undisputed global leadership in a market with strong and long-term structural growth drivers; deep customer relationships based on our ability to innovate; a flexible and resilient global business model; and a simple yet robust business strategy for creating value for all stakeholders.

But our biggest asset remains our people, and 2019 confirmed this. Our approximately 1,800 employees around the world once again demonstrated their commitment to VAT's long-term success despite a very challenging business environment, compounded by the additional stresses created by the ongoing COVID-19 pandemic. On behalf of the Board of Directors and Executive Management, I thank them for their great performance.

Let me turn now to the current situation and the outlook for 2020 and beyond.



Our top priority today is of course to ensure the health and well-being of all of our stakeholders. This has created significant additional challenges for our employees in terms of the need for social distancing, flexibility in working arrangements and our strict enforcement of other protective measures as set out by various local authorities around the world. These challenges come on top of impacts and restrictions our people have had to deal with in their personal lives over the past two months. So far, we have been able to keep the impact of the coronavirus pandemic to a minimum and for this, I would again like to thank our people for their commitment and support.

From a business perspective, the COVID-19 pandemic had relatively little impact on our first-quarter orders and net sales. We started early with rigorous enforcement of local health and safety guidelines and regulations across all of our facilities. Local restrictions led to a temporary halt in our operations in California and Malaysia near the end of the first quarter of 2020. However, governments and regulators in many countries have since designated the semiconductor industry and its suppliers as system-critical. As a result, we have received exemptions from those shutdown orders and are currently operating at normal capacity in Switzerland and with reduced staff in the US and Malaysia.

For the rest of 2020, we continue to expect a return to growth, driven mainly by the semiconductor-related businesses. However, uncertainty regarding the duration of the COVID-19 pandemic and its impacts on global supply chains during the next several quarters makes full-year forecasts increasingly difficult. We expect the designation of the semiconductor sector as system-critical to buffer some of the negative impacts of the pandemic on the global economy, but it isn't feasible at this time to make any reliable forecasts on short-term market developments.

Nevertheless, your Board remains confident for the future. VAT has become a stronger and more flexible and resilient company in the last few years, steadily expanding its market leadership and improving its global operational model to secure profitability and free cash flow. We have a strong balance sheet with sufficient liquidity to allow us to move quickly to take advantage of growth opportunities. I am convinced that good companies like VAT will come through the current crisis stronger than before and be in a position to create significant additional value as the economic environment recovers. On that basis, the Board of Directors is again recommending an unchanged dividend of CHF 4.00 per share.

I am also pleased that we have nominated Daniel Lippuner for election to the Board of Directors. Daniel is currently a board member for the Remnex Foundation, 3S Solar Plus and Amsler Tex. He has held senior management positions across a variety of global industrial companies and brings more than 25 years of experience from a range of manufacturing and technology companies. I'm convinced he will be a strong addition to the VAT Board.

Ladies and gentlemen, I would like to thank all of you for your continued trust in what I believe is a strong company with an exciting future. I also thank you for your understanding that we were unable to meet each other face-to-face this year, but I look forward to seeing you in person at our next annual general meeting in 2021.

Until then, stay safe and healthy.

Dr. Martin Komischke
Chairman of the Board of Directors