Lower demand expected in 2023 before return to growth in 2024

VAT expects investments in semiconductor manufacturing equipment to decline in 2023 in response to short-term market factors such as higher inflation, economic slowdowns in several key markets and ongoing geopolitical tensions and related macroeconomic risks.

For example, softer demand for smartphones and personal computing devices in 2022 resulting from lower consumer confidence in many markets, has led some chip manufacturers to temporarily reduce capacity in both semiconductors and displays. The impact of this trend was visible in the lower orders VAT recorded in the fourth quarter of 2022.

Slower-than-expected economic growth in China as a result of lockdowns related to the ongoing COVID-19 pandemic, and steps taken by some western governments to encourage reshoring of semiconductor manufacturing, have also led some market players to re-assess their short-term investment plans. As a result, market research indicates that WFE spending could fall 20–30% in 2023 before returning to growth in 2024 and beyond.

At the same time, chip manufacturers are expected to continue to invest in valve service and retrofit solutions in order to improve the productivity of their currently installed asset base. The increasing use of semiconductors in markets such as automotive is expected to partly mitigate lower chip demand forecast in other areas. The expansion of vacuum-based manufacturing into industries such as industrial coatings and e-beam applications may also partly offset lower demand in semiconductors, while solar photovoltaic demand is expected to remain strong as the transition to renewable energies continues in most parts of the world.

On this basis, VAT expects full-year sales and EBITDA in 2023 to be below the records set in 2022. However, the company expects to remain within its EBITDA margin target range of 32–37% by building its market position in leading-edge valve technologies, further strengthening its global footprint, and improving operational performance. VAT's Global Service business also provides a profitable buffer against cyclical swings in customer capital investments and the company will continue to improve its network of global service centers and its portfolio of valve upgrades and retrofits.

VAT intends to continue ramping up production and engineering services at its facility in Malaysia, increasing sourcing from best-cost countries, and gaining greater economies of scale in global supply chains. Significant investments in R&D will also continue, including its new technology innovation center in Switzerland.

Net income is also expected to be lower than in 2022, with capex forecast at CHF 80 – 85 million and free cash flow below the 2022 record but still at a high level.