

CEO Interview

Mike, following the record results in 2022, your final year as CEO of VAT has seen a marked slowdown in the semiconductor industry. What has the impact been on VAT?

As we breached the CHF 1 billion mark in net sales for the first time in our company's history, coupled with a record EBITDA-margin of 35%, 2022 was an outstanding year. However, by the middle of that year, we could already see the signs of a market weakness and our swift action and preparation meant we were able to come through it with good results. Looking now at the actual results of 2023 we can say that this downturn was much steeper and deeper than we forecast, exacerbated by the ongoing strength of the Swiss franc against all our major trading currencies. Nonetheless, I am proud VAT has risen to this challenge – being here for our customers, but also for our shareholders and our global team.

How did you notice that we were entering a downturn and what was the reaction?

VAT operates in a long-term growth industry, but during the second half of 2022, we started to notice a slowdown in order intake and a deterioration in some of our end markets. After three years of unprecedented growth semiconductor inventories were at a record high, especially in the memory sector and – coupled with a potential global recession looming – we knew we needed to activate our internal down-side protocols to minimize the impact of the predicted downturn.

However, whilst executing our cost-saving measures, we knew that the next upswing would not be too far away. One of the key success factors throughout the history of VAT is the fact that we always maintain or expand our readiness for the next upturn – this is where we generally gain share and therefore a fast start in all our factories is critical. All our efforts in reducing costs by ending non-essential projects or releasing our temporary workforce were carried out as sensitively as possible, and with the least possible negative impact on our ability to bounce back stronger from this downturn.

What was VAT's performance in 2023 and what stands out for you?

Despite the difficult investment environment in the semiconductor industry, we were still able to post strong results for 2023. We achieved orders of CHF 692 million, which is down 43% on the previous year. Thanks to a strong order-book we were able to generate sales of CHF 885 million, which is down 23% compared to the record of 2022. The 2023 EBITDA margin amounted to 30.6%. While this is below our stated mid-term range of 32 to 37%, we were able to move our second half margin of 32.1% into that range again. These numbers show that while market conditions are difficult, VAT is performing strongly. Our large exposure to the semiconductor sector, where the slowdown was strongest, was somewhat buffered as we benefited greatly from our Advanced Industrials (ADV) business. Its lower overall business volatility and the strategic initiatives paid off with ADV growing its sales by about 20% in 2023.

Beyond financials, what else has VAT accomplished for 2023?

2023 was a year of two halves. As mentioned, we saw the slowdown in the first half and expected a gradual improvement in the second half, so we continued investing in our next ramp-up phase. This includes continued

investment in our Malaysia operations, R&D efforts, the development of new products which are either in qualification, or starting early trials with key customers to be launched in due course. In Haag, we broke ground for the new Innovation Center, which we plan to open in early 2025. This will be the new central hub for the VAT team – offering engineers the space to develop next generation products, interact with our clients, but also offering a canteen – where our team can both relax and share downtime together. We are ready to harness this next phase of growth that the industry will serve up.

In your outlook for 2024 you sound certain that it will be a better year than 2023. What gives you this confidence?

2024 will be a mixed year – call it a transitional year. We expect to see steady improvement in the market environment and this should accelerate during the second half of 2024. Market observers predict today, that 2025 will be a year of substantial investment growth in semiconductor manufacturing capacity and typically VAT would expect to see orders for these investment plans to materialize up to six months ahead of this growth.

There are several factors that make such a scenario plausible. First, there is a consensus that our market will grow towards USD 1 trillion in semiconductor revenues by the end of the decade, fueled by the digitalization of our society. Second, there are more than 95 semiconductor fabrication plants that are currently being built and are expected to come online over the next two to three years.



MICHAEL "MIKE" ALLISON, CEO UNTIL DECEMBER 31, 2023

“Striving for breakthrough innovation, customer satisfaction and cost excellence resulted not only in strong 2023 results but also positions us for outperformance in the upcycle.”

We anticipate the adaption of new production technologies like ALD or EUV to increase in the next years. New semiconductor technologies, like Gate All Around (GAA) or High Bandwidth Memory (HBM), will require new production and more 'capital intense' equipment. Shorterterm, the restricted capacity in the newer memory fabs is creating demand for high-end wafer fab equipment – which we are benefiting from.

Looking back at your time at the helm, what do you think has changed the most at VAT in the past six years that you have been CEO?

Over the last 60 years, all VAT CEOs had the drive to move the company forward with its products and services. In addition, the last two had the task of moving VAT from a family-owned

company to a stock listed company, without losing the special cultural aspects that made VAT great.

Over the last six years, it was therefore important to instill a “large company” mentality within VAT, bringing in processes, organizational structure, global supply chain and production capacity to enable our growth. We also put a strong key account structure around our top 10 customers and this, together with our relentless focus on technological and engineering differentiators, has put us in the commanding position that we occupy today. My predecessors also had a great vision to invest at the right locations at the right time. Developing plans for building a second manufacturing site – in addition to the one in Switzerland – in Malaysia to be closer to our customers were crucial to our recent success and gains in market share.

However, that progress would not have been possible without the great VAT-family. I have worked in several companies and in many different countries and cultures, but what I have found here at VAT is truly unparalleled. There is this sense of pride in what we do, they are excited by the opportunities ahead and there is a true spirit of togetherness. Despite having almost three times more employees compared to the time of the IPO in 2016, these developments have not fundamentally changed the family spirit I found when I joined VAT. Combining tradition with the great ideas new people bring, enables us to continuously evolve and it's this that makes this company unique.

Why are you leaving now, at the beginning of an upturn?

I decided at the end of 2022 that it was the right time for me to leave by the end of 2023. I just turned 61 having worked in the semiconductor industry for nearly 40 years and having asked a lot from my family in all the moves we did during that time, it was the right thing to do. As well as giving me more time to spend with my family, I also realized that it was the optimal point in the cycle to hand over the business to the next generation. Leaving in an upcycle is not easy as the demands on the CEO and executive team are extreme, so it made sense to have a year of preparation and handover to the new team at that point. As soon as Urs was appointed, we spent almost six months planning the future and getting the company ready for the next stage of growth and I believe this transition was optimal for the company. And now, as we see 2024 as a year with improving business conditions, it's the right time to finally pass the reins to the team who has enabled VAT to flourish and see them reap the benefits from this hard work.

What do you expect your successor Urs Gantner to do differently?

Seeing Urs taking over the CEO role from me fills me with great pride and joy. For six years, I worked with Urs, first in his role as business unit head Semiconductor and for the last 18 months in his role as Executive Vice

President of the Semiconductor Solutions Group (SSG). If anyone can continue the VAT legacy, while at the same time embracing the future opportunities that our newly developing adjacent business will offer, Urs is the perfect choice. Having been with VAT for nearly 20 years, Urs has been instrumental in developing our semiconductor business and designing our mid-term strategy, together with the VAT leadership team and the Board of Directors. So, I expect limited change to the big picture strategy, but I am sure Urs will bring his own personal and distinctive style to the way he leads VAT in the future. I thank him for being an excellent colleague and wish him all the best in his new role.

What do you consider to be your legacy at VAT?

The successful ramp-up of all our facilities and reaching over CHF 1 billion in sales is a highlight for me, but so was building a fully engaged team who are ready to take on the next stage of our journey to CHF 2 billion. If I'd have to choose one thing I'm most proud of, then it must be the oneVAT spirit that we have cultivated and deepened, and consequently watching levels of engagement with our colleagues improve year by year. I enjoyed sponsoring a campaign for our employees and to see how diverse their outside-of-work activities are – and how they translate the enthusiasm into our VAT passions of integrity, teamwork, customer centricity and innovation. It has been a great privilege to lead such a wonderful, skilled and committed extended team and I will look forward to witnessing their success, but from now on, from the outside.

What will you do now, Mike?

For the moment, I'm enjoying that I don't have to respond to e-mails! I will be working on my golf swing but will also stay very close to the industry. After a break in 2024, I expect to take on a few board positions and also get involved in industry projects. Having been involved in the semiconductor industry for around 40 years, this is like an extended family to me, so I will keep connected and continue to fight hard to make semiconductors a priority in Europe.