

Media Release

Haag, Switzerland, March 3, 2022

- **Record 2021 results and positive outlook; dividend increase of 22% to CHF 5.50 per share proposed**
- **2025 sales target increased from CHF 1.1bn to CHF 1.5bn**
- **EBITDA range expected to be 32 – 37% over the cycle**

Q4 2021 results

- Group orders up 107% and sales up 36% vs Q4 2020 driven by significant capital investment programs in the semiconductor industry
- Book-to-bill ratio of 1.7 driven by generally extended lead times, as well as year-end concentration of order activity; order backlog of CHF 461 million, 62% higher than at the end of Q3 2021

Full-year 2021 results

- VAT extends its leading market position and technological leadership
- Orders up 70% year-on-year, sales increased by 30% vs 2020
- Record EBITDA margin of 34.2% on operational leverage, increased productivity and cost discipline

Upward revision of 2025 guidance

- Semiconductor capex expected to be USD 110-120 billion in 2025 (was USD 80 billion in December 2020)
- Four pillar strategy: market and market share growth, growth in adjacencies, expanded service business and solid contribution from advanced industrial and display/solar activities
- 2025 sales expected to be around CHF 1.5 billion; EBITDA margin over the cycle 32-37%

Outlook for 2022

- High investments in semiconductor manufacturing equipment to continue; demand growth also in advanced industrials; service business to benefit from installed base and high capacity utilizations
- VAT expects substantially higher sales, higher EBITDA and EBITDA-margin as well as significantly higher net income and free cash flow

Guidance for Q1 2022 adjusted downward

- VAT expects sales of CHF 245-255 million (was CHF 270-280 million) reflecting the more challenging supply chain bottlenecks and the resulting re-profiling of industry capex from H1 to H2 of 2022
- VAT expects quarterly sales growth through 2022

Q4 2021

in CHF million	Q4 2021	Q3 2021	CHANGE ¹	Q4 2020	CHANGE ²
Order intake	434.9	298.7	+45.6%	210.0	+107.1%
Net sales	255.4	229.4	+11.3%	187.6	+36.1%
Order Backlog	461.5	283.7	+62.7%	145.3	+217.6%

Full-year 2021

in CHF million	2021	2020 restated	Change
Order intake	1'227.9	724.5	+69.5%
Net sales	901.2	692.4	+30.1%
EBITDA	307.9	210.5	+46.3%
EBITDA margin	34.2%	30.4%	+3.8ppt
Net income	217.4	127.9	+70.0%
Basic earnings per share (EPS, in CHF)	7.25	4.27	+69.9%
Capex	42.6	19.2	+121.8%
Free cash flow ³	195.7	147.0	+33.1%
Dividend per share (in CHF) ⁴	5.50	4.50	+22.2%

¹ Quarter-on-Quarter

² Year-on-Year

³ Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities

⁴ Proposal of the Board of Directors to its shareholder at the Annual General Meeting on May 17, 2022



VAT achieves record 2021 results driven by strong markets, improved business execution and further market share gains

The global semiconductor industry – VAT's largest market – again grew strongly in 2021. Long-term demand drivers for semiconductors continued, such as the Internet of Things, cloud computing and developments in artificial intelligence. Shorter term, the dramatic shift to remote work and the sharp increase in e-commerce that resulted from the COVID-19 pandemic generated a significant increase in the need for data storage and processing. At the same time, the demand for chips in the automotive industry also continued to grow, driven by the adoption of technologies such as driver assistance systems, autonomous driving and ongoing fleet electrification. Finally, lockdowns and other restrictions imposed during the COVID-19 pandemic created significant bottlenecks in the global semiconductor supply chain.

Record investment levels in the semiconductors industry

All of these factors led the global semiconductor industry to accelerate investments in additional capacity in both leading edge chip technologies as well as legacy platforms in 2021. Overall, global wafer fab equipment (WFE) spending grew by 40% from its previous record level in 2020, reaching almost USD 90 billion. Demand was further supported by technology advances in semiconductor design, such as the continued increase in the number of transistors that can be fit onto a chip. These new production platforms require purer vacuum conditions in combination with more process steps performed under vacuum.

Demand remained steady in the solar photovoltaic sector, where VAT provides vacuum solutions for solar panel manufacturing. Market demand in the display market was soft especially for LCD panels, whereas the bottom of the business cycle was reached in mid-2021 as orders started to grow again, especially driven by increased penetration of OLED screens.

Strong performance supported by growth strategy and flexible footprint

On the back of these strong market fundamentals, VAT benefitted from its leading market and technology position to again outgrow the market, increasing its valve market share across all industries from 55% in 2020 to about 58% in 2021. In the more technologically demanding semiconductor segment, VAT's market share reached 75%.

This was achieved through a number of targeted growth initiatives, including the launch of new valve products, motion components and advanced modules. VAT also refocused its industrial business through its Advanced Industrials business unit (formerly General Vacuum) to capture growth opportunities in areas such as specialized coatings, batteries for electric vehicles and scientific instruments.

VAT also continued to invest heavily in innovation. In 2021, R&D investments amounted to CHF 45 million, or 5% of net sales. This contributed to a record number of specification wins for new manufacturing platforms, securing a strong basis for future revenue growth.

The company also continued to reap the benefits of its flexible global footprint and the continued implementation of operational improvement measures to mitigate ongoing supply chain constraints and further reduce costs.

As a result, VAT reported record net sales, EBITDA, EBITDA margin, free cash flow and net income in 2021.

Results higher across all key performance indicators

Total order intake in 2021 amounted to CHF 1.23 billion, up 69% from the previous year. The order backlog at year-end stood at CHF 461 million or 218% higher than at the end of 2020. This unusual order level partially reflects some pre-ordering by customers in the fourth quarter ahead of price increases planned for 2022. In addition, some smaller OEMs placed orders early in anticipation of further supply bottlenecks in the coming months.

Net sales in 2021 rose 30% to CHF 901 million. Net sales grew 29% in the Valves segment to CHF 729 million and Global Service sales rose 35% to CHF 172 million. Foreign exchange movements, especially in the US dollar against the Swiss franc, had a negative impact of about 3 percentage points on the 2021 net sales.



Gross profit¹ increased 33% compared with 2020 to CHF 571 million. The gross profit margin² improved to 63% compared with 62% a year earlier despite ongoing pricing pressure in certain raw materials and components. Personnel costs reflect a 25% increase in the number of employees (measured as full-time equivalents, FTEs) to 2,540 from 2,041 a year earlier to support the strong volume growth in 2021 and the growth expectations going into 2022. Personnel costs as a percentage of sales decreased significantly from 25.4% in 2020 to 22.3% in 2021 confirming VAT's operational leverage and productivity improvements.

EBITDA for the year increased by 46% to CHF 308 million, reflecting strong sales growth and execution of operational improvements. As a result, the full-year EBITDA margin improved from 30.4% in 2020 to a record 34.2%. The EBITDA margin includes a 0.6-percentage point negative impact from a change in the accounting treatment of cloud-based computing arrangements announced by the IFRS Interpretations Committee in 2021. In consequence, such costs as those for VAT's new ERP system can no longer be capitalized but have to be expensed through the income statement as they occur and formerly capitalized costs have to be restated. In this regard, VAT's restated 2020 EBITDA margin amounts to 30.4% – 1.0 percentage point lower than originally reported. Foreign exchange movements, especially in the US dollar against the Swiss franc, had no material impact on the 2021 EBITDA margin.

VAT's EBIT amounted to CHF 265 million, an increase of CHF 95 million, or 56%, compared with the year before. Compared with 2020, the EBIT margin increased by about 5 percentage points to 29%. Below the EBIT line, VAT incurred substantially lower financing costs of CHF 7 million, down about 55% compared with CHF 16 million a year earlier. This is mainly the consequence of lower non-realized net foreign exchange losses on financing activities.

Earnings before taxes (EBT) increased to CHF 258 million from CHF 154 million. The effective tax rate for 2021 was 16%, slightly down from 17% in 2020. VAT expects the effective tax rate to remain in the 18-20% range going forward.

As a result of these factors, and as indicated by company management during the year, realized net income attributable to shareholders substantially increased in 2021, amounting to CHF 217 million, an improvement of 70% compared with 2020.

On December 31, 2021, VAT's net debt amounted to CHF 80 million, representing a leverage ratio expressed as net debt to EBITDA of around 0.3 times. The average leverage over the course of 2021 was around 0.5 times net debt to EBITDA as steady free cash flow generation continuously reduced net debt after the seasonal peak at the end of May when VAT paid its dividend. The equity ratio at year-end amounted to 60% compared to 55% a year earlier.

Record EBITDA and free cash flow support increased dividend proposal

One of VAT's key performance indicators and the basis for our dividend consideration is free cash flow, which in 2021 again reached a new record of CHF 196 million compared with CHF 147 million the previous year. Higher EBITDA not only offset the increase in trade working capital of about CHF 56 million and higher taxes paid but also the increased capital expenditure (capex), which amounted to CHF 43 million in 2021 compared with CHF 19 million in 2020. Capex amounted to 5% of net sales in 2021, within the company's guidance of between 4-5% of sales.

At year-end 2021, net trade working capital of CHF 219 million was approximately 35% higher than the same time in 2020, but unchanged at 24% of net sales. This is above VAT's long-term target of 20% and reflects the company's growth expectations for 2022 and the current supply chain challenges which require a higher safety stock of certain materials and components.

As a result, free cash flow as a percentage of net sales was 22% and the free cash flow conversion rate was at 64% of EBITDA. Free cash flow to equity amounted to CHF 192 million compared to CHF 143 million in 2020.

At its Annual General Meeting on May 17, 2022, VAT's Board of Directors will propose a dividend for the fiscal year ending December 31, 2021, of CHF 5.50 per registered share, an increase of CHF 1.00, or

¹ Gross profit = net sales minus cost of materials plus/minus changes in inventories of finished goods and work in progress

² Gross profit margin: Gross profit as a percentage of net sales



22%. CHF 5.25 of this amount will be paid from the company's accumulated gains and CHF 0.25 per registered share from the company's remaining CHF 7.8 million of reserves from capital contributions. The proposal amounts to a total dividend amount of CHF 165 million, or 86% of VAT's free cash flow to equity.

Updated 2025 financial guidance – growth expected to continue

In December 2020, VAT issued mid-term targets for the period 2020-2025. At that time, VAT forecast a compound annual growth rate in its primary wafer fabrication equipment (WFE) market of about 9%, increasing from USD 58 billion in 2020 to around USD 80 billion in 2025. Based on this forecast, along with expected market share gains, higher service sales, growth in adjacent businesses and contributions from the Advanced Industrials and Display & Solar business units, VAT expected net sales in 2025 to exceed CHF 1.1 billion, with an EBITDA margin over the 2020-2025 period of 30-35%.

Since then, markets have developed at a much faster pace than expected. WFE in 2021 alone amounted to some USD 90 billion, already substantially above the level of USD 80 billion originally expected for 2025.

Leading market research firms now expect 2025 WFE to reach USD 110-120 billion, about 45% above the December 2020 forecast. The main drivers of this increase are higher capital investments in new logic chips with node sizes of 5 nanometers and smaller plus exponential growth expected in data generation and storage as megatrends in global digitalization continue, such as the Internet of Things, Big Data, artificial intelligence, autonomous vehicles and the roll-out of 5G wireless networks and the Metaverse.

As a result of these changes, VAT has increased its expected mid-term sales target in 2025 to around CHF 1.5 billion from previously CHF 1.1 billion. In addition, VAT now expects its EBITDA margin for the period 2020-2025 to be between 32-37% (previously 30-35%). As communicated in December 2020, the company continues to expect market share gains in all of its activities, led by semiconductors and service, as well as adjacencies such as motion components, advanced modules and upstream valves.

	Previous guidance			New guidance		
	2025	2020-2025	2021 actual	2025	2020-2025	
Sales ¹	> CHF 1.1 bn	high single digit over the cycle	CHF 901 m	~CHF 1.5 bn	CAGR of 17%	higher sales level
EBITDA margin		30-35%	34.2%		32-37%	higher EBITDA band

¹ at an USD/CHF exchange rate of 0.90

Outlook – 2022 expected to be another year of strong growth

VAT expects the trend of accelerated investments in semiconductor manufacturing equipment to continue in 2022 and VAT expects to further capitalize on its leading market position.

In displays, investments in OLED screens are expected to grow while investments in LCDs are forecast to remain flat. However, based on display orders received for delivery in 2022, VAT expects overall display sales to grow compared with 2021. In solar PV, the market is expected to grow in the low teens.

Forecasts for advanced industrials equipment sales in industrial markets point to continued growth, especially in molecular diagnostics related to the COVID pandemic. In addition, demand from the industrial coatings, automotive and the tooling businesses is expected to grow further in 2022.

VAT expects the market for its Global Service business to continue to grow in 2022 as semiconductor manufacturers continue to invest in both new capacity and in upgrading their existing vacuum equipment assets.

On this basis, VAT expects net sales in 2022 to be higher than in 2021. VAT will also continue to build its flexible global footprint and strengthen its natural hedge against foreign exchange impacts by further ramping up its production facility in Malaysia, increasing sourcing from best-cost countries, gaining greater economies of scale in global supply chains and driving further operational excellence measures.



At the same time, VAT remains dedicated to technology innovation. Investments in research, development and productivity improvements will therefore remain at the heart of VAT's strategy in 2022.

Furthermore, the company expects its EBITDA and EBITDA margin to increase substantially, driven by higher volumes and better cost absorption as well as the ongoing focus on costs. Because of expected higher sales, EBITDA, and EBITDA margin, VAT also expects 2022 net income to increase significantly compared with 2021.

The stronger operational performance is expected to again drive substantially higher free cash flow in 2022, despite the investments in Malaysia, the innovation center in Switzerland and ongoing production improvements in VAT's production hub in Switzerland. For 2022, capex is expected to be CHF 65-70 million.

Guidance for Q1 2022

VAT expects sales of CHF 245-255 million (was CHF 270-280 million) reflecting the more challenging supply chain bottlenecks and the resulting re-profiling of industry capex from H1 to H2 of 2022. VAT however expects quarterly sales growth through 2022.

Segment results Q4 and full-year 2021

VALVES

in CHF million	Q4 2021	Q3 2021	CHANGE ¹	Q4 2020 RESTATED ⁴	CHANGE ²
Order intake	375.9	249.5	+50.7%	172.9	+117.5%
<i>Semiconductors</i>	269.9	186.6	+59.2%	125.0	+137.6%
<i>Display & Solar</i>	34.8	20.7	+68.9%	16.9	+105.9%
<i>Advanced Industrials</i>	44.2	42.2	+4.7%	31.0	+42.6%
Net sales	204.6	185.4	+10.3%	150.0	+36.4%
<i>Semiconductors</i>	152.3	136.7	+11.4%	103.0	+47.9%
<i>Display & Solar</i>	18.3	15.6	+16.9%	16.3	+12.5%
<i>Advanced Industrials</i>	34.0	33.1	+2.7%	30.8	+10.4%
Inter-segment sales	21.9	18.9	+15.5%	16.9	+29.3%
Segment net sales	226.4	204.3	+10.8%	166.9	+35.6%
in CHF million			2021	2020 RESTATED ⁴	CHANGE ²
Order intake			1028.8	592.4	+73.7%
<i>Semiconductors</i>			772.2	414.3	+86.4%
<i>Display & Solar</i>			93.3	67.3	+38.6%
<i>Advanced Industrials</i>			163.3	110.8	+47.4%
Net sales			729.2	565.1	+29.0%
<i>Semiconductors</i>			534.7	383.0	+39.6%
<i>Display & Solar</i>			65.6	77.9	-15.8%
<i>Advanced Industrials</i>			128.9	104.3	+23.6%
Inter-segment sales			75.0	57.0	+31.6%
Segment net sales			804.2	622.1	+29.3%
Segment EBITDA			269.7	198.7	+35.7%
Segment EBITDA margin ³			33.5%	31.9%	

¹ Quarter-on-Quarter

² Year-on-Year

³ Segment EBITDA margin as a percentage of Segment net sales

⁴ Starting January 1, 2021, VAT integrated the former segment Industry into the Valves segment and in particular into the business unit Advanced Industrials (formerly General Vacuum) as the type of this business organizationally fits better into this business unit. The Group now reports in two segments: Valves, which encompasses the development, production, sales of vacuum valves and components and the Service segment, which comprises spare parts, upgrades and retrofits and the maintenance business of the Group. The Valves segment consists of the three business units Semiconductors, Display & Solar, and Advanced Industrials. Starting 2021, VAT will separately disclose orders and net sales of these three business units in an effort to further increase the transparency of its reporting. As a consequence, the reported segment figures have been restated accordingly.

GLOBAL SERVICE

in CHF million	Q4 2021	Q3 2021	CHANGE ¹	Q4 2020	CHANGE ²
Order intake	59.0	49.3	+19.7%	37.1	+59.0%
Net sales	49.9	43.9	+13.6%	37.5	+32.9%
Inter-segment sales	-	-	-	-	-
Segment net sales	49.9	43.9	+13.6%	37.5	+32.9%
in CHF million			2021	2020	CHANGE ²
Order intake			199.1	132.2	+50.6%
Net sales			172.0	127.3	+35.1%
Inter-segment sales			-	-	-
Segment net sales			172.0	127.3	+35.1%
Segment EBITDA			77.8	53.2	+46.3%
Segment EBITDA margin ³			45.3%	41.8%	

¹ Quarter-on-Quarter

² Year-on-Year

³ Segment EBITDA margin as a percentage of Segment net sales



Additional information

The analyst presentation of the results and the 2021 annual report are available on VAT's website at www.vatvalve.com.

VAT will host a remote media and investor event today at 11 a.m. CET via webcast and conference call.

Please follow the link below to access the webcast:

[Live Webcast](#)

For the conference call, please dial:

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Financial calendar 2022

Thursday, April 14, 2022	Q1 2022 trading update
Friday, May 6, 2022	Record Day; share register closed at 5pm CEST
Tuesday, May 17, 2022	Annual General Meeting 2022
Thursday, May 19, 2022	Ex-date
Monday, May 23, 2022	Dividend payment
Thursday, August 4, 2022	Half-year 2022 results
Thursday, October 13, 2022	Q3 2022 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 two different reporting segments: Valves and Global Service 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 2'500 employees and main manufacturing sites in Haag (Switzerland), Penang (Malaysia) and Arad (Romania). Net sales in the financial year 2020 amounted to CHF 901 million.

FORWARD-LOOKING STATEMENT

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.
