Media Release

Haag, Switzerland, August 6, 2020

HIGHER Q2 ORDERS AND SALES DRIVEN BY STEADY GROWTH IN SEMICONDUCTORS; H1 EBITDA MARGIN NEAR 30% AS OPERATIONAL IMPROVEMENTS CONTINUE

Q2 2020 highlights

- Group net sales up 28% vs Q2 2019; technology innovation key as customers invest in next-generation chip fabrication
- Fewer COVID-19 supply chain disruptions than expected; global footprint supports production continuity

Half-year 2020 highlights

- Continued market recovery drives 37% higher orders, 21% net sales growth vs H1 2019
- Group EBITDA margin up 460 basis points on higher volumes and strong productivity and cost focus

Outlook for remainder of 2020

- Semiconductor outlook remains positive; strength of recovery depends on macro impact of pandemic
- Assuming no substantial demand deterioration vs. H1, VAT expects FY 2020 net sales[1], EBITDA, EBITDA margin and net income to be substantially above 2019
- 2020 capital expenditure at circa CHF 30 million; free cash flow to depend on working capital needs, may be lower than 2019

Guidance for Q3 2020

- VAT expects net sales[1] of CHF 175 - 190 million

Q2 2020

in CHF million	Q2 2020	Q1 2020	Change[2]	Q2 2019	Change[3]
Order intake	176.8	181.3	-2.5%	133.7	+32.2%
Net sales	173.4	145.5	+19.2%	135.3	+28.2%
Order Backlog (as of June 30)	153.5			111.8	+37.3%

Half year 2020

in CHF million	6M 2020	6M 2019	Change
Order intake	358.1	261.6	+36.8%
Net sales	318.9	263.0	+21.3%
EBITDA	94.8	65.9	+43.8%
EBITDA margin	29.7%	25.1%	+460bps
Net income	55.7	24.9	+124.0%
Earnings per share (EPS, in CHF)	1.86	0.83	+124.0%
Capex[4]	11.6	6.7	+73.0%
Free cash flow[5]	39.9	45.2	-11.7%
Number of employees[6]	2’013	1’714	+17.4%

[1] At constant foreign exchange rates
[2] Quarter-on-Quarter
[3] Year-on-Year
[4] Capex contain purchases of property, plant equipment and intangible assets and proceeds from sale of property, plant and equipment
[5] Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities
[6] Full time equivalents (FTE)

Second-Quarter Summary

Strong semiconductor recovery drives orders and sales growth

Demand continued to recover in the semiconductor sector, VAT's largest end market, during the second quarter of 2020. The main drivers were stronger-than-expected demand for new fabrication technologies in logic and foundry applications and higher capital expenditures for the manufacture of memory chips. At the same time, supply chain bottlenecks from the COVID-19 pandemic were less severe than originally anticipated.

As a result, and as announced on July 9 2020, Q2 net sales reached CHF 173 million, a 28% increase compared with the same quarter in 2019 and above the guidance the company provided in April. Order intake in the second quarter grew 32% to CHF 177 million.

Segment Review

The Valves segment - VAT's largest business and the one most exposed to the semiconductor sector - reported net sales of CHF 139 million in the second quarter, a 38% increase compared with the same period a year earlier. Net sales in Global Service were 4% higher at CHF 31 million. Net sales in the Industry segment were down 27% to CHF 3 million.

Six-Month Summary

VAT's order intake in the first half of 2020 was CHF 358 million, an increase of 37% compared with the previous year. The order backlog at the end of June was CHF 153 million, also 37% higher than at the end of the same period in 2019.

Group net sales grew 21% to CHF 319 million in the first six months compared with the same period in 2019. Foreign exchange rate movements had a negative impact of around 3%. Based on preliminary market analysis from VLSI research, VAT further increased its leading market share across all industries to 52%.

The solid growth in orders and net sales in the first half reflects primarily the ongoing recovery in the semiconductor sector following the cyclical downturn that affected the industry from late 2018 until the middle of last year. In particular, many of VAT's largest original equipment manufacturer (OEM) customers are investing in new fabrication equipment platforms for the next generation of high-performance semiconductors. This, in turn, is driving demand for new vacuum valve solutions needed to achieve the highest levels of fabrication process purity.

Demand was also supported by the designation of the semiconductor sector as a system-critical business during the coronavirus pandemic. This allowed companies to maintain production through the crisis, provided they could ensure the safety and well-being of their employees, customers and suppliers. VAT was able to maintain production at its facilities in Switzerland, Romania and Malaysia through the first six months, in large part due to the commitment of its employees to consistently implement the various safety precautions and distancing guidelines established in their respective jurisdictions to prevent the spread of COVID-19. VAT reported only two COVID-19 cases among employees as of June 30, 2020.

Segment Review

In the Valves segment, sales increased by 30% in the first half of 2020 to CHF 256 million, led by an increase in the semiconductor business unit of more than 50%. The Display & Solar business also reported higher sales, driven mainly by demand for improved energy efficiency in the solar photovoltaic industry. Sales in the General Vacuum business unit were lower, reflecting the currently more cautious business environment in general industry.

The Global Service segment reported 2% lower net sales in the first six months at CHF 55 million, mainly reflecting the timing of service contract deliveries. The segment continued to introduce new service products during the first half of 2020, including valve upgrades and subfab applications used in pumping and abatement systems.

In the Industry segment, first-half sales declined, reflecting the continued slowdown in demand for dampers used in high-efficiency automotive fuel injection systems, which is the result of new emission regulations being introduced in several markets.

Strong EBITDA reflects higher volumes

Gross profit for the first six months of 2020 amounted to CHF 202 million, an increase of 25%. The gross margin was 63%, 2 percentage points higher than in the previous year period.

EBITDA for the first half of the year increased 44% to CHF 95 million and the EBITDA margin amounted to 29.7% versus 25.1% a year earlier, reflecting the improved absorption of fixed costs as a result of higher volumes, as well as ongoing operational improvements. EBIT for the first six months of 2020 increased 73% to CHF 74 million, leading to an EBIT margin of 23.3%. The improvement reflects both higher EBITDA as well as lower depreciation charges resulting from reduced capital expenditures in 2019.

VAT reported net finance costs of CHF 10 million for the first six months, about twice as much as a year earlier, reflecting foreign exchange losses on the reporting of loans and bank balances. The effective tax rate for the first six months of 2020 was 14% compared to 35% a year earlier, when the introduction of new tax regulations in Switzerland required the booking of additional deferred tax liabilities in the first half. The low tax rate was also affected by some recognized loss carryforwards outside of Switzerland. For the full year, VAT continues to expect the tax rate to normalize towards a long-term level of 18-20%.

The combination of higher sales and EBITDA with lower depreciation and tax charges more than offset the increase in finance costs and led to a first-half 2020 net income of CHF 56 million, more than double the level of the first six months of 2019.

On June 30, 2020, net debt amounted to CHF 230 million. The leverage ratio on a last-twelve-month (LTM) basis and measured as net debt to EBITDA was 1.3 times. The equity ratio on June 30, 2020 was 45.6%.

Execution of internal improvement measures continues

VAT continues to improve operational productivity, efficiency and flexibility so it can achieve sustainable improvements in both growth and profitability, even in rapidly changing markets. This includes leveraging global supply chains to drive cost, time to market and quality, as well as ongoing operational excellence measures in areas such as unifying ERP systems across all locations, product value engineering, new product development and more efficient and sustainable packaging and measures to reduce trade working capital.

The company also continues to ramp up production at its facility in Penang, Malaysia. Major OEM customers in Asia have benefitted from VAT's expanded footprint and value chains in the region as the company is able to better adjust capacity and secure production continuity through the cycle, including through extraordinary events such as the current COVID-19 pandemic.

Sales-driven increase in net working capital impacts free cash flow generation

Free cash flow in the first six months of 2020 amounted to CHF 40 million, 12% below the same period the year before. Capital expenditures of CHF 12 million in the first half of the year were significantly higher than the previous year, reflecting continued investments in new equipment in Switzerland and Malaysia. Net working capital (NWC) requirements also grew in the first half to support the large sales increase. As a percentage of LTM net sales, NWC increased to around 27%. The development of NWC in the second half of 2020 will depend on sales growth. Nevertheless, VAT maintains its mid-term NWC guidance of about 20% of LTM net sales.

The free cash flow margin for the first six months of the year was 13%, and the free cash flow conversion rate was 42% of EBITDA.

At the end of June 2020, VAT had 2,013 employees worldwide (measured as full time equivalents, FTEs), an increase of 299 FTEs versus the end of June 2019 and 203 more compared with the end of 2019.

Outlook for the remainder of 2020

VAT's medium-term growth drivers remain firmly in place. The Internet of Things, cloud computing and storage, artificial intelligence and many other global digitalization trends 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, which are mission-critical in the precision manufacture of these digital devices. In addition, VAT forecasts a further expansion of vacuum-based production processes in a variety of industries.

The development of VAT's orders and net sales in the first half of 2020 indicates that semiconductor demand continues to recover from the recent cyclical slowdown. However, the overall macroeconomic outlook for the rest of 2020 and into 2021 remains highly uncertain. This includes assessing the full impact of the COVID-19 pandemic on supply chains and end market demand, which cannot be accurately estimated at this point in time. Nevertheless, VAT expects that it is more diversified global footprint and supply chains will help mitigate potential supply and production bottlenecks in the coming quarters.

On that basis, VAT expects net sales[1], EBITDA and EBITDA margin to grow in the second half of 2020 compared with the first half of the year and to be higher for the full year 2020 versus 2019. The company also maintains its mid-term EBITDA margin target of 33%. Net income for the year is expected to be substantially higher than in 2019.

Capital expenditures for 2020 are planned at approximately CHF 30 million. The development of free cash flow in 2020 will depend on the pace of growth and the resulting net working capital requirements and may be below the level of 2019.

Guidance for Q3 2020

VAT expects net sales[1] of CHF 175 – 190 million.

[1] At constant foreign exchange rates

Segment results Q2 and six months 2020

Valves

in CHF million	Q2 2020	Q1 2020	Change[1]	Q2 2019	Change[2]
Order intake	**141.4**	146.6	-3.5%	101.2	+39.7%
Net sales	**139.4**	117.0	+19.2%	101.4	+37.5%
Inter-segment sales	**14.0**	12.1	+15.4%	13.0	+7.3%
Segment net sales	**153.4**	129.1	+18.8%	114.4	+34.1%

in CHF million	6M 2020	6M 2019	Change[2]
Order intake	**288.0**	199.3	+44.3%
Net sales	**256.4**	197.7	+29.7%
Inter-segment sales	**26.1**	25.2	+3.3%
Segment net sales	**282.5**	222.9	+26.7%
Segment EBITDA	**88.0**	56.5	+55.8%
Segment EBITDA margin[3]	**31.2%**	25.4%	

Global Service

in CHF million	Q2 2020	Q1 2020	Change[1]	Q2 2019	Change[2]
Order intake	**31.9**	31.0	+3.0%	28.0	+13.9%
Net sales	**30.8**	24.5	+25.4%	29.5	+4.4%
Inter-segment sales	**-**	-	-	-	-
Segment net sales	**30.8**	24.5	+25.4%	29.5	+4.4%

in CHF million	6M 2020	6M 2019	Change[2]
Order intake	**62.8**	55.1	+13.9%
Net sales	**55.3**	56.4	-2.0%
Inter-segment sales	**-**	-	-
Segment net sales	**55.3**	56.4	-2.0%
Segment EBITDA	**22.5**	25.0	-9.7%
Segment EBITDA margin[3]	**40.7%**	44.2%	

Industry

in CHF million	Q2 2020	Q1 2020	Change[1]	Q2 2019	Change[2]
Order intake	**3.5**	3.8	-7.3%	4.5	-23.3%
Net sales	**3.2**	4.0	-18.7%	4.4	-26.5%
Inter-segment sales	**3.9**	2.4	+64.4%	2.3	+68.3%
Segment net sales	**7.2**	6.4	+12.4%	6.8	+5.9%

in CHF million	6M 2020	6M 2019	Change[2]
Order intake	**7.3**	7.2	+1.4%
Net sales	**7.2**	8.9	-19.2%
Inter-segment sales	**6.3**	4.4	+42.4%
Segment net sales	**13.5**	13.4	+1.3%
Segment EBITDA	**2.1**	1.2	+70.3%
Segment EBITDA margin[3]	**15.3%**	9.1%	

[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 2020 half-year report are available on VAT's website at www.vatvalve.com.

VAT will host a remote media and investor event today at 10 a.m. CEST via webcast and conference call.

Please follow the link below to access the webcast:

Live Webcast

For the conference call, please dial:

+41 58 310 50 00 (Europe)

+44 207 107 0613 (UK)

+1 631 570 5613 (USA)

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Financial calendar 2020

Friday, October 16, 2020	Q3 2020 trading update
Wednesday, December 2, 2020	Capital Markets Day

Financial calendar 2021

Thursday, March 4, 2021	Full-year 2020 results
Thursday, April 15, 2021	Q1 2021 trading update
Thursday, August 5, 2021	Half-year 2021 results
Friday, October 15, 2021	Q3 2021 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 over 1'800 employees and main manufacturing sites in Haag (Switzerland), Penang (Malaysia) and Arad (Romania). Net sales in the financial year 2019 amounted to CHF 570 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.