



# Media Release

Haag, Switzerland, October 16, 2020

## **STRONG Q3 GROWTH ON CONTINUED STRENGTH IN SEMICONDUCTORS; POSITIVE OUTLOOK FOR Q4 SUPPORTS EXPECTED 2020 NET SALES OF BETWEEN CHF 670 – 685 MILLION**

### **Q3 2020 highlights**

- Net sales up 36% vs Q3 2019 on continuing strength in semiconductors, record sales in service and higher demand for general vacuum solutions
- Orders 6% higher, reflecting the rebalancing of customer inventory earlier in the year

### **Nine months 2020 highlights**

- Semiconductor market continues to gather pace; nine-month orders and sales up 26% each
- Specification wins at high level
- Malaysia plant ramp-up proceeding on schedule with Penang expected to generate sales of more than CHF 100 million in 2020
- Strong operational performance as business ramps to higher level

### **Guidance for Q4 and outlook for full-year 2020**

- Semiconductor market outlook remains positive for Q4 and into 2021
- Order activity expected to improve sequentially
- Q4 net sales<sup>1</sup> expected at CHF 165 – 180 million
- Full-year net sales<sup>1</sup> forecast at CHF 670 – 685 million
- Full-year EBITDA margin expected to be above 30%
- 2020 net income substantially above 2019 level
- Full-year capital expenditure expected to be below CHF 30 million
- Full-year free cash flow improvements due to higher EBITDA negatively impacted by working capital requirements and expected to be slightly below the 2019 record level

### **VAT GROUP**

in CHF million	<b>Q3 2020</b>	Q2 2020	CHANGE <sup>2</sup>	Q3 2019	CHANGE <sup>3</sup>	<b>9M 2020</b>	9M 2019	CHANGE <sup>3</sup>
Order intake	156.4	176.8	-11.6%	147.0	+6.4%	514.5	408.6	+25.9%
Net sales	185.9	173.4	+7.2%	137.0	+35.8%	504.9	400.0	+26.2%
Order Backlog (as of September 30)	124.1			120.7	+2.8%			

<sup>1</sup> at constant foreign exchange rates

<sup>2</sup> Quarter-on-Quarter

<sup>3</sup> Year-on-Year

### **Third-quarter and nine-month 2020 summary**

#### **Q3 sales growth driven by Semiconductor, Global Service and General Vacuum**

The global semiconductor sector, VAT's largest end market, enjoyed further strong growth in the third quarter. Semiconductor manufacturers continued to invest in new chip fabrication technologies and equipment. Demand also rose for VAT's growing portfolio of service solutions aimed at increasing fabrication uptime, leading to record service sales in the quarter.

Orders in the third quarter were 6% higher at CHF 156 million year-on-year. The third-quarter book-to-bill ratio amounted to 0.84x. The lower book-to-bill ratio was driven by some "front-end loading" of customer orders in the first two quarters of 2020 in response to the COVID-19 pandemic and higher



factory output in Switzerland and Malaysia. VAT's order backlog at the end of the third quarter was CHF 124 million, up 3% compared with the end of September 2019.

VAT's Q3 net sales grew to CHF 186 million, an increase of 36% compared with the same period in 2019 and towards the higher end of the company's guidance issued with the second-quarter results in August. Foreign exchange movements, especially in US dollars, had a negative impact of about 7 percentage points on Q3 net sales.

For the first nine months of 2020, Group orders and sales were both up 26% compared with the same period a year earlier. Foreign exchange movements had a negative impact on net sales of about 4 percentage points.

### **Segment Review**

**Valves**, VAT's largest segment, reported orders of CHF 121 million, up 4% year-on-year and net sales of CHF 147 million, an increase of 43% compared with the same period in 2019.

The growth was driven mainly by higher demand in the Semiconductors business unit, where end-users continue to invest in new technologies needed to manufacture the next generation of chips. The improvement also reflects the first deliveries of new products developed through specification wins achieved in prior quarters that resulted from the company's ongoing focus on innovation.

Orders and net sales in the Display business unit declined as higher demand for OLED screens used in the latest generation of smart phones could not offset lower customer investments in traditional LCD technologies. Net sales in the solar business grew in the quarter, with strong bookings reflecting the higher vacuum valve content needed for the latest photovoltaic cell production technologies.

The General Vacuum business unit saw some recovery among European industrial customers, albeit from a low level. Demand for scientific instruments and ongoing investments from the research sector, especially in the US and Asia, also increased.

For the first nine months of 2020, net sales in the Valves segment increased 34% compared with the same period a year ago, reaching CHF 404 million. Orders increased 30% to CHF 409 million.

The **Global Service** segment reported record net sales of CHF 35 million in the third quarter, an increase of 21% compared with the the same quarter in 2019, while orders were up 23%. Growth was supported by the ongoing introduction of new upgrade and retrofit service products and higher demand for spare parts.

For the first nine months of 2020, the Global Service segment grew net sales by 6% to CHF 89 million. Orders were 17% higher at CHF 95 million.

In the **Industry** segment, VAT's smallest segment, third-quarter sales declined by 18% to CHF 4 million while orders amounted to CHF 3 million, 33% lower compared with the same quarter a year ago. For the first nine months of 2020, orders decreased 12% to CHF 10 million while sales declined 19% to CHF 12 million.

### **Guidance for Q4 and 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 during the first nine months of 2020 indicates that semiconductor demand continues to grow across all chip sectors. This is further supported by the



development of customer consignment stocks that points to higher order activity during the fourth quarter of 2020 and into 2021.

The development of the COVID-19 pandemic remains uncertain and VAT is taking all necessary preventative measures to ensure business continuity through its more diversified global footprint and supply chains.

The recent weakness of certain foreign currencies against the Swiss franc poses a challenge for VAT as its main cost base is in Swiss francs. Although hedging strategies are in place to help mitigate the impact on VAT's business in 2020, and internal measures have been implemented to reduce the company's exposure to the US dollar, such as further production shifts to its Malaysia plant and the associated procurement from lower cost countries, the company expects some US dollar effects on net sales, EBITDA and EBITDA margin.

VAT expects Q4 sales<sup>1</sup> of CHF 165 – 180 million and full-year 2020 net sales<sup>1</sup> of CHF 670 – 685 million. The full-year EBITDA margin is expected to be above 30% and net income for the year is expected to be substantially higher than in 2019.

Capital expenditures for 2020 are now expected to be below the previously mentioned 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 slightly below the record level of 2019.

<sup>1</sup> at constant foreign exchange rates

## Segment information Q3 and nine months 2020

### VALVES

in CHF million	Q3 2020	Q2 2020	CHANGE <sup>2</sup>	Q3 2019	CHANGE <sup>3</sup>	9M 2020	9M 2019	CHANGE <sup>3</sup>
Order intake	121.4	141.4	-14.2%	116.1	+4.1%	409.4	315.4	+29.8%
Net sales	147.2	139.4	+5.6%	103.3	+42.5%	403.6	301.0	+34.1%
Inter-segment sales	16.1	14.0	+15.1%	13.2	+22.1%	42.1	38.4	+9.7%
Segment net sales	163.3	153.4	+6.4%	116.5	+40.2%	445.8	339.4	+31.3%

### GLOBAL SERVICE

in CHF million	Q3 2020	Q2 2020	CHANGE <sup>2</sup>	Q3 2019	CHANGE <sup>3</sup>	9M 2020	9M 2019	CHANGE <sup>3</sup>
Order intake	32.2	31.9	+1.1%	26.3	+22.6%	95.1	81.4	+17.1%
Net sales	34.5	30.8	+12.1%	28.4	+21.3%	89.8	84.8	+5.8%
Inter-segment sales	-	-	-	-	-	-	-	-
Segment net sales	34.5	30.8	+12.1%	28.4	+21.3%	89.8	84.8	+5.8%

### INDUSTRY

in CHF million	Q3 2020	Q2 2020	CHANGE <sup>2</sup>	Q3 2019	CHANGE <sup>3</sup>	9M 2020	9M 2019	CHANGE <sup>3</sup>
Order intake	2.8	3.5	-21.2%	4.1	-32.5%	10.1	11.3	-11.6%
Net sales	4.3	3.2	+32.2%	5.2	-18.0%	11.5	14.1	-18.7%
Inter-segment sales	2.9	3.9	-27.0%	2.3	+25.3%	9.2	6.7	+36.6%
Segment net sales	7.2	7.2	-0.3%	7.5	-4.8%	20.7	20.9	-0.9%

<sup>1</sup> Quarter-on-Quarter  
<sup>2</sup> Year-on-Year



## Additional information

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There is a short media and investor conference call today, October 16, 2020, at 10am CEST.

To participate in the call please dial:

+41 58 310 50 00 (CH/Europe)

+44 207 107 06 13 (UK)

+1 631 570 56 13 (USA)

A playback of the call can be accessed through our website, [www.vatvalve.com](http://www.vatvalve.com), approximately one hour after the call has finished.

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## Financial calendar 2020

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Wednesday, December 2, 2020

Virtual Capital Markets Day

## Financial calendar 2021

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Thursday, March 4, 2021

Full-year 2020 results

Thursday, April 15, 2021

Q1 2021 trading update

Tuesday, May 18, 2021

Annual General Meeting

Thursday, August 5, 2021

Half-year 2021 results

Friday, October 15, 2021

Q3 2021 trading update

## ABOUT VAT

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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

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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.