Fundamental mid-term growth drivers remain in place

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 over the next several years. 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.

For 2019, however, market visibility is very limited. The semiconductor and display sectors are still digesting the large increases in capital expenditures from 2016 to the middle of 2018. Independent market researchers, leading OEM manufacturers and VAT customers expect investments in these sectors to slow significantly in 2019, especially in the first half. On the other hand, forecasts are more positive for general vacuum growth in industrial markets and for service-related activities. Overall demand patterns for 2019 remain unclear.

On this basis, VAT expects net sales at constant foreign exchange rates in 2019 to be lower compared with 2018.

The company will continue to take advantage of its more flexible global organization and footprint to adjust costs in response to the changing market situation. This includes opportunities to realize gains from economies of scale in global supply chains as well as continued operational excellence measures across all of its business processes. At the same time, VAT is committed to building its long-term innovation and market leadership and intends to maintain investments in technology and productivity improvements in 2019.

The company expects its full-year EBITDA margin to be lower in 2019 versus the year before.

VAT maintains its mid-term EBITDA margin target of 33%, but its achievement by 2020 depends on the development of VAT's markets in 2019, underpinned by continuous improvements in the operating model, global footprint and product innovation.

As a consequence of the expected lower net sales and EBITDA margin levels, VAT also expects net income to be below the level of 2018.

Capital expenditures in 2019 are planned to be between CHF 30 and 35 million. Free cash flow in 2019 is expected to increase compared with the previous year, mainly as the result of improved net working capital management and lower capital expenditures.

Mid-term EBITDA margin target
in %

33