

# CEO Interview

## **The coronavirus pandemic made 2020 an extraordinary year. What were the main challenges for VAT?**

We benefitted from the decision to designate semiconductors as system-critical, so demand remained healthy. Nevertheless, keeping our employees, suppliers and customers as safe as possible was our top priority. I'm really proud of our people and how they quickly implemented all of the required safety measures. They showed remarkable commitment and flexibility to keep serving our customers at the high levels they expect.

## **What were the most important results for VAT in 2020?**

Our record EBITDA and EBITDA margin are strong achievements made possible by near-record net sales, continued new product launches, and our efforts to make VAT more flexible and efficient. It's even more impressive when you consider the margin headwind of about 1 percentage point from the relatively weak US dollar, in which most of our revenues are priced while most costs are in Swiss francs. We also delivered record free cash flow. And we did all this through a historic global pandemic.

## **What is driving the current upcycle in your business?**

Most digitalization megatrends are still in full swing, like artificial intelligence, the Internet of Things and cloud computing. The coronavirus pandemic, by encouraging the shift to home-office and on-line commerce, even accelerated some of these trends. We're also seeing more demand from the roll-out of 5G networks, which require a lot more data handling capabilities. Our valves are absolutely central to making the chips and displays that make digitalization possible.

More specifically, demand is being driven by the steady reduction in semiconductor node sizes to get more processing power into a smaller space. The last couple of years has seen a rapid reduction

in node size and we're starting to see commercial production of five-nanometer nodes. That's good for VAT because these chips require even higher vacuum purity and more manufacturing process steps under vacuum. We're the clear leader in this field and the barriers to entry are high, so this will definitely drive growth and market share gains. We see that confirmed in the record number of new specification wins in 2020, where we develop new products together with our customers for the coming generation of applications.

## **How do you think about the future opportunities for both organic and inorganic growth?**

The semiconductor market, where we sell most of our valves, is in a cyclical upswing. Our technology and market leadership positions us to capture those growth opportunities and gain market share. The expansion of our plant in Malaysia will help us better serve the fast-growing Asia market. We expect five times more sales from the plant by 2025. We'll also continue to expand services and move into profitable adjacent businesses.

As for inorganic growth, we have the financial strength to do some smaller technology bolt-ons to support our adjacent product offering if required. But our strategy is first to grow our business organically as this creates the most value.

## **Can you describe the adjacencies you mentioned as growth opportunities?**

These are businesses where we already have a technology advantage, like motion components used to move wafers through the fabrication process. Upstream valves is another opportunity, where we broaden our offering from valves used mainly in the process chamber to valves used in upstream applications such as plasma cleaning of wafers before they enter the chamber.



MICHAEL ALLISON, CEO

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**What are your goals for developing “smart” valves?**

This is another adjacency where our technology strength will support growth. We want to add smart features to our valves, such as self-monitoring for predictive maintenance, or improved algorithms for additional valve functionality. That will give customers greater process control so they can further increase yield and reduce downtime.

**How are you driving improved operational performance?**

We focus on three areas. The first is to make our cost structure more flexible and competitive by developing our supply chain and manufacturing capacity in best-cost countries. The second is to roll out seamless end-to-end business processes that increase speed and flexibility. Third, we aim to develop a high-performance operations organization that is lean, resilient and driven by an engaged and highly skilled workforce.

**How are you addressing sustainability in your business?**

Our ambition is to drive sustainable economic, social and environmental value creation. We’re doing this by expanding our global footprint, investing in the communities where we operate, spreading technology capabilities across borders, reducing waste and shifting to renewable energy sources, such as our project to generate solar power from the roof of our plant in Malaysia. These initiatives generate value for all of our stakeholders. We have a lot of opportunities to do more in this area. In the long term, sustainability is linked with competitiveness and we want to be leaders here as well.

**What’s your outlook for 2021?**

We’re optimistic that 2021 will be another year of growth. The coronavirus pandemic will remain a source of uncertainty but so far it has had a limited impact on our business. Technology innovation will drive growth and market share gains for us as the industry gears up for the next generation of semiconductors. And we’ll continue to drive operational improvements so that our growth comes with an attractive level of profitability.