

Favorable demand and market share gains expected in 2021

Despite the persisting uncertainties surrounding the COVID-19 pandemic, the medium-term growth drivers for VAT – mainly in the semiconductor industry, VAT's largest end market – remain firmly in place. Megatrends such as the Internet of Things, cloud computing and artificial intelligence have been boosted by pandemic-related developments, such as the shift to home office and the increase in online commerce.

Technology advances in logic and memory chips will drive further growth. As node sizes shrink and chip architectures change, the need for purer vacuums and the number of process steps under vacuum also increase. Vacuum-based production processes are also critical in the displays and solar photovoltaic (PV) markets and continue to gain importance in other industries.

For 2021, VAT expects growth to continue, driven mainly by the semiconductor- and service-related businesses. Market analysts estimate that investments in wafer fab equipment in 2021 could increase 10–15% compared with the record level of 2020. This plays to VAT's technology advantages and is expected to drive further market share gains.

In displays, investments in OLED screens are expected to remain muted. Declining investments in LCD displays are forecast to continue, leading to a generally softer market in 2021. In solar PV, the move to higher-efficiency cell designs is expected to lead to higher vacuum equipment investments. Forecasts for general vacuum growth in industrial markets are more positive in anticipation of economic recovery following the COVID-19 pandemic.

On this basis, VAT expects net sales at constant foreign exchange rates in 2021 to be higher compared with 2020. 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 and development and productivity improvements will therefore remain at the heart of VAT's strategy in 2021.

Furthermore, the company expects its EBITDA and EBITDA margin to increase, driven by higher volumes and better cost absorption as well as the ongoing focus on costs. This higher EBITDA expectation includes the headwind from adverse foreign exchange developments, especially the weakness of the US dollar versus the Swiss franc. Because of expected higher sales, EBITDA, and EBITDA margin, VAT also expects 2021 net income to increase compared with 2020.

The stronger operational performance is also expected to drive higher free cash flow in 2021, despite a planned increase in capital expenditure to approximately CHF 40 million.