

PASSION.PRECISION.PURITY.

# VAT – We change the world with vacuum solutions

Second quarter and half-year 2023 results

[www.vatvalve.com](http://www.vatvalve.com)

# Leadership Handover

## Urs Gantner



### Urs Gantner designated CEO as of January 1, 2024

- Joined VAT in 2004 and has intimate semi experience
- Appointed Head of the Business Unit Semiconductors in 2015: proven track record of growing the VAT semi business at a rate of twice the market
- Appointed EVP Semiconductor Solutions Group in August 2022
- Central role in the development and growth of VAT's manufacturing facility in Malaysia, including the localization of engineering and product management
- Successful expansion into profitable adjacent product markets
- Expert knowledge of the sustainability requirements of the semi industry
- Integrating the existing Semiconductor business unit with all VAT's R&D activities and creating a new "advanced solutions" development team
- Focused on the digitalization of VAT's products and the development of game changing new products, solutions and services for the sub-3nm era



# Second quarter and half-year 2023 results

## Agenda



1. Highlights
2. Second quarter and half-year 2023 financial review
3. Creating value sustainably
4. 2023 market expectations and outlook
5. Q&A

Mike Allison, CEO

Fabian Chiozza, CFO

Fabian Chiozza, CFO

Mike Allison, CEO

# 6M 2023 Highlights



## Slowdown in semiconductor spending shows expected impact on Q2 and H1 orders, sales and profitability

4



Orders down y-o-y but up sequentially

Decrease in y-o-y orders reflects lower investment activities mainly in Semiconductors; Global Service in-line with softer market conditions, especially in semiconductors; Advanced Industrials less severely impacted



Strong Q2 business execution

Negative sales development driven by weak orders and FX headwind; execution of order backlog softens sales decline



Lower profitability

EBITDA-margin impacted by lower volumes and FX headwind  
Operational cost reduction measures are implemented and maintaining readiness for expected market recovery



Investments into the future

R&D spend and investment in additional production capacity in Malaysia on track; construction of Innovation Center started



Outlook for 2023 reiterated

Investment conditions in Semiconductors expected to remain soft but gradually improving; growth is forecast in Advanced Industrials; Global Service segment sees weaker market conditions due to lower demand in its semiconductor business

Focus remains on cost, R&D, capacity – readiness for next upcycle

# Our business focus & performance

## Strong backlog softens the blow from weak orders



### Our business segments

*(Share of 6M 2023 net sales)*

**Valves**  
(79%)



**Global Service**  
(21%)



### Delivering outstanding performance

**292** (-55%)

6M 2023 order intake  
(M CHF)

**454** (-17%)

6M 2023 net sales  
(M CHF)

**29.2%**

6M 2023 EBITDA  
margin

**37** (-53%)

6M 2023 free cash  
flow (M CHF)

**41** (+13%)

High specification  
win level maintained

**0.6x**

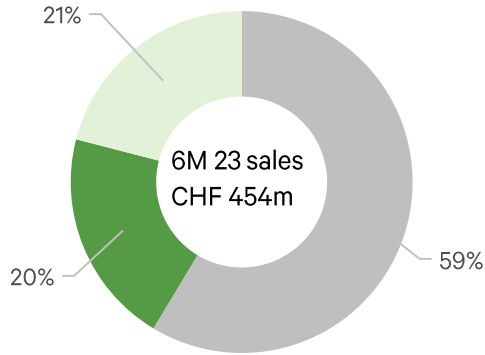
Leverage ratio  
(NET debt / LTM EBITDA)

# Our markets

## Semiconductors remain our driving force, Advanced Industrial softens down-cycle

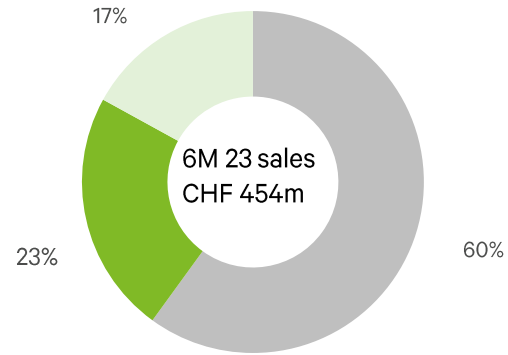


Sales breakdown by market segment 6M 2023



~75% of VAT's Group sales are semiconductor related

Sales breakdown by region 6M 2023



■ Semiconductor ■ Advanced Industrials ■ Global Service

■ Asia ■ Americas ■ EMEA

# Innovation and Adjacencies

## Innovation core to growth; Adjacencies see headwinds in-line with market



### VAT maintains tech leadership despite down-cycle



- 6M 2023 spec win rate highest in the past 3 years despite overall market slowdown
- Construction on Innovation Center in Haag underway, on track to be inaugurated in early 2025

### Adjacencies continue market penetration



- Successful execution of Adjacencies strategy continues, but 6M 2023 sales down in line with the semi business
- 25% of total Semi spec wins generated in Adjacencies
- Additional Adjacencies are close to market introduction with first prototypes delivered to customers
- Margin profile of adjacent business supportive of VAT's overall profitability profile

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# Financial highlights 6M 2023

## Group key figures



Orders  
CHF 292m  
-55%

Net sales  
CHF 454m  
-17%

EBITDA  
CHF 132m (-31%)  
EBITDA margin  
29.2% (-5.8ppt)

Net income  
CHF 84m  
-43%

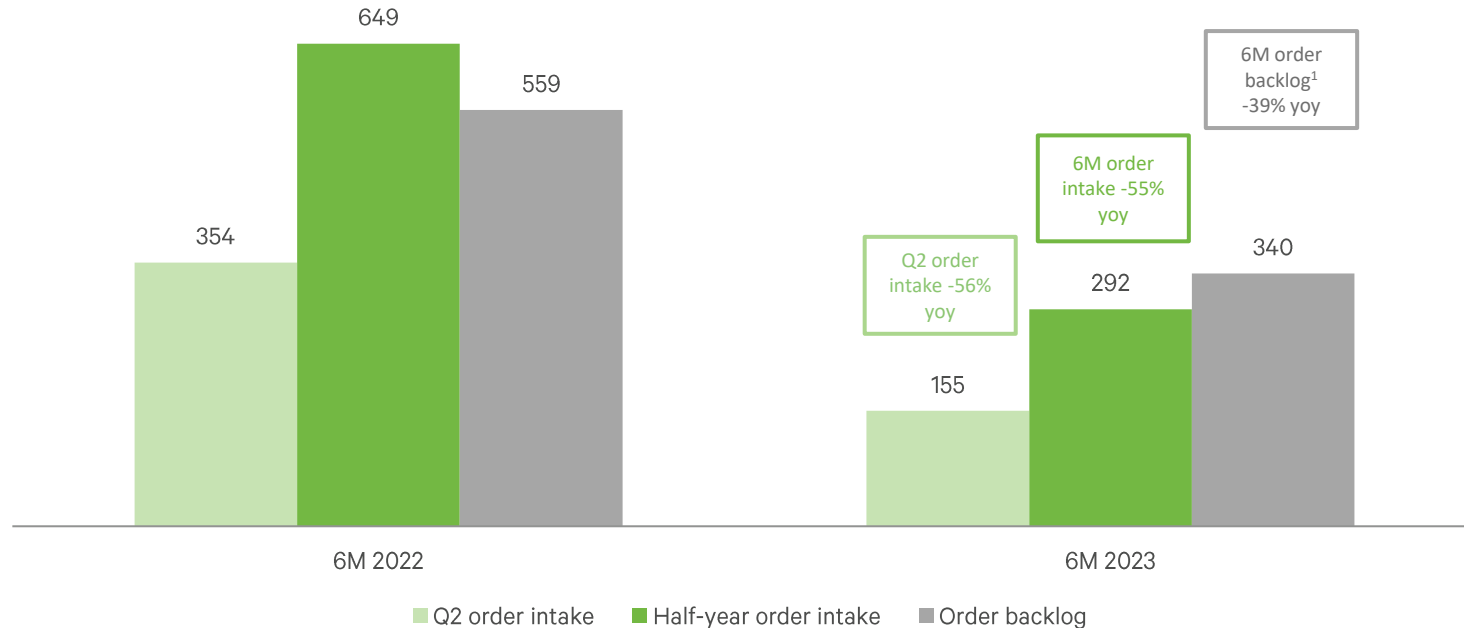
Free cash flow  
CHF 37m  
-53%

Leverage  
(Net debt/LTM EBITDA)  
0.6x

# Order intake



Q2 2023 orders down 56% y-o-y but 14% up compared to Q1 2023 indicating trough might have been reached

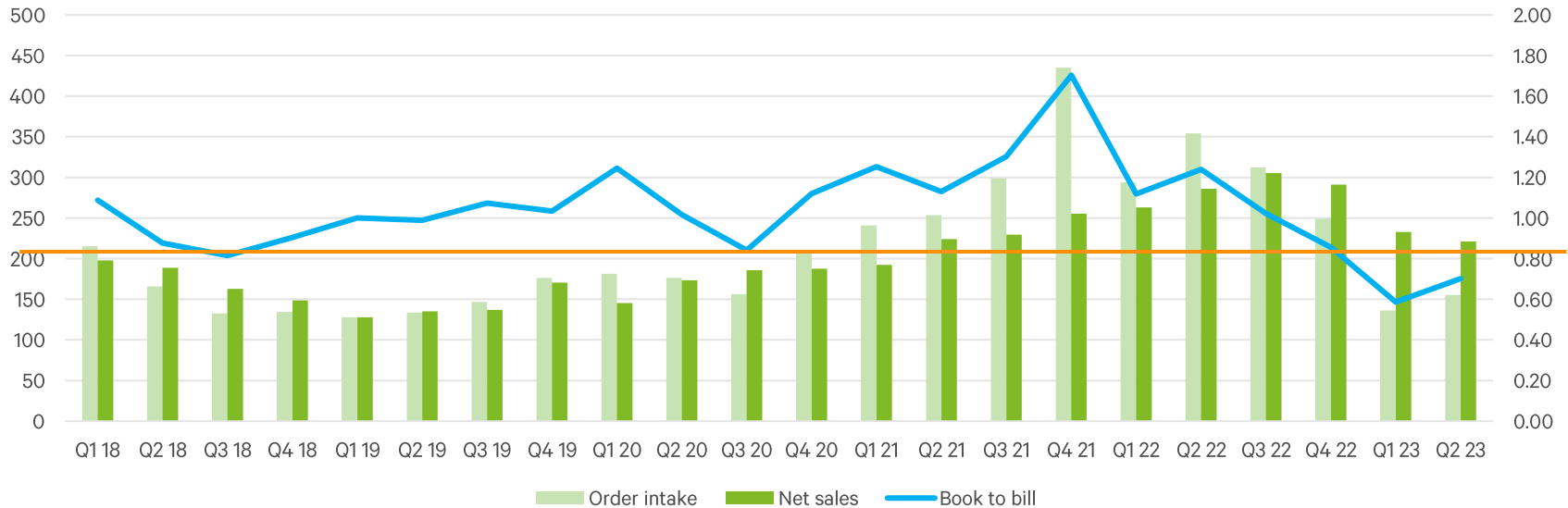


<sup>1</sup>Order backlog as of June 30, 2022 and June 30, 2023

# Orders and sales

## Sequential book-to-bill improvement in Q2 23

indicates that bottom of cycle might have been reached

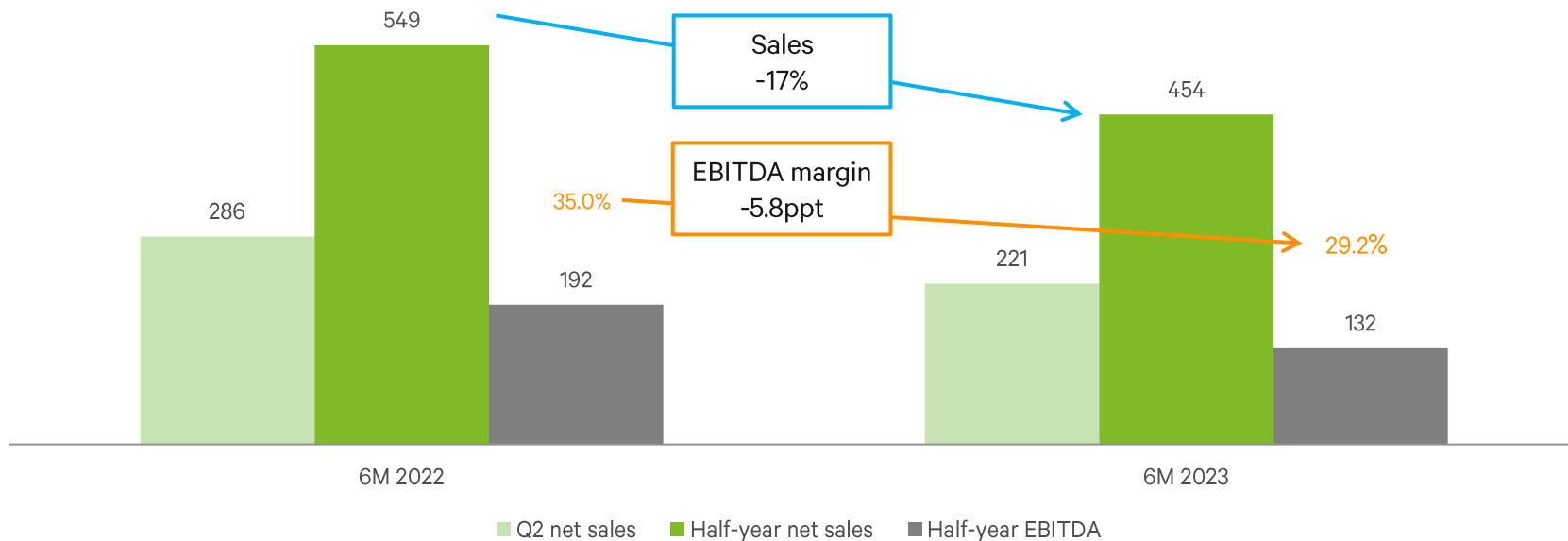


- Slow down in y-o-y order momentum driven by lower investments in semiconductor manufacturing equipment
- Q2 2023 Book-to-bill ratio of 0.7x recovered slightly from Q1 low but is still substantially below the previous year's level of 1.24x

# EBITDA and EBITDA-margin



## Lower EBITDA-margin; cost reduction measures offset by the negative volume impact and FX headwind

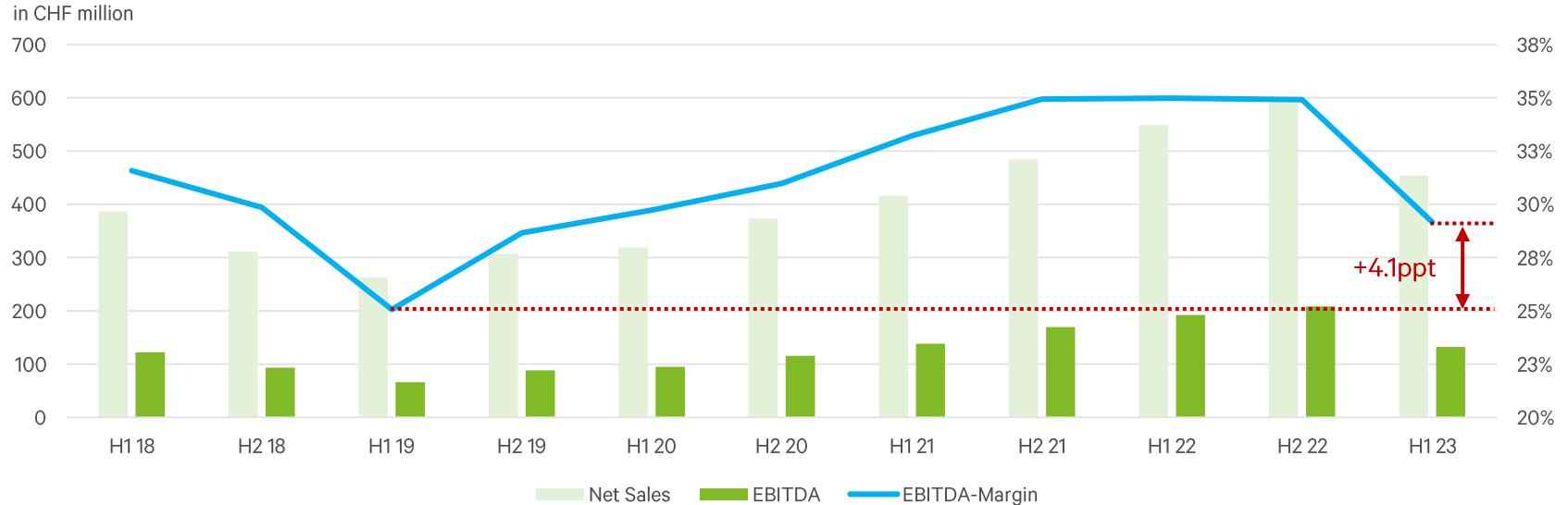


- FX movements (mainly USD/CHF) had a negative impact on 6M 2023 sales of about 5% and 1.1ppt on the EBITDA-margin

# Resilient EBITDA margin



## More resilient EBITDA-margin compared to H1 2019 down-cycle despite substantial FX headwind

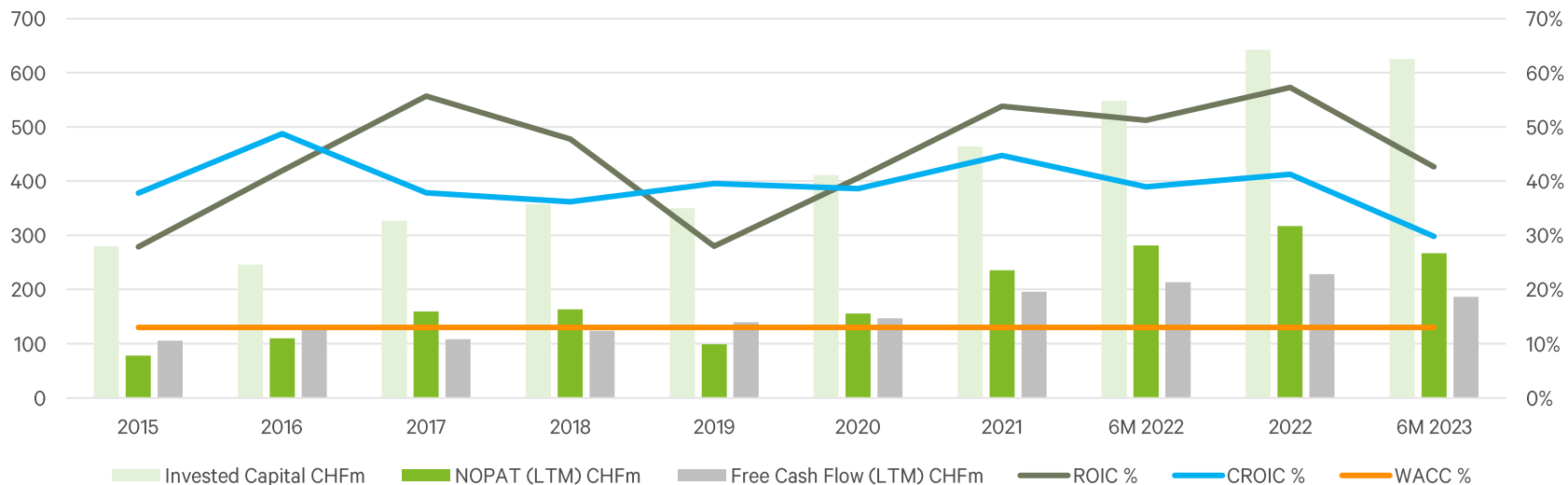


- Y-o-Y EBITDA margin decrease in H1 less pronounced compared to the 2019 down-cycle
- EBITDA margin of 29.2% is 4.1 ppt higher than in the 2019 trough

# Sustainable value creation



## VAT consistently generates high economic profits and cash returns on invested capital even in market down-cycles



- The return on invested capital (ROIC) and the cash return on invested capital (CROIC) both remain substantially above the Group's weighted average cost of capital (WACC, 13% as used in the 2022 impairment test)
- Sustainable generation of economic profit over the cycle benefits all VAT stakeholders

- ROIC calculated as NOPAT over invested capital
- CROIC calculated as Free cash flow over invested capital
- Net operating profit less adjusted taxes (NOPAT) is calculated as EBITDA minus depreciation and amortization (excluding amortization of acquired technology and customer relationships) plus finance income (excluding net foreign exchange gains/losses from financing activity) less taxes at the average Group rate of 16% (previous year 16%).

## Below the EBIT line



# Lower EBITDA, higher finance costs yield in lower net income

in CHF million	6M 2023	6M 2022	Change
EBITDA	132.4	192.1	-31.1%
Depreciation and amortization	-20.7	-20.0	3.5%
EBIT	111.7	172.1	-35.1%
Finance net	-11.3	0.0	-
EBT	100.4	172.1	-41.7%
Income tax expenses	-16.2	-24.5	
Effective Tax Rate	-16.1%	-14.2%	
Net income	84.2	147.6	-42.9%

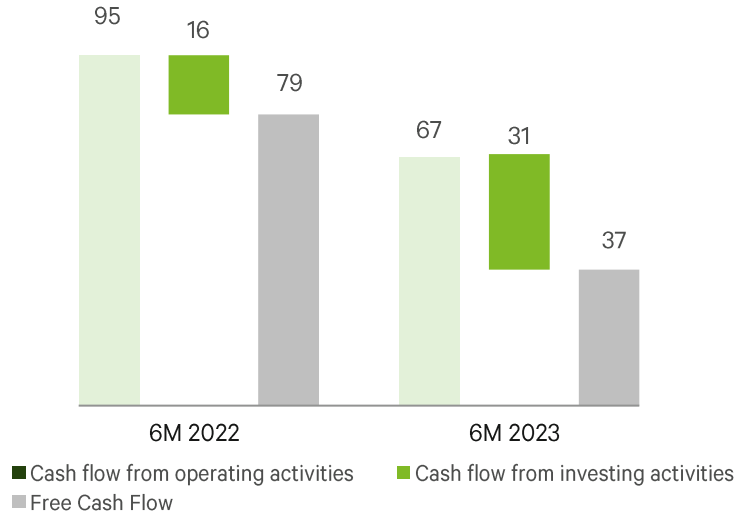
- Higher finance costs due to FX related revaluation of bank loans and bank balances
- Effective 6M 2023 tax rate slightly higher than 6M 2022 but lower in absolute amounts

# Free cash flow

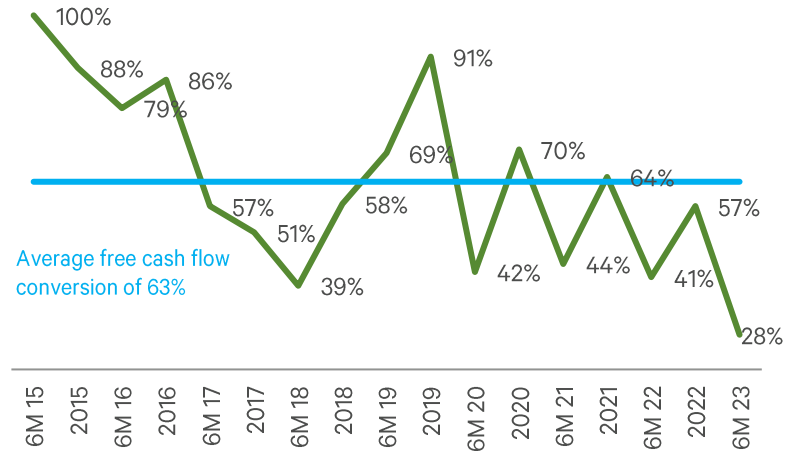


## Free cash flow lower as expected on lower operating cash flow coupled with higher capex

Free cash flow development



Free cash flow conversion



- 6M 2023 free cash flow performance driven by lower EBITDA, higher trade working capital and increased capex mainly for the second facility in Malaysia
- Growth and efficiency related capex of 6.9% of sales during 6M 2023 compared to 2.9% a year earlier

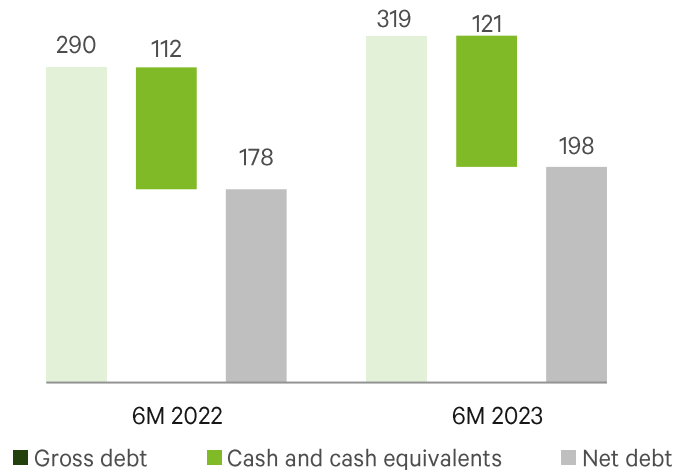


# Net debt

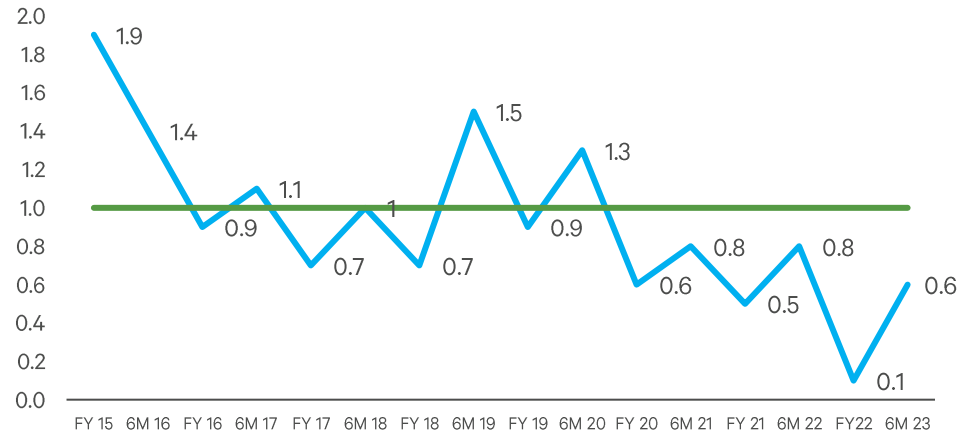


## Net debt and leverage increased as free cash flow off-set the seasonal leverage uptick less than 2022

Net debt development



Leverage development



- Net debt position remains solid: CHF 200 million bond matured in Q2 2023
- Gross debt on June 30 includes CHF 200 million term-loan used to repay bond and partial use of CHF 250 million RCF

- Half-year leverage remains below 1x; higher levels compared to year-end 2022 reflect dividend payment in May 2023
- Strong balance sheet prerequisite for future success; organic growth initiatives based on substantial R&D investments

# Challenging business environment and substantial FX headwind; full-year 2023 guidance confirmed to be below 2022

### Reflections on 6M 2023

- Slowdown in semiconductor spending shows expected impact on Q2 and H1 orders, sales and profitability
- VAT believes market might have bottomed; demand expected to improve sequentially over remainder of 2023
- VAT's established downturn protocols applied and in full execution

### Finance priorities for rest of 2023 and into 2024

- Strong focus on cost management and operational excellence while maintaining maximum rebound capabilities into 2024
- Continue with preparations for seamless ERP introduction in Switzerland in 2024
- Manage appropriate TWC to support expected market recovery in 2024
- Disciplined approach to capex, expected around CHF 80 – 85 million driven by second Malaysia plant and optimizations in Switzerland, Innovation Center on track

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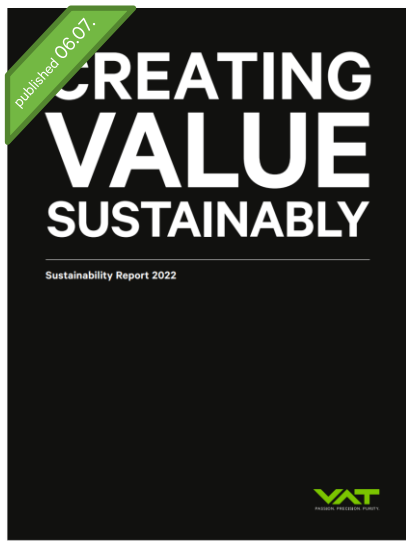
# Creating Value Sustainably

## Second Sustainability Report published with greater level of detail; further progress in CO2 emissions vs. 2021



### Delivering outstanding results in 2022

#### Inaugural ESG targets for VAT



Founding member -  
Semiconductor Climate Consortium



Equal pay for equal work

Improvement to

Advanced

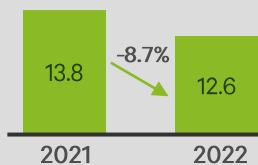


37.5%

Women  
on the Board of  
Directors

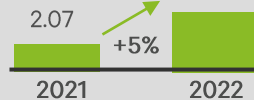
\*As of May 16, 2023

CO<sub>2</sub> emissions in tons  
per CHF 1m revenue



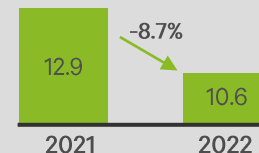
Lower emission intensity

Self-generated solar  
power consumption in  
kWh millions



Increased use of solar energy

LTIFR per 1,000,000  
hours worked



Fewer accidents and illnesses

LTIFR= Lost Time Injury Frequency Rate

# Inaugural ESG Targets

## Confirmed Strategic Directives



“Today we have a much better view of how our business – along the entire value chain – affects the environment, our people and society as a whole.”

Dr. Martin Komischke,  
Chairman of the Board of Directors

### INAUGURAL ESG TARGETS

Based on VAT's first Materiality Assessment, improved measurement of greenhouse gas emissions and other impacts and the integration of ESG performance into mid-term strategic and operational planning, the company has established its first ESG targets for the period 2022-2030.

#### Climate protection

50%

reduction in Scope 1 & Scope 3  
CO<sub>2</sub> emissions by 2025

#### Leadership diversity

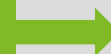
25%

share of women in leadership  
positions by 2027

#### Workforce diversity

23%

share of women among  
new hires by 2027



25%

share of women among  
new hires by 2030

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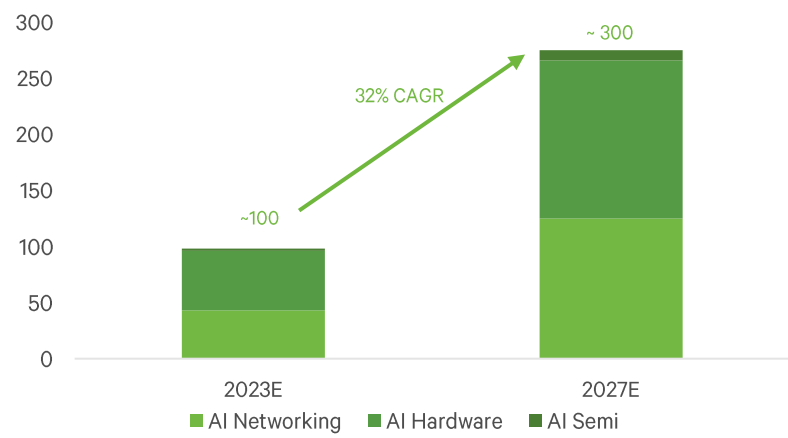
Mike Allison, CEO

# Artificial Intelligence (AI)

## VAT will be a key enabler of advanced AI chip manufacturing hardware



TAM of AI-related revenues (USDbn)



- Significant additional investment in leading edge semiconductor manufacturing capacity required beyond existing capex plans

### Why AI Matters to VAT

Supports expected WFE growth to USD 110bn+	Increased vacuum content as a percentage of WFE
Energy efficiency driven by push to smaller nodes	Higher DRAM and NAND content
Increasing opportunities for Adjacencies	Deepen relationships with established supplier status

As the global technology and market leader in vacuum solutions, VAT will be one of the key beneficiaries of the high capital intensity required for the leading-edge semiconductor production

Source: Refinitiv.

# Market outlook



## Markets showing cautious optimism for H2

### Short- / Mid-Term Market Outlook



#### Semiconductor

Estimated WFE capex to reach c. USD 80bn 2023; 2024 forecast market growth of c. 10% to c. USD 90bn  
Trailing-edge demand remains strong, driven by China and the Automotive market  
High customer inventories are gradually declining and could drive demand in H2



#### Service

Further improvements of service centre network and valve portfolio; upgrades business expected to remain muted with consumables flat



#### Advanced Industrials

Solar business remains strong, with PERC, TOPCon and HJT investments delivering growth  
Research applications and scientific instruments to see further growth



# Market Forecasts

## 2024: Crucial year for semiconductor equipment



Market	2023	2024	
Semiconductor IC <sup>1</sup>	-14%	+13%	← Pick-up of consumer demand and PC renewal cycle
Semiconductor Capex <sup>1</sup>	-16%	+4%	
Semiconductor WFE <sup>1</sup>	-13%	+4%	← Highly dependent on outcome of 2023 demand
Semiconductor Vacuum WFE <sup>1</sup>	-19%	+5%	
Semiconductor WFE Service <sup>1</sup>	-9%	+9%	← Depletion of customer inventories to drive consumables; replacement sales
Display Substrate Equipment <sup>1</sup>	-16%	+9%	
Display Equipment <sup>2</sup>	-70%	+133%	
Solar Cells Capex <sup>3</sup>	+5%		
Solar Fabrication Equipment <sup>1</sup>	+29%	+22%	← Slight decline in capex as investments completed 2022 / 2023

Significant decline in estimates during H1 2023

<sup>1</sup> TechInsights July 2023; <sup>2</sup> DSCC May 2023; <sup>3</sup> PV-Tech Solar Media May 2023

## Qualitative outlook & guidance for Q3 2023



# VAT best positioned to weather cycle; investments in innovation and capacity; very noticeable FX headwind

### Outlook 2023

- Investment conditions for VAT's Valves segment are expected to remain mixed in 2023, with demand in the Semiconductor business unit remaining below 2022 levels but gradually improving over the rest of the year. Further growth is forecast in Advanced Industrials markets. The Global Service segment sees weaker market conditions due to lower demand in its semiconductor business, offsetting the benefits from the larger installed base.
- VAT expects lower sales, EBITDA, net income, and free cash flow vs 2022
- The company now expects its EBITDA-margin to be slightly below the 32-37% target band

### Q3 2023 guidance

- VAT expects sales of CHF 190-220 million, reflecting the current Swiss franc strength against other currencies

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## Q&A session

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# Additional Information

## Investor information

Listing:	SIX Swiss Exchange
Currency:	CHF
Ticker symbol	VACN
ISIN	CH 031 186490 1

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## Financial calendar 2022

### **2023**

Thursday, October 12, 2023

Q3 2023 trading update

### **2024**

Tuesday, March 5, 2024

Q4 and Full-Year 2023 results

# Second quarter and half-year 2023 results



## Forward looking statements

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.

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