Media Release

Haag, Switzerland, March 4, 2021

VAT'S 2020 FULL-YEAR SALES GROW 21%; RECORD EBITDA, EBITDA MARGIN AND FREE CASH FLOW; BOARD PROPOSES 12.5% DIVIDEND INCREASE TO CHF 4.50 PER SHARE

Q4 2020
- Year-on-year orders and net sales up 19% and 10%, respectively, on strong business execution
- Semiconductor-related valve business remains strong; Global Service segment posts record quarter

Full-year 2020
- Net sales of CHF 692 million, up 21% on continued market share gains and cyclical market recovery; impact of COVID-19 pandemic remained muted
- Record EBITDA of CHF 217 million and record EBITDA margin of 31.4% despite foreign exchange headwind
- Second year in a row of record free cash flow; up 5% to CHF 147 million
- Board of Directors proposes dividend increase of 12.5% to CHF 4.50 per share[1]

Outlook 2021
- Continued growth expected, driven primarily by ongoing strength of semiconductor industry
- Uncertainty from COVID-19 pandemic remains but is expected to fade over the year
- Sales[2], EBITDA, EBITDA margin and net income expected to grow vs 2020
- Capex planned at around CHF 40 million; free cash flow expected to be higher despite growth investments into working capital

Guidance for Q1 2021
- VAT expects net sales[2] of CHF 180 - 190 million

Q4 2020

in CHF million	Q4 2020	Q3 2020	Change[3]	Q4 2019	Change[4]
Order intake	**210.0**	156.4	+34.2%	176.3	+19.1%
Net sales	**187.6**	185.9	+0.9%	170.4	+10.1%
	Dec. 31, 2020	Sept 30, 2020	Change[3]	Dec. 31, 2019	Change[4]
Order Backlog	**145.3**	124.1	+17.1%	114.5	+26.9%

Full-year 2020

in CHF million	2020	2019	Change
Order intake	724.5	585.0	+23.8%
Net sales	692.4	570.4	+21.4%
EBITDA	217.2	154.0	+41.0%
EBITDA margin	31.4%	27.0%	+4.4ppt
Net income	133.5	74.8	+78.4%
Basic earnings per share (EPS, in CHF)	4.45	2.50	+78.3%
Capex	25.9	18.0	+44.1%
Free cash flow[5]	147.0	139.9	+5.1%
Dividend per share (in CHF)	4.50[1]	4.00	+12.5%

[1] Proposal of the Board of Directors to its shareholders at the Annual General Meeting on May 18, 2021
[2] At constant foreign exchange rates
[3] Quarter-on-Quarter
[4] Year-on-Year
[5] Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities

Q4 2020: Semiconductor market remains strong

Demand in the semiconductor market remained positive as original equipment manufacturers (OEMs) continued to increase production to meet growing needs for new fabrication projects in both logic and memory. This benefited VAT's Valves and Global Service segments. Order intake in the quarter was CHF 210 million, 19% higher than the same quarter in 2019. Net sales reached CHF 188 million, an increase of 10% compared to a year ago. The book-to-bill ratio in Q4 was 1.1x.

Full-year 2020: Record EBITDA margin and free cash flow, further market share gains

VAT Group reported substantially higher net sales, profitability and cash flow in 2020 and further expanded its leading market share despite the global COVID-19 pandemic. The recovery in the semiconductor industry—VAT's largest end market—continued during the year, buoyed by its designation as system-relevant during the pandemic. The shift to home office and the sharp increase in online commerce that resulted from pandemic-related lockdown restrictions accelerated some of the longer-term megatrends that drive this business, such as the Internet of Things, cloud computing and artificial intelligence.

Demand was further supported by technology advances in logic and memory chips that require new production platforms: as node sizes shrink and chip architectures change, the need for purer vacuums and the number of process steps under vacuum also increase. As the leading supplier to OEMs, VAT achieved a record number of specification wins on these new platforms, forming a basis for future revenue growth. In 2020, R&D investments amounted to CHF 41 million, or 6% of net sales. At the same time, VAT continued its focus on internal measures by improving operational efficiency and reducing costs, resulting in a record EBITDA margin of 31.4%.

Recovery in semiconductors continued in 2020

Semiconductor manufacturers continued to develop faster and more powerful chips to meet the ever-growing demands of megatrends in digitalization. The global roll-out of 5G networks also boosted chip demand, as did the additional need for greater volumes of semiconductors for use in a growing number of products and devices. As a result, demand for the high-vacuum equipment needed to manufacture semiconductors also grew strongly. Overall, global wafer fab equipment (WFE) spending in 2020 reached a record level of close to USD 63 billion, some 18% more than in 2019.

VAT tapped these growth opportunities to increase its valve market share across all industries from 49% in 2019 to about 55% in 2020 more than ten times the size of its nearest competitor. In the more technologically demanding semiconductor segment, VAT's market share grew even higher, reaching 70% in 2020.

Business conditions in the displays segment remained challenging, mainly reflecting the pace of transition from liquid crystal display (LCD) to organic light-emitting diode (OLED) technology in large screen applications. Demand was also softer in the general vacuum and industry markets as the result of the economic impacts from the COVID-19 pandemic. The service business benefitted from its heavy exposure to the semiconductor market and continued to launch new service products for VAT's large installed base of valves.

Strong revenue growth despite foreign exchange headwinds

Total order intake in 2020 amounted to CHF 725 million, up 24% from the previous year. The order backlog at year-end stood at CHF 145 million or 27% higher than at the end of 2019. Net sales in 2020 rose to CHF 692 million, an increase of 21% despite a negative foreign exchange impact of approximately 5 percentage points resulting mainly from the weakness during 2020 of the US dollar, in which VAT reports a significant share of sales, versus the Swiss franc, the currency of a large portion of VAT's costs.

Net sales grew 25% in the Valves segment to CHF 550 million. Global Service sales rose 14% to CHF 127 million, while sales declined 17% in the Industry segment to CHF 15 million, mainly the result of discontinuing some activities in the company's Romanian factory that were not related to VAT's core valves business.

Higher sales and operational improvements more than offset forex impact on EBITDA

Gross profit[1] increased 25% compared with 2019 to CHF 430 million. The gross profit margin improved slightly to 62% compared with 61% a year earlier.

Higher personnel costs in absolute terms reflect an increase in the number of employees (measured as full-time equivalents, FTEs) required to support volume growth in 2020. Personnel costs as a percentage of sales also increased versus 2019, as VAT continued to add technical expertise in R&D, product management and sales to support future growth. At the end of 2020, VAT employed 2,041 employees worldwide, an increase of 231, or 13%, compared with the end of 2019.

EBITDA for the year increased by 41% to CHF 217 million, reflecting both sales growth and operational improvements. As a result, the full-year EBITDA margin improved from 27% in 2019 to a record 31.4%, despite a negative effect of about 1 percentage point due to the foreign exchange headwind caused by the weak US dollar against the Swiss franc.

VAT's EBIT amounted to CHF 176 million, an increase of CHF 69 million, or 64%, compared with the year before. This included the positive impact of lower depreciation charges. Compared with 2019, the EBIT margin increased by almost 7 percentage points to 26%.

Below the EBIT line, VAT incurred substantially higher financing costs of CHF 16 million, up nearly 80% compared to CHF 9 million a year earlier. This is mainly the consequence of higher non-realized net foreign exchange losses on financing activities.

Earnings before taxes (EBT) increased to CHF 161 million from CHF 99 million. The effective tax rate for 2020 was 17%, down from the 24% recorded in 2019 when the timing of new tax regulations in Switzerland temporarily distorted the tax charge. VAT expects the effective tax rate to remain in the 18-20% range going forward.

As a result of these factors, and as indicated by company management during the year, realized net income attributable to shareholders increased in 2020, amounting to CHF 133 million, an improvement of 78% compared with 2019.

On December 31, 2020, VAT's net debt amounted to CHF 128 million, representing a leverage ratio expressed as net debt to EBITDA of 0.6 times. The average leverage over the course of 2020 was around 1-times net debt to EBITDA. The equity ratio at year-end amounted to 55%.

Higher free cash flow and positive outlook support increased dividend proposal

One of VAT's key performance indicators and the basis for any dividend consideration is free cash flow, which in 2020 again increased compared with the previous year to a record CHF 147 million from CHF 140 million. This was achieved despite higher inventory levels and capital expenditures (capex) compared with a year earlier. Capex in 2020 amounted to CHF 26 million, up 44% over 2019, equivalent to 4% of net sales and in line with the company's guidance of 4-5% of sales over the cycle.

At year-end 2020, net trade working capital was approximately 34% higher than the same time in 2019, representing approximately 24% of net sales. While this was above VAT's long-term target of 20%, it reflects the company's growth expectations for 2021.

[1] Gross profit = Net sales minus cost of materials plus (minus) changes in inventories of finished goods and work in progress

As a result, free cash flow as a percentage of net sales was 21% and the free cash flow conversion rate was 68% of EBITDA.

At its Annual General Meeting on May 18, 2021, VAT's Board of Directors will propose a dividend for the fiscal year ending December 31, 2020 of CHF 4.50 per share, an increase of CHF 0.50 or 12.5%. Half of this amount will be paid out of the reserves from capital contributions and the other 50% from accumulated gains. The proposal amounts to a total dividend amount of CHF 135 million, or 94% of VAT's free cash flow to equity.

Outlook: 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 sharp 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 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 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.

Guidance for Q1 2021

VAT expects net sales in the first quarter of 2021 of CHF 180 - 190 million.

Segment results Q4 and full-year 2020

VALVES

in CHF million	Q4 2020	Q3 2020	CHANGE[1]	Q4 2019	CHANGE[2]
Order intake	**168.4**	121.4	+38.7%	146.8	+14.7%
Net sales	**146.7**	147.2	-0.3%	139.9	+4.9%
Inter-segment sales	**17.7**	16.1	+10.4%	13.2	+34.3%
Segment net sales	**164.5**	163.3	+0.8%	153.1	+7.4%

in CHF million	2020	2019	CHANGE[2]
Order intake	**577.8**	463.0	+24.8%
Net sales	**550.4**	440.9	+24.8%
Inter-segment sales	**59.9**	51.6	+16.0%
Segment net sales	**610.2**	492.5	+23.9%
Segment EBITDA	**196.9**	136.3	+44.4%
Segment EBITDA margin[3]	**32.3%**	27.7%	+4.6ppt

VAT's largest segment, Valves, reported an order intake of CHF 168 million in the fourth quarter of 2020, an increase of 15% over the same quarter in 2019. Net sales in the period increased 5% to CHF 147 million. The improvement is the result of growing demand mainly in the Semiconductor and General Vacuum businesses, while sales in the Display & Solar business declined.

For the full year, net sales in the segment amounted to CHF 550 million, 25% higher than the year before. Sales were higher in the Semiconductor business, reflecting the cyclical market recovery and market share gains, while sales declined in Display & Solar and General Vacuum. Segment EBITDA increased by 44% to CHF 197 million. The EBITDA margin was 32%, nearly 5 percentage points higher than in 2019, reflecting both higher volumes in the Semiconductor business as well as continued operational improvements and increasing demand for more technologically advanced products.

GLOBAL SERVICE

in CHF million	Q4 2020	Q3 2020	CHANGE[1]	Q4 2019	CHANGE[2]
Order intake	**37.1**	32.2	+15.1%	25.3	+46.7%
Net sales	**37.5**	34.5	+8.9%	26.9	+39.5%
Inter-segment sales	**-**	-	-	-	-
Segment net sales	**37.5**	34.5	+8.9%	26.9	+39.5%

in CHF million	2020	2019	CHANGE[2]
Order intake	**132.2**	106.4	+24.2%
Net sales	**127.3**	111.8	+13.9%
Inter-segment sales	**-**	-	-
Segment net sales	**127.3**	111.8	+13.9%
Segment EBITDA	**53.2**	46.3	+14.9%
Segment EBITDA margin[3]	**41.8%**	41.5%	+0.3ppt

Orders in Global Service increased strongly in the fourth quarter by 47% to CHF 37 million. The growth was across all businesses, driven mainly by the growing semiconductor industry and the result of new products introduced during the year. Net sales amounted to CHF 38 million, an increase of 40% compared with the same quarter in the previous year.

Full-year net sales amounted to CHF 127 million in 2020, an increase of 14% compared with the year before. Growth was strongest in upgrades and retrofits, where the full deployment of new products launched in 2019 drove up sales in this business by more over 15% in 2020. This included sales of new transfer valve products used to achieve an immediate increase in yield in existing semiconductor fabs. Higher demand for subfab solutions in new semiconductor plants in China also supported growth. Sales growth in the service and repair business was driven in large part by the further roll-out of the company's Fixed Price Repair/Refurbishment program, which provides global customers with simple and consistent servicing of their valves with factory-original parts across all of their fab locations. The EBITDA margin remained at a healthy 42%. Investments in new products offset gains from higher volumes.

INDUSTRY

in CHF million	Q4 2020	Q3 2020	CHANGE[1]	Q4 2019	CHANGE[2]
Order intake	**4.5**	2.8	+61.3%	4.2	+7.5%
Net sales	**3.3**	4.3	-23.5%	3.6	-9.4%
Inter-segment sales	**0.8**	2.9	-73.2%	2.2	-65.3%
Segment net sales	**4.1**	7.1	-43.4%	5.8	-30.7%

in CHF million	2020	2019	CHANGE[2]
Order intake	**14.5**	15.5	-6.5%
Net sales	**14.8**	17.8	-16.8%
Inter-segment sales	**10.0**	8.9	+11.3%
Segment net sales	**24.8**	26.7	-7.4%
Segment EBITDA	**4.0**	2.8	+42.4%
Segment EBITDA margin[3]	**16.4%**	10.6%	+5.8ppt

In the Industry segment, order intake in the fourth quarter increased by 8% to CHF 5 million as a result of a small recovery in the automotive sector. Net sales amounted to CHF 3 million, down 9% compared with the same quarter a year earlier.

Full-year orders and net sales in the Industry segment declined by 7% and 17% respectively, amounting to about CHF 15 million each. This decline mainly reflects the exit from non-valve-related activities in VAT's operations in Romania. Demand in the automotive sector in 2020 was severely impacted by production cutbacks caused by the COVID-19 pandemic, especially in Europe. VAT's exposure to the Asian market, however, along with its success in maintaining production and product deliveries through the pandemic allowed it to mitigate most of this impact. Segment EBITDA increased by 42% as a result of further automation of production, including benefits realized from the fully automatic laser-welding robots installed in 2019.

Starting Q1 2021, VAT will integrate the activities of the Industry Segment into the General Vacuum business unit and report it within the Valves segment.

[1] Quarter-on-Quarter
[2] Year-on-Year
[3] Segment EBITDA margin as a percentage of Segment net sales

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Additional information

The analyst presentation of the results and the 2020 annual report are available on VAT's website at http://www.vatvalve.com/InvestorRelations/investor-relations/financial-reports.

VAT will host a virtual media and investor event today at 10 a.m. CET. The event can be followed over a webcast or via conference call. Participants will also be able to join the moderated Q&A session over the phone or in writing over the webcast. Please follow the link below to access the webcast:

Live Webcast

For the conference call please dial:

+41 58 310 5000 (Europe)
+44 207 107 0613 (UK)
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Financial calendar 2021

Thursday, April 15, 2021	Q1 2021 trading update
Friday, May 7, 2021	Closing of share register, 5pm CEST
Tuesday, May 18, 2021	Annual General Meeting
Thursday, May 20, 2021	Ex-date
Tuesday, May 25, 2021	Dividend payment
Thursday, August 5, 2021	Half-year 2021 results
Friday, October 15, 2021	Q3 2021 trading update

ABOUT VAT

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 2,000 employees and main manufacturing sites in Haag (Switzerland), Penang (Malaysia) and Arad (Romania). Net sales in the financial year 2020 amounted to CHF 692 million.

FORWARD-LOOKING STATEMENT

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.