



HALF YEAR 2017 RESULTS



Global leader in high-end vacuum valve technology

Heinz Kundert, CEO, Andreas Leutenegger, CFO and Jürgen Krebs, COO

August 24, 2017

Agenda

- 1** Highlights Heinz Kundert, CEO
- 2** Second quarter and half-year 2017 financial review Andreas Leutenegger, CFO
- 3** Strategic drivers Heinz Kundert, CEO
- 4** Investing into the future Jürgen Krebs, COO
- 5** Conclusion and outlook for the rest of 2017 Heinz Kundert, CEO



VAT captured present business opportunities in ongoing favorable market conditions

Record results driven by unprecedented growth of our key markets and customers

Growth drivers of our business firmly established

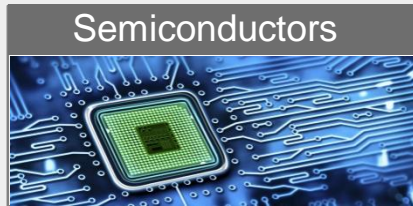
Further market share gains in H1 17 according to VLSI market research

Vacuum content in advanced manufacturing processes to increase

Measures to support the current and future growth

Lower cyclicity of the vacuum sector

Existing key growth trends for VAT continue to drive business development



Semiconductors

End-market growth trend 2016 vs. 2015



- Continued high investments mainly in 3D NAND and DRAM
- Technology inflections continue
- Highest valve performance even more critical



Displays



- High investments due to continuing transition to OLED
- Move to 10.5 generation ongoing
- China opportunity



Solar



- Increasing demand for new PV technologies (PERC or hetero-junction)
- New wave in HB-LED
- China



Industry & Research



- Growth driven by bellows and components for semi, automotive, medical, aerospace etc.

All market segments contribute to strong Group performance

Segment (% of total net sales)	VAT Group AG	Valves (81%)	Global Service (13%)	Industry (6%)
Net sales	CHF 326m / +39%	CHF 264m / +48%	CHF 44m / +6%	CHF 19m / +17%
Adj. EBITDA ¹ / margin ²	CHF 98m / 30.1%	CHF 81m / 28.7%	CHF 19m / 44.5%	CHF 7m / 22.1%

¹ Adjustment on Group level only

² Segment margin based on segment net sales

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Half-year 2017 – Group key figures

Third party net sales
CHF 326m
+39%

Adj. EBITDA¹
CHF 98m
+33%

Adj. EBITDA margin
30.1%
-130 bps

Free cash flow
CHF 54m
+1%

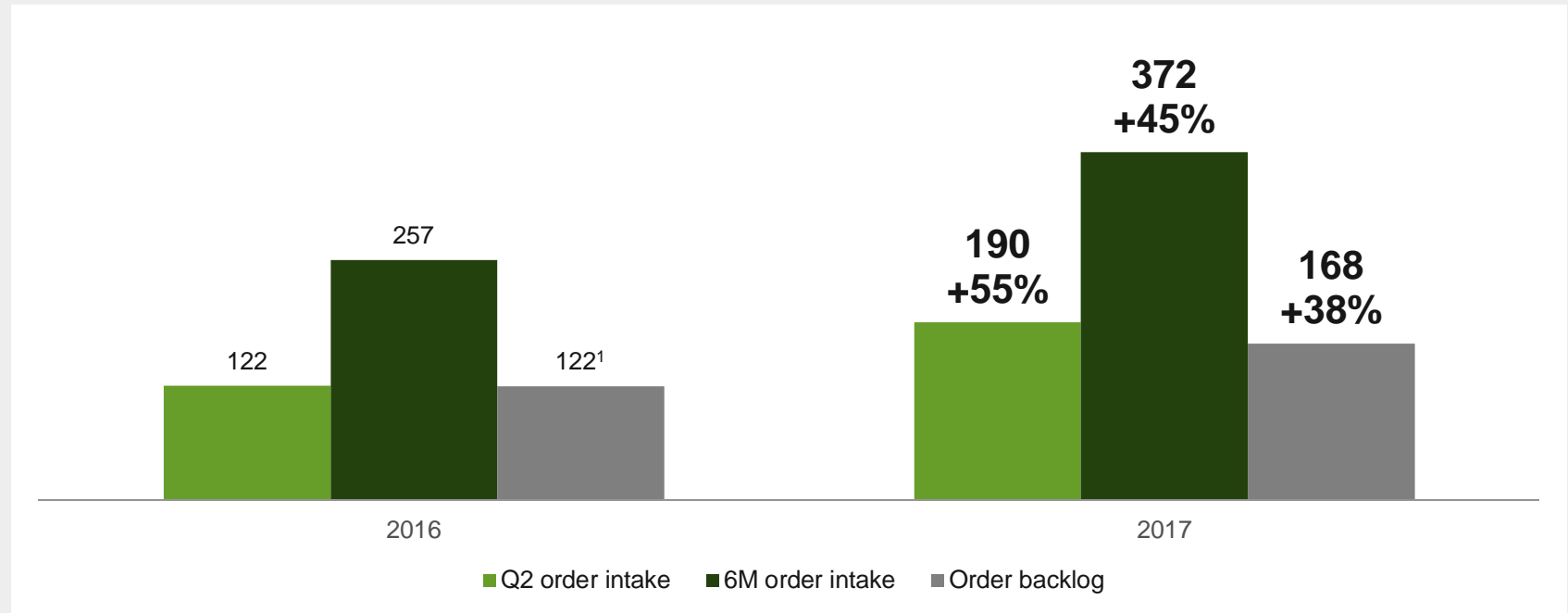
Free cash flow margin
17%
Free cash flow
conversion
57%

Net debt/EBITDA
1.1x LTM

¹ adjusted by CHF 2.9m related to the IPO bonus

Order intake and backlog increasing

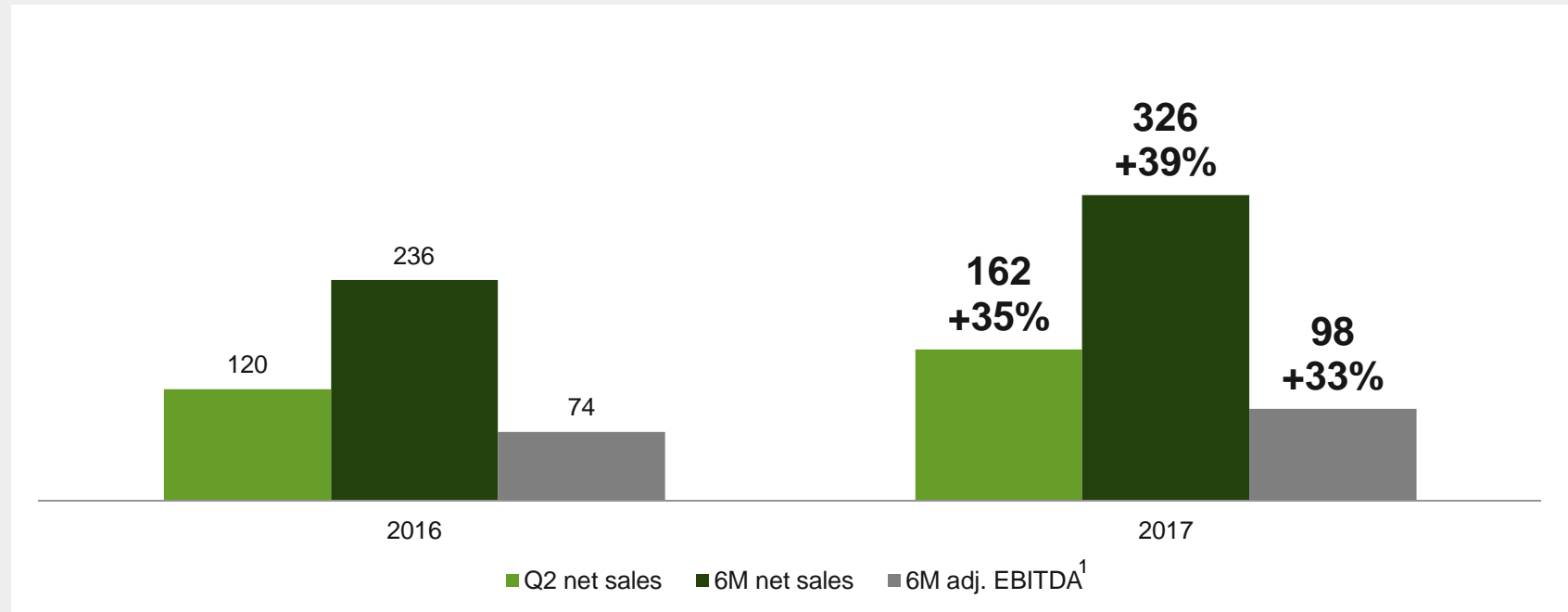
in CHF million



¹ as of December 31, 2017

Increase in sales, adj. EBITDA

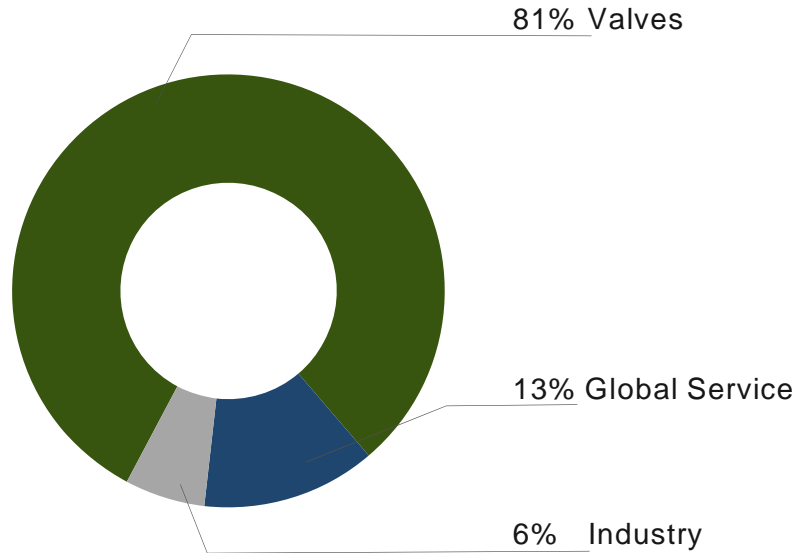
in CHF million



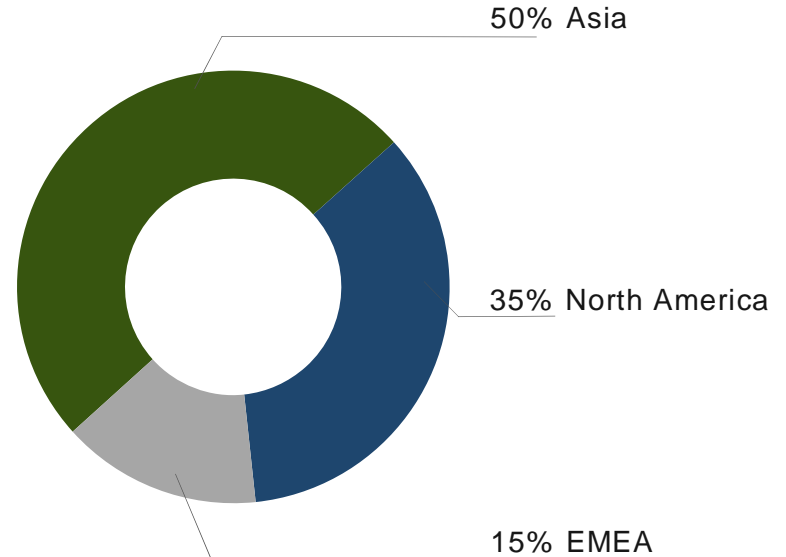
¹ adjusted EBITDA excludes one-off items

Half-year 2017 net sales CHF 326 million

Net sales by market segment



Net sales by region



Valves – 81% of net sales

in CHF million	Q2 2017	Q2 2016	Change
Order intake	153.6	91.0	68.8%
Net sales	131.1	89.9	45.8%
in CHF million	6M 2017	6M 2016	Change
Order intake	297.9	195.1	52.7%
Net sales	263.8	178.3	48.0%
Segment EBITDA	80.8	62.9	28.5%
EBITDA margin	28.7%	32.0%	



Semiconductors:

- Ongoing high demand for memory devices such as DRAM and NAND solid-state flash memory
- Valve qualifications for sub 10nm started
- L-motion transfer valve output tripled in MY; latest version of ultra fast direct servo driven butterfly control valve

Display & solar:

- Solid growth due to ongoing transition to OLED in smartphones; Generation 10.5 for large LCDs

Modules:

- Serial production for new loading module started

General vacuum

- Different customers in industry and research

Global Service – 13% of net sales

in CHF million	Q2 2017	Q2 2016	Change
Order intake	26.2	22.8	14.9%
Net sales	21.7	21.4	1.4%
in CHF million	6M 2017	6M 2016	Change
Order intake	53.6	44.5	20.4%
Net sales	43.5	40.9	6.4%
Segment EBITDA	19.4	17.8	9.0%
EBITDA margin	44.5%	43.5%	



Semi and display related equipment investments stimulate sales growth

- Increasing sales of spare parts on the back of increasing installed manufacturing device capacity
- Spare parts now account for 55% of segment revenues
- Lower sales of retrofits, but several new requests for large-scale valve retrofits received; good outlook for coming quarters
- Service network expansion in Asia and for the booming display business in China on track
- Aftermarket collaboration agreement reached with large OEM

Industry – 6% of net sales

in CHF million	Q2 2017	Q2 2016	Change
Order intake	10.3	8.6	19.8%
Net sales	9.1	8.3	9.6%
in CHF million	6M 2017	6M 2016	Change
Order intake	20.5	17.3	18.5%
Net sales	19.1	16.4	16.5%
Segment EBITDA	6.8	4.6	47.8%
EBITDA margin	22.1%	21.0%	



Investments and business model adjustments made for future growth

- Net sales flat year-on-year due to higher internal sales volumes
- Additional multi-year contract with a large automotive OEM
- Increasing demand for industrial actuators, medical applications and the aerospace industry
- Ongoing productivity initiatives to support EBITDA margin
- High purity cleanliness standard introduced and certified

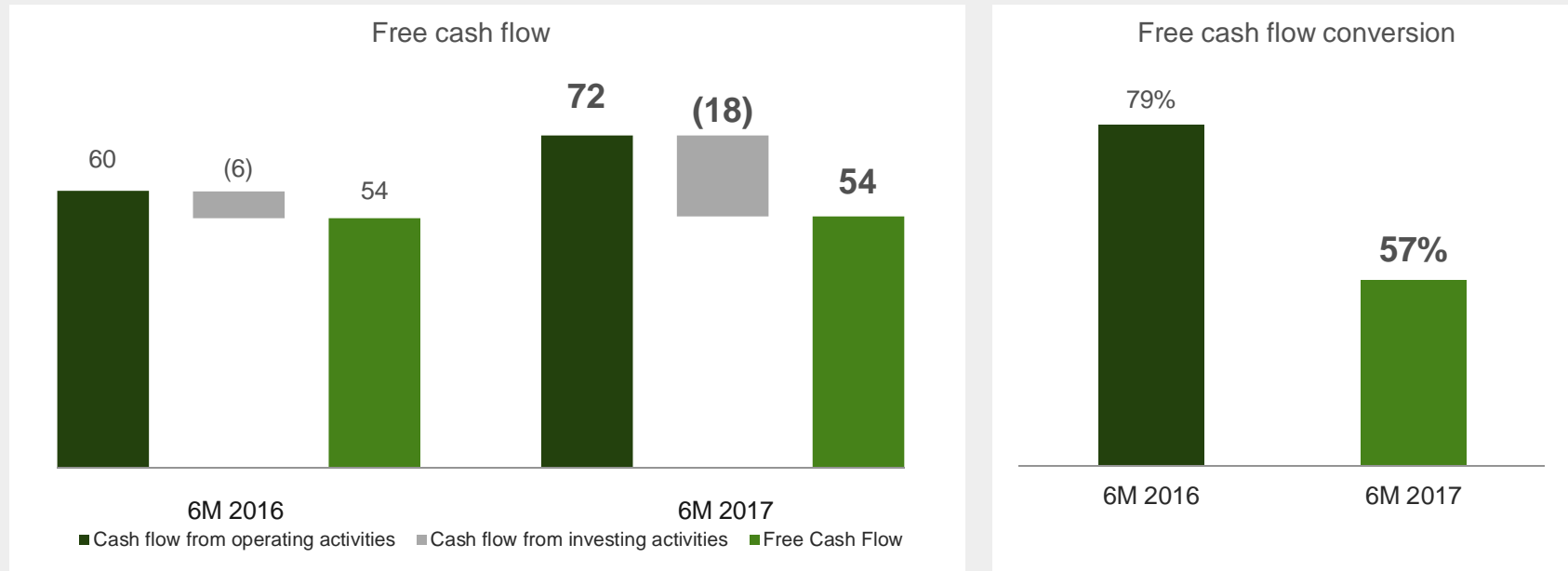
Positive impact of deleveraging and refinancing on finance net result

in CHF million	6M 2017	6M 2016	Change
EBIT	78.2	52.7	48.4%
Finance net	-6.8	-19.9	-66.0%
EBT	71.4	32.8	117.9%
Income tax expenses	-11.9	-8.6	
Effective Tax Rate	-16.7%	-26.3%	
Net income	59.5	24.2	146.2%

- Reduced finance cost as a result of lower outstanding debt due to shareholder loan conversion during IPO and re-financing of outstanding senior secured credit facility in September 2016 with new five-year revolving credit facility
- Effective tax rate of 16.7%, full year rate expected at between 18-20%

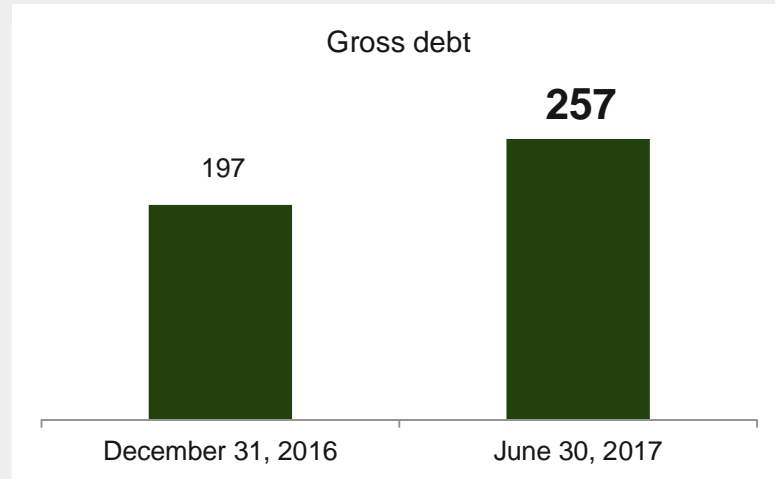


Stable free cash flow despite substantially higher CAPEX requirements

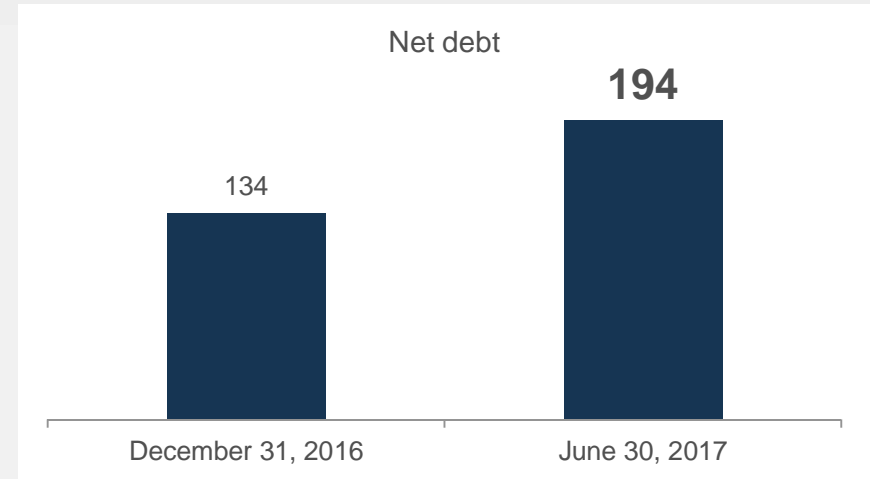


- Higher cash flow from operations offset by CAPEX needs to support VAT's growth
- Free cash flow margin at 17%
- Operating free cash flow for full-year 2017 expected around last year's level

Net debt at 1.1x LTM EBITDA



- Increase in gross-debt the result of net working capital requirements, higher CAPEX and payment of CHF 120 million of dividends

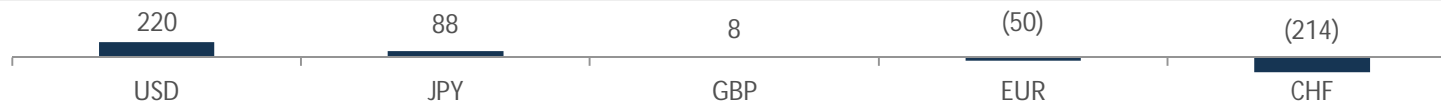


- Net-debt increase due to payment of dividend
- Leverage remains within target
- Net debt / LTM EBITDA ratio at 1.1x

Initiatives to mitigate the foreign exchange exposure

FX	Status on FX exposure initiatives
USD	<ul style="list-style-type: none"> – Global sourcing initiatives (mainly Asia and Eastern Europe) – Nomination of debt in USD – FX hedging of up to 100% of net cash flows on a 18-month rolling basis
JPY	<ul style="list-style-type: none"> – FX hedging of up to 100% of net cash flows on a 18-month rolling basis
EUR	<ul style="list-style-type: none"> – EUR exposure increased due to sourcing and CAPEX in EUR

Net cash flow exposure to main currencies in H1 2017¹



¹ Net cash flow after financing activity incl. CAPEX and loan interest expense



VAT's financial mid term guidance remains in place

Mid term guidance (unchanged from the time of the IPO)

- Net sales growth: high single digit at constant FX rates
- EBITDA margin target: 33% of sales
- Effective tax rate: 18% to 20% of earnings before tax
- CAPEX: 4% of sales over the cycle
- TWC target: less than 20% of sales
- Leverage : 1.0 x Net debt / EBITDA
- Cost of debt: LIBOR plus margin depending on leverage ratio
- Dividend policy: return up to 100% of free cash flow to equity¹ to shareholders as long as the Group's net debt does not significantly exceed 1x EBITDA

¹ Free cash flow to equity is calculated as free cash flow less interest paid less current portion of loans

Corporate restructuring in the second half year of 2017

- VAT intends to unwind financing structure set up by the former private equity owners
- VAT LUX III S.à r.l. had its functional currency in US dollars
- A recycling of translation reserves in the amount of approximately CHF 35 million at the current USD-CHF exchange rate is required
- One-time non-cash transaction would be reflected in the finance cost line
- Negative impact on the Group's net income and earnings per share
- Total comprehensive income for the period, total equity and free cash flow will not be affected

in CHF million	June 30, 2017	December 31, 2017
Equity		
Share capital	3.0	3.0
Share premium	373.8	493.7
Remeasurement of defined benefit obligations	-8.9	-16.8
Other reserves	2.5	2.5
Hedging reserves	3.2	-3.6
Translation reserves	-31.1	-43.1
Treasury shares	-0.8	-5.0
Retained earnings	136.8	79.9
Total equity attributable to owners of the Company	478.6	510.6

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Megatrends which drive growth

Digitalization, Cloud-Computing, Big Data, IoT, Industry 4.0 and E-mobility etc.

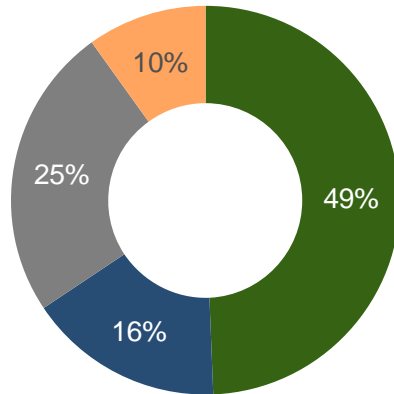
Technological inflections, 3D NAND, <10 nm features, capacity expansions

Investments in OLED displays for smartphones, and in a second wave in tablets and large screens driving growth

China investing heavily to balance domestic IC supply

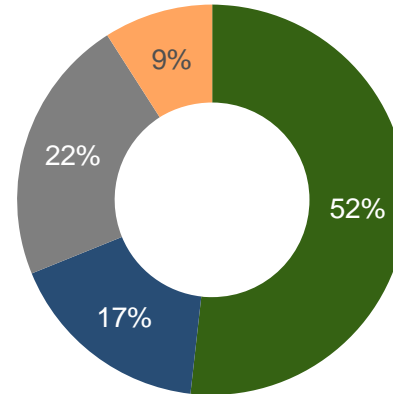
VATs addressable market – the growth continues

2016: USD 1.9bn



■ Semiconductor ■ Display & Solar ■ Industry & Research ■ Service

2017E: USD 2.3bn



■ Semiconductor ■ Display & Solar ■ Industry & Research ■ Service

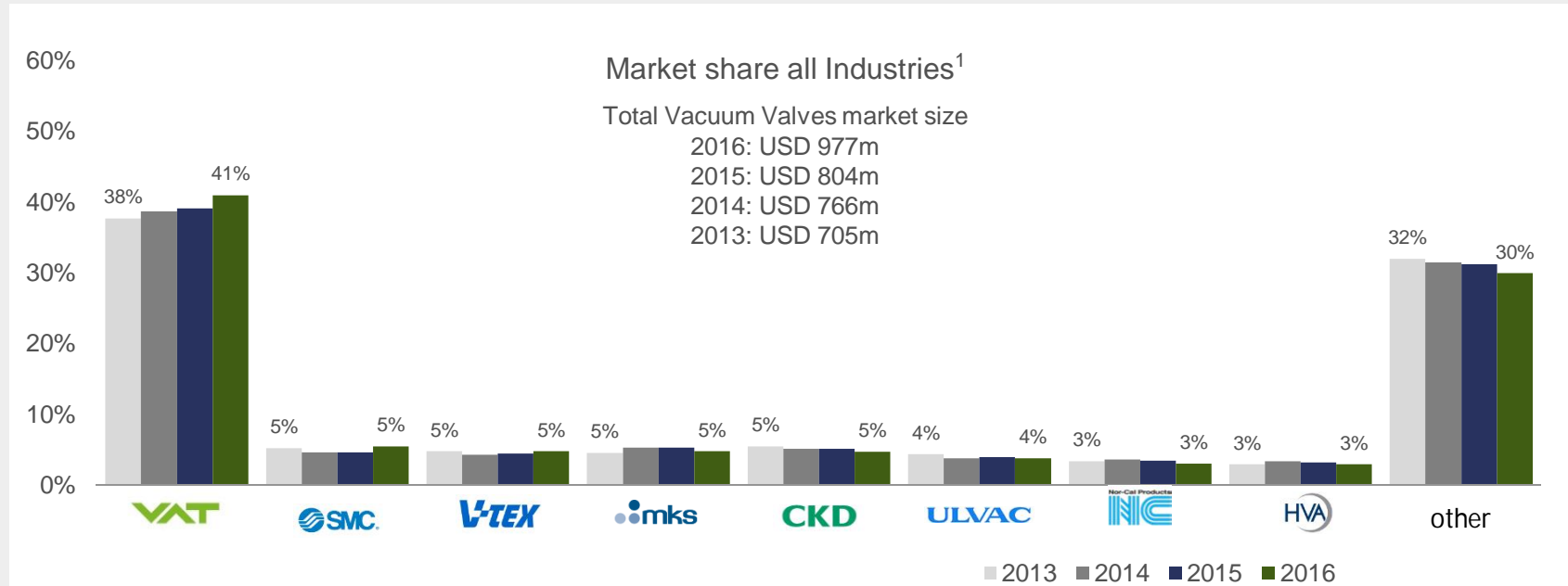
Source: VLSI August 2017 (preliminary full-year 2017 data)

¹ Total market size for valves comprises high vacuum valves for general vacuum applications and for the semiconductors, displays, solar photovoltaics, LED and hard disk OEM device manufacturing equipment sector.

² Semiconductors and related include: Integrated circuits, displays (from small mobile phone displays to large TVs), solar photovoltaics, LED, hard discs.



VAT Market share all industries¹



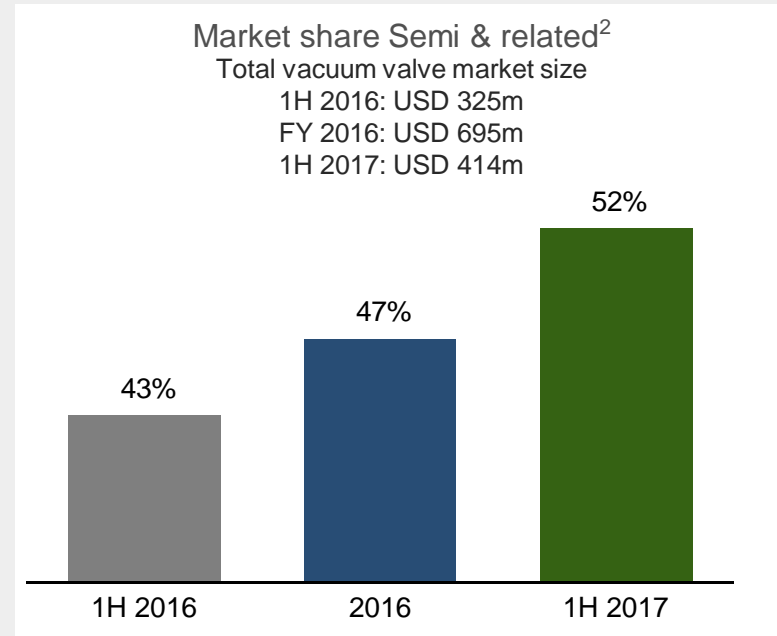
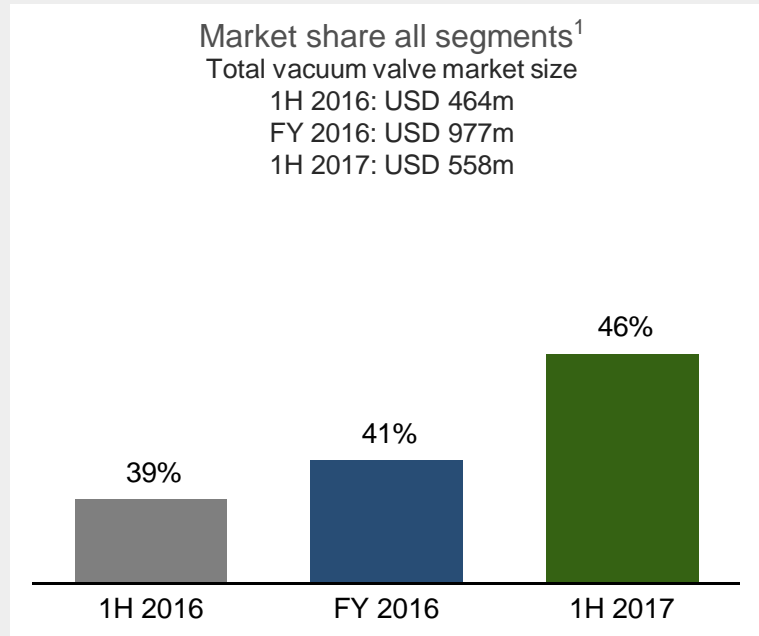
Source: VLSI August 2017

¹ All Industries includes Semi & related, General Vacuum..



VAT expands its market share¹

Half-year 2017 results



Source: VLSI August 2017 (1H 2017 preliminary data)

¹ All Industries includes semi & related, General Vacuum.

² Semi & related includes Semiconductors, Displays, Solar, LED Lighting, Hard Disk Drive.

VAT's three growth dimensions – stronger than ever

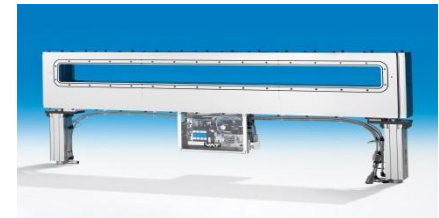
1st Dimension
End market growth



2nd Dimension
Manufacturing equipment
growth



3rd Dimension
Vacuum valve growth



VAT's three growth dimensions – End market growth

1st Dimension End market growth



- VAT's related end markets are growing at unprecedented speed
- Secular market drivers - digitalization everywhere
- Lower cyclicity due to ubiquitous applications, functionalities and high volumes
- Simple computing or mobility no longer only source of growth – more and more devices are interconnected (IoT)
- Big Data require substantially more computing power and storage capacity

VAT's three growth dimensions – Manufacturing equipment growth

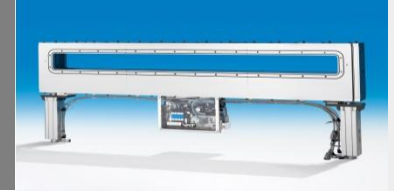
2nd Dimension Manufacturing equipment growth



- Volume
- Technology inflections
 - Higher requirements for subcomponents due to increased complexity
 - 3D NAND, DRAM, Logic and Foundry
 - <10 nm features and multi layers
 - ALD/ALE/EUV
- China

VAT's three growth dimensions – Vacuum valve growth

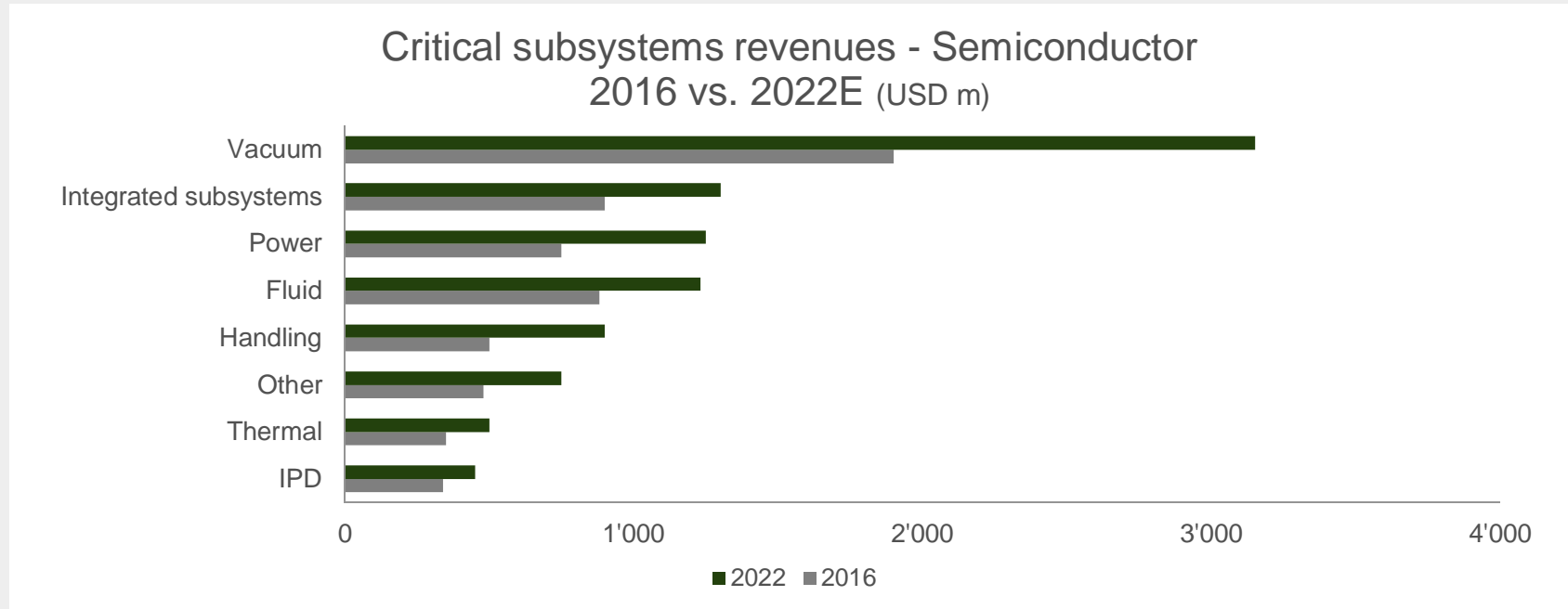
3rd Dimension Vacuum valve growth



Shift from non-vacuum into vacuum

- Lithography → from Immersion to EUV
- Thin film coatings for industrial applications (tribology)
- Medical applications, aerospace and automotive (engine parts, batteries etc.)

Vacuum subsystems account for over one third of expenditure on critical subsystems



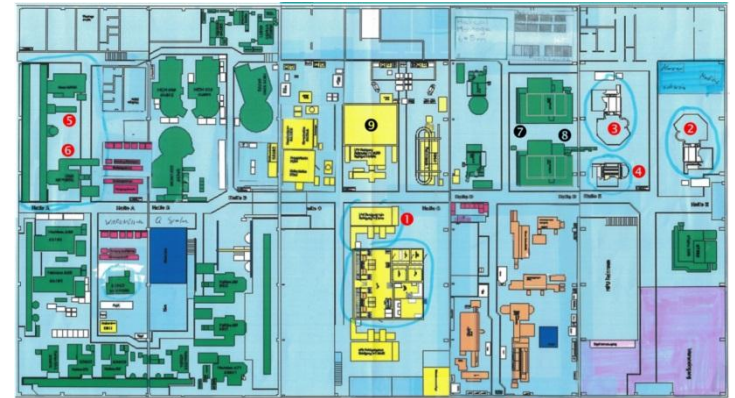
Source: VLSI

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Investing into the future - Switzerland

- Optimizing the existing production footprint
- Outsourcing to external partners
- 7 additional milling machines installed in 2017
- 3 shift model across entire plant by end of 2017
- 180 new employees since end of 2016
- Broader supplier base contribution
- Around 2/3 of total 2017 CAPEX



Investing into the future - Malaysia

- Target production output of CHF 400
- Addition of around 17'000 m2 production floor
- Full value chain incl. machining, assembly, clean room
- Development of qualified supplier base in Asia
- 50 new employees since end of 2016
- Around 1/3 of total 2017 CAPEX





Investing into the future – Operational excellence

Development of operational excellence program for all VAT production sites

- Lean management, shop floor management, uniform KPI Cockpits
- Introduce uniform Quality Management System
- Apply Industry 4.0 concepts and solutions for VAT production

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Our priorities for the rest of 2017 and beyond

Investment in
innovation and time to
market

Continued trusted
partnership with
customers & suppliers

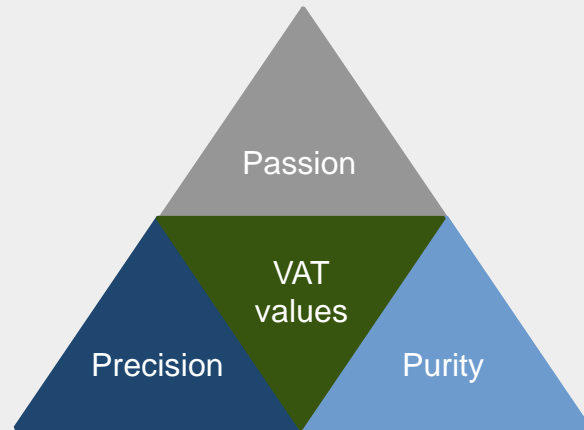
Development of
people & talents

Capacity ramp-up
CH, RO & MY

Capture Asian growth
opportunities

Adapt global sourcing
& supply chain to
volumes and Asian
expansion

VAT – IPO assumptions confirmed and continuing



- Pure play business model focused on mission-critical high-end vacuum valves
- Technology leadership and long term, trusted partnerships
- Leading market position and high barriers to entry
- Multi-dimensional growth driven by accelerating importance of vacuum as key enabler
- Focused strategy and highly skilled workforce
- Best-in-class financial profile and high profitability



Closing remarks

Key topics

- Market growth continues
- Technology inflections
- Market share gains continue
- Capacity expansions
- Innovation
- Globalization
- People and talents

Outlook 2017

- Net sales expected to grow at around 30% at constant FX rates
- Adjusted EBITDA margin to be at the same level as in 2016
- Growth Capex requirement at around 6% of net sales



HALF YEAR 2017 RESULTS

Q&A Session

Heinz Kundert, CEO, Andreas Leutenegger, CFO and Jürgen Krebs, COO



Information

Investor information

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

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Financial calendar

Q3 2017 trading update	October 17, 2017
Full-year 2017 results	March 12, 2018
Q1 2018 trading update	April 17, 2018
Annual General Meeting	May 17, 2018



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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