

FOURTH QUARTER AND FULL-YEAR 2017 RESULTS

No. 1 global market position in high-end vacuum valve technology

March 12, 2018

Agenda

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Highlights

Heinz Kundert, CEO ¹

2

Fourth quarter and full-year 2017 financial results Andreas Leutenegger, CFO

3

Strategic drivers and outlook for 2018

Mike Allison, CEO ²

¹ until March 12, 2018

² effective March 13, 2018



Record 2017 results on growing demand and expanding no. 1 global market position

Seven consecutive quarters of growth on a year-on-year basis since listing in April 2016

Expansion of leadership position in vacuum valves through substantial market share gains

Record performance driven by strong growth, new products and cost reductions

Global production capacity increased by over 80% to CHF 850 million in 2017

Vacuum content in advanced manufacturing processes continued to increase in 2017

Market prospects for 2018 remain very positive

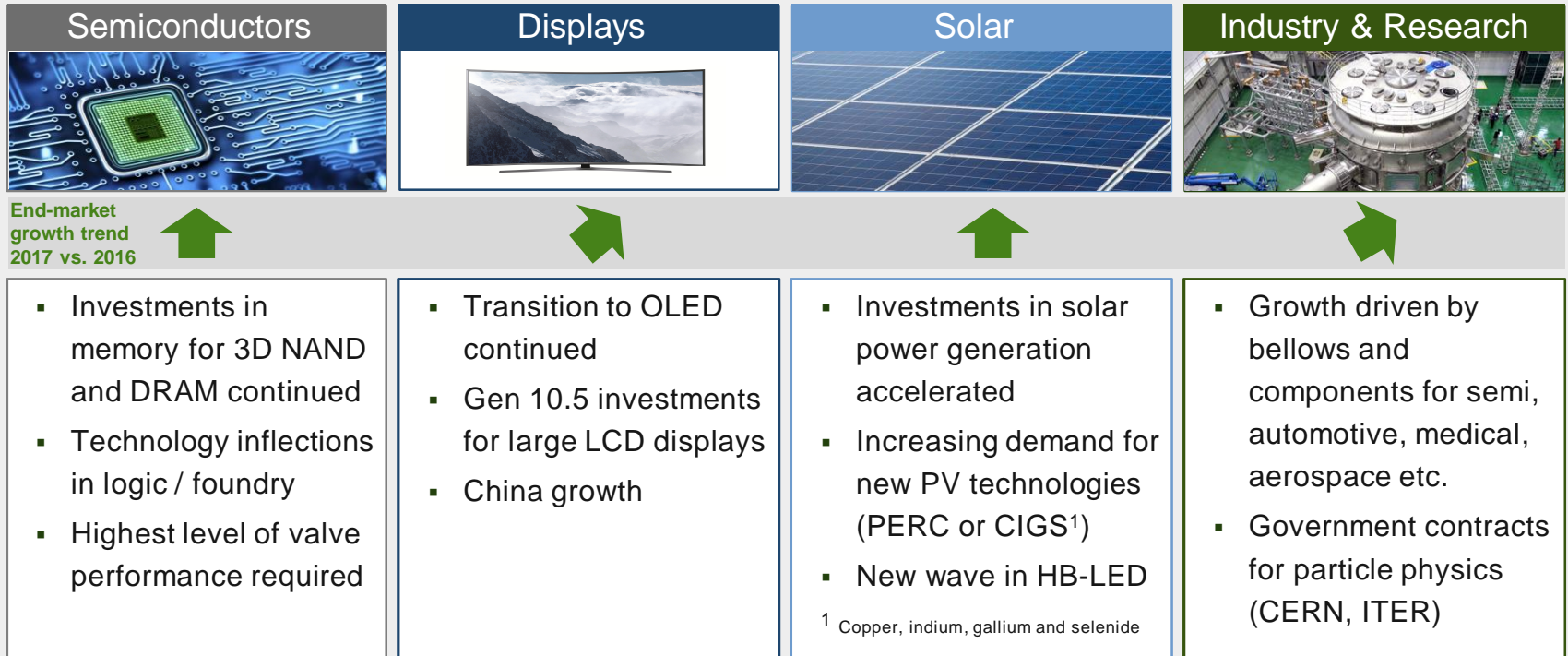
Strong performance supported by all market segments

Segment (% of total net sales)	VAT Group AG	Valves (80%)	Global Service (14%)	Industry (6%)
Net sales	CHF 692m / +36%	CHF 554m / +40%	CHF 99 / +21%	CHF 40m / +26%
Adj. EBITDA ¹ / margin ²	CHF 215m / 31.1%	CHF 189m / 31.7%	CHF 48m / 48.2%	CHF 13m / 21.5%

¹ Adjustment on Group level only

² Segment margin based on segment net sales

Key growth trends for VAT continued to drive business development

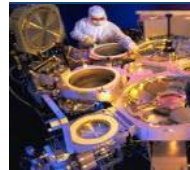


VAT's three growth dimensions delivered results



1st Dimension End market growth

- End markets growing at unprecedented speed
- Secular market drivers - digitalization everywhere (Big Data, IoT, AI, VR etc.)
- Lower cyclicality - ubiquitous applications and functionalities



2nd Dimension Equipment growth

- Volume
- Technology inflections
 - 3D NAND, DRAM, Logic and Foundry
 - <10 nm features and multi layers
 - ALD/ALE/EUV
- China



3rd Dimension Vacuum valve growth

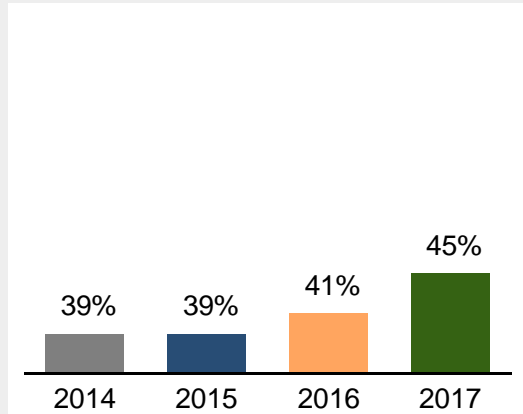
- Shift into vacuum
- Lithography - EUV
- Thin film coatings for industrial applications (tribology)
- Medical applications, aerospace and automotive (engine parts, batteries etc.)



No. 1 market position further expanded

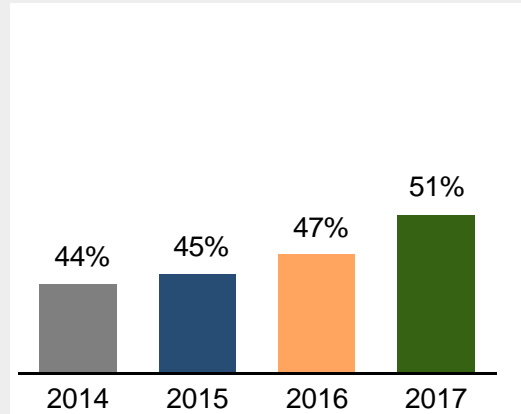
Market share all industries ¹

Total vacuum valve market size
 2015: USD 804m
 2016: USD 977m
 2017: USD 1'200m



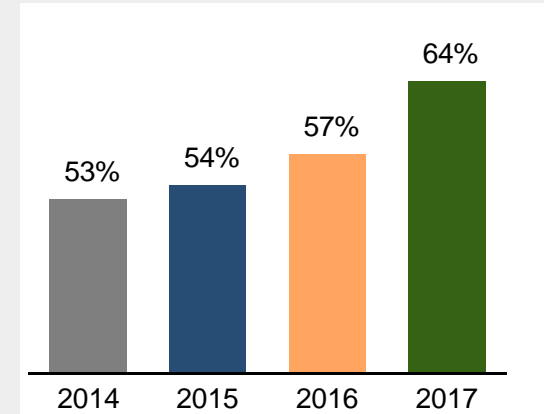
Market share semi & related ²

Total vacuum valve market size
 2015: USD 531m
 2016: USD 695m
 2017: USD 875m



Market share semi ³

Total vacuum valve market size
 2015: USD 350m
 2016: USD 393m
 2017: USD 518m



Source: VLSI Research March 2018, 2017 full year preliminary data

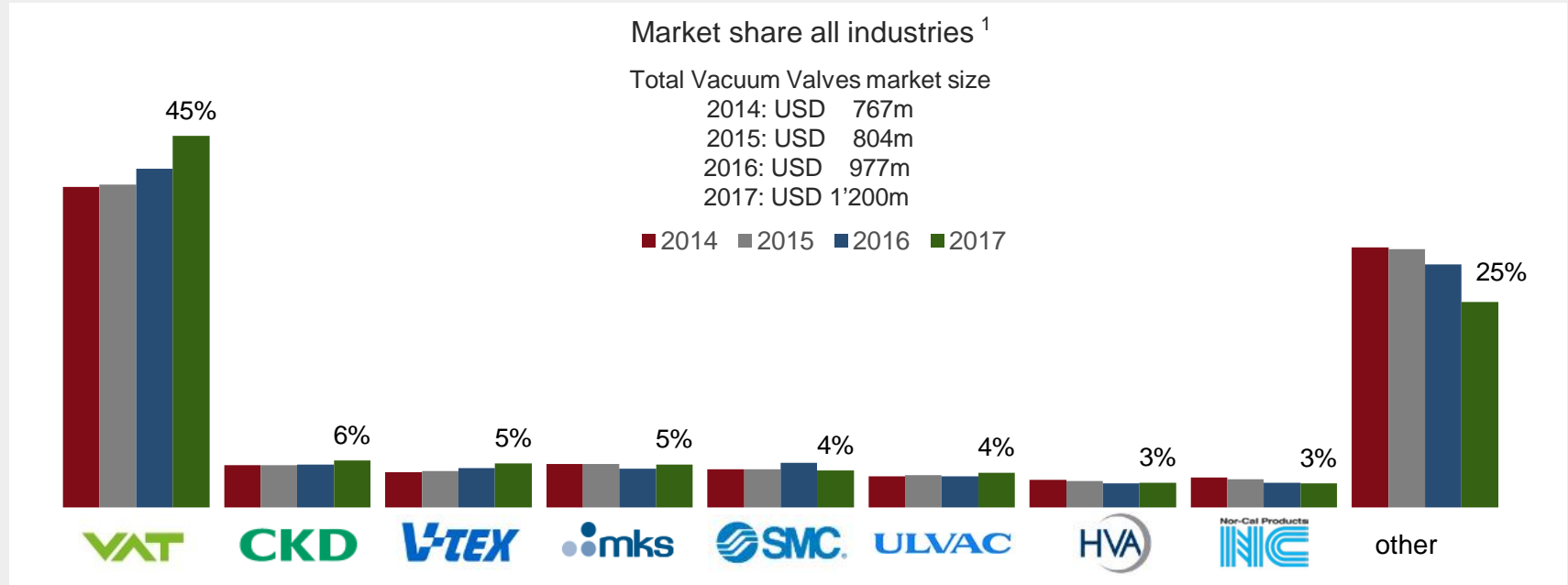
¹ All Industries includes semi & related, General Vacuum.

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

³ Semi includes Semiconductors, LED and HDD



VAT Market share all industries¹



Source: VLSI Research March 2018, 2017 full year preliminary data

¹ All Industries includes Semi & related, General Vacuum

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Full-year 2017 – Group key figures

Third party net sales
CHF 692 m
+36%

Adj. EBITDA
CHF 215 m
+36%

Adj. EBITDA margin
31.1% (unchanged)
EBIT margin
25.8% (+2.5pp)

Free cash flow
CHF 109m
-15%

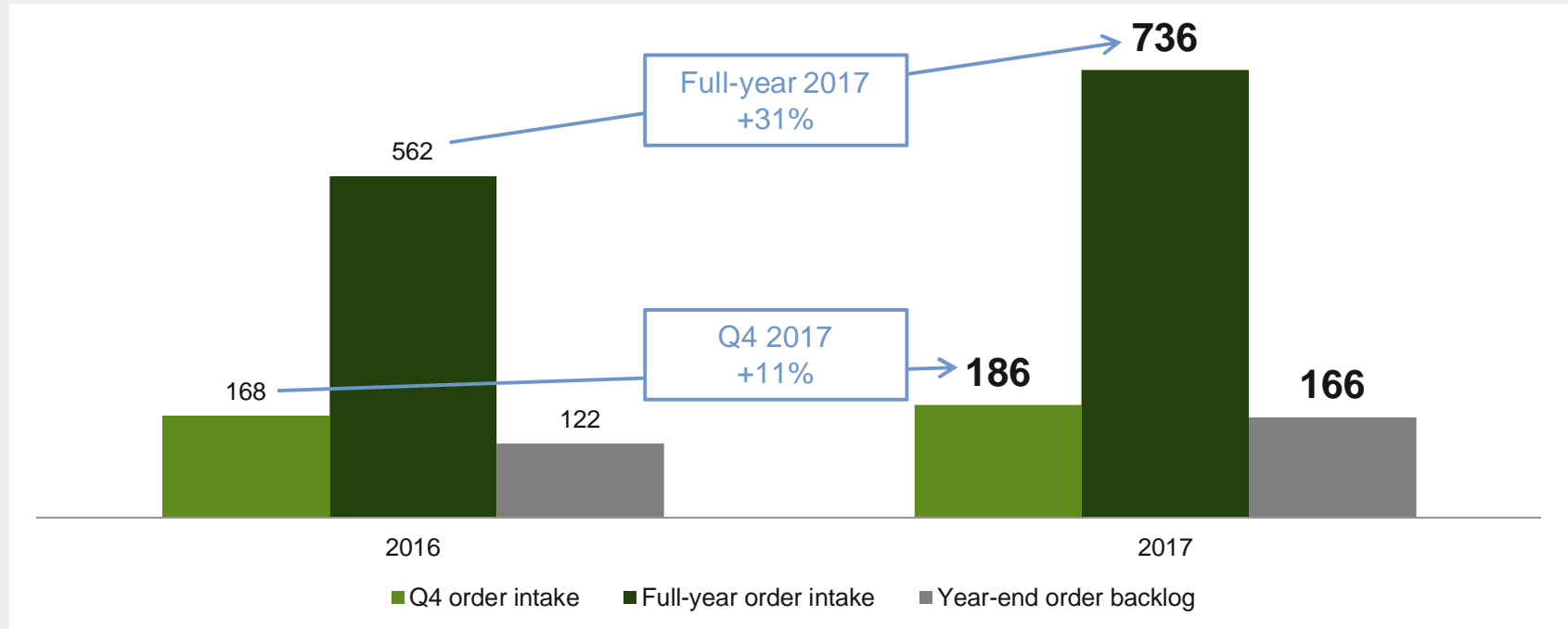
Free cash flow
margin 16%
FCF conversion
51%

Net debt/EBITDA
0.7x
Dividend 2017 of
CHF 4.00 per share¹

¹ for the financial year 2017; proposal of the VAT Board of Directors to its shareholders at the AGM on May 17, 2018

Full year order intake in line with sales increase; Q4 order development not indicative of fundamentals

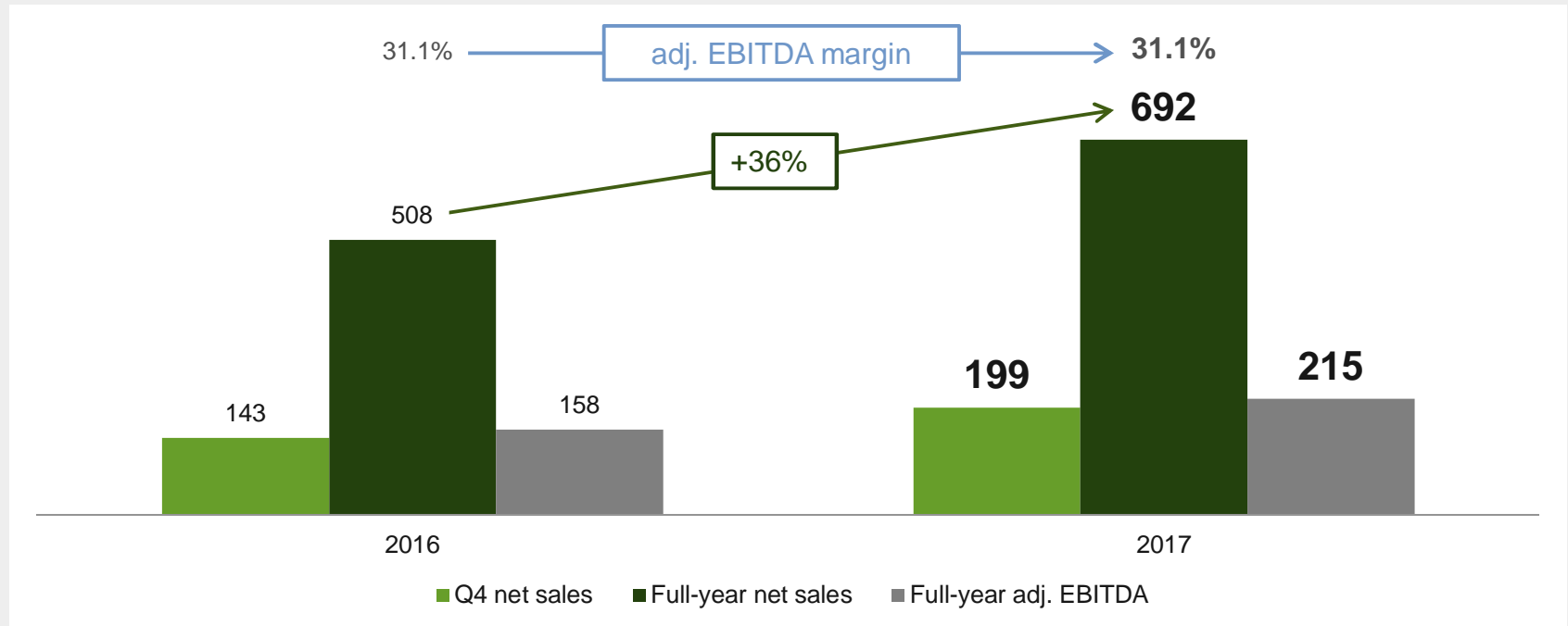
in CHF million





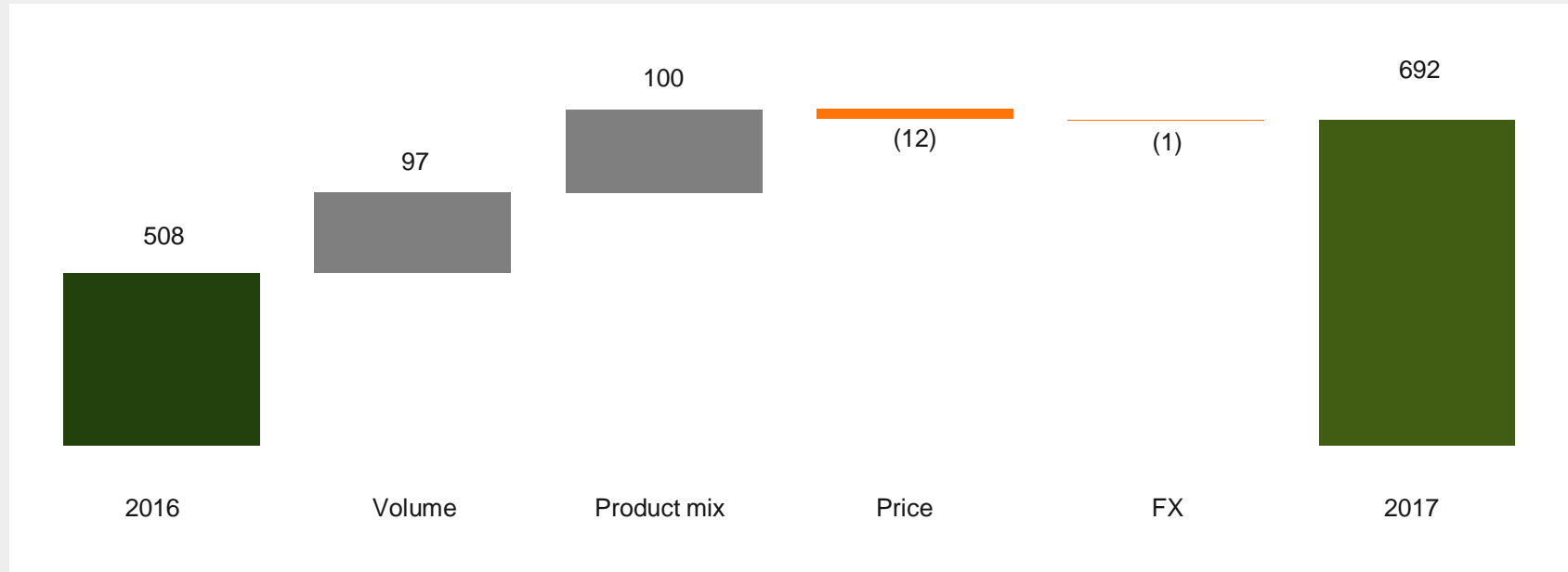
Strong full-year net sales increase; adj. EBITDA margin flat despite significant investments in future growth

in CHF million





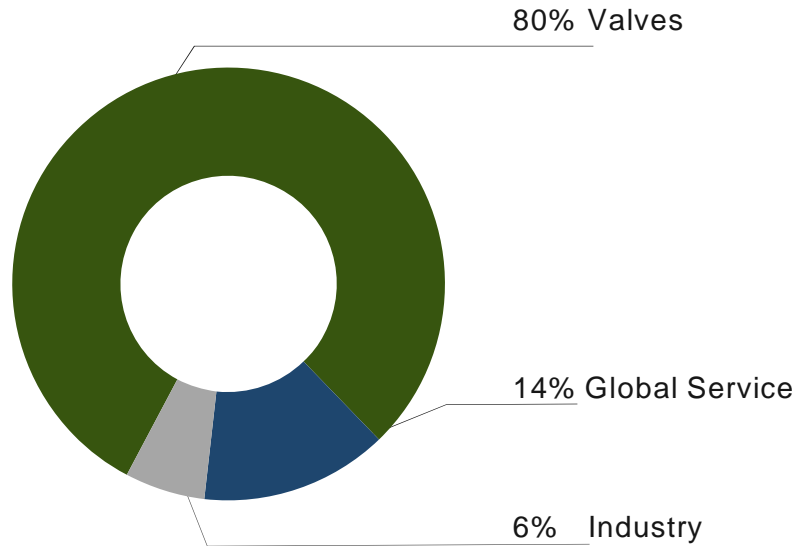
Net sales bridge



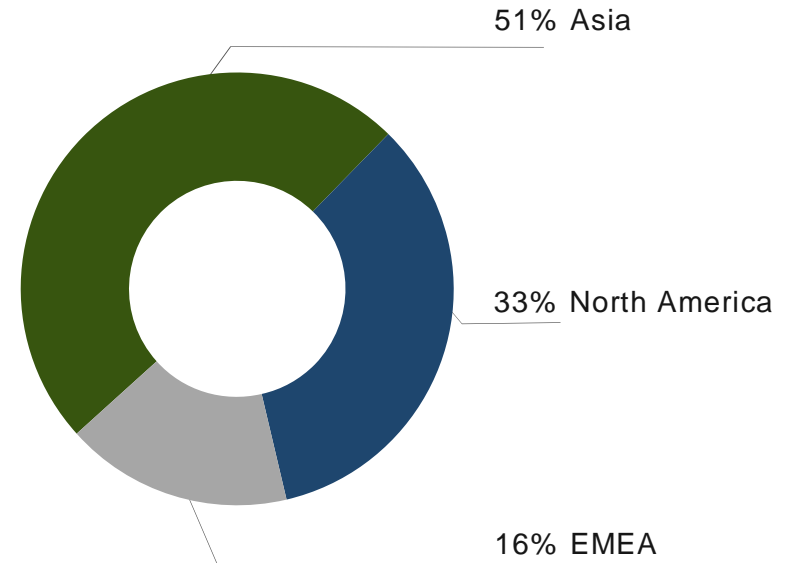
- Volume and product mix increases both drive top line growth
- Negative price impact only due to volume rebates to large customers

Full-year 2017 net sales CHF 692 million

Net sales by segment



Net sales by region



Valves – 80% of net sales

in CHF million	Q4 2017	Q4 2016	Change
Order intake	152.7	139.7	9.3%
Net Sales	159.7	116.4	37.2%
in CHF million	2017	2016	Change
Order intake	590.6	443.3	33.2%
Net sales	554.2	394.6	40.4%
Inter-segment sales	41.1	32.2	27.6%
Segment net sales	595.3	426.8	39.5%
Segment EBITDA	188.6	129.3	45.9%
EBITDA margin	31.7%	30.3%	



Semiconductors

- Record results driven by demand for etch and deposition wafer fabrication equipment
- Memory and logic chip demand remains at a very high level

Display & Solar

- Investments in OLED continues; investments in G10.5 fabrication equipment for LCD screens

Modules

- Strong growth as OEMs value the tailor made multi valve solutions that offer lowest possible process contamination

General Vacuum

- Growth in existing businesses; qualification for additional market segments

Global Service – 14% of net sales

in CHF million	Q4 2017	Q4 2016	Change
Order intake	21.5	20.9	2.9%
Net Sales	28.6	20.4	40.2%
in CHF million	2017	2016	Change
Order intake	103.6	85.0	21.9%
Net sales	98.7	81.9	20.5%
Inter-segment sales	-	-	-
Segment net sales	98.7	81.9	20.5%
Segment EBITDA	47.6	40.5	17.7%
EBITDA margin	48.2%	49.4%	



Growing installed base spurs substantial growth

- Ongoing investments in manufacturing capacity for semiconductors and displays yield in fast expanding installed base
- Demand for spare parts and specialty consumables such as spare gates growing
- Proximity to customers is a key success factor; expansion of service network in 2017 especially in Korea and China
- Retrofit and upgrade business opportunities at the heart of the Global Service strategy
- Investment in dedicated service infrastructure on the premises of key customers

Industry – 6% of net sales

in CHF million	Q4 2017	Q4 2016	Change
Order intake	11.6	7.5	54.7%
Net Sales	10.8	5.9	83.1%
in CHF million	2017	2016	Change
Order intake	42.0	33.6	25.0%
Net sales	39.5	31.4	25.7%
Inter-segment sales	22.6	15.4	46.8%
Segment net sales	62.1	46.8	32.8%
Segment EBITDA	13.4	10.3	29.2%
EBITDA margin	21.5%	22.1%	



Investments in future growth

- Accelerated growth in net sales to third parties, combined with rising internal demand for bellows
- Introduction of new line of bellows with more corrosion-resistant materials
- Fuel injection dampers with moderate growth in 2017, investment in additional production capacity to accommodate expected future growth
- Slightly lower EBITDA margin as a result of strong growth in intersegment sales



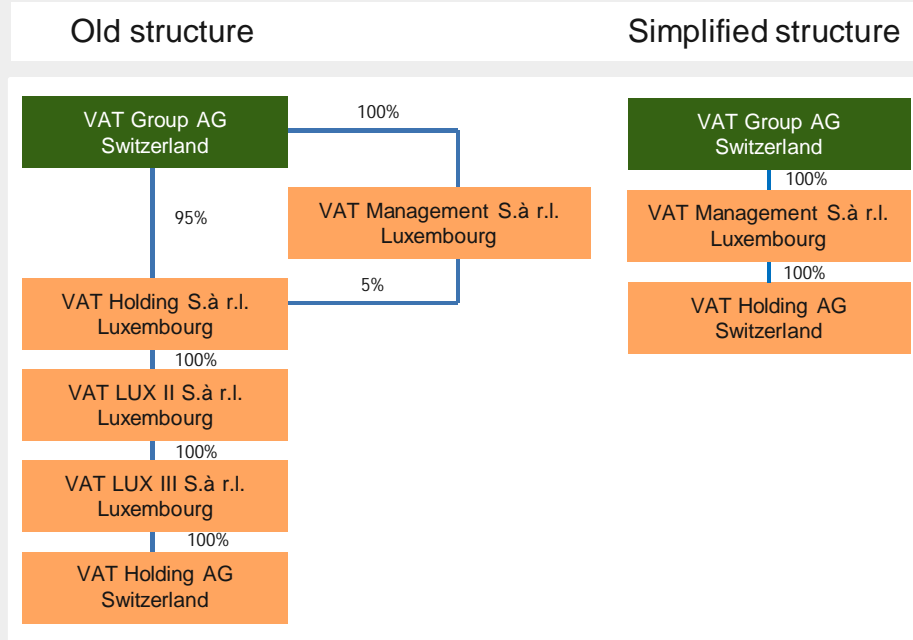
Substantially reduced finance cost negatively impacted by non-cash cost of unwinding finance structure

in CHF million	2017	2016	Change
EBIT	178.7	118.3	51.1%
Finance net	-44.1	-30.4	45.0%
EBT	134.7	87.9	53.2%
Income tax expenses	-19.0	-20.7	-8.0%
Effective Tax Rate	-14.1%	-23.5%	
Net income	115.7	67.2	72.1%

- Full impact of 300-million syndicated five-year revolving credit facility established in September 2016
- Reduced overall interest cost offset by unwinding finance structure by recycling of non-cash translation reserves in the amount of CHF 38.3 million
- Effective tax rate of 14.1% positively impacted by US tax reform and accessibility of loss carry forwards in Malaysia and Romania



The unwinding of the finance structure and its impact on 2017 consolidated income statement

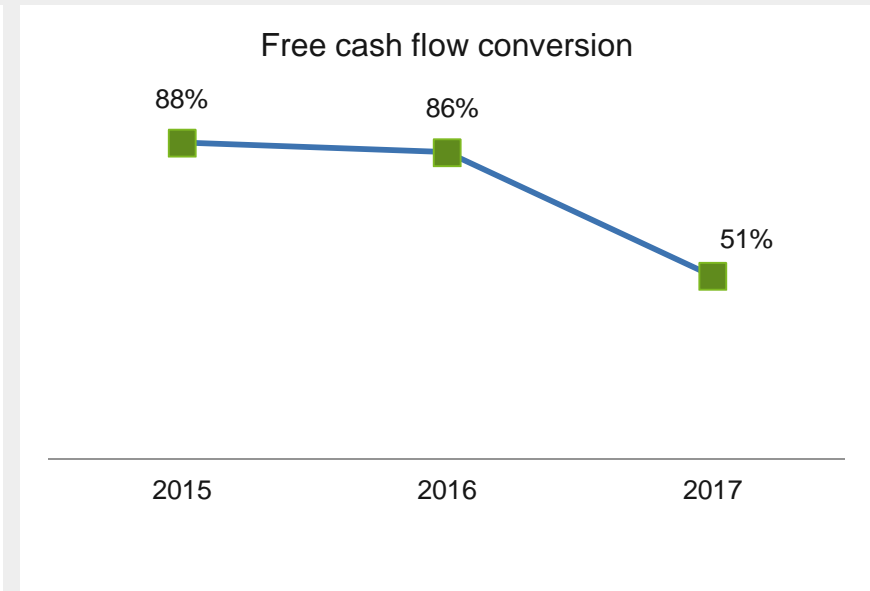
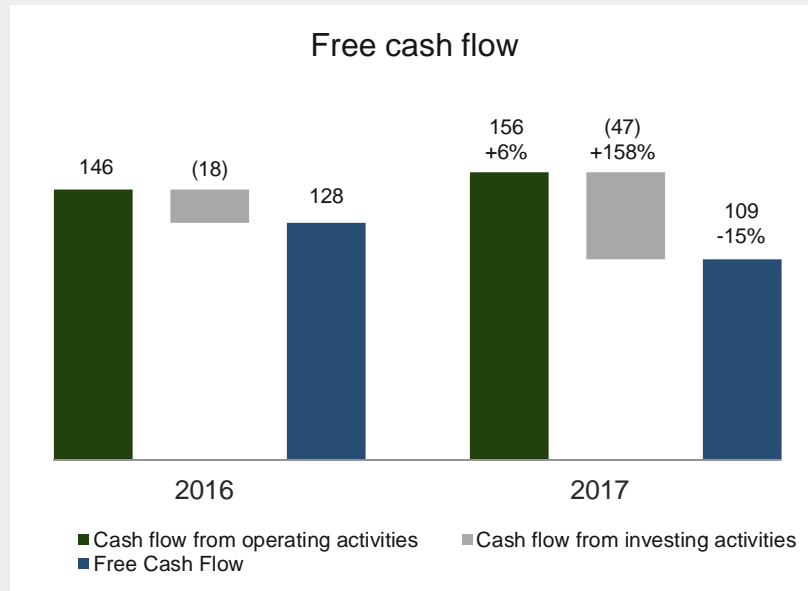


- Unwinding of financing structure set up by the former private equity owners
- VAT LUX III S.à r.l. with notional USD currency merged into VAT Management S.à r.l.
- Recycling of translation reserves in the amount of CHF 38.3 million booked in finance costs
- No impact on cash flow, equity or total comprehensive income
- Reported net income and EPS negatively affected

	Reported	Change	Adjusted	Change
Net Income (CHFm)	116	72%	154	129%
EPS	3.86	59%	5.13	111%



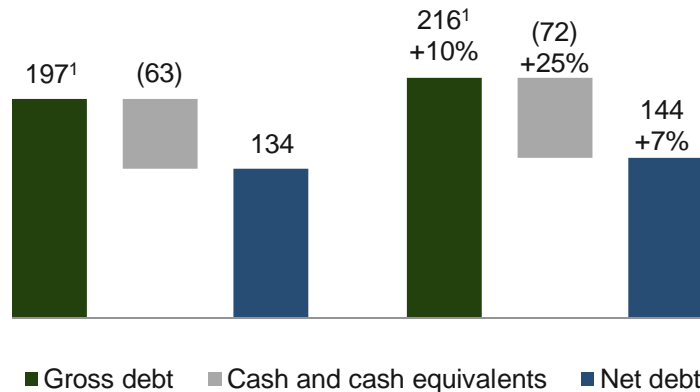
Investments in growth impacted free cash flow



- Improvement in cash flow from operations slowed down by substantial increase in working capital, however working capital as a percentage of sales remained unchanged at 20.1% compared to 2016
- Investments in additional capacity led to substantial higher CAPEX

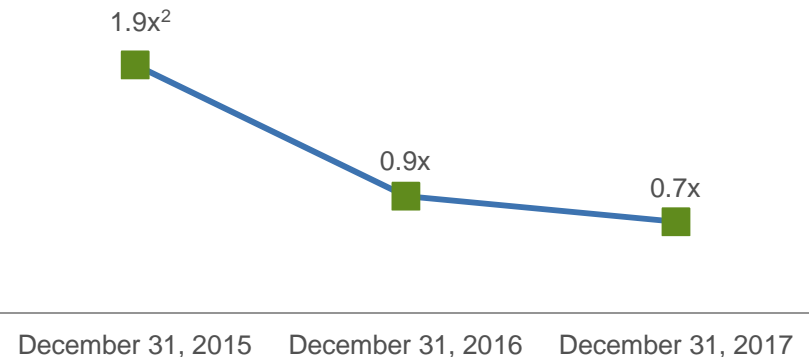
Year-end net debt further reduced

Net debt development



- Slightly higher net debt level
- Higher draw-down from RCF reflecting higher capital expenditures and working capital

Year-end leverage development



- Leverage further reduced as the result of stable net debt coupled with higher EBITDA
- Year-end net debt/EBITDA decreased to 0.7x from 0.9x
- No further de-leveraging expected

¹ Five year revolving credit facility (RCF) over USD 300 million maturing 2021

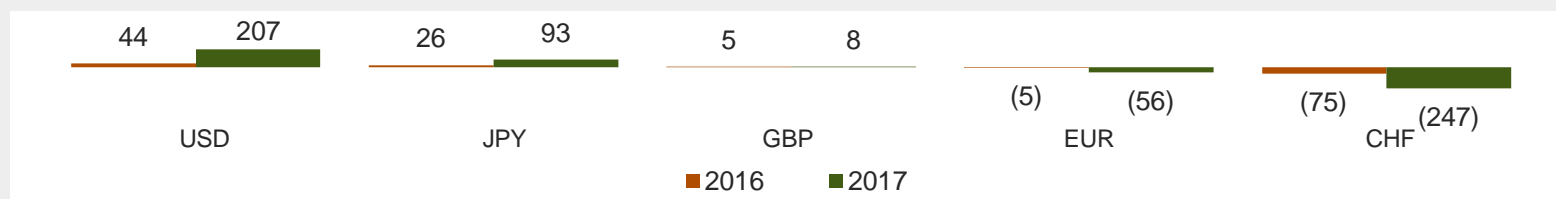
² Net debt 2015 is calculated excl. shareholder loan as of December 31, 2015



Initiatives to mitigate the foreign exchange exposure

FX	Status on FX exposure initiatives
USD	<ul style="list-style-type: none"> Ongoing initiative to increase global sourcing (mainly Asia and Eastern Europe) Nomination of debt in USD FX hedging of up to 100% of net cash flows contracts on a 18-month rolling basis
JPY	<ul style="list-style-type: none"> FX hedging of up to 100% of net cash flows contracts 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 currencies¹



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

VAT's financial mid-term guidance

Mid-term guidance (*amended* to former guidance at time of IPO)

- Net sales growth: high single digit *over the cycle* at constant FX rates
- EBITDA margin target: 33% of sales *by 2020*
- 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 : 1x 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 cash flow from operation activities less cash flow from investing activities less interest paid and the current portion of loan and borrowings due at the end of the period.

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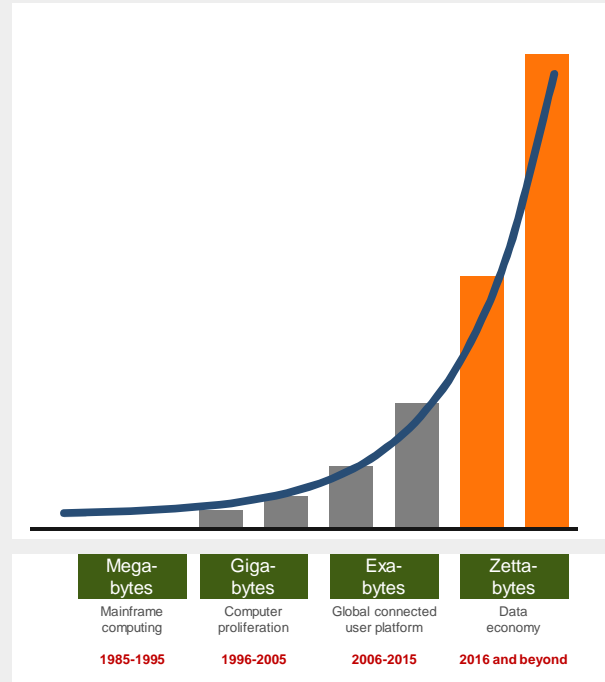
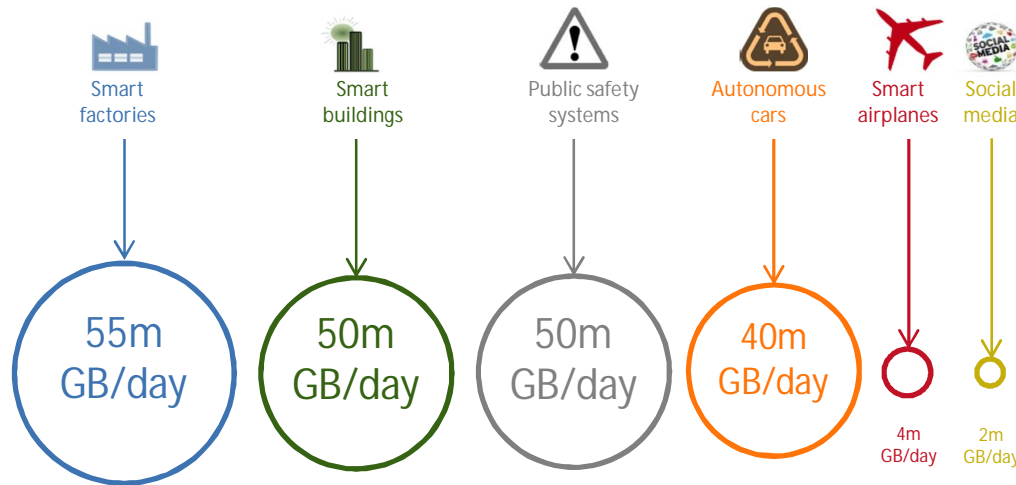
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VAT's growth drivers remain intact – data generation continues to grow exponentially

A city of 1 million people is expected to generate 200m GB of data per day by 2020¹



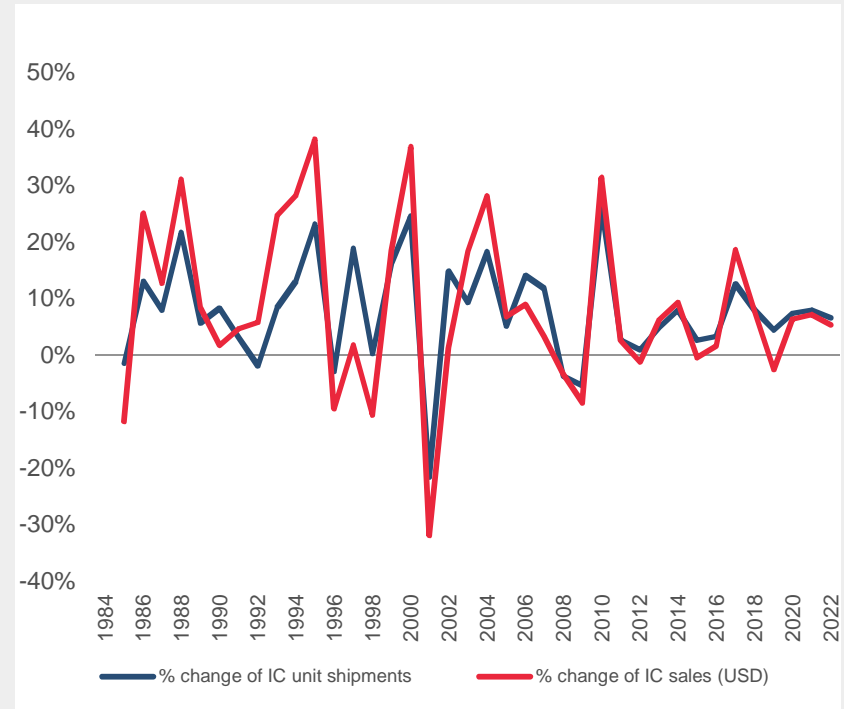
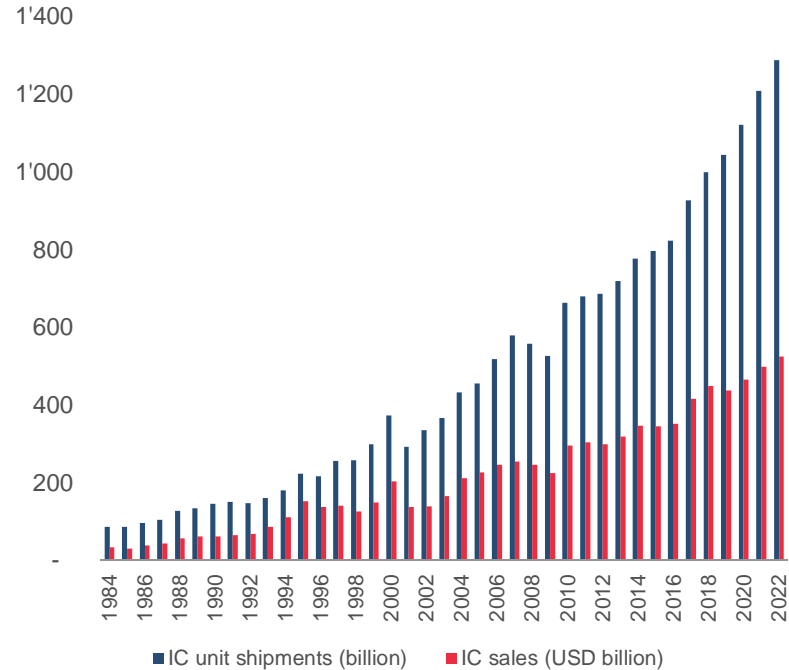
Source: Applied Materials, Cisco

Source: Lam Research Corporation



Strong growth forecast for the IC market with reduced cyclicality

Fourth quarter and full-year 2017 results





Capital intensity is increasing across all WFE markets

Market segments ¹	<p>NAND ²</p> <p>Planar 3D</p>	<p>DRAM ²</p> <p>25nm <16nm</p>	<p>Logic ²</p> <p>28nm <7nm</p>	<p>Display ³</p> <p>LCD OLED</p>
Technologies	<ul style="list-style-type: none"> • Etching incl. ALE • Deposition incl. ALD 	<ul style="list-style-type: none"> • Etching • Deposition • New memory materials 	<ul style="list-style-type: none"> • Etching • Deposition • Multi patterning • Vertical scaling 	<ul style="list-style-type: none"> • OLED Evaporation • Etching • Encapsulation • ELA
VAT growth drivers	<ul style="list-style-type: none"> • Increases in the technological complexity drives capex and vacuum intensity • Vacuum equipment portion of total equipment to grow from 52% in 2017 to 60% in 2022 ⁴ 			

¹ Source: Applied Materials

² WFE USD billion; greenfield 100k WSPM

³ Equipment USD billion; Gen 6

⁴ VLSI Research January 2018, Semi & related ratio of Vacuum fabrication equipment

Driving share gains through customer intimacy and trusted partnerships





Leveraging our core competencies to exceed industry requirements

VAT core competencies	Relevance to industry segments			
	Semi	Display	Solar	R&D
Technology enablers				
Sealing technology	✓✓✓	✓✓✓	✓✓	✓✓✓
Contamination management (zero defects)	✓✓✓	✓✓	✓	✓✓
Material & coating competence	✓✓✓	✓✓	✓	✓✓✓
High speed control technology	✓✓✓	✓✓✓	✓	✓
Module solutions	✓✓✓	✓✓	✓	✓
Precision motion components	✓✓✓	✓✓✓	✓✓	✓
Vacuum design (total cost of ownership)	✓✓✓	✓✓✓	✓✓	✓✓✓
IP management	✓✓✓	✓✓✓	✓✓	✓
Manufacturing, assembling and machining expertise	✓✓✓	✓✓✓	✓✓✓	✓✓✓



Priorities for 2018 and beyond – Harvest the incredible market opportunities

Drive innovation
across all market
segments

Trusted partnership
with customers – solve
their biggest problems

Organization and
people development

Oper. excellence:
Malaysia growth,
capacity, quality,
supply chain

Service growth:
harness growing
installed base

Address high potential
adjacencies in R&D,
industrial and other
segments



Conclusion & Outlook 2018

Outlook 2018

- The era of Big Data, augmented by rapid advances in artificial intelligence (AI), is gaining momentum, leading the company into a new phase of sustainable growth
- Leading market position in vacuum-valves enables VAT to fully capture the growth potential presented by investments in semi and adjacent markets
- Service opportunities to be actively pursued
- Revenue growth of 15% to 20% expected at constant FX rates
- EBITDA margin to progress towards target of 33% by 2020
- Substantial increase of net income and EPS expected
- CAPEX to remain around 7% of net sales

FOURTH QUARTER AND FULL-YEAR 2017 RESULTS

Q&A Session



Information

Investor information

Listing:	SIX Swiss Exchange
Currency:	CHF
Ticker symbol:	VACN
ISIN:	CH 031 186490 1
Legal Entity Identifier:	529900MVFK7NVALR7Y83

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Financial calendar

Q1 2018 Trading update	Tuesday, April 17, 2018
Annual General Meeting	Thursday, May 17, 2018
Ex-date	Tuesday, May 22, 2018
Dividend payment	Thursday, May 24, 2018
Half-year 2018 results	Friday, August 24, 2018
Q3 2018 trading update	Thursday, October 25, 2018
Full-year 2018 results	Friday, March 8, 2019



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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