



FOURTH QUARTER AND FULL-YEAR 2018 RESULTS

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

March 8, 2019

Agenda

1

Highlights

Mike Allison, CEO

2

Fourth-quarter and full-year 2018 financial review

Stephan Bergamin, CFO

3

2019 priorities, conclusion and outlook

Mike Allison, CEO



Stable results despite softer market in the second half of 2018

Record net sales and EBITDA despite softer market in second half of 2018

Investments in innovation yield record number of specification wins in all business units

Operational performance measures safeguard EBITDA margin

Completion of site expansion in Malaysia balances production footprint; ready for market recovery

Market share gains continue, reflecting VAT's leadership in innovation, customer partnerships and production capacity

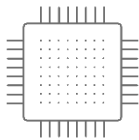
Market expectations for 2019 are mixed; recovery potential geared towards later part of the year

Performance supported by all market segments

Segment (% of total net sales)	VAT Group AG	Valves (79%)	Global Service (15%)	Industry (6%)
Net sales	CHF 698m / +1%	CHF 551m / -1%	CHF 106 / +7%	CHF 41m / +5%
EBITDA / margin ¹	CHF 215m / 30.8%	CHF 192m / 32.3%	CHF 50m / 46.9%	CHF 8m / 13%

¹ Segment margin based on segment net sales

Market trends mixed across major business segments



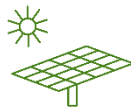
Semiconductors

- WFE investments up 16% in 2018; substantial slowdown in H2 especially in memory
- Technology inflections in logic / foundry continue



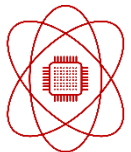
Display

- OLED investments continued in China, but slowed in line with softer smartphone demand
- Gen 10.5 investments for large LCD displays continued



Solar

- Chinese OEMs grew market share
- Increasing demand for new PV technologies to increase power conversion rate



Industry & Research

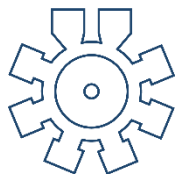
- Continued growth in all industrial businesses such as automotive, medical, aerospace
- Research spending by government remains healthy, particle physics (CERN, ITER)

All 3 growth dimensions took a breather in H2 2018



1st dimension: End market growth

- Digitalization continues with medium-term secular growth drivers such as IoT, AI, AR, etc.
- Slowing memory market
- 5G build-up key for several future applications, e.g. autonomous vehicles



2nd dimension: Equipment growth

- Large investment programs from 2016 to mid-2018 and general productivity improvements led to a slight oversupply especially in memory
- Technology advances in logic (<10nm) somewhat slower than anticipated
- China/USA trade conflict negatively impacted investment climate



3rd dimension: Vacuum valve growth

- Growth in vacuum manufacturing processes continued; capital intensity increased again in latest technologies
- EUV lithography requiring vacuum picked up momentum
- General vacuum applications continue healthy growth

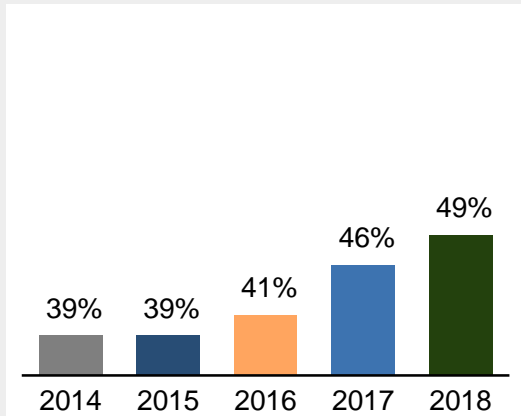


No 1 market position further strengthened, driven by Solar, General Vacuum and Global Services

Market share All Industries ¹

Total vacuum valve market size

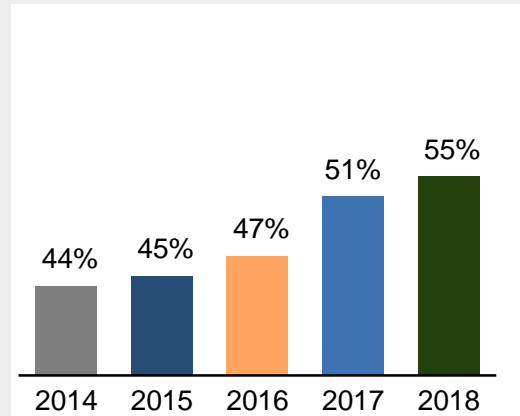
2014: USD 767m
 2015: USD 804m
 2016: USD 969m
 2017: USD 1'179m
2018: USD 1'139m



Market share Semi & Related ²

Total vacuum valve market size

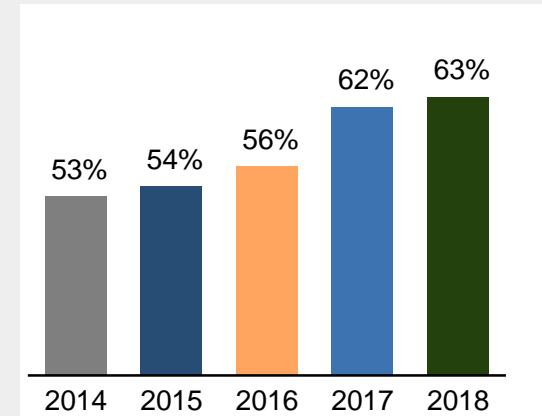
2014: USD 495m
 2015: USD 531m
 2016: USD 688m
 2017: USD 855m
2018: USD 808m



Market share Semi ³

Total vacuum valve market size

2014: USD 335m
 2015: USD 350m
 2016: USD 400m
 2017: USD 539m
2018: USD 503m



Source: VLSI Research February 2019, 2018 full year data preliminary

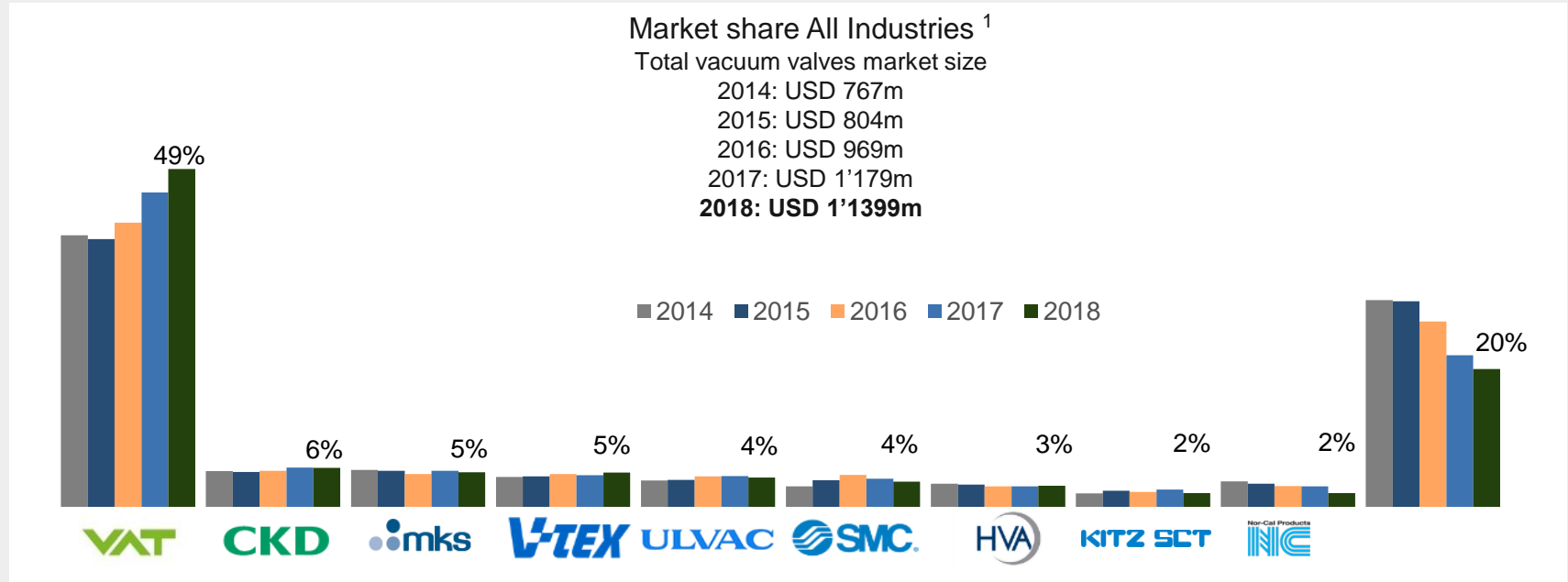
¹ All Industries includes semi & related, General Vacuum.

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 February 2019, 2018 full year data preliminary

¹ All Industries includes Semi & related, General Vacuum

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Full-year 2018 – Group key figures

Third party net sales
CHF 698 m
+1%

EBITDA
CHF 215 m
(unchanged¹)

EBITDA margin
30.8% (-30bps¹)
EBIT margin 25.7%
(-10bps)

Free cash flow
CHF 124 m
+14%

Free cash flow margin
18%
Free cash flow
conversion
58%

Net debt/EBITDA
0.7x
Dividend 2018²
of CHF 4.00 per share

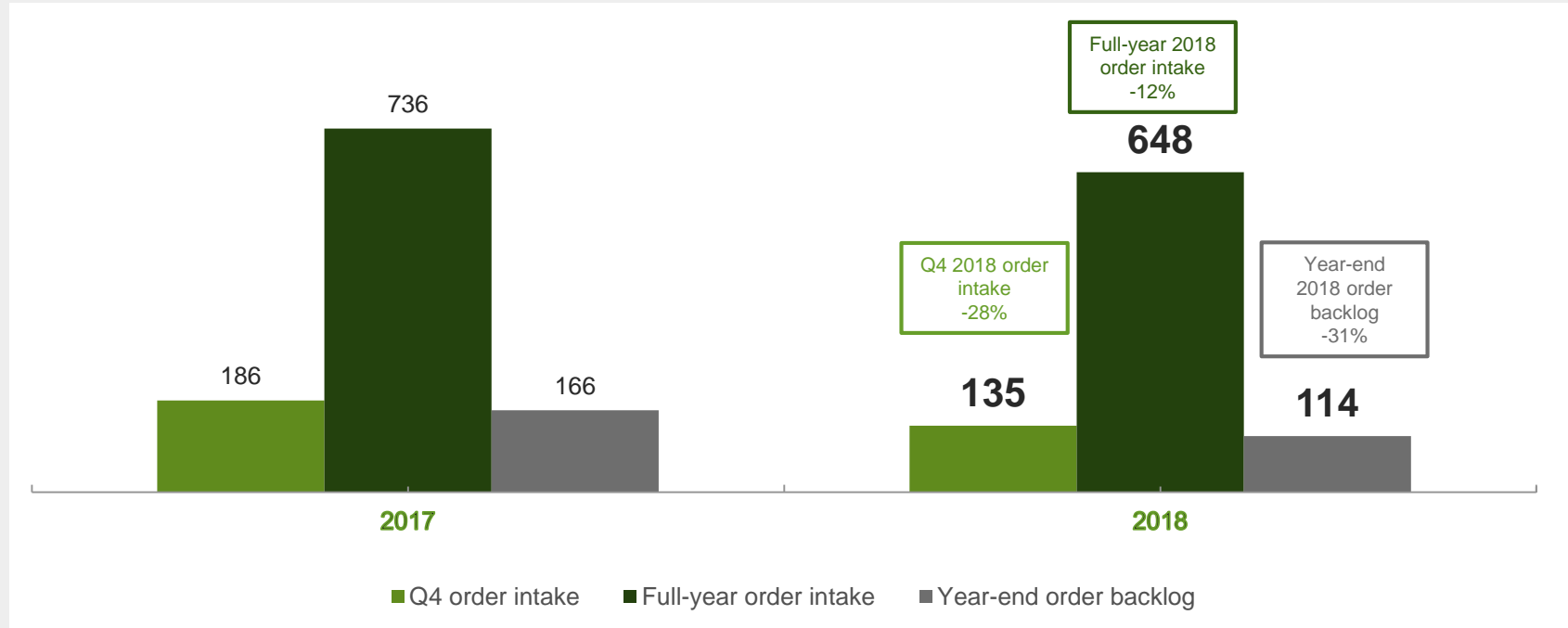
¹ compared to adjusted EBITDA in 2017

² for the business year 2018; proposal of the VAT Board of Directors to its shareholders at the AGM on May 16, 2019



Order intake for both Q4 and full year 2018 reflect moderation of semiconductor activities

in CHF million



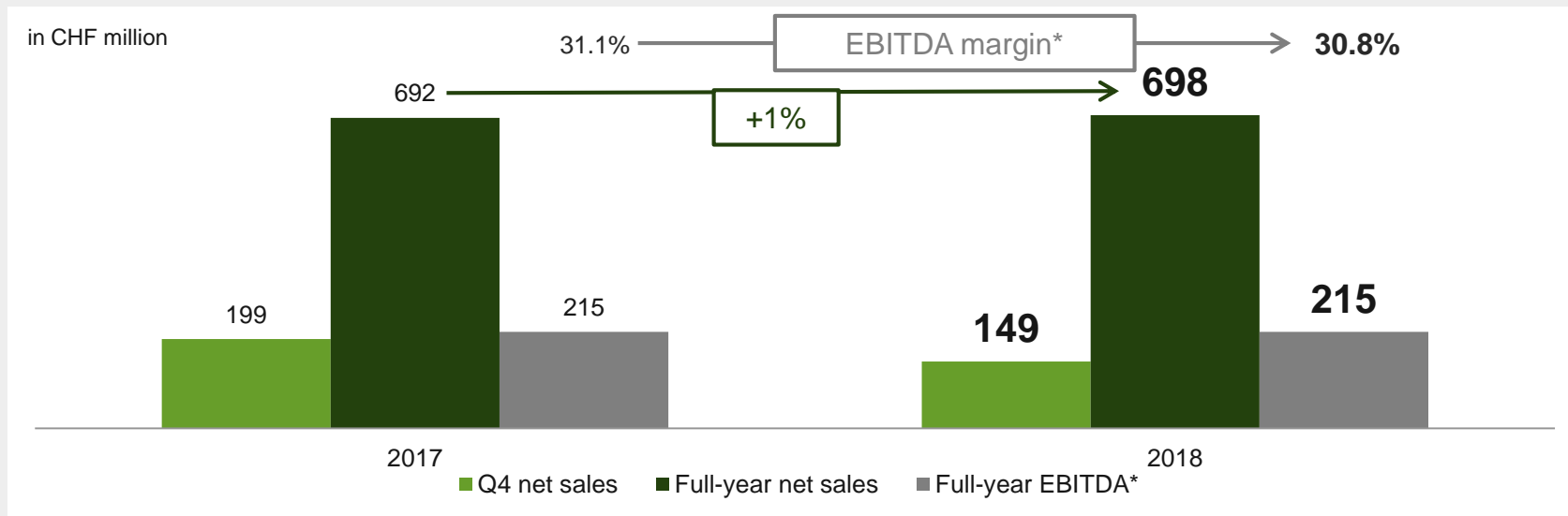


Sales Bridge



- Product mix gains more than offset general volume decline; highlight the importance of continuous product and solution innovation
- Volume discounts (price) decline from 2017 levels; FX impact slightly positive

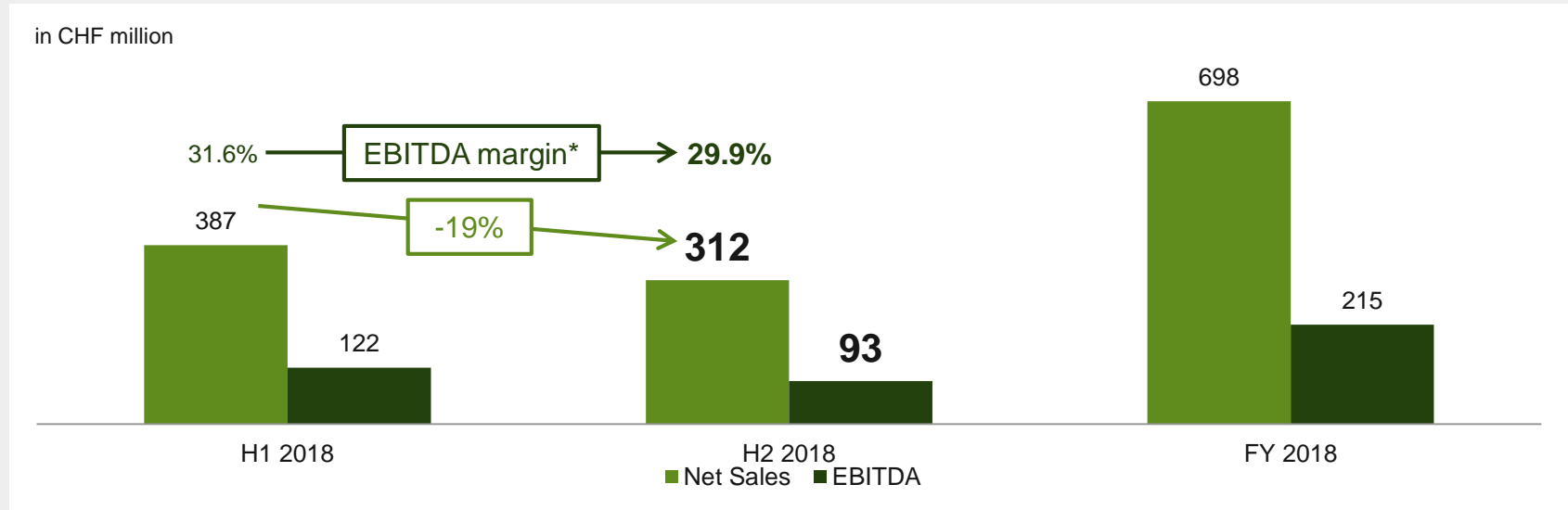
Record sales and strong EBITDA margin despite market moderation in H2 2018



- Significant market moderation during H2 of 2018, especially in semi-related activities
- General Vacuum and Global Service businesses help offset some of the decline

* 2017 adjusted EBITDA-margin

Flexible business setup protects EBITDA margin in H2 despite substantial sales decline

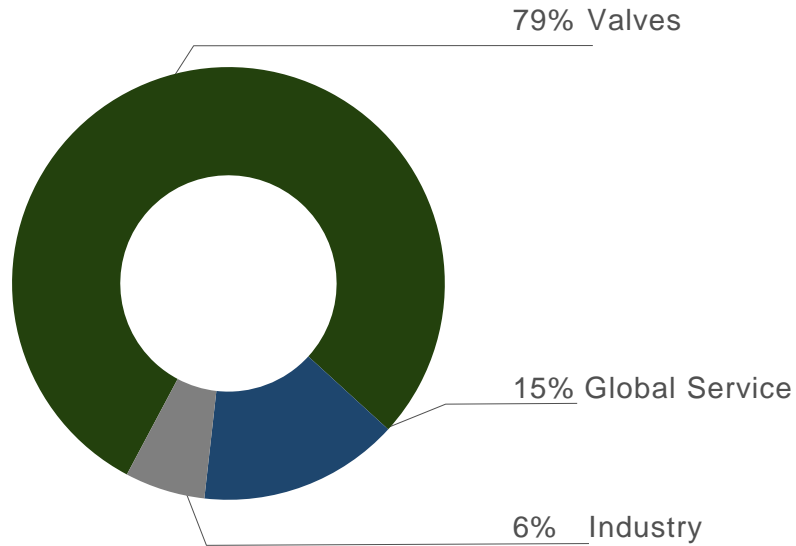


- Swift reaction to changing market environment to protect overall profitability
- Cost reduction measures in place with immediate impact; medium-term cost reduction program initiated

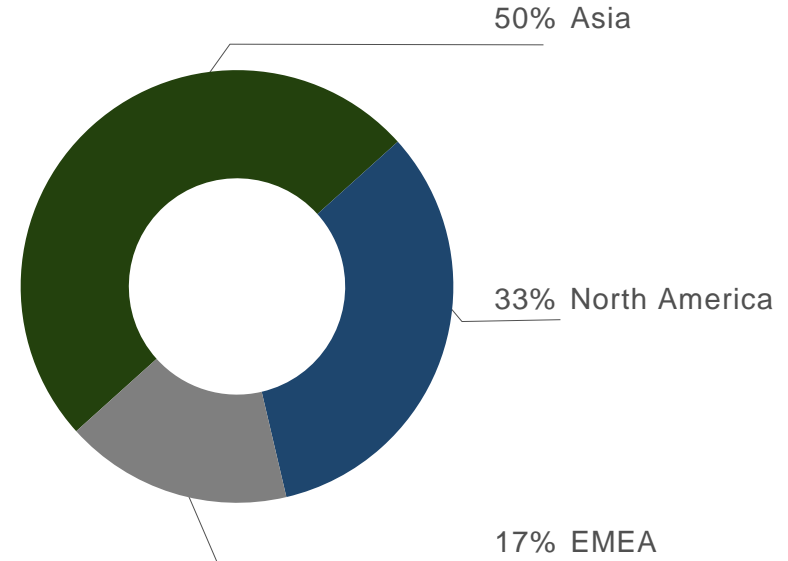
* 2017 adjusted EBITDA-margin

Full-Year 2018 net sales CHF 698 million

Net sales by market segment



Net sales by region



Valves – 79% of net sales

in CHF million	Q4 2018	Q4 2017	Change
Order intake	97.7	152.7	-36.0%
Net Sales	112.7	159.7	-29.5%
in CHF million	2018	2017	Change
Order intake	497.5	590.6	-15.8%
Net sales	551.1	554.2	-0.6%
Segment EBITDA	192.4	188.6	2.0%
EBITDA margin	32.3%	31.7%	



Semiconductors & Modules

- Investment slow-down in H2
- Memory capex down substantially, logic and foundry more stable
- Previous specification wins buffered against sharper decline

Display & Solar

- Overall record results
- Gen 10.5 investments continue while OLED is soft
- Solar driven by China

General Vacuum

- Double-digit sales increase, investments in research (particle physics, space simulation chambers)
- Industry business driven by automotive, pharma and others

Global Service – 15% of net sales

in CHF million	Q4 2018	Q4 2017	Change
Order intake	28.7	21.5	33.5%
Net Sales	27.6	28.6	-3.6%
in CHF million	2018	2017	Change
Order intake	108.4	103.6	4.6%
Net sales	105.8	98.7	7.1%
Segment EBITDA	49.6	47.6	4.2%
EBITDA margin	46.9%	48.2%	



Strategic focus on service

- Focused service strategy plus growing installed base led to record results
- Retrofit and upgrade businesses key to service growth in semi and display sectors
- Growth in repair services driven by shorter cycle times and improved coverage
- Improved cooperation with OEMs to access wider services market
- Investments continue in dedicated service infrastructure on the premises of key customers

Industry – 6% of net sales

in CHF million	Q4 2018	Q4 2017	Change
Order intake	8.1	11.6	-30.2%
Net Sales	8.6	10.8	-20.2%

in CHF million	2018	2017	Change
Order intake	42.2	42.0	0.5%
Net sales	41.3	39.5	4.7%
Segment EBITDA	8.4	13.4	-37.3%
EBITDA margin	13.3%	21.5%	



Business model adjustments generate first successes

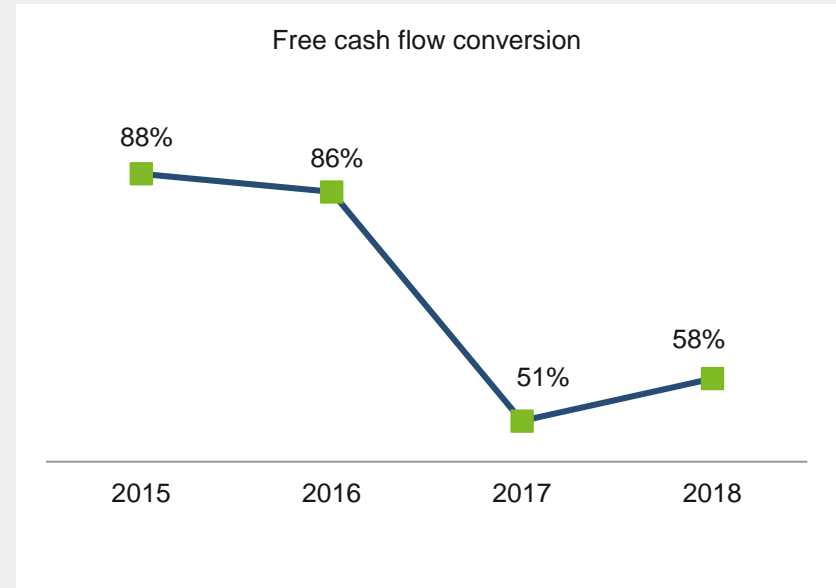
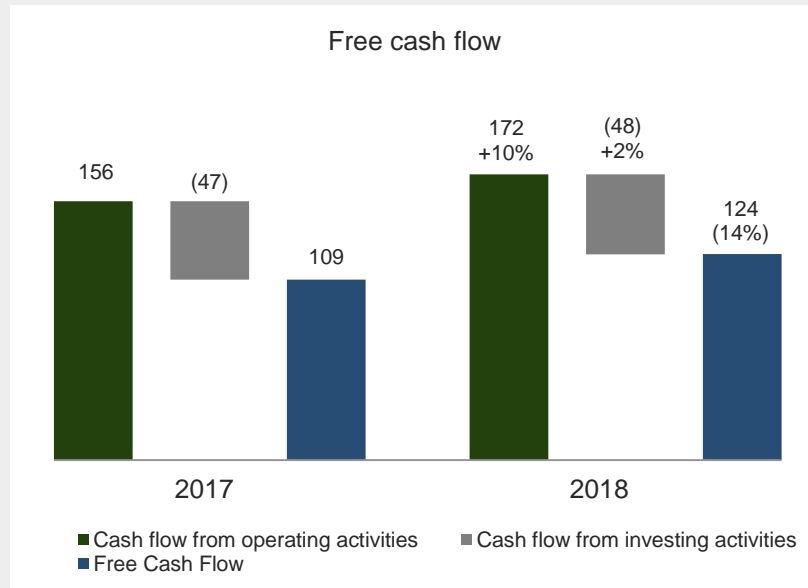
- Stronger focus on a larger variety of industry-related activities
- Growth in non-semi related industries more than offset softer semi business
- Innovation yielded several specification wins
- Profitability negatively impacted by under-absorption of assets as larger capacity expansions carried out in late 2017 and the beginning of 2018 could not be filled sufficiently

Net income and Net income margin increase

in CHF million	2018	2017	Change
EBIT	179.7	178.7	1%
Finance net	-13.2	-44.1	-70%
EBT	166.5	134.7	24%
Income tax expenses	-30.8	-19.0	
Effective Tax Rate	-18.5%	-14.1%	
Net income	135.7	115.7	17%

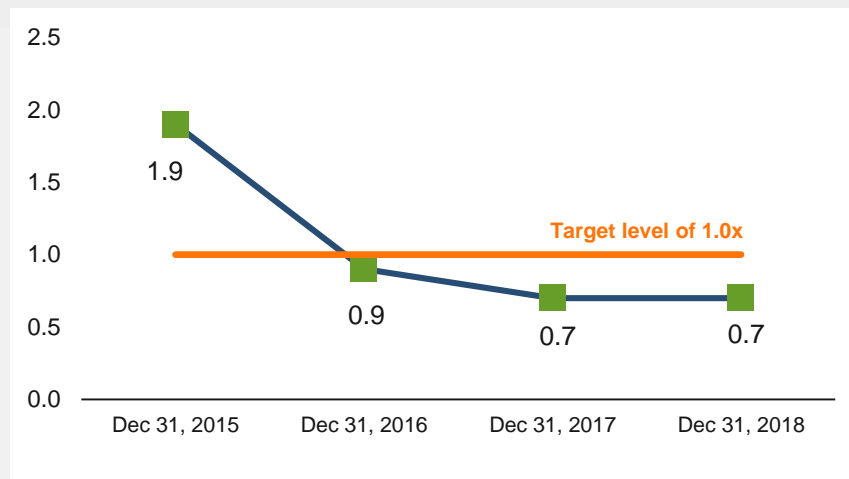
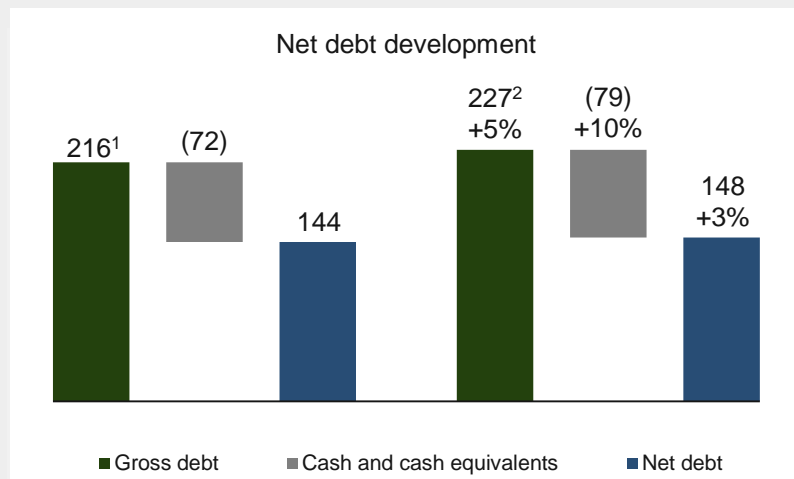
- Absence of 2017 non-cash unwinding costs of CHF 38.3 million
- Effective tax rate of 18.5% as expected higher than in 2017 and within VAT's mid-term guidance of between 18% to 20%

Cash flow conversion recovers but trade working capital still above target



- Improved cash flow from operations; trade working capital at 23% of net sales (target of 20%)
- Expansion of Malaysia factory mostly concluded in 2018; 2019 capex lower than 2018

Year-end net debt stable and well within our target



- Gross Debt 2018 comprises mainly CHF 200 million bond issued in May 2018
- Revolving credit facility largely untapped
- Overall slightly higher net debt level

- Slightly higher gross debt nearly is compensated by higher cash position
- Year-end net debt/EBITDA unchanged at 0.7x
- No further de-leveraging expected

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

² Five year 1.5% coupon bond over CHF 200 million maturing 2023 and five year revolving credit facility (RCF) over USD 300 million maturing 2023



Summary of financial results

Achievements 2018

- Record results despite a significant moderation of business activity in H2 2018
- Swift and decisive response to changing environment in H2 to safeguard profitability; cost reductions achieved due to flexible operational setup
- Cash generation on very sound footing with room for further improvement in 2019; record free cash flow
- Higher net income and EPS reflect operational performance coupled with improved finance net result

Finance Priorities 2019

- EBITDA margin protection
- Further reduction of trade working capital towards target of 20% of net sales expected in 2019
- Capex to be down in both absolute terms and as a percentage of net sales

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External market factors are volatile and unlikely to improve in H1 2019

Semiconductor

- Semiconductor order activity continues to slide as caution dominates at all levels
- Memory activity at cyclical low point as chipmakers cope with weaker ASP and excess inventories; Logic chipmakers are more confident and Foundries are following cautiously with 7nm and 5nm ramp
- Semiconductor industry is going through an inventory correction phase impacting chipmakers' and equipment suppliers' sales in H1 2019
- Semiconductor IC market likely to decline -5%
- Semiconductor capex projected to decline -12% with memory capex -26%
- Wafer Fab Equipment market expected to decline between -15% and -20%
- Vacuum Processing Equipment market expected to decline about -20%



External market factors are volatile and unlikely to improve in H1 2019

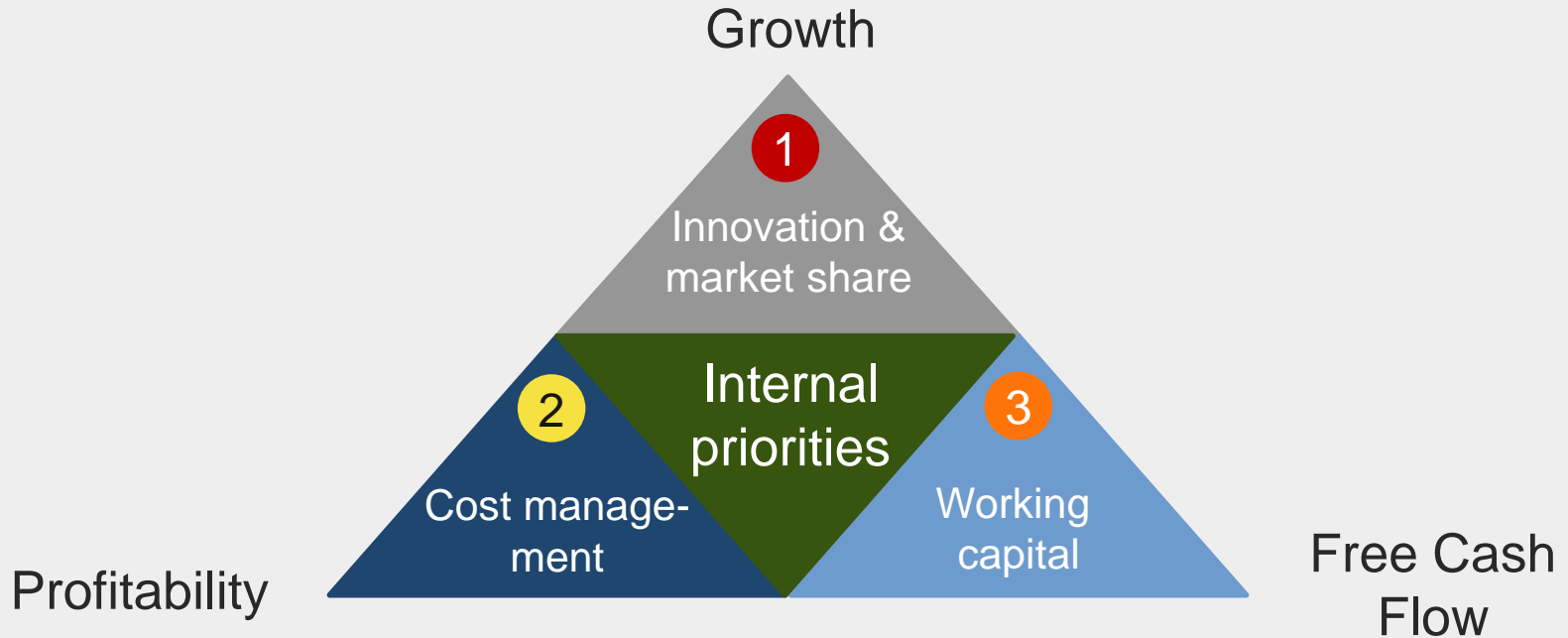
Display

- Samsung and Huawei launched foldable smartphones; transition to OLED displays continues ; 5G to start fuelling smartphone demand in 2020/21
- Large display panels driven by TV market investments in G10.5 Fabs
- Excess display capex in 2017 and 2018 combined with improving yields has resulted in overcapacity in the short-term
- Display equipment market expected to decline about -20%

Solar

- Crystalline silicon is still the largest market accounting for more than 75% of total solar revenues, thin film expected to grow steadily
- Large investments by major thin film panel manufacturers driving demand for vacuum equipment
- Solar Fabrication Equipment expected to grow about 3%

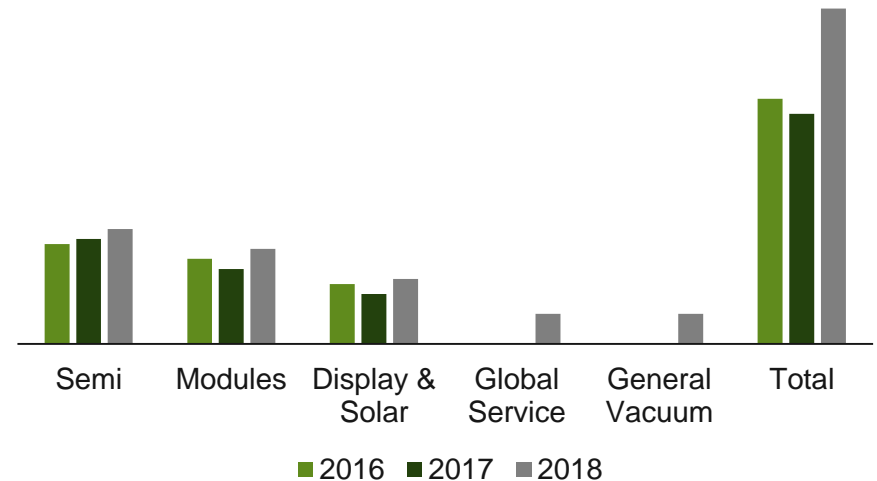
Focus on three key levers to strengthen competitive position and emerge stronger from current market moderation



1 Innovation is key to success

- VAT invests over CHF 30 million per year in R&D
- About 20% of workforce working in innovation; more than 150 R&D engineers and scientists
- Success measured by number of specification wins
- Record number of wins in Semi, Modules and Display & Solar
- Systematic tracking in General Vacuum and Global Service as of 2018

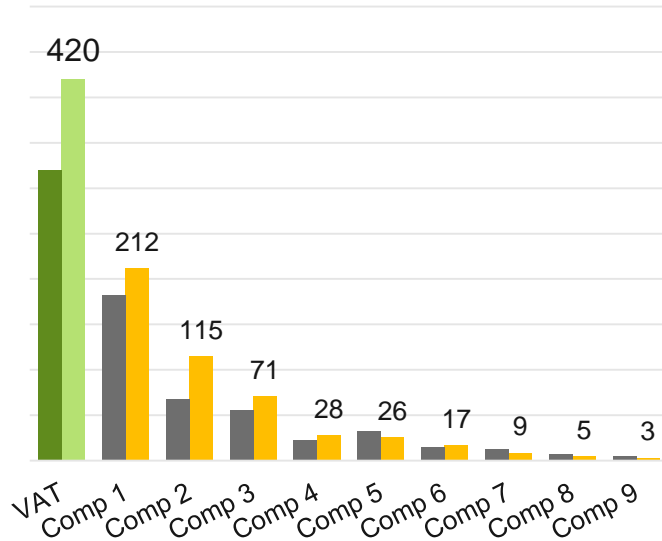
Specification wins



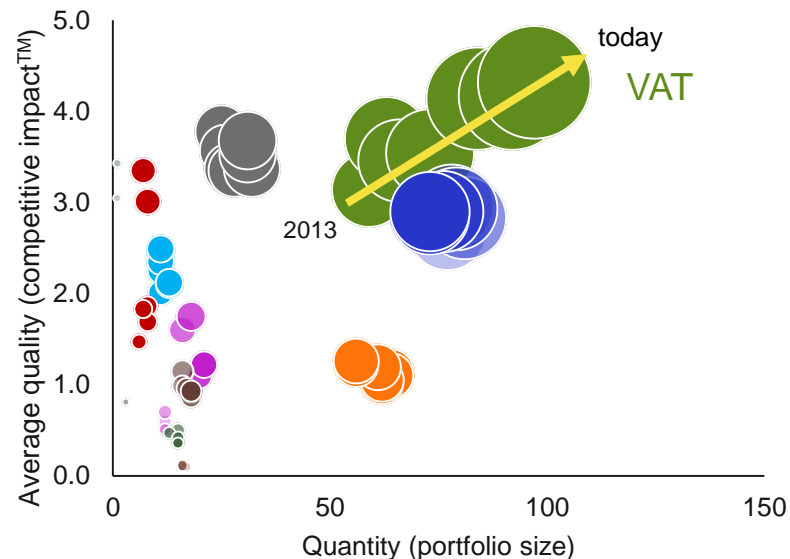
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VAT is the clear leader in the Patent Asset Index™ and has further extended this position in 2018

Strength of Patent Asset Index™



Development of Patent Asset Index™

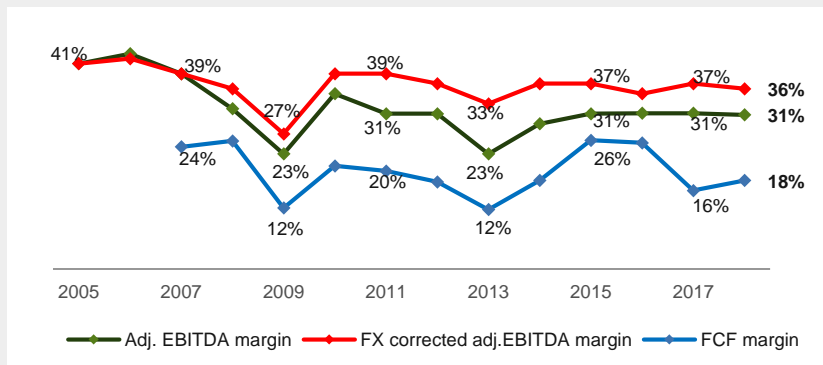
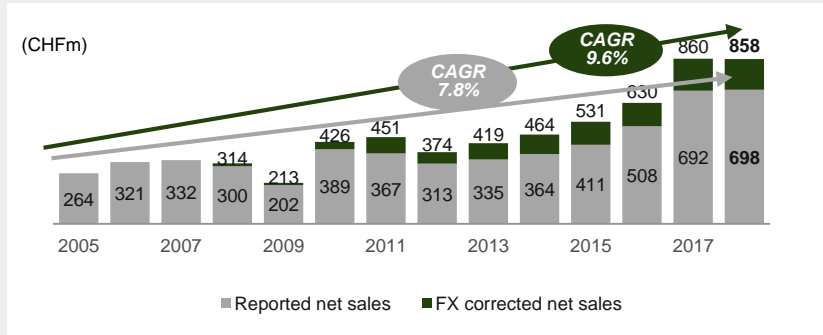


Note: The development over time is shown for Reporting Date 2013 to 2019.

2

Flexible operational structure coupled with targeted cost measures to protect profitability

- H2 EBITDA margin of 29.9% vs H1 despite substantial sales decline due to flexible business and cost model
- Focus on maximum operational agility to adjust to lower volumes while preparing for next ramp
- Increase utilization of Malaysia plant; systematic transfer and qualification of Semi and Display related products
- Innovation expenses are excluded from any cost saving plans

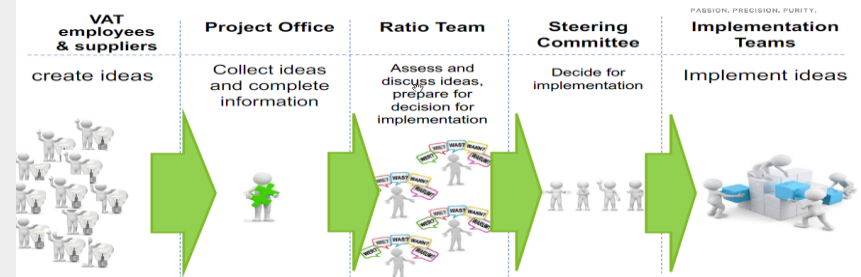
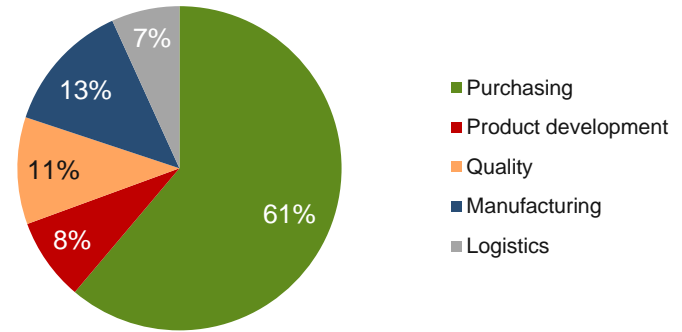


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Measures to generate cost savings

- Operational improvement and cost savings identified in bottom-up process; will contribute to future margin support
- 2019 purchasing savings expected to yield the majority of savings; shift to Asia and Eastern Europe, improved supplier management
- Temporary insourcing of certain products to better utilize existing equipment
- Maintain short time work until markets recover

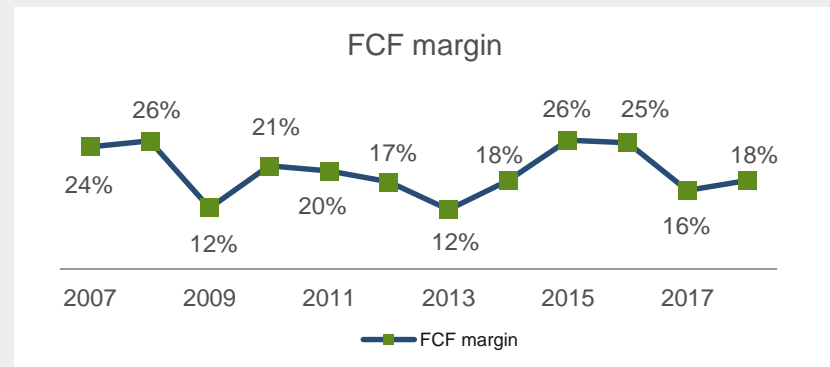
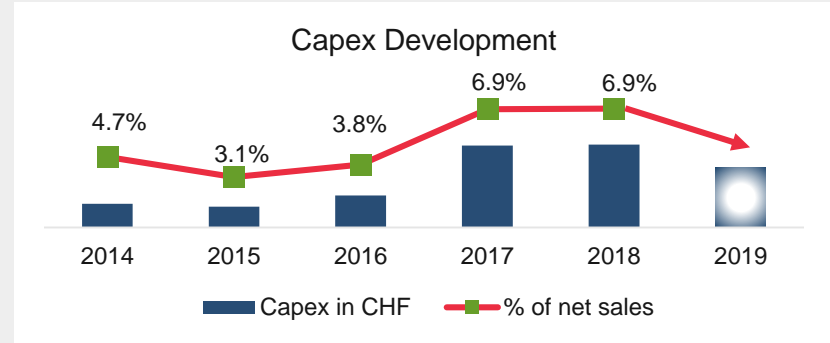
Sources of operational improvements 2019



3

Working capital management and lower capex support free cash flow generation

- Year-end 2018 net trade working capital at 23% of net sales above mid-term target of 20%
- Further reduction of inventory in all categories: raw materials, work in progress and finished goods
- Capex lower to CHF 30 - 35 million
- Maintain readiness to support future customer expansion





Conclusion

Market trends and VAT focus

- Fundamental medium-term growth drivers (e.g., the Internet of Things, cloud computing and storage, artificial intelligence) are expected to fuel further demand for semiconductors and advanced displays over the next several years
- For 2019, market visibility is very limited. The semiconductor and display sectors are still digesting the large increases in capital expenditures from 2016 to the middle of 2018
- Independent market researchers, leading OEM manufacturers and VAT customers expect investments in these sectors to slow significantly in 2019, especially in the first half
- Forecasts are more positive for general vacuum growth in industrial markets and for service-related activities



Qualitative outlook for full-year 2019; top line guidance for Q1 2019

Full-year 2019

- VAT expects 2019 net sales¹ to be lower compared with 2018
- VAT also expects EBITDA and EBITDA margin to be lower than 2018
- VAT maintains its EBITDA margin target of 33% but its achievement by 2020 depends on the development of markets in 2019
- Net income also expected to be lower, while capex is expected to be CHF 30 - 35 million
- Free cash flow expected to be higher on working capital reduction and lower CAPEX

Q1 2019 guidance

- For the first quarter of 2019, VAT expects net sales¹ to be between CHF 120 and 130 million

¹ at constant foreign exchange rates



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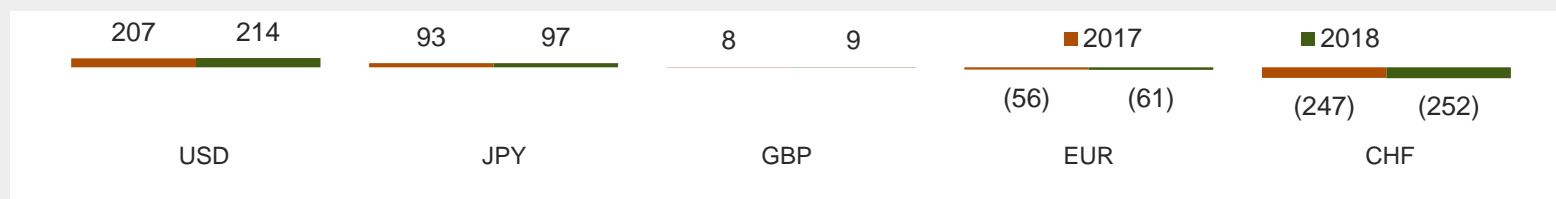
Q&A Session



Initiatives to mitigate 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 18-month rolling basis
JPY	<ul style="list-style-type: none"> FX hedging of up to 100% of net cash flows contracts on 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



Information

Investor information

Listing: SIX Swiss Exchange
Currency: CHF
Ticker symbol: VACN
ISIN: CH 031 186490 1
Legal Entity Identifier: April 14, 2016

Contact information

Michel Gerber
Head of Investor Relations &
Corporate Communications
Phone: +41 81 772 42 55
E-mail: m.gerber@vat.ch

Financial calendar

Q1 2019 trading update	Tuesday, April 16, 2019
Annual General Meeting	Thursday, May 16, 2019
Ex-date	Monday, May 20, 2019
Dividend payment	Wednesday, May 22, 2019
Half-year 2019 results	Thursday, August 8, 2019
Q3 2019 trading update	Thursday, October 24, 2019
Full-year 2019 results	Tuesday, March 3, 2020



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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