

## Media Release

Haag, Switzerland, August 4, 2022

- **Strong growth continues, leading to record Q2 and H1 sales, EBITDA, EBITDA margin, net income and free cash flow**
- **Positive full-year outlook confirmed**
- **Urs Gantner, head of Semiconductor business unit, appointed to VAT’s Group Executive Committee**
- **First VAT sustainability review published**

### Q2 2022 results

- Orders up 40%, sales 28% higher vs Q2 2021; continued strong capital investment in the semiconductor industry
- Book-to-bill ratio of 1.24; order backlog of CHF 559 million

### Half-year 2022 results

- Leading market position and technology leadership successfully harnessed
- Orders up 31% year-on-year, sales increased by 32%
- Record EBITDA margin of 35% on operational leverage and productivity gains

### Outlook for 2022

- Strong investments in semiconductor equipment expected to continue; growth also forecast in industrial markets; Global Service segment to benefit from growing installed base and high capacity utilization within semiconductor sector
- VAT expects substantially higher sales, EBITDA, EBITDA margin, net income and free cash flow

### Guidance for Q3 2022

- VAT expects sales<sup>1</sup> of CHF 290-310 million

### Q2 2022

in CHF million	Q2 2022	Q1 2022	CHANGE <sup>2</sup>	Q2 2021	CHANGE <sup>3</sup>
Order intake	354.3	294.2	+20.4%	253.5	+39.7%
Net sales	285.9	263.0	+8.7%	224.2	+27.6%
Order backlog	559.4	487.0	+14.9%	218.3	+156.2%

### Half-year 2022

in CHF million	6M 2022	6M 2021 restated <sup>6</sup>	CHANGE
Order intake	648.5	494.2	+31.2%
Net sales	549.0	416.4	+31.8%
EBITDA	192.1	138.3	+38.9%
EBITDA margin	35.0%	33.2%	+1.8ppt
Net income	147.6	97.0	+52.2%
Earnings per share (EPS, in CHF)	4.92	3.23	+52.3%
Capex	16.1	10.1	+59.4%
Free cash flow <sup>4</sup>	78.6	60.7	+29.5%
Number of employees <sup>5</sup>	2,897	2,258	+28.3%

<sup>1</sup> At constant foreign exchange rates

<sup>2</sup> Quarter-on-quarter

<sup>3</sup> Year-on-year

<sup>4</sup> Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities

<sup>5</sup> Number of employees expressed as full-time equivalents (FTE)

<sup>6</sup> Prior-period financial statements have been restated in line with a clarification in 2021 by the IFRS Interpretations Committee that costs for cloud-based services, such as VAT’s new ERP system, are to be expensed through the income statement when they occur, rather than capitalized.



## **Q2 2022 summary**

Strong demand growth continued in the second quarter of 2022. Investments in the semiconductor industry reached record levels as chip manufacturers continued to address the global chip shortage by expanding capacity in both new chip technologies and legacy platforms. They also continued to invest in additional services – such as product upgrades and retrofits – to increase the productivity of their existing assets. This drove record sales in both the Valves and Global Service segments, supported by VAT's strong operational business execution across all its markets. The expansion of production capacity in Switzerland and Malaysia, together with successful global supply chain management, enabled VAT to provide uninterrupted product deliveries and service to all its customers despite supply and logistical uncertainties.

The Advanced Industrials business unit contributed to VAT's strong Q2 performance by continuing to expand its activities in targeted growth sectors, such as industrial coatings, crystal pulling used to produce silicon and medical equipment. The Display & Solar business unit recorded lower orders versus the prior-year period, as expected, while sales increased on the execution of orders received in 2021.

As a result, and as pre-announced on July 13, Q2 net sales reached CHF 286 million, a 28% increase compared with the same quarter in 2021 and above the guidance of CHF 260–280 million communicated in mid-April. Foreign exchange movements, especially the US dollar against the Swiss franc, had a positive impact of about one percentage point on reported Q2 sales growth. Orders in the second quarter grew 40% to CHF 354 million, resulting in a Q2 book-to-bill ratio of 1.24.

## **Q2 2022 segment review**

The Valves segment – VAT's largest business and the one most exposed to the semiconductor sector – reported record net sales of CHF 234 million in the second quarter, a 28% increase compared with the same period a year earlier. Net sales in Global Service were 25% higher at CHF 52 million.

## **Six-month 2022 summary**

During the first six months of 2022, VAT's order intake amounted to CHF 649 million, an increase of 31% compared with the previous year. The order backlog at the end of June was CHF 559 million, 156% higher than at the end of the same period in 2021.

By harnessing its leading market position and technology leadership VAT's grew net sales by 32% to CHF 549 million in the first six months compared with the same period in 2021. Foreign exchange movements, especially the US dollar against the Swiss franc, had a negligible impact on Q2 sales growth.

## **Six-month 2022 segment review**

Orders and sales in the Valves segment increased by 32% during the first half of 2022, reaching records of CHF 532 million on orders and CHF 448 million on sales. Growth was led by the Semiconductor business unit in both orders and sales. The business unit continued to successfully capture the opportunities presented by the very strong expansion of capital expenditures (capex) in the semiconductor industry. This was supported by ongoing sales initiatives aimed at certain customer segments, while the strategic expansion into adjacent products and solutions delivered above expectations. The Advanced Industrials business unit continued to grow in a variety of key markets. Sales initiatives aimed at the crystal pulling industry, where precision-controlled vacuum solutions are needed to grow large crystals were successful in Asia and Europe. The business also delivered a number of prototypes to industrial coatings and health science customers and won orders in the nuclear fusion reactor sector in the first half. As expected, the Display & Solar business showed a mixed picture in the first half of 2022. While sales grew on the back of significant orders received during the second half of 2021, new orders declined by 28%. The lack of new liquid crystal display (LCD) orders and the slow adoption of organic light-emitting diode (OLED) technology for larger screens could not be offset by positive demand in the solar business.

The Global Service segment reported 28% higher orders year-on-year and a record sales volume of CHF 101 million, up 30% compared to the first six months of 2021 and above CHF 100 million for the first time. In addition to increasing customer investments in services to increase productivity in the face of very



strong demand, the growth also reflects the need for service and maintenance on the generations of valve equipment installed in previous years. This has led to strong demand year-on-year for all service products such as spare parts, repairs, upgrades and retrofits. In addition, sales of valves used in pumping and abatement systems remained strong as well, driven primarily by customer spending on new chip fabrication capacity, which is at high levels.

### **Strong EBITDA reflects higher volumes and operational leverage**

Gross profit<sup>1</sup> for the first six months of 2022 amounted to CHF 354 million, an increase of 35%. The gross profit margin<sup>2</sup> increased to 65% from 63% a year earlier on the back of a more favorable product mix and operational improvements.

EBITDA for the first half of the year increased 39% to CHF 192 million while the EBITDA margin reached 35.0% versus 33.2% a year earlier. This increase reflects the improved operational leverage resulting from higher volumes together with the company's strong ongoing focus on productivity and cost. These efforts more than offset the cost inflation seen in a variety of areas, including labor, logistics and raw materials. EBIT for the first six months of 2022 increased 46% to CHF 172 million, leading to an EBIT margin of 31.3% compared to 28.3% in 2021.

There were no net finance costs in the first half of 2022, compared to a negative CHF 2.5 million in the first half of 2021. While finance expenses remained unchanged, finance income benefitted from foreign exchange-related revaluation gains. The effective tax rate for the first six months of 2022 was 14% compared with 16% a year earlier. The decrease was mainly the result of higher taxable profits in countries with lower tax rates. For the full year, VAT expects the tax rate to be between 14% and 16%.

Higher sales and EBITDA combined with the lower finance and tax charge led to a first-half 2022 net income of CHF 148 million, 52% higher than in the first six months of 2021.

On June 30, 2022, net debt amounted to CHF 178 million compared with CHF 208 million a year ago. The leverage ratio on a last-twelve-month (LTM) basis and measured as net debt to LTM EBITDA was 0.5 times, down from 0.8 times a year earlier but up from the 0.3 times level at the end of 2021 and in line with the normal seasonal pattern with the dividend payment in May of each year. The equity ratio on June 30, 2022, was 53% compared with 51% on June 30, 2021.

### **Technology and footprint strengths support profitable growth**

The company continued to invest in technology innovation and operational improvements in the first half of 2022. One measure of successful innovation is the number of specification wins, which are new products developed in close collaboration with our customers to meet the technical requirements of future vacuum equipment platforms. Thus, spec wins also form a foundation for future sales growth and market share gains. During the first six months of 2022, VAT recorded 42 specification wins, especially in high-end vacuum valves needed for the next generation of advanced semiconductors.

Operationally, total factory output at the company's production sites in Switzerland and Malaysia increased 35% compared with the first half of 2021. Together with the successful navigation of supply chain challenges, this allowed VAT to continue timely product deliveries without any interruption. Further capacity increases are being implemented in Switzerland and Malaysia to meet expected demand growth as the market upturn continues. Currently, VAT has an installed factory output capacity of about CHF 1.3 billion. In Malaysia, VAT expects to reach a factory output for 2022 of CHF 250 - 275 million. At the same time, VAT has started to build a second large factory in Malaysia, reflecting not only the company's confidence in future business growth but also its ambition to further deepen customer relationships by strengthening its local capabilities in this key regional market.

### **Record H1 free cash flow despite net working capital needs**

Free cash flow in the first six months of 2022 amounted to CHF 79 million, 30% higher than the year before. Capital expenditures of CHF 16 million in the first half of the year were 59% higher than the

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<sup>1</sup> Gross profit is calculated as net sales minus costs of raw materials and consumables used plus/minus changes in inventory of finished goods and work in progress

<sup>2</sup> Gross profit margin: Gross profit as a percentage of net sales



previous year, reflecting higher investments in capacity expansions in Malaysia and Switzerland. Net working capital (NWC) requirements also grew in the first half to support the strong sales increase. As a percentage of LTM net sales, NWC increased slightly to around 29% from 28% a year earlier. The current strong market growth coupled with persisting supply chain challenges warrant modestly elevated inventory levels for critical materials, parts and electronic components.

At the end of June 2022, VAT had 2,897 employees worldwide (measured as full-time equivalents, FTEs), an increase of 639 FTEs versus the end of June 2021 and 357, or 14% more compared with the end of 2021.

### **Outlook – 2022 expected to be another year of strong growth**

VAT expects growth to continue in both its Valves and Global Services segments in 2022 as it taps the significant opportunities offered by a growing market, its leading market and technology positions and the successful execution of its proven strategy for profitable growth.

In the **Valves** segment, the company forecasts further growth in investments in the semiconductor manufacturing equipment market as the industry addresses both the global chip shortage and the roll out of new chip technologies. Based on orders for delivery in 2022, VAT expects display sales to grow compared with 2021. Further growth is also expected in the solar photovoltaic market. Forecasts for vacuum-related equipment sales in industrial markets point to continued growth, including the field of molecular diagnostics related to the COVID pandemic, as well as industrial coatings, automotive and tooling.

VAT expects the market for its **Global Service** segment to grow further in 2022 as semiconductor manufacturers continue to invest in both new capacity and in upgrading their existing vacuum equipment assets. High capacity utilization at chip manufacturers is forecast to drive strong demand for all VAT service products, especially in the legacy sector where chip shortages are expected to continue throughout 2022.

On this basis, VAT expects net sales in 2022 to be substantially higher than in 2021. VAT also plans to 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, development and productivity improvements will therefore remain at the heart of VAT's strategy in 2022.

Furthermore, the company expects its EBITDA to increase substantially and the EBITDA margin to be higher as well, driven by higher volumes and better cost absorption as well as the ongoing focus on costs, offsetting the cost inflation seen in raw materials, logistics and energy. Because of expected higher sales, EBITDA, and EBITDA margin, VAT also expects 2022 net income to increase significantly compared with 2021.

The stronger operational performance is expected to again drive substantially higher free cash flow in 2022, despite the investments in Malaysia, the innovation center in Switzerland and ongoing production improvements in VAT's production hub in Switzerland. For 2022, capex is expected to be CHF 65 – 75 million.

### **Guidance for Q3 2022**

VAT expects sales<sup>1</sup> of CHF 290-310 million.

### **Urs Gantner to join Group Executive Committee (GEC)**

Urs Gantner, head of the Semiconductors business unit, has been appointed to VAT's GEC as Executive Vice-President, Semiconductor Solutions Group effective August 4, 2022.

This new group will integrate the existing Semiconductor business unit with all VAT's Research & Development (R&D) activities as well as the creation of a new process solutions development team. By combining these resources into one group, VAT will be even more focused on the digitalization of our products as well as the development of new products, solutions and services for the sub-3nm era. "With the fusion of our existing core Semiconductor business with our innovation and R&D teams and process



specialists, we will ensure the delivery of the game changing products of the future,” said Mike Allison, CEO of VAT.

Urs Gantner, who holds a Master of Science degree in mechanical engineering from the Federal Institute of Technology (ETH), joined VAT in 2004 as a product manager for customized transfer valve solutions. He was named head of the Semiconductor business unit in 2015, helping to grow the business more than twice as fast as the overall market while improving its operational structure and performance by taking advantage of the company’s growing global footprint. Mr. Gantner also played a central role in the development and growth of VAT’s manufacturing facility in Malaysia, including the localization of engineering and product management, and has led the successful expansion of VAT’s valves business into profitable adjacent product markets.

“Urs brings to the GEC a proven track record of transforming a successful but locally-focused business into a global innovation and market leader,” said VAT’s CEO Mike Allison. “We’re especially proud that we could bring such a strong internal candidate onto the executive board. And besides his deep semiconductor knowledge, he also has expert knowledge of the environmental and sustainability requirements of our industry from his previous roles.”

Mr. Gantner will remain head of the Semiconductor business unit until a successor is appointed.

### **First Sustainability Review published**

VAT today also published its first sustainability review. This marks the start of VAT’s efforts to communicate its Environmental, Social and Governance (ESG) activities in a transparent and regular fashion going forward. The review can be downloaded from the company’s website at <https://ir.vatvalve.com/en/home> in the section “Reports”.

In addition, VAT is developing a comprehensive group-wide sustainability strategy addressing all the company’s stakeholders. Oversight of the strategy is held by Maria Heriz and Daniel Lippuner, two members of VAT’s Board of Directors, while Fabian Chiozza, the company’s Chief Financial Officer, is driving the execution of the strategy.

## Segment results Q2 and half-year 2022

### VALVES

in CHF million	Q2 2022	Q1 2022	CHANGE <sup>1</sup>	Q2 2021	CHANGE <sup>2</sup>
Order intake	<b>291.0</b>	241.1	+20.7%	202.6	+43.6%
<i>Semiconductors</i>	231.5	183.9	+25.9%	148.0	+56.4%
<i>Display &amp; Solar</i>	12.4	14.6	-14.9%	17.3	-28.3%
<i>Advanced Industrials</i>	47.1	42.5	+10.6%	37.4	+25.9%
Net sales	<b>234.2</b>	214.0	+9.5%	182.8	+28.1%
<i>Semiconductors</i>	178.1	162.6	+9.5%	133.5	+33.3%
<i>Display &amp; Solar</i>	19.9	19.9	-0.1%	16.9	+17.5%
<i>Advanced Industrials</i>	36.3	31.5	+15.3%	32.3	+12.2%
Inter-segment sales	<b>21.9</b>	20.8	+5.5%	18.0	+21.7%
Segment net sales	<b>256.2</b>	234.7	+9.1%	200.8	+27.6%

in CHF million	6M 2022	6M 2021	CHANGE <sup>2</sup>
Order intake	<b>532.0</b>	403.3	+31.9%
<i>Semiconductors</i>	415.4	288.7	+43.9%
<i>Display &amp; Solar</i>	27.1	37.8	-28.4%
<i>Advanced Industrials</i>	89.6	76.8	+16.7%
Net sales	<b>448.2</b>	338.8	+32.3%
<i>Semiconductors</i>	340.7	245.5	+38.7%
<i>Display &amp; Solar</i>	39.8	31.5	+26.5%
<i>Advanced Industrials</i>	67.8	61.8	+9.7%
Inter-segment sales	<b>42.7</b>	34.2	+25.0%
Segment net sales	<b>490.9</b>	372.9	+31.6%
Segment EBITDA	<b>169.6</b>	124.5	+36.2%
Segment EBITDA margin <sup>3</sup>	<b>34.6%</b>	33.4%	

<sup>1</sup> Quarter-on-quarter

<sup>2</sup> Year-on-year

<sup>3</sup> Segment EBITDA margin as a percentage of Segment net sales

### GLOBAL SERVICE

in CHF million	Q2 2022	Q1 2022	CHANGE <sup>1</sup>	Q2 2021	CHANGE <sup>2</sup>
Order intake	<b>63.3</b>	53.2	+19.1%	50.9	+24.3%
Net sales	<b>51.7</b>	49.0	+5.4%	41.4	+25.0%
Inter-segment sales	-	-	-	-	-
Segment net sales	<b>51.7</b>	49.0	+5.4%	41.4	+25.0%

in CHF million	6M 2022	6M 2021	CHANGE <sup>2</sup>
Order intake	<b>116.5</b>	90.9	+28.1%
Net sales	<b>100.8</b>	77.6	+29.8%
Inter-segment sales	-	-	-
Segment net sales	<b>100.8</b>	77.6	+29.8%
Segment EBITDA	<b>45.7</b>	35.2	+29.9%
Segment EBITDA margin <sup>3</sup>	<b>45.4%</b>	45.3%	

<sup>1</sup> Quarter-on-quarter

<sup>2</sup> Year-on-year

<sup>3</sup> Segment EBITDA margin as a percentage of Segment net sales



### **Additional information**

The analyst presentation of the half-year results 2022 and the half-year report are available on VAT's website at [www.vatvalve.com](http://www.vatvalve.com).

VAT will host a remote media and investor event today at 10 a.m. CET via webcast and conference call.

Please follow the link below to access the webcast:

#### Live Webcast

For the conference call, please dial:

+41 58 310 50 00 (Europe)

+44 207 107 0613 (UK)

+1 631 570 5613 (USA)

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For further information please contact:

VAT Group AG

Communications & Investor Relations

Michel R. Gerber

T +41 81 772 42 55

investors@vat.ch

### **Financial calendar**

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#### **2022**

Thursday, October 13, 2022

Friday, December 2, 2022

Q3 2022 trading update

2<sup>nd</sup> VAT Capital Markets Day, Zurich

#### **ABOUT VAT**

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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 two different reporting segments: Valves and Global Service 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 2'500 employees and main manufacturing sites in Haag (Switzerland), Penang (Malaysia) and Arad (Romania). Net sales in the financial year 2020 amounted to CHF 901 million.

#### **FORWARD-LOOKING STATEMENT**

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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.

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