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VAT – We change the world with vacuum solutions

Full-year 2022 results

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Full-year 2022 results

Agenda



1. Highlights
2. Full-year 2022 financial review
3. 2023 market expectations and outlook
4. Q&A

Mike Allison, CEO

Fabian Chiozza, CFO

Mike Allison, CEO

Highlights



Strong market conditions, growth initiatives and operational execution led to record results in 2022



Order activity remained high in 2022

Order intake in 2022 only marginally below exceptional 2021 level; reduced Q4 order intake indicates semiconductor market moderation



Flawless business execution

Business units Semiconductor, Advanced Industrials and Global Service with record results



Record Group performance

Record Group results in sales, EBITDA, EBITDA-margin and free cash flow – cost inflation mitigated; supply chain challenges managed



Capacity build-up on track

Production ramp in Malaysia and factory optimization in Switzerland on track; construction of second factory started



Lower outlook for 2023

Semiconductor investments expected to ease in 2023 on macroeconomic challenges; advanced industrial markets and service activities to provide a certain buffer; overall results for 2023 expected to be below the record levels of 2022



Innovation focus and flawless execution strengthened VAT's market position further

Our business focus & performance

Specification wins and flawless business execution drove record 2022 results



Our business segments *(Share of 2022 net sales)*

Delivering outstanding performance

Valves (81%)



1,210 (-2%)

Full-year 2022 order intake (M CHF)

1,145 (+27%)

Full-year 2022 net sales (M CHF)

35.0%

Record EBITDA margin¹

Global Service (19%)



228 (+17%)

Record full-year free cash flow (M CHF)

6.25 (+14%)

Dividend proposal (CHF/share)

0.1x

Leverage ratio (NET debt / EBITDA)

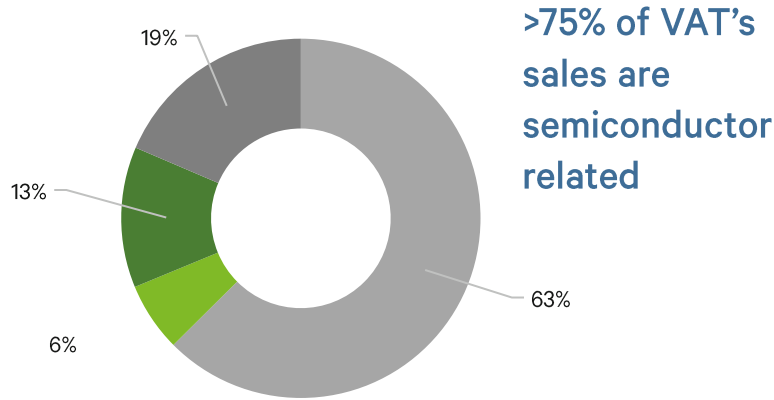
¹ since IPO in April 2016

Our markets



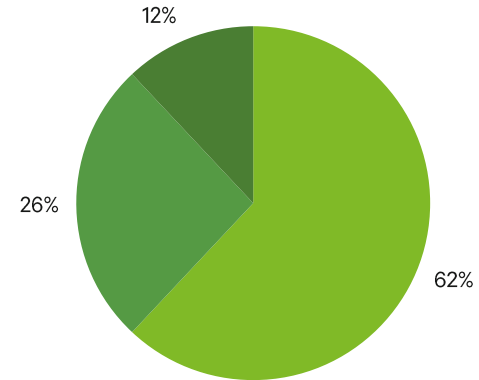
Semiconductors are our driving force; strong growth propelling service business close to 20% of sales

Sales breakdown by business units 2022



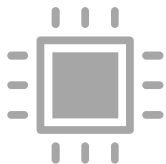
■ Semiconductor ■ Display & Solar ■ Advanced Industrials ■ Global Service

Regional sales breakdown 2022



■ APAC ■ Americas ■ EMEA

Strong growth trends across Semiconductors, Advanced Industrials and Global Service



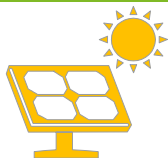
Semiconductors

- Growth led by strong technology build out in logic, WFE growth of about 10% yoy to around USD 95bn¹;
- High factory utilizations in semiconductor IDMs driving strong service growth across all segments



Display

- Overall investments conditions remain weak as LCD investments continue to shrink; OLED remains muted
- Weakening consumer demand impacting fab investments negatively



Solar

- Strong market conditions in solar especially in China
- Superior heterojunction technology (HJT) gaining traction



Industry & Research

- Strong demand especially in e-beam related scientific instruments; coating market flat due to lower consumer spending on electronics
- Global research spending in US, Japan and Korea remains high

¹Source: TechnInsights/VLSI February 2023

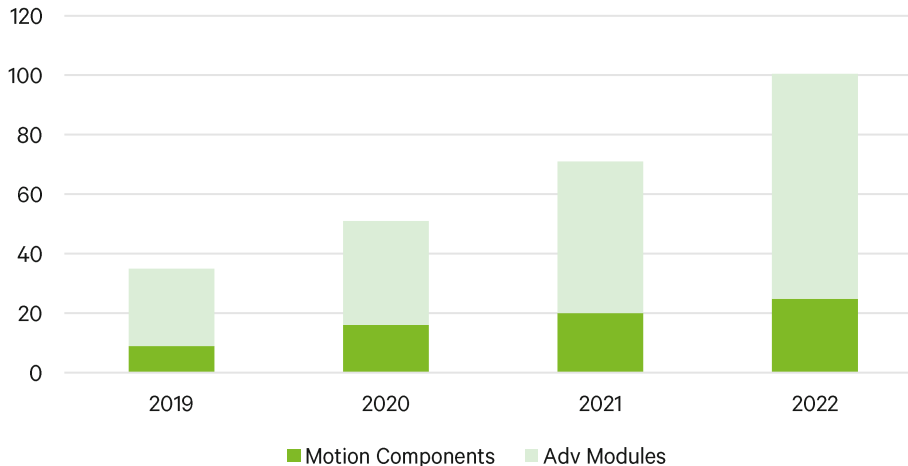
More than valves



Adjacencies continue growth path: on track towards 2027 target of CHF 300 million

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VAT adjacencies (in CHF million)



- Continued expansion of adjacencies business confirms strategic focus
- Motion components and advanced modules business are on track towards the 2027 target volume of about CHF 300 million in sales
- Margin profile of adjacent business supportive of VAT's overall profitability profile
- Further products and services to be added over the next years, broadening VAT's high-value offerings to its customers

Market position strengthened

VAT's technology leadership and operational execution strengthened our leading market position



Market segment	2022 growth
Wafer Fab Equipment (WFE)	+9%
Critical subsystems	+18%
VAT growth	+27%
Business unit SEMI	+34%
Business unit SEMI valves	+28%
Business unit SEMI adjacencies	+39%
Business unit Global Service	+24%
Business unit ADV Growth	+13%

Outgrowing the market

- VAT has outgrown the market in all its key segments
- Preliminary analysis indicates further market share gains in valves
- Adjacencies were the fastest growing business in 2022
- Advanced Industrials outpaced market growth by 30%
- Global Service growing approximately 60% above market

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Financial highlights 2022

Group key figures



Orders
CHF 1,210m
-2%

Net sales
CHF 1,145m
+27%

EBITDA
CHF 400m (+30%)
EBITDA margin
35.0% (+0.8ppt)

Net income
CHF 307m
+41%

Free cash flow
CHF 228m
+17%

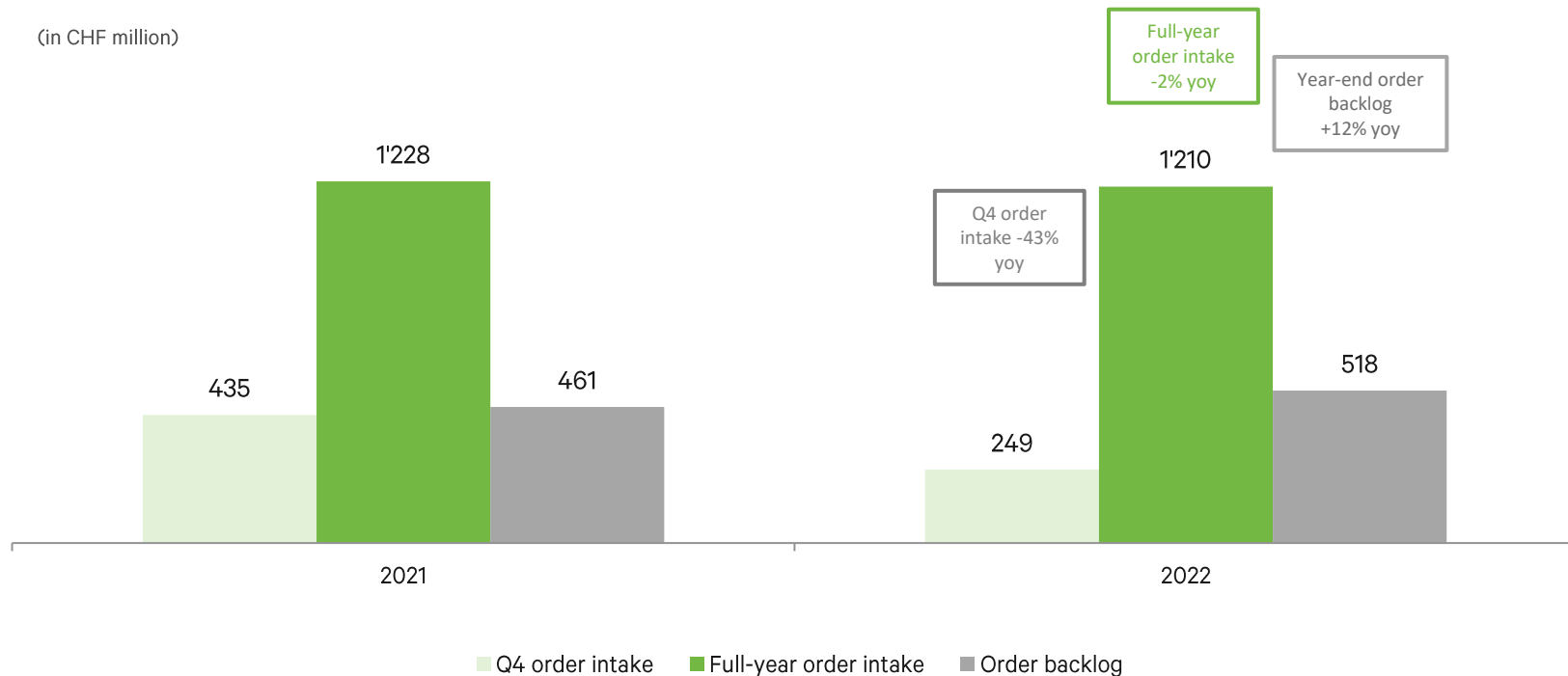
Leverage
(Net debt/LTM EBITDA)
0.1x (-0.2x)

Order intake



Q4 2022 order intake below exceptionally strong Q4 2021, reflecting 2023 market moderation

(in CHF million)



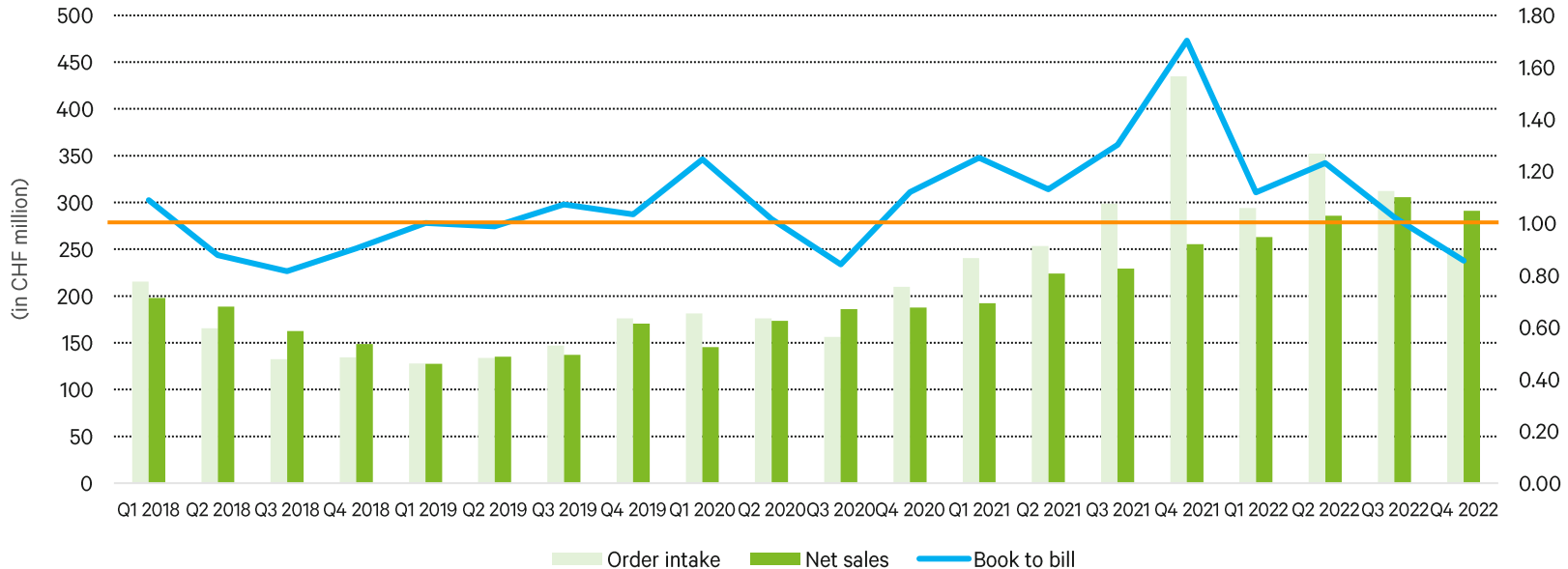
¹Order backlog as of December 31, 2021 and December 31, 2022

Orders and sales



Order momentum continues to weaken; sales remained on healthy level on backlog execution

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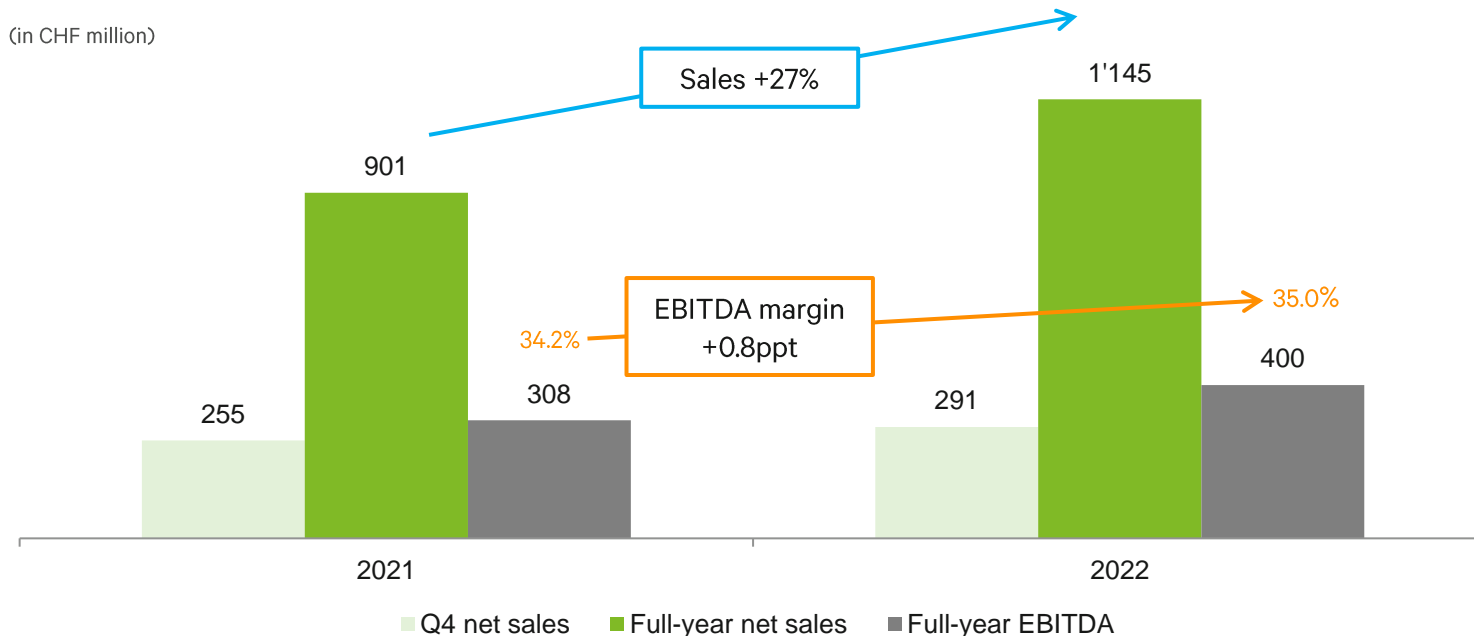


- Order momentum reflects slow down in expected investment activity in the semiconductor industry
- Full-year 2022 book-to-bill ratio of 1.06x generated healthy year-end order backlog of CHF 518 million

EBITDA and EBITDA-margin



Record EBITDA and EBITDA-margin due to top line growth, operational leverage and continuous improvement programs

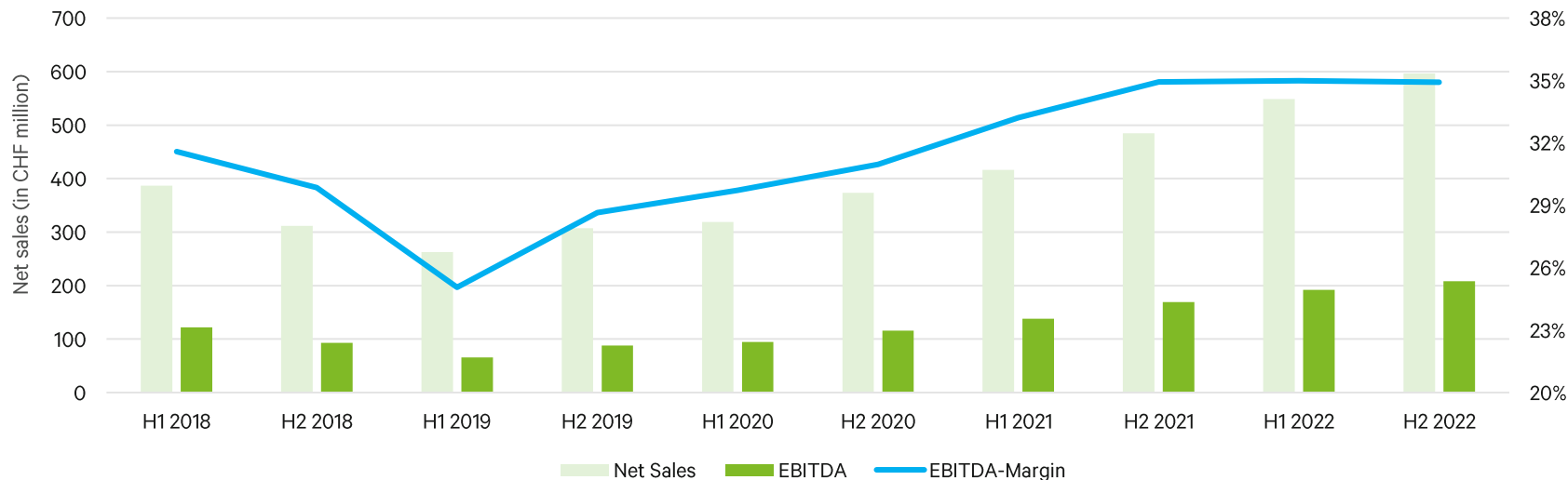


- FX movements (mainly USD/CHF) had no noticeable impact on full-year 2022 sales and a positive impact of 0.1ppt on the EBITDA margin

Record EBITDA margin



Record full-year margin of 35% despite persisting inflationary cost pressure

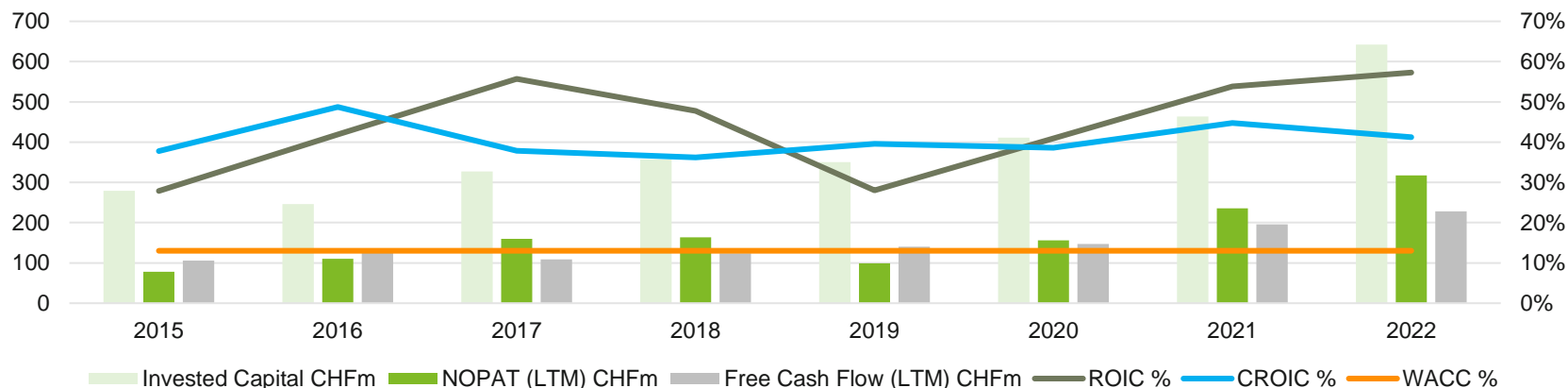


- The H2 EBITDA margin declined marginally compared to H1 as VAT continued to offset the inflationary cost pressure through operational efficiency gains
- Cost discipline and productivity improvements remain key focus areas going into weaker 2023, however readiness for expected market recovery is key

Sustainable value creation



VAT's business model generates consistently high economic profit on invested capital



- The return on invested capital (ROIC) and the cash return on invested capital (CROIC) remain both substantially above the Group's weighted average cost of capital (WACC, 13.0% as used in the 2022 impairment test)
- Sustainable generation of economic profit over the cycle benefits all VAT stakeholders

• ROIC calculated as NOPAT over average invested capital
• CROIC calculated as Free cash flow over average invested capital
• Net operating profit less adjusted taxes (NOPAT) is calculated as EBITDA minus depreciation and amortization (excluding amortization of acquired technology and customer relationships) plus finance income (excluding net foreign exchange gains/losses from financing activity) less taxes at the average Group rate of 15.9% (previous year 16.1%).

Below the EBITDA line

Lower deductions below the EBITDA line yield in record net income



in CHF million	2022	2021	Change
EBITDA	400.4	307.9	30.0%
Depreciaton and amortization	-41.0	-43.1	-4.9%
EBIT	359.4	264.9	35.7%
Finance net	-3.0	-7.1	-58.0%
EBT	356.4	257.7	38.3%
Income tax expenses	-49.7	-40.3	
Effective Tax Rate	-13.9%	-15.6%	
Net income	306.8	217.4	41.1%

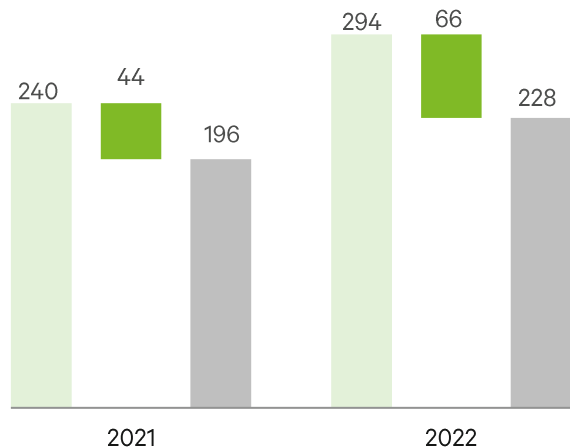
- Higher EBITDA, a lower finance net position and lower taxes contribute to 41% higher net income
- The lower 2022 tax rate reflects higher profits from Swiss entities compared to 2021

Free cash flow

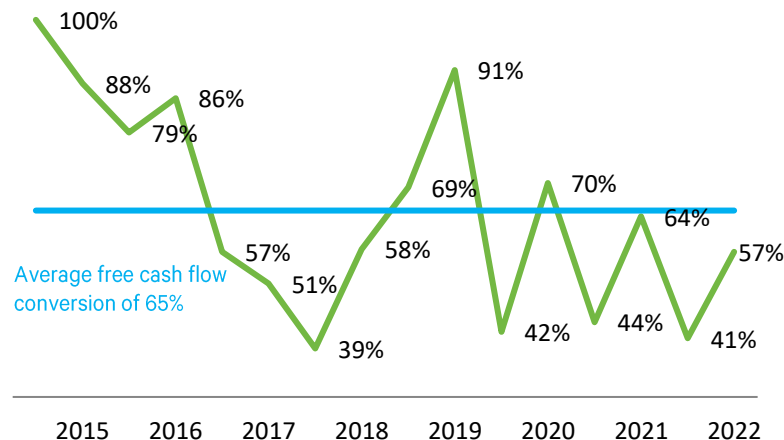


Record free cash flow despite TWC requirements and higher capex to support growth

Free cash flow development (in CHF million)



Free cash flow conversion



■ Cash flow from operating activities ■ Cash flow from investing activities ■ Free Cash Flow

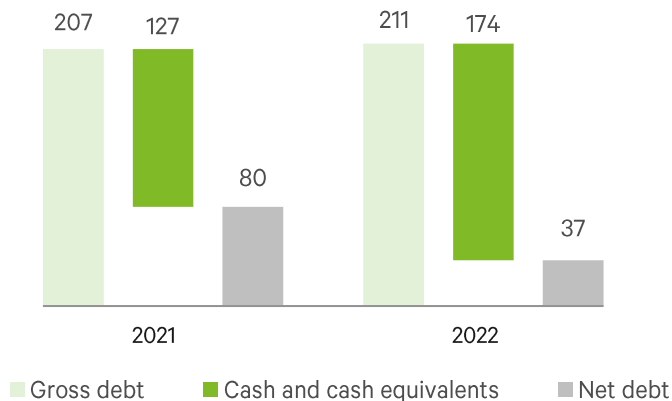
- Record 2022 free cash flow performance driven by strong top line growth and margin performance more than offsetting investments into trade working capital to secure production capabilities; trade working capital as percentage of sales of 26%
- Growth and efficiency related capex of 5.8% of sales during 2022 compared to 4.9% a year earlier

Net debt and leverage

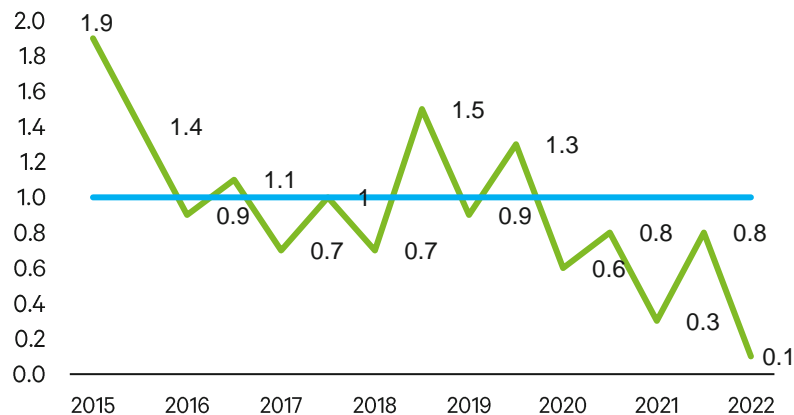


Seasonally higher net debt due to dividend payment in May 2022; remains below 1x net debt/EBITDA

Net debt development (in CHF million)



Leverage development



- Continuous strengthening of net debt position despite TWC requirements to support growth
- Gross debt on December 31, 2022 included CHF 200 million bond and CHF 11 million of lease obligations (s.t. & l.t.); no drawings were made under the existing revolving loan facility

- VAT's leverage expressed as Net debt/EBITDA improved further after the seasonal spike in May 2022 (dividend payment)
- Strong balance sheet prerequisite for future success; organic growth initiatives based on substantial R&D investments

Outstanding full-year performance; record results for most KPIs; 2023 expected to be below the 2022 levels

Achievements 2022

- VAT continued to fully capture the strong market conditions both in semiconductor (valves and service) and advanced industrial activities based on innovation, market leadership and execution skills
- Record levels were achieved in sales, EBITDA, EBITDA-margin and free cash flow
- Year-end order backlog still at high level, but below record levels at the end of Q3 2022
- Successful refinancing completed in December 2022 for both the CHF bond and the USD RCF

Finance priorities for 2023

- Execute cost management initiatives and operational improvements to safeguard margin profile to the extend that VAT is ready to serve customer needs when the markets improve again in late 2023
- VAT investing through the cycle to ensure future growth, expected around CHF 80 – 85 million driven by second Malaysia plant, further optimizations in Switzerland and the Innovation Center in Haag
- Continue deployment of new ERP after successful rollouts in Romania and Malaysia

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Semi markets expected to decline in 2023



Semi supply chain issues stretching into 2023; memory the lowest segment

Market	2022	2023
Semiconductor IC ¹	+4%	-6%
Semiconductor Capex ¹	+11%	-15%
Semiconductor WFE ¹	+9%	-13%
Semiconductor Vacuum WFE ¹	+13%	-20%
Semiconductor WFE Service ¹	+9%	-4%
Display Substrate Equipment ¹	-19%	-1%
Display Equipment ²	-9%	-63%
Solar Fabrication Equipment ¹	+15%	+2%

Semiconductor

- Supply chain constraints easing into 2023 but remain high in certain key areas like ICs
- Advanced logic and foundry investments expected to show smallest decline in 2023
- Memory expected to be weakest segment due to elevated inventories and lackluster consumer demand

Display

- OLED investment remain low; LCD spending sustained by mini- and microLED

Solar

- Mild growth expected in 2023
- PERC still dominating, TOPCon growing and HJT investments continuing from new entrants or legacy R&D moving into mass production

¹ VLSIresearch/TechInsights February 2023; ² DSCC November 2022; ³ PV-Tech Solar Media November 2022

Short term market outlook



After three years of unprecedented growth, most of our markets are expected to slow down in 2023

2023 expected market growth

VAT 2023 Performance¹



Semi

Lower investment needs mainly in memory while logic/foundry less impacted; WFE expected to be around 20% down year-on-year

WFE decline to impact Semi performance; expected market share gains and expanded adjacencies not expected to offset significant impact from downcycle



Service

Lower fab utilizations yielding in less demand for consumable and spare parts; offset by opportunities in upgrades and retrofits: service market expected to grow low single digits

Harnessing installed base and capture upgrade and retrofit opportunities; new service opportunities from expanding product portfolio; growth expected



Advanced Industrials

Growth trend intact but at lower pace; solar expected to remain solid; life sciences, climate change related investments and digitalization trends to fuel demand
Overall market expected to grow mid single digits

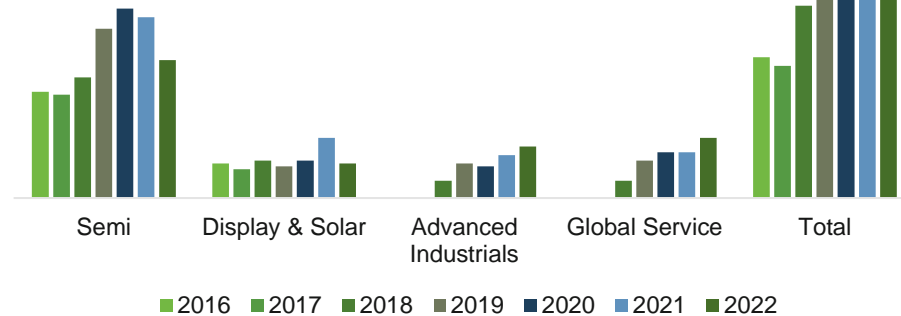
Continue growth in strategic focus areas; gain market share in targeted markets; solid order backlog, growth expected

¹ expected, year-on-year

Innovation remains competitive advantage for VAT



Specification win rate remains high; lower number resulting from platform consolidation



- SEMI: Spec win rate down year on year; platform consolidations at OEM's reducing the overall opportunities; continuing to win the vast majority of specifications in the leading-edge
- Display & Solar: Solar wins on track; display lower due to reduced R&D investments in OLED
- ADV: great success in targeted market areas; slow start in 2022 fully compensated with strong H2 2022
- Global Service: recovered lower spec win activity at beginning of 2022 with strong record in H2 especially in retrofits & upgrades
- Innovation Center: planning activities finalized, construction starting in March 2023 and on track to be inaugurated during H2 2024

Qualitative outlook & guidance for Q1 2023

Challenging 2023; VAT best positioned to weather cycle; unwavering investments in innovation and future capacity



Outlook
2023

- Investment conditions for Semiconductor segment expected to moderate after three years of unprecedented growth
- Further growth forecast in Advanced Industrials markets
- Global Service segment expected to benefit from higher demand for upgrades and retrofits coupled with growing installed base
- VAT expects lower sales, EBITDA, EBITDA margin, net income and free cash flow in 2023
- Capital expenditure at circa CHF 80 – 85 million

Q1 2023
guidance

- VAT expects sales¹ of CHF 210-230 million

¹ At constant foreign exchange rates

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Q&A session

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Investor information

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Currency: CHF

Ticker symbol VACN
ISIN CH 031 186490 1

Financial calendar 2023

2023

Thursday, April 13, 2023	Q1 2023 trading update
Friday, May 5, 2023	Record date, closing of share register, 5.00 pm CEST
Tuesday, May 16, 2023	Annual General Meeting, St Gallen, Switzerland
Friday, May 19, 2023	Ex-date
Wednesday, May 24, 2023	Dividend payment
Thursday, July 27, 2023	Half-year 2023 results
Thursday, October 12, 2023	Q3 2023 trading update

2024

Thursday, March 7, 2024	Q4 and Full-Year 2023 results
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Contact information

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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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