

Media Release

Haag, Switzerland, October 12, 2023

- **Lower semiconductor equipment spending leads to weaker Q3 orders and sales compared to previous year; orders sequentially higher vs. Q2 and Q1**
- **VAT believes market bottom has been reached, modest sequential demand improvement expected**
- **Operating cost adjustments and preparations for return to growth in 2024 continue, including R&D and investment in production capacity**
- **Finn Felsberg appointed new EVP Semiconductor Solutions Group**

Q3 2023 results

- Orders down 48% year-on-year to CHF 164 million as lower investment activities in semiconductor and industrial sectors persist; orders modestly higher vs. Q2 2023
- Group net sales decreased to CHF 210 million, down 31% vs. Q3 2022
- Book-to-bill ratio of 0.78; backlog at CHF 282 million

Nine months 2023 results

- Orders down 53% year-on-year, sales decreased by 22%
- Operating cost adjustments ongoing, company maintains readiness for expected market recovery in 2024
- R&D spend and investment in additional production capacity on track

Outlook for full-year 2023

- Conditions for VAT's Valves segment are expected to gradually improve in Q4 2023 and into 2024. Increased orders are forecast in Advanced Industrials markets while the Global Service segment sees weaker market conditions due to lower demand in its semiconductor business, offsetting the benefits from the larger installed base.
- VAT expects lower sales, EBITDA, net income, and free cash flow for FY 2023 vs. 2022
- EBITDA margin for H2 2023 expected to be higher compared to H1 but slightly below the target range of 32-37%

Guidance for Q4

- VAT expects sales¹ of CHF 200 - 230 million, reflecting the current strength of the Swiss franc against other currencies

¹ At constant foreign exchange rates

VAT GROUP

in CHF million	Q3 2023	Q2 2023	CHG. ²	Q3 2022	CHG. ³	9M 2023	9M 2022	CHG. ³
Order intake	163.7	155.2	+5.4%	312.2	-47.6%	455.4	960.6	-52.6%
Net sales	209.8	221.0	-5.1%	305.5	-31.3%	663.5	854.5	-22.3%
Order Backlog	282.1	339.7	-17.0%	563.0	-49.9%	282.1	563.0	-49.9%

² Quarter-on-Quarter ³ Year-on-Year

Third quarter 2023 summary

Lower spending on capital equipment in the semiconductor industry – VAT's largest end market – continued in the third quarter of 2023. This resulted in lower third quarter orders and sales in both the Valves and Global Service segments compared with the same quarter in 2022. On a sequential basis, however, Group orders improved for the second quarter in a row, and the company believes the bottom of the market has been reached, with a gradual increase in orders expected over the rest of 2023 ahead of the market recovery expected in 2024.



In the **Valves** segment, the **Semiconductor** business unit was impacted in the quarter by continued lower spending by chip manufacturers on wafer fabrication equipment, driven mainly by lower demand for memory chips used in consumer products such as smartphones, tablets, and PCs. Concerns that trade restrictions on semiconductor-related equipment exports to China could be expanded also increased uncertainty, although investments in lagging-edge chip manufacturing in China continued at a healthy level during the quarter. Several large orders were won in the displays business and orders for valve-adjacent products, such as motion control and pressure measurement devices, also remained on track, including several specification wins for new products developed together with customers.

In the **Advanced Industrials** business unit, orders decreased for scientific instruments used in the semiconductor industry. Demand for high-vacuum valves used in industrial coatings also declined in response to lower consumer electronics demand. Some nuclear fusion project orders were pushed out to the fourth quarter of 2023 or the beginning of 2024. Project execution was strong in all areas, contributing to a sequential increase in sales in the quarter versus Q2 of 2023. This included the delivery of new transfer valve prototypes to solar customers as the business used free production capacity to execute on its order backlog.

VAT's **Global Service** segment continued to see relatively weak demand in the third quarter. This was mainly driven by lower capacity utilization in semiconductor fabs, especially for the memory chips. As a result, VAT's customers continue to have elevated inventory levels of consumables and spare parts. The semiconductor market downturn has also slowed the build-out of new fabs, which has reduced demand for subfab valves, an important growth driver for the Global Services business. Demand for display and solar applications services increased in the quarter and the business segment continues to make progress with upgrades and retrofits with key customers.

Overall, third quarter Group orders amounted to CHF 164 million, down 47.6% year-on-year but 5.4% higher than in the second quarter of 2023. Net sales were CHF 210 million, a 31.3% decrease compared with the same quarter in 2022, and slightly above the midpoint of the guidance of CHF 190 - 220 million communicated in late-July. Foreign exchange movements, especially the US dollar against the Swiss franc, had a negative impact of about 8% on the change in reported Q3 sales.

The third quarter book-to-bill ratio was 0.78 and the order backlog on September 30 amounted to CHF 282 million, 49.9% lower than at the end of the same period in 2022.

Segment Review

VALVES

in CHF million	Q3 2023	Q2 2023	CHG. ¹	Q3 2022	CHG. ²	9M 2023	9M 2022	CHG. ²
Order intake	135.8	120.3	12.8%	244.1	-44.4%	358.6	776.1	-53.8%
<i>Semiconductors</i>	105.3	79.1	33.0%	200.0	-47.4%	243.2	631.4	-61.5%
<i>Advanced Industrials</i>	30.5	41.2	-26.0%	44.1	-30.8%	115.4	144.7	-20.3%
Order backlog	252.1	299.0	-15.7%	489.4	-48.5%	252.1	489.4	-48.5%
Net sales	172.9	175.7	-1.6%	251.0	-31.1%	531.5	699.2	-24.0%
<i>Semiconductors</i>	120.1	126.8	-5.3%	204.3	-41.2%	386.2	578.3	-33.2%
<i>Advanced Industrials</i>	52.8	48.9	+8.0%	46.7	+13.1%	145.3	120.9	+20.1%
Inter segment sales	15.0	17.9	-16.1%	22.2	-32.4%	54.3	64.9	-16.3%
Segment net sales	187.9	193.6	-2.9%	273.2	-31.2%	585.8	764.1	-23.3%

¹ Quarter-on-Quarter ² Year-on-Year

Valves reported Q3 orders of CHF 136 million, up 13% sequentially. Year-on-year order intake was down 44% from the very high order level seen in Q3 of 2022. Net sales in the quarter decreased to CHF 173 million, down 2% sequentially and 31% on a year-on-year comparison.

The year-on-year Q3 order development was mainly driven by the **Semiconductor** business unit, where orders decreased 47% year-on-year to CHF 105 million. Net sales amounted to CHF 120 million, down 41% compared with the third quarter of 2022.



While semiconductor manufacturers continued to invest less in new manufacturing equipment, the Semiconductor Business Unit secured several larger orders for the display business. The adjacency business also remained on track with several spec wins.

Orders in the **Advanced Industrials** business unit declined in Q3 year-on-year by 31% to CHF 31 million due to the project nature of some of its businesses. Sales however increased in Q3 year-on-year by 13% to CHF 53 million.

GLOBAL SERVICE

in CHF million	Q3 2023	Q2 2023	CHG. ¹	Q3 2022	CHG. ²	9M 2023	9M 2022	CHG. ²
Order intake	27.9	34.9	-20.1%	68.1	-59.0%	96.8	184.5	-47.5%
Order backlog	30.0	40.8	-26.3%	73.6	-59.2%	30.0	73.6	-59.2%
Net sales	36.9	45.3	-18.6%	54.6	-32.4%	132.0	155.3	-15.0%
Inter segment sales	-	-	-	-	-	-	-	-
Segment net sales	36.9	45.3	-18.6%	54.6	-32.4%	132.0	155.3	-15.0%

¹ Quarter-on-Quarter ² Year-on-Year

The **Global Service** segment reported Q3 orders of CHF 28 million, 20% lower than in Q2 2023 and 59% lower year-on-year. Sales reached CHF 37 million, down 19% compared to the same period last year. This was mainly driven by continued low semiconductor fab utilization, especially in the memory market. The semi OEMs, IDMs, and foundries that VAT serves continue to have elevated inventory levels of consumables and spare parts. With fab utilization at lower levels, inventory levels remain significant and will therefore take some time to normalize. The semi market downturn has also affected the build-out rate of new fabs which is the primary driver of Global Services subfab products.

Outlook for the remainder of 2023

Capital spending on semiconductor manufacturing equipment is expected to remain at relatively low levels over the rest of 2023. This reflects short-term market factors such as weak consumer demand, persistent inflation, weak economic growth in several key markets, ongoing geopolitical tensions, and related macroeconomic risks.

The modest sequential growth in orders in the third quarter of 2023 – a further indication that the bottom of the current market demand might have been reached – is expected to accelerate in the final quarter of the year, ahead of the expected market recovery in 2024. Based on these factors, VAT expects 2023 full-year sales and EBITDA to be below the records set in 2022. Low capacity utilization and persistent foreign exchange headwinds are also negatively impacting the company's EBITDA margin, which is expected to be higher for H2 2023 compared to H1 but slightly below the target range of 32-37%¹. Net income is also expected to be lower than in 2022. VAT will continue to invest in both innovation and capacity expansion, increasing its readiness to take advantage of new leading-edge semiconductor technology developments expected in 2024 and beyond.

VAT continues to prepare its manufacturing and supply chain footprint in Malaysia for future growth opportunities, increasing its natural foreign exchange hedge by sourcing from best-cost countries, and gaining greater economies of scale in global supply chains. Significant investments in R&D will also continue, including its new Innovation Center in Switzerland. Overall, 2023 capex is forecast at CHF 75-80 million. Therefore, free cash flow is also expected to be below the 2022 record, but still at an attractive level.

Guidance for Q4 2023

VAT expects sales of CHF 200-230 million, partly reflecting the current strength of the Swiss franc against other currencies.

¹ Target set at the Capital Markets Day on Dec. 2, 2022, and based on a USD/CHF rate of 0.95



Finn Felsberg to join Group Executive Committee (GEC) as new EVP Semiconductor Solutions Group (SSG)

VAT has appointed Finn Felsberg as the new Executive Vice President, Semiconductor Solutions Group, and new member of the company's Group Executive Committee, effective Dec. 1, 2023. He succeeds Urs Gantner, who was appointed VAT's new CEO, effective January 1, 2024. Mr. Felsberg will be joining VAT on December 1, 2023 and take over responsibility and leadership of SSG from Urs Gantner on January 1, 2024.

Before joining VAT, Mr. Felsberg worked for over 20 years at Infineon Technologies AG, based in Munich, Germany. Mr. Felsberg served in a variety of roles at Infineon, from purchasing and operations to project coordination for new semiconductor fabs and strategy development. More recently, Mr. Felsberg held senior management positions in Infineon's Automotive divisions, as general manager of the Powertrain, Safety, and ASICs (Application-specific Integrated Circuits) business and Senior Vice President & General Manager of the Power Integration & Supply business. Mr. Felsberg holds a degree in Industrial Engineering and Business Management from the Nordakademie University of Applied Sciences in Elmshorn, Germany.

"We are delighted to have Finn join the VAT executive team," said Dr Martin Komischke, Chairman of VAT's Board of Directors. "His international experience, leadership track record, management skills and his deep knowledge of the semiconductor business make him an excellent fit."

"Finn brings very strong semiconductor experience and operational expertise from his time at Infineon," said Urs Gantner, VAT's CEO-designate. "He knows exactly what our customers need and expect, and he brings an intimate knowledge of some of VAT's key growth markets, such as e-mobility, energy efficiency and the Internet of Things. I'm convinced he'll make us a stronger competitor."

Additional information

There is a short media and investor conference call today, October 12, 2023, at 10:00 a.m. CEST.

To participate in the call please dial:

+41 58 310 50 00 (CH/Europe)

+44 207 107 06 13 (UK)

+1 631 570 56 13 (USA)

A playback of the call can be accessed through our website ([Link](#)), approximately one hour after the call has finished.

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Financial calendar

2024

Tuesday, March 5, 2024

Q4 and Full-Year 2023 results

ABOUT VAT

We change the world with vacuum solutions – that is our purpose as the world's leading supplier of high-end vacuum valves. The Group reports in two segments: Valves and Global Service. The Valves segment is a global developer, manufacturer and supplier of vacuum valves for the semiconductor, displays, photovoltaics and vacuum coating industries as well as for the industrial and research sector. Global Service provides local expert support to customers and offers genuine spare parts, repairs and upgrades. VAT reported net sales of CHF 1,145 million in 2022 and employs some 3,000 people worldwide, with representatives in 29 countries and manufacturing sites in Switzerland, Malaysia, and Romania.

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.

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.