

Media Release

Haag, Switzerland, July 18, 2024

- **Continued sequential improvement of orders and sales driven by demand for advanced semiconductor fabrication equipment**
- **Q2 orders of CHF 271 million up 15% vs. Q1 2024 and up 75% vs. Q2 2023; sales of CHF 251 million up 27% vs. Q1 2024 and up 14% vs. Q2 2023**
- **VAT confirms previously communicated expectations on market development for 2024 and into next year as semi industry prepares for strong 2025 growth**

Q2 2024 results

- Orders up 75% year-on-year, sales 14% higher year-on-year, fueled by strong demand from semiconductor industry
- Book-to-bill ratio of 1.1x; order backlog at CHF 346 million

Half-year 2024 results

- Orders up 74% year-on-year, sales flat year-on-year; EBITDA margin at 30.1% vs. 29.2% in H1 2023; H1 2024 net income amounted to CHF 94 million, 12% higher year-on-year; H1 2024 EPS of CHF 3.14
- Free cash flow of CHF 26 million down 29% as a result of inventory prebuilding and higher capital expenditure for additional production capacity in Malaysia and the Innovation Center in Switzerland

Outlook for 2024

- Semiconductor business expected to benefit from higher investments in manufacturing equipment, supported by demand driven by Artificial Intelligence (AI) and ongoing investments in China-based manufacturing capacity
- Advanced Industrials sales expected to remain flat as order-flow from R&D and energy transition projects outweighed by slowdown in end-markets such as solar and scientific instruments
- Global Service business benefiting from increasing capacity utilizations at semi fabs
- Market conditions are expected to remain stable throughout H2 2024, with VAT benefiting from replenishment orders as customer inventories have normalized
- VAT continues to expect higher sales, EBITDA, EBITDA margin, net income, and free cash flow for FY 2024

Guidance for Q3 2024

- VAT expects sales of CHF 235–255 million, including the planned lower output from production ramp-up after the Enterprise Resource Planning (ERP) implementation in Switzerland

Q2 2024

in CHF million	Q2 2024	Q1 2024	CHANGE ⁽¹⁾	Q2 2023	CHANGE ⁽²⁾
Order intake	270.9	235.8	+14.9%	155.2	+74.5%
Net sales	251.1	198.5	+26.5%	221.0	+13.6%
Order backlog	345.6	323.9	+6.7%	339.7	+1.7%

Half-year 2024

in CHF million	6M 2024	6M 2023	CHANGE
Order intake	506.7	291.7	+73.7%
Net sales	449.6	453.8	-0.9%
EBITDA	135.3	132.4	+2.2%
EBITDA margin	30.1%	29.2%	+0.9ppt
Net income	94.0	84.2	+11.6%
Earnings per share (EPS, in CHF)	3.14	2.81	+11.6%
Capex	40.0	31.3	+27.8%
Free cash flow ⁽³⁾	26.3	36.9	-28.7%
Number of employees ⁽⁴⁾	2,983	2,706	+10.3%

(1) Quarter-on-quarter; (2) Year-on-year; (3) Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities (4) Number of employees expressed as full-time equivalents (FTE) at the end of the period



Q2 2024 summary

Since Q2 2023, investment conditions on capital equipment in the semiconductor industry have shifted in VAT's favor. This has resulted in continued, sequential order and sales growth, including in the second quarter of 2024 with customer order flow increasing, as indicated by a book-to-bill ratio above 1.0x. While some short-term uncertainty remains across VAT's end-markets, VAT reiterates confidence around the mid-term guidance provided at the Capital Markets Day (CMD) 2022, based on continued positive order momentum, fruitful interaction with our customers around specifications as well as industry-wide trends such as the number of semiconductor fabs being built, and the accelerating need for leading-edge logic and memory chips through AI applications. Our preparedness to serve the industry includes significant investments made in production capacity and technology enhancements through our R&D organization.

In VAT's Semiconductors business unit, VAT's largest business unit, orders recovered with a strong growth of 140% compared to Q2 2023 and continued its sequential growth, increasing 23% over Q1 2024. Sales and orders from customers in Asia, particularly China, have remained strong, fueled by the latter country's regionalization initiatives. Semiconductor fab utilization rates are on the rise and inventory levels normalized during Q2 2024 for semiconductor customers, creating growing demand for valves, after a period of inventory de-stocking. Semiconductor equipment orders increased driven by AI-related demand with most activity in DRAM-memory and logic. Some markets show signs of weakness including lower demand for consumer electronics, where persisting inflation is still a concern, and for discrete, analog and other applications linked to the industrial and automotive sectors. NAND demand has yet to fully recover as chip manufacturers still have excess inventory, while the adaptation of high-bandwidth memory (HBM) is expected to drive demand. In the display market, OLED continues to grow while LCD lags. The OLED market is seeing a further uplift from AI shortening the replacement cycle of phones, laptops and tablets.

In the Advanced Industrials (ADV) business unit, VAT continues to observe mixed dynamics as order intake in Q2 2024 declined by 23% vs. Q2 2023. Sales increased by 7% quarter-over-quarter but declined 24% over Q2 2023. In energy transition, demand for valves for solar applications remains constrained, as customers work through overcapacity; a weakness that is compensated partially by nuclear fusion and civilian nuclear fuel enrichment projects. Research-related orders remain strong and on track. Industrial applications also remain constrained, and valves related to scientific instruments and medical devices are seeing less demand than expected.

The Global Service segment has continued to see improving market conditions. Chip fabs are seeing higher capacity utilization levels – with certain customer fabs reporting over 90% utilization, which in turn increases demand for VAT gates and spare parts. In particular, sales of replacement gates have grown strongly, where spares and repairs are showing slower, but continuous sequential growth. While demand related to logic tools was stable, demand increased for the service business from memory manufacturers. In the retrofit and upgrades business, VAT is currently engaged in qualification activities with fab customers who are creating capacity in anticipation of strong demand.

As a result, second quarter Group orders amounted to CHF 271 million, up 75% year-on-year and approximately 15% higher than in the first quarter of 2024. Net sales were CHF 251 million, a 14% increase compared with the same quarter in 2023, and close to the upper end of the guidance of CHF 235–255 million communicated in mid-April. This includes around CHF 8 million in advanced shipments of products due to the planned ERP implementation in Switzerland in the summer, resulting in about two weeks of production interruption in the Haag facilities. Foreign exchange movements had a negative impact of about 1% (based on like-for-like rates as per Q2 2023) on the change in reported Q2 sales. The second quarter book-to-bill ratio was 1.1, and the order backlog on June 30, 2024, amounted to CHF 346 million.

The Valves segment reported net sales of CHF 201 million in the second quarter, a 15% increase compared with the same period a year earlier and a 24% increase compared to Q1 2024. Net sales for Global Service were up 37% at CHF 50 million compared to Q1 2024, and up 10% compared to Q2 2023.

Six-month 2024 summary

During the first six months of 2024, VAT's total order intake amounted to CHF 507 million, an increase of 74% compared with the trough levels seen the previous year. Net sales were flat compared to last year at CHF 450 million, with some weakness in ADV impacting group results and H1 2023 sales benefiting from conversion of a high orderbook at year-end 2022 of CHF 518 million. Foreign exchange movements, especially the US dollar against the Swiss franc, negatively impacted H1 sales by about -4%.



Orders in the Valves segment increased by 85% during the first half of 2024 vs. 2023 and amounted to CHF 412 million. Net sales were 1% higher at CHF 364 million. The Semiconductors business unit saw a significant pickup of order flow in H1 2024 which came in 149% above H1 2023. Sales increased by 9% year-on-year. In ADV, orders in 2024 declined 19% compared to H1 2023, reflecting softer conditions across ADV end-markets.

The Global Service segment reported orders 37% higher year-on-year while sales decreased by 10% to CHF 86 million. This reflects heightened utilization rates in semiconductor fabs, and ongoing qualification runs for retrofits and upgrades, which will translate into sales later.

Gross profit and EBITDA both increased over H1 2023

Gross profit¹ for the first six months of 2024 amounted to CHF 298 million, an increase of 6%. Therefore, the H1 2024 gross profit margin² increased to 66.4% in 2024 from 62.1% in the same period in 2023. This is partially due to the planned temporary increase of inventories in preparation for the ERP implementation. This substantial inventory build-up on semi-finished and finished goods has been capitalized, which increased the gross profit margin. A counter-effect is anticipated in H2 as inventories are sold down again.

EBITDA for the first half of the year increased 2% to CHF 135 million while the EBITDA margin increased to 30.1% vs. 29.2% a year earlier. This increase reflects the impact of ongoing operational measures from last year focused on productivity and cost improvements but is also impacted by continued investment in machinery and staff. The net foreign exchange impact (including hedging gains) on EBITDA margin was positive, adding 0.5% percentage points for H1 2024. EBIT for the first six months of 2024 increased 2% to CHF 114 million, leading to a higher EBIT margin of 25.3% compared with 24.6% in the first half of 2023.

Below the EBIT line, net financial gains amounted to CHF 1 million which compares to minus CHF 11 million in H1 2023. Revaluation gains on cash balances and intercompany loans contributed to the overall positive result. The effective tax rate for the first six months of 2024 was 18% compared with 16% a year earlier.

First-half 2024 net income amounted to CHF 94 million, 12% higher than in the first six months of 2023. This includes the impact of overall increased business activities, positive financial results and the slightly higher tax rate. EPS for H1 2024 amounted to CHF 3.14.

On June 30, 2024, net debt amounted to CHF 231 million compared with CHF 198 million a year ago. The leverage ratio on a last-twelve-month (LTM) basis and measured as net debt to LTM EBITDA was 0.8x, slightly up from 0.6x a year earlier and from the 0.2x level at the end of 2023. This is in line with the normal seasonal pattern that includes the dividend payment in May of each year. The equity ratio on June 30, 2024, was 53% compared with 56% on June 30, 2023.

Increasing preparedness of the industry for record 2025 WFE spend

Investment conditions in the semiconductor segment are expected to gradually improve throughout 2024, with an acceleration towards the second half of the year, followed by even stronger growth in 2025. This growth will be primarily driven by AI applications, with most of the activity focused on memory. Market observers believe that WFE spending in 2024 will increase slightly over 2023 and grow strongly in 2025.

VAT continued to invest in technology innovation and operational improvements during H1 2024, including working with our clients on the next generation of tools. Specification wins, especially in high-end vacuum valves needed for the next generation of advanced semiconductors, continued growing and relate to tools that will be deployed in 2-5 years' time. VAT recorded 48 wins during the first half of this year. This compares to 41 wins reported at H1 2023.

Free cash flow reflects ERP-related finished goods inventory increase and continued capacity expansion

Free cash flow in the first six months of 2024 amounted to CHF 26 million, 29% lower than the year before. This is mainly the result of higher capital expenditures (capex). Capex amounted to CHF 40 million in the first six months of 2024, up 28% compared with CHF 31 million in the first half of 2023, reflecting higher investments in capacity expansions in Malaysia and Switzerland which will be needed to meet higher demand expected in 2024 and beyond. Trade working capital amounted to CHF 317 million. As a percentage of the last twelve months' net sales, net working capital increased to approximately 36% from 30% a year earlier, the result of the ERP implementation related inventory build up.

¹ 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.

² Gross profit margin: gross profit as a percentage of net sales



At the end of June 2024, VAT had 2,983 employees worldwide (measured as full-time equivalents, FTEs), an increase of 278 FTEs, or 10%, vs. the end of June 2023.

Third Sustainability Report published

Ahead of the AGM, VAT published its Sustainability Report 2023, providing stakeholders with detailed insights of its environment, social and governance (ESG) focus and the progress made vs. its inaugural ESG targets and an overview over its external ESG ratings. VAT believes that long-term business success can only be sustained by integrating a broad range of values into strategic and operational planning. This includes providing employees with opportunities to grow and develop, playing a positive role in the communities in which it operates and reducing the impact on the environment. As a key player in our industry, VAT and its customers are working together towards minimizing the impact on the environment.

To highlight the importance of sustainability in our overall corporate strategy, VAT has also formed a separate Sustainability Committee on the Board of Directors level, replacing the previous, more informal Sustainability Council.

The improvements in several ESG areas demonstrate the clear focus given to VAT's sustainability and ESG performance by the Board of Directors and executive management. The execution of the ESG measures and targets from the company's mid-term strategic plan back in 2022 have gained companywide traction, including further improvements in the data granularity in areas such as GHG emissions, energy consumption, and waste generation. Today, VAT includes sustainability considerations in how it operates the business and it has embedded sustainability performance criteria at the core of its corporate strategy seeing it also as one of the key drivers of sustainable commercial success.

Outlook 2024 – Continued sequential growth in orders and sales expected for H2 2024

VAT continues to expect investments in semiconductor manufacturing equipment to continue to grow over the rest of 2024. With elections in numerous countries scheduled in H2 2024, uncertainties remain on the timing of a market ramp.

The global economy has been resilient as global activity picked up at the start of 2024, reflecting solid activity in emerging and developing economies. Market research companies are estimating semiconductor WFE spend in 2024 of between USD 90-105 billion. This number is likely to increase to USD 110-120 billion in 2025. Demand from China, especially related to IoT, communications, automotive, power, sensors (ICAPS) is expected to remain strong in 2024. This strength could potentially, if the investment environment persists, continue into 2025, but at slower growth rates. Memory capex is in a cyclical recovery, driven by DRAM and HBM for AI, while NAND is slowly recovering and expected to accelerate in the second half of 2024 and into 2025. Leading-edge logic is slowly growing with AI fueling technology inflections like GAA and 2nm roll-out. Our customers have managed down excess inventories and order-flow is expected to remain stable. VAT expects this sequential demand improvement to continue in the remaining two quarters of the year at similar run-rates to H1 and that the market shows strong growth starting in early 2025.

VAT's Malaysia 1B facility will open in late 2024, and the Innovation Center in Haag will open in early 2025, providing both incremental manufacturing and R&D capacities and capabilities to support VAT's growth strategy.

Based on these factors, VAT continues to expect higher sales, EBITDA, EBITDA margin, net income, and free cash flow for FY 2024. The company now expects its full-year 2024 EBITDA margin to be at the lower end of the 32-37% target band set at the 2022 CMD and based on a USD/CHF rate of 0.95. VAT intends to continue ramping up production and engineering services at its facilities in Malaysia, increasing its natural FX hedge by sourcing from best-cost countries, and gaining greater economies of scale in global supply chains. Investments in R&D will also continue, including in its new Innovation Center in Switzerland. Overall, 2024 capex is forecast at CHF 70-80 million.

Guidance for Q3 2024

VAT expects sales of CHF 235-255 million, including the planned lower output from production ramp-up after the ERP implementation in Switzerland.



Segment results Q2 and half-year 2024

VALVES

in CHF million	Q2 2024	Q1 2024	CHG. ⁽¹⁾	Q2 2023	CHG. ⁽²⁾	6M 2024	6M 2023	CHG. ⁽²⁾
Order intake	221.5	190.7	+16.1%	120.3	+84.1%	412.3	222.8	+85.1%
<i>Semiconductors</i>	189.6	154.2	+22.9%	79.1	+139.7%	343.9	137.9	+149.4%
<i>Advanced Industrials</i>	31.9	36.5	-12.6%	41.2	-22.6%	68.4	84.9	-19.4%
Order Backlog	308.2	287.0	+7.4%	299.0	+3.1%	308.2	299.0	+3.1%
Net sales	201.4	162.1	+24.3%	175.7	+14.6%	363.5	358.6	+1.4%
<i>Semiconductors</i>	164.0	127.1	+29.0%	126.8	+29.3%	291.2	266.1	+9.4%
<i>Advanced Industrials</i>	37.3	35.0	+6.8%	48.9	-23.7%	72.3	92.5	-21.8%
Inter segment sales	20.4	14.8	+37.3%	17.9	+13.8%	35.2	39.3	-10.4%
Segment net sales	221.8	176.9	+25.3%	193.6	+14.6%	398.7	397.9	+0.2%
Segment EBITDA						116.9	115.3	+1.4%
Segment EBITDA margin ⁽³⁾						29.3%	29.0%	

(1) Quarter-on-quarter; (2) Year-on-year; (3) Segment EBITDA margin as a percentage of Segment net sales

GLOBAL SERVICE

in CHF million	Q2 2024	Q1 2024	CHG. ⁽¹⁾	Q2 2023	CHG. ⁽²⁾	6M 2024	6M 2023	CHG. ⁽²⁾
Order intake	49.4	45.0	+9.8%	34.9	+41.6%	94.5	68.9	+37.2%
Order Backlog	37.3	36.9	+1.1%	40.8	-8.4%	37.3	40.8	-8.4%
Net sales	49.7	36.4	+36.7%	45.3	+9.7%	86.1	95.2	-9.5%
Inter segment sales	0.0	-		-			-	
Segment net sales	49.7	36.4	+36.7%	45.3	+9.7%	86.1	95.2	-9.5%
Segment EBITDA						34.0	37.9	-10.3%
Segment EBITDA margin ⁽³⁾						39.5%	39.8%	

(1) Quarter-on-quarter; (2) Year-on-year; (3) Segment EBITDA margin as a percentage of Segment net sales



Additional information

The analyst presentation of the half-year results 2024 and the half-year report are available on VAT's website at www.vatvalve.com.

VAT will host a remote media and investor event today at **11:00 a.m. CEST** via webcast and conference call.

Please follow the link below to access the webcast:

[Live Webcast](#)

For the conference call, please dial:

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Financial calendar

2024

Thursday, October 17

Q3 2024 trading update

2025

Thursday, January 9

Preliminary high level Q4 and full-year 2024 results

Tuesday, March 4

Full-year 2024 results

Thursday, April 17

Q1 2025 trading update

Tuesday, April 29

Annual General Meeting 2025

Wednesday, July 23

Half-year 2025 results

Thursday, October 16

Q3 2025 trading update

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 885 million in 2023 and employs some 2,700 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.