

Media Release

Haag, Switzerland, April 13, 2023

- **CYCLICAL SEMICONDUCTOR DOWNTURN WEIGHS HEAVILY ON Q1 ORDER INTAKE**
- **SALES SLIGHTLY ABOVE TOP END OF GUIDANCE ON STRONG BACKLOG EXECUTION**
- **CONTINUED FOCUS ON INNOVATION AND CAPACITY EXPANSION IN PREPARATION OF NEXT CYCLE**

Q1 2023 results

- Orders sharply down by 54% year-on-year to CHF 136 million; low book-to-bill ratio of 0.6 reflects cyclical downturn in the semiconductor industry
- Group net sales decreased 12% year-on-year to CHF 233 million; slightly above the top end of VAT's Q1 guidance of CHF 210-230 million; strong order backlog execution supported sales
- Operating cost adjustments ongoing to reflect the current business volumes

Outlook 2023

- Investment conditions for Semiconductor segment expected to reduce after three years of unprecedented growth; further growth forecast in Advanced Industrials markets; Global Service segment expected to benefit from increasing installed base and higher demand for upgrades and retrofits
- VAT expects lower sales, EBITDA, EBITDA margin, net income and free cash flow

Guidance for Q2 2023

- VAT expects Q2 2023 net sales¹ of CHF 200-230 million

¹ At constant foreign exchange rates

VAT Group

in CHF million	Q1 2023	Q4 2022	CHANGE ²	Q1 2022	CHANGE ³
Order intake	136.4	249.2	-45.3%	294.2	-53.6%
Net sales	232.7	291.0	-20.0%	263.0	-11.5%
Order backlog	416.4	517.7	-19.6%	487.0	-14.5%

² Quarter-on-Quarter; ³ Year-on-Year

Orders significantly down in all three divisions: Q1 sales down in Semiconductors, flat in Global Service and higher in Advanced Industrials

After three years of unprecedented growth, the global semiconductor sector, VAT's largest end market, continued to slow down its investment activities in the first quarter of 2023. The slowdown in capital equipment spend has resulted in the expected sharp correction of demand and inventory levels. VAT expects this to remain during the first semester 2023, followed by a gradual increase of order intake in the 2nd half of 2023. The decline was strongest in consumer-related areas, such as memory chips used in smartphones, tablets or PCs, reflecting macroeconomic uncertainties related to interest rates, inflation and GDP growth. Demand was further dampened by the escalation of trade restrictions by the US and other administrations on integrated circuits and related manufacturing equipment for China. Investments in leading-edge logic chips used for data processing remained at a healthy level.

Group orders in the first quarter were 54% lower year-on-year to reach CHF 136 million, leading to a book-to-bill ratio of 0.6. On a sequential quarter-to-quarter basis, orders also declined substantially and were 45% below the level of Q4 2022. VAT's order backlog at the end of the first quarter was CHF 416 million, down 15% compared with the end of March 2022 and 20% down compared to the end of 2022.



Net sales in the first quarter of 2023 declined by 12% to CHF 233 million compared with the same period in 2022. Foreign exchange movements, especially the US dollar versus the Swiss franc, had a negative impact of about 3% on first-quarter net sales compared with the same quarter in 2022.

Segment Review

VALVES

in CHF million	Q1 2023	Q4 2022	CHANGE ¹	Q1 2022	CHANGE ²
Order intake	102.4	194.7	-47.4%	241.1	-57.5%
<i>Semiconductors</i>	58.8	134.0	-56.1%	192.0	-69.4%
<i>Advanced Industrials</i>	43.6	60.7	-28.2%	49.0	-10.9%
Net sales	182.9	233.5	-21.7%	214.0	-14.5%
<i>Semiconductors</i>	139.3	192.3	-27.5%	179.8	-22.5%
<i>Advanced Industrials</i>	43.6	41.3	+5.6%	34.2	+27.5%
Inter-segment sales	21.4	24.3	-11.9%	20.8	+3.0%
Segment net sales	204.3	257.8	-20.8%	234.7	-13.0%

¹ Quarter-on-Quarter ² Year-on-Year

In the **Valves** segment, first quarter orders were sharply lower at CHF 102 million, down 58% year-on-year compared and 47% lower quarter-on quarter, continuing the weakening market environment experienced towards the end of 2022. Sales decreased 15% to CHF 183 million in the first quarter versus the same period a year earlier, and 22% quarter-on-quarter as higher sales from the Advanced Industrial business unit were more than offset by the weaker Semiconductor performance.

In the **Semiconductor** business unit, orders decreased 69% to CHF 59 million, and net sales amounted to CHF 139 million, down 23% compared with the first quarter of 2022. The sharp order decrease is a typical response to the OEM's rebalancing their production plans and inventory levels.

VAT added several new key accounts to capture the growth opportunities in emerging applications. Consequently, several critical projects for adjacent products have been launched which will ensure the continuous growth in share of wallet on next generation platforms, such as EUV lithography.

In addition, several gas inlet valve prototypes have been shipped and are now in qualification for a next generation ALD application, where VAT offers a higher and more stable flow rate, particularly over a broad temperature range.

The **Advanced Industrials** business unit showed a declining order intake of minus 11% compared to the first quarter of 2022. This decline was driven by a decrease in order intake due to overall lower demand in coating and other industrial applications, in combined with customers placing orders in December ahead of VAT price increase effective January 2023. The renewable energy part of the Advanced industrial business saw continued strong demand in Solar and Fusion R&D related applications. Sales increased 28% to CHF 44 million on good execution of the orders at hand.

GLOBAL SERVICE

in CHF million	Q1 2023	Q4 2022	CHANGE ¹	Q1 2022	CHANGE ²
Order intake	34.0	54.5	-37.6%	53.2	-36.0%
Net sales	49.8	57.4	-13.2%	49.0	+1.6%
Inter-segment sales	-	-	-	-	-
Segment net sales	49.8	57.4	-13.2%	49.0	+1.6%

¹ Quarter-on-Quarter ² Year-on-Year

The **Global Service** segment reported orders of CHF 34 million in the first quarter, a decrease of 36% compared with the same quarter in 2022. The weaker order intake was driven by the lower fab utilization, reducing the level of preventive maintenance. Net sales were slightly up 1.6% to CHF 50 million as orders from the backlog were executed. End customers reduced some of their preventive maintenance efforts in line with the lower capacity utilization at many of their fabs. VAT's expansion of its leading service network



continued with the opening of two new sales and service centers in Korea and Taiwan. Both centers replace older facilities and expand the repair and refurbishment capacity in these countries by three to four times. The centers are equipped with ISO 8 and ISO 6 cleanroom facilities and are able of handling large control and transfer valves. The network of eight service centers is the ideal platform for the global fixed price refurbishment program aimed at supporting VAT's customers with the highest quality local service.

Outlook 2023 – Lower demand expected before return to growth in 2024

VAT expects investments in semiconductor manufacturing equipment to decline in 2023 in response to short-term market factors such as higher inflation, economic slowdowns in several key markets and ongoing geopolitical tensions and related macroeconomic risks.

For example, softer demand for smartphones and personal computing devices in 2022 resulting from lower consumer confidence in many markets, has led some chip manufacturers to temporarily reduce capacity in both semiconductors and displays.

Higher than expected inflation coupled with global economic slowdown and steps taken by some western governments to encourage reshoring of semiconductor manufacturing, have also led some market players to re-assess their short-term investment plans. As a result, market research indicates that WFE spending could fall 20-30% in 2023 before returning to growth in 2024 and beyond.

At the same time, chip manufacturers are expected to continue to invest in valve service and retrofit solutions in order to improve the productivity of their currently installed asset base. The expansion of vacuum-based manufacturing into industries such as industrial coatings and e-beam applications may also partly offset lower demand in semiconductors, while solar photovoltaic demand is expected to remain strong as the transition to renewable energies continues in most parts of the world.

On this basis, VAT expects full-year sales and EBITDA in 2023 to be below the records set in 2022. However, the company expects to be at the lower end of its 32-37% margin target and continues to invest heavily in both innovation and capacity expansion, increasing its readiness to take advantage from the expected new technology buildouts in 2024 and beyond. VAT's Global Service business also provides a buffer against heavy cyclical swings in customer capital investments. Global Service will continue to improve its network of global service centers and its portfolio of valve upgrades and retrofits. Net income is also expected to be lower than in 2022.

VAT intends to continue ramping up production and engineering services at its facility in Malaysia, increasing 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 80-85 million. Therefore, free cash flow is also expected to be below the 2022 record, but still at a high level.

Guidance for Q2 2023

VAT expects sales¹ of CHF 200-230 million.

¹ At constant foreign exchange rates



Additional information

There is a short media and investor conference call today, April 13, 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, www.vatvalve.com, approximately one hour after the call has finished.

For further information please contact:

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Financial calendar

2023

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-dividend date

Tuesday, May 23, 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

ABOUT VAT

We change the world with vacuum solutions – that is our purpose as the world’s leading developer, manufacturer and supplier of high-end vacuum valves. VAT vacuum valves are mission-critical components for advanced production processes of innovative everyday products such as portable devices, flat screen monitors or solar panels. VAT reports in two different segments: Valves and Global Service. Under the latter, we provide our customers with original spare parts, maintenance, technical support and training for various vacuum valve applications. With some 3,000 employees worldwide, representatives in 29 countries, net sales of CHF 1,145 million (2022) and manufacturing sites in Switzerland, Malaysia, Romania, and Taiwan, we are sustainably shaping our highly specialized market.

FORWARD-LOOKING STATEMENT

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.