# Media Release

Haag, March 31, 2017

## STRONG 2016 PERFORMANCE AND POSITIVE OUTLOOK FOR 2017 ALLOW FOR A DIVIDEND OF CHF 4.00 PER SHARE

### Q4 2016

- Continuous strong demand for high-vacuum valves due to significantly increased semiconductor device and display panel consumption and technology upgrades
- Year on year Q4 order intake up 65%; net sales increase 46%

### Full year 2016

- Net sales up 24% to CHF 508 million; order intake by 31% to CHF 562 million
- Adjusted EBITDA of CHF 158 million; adjusted EBITDA margin of 31.1%
- Net income of CHF 67 million supported by higher operating performance and substantially lower finance costs; net debt to EBITDA ratio of 0.9 times
- Free cash flow generation improved to CHF 128 million, plus 21%
- Dividend proposal of CHF 4.00 per share
- Dr. Martin Komischke nominated to succeed Dr. Horst Heidsieck as Chairman of the Board, Dr. Hermann Gerlinger nominated as additional member of the Board

### Outlook 2017

- Revenue growth of at least 20% expected at constant FX rates
- Adjusted EBITDA margin target around 31%
- CAPEX to be around 5% of sales

### Q4 2016

| In CHF million | 2016 | 2015 | Change |
|---|---|---|---|
| Order intake | **168.1** | 102.0 | +64.8% |
| Net sales | **142.7** | 97.5 | +46.4% |

### Full year 2016

| In CHF million | 2016 | 2015 | Change |
|---|---|---|---|
| Order intake | **561.9** | 427.8 | +31.3% |
| Net sales | **507.9** | 411.0 | +23.6% |
| EBITDA | **149.6** | 119.6 | +25.0% |
| Adjusted EBITDA[1] | **158.1** | 126.8 | +24.7% |
| Adjusted EBITDA margin | **31.1%** | 30.8% | - |
| Net income[2] | **67.2** | 7.1 | +852.2% |
| Basic earnings per share (in CHF)[2] | **2.43** | 0.34 | +614.7% |
| Free cash flow[3] | **128.1** | 105.6 | +21.3% |
| Dividend per share (in CHF)[4] | **4.00** | - | - |
| Number of employees | **1'439** | 1'189 | +250 |

[1] Adjusted EBITDA excludes one-off items
[2] 2015 includes interest costs on shareholder loan
[3] Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities
[4] Proposal of the Board of Directors to its shareholders at the AGM on May 17, 2017

## Strong growth in Q4

VAT completed the 2016 fiscal year with a strong fourth quarter. Order intake was CHF 168.1 million, up 64.8% from the previous year and the order backlog at year-end amounted to CHF 122.1 million, a plus of 69.8%. Net sales reached CHF 142.7 million, representing an increase of 46.4% year on year. VAT took advantage of high investments in manufacturing facilities mainly in Asia and the United States.

## Full year results reach record level

VAT reported record results in 2016, driven by strong customer demand and a further expansion of its leading market position. VAT entered a new chapter in its history with the successful initial public offering (IPO) on April 14, 2016 on the SIX Swiss Exchange. The transition from a privately held enterprise, with more than 50 years' experience in vacuum valve technology, to a publicly listed company marked a major step forward and further enhanced VAT's position as a global market leader in the vacuum valves segment.

## Positive business environment in 2016 results in a continued strong demand for vacuum technology

Growth of VAT's primary markets accelerated throughout 2016, driven by the rapid proliferation of microelectronics and displays in the industry, our daily life, and new technologies. As the global market leader in high-end vacuum valves, VAT was able to benefit from this positive development and to outgrow the market.

Continued miniaturization of high performing micro-electronic devices led to higher manufacturing complexity and additional production steps. One example is 3D NAND flash memory device technology, which consists of more than 60 nano-layers to significantly increase storage capacity while reducing power consumption at the same time. 3D NAND devices require highly performing and ultra-clean manufacturing processes, free of particles and other contaminants. To achieve such clean manufacturing conditions, advanced sub-components such as high-vacuum valves are mission critical. Customer investments in these highly demanding components have driven VAT's valve sales for the semiconductor industry in 2016. The displays business mainly profited from capacity ramp-ups in Organic Light Emitting Diodes (OLED) production. OLED delivers brighter colors combined with reduced energy consumption, making it highly attractive for the new generation of smartphones. Remarkable capacity was built up mainly in Korea and China to meet the upcoming demand in 2017 and beyond. Compared to LCD technology, OLED needs additional vacuum deposition steps for the organic layers that result in a higher number of valves installed per manufacturing line.

## Growth across most business segments

In 2016, VAT's order intake was CHF 561.9 million, up 31.3% from the previous year, while the order backlog increased to CHF 122.1 million at year-end. Net sales of CHF 507.9 million represented an increase of 23.6% compared to a year earlier. Net sales increased in the Valves and Global Service segments and were flat in the Industry segment. The Group net sales growth includes a positive impact from foreign exchange movements in 2016 of about 5%.

**Strong top line development feeds through to bottom line**

As a result of the strong growth in net sales, VAT increased its gross profit by CHF 57.0 million, or 21.8%, to CHF 318.0 million. The decline in the gross margin from 63.5% to 62.6% is mainly the result of the change in the product mix as the Display & Solar business more than doubled its sales in 2016, but has slightly lower gross margins than the Semiconductor business for example.

Adjusted EBITDA for the year improved by 24.7% to CHF 158.1 million. The adjusted EBITDA margin increased to 31.1% compared to 30.8% in the previous year despite investments in future growth and additional costs associated with the strong increase in demand in 2016.

The conversion of the shareholder loan of CHF 414.1 million into equity as part of the IPO in April, the refinancing of the outstanding senior secured credit facility of USD 276 million with a new syndicated five-year revolving credit facility of USD 300 million and further deleveraging of the balance sheet lowered finance costs from CHF 71.4 million to CHF 37.7 million and will have a positive impact on VAT’s future cash flows from financing activities.

The effective tax rate in 2016 of 23.5% was higher than the target range of 18% to 20%, due to the non-tax deductibility of certain IPO-related costs.

For the full year 2016, VAT realized a net income attributable to shareholders of CHF 67.2 million. The improvement was the result of higher operating profits coupled with lower net finance costs and a lower tax rate.

On December 31, 2016, VAT’s net debt amounted to CHF 133.9 million, representing a leverage ratio expressed as Net Debt to EBITDA of 0.9 times. The equity ratio at year-end amounted to 57.8%.

**Free cash flow supported by increased operating performance and tight working capital management**

One of VAT’s key performance indicators is free cash flow, which improved in 2016 to CHF 128.1 million from CHF 105.6 million in 2015. The improvement was driven by the better operating performance coupled with tight working capital management. Net trade working capital decreased from 22.9% at the end of 2015 to 20.2% of sales at the end of 2016. In the medium term, VAT expects trade working capital to be around 20% of sales. The free cash flow margin was 25.2% and the free cash flow conversion rate was 85.6% of EBITDA.

At the end of 2016, VAT had 1,439 employees worldwide, an increase of 250, or 21.0%, compared with the end of 2015, reflecting the strong growth of our business.

The Board of Directors of VAT is proposing to its Annual General Meeting on May 17, 2017 a dividend for the business year ending December 31, 2016 of CHF 4.00 per share to be paid out of reserves from capital contributions, representing a total dividend amount of CHF 120 million.

VALVES

Valves, the largest segment of VAT Group, had a record order intake in Q4 of CHF 139.7 million, a plus of 75.3% over the previous year and realized net sales of CHF 116.4 million - a plus of 54.6% - in the fourth quarter of 2016. Ongoing high demand from key customers and the absence of the normal slowdown towards year-end contributed to these strong results.

For the full year, net sales in the Valves segment grew to CHF 394.6 million, an increase of 27.5% compared to the previous year. Growth was strongest in the Semiconductor and Display & Solar business units. Sales increased in Modules and were stable in General Vacuum. Segment EBITDA rose 32.0% to CHF 129.3 million, leading to a segment EBITDA margin of 30.3%. The decline in the full year margin from 31.6% in 2015 was mainly the result of changes in the product mix as the display business carries slightly lower average margins, and by costs associated with growing the business, such as investments to increase production and higher research and development expenses.

GLOBAL SERVICE

Global Service increased its order intake in the fourth quarter by 34.0% to CHF 20.9 million and recorded net sales of CHF 20.4 million a plus of 35.1% compared to the previous year.

Net sales for the year increased by 17.3% to reach CHF 81.9 million. Growth was strongest for retrofits while spare parts and service sales also increased. Segment EBITDA rose by 12.9% to CHF 40.5 million, leading to a segment EBITDA margin of 49.4%. The margin was supported by ongoing performance improvement programs such as the optimization of valve repair turnaround time to increase throughput, while costs associated with growing the business had a slightly dampening effect.

INDUSTRY

Order intake in the Industry segment increased by 11.9% to CHF 7.5 million in Q4 with new orders coming mainly from Europe and the US. Net sales reached CHF 5.9 million in the fourth quarter of 2016, a decline of 15.7%. This was the result of higher internal sales to support the Valves segment.

Net sales in the Industry segment were CHF 31.4 million in 2016, a decrease of 0.5% compared with the year before. However, internal sales (not included in the net sales number) to the Valves segment grew, reflecting the positive market for semiconductor manufacturing equipment in 2016. Sales to the automotive sector remained stable, while sales to other markets were steady to slightly lower. Segment EBITDA rose by 5.8% to CHF 10.3 million, leading to a segment EBITDA margin of 22.1% compared to 21.4% in 2015. The positive margin development was supported by productivity improvements in VAT’s facilities in Switzerland and Romania, as well as other operational excellence measures implemented as part of the VATmotion initiative.

**Outlook 2017**

Megatrends such as Big Data, the Internet of Things, Industry 4.0, cloud computing and e-mobility are resulting in ever greater demand for advanced manufacturing technologies, including mission-critical vacuum components. Leading digital device and display manufacturers are continuing to invest in fabrication expansion and technology upgrades. As the world market leader for advanced high-vacuum valves, VAT expects to continue to benefit from these developments.

For 2017, VAT expects market demand to remain strong. Ongoing investments in semiconductor manufacturing equipment and the strong investment cycle for high-vacuum equipment for OLED display manufacturing are expected to be the main drivers of continued growth. The Modules, General Vacuum, Global Service and Industry businesses are also expected to contribute to a positive 2017 development.

VAT expects to grow full-year net sales by at least 20% at constant FX rates. The company also expects to maintain its adjusted EBITDA margin compared with the level in 2016. The mid-term EBITDA margin target of 33% remains in place. However, investments to support VAT's ongoing growth, as well as increased costs needed to quickly adapt capacity are expected to slow down the rate of margin expansion towards this target.

VAT expects capital expenditures in 2017 and 2018 to be around 5% of sales, above the target level of 4% of sales over the cycle, again as the result of investments to meet the demands of the growing market.

**Annual General Meeting 2017**

**Dr. Horst Heidsieck**, Chairman of VAT Group since 2014, has decided not to stand for re-election at the upcoming VAT Group annual general meeting (AGM) on May 17, 2017. The Board of Directors has acknowledged his decision with regret and thanks Dr. Heidsieck for his outstanding contribution during his tenure as Chairman.

Alfred Gantner, Vice-Chairman of VAT Group and Co-Founder of Partners Group, comments: "Over the last three years, VAT has gone through a successful private equity-led transformation from a family-owned company to a scalable publicly listed one. During this period, Dr. Heidsieck successfully led this mission by reorganizing the leadership team and initiating and guiding important strategic and operational initiatives that were designed to further increase VAT's efficiency and long-term competitiveness, as well as capture additional growth opportunities. While both private equity sponsors, Capvis and Partners Group, will continue to work with Dr. Heidsieck on new opportunities, we would like to thank him for his highly valuable contribution to the success of VAT as a privately and publicly owned company."

Following VAT's statutory selection process, **Dr. Martin Komischke**, Chairman of the Board of Directors at Hoerbiger Holding AG, Switzerland, has been nominated as the new VAT Group Chairman.

Dr. Heidsieck states: "VAT is an outstanding company! What started as small enterprise in a corner of Switzerland about 50 years ago has developed into the leading supplier of mission-critical parts to the most demanding industries in the world namely the semiconductor and flat panel display manufacturers. This overwhelming success was made possible due to the timely development of superior technologies created and produced by passionate people. Against this background it has been a true honor for me to make a contribution as Chairman of the Board of Directors during these key transformative years.

Following its successful IPO in April 2016, VAT has entered a new phase of growth and I feel the time is right for me to hand over the Chairmanship to Dr. Martin Komischke. As a highly respected senior executive, Dr. Komischke brings with him the benefit of his many years of experience at Hoerbiger, a leading, global company with a strongly innovative culture. I firmly believe Dr. Komischke's entrepreneurial spirit is a great match with VAT's culture and values and the right fit for the company's stage of growth."

Prior to his appointment as Chairman of the Board of Hoerbiger Holding AG, a global leader in the fields of compression technology, drive technology and hydraulic systems, Dr. Komischke served as CEO and Chairman of Hoerbiger's Executive Board. He is also a member of the supervisory board of Aixtron SE, Germany, and a member of the Board of Directors of Stäubli AG, Switzerland. Dr. Komischke holds a doctorate of engineering from the Laboratory for Machine Tools and Production Engineering at the Mechanical Engineering Faculty of RWTH Aachen University.

In addition, **Dr. Hermann Gerlinger**, currently Advisor to the Board of Carl Zeiss AG, Germany has been nominated as a new VAT Group Board Member.

Dr. Heidsieck states: "Dr. Hermann Gerlinger has exceptional industrial experience in the field of optical precision products, mainly for the semiconductor industry, and is therefore very well-positioned to contribute to VAT's leadership."

Prior to Dr. Gerlinger's appointment as Advisor of Carl Zeiss AG, he was a member of the Executive Board of Carl Zeiss AG and head of the Semiconductor Manufacturing Technology (SMT) business group. He is also a member of the Siltronic AG Supervisory Board and of the German National Metrology Institute. Dr. Gerlinger holds a doctorate in physics and astronomy from the University of Würzburg.

The other members of the Board, Alfred Gantner, Urs Leinhäuser, Ulrich Eckhardt and Karl Schlegel will all be standing for re-election at the company's AGM in May, when shareholders will vote on each person nominated for election to the Board. Following the election, the number of Board members will increase from 5 to 6.

With the proposed new Board composition, VAT Group is confident it has the necessary experience and skill set within its Board to lead its future growth and build on its outstanding track record.

**Additional information**

The analyst presentation of the results and the 2016 annual report are available on the website of VAT at www.vatvalve.com.

Today, VAT will host a media and investor event in Zurich at 10am CET. The event can also be followed over a webcast or via a conference call line. Participants of the conference call will also be able to join the moderated Q&A session.

Please follow the link below to access the webcast:

https://78449.choruscall.com/dataconf/productusers/vat/mediaframe/18514/indexr.html

For the conference call please dial:

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**Financial calendar**

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|---|---|
| Q1 2017 Trading update & Annual General Meeting | May 17, 2017 |
| Ex-date | May 19, 2017 |
| Dividend payment | May 23, 2017 |
| Half-year 2017 results | August 24, 2017 |
| Q3 2017 trading update | November 10, 2017 |
| Full-year 2017 results | March 9, 2018 |

## ABOUT VAT

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 three different reporting segments: Valves, Global Service and Industry 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 1,400 employees and main manufacturing sites in Haag (Switzerland), Penang (Malaysia) and Arad (Romania). Net sales in the financial year 2016 amounted to CHF 508 million.

## 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 behaviour 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.