"Ad hoc announcement pursuant to Art. 53 LR"

Media Release

Haag, Switzerland, March 2, 2023

- **Strong growth in 2022 leads to record sales, EBITDA, EBITDA margin, net income and free cash flow**
- **14% dividend increase proposed**
- **Petra Denk nominated to Board of Directors**
- **2023 outlook reflects cyclical slowdown in semiconductors before return to growth in 2024**

Q4 2022 results

- Order decline of 43% vs. very strong Q4 2021 as semiconductor industry reduces capital investments
- Net sales up 14% on strong customer orders over the first three quarters of 2022
- Book-to-bill ratio of 0.86; year-end order backlog of CHF 518 million

Full-year 2022 results

- VAT successfully harnesses leading market position and technology leadership
- Net sales up 27%, surpassing CHF 1 bn for the first time; orders 2% lower on weaker Q4 demand
- Record EBITDA margin of 35% on operational leverage and productivity gains; record free cash flow despite higher capex and working capital

Outlook for 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

Guidance for Q1 2023

- VAT expects sales[1] of CHF 210 - 230 million

Q4 2022

in CHF million	Q4 2022	Q3 2022	CHANGE[2]	Q4 2021	CHANGE[3]
Order intake	**249.2**	**312.2**	-20.2%	434.9	-42.7%
Net sales	**291.0**	**305.5**	-4.8%	255.4	+13.9%
Order backlog	**517.7**	**563.0**	-8.1%	461.2	+12.2%

Full-year 2022

in CHF million	2022	2021	CHANGE
Order intake	1,209.9	1,227.9	-1.5%
Net sales	1,145.5	901.2	+27.1%
EBITDA	400.4	307.9	+30.0%
EBITDA margin	35.0%	34.2%	+0.8ppt
Net income	306.8	217.4	+41.1%
Earnings per share (EPS, in CHF)	10.23	7.25	+41.1%
Capex	66.2	44.1	+55,4%
Free cash flow[4]	228.2	195.7	+16.6%
Dividend per share (in CHF)[5]	6.25	5.50	+13.6%
Number of employees[6]	2,991	2,540	+17.7%

[1] At constant foreign exchange rates
[2] Quarter-on-quarter
[3] Year-on-year
[4] Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities
[5] Proposal of the Board of Directors to its shareholder at the Annual General Meeting on May 16, 2023
[6] Number of employees expressed as full-time equivalents (FTE)

Q4 2022 summary

Demand slowed significantly during the fourth quarter of 2022, confirming the expected reduction in semiconductor investments after three years of unprecedented growth. 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 introduction of trade restrictions by the US administration on integrated circuits and related manufacturing equipment for China. Investments in leading-edge logic chips used for data processing remained at a healthy level, however, as did demand for service-related products as capacity utilization among chip manufacturers remained at a high level.

In the **Valves** segment, fourth-quarter orders were sharply lower compared with both the same quarter in 2021 and with the third quarter of 2022, reflecting the weakening market environment towards the end of 2022. Sales increased 14% to CHF 234 million in the fourth quarter versus the same period a year earlier, as strong order growth earlier in the year flowed through to revenues. The **Global Service** segment posted 14% higher fourth-quarter sales versus the same period in 2021 sales but orders declined 8% as customers adjusted inventories of service-related products in anticipation of reduced volumes in 2023.

As a result, total Group orders in the fourth quarter amounted to CHF 249 million, 43% lower than in the same quarter in 2021, while net sales grew 14% to CHF 291 million. Compared with the third quarter of 2022, orders and net sales were down 20% and 5%, respectively.

Full-year 2022 summary

In 2022, the global semiconductor industry – VAT's largest market – continued the strong growth that began in 2020. Driven by long-term demand drivers, such as the Internet of Things, cloud computing, wireless communications and artificial intelligence, capital investments reached record levels.

For most of the year, chip manufacturers also continued to address the global chip shortage that began during the COVID-19 pandemic by expanding capacity in both the leading-edge chip technologies for node sizes of 7 nanometers and below, as well as legacy platforms. They also continued to invest in additional services to increase the productivity of their existing assets.

Customer investments in new equipment began to moderate in the fourth quarter, however, as short-term demand drivers, such as consumer spending, weakened in response to increasing inflation risks, slower economic growth in key markets and geopolitical uncertainties. Global wafer fab equipment (WFE) spending grew by around 9% in 2022 versus the previous record in 2021, reaching approximately USD 95 billion[1]. Growth was seen in both memory chips used in data storage as well as logic applications needed for data processing.

Demand was driven by higher unit demand and technology advances in semiconductor design as node sizes continue to shrink to 7 nanometers and smaller. These new production platforms require purer vacuum conditions in combination with more process steps performed under vacuum, leading to greater demand for VAT's high end valve solutions. Very high capacity utilization in the semiconductor industry also drove record sales in the Global Service segment.

Industrial markets were stronger in several sectors, especially scientific instruments that require high vacuum conditions for electron beam applications. Demand in industrial coatings was flat, in part reflecting market softness in consumer electronics spending as the result of higher inflation and other macroeconomic uncertainties.

Solar photovoltaic markets continued to show strong demand, especially from China, while demand in the display market remained soft.

Continued focus on technology and operational excellence

VAT continued to make significant investments in technology innovation, which is a major driver of both growth and profitability. In 2022, R&D investments amounted to CHF 50 million, or about 5% of net sales.

[1] Source: TechInsights/VLSI, January 2023

Specification wins, in which VAT successfully collaborates with customers to develop new tools for coming generations of equipment, remained at high levels in 2022. These help consolidate VAT's market lead and provide a clearer view of future sales.

VAT also continued to reap the benefits of its flexible global footprint by expanding production in Malaysia by about 60% to CHF 270 million. In addition, the company continued to make operational improvements, especially in the area of procurement as supply chain challenges persisted in 2022. Cost reduction measures, coupled with certain price increases helped offset rising input costs from higher raw materials, energy, and distribution expenses.

Third consecutive year of record results

Against this background of strong demand, continued market and technology leadership and improving operational performance, VAT reported record net sales, EBITDA, EBITDA margin, free cash flow and net income in 2022.

Total orders amounted to CHF 1,210 million, down 2% from 2021, primarily the result of the comparison with very strong orders in the fourth quarter of last year when many customers placed orders early to manage expected supply bottlenecks. The order backlog at the end of 2022 stood at CHF 518 million, 12% higher than at the end of the previous year. This increase partly reflects delays in executing orders because of supply constraints.

Group net sales in 2022 reached a new record of CHF 1,145 million, up 27% versus the previous year. Net sales achieved record levels in both the Valves and Global Service segments, growing 28% in Valves to CHF 933 million and 24% higher to CHF 213 million in Global Service. Foreign exchange movements, especially in the US dollar against the Swiss franc, had no material impact on 2022 Group net sales.

Gross profit[1] increased 29% compared with 2021 to CHF 734 million. The gross profit margin improved to 64% compared with 63% a year earlier, despite ongoing price pressure in certain raw materials and components.

Confirming VAT's operational leverage and productivity improvements, personnel costs as a percentage of net sales decreased to 20% in 2022 from 22% a year earlier. Personnel costs increased 14% in absolute terms as the result of an 18% increase in the number of employees (measured as full-time equivalents, FTEs) to 2,991 from 2,540 a year earlier.

EBITDA for the year increased by 30% to CHF 400 million, reflecting strong sales growth and execution of operational improvements. As a result, the full-year EBITDA margin improved from 34.2% in 2021 to a record 35.0%. Foreign exchange movements, primarily in the US dollar against the Swiss franc, had a positive impact of 0.1 percentage points on the reported 2022 EBITDA margin.

VAT's EBIT amounted to CHF 359 million, an increase of CHF 95 million, or 36%, compared with the year before. Compared with 2021, the EBIT margin increased by about 2 percentage points to 31%.

Below the EBIT line, VAT incurred substantially lower financing costs of CHF 3 million, less than half the level reported a year earlier. This is mainly the consequence of higher finance income due to an adjustment of contingent considerations in connection with the change in timing expectations of revenues. At the same time, interest expense declined due to lower net foreign exchange losses on financing activities and lower other finance expenses.

Earnings before taxes (EBT) increased to CHF 356 million from CHF 258 million, up 38%. The effective tax rate for 2022 was 14%, down from 16% in 2021, driven by higher profits from Swiss entities, where statutory tax rates are lower.

As a result of these factors, and as indicated by company management during the year, realized net income attributable to shareholders substantially increased in 2021, amounting to CHF 307 million, an improvement of 41% compared with 2021.

[1] Gross profit = net sales minus cost of materials plus/minus changes in inventories of finished goods and work in progress

On December 31, 2022, VAT's net debt amounted to CHF 37 million, representing a leverage ratio expressed as net debt to EBITDA of around 0.1 times. The year-end leverage improved by 0.2x compared with a year earlier. Average leverage over the course of 2022 was around 0.3 times net debt-to-EBITDA, as steady free cash flow generation continuously reduced net debt after the seasonal peak at the end of May when VAT paid its dividend. The equity ratio at year-end amounted to 61% compared with 60% a year earlier.

Record EBITDA and free cash flow support increased dividend proposal

One of VAT's key performance indicators and the basis for its dividend consideration is free cash flow, which in 2022 reached a record CHF 228 million compared with CHF 196 million the previous year. Higher EBITDA not only offset the increase in trade working capital of about CHF 80 million and higher taxes paid but also higher capital expenditure (capex), which amounted to CHF 66 million in 2022 compared with CHF 44 million in 2021.

Capex amounted to approximately 6% of net sales in 2022, slightly above the company's guidance of 4–5% of sales. This is mainly due to investments in production capacity in Malaysia, where VAT is in the process of establishing a second factory scheduled to be opened in 2024, and investments in a new technology center in Haag, Switzerland.

At year-end 2022, net trade working capital amounted to CHF 297 million, approximately 36% higher than at the same time in 2021. Net trade working capital represented 26% of sales, a 2-percentage-point increase versus 2021, mainly due to the buildup of a buffer to meet supply chain constraints related to the high order backlog.

As a result, free cash flow as a percentage of net sales was 20% and the free cash flow conversion rate was at 57% of EBITDA. Free cash flow to equity amounted to CHF 225 million compared with CHF 192 million in 2021.

At its Annual General Meeting on May 16, 2023, VAT's Board of Directors will propose a dividend for the fiscal year ending December 31, 2022, of CHF 6.25 per registered share, an increase of CHF 0.75, or 14%. The whole amount of CHF 6.25 will be paid from the company's accumulated gains. The proposal amounts to a total dividend amount of CHF 187 5 million, or 83.5% of VAT's free cash flow to equity.

Display and solar businesses realigned within Valves segment for 2023

As of Jan. 1, 2023, the Display & Solar business unit was dissolved, with the display business integrated into the Semiconductor business and the Solar business moved to the Advanced Industrial business unit. The moves are aimed at taking advantage of synergies and scale economies related to technology, business drivers and customer needs.

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. The impact of this trend was visible in the lower orders VAT recorded in the fourth quarter of 2022.

Slower-than-expected economic growth in China as a result of lockdowns related to the ongoing COVID-19 pandemic, 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 increasing use of semiconductors in markets such as automotive is expected to partly mitigate lower chip demand forecast in other areas. 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 remain within its EBITDA margin target range of 32-37% by building its market position in leading-edge valve technologies, further strengthening its global footprint, and improving operational performance. VAT's Global Service business also provides a profitable buffer against cyclical swings in customer capital investments and the company will continue to improve its network of global service centers and its portfolio of valve upgrades and retrofits.

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.

Net income is also expected to be lower than in 2022, with capex forecast at CHF 80–85 million and free cash flow below the 2022 record, but still at a high level.

Guidance for Q1 2023

VAT expects sales1 of CHF 210 - 230 million.

Petra Denk nominated to join VAT's Board of Directors

At VAT's upcoming Annual General Meeting on May 16, 2023, the Board of Directors intends to nominate Petra Denk to the Board as a new member, bringing the total number of Directors to eight. Ms. Denk, aged 50 and a German citizen, is Professor of Energy and Economics at the University of Applied Sciences in Landshut, Germany. She is also founder and director of the Institute of Systemic Energy Consulting Ltd., specializing in the development of energy concepts for renewable energies.

Ms. Denk brings significant expertise to the Board in the area of renewable energies and energy infrastructure, and has more than 10 years of Supervisory Board experience in the semiconductor equipment sector.

Ms. Denk holds a Ph.D. in physics from the University of Munich and the Centre national de la recherche scientifique (CNRS) in Paris. Prior to her professorship she held a number of senior management positions at E.ON Energie in Munich, with experience in mergers and acquisitions, business development, and strategy development. She is also a Supervisory Board Member at Aixtron S.E., a manufacturer of metalorganic chemical vapor deposition equipment for the semiconductor industry, and of Pfisterer AG, a manufacturer of high-voltage cable accessories and a system provider in the field of energy infrastructure. Ms.Denk is also a member of the Board of Directors of Berner Kraftwerke AG, a Swiss-based energy and infrastructure company, and a member of the Scientific Board for the Center of Applied Energy Studies, a research institute in Germany focused on the reduction of CO2 emissions through renewable energies and efficiency measures.

[1] At constant foreign exchange rates

Segment results Q4 and full-year 2022

VALVES

in CHF million	Q4 2022	Q3 2022	CHG.[1]	Q4 2021	CHG.[2]	2022	2021	CHG.[2]
Order intake	**194.7**	**244.1**	**-20.2%**	**376.0**	**-48.2%**	**970.9**	**1,028.8**	**-5.6%**
Semiconductors	*127.6*	*187.4*	*-31.9%*	*296.9*	*-57.0%*	*730.4*	*772.2*	*-5.4%*
Display & Solar	*17.8*	*20.0*	*-10.8%*	*34.8*	*-48.7%*	*64.9*	*93.3*	*-30.4%*
Advanced Industrials	*49.3*	*36.7*	*+34.5%*	*44.3*	*+11.4%*	*175.6*	*163.3*	*+7.5%*
Order Backlog	**447.7**	**489.4**	**-8.5%**	**415.9**	**+7.6%**	**447.7**	**415.9**	**+7.6%**
Net sales	**233.5**	**251.0**	**-7.0%**	**204.6**	**+14.1%**	**932.7**	**729.2**	**+27.9%**
Semiconductors	*183.9*	*191.9*	*-4.2%*	*152.1*	*+20.9%*	*716.5*	*534.7*	*+34.0%*
Display & Solar	*13.4*	*17.9*	*-25.3%*	*18.5*	*-27.5%*	*71.1*	*65.6*	*+8.4%*
Advanced Industrials	*36.2*	*41.1*	*-12.0%*	*34.0*	*+6.7%*	*145.1*	*128.9*	*+12.6%*
Inter segment sales	**24.3**	**22.2**	**+9.4%**	**21.9**	**+11.1%**	**89.2**	**75.0**	**+18.9%**
Segment net sales	**257.8**	**273.2**	**-5.6%**	**226.4**	**+13.9%**	**1,021.9**	**804.2**	**+27.1%**
Segment EBITDA						354.5	269.7	+31.4%
Segment EBITDA margin[3]						34.7%	33.5%	

[1] Quarter-on-Quarter [2] Year-on-Year, [3] Segment EBITDA margin as a percentage of Segment net sales

GLOBAL SERVICE

in CHF million	Q4 2022	Q3 2022	CHG.[1]	Q4 2021	CHG.[2]	2022	2021	CHG.[2]
Order intake	**54.5**	**68.1**	**-19.9%**	**59.0**	**-7.6%**	**239.0**	**199.1**	**+20.0%**
Order Backlog	**70.0**	**73.6**	**-4.9%**	**45.3**	**+54.6%**	**70.0**	**45.3**	**+54.5%**
Net sales	**57.4**	**54.6**	**+5.3%**	**49.9**	**+15.0%**	**212.7**	**172.0**	**+23.7%**
Inter segment sales	-	-	-	-	-	-	-	-
Segment net sales	**57.4**	**54.6**	**+5.3%**	**49.9**	**+15.0%**	**212.7**	**172.0**	**+23.7%**
Segment EBITDA						96.6	78.8	+24.2%
Segment EBITDA margin[3]						45.4%	45.3%	

[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 results and the 2022 annual report are available on VAT's investor relations website under this **LINK**.

VAT will host a media and investor event today in Zurich at 11 a.m. CET. The event can also be followed over a webcast or via conference call. Participants of the webcast or the conference call will also be able to join the moderated Q&A session. Please follow the link below to access the webcast:

LINK TO WEBCAST

For the conference call, please dial one of the following numbers:

+41 58 310 50 00 (Europe)

+44 207 107 0613 (UK)

+1 631 570 5613 (USA)

A replay of the webcast will be available on the VAT website approximately 24 hours after the event.

For further information please contact:
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Financial calendar

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

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.