

PASSION.PRECISION.PURITY.

VAT – Global leaders in Vacuum Valve Technology

Virtual Octavian Seminar 2020

www.vatvalve.com

Our business focus & performance

VAT delivers strong year-end and full-year business performance



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Our business segments

(Share of 9M 2020 net sales)

Valves

(80%)



Global Service

(18%)



Industry

(2%)



Delivering outstanding performance in 2020

(preliminary and unaudited 2020 full-year results release January 14, 2021)

723 (+24%)

Order intake (M CHF)

692 (+21%)

Net sales (M CHF)

1:1.1

Q4 2020 book-to-bill

>31% (+> 4ppt)

EBITDA margin

>140

Free Cash Flow (M CHF)

146

Order Backlog (M CHF)

Guidance for Q1 2021: Net sales of CHF 180 – 190 million

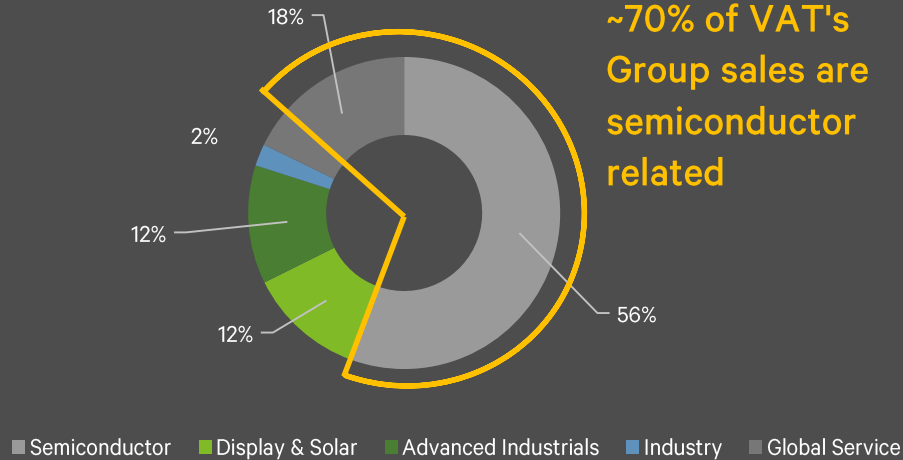
Our markets

Semiconductor are our driving force

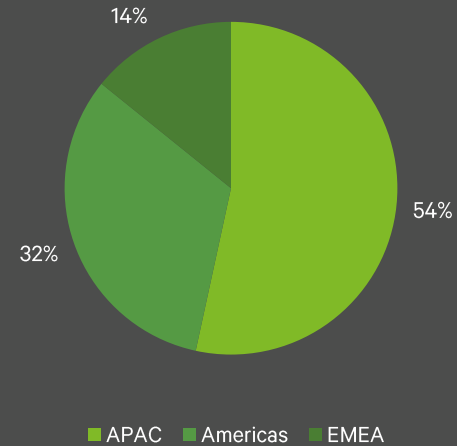


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Sales Breakdown by Market Segment
9M 2020



Sales Breakdown 9M 2020



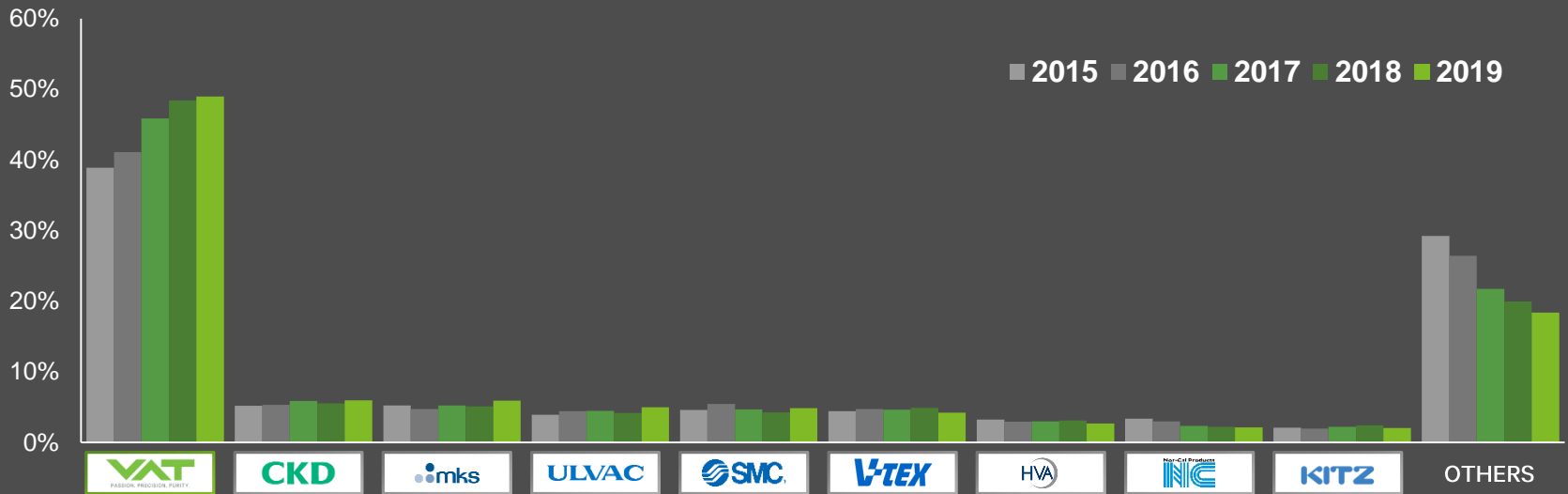
Our market position

VAT is the undisputed market leader



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Market share All Industries ¹



Source: VLSIresearch July 2020

¹All Industries includes Semi & related, General Vacuum

Semi & related includes Semiconductors, Displays, Solar, LED Lighting, Hard Disk Drive

The VAT advantage

The VAT Advantage



VAT is the undisputed market leader in the strongly growing & highly profitable vacuum valves market



VAT benefits from **key megatrends driving sustainable long-term growth**

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VAT is the **undisputed market leader** due to technology leadership, deep application expertise, global scale and customer intimacy



VAT's great performance is possible because of our **great people** and we are actively **developing our talent to become future leaders of VAT**



VAT has a history of delivering **outstanding financial performance**



The VAT Advantage



Key megatrends support strong long-term growth in semiconductors

Strong semiconductor growth supported by growth across key digitalization levers:

AI



Sales growth
(CAGR '20-'25)

+35%

Big data & cloud



+8%

IoT



+16%

5G



+64%



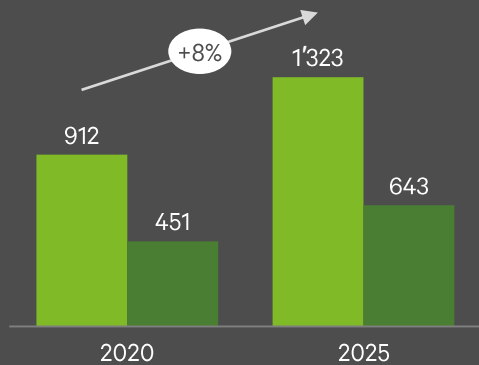
The VAT Advantage



Strong growth of semiconductors is cascaded down to strongly increasing demand in valves

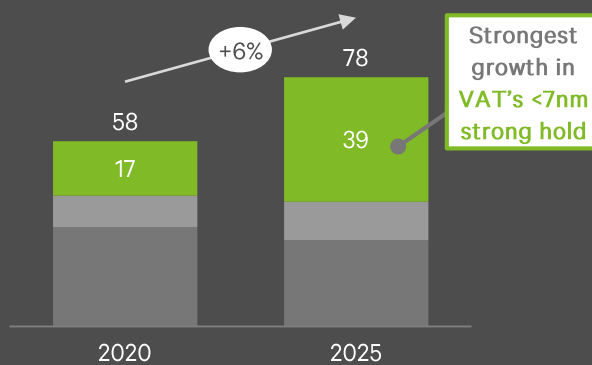
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Strong growth expected in semiconductor end-markets...



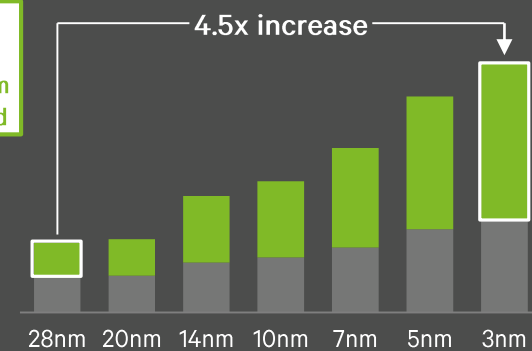
■ Semi unit shipments (in billions)
■ Semi sales (in \$ billions)

...translating to more advanced production technologies...



■ 7nm and below ■ Legacy >14nm
■ 14nm to 7 nm

...with vacuum requiring process steps increasing



■ Vacuum process steps
■ Non-vacuum process steps

The VAT Advantage

We deliver outstanding customer value in vacuum solutions & are the partner of choice



Deep Semi expertise

We have deep expertise in the semiconductor industry



Broad technology portfolio

Our product portfolio comprises ~140 valve series with >8'000 customized & 2'500 standard products



Deep application know-how

We have deep expertise across applications & help our customers to identify the best solution for their needs



Fast speed to market

Our capabilities allow us to offer unmatched speed to market from design to prototype to mass production



Global scale

Our production footprint in Switzerland & Malaysia guarantees that we serve our customers globally

>50%

market share &
partner of choice
to our customers



The VAT Advantage

Our great people drive great performance



Engagement



At VAT **everyone is involved**. Our **employee engagement** has gone up for four years in a row with **+11% in 2020 alone**

Talent development



We have **dedicated talent programs** in place developing the **future leaders & innovators of VAT**

Leadership



We build our culture on a long tradition of **team-oriented collaboration**, **intimate customer relations** and **deep competencies**



The VAT Advantage



We have a strong track-record of delivering outstanding financial performance

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Sales

10.5%¹
CAGR '15-'20

Strong double-digit growth, outperforming competition

EBITDA

27-31%
Between
'15-'20

High profitability throughout the business cycle

FCF conversion

51-91%
Between
'15-'20

High FCF conversion through controlled CAPEX spend

ROIC

29-48%
Between
'15-'20

Strong Return on Invested Capital at 2.5-4.5x WACC

¹ reported numbers, 9.8% CAGR on constant 2015 FX rates

Our strategic priorities

Our strategic priorities

Four priorities going forward to accelerate our future growth & further improve our profitability



Gain market share in
valves



Grow our service
business



Move to adjacencies
& connected VAT



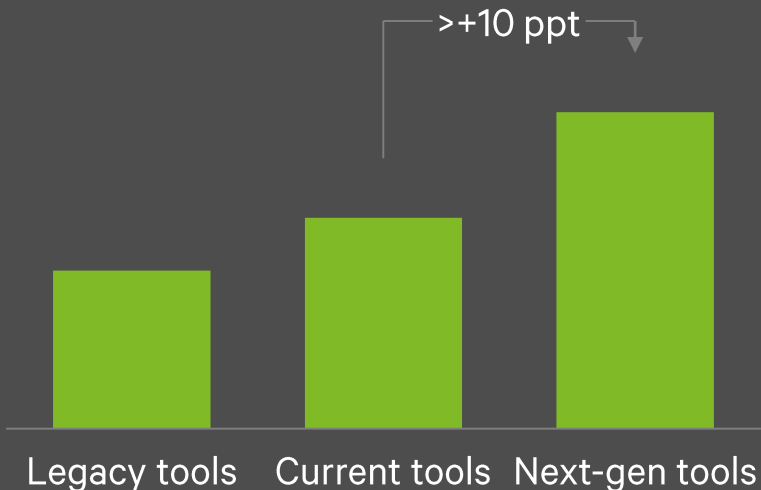
Improve operational
footprint

1 Our strategic priorities

We will continue to gain market share in valves



Market share in valves to **further increase in next-gen tools...**



...based on our **strong specification wins across new semiconductor platforms**

- Focused efforts and investments in R&D yielded in constantly large numbers of specification wins
- VAT particularly successful in leading edge applications specifications, such as Control Valves & sub 10nm nodes

1 Our strategic priorities

We will win in valves across all our end-markets



Semiconductors

- Strong market share gains expected, in particular for our transfer & control valves
- Majority of share gains to come from leading global OEMs

Displays & Solar

- Continuation of rapid technology development to fuel mid-term growth in display and solar
- OLED to fully replace LCD investments by 2023/24; 5x higher valve content per GW in heterojunction process versus PERC

Advanced industrial

- Market share gains through innovation and customization combined with adjacent product offerings
- Expansion of business into market adjacencies in growth industries such as batteries or crystal pulling

2 Our strategic priorities

We will continue to grow our unique service business



Our service business is based on a **strong foundation...**



Rapidly expanding installed base of over **1.1m repairable valves**
(10% CAGR of installed base since 2000)



Largest service network in the industry

(8 service centers worldwide)



Fast expanding upgrade portfolio

(20 new upgrades launched since 2018)

...and will continue to deliver **strong & profitable growth**



Strong sales growth of >9% CAGR
from 2020 to 2025



Increase market share in service to
50% by 2025 by expanding our offering

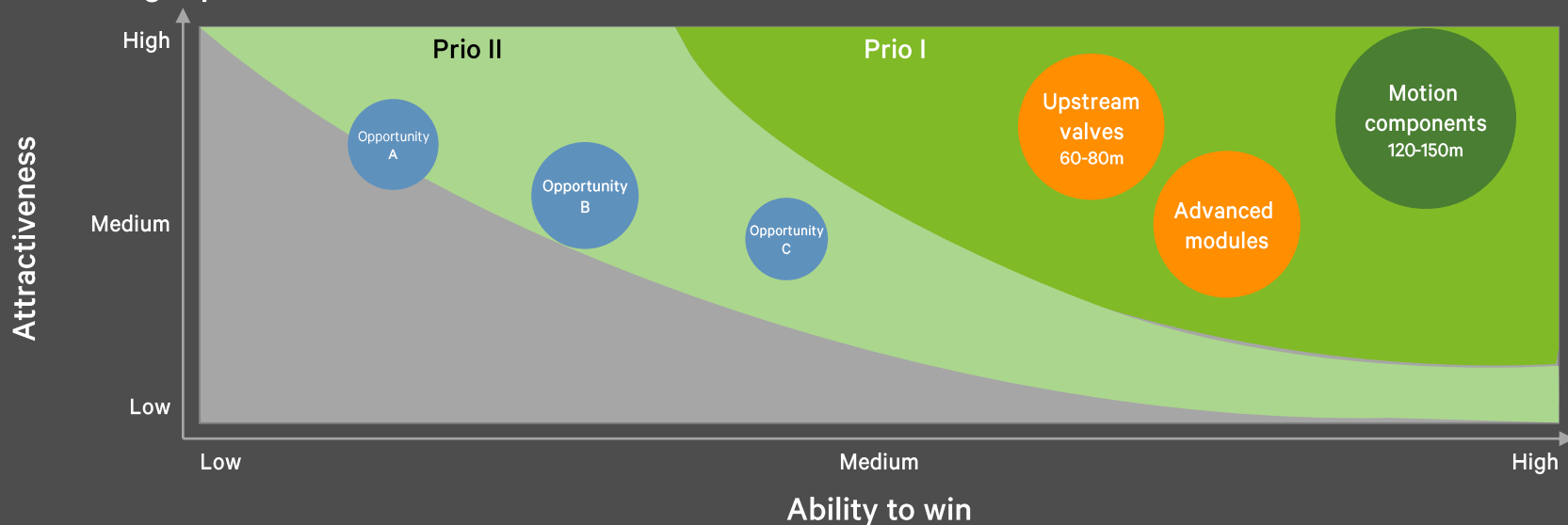


Maintain high EBITDA margin of >40%
in our service business

3 Our strategic priorities

We will move into profitable adjacencies

Our strategic priorities



● Early development stage ● Market introduction stage ● Market growth stage

3 Our strategic priorities



We will move into sensors & analytics to build our next growth platform: Connected VAT

Expanding to adjacent products

Expanding into adjacent products within the chamber to increase share-of-wallet with customer



Incorporating sensors & analytics

Electrifying our valves, adding sensors and connectivity as well as including data generation, data processing & analytics capabilities through Connected VAT



Big data analytics opportunity

Features enabling predictability, auto-learn, self-tuning and self-maintaining and fast & precise control algorithm will add differentiating value



Level 3: Connecting VAT products to enable strong data & controls solutions across offering

Level 2: Make VAT's products intelligent and create enhanced performance value for our customers

Level 1: Adding diagnostics and better future serviceability

2020

2021

2023



4 Our strategic priorities

We will diversify our operational footprint to get closer to our customers



Switzerland



Malaysia

Factory
output
(CHF M)

As-is
To-be

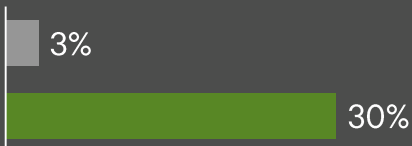


>100

>500

Best
Cost
Country
s
purchase
volume

As-is
To-be



60%

80%

Growth in Best Cost Country content improves our cost position

>50%

Best Cost Country content in **factory output** by 2025

>50%

Best Cost Country content in **purchase volume** by 2025



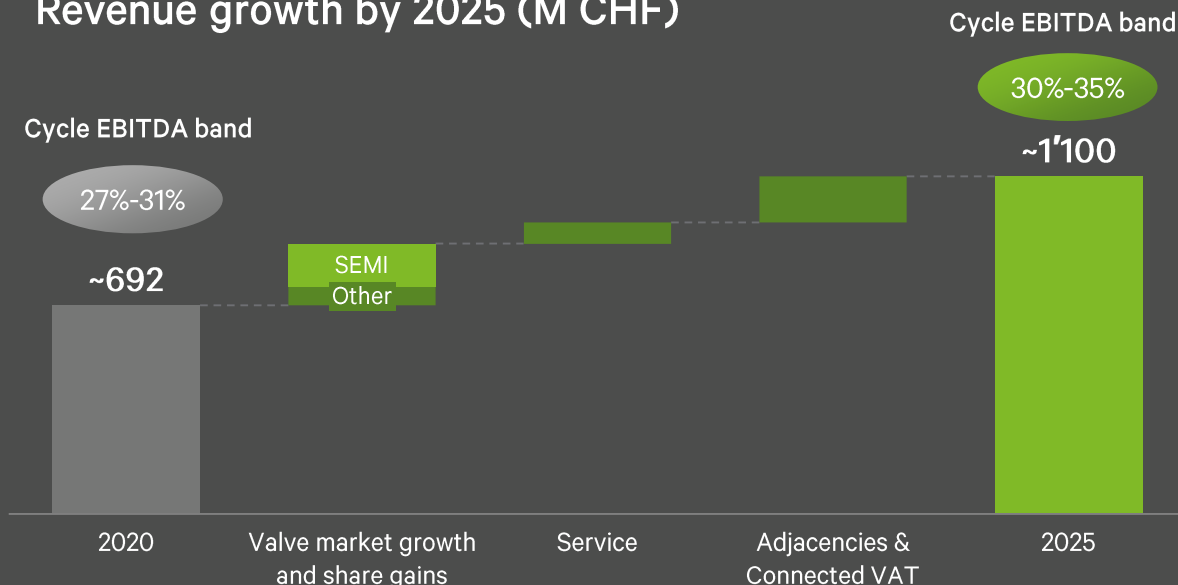
Our growth plan to 2025

Strong organic growth across all sectors as we benefit from megatrends, gain market share and develop new businesses



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Revenue growth by 2025 (M CHF)



Strong organic revenue growth driven by increase in **semiconductor market share**, growth in service business and move to adjacencies



Operations footprint **optimization** represents key lever to ensure EBITDA improvement to 35%



Any potential **inorganic growth** would come on top of organic growth plan

Note: Based on a USD/CHF exchange rate of 0.90

Value Creation

Shareholder value proposition 2020 - 2025

VAT continues to be a convincing investment story



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Our sustainable value creation is based on 3 key pillars:



Growth

Main drivers

- 1 WFE spend
- 2 Market share gains
- 3 Service business
- 4 Organic adjacencies

Key metrics

High single digit

Net sales growth



Profitability

- 1 Operational excellence
- 2 Cycle management with operating flexibility
- 3 Best cost country footprint

30-35%

EBITDA margin band

60-65%

Free cash flow conversion rate



Capital allocation

- 1 Leading edge innovation
- 2 Production capacities
- 3 Value adding adjacencies
- 4 Strong dividend focus

Up to 100%

Dividend payout of free cash flow to equity

Unique combination of profitable growth and cash returns to shareholder

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Sales growth: High single digit over the cycle	EBITDA margin corridor: 30-35% of sales <i>(33% at CHF 800M in sales)</i>	ROIC: >40% over the cycle
CAPEX invest: 4-5% of sales	R&D spend: 5-6% of sales	FCF conversion: 60-65% of EBITDA
Trade working capital: 20% of sales	Leverage: 1x Net Debt/EBITDA	Dividend payout: Up to 100% of FCFE to shareholders

Note: Guidance assumes constant FX and unchanged scope of consolidation



Confirmed
metric



New metric

Use of cash

Our balanced capital allocation will continue in 2020-2025



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Our past capital allocation principles...

CAPEX



CHF 176M

Allocation of capital enabled by **sustainable cash flow** and a strong balance sheet

R&D



CHF
203M

Organic value creation based on disciplined **use of cash for innovation** and **operational excellence**

Dividends¹



CHF
480M

Returning **cash back to our shareholders** is one of our **key value propositions**

...will continue to guide our use of cash in 2020-2025

4-5%

Of sales in CAPEX

5-6%

Of sales in R&D investments

Up to
100%

Of FCFE in dividends as long as leverage is ~1x Net Debt to EBITDA

1. For the fiscal years 2016, 2017, 2018 and 2019

Conclusion

Summary



VAT will deliver sustainable value creation and is a convincing investment opportunity



Core growth

With its **leading position in high end vacuum** VAT operates in the most exciting growth industries and has already secured many of the future growth potential



Adjacencies

Additional growth through **organic expansion to adjacent products** and move into **sensors & analytics** to build **our next growth platform, Connected VAT**



Profitability

Our **flexible operational setup** will allow VAT to operate in a higher EBITDA margin band over the cycle

Short Term Market Outlook

Robust outlook pointing to 5-10% market growth in 2021



Semiconductor

Continued strength with WFE expected driving 5-10% market growth



Service

Continued strength across all sub-segments driving 4-6% market growth



Advanced Industrials

Recovering from COVID pandemic-driven declines, expected to grow by 3-4%



Display & Solar

Continued weakness in Display with around -10% to -20% market decline; Solar markets expected to grow around +10%

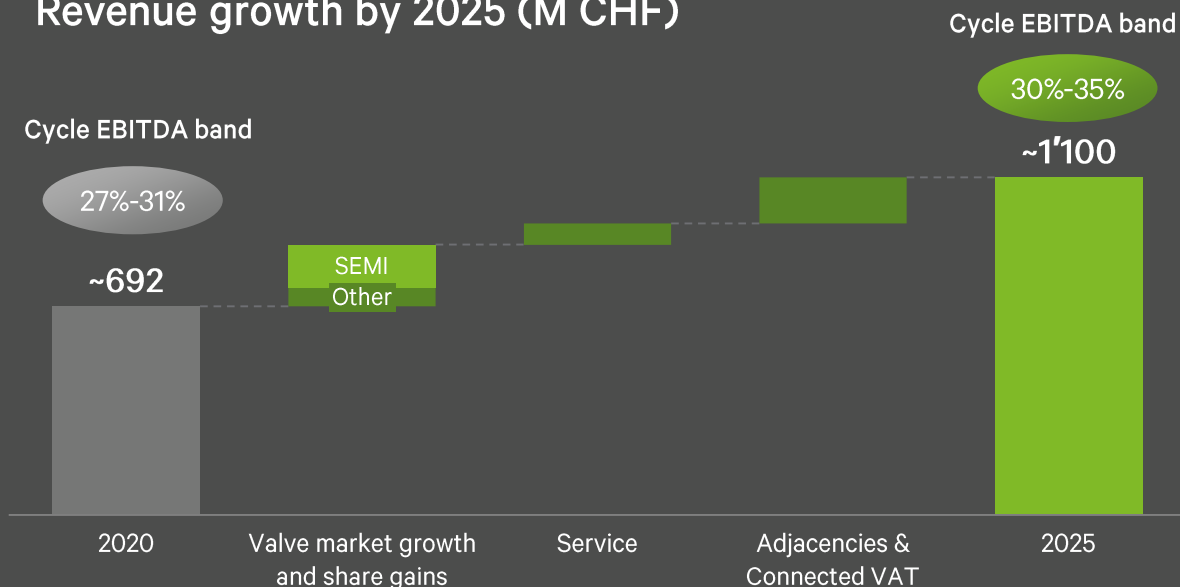
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Q&A