

SECOND QUARTER AND HALF-YEAR 2018 RESULTS

No. 1 global market position in high-end vacuum valve technology

August 2, 2018

Agenda

1

Highlights

Mike Allison, CEO

2

Second quarter and half-year 2018 financial results

Andreas Leutenegger, CFO

3

Market conditions and outlook for 2018

Mike Allison, CEO



Near record net sales in Q2 2018; industry capex stabilized at a high level

Nine consecutive quarters of net sales growth on a year on year basis since listing in April 2016

Quick adjustment of cost base in reaction to moderation of industry capex growth

Specification wins during the first half of 2018 confirm our innovation leadership

Capacity expansion in Malaysia on track, first production expected in the second half of 2018

Medium to longer term market drivers intact as indicated by outlook statements from major IC makers

Market growth for 2018 remains positive, but at a lower level than expected at the beginning of the year

All segments contribute to half-year 2018 results improvements

Segment (% of total net sales)	VAT Group AG	Valves (81%)	Global Service (13%)	Industry (6%)
Net sales	CHF 387m / +18%	CHF 313m / +19%	CHF 51 / +17%	CHF 23m / +20%
EBITDA / margin ¹	CHF 122m / 31.6%	CHF 116m / 34.8%	CHF 24m / 47.9%	CHF 6m / 16.7%

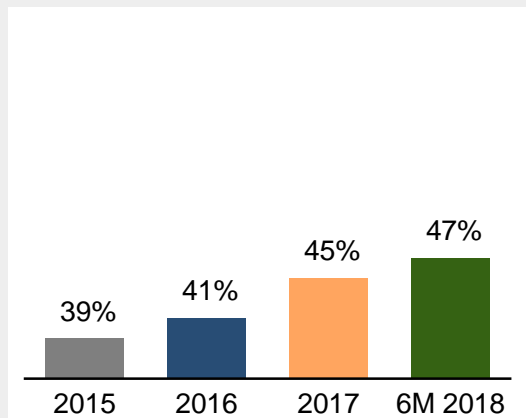
¹ Segment margin based on segment net sales



Preliminary half-year market share data shows improved No. 1 market position

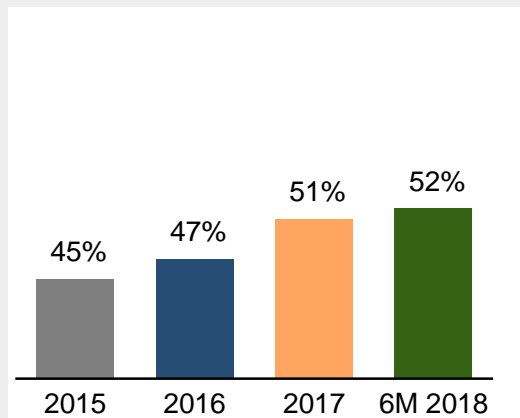
Market share all industries ¹

Total vacuum valve market size
 2016: USD 977m
 2017: USD 1'200m
 6M 2018E: USD 670 m



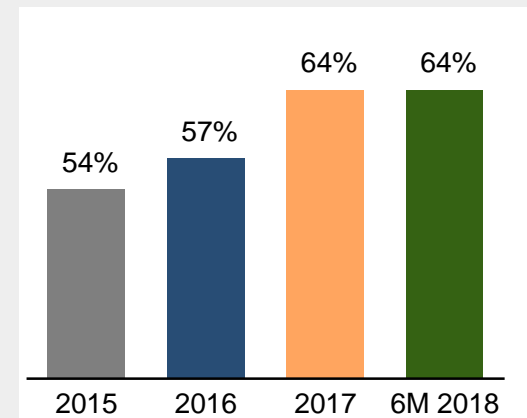
Market share semi & related ²

Total vacuum valve market size
 2016: USD 695m
 2017: USD 875m
 6M 2018E: USD 500m



Market share semi ³

Total vacuum valve market size
 2016: USD 393m
 2017: USD 518m
 6M 2018E: USD 310m



Source: VLSI Research July 2018, based on Q1/18 actual plus Q2/18 estimated

¹ All Industries includes semi & related, General Vacuum.

² Semi & related includes Semiconductors, Displays, Solar, LED Lighting, Hard Disk Drive.

³ Semi includes Semiconductors, LED and HDD

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Half-year 2018 – Group key figures

Third party net sales
CHF 387 m
+18%

EBITDA
CHF 122 m
+24%¹

EBITDA margin
31.6% vs 30.1%¹
(+150bps)
EBIT margin
27.2% (+330bps)

Free cash flow
CHF 47m
-13%

Free cash flow
margin 12%
FCF conversion
39%

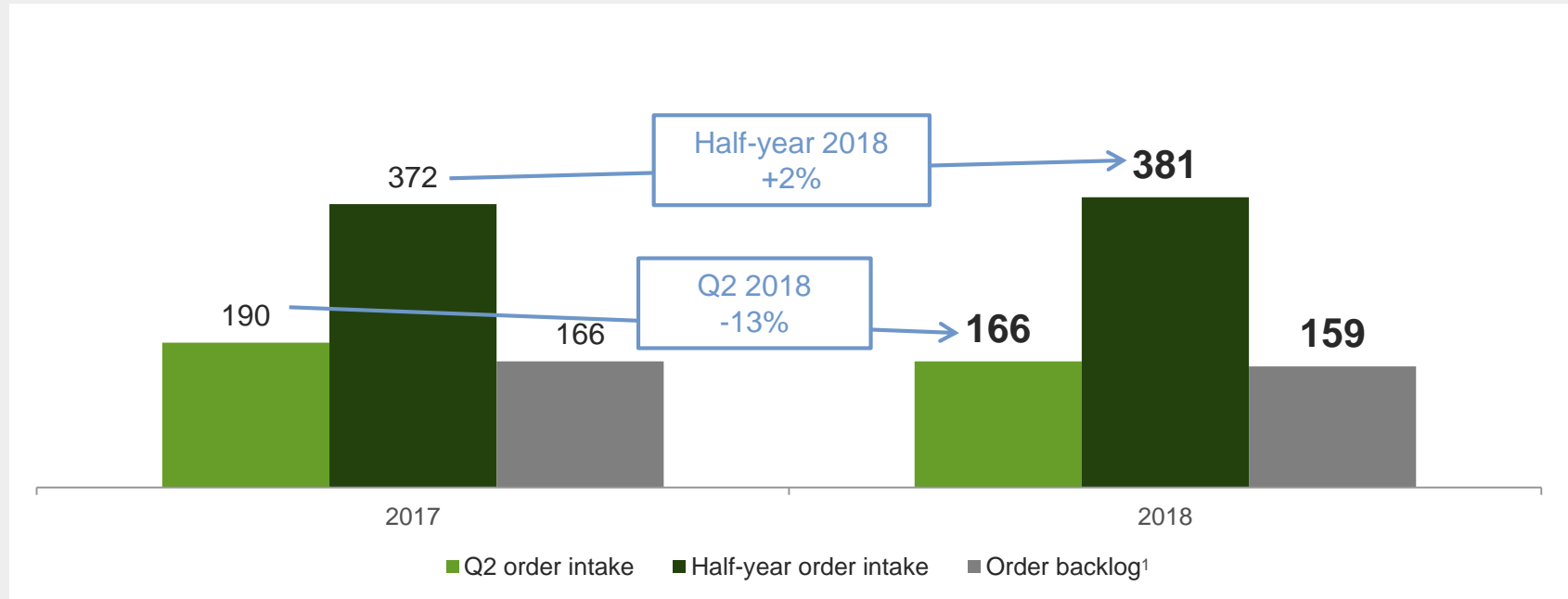
Net debt/EBITDA
1.0x²

¹ compared to adjusted EBITDA and EBITDA Margin in 2017 which included CHF 2.9 million in IPO related costs

² based on last twelve months (LTM) EBITDA

Q2 order development confirms expected moderation for H2 2018

in CHF million

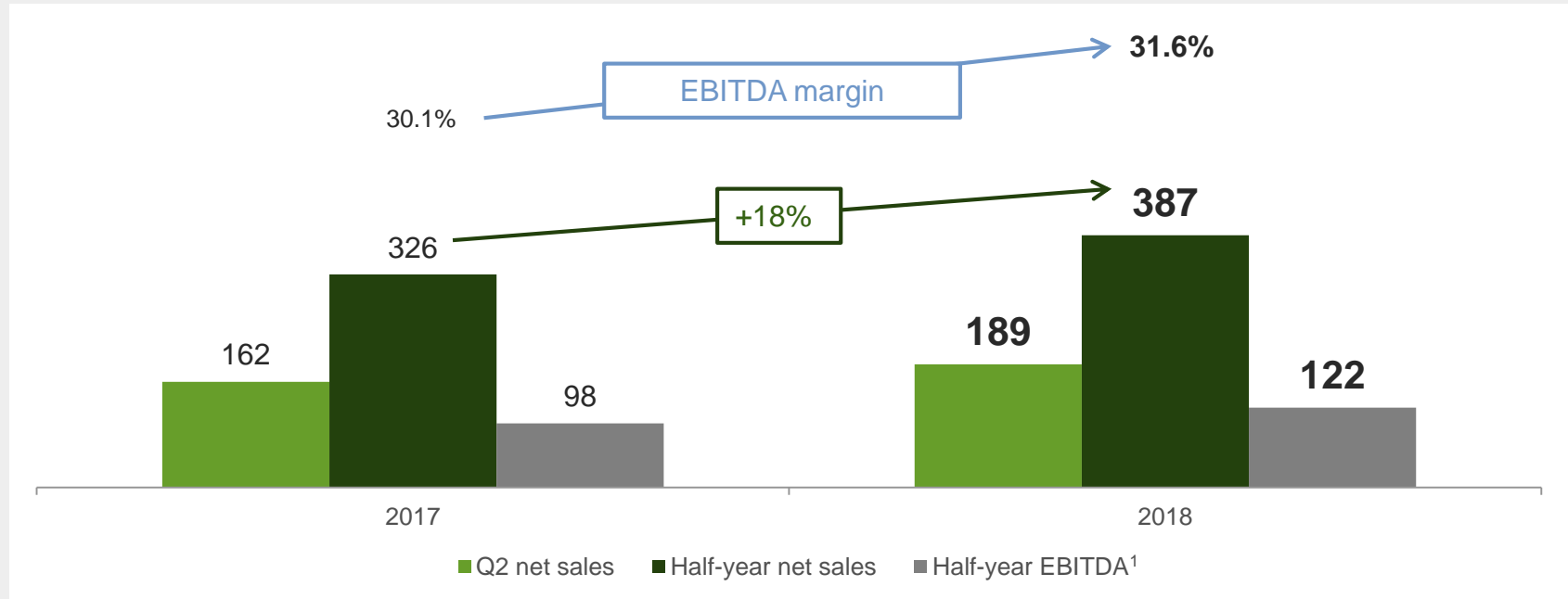


¹ order backlog as of June 30, 2018 and December 31, 2017



Strong half-year net sales increase; EBITDA margin up 150bps to 31.6%

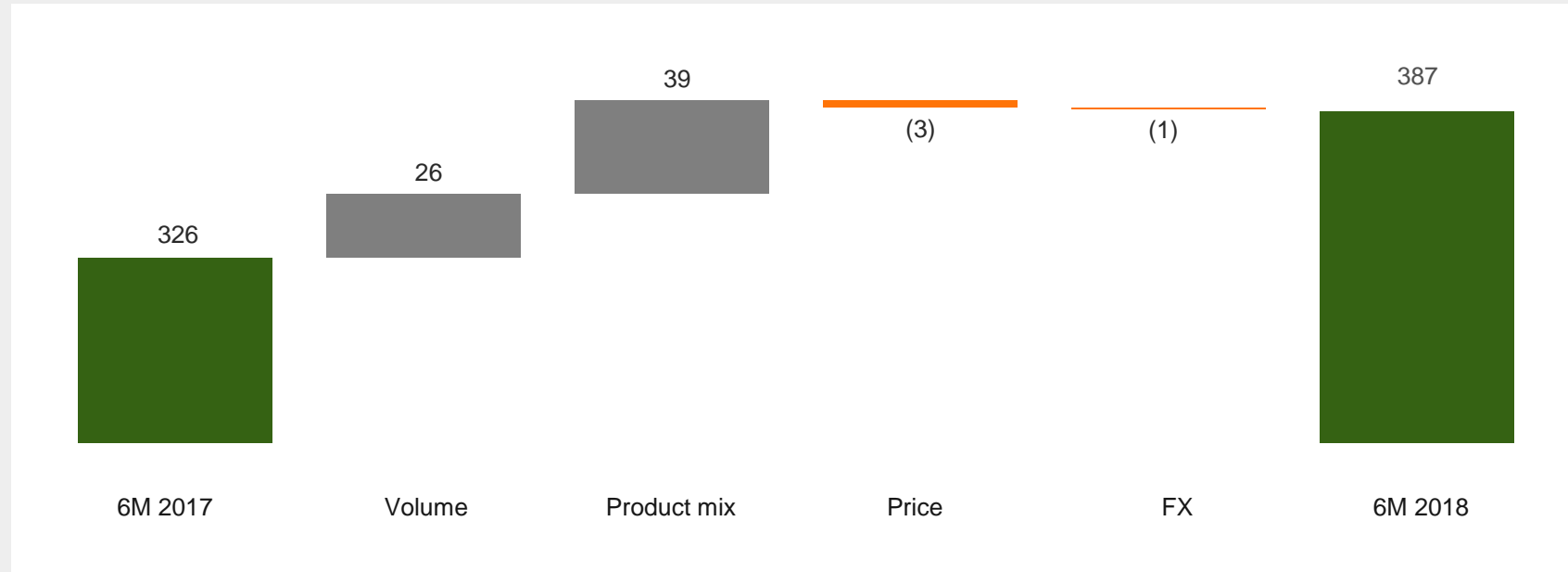
in CHF million



¹ 2017 EBITDA adjusted for CHF 2.9 million IPO related costs



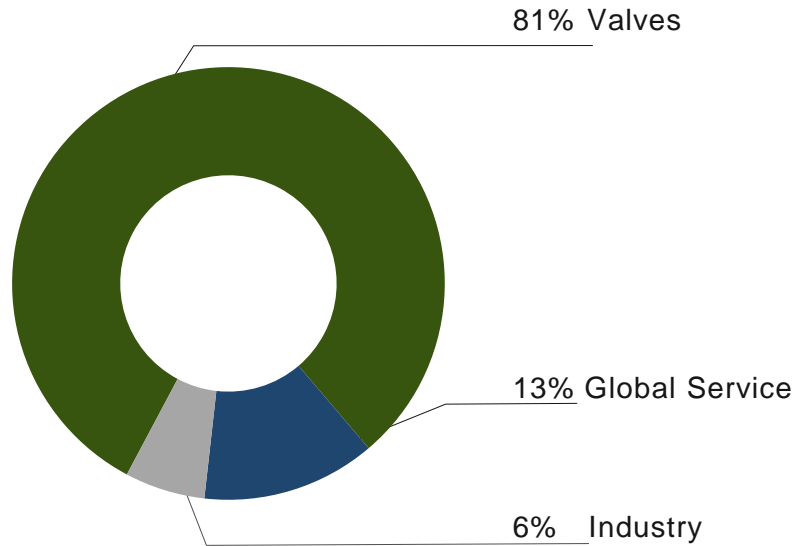
Net sales bridge – volume gains and product mix drive sales growth



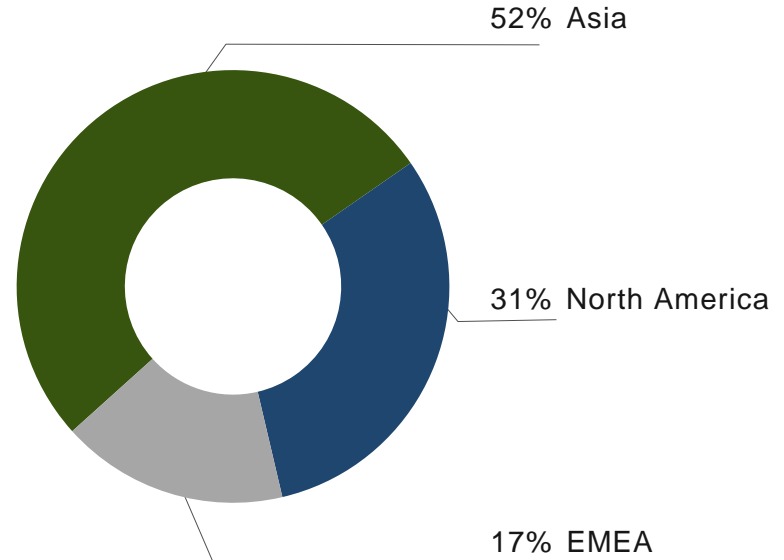
- Volume and product mix increases both drive top line growth
- Price impact from volume discounts; no FX impact

Half-year 2018 net sales CHF 387 million

Net sales by segment



Net sales by region



Valves – 81% of net sales

in CHF million	Q2 2018	Q2 2017	Change
Order intake	128.1	153.6	-16.6%
Net Sales	153.7	131.1	17.2%
in CHF million	6M 2018	6M 2017	Change
Order intake	303.3	297.9	1.8%
Net sales	313.0	263.8	18.6%
Inter-segment sales	21.1	17.6	20.3%
Segment net sales	334.1	281.4	18.7%
Segment EBITDA	116.1	80.8	43.8%
EBITDA margin	34.8%	28.7%	



Semiconductors

- Successful release of leading-edge valve from Malaysian factory by large OEM
- Certification of Zero Particle ATM door in field operations

Display & Solar

- Large package order from Chinese solar panel producer
- Shift to larger substrates (G10.5) continues

General Vacuum

- Secured a number of larger R&D orders, captured business in fragmented coating environment

Modules

- Several module and motion solutions specified

Global Service – 13% of net sales

in CHF million	Q2 2018	Q2 2017	Change
Order intake	25.8	26.2	-1.5%
Net Sales	24.0	21.7	10.7%
in CHF million	6M 2018	6M 2017	Change
Order intake	53.6	53.6	0.0%
Net sales	50.7	43.5	16.7%
Inter-segment sales	-	-	-
Segment net sales	50.7	43.5	16.7%
Segment EBITDA	24.3	19.4	25.3%
EBITDA margin	47.8%	44.5%	



Broadening of service capabilities

- Strongest growth in spare parts and repairs
- Turnaround time in Asian repair centers at the focus of attention
- Service footprint expanded
- Customer service and support availability made available outside regular business hours
- Flat order development due to inventory reductions at OEMs for spares and consumables; timing of award for retrofit projects

Industry – 6% of net sales

in CHF million	Q2 2018	Q2 2017	Change
Order intake	11.7	10.3	13.4%
Net Sales	11.1	9.1	22.4%
in CHF million	6M 2018	6M 2017	Change
Order intake	24.1	20.5	17.6%
Net sales	22.9	19.1	19.7%
Inter-segment sales	13.1	11.4	14.4%
Segment net sales	36.0	30.6	17.7%
Segment EBITDA	6.0	6.8	-11.8%
EBITDA margin	16.5%	22.1%	



Variety of industrial businesses contribute to growth

- Strength of industrial business across all sectors
- Growth in orders and net sales to third parties continue at high pace
- Internal demand for bellows increasing as well
- Automotive business supported by a generally healthy economic environment and a recently secured long-term contract with a major supplier

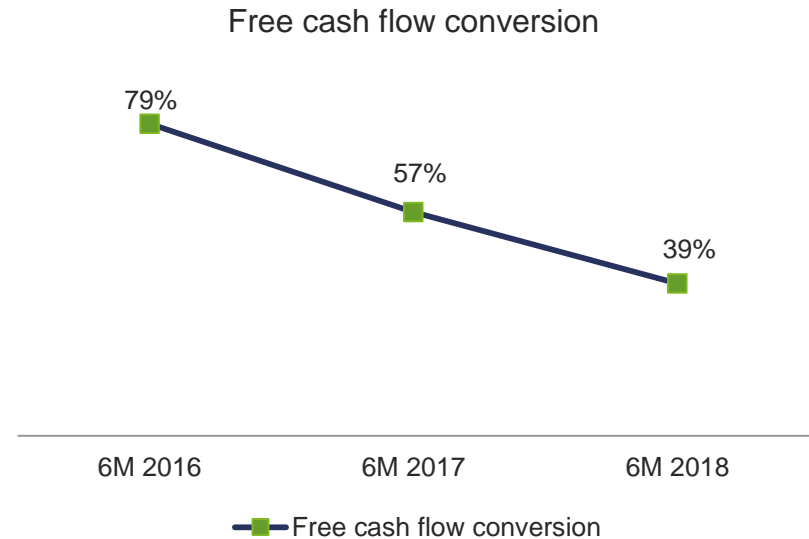
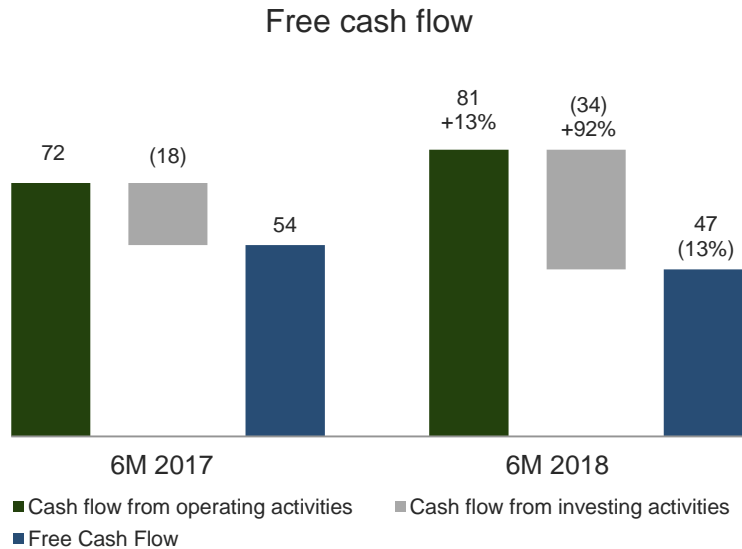
Solid financing structure yields in further improved results below the EBIT line; net income substantially up

in CHF million	6M 2018	6M 2017	Change
EBIT	105.0	78.2	34.3%
Finance net	-5.2	-6.8	-23.7%
EBT	99.8	71.4	39.8%
Income tax expenses	-16.3	-11.9	36.1%
Effective Tax Rate	-16.3%	-16.7%	
Net income	83.6	59.5	40.6%

- Financing structure strengthened with new CHF 200 million debut bond issuance at 1.5% coupon
- Finance net result further improved
- Effective tax rate of 16.3% in line with expectations and positively impacted by US tax reform

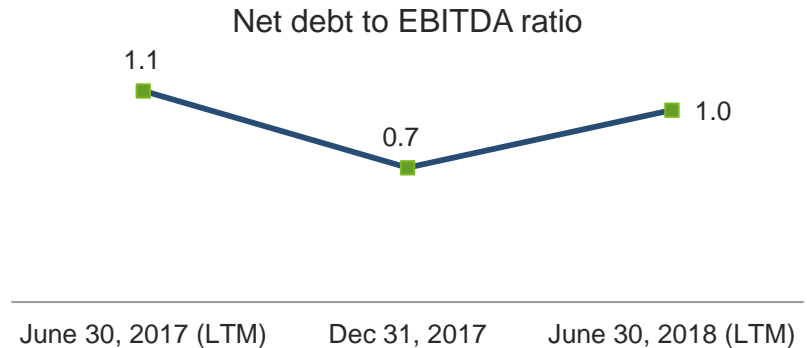
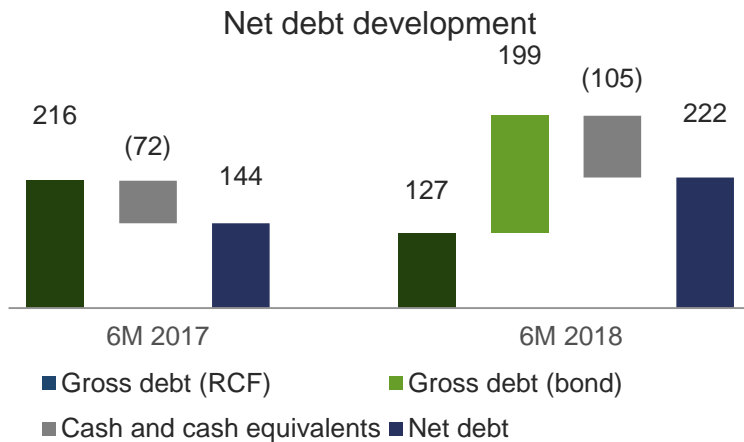


Working capital increase and higher CAPEX weigh on cash generation



- Higher cash flow from operations despite increased working capital; higher CAPEX for the expansion of our production facility in Malaysia
- Full-year free cash flow expected to exceed 2017 amount

Successful debut bond issuance strengthens financing structure further



- Higher net debt level and leverage in line with seasonal pattern after dividend payment of CHF 120 million on May 24, 2018
- CHF 200 million debut bond used to partly repay RCF
- Year-end leverage expected to again fall below 1.0x



Managing the foreign exchange exposure

FX	Status on FX exposure initiatives
USD	<ul style="list-style-type: none"> Ongoing initiative to increase global sourcing (mainly Asia and Eastern Europe) Nomination of debt partly in USD FX hedging of up to 100% of net cash flows contracts on a 18-month rolling basis
JPY	<ul style="list-style-type: none"> FX hedging of up to 100% of net cash flows contracts on a 18-month rolling basis
EUR	<ul style="list-style-type: none"> EUR exposure increased due to sourcing and CAPEX in EUR

Net cash flow exposure to main currencies¹ as of June 30



¹ Net cash flow after financing activity incl. CAPEX and loan interest expense



Summary of financial results

Achievements

- Ninth consecutive quarter of higher net sales year on year since the IPO in April 2016
- Swift reaction to the changing environment; cost reductions thanks to the flexible structure
- Improved operating profitability - EBITDA margin +150bps and EBIT margin +330bps
- Further optimized financing structure reduced finance expenses
- Substantially higher net income and EPS fully reflect operational performance
- Rating upgrades by both S&P and Moody's reward overall strength and track record of VAT

Outlook

- Higher working capital as a percentage of sales temporary; CAPEX levels to ease starting 2019
- Full year 2018 free cash flow expected to exceed 2017 amount

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Latest market developments – mid- to longer-term

Market drivers

- No change in strong market drivers – data, mobility, compute
- IC makers – robust financial outlook, majority above guidance in Q2 and projecting strong outlook
- Demand for high end valves and modules increasing with next generation devices and greater OEM outsourcing
- Services and General Vacuum markets showing strong growth
- VAT in compelling market position due to technology, operational excellence and scalability

Latest market developments – short-term

Market drivers

- Semiconductor industry capex still growing in the first half of 2018
- Industry capex has stabilized at a high level
- Customers focused on sustainable business models - chipmakers manage capacity expansions and inventory levels in order to maintain chip prices
- Several capex projects pushed out into late 2018 or into 2019; slower order activities from our large semiconductor OEM customers
- Tensions on trade, especially between China and the US, are adding a layer of uncertainty on industry capex
- 2018 WFE expectations reduced, 2019 estimates increased



Positioned for the future: Technology leader with a sustainable, class-leading and agile business model

Innovation and technology leader.
Continued high spend on R&D and focus on customer partnerships.

Business model agility.
Delivering strong profits and cash flow across the cycle.

Ongoing organization, process and people development.
Ready for the next wave.

Operational excellence and scalability.
New factory in Malaysia ready for growth

Service growth: harness growing installed base, upgrade market and OEM partnerships

Opportunities to grow in SEMI adjacencies and in GVA



Outlook 2018

Outlook 2018

- VAT now expects to grow full-year net sales by a mid-single digit rate at constant foreign exchange rates
- Full-year EBITDA margin to be maintained at around half-year number; Mid-term EBITDA margin target of 33% by 2020 remains
- Full-year net income and earnings per share (EPS) are expected to grow substantially
- CAPEX foreseen to be around 8% of net sales as a consequence of the expected slower top-line growth
- Free cash flow expected to exceed 2017 amount

VAT's financial mid-term guidance

Mid-term guidance (*amended to former guidance at time of IPO*)

- Net sales growth: high single digit *over the cycle* at constant FX rates
- EBITDA margin target: 33% of sales *by 2020*
- Effective tax rate: 18% to 20% of earnings before tax
- CAPEX: 4% of sales over the cycle
- TWC target: less than 20% of sales
- Leverage : 1x Net debt / EBITDA
- Cost of debt: LIBOR plus margin depending on leverage ratio
- Dividend policy: return up to 100% of free cash flow to equity¹ to shareholders as long as the Group's net debt does not significantly exceed 1x EBITDA

¹ Free cash flow to equity is calculated as cash flow from operation activities less cash flow from investing activities less interest paid and the current portion of loan and borrowings due at the end of the period.

SECOND QUARTER AND HALF-YEAR 2018 RESULTS

Q&A Session



Information

Investor information

Listing: SIX Swiss Exchange
Currency: CHF
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2018

Thursday, October 25, 2018

Event

Q3 2018 trading update

2019

Friday, March 8, 2019
Tuesday, April 16, 2019
Thursday, May 16, 2019

Event

Full-year 2018 results
Q1 2019 Trading update
Annual General Meeting



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.

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