

Country CH

Sector Industrial Goods & Services

Factset VACN-CH

ISIN CH0311864901

Market capitalization (bn) CHF 10.4

Free float 89.7%

Closing price CHF 359.10

ESG Risk score* 23.8 Medium risk

Perf. since reco. (%)

VAT Group AG 0.4

Market -0.8



Profile

VAT Group AG is the global leader in the production of vacuum valves and other process-critical components used in semiconductor manufacturing and other vacuum-dependent industries. Approximately 80% of VAT's revenue comes from the semiconductor industry, where it holds a market share exceeding 70%. VAT's offering also includes services, diversifying its business further. Its focus on high-vacuum technology positions VAT as a key player in the global electronics and semiconductor industries.

Strengths/opportunities

- ⓘ Dominant position with over 70% market share in vacuum valves with strong margins of 30%.
- ⓘ Adaptable production setup allows for efficient cost management and flexibility in response to market fluctuations.
- ⓘ Rising technological demands in vacuum applications favor VAT due to its leadership in high-vacuum technology.

Weaknesses/threats

- ⓘ Reliance on the semiconductor industry and a few large clients increases its vulnerability to demand downturns or technological shifts.
- ⓘ VAT shares are sensitive to interest rate changes. Rising rates could negatively impact the stock price.
- ⓘ Performance is closely tied to investment cycles in the semiconductor industry, which are often unpredictable.

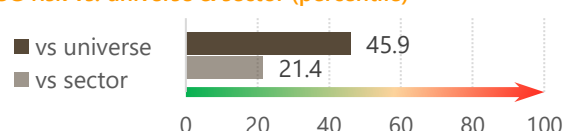
Investment case

- ⓘ VAT directly benefits from the upswing in the global semiconductor industry, which is seeing growing demand for chips and semiconductor technologies. This demand is being driven by trends such as digitalization, 5G, automation, and the expansion of data centers.
- ⓘ With a market share of over 70% in vacuum valves for the semiconductor industry, VAT holds a strong competitive position. This dominance allows the company to implement price increases and capitalize on the high demand for critical components in production processes.
- ⓘ VAT is also continuously expanding its service offerings, which provide a stable additional revenue stream alongside product sales. This area is expected to grow further in the coming years and will significantly contribute to the increase in free cash flow.
- ⓘ The ERP issues in Q3 2024, which led to delays in revenue recognition, are considered a temporary disruption. These are expected to be resolved in Q4, reducing short-term uncertainty for investors.

Valuation

The company's robust fundamentals and leadership in a high-growth industry make it an attractive long-term investment. The stock is priced for growth but it has become more attractive following the recent price correction.

ESG risk vs. universe & sector (percentile)*



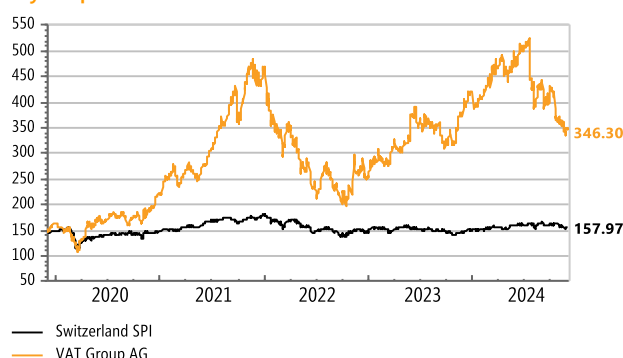
CHF	12/2023	2024e	2025e
Sales revenue (bn)	885	946	1 204
Sales growth	-22.7%	6.8%	27.4%
EBIT adjusted (bn)	216	267	357
% of sales	24.4%	28.2%	29.7%
Net income (bn)	190	206	290
Net income growth	-38.0%	8.4%	40.6%
FCF/Sales	21.3%	18.5%	19.6%
Net debt/Ebitda	0.2x	0.3x	0.1x
Dividend yield	1.8%	1.8%	2.0%
PE	66.4x	52.0x	37.0x
P/BV	17.1x	14.3x	12.8x

Factset estimates

ESG - risks and key points

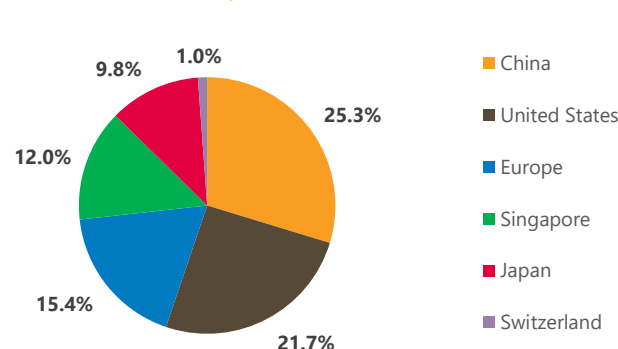
- ⓘ VAT's commitment to reducing its carbon footprint and aligning with sustainable practices places it ahead of many in the sector.
- ⓘ Focus on energy-efficient products and processes to reduce environmental impact.
- ⓘ Robust governance structures promoting transparency and ethical business practices
- ⓘ Delivery chain not completely transparent

5-year performance vs SPI



Source: FactSet

Sales breakdown - 12/2023



Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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