



HUBER+SUHNER

Excellence in Connectivity Solutions

Half-year conference 2019

20 August 2019 | Media and analysts conference



Agenda

Overview 1st half-year 2019

Financial results

Outlook 2019

Questions

Buffet lunch

Urs Ryffel (CEO)

Ivo Wechsler (CFO)

Urs Ryffel (CEO)

Good first half-year 2019

Increase in earning power due to growth with high-margin business

Net sales 5.6 % behind strong previous-year period

- Radio Frequency increases again; Fiber Optics with a significant and Low Frequency with a slight decline
- Main markets: strong growth in industrial; communication and transportation below previous-year period
- Shift in net sales share in the main regions from Asia to Europe

Significantly increased profitability

- EBIT margin of a high 10.7 %
- Net income increases to 8.4 %
- Radio Frequency further increases profitability significantly
- Fiber Optics sees continued upturn in profitability despite lower net sales
- Low Frequency with consolidation at slightly lower earning levels

Strategic growth initiatives with positive development

- Higher net sales with growth initiatives partially compensate for expected decline in 4G roll-outs volume
- Growth initiatives with significant contribution to increased earning power

Figures at a glance

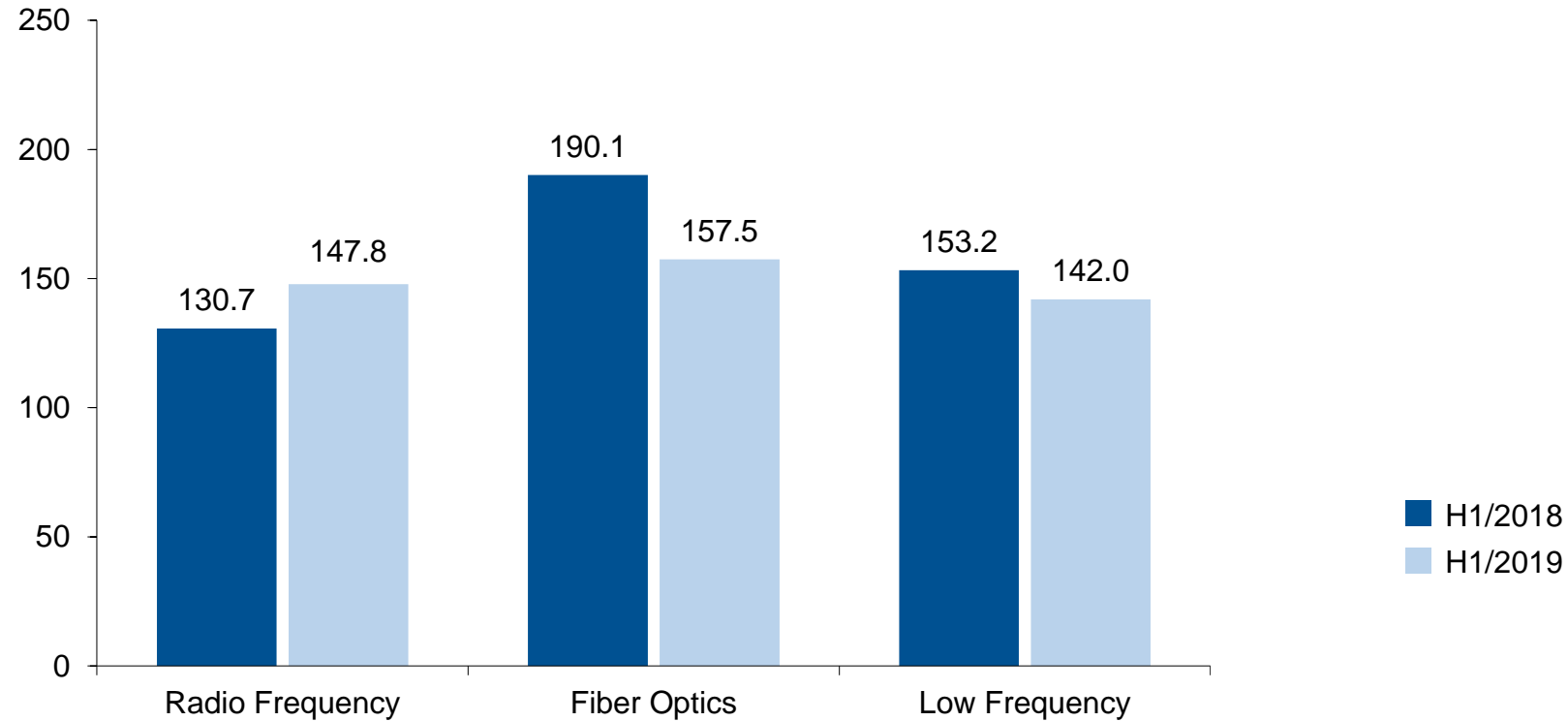
CHF million

	H1/19	H1/18	Δ %
Order intake	448.7	516.8	-13.2
Net sales	447.3	474.0	-5.6
Operating profit (EBIT)	47.8	44.3	+7.8
• <i>as % of net sales</i>	10.7	9.4	
Net income	37.4	31.6	+18.2
• <i>as % of net sales</i>	8.4	6.7	

Net sales development technology segments

Radio Frequency with positive development, Fiber Optics and Low Frequency with decline

CHF million



Technology segment Radio Frequency

Double-digit growth and further significant increase in profitability

CHF million

	H1/19	H1/18	Δ %
Order intake	152.6	143.7	+6.2
Net sales	147.8	130.7	+13.1
Operating profit (EBIT)	27.0	19.9	+35.8
• as % of net sales	18.3	15.2	

Key aspects

- Strong position in the manufacture of extremely reliable radio frequency components for a wide range of industrial applications
- Strong demand for precision test and measurement components
- Growth initiative aerospace and defense with high growth rate

Technology segment Fiber Optics

Continued upturn in profitability despite lower net sales

CHF million

	H1/19	H1/18	Δ %
Order intake	150.3	203.6	-26.2
Net sales	157.5	190.1	-17.1
Operating profit (EBIT)	12.3	12.1	+1.1
• as % of net sales	7.8	6.4	

Key aspects

- Lower year-on-year volumes from infrastructure projects for the expansion of mobile communication networks to the 4G / LTE standard
- EBIT margin nevertheless increased by almost one and a half percentage points to 7.8 %
- Business in the high-margin market segments of WAN / access networks and growth initiative data center continued to expand compared with the same period last year
- HUBER+SUHNER Polatis with profit contribution

Technology segment Low Frequency

Net sales at lower level although growth opportunities still intact

CHF million

	H1/19	H1/18	Δ %
Order intake	145.8	169.5	-14.0
Net sales	142.0	153.2	-7.3
Operating profit (EBIT)	12.6	15.4	-18.6
• as % of net sales	8.8	10.1	

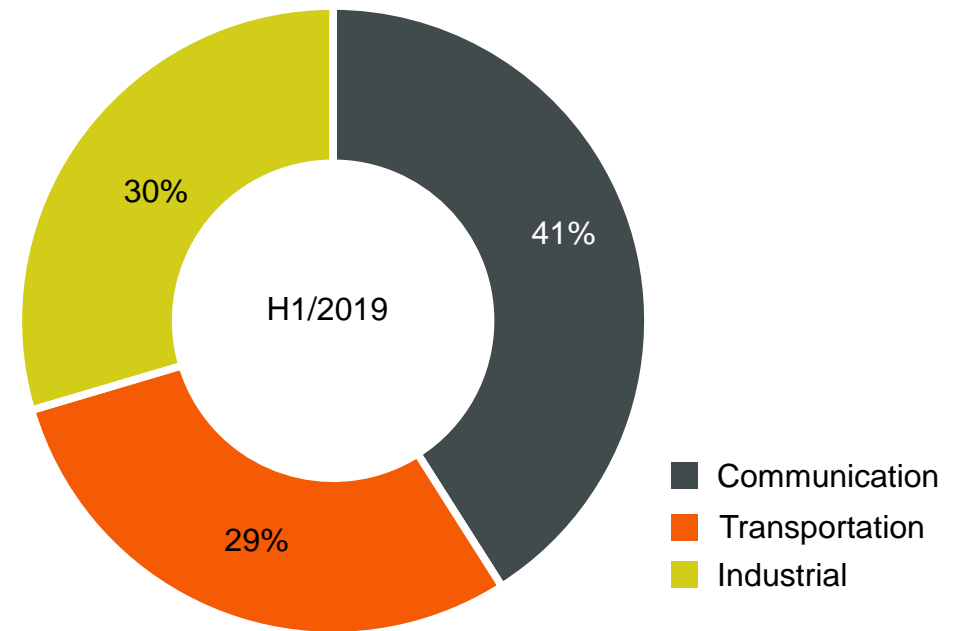
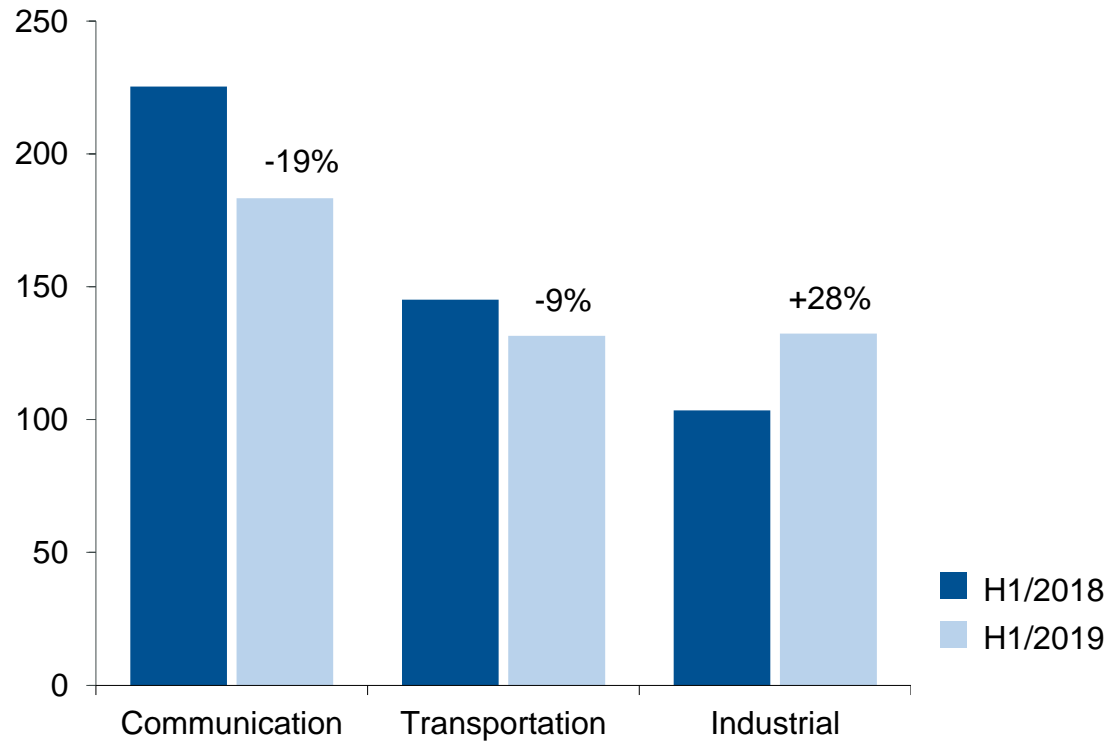
Key aspects

- Railway: down year on year; the many project tenders indicate a continued good trend
- Automotive: positive development; continuing trend towards electromobility, including major utility vehicle and bus manufacturers; following first successful authorisations for passenger cars, opportunities with trucks arise
- The role of “connected mobility” is set to increase as a result of the need for mobile communication in public transport

Net sales by market

Strong growth in Industrial; decline in Communication and Transportation

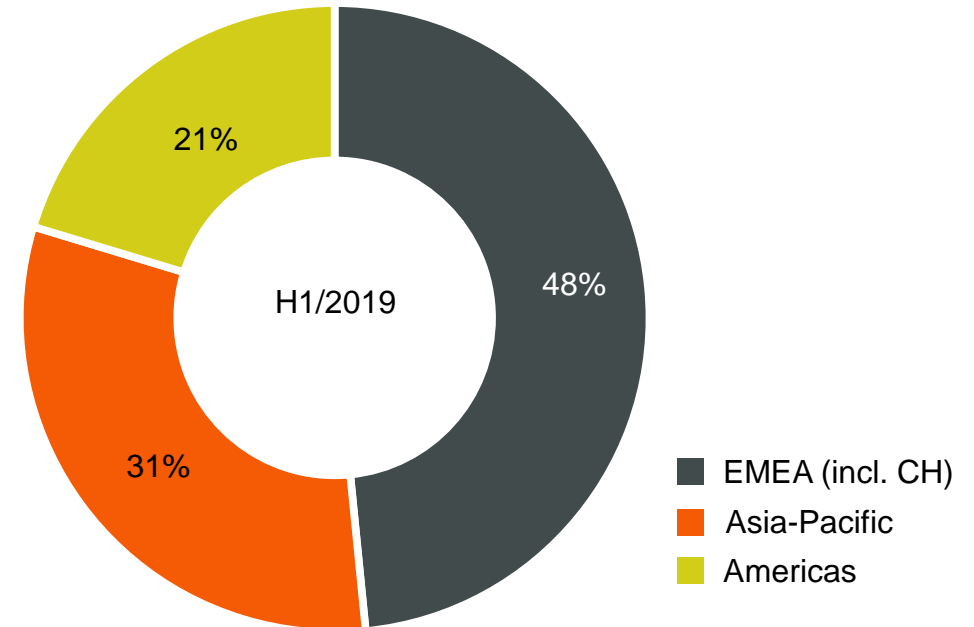
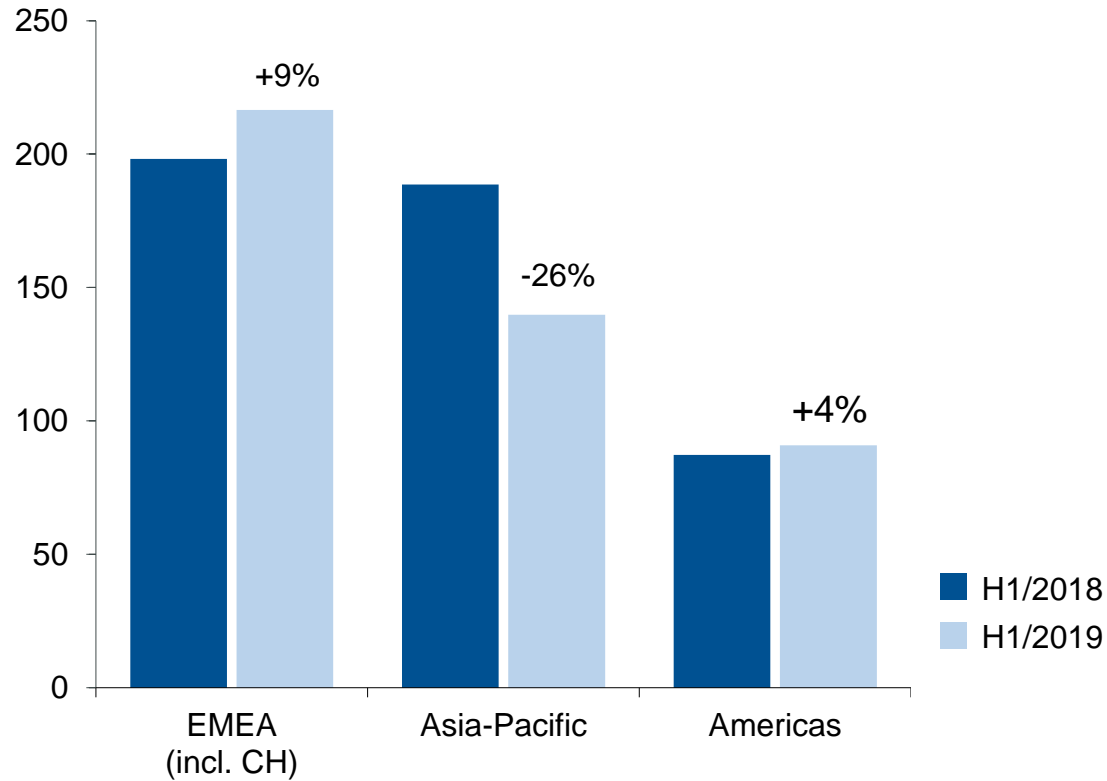
CHF million



Net sales by regions

Shift in net sales share in the main regions

CHF million



Selected milestones 1st half year 2019



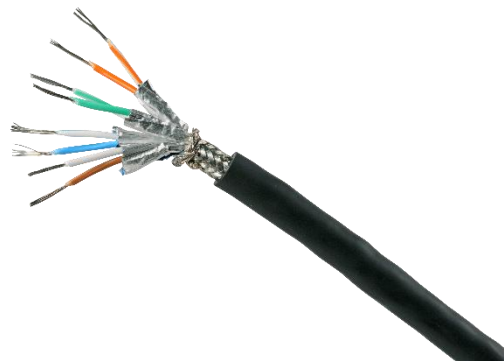
Communication – Connected mobility

Acquisition of Kathrein's antenna portfolios for railway, bus and security-relevant communication applications to strengthen own technology leadership



Industrial – Opportunity with Offshore market segment

Development of a RADOX[®] product line for extreme environmental conditions on drilling platforms



Transportation – Railway

Order to supply complete cabling systems for 17 metro train sets in a metropolitan region in Australia



Communication – Small Cells growth initiative

Launch of SENCITY[®] urban antennas to cover 4G and 5G radio frequency ranges in urban areas

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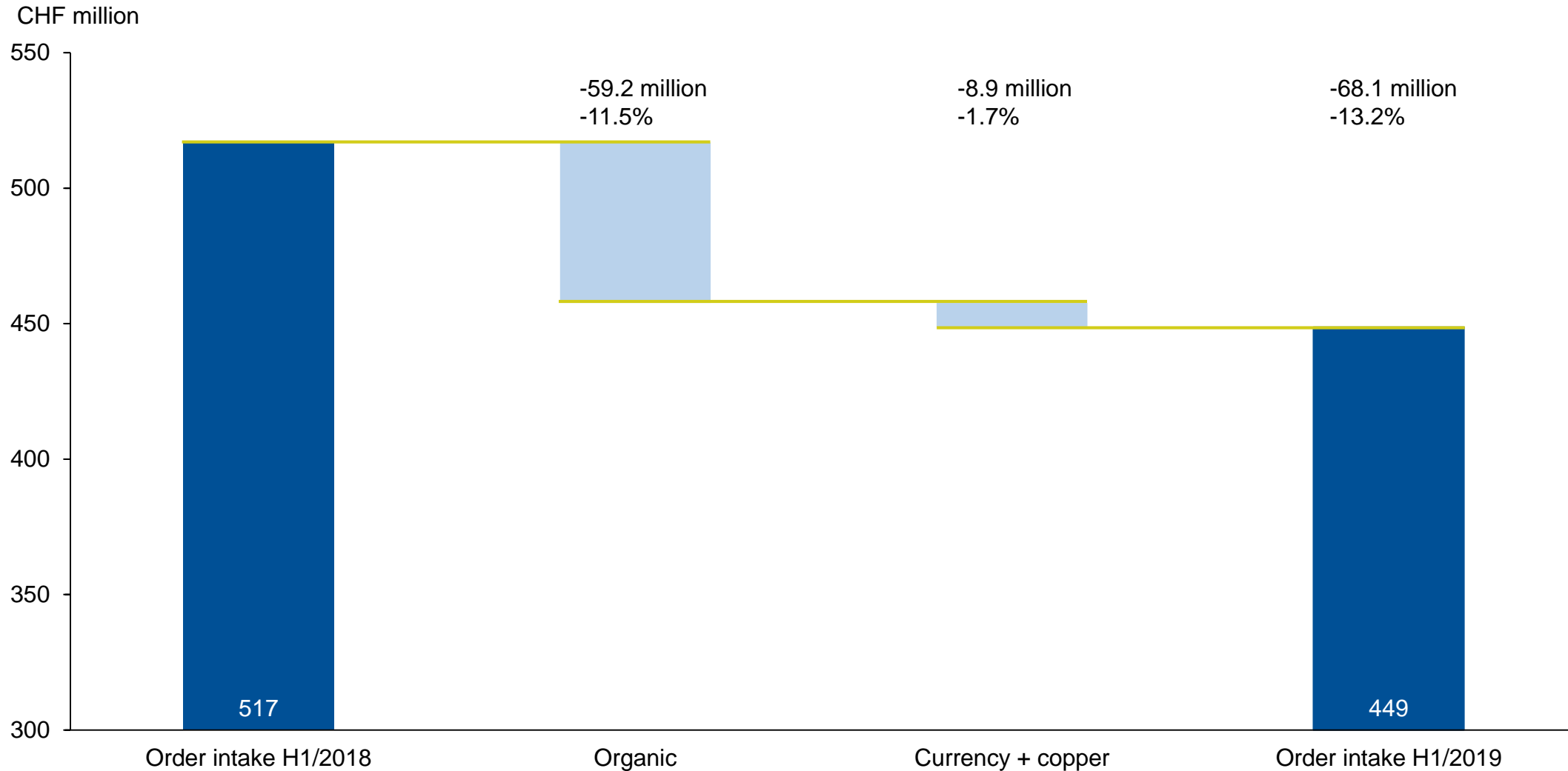
Buffet lunch

Urs Ryffel (CEO)

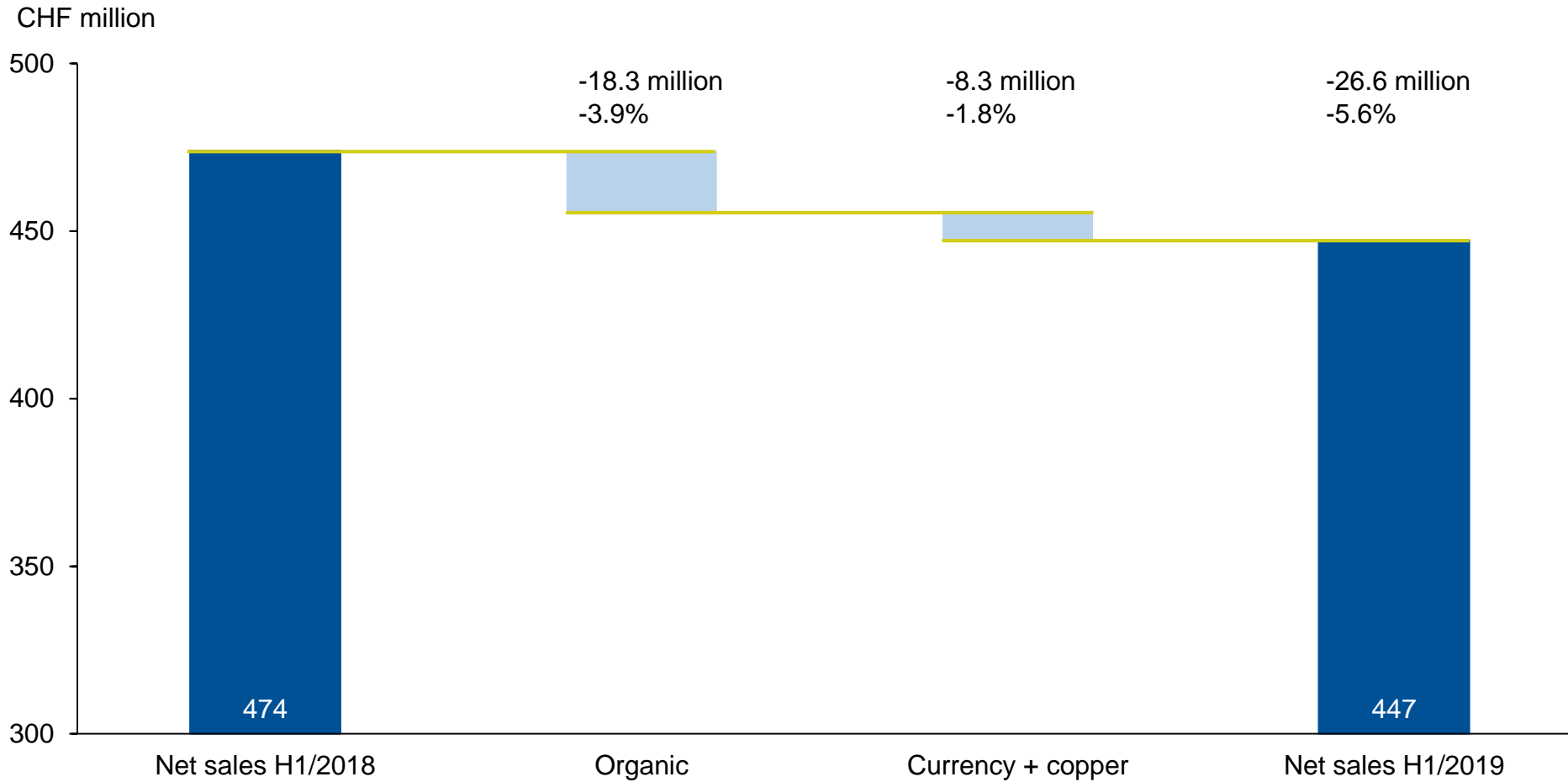
Ivo Wechsler (CFO)

Urs Ryffel (CEO)

Factors impacting order intake

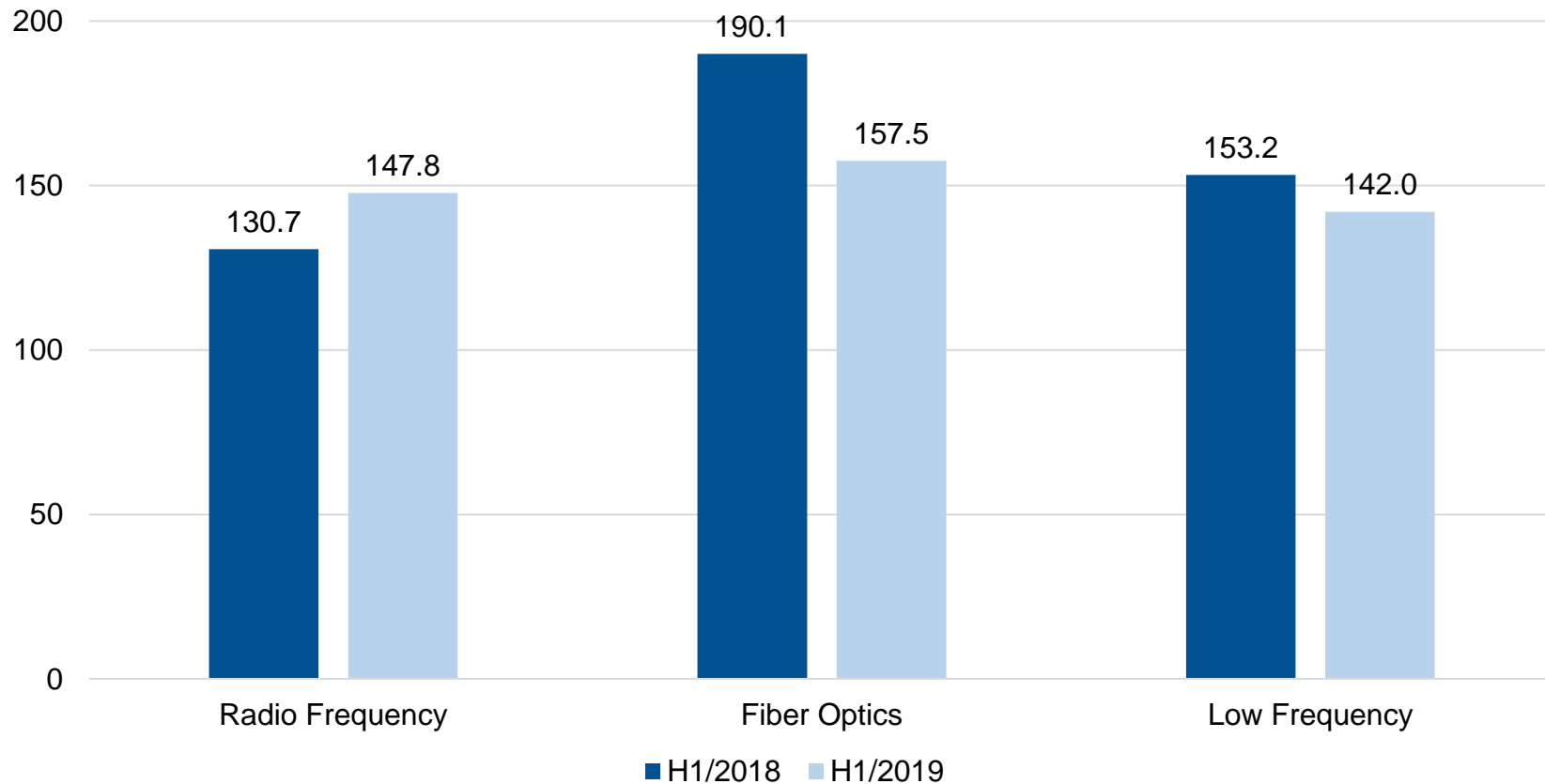


Factors impacting net sales



Net sales development technology segments

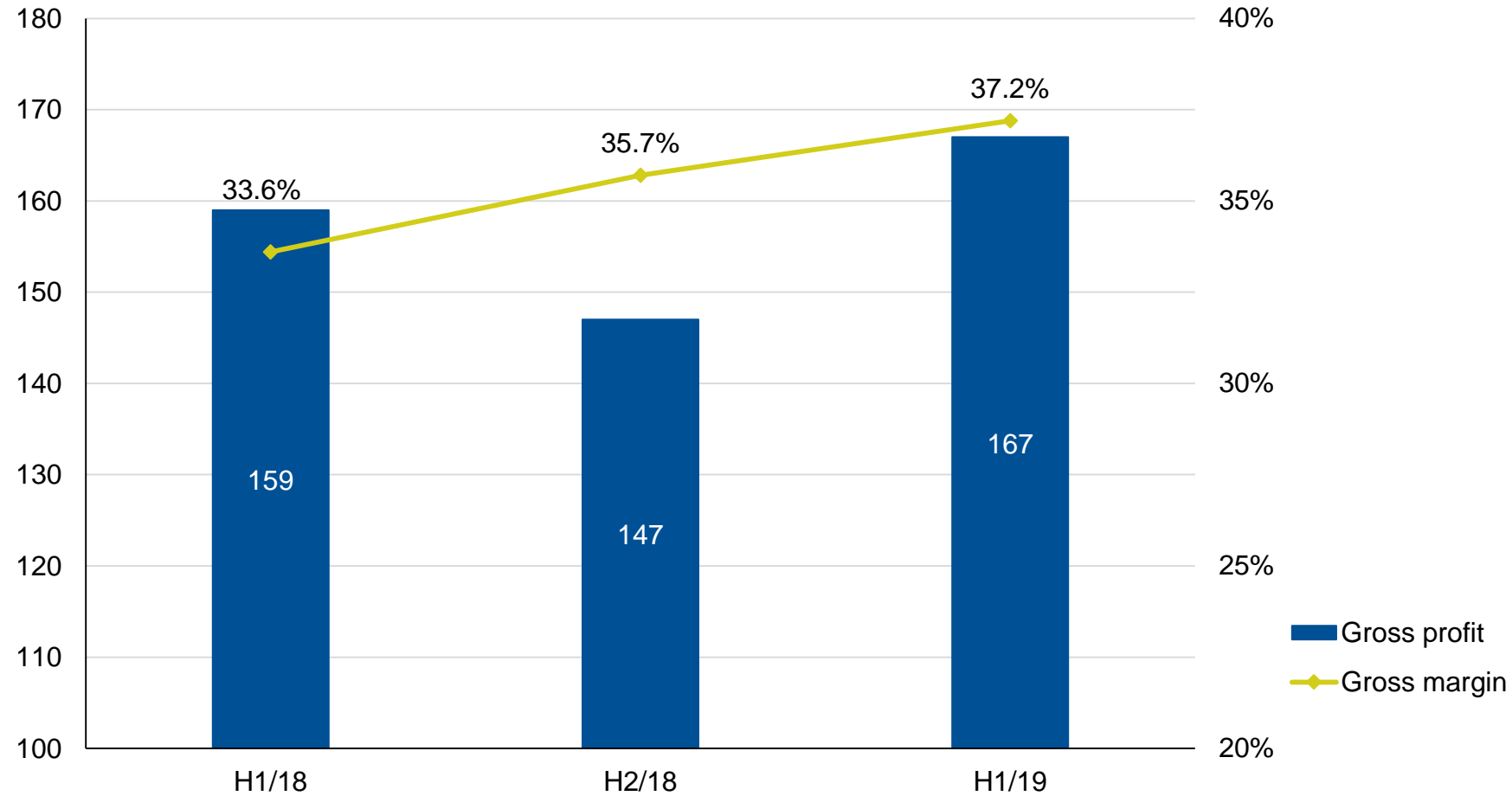
	+13.1%	-17.1%	-7.3% reported
CHF million	+14.4%	-16.1%	-4.2% organic



Gross margin

Greatly improved business mix

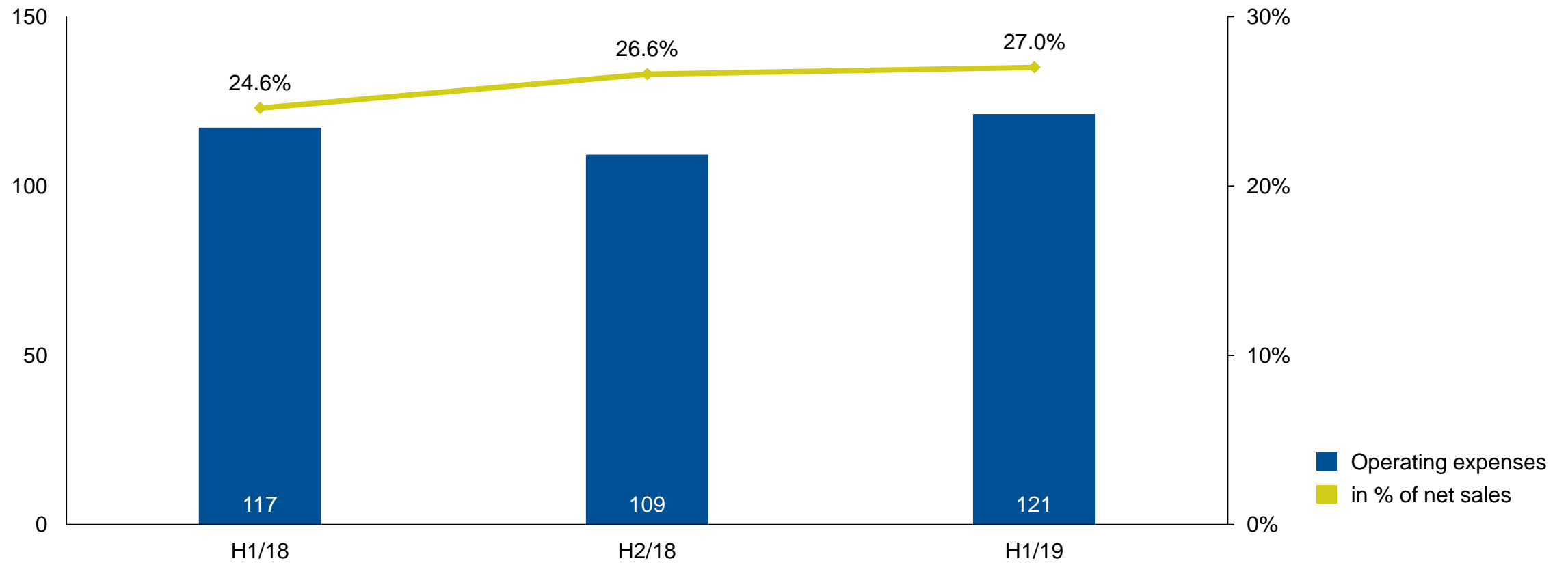
CHF million



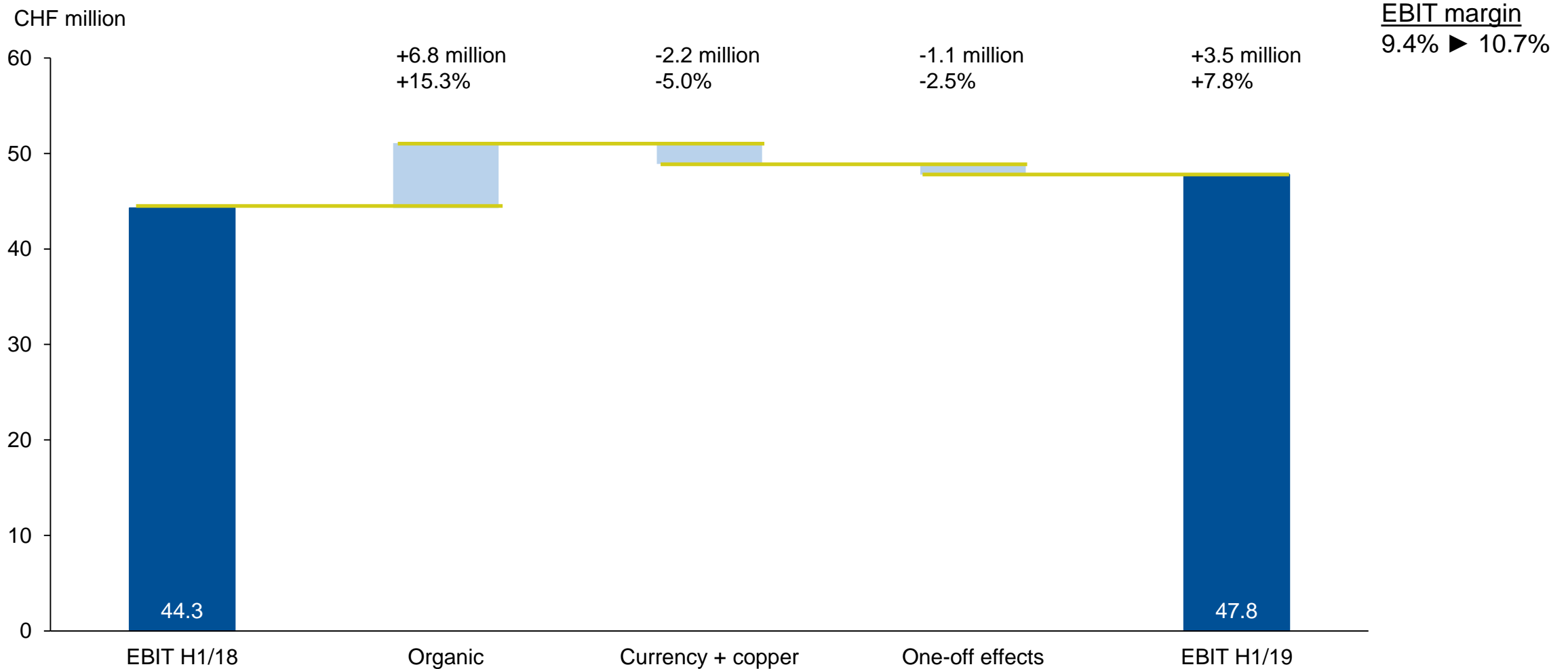
Operating expenses

Higher F+E expenses in H1 / semester comparison

CHF million



Factors influencing EBIT

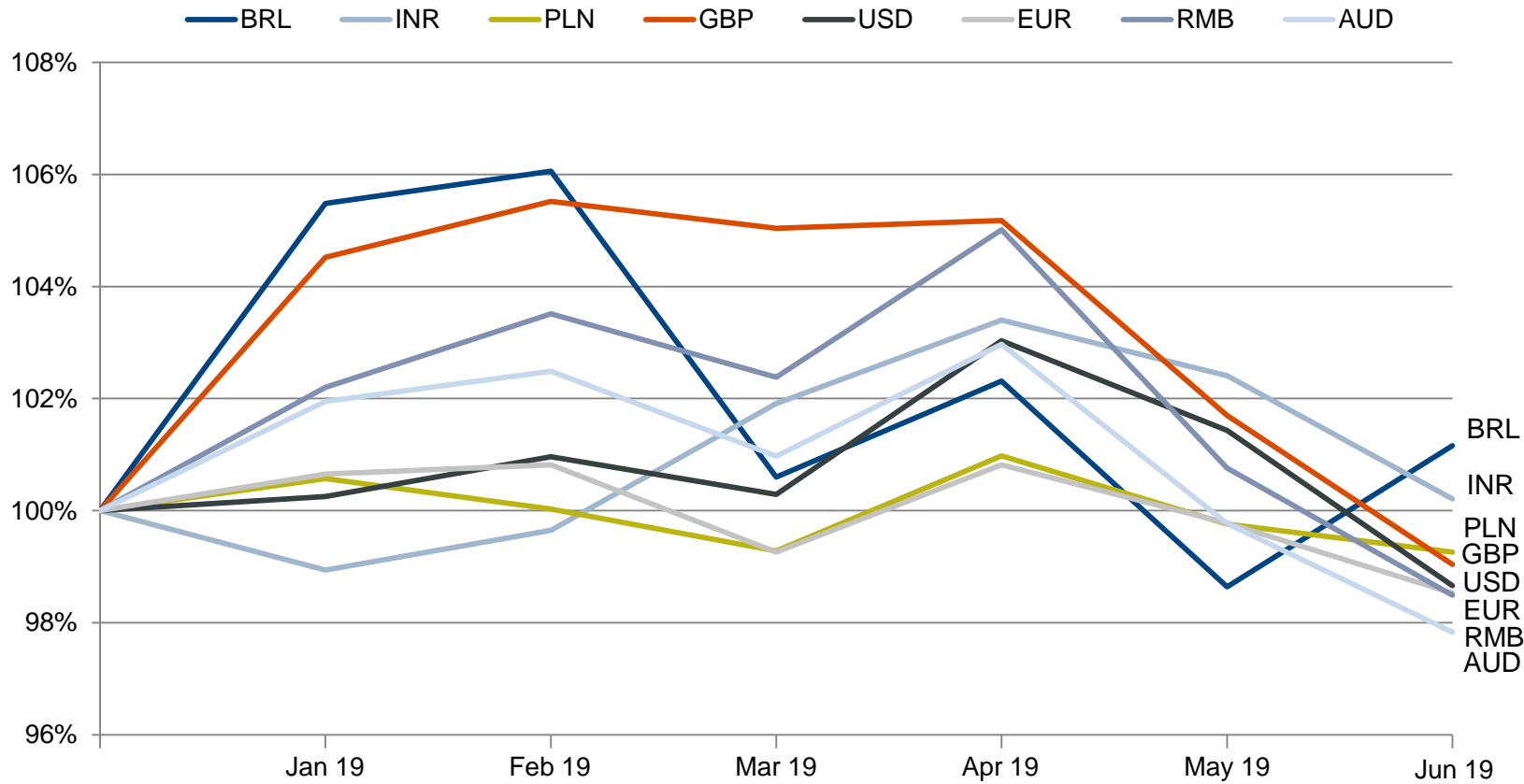


EBIT technology segments

CHF million

	H1/19	in %	H1/18	in %
Radio Frequency	27.0	18.3	19.9	15.2
Fiber Optics	12.3	7.8	12.1	6.4
Low Frequency	12.6	8.8	15.4	10.1
Corporate	(4.1)		(3.2)	
Total EBIT	47.8	10.7	44.3	9.4

Currency development during the first half year of 2019



Development vs CHF

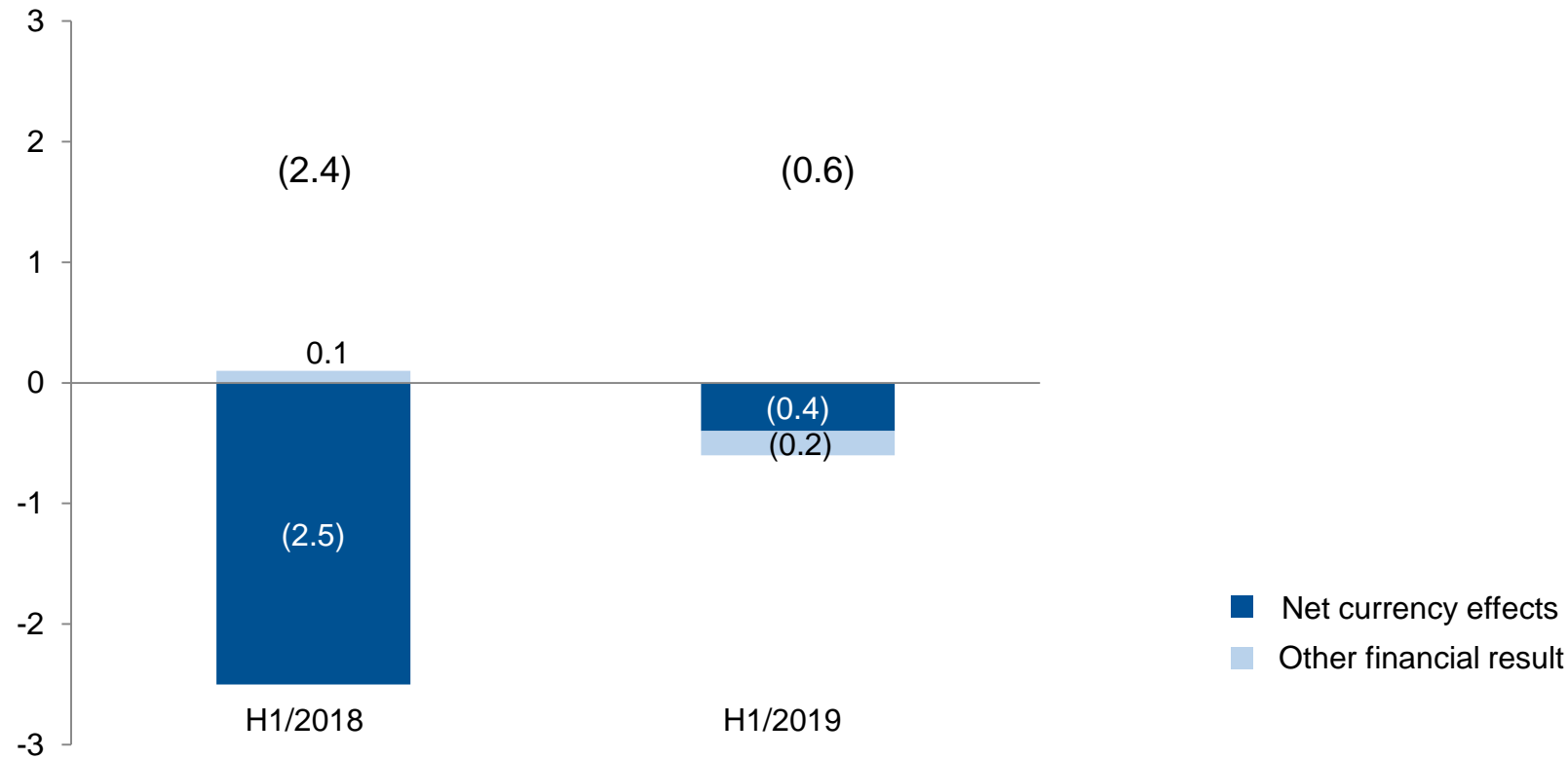
31.12.18 vs 30.06.19 | Ø H1/18 vs Ø H1/19

	BRL	1.2%	-7.9%
	INR	0.2%	-2.4%
	PLN	-0.7%	-4.5%
	GBP	-1.0%	-2.4%
	USD	-1.3%	3.4%
	EUR	-1.5%	-3.2%
	RMB	-1.5%	-2.7%
	AUD	-2.2%	-5.0%

Financial result

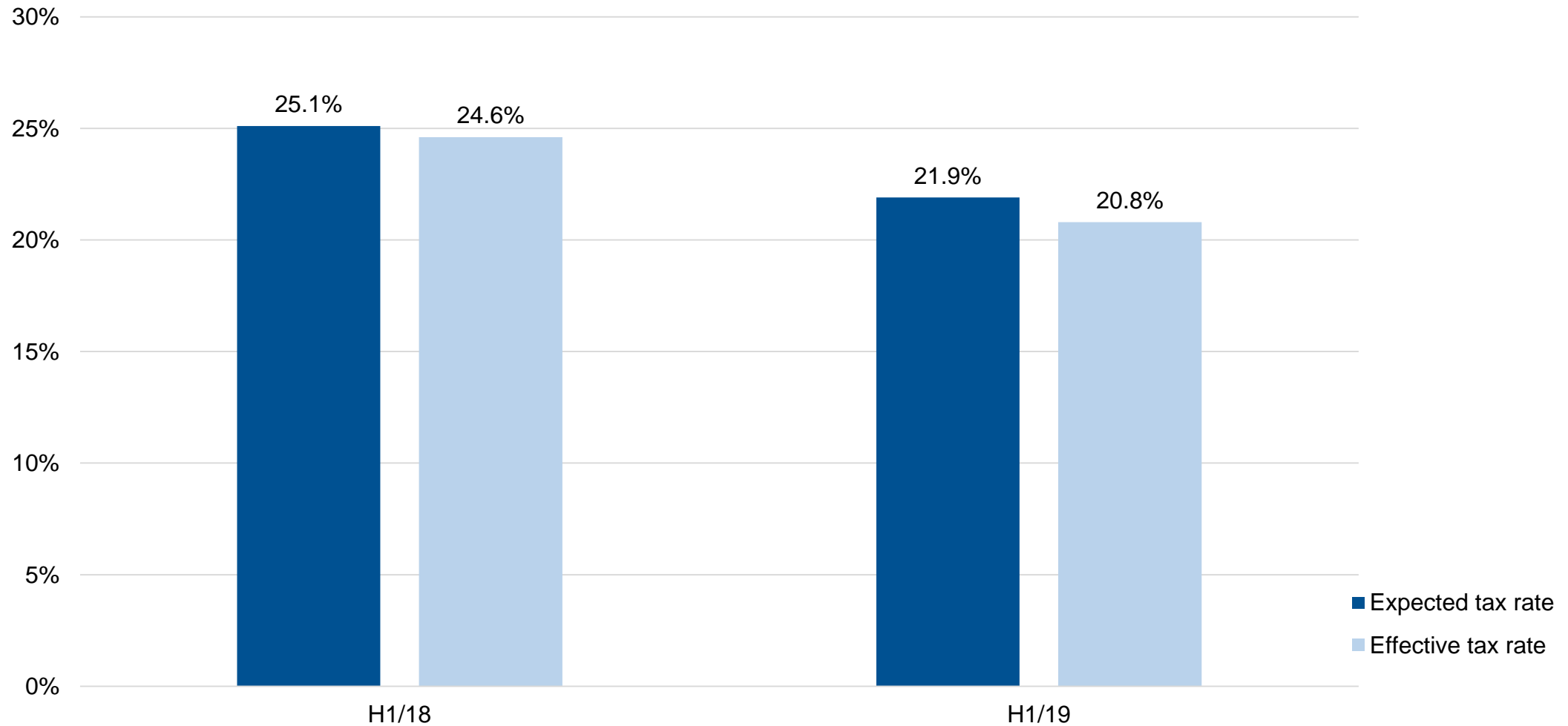
Less negative currency effects

CHF million



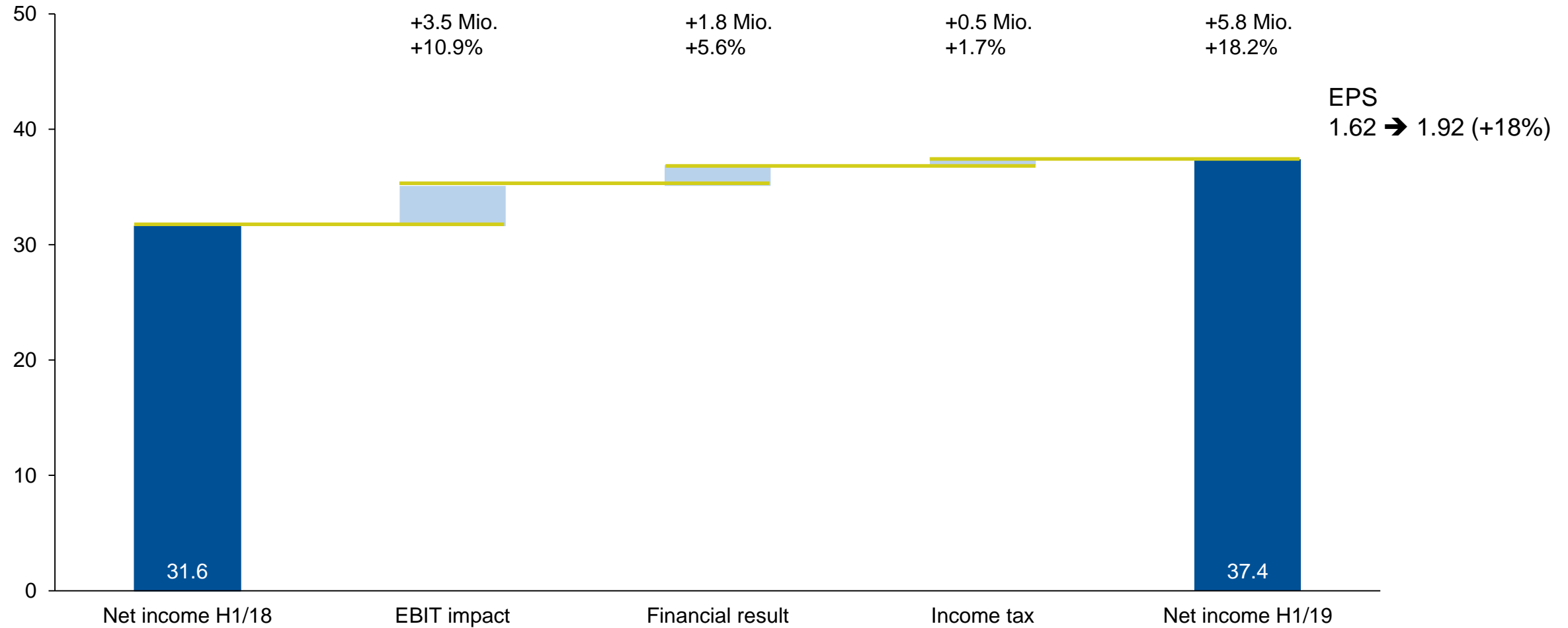
Group tax rate

Higher share of profits in countries with lower tax rates



Factors influencing net income

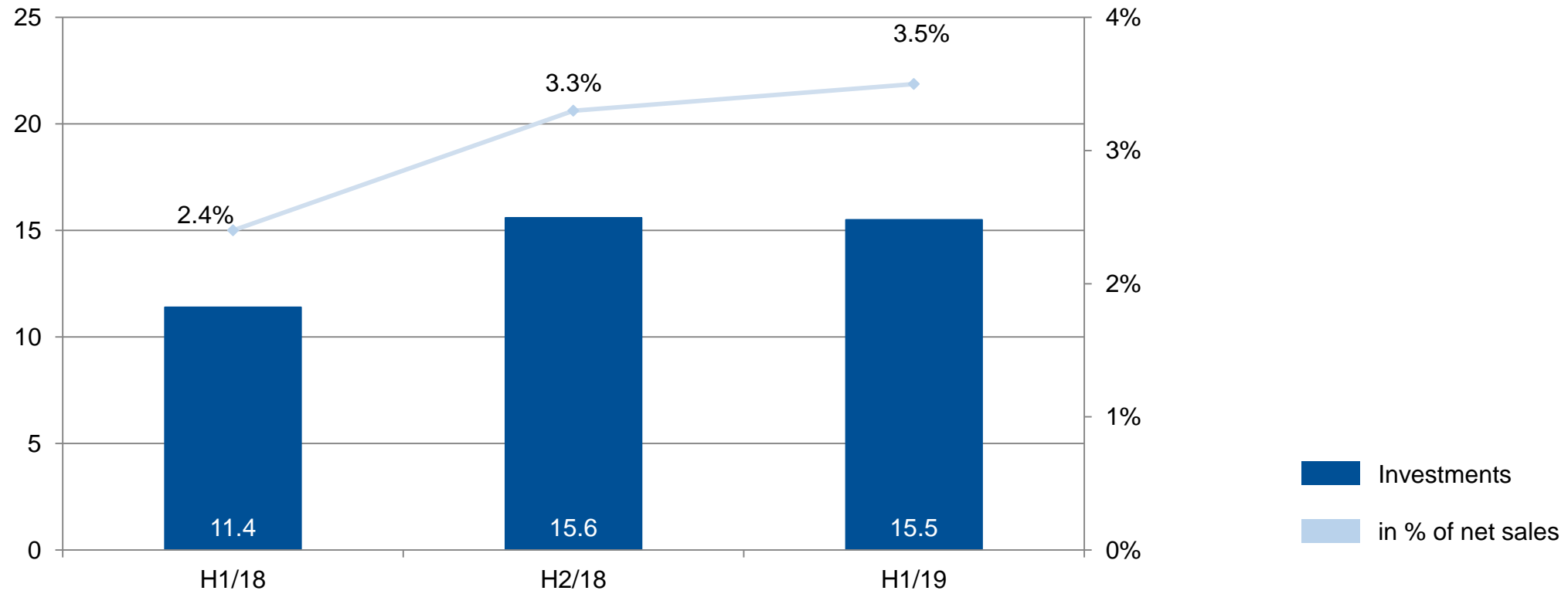
CHF million



Investments

Rising volume

CHF million



Balance sheet

Unchanged strong

CHF million	30.06.2019	31.12.2018	▲	30.06.2018
Cash and cash equivalent	167	199	-16%	151
Other current assets	373	332	12%	376
Non-current assets	237	239	-1%	245
Liabilities	172	149	15%	173
Equity	605	621	-3%	599
in %	78%	81%		78%
Balance sheet total	776	770	1%	772
Net liquidity	167	199	-16%	151

Overview free cash flow

Again high cash flow from operating activities

CHF million	H1/19	H1/18
Cash flow from operating activities	33.9	34.8
Cash flow from investing activities	(15.8)	(13.2)
Free operating cash flow	18.1	21.5
Dividend payment	(48.7)	(21.4)
Change in treasury shares	(1.0)	(1.3)
Free cash flow	(31.6)	(1.2)

Financial assessment H1/2019

- ⚡ Absolute decline in order intake (-13.2%) and net sales (-5.6%)
- ✓ Strong growth in the high-margin industrial market (+ 28%)
- ✓ Double-digit operating profitability (10.7%)
- ✓ Lower tax rate (20.8%)

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Conclusion 1st half-year 2019

Good first half year compared to strong previous-year period

- Increase in earning power due to optimization of business mix with high-margin business
- Communication: lower volumes from large-scale 4G project in India leads to significantly lower net sales
- Transportation: high demand volume 2019 from Asia in railway submarket unsustainable
- Industrial: test and measurement as well as aerospace and defense submarkets seeing the highest increases with high profitability
- Radio Frequency confirms growth path, attractive profitability increased further
- Fiber Optics gains further profitability and approaching medium-term EBIT margin target range again
- Low Frequency with flattening momentum compared with strong previous-year period
- Strategic growth initiatives with expected contribution

Technology segments

Confirmation of strategic orientation

Radio Frequency

- Goal 2019: defend previous year's strong margin and confirm growth path.
- ✓ Strategic direction: increase market share in high-margin applications; grow stronger than the market in aerospace and defense; position for the future opportunity of autonomous driving.

Fiber Optics

- Goal 2019: increase profitability to the level of medium-term target range.
- ✓ Strategic direction: continue to further increase high-margin business in the data center market segment; participate in the development of 5G networks in the small cells market segment from the beginning.

Low Frequency

- Goal 2019: consolidate profitability at increased level despite a decreasing momentum in the railway market.
- ✓ Strategic direction: expand first successes with high voltage distribution systems in EV platforms to other OEMs; defend leading position with high power charging cables.

Markets

Flattening momentum – opportunities with growth initiatives

Overall

- Pressure on top and bottom line of export-oriented Swiss companies from Swiss franc appreciation.
- Increasing uncertainty in the markets due to US-CN trade conflict; Brexit, etc. slowing down investment activity.

Communication

- Investments in 5G infrastructure slowly picking up speed; 4G roll-outs declining.
- Stable investments in fixed network infrastructure and data centers, but with geographical differences.

Transportation

- Railway market shows tendency to flattening momentum at good level – development of railway market in China as the most important single factor.
- Decline in conventional automotive market can partially be compensated with growth in the electric vehicle market. Bottle necks in the battery manufacture as well as delays with the launch of new models prevent higher growth rates.

Industrial

- Growth rates in aerospace and defense continue to be at high level due to increased need for communication and safety; test and measurement profits from future investments in 5G.
- Mixed signals regarding market development in other industrial submarkets.

Outlook 2019

Net sales guidance for 2019

- Rather restrained development expected for second half-year of 2019, also due to the negative currency development.
- Shortfall in net sales from today's perspective for 2019 in mid-single-digit percentage year-on-year.

EBIT guidance for 2019

- EBIT-margin for the entire fiscal year 2019 in the upper half of the medium-term target range of 8 – 10 %.

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