



**HUBER+SUHRNER**

Excellence in Connectivity Solutions

## Agenda

### Overview of financial year 2017

Financial results

Growth initiatives and outlook 2018

Questions and discussion

Buffet lunch

Urs Ryffel (CEO)

Ivo Wechsler (CFO)

Urs Ryffel (CEO)

# HUBER+SUHNER remains on a path of growth – diminished profitability in Fiber Optics

## Dynamic growth

- All three technology segments recorded an increase in both order intake and net sales
- Communications market with large-scale projects in price-sensitive markets
- Transportation market feels positive environment in Asian railway submarket and automotive submarket

## Profitability under pressure

- Overall EBIT margin slightly below medium-term target range
- Radio Frequency again with double-digit EBIT, pressure on margin in Fiber Optics, Low Frequency with impressive turnaround

## Positive signals from medium-term orientated growth initiatives

- Communication: Small Cells – network densification in connection with the introduction of 5G
- Communication: Data Center – increasing data volume and growing importance of cloud solutions
- Transportation: Electric Vehicles – trend towards e-mobility irreversible
- Industrial: Aerospace & Defense – growing importance of private satellite programmes and RF-over-fiber solutions

## Figures at a glance

CHF million

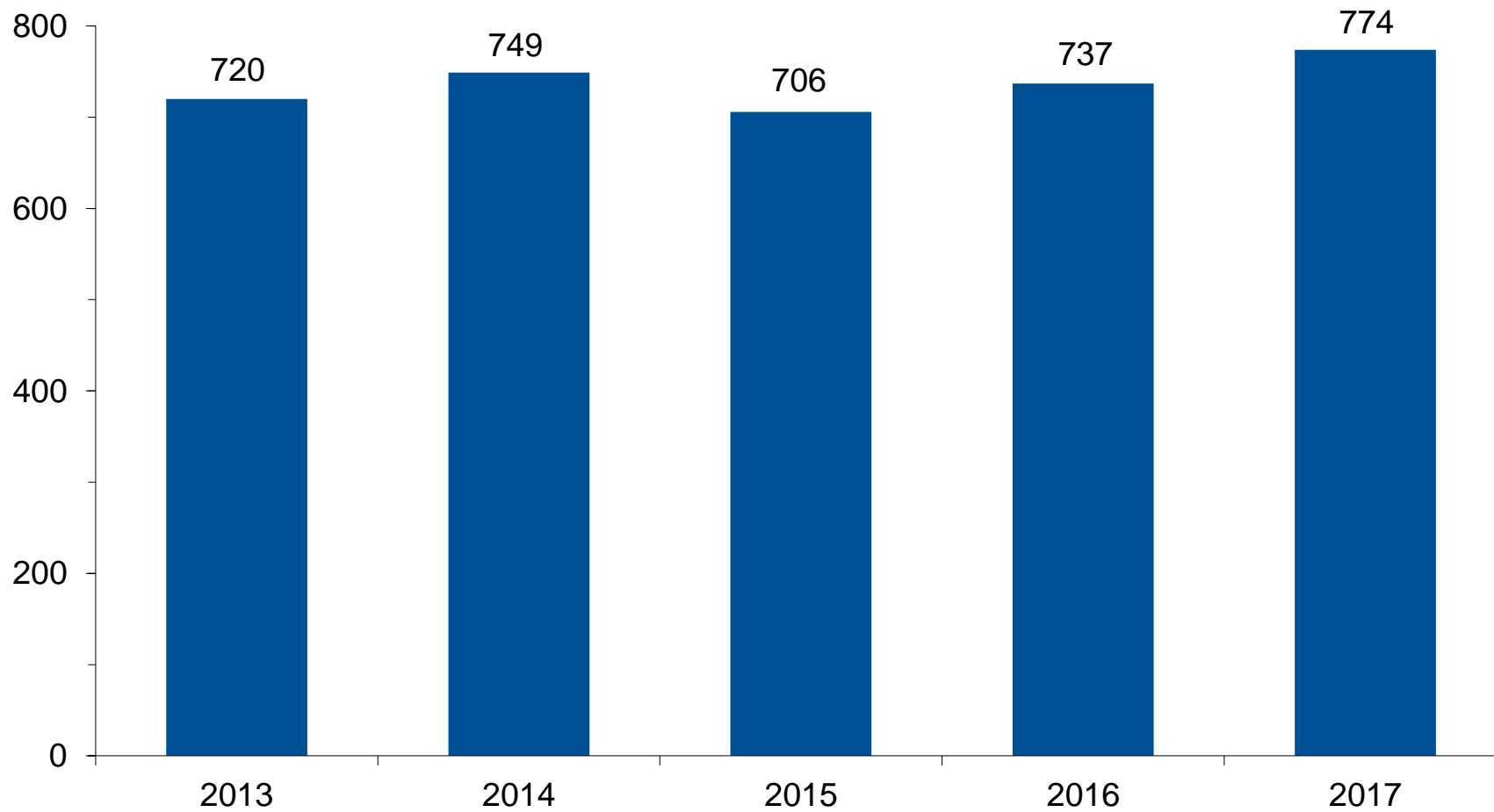
	2017	2016*	Δ %
Order intake	826.3	746.6	+10.7
Net sales	774.0	737.2	+5.0
Operating profit (EBIT)	58.1	69.7	-16.6
as % of net sales	7.5	9.5	
Net income	42.1	53.2	-20.8
as % of net sales	5.4	7.2	

\* Swiss GAAP FER restated

# Net sales development

Growth path confirmed

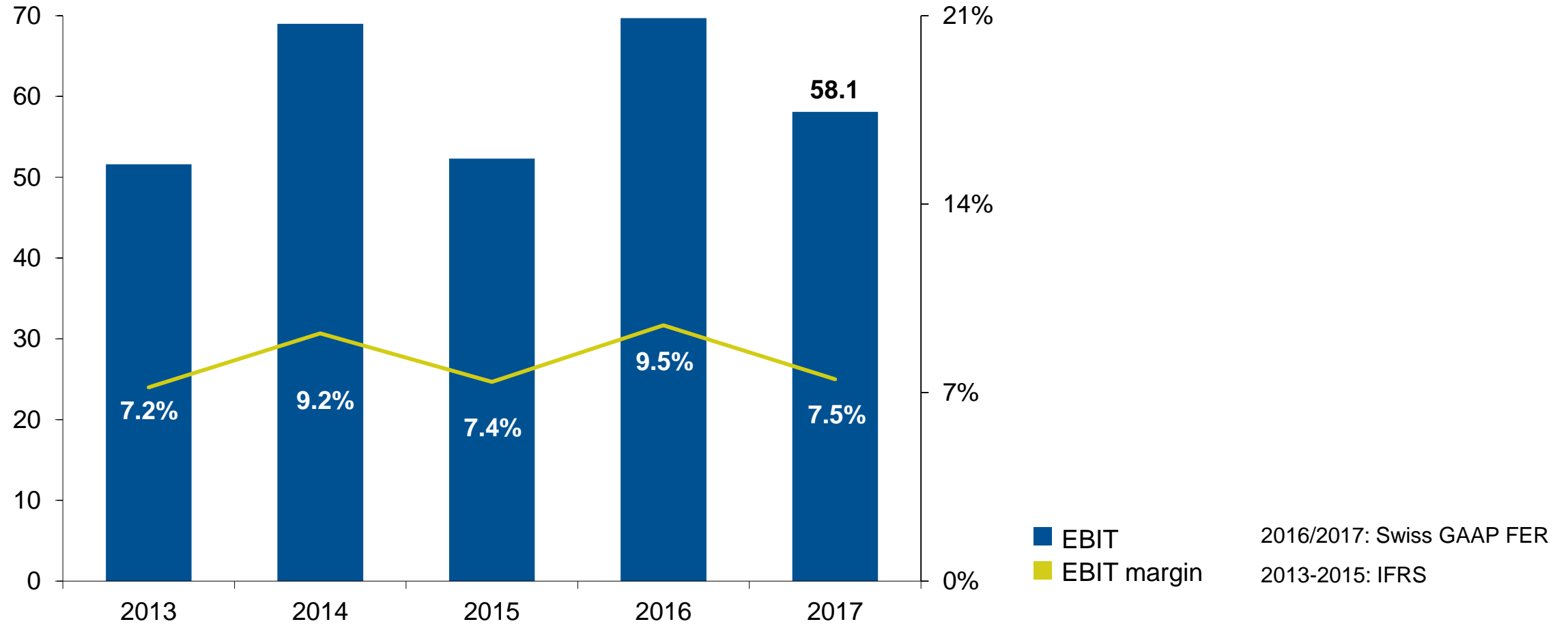
CHF million



# EBIT development

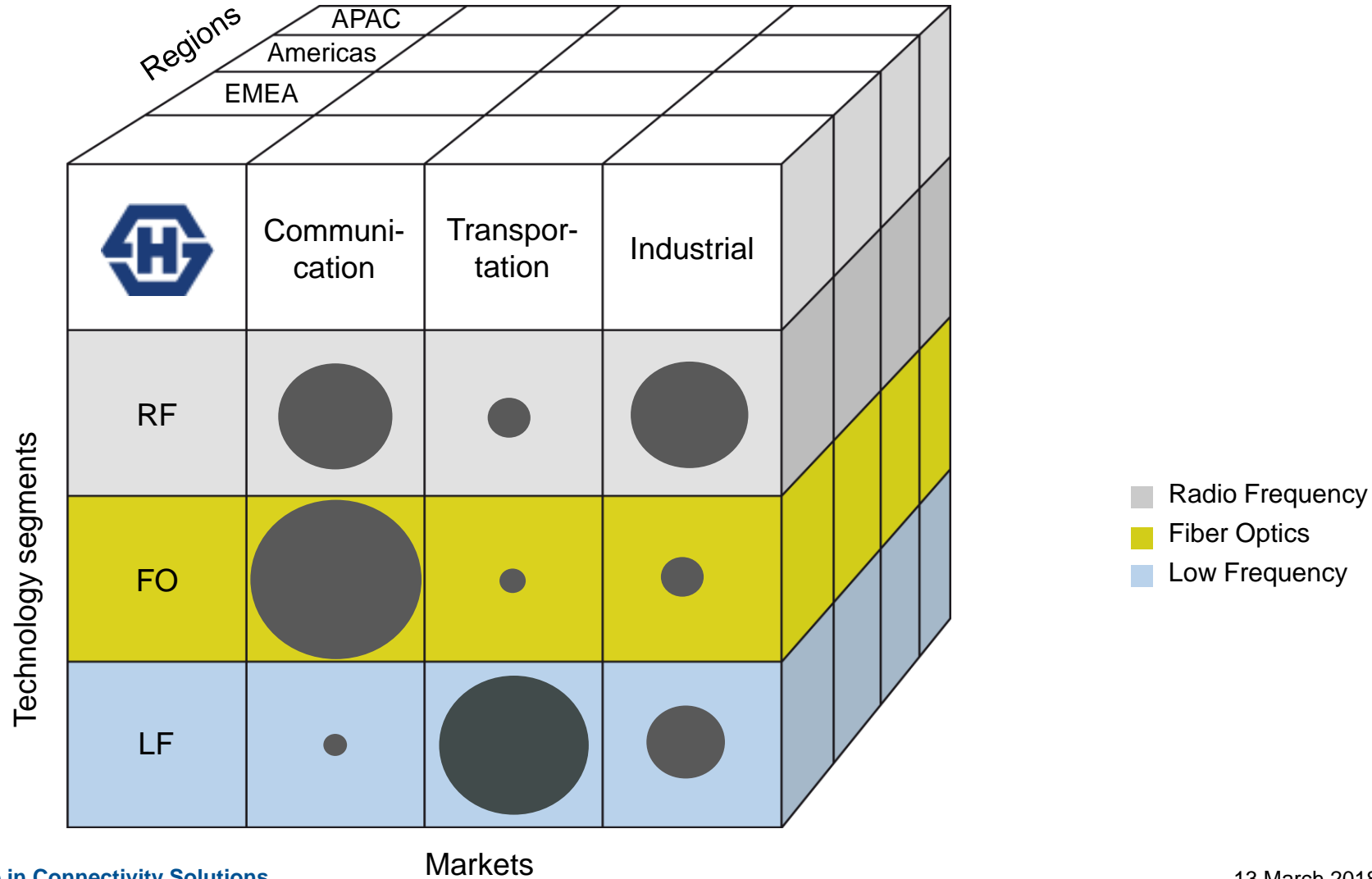
Broad base limits volatility

CHF million



# The three dimensions of our business

## Results by technology segments, markets and regions



# Radio Frequency technology segment

Strong performance – acquisition for the targeted strengthening of expertise

CHF million

	2017	2016*	Δ %
Order intake	239.9	226.4	+6.0
Net sales	231.2	219.7	+5.2
Operating profit (EBIT)	31.5	29.5	+7.0
• as % of net sales	13.6	13.4	

## Key aspects

- Order intake, net sales and EBIT margin increased
- Gains in market share with communication equipment manufacturers and in test and measurement segments
- Growth initiative A&D: trend towards New Space and RF-over-fiber
- Focus of activities in aerospace and defense relocated from Switzerland to the USA
- Acquisition: strengthening of know-how in the field of complete radio frequency solutions

\* Swiss GAAP FER restated



# Fiber Optics technology segment

## Marginal growth at lower profitability

CHF million

	2017	2016*	Δ %
Order intake	329.2	322.3	+2.1
Net sales	316.2	305.7	+3.4
Operating profit (EBIT)	17.7	40.9	-56.7
• as % of net sales	5.6	13.4	

### Key aspects

- Order intake and net sales above previous year
- EBIT margin in mid single-digit range
- Margin pressure in the upgrading of mobile communication networks to 4G/LTE in price-sensitive markets
- Drop in sales of WDM products
- Increase in business with data centers
- Growth initiatives Small Cells und Data Center with good perspectives

\* Swiss GAAP FER restated

# Low Frequency technology segment

## Successful turnaround

CHF million

	2017	2016*	Δ %
Order intake	257.2	198.0	+29.9
Net sales	226.6	211.8	+7.0
Operating profit (EBIT)	11.6	3.5	+231.8
• as % of net sales	5.1	1.6	

### Key aspects

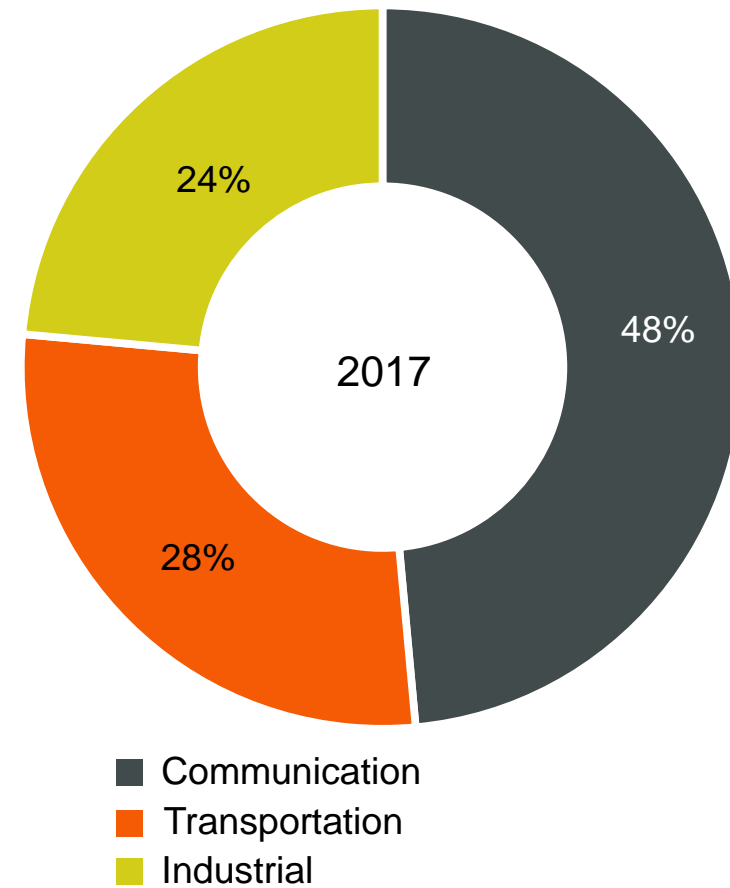
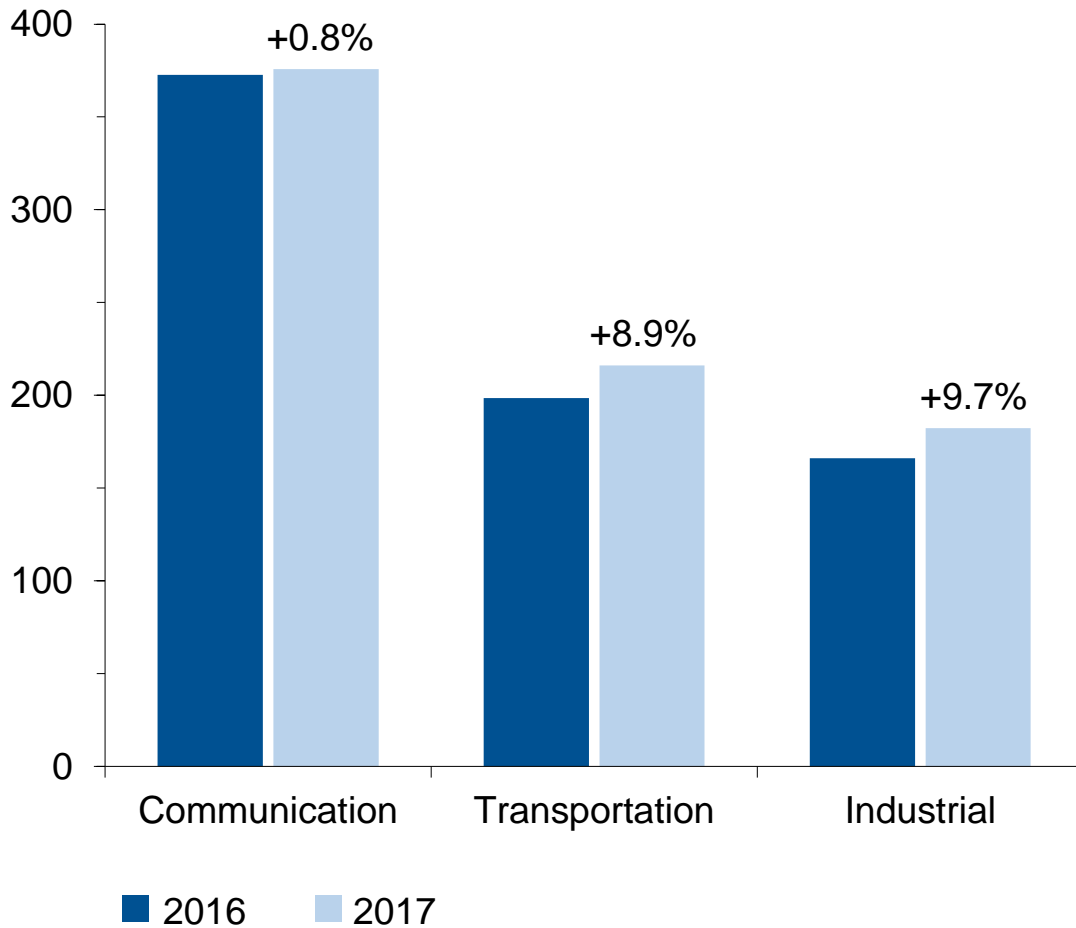
- Significant increase in order intake, surge in demand from the Asian railway market
- Significantly improved EBIT margin
- Portfolio streamlining and restructuring measures reduce costs: focus on greater differentiation in the railway submarket
- Increase in business in the automotive submarket
- Growth initiative electric vehicles: successful design-ins

\* Swiss GAAP FER restated

# Net sales by market

Communication market at previous year's level, strong growth in transportation and industrial markets

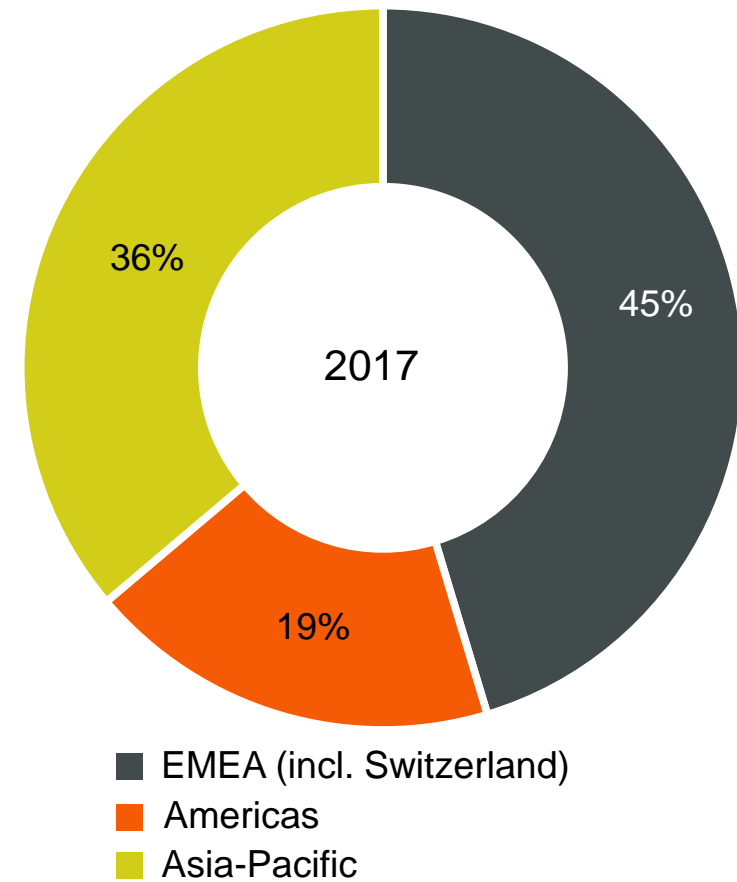
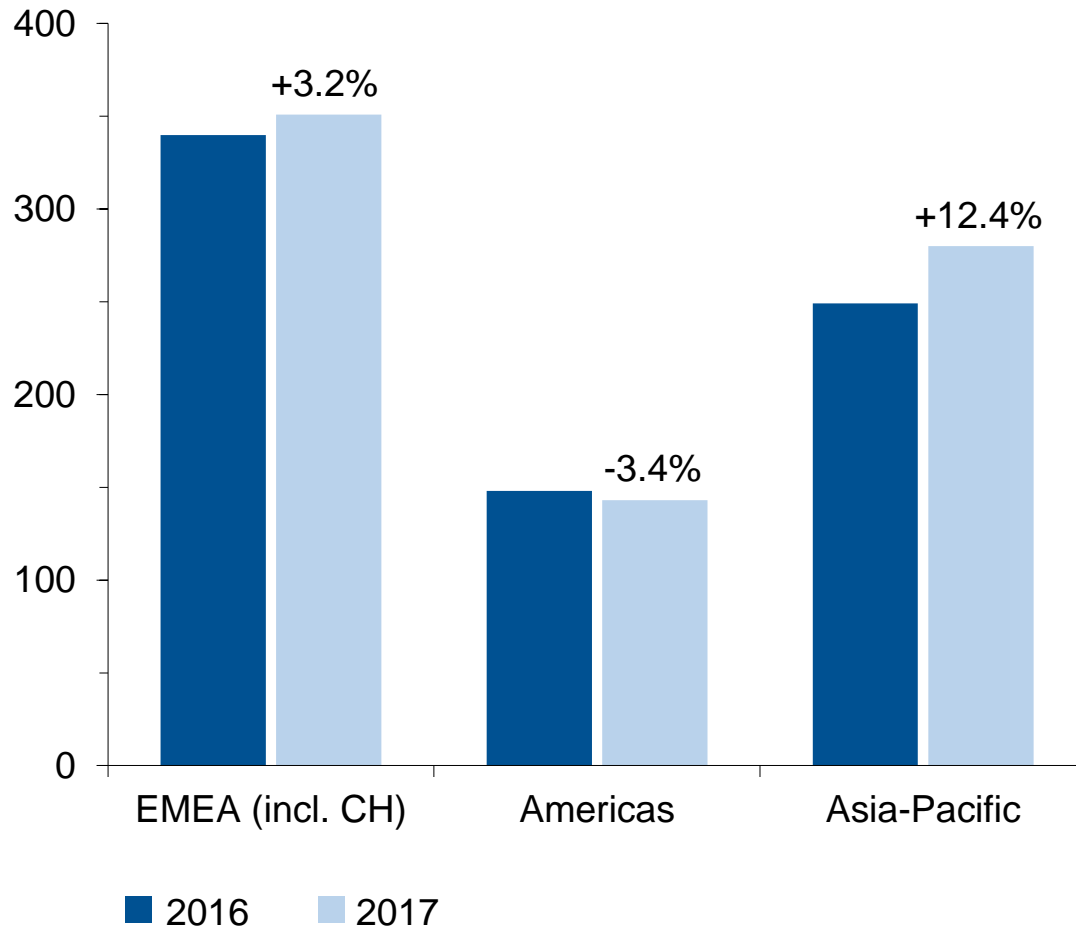
CHF million



# Net sales by regions

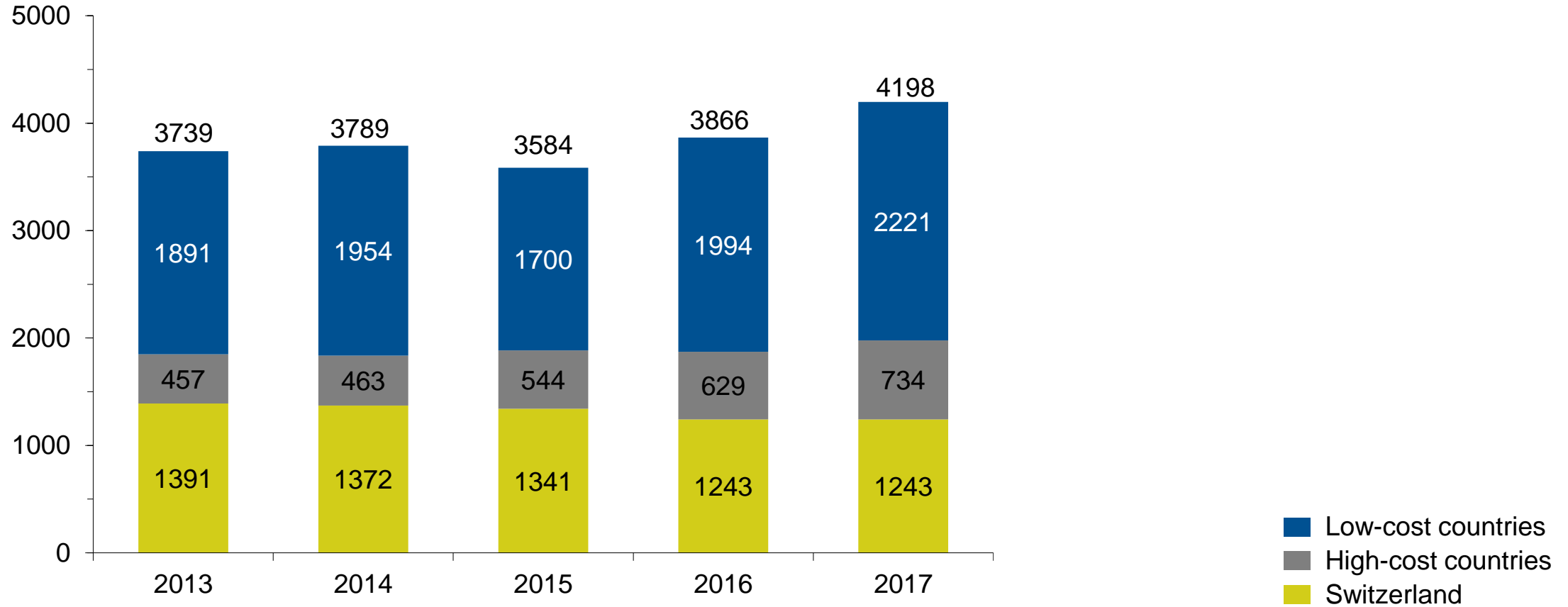
## Strong growth in APAC

CHF million



# Development of average number of employees

Permanent employees



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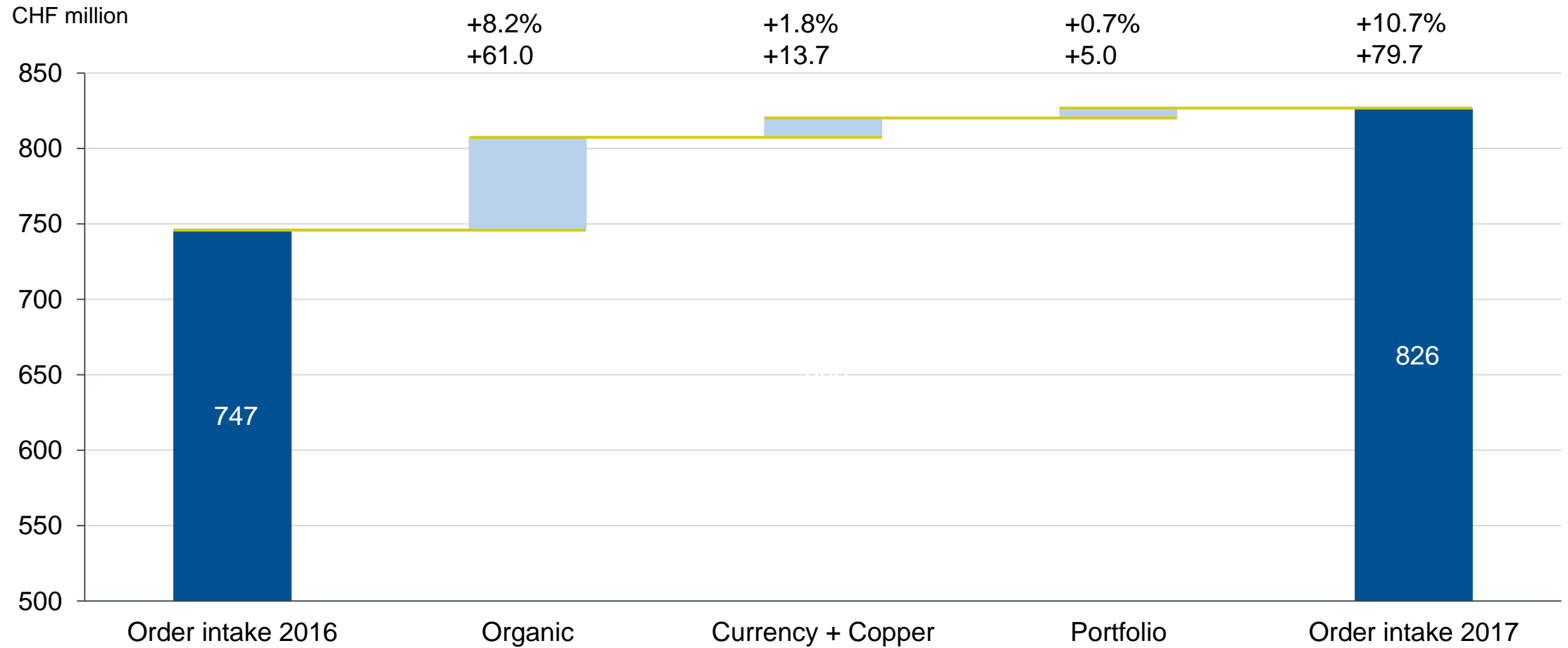
Buffet lunch

Urs Ryffel (CEO)

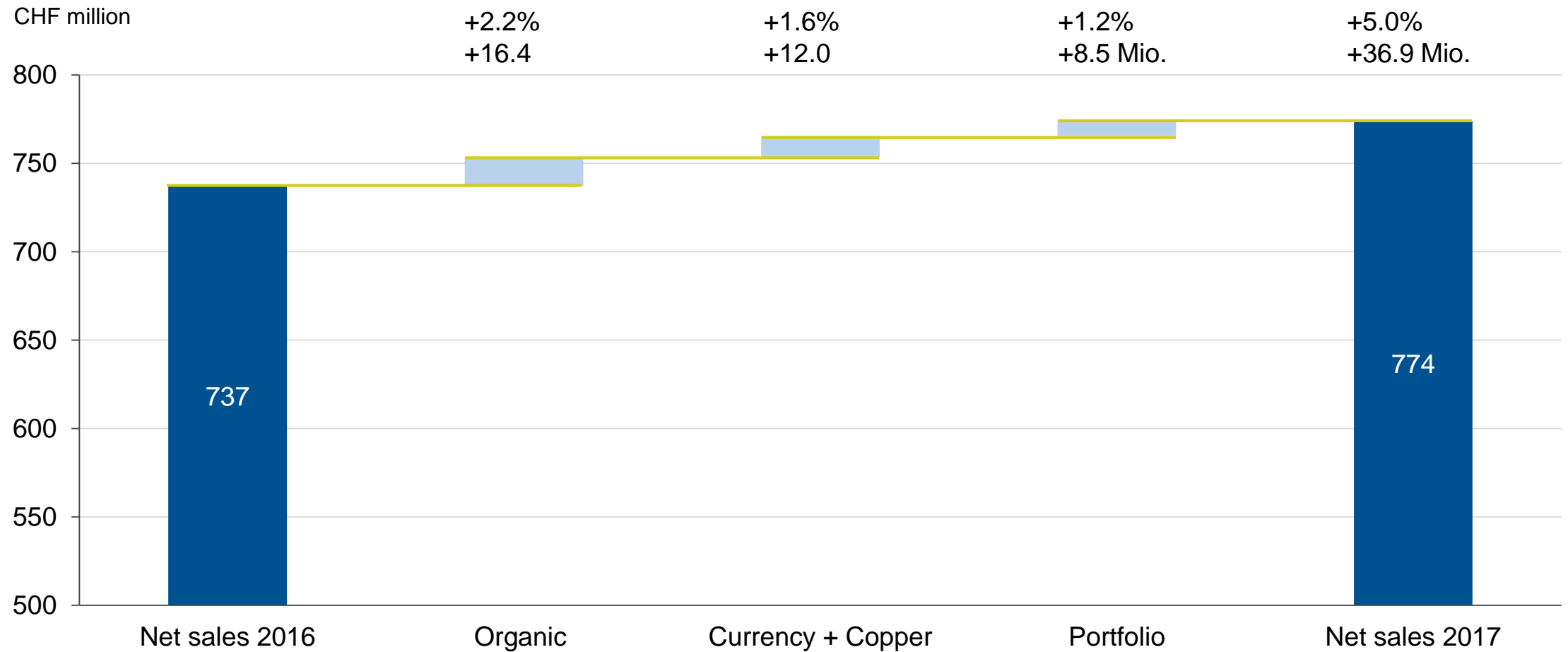
**Ivo Wechsler (CFO)**

Urs Ryffel (CEO)

# Factors influencing order intake

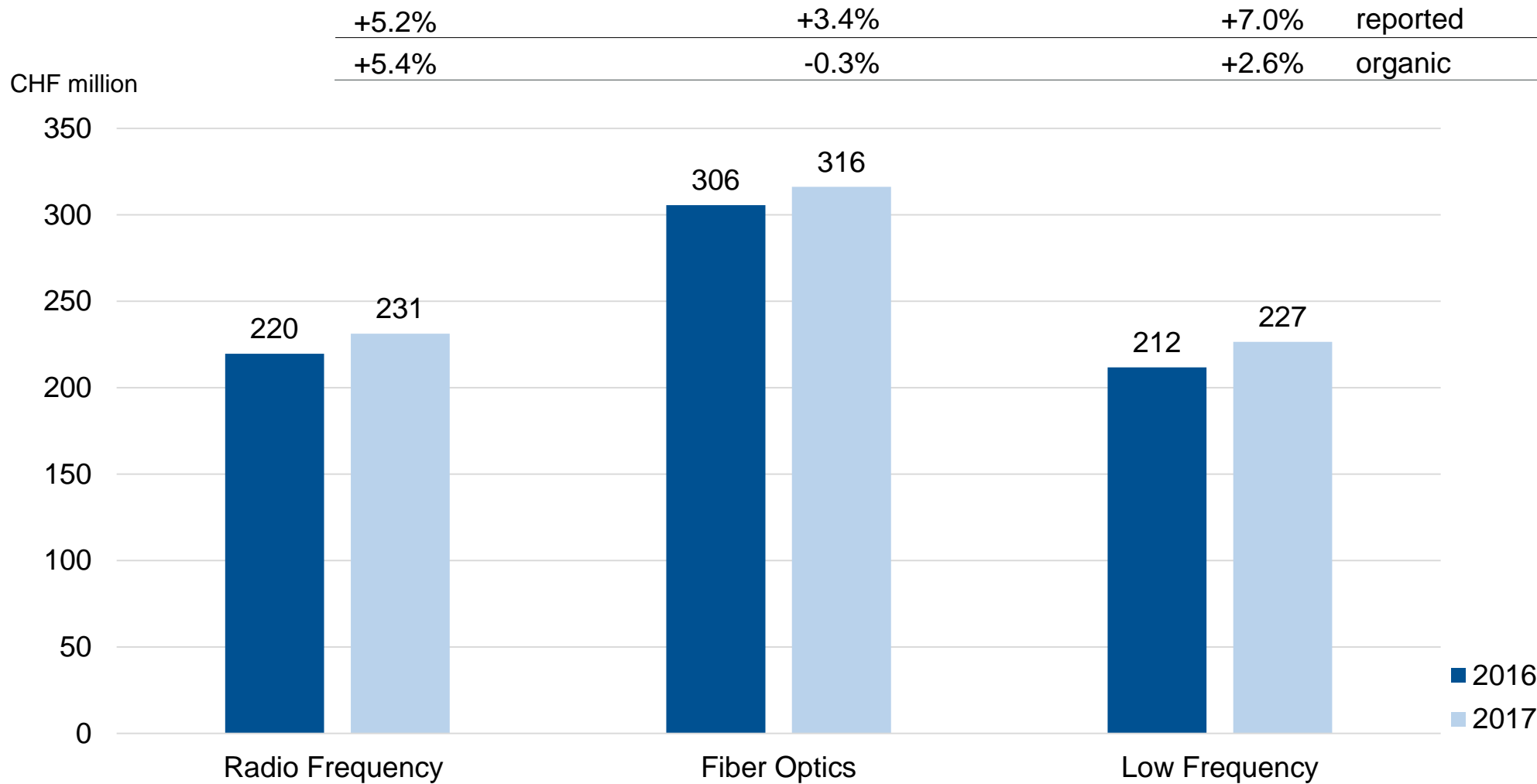


# Factors influencing net sales





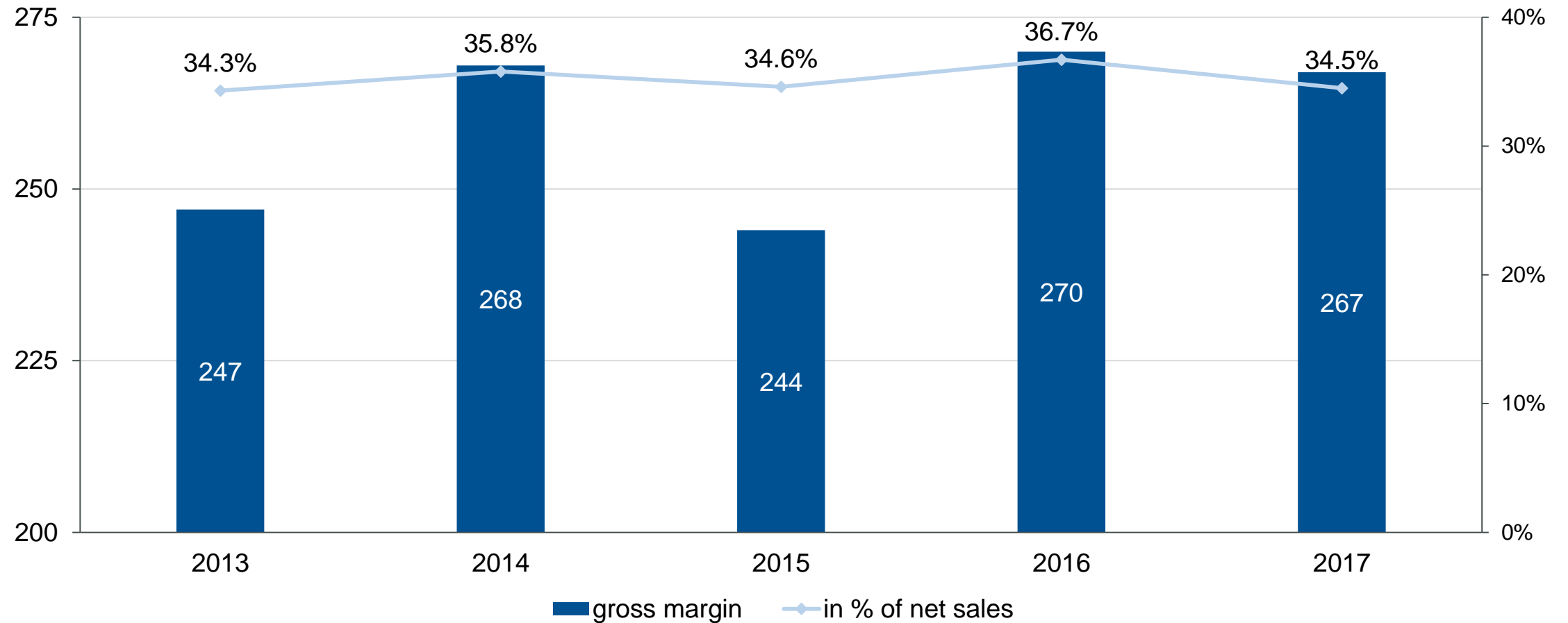
# Net sales development technology segments



# Development gross margin

Business mix influences gross margin

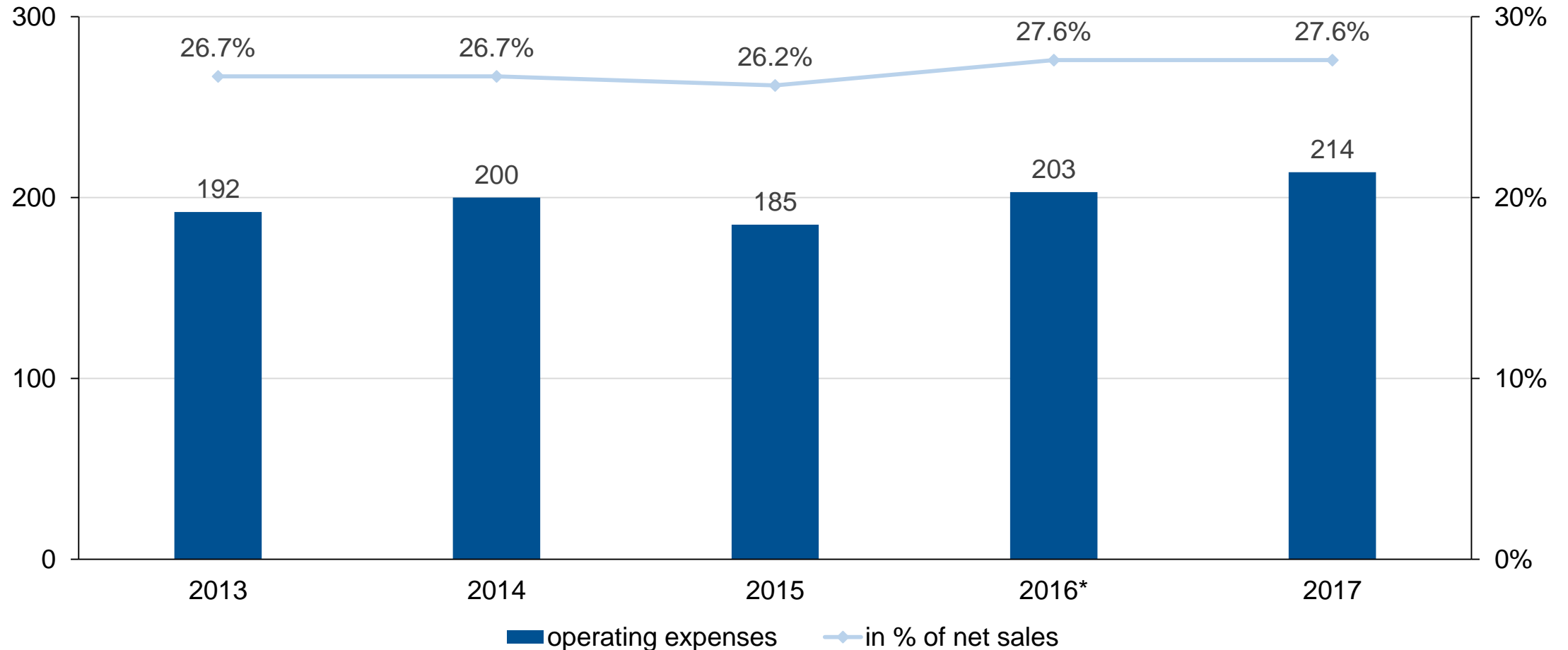
CHF million



# Development operating expenses

Pre-investments result in higher operating expenses

CHF million

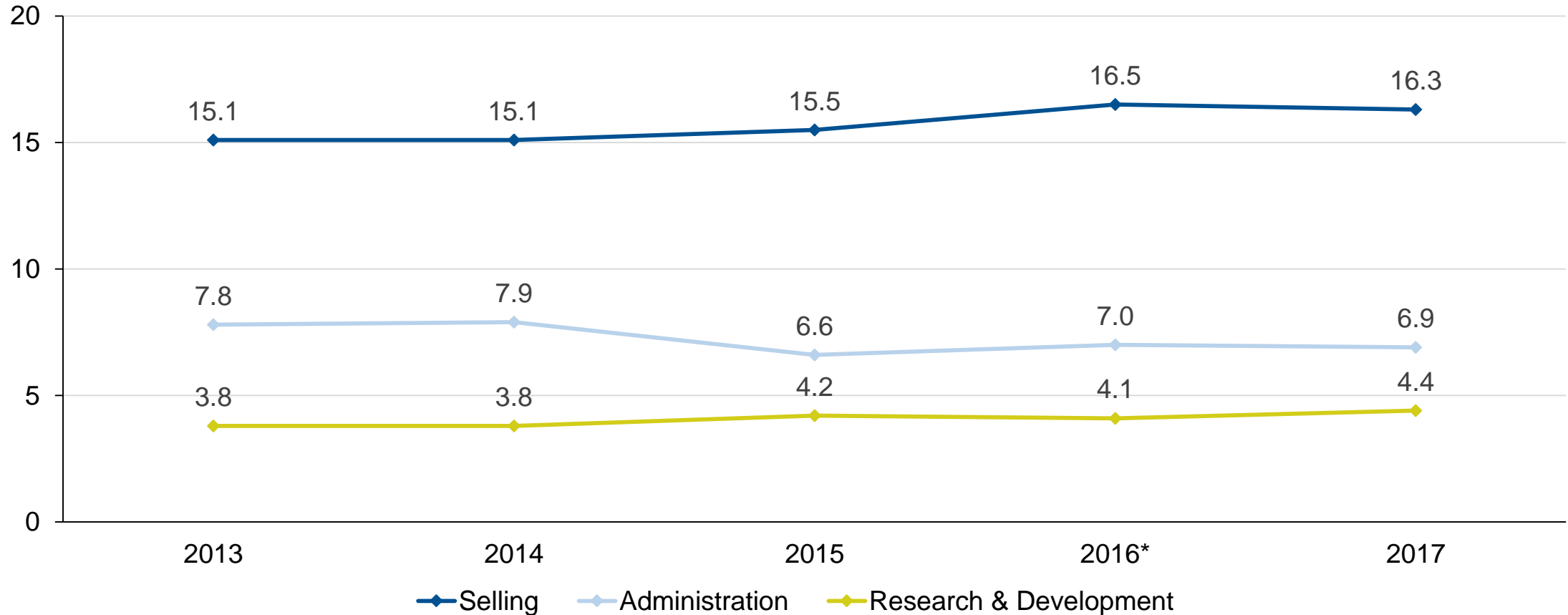


\* Swiss GAAP FER restated

# Structure of operating expenses

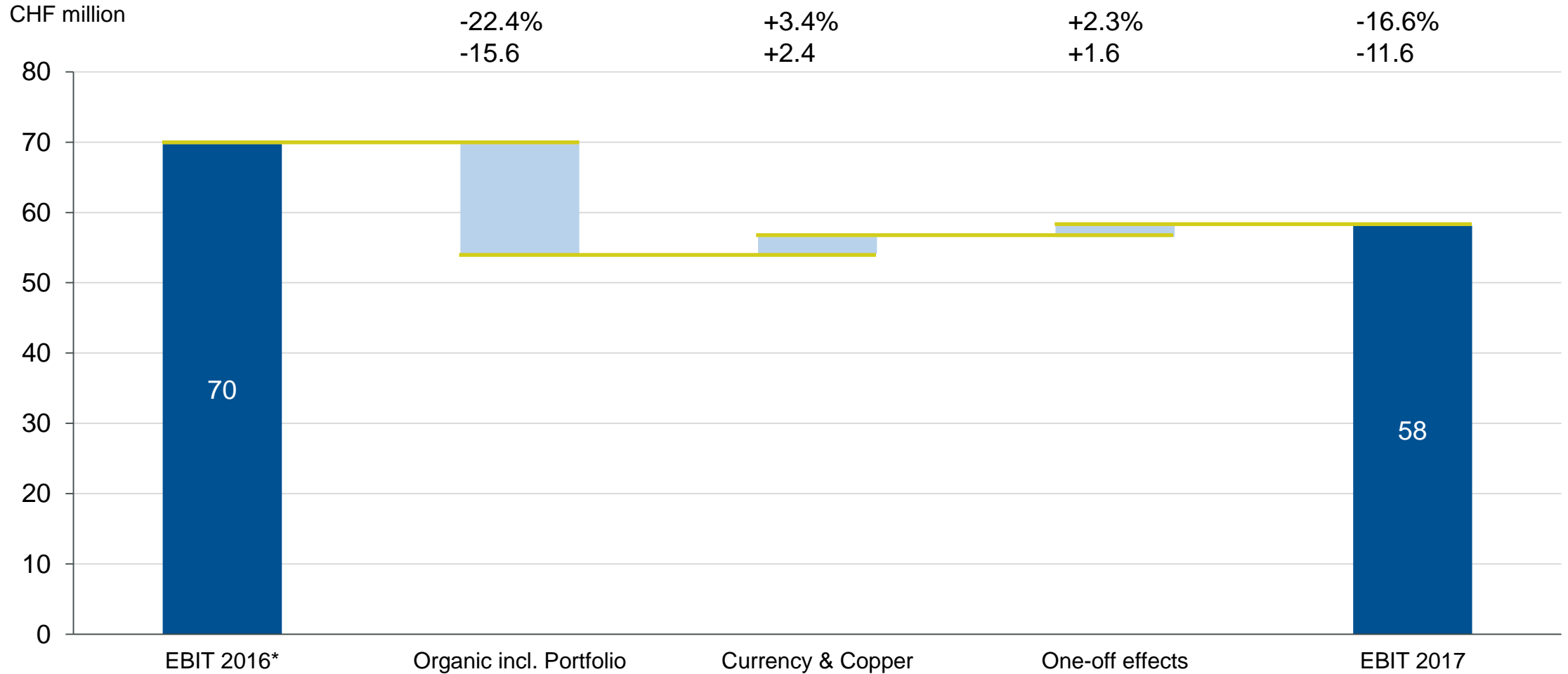
## Rise in R & D investment

in % of net sales



\* Swiss GAAP FER restated

# Factors influencing EBIT



\* Swiss GAAP FER restated

## EBIT technology segments

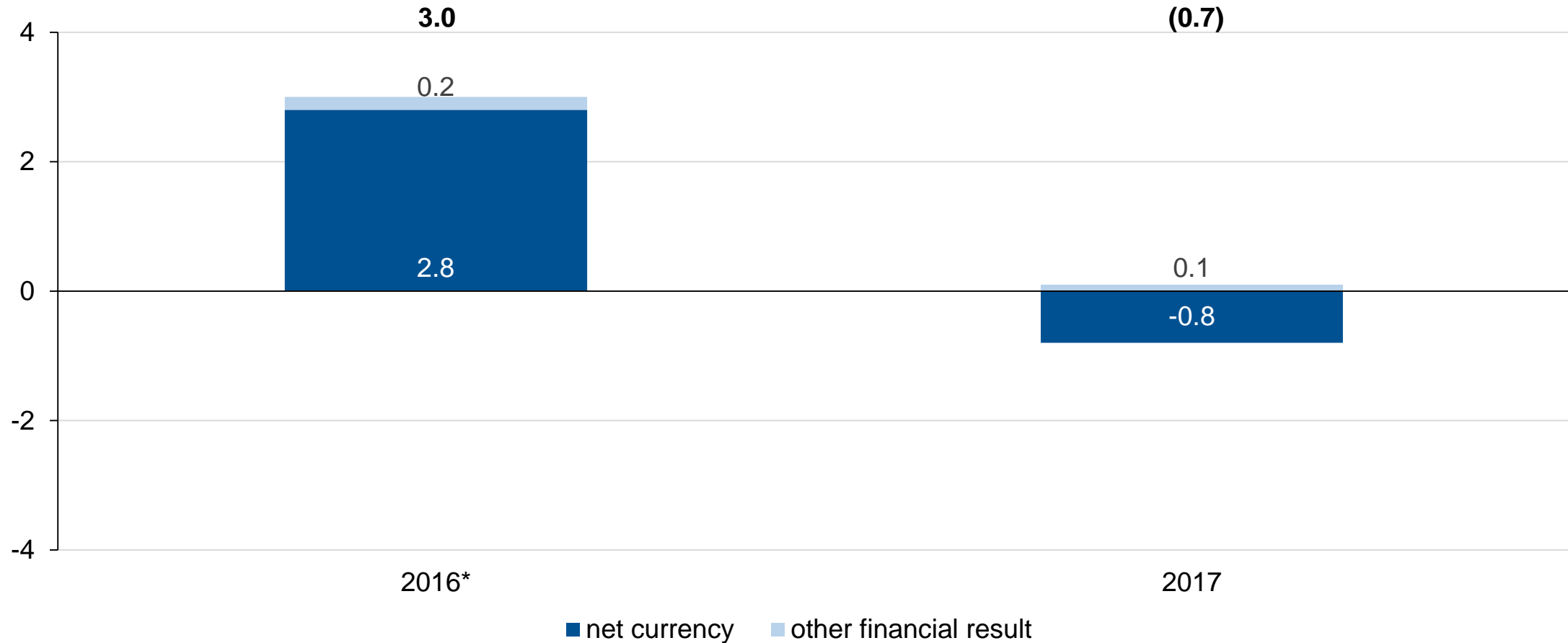
CHF million	2017	in %	2016*	in %
Radio Frequency	31.5	13.6	29.5	13.4
Fiber Optics	17.7	5.6	40.9	13.4
Low Frequency	11.6	5.1	3.5	1.6
Corporate	(2.7)	-	(4.1)	-
<b>Total EBIT</b>	<b>58.1</b>	<b>7.5</b>	<b>69.7</b>	<b>9.5</b>

\* Swiss GAAP FER restated

# Financial result

Lower financial result due to currency effects

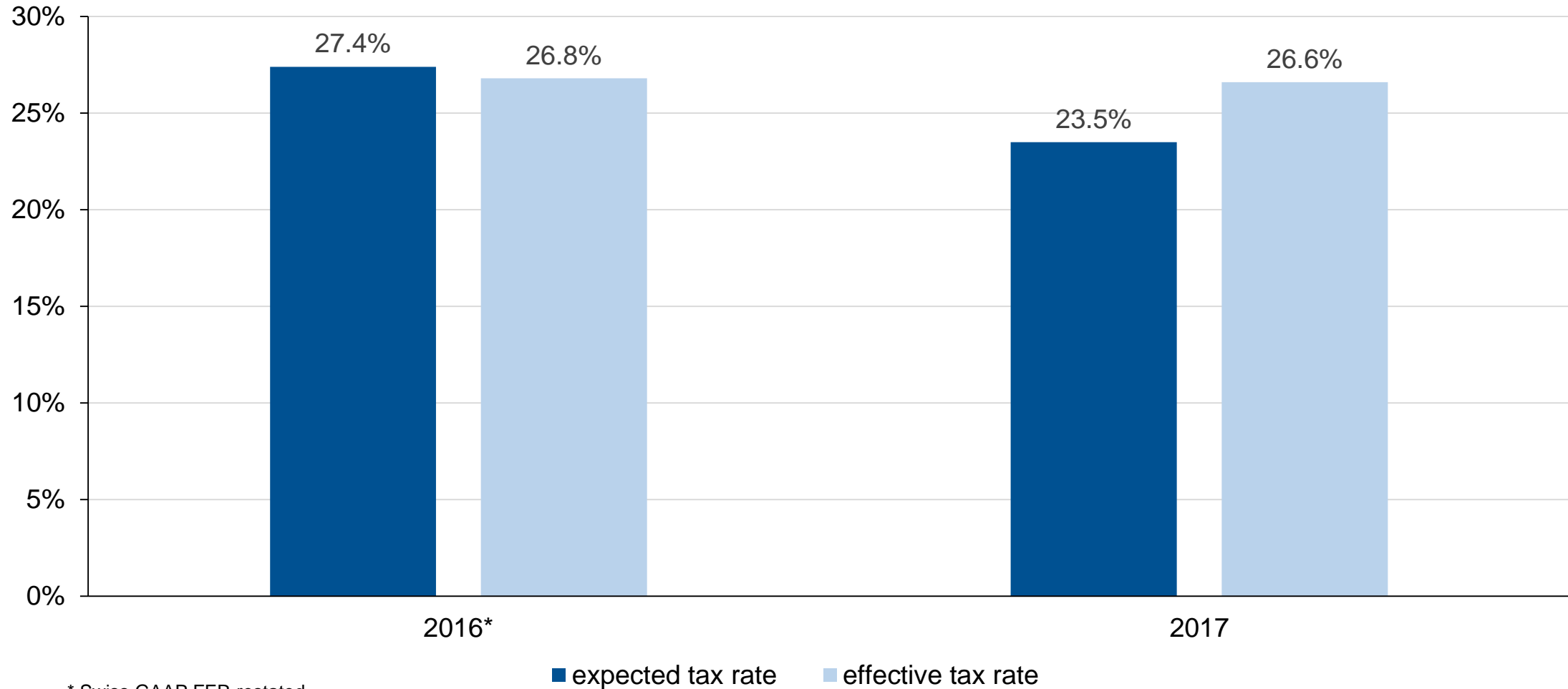
CHF million



\* Swiss GAAP FER restated

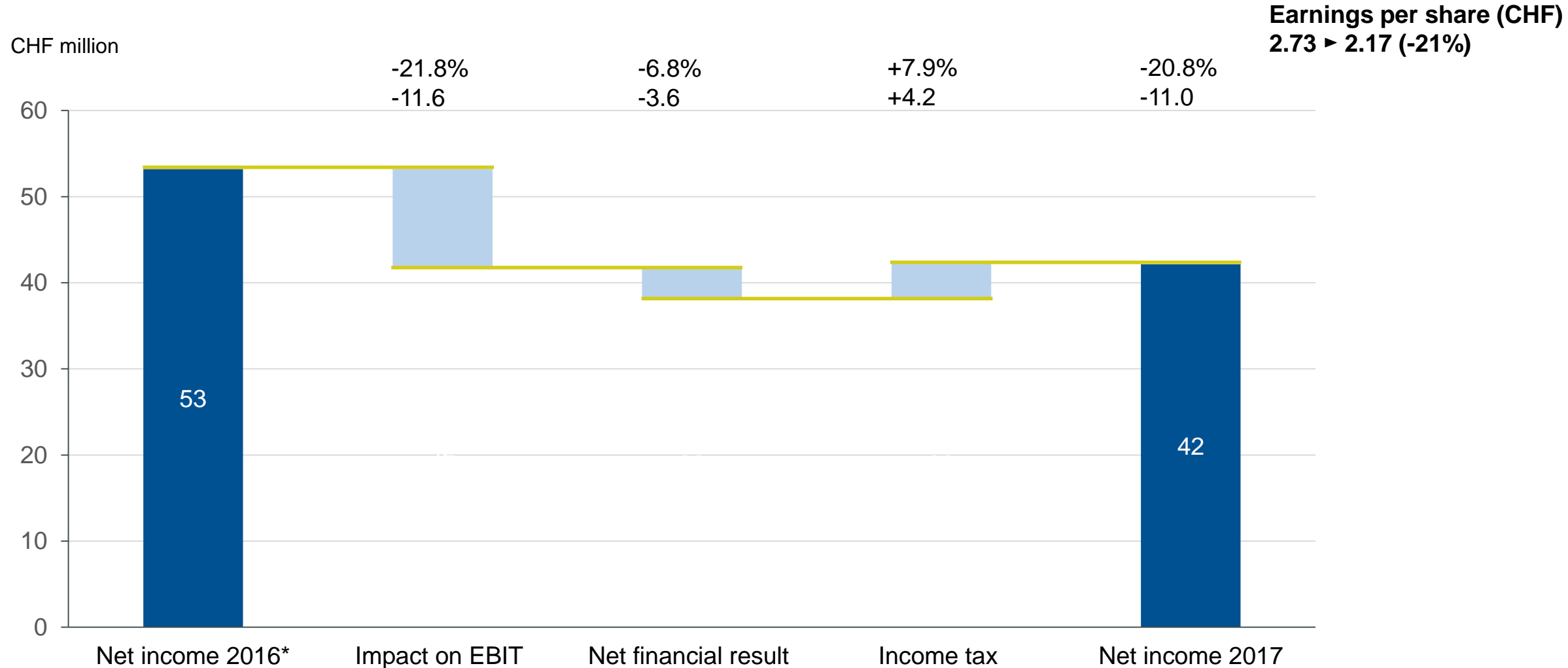
# Group tax rate

Despite US tax reform stable effective tax rate





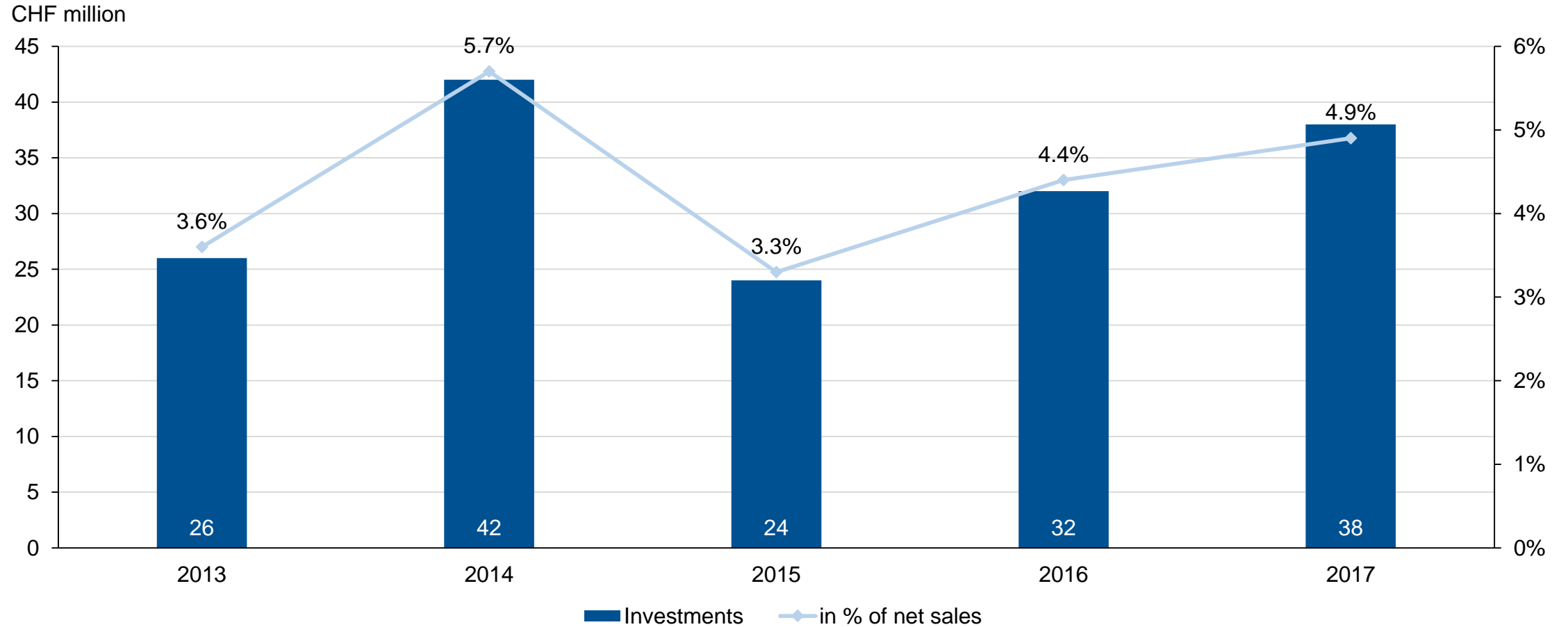
# Factors influencing net income



\* Swiss GAAP FER restated

# Investments

Volume above the long-term average



# Balance sheet

Unchanged strong

CHF million	31.12.2017	31.12.2016*		30.06.2017
Liquid assets	153	158	-3%	140
Other current	347	300	16%	343
Non-current assets	252	246	3%	245
Other liabilities	159	130	22%	164
Shareholders' equity	593	573	4%	565
in %	79%	82%		78%
<b>Balance sheet total</b>	<b>752</b>	<b>703</b>	<b>7%</b>	<b>729</b>
<b>Net liquidity</b>	<b>153</b>	<b>158</b>	<b>-3%</b>	<b>140</b>

\* Swiss GAAP FER restated

# Free cash flow

High order backlog ties funds from business activities

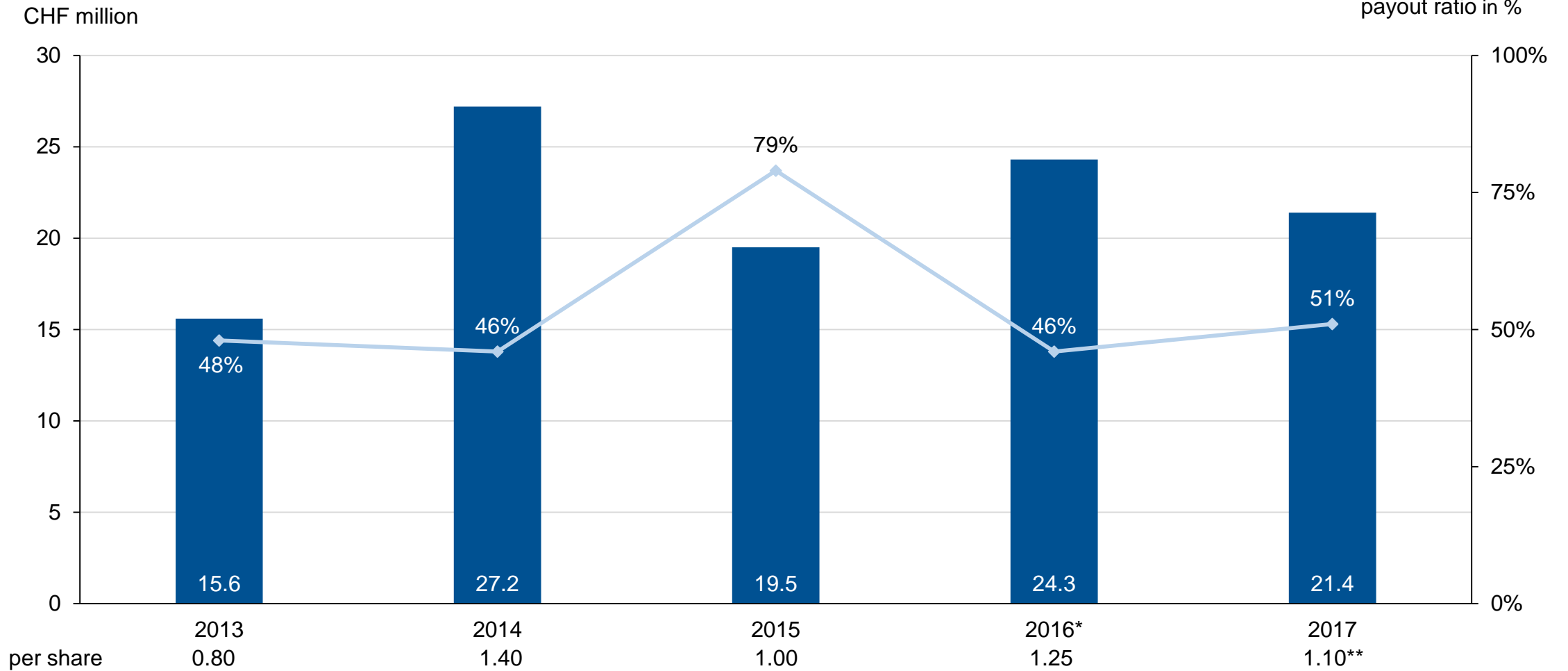
CHF million	2013	2014	2015	2016*	2017
Net cash from operating activities	115.9	78.0	69.7	79.6	52.9
Net cash from investing activities**	(20.0)	(89.9)	(21.8)	(57.5)	(33.0)
<b>Free operating cash flow</b>	<b>95.9</b>	<b>(11.9)</b>	<b>47.9</b>	<b>22.1</b>	<b>20.0</b>
Dividend paid	(9.7)	(15.6)	(27.3)	(19.5)	(24.3)
Change in treasury shares	(0.5)	(1.4)	(0.9)	(1.4)	(1.3)
<b>Free cash flow</b>	<b>85.7</b>	<b>(28.9)</b>	<b>19.7</b>	<b>1.2</b>	<b>(5.7)</b>

\* Swiss GAAP FER restated

\*\* excluding marketable securities

# Dividend development

## Earnings-orientated distribution policy



\* Swiss GAAP FER restated

\*\* proposed dividend

## Financial assessment 2017

- ✓ Double-digit growth in order intake
- ✓ Broad-based growth in sales
- ✗ Significantly reduced profitability in the FO technology segment
- ✓ Successful turnaround in the LF technology segment
- ✓ Successful change of accounting standard to Swiss GAAP FER

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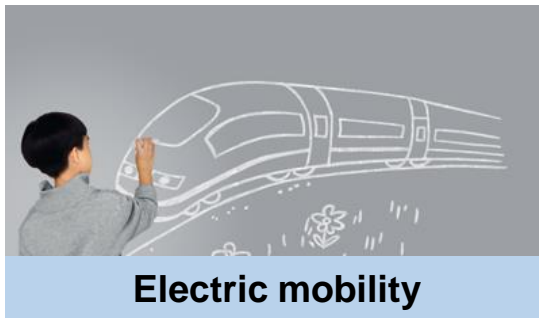
Ivo Wechsler (CFO)

Urs Ryffel (CEO)

# Our growth drivers



**Appetite for bandwidth**



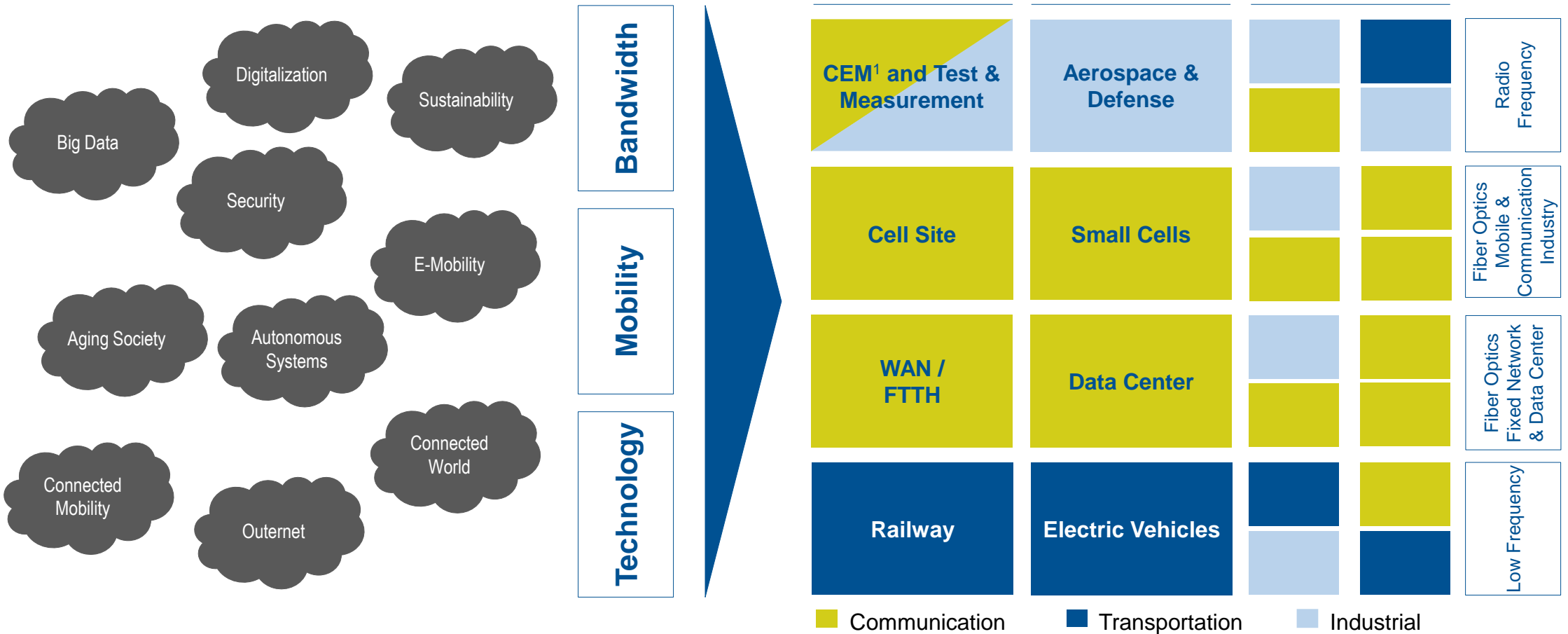
**Growing demand for mobility**



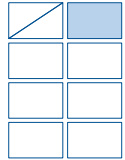
**Constant change of technology**



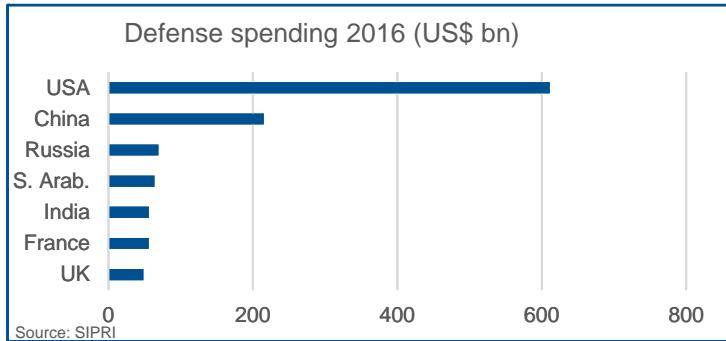
# Focused strategy derived from megatrends and growth drivers



# Growth initiative: Aerospace & Defense



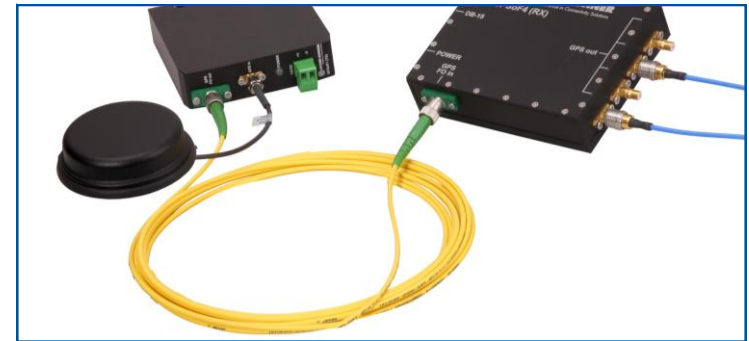
## Market trends



## HUBER+SUHNER differentiation



## HUBER+SUHNER solutions

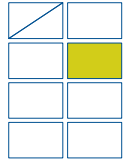


- High, increasing defense budgets
- Internet access via satellites (New Space)
- Unmanned vehicles

- Highest reliability
- Electrical and mechanical performance
- RF system competence and RF-over-fiber

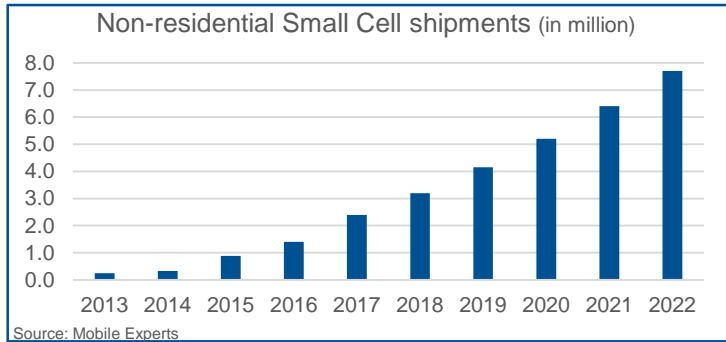
- RF connectors and cables
- Cable assemblies
- Complete RF solutions

**Ambition: Double business, defend leading RF technology position and grow with RF system solutions.**



# Growth initiative: Small Cells

## Market trends



## HUBER+SUHNER differentiation



## HUBER+SUHNER solutions

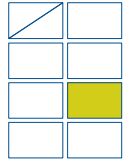


- Network consolidation
- Coverage inside buildings
- New players

- Fast installation
- Small form factor
- One-stop service und kitting

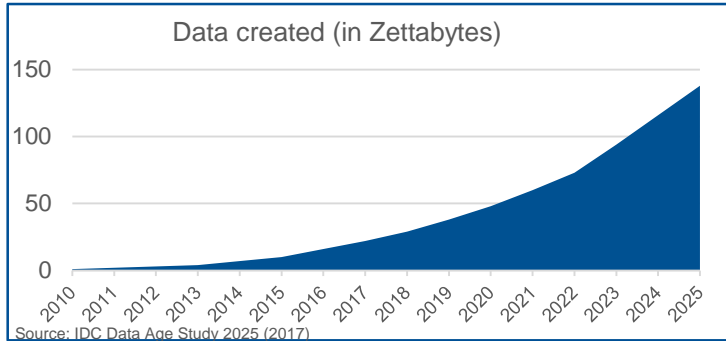
- FO, RF, LF connectivity solutions
- Antennas
- Passive and active WDM solutions

**Ambition: Growth with Small Cells at least compensates for decline in the Macro Cell market. Maintain leading position in the Cell Site market.**



# Growth initiative: Data Center

## Market trends



- Doubling of data traffic / 3 years
- Co-location and cloud market rapidly growing
- Data centers = critical infrastructure

## HUBER+SUHNER differentiation



- Packing density + ease of installation
- Reliability in operation
- Flexibility and modularity

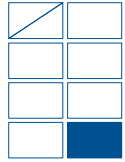
## HUBER+SUHNER solutions



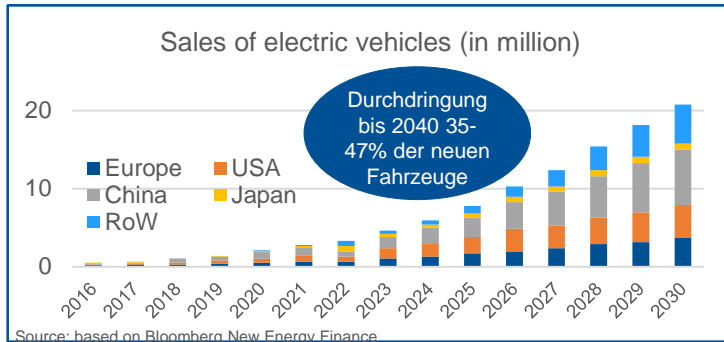
- Fiber and copper cabling
- Fiber management systems
- Optical switching

**Ambition: Grow business to a new core pillar.**

# Growth initiative: Electric Vehicles (EV)



## Market trends



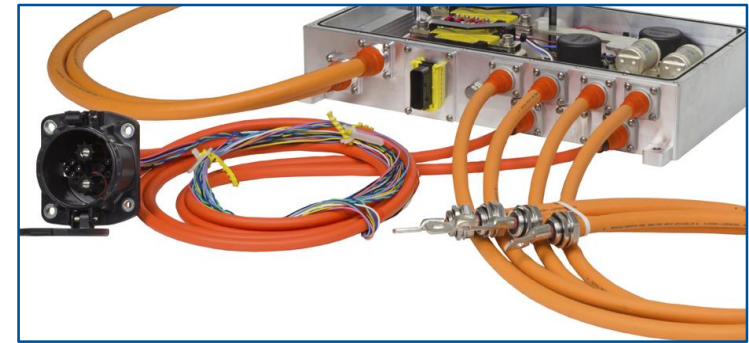
- Trend to e-mobility irreversible
- All major OEMs with EV strategy
- China is pushing EV market with ambitious timelines

## HUBER+SUHNER differentiation



- Space and weight saving design
- Temperature stability
- Complete high voltage solutions

## HUBER+SUHNER solutions



- RADOX screened power cables up to 1000V
- High voltage connectivity systems (RACS)
- High voltage distribution units (HVDU)

**Ambition: Become significant supplier for high voltage cabling for electric automotive vehicles and grow business to a new core pillar.**

# Outlook 2018 technology segments

## Radio Frequency

- Goal 2018: repeat previous year's strong performance
- Strategic thrust: defend good margin and remain on growth path through RF solutions for aerospace and defense technology

## Fiber Optics

- Goal 2018: reverse negative trend in profitability
- Strategic thrust: business expansion in higher-margin market segments such as data center and small cells

## Low Frequency

- Goal 2018: confirm acceptable profitability based on the positive cycle in the railway submarket and growth in the automotive submarket
- Strategic thrust: convert customer development projects for high-speed charging systems and high voltage distribution systems into commissions

## Outlook 2018 markets

Solid starting position in key markets and with key customers – growth drivers remain intact

### Communication

- LTE rollouts in price-sensitive emerging economies last – 5G mobile network large-scale starting 2020
- Continuous increase in global data volume in Internet traffic drives expansion of data centers
- Asian growth markets are characterised by a highly competitive environment

### Transportation

- Railway market Asia with continued positive dynamics
- Electric vehicle market beyond «point of no return»; all major OEMs have plans for EV offerings for each platform; challenge of reach vs. (fast) charging requires a solution

### Industrial

- Investments in aerospace and defense continue to grow
- Generally good dynamics in a wide spectrum of market segments

## Outlook 2018

### **Net sales guidance for 2018**

- From today's perspective, due to the currently good order situation and provided that exchange rates remain comparable to 2017, we expect to remain on a growth path.

### **Medium-term target range over the business cycle and EBIT guidance for 2018**

- Unchanged EBIT margin 8 – 10 %



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