

HUBER+SUHNER with solid half-year results in a difficult environment

Order intake and net sales down compared to strong prior-year period – measures to reduce costs are showing results at EBIT level – positive development in order intake compared to second half of 2019

Key figures

in CHF million	H1 2020	H1 2019	Change in %
Group			
Order intake	396.7	448.7	-11.6
Net sales	376.7	447.3	-15.8
EBIT	25.1	47.8	-47.5
in % of net sales	6.7	10.7	
Net income	19.9	37.4	-46.8
in % of net sales	5.3	8.4	
Free operating cash flow	-12.0	18.1	n/m
Radio Frequency technology segment			
Order intake	130.9	152.6	-14.2
Net sales	121.3	147.8	-17.9
EBIT	15.0	27.0	-44.4
in % of net sales	12.4	18.3	
Fiber Optics technology segment			
Order intake	151.1	150.3	0.5
Net sales	138.8	157.5	-11.9
EBIT	4.4	12.3	-64.4
in % of net sales	3.1	7.8	
Low Frequency technology segment			
Order intake	114.7	145.8	-21.3
Net sales	116.6	142.0	-17.9
EBIT	7.9	12.6	-37.1
in % of net sales	6.8	8.8	

n/m = not meaningful

HUBER+SUHNER experienced an eventful first half of 2020. Against the backdrop of the ubiquitous coronavirus pandemic and its impact on the global economy, the company still achieved a solid result with an EBIT margin of 6.7 % (prior-year period 10.7 %) and operating profit of CHF 25.1 million (prior-year period CHF 47.8 million).

At CHF 396.7 million, order intake was 11.6 % below the figure for the strong prior-year period. Compared to the second half of the previous year, however, a positive development was achieved.

The measures taken by governments in the sales regions to contain the coronavirus significantly impacted economic activity in the reporting period. As the outbreak progressively evolved into a pandemic, most HUBER+SUHNER sites as well as suppliers and customers were also affected by temporary closures. Maintaining global supply chains thus became the company's most important

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task in order to guarantee maximum availability of products to customers. Through the temporary relocation of individual product lines within the worldwide production network, the company succeeded in maintaining supply capability high throughout the entire period despite the restrictions. This resulted in net sales of CHF 376.7 million, a decline of 15.8 %, whereby the strong prior-year period (CHF 447.3 million) had again included a significant portion of a major project on the Indian subcontinent. Adjusted for currency, copper and portfolio effects, the shortfall in net sales amounted to 15.0 %. The book-to-bill rate reached 1.05 (prior-year period 1.0). The share of net sales by main region shifted to Europe: EMEA accounted for 55 % (prior-year period 48 %), APAC 27 % (prior-year period 31 %) and the Americas 18 % (prior-year period 21 %).

Lively bidding activity in many submarkets – systemic importance of connectivity in crisis

All three of the main markets, communication (–18.6 %), transportation (–14.9 %) and industrial (–12.7 %), were equally affected by the decline in net sales, with the result that their respective net sales shares remained virtually unchanged. The company actually recorded an increase in bidding activity in the reporting period. Unpredictability on the market development, however, resulted in greater restraint and caution on the part of customers in the awarding of new orders.

For HUBER+SUHNER, the industrial production closures imposed in some countries were usually of comparatively short duration. Public authorities in the various countries rated connectivity solutions as systemically important in terms of national digital security. These assessments prove once again that HUBER+SUHNER is focusing its products and solutions on applications that are promising for the future.

Continued clear double-digit EBIT margin for Radio Frequency

The Radio Frequency technology segment, marked by strong growth in previous years, could not escape the negative effects of the coronavirus crisis. Order intake amounted to CHF 130.9 million, which was 14.2 % below the prior-year figure. The industrial submarkets of aerospace and defense as well as test and measurement fared comparatively well. Radio Frequency recorded a significant decline in net sales to CHF 121.3 million (–17.9 %). The reported EBIT of CHF 15.0 million equates to an EBIT margin of 12.4 %.

Temporarily halted upward trend for Fiber Optics

With an order intake of CHF 151.1 million, the Fiber Optics technology segment was on a par with the prior-year figure (CHF 150.3 million), although this figure was achieved without the acquired BKtel (WAN / Access networks). Net sales of CHF 138.8 million were 11.9 % below the prior-year figure. The Covid-19 measures in several regions prompted a slowdown of the mobile network (cell site) expansion to the 5G standard, while demand for data center solutions remained at a good level. The overall lower volume had a negative impact on the results of Fiber Optics, with reported EBIT of CHF 4.4 million, and an EBIT margin of 3.1 %.

Low Frequency achieves solid result

In the Low Frequency technology segment, order intake declined significantly to CHF 114.7 million (–21.3 %) compared to the prior-year period. Although bidding activity was extremely dynamic in both

the railway and automotive submarkets, the awarding of contracts was sluggish in the first half of the year. The automotive submarket also developed negatively overall; the doubling of sales for electric vehicles did not compensate for the decline in conventional automotive business. Business with high-power charging systems developed well. With the newly launched RADOX® HPC500 and the uncooled RADOX® HPC200, the market leadership was further consolidated with the first design-ins. Net sales of Low Frequency amounted to CHF 116.6 million (–17.9 %), while EBIT stood at CHF 7.9 million, corresponding to an EBIT margin of 6.8 %.

Home working and accelerated digitalisation provided a successful response to lockdown, measures to reduce costs are showing results

The company reacted immediately to the extraordinary situation in the reporting period with far-reaching measures. These included, among other things, the stringent implementation of the hygiene and protection concept worldwide, which kept the number of employees tested positive for Covid-19 very low. In addition, administrative activities were relocated to employees' home offices.

Strict cost management was implemented early on. Due to the more noticeable impact of Covid-19 on the course of business from the second quarter onwards, short-time working was introduced in countries where this instrument was available. The members of the Board of Directors, Executive Group Management and senior management levels worldwide are making a solidarity-based contribution by temporarily waiving part of their fixed compensation.

Outlook

HUBER+SUHNER suspended its guidance for 2020 due to the unforeseeable developments following the coronavirus outbreak. With its focus on promising growth markets in communication, transportation and industrial, the company is well equipped to leverage its very strong positioning once the market weakness subsides. However, the uncertainties remain considerable. From today's perspective and provided that there are no further lockdown measures in key sales regions, the company expects sales in the second half of the year to be of a similar magnitude as in the first half. HUBER+SUHNER expects the EBIT margin for the full year to remain at least at the same level as in the reporting period.

Media release

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This media release can also be found under

<https://www.hubersuhner.com/en/company/media/news/3903>

Letter to shareholders HY 2020 as PDF ([Link](#))

Half-year report 2020 as PDF ([Link](#))

Half-year report 2020 online interactive ([Link](#))

All publications as well as the definition of Alternative Performance Measures can be found under

<https://www.hubersuhner.com/en/company/investors/publications>

This media release is also available in German. The German version is binding.

HUBER+SUHNER Group

HUBER+SUHNER, based in Switzerland, is a globally active developer and supplier of components and system solutions for electrical and optical connectivity. Through its production of cables, connectors and systems in the three key technologies of radio frequency, fiber optics and low frequency, the company serves three markets: Communications, Transportation and Industrial. Its products excel in terms of their excellent performance, quality, reliability and durability, even in challenging conditions. HUBER+SUHNER has a global production network and provides local customer support via branch offices and representatives in over 80 countries. For more information on the company, visit hubersuhner.com.

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