

Letter to Shareholders

H1/2022

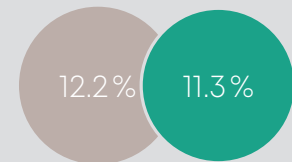
Order intake at strong level of previous year



Double-digit net sales growth of 12.5 %



Double-digit operating profit margin



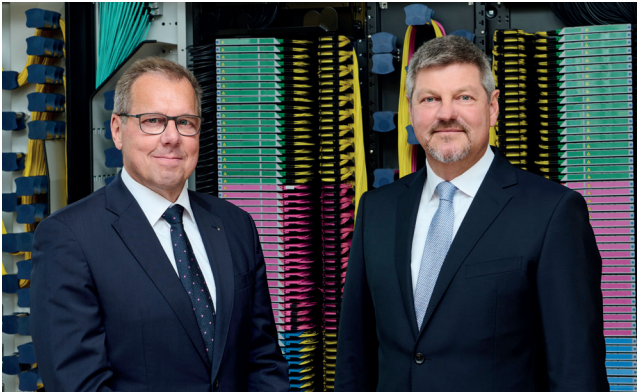
Supply bottlenecks and margin pressure successfully counteracted

Growth in all three market segments –
Industry maintained high level of profitability –
Communication with improved EBIT margin –
Transportation still with insufficient profitability

Exit from Russian business reflected in half-year results

■ H1/2021 ■ H1/2022 in CHF million

Strong half-year results for HUBER+SUHNER



Urs Kaufmann (Chairman) and Urs Ryffel (CEO)

HUBER+SUHNER recorded a strong first half of 2022 and was thus able to maintain the high momentum from the previous year in the current reporting year. The operating profit (EBIT) of CHF 54.0 million was even above the excellent figure of the prior-year period (CHF 51.7 million), which corresponds to an EBIT margin of 11.3 % (PY 12.2 %) and is thus clearly in the upper half of the medium-term target range of 9–12 %. Net income amounted to CHF 43.8 million (PY CHF 41.9 million).

The order intake of CHF 498.4 million equalled the very strong performance of the prior-year period (CHF 494.2 million). Net sales increased significantly by 12.5 % to CHF 477.4 million (PY CHF 424.4 million). Organically, i.e., adjusted for currency and copper price effects, growth in net sales amounted to 11.4 %. The order backlog, which was very high at the beginning of the year, could even be slightly increased; the book-to-bill rate was 1.04 (PY 1.16).

As part of the current share buyback programme, in the reporting period 498,234 shares with an equivalent value of CHF 40.6 million were repurchased by 30 June 2022. The free operating cash flow in the first six months of the reporting year amounted to CHF 5.7 million (PY CHF 26.2 million).

Driven by rising volumes, the expansion of capacities, especially at the production sites in Poland and Tunisia, resulted in an increase in the number of employees worldwide to 4678 (PY 4450). In Switzerland, this figure remained stable at 1186.

Supply bottlenecks and margin pressure successfully counteracted

The war in Ukraine and lockdowns in China further strained the already tense situation in the supply chains and led to even greater cost pressure on the procurement side. However, thanks to active supply chain management and a great deal of flexibility within the global production network, HUBER+SUHNER succeeded in ensuring very high delivery reliability to its customers. The simultaneous consistent implementation of price increases made it possible to partially cushion the pressure on margins.

By region, the share of net sales in EMEA stood at 53 % (PY 54 %), at 26 % (PY 24 %) in the Americas and at 21 % (PY 22 %) in APAC, with the renewed shifts within the space of a year reflecting the different dynamics in these world regions from the company's perspective.

Industry segment grew and maintained high level of profitability

In the Industry market segment, the subsegments test and measurement, general industrial and energy all recorded double-digit growth rates in both order intake and net sales. The driving force for demand in particular was the need for high-precision measurement systems for the 5G mobile network expansion and the fitting of charging infrastructures with fast charging systems for electric vehicles. The aerospace and defense subsegment fell short of the very high values of the previous period. In several subsegments, the limited availability of individual raw materials and components along the entire value chain was noticeable, which prevented an even stronger development. The order intake amounted to CHF 157.6 million (PY CHF 153.1 million) and net sales reached CHF 145.0 million, which was 5.8 % above the prior-year period. The achieved EBIT of CHF 28.7 million (PY CHF 28.7 million) corresponds to a high EBIT margin of 19.8 % (PY 21.0 %).

Communication segment increased net sales and profitability

Following the very strong performance in 2021, the Communication market segment continued with strong momentum into the current reporting year. High demand associated with the expansion of 5G mobile networks, especially in North America, continued. The uninterrupted growth of data volumes in communication networks, triggered by the growing number of networked devices and the ongoing boom in streaming services, laid the foundation for the positive development in the data center growth initiative. Business with communication equipment manufacturers lagged behind the prior-year period. At CHF 193.1 million, order intake was slightly above the high level of the previous-year period, while net sales rose by a high 18.9 % to CHF 197.0 million. With an EBIT of CHF 24.8 million, the EBIT margin increased to 12.6 % (PY 11.9 %).

Transportation segment increased net sales, profitability still insufficient

The development in the automotive subsegment was characterised by the growing importance of electromobility in the area of commercial vehicles, which resulted in a significant plus in net sales. As expected, the new ADAS (advanced driver assistance system) growth initiative did not make a substantial contribution to net sales as of today. The start of series production of distance radar antennas in the first half of the year was successful. The major upfront investments in proportion to the still low volumes burdened the results in the reporting period.

After the corona pandemic-related slump, increased use of the public transport infrastructure was observed again in the railway subsegment, with the exception of China. However, the return to earlier mobility patterns failed to bring a significantly higher level of activity in the awarding of new rolling stock projects, especially in Asia. In contrast, the trend towards the use of mobile communication in trains is unstoppable. The company is addressing this promising development in the railway market with customised communication solutions from a cross-technology offering in the new rail communications growth initiative.

In the Transportation market segment, order intake amounted to CHF 147.7 million (–1.3 %), with net sales of CHF 135.4 million, an 11.2 % rise compared to the prior-year period. With an EBIT of CHF 4.7 million (PY CHF 7.8 million) and an EBIT margin of 3.4 % (PY 6.4 %), the targeted improvement in profitability has not yet been achieved.

Exit from Russian business reflected in half-year results

HUBER+SUHNER ceased all activities in relation to Russia shortly after the invasion of Russian troops in Ukraine. As a result, the company misses out on about two and a half percent of last year's net sales. Around three quarters of the previous business in Russia was in the railway market in the Transportation segment. In the present half-year figures, the order backlog was adjusted in the amount of CHF 4.9 million for Russian orders and provisions were made for the exit from the Russian business as well as outstanding payments in connection with business before 24 February 2022.

Outlook

The first half-year of the business year 2022 was characterised by high demand in many HUBER+SUHNER target markets, while significant negative factors, such as lockdowns in China, logistics and material bottlenecks as well as rising inflation rates slowed down an even stronger development.

The attractiveness of the target markets and growth opportunities in applications such as 5G, data centers, electromobility, autonomous driving, aerospace and defense remain excellent. These are confronted with the aforementioned factors as well as a potential energy shortage situation, making forecasting the remaining course of the year difficult. The still high order backlog however bolsters confidence for the next few months. Provided that the present challenges and the strength of the Swiss franc do not further accentuate, from today's perspective HUBER+SUHNER expects growth in net sales in the range of 6–8 % and an operating profit margin between 10 and 12 % for the year as a whole.



Urs Kaufmann
Chairman of the Board of Directors



Urs Ryffel
CEO

Key figures H1/2022

Group in CHF million	January–June 2022	January–June 2021	Change
Order intake	498.4	494.2	0.8 %
Order backlog as of 30.6.	333.1	269.9	23.4 %
Net sales	477.4	424.4	12.5 %
Gross margin	36.5 %	39.7 %	
EBITDA	69.3	69.3	(0.1 %)
as % of net sales	14.5 %	16.3 %	
EBIT	54.0	51.7	4.5 %
as % of net sales	11.3 %	12.2 %	
Financial result	(0.6)	(0.9)	n/m
Net income	43.8	41.9	4.6 %
as % of net sales	9.2 %	9.9 %	
Purchases of PP&E and intangible assets	23.8	18.5	28.6 %
Cash flow from operating activities	31.3	43.2	(27.6 %)
Free operating cash flow	5.7	26.2	(78.2 %)
Net liquidity as of 30.6.	145.8	202.4	(28.0 %)
Equity as of 30.6.	605.5	614.7	(1.5 %)
as % of balance sheet total	74.6 %	76.9 %	
Employees as of 30.6.	4 678	4 450	5.1 %
Data per share in CHF	January–June 2022	January–June 2021	Change
Stock market price as of 30.6.	76.20	78.10	(2.4 %)
Net income	2.28	2.13	6.7 %
Segment information in CHF million	January–June 2022	January–June 2021	Change
Industry			
Order intake	157.6	153.1	2.9 %
Net sales	145.0	137.0	5.8 %
EBIT	28.7	28.7	0.1 %
as % of net sales	19.8 %	21.0 %	
Communication			
Order intake	193.1	191.4	0.9 %
Net sales	197.0	165.6	18.9 %
EBIT	24.8	19.7	25.6 %
as % of net sales	12.6 %	11.9 %	
Transportation			
Order intake	147.7	149.7	(1.3 %)
Net sales	135.4	121.8	11.2 %
EBIT	4.7	7.8	(40.2 %)
as % of net sales	3.4 %	6.4 %	

n/m = not meaningful

Alternative Performance Measures (APM) are key figures not defined by Swiss GAAP FER. HUBER+SUHNER uses APM as guidance parameters for both internal and external reporting to stakeholders. For the definition of APM please visit www.hubersuhner.com/en/company/investors/publications

Financial calendar

Capital Market Day (Herisau)	23.09.2022	Annual Report 2022	07.03.2023
Net sales / Order intake (9 months)	24.10.2022	Media and analysts' conference	07.03.2023
Net sales / Order intake 2022	20.01.2023	Annual General Meeting (Pfäffikon ZH)	29.03.2023

Figures are available online at www.hubersuhner.com/en/company/investors/publications
This letter to shareholders is also available in German. The German version is binding.