

**HUBER+SUHNER**

# Media and analysts conference 2020

# Agenda

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**Overview of business year 2019****Urs Ryffel (CEO)**

Financial results

Ivo Wechsler (CFO)

Milestones and outlook 2020

Urs Ryffel (CEO)

Questions and discussion

# **HUBER+SUHNER improves profit despite lower net sales**

## **Order intake and net sales behind strong previous year**

- Large railway market could not sustain strong previous year growth due to weaker demand from Asia
- Reduced activity with large-scale 4G mobile infrastructure roll-outs as expected
- Radio Frequency with increase in net sales and profitability, Fiber Optics and Low Frequency behind previous year

## **EBIT margin increase, net income above previous year, high free operating cash flow**

- Well managed cost and improved business mix
- EBIT margin of 9.7 % at upper end of medium-term EBIT target range of 8–10 %
- High free operating cash flow despite significant acquisitions

## **Second half-year marked by increasingly demanding market environment**

- Industrial market with jump in sales, communication and transportation markets decline
- Growth initiatives develop at varied pace and overall result in further growth
- Higher volumes in Europe partially offset lower business in Asia

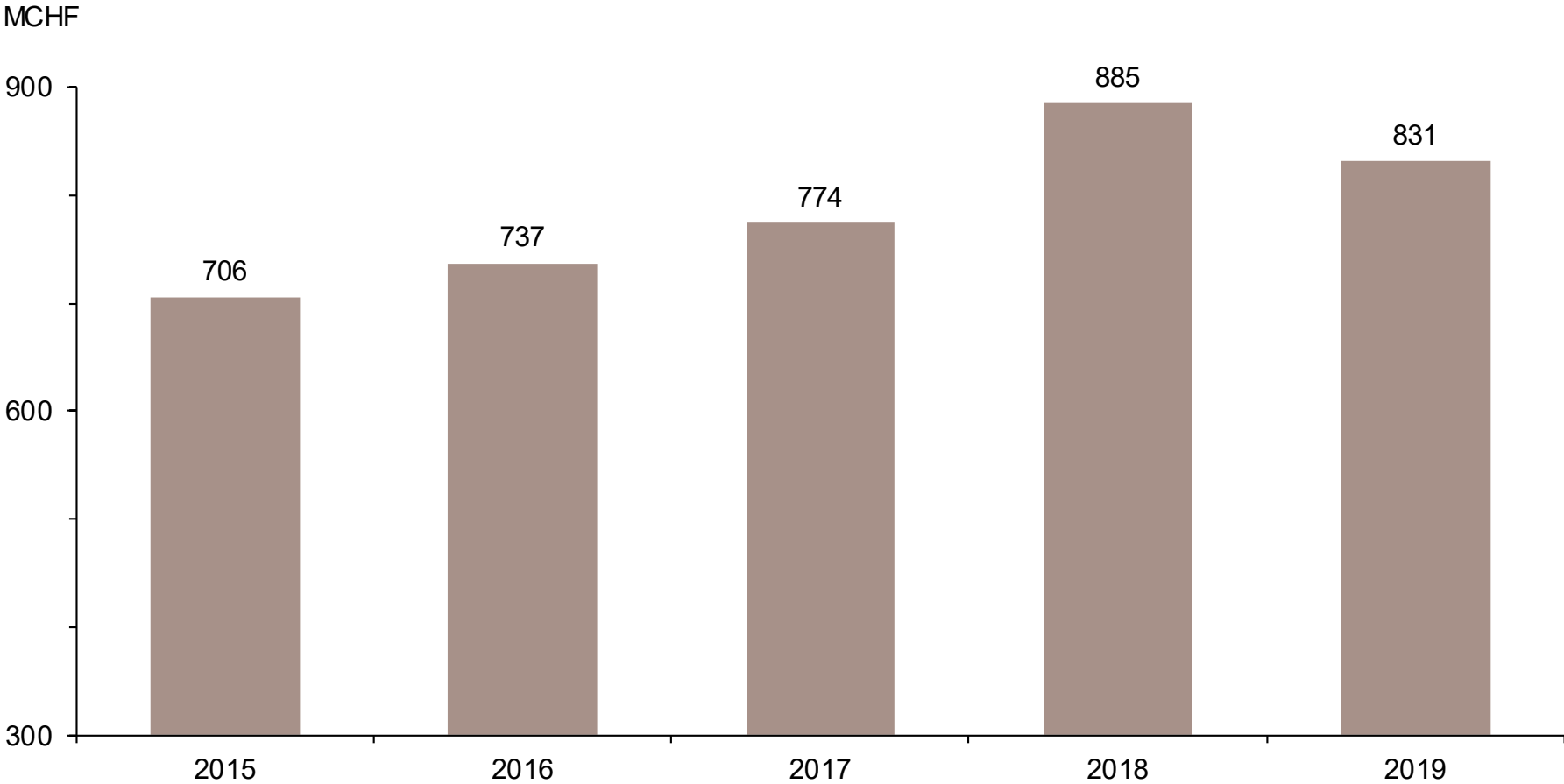
# Figures at a glance

MCHF

	2019	2018	Δ %
Order intake	800.9	915.2	-12.5
Net sales	830.6	885.0	-6.1
Operating profit (EBIT)	80.5	82.5	-2.4
as % of net sales	9.7	9.3	
Net income	62.8	61.4	+2.3
as % of net sales	7.6	6.9	

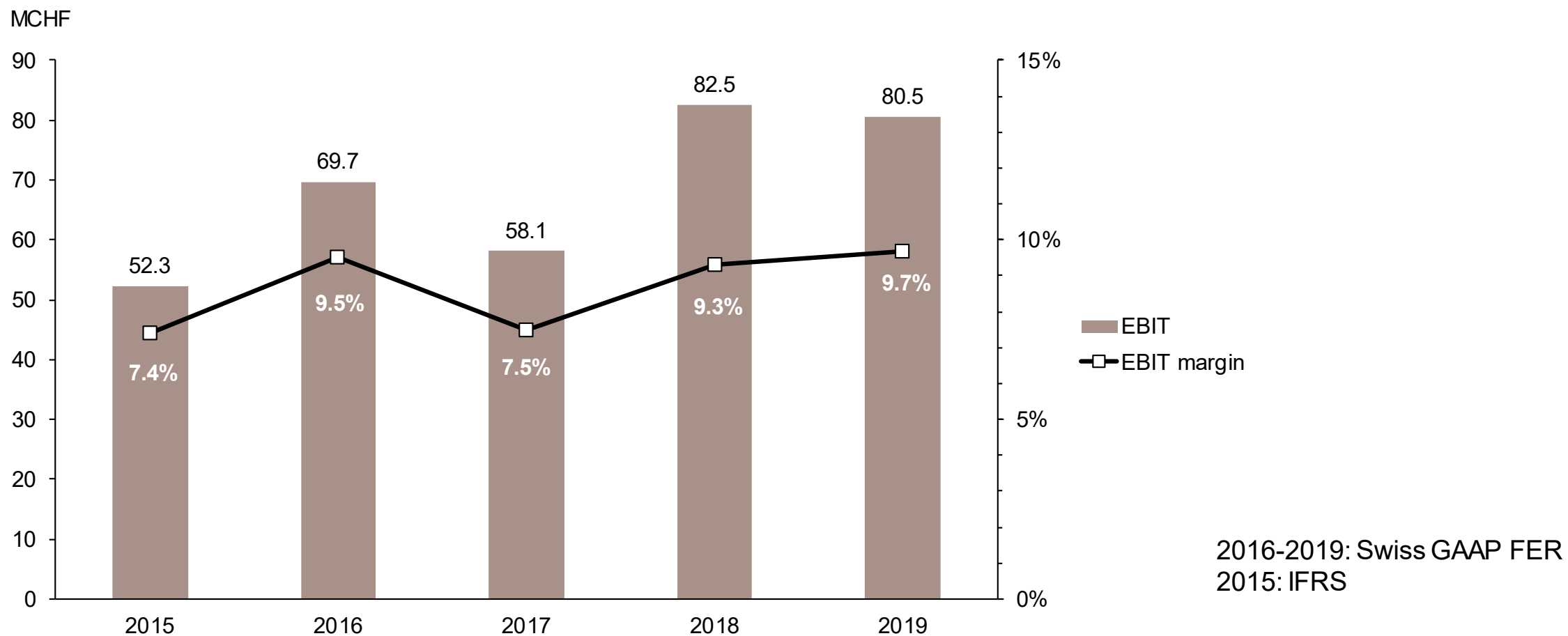
# Net sales

CAGR of 4.2 % for the period 2015-2019



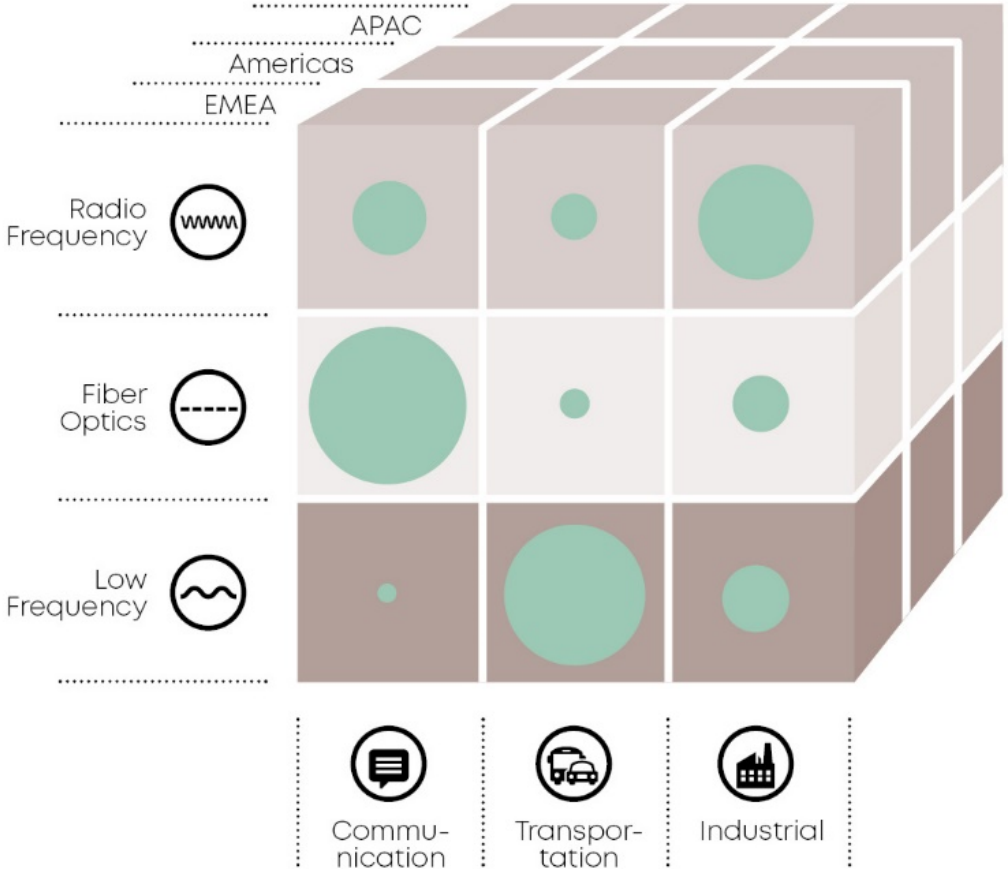
# EBIT

Profitability at upper end of medium-term target range of 8–10 %



# The three dimensions of our business

View on sales by technology segment, market, region





# Radio Frequency technology segment

Further growth – increased profitability – round-off acquisitions

MCHF

	2019	2018	Δ %
Order intake	272.8	269.1	+1.4
Net sales	275.2	255.4	+7.7
Operating profit (EBIT)	47.1	40.8	+15.4
as % of net sales	17.1	16.0	

## Key aspects

- Broadly based growth
- Notably strong development in the Aerospace & Defense growth initiative – satellite components a particularly dynamic driver
- Test & Measurement market segment with increase in demand for high-quality RF connectors
- Integration of acquired Kathrein antenna solutions expanding own portfolio

# Fiber Optics technology segments

Improved EBIT margin – lower volumes with 4G roll-outs – significant acquisition

MCHF

	2019	2018	Δ %
Order intake	274.6	347.9	-21.1
Net sales	285.6	338.2	-15.5
Operating profit (EBIT)	18.8	20.0	-5.7
as % of net sales	6.6	5.9	

## Key aspects

- Large-scale 4G project on the Indian subcontinent with much lower volumes
- Optical switches business grows significantly
- BKtel, acquired in December, adds important knowledge of active network technology for FTTH
- Well positioned in respect of first 5G roll-outs

# Low Frequency technology segment

Net sales and EBIT margin behind strong previous year

MCHF

	2019	2018	Δ %
Order intake	253.4	298.2	-15.0
Net sales	269.8	291.4	-7.4
Operating profit (EBIT)	21.6	28.7	-24.8
as % of net sales	8.0	9.8	

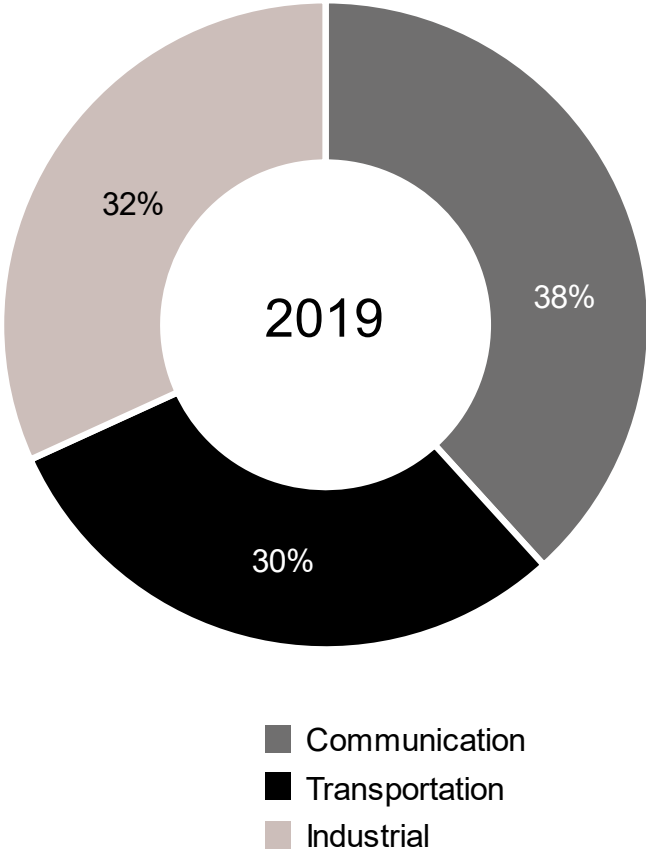
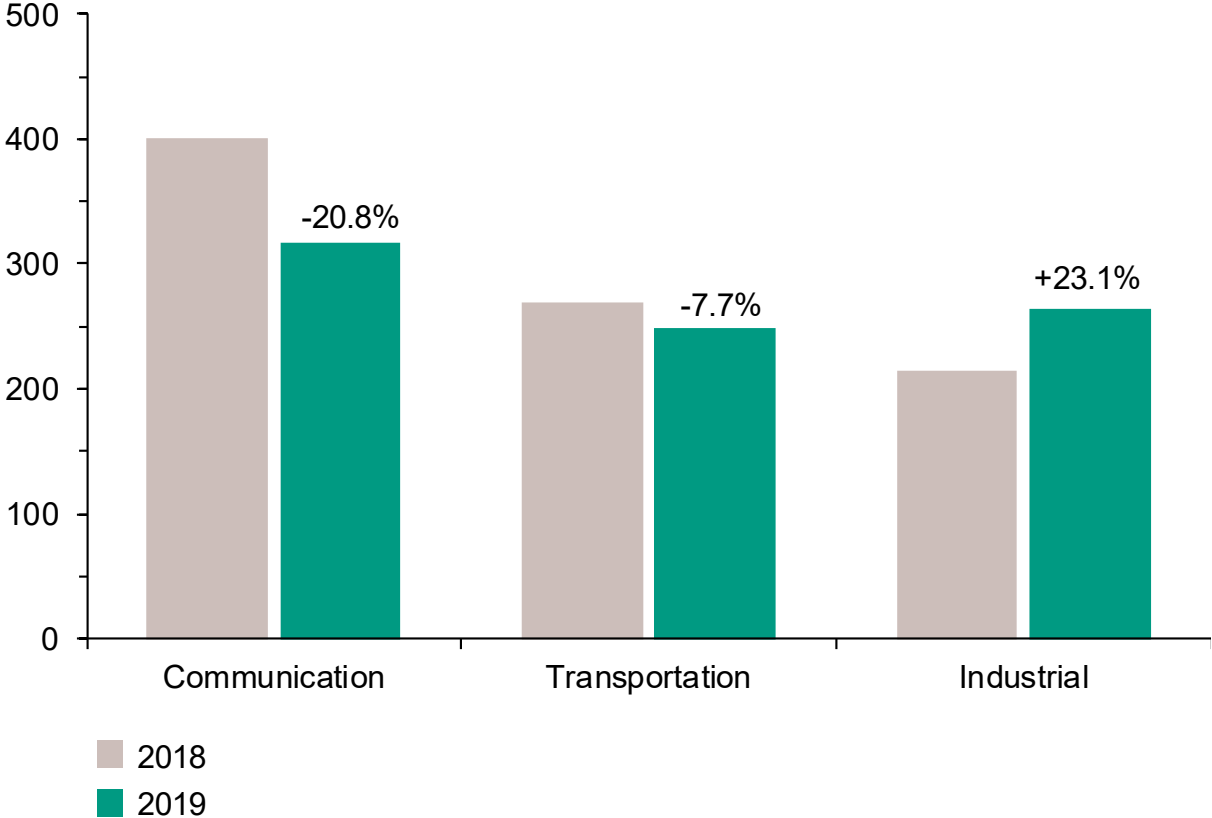
## Key aspects

- Submarkets Railway and conventional automotive less dynamic
- Further approvals with high-voltage cables and solutions for electric vehicles
- Growth with RADOX<sup>®</sup> HPC (High Power Charging), market leadership further strengthened
- Launch of RADOX<sup>®</sup> technology in offshore applications

# Net sales by market

Double-digit growth in industrial, decline in communication and transportation

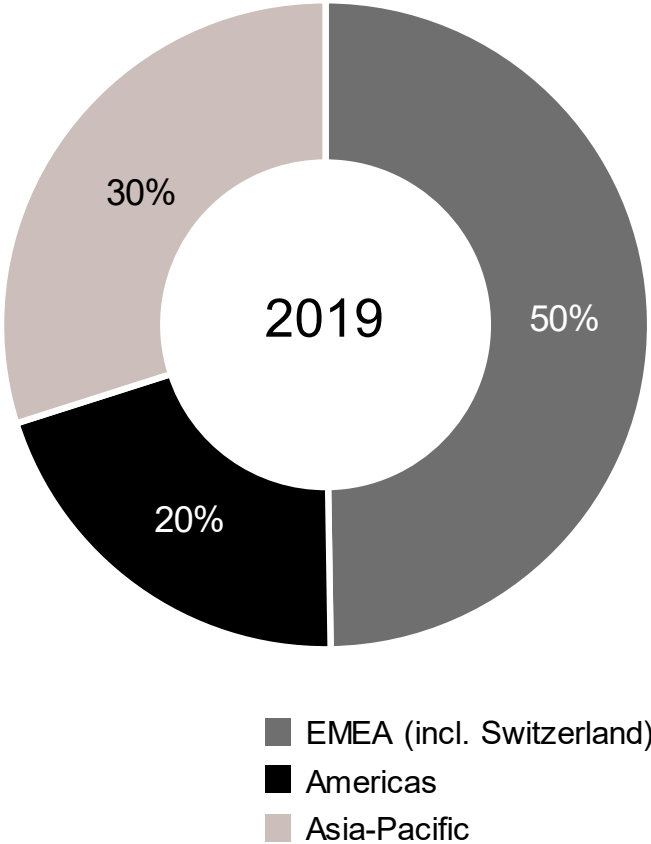
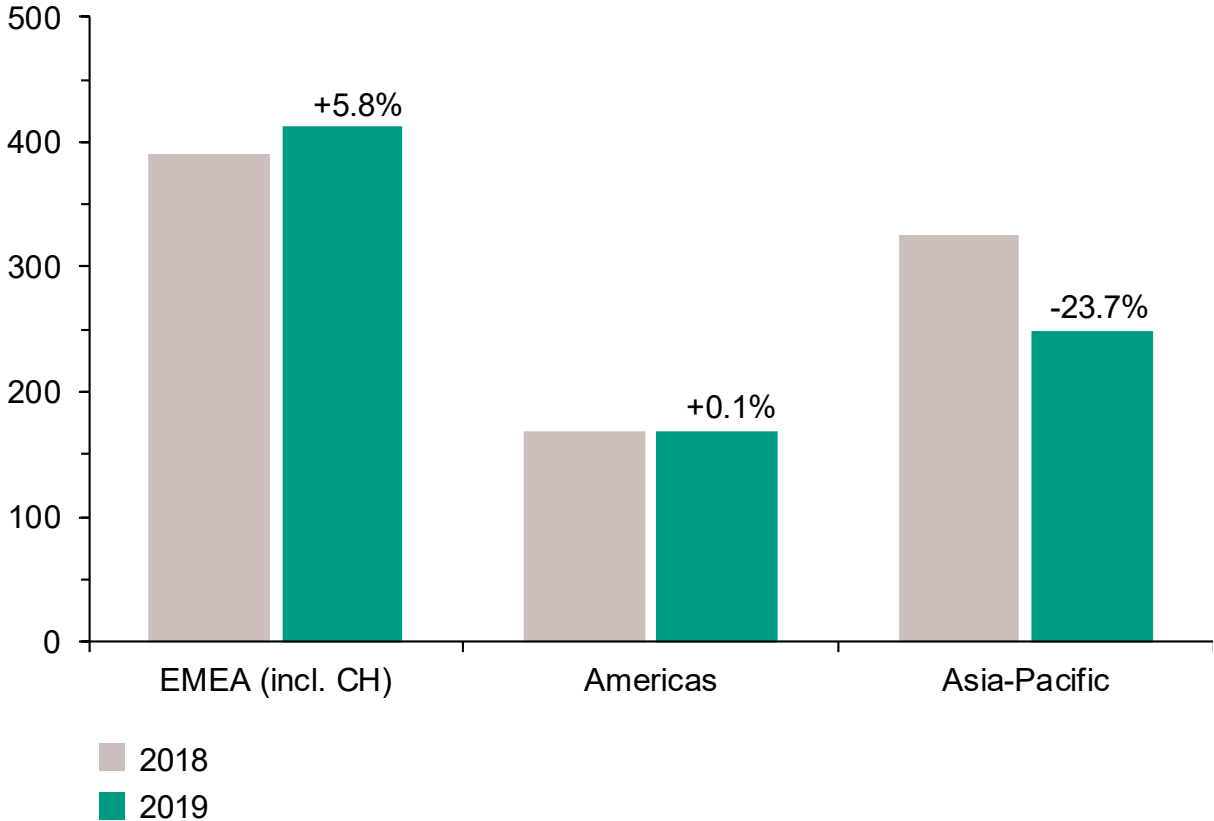
MCHF



# Net sales by region

Higher volumes in Europe partially offset lower business in Asia

MCHF



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Overview of business year 2019

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Milestones and outlook 2020

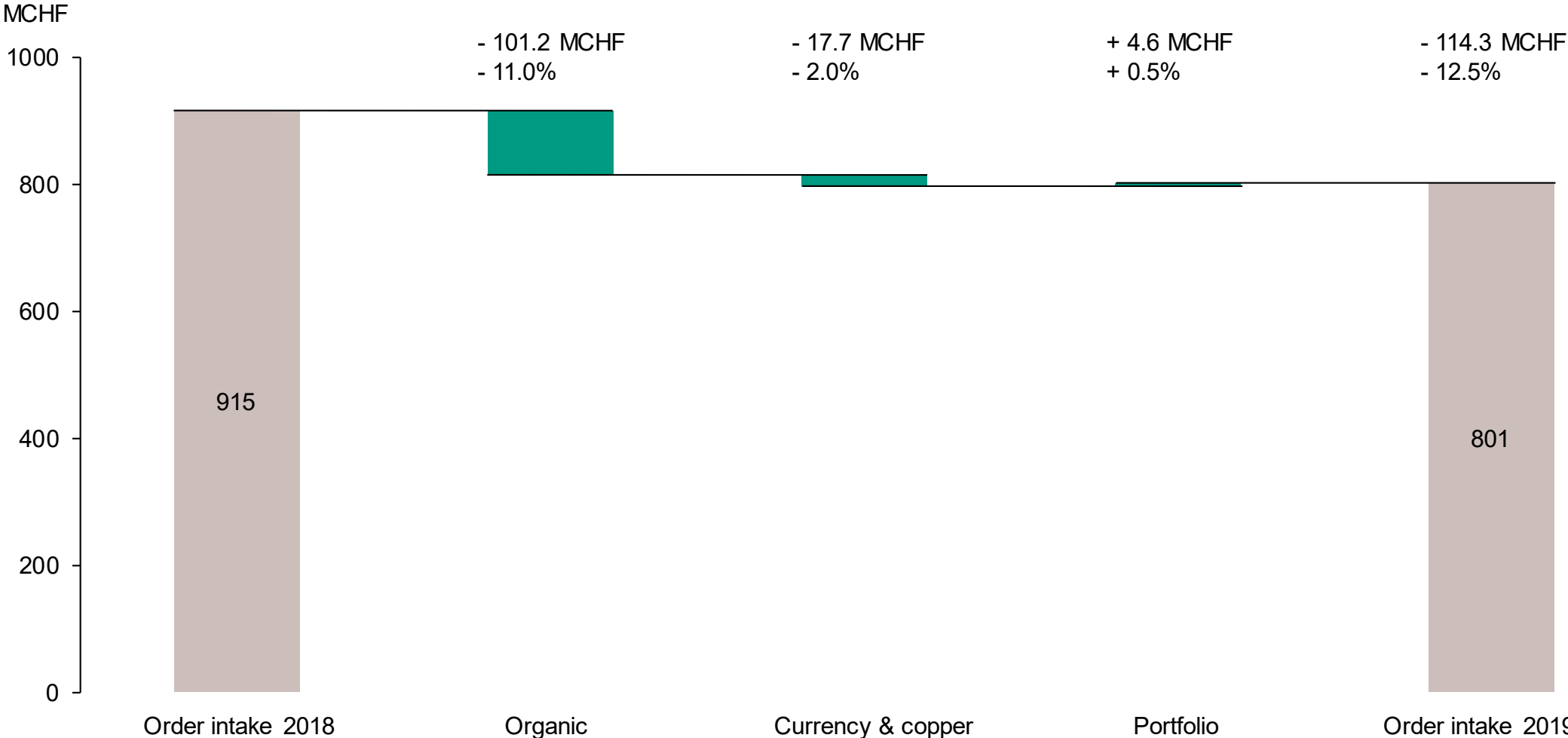
Urs Ryffel (CEO)

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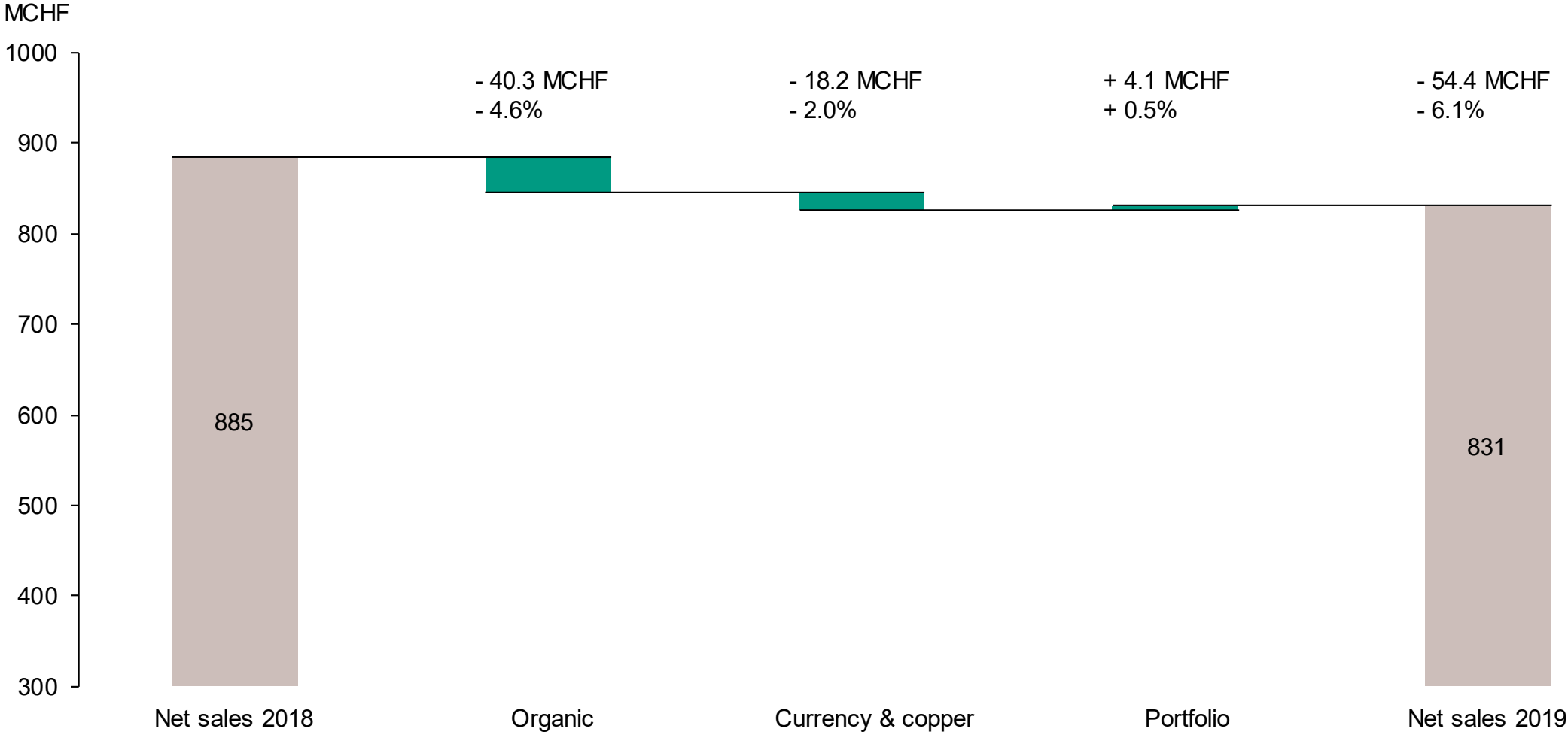
Questions and discussion

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# Factors impacting order intake



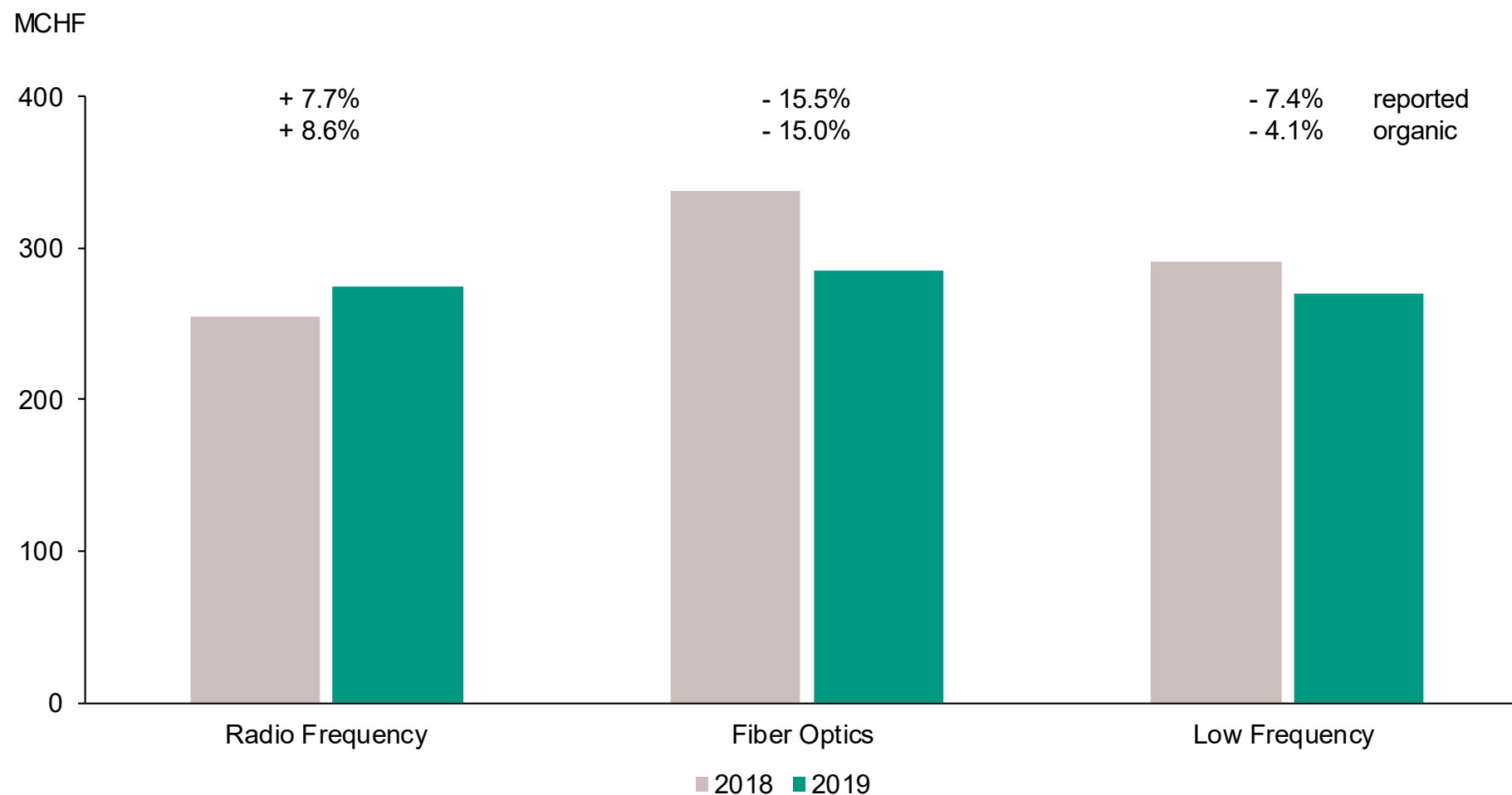
# Factors impacting net sales





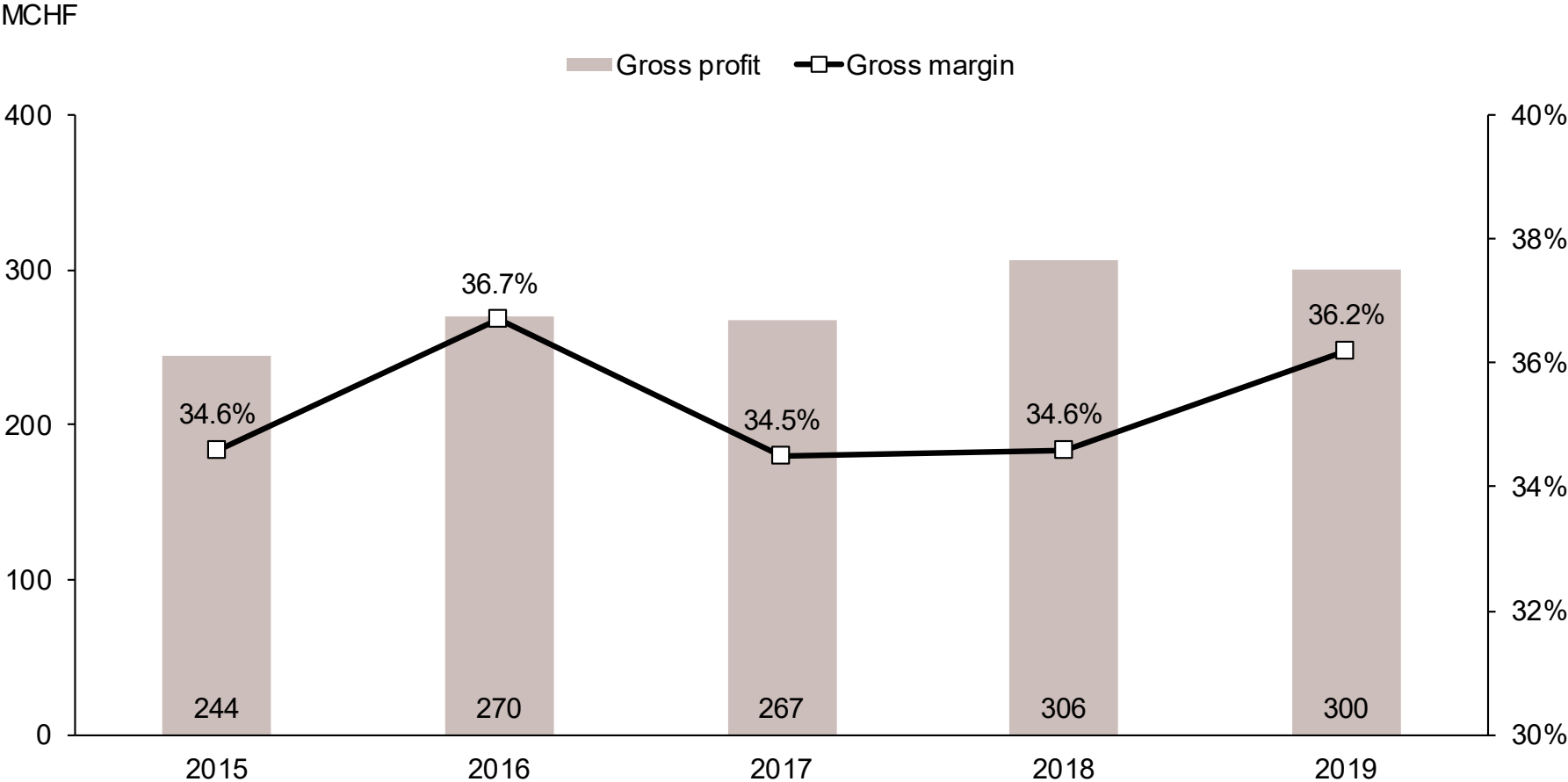
# Net sales development by technology segment

Radio Frequency with plus, Fiber Optics and Low Frequency lower



# Gross margin

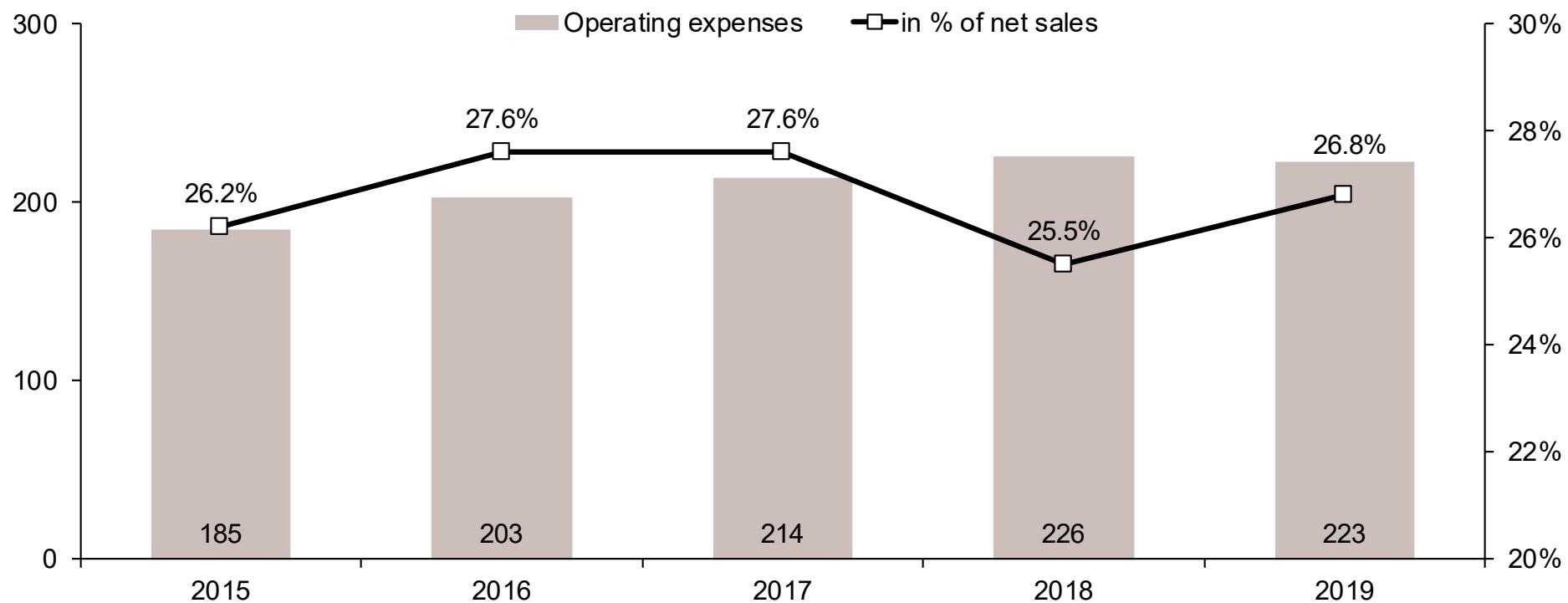
Improved business mix leads to higher gross margin



# Operating expenses

Lower administration costs and higher R&D expenses

MCHF



2016-2019: Swiss GAAP FER  
2015: IFRS

## EBIT by technology segment

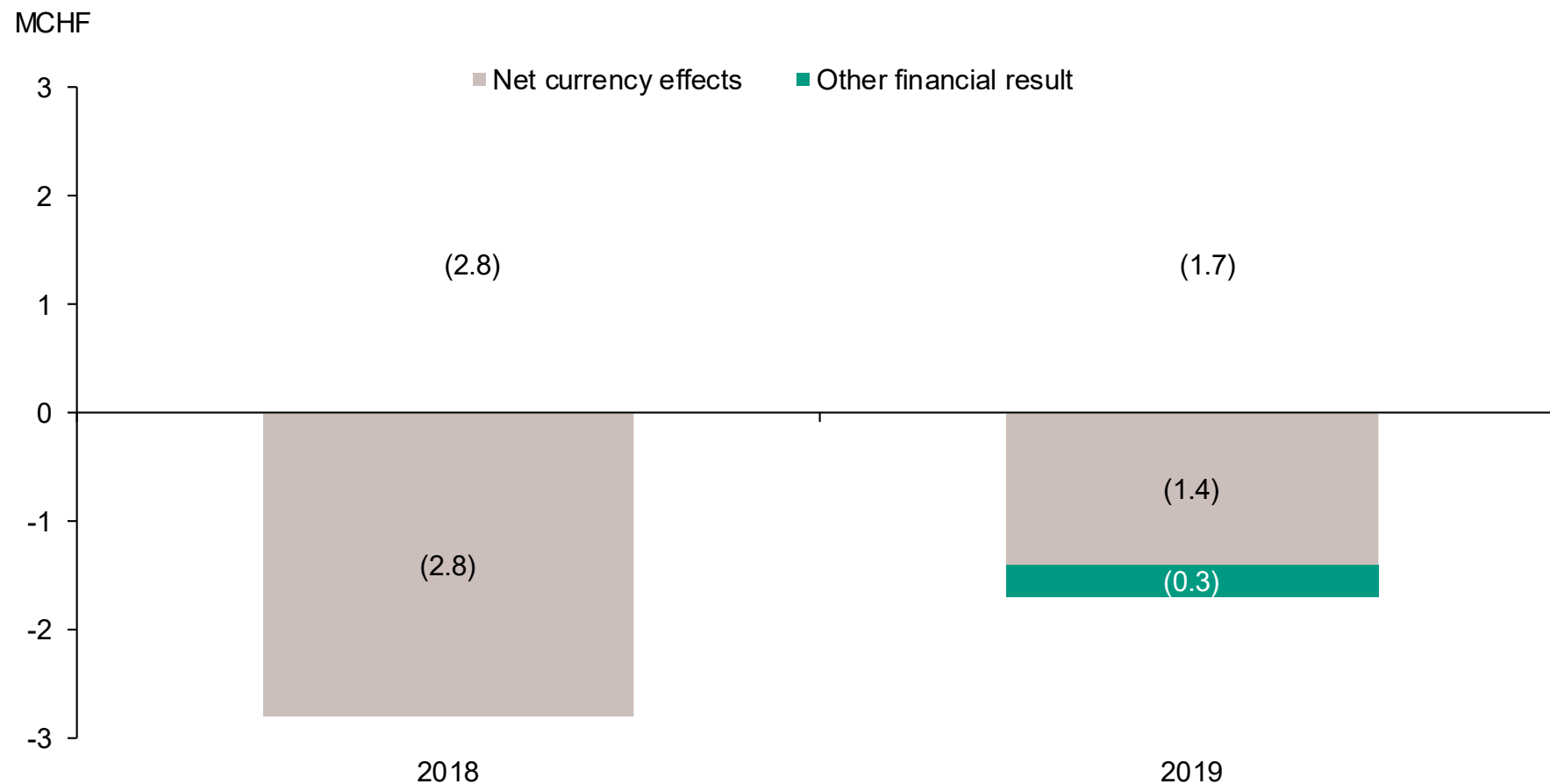
Increase EBIT margin in Radio Frequency and Fiber Optics, reduction in Low Frequency

MCHF

	2019	in %	2018	in %
Radio Frequency	47.1	17.1	40.8	16.0
Fiber Optics	18.8	6.6	20.0	5.9
Low Frequency	21.6	8.0	28.7	9.8
Corporate	(7.0)		(7.0)	
<b>Total EBIT</b>	<b>80.5</b>	<b>9.7</b>	<b>82.5</b>	<b>9.3</b>

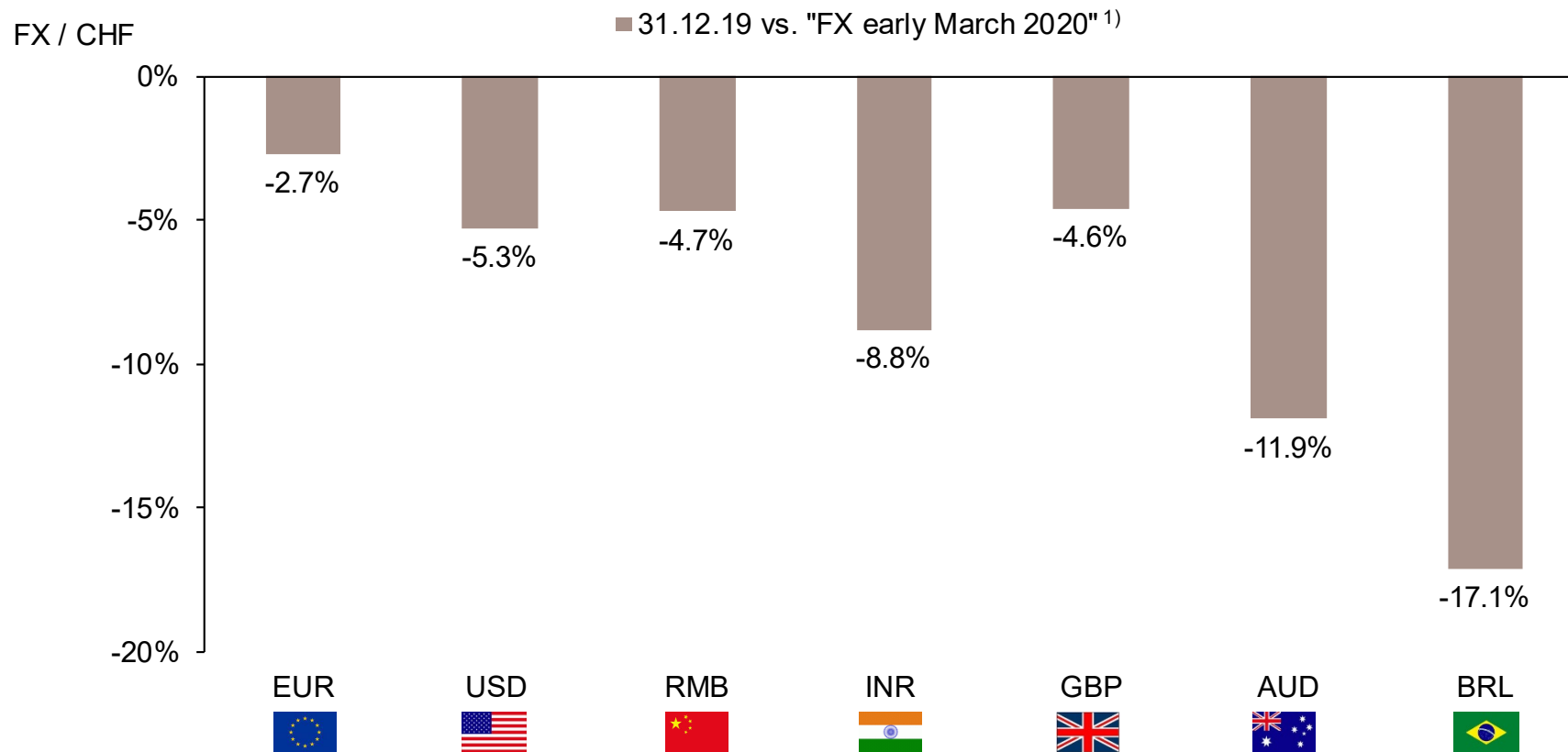
# Financial result

Less pronounced currency influences



# Currency situation in 2020

Strong depreciation of H+S relevant currencies vs. CHF so far



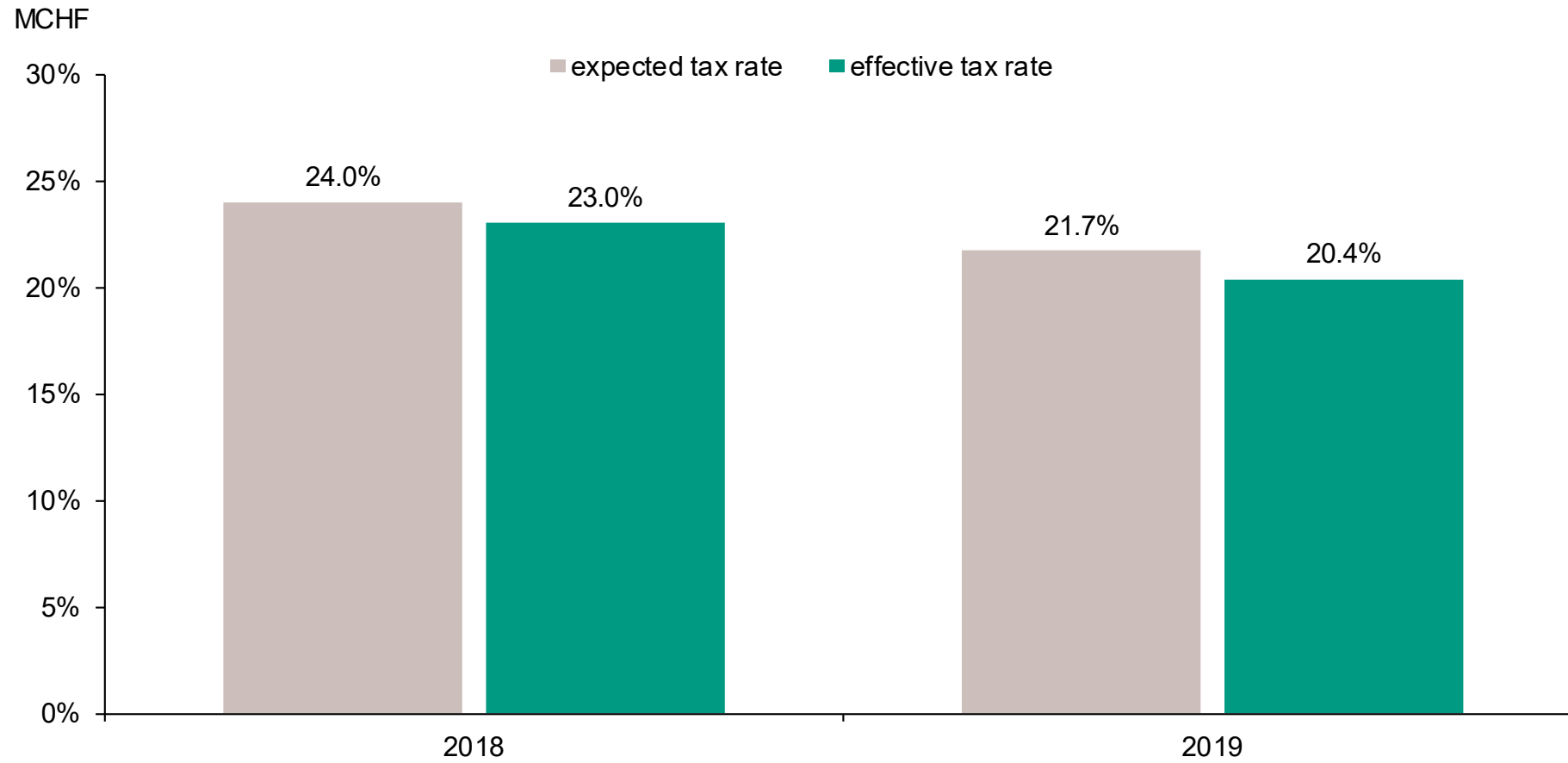
<sup>1)</sup>"FX early March 2020"

EUR 1.06    USD 0.925    RMB 0.133    INR 0.0125    GBP 1.22    AUD 0.60    BRL 0.20

Simulation: FX impacts on FY19 result		
MCHF	reported	"FX early March 2020" calculated
Net sales	831	→ 778 (-6.4%)
EBIT	81	→ 68 (-16%)
EBIT margin	9.7%	→ 8.7%

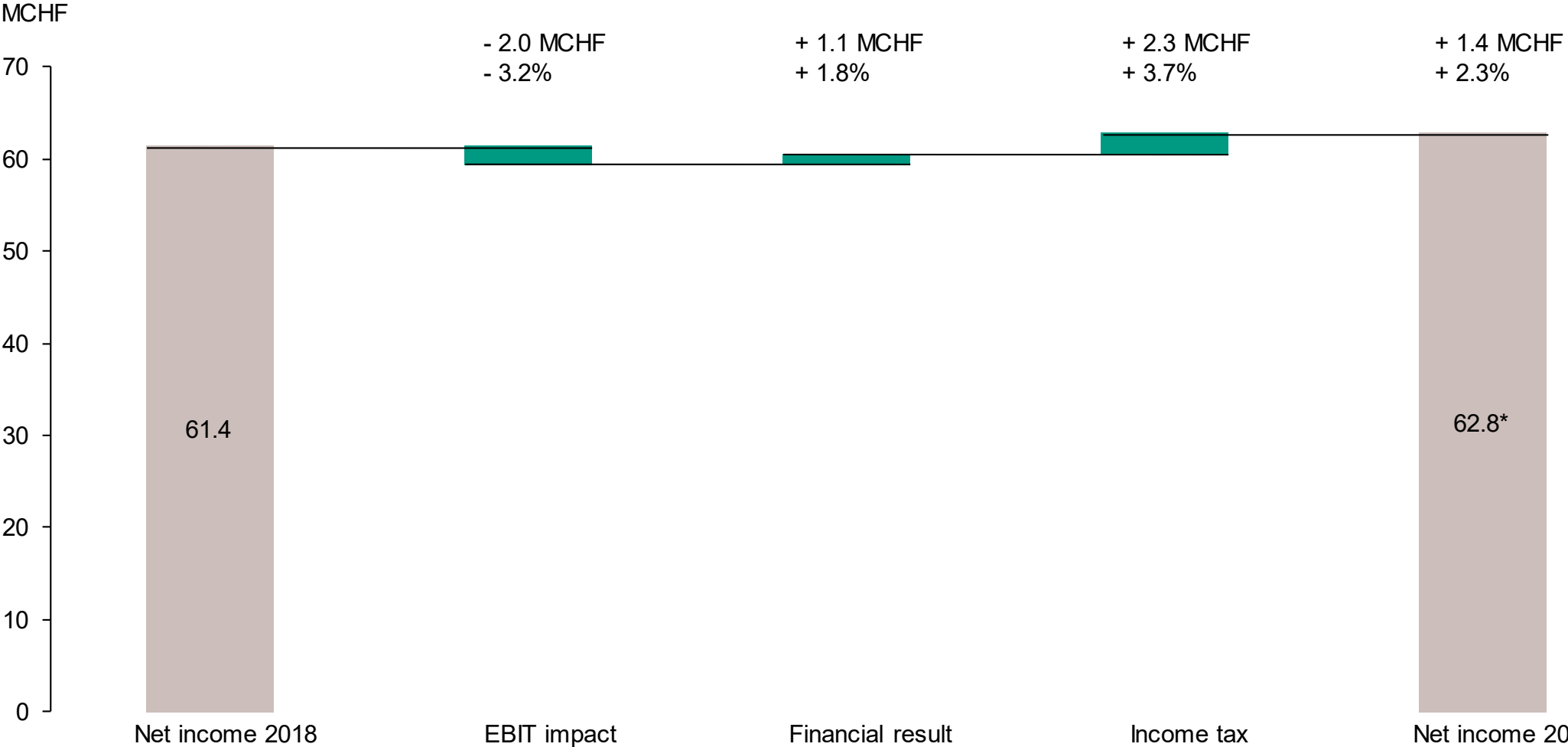
# Group tax rate

Significant reduction in effective tax rate



# Factors impacting net income

Earnings per share (CHF)  
3.15 → 3.22 (+2.1%)

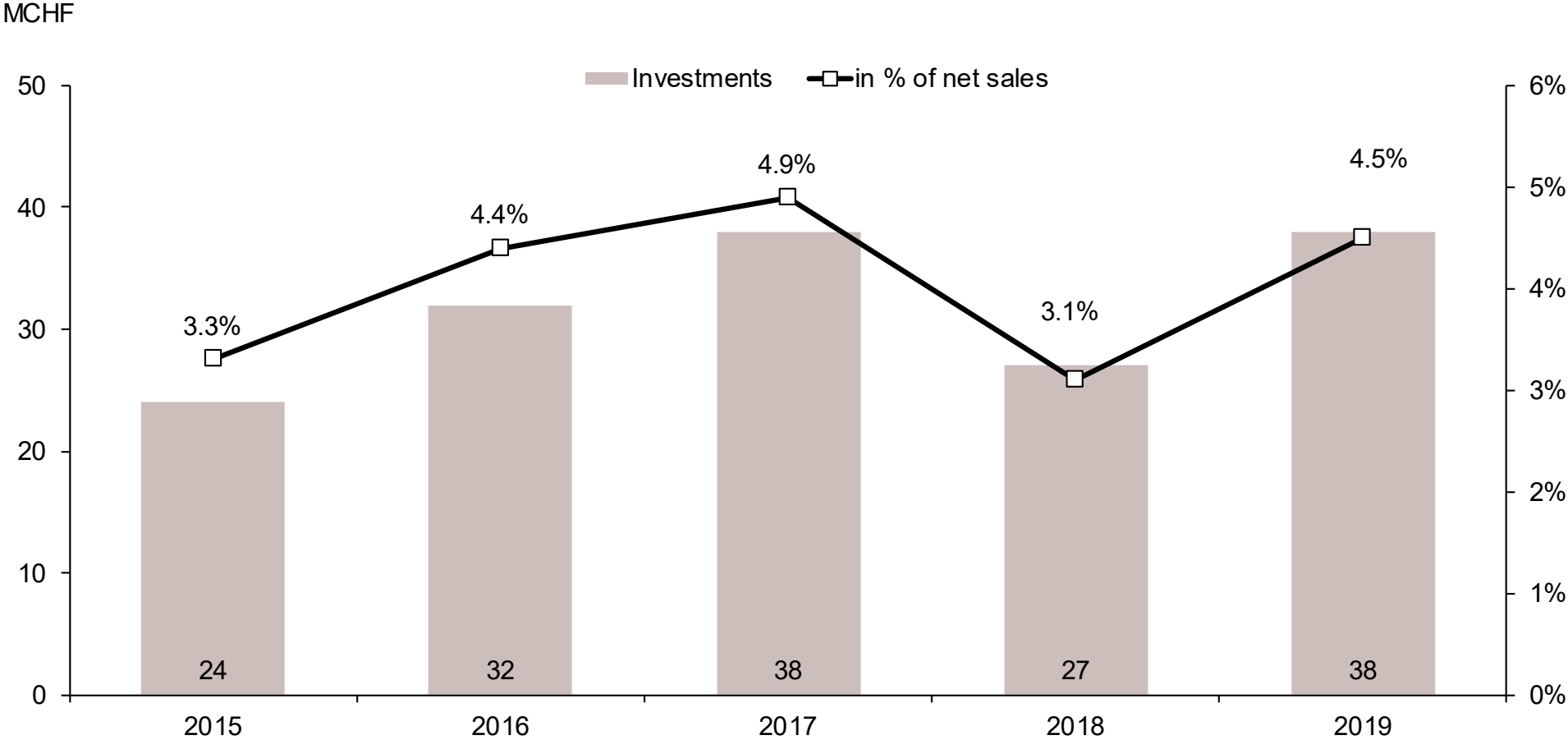


\*thereof minority interests 0.1



# Investments

Higher volume



## Impacts of the BKtel acquisition

<b>MCHF</b>	
Acquired net assets	13.5
Less M+A expenses	(0.3)
Goodwill	<u>39.3</u>
<b>Purchase price</b>	<b>52.4</b>
<b>Net cash outflow 2019</b>	<b>43.1</b>

# Overview Balance sheet

Unchanged strong

MCHF	31.12.19	31.12.18		30.06.2019
Cash and cash equivalent	192	199	-4%	167
Other current assets	314	332	-5%	373
Non-current assets	244	239	2%	237
Financial liabilities	1	-	n/a	-
Liabilities	161	149	8%	172
Equity*	588	621	-5%	605
in %	78%	81%		78%
<b>Balance sheet total</b>	<b>750</b>	<b>770</b>	<b>-3%</b>	<b>776</b>
Net liquidity	190	199	-4%	167
*thereof minority interests	3	n/a		n/a

# Overview cash flow

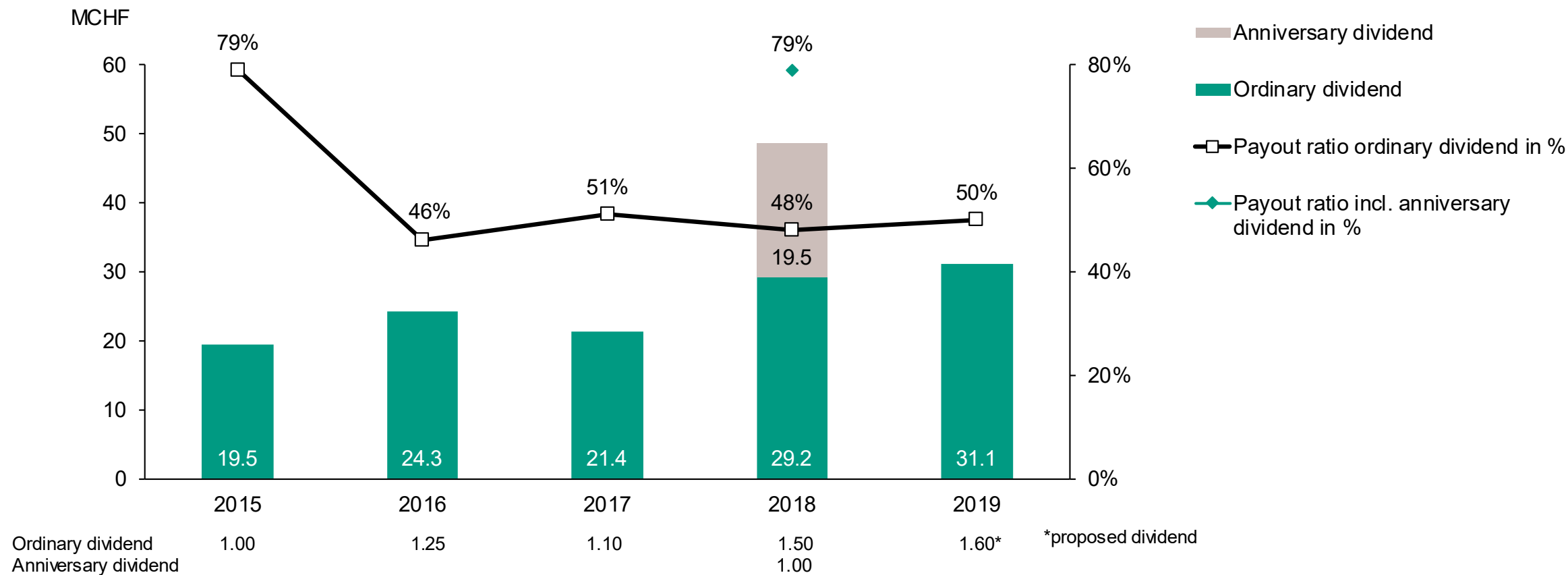
Record high cash flow from operating activities

MCHF	2015	2016	2017	2018	2019
Cash flow from operating activities	69.7	79.6	52.9	99.6	129.1
Cash flow from investing activities	(21.8)	(57.5)	(33.0)	(27.8)	(84.0)
<b>Free operating cash flow</b>	<b>47.9</b>	<b>22.1</b>	<b>20.0</b>	<b>71.7</b>	<b>45.1</b>
Dividend payment	(27.3)	(19.5)	(24.3)	(21.4)	(48.7)
Change in treasury shares	(0.9)	(1.4)	(1.3)	(2.2)	(1.5)
<b>Free cash flow</b>	<b>19.7</b>	<b>1.2</b>	<b>(5.7)</b>	<b>48.1</b>	<b>(5.1)</b>

2016-2019: Swiss GAAP FER  
2015: IFRS

# Dividend development

## Increase of the ordinary dividend



# Financial assessment 2019

- ⬇️ Decline in order intake (-12.5 %) and net sales (-6.1 %)
- ⬆️ Operating profitability (9.7 %) at the upper end of the medium-term target range
- ⬆️ Improved corporate tax rate (20.4 %)
- ⬆️ Higher net income (MCHF 63) despite lower sales
- ⬆️ Very high cash flow from operating activities (MCHF 129)

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# Milestones 2019



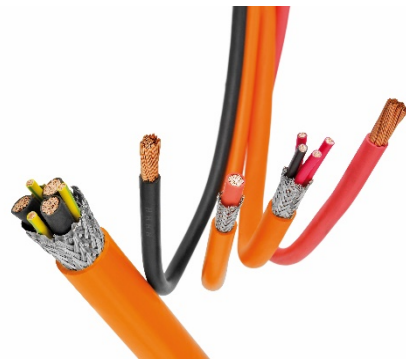
## 50 years HUBER+SUHNER Connecting with you

This was the motto under which the company was getting in touch with customers, employees, shareholders and other stakeholders at 50th anniversary celebrations worldwide.



## Communication Acquisition of BKtel

The acquisition strengthens the position in broadband communication and optical transmission technology while offering new opportunities in advanced communication and 3D scanning solutions.



## Transportation EV Automotive

HUBER+SUHNER received approval from a European-American car manufacturer to supply a customer-specific cable solution for electric vehicles.



## Industrial Product innovation in test and measurement

Market launch of the innovative SUCOFLEX® 550S, manufactured using patented rotary swaging technology and with a 5 times longer service life



# Trends in main markets

Basic trends and prospects remain intact

## Communication: “Connectivity”

- Densification of mobile networks for higher capacity, better coverage, and lower latency remains a focal area
- Expansion of the 5G mobile communications infrastructure expected to gain momentum
- Further decrease of LTE volumes
- Increasing data traffic drives investments in fixed line infrastructure
- Further potential seen in active and passive WDM systems as well as RF-over-fiber solutions

## Transportation: “Mobility”

- Project tenders in the railway market indicate a basically positive market environment
- Electric vehicle market with wider offering from all major manufacturers; mass suitability of drive concept confirmed – strong demand and high differentiation in short distance commercial vehicles expected

## Industrial: “Upgrowth”

- Highly differentiated products continue to offer opportunities in a wide range of applications
- Strong momentum expected to continue in test and measurement, wind energy, high power charging

# Coronavirus outbreak

China impact certain – unclear impact of geographical spreading

## HUBER+SUHNER in China

- The business of HUBER+SUHNER in North Asia accounts for approximately 15 % of Group sales.
- +/- 1000 employees, production plant in Changzhou (Jiangsu province); sales organisation across China
- Office functions fully operational after Chinese New Year thanks to home office ruling
- Business continuity management in place before Chinese New Year, and meanwhile rolled out to the entire supply chain including critical suppliers
- Production workforce increasingly resuming work at Changzhou plant since 11 February 2020; currently approx. 90 % of workforce operational, 100 % capacity expected end of March (based on “no corona case” among staff)

## Remaining challenges

- Movement of freight between provinces hindered due to restrictions on people moving around
- Seaport facilities struggling with shortages in logistics; airfreight consignments affected due to the cancellation of flights

## Expected impact

- Estimated impact Q1 2020: 30 MCHF “missing” sales (15 MCHF domestically + 15 MCHF globally due to China dependent supply chain)
- Risks of disruptions in supply chain to continue; prolonged delays possible; catch up will take several months
- Difficult to evaluate effect of catch-up race and expected Chinese government stimulus programs
- Impact of global spreading of Coronavirus on HUBER+SUHNER business impossible to evaluate from today’s perspective!

# Outlook 2020

## Net sales guidance for 2020

- Following the lower order intake during the second half of the reporting year, a rather restrained start to the current year is to be expected.
- Measures against the spread of the coronavirus in the Chinese market will have negative effects directly on local sales and indirectly on the global value chains with Chinese participation.
- The development of major currency exchange rates vs. the Swiss Franc is unfavourable.
- At this point in time, it is unclear how the geographical expansion of the corona epidemic will possibly impact business in additionally affected regions.
- HUBER+SUHNER will specify its sales outlook for the current fiscal year when presenting its half-year figures.

## Medium-term target range over the business cycle and EBIT guidance for 2020

- The aim remains unchanged to achieve an EBIT margin within the medium-term target range of 8–10 % for the full year 2020.

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The background of the image is a dark blue field filled with a complex network of glowing blue lines and nodes. The nodes are small, bright blue spheres of varying sizes, and the lines are thin, light blue strands that crisscross the entire frame, creating a sense of interconnectedness and digital flow. The overall aesthetic is futuristic and technological.

**Connecting – today and beyond**

# Disclaimer

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