

HUBER+SUHNER

Media and analysts conference 2021

Agenda

Overview of business year 2020**Urs Ryffel (CEO)**

Financial results

Ivo Wechsler (CFO)

Milestones and outlook 2021

Urs Ryffel (CEO)

Questions and discussion

HUBER+SUHNER achieves solid results

Order intake and net sales behind previous year in difficult environment

- Noticeable slowdown in the mobile network expansion in the first half of the year, affecting Radio Frequency (RF) and Fiber Optics (FO)
- Delayed entering into service of rolling stock slowed down the awarding of contracts, affecting Low Frequency (LF)
- Order intake: FO increased slightly due to upturn in data centers and BKtel acquisition, RF and LF behind previous year
- Shift in net sales share by regions: EMEA up at expense of APAC and Americas
- Net sales: all technology segments behind 2019
- The three strategic growth initiatives (Aerospace & Defense, Data Center, EV Automotive) overall achieving growth again compared to prior year

EBIT margin of 8.3 % within medium-term target range (8–10 %)

- EBIT margin improved in second half-year; stringent cost management a major factor
- Improved margin due to better business mix offset by lower absorption of fixed costs
- Temporary and structural measures cushioned economic effects
- Free operating cash flow slightly increased compared to prior year

Stabilised markets after first wave reduced shortfall significantly in second half of 2020

- Communication and transportation markets showed significant improvement compared to prior-year period, but without being able to make up for the shortfall from H1
- Automotive submarket stood out thanks to strong development with solutions for electric vehicles
- Industrial market: decline in order intake and net sales compared to strong previous years; slower momentum in all key submarkets in corona year
- After a cyberattack towards the end of the year the company successfully resumed normal operation on its own; nevertheless, some working days were lost

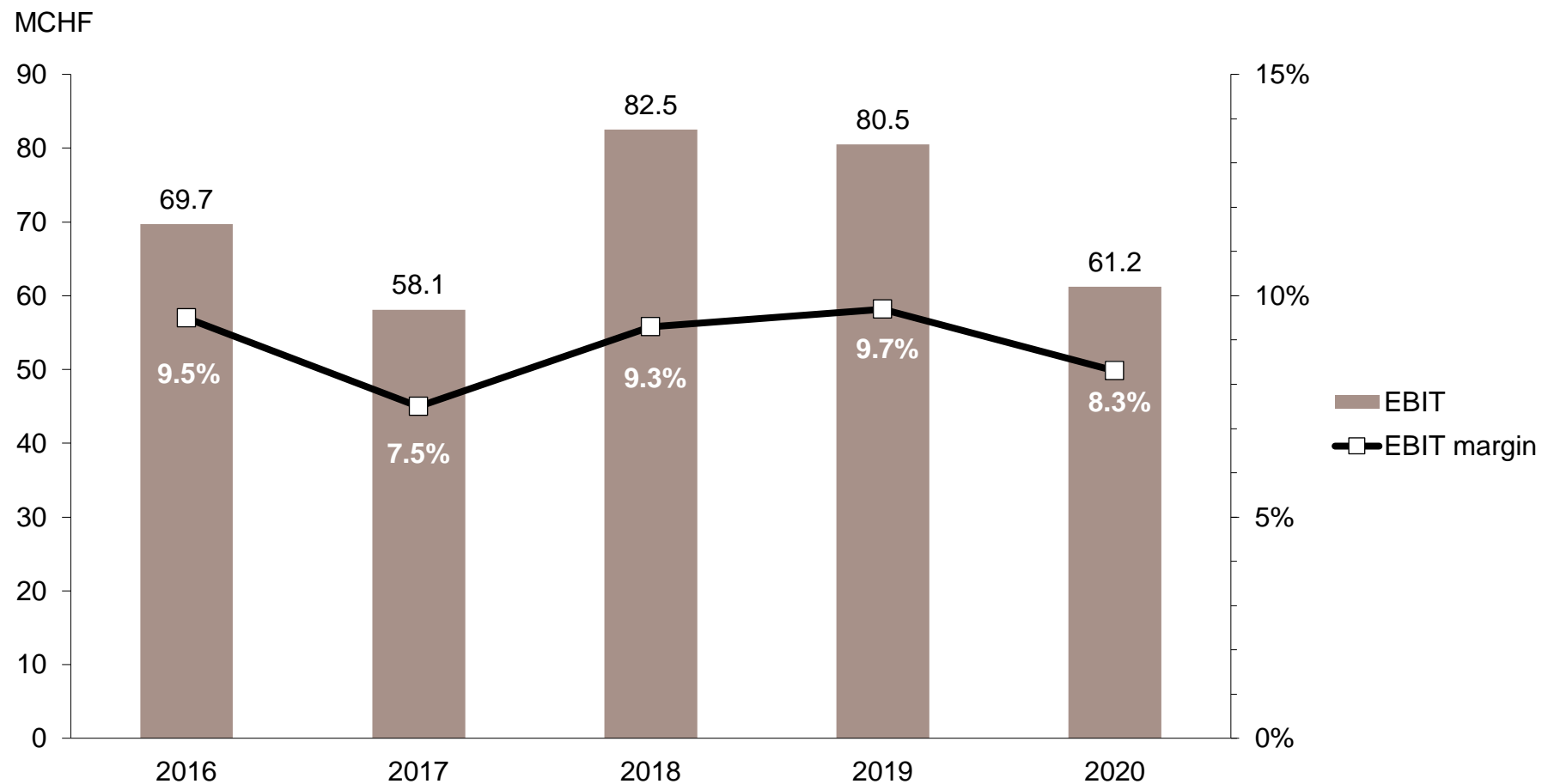
Figures at a glance

MCHF

	2020	2019	Δ %
Order intake	748.2	800.9	-6.6
Net sales	737.9	830.6	-11.2
Operating profit (EBIT) as % of net sales	61.2 8.3	80.5 9.7	-24.0
Net income as % of net sales	52.3 7.1	62.8 7.6	-16.7

EBIT

Profitability within medium-term target range of 8–10 %



Radio Frequency technology segment

Strong decline of volumes – double-digit EBIT margin – outlook remains intact

MCHF

	2020	2019	Δ %
Order intake	239.5	272.8	-12.2
Net sales	236.3	275.2	-14.1
Operating profit (EBIT)	29.5	47.1	-37.4
as % of net sales	12.5	17.1	

Key aspects

- Decline in business after several years of growth
- A&D growth initiative: market share maintained
- Automotive: important nominations for distance radar antennas
- Communication: success with RF-over-fiber solutions
- Outlook for RF connectivity in industry, energy, security and defense applications remains intact

Fiber Optics technology segment

Business with DC and WAN / Access networks increases – EBIT margin rises significantly

MCHF

	2020	2019	Δ %
Order intake	278.4	274.7	+1.4
Net sales	269.4	285.6	-5.7
Operating profit (EBIT) as % of net sales	22.4 8.3	18.8 6.6	+18.8

Key aspects

- WAN / Access networks: acquisition-driven growth
- Data center growth initiative shows increase
- Temporary slowdown in expansion of mobile networks
- Ideally positioned for two big future trends: 5G mobile access and higher data rates in the fixed network

Low Frequency technology segment

Lower sales put pressure on EBIT margin – EV solutions sales with strong uptick

MCHF

	2020	2019	Δ %
Order intake	230.3	253.4	-9.1
Net sales	232.2	269.8	-14.0
Operating profit (EBIT) as % of net sales	15.5 6.7	21.6 8.0	-28.2

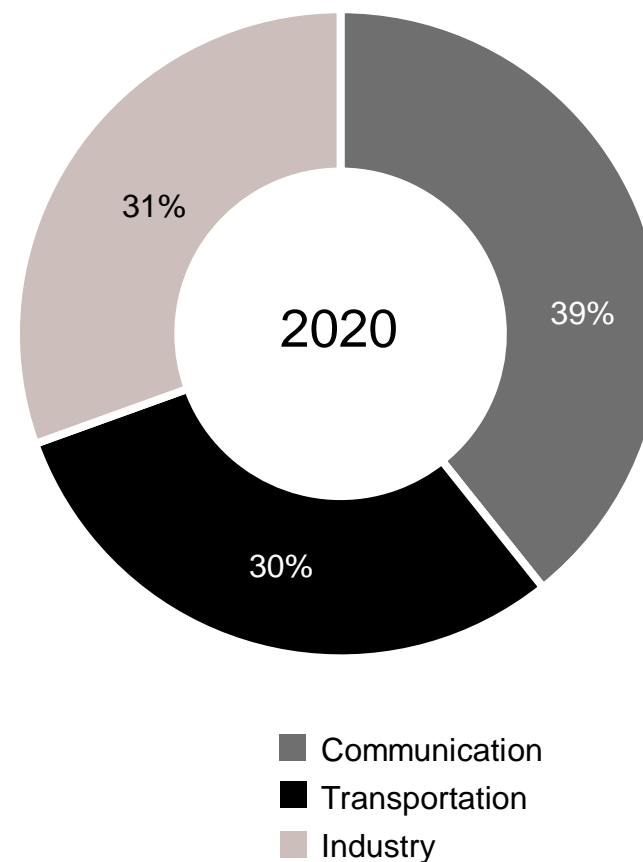
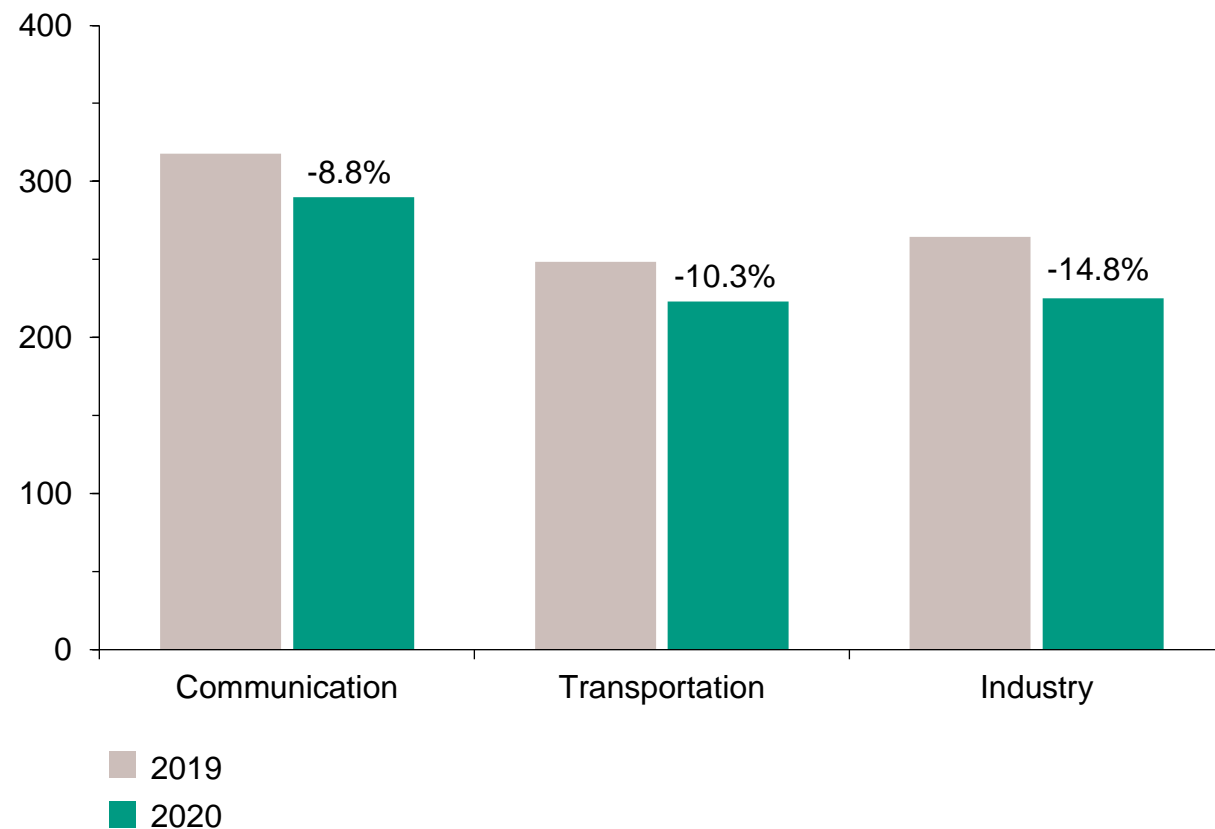
Key aspects

- Railway submarket: high level of bidding activity; delay in the entering into service of new rolling stock
- Automotive submarket: growth with solutions for commercial electric vehicles compensates for decrease of business in the area of cars with conventional drive
- Strong market position for fast-charging defended; RADOX® HPC range expanded with uncooled cable solutions

Net sales by market

All three main markets hit by decline – shares remain stable

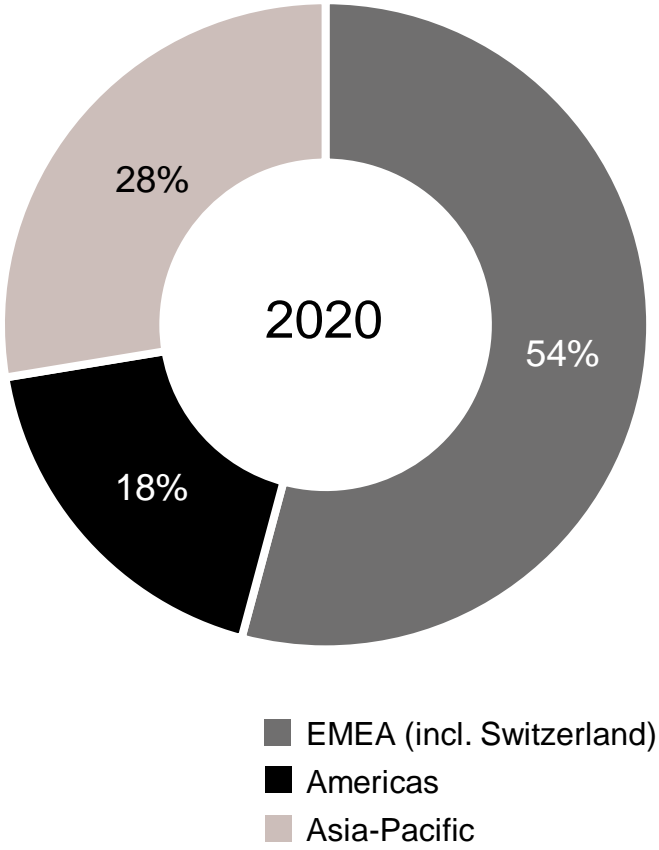
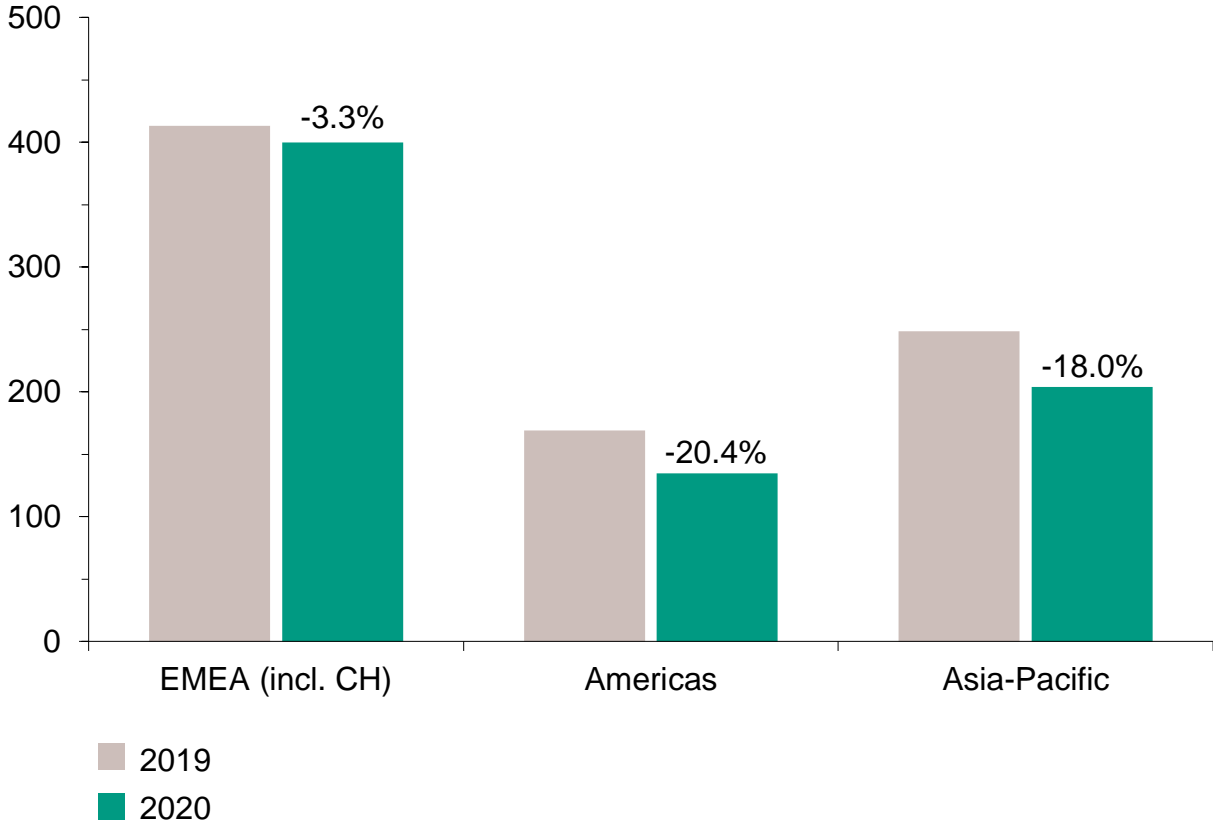
MCHF



Net sales by region

Shift in regional share to EMEA at the expense of APAC and Americas

MCHF



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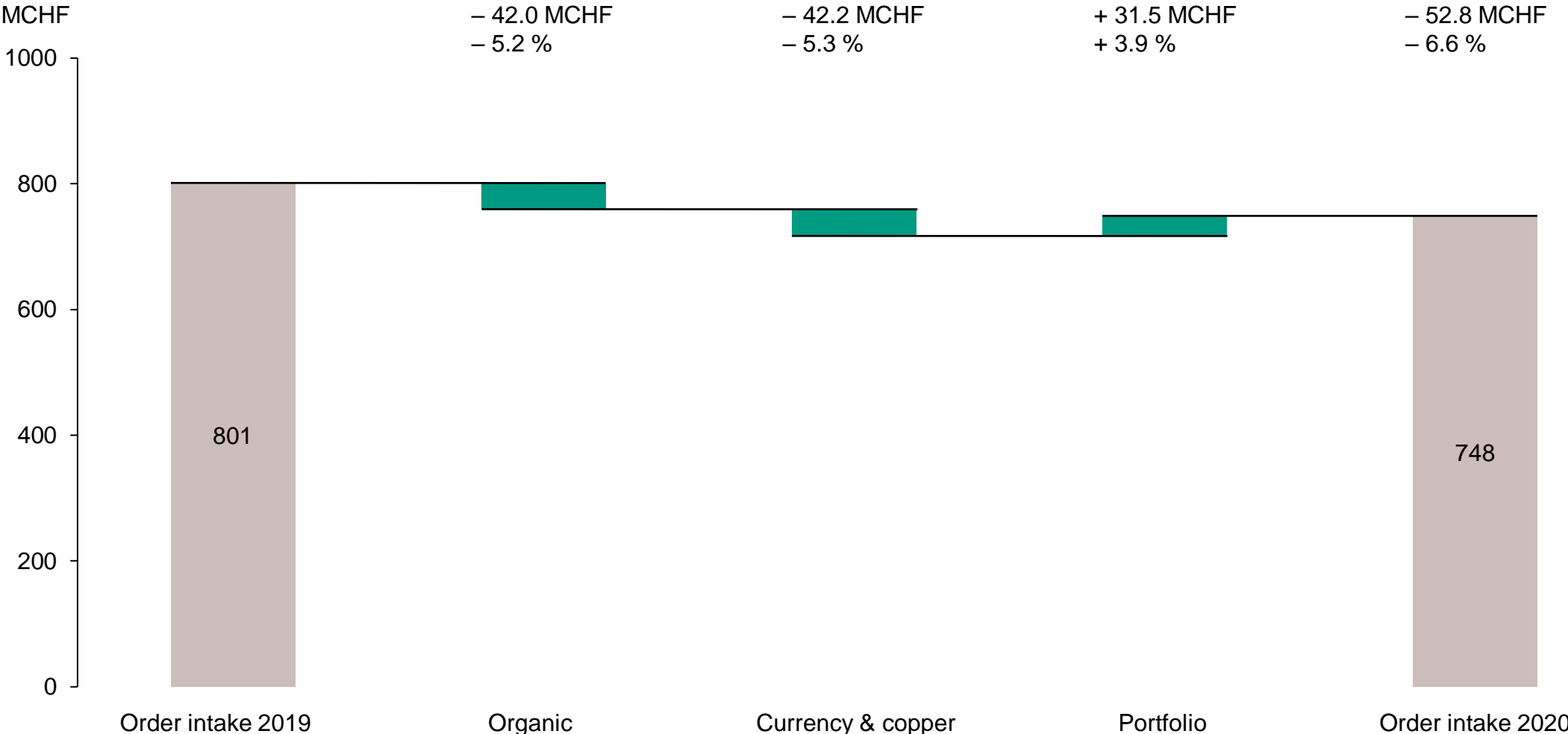
Ivo Wechsler (CFO)

Milestones and outlook 2021

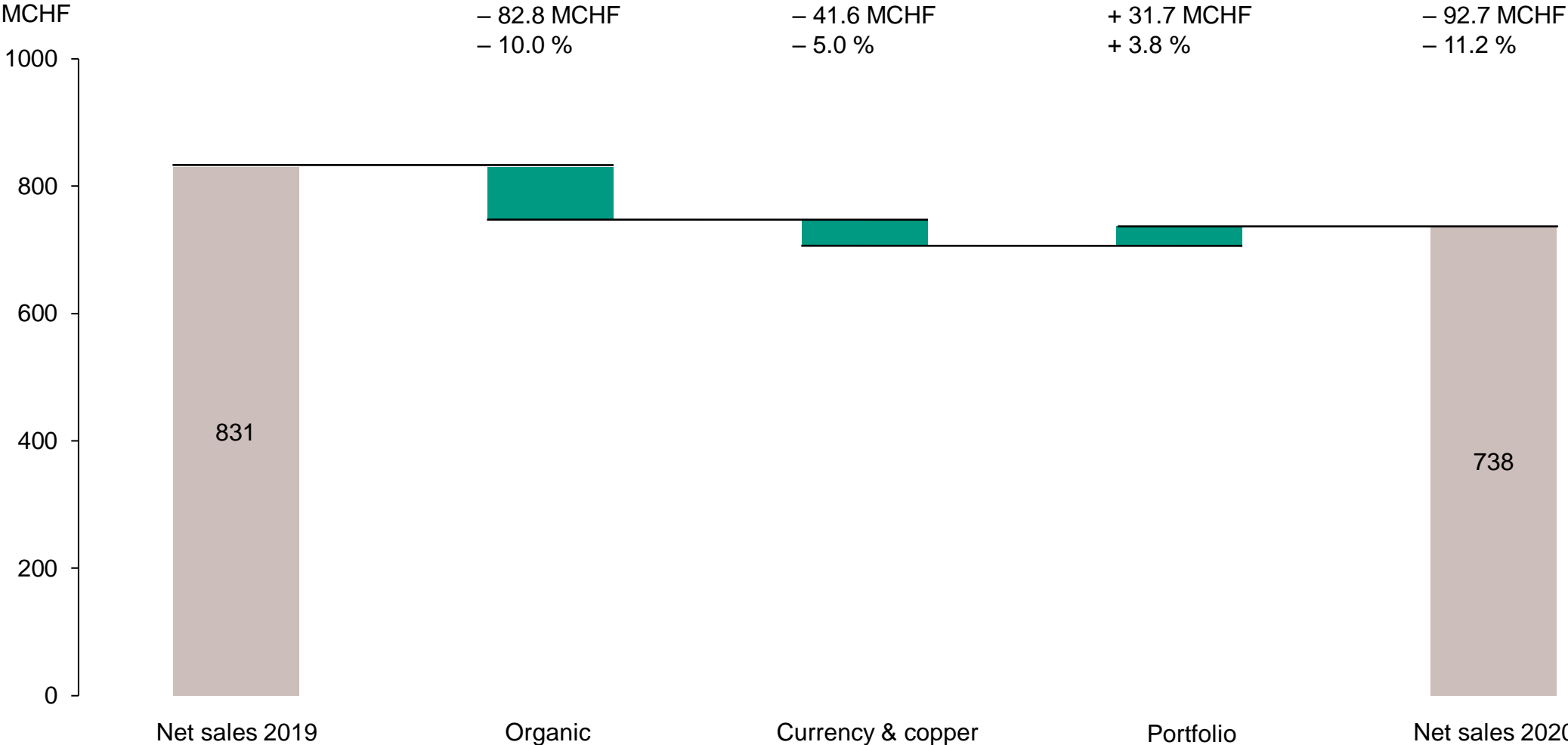
Urs Ryffel (CEO)

Questions and discussion

Factors impacting order intake

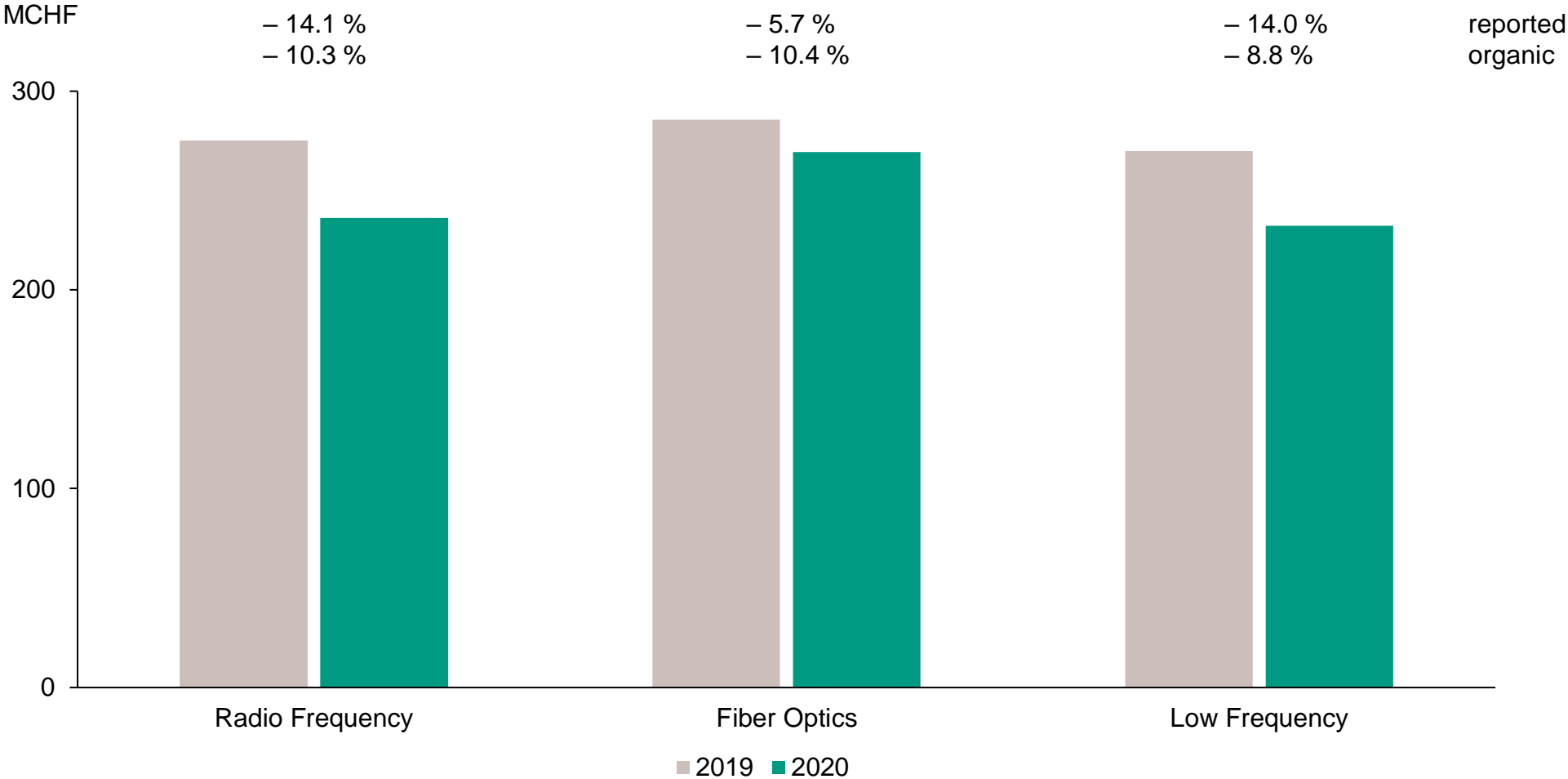


Factors impacting net sales



Net sales development by technology segment

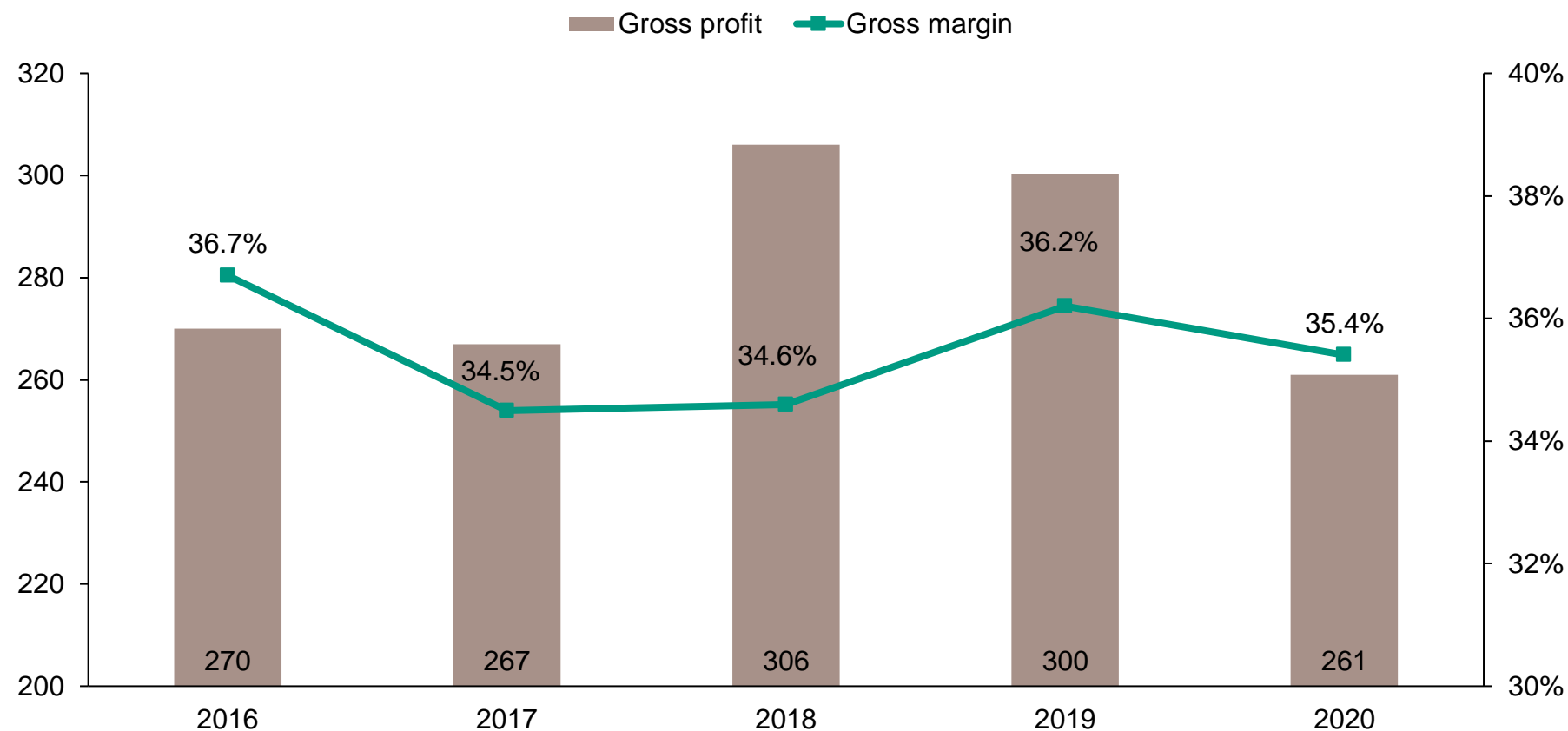
Organic reduction at comparable level



Gross margin

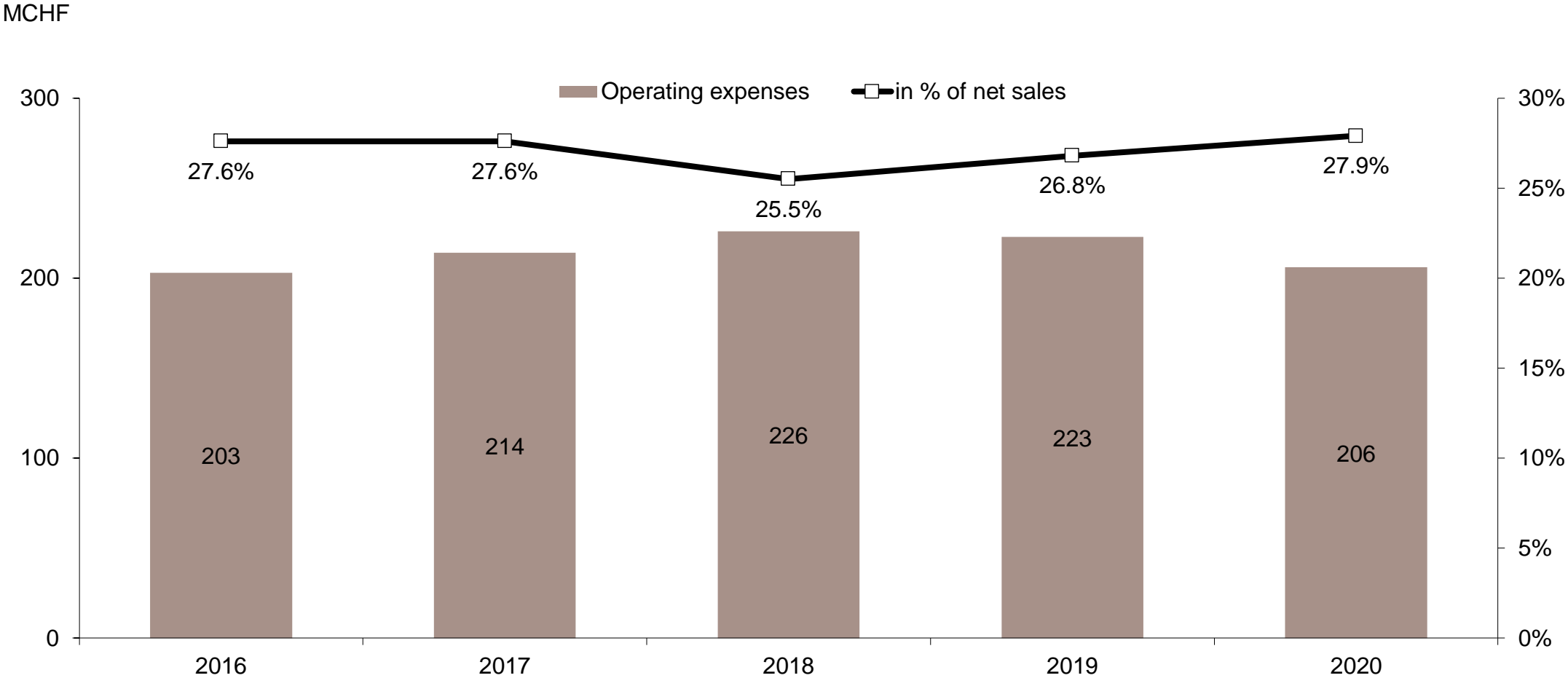
Lower absorption of fixed costs puts pressure on margin

MCHF



Operating expenses

Pro-active cost management, higher R&D expenses



EBIT by technology segment

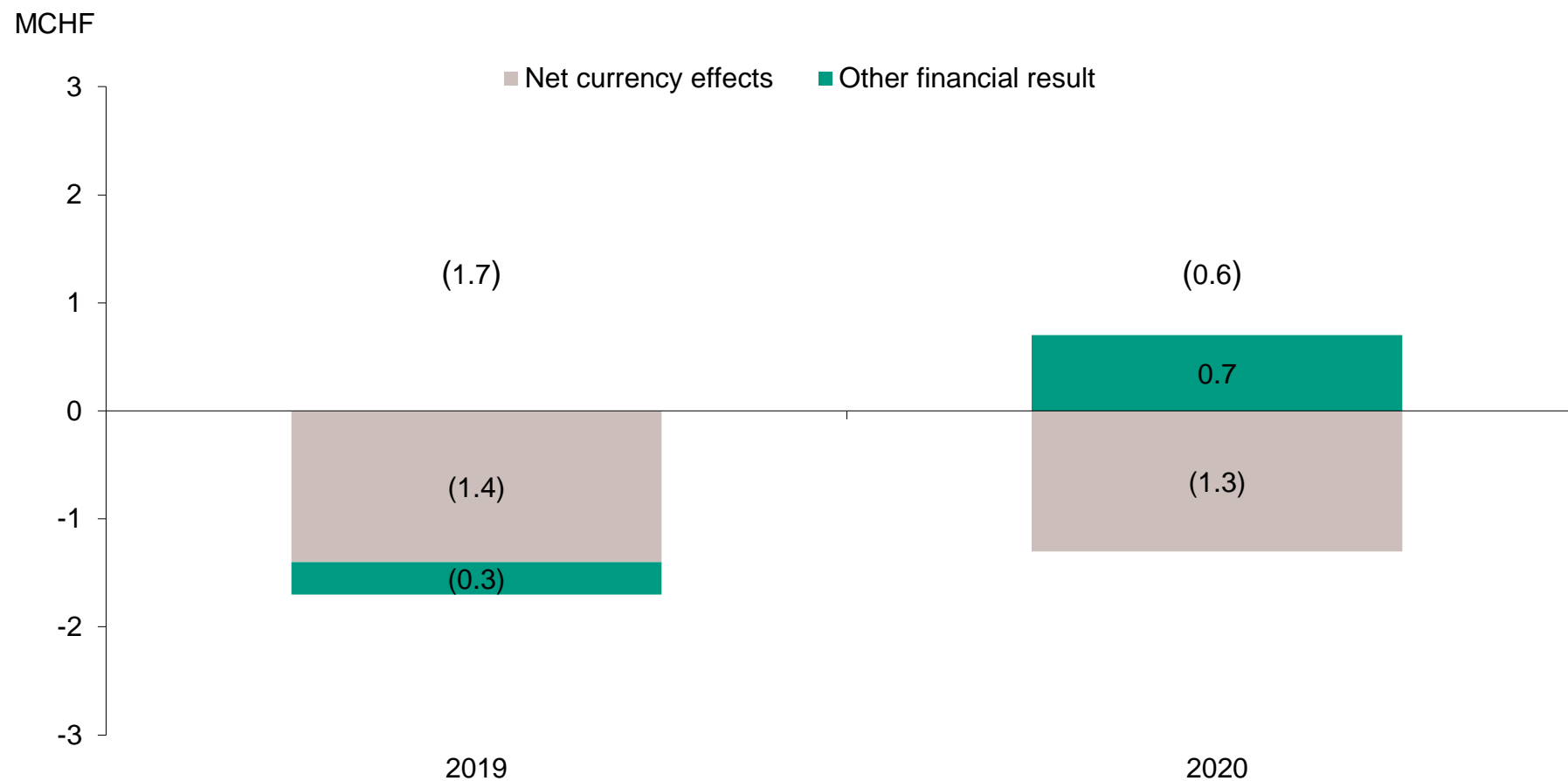
Increase in Fiber Optics, decline in Radio Frequency and Low Frequency

MCHF

	2020	in %	2019	in %
Radio Frequency	29.5	12.5	47.1	17.1
Fiber Optics	22.4	8.3	18.8	6.6
Low Frequency	15.5	6.7	21.6	8.0
Corporate	(6.1)		(7.0)	
Total EBIT	61.2	8.3	80.5	9.7

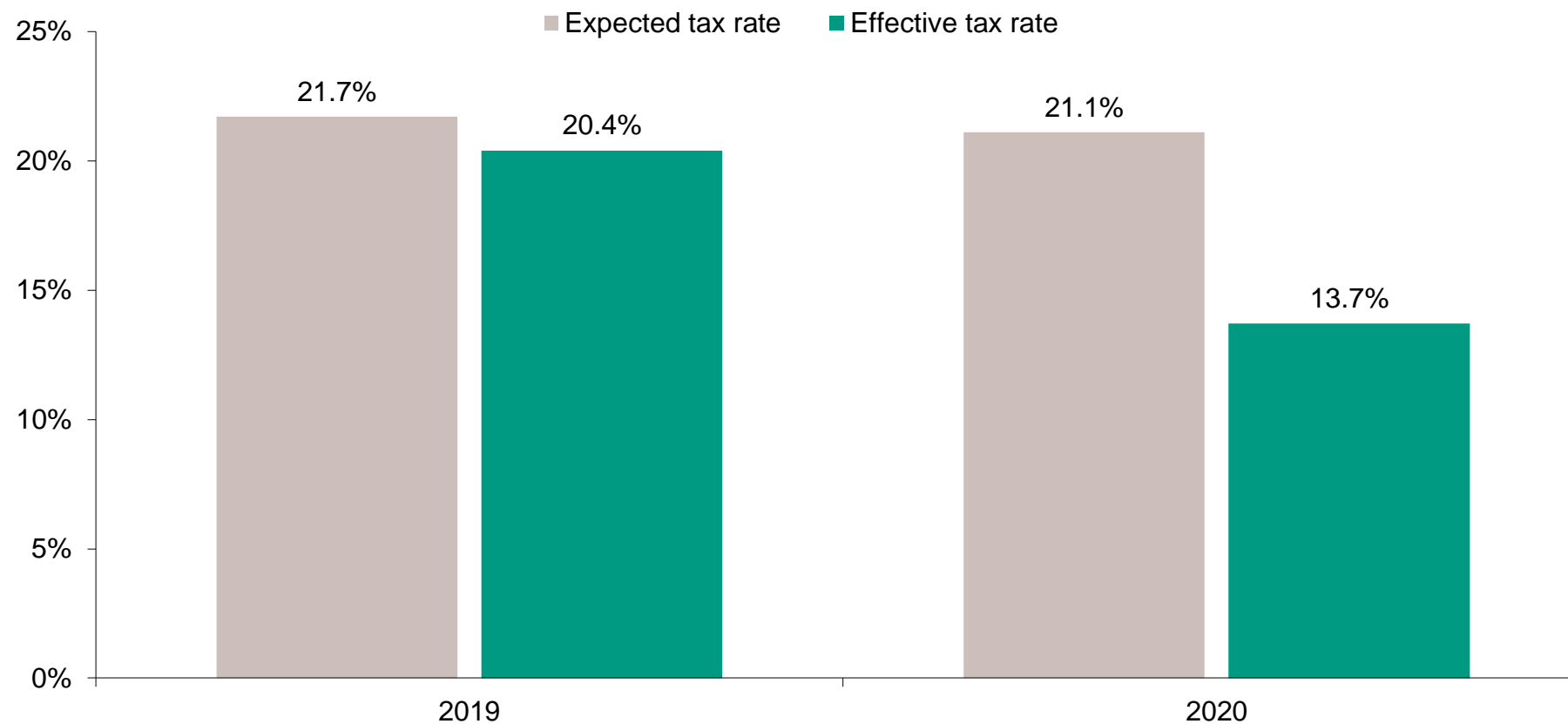
Financial result

Improvement in other financial result



Group tax rate

Significant reduction of the effective tax rate



Two sustainable effects

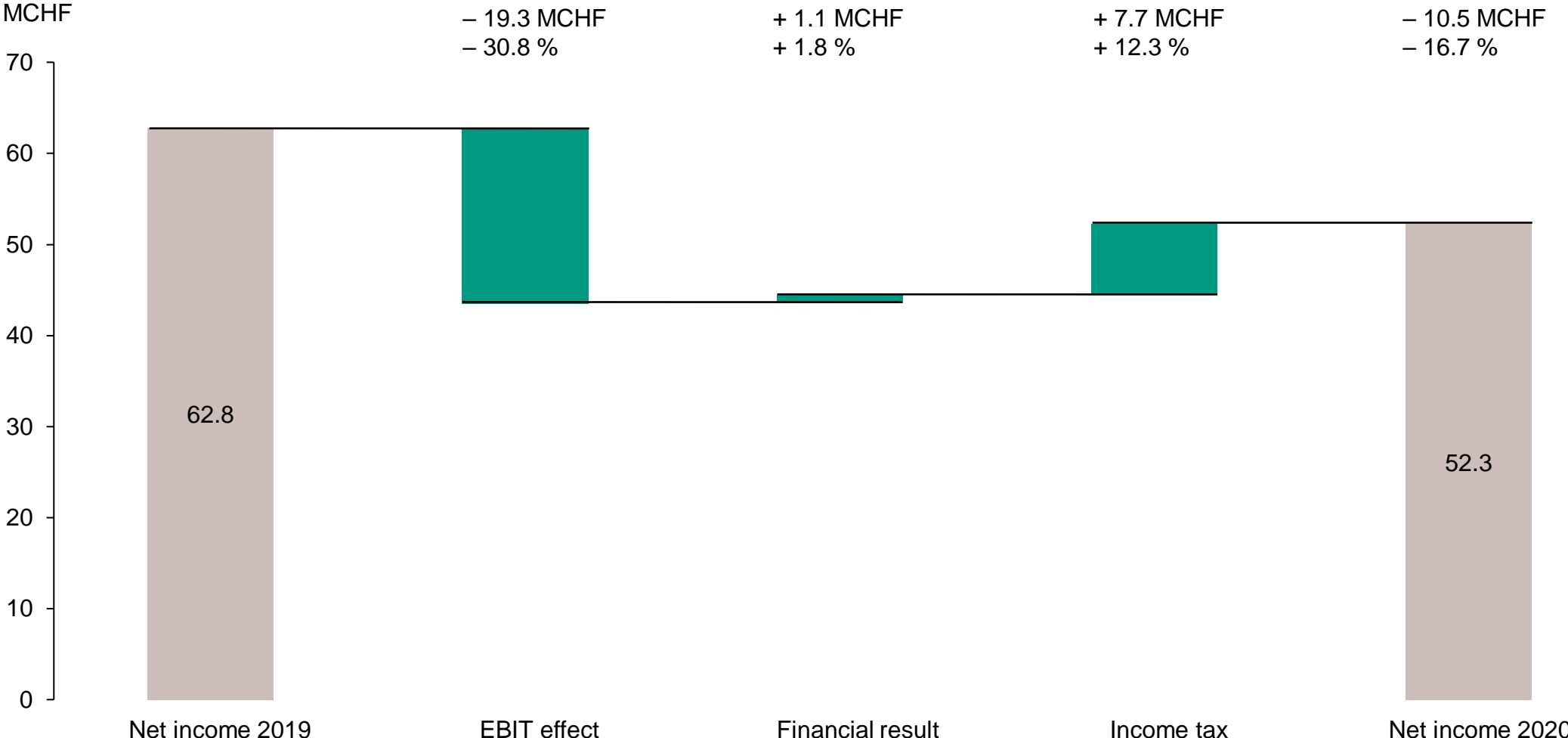
- R&D special deduction CH
- High tech status China production

Positive One-time effect

- Closure of production site in Brazil (MCHF 3.4)

Factors impacting net income

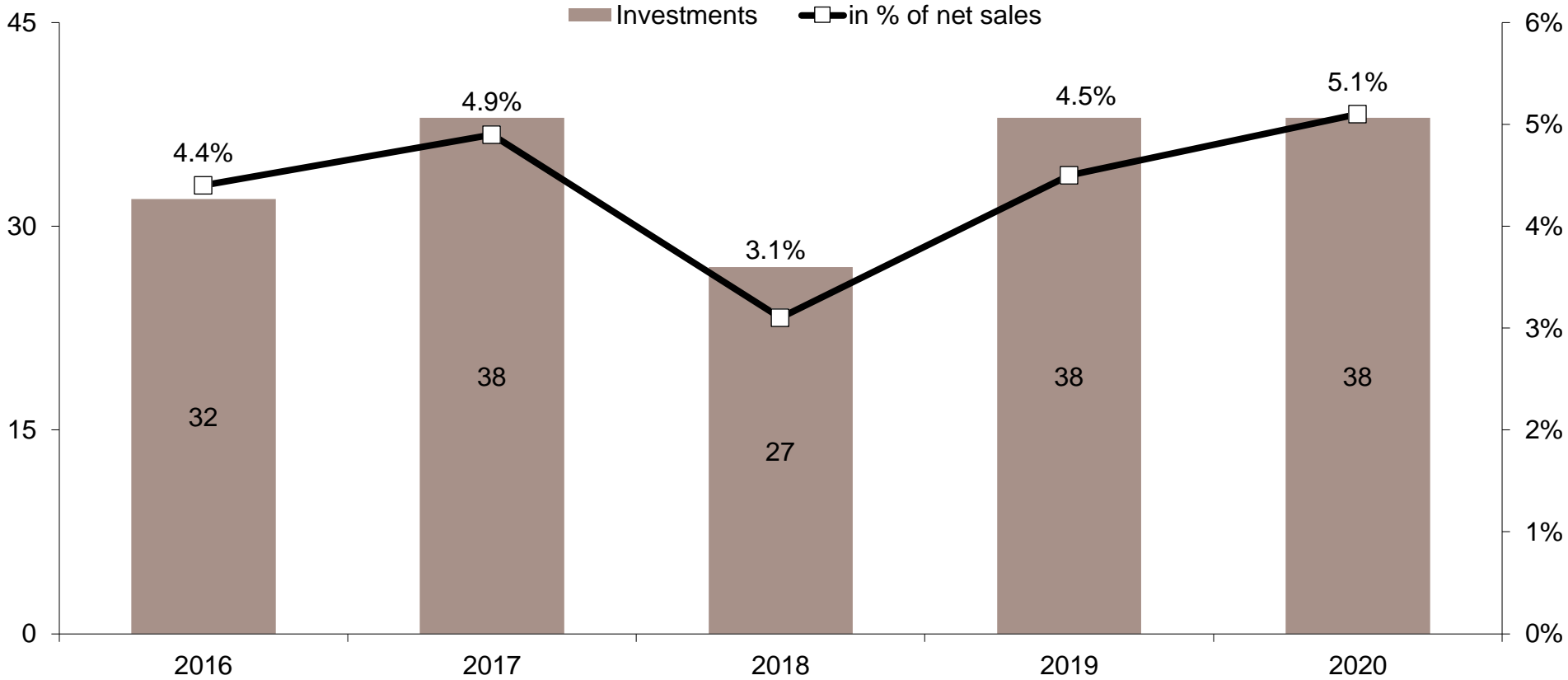
Earnings per share (CHF)
3.22 → 2.66 (-17%)



Investments

Constant level of capital expenditure

MCHF



Overview cash flow

Again high free operating cash flow

MCHF	2016	2017	2018	2019	2020
Cash flow from operating activities	79.6	52.9	99.6	129.1	86.5
Cash flow from investing activities	(57.5)	(33.0)	(27.8)	(84.0)	(36.3)
Free operating cash flow	22.1	20.0	71.7	45.1	50.2
Dividend payment	(19.5)	(24.3)	(21.4)	(48.7)	(31.2)
Dividend payment to minorities	-	-	-	-	(0.5)
Change in treasury shares	(1.4)	(1.3)	(2.2)	(1.5)	(1.2)
Free cash flow	1.2	(5.7)	48.1	(5.1)	17.4

Overview Balance sheet

Strong cash position

MCHF	31.12.2020	31.12.19	
Cash and cash equivalent	204	192	6 %
Other current assets	288	314	-8 %
Non-current assets	249	244	2 %
Financial liabilities	1	1	-55 %
Other liabilities	148	161	-8 %
Equity*	592	588	1 %
in %	80 %	78 %	
Balance sheet total	740	750	-1 %
Net liquidity	203	190	7 %

*thereof minority interests

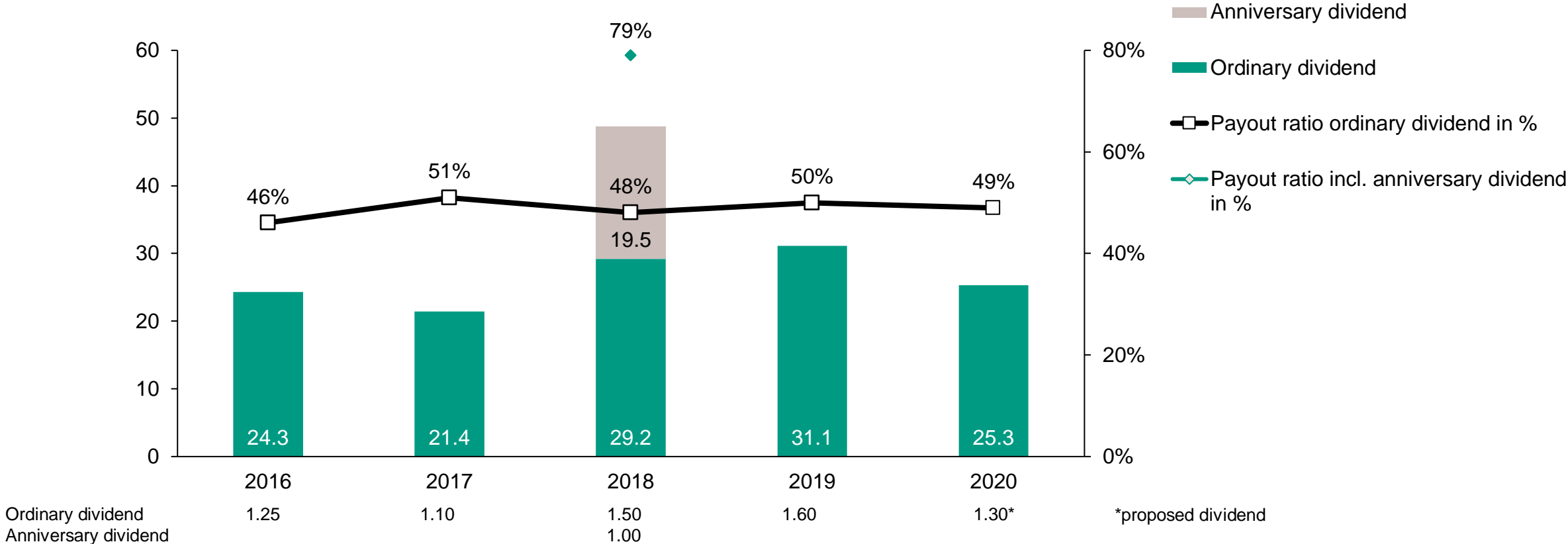
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Dividend development

Earning-oriented dividend policy

MCHF



Financial assessment 2020

- ⬇️ Decline in order intake (-6.6%) and net sales (-11.2%)
- ⬆️ Operating profitability (8.3%) within the medium-term target range despite Covid-19
- ⬆️ Very low tax rate (13.7%)
- ⬆️ Significantly improved free operating cash flow in H2 (MCHF 50 full year)

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Milestones 2020



Sustainability Responsible and concrete

- With an A- rating, the non-profit organisation CDP has placed the company in the highest of four evaluation categories "Leadership"
- Target: reduce CO2 emissions by 50 % per added value by 2025 (from 2015 base year)
- 2020 sustainability report available in June



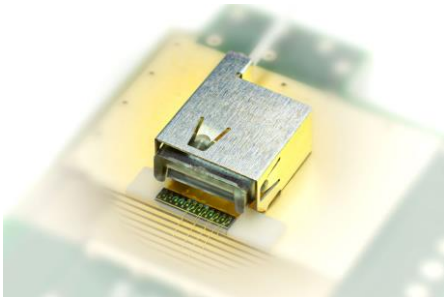
Industry Timing is everything

- Precision timing and synchronisation between cells in mobile networks becomes ever more important
- Product: game-changing Direct GPS-over-Fiber solution



Transportation Autonomous and safe

- Providing solutions for autonomous driving with excellent performance and high resolution over long distances of up to 300 metres.
- Products: Board-to-board connectors and distance radar antennas



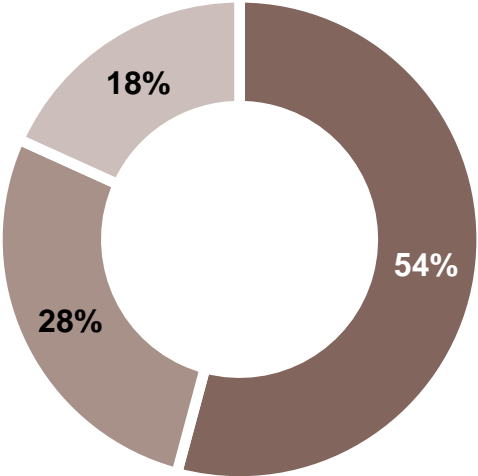
Communication Efficient and compact

- Data centers and cloud services demand increased Ethernet speeds driven by the continued growth of giant communication networks.
- Product: CUBO WCM (Wavelength division multiplexing coupling module)

*implementing current best practices to reduce their CO2 emissions

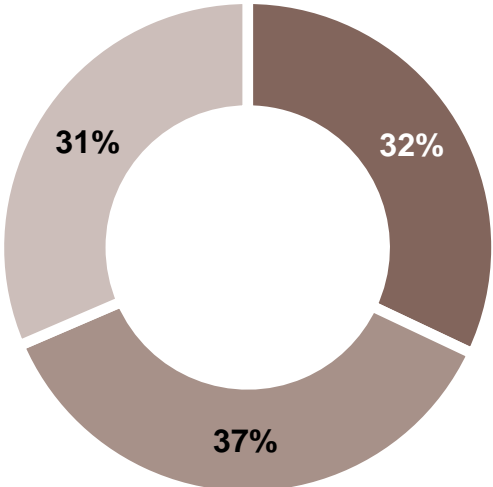
Net sales of MCHF 738 – 2020 distribution

by region



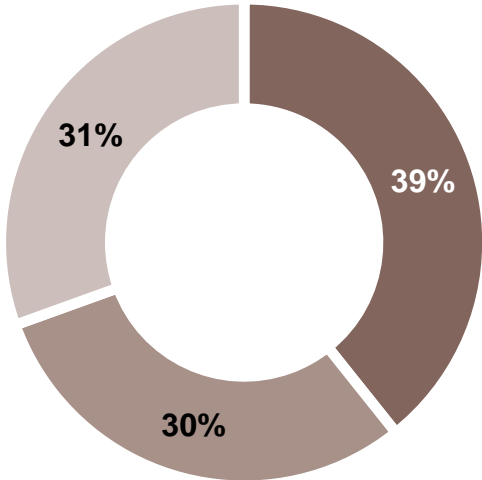
- EMEA
- Asia-Pacific
- Americas

by technology segment



- Radio Frequency
- Fiber Optics
- Low Frequency

by market

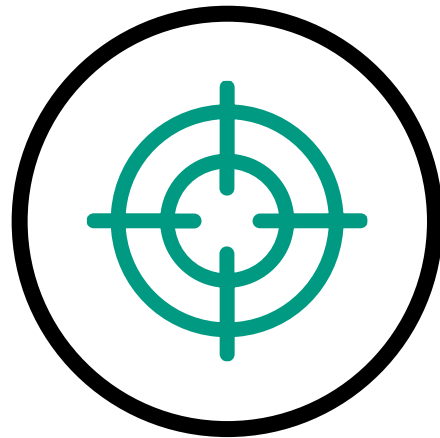


- Communication
- Transportation
- Industry

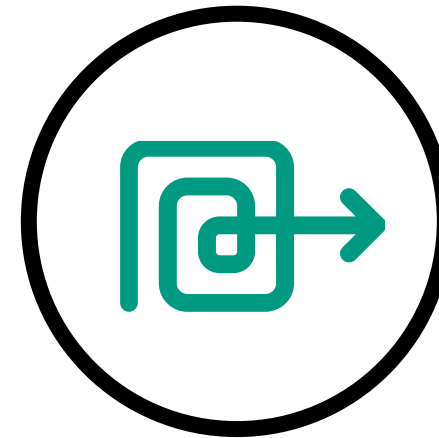
Reorganisation 2021

Market segment structure to replace technology segments

Two main objectives



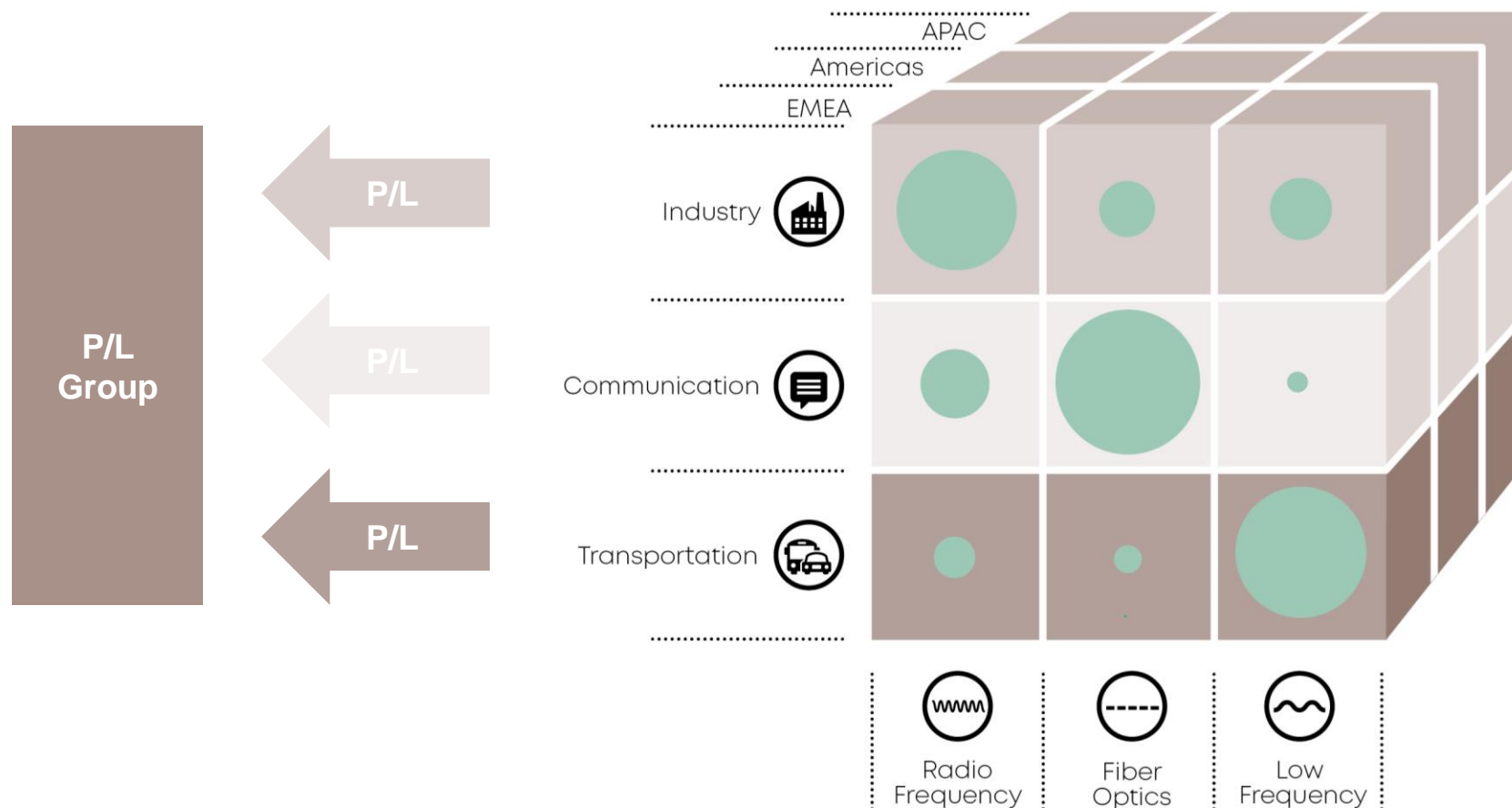
**Increased
market focus**



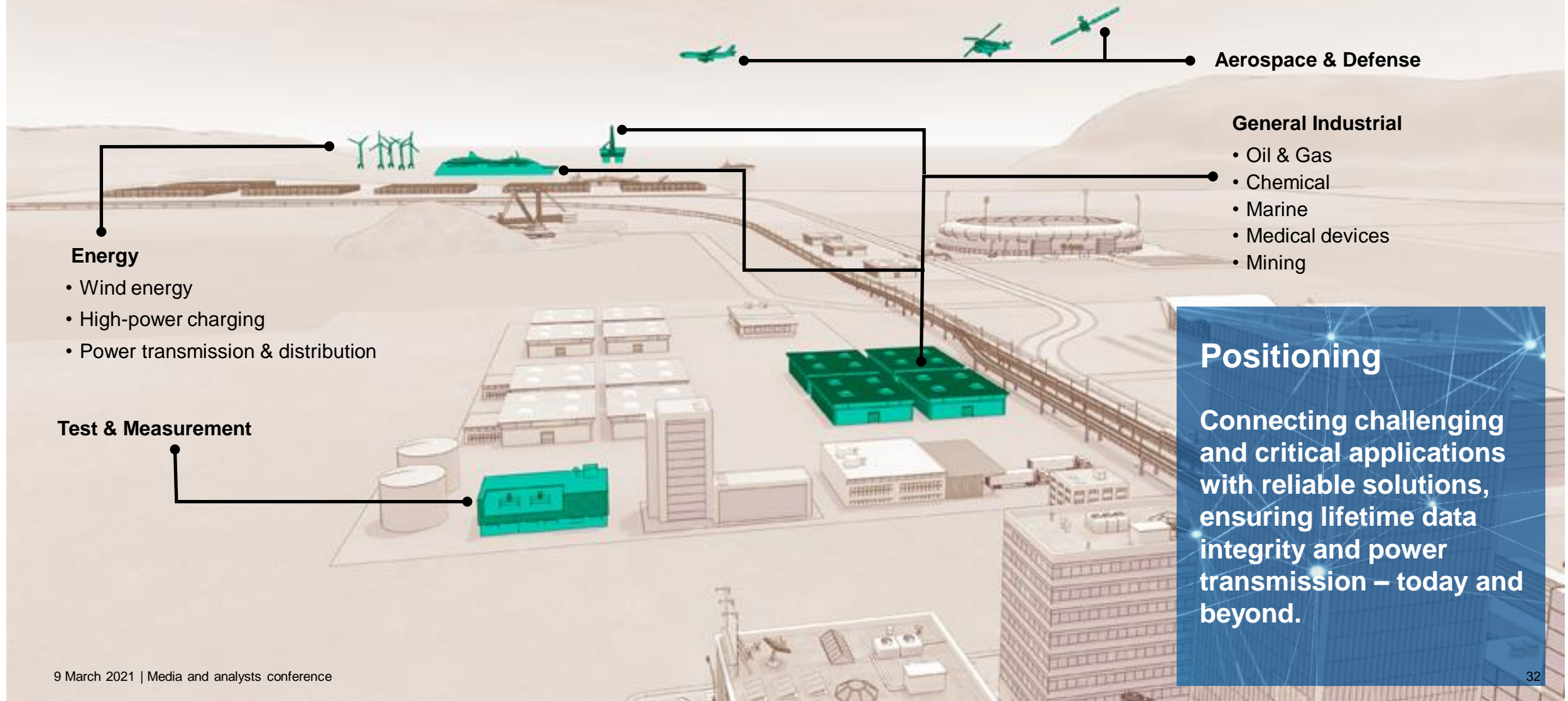
**Simplified
structures**

The three dimensions of our business

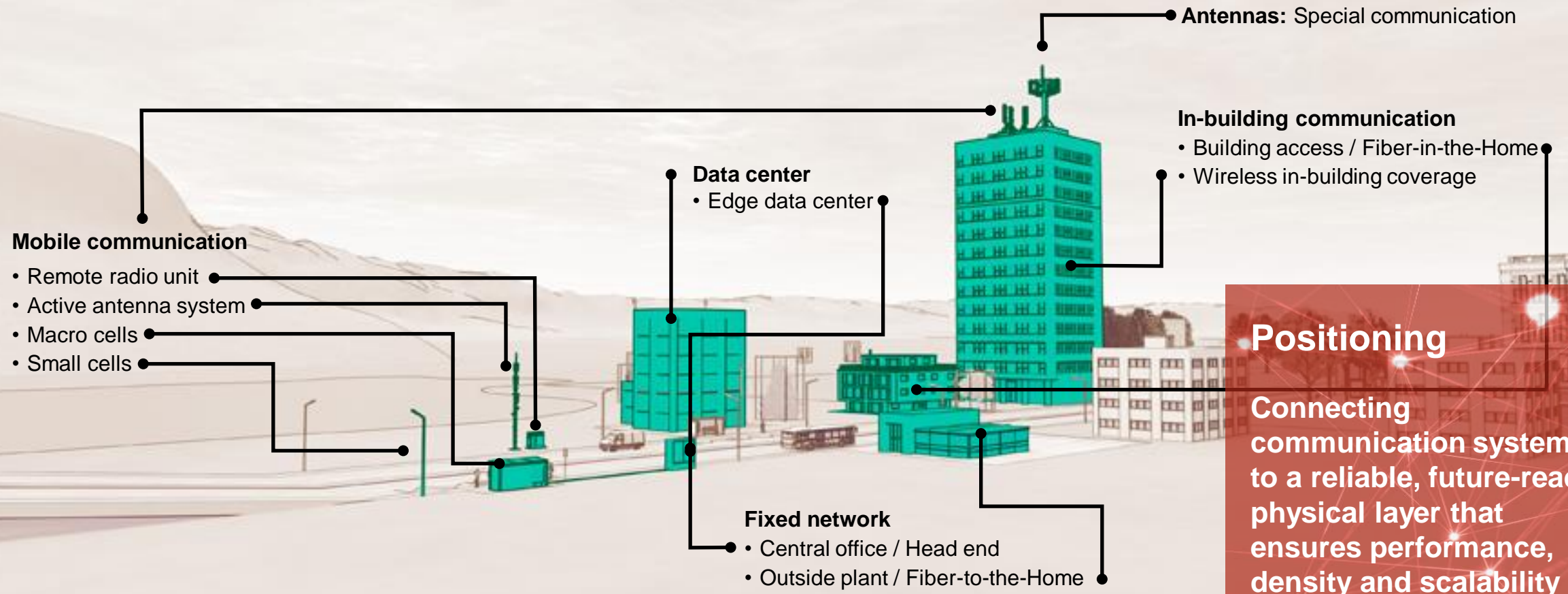
Segment reporting by three main markets as from H1/2021



Our solutions for the Industry market

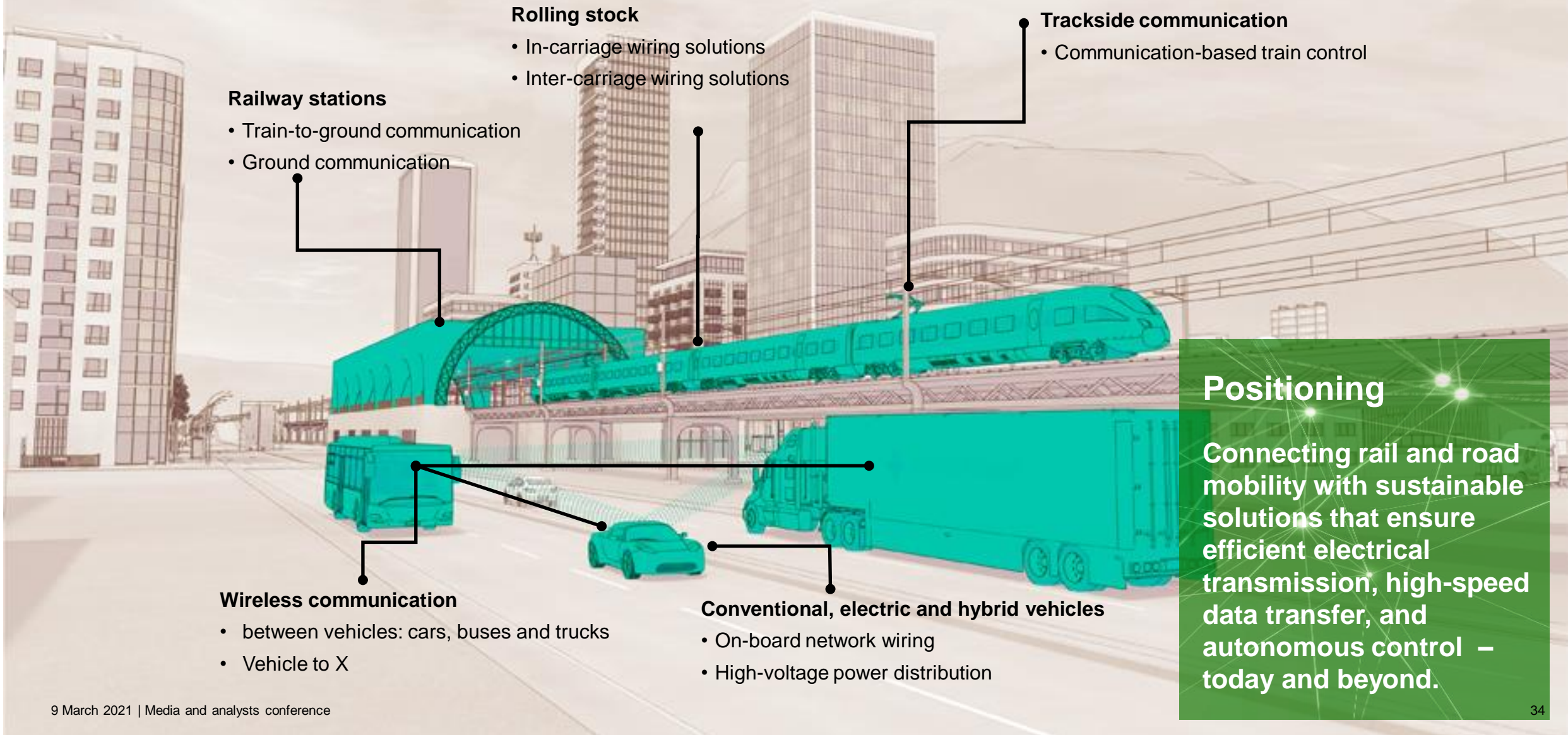


Our solutions for the Communication market



Positioning
Connecting communication systems to a reliable, future-ready physical layer that ensures performance, density and scalability – today and beyond.

Our solutions for the Transportation market



Positioning

Connecting rail and road mobility with sustainable solutions that ensure efficient electrical transmission, high-speed data transfer, and autonomous control – today and beyond.

Trends in main markets

Basic trends and prospects remain intact – stepwise recovery from Covid effects expected

Industry

- Growing desire for security drive demand for connectivity; need for increased communication in industrial applications
- Continued strong dynamics expected for high-power charging systems (RADOX® HPC)
- Test and measurement applications benefit from accelerated 5G investments
- Growth with aerospace and defense applications will return
- Highly differentiated products continue to offer opportunities in a wide range of applications

Communication

- Functioning of communication infrastructure proven essential during Covid times – this will release further investments
- Mobile network densification towards higher capacity, better coverage, shorter latency remain focal points
- Expansion of the 5G mobile communications infrastructure likely to gain momentum again after Covid-19 slowdown
- Fixed network infrastructure and data center investments will continue in order to meet increase of data volumes globally

Transportation

- Project tenders in the railway industry indicate a basically positive market environment
- Strong demand and high differentiation in short-haul commercial electric vehicles expected – hydrogen-fueled vehicles for long-haul routes will need electric power train as well
- The trend towards autonomous driving in automotive continues and opens up opportunities for HUBER+SUHNER

Outlook 2021

From today's perspective and assuming a comparable exchange rate situation:

Net sales guidance for 2021

- HUBER+SUHNER expects growth in net sales for the current financial year to be within the mid-single-digit percentage range.

EBIT guidance for 2021

- The operating margin in 2021 is expected to be in the medium-term EBIT target range of 8–10 %.

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The background of the image is a dark blue field filled with a complex network of thin, light blue lines. These lines connect various points, creating a web-like structure. At several of these connection points, there are bright, glowing blue circular nodes of varying sizes. The overall effect is that of a digital or neural network, with a sense of depth and connectivity.

Connecting – today and beyond

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