



# Half-year conference 2017

22 August 2017 | Media and analysts conference



Agenda

**Overview of 1<sup>st</sup> half-year 2017**

Financial results

Urs Ryffel (CEO)

Outlook

Ivo Wechsler (CFO)

Questions

Urs Ryffel (CEO)

Technology trends 2020 in growth markets

Focus topic Autonomous driving

Alexander Post (Market Manager Automotive)

Focus topic Mobile communication 5G

Fritz Landolt (COO FO MCI)

Buffet lunch

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Overview 1<sup>st</sup> half-year 2017



**Mixed picture for the first half-year 2017**

• **Dynamic growth**

- Order intake in all three divisions above strong previous year figures
- RF and FO net sales clearly positive in organic terms
- Communication market as a growth driver anew

• **Lower profitability**

- EBIT margin within the mid-term target range
- High net sales share from major projects in the communication and railway markets with low margin

• **Positive signals from strategic growth initiatives**

- Higher investments in R&D, market expansion and supply chain in connection with strategic growth initiatives
- Progress in all main markets – future-oriented projects with potential new customers and first orders

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## Figures at a glance

CHF million

	H1/17	H1/16*	Δ %
Order intake	425.1	388.4	+9.5
Net sales	410.7	381.2	+7.7
Operating profit (EBIT)	32.8	41.9	-21.8
• as % of net sales	8.0	11.0	
Net income	23.9	33.0	-27.5
• as % of net sales	5.8	8.6	

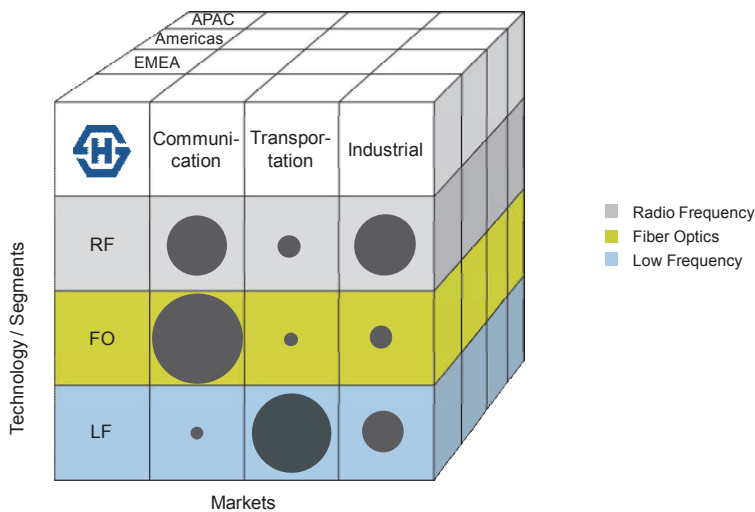
\*Swiss GAAP FER restated

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## The 3 dimensions of our business «Electrical and optical connection technology»



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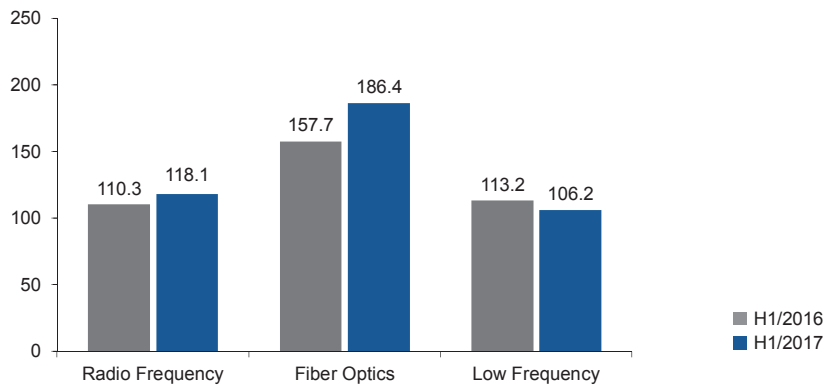
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Overview 1<sup>st</sup> half-year 2017



## Net sales development in divisions

Organic growth +5.2 % compared to very strong previous year period



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Overview 1<sup>st</sup> half-year 2017



## Radio Frequency

Remains on growth path – keeps profitability high

CHF million

	H1/17	H1/16*	Δ %
Order intake	123.1	113.0	+8.9
Net sales	118.1	110.3	+7.0
Operating profit (EBIT)	15.5	15.4	+0.7
• as % of net sales	13.1	13.9	

### Key aspects

- Strong increase in order intake and net sales
- High contribution from market segments Aerospace+Defense and Test+Measurement
- Once again high EBIT margin
- Growth potential: Autonomous driving increases interest for radar sensors and RF connections

\*Swiss GAAP FER restated

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Overview 1<sup>st</sup> half-year 2017

## Fiber Optics

### Very dynamic growth in net sales – increased margin pressure

CHF million

	H1/17	H1/16*	Δ %
Order intake	181.7	170.2	+6.7
Net sales	186.4	157.7	+18.2
Operating profit (EBIT)	16.2	22.6	-28.1
• as % of net sales	8.7	14.3	

#### Key aspects

- Excelled strong previous year period again
- Upgrade of mobile radio networks to LTE standard – important singular large project in India
- Large-scale projects under margin pressure
- Polatis with doubling of production capacity due to high demand
- Growth potential: Investments in data centers due to increase in data traffic – intensified own investments

\*Swiss GAAP FER restated

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Overview 1<sup>st</sup> half-year 2017

## Low Frequency

### Positive signals on the order side – profit zone just reached

CHF million

	H1/17	H1/16*	Δ %
Order intake	120.3	105.2	+14.4
Net sales	106.2	113.2	-6.2
Operating profit (EBIT)	0.5	7.0	-93.4
• as % of net sales	0.4	6.2	

#### Key aspects

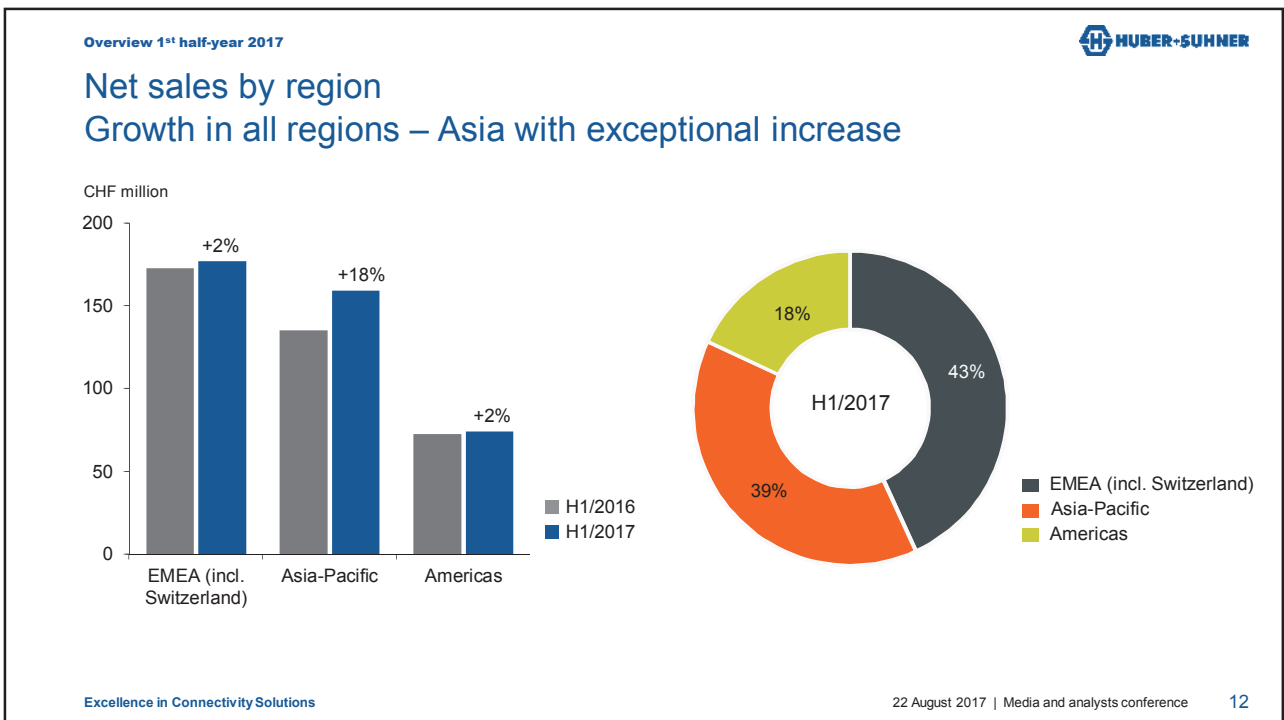
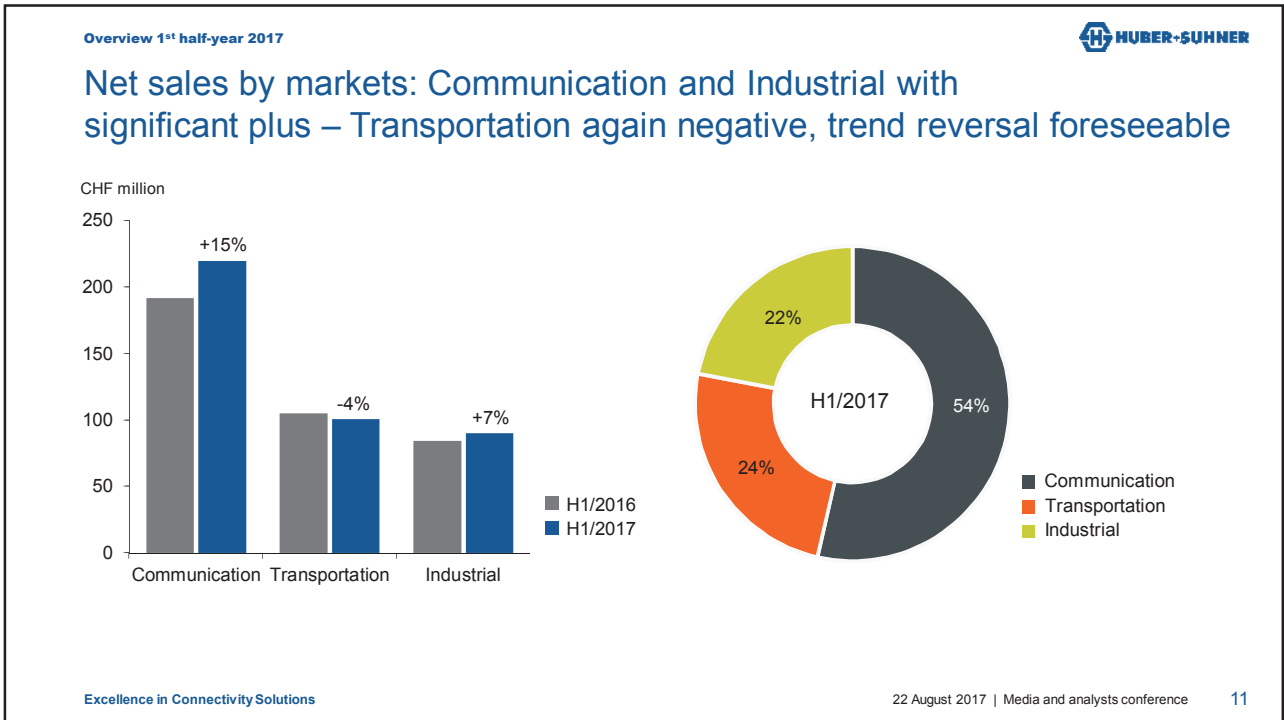
- Resurgent railway market in Asia noticeable
- Cable systems business with European railway customers impacts profitability negatively
- Measures launched – burden on 1<sup>st</sup> HY, positive effects in 2<sup>nd</sup> HY
- Strategic streamlining: sale of business with build-to-print harnessing in European railway market
- Growth potential: approvals in the automotive market of electric vehicles for high-voltage systems well underway

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**Financial results**



**Change of accounting standard from IFRS to Swiss GAAP FER**

**Adjustments in CHF million**

Net income

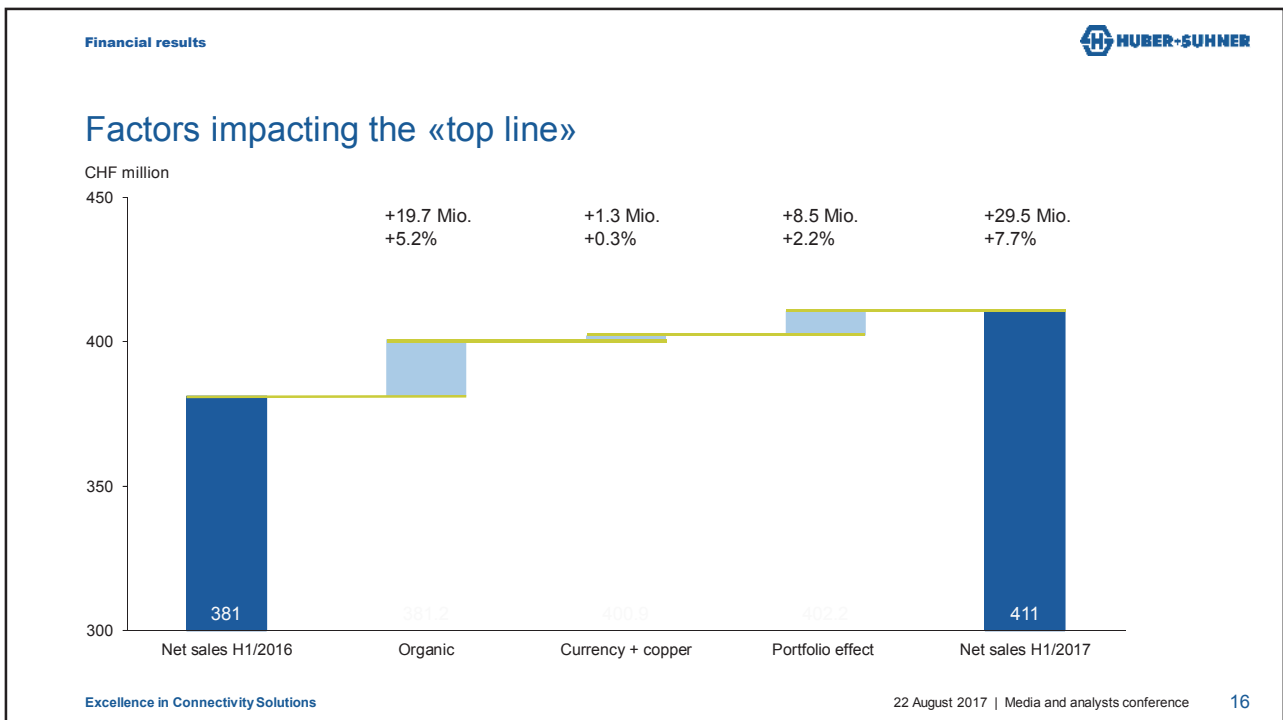
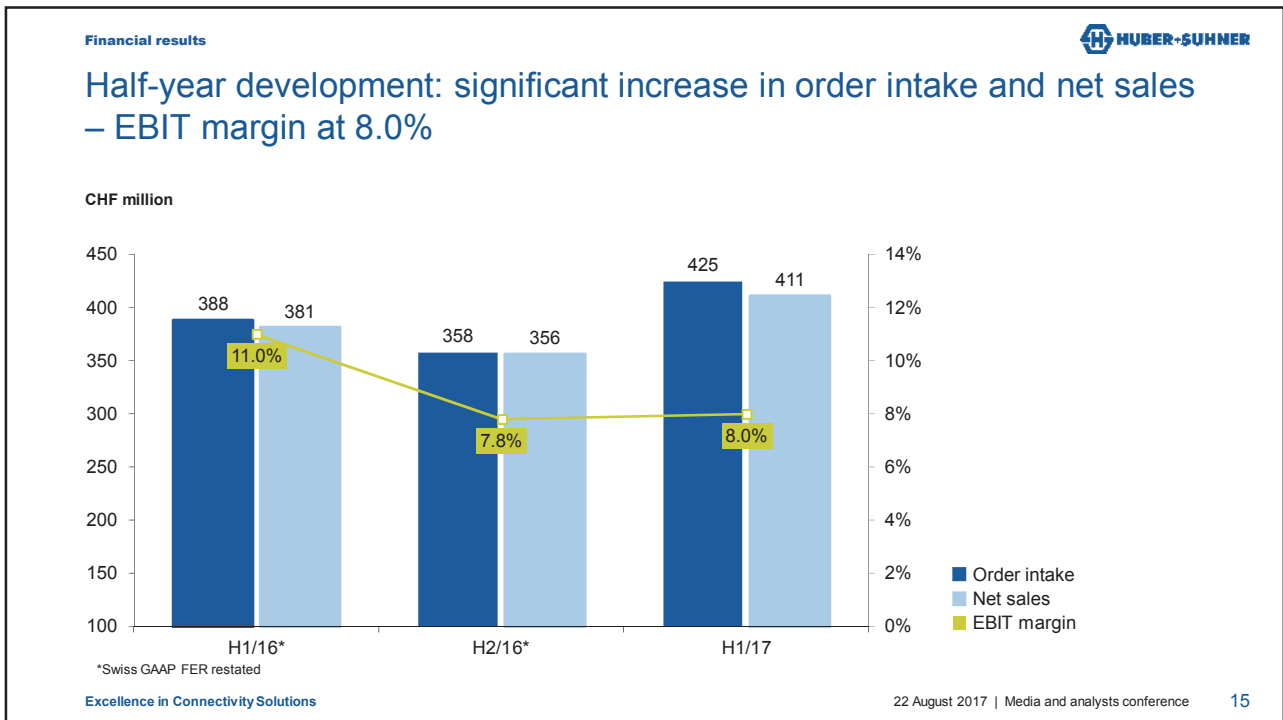
Equity

H1/16: +3

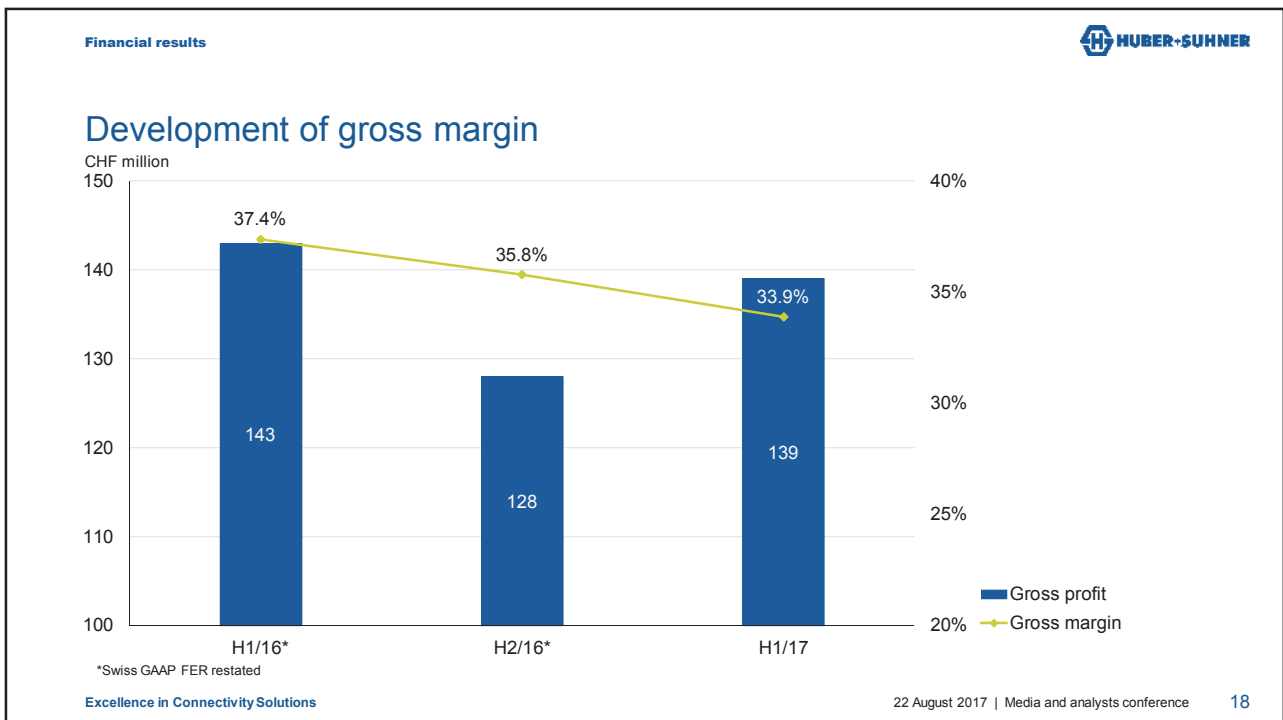
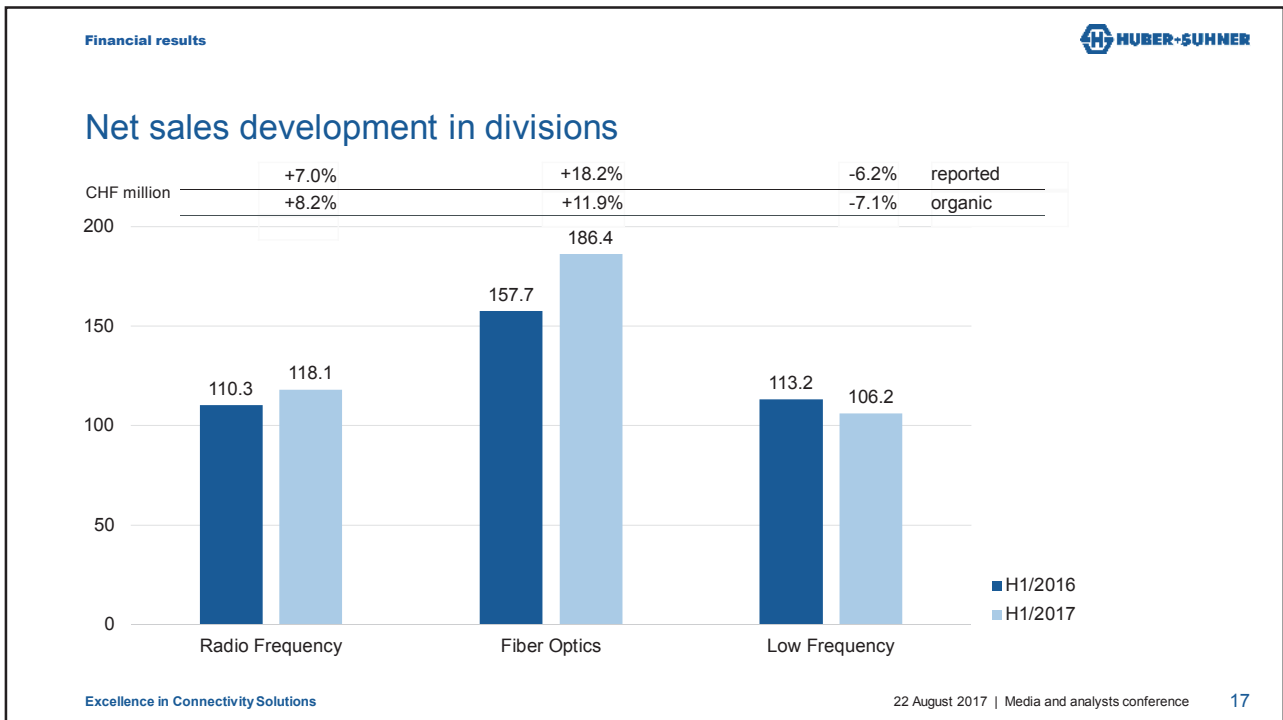
01.01.16: -85

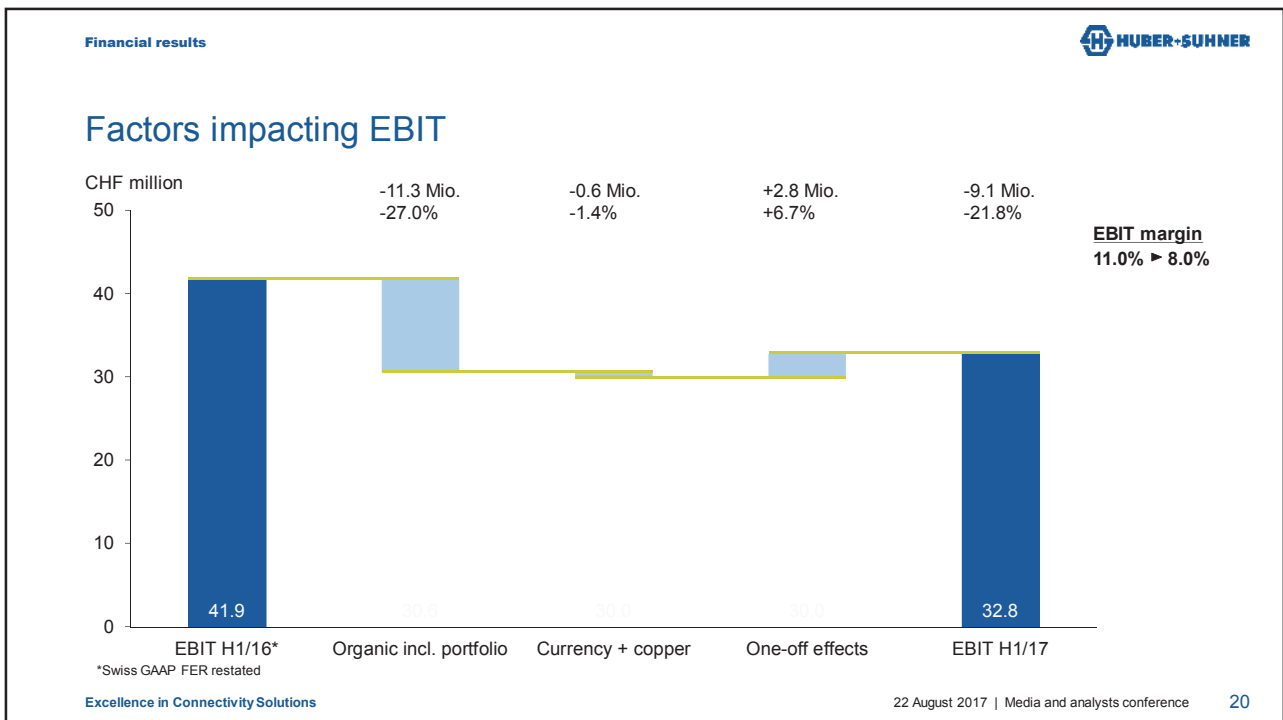
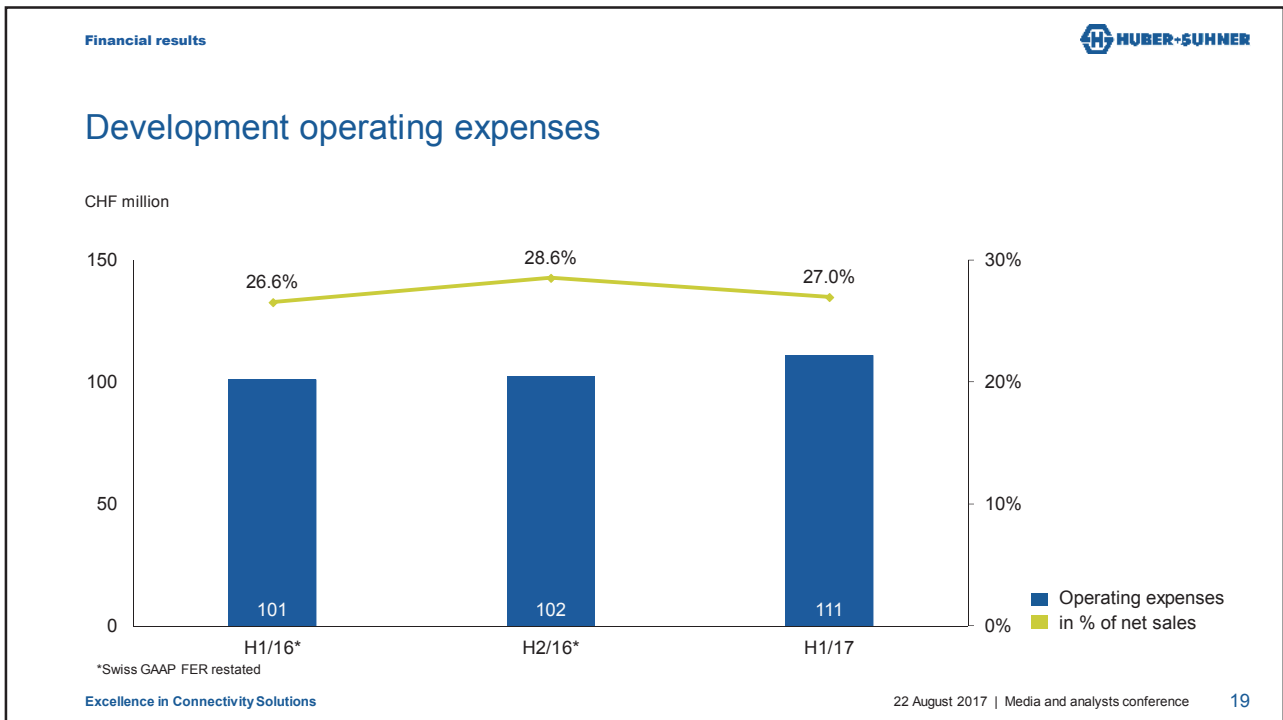
2016: +4


31.12.16: -85









**Financial results** 

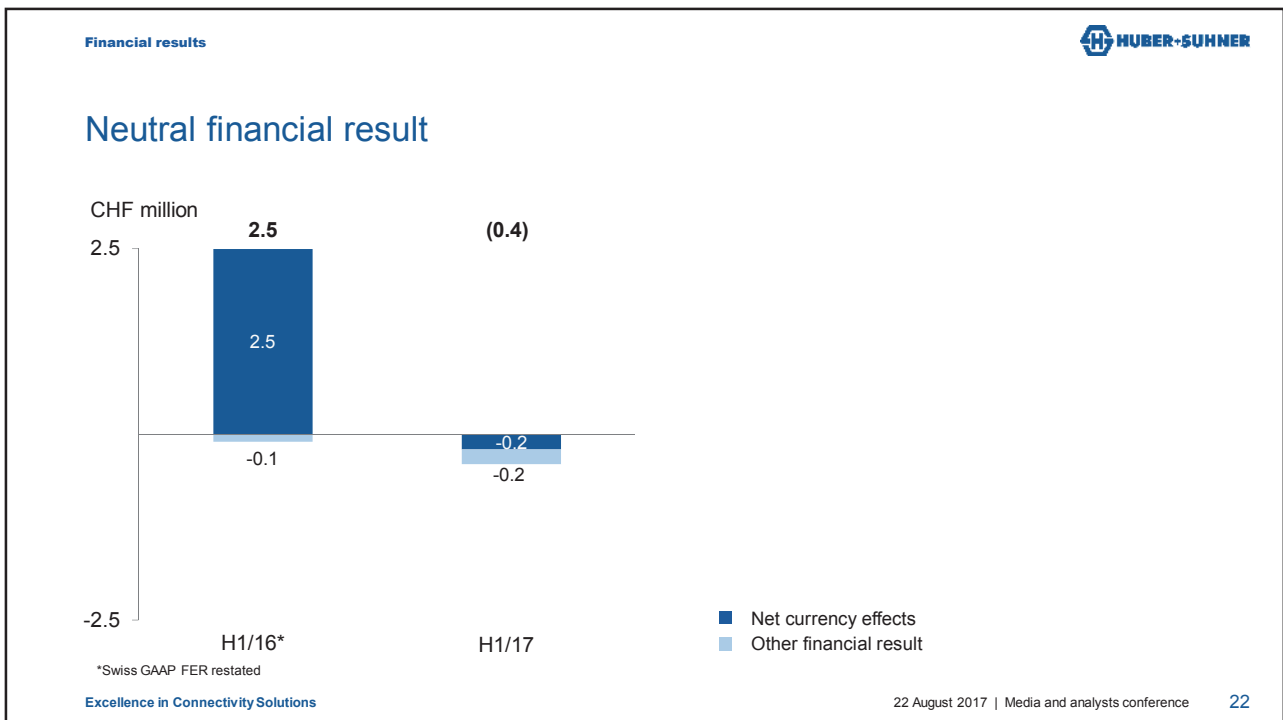
### EBIT per division

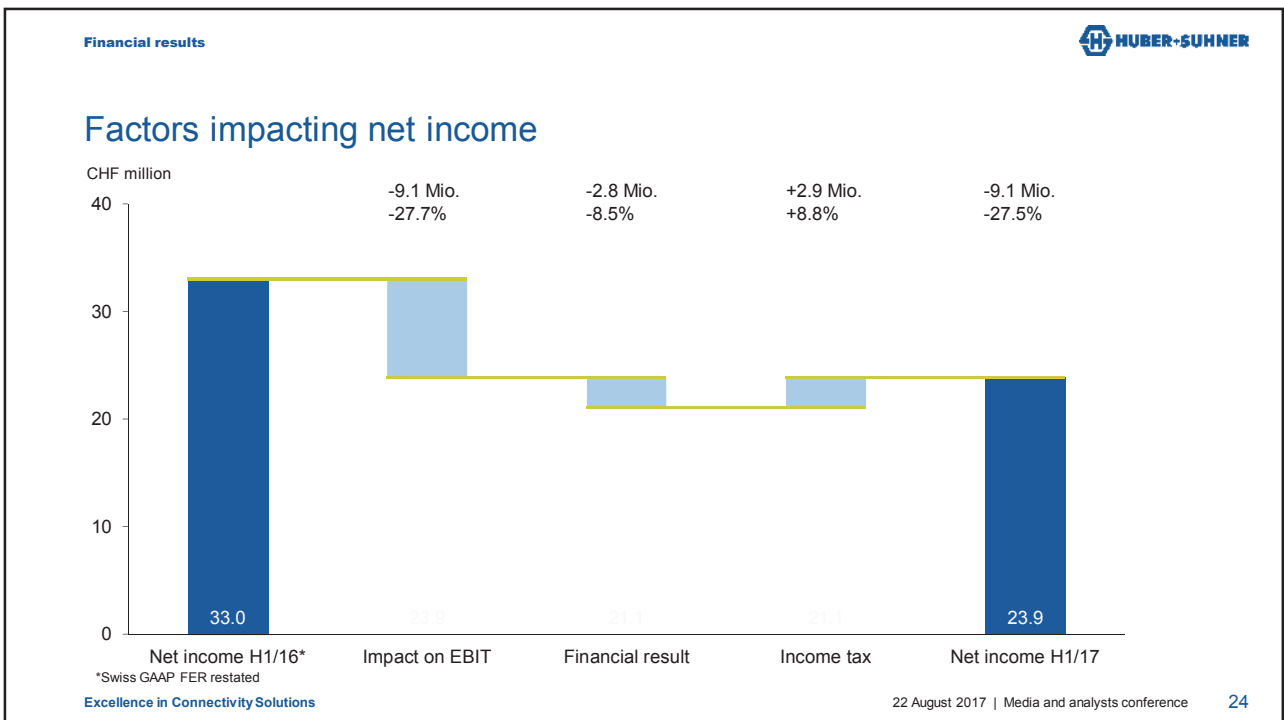
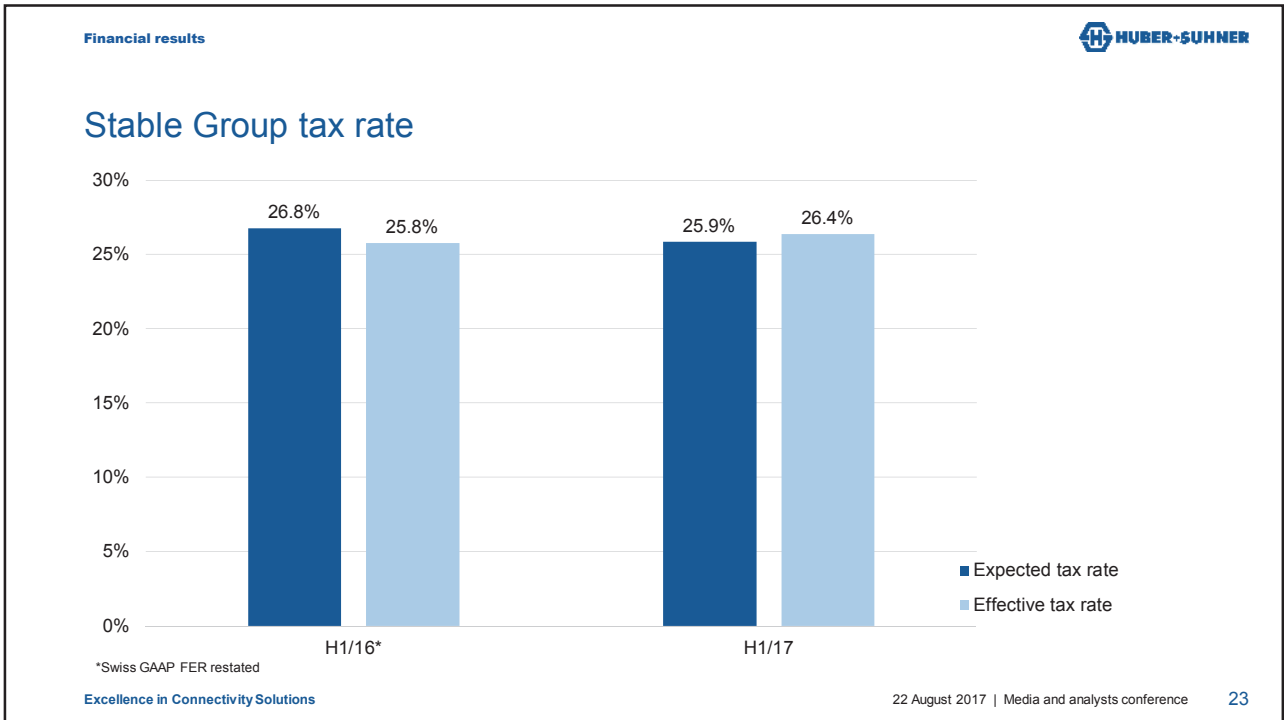
CHF million

	H1/17	in %	H1/16*	in %
Radio Frequency	15.5	13.1	15.4	13.9
Fiber Optics	16.2	8.7	22.6	14.3
Low Frequency	0.5	0.4	7.0	6.2
Corporate	0.6		(3.0)	
<b>Total EBIT</b>	<b>32.8</b>	<b>8.0</b>	<b>41.9</b>	<b>11.0</b>

\*Swiss GAAP FER restated

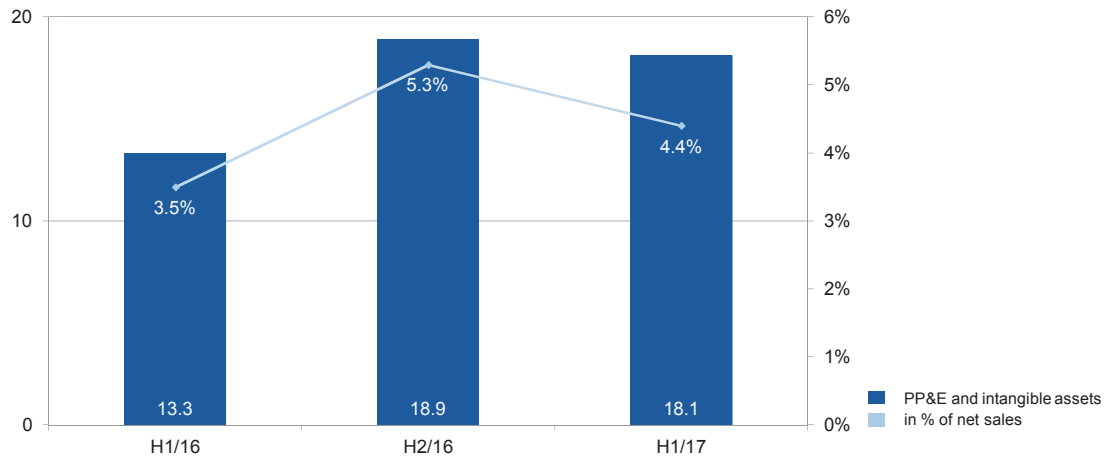
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## High investments in strategic growth initiatives

CHF million



## Unchanged strong balance sheet

CHF million	30.06.2017	31.12.2016*	▲	30.06.2016*
Cash and cash equivalent	140	158	-11%	133
Other current assets	343	300	14%	316
Non-current assets	245	246	0%	243
Liabilities	164	130	26%	143
Equity	565	573	-1%	549
in %	78%	82%		79%
<b>Balance sheet total</b>	<b>729</b>	<b>703</b>	<b>4%</b>	<b>692</b>
<b>Net liquidity</b>	<b>140</b>	<b>158</b>	<b>-11%</b>	<b>133</b>

\*Swiss GAAP FER restated

## Positive free operating cash flow

CHF million	H1/17	H1/16*
Cash flow from operating activities	23.1	36.2
Cash flow from investing activities	(14.1)	(37.9)
<b>Free operating cash flow</b>	<b>8.9</b>	<b>(1.7)</b>
Dividend payment	(24.3)	(19.5)
Change in treasury shares	(0.6)	(1.4)
<b>Free cash flow</b>	<b>(16.0)</b>	<b>(22.6)</b>

\*Swiss GAAP FER restated

## Financial assessment H1/17

- Change of accounting standard from IFRS to Swiss GAAP FER
- Organic growth of 5,2 %
- ⊘ Gross margin for major projects under pressure
- ⊘ Insufficient Low Frequency division profitability
- Operative profitability in the mid-term target range (8-10 %)

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**Outlook**



**Conclusion 1<sup>st</sup> half year 2017: Dynamic net sales performance – low LF earning power, FO under margin pressure**

- Business volume again significantly above previous year
- Communication: strongest net sales driver, partly due to extraordinary major projects
- Transportation: development in automotive growth market partly compensates difficult railway business – positive signals on the order side in the railway market
- Industrial: all industrial high-tech niches with growth in net sales
- Insufficient LF profitability: measures initiated, positive effects to be expected in second half of the year
- FO margin pressure: improvement in business mix actively pursued – development of higher-margin business with focus on stronger differentiation
- High costs due to investments in growth potentials – first successes in projects with renowned partners

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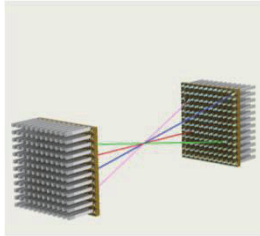
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Outlook



## Conclusion 1<sup>st</sup> half year 2017 Milestones



**Communication - Polatis**  
Successful expansion of the production capacity for optical switches due to the doubling of demand volume in the first year after joining the Group



**Transportation - Automotive**  
CLEPA (European Association of Automotive Suppliers) innovation award with the RADOX<sup>®</sup> High Power Charging System



**Industrial - Aerospace**  
Sole supplier of radio frequency components to major satellite project



**Communication – Mobile communication**  
Market share gains in the expansion of the mobile radio network to 4G/LTE standard in India

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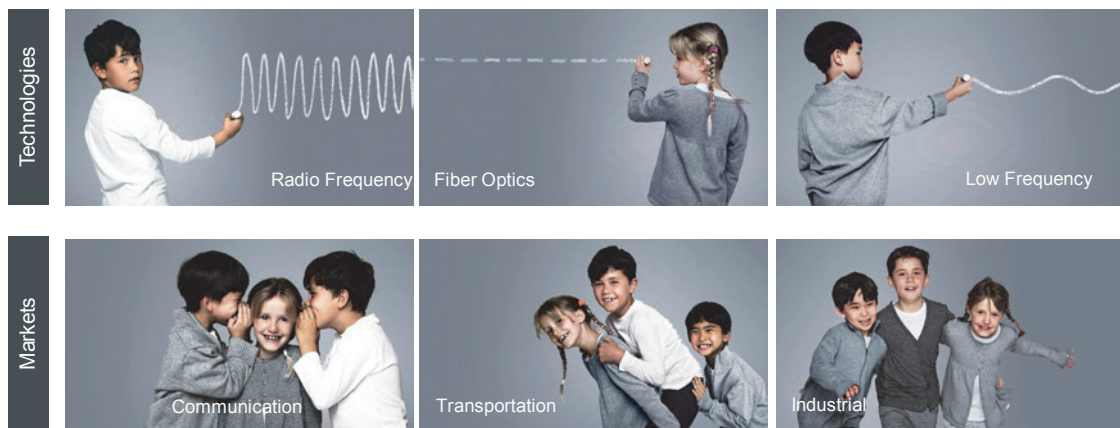
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Outlook



## 3x3 strategy




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**Outlook** 


### Our growth drivers

 <b>Broadband communication</b>	<b>Appetite for bandwidth</b>		<b>Communication</b>
 <b>Electromobility</b>	<b>Increasing mobility and environmental awareness</b>		<b>Transportation</b>
 <b>High-tech niches</b>	<b>Continuous technology change and innovation</b>		<b>Industrial</b>

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**Outlook** 

### Our competences enable the future!

<b>RF enables mobile communication</b> 	<b>FO enables digitalisation</b> 	<b>LF enables ECO mobility</b> 
 <b>Combinations und Systems competence enable Excellent Connectivity Solutions</b>		

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## Outlook on markets: mid-term trends

### Communication

- LTE roll-outs in price-sensitive emerging countries ongoing – 5G mobile communication as from 2020
- Need for fast internet connections requires further FTTH development
- Continuous increase of global data volume in internet traffic drives the development of data centers
- Growth markets Asia are characterised by a highly competitive environment

### Transportation

- Railway market Asia with positive momentum
- E-mobility and related challenges about high-voltage systems and charging infrastructure dominate (besides diesel topic) the automotive market

### Industrial

- Investments in Aerospace+Defense continue to grow

## Outlook for the full year 2017

- Assumption: comparable currency situation

### Expected developments

- Growth of around 5 %
- EBIT margin full year at the lower end of the mid-term target range of 8-10 %

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