

**HUBER+SUHNER**

# Half-year conference 2020

# Agenda

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**Overview 1<sup>st</sup> half-year 2020**

**Urs Ryffel (CEO)**

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Financial results

Ivo Wechsler (CFO)

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Milestones and outlook 2020

Urs Ryffel (CEO)

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Questions and discussion

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# Solid half-year results in a difficult environment

## Order intake and net sales down compared to strong prior-year period

- Measures taken by governments in the sales regions to contain the coronavirus impacted economic activity in the reporting period
- Prior-year period again included substantial share from 4G mobile infrastructure roll-out in India
- Order intake with positive development (+12.6 %) compared to second half-year 2019 despite corona

## Strong cost awareness enables solid EBIT margin

- Stringent cost management in all areas
- Solid EBIT margin of 6.7 % in given circumstances, but below medium-term target range of 8–10 %

## Maintaining global supply chains a challenge in the first half of the year

- Some production sites were affected by partial or complete shutdown
- Challenging global logistics capacity situation
- Overall good availability due to high flexibility within production network

## Home working, safety measures and accelerated digitalisation provide a successful response to lockdown

- Positive outcome thanks to employees' high flexibility in dealing with changed working environment
- Stringent implementation of the hygiene and protection concept worldwide keeps number of employees tested positive for Covid-19 very low
- New ways of collaboration with accelerating effect on already ongoing digitalisation

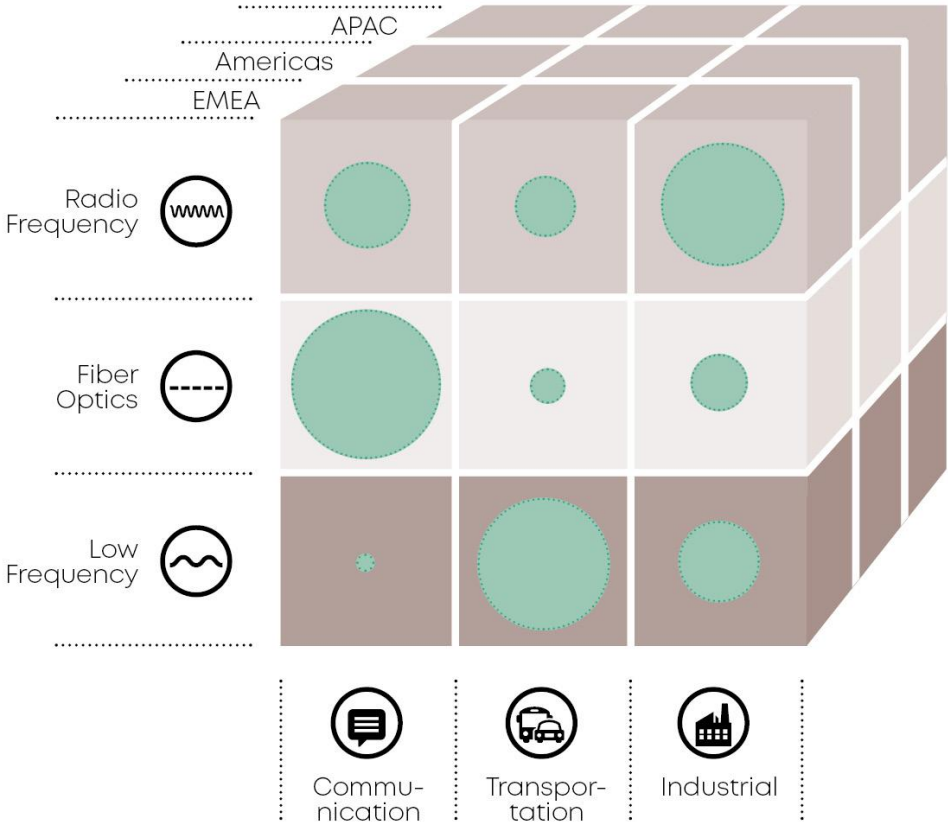
# Figures at a glance

MCHF

	H1/2020	H1/2019	Δ %
Order intake	396.7	448.7	-11.6
Net sales	376.7	447.3	-15.8
Operating profit (EBIT) as % of net sales	25.1 6.7	47.8 10.7	-47.5
Net income as % of net sales	19.9 5.3	37.4 8.4	-46.8

# The three dimensions of our business

View on sales by technology segment, market, region



# Radio Frequency technology segment

Continued double-digit EBIT margin

MCHF

	H1/2020	H1/2019	Δ %
Order intake	130.9	152.6	-14.2
Net sales	121.3	147.8	-17.9
Operating profit (EBIT)	15.0	27.0	-44.4
as % of net sales	12.4	18.3	

## Key aspects

- Radio Frequency with continued double-digit EBIT margin
- The industrial submarkets of aerospace and defense as well as test and measurement held up comparatively well
- Solid opportunity pipeline with high-margin applications
- Distance-radar antennas in the automotive market confirmed as prospects for the future

# Fiber Optics technology segments

Temporarily halted upward trend

MCHF

	H1/2020	H1/2019	Δ %
Order intake	151.1	150.3	0.5
Net sales	138.8	157.5	-11.9
Operating profit (EBIT)	4.4	12.3	-64.4
as % of net sales	3.1	7.8	

## Key aspects

- Prior-year net sales still with significant share from large-scale 4G project in India
- BKtel acquisition consolidated in Fiber Optics figures
- Expansion of mobile network (cell site) to 5G slowed down in several regions due to Covid-19
- Demand for data center solutions at good level
- Optical Switches (Polatis) and WDM (Cube Optics) order intake with good momentum



# Low Frequency technology segment

Solid EBIT despite decrease of sales

MCHF

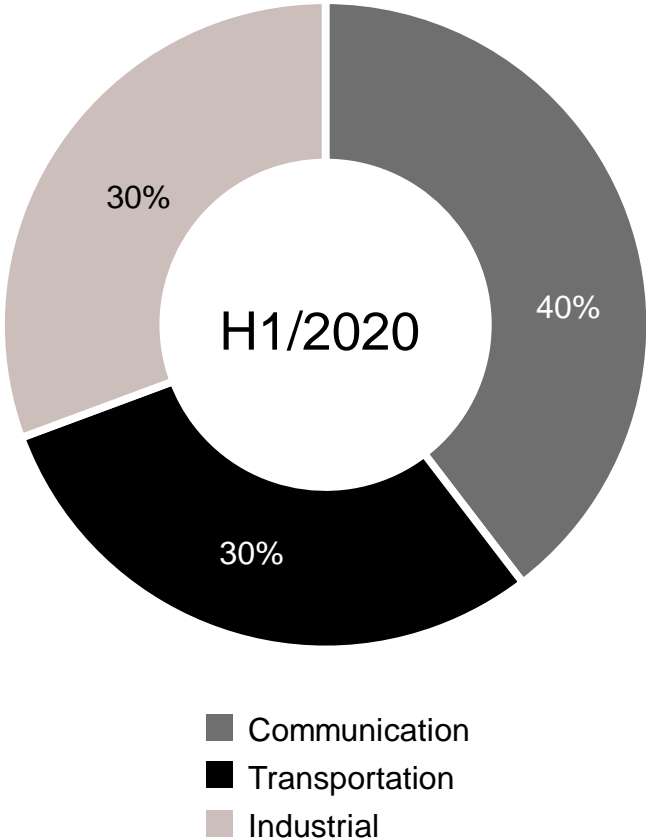
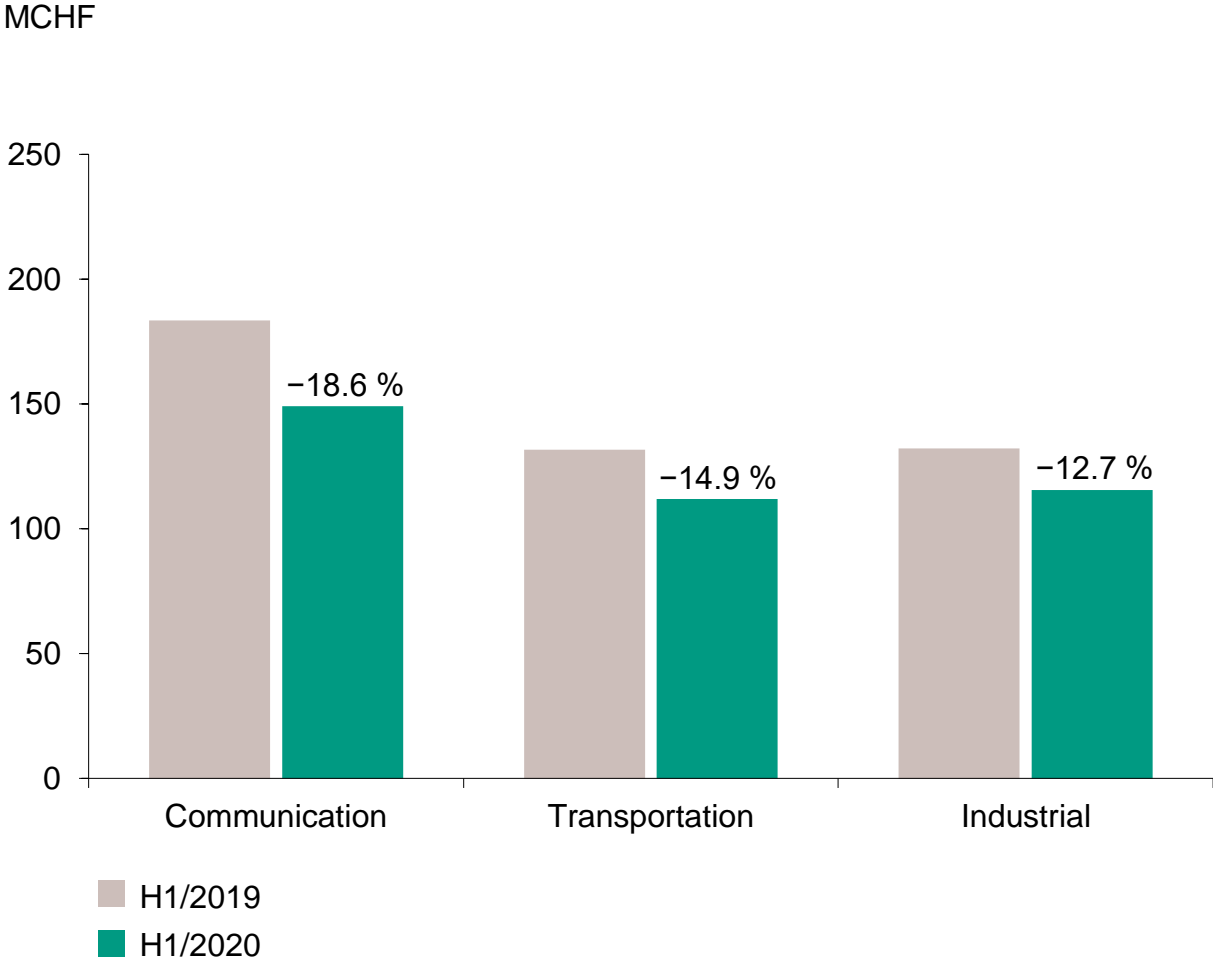
	H1/2020	H1/2019	Δ %
Order intake	114.7	145.8	-21.3
Net sales	116.6	142.0	-17.9
Operating profit (EBIT)	7.9	12.6	-37.1
as % of net sales	6.8	8.8	

## Key aspects

- Delay in awarding of contracts due to uncertainties
- Doubling of sales of high-voltage distribution solutions for electric vehicles
- Market leadership with high-power charging systems consolidated: first design-ins with new RADOX<sup>®</sup> HPC500 and RADOX<sup>®</sup> HPC200 products
- Bidding activity in railway and automotive (EV) submarkets exemplifies dynamic environment

# Net sales by market

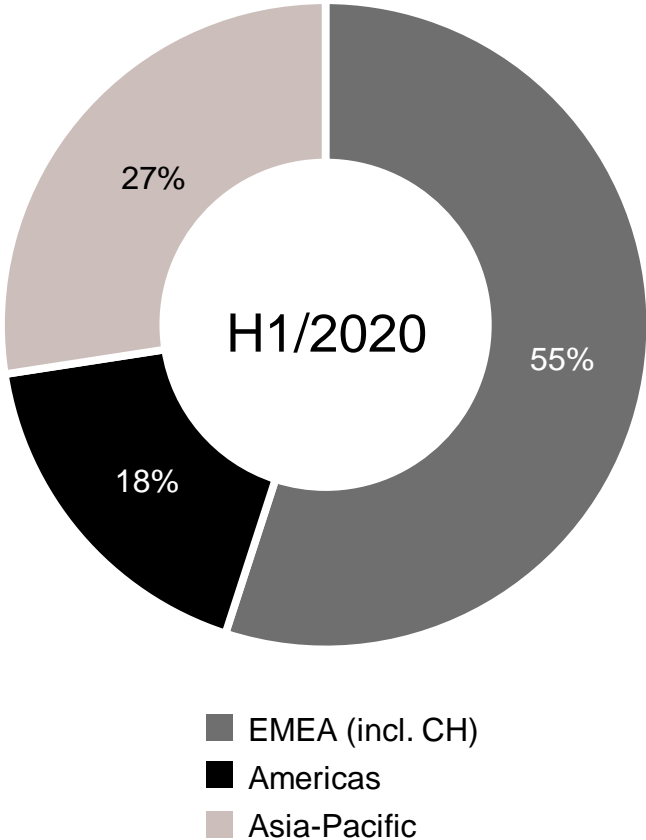
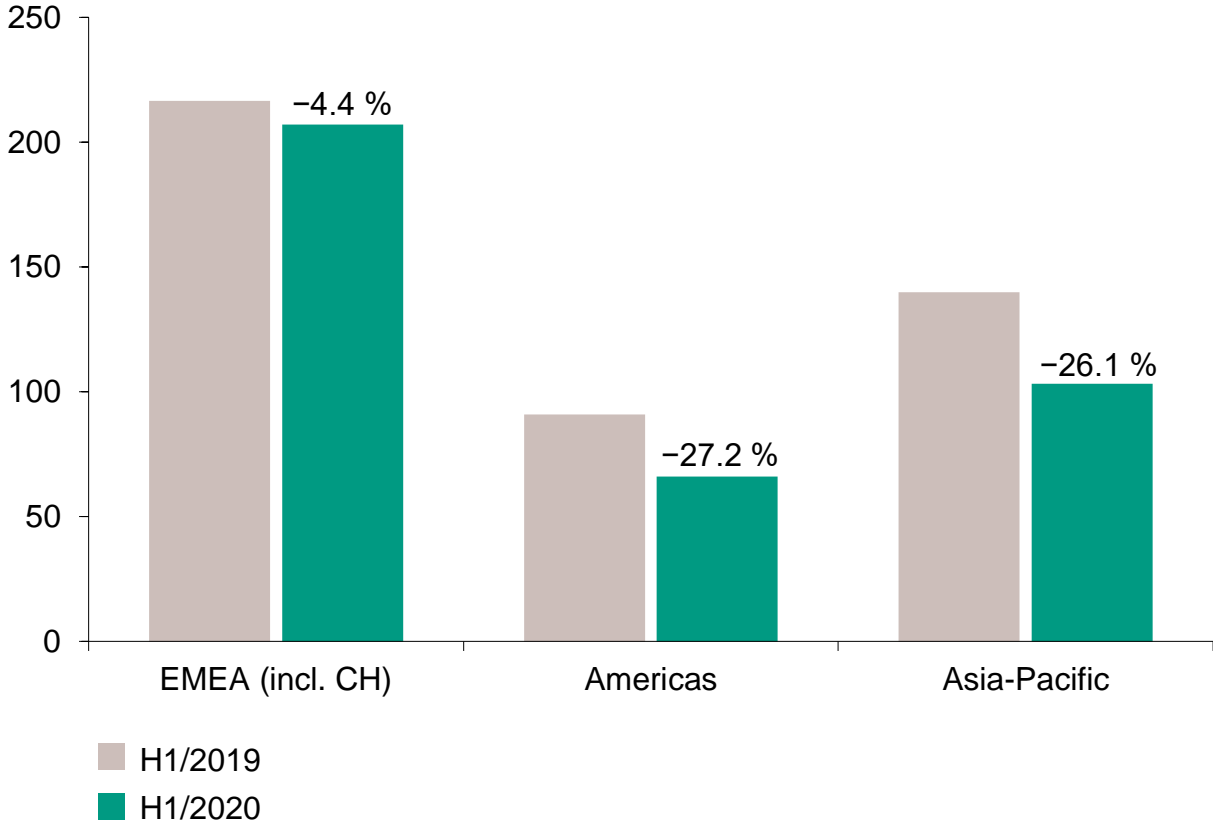
All markets with lower sales, shares almost unchanged



# Net sales by region

Europe least affected

MCHF



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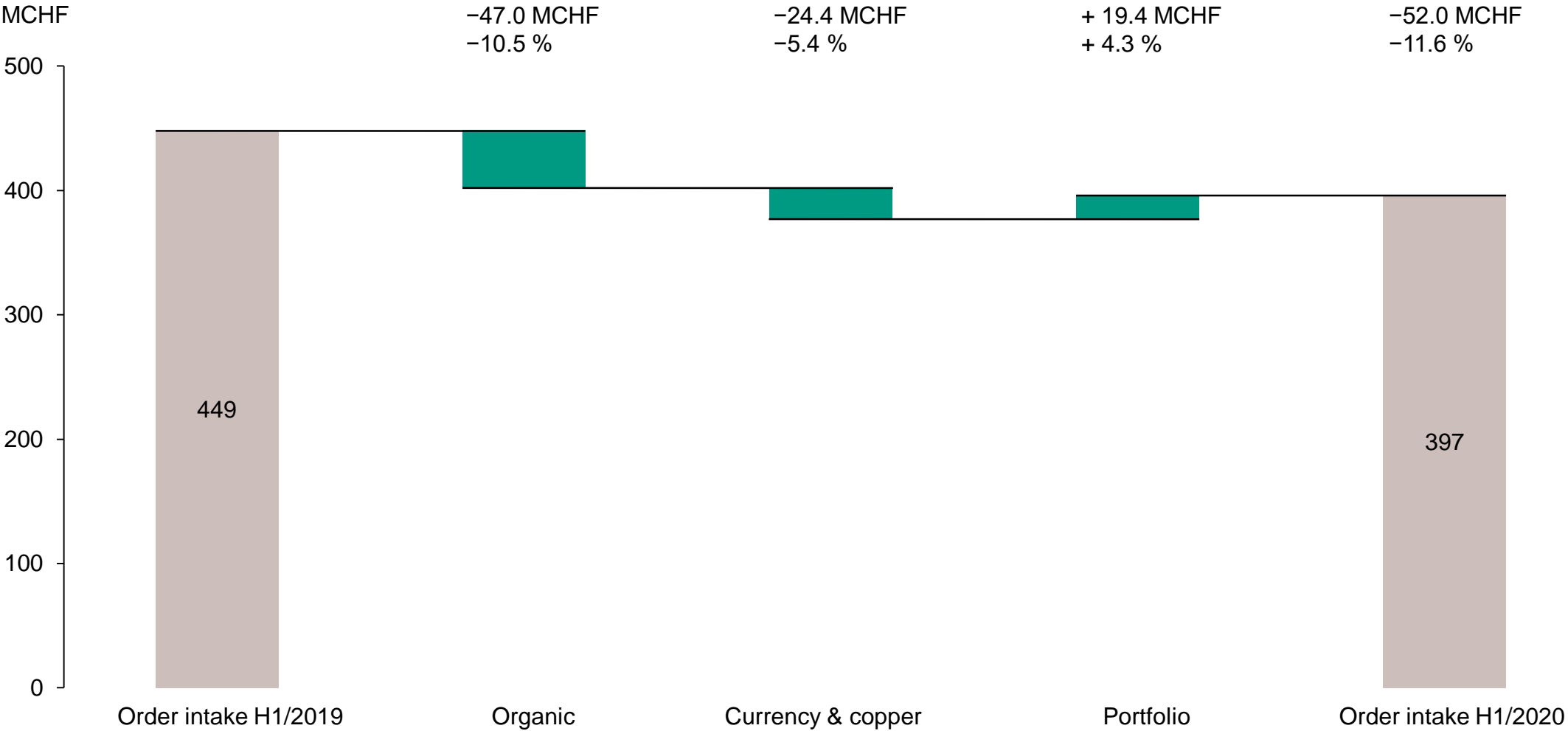
Urs Ryffel (CEO)

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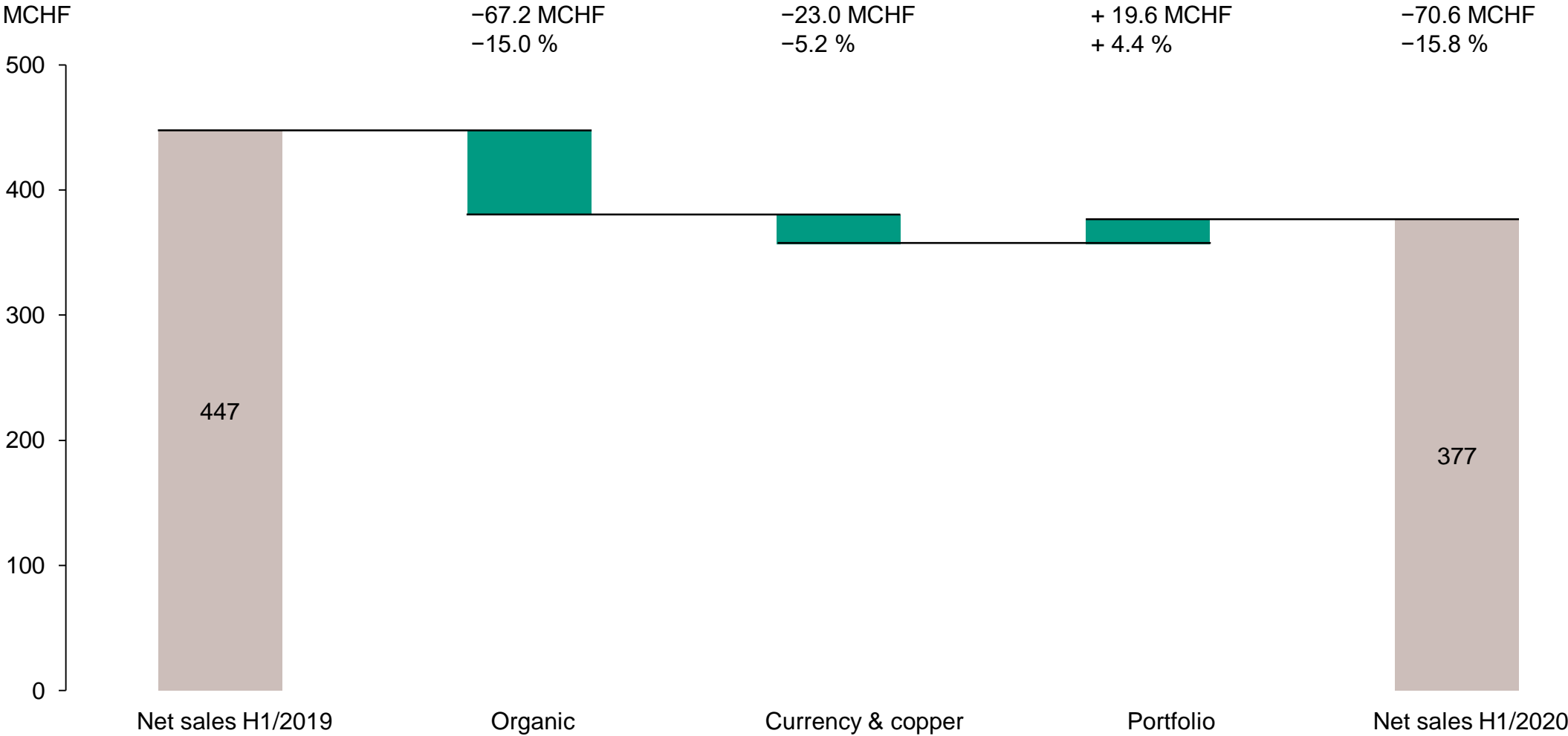
Questions and discussion

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# Factors impacting order intake

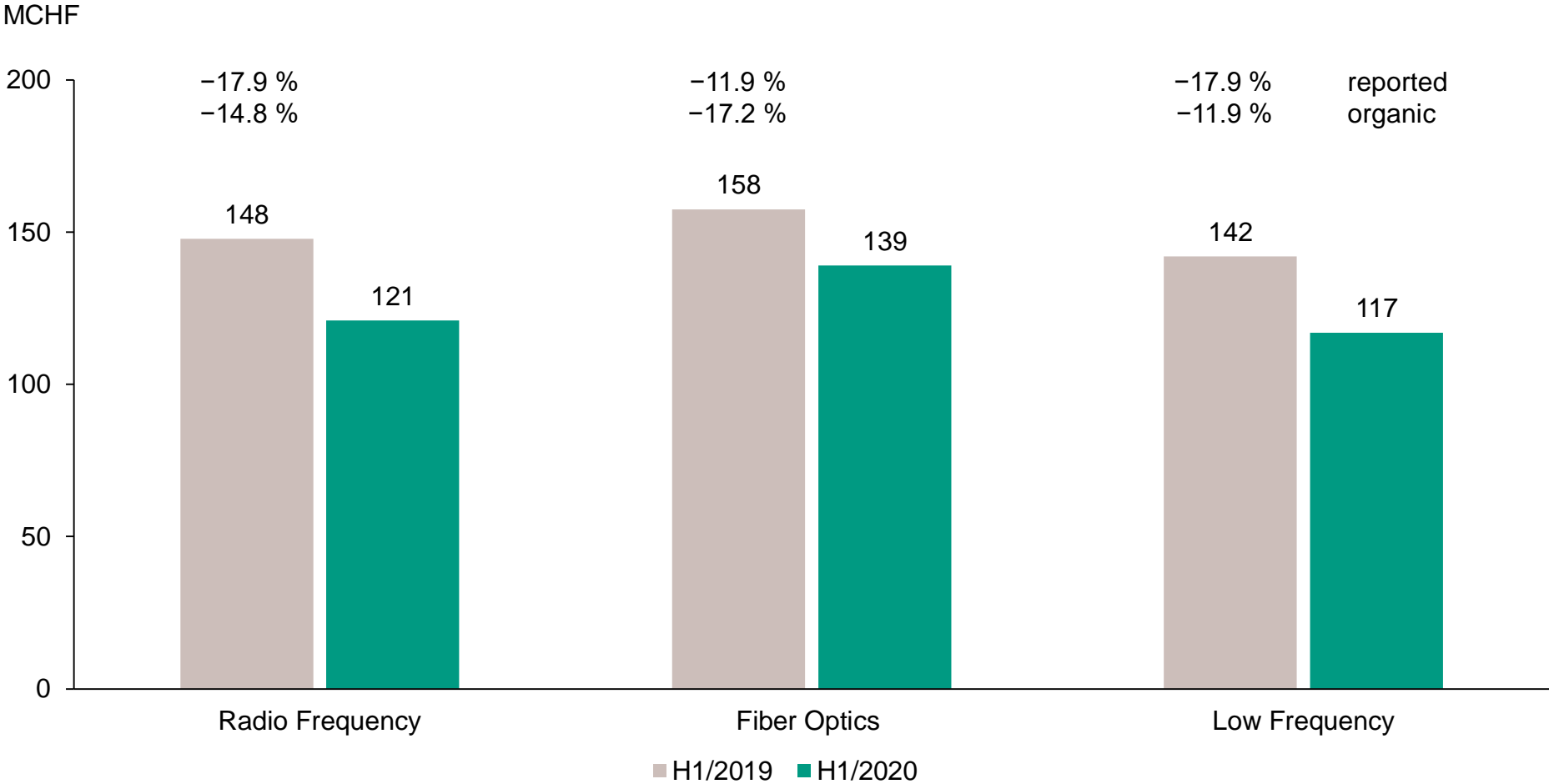


# Factors impacting net sales



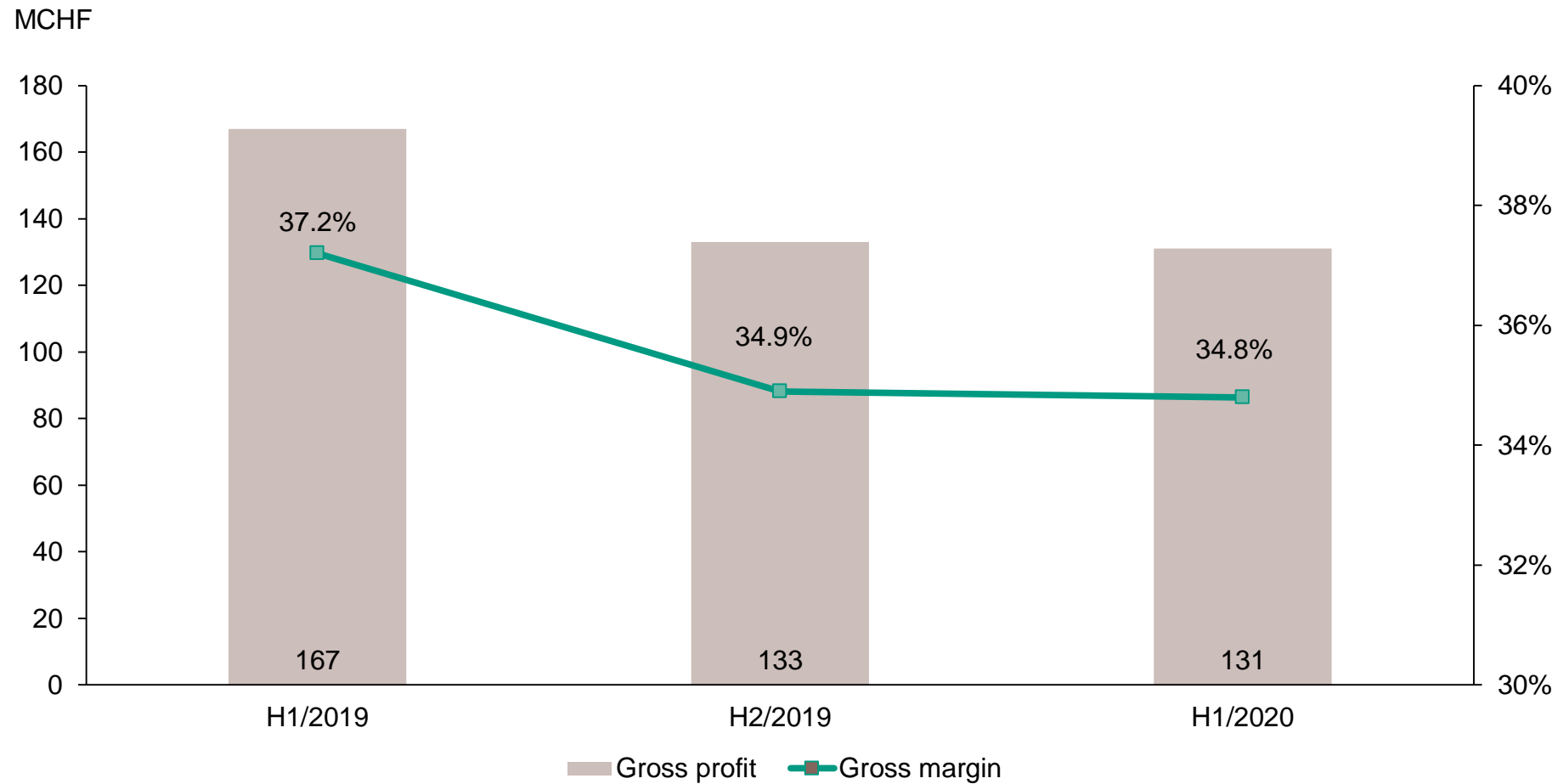
# Net sales development by technology segment

All three segments with double-digit organic decline



# Gross margin

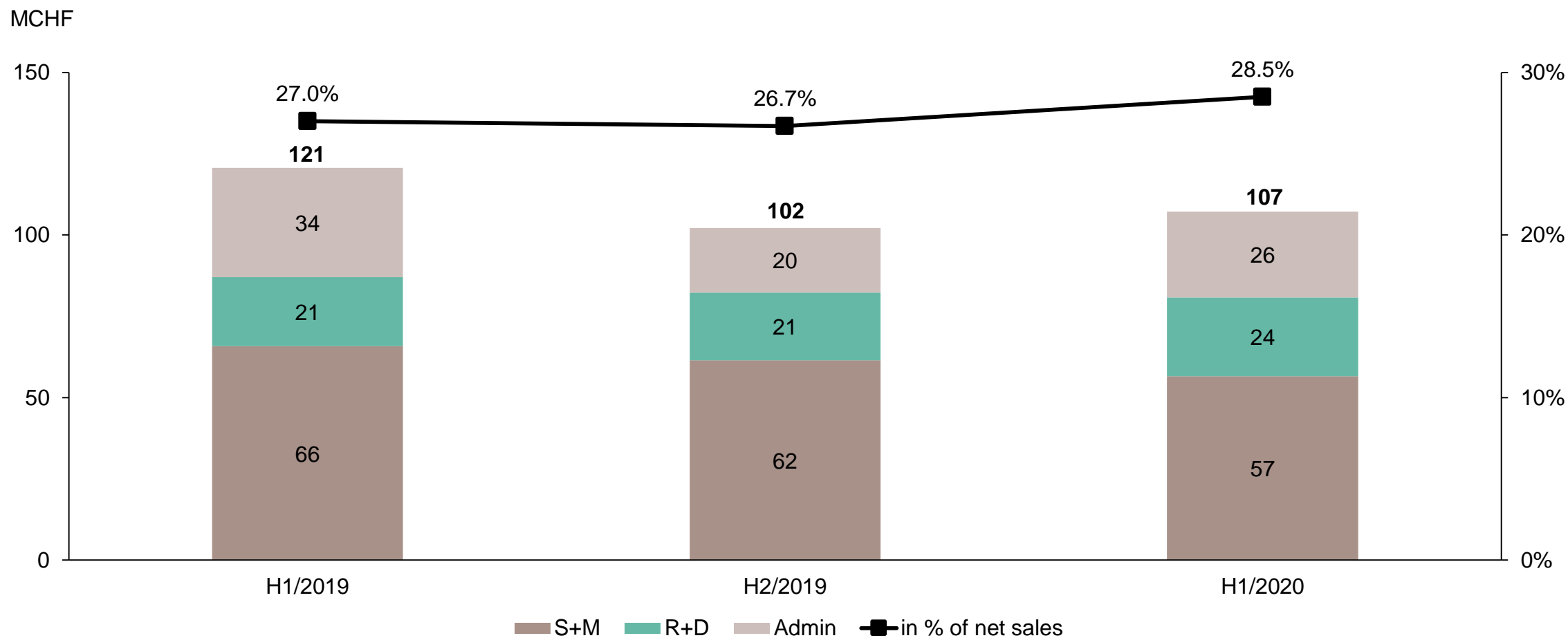
Stabilised at the level of the second half of 2019





# Operating expenses

Cost reduction measures unfold their effect



# EBIT by technology segment

Decline accentuated differently

MCHF

	H1/2020	in %	H1/2019	in %
Radio Frequency	15.0	12.4	27.0	18.3
Fiber Optics	4.4	3.1	12.3	7.8
Low Frequency	7.9	6.8	12.6	8.8
Corporate	(2.2)		(4.1)	
<b>Total EBIT</b>	<b>25.1</b>	<b>6.7</b>	<b>47.8</b>	<b>10.7</b>

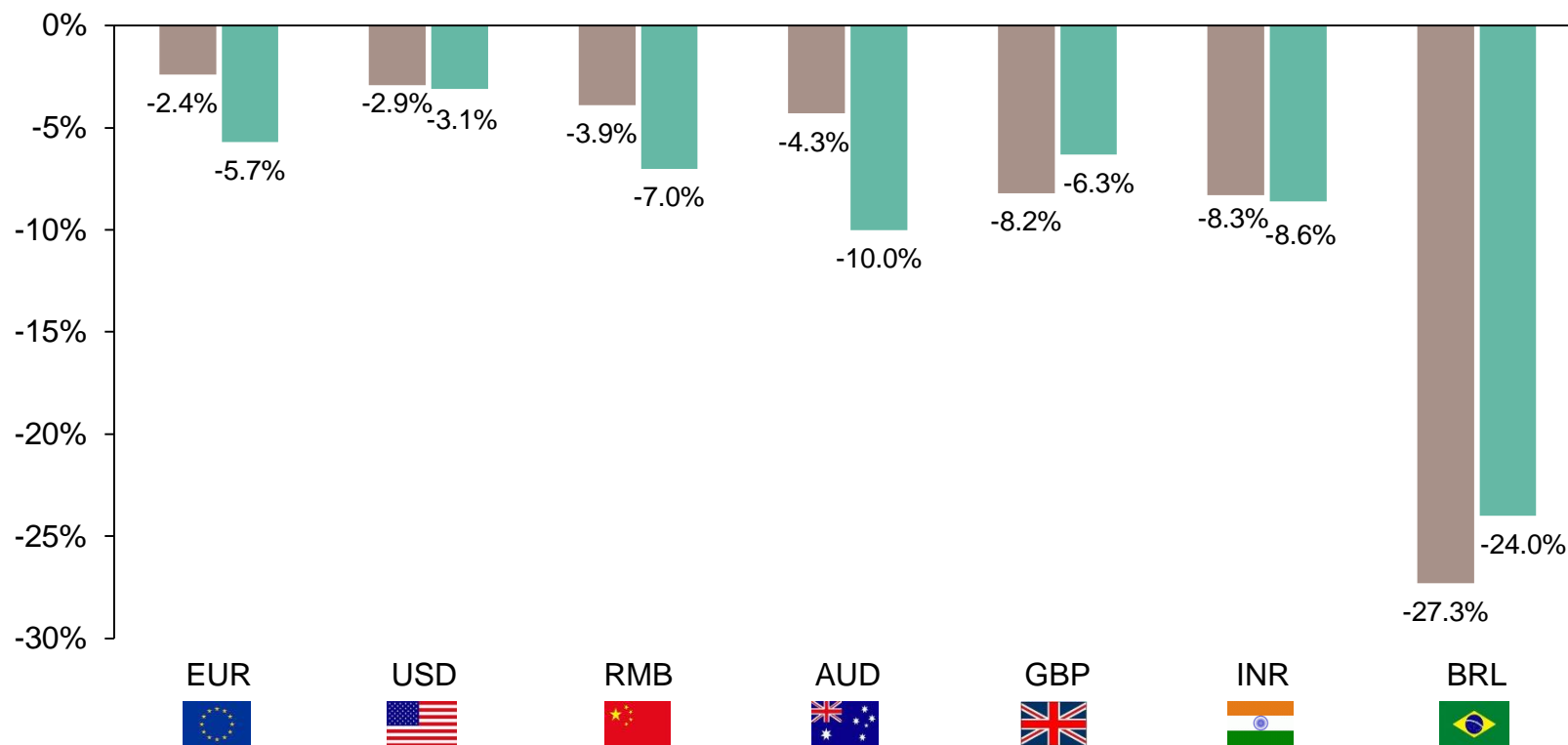
# Currency situation in 2020

Strong devaluation against CHF

FX / CHF

■ 30.06.2020 vs. 31.12.2019

■ Ø H1/2019 vs. Ø H1/2020

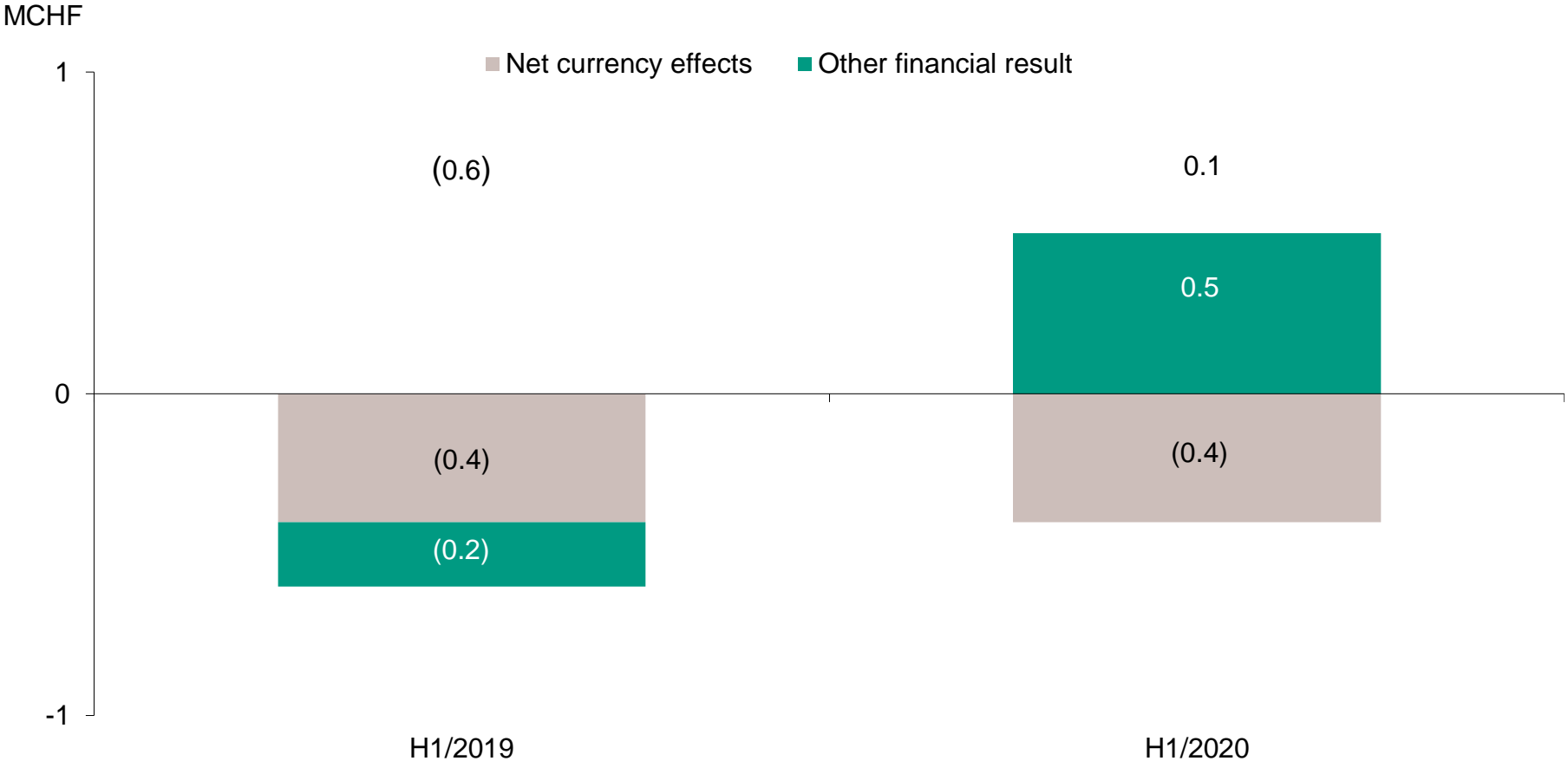


Simulation: FX impacts H1/2020 result		
	reported	Pro forma with FX H1/2019
<b>MCHF</b>		
Net sales	377	397
EBIT	25.1	29.0
EBIT margin	6.7%	7.3%

Ø H1/2020	1.06	0.97	0.137	0.64	1.22	0.0129	0.20
FX mid August 2020	1.07	0.91	0.130	0.65	1.19	0.0121	0.17

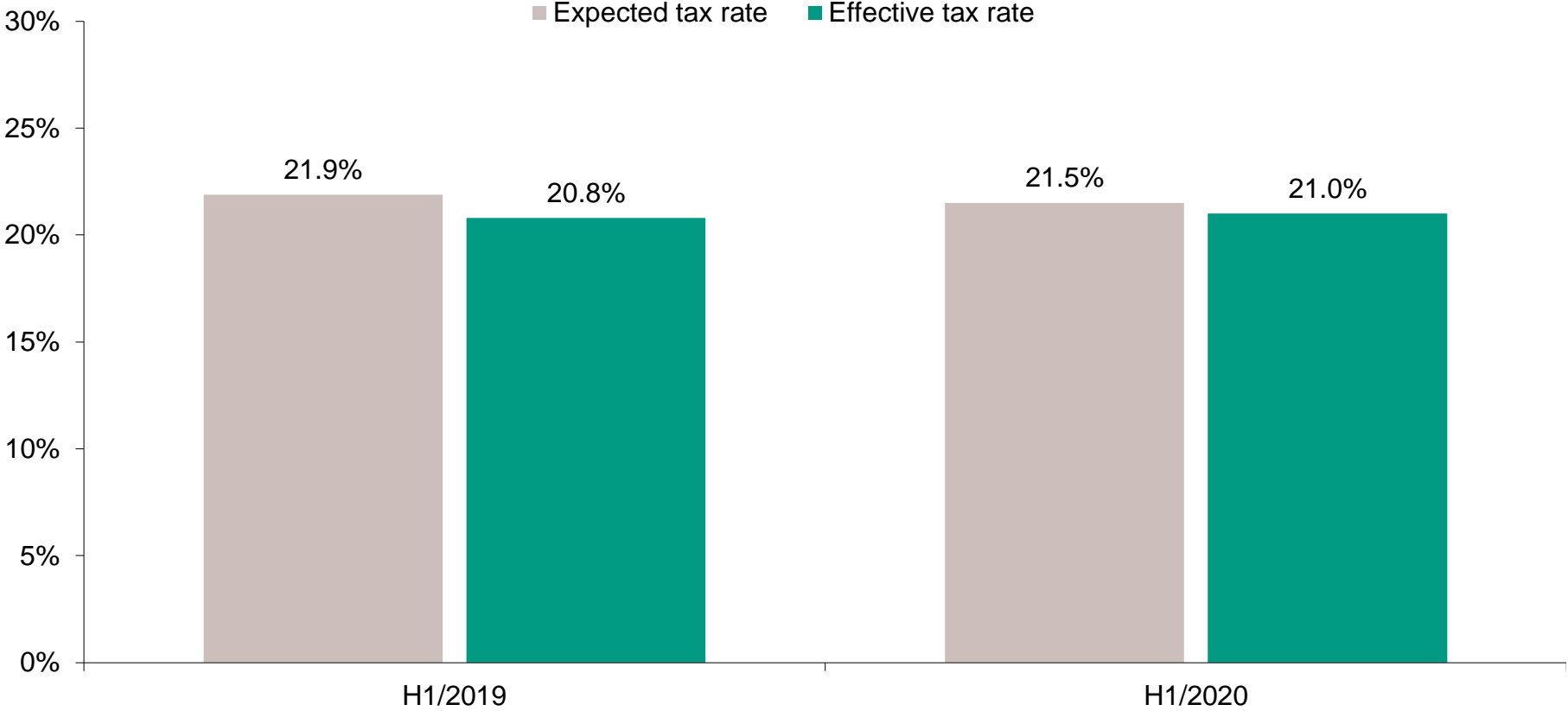
# Financial result

Improvement due to higher interest income



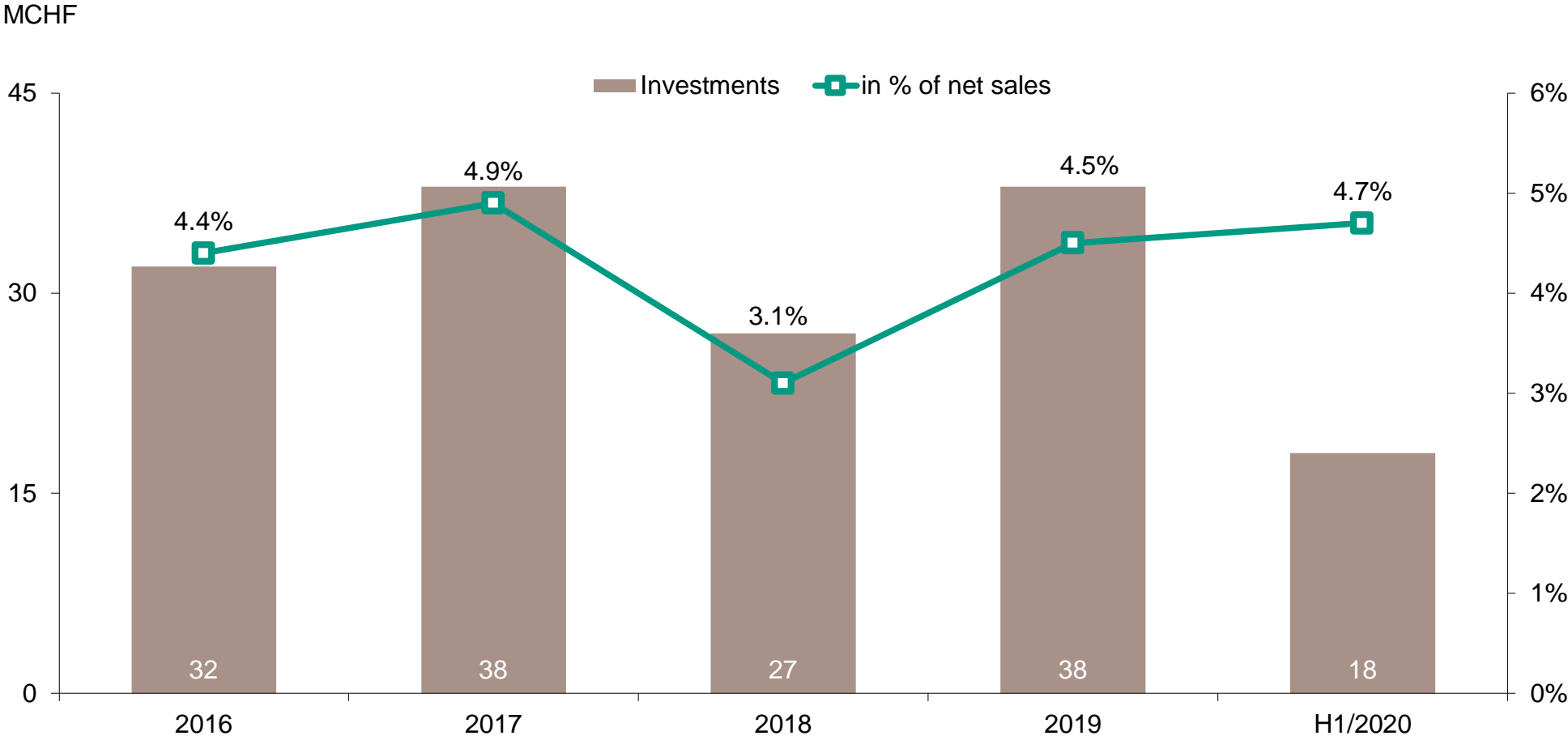
# Group tax rate

Constant level



# Investments

Level in announced range



# Overview Balance sheet

Unchanged strong

MCHF	30.06.2020	31.12.2019		30.06.2019
Cash and cash equivalent	143	192	-26 %	167
Other current assets	345	314	10 %	373
Non-current assets	245	244	0 %	237
Financial liabilities	1	1		-
Other liabilities	172	161	7 %	172
Equity*	559	588	-5 %	605
in %	76 %	78 %		78 %
<b>Balance sheet total</b>	<b>732</b>	<b>750</b>	<b>-2 %</b>	<b>776</b>
Net liquidity	142	190	-26 %	167
*thereof minority interests	3	3		n/a

# Overview cash flow

Covid-19 causes low cash flow from operating activities

MCHF	H1/2020	H1/2019
Cash flow from operating activities	5.0	33.9
Cash flow from investing activities	(17.0)	(15.8)
<b>Free operating cash flow</b>	<b>(12.0)</b>	<b>18.1</b>
Dividend payment	(31.2)	(48.7)
Dividend payment to minorities	(0.5)	0.0
Change in treasury shares	(1.1)	(1.0)
<b>Free cash flow</b>	<b>(44.7)</b>	<b>(31.6)</b>



# Financial assessment H1/2020

- ⬇ Double-digit decline in order intake (−12 %) and net sales (−16 %)
- ⬆ Proactive cost management enables solid operating profit (6.7 %) despite Covid-19
- ⬇ Low cash flow from operating activities (MCHF 5)
- ⬆ Stable financial and liquidity situation enables strategic flexibility

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# Milestones H1/2020



## Communication Optical switches

POLATIS high-radix switches help cloud service providers build energy-efficient next generation optical networks



## Industrial High-power charging system

World first for new RADOX® HPC500, which allows continuous charging with currents of 500 A



## Transportation Railway

Framework agreement with Bombardier Transportation to supply RADOX® cables extended by five years – 25 years of cooperation



## Communication WAN / Access networks

RF Video Overlay:  
unrestricted transmission quality for television and simultaneous home working

# Trends in main markets

With the right solutions in the right markets

## Communication

- Functioning of connectivity essential as part of system critical infrastructure
- 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
- Importance of 4G/LTE mobile infrastructure projects in business mix continues to decline
- Increasing data traffic drives investments in fixed line infrastructure
- Further potential seen in all optical-switching, active and passive WDM systems as well as RF-over-fiber solutions

## Transportation

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

## Industrial

- Highly differentiated products continue to offer opportunities in a wide range of applications
- Strong dynamics to be expected for high-power charging systems (RADOX<sup>®</sup> HPC)

# Outlook 2020

## Net sales outlook for 2020

- Uncertainties due to the coronavirus pandemic remain considerable.
- Global value chains have largely stabilised but have not yet normalised as before.
- The development of the most relevant currency exchange rates vs. the Swiss franc is likely to remain unfavourable.
- 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.
- 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.

## EBIT outlook for 2020

- HUBER+SUHNER expects the EBIT margin for the full year to remain at least at the same level as in the reporting period.

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The background features a complex network of glowing blue nodes connected by thin, light blue lines. The nodes are scattered across the frame, with some appearing as bright, multi-pointed starbursts. The overall aesthetic is futuristic and digital, set against a dark blue gradient background.

**Connecting – today and beyond**

# Disclaimer

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