



**HUBER+SUHNER**

Excellence in Connectivity Solutions

# Half-year conference 2018

21 August 2018 | Media and analysts conference



## Agenda

### Overview 1<sup>st</sup> half-year 2018

Financial results

Outlook 2018

Questions

Buffet lunch

Urs Ryffel (CEO)

Ivo Wechsler (CFO)

Urs Ryffel (CEO)

# Strong first half-year 2018

## **Broad-based double-digit growth**

- Above-average growth in order intake and net sales
- All main above previous year; transportation and industrial markets with strong growth
- Double-digit growth rates in all three main regions

## **Higher profitability**

- EBIT margin in the upper half of the medium-term target range of 8-10 %
- Radio Frequency increases at high level; Fiber Optics slightly below last year and considerably below long-time level, Low Frequency confirms upward trend impressively

## **Substantial contribution from strategic growth initiatives**

- Strong increase in customer projects in three out of four growth initiatives:
  - RF growth initiative Aerospace & Defense: private satellite programs
  - FO growth initiative Data Centers: American media corporations
  - LF growth initiative Electric Vehicles: High-voltage systems in new vehicle platforms

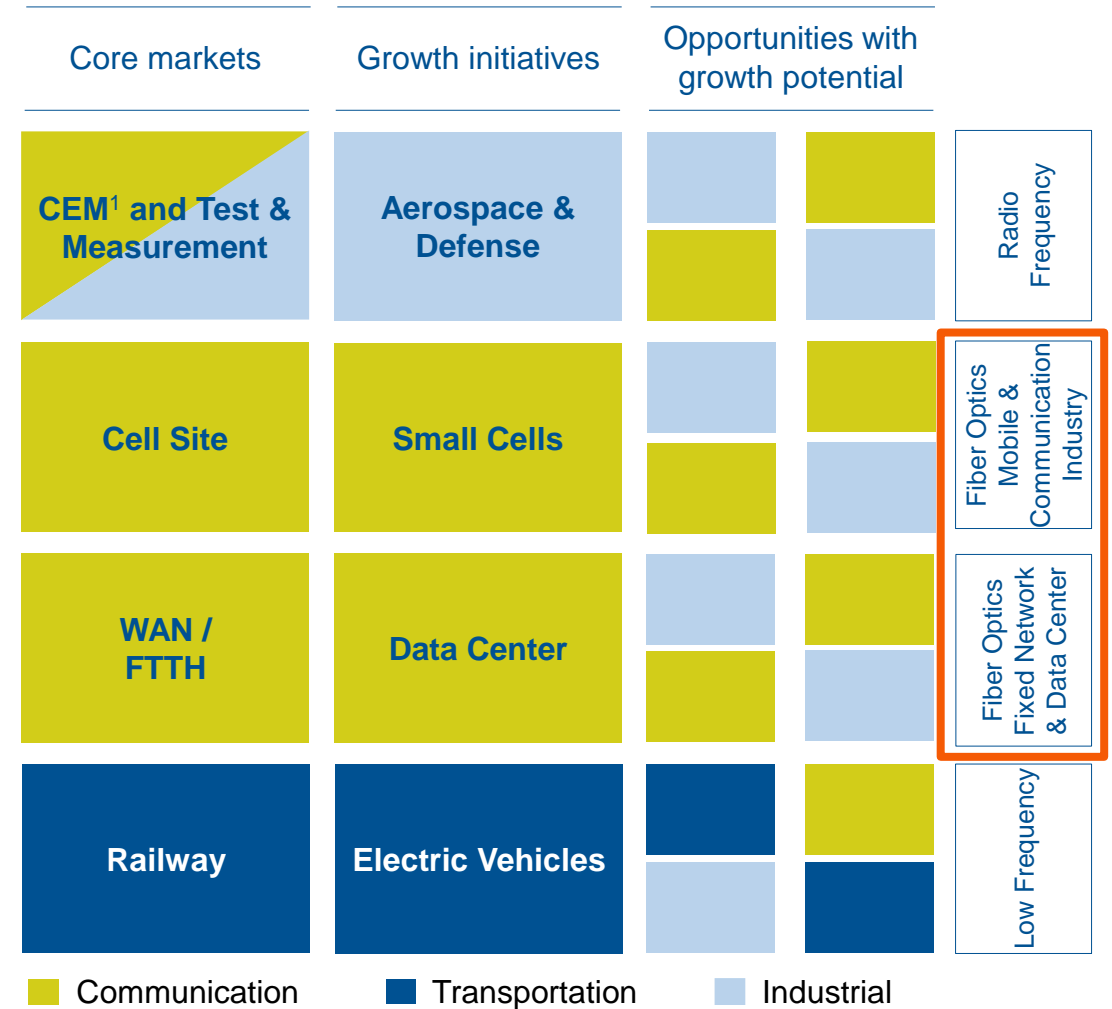
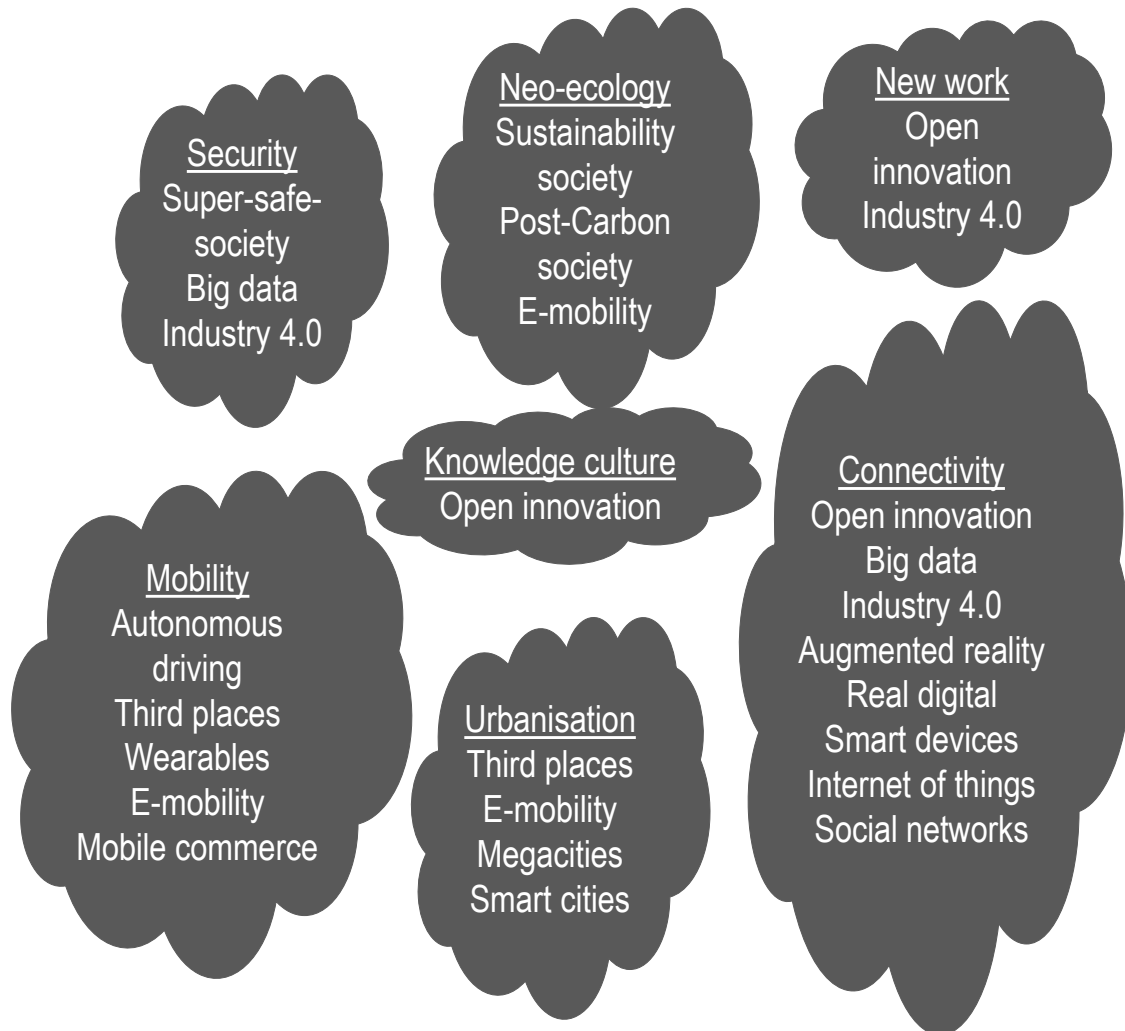
## Figures at a glance

CHF million

	H1/18	H1/17	Δ %
Order intake	516.8	425.1	+21.6
Net sales	474.0	410.7	+15.4
Operating profit (EBIT)	44.3	32.8	+35.1
• <i>as % of net sales</i>	9.4	8.0	
Net income	31.6	23.9	+32.2
• <i>as % of net sales</i>	6.7	5.8	

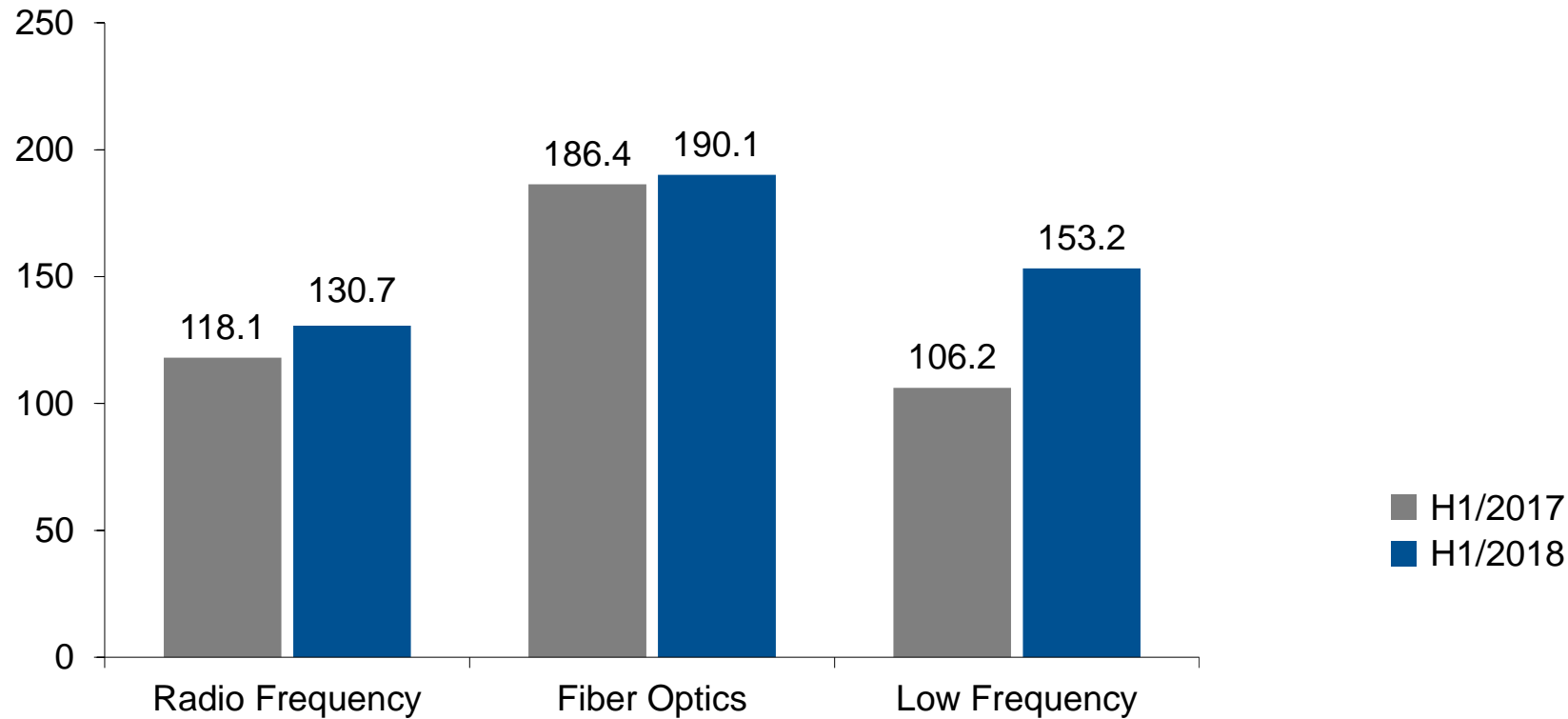
# Three technology segments

Focused strategy based on megatrends



# Net sales development technology segments

Increase in all three technology segments



# Radio Frequency technology segment

Strong performance with renewed growth and high profitability

CHF million

	H1/18	H1/17	Δ %
Order intake	143.7	123.1	+16.8
Net sales	130.7	118.1	+10.7
Operating profit (EBIT)	19.9	15.5	+28.6
• as % of net sales	15.2	13.1	

## Key aspects

- Attractive profitability increased further
- A new high contribution of the submarkets Aerospace & Defense as well as Test & Measurement
- Growth with RF solutions for fast data connections in trains due to dynamic development in the railway market
- Growth initiative Aerospace & Defense: increasing demand for RF components for private satellite projects



# Fiber Optics technology segment

Growing at below average margins compared to strong prior-year period

CHF million

	H1/18	H1/17	Δ %
Order intake	203.6	181.7	+12.0
Net sales	190.1	186.4	+2.0
Operating profit (EBIT)	12.1	16.2	-25.2
• as % of net sales	6.4	8.7	

## Key aspects

- Below-average profitability; however, EBIT margin improved compared to H2/17
- Continued significant volumes from expansion in mobile networks to 4G/LTE standard in price-sensitive emerging markets
- WDM market persists at low level
- Growth initiative Data Centers records further progress with higher margin business

# Low Frequency technology segment

Continues impressive upward trend in net sales and profitability

CHF million

	H1/18	H1/17	Δ %
Order intake	169.5	120.3	+40.8
Net sales	153.2	106.2	+44.2
Operating profit (EBIT)	15.4	0.5	n/m
• as % of net sales	10.1	0.4	

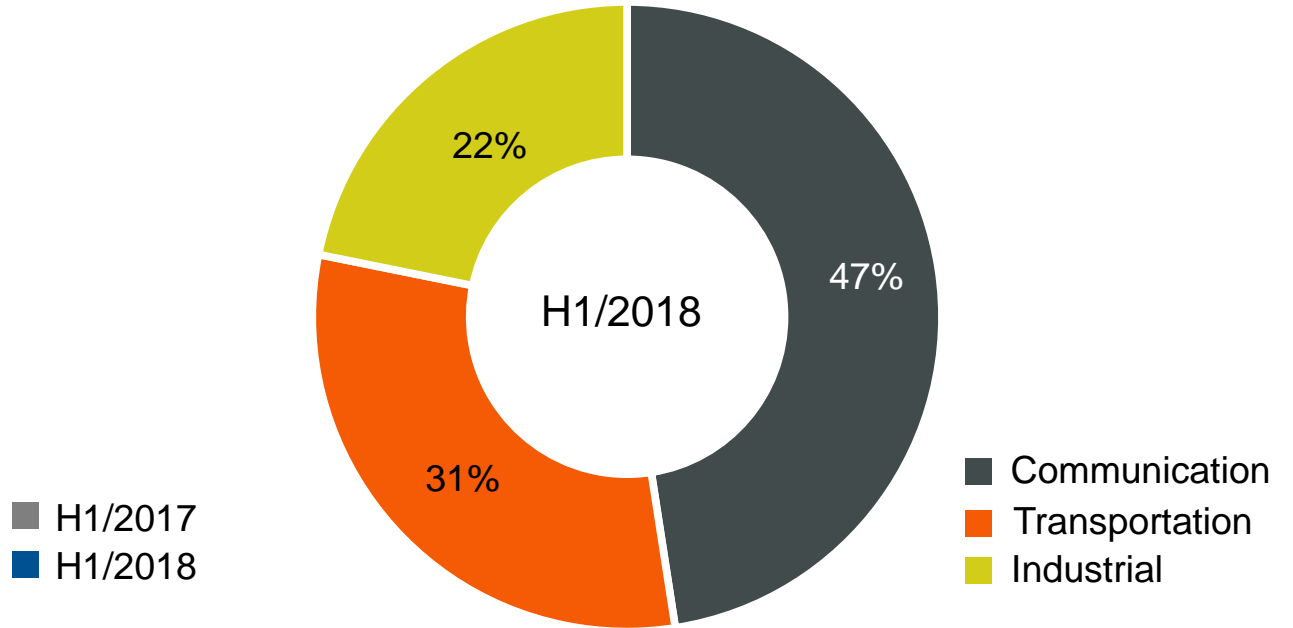
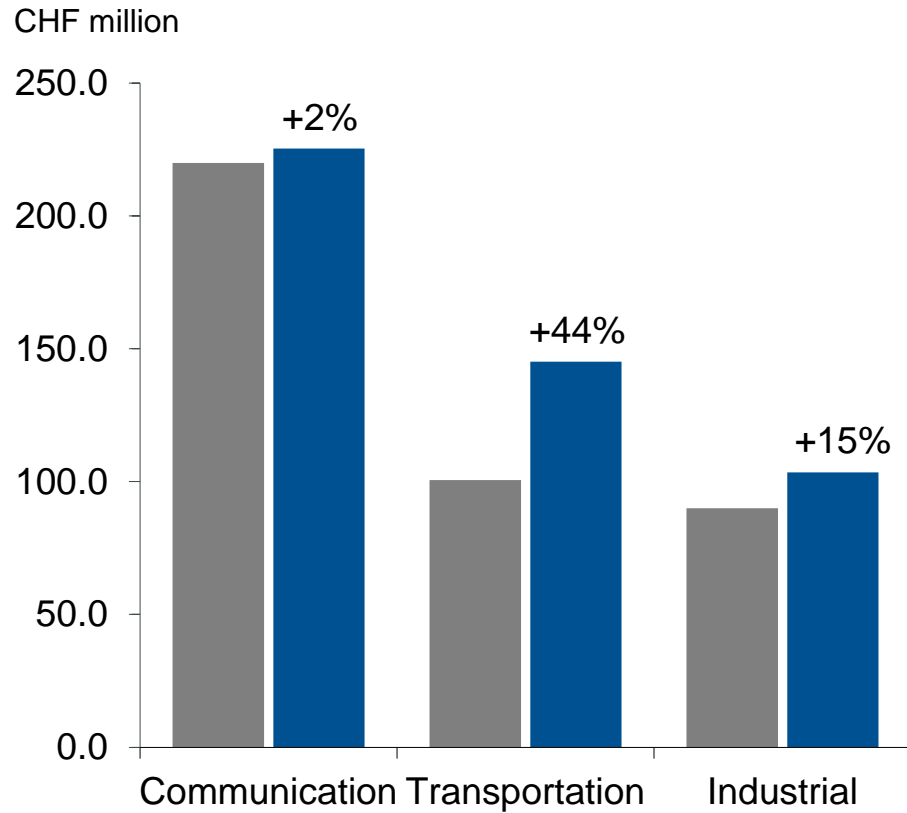
n/m = not meaningful

## Key aspects

- Railway: very dynamic start thanks to strong increase of customer projects in Asia and Europe
- Automotive: successful design-ins into new platforms of electric vehicles; impact on net sales in the medium term
- Industrial: market leader with RADOX<sup>®</sup> HPC at early stage in the build-up of high power charging infrastructure
- More favourable cost structure thanks to strategic alignment in 2017 shows positive effects
- Switzerland: decision to concentrate the two production sites in Pfäffikon; investment at the Witzberg plant in 2019 and 2020

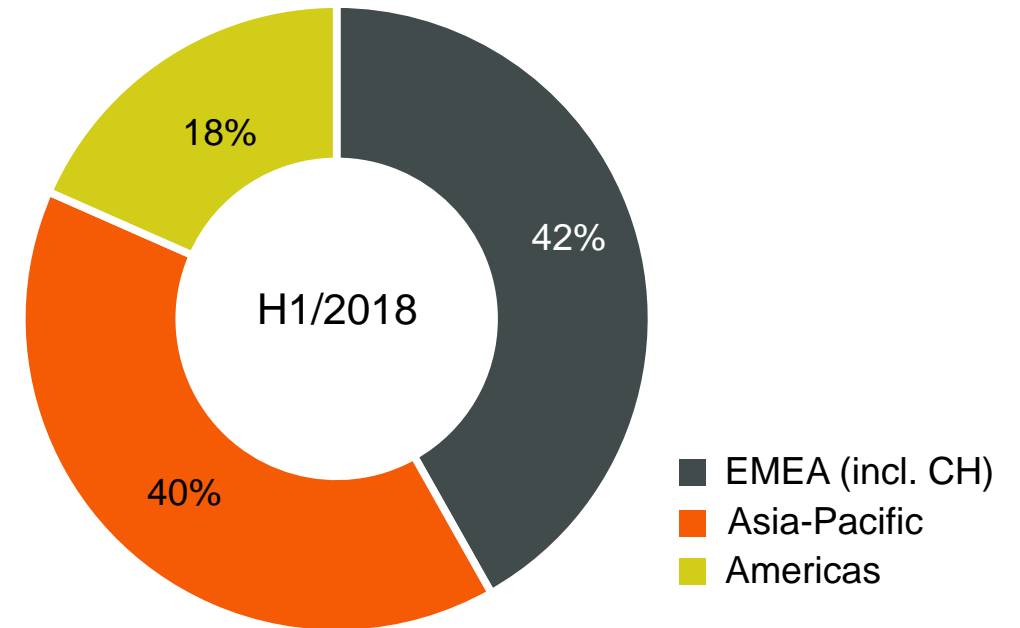
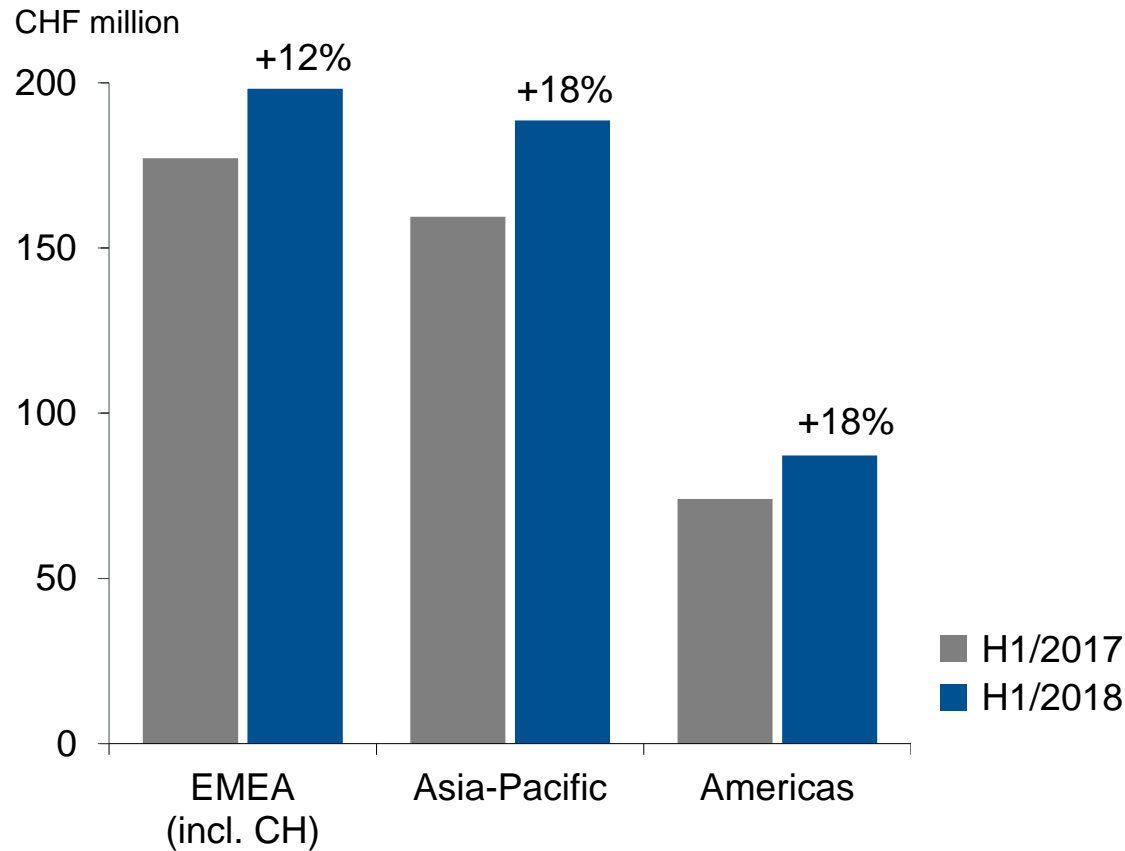
# Net sales by market

Communication slightly above previous year, Transportation and Industrial increase strongly



# Net sales by region

Double-digit growth rates in all three main regions



# Selected milestones 1<sup>st</sup> half year 2018



## Communication – Data Centers growth initiative

Significantly more data center orders in Asia and new customer projects for major American media corporations



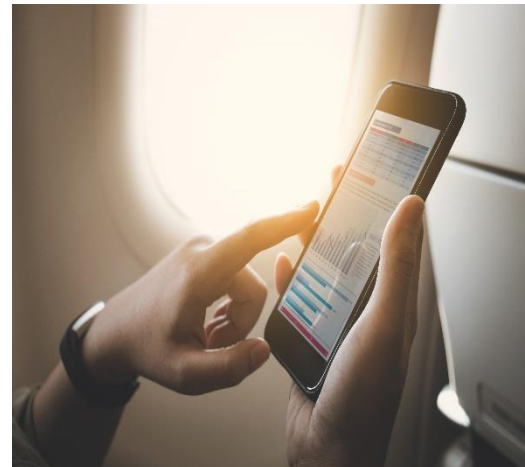
## Transportation – Opportunity with growth potential

With the RADOX® HPC High power charging system, the Group is to become the most important subcontractor for establishing the charging infrastructure in the USA by Electrify America



## Transportation – EV Automotive growth initiative

Customer projects worldwide to supply RACS solutions (RADOX® Automotive Connection System) for commercial and passenger vehicle platforms



## Industrial – Aerospace & Defense growth initiative

Capable solution for communication and entertainment on board the fleets of two American airlines

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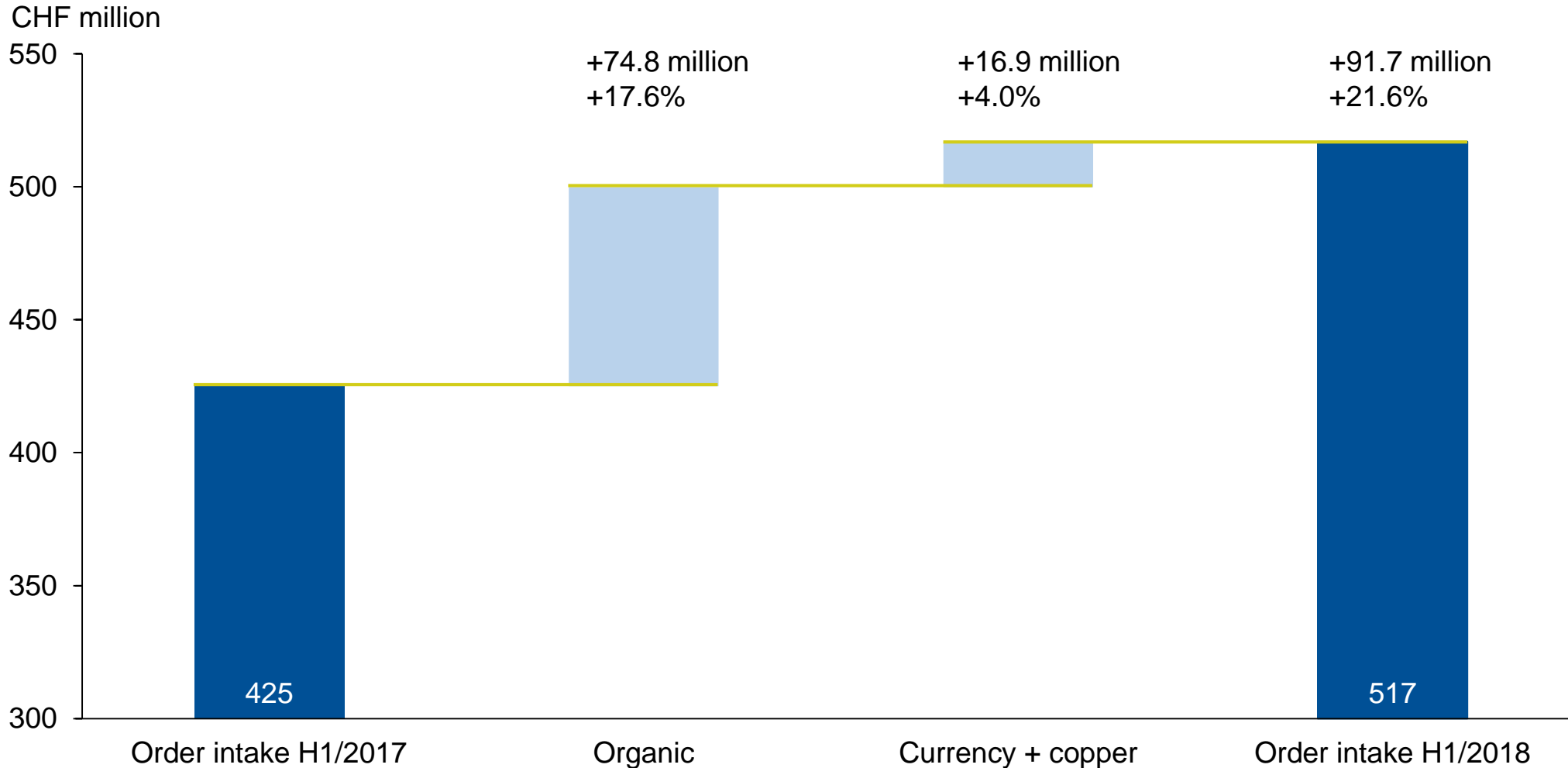
Buffet lunch

Urs Ryffel (CEO)

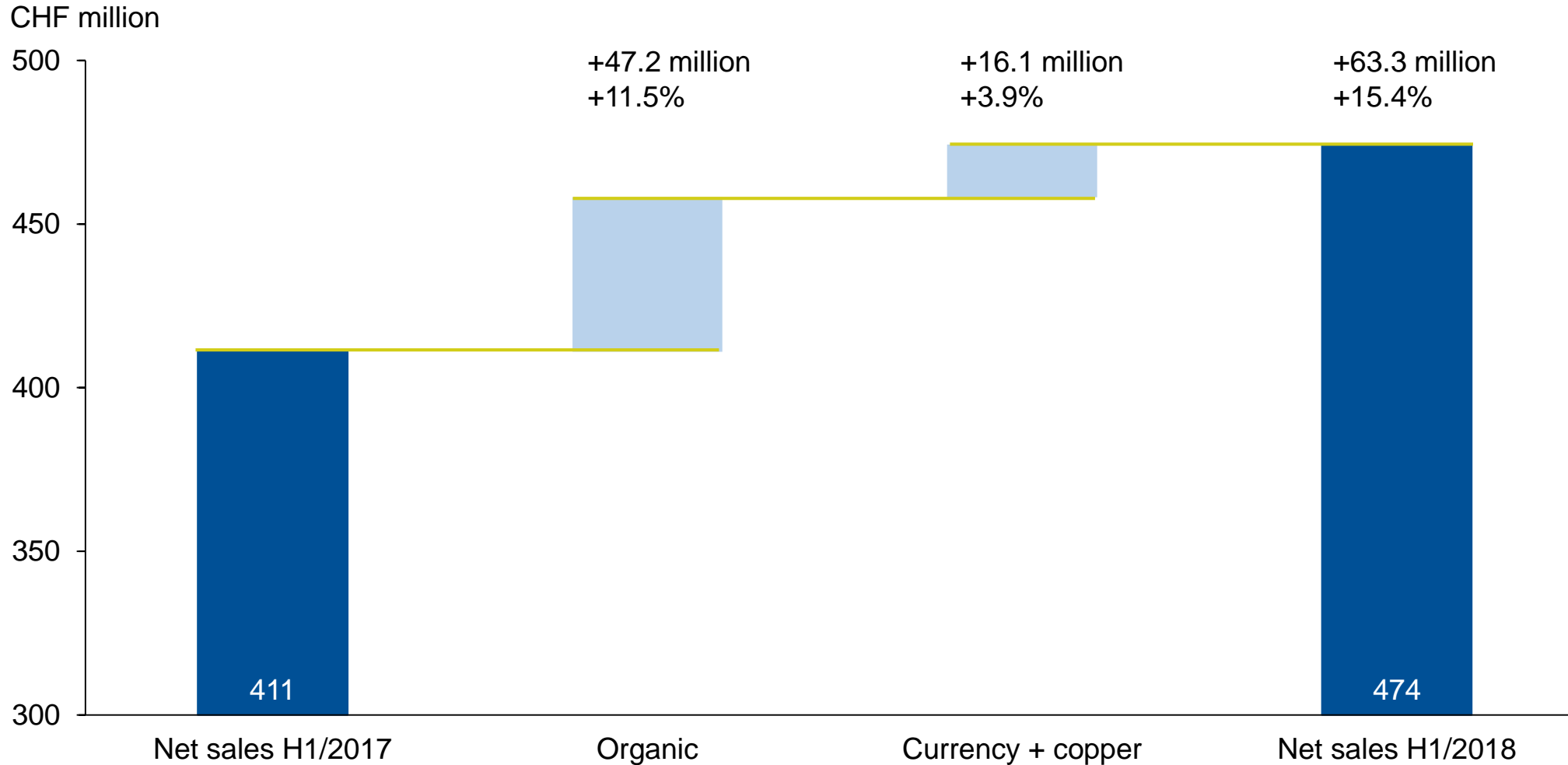
**Ivo Wechsler (CFO)**

Urs Ryffel (CEO)

# Factors impacting order intake



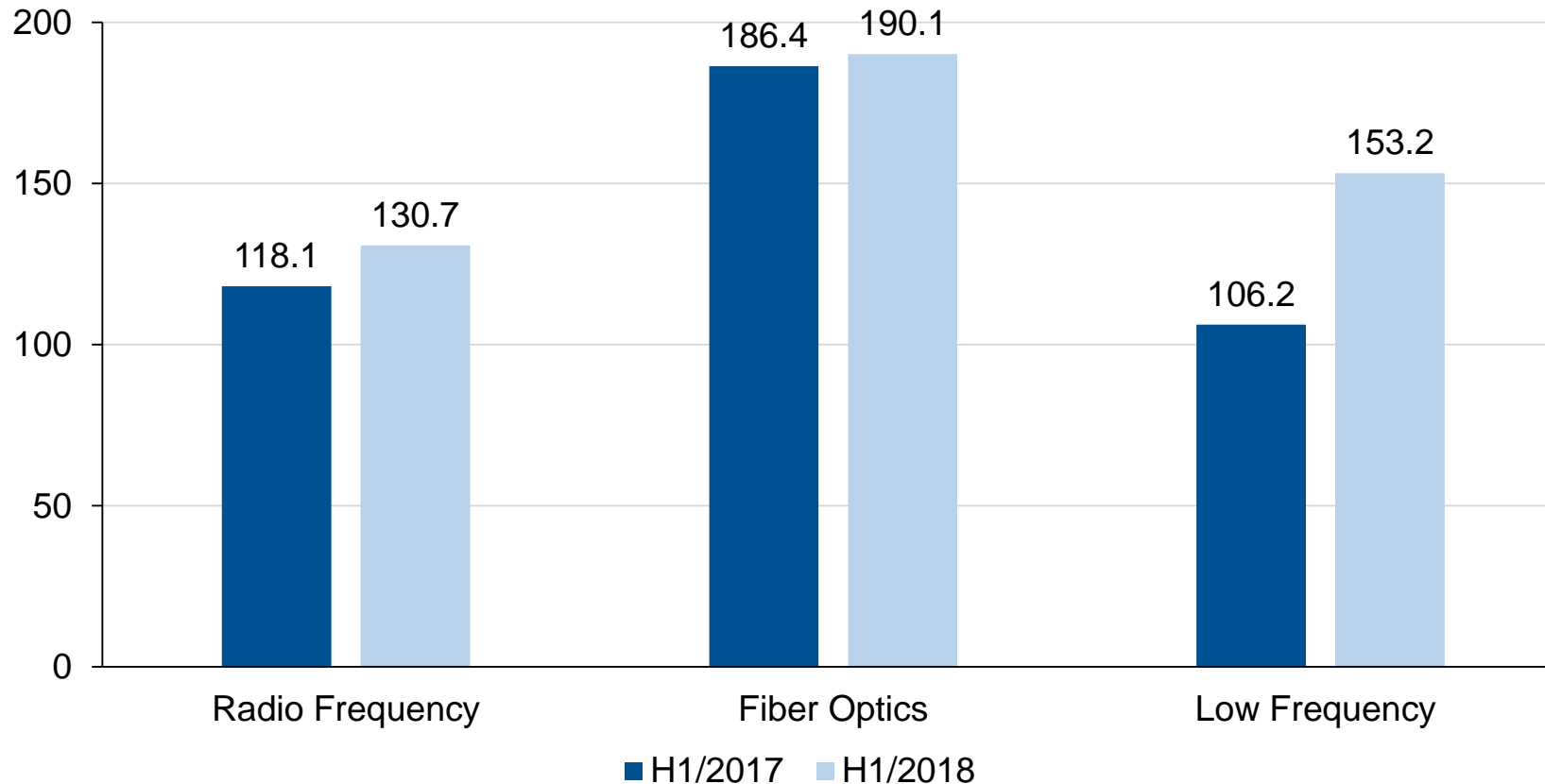
# Factors impacting «top line»





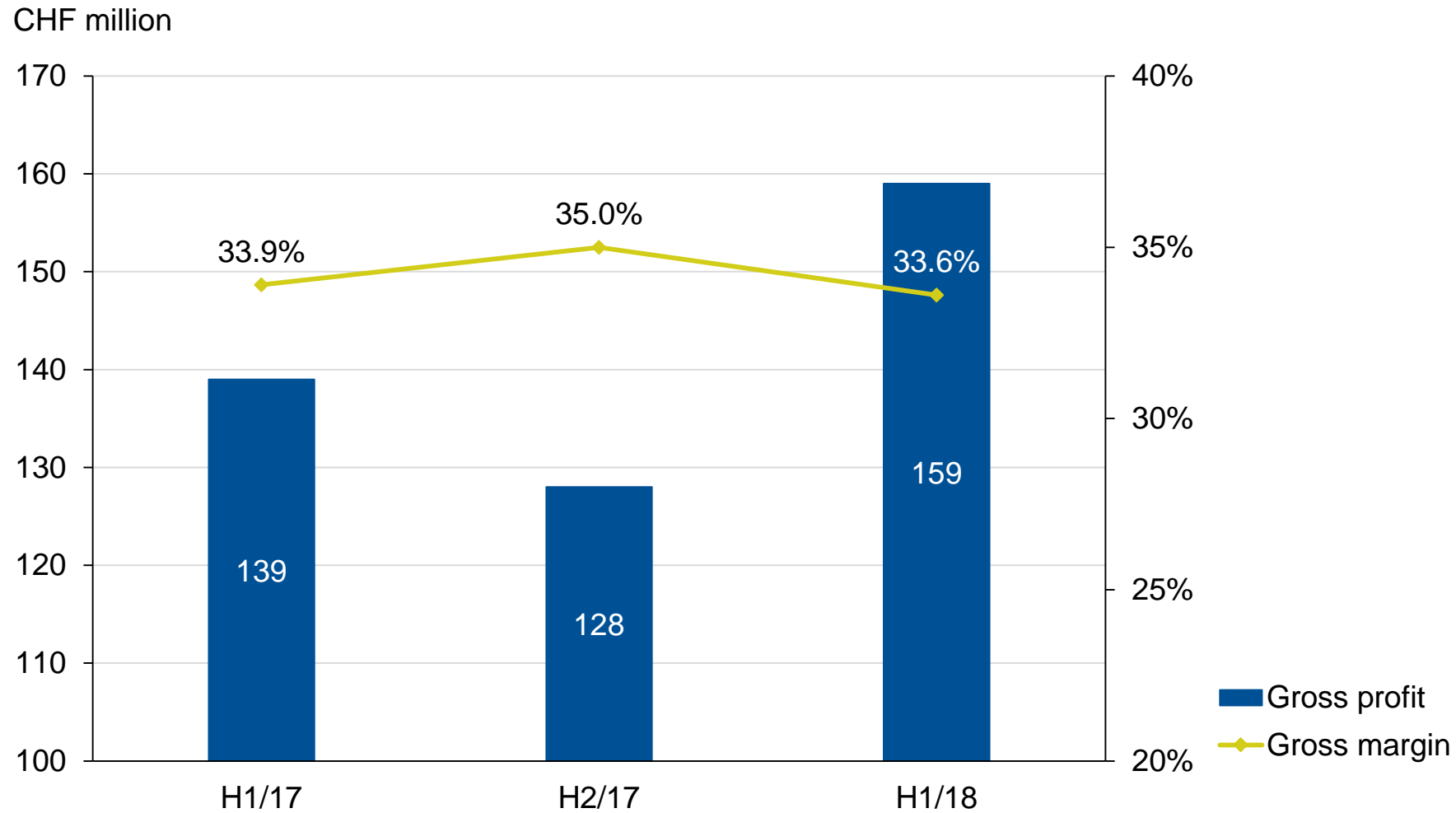
# Net sales development technology segments

CHF million	+10.7%	+2.0%	+44.2%	reported
	+7.8%	+2.1%	+32.2%	organic



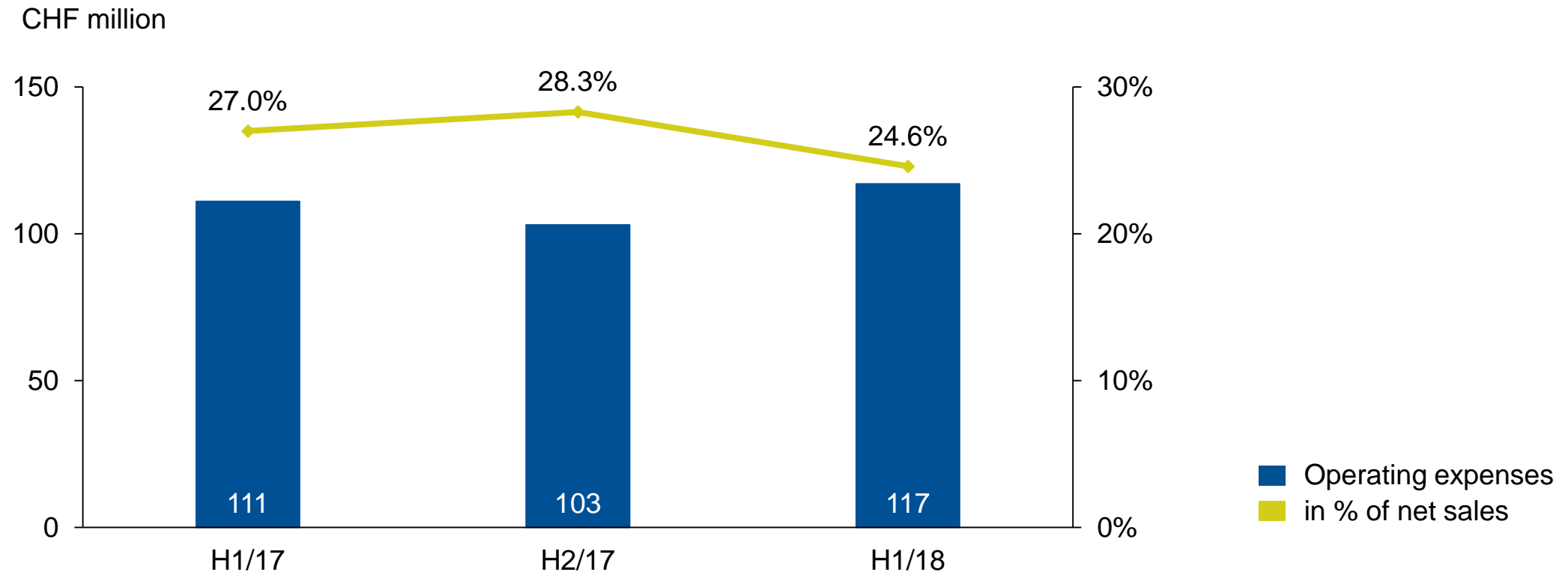
# Gross margin

Business mix influences gross margin

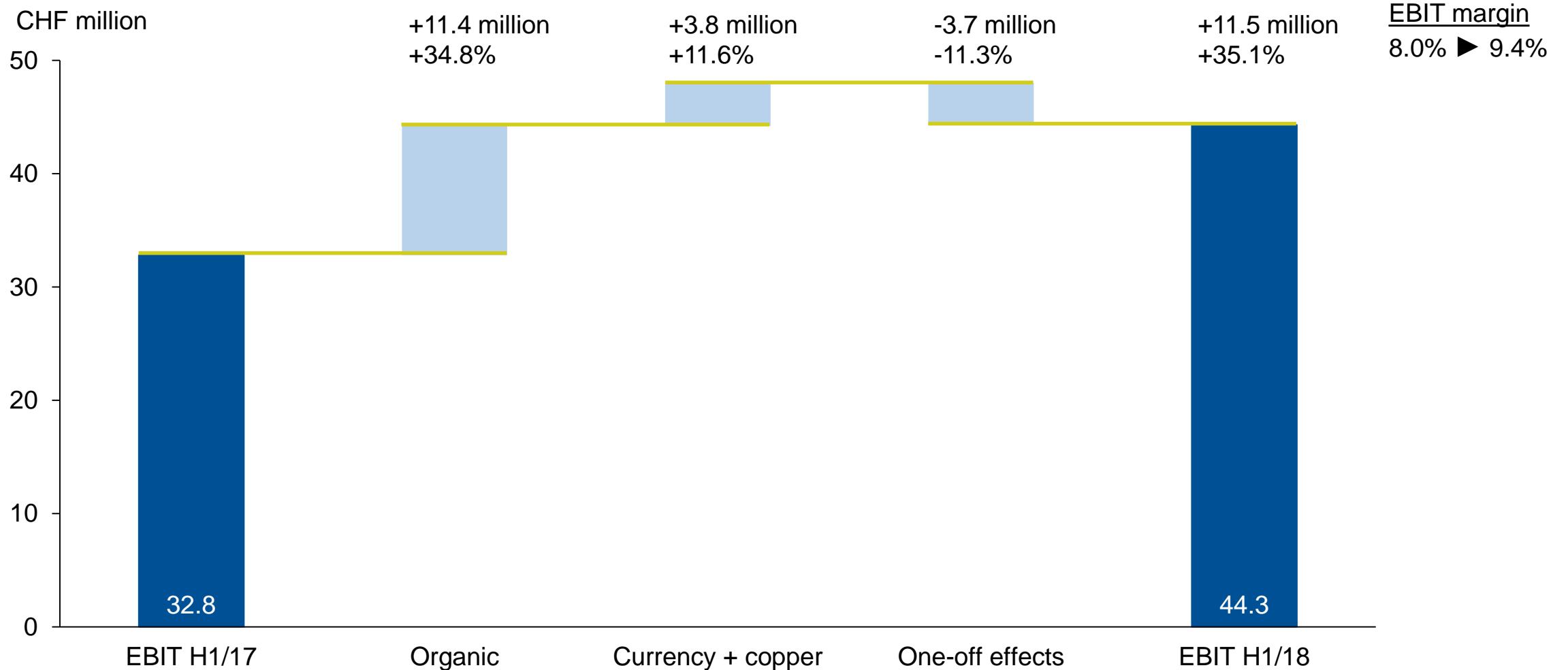


# Operating expenses

## Sub proportional increase



# Factors influencing EBIT

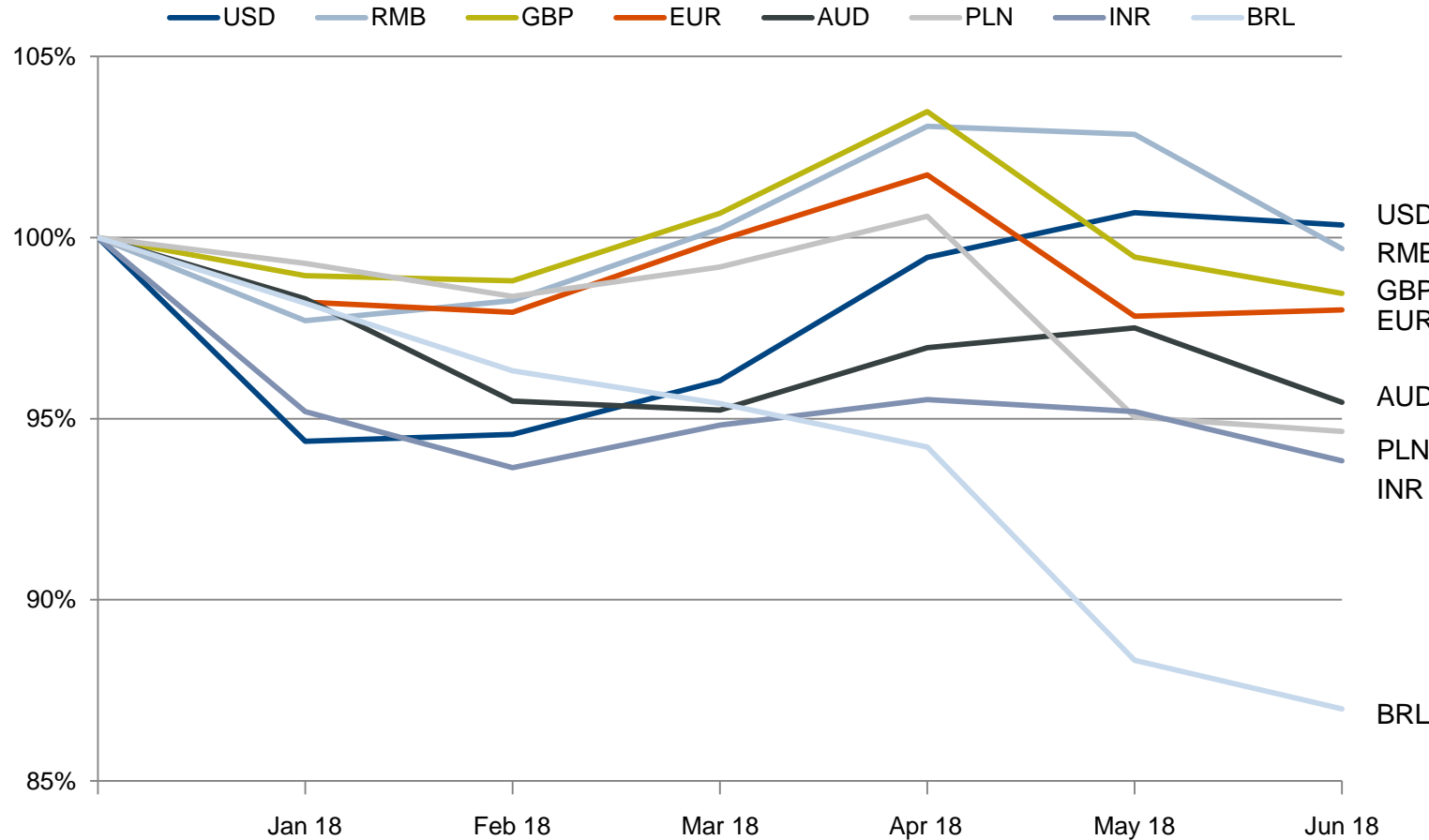


## EBIT technology segments

CHF million

	H1/18	in %	H1/17	in %
Radio Frequency	19.9	15.2	15.5	13.1
Fiber Optics	12.1	6.4	16.2	8.7
Low Frequency	15.4	10.1	0.5	0.4
Corporate	(3.2)		0.6	
<b>Total EBIT</b>	<b>44.3</b>	<b>9.4</b>	<b>32.8</b>	<b>8.0</b>

# Currency development during the first half-year 2018



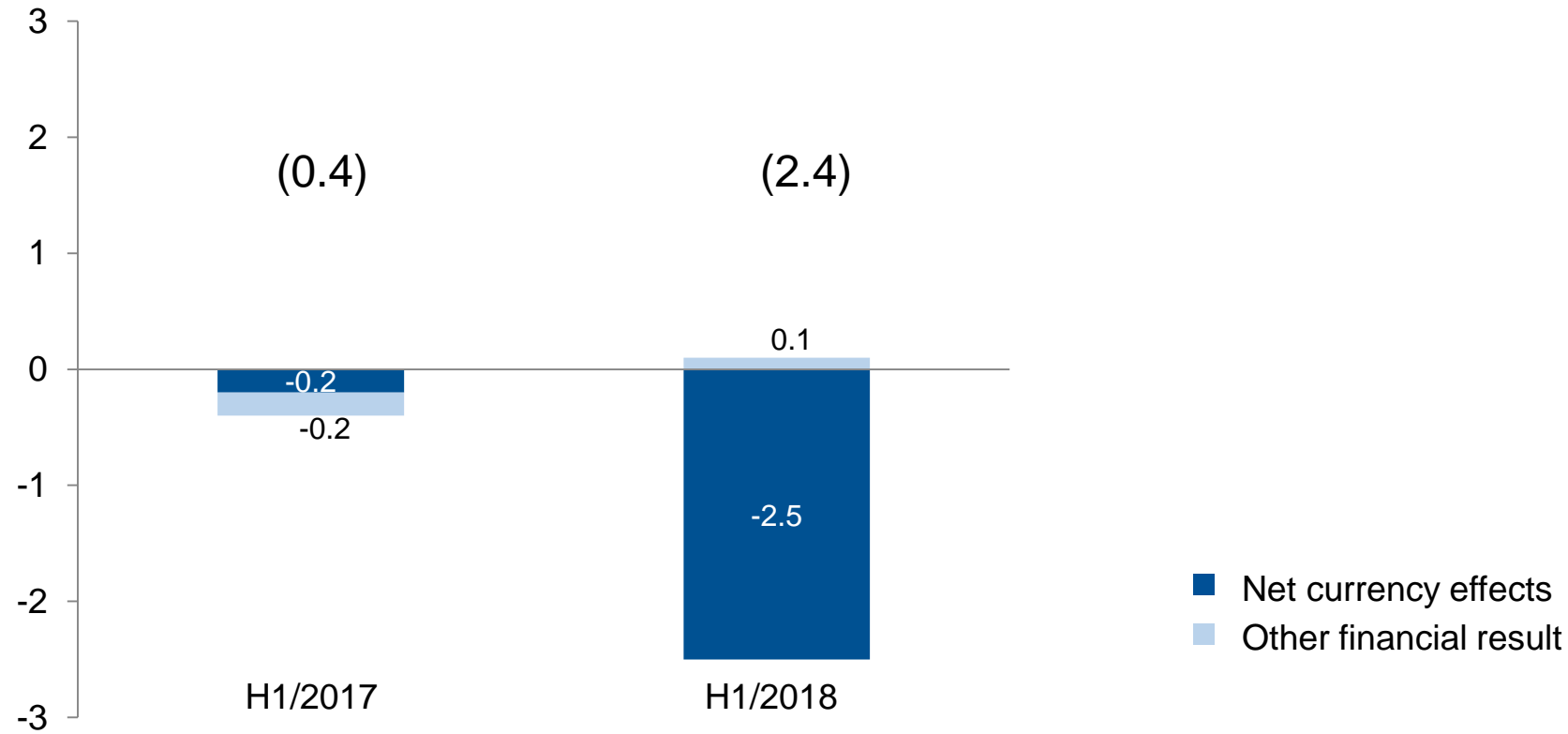
## Development vs CHF

	31.12.17 vs 30.6.18	Ø H1/17 vs Ø H1/18
USD	0.3%	-2.3%
RMB	-0.3%	5.2%
GBP	-1.5%	6.1%
EUR	-2.0%	8.0%
AUD	-4.6%	-0.8%
PLN	-5.3%	8.5%
INR	-6.2%	-3.2%
BRL	-13.0%	-9.7%

# Financial result

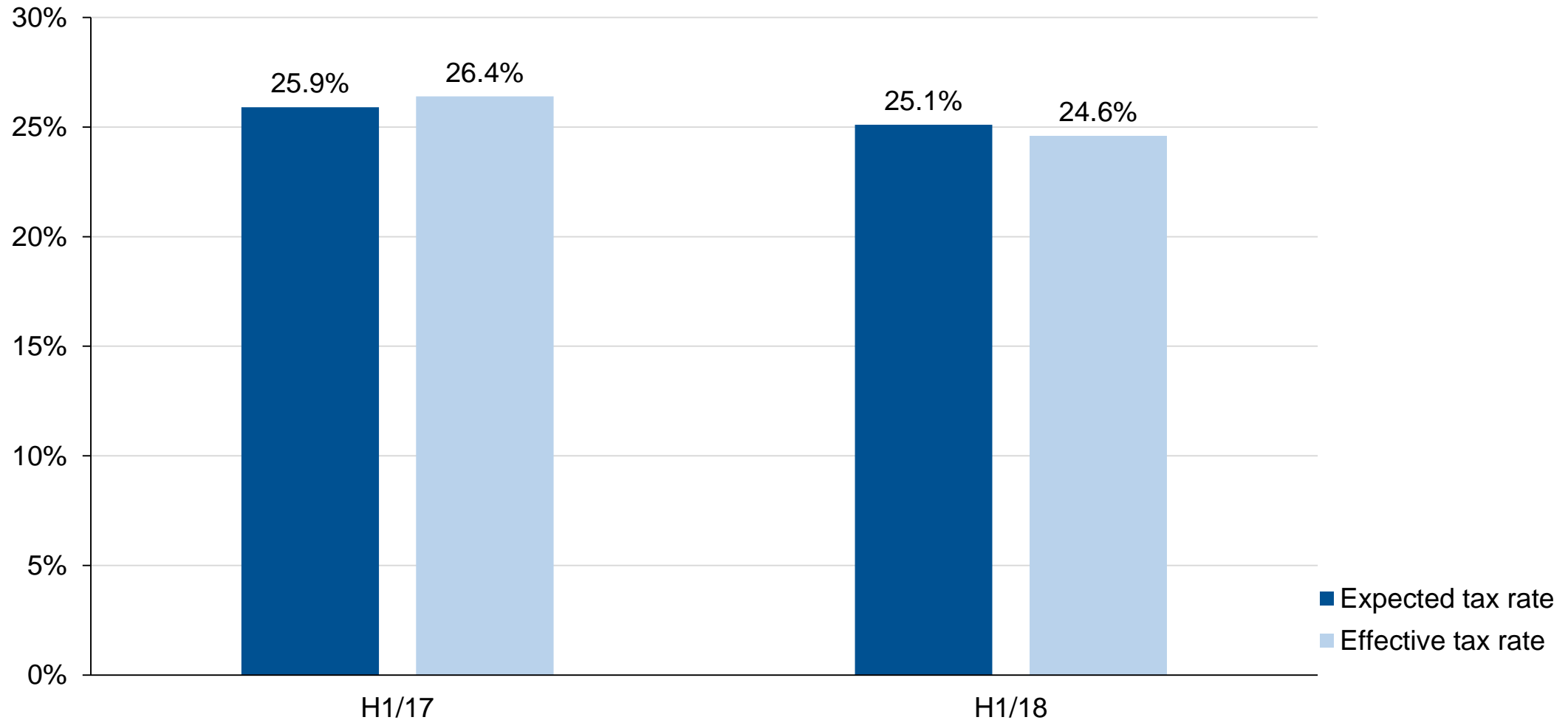
## Negative currency influences

CHF million



# Group tax rate

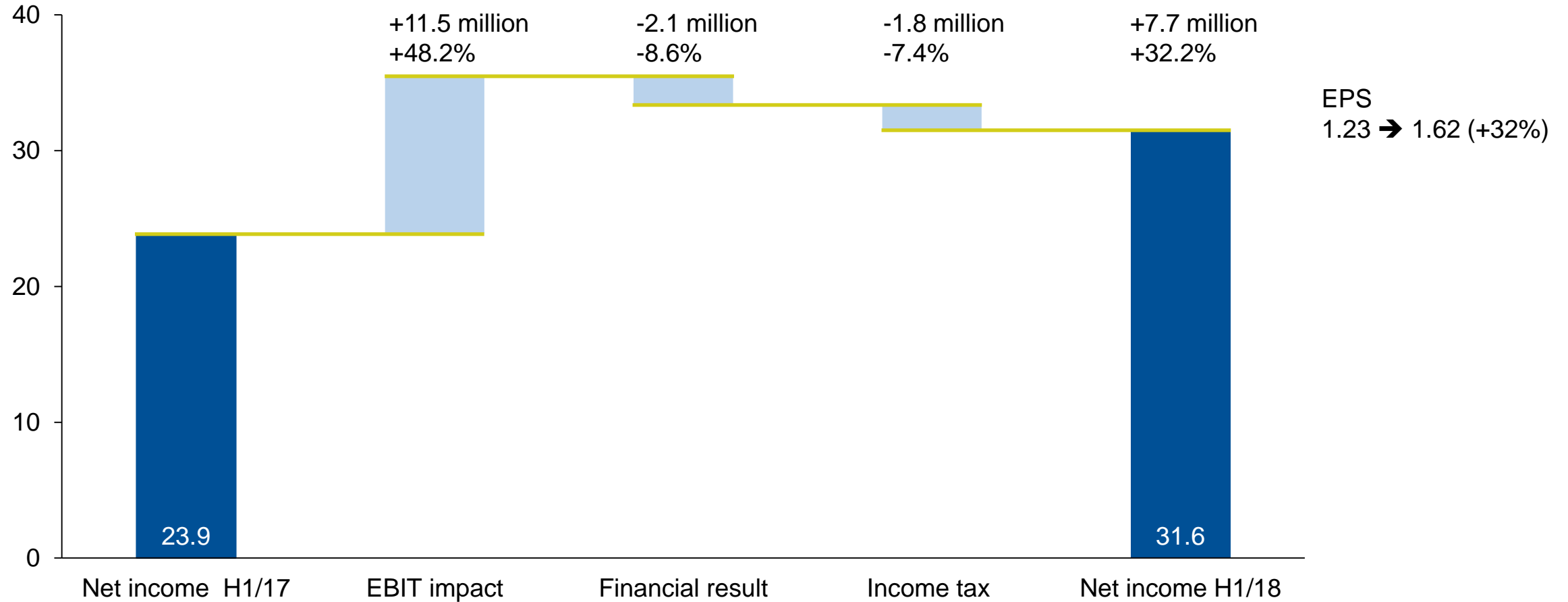
Reduced tax rate due to US tax reform





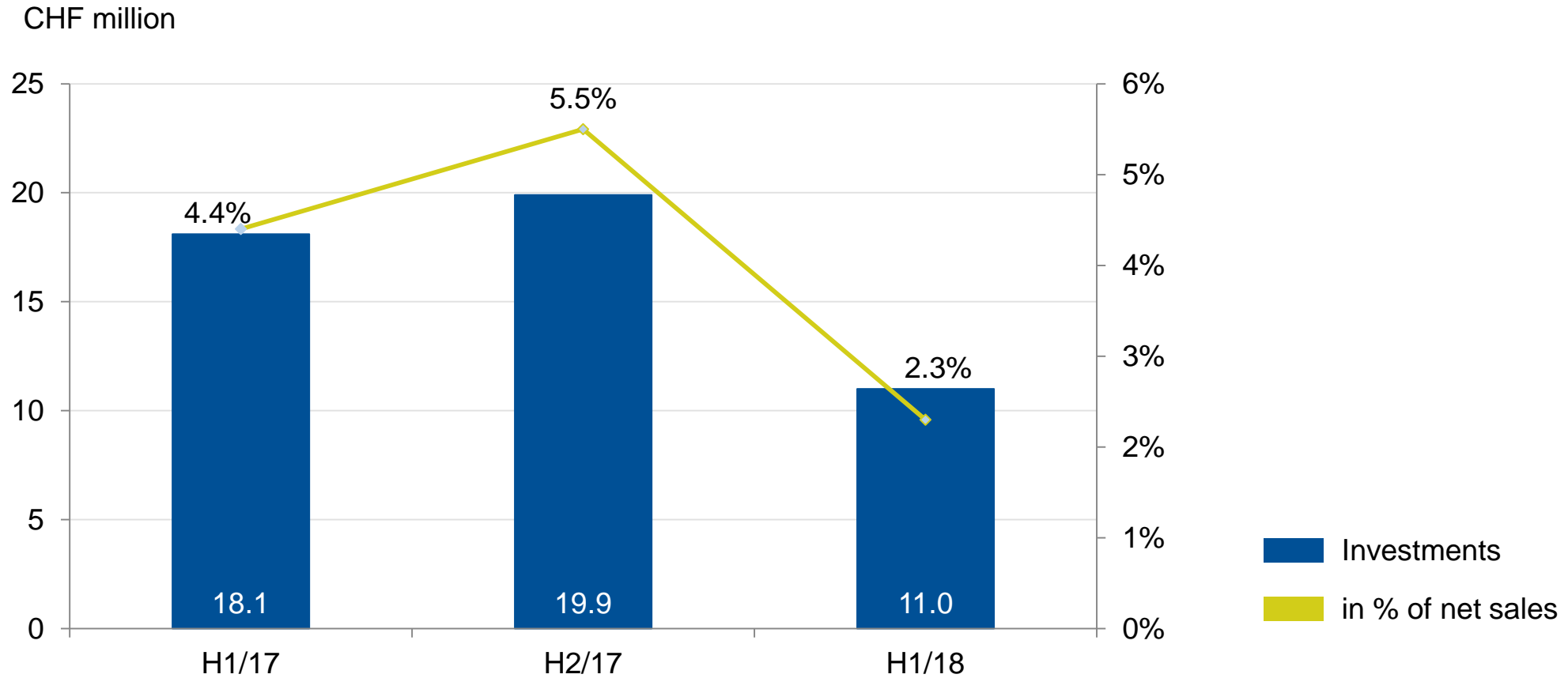
# Factors influencing net income

CHF million



# Investments

Below-average volume expected in H1, project-related increase in H2 expected



# Balance sheet

Unchanged strong

CHF million	30.06.2018	31.12.2017	▲	30.06.2017
Cash and cash equivalent	151	153	-1%	140
Other current assets	376	347	8%	343
Non-current assets	245	252	-3%	245
Liabilities	173	159	9%	164
Equity	599	593	1%	565
in %	78%	79%		78%
<b>Balance sheet total</b>	<b>772</b>	<b>752</b>	<b>3%</b>	<b>729</b>
<b>Net liquidity</b>	<b>151</b>	<b>153</b>	<b>-1%</b>	<b>140</b>

# Overview free operating cash flow

Improved cash flow from operating activities

<b>CHF million</b>	<b>H1/18</b>	<b>H1/17</b>
Cash flow from operating activities	34.8	23.1
Cash flow from investing activities	(13.2)	(14.1)
<b>Free operating cash flow</b>	<b>21.5</b>	<b>8.9</b>
Dividend payment	(21.4)	(24.3)
Change in treasury shares	(1.3)	(0.6)
<b>Free cash flow</b>	<b>(1.2)</b>	<b>(16.0)</b>

## Financial assessment H1/18

- ✔ Double-digit organic growth in orders intake (+17.6 %) and net sales (+11.5 %)
- ✔ Operational profitability in the upper half of the medium-term target range (9.4 %)
- ✔ Significantly improved free operating cash flow

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## Conclusion 1<sup>st</sup> half-year 2018: Broad-based growth – higher profitability – growth initiatives make a considerable contribution

- Above-average growth in order intake and net sales, broadly based
- Communication: net sales at high level thanks to major projects, pressure on margins remains high
- Transportation: both submarkets Railway (Asia and Europe) and Automotive with strong growth dynamic, partly only effective on net sales in the medium term
- Industrial: all industrial high-tech niches with growth in net sales
- Radio Frequency remains on growth path, attractive profitability
- Fiber Optics improves business mix with stronger differentiation, profitability slightly recovered compared to strong H2/2017
- Low Frequency with strong contribution to earnings thanks to strong growth and more favourable cost structure
- Growth initiatives increase significantly

# Technology segments

see FY conference 13.3.2018

On track for the full year after H1/2018

## Radio Frequency

- ✓ Goal 2018: repeat previous year's strong performance
- ✓ Strategic thrust: defend good margin and remain on growth path through RF solutions for aerospace and defense technology

## Fiber Optics

- ✓ Goal 2018: reverse negative prior-year trend in profitability
- ✓ Strategic thrust: business expansion in higher-margin market segments such as data center and small cells

## Low Frequency

- ✓ Goal 2018: confirm increased profitability based on the positive cycle in the railway submarket and growth in the automotive submarket
- ✓ Strategic thrust: convert customer development projects for high-speed charging systems and high voltage distribution systems into orders



# Markets

see FY conference 13.3.2018

Starting position in key markets and with key customers unchanged

## Communication

- LTE rollouts in price-sensitive emerging economies last – 5G mobile network large-scale starting 2020
- Continuous increase in global data volume in Internet traffic drives expansion of data centers
- Asian growth markets are characterised by a highly competitive environment

## Transportation

- Railway market Asia with continued positive dynamics
- Electric vehicle market beyond «point of no return»; all major OEMs have plans for EV offerings for each platform; challenge of reach vs. (fast) charging requires a solution

## Industrial

- Investments in aerospace and defense continue to grow
- Generally good dynamics in a wide spectrum of market segments

## Outlook 2018

### Net sales guidance for 2018

- Second half-year 2018 with continued positive development compared to the previous year
- Momentum likely to be lower in the second half of the year due to project-related influences
- Growth in net sales of at least 10 % compared to the previous year, provided that there is a comparable currency situation

### EBIT guidance for 2018

- EBIT margin for 2018 as a whole in the middle of the medium-term target range of 8 – 10 %

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