

**HUBER+SUHNER**

# Full-year results 2023

# Media and analysts' conference

# Agenda

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## Overview of business year 2023

Urs Ryffel (CEO)

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Financial results 2023

Ivo Wechsler (CFO)

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Strategic focus, Trends, Outlook 2024

Urs Ryffel (CEO)

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Questions and answers

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# Solid EBIT margin despite marked decline in Communication

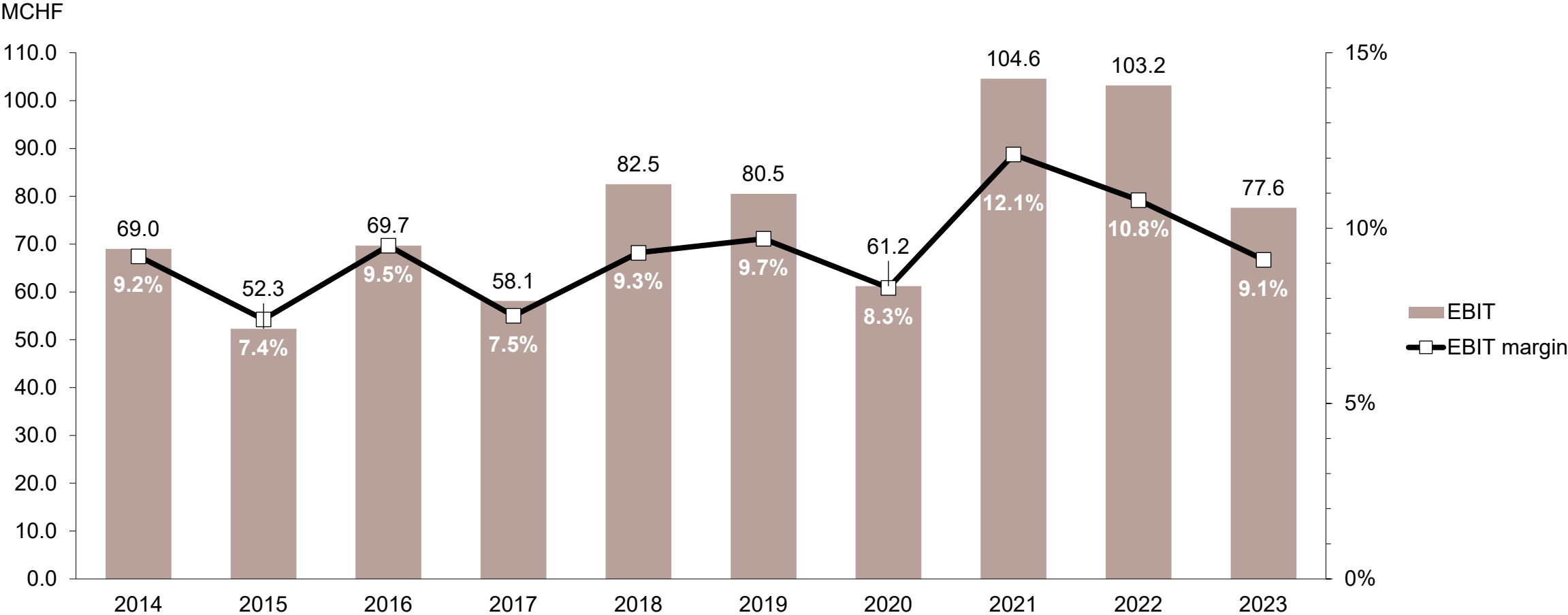
MCHF

	2023	2022	Δ %
Order intake	821.4	975.4	-15.8
Net sales	851.1	954.6	-10.8
Operating profit (EBIT) as % of net sales	77.6 9.1	103.2 10.8	-24.8
Net income as % of net sales	64.8 7.6	85.2 8.9	-23.9

- Order intake negatively impacted by overstocked customer inventories across many end markets, and communication market in a downward cycle
- Net sales with organic decline of 6.3 % after record high in 2022
- Operating profit within EBIT medium-term target range of 9–12 %
- Industry with solid result – successful turnaround in Transportation – drop attributable to Communication segment
- Solid net income performance

# EBIT

## Long-term comparison (10 years)



# Industry segment

Reduced momentum and lower but still solid profitability

MCHF

	2023	2022	Δ %
Order intake	258.1	310.5	-16.9
Net sales	285.3	298.0	-4.3
Operating profit (EBIT) as % of net sales	46.8 16.4	63.4 21.3	-26.1

## Key aspects

- Continued depletion of inventories at customers over the entire reporting year impacted the awarding of new orders
- Aerospace and defense reporting double-digit percentage growth in sales; both test and measurement and general industrial experienced decline in the double-digit range
- Orders for HPC experienced a distinct decline in the US market due to both uncertainties about the future charging interface standard and to state investment incentives linked to local value creation targets

# Communication segment

Declining volumes and profitability countered by cost measures

MCHF

	2023	2022	Δ %
Order intake	283.4	380.6	-25.6
Net sales	280.3	385.9	-27.4
Operating profit (EBIT) as % of net sales	13.7 4.9	34.2 8.9	-59.8

## Key aspects

- Much weaker communications market around the world which impacted the entire industry
- Declining 5G rollouts in North America and continuous depletion of high inventories in supply chain resulted in significant slump
- Business picked up towards end of reporting period thanks to securing of new mobile communication rollouts in Asia in particular, and in the data center growth initiative
- Cost base lowered and capacities significantly adjusted to lower volumes

# Transportation segment

Net sales growth – four percentage points increase in profitability

MCHF

	2023	2022	Δ %
Order intake	279.9	284.4	-1.6
Net sales	285.5	270.6	5.5
Operating profit (EBIT) as % of net sales	25.9 9.1	13.7 5.1	89.5

## Key aspects

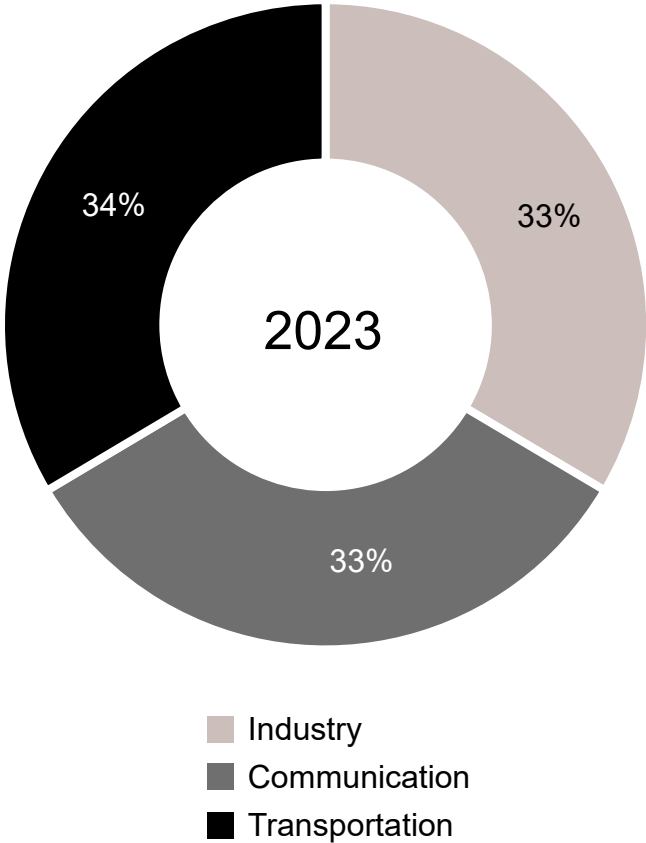
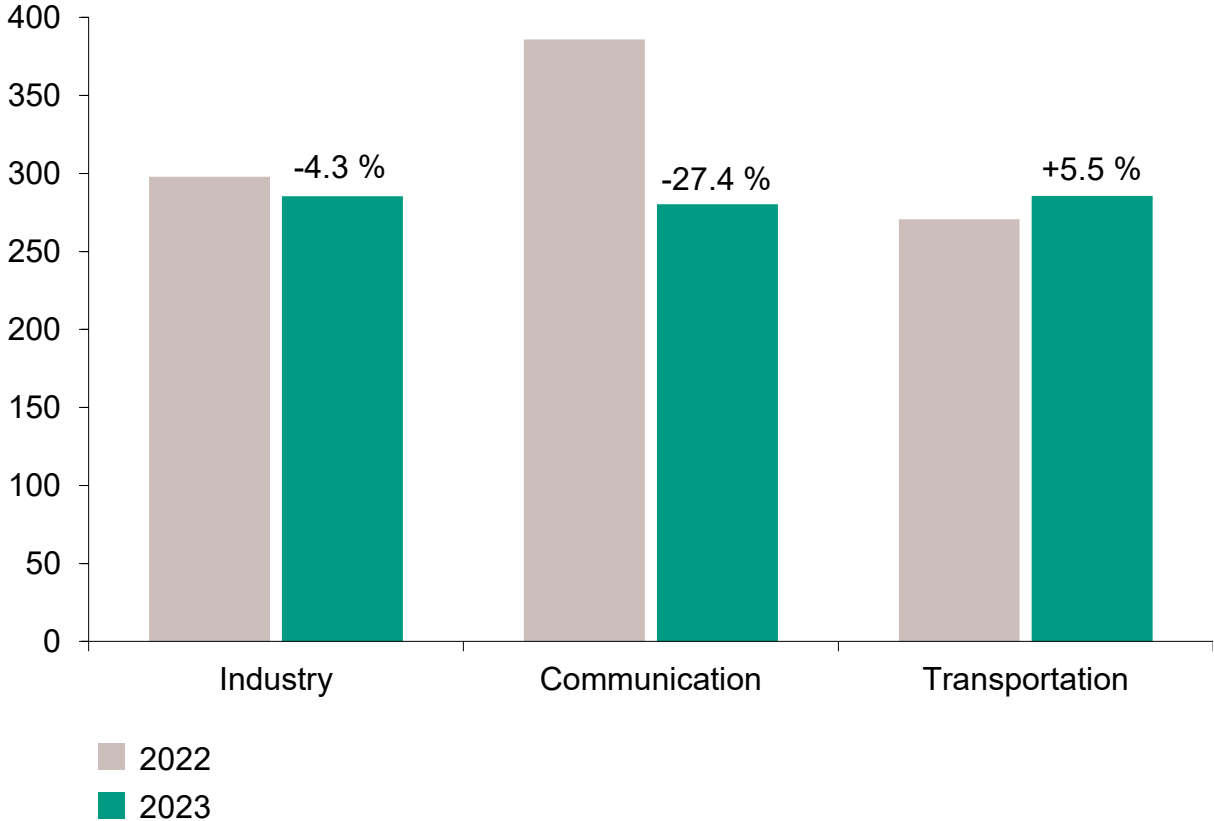
- Turnaround after a three-year lean period following the global pandemic
- Railway subsegment with upturn in demand made positive contribution to net sales
- Automotive subsegment also reported growth in net sales thanks to positive contribution from electric vehicle and advanced driver assistance system growth initiatives
- EBIT margin increased significantly to 9.1 % in the reporting year



# Net sales by market segment

Significant decline in Communication

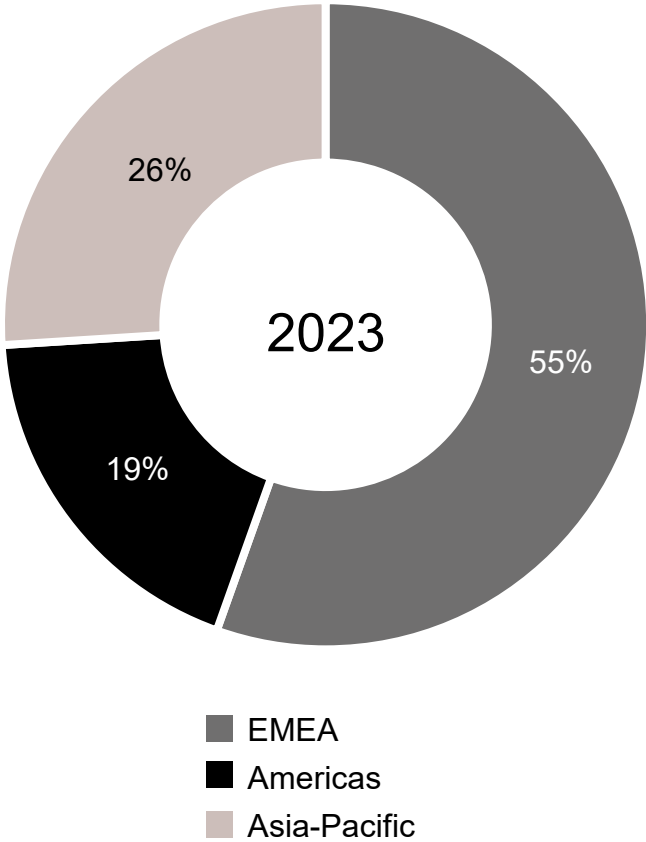
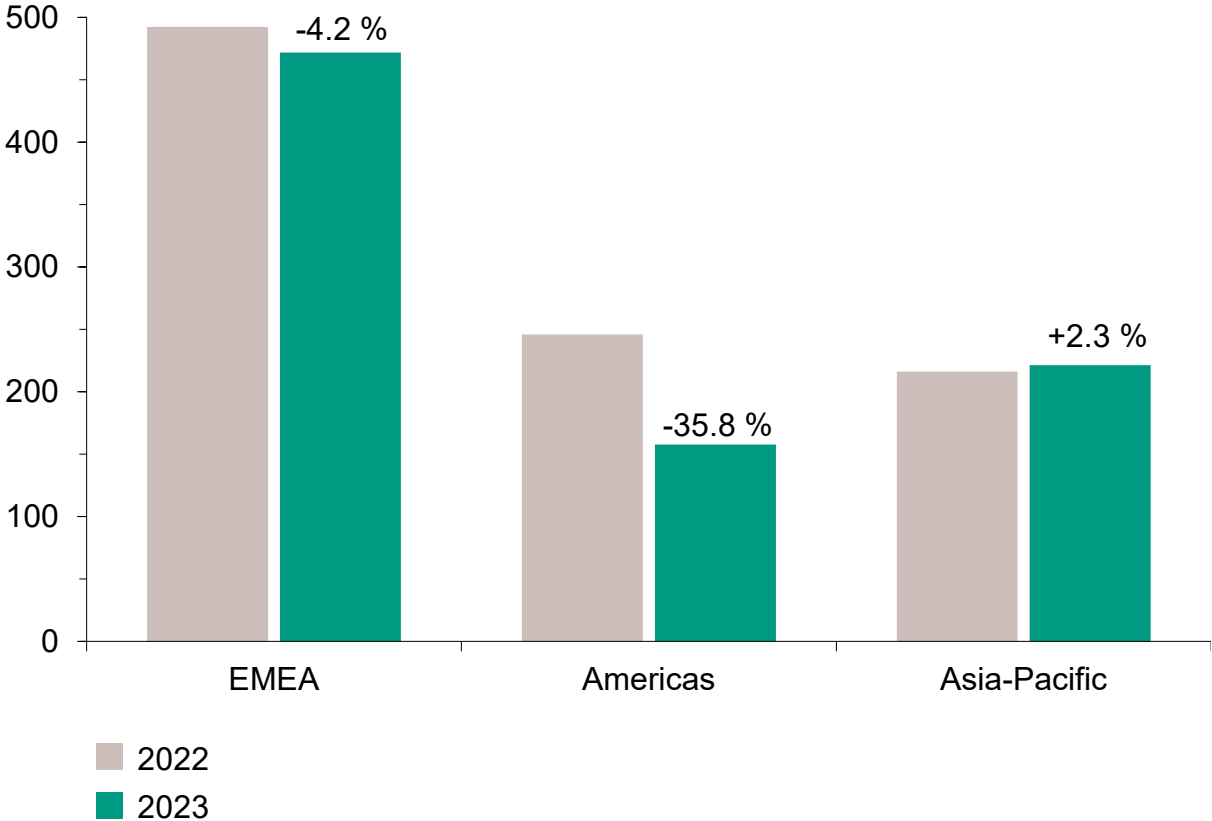
MCHF



# Net sales by region

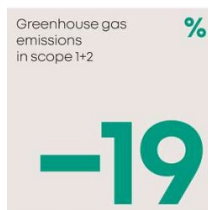
Marginal change in EMEA and Asia-Pacific, major downturn in the Americas

MCHF



# Reducing our environmental impact: highlights in 2023

- **Lowering our carbon footprint:** We continue to be aligned with our 2025 target to reduce our emissions by 50% per added value.



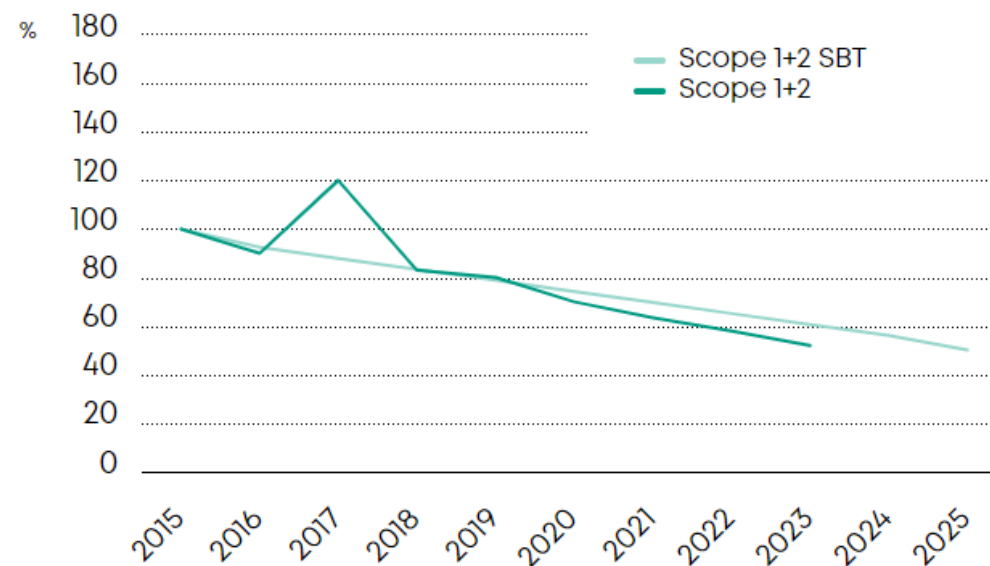
- **Resource efficiency:** We are committed to decrease our resource use which is shown in a reduced amount of waste and water withdrawal.



- **Sustainable transports:** We reduced the transport of goods within the Group and to customers by 30 %.



- **Responsible supply chains:** We met our target to assess at least 75 % of our direct production material spend with suppliers that underwent our sustainability assessment.



SBTi-aligned reduction pathway from a 2015 baseline

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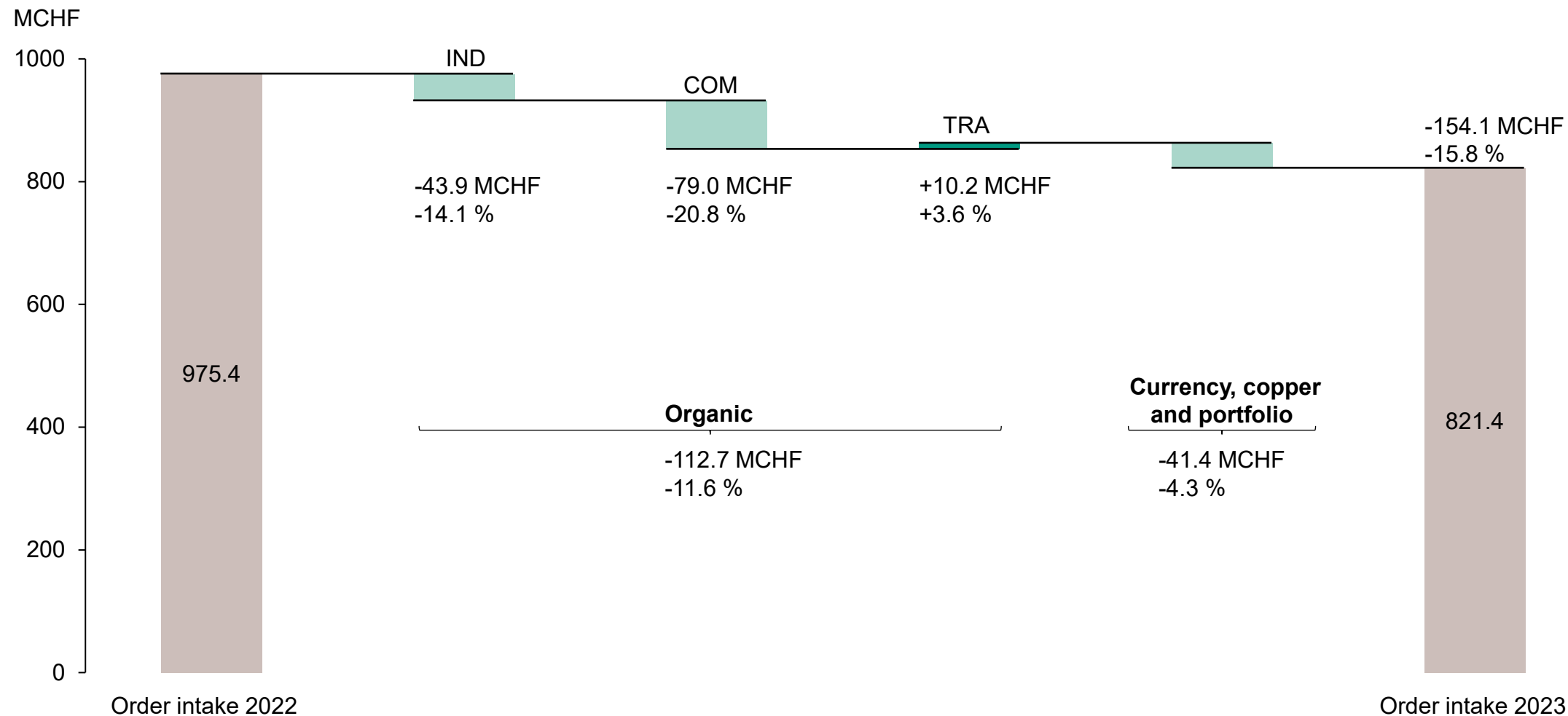
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Questions and answers

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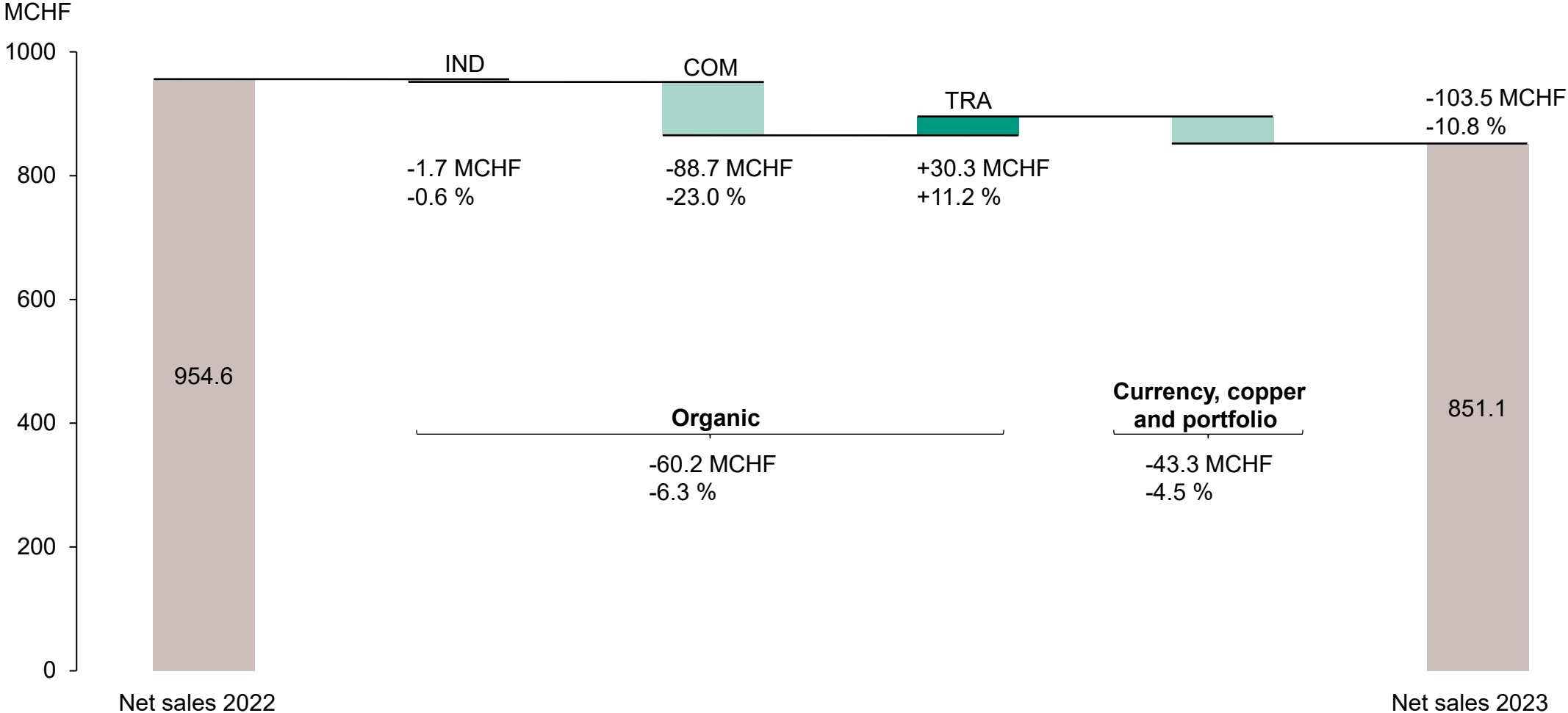
# Factors impacting order intake

Organic growth in Transportation, organic decline in Industry and Communication



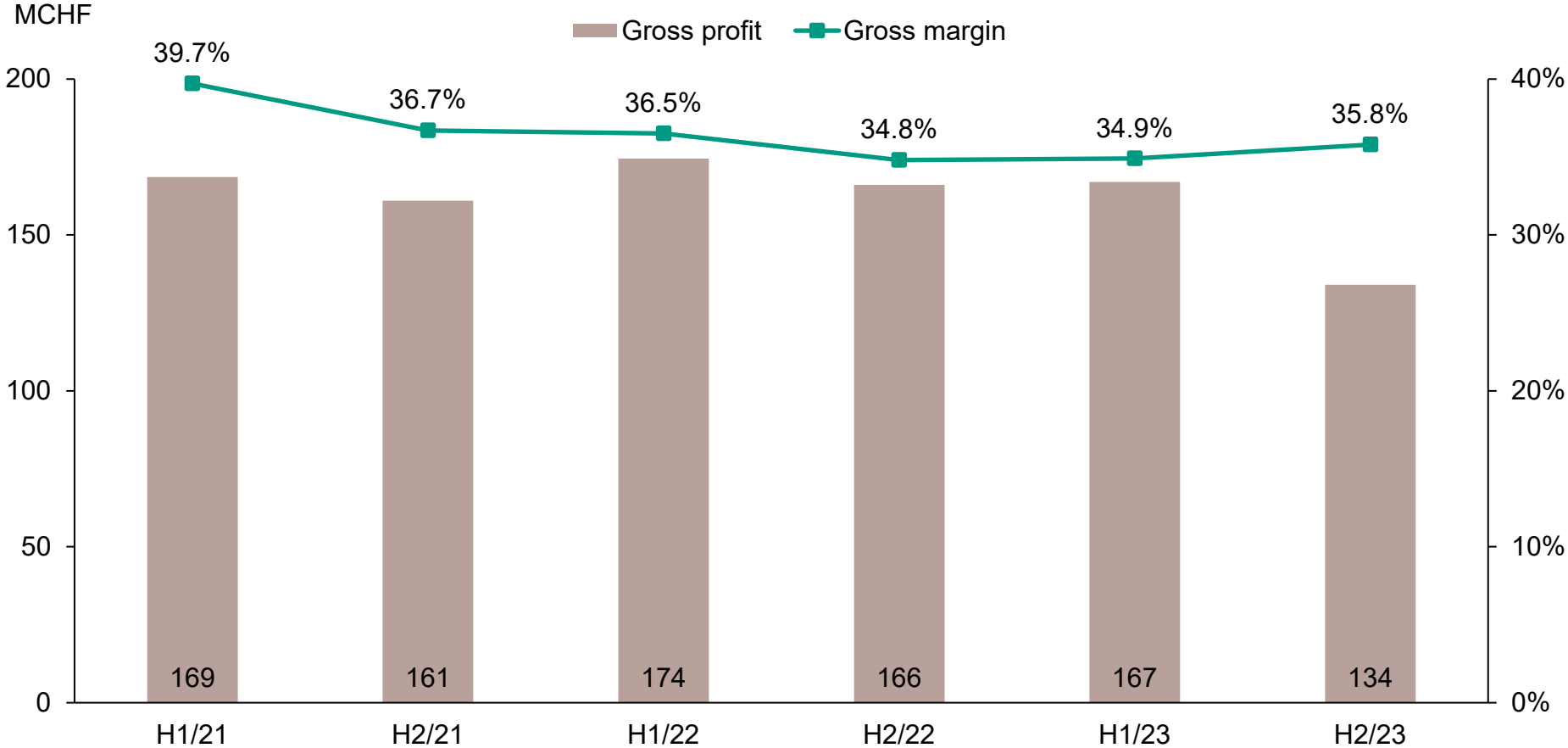
# Factors impacting net sales

Decline in Communication, adverse FX, Transportation with double digit organic growth



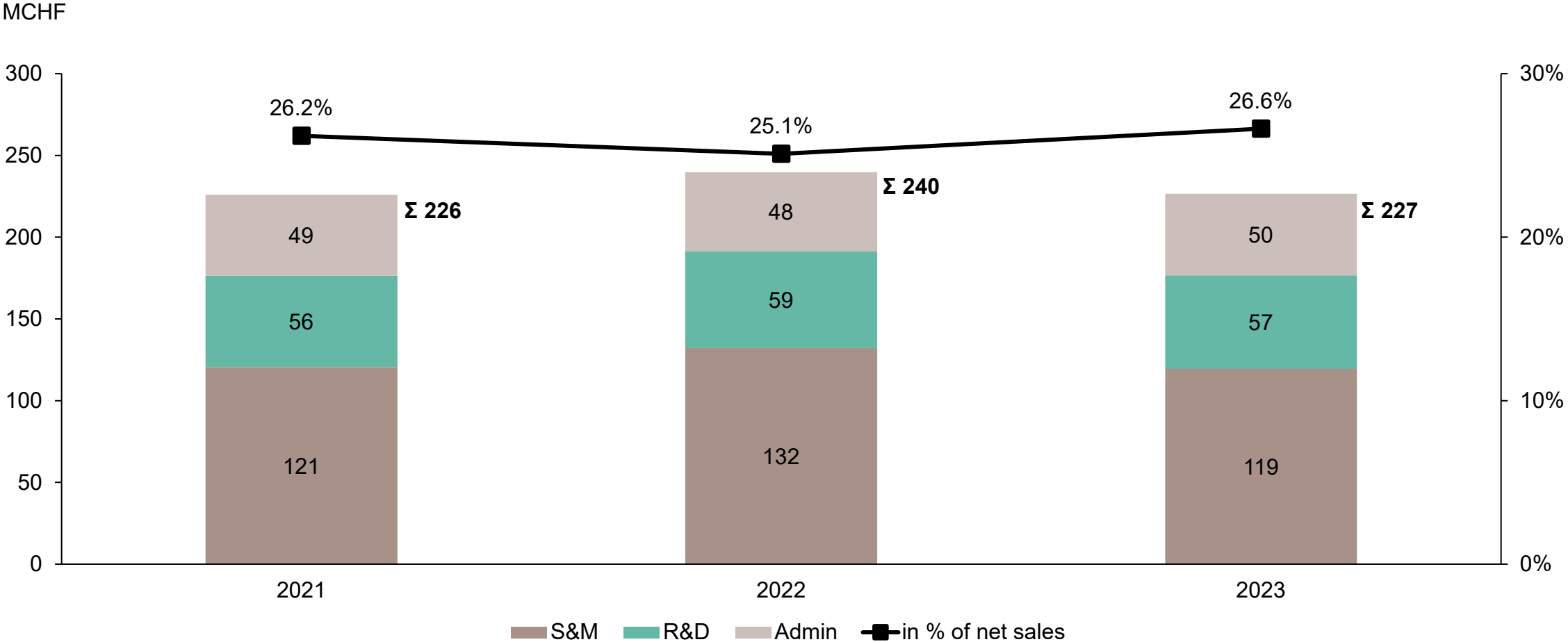
# Gross margin

Stabilisation despite higher costs related to capacity reduction / inventory write-downs



# Operating expenses

Reduced due to lower business activity and proactive cost management





## EBIT by market segment

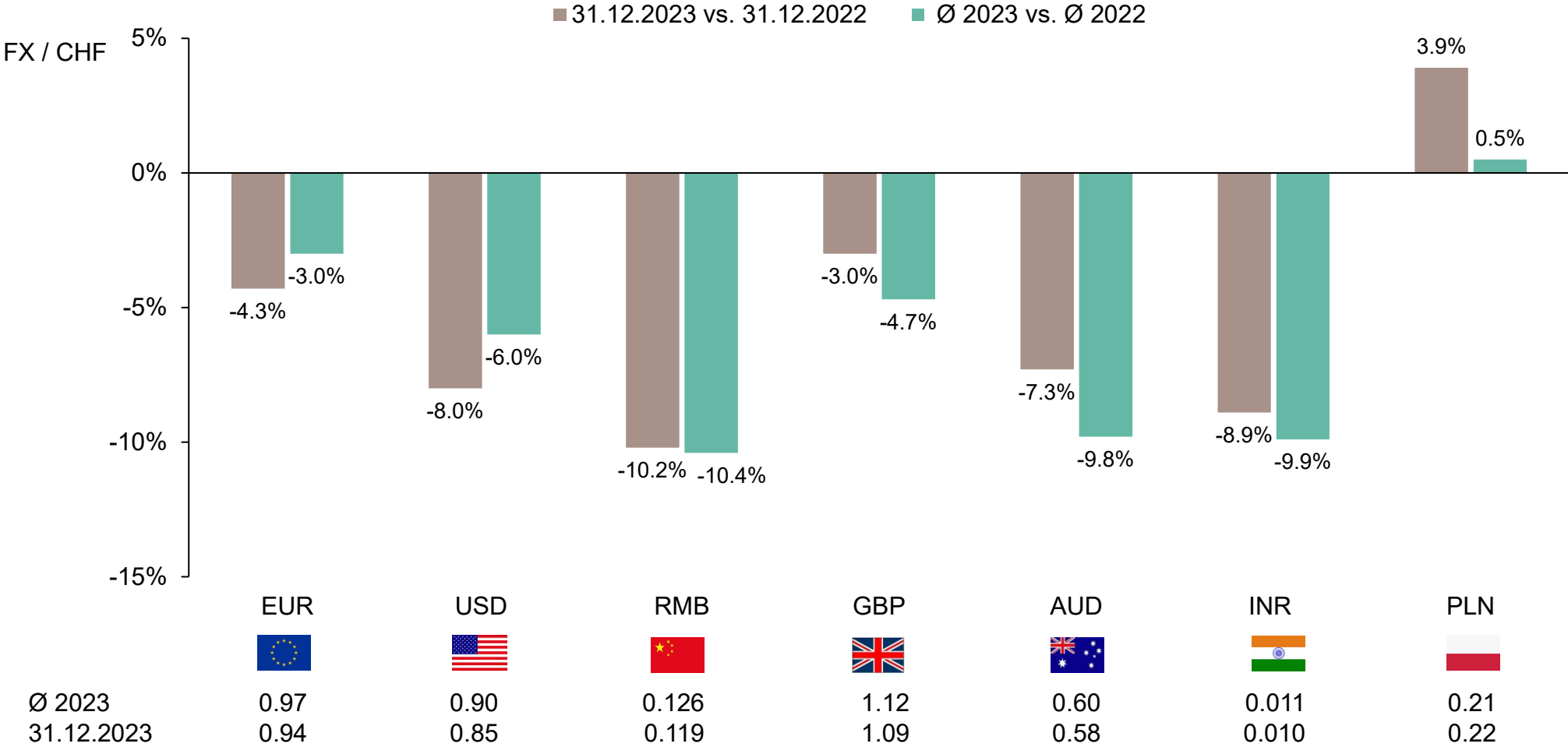
Industry lower, Communication not satisfactory, Transportation with turnaround

MCHF

	2023		2022	
Industry	46.8	16.4 %	63.4	21.3 %
Communication	13.7	4.9 %	34.2	8.9 %
Transportation	25.9	9.1 %	13.7	5.1 %
Corporate	(8.9)		(8.0)	
<b>Total EBIT</b>	<b>77.6</b>	<b>9.1 %</b>	<b>103.2</b>	<b>10.8 %</b>

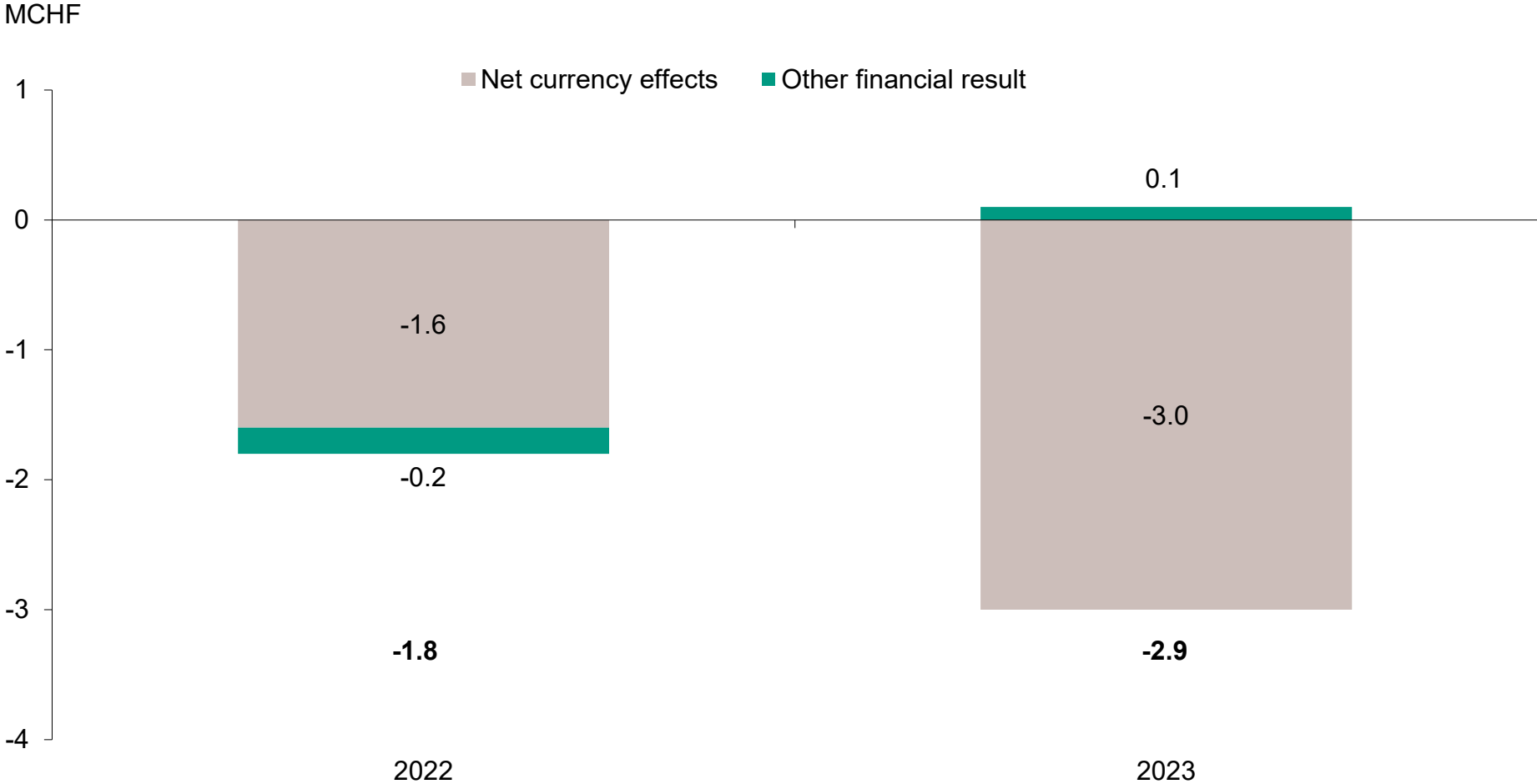
# Currency situation 2023

CHF appreciated strongly against all relevant currencies



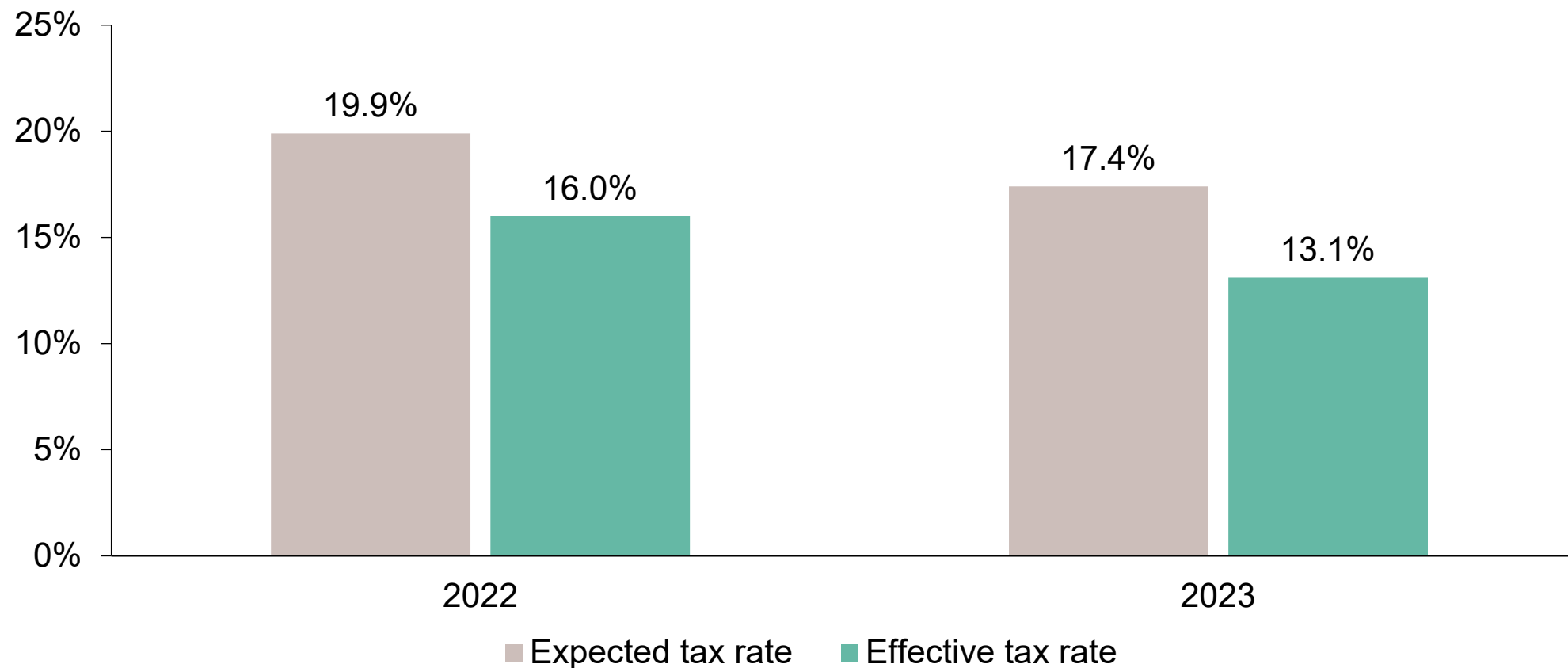
# Financial result

Strong Swiss franc and higher hedging costs resulted in negative FX impact



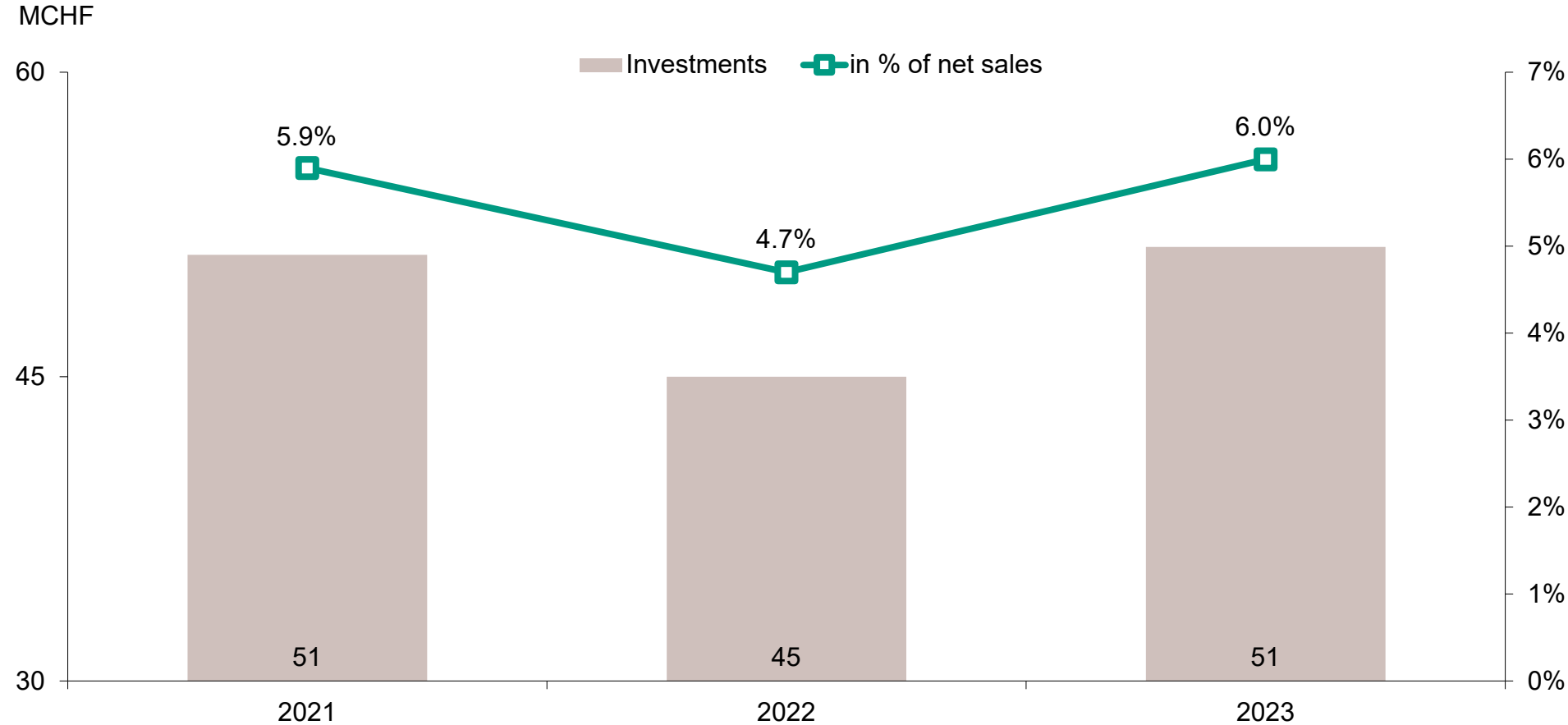
# Group tax rate

Positive impact from Swiss footprint and significant R&D tax benefits



# Investments

Continuous high investment in IT, automation and production equipment



# Overview balance sheet

Very solid structure

MCHF	31.12.2023	31.12.2022		30.06.2023
Cash and cash equivalent / marketable securities	163	151	8 %	112
Other current assets	321	389	(18 %)	384
Non-current assets	293	275	7 %	287
Financial liabilities	-	-		-
Other liabilities	167	208	(20 %)	190
Equity*	610	607	0 %	593
in %	78 %	74 %		76 %
<b>Balance sheet total</b>	<b>777</b>	<b>815</b>	<b>(5 %)</b>	<b>783</b>
Net liquidity	163	151	8 %	112

\*thereof minority interest

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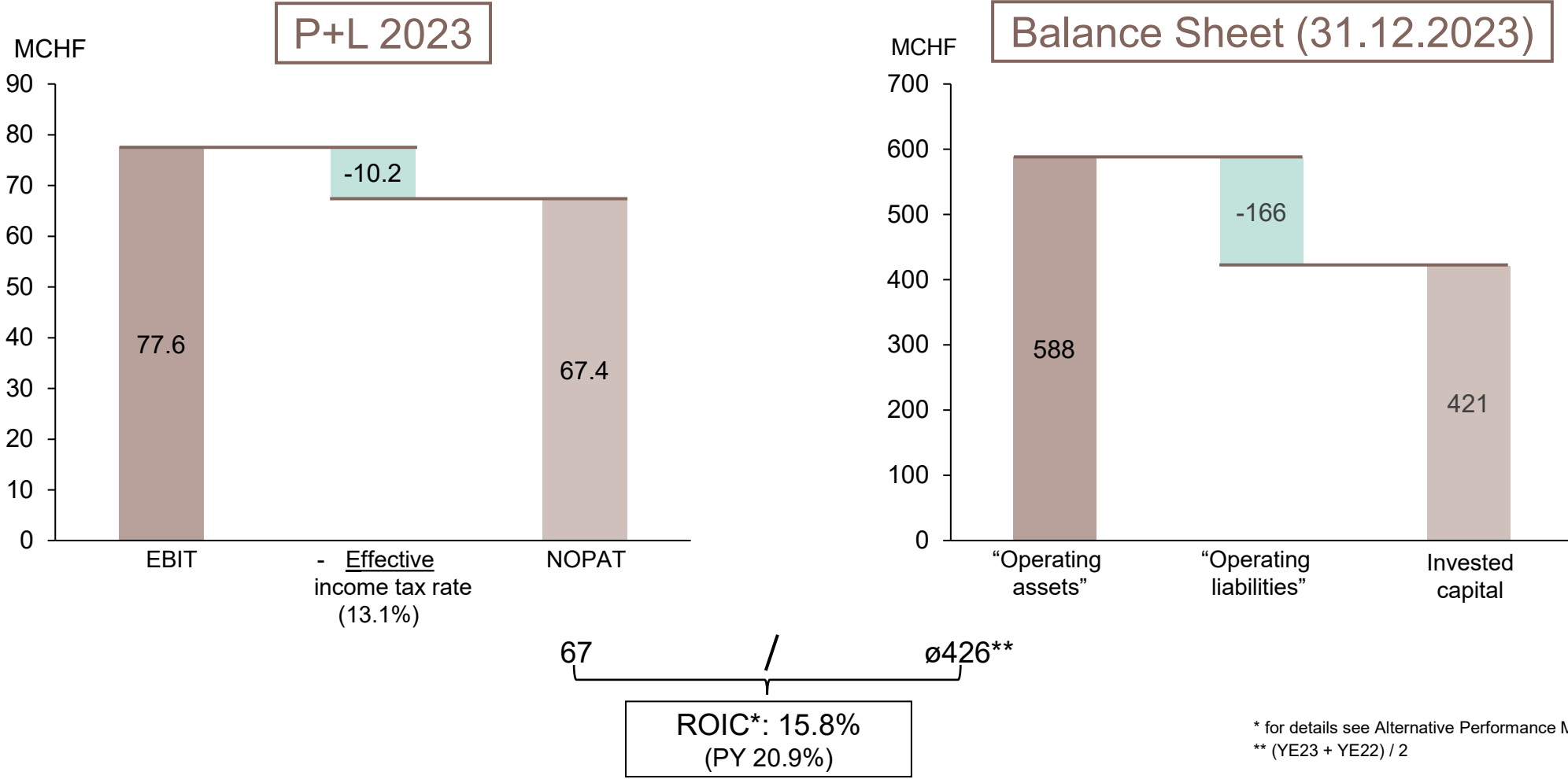
# Cash flow development

Significantly improved despite high investments and cash returns to shareholders

MCHF	2021	2022	2023
Cash flow from operating activities	101.7	87.3	115.7
Cash flow from investing activities (excl. marketable securities)	(45.1)	(49.7)	(52.0)
<b>Free operating cash flow</b>	<b>56.6</b>	<b>37.7</b>	<b>63.7</b>
Dividend payment	(25.3)	(38.2)	(38.8)
Dividend payment to minorities	(0.5)	(0.6)	(0.3)
Change in treasury shares	(15.8)	(63.1)	(9.0)
<b>Free cash flow</b>	<b>14.9</b>	<b>(64.4)</b>	<b>15.6</b>

# Return on invested capital

Clearly double digit

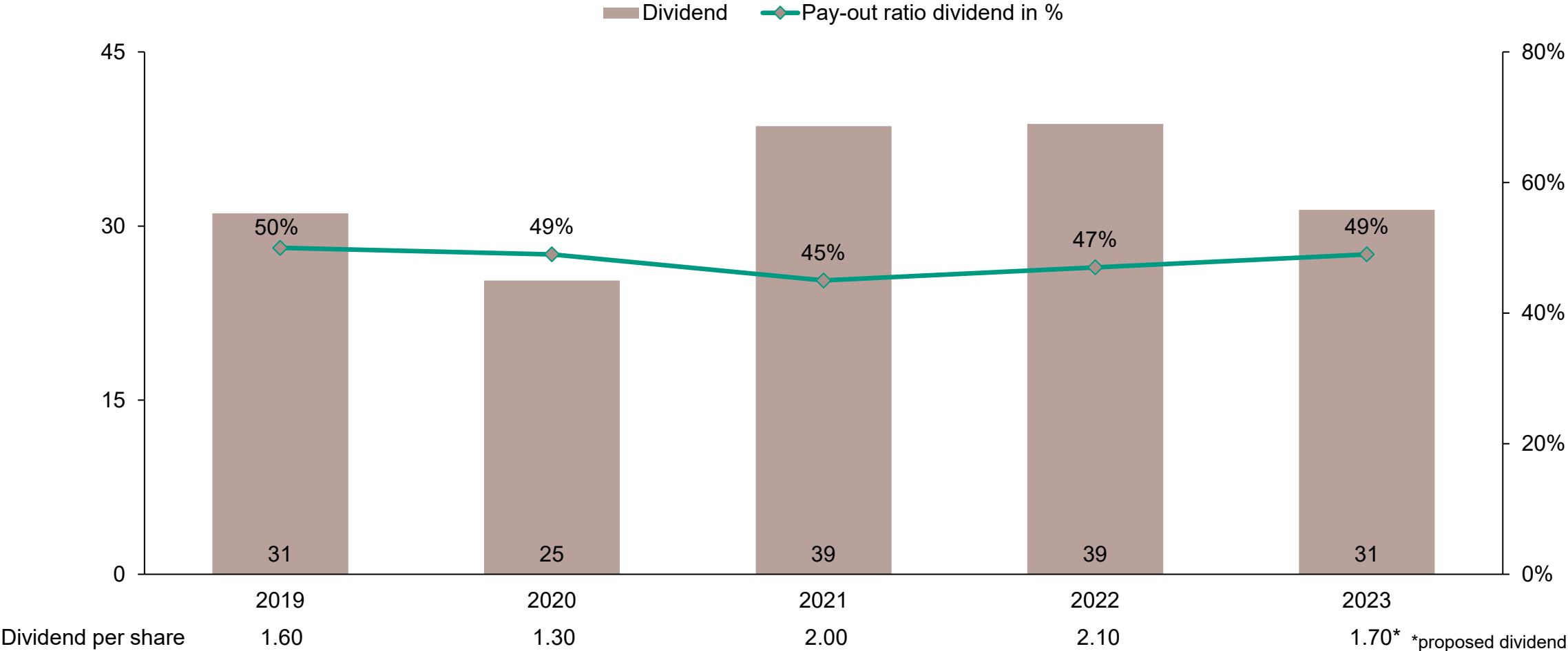


\* for details see Alternative Performance Measures  
 \*\* (YE23 + YE22) / 2



# Dividend proposal

Continuous earnings-oriented dividend policy of 40–50 %



# Financial assessment 2023

Overall solid operational performance – despite challenging environment



EBIT margin within medium-term target range

Low tax rate

High cash flow from operating activities



Book to Bill ratio < 1

Organic net sales decline

FX development

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**HUBER+SUHNER**

**We connect people  
with people by  
connecting things  
with things**

**Connecting – today and beyond**

# Economic environment and strategic focus









## Economic environment

- Market trends for connectivity business remains fundamentally positive. However, uncertainties and risks dominate the operational agenda:
  - Regional wars and conflicts show impact far beyond embattled territories; mounting geopolitical tensions
  - High inflation rates brought new price levels affecting spending capacity of population
  - Major economies with weak or even negative growth; lengthy political debates prevent the structural problems from being tackled with determination

## Strategic focus

- Basic human needs such as personal safety, seamless communication, environmentally friendly mobility will continue to be fundamental drivers and are addressed through portfolio mix of attractive core businesses and growth opportunities.
- Five strategic growth initiatives to focus on promising end markets with the right solutions offering high customer benefits.
- Balanced diversification to make the company resilient to volatile business environment.

# Customer markets verticals

Sales by segment		Sales by customer market		2023 growth	Long term growth drivers
<b>Industry</b> 	<b>33 %</b>	Industrials <ul style="list-style-type: none"> <li>• Test &amp; Measurement</li> <li>• Energy</li> <li>• High Power Charging</li> </ul>	<ul style="list-style-type: none"> <li>• Medical Device</li> <li>• Process Industries</li> </ul>	<b>21 %</b>	 Increasing demand for power and data connectivity (IoT, Industry 4.0,...)
		Aerospace & Defense		<b>12 %</b>	 Communication satellite coverage Defense spendings
<b>Communication</b> 	<b>33 %</b>	Fixed Network <ul style="list-style-type: none"> <li>• Equipment Manufacturers</li> <li>• Fixed Access Network</li> <li>• Data Center</li> </ul>		<b>16 %</b>	 Data traffic growth, Artificial Intelligence
		Mobile Network		<b>17 %</b>	 4G → 5G → 6G
<b>Transportation</b> 	<b>34 %</b>	Railway <ul style="list-style-type: none"> <li>• Rolling Stock</li> <li>• Rail Communications</li> </ul>		<b>19 %</b>	 Low-emission mobility Communication on the move
		Automotive	<ul style="list-style-type: none"> <li>• Electric Vehicle</li> <li>• ADAS</li> </ul>		<b>15 %</b>

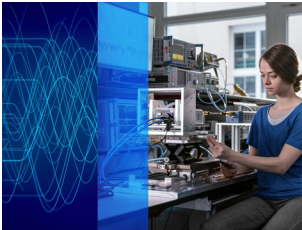
Figures: Business year 2023 (as per 31 December 2023)

# Industry segment

High tech applications allow for high differentiation/high margin

## Core market

### Test & Measurement



T&M business suffers from lower investments in communication networks

Opportunities identified in quantum computing and lab automation

## Growth initiative

### Aerospace & Defense



Rising defense budgets

Investments in communications solutions for A&D applications

## Other markets

### High Power Charging



Electrification adopted by commercial vehicles

Increasing voltages and higher requirements

### General Industrial

Energy  
Medical Device  
Process Ind.

High-tech niches offering high degree of differentiation

**HUBER+SUHNER has the technologies, solutions, and access to key customers**

# Communication segment

Technologies to cope with the increasing data traffic and AI

## Core markets

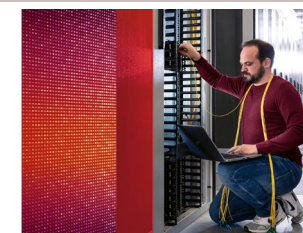
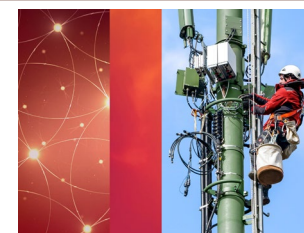
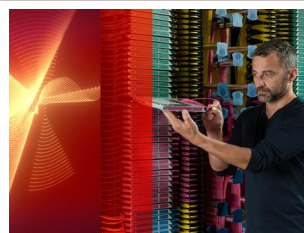
## Growth initiative

### CEM Components

### Fixed Access Network

### Mobile Network

### Data Center



Trend to faster network components from 200 → 400 → 800Gbit unbroken

Data traffic doubling every three years

Evolution of 5G infrastructure towards higher data rates

Investments in data centers driven by continuous data traffic growth

WDM technology enables the cost-effective development of ever faster electronics/transceivers

Expandability of fiber networks at low costs and with high efficacy to master complexity

Market leaders, including HUBER+SUHNER, already work on 6G for 2030 and beyond

AI places unique requirement on data center architecture

**HUBER+SUHNER has the technologies, solutions, and access to key customers**

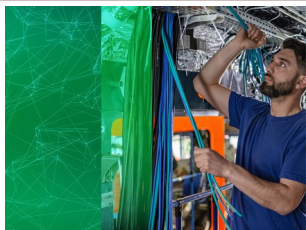


# Transportation segment

Environmentally friendly mobility offers high growth potential

## Core market

### Rolling Stock



Ecological mobility in urban areas = substantial investments in rail infrastructure

Market in growth mode again after a dip following Covid

## Growth initiatives

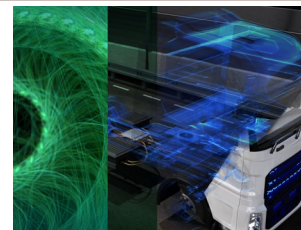
### Advanced Driver Assistance System



Level 3 automated driving becoming the standard

High resolution radar systems are key in reaching level 3 or higher

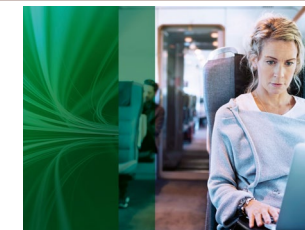
### Electric Vehicle



Electrification adopted by commercial vehicles

Increasing voltages and higher requirements

### Rail Communications



On-board and train-to-ground communication need substantial improvements

From passive to active antennas to complete systems

**HUBER+SUHNER has the technologies, solutions, and access to key customers**

# Outlook 2024

## Medium-term EBIT target range

The medium-term target range of 9–12 % for the EBIT margin remains unchanged.

## Net sales guidance for 2024

In terms of net sales, HUBER+SUHNER has set itself the goal of returning organically to a growth path in 2024.

## EBIT guidance for 2024

For the current financial year, the company is aiming for an operating profit margin of 9.0–10.5 %. \*

A prerequisite for achieving the EBIT guidance is that key influencing factors such as inflation, exchange rates and geopolitical tensions do not have an excessively negative impact on sales volumes.

\* = in the lower half of the medium-term EBIT margin target range of 9–12 %

# Financial calendar

Annual General Meeting (Rapperswil SG)	27.03.2024
Half-year report 2024	20.08.2024
Media and analysts' conference (webcast)	20.08.2024
Sales and order intake (9 months) 2024	22.10.2024
Sales and order intake (12 months) 2024	23.01.2025
Annual Report 2024	11.03.2025

Figures are available online at [www.hubersuhner.com/en/company/investors/publications](https://www.hubersuhner.com/en/company/investors/publications)

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**Questions and answers**

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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 larger and brighter than others. The overall aesthetic is futuristic and digital, set against a dark blue gradient background.

**Connecting – today and beyond**

## Disclaimer

This document is for presentation purposes only. It contains certain forward-looking statements including, but not limited to, those using the words “believes”, “assumes”, “expects” or formulations of a similar kind. Such forward-looking statements are made on the basis of assumptions and expectations that the company believes to be reasonable at this time, but may prove to be erroneous. Such statements are subject to known and unknown risks and uncertainties. The actual results of HUBER+SUHNER may differ materially from those anticipated in forward-looking statements and outlook. The company is making great efforts to include accurate and up-to-date information; however, no representations or warranties are made, expressed or implied, as to the accuracy or completeness of the information provided in this handout, and the company disclaims any liability for the use of it.