Media release

HUBER+SUHNER
Excellence in Connectivity Solutions

HUBER+SUHNER reports strong organic growth – profitability increases significantly

All three technology segments increase order intake and net sales significantly – all regions grow at double-digit rates – Growth initiatives make a major contribution to dynamic development

Key figures

in CHF million	2018	2017	Change in %
Group			
Order intake	915.2	826.3	10.8
Net sales	885.0	774.0	14.3
EBIT	82.5	58.1	41.9
in % of net sales	9.3	7.5	
Net income	61.4	42.1	45.6
in % of net sales	6.9	5.4	
Free operating cash flow	71.7	20.0	259.2
Radio Frequency technology segment			
Order intake	269.1	239.9	12.1
Net sales	255.4	231.2	10.5
EBIT	40.8	31.5	29.4
in % of net sales	16.0	13.6	
Fiber Optics technology segment			
Order intake	347.9	329.2	5.7
Net sales	338.2	316.2	6.9
EBIT	20.0	17.7	12.9
in % of net sales	5.9	5.6	
Low Frequency technology segment			
Order intake	298.2	257.2	16.0
Net sales	291.4	226.6	28.6
EBIT	28.7	11.6	147.7
in % of net sales	9.8	5.1	

As in the previous year, all three technology segments increased in both order intake and net sales in 2018. Order intake at Group level once again rose by a double-digit 10.8 % to CHF 915.2 million. Low Frequency (+16.0 %) benefited from above-average momentum in both the railway and automotive markets. Fiber Optics reported significantly more orders (+5.7 %), while Radio Frequency (+12.1 %) grew more than twice as strongly as in the previous year.

Net sales at Group level grew by 14.3 % to CHF 885.0 million. Adjusted for portfolio, currency and copper effects, organic growth amounted to a high 13.6 %. Low Frequency made a leap in net sales (+28.6 %). Radio Frequency (+10.5 %) and Fiber Optics (+6.9 %) also grew significantly. Developments were particularly pleasing in three of the four growth initiatives, aerospace and defense, data centers, and electric vehicles. The fourth growth initiative – small cells – has yet to gain momentum despite its high potential in view of the forthcoming development of 5G networks. Net sales shares by region remained virtually unchanged from the prior year at 44 % (PY 45 %) in EMEA, 37 % (PY 36 %)

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in APAC, and 19 % (PY 19 %) in the Americas. This underlines the broad geographic base for growth.

The EBIT margin developed positively to 9.3 % (PY 7.5 %). In addition to the high level of growth, the disproportionately lower increase in costs and a favourable product mix laid the foundation for improved profitability. Year-on-year, research and development expenditure increased by 6.9 % to CHF 36.6 million. Net income increased to CHF 61.4 million (PY CHF 42.1 million), corresponding to a return on sales of 6.9 %. Free operating cash flow reached a high CHF 71.7 million (PY CHF 20.0 million). Among other factors, the sharp increase in cash flow can be attributed to a significant improvement in inventory turnover.

The strong growth in net sales necessitated an expansion of capacities within the global production network. As a result, the number of permanent employees worldwide increased by 256 to 4456 (4297 full-time equivalents – annual average). In Switzerland, the workforce increased by 24 to 1261, which primarily benefited the growth initiatives.

Double-digit growth in the transportation and industrial markets; communication market also clearly up

The communication market recovered in the 2018 financial year and recorded a plus in net sales of 6.7 % to CHF 401.0 million. By contrast, order intake was up 3.9 % on the previous year to CHF 406.4 million, thus not maintaining the high level of the first half of the year as expected. This was attributable to seasonal effects, particularly in the expansion of mobile communications infrastructure on the Indian subcontinent.

Order intake in the transportation market increased by 11.0 % to CHF 271.1 million, while net sales actually experienced a growth spurt with +24.6 % to CHF 269.3 million. In the railway market, the momentum regained in Asia in 2017 continued and the European markets also recorded high growth. In the automotive market segment, the company benefited from a positive market environment in general and from a high level of activity with new projects for high-voltage connectivity solutions in electric vehicles in particular.

In the industrial market, growth rates of 24.5 % to CHF 237.7 million in order intake and 17.8 % to CHF 214.7 million in net sales were even considerably higher than in the previous year. In addition to the important growth initiative in aerospace and defense, the wide variety of applications in other industrial high-tech niches also developed positively across the board.

Radio Frequency technology segment with double-digit growth and further increase in profitability

The Radio Frequency technology segment once again improved significantly on the previous year, both in order intake with growth of 12.1 % to CHF 269.1 million and net sales of 10.5 % to CHF 255.4 million. At 16.0 %, the EBIT margin increased by almost two and a half EBIT percentage points. In the aerospace and defense market segment, orders, e.g. for connectors in satellite construction, where rapid assembly processes, low weight and absolute zero error tolerance are important, contributed to growth.

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Positive trend in Fiber Optics technology segment

The Fiber Optics technology segment was able to increase order intake by 5.7 % to CHF 347.9 million and net sales by 6.9 % to CHF 338.2 million compared to the previous year, achieving an EBIT margin of 5.9 % (PY 5.6 %). Once again, mobile communications infrastructure projects in India accounted for a high level of net sales. Business in the data center growth initiative increased significantly. The company is also well positioned with innovative products and solutions in view of the upcoming development of 5G networks.

Low Frequency technology segment makes significant strides forward

Thanks to good development over the entire reporting period, the Low Frequency technology segment is in an even better position than it was one year ago. This is based on a 16.0 % increase in order intake to CHF 298.2 million and a leap of 28.6 % in net sales to CHF 291.4 million. The EBIT margin also developed impressively, almost doubling to 9.8 %. Despite the high level of orders, supply capability was maintained at a good level, and improved inventory management made a substantial contribution to the Group’s increase in cash flow.

At the Pfäffikon site, the course was set for the merger of the two cable production plants Dorf and Witzberg. This will also strengthen the technology segment in the medium term.

Outlook

Taken as a whole, 2018 was a strong financial year above average. In the second half of the year, however, order intake slowed somewhat. From today’s perspective, the two largest submarkets railway and cell site are expected to develop differently. While activities in the railway market should remain stable at around the high level of 2018, the volume in the cell site submarket should temporarily be somewhat lower, before this business should pick up again from 2020 in the wake of the 5G rollouts that will begin. On the other hand, further overall progress can be expected in the four growth initiatives.

For the current financial year, the Group expects net sales at the level of 2018. The EBIT margin is expected to be in the upper half of the medium-term EBIT target range of 8–10 %, provided that exchange rates remain comparable to 2018.

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This media release is also available on the website under Company/Media. The German version is binding.

The annual report of HUBER+SUHNER is available at the following link:
http://www.hubersuhner.com/en/company/investors

HUBER+SUHNER Group
HUBER+SUHNER is a global company with headquarters in Switzerland which develops and manufactures components and system solutions for electrical and optical connectivity. With cables, connectors and systems – developed from the three core technologies of radio frequency, fiber optics and low frequency – the company serves customers in the communication, transportation and industrial sectors. The products deliver high performance, quality, reliability and long life – even under harsh environment conditions. Our global production network, combined with group companies and agencies in over 60 countries, puts HUBER+SUHNER close to its customers. Further information on the company can be found at hubersuhner.com.

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