

HUBER+SUHNER increases earning power due to growth with high-margin business

Optimized business mix results in higher gross margin – net sales below strong previous-year period – substantial contribution from growth initiatives

Key figures

CHF million	H1 2019	H1 2018	Change in %
Group			
Order intake	448.7	516.8	-13.2
Net sales	447.3	474.0	-5.6
EBIT	47.8	44.3	7.8
in % of net sales	10.7	9.4	
Net income	37.4	31.6	18.2
in % of net sales	8.4	6.7	
Free operating cash flow	18.1	21.5	
Radio Frequency technology segment			
Order intake	152.6	143.7	6.2
Net sales	147.8	130.7	13.1
EBIT	27.0	19.9	35.8
in % of net sales	18.3	15.2	
Fiber Optics technology segment			
Order intake	150.3	203.6	-26.2
Net sales	157.5	190.1	-17.1
EBIT	12.3	12.1	1.1
in % of net sales	7.8	6.4	
Low Frequency technology segment			
Order intake	145.8	169.5	-14.0
Net sales	142.0	153.2	-7.3
EBIT	12.6	15.4	-18.6
in % of net sales	8.8	10.1	

The first half of 2019 went well for HUBER+SUHNER: The change in business mix compared to the prior-year period led to significantly increased profitability at Group level despite lower net sales. Overall, EBIT rose 7.8 % year on year to CHF 47.8 million, generating an EBIT margin of a high 10.7 % (previous year: 9.4 %). Order intake decreased to CHF 448.7 million (-13.2 %), while net sales amounted to CHF 447.3 million, representing a decline of 5.6 % year on year. Adjusted for currency and copper effects (-1.8 %), there was a shortfall in net sales of 3.9 %. Order intake reached the same level as net sales, resulting in a book-to-bill rate of 1.0 (previous year 1.09).

Net sales share in the main regions shifted: at 48 % (previous year 42 %), EMEA (including Switzerland) was well ahead of both APAC at 31 % (previous year 40 %) and the Americas with 21 % (previous year 18 %). The increase in workforce from 4348 to 4665 was centred primarily around the production plants, where a limited number of temporary workers were given fixed contracts.

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Strong growth in industrial; net sales decline in communication and transportation

The 18.6 % decline in net sales in the communication market was due entirely to a significantly lower volume from a single large-scale project on the Indian subcontinent. The transportation market was 9.3 % down on the very strong previous-year period. This was attributable to lower momentum on the Asian railway market than one year ago. The industrial market grew by 27.9 %, with the test and measurement, as well as aerospace and defense submarkets seeing the highest increases.

Strong growth in Radio Frequency – further significant increase in profitability

The Radio Frequency technology segment continued to develop very positively. Order intake of CHF 152.6 million was up 6.2 % year on year, while net sales of CHF 147.8 million represented growth of 13.1 %. This resulted in an EBIT of CHF 27.0 million or an EBIT margin of 18.3 %, more than three percentage points higher than the prior-year period. The increased need for safety in many regions of the world and the strong demand for precision test and measurement components had a positive effect in the first half of the year and underline the strong position of HUBER+SUHNER in the manufacture of extremely reliable radio frequency components for a wide range of industrial applications.

Fiber Optics sees continued upturn in profitability despite lower volumes

In the first half of 2019, the Fiber Optics technology segment recorded a decline both in order intake, which stood at CHF 150.3 million (-26.2 %), and net sales, which amounted to CHF 157.5 million (-17.1 %). This was a result of the expected lower year-on-year volumes from infrastructure projects for the expansion of mobile communication networks to the 4G / LTE standard. In absolute terms, however, EBIT for the first six months was still slightly up on the previous year, at CHF 12.3 million. The EBIT margin increased by almost one and a half percentage points to 7.8 %. Business in the high-margin market segments of data centers and WAN / access networks, where there is a sustained expansion of capacities to cope with rapidly growing data volumes, continued to expand compared with the same period last year.

Net sales in Low Frequency at lower level although growth opportunities still intact

In the Low Frequency technology segment, the very strong prior-year period had a base effect, which led to a significant flattening of the momentum in the first half of 2019. This had an impact on order intake, which decreased to CHF 145.8 million (-14.0 %) year on year, while net sales declined to CHF 142.0 million (-7.3 %). The EBIT of CHF 12.6 million equated to an EBIT margin of 8.8 %, after achieving a level just within the double-digit range in the prior-year period. The smaller automotive submarket saw positive growth. The continuing trend towards electromobility on the roads is now starting to include major utility vehicle and bus manufacturers. Business in the railway submarket was down year on year. The previous year's very high volumes from the Asian region in particular were unsustainable. Globally, however, the railway market remained at a good level and the many project tenders indicate a continuation of this trend.

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Outlook

Due to the current exchange rate situation and the slowing momentum in important submarkets HUBER+SUHNER expects a rather restrained development in the second half of the year. As a result, sales are currently expected to decline by a mid-single-digit percentage year on year in 2019. HUBER+SUHNER confirms its guidance for the EBIT margin for the entire fiscal year in the upper half of the medium-term target range of 8 – 10 %.

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

The half-year report of HUBER+SUHNER is available at the following link:

<https://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.