Media release

HUBER+SUHNER

HUBER+SUHNER improves profit despite lower net sales

Order intake and net sales below strong previous year – increased EBIT margin – net income above previous year – high free operating cash flow

Key figures

in CHF million	2019	2018	Change in %
Group			
Order intake	800.9	915.2	-12.5
Net sales	830.6	885.0	-6.1
EBIT	80.5	82.5	-2.4
in % of net sales	9.7	9.3	
Net income	62.8	61.4	2.3
in % of net sales	7.6	6.9	
Free operating cash flow	45.1	71.7	-37.1
Radio Frequency technology segment			
Order intake	272.8	269.1	1.4
Net sales	275.2	255.4	7.7
EBIT	47.1	40.8	15.4
in % of net sales	17.1	16.0	
Fiber Optics technology segment			
Order intake	274.7	347.9	-21.1
Net sales	285.6	338.2	-15.5
EBIT	18.8	20.0	-5.7
in % of net sales	6.6	5.9	
Low Frequency technology segment			
Order intake	253.4	298.2	-15.0
Net sales	269.8	291.4	-7.4
EBIT	21.6	28.7	-24.8
in % of net sales	8.0	9.8	

Following three years of strong growth, HUBER+SUHNER saw a decline in order intake and net sales in the financial year 2019. Despite this, the company slightly improved the profit in the reporting year.

At Group level, order intake stood at CHF 800.9 million (previous year CHF 915.2 million), representing a decline of 12.5 %. There were two main reasons for this: a 21.1 % decline in Fiber Optics, attributable to a large-scale 4G project coming to an end, as expected, on the Indian subcontinent, and a 15.0 % decline in Low Frequency as a result of the weaker railway market in China. In Radio Frequency by contrast, there was a marginal increase in order intake of 1.4 %. Therefore, net sales overall were down 6.1 % at CHF 830.6 million (PY CHF 885.0 million). Adjusted for currency, copper and portfolio effects, the organic decline was 4.6 %.

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In the technology segments, net sales developed as follows: Radio Frequency +7.7 %, Fiber Optics -15.5 % and Low Frequency -7.4 %. These developments also resulted in a shift in the net sales share in the main regions: 50 % in EMEA (PY 44 %), 30 % in APAC (PY 37 %) and 20 % in the Americas (PY 19 %). The four strategic growth initiatives developed at a varied pace and resulted in growth overall again.

More funds were dedicated to developing medium-term opportunities with growth potential, resulting in a 15 % increase in research and development expenses year on year to CHF 42.1 million. The Group was able to reduce selling, general and administrative expenses through stringent cost management. Together with an improved business mix, this contributed to a significantly higher gross margin and increased profitability.

The EBIT margin increased to 9.7 % (PY 9.3 %), which is at the upper end of the medium-term target range of 8–10 %. In absolute figures, the EBIT of CHF 80.5 million was only marginally down on the previous year (CHF 82.5 million). Net income improved to CHF 62.8 million (PY CHF 61.4 million) on account of a lower tax rate. Return on sales therefore increased to 7.6 % (PY 6.9 %).

Despite the acquisitions made, free operating cash flow stood at a high CHF 45.1 million (PY CHF 71.7 million).

The number of permanent employees worldwide grew by 367 to 4823 in the reporting year (4576 full-time equivalents – annual average). This increase was attributable to the aforementioned acquisition as well as the transitioning of some temporary workers to permanent contracts. In Switzerland, the total number of employees remained stable (1256; PY 1261).

Double-digit growth in industrial, decline in communication and transportation

Early in the year under review, the communication market showed signs of reduced activity with roll-outs of the 4G/LTE standard for mobile communications networks, resulting in a significant 24.4 % decline in order intake to CHF 307.4 million and a 20.8 % decline in net sales to CHF 317.8 million.

For the transportation market as a whole, order intake stood at CHF 239.5 million (-11.7 %) and net sales at CHF 248.5 million (-7.7 %), with heterogeneous developments in the individual submarkets. The large railway market was unable to sustain the strong growth of the previous year, which had been particularly marked in Asia. In the automotive submarket, net sales of solutions for conventional vehicles fell slightly short of the previous year, while electric vehicles recorded a slight increase.

The industrial market again grew across a broad front. Order intake increased to CHF 254.0 million (+6.9 %), and net sales rose sharply to CHF 264.3 million (+23.1 %). The aerospace and defense growth initiative as well as the test and measurement core market both reported the strongest development.

Growth in Radio Frequency technology segment, further improving strong profitability

The Radio Frequency technology segment reported another very successful year. Order intake increased by 1.4 % to CHF 272.8 million and net sales rose by 7.7 % to CHF 275.2 million. The EBIT margin was up again to a high 17.1 % (PY 16.0 %). The high degree of differentiation in terms of quality and performance features of the radio frequency solutions led to broad-based growth in a wide

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range of industrial and transportation applications. The portfolio acquisitions of special antennas made in the year under review ideally complement the existing product range.

Fiber Optics technology segment improves profitability despite lower volumes

In the Fiber Optics technology segment, lower volumes from 4G mobile communications infrastructure projects in India left a clear mark. Order intake fell by 21.1 % to CHF 274.7 million, while net sales decreased by 15.5 % to CHF 285.6 million. Despite this, active development of higher-margin business helped to grow the EBIT margin to 6.6 % (PY 5.9 %). The innovative products as well as the know-how of the acquired BKtel are complementary to the existing product range and provide the Group with new options for extended overall solutions beyond fiber optics.

Low Frequency technology segment holds its own in a more demanding environment

After the strong growth in 2018, the Chinese railway market lagged behind the previous year. In the Low Frequency technology segment, order intake stood at CHF 253.4 million, representing a year-on-year decline of 15.0 %. Net sales fell by 7.4 % to CHF 269.8 million. The lower utilisation of production capacity put pressure on the EBIT margin (8.0 %; PY 9.8 %). In the automotive submarket, new customer projects were won with components and complete solutions comprising high-voltage cables and distribution units for electric vehicles. In the expansion of the charging infrastructure, which is vital for the further development of electromobility, the company succeeded in consolidating its leading position in the area of high-power charging systems.

Dividend

The Board of Directors proposes to the Annual General Meeting a payout (ordinary dividend) of CHF 1.60 per share (PY CHF 1.50 per share), corresponding to a payout ratio of 50 %. In the previous year, an additional anniversary dividend of CHF 1.00 per share was distributed on the occasion of the 50th anniversary of HUBER+SUHNER AG.

Change to the Board of Directors

George H. Müller, a long-standing member of the Board of Directors of HUBER+SUHNER AG, will not stand for re-election at the next Annual General Meeting. The Board of Directors would like to thank George H. Müller for his commitment and contribution to the development of HUBER+SUHNER over the past 19 years and will not propose any additions to the Board at the Annual General Meeting. As a result, the Board of Directors will thereafter consist of six members.

Outlook

With a view to the main markets, the company expects the expansion of the 5G mobile network infrastructure to gain momentum in the communication market. In the transportation market, tenders for railway projects indicate a positive market environment. In the industrial market, highly differentiated products continue to offer opportunities in a large number of applications. The company remains confident in the prospects for further development in the four growth initiatives and also expects a positive contribution from the acquisition of BKtel.

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Following the lower order intake during the second half of the reporting year, a rather restrained start to the current year is to be expected. It is certain that the measures against the spread of the coronavirus in the Chinese market will have negative effects directly on local sales and indirectly on the global value chains with Chinese participation. At this point in time it is unclear how the geographical expansion of the coronavirus epidemic will possibly impact business in additionally affected regions.

HUBER+SUHNER will specify its sales outlook for the current fiscal year when presenting its half-year figures. From today's perspective, the aim remains unchanged to achieve an EBIT margin within the medium-term target range of 8–10 % for the full year 2020.

This media release can also be found under www.hubersuhner.com/de/company/media/news
Management Report as PDF (Link)
Annual Report as PDF (Link)
Annual Report online interactive (Link)
All publications as well as the definition of Alternative Performance Measures can be found under www.hubersuhner.com/de/company/investors/publications

This media release is also available in German. The German version is binding.

HUBER+SUHNER Group
HUBER+SUHNER, based in Switzerland, is a globally active developer and supplier of components and system solutions for electrical and optical connectivity. Through its production of cables, connectors and systems in the three key technologies of radio frequency, fiber optics and low frequency, the company serves three markets: Communications, Transportation and Industrial. Its products excel in terms of their excellent performance, quality, reliability and durability, even in challenging conditions. HUBER+SUHNER has a global production network and provides local customer support via branch offices and representatives in over 80 countries. For more information on the company, visit hubersuhner.com.

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