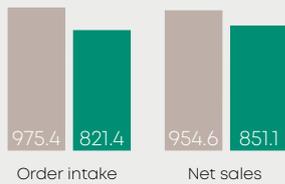


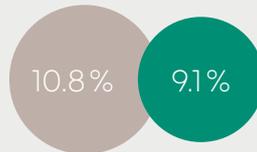
# Management Report 2023

## Key Facts at a glance

Organic decline of 6.3 % in net sales after record high of previous year – book-to-bill rate of 0.97



At 9.1%, EBIT margin remains within the medium-term target range



Net income margin of 7.6% – dividend of CHF1.70 proposed



Cash flow from operating activities of CHF116 million – increase in net liquidity despite high investments

Slower momentum in Industry – marked drop in volumes in Communication – turnaround in Transportation confirmed by profitable growth

Growth initiatives make positive contribution overall

■ 2022 ■ 2023 in CHF million

# HUBER+SUHNER maintains solid EBIT margin despite the marked decline in the communications market



Urs Kaufmann (Chairman) and Urs Ryffel (CEO)

In an environment beset by various challenges and despite lower volumes, HUBER+SUHNER closed the year 2023 as a whole with a solid result within the medium-term EBIT target range of 9–12 %.

At CHF 821.4 million, order intake in 2023 was 15.8 % below the very high prior-year level (CHF 975.4 million) and remained 3.5 % below net sales, resulting in a book-to-bill rate of 0.97 (PY 1.02). After a very strong start to the year, supported by the continuing momentum from the previous year, the business volume situation then changed in many target markets. This was attributable to high inventories at customers and throughout the entire supply chain, as well as declining 5G rollouts in the North American market. Over the course of the second half of the year, business volume stabilised at a lower level. At the end of the year, the order backlog amounted to CHF 271.9 million, remaining above the long-term average.

In the first half of 2023, net sales reached the same level as in the previous year. From the third quarter, net sales developed in line with order intake and, by the end of the year, amounted to CHF 851.1 million, representing a decline of 10.8 % year on year (PY CHF 954.6 million). Net sales were also negatively impacted by the significant strengthening of the Swiss franc during the reporting period, which became even stronger towards the end of the year. Adjusted for currency, copper price and portfolio effects, the shortfall in net sales amounted to 6.3 %. While net sales in Europe and Asia changed only marginally compared to the previous year, by –4 % and +2 % respectively, the aforementioned downturn in the American market (–36 %) resulted in a marked shift in net sales share by region: 55 % (PY 51 %) in EMEA, 26 % (PY 23 %) in APAC, 19 % (PY 26 %) in the Americas.

The operating profit (EBIT) of CHF 77.6 million (PY CHF 103.2 million) corresponds to an EBIT margin of 9.1 % (PY 10.8 %). Given the challenging environment, the company considers the result within the medium-term EBIT target range to be solid. The basis for this is the strategy of balanced diversification. Thanks to another very low tax rate, net income as a percentage of net sales reached 7.6 % (PY 8.9 %).

The gross margin recovered slightly over the course of the year and, at 35.3 % (PY 35.7 %), almost matched the previous year's level. With investments in research and development reaching CHF 57.4 million, the company continued to invest heavily in the future with a particular focus on strengthening the five growth initiatives. Thanks to active cost management, selling expenses were reduced almost in step with business volume development. The number of employees worldwide in the reporting year fell to 4,109 (PY 4,469). In the same period, the number of employees in Switzerland went down to 1,153 (PY 1,190).

## High inventories and unfavourable exchange rate developments represent a challenge

High inventory levels resulting from the long replenishment times following the pandemic both delayed the placement of orders by customers throughout the supply chain and resulted in value adjustments in the company's own inventories. Appreciation of the Swiss franc against key local currencies resulted in a shortfall in net sales of around CHF 40 million, while the currency impact on costs showed only effect to a lesser extent.

## Reduced momentum and lower profitability in Industry market segment

In the Industry market segment, the continued depletion of inventories at customers over the entire reporting year had an impact on the awarding of new orders. Order intake declined by 16.9 % to CHF 258.1 million (PY CHF 310.5 million). Organically, net sales remained around the previous year's level. Effectively, there was a 4.3 % decline to CHF 285.3 million (PY CHF 298.0 million). Compared to 2022, development in the subsegments was completely reversed with aerospace and defense reporting double-digit percentage growth while the three other subsegments, test and measurement, general industrial, and high power charging, experienced a decline in the double-digit range. Demand for high power charging experienced a distinct decline in the US market due to uncertainties about the future charging standard. The decline in the EBIT margin to 16.4 % (PY 21.3 %) can be explained by a change in the product mix in most subsegments.

## Declining volumes in Communication market segment – falling EBIT margin stabilised by cost measures

The much weaker communications market resulted in significantly lower volumes around the world, which impacted the entire industry. Compared to the very strong net sales from the previous year, the Communication segment suffered a significant slump, especially in the second and third quarters, due to declining 5G rollouts in North America and the continued depletion of high inventories throughout the supply chain. Order intake declined by 25.6 % to CHF 283.4 million (PY CHF 380.6 million), while net sales decreased by 27.4 % to CHF 280.3 million (PY CHF 385.9 million). In this environment, which was characterised by significantly lower demand, business picked up towards the end of the reporting period with the securing of new mobile communication rollouts

in Asia in particular and in the data center growth initiative. Thanks to measures to reduce the cost base and adjust capacities to the lower volumes, the EBIT margin was improved in the second half of the reporting year compared to the first half and stabilised at 4.9 % for the year as a whole (PY 8.9 %).

#### **Net sales growth in Transportation market segment – four percentage point increase in profitability**

The Transportation market segment achieved the desired turnaround in the reporting year. It ended the year with almost the same order intake as the previous year, at CHF 279.9 million (PY CHF 284.4 million), and 5.5 % growth in net sales to CHF 285.5 million (PY CHF 270.6 million).

After a three-year lean period, there was a marked upturn in demand in the railway subsegment, which made a positive contribution to net sales in the reporting period. The automotive subsegment also reported growth in net sales thanks to a positive contribution from the electric vehicle and advanced driver assistance system growth initiatives. The EBIT margin in the Transportation market segment increased significantly in the reporting year to 9.1 % (PY 5.1 %).

#### **Sustainability reporting**

HUBER+SUHNER connectivity solutions serve society's needs for personal safety, seamless communication and environmentally friendly mobility, and combine high customer value with sustainability criteria. The 2023 Non-financial Report describes the progress being made by the HUBER+SUHNER Group in its sustainability strategy and includes the obligations formulated under Article 964b of the Swiss Code of Obligations and the Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO). It also includes a section on responsible supply chains in accordance with the DDTrO. The entire 2023 Non-financial Report can be found at <https://reports.hubersuhner.com/2023/ar/>.

#### **Elections to the Board of Directors**

At the 2023 Annual General Meeting, Marina Bill and Kerstin Günther, two proven leaders with in-depth knowledge in strategically important markets for HUBER+SUHNER, were newly elected to the Board of Directors.

#### **Risk management**

At its meeting on 6 December 2023, the Board of Directors assessed the business risks as part of its ongoing risk management and approved the 2023 risk report including the defined measures.

#### **Share buyback programme completed successfully**

The share buyback programme that was launched at the end of October 2021 was successfully completed on 30 March 2023. The shares acquired under this programme amount to 5 % of the share capital and will be proposed for cancellation by means of a capital reduction at the next Annual General Meeting on 27 March 2024.

#### **Dividend**

The Board of Directors proposes to the Annual General Meeting a payout of CHF 1.70 (PY CHF 2.10) per share, resulting in a payout ratio of 49 %.

#### **Outlook**

With an operating profit margin within the medium-term target range, HUBER+SUHNER achieved a solid result in the 2023 financial year in view of the difficult business environment. The organic growth of the five strategic growth initiatives (aerospace and defense; data center, advanced driver assistance system, electric vehicles, rail communications) as a whole shows that the company is focusing on the right end markets and has the right solutions with high customer benefits. The key to the company's future success lies in its high level of innovation, which is deeply rooted in the HUBER+SUHNER corporate culture and is supported by correspondingly high levels of investment. This in turn will make the company even more resilient to changes in the market environment or more difficult economic conditions in the future.

Looking ahead and based on the lively bidding activity, the Industry segment has probably bottomed out. The increasingly normalising inventory levels point to a recovery in the second half of the current year. Incoming orders in the communications market have already picked up in recent weeks and concrete signs of a gradual recovery are increasing. This should enable the Communication segment to return to growth compared to the second half of 2023. The growth initiatives should provide additional impetus for the Transportation segment, particularly in the second half of 2024, which would continue the positive trend.

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

The medium-term target range of 9–12 % for the operating profit margin remains unchanged. For the current financial year, the company is aiming for an operating profit margin in the lower half of the target range. 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.

#### **Thank you**

On behalf of the Board of Directors and the Executive Group Management, we would like to thank our employees around the world for their tremendous dedication and commitment in a year characterised by many uncertainties and challenges. Thanks to their unrivalled commitment, together we have managed to steer the company through these volatile times largely unscathed. Special thanks are also due to our shareholders, customers and suppliers for their excellent cooperation, loyalty and the trust they have placed in us.



Urs Kaufmann  
Chairman of the Board of Directors



Urs Ryffel  
Chief Executive Officer

## Market segment Industry

### Broad base of the segment helps to mitigate downturn – geopolitical tensions increase focus on defense capability

Following the prior-year decline, the aerospace and defense growth initiative picked up well in the reporting year. The impact of increased defense budgets slowly began to be felt and the growing importance of communication solutions within the armed forces was borne out.

In the high power charging subsegment, the further buildout of high power charging points only developed at a very slow pace across Europe and Asia. In the previously booming US market, regulatory uncertainties temporarily

halted market momentum: partly, due to lengthy negotiations between vehicle manufacturers and charging infrastructure operators on the interface standard and also due to state investment incentives linked to local value creation targets.

The test and measurement core market, whose cycles are known to be closely linked to those of the communications market, also reported lower volumes on account of this.

Key figures		2023	2022	%
Order intake	CHF million	258.1	310.5	(16.9)
Net sales	CHF million	285.3	298.0	(4.3)
Operating profit (EBIT)	CHF million	46.8	63.4	(26.1)
EBIT margin	%	16.4	21.3	

## Market segment Communication

### Signs of recovery in globally depressed communications industry toward year end

The very high volumes of the previous two years, especially in North America, had been attributable to major investments in mobile communications infrastructure in the wake of the coronavirus pandemic. In addition, declining demand was exacerbated by high inventories in the supply chains. These two effects led to an unanticipated slump, which was even more pronounced for component suppliers such as HUBER+SUHNER.

In addition, the risks of insufficient energy supplies, especially in Europe, made it difficult for opera-

tors of energy-intensive data centers to obtain new construction permits, often resulting in project delays.

By contrast, the rapid and wide-scale emergence of artificial intelligence applications brought new demands on data center architecture, which breathed new life into this growth initiative towards the end of the year.

The company has unique solutions in its portfolio to address these customer requirements.

Key figures		2023	2022	%
Order intake	CHF million	283.4	380.6	(25.6)
Net sales	CHF million	280.3	385.9	(27.4)
Operating profit (EBIT)	CHF million	13.7	34.2	(59.8)
EBIT margin	%	4.9	8.9	

## Market segment Transportation

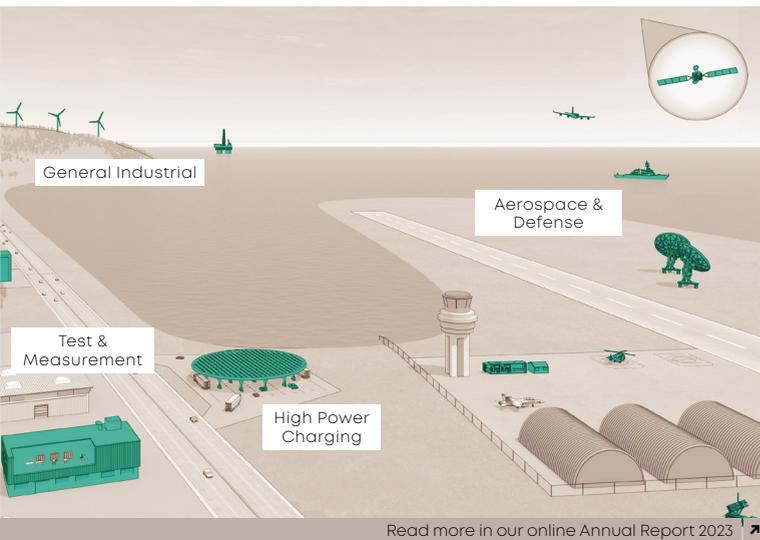
### Segment turnaround completed successfully – considerable potential for electromobility on rail and road

In the global railway business, following a market cycle with lower volumes, demand increased in the reporting year, especially in Europe. Customer projects also increasingly included applications in the rail communications growth initiative. In addition to enabling passengers to make efficient use of their time on public transport, HUBER+SUHNER solutions also reliably connect the moving train to the fixed rail infrastructure.

The automotive subsegment also reported net sales growth. In the electric vehicle growth initiative, new customer projects to supply high-voltage cable systems for commercial vehicles were won. The advanced driver assistance system growth initiative, in which radar antennas are developed for automated driving in passenger cars in particular, showed strong momentum, already contributing a small plus in net sales.

Key figures		2023	2022	%
Order intake	CHF million	279.9	284.4	(1.6)
Net sales	CHF million	285.5	270.6	5.5
Operating profit (EBIT)	CHF million	25.9	13.7	89.5
EBIT margin	%	9.1	5.1	

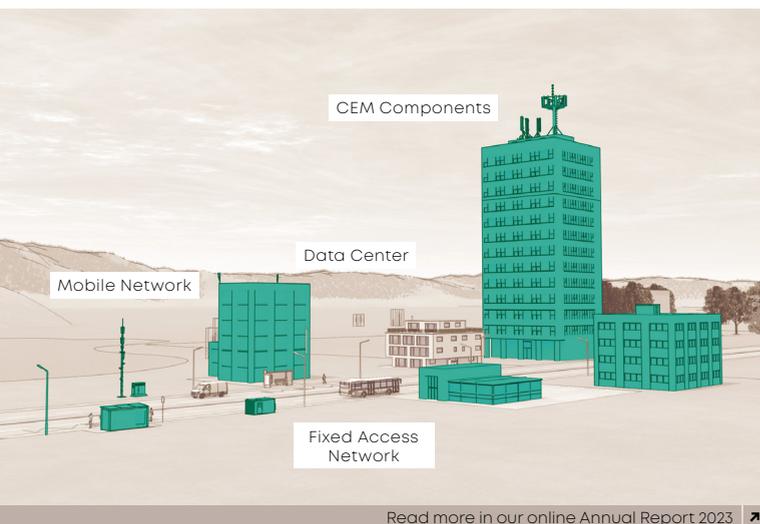
## Our solutions for the Industry market



### **RBSL Boxer MIV project: Strengthening the British Army and the industry in the UK**

United Kingdom-based defense engineering company Rheinmetall BAE Systems Land (RBSL) plays a key role in the United Kingdom Ministry of Defence Mechanised Infantry Vehicle (MIV) programme and will deliver more than half of the 500 commissioned Boxer MIVs. With a unique design entailing a drive module and a mission module, the Boxer MIV can be quickly adapted to suit various military missions, roles, and scenarios globally. Its essential mission system architecture is connected by radio frequency and low frequency cable harnesses from HUBER+SUHNER, a key strategic vendor for the Boxer MIV programme due to our core capabilities and responsiveness to specific electronic distribution requirements. Ultimately, thanks to this partnership, the modular Boxer MIV will contribute to defending UK's interests, support economic growth in the country, and level up regional economic opportunity.

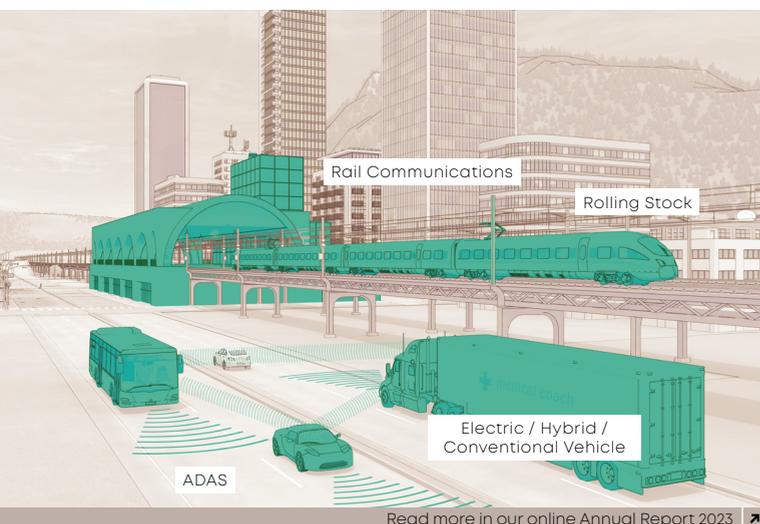
## Our solutions for the Communication market



### **Delivering highly energy-efficient, flexible, and adaptable solutions to ProSiebenSat.1**

ProSiebenSat.1 has built a state-of-the-art, Leadership in Energy and Environmental Design (LEED) Gold certified "New Campus" data center in Unterföhring, Germany. The New Campus brings together future-proof computing services and broadcasting capacity while increasing energy efficiency with greener information technology (IT). HUBER+SUHNER, in an eight-year collaboration, accompanied the ProSiebenSat.1 team every step of the way with our valuable data center expertise and a thorough understanding of the customer's expectations. The space-saving IANOS® panel and LISA fiber management system were the perfect solution for the specified requirements. The data center is one of the most cutting-edge news facilities in Europe today and is well positioned to accommodate next-generation requirements in terms of data rates and rapidly evolving network services.

## Our solutions for the Transportation market



### **HESS: Transforming public transport worldwide with fast-charging e-buses**

Swiss-based, family-owned HESS has made its mark in the bus and e-bus industry, thanks to a highly customised approach. The company's battery operated traction buses are highly customisable to the available e-charging infrastructure. Both the lighTram® trolley bus generation and fast-charging buses are charged via their roofs; their innovative energy management allows integral optimisation of all on-board energy consumption. HUBER+SUHNER provides its modular High Voltage Distribution Units (mHVDUs) tailored to the e-buses' needs. Our compact mHVDU contact boxes support HESS and other original equipment manufacturers (OEMs) in quickly and cost competitively bringing new electric vehicles to market. At the same time, the co-operation with HUBER+SUHNER ensures products of highest quality as well as efficient development processes.

## Key Figures and Financial Calendar

<b>Group</b> in CHF million	2023	2022	Change
Order intake	821.4	975.4	(15.8 %)
Order backlog as of 31.12.	271.9	320.0	(15.0 %)
Net sales	851.1	954.6	(10.8 %)
Gross margin	35.3 %	35.7 %	
EBITDA	110.5	135.3	(18.3 %)
as % of net sales	13.0 %	14.2 %	
EBIT	77.6	103.2	(24.8 %)
as % of net sales	9.1 %	10.8 %	
Financial result	(2.9)	(1.8)	n/m
Net income	64.8	85.2	(23.9 %)
as % of net sales	7.6 %	8.9 %	
Purchases of PP&E and intangible assets	51.4	45.3	13.6 %
Cash flow from operating activities	115.7	87.3	32.5 %
Free operating cash flow	63.7	37.7	69.1 %
Net liquidity as of 31.12.	163.1	151.1	7.9 %
Return on invested capital (ROIC) in %	15.8 %	20.9 %	
Equity as of 31.12.	609.6	606.7	0.5 %
as % of balance sheet total	78.4 %	74.4 %	
Employees as of 31.12.	4 109	4 469	(8.1 %)
Market capitalisation as of 31.12.	1 254.7	1 600.4	(21.6 %)
<b>Data per share</b> in CHF	2023	2022	Change
Stock market price as of 31.12.	68.00	86.30	(21.2 %)
Net income	3.48	4.47	(22.3 %)
Dividend	1.70 <sup>1)</sup>	2.10	(19.0 %)

<sup>1)</sup> Proposed dividend

n/m = not meaningful

Alternative Performance Measures (APM) are key figures not defined by Swiss GAAP FER. HUBER+SUHNER uses APM as guidance parameters for both internal and external reporting to stakeholders. For the definition of APM please visit the website under [www.hubersuhner.com/en/company/investors/publications](http://www.hubersuhner.com/en/company/investors/publications).

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### Financial calendar

Annual General Meeting (Rapperswil SG)	27.03.2024
Half-year Report 2024	20.08.2024
Media and analysts' 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

Detailed figures are available online at [www.hubersuhner.com/en/company/investors/publications](http://www.hubersuhner.com/en/company/investors/publications). This management report is also available in German. The German version is binding.