Media release

HUBER+SUHNER

Ad hoc announcement pursuant to Art. 53 LR

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

Organic decline of 6.3 % in net sales after record high of previous year – At 9.1 %, EBIT margin remains within the medium-term target range – Net income of CHF 64.8 million – Cash flow from operating activities of CHF 116 million – Growth initiatives make positive contribution overall

Key figures

in CHF million	2023	2022	Change in %
Group			
Order intake	821.4	975.4	(15.8)
Net sales	851.1	954.6	(10.8)
EBIT	77.6	103.2	(24.8)
in % of net sales	9.1	10.8	
Net income	64.8	85.2	(23.9)
in % of net sales	7.6	8.9	
Free operating cash flow	63.7	37.7	69.1
Industry segment			
Order intake	258.1	310.5	(16.9)
Net sales	285.3	298.0	(4.3)
EBIT	46.8	63.4	(26.1)
in % of net sales	16.4	21.3	
Communication segment			
Order intake	283.4	380.6	(25.6)
Net sales	280.3	385.9	(27.4)
EBIT	13.7	34.2	(59.8)
in % of net sales	4.9	8.9	
Transportation segment			
Order intake	279.9	284.4	(1.6)
Net sales	285.5	270.6	5.5
EBIT	25.9	13.7	89.5
in % of net sales	9.1	5.1	

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,

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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 the implementation of its sustainability strategy.

Share buyback programme: proposal for capital reduction at the 2024 Annual General Meeting

The shares acquired under the share buyback programme completed on 30 March 2023 correspond to 5 % of the share capital and will be proposed for cancellation at the next Annual General Meeting on 27 March 2024 by means of a capital reduction.

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.

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This media release can also be found under www.hubersuhner.com/en/newsroom/company-news/news-ad-hoc-news

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All publications as well as the definition of Alternative Performance Measures can be found under www.hubersuhner.com/en/company/investors/publications.

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

Further calendar dates

27 March 2024	Annual General Meeting (Rapperswil SG)
20 August 2024	Publication Half-year Report 2024 / Media and analysts' webcast
22 October 2024	Net sales and Order intake (9 months) 2024
23 January 2025	Net Sales and Order intake (12 months) 2024
11 March 2025	Publication Annual Report 2024 / Media and analysts' conference and webcast
2 April 2025	Annual General Meeting

HUBER+SUHNER Group

The globally active Swiss company HUBER+SUHNER develops and produces components and system solutions for electrical and optical connectivity. The company serves the three main markets Industry, Communication and Transportation with applications from the three technologies of radio frequency, fiber optics and low frequency. HUBER+SUHNER products excel in excellent performance, quality, reliability and long service lives - even under the most demanding conditions. Through a global production network, combined with subsidiaries and representatives in over 80 countries, the company is close to its customers worldwide.

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