

**HUBER+SUHNER**

# **Full-year results 2021**

## **Media and analysts' conference**

# Agenda

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## Overview of business year 2021

**Urs Ryffel (CEO)**

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Financial results 2021

Ivo Wechsler (CFO)

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Sustainability, Strategic focus, Trends, Outlook 2022

Urs Ryffel (CEO)

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Questions and discussion

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# Record results in 2021

## **Order intake and net sales significantly above previous year**

- Double-digit percentage growth in order intake and net sales in all three market segments
- Growth initiatives data center, electric vehicle as well as aerospace and defense make an above-average contribution to development compared with previous year
- Significantly higher activity in many target markets due to consistent high demand without major seasonal fluctuation
- Book-to-bill rate of 1.15 reflects the increase in the order backlog

## **Highest absolute operating profit and net income in the company's history**

- EBIT margin of 12.1 % – increase by almost four percentage points
- Net income up two thirds year-on-year

## **New market-segment-based organisation lays foundation for increased market and customer focus**

- New organisation increases market focus, customer proximity and simplifies structures – customers served by global sales teams
- Customer are offered entire portfolio of innovative products across all technologies
- Re-organisation successfully completed

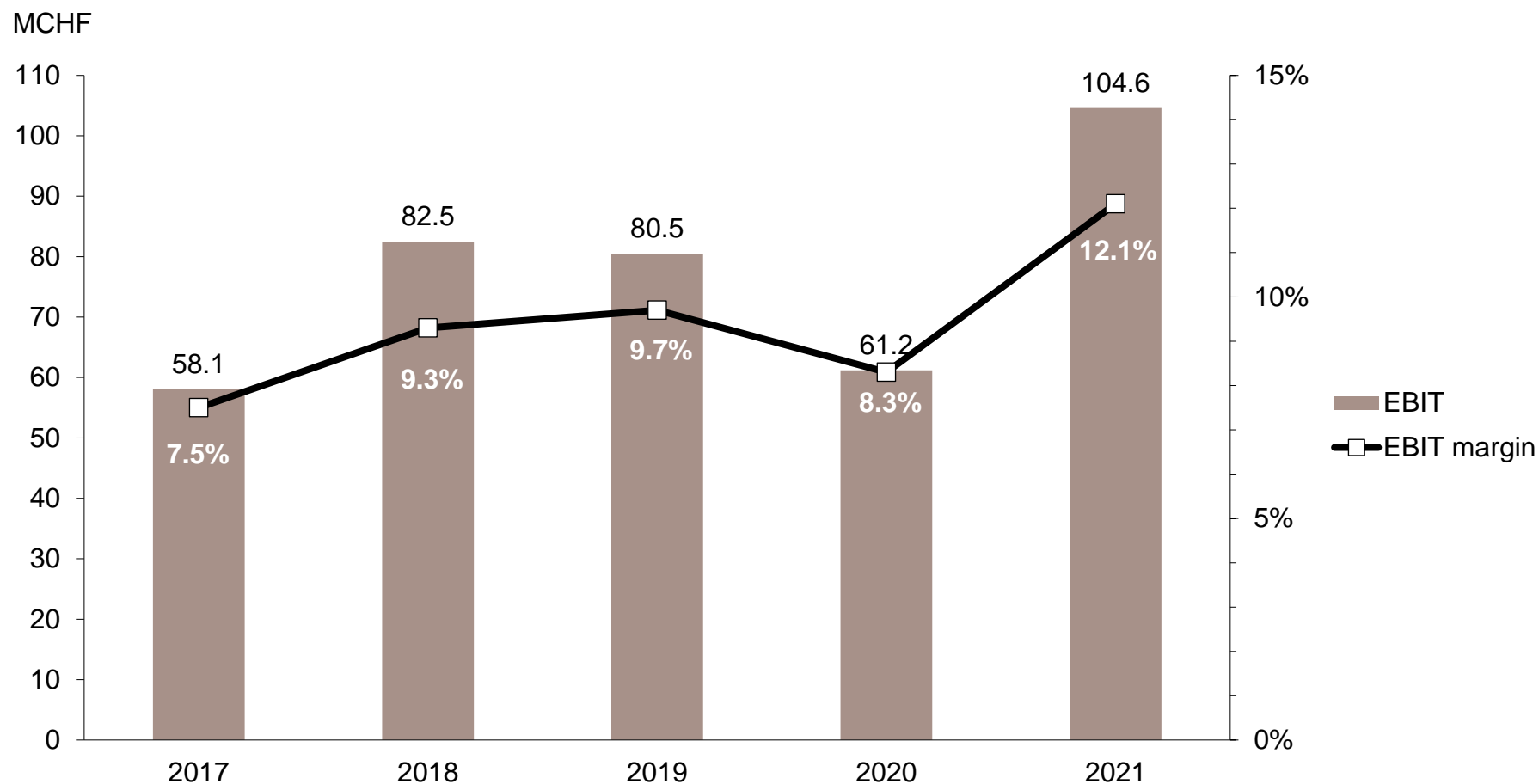
# Figures at a glance

MCHF

	2021	2020	Δ %
Order intake	995.6	748.2	33.1
Net sales	862.9	737.9	16.9
Operating profit (EBIT) as % of net sales	104.6 12.1	61.2 8.3	70.9
Net income as % of net sales	87.3 10.1	52.3 7.1	66.9

# EBIT

2021 profitability significantly above medium-term target range of 8–10 %



# Industry segment

Impressive growth coupled with high level of profitability

MCHF

	2021	2020*	Δ %
Order intake	296.6	239.8	23.7
Net sales	275.4	225.9	21.9
Operating profit (EBIT) as % of net sales	58.4 21.2	36.4 16.1	60.5

## Key aspects

- Test and measurement, aerospace and defense as well as energy and general industrial made equal contribution to growth
- Business with industrial customers above-average growth as a result of cross-technology portfolio
- 62 % of turnover in Industry segment is attributed to radio frequency technology

\*Adjusted due to new segment structure

# Communication segment

Leap in orders, EBIT margin improvement into double digits

MCHF

	2021	2020*	Δ %
Order intake	420.0	286.4	46.6
Net sales	341.1	289.1	18.0
Operating profit (EBIT) as % of net sales	41.5 12.2	15.4 5.3	168.2

## Key aspects

- Expansion of 5G mobile network (NAM/EMEA) and fixed network infrastructure as growth drivers
- Data center growth initiative contributes to the increase
- Sharp rise of devices in networks boost data traffic, driving infrastructure investments
- 85 % of turnover in Communication segment is attributed to fiber optic technology

\*Adjusted due to new segment structure



# Transportation segment

Growth attributable to automotive business, EBIT margin behind expectations

MCHF

	2021	2020*	Δ %
Order intake	279.0	222.0	25.7
Net sales	246.4	222.9	10.6
Operating profit (EBIT) as % of net sales	12.5 5.1	16.2 7.3	-22.3

## Key aspects

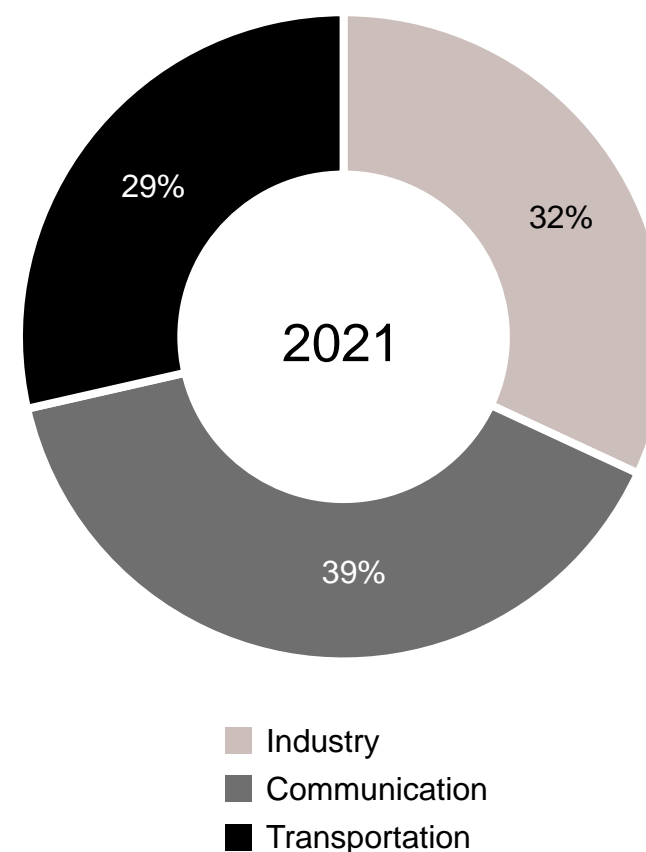
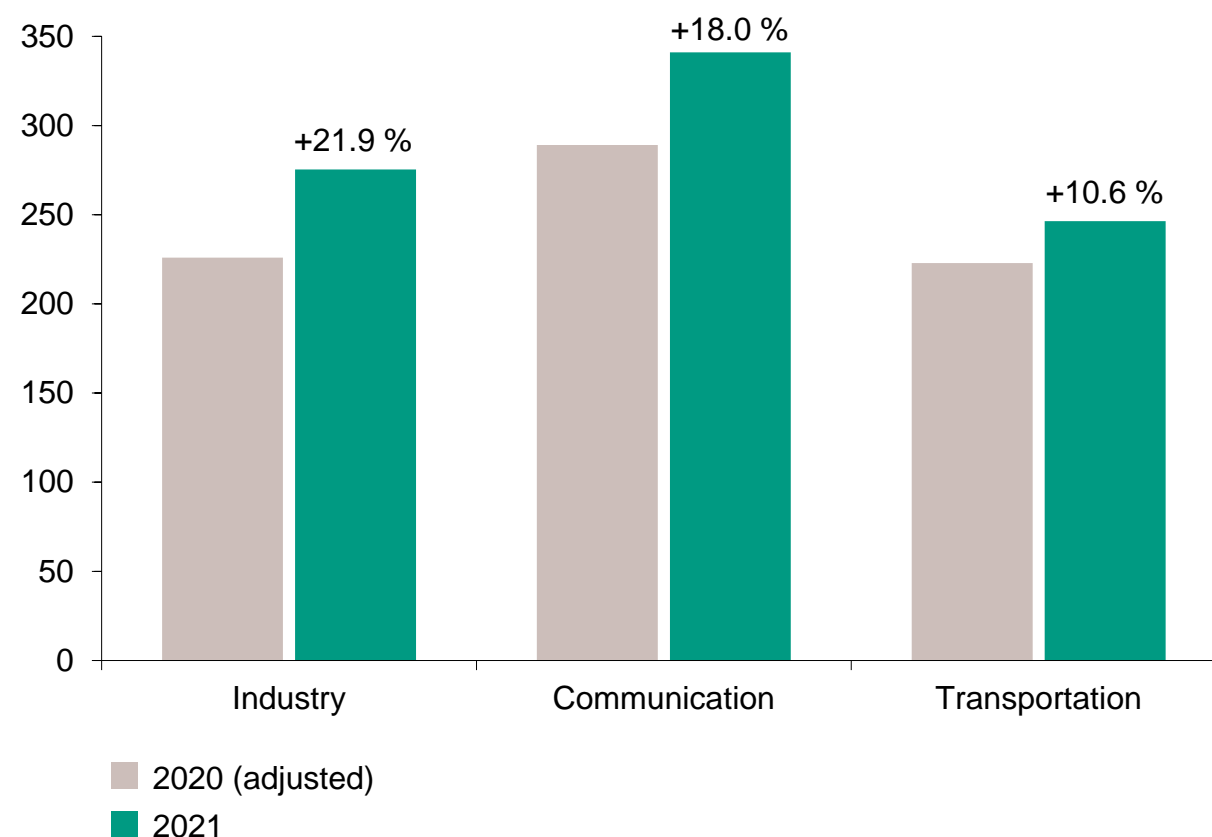
- Business developed differently in subsegments railway and automotive
- Significantly lower volumes with high-speed trains in China
- Pandemic affected use of public transport temporarily
- Electric vehicle growth initiative contributed strongly – strong business with high-voltage distribution solutions for commercial vehicles
- Substantial upfront investments for new radar antenna business
- Rising raw material prices, especially copper, impacted segment result
- 86 % of turnover in Transportation segment is attributed to low frequency technology

\*Adjusted due to new segment structure

# Net sales by market segment

Three market segments provide balanced diversification

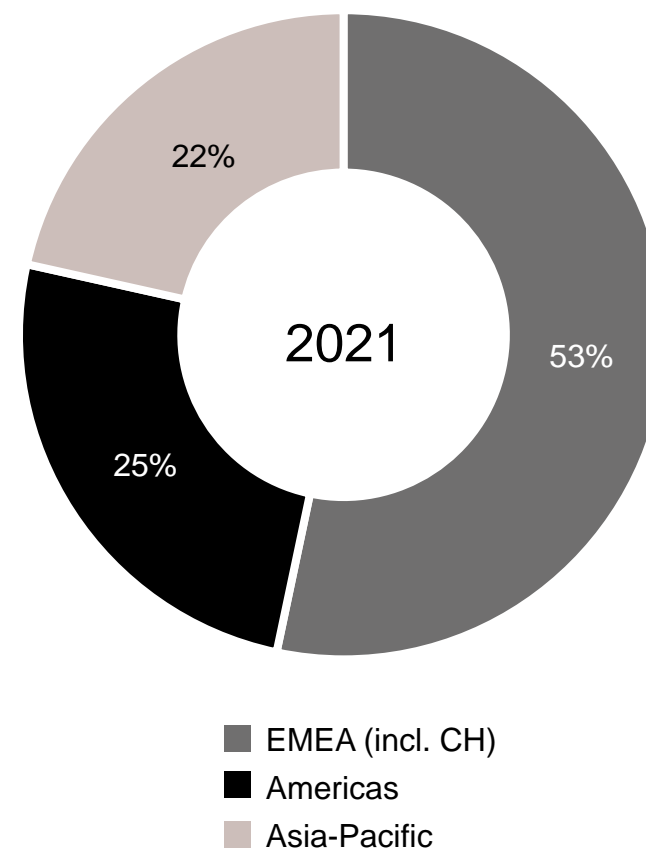
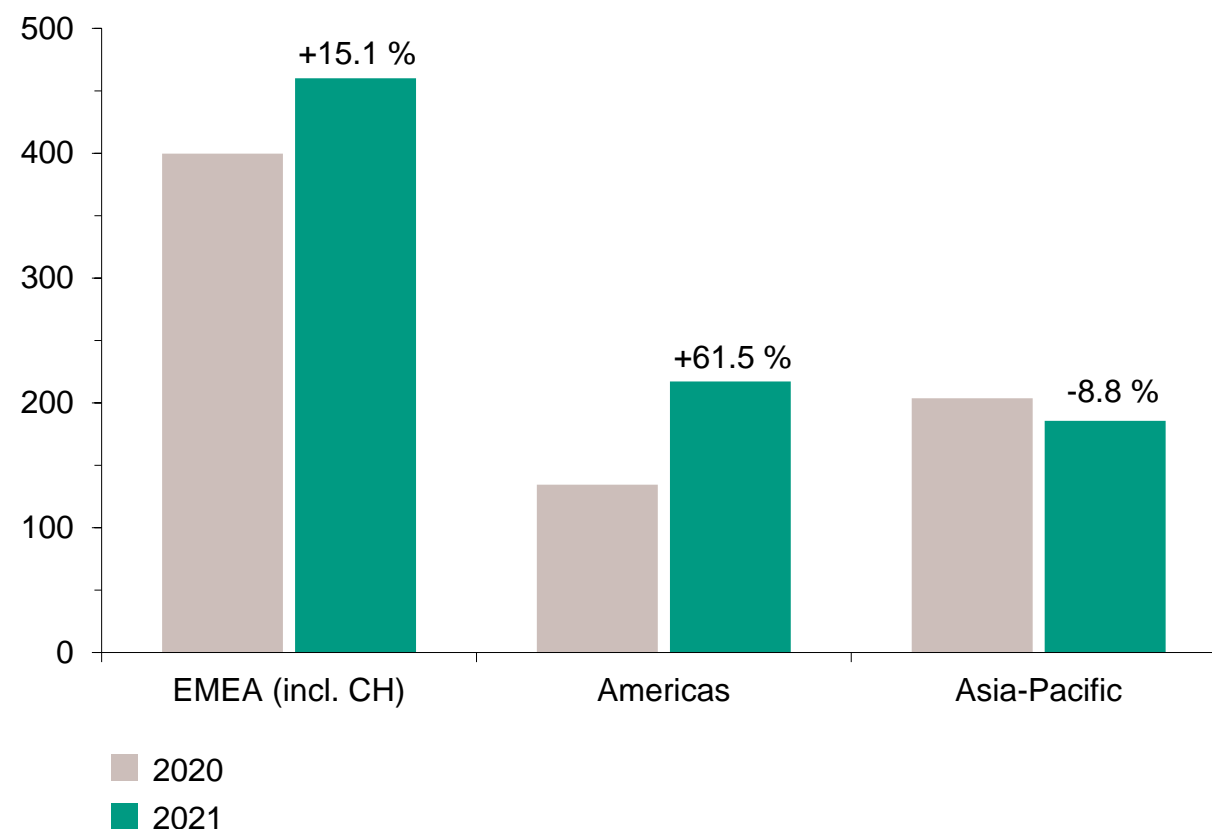
MCHF



# Net sales by region

Very dynamic development of the business in the Americas

MCHF



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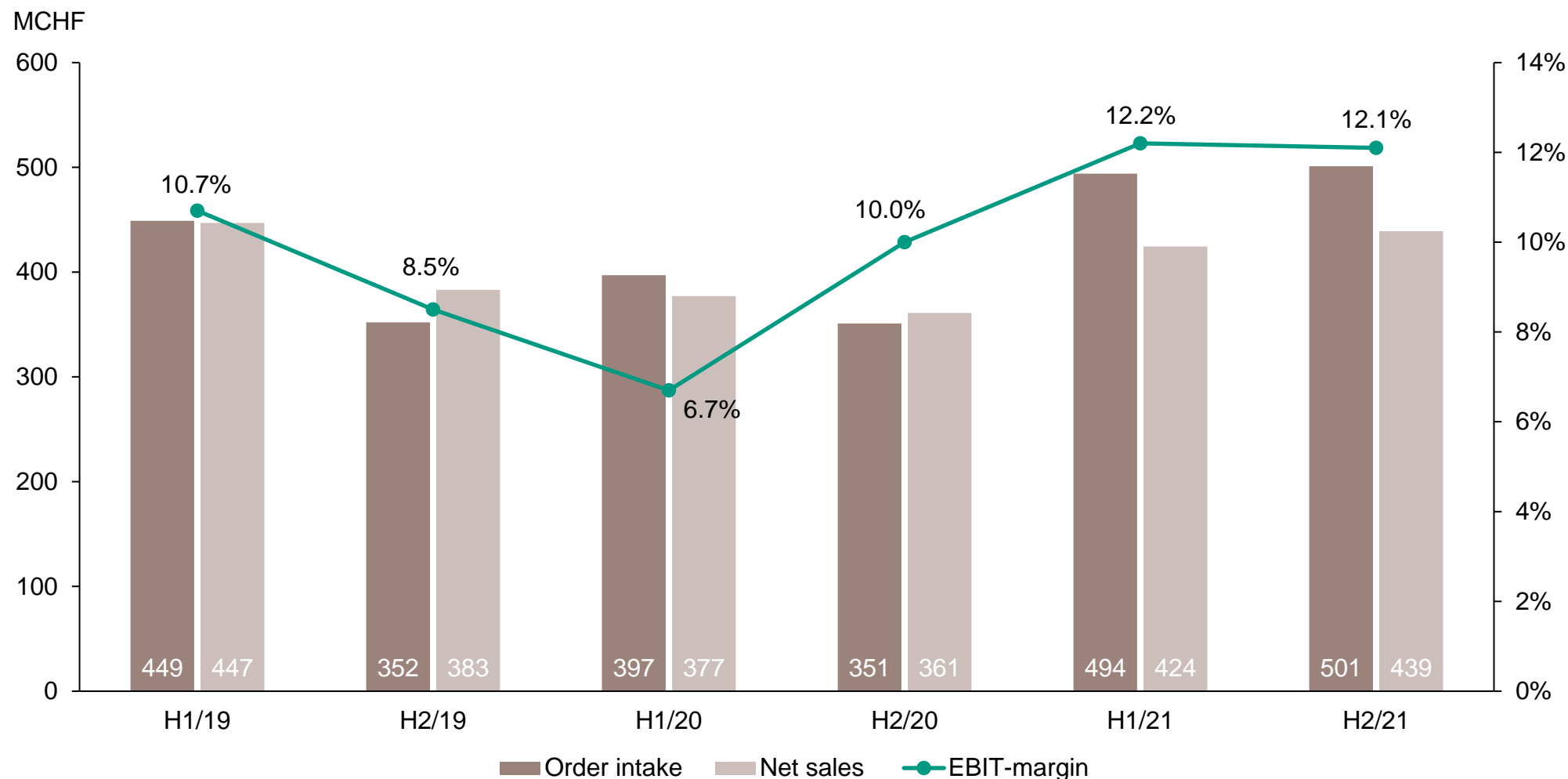
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Questions and discussion

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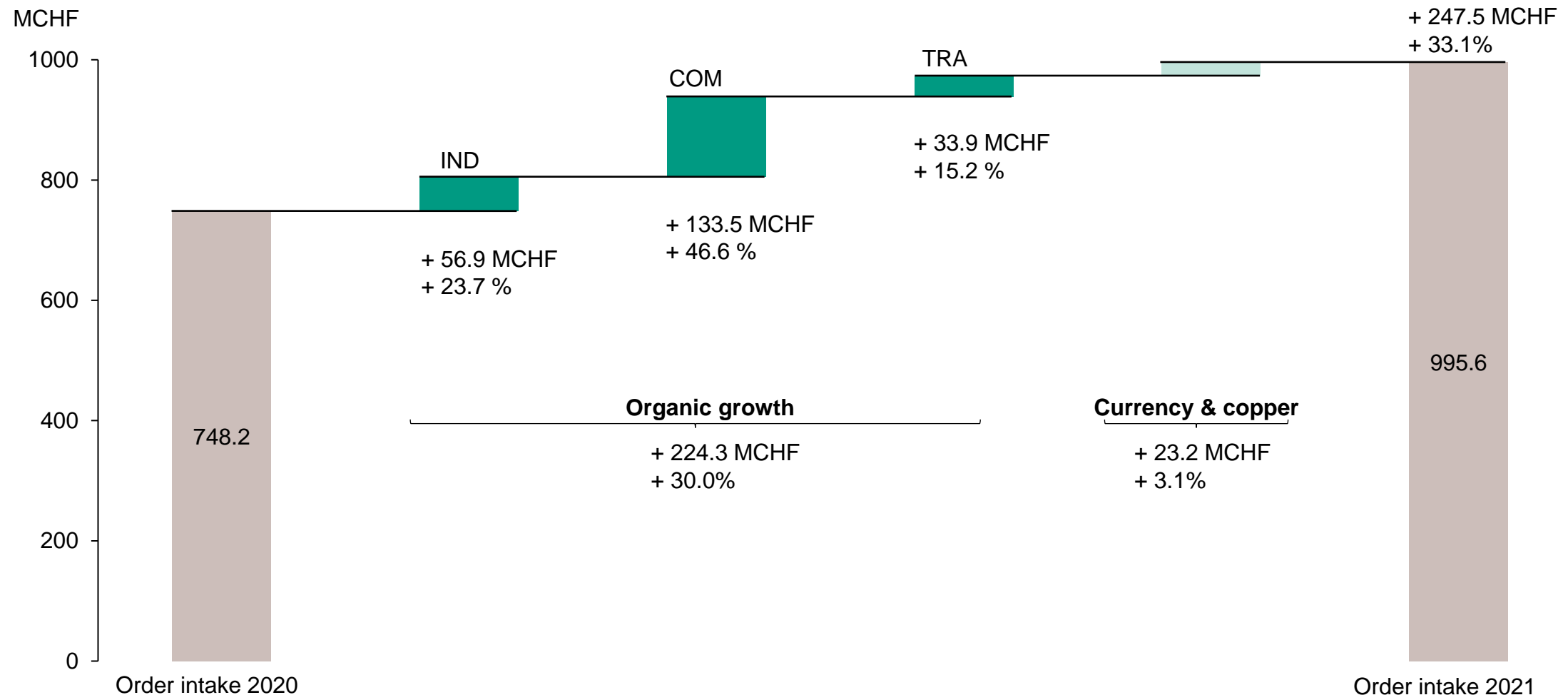
# Half-year development

Two excellent semesters in 2021



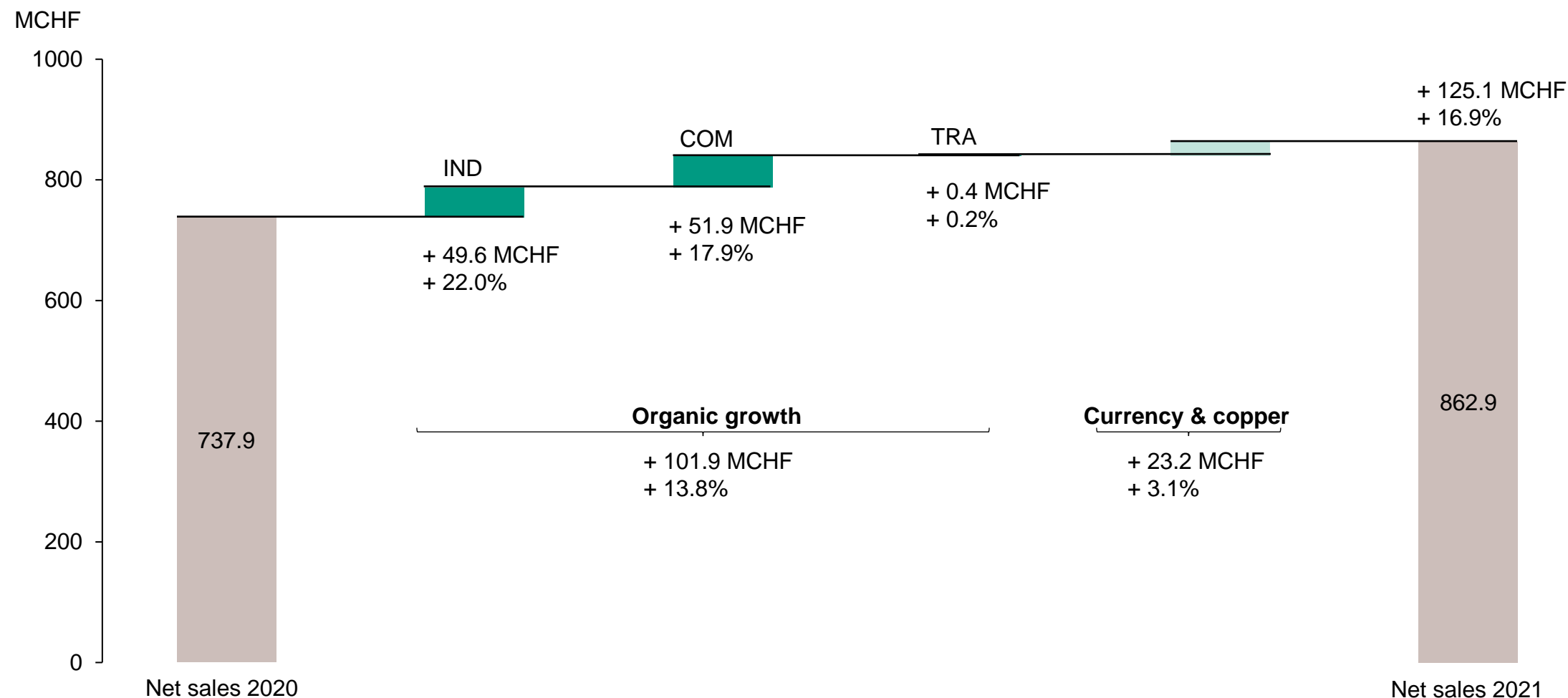
# Factors impacting order intake

Organic growth of 30 % supported by all three market segments



# Factors impacting net sales

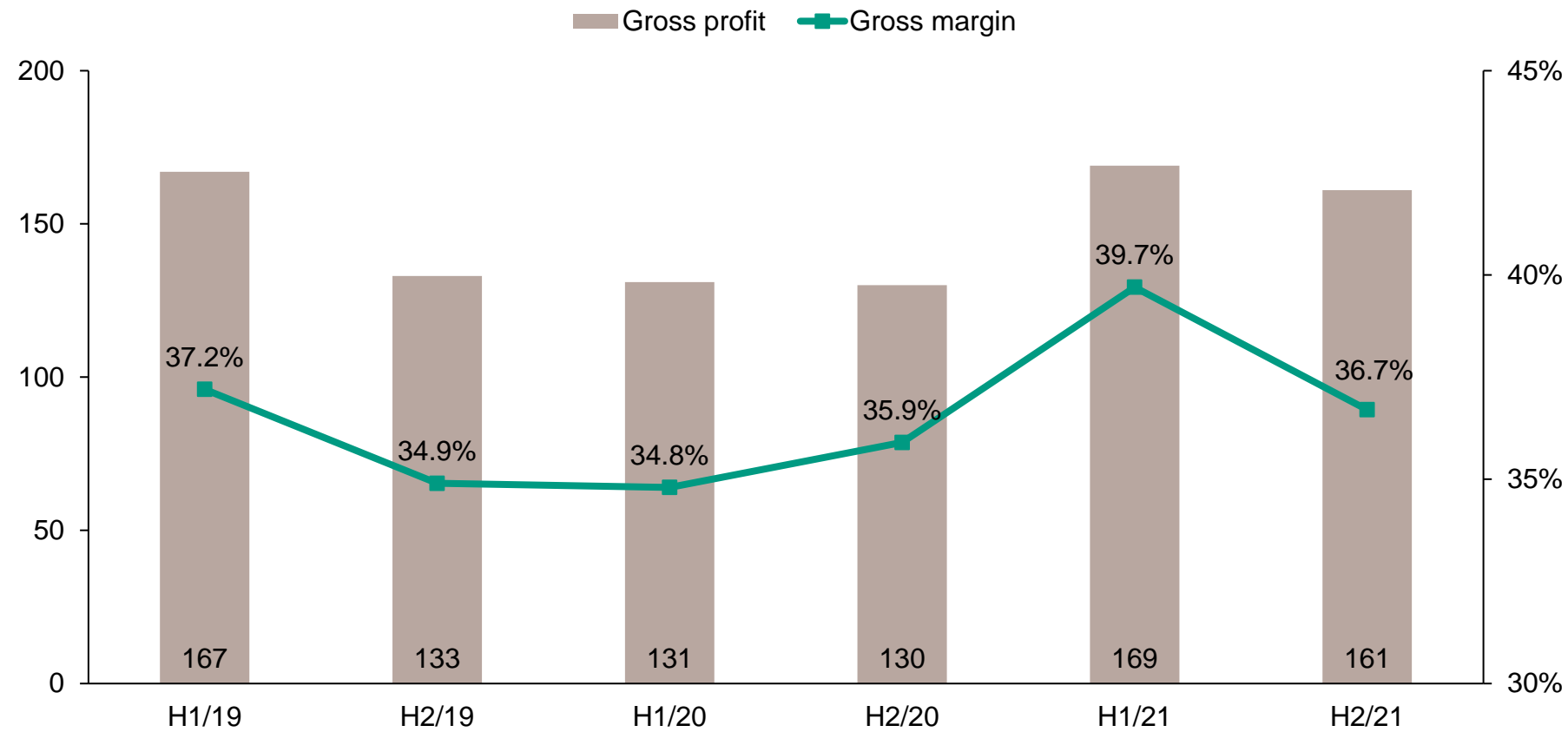
Strong organic contribution from Industry and Communication market segments



# Gross margin

Margin improvement overall, but rising pressure from material price increases

MCHF

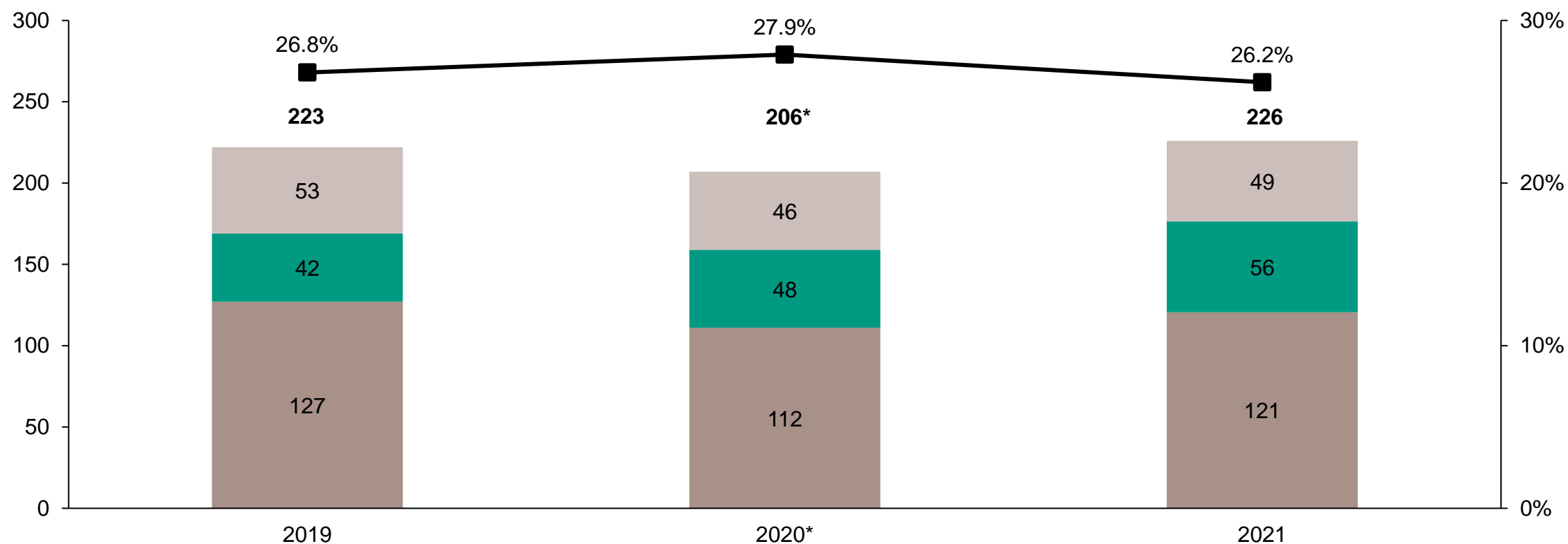




# Operating expenses

Continuously high R+D activity

MCHF



\*Adjusted due to new segment structure

■ S+M ■ R+D ■ Admin ■ in % of net sales

# EBIT by market segment

Very strong in Industry and Communication, Transportation behind expectations

MCHF

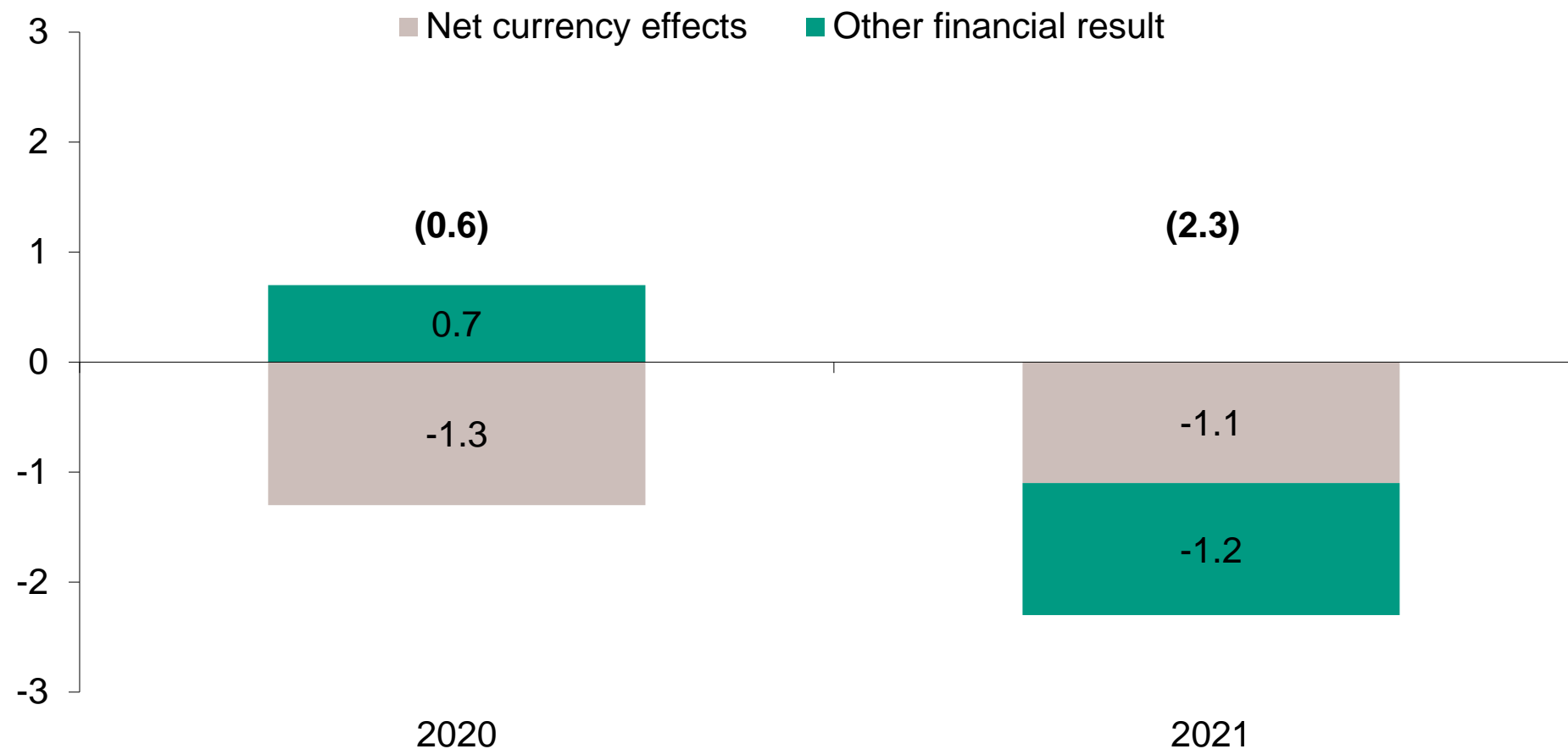
	2021		2020*	
Industry	58.4	21.2 %	36.4	16.1 %
Communication	41.5	12.2 %	15.4	5.3 %
Transportation	12.5	5.1 %	16.2	7.3 %
Corporate	(7.8)		(6.8)	
<b>Total EBIT</b>	<b>104.6</b>	<b>12.1 %</b>	<b>61.2</b>	<b>8.3 %</b>

\*Adjusted due to new segment structure

# Financial result

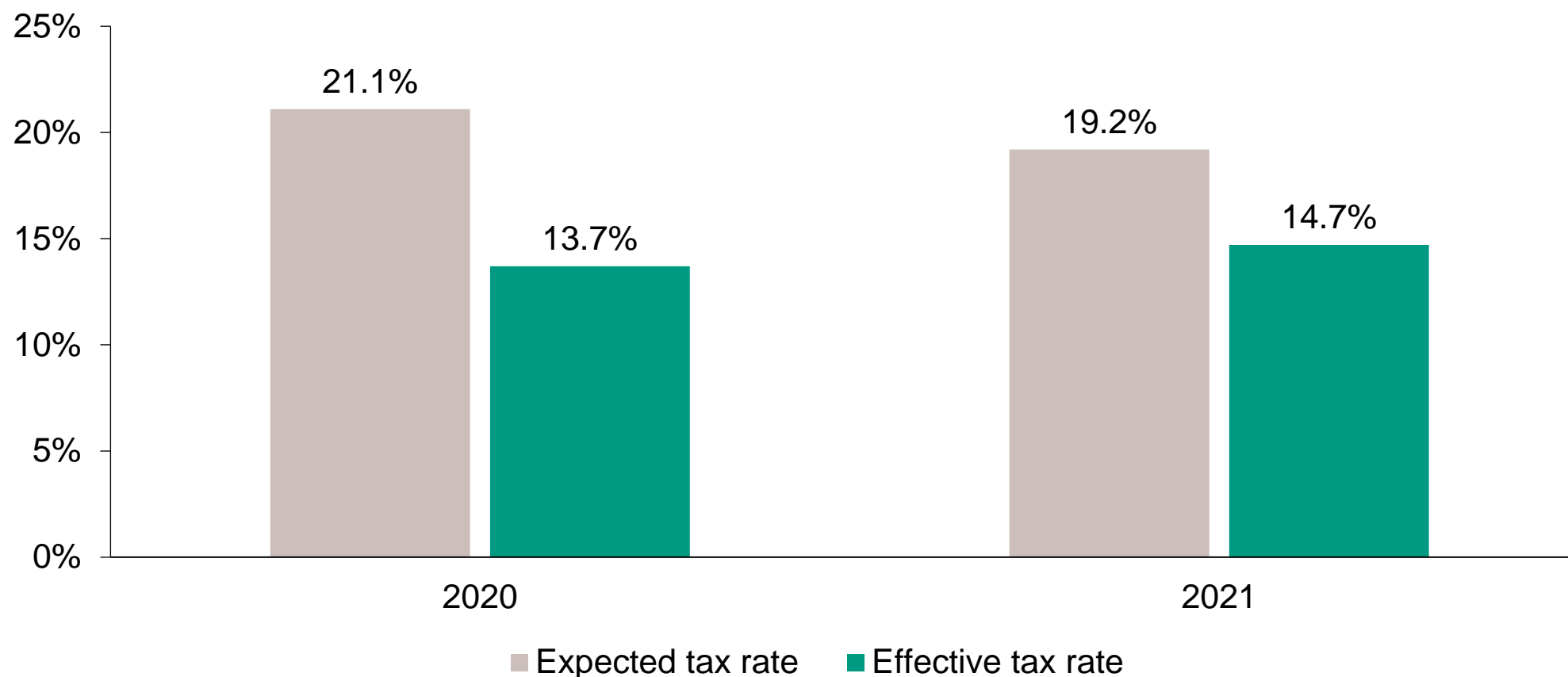
Higher costs due to cash repatriation

MCHF



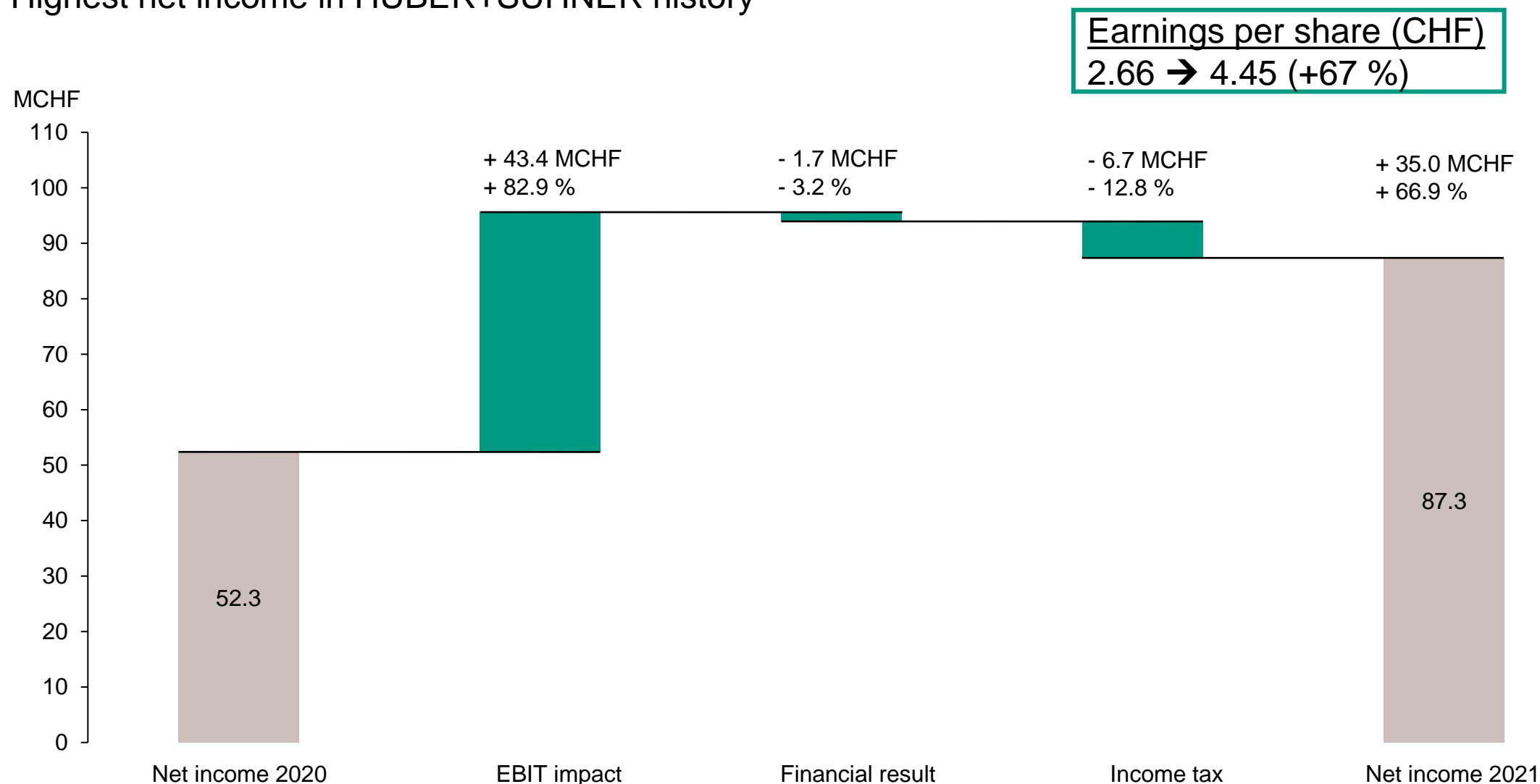
## Group tax rate

High share of profit in low tax countries and positive impact from R+D and other tax benefits



# Factors impacting “Bottom Line”

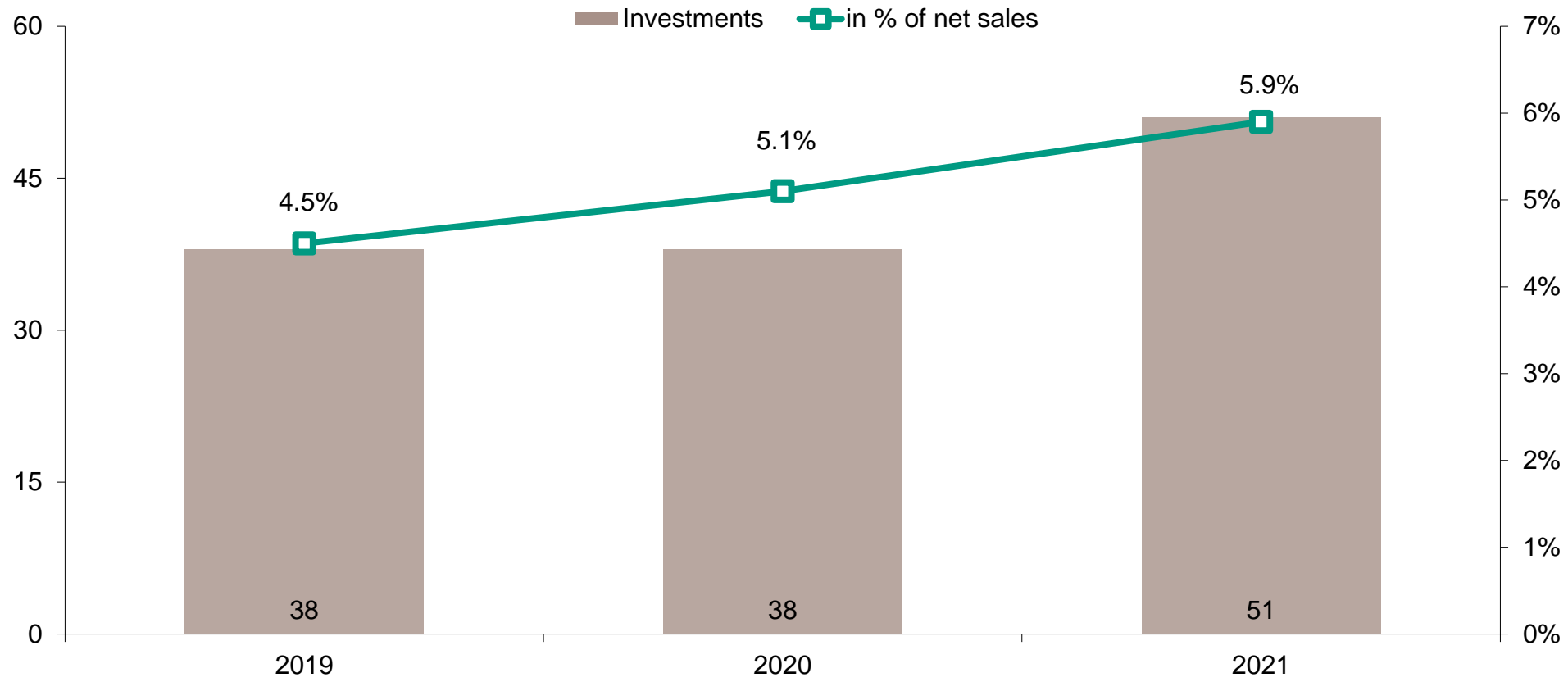
Highest net income in HUBER+SUHNER history



# Investments

Increased investment level in Switzerland and Poland

MCHF



# Overview balance sheet

Strong cash and equity position

MCHF	31.12.2021	31.12.2020		30.06.2021
Cash and cash equivalent	220	204	8 %	203
Other current assets	346	288	20 %	343
Non-current assets	268	249	7 %	253
Financial liabilities	-	1	-100 %	0
Other liabilities	190	148	28 %	184
Equity*	644	592	9 %	615
in %	77 %	80 %		77 %
<b>Balance sheet total</b>	<b>834</b>	<b>740</b>	<b>13 %</b>	<b>799</b>
Net liquidity	220	203	8 %	202

\*thereof minority interest

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# Overview cash flow

Improved cash flow generation from operating activities

MCHF	2019	2020	2021
Cash flow from operating activities	129.1	86.5	101.7
Cash flow from investing activities	(84.0)	(36.3)	(45.1)
<b>Free operating cash flow</b>	<b>45.1</b>	<b>50.2</b>	<b>56.6</b>
Dividend payment	(48.7)	(31.2)	(25.3)
Dividend payment to minorities	-	(0.5)	(0.5)
Change in treasury shares	(1.5)	(1.2)	(15.8)
<b>Free cash flow</b>	<b>(5.1)</b>	<b>17.4</b>	<b>14.9</b>



# Share buyback of up to 5 % of registered shares

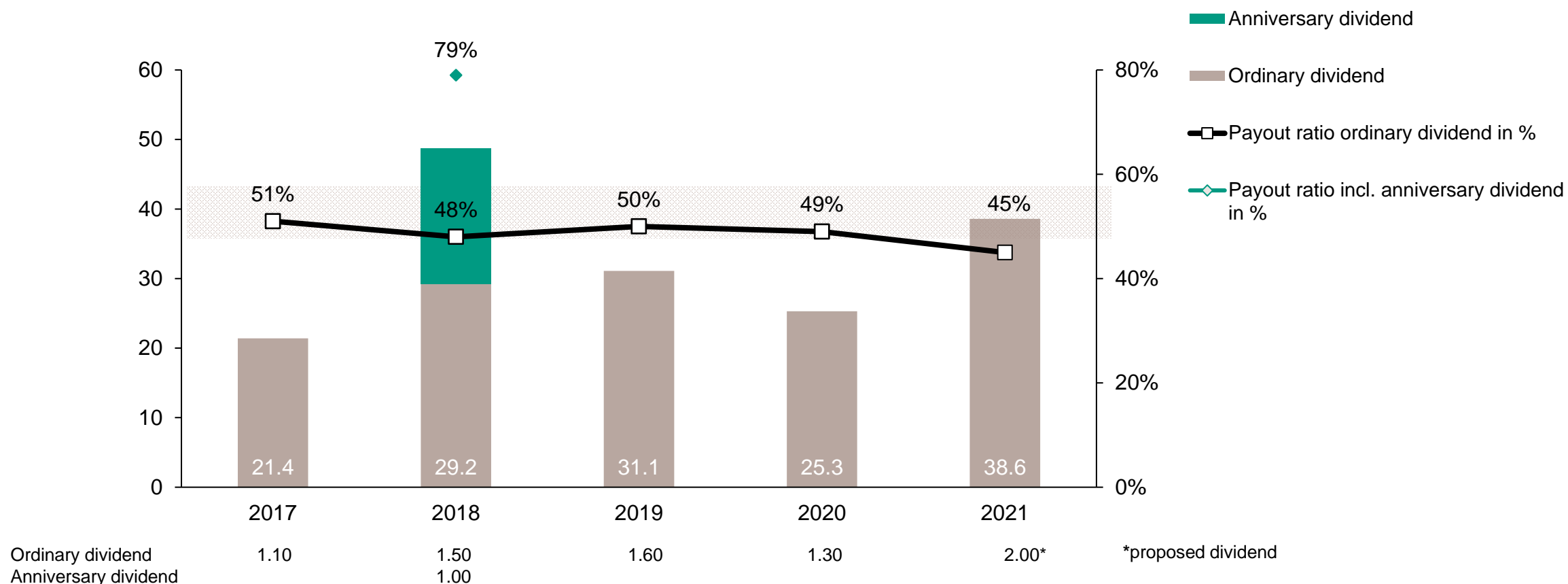
Programme started and progressing

Description	Total	average share price	in % of registered shares
November 2021	61'500	83.26	0.30 %
December 2021	80'000	83.89	0.40 %
Number of shares bought	141'500	83.62	0.70 %
Volume in MCHF	11.8		

# Dividend development

Earnings-oriented dividend policy of 40–50 %, high ordinary dividend proposed

MCHF



# Financial assessment 2021

- ↑ Double-digit growth in order intake of 33 % and in net sales of 17 %
- ↑ Historic record level of operating profitability (CHF 105 million) and net income (CHF 87 million)
- ↑ Maintained attractive tax rate of 14.7 %
- ↑ Strong cash flow from operating activities reaches CHF 102 million

# Exposure to Russia, Belarus and Ukraine

- HUBER+SUHNER suspended all business activities that directly or indirectly relate to the concerned regions
- Major market served: Railway
- Direct sales exposure: 2–3 % of yearly Group turnover (mainly via distributors)
- No production facility or strategic supplier base
- Negative indirect impacts not quantifiable

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# Sustainability



# Sustainable value creation

## Our aspiration

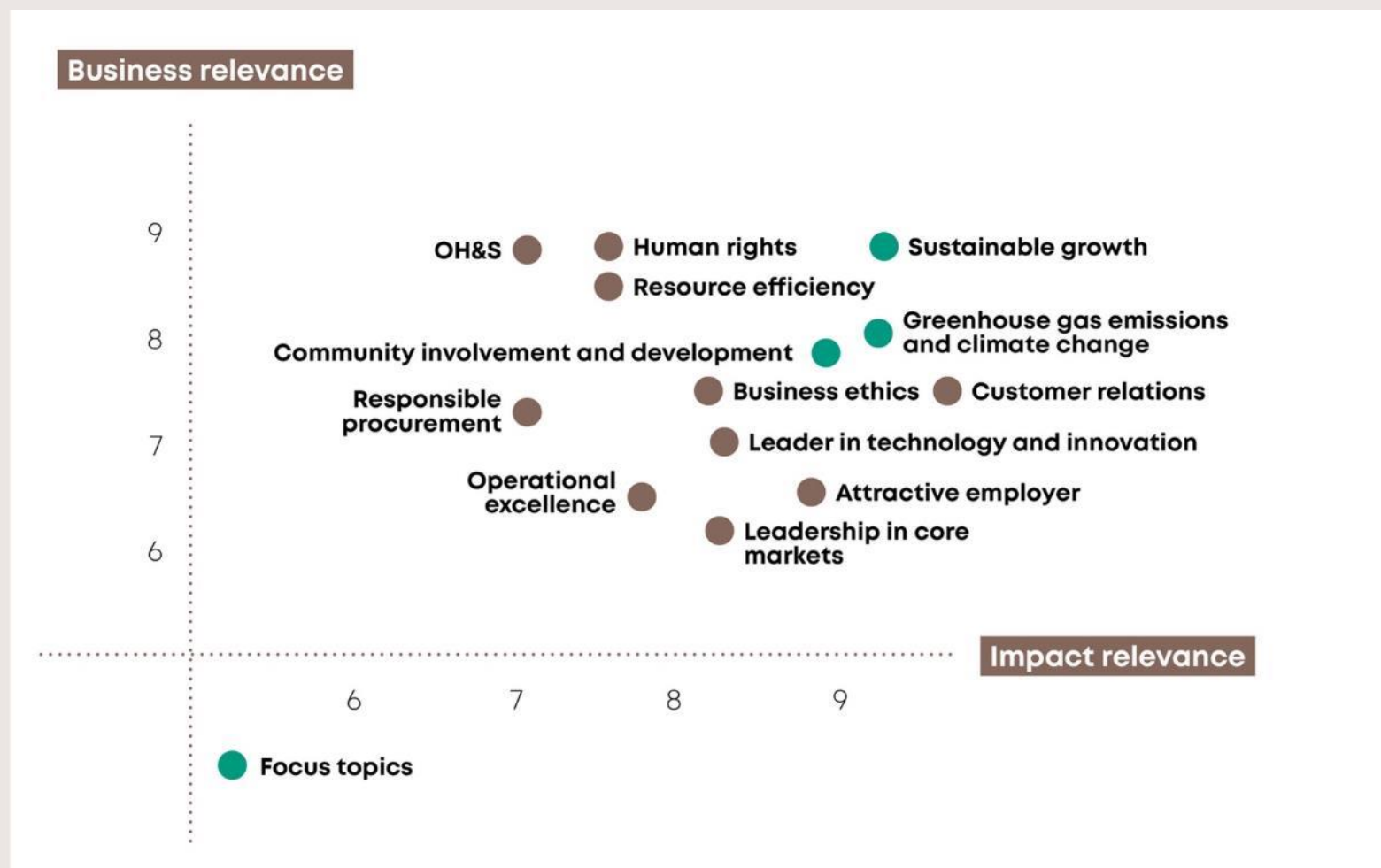


Our aspiration is to create sustainable value by analysing, transforming, and improving our economic performance, existing business / production processes, societal involvement as well as our governance.

For more information:  
[www.hubersuhner.com/en/company/sustainability](https://www.hubersuhner.com/en/company/sustainability)

# Materiality matrix

Material topics according to business and impact relevance





# Score card

How we performed in regard to focus topics

## Score card

Focus topic	2021	Target	Time horizon
Sustainable growth	22.9 % of net sales from growth initiatives	> 33 % of net sales from growth initiatives	2023
Greenhouse gas emissions and climate change	11 500 t CO <sub>2</sub> -eq (scope 1+2)	8 400 t CO <sub>2</sub> -eq (scope 1+2) <sup>1</sup> Net-zero CO <sub>2</sub> emissions (scope 1+2) <sup>2</sup>	2025 2030
Community involvement and development	Community involvement and development guidelines published in 2021  CHF 459 000 donated to 104 community involvement and development projects	Implement the community involvement and development guidelines  The company sets aside and spends at least 0.5 % of the budgeted EBIT or 500 000 CHF <sup>3</sup> , whichever is higher, for community development projects as a matter of principle	2022

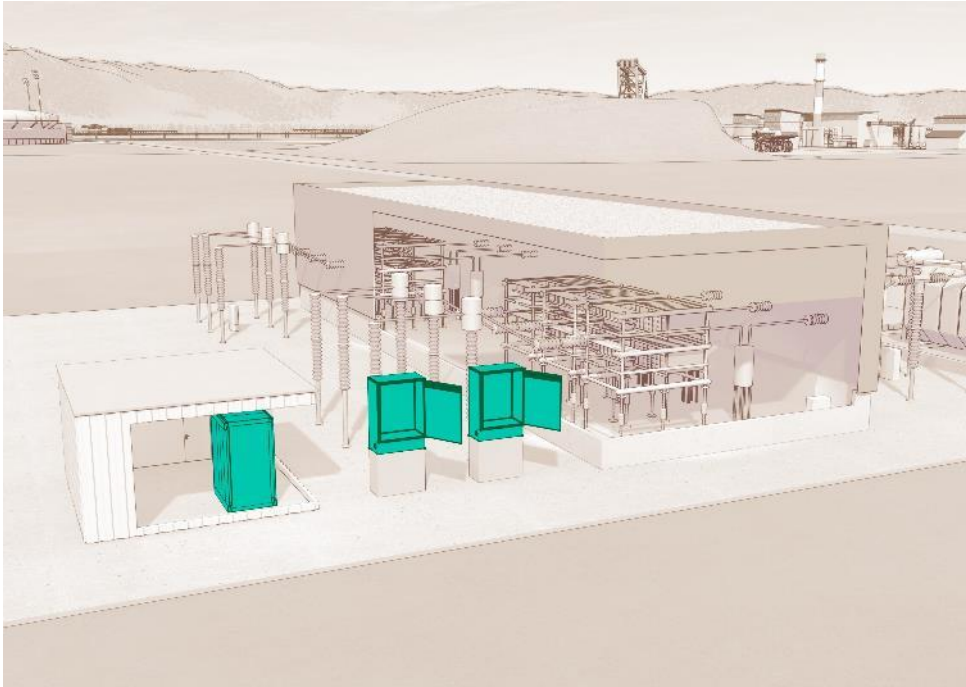
<sup>1</sup> Science-based target to support limiting global warming to 1.5 °C: 50 % reduction from 16 800 t CO<sub>2</sub>-eq in base year 2015

<sup>2</sup> After reaching the science-based target in 2025, HUBER+SUHNER aims to further reduce its greenhouse gas emissions in scope 1+2. The current ambition is to achieve net-zero emissions by 2030.

<sup>3</sup> The funds will be provided from the operating business as well as from the Huber + Suhner Foundation (see p. 35).

# Business story

## Contributing to a more sustainable future – Energy



### Energy transmission and distribution through reliable fiber optic solutions

- High-voltage direct current (HVDC) link of 767 km between Denmark and the United Kingdom
- DC power cable passing through the North Sea and two converter stations

### Opportunity / result

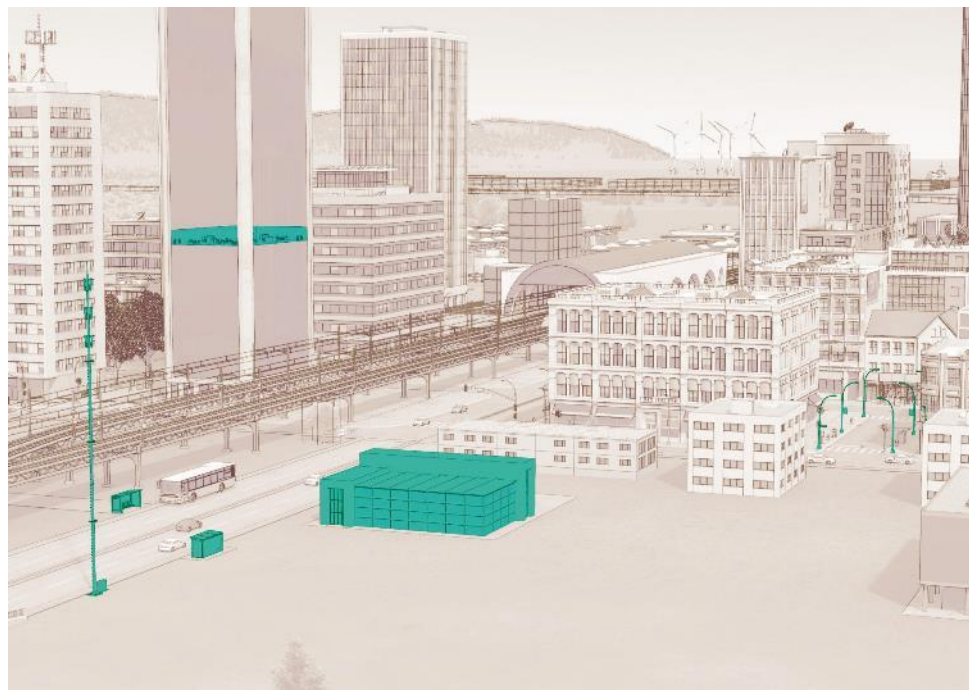
- Fiber optic assemblies and patch cables to control the flow of electricity through the link
- Augments flexibility and integration of European energy grid, vital for efficient injection and deployment of renewable energy

## Focused market vertical – Energy

Delivery of power generation and power sources to locations far from urban centers that require rethinking of grid management

# Business story

## Contributing to a more sustainable future – Fixed Access Network



### Support to telecom equipment manufacturers and network operators with smart solutions that meet sustainability targets

- Internet connections and data are growing exponentially: 127 new devices connect to the Internet every second\*
- A balance must be struck between sustainability and high-quality network performance to ensure that infrastructure is sustainably fit for purpose

### Opportunity / result

- Wavelength division multiplexing (WDM) solutions reuse existing fiber while reducing amount of cables
- “Passive” transport approach reduces the total energy consumption per transported bit by some 80 %

\*Source: <https://techjury.net/blog/how-fast-is-technology-growing/#gref>

## Core market – Fixed Access Network

Smart investments in connectivity components and devices that reduce energy consumption will allow for economical, ecological, and efficient bandwidth expansion

# Business story

## Contributing to a more sustainable future – Rail Communications



### Support rail operators in rejuvenating fleets to deliver 21<sup>st</sup> century services

- Introduction of a National Technical Specification Notice (NTSN) related to rail system accessibility to persons with disability or persons with reduced mobility (PRM) required updating an aging legacy fleet

### Opportunity / result

- The Digital Train Project is the largest single project relating to legacy fleet upgrades within the United Kingdom, with eight major suppliers and numerous stakeholders involved
- Develop the best on-train design connectivity requirements for WiFi, closed-circuit TV (CCTV) cameras and automatic passenger counting (APC) and passenger information systems

### Growth initiative – Rail Communications

Contribute to rail operator's economical and ecological train fleet refurbishment and rejuvenation with connectivity solutions portfolio for rolling stock for best on-train design connectivity requirements

# Sustainability

## Reportings, disclosures and ratings



In 2016, HUBER+SUHNER committed to achieving a science-based GHG reduction target in scope 1+2 by 2025.



Climate change rating of B (down from A- in 2020) – Management category  
Supplier engagement rating of A- (first time)



Among the top 9 % of some 700 companies worldwide in the “Production of electronic components and printed circuit boards” sector.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

HUBER+SUHNER AG and its subsidiaries  
(the HUBER+SUHNER Group) are a signatory since 2020



# Strategic focus Trends Outlook 2022

# Economic environment and strategic focus

## Economic environment

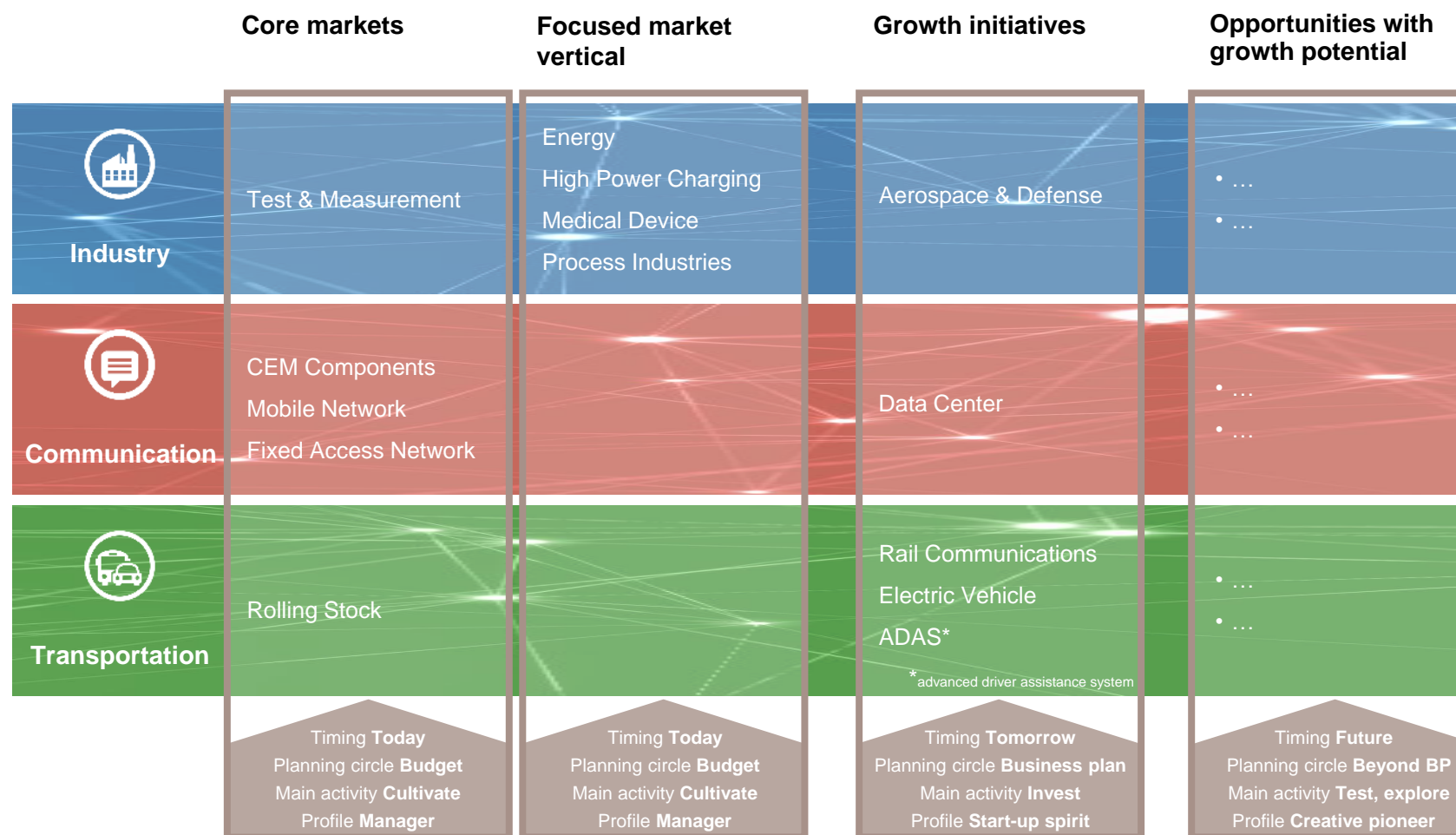
- Basic trends in most markets favourable
- Despite (fundamentally) positive market trends, uncertainties and risks are significant:
  - Geopolitical tensions with the previously unimaginable negative climax of a war on the doorstep of Europe
  - Economic re-bound and recovery from Covid-19 effects result in rising inflation and sharply increasing raw material prices
  - Shortage of chips, raw materials and transportation capacities put pressure on entire industry supply chain

## Strategic focus

- Technological expertise and operational excellence make HUBER+SUHNER resilient and well positioned to benefit from growing markets
- The company strives for a balanced and focused diversification of the business
- Healthy mix of current business and new opportunities for future growth
- The portfolio of activities is actively managed and constantly aligned with arising and evolving mega trends
- Due to its innovation culture, HUBER+SUHNER is an early mover in many market verticals, where maintaining a high degree of product differentiation results in attractive pricing power

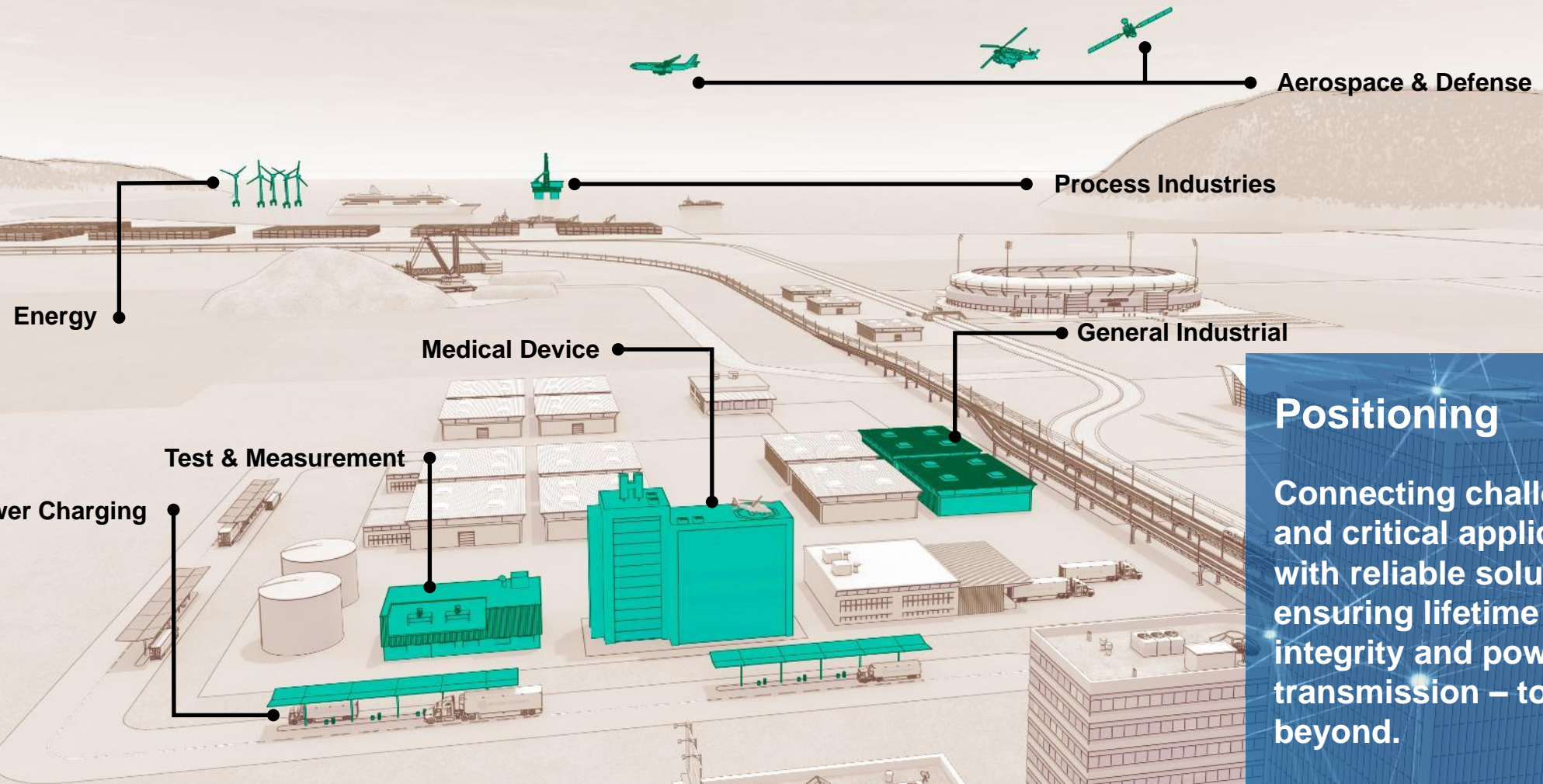
# The dimensions of our strategic focus

Portfolio of attractive markets aligned with mega trends





# Our solutions for the Industry market



## Positioning

Connecting challenging and critical applications with reliable solutions, ensuring lifetime data integrity and power transmission – today and beyond.

# Market trends in Industry

- Need for communication solutions in industrial applications is increasing
- Connectivity solutions allowing 24/7 operations without disruption ensure reliability and availability of critical infrastructure for people
- Need for high-precision components with maximum signal integrity required in test and measurement applications
- Low-orbit satellite constellations for Earth-wide signal coverage are still on the rise
- Largest installed base and technological leadership in high power charging (RADOX® HPC) offers opportunities in ever higher power / performance ranges
- Desire to feel safe fuels demand for aerospace and defense applications
- Bundling of radio frequency, low frequency, and fiber optic connectivity technologies provides leverage

# Our solutions for the Communication market

## Mobile Network

- In-building coverage
- Macro cells
- Small cells
- Special applications

## Data Center

- Telecoms
- Broadcasting
- Colocation
- Enterprise
- Edge data center

## CEM Components

- Components for antennas and radios
- Switches and routers
- Optical transport equipment

## Fixed Access Network

- Central office
- Outside plant
- Building access
- HFC/DOCSIS

## Positioning

Connecting communication systems to a reliable, future-ready physical layer that ensures performance, density and scalability – today and beyond.



# Market trends in Communication

- Functioning of communication infrastructure more than ever decisive for functioning of society and efficiency of economies
- Communication market ahead of strong period
- 5G picks up momentum – evolution of 5G infrastructure towards higher data rates will happen beyond initial roll-outs
- Focal points in mobile networks remain densification, higher capacity, better coverage, shorter latency
- Any mobile infrastructure requires re-enforcement of fixed-net infrastructure
- Internet of things and the transmission and storage of high-resolution image and video content will drive data volumes even further up
- Flexibility in network architecture drives need for unique optical switch technology that is making major headway in a wide variety of applications

# Our solutions for the Transportation market

## Rolling stock

- In-carriage wiring solutions
- Inter-carriage wiring solutions

## Rail Communications

- Train-to-ground communication
- Ground communication
- Communication-based train control

## Positioning

Connecting rail and road mobility with sustainable solutions that ensure efficient electrical transmission, high-speed data transfer, and autonomous control – today and beyond.

## ADAS

- Wireless communication between vehicles
- V2X (vehicle to X)

## Electric Vehicle

- On-board network wiring
- High-voltage power distribution

# Market trends in Transportation

- Ecological mobility requirements will be an even stronger criterion for the build-up of future transportation
- Railway recovery after the pandemic will happen – ecological mobility will not be possible without significant investments in railway infrastructure medium to long term
- On-board communication in rolling stock a promising area for new applications – growth initiative Rail Communications underlines the company's ambitions in this area
- Positive automotive market outlook subdued by shortage in chip supply – electric drive the concept of the future, independent of energy storage concept (battery vs hydrogen)
- Commercial vehicle manufacturers focus on electric drive for short and medium distances – hydrogen-powered drive solutions will compete with diesel combustion engines for long distance road transportation
- Radar antennas a decisive element on the way to autonomous driving – growth initiative ADAS (advanced driver assistance system) underlines ambitions

# Outlook 2022

## Medium-term EBIT target range

- Based on the strong development over the last three semesters, the company expects higher profitability going forward over the cycle and adjusts the medium-term target range for the operating margin to 9–12 % (previously 8–10 %).

## Net sales guidance for 2022

- HUBER+SUHNER is targeting mid-single-digit percentage growth in the current year.

## EBIT guidance for 2022

- The operating margin in 2022 is expected to be in the new medium-term EBIT target range of 9–12 %.

The prerequisite for achieving the targeted growth and the medium-term EBIT target range in 2022 is that the current challenges such as rising inflation rates, a strong Swiss franc or bottlenecks in the global supply and transport chains do not accentuate. Furthermore, the war in Ukraine brings additional uncertainties on the global markets and its direct and indirect impact is difficult to quantify at this point.

# Financial calendar

Annual General Meeting (without presence of shareholders)	06.04.2022
Half-year report 2022	16.08.2022
Media and analysts' conference (webcast)	16.08.2022
Capital Market Day (Herisau)	23.09.2022
Sales and order intake (9 months)	24.10.2022
Sales and order intake (12 months)	20.01.2023

Figures are available online at [www.hubersuhner.com/en/company/investors/publications](http://www.hubersuhner.com/en/company/investors/publications)



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**Connecting – today and beyond**