



HUBER+SUHNER

Excellence in Connectivity Solutions

Overview of financial year 2017

Financial results

Growth initiatives and outlook 2018

Questions and discussion

Buffet lunch

Urs Ryffel (CEO)

Ivo Wechsler (CFO)

Urs Ryffel (CEO)

HUBER+SUHNER remains on a path of growth – diminished profitability in Fiber Optics

Dynamic growth

- All three technology segments recorded an increase in both order intake and net sales
- Communications market with large-scale projects in price-sensitive markets
- Transportation market feels positive environment in Asian railway submarket and automotive submarket

Profitability under pressure

- Overall EBIT margin slightly below medium-term target range
- Radio Frequency again with double-digit EBIT, pressure on margin in Fiber Optics, Low Frequency with impressive turnaround

Positive signals from medium-term orientated growth initiatives

- Communication: Small Cells – network densification in connection with the introduction of 5G
- Communication: Data Center – increasing data volume and growing importance of cloud solutions
- Transportation: Electric Vehicles – trend towards e-mobility irreversible
- Industrial: Aerospace & Defense – growing importance of private satellite programmes and RF-over-fiber solutions

Figures at a glance

CHF million

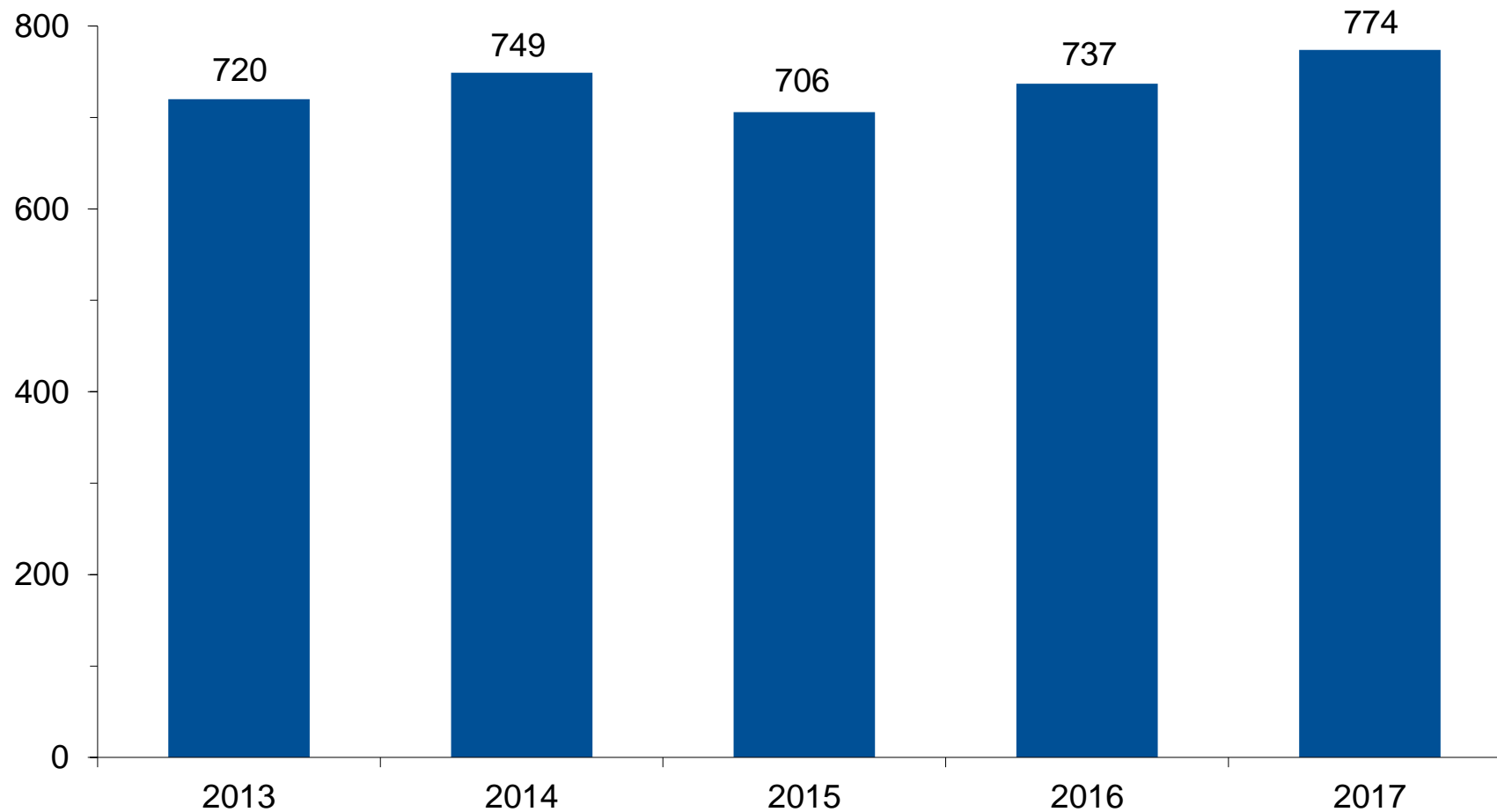
	2017	2016*	Δ %
Order intake	826.3	746.6	+10.7
Net sales	774.0	737.2	+5.0
Operating profit (EBIT) as % of net sales	58.1 7.5	69.7 9.5	-16.6
Net income as % of net sales	42.1 5.4	53.2 7.2	-20.8

* Swiss GAAP FER restated

Net sales development

Growth path confirmed

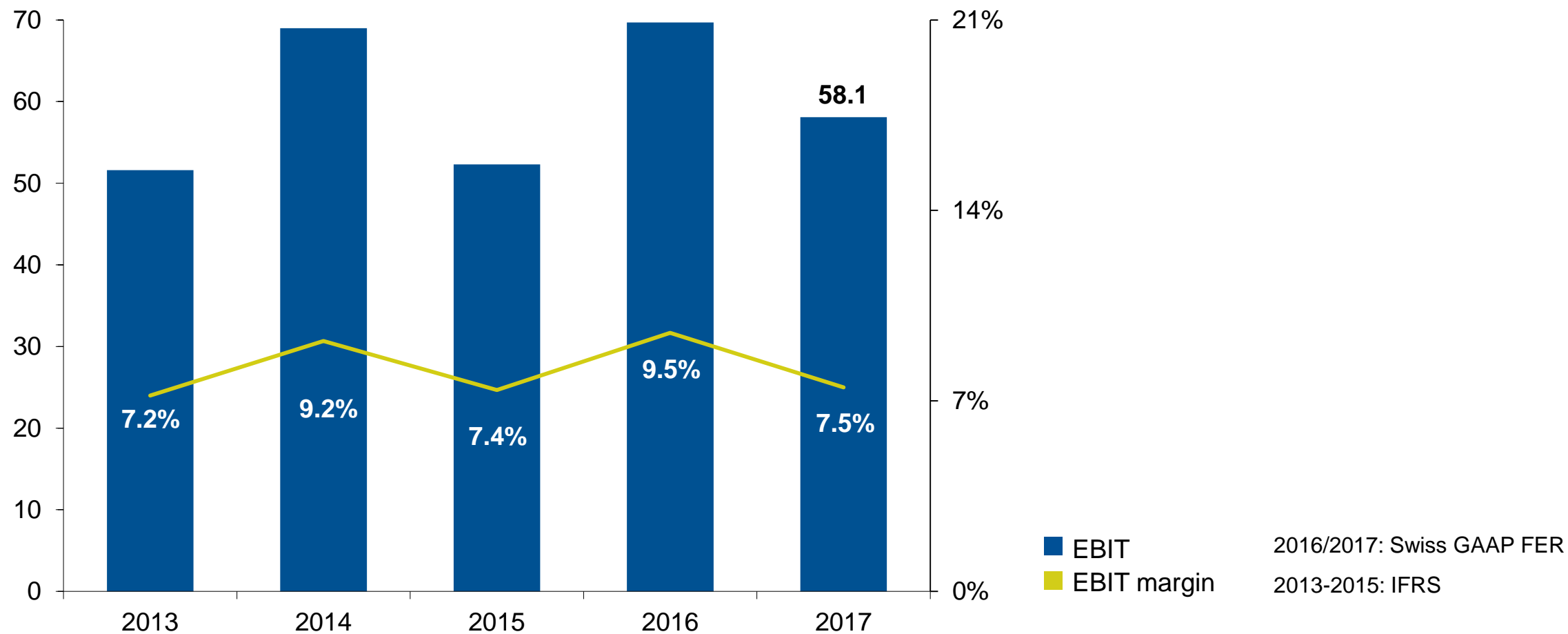
CHF million



EBIT development

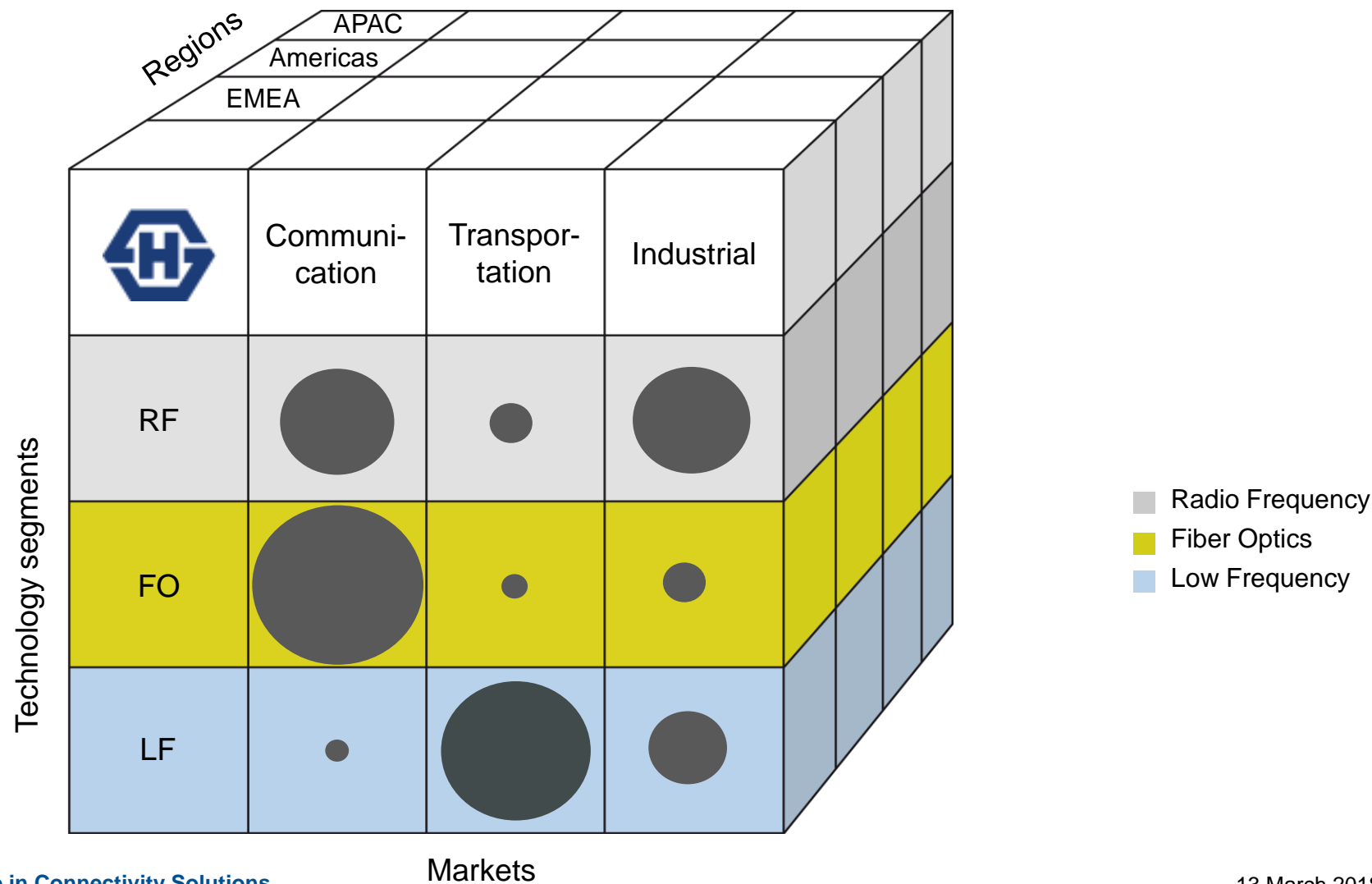
Broad base limits volatility

CHF million



The three dimensions of our business

Results by technology segments, markets and regions



Radio Frequency technology segment

Strong performance – acquisition for the targeted strengthening of expertise

CHF million

	2017	2016*	Δ %
Order intake	239.9	226.4	+6.0
Net sales	231.2	219.7	+5.2
Operating profit (EBIT)	31.5	29.5	+7.0
• as % of net sales	13.6	13.4	

Key aspects

- Order intake, net sales and EBIT margin increased
- Gains in market share with communication equipment manufacturers and in test and measurement segments
- Growth initiative A&D: trend towards New Space and RF-over-fiber
- Focus of activities in aerospace and defense relocated from Switzerland to the USA
- Acquisition: strengthening of know-how in the field of complete radio frequency solutions

* Swiss GAAP FER restated

Fiber Optics technology segment

Marginal growth at lower profitability

CHF million

	2017	2016*	Δ %
Order intake	329.2	322.3	+2.1
Net sales	316.2	305.7	+3.4
Operating profit (EBIT)	17.7	40.9	-56.7
• as % of net sales	5.6	13.4	

Key aspects

- Order intake and net sales above previous year
- EBIT margin in mid single-digit range
- Margin pressure in the upgrading of mobile communication networks to 4G/LTE in price-sensitive markets
- Drop in sales of WDM products
- Increase in business with data centers
- Growth initiatives Small Cells und Data Center with good perspectives

* Swiss GAAP FER restated

Low Frequency technology segment

Successful turnaround

CHF million

	2017	2016*	Δ %
Order intake	257.2	198.0	+29.9
Net sales	226.6	211.8	+7.0
Operating profit (EBIT)	11.6	3.5	+231.8
• as % of net sales	5.1	1.6	

Key aspects

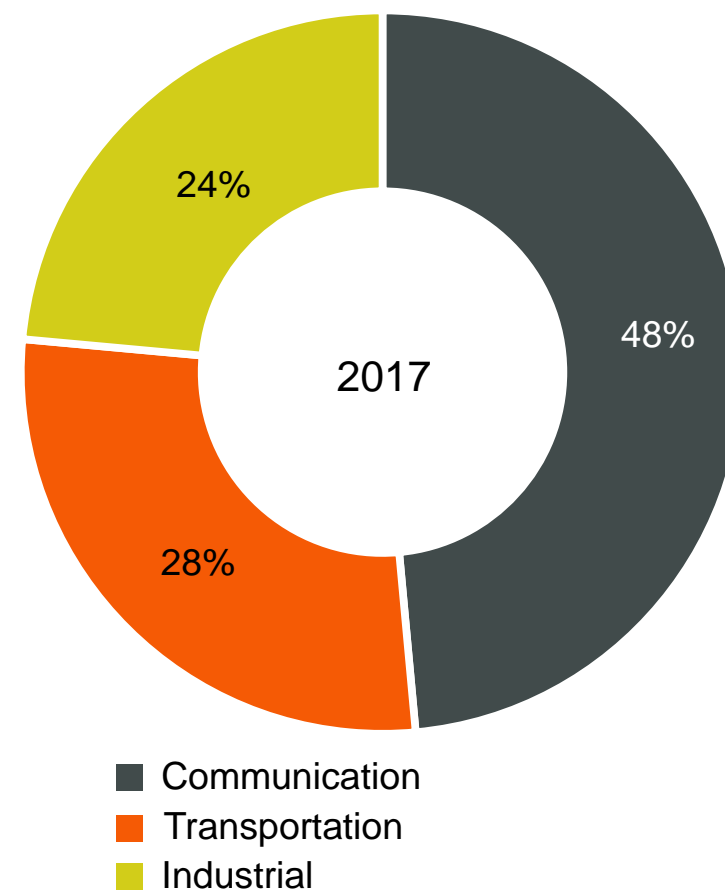
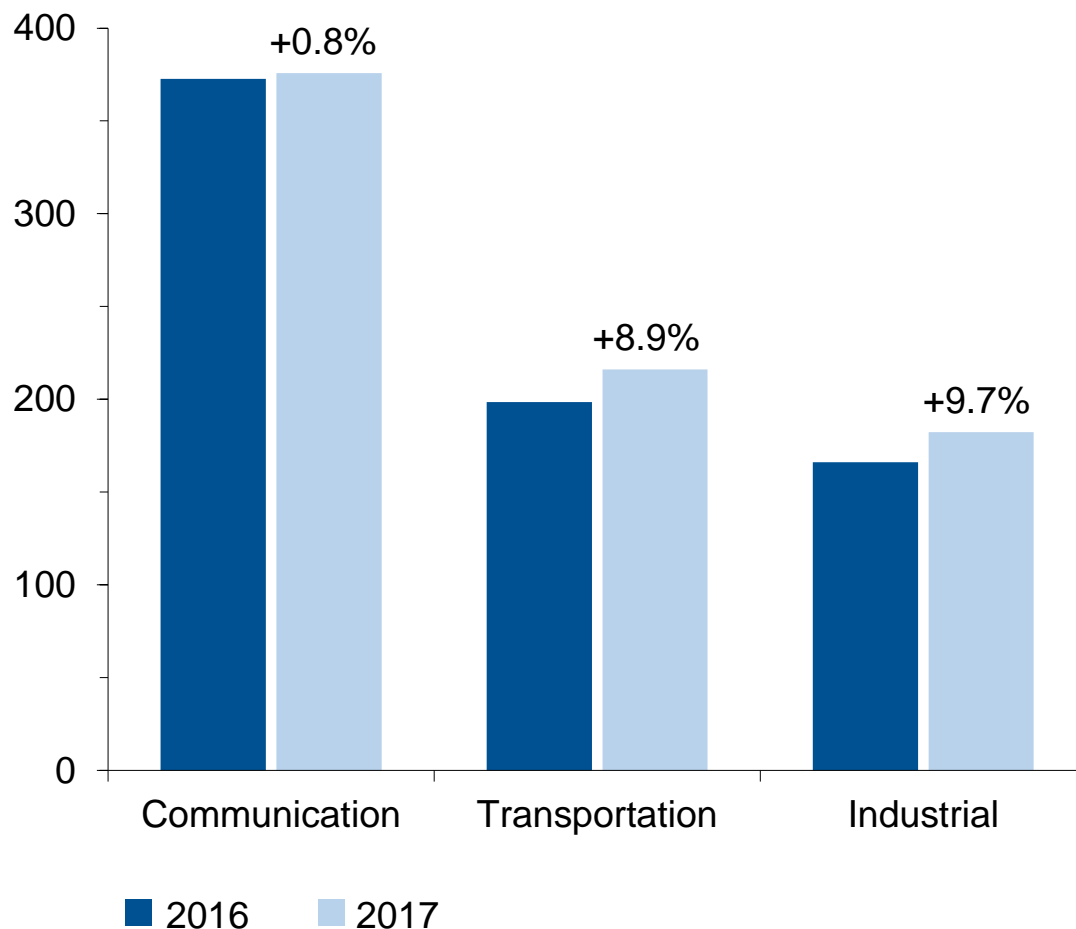
- Significant increase in order intake, surge in demand from the Asian railway market
- Significantly improved EBIT margin
- Portfolio streamlining and restructuring measures reduce costs: focus on greater differentiation in the railway submarket
- Increase in business in the automotive submarket
- Growth initiative electric vehicles: successful design-ins

* Swiss GAAP FER restated

Net sales by market

Communication market at previous year's level, strong growth in transportation and industrial markets

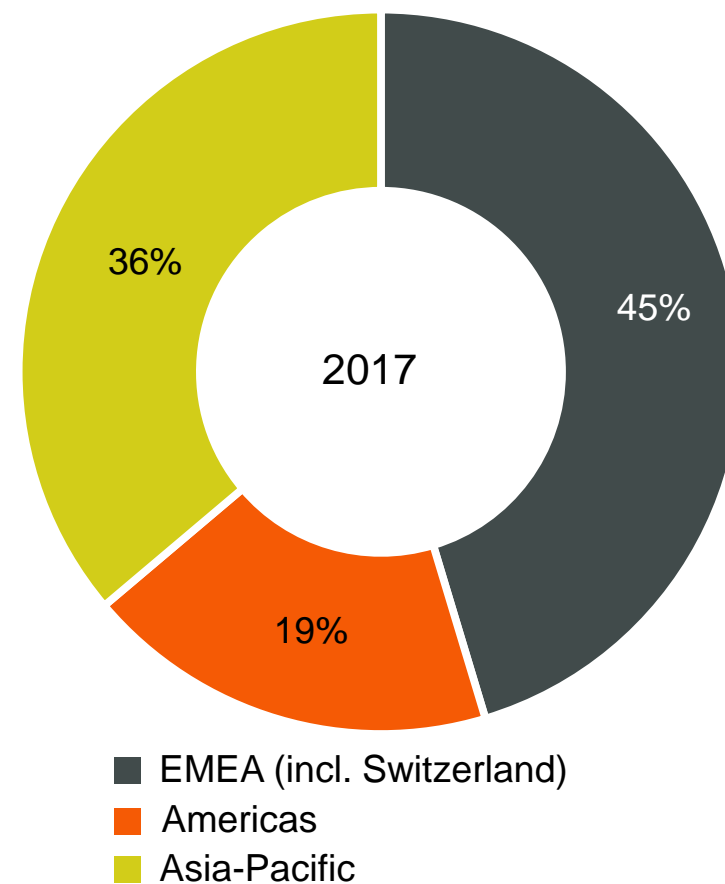
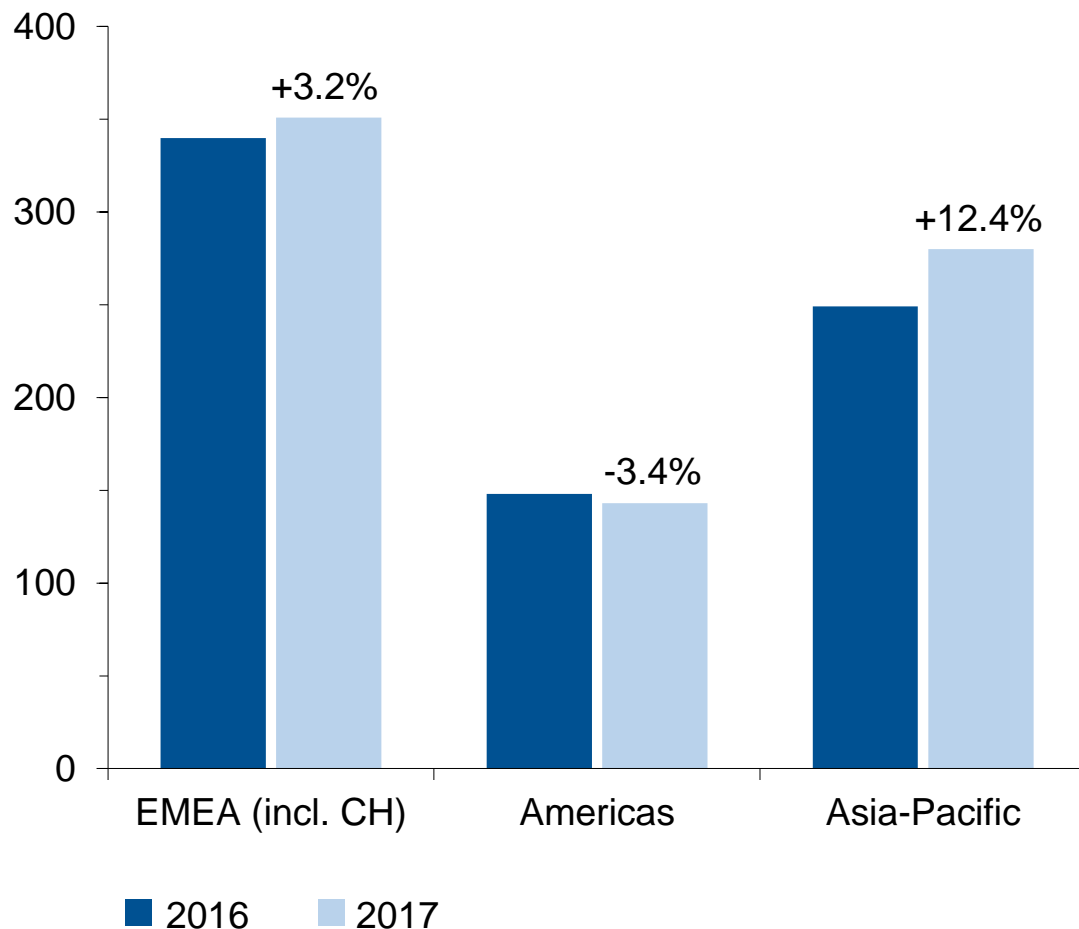
CHF million



Net sales by regions

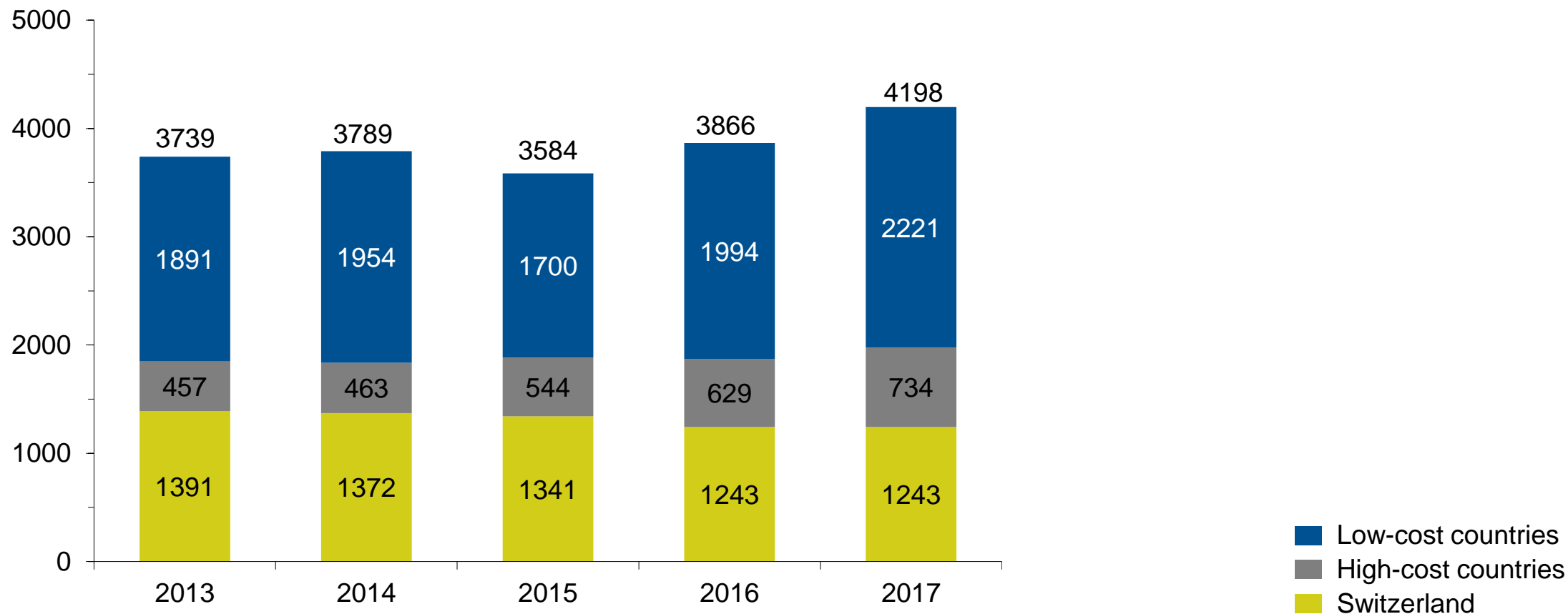
Strong growth in APAC

CHF million



Development of average number of employees

Permanent employees



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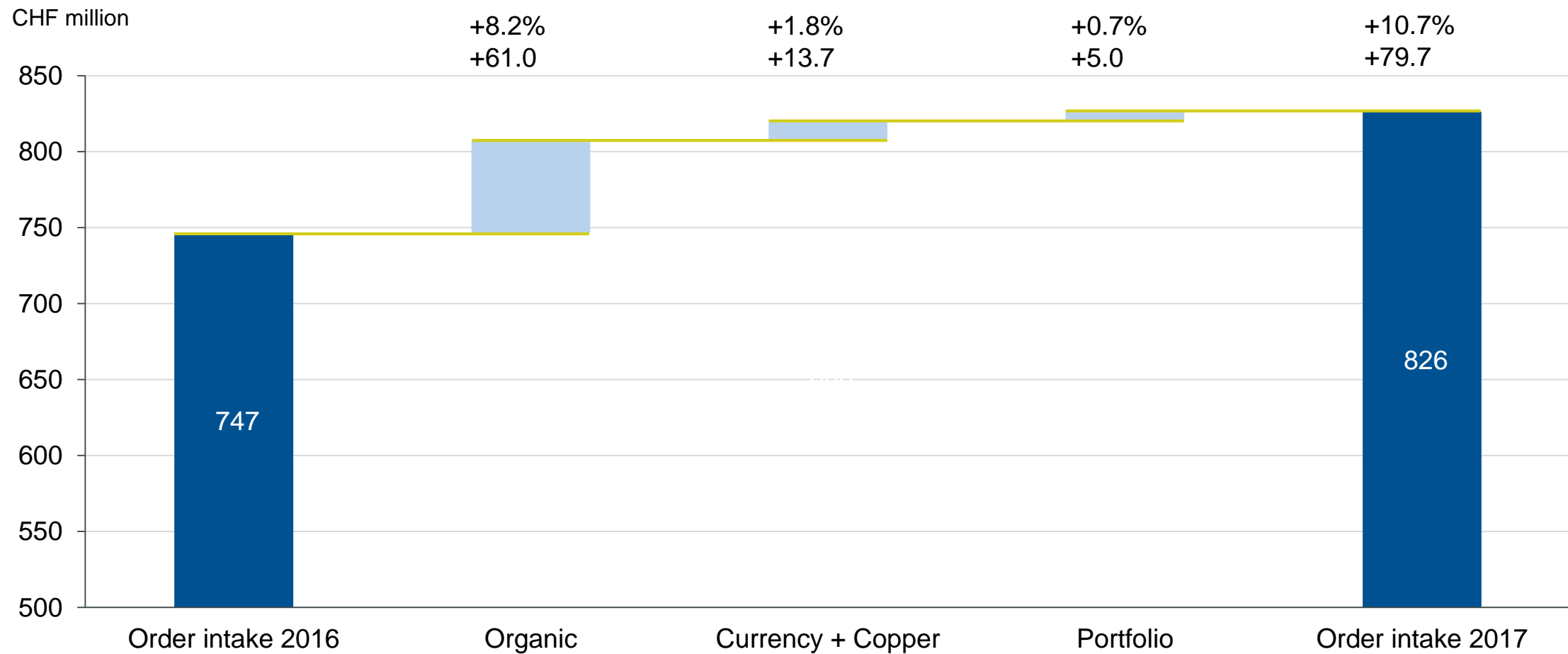
Buffet lunch

Urs Ryffel (CEO)

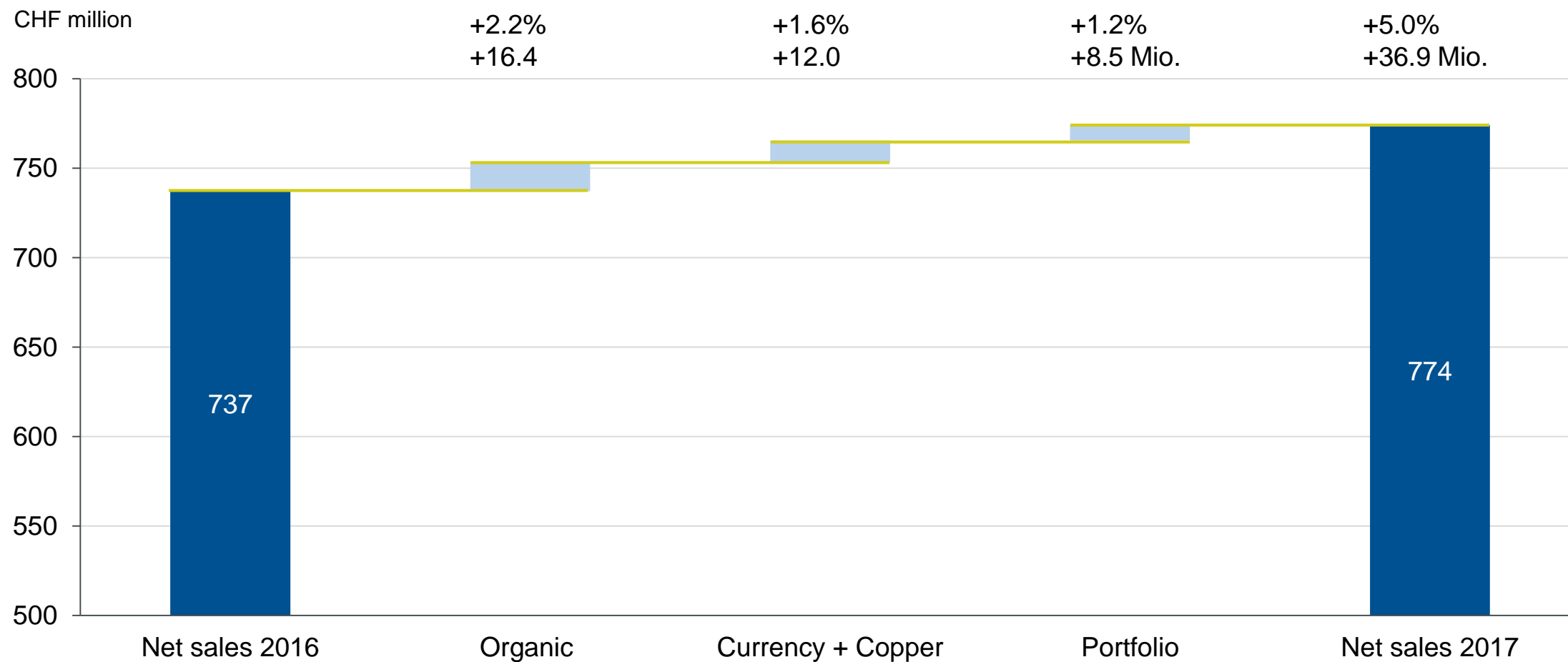
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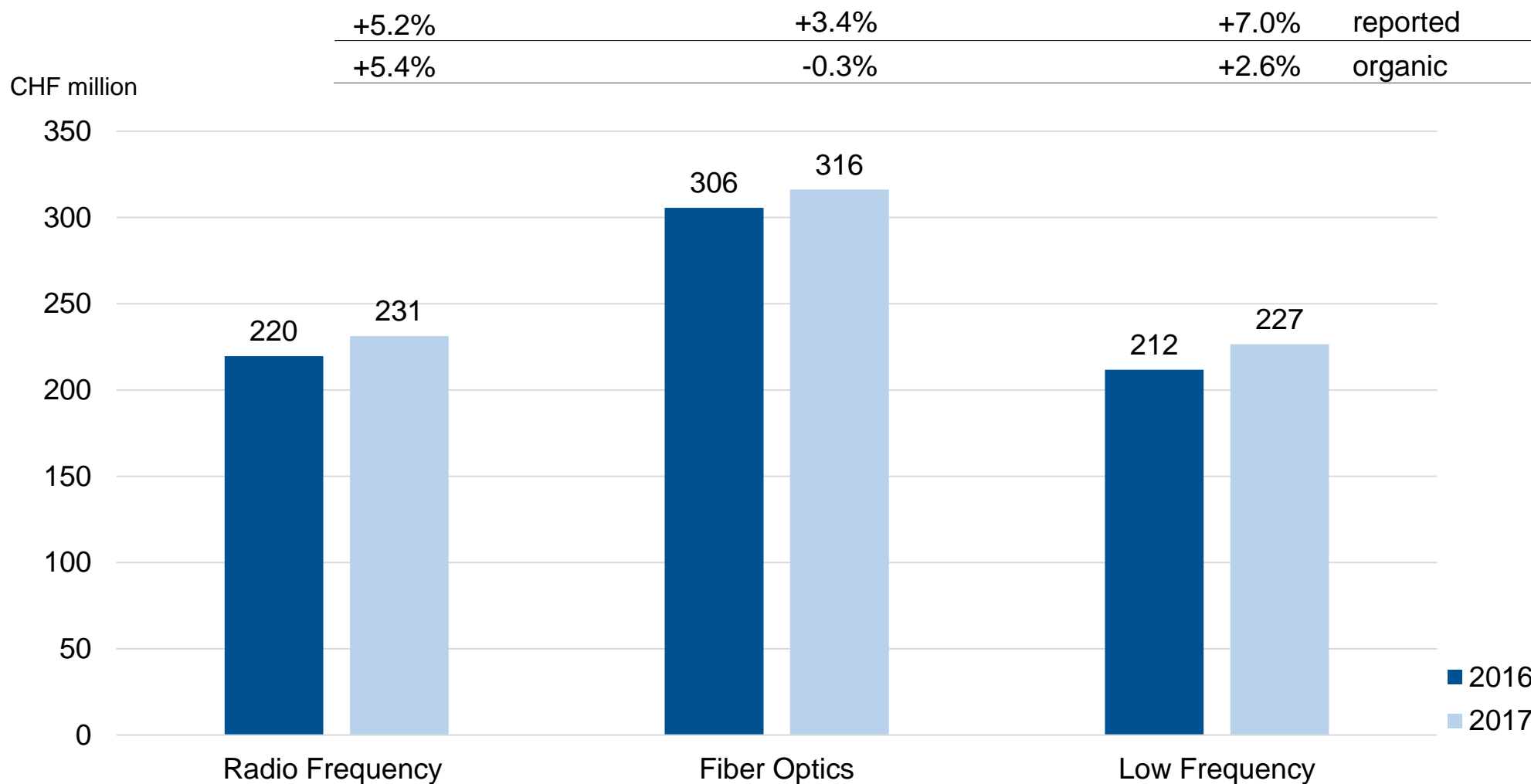
Factors influencing order intake



Factors influencing net sales



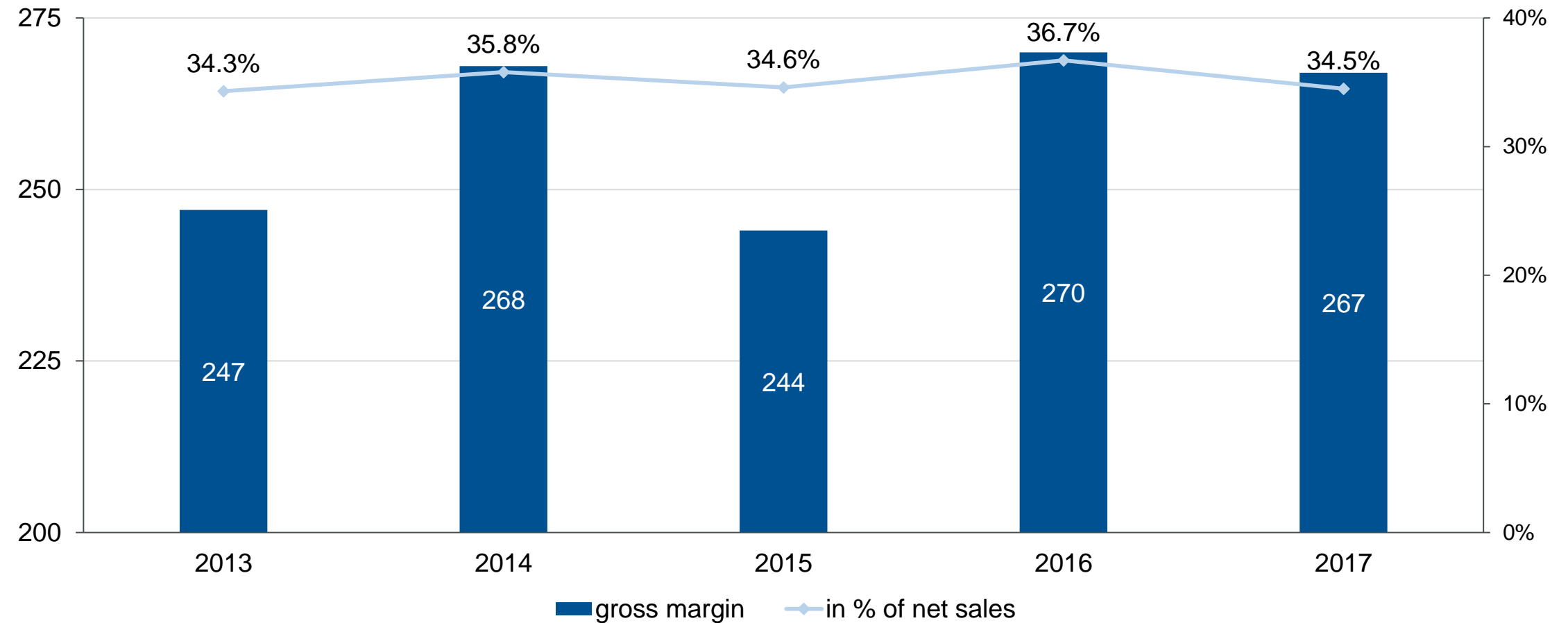
Net sales development technology segments



Development gross margin

Business mix influences gross margin

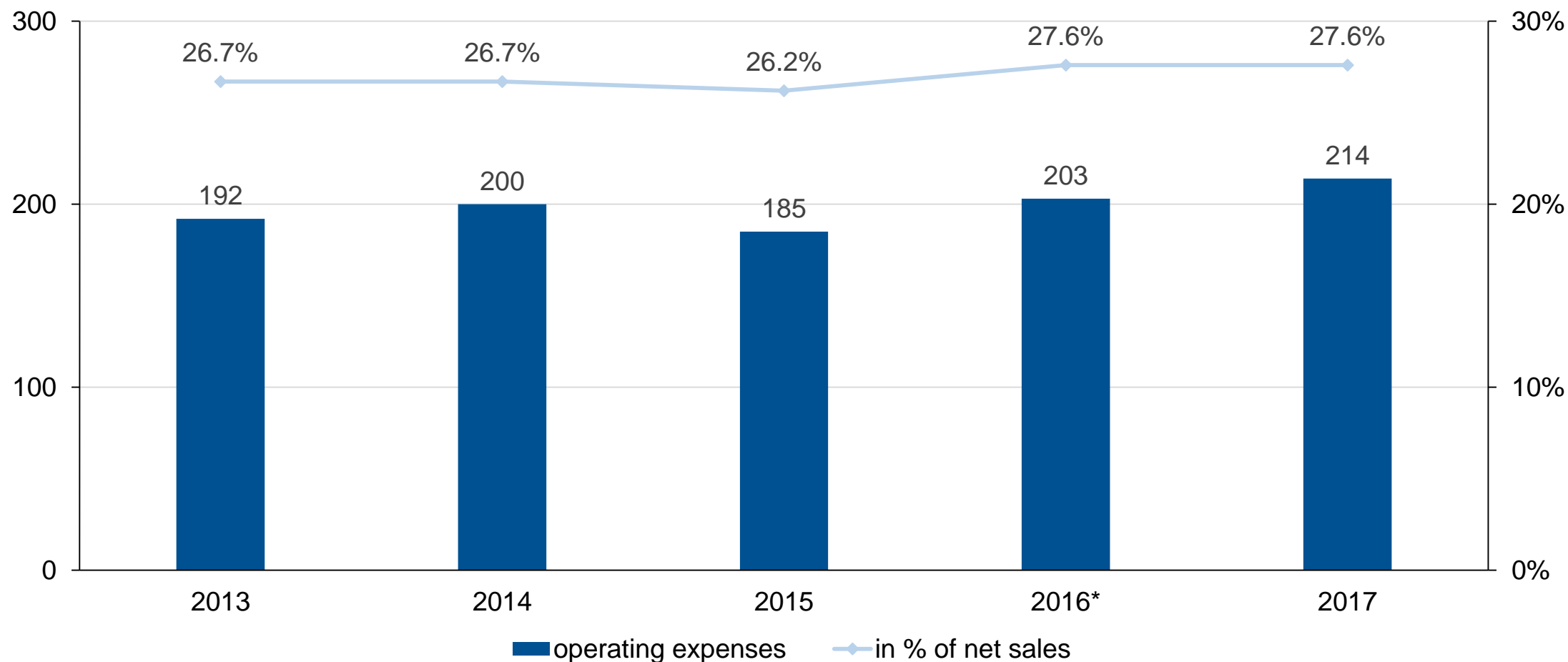
CHF million



Development operating expenses

Pre-investments result in higher operating expenses

CHF million

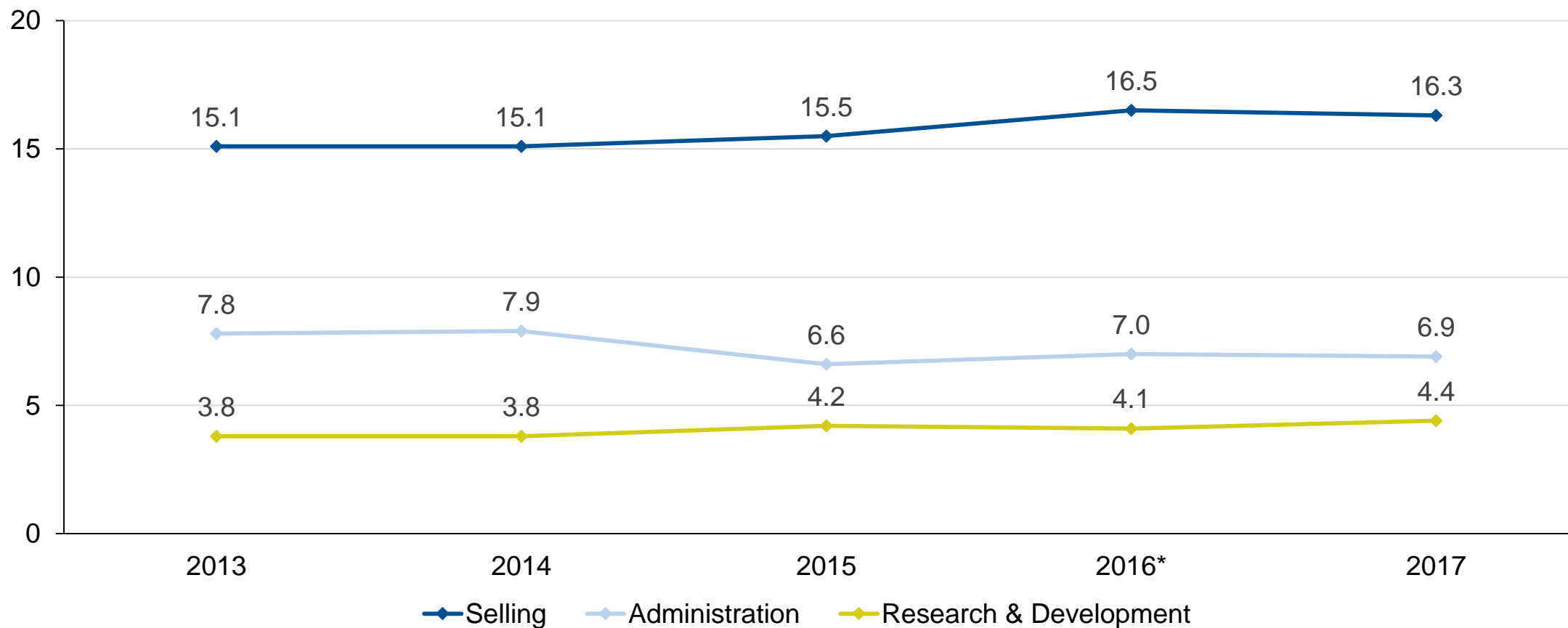


* Swiss GAAP FER restated

Structure of operating expenses

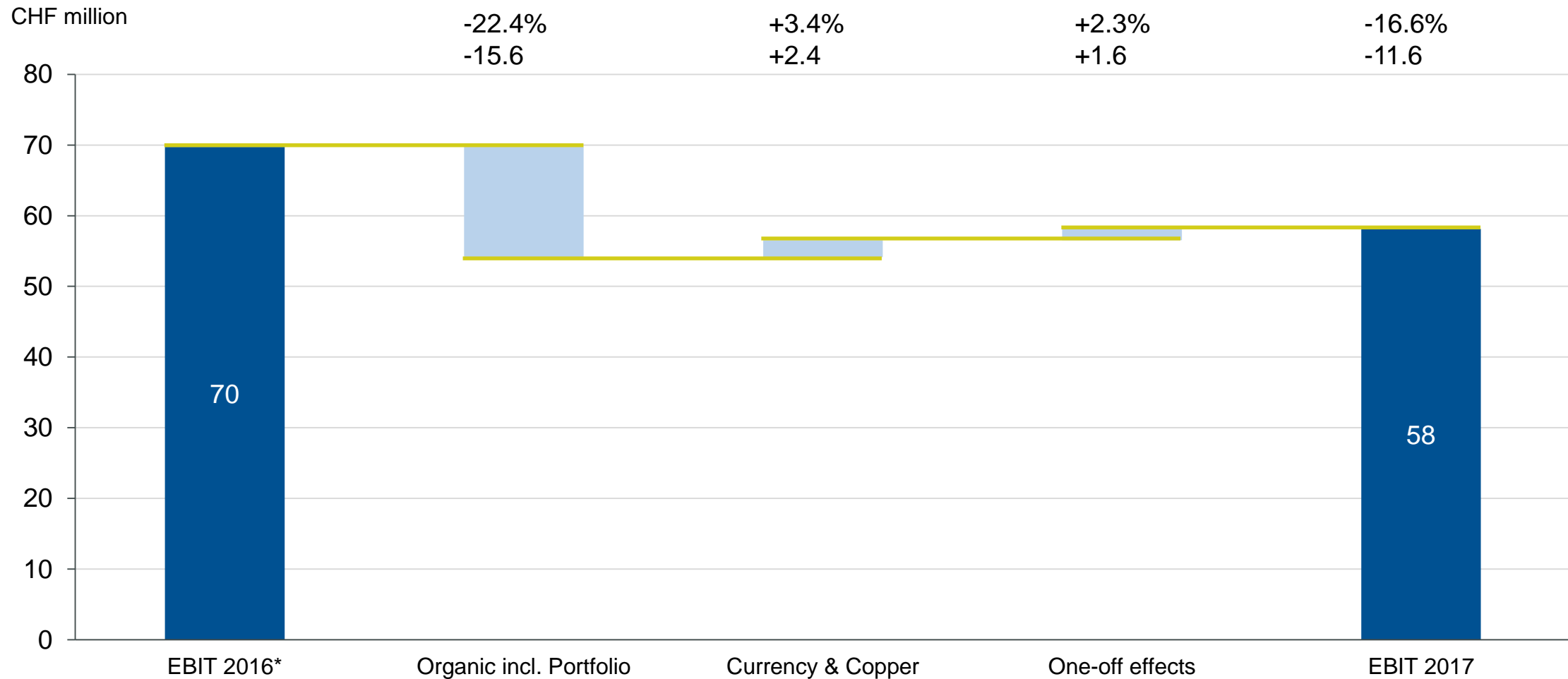
Rise in R & D investment

in % of net sales



* Swiss GAAP FER restated

Factors influencing EBIT



* Swiss GAAP FER restated

EBIT technology segments

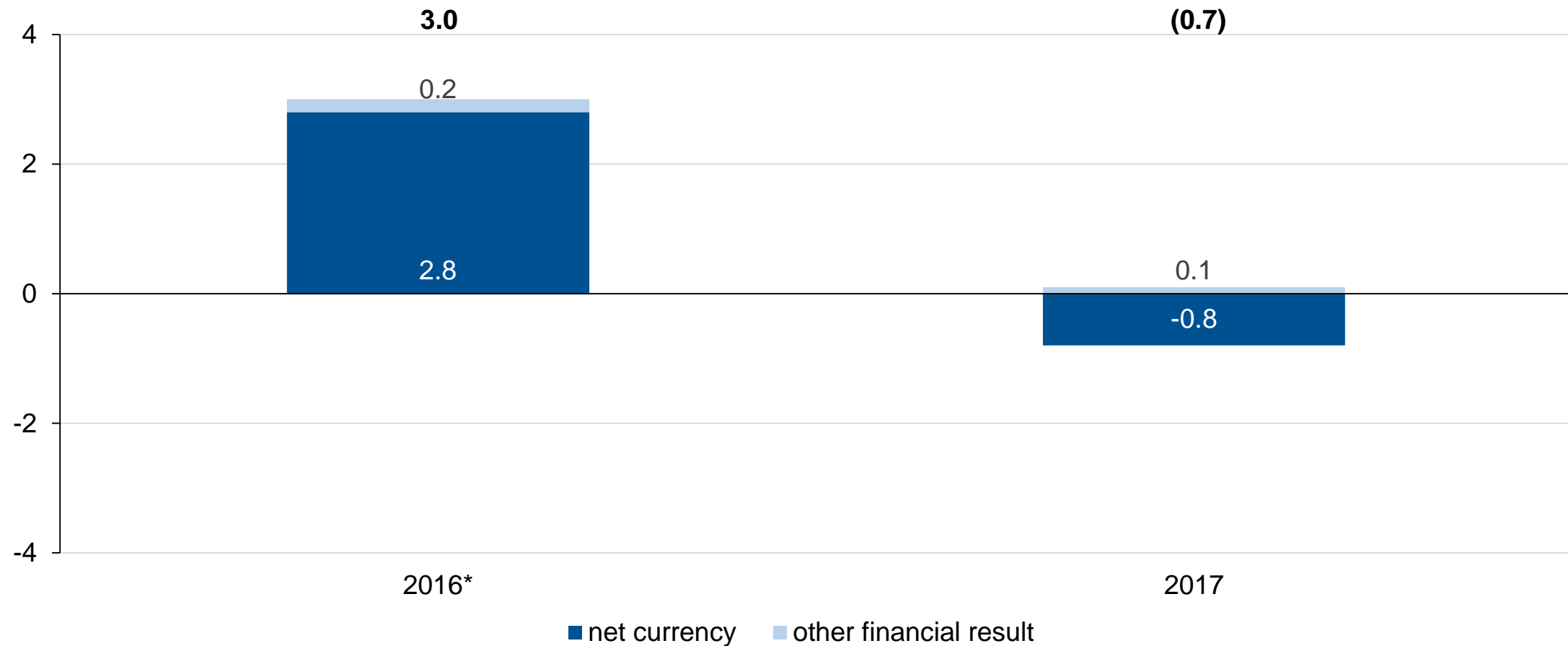
CHF million	2017	in %	2016*	in %
Radio Frequency	31.5	13.6	29.5	13.4
Fiber Optics	17.7	5.6	40.9	13.4
Low Frequency	11.6	5.1	3.5	1.6
Corporate	(2.7)	-	(4.1)	-
Total EBIT	58.1	7.5	69.7	9.5

* Swiss GAAP FER restated

Financial result

Lower financial result due to currency effects

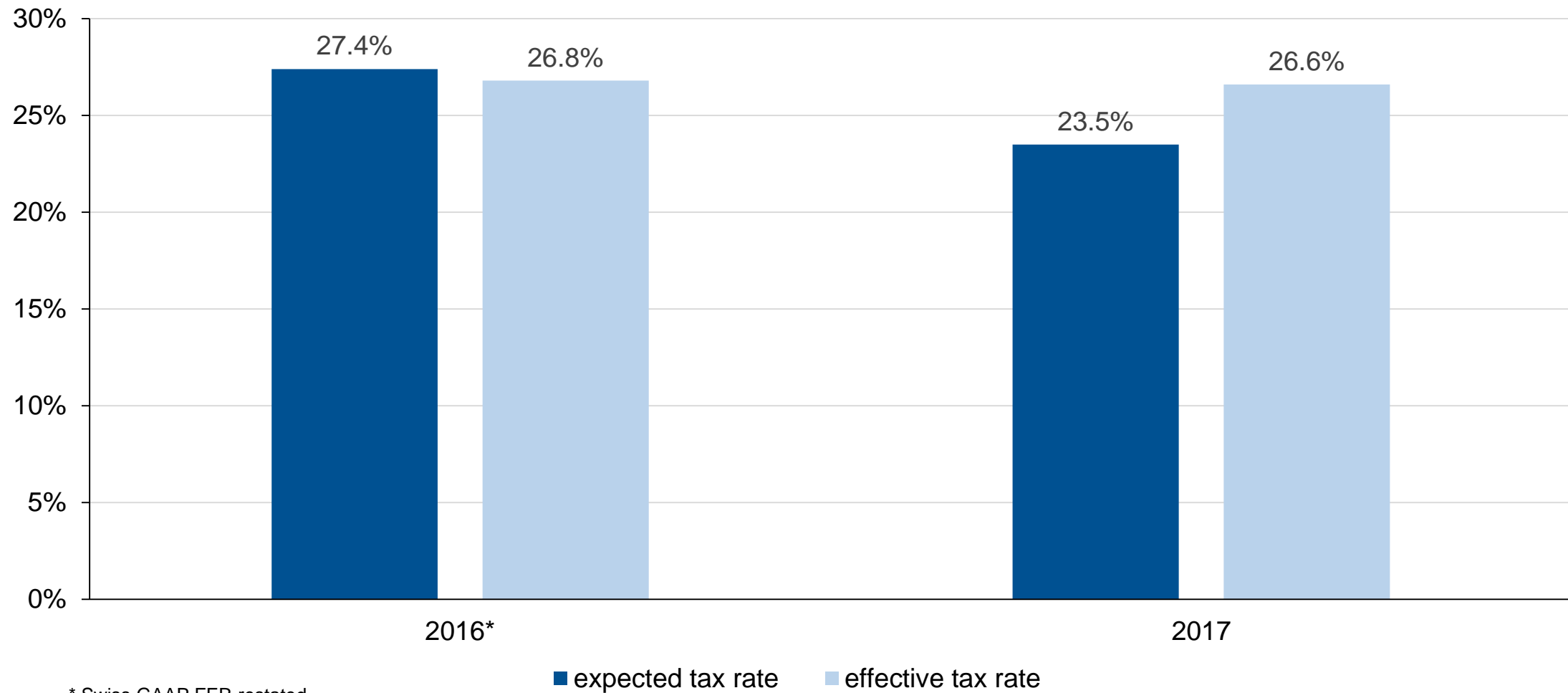
CHF million



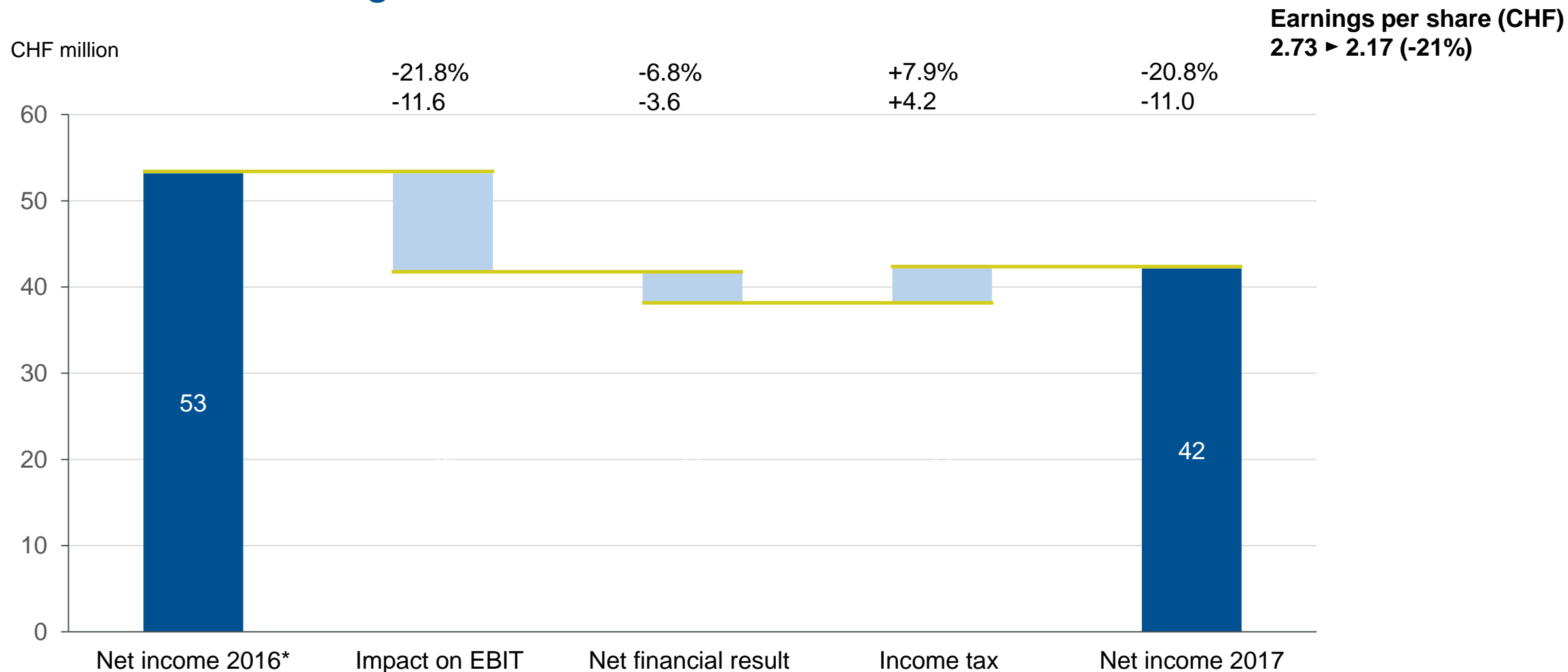
* Swiss GAAP FER restated

Group tax rate

Despite US tax reform stable effective tax rate



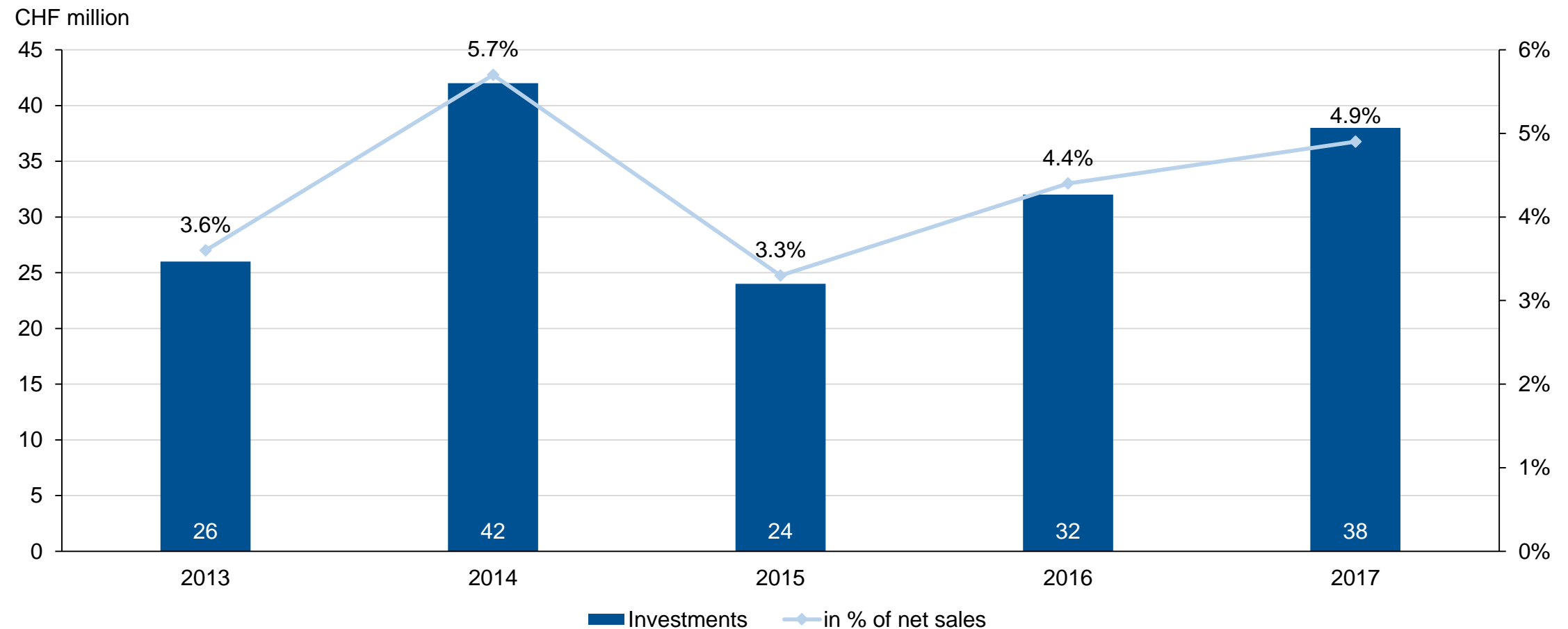
Factors influencing net income



* Swiss GAAP FER restated

Investments

Volume above the long-term average



Balance sheet

Unchanged strong

CHF million	31.12.2017	31.12.2016*		30.06.2017
Liquid assets	153	158	-3%	140
Other current	347	300	16%	343
Non-current assets	252	246	3%	245
Other liabilities	159	130	22%	164
Shareholders' equity	593	573	4%	565
in %	79%	82%		78%
Balance sheet total	752	703	7%	729
Net liquidity	153	158	-3%	140

* Swiss GAAP FER restated

Free cash flow

High order backlog ties funds from business activities

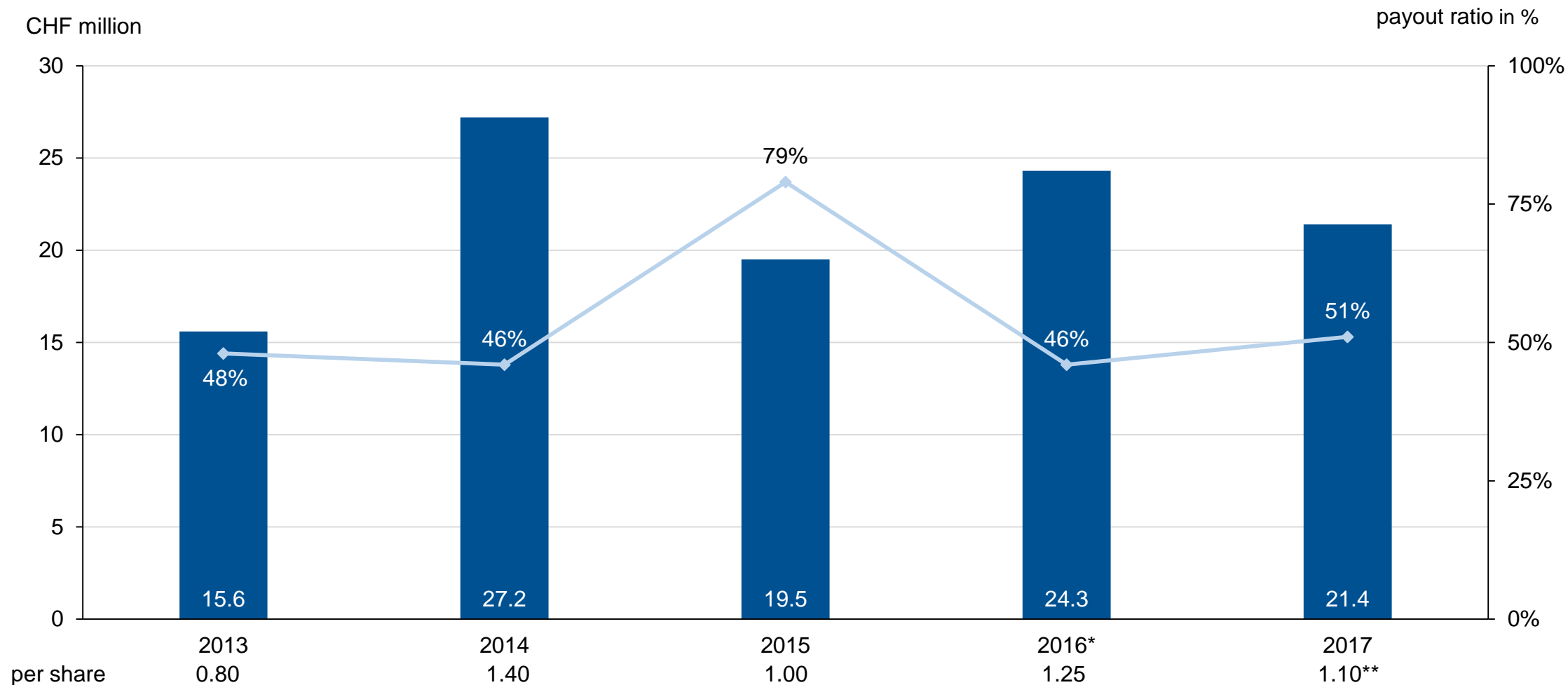
CHF million	2013	2014	2015	2016*	2017
Net cash from operating activities	115.9	78.0	69.7	79.6	52.9
Net cash from investing activities**	(20.0)	(89.9)	(21.8)	(57.5)	(33.0)
Free operating cash flow	95.9	(11.9)	47.9	22.1	20.0
Dividend paid	(9.7)	(15.6)	(27.3)	(19.5)	(24.3)
Change in treasury shares	(0.5)	(1.4)	(0.9)	(1.4)	(1.3)
Free cash flow	85.7	(28.9)	19.7	1.2	(5.7)

* Swiss GAAP FER restated

** excluding marketable securities

Dividend development

Earnings-orientated distribution policy



* Swiss GAAP FER restated

** proposed dividend

Financial assessment 2017

- ✓ Double-digit growth in order intake
- ✓ Broad-based growth in sales
- ✗ Significantly reduced profitability in the FO technology segment
- ✓ Successful turnaround in the LF technology segment
- ✓ Successful change of accounting standard to Swiss GAAP FER

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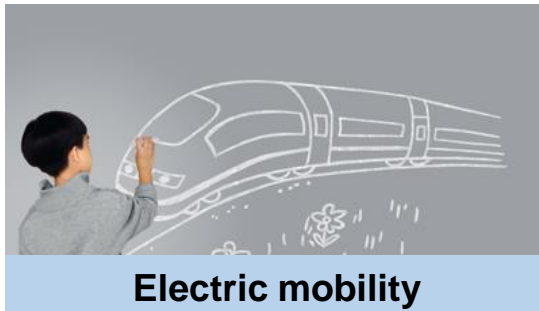
Ivo Wechsler (CFO)

Urs Ryffel (CEO)

Our growth drivers



Appetite for bandwidth

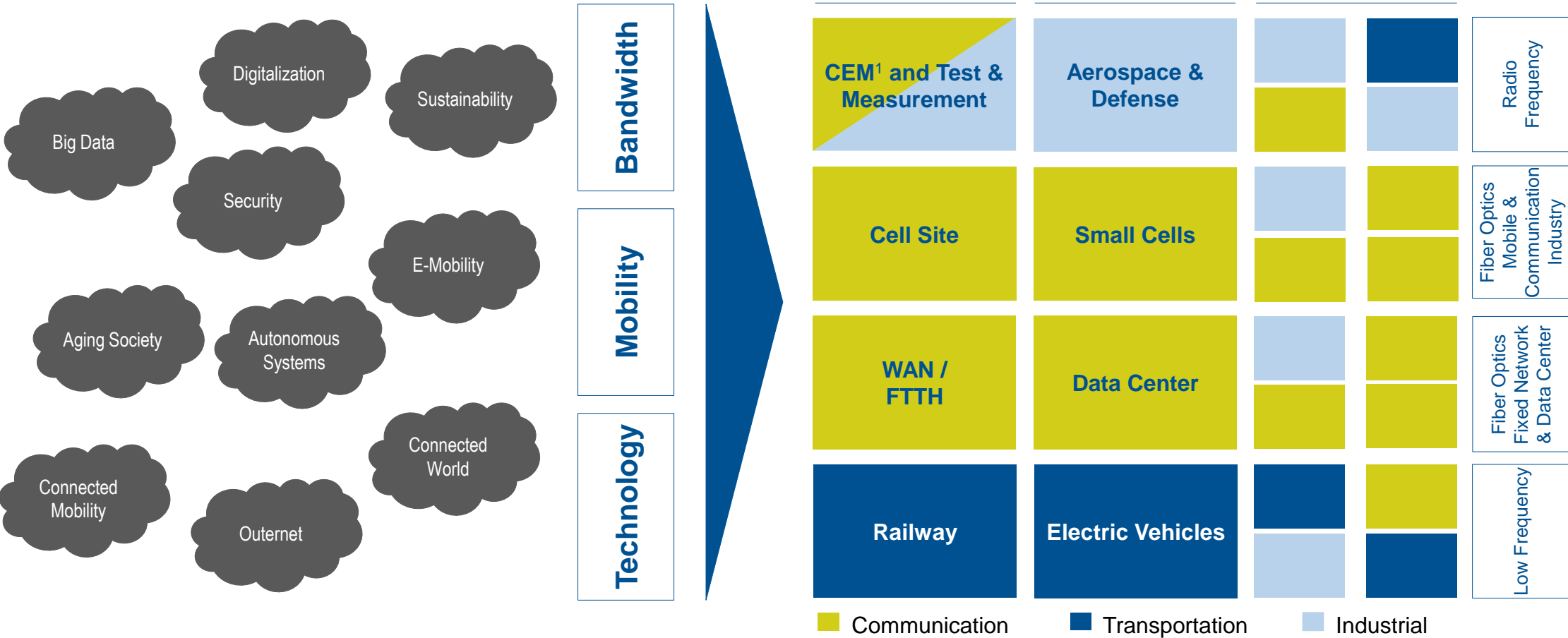


Growing demand for mobility

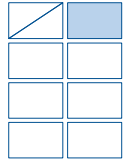


Constant change of technology

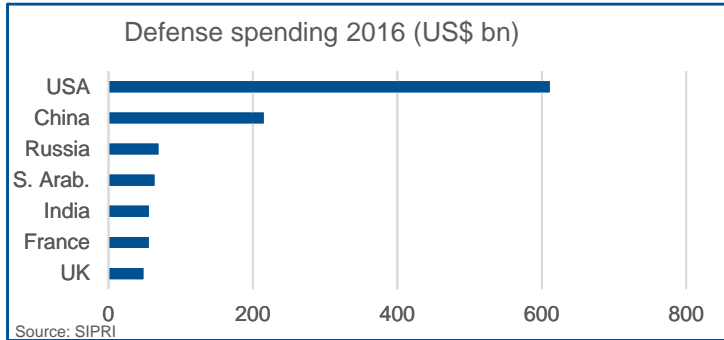
Focused strategy derived from megatrends and growth drivers



Growth initiative: Aerospace & Defense



Market trends



- High, increasing defense budgets
- Internet access via satellites (New Space)
- Unmanned vehicles

HUBER+SUHNER differentiation



- Highest reliability
- Electrical and mechanical performance
- RF system competence and RF-over-fiber

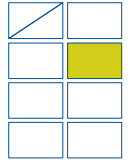
HUBER+SUHNER solutions



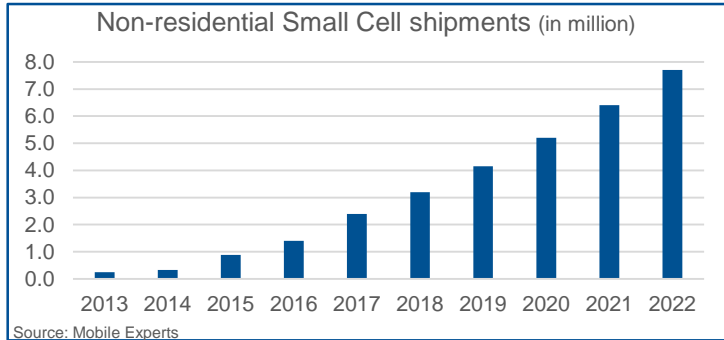
- RF connectors and cables
- Cable assemblies
- Complete RF solutions

Ambition: Double business, defend leading RF technology position and grow with RF system solutions.

Growth initiative: Small Cells



Market trends



- Network consolidation
- Coverage inside buildings
- New players

HUBER+SUHNER differentiation



- Fast installation
- Small form factor
- One-stop service und kitting

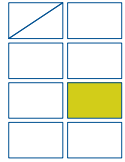
HUBER+SUHNER solutions



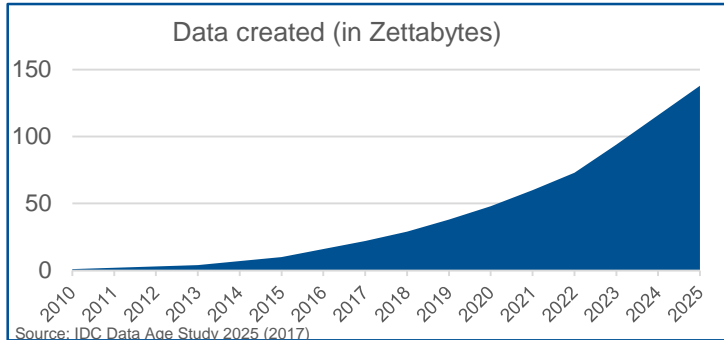
- FO, RF, LF connectivity solutions
- Antennas
- Passive and active WDM solutions

Ambition: Growth with Small Cells at least compensates for decline in the Macro Cell market. Maintain leading position in the Cell Site market.

Growth initiative: Data Center



Market trends



- Doubling of data traffic / 3 years
- Co-location and cloud market rapidly growing
- Data centers = critical infrastructure

HUBER+SUHNER differentiation



- Packing density + ease of installation
- Reliability in operation
- Flexibility and modularity

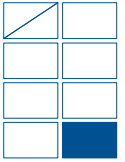
HUBER+SUHNER solutions



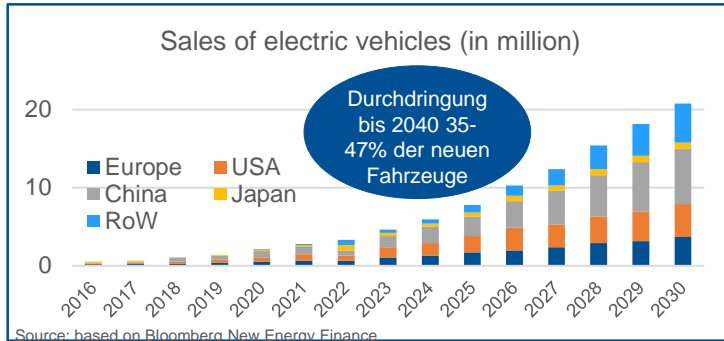
- Fiber and copper cabling
- Fiber management systems
- Optical switching

Ambition: Grow business to a new core pillar.

Growth initiative: Electric Vehicles (EV)



Market trends



- Trend to e-mobility irreversible
- All major OEMs with EV strategy
- China is pushing EV market with ambitious timelines

HUBER+SUHNER differentiation



- Space and weight saving design
- Temperature stability
- Complete high voltage solutions

HUBER+SUHNER solutions



- RADOX screened power cables up to 1000V
- High voltage connectivity systems (RACS)
- High voltage distribution units (HVDU)

Ambition: Become significant supplier for high voltage cabling for electric automotive vehicles and grow business to a new core pillar.

Outlook 2018 technology segments

Radio Frequency

- Goal 2018: repeat previous year's strong performance
- Strategic thrust: defend good margin and remain on growth path through RF solutions for aerospace and defense technology

Fiber Optics

- Goal 2018: reverse negative trend in profitability
- Strategic thrust: business expansion in higher-margin market segments such as data center and small cells

Low Frequency

- Goal 2018: confirm acceptable profitability based on the positive cycle in the railway submarket and growth in the automotive submarket
- Strategic thrust: convert customer development projects for high-speed charging systems and high voltage distribution systems into commissions

Outlook 2018 markets

Solid starting position in key markets and with key customers – growth drivers remain intact

Communication

- LTE rollouts in price-sensitive emerging economies last – 5G mobile network large-scale starting 2020
- Continuous increase in global data volume in Internet traffic drives expansion of data centers
- Asian growth markets are characterised by a highly competitive environment

Transportation

- Railway market Asia with continued positive dynamics
- Electric vehicle market beyond «point of no return»; all major OEMs have plans for EV offerings for each platform; challenge of reach vs. (fast) charging requires a solution

Industrial

- Investments in aerospace and defense continue to grow
- Generally good dynamics in a wide spectrum of market segments

Outlook 2018

Net sales guidance for 2018

- From today's perspective, due to the currently good order situation and provided that exchange rates remain comparable to 2017, we expect to remain on a growth path.

Medium-term target range over the business cycle and EBIT guidance for 2018

- Unchanged EBIT margin 8 – 10 %

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