

**HUBER+SUHNER**

# **Full-year results 2022**

## **Media and analysts' conference**

# Agenda

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## Overview of business year 2022

**Urs Ryffel (CEO)**

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Financial results 2022

Ivo Wechsler (CFO)

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Corporate Responsibility, Strategic focus, Trends, Outlook 2023

Urs Ryffel (CEO)

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Questions and answers

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# Impressive growth with double-digit EBIT margin

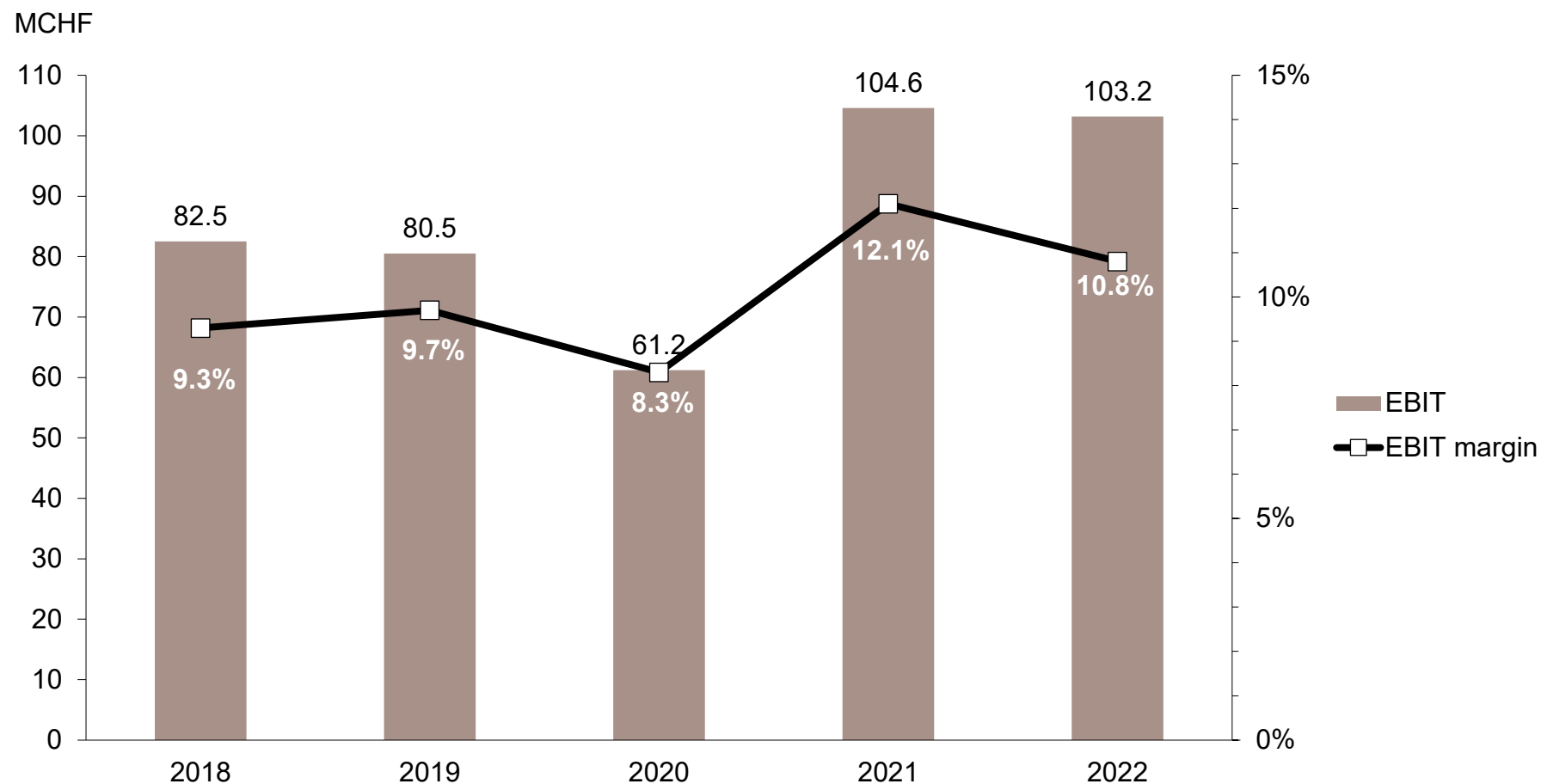
MCHF

	2022	2021	Δ %
Order intake	975.4	995.6	-2.0
Net sales	954.6	862.9	10.6
Operating profit (EBIT) as % of net sales	103.2 10.8	104.6 12.1	-1.3
Net income as % of net sales	85.2 8.9	87.3 10.1	-2.4

- 12.9 % organic growth in net sales to record level
- Book-to-bill rate of 1.02, order backlog at high prior-year level despite adjustment for already booked Russian business
- Operating profit and Net income at previous year's level
- EBIT margin remains in upper half of medium-term target range

# EBIT

2022 profitability in the upper half of the medium-term target range of 9–12 %



# Industry segment

Growth with high profitability

MCHF

	2022	2021	Δ %
Order intake	310.5	296.6	4.7
Net sales	298.0	275.4	8.2
Operating profit (EBIT) as % of net sales	63.4 21.3	58.4 21.2	8.5

## Key aspects

- Test and measurement, general industrial and energy increased significantly; aerospace and defense declined after two years of strong growth
- Accelerated expansion of the high-power charging infrastructure drives demand for HPC systems
- Acquisition of Phoenix Dynamics Ltd. (UK) expands product range for customer-specific solutions for demanding applications

# Communication segment

Recurrent growth in net sales at lower EBIT margin

MCHF

	2022	2021	Δ %
Order intake	380.6	420.0	-9.4
Net sales	385.9	341.1	13.1
Operating profit (EBIT) as % of net sales	34.2 8.9	41.5 12.2	-17.6

## Key aspects

- Expansion of mobile infrastructure drives growth in net sales – North American market flattens out, while fresh impetus from 5G markets in Asia
- Decline of EBIT margin mainly attributable to a change in the business mix of major mobile network customers
- Data center growth initiative with significant overall increase – isolated project delays due to uncertain power supply situation in Europe

# Transportation segment

Net sales growth, profitability remains at prior-year level

MCHF

	2022	2021	Δ %
Order intake	284.4	279.0	1.9
Net sales	270.6	246.4	9.8
Operating profit (EBIT) as % of net sales	13.7 5.1	12.5 5.1	8.9

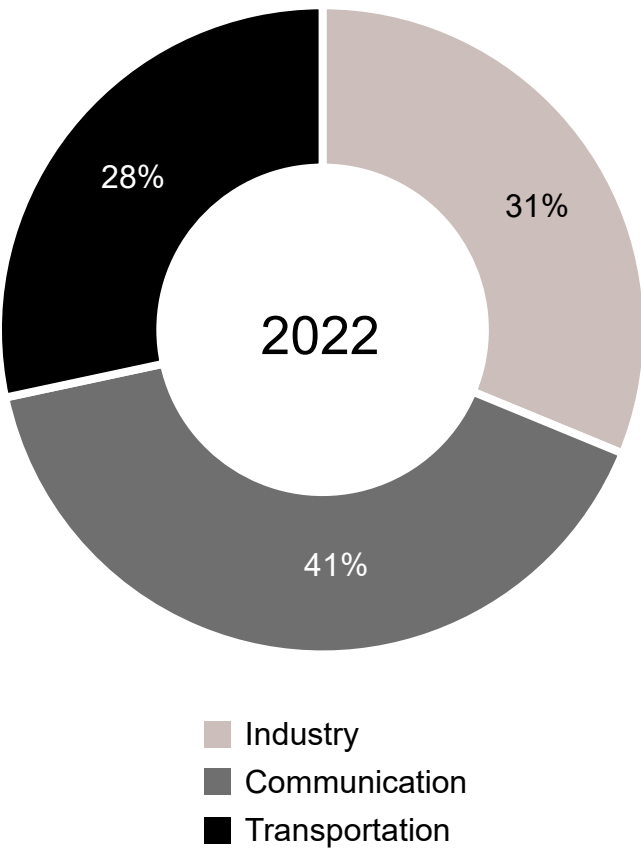
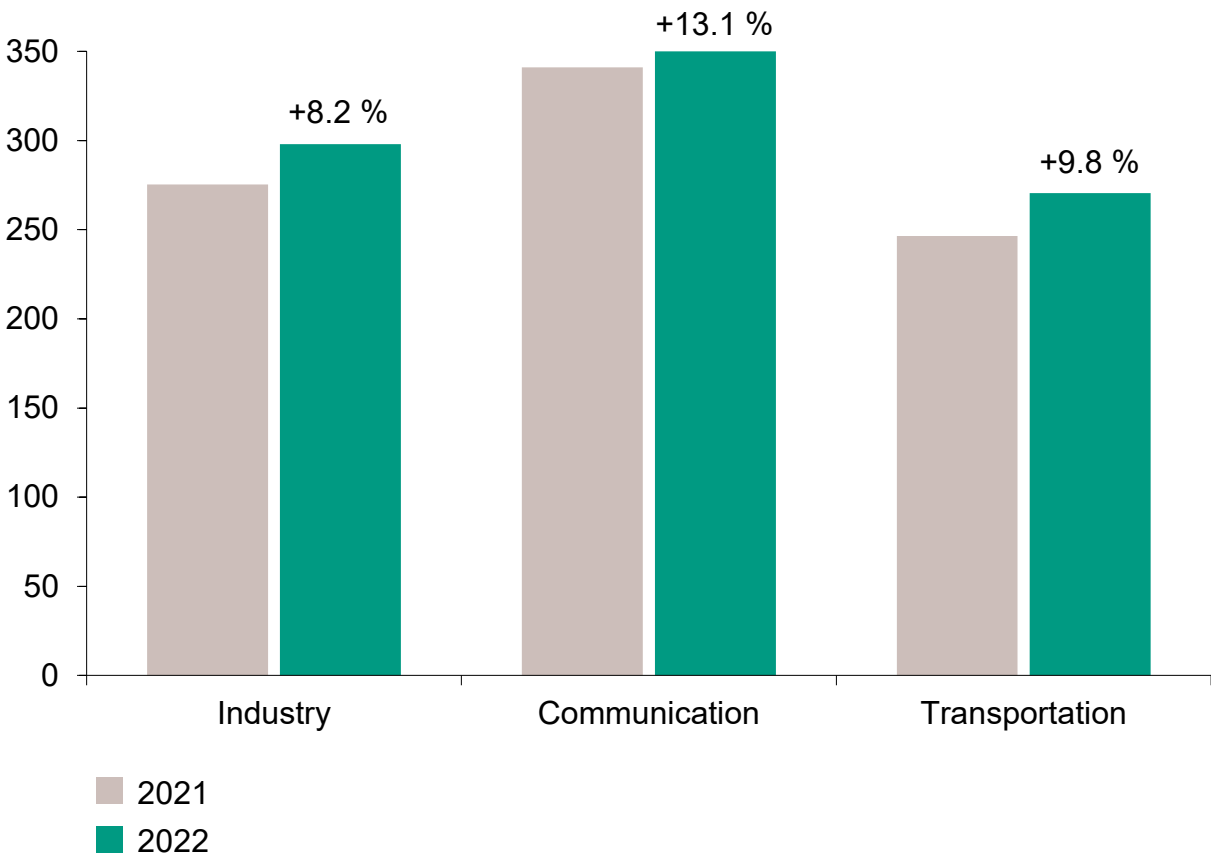
## Key aspects

- Railway business volume reached previous year's level
- Rail communications growth initiative showed significant growth
- Demand for electric vehicles drives sales growth in the automotive subsegment
- Contracts signed with world-leading automotive suppliers and manufacturers for the development and production of distance radar antennas in ADAS

# Net sales by market segment

Growth in all three market segments as a result of balanced diversification

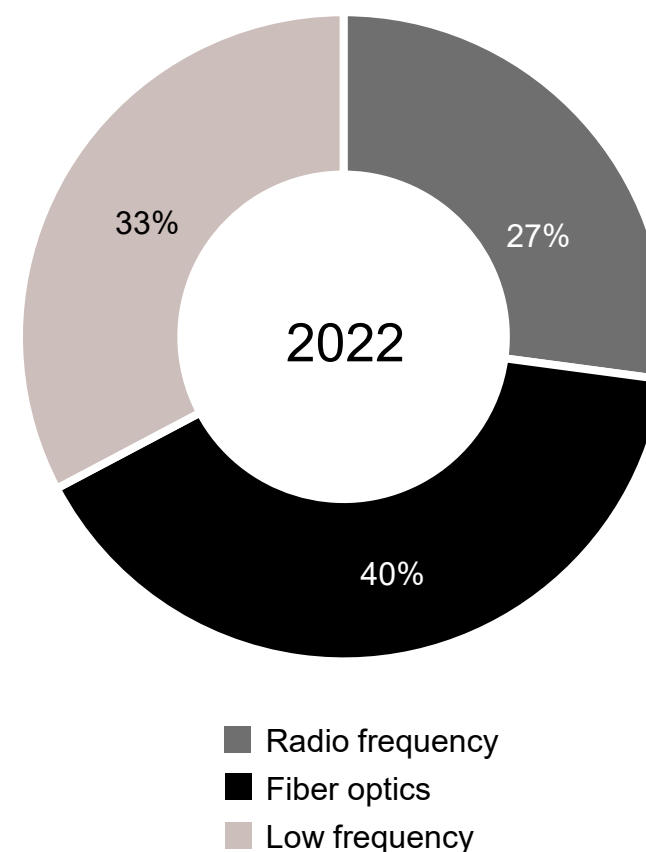
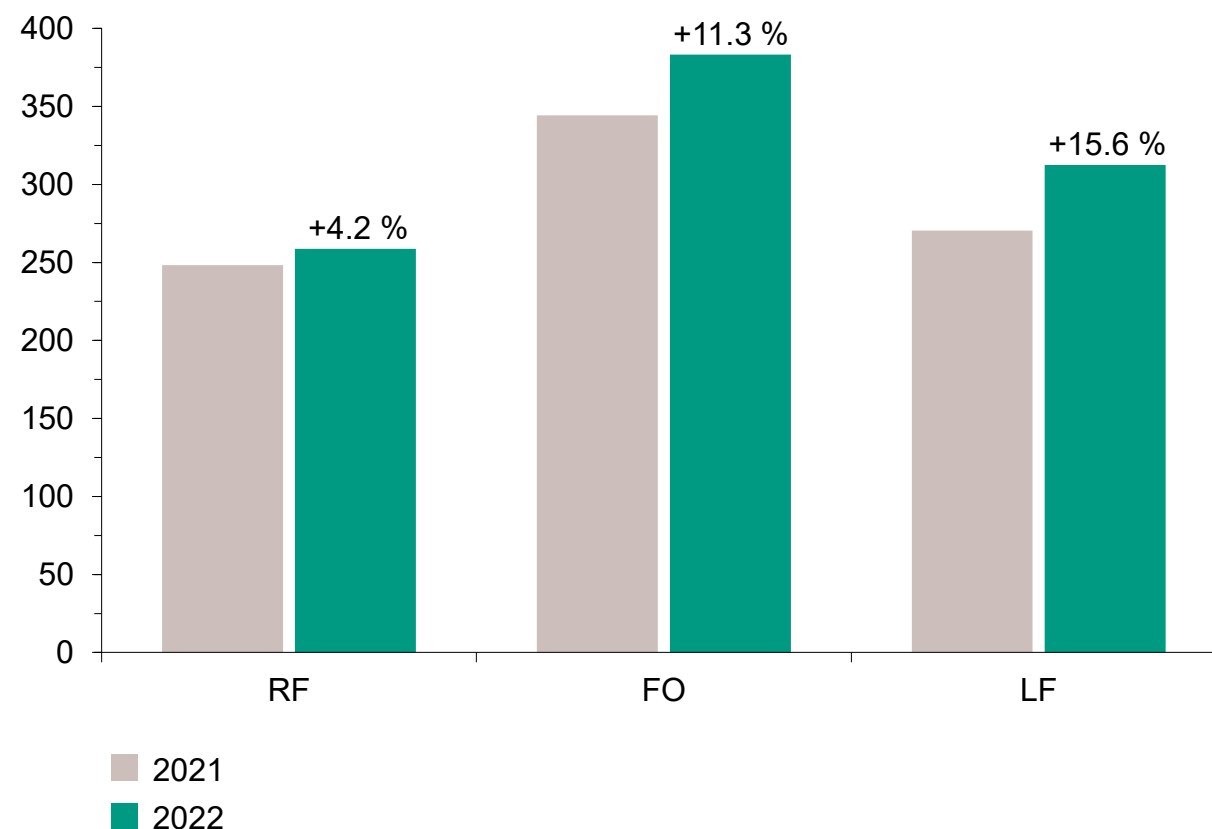
MCHF



# Net sales by technology

Growth in all three technologies with major increases in FO and LF

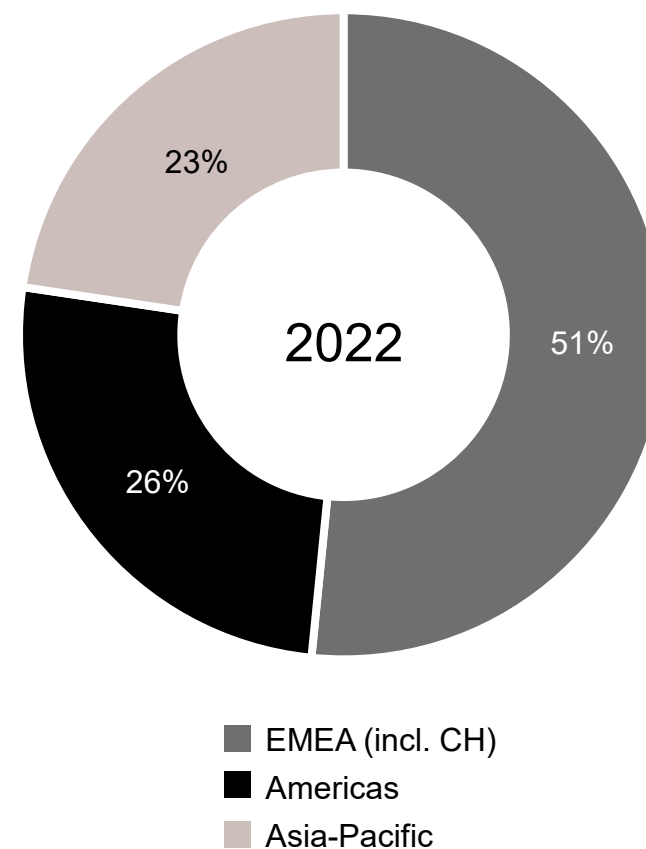
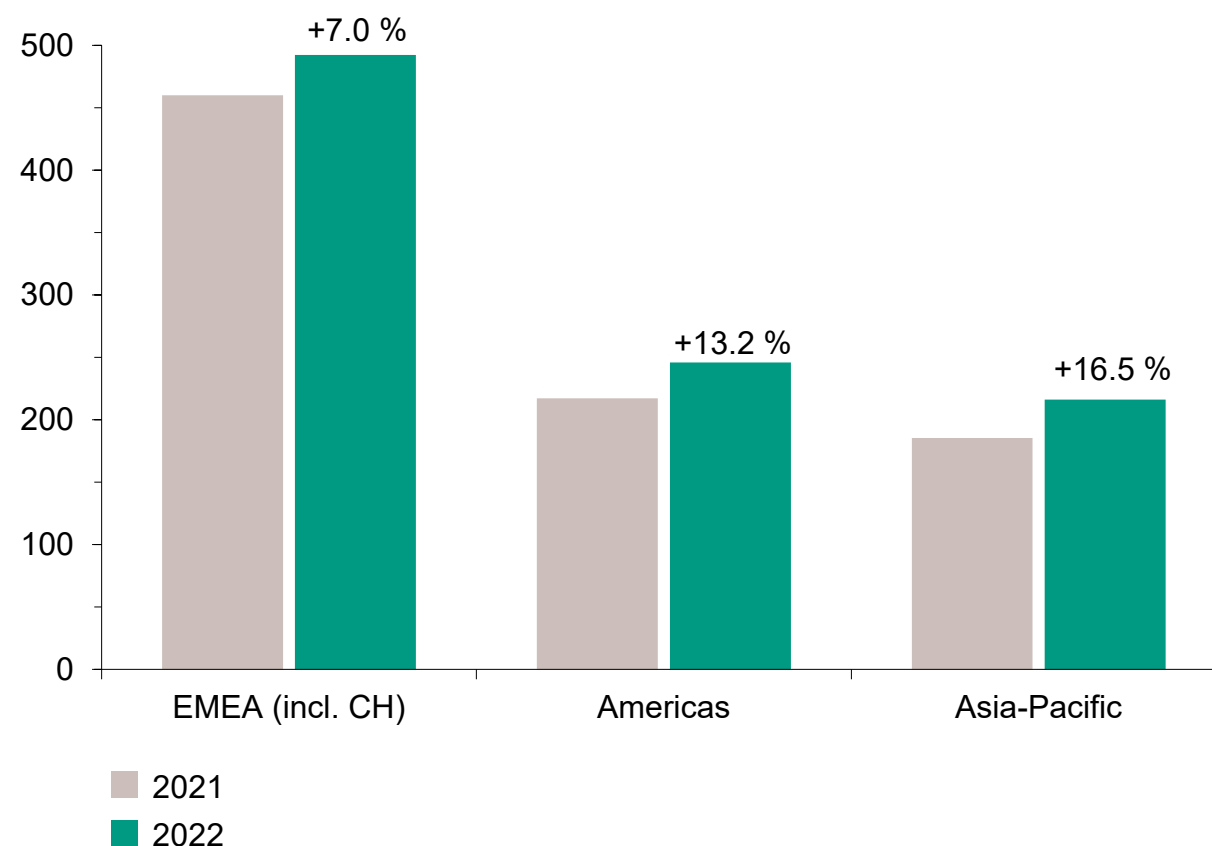
MCHF



# Net sales by region

Very dynamic development of the business in APAC and the Americas

MCHF



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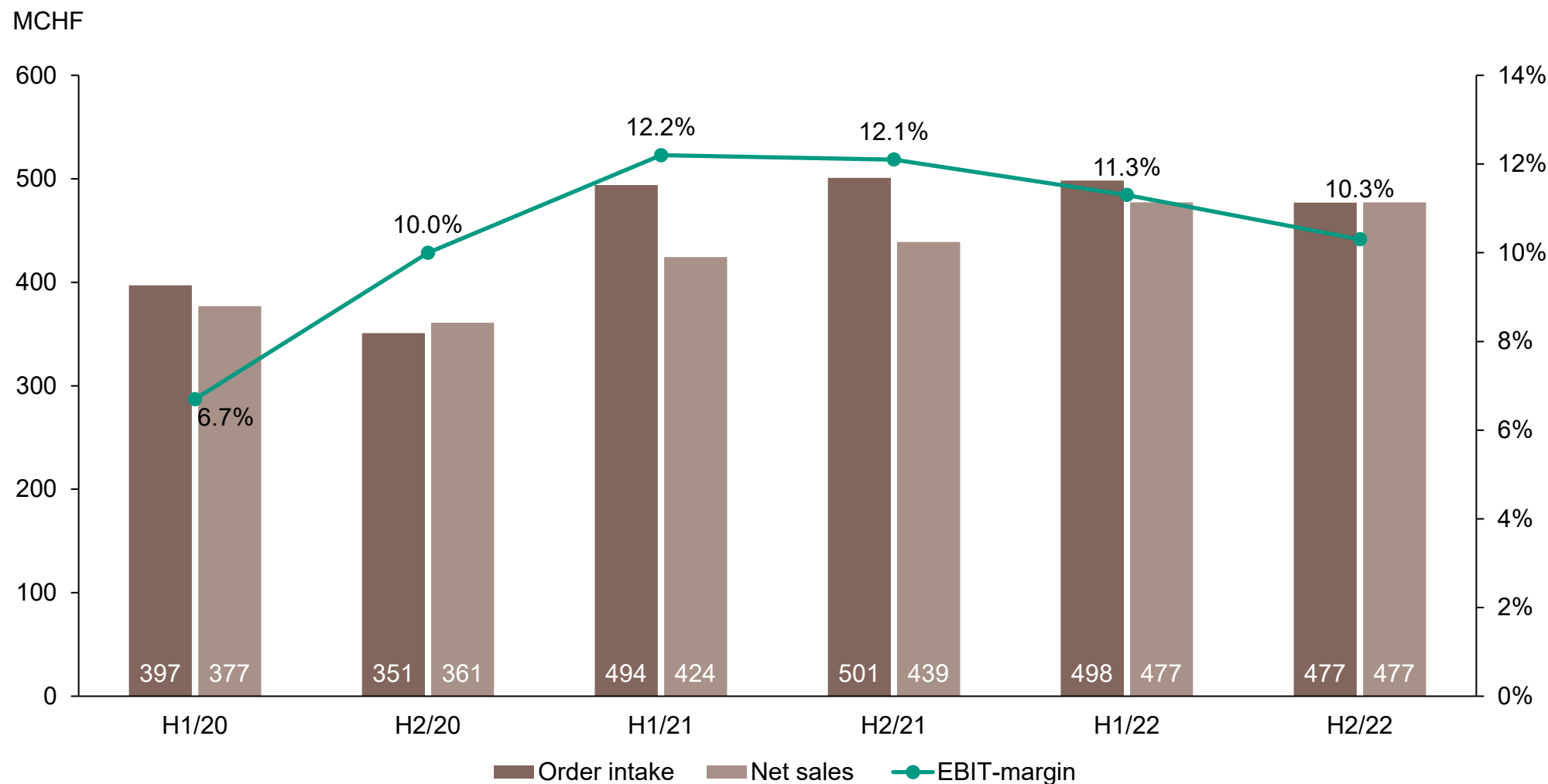
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Questions and answers

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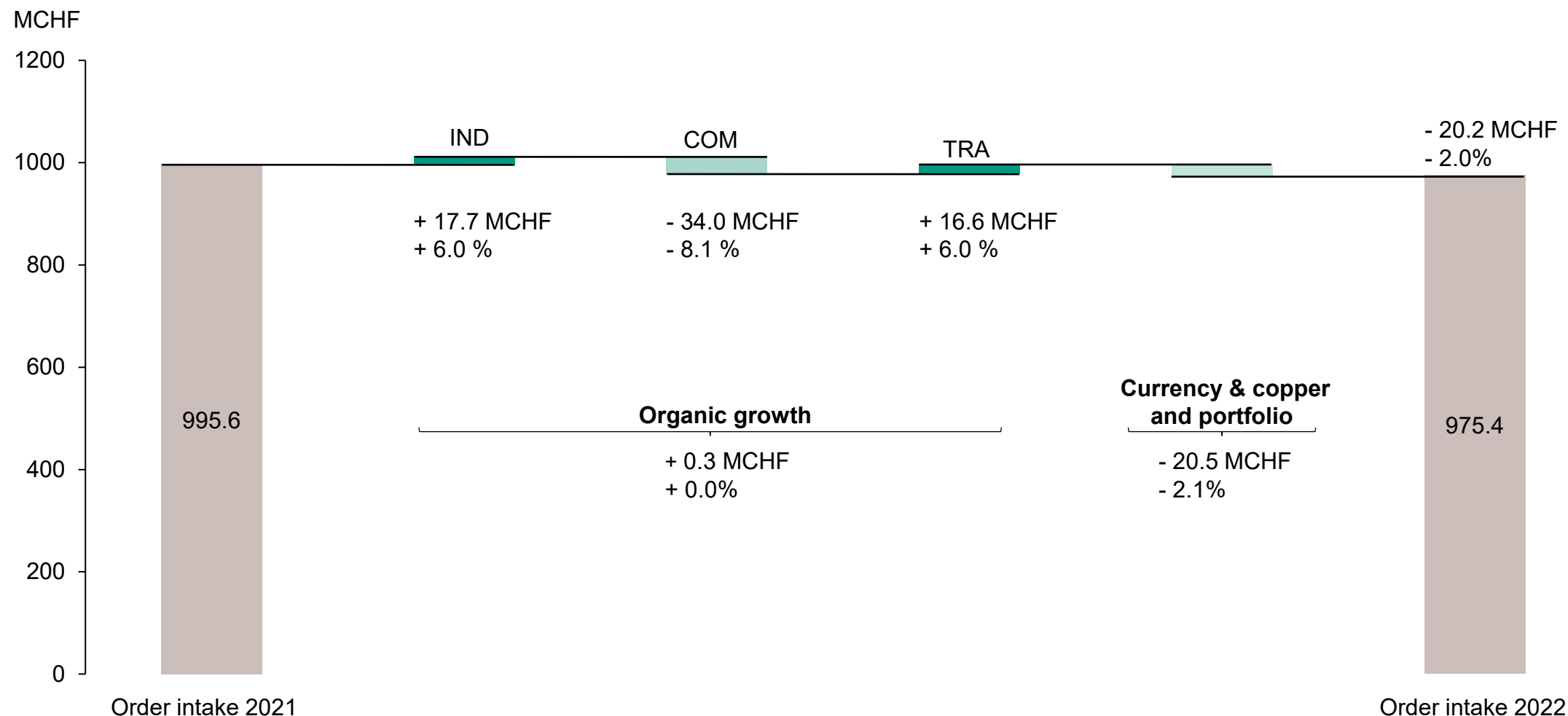
# Financial performance

Five excellent semesters in a row



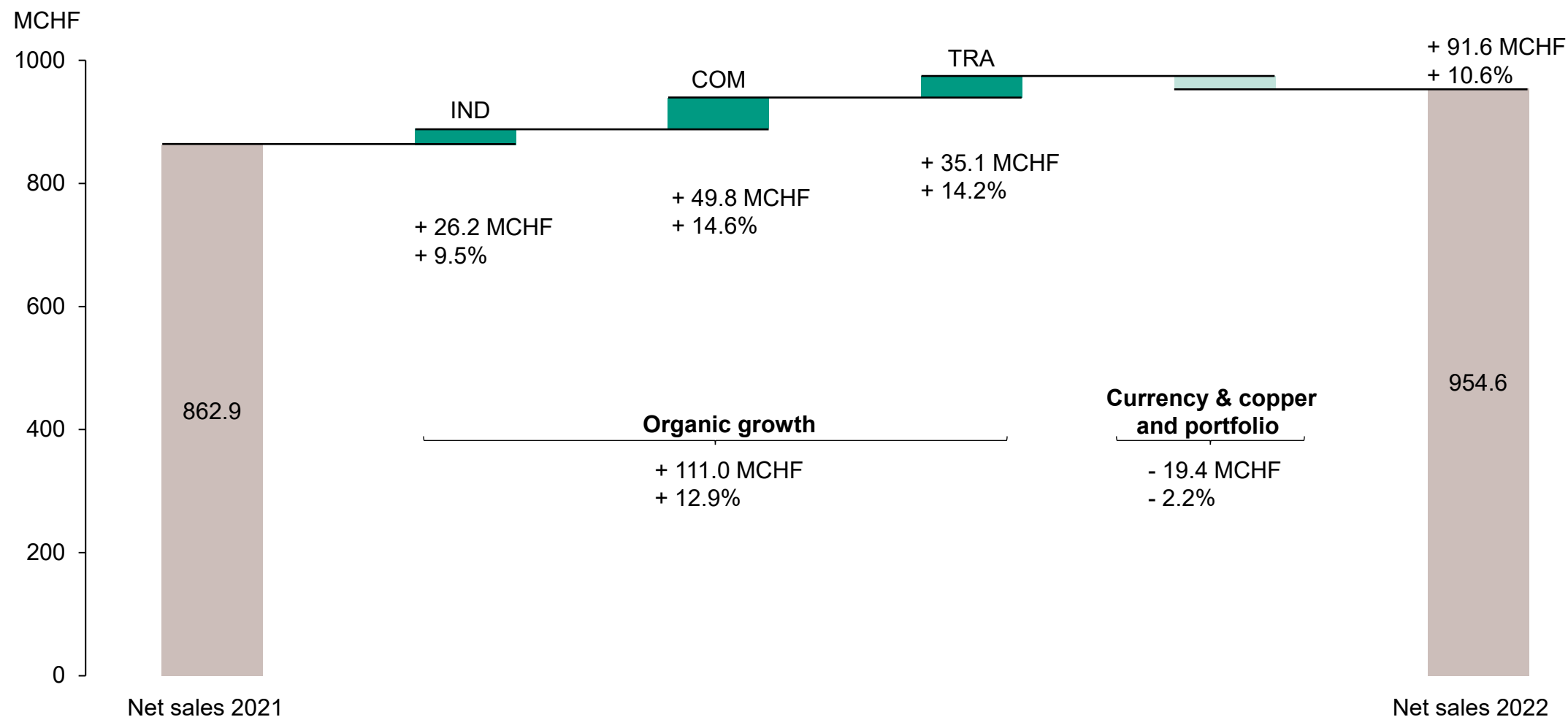
# Factors impacting order intake

Organic growth in two out of three market segments



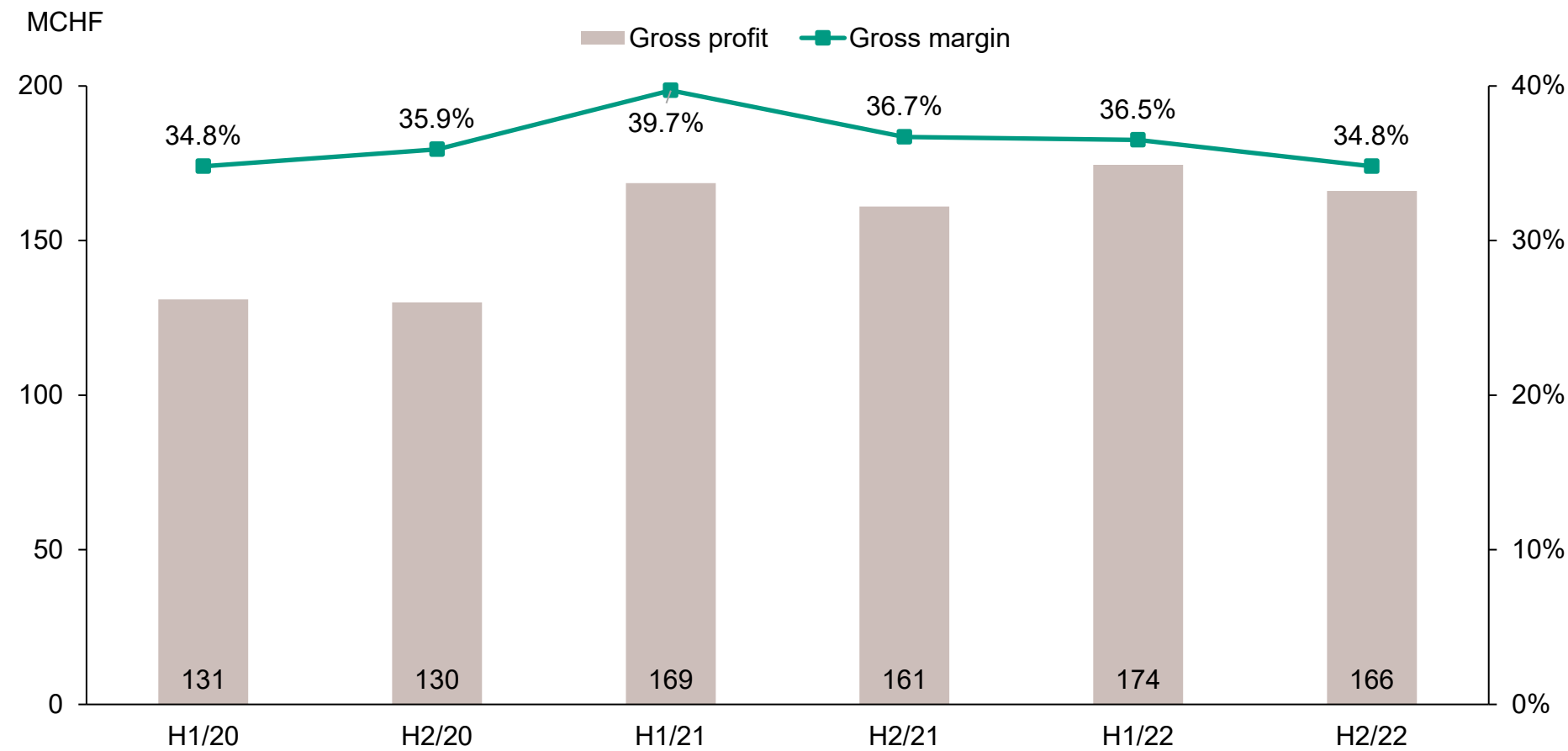
# Factors impacting net sales

Strong organic growth in all three market segments



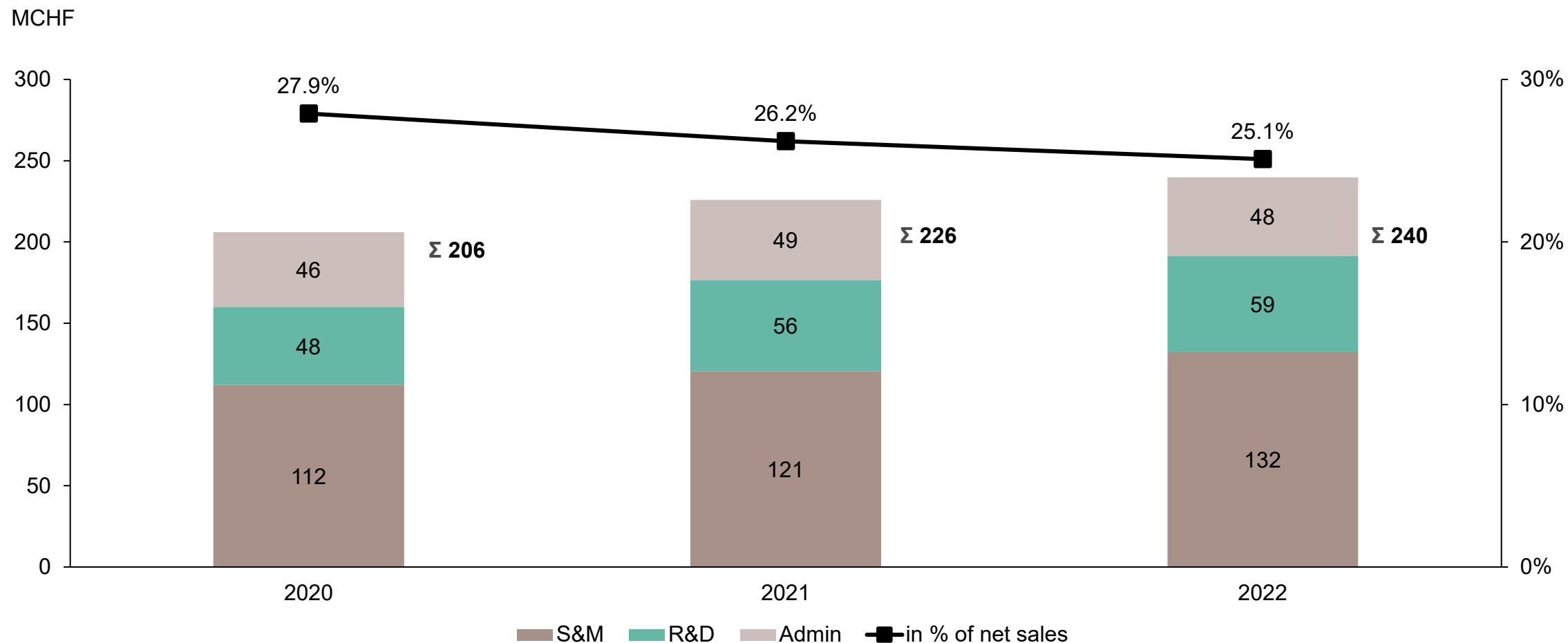
# Gross margin

Pressure from customer mix (COM) and raw material price increases (TRA)



# Operating expenses

Declining overhead ratio despite higher spending in Sales&Marketing and R&D



# EBIT by market segment

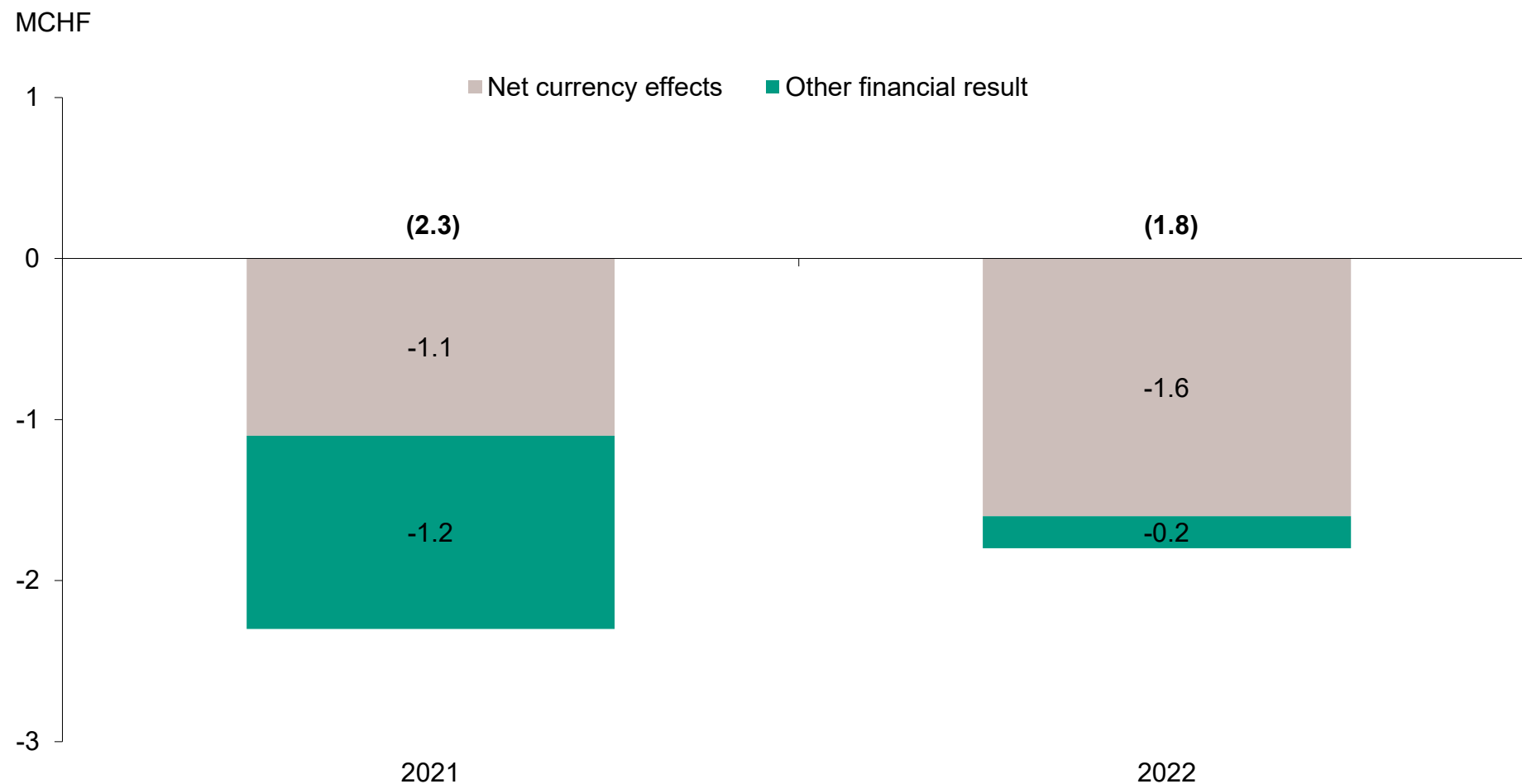
Very strong in Industry – Communication and Transportation somewhat behind ambitions

MCHF

	2022		2021	
Industry	63.4	21.3 %	58.4	21.2 %
Communication	34.2	8.9 %	41.5	12.2 %
Transportation	13.7	5.1 %	12.5	5.1 %
Corporate	(8.0)		(7.8)	
<b>Total EBIT</b>	<b>103.2</b>	<b>10.8 %</b>	<b>104.6</b>	<b>12.1 %</b>

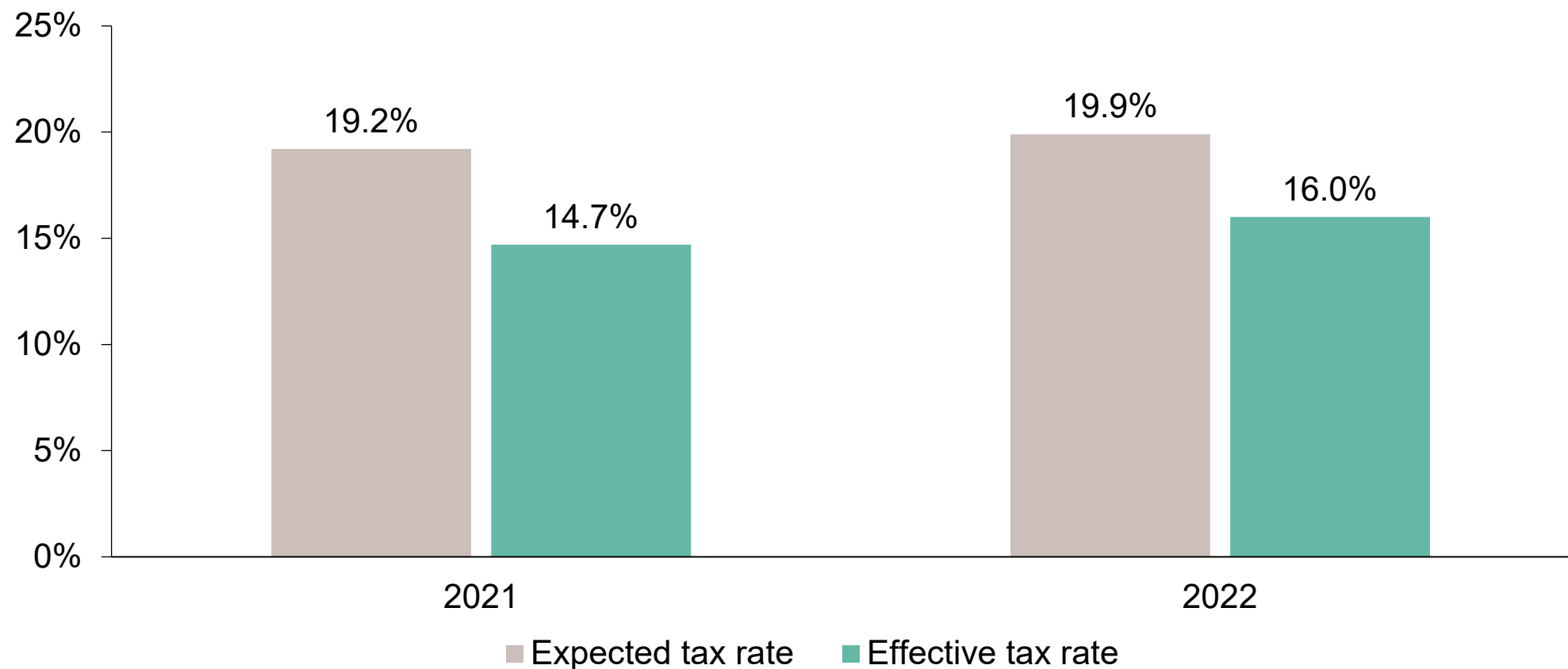
# Financial result

Overall improved despite higher hedging costs



## Group tax rate

Low effective tax rate thanks to impact from R&D and other tax benefits



# Impact from Phoenix Dynamics acquisition

Resulting goodwill of CHF 5.9 million

MCHF	Effect of acquisition
Net assets acquired	1.6
Goodwill	<u>5.9</u>
<b>Purchase price</b>	<b>7.5</b>
Net cash outflow 2022	5.1
Deferred purchase price payment	1.8
P&L effect 2022	immaterial

# Balance sheet

## Solid structure

MCHF	31.12.2022	31.12.2021		30.06.2022
Cash and cash equivalent	151	220	-31%	146
Other current assets	389	346	12%	391
Non-current assets	275	268	3%	274
Financial liabilities	-	-		-
Other liabilities	208	190	10%	206
Equity*	607	644	-6%	605
in %	74%	77%		75%
<b>Balance sheet total</b>	<b>815</b>	<b>834</b>	<b>-2%</b>	<b>812</b>
Net liquidity	151	220	-31%	146

\*thereof minority interest

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# Cash flow

High investments and significant cash returns to shareholders

MCHF	2020	2021	2022
Cash flow from operating activities	86.5	101.7	87.3
Cash flow from investing activities	(36.3)	(45.1)	(49.7)
<b>Free operating cash flow</b>	<b>50.2</b>	<b>56.6</b>	<b>37.7</b>
Dividend payment	(31.2)	(25.3)	(38.2)
Dividend payment to minorities	(0.5)	(0.5)	(0.6)
Change in treasury shares	(1.2)	(15.8)	(63.1)
<b>Free cash flow</b>	<b>17.4</b>	<b>14.9</b>	<b>(64.4)</b>

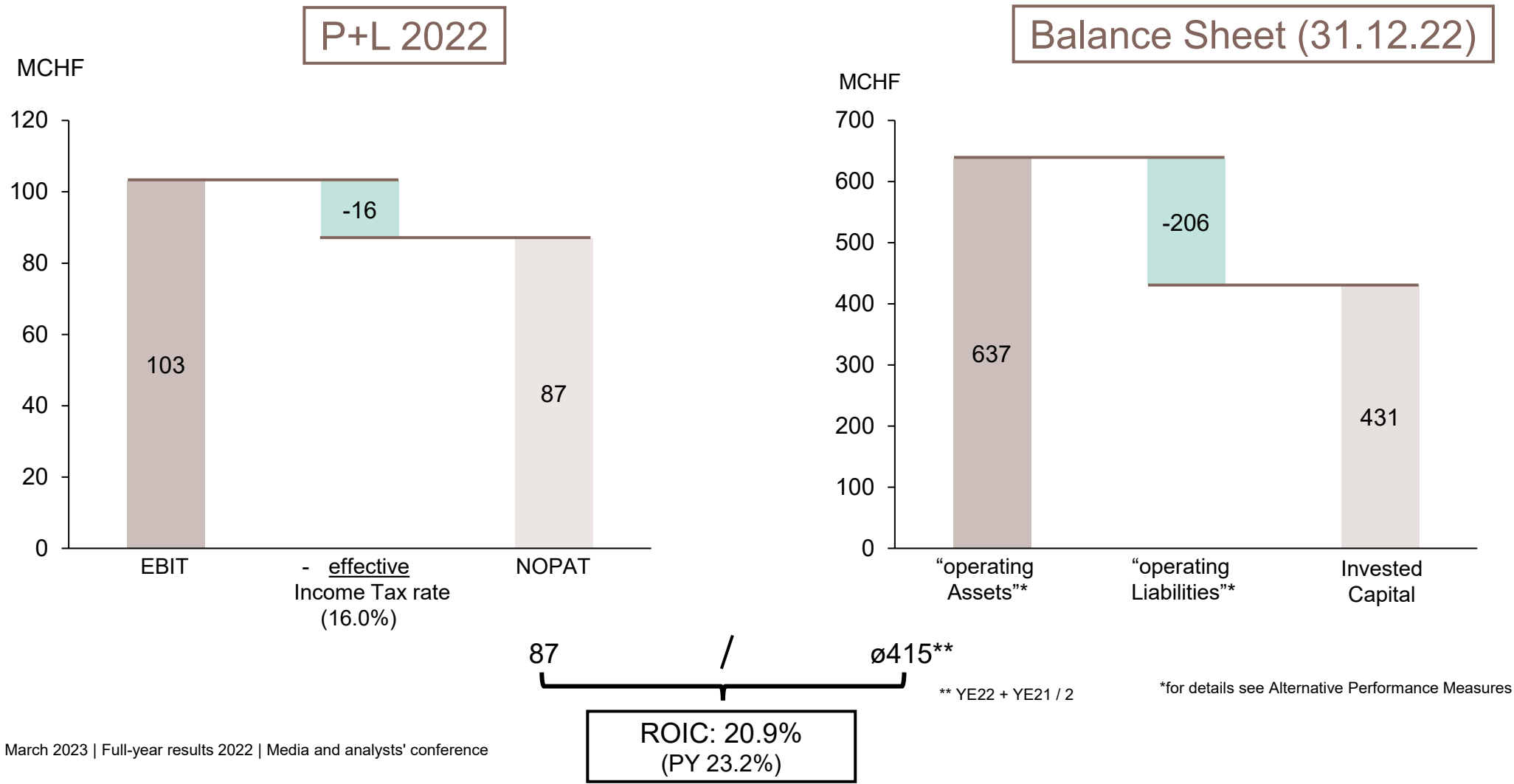
# Share buyback programme

Programme almost completed

	Amount of shares	Ø share price	Volume in MCHF	in % of registered shares	in % of programme target
2021	141 500	83.62	11.8	0.7%	14.0%
2022	786 584	80.27	63.1	3.9%	77.9%
<b>Total number of shares bought</b>	<b>928 084</b>	<b>80.78</b>	<b>75.0</b>	<b>4.6%</b>	<b>91.9%</b>

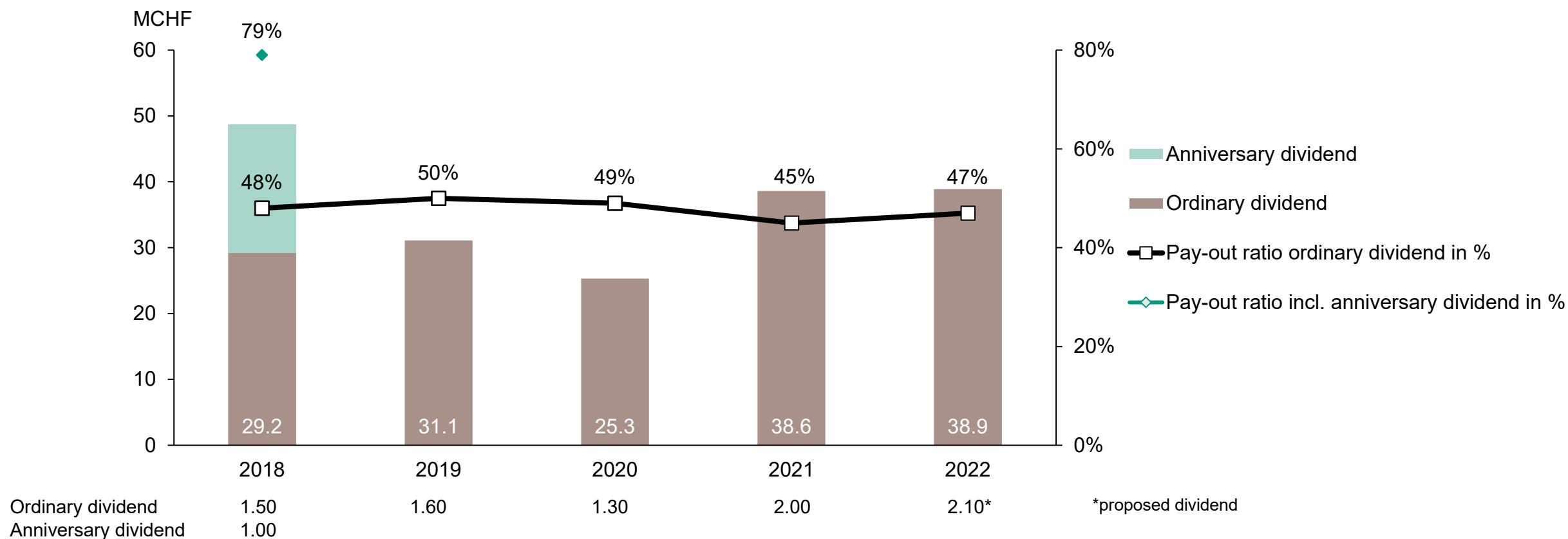
# Return on invested capital

Attractive level



# Dividend proposal

Earnings-oriented dividend policy of 40-50 %, increase of five percent per share proposed



# Financial assessment 2022

- ↑ Double-digit organic growth leads to new sales record (CHF 955 million) in company history
- ↑ Second year in a row double-digit EBIT margin despite challenging environment
- ↑ Continuous attractive effective tax rate of 16.0 %
- ↑ Almost completed share buyback programme – increase in earnings per share

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# Scorecard

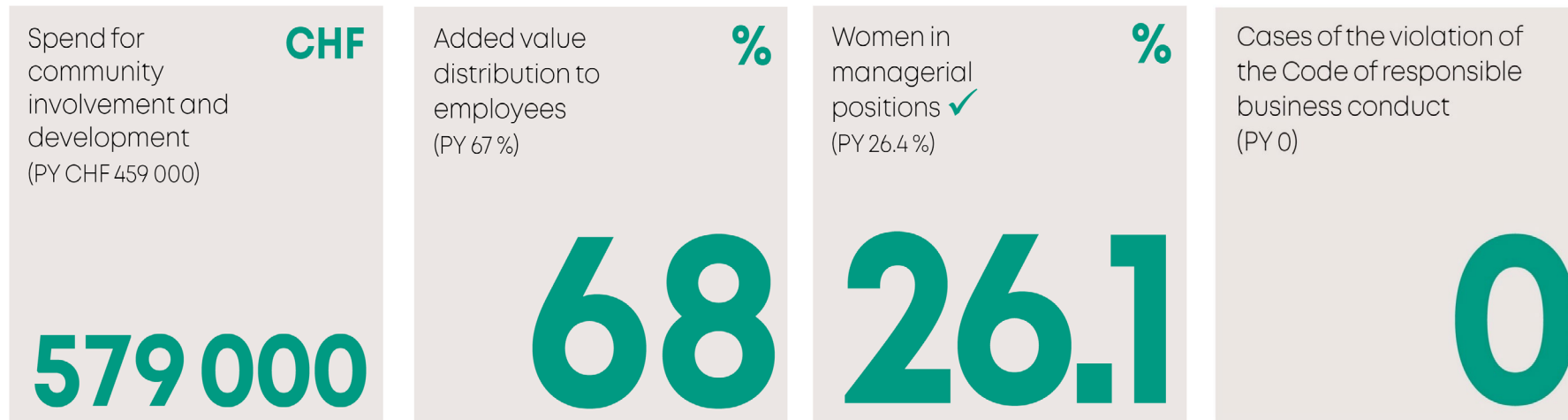
Focus topic	2022	Target	Time horizon
Sustainable growth	26 % of net sales from growth initiatives	> 33 % of net sales from growth initiatives	2023
Greenhouse gas emissions and climate change	9 500 t CO <sub>2</sub> -eq (scope 1+2)	8 400 t CO <sub>2</sub> -eq (scope 1+2) <sup>1</sup> Net-zero CO <sub>2</sub> emissions (scope 1+2)	2025 2030
Community involvement and development	CHF 579 000 spent on 173 community development projects	The company sets aside and spends at least 0.5 % of the budgeted EBIT or CHF 500 000 <sup>2</sup> , whichever is higher, for community development projects as a matter of principle	Annual target

<sup>1</sup> The SBTi approved target will be replaced by new science-based targets in the course of 2023, reflecting the company's official commitment to net zero in July 2022.

<sup>2</sup> The funds will be provided from the operating business as well as from the Swiss-based HUBER+SUHNER Foundation

# Corporate Responsibility

## Performance highlights – Relationships 2022



Ernst & Young Ltd performed a limited assurance engagement on selected figures marked with a ✓ for 2022.

# Corporate Responsibility

## Performance highlights – Environment 2022



Ernst & Young Ltd performed a limited assurance engagement on selected figures marked with a ✓ for 2022.

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# Markets verticals

Sales by segment		Sales by customer market		2022 growth	Long term growth drivers
<b>Industry</b> 	<b>31 %</b>	Industrials <ul style="list-style-type: none"> <li>• Test &amp; Measurement</li> <li>• Energy</li> <li>• High Power Charging</li> </ul>	<ul style="list-style-type: none"> <li>• Medical Device</li> <li>• Process Industries</li> </ul>	<b>22 %</b>	 Increasing demand for power and data connectivity (IoT, Industry 4.0, ...)
		Aerospace & Defense		<b>9 %</b>	 Communication satellite coverage Defense spendings
<b>Communication</b> 	<b>41 %</b>	Fixed Network <ul style="list-style-type: none"> <li>• Equipment Manufacturers</li> <li>• Fixed Access Network</li> <li>• Data Center</li> </ul>		<b>18 %</b>	 Exponential data traffic growth
		Mobile Network		<b>23 %</b>	 4G → 5G
<b>Transportation</b> 	<b>28 %</b>	Railway <ul style="list-style-type: none"> <li>• Rolling Stock</li> <li>• Rail Communications</li> </ul>		<b>16 %</b>	 Low-emission mobility Communication on the move
		Automotive <ul style="list-style-type: none"> <li>• Electric Vehicle</li> <li>• ADAS</li> </ul>		<b>12 %</b>	 Electrification Autonomous driving

Figures: Business year 2022 (as per 31 December 2022)

# Economic environment and strategic focus

## Economic environment

- Market trends for connectivity business still fundamentally positive. However, short term uncertainties and risks dominate the operational agenda:
  - Recovery from Covid-19 effects seamlessly succeeded by new challenges due to war in Ukraine
  - Rise in inflation rates brought new price levels, decrease of inflation to be expected at much lower pace, if at all
  - Visibility in individual markets is currently limited

## Strategic focus

- Basic human needs such as communication, mobility, and safety will remain as fundamental drivers
- Focus on attractive target markets and a balanced diversification to make the company resilient to counter inflationary and recessionary trends
- Portfolio mix of attractive core businesses and new opportunities for future growth

## Market trends in Industry

- Smart grids for power generation and distribution require 24/7 uninterrupted operation of critical infrastructure
- Need for high-precision components with maximum signal integrity for test and measurement applications will persist
- Expansion of high-power charging into megawatt charging systems offers opportunities for HUBER+SUHNER due to largest installed base and technology leadership with RADOX® HPC
- Bundling of radio frequency, low frequency, and fiber optic connectivity technologies provides leverage
- Rising defense budgets, as a result of increasing geopolitical tensions, will trigger further investments in communications solutions for aerospace and defense applications

# Market trends in Communication

- A reliable communication infrastructure is more than ever crucial for the functioning of society and the efficiency of economies
- Fixed network infrastructure is part of the backbone of any mobile communications infrastructure
- Increasing complexity and costs require flexibility of networks at the physical level
- Roll-outs of 5G are in full swing and will push investments into applications such as fixed wireless access
- Focal points in mobile networks remain densification, higher capacity, better coverage, shorter latency

# Market trends in Transportation

- Urbanisation fuels build-out of public transportation – substantial investments in rail infrastructure will be required for ecological mobility
- Improved passenger experience through seamless and uninterrupted availability of on-board communication services in public transportation requires connectivity solutions
- Electric drive is the concept of the future in the automotive market, regardless of vehicle type and energy storage concept (battery vs. hydrogen)
- On the way to a fully autonomous vehicle, the regulatory framework is driving the development of higher resolution radar antennas as a crucial element for advanced driver assistance systems
- 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

# Outlook 2023

## Medium-term EBIT target range

The medium-term target range of 9–12% for the EBIT margin remains unchanged.

## Net sales guidance for 2023

At this point in time, HUBER+SUHNER does not provide a sales forecast for the year 2023. The company will provide an outlook for the full year at the latest on the occasion of the publication of the half-year figures.

## EBIT guidance for 2023

The operating margin in 2023 is expected to be in the medium-term EBIT target range of 9–12%.

To achieve the EBIT guidance, it is important that major influencing factors - such as a possible deep and long recession in the company's main sales markets, high inflation, exchange rate fluctuations, and the availability of material and transport capacities - do not have an undue impact on the course of business.

# Financial calendar

Annual General Meeting (Pfäffikon ZH)	29.03.2023
Half-year report 2023	15.08.2023
Media and analysts' conference (webcast)	15.08.2023
Sales and order intake (9 months)	24.10.2023
Sales and order intake (12 months)	23.01.2024

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

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**Questions and answers**

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**Connecting – today and beyond**

# Disclaimer

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