

HUBER+SUHNER

Half-year conference 2021

Agenda

Overview 1st half-year 2021**Urs Ryffel (CEO)**

Financial results

Ivo Wechsler (CFO)

Outlook 2021

Urs Ryffel (CEO)

Questions and discussion

Profit doubled in the first half of the year

Order intake very strong, net sales with significant increase

- A more positive global economic environment impacted business in many industries
- Positive development at HUBER+SUHNER driven by both a base effect and clear upward trend in most of the target markets
- Very strong order intake (+24.6 %) compared to the prior-year period
- All three market segments contributed to significant increase of 12.7 % in net sales
- Rise in business volume was managed well due to agility and flexibility in global production network

Double-digit EBIT margin, net income doubled

- EBIT margin at 12.2 %, clearly above medium-term target range of 8–10 %
- Net income reached 9.9 % (CHF 41.9 million; PY CHF 19.9 million)

Market segment organisation successfully implemented

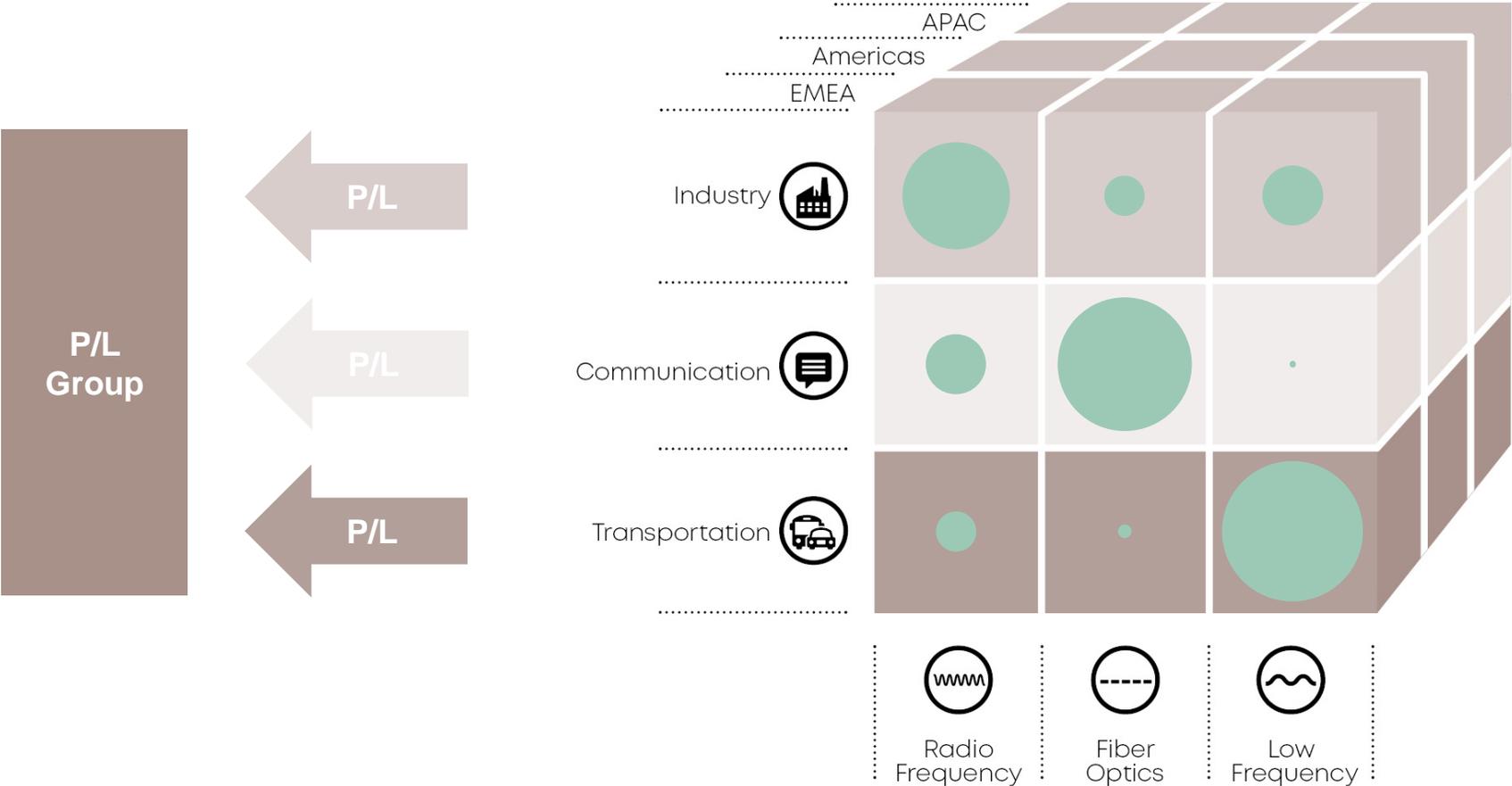
- Structural orientation around three market segments Industry, Communication and Transportation well implemented
- Simplified structures (no regional organisations anymore) leading to strengthened market focus
- New organisation supporting customers through global sales team, resulting in increased customer proximity
- Customers increasingly benefit from entire portfolio of innovative products across the three technologies

Figures at a glance

MCHF

	H1/2021	H1/2020	Δ %
Order intake	494.2	396.7	24.6
Net sales	424.4	376.7	12.7
Operating profit (EBIT) as % of net sales	51.7 12.2	25.1 6.7	106.0
Net income as % of net sales	41.9 9.9	19.9 5.3	110.6

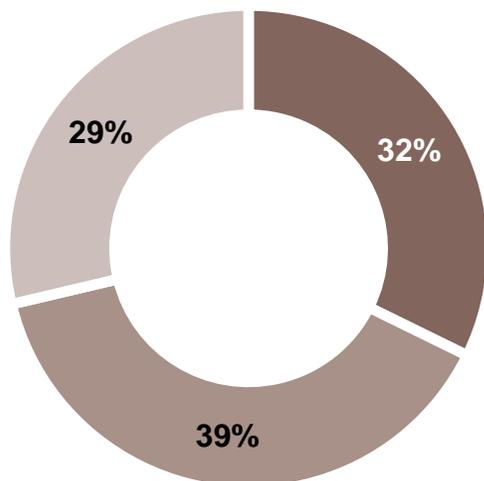
The three dimensions of our business



Net sales of MCHF 424.4 – H1/2021 distribution

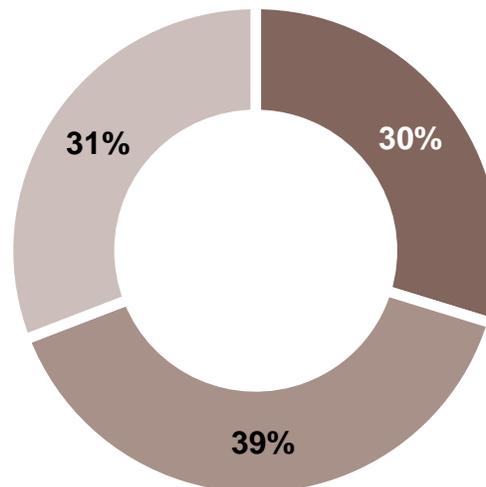
Distribution by market segment, technology and region

by market segment



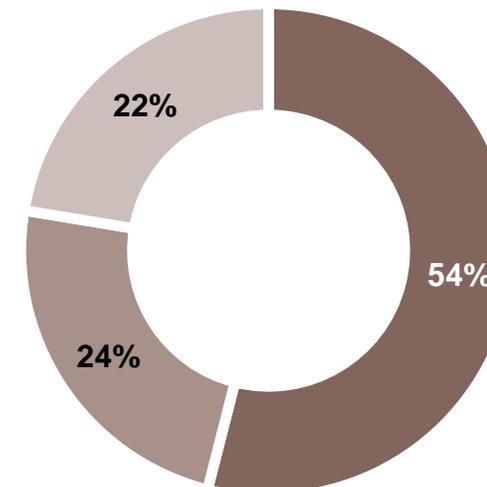
- Industry
- Communication
- Transportation

by technology



- Radio Frequency
- Fiber Optics
- Low Frequency

by region



- EMEA
- Americas
- Asia-Pacific

Industry segment

Strong growth and high profitability

MCHF

	H1/2021	H1/2020*	Δ %
Order intake	153.1	123.5	23.9
Net sales	137.0	116.2	18.0
Operating profit (EBIT) as % of net sales	28.7 21.0	17.7 15.2	62.7

Key aspects

- Favourable environment drove strong growth in net sales
- Test and measurement expanded 5G-related testing capacities
- Aerospace and defense growth initiative (was) driven by increasing demand for security
- Fast-charging systems for electric vehicles and applications in medical technology and wind power contributed positively
- Two thirds of turnover in Industry segment is attributed to radio frequency technology

*Adjusted due to new segment structure

Communication segment

Leap to double-digit EBIT margin

MCHF

	H1/2021	H1/2020*	Δ %
Order intake	191.4	159.2	20.3
Net sales	165.6	149.6	10.7
Operating profit (EBIT) as % of net sales	19.7 11.9	1.7 1.1	1053.9

Key aspects

- Pick up of business for expansion of mobile networks (Cell Site) of 5G, following lift of pandemic restrictions
- Significant upward trend in North America thanks to major investments in communication networks
- Business with communication equipment manufacturers below expectations
- Data center growth initiative developed positively
- Fiber optics the dominant technology in the Communication segment

*Adjusted due to new segment structure

Transportation segment

Growth in net sales, EBIT margin at lower end of expectations

MCHF

	H1/2021	H1/2020*	Δ %
Order intake	149.7	114.0	31.3
Net sales	121.8	110.9	9.8
Operating profit (EBIT)	7.8	8.3	-6.7
as % of net sales	6.4	7.5	

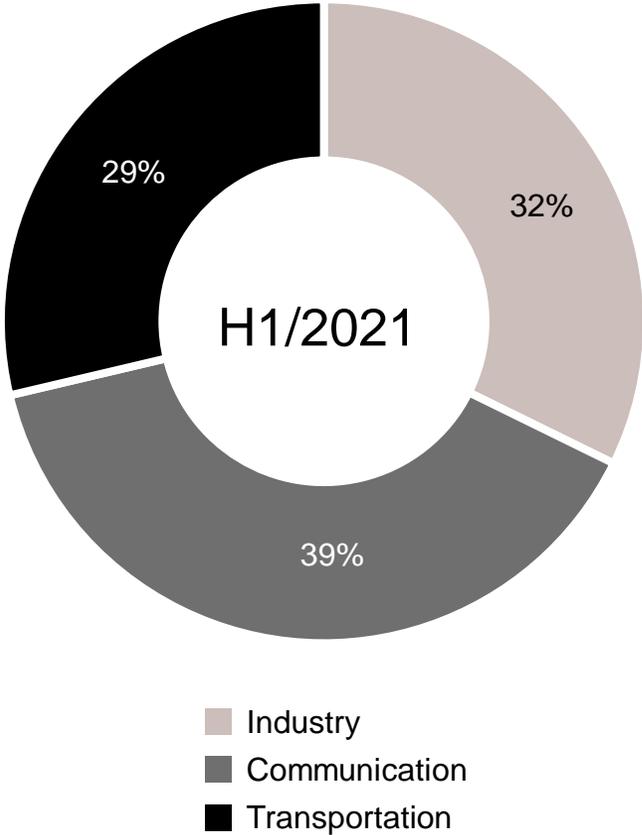
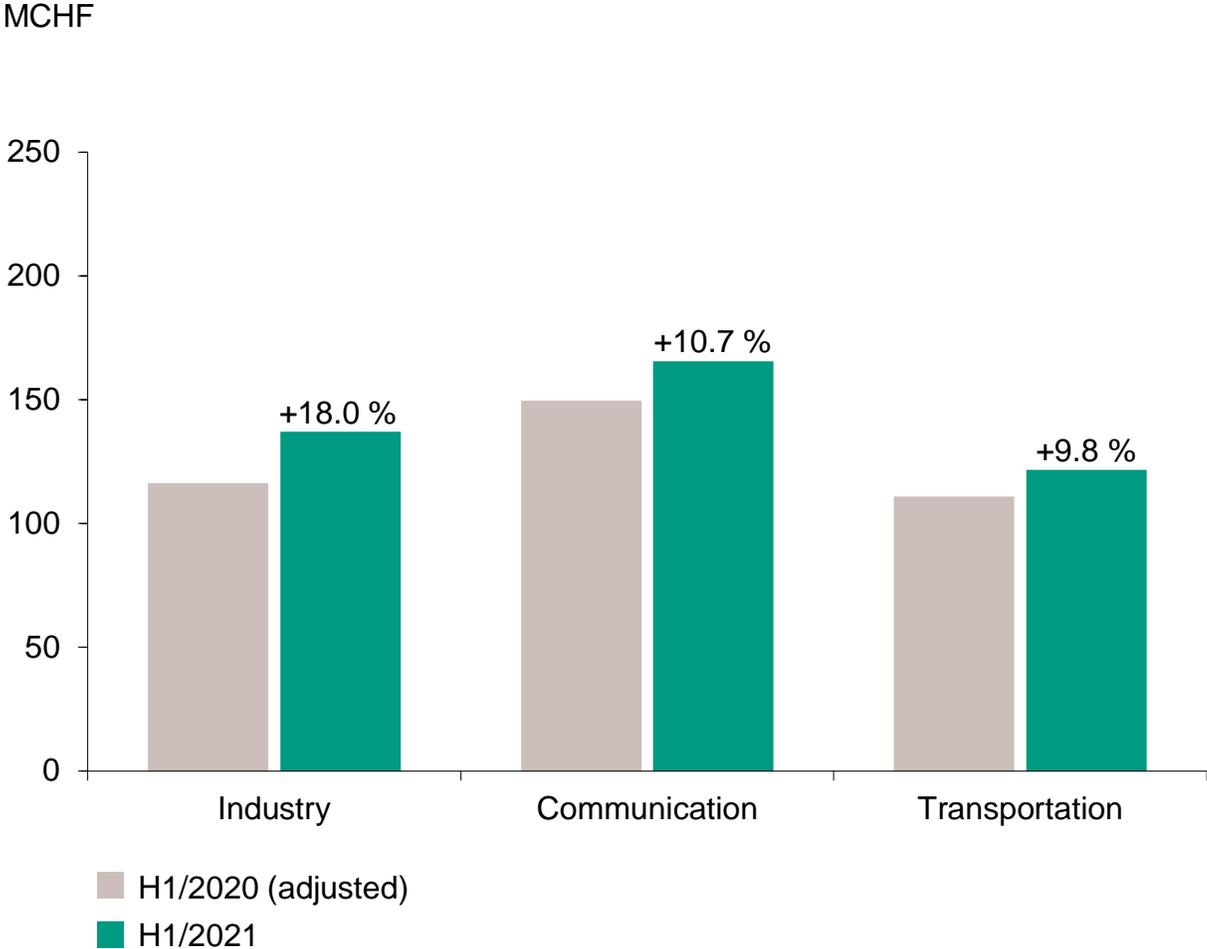
Key aspects

- Stronger automotive market more than compensates for lower sales in Railway subsegments
- Continued hesitancy in awarding of contracts for rolling stock
- Business for solutions to integrate mobile communication in trains developed well
- Business for solutions for conventional vehicle construction and, especially, for high-voltage distribution units in electric vehicles increased significantly
- Pre-investments in new and innovative applications in automotive sector and high logistics costs with impact on EBIT
- Transportation segment mainly comprises low-frequency applications

*Adjusted due to new segment structure

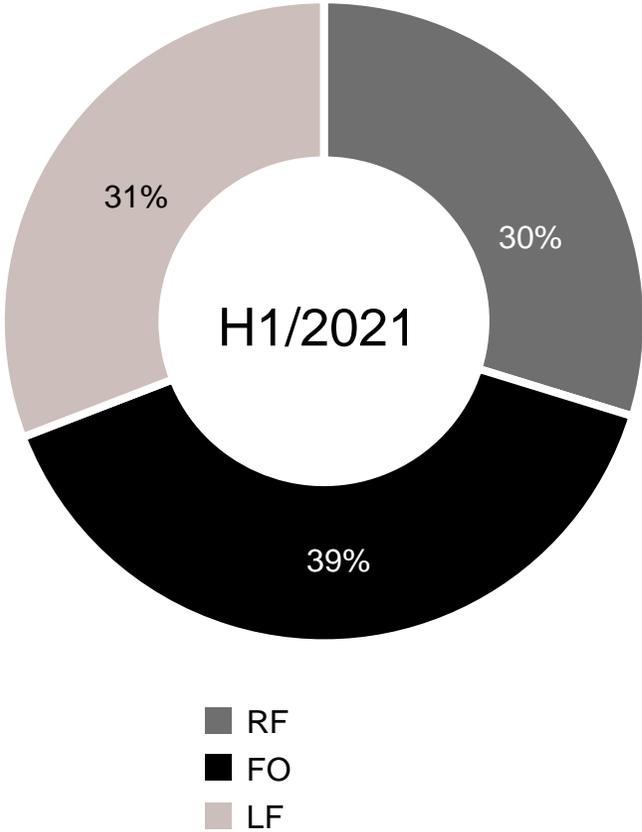
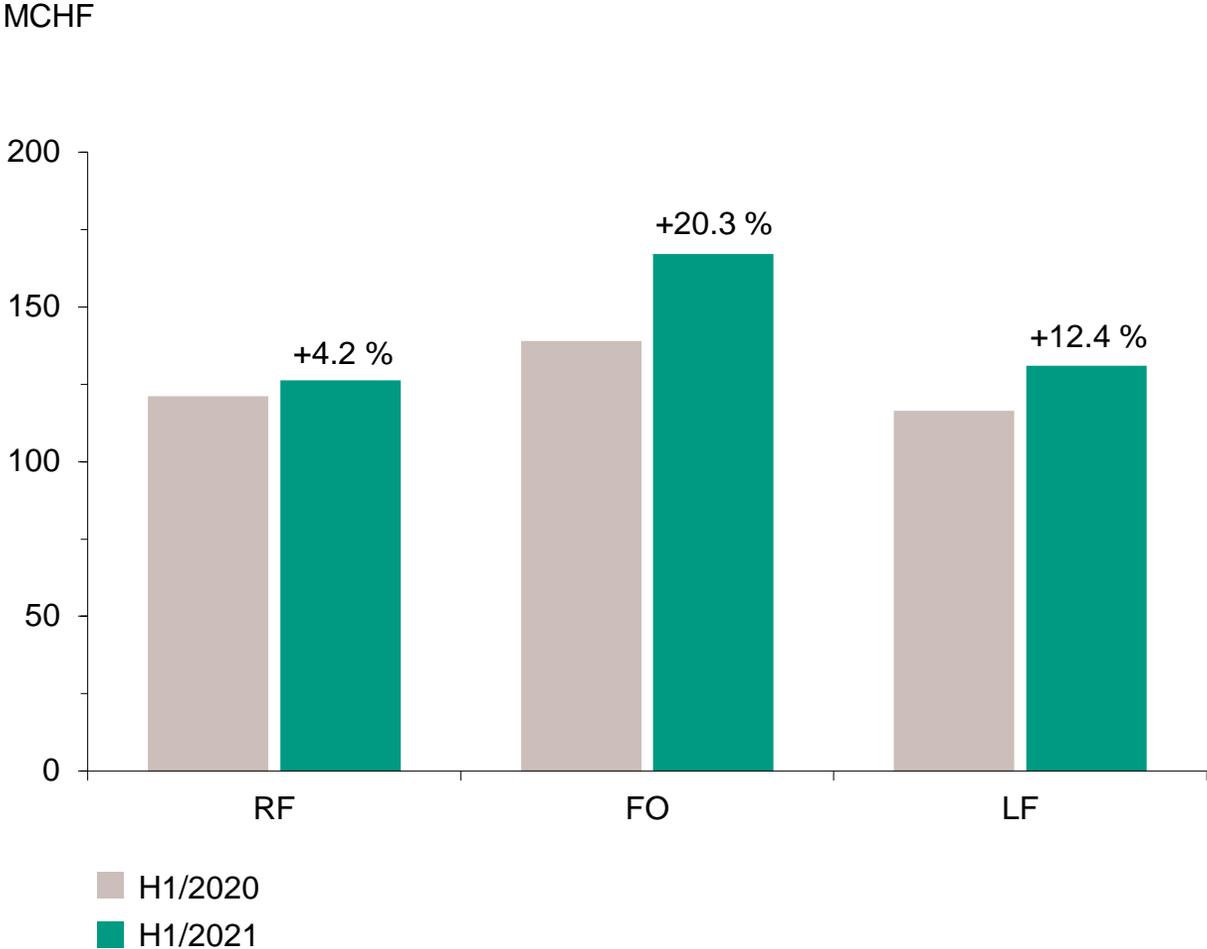
Net sales by market segment

Significant growth in all three market segments



Net sales by technologies

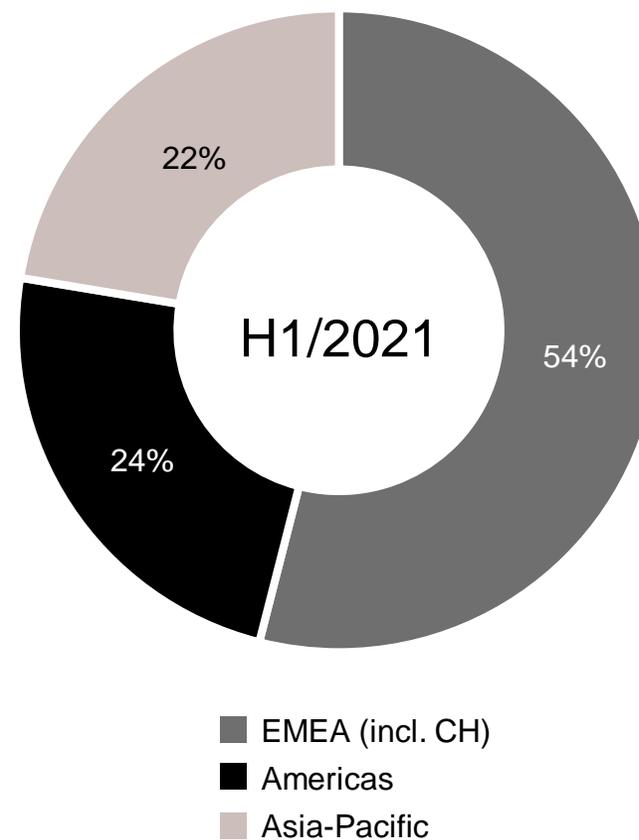
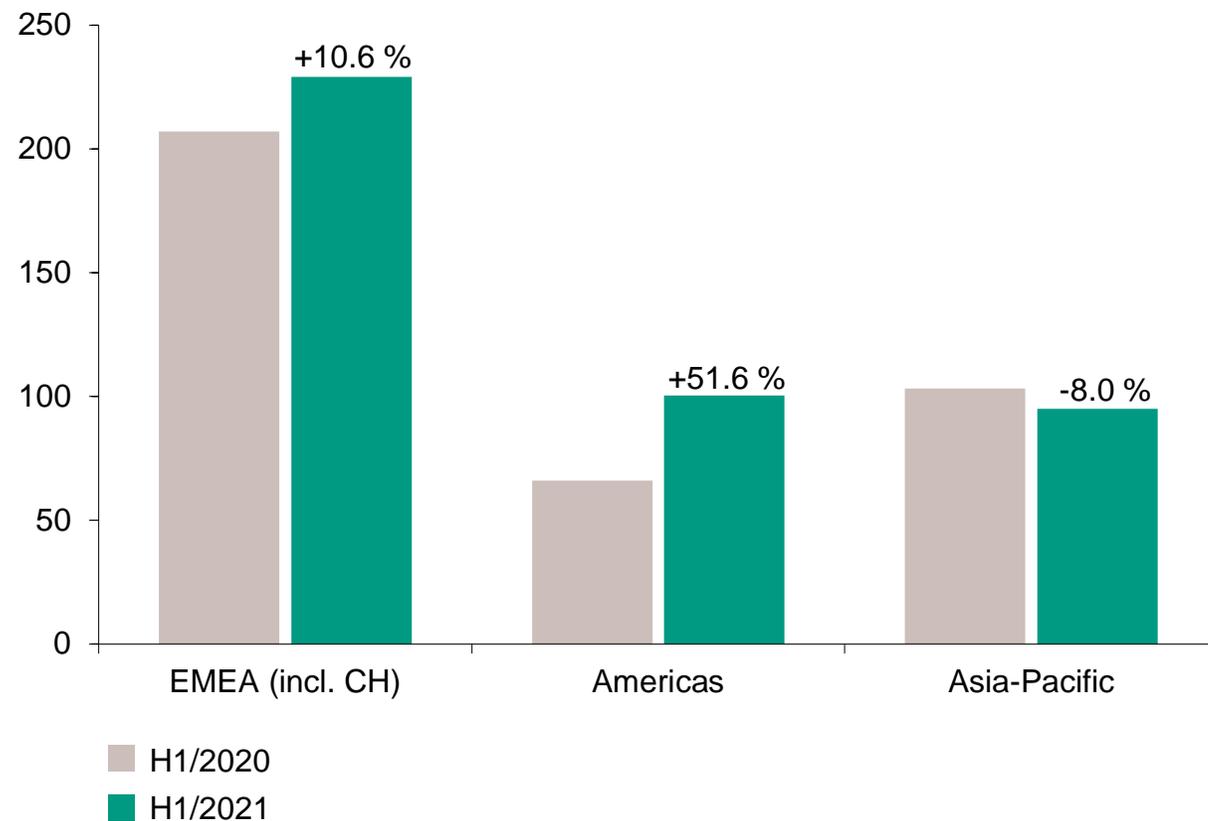
Growth in all three technologies, shares well balanced



Net sales by region

Europe consolidates share, followed by Americas and APAC

MCHF



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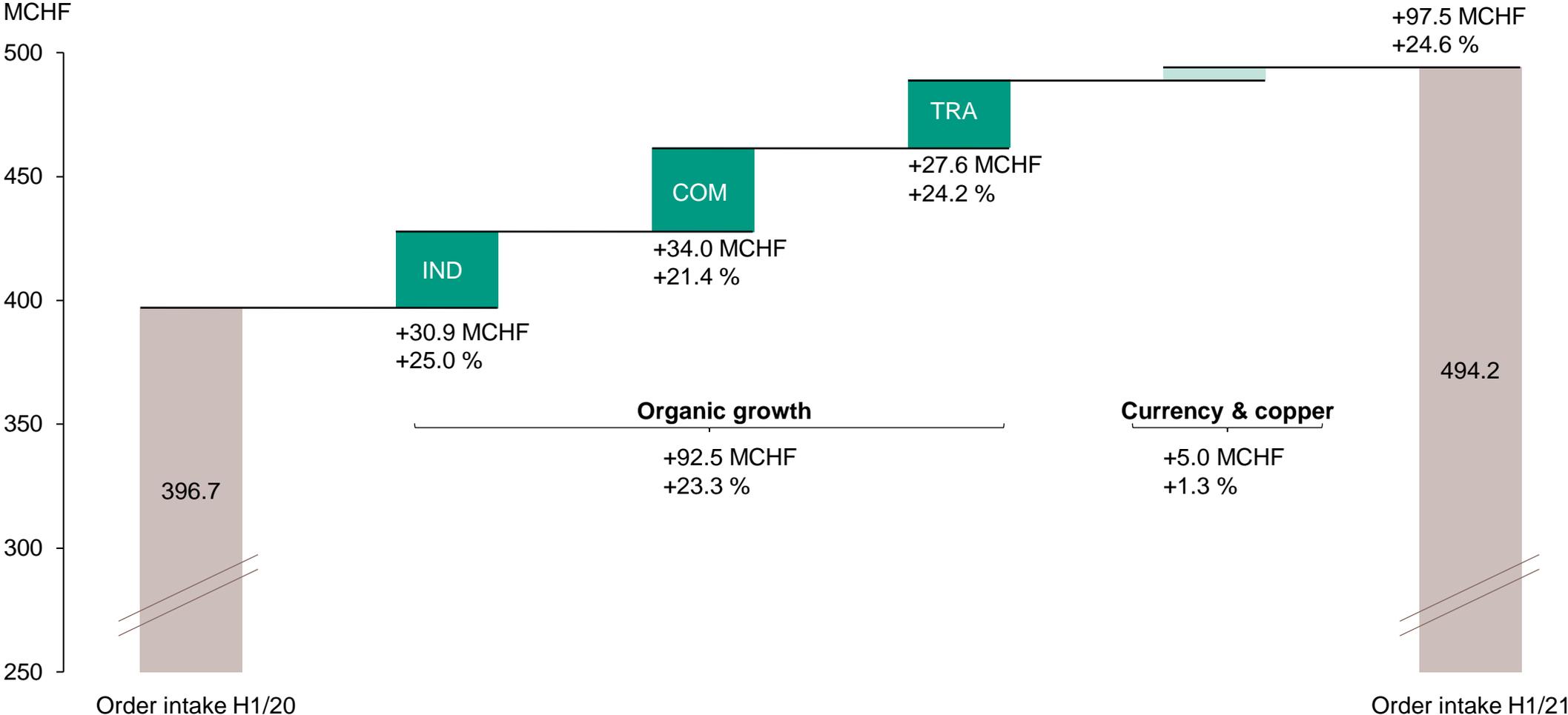
Ivo Wechsler (CFO)

Outlook 2021

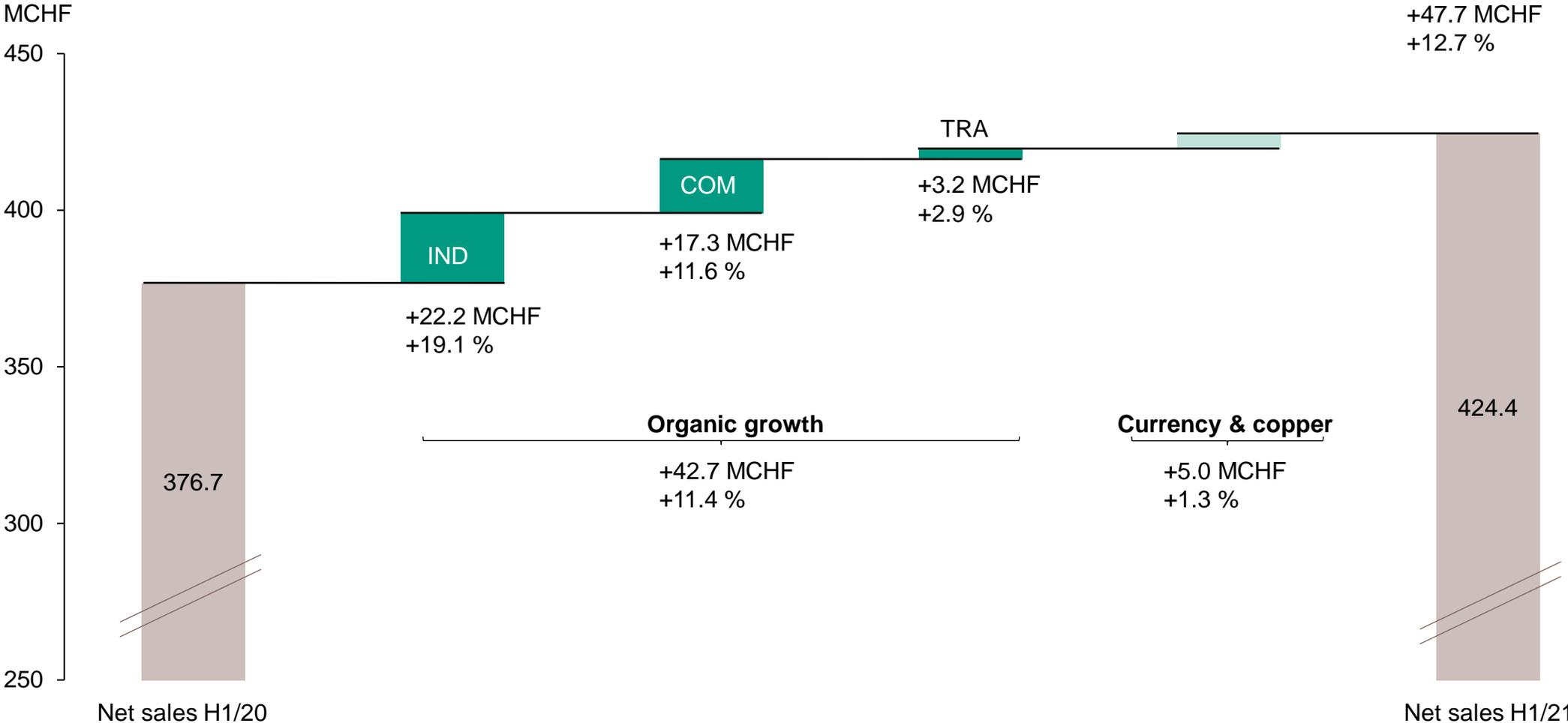
Urs Ryffel (CEO)

Questions and discussion

Factors impacting order intake

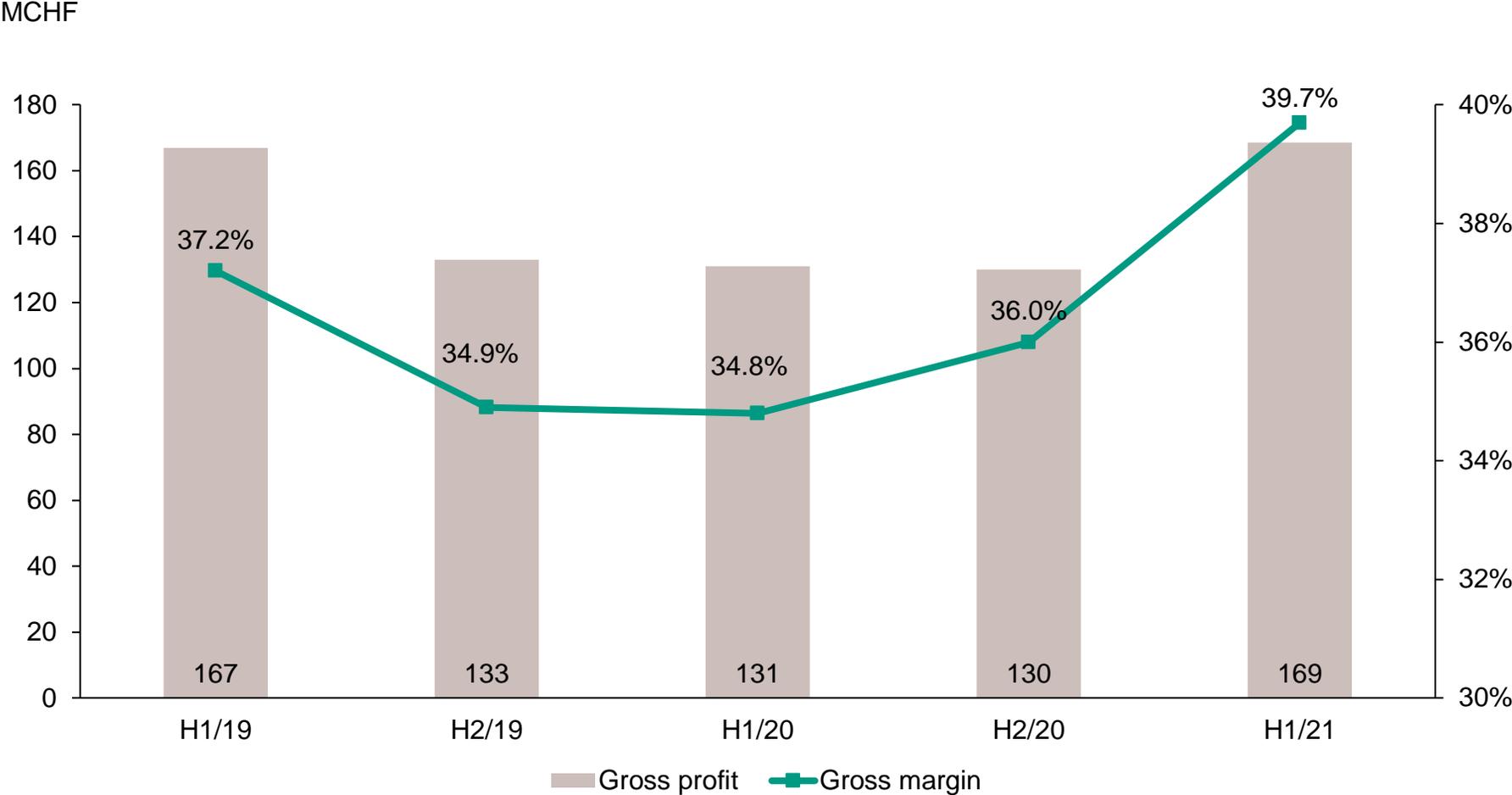


Factors impacting net sales



Gross margin

Excellent business mix results in record high gross margin



Headwind from the sourcing front

Current gross margin level might come under pressure

High price increases in several relevant material categories

- Major challenge due to price increases in the range of 20 – 90 % on chemicals and polymers since beginning of 2021
- Continuous price increase of industrial metals in the last months
- Pricing increases can only partially be passed on to customers

Extended lead times for critical components

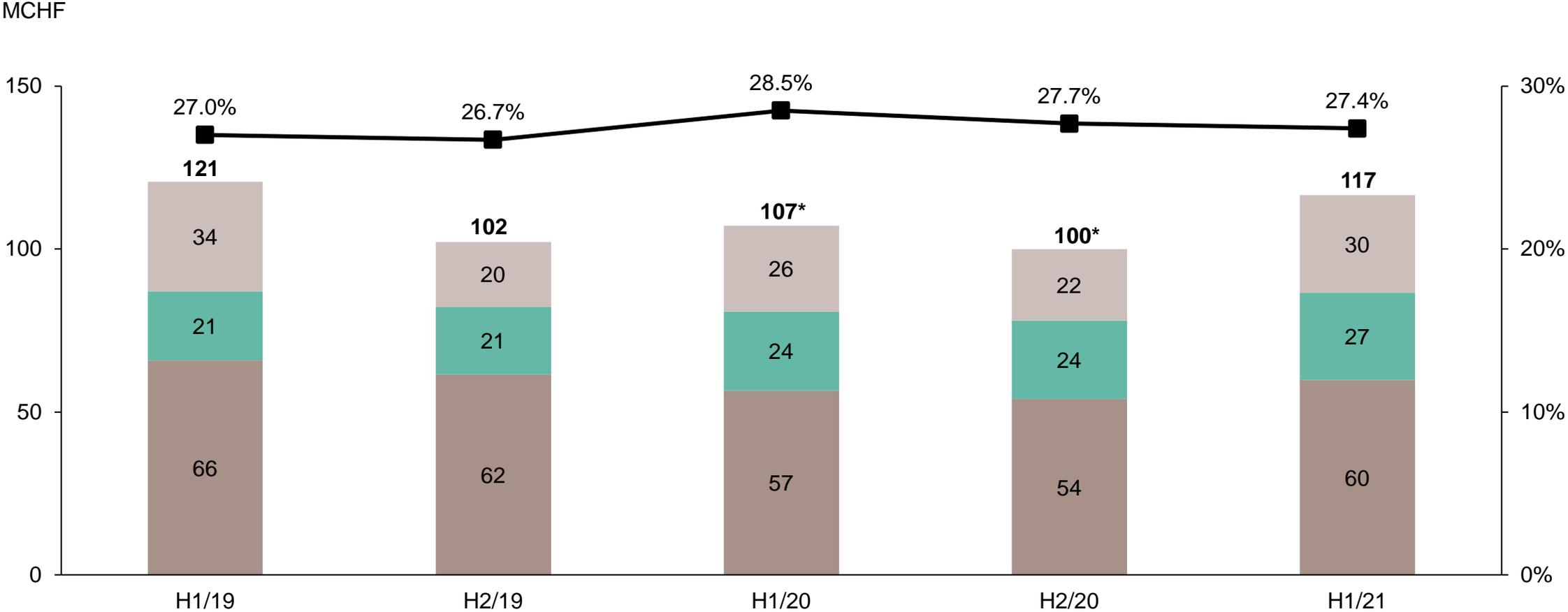
- Force Majeure for engineered polymers still in place until end of 2021
- Lead times for metals with special profile up to 30 weeks (historically 6-12 weeks)
- Professional forward-looking planning is key

Higher transportation costs

- Applicable for sea, rail and airfreight
- Most affected routes are CN-EU and CN-NAM
- Vessel and container shortages, capacity bottlenecks for partial delivery services

Operating expenses

Costs driven by higher business activity



*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 at lower end of expectations

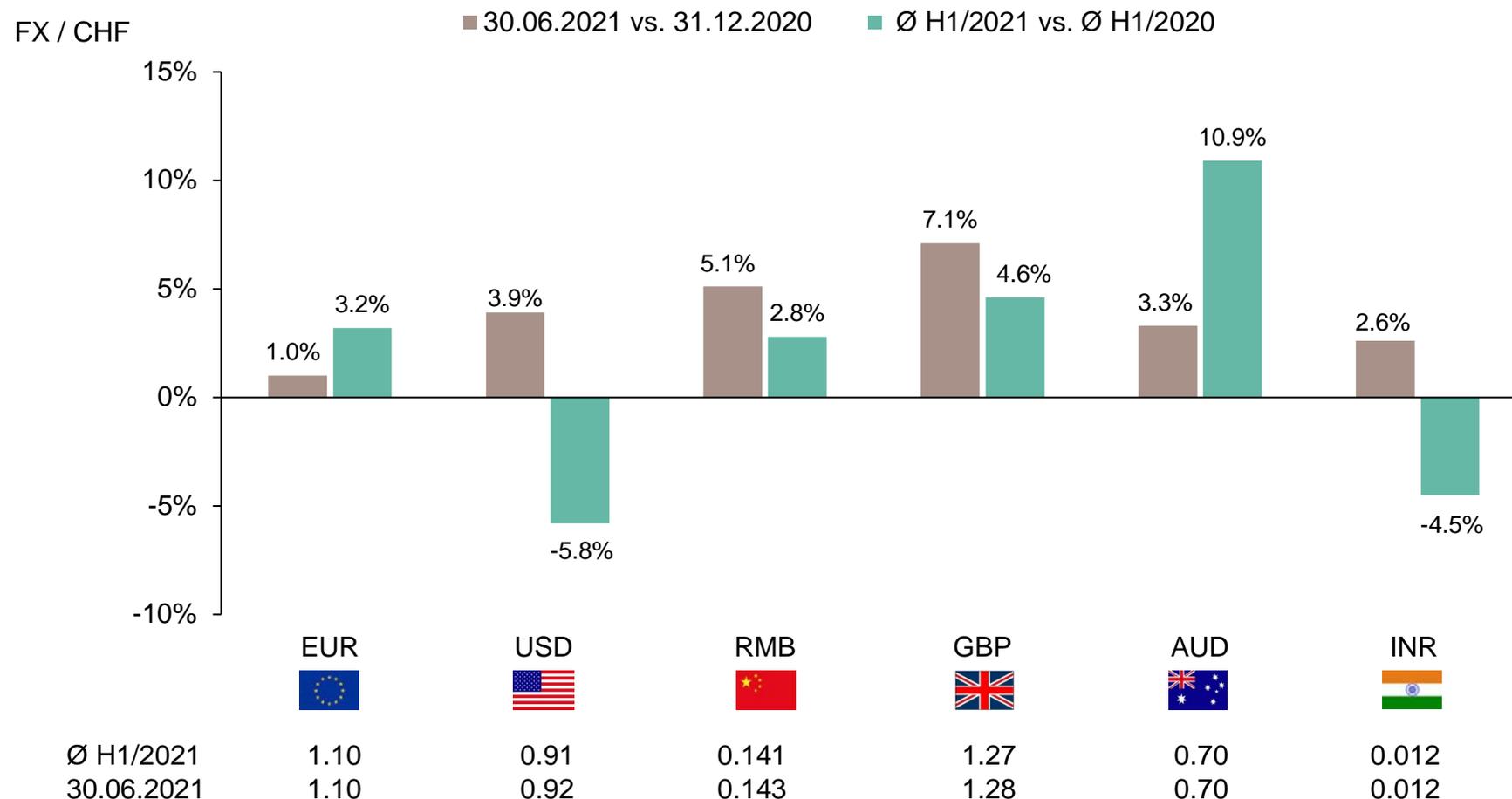
MCHF

	H1/2021	in %	H1/2020*	in %
Industry	28.7	21.0	17.7	15.2
Communication	19.7	11.9	1.7	1.1
Transportation	7.8	6.4	8.3	7.5
Corporate	(4.5)		(2.6)	
Total EBIT	51.7	12.2	25.1	6.7

*Adjusted due to new segment structure

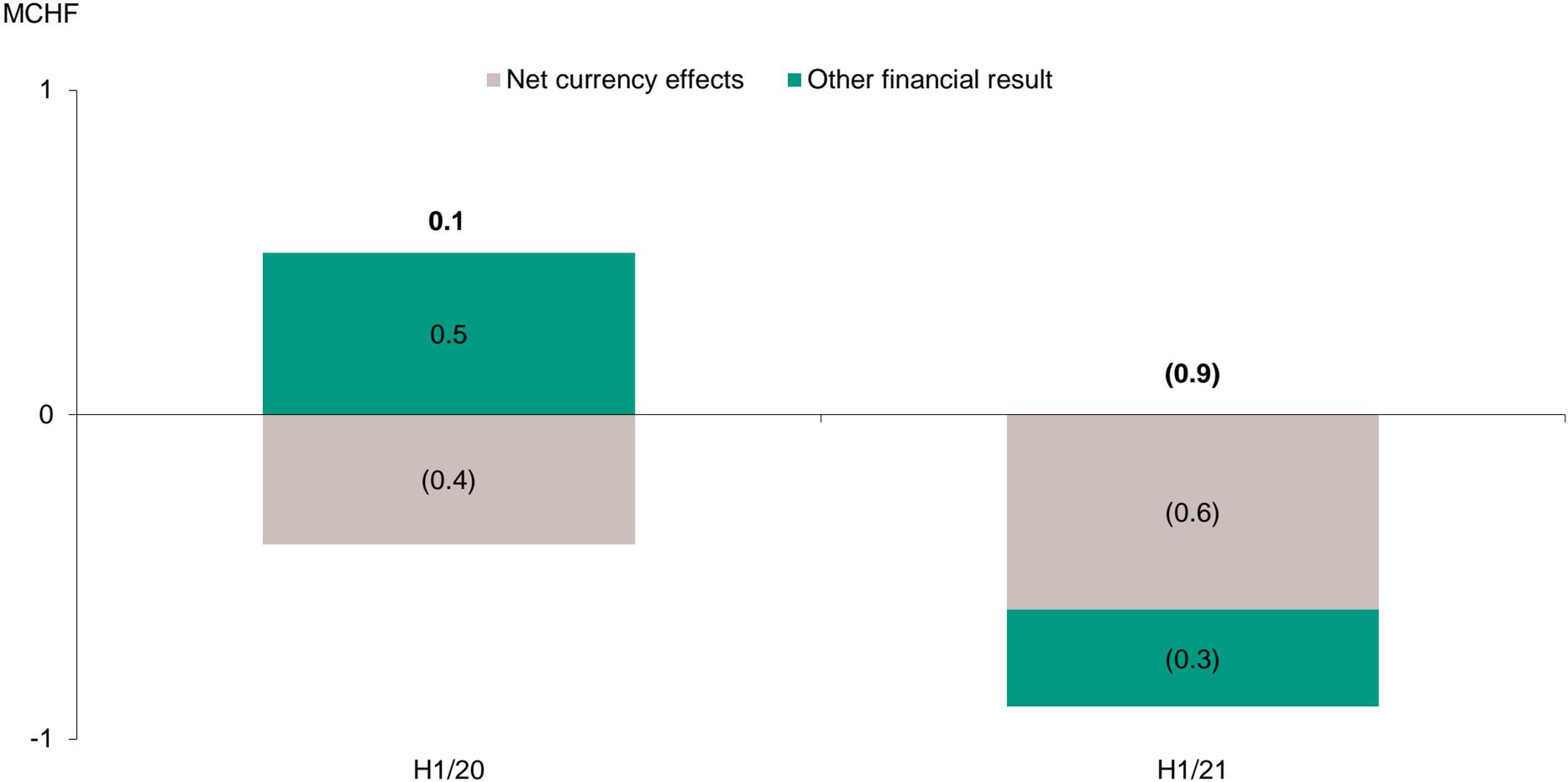
Currency situation 2021

Mixed development against CHF



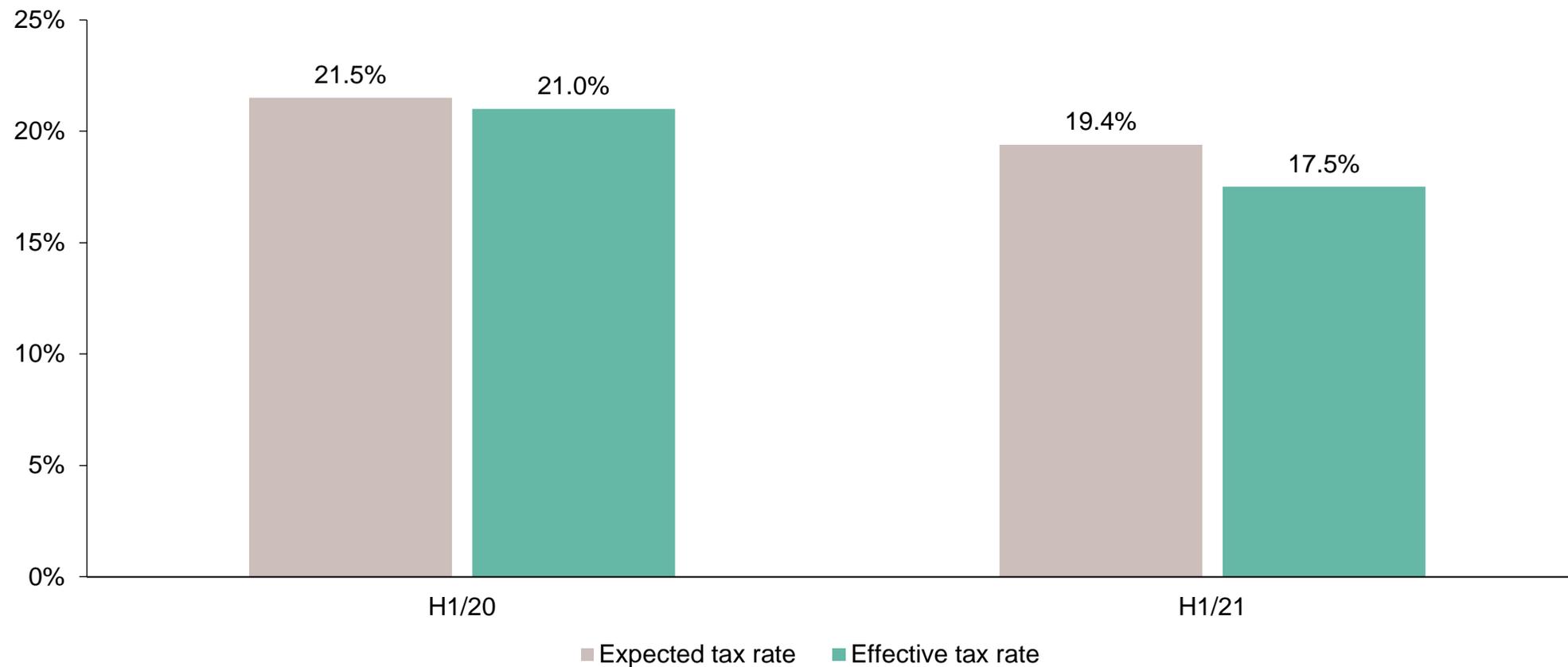
Financial result

Slightly higher FX impact and costs



Group tax rate

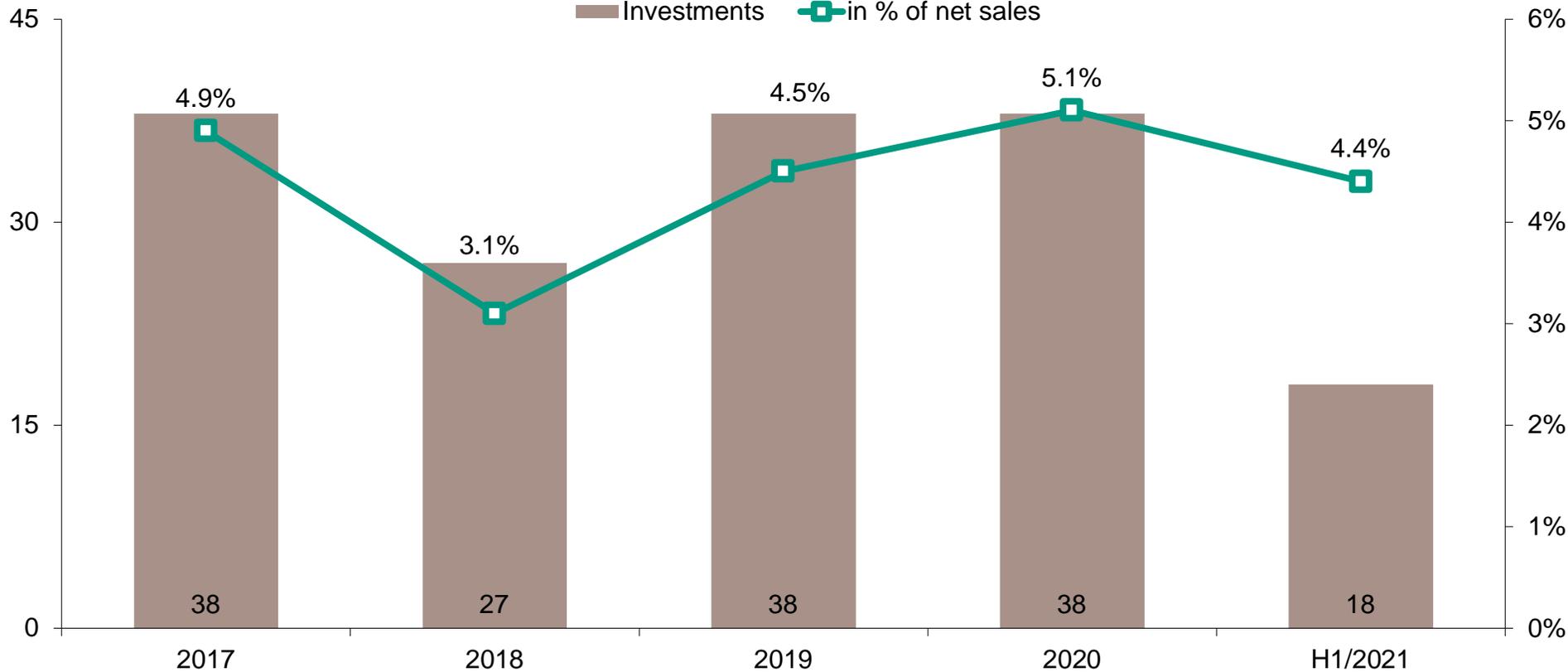
High share of profit in low tax countries and positive impact from R&D tax benefits



Investments

Average level in H1/2021 but significant investment projects in the pipeline

MCHF



Overview balance sheet

Strong cash position

MCHF	30.06.2021	31.12.2020		30.06.2020
Cash and cash equivalent	203	204	0%	143
Other current assets	343	288	19%	345
Non-current assets	253	249	2%	245
Financial liabilities	0	1		2
Other liabilities	184	148	24%	172
Equity*	615	592	4%	559
in %	77%	80%		76%
Balance sheet total	799	740	8%	732
Net liquidity	202	203	0%	142

*thereof minority interest

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Overview cash flow

Improved cash flow generation from operating activities

MCHF	H1/21	H1/20
Cash flow from operating activities	43.2	5.0
Cash flow from investing activities	(17.0)	(17.0)
Free operating cash flow	26.2	(12.0)
Dividend payment	(25.3)	(31.2)
Dividend payment to minorities	(0.5)	(0.5)
Change in treasury shares	(3.6)	(1.1)
Free cash flow	(3.3)	(44.7)

Financial assessment H1/2021

- ↑ Double-digit growth in order intake of +25 % and net sales of +13 %
- ↑ Double-digit operating profitability at 12.2 % thanks to an excellent gross margin
- ↑ Attractive tax rate of 17.5 %
- ↑ Good cash flow from operating activities reaches CHF 43 million

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Trends in main markets (I)

Basic trends and prospects in most markets currently very favourable

Economic environment

- Despite a currently very positive market environment, risks cannot be neglected:
 - Covid-19 is still not overcome
 - World economy close to overheating, inflation risk rises, raw material prices peaking
 - Availability of raw materials and chips remains tight
 - Geopolitical tensions create permanent uncertainty

Industry

- In general, industrial applications for connectivity offer attractive business opportunities
- Need for communication solutions in industrial applications is increasing
- Strong dynamics for high power charging (HPC) persist
- Test and measurement applications benefit from accelerated investments in communication networks
- Desire to feel safe fuels demand for aerospace & defense applications
- Bundling of RF, FO and LF connectivity technologies provides leverage

Trends in main markets (II)

Basic trends and prospects in most markets currently very favourable

Communication

- Communication market ahead of strong period
- Functioning of communication infrastructure proven essential during pandemic – this will release further investments
- 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
- Expertise in optical filters and switches as well as active technology from acquisitions result in cross-selling opportunities

Transportation

- Railway faces temporary headwind – outlook remains positive for medium to long term
- On-board communication for trains becomes more than a niche
- Automotive market back to growth – the market focus lies on electric vehicles over the next years
- Strong demand in short-haul commercial electric vehicles – hydrogen-fuelled vehicles for long-haul require electric power train as well
- Trends towards autonomous driving in automotive and high data rate communication links in cars continue and open opportunities

Outlook 2021

Business outlook for 2021

- First six months of 2021 marked by broad economic recovery, from which HUBER+SUHNER derived above-average benefit.
- Focused business strategy on major social trends, such as sustainable mobility, greater demand for security and rapidly growing data volumes, paved the way – these trends will persist.
- Agility and flexibility in global production network was well managed and contributed to rise in business volume.
- Increase in demand in many industries was reflected in bottlenecks in global supply chains and transport capacities. The thereof resulting higher raw material prices and higher transportation costs will remain a challenge.
- From today's perspective, HUBER+SUHNER expects the positive momentum in important target markets to continue in the coming months.

Outlook on net sales and EBIT for 2021

Provided that the procurement and currency situation remains stable, the company confirms its outlook for the year as a whole of achieving double-digit growth in net sales and an operating margin slightly above the medium-term EBIT target range of 8–10 %.

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Financial calendar

Net sales / Order intake (9 months) 21.10.2021

Net sales / Order intake 2021 21.01.2022

Annual report 2021 08.03.2022

Media and analysts' conference 08.03.2022

Annual General Meeting 06.04.2022

Figures are available online at www.hubersuhner.com/en/company/investors/publications

The background features a complex network of glowing blue nodes connected by thin, light blue lines. The nodes are scattered across the frame, with some appearing brighter than others. The overall aesthetic is futuristic and digital, set against a dark blue gradient background.

Connecting – today and beyond

Disclaimer

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