

## HUBER+SUHNER: Dynamic growth in the first half of the year

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**Lower profitability, but within the mid-term target range - positive signals from strategic growth initiatives**



### Key figures\*

The first half-year saw a mixed picture for HUBER+SUHNER: a significant increase in net sales - compared to the very strong previous year period - stood in contrast to a slightly reduced profitability. Order intake rose sharply to CHF 425.1 million (+9.5 %), while net sales also increased dynamically to CHF 410.7 million (+7.7 %). Growth in net sales, adjusted for currency and copper effects (+0.3 %) and portfolio effects (+2.2 %) was 5.2 %.

EBIT declined to CHF 32.8 million (-21.8 %) due to investments for the future, costs related to the withdrawal from the European railway build-to-print harnessing business and an unfavourable product mix. With an EBIT margin of 8.0 % (previous year 11.0 %), the mid-term target range of 8-10 % was just

achieved. Net income amounted to CHF 23.9 million (previous year CHF 33.0 million), down 27.5 % year-on-year, and return on sales was 5.8 %.

Net sales grew in all three main regions. Business with customers in the APAC region showed the most dynamic development with an increase of 18 %, which already accounted for 39 % of the Group's net sales. Investments in new growth areas were driven forward decisively.

### **Communication and industrial markets grew significantly, decline in transportation**

The communication market once again contributed the most to positive net sales performance. The growth of 14.7 % was mainly driven by projects with large-scale communication equipment manufacturers in Asia, supported by a significant increase in the data center market segment. In the transportation market (-4.2 %), growth in net sales in the automotive submarket could only partially offset the decline in railway business. Net sales rose in all industrial high-tech niches and led to growth of 6.7 % in the industrial market.

### **Radio Frequency remained on a growth path and kept the EBIT margin high**

With an order intake increase of 8.9 % to CHF 123.1 million and net sales rising by 7.0 % to CHF 118.1 million, the Radio Frequency division experienced strong development. This resulted in a high EBIT margin of 13.1 % and an EBIT of CHF 15.5 million, with contribution from the market segments Aerospace+Defense and Test+Measurement. Increased demand for on-board WLAN equipment on trains also had a positive effect.

### **Fiber Optics net sales even higher - increased margin pressure**

In the first half of 2017, net sales also grew very dynamically in the Fiber Optics division, reaching CHF 186.4 million (+18.2 %). Order intake increased by 6.7 % to CHF 181.7 million. The steady expansion of mobile radio networks to the 4G/LTE standard in price-sensitive emerging markets contributed to this development. Business in the data center segment also developed positively, where significant growth potential is still to be expected and appropriate investments have been made. The price pressure on large-scale projects in the communication market has reduced margins. EBIT declined to CHF 16.2 million (-28.1 %) and the EBIT margin to 8.7 %.

### **Low Frequency just in the profit zone - positive signals on the order side**

Net sales in the Low Frequency division fell by 6.2 % in the first half of the year to CHF 106.2 million year-on-year; this was foreseeable due to the low order intake during the second half of 2016. EBIT amounted to CHF 0.5 million, which corresponds to an EBIT margin of 0.4 %. Order intake was at CHF 120.3 million, 14.4 % higher than the figure for the previous year period. This positive development was due to a resurgent railway market in Asia. The continued unsatisfactory profitability in the Low Frequency division was the result of the difficult cable systems business with European railway

customers. Measures introduced in the first half of 2017 have had a negative impact on the results. Their positive effects will, however, become evident in the second half of the year. Upfront investments in the automotive market began to have beneficial effects, e.g. approvals from manufacturers of electric vehicles in the field of high-voltage systems.

## **Outlook**

Compared to a very dynamic first half of the year, which was given an extraordinary boost by the customer project to expand the mobile radio network in India, a slightly lower business volume is assumed for the second half. For this reason, HUBER+SUHNER expects growth of around 5 % in 2017 compared to the previous year, assuming the currency situation remains similar. The EBIT margin is likely to be in the lower half of the mid-term target range of 8-10 %.

*\* Since the beginning of 2017 the consolidated financial statements are prepared in accordance with Swiss GAAP FER. Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability.*

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