

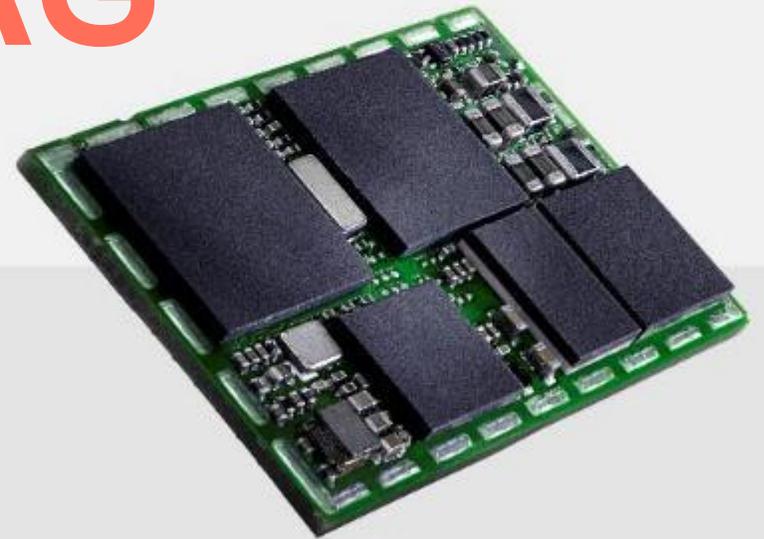
# H1 2020 Results

# u-blox Holding AG

August 21, 2020

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# Agenda



**Financial results H1 2020**

**Highlights H1 2020**

**Business review**

**Strategy**

**Outlook**

**Q&A**

# Half year 2020: Summary financial results



	H1 2020		H1 2019 adjusted <sup>1</sup>	Change 2020 to 2019
	IFRS reported	adjusted <sup>1</sup>		
(CHF millions, except EPS and margins)				
Revenue (at constant exchange rates)	174.0m	174.0m	190.6m	-8.7% ( -5.6% )
Gross Profit	79.0m	79.4m	86.1m	-7.8%
Gross margin (%)	45.4%	45.6%	45.2%	
EBITDA	19.9m	24.1m	32.7m	-26.3%
EBITDA margin (%)	11.4%	13.9%	17.2%	
Operating Profit (EBIT )	-65.8m	13.2m	19.7m	-32.7%
EBIT margin (%)	-37.8%	7.6%	10.3%	
Net Profit	-60.0m	4.7m	13.6m	-65.7%
Cash Flow from operating activities	13.9m	13.9m	33.1m	-58.2%
Free Cash Flow	-21.9m	-21.9m	0.5m	n/a
EPS in CHF, fully diluted	(8.64)	0.67	1.96	

<sup>1)</sup> Excl. Share-based payments, impacts based on IAS-19, amortization of intangible assets acquired, impairments and non-recurring expenses

# Business and product highlights



- Acquired IoT Communication-as-a-Service Provider Thingstream
  - Aligns with strategy to expand services portfolio and accelerates path to achieving silicon-to-cloud differentiation
  - Provides comprehensive, end-to-end solution for global IoT connectivity services using the industry standard MQTT protocol
- Launched important new products across platform
  - R5 chipset certified by AT&T for LTE-M
  - Mesh technology for Bluetooth deployed in modules
  - VERA-P3 V2X module for traffic safety applications
  - Global LPWA cellular module SARA-R422 with increased security and positioning features.
- Continued investing in R&D - capacity maintained
- OPEX cost saving initiated resulting in CHF 15m annual savings

- Financial results reflect impact of COVID-19
  - Total revenues of CHF 174.0m, a decline of -8.7% (-5.6% at constant exchange rates)
  - APAC revenues declined by -2% to CHF 70.1m
  - EMEA revenues declined by -16% to CHF 51.7m as the automotive markets shrunk
  - AMEC revenues decreased by -14% to CHF 48.9m as consumer and fleet management applications softened
- Gross profit margins increased slightly driven by favorable product mix
- EBITDA (adjusted) was CHF 24.1 m, compared to CHF 32.7m last year
- Cash flow from operating activities of CHF 13.9m in H1 2020, compared to CHF 33.1 m last year
- Free cash flow of CHF -21.9m (before acquisitions CHF -8.4m, H1 2019: CHF 3.9m)
- Impairment charge of CHF 74.1 m due to refocusing of R&D programs and market delays in automotive. Actual product offering unaffected.

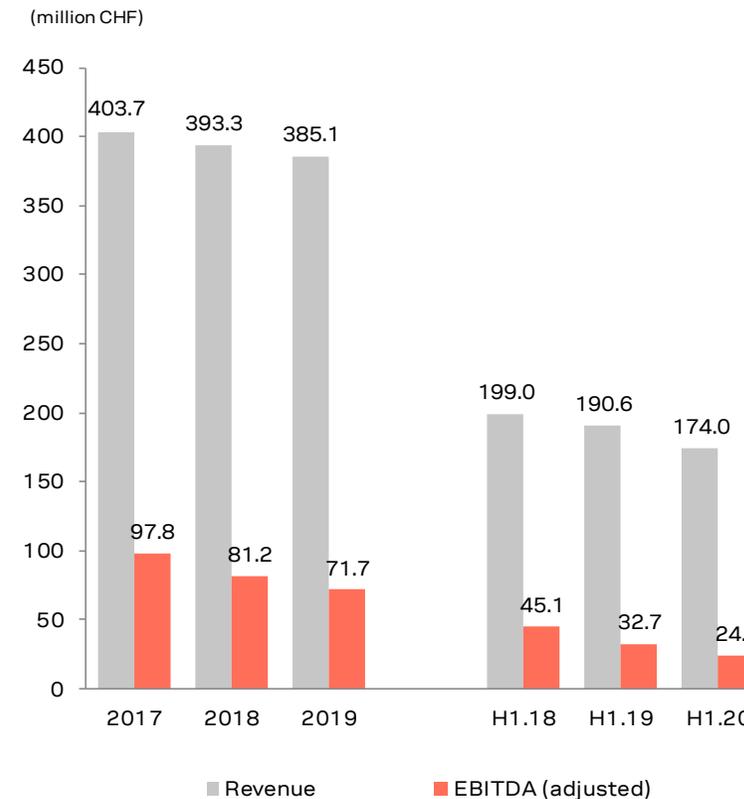
# Revenue and EBITDA



## Comments

- H1 2020 revenue below previous year (-8.7% compared to H1 2019)
- Negative currency impact on revenues at H1 2019 rates: -3.1%
- EBITDA (adjusted) margin of 13.9%

## Revenue and EBITDA (adjusted)

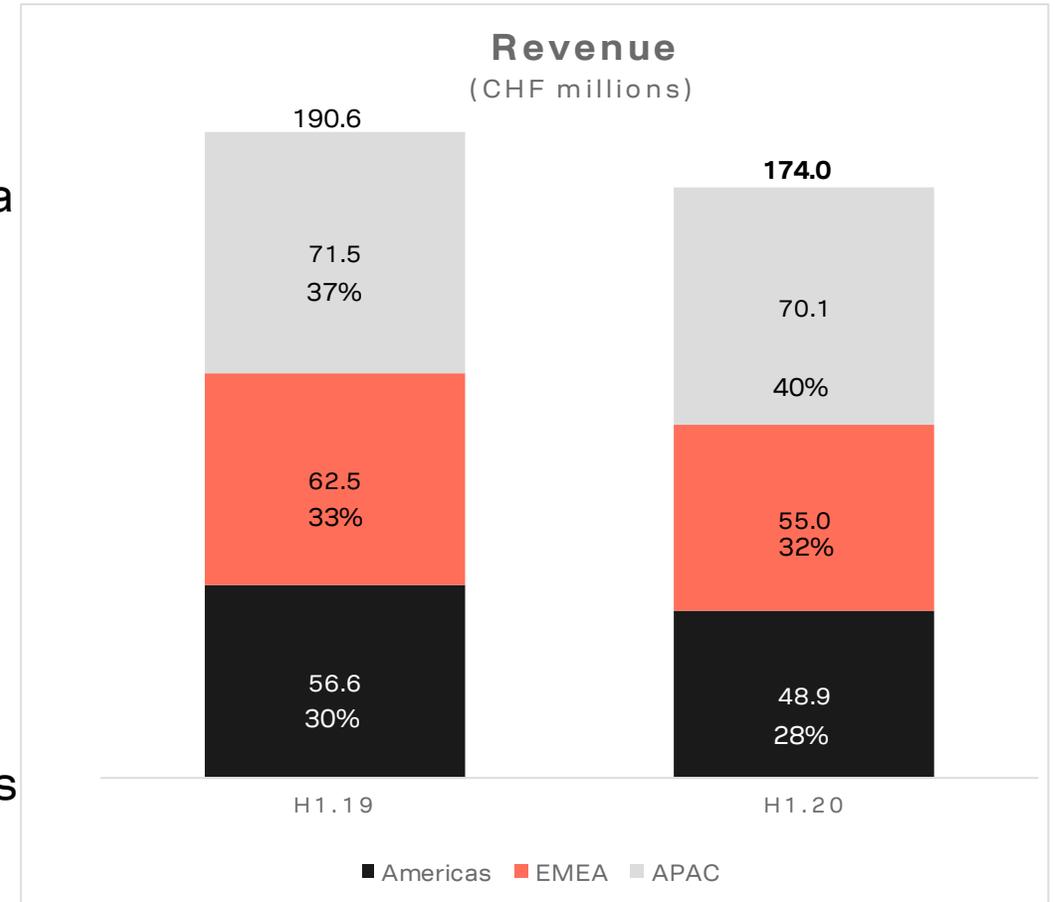


# Revenues by geography



## Comments

- APAC revenue slightly decreased by -2%
  - Strong continued business in China and Korea
  - Negative impact by COVID-19 on automotive and telematics applications
- EMEA revenue decreased by -16%
  - Increased demand for smart city, driver assistance and point-of-sale applications
  - Decline in automotive and micro mobility
- Americas revenue decreased by -14%
  - Growth with industrial automation and fitness
  - Reduced demand for fleet management and consumer applications



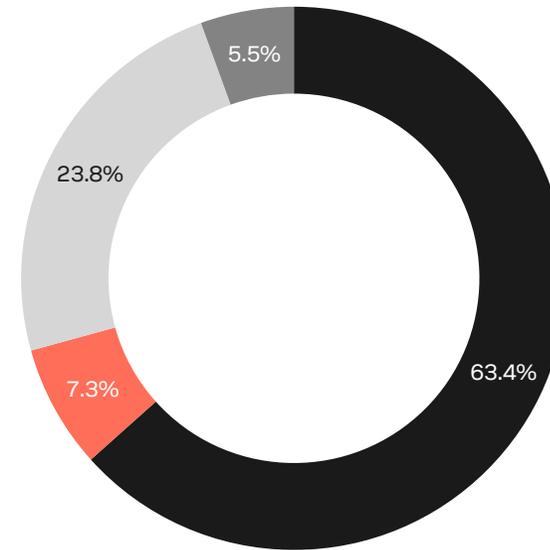
Note: based on reporting area

## Comments

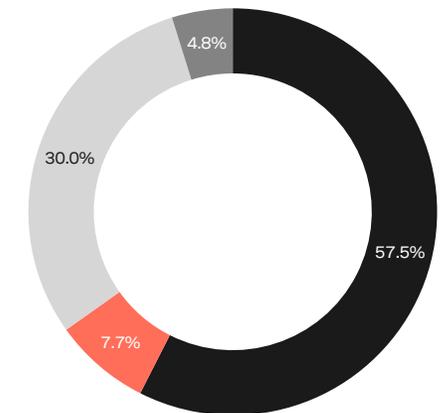
In absolute terms:

- Industrial markets stable
  - Infrastructure
  - Automation
- Automotive market declined
  - In-car navigation
  - In-car connectivity
- Consumer markets declined
  - Most applications with exception of fitness

## Revenue split per market H1 2020



## H1 2019



■ Industrial ■ Consumer ■ Automotive ■ Not assigned

Note: Estimate

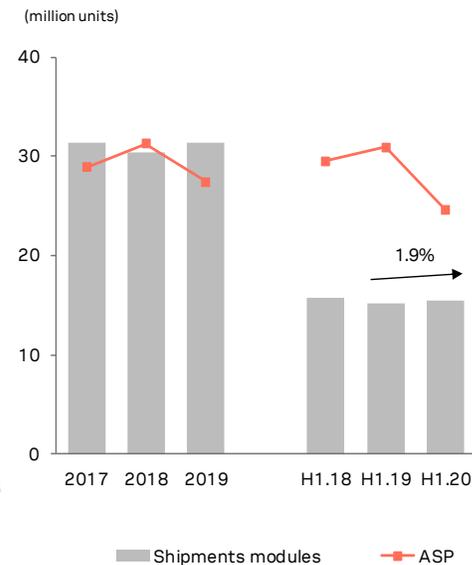
# Shipments and ASP development



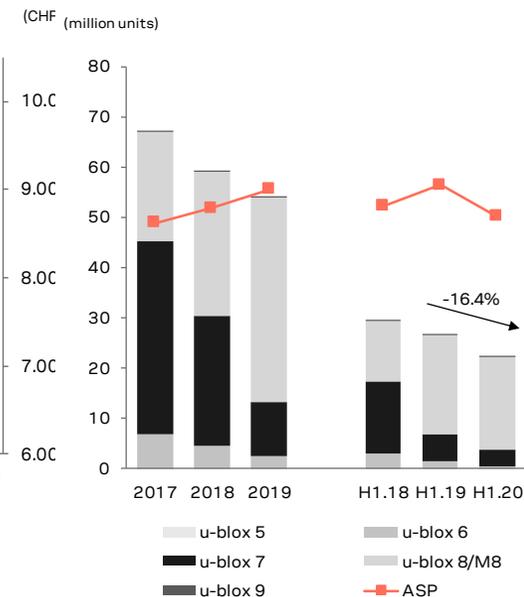
## Comments

- Module business slight increase with decline in ASP due to product mix
- Major volume of chipset sales with u-blox 8/M8
- Decline in overall chipset volume due to decline in consumer and automotive markets, and lower ASP

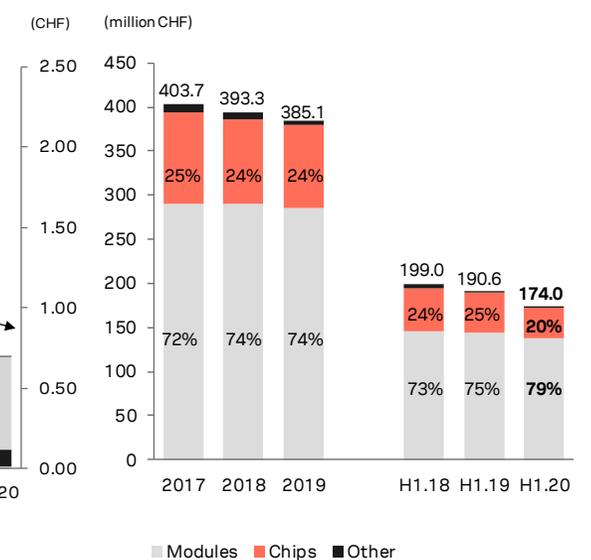
## Modules



## GNSS chips



## Revenue



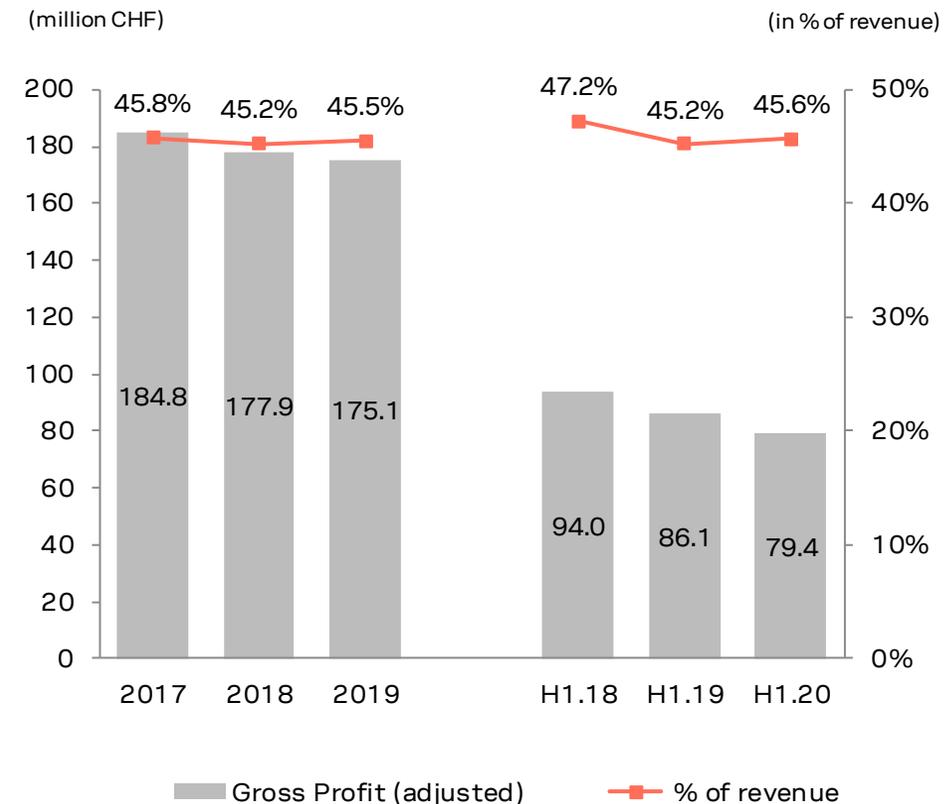
# Gross profit



## Comments

- Gross profit (adjusted) of CHF 79.4m
- Gross profit margin (adjusted) slightly higher than H1 2019
  - H1 2020 margin reflects positive impacts from product mix

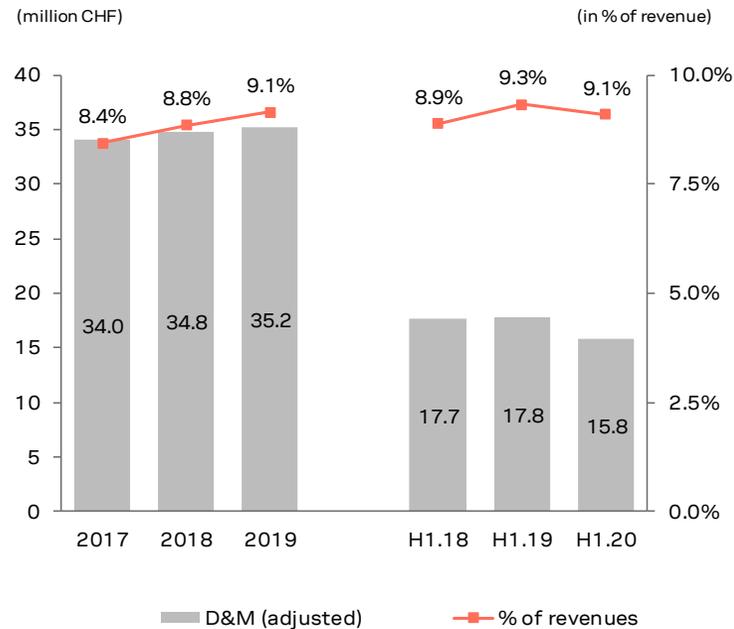
## Gross profit (adjusted) Gross profit margin (adjusted)



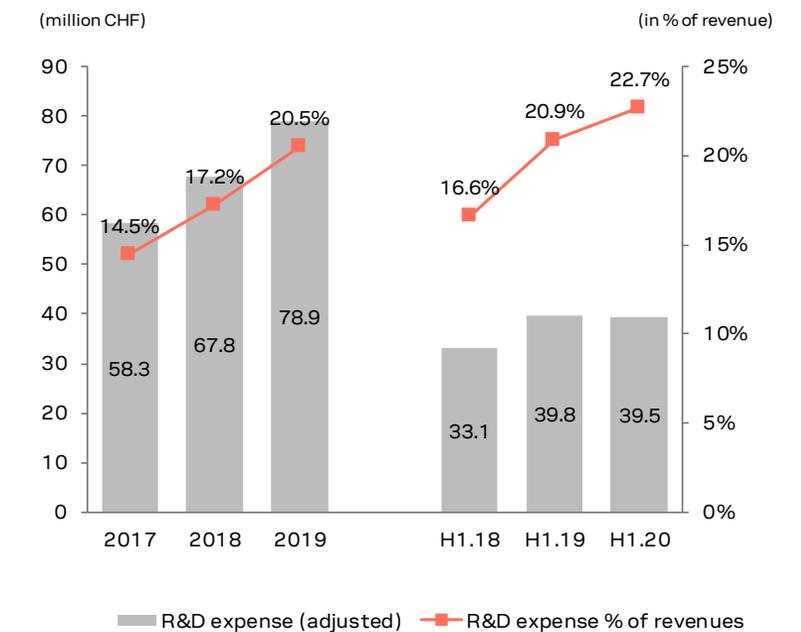
## Comments

- D&M expenses (adjusted) profit from cost savings in H1 2020
- R&D expenses (adjusted) remain stable and R&D pipeline fully maintained
- Reduced cash-out for R&D compared to H1 2019

## D&M expenses (adjusted)



## R&D expenses (adjusted)



# Income statement

## Adjusted and IFRS numbers



### Comments

- Adjustments are share-based payments of CHF 3.3m, pension impact of IAS-19 of CHF 1.0m, amortization of intangible assets acquired of CHF 0.6m and impairments of CHF 74.1m<sup>3</sup>
- Financial costs consists primarily of foreign exchange losses, the interest for the two bonds, and the result of Sapcorda GmbH
- For group adjustments corporate tax rate of 18.1% applied (H1 2019: 16.3%)

(in CHF 000s)	Jan-Jun 2020		Adjustments <sup>2)</sup>	Jan-Jun 2020		Jan-Jun 2019	
	(IFRS)	% revenue		(adjusted)	% revenue	(adjusted)	% revenue
<b>Revenue</b>	<b>173'957</b>	100.0%		<b>173'957</b>	100.0%	<b>190'554</b>	100.0%
Cost of sales	-94'927	-54.6%	362	-94'565	-54.4%	-104'466	-54.8%
<b>Gross Profit</b>	<b>79'030</b>	45.4%	<b>362</b>	<b>79'392</b>	45.6%	<b>86'088</b>	45.2%
Distribution and marketing expenses	-16'907	-9.7%	1'102	-15'805	-9.1%	-17'758	-9.3%
Research and development expenses	-115'483	-66.4%	76'001	-39'482	-22.7%	-39'777	-20.9%
General and administrative expenses	-12'935	-7.4%	1'562	-11'373	-6.5%	-10'255	-5.4%
Other income	505	0.3%		505	0.3%	1'368	0.7%
<b>Operating Profit (EBIT)</b>	<b>-65'790</b>	-37.8%	<b>79'027</b>	<b>13'237</b>	7.6%	<b>19'666</b>	10.3%
Finance income	87	0.1%		87	0.1%	1'762	0.9%
Finance costs	-3'533	-2.0%		-3'533	-2.0%	-3'157	-1.7%
Share of profit of equity-accounted investees, net of taxes	-1'907	-1.1%		-1'907	-1.1%	-1'989	-1.0%
<b>Profit before income tax (EBT)</b>	<b>-71'143</b>	-40.9%	<b>79'027</b>	<b>7'884</b>	4.5%	<b>16'282</b>	8.5%
Income tax expense	11'121	6.4%	-14'328	-3'207	-1.8%	-2'645	-1.4%
<b>Net Profit</b>	<b>-60'022</b>	-34.5%	<b>64'699</b>	<b>4'677</b>	2.7%	<b>13'637</b>	7.2%
Minority interests	-69	0.0%		-69	0.0%		
<b>Net Profit, attributable to equity holders of the parent</b>	<b>-59'953</b>	-34.5%		<b>4'746</b>	2.7%	<b>13'637</b>	7.2%
Earnings per share in CHF	(8.64)			0.67		1.96	
Diluted earnings per share in CHF	(8.64)			0.67		1.96	
<b>Operating Profit (EBIT)</b>	<b>-65'790</b>	-37.8%	<b>79'027</b>	<b>13'237</b>	7.6%	<b>19'666</b>	10.3%
Depreciation and amortization	85'651	49.2%	-74'746	10'905	6.3%	13'072	6.9%
<b>EBITDA<sup>1)</sup></b>	<b>19'861</b>	11.4%	<b>4'281</b>	<b>24'142</b>	13.9%	<b>32'738</b>	17.2%

<sup>3)</sup> Impairment was caused by current market conditions mainly in automotive, changes in business plan expectations and refocusing of various programs. The company's existing lines of product offerings remain unaffected.

<sup>1)</sup> Management calculates EBITDA (earnings before interest, taxes, depreciation and amortization) by adding back depreciation and amortization to operating profit (EBIT), in each case determined in accordance with IFRS.

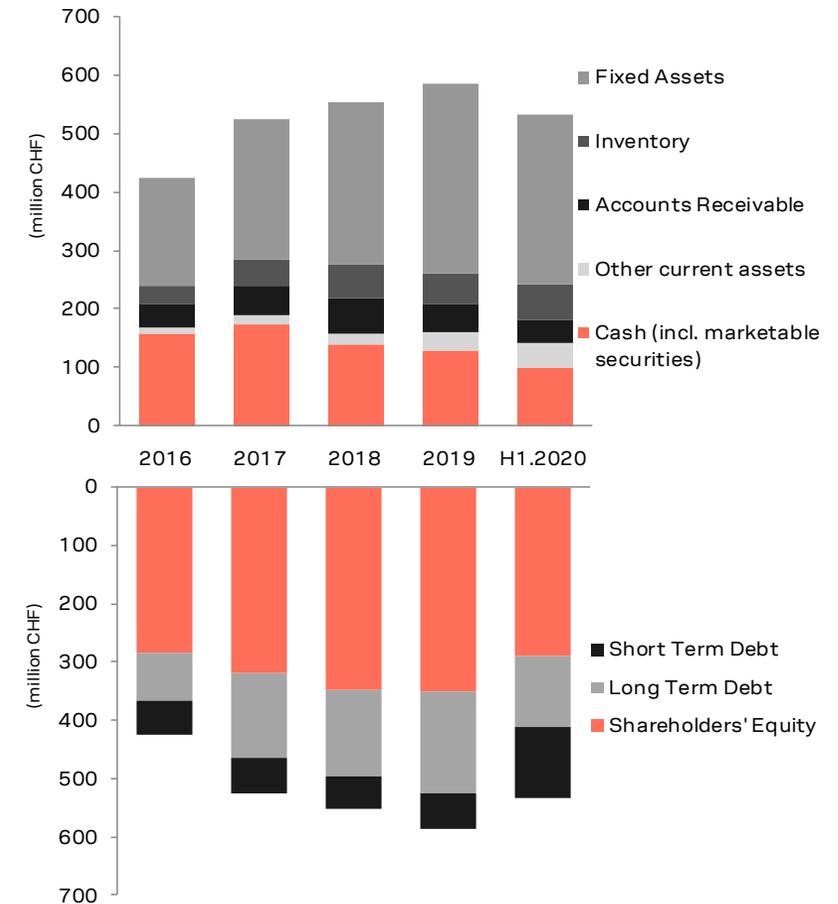
<sup>2)</sup> Adjustments are impacts of share based payments, Pension calculation according to IAS-19, Non-recurring expenses, impairments and amortization of intangible assets acquired

# Statement of financial position



## Comments

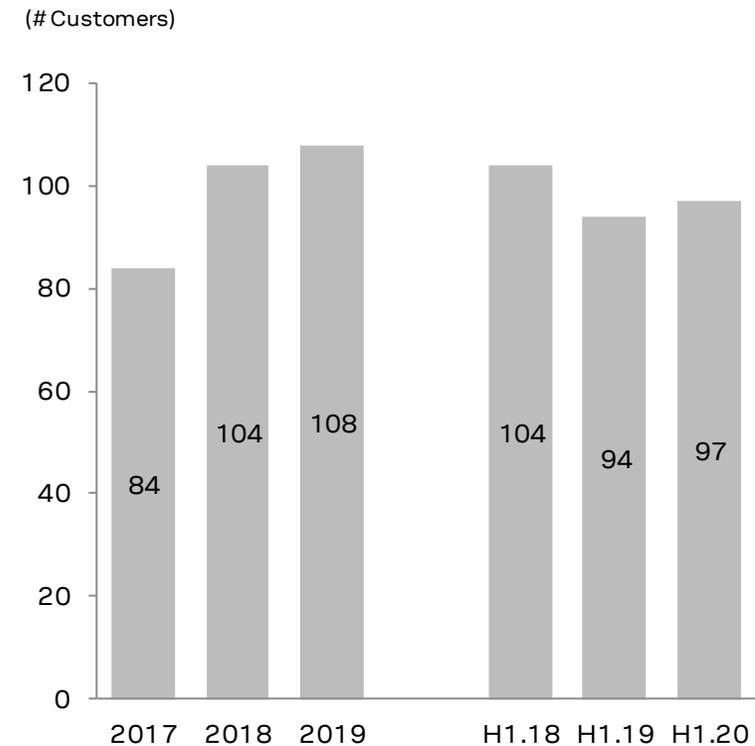
- Strong financial position with a liquidity (incl. marketable securities) of CHF 100.6m (Dec. 2019: CHF 128.3m)
- Inventory CHF 60.5m (Dec. 2019: CHF 51.6m) affected by sudden low demand due to COVID-19 situation
- Trade receivables CHF 39.1m (Dec. 2019: CHF 48.5m)
- Capitalized R&D now CHF 140.2m (2019: CHF 199.9m). Amortization and Impairment of capitalized R&D: CHF 78.4m
- Current liabilities contain trade payables of CHF 26.2m (Dec. 2019: CHF 25.4m) and bond repayable April 2021 of CHF 59.9m
- Non-current liabilities contain bond of CHF 60.7m, deferred tax liabilities CHF 9.0 m, employee benefits (IAS-19) CHF 25.1m, provisions CHF 10.7m



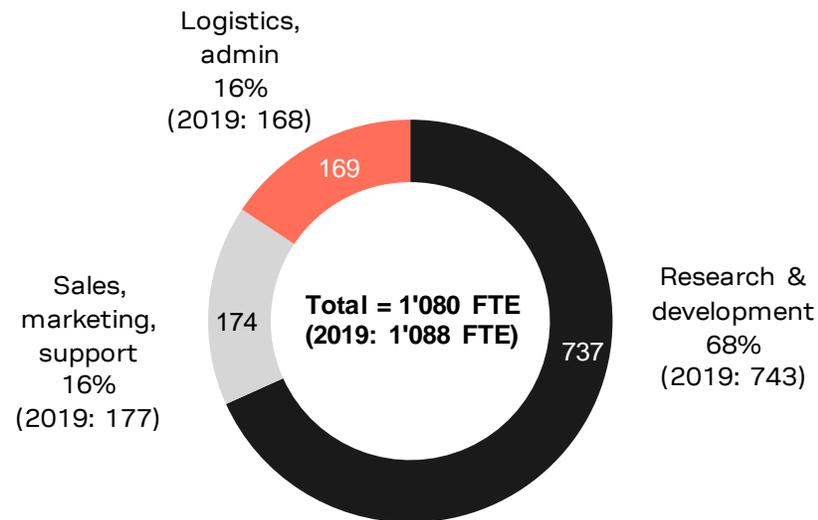
## Comments

- Wide spread across different applications and geographical regions
- Strong and growing customer base, serving 7'600 customers worldwide in 2020 (2019: 7'200 customers)
- Low customer dependency
  - 97 customers total 80% of revenue
  - Largest customer accounts for 8.7% of total revenue in H1 2020
- 10 biggest customers account for 27.8% of total revenue in H1 2020

## Number of customers totaling 80% of revenue

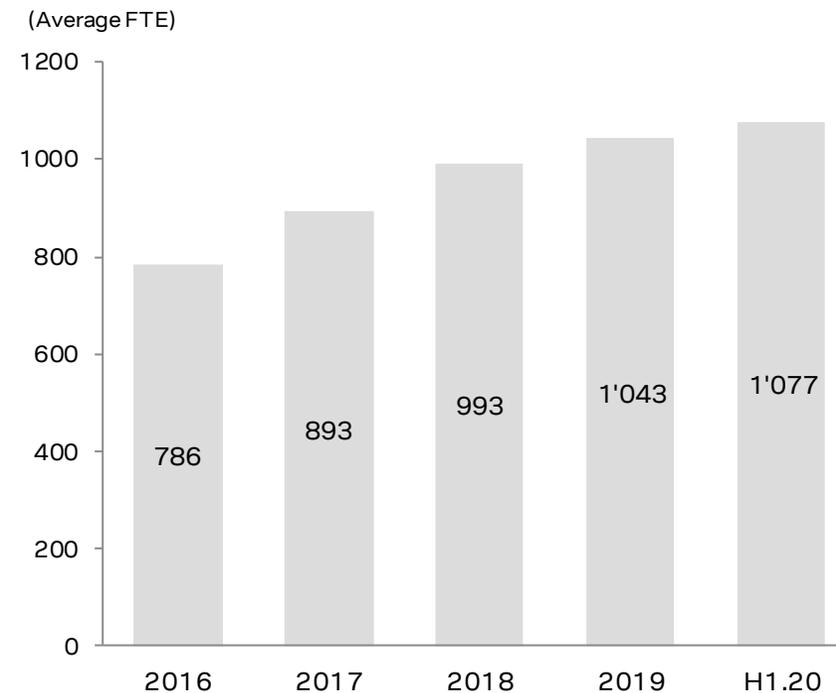


## Employee breakdown (end of June 2020, FTE based)



Note: 75% of employees based outside Switzerland (spread across 18 countries)

## Average number of employees (FTE based)



Note: FTE = full time equivalent

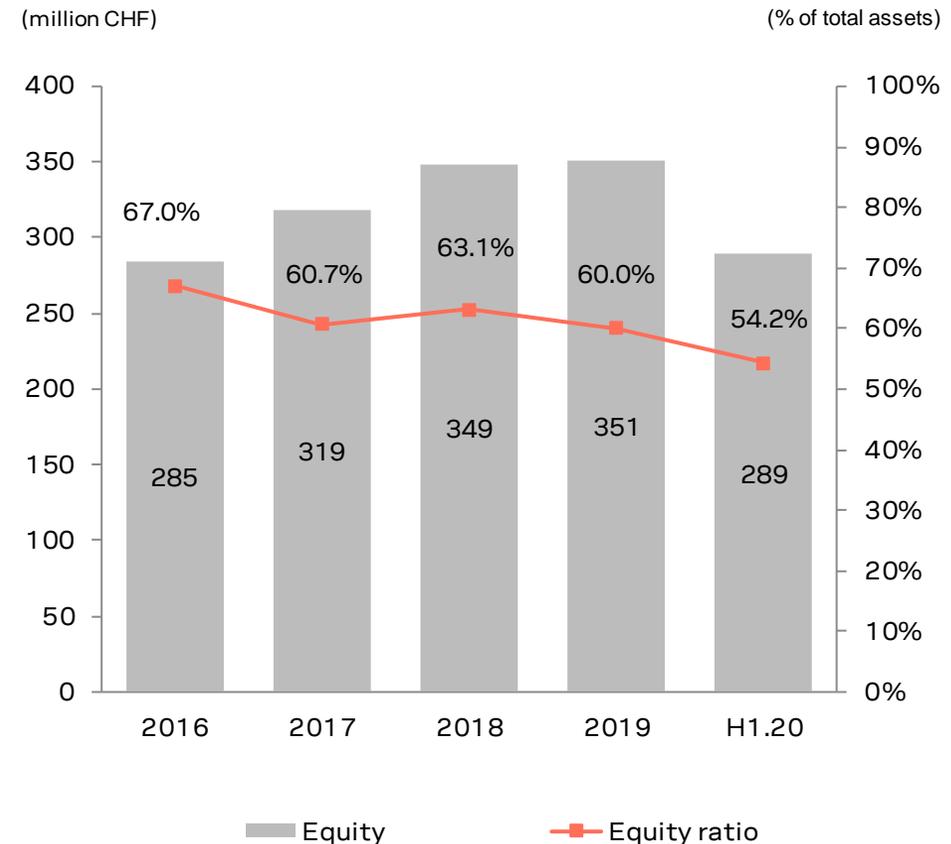
# Statement of financial position



## Comments

- Strong equity base maintained
- Equity ratio of 54.2% (2019: 60.0%)
- Treasury shares for option program CHF 32.0m (Dec. 2019: CHF 32.0m)
- Equity ratio without treasury shares: 56.8% (2019: 62.1%)
- Equity ratio without IFRS 16: 56.4% (2019: 62.3%)
- Minority interests of CHF 0.2m (2019: CHF 0.1m)

## Total equity and equity ratio



# Segment information

## IFRS numbers



	Positioning and wireless products		Wireless services		Total segments		Non-allocated/ eliminations		Group	
(in CHF 000s)	January - June		January - June		January - June		January - June		January - June	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue third parties	173'795	190'433	162	121	173'957	190'554			173'957	190'554
Revenue intragroup			16'519	15'871	16'519	15'871	-16'519	-15'871	0	0
<b>Total revenue</b>	<b>173'795</b>	190'433	<b>16'681</b>	15'992	<b>190'476</b>	206'425	<b>-16'519</b>	-15'871	<b>173'957</b>	190'554
EBITDA <sup>*)</sup>	18'336	25'933	1'525	3'137	19'861	29'070			19'861	29'070
Depreciation	-4'636	-4'945	-1'385	-1'570	-6'021	-6'515			-6'021	-6'515
Amortization	-5'144	-7'638	-382	-11	-5'526	-7'649			-5'526	-7'649
Impairment	-74'104	0			-74'104	0			-74'104	0
<b>Operating profit (EBIT)</b>	<b>-65'548</b>	13'350	<b>-242</b>	1'556	<b>-65'790</b>	14'906	<b>0</b>	0	<b>-65'790</b>	14'906
Finance income									87	1'762
Finance costs									-3'533	-3'157
Share of profit of equity-accounted investees, net of taxes									-1'907	-1'989
<b>EBT</b>									<b>-71'143</b>	11'522

# Consolidated statement of cash flows



## Comments

- Cash flow from operating activities negatively impacted by net working capital of CHF -5.8m (H1 2019: CHF 7.9m)
- Maintained investment activities
- Free Cash Flow (before acquisitions & participations in capital increase) CHF -8.4m (H1 2019: CHF 3.9m)
- Acquisition of Thingstream of CHF 9.3m and further investment into JV Sapcorda and Tashang of CHF 4.2m (H1 2019: CHF 3.4m)

(in CHF 000s)	For the period ended June 30, 2020	For the period ended June 30, 2019
Net Profit	-60'022	9'650
Depreciation & Amortization	85'651	14'164
Other non-cash transactions	3'312	2'547
Financial income & financial expense	5'353	3'384
Income tax expense	-11'121	1'872
Change in net working capital and provision	-5'825	7'900
Income tax paid	-3'493	-6'406
<b>Net cash generated from operating activities</b>	<b>13'855</b>	<b>33'111</b>
Net investment into property, plant and equipment	-2'855	-3'409
Net investment into intangibles	-19'855	-26'408
Net investments into financial assets	467	612
Acquisition of subsidiaries, net of cash acquired & participations	-13'518	-3'386
<b>Net cash used in investing activities</b>	<b>-35'761</b>	<b>-32'591</b>
Free Cash Flow (before Acquisition & participations in capital increase)	-8'388	3'906
Free Cash Flow	-21'906	520
Proceeds from issuance of ordinary shares	0	91
Dividends paid to owners of the parent	0	-11'077
Net proceeds from borrowings	1'076	0
Payment of lease liabilities	-2'313	-2'192
Purchase of treasury shares	0	0
Non-controlling interests	125	0
Interest paid	-2'566	-2'182
<b>Net cash used in financing activities</b>	<b>-3'678</b>	<b>-15'360</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-25'584</b>	<b>-14'840</b>
Cash and cash equivalents at beginning of year	127'424	136'296
Exchange gains/(losses) on cash and cash equivalents	-1'735	-481
<b>Cash and cash equivalents at end of the period</b>	<b>100'105</b>	<b>120'975</b>

# Business update

# Product launches H1 2020



Meeting our customers' needs for secure and simple cloud connectivity



## UBX-R5

UBX-R5 LTE-M/NB-IoT chipset offers unprecedented wireless technology integration with built-in end-to-end security, making it ideal for mission-critical or long life-cycle IoT applications.



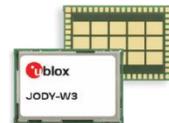
## VERA-P3

Brings easy access to V2X, an essential enabler of increased safety, convenience, and efficiency on the road.



## JODY-W3

Designed for the increasing number of wireless high speed connections that will be required in vehicles.



## M9

M9 platform expanded with additional features. The ultra-robust M9 technology platform will serve demanding automotive and high-end telematics applications.



## Thingstream acquisition

Enables u-blox to expand its services portfolio with the addition of a complete and comprehensive IoT connectivity solution for customers and accelerates path toward achieving unique silicon-to-cloud differentiation.



# Customer relationships: greenTEG

Leverages u-blox connectivity to protect health and safety amid COVID-19 pandemic



- CORE is a wearable for continuous and accurate core body temperature monitoring.
- CORE communicates wirelessly using the u-blox NINA-B306 stand-alone Bluetooth 5 low energy module
- Can be used to track users' wellness status as they return to the workplace from their homes, and alerts them when their core body temperature rises unexpectedly.



- u-blox Bluetooth products dovetail to create pioneering monitoring capabilities

# Customer relationships: WaterLink



Enable wireless mesh networking technology to cut water metering costs

- u-blox's NINA-B3 stand-alone Bluetooth low energy modules and SARA-R410M-02B LTE-M / NB-IoT and EGPRS cellular module for LPWA (low power wide area) applications are being used in a data logger for a smart water metering solution.
- “The combination of scalable mesh IoT network software and robust hardware from u-blox enable us to simplify the installation of water meters and therefore cut the total cost of ownership for customers.”

George P Prencipe, Director of WaterSynergy



- The robustness of the u-blox NINA-B3 module design and software support makes integration simpler.

# Strategy

# Expanding content in automotive market

Improved functionality require more u-blox technology

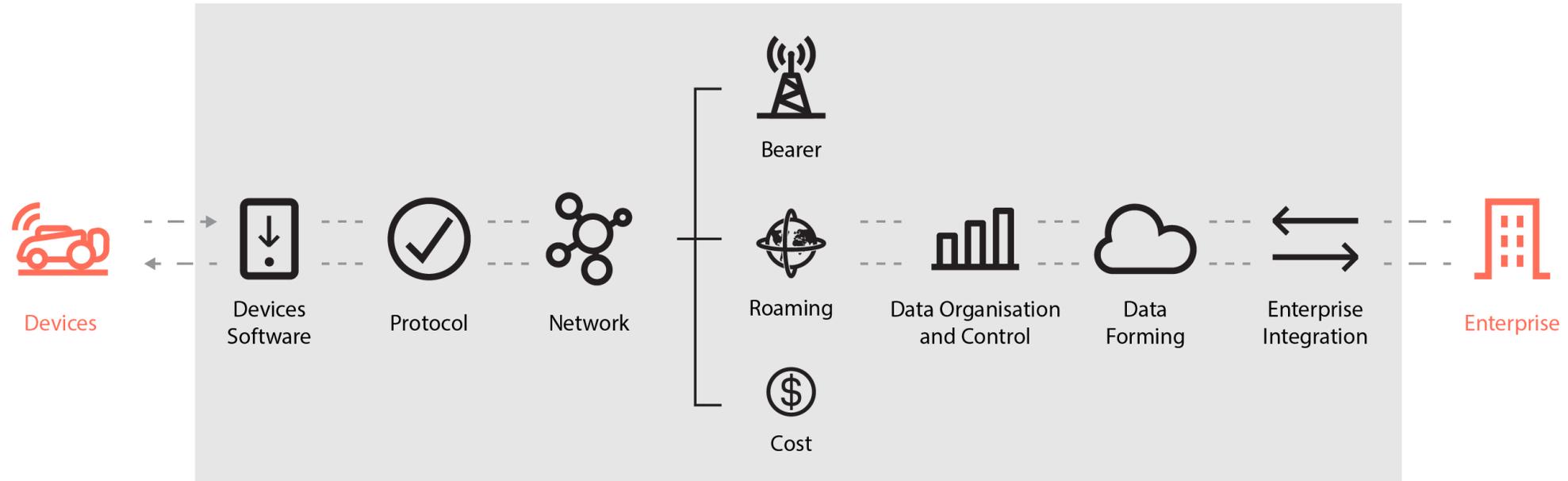


- Driver assistance system for a more comfortable drive
  - Hands-off single-lane driving capabilities
  - Assist the driver with passing, lane diversions and lane exiting on multi-lane highways
  - Enables hands-off driving while cruising in a given lane



# IoT Communication-as-a-Service

We solve the problems of complexity, cost and availability.

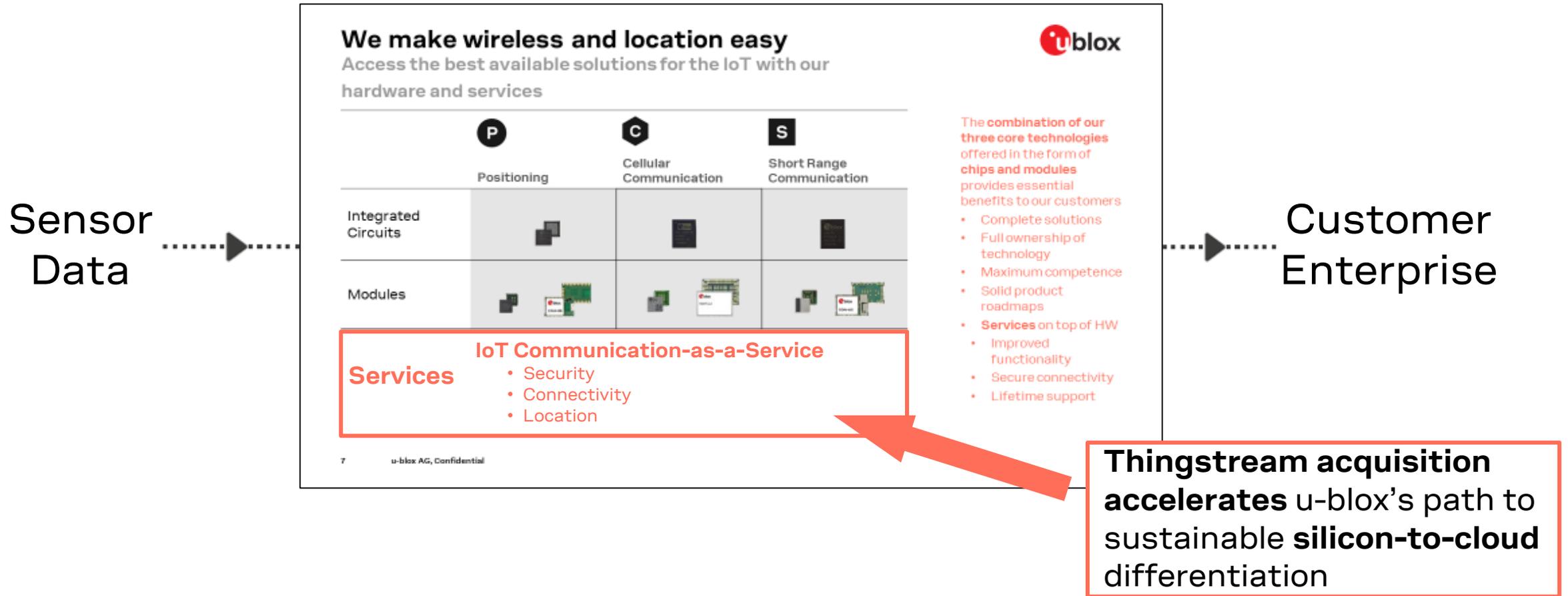


The **complexity of IoT Connectivity** solved by a comprehensive end-to-end solution based on the industry standard MQTT.

**Simplifying cost of ownership** by offering a product “as-a-Service” at **predictable cost with on-demand scalability**.

# u-blox strategic goal (with Thingstream)

Make wireless & location easy



# u-blox joined the GSMA IoT Ecosystem security



- To enable a secure market, companies must take responsibility to embed security from the beginning and at every stage of the IoT value chain.
- u-blox joined the GSMA IoT Ecosystem in February 2020
- u-blox will help strengthen the security in IoT ecosystems using the company's LTE-M and NB-IoT chipsets with the implementation of a set of security features endorsed by the GSMA.
- GSMA IoT ecosystem enables IoT device manufacturers and service providers to use a SIM as a robust and scalable hardware RoT to protect IoT data communications.



# Outlook

# Outlook 2020



Vast uncertainties – 2020 and mid-term guidance retracted

- Continued COVID-19 impact in all regions
- Business prediction difficult with respect to how quickly and strongly economies will recover
- Strong underlying growth drivers remain
  - Content extension in automotive
  - Expansion of industrial IoT
  - Healthy ramp-up with new products

# Upcoming events



- Analyst day 25 November, 2020
- 2020 full year results 12 March, 2021
- Annual general meeting 22 April, 2021

# Thank you for your attention