

u-blox reports first half 2023 results with double-digit revenue growth

- **Revenue increased by 12.9% (+15.0% at constant currencies) to CHF 332.3 million**
- **EBITDA (adjusted) of CHF 84.0 million, compared to CHF 76.6 million, corresponding to an adjusted EBITDA margin of 25.3%**
- **EBIT (adjusted) reached CHF 61.7 million with a corresponding margin of 18.6%**
- **Net profit (adjusted) amounted to CHF 48.3 million**
- **Balance sheet remains solid with net cash position of CHF 54.6 million**
- **Revised FY 2023 guidance in line with market dynamics**

Thalwil, Switzerland – 18 August 2023 – u-blox (SIX: UBXN), a global leader in wireless and positioning technologies, today announced its financial results for the first half-year (H1) ended 30 June 2023.

u-blox achieved strong results in the first half of 2023, with double-digit revenue growth compared to H1 2022. Revenues grew by 15.0% at constant currencies, mostly driven by volume growth in its focus markets of automotive and industrial applications. EBITDA (adjusted) reached CHF 84.0 million, EBIT (adjusted) increased by 7.5% to CHF 61.7 million and net profit amounted to CHF 48.3 million in the period.

After a strong up-cycle, u-blox revises its full-year 2023 guidance, reflecting unfavorable developments in foreign exchange (FX) rates and overstocking by customers as a result of the supply constraints in 2022. Revenues and profitability are thus expected to be negatively impacted in the third quarter (Q3) with an improvement in Q4 2023. As a result, for the full-year u-blox now expects revenues to develop between -6% to 0% and profitability margins in the range of 18-22% for adjusted EBITDA and 10-14% for adjusted EBIT.

Stephan Zizala, u-blox's Chief Executive Officer, commented, "I am pleased with our strong first half-year results. We grew revenues by double digits on top of an exceptional growth realized in the first half of last year. We also achieved good profitability with an EBIT margin of 18.6%, in line with the guidance initially provided for 2023.

In a softening macro-economic and global semiconductor market environment, our orderbook for the second half of 2023 developed more slowly than initially anticipated. Mainly due to unfavorable FX rates and overstocking, we expect Q3 revenues and profitability to be weak, with an improvement in Q4.

While we must deal with cycle adaptation, I remain very confident about u-blox's long-term outlook and growth trajectory thanks to our strong structural growth drivers in automotive and industrial target applications. We are winning important new projects at leading customers. A large design-win for automated driving ramping in 2026 and an innovative approach for satellite IoT connectivity are testimony to these future development prospects."

H1 2023 operational highlights

Automotive

- We secured a design-win in autonomous driving with a leading car manufacturer valued in the mid double-digit million CHF range over the life of the agreement with deliveries expected to commence in 2026.
- JODY-W5 is u-blox's newest dual-band Wi-Fi 6 and dual-mode Bluetooth® 5.3 module. This automotive-grade module with Bluetooth LE audio in a compact form factor is ideal for preventing wireless network congestion in the car and delivering enhanced audio functionalities.

Industrial

- We formed an exclusive partnership with Orbcomm, an American supplier of satellite connectivity, modems and terminals to the industrial IoT market. Such connectivity is essential for application in areas with weak communication infrastructure thus assuring ubiquitous connectivity. u-blox will be able to cover Orbcomm's satellite protocols and 3GPP LTE-M needs, at attractive cost.
- We also launched NEO-F9P and ZED-F9P-15B: The low-power, small-sized NEO-F9P module supports precise navigation and automation of moving industrial machinery. Our ZED-F9P-15B module provides customers in the mobile robotics market with an L1/L5 frequency bands in addition to L1/L2 option bands for enhanced functional robustness.

Financial overview

In the first half of 2023, u-blox generated revenues of CHF 332.3 million, an EBIT (adjusted) of CHF 61.7 million and net profit (adjusted) of CHF 48.3 million. Revenues in most regions and markets were higher compared to the first half of 2022, reflecting strong and broad-based expansion of overall demand for existing and new products, from both automotive and industrial target markets. Foreign currency exchange (FX) rates had a negative effect of -2.1% on revenue, mainly from the weakening of the US Dollar versus the Swiss Franc.

Revenues by region

- APAC: revenues in the first half of 2023 increased strongly to CHF 144.6 million from CHF 114.5 million in the same period last year (+26.3%) mainly driven by good demand from automotive customers, safety stock build-up for a healthcare customer and deliveries of the 2022 order backlog.
- EMEA: in the first six months of 2023 revenues amounted to CHF 105.7 million, up from CHF 83.6 million one year earlier (+26.4%) primarily thanks to a ramp up of the tracking business and deliveries of the 2022 order book.
- AMEC: revenues in the year to June reached CHF 82.0 million compared to CHF 96.3 million in the first half of 2022 (-14.8%) and are lower primarily due to a demand reduction in healthcare and consumer applications.

Revenues by market

- Automotive: H1 2023 revenues grew by 20.4% to CHF 100.6 million from CHF 83.5 million in H1 2022 driven by new products and deliveries of the 2022 order book.
- Industrial: H1 2023 revenues increased to CHF 217.9 million from CHF 179.0 million in H1 2022 (+21.7%) primarily thanks to market share gains, strong demand in tracking and deliveries of the 2022 order book.
- Consumer / Others: H1 2023 revenues amounted to CHF 13.8 million after CHF 31.8 million in H1 2022 (-56.5%) primarily due to the decline in consumer demand since mid-2022.

Gross profit (adjusted) increased by 8.2% to CHF 155.6 million in the first half of 2023 from CHF 143.8 million in the same period in 2022. The respective gross profit margin (adjusted) amounted to 46.8% (H1 2022: 48.9%), mainly due to product mix changes, while pricing deflation did not play a major role.

R&D expenses (adjusted) of CHF 59.9 million in the first six months of 2023 compare to CHF 52.6 million during the same period last year, an increase of 14.0%. As percentage of revenue, they stood at 18.0%, 20 basis points higher than in H1 2022, due to a lower average capitalization rate in the period.

Sales, General and Administration expenses adjusted (SG&A adjusted) of CHF 34.0 million in H1 2023 were flat in absolute terms (CHF 33.8 million in H1 2022). As percentage of revenues, SG&A (adjusted) reduced significantly to 10.2% from 11.5% in the prior year period. The reduction reflects u-blox's operational leverage capabilities following revenue growth in addition to lower personnel expenses related to variable compensation.

Net finance results (adjusted) in the first half of 2023 amounted to CHF -3.9 million after CHF +2.4 million in H1 2022. Excluding FX effects, net finance costs (adjusted) remained practically stable at CHF -0.4 million in H1 2023 vs. CHF -0.7 million. FX results of CHF -3.4 million in the first six months of 2023 (realized: CHF -2.2 million; unrealized: CHF -1.2 million) compared to CHF +3.1 million in the same period last year (realized: CHF +2.0 million; unrealized: CHF +1.1 million).

Net profit (adjusted) increased to CHF 46.1 million as compared to CHF 48.3 million in the prior year period. Diluted EPS (adjusted) in H1 2023 amounted to CHF 6.67 per share compared to CHF 7.00 per share in H1 2022.

Cash Flow

Cash flow from operations came in at CHF 10.5 million in the first half of 2023, compared to CHF 30.4 million in H1 2022. Free cash flow was CHF -12.9 million in H1 2023 compared to CHF 6.6 million in the prior year period. Change in net working capital was CHF -67.0 million in H1 2023 vs. CHF -51.8 million in H1 2022. Income tax paid was CHF -3.6 million in H1 2023, from CHF +4.4 million received in the first half of 2022.

Capex in absolute terms of CHF 23.4 million in the first half of 2023 compares to CHF 24.4 million in H1 2022. As percentage of revenues, Capex reduced to 7.0% from 8.3% in H1 2022, reflecting a lower average R&D capitalization rate.

Balance Sheet

The net cash position on 30 June 2023 stood at CHF 54.6 million after dividend payment of CHF 14.2 million, repayment of the CHF 60 million bond in April 2023 and a subsequent drawn-down of a CHF 40 million short-term bank facility vs. CHF 77.8 million on 31 December 2022.

Outlook

u-blox revises its full-year guidance from March 2023, reflecting unfavorable developments in FX rates and overstocking of customers. While H1 still benefited from the strong order book at the beginning of the year, the reduction of lead times and more careful ordering to adjust to the overstocking effects are expected to negatively impact revenues in the third quarter (Q3) with an improvement in Q4 2023. Effects impacting profitability include lower operational leverage, inventory cost at higher FX rates and lower gross margin due to changes in product mix.

u-blox remains positive on its long-term development prospects. Demand and requirements for semiconductor solutions for automated and autonomous driving, asset tracking, healthcare offerings and industrial automation will grow significantly. Confirmed by our design wins, u-blox is well on track to grow with its positioning and wireless connectivity semiconductor solutions and services business.

Revised guidance

	FY 2022 As Reported	Guidance FY 2023	
		10 March 2023 ¹⁾	18 August 2023 ²⁾
Revenue (MCHF)	624	+37 ... +100	-39 ... +1
Revenue growth		+6 to +16%	-6 to +0%
EBITDA margin (adjusted)	27.2%	21 to 24%	18 to 22%
EBIT margin (adjusted)	21.0%	14 to 18%	10 to 14%

¹⁾ Exchange rate assumptions for 2023: USD: 0.98, EUR: 0.99, GBP: 1.18

²⁾ Exchange rate assumptions for 2023: USD: 0.89, EUR: 0.97, GBP: 1.12

Key figures

(MCHF)	H1 2023	H1 2022	%
Revenue	332.3	294.4	12.9%
EBITDA (adjusted)	84.0	76.6	9.8%
EBITDA margin (adjusted)	25.3%	26.0%	-0.7%
EBIT (adjusted)	61.7	57.4	7.5%
EBIT margin (adjusted)	18.6%	19.5%	-0.9%
Free Cash Flow	(12.9)	6.6	

For the full condensed consolidated interim financial statements and definitions of alternative performance indicators, please refer to our [Half-year Report 2023](#).

Conference call and webcast details

For details on the first half 2023 webcast, please click [here](#).

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About u-blox

u-blox (SIX:UBXN) is a global technology leader in positioning and wireless communication in automotive, industrial, and consumer markets. Their smart and reliable solutions, services and products let people, vehicles, and machines determine their precise position and communicate wirelessly over cellular and short-range networks. With a broad portfolio of chips, modules, and secure data services and connectivity, u-blox is uniquely positioned to empower its customers to develop innovative and reliable solutions for the Internet of Things, quickly and cost-effectively. With headquarters in Thalwil, Switzerland, the company is globally present with offices in Europe, Asia, and the USA.

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