



Press release

u-blox increased profitability and continues growth

2016 Half year highlights

- Revenues increased to CHF 179.7 million, up 11.0% compared to exceptional strong H1 2015
- EBIT improved by 12.3% to CHF 27.8 million, a 15.5% margin
- Cash flow from operating activities rose 27.9% to CHF 26.3 million
- Net profit increased by 23.6% to CHF 18.5 million improving net profit margin to 10.3% (H1 2015: 9.2%)
- Full year revenue expectations slightly adjusted, mid and long term outlook unchanged, focus on high-margin quality
- Strong product pipeline mirrors company's innovation power

Thalwil, Switzerland – August 26, 2016 – u-blox (SIX:UBXN), a global leader in wireless and positioning modules and chips, today announced its financial results for the first half year. u-blox continued its positive financial performance, reaching another improvement of the profitability, and posting double-digit growth in revenues. Consolidated revenues for the first half of 2016 stood at CHF 179.7 million, representing an increase of 11.0% over the comparable period in 2015, when the company had enjoyed an exceptional strong growth.

u-blox achieved strong increase in gross profit from CHF 72.8 million to CHF 82.5 million, with the gross profit margin continuing at high 45.9%. Operating profit (EBIT) rose from CHF 24.8 to CHF 27.8 million, an improvement of 12.3% over the same period last year thanks to managing the business for favorable product mix which is also reflected in the again increased EBIT margin of 15.5%. The EBITDA margin stood at 21.8%. Net profit increased by 23.6% from CHF 15.0 million to CHF 18.5 million, representing a 10.3% net profit margin for the period under review. Strong net cash flow generated from operating activities was CHF 26.3 million, an increase of 27.9% and representing 14.6% of revenue. The balance sheet was further reinforced, with a high equity ratio of 65.4%.

u-blox remains confident to continue on its path of growth and to meet its mid and long term revenue and profit goals. The company's innovation power mirrors in a strong pipeline with numerous customers scheduling ramp-ups for major projects in the short and long term.

Revenue development and breakdown

Both segments in which u-blox operates - positioning and wireless products, and wireless services - continued their double-digit growth path in the first half of 2016:

Revenues for chips and modules for positioning and wireless connectivity were CHF 179.5 million for the first half of 2016 compared with CHF 161.8 million during the same period last year (+11.0%), while revenues for wireless services (including intra-group revenue) were CHF 15.1 million compared with CHF 12.8 million in the first half of 2015 (+17.8%).

In the first half of 2016, the company generated about 80% of its total revenue from 63 customers. u-blox's largest customer accounted for less than 8% of revenue. u-blox served over 5700 customers and achieved global expansion into new regions and markets.

During this period, Asia-Pacific accounted for 46.0%, EMEA for 25.5% and the Americas for 28.5% of total revenue. u-blox reported increased revenues across all regions. Revenue for Asia Pacific grew by 9.4% to CHF 82.6 million, for EMEA by 15.4% to CHF 46.0 million and for America by 9.8% to CHF 51.1 million.

Positive developments in all regions

The Asia-Pacific economies remain robust: all countries reported continued growth, resulting in a 9.4% increase in revenues for the first half year, mainly driven by strong chipset sales. The company sees customers in all countries ramping up new product applications with a view to expanding their business. u-blox consolidated its reputation for cutting-edge innovation, and the launch of new products remains central to our drive to attract new customers.

In the Americas market, after extraordinarily strong growth (48.1%) over the same period in 2015 with several projects ramping up, business expanded with 9.8% more slowly as the product mix changed to products with lower ASP but at higher margins. u-blox products and technologies continue to attract strong interest, and as new projects took shape they will provide a firm foundation for continued growth.

Europe, the Middle East and Africa (EMEA) posted a growth of 15.4%, positively supported by all sub-regions. High demand for automotive and industrial applications, supported by dynamic growth in infrastructural applications, resulted in this strong increase in revenue.

u-blox profits from its successful position supporting applications that are expanding with the continued increase of people's mobility that translates into a large variety of expanding markets. More automation, digitalization of products or the impact of the cloud on business models are the concrete new events for what u-blox technology is applied. In all regions, u-blox recorded a significant rise in new business opportunities and is currently working on a number of highly promising new applications.

Increased gross profit

Gross profit increased by 13.4% to CHF 82.5 million during the first half of 2016, up from CHF 72.8 million in the same period last year. Gross profit margin increased from 44.9% to 45.9% over the respective periods, mainly driven by a positive product mix effect.

Research and product development

R&D expenses during the first half year were CHF 32.1 million, compared with CHF 29.9 million in the first half of 2015. As a percentage of revenue, R&D expenses were 17.9%, compared with 18.5% in 2015.

Distribution and marketing activities

During the period under review, distribution and marketing expenses were up from CHF 13.3 million to CHF 15.9 million due to an increase in activities. As a percentage of revenue, distribution and marketing expenses stood at 8.8%, compared with 8.2% in the same period last year.

Profitability further strengthened

The first half year saw an encouraging rise in EBIT for u-blox's product and service business segments. EBIT rose by 3.0 million to CHF 27.8 million, which represents a 12.3% increase over the same period last year and a once more increased EBIT margin of 15.5%. Net profit rose by 23.6% to CHF 18.5 million, the equivalent of a 10.3% net profit margin. The EBITDA margin stood at 21.8% (H1 2015: 22.6%). The focus on favorable product mix delivered a further expansion of profitability.

Positive net cash generated from operating activities

In the first half of 2016, u-blox generated cash from operating activities amounting to CHF 26.3 million as compared to CHF 20.5 million last year, a remarkable increase of 27.9%.

Finance income and costs

Finance income was CHF 0.1 million and finance costs were CHF 3.0 million, mainly due to negative foreign currency impacts and the interest of the bond issued in 2015.

Strong financial position

u-blox's strong balance sheet was further reinforced during the first half of 2016 with an equity ratio of 65.4%. Cash, cash equivalents and marketable securities amounted to CHF 117.4 million at June 30, 2016, compared with CHF 124.0 million at December 31, 2015.

Strategic highlights and initiatives

During the first six months of 2016, the company made further inroads into the expanding Narrowband Internet of Things (NB-IoT) market. NB-IoT is a new cellular standard targeted for a low-cost way of connecting up devices that require small amounts of data and low power consumption autonomously from batteries over long periods of time. Its suitability for a vast range of markets and applications has made it a strategic focus for the near future.

At the same time, the company made significant progress in centimeter-level GNSS positioning for the mass market with the world-leading NEO-M8P high-precision modules and aim to develop this promising new product significantly going forward.

u-blox also expanded its presence in most sales offices by adding more staff and moving to bigger offices. These moves come with a growing business in response to our expanding telematics and IoT markets.

New product rundown

In the first half of 2016 the company launched many of promising new products essential to satisfying our customers' wide-ranging and continuously changing needs. As elements in a pipeline of innovations, these new products are essential to strengthen and expand u-blox's position in the markets of the future.

Early in the year, u-blox unveiled a number of important positioning products like the u-blox M8 multi-GNSS receivers, now supporting Galileo as well as GPS, GLONASS, BeiDou, QZSS and SBAS. It provides access to an additional 24 satellites, further improves positioning accuracy in challenging urban environments and supports eCall, the European emergency call system.

An essential expansion of the positioning product offering for low-power devices was realized with the new GPS/GLONASS receiver platform u-blox 8 which ensures low power consumption without compromising performance.

Standout products included NEO-M8U, the industry's first untethered 3D dead reckoning (UDR) module. The device leads the way in automotive GNSS innovation and is ideal for use in urban canyons, tunnels and parking garages. Another trailblazing module is the NEO-M8P GNSS receiver, which was designed for countless operations where pinpoint precision is a key feature, such as unmanned vehicles and robotic guidance systems.

An important short range radio product set the NINA-B1, a Bluetooth low-energy stand-alone module. Compliant with the latest Bluetooth 4.2 specifications and certified for global use, the module is on track for a big future in healthcare and automotive applications.

The LILY-W1 single-band 802.11n 2.4 GHz Wi-Fi transceiver module provides Wi-Fi connectivity to an increasingly broad range of industrial and commercial products with LTE internet connectivity. It has a bulk acoustic wave filter that ensures Wi-Fi performance does not deteriorate close to an LTE transceiver.

The new ultra-compact SARA-U201 is the smallest cellular module that supports both 2G and 3G connectivity, making it ideal for a wide range of industrial, automotive telematics and consumer applications.

Board and management members

During the period under review, Soo Boon Koh retired from the board. Her seat was taken by Gina Domanig, who holds triple (Swiss, US and French) nationalities. Gina Domanig is a Member of the Board with Die Mobiliar Genossenschaft, Switzerland, and Chairman of the Board at the Energy Venture Forum, Switzerland.

Outlook

For 2016, u-blox anticipates EBIT of between CHF 56 million and CHF 60 million (unchanged), based on slightly revised revenue predictions of between CHF 375 million and CHF 385 million. Mid and long term perspectives remain unchanged.

Table 1: consolidated income statement

(in CHF 000s)	Jan. - June 2016		Jan. - June 2015		Jan. - Dec. 2015	
	(unaudited)	% revenue	(unaudited)	% revenue	(audited)	% revenue
Revenue	179'688	100.0%	161'912	100.0%	338'341	100.0%
Cost of sales	-97'205	-54.1%	-89'158	-55.1%	-183'323	-54.2%
Gross profit	82'483	45.9%	72'754	44.9%	155'018	45.8%
Distribution and marketing expenses	-15'886	-8.8%	-13'336	-8.2%	-27'659	-8.2%
Research and development expenses	-32'092	-17.9%	-29'942	-18.5%	-65'033	-19.2%
General and administrative expenses	-7'878	-4.4%	-6'369	-3.9%	-13'509	-4.0%
Other income	1'216	0.7%	1'686	1.0%	2'474	0.8%
Operating profit (EBIT)	27'843	15.5%	24'793	15.3%	51'291	15.2%
Financial income	123	0.1%	198	0.1%	996	0.3%
Finance costs	-3'016	-1.7%	-6'502	-4.0%	-4'674	-1.4%
Profit before income tax (EBT)	24'950	13.9%	18'489	11.4%	47'613	14.1%
Income tax expense	-6'453	-3.6%	-3'525	-2.2%	-10'515	-3.1%
Net profit, attributable to owners of the parent	18'497	10.3%	14'964	9.2%	37'098	11.0%
Operating profit (EBIT)	27'843	15.5%	24'793	15.3%	51'291	15.2%
Depreciation and amortization	11'301	6.3%	11'748	7.3%	27'421	8.1%
EBITDA ¹⁾	39'144	21.8%	36'541	22.6%	78'712	23.3%

¹⁾ 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.

Table 2: consolidated statement of cash flows (condensed)

(in CHF 000s)	Jan. - June 2016 (unaudited)	Jan. - June 2015 (unaudited)
Net cash generated from operating activities	26'256	20'522
Net cash used in investing activities	-19'622	-15'751
Net cash provided by financing activities	-11'581	33'232
Net increase/(decrease) in cash and cash equivalents	-4'947	38'003
Cash and cash equivalents at beginning of period	112'387	37'662
Effect of exchange rate fluctuations on cash and cash equivalents	-175	-936
Cash and cash equivalents at end of period	107'265	74'729

Table 3: consolidated statement of financial position (condensed)

(in CHF 000s)	At June 30, 2016 (unaudited)	At December 31, 2015 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	107'265	112'387
Marketable securities	10'150	11'659
Other assets	96'400	95'723
Total current assets	213'815	219'769
Non-current assets		
Property, plant and equipment	13'785	14'708
Intangible assets	152'680	144'758
Financial assets	787	678
Deferred tax assets	7'079	6'930
Total non-current assets	174'331	167'074
Total assets	388'146	386'843
LIABILITIES AND EQUITY		
Current liabilities	46'070	55'405
Non-current liabilities	88'072	83'117
Total liabilities	134'142	138'522
Shareholders' equity		
Share capital	6'125	6'053
Share premium	73'345	84'006
Retained earnings	174'534	158'262
Total equity, attributable to owners of the parent	254'004	248'321
Total liabilities and equity	388'146	386'843

For more information, please view the 2016 Half-Year Report and presentation slides online at:

<http://www.u-blox.com/en/reports.html>

<http://www.u-blox.com/en/presentations.html>

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Financial calendar

Investor and analyst day: September 23, 2016

2016 Full year results: March 16, 2017

Annual general meeting: April 25, 2017

About u-blox

Swiss u-blox (SIX:UBXN) is a global leader in positioning and wireless semiconductors and modules for the automotive, industrial and consumer markets. Our solutions enable people, vehicles and machines to locate their exact position and communicate wirelessly over cellular and short range networks. With a broad portfolio of chips, modules and software solutions, u-blox is uniquely positioned to empower OEMs to develop innovative solutions for the Internet of Things, quickly and cost-effectively. With headquarters in Thalwil, Switzerland, u-blox is globally present with offices in Europe, Asia and the USA.

(www.u-blox.com)

Disclaimer

This release contains certain forward-looking statements. Such forward-looking statements reflect the current views of management and are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the u-blox Group to differ materially from those expressed or implied. These include risks related to the success of and demand for the Group's products, the potential for the Group's products to become obsolete, the Group's ability to defend its intellectual property, the Group's ability to develop and commercialize new products in a timely manner, the dynamic and competitive environment in which the Group operates, the regulatory environment, changes in currency exchange rates, the Group's ability to generate revenues and profitability, and the Group's ability to realize its expansion projects in a timely manner. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report. u-blox is providing the information in this release as of this date and does not undertake any obligation to update any forward-looking statements contained in it as a result of new information, future events or otherwise.

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