

H1/2014 Results u-blox Holding AG

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Agenda

- Introduction
- Operational highlights H1/2014
- Financial results H1/2014
- Business review
- Outlook
- Q&A

Operational highlights H1/2014

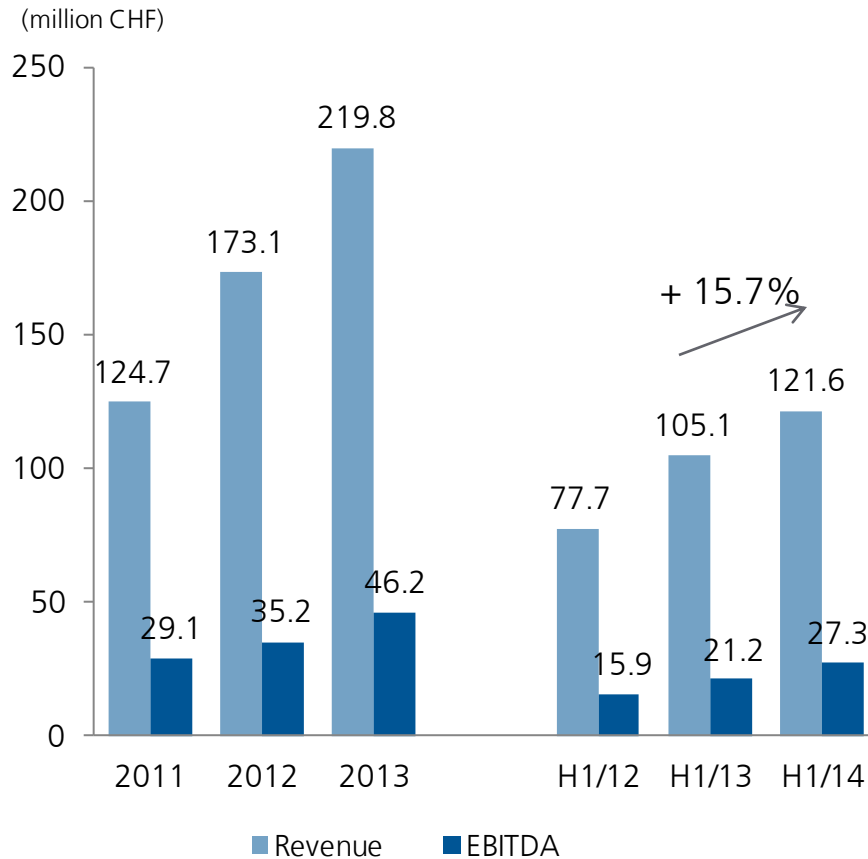
- 16% revenue increase as compared to the first half of 2013
- Strong growth in core business sectors
 - Strong sales into fleet management systems and vehicle telematics
 - Sales into timing solution more than doubled
 - Remarkable progress with healthcare applications
 - Growth in consumer market
 - Flat sales in automotive market
- Two acquisitions
 - May 2014: connectBlue for short range radio (Wi-Fi and Bluetooth) modules
 - August 2014: Antcor for Wi-Fi core know-how (not included in H1 numbers)
- Continued innovation track record
 - Second platform for 4G LTE product launched: TOBY-L2 module series
 - 8th generation positioning chip technology u-blox M8 deployed into series of industry-standard module

u-blox group H1/2014

Key figures	Amount CHF	In relation to revenue	Change H1/2014 to H1/2013
Revenue	121.6m	-	15.7%
Gross profit	57.6m	47.4%	17.3%
EBITDA	27.3m	22.4%	29.0%
Operating profit (EBIT)	18.8m	15.5%	36.5%
Net profit, attributable to owners of the parent	14.4m	11.8%	18.4%
Net cash generated from operating activities	15.7m	12.9%	-23.2%

Revenue and EBITDA

Revenue and EBITDA



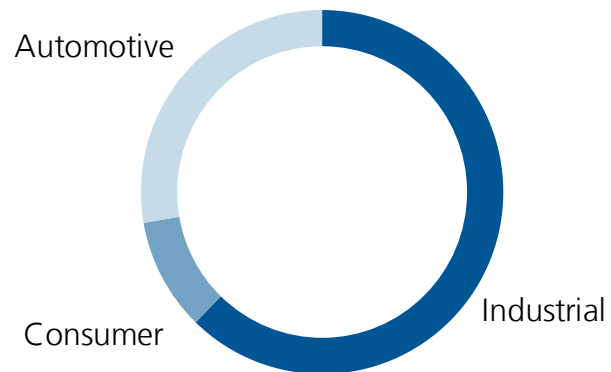
Comments

- Good growth of revenues
+15.7% compared to H1/13
(+14.2% organic, +1.5% acquisition)

+20.1% at prior year exchange rates
- Strong +29.0% growth of EBITDA

Markets trends

Revenue split per market for H1/14



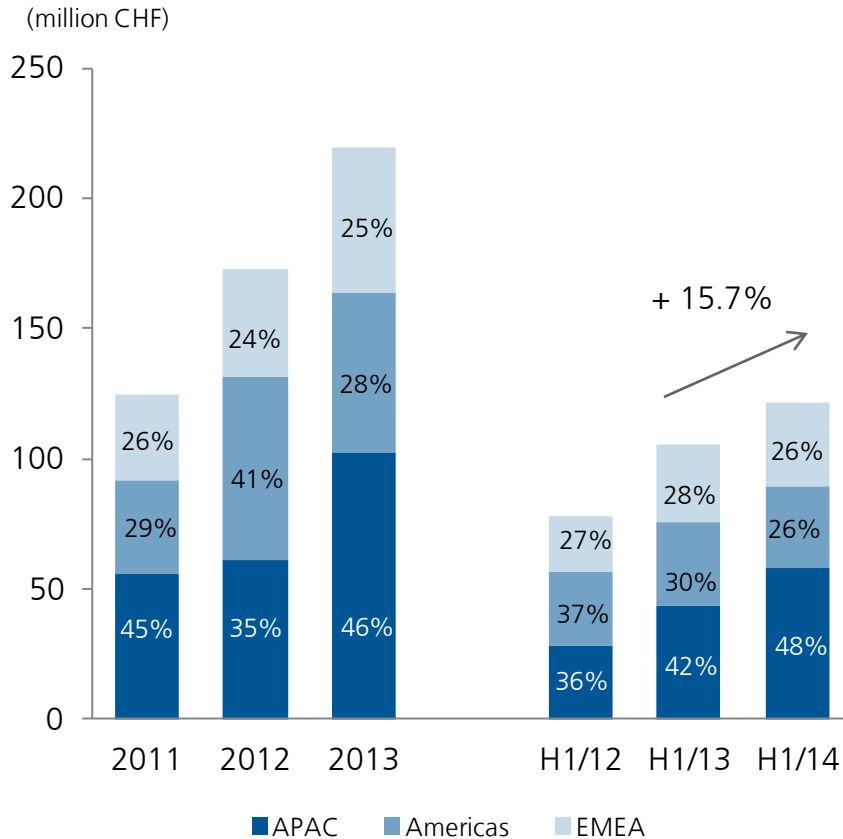
Comments

- Growth in Industrial markets
 - Strong sales into fleet management systems and vehicle telematics
 - Sales into timing solution more than doubled
 - Remarkable progress with healthcare applications
- Flat sales in automotive and consumer markets

Note: Estimate

Revenues by geography

Revenues by geographic region



Note: based on customers' billing location

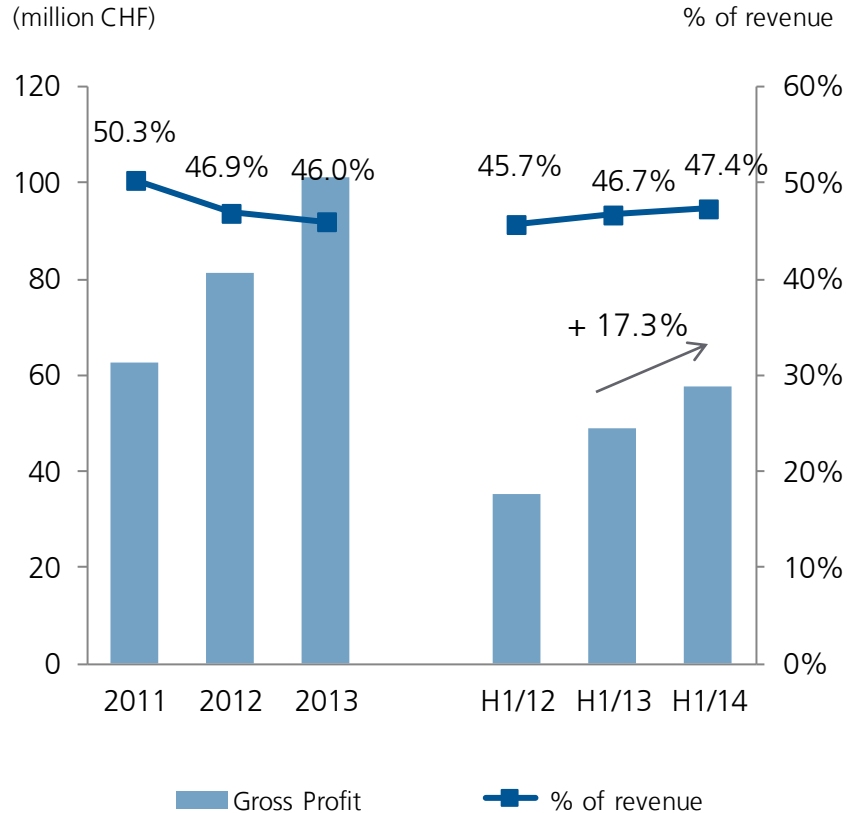
Comments

Growth by geographic regions

- Balanced geographical mix
- Asia Pacific +33.1%
growth partially due to shift of production of customers from the US to Asia
- EMEA: +7.6%
growth along with overall business growth
- Americas: -0.7% (without effect of shift of production to Asia, growth in Americas would have been around +13%)

Gross profit

Gross profit / Gross profit margin



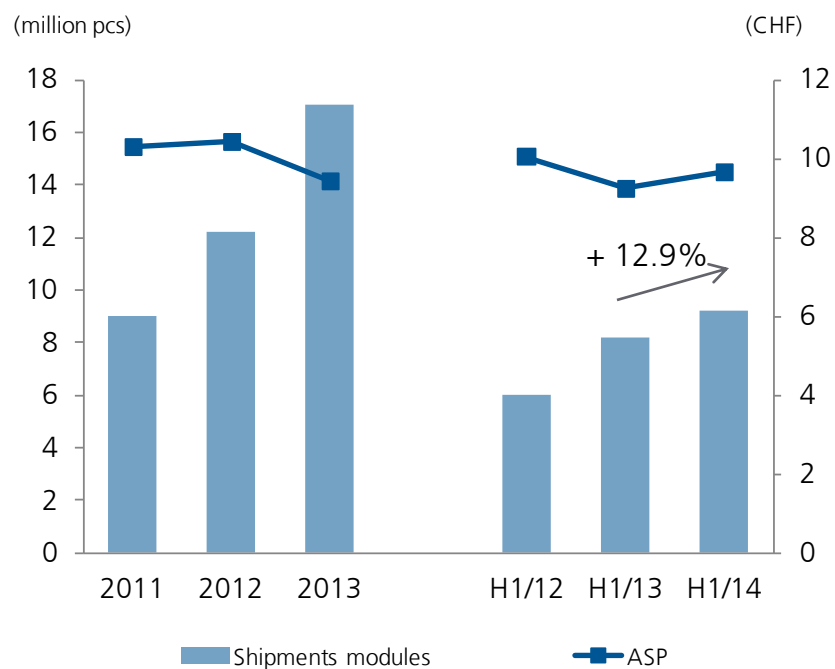
Comments

- Increase in gross profit to CHF 57.6m in H1/14
- Growth of gross profit of +17.3% compared to H1/13
- Gross profit margin in H1/14 increased compared to H1/13 and compared to FY 2013 due to changes in the product mix

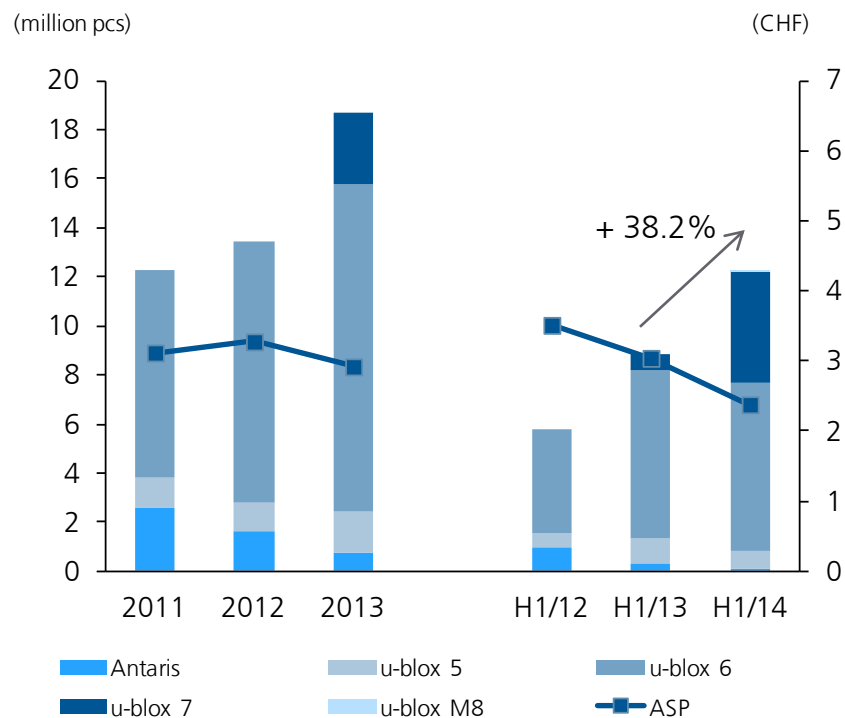
Shipments and ASP development

- Growth of both module and chip volume
- Shipments of new positioning platform u-blox M8 has started

Modules



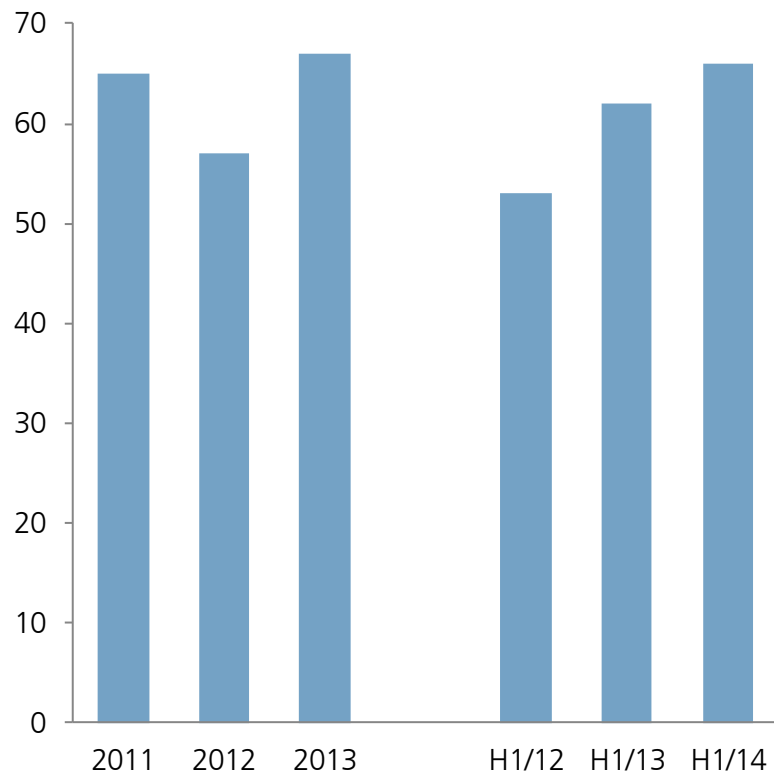
GNSS chips



Note: incl. ANTARIS-Chipset sales by Atmel

Global customer base

Number of customers totaling 80% of revenue

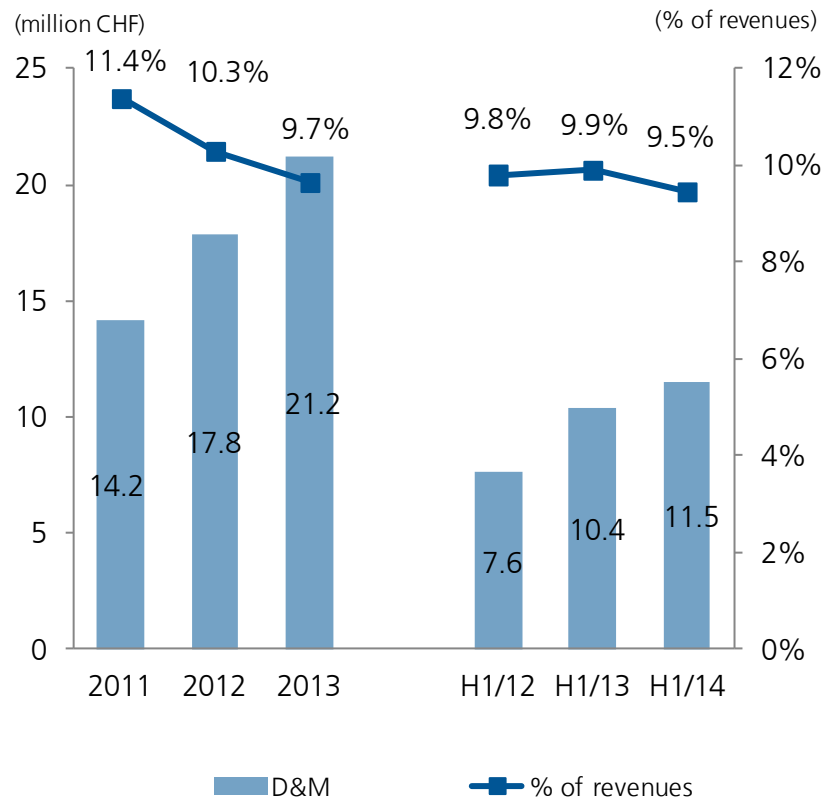


Comments

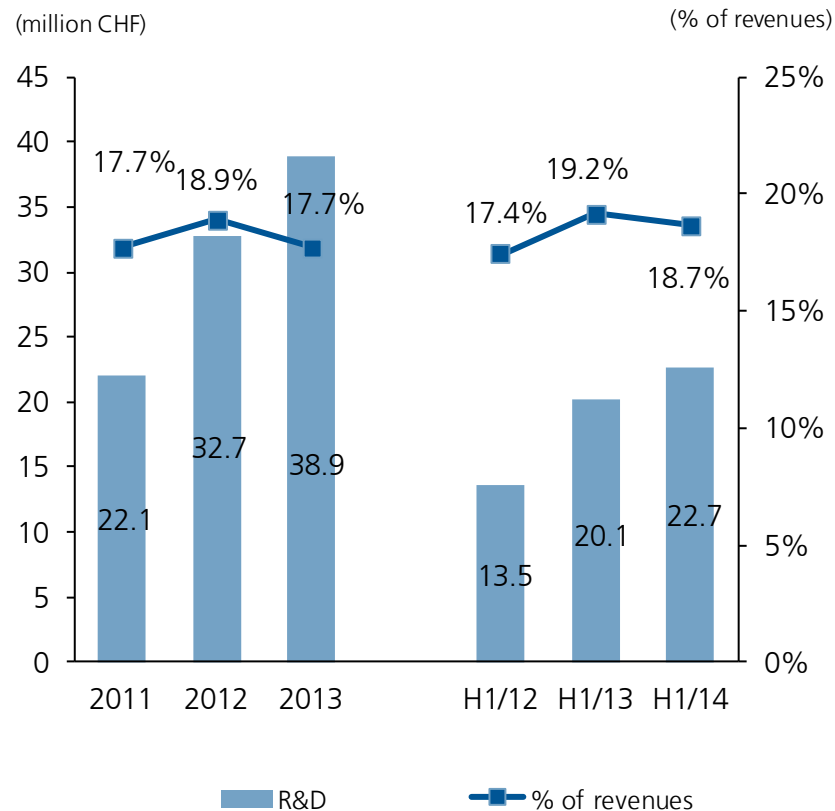
- Strong and stable customer base
- More than 4'500 customers worldwide
- Continued wide spread over different applications and geographical regions
- Small customer dependency: Largest customer accounts for 7% of total revenue in H1/14
- 10 biggest customers account for 35% of total revenue in H1/14

Distribution & marketing / Research & development

Distribution & marketing expenses

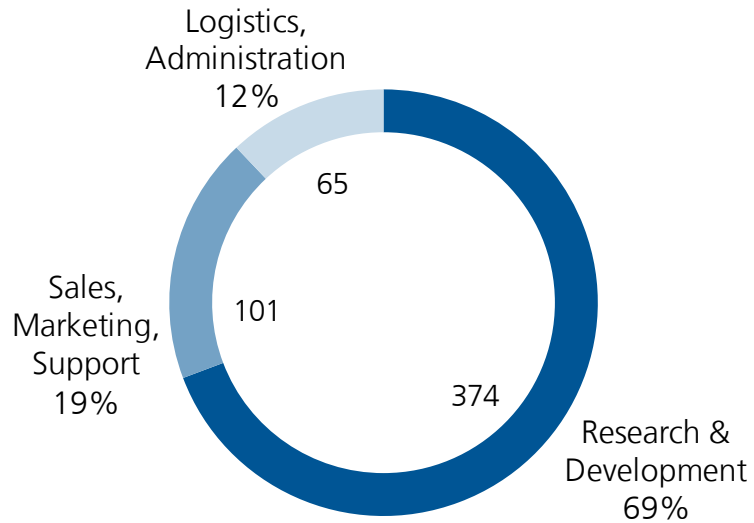


Research & development expenses



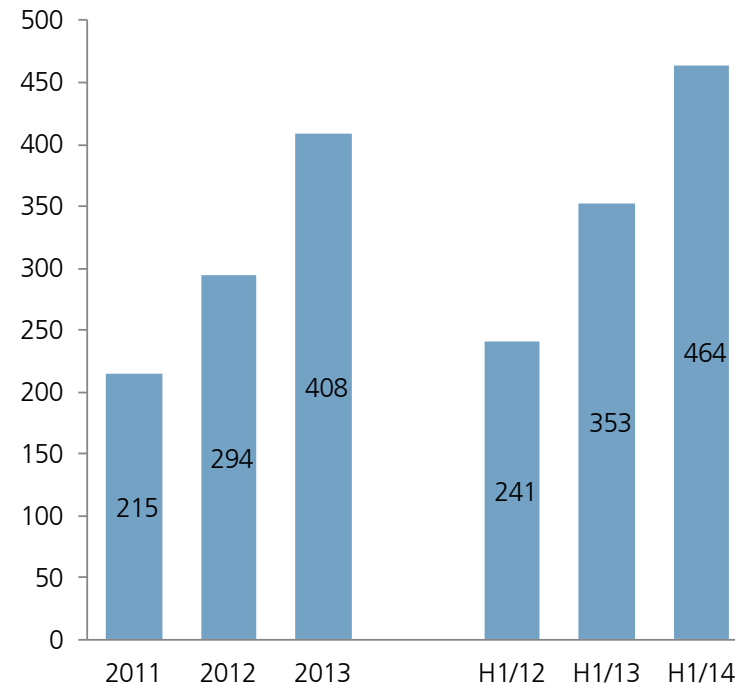
Employees

Employee breakdown (end of H1/14, FTE based)



(Total Headcount = 550)

Average employee level (FTE based)



Note: Average number of employees (FTE = full time equivalent)

Note: 75% of employees based outside Switzerland (spread over 16 countries)

Income statement

Consolidated income statement (condensed)

(in CHF 000s)	January - June		Jan. - Dec.
	2014 (unaudited)	2013 (unaudited)	2013 (audited)
Revenue	121'625	105'106	219'813
Cost of sales	-64'031	-56'003	-118'654
Gross profit	57'594	49'103	101'159
Operating expenses	-38'897	-35'416	-71'192
Other income	101	85	83
Operating profit (EBIT)	18'798	13'772	30'050
Financial income	1'090	299	1'013
Finance costs	-385	-331	-2'193
Profit before income tax (EBT)	19'503	13'740	28'870
Income tax expense	-5'100	-1'577	-4'227
Net profit, attributable to owners of the parent	14'403	12'163	24'643
Operating profit (EBIT)	18'798	13'772	30'050
Depreciation and amortization	8'489	7'383	16'138
EBITDA	27'287	21'155	46'188

Comments

- Revenue increase of 15.7% from H1/13 to H1/14
- Increased gross profit by 17.3%
- R&D expenses now 18.7% of revenue
- H1/14: costs for share based payments in the amount of CHF 1.7m
- EBITDA growth of 29.0% with margin of 22.4%
- EBIT growth of 36.5% with margin of 15.5%
- Increased tax rate of 26.1% due to a one off effect of changed provisions in deferred tax
- Net profit growth of 18.4% with margin of 11.8%
- EPS = CHF 2.22 (diluted EPS: CHF 2.13)

Segment information

(in CHF 000s)	Positioning and wireless products		Wireless services		Total segments		Non-allocated/ eliminations		Group	
	January - June		January - June		January - June		January - June		January - June	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue third	121'532	104'448	93	658	121'625	105'106			121'625	105'106
Revenue intragroup			9'434	8'393	9'434	8'393	-9'434	-8'393	0	0
Total revenue	121'532	104'448	9'527	9'051	131'059	113'499	-9'434	-8'393	121'625	105'106
EBITDA	25'420	19'608	2'288	1'720	27'708	21'328	-421	-173	27'287	21'155
Depreciation	-2'122	-1'339	-801	-373	-2'923	-1'712	-	-	-2'923	-1'712
Amortization	-4'902	-4'855	-664	-816	-5'566	-5'671	-	-	-5'566	-5'671
EBIT	18'396	13'414	823	531	19'219	13'945	-421	-173	18'798	13'772
Financial income									1'090	299
Finance costs									-385	-331
EBT									19'503	13'740
	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Assets	184'050	142'431	15'639	15'521	199'689	157'952	61'895	68'557	261'584	226'509

Statement of financial position (1)

Consolidated Statement of financial position (condensed)

(in CHF 000s)	June 30, 2014 (unaudited)	Dec. 31, 2013 (audited)	June 30, 2013 (unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	30'390	33'163	36'427
Marketable securities	24'920	27'395	27'286
Trade accounts receivable	35'179	29'204	27'132
Other current assets	38'558	32'589	26'177
Total current assets	129'047	122'351	117'022
Non-current assets			
Property, plant and equipment	13'824	13'764	9'982
Goodwill	53'265	37'825	37'755
Intangible assets	58'864	44'570	36'555
Financial assets	480	1'222	1'209
Deferred tax assets	6'104	6'777	5'766
Total non-current assets	132'537	104'158	91'267
Total assets	261'584	226'509	208'289

Comments

- Strong financial position with a liquidity (incl. marketable securities) of CHF 55.3m
- Inventory CHF 26.5m
- Increase of trade accounts receivable due to growing revenue
- Increased intangible assets due to acquisition and capitalization of R&D expenses
- Goodwill increased by CHF 15.6m as result of acquisition of ConnectBlue on May 19, 2014

Statement of financial position (2)

Consolidated Statement of financial position (condensed)

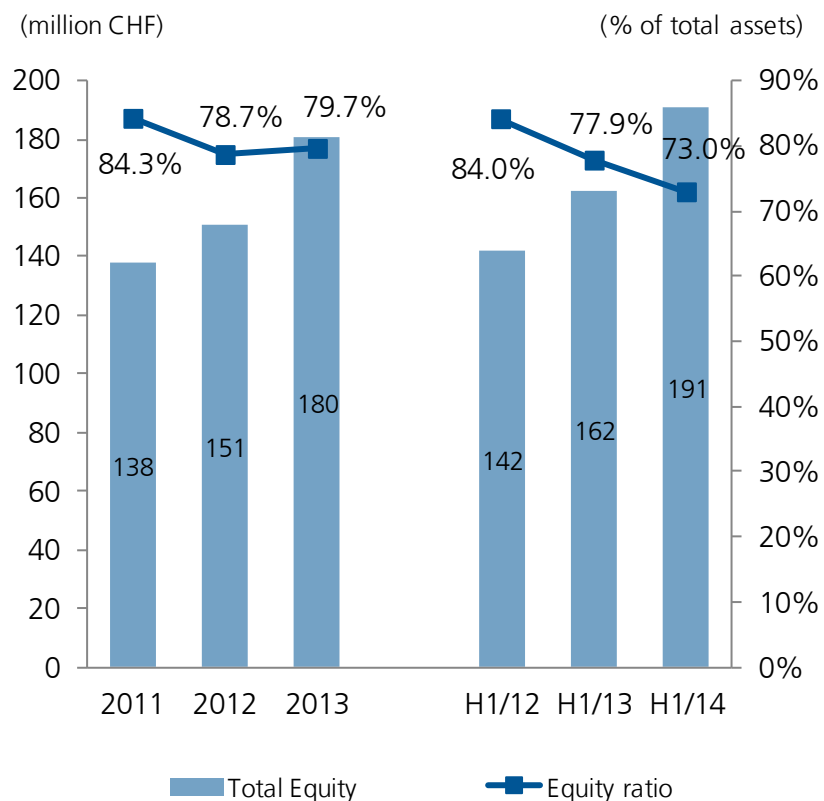
(in CHF 000s)	June 30, 2014 (unaudited)	Dec. 31, 2013 (audited)	June 30, 2013 (unaudited)
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities	56'017	35'974	34'590
Non-current liabilities	14'615	10'099	11'520
Total liabilities	70'632	46'073	46'110
Shareholders' equity			
Share capital	5'899	5'810	5'773
Share premium	88'340	92'556	91'182
Retained earnings	96'713	82'070	65'224
Total equity	190'952	180'436	162'179
Total liabilities and equity	261'584	226'509	208'289

Comments

- Trade accounts payable of CHF 15.8m
- Current liabilities contains a short-term bank loan of CHF 20.0m
- Non-current liabilities contains deferred tax liabilities (CHF 6.6m), Employee benefits (pensions) (CHF 5.1m) and provisions (CHF 2.8m)
- Share capital increase due to exercise of options

Statement of financial position

Total equity and equity ratio



Comments

- Strong capital base
- Equity ratio decreased due to increase of total assets as a result of acquisition

Statement of cash flows

Consolidated statement of cash flows (condensed)

(in CHF 000s)	Jan. - June		Jan. - Dec.
	2014	2013	2013
	(unaudited)	(unaudited)	(audited)
Net cash generated from operating activities	15'655	20'379	38'483
Net cash used in investing activities	-33'882	-13'447	-33'638
Net cash provided by / (used in) financing activities	15'778	-3'980	-4'784
Net (decrease)/increase in cash and cash equivalents	-2'449	2'952	61
Cash and cash equivalents at beginning of period	33'163	33'416	33'416
Effect of exchange rate fluctuations on cash and cash equivalents	-324	59	-314
Cash and cash equivalents at end of period	30'390	36'427	33'163

Comments

Cash flow from investing activities:

- CHF -2.6m investments into property, plant and equipment (tools, furniture, equipment)
- CHF -10.3m investments into intangible assets (Software, capitalization of R&D)
- CHF 2.4m net result of marketable securities
- CHF -23.6m acquisition of connectBlue net of cash

Cash flow from financing activities:

- CHF -8.5m dividend 2013 paid in May 2014
- CHF +4.4m capital increase from options
- CHF +20.0m short term bank loan

Business update



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Making progress on our diversification initiatives

- Acquisitions

2009

- NeonSeven
- Geotate

2011

- Fusion Wireless
- SigNav assets

2012

- 4M Wireless
- Cognovo
- Fastrax

2014

- **connectBlue**
- **Antcor**

connectBlue

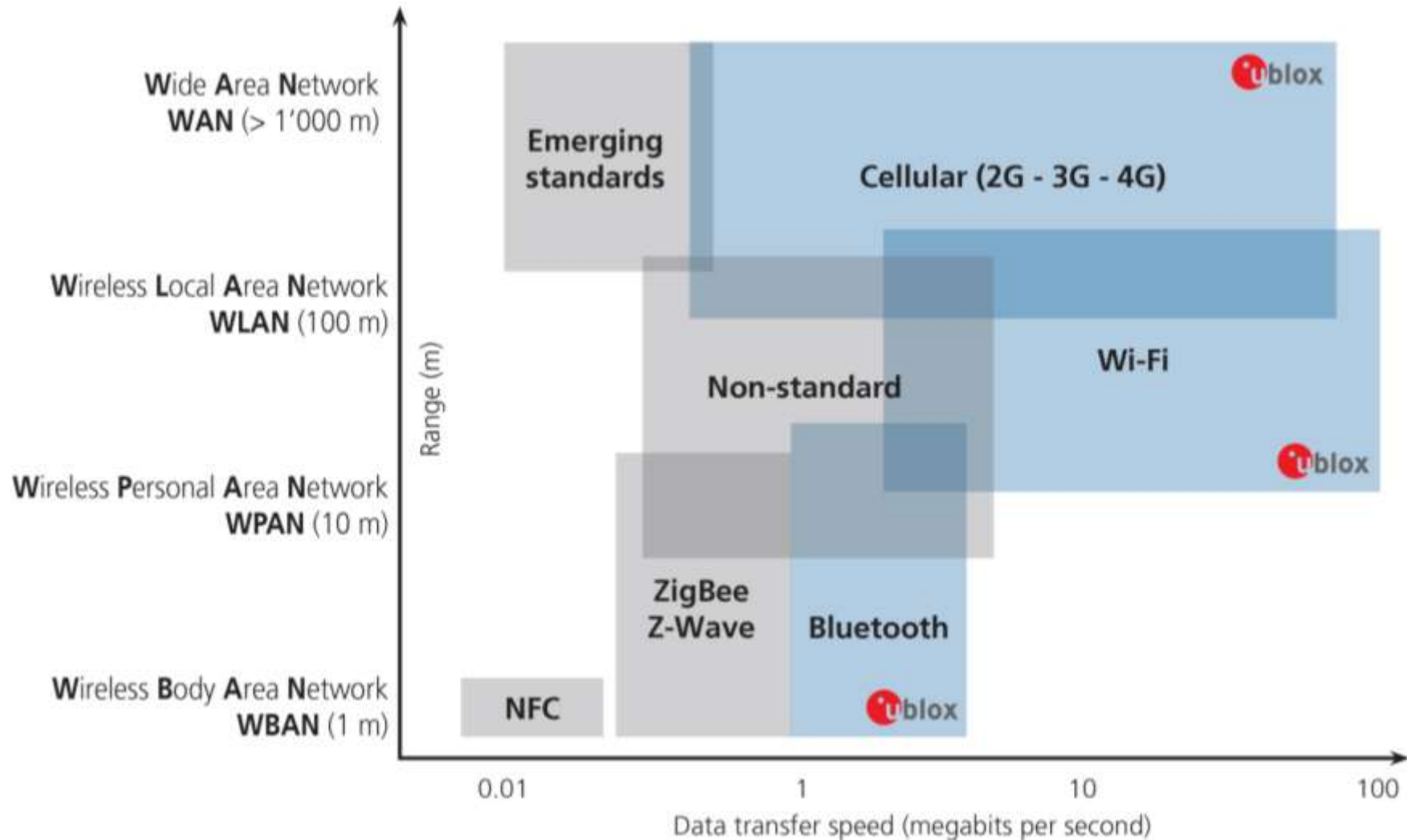
- Manufacturer of modules for BT and Wi-Fi connectivity
- Acquisition of 100% of the shares of connectBlue
- Acquisition price SEK 185 million (CHF 25 million)
- Fully paid-up in cash
- Closing date: May 19, 2014

Antcor

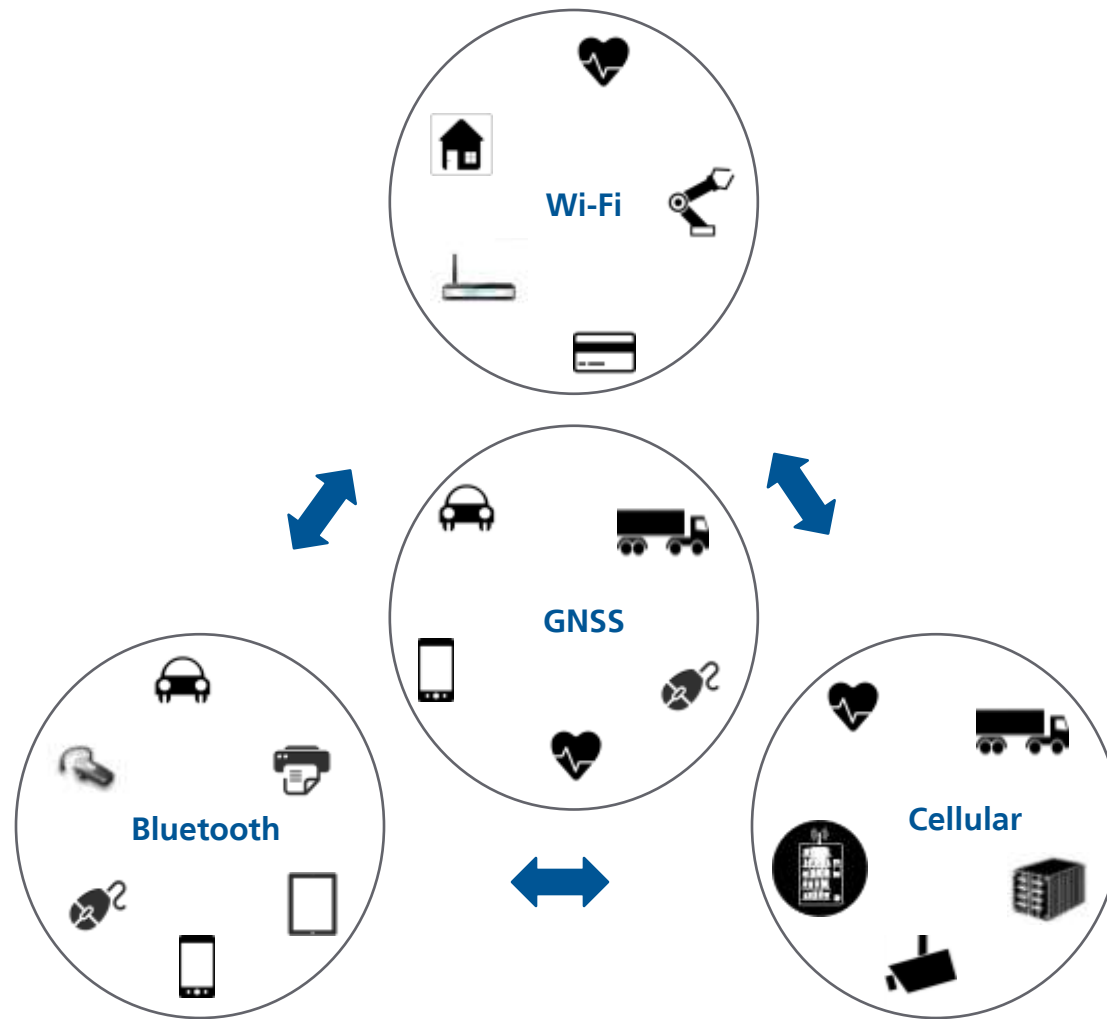
- Provider of core IP for Wi-Fi connectivity
- Acquisition of 100% of the shares of Antcor
- EUR 5.2 million (CHF 6.3 million), excluding an earn-out
- Fully paid-up in cash
- Closing date: August 6, 2014



Complete portfolio of wireless standards



Bluetooth and Wi-Fi – expanding reach to the Things



- Technologies are all complementary to each other
- Technologies can enhance each other in application
- Technologies can be combined to total solutions

New products introduced in H1/2014

- TOBY-L2: First LTE module on the market to deliver category 4 performance. Suited for car infotainment systems, mobile internet routers, set top boxes, digital signage and security systems.
- 8th generation positioning chip technology u-blox M8. The modules can acquire and track all visible GPS, GLONASS, BeiDou, QZSS and SBAS satellites and track any two satellite systems simultaneously.
- First 3D dead reckoning chip. Suited when driving through stacked highways and multi-story park houses.
- PAM and CAM: two new positioning modules with integrated antenna.



New products added by acquisition of connectBlue

- ODIN-W
 - Multiradio module Wi-Fi / Bluetooth smart ready
 - With on-board antenna
- OBS421, OBP421
 - Bluetooth dual-mode / Bluetooth Smart ready modules
- OLS425, OLP425
 - Bluetooth low energy single-mode / Bluetooth smart modules
- OBS418, OBS419
 - Classic Bluetooth modules



Innovations: The first multi mode 4G product

TOBY-L2 series

- Expansion of the line of ultra-compact LTE modules
- Targeted at the transition phase to 4G LTE networks
- Solves the problem to migrate from 2G and 3G networks to 4G LTE
- Suited for connected car applications, mobile internet routers and connectivity infrastructure



Continued market expansion

- Both positioning and wireless products experienced strong traction



WTS, Sweden
Personal tracking device
for children and pets



Ctrack, South Africa
fleet management and
vehicle tracking solutions



Partnership:
Seiko Epson, Japan
3D Automotive Dead
Reckoning blueprint
collaboration

Strategic priorities 2014 (1)

Technology and innovation

Outlook 2014

- Expand 4G LTE modules portfolio to address large-area multi-standard deployments
- Expand and migrate existing modules series to the new u-blox M8.
- Maintain leading position in first-mount vehicle navigation systems through new 3D Automotive Dead Reckoning technology
- Introduce new GNSS antenna modules to include drop-in modules with integrated antenna
- Continue to develop products for growing niche markets

Market Position

Outlook 2014

- Continue growth momentum in all regions
- Capitalize on our expanded sales force and accelerate sales in vertical markets
- Continue leadership in the global automotive markets
- Expand relationship with our customers to deliver more value for their products

Strategic priorities 2014 (2)

Operational excellence

Outlook 2014

- Improve internal structures and process landscape
- Strengthen our innovation flow in both wireless and positioning technologies
- Strive for higher operational efficiency

Strategic partnership and acquisition opportunities

Outlook 2014

- Continue to deploy and evaluate new and complementary technologies to maximize growth potential
- Establish more partnerships for easy access to our technologies
- Enable customers with more and improved design tools to bring attractive products to market quickly
- Evaluate new acquisition possibilities to be able to address new markets

Unique Strategy

Full Range of Wireless Technology

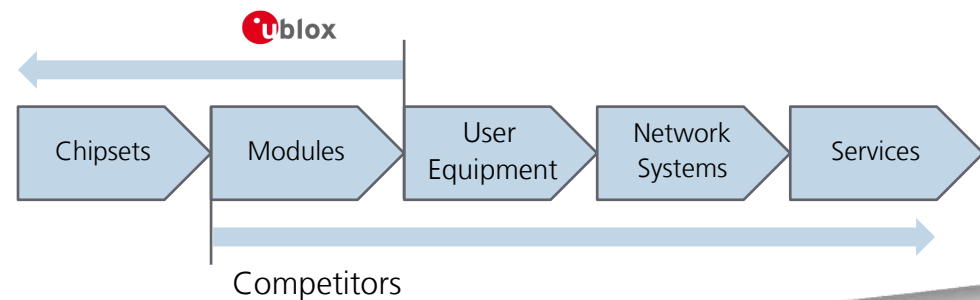
Synergies across the Products

- Extend our products to cover short-range radio
- Solutions for future automotive, industrial and consumer applications
- Fast to market for customers
- Support for open standards

Control the Supply Chain

Invest in Core Technology

- Create solutions aimed specifically at **our** markets
- Respond quickly to new requirements
- Optimize performance
- Control margin build-up
- Don't compete with our customers



Outlook



Outlook

Goals

- Grow business with new products
 - Wireless
 - Expansion of module product line
 - Positioning
 - Migration to u-blox 8
 - Expansion of module product line
- Continued focus on strategic development
- Strengthening of the global presence
- Operational excellence for higher efficiency

Financial performance outlook 2014

- Continued strong business growth in 2014
- Some impact by product mix on relative gross margin
- Natural hedging maintains relative gross margin against foreign exchange variations

	Actual FY 2013	Actual HY 2014	Guidance 2014*)
Revenue	219.8m	121.6m	264 – 275m
EBIT	30.1m	18.8m	35 – 39m
	CHF	CHF	CHF

*) This guidance is based on the absence of unforeseen economic adversity and exchange rates assumed at budget level

- Exchange rate assumptions for 2014:
EUR/CHF: 1.23 USD/CHF: 0.90 GBP/CHF: 1.45
- FX-sensitivity against CHF on Guidance 2014

+10% of	USD	EUR	GBP
Revenue	+ 8%	+ 2%	0%
EBIT	+ 20%	- 0.5%	- 3.5%

Upcoming events

- Annual results 2014 March 19, 2015
- Annual General Meeting 2015 April 28, 2015

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Thank you!

