



Press release

## u-blox achieves strong 2014 results

**Thalwil, Switzerland – March 19, 2015** – u-blox (SIX: UBXN), u-blox, a global leader in wireless and positioning modules and chips, today announces its financial results for 2014.

### Financial highlights

u-blox achieved solid top- and bottom-line growth:

- Consolidated revenue of u-blox was CHF 270.0 million in 2014, a growth of 22.9% as compared to 2013.
- Gross profit improved from CHF 101.2 million to CHF 122.7 million, with a continued strong gross profit margin of 45.4% in 2014.
- Operating profit (EBIT) increased from CHF 30.1 million to CHF 39.1 million, a growth of 30.0% as compared to 2013.
- EBITDA margin of 21.7%, EBIT margin of 14.5%.
- Net profit increased by 39.6% from CHF 24.6 million to CHF 34.4 million, representing a 12.7% net profit margin for 2014.
- Strong net cash generated from operating activities was CHF 53.7 million, representing 19.9% of revenue.
- Healthy balance sheet with a high equity ratio of 70.5%.
- The payout of a dividend of CHF 1.60 per share from capital reserves is to be proposed at the Annual General Meeting.

### Sales and profit continue to rise

In 2014, worldwide sales growth showed a 23% rise over 2013, and progress was achieved in all regions.

In the Americas, growth continued as in the year before and achieved a 19% business expansion. The improved macro-economic climate created greater demand for our customers' products and hence for our own. u-blox recorded an encouraging rise in market share and increased volumes with new customers. Interest in the company's new products and technologies was keen and provides a solid foundation for future operations.

In Europe, the Middle East and Africa (EMEA), results were strong despite economic progress remaining hesitant in some countries and impacting our own operations. Nevertheless, u-blox expanded its business in countries with healthy export markets and reported strong growth in automotive and industrial applications, leading to revenue growth of 20%. There was also a surge in new business opportunities.

Growth in the Asia-Pacific (APAC) region reflected its vibrant economic climate and laid the foundations for further consolidation of our market share. u-blox increased sales with existing customers and acquired several important new accounts, both factors that led to significant manufacturing ramp-ups for specific products. u-blox' ongoing innovation and the delivery of new products continued to attract customers. Revenues grew strongly in all application areas, and the overall increase stood at 27%.

The company's product and service business segments both generated positive EBIT in 2014. Consolidated revenues increased by CHF 50 million to CHF 270 million while EBIT rose from CHF 30 million to CHF 39 million, a 30% increase over 2013. Net profit grew by 40% to CHF 34 million, the equivalent of a 13% net profit margin.

### Strategic course confirmed

In 2014, as in previous years, u-blox' expansion, acquisition, manufacturing and product strategies were geared to achieving the target of achieving half-billion-dollar annual revenues in the foreseeable future. The company took a major step towards that goal by establishing the third pillar in its product offering: short range radio connectivity.

Two acquisitions made during the year have given u-blox the technologies, expertise and products to maintain its market lead and further widen our technology base. These were:

- connectBlue, an established provider of industrial-grade short range radio modules that support Bluetooth and Wi-Fi platforms and enable connectivity over the last few hundred meters between equipment and the Internet.
- Antcor, a developer of advanced Wi-Fi core technology that will enable rugged short range connectivity and communications tailored to demanding environments.

u-blox has successfully integrated all employees in the companies acquired, significantly increasing its workforce and giving it two new R&D centers. Thanks to the acquisitions, u-blox is now able to supply a product range that covers the entire connectivity spectrum for customers worldwide.

During the year under review, u-blox also introduced a new product-grade concept – Automotive, Professional and Standard. The concept facilitates the matching of modules or chips with customers' designs and gears our product range even more closely to customer needs.

### **Product highlights**

u-blox launched a raft of new products in 2014, all designed to incorporate state-of-the-art advances in technology, to meet its customers wide-ranging and ever-changing needs and to keep the company at the forefront of the industry. In the positioning sector they included the eighth generation of MAX, NEO and LEA GNSS modules, a 3D Automotive Dead Reckoning, a GNSS antenna module that supports all satellite types and GNSS precision-timing modules as well as the world's smallest standalone positioning module. On the cellular front, u-blox rolled out the fastest 4G module (TOBY-L2) available and a new line of ultra-compact LTE cards (MPCI-L2). Finally, in the short range sector, which completes the connectivity line-up, the company introduced a rugged Wi-Fi and Bluetooth module for demanding industrial, automotive, medical and security applications. This strengthens the company's position in the next big market to come: the Internet of Things (IoT).

### **Platform for future growth**

The Internet of Things will provide interconnectivity across the board and is poised to become the biggest growth area of the near future. The years ahead will see the connection of dozens of billions of devices to the worldwide web. From satellite-based positioning, through cellular communications and on to short range Wi-Fi and Bluetooth radio technologies, u-blox supplies the building blocks that make the Internet of Things possible and are ideally positioned to profit from the steep growth inevitable in this sector.

### **Revenue breakdown**

u-blox operates in two segments:

- Positioning and Wireless products  
u-blox develops and sells chips and modules for positioning and wireless connectivity that are used in automotive, industrial and consumer applications. Revenue was CHF 269.8 million for 2014 as compared to CHF 218.9 million in 2013.
- Wireless services  
u-blox also offers Wireless communication technology services in terms of reference designs and software. In 2014, revenue for Wireless services was CHF 24.1 million compared to CHF 18.9 million in 2013 (including intra-group revenue).

In 2014, Asia-Pacific generated 47.9%, EMEA 24.8% and Americas 27.3% of total revenue. u-blox was able to grow revenues in all areas. Revenue for Asia Pacific grew by 26.7% to CHF 129.5 million, EMEA grew by 19.9% to CHF 67.1 million and America increased its revenue by 19.1% to CHF 73.5 million.

In 2014, the company made about 80% of its total revenue from 69 customers. u-blox' largest customer accounted for less than 7% of revenue. u-blox served over 5'000 customers and achieved global expansion into new regions and markets.

### **Increased gross profit**

Gross profit increased by 21.3% to CHF 122.7 million in 2014 from CHF 101.2 million in 2013. Gross profit margin was 45.4% for 2014, slightly declining from 46.0% in 2013 because of the changes in product mix.

### **Distribution and marketing activities**

Distribution and marketing expenses increased in 2014 due to the expansion of the business. In 2014, distribution and marketing activities were CHF 24.5 million as compared to CHF 21.2 million in the previous year. As a percentage of revenue, distribution and marketing expenses were 9.1% in 2014 compared to 9.7% in 2013.

### **Research and product development**

R&D expenses in 2014 were CHF 49.9 million as compared to CHF 38.9 million in 2013. As a percentage of revenue, R&D expenses in 2014 were 18.5% as compared to 17.7% in 2013. The percentage increase is due to the investments into short range radio technology and the ongoing strategic investments into 4G/ LTE technology.

With the acquisition of Malmö-based connectBlue AB and Athens-based Antcor S.A., u-blox opened the door to the market for short range, Bluetooth/Wi-Fi based radio communications. Adding short range products enables u-blox to meet the whole range of customer requirements.

### **Share based payment**

The share based payment expenses recognized in 2014 were CHF 3.3 million as compared to CHF 2.2 million in 2013.

### **Growth of operating profit (EBIT)**

EBIT was CHF 39.1 million in 2014 as compared to CHF 30.1 million in the previous year. The growth rate from 2013 to 2014 was 30.0%. EBIT margin was 14.5% and EBITDA margin was 21.7% in 2014.

### **Finance income and costs**

Finance income was CHF 4.5 million, mainly due to positive foreign exchange results from operations. Finance costs were CHF 0.7 million.

Table 1: consolidated income statement

(in CHF 000s)	for the year ended December 31,		for the year ended December 31,	
	2014	% revenue	2013	% revenue
<b>Revenue</b>	<b>270'045</b>	100.0%	<b>219'813</b>	100.0%
Cost of sales	-147'323	-54.6%	-118'654	-54.0%
<b>Gross profit</b>	<b>122'722</b>	45.4%	<b>101'159</b>	46.0%
Distribution and marketing expenses	-24'525	-9.1%	-21'217	-9.7%
Research and development expenses	-49'859	-18.5%	-38'941	-17.7%
General and administrative expenses	-10'131	-3.8%	-11'034	-5.0%
Other income	868	0.3%	83	0.0%
<b>Operating profit (EBIT)</b>	<b>39'075</b>	14.5%	<b>30'050</b>	13.7%
Finance income	4'546	1.7%	1'013	0.5%
Finance costs	-658	-0.2%	-2'193	-1.0%
<b>Profit before income tax (EBT)</b>	<b>42'963</b>	15.9%	<b>28'870</b>	13.1%
Income tax expense	-8'566	-3.2%	-4'227	-1.9%
<b>Net profit, attributable to owners of the parent</b>	<b>34'397</b>	12.7%	<b>24'643</b>	11.2%
Operating profit (EBIT)	39'075	14.5%	30'050	13.7%
Depreciation and amortization	19'529	7.2%	16'138	7.3%
<b>EBITDA <sup>1)</sup></b>	<b>58'604</b>	21.7%	<b>46'188</b>	21.0%

<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.

### Positive net cash generated from operating activities

In 2014, u-blox generated cash from operating activities in the amount of CHF 53.7 million as compared to CHF 38.5 million in 2013. Inventory level has increased due to the expansion of the business and due to higher revenue.

Table 2: consolidated statement of cash flows (condensed)

(in CHF 000s)	For the year ended December 31, 2014	For the year ended December 31, 2013
Net cash generated from operating activities	53'686	38'483
Net cash used in investing activities	-65'400	-33'638
Net cash provided by/used in financing activities	14'991	-4'784
<b>Net increase in cash and cash equivalents</b>	<b>3'277</b>	<b>61</b>
Cash and cash equivalents at beginning of the year	33'163	33'416
Effect of exchange rate fluctuations on cash and cash equivalents	1'222	-314
<b>Cash and cash equivalents at end of the year</b>	<b>37'662</b>	<b>33'163</b>

### Main investing activities

Investments in capitalized development costs were CHF 20.7 million as compared to CHF 14.9 million in 2013. CHF 7.0 million was invested in furniture, equipment, tools and test infrastructure for the further expansion of capacity along with approximately CHF 6.0 million in software intellectual property rights and acquired technology.

## Financing activities

u-blox made a dividend payment of CHF 8.5 million and received proceeds from the issuance of ordinary shares connected with the employee share option plan of CHF 5.6 million. In connection with the acquisitions in short range radio, u-blox took a short-term bank loan for cash optimization of CHF 20.0 million.

## Strong financial position

u-blox has a very strong balance sheet with an equity ratio of 70.5%. Cash and cash equivalents and marketable securities amounted to CHF 59.4 million at December 31, 2014, compared to CHF 60.6 million at December 31, 2013.

With the acquisitions, goodwill increased from CHF 37.8 million in 2013 to CHF 57.9 million or 19.2% of total assets in 2014.

## Dividend

Due to this strong financial position and the positive outlook, the Board of Directors proposes at the Annual General Meeting to pay out dividends. For this year an increased dividend of CHF 1.60 per share is suggested, which represents a payout ratio of 30.6% of consolidated net profit, attributable to owners of the parent.

Table 3: consolidated statement of financial position (condensed)

(in CHF 000s)	At December 31, 2014	At December 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	37'662	33'163
Marketable securities	21'730	27'395
Trade accounts receivables	38'842	29'204
Other assets	54'862	32'589
<b>Total current assets</b>	<b>153'096</b>	<b>122'351</b>
<b>Non-current assets</b>		
Property, plant and equipment	14'836	13'764
Goodwill	57'903	37'825
Intangible assets	70'502	44'570
Financial assets	584	1'222
Deferred tax assets	4'826	6'777
<b>Total non-current assets</b>	<b>148'651</b>	<b>104'158</b>
<b>Total assets</b>	<b>301'747</b>	<b>226'509</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities	70'860	35'974
Non-current liabilities	18'011	10'099
<b>Total liabilities</b>	<b>88'871</b>	<b>46'073</b>
<b>Shareholders' equity</b>		
Share capital	5'930	5'810
Share premium	89'531	92'556
Retained earnings	117'415	82'070
<b>Total equity, attributable to owners of the parent</b>	<b>212'876</b>	<b>180'436</b>
<b>Total liabilities and equity</b>	<b>301'747</b>	<b>226'509</b>

## Challenges and risks

Risk is an inherent factor in any business or operation, and many of our customers face ongoing uncertainty. As entrepreneurs, we can take active steps in areas that are under our control to decrease the impact of risk from

global, regional or national financial crises. First, we ensure that the quality of our products is second to none and that they meet our customers' needs. Second, we look for a natural hedge against currency exchange movements, with production cost and operational cost matching our income currencies. And third, we have a wide and ever increasing customer base, with no single customer out of a total of 5'000 accounting for more than 7% of our sales.

### **Board and management members**

There were no changes in Board of Directors, or Executive Management during the year.

### **Outlook**

The growing demand for internet connectivity and the billions of devices that make it a reality have generated a wealth of products and services that serve every sector of the global economy, from fleet management and asset tracking through navigation and payment solutions, to consumer devices such as toys, watches and locators. And this is just the beginning. u-blox produces and markets a comprehensive range of devices that make high-speed connectivity and access to virtually unlimited cloud computing a reality. With a growing portfolio of embedded chips and modules, u-blox is perfectly positioned to garner the financial and market benefits of the Internet of Things that really matter. And with an ever-increasing customer base, u-blox has laid the foundations for ongoing success. For 2015, u-blox anticipates EBIT of between CHF 48 million and CHF 53 million, based on revenues of between CHF 335 million and CHF 345 million. These expectations exclude unforeseen economic adversity and foresee budgeted exchange rates (USD/CHF: 0.974; EUR/CHF: 1.065).

At the General Assembly the Board intends to propose re-election of each board member with the exception of Hans-Ulrich Müller and election of André Müller.

For more information, please view the Annual Report 2014 and presentation slides online at:

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

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

### **Short CV André Müller**

Mr. André Müller holds a degree in engineering (ETH). André Müller was active as CEO of Cicorel SA (Switzerland) and member of the Cicor Technologies group committee from 2006 - 2009. From 1998 - 2007 he was CEO and as of 1999 chairman of the board of HCT Shaping Systems SA (Switzerland). From 1993 - 1996 he was vice-president and from 1996 - 1998 CEO of ESEC SA (Switzerland). Prior to that, he held different positions in research and development divisions in the aerospace industry. Mr. André Müller is member of the board of Essemtec AG (Switzerland), DW Holding AG (Switzerland), Odevis Automation AG (Germany) and Bangerter Microtechnik AG (Switzerland). Mr. André Müller was born 1953 and is a Swiss and Italian citizen.

### **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](http://www.u-blox.com)

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**Financial calendar**

Annual general meeting: April 28, 2015

Half year results 2015: September 4, 2015

**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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