



Press release

u-blox achieves strong 2016 results

Thalwil, Switzerland – March 15, 2017 – u-blox (SIX: UBXN), a global leader in wireless and positioning modules and chips, today announces its financial results for 2016.

Financial highlights

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

- Consolidated revenue of u-blox was CHF 360.2 million in 2016, a growth of 6.5% as compared to 2015.
- Gross profit improved from CHF 155.0 million to CHF 167.1 million, with a continued strong gross profit margin of 46.4% in 2016.
- Operating profit (EBIT) increased from CHF 51.3 million to CHF 59.0 million, a growth of 15.0% as compared to 2015.
- EBITDA margin of 22.7%, EBIT margin of 16.4%.
- Net profit increased by 24.5% from CHF 37.1 million to CHF 46.2 million, representing a 12.8% net profit margin for 2016.
- Strong net cash generated from operating activities was CHF 93.6 million, representing 26.0% of revenue.
- Healthy balance sheet with a high equity ratio of 67.0%.
- The payout of a dividend of CHF 2.10 per share from capital reserves is to be proposed at the Annual General Meeting.

Overall growth continues

Consolidated Group revenues in 2016 showed continued growth, rising by CHF 21.9 million to CHF 360.2 million, or the equivalent of a 6.5% increase over the previous year. EBIT was up strongly by 15.0% compared with 2015 and stood at CHF 59.0 million. Nevertheless, revenue progress differed markedly from one geographical region to another.

Markets in Europe, the Middle East and Africa (EMEA) reported strong growth of 18.5%, with expansion across all areas and product ranges, especially for asset tracking and infrastructure applications. Europe, in particular, benefited from a notable upturn in demand for mobility solutions and smart metering, as well as telematics units for cars and trucks. The latter is driven by lively demand for in-vehicle connectivity and, on the automotive front, will undoubtedly profit from the upcoming mandatory eCall function in the car.

The Asian markets continued to benefit from a positive economic climate and reported a growth of 9.1%, especially in the consumer markets for wearables and personal trackers, where u-blox continued to develop new business. u-blox has also established a leading position in the region for UAVs (unmanned aerial vehicles, or drones) and continued to play a pioneering role in automotive applications for telematics and navigation. The industrial side of the operations profited from expansion in the telecoms industry.

Business in the Americas was negatively affected by events that included political uncertainty and slow business progress in the USA. Customers there delayed further investments into mobility solutions, and generally took a more prudent approach in launching new products. Despite this temporary setback, u-blox is confident that the design of several promising new products and ongoing demand for IoT solutions will see the region revert to robust growth in the months ahead.

Firmly on course towards intermediate goal

u-blox remains on course to achieve its medium-term goal of half-billion-dollar annual revenues. u-blox continuously expanded its workforce, particularly in R&D, to boost the innovation rate. The resulting capacity provided the impetus needed to create and announce a number of market leading new products.

Product highlights

One of the central reasons for u-blox's ongoing success is the company's ability to develop and market products that are geared precisely to the needs of specific markets. In this respect, 2016 was a milestone year: never before had the company announced so many new products. Last year's highlights included:

- LARA-R3121: the first module and chipset from a single supplier. This product expressly underlines the strategy to become a leading semiconductor supplier in the wireless communication market.
- UBX-R3: a low-cost, low-energy consumption chip for a vast range of narrow-band IoT applications – and the chipset at the heart of LARA-R3121.
- NEO-M8U: the industry's first untethered dead reckoning module, which addresses the automotive sector and combines easy installation with optimum positioning capability.
- NEO-M8P: centimeter-level positioning accuracy for the mass market.
- NINA-B1: a Bluetooth-capable module that tracks mobile devices and equipment moving in confined spaces, such as at healthcare facilities and industrial plants.

Strategy

u-blox is pleased to report that it remains firmly on course with its well-established strategy, which is founded on four discrete pillars: consolidation of its market position; ongoing technological development and innovation; operational excellence and strategic partnerships. u-blox continues to grow its business with regular launches of new and more sophisticated products. These include the launch of first LTE chipset for Category 1 and the LARA-R3 module based on this chipset. u-blox also announced the NANO-S100 module for wireless applications in the unlicensed spectrum, the new u-blox 8 platform together with high-precision products for positioning, and the expansion of its short-range product line for IoT applications. u-blox works untiringly to strengthen its global presence, in the quest for operational excellence and the increased efficiency that comes with economies of scale.

On the acquisition front, in January 2017 u-blox announced an asset deal with Shanghai-based SIMCom that expands u-blox's existing cellular product range and makes it a major supplier of cellular modules worldwide. The asset deal is due for completion in spring 2017.

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 360.1 million for 2016 as compared to CHF 338.0 million in 2015.
- Wireless services
u-blox also offers wireless communication technology services in terms of reference designs and software. In 2016, revenue for wireless services was CHF 26.0 million compared to CHF 26.1 million in 2015 (including intra-group revenue).

In 2016 based on billing location, Asia-Pacific generated 49.5%, EMEA 25.5% and Americas 25.0% of total revenue. u-blox was able to grow revenues in Asia Pacific by 9.1% to CHF 178.4 million and EMEA by 18.5% to CHF 91.7 million. In the Americas revenue decreased by 7.4% to CHF 90.2 million due to delayed investments of customers into mobility solutions and a more prudent approach by its customers in launching new products.

In 2016, the company made about 80% of its total revenue from 71 customers. u-blox's largest customer accounted for less than 6% of revenue. u-blox served over 5'700 customers and achieved global expansion into new regions and markets.

Increased gross profit

Gross profit increased by 7.8% to CHF 167.1 million in 2016 from CHF 155.0 million in 2015. Gross profit margin was 46.4% for 2016, increasing from 45.8% in 2015 because of a more favorable product mix.

Distribution and marketing activities

Distribution and marketing expenses increased in 2016 due to the expansion of the business. In 2016, distribution and marketing activities were CHF 32.0 million as compared to CHF 27.7 million in the previous year. As a percentage of revenue, distribution and marketing expenses were 8.9% in 2016 compared to 8.2% in 2015.

Research and product development

R&D expenses in 2016 were CHF 63.5 million as compared to CHF 65.0 million in 2015. As a percentage of revenue, R&D expenses in 2016 were 17.6% as compared to 19.2% in 2015. The percentage decreased because contrary to the previous year, there was no impairment of capitalized R&D expenses in 2016.

Share based payment

The share-based payment expenses recognized in 2016 were CHF 7.0 million as compared to CHF 4.4 million in 2015.

Growth of operating profit (EBIT)

Operating profit (EBIT) was CHF 59.0 million in 2016 as compared to CHF 51.3 million in the previous year. The growth rate from 2015 to 2016 was 15.0%. Operating profit (EBIT) margin was 16.4% and EBITDA margin was 22.7% in 2016.

Finance income and costs

Finance income was CHF 4.3 million. Finance costs were CHF 1.7 million, mainly due to foreign exchange effects and interests for the bond.

Strong net cash generated from operating activities

In 2016, u-blox generated cash from operating activities in the amount of CHF 93.6 million as compared to CHF 74.7 million in 2015. A strong growth of 25.3% compared to previous year. Due to strict management inventory level and trade receivables decreased despite of the expansion of the business and higher revenues.

Main investing activities

Investments in property, plant and equipment and intangible assets increased to CHF 49.5 million in 2016 (2015: CHF 43.0 million). As a percentage of sales, the investment ratio remained stable at 13.7% in 2016 (2015: 12.7%).

With the continued expansion of the R&D pipeline and the increased number of development projects for all product categories, the investments into capitalized development costs increased to CHF 37.2 million (2015: CHF 27.0 million). Additionally CHF 1.2 million (2015: CHF 5.9 million) was invested into intellectual property rights and CHF 1.4 million (2015: CHF 1.6 million) into software. In 2016, CHF 9.7 million of investments were used for property, plant and equipment (2015: CHF 8.4 million).

u-blox invested 77.5% of total investments (2015: 76.7%) into the development of new products and 2.9% of total investments were invested into capacity expansion (2015: 0.9%).

Financing activities

In 2016 u-blox paid dividends of CHF 12.9 million and received proceeds from the issuance of ordinary shares connected with the employee share option plan of CHF 3.4 million.

Strong financial position

u-blox has a very strong balance sheet with an equity ratio of 67.0%. Cash, cash equivalents, and marketable securities amounted to CHF 157.1 million at December 31, 2016, compared to CHF 124.0 million at December 31, 2015.

Goodwill decreased due to changes in EUR/CHF exchange rate from CHF 56.7 million in 2015 to CHF 54.1 million or 12.7% of total assets in 2016.

On the basis of 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 2.10 per share is suggested, which represents a payout ratio of 31.1% of consolidated net profit, attributable to owners of the parent.

Challenges and risks

The risks that confront a high-technology company like u-blox in a global environment are many, and u-blox takes prudent measures to safeguard its own operations and those of its customers. First and foremost of these is the continued development and marketing of the leading products its customers can rely on to meet their precise needs, which means keeping a close eye on and predicting technological development. Secondly, u-blox is keenly aware of the repercussions of currency exchange movements and ensures as far as possible that its production and operational expense in specific currencies is commensurate with revenues. And thirdly, u-blox has an extensive and expanding base of over 5700 customers, with no single one of them accounting for more than 6% of sales.

Board and management

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 Managing Partner of Emerald Technology Ventures AG, a Member of the Board with Die Mobiliar Genossenschaft, Switzerland, and Chairman of the Board at the Energy Venture Forum, Switzerland.

Outlook

u-blox plans to maintain its aim of continued profitable growth. To achieve this, u-blox needs to invest in new products and offer a wide range of chips and modules that meet the many needs of customers. These will consolidate its leading position and help to accelerate growth. As the Internet of Things continues to transform the course of the industry, u-blox is forging ahead with the development of the low-power, low-price modules required in countless applications with strong, continuously growing demand, while focusing on the three areas that cover the entire spectrum of communication needs: positioning, cellular and short range technology.

For positioning, u-blox has four primary lines designed for: standard precision (meter-level accuracy), high precision (centimeter to decimeter accuracy), dead reckoning (coverage in tunnels and urban canyons), and timing and frequency requirements.

For the cellular sector, u-blox offers an extensive range of modules covering all major standards: GSM; UMTS; CDMA; high-performance, multi-mode LTE modules; low data-rate, single-mode LTE; NB-IoT and RPMA. The integration of SIMCom's products will further enhance its market position.

The third element in its product strategy is short-range technology, covering low-energy Bluetooth for low data rates, Wi-Fi for high data rates and V2X modules for automotive safety applications.

For the current year, u-blox is targeting revenues of between CHF 485 million and CHF 515 million including the acquisition of SIMCom, with an operating profit (EBIT) of between CHF 60 million and CHF 65 million. These expectations exclude unforeseen economic adversity and budgeted exchange rates (USD/CHF: 1.00; EUR/CHF: 1.10).

u-blox plans to launch its second bond issue in 2017. The net proceeds of the issue will increase u-blox's financial flexibility, ensuring the Group's financing for the coming years.

Table 1: consolidated income statement

(in CHF 000s)	for the year ended December 31,		for the year ended December 31,	
	2016	% revenue	2015	% revenue
Revenue	360'230	100.0%	338'341	100.0%
Cost of sales	-193'123	-53.6%	-183'323	-54.2%
Gross profit	167'107	46.4%	155'018	45.8%
Distribution and marketing expenses	-32'032	-8.9%	-27'659	-8.2%
Research and development expenses	-63'490	-17.6%	-65'033	-19.2%
General and administrative expenses	-14'614	-4.1%	-13'509	-4.0%
Other income	2'033	0.6%	2'474	0.7%
Operating profit (EBIT)	59'004	16.4%	51'291	15.2%
Finance income	4'337	1.2%	996	0.3%
Finance costs	-1'653	-0.5%	-4'674	-1.4%
Profit before income tax (EBT)	61'688	17.1%	47'613	14.1%
Income tax expense	-15'488	-4.3%	-10'515	-3.1%
Net profit, attributable to owners of the parent	46'200	12.8%	37'098	11.0%
Operating profit (EBIT)	59'004	16.4%	51'291	15.2%
Depreciation and amortization	22'762	6.3%	27'421	8.1%
EBITDA ¹⁾	81'766	22.7%	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)	For the year ended December 31, 2016	For the year ended December 31, 2015
Net cash generated from operating activities	93'559	74'659
Net cash used in investing activities	-45'711	-33'367
Net cash provided by/used in financing activities	-10'515	33'776
Net increase in cash and cash equivalents	37'333	75'068
Cash and cash equivalents at beginning of the year	112'387	37'662
Effect of exchange rate fluctuations on cash and cash equivalents	-175	-343
Cash and cash equivalents at end of the year	149'545	112'387

Table 3: consolidated statement of financial position (condensed)

(in CHF 000s)	At December 31, 2016	At December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	149'545	112'387
Marketable securities	7'573	11'659
Trade accounts receivables	39'792	43'790
Other assets	42'670	51'933
Total current assets	239'580	219'769
Non-current assets		
Property, plant and equipment	15'774	14'708
Goodwill	54'104	56'716
Intangible assets	111'905	88'042
Financial assets	1'074	678
Deferred tax assets	2'435	6'930
Total non-current assets	185'292	167'074
Total assets	424'872	386'843
LIABILITIES AND EQUITY		
Current liabilities	59'098	55'405
Non-current liabilities	81'047	83'117
Total liabilities	140'145	138'522
Shareholders' equity		
Share capital	6'152	6'053
Share premium	74'387	84'006
Retained earnings	204'188	158'262
Total equity, attributable to owners of the parent	284'727	248'321
Total liabilities and equity	424'872	386'843

This press release can be downloaded in PDF format here.

For more information, please view the Annual Report 2016 and presentation slides online at:

- Online annual report: <https://report.u-blox.com/>
- Annual report (PDF): <https://www.u-blox.com/en/investor-relations/reports>
- Presentation: <https://www.u-blox.com/en/investor-relations/presentations>

About u-blox

Swiss u-blox (SIX:UBXN) is a global leader in wireless and positioning modules and chips for the automotive, industrial and consumer markets. u-blox 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.

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Financial calendar

Annual general meeting: April 25, 2017

Half year results 2017: August 26, 2017

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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