

ascom

Half-year Report 2020





Dr Valentin Chapero
Rueda, Chairman;
Jeannine Pilloud, CEO

Letter to Shareholders

Dear Shareholders,

Ascom showed resilient performance in the first half-year 2020, despite the unprecedented and ongoing Covid-19 pandemic. Besides targeted measures to reduce costs, various activities have been undertaken to better exploit Ascom's market potential, increase efficiency and allow the Company to return to profitable growth. The swift implementation of the new Group structure, which was announced at the beginning of 2020, with focus on a leaner organization and strong customer proximity is showing first positive results.

- **Net revenue increased by 2.8% at constant currencies compared to the previous year**
- **EBITDA came to CHF 8.4 million (H1/2019: CHF 1.4 million)**
- **Both incoming orders and order backlog showed positive development**
- **Balance sheet structure improved and Ascom was able to return to a positive net cash position as of 30 June 2020**

Solid results achieved in the first half-year 2020

Despite the unprecedented Covid-19 pandemic, which affects companies and economies globally, Ascom generated net revenue of CHF 133.4 million for the first half-year 2020. This includes a negative currency impact of about CHF 7.5 million and represents a revenue increase of 2.8% (at constant currencies¹) compared to the prior-year period (H1/2019: CHF 137.0 million).

Regional development varied in the first half of 2020. Ascom benefited from strong performance in the USA & Canada due to the new leadership structure and the successful work of the task force team. UK & Ireland as well as the Nordics region showed revenue growth rates, including some key deals in both the Healthcare and the Enterprise sector. In the DACH region, revenue was flat, while markets in France and Spain were hit hard by severe lockdown conditions set by the respective governments to battle the Covid-19 crisis. The OEM business suffered from the difficult market environment as well.

Ascom saw additional demand from emergency activities in certain markets during the Covid-19 crisis, which compensated partially for project delays. Ascom is committed to supporting healthcare facilities in this difficult environment with its solutions and its know-how in mission-critical communication.

Revenue by market segment showed an increase in the Healthcare sector, accounting for 68% of revenue in the first half of 2020 while the Enterprise sector reflected 26% and the OEM business came to 6%. Furthermore, recurring revenue increased slightly to 26% for the first six months 2020 compared with 24% for the full financial year 2019.

Strong order backlog

During the first half of 2020, Ascom was able to win important orders in both the Healthcare sector and the Enterprise sector. In the Healthcare sector, Ascom won substantial contracts in particular in the United States as well as in Germany and Finland. In the Enterprise sector, Ascom was able to secure important contracts in Germany and in the United Kingdom.

¹ Constant currencies are calculated by converting current numbers using the prior year's average exchange rate.

Overall, incoming orders came to CHF 154.8 million, representing an increase of +1.1% at constant currencies (H1/2019: CHF 161.7 million). The order backlog increased by 17.6% at constant currencies to CHF 194.3 million, which presents a good base for revenue growth in the second half of 2020.

Increased profitability with an EBITDA margin of 6.3%

Ascom improved its profitability in the first half-year 2020. Gross margin increased to 47.8% (H1/2019: 44.7%) due to efficiency gains while functional costs declined by about 6% to CHF 62.7 million (H1/2019: CHF 66.7 million). EBITDA² increased to CHF 8.4 million (H1/2019: CHF 1.4 million) with an EBITDA margin of 6.3% (H1/2019: 1.0%). EBIT came to CHF 1.0 million (H1/2019: CHF -5.4 million) taking into account higher depreciations and amortization of CHF 7.4 million (H1/2019: CHF 6.8 million).

Ascom closed the first half-year 2020 with a small Group loss of CHF 0.3 million. The Group profit in the previous year (H1/2019: CHF 6.5 million) included positive one-off effects of CHF 8.3 million, mainly due to the sale of the Technologiepark Teningen (Germany).

Stronger operating cash flow and balance sheet structure

During the first half of 2020, Ascom generated positive cash flow from operating activities of CHF 28.8 million (H1/2019: CHF 5.5 million). The higher operating cash flow resulted primarily from better net working capital management. Ascom was able to repay short-term borrowings of CHF 12.0 million in the first half-year 2020.

At balance sheet date of 30 June 2020, cash and cash equivalents increased to CHF 29.2 million (31.12.2019: CHF 18.2 million) with net cash of CHF 1.2 million (H1/2019: net debt of CHF 10.8 million). Shareholders' equity was at CHF 61.2 million (31.12.2019: CHF 63.2 million), and the equity ratio amounted to 30.5% (31.12.2019: 29.5%).

Targets 2020 reiterated

Uncertainties for the second half-year 2020 are still high, and the consequences of the Covid-19 pandemic for the global economy are difficult to forecast. However, based on the progress we have made in the implementation of our transformation projects during the first half-year 2020 and on an assumption that the Covid-19 crisis will not worsen again, we reiterate our previously communicated targets. For fiscal year 2020, we strive to achieve a low single-digit revenue growth (at constant currencies) with a high single-digit EBITDA margin.

A word of thanks

The first half-year 2020 results show us that we are on the right track, even if there is still a lot of work ahead of us. We have been able to maneuver Ascom well through the Covid-19 crisis so far, and we are convinced that we will close the full financial year 2020 with solid results.

We have seen high employee morale and excellent team spirit at Ascom during these Covid-19 times, especially at the peak phase of the pandemic. Therefore, the entire Board of Directors and the Executive Committee would like to take this occasion to express our sincere thanks to all our employees for their tremendous work during these challenging months.

We also extend our thanks to our customers and business partners for their trust in and loyalty to us. Many of them were and still are struggling on the front-line against the Covid-19 crisis, and we would also like to express our heartfelt thanks for everything they do. We also thank our valued shareholders for the confidence they have shown us and their continuous support.

Sincerely,



Dr Valentin Chaperó Rueda
Chairman of the Board



Jeannine Pilloud
CEO

² Definition of EBITDA, see consolidated income statement on page 5 of the Half-year Report 2020.

Consolidated balance sheet

Assets

CHFm	Note	30.6.2020	%	31.12.2019	%
Cash and cash equivalents		29.2		18.2	
Trade receivables		48.4		70.3	
Other short-term receivables		9.5		8.7	
Inventories and work in progress		30.2		26.9	
Prepayments and accrued income		14.3		17.8	
Current assets		131.6	65.6	141.9	66.2
Property, plant and equipment		5.9		6.7	
Intangible assets		35.3		37.1	
Financial assets		27.8		28.5	
Non-current assets		69.0	34.4	72.3	33.8
Total assets		200.6	100.0	214.2	100.0

Liabilities and shareholders' equity

CHFm	Note	30.6.2020	%	31.12.2019	%
Borrowings	7	28.0		40.0	
Trade payables		17.3		21.1	
Other liabilities		13.7		13.5	
Provisions		5.9		8.2	
Customer prepayments and deferred revenue		27.5		21.5	
Accrued liabilities		22.8		21.9	
Current liabilities		115.2	57.4	126.2	58.9
Provisions		24.2		24.8	
Non-current liabilities		24.2	12.1	24.8	11.6
Total liabilities		139.4	69.5	151.0	70.5
Share capital		18.0		18.0	
Capital reserves		15.7		15.6	
Own shares		(0.2)		(0.2)	
Retained earnings		27.7		29.8	
Shareholders' equity		61.2	30.5	63.2	29.5
Total liabilities and shareholders' equity		200.6	100.0	214.2	100.0

The notes on pages 8 to 11 are an integral part of the consolidated interim financial statements.

Consolidated income statement

CHFm	Note	1 st half-year 2020	%	1 st half-year 2019	%
Net revenue		133.4	100.0	137.0	100.0
Cost of sales		(69.7)		(75.7)	
Gross profit		63.7	47.8	61.3	44.7
Marketing and sales		(33.9)		(40.7)	
Research and development		(17.9)		(15.8)	
Administration		(10.4)		(9.4)	
Other operating expenses		(0.5)		(0.8)	
Operating result (EBIT)		1.0	0.7	(5.4)	(3.9)
Financial income		0.7		1.7	
Financial expenses		(1.9)		(0.3)	
Ordinary result		(0.2)	(0.1)	(4.0)	(2.9)
Non-operating result	5	–		8.4	
Extraordinary result	6	–		1.1	
Profit/(loss) before income tax		(0.2)	(0.1)	5.5	4.0
Income tax		(0.1)		1.0	
Group profit/(loss) for the period¹		(0.3)	(0.2)	6.5	4.7

¹ Attributable to the owners of the parent.

Earnings per share

CHF	1 st half-year 2020	1 st half-year 2019
Basic	(0.1)	0.18
Diluted	(0.1)	0.18

Additional information – non-GAAP measures

CHFm	1 st half-year 2020	%	1 st half-year 2019	%
EBITDA ¹	8.4	6.3	1.4	1.0

¹ Earnings before interest, income tax, depreciation and amortization (EBITDA) as a subtotal includes the operating result (EBIT) before deduction of depreciation and impairment of property, plant and equipment as well as amortization and impairment of intangible assets. As defined, EBIT and EBITDA do not include the impact of non-operating or extraordinary results. In the first half-year 2020, operating depreciation and amortization amounted to CHF 7.4 million (previous year: CHF 6.8 million).

The notes on pages 8 to 11 are an integral part of the consolidated interim financial statements.

Consolidated statement of changes in equity

CHFm	Attributable to owners of the parent							Total shareholders' equity
	Capital reserves ¹				Retained earnings			
	Share capital	Own shares	Share premium	Other capital reserves	Currency translation adjustments	Goodwill offset	Other retained earnings	
Balance at 1.1.2019	18.0	(0.4)	1.1	14.0	(8.8)	(54.9)	114.2	83.2
Group profit/(loss) for the period	–	–	–	–	–	–	6.5	6.5
Currency translation adjustments	–	–	–	–	(3.6)	–	–	(3.6)
Share-based payments	–	–	–	0.1	–	–	–	0.1
Dividends paid ²	–	–	–	–	–	–	(16.2)	(16.2)
Balance at 30.6.2019	18.0	(0.4)	1.1	14.1	(12.4)	(54.9)	104.5	70.0
Balance at 1.1.2020	18.0	(0.2)	1.1	14.5	(13.8)	(54.9)	98.5	63.2
Group profit/(loss) for the period	–	–	–	–	–	–	(0.3)	(0.3)
Currency translation adjustments	–	–	–	–	(1.8)	–	–	(1.8)
Share-based payments	–	–	–	0.3	–	–	–	0.3
Purchase of own shares	–	(0.1)	–	–	–	–	–	(0.1)
Disposal of own shares	–	0.1	–	(0.2)	–	–	–	(0.1)
Balance at 30.6.2020	18.0	(0.2)	1.1	14.6	(15.6)	(54.9)	98.2	61.2

¹ Non-distributable statutory and legal reserves of Ascom Holding AG: CHF 3.6 million (previous year: CHF 3.6 million).

² Refer to note 4.

The notes on pages 8 to 11 are an integral part of the consolidated interim financial statements.

Consolidated statement of cash flows

CHFm	Note	1 st half-year 2020	1 st half-year 2019
Group profit/(loss) for the period		(0.3)	6.5
+ Depreciation of property, plant and equipment		1.1	1.3
+ Amortization of intangible assets		6.3	5.7
+/- (Profit)/loss from disposal of property, plant and equipment	5	–	(3.5)
+ Share-based payments		0.3	0.1
+/- Addition/(release) of provisions		0.2	(6.4)
+/- Adjustment for non-cash items		(1.9)	1.2
+/- Change in inventory and work in progress		(2.8)	(5.0)
+/- Change in trade receivables		21.4	15.1
+/- Change in trade payables		(3.3)	(1.0)
+/- Change in other receivables and prepayments		3.2	(1.7)
+/- Change in accrued and other short-term liabilities and deferred income		6.0	(1.8)
– Interest income		(0.7)	(0.7)
+ Interest expenses		0.6	0.4
+ Interest received		0.1	0.4
– Interest paid		(0.3)	(0.1)
+/- Income tax (benefits)/expenses		0.1	(1.0)
– Income tax paid		(1.6)	(2.5)
+/- Foreign currency translation differences on intra-group positions		0.4	(1.5)
Cash flow from operating activities		28.8	5.5
– Purchase of property, plant and equipment		(0.5)	(1.2)
+ Proceeds from disposal of property, plant and equipment	5	–	6.9
– Purchase of intangible assets		(5.3)	(6.8)
+/- Change in financial assets and other non-current assets		0.6	–
Cash flow from investing activities		(5.2)	(1.1)
+/- Proceeds from/(repayment of) short-term borrowings	7	(12.0)	(2.0)
+/- Proceeds from/(repayment of) long-term borrowings	7	–	7.0
– Purchase of own shares		(0.1)	–
– Dividends paid	4	–	(16.2)
Cash flow from financing activities		(12.1)	(11.2)
+/- Foreign currency translation differences on cash and cash equivalents		(0.5)	(0.2)
Increase/(decrease) in cash and cash equivalents		11.0	(7.0)
+ Cash and cash equivalents at 1.1.		18.2	21.2
Cash and cash equivalents at 30.6.		29.2	14.2

The notes on pages 8 to 11 are an integral part of the consolidated interim financial statements.

Notes to the consolidated interim financial statements

1. GENERAL INFORMATION AND BASIS FOR PREPARATION

These unaudited consolidated interim financial statements of Ascom Holding AG and its subsidiaries cover the period from 1 January to 30 June 2020 and are prepared in accordance with Swiss GAAP FER 31 (“Complementary recommendation for listed companies”). These consolidated interim financial statements contain an update of information already published and must therefore be read in conjunction with the year-end financial statements dated 31 December 2019, which were prepared in conformity with the entire existing guidelines of Swiss GAAP FER (Generally Accepted Accounting Principles FER/FER = Fachempfehlungen zur Rechnungslegung = Accounting and reporting recommendations). The accounting policies have been applied consistently by Group companies. Furthermore, applied accounting and disclosure policies comply with the provisions of the listing rules of the SIX Swiss Exchange and the Swiss company law.

Preparation of the consolidated interim financial statements demands certain estimates and assumptions that affect the reported assets, liabilities, income and expenses and contingent liabilities at the time the accounts are prepared. If, at a later point in time, variations should occur to such estimates and assumptions, which were decided upon by the management in good faith at the time the accounts were prepared, the original estimates and assumptions are adapted accordingly in the accounting period in which the data changes.

Ascom Group’s business activities are not subject to pronounced seasonal fluctuations. However, experience has shown that, factoring out economic influences, higher sales and therefore higher profitability are usually generated in the second half of the year, largely following the investment spending patterns of Ascom’s customers.

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Ascom Holding AG, the parent company of the Group, is a public limited company and domiciled in Baar, Switzerland.

2. ACCOUNTING PRINCIPLES

The consolidated interim financial statements were prepared according to the same accounting principles as those applied for the consolidated financial statements for the year ended 31 December 2019.

Ascom is exposed to translational and transactional effects of foreign currency fluctuations, in particular to the currencies below:

CHF	ISO code	Unit	30.6.2020	Average 1 st half-year 2020	31.12.2019	Average 1 st half-year 2019
Euro	EUR	1	1.065	1.067	1.085	1.128
US dollar	USD	1	0.951	0.965	0.966	0.995
Swedish krona	SEK	1	0.102	0.100	0.104	0.108
Pound sterling	GBP	1	1.167	1.222	1.276	1.288

3. SEGMENT INFORMATION

Due to the unity and strategic focus of the business on Healthcare ICT, the top management (Group Executive Board) and the management structure of the Ascom Group are organized by functions. The allocation of financial resources of the Group by the Board of Directors and the Group Executive Board is decided centrally and by function. Research and development of the whole range of products and solutions is carried out centrally, while sales are carried out regionally with central support. Distribution and services are managed within central global functions. Accordingly, regional sales subsidiaries are responsible for the sale and delivery of the whole range of products, services and solutions in their sales area, supported by global R&D, global Supply Chain and global Services, as well as central marketing and administrative functions. The Company's risks and opportunities vary by region and are impacted and supported by local regulatory requirements, most notably in healthcare. Accordingly, the financial management and allocation of Company resources by the Group Executive Board is primarily based on regional market and net revenue developments.

Segment reporting is therefore reflecting Ascom's business as one single reportable segment. The allocation of incoming orders and net revenue is disclosed below based on the regional sales structure, which has changed in 2020, comparatives 2019 have been restated.

Allocation of incoming orders and net revenue

CHFm	Incoming orders		Net revenue	
	1 st half-year 2020	1 st half-year 2019	1 st half-year 2020	1 st half-year 2019
DACH	28.2	25.5	22.5	23.2
France & Spain	8.3	12.0	7.6	11.3
Netherlands	28.4	33.2	24.4	26.2
Nordics	19.5	22.8	19.2	18.3
UK & Ireland	9.3	10.2	6.7	5.8
US & Canada	29.4	24.3	26.1	23.8
RoW (Rest of World)	23.9	24.5	18.6	18.7
OEM (Original Equipment Manufacturer)	7.8	9.2	8.3	9.7
Total	154.8	161.7	133.4	137.0

4. DIVIDENDS PAID, OWN SHARES, SHARE-BASED PAYMENTS

On 15 April 2020, the Annual General Meeting of Ascom Holding AG approved that there will be no dividend distributed in 2020 (previous year: CHF 16.2 million).

In the period under review, Ascom disposed of 2,515 registered shares in conjunction with the award of matching share under Ascom share matching plans.

5. NON-OPERATING RESULT

CHFm	1 st half-year 2020	1 st half-year 2019
Non-operating income	–	8.9
Non-operating expense	–	(0.5)
Total non-operating result	–	8.4

Non-operating result relates exclusively to non-core legacy real estate activities.

In May 2019, Ascom divested for CHF 6.9 million (EUR 6.1 million) the Technologiepark Teningen which is located north of Freiburg in Breisgau (Germany). It was a non-operating property for Ascom and let to third parties since the divestment of the former division Energy Systems in 2003.

The non-operating income of CHF 8.9 million in 2019 is mainly due to the profit from disposal (CHF 3.5 million) and the release of provisions for environmental costs.

6. EXTRAORDINARY RESULT

There has been no extraordinary result recorded in 2020. The extraordinary result 2019 of CHF 1.1 million is due to a contingency provision adjustment related to the disposal of the Network Testing Division in 2016.

7. BORROWINGS

The Group bilateral credit facilities expired on 24 May 2020 and were replaced by revolving multi-currency credit facilities in an aggregate amount equal to CHF 45.0 million with two banks to fund working capital in the ordinary course of business, at variable interest rates (LIBOR + 0.8% and LIBOR + 1.25%, respectively), with an option to fix the interest rate monthly for a maximum period of 12 months. In addition, the Group has an uncommitted guarantee line of CHF 5.0 million with a Swiss Bank. At 30 June 2020, Ascom used the cash lines as shown in the table below (borrowings are denominated in CHF) :

CHFm	30.6.2020	31.12.2019
Current	28.0	40.0
Non-current	–	–
Total borrowings	28.0	40.0

As the final maturity of the Group's credit facilities is 30 May 2021, the outstanding borrowings at 30 June 2020 are classified as current. The credit facility includes two financial covenants: a debt service ratio (calculated as the ratio of net debt and outstanding bank guarantees to EBITDA) and an equity ratio (calculated as the ratio of shareholders' equity to total assets). The financial covenants are fully complied with.

8. TIME OF RELEASE FOR PUBLICATION

The Board of Directors approved the 2020 consolidated interim financial statements on 7 August 2020 and gave permission for publication at the media conference on 13 August 2020.

9. SHARE INFORMATION

	1 st half-year 2020	1 st half-year 2019
Number of registered shares nom. CHF 0.50 ¹	36,000,000	36,000,000
Share price per registered share in CHF (high/low of the period under review)	10.90/4.48	14.94/12.02
Share price per registered share in CHF ¹	8.66	12.78
Market capitalization in CHFm ¹	311.8	460.1

¹ At the end of the period.

Summary of key financial data

CHFm	1 st half-year 2020	1 st half-year 2019
Incoming orders	154.8	161.7
Order backlog ¹	194.3	172.1
Net revenue	133.4	137.0
EBITDA	8.4	1.4
EBITDA in % of net revenue	6.3	1.0
Operating result (EBIT)	1.0	(5.4)
EBIT in % of net revenue	0.7	(3.9)
Personnel expenses	(68.4)	(71.8)
Depreciation, amortization and impairment ⁵	(7.4)	(6.8)
Group profit/(loss) for the period	(0.3)	6.5
Net cash flow from operating activities	28.8	5.5
Capital expenditures on property, plant and equipment	0.5	1.2
Capital expenditures on intangible assets	5.3	6.8
Research and development expenditures ²	(17.0)	(17.4)
Balance sheet total ¹	200.6	198.6
Shareholders' equity ¹	61.2	70.0
Shareholders' equity in % of balance sheet total ¹	30.5	35.2
Net cash or (net debt) ^{1,3}	1.2	(10.8)
Gearing in % ⁴	45.8	35.7
Dividends paid/distribution of share premium	–	16.2
Number of employees (FTE) ¹	1,269	1,306

¹ At the end of the period.

² Research and development costs excluding depreciations, amortization, impairment and capitalized costs.

³ Cash and cash equivalents less borrowings.

⁴ Borrowings/shareholders' equity.

⁵ Excludes depreciation, amortization and impairment from non-operating result.

Dates and contacts

Important dates

11 March 2021
2020 Full-Year Results
Restaurant Metropol, Zurich

21 April 2021
Annual General Meeting
Theater Casino, Zug

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Declaration of forward-looking statements

This Half-year Report contains forward-looking statements relating to Ascom. Because these forward-looking statements are subject to risks and uncertainties, the reader is cautioned that actual future results may differ from those expressed in or implied by the statements, which constitute projections of possible developments. All forward-looking statements are based only on data available to Ascom at the time of preparing this Half-year Report.

The complete 2020 Half-year Report of the Ascom Group is available in English only and can be viewed online at: <https://www.ascom.com/Investor-Relations/Financial-information/Reports-and-presentations.html>

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