

TKH Group NV FY 2023 Results - Analyst Presentation

March 5, 2024



IMPORTANT INFORMATION – DISCLAIMER

Cautionary note regarding forward looking statements

Statements included in this presentation release that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements are only predictions and are not guarantees. Actual events or the results of our operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may", "will", "should", "expect", "could", "intend", "plan", "anticipate", "estimate", "believe", "continue", "predict", "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements.

Key Messages

DELIVERING ON OUTLOOK

- EBITA of € 237.0 million
- Smart Manufacturing systems performed exceptionally strong in Q4 2023
- Continued destocking and other headwinds within Smart Vision and Smart Connectivity systems
- Substantial increase in Added Value – Reflection of TKH's pricing power and strategic position
- ROS Q4 – 14.3%
- Good progress made in realization of ESG targets including improved ratings
- 70% of turnover linked to SDGs



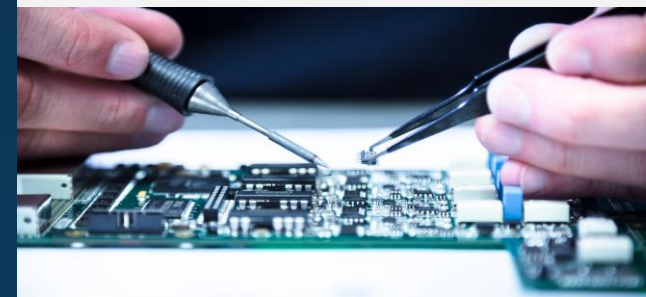
€ 200M STRATEGIC INVESTMENT PROGRAM NEARING COMPLETION

- Production of type-test inter-array cables started in new plant in Eemshaven, to be operational during course of Q2 2024
- Expansion of medium and high voltage cable capacity in Lochem operational in phases from Q3 2023
- New fibre optic and specialty cable plants in Poland operational, Tire Building systems expansion in Poland fully operational
- 200 additional personnel for roll-out of strategic investment program



PROGRESSING ON OUR STRATEGIC POSITIONING

- Investments into AI, with set-up of hub in Amsterdam, and into digital transformation
- Machine Vision one-stop-shop and solutions
- Continuing high order intake tire building – UNNIX system high interest confirmed
- High voltage supplier of TenneT – Framework agreement inter-array Vattenfall – Additional inter-array orders in the pipeline
- Two major divestments, total one-off net profit of € 54.8 million – Acceleration of divestments announced towards high end bandwidth
- Acquisition of machine vision software company Euresys



Returned € 117.6m cash to shareholders: € 67.6m in dividends and € 50.0m in share buybacks

Q4 2023: Strong Performance Smart Manufacturing systems



Highlights Q4 2023

Turnover € 441.4m

Q4 2022: € 465.7m

+ 1.2% organically **

EBITA* € 62.9m

Q4 2022*: € 64.0m

+ 6.7% organically**

ROS* 14.3%

Q4 2022: 13.7%

* EBITA & ROS excluding one-off income and expenses (one-off expenses in Q4 2023 amounted to € 2.8 million, Q4 2022: one-off income of € 1.0 million)

** Adjusted for acquisitions, divestments, and currency effects

TKH delivers well on Outlook



Highlights FY 2023

Turnover € 1,847.5m

2022: € 1,816.6m

+ 3.2% organically***

EBITA* € 237.0m

2022: € 234.8m

+ 3.0% organically***

ROS* 12.8%

2022: 12.9%

Adjusted net profit**

€ 130.5m

2022: € 143.6m

- 9.1%

ROCE 19.8%

2022: 23.2%

Order book € 970.1m

Dec 31, 2022: € 971.9m

Innovations 16.1%

2022: 20.6%

As percentage of turnover

Net debt € 469.2m

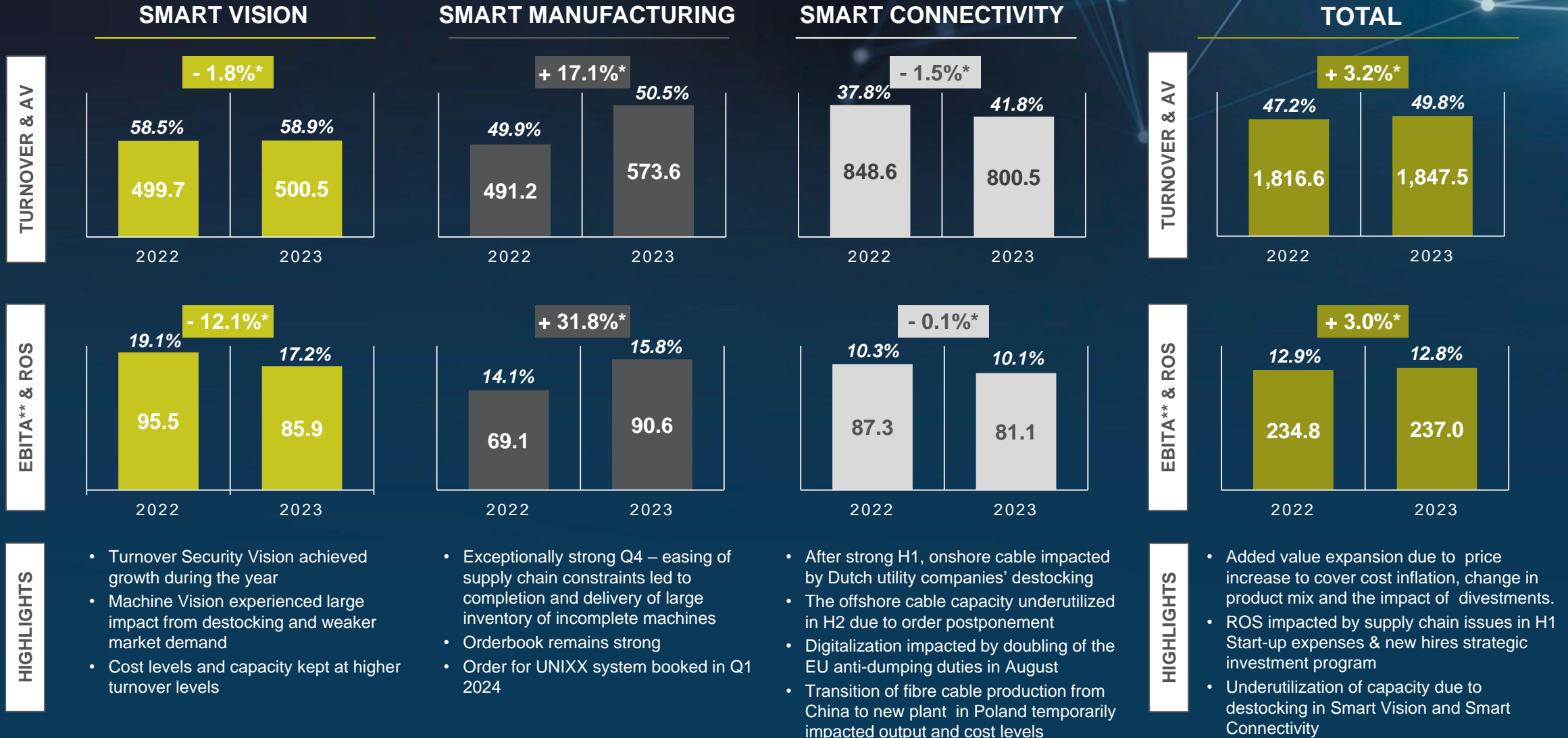
Dec 31, 2022: € 307.2m

* EBITA & ROS excluding one-off income and expenses (one-off net expenses in 2023 amounted to € 2.0 million, 2022: one-off income of € 10.4 million)

** Net profit before amortization of intangible non-current assets related to acquisitions (after tax) and one-off income and expenses attributable to shareholders. Amortization of intangible non-current assets related to acquisitions (after taxes) in 2023 of € 12.3 million (2022: € 12.6 million)

*** Adjusted for acquisitions, divestments, and currency effects

Added Value increased across all segments



Accelerate 2025: Assumptions for ROS Targets

2021 Assumptions

Headwinds

SMART VISION

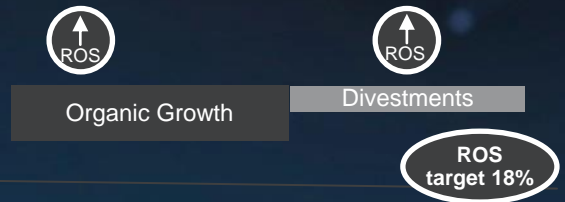


- Megatrend: Automation
- One-stop-shop positioning & USP's
- High single digit organic growth
- Investments into software & AI
- High added value of 60%
- ROS growth: scale & efficiency
- Strategically fitting acquisitions

	2023	2022	2021
Turnover	+ 0.2%	+ 16.3%	+ 9.4%
EBITA	- 10.1%	+ 29.5%	+ 18.9%
ROS	17.2%	19.1%	17.2%

- Destocking end customers
- Challenging market circumstances
- Underutilization - High costs

SMART MANUFACTURING



- Megatrend: Automation
- Portfolio expansion
- High single digit organic growth
- ROS growth through:
 - Business normalization
 - Divestments
 - Scale & efficiency

	2023	2022	2021
Turnover	+ 16.8%	+ 17.2%	+ 19.9%
EBITA	+ 31.2%	+ 16.3%	+ 43.5%
ROS	15.8%	14.1%	14.2%

Structural inflationary pressure & high interest rates

- Supply chain constraints
- High levels of inefficiencies

SMART CONNECTIVITY



- Megatrend: Digitalization & Electrification
- High single digit organic growth
- ROS growth through:
 - Strategic investment program
 - Operational leverage
 - No anti-dumping duties

	2023	2022	2021
Turnover	- 5.7%	+ 22.6%	+ 22.4%
EBITA	- 7.1%	+ 19.3%	+ 61.9%
ROS	10.1%	10.3%	10.6%

- Destocking Dutch utility companies
- Project delays offshore wind
- Anti-dumping duties

2025 Targets:

Turnover: ≥ € 2bn
ROS: 17%

If headwinds continue:

17% ROS target may take longer to realize

Our sustainable value chain

Our Focus on SDGs

70% of turnover linked to SDGs



Energy transition

Energy cables
Subsea cables

Automation

Tire building systems
Specialty cables for
robotics & mechanical
engineering

Sustainable Communities

Mobility inspection
systems
Parking guidance
Connectivity systems

Digitalization

Fibre Optic Cables

How we do it

non-financial KPIs

CO₂e FOOTPRINT REDUCTION (scope 1 & 2)

Compared to 2019
Target 100% neutrality by 2030

64.3%

2022 42.7%

2021 29.8%

DIVERSITY

Female Executive and
Senior Management

Target > 25% by 2030

19.2%

2022 18.4%

2021 17.7%

% WASTE

Target < 5% waste

5.2%

2022 5.3%

2021 5.2%

ILLNESS RATE

Target < 4.0%

3.85%

2022 4.04%

2021 3.56%

SATISFACTION SCORE

Customers
Target Average score above
benchmark (7.8)

8.6

2022 8.6

2021 8.4

SATISFACTION SCORE

Employees
Target > 7.5

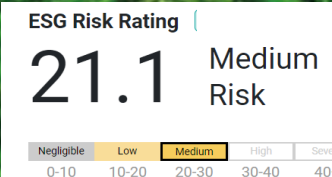
7.8


2022 7.6

2021 7.4

How we are rated

rating agencies





**FINANCIAL
PERFORMANCE
FY 2023**

Geographical distribution of turnover

	2023	2022
Netherlands	24.6%	24.7%
Europe (other)	38.8%	44.1%
Asia	19.1%	14.8%
North America	13.0%	12.7%
Other	4.5%	3.7%



- Smart Vision systems
- Smart Manufacturing systems
- Smart Connectivity systems

Profit and Loss Account

€ million	2023		2022		Δ in %
1 Turnover	1,847.5		1,816.6		+ 1.7%
Raw materials and subcontracted work	927.9		958.7		
2 Added value	919.7	49.8%	857.9	47.2%	+ 7.2%
Operating expenses	682.7	36.9%	623.1	34.3%	+ 9.6%
3 EBITA ¹⁾	237.0	12.8%	234.8	12.9%	+ 0.9%
One-off income & exp.	2.0		- 10.4		
Amortization	56.9		54.6		
Impairments	3.7		0.5		
Operating result	174.5		190.2		- 8.2%
Result associates	51.5		3.1		
Other financial result	- 23.0		- 12.0		
Result before taxes	202.9		181.2		+ 12.0%
Taxes	- 37.2		- 44.1		
Net profit	165.8	9.0%	137.1	7.5%	+ 20.9%
Adjusted net profit ²⁾	130.5	7.1%	143.6	7.9%	- 9.1%

€ million	Turnover	
2022	1,816.6	
Acquisitions	+ 16.9	+ 0.9%
Divestments	- 32.4	- 1.8%
Currency translation	- 11.3	- 0.6%
Organic growth	+ 57.7	+ 3.2%
2023	1,847.5	1.7%

- 2** All segments reported increase in added value
- Higher operational costs being passed on
 - Change in product mix
 - Impact of acquisitions and divestments

€ million	EBITA	
2022	234.8	
Acquisitions	+ 3.1	+ 1.3%
Divestments	- 5.1	- 2.2%
Currency translation	- 2.7	- 1.2%
Organic growth	+ 6.9	+ 3.0%
2023	237.0	0.9%

Personnel expenses +9.4% – Expansion of workforce (+532 FTEs) and payroll increases

11 1) before one-off income and expenses
2) before amortization of PPAs and one-off income and expenses attributable to shareholders

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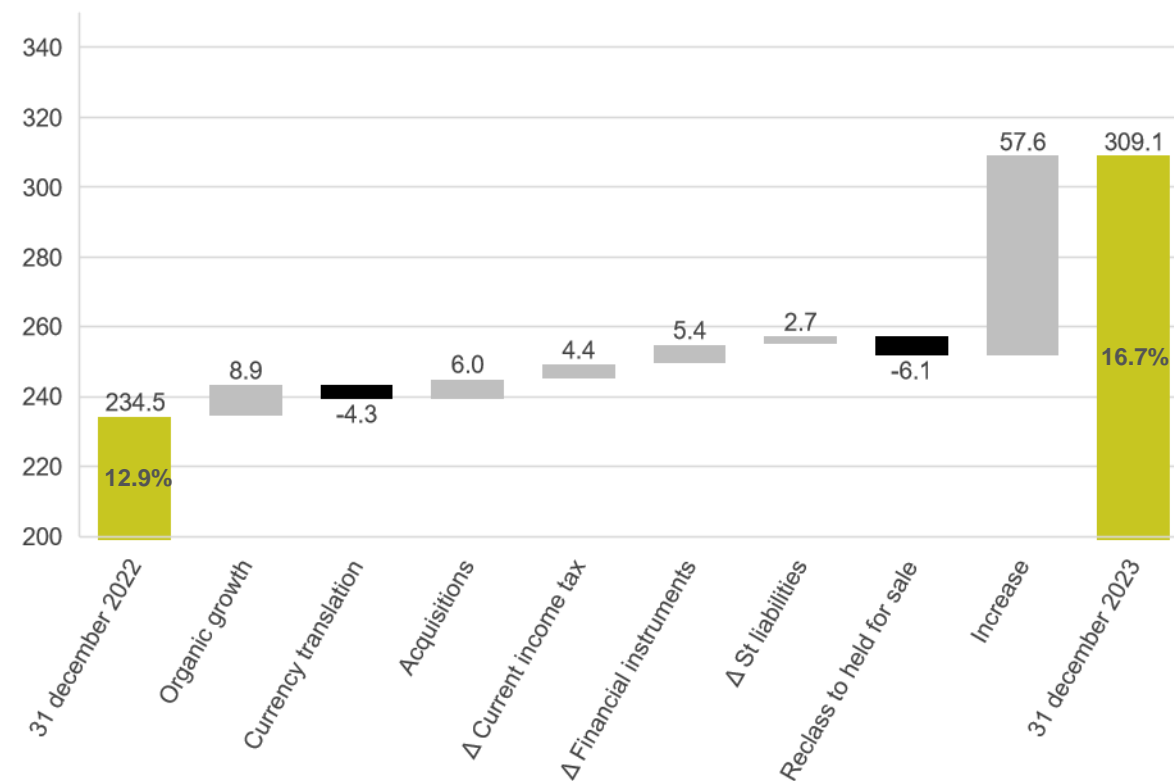
- 4** Reorganization costs in Smart Vision
Closure of fibre optic cable production in China
Acquisition and divestment costs
- 5** Mostly related to discontinued R&D
- 6** Includes € 54.8 million one-off net profit from the divestments of the remaining stake in CCG and of TKH France
- 7** Increase net interest expenses with € 12.4 million due to higher interest rates and outstanding debt
- 8** The normalized effective tax rate decreased slightly to 24.6% in 2023 from 24.8% in 2022
Benefitted from R&D tax facilities in several countries

Balance sheet



(in € million)	Dec 31, 2023	Dec. 31, 2022
Intangible assets and goodwill	565.7	533.8
Property, plant and equipment	436.0	295.0
Right-of-use assets	84.0	75.3
Other non-current assets	52.6	26.1
Total non-current assets	1,138.3	930.2
1 Current assets	874.6	845.1
Cash and cash equivalents	93.7	184.6
Total current assets	968.3	1,029.7
Assets held for sale	21.2	108.5
Total assets	2,127.8	2,068.4
Total group equity	835.7	786.9
Borrowings	572.4	503.0
Other non-current liabilities	75.2	64.0
Total non-current liabilities	647.6	567.0
Borrowings	75.9	70.4
1 Other current liabilities	565.5	610.7
Total current liabilities	641.4	681.1
Liabilities held for sale	3.1	33.4
Total equity and liabilities	2,127.8	2,068.4

1 Changes in working capital (in € million)



Use of non-recourse factoring ¹⁾

- > Dec 31, 2023 € 40.9 million
- > Jun 30, 2023 € 61.5 million
- > Dec 31, 2022 € 62.8 million

Use of supply chain finance ¹⁾

- > Dec 31, 2023 € 44.1 million
- > Jun 30, 2023 € 58.4 million
- > Dec 31, 2022 € 50.8 million

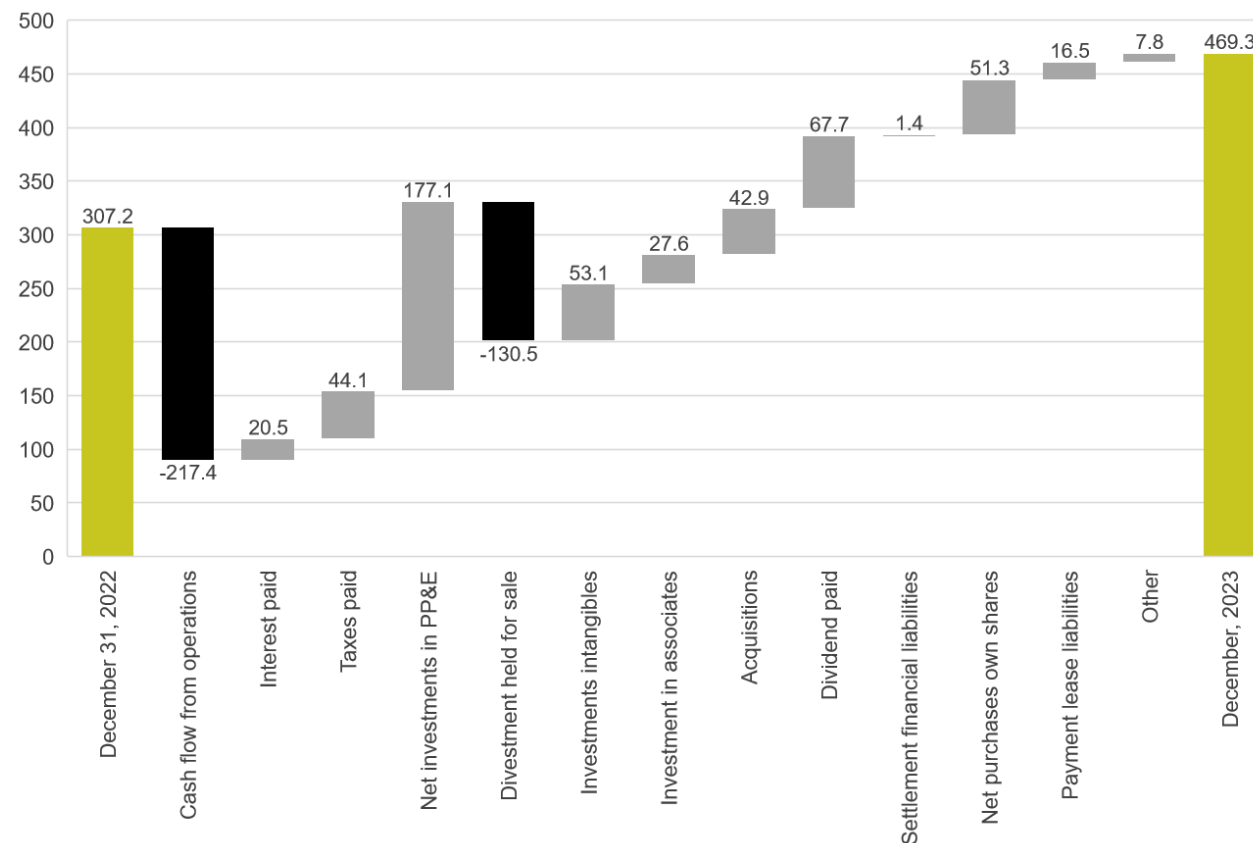
¹⁾ Amounts shown above include factoring and supply chain finance reported under 'held for sale'

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2 Change in net debt (in € million)



Cash dividend of € 1.65 paid per (depository receipt of) ordinary share in 2023

Net debt/EBITDA of 1.8 (December 31, 2022: 1.1 and June 30, 2023: 1.7)

Free Cash Flow

(in million € unless stated otherwise)	H1 2023	H2 2023	2023	2022	2021	2020
Operating result	93.3	81.2	174.5	190.2	136.9	70.9
Depreciation, amortization and impairment	51.7	57.7	109.4	100.6	98.0	103.1
EBITDA adjusted	145.0	138.9	283.9	290.8	234.9	174.0
1 Change in working capital	- 101.2	29.9	- 71.3	- 116.3	-3.5	42.5
Taxes paid	- 19.5	- 24.6	- 44.1	- 40.4	- 33.1	- 19.9
Other		4.9	4.9	-9.3	8.2	- 0.1
Cash flow from operations before interest	24.3	149.1	173.4	124.8	206.5	196.5
Payment of lease liabilities	- 7.7	- 8.8	- 16.5	- 14.7	- 15.6	- 16.0
2 Capital expenditure PP&E	- 71.0	- 106.1	- 177.1	- 91.8	- 31.0	- 29.4
3 Capital expenditure intangibles	- 25.5	- 27.6	- 53.1	- 45.9	- 40.5	- 39.2
4 Divestments of property held for sale				14.0		
Free Cash Flow ('FCF')	- 79.9	6.6	- 73.3	- 13.6	119.4	111.9
EBITDA (adjusted) to FCF conversion	- 55.1%	4.8%	- 25.8%	- 4.7%	50.8%	64.3%

- 1** FCF conversion can be affected by developments in working capital. Working capital ratio for the period-end included in the overview are:
- > 2019: 13.0%
 - > 2020: 12.1%
 - > 2021: 9.9%
 - > 2022: 12.9%
 - > 2023: 16.7%

FCF-conversion is traditionally lower in the first half year and stronger in second half due to working capital development

- 2** In 2023, Strategic Investment Program impacted FCF by € 134 million (2022: € 41 million)
- 3** Payments for acquisitions have not been included in FCF
- 4** The net cash flow from the divestment of TKH France and CCG of € 129.5 million is not included in the FCF overview – Including the divestment, the FCF conversion would be 19.8%

OUTLOOK

A worker in a white shirt and dark pants is working on a large spool of blue cable in a factory. The scene is filled with industrial machinery, including large vertical rollers and pipes. The entire image has a yellow-green tint.

TKH has made strong progress in its strategic positioning in 2023. With over 15% of turnover from innovations and the completion of the € 200 million strategic investment program, TKH is well positioned for further growth.

For Q1 2024, we anticipate Smart Manufacturing systems to grow compared to Q1 2023. Smart Vision and Smart Connectivity systems will face continued weak market demand. Overall, turnover and EBITA are expected to decrease in Q1 2024 compared to Q1 2023.

For the full year, we expect Smart Manufacturing systems to return to more normalized growth when compared to last year. In Smart Vision systems, we expect growth to return in the second half of 2024, on the back of market recovery. Within Smart Connectivity systems, we anticipate the destocking of onshore energy cables in the Netherlands to continue throughout the year. Barring unforeseen circumstances, we anticipate organic growth in turnover and EBITA in 2024.

TKH will provide a more specific outlook for the full year of 2024 at the presentation of its interim results in August 2024.



Q&A

