

# TKH Group NV

## H1 2023 Results - Analyst Presentation

15 August 2023



# IMPORTANT INFORMATION – DISCLAIMER

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## 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

## TURNOVER & EBITA GROWTH IN H1 2023

- On balance, performed well in H1 2023
- Added value increased across all segments; reflection of TKH pricing power
- Easing of supply chain issues at Smart Manufacturing
- Order book up, strong growth order book Smart Manufacturing
- Market conditions for 2D and 3D have become more challenging during Q2 2023



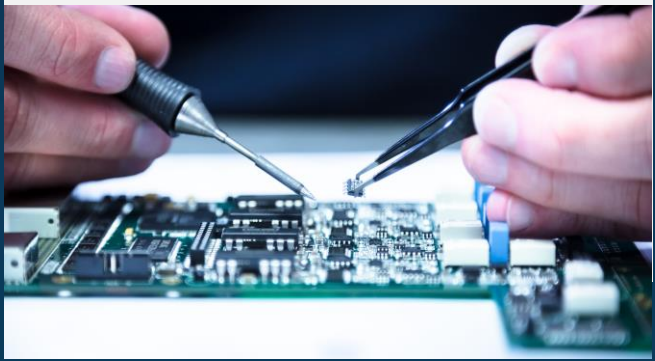
## € 200M STRATEGIC INVESTMENT PROGRAM PROGRESSING ACCORDING TO PLAN

- Inter-array cable plant in Eemshaven and expansion of medium and high voltage cable capacity in Lochem progressing well
- Awarded a large order from Ørsted for 200km inter-array cables, production to start in Q4 2023
- Selected as one of the suppliers by system operator TenneT for the supply of high-voltage cables in the coming years
- Tire Building expansion in Poland fully operational



## INVESTING IN OUR STRATEGIC POSITIONING

- Acquisition of machine vision software company Euresys
- Divestment of French connectivity distributor; retaining 40% stake in carve-out
- Investments into digital transformation
- Investments into Machine Vision one-stop-shop
- 69% of turnover linked to SDGs



# Continued growth underpins strong strategic positioning

## Highlights H1 2023

### Turnover € 947.6m

H1 2022: € 899.7m

+ 5.0% organically

### EBITA\* € 119.8m

H1 2022: € 115.6m

+ 3.6%

### ROS\* 12.6%

H1 2022: 12.8%

### Adjusted net profit\*\* € 67.7m

H1 2022: € 70.5m

- 4.0%

### ROCE 19.9%

H1 2022: 21.5%

### Order book € 999.9m

Dec 31, 2022: € 971.9m

+ 2.9%

### Innovations 15.0%

H1 2022: 18.7%

*As percentage of turnover*

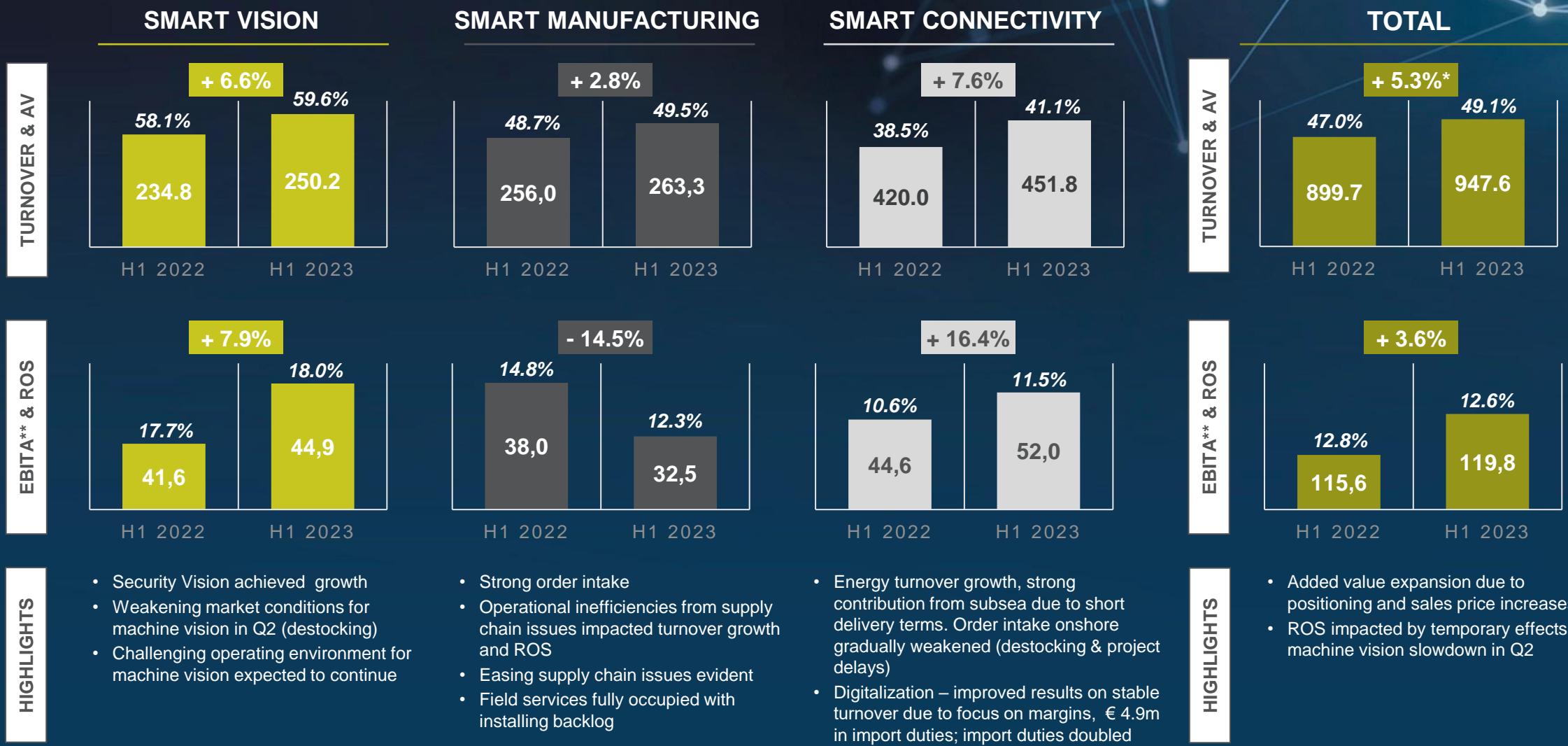
### Net debt € 480.8m

Dec 31, 2022: € 307.2m

\* EBITA & ROS before one-off income (one-off income H1 2023: € 1.1m, H1 2022: € 9.3m)

\*\* Net profit before amortization of intangible non-current assets related to acquisitions (after tax) and one-off income and expenses attributable to shareholders

# Value added increased across all segments



\* Adjusted for acquisitions and currency effects, turnover increased 5.0% organically, with price effects accounting for 4.1%

\*\* EBITA before one-off income and expenses

# Progress in Our Strategic Positioning

## TKH VISION



Further positioned the TKH Vision group as a one-stop-shop technology partner for customers:

- Invested in expanding the sales organization
- Preparing for the opening of additional Solution Centers for TKH Vision, besides the one in Konstanz

## DIGITAL TRANSFORMATION



- Upscaling and upskilling of shared technology service center in Poland (100 FTEs) and strengthening management
- Set-up of Artificial Intelligence hub in Amsterdam

## ACQUISITION EURESYS



- Leading innovative high-tech designer and provider of software for 2D and 3D image analysis
- Realized annual turnover of about € 27 million in 2022

## DIVESTMENT TKH FRANCE



- Connectivity distribution activities in France
- Enterprise value € 118 million
- To re-invest € 26.5 million to acquire minority stake of 40% in carve-out; closing in Q3 2023, one-off net profit € 20 million

## CLOSING CCG



- Closing of divestment minority share
- One-off profit of € 36.2 million

Further strategic focus on our differentiating and innovative power in smart technologies to drive added value at higher levels

# € 200m Strategic Investments progressing well

Production capacity expansions on schedule to meet increased demand in automation, digitalization, and electrification

€ 150 million investment	ELECTRIFICATION		<p>Offshore: New Subsea Cable factory Eemshaven (Netherlands)</p>	<p>Start serial production in Q2 2024</p>	<p>Large contract awarded by Ørsted for supply and termination of 200 km inter-array and other cables, start production in Q4 2023</p> <p>Promising sales funnel for subsea cables</p>	<p>Securing additional capacity to benefit from megatrends resulting in additional € 250 - € 300 million turnover in coming years</p>
			<p>Onshore: Expansion factory for <b>Medium &amp; High Voltage</b> cables Lochem (Netherlands)</p>	<p>Operational in phases in Q3 2023</p>	<p>Selected as one of the suppliers by system operator TenneT for the supply of high-voltage cables in the coming years</p>	
€ 50 million investment	DIGITALIZATION		<p>New <b>Fibre Optic Cable</b> factory Rawicz (Poland)</p>	<p>Operational in Q3 2023</p>	<p>New plant in Poland will eliminate EU imposed import duties (€ 10 million in 2022)</p>	
	AUTOMATION		<p>Expansion with new factory for <b>Specialized Connectivity Systems</b> Rawicz (Poland)</p>	<p>Operational in Q3 2023</p>	<p>Expansion in Poland will increase capacity and reduce lead time for specialized connectivity systems</p>	
			<p>Expansion <b>Tire Building Systems</b> factory Leszno (Poland)</p>	<p>Operational in Q2 2023</p>	<p>Additional capacity for high order intake and order book in Tire Building</p>	



**ESG**



# Updates on ESG

## Key non-financial KPIs

Category	KPI	2022	2021	Target
BEING RESPONSIBLE	<b>CO<sub>2</sub>e FOOTPRINT REDUCTION (scope 1 &amp; 2)</b> Compared to 2019 Target 100% neutrality by 2030	<b>45.0%</b> 42.7%	29.8%	100% neutrality by 2030
	<b>% WASTE</b> Target < 5% waste	<b>4.0%</b> 5.3%	5.2%	< 5% waste
	<b>RECYCLING</b> of most relevant raw materials Target > 80% recycling	<b>83.3%</b> 88.0%	83.2%	> 80% recycling
	<b>SATISFACTION SCORE</b> Customers Target Average score above benchmark (7.8)	<b>8.6</b>	8.4	Average score above benchmark (7.8)
	<b>CODE OF SUPPLY</b> Signed by suppliers Target > 90% strategic suppliers signed up	<b>91.9%</b>	92.4%	> 90% strategic suppliers signed up
TALENTED PEOPLE & EMPOWERMENT	<b>DIVERSITY</b> Female Executive and Senior Management Target > 25% by 2030	<b>18.9%</b> 18.4%	17.7%	> 25% by 2030
	<b>ACCIDENT RATE (LTIFR)</b> Target < 1.0	<b>0.7</b> 0.8	0.7	< 1.0
	<b>ILLNESS RATE</b> Target < 4.0%	<b>3.75%</b> 4.04%	3.56%	< 4.0%
	<b>SATISFACTION SCORE</b> Employees Target > 7.5	<b>7.6</b>	7.4	> 7.5
	<b>Code of Conduct</b> Number of reported breaches Target 0	<b>0</b> No breaches	No breaches	0

69% of turnover linked to SDGs





**FINANCIAL  
PERFORMANCE  
H1 2023**

# Geographical distribution of turnover

	H1 2023	H1 2022
Netherlands	25.7%	23.5%
Europe (other)	42.5%	43.0%
Asia	16.2%	17.8%
North America	11.5%	12.8%
Other	4.1%	2.9%

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



# Profit and Loss Account

€ million	H1 2023		H1 2022		Δ in %
<b>1</b> Turnover	947.6		899.7		+ 5.3%
Raw materials and subcontracted work	- 482.4		- 477.0		
<b>2</b> Added value	465.2	49.1%	422.7	47.0%	+ 10.1%
<b>3</b> Operating expenses	345.4	36.5%	307.1	34.1%	+ 12.5%
<b>EBITA <sup>1)</sup></b>	<b>119.8</b>	<b>12.6%</b>	<b>115.6</b>	<b>12.8%</b>	<b>+ 3.6%</b>
One-off income	1.1		9.3		
Amortization	-26.9		-27.1		
Impairments	-0.6		-0.0		
<b>Operating result</b>	<b>93.3</b>		<b>97.8</b>		
Result associates	36.2		2.1		
Other financial result	- 9.5		- 5.7		
<b>Result before taxes</b>	<b>120.0</b>		<b>94.2</b>		
Taxes	21.5		24.2		
<b>Net profit</b>	<b>98.4</b>	<b>10.4%</b>	<b>70.0</b>	<b>7.8%</b>	<b>+ 40.6%</b>
<b>Adjusted net profit <sup>2)</sup></b>	<b>67.7</b>	<b>7.1%</b>	<b>70.5</b>	<b>7.8%</b>	<b>- 4.0%</b>

€ million	Turnover	
<b>H1 2022</b>	<b>899.7</b>	
Acquisitions	5.0	0.6%
Currency translation	- 2.4	- 0.3%
Price effects	37.4	4.1%
Volume growth	7.9	0.9%
<b>H1 2023</b>	<b>947.6</b>	<b>5.3%</b>

**2** Easing supply chain constraints  
Sales price increases

**3** Acquisitions + 0.5%  
Currency translation - 0.4%  
Personnel expenses + 12.1% – Expansion workforce (+ 532 FTEs) and payroll increases

12 <sup>1)</sup> before one-off income and expenses  
<sup>2)</sup> before amortization of PPAs and one-off income and expenses attributable to shareholders

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**4** Divestment of the remaining stake in CCG resulted in a profit of € 36.2 million in Q1 2023

**5** Increase net interest expenses with € 5.5 million due to higher interest rates and outstanding debt

Offset by lower foreign exchange losses

**6** Normalized effective tax rate decreased to 25.7% (H1 2022: 26.3 %)

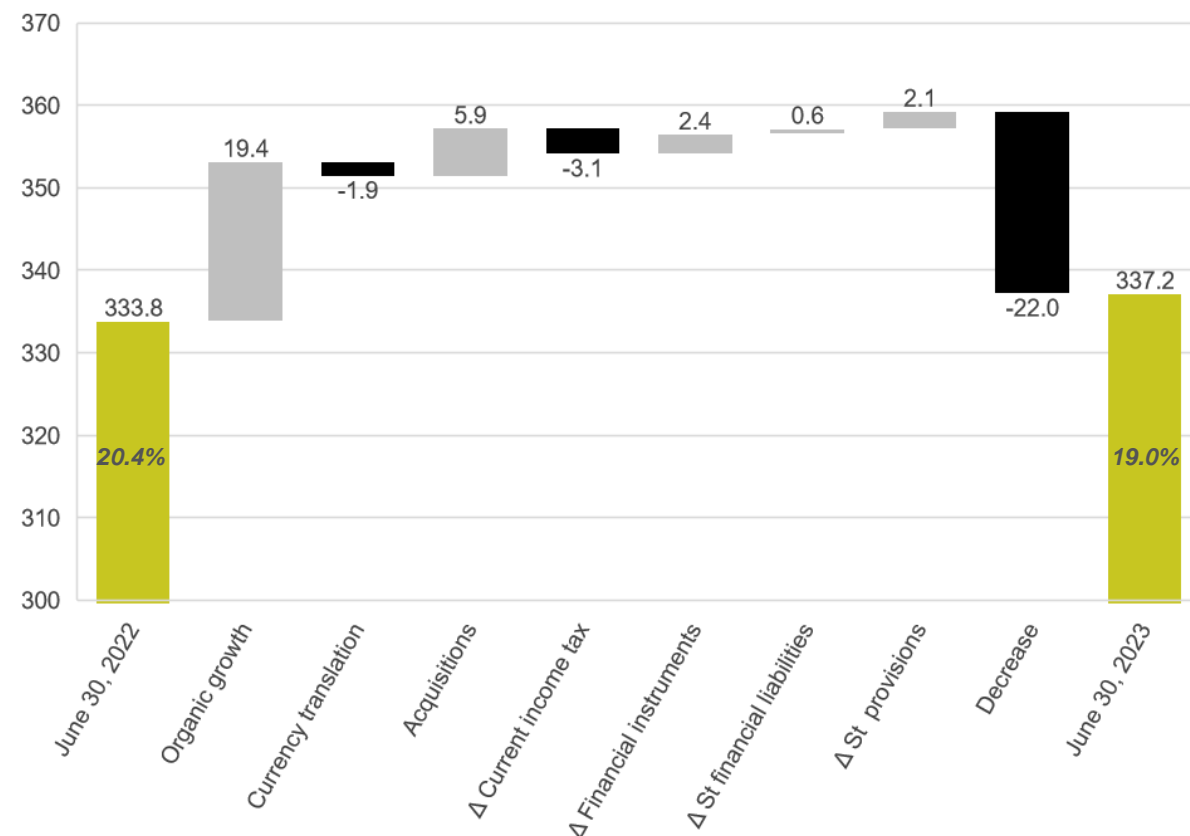
Relatively higher profits at companies benefitting from R&D tax facilities

# Balance sheet



(in € million)	June 30, 2023	Dec. 31, 2022
Intangible assets and goodwill	570.7	533.8
Property, plant and equipment	358.8	295.0
Right-of-use assets	72.8	75.3
Other non-current assets	27.2	26.1
<b>Total non-current assets</b>	<b>1,029.5</b>	<b>930.2</b>
1 Current assets	876.8	845.1
Cash and cash equivalents	99.9	184.6
<b>Total current assets</b>	<b>976.7</b>	<b>1,029.7</b>
Assets held for sale	96.0	108.5
<b>Total assets</b>	<b>2,102.1</b>	<b>2,068.4</b>
<b>Total group equity</b>	<b>795.9</b>	<b>786.9</b>
Borrowings	596.8	503.0
Other non-current liabilities	69.8	64.0
<b>Total non-current liabilities</b>	<b>666.6</b>	<b>567.0</b>
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Other current liabilities	539.9	610.7
<b>Total current liabilities</b>	<b>601.3</b>	<b>681.1</b>
Liabilities held for sale	38.3	33.4
<b>Total equity and liabilities</b>	<b>2,102.1</b>	<b>2,068.4</b>

## 1 Changes in working capital (in € million)



### Use of non-recourse factoring

- > Jun 30, 2023 € 61.5 million
- > Dec 31, 2022 € 62.8 million
- > June 30, 2022 € 60.1 million

### Use of supply chain finance

- > Jun 30, 2023 € 58.4 million
- > Dec 31, 2022 € 50.8 million
- > June 30, 2022 € 59.0 million

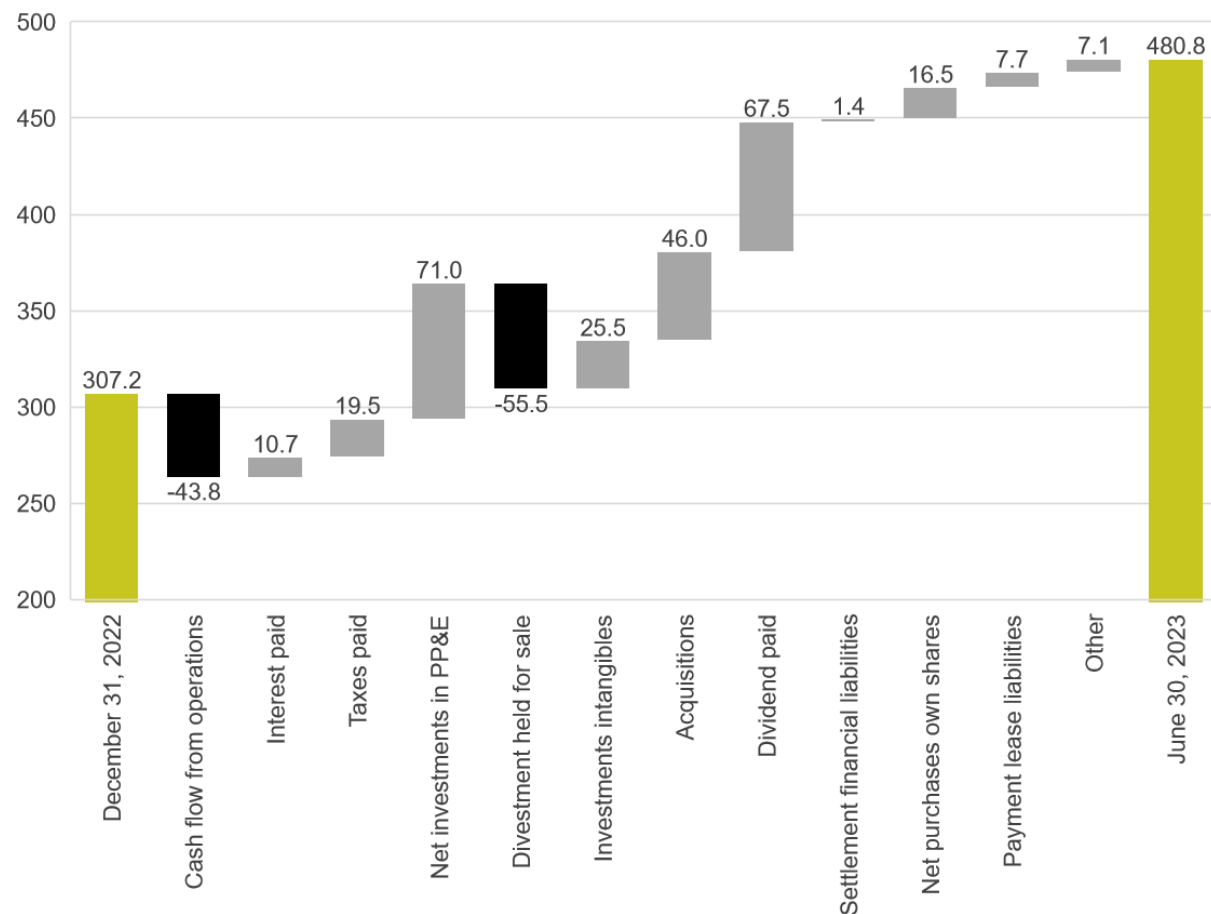
Amounts and percentages shown above include assets and liabilities reported under 'held for sale'

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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 1.7 (December 31, 2022: 1.1 and June 30, 2022: 1.6)

# Free cash flow

in million € unless stated otherwise	H1 2023	H1 2022	H2 2022	2022	2021	2020
<b>Operating result</b>	<b>93.3</b>	<b>97.8</b>	<b>92.4</b>	<b>190.2</b>	<b>136.9</b>	<b>70.9</b>
Depreciation, amortization and impairment	51.7	50.8	49.8	100.6	98.0	103.1
<b>EBITDA adjusted</b>	<b>145.0</b>	<b>148.6</b>	<b>142.2</b>	<b>290.8</b>	<b>234.9</b>	<b>174.0</b>
<b>1</b> Change in working capital	-101.2	-197.5	81.2	-116.3	-3.5	42.5
Taxes paid	-19.5	-22.1	-18.3	-40.4	-33.1	-19.9
Other		-7.1	-2.2	-9.3	8.2	-0.1
<b>Cash flow from operations before interest</b>	<b>24.3</b>	<b>-78.1</b>	<b>202.9</b>	<b>124.8</b>	<b>206.5</b>	<b>196.5</b>
Payment of lease liabilities	-7.7	-7.8	-6.9	-14.7	-15.6	-16.0
<b>2</b> Capital expenditure PP&E	-71.0	-27.9	-63.9	-91.8	-31.0	-29.4
<b>3</b> Capital expenditure intangibles	-25.5	-21.8	-24.1	-45.9	-40.5	-39.2
Divestments of held for sale	55.5	14.0		14.0		
<b>Free Cash Flow ('FCF')</b>	<b>-24.4</b>	<b>-121.6</b>	<b>108.0</b>	<b>-13.6</b>	<b>119.4</b>	<b>111.9</b>
EBITDA (adjusted) to FCF conversion	-16.8%	-81.8%	75.9%	-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: 10.7%
- > H1 2022: 20.4%
- > 2022: 14.1%
- > H1 2023: 19.0%

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

**2** In H1 2023, Strategic Investment Program impacted FCF by € 55 million (2022: € 41 million)

**3** Payments for acquisitions have not been included in FCF



# OUTLOOK



## Smart Vision systems

Turnover and EBITA in H2 2023 are expected to grow compared to H1 2023, whilst the challenging market conditions may dampen this growth

## Smart Manufacturing systems

Turnover and EBITA are expected to grow in H2 2023 compared to H1 2023, driven by the strong order book and easing of supply chain constraints at Tire Building systems

## Smart Connectivity systems

Turnover and EBITA in H2 2023 are expected to be lower than H1 2023, due to destocking and project delay effects of onshore energy cables, temporary underutilization of subsea in Q3, and higher import duties (assuming a full year contribution from cable connectivity distribution activities in France)

On balance and barring unforeseen circumstances, TKH expects an EBITA before one-off income and expenses between € 237 million and € 247 million (2022: € 234.8 million), assuming a full year contribution from the connectivity distribution activities in France, translating into a net profit before amortization and one-off income and expenses attributable to shareholders between € 131 million and € 139 million (2022: € 143.5 million) for the full year 2023

# Closing Remarks

**On balance, performed well in H1 2023**  
**Cautiousness towards H2 2023 due to destocking and other short-term effects within Smart Vision and Smart Connectivity**

**Strategic investment program to increase global capacity progressing well – benefitting 2024 and onwards**

**Continue to invest in strategic positioning: investments in core technologies & portfolio optimization to reach our medium-term targets**

**Strong underlying dynamics; well positioned to secure long-term growth opportunities from automation, digitalization & electrification**



**Q&A**

