

TKH Group NV

H1 2024 Results - Analyst Presentation

August 13, 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

SOLID RECOVERY IN Q2

- Q2 EBITA up 32.2% organically on Q1*
 - Strong operational performance from Smart Manufacturing
- H1 added value increased to 51.8%
 - Improvements in all segments confirming strategic strength
- Smart Manufacturing benefits from
 - Strong order book
 - Efficiency improvements
- H1 EBITA and ROS impacted by
 - Sustained destocking effects
 - Weaker market demand in certain end markets
 - Start-up and ramp-up costs due to expansion of production capacity

INCREASED ORDER BOOK SUPPORTS FUTURE GROWTH

- H1 order book up 8.5%
 - Strong growth at Smart Connectivity
- Large contracts won at beginning of H2 to contribute to H2 2024 performance
 - Smart Vision
 - Smart Connectivity
- H2 growth despite
 - Lower-than-anticipated growth in Smart Vision
 - Expected prolonged weakness in Digitalization
- Our innovative, differentiating and sustainable technologies instrumental in securing contracts

STRATEGIC PROGRESS

- €200 million strategic investment program completed
 - Eemshaven started serial production
- Two divestments & three acquisitions
 - HE System Electronic & EKB Groep
 - JCAI, Comark & Liberty Robotics
- Cost savings program of €15 million initiated
 - Implemented in H2 2024
 - Positive effects in 2025
- Re-addressing our strategy in light of further value creation

Robust order book and innovative technologies focused on megatrends position us for further growth

* EBITA excluding one-off income and expenses

Performance H1 2024 supported by stronger Q2

Highlights H1 2024

Turnover €867.2m

H1 2023: €947.6m
- 1.6% organically

EBITA* €95.8m

H1 2023: € 119.8m
- 11.3% organically

ROS* 11.0%

H1 2023: 12.6%

Adjusted net profit
€45.4m**

H1 2023: €67.7m
- 32.9%

ROCE 15.9%

H1 2023: 19.9%

Order book €1,053m

Dec 31, 2023: €970m
+ 8.5%

Innovations 15.7%

H1 2023: 15.0%

As percentage of turnover

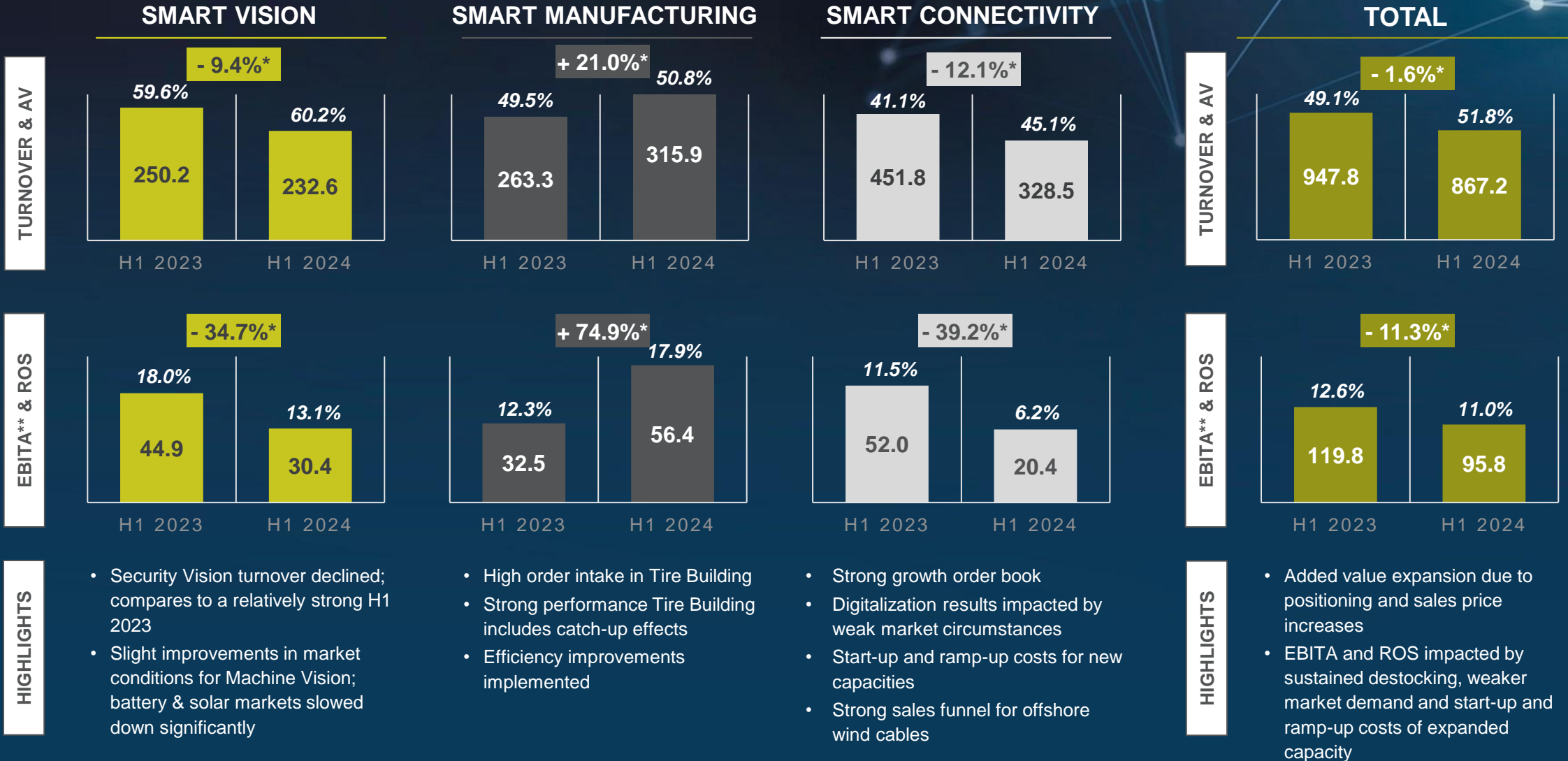
Net debt €574.9m

Dec 31, 2023: €469.3m

* EBITA & ROS excluding one-off income (one-off expense € 0.4 million in H1 2024 and € 1.1 million income in H1 2023)

** Adjusted net profit is the net profit before amortization of intangible non-current assets related to acquisitions and one-off income and expenses attributable to shareholders

Value added increased across all segments



* Adjusted for acquisitions, divestments and currency effects

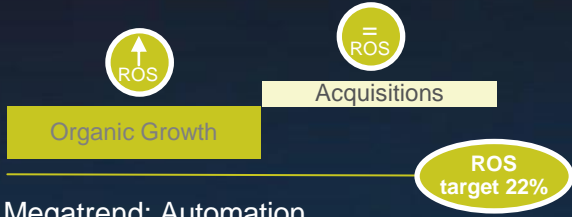
** EBITA excluding one-off income and expenses

Accelerate 2025

2021 Assumptions

Headwinds

SMART VISION



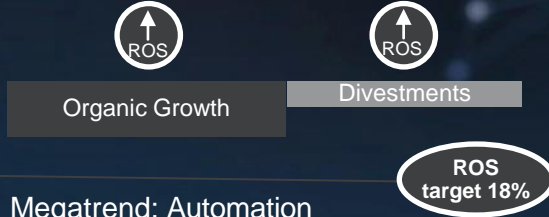
Megatrend: Automation

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

- ✗ Destocking end customers
- ✗ Challenging market circumstances
- ✗ Underutilization – High costs
- ✓ Cost savings program of €5 million

H1 2024
ROS: 13.1%
Organic turnover - 9.4%

SMART MANUFACTURING



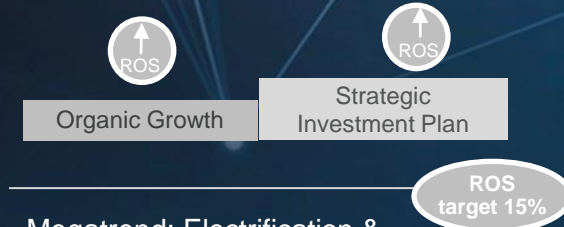
Megatrend: Automation

- ✓ Portfolio expansion (UNIXX)
- ✓ High single digit organic growth
- ✓ ROS growth through:
 - ✓ Business normalization
 - ✓ Divestments
 - ✓ Scale & efficiency

- ✓ Supply chain constraints
- ✓ High levels of inefficiencies

H1 2024
ROS: 17.9%
Organic turnover + 21.0%

SMART CONNECTIVITY



Megatrend: Electrification & Digitalization

- ✗ High single digit organic growth
- ROS growth through:
 - ✓ Strategic investment program
 - ✗ Operational leverage

- ✗ Destocking Dutch utility companies
- ✗ Strong headwinds in Digitalization
- ✓ Positive development of order book offshore wind
- ✓ Cost savings program of €10 million
- ✓ Strong improvement added value from 41.1% to 45.1%

H1 2024
ROS: 6.2%
Organic turnover - 12.1%

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

71% of turnover linked to SDGs



Electrification

Energy cables
Subsea cables

Automation

Machine vision inspection
Tire building systems
Specialty cables for industrial applications

Sustainable Communities

Mobility inspection
Mission critical communication
Parking guidance
Connectivity systems

Digitalization

Fibre Optic Cables

How we do it

non-financial KPIs H1 2024

CO₂e FOOTPRINT REDUCTION (scopes 1&2)

Compared to 2019
Target 100% neutrality by 2030

66.1%

2023 64.3%

2022 42.7%

% WASTE

Target < 5% waste

5.8%

2023 5.2%

2022 5.3%

SATISFACTION SCORE

Customers
Target Average score above benchmark (7.8)

8.6

2023 8.6

2022 8.6

DIVERSITY

Female Executive and Senior Management
Target > 25% by 2030

19.8%

2023 19.2%

2022 18.4%

ILLNESS RATE

Target < 4.0%

3.66%

2023 3.85%

2022 4.04%

SATISFACTION SCORE

Employees
Target > 7.5

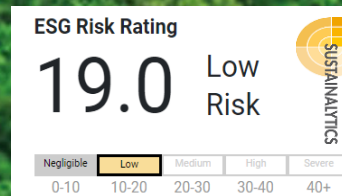
7.8

2023 7.8

2022 7.6

How we are rated

rating agencies



The image shows a large, modern industrial building with a yellowish tint. The building has a prominent logo and the text "TTCF CONNECTIVITY SOLUTIONS" on its upper facade. In the foreground, there are several large, circular metal structures, possibly part of a manufacturing or testing facility. In the background, several wind turbines are visible against a cloudy sky. The overall scene is industrial and modern.

TTCF CONNECTIVITY SOLUTIONS

FINANCIAL PERFORMANCE H1 2024

Geographical distribution of turnover

	H1 2024	H1 2023
Netherlands	26.3%	25.7%
Europe (other)	35.1%	42.5%
Asia	19.8%	16.2%
North America	13.9%	11.5%
Other	4.9%	4.1%

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



Profit and Loss Account

€ million	H1 2024		H1 2023		Δ in %
1 Turnover	867.2		947.6		- 8.5%
Raw materials and subcontracted work	- 418.2		- 482.4		
2 Added value	449.1	51.8%	465.2	49.1%	- 3.5%
3 Operating expenses	- 353.3		- 345.4		+ 2.3%
4 EBITA ¹⁾	95.8	11.0%	119.8	12.6%	- 20.0%
One-off income & expenses	- 0.4		1.1		
Amortization	- 30.5		- 26.9		
Impairments	- 0.9		- 0.6		
Operating result	63.9		93.3		
Result associates	13.7		36.2		
Other financial result	- 15.3		- 9.5		
Result before taxes	62.4		120.0		
Taxes	- 12.6		- 21.5		
Net profit	49.8	5.7%	98.4	10.4%	- 49.4%
Adjusted net profit ²⁾	45.4	5.2%	67.7	7.1%	- 32.9%

1) Excluding one-off income and expenses

2) Before amortization of PPAs and one-off income and expenses attributable to shareholders

10

€ million	Turnover	
H1 2023	947.6	
Acquisitions & divestments	- 64.3	- 6.8%
Currency translation	- 0.9	- 0.1%
Organic growth	- 15.2	- 1.6%
H1 2024	867.2	- 8.5%

2 Price increases passed on to customers, shift product mix and acquisitions & divestments

3 Acquisitions + 1.1%
Divestments - 3.8%

Increase operating expenses due to start-up and ramp-up of capacity and payroll increases

€ million	EBITA	
H1 2023	119.8	
Acquisitions & divestments	- 10.2	- 8.5%
Currency translation	- 0.3	- 0.2%
Organic growth	- 13.5	- 11.3%
H1 2024	95.8	- 20.0%

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EBITA ¹⁾	95.8	11.0%	119.8	12.6%	- 20.0%
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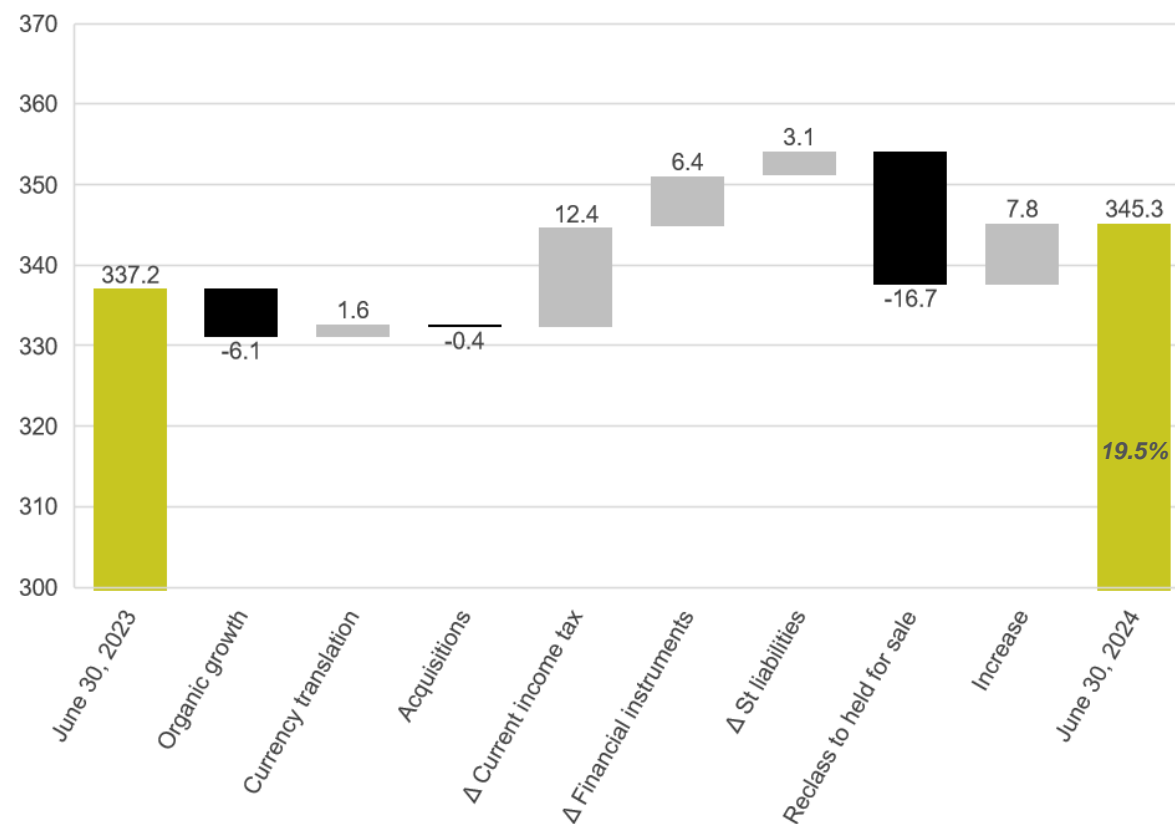
- 5** Amortization increased related to
- Amortization of PPA's from acquisitions (Euresys and JCAI)
 - Increased investment levels and acquisitions of R&D intensive companies
- 6** Result associates largely attributable to the one-off contribution from divestment of HE System Electronic (H1 2023 includes the one-off net profit from the divestment of CCG)
- 7** Increase net interest expenses due to higher interest rates and higher outstanding debt
- 8** Normalized effective tax rate stable at 25.8% (H1 2023: 25.7%)

Balance sheet



(in € million)	June 30, 2024	Dec. 31, 2023
Intangible assets and goodwill	588.8	565.7
Property, plant and equipment	464.6	436.0
Right-of-use assets	83.9	84.0
Other non-current assets	47.0	52.6
Total non-current assets	1,184.3	1,138.3
1 Current assets	871.3	874.6
Cash and cash equivalents	76.1	93.7
Total current assets	947.4	968.3
Assets held for sale	63.6	21.2
Total assets	2,195.3	2,127.8
Total group equity	827.0	835.7
Borrowings	645.5	572.4
Other non-current liabilities	77.6	75.2
Total non-current liabilities	723.1	647.6
Borrowings	92.0	75.9
1 Other current liabilities	525.9	565.5
Total current liabilities	617.9	641.4
Liabilities held for sale	27.3	3.1
Total equity and liabilities	2,195.3	2,127.8

1 Changes in working capital (in € million)



Use of non-recourse factoring ¹⁾

- › Jun 30, 2024 € 42.4 million
- › Dec 31, 2023 € 40.9 million
- › June 30, 2023 € 61.5 million

Use of supply chain finance ¹⁾

- › Jun 30, 2024 € 48.5 million
- › Dec 31, 2023 € 44.1 million
- › June 30, 2023 € 58.4 million

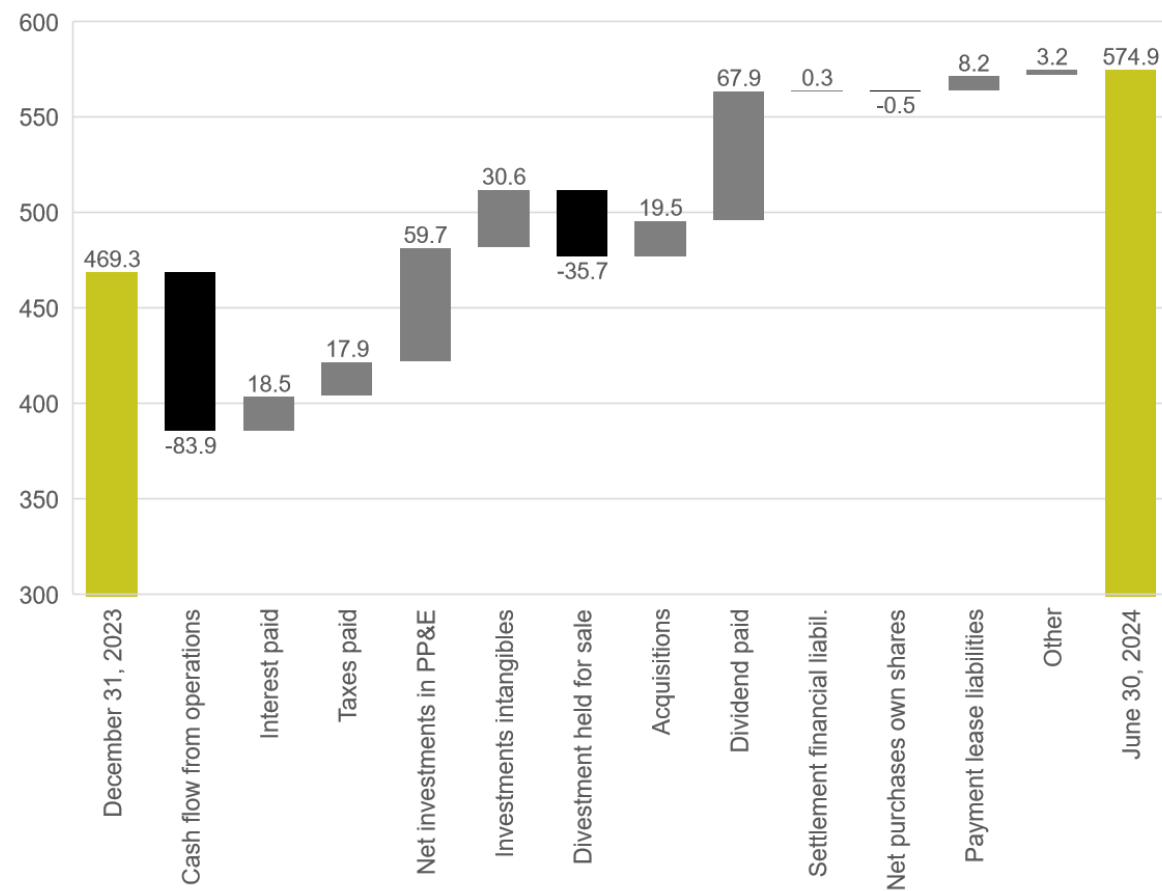
1) Amounts shown include factoring and supply chain finance reported under 'held for sale'

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2 Change in net debt (in € million)



Cash dividend of € 1.70 paid per (depository receipt of) ordinary share in 2024

Net debt/EBITDA of 2.3 (December 31, 2023: 1.8 and June 30, 2023: 1.7)

Free cash flow

(in million € unless stated otherwise)	H1 2024	H1 2023	H2 2023	2023	2022	2021
Operating result	63.9	93.3	81.2	174.5	190.2	136.9
Depreciation, amortization and impairment	57.4	51.7	57.7	109.4	100.6	98.0
EBITDA adjusted	121.3	145.0	138.9	283.9	290.8	234.9
1 Change in working capital	- 35.3	- 101.2	29.9	- 71.3	- 116.3	- 3.5
Taxes paid	- 17.9	- 19.5	- 24.6	- 44.1	- 40.4	- 33.1
Other	- 2.1		4.9	4.9	- 9.3	8.2
Cash flow from operations before interest	66.0	24.3	149.1	173.4	124.8	206.5
Payment of lease liabilities	- 8.2	- 7.7	- 8.8	- 16.5	- 14.7	- 15.6
2 Capital expenditure PP&E	- 59.7	- 71.0	- 106.1	- 177.1	- 91.8	- 31.0
3 Capital expenditure intangibles	- 30.6	- 25.5	- 27.6	- 53.1	- 45.9	- 40.5
Divestments of property held for sale					14.0	
Free Cash Flow ('FCF')	- 32.5	- 79.9	6.6	- 73.3	- 13.6	119.4
EBITDA (adjusted) to FCF conversion	- 26.8%	- 55.1%	4.8%	- 25.8%	- 4.7%	50.8%

1 FCF conversion is affected by developments in working capital. Working capital ratio for the period-end included in the overview are:

- > 2021: 9.9%
- > 2022: 12.9%
- > H1 2023: 19.0%
- > H2 2023: 16.7%
- > H1 2024: 19.5%

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

2 In H1 2024, Strategic Investment Program impacted FCF by € 30 million (2023: € 134 million)

3 Net cash flows for acquisitions and divestments have not been included in FCF

OUTLOOK

A close-up photograph of a person wearing a yellow nitrile glove working on a printed circuit board (PCB). The person is using a precision tool, likely a tweezers or a soldering iron, to work on a component on the board. The board is populated with various electronic components, including several integrated circuits (chips) and numerous pins. The entire image has a strong yellow color cast, giving it a monochromatic appearance. The background is blurred, focusing attention on the hands and the board.

Smart Vision systems

Turnover and EBITA in H2 2024 are expected to grow compared to H1 2024, on the back of deliveries of larger secured orders for Q4. Overall, the market for Machine Vision remains challenging, with the anticipated return to growth materializing at a later stage.

Smart Manufacturing systems

The catch-up effects reported in H2 2023 and H1 2024 following the easing of supply chain constraints will subside, leading to a lower H2 2024 turnover and EBITA compared to H1 2024. For the full year, we expect organic growth for turnover and EBITA compared to 2023.

Smart Connectivity systems

Turnover and EBITA in H2 2024 are expected to grow compared to H1 2024, on the back of deliveries of larger secured orders for Q4 and a decline of the start-up and ramp-up costs.

On balance and barring unforeseen circumstances, for the full year 2024, TKH expects organic growth in turnover and an EBITA excluding one-off income and expenses of between €210 million and €220 million. The 2023 EBITA, excluding divestments, amounted to €222 million.



Q&A

