

Press release
TKH Group N.V. (TKH)

Trading update third quarter 2018

Highlights third quarter

- Turnover growth of 4.2% to € 389.5 million – organic growth +4.0%.
- Organic growth in turnover in Telecom Solutions (1.4%), Building Solutions (3.2%) and Industrial Solutions (5.4%).
- EBITA rises by 9.8% to € 40.0 million – increase in all Solutions segments.

Highlights first nine months

- Turnover growth of 9.3% to € 1,202.1 million – organic growth +9.2%.
- EBITA up by 24.0% – increase in all Solutions segments.
- Net profit before amortization and one-off income and expenses attributable to shareholders up by 25.9%.

Outlook

- TKH reiterates its forecast for the full-year 2018: Net profit before amortization and one-off income and expenses attributable to shareholders of between € 116 million and € 122 million (2017: € 95.6 million).

Key figures third quarter

(in mln. € unless otherwise stated)	Q3 2018	Q3 2017 ¹⁾	Change in %
Turnover	389.5	373.9	+ 4.2
EBITA before one-off expenses ²⁾	40.0	36.5	+ 9.8
ROS	10.3%	9.8%	
Net profit before amortization and one-off income and expenses attributable to shareholders ³⁾	24.5	22.7	+ 7.9

Key figures first nine months

(in mln. € unless otherwise stated)	YTD Q3 2018	YTD Q3 2017 ¹⁾	Change in %
Turnover	1,202.1	1,099.5	+ 9.3
EBITA before one-off expenses ²⁾	132.9	107.2	+ 24.0
ROS	11.1%	9.7%	
Net profit before amortization and one-off income and expenses attributable to shareholders ³⁾	85.2	67.7	+ 25.9

¹⁾ The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 'Revenue from contracts with customers'. As a result, turnover in the third quarter was € 0.7 million higher and net profit was € 0.1 million lower. Over the first nine months of 2017, turnover was € 1.1 million higher and net profit was € 0.3 million lower.

²⁾ In 2017, TKH recognized an one-off expense of € 1.7 million.

³⁾ Amortization of intangible fixed assets related to acquisitions (after taxes).

Alexander van der Lof, CEO of technology company TKH: *“Turnover and profit both increased in the third quarter in line with our expectations. The outlook for full-year profit means that we can look forward to a good fourth quarter. The order book is well filled and the progress we have made in positioning TKH in our vertical growth markets give us a solid basis for growth in 2019.”*

Developments third quarter

Turnover increased by € 15.6 million (4.2%) to € 389.5 million in the third quarter of 2018 (Q3 2017: € 373.9 million). Higher raw materials prices accounted for a 0.4% increase in turnover. On average weaker foreign currencies against the euro had a negative impact of 0.2% on turnover. On balance, turnover increased organically by 4.0%. TKH recorded higher turnover in all segments.

The operating result before the amortization of intangible fixed assets and one-off income and expenses (EBITA) increased by 9.8% to € 40.0 million in the third quarter of 2018 (Q3 2017: € 36.5 million). Compared with the third quarter of 2017, EBITA was up in all segments, although we saw the strongest increase in Building and Industrial Solutions.

Operating expenses as a percentage of turnover were slightly higher in the third quarter when compared to the third quarter of 2017. This increase was largely due to the expansion of production capacity in machine vision, high-grade industrial cable systems and tire manufacturing systems. ROS for the TKH group was 10.3% in the third quarter of 2018 (Q3 2017: 9.8%).

Net profit before amortization and one-off income and expenses attributable to shareholders was 7.9% higher at € 24.5 million (Q3 2017: € 22.7 million).

As at 30 September 2018, net bank debt calculated in accordance with the bank covenants declined € 4.2 million to € 253.5 million, compared with 30 June 2018. The Net debt/EBITDA ratio was 1.2, which means TKH is operating well within the financial ratios agreed with its banks.

Developments per solutions segment

Telecom Solutions

Telecom Solutions consists of two sub-segments: indoor telecom & copper network systems and fibre network systems.

Turnover in the Telecom Solutions segment increased by 1.3% to € 48.5 million (Q3 2017: € 47.9 million). Organic turnover growth was 1.4%, while currency exchange rates had a negative impact of 0.1% on turnover. TKH realized growth in both segments, whereby in fibre network systems, growth was primarily realized in Germany and France.

EBITA increased, in line with turnover, compared with the same period last year.

Building Solutions

Building Solutions consists of two sub-segments: vision & security systems and connectivity systems.

Turnover in the Building Solutions segment was up by 3.3% at € 166.0 million (Q3 2017: € 160.8 million). Organic turnover growth was 3.2%. Currency exchange rates had a negative impact of 0.4% on turnover, while higher raw materials prices had a positive impact of 0.5%. Both the vision & security systems and connectivity systems sub-segments realized organic turnover growth.

EBITA improved compared with the same period last year.

Industrial Solutions

Industrial Solutions consists of two sub-segments: connectivity systems and manufacturing systems.

Turnover in the Industrial Solutions segment increased by 5.9% to € 174.9 million (Q3 2017: € 165.2 million). The on average higher raw materials prices led to a 0.4% increase in turnover. Currency exchange rates had a positive impact of 0.1% on turnover. Organic turnover growth was 5.4%. Both sub-segments recorded higher turnover. In the third quarter, the new plant for the production of high-grade industrial cable systems in China was successfully put into use. This new plant will contribute to profit from the fourth quarter of this year. The order intake for tire manufacturing systems amounted to € 70 million in the third quarter.

EBITA rose as a result of the higher turnover.

Developments in the first nine months

Turnover in the first nine months of 2018 increased by 9.3% to € 1,202.1 million. Higher raw materials prices led to a 0.5% increase in turnover, while on average weaker foreign currency exchange rates against the euro had a negative impact of 0.8% on turnover. Acquisitions boosted turnover by 0.4%. On balance, turnover increased organically by 9.2%. Turnover growth was realized in all segments.

EBITA before one-off income and expenses was 24.0% higher at € 132.9 million in the first nine months of 2018 (First nine months 2017: € 107.2 million).

Net profit before amortization and one-off income and expenses attributable to shareholders increased by 25.9% to € 85.2 million in the first nine months of 2018 (first nine months 2017: € 67.7 million).

Outlook

TKH's activities are developing in line with expectations, as stated at the publication of the results for the first half of 2018.

On the basis of the results realized in the first nine months of 2018 and the outlook for the months ahead, TKH reiterates its forecast that, barring unforeseen circumstances, net profit before amortization and one-off income and expenses attributable to shareholders for the full year 2018 will be within the previously stated bandwidth of € 116 million and € 122 million (2017: € 95.6 million).

Haaksbergen, November 1, 2018

Executive Board

For further information: J.M.A. (Alexander) van der Lof MBA,
Chairman of the Executive Board/CEO
tel. + 31 (0) 53 5732903
website: www.tkhgroup.com



Financial Calendar

5 March 2019	Publication annual results 2018
3 May 2019	Trading Update Q1 2019
6 May 2019	Annual General Meeting 2019
13 August 2019	Publication interim results 2019
5 November 2019	Trading Update Q3 2019

Profile

Technology firm TKH Group NV (TKH) is an internationally operating group of companies, which is specialized in developing and supplying innovative Telecom, Building and Industrial Solutions based on four core technologies.

The four TKH core technologies - vision & security, mission critical communication, connectivity and smart manufacturing - are linked to each other to create comprehensive systems and solutions in our three business segments. Within these business segments there is a strong focus on seven vertical growth markets - fibre optic networks, parking, care, tunnel & infra, marine & offshore, machine vision and tire building industry - in which our core technologies are positioned as a one-stop-shop for our customers. TKH strives for far-reaching synergy and co-operation between its subsidiaries.

TKH strives to achieve strong market positions based on its innovative core technologies and services. TKH and its subsidiaries operate on a global scale. Growth is concentrated in Europe, North America and Asia. In 2017, TKH achieved a turnover of € 1.5 billion with 5,900 employees (FTE).