



# TKH GROUP NV

ANNUAL GENERAL MEETING OF SHAREHOLDERS 2023



25 APRIL 2023

# Important information – Disclaimer

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## Cautionary note regarding forward looking statements

Statements included in this presentation 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

**Record turnover (organically +18.0%), EBITA (+23.9%) and order intake (€ 2,042 million)**

**Focus on megatrends automation, digitalization, and electrification drives strong performance**

**Strong progress to achieve targets of our Accelerate 2025 strategy program**

**New € 625 million multicurrency committed credit facility linked to sustainability targets**

**Strategic Investment Program of € 200 million progressing according to plan**

**Proposed dividend of € 1.65 per share and initiating € 25 million share buyback**

# TKH – Technology leader in high growth markets

SMART Technologies built on innovation

Together with our customers, we develop innovative technologies that make the world more efficient and more sustainable



## TKH WORLDWIDE

### TOTAL FTE

> 6,600

### TURNOVER

1,817 € mln

### SDGs

68% of turnover linked to SDGs

### ENTREPRENEURIAL

High level of customer intimacy

**NORTH AMERICA**  
€ 234 mln turnover

**EUROPE (OTHER)**  
€ 801 mln turnover

**OTHER**  
€ 64 mln turnover

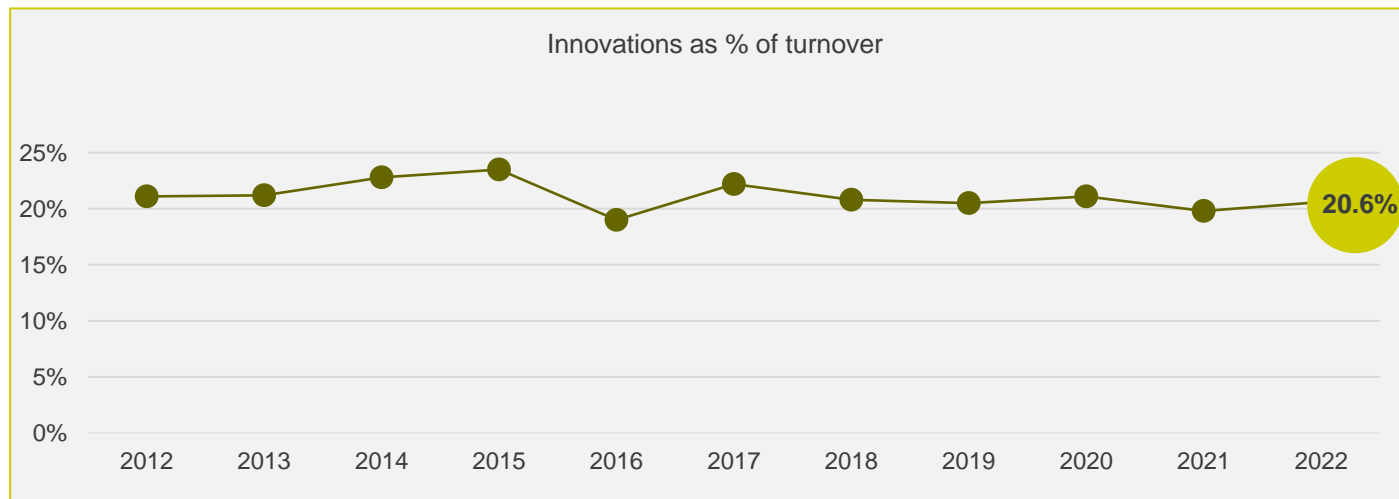
**THE NETHERLANDS**  
€ 450 mln turnover

**ASIA**  
€ 268 mln turnover

# Built on innovation

## MORE THAN 15% TURNOVER REALIZED BY INNOVATIONS

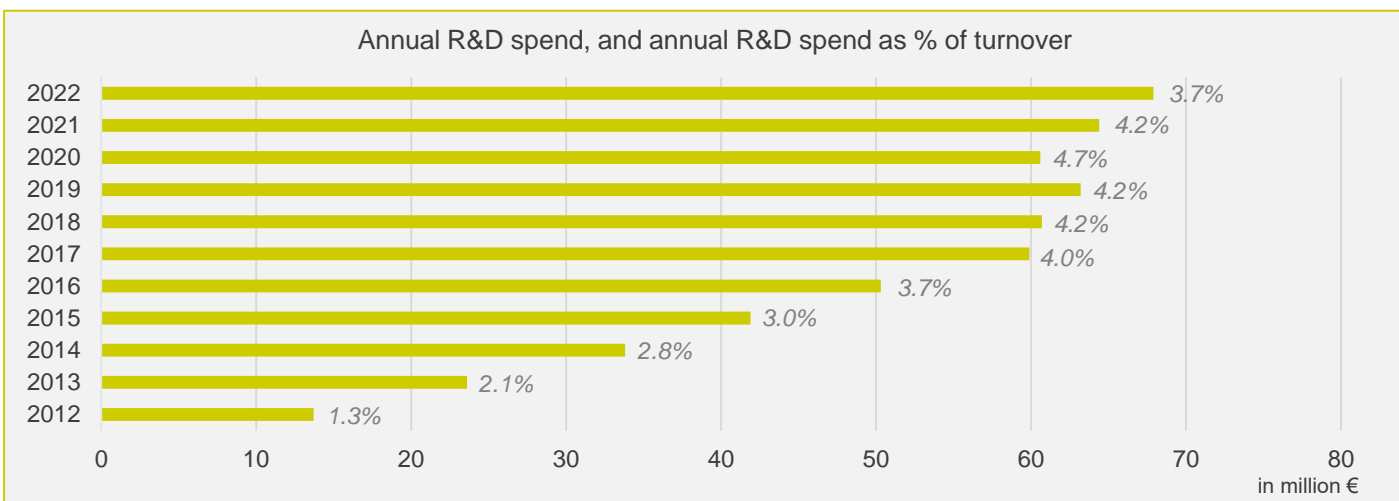
Innovations: defined as technologies introduced in last 24 months



30% OF OUR TECHNOLOGY  
PROPOSITION IS  
SOFTWARE DRIVEN

>750 FTE IN R&D AND  
SOFTWARE  
DEVELOPMENT

## MORE THAN € 67 MLN ANNUAL R&D SPEND

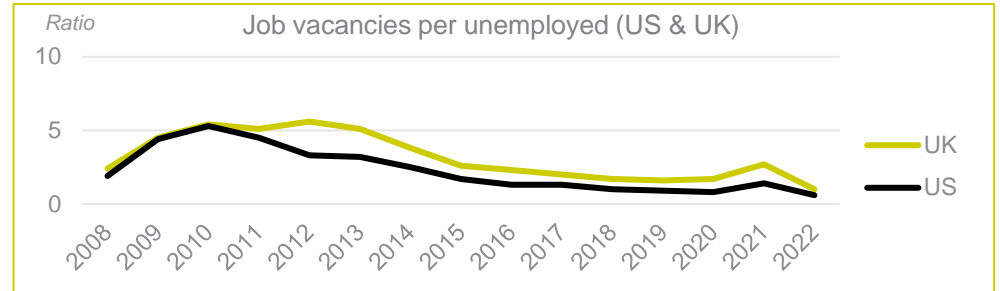


1,400+ PATENTS TO  
SECURE VALUE  
PROPOSITION

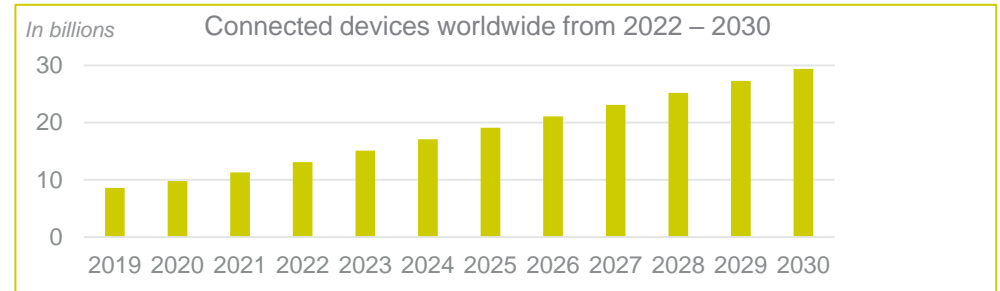
# In high growth markets

## INPUTS

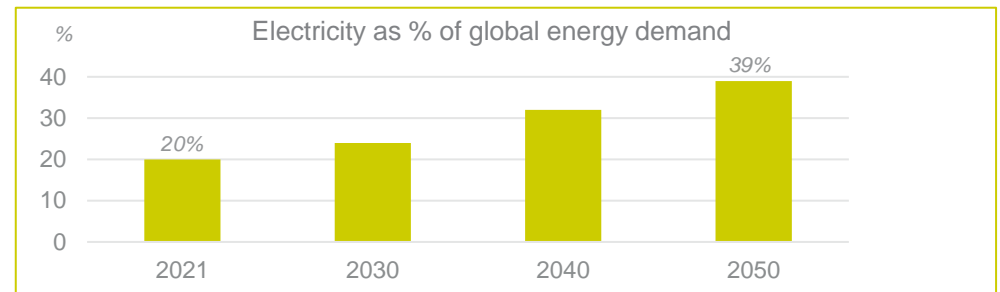
LACK OF LABOUR  
PRODUCTIVITY  
RELIABILITY  
ACCURACY



MOBILITY  
SPEED  
CLOUD COMPUTING



CLIMATE CHANGE  
SCARCITY NATURAL  
RESOURCES



## BENEFITTING FROM MEGATRENDS

### AUTOMATION

Industry 4.0 - 'hands-off, eyes-off' manufacturing



### DIGITALIZATION

Continuous development of higher speed bandwidth networks



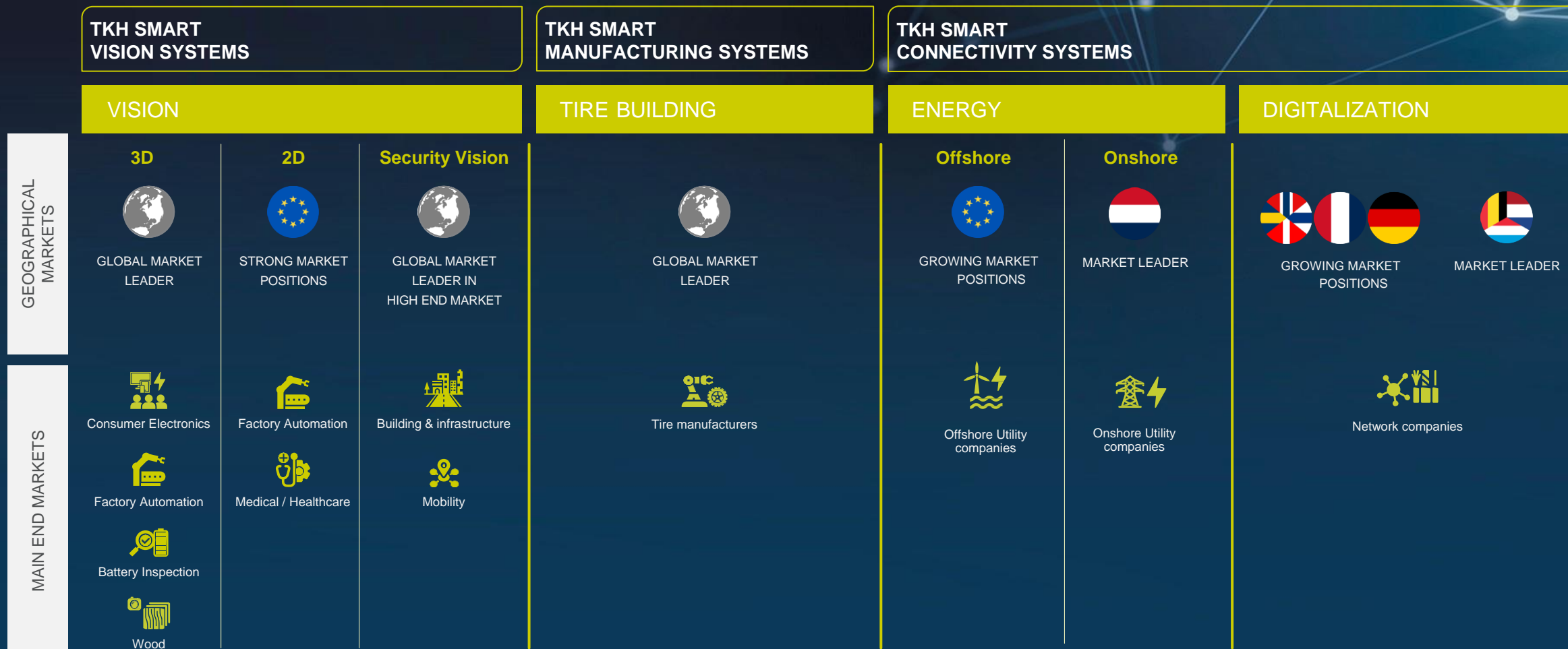
### ELECTRIFICATION

Acceleration of Energy Transition



Sources: US Bureau of Labour Statistics, UK Office for National Statistics & IAE 2022 report

# Leading market positions

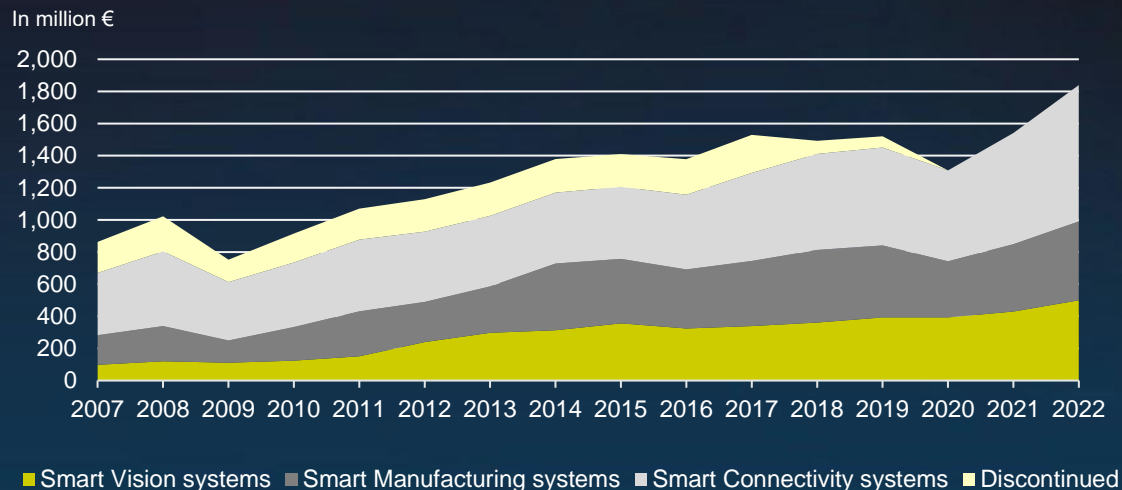


Benefitting from

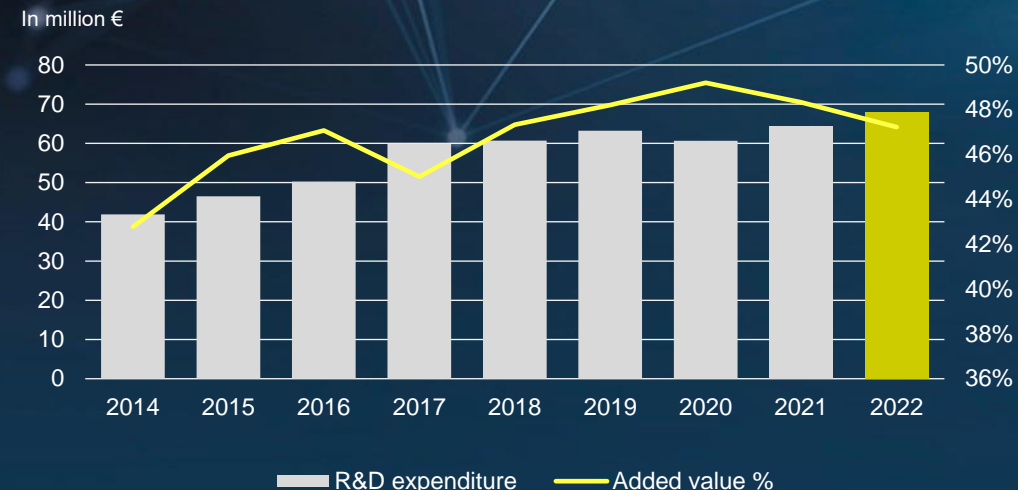
**High barriers to entry:** combination of advanced technology levels, patented technologies, expertise and capital required to enter market

# TKH's evolution into today's technology leader

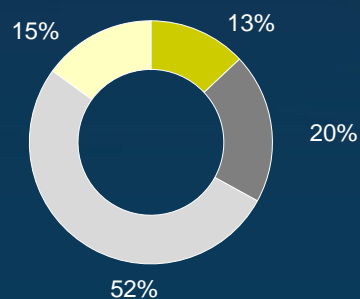
## DEVELOPMENT OF TURNOVER



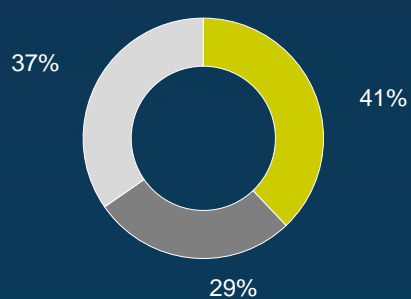
## R&D EXPENDITURE



## SEGMENT SPLIT EBITA 2008



## SEGMENT SPLIT EBITA 2022



■ Smart Vision ■ Smart Manufacturing ■ Smart Connectivity ■ Discontinued

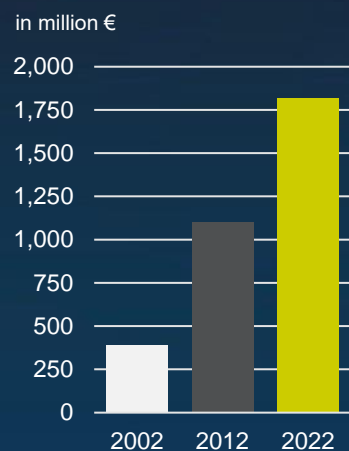
## ORDER BOOK DEVELOPMENT 2007 – 2022



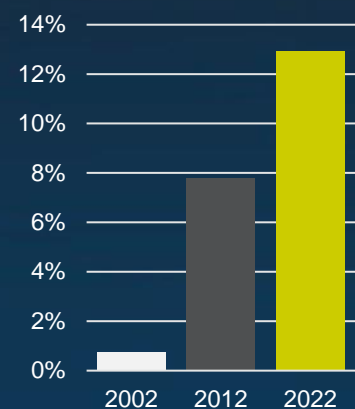


# Our track record

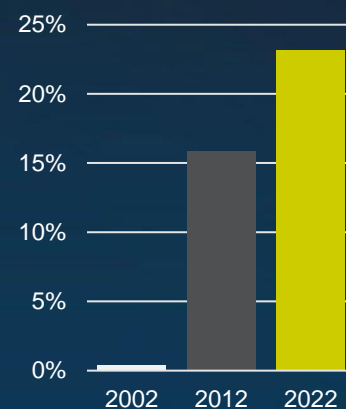
## TURNOVER



## ROS



## ROCE



## DIVIDEND PER SHARE



## EARNINGS PER SHARE\*



\* Normalized for amortization PPAs and one-off income and expense

# Executing on our Accelerate 2025 strategy program

## Financial performance

### KEY FINANCIAL TARGETS

	Turnover	ROS	ROCE
<b>Realized 2022</b>	€ 1,817 million	12.9%	23.2%
<b>Targets 2025</b>	> € 2 billion by 2025	> 17% by 2025	22% – 25%

## Sustainability

### KEY NON-FINANCIAL TARGETS

Carbon footprint *	% Female **	Accident rate (LTIFR)
42.7%	18.4%	0.8
100% by 2030	25% by 2030	< 1.0 (annual target)

\* Net CO<sub>2</sub>e footprint reduction for scopes 1 and 2 in own operations compared to 2019

\*\* % of female in executive & senior management teams

### Accelerate 2025 on track

- > Focus on megatrends automation, digitalization, and electrification drives strong performance
- > Outlook for markets related to these megatrends has improved significantly
- > Launch of Strategic Investment Program of € 200 million for capacity expansions
- > Minority interest in CCG divested (Feb-'23)
- > Good progress in preparations for further divestments

# Executing on € 200 m Strategic Investment Program

Securing additional capacity to benefit from megatrends resulting in additional € 250 - € 300 million turnover in coming years

## AUTOMATION



### SMART MANUFACTURING SYSTEMS

Expansion **Tire Building Systems** factory  
Leszno (Poland)  
Operational in Q2 2023



### SMART CONNECTIVITY SYSTEMS

Expansion **Specialized Connectivity Systems**  
Rawicz (Poland)  
Operational in Q3 2023



Investment of € 50 million

## DIGITALIZATION



### SMART CONNECTIVITY SYSTEMS

New **Fibre Optic Cable** factory  
Rawicz (Poland)  
Operational in Q3 2023



## ELECTRIFICATION



New **Subsea Cable** factory  
Eemshaven (Netherlands)  
Operational in Q2 2024



Expansion **Medium & High Voltage**  
Lochem (Netherlands)  
Operational in Q3 2023



Investment of € 150 million

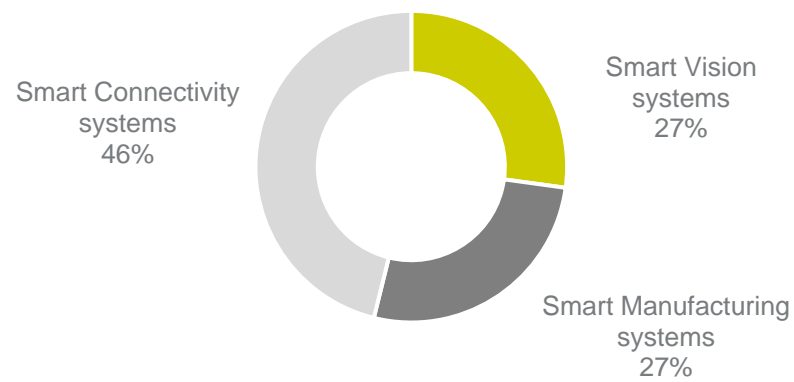
# REPORTING SEGMENTS

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 integrated circuits and surface-mount components. The entire image has a strong yellow color cast, giving it a monochromatic appearance. The text 'REPORTING SEGMENTS' is overlaid on the left side of the image in a white, bold, sans-serif font.

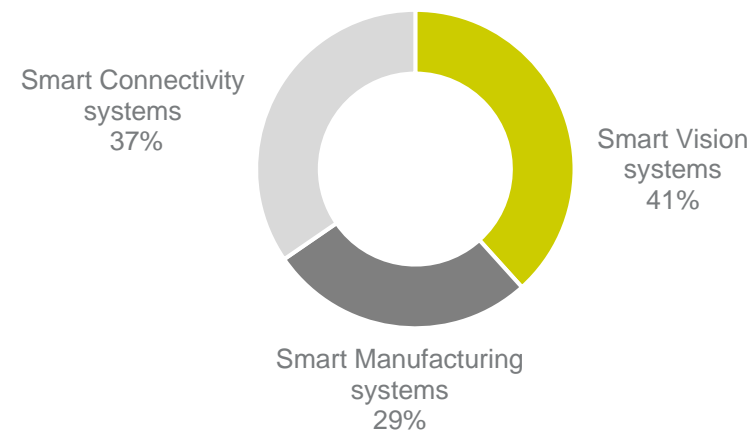
# All segments contributed

(in million € unless stated otherwise)	H2 2022	H2 2021	Δ in %	2022	2021	Δ in %
Turnover	916.9	797.9	+14.9%	1,816.6	1,523.8	+19.2%
Added value	47.5%	48.5%		47.2%	48.3%	
EBITA	119.2	105.2	+13.4%	234.8	189.6	+23.9%
ROS	13.0%	13.2%		12.9%	12.4%	
Orderbook				971.9	746.6	+30.2%

## SEGMENT TURNOVER SPLIT 2022

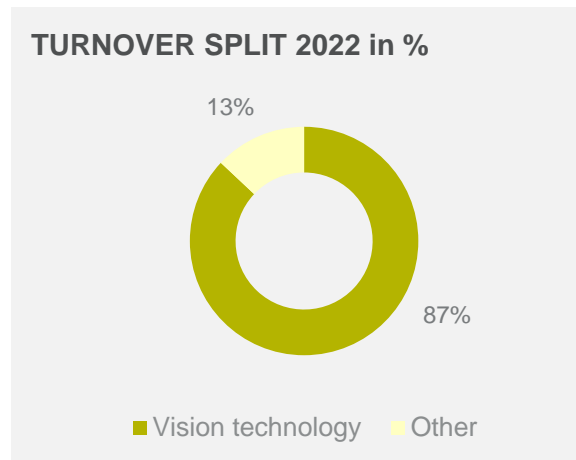
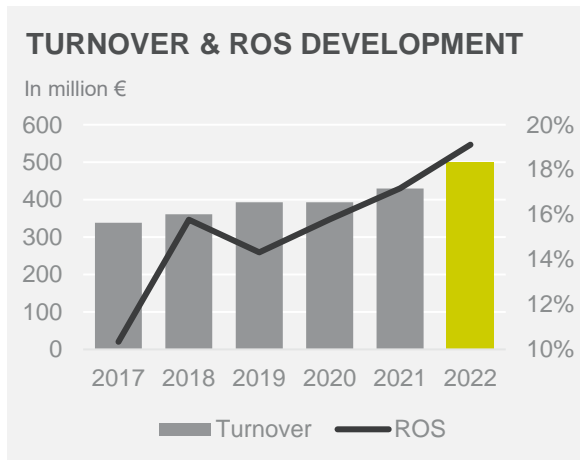


## SEGMENT EBITA SPLIT 2022



# Smart Vision systems

(in million € unless stated otherwise)	H2 2022	H2 2021	Δ in %	2022	2021	Δ in %
Turnover	264.9	218.8	+21.0%	499.7	429.8	+16.3%
Added value	58.8%	58.3%		58.5%	58.3%	
EBITA	53.9	36.2	+49.0%	95.5	73.8	+29.5%
ROS	20.3%	16.5%		19.1%	17.2%	
Orderbook				159.2	139.3	+14.3%



## Smart Vision systems

- Organic turnover growth +12.5% including price effects of +4.5%
- Order book growth +14.3% to € 159.2 million
- Limited impact from components supply limitations, managed to secure components or redesign products
- Added value impact of component prices compensated by product mix

## 2D Machine Vision

- Strong growth
- Significant contribution from Alvium portfolio (embedded vision platform), mainly in factory automation

## 3D Machine Vision

- Double-digit growth
- Maintained leading market position for consumer electronics and wood industry and further growth in battery industry
- Affected by lockdowns in China

## Security Vision

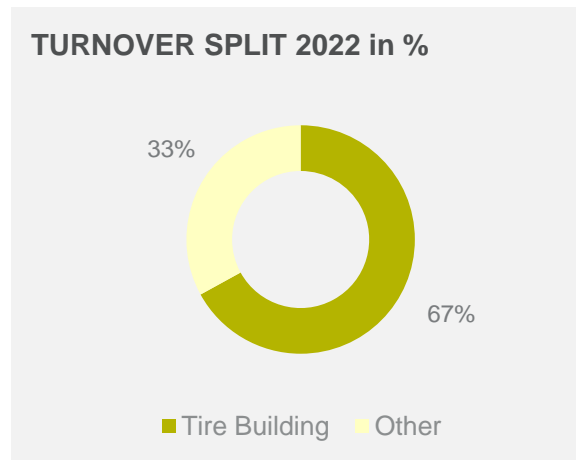
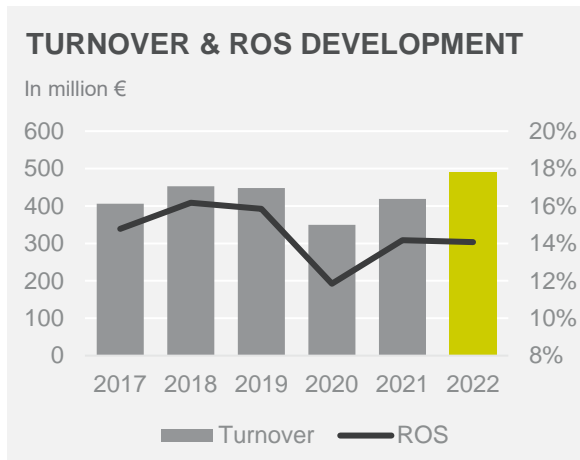
- Double-digit growth, mainly in (video) communication and security systems



TKH  
VISION

# Smart Manufacturing systems

(in million € unless stated otherwise)	H2 2022	H2 2021	Δ in %	2022	2021	Δ in %
Turnover	235.2	234.0	+0.5%	491.2	419.1	+17.2%
Added value	51.2%	49.4%		49.9%	49.0%	
EBITA	31.1	39.7	-21.6%	69.1	59.4	+16.3%
ROS	13.2%	17.0%		14.1%	14.2%	
Orderbook				573.0	369.7	+55.0%



## Smart Manufacturing systems

- Organic turnover growth +16.7% including price effects of +4.1%
- Order book growth +55.0% to € 573.0 million with significant contribution from Tire Building systems

## Tire Building systems

- High order intake from 2021 resulted in increased turnover and results
- Reshoring and capex programs at tire manufacturers
- UNIXX technology gaining traction with orders for REVOLUTE and UNIXX Beltmaker
- Shortage of critical components resulted in operational inefficiencies from delayed deliveries to customers

## Other

### Care

- INDIVION medicine distribution system
- Growth hampered due to component shortages and delays at customers
- New orders from other customers

### Industrial automation

- Good growth in turnover and profit



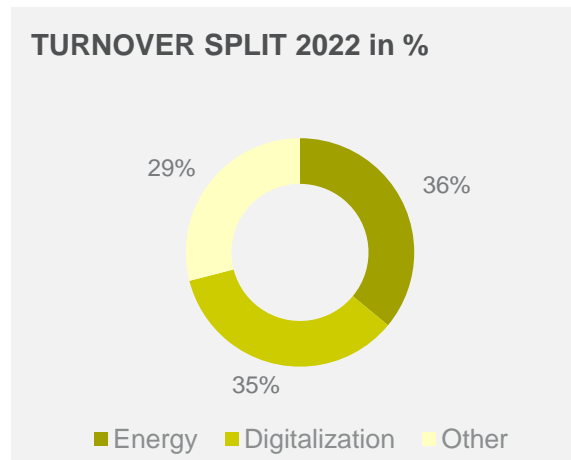
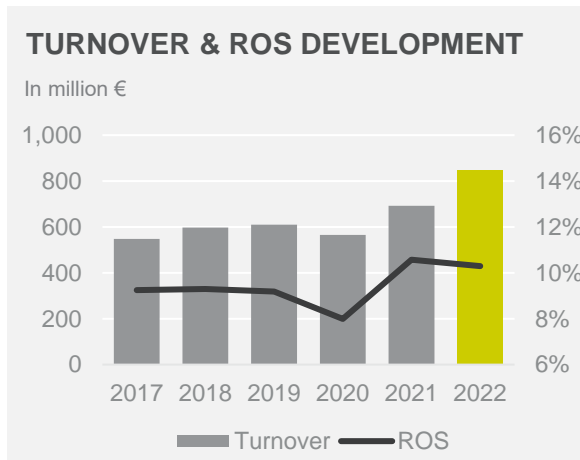


UNIXX

BELT MAKER

# Smart Connectivity systems

(in million € unless stated otherwise)	H2 2022	H2 2021	Δ in %	2022	2021	Δ in %
Turnover	428.6	354.1	+21.0%	848.6	692.3	+22.6%
Added value	37.1%	40.5%		37.8%	40.4%	
EBITA	42.7	38.0	+12.3%	87.3	73.2	+19.3%
ROS	10.0%	10.7%		10.3%	10.6%	
Orderbook				239.7	237.6	+0.9%



## Smart Connectivity systems

- Organic turnover growth +22.7% including price effects of +11.4%
- Order book +0.9% to € 239.7 million
- Significant increase EBITA driven by volume growth and production utilization

## Energy

- Strong growth due to expansion of energy network infrastructure
- Increased production volumes from additional production capacity for medium-voltage energy cables (operational in Q3 2021)

## Digitalization

- Growth due to high investment priority for fibre networks in Europe, especially in France, Germany, and the Netherlands
- Added value negatively impacted by EU anti-dumping duties on cables from China – Partly offset by price increases

## Other

- Strong demand specialized connectivity systems for machine-building, robotics and medical industry – Ukrainian factory resumed production in April 2022
- Growth activities in building and construction market



# FY2022 Results

# Delivering value in 2022

## Turnover € 1,817 m

2021: € 1,524 m  
+18.0% organically

## EBITA € 234.8 m

2021: € 189.6 m  
+23.9%

## ROS 12.9%

2021: 12.4%

## Normalized net profit € 143.6 m

2021: € 113.9 m  
+26.1%

## ROCE 23.2%

2021: 20.5%

## Orderbook € 971.9 m

2021: € 746.6 m  
+30.2%

## Innovations 20.6%

2021: 19.8%

*As percentage of turnover*

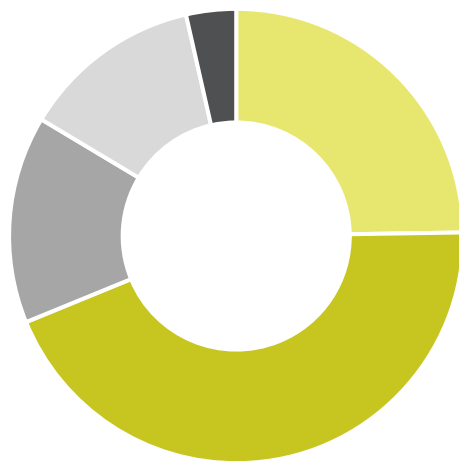
## Dividend proposal € 1.65

2021: € 1.50






*Per (depository receipt of) ordinary share*

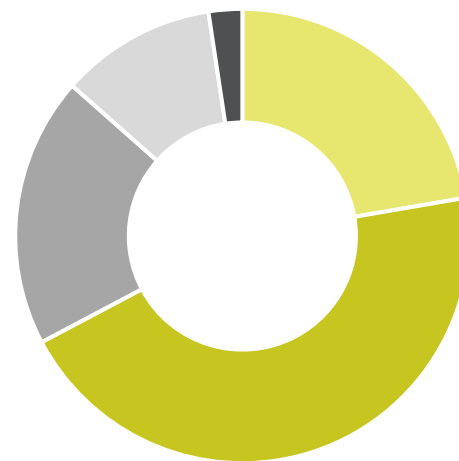
# Turnover

## Geographical distribution of turnover (in %)








2022

	Netherlands	25
	Europe (other)	44
	Asia	15
	North America	13
	Other	3



2021

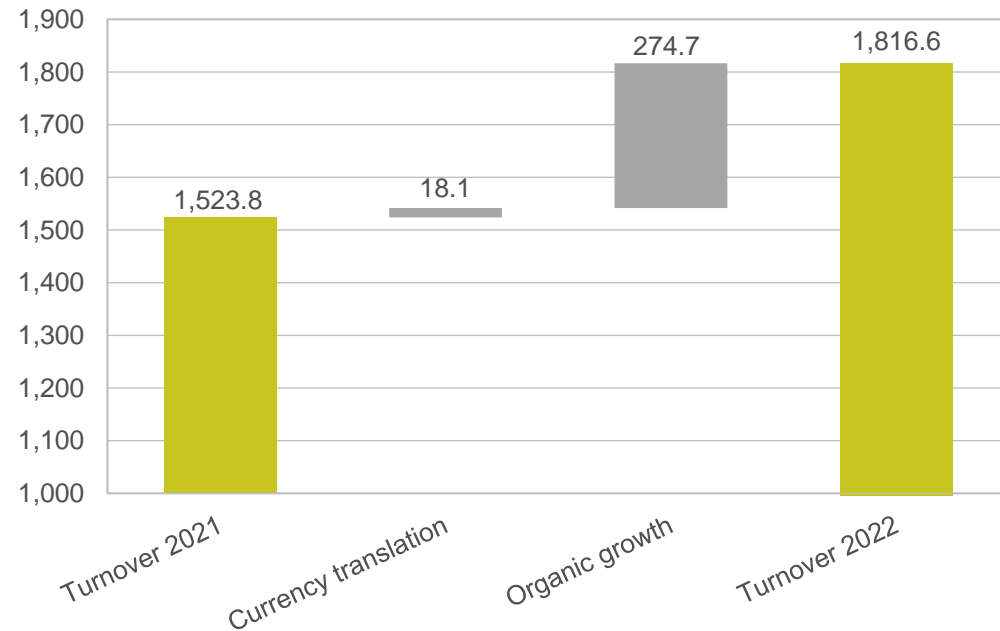
	Netherlands	22
	Europe (other)	45
	Asia	19
	North America	11
	Other	3

# Turnover and added value

(in million € unless stated otherwise)	2022	2021	Δ in %
<b>Turnover</b>	<b>1,816.6</b>	<b>1,523.8</b>	<b>+ 19.2%</b>
Raw materials and subcontracted work	958.7	787.3	
<b>Added value</b>	<b>857.9</b> <b>47.2%</b>	<b>736.5</b> <b>48.3%</b>	<b>+ 16.5%</b>

## Change in turnover

In million €



## Significant turnover growth of +19.2%

- > Organic growth +18.0% including price effects of +7.6%
- > All segments showed double-digit organic growth, some impact from supply chain challenges, delayed deliveries in Smart Manufacturing systems & lock-downs in Asia
- > Foreign currencies impact +1.2%
- > High innovative power, with innovations contributing 20.6% of turnover

## Gross margin decreased to 47.2% (2021: 48.3%)

- > Shift in product mix
- > Passed on higher prices for raw material and components, lowering added value %
- > € 10 million EU import duties on fibre optic cables from China

# Operating expenses and EBITA

(in million € unless stated otherwise)	2022		2021		Δ in %
<b>Turnover</b>	<b>1,816.6</b>		<b>1,523.8</b>		<b>+ 19.2%</b>
Raw materials and subcontracted work	958.7		787.3		
<b>Added value</b>	<b>857.9</b>	<b>47.2%</b>	<b>736.5</b>	<b>48.3%</b>	<b>+ 16.5%</b>
Operating expenses	623.1	34.3%	546.9	35.9%	+ 13.9%
<b>EBITA before one-off income and expenses</b>	<b>234.8</b>	<b>12.9%</b>	<b>189.6</b>	<b>12.4%</b>	<b>+ 23.9%</b>

## Operating expenses +13.9%

- Cost to turnover ratio improved to 34.3% (2021: 35.9%) due to higher productivity and capacity utilization
- Expansion workforce and inflationary effects
- Higher selling expenses due to travel and freight costs
- FX changes had an effect of +1.7%

## EBITA +23.9%

- Smart Vision systems +29.5%
- Smart Manufacturing system +16.3%
- Smart Connectivity systems +19.3%

## ROS of 12.9% (2021: 12.4%)

- Benefitted from turnover growth and lower relative cost levels
- Pressure from price effects and shift in product mix
- Temporary effects
  - EU anti-dumping duties on fibre optic cables
  - Supply chain constraints at Tire Building systems leading to shift in turnover

# Items below EBITA

(in million € unless stated otherwise)	2022		2021		Δ in %
<b>EBITA before one-off income and expenses</b>	<b>234.8</b>	<b>12.9%</b>	<b>189.6</b>	<b>12.4%</b>	<b>+ 23.9%</b>
One-off income	10.4				
Amortization	- 54.6		- 51.1		
Impairments	- 0.5		- 1.6		
<b>Operating result</b>	<b>190.2</b>		<b>136.9</b>		
Financial expenses	- 11.9		- 8.3		
Share in result of associates	3.1		2.1		
Change in value financial liabilities	- 0.1		- 1.8		
<b>Result before taxes</b>	<b>181.2</b>		<b>128.9</b>		
Taxes	- 44.1		- 33.7		
<b>Net profit</b>	<b>137.1</b>	<b>7.5%</b>	<b>95.2</b>	<b>6.2%</b>	<b>+ 44.0%</b>
<b>Net profit before amortization and one-off income and expenses attributable to shareholders</b>	<b>143.6</b>	<b>7.9%</b>	<b>113.9</b>	<b>7.5%</b>	<b>+ 26.1%</b>

## One-off income

- Mainly related to divestment of real estate held for sale

## Amortization

- Certain purchase price allocations (PPA's) from past acquisitions ended
- Offset by higher amortization on capitalized development costs

## Financial expenses + € 3.6 million

- Unfavorable FX results
- Higher interest expenses in H2 2022 due to higher interest-bearing debt and increasing interest rates

## Result of associates

- Improved due to a higher contribution from CCG

## Normalized effective tax rate at 24.8% (2021: 26.9%)

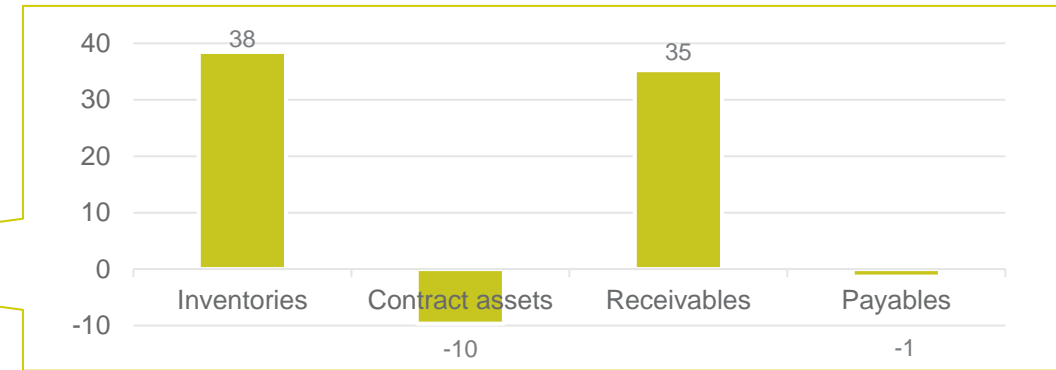
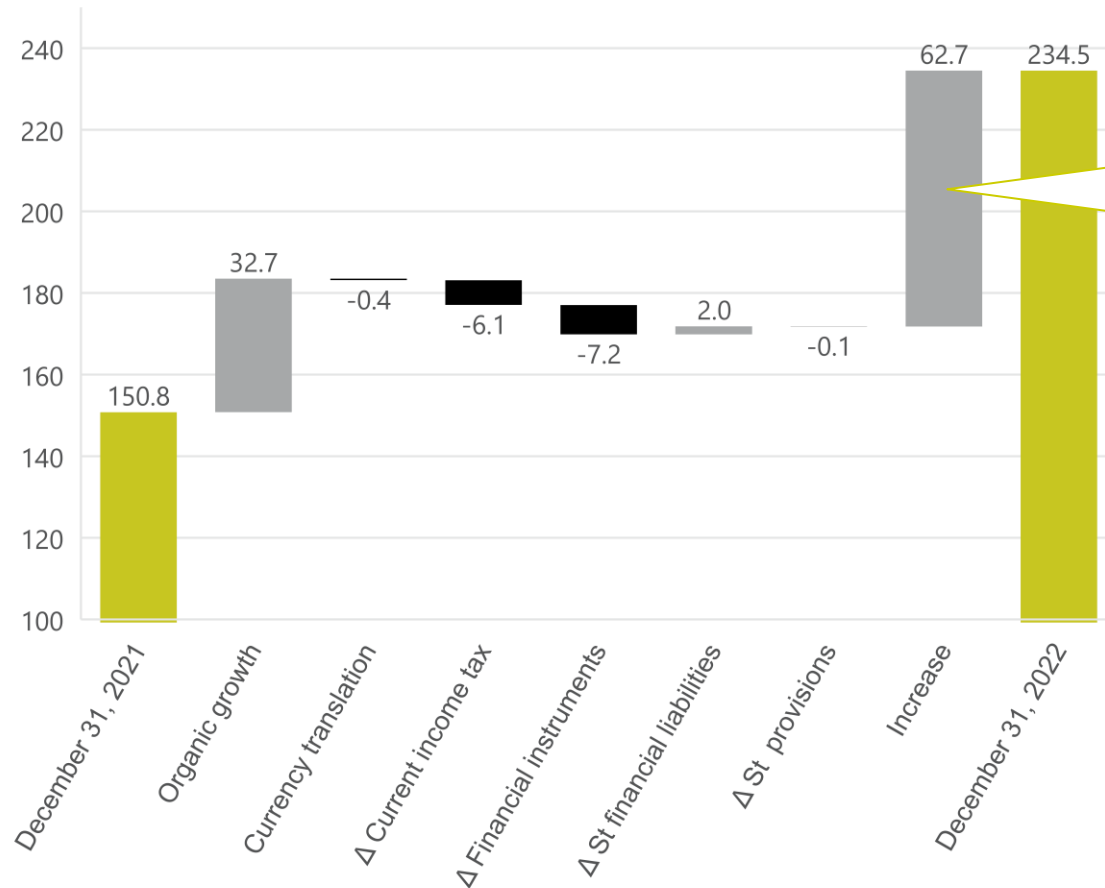
- Increased benefits from tax R&D facilities in various countries
- Settlement of prior year tax positions



# Working capital

## Changes in working capital

In million €



Working capital as percentage of turnover increased to 14.1% (December 31, 2021: 10.7%)

### Use of non-recourse factoring

- December 31, 2022 € 62.8 million
- June 30, 2022 € 60.1 million
- December 31, 2021 € 47.9 million

### Use of supply chain finance

- December 31, 2022 € 50.8 million
- June 30, 2022 € 59.0 million
- December 31, 2021 € 43.6 million

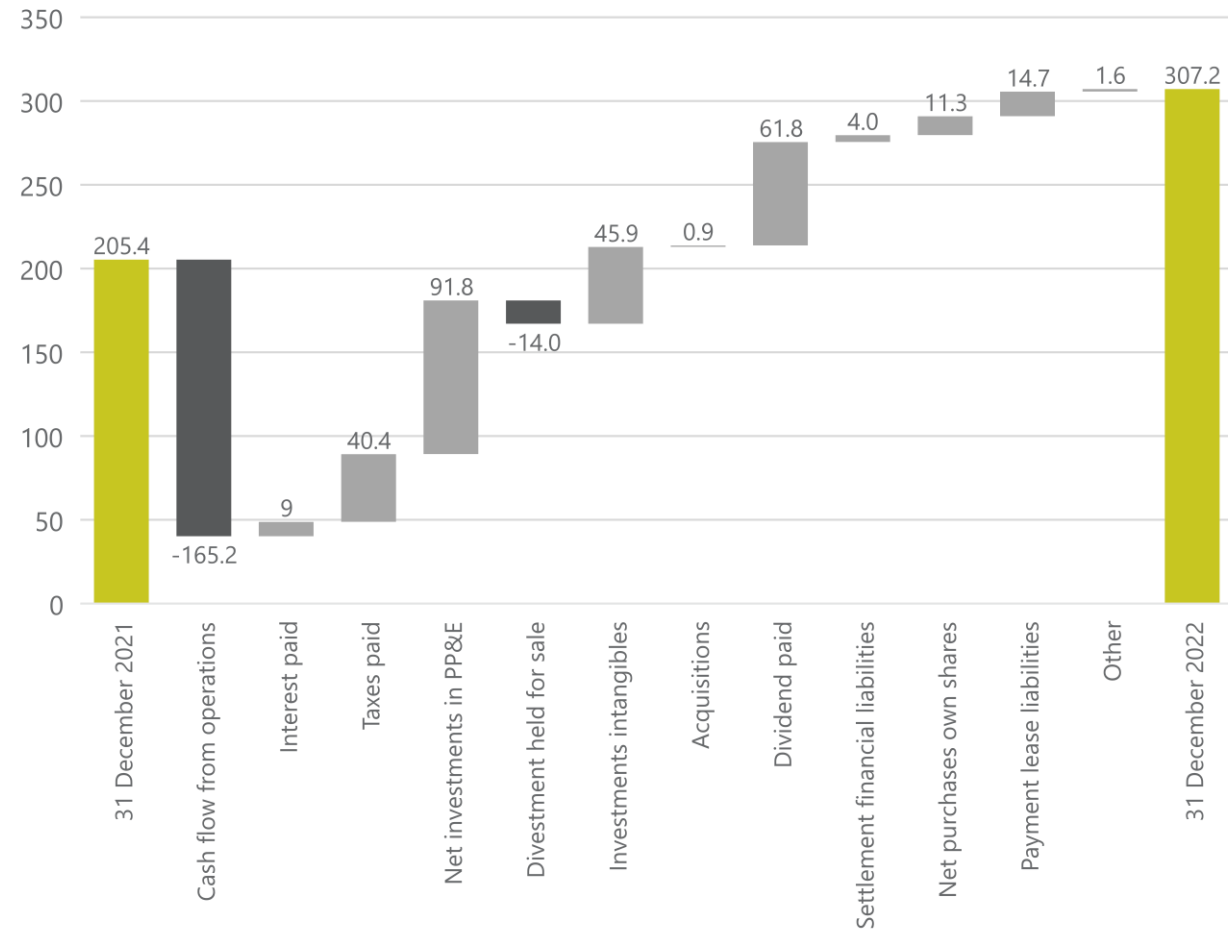
Delta compared to December 31, 2021, is due to higher volumes and raw material prices

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

# Net debt development

## Change in net debt

In million €



Strong positive cash flow from operations, although impacted by increase in working capital

Investments in property, plant, and equipment of € 91.8 million, mainly in:

- € 41 million in Strategic Investment Program
- Expansion, replacement and upgrade of other production capacity

Investments in intangibles of € 45.9 million mainly relate to development costs, software and patents

Cash dividend of € 1.50 paid per (depository receipt of) ordinary share in 2022

Signed new € 625 million multicurrency committed credit facility linked to TKH's sustainability targets:

- € 500 million RCF replaces € 500 million committed RCF, matures in February 2028 with two one-year extension options
- € 125 million term loan with term of 3-years

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 soldering iron or a fine-tipped probe, 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. A dark grey rectangular box is overlaid on the left side of the image, containing the text 'ESG DEVELOPMENTS' in white, bold, sans-serif font.

# ESG DEVELOPMENTS

# Priority on ESG

## Key non-financial KPIs

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

68% of turnover linked to SDGs



# OUTLOOK



# Outlook

The favorable market conditions for our leading technologies, underlined by our strong order book and our capacity expansions, lead to a positive outlook for our businesses. We expect total capital expenditure in property, plant and equipment to be around € 200 million for 2023, of which approximately € 160 million relate to the Strategic Investment Program. Barring unforeseen circumstances, we anticipate organic growth in turnover and EBITA in 2023. TKH expects the following developments per business segment in 2023.

## Smart Vision systems

Turnover and EBITA are expected to grow in 2023 compared to 2022, thanks to a combination of a good order intake in 2022, expected growth of the main markets we are active in as well as a number of product launches and targeted programs in key markets.

## Smart Manufacturing systems

Turnover is expected to grow in 2023 compared to 2022, driven by the record high order book. We expect a continuing high order intake due to onshoring and initiated capex programs at the tire manufacturers. However, due to foreseen continuing supply-chain constraints, we expect full year EBITA to be in line with 2022, with a weak first half year that is compensated in the second half of 2023.

## Smart Connectivity systems

On balance, turnover and EBITA will grow organically, despite start-up costs for the new plants.

We expect a strong order intake for offshore wind and onshore energy connectivity systems on the back of continuing growing demand related to the energy transition programs.

The demand for our fibre optic and specialty cable is foreseen to be on a high level. The coming on stream of EU capacity in the second half year will support improvement of margins.

As usual, TKH will provide a more specific outlook for the full year of 2023 at the presentation of its interim results in August 2023.



# HIGHLIGHTS

## Q1 2023

# Q1 2023 UPDATE

Developments in line with expectations

## Turnover € 472.5m

Q1 2022: € 436.7m

**+8.1% organically**

## EBITA € 60.4m

Q1 2022: € 58.5m

**+ 3.3%**

## ROS 12.8%

Q1 2022: 13.4%

## Order book

Vs year-end 2022



### All segments recorded growth in turnover.

- Turnover in Q1 2023 increased by 8.2%; Adjusted for currency effects, turnover increased 8.1%

### Strong EBITA growth in Smart Vision and Smart Connectivity systems

- EBITA in Smart Manufacturing systems decreased substantially due to effects of foreseen continuing supply-chain constraints, as communicated in March 2023.

### Smart Vision and Smart Connectivity systems' ROS improved

- ROS impacted by a lower ROS at Smart Manufacturing systems.

### Smart Manufacturing systems driving growth in orderbook

- Orderbook increased further from year-end 2022



