

# TKH Group NV Annual General Meeting 2024

May 7, 2024



## 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.

# FY 2023 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



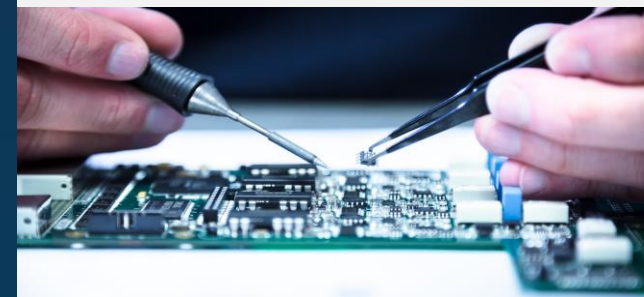
## € 200M STRATEGIC INVESTMENT PROGRAM NEARING COMPLETION

- 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 – UNIXX 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**

# FY 2023 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



# Accelerate 2025: Assumptions for ROS Targets

2021 Assumptions

Headwinds

## SMART VISION

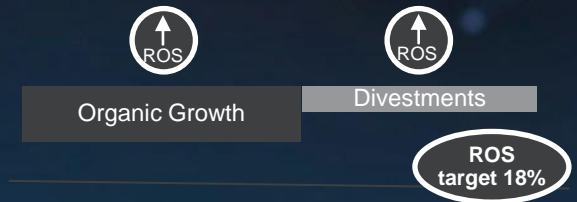


- Megatrend: Automation
- One-stop-shop positioning & USP's
- High single digit organic growth
- Investments into software & AI
- High added value of 60%
- ROS growth: scale & efficiency
- Strategically fitting acquisitions

|          | 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

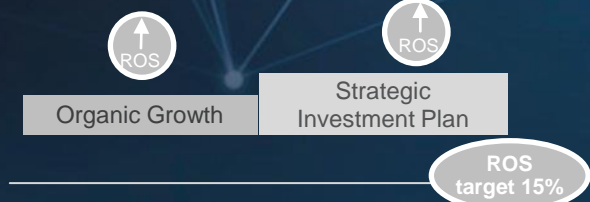


- Megatrend: Automation
- Portfolio expansion
- High single digit organic growth
- ROS growth through:
  - Business normalization
  - Divestments
  - Scale & efficiency

|          | 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

# Creating a better world: investing in the Energy transition

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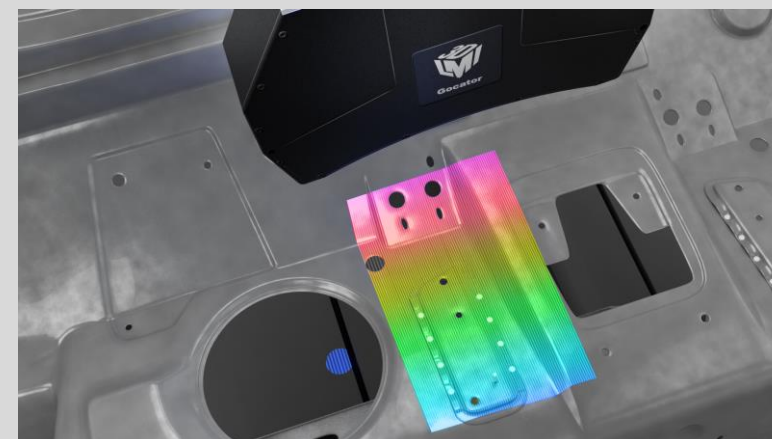
TCH

MOVIE

# Creating a better world: Vision and Automation

## Next Generation Vision Technology

- Vision technology enables ever better automation
- Production close to end markets, reducing transportation costs and lower carbon footprint
- Less labour intensive
- Minimizes operator dependence
- Less mistakes, higher consistency
- Lower scrap rates



# Creating a better world: Vision and Automation



MOVIE



# Creating a better world: Vision and Artificial Intelligence

## Foreign Object Detection

- Detect any deviations in an early stage
- State-of-the-art algorithm
- Unprecedented speed, enabling inline application
- Enhanced performance with minimal training effort
- Eliminates wastage and scrap
- Minimizes energy usage and raw materials



# Creating a better world: Vision and Artificial Intelligence



MOVIE

# Q1 2024 Market Update

## Anticipated weak Q1; Full year outlook reiterated

### Turnover € 421.2 m

Q1 2023: € 472.5 m\*  
- 4.3% organically

### EBITA € 41.2 m

Q1 2023: € 60.4 m\*  
- 21.2 % organically

### ROS 9.8 %

Q1 2023: 12.8 %

### Order book € 1,004 m

Dec 31, 2023: € 970 m

- EBITA affected by ramp-up costs of the new factories and destocking effects in Smart Vision & Smart Connectivity
- Smart Manufacturing showing strong growth
- Strong 2.7% points increase in added value solid proof of the strong position of our innovative technologies
- Cost levels high, in line with anticipated growth in the coming quarters
- Completion of € 200 million strategic investment program with start of the type test production of offshore cables in Eemshaven, within the set time frame of 1.5 years and within budget
- Second quarter to be considerably better than the first quarter; Growth in Smart Vision, continued growth in Smart Manufacturing and improvements in Smart Connectivity

## Added Value improved further to 51.8% (Q1 2023: 49.1%); improvement in all 3 segments

# Outlook Reiterated

TKH reiterates its outlook as communicated on March 5, 2024. 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 in onshore energy cables in the Netherlands to continue throughout the year. Barring unforeseen circumstances, we anticipate organic growth in turnover and EBITA in 2024.






**INVITATION**  
Retail Investors

**26 June 2024**  
**Site Visit Eemshaven**  
From 12:00 - 16:00 hrs





**FINANCIAL  
PERFORMANCE  
FY 2023**



# Our sustainable value chain

## Our Focus on SDGs

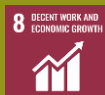
70% of turnover linked to SDGs



3 GOOD HEALTH AND WELL-BEING



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



11 SUSTAINABLE CITIES AND COMMUNITIES

### 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

### CO<sub>2</sub>e FOOTPRINT REDUCTION (scope 1 & 2)

Compared to 2019  
Target 100% neutrality by 2030

**64.3%**

2022 42.7%

2021 29.8%

### % WASTE

Target < 5% waste

**5.2%**

2022 5.3%

2021 5.2%

### SATISFACTION SCORE

Customers  
Target Average score above benchmark (7.8)

**8.6**

2022 8.6

2021 8.4

### DIVERSITY

Female Executive and Senior Management  
Target > 25% by 2030

**19.2%**

2022 18.4%

2021 17.7%

### ILLNESS RATE

Target < 4.0%

**3.85%**

2022 4.04%

2021 3.56%

### SATISFACTION SCORE

Employees  
Target > 7.5

**7.8**

2022 7.6

2021 7.4

## How we are rated

rating agencies

MSCI  
ESG RATINGS



CCC B BB BBB A AA AAA

ESG Risk Rating (

**21.1** Medium Risk

Negligible Low Medium High Severe  
0-10 10-20 20-30 30-40 40+

CDP  
DISCLOSURE INSIGHT ACTION

**B**



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

17

1) before one-off income and expenses

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

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

- 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        |             |
|----------------------|--------------|-------------|
| <b>2022</b>          | <b>234.8</b> |             |
| Acquisitions         | + 3.1        | + 1.3%      |
| Divestments          | - 5.1        | - 2.2%      |
| Currency translation | - 2.7        | - 1.2%      |
| Organic growth       | + 6.9        | + 3.0%      |
| <b>2023</b>          | <b>237.0</b> | <b>0.9%</b> |

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

# Profit and Loss Account

| € million                                | 2023           |              | 2022           |              | Δ in %         |
|--|----------------|--------------|----------------|--------------|----------------|
| <b>Turnover</b>                          | <b>1,847.5</b> |              | <b>1,816.6</b> |              | <b>+ 1.7%</b>  |
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| <b>4</b> One-off income & exp.           | 2.0            |              | - 10.4         |              |                |
| Amortization                             | 56.9           |              | 54.6           |              |                |
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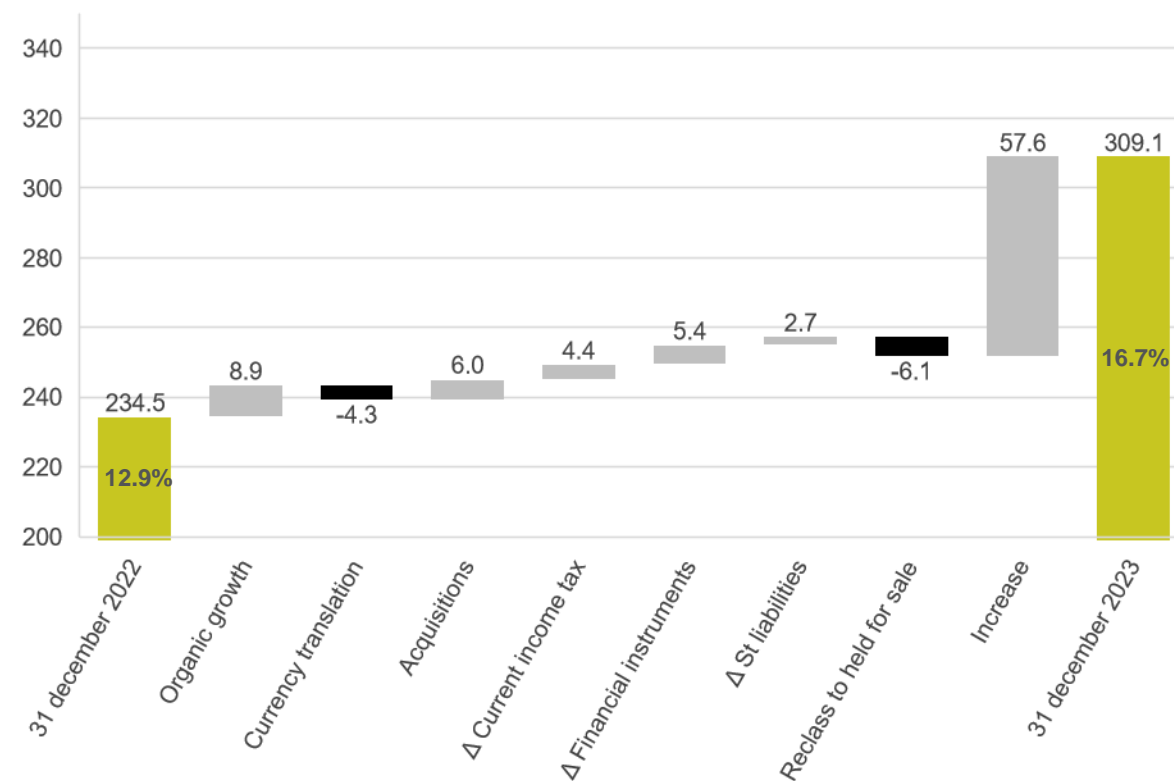
- 4** Reorganization costs in Smart Vision  
Closure of fibre optic cable production in China  
Acquisition and divestment costs
- 5** Mostly related to discontinued R&D
- 6** Includes € 54.8 million one-off net profit from the divestments of the remaining stake in CCG and of TKH France
- 7** Increase 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           |
| <b>Total non-current assets</b>      | <b>1,138.3</b> | <b>930.2</b>   |
| <b>1</b> Current assets              | 874.6          | 845.1          |
| Cash and cash equivalents            | 93.7           | 184.6          |
| <b>Total current assets</b>          | <b>968.3</b>   | <b>1,029.7</b> |
| Assets held for sale                 | 21.2           | 108.5          |
| <b>Total assets</b>                  | <b>2,127.8</b> | <b>2,068.4</b> |
| <b>Total group equity</b>            | <b>835.7</b>   | <b>786.9</b>   |
| Borrowings                           | 572.4          | 503.0          |
| Other non-current liabilities        | 75.2           | 64.0           |
| <b>Total non-current liabilities</b> | <b>647.6</b>   | <b>567.0</b>   |
| Borrowings                           | 75.9           | 70.4           |
| <b>1</b> Other current liabilities   | 565.5          | 610.7          |
| <b>Total current liabilities</b>     | <b>641.4</b>   | <b>681.1</b>   |
| Liabilities held for sale            | 3.1            | 33.4           |
| <b>Total equity and liabilities</b>  | <b>2,127.8</b> | <b>2,068.4</b> |

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



Use of non-recourse factoring <sup>1)</sup>

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

Use of supply chain finance <sup>1)</sup>

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

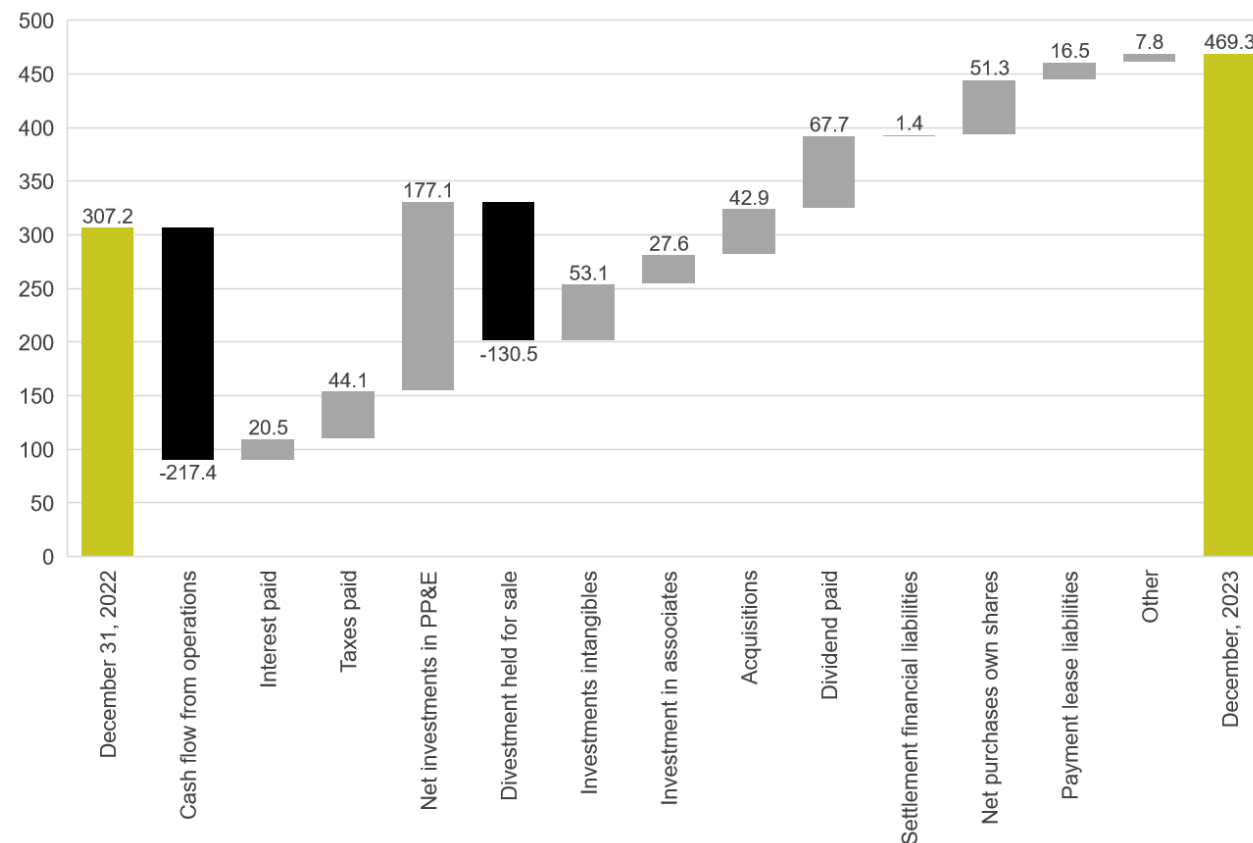
<sup>1)</sup> Amounts shown above include factoring and supply chain finance reported under 'held for sale'

# Balance sheet



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| Liabilities held for sale            | 3.1            | 33.4           |
| <b>Total equity and liabilities</b>  | <b>2,127.8</b> | <b>2,068.4</b> |

## 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 €<br>unless stated otherwise)        | H1<br>2023    | H2<br>2023   | 2023          | 2022          | 2021         | 2020         |
|--|---------------|--------------|---------------|---------------|--------------|--------------|
| <b>Operating result</b>                          | <b>93.3</b>   | <b>81.2</b>  | <b>174.5</b>  | <b>190.2</b>  | <b>136.9</b> | <b>70.9</b>  |
| Depreciation, amortization and impairment        | 51.7          | 57.7         | 109.4         | 100.6         | 98.0         | 103.1        |
| <b>EBITDA adjusted</b>                           | <b>145.0</b>  | <b>138.9</b> | <b>283.9</b>  | <b>290.8</b>  | <b>234.9</b> | <b>174.0</b> |
| <b>1</b> 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        |
| <b>Cash flow from operations before interest</b> | <b>24.3</b>   | <b>149.1</b> | <b>173.4</b>  | <b>124.8</b>  | <b>206.5</b> | <b>196.5</b> |
| Payment of lease liabilities                     | - 7.7         | - 8.8        | - 16.5        | - 14.7        | - 15.6       | - 16.0       |
| <b>2</b> Capital expenditure PP&E                | - 71.0        | - 106.1      | - 177.1       | - 91.8        | - 31.0       | - 29.4       |
| <b>3</b> Capital expenditure intangibles         | - 25.5        | - 27.6       | - 53.1        | - 45.9        | - 40.5       | - 39.2       |
| <b>4</b> Divestments of property held for sale   |               |              |               | 14.0          |              |              |
| <b>Free Cash Flow ('FCF')</b>                    | <b>- 79.9</b> | <b>6.6</b>   | <b>- 73.3</b> | <b>- 13.6</b> | <b>119.4</b> | <b>111.9</b> |
| 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%

