

RESULTS AND DEVELOPMENTS HALF YEAR 2021

17 August 2021

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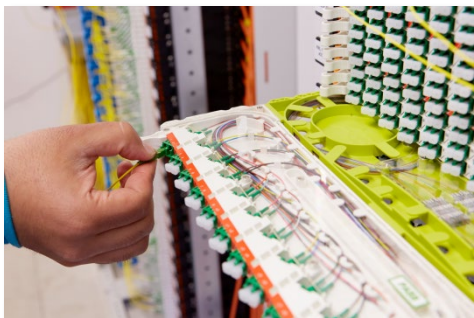
PROFILE



Technology firm TKH Group NV (TKH) focuses on high-end innovative technologies in high growth markets within three business segments: Telecom, Building and Industrial Solutions.

Through a combination of technologies, TKH offers superior solutions that support to increase the efficiency, safety, security and sustainability of its customers. The technologies are offered together with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated technologies.

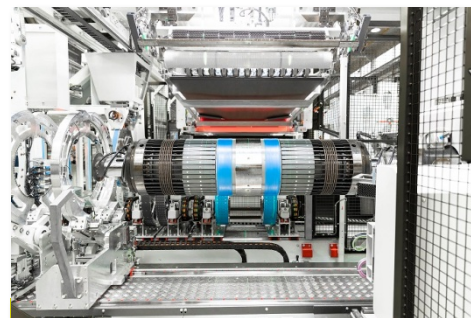
TKH operates on a global scale. Its growth is concentrated in Europe, North America and Asia. Employing 5,583 people, TKH achieved a turnover of € 1.3 billion in 2020.



TELECOM



BUILDING



INDUSTRIAL

HIGHLIGHTS – BUSINESS UPDATE

H1 2021

(in million € unless stated otherwise)	H1 2021	H1 2020	Δ in %	H1 2019
Turnover	725.8	679.0	+6.9%	753.2
EBITA ¹⁾	84.4	69.0	+22.3%	77.6
ROS	11.6%	10.2%		10.3%
Net profit before amortization ²⁾ and one-off income and expenses attributable to shareholders	49.4	36.0	+37.5%	45.9
Earnings per ordinary share	€ 0.97	€ 0.63		€ 1.02
ROCE	15.6%	16.0%		18.7%

1) Before one-off expenses: H1 2020 includes costs for restructuring and integrations of € 3.7 million.

2) Amortization of intangible non-current assets related to acquisitions (after tax).

Highlights Q2 2021

- › Turnover growth in all Solutions (+18.5%, organically +16.8%)
- › EBITA increased 52.8%
- › Strong increase order intake and order book in all Solutions

Financial highlights H1 2021









- › Turnover up 6.9%, organic growth 5.8%
- › Strong turnover growth at Telecom and Building Solutions offset decline at Industrial Solutions
- › EBITA increased 22.3%
- › ROS up at 11.6% (H1 2020: 10.2%), with strong recovery in Q2
- › Net profit before amortization and one-off income and expenses attributable to shareholders increased by 37.5%
- › Order book increased by 49% (€ 211 million) to € 639 million

Progress realization of targets and strategy

- Demand further increased with high level of activity in almost all markets
- Impact of supply chain challenges well managed, resulting in an only limited effect on activities
- Solid progress strategic development, driven by 'Simplify & Accelerate' program:
 - Margin improvement well on track
 - Divestment program on track to be finalized within 12 months – Per 30 June reclassified to 'held for sale'
- Order intake increased to € 937 million (H1 2020: € 668 million) with good contribution from innovations, such as
 - Subsea connectivity systems
 - 3D confocal vision technology
 - Tire building systems
 - Indivion
- Realization ROS of 13.4% in Q2 – On track towards ROS-target

Key financial targets	Targets (mid-term)	H1 2021	2020	2019
ROS	> 15%	11.6%	10.5%	11.6%
ROCE	22% - 25%	15.6%	14.0%	17.4%
NET debt / EBITDA	< 2.0	1.5	1.6	1.5

'SIMPLIFY & ACCELERATE' PROGRAM

AREA'S	BANDWIDTH TURNOVER DEVELOPMENT	BANDWIDTH ROS IMPROVEMENT TARGET >15%	REALIZED STEPS IMPACT ON TURNOVER AND ROS ¹⁾
DIVESTMENTS	 - € 300 - 350 million	 1.2 % - 1.6 %	Industrial connectivity (2019) € -175 million ZTC (2020) € -70 million Cruxin (2020) € -10 million
INTEGRATION		 0.8 % - 1.2 %	Restructuring and integration (2019) +0.2% Restructuring and integration (2020 - 2021) +0.6%
INNOVATIONS & FOCUS ON VERTICALS	 + € 200 - 250 million	 2.0 % - 3.0 %	Increase order book and sales funnel, positive contribution from subsea connectivity systems, certain innovations still in early stage
ACQUISITIONS	 + € 100 - 150 million		SVS-Vistek, FocalSpec, FringAI contribute € 45 million to turnover

1) Turnover development and ROS improvement are compared to 2018 figures published in March 2019.

Turnover (in € millions)	FY 2012	FY 2019	FY 2020	H1 2020	H1 2021	Δ in %	Growth scenarios	
Fibre Optic Networks	80	137	122	64	72	+12.3%	175	200
Parking	20	59	37	20	17	-13.6%	150	200
Infrastructure	30	133	131	67	66	-1.1%	150	200
Marine & Offshore	20	54	55	32	37	+16.1%	150	200
Care	30	58	53	26	29	+11.2%	70	100
Machine Vision	95	143	173	91	102	+11.5%	250	300
Tire Building Industry	175	330	242	142	128	-9.7%	450	550
Growth verticals	450	914	813	442	451	+2.1%	1,395	1,750
Other vertical markets	652	576	476	237	275	+15.9%	450	500
Total	1,102	1,490	1,289	679	726	+6.9%	1,845	2,250

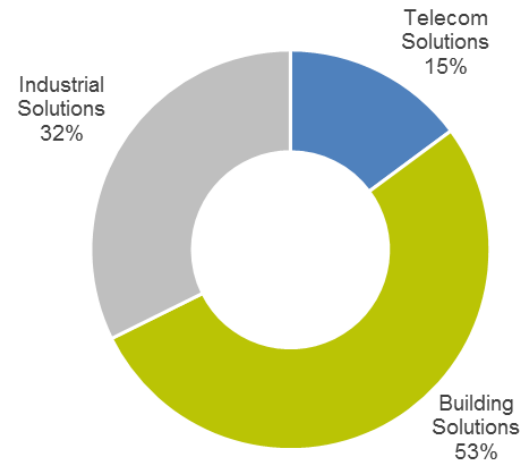
The figures 2019 are presented based on 'continued operations' and thus excluding the divested industrial connectivity activities ('discontinued operations').

- Growth scenarios for coming 3-7 years
- Business fundamentals provide strong basis for organic growth and value creation:
 - Fibre Optic Networks – Increased demand for bandwidth and 5G roll-out
 - Parking – Impacted by COVID-19 in 2021 – Synergies being realized due to integration with TKH Security
 - Tunnel & Infra – Strong demand for energy cables due to energy transition – Additional production capacity operational from Q3 2021 – Positive developments sales funnel CEDD/AGL
 - Marine & Offshore – Substantial orders for subsea connectivity systems won in H1 2021 – Increased production utilization has positive EBITA contribution
 - Care – Successful breakthrough Indivion (high grade medicine dosage and dispensing system)
 - Machine vision – Growth with 3D-vision technology for 5G consumer electronics – First orders for new 2D embedded vision technology coming in
 - Tire Building – Strong order intake – Expected completion of UNIXX tire building technology end of 2021
- Other vertical markets – Divestment program mainly in other vertical markets



DEVELOPMENTS PER SOLUTION H1 2021

Turnover distribution



(in million €)	H1 2021	H1 2020	Δ in %
Turnover ¹⁾	107.8	95.1	+13.4%
EBITA	14.4	12.3	+17.1%
ROS	13.4%	13.0%	

1) Organic turnover growth: +14.0%



Fibre optic networks

- Turnover increased due to high investment priority in Europe and less negative impact from lockdowns on clients' installation capacity – Strong recovery in France
- Overcapacity in Chinese market had slight negative effect on added value – Offset by higher share of connectivity system portfolio

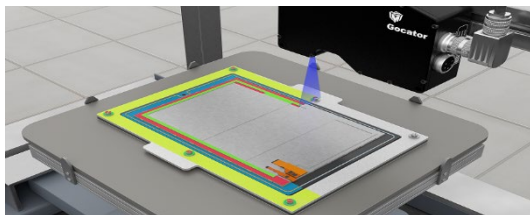
Other markets

- Growth in broadband portfolio for home offices

(in million €)	H1 2021	H1 2020	Δ in %
Turnover ¹⁾	383.5	344.9	+11.2%
EBITA ²⁾	48.1	36.4	+32.0%
ROS	12.5%	10.6%	

1) Organic turnover growth: +9.4%

2) Before one-off expenses in H1 2020 relate to costs for restructuring and integrations of € 3.6 million



Machine Vision

- Strong increase in turnover and order intake in consumer electronic market segment
- Growth in factory automation, logistics, automotive and wood sector
- Challenges in supply chain had limited impact on business

Marine & Offshore

- Increase in turnover due to higher utilization in subsea cable production activities
- New contract won for supply of Hollandse Kust Noord
- Prospect for new orders further improving due to strong market growth for alternative energy sources

Infrastructure

- Airfield Ground Lighting (CEDD/AGL)
 - Demand impacted by COVID-19 with investment limitations at airports – Low order intake
 - Promising sales funnel for 2022
- Good development in demand for energy connectivity systems – Expansion of production capacity expected to be operational during Q3 2021
- Increased turnover in traffic monitoring systems

(in million €)	H1 2021	H1 2020	Δ in %
Turnover ¹⁾	383.5	344.9	+11.2%
EBITA ²⁾	48.1	36.4	+32.0%
ROS	12.5%	10.6%	

1) Organic turnover growth: +9.4%

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Care

- › Increased demand for communications technology for care alerts and elderly care
- › Less negative effect of lockdowns on installation possibilities at care institutions

Parking

- › Continuation low investment level due to low-capacity utilization in parking garages as result of COVID-19 – In particular at shopping malls and airports

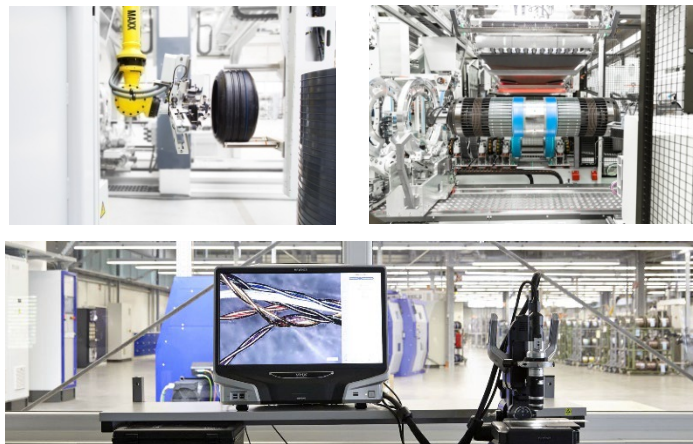
Other markets

- › Demand in building & construction market increased – Substantial growth in France and Germany for our connectivity solutions



(in million €)	H1 2021	H1 2020	Δ in %
Turnover ¹⁾	234.6	239.0	- 1.9%
EBITA	27.9	27.0	+3.3%
ROS	11.9%	11.3%	

1) Organic turnover growth: -2.7%



Tire building

- › Turnover Q1 significantly impacted by low order intake in Q2 and Q3 2020
- › Strong recovery of order intake in past quarters translated in higher turnover and result in Q2
- › Recovery of order intake from Asian customers and top-five tire manufacturers
- › Development of UNIXX (a new tire-building platform) progressing well, with completion delayed due to COVID-19 – Now expected by end 2021

Care

- › Gradual growth of turnover driven by breakthrough Indivion technology – Service organization in North America ramped-up to support further growth in this region
- › Good recovery of specialized connectivity systems for medical equipment

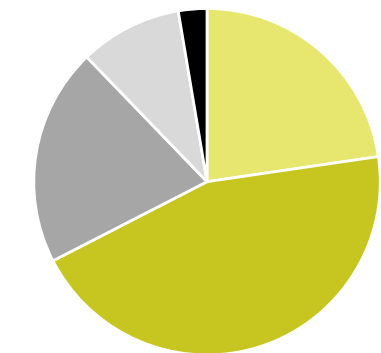
Other markets

- › Substantial growth in connectivity systems for machine building and robotics industry






FINANCIAL PERFORMANCE H1 2021

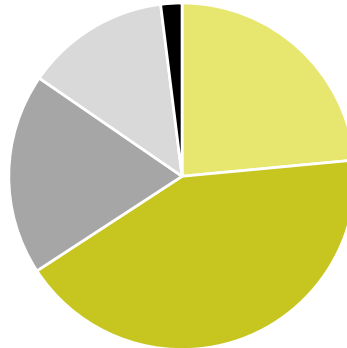
GEOGRAPHICAL DISTRIBUTION OF TURNOVER

Geographical distribution of turnover (in %)








2021

	Netherlands	23
	Europe (other)	45
	Asia	20
	North America	10
	Other	3



2020

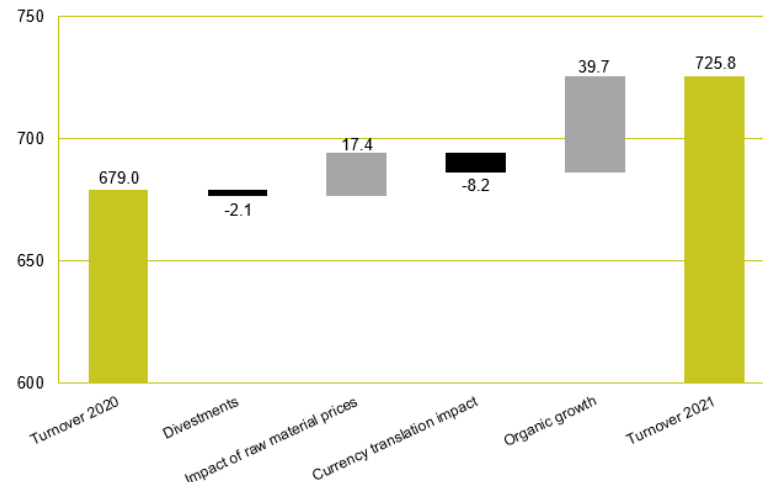
	Netherlands	24
	Europe (other)	42
	Asia	19
	North America	13
	Other	2

TURNOVER AND ADDED VALUE

(in million €)	H1 2021		H1 2020 ¹⁾		Δ in %
Turnover	725.8		679.0		+6.9%
Raw materials and subcontracted work	-376.1		-346.3		
Added value	349.7	48.2%	332.7	49.0%	+5.1%

1) To improve comparability a reclassification of € 2.9 million has been made from 'Selling expenses' to 'Added value' in H1 2020

Change in turnover (in € million)



- Organic turnover growth of +5.8%
- Turnover impact divestments of 0.3%
 - Cruxin (1 April 2020)
- Turnover impact from rising raw material prices (+2.6%)
- Currency translation effect, mainly from USD (-1.2%)
- Gross margin decreased to 48.2% (H1 2020: 49.0%) mainly due to:
 - Product mix – larger share of connectivity portfolio
 - Increase raw materials prices

OPERATING EXPENSES AND EBITA

(in million €)	H1 2021		H1 2020 ¹⁾		Δ in %
Turnover	725.8		679.0		+6.9%
Raw materials and subcontracted work	-376.1		-346.3		
Added value	349.7	48.2%	332.7	49.0%	+5.1%
Operating expenses	265.3	36.6%	263.7	38.8%	+0.6%
EBITA before one-off expenses	84.4	11.6%	69.0	10.2%	+22.3%

1) To improve comparability a reclassification of € 2.9 million has been made from 'Selling expenses' to 'Added value' in H1 2020

- Operating expenses increased with 0.6% – Cost to turnover ratio decreased from 38.8% to 36.6%
 - Cost-saving programs and integrations
 - Higher productivity level at manufacturing companies
 - Selling expenses still at lower level due to COVID-19 restrictions
 - Depreciation decreased € 0.8 million due to a lower depreciation on right-of-use assets

- EBITA increased by 22.3%
 - Telecom Solutions +17.1%
 - Building Solutions +32.0%
 - Industrial Solutions + 3.3%

- ROS: 11.6% (H1 2020: 10.2%)
 - Improvement supported by all Solutions
 - Due to higher revenues and relatively lower cost level
 - Strong ROS improvement from Q1 to Q2

ITEMS BELOW EBITA

(in million €)	H1 2021		H1 2020 ¹⁾		Δ in %
EBITA before one-off expenses	84.4	11.6%	69.0	10.2%	+22.3%
One-off expenses	0		3.7		
Amortization	25.6		27.9		
Impairments	0.2		1.5		
Operating result	58.6		35.9		
Financial expenses	-3.5		-5.0		
Result from associates	1.3		3.2		
Change in value financial liabilities	-1.3		0.6		
Result before taxes	55.1		34.7		
Taxes	14.9		8.1		
Total net profit	40.2	5.5%	26.6	3.9%	+51.4%
Net profit before amortization and one-off income and expenses attributable to shareholders	49.4	6.8%	36.0	5.3%	+37.5%

- Amortization decreased by € 2.3 million
 - Amortization on PPA's from certain acquisitions have ended
 - Amortization on capitalized R&D up by € 0.3 million due to capitalization levels in prior years
- Decrease of financial expenses
 - Foreign currency profits against loss last year (€ +1.5 million)
 - Stable interest expenses
- Result from associates decreased by € 1.9 million due to:
 - Book profit of € 5.5 million from divestments in H1 2020
 - Lower amortization of purchase price allocations in CCG of € 2.3 million
 - Positive share in results of associates
- The effective tax rate increased from 26.2% to 27.1% due to a relative shift of profits to 'high-tax' countries

BALANCE SHEET 30 JUNE 2021

(in € million)	30-06-2021	31-12-2020
Intangible non-current assets	519.0	577.3
Tangible non-current assets	221.0	219.9
Right-of-use assets	68.7	77.4
Other associates	27.3	25.5
Receivables	0.9	1.9
Deferred tax assets	13.3	14.3
Total non-current assets	850.2	916.3
Inventories	236.8	236.7
Receivables	219.0	157.4
Contract assets	107.0	124.2
Contract costs	2.9	3.3
Current income tax	0.7	1.8
Cash and cash equivalents	82.6	121.6
Total current assets	649.0	645.0
Assets held for sale	111.2	4.6
Total assets	1,610.4	1,565.9

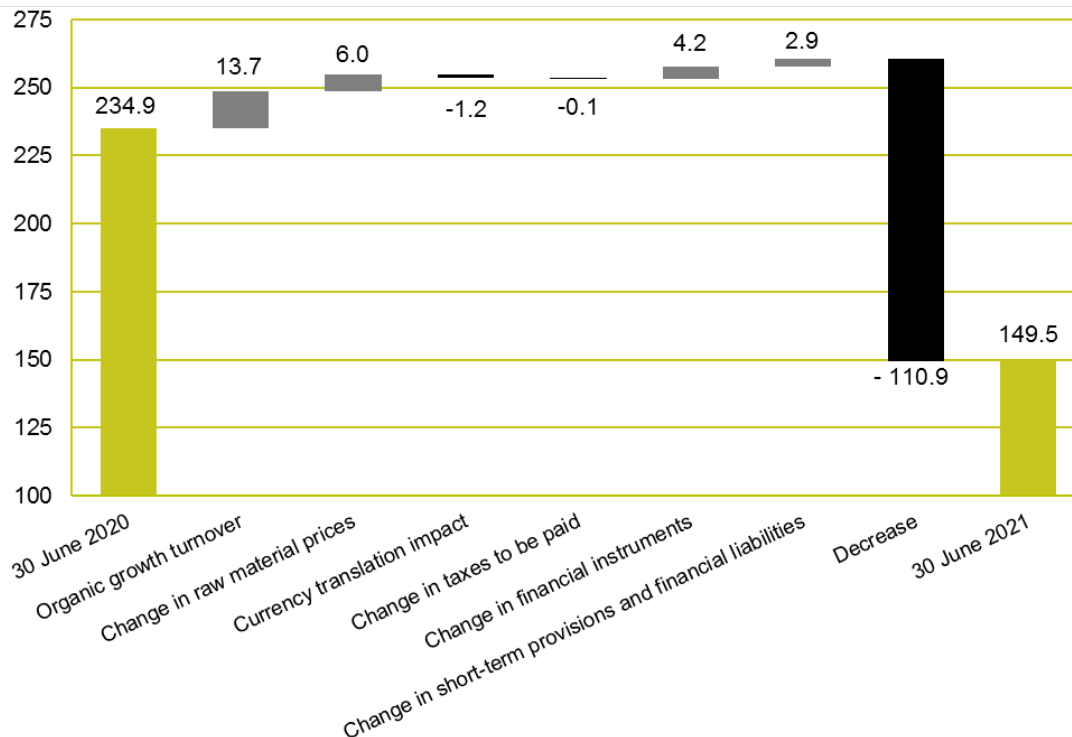
- Cash and cash equivalents includes € 15.2 million (2020: € 56.0 million) that are part of a balance and interest compensation schemes
- Assets and liabilities held for sale relate to a subsidiary and real estate directly available for sale
- Solvency of 40.3% (2020: 42.3%) decreased due to cash dividend of € 41.1 million and share buyback program

(in € million)	30-06-2021	31-12-2020
Shareholders' equity	649.1	661.8
Non-controlling interests	0.1	0.1
Total group equity	649.2	661.9
Interest-bearing loans and borrowings	381.3	409.5
Deferred tax liabilities	52.5	55.1
Retirement benefit obligation	4.9	5.9
Financial liabilities	1.9	3.4
Provisions	6.0	5.7
Total non-current liabilities	446.6	479.6
Interest-bearing loans and borrowings	51.5	57.1
Trade payables and other payables	294.7	258.8
Contract liabilities	88.7	73.9
Current income tax liabilities	11.1	11.0
Financial liabilities	4.8	4.5
Provisions	17.4	19.1
Total current liabilities	468.2	424.4
Liabilities directly associated with assets held for sale	46.4	0.0
Total equity and liabilities	1,610.4	1,565.9

- Financial covenants:
 - Net debt, based on financial covenant as agreed with banks, of € 275.1 million (2020: € 261.8 million)
 - Net debt/EBITDA of 1.5 (31 December 2020: 1.6), well within agreed covenant of 3.0

WORKING CAPITAL

Changes in working capital (in € million)



› Working capital as percentage of turnover decreased to 11.2% versus 16.6% on 30 June 2020

- Delivery and completion of postponed projects in Industrial Solutions
- High order intake in Industrial Solutions and related prepayments lowered working capital
- Amounts shown below in non-recourse factoring and supply chain finance include activities reported under 'held for sale'

› Use of non-recourse factoring:

30-06-2021	€ 47.5 million
31-12-2020	€ 43.6 million
30-06-2020	€ 42.6 million

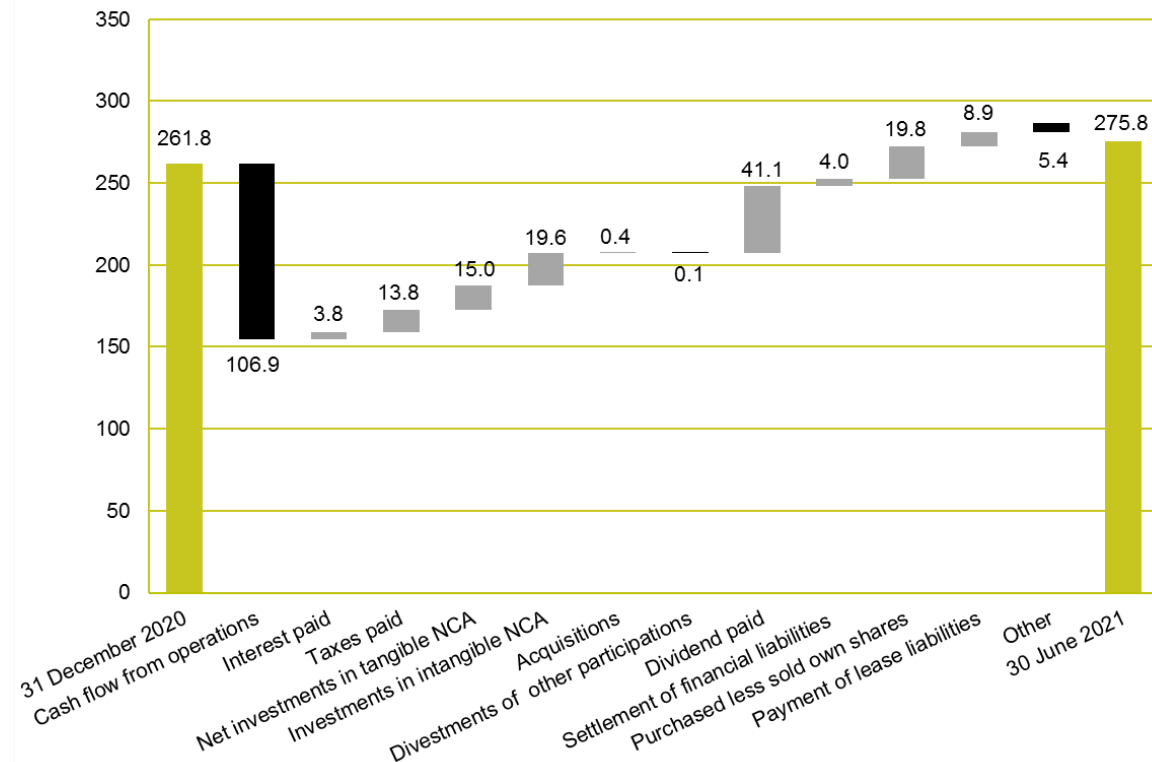
› Use of supply chain finance:

30-06-2021	€ 42.8 million
31-12-2020	€ 27.5 million
30-06-2020	€ 25.3 million

- Increase due to higher volumes, especially in Q2, and increased raw material prices

NET DEBT DEVELOPMENT

Change in net debt (in € million)



- Positive cash flow from operations of € 106.9 million, also driven by low working capital
- Investments in tangible and intangible assets (€ 34.6 million), mainly:
 - Investments in R&D
 - Expansion, replacement and upgrade of production capacity
- Cash dividend of € 1.00 paid per (depository receipt of) ordinary share
- Remainder of share buyback program in H1 2021 € 17.9 million (total € 25 million)

FREE CASH FLOW

(in million €)	H1 2021	H1 2020	H1 2019
Operating result from continued operations	58.6	35.9	53.3
Operating result from discontinued operations			7.2
Operating result ¹⁾	58.6	35.9	60.5
Depreciation, amortization and impairment	47.9	52.4	48.2
EBITDA adjusted	106.5	88.3	108.7
Change in working capital	0.8	-40.2	-39.0
Taxes paid	-13.8	-11.5	-11.9
Other	-0.5	4.5	2.2
Cash flow from operations before interest	93.0	41.1	60.0
Payment of lease liabilities	-8.9	-8.8	-8.4
Capital expenditure (tangible)	-15.0	-12.1	-17.6
Capital expenditure (intangible)	-19.6	-17.7	-19.4
Free Cash Flow ('FCF')	49.5	2.5	14.6
EBITDA to FCF conversion	46.5%	2.8%	13.4%

1) Including one-off expenses and impairments

- FCF-conversion traditionally low in first half year, but H1 2021 positively impacted by decrease in working capital
- Payments for acquisitions and proceeds from divestments have not been included in FCF

OUTLOOK

The improved market circumstances of our solutions, as well as our capability to increase our manufacturing capacity utilization, lead to a positive outlook for H2. Based on these developments, we anticipate a further organic growth of turnover and result in H2 2021. The impact of supply chain challenges, which was limited to date, may increase in H2 2021 for some activities.

Telecom Solutions

- After strong growth in H1 2021, turnover and EBITA in H2 expected to be comparable to H1 2021.
- Fibre Optic Networks will remain driver of turnover with continuing high investment priority in Europe, where we expect less negative impact from lockdowns on clients' installation capacity. Price levels for fibre optics are expected to improve gradually.

Building Solutions

- Turnover and EBITA in H2 2021 expected to increase compared to H1 2021.
- Lower turnover in 3D machine vision, due to seasonality and supply chain shortages, which is offset by growth in security systems, energy connectivity systems (Infrastructure), subsea (Marine & Offshore) and 2D machine vision.

Industrial Solutions

- Turnover and EBITA expected to show a strong growth in H2 2021, compared to H1 2021, driven by high order intake in Tire Building in past quarters.
- Expected ROS improvement is driven by volume effects and cost control.

On balance and barring unforeseen circumstances, for the full year 2021 TKH expects net profit from continued activities before amortization and one-off income and expenses attributable to shareholders to increase significantly to between € 106 million and € 112 million (2020: € 70.3 million).

CAPITAL MARKETS DAY



TKH will organize a Capital Markets Day on **17 November 2021**.

During this day, TKH will provide an update about the progress of the 'Simplify & Accelerate' program. As part of 'Simplify & Accelerate', TKH will present a strategy update and a new segmentation structure. Further, several innovations will be presented.

Questions & Answers



TKH Group the solution provider <

Disclaimer

Statements included in this press 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.