

# HALF YEAR RESULTS AND DEVELOPMENTS 2019

13 August 2019

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# PROFILE

TKH Group NV (TKH) is focused 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 and security 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.

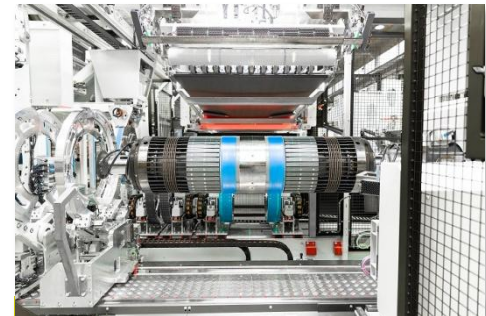
TKH operates on a global scale. Its growth is concentrated in Europe, North America and Asia.



TELECOM



BUILDING



INDUSTRIAL

# HIGHLIGHTS – BUSINESS UPDATE

## H1 2019

# STRATEGIC HIGHLIGHTS 2019

## Introduction 'Simplify & Accelerate' program with focus on further value creation – Capital Markets Day (June)

### › Acquisitions to strengthen vertical market propositions

- › Commend AG – mission critical communication (April)
- › ParkEyes – vision & security (April)
- › SVS-Vistek – vision & security (July – closing expected in Q3)

### › Divestments – target € 300 - € 350 million

- › Agreement reached for divestment majority of industrial connectivity activities (8 companies), accounted for as "discontinued operations" – turnover 2018: € 183.7 million

### › Reduction of number of business segments

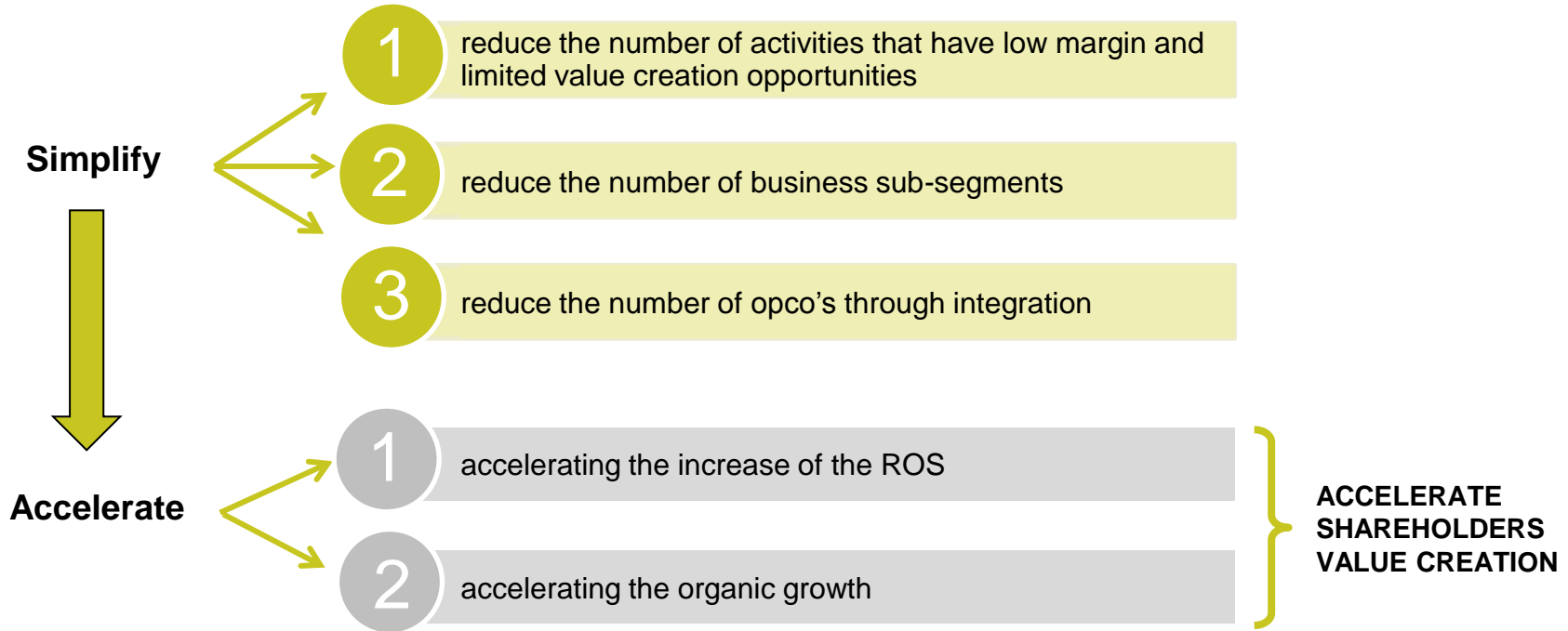
- › Elimination of industrial connectivity segment
- › Remaining industrial connectivity activities integrated into sub-segment manufacturing systems

### › Integration of companies – good progress

- › Legal merger and rebranding of security companies in the Netherlands into TKH Security
- › 2D vision companies brought under one roof and leadership – further integration steps planned

# “SIMPLIFY AND ACCELERATE” PROGRAM

Bring TKH to a next stage of performance



# “SIMPLIFY AND ACCELERATE” PROGRAM – TURNOVER

## BANDWIDTH – TURNOVER DEVELOPMENT PER IMPROVEMENT SEGMENT :

**DIVESTMENTS**



- € 300 UP TO € 350 MILLION

**INNOVATIONS VERTICALS**



+ € 200 UP TO € 250 MILLION

**ACQUISITIONS**



+ € 100 UP TO € 150 MILLION

# “SIMPLIFY AND ACCELERATE” PROGRAM – ROS IMPROVEMENT

**BANDWIDTH – ROS IMPROVEMENT PER SEGMENT – TARGET >15% - BASIS – ROS 2018: 11.3%**

**DIVESTMENTS**



1.2 % - 1.6 %

**INTEGRATION**



0.8 % - 1.2 %

**VERTICAL GROWTH MARKETS**



2.0 % - 3.0 %



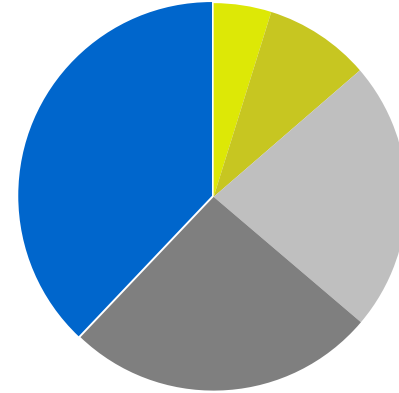
(in million € unless stated otherwise)	HY1 2019	HY1 2018	Δ in %
Continued operations: <sup>1)</sup>			
Turnover	753.2	728.0	+3.5%
EBITA	77.6	85.1	- 8.8%
ROS	10.3%	11.7%	
Net profit before amortization <sup>2)</sup> and one-off income and expenses attributable to shareholders	45.9	55.0	- 16.6%
Earnings per ordinary share before amortization and one-off income and expenses	€ 1.09	€ 1.31	
ROCE	18.7%	20.8%	
Order book per 30 June	463.7		






- Turnover growth 3.5% – organically +0.1%.
  - Telecom Solutions +3.3%
  - Industrial Solutions +1.4%
  - Building Solutions - 1.9% – low investment level at producers of consumer electronics and lower number of larger projects
- EBITA decreased 8.8% – due to higher costs in anticipation for expected growth in H2 2019 and integration costs
- Net profit before amortization and one-off income and expenses attributable to shareholders decreased 16.6%
- Order book as at 30 June 2019 increased organically 13.0% compared to 31 December 2018
- Well positioned for growth of turnover and especially the result of H2 2019 due to strong order book and project pipeline

1) The turnover, EBITA, ROS, normalized net profit and normalized earnings per share concern the results of the continued operations, so excluding results of the discontinued industrial connectivity activities. The comparative figures for 2018 are restated accordingly.

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

# DEVELOPMENTS PER SOLUTION H1 2019



	H1 2019	2018
<b>Telecom Solutions</b>	<b>13.6%</b>	<b>13.3%</b>
 Indoor Telecom & copper Solutions	4.8%	4.8%
 Fibre Network Systems	8.8%	8.5%
<b>Building Solutions</b>	<b>48.5%</b>	<b>48.2%</b>
 Connectivity Systems	22.6%	21.7%
 Vision & Security Systems	25.9%	26.5%
<b>Industrial Solutions</b>	<b>37.9%</b>	<b>38.5%</b>
 Manufacturing Systems	37.9%	38.4%

(in million €)	HY1 2019	HY1 2018	Δ %
Turnover	102.8	99.6	+ 3.2%
EBITA	16.0	15.8	+ 1.6%
ROS	15.6%	15.8%	



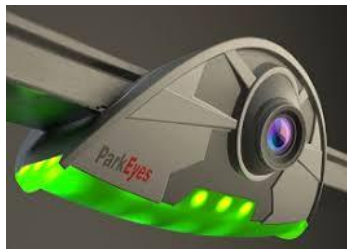
## Fibre network systems – turnover share 8.8%

- › Organic turnover growth: +4.0%
- › Slowdown in China more than compensated by turnover growth within Europe
- › Growth European market driven by preparation for 5G networks
- › Higher margins due to higher share connectivity portfolio in product mix, despite price pressure in Chinese market
- › Expansion of fibre production capacity on track and available in H2 2019

## Indoor telecom & copper networks – turnover share 4.8%

- › Organic turnover growth: +2.0%
- › Growth driven primarily by broadband connectivity portfolio for Benelux and Germany

(in million €)	HY1 2019	HY1 2018	Δ in %
Turnover	364.8	346.4	+ 5.3%
EBITA	29.1	34.4	- 15.5%
ROS	8.0%	9.9%	



## Vision & Security systems - turnover share 25.9%

- Turnover increase by 5.3% – organically turnover decrease by -9.1%
- Machine Vision:
  - Reluctance to invest among producers of consumer electronics - also notable in other sectors in terms of shifts of projects
  - Improvement turnover in the course of H1 2019 due to previous investments in innovations and positioning in growth markets – battery and solar market
  - Measures taken to reduce operational costs by realizing cost efficiencies from integration of 2D vision activities – resulted in additional costs
- Parking:
  - Turnover for larger projects reduced
  - Important step taken with acquisition of ParkEyes – broadening of portfolio for smaller to medium-sized parking garages
- Tunnel & Infra:
  - Good contribution in growth by Lakesight – vision-based traffic management solutions
  - First projects in US market for vision based traffic solutions

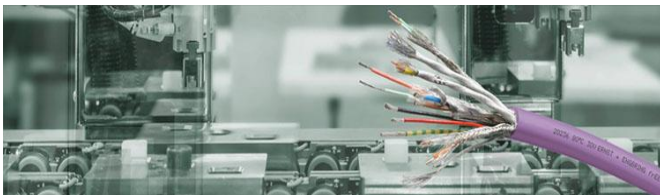
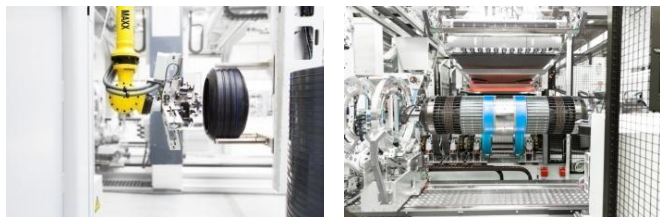
(in million €)	HY1 2019	HY1 2018	Δ in %
Turnover	364.8	346.4	+ 5.3%
EBITA	29.1	34.4	- 15.5%
ROS	8.0%	9.9%	



## Connectivity systems – turnover share 22.6%

- › Organic turnover growth: +6.3%
- › Increased need to invest in energy networks in the Netherlands – positive impact on demand for power cable systems
- › Turnover growth data cable systems
- › Marine & Offshore:
  - › Decrease turnover due to very limited turnover subsea cable systems – as of Q4 2018 full focus on acquiring new orders – good pipeline of projects
  - › Turnover growth cable systems for marine industry
- › Tunnel & Infra:
  - › Growth in Airfield Ground Lighting (AGL)
  - › Further increasing interest in CEDD technology for AGL – increased quotation portfolio

(in million €)	HY1 2019	HY1 2018	Δ in %
Turnover	285.6	281.9	+ 1.3%
EBITA	42.0	43.8	- 4.2%
ROS	14.7%	15.5%	



## Manufacturing systems – turnover share 37.9%

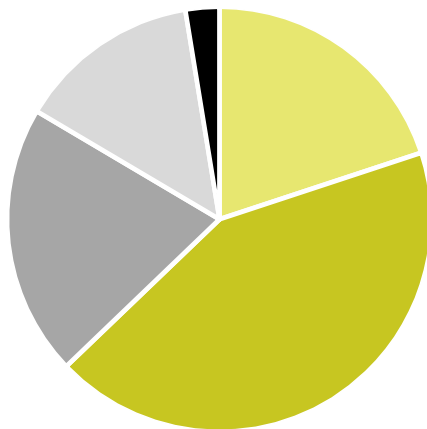
- Organic turnover growth: +1.4%
- Decision taken to divest majority of industrial connectivity activities – remaining connectivity activities are integrated into sub-segment manufacturing systems
- Demand for specialty cable and cable systems weakened in automotive and robot industry – partly offset by growth within medical industry (Care)
- Tire Building:
  - Turnover growth and further growth order book
  - Share top 5 tire manufacturers and MILEXX at a high level in order intake
  - Development of UNIXX progressing well – completion of delivery led to additional costs in H1 2019 and will partly continue in Q3

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# FINANCIAL PERFORMANCE H1 2019

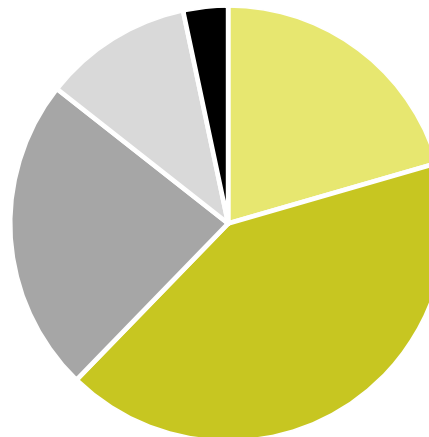
# GEOGRAPHICAL DISTRIBUTION OF TURNOVER

Geographical distribution of turnover (in %)



H1 2019

	Netherlands	20
	Europe (other)	43
	Asia	21
	North America	14
	Other	2



H1 2018

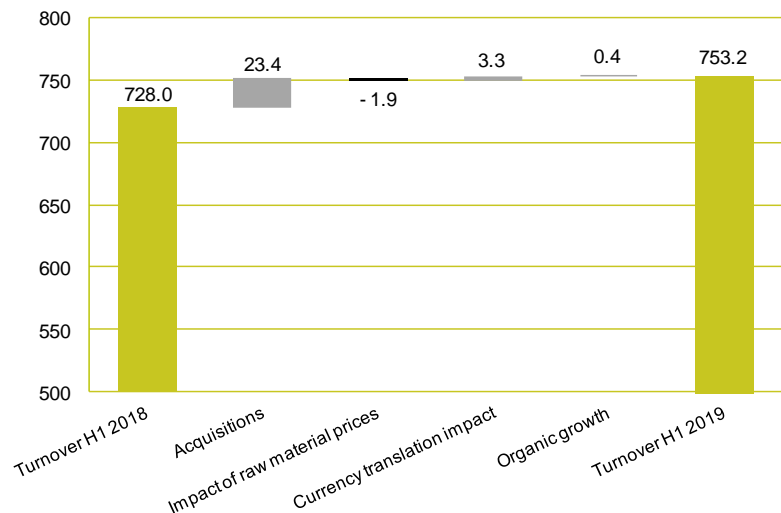
	Netherlands	21
	Europe (other)	42
	Asia	23
	North America	11
	Other	3



# TURNOVER AND ADDED VALUE

(in € million)	HY1 2019		HY1 2018		Δ in %
<b>Turnover</b>	<b>753.2</b>		<b>728.0</b>		<b>+ 3.5%</b>
Raw materials and subcontracted work	-395.9		-384.2		
<b>Added value</b>	<b>357.3</b>	<b>47.4%</b>	<b>343.8</b>	<b>47.2%</b>	<b>+ 3.9%</b>

## Change in turnover (in € million)



- Presented figures for H1 2019 are based on 'continued operations' (excluding divested industrial connectivity activities) – comparative figures in P&L have been adjusted accordingly
- Organic turnover growth of 0.1%
- Turnover from acquisitions of 3.2%:
  - Lakesight Technologies (October 2018)
  - Ognios GmbH (December 2018)
  - Commend AG (April 2019)
  - ParkEyes (April 2019)
- Limited impact from raw material prices (-0.3%) and foreign currencies (+0.5%)
- Gross margin increased to 47.4% (H1 2018: 47.2%)

# OPERATING EXPENSES AND EBITA

(in € million)	HY1 2019		HY1 2018		Δ in %
<b>Turnover</b>	<b>753.2</b>		<b>728.0</b>		<b>+ 3.5%</b>
Raw materials and subcontracted work	-395.9		-384.2		
<b>Added value</b>	<b>357.3</b>	47.4%	<b>343.8</b>	47.2%	<b>+ 3.9%</b>
Operating expenses	279.7	37.1%	258.7	35.5%	<b>+8.1%</b>
<b>EBITA</b>	<b>77.6</b>	10.3%	<b>85.1</b>	11.7%	<b>-8.8%</b>

- Operating expenses increased with 8.1%. The cost to turnover ratio increased from 35.5% to 37.1%
- Main reasons for the (absolute) cost increase are:
  - Consolidation of acquired companies (4.8%)
  - Currency translation effects (0.7%)
  - Higher operating cost level at production locations, due to expansion of production capacity during 2018 – in preparation for expected growth in H2
  - Some additional integration costs in Building Solutions
- Depreciation increased with € 9.7 million to € 22.3 million – largely attributable to depreciation of right-of-use assets due to adoption of IFRS 16 Lease
- ROS: 10.3% (H1 2018: 11.7%)

# ITEMS BELOW EBITA

(in € million)	HY1 2019		HY1 2018		Δ in %
<b>EBITA before one-off expenses</b>	<b>77.6</b>	<b>10.3%</b>	<b>85.1</b>	<b>11.7%</b>	<b>-8.8%</b>
Amortization	24.1		18.5		
Impairments			0.4		
<b>Operating result</b>	<b>53.3</b>		<b>66.2</b>		
Financial expenses	-4.5		-3.8		
Result from associates	0.2		1.6		
Change in value financial liabilities	-0.1		-0.1		
<b>Result before taxes</b>	<b>49.0</b>		<b>63.9</b>		
Taxes	11.3		14.7		
<b>Net profit continuing operations</b>	<b>37.7</b>	<b>5.0%</b>	<b>49.2</b>	<b>6.8%</b>	<b>-23.4%</b>
Net profit discontinued operations	5.2		5.7		
<b>Total net profit</b>	<b>42.8</b>	<b>5.7%</b>	<b>54.9</b>	<b>7.5%</b>	<b>-22.0%</b>
<b>Net profit before amortization and one-off income and expenses attributable to shareholders</b>	<b>45.9</b>	<b>6.1%</b>	<b>55.0</b>	<b>7.6%</b>	<b>-9.1%</b>

- Increase of amortization due to addition of amortization of the 'purchase price allocations' related to acquired companies and higher R&D investments in recent years
- The increase of financial expense is mainly due to application of IFRS 16, where interest component (€ 1.0 million) is presented as financial expense in 2019. These were partly offset by lower foreign currency losses (€ 0.5 million)
- The result of other participations decreased due to lower volumes and price levels at preform producer ShinEtsu in China
- The average tax rate remained similar (23.0%)

# BALANCE SHEET 30 JUNE 2019



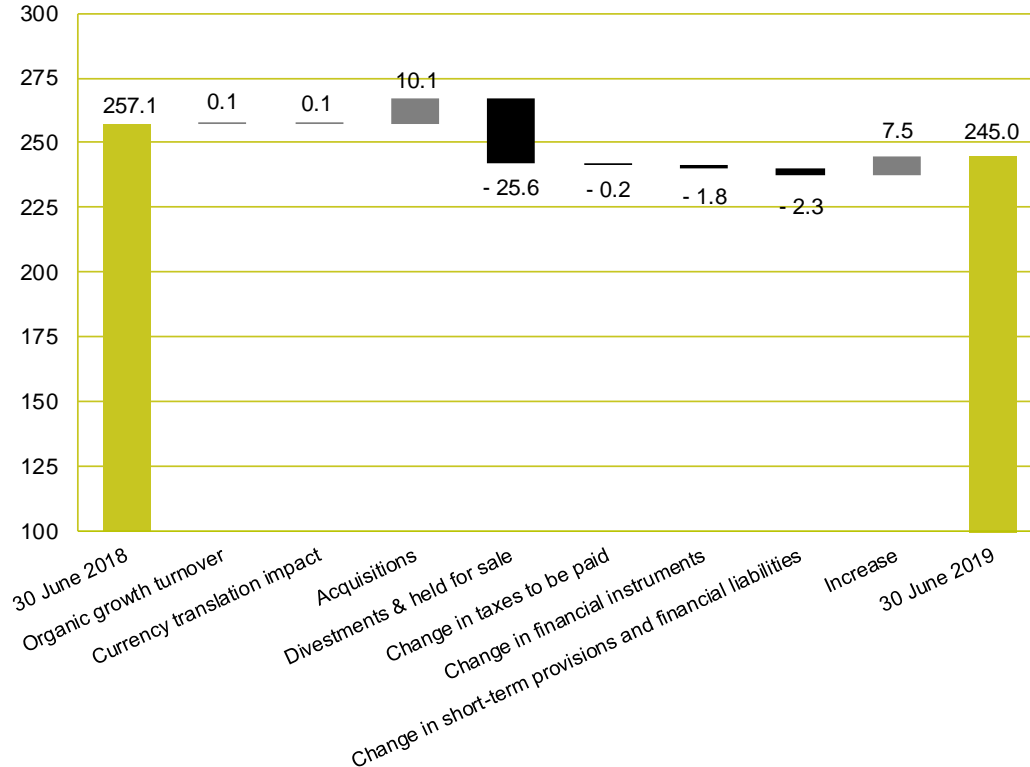
(in € million)	30-06-2019	31-12-2018
Intangible non-current assets	545.5	544.1
Tangible non-current assets	241.3	245.4
Tangible right-of-use assets	74.3	0
Investment property	0.3	0.3
Other associates	12.3	12.0
Receivables	2.0	2.0
Deferred tax assets	18.0	17.1
<b>Total non-current assets</b>	<b>893.7</b>	<b>820.9</b>
Inventories	253.2	255.0
Receivables	236.2	223.5
Contract assets	147.3	140.1
Contract costs	2.2	3.6
Current income tax	0.8	1.1
Cash and cash equivalents	74.3	83.2
<b>Total current assets</b>	<b>713.9</b>	<b>706.4</b>
Assets held for sale	93.9	0
<b>Total assets</b>	<b>1,701.5</b>	<b>1,527.3</b>

- › Tangible right-of-use assets relate to recognition of user rights from lease agreements in the balance sheet – non-current liabilities increased for payment obligation under these agreements
- › Cash and cash equivalents includes € 19 million (2018: € 22 million) that are part of a balance and interest compensation schemes
- › Solvency of 36.9% (2018: 43.1%). IFRS 16 effect (-1.8%) and higher dividend

(in € million)	30-06-2019	31-12-2018
Shareholders' equity	625.8	646.5
Non-controlling interests	1.2	1.2
<b>Total group equity</b>	<b>627.1</b>	<b>647.6</b>
Non-current liabilities	399.8	238.5
Deferred tax liabilities	63.4	60.4
Retirement benefit obligation	5.3	8.0
Financial liabilities	3.6	0.6
Provisions	5.5	5.2
<b>Total non-current liabilities</b>	<b>477.5</b>	<b>312.7</b>
Borrowings	158.4	170.6
Trade payables and other payables	302.3	314.6
Contract liabilities	69.2	57.0
Current income tax liabilities	5.9	6.9
Financial liabilities	3.3	4.8
Provisions	13.8	12.9
<b>Total current liabilities</b>	<b>552.9</b>	<b>566.9</b>
Liabilities directly associated with assets held for sale	44.0	0
<b>Total equity and liabilities</b>	<b>1,701.5</b>	<b>1,527.3</b>

- › Financial covenants:
  - › Net debt, based on financial covenant as agreed with banks, of € 406 million (2018: € 327 million)
  - › Net debt/EBITDA of 1.9 (31 December 2018: 1.5), well below agreed covenant of 3.0

## Changes in working capital (in € million)



› Decrease of working capital mainly due to reclassification of discontinued operations to assets for sale. Partly offset by increases due to acquisitions and other increases

› Working capital as percentage of turnover remained similar (16.5% versus 16.4% mid 2018)

› Use of non recourse factoring:

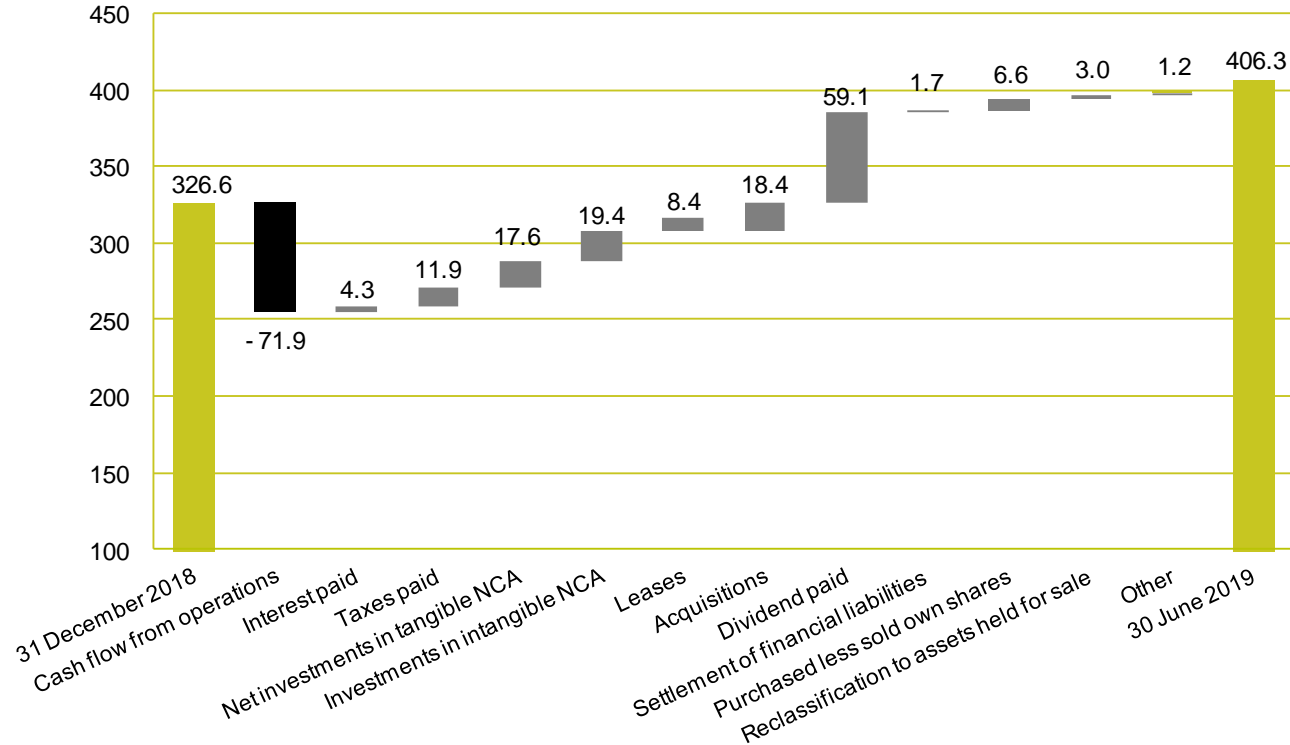
30-06-2019	€ 41.2 million
31-12-2018	€ 52.6 million
30-06-2018	€ 50.2 million

› Use of supply chain finance:

30-06-2019	€ 38.9 million
31-12-2018	€ 32.5 million
30-06-2018	€ 43.4 million

# NET DEBT DEVELOPMENT

Change in net debt (in € million)



- Positive cash flow from operations of € 71.9 million, although impacted by an increase in working capital
- Investments in tangible and intangible assets (€ 37 million), mainly:
  - Investments in R&D
  - Expansion and renewal in production capacity
- Acquisitions relate to Commend AG and ParkEyes (€ 18.4 million)
- Discontinued operation's cash position of € 3.0 million moved to assets for sale

# OUTLOOK

Barring unforeseen circumstances, TKH expects the following developments per business segment in the second half of 2019.

## Telecom Solutions

- Demand for fibre optic networks in Europe expected to remain high – thanks to the strong market position in Europe, TKH will be able to benefit from this demand
- Capacity expansions will become available in H2 2019
- Turnover and result are expected to improve slightly compared to H1

## Building Solutions

- Turnover will develop positively in H2
- Both within connectivity and vision & security, the order book and order intake are at a healthy level and the outlook for potential orders is generally positive.
- On balance, turnover and especially result are expected to be significantly higher in H2 than in H1

## Industrial Solutions

- Turnover and result are expected to decline slightly, despite the increase in order book
- Geographical reallocation of investments in several projects in the tire building industry outside the top five tire manufacturers, which will result in the shift of some projects to 2020 – at the same time, this is expected to be a good starting point for 2020

On balance and barring unforeseen circumstances, for the full-year 2019 TKH expects a net profit from continued operations before amortization and one-off income and expenses attributable to shareholders of between € 106 million and € 112 million (2018: € 110.3 million) with which a strong increase in result for H2 is expected





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.