

Half year results and developments 2022

August 16, 2022



Important information – disclaimer

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.

Key messages

Strong turnover growth to € 899.7 million (+24.0%), with organic growth at 15.7% driven by innovative technologies related to megatrends, contributing to energy transition, digitalization and automation.

Geopolitical situation, supply chain imbalances and lockdowns in China had limited negative impact on turnover.

EBITA before one-off income and expenses increased 37.0% to record level of € 115.6 million. Normalized net profit increased significantly by 42.7% to € 70.5 million.

Strong demand and orderbook give TKH a positive outlook with expected normalized net profit to between € 136 – 144 million (2021: € 114.1 million).

The execution of our Accelerate 2025 program is well on track. Strategically important capex programs launched to increase production capacity, especially related to energy transition.

- 1 Highlights H1 2022
- 2 Developments per technology segment
- 3 Financial performance H1 2022
- 4 Outlook

HIGHLIGHTS

Financial highlights H1 2022

(in million € unless stated otherwise)	H1 2022	H1 2021	Δ in %
Turnover	899.7	725.8	+24.0%
EBITA before one-off income ¹⁾	115.6	84.4	+37.0%
ROS ¹⁾	12.8%	11.6%	
Net profit before amortization ²⁾ and one-off income and expenses attributable to shareholders	70.5	49.4	+42.7%
Net profit	70.0	40.2	+74.2%
Earnings per ordinary share	€ 1.70	€ 0.97	+74.7%
ROCE	21.5%	15.6%	

1) One-off income in H1 2022 of € 9.3 million.

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

- Strong turnover growth to € 899.7 million (+24.0%) with solid growth in all technology segments
 - Organic growth of 15.7%
 - Geopolitical situation, supply chain imbalances and lockdowns in China had limited negative impact on turnover
- EBITA before one-off income and expenses 37.0% higher at record level of € 115.6 million
 - Impacted in Q2 by shortages of components and new lock downs in China
 - Normalized for one-off income of € 9.3 million from divestments
- ROS improved to 12.8% (H1 2021: 11.6%)
- Net profit before amortization and one-off income and expenses attributable to shareholders increased significantly by 42.7% to € 70.5 million
- Solid increase of order book to € 803 million (+7.5%) compared to year-end 2021

Strategic highlights H1 2022

- › TKH is well positioned to benefit from longer term growth opportunities related to mega trends, supporting future organic growth
 - › Further increase priority and ambition of energy transition agenda in Europe
 - › High share from innovations in turnover at 18.7%
 - › Markets still impacted by geopolitical uncertainties, renewed lock-downs in China and supply chain challenges, leading to shortages of components and price increases of components and raw materials
 - › Our strong market positioning allows us to pass on large part of price increases to customers
 - › Continued focus on improvement led to a ROS of 12.8%
 - › Significant progress with execution of Accelerate 2025 program
 - › Divestment of properties under held for sale in H1
 - › Strengthening our leading position in Machine Vision with acquisition of Nerian Vision GmbH, a small German niche player in 3D Vision (July 2022)
 - › Connectivity-assembly factory in Ukraine restarted production in April; now running again at full capacity
 - › Strategically important capex programs launched to increase global production capacity to respond to higher market demand in fields of Energy, Digitalization, Industrial Automation and Tire Building systems
 - › Subsea connectivity systems (new factory at Dutch sea harbor)
 - › Medium- and high-voltage cables (expansion in the Netherlands)
 - › Fibre optic cables (new factory in Poland)
 - › Specialized connectivity systems (new factory in Poland)
 - › Tire building systems (expansion in Poland)
- Finalization scope and execution investments in Q2 2022 – Related investments in property, plant, and equipment of around € 160 million, spread over 2022 and 2023 – Commissioning in H2 2023

DEVELOPMENTS PER TECHNOLOGY SEGMENT

Smart Vision systems

(in million € unless stated otherwise)	H1 2022	H1 2021	Δ in %
Turnover	234.8	210.9	+11.3%
EBITA	41.6	37.6	+10.7%
ROS	17.7%	17.8%	

- › Organic turnover growth +4.4%, price effects of +3.2% and FX changes +3.7%
- › Strong order book growth +16.0% to € 161.6 million (compared to year-end 2021)
- › Added value slightly decreased from 58.4% to 58.1% due to negative impact from higher purchase prices on secured components, but compensated by volume growth

Vision Technology

- › Strongest contributor was Machine Vision technology
 - › Growth in most regions and end markets
 - › Especially high growth in 2D Vision – substantial contribution Alvium (embedded 2D vision platform), mainly in factory automation
 - › 3D Vision affected by lockdowns in China
- › Secured most of required components or redesigned products to include components that were more widely available – Nevertheless, shortages delayed deliveries – Some turnover will shift from H1 to H2 2022

We create state-of-the-art vision systems

Portfolio examples



3D
Machine Vision



2D
Machine Vision



2D Vision &
Communication

Smart Manufacturing systems

(in million € unless stated otherwise)	H1 2022	H1 2021	Δ in %
Turnover	256.0	185.0	+38.4%
EBITA	38.0	19.7	+92.7%
ROS	14.8%	10.7%	

- › Substantial organic turnover growth +34.2 %, price effects of +3.4% and FX changes +0.8%
- › Order book remained at a high level of € 362.0 million (-2.1% compared to year-end 2021)
- › Added value increased slightly from 48.5% to 48.7%

Tire Building

- › Substantial improvement of turnover and result due to increased production output as a result of record order intake from 2021
- › Order intake for both passenger and truck tire systems remained at high level in H1 2022
- › REVOLUTE received excellent market response, resulting in new booked orders
- › Industrialization of UNIXX technology is progressing well and on track for commercial launch by end of this year

Other

- › High growth in care, driven by roll-out and series production of INDIVION technology in North America
- › Good growth in turnover and results realized in industrial automation

We create superior manufacturing systems

Portfolio examples



Tire Building
systems



Care
systems



Industrial Automation
systems

Smart Connectivity systems

(in million € unless stated otherwise)	H1 2022	H1 2021	Δ in %
Turnover	420.0	338.2	+24.2%
EBITA before one-off income ¹⁾	44.6	35.2	+26.8%
ROS ¹⁾	10.6%	10.4%	

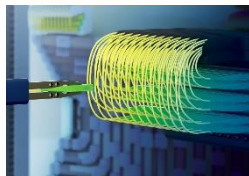
1) One-off income in 2022 of € 7.1 million due to the sale of property.

We create advanced connectivity systems

Portfolio examples



Subsea connectivity



Patch robot



Fibre Optics connectivity

- Organic turnover growth +13.1%, price effects of +11.2% and FX -0.1%
- High order intake with order book growth +17.5% to € 279.2 million (compared to year-end 2021)
- Decreased added value to 38.5% (H1 2021: 40.4%), mainly due to higher raw material prices, and EU anti-dumping duties on import of fibre cables
- Significant increased EBITA due to turnover growth and higher production

Energy

- Turnover growth driven by strong demand for renewable energy sources and expansion of current network infrastructure
- Higher production output in H1 due to production capacity expansion for medium voltage energy cables completed in Q3 2021

Digitalization

- Turnover increased due to high investment priority for fibre networks in Europe
- Substantial growth realized in data network cable systems and broadband products, especially in France and Germany

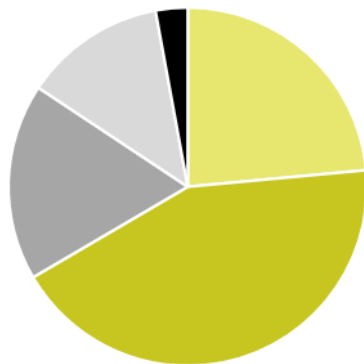
Other

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






FINANCIAL PERFORMANCE H1 2022

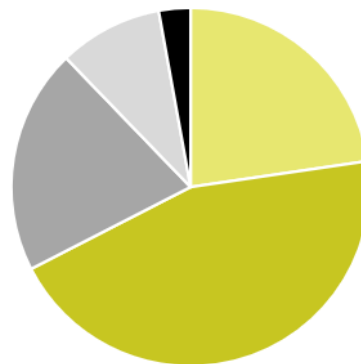
Geographical distribution of turnover

Geographical distribution of turnover H1 (in %)








2022

	Netherlands	24
	Europe (other)	43
	Asia	18
	North America	12
	Other	3



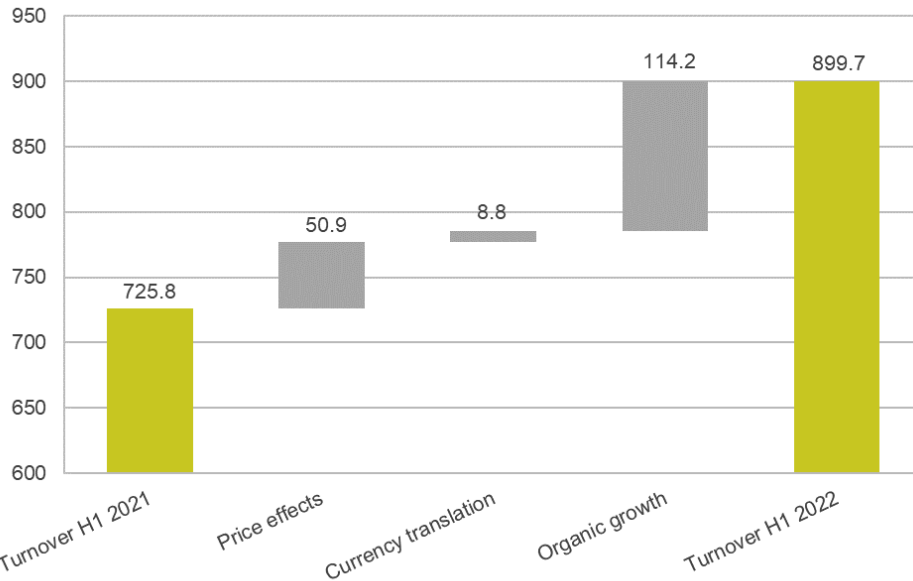
2021

	Netherlands	23
	Europe (other)	45
	Asia	20
	North America	9
	Other	3

Turnover and added value

(in million € unless stated otherwise)	H1 2022		H1 2021		Δ in %
Turnover	899.7		725.8		+24.0%
Raw materials and subcontracted work	- 477.0		- 376.1		
Added value	422.7	47.0%	349.7	48.2%	+20.9%

Change in turnover (in € million)



- › Turnover growth of +24.0%
 - › Organic turnover growth of +15.7%
 - › All segments contributed to the organic growth
 - › Price effects of +7.0% – Pricing power to pass on large part of price increases
 - › Turnover impact from foreign currencies of +1.3%
 - › Geopolitical situation, supply chain imbalances and lockdowns in China had limited negative impact on turnover of approx. € 10 million, mainly in Q2
- › Gross margin decreased to 47.0% (H1 2021: 48.2%) mainly due to
 - › Increased raw material and component prices
 - › Turnover mix changed with larger share of Smart Manufacturing systems, smaller share of Smart Vision systems
 - › EU import duties on fibre cables from China

Operating expenses and EBITA

(in million € unless stated otherwise)	H1 2022		H1 2021		Δ in %
Turnover	899.7		725.8		+24.0%
Raw materials and subcontracted work	- 477.0		- 376.1		
Added value	422.7	47.0%	349.7	48.2%	+20.9%
Operating expenses	307.1	34.1%	265.3	36.6%	+15.8%
EBITA before one-off income and expenses	115.6	12.8%	84.4	11.6%	+37.0%

- › Operating expenses increased with +15.8%
 - › FX changes had an effect of +1.5%
 - › Selling expenses almost back to pre-COVID-19 levels – Increase of travel and outgoing freight costs
 - › Cost to added value ratio decreased to 72.7% (2021: 75.9%) due to economies of scale
- › EBITA increased by +37.0%
 - › Smart Vision systems: +10.7%
 - › Smart Manufacturing systems: +92.7%
 - › Smart Connectivity systems: +26.8%
- › ROS of 12.8% (2021: 11.6%)
 - › Smart Vision systems stable around 17.7%
 - › Significant improvement in Smart Manufacturing systems, from 10.7% to 14.8%
 - › Despite pricing effects on added value, small improvement in Smart Connectivity systems from 10.4% to 10.6%

Items below EBITA

(in million € unless stated otherwise)	H1 2022		H1 2021		Δ in %
EBITA before one-off income and expenses	115.6	12.8%	84.4	11.6%	+37.0%
One-off income	9.3		0		
Amortization	-27.1		-25.6		
Impairments	-0.0		-0.2		
Operating result	97.8		58.6		
Financial expenses	-5.6		-3.5		
Share in result of associates	2.1		1.3		
Change in value financial liabilities	-0.1		-1.3		
Result before taxes	94.2		55.1		
Taxes	24.2		14.9		
Net profit	70.0	7.8%	40.2	5.5%	+74.2%
Net profit before amortization and one-off income and expenses attributable to shareholders	70.5	7.8%	49.4	6.8%	+42.7%

- > One-off income of € 9.3 million from divestment of two properties that were held for sale
- > Amortization on certain purchase price allocations (PPA's) from past acquisitions has ended – Offset by higher amortization on capitalized development costs
- > Financial expenses increased by € 2.1 million, due to FX results
- > Increased result from associate CCG, which includes € 0.6 million amortization on PPA's
- > Effective tax rate at 26.3% (2021: 28.4%) due to relative higher profit share of companies benefitting from R&D tax facilities

Balance sheet

(in € million)	June 30, 2022	Dec. 31, 2021
Intangible assets and goodwill	536.4	537.1
Property, plant and equipment	236.7	222.5
Right-of-use assets	65.1	68.8
Associates	31.2	28.7
Other receivables	0.6	0.7
Deferred tax assets	18.2	15.3
Total non-current assets	888.3	873.1
Inventories	358.2	294.7
Trade and other receivables	258.5	185.3
Contract assets	178.9	150.1
Contract costs	3.2	4.6
Current income tax	0.9	1.3
Cash and cash equivalents	109.0	100.1
Total current assets	908.7	736.2
Assets held for sale	88.3	88.2
Total assets	1,885.3	1,697.5

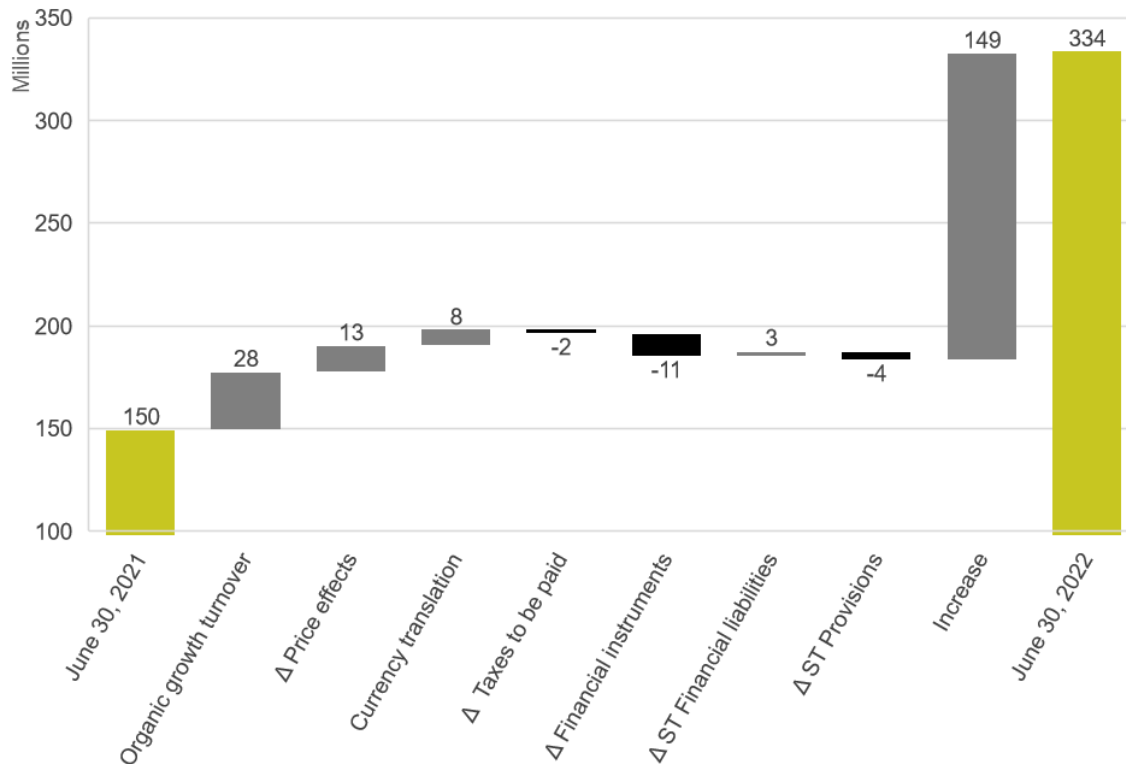
- › Cash and cash equivalents includes € 34.2 million (December 31, 2021: € 32.9 million) that are part of a balance and interest compensation schemes
- › Solvency of 38.5% (December 31, 2021: 42.5%)

(in € million)	June 30, 2022	Dec. 31, 2021
Shareholders' equity	725.5	721.9
Non-controlling interests	0.1	0.1
Total group equity	725.6	722.0
Interest bearing loans and borrowings	474.3	333.8
Deferred tax liabilities	55.0	56.0
Retirement benefit obligation	4.8	4.7
Financial liabilities	1.0	2.2
Provisions	8.3	8.8
Total non-current liabilities	543.5	405.4
Interest bearing loans and borrowings	109.1	47.6
Trade payables and other payables	345.5	324.7
Contract liabilities	82.6	127.0
Current income tax liabilities	13.5	7.8
Financial liabilities	2.2	5.0
Provisions	22.2	20.7
Total current liabilities	575.0	532.9
Liabilities directly associated with assets held for sale	41.2	37.2
Total equity and liabilities	1,885.3	1,697.5

- › Financial covenant
 - › Net debt, based on financial covenant agreed with banks, of € 402.1 million (December 31, 2021: € 205.4 million)
 - › Net debt/EBITDA of 1.6 (December 31, 2021: 0.9 and June 30, 2021: 1.5)

Working capital

Changes in working capital (in € million)



› Working capital as percentage of turnover increased to 20.4% versus 11.5% on June 30, 2021

› Use of non-recourse factoring

June 30, 2022 € 60.1 million

December 31, 2021 € 47.9 million

June 30, 2021 € 47.5 million

› Use of supply chain finance

June 30, 2022 € 59.0 million

December 31, 2021 € 43.6 million

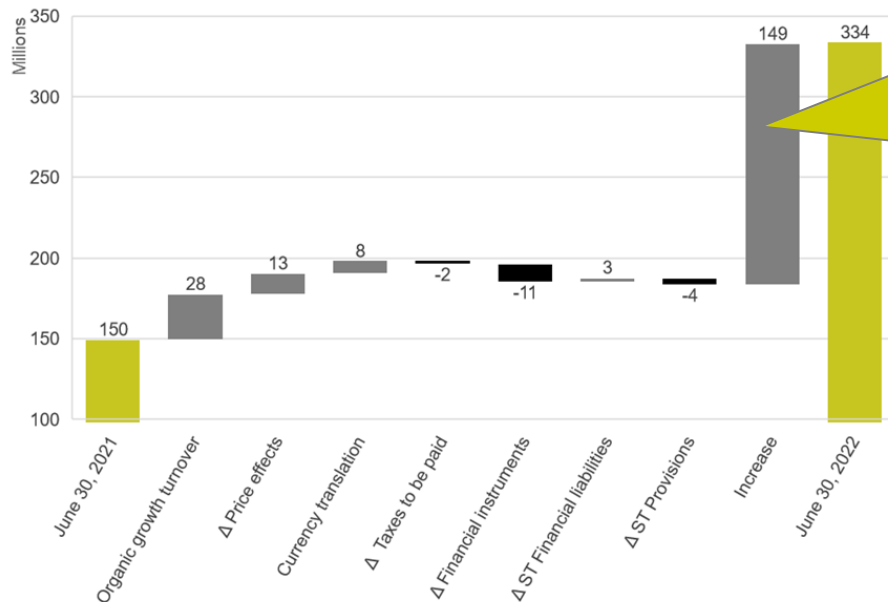
June 30, 2021 € 42.8 million

Increase due to higher volumes and raw material prices

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

Working capital

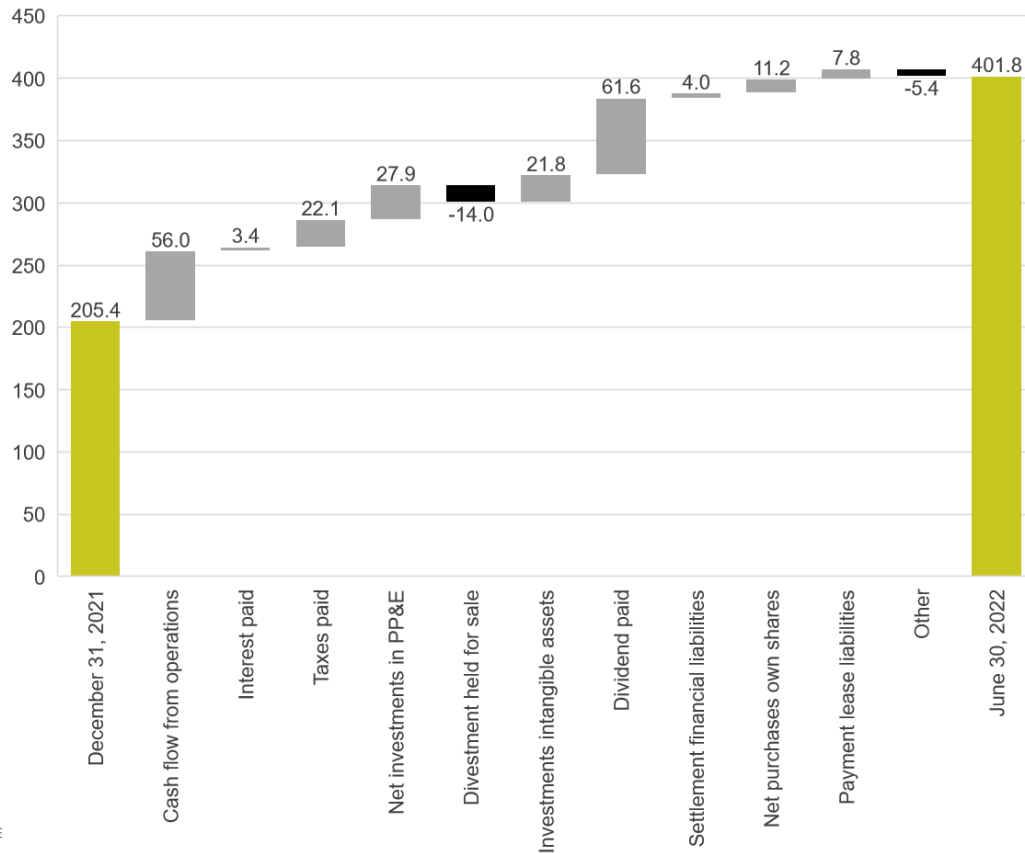
Changes in working capital (in € million)



- **Inventories** increased due to temporary building up of inventories to secure supply chains
- **Contract assets** increased due to higher production volumes and delays in completion of projects related to shortage of essential components
- **Payables** as of June 30, 2021 included deferred tax payments related to COVID-19 facilities of € 12 million which were settled in H2 2021

Net debt development

Change in net debt (in € million)



- Cash flow from operations, strongly impacted by increase in working capital
- Net-investments in property, plant and equipment and intangible assets of € 49.7 million, mainly in
 - Investments in R&D
 - Expansion, replacement and upgrade of production capacity
- Cash dividend of € 1.50 paid per (depository receipt of) ordinary share in 2022

Free cash flow

(in million €)	H1 2022	2021	H1 2021	H2 2021	2020	2019
Operating result 1)	97.8	136.9	58.6	78.3	70.9	108.0
Depreciation, amortization and impairment	50.8	98.0	47.9	50.1	103.1	100.6
EBITDA adjusted	148.6	234.9	106.5	128.4	174.0	208.6
Change in working capital	-197.5	-3.5	0.8	-4.3	42.5	0.1
Taxes paid	-22.1	-33.1	-13.8	-19.3	-19.9	-27.4
Other	-7.1	8.2	-0.5	8.7	-0.1	9.8
Cash flow from operations before interest	-78.1	206.5	93.0	113.5	196.5	191.1
Payment of lease liabilities	-7.8	-15.6	-8.9	-6.7	-16.0	-15.8
Capital expenditure (tangible)	-27.9	-31.0	-15.0	-16.0	-29.4	-30.6
Capital expenditure (intangible)	-21.8	-40.5	-19.6	-20.9	-39.2	-40.4
Divestments of property held for sale	14.0					
Free Cash Flow ('FCF')	-121.6	119.4	49.5	69.9	111.9	104.3
EBITDA (adjusted) to FCF conversion	-81.8%	50.8%	46.5%	54.4%	64.3%	50.0%

- › The FCF conversion at H1 2022 was affected by developments in working capital. Working capital ratios for the periods included in the overview are
 - › December 31, 2019: 13.0%
 - › December 31, 2020: 12.1%
 - › December 31, 2021: 10.1%
 - › June 30, 2022: 20.4%
- › Payments for acquisitions and proceeds from divestments of businesses have not been included in FCF
- › FCF-conversion is traditionally lower in the first half year and stronger in second half year

OUTLOOK

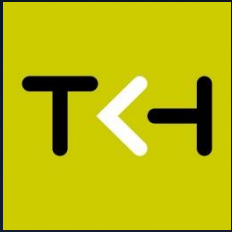
The demand for our technologies remains high, supported by a strong order book. The impact of supply-chain challenges will be more severe in H2.

In **Smart Vision systems**, we expect turnover and EBITA in H2 2022 to be higher than in H1 2022. Part of this growth will come from delayed revenues from the first six months due to component shortages and lockdowns, which are already reflected in the increased order book.

In **Smart Manufacturing systems**, turnover and EBITA is expected to be lower in H2 compared to H1 2022, because temporary delays in completion of projects are expected due to missing parts from a stressed supply chain. Market demand is high and the order intake in H2 2022 is expected to continue at a high level with a very good start in Q3.

In **Smart Connectivity systems**, turnover and EBITA in H2 2022 are expected to be comparable to H1 2022. Growth will be limited, because of the short-term capacity constraints.

On balance and barring unforeseen circumstances, TKH expects net profit before amortization and one-off income and expenses attributable to shareholders to increase to between € 136 million and € 144 million (2021: € 114.1 million) for the full year of 2022.



Questions & Answers

