

Press release - TKH Group N.V. (TKH)
H2 and annual results 2020

**Strong operational cash flow and good order intake in Q4
despite impact COVID-19 in 2020**

Highlights second half 2020

- Result exceeded indicated outlook bandwidth.
- Turnover declined by 17.1% to € 610.4 million, organic decline of 12.5%.
- EBITA before one-off income and expenses down 29.9% at € 66.5 million.
- ROS increased slightly to 10.9% (H1 2020: 10.2%), driven by Building Solutions.
- Good order intake in the fourth quarter, partly due to high order intake in Tire Building.
- One-off income and expenses totalling € 3.3 million (expense) - impairments of € 2.4 million.
- Net profit before amortization and one-off income and expenses attributable to shareholders down 42.2% at € 34.4 million.
- Cash flow from operating activities increased strongly to € 150.1 million (H2 2019: € 126.6 million and H1 2020: € 37.7 million) - driven by strong working capital improvement Q4.

Financial highlights 2020

- Turnover down 13.4% at € 1,289.4 million, organic decline 9.9%.
- EBITA before one-off income and expenses declines by 21.4% to € 135.5 million – strongest decline in Industrial Solutions, increase in Building Solutions.
- ROS remained at good level of 10.5%, despite lower turnover.
- Net profit before amortization and one-off items attributable to shareholders down 33.2% at € 70.3 million – above the previously communicated bandwidth (€ 65 - € 69 million).
- Solid financial position at year-end – net debt / EBITDA ratio 1.6.
- Dividend proposal: € 1.00 per (depository receipt for) ordinary share (2019: € 1.50).

Strategic highlights 2020

- Good progress in strategic development, despite COVID-19, driven by 'Simplify & Accelerate' program.
- Successful introduction of and progress on innovations provide a strong basis for growth and further value creation.
- Innovations again at high level, with 21.1% revenue share – R&D programs continued despite cost saving programs.
- Turnover share of vertical growth markets increased to 63.0%.
- Progress on the share buy-back program – At 8 March 2021 € 18 million of the announced € 25 million of treasury shares purchased.

Second half results

(in € million unless otherwise stated)	H2 2020	H2 2019	Change in %
Turnover	610.4	736.4	- 17.1%
EBITA before one-off expenses ^{1, 2)}	66.5	94.9	- 29.9%
Net profit before amortization and one-off income and expenses attributable to shareholders ^{1, 3)}	34.4	59.4	- 42.2%
ROS ¹⁾	10.9%	12.9%	

Full year results

(in € million unless otherwise stated)	2020	2019	Change in %
Turnover	1,289.4	1,489.6	- 13.4%
EBITA before one-off expenses ^{1, 2)}	135.5	172.5	- 21.4%
Net profit before amortization and one-off income and expenses attributable to shareholders ^{1, 2, 3)}	70.3	105.3	- 33.2%
Net earnings per ordinary share attributable to shareholders (in €)	1.14	2.72	- 58.1%
ROS ¹⁾	10.5%	11.6%	
ROCE	14.0%	17.4%	
Dividend proposal (in €)	1.00	1.50	

1) The one-off expenses in 2020 pertain to costs totalling € 8.9 million for restructuring and integrations and a book profit on business premises held for sale of € 2.0 million (2019: expense of € 18.3 million). The one-off expenses in the second half were on balance € 5.2 million (H2 2019: € 18.3 million).

2) For further details, see the 'Overview of alternative performance indicators' included after the financial statements.

3) Amortization of intangible non-current assets related to acquisitions (after taxes).

Alexander van der Lof, CEO of technology company TKH: "*The consequences of the COVID-19 pandemic had a clear impact on the results in the 2020 financial year, and we expect to continue to feel this impact in the first half of 2021. The health of our employees and the continuity of our business remain our priority.*"

The impact of COVID-19 on our business eased somewhat from the third quarter of 2020 onwards, although capital expenditure still lagged, resulting in a low order intake in Industrial Solutions over the first nine months. This recovered in Q4 with a high order intake, especially within Tire Building. There were also activities that showed healthy growth in 2020. This applied to both our Machine Vision business, where we saw the effects of innovations introduced for consumer electronics and medical applications, including a COVID-19 vaccine analysis tool, plus our connectivity solutions that respond to the high demand for the upgrading of energy networks.

The strength of TKH's strategy is shown in the development of our ROS, which despite the sharp decline in turnover over the course of the year, remained at a good level of 10.5%. This was primarily due to the refinement of our strategy via the Simplify & Accelerate program. The implementation of this program is well on track. The share buy-back program we announced in November further underlined TKH's confidence in its strong financial foundation. But above all, the confidence in our strategy and potential to realize growth through our many innovations, which show a good progress, both in terms of technology and market penetration. At 21%, turnover from innovations was again at a high level in 2020. Our product launches and the orders we have acquired provide a strong basis for growth, and we are positive on our value creation potential in the medium term".

Impact COVID-19

Since the outbreak of the pandemic, COVID-19 has had a negative impact on both TKH's turnover and result. For one, the stricter measures in various countries in the course of the year had a substantial impact. The (temporary) easing of restrictions, especially in the summer and autumn, did restore opportunities for deliveries, but these did not recover to previous levels.

TKH has taken a large number of measures to minimize the impact of COVID-19 on its business operations. It is difficult to quantify the impact of COVID-19 on the 2020 results with any degree of accuracy. For the financial impact of COVID-19, the following elements had an impact on our results:

- The health of our employees and the continuity of our business were our main priority. By taking measures at an early stage, we were able to limit the impact on our business operations. The measures taken, aimed at providing a safe and healthy working environment, resulted in a significant drop in productivity and coverage at our production companies. In addition, demand was lower due to the fact that our customers had problems in the realization of projects.

Investments were reduced or postponed in some segments. This was particularly applicable for investments for airports, car parks, shipbuilding and the industrial sector.

- TKH made limited use of the available COVID-19 government support, mostly consisting of schemes to retain jobs or a form of short-time working. This led to a temporary reduction of personnel costs of € 6.8 million. TKH did not make any use of government aid in the Netherlands.
- TKH introduced various cost-saving measures, but we did not incur any significant reorganization costs directly related to COVID-19.
- TKH evaluated additional scenarios in its impairment assessment, which resulted in the recognition of an impairment loss of € 2.0 million, mainly due to COVID-19.
- Delayed deliveries of various projects, particularly in the Industrial Solutions segment, due to lockdown situations at customers, have increased working capital by an estimated € 10 million at year-end 2020. On the other hand, deferrals of tax payments had a downward impact of € 22 million. This deferred tax will be paid in the first half of 2021. TKH's increased focus on working capital management also led to a substantial reduction in working capital in the fourth quarter of 2020.
- Important investment programs, such as ongoing R&D programs, have been continued. TKH has limited other investment levels where possible.

Progress in the realization of targets and strategy

COVID-19 led to a sharp decline in turnover and a related decline in profit. This had a negative impact on the return on sales (ROS), despite the fact that this remained at a good level. ROS stood at 10.5%. The perspective of our medium-term ROS target of at least 15% remains unchanged. This will be supported by the solid progress in innovations and the ongoing execution of our Simplify & Accelerate program.

The year 2020 saw the following significant strategic developments:

- Machine Vision – First large order for 2D-embedded vision technology for COVID-19 vaccine analysis.
- Machine Vision – Expansion of market share with 3D vision technology and confocal inspection technology within consumer electronics.
- Tire Building – Breakthrough for the UNIXX, the ground-breaking new technology for car tire production, with first serial production at a launching customer.
- Infrastructure – Strong growth in the market for energy cables as a result of the investment impulse driven by the energy transition for which additional investments in production capacity have been initiated, that will be operational from Q3 2021.
- Infrastructure – Acquisition of substantial order for Airfield Ground Lighting (CEDD/AGL technology).
- Marine & Offshore – Order intake of subsea cable systems that will enable growth to more than € 40 million turnover in 2021.
- Care – Breakthrough in North America for the Indivion, an innovative medicine dosing and distribution system.
- Divestment of ZTC in China – Production of commodity data cables with low margins.
- Divestment of Cruxin in the Netherlands – System integration activities with insufficient alignment with TKH strategy.
- Integration of TKH's Dutch cable production activities at one location and closure of Ittervoort production facility.
- Termination of unprofitable industrial cable production activities.
- Introduction of cost ratio program, part of the Simplify & Accelerate program, with a more short-term focus on financial returns.

Thanks to the fact that we are winning orders for our innovations, TKH is confident that it will realize our medium-term turnover targets in our vertical growth markets. We are also seeing a rise in the willingness to invest among our customers.

We expect that the implemented integration projects and return improvement programs will have a positive impact of € 7 million a year from 2021 onwards. The one-off expenses related to this amounted to € 8.9 million in 2020.

The Simplify & Accelerate program includes a targeted divestment program for activities with limited value creation in the TKH environment. TKH has now realized € 260 million of the targeted € 300 million to € 350 million turnover in divestments. The divestment of the remaining activities has been put on hold in 2020, as the return on these activities, as well as the calculation multiples, would not result in the targeted proceeds due to COVID-19. We resumed our divestment activities in the fourth quarter of the year.

TKH underlined its confidence in its strategy and its strong financial position in November by launching a € 25-million share buy-back program spread over four months. The fact that TKH had realized a net debt/EBITDA ratio of 1.6 at year-end 2020, confirmed that the company had sufficient headroom to finance this share buy-back program, but also to pay out a dividend, taking into account the uncertain circumstances due to the impact of COVID-19.

Financial developments second half of 2020

Turnover declined by 17.1% to € 610.4 million in the second half of 2020 (H2 2019: € 736.4 million). TKH recorded a 12.5% organic decline in turnover. Higher raw materials prices had a positive impact of 0.5% on turnover, while exchange rates had a negative impact of 0.5%. Acquisitions made in 2019 increased turnover by 1.0%, while divestments resulted in a 5.6% decline in turnover. All segments recorded an organic decline in turnover, although this was minor at Building Solutions.

The gross margin increased to 49.5% (H2 2019: 49.0%).

The operating result before the amortization of intangible non-current assets and one-off income and expenses (EBITA) dropped 29.9% to € 66.5 million in the second half of 2020, from € 94.9 million in the second half of 2019. Industrial Solutions saw the strongest decline of 48.3%, as a result of lockdown situations at customers due to COVID-19. The EBITA at Telecom Solutions and Building Solutions also declined by 27.1% and 12.0% respectively.

The ROS improved to 10.9% in the second half of 2020, from 10.2% in the first half (H2 2019: 12.9%) due to lower cost levels.

Amortization expenses fell by € 0.2 million. The amortization of purchase price allocations declined, while the amortization of development expenses increased due to the high investment levels in recent years. TKH recognized an impairment of € 2.4 million in the second half, partly due to the impact of COVID-19.

The financial result fell by € 1.4 million, largely due to a lower result from associates, which were affected by the impact of COVID-19.

The tax rate increased to 25.8% in the second half of 2020, from 23.2% in the second half of 2019, largely due to divestments and lower profits at companies with a lower tax rate.

The net profit from continued activities before amortization and one-off income and expenses attributable to shareholders declined 42.2% to € 34.4 million (H2 2019: € 59.4 million).

Financial developments full year 2020

Turnover declined by € 200.3 million (-13.4%) to € 1,289.4 million in 2020 (2019: € 1,489.6 million), largely due to the impact of COVID-19. TKH recorded a 9.9% organic decline in turnover. Acquisitions made in 2020 contributed 1.9% to turnover. On balance, raw materials prices had a minimal impact on turnover, while currency exchange rates had a negative impact of 0.4%. Divestments led to a 5.2% decline in turnover.

Industrial Solutions recorded the biggest organic decrease in turnover, with a decline of 20.2%. Telecom and Building Solutions recorded declines of 8.4% and 2.9% respectively.

The gross margin increased to 49.4% in 2020 from 48.2% in 2019. This increase was partly driven by divestments and acquisitions within Building Solutions and the higher turnover share of Machine Vision.

Operating expenses before one-off expenses fell by 8.0% compared with 2019. The integration programs, cost savings and lower sales costs as a result of COVID-19 accounted for a significant part of the lower expenses. However, as a percentage of turnover operating expenses increased to 38.9% in 2020 from 36.6% in 2019. This relative increase was related to the divestments made in 2020, as well as lower productivity and coverage in TKH's production companies as a result of COVID-19. Depreciations, excluding one-off results from divestments, amounted to € 45.5 million, € 0.1 million higher than in 2019.

The operating result before the amortization of intangible assets and one-off income and expenses (EBITA) declined by 21.4% to € 135.5 million in 2020 from € 172.5 million in 2019. EBITA in the Telecom and Industrial Solutions segments fell by 25.0% and 41.8% respectively. Building Solutions recorded a 2.4% rise in EBITA. The ROS fell to 10.5% (2019: 11.6%).

For the full year 2020, TKH recognized a one-off expense totalling € 6.9 million (2019: € 18.3 million) and an impairment of € 4.0 million (2019: € 5.0 million). These were primarily related to the execution of the Simplify & Accelerate program and the impact of COVID-19.

The amortization expense was € 3.7 million higher at € 53.7 million, due to the high R&D investments in recent years.

Financial expenses fell by € 0.8 million to € 8.4 million in 2020, due to lower interest rates. The effect was cancelled by the negative impact of exchange rates of € 2.0 million (2019: negative impact of € 0.9 million). The result from associates increased by € 1.9 million, largely due to a book profit on divestments. The operating result from associates was lower due to the impact of COVID-19 and one-off expenses.

The effective tax rate stood at 24.5% in 2020 (2019: 23.1%). The higher tax rate was related to divestments and lower profits at companies with lower tax rates.

The net profit from continued operations before amortization and one-off income and expenses attributable to shareholders fell by 33.2% to € 70.3 million in 2020 (2019: € 105.3 million).

The net result for 2020 amounted to € 47.5 million (2019: € 113.9 million). The divestment of the majority of TKH's industrial connectivity activities, accounted for as 'discontinued operations', resulted in one-off income of € 45.2 million in 2019. Earnings per share from continued operations before amortization and one-off income and expenses amounted to € 1.69 (2019: € 2.51). Ordinary earnings per share were € 1.14 (2019: € 2.72).

The cash flow from operating activities amounted to € 187.8 million in 2020 (2019: € 182.2 million). In 2020, the cash flow was boosted by a decline in working capital, while there was little change in 2019. At year-end 2020, working capital as a percentage of turnover had fallen to 12.1% (2019: 13.0%), and therefore remained within the bandwidth target of 12-15%. The cash flow from investments in and divestments of property, plant and equipment amounted on balance to € 25.6 million in 2020, and were lower than in recent years (2019: € 30.6 million, partly due to the divestment of business premises held for sale). The investments in intangible non-current assets related to development costs, patents, licenses and software fell to € 39.2 million in 2020 (2019: € 40.4 million). TKH spent € 0.5 million on acquisitions (2019: € 65.5 million). Divestments boosted the cash position by € 21.2 million (2019: € 83.5 million).

Solvency fell slightly to 42.3% (2019: 43.6%). Net bank borrowings, calculated according to TKH's bank covenants, fell by € 38.8 million from the level at year-end 2019 to € 261.8 million at year-end 2020. The Net debt/EBITDA ratio stood at 1.6, which means TKH is operating well within the financial ratio agreed with its banks.

At year-end 2020, TKH employed a total of 5,583 FTEs (2019: 5,980 FTEs). Divestments reduced the total workforce by 248 FTEs. In addition to this, TKH had 121 (FTE) temporary employees (2019: 310 FTEs).

Developments per solutions segment

Telecom Solutions

Telecom Solutions represents the core technologies connectivity, vision & security and mission critical communication. TKH develops, produces and supplies systems ranging from basic outdoor infrastructure for telecom and CATV networks through to indoor home networking applications. Around 40% of the portfolio consists of hub-to-hub optical fibre and copper cable systems. The remaining 60%, consisting of components and systems in the field of connectivity and peripherals, is deployed primarily in network hubs – turnover share 14.2%.

Key figures

(in mln. € unless otherwise stated)	2020	2019	Change in %
Turnover	183.1	200.5	- 8.6%
EBITA	23.1	30.8	- 25.0%
ROS	12.6%	15.4%	

Turnover in the Telecom Solutions segment declined by 8.6% to € 183.1 million. The organic decline in turnover was 8.4%, while currency exchange rates had a negative impact of 0.2% on turnover.

EBITA fell by € 7.7 million. This led to a 12.6% decline in the ROS.

Fibre Optic Networks – The COVID-19 restrictions had a strong negative impact on deliveries across Europe, especially in France. Due to the lockdowns and restrictions at customers, TKH was not yet able to translate increasing demand for bandwidth in combination with the roll-out of 5G networks into higher order intake. This resulted in lower production levels, which in turn led to lower coverage. In China, the lower market volumes put pressure on prices for fibre optics. TKH was largely able to absorb this price effect due to the higher turnover share of the connectivity systems portfolio.

Other markets – TKH was able to absorb part of the decline in other markets thanks to the growth in broadband products for home offices. However, a number of projects were postponed as a result of COVID-19. In mid-2020, TKH terminated the production of the telecom copper cable portfolio, after the turnover of this business had already declined to a low level in recent years.

Building Solutions

Building Solutions connects the core technologies vision & security and connectivity in integrated solutions in and around buildings, infrastructure, as well as machine vision for inspection, quality, product and process controls. We provide solutions focused on efficiency, safety & security and sustainability for a number of specific sectors, including machine vision, healthcare, parking, marine & offshore and infrastructure – turnover share 52.2%.

Key figures

(in mln. € unless otherwise stated)	2020	2019	Change in %
Turnover	672.5	745.0	- 9.7%
EBITA before one-off expenses ¹⁾	77.3	75.5	+ 2.4%
ROS	11.5%	10.1%	

1) The one-off expenses pertain to costs of € 8.6 million for reorganizations and integrations (2019: € 17.2 million).

Turnover in the Building Solutions segment fell by 9.7% to € 672.5 million. The organic decline in turnover was 2.9%. Acquisitions made in 2019 boosted growth by 3.9%, while divestments led to a 10.4% decline in turnover. Currency exchange rates had a negative impact of 0.3% on turnover. On balance, raw materials prices had no impact on turnover.

EBITA before one-off expenses rose 2.4% to € 77.3 million. The ROS improved to 11.5% in 2020 from 10.1% in 2019.

Machine Vision – In the first half of 2020, a strong organic growth was realized, despite the restrictions from lockdowns. In particular, the demand for our 3D vision technology for new applications in the consumer electronics industry made a significant contribution to the growth recorded, largely realized in the first half of the year. This growth levelled off in the second half of the year. The cost savings made through the integration of 2D vision activities contributed to higher EBITA and ROS.

Infrastructure – Turnover remained stable on balance due to the increased need to invest in energy networks by network companies. This had a positive impact on the demand for energy cable systems, despite the restrictions technicians faced in the execution of their work. TKH has decided to expand production capacity for energy cable systems and expects to take this additional capacity into operation from the third quarter of 2021. The Airfield Ground Lighting (CEDD/AGL) activities were visibly impacted by the COVID-19 outbreak, as a result of investment limitations at airports due to a sharp decline in demand. Despite this, turnover did increase in the fourth quarter, partly due to a major contract for Istanbul Sabiha Gökçen Airport. The turnover in traffic monitoring systems declined due to the postponement of projects.

Marine & Offshore – The turnover from subsea connectivity systems was much higher than in 2019. In 2020, TKH acquired new contracts for Offshore Windfarm Kaskasi and Hollandse Kust Zuid, the largest part of which will be taken into production in 2021. Underutilization and start-up costs due to new cable types pressured results in this market. The growth in subsea connectivity systems more than compensated for the decline on the back of stagnation in the cruise ship building sector.

Parking – Turnover declined sharply compared with 2019, as projects at and tenders for airports and shopping malls ground to a halt due to the impact of COVID-19. This impact was particularly marked in North America, which is an important market for TKH. TKH anticipated lower investment levels at its customers by sharply reducing its operating costs. In addition to this, TKH initiated the further integration of its parking and security organization in the third quarter, with the aim of optimizing its synergy benefits.

Care – Despite the increased demand for our communication technology for care alarm systems and elderly care, turnover fell due to the fact that installation opportunities for care institutions were limited by the COVID-19 pandemic.

Other markets – The building & construction market was faced with restriction on the execution of projects and the COVID-19-related restrictions had a negative impact on production levels.

Industrial Solutions

Industrial Solutions represents the core technologies connectivity, vision & security and smart manufacturing. TKH's know-how and expertise in the automation of production processes and improvements in the reliability of production systems gives the company the differentiating potential it needs to deliver innovative, integrated production systems for a number of specialized industrial sectors, such as tire manufacturing, robot, medical and machine-building industries – turnover share 33.6%.

Key figures

(in mln. € unless otherwise stated)	2020	2019	Change in %
Turnover	433.7	544.2	- 20.3%
EBITA before one-off income and expenses ¹⁾	47.3	81.4	- 41.8%
ROS	10.9%	15.0%	

¹⁾ One-off income and expenses due to a book profit of € 2.0 million on the sale of business premises and reorganization costs of € 0.3 million (2019: expense of € 1.1 million).

Turnover in the Industrial Solutions segment fell by 20.3% to € 433.7 million. The drop in turnover was largely the result of postponements of the completion of projects at customers due to lockdown situations. Currency exchange rates had a marginal impact of 0.1% on turnover. The organic decline in turnover was 20.2%.

EBITA fell by 41.8%, due to the sharp decline in turnover and the resultant lower coverage and a limited costs decrease. The ROS fell to 10.9% in line with this decline in turnover (2019: 15.0%).

Tire Building – Turnover declined as a result of the postponement in the completion of various projects due to lockdown situations at customers. The drop in demand at tire manufacturers led to the postponement of investments, which in turn resulted in lower order intake, mainly in the second and third quarter of 2020. We noted a recovery in order intake in the fourth quarter, with a relatively high proportion of the orders from China. The share of the top-five tire manufacturers in this order intake was still limited. The development of the UNIXX (a new tire-building platform) is progressing well, but the completion is being delayed as a result of access restrictions at the location of the launching customer due to COVID-19.

Care – Following the successful delivery of the Indivion, the high-grade medicine dosing and distribution system, in late 2019, TKH made a breakthrough with the Indivion technology in North America in 2020. TKH was recording turnover growth in the second half of the year.

Other markets – Turnover in the industrial sector came under pressure as a result of a lack of willingness to invest, especially among machine builders and in the robotics industry. This had a negative impact on TKH's industrial connectivity activities, primarily due to the reduction of inventories.

Nominations for appointment to the Supervisory Board

At the General Meeting of 6 May 2021, Mrs. C.W. (Carin) Gorter and Messrs. J.M. (Mel) Kroon and P.P.F.C. Houben will step down from the Supervisory Board in line with the prevailing retirement schedule. Mrs. Gorter and Mr. Kroon are eligible for reappointment. The Supervisory Board will nominate Mrs. Gorter and Mr. Kroon for reappointment by the General Meeting. Mr. Houben is not eligible for reappointment, as the maximum term of 12 years has expired. This vacancy was filled last year through the appointment of Mrs. A.M.H. (Marieke) Schöningh. After the end of the General Meeting, the Supervisory Board will once again consist of five members.

Dividend proposal and progress in share buy-back program

It will be proposed to the General Meetings that it authorize the payment of a dividend of € 1.00 per (depository receipt for a) share (2019: € 1.50). On the basis of the number of shares outstanding held by third parties at year-end 2020, the pay out-ratio amounts to 59.0% of the net profit before amortization and one-off income and expenses attributable to shareholders and 87.3% of the net profit attributable to shareholders respectively. It is proposed that the dividend be paid out in cash and charged to the reserves. The dividend will be payable on 14 May 2021.

Next to the dividend, TKH launched a € 25 million share buy-back program on 18 November 2020, with the intention of using the purchased shares to reduce the issued share capital in due time. Through 8 March 2021, € 18 million in treasury shares have been purchased under this program. Alongside the ongoing share buy-back program, TKH will purchase an additional 200,000 treasury shares to meet its obligations pursuant to share and options schemes. Due to the additional share buy-back program, as well as the lower average trading volume over the recent period, TKH expects to complete the program within six months from today, taking into account a maximum buy-back volume of 10% of the average trading volume.

TKH has closed a Discretionary Management Agreement with ABN AMRO to buy treasury shares during open and closed periods, independently of TKH. TKH reports on the progress of the program via its website on a weekly basis.

Outlook

Despite that the macro-economic uncertainties caused by COVID-19 will continue for the foreseeable future, we expect the global economy to gradually improve in 2021. However, we do expect the impact of COVID-19 to be felt in the first half of 2021, as it was in the first half of 2020. Barring any escalation of the afore-mentioned circumstances and any unforeseen circumstances, TKH expects the following developments per business segment in 2021.

Telecom Solutions

- In fibre optic networks, the investments in Europe are expected to increase further. Due to COVID-19-related restrictions in the first half of 2021, turnover will not return to pre-COVID levels, but on balance we expect to record higher turnover in 2021.
- The Chinese market is currently dealing with overcapacity, which could lead to pressure on margins. An improved product mix and additional focus on Fibre to the Home (FTTH) projects will absorb a large part of this.
- On balance, we expect to see an increase in both turnover and result in this segment.

Building Solutions

- In Machine Vision, we also expect to see a continued increase in turnover in 2021. This will be driven by new technologies, such as the Alvium 2D and confocal 3D vision technology.
- In Infrastructure, we expect a further increase in turnover, driven by the increased need to invest in energy networks among network companies. We expect our CEDD/AGL activities to record growth on the basis of the projects we have identified and contracted.
- In Marine & Offshore, we expect to book strong turnover growth in subsea connectivity systems, thanks to solid order intake in 2020. This will easily compensate for the drop in demand for cable systems for cruise ships.
- In Parking, we expect limited recovery in turnover, as the impact of COVID-19 are still noticeable.
- We expect an increase in turnover in Care in 2021, driven by the normalization of COVID-19-related restrictions and due to higher demand for health care-related domotics solutions.
- In the other activities of Building Solutions, we expect to see a partial recovery from the COVID-19-related turnover decline in 2020.
- We also expect the effects of the Simplify & Accelerate program to have a positive impact on the result this year.
- On balance, we expect to record higher turnover and result in this segment in 2021.

Industrial Solutions

- Due to the very low order intake in Tire Building in the second and third quarter of 2020, we expect to see a sharp decline in both turnover and result in this segment in the first half of 2021. The high order intake in the fourth quarter of 2020 and the expected order intake in the first quarter of 2021 offers good prospects of an increase in both turnover and result in the second half of this year.
- In Industrial Care, we expect the international roll-out of Indivion to increase turnover this year.
- We expect our other activities in the Industrial Solutions segment to recover in 2021.
- On balance, we expect to see a decline in both turnover and result this year.

Due in particular to the impact of the low order intake in Tire Building in the second and third quarter of 2020, the profit of TKH in the first half of 2021 will be lower than in the same period in 2020. For the full year 2021, TKH expects to record a higher profit. As usual, TKH will give a concrete profit forecast for the full year 2021 at the presentation of its interim results in August 2021.

Haaksbergen, 9 March 2021

Executive Board

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You can follow the presentation of the full-year results to be held at 10.00am on 9 March 2021 via video webcast (www.tkhgroup.com).

Calendar

5 May 2021	Market Update
6 May 2021	General Meeting of Shareholders
10 May 2021	Ex-dividend
11 May 2021	Record date
14 May 2021	Dividend payable
17 August 2021	Publication interim results 2021
17 November 2021	Market Update

The TKH 2020 annual report will be published in a digital format on the TKH website (www.tkhgroup.com) no later than 25 March 2021.

About TKH

Technology firm 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 four core technologies within the three business segments, 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. Employing 5,583 people, TKH achieved a turnover of € 1.3 billion in 2020.

Consolidated profit and loss account

in thousands of euros

	2020	2019
Total turnover	1,289,368	1,489,642
Raw materials, consumables, trade products and subcontracted work	651,807	771,483
Personnel expenses	352,852	382,518
Other operating expenses	112,251	136,144
Depreciation and result on divestment of tangible non-current assets	43,867	45,347
Amortization	53,720	50,070
Impairments	3,968	4,971
Total operating expenses	1,218,465	1,390,533
Operating result	70,903	99,109
Financial income	342	533
Financial expenses	-8,787	-9,789
Exchange differences	-1,965	-869
Share in result of associates	-3,194	419
Result on sale of subsidiaries	5,496	0
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	120	-57
Result before tax	62,915	89,346
Tax on result	15,389	20,619
Net result for the period from continued operations	47,526	68,727
Result after tax from discontinued operations	0	45,200
Net result	47,526	113,927
Attributable to:		
Shareholders of the company	47,520	114,048
Non-controlling interests	6	-121
	47,526	113,927
Earnings per share attributable to shareholders		
Ordinary earnings per share (in €)	1.14	2.72
Diluted earnings per share (in €)	1.14	2.71
Earnings per share attributable to shareholders from continued operations		
Ordinary earnings per share (in €) continued operations	1.14	1.64
Diluted earnings per share (in €) continued operations	1.14	1.63
Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations	1.54	2.04
Ordinary earnings per share before amortization (in €) continued operations	1.69	2.51

Consolidated statement of comprehensive income

in thousands of euros	2020	2019
Net result	47,526	113,927
Items that may be reclassified subsequently to profit or loss (net of tax)		
Currency translation differences	-14,165	3,452
Currency translation differences in other associates	-303	50
Effective part of changes in fair value of cash flow hedges (after tax)	3,098	2,283
Items that will not be reclassified subsequently to profit or loss (net of tax)	-11,370	5,785
Actuarial gains/(losses)	-325	-371
	-325	-371
Other comprehensive income (net of tax)	-11,695	5,414
Comprehensive income for the period (net of tax)	35,831	119,341
Attributable to:		
Shareholders of the company	35,865	119,458
Non-controlling interests	-34	-117
Total comprehensive income for the period (net of tax)	35,831	119,341

Consolidated balance sheet

in thousands of euros

	31-12-2020	31-12-2019
Assets		
Non-current assets		
Intangible non-current assets	577,330	596,404
Tangible non-current assets	219,900	230,938
Right-of-use assets	77,357	80,752
Other associates	25,540	28,635
Receivables	1,872	1,966
Deferred tax assets	14,322	20,962
Total non-current assets	916,321	959,657
Current assets		
Inventories	236,714	238,801
Receivables	157,363	182,076
Contract assets	124,230	115,692
Contract costs	3,314	1,896
Current income tax	1,776	1,588
Cash and cash equivalents	121,645	78,976
Total current assets	645,042	619,029
Assets held for sale	4,594	38,775
Total assets	1,565,957	1,617,461
Equity and liabilities		
Group Equity		
Shareholders' equity	661,820	704,516
Non-controlling interests	86	304
Total group equity	661,906	704,820
Non-current liabilities		
Interest-bearing loans and borrowings	409,508	415,803
Deferred tax liabilities	55,061	65,528
Retirement benefit obligation	5,844	5,759
Financial liabilities	3,408	4,971
Provisions	5,741	6,296
Total non-current liabilities	479,562	498,357
Current liabilities		
Interest-bearing loans and borrowings	57,143	58,050
Trade payables and other payables	258,717	259,784
Contract liabilities	73,931	49,187
Current income tax liabilities	11,008	11,824
Financial liabilities	4,542	3,682
Provisions	19,148	19,069
Total current liabilities	424,489	401,596
Liabilities directly associated with assets held for sale	0	12,688
Total equity and liabilities	1,565,957	1,617,461

Consolidated statement of changes in group equity

in thousands of euros	Total shareholders' equity	Non- controlling interests	Total group equity
Balance at 1 January 2019	646,459	1,190	647,649
Net result	114,048	-121	113,927
Total other comprehensive income	5,410	4	5,414
Total comprehensive income	119,458	-117	119,341
Capital contribution		58	58
Dividends	-58,772		-58,772
Dividends to shareholders of non-controlling interests	-523	-42	-565
Acquisition of non-controlling interests	-80	-785	-865
Share and option schemes	2,141		2,141
Purchased shares for share and option schemes	-12,395		-12,395
Sold shares for share and option schemes	8,228		8,228
Balance at 31 December 2019	704,516	304	704,820
Net result	47,520	6	47,526
Total other comprehensive income	-11,655	-40	-11,695
Total comprehensive income	35,865	-34	35,831
Capital contribution	5	7	12
Dividends	-62,566		-62,566
Acquisition of non-controlling interests		-191	-191
Share and option schemes	2,335		2,335
Purchased shares for share buy-back program	-7,144		-7,144
Purchased shares for share and option schemes	-12,821		-12,821
Sold shares for share and option schemes	1,630		1,630
Balance at 31 December 2020	661,820	86	661,906

Consolidated cash flow statement

in thousands of euros	2020	2019
Cash flow from operating activities		
Operating result from continued operations	70,903	99,109
Operating result from discontinued operations		8,864
Depreciation, amortization and impairment	103,025	100,645
Share and option schemes not resulting in a cash flow	2,335	2,141
Result on disposals	-1,567	-257
Changes in provisions	-811	7,906
Changes in working capital	42,504	75
Cash flow from operations	216,389	218,483
Interest received	344	531
Interest paid	-9,001	-9,374
Income taxes paid	-19,905	-27,431
Net cash flow from operating activities (A)	187,827	182,209
Cash flow from investing activities		
Dividends received from non-consolidated associates		72
Repayments on loans	94	82
Purchases of tangible non-current assets	-31,097	-31,273
Disposals of tangible non-current assets	1,664	627
Divestments of investment property		251
Divestments in assets held for sale	3,853	
Divestment of subsidiaries classified as held-for-sale less transferred cash	21,178	83,473
Divestment of associates		163
Acquisition of subsidiaries less cash and cash equivalents acquired	-481	-65,465
Acquisition of associates		-16,354
Investments in intangible non-current assets	-39,562	-40,527
Divestments in intangible non-current assets	355	82
Net cash flow from investing activities (B)	-43,996	-68,869
Cash flow from financing activities		
Dividends paid	-62,566	-59,337
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	-614	-4,682
Capital contribution non-controlling interests	12	58
Acquisition of non-controlling interests	-191	-865
Purchased shares buy-back program	-7,144	
Purchased shares for share and option schemes	-12,821	-12,395
Sold shares for share and option schemes	1,630	8,228
Payment of lease liabilities	-16,005	-15,780
Proceeds from long-term debts	-4,985	99,013
(Repayments)/proceeds from other long-term debts	-513	661
Change in borrowings	-47,676	-113,063
Net cash flow from financing activities (C)	-150,873	-98,162
Net increase/(decrease) in cash and cash equivalents (A+B+C)	-7,042	15,178
Exchange differences	-3,490	63
Change in cash and cash equivalents	-10,532	15,241
Cash and cash equivalents at 1 January	76,146	60,905
Cash and cash equivalents at 31 December	65,614	76,146

Notes to the financial statements

1. Accounting principles for financial reporting

These financial figures have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and are prepared using the principles, which are applied in the financial statements for the year ended 31 December 2020. Further disclosures and description of the accounting principles as required under IFRS are not included in the financial figures. For a full understanding, this press release should be read in conjunction with the financial statements 2020 of TKH Group NV.

2. Segmented information

In thousands euros	Telecom Solutions		Building Solutions		Industrial Solutions		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
First half year										
Net turnover	95,053	102,831	344,880	364,786	239,025	285,595			678,958	753,212
Segment EBITA	12,334	16,037	36,447	29,103	26,958	41,956	-6,733	-9,532	69,006	77,564
ROS	13.0%	15.6%	10.6%	8.0%	11.3%	14.7%			10.2%	10.3%
One-off expenses			-3,629		-26				-3,655	
Amortization	-560	-524	-22,655	-18,974	-4,731	-4,640	-12	-10	-27,958	-24,148
Impairments			-1,384	-19	-153	-51			-1,537	-70
Operating result	11,774	15,513	8,779	10,110	22,048	37,265	-6,745	-9,542	35,856	53,346
Second half year										
Net turnover	88,082	97,629	327,653	380,213	194,675	258,588			610,410	736,430
Segment EBITA	10,774	14,789	40,810	46,366	20,370	39,403	-5,442	-5,668	66,512	94,890
ROS	12.2%	15.1%	12.5%	12.2%	10.5%	15.2%			10.9%	12.9%
One-off income and expenses			-4,977	-17,174	1,705	-1,130			-3,272	-18,304
Amortization	-579	-423	-20,621	-21,619	-4,560	-3,873	-2	-7	-25,762	-25,922
Impairments	182	92	-2,412	-4,864	-201	-129			-2,431	-4,901
Operating result	10,377	14,458	12,800	2,709	17,314	34,271	-5,444	-5,675	35,047	45,763
Full year										
Net turnover	183,135	200,460	672,533	744,999	433,700	544,183			1,289,368	1,489,642
Segment EBITA	23,108	30,826	77,257	75,469	47,328	81,359	-12,175	-15,200	135,518	172,454
ROS	12.6%	15.4%	11.5%	10.1%	10.9%	15.0%			10.5%	11.6%
One-off income and expenses			-8,606	-17,174	1,679	-1,130			-6,927	-18,304
Amortization	-1,139	-947	-43,276	-40,593	-9,291	-8,513	-14	-17	-53,720	-50,070
Impairments	182	92	-3,796	-4,883	-354	-180			-3,968	-4,971
Operating result	22,151	29,971	21,579	12,819	39,362	71,536	-12,189	-15,217	70,903	99,109

The turnover breakdown per vertical market is as follows:

in thousands of euros	2020	2019
Fibre Optics Networks	121,837	136,549
Parking	37,119	59,162
Infrastructure	130,557	132,989
Marine & Offshore	55,303	53,545
Care	52,129	58,160
Machine Vision	173,391	143,026
Tire Building Industry	242,467	330,148
Other vertical markets	476,565	576,063
Total turnover	1,289,368	1,489,642

Sales in the vertical growth market Fiber Optic Networks are mainly realized in Telecom Solutions. Tire Building Industry mainly concerns the Industrial Solutions segment, while Care concerns both Building Solutions and Industrial Solutions. The remaining vertical growth markets mainly relate to Building Solutions.

3. Order book

The following table shows the expected future revenue with regard to contractual performance obligations that are not (or partially) completed on the balance sheet date:

in thousands of euros	2020	2019
Expected to be recognized as revenue within 1 year	408,168	394,292
Expected to be recognized as revenue between 1 and 2 years	17,945	20,333
Expected to be recognized as revenue after 2 years	2,221	8,785
Total	428,334	423,410

The contractual performance obligations at 31 December 2019 include the companies ZTC and Cruxin for an amount of € 13.7 million, which have been divested in 2020.

4. Overview of alternative performance indicators

in thousands of euros (unless stated otherwise)	2020	2019
Weighted average number of (depository receipts of) shares (x 1,000)	41,729	41,959
Effect of share options (x 1,000)	29	161
Weighted average number of (depository receipts of) shares diluted (x 1,000)	41,758	42,120
Net profit	47,526	113,927
Less: Non-controlling interests	-6	121
Net profit attributable to the shareholders of the company	47,520	114,048
Result after tax from discontinued operations		-45,200
Net profit attributable to the shareholders of the company from continuing operations	47,520	68,848
Amortization of intangible non-current assets from acquisitions	22,907	23,108
Taxes on amortization	-6,014	-6,243
Net profit before amortization from continuing operations attributable to the shareholders of the company	64,413	85,713
One-off costs for restructurings, integrations, divestments and acquisitions	6,927	18,304
Result from divestments and purchase price allocations in the result of associates	-2,143	841
Impairments	3,968	4,971
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	-120	57
Tax impact on one-off expenses and benefits	-2,723	-4,577
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company	70,322	105,309

Other applied definitions:

- Capital Employed: group equity plus long-term debts plus short-term debts to credit institutions minus cash and cash equivalents.
- Debt leverage ratio (Net Debt / EBITDA): long-term liabilities plus current liabilities to credit institutions minus cash and cash equivalents divided by EBITDA.
- EBITA: result before financial income and expenses, taxes, impairments and amortization and one-off income and expenses.
- EBITDA: result before financial income and expenses, taxes, impairments, depreciations and amortization and one-off income and expenses.
- One-off gains: income as a result of the divestment of ZTC, a business property held for sale (2020) and income from the divestment of most of the industrial connectivity activities (2019).

- One-off losses: costs related to restructuring, integration, acquisitions and divestments in the context of strategic programs.
- ROCE (Return On Capital Employed): EBITA over the last twelve months divided by capital employed at the beginning of the period plus capital employed at the end of the period divided by two.
- ROS (Return On Sales): EBITA divided by the total turnover as a percentage.

5. Annual report

The consolidated balance sheet, consolidated profit and loss account, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in group equity and consolidated cash flow statement, as included in this press release, are based on the annual accounts prepared of 31 December 2020, which have not yet been published in compliance with legal requirements. These documents will be published ultimately at 25 March 2021. The annual accounts will be submitted to the General Meeting of Shareholders on 6 May 2021 for approval.

In accordance with Section 2:293 and 395 of the Dutch Civil Code, we report that our auditor, Ernst & Young Accountants LLP has issued an unqualified auditor's report on the annual accounts dated 8 March 2021. For the understanding required to make a sound judgment as to the financial position and results of TKH Group N.V. and for a satisfactory understanding of the scope of the audit by Ernst & Young Accountants LLP, this press release should be read in conjunction with the annual accounts from which this press release has been derived, together with the auditor's report thereon issued by Ernst & Young Accountants LLP. No audit was performed on the included half year figures (in the segmented information).

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.