

Market Update Q3 2024

Short-term impact in Q3, strong Q4 expected

Highlights third quarter 2024

- Turnover of €393.3 million (6.2% organic decline vs. Q3 2023¹).
- EBITA excluding one-off income and expenses of €42.1 million (13.8% organic decline vs. Q3 2023¹).
- Smart Manufacturing performed strongly, as did Smart Vision in a challenging market environment. Smart Connectivity was negatively impacted in the short term by the postponement of the ramping-up of serial production at the new plant in Eemshaven for offshore wind cables and the destocking at Digitalization.
- Continued high added value at 51.5% (Q3 2023: 49.0%) due to strategic focus.
- Good order intake and sales funnel support good order book by year-end.
- Outlook adjusted to reflect Q3 results: full-year 2024 EBITA, excluding one-off income and expenses, to amount to between €200 million and €210 million.

First nine months 2024

- Year-to-date turnover decreased to €1,260.5 million (- 3.1% organically), with EBITA amounting to €137.9 million (- 12.1% organically).
- ROS for the first nine months reached 10.9% (2023: 12.4%).

Alexander van der Lof, CEO of TKH: *“We made good progress preparing for growth and accomplished most of the milestones we set. Our focus here is on gaining market share within Smart Vision and on building a strong order book by the end of the year to grow the offshore wind position in line with our Accelerate 2025 targets. Our €15 million cost savings program is well on track and, together with the planned higher capacity utilization, will support margin growth.*”

We saw a negative effect on turnover and results in Q3, mainly in Smart Connectivity, due to higher-than-expected destocking effects in Digitalization and our decision to delay the ramp-up of the serial production of offshore wind cables in our new plant in Eemshaven. This resulted in lower turnover, which, together with higher costs in Q3, are impacting the outlook for the whole year. Based on a good order book, we expect Q4 EBITA to be in line with our previous expectations and substantially higher than Q3.

We are well positioned to take advantage of the megatrends. It is exciting to see how the sales funnel is developing and our unique technologies and our systems selling approach are positioning us to win business and gain market share.”

¹ Q3 2023 turnover and EBITA excluding one-off income and expenses include the divested companies TKH France, EKB Groep and HE System Electronic. Turnover and EBITA of the divestments in Q3 2023 was €39.2 million and €4.7 million respectively. In the nine months of 2023, turnover and EBITA of the divestments amounted to €128.0 million and €17.6 million respectively.

Developments by technology segment

Smart Vision systems

Smart Vision systems recorded a 7.9% organic decline in turnover compared to Q3 2023 due to continued challenging market circumstances. In Machine Vision, 2D vision recorded modest growth, offset by a decline in 3D, mainly due to the weakness in the battery and solar end markets. Security Vision's turnover decreased in Q3 2024 compared to Q3 2023 due to the timing of projects.

Smart Manufacturing systems

In line with expectations, Smart Manufacturing systems recorded an organic decrease in turnover of 0.2% compared to a strong Q3 2023. The implemented efficiency improvements continued to pay off, which, in combination with the high-capacity utilization at Tire Building systems, led to a continued strong result. The divestment of EKB was closed as part of the Accelerate 2025 strategy to focus on activities with higher return on sales.

Smart Connectivity systems

Smart Connectivity systems reported an organic decrease in turnover of 10.8% compared to Q3 2023. Digitalization continued to be impacted by low levels of investments in the rollout of European fibre networks and a strong destocking effect, as well as pricing pressure due to high inventory levels in the Chinese market. The ramp-up period of serial production in the new Eemshaven plant for offshore wind cables was postponed, impacting revenue recognition. Several larger projects are expected to be signed in the short term. The sales funnel is growing, confirming the very attractive offshore wind business potential.

2024 outlook

Smart Vision systems

On the back of deliveries of larger secured orders for Q4, we expect turnover and EBITA growth in H2 2024 compared to H1 2024. The market for Machine Vision remains challenging, but TKH is on track with market share growth and larger projects have been secured that will have a positive impact on Q4.

Smart Manufacturing systems

The catch-up effects following the easing of supply chain constraints have subsided, resulting in a slightly lower turnover and EBITA in H2 2024 compared to H1 2024. For the full year, we expect Smart Manufacturing systems to perform strongly, with organic turnover and EBITA growth compared to 2023.

Smart Connectivity systems

Due to improved circumstances within the onshore and offshore electrification activities and despite continuing difficult market conditions in Digitalization, Q4 2024 EBITA is expected to be higher than Q3 2024.

On balance, and barring unforeseen circumstances, for the full year 2024, TKH expects flat organic turnover growth and an EBITA excluding one-off income and expenses of between €200 million and €210 million, based on an expected strong Q4. The 2023 EBITA excluding divestments amounted to €220 million².

Haaksbergen, November 12, 2024

² TKH France closed September 29, 2023, HE System Electronic closed June 3, 2024 and EKB closed on August 16, 2024.



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Financial calendar

March 4, 2025 Publication Full Year Results 2024

May 13, 2025 Market Update Q1 2025

August 12, 2025 Publication Interim Results 2025

November 11, 2025 Market Update Q3 2025

About TKH

TKH Group N.V. (TKH) is a leading technology company. We specialize in the creation of innovative, client-centric technology systems that drive success in automation, digitalization, and electrification. By integrating hardware, software, and customer-focused insight, our smart technologies provide unique answers to customers' challenges. In doing so, we work to make the world better by creating ever more efficient and more sustainable systems.

With more than 7,000 employees, TKH pursues sustainable growth in a culture of entrepreneurship, working closely with customers to create one-stop-shop, plug-and-play innovations combined with software for Smart Vision, Smart Manufacturing, and Smart Connectivity technology.

Listed on Euronext Amsterdam (TICKER: TWEKA), we operate globally and focus our growth across Europe, North America, and Asia.

For further information, please visit www.tkhgroup.com.

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 on 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.

Appendix: Alternative Performance Measures (APMs)

For a complete overview of our APMs, definitions, and reconciliations/calculations, please refer to the 2023 Annual Report published on our website. An overview of the APMs used in this Market Update is provided below.

Added value

Total turnover less the cost of 'raw materials, consumables, trade products, and subcontracted work' for products sold and services delivered. Added value is presented as an absolute value and as a percentage of turnover.

EBITA

Earnings before interest, taxes, impairments, and amortization, and one-off income and expenses.

ROS (return on sales)

EBITA divided by total turnover as a percentage.

Order book and order intake

Expected future turnover with respect to contractual performance obligations that have not yet (or only partially) been fulfilled at the balance sheet date.

Organic turnover growth

Growth of turnover adjusted for the impact of acquisitions, divestments and foreign exchange effects from translating turnover into foreign currencies.

Organic EBITA growth

Growth in EBITA adjusted for the impact of acquisitions, divestments and foreign exchange effects from translating EBITA into foreign currencies.