



Results H1 2022

Talgo registers €218 m of revenues in First Half 2022

- Revenues for the first half of 2022 are below prior year derived from lower industrial activity in manufacturing projects due to supply chain disruptions.
- Projects for the European operator Deutsche Bahn (Germany), DSB (Denmark) and ENR (Egypt) as the main revenue contributors in the coming months.
- Talgo has adapted its Outlook for FY2022 to reflect macro and industry challenges as well as company action plan for the new paradigm.
- Talgo has a solid order backlog (€2.9 bn), which provides medium and long-term revenue visibility and ensures industrial activity for the coming years.

Madrid, 28th of July, 2022

Talgo S.A., a leading company in the design, manufacture, and maintenance of high-speed light trains, registered a revenue of €218 m in the first half of 2022, compared to the €293 m in the first half of 2021. The decrease in revenues is mainly driven by lower industrial activity in manufacturing projects, resulting from the current disruptions in the supply chain. Manufacturing average revenues account for more than half the total revenues, being the main revenue contributors the projects undertaken for the European operator Deutsche Bahn (Germany), DSB (Denmark) and ENR (Egypt). Furthermore, maintenance activity has resumed normal services since Covid-19 thus providing recurrent revenues and stability.

The company registered an adjusted EBITDA of €23.4 m in the first half of 2022. The decrease in adjusted EBITDA reflects the impact of higher prices for raw materials, materials, and labor and logistics costs, due to inflation and lower efficiencies caused by disruptions in the supply chain. However, the efforts made in cost savings and efficiency improvements have managed to establish the operating margin at 10.7%, although progress in the recovery of profitability continues to be subject to factors exogenous to the business such as the current inflationary environment. Net profit reached €5.3 m in the first half of 2022.

Talgo has a solid and diversified backlog of more than €2.9 bn, of which more than 900 million euros correspond to manufacturing and overhaul projects. This guarantees a high level of industrial activity for the period 2022-2025, while the more than €2 bn in maintenance projects generate long-term revenue and cash-flow visibility.

Working capital increased to 277.7 €m in the first half of 2022, reflecting the current phase of the ongoing projects and the economic context. Specifically, this increase corresponds to the degree of progress of manufacturing projects and the current project cycle.

Revenue growth is expected as manufacturing projects resume their normal pace and accelerate deliveries in late 2022 and 2023. Additionally, the company is implementing an action plan to improve the cash flow profile of the projects, which is expected to reduce working capital requirements in the coming years.

Capex investments in the first half of 2022 amounted to €10 m, in line with forecast at the beginning of the year, of which nearly 80% were investments related to R&D activities.



With regard to Net Financial Debt, the company maintains a solid financial profile in the first half of 2022, with an average maturity of long-term debt of 2.95 years at an average cost of 1.09%. In January 2022, Talgo signed a long-term green loan with the EIB for €35 million to finance R&D and Capex projects, in line with its commitment to new development and the SDGs in the 2030 agenda. Talgo thus has a high financial capacity to execute projects in its portfolio and continue to grow, with more than €400 million of liquidity.

2022 Outlook

Talgo has updated its 2022 outlook, to reflect the reality of the inflationary environment and current disruptions in the supply chain. The forecasts for this year continue to be underpinned by the manufacturing projects in Germany, Egypt, Denmark and the project to manufacture 40 locomotives for Renfe, as well as good commercial expectations, although the forecasts are subject to an inflationary environment, as well as other exogenous factors (logistics, geopolitical...).

In line with its commitment to sustained and selective growth, the company maintains a target of achieving a book-to-bill ratio of approximately 1.0x by 2022. In terms of profitability, the company has an adjusted EBITDA forecast of 11%, counting on a progressive recovery in profitability, subject to the evolution of the current inflationary and supply context.

Also in 2022, Talgo foresees a net investment in Need of Funds for Operations (NFO) to finance ongoing projects. Additionally, Talgo maintains the forecast Capex investment for 2022 of up to €25 m, in line with 2021. Regarding Net Financial Debt, Talgo expects to maintain it at 2.5x adjusted EBITDA, slightly below the expectations in June but higher than the prior target of 1.5x adjusted EBITDA.

In terms of commercial activity, Talgo is currently working on various opportunities for a total value of €9.2 bn. Of these, 57% correspond to opportunities in Europe and are mainly focused on long distance and intercity opportunities. The company's commercial strategy combines geographical and product diversification with a selective approach to opportunities, in which Talgo technology is highly competitive, and continues to be a fundamental pillar for consolidating a high-quality portfolio that guarantees sustainable growth in the long term.

Regarding maintenance activity, its recovery after the pandemic will continue to provide recurrence and stability in 2022. It should be noted that useful life of fleets is high in all geographies and thus maintenance services contracts are likely to be extended providing additional upside to such a recurrent business unit.

Talgo's experience in projects to decarbonize passenger rail transport in Europe, such as the current ones for DB and DSB, positions the company favorably in the current process of decarbonizing the global rail system.



Committed to its shareholders

Talgo launched in Q1 2022 a Remuneration Program amounting €10 m, implemented through a Scrip Dividend and Share Buyback Program, thus offering shareholders a choice between shares or cash. As a result of the Scrip Dividend, 83% of the company's shareholders decided to receive the dividend in shares, instead of cash, thus increasing their stake in Talgo's share capital, which is a clear sign of support and confidence of the shareholders in the future of the company.

On May 5, the company announced the start of the execution of a Share Buyback Program, which includes the subsequent redemption of the shares acquired. This will eliminate any dilutive effect on the shareholders who decided to receive their dividend in cash, and at the same time it will increase the stake of the shareholders who decided to receive their remuneration in shares, generating a real remuneration for all shareholders.

The Share Buyback Program has been launched after the implementation of the Scrip Dividend, and in the same proportion as the capital increase, the objective of which was to proportionally distribute shares to those shareholders who decided to receive their remuneration in shares. The Share Buyback Program will remain in effect from May 5^h, 2022 until up to November 5, 2022.

About Talgo

Talgo S.A. is a leading company in the design, manufacture and maintenance of high-speed light trains with a manufacturing presence in seven countries such as Spain, Germany, Saudi Arabia and the United States, among others. The company is recognized worldwide for its innovative capabilities, unique and distinctive technology and reliability. Talgo is Renfe's main supplier of high-speed and ultra high-speed trains and the supplier of trains in the "Haramain" high-speed railway line project between Mecca and Medina in Saudi Arabia. Talgo is also the manufacturer chosen by the German operator Deutsche Bahn and the Danish operator DSB to decarbonize its network with the Talgo 230 long-distance trains.

For further information, please contact:

Aída Prados and Carmen Bagaraño - Estudio de Comunicación

Email: talgo@estudiodecomunicacion.com

Phone no.: +34 91 576 52 50