

# Investor Factsheet

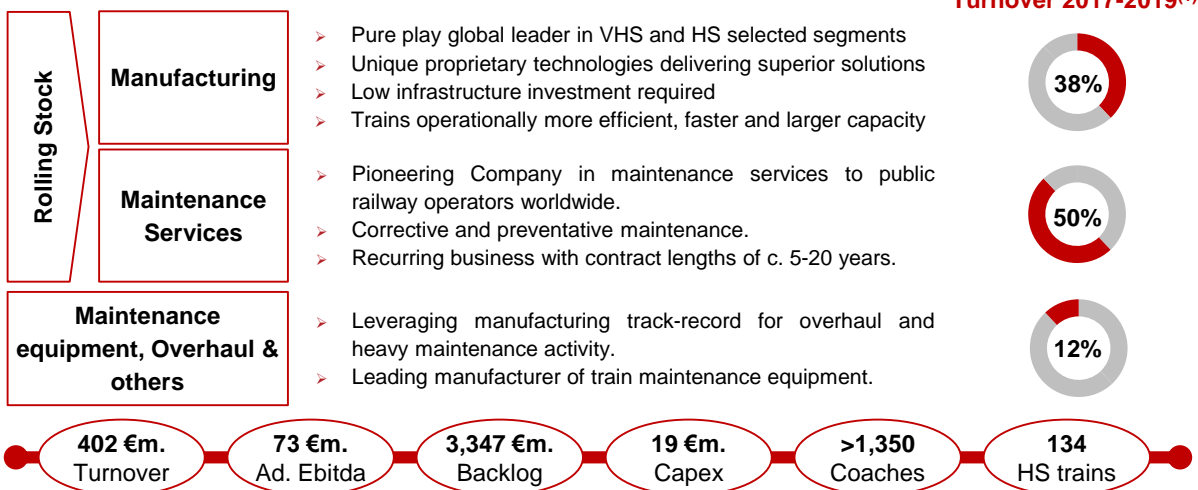


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## Overview

Founded in 1942 in Spain, Talgo is a leading specialized rolling stock engineering company mainly focused on designing, manufacturing and servicing technologically differentiated, fast, lightweight trains. With its distinctive suite of proprietary, state-of-the-art technology developed over several decades, Talgo has become a reference in the market; delivering the best products and services in their category in terms of quality, safety, reliability, efficiency and accessibility.

## Three complementary business lines



## Summary of key events

- 1942:** Company establishment and built of **Talgo I**
- 1948:** First marketable platform (**Talgo II**) is completed
- 1964:** **Talgo III** launched servicing Madrid-Barcelona route, being the first train to reach 200 km/h in Spain
- 1969:** First Talgo International train (Barcelona-Genève)
- 1994:** Talgo as the first European train with a regular commercial service in US
- 1998:** Development of **HS T-250 and T-250** hybrid trains
- 2001:** Talgo supplies its first **VHS T-350** train in Spain
- 2007-09:** Internationalisation process (UZB - KZT)
- 2011:** Haramain project award (Mecca-Medina).
- 2012:** Development of the **VHS Avril** platform
- 2015:** Listing on Spanish Stock Exchange and Markets
- 2016-2017:** Talgo awarded for VHS in Spain (30 Avril trains)
- 2019:** Talgo awarded by DB in Germany (23 Talgo 230 trains)
- 2020:** Talgo awarded by DSB in Denmark (8 Talgo 230 trains)

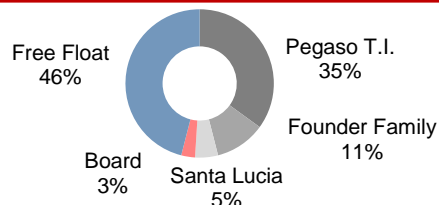
## Stock Data (as of Dec 31<sup>st</sup>, 2019)

Market Capitalisation: 831.7 €m.  
Shares Outstanding: 136.5 m.  
Symbol: TLGO.MC

## Financial calendar

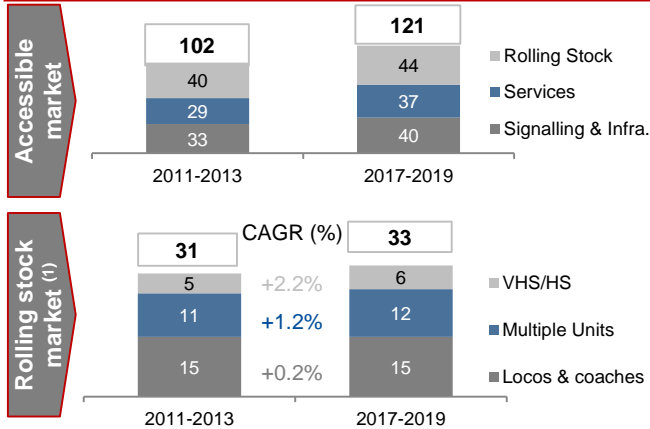
Results FY 2019 Feb 27<sup>th</sup> 2020  
Interim Results 2020 July 2020 (tbc)  
Results Q3 2020 November 2020 (tbc)

## Substantial Shareholders



(1) Average Net Turnover by business line for the period 2017-2019

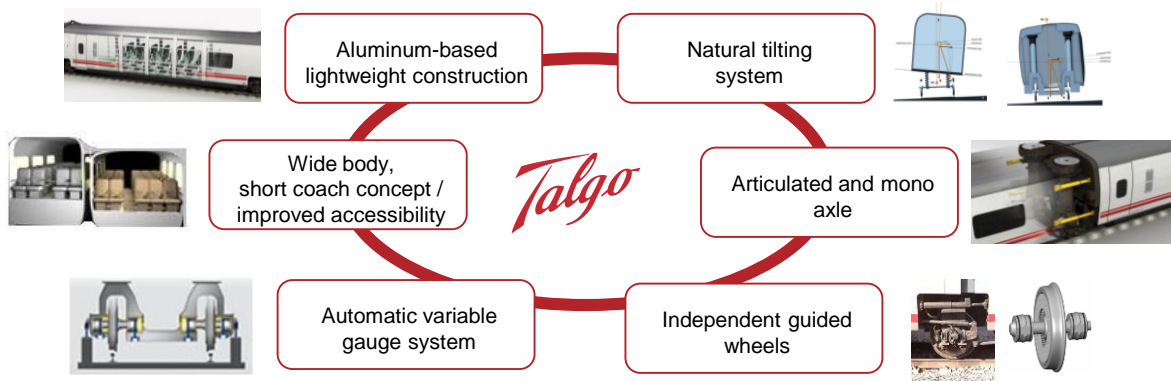
## Market backdrop



## Multiple market growth drivers

- 1 Demand for mobility
- 2 Urbanisation and population growth
- 3 Emerging market growth
- 4 Replacement demand
- 5 Market liberalisation
- 6 Environmental concerns

## ... providing unique and state-of-the-art technology...



Talgo's range of technology implies higher energy efficiency, journey time reduction and better capacity and accessibility, while reducing the track and train maintenance needs.

## ... implemented in Talgo's rolling stock portfolio...

Type	Very High Speed		High Speed	Natural tilting passenger coaches	Regional Commuter Trains
Products	AVRIL	Talgo 350	Talgo 250	Night & day train tilting cars	Talgo Regional Commuter trains
Description	Trains operating at more than 300km/h with fix and variable gauge		Trains operating at more than 250km/h with fix and variable gauge	Passenger railway vehicles for day and night services	Electric/diesel multiple units that operate between 120-160 km/h
Markets	Spain	Spain, Saudi Arabia	Spain, Uzbekistan	Spain, Germany, Denmark, USA, Egypt, Kazakhstan, Russia	To be marketed selectively

## ... and overhaul services and maintenance equipment

Maintenance equipment	Comprise underfloor wheels lathers for maintenance of high speed and long distance trains
Overhaul / Heavy Maint.	New segment for third party trains, with ongoing projects in Spain and USA.

## Effective business model...

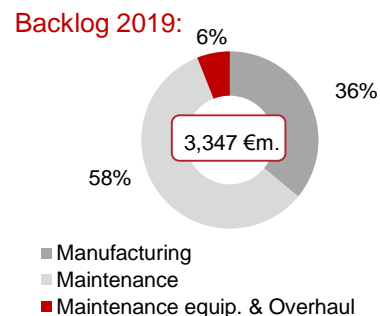
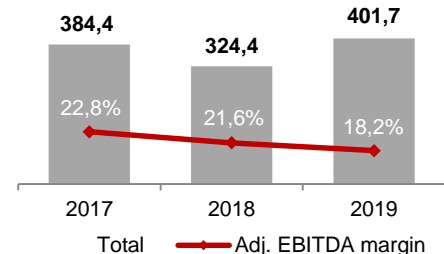
<b>Proprietary Technologies</b>	<ul style="list-style-type: none"> <li>&gt; Higher energy efficiency, reduced journey time and increased capacity, reduced track and train maintenance</li> <li>&gt; Lower investment requirement</li> </ul>	<b>Productivity and efficiency</b>	<ul style="list-style-type: none"> <li>&gt; c.30% of total employees are engineers.</li> <li>&gt; Production sites with further efficiency improvements being implemented.</li> </ul>
<b>Asset-Light</b>	<ul style="list-style-type: none"> <li>&gt; Integrated, asset-light model based on engineering and outsourcing and in-house assembly of outsourced components</li> </ul>	<b>Flexible Cost Base</b>	<ul style="list-style-type: none"> <li>&gt; Large component of cost structure outsourced implying low fixed costs</li> <li>&gt; Increase outsourcing optimizing costs without lowering product quality</li> </ul>
<b>Attractive business mix</b>	<ul style="list-style-type: none"> <li>&gt; Manufacturing drives maintenance, which in turn increases business resiliency</li> </ul>	<b>Selective commercial approach</b>	<ul style="list-style-type: none"> <li>&gt; Systematic approach to tender processes</li> <li>&gt; Focus on technological advantage as a proven competitive edge</li> </ul>

## Strategy

Talgo's vision and strategy relies on four pillars:

- Efficient delivery of current order book**
  - > Deliver backlog on time and on budget
  - > Improve manufacturing efficiency
  - > Utilise flexible capacity
- Further development of existing geographies and entry into new markets**
  - > Commercial structure through key customised products focus
  - > Spread of commercial presence in developed countries
  - > Selective approach to contracts with good margins and cash flow profile and limited contractual risks
- Further growth of maintenance and overhaul business**
  - > Strengthen overhaul activity with 3rd party customers
  - > Focus on high value-add in lighter maintenance
  - > Develop range of market-leading maintenance equipment
- New product development and penetration**
  - > Ongoing R&D: Regional/Commuter train trials
  - > Further markets/enhancements for 'AVRIL'

## Main financial figures



## Senior management team



### Carlos de Palacio y Oriol Executive Chairman

- Joined Talgo in 1998
- Appointed Ex. Chairman in 2002
- >20 years of industry experience



### José María de Oriol Fabra Chief Executive Officer

- Joined Talgo in 1987
- Appointed CEO in 2002
- >30 years of industry experience

## Corporate governance

- > 13 members – 2 Executives (Chairman and CEO) / 6 independent / 2 Other External / 3 Proprietary
- > Board committees:
  - Audit Committee: 2 Independent and 1 Proprietary – 6 meetings in 2019
  - Appointments Committee: 2 Independent and 1 Proprietary – 5 meetings in 2019
  - Strategy Committee: 1 Executive, 2 Independent and 1 Proprietary – 5 meetings in 2019

## Talgo main financial figures

Year End 31st December	2015	2016	2017	2018	2019	CAGR 15-19
<b>Order Intake</b>						
Book-to-Bill (x)	0.1	0.1	1.8	0.5	2.8	
Group Order Intake Total (€m)*	64.0	46.0	701.0	176.0	1,134.0	
<i>* Order intake in 2015 is negative due to adjustments in maintenance contracts. Gross order intake amounted 64 €m.</i>						
Manufacturing Proportion (%)	70.6%	-	82.8%	10.8%	60.5%	
Maintenance Proportion (%)	-	-	11.6%	15.9%	33.4%	
Other Proportion (%)	29.4%	29.4%	5.7%	73.3%	6.1%	
<b>Backlog</b>						
Manufacturing	729.5	317.4	723.0	644.0	1,189.0	13.0%
Maintenance	2,361.5	2,195.1	1,966.0	1,784.0	1,955.0	(4.6%)
Other	25.8	91.3	94.0	186.0	204.0	67.7%
<b>Total Group (€m)</b>	<b>3,116.8</b>	<b>2,603.8</b>	<b>2,783.0</b>	<b>2,614.0</b>	<b>3,348.0</b>	<b>1.8%</b>
<b>Profit &amp; Loss (€m)</b>						
<b>Revenues</b>	<b>520.7</b>	<b>579.8</b>	<b>384.4</b>	<b>324.4</b>	<b>401.7</b>	(6.3%)
EBITDA	104.2	107.9	83.6	57.9	68.1	(10.1%)
<b>Adjusted EBITDA</b>	<b>120.5</b>	<b>113.3</b>	<b>87.6</b>	<b>65.6</b>	<b>72.9</b>	-11.8%
<i>Adjusted EBITDA Margin (%)</i>	<i>23.1%</i>	<i>19.5%</i>	<i>22.8%</i>	<i>20.2%</i>	<i>18.1%</i>	
Depreciation & Amortisation	(24.1)	(20.3)	(24.2)	(25.1)	(17.2)	(8.1%)
EBIT	80.0	87.6	59.4	32.8	50.8	(10.7%)
<b>Adjusted EBIT</b>	<b>104.3</b>	<b>102.4</b>	<b>74.7</b>	<b>52.3</b>	<b>60.2</b>	-12.8%
<i>Adjusted EBIT Margin (%)</i>	<i>20.0%</i>	<i>17.7%</i>	<i>19.4%</i>	<i>16.1%</i>	<i>15.0%</i>	
Net Financial Expenses	(5.0)	(6.9)	(9.4)	(9.1)	(7.9)	n.a.
<b>EBT</b>	<b>75.1</b>	<b>80.7</b>	<b>50.0</b>	<b>23.7</b>	<b>42.9</b>	<b>(13.1%)</b>
Tax Rate (%)	20.6%	19.2%	31.4%	-25.3%	-10.5%	
<b>Profit for the year</b>	<b>59.6</b>	<b>61.9</b>	<b>34.3</b>	<b>17.7</b>	<b>38.4</b>	<b>-10.4%</b>
EPS (€)*	0.44	0.45	0.25	0.13	0.28	
<i>* EPS calculated over the shares currently traded (136.5 million shares)</i>						
<b>Balance Sheet (€m)</b>						
Fixed Assets	275.7	280.3	273.2	241.9	249.9	(2.4%)
Current Assets	374.5	443.8	326.2	278.6	307.3	(4.8%)
Cash & equivalents	21.8	38.8	243.2	383.7	325.6	96.6%
<b>Total Assets</b>	<b>672.0</b>	<b>762.9</b>	<b>842.6</b>	<b>904.2</b>	<b>882.8</b>	<b>7.1%</b>
Trade Creditors	231.0	174.0	188.9	223.5	244.9	1.5%
Taxation & Other Creditors	3.5	4.5	5.1	9.4	14.4	42.4%
Borrowings & Loans (S/T)	23.2	25.4	25.4	12.3	58.6	26.1%
Long Term liabilities	183.2	265.1	309.7	331.0	273.3	10.5%
<b>Total Liabilities</b>	<b>440.9</b>	<b>469.0</b>	<b>529.1</b>	<b>576.2</b>	<b>591.2</b>	<b>7.6%</b>
Ordinary Share Capital	109.6	109.7	47.7	47.9	47.9	(18.7%)
Reserves & other	121.3	184.1	265.8	280.1	243.7	19.0%
<b>Shareholders' Funds</b>	<b>231.0</b>	<b>293.8</b>	<b>313.5</b>	<b>328.0</b>	<b>291.6</b>	<b>6.0%</b>
Net Financial Debt	123.0	191.0	30.0	(104.4)	(59.3)	
Net Financial Debt / Adj. EBITDA (x)	1.0	1.7	0.3	(1.6)	(0.8)	
<b>Cash Flow (€m)</b>						
Adjusted Ebitda	120.5	113.3	87.6	65.6	72.9	(11.8%)
Change in W/C	(118.5)	(125.3)	132.2	81.8	(5.1)	n.a.
Taxes paid	(9.8)	(8.2)	(7.4)	(2.8)	(8.7)	(2.9%)
<b>Operating Cash Flow</b>	<b>(7.8)</b>	<b>(20.2)</b>	<b>212.4</b>	<b>144.6</b>	<b>59.1</b>	<b>n.a.</b>
Capex	(10.3)	(9.0)	(11.5)	(9.6)	(23.3)	22.6%
Net interest expenses	(5.3)	2.4	(12.4)	(14.5)	(13.0)	n.a.
Net financial liabilities variation	(35.4)	83.9	42.4	2.8	(22.3)	n.a.
Other	(7.3)	(40.2)	(26.5)	17.4	(58.7)	68.4%
<b>Net variation in cash</b>	<b>(66.1)</b>	<b>16.9</b>	<b>204.4</b>	<b>140.6</b>	<b>(58.2)</b>	<b>-3.1%</b>