



## FY 2022 Results

# **Talgo registers 469 €m in revenue in 2022 and expects strong growth in 2023**

- Adjusted EBITDA reached 52.5 €m in 2022, with a margin of 11.2%, reflecting a stabilization of margins prior to the expected recovery from 2023 onwards
- Net profit was 1.4 €m, impacted by extraordinary costs related to the termination of Talgo's activity in Russia and the reversal of tax losses in the U.S. subsidiary
- The Group's Net Financial Debt improved compared to the results in June, reaching 97 €m at the end of the year
- Regarding shareholder remuneration, Talgo plans to increase the dividend by 20% to 12 €m in 2023
- Talgo foresees a very positive 2023 in its commercial activity on the back of current contracts extensions and new clients
- Talgo confirms the good progress of the manufacturing projects for Deutsche Bahn (Germany) and DSB (Denmark), which will be the main drivers of industrial activity in the year ahead

*Madrid, February 28th, 2023*

Talgo S.A., a leading company in the design, manufacture, and maintenance of high-speed light trains, registered a revenue of 469.1 €m in 2022, a decrease of 15.5% compared to the 555.4 €m obtained in the previous year, mainly due to the current international context, marked by a peak in raw materials prices and disruptions in global supply chains and inflation. The company foresees an increase in revenue in 2023, driven by the development of ongoing projects and the good performance of the sector.

Talgo registered an adjusted EBITDA of 52.5 €m in 2022, down 18.6% from the 60.6 €m obtained in the previous year, stemming from disruptions in global supply chains and the impact of inflation. Even so, margins stabilized during the second half of the year at 11.2%, and the forecasts indicate the beginning of a recovery in margins. Net profit stood at 1.4 €m in 2022, impacted by extraordinary factors such as the closing in Russia or the reversal of tax losses recorded in the U.S. subsidiary, as well as higher financial expenses resulting from the rise in interest rates in the market.

The company continues to implement its cost control action plan, with the objective of improving competitiveness and flexibility, in order to reduce the effect of inflation on the current backlog.

Working Capital amounted to 217.3 €m at FY2022 due to the natural temporary variations in the cash requirements of the projects, although they decreased as expected in the second half of the year. In particular, the very high-speed rail project in Spain, whose fleet is now fully completed and pending certifications, was the main driver of the working capital in the year, although it will start to generate strong revenues as deliveries begin in 2023.

With regard to the financial debt, the company anticipated the current context of rising interest rates by issuing excess debt in previous months, maintaining a sustainable level of leverage at the end of the year with 97.4 €m of net debt, which represents 1.9x adjusted EBITDA. It is still noteworthy that 74% of the Group's total long-term debt is at fixed rate, with an average cost of 1.7% and an average maturity of 2.5 years. At the same time, this means that Talgo



has a high financing capacity with more than 400 €m of liquidity (cash, credit lines and project-based financing lines) that allow the company to finance current and future projects with solvency.

Capex investments amounted to 21 €m in this period, better than expected at the beginning of the year, 74% of which corresponds to R&D activities and 12% to capacity expansion.

Regarding ESG criteria, Talgo publishes this Tuesday its 2022 Sustainability Report, which is key to understanding all aspects of Talgo's environmental, social impact and corporate governance activities. During the past year, the company approved the 2022-2024 Sustainability and Responsibility Strategic Plan, which includes 29 projects and 94 objectives that reach the entire organization, and created the Sustainability and Strategy Committee, which comprehensively assumes all the key ESG levers. This report also includes the sustainability actions carried out last year, such as the verification and publication of the EPD (Environmental Product Declaration EPD) of the Talgo Avril model, which has resulted in a train recyclability index of 95%, while at the same time being classified as the train with the lowest CO2 emissions in the world.

### **Backlog and commercial visibility**

At the close of 2022, Talgo has a large order backlog of 2.7 €b, or 3.0 €bn considering the awarded contracts pending to precedent conditions. This figure ensures strong industrial activity for the period 2023-2025. The backlog is led by significant projects such as the design and manufacture of 23 Intercity Talgo 230 trains for Germany's Deutsche Bahn, which is part of a framework agreement involving the design and manufacture of up to 100 trains; the design and manufacture of 8 Intercity Talgo 230 trains for Denmark's DSB; and the manufacture of 23 very high-speed tractor heads for Renfe and the maintenance of 13 trains, among others.

The maintenance service, which is fully operational in all markets, represents 71% of the current backlog and comprises a wide range of customers in Spain, Germany, Saudi Arabia, Kazakhstan, Uzbekistan, Egypt and the United States. Notably, in March 2022, Talgo cancelled all maintenance activity in Russia. The strong global presence of maintenance agreements is, for the most part, indexed to inflation to protect against price volatility. Similarly, this line of business provides a source of revenue and recurring cash flow over the long term.

### **2023 Outlook**

Talgo's main goals for 2023 include the continuation of the execution of projects in the pipeline which, based on current execution schedules, are expected to boost revenues in the coming year.

This growth in revenue forecast for this year is therefore based on increased industrial activity, through the manufacture and maintenance of trains in its various projects, with execution of 40% of the current backlog forecast for the period 2023-2024. Aligned with the good commercial expectations, Talgo sets the target of reaching a relevant volume of contracts in 2023, which translates into a target ratio of approximately two times 2023 revenues. In terms of profitability, the company forecasts an adjusted EBITDA of around 12% for the year, as a result of a gradual recovery in profitability subject to the evolution of the current inflationary context and disruptions in the supply chain.

Also in 2023, Talgo establishes a Capex investment of up to 30 €m. In relation to Net Financial Debt, the company expects to maintain it at 2.0x adjusted EBITDA, aligned with the expected cash requirements of the projects.



Talgo is working on several geographic opportunities for a total value of 7.6 €bn for the period 2023-2024. Of these, Europe and the countries that make up the Middle East and North Africa are positioned as the main growth markets for Talgo, where the company has opportunities worth 2.5 €bn in contract extensions in the short and medium term. These projects ensure Talgo's continued commitment to sustainable and environmentally responsible management in an environment marked by the further global decarbonization of transport.

Thus, in the current context that places passenger rail transport as a key industry to access decarbonization processes, coupled with the process of liberalization of the passenger rail market in the European Union, Talgo aspires to become a global reference as a provider of sustainable transport solutions. In fact, it has already established itself as a major player in this process in Europe with projects such as Deutsche Bahn (Germany) and DSB (Denmark), which are underway and are progressing favorably.

### **Committed to shareholders**

Regarding shareholder remuneration, Talgo's Board of Directors proposed an estimated new investment of 12 €m, which is 20% higher than the previous year.

In the year 2022, Talgo executed a 10 €m Remuneration Program implemented through a Scrip Dividend and share buyback program, giving shareholders a choice between shares or cash. 83% of the company's shareholders chose to collect the flexible dividend in shares, rather than cash, thus reinforcing their position in Talgo's share capital, a clear sign of shareholder support and confidence in the company's future.

The Share Buyback Program, executed in October of 2022, contemplated the subsequent redemption of the shares acquired and has eliminated any dilutive effect on shareholders who chose to receive their dividend in cash, while at the same time increasing the participation in the capital of shareholders who requested to receive their remuneration in share, generating a real remuneration for all shareholders.

### **About Talgo**

Talgo S.A. is a leading company in the design, manufacture and maintenance of high-speed light trains with a manufacturing presence, among other countries: in Spain, Germany, Kazakhstan, Uzbekistan, Saudi Arabia, Egypt and the United States. 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.

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