



Q3-2022 Results Presentation

10 Nov 2022

Talgo

Key Business Figures in 9M-2022



- **Health & Safety and ESG** as a key elements in the pursuit of business excellence. Talgo **installing photovoltaics systems** for self-consumption in all facilities.
- **Successfully reshaping Talgo's operational strategy to address current macro and geopolitical landscape** and its impact in raw materials, inflation and supply chain disruptions.
- **Gaining commercial momentum** ahead of 2023.



- Quarterly revenues reflecting **increasing manufacturing activity**.
- High quality backlog reflected in **stable margins**.



- **Outlook for 2022 confirmed**.
- Guidance is subject to the stabilisation of still **highly volatile exogenous factors** (macroeconomic and geopolitical).

9M-2022

Accident freq. ¹	8.99
Severity ²	0.22
Backlog	€2,771 m
Order intake	€291 m ³

9M-2022

Revenues	€352.2 m
aEBITDA	€38.5 m
aEBITDA Mg.	10.9%
Net income	€9.1 m

FY-2022

Revenues	32% ⁴
aEBITDA mg.	c. 11.0%
NFD	2.5x ⁵

1) Accident frequency rate: Includes Talgo FTEs in Spain. Industrial accidents per million man-hours worked. FTEs (Full Time Equivalent Employees).

2) Severity rate: Number of working days lost per 1,000 hours worked. Talgo FTEs in Spain.

3) Includes mainly order from ENR in Egypt amounting 280 €m (not in backlog as of 9M 2022) already awarded and signed although still subject to precedent condition related to the projects financing.

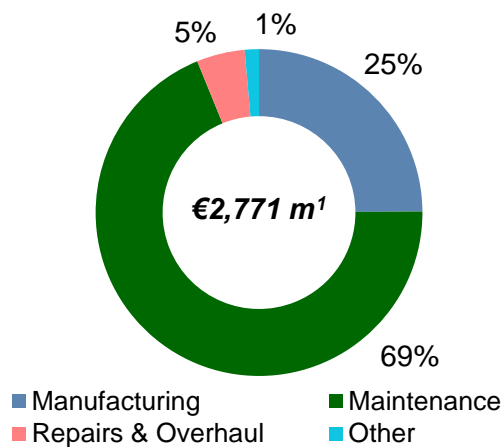
4) Backlog execution in the period 2021-2022 based on FY2020 backlog figures.

5) Times LTM Adjusted EBITDA

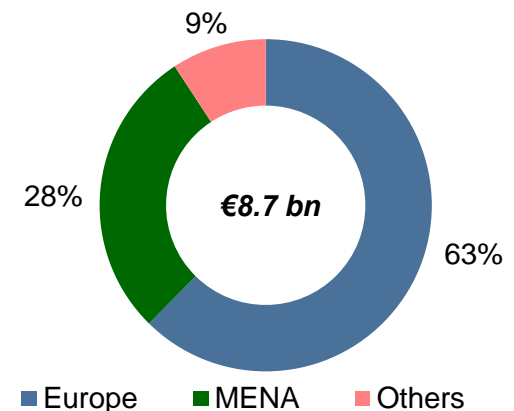
Key Operating Figures

- **Manufacturing and overhaul projects:**
 - Spanish VHS at c. 100% completed with deliveries expected in the short term subject to test phases.
 - DB (Germany) and ENR (Egypt) projects as the main activity growth drivers for the following quarters.
 - DSB project (Denmark) and RENFE locomotives in initial phases with prospects for increased activity in 2023.
- **Maintenance services** in line with expectations in all geographies and providing **stable and inflation indexed revenues**.
- **Commercial activity gaining momentum:**
 - **Global transport decarbonisation process** with governments and clients looking towards environmental friendly and efficient transport modes.
 - Transitional pricing model with indexed rates and/or hedging strategies being implemented in all tenders aiming to **pass on price changes to the customer and mitigate projects risks**.

Order backlog 9M-2022 (€m)



Pipeline by geographical area 2022-2023



1) Does not include ENR (Egypt) project amounting 280 €m already awarded, as its formalization is subject to precedent conditions related to project financing.

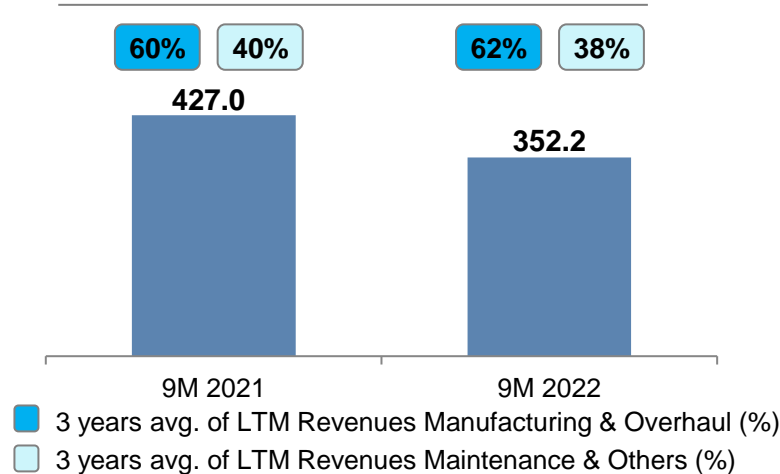
Key Operating Figures – New paradigm action plan

	Business main operating challenges	Action plan
Inflation / raw materials	<ul style="list-style-type: none"> Increasing labor costs. 	<p>→ Salary base updated for period 2021-22 (9.2%).</p>
	<ul style="list-style-type: none"> Mitigate risks in new offers related to inflation and exogenous impacts. 	<p>→ c. 70% of company backlog with indexation clauses (maintenance services mainly).</p>
	<ul style="list-style-type: none"> High volatility of raw materials prices. 	<p>→ Negotiating inflation caps with clients to pass on extraordinary variations, while including pass-through clauses and inflation indexed prices in new tenders.</p> <p>Cost hedging strategies while diversifying and negotiating with suppliers seeking long-term agreements.</p>
Supply Chain	<ul style="list-style-type: none"> Delays in deliveries of materials and components. 	<p>→ Rescheduling manufacturing projects and adapting resources, while setting new delivery dates with clients (<i>Force majeure</i> claimed in contracts).</p>
	<ul style="list-style-type: none"> Higher costs in transport due to geopolitical factors and energy costs. 	
Other relevant challenges	<ul style="list-style-type: none"> Activity in Russia. 	<p>→ No activities being provided in the country since all services were stopped in march 2022.</p>
	<ul style="list-style-type: none"> Contract termination LACMTA (USA). 	<p>→ Legal actions implemented against the client with the corresponding suits already in place.</p>
	<ul style="list-style-type: none"> RENFE penalties (Spain) 	<p>→ RENFE requirements already answered with disagreements and alleging <i>force majeure</i>, among others.</p>

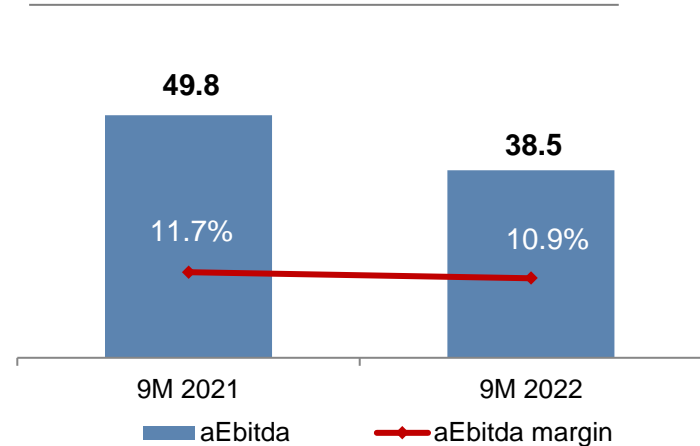
Key Financial Figures

- **Revenues reached €352.2 m in 9M-2022** on the back of a growing manufacturing activity and fully recovered maintenance revenues
 - Increasing manufacturing revenues driven mainly by DB (Germany), ENR (Egypt) and DSB (Denmark).
 - International projects contributing above 70% of total company revenues.
 - Supply chain disruptions still impacting manufacturing activity by slowing down the pace of projects. However, improvements are already visible backed by mitigation actions implemented.
- **aEBITDA amounted to €38.5 m in 9M-2022** (10.9% margin):
 - Stabilizing projects margins as a result of strong set of measures and actions to adapt the business to current challenging background ...
 - ... although risks related to inflation and delays still represents major concerns in the projects under execution.

Cumulative revenues - YoY (€m)



aEBITDA (€m) and margin (%)



Update on FY-2022 Outlook

	H1-2022 targets (as per H1-2022 Results presentation)	9M-2022 Update
Profitability →	✓ aEBITDA: 11%	→ c. 11%
Capital structure →	✓ Working Capital: Cash consumption	→ Cash consumption
	✓ Net Financial Debt: 2.5x aEBITDA	→ c. 2.5x
	✓ Capex: c. €25 m	→ c. €25 m
Business performance →	✓ 2021-22 backlog execution: c. 32%	→ c. 32% in 2021-22
	✓ Average Book-to-Bill ratio: c. 1.0x	→ c. 1.0x ¹
Shareholder remuneration →	✓ Shareholder Remuneration: €10 m (Scrip Dividend + share buy-back)	→ €10 m ✓

Guidance for FY 2022 confirmed and subject to high macroeconomic and geopolitical risks

1) The Company is working in commercial opportunities with high probability to happen in the following months and therefore meet order intake targets in the overall 2022-2023 period, keeping a solid backlog at any time.

Annex - Alternative Performance Measures: definitions

- **EBITDA:** Earnings Before Interest Taxes Amortization and Depreciation (“EBITDA”). It corresponds to Net Operating Income plus amortization and depreciation. This indicator are aligned with market practice.
- **EBIT:** Earning Before Interest and Taxes (“EBIT”). It corresponds to Net Operating Income. This indicator are aligned with market practice.
- **Adjusted EBITDA and EBIT:** Adjusted EBITDA (“aEBITDA”) and EBIT (“aEBIT”) are Key Performance Indicator to present the level of recurring operational performance. Adjustments to EBITDA include non-recurring costs, primarily guarantees, redundancies and obsolescence. These indicators are aligned with market practice and comparable to direct competitors.
- **Capex:** Capital Expenditures or investments in fixed assets dedicated for the business operations. Includes capitalised development costs. Does not include proceeds from disposals of fixed assets.
- **Net Financial Debt:** The net cash/(debt) is defined as cash and cash equivalents less short and long-term financial liabilities, including financial leasing. Net Financial Debt excludes repayable advances with entities belonging to the Spanish Public Administration relating to R&D, which are not considered financial debt due to their recurrence and zero interest rates.
- **Order backlog:** The backlog represents the total amount revenues expected to be accounted in the future business based on already awarded and signed contracts. It is measured based on the value signed by contract in case of manufacturing and overhaul contracts, while maintenance contracts are based on estimates considering time and unit price. It does not consider inflation adjustments.
- **Pipeline:** the Pipeline represent the theoretical value of opportunities in which the company is working on from a commercial perspective. The represented value is an estimate, and it might vary throughout the time. It does not represent any probability nor the exact value or guidance of offers submitted by the company.
- **Last Twelve Months:** Last Twelve Months (“LTM”) is a measurement used to calculate certain ratios based on Key Performance Indicators.

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