Talgo 2019 3Q Results

November 14th, 2019

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Superior business performance supported by a strengthened backlog and a proven commercial strategy to ensure company sustainable growth

Revenues

- **Net Revenues reached 275.5 €m in 9M2019**, reflecting the expected industrial activity ramp-up that shall continue in following quarters.
- **Maintenance services and overhaul business lines providing revenues stability and smooth growth** by contributions of new projects (i.e. Saudi maintenance).

Profitability

- **Projects executed on time and on budget, in line with company guidance for the year. Adjusted EBITDA and Adjusted EBIT amounted 50.5 €m and 41.9 €m** in the period, respectively (margins at 18.3% and 15.2%, respectively).

Net profit

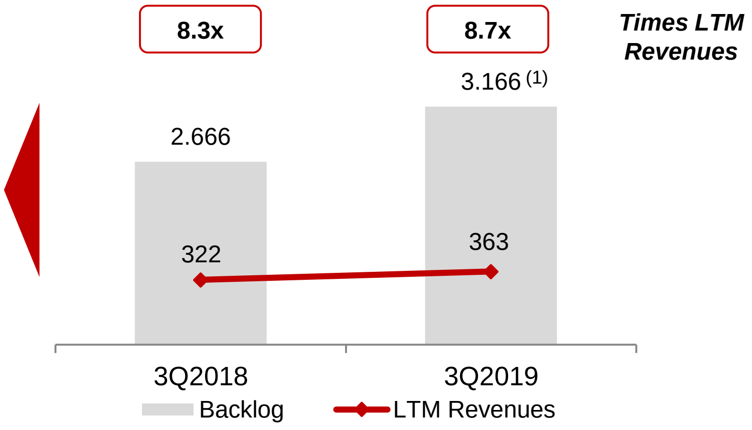
- **Adjusted Net Profit reached 26.2 €m, 27% higher than same period in 2018,** mainly due to less D&A and lower financial costs registered.

Capital Structure

- **Working Capital evolved in line** with manufacturing projects execution phase and collections scheme.
- **Ongoing Share Buy-back Programme** with 9.6 million shares (53 €m) acquired as of October 2019.

Strengthened backlog supported by recent awarded high quality manufacturing projects (€m)

- LTM Revenues starts to reflect the beginning of a **new business growth cycle**, supported by recent awards that has strengthened the backlog with high quality projects reaching over 3 €b in orders.
- **Manufacturing projects enhancing industrial activity**:
  - ✓ **Spain VHS project** to be the main driver of industrial activity growth for the period 2019-2021.
  - ✓ **Deutsche Bahn project in initial engineering phases**.
  - ✓ **Overhaul business line** provides a balanced mix of projects with LACMTA (USA) in the right path of execution, and Spanish night trains refurbishment and Metrolink (USA) in their initial phases.



(1) Does not include value of projects awarded and yet signing process, which would amount additional 317 €m.
Source: Company information

Announced strengthened commercial strategy is consolidating Talgo product positioning worldwide and with very positive outlook

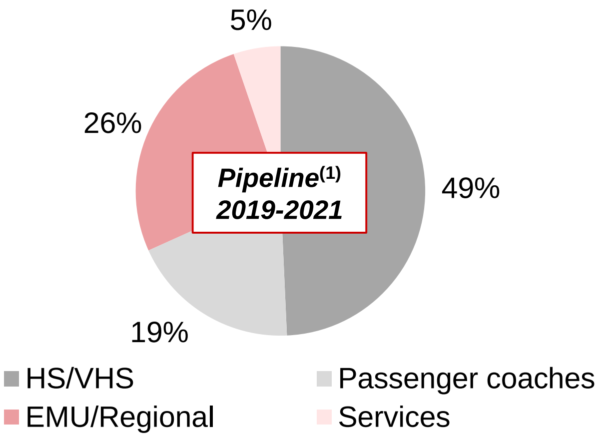
Strong order intake reaching above 1 €b in the period 2018-2019 to meet company guidance

- **New orders amounted 827 €m in 9M2019**, comprising a balanced and diversified portfolio of manufacturing and maintenance projects that ensures a strong industrial activity for the following years.
- Among the projects awarded, the following may be highlighted:
  - ✓ **DB (Germany): project to manufacture 23 trains with a total value amounting 550 €m** (project comprised in the framework agreement signed for the manufacturing of up to 100 trains).
  - ✓ **ENR (Egypt)**: manufacturing of **6 trains and maintenance services for 8 years** (value amounting 158 €m).
  - ✓ **UTY (Uzbekistan):** manufacturing of **2 trains and additional coaches and spare parts** (value amounting 52 €m).
  - ✓ **SCRRA (USA)**: rebuild up to **121 rail vehicles** (up to 78 $m including the option).

Commercial activity focused on selected high-quality projects amounting 8.5 €b

- Talgo is currently working on over 25 commercial opportunities expected to be awarded in the short and medium term **with a total value amounting 8.5 €b.**
- Positive perspectives in 1) **VHS segment** with attractive opportunities in UK (HS2) and Spain (liberalization of rail passenger transportation) and 2) **Commuter segment** where Spain states as strongest source of opportunities in 2020.

During 2019, Talgo has submitted a number offers keeping its characteristic discipline in terms of selectivity that follows the strategy to sustainably grow while consolidating the company international positioning in VHS and long distance while entering in new segments.



(1) Approximated amounts based on available information. Maintenance activity is included according to availability.
(2) (Southern California Regional Rail Authority) to the Talgo-SYSTRA joint venture

Source: Company

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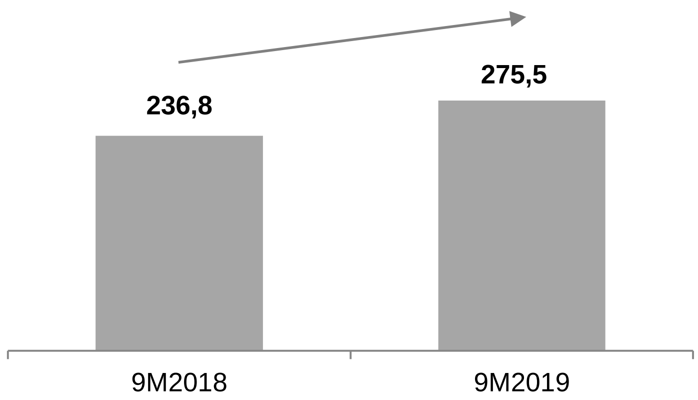
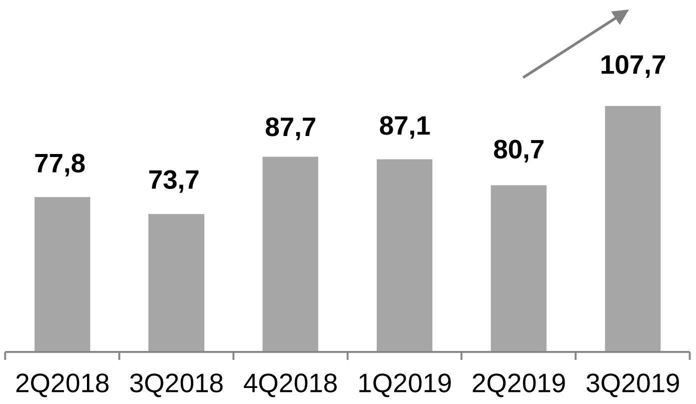
Turning point in revenue performance to consolidate a starting strong revenue growth trend

Revenues QoQ (€m)



Revenues evolution (€m)

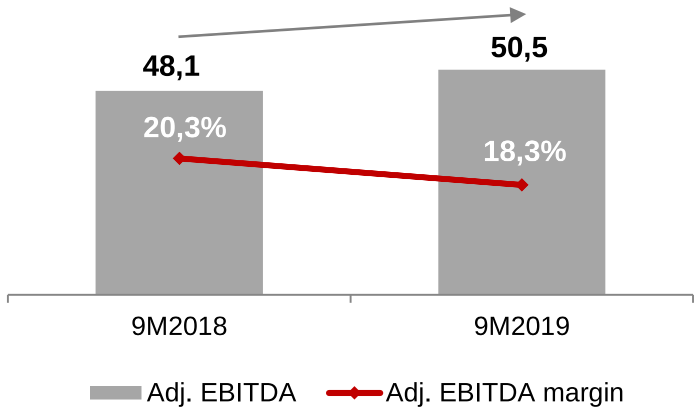


- **Talgo's strong manufacturing backlog is expected to continue leading revenue growth in the following quarters, which alongside with the unconditional support of the recurrent maintenance and services projects, will draw the new growth cycle headed to reach highest all-time revenue levels.**
- Stronger industrial activity registered in the period **speeded up revenue growth, reaching 275.5 €m in 9M2019** mainly driven by a solid activity increase in Spanish VHS manufacturing contract. Projects more recently awarded are expected to enhance such growth from 2020 onwards.
- Significantly remarkable that all projects in backlog will be undertaken in existing manufacturing facilities, not needing extraordinary capex to ensure their satisfactory execution performance.
- On a quarterly basis, **revenues amounted 107.7 €m in the period, highest level since 1Q2017**, which confirms the growth guidance forecasted in the previous quarters.

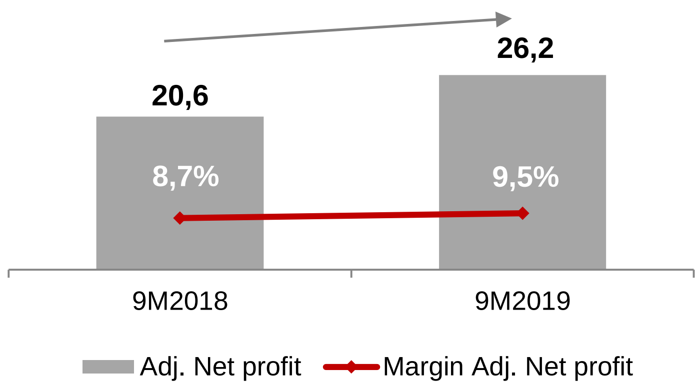
Source: Company information

Solid projects performance with successful execution to meet clients expectations while delivering strong margins

Adjusted EBITDA(1) (€m) and margin (%)



Adjusted Net Profit (€m) and margin (%)



- **Delivered operating margins reflect a successful execution of projects and in-depth cost control in all areas. All in, Talgo aims to maintain current guidance for year end at 18%, which confirms the quality of projects in backlog and a satisfactory projects management.**
- Industrial activity upturn resulted on higher margins, with **adjusted EBITDA(1) amounting 50.5 €m in 9M2019** (+5% over same period in 2018) and best-in-class **margins at 18.3%**.
- **Adjusted Net Profit reached 26.2 €m in 9M2019 (9.5% margin)**, 27% higher than in 2018 mainly due to less financial expenses (cost of financial debt, bank guarantees and positive exchange rates differences) and depreciation & Amortization (Avril project was fully amortized in 4Q2018).

(1) **Adjustments to EBITDA includes one-off items, mainly layoff compensations and bank guarantee fees**

Source: Company information

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Mix of good business performance and compliance of main market catalysts drives Talgo to expect a successful year 2019

	Outlook at 1H2019	Outlook update for FY2019
Business performance	▪ Strong double digit revenue increases expected for the year, reflecting manufacturing ramp-up of ongoing projects. ▪ Maintenance: acting as a stable and solid base of revenues contributor. ▪ Order book: Company target >1.3 Book to Bill is maintained (2 years average 2018-2019).	▪ **Strong double digit growth** driven by progress manufacturing projects is still expected for FY2019. ▪ Maintenance successful performance expected for the year in all projects. ▪ Commercial activity maintained with the focus on growth and diversification. Target at >1.3 Book-to-bill (2 years average) is maintained.
Profitability	▪ Profitability: Adjusted EBITDA margin at c. 18% for FY2019.	▪ Profitability: **Adjusted EBITDA margin target is maintained at 18% for FY2019.**
Cash Flow and Capital Structure	▪ Neutral Cash flow performance expected for 2019. ▪ Slight increase of net cash position in 2019. ▪ Capex of c. 20 €m.	▪ **Net cash position for year end 2019,** in line with 2018 cash position considering: ○ Successful cash flow performance in projects under execution. ○ Cash allocation to share buy-back programme and projects financing. ▪ Capex of c. 20 €m.
Shareholders Remuneration	▪ Continue share buy-back programme execution throughout 2019 (c. 50% executed as of October 2019).	▪ Company commitment to continue its Share buy-back programme execution in 2019.

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Appendix 1. Profit & Loss

Profit & Loss Account (€m)	9M19	9M18	% Change
Total net turnover	**275.5**	**236.8**	***16.3%***
Other income	4.0	2.6	*51.5%*
Procurement costs	(101.1)	(67.0)	*50.8%*
Employee welfare expenses	(90.4)	(82.1)	*10.1%*
Other operating expenses	(41.2)	(47.3)	*(13.1%)*
EBITDA	**46.8**	**42.9**	*9.1%*
% Ebitda margin	*17.0%*	*18.1%*	
IFRS 16 adjustment	(1.6)	-	
Other adjustments	5.4	5.2	*3.1%*
Adjusted EBITDA	**50.5**	**48.1**	***5.1%***
% Adj. Ebitda margin	*18.3%*	*20.3%*	
D&A (inc. depreciation provisions)	(12.0)	(16.9)	*(28.9%)*
EBIT	**34.8**	**26.0**	***33.8%***
% Ebit margin	*12.6%*	*11.0%*	
Other adjustments	5.4	5.2	*3.1%*
VitTal Amortization	1.7	8.5	*(80.2%)*
Adjusted EBIT	**41.9**	**39.7**	***5.5%***
% Adj. Ebit margin	*15.2%*	*16.8%*	
Net financial expenses	(4.9)	(7.2)	*(31.8%)*
Profit before tax	**29.9**	**18.9**	**58.7%**
Tax	(5.0)	(4.6)	*8.8%*
Profit for the period	**24.9**	**14.3**	***74.9%***
Adjusted Profit for the period	**26.2**	**20.6**	***27.1%***

Source: Company information