


# 9M 2015 Results (January-September)

**Madrid, November 13th 2015**

# Table of Contents


1. 9M 2015 Highlights
2. Summary Profit & Loss Account
3. Outlook


*APPENDIX*


- *Detailed P&L*
- *P&L Quarterly*
- *P&L 3Q15 vs. 3Q14*

# 1. 9M 2015 Highlights

*Strong results with outstanding growth in margins and net profit*

- **Backlog execution on track** at above expected margins
- **Net Turnover € 357.1 mm: +38%** vs. 9M14
  - FY 2015 revenues expected to be in line with company target as stated in the 1H15 results presentation
- **Adj. EBITDA* € 91.7 mm; +74%** vs. 9M14 (25.7% margin vs. 20.4% in 9M14)
- **Adj. EBIT* € 83.6 mm; +80%** vs. 9M14 (23.4% margin vs. 17.9% in 9M14)
  - Company expects to achieve EBIT target for 2015 with higher than expected margin due to cost savings achieved in fully executed manufacturing projects
- **Adj. Net Profit* € 65.2 mm**; +98% vs. 9M14
- **Deleverage in Q3 2015 in line with company forecast**
- **Backlog of € 3.4 bn**
- Sale of 2 trains T-250 to "Uzbekiston Temir Yollari" (Uzbekistan Railways) for € 38 mm. The maintenance contract is currently being negotiated.
- YTD 2015 the company has signed €12 mm in new contracts in the maintenance systems division

** See adjustments in page 7*

## 2. Summary Profit & Loss Account

*Execution of backlog leading to outstanding returns and margins with adj. EBITDA margin of 25.7% and adj. EBIT margin of 23.4%*

| Profit & Loss Account | 9M15 | 9M14 | % Change |
|---|---|---|---|
| ***€mm*** | | | |
| **Total Net Turnover** | **357.1** | **258.7** | **38.0%** |
| **EBITDA** | **77.0** | **44.0** | **75.1%** |
| *% margin* | *21.6%* | *17.0%* | |
| **Adjusted EBITDA** | **91.7** | **52.8** | **73.9%** |
| *% margin* | *25.7%* | *20.4%* | |
| **EBIT** | **63.5** | **31.5** | **101.6%** |
| *% margin* | *17.8%* | *12.2%* | |
| **Adjusted EBIT** | **83.6** | **46.4** | **80.1%** |
| *% margin* | *23.4%* | *17.9%* | |
| **Profit for the year** | **50.7** | **22.5** | **124.9%** |
| **Adjusted Profit for the year** | **65.2** | **33.0** | **97.6%** |

- Sales growth driven by higher manufacturing and maintenance revenues from execution of contracted backlog
- Adj. EBITDA and Adj. EBIT margins benefiting from:
  - the stage of completion of large manufacturing projects
  - growth in the maintenance fleet
- Adj. Net Income +98% vs. 9M14

# 3. Outlook

*Given the positive performance of Talgo during 9M 2015, the company confirms the following guidance:*

| | The Future Ahead |
|---|---|
| **Net Turnover** | ▪ Expected cumulative backlog completion of c. 30-35% during 2015 and 2016<br>• 2015 expected to be in line with company target adjusted by Damman-Riyadh. A potential delay in the sale of Wisconsin trains would push these revenues to 2016<br>• Identified manufacturing contract pipeline of €9.9-€13.4bn over the next 4 years |
| **EBITDA & EBIT** | ▪ Company expects to achieve EBIT target for 2015 with higher than expected margin due to cost savings achieved in fully executed manufacturing projects<br>▪ Adj. EBIT margin for 2016 expected to be in line with historical 2013-14 average |
| **Capex** | ▪ Recurring capex in line with historical absolute levels<br>▪ c. €20-35 mm of extraordinary capex over 2015-2016 for (i) finalisation of capacity expansion and (ii) new product development |
| **Net Debt** | ▪ Considering MIP and IPO expenses (€112m), first payment of Tulpar acquisition (€23m), Wisconsin trains sale delay (15€m) and Dammam-Riyadh cancellation (12€m), net financial debt at year end will be in the region of 1.2x - 1.3x EBITDA |
| **Net Profit** | ▪ Company will close 2015 with significant higher reported net income than expected as a result of booking the MIP impact directly against reserves. No impact on tax shield from MIP, which is fully accountable |
| **Dividends** | ▪ Target dividend pay-out ratio of c.20-30%<br>▪ First dividend starting in 2016 |

# Appendix

- Detailed Profit & Loss Account
- Profit & Loss Account Quarterly
- Profit & Loss Account 3Q15 vs. 3Q14

# I. Profit & Loss

*Adj. EBIT +80% vs. 9M14; adj. EBIT margin 23.4% vs. 17.9% in 9M14*

| Profit & Loss Account | 9M15 | 9M14 | % Change |
|---|---|---|---|
| **€mm** | | | |
| **Total net turnover** | **357.1** | **258.7** | **38.0%** |
| Other income | 6.8 | 6.0 | 13.7% |
| Procurement costs | (168.7) | (110.4) | 52.9% |
| Employee welfare expenses | (73.8) | (72.0) | 2.5% |
| Other operating expenses | (44.4) | (38.4) | 15.6% |
| **EBITDA** | **77.0** | **44.0** | **75.1%** |
| *% margin* | *21.6%* | *17.0%* | |
| IPO costs & Shares for Employees | 11.5 | 1.2 | 819.1% |
| Management Incentive Plan | 3.2 | 7.5 | -57.3% |
| **Adjusted EBITDA** | **91.7** | **52.8** | **73.9%** |
| *% margin* | *25.7%* | *20.4%* | |
| D&A (inc. depreciation provisions) | (13.5) | (12.5) | 8.3% |
| **EBIT** | **63.5** | **31.5** | **101.6%** |
| *% margin* | *17.8%* | *12.2%* | |
| IPO costs & Shares for Employees | 11.5 | 1.2 | 819.1% |
| Management Incentive Plan | 3.2 | 7.5 | -57.3% |
| AVRIL Amortization | 6.0 | 5.7 | 4.7% |
| Depreciation provisions | (0.5) | 0.5 | -216.7% |
| **Adjusted EBIT** | **83.6** | **46.4** | **80.1%** |
| *% margin* | *23.4%* | *17.9%* | |
| Net financial expenses | (3.7) | (4.5) | -18.0% |
| **Profit before tax** | 59.8 | 27.0 | 121.6% |
| Tax | (9.1) | (4.5) | 105.2% |
| **Profit for the year** | **50.7** | **22.5** | **124.9%** |
| **Adjusted Profit for the year** | 65.2 | 33.0 | **97.6%** |

- Higher turnover in 9M 2015 vs 9M 2014 mostly driven by manufacturing revenues from execution of contracted backlog
- Adj. EBITDA and Adj. EBIT higher than 9M 2014 due to the increase in manufacturing activity and control of overhead expenses:
  - Versus a 38% revenue increase, personnel costs without one offs grow just by 1.4%
  - Other operating expenses without IPO costs and one-offs grow in 9M 2015 just by +2.6% (vs. +15.6%)
- Adj. EBITDA and Adj. EBIT relative margins significantly above 9M 2014
- Adjustments include one off items:
  - IPO costs (€ 4.5 mm) included under “Other operating expenses”
  - Cost related to the disbursement of shares to employees after the IPO (€ 5.2 mm) included under Employee welfare expenses
  - MIP (€ 3.2 mm) liquidated at listing
  - AVRIL Amortization (€ 6 mm)
- Following auditor’s request, Talgo has booked the impact of the Management Incentive Plan “MIP” (linked to the listing and already liquidated) directly against reserves in shareholders equity (net of fiscal impact), with no effect on P&L (except for the amount already provisioned prior to the IPO)

# II. P&L:  2015 Quarterly

| Profit & Loss Account | 3Q15 | 2Q15 | 1Q15 |
|---|---|---|---|
| **€mm** | | | |
| **Total net turnover** | **143.1** | **127.5** | **86.5** |
| Other income | 0.4 | 5.6 | 0.8 |
| Procurement costs | (65.0) | (69.4) | (34.3) |
| Employee welfare expenses | (23.0) | (26.6) | (24.2) |
| Other operating expenses | (17.7) | (13.9) | (12.8) |
| **EBITDA** | **37.8** | **23.1** | **16.1** |
| *% margin* | *26.4%* | *18.1%* | *18.6%* |
| Other adjustments | 0.0 | 10.1 | 1.3 |
| Long-term stock compensation plan | 0.0 | 1.6 | 1.6 |
| **Adjusted EBITDA** | **37.8** | **34.8** | **19.1** |
| *% margin* | *26.4%* | *27.3%* | *22.0%* |
| D&A (inc. depreciation provisions) | (4.5) | (4.5) | (4.5) |
| **EBIT** | **33.3** | **18.6** | **11.7** |
| *% margin* | *23.3%* | *14.6%* | *13.5%* |
| Other adjustments | 0.0 | 10.1 | 1.3 |
| Long-term stock compensation plan | 0.0 | 1.6 | 1.6 |
| AVRIL Amortization | 2.0 | 2.0 | 2.0 |
| Depreciation provisions | (0.4) | (0.2) | 0.0 |
| **Adjusted EBIT** | **34.9** | **32.2** | **16.6** |
| *% margin* | *24.4%* | *25.2%* | *19.2%* |
| Net financial expenses | (1.4) | (1.9) | (0.5) |
| **Profit before tax** | **31.9** | **16.7** | **11.2** |
| Tax | (4.8) | (1.7) | (2.7) |
| **Profit for the year** | **27.1** | **15.0** | **8.5** |
| **Adjusted Profit** | **28.3** | **24.8** | **12.1** |

# III. P&L:  3Q15 vs 3Q14

*Ad. EBIT margin 24,4% vs. 19,3% in 3Q14*

| Profit & Loss Account | 3Q15 | 3Q14 | % Change |
|---|---|---|---|
| **€mm** | | | |
| **Total net turnover** | **143.1** | **80.1** | **78.6%** |
| Other income | 0.4 | 3.6 | -88.2% |
| Procurement costs | (65.0) | (28.3) | 129.4% |
| Employee welfare expenses | (23.0) | (24.4) | -5.6% |
| Other operating expenses | (17.7) | (16.3) | 8.6% |
| **EBITDA** | **37.8** | **14.7** | **156.6%** |
| *% margin* | *26.4%* | *18.4%* | |
| Other adjustments | 0.0 | 0.4 | -98.5% |
| Long-term stock compensation plan | 0.0 | 2.5 | -100.0% |
| **Adjusted EBITDA** | **37.8** | **17.6** | **114.5%** |
| *% margin* | *26.4%* | *22.0%* | |
| D&A (inc. depreciation provisions) | (4.5) | (4.0) | 12.1% |
| **EBIT** | **33.3** | **10.7** | **211.3%** |
| *% margin* | *23.3%* | *13.3%* | |
| Other adjustments | 0.0 | 0.4 | -98.5% |
| Long-term stock compensation plan | 0.0 | 2.5 | -100.0% |
| AVRIL Amortization | 2.0 | 1.9 | 4.5% |
| Depreciation provisions | (0.4) | (0.1) | 615.1% |
| **Adjusted EBIT** | **34.9** | **15.4** | **126.0%** |
| *% margin* | *24.4%* | *19.3%* | |
| Net financial expenses | (1.4) | (1.9) | -28.8% |
| **Profit before tax** | 31.9 | 8.8 | 263.5% |
| Tax | (4.8) | (1.2) | 296.6% |
| **Profit for the year** | **27.1** | **7.6** | **258.2%** |
| **Adjusted Profit** | **28.3** | **10.7** | **164.5%** |

# Disclaimer

This presentation has been prepared and issued by Talgo, S.A. (the “Company”) for the sole purpose expressed therein. Therefore, neither this presentation nor any of the information contained herein constitutes an offer sale or exchange of securities, invitation to purchase or sale shares of the Company or its subsidiaries or any advice or recommendation with respect to such securities.

The content of this presentation is purely for information purposes and the statements it contains may reflect certain forward-looking statements, expectations and forecasts about the Company and/or its subsidiaries at the time of its elaboration. These expectations and forecasts are not in themselves guarantees of future performance as they are subject to risks, uncertainties and other important factors beyond the control of the Company and/or its subsidiaries that could result in final results materially differing from those contained in these statements.

This document contains information that has not been audited. In this sense, this information is subject to, and must be read in conjunction with, all other publicly available information.

This disclaimer should be taken into consideration by all the individuals or entities to whom this document is targeted and by those who consider that they have to make decisions or issue opinions related to securities issued by the Company.

In general, neither the Company or any of its subsidiaries, nor their directors, representatives, associates, subsidiaries, managers, partners, employees or advisors accept any responsibility for this information, the accuracy of the estimations contained herein or unauthorized use of the same. The Company expressly declare that is not obligated to updated or revise such information and/or estimations.