Results 9M 2023

Talgo increases revenues by 33.5% up to September and improves its outlook for 2023

- Revenues reach €470.3 m in the first nine months of the year, a 33.5% increase compared to the same period last year, driven mainly by increased industrial activity.
- This growth in industrial activity, coupled with extraordinary gains from the DB (Germany) and DSB (Denmark) contract extensions, boosted adjusted EBITDA up 68% to €64.5 m, and underpinned the improved outlook for 2023 in both revenues and operating margins.
- Talgo highlights its good commercial momentum with new contracts worth more than €1.9 bn, driving the order backlog to record highs up to €4.2 bn, which provides high visibility of industrial activity in the international scenario in the long term.

Madrid, 14th of November of 2023

Talgo S.A., a leading company in the design, manufacture, and maintenance of high-speed light trains, registered a revenue of €470.3 m in the first nine months of 2023, up by 33.5% compared to the €352.2 m registered in the same period of the previous year. This revenue growth was mainly driven by the company's increased manufacturing activity and contract extensions with European rail operators in Germany (DB) and Denmark (DSB). The project for the manufacturing and overhaul of trains for Renfe that will constitute the 107 series, as well as stable recurring revenues from maintenance services, further contributed to revenue growth up until September.

Talgo registered an adjusted EBITDA of €64.5 m in the first nine months of 2023, 68% higher than in the same period of the previous year. The increase in adjusted EBITDA in the third quarter of the year was due, on one hand, to the stabilization of operating margins and, on the other, to extraordinary income stemming from the extensions of existing contracts. In this regard, the company increased its margins to 13% compared to 10.9% in the same period of 2022, higher the 2023 forecast. Even so, Talgo continues to point to macroeconomic and geopolitical uncertainties as conditioning factors for project performance, especially in terms of the supply chain and financial costs.

Order backlog at record high

Talgo experienced a strong positive trend on the commercial front, raising its order backlog to an all-time high of €4.2 bn, driven by more than €1.9 bn in new orders reached in the first nine months of the year. As a result, Talgo exceeds its expectations for new orders and consolidates an order backlog that provides a high degree of visibility on the level of industrial activity in the coming years.

In this regard, recent design and manufacturing contracts have raised Talgo's profile and presence in international market, such as the aforementioned contract extensions for European rail operators in Germany (DB) and Denmark (DSB), as well as the extension of the maintenance contract for the high-speed train fleet in Spain under the name S130/730. In addition, the €280 m contract with the Egyptian operator ENR for the manufacture of seven night trains is expected to come into effect shortly, pending the fulfilment of certain precedent conditions.

Note: This press release contains alternative performance measures ("APM") as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA) on October 5th, 2015. The breakdown and definitions of these measures, which are intended to be reconciled to International Financial Reporting Standards, can be found in the First Quarter of 2023 Results Presentation, which can be accessed through the website of the Spanish Securities and Exchange Commission (www.cnmv.es) or through Talgo's investor website (https://investors.talgo.com/es/informaci%C3%B3n-financiera-trimestral-2023).

Maintenance services, which generate recurring revenue and cash-flow in the long term, accounted for 46% of the company's current order backlog. In this sense, Talgo highlights the growth potential of this area, driven by the new fleets entering into activity.

In order to mitigate the negative impact of exogenous factors, such as inflation, and to protect project margins, Talgo continued to work on the inclusion of indexation clauses in contracts and pass-through of financial expenses related to project financing, as well as on supply chain related aspects, such as relocation and expansion of the supplier base.

2023 Outlook

The increase in industrial activity, as well as the current commercial momentum and extraordinary revenues from agreement extensions, led Talgo to improve its outlook for 2023. This improved forecast impacts both revenues and operating margins.

Regarding backlog execution, Talgo also improves its forecasts in terms of the increase in the rate of execution of projects in the portfolio, with an execution rate of 45% in the current order backlog, compared to the 40% forecast for the 2023-2024 period.

Furthermore, the company confirms the improvement of its commercial expectations published in the financial results for the first half of 2023, with a book-to-bill ratio of 3.5x, which reflects the positive commercial trend that Talgo is experiencing. Moreover, the company continues to benefit from the commercial momentum in the sector and is working on a wide range of opportunities in the pipeline over €10 bn. With a worldwide commercial presence, Talgo maintains its focus on EMEA key markets and long-distance segments, leveraging on the company's latest technological developments.

In terms of profitability, the results obtained at the end of the third quarter drive Talgo to improve its adjusted EBITDA forecast from 12% to 13%.

On the other hand, the current execution schedule of the manufacturing projects increases the forecast of Working Capital (WC) for the end of the year, although the weighting over revenues remains stable thanks to the higher level of activity. This translates into a slight increase in financial leverage for 2023, rising from 2.0x adjusted EBITDA to 2.5x. Nevertheless, Talgo notes that the customer portfolio, and the current projects that comprise it, have a low execution risk profile.

The company also foresees some savings in terms of Capex investments, reducing the estimates from €30 m to €20 m for the whole of 2023.

Committed to its shareholders

Talgo launched in the first half of 2023 a Remuneration Program amounting to €12 m, representing a 20% increase over the previous year. This time too, it was agreed to implement a Scrip Dividend, offering shareholders a choice between shares or cash, followed by a share buyback.

83% of the company's shareholders chose to receive the flexible dividend in shares, rather than in cash, reinforcing their position in Talgo's share capital which is, once again, a clear sign of shareholders' support and confidence in the company's future.

Note: This press release contains alternative performance measures ("APM") as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA) on October 5th, 2015. The breakdown and definitions of these measures, which are intended to be reconciled to International Financial Reporting Standards, can be found in the First Quarter of 2023 Results Presentation, which can be accessed through the website of the Spanish Securities and Exchange Commission (www.cnmv.es) or through Talgo's investor website (https://investors.talgo.com/es/informaci%C3%B3n-financiera-trimestral-2023).

The Share Buyback Program is currently ongoing with 25% completed so far. This program provides for the subsequent redemption of shares acquired, in order to eliminate the dilutive effect on shareholders who chose to receive their dividend in cash, and at the same time will increase the stake of shareholders who decided to receive their remuneration shares, thus 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.

For further information, please contact:

Press contact:
Aída Prados, Berta de Arístegui and Íñigo Palacio – Estudio de Comunicación
Email: talgo@estudiodecomunicacion.com
Phone no.: +34 91 576 52 50

Note: This press release contains alternative performance measures ("APM") as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA) on October 5th, 2015. The breakdown and definitions of these measures, which are intended to be reconciled to International Financial Reporting Standards, can be found in the First Quarter of 2023 Results Presentation, which can be accessed through the website of the Spanish Securities and Exchange Commission (www.cnmv.es) or through Talgo's investor website (https://investors.talgo.com/es/informaci%C3%B3n-financiera-trimestral-2023).