



# Results Presentation FY2021

24 February 2022

*Talgo*

# Table of contents

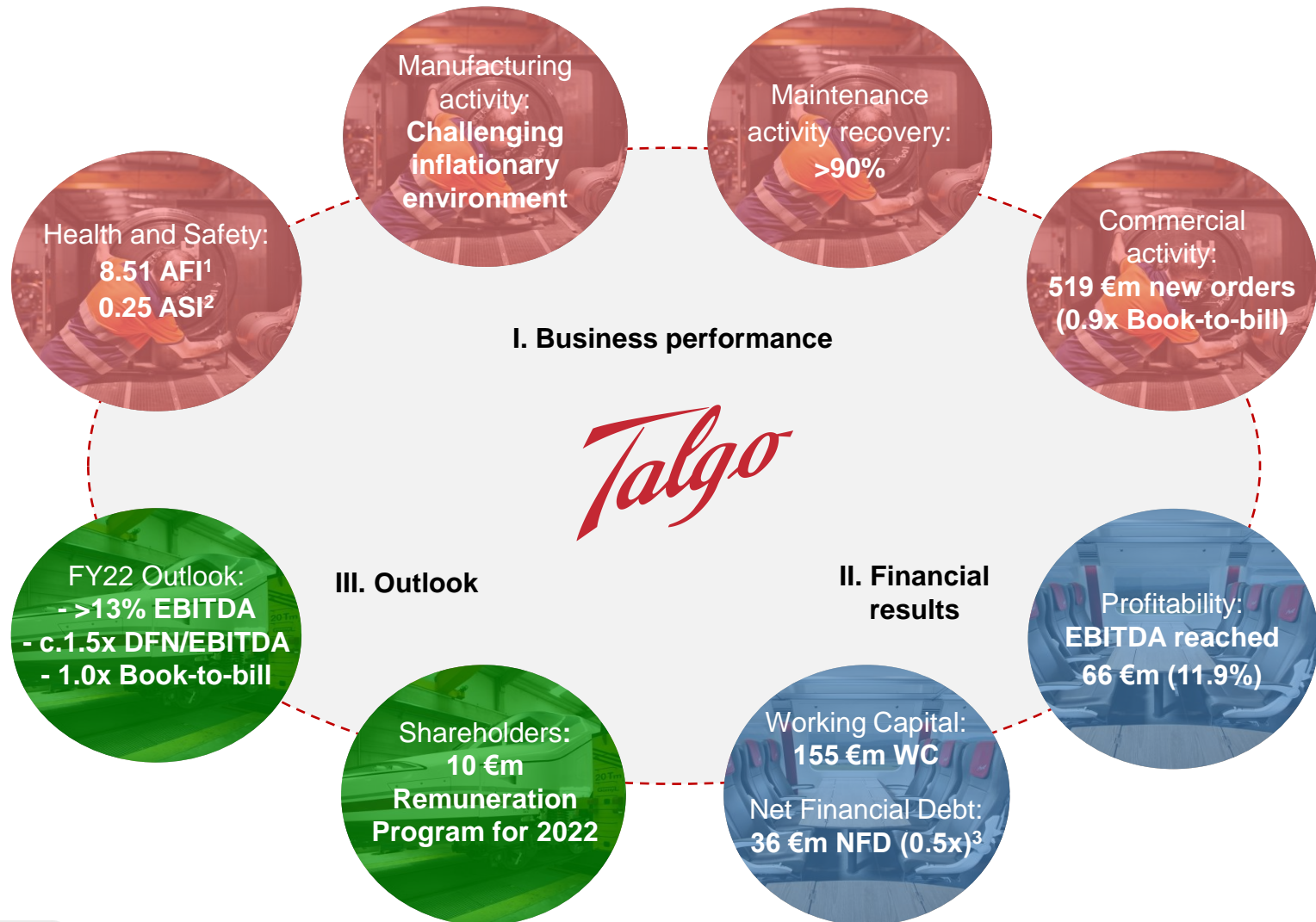
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- 1. Key Highlights**
2. Other materials
  - I. Business performance
  - II. Financial results

*ANNEX*



# Key Highlights



(1) Accident Frequency Index: Includes Talgo Group FTEs. Industrial accidents per million man-hours worked. Includes Talgo Group FTEs  
(2) Accident Severity Index: Number of working days per 1,000 hours worked.  
(3) Times LTM Adjusted EBITDA

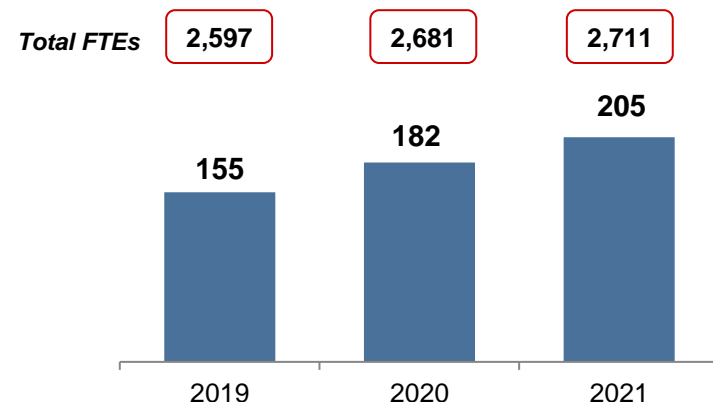
# I. Business performance (I/III)

- Talgo Operational Excellence Model consider **Health & Safety as main priority**, with a clear objective to target **zero accidents in the business activity**.
- Strong measures still in place for the **prevention and protection of employees** in the fight against COVID-19.
- Workforce committed with **best-in-class quality and safety standards, productivity and results oriented**:
  - Long-term collective bargaining agreement (2021-2025) linked to productivity recently reached .
  - Increasing Productivity with **above 200 €k per FTE**.

## ORP<sup>1</sup> main figures

	2019	2020	2021
<b>Frequency Index:<sup>2</sup></b>			
Talgo	7.47	7.85	8.51
Spain	19.50	-	-
Industry	31.90	-	-
<b>Severity Index:<sup>3</sup></b>			
Talgo	0.25	0.23	0.25
Spain	0.61	-	-
Industry	0.96	-	-

## Revenues per FTE (€k)



(1) Occupational Risk Prevention  
 (2) Industrial accidents per million man-hours worked. Includes Talgo Group FTEs  
 (3) Number of working days per 1,000 hours worked. Includes Talgo Group FTEs

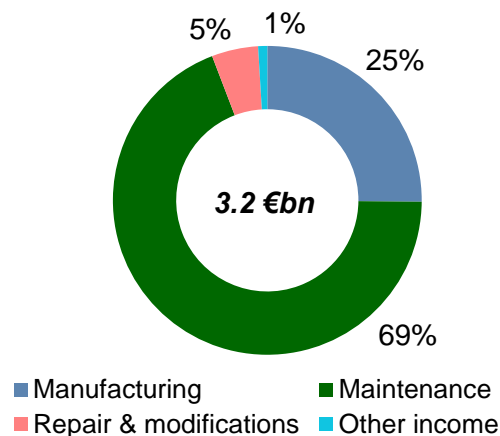
# I. Business performance (II/III)

- Challenging environment with increasing prices and supply chain disruptions still in place, which has led Talgo to adapt operations, thus **strengthening its business model to enhance efficiency and productivity.**
- **Maintenance at full speed** in all international markets as mobility restrictions are lifted. Meanwhile, Spain in its way to reach also 100% activity in 1H2022.
- **Manufacturing and overhaul** projects in line with expectations, with **international projects leading the workload.**

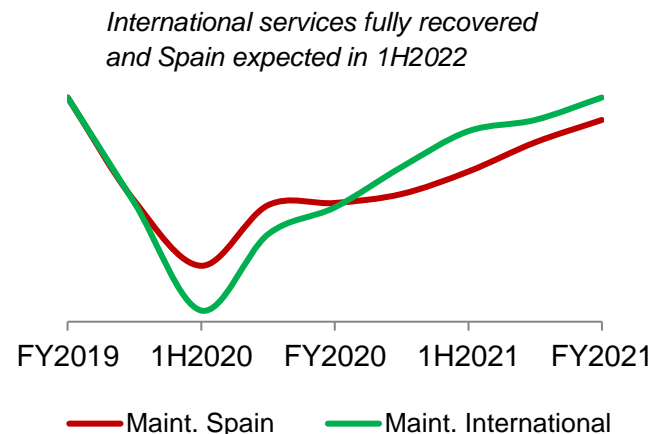
## Main figures 2021

- ✓ Maint. activity International: **100%**<sup>1</sup>
- ✓ Maint. activity Spain: **>85%**<sup>1</sup>
- ✓ Backlog: **3,249 €m**

## Backlog 2021 (€m)



## Maintenance activity rate (base 100)<sup>1</sup>



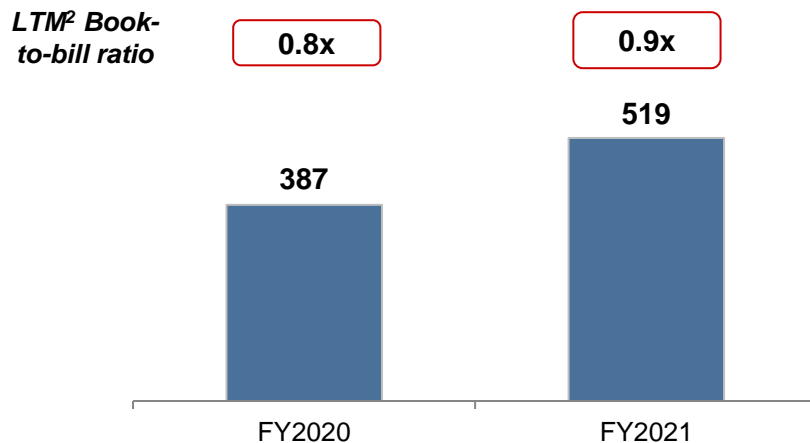
# I. Business performance (III/III)

- **High quality backlog with 519 €m of new orders signed in 2021.**
  - Manufacturing of VHS locomotives for RENFE (Spain) and extensions of current project for DSB (Denmark).
  - Overhaul and refurbishment projects in Spain.
  - Maintenance services for VHS trains in Spain, Saudi VHS fleet, Uzbekistan and USA.
- **Encouraging outlook** in the industry supported by ecological measures and **decarbonisation of transport in the coming years.**

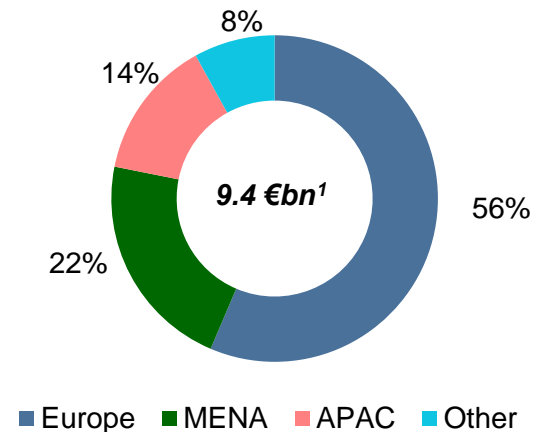
## Main figures 2021

- ✓ Order intake: **519 €m**
- ✓ Pipeline: **9.4 €bn** with strong focus in European markets

## Order intake (€m)



## Pipeline by geographical region 2021-2022<sup>1</sup>



(1) The pipeline may experience modifications both in terms of tender periods and scope. Estimates based on available information. Maintenance is included subject to availability  
 (2) Last Twelve Months

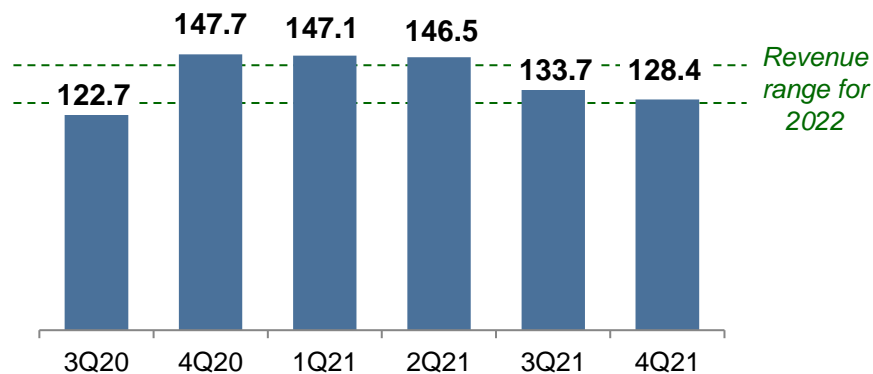
## II. Financial results – P&L

- High Revenue recognition driven by **manufacturing activity in the period** and supported by **recovery of maintenance services**.
- **Reaching cost-cutting measures objectives**, (objective to reduce by 15% the overhead expenses in the period 2021-22).
- **Improvement of EBITDA margins vs. 2020** supported by recovery of activity, although partially offset by impacts from current **challenging inflationary environment**.

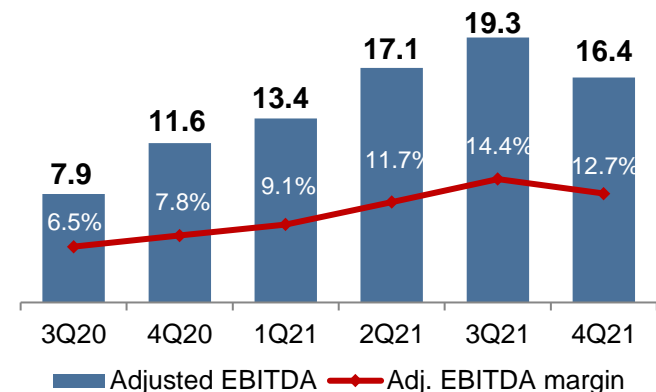
### Main figures 2021

- ✓ Revenues reached **555 €m**
- ✓ Adj. EBITDA: **66.2 €m (11.9% mg)**
- ✓ Overhead expenses reduction<sup>1</sup>: **c.10%**

### Quarterly revenues (€m)



### Adjusted EBITDA margin (%)



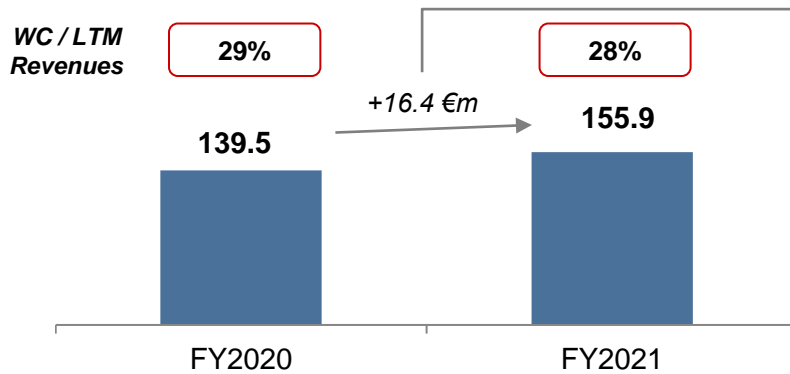
## II. Financial results – Balance Sheet (I/II)

### Main figures 2021

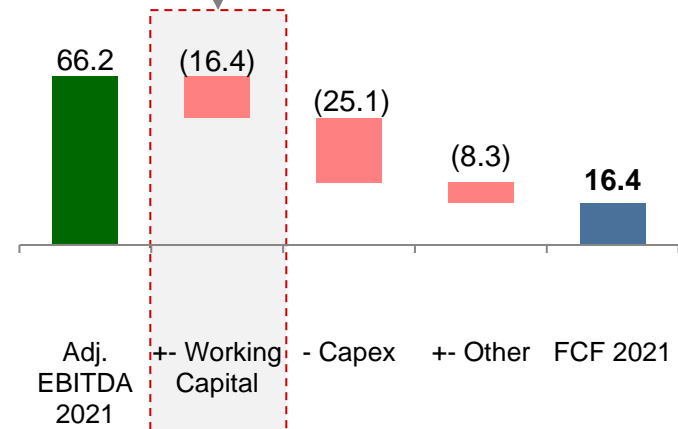
- **Positive working capital performance** in the year.
- **Capex in line with expectations (25 €m)**, highly focused on R&D activities (14 €m), highlighting the development of green technologies and new products.

- ✓ Working Capital: **156 €m**  
**(28% over revenues)**
- ✓ Free Cash Flow: **16 €m**

### Working Capital (€m)



### Conversion of EBITDA into FCF in 2021 (€m)





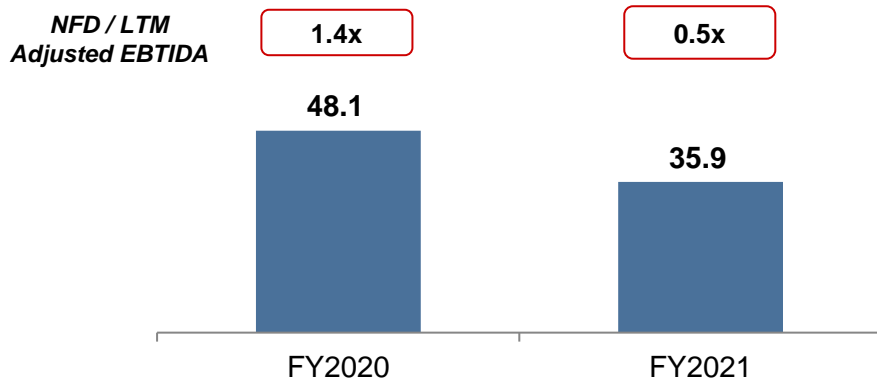
## II. Financial results – Balance Sheet (II/II)

- Sound financial profile with **reduced leverage ratios in the year** despite a higher manufacturing activity.
- **Financial debt was renegotiated in 2021....:**
  - **Maturity extended** (from 3.12 to 3.40 years).
  - **Average cost reduced** (from 1.61% to 1.03%).
- ... and a **green loan was signed with EIB** in Jan 2022:
  - 35 €m loan amortizing in up to 9 years.
  - Aimed to finance R&D latest developments.
- **Resulting high financial capacity** to accommodate projects financing and growth of the business.

### Main figures 2021

- ✓ Net Debt<sup>1</sup>: **36 €m (0.5x Adj. EBITDA)**
  - Avg. debt cost: **1.0%**
  - Avg. debt maturity: **3.4 years**
  - Debt maturity: **20 €m in 2022**
- ✓ Gross cash position: **253 €m.**
- ✓ Undrawn credit lines: **109 €m.**
- ✓ Project-based financing: AAD<sup>2</sup>

### Net Financial Debt (€m)



### Long-term debt profile (€m)

	Gross Debt (€m)	Avg. Maturity (y)	Average Cost (%)
FY2018	250.5	2.32	1.94%
FY2019	256.5	3.03	1.72%
FY2020	279.1	3.12	1.61%
FY2021	268.4	3.40	1.03%

### III – Outlook FY2021 review and FY2022 targets

		Performance FY2021	Targets FY2022
<b>Profitability</b>	✓ Adjusted EBITDA FY2021: <b>11-12%</b>	✓ <b>12%</b>	→ <b>&gt;13%<sup>1</sup></b>
<b>Capital structure</b>	✓ WC in 2021: <b>Contained cash consumption</b>	✓ <b>+16 €m</b>	→ <b>Cash consumption</b>
	✓ Net Debt in 2021: <b>c. 1.2x Adj. EBITDA</b>	✓ <b>0.5x</b>	→ <b>c. 1.5x</b>
	✓ Capex in 2021: <b>c. 25 €m</b>	✓ <b>25 €m</b>	→ <b>c. 25 €m</b>
<b>Business performance</b>	✓ Backlog execution in 2021-2022: <b>35-37%</b>	→ <b>Ongoing</b>	→ <b>c. 34% in 2021-2022</b>
	✓ Avg. Book-to-Bill in 2020-2021: <b>0.8-1.0x</b>	→ <b>0.9x</b>	→ <b>c. 1.0x</b>
<b>Strategy</b>	✓ Strategic Plan 2022-26: <b>Approval in 2H2021</b>	→ <b>Reviewed</b>	→ <b>-</b>
<b>Shareholder remuneration</b>	✓ <b>Launch of a new Shareholder Remuneration Program in 1H2022</b>	→ <b>-</b>	→ <b>10 €m<sup>2</sup></b> Expected to increase in following years in line with business performance

**Business resilience reflected in 2021 results and forecast 2022**



1) Impacted by context of increase in prices, supply chain constrains, geopolitical and logistics.  
 2) To be preliminary implemented through a Scrip Dividend and share buy back program  
 Source: Company

# Table of contents

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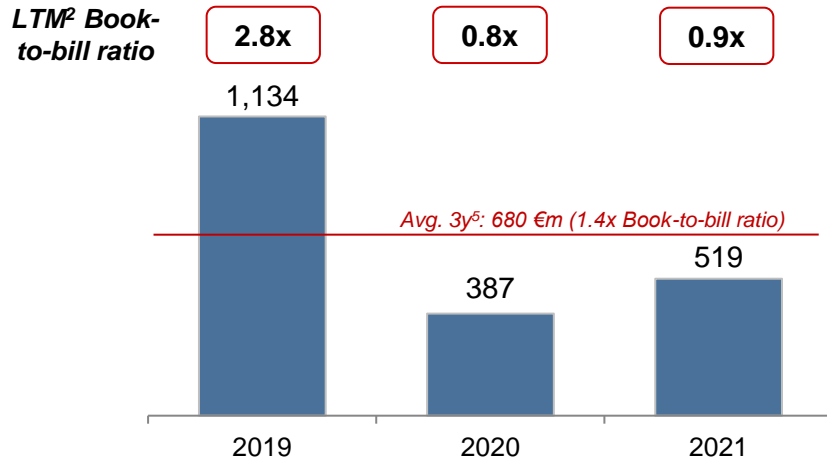
1. Key Highlights
- 2. Other materials**
  - I. Business performance**
  - II. Financial results

*ANNEX*



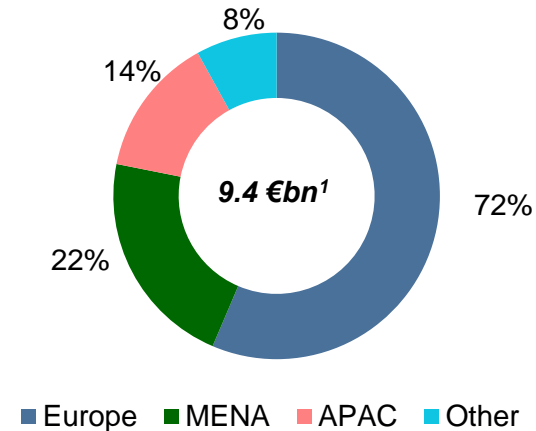
# Commercial activity

## Order intake (€m)



- **Order intake amounted to 519 €m in FY2021**, of which:
  - 29% corresponds to manufacturing projects: including extensions in DSB project and a new project in Spain to manufacture and maintain up to 40 VHS powerheads, of which a **first order was placed for the supply of 26 units and the maintenance of 13 trains for 196 €m<sup>3</sup>**.
  - 71% related to maintenance scopes: mainly maintenance Spain VHS and Saudi Arabia.

## Pipeline by geographical region 2022-2023<sup>(1)</sup>



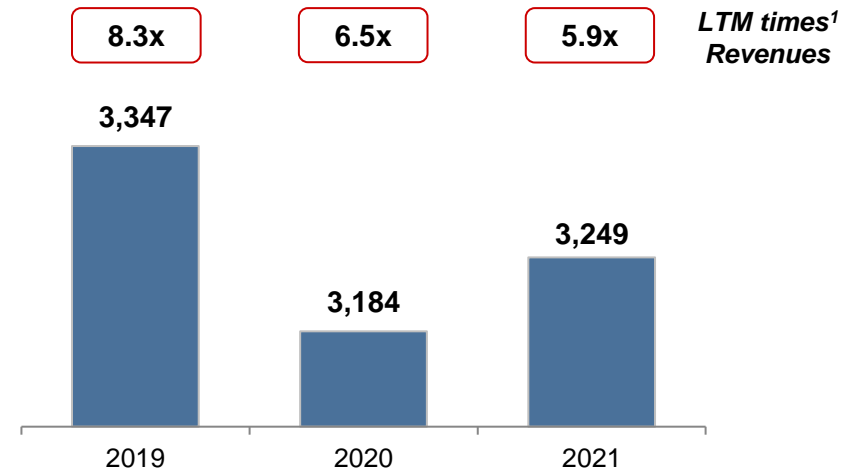
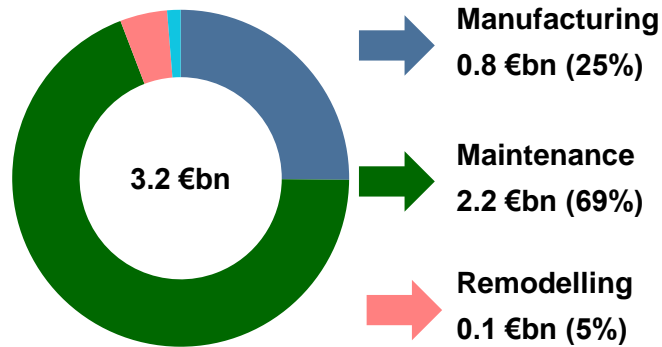
- **Positive investment outlook supported by environmental concerns in the passenger transportation market.**
- Talgo is currently working on commercial opportunities for the short and medium term **amounting approximately 9.4 €bn**, strongly focused on European market (72% of total) and long distance / intercity product (45% of total).
- Greenhouse gas emissions per passenger per km in rail represent around 22% of car emissions and 14% of emissions from domestic flights<sup>4</sup>.



(1) The pipeline may experience modifications both in terms of tender periods and scope. Estimates based on available information. Maintenance is included subject to availability  
 (2) LTM = Last twelve months  
 (3) Includes maintenance scope which will be executed through a JV with Renfe  
 (4) UNIFE WRMS 2020-2025  
 (5) Yearly average. Period 2019-2021

# Backlog breakdown

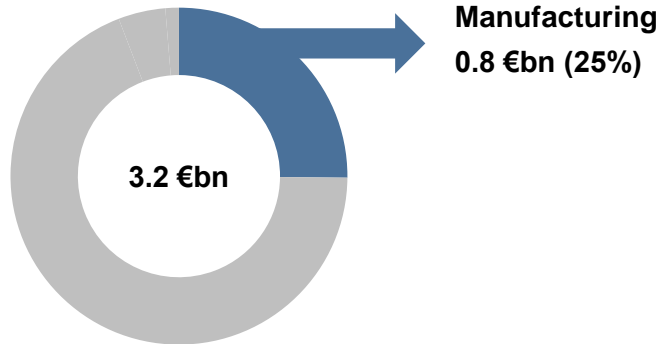
## Backlog 2021 (€m)



- **Backlog as of December 2021 amounted to 3.2 €bn** which provides:
  - **High level of industrial activity** expected for the period 2022-2024, supported by over 800 €m of manufacturing and overhaul projects with high international presence.
  - **Long-term revenues visibility** supported by a steady growing maintenance backlog.
- The current backlog provides an **upside of over 2.0 €bn through extensions in manufacturing projects** in Spain, Germany and Denmark. On top of this, maintenance contracts also provides a significant upside through their extensions in all geographies in line with the current remaining useful life of the fleets.
- Talgo's **selective commercial approach is still a key pillar of the company business model and commercial strategy** to ensure a long-term sustainable growth of the business.

# Manufacturing projects – High Speed

## Backlog 2021 (€m)



## Renfe Avril VHS (Spain)

- Project scope – 900 €m:
  - Manufacture of 30 VHS “Avril” trains.
  - Maintenance for a period of 30 years<sup>1</sup>.
- Project execution:
  - In **last manufacturing phases and already under testing activity**. High degree of progress.
  - **Cash generation to start in late 2022 and 2023**, in line with expected delivery schedule.

## UTY Uzbekistan AV (Uzbekistan)

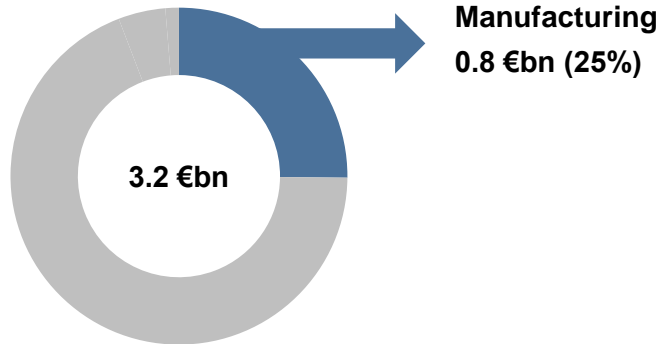
- Project scope – 57 €m:
  - Manufacture of 2 HS T250 trains and 4 coaches.
  - Supply of material and equipment.
- Project execution:
  - **Delivered and in operation.**

## Renfe VHS powerheads (Spain)

- Project scope – 161 €m:
  - Manufacture of 23 powerheads and the maintenance<sup>1</sup> of 13 trains.
  - Option for additional 12 Powerheads.
- Project execution:
  - **Awarded and signed in 2021.**

# Manufacturing projects – Long distance / Passenger coaches

## Backlog 2021 (€m)



## DB Talgo 230 km/h (Germany)

- Project scope – 550 €m (2.3 €bn)<sup>1</sup>:
  - Framework contract for the manufacture of up to 100 Talgo 230 trains.
  - Initial order for the manufacture of 23 trains.
  - Maintenance scope under negotiation.
- Project execution:
  - **Involved in manufacturing phase.**
  - **AAD<sup>(2)</sup> structure** implemented throughout the life of the project.

## DSB Talgo 230 (Denmark)

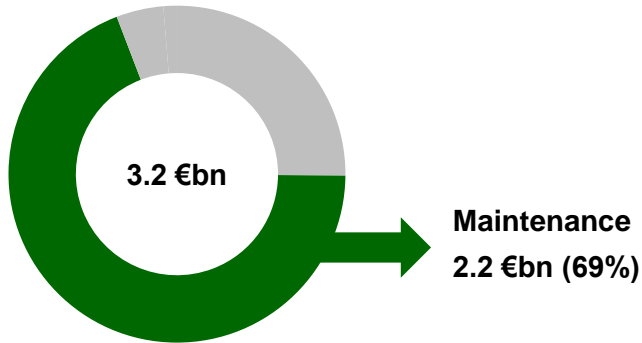
- Project scope – 152 €m (500 €m)<sup>1</sup>:
  - Framework contract worth up to 500 €m.
  - Initial order for the manufacture of 8 trains, along with technical assistance and materials.
- Project execution :
  - **In engineering and development phases.**

## ENR Talgo 160 km/h (Egypt)

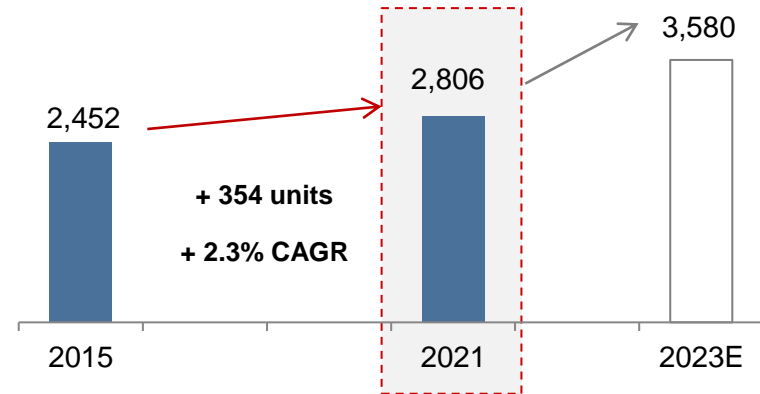
- Project scope – 157 €m:
  - Manufacture of 6 trains and their maintenance for a period of 8 years.
- Project execution:
  - **Involved in manufacturing phase.**

# Light maintenance projects

## Backlog 2021 (€m)



## Fleet maintained in # of units<sup>(1)</sup>

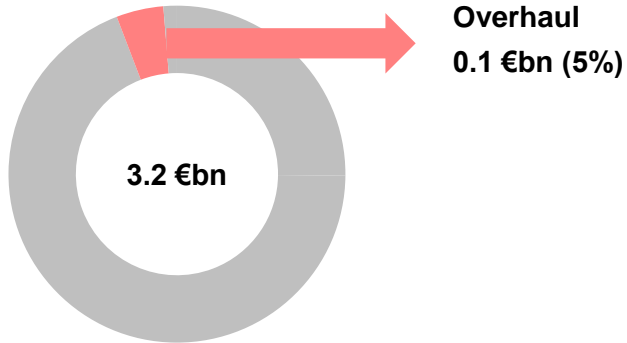


- Covid-19 mobility restrictions have **progressively been lifted-up in the last months**, thus resuming normal services in almost all the markets:
  - Saudi fleet started operations in 1H2021.
  - Mobility increase international markets with already fully normalized activity.
  - Activity in Spain under recovery with positive expectations to recover 100% of normal activity in 2022.
- Strong maintenance backlog with an **increasing installed base**, which is **expected to grow in the following years to reach nearly 3,600 units by 2023**.
- There is additional **upside related to awarded manufacturing contracts** with no initial maintenance scope.



# Overhaul / heavy maintenance projects

## Backlog 2021 (€m)



## Conversion of night trains into VHS (Spain)

- Project scope – 107 €m:
  - Conversion of Talgo S7 compositions<sup>(1)</sup>.
  - The initial project includes 156 coaches (13 compositions) with an option for additional 72 coaches (6 compositions).
- Project execution:
  - **In the execution phase.**

## Remodelling of HS compositions (Spain)

- Project scope – 35 €m:
  - Activities to remodel and update 44 compositions of HS trains.
- Project execution:
  - **In the execution phase.**

## LACMTA remodelling (USA)

- Project scope – 73 \$m:
  - Activities to repair and overhaul 74 coaches of the Red Line.
- Project execution:
  - **In the execution phase.**

## Metrolink remodelling (USA)

- Project scope – 35 \$m:
  - Remodelling of up to 121 vehicles with an initial order for 50 vehicles
- Project execution:
  - **In the execution phase.**

# Table of contents

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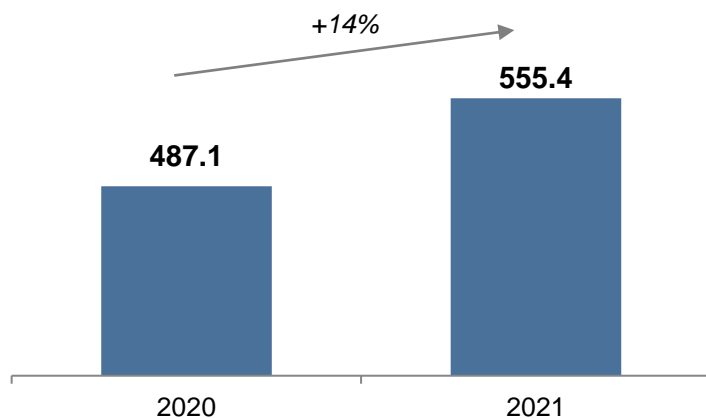
1. Key Highlights
- 2. Other materials**
  - I. Business performance
  - II. Financial results**

*ANNEX*

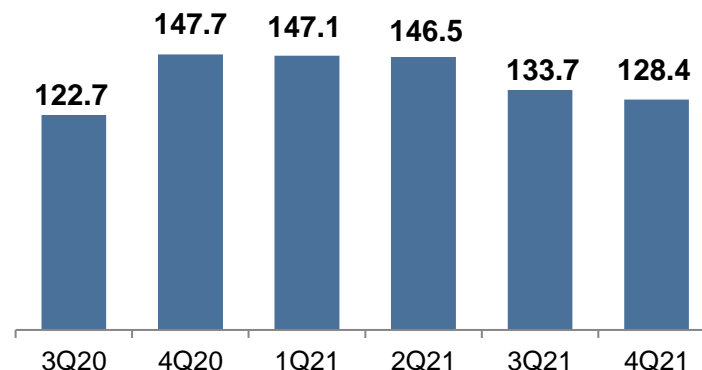


# Profit & loss – Revenues

Cumulative revenues - YoY (€m)



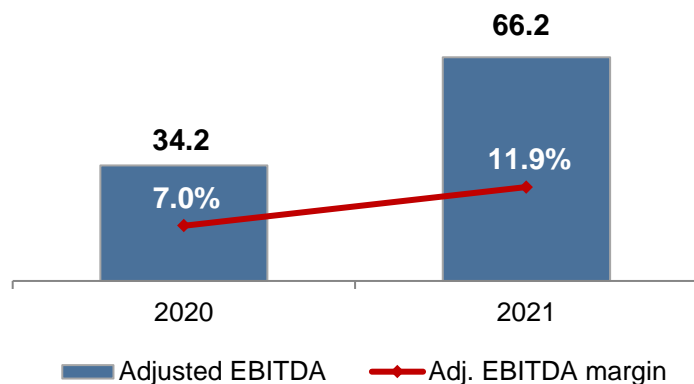
Quarterly revenues (€m)



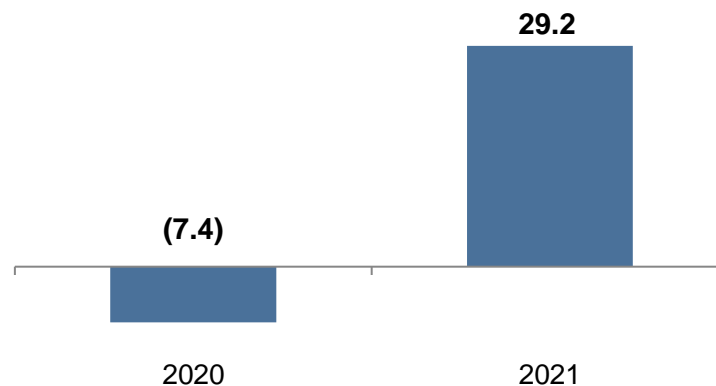
- Revenues increased by 14% to reach 555.4 €m in 2021, reflecting the expected **cycle of high revenue recognition**:
  - **Manufacturing projects** with VHS project as main project in the period. DB and Egypt projects also contributed revenues in the year, although will be in 2022 and 2023 main drivers of activity.
  - **Maintenance activity fully recovered at the end of the year** in all international markets and partially in the case of Spain.
  - **Continuity on the execution of the overhaul projects** in Spain and USA.
- Quarterly revenues reflect normal variations of the current projects under execution, in a mix of ending Spanish VHS and ramp-up of other projects (DB, Egypt, Denmark and Spain Locos).

# Profit & loss – EBITDA and Net Profit

## Adjusted EBITDA<sup>(1)</sup> (€m) and margin (%)



## Adjusted Net Profit (€m)

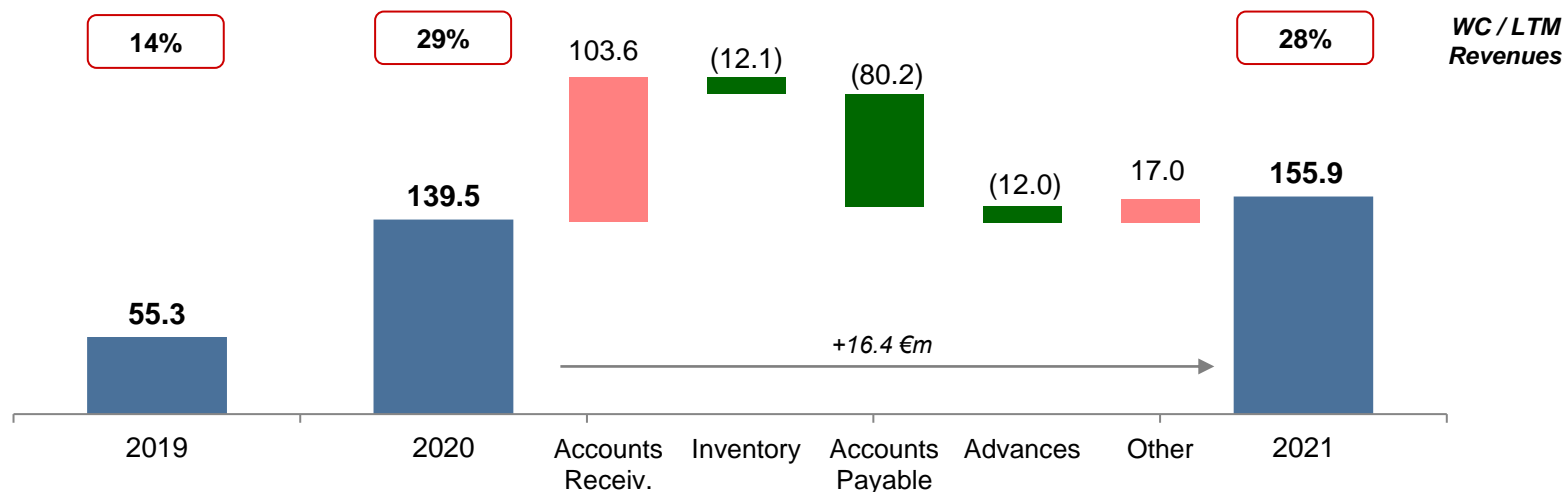


- Talgo is actively implementing measures to adapt its costs structure and projects to the **current inflationary environment, which represents one of the most relevant challenges for 2022.**
- In 2021, **Adjusted EBITDA<sup>(1)</sup> increased to reach 66.2 €m in 2021 (11.9% margin)...**:
  - Maintenance services gradual recovery.
  - Successfully implementing of cost-watching measures
  - Overheads expenses reduction plan (15% target in the period 2021-2022).
- ... and **Adjusted Net Profit to 29.2 €m**:
  - **Reduced financial expenses** driven by lowered interest rates related to long-term loans and recorded exchange gains.
  - Effective corporate tax in line with company activity and results in the markets with presence.

## Balance Sheet – Working Capital

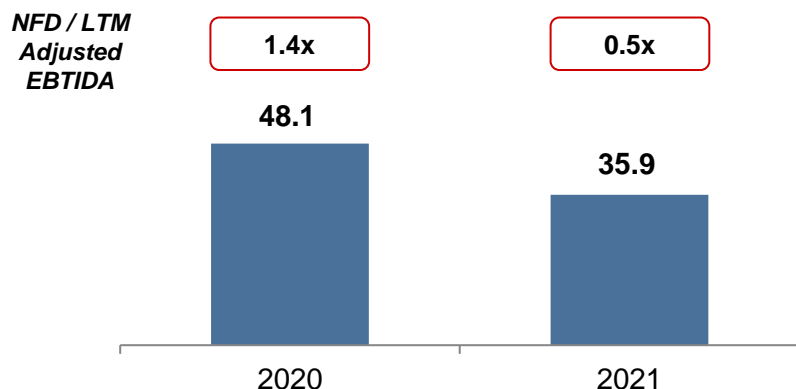
- The Working Capital remained stable in the period at 155.9 €m in 2021, and slightly lower than 1H2021 (172.7 €m) due to measures aimed to improve cash management through cash collection programs and optimization of inventory, among others.
- Talgo also started to use AAD structure<sup>(1)</sup>, in order to stabilize the cash flow of the project, mirroring the cash flow profile of a standard project of the company.

### Working Capital (€m)

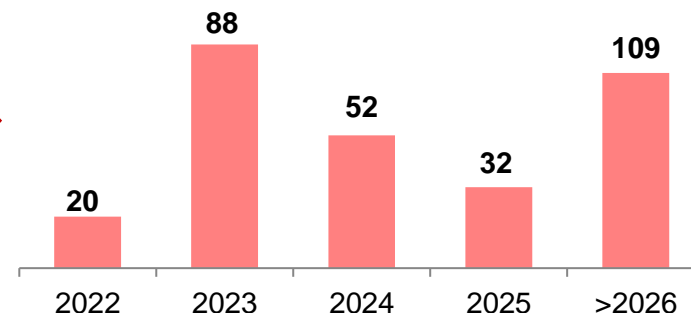


# Balance Sheet – Net Financial Debt

## Net Financial Debt (€m)<sup>(1)</sup>



## LT bank debt – Repayment schedule (€m)



- **Increased average debt maturity** from 3.12 to 3.40 years in 2021, while **reducing average debt cost** from 1.61% to 1.03%.
- **Talgo signed in Jan-2022 a long-term green loan with BEI for 35 €m to finance R&D and capex projects**, in line with its commitment with new developments and SDGs in 2030 agenda.
- High capacity to finance business growth:
  - **Low level of debt maturities** in 2022 (20 €m).
  - **Undrawn credit lines** amounting 109 €m.
  - **Additional financial capacity** through project-based instruments (AAD).

## Financial debt breakdown (€m)

€m	2021
Long-term bullet or semi-bullet	218
Long-term debt with annual repayments	24
European Investment Bank	26
<b>Gross Financial debt</b>	<b>268</b>

	Gross Debt (€m)	Avg. Maturity (y)	Average Cost (%)
FY2018	250.5	2.32	1.94%
FY2019	256.5	3.03	1.72%
FY2020	279.1	3.12	1.61%
FY2021	268.4	3.40	1.03%

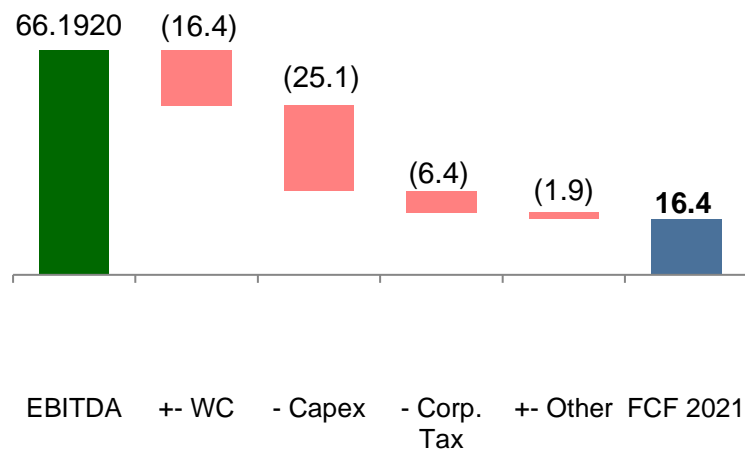


1) Net Financial Debt excludes repayable advances with entities belonging to the Spanish Public Administration relating to R&D, which are not considered financial debt due to their recurrence and zero interest rates.

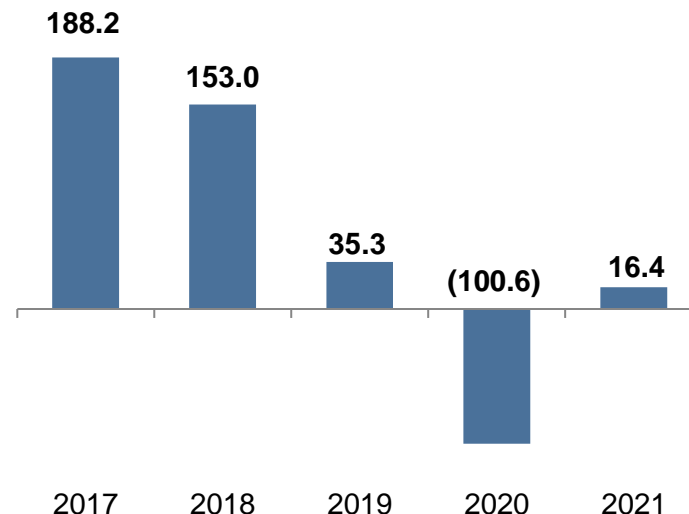
# Cash Flow – Free Cash Flow

- EBITDA generated in the period was partially offset mainly by expected Working Capital and capex requirements. However, business generated **16.4 €m of FCF in the period (25% conversion)**, which contributed to deleverage the balance sheet to reach 0.5x Adjusted Ebitda.
- Capex for the period amounted to 25 €m**, in line with forecast at the beginning of the year, of which above **50% were investments related to R&D activities**.
- Working Capital will continue to comprise the current industrial stage and collection schedules of manufacturing projects, which **will be working capital intensive in 2022**.

Conversion of EBITDA into FCF in 2021 (€m)



Free Cash Flow for the period 2017-2021 (€m)



# Table of contents

---

1. Key Highlights
2. Other materials
  - I. Business performance
  - II. Financial results

## ***ANNEX***





## Annex 1. P&L

Profit & Loss Account (€m)	2021	2020	% Change
<b>Total net turnover</b>	<b>555.4</b>	<b>487.1</b>	<b>14.0%</b>
Other income	12.4	14.8	(15.9%)
Procurement costs	(317.2)	(296.6)	6.9%
Employee welfare expenses	(142.5)	(123.7)	15.2%
Other operating expenses	(47.5)	(53.6)	(11.2%)
<b>EBITDA</b>	<b>60.6</b>	<b>28.0</b>	<b>116.5%</b>
% Ebitda margin	10.9%	5.7%	
Other adjustments	5.6	6.2	(9.2%)
<b>Adjusted EBITDA</b>	<b>66.2</b>	<b>34.2</b>	<b>93.7%</b>
% Adj. Ebitda margin	11.9%	7.0%	
D&A (inc. depreciation provisions)	(19.2)	(31.2)	(38.6%)
<b>EBIT</b>	<b>41.4</b>	<b>(3.2)</b>	<b>n.a.</b>
% Ebit margin	7.5%	(0.7%)	
Other adjustments	5.6	17.4	(67.6%)
ViTtal Amortization	2.2	2.2	-
<b>Adjusted EBIT</b>	<b>49.3</b>	<b>16.4</b>	<b>200.6%</b>
% Adj. Ebit margin	8.9%	3.4%	
Net financial expenses	(5.7)	(9.1)	(37.0%)
<b>Profit before tax</b>	<b>35.7</b>	<b>(12.3)</b>	<b>n.a.</b>
Tax	(8.2)	(5.1)	58.5%
<b>Profit for the period</b>	<b>27.5</b>	<b>(17.4)</b>	<b>n.a.</b>
<b>Adjusted Profit for the period</b>	<b>29.2</b>	<b>(7.4)</b>	<b>n.a.</b>

## Annex 2. Balance sheet

Balance Sheet (€m)	Dec 2021	Dec 2020	Dec 2019
<b>FIXED ASSETS</b>	<b>262.9</b>	<b>257.0</b>	<b>249.9</b>
Tangible + intangible assets	122.0	115.2	106.0
Goodwill	112.4	112.4	112.4
Other long term assets	28.5	29.3	31.5
<b>CURRENT ASSETS</b>	<b>768.6</b>	<b>645.9</b>	<b>632.9</b>
Inventories	133.2	145.3	129.8
Non- current assets held for sale	0.0	0.0	0.0
Accounts receivable	363.9	260.2	165.1
Other current assets	18.6	12.0	12.5
Cash & cash equivalents	253.0	228.3	325.6
<b>TOTAL ASSETS</b>	<b>1,031.5</b>	<b>902.9</b>	<b>882.9</b>

Balance Sheet (€m)	Dec 2021	Dec 2020	Dec 2019
<b>SHAREHOLDERS EQUITY</b>	<b>290.9</b>	<b>257.7</b>	<b>291.7</b>
Capital Stock	37.2	38.2	41.1
Share premium	0.9	0.9	6.8
Consolidated reserves	2.8	1.5	3.2
Retained earnings	249.5	240.1	303.2
Other equity instruments	0.6	(23.1)	(62.6)
<b>NON-CURRENT LIABILITIES:</b>	<b>339.5</b>	<b>329.2</b>	<b>273.3</b>
Debt with credit institutions	248.1	238.4	198.7
Provisions	51.0	53.5	44.2
Other financial liabilities	28.6	26.7	20.8
Other long-term debts	11.9	10.7	9.6
<b>CURRENT LIABILITIES:</b>	<b>401.1</b>	<b>316.0</b>	<b>317.9</b>
Accounts payable	357.5	265.4	244.9
Debt with credit institutions	36.0	41.1	58.6
Other financial liabilities	5.3	6.9	7.2
Provisions for other liabilities and other	2.2	2.6	7.2
<b>TOTAL S. EQUITY + LIABILITIES</b>	<b>1,031.5</b>	<b>902.9</b>	<b>882.9</b>

## Annex 2. Balance sheet (2)

Financial debt (€m)	Dec 2021	Dec 2020	Dec 2019
Long term financial liabilities	248.1	238.4	198.7
Short term financial liabilities	36.0	41.1	58.6
Financial leasings	4.7	6.9	8.9
Cash & cash equivalents	(253.0)	(238.3)	(325.6)
<b>Net financial debt</b>	<b>35.9</b>	<b>48.1</b>	<b>(59.3)</b>
Adjusted EBITDA LTM	66.2	34.2	72.9
<b>Net financial debt / Adj EBITDA (LTM)</b>	<b>0.5x</b>	<b>1.4x</b>	<b>(0.8)x</b>

Balance Sheet - Working Capital (€m)	Dec 2021	Dec 2020	Dec 2019
Inventories	133.2	145.3	129.8
Non current assets held for sale	0.0	0.0	0.0
Account trade receivables	363.9	260.2	165.1
Other current assets	18.6	2.0	12.5
Trade and other payables	(294.3)	(214.1)	(181.6)
Advances received	(63.3)	(51.3)	(63.3)
Provisions for other liabilities and other	(2.2)	(2.6)	(7.2)
<b>Working Capital</b>	<b>155.9</b>	<b>139.5</b>	<b>55.3</b>

## Annex 3. Cash flow statement

Cash flow statement (€m)	2021	2020	% Change
Net income	27.5	(17.4)	<i>n.a.</i>
Corporate income tax	8.2	5.1	58.5%
Depreciation & Amortization	18.6	16.7	11.2%
Financial income/Financial expenses	8.1	6.2	31.4%
Other result adjustments	(5.0)	14.2	<i>n.a.</i>
Changes in working capital	(13.8)	(101.2)	<i>n.a.</i>
<b>Operating cashflows after changes in WC</b>	<b>43.6</b>	<b>(76.4)</b>	<b><i>n.a.</i></b>
Net interest expenses	(7.5)	(6.0)	25.0%
Provision and pension payments	0.0	0.0	<i>n.a.</i>
Income tax paid	(6.4)	(3.1)	106.3%
Other collection and payments	0.0	0.0	<i>n.a.</i>
<b>Net cash flows from operating activities</b>	<b>29.6</b>	<b>(85.6)</b>	<b><i>n.a.</i></b>
<b>Capex</b>	<b>(11.2)</b>	<b>(24.7)</b>	<b>(54.7%)</b>
Changes in financial assets and liabilities	6.3	27.2	<i>n.a.</i>
Dividends payments	(0.1)	(14.2)	<i>n.a.</i>
<b>Net cash flows from financing activities</b>	<b>6.2</b>	<b>13.0</b>	<b>(52.3%)</b>
<b>Net variation in cash &amp; cash eq.</b>	<b>24.7</b>	<b>(97.3)</b>	<b><i>n.a.</i></b>

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