

Press release
TKH Group N.V. (TKH)

Market update TKH

Highlights third quarter 2019

- Turnover and results increased in all three business segments – Telecom, Building and Industrial Solutions – compared to the third quarter of 2018.
- Good progress achieved with the innovations in the vertical growth markets, leading to the targeted improvement in returns of these growth markets.
- Slight deterioration of the market circumstances in industrial end markets leading to some delay in the delivery of orders for machine vision and industrial connectivity.
- Divestment activities well on track. Activities with a turnover of € 250 million of the targeted € 300 to € 350 million have been divested so far.
- Existing committed credit facility increased from € 350 million to € 500 million, which repaid the bridge financing of € 100 million concluded last year to finance acquisitions. The conditions and term (January 2024) remain unchanged.

Developments of the business

During the third quarter, most activities developed positively and in line with our previously communicated expectations, with the exception of the above mentioned activities related to the industrial end markets:

- Fibre Optic Networks developed well, in line with the outlook.
- Within Marine & Offshore, for the subsea cable activities the contract was signed and production commenced to deliver the array connectivity systems for the Windpark Fryslân wind farm in the Netherlands. In addition, an LOI was signed for a second wind farm and the quotation portfolio grew further, confirming the substantial growth potential of these activities in the coming years.
- In the vertical growth market Tunnel & Infra various large quotations are outstanding for CEDD and airfield ground lighting (AGL) and the total quotation portfolio has increased significantly, putting us on the right track to realize the growth we foresee.
- The vision technology developed for new applications in the consumer electronics industry relating to 5G networks has resulted in initial orders and deliveries. We are well-positioned for the expected strong increase in the demand for these applications in the coming year, with the potential to generate a substantially higher turnover in this segment.
- The vertical growth market Tire Building Industry contributed to growth. The first UNIXX-integrated tire-building machine (new tire-building platform) was delivered to a launching customer.

Progress 'Simplify & Accelerate' program

Good progress was made on the actions announced on 12 June 2019 aimed at improving the Return on Sales (ROS) to at least 15%. The first results will already be visible in the second half of 2019, with an improvement of the ROS to at least 12%. This progress is mainly achieved by:

- Focus on investments in segments with above-average margin and growth potential, which has resulted in the completion of two acquisitions in the vertical growth market Machine Vision. This further strengthens the position of this important TKH segment, in line with our long-term growth objectives.
- Completion of the majority of the intended divestments.

- Several integration projects aimed at simplifying the organization and benefitting more from economies of scale, have been completed. In addition, some integration projects have been further substantiated, including the intention to discontinue part of the under performing activities of the industrial connectivity portfolio and to implement a strong return improvement on the building connectivity portfolio of at least € 5 million, partly to be realized in 2020 and fully in 2021.
- Additional measures to improve returns within the context of the simplify program are expected to have a positive impact on results of € 2 - € 3 million spread out across various companies within the group.

Outlook

- The circumstances in the industrial end markets that have been deteriorating in the past few months, mainly in Germany, impact the industrial connectivity activities and the growth of the machine vision activities. The nitrogen and PFAS issues also impact the construction & infrastructure sector.
- The activities in most other segments are developing positive and in line with the expectations we previously announced. We are well-positioned for orders and have a strong pipeline for our innovations, enabling us to realize the growth plans for the vertical growth markets.
- A provision will be taken in the fourth quarter for the execution of our 'Simplify & Accelerate' program, the amount of which will be substantially below the one-off gain from the divestments.
- We continue to expect a significant outperformance of our results during the second half of the year, compared to the first half of 2019. Taking into account some further delays of the deliveries, we slightly adjust the bandwidth for net result before amortization and one-off income and expenses downwards to € 102 to € 108 million (FY 2018: € 110.3 million) out of precautionary considerations.

Haaksbergen, 18 November 2019

Executive Board

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Financial calendar

18 November 2019	Market Update
6 March 2020	Publication annual results 2019
7 May 2020	General Meeting of Shareholders
11 August 2020	Publication interim results 2020



Profile

Technology firm TKH Group NV (TKH) is focused on high-end innovative technologies in high growth markets within three business segments: Telecom, Building and Industrial Solutions.

Through a combination of technologies, TKH offers superior solutions that support to increase the efficiency, safety and security of its customers. The technologies are offered together with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated technologies.

TKH operates on a global scale. Its growth is concentrated in Europe, North America and Asia. Employing 6,533 people, TKH achieved a turnover of € 1.6 billion in 2018.