Q1 2023 Results

Talgo increases its industrial activity and registers €126.7 m in revenues up to March

- Revenues increased 7% in the first quarter of 2023, driven by growth in its industrial activity and the stabilization of recurring revenues
- Adjusted EBITDA rose by 22% to €15.4 m in the first quarter of 2023, with a margin of 12.2%
- Talgo confirms good commercial activity for 2023 with €464 m in manufacturing orders already awarded and works on more than 7,500 million euros in additional opportunities, of which 2,500 million euros correspond to extensions of current contracts

Madrid, May 11th, 2023

Talgo S.A., a leading company in the design, manufacture, and maintenance of high-speed light trains, registered a revenue of €126.7 m in the first quarter of 2023, a 7% increase compared to the €118.4 m obtained in the same period of the previous year. This increase in revenues is driven by the company's increased industrial activity and stable recurring revenues from maintenance services.

Talgo registered an adjusted EBITDA of €15.4 m in the first quarter of 2023, which represents a margin of 12%, and an increase of 22% compared to the €12.6 m obtained in the same period last year, where the margin was 11%. Despite continuing to experience supply chain disruptions, the company has managed to adapt project manufacturing schedules to the current context.

Net profit stood at €2.4 m in the first quarter of 2023, down from the €3.4 m registered in the same period of the previous year, mainly due to higher financial expenses and higher effective corporate tax in the period.

During the first quarter of 2023, the company's industrial activity reflected the expected growth, marked by an increase in the manufacturing pace of ongoing projects, a trend that is expected to continue in the coming quarters in line with the company's expectations.

In addition, the company is at a very positive commercial momentum at a time of global decarbonization of transport, with the railway as an effective and efficient alternative for mobility. In this sense, Talgo has recently signed extensions of framework agreements signed with both, the Danish operator DSB to expand of its train fleet, and the Egyptian state-owned company ENR comprising seven night trains, for an aggregated value amounting €464 m.

Backlog and commercial visibility

Talgo has an order backlog of €2.63 bn in the first quarter of 2023. The recent new orders signed with the Danish operator DSB and the Egyptian state-owned company ENR, both pending final approvals, would bring the order backlog to more than €3 bn. In addition, these awards represent an increase of more than 80% in the manufacturing projects' backlog, thus generating visibility on the high level of industrial activity expected in the coming years.

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).

Regarding commercial activity in 2023, Talgo is currently working on a wide range of commercial opportunities, both new contracts and extensions to existing contracts with a combined value of approximately €7.5 bn. These new business opportunities, mostly located in Europe and the Middle East, are predominantly long-distance projects, a core segment for Talgo and where it has a benchmark product in the market. In addition, it is worth noting that the company has more than €2.5 bn in potential extensions to existing contracts, mainly the framework agreement signed with DSB in Denmark with a maximum investment of 500 million euros, the framework agreement signed with Deutsche Bahn in Germany for a maximum range of up to 100 Talgo 230 trains, and the option available in Saudi for an extension of 20 additional Very High Speed trains. The maintenance service, on the other hand, is a source of recurring revenues for the company and represents 72% of the order backlog. Furthermore, the extensive experience in this activity, together with the reliability of Talgo trains in its operational activity and the fact that all contracts in this class are indexed to inflation, generates great long-term visibility on recurring revenues and sustainable profitability.

In this sense, Talgo has adapted itself to the new operational and commercial paradigm by incorporating price indexation formulas and hedging strategies, among other measures to mitigate the risks of inflation. Likewise, the supply strategy has been redefined through the expansion and relocation of suppliers in order to reduce the disruptions experienced in the supply chain in recent years.

Within the context of commercial visibility, it is worth highlighting that Talgo was awarded yesterday the ‘Company of the Year 2023’ award granted by the Federation of Spanish Chambers of Commerce in Europe, Africa, Asia and Oceania (FEDECOM) in recognition of the company’s high international profile and commercial activity abroad.

2023 Outlook

The company confirms its forecasts for 2023, which continue to focus on increasing the pace of execution of projects in the pipeline, with execution of 40% of the current backlog forecast for the period 2023-2024, which is expected to boost revenues this year.

In line with the positive commercial expectations, Talgo has set the target of reaching a relevant volume of contracts in the year, which translates into a target ratio of approximately two times 2023 revenues.

In terms of profitability, the company expects adjusted EBITDA of around 12% for the year, as a result of a gradual recovery in profitability subject to the evolution of the current inflationary context and disruptions in the supply chain.

Also in 2023, Talgo established a Capex investment of up to €30 m. In relation to Net Financial Debt, the company expects to maintain it at 2.0x adjusted EBITDA, aligned with the expected cash requirements of the projects.

Committed to its shareholders

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Talgo continues its commitment to shareholder remuneration by implementing a Scrip Dividend and share buyback program estimated at €12 m, 20% more than the previous year.

In the year 2022, Talgo executed a €10 m Remuneration Program implemented through a Scrip Dividend and share buyback program, giving shareholders a choice between shares or cash. 83% of the company's shareholders chose to collect the flexible dividend in shares, rather than cash, thus reinforcing their position in Talgo's share capital, a clear sign of shareholder support and confidence in the company's future.

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.

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