



# Investor Factsheet

# Talgo

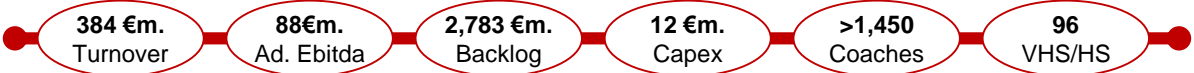
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## Overview

Founded in 1942 in Spain, Talgo is a leading specialized rolling stock engineering company mainly focused on designing, manufacturing and servicing technologically differentiated, fast, lightweight trains. With its distinctive suite of proprietary, state-of-the-art technology developed over several decades, Talgo has become a reference in the market; delivering the best products in their category in terms of quality, safety, reliability, efficiency and accessibility. Talgo's maintenance equipment activity delivers cover to global rail operators, in all areas necessary to maintain train stock in perfect maintenance and safety conditions.

## Three complementary business lines

		Contribution to Turnover 2015-2017 <sup>(1)</sup>	
Rolling Stock	Manufacturing	<ul style="list-style-type: none"> <li>Pure play global leader in VHS and HS selected segments</li> <li>Unique proprietary technologies delivering superior solutions</li> <li>Low infrastructure investment required</li> <li>Trains operationally more efficient, faster and larger capacity</li> </ul>	61%
	Maintenance Services	<ul style="list-style-type: none"> <li>Pioneering Company in maintenance services to public railway operators worldwide.</li> <li>Corrective and preventative maintenance.</li> <li>Recurring business with contract lengths of c. 5-20 years.</li> </ul>	32%
Maintenance equipment, Overhaul & others		<ul style="list-style-type: none"> <li>Leading manufacturer of train maintenance equipment.</li> <li>Leveraging manufacturing track-record for overhaul and heavy maintenance activity.</li> </ul>	7%



## Summary of key events

- 1942:** Company establishment and built of **Talgo I**
- 1948:** First marketable platform (**Talgo II**) is completed
- 1964:** **Talgo III** launched servicing Madrid-Barcelona route, being the first train to reach 200 km/h in Spain
- 1969:** First Talgo International train (Barcelona-Genève)
- 1994:** Talgo as the first European train with a regular commercial service in US
- 1998:** Development of **HS T-250 and T-250** hybrid trains
- 2001:** Talgo supplies it first **VHS T-350** train in Spain
- 2007-09:** Internationalisation process (UZB - KZT)
- 2011:** Spanish Consortium awarded Haramain project (Mecca-Medina route). First trainset completed in 2014
- 2012:** Development of the Avril platform (VHS)
- 2015:** Listing on Spanish Stock Exchange and Markets
- 2016-2017:** Talgo awarded for VHS in Spain (30 Avril trains)
- 2017:** Development of EMU project (first Talgo commuter)

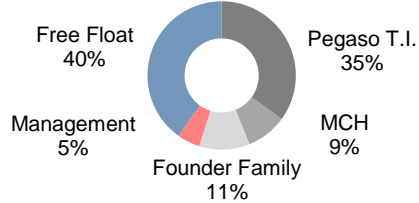
## Stock Data (as of May 31<sup>st</sup>, 2018)

Market Capitalisation:	692.4 €m.
Shares Outstanding:	136.5 m.
Symbol:	TLGO.MC

## Financial calendar

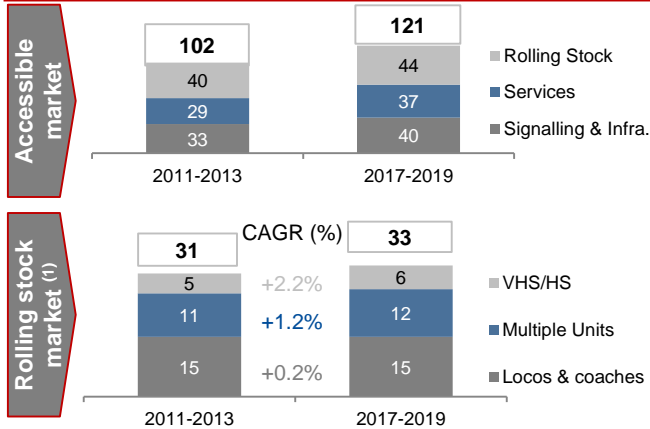
Results FY 2017	Feb 27 <sup>th</sup> 2018
Interim Results 2018	July 26 <sup>st</sup> , 2018 (tbc)
Results Q3 2018	Nov. 2018 (tbc)

## Substantial Shareholders



(1) Average Net Turnover by business line for the period 2015-2017

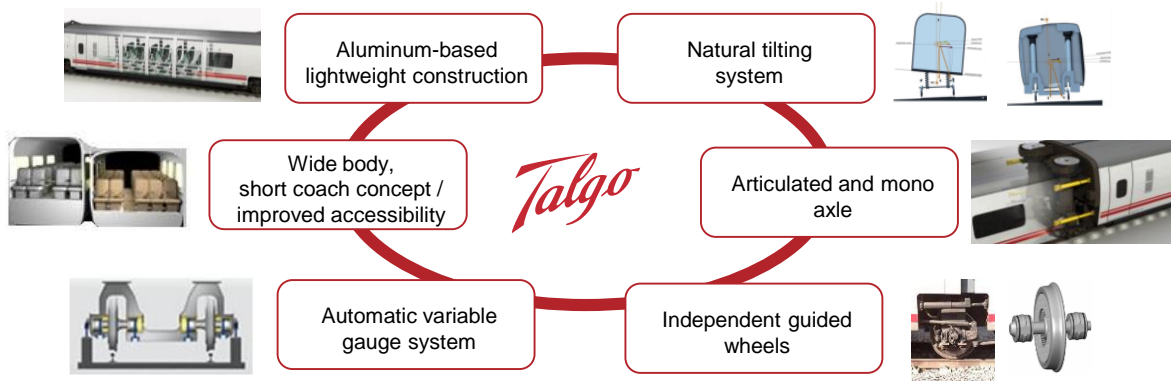
## Market backdrop



## Multiple market growth drivers

- 1 Demand for mobility
- 2 Urbanisation and population growth
- 3 Emerging market growth
- 4 Replacement demand
- 5 Market liberalisation
- 6 Environmental concerns

## ... providing unique and state-of-the-art technology...



Talgo's range of technology implies higher energy efficiency, journey time reduction and better capacity and accessibility, while reducing the track and train maintenance needs.

## ... implemented in Talgo's rolling stock portfolio...

Type	Very High Speed		High Speed	Natural tilting passenger coaches	Regional Commuter Trains
Products	AVRIL 	Talgo 350 	Talgo 250 	Night & day train tilting cars 	Talgo Regional Commuter trains 
Description	Trains operating at more than 300km/h with fix and variable gauge		Trains operating at more than 250km/h with fix and variable gauge	Passenger railway vehicles for day and night services	Electric/diesel multiple units that operate between 120-160 km/h
Markets	Spain	Spain, Saudi Arabia	Spain, Uzbekistan	Spain, United States, Kazakhstan, Russia	To be marketed selectively

## ... and maintenance equipment portfolio

Maintenance equipment	Comprise underfloor wheels lathers for maintenance of high speed and long distance trains
Overhaul / Heavy Maint.	New segment for third party trains. First project awarded in 2016 (LACMTA).

(1) Accessible market for Talgo taking into account the products currently offered by the Company or under development.

## Effective business model...

<b>Proprietary Technologies</b>	<ul style="list-style-type: none"> <li>&gt; Higher energy efficiency, reduced journey time and increased capacity, reduced track and train maintenance</li> <li>&gt; Lower investment requirement</li> </ul>	<b>Productivity and efficiency</b>	<ul style="list-style-type: none"> <li>&gt; 25% of total employees (2,030) are engineers.</li> <li>&gt; Production sites with further efficiency improvements being implemented.</li> </ul>
<b>Asset-Light</b>	<ul style="list-style-type: none"> <li>&gt; Integrated, asset-light model based on engineering and outsourcing and in-house assembly of outsourced components</li> </ul>	<b>Flexible Cost Base</b>	<ul style="list-style-type: none"> <li>&gt; Large component of cost structure outsourced implying low fixed costs</li> <li>&gt; Increase outsourcing optimizing costs without lowering product quality</li> </ul>
<b>Attractive business mix</b>	<ul style="list-style-type: none"> <li>&gt; Manufacturing drives maintenance, which in turn increases business resiliency</li> </ul>	<b>Selective tender approach</b>	<ul style="list-style-type: none"> <li>&gt; Systematic approach to tender processes</li> <li>&gt; Focus on technological advantage as a proven competitive edge</li> </ul>

## Strategy

Talgo's vision and strategy relies on four pillars:

### 1. Efficient delivery of current contract book

- > Deliver backlog on time and on budget
- > Improve manufacturing efficiency
- > Utilise flexible capacity

### 2. Further development of existing geographies and entry into new markets

- > Commercial structure through key customised products focus
- > Maintain selective approach to contracts and limited contractual risks

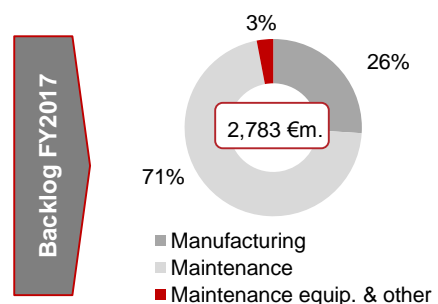
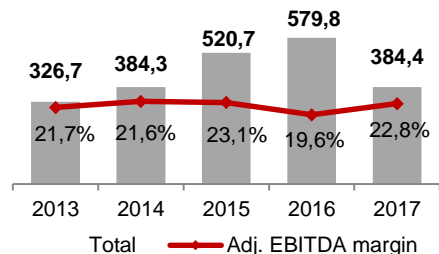
### 3. Further growth of maintenance business

- > Develop heavy maintenance offer with 3rd party customers
- > Focus on high value-add in lighter maintenance
- > Develop range of market-leading maintenance equipment

### 4. New product development and penetration

- > Ongoing R&D: Regional/Commuter train trials
- > Further markets/enhancements for 'AVRIL'

## Main financial figures



## Senior management team



### Carlos de Palacio y Oriol Executive Chairman

- Joined Talgo in 1998
- Appointed Ex. Chairman in 2002
- 19 years of industry experience



### José María de Oriol Fabra Chief Executive Officer

- Joined Talgo in 1987
- Appointed CEO in 2002
- 29 years of industry experience



### Eduardo Fdez-Gorostiaga Chief Financial Officer

- Joined Talgo in February 2002
- CFO since 2003
- 15 years of industry experience



### Segundo Vallejo General Director

- Joined Talgo in 1968
- General Director since 1995
- 49 years of industry experience

## Talgo main financial figures

Year End 31st December	2013	2014	2015	2016	2017	CAGR 13-17
<b>Order Intake</b>						
Book-to-Bill (x)	2,1	0,9	0,1	0,1	1,8	
Group Order Intake Total (€m)*	696,0	344,0	64,0	46,0	701,0	
* Order intake in 2015 is negative due to adjustments in maintenance contracts. Gross order intake amounted 68 €m.						
Manufacturing Proportion (%)	34,2%	9,9%	70,6%	-	82,8%	
Maintenance Proportion (%)	63,1%	82,0%	-	-	11,6%	
Other Proportion (%)	2,6%	7,8%	29,4%	29,4%	5,7%	
<b>Backlog</b>						
Manufacturing	1.229,2	1.024,6	729,5	317,4	723,0	(12,4%)
Maintenance	2.501,7	2.632,3	2.361,5	2.195,1	1.966,0	(5,8%)
Other	20,1	35,0	25,8	91,3	94,0	47,0%
<b>Total Group (€m)</b>	<b>3.751,0</b>	<b>3.691,8</b>	<b>3.116,8</b>	<b>2.603,8</b>	<b>2.783,0</b>	<b>(7,2%)</b>
<b>Profit &amp; Loss (€m)</b>						
<b>Revenues</b>	<b>326,7</b>	<b>384,3</b>	<b>520,7</b>	<b>579,8</b>	<b>384,4</b>	4,1%
EBITDA	57,8	69,7	104,2	107,9	83,6	9,7%
<b>Adjusted EBITDA</b>	<b>70,7</b>	<b>90,0</b>	<b>120,5</b>	<b>113,3</b>	<b>87,6</b>	5,5%
Adjusted EBITDA Margin (%)	21,6%	23,4%	23,1%	19,5%	22,8%	
Depreciation & Amortisation	(17,8)	(18,9)	(24,1)	(20,3)	(24,2)	8,0%
EBIT	40,0	50,8	80,0	87,6	59,4	10,4%
<b>Adjusted EBIT</b>	<b>61,8</b>	<b>78,8</b>	<b>104,3</b>	<b>102,4</b>	<b>74,7</b>	4,9%
Adjusted EBIT Margin (%)	18,9%	20,5%	20,0%	17,7%	19,4%	
Financing Costs	3,6	(5,4)	(5,0)	(6,9)	(9,4)	n.a.
<b>EBT</b>	<b>43,6</b>	<b>45,4</b>	<b>75,1</b>	<b>80,7</b>	<b>50,0</b>	<b>3,5%</b>
Tax Rate (%)	29,3%	15,4%	20,6%	19,2%	31,4%	
<b>Profit for the year</b>	<b>31,0</b>	<b>38,5</b>	<b>59,6</b>	<b>61,9</b>	<b>34,3</b>	<b>2,6%</b>
EPS (€)*	0,23	0,28	0,44	0,45	0,25	
* EPS calculated over the shares currently traded						
<b>Balance Sheet (€m)</b>						
Fixed Assets	274,8	267,1	275,7	280,3	273,2	(0,1%)
Current Assets	165,7	238,3	374,5	443,8	326,2	18,5%
Cash & equivalents	96,0	87,9	21,8	38,8	243,2	26,2%
<b>Total Assets</b>	<b>536,5</b>	<b>593,3</b>	<b>672,0</b>	<b>762,9</b>	<b>842,6</b>	<b>11,9%</b>
Trade Creditors	235,8	222,2	231,0	174,0	188,9	(5,4%)
Taxation & Other Creditors	14,5	3,7	3,5	4,5	5,1	(23,0%)
Borrowings & Loans (S/T)	2,6	12,4	23,2	25,4	25,4	76,8%
Long Term liabilities	93,3	105,4	183,2	265,1	309,7	35,0%
<b>Total Liabilities</b>	<b>346,2</b>	<b>343,7</b>	<b>440,9</b>	<b>469,0</b>	<b>529,1</b>	<b>11,2%</b>
Ordinary Share Capital	109,6	109,6	109,6	109,7	47,7	(18,8%)
Reserves & other	80,7	140,0	121,3	184,1	265,8	34,7%
<b>Shareholders' Funds</b>	<b>190,3</b>	<b>249,6</b>	<b>231,0</b>	<b>293,8</b>	<b>313,5</b>	<b>13,3%</b>
Net Debt	(50,8)	(34,4)	123,0	191,0	30,0	
Net Debt / Adj. EBITDA (x)	(0,7)	(0,4)	1,0	1,7	0,3	
<b>Cash Flow (€m)</b>						
Adjusted Ebitda	70,7	90,0	120,5	113,3	87,6	5,5%
Change in W/C	102,3	(62,0)	(118,5)	(125,3)	132,2	n.a.
Taxes paid	(11,2)	(15,3)	(9,8)	(8,2)	(7,4)	(9,8%)
<b>Operating Cash Flow</b>	<b>161,8</b>	<b>12,7</b>	<b>(7,8)</b>	<b>(20,2)</b>	<b>212,4</b>	<b>n.a.</b>
Capex	(35,9)	(23,9)	(10,3)	(9,0)	(11,5)	(24,8%)
Net interest expenses	(8,5)	(3,9)	(5,3)	2,4	(12,4)	n.a.
Net financial liabilities variation	(22,3)	14,7	(35,4)	83,9	42,4	n.a.
Other	(16,0)	(7,8)	(7,3)	(40,2)	(26,5)	13,5%
<b>Net variation in cash</b>	<b>79,1</b>	<b>(8,2)</b>	<b>(66,1)</b>	<b>16,9</b>	<b>204,4</b>	<b>26,8%</b>