

FORECAST REPORT

ECONOMIC DEVELOPMENT STILL DEPENDENT ON COURSE OF PANDEMIC

The economic conditions in the markets are a significant factor with respect to the extent that the TAKKT Group will be able to use the opportunities described in the risk and opportunities report. The course of the coronavirus pandemic was decisive for business development in the past year and will also play a major role in the economic development in 2021. Current forecasts are therefore subject to great uncertainty.

- According to a forecast published at the beginning of February 2021, the European Commission expects a subdued start to 2021 for the EU due to the rise in infection rates during the winter and the heightened protective measures. In view of the increasing progress with the vaccinations and the possible easing of restrictions as a result, economic activity should increase over the course of the year and return to pre-crisis levels by the end of the year. For the eurozone, this means GDP growth of 3.8 percent in 2021 following a contraction of 6.8 percent last year. Germany performed better than the eurozone with a decline of 5.0 percent during the pandemic, and the pending recovery is also expected to be somewhat smaller as a result at 3.2 percent.
- On the whole, the protective measures against the pandemic were less restrictive in the US than in Europe. Driven by strong private consumption, the US economy recovered significantly in the second half of the year and is expected to return to its pre-crisis level by mid-2021, according to estimates by the Congressional Budget Office (CBO). After economic performance shrank by 3.5 percent in 2020, the CBO expects full-year GDP growth of 4.6 percent in 2021.

As in previous years, there are also factors influencing the further economic development in 2021, the effects of which are still unclear at the time of this forecast.

IMPROVED INDUSTRY-SPECIFIC CONDITIONS

The statements regarding the fundamental business prospects are complemented by the performance of relevant industry indicators. For example, purchasing manager indexes are indicators of the order trend in the European KAISER+KRAFT business with a time delay of three to six months. Values under 50 points generally signal a decline, while levels above 50 indicate an increase in order intake.

In the second half of 2020, the values in the eurozone and Germany increased significantly and were consistently above 50 points from July onward. This reflects the improved momentum in industry compared with the situation in March and April. After a slight decline in January, the values rose again in February, reaching 60.7 points for Germany and 57.9 points for the eurozone. For KAISER+KRAFT, this indicates a positive business development in the medium term.

The other industry indicators showed a less positive picture at the beginning of 2021. The RPI provides information about the situation of the US restaurant industry and is a relevant indicator for Hubert and Central. In January, it was 99.1 points and thus slightly below the expansion threshold of 100. The index consists of two components – one reflects the current situation and the other provides information on the expectations of market participants. While the current situation is rated as poor with 96.0 points, survey participants are optimistic about the future and rate the outlook with 102.2 points on average. This indicates a significant improvement in business development among US restaurant operators. TAKKT also expects a further upswing in the US office furniture market over the course of the year.

SIGNIFICANT POSITIVE GROWTH EXPECTED AS OF THE SECOND QUARTER

TAKKT expects a challenging start to the new fiscal year. Economic sentiment indicators recently showed a negative trend due to the rise in infection rates during the winter months and the intensified protective measures. In addition, the previous year's figures in January and February 2020 had not yet been affected by the pandemic. The Group therefore still expects negative organic growth rates for the first quarter. Starting in the second quarter, growth rates are then likely to be clearly positive. TAKKT expects to be able to benefit from the continued economic recovery and will implement strategic growth initiatives to support this. For the full year of 2021, TAKKT wants to achieve organic growth of between seven and twelve percent. The pace of growth will be strongly determined by the future course of the pandemic and its economic impact as well as the success of the growth initiatives. As in previous years, the e-commerce business should achieve stronger organic growth than total sales.

POTENTIAL EFFECTS ON SALES AND EARNINGS FROM ACQUISITIONS AND DISPOSALS

TAKKT also wants to tap into additional growth potential through acquisitions in 2021. They would contribute to sales from the acquisition date. In addition, the Group is continuing to work on strategic options for the activities of the Foodservice Equipment & Supplies segment. Hubert and Central follow a different business model from the three business units in the Omnichannel segment. In addition to the further development of the segment within the TAKKT Group, a sale of these activities is also possible. However, a transaction of this nature is unlikely in the first months of the year due to the effects of the pandemic. A potential sale of Hubert and Central would have a significant impact on the key figures of the TAKKT Group in the current financial year. TAKKT regularly presents the effects of acquisitions and disposals on sales and earnings in the financial reporting in a transparent manner.

US DOLLAR AFFECTS KEY FIGURES

In addition to the acquisitions and disposals, fluctuations in exchange rates also have an impact on reported sales growth and earnings. TAKKT generates nearly half of its sales in North America. Fluctuations in the exchange rate of the US dollar therefore have a significant impact on the Group's key figures reported in euros (translation risk). When translated into the reporting currency of euros, a strong US dollar leads to higher sales. When the dollar is weaker compared to the euro, Group sales are diminished. This can be illustrated using the following scenarios:

- If the EUR/USD exchange rate increases by 5 percent against the previous year (i.e., the US dollar becomes weaker), the increase in reported sales (in euros) will be between 2 and 2.5 percentage points below the currency-adjusted growth.
- If the EUR/USD exchange rate decreases by 5 percent against the previous year (i.e., the US dollar becomes stronger), the increase in reported sales (in euros) will be between 2 and 2.5 percentage points higher than the currency-adjusted growth.

In addition to the fluctuation effects from the US dollar mentioned above, fluctuations in other currencies such as from the British pound can also have an impact on the reported Group key figures. To illustrate currency effects clearly and depict business performance objectively, the Group does not only report sales changes in the reporting currency but also adjusts for currency effects.

SIGNIFICANT EARNINGS INCREASE EXPECTED

TAKKT has the goal of keeping the gross profit margin of the Group above the 40 percent mark for the long term. In 2020, the margin was 39.7 percent due to a lower freight margin, lower supplier discounts and negative effects from the valuation of inventories. For 2021, the Group expects an increase in gross profit margin to over 40 percent, primarily due to improvements in Web-focused Commerce and Foodservice Equipment & Supplies.

EBITDA in 2021 will be influenced by the future trajectory of the pandemic, the economic situation and the organic growth that TAKKT can generate given the overall circumstances. An organic increase in sales contributes directly to higher earnings. At the same time, TAKKT can achieve an above-average increase in earnings with stronger organic growth through a better utilization of infrastructure and economies of scale. The reverse is also true – if organic growth is low, a greater decrease in earnings would be expected. In addition to organic growth, currency effects and potential acquisitions and disposals can also have a significant impact on earnings.

Last year, the considerable decline in sales due to the pandemic and negative one-time effects had an adverse impact on earnings. At the same time, TAKKT was able to reduce personnel and marketing expenses as well as other costs through flexible cost management and the use of short-time labor. The Group is preparing for significant growth in 2021. Personnel and marketing costs are therefore expected to be significantly above the level of 2020. In addition, further developing the segment structures in Omnichannel and Web-focused Commerce will be of central importance in the current year. In both segments, functions such as logistics, IT infrastructure and data management will be centrally coordinated and managed. The respective positions will be created for this. In the future, TAKKT expects this to result in increased efficiency and scalability in the corresponding functions as well as higher earnings. In 2021, the costs for creating the structures will still exceed the resulting potential growth in earnings. In the current year, TAKKT expects significantly lower one-time expenditures than in the previous two years.

EBITDA is expected to increase significantly in 2021. With the planned organic growth and without acquisitions, disposals or additional significant impacts as a result of the pandemic, TAKKT expects EBITDA to be in the range of EUR 100 to 120 million in 2021.

HIGHER TAKKT CASH FLOW AND CAPITAL EXPENDITURES, FREE TAKKT CASH FLOW SIGNIFICANTLY BELOW PREVIOUS YEAR

Essentially the same influencing factors are relevant for the development of the TAKKT cash flow as for EBITDA. The Group therefore expects a significant increase in TAKKT cash flow to EUR 80 to 100 million in the current year. In 2020, the free TAKKT cash flow benefited from the very high release of cash from net working capital and the one-time proceeds from the sale of a property in the US. Neither are planned for 2021. TAKKT will therefore be able to generate good free cash flow again in the current year, but at a significantly lower level than in 2020. During the pandemic, TAKKT significantly reduced capital expenditures for the maintenance, expansion and modernization of existing business. In the current year, they are expected to be at the upper end of the long-term targeted benchmark of between one and two percent of sales or slightly above.

STABLE DEVELOPMENT OF CNPS AND ENPS

TAKKT has set long-term targets with regard to the likelihood to recommend among customers and employees and is continuously working on measures to help achieve these goals. In the current year, the Group expects a slight improvement in the eNPS, which provides information about the attractiveness of the TAKKT Group as an employer. The cNPS, which indicates a customer's likelihood to recommend, is not expected to change much in 2021 and will be around the same high level as in the previous year.

FURTHER PROGRESS ON SUSTAINABILITY INDICATORS

TAKKT wants to further increase the number of women in top executive positions and expects the share of women in these positions to develop positively in the middle and long term. However, the share can also stagnate or even decline slightly within a single year due to personnel changes. TAKKT will significantly expand the range of sustainable products and expects the share of sales generated with these products to increase in line with customer demand. TAKKT will continue to expand the carbon-neutral shipping of parcels and general cargo.

DIVIDEND PROPOSAL

TAKKT will resume the reliable dividend policy of previous years and, besides a dividend payment of EUR 0.55 for the 2020 fiscal year, add another EUR 0.55 to make up for the suspended base dividend from the previous year. The Supervisory Board and Management Board will therefore propose to the Shareholders'

Meeting a total dividend payment of EUR 1.10 per share. This dividend proposal is subject to the condition that the negative effects of the pandemic do not worsen significantly in the weeks leading up to the Shareholders' Meeting.

GENERAL STATEMENT ON ANTICIPATED DEVELOPMENT OF THE GROUP

Business development in 2021 will be strongly determined by the further course of the pandemic and its economic impact. The Management Board of TAKKT AG expects to benefit from the anticipated economic recovery during the year and wants to achieve organic growth of between seven and twelve percent for the year as a whole. EBITDA should see a significant increase and is expected to be between EUR 100 and 120 million with the planned organic growth and without acquisitions, disposals or additional significant pandemic-related effects.

The TAKKT cash flow and capital expenditures are expected to increase significantly in 2021, whereas the free TAKKT cash flow will be significantly lower than in 2020. TAKKT expects likelihood to recommend to improve among customers and employees in the middle and long term, but only expects slight changes in the current year. The sustainability indicators should continue to improve overall, however, a temporary decline cannot be ruled out for individual values.

GUARANTEE

This annual report and the forecast report in particular include forward-looking statements and information. These statements are estimates made by TAKKT Management based on all the information available to them when the annual report went to press. Should the basic assumptions not be realized or other opportunities and risks arise, the actual results may differ from those expected. TAKKT Management therefore cannot accept any liability for these statements.