

CORPORATE GOALS AND STRATEGY

In early 2020, the Group began with the implementation of TAKKT 4.0 and is thus repositioning itself. The Group’s strategic goals are to continue its profitable growth, transform its business model and act in a sustainable manner. For the individual subgoals, TAKKT set new target values in certain areas to be achieved by 2025.

VISION

In the course of the organizational realignment, TAKKT developed a vision that will serve as a guide during the transformation. This vision shows where the company wants to be by 2025.

We are the most sustainable provider of workspace equipment. Committed to an outstanding customer experience, the responsible use of resources, and strong growth.

TAKKT is giving itself a long-term, ambitious outlook with this vision. TAKKT wants to be the most sustainable supplier of business equipment by 2025. This goal is divided into different components. Sustainable business has an environmental as well as a social and economic component. TAKKT wants to win over customers with its strong performance, be an attractive and fair employer for its employees, manage natural resources in a responsible manner and be financially successful. These partial goals are not in competition with one another, but rather depend on and bolster each another.

An important part of the vision is also to strengthen employees’ identification with the Group, regardless of which business unit they work in or their function. “We Are All TAKKT” is the company’s motto for establishing new communication formats, reporting on the progress of the transformation and promoting the development of a shared culture and identity.

STRATEGIC GOALS

TAKKT remains committed to the three strategic goals that were adjusted at the beginning of the transformation and presented in last year’s annual report. The new vision for 2025 made certain subgoals more concrete by setting corresponding target values. The table below gives an overview of TAKKT’s strategic goals.

GROW PROFITABLY

Organic growth

TAKKT wants to accelerate organic growth and achieve an increase for the Group of around five percent per year on average over the long term. The target value does not take into account exceptionally severe economic downturns such as those during the financial crisis of 2008/2009 or resulting from the coronavirus pandemic in 2020. The three segments have different growth potential. While the Omnichannel Commerce and Foodservice Equipment & Supplies segments are expected to grow by an average of three to five percent per year, TAKKT is aiming for a growth rate of six to eight percent in the Web-focused Commerce segment.

TAKKT is implementing strategic initiatives in the segments and business units in order to achieve these growth targets. These relate to various areas of the value chain. For example, the companies are optimizing their product ranges and aligning them even more closely with the changing needs of customers. Generating growth through sustainable products plays a key role in this. TAKKT is also developing marketing, sales and pricing further. Of particular note are the expansion of sales activities in additional regions as well as the introduction of dynamic price management systems, which use data-based analyses to allow sales prices to be flexibly adapted for each customer.

Strategic goals	Previous sub-targets	New sub-targets (until 2025)
Grow profitably	<ul style="list-style-type: none"> Long-term organic sales growth of around 5% per year Additional growth through acquisitions Increase in EBITDA 	<ul style="list-style-type: none"> Long-term organic sales growth of around 5% per year Additional growth through acquisitions Sustainable increase in EBITDA
Transform the business model	<ul style="list-style-type: none"> New organizational approach with focus on two business models Digital transformation with significant increase in e-commerce business 	<ul style="list-style-type: none"> Organizational realignment with focus on two business models Employee NPS of over 30 Customer NPS of over 60 Above-average organic e-commerce growth
Act sustainably	<ul style="list-style-type: none"> Industry role model for sustainability Sustainability “built-in” instead of “add-on” in daily corporate management 	<ul style="list-style-type: none"> Share of women in top executive positions of at least 30 percent Share of sustainable products of over 20 percent 100 percent carbon-neutral print advertising and shipping processes

Greater strength through acquisitions

In addition to organic growth, TAKKT also wants to continue to grow through acquisitions. For this, suitable companies are sought whose products and solutions strengthen and complement the existing activities. On the one hand, TAKKT aims to strengthen existing businesses, for example if an acquisition target has an attractive customer base or a presence in additional domestic markets. On the other hand, future acquisitions should enhance the added value within the Group. To this end, TAKKT also wants to acquire smaller companies offering products or services that expand the existing range of services for customers. These could be, for example, solutions for manufacturing, refining or adapting products as well as service offerings.

With regard to acquisitions, TAKKT's aim is to integrate the target company into the Omnichannel or Web-focused segment. This allows the acquired companies to benefit from the competencies and expertise at the segment level (e.g., in logistics, IT, data & analytics, purchasing and marketing). In addition to taking advantage of synergies, growth will be accelerated through the improved scalability of the two segments. Both result in a higher increase in value as opposed to the acquired company continuing to operate independently.

Profitability

TAKKT pursues a course of profitable growth. The starting point is a high gross profit margin, which for the Group average should exceed 40 percent. The relatively high gross profit margin results from the market position as B2B distance selling specialists for business equipment as well as from targeted measures such as the expansion of private labels and increasing the share of direct imports from Asia and Eastern Europe.

TAKKT has set itself the goal of increasing the operating result sustainably. For the Omnichannel segment, TAKKT is aiming for an EBITDA margin of around 15 percent. A margin of around ten percent is expected for the Web-focused segment. The Foodservice Equipment & Supplies segment is expected to generate an EBITDA margin of over ten percent. The EBITDA margin for the TAKKT Group depends on the weighting of the segments in the Group.

TRANSFORMING THE BUSINESS MODEL

With TAKKT 4.0, the Group is realigning its organizational structure and making it more compact. In both the Omnichannel Commerce and Web-focused Commerce segment, TAKKT is focusing on a specific business model for one customer type. This approach allows the brands to position themselves more clearly in the market and therefore meet the different requirements of the respective customer types in terms of products, service and

quality. By focusing more strongly on the customer, TAKKT wants to improve their shopping experience and satisfaction. This can be measured with the customer NPS (cNPS), which shows a customer's likelihood to recommend and is monitored continuously. TAKKT's goal is to achieve a cNPS of over 60 points in the long term. To this end, the various business units are working on improving customer satisfaction further in a targeted manner. This includes continuously developing the product range with new, innovative products, providing better advice and problem-solving expertise in customer service, and even faster and more reliable delivery to customers.

Dedicated employees are the key element for excellent performance and the best customer service. The Group wants to further strengthen employees' identification with the company and its attractiveness as an employer. While the cNPS indicates a customer's likelihood to recommend, the employee NPS (eNPS) provides information about the attractiveness of the employer and the likelihood of employees to recommend it to others. This value is measured on a regular basis. TAKKT's goal is to achieve an eNPS of over 30 points in the long term. In order to achieve this, the business units are working on specific measures to boost employee commitment and identification with the company. This can include factors such as development opportunities or improving communication within the company. Details on the calculation of cNPS and eNPS can be found in the Management system section starting on page 48.

The continued evolution of TAKKT's business model has already been accompanied by a steady increase in the e-commerce business in recent years, which by now accounts for well over half of the business volume. TAKKT believes that the changes in customer behavior and the increasing shift towards e-commerce will also accelerate in the B2B sector in the future. The Group will align its activities accordingly in order to continue to generate above-average organic growth in e-commerce.

Besides the organizational realignment and the corresponding creation of structures in the Omnichannel and Web-focused Commerce segment, TAKKT 4.0 also includes the implementation of a new operating model. To this end, TAKKT is defining a common understanding of work, management and leadership and implementing it within the Group. TAKKT's operating model defines core behaviors and processes, thereby establishing uniform standards for all employees. It enables better achievement of performance targets and serves as a guide for employees.

ACT SUSTAINABLY

Sustainability has been an integral part of the corporate strategy for many years. In the future, TAKKT will differentiate itself even more from other market players in this area. The Group is convinced that sustainability represents competitive advantages across all stages of the value chain and enhances company value for the long term. The sustainability goals build on the achievements of the past and cover the different dimensions of sustainability (economic, environmental and social). TAKKT has also included three of these in the strategic objectives to be achieved by 2025:

- Strengthening diversity and gender equality by increasing the share of women in top executive positions to over 30 percent.
- Resource-efficient business by increasing the share of sustainable products to over 20 percent.
- Supporting the fight against climate change by reducing CO₂ emissions from parcel and general cargo shipping. The aim is to make these activities fully carbon-neutral by 2025, as we have already achieved with print advertising.

Further details on the sustainability goals and measures are presented in the new interim sustainability report, which will be published together with this annual report.

MANAGEMENT SYSTEM

In the course of the organizational realignment within the scope of TAKKT 4.0, the Group added further dimensions to the management system, which was previously primarily finance based, and expanded it into a financial and operational management system. The indicators for the digital agenda were merged into TAKKT 4.0 and the new management system. Product range and value-based key figures as well as the internal covenants will continue to be collected and reported. The Group uses three target values for management with regard to sustainability. The three segments of the Group are managed according to the same key figures, however, the targets for individual key figures differ for the various segments.

ORGANIC GROWTH

- The organic sales development serves as a measure for the growth of the company without the inclusion of company acquisitions and disposals or the impact of fluctuating exchange rates. The short-term development of sales is influenced by the economic cycles. With the implementation of TAKKT 4.0, the Group wants to achieve average annual organic growth of around five percent over the long term. More information regarding the growth ambitions can be found in the “Corporate goals and strategy” section on page 44.
- Organic e-commerce growth reflects the development of the online business adjusted for acquisitions, disposals and the effects of currency fluctuations. For this, TAKKT includes sales via e-procurement systems, web shops, online marketplaces and orders placed through traditional channels that were initiated over the internet. TAKKT wants to continue to grow above the average in e-commerce.

Definition and target values

Key figure	Definition	Target values
Organic development of sales	Benchmark for company growth without acquisitions	5 percent on average in the long term
Organic e-commerce development	Benchmark for e-commerce growth without acquisitions	Above-average growth

COSTS AND EARNINGS

- The gross profit is calculated by deducting the material costs (cost of sales and freight costs) from sales and adding other changes in inventory whose sum is not significant and own work capitalized. The TAKKT Group pursues the goal of achieving a gross profit margin – gross profit in relation to sales – of over 40 percent. The reason for this is the company’s focus on the benefit to the customer and the provision of versatile additional services as opposed to the mere distribution of goods.
- EBITDA is the most important key figure for the short-term operating earning power of the individual Group companies because the effects of the country-specific differences in tax rates and financing structures are not relevant for this key figure. As the figure does not include depreciation and amortization of non-current assets, it permits a direct comparison between existing and newly acquired companies. TAKKT wants to achieve a sustainable increase in EBITDA. There are different target values for the profitability of the segments. Detailed information regarding the earnings targets can be found in the “Corporate goals and strategy” section on page 45.

Definition and target values

Key figure	Definition	Target values
Gross profit margin	Measure for added value (e.g., for customers and suppliers)	Over 40 percent of sales
EBITDA	Measure for operating profitability	Sustainable increase

CASH

- The TAKKT cash flow is calculated from EBITDA less financial result, current income tax and the balance from other non-cash expenses and income as well as non-cash income and losses on disposals of fixed assets. TAKKT cash flow shows the operational cash flow earned in the reporting period before the effects from the changes in net working capital. As with EBITDA, the company also wants to increase TAKKT cash flow over the long term.

- The free TAKKT cash flow is calculated from the cash flow from operating activities, which includes effects from changes in net working capital, less capital expenditures in non-current assets and adding proceeds from the disposal of non-current assets and, if applicable, from the disposal of consolidated companies. It thus provides information about the cash surplus, which the company can use for the repayment of liabilities, dividend payments and the financing of acquisitions. As with EBITDA and the TAKKT cash flow, free TAKKT cash flow is also expected to increase sustainably. One-time effects from the sale of real estate or consolidated companies can have a material impact on this key figure in individual fiscal years.
- The capital requirements for maintenance, expansion and modernization of the business operations are comparatively small at the established companies of the TAKKT Group. Accordingly, the long-term capital expenditure ratio average is between one and two percent of sales. In fiscal years in which the warehouse capacities of a business unit are expanded significantly or important capital expenditures in IT are made, this ratio is higher, whereas in periods without larger investment projects it is at the lower end of the specified range.

Definition and target values

Key figure	Definition	Target values
TAKKT cash flow	Measure for internal financing capability	Sustainable increase
Free TAKKT cash flow	Cash surplus available for acquisitions, repayments and dividend payments	Sustainable increase
Capital expenditure ratio	Capital requirements for maintenance, expansion and modernization of operations	Between 1 and 2 percent of sales on average in the long term

CUSTOMER AND EMPLOYEE PERSPECTIVE

- TAKKT collects and analyzes the customer Net Promoter Score (cNPS) in all business units as an indicator of customer satisfaction. For the survey, customers are asked how likely they would be to recommend the respective brand to others. The likelihood was rated using a scale from 0 to 10 and customers were then grouped into three categories (promoters, detractors and passives). Those with a score of less than seven are considered detractors, while customers with a nine or ten are labeled promoters. The cNPS is calculated by subtracting the percentage of detractors from the percentage of promoters. It can thus generate a score between -100 and +100. At the Group level, TAKKT strives for a cNPS of over 60 points in the long term.

- While the cNPS indicates a customer’s likelihood to recommend, the employee NPS (eNPS) provides information about the likelihood of employees to recommend. The method used to determine the eNPS is the same as that for the cNPS. Employees are classified as promoters, passives or detractors based on their likelihood to recommend. The eNPS is calculated based on the responses. Since the relationship between employee and employer is much more multifaceted and complex than the one between customer and brand, eNPS values are generally lower than cNPS values. Employees can be dedicated and motivated top performers, even if they are dissatisfied with some working conditions and therefore not considered promoters based on their rating. A score of over 0 means that the majority of employees would recommend their employer to others. TAKKT’s goal is to achieve an eNPS over 30 in the long term. The cNPS and eNPS are generally linked to one another: Satisfied employees are more dedicated, which has an indirect effect on customers due to the higher service quality. TAKKT has therefore set targets for both key figures and continuously works on the likelihood to recommend among its employees and customers.

Definition and target values

Key figure	Definition	Target values
cNPS	Measure of likelihood to recommend among customers	Above 60 in the long term
eNPS	Measure of likelihood to recommend among employees	Above 30 in the long term

SUSTAINABILITY

- TAKKT believes in the benefits of having a high level of diversity among its employees. Diversity comprises different dimensions. The current focus is on advancing women in executive positions. The Group has set itself the goal of having at least 30 percent of the top executive positions filled by women by 2025.
- The share of sales generated with sustainable products has grown steadily at TAKKT in recent years. Among them are products made from sustainable sources of raw materials such as certified forests or recycled materials. This also includes carbon-neutral products. The goal is to increase the share of sales of these products to 20 percent by 2025.

- TAKKT has committed to taking urgent action to combat climate change. Within the Group, this mainly applies to the reduction of CO₂ emissions from parcel and general cargo shipping. The aim is to make these activities fully carbon-neutral by 2025, as we have already achieved with print advertising.

Definition and target values

Key figure	Definition	Target values
Share of women in top executive positions	Measure of equal opportunity and diversity	Increase to 30 percent
Share of sales of sustainable products	Responsible use of natural resources	Increase to 20 percent
Share of carbon-neutral activities	Contribution to combating climate change	100 percent carbon-neutral print advertising and shipping processes

OVERVIEW OF MANAGEMENT SYSTEM

Reporting on the key performance figures for the past fiscal year includes the key figures from the management system presented in last year’s annual report as well as those added in the new system. A presentation and analysis of the development of these key figures are included in the Sales and earnings review, Financial position, Assets position and Company performance sections. The key figures for the customer and employee perspective, together with the sustainability indicators, are relevant non-financial key figures for the development of the Group. Moreover, the forecast report looks at how TAKKT anticipates the key performance figures to develop in 2021.

EMPLOYEES

Human Resources at TAKKT is a key element in achieving the strategic goals and follows a uniform approach for the top executives throughout the entire Group. The 2020 fiscal year was challenging with regard to human resources. The top priority during the coronavirus pandemic was keeping the employees safe and securing operations. Alongside this, TAKKT worked on professionalizing Group-wide talent management further as part of the new operating model.

TOGETHER AT A DISTANCE: RESPONSE TO THE PANDEMIC

Right from the start, TAKKT responded quickly to the spread of the coronavirus pandemic and introduced measures to protect its employees and maintain operations. Since then, the vast majority of employees have been working from home. TAKKT has taken extensive protective measures for activities where employees are required to be physically present at their workplace. Besides strict hygiene requirements, this also included the introduction of two separate shifts for employees in the warehouse. Due to the TAKKT Group’s international positioning, the exact form of the measures was carried out by local crisis teams who were most familiar with the respective circumstances and conditions. Along with this, TAKKT also coordinated and promoted the Group-wide exchange of experiences and recommendations on how to deal with the new challenges.

As an employer, TAKKT is aware of its great responsibility towards its employees in a crisis situation like the one in the year under review. This responsibility has always been taken into consideration, also when making difficult decisions, such as with regard to the use of short-time labor or structural changes. The Management Board and top management waived a portion of their salaries in the second quarter, thereby making it possible to establish a relief fund to support employees in particularly challenging situations.

The year 2020 has shown that collaboration with colleagues, external partners and customers is also possible without daily face-to-face interaction. Digital formats are replacing on-site meetings and project work. At the same time, virtual collaboration while working from home also brought new challenges, such as the absence of informal workplace interactions and in terms of personal resilience. TAKKT therefore offers targeted training and a range of virtual formats to strengthen collaboration and team spirit among employees in the company despite the physical separation.