

FORECAST REPORT

Persistent inflation and a restrictive monetary policy

The economic conditions in the markets are a decisive factor regarding the extent to which the TAKKT Group will be able to use the opportunities described in the risk and opportunities report. Key factors for economic development in 2023 include the ongoing inflation and interest rate policy of the central banks as well as the further course of the war in Ukraine. The very pessimistic economic outlook for Europe and the US at the beginning of the year has brightened somewhat recently. Despite the slight improvement, most forecasts are predicting a marked negative impact from the restrictive monetary policy and minimal economic growth.

- › According to an estimate from the end of February, Berenberg Bank anticipates GDP growth of 0.7 percent for the eurozone this year. In Germany, the economy is expected to stagnate with an increase of only 0.1 percent. After a weak start to the new year, Berenberg expects momentum to be slightly positive.
- › In addition, Berenberg estimates that growth in the US will be on par with the eurozone at 0.7 percent. A further rise in interest rates could slow down momentum over the course of the year.

Due to the large number and variety of economic risks, further economic development remains subject to a high level of uncertainty. There is also the risk of a deeper recession if the high inflation proves to be persistent and the central banks take stronger countermeasures. On the other hand, in the event that the war in Ukraine comes to an end, stronger economic growth is also conceivable.

Challenging 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 of the Industrial & Packaging division 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. Sparked by the Russian attack on Ukraine, a downward trend began in 2022 with values in the second half of the year consistently below 50 points. At 46.3 points for Germany and 48.5 points for the eurozone, the indicator was clearly below the threshold of 50 points in February 2023. Overall, the figures point to a challenging environment for the Industrial & Packaging division.

Other industry indicators showed a mixed picture at the beginning of the year. The RPI provides information about the situation of the US restaurant industry and is a relevant indicator for the FoodService division. Even though the RPI declined over the course of 2022, the values were consistently above the expansion threshold of 100 points. In January 2023, the value stood at 102.8 points, indicating a continued positive business trend for US restaurant operators and a relatively stable environment for the FS division. Demand in the US office furniture market had already weakened in the second half of 2022, and TAKKT also anticipates overall challenging conditions in the current year.

Slowed growth in difficult environment

After strong organic sales growth of 7.5 percent in the previous year, TAKKT expects less momentum in 2023. The weak economic environment is expected to contribute to a marked buying reluctance among customers, especially in the first half of the year. During periods of recession, the equipment business is more cyclical in nature than the general economic development. TAKKT expects an improvement in the second half of the year after a weak first half year. The timing and extent of the expected upswing will be decisive for the development of the year as a whole. From the current perspective, the Group expects organic sales to develop in the low single-digit negative to low single-digit positive percentage range. Despite the difficult conditions, the growth initiatives presented in the “Corporate goals and strategy” section are expected to result in additional sales contributions. Growth in the e-commerce business is expected to outpace sales in 2023.

Potential effects on sales and earnings from acquisitions and disposals

TAKKT intends to tap into additional growth potential through acquisitions in the future. They would contribute to sales in 2023 from the acquisition date, if applicable. In addition, changes in the composition of the Group through disposals are not ruled out if individual companies do not develop as expected or if strategic changes make sense. TAKKT 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 approximately 45 percent 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 five percent against the previous year (i.e., the US dollar becomes weaker), the increase in reported sales (in euros) will be around two and a half percentage points below the currency-adjusted growth.
- › If the EUR/USD exchange rate decreases by five percent against the previous year (i.e., the US dollar becomes stronger), the increase in reported sales (in euros) will be around two and a half percentage points higher than the currency-adjusted growth.

In addition to the fluctuation effects from the US dollar mentioned above, fluctuations in other currencies 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 development in the reporting currency but also adjusts for currency effects.

Focus on improvement of gross profit margin

TAKKT has the goal of keeping the gross profit margin of the Group above the 40 percent mark for the long term.

Owing to negative structural and temporary effects, the figure for 2022 came to 39.3 percent. Improving the gross profit margin will also continue to be one of the top priorities in the current year. In the current environment of persistently high inflation rates, the Group will continue to pass on the higher prices for products and shipping to customers quickly and in full in order to keep the margin stable. Price adjustments are made much more frequently and to a greater extent. In addition, TAKKT wants to realize additional positive effects by improving its purchasing conditions and discounts for customers, and through more variable pricing. Overall, TAKKT's aim is to achieve a slight improvement in the gross profit margin to around 40 percent in 2023.

Flexible cost management

In 2023, TAKKT will manage its costs flexibly and adapt them to the current conditions. Given the expected weak start to the new year, the focus in the first half of the year will be on consistent cost management. The Group is able to manage its marketing expenses very flexibly. In 2023 as well, the amount will be based on the current growth potential and level of sales and order intake. The marketing cost ratio should therefore remain stable. With regard to personnel expenses, the Group expects rising costs due to persistently high inflation and has been actively countering this with a restrictive approach to recruitment since the end of 2022. Despite these measures, TAKKT expects personnel expenses to increase.

The one-time expenditure for structural changes associated with the implementation of the transformation amounted to EUR 4.6 million in 2022. These costs are also expected to amount to a mid-single-digit million euro figure in the new year. With the further development of the Group functions and integrated positioning of the divisions, the Group is also investing in stronger growth and improved efficiency in 2023. Due to the challenging conditions, the positive impact of these measures in the current year will be lower than the expenses required for them. In the following years, profitability is expected to increase noticeably with decreasing one-time charges and increasingly positive contributions from scaling effects due to the strong growth and integrated positioning.

Given the expected conditions, TAKKT expects EBITDA to be in the range of EUR 120 to 140 million. In addition to growth and transformation costs, currency effects and possible acquisitions and disposals may have a noticeable influence on earnings. Corresponding effects from currency fluctuations, acquisitions and disposals are not included in the forecast.

Increase in capital expenditure and free TAKKT cash flow

Essentially the same influencing factors are relevant for the development of the TAKKT cash flow as for EBITDA. The Group expects TAKKT cash flow of EUR 100 to 120 million in the current year. The build-up of net working capital in the previous two years will partially reverse in 2023, primarily as a result of the further reduction in inventories. Investments in the maintenance, expansion and modernization of existing business are expected to be higher than in the previous year and account for less than two percent of sales. Despite the increasing capital expenditure, TAKKT wants to generate significantly higher free cash flow in the current year.

Stable development of cNPS and eNPS, increase in share of women in executive positions

TAKKT has set ambitious targets with regard to the willingness to recommend among customers and employees and is continuously working on improvement measures. The cNPS, which indicates a customer's willingness to recommend, is also expected to be at a high level in the current year, very close to the target value of 60 points. For the eNPS, which provides information on the attractiveness of the Group as an employer, TAKKT's goal is to achieve a significant improvement in the medium term. The figure for 2023 is expected to remain around the level of the year under review. TAKKT is convinced of the benefits of more diverse teams and intends to further increase the share of women in executive positions. For 2023, TAKKT anticipates a slight increase. However, the share can also stagnate or even decline slightly within a single year due to personnel changes.

Further improvement of sustainability indicators

In order to achieve the targets for 2025, TAKKT wants to further intensify its efforts in the area of sustainability.

In the current year, the share of products classified as "enkelfähig" is expected to rise only slightly and then increase significantly in 2024. The Group wants to achieve a slight reduction in CO₂e emissions (Scope 1 & 2 according to the GHG Protocol).

Dividend proposal

TAKKT has a business model that generates strong cash flow and also wants shareholders to participate in the company's success in the form of dividend payments. For the past fiscal year, the Management Board and Supervisory Board propose a total dividend payment of EUR 1.00 per share. This would comprise a base dividend of EUR 0.60 per share plus a special dividend payment of EUR 0.40.

General statement on anticipated development of the Group

The operational development in 2023 will depend largely on the economic conditions. Assuming there is no or only a mild recession in the target markets of Europe and the US, the TAKKT Management Board expects a stable organic sales development in the current year. EBITDA is expected to be in the range of EUR 120 and 140 million (excluding acquisitions and disposals).

The TAKKT cash flow should come to between EUR 100 and 120 million, while the capital expenditure ratio and free TAKKT cash flow is expected to be above the level of the previous year. TAKKT expects a stable development in the willingness to recommend of customers and employees. The sustainability indicators should continue to improve.

Guarantee

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