

Interview with the Management Board

Maria, 2022 was your first full fiscal year after joining as CEO in August 2021. How did the year go?

Maria: 2022 was challenging, but it was also a good year for us! In January, we began the new year with a new strategy, new organization and great confidence. 2020 and 2021 were marked by the pandemic, and yet the past year also had some challenges awaiting us. Russia’s attack on Ukraine and high inflation rates required us to react to the changing circumstances and reassess priorities. It was a volatile environment, but we still met our financial targets and also achieved important milestones in the implementation of our strategy. I am very proud of our team’s performance in this exceptional year.

2022 was also a year of internal change for us, though. This applies to the structure of the company with the development of the Group functions as well as the integration of important functions in the I&P division. And the transformation has also brought about personnel



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changes in some leadership positions. Last year, Claude Tomaszewski decided to initiate a change in leadership regarding the CFO position. Claude has been responsible for the finance area since 2011 and played a decisive role in shaping the strategic development of the Group during this time. For this, we are grateful to him.

I am very pleased that with Lars Bolscho we were able to find an internal successor for the important position of CFO. This shows how well we are positioned in terms of personnel. Our management team now also reflects the entire breadth and diversity of our Group. This applies in terms of gender as well as internationality. We also have a good mix of TAKKT executives who have been with the company for many years as well as newcomers who bring fresh impetus and ideas from their previous positions. This diversity will benefit us, especially in the transformation.

Lars, up to the end of the year you were Managing Director for Finance at Industrial & Packaging, the Group’s largest division. What impact did the new strategy have on I&P?

Lars: We are implementing the transformation in stages and in 2022 we focused on Europe and thus I&P. We replaced the existing parallel structures in marketing, sales and category management for the various brands with a single, integrated organization. With that, the foundation has now been set for even stronger growth. And we have also started to reduce the large number of sales brands, merge product ranges and offer customers a much greater variety of products. This year, we are taking the next step and merging the previously separately managed brands for the equipment and



Maria Zesch
CEO

packaging business into one brand through the relaunch of KAISER+KRAFT. Along with broadening the product range and strengthening cross-selling, we also expect this to result in greater marketing efficiency.

Maria: Besides the integration of I&P, one of the main priorities last year was the development of the Group functions for logistics and technology. The entire logistics and operations of our warehouses are now managed and controlled centrally. The same applies to all matters of technology & data, such as our system landscape for web shops and enterprise resource planning. Here too, we focused on Europe in 2022. One of the first successes was reducing and consolidating our warehouse locations in the UK.

TAKKT wants to support customers in creating the future worlds of work. What do these new worlds of work look like and which trends are making an impact?

Maria: New worlds of work is our vision of how work, employees and workplaces will develop in the years to come. With the new worlds of work, we look at three aspects:

- › Who are the employees and workers of today and tomorrow?
- › When and where will work take place in the future?
- › And how is work changing?

In all three aspects, we are facing fundamental changes. Significant trends like the shortage of skilled workers, the growing importance of health and prevention, digitalization and climate change are shaping the worlds of work of tomorrow. Increasing competition for employees will lead to greater automation and the use of AI for many tasks. Also, attractive workplace design and environments are becoming more and more important in acquiring and retaining employees. Our three divisions offer the right products for the respective world of work. We will also be providing more consulting and project support to help our customers in designing their working environments.

In addition to the vision, TAKKT has also been pursuing a new strategy since last year. What progress has been made so far and what are your plans?

Maria: Vision and strategy are closely linked. Implementing the strategy is our way of making the vision a reality. In doing so, we rely on the three pillars Growth, OneTAKKT and Caring. On the topic of growth: in 2022 we

launched several initiatives with the aim of increasing our organic growth. For example, by increasing cross-selling and improving e-commerce. At OneTAKKT, we are continuing to build a compact and more integrated structure in the divisions and Group functions. And we also want to live up to our responsibility towards customers and employees as well as the environment and society. This touches on very many aspects of our work. To give just one example, in 2022 we introduced a stringent requirement profile for particularly sustainable products that are fit for future generations with the “enkelfähig” label and evaluated our range for the first time according to these criteria. Currently, we are at around 20 percent “enkelfähig” products and aim to increase the share to 40 percent by 2025.

The new strategy is linked to ambitious growth targets for 2025. Weak economic development is expected for this year. Is TAKKT still sticking to these targets?

Maria: It was just over a year ago that we formulated our ambition for 2025 together with the new strategy. Since then, we have been working successfully on the implementation and have reached important milestones. In the things that we can control ourselves, I am very confident. I still believe that we can increase our organic growth to an average of ten percent in the medium term. However, we are also not naive. Initially, we had not expected a long drawn-out war or recession. In light of this, meeting the financial targets in full by 2025 has certainly become more challenging. Nevertheless, we are continuing to work towards realizing our ambition. In addition to strong organic growth, acquisitions are also expected to make a significant contribution towards achieving our goal.



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What are the chances of an acquisition in the current year? And what would be an ideal target?

Lars: In the first stage, we specifically made internal transformation our priority. In the new year, acquisitions are taking on greater importance. We are very interested in companies that can be integrated well into one of the three existing divisions and that strengthen the performance and market presence of these. And also in companies whose capabilities can help us in implementing and accelerating our transformation. Geographically, the focus will remain on Europe and North America. However, in order for the effort associated with the acquisition to pay off, the company needs to be of a certain size. Our approach depends on the market situation, the availability of potential acquisition targets and the willingness of the current owners to sell. I am confident that we will do a transaction in the near future, though. In any case, we have sufficient financial potential.



Lars Bolscho
CFO



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Before we get into the new year, let's take a closer look at the operational development and financial results for 2022. What were the challenges and how did the year go?

Lars: It was not an easy year, but despite this we were able to achieve our financial targets for 2022. Maria has already mentioned the Ukraine war and the high price increases. In this environment, consistent inflation management was our utmost priority. We passed on the higher costs for products and shipping to our customers quickly and in full and were able to keep our gross profit margin close to the target value of 40 percent. Our gross profit margin was lower, but we improved our profitability slightly by realizing positive economies of scale and reducing the cost ratios for marketing and personnel. At the end, EBITDA came to EUR 132 million. Therefore, earnings were slightly above the expected corridor of EUR 120 to 130 million.

There was still limited availability of products, especially in the first half of the year. In order to improve delivery capacity, we placed orders with our suppliers earlier and in larger quantities. We were able to benefit from this in the second half of the year. At the same time, inventory levels had been significantly higher at certain points. Through our clear focus on inventory management, we were able to sell a large part of the stored products by the end of the year. Overall, we generated free cash flow of over EUR 70 million, which was significantly more than in the previous year.

TAKKT resolved a share buy-back program in October. What were the reasons for this decision?

Maria: In August and September, the valuation of our share dropped considerably. The speed and extent of the price decline seemed overly exaggerated given our continued good business development and cash flow strength. In this environment, we decided to make opportunistic use of the authorization of the Shareholders' Meeting and buy back up to three percent of the shares. We are convinced that the share buy-back will create additional value for our shareholders.

Lars: By the end of February, we had bought back around 0.5 million shares for EUR 6.7 million and are very satisfied with the results. At the January and February price level, we reduced the purchase volume, but the program is still continuing as planned. In addition to the share buy-back, we are also committed to the interests of shareholders with regard to the dividend. Given the good cash flow development and high equity ratio, we want to pay out a special dividend to our shareholders of EUR 0.40 per share for 2022 in addition to the base dividend of EUR 0.60.

What are the expectations for the current year?

Maria: The current economic forecasts for Europe and the US are very uncertain and high inflation rates will still be an issue. We are therefore making sure to remain flexible and will adapt our actions to the current conditions. As expected, the start to the new year was subdued, but we anticipate an upswing and increasing demand in the second half. After the sharp increase in the previous year, we expect stable organic sales development for this year.

In this environment, we will exercise strict cost and results management. Our goal is to improve the gross profit margin to our long-term target of around 40 percent. And we expect EBITDA to be between EUR 120 and 140 million. At the same time, we continue to enjoy strong cash flow and want to generate significantly higher free TAKKT cash flow than last year through further improvements in managing our net working capital.

And we will continue to implement our strategy in 2023. In Europe, the focus is on the brand consolidation and relaunch of our sales brand KAISER+KRAFT with a broader range and even stronger presence. In the US, we will drive forward the integration of the FoodService division in the areas of sales, marketing and category management. We also want to regain momentum in e-commerce by optimizing our performance marketing and expanding our presence on additional platforms. Equally important is the further expansion of our pricing expertise through more variable pricing. These measures will bolster our business this year already.

I'd also like to say a special thank you to our employees. Thank you for your tireless effort, for supporting our strategy and your enormous commitment to our customers. I am very proud to be part of the TAKKT team. In addition, I would like to thank our customers and shareholders for their continued trust during our transformation phase.

Members of the Management Board



Lars Bolscho
CFO

Maria Zesch
CEO