

## CORPORATE GOALS AND STRATEGY

With the strategy adopted at the end of 2021, TAKKT is speeding up the Group’s transformation into a more strongly integrated, customer-focused and growth-oriented company. It comprises the three pillars Growth, OneTAKKT and Caring and the measures and goals associated with them. As part of the new strategy, TAKKT intends to increase sales to EUR 2 billion by 2025, generate EBITDA of EUR 240 million, achieve free TAKKT cash flow of EUR 150 million and to do even more justice to the interest of important stakeholders.

### Strategic orientation and vision

“Bringing new worlds of work to life” is the vision behind the strategic positioning of the TAKKT Group. The world of work is undergoing a fundamental transformation, accelerated by the coronavirus pandemic. Important trends such as the shortage of skilled workers, the growing importance of health and prevention, digitalization and climate change are playing a decisive role. For example, the increasing competition for employees will lead to greater automation and the use of artificial intelligence. In addition, attractive workplace design and environments are becoming an increasingly important factor when it comes to acquiring and retaining employees.

TAKKT strives to live up to this vision by positioning itself as a more integrated, customer-focused and growth-oriented company. By placing a sharper focus on innovation and cross-functional collaboration, TAKKT wants to develop the right products for the work environments of the future together with customers and suppliers and integrate them into its product range. This means that analyzing customer needs and the services related to this will account for a greater part of value creation.

### Strategic goals for 2025

The orientation is associated with ambitious strategic goals that TAKKT is aiming to achieve by 2025. As part of a comprehensive approach, these goals include financial aspects such as a significant increase in sales, earnings and free cash flow as well as moves to address the concerns of key stakeholders by improving customer satisfaction and employee motivation and conserving natural resources. The strategy is based on the three

pillars Growth, OneTAKKT and Caring. The table below gives an overview of TAKKT’s strategic goals.

#### Strategic goals for 2025

GROWTH	› Sales of EUR two billion
One TAKKT	› EBITDA of EUR 240 million › TAKKT free cash flow of EUR 150 million
CARING	› Customer NPS of 60 › Employee NPS of 50 › Share of women in executive positions of 45 percent › Share of “enkelfähig” products of 40 percent › Reduction of CO <sub>2</sub> e emissions (Scope 1 and Scope 2) by 20 percent

### Growth

TAKKT is aiming to use its strategic orientation and clear customer focus to increase its business volume to EUR 2 billion by 2025. A slightly larger portion of the additional sales are expected to come from organic growth and a somewhat smaller share from value-creating acquisitions.

### Organic growth

TAKKT is aiming to achieve a marked increase in the Group’s sales over the coming years and to increase its organic growth rate to ten percent annually on average. In the years prior to the coronavirus pandemic, the Group averaged organic growth in the low to mid single-digit range. TAKKT is convinced that the new orientation and strategy will allow it to achieve much higher growth rates in the future. The products that the divisions offer allow them to address a very large and fragmented market in which even leading brands like KAISER+KRAFT have a market share that is only in the very low single-digit percentage range, meaning they offer a lot of potential for growth.

Stronger e-commerce growth in particular is expected to contribute to realizing this potential. The further development of TAKKT’s business model has already been connected with a steady increase in the e-commerce business in recent years, which by now accounts for well over half of the business volume. TAKKT expects the changes in customer behavior and the increasing shift towards e-commerce in the B2B sector to accelerate further. The Group wants to achieve above-average organic growth in e-commerce in the future as well.

Relevant e-commerce functions will be coordinated Group-wide and managed within the divisions to achieve this. As a first step, in 2022 TAKKT developed a uniform approach for key figures and performance measurement in e-commerce, which will be used throughout the entire Group in the future. In 2023, the focus in the three divisions will be on further optimization of e-commerce marketing with the technologies currently in use, such as through increased performance marketing and a wider presence on other platforms. In the medium term, TAKKT wants to realize further efficiency gains through greater standardization of the web shops and shared use of IT infrastructure.

On the division level, the different sales brands will cooperate more closely in marketing, sales and category management to offer their customers a wide product range of various product groups. This way, for example, a logistics buyer will be able to procure products for the storage and transport of their goods as well as packaging from a single source. With this increase in cross-selling, TAKKT expects to generate higher business volume with its existing customer base and therefore positive contributions to growth.

In the Industrial & Packaging division, the connection between the two largest sales brands, KAISER+KRAFT and ratioform, was highlighted in 2022 through a clear co-branding. In the course of 2023, a relaunch with a merger of the two brands is planned. At the end of 2022, the FoodService division decided that Hubert and Central would remain independent brands. However, the key product range of each respective partner brand will also be sold to the other's own customer base through cross-selling. In addition to increasing e-commerce and expanding cross-selling, the Group believes that sustainable products and business models offer considerable growth potential.

TAKKT also sees a major opportunity for additional growth through an improved and intelligent pricing strategy. Currently, pricing is based primarily on purchase prices and margin requirements. In the future, the determination of sales prices will be faster

as well as partially automated. The aim is to expand the corresponding functions, to define prices that are geared more towards customer and competitive data, and to use algorithms for flexible and customer-specific pricing. In 2023, this will first be implemented at I&P, followed by a roll-out of the new approach in the other divisions. In the medium term, TAKKT expects the new strategy to be a driver of additional growth through more competitive pricing of some products. At the same time, taking advantage of a higher willingness to pay with less price-elastic product groups will have a positive effect on the gross profit margin.

#### **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. With a view to strengthening existing businesses, TAKKT makes sure that an acquisition target has an attractive customer base. Another aim is to enhance the added value within the Group through future acquisitions.

TAKKT also wants to acquire 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. On the regional level, TAKKT's focus is on the European and North American markets, where the Group is already active. The approach to acquisitions remains opportunistic.

With regard to acquisitions, TAKKT's aim is to achieve a strong integration of the target company. This allows the acquired companies to benefit from the competencies and expertise at the divisional and Group level (e.g., in logistics, IT, data & analytics, category management and marketing). In addition to taking advantage of synergies, growth will be accelerated through improved scalability. Both result in a higher increase in value as opposed to the acquired company continuing to operate independently. TAKKT is also interested in investing in companies with a strong sustainability focus such as start-ups with circular business models.

**OneTAKKT**

One key component of the new strategic orientation is a more compact and integrated corporate structure. TAKKT expects the new structure to bolster growth as well as improve profitability through scaling effects and more efficient use of resources. Starting from an EBITDA margin of around ten percent last year, the Group aims to increase its profitability by two percentage points and lift its EBITDA to EUR 240 million by 2025. Further information on the current progress regarding the development of the Group functions IT and logistics can be found in the section “Organization and business areas” starting on page 30.

**Improvement of profitability, earnings and free TAKKT cash flow**

TAKKT achieves high levels of profitability by positioning itself as a B2B distance seller in attractive niche markets and using efficient processes. The starting point is a gross profit margin, which should exceed the Group average by over 40 percent. The relatively high margin results from the market position as a provider of business equipment as well as from targeted long-term measures such as the expansion of private labels and increasing the share of direct imports from Asia and Eastern Europe. Even in the current inflationary environment, TAKKT is adhering to its target for the gross profit margin and will continue to pass on price increases to customers in full.

TAKKT’s aim is to increase absolute EBITDA significantly to EUR 240 million by 2025. The Group also wants to increase the EBITDA margin by two percentage points from the current level of around ten percent. Two main effects will contribute to this. First of all, organic

growth and better infrastructure utilization should reduce the cost ratios for marketing, HR and other expenses. Second, TAKKT expects to see considerable scaling effects and efficiency gains from the stronger integration of Group functions, as well as from moves to expand cooperation between the various brands within a division.

TAKKT’s business model is not only characterized by above-average profitability, but also enables the company to generate high free cash flows. In addition to sales and earnings growth, the change in net working capital is another decisive factor in free cash flow development. The Group will be paying even more attention to allocating capital as efficiently as possible. The objective is to achieve a long-term increase in the TAKKT cash flow to EUR 150 million by 2025.

An important part of the strategy is the repositioning of activities whose market environment has undergone long-term changes as a result of the pandemic. The activities of Displays2go and Hubert were particularly affected. At Displays2go, the repositioning resulted in expansion of the product portfolio with a focus on digital displays. This product area already saw very high growth rates in 2022. Unlike analog banners, which are usually more event-driven, digital displays are often in constant use and permanently installed. In the FoodService division, the decision was made at the end of 2022 to integrate the market-related functions in the US. This will enable Hubert to offer its customers kitchen equipment such as refrigerators and ovens in addition to merchandising solutions, as well as provide expert advice on these products.

**Caring**

The new strategy is not limited to improving the company’s commercial success but instead pursues a comprehensive approach. TAKKT is convinced that addressing the concerns of all important stakeholder groups is the prerequisite for sustainable commercial success. This is why the Group has set itself ambitious goals for 2025 relating to customer satisfaction, employee engagement, and the environment and climate.

**Increasing customer satisfaction**

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 willingness to recommend and is monitored continuously. TAKKT’s goal is to achieve a cNPS of 60 points. With this in mind, the business units are focusing on the expectations and needs of customers along the entire value chain for an improved shopping experience. This includes strengthening the expertise in providing advice and problem-solving in customer service, continuously developing the product range with new, innovative products, and ensuring even faster and more reliable delivery to customers. The more integrated structure will also allow customers to benefit from standardized processes for order entry, processing and delivery, and consequently from higher process quality.

**Dedicated and motivated employees**

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 willingness to recommend, the employee NPS (eNPS) provides information about the attractiveness of the employer and the willingness of employees to recommend it to others. This value is measured on a regular basis. TAKKT’s goal is to achieve an eNPS of 50 points in the long term. In order to realize this, the business units are working on specific measures to boost employee commitment and identification with the company.

In 2022, a Group-wide employer branding project was launched, which will emphasize the affiliation of the individual companies to the TAKKT Group and the associated benefits more strongly, and in turn support the recruitment and retention of employees. In addition, TAKKT is continuously working on improving development opportunities and communication within the company. Further information on calculation of the cNPS and eNPS can be found in the “Management system” section starting on page 41.

TAKKT believes firmly in the benefits of having diverse teams at all hierarchical levels. Diversity hereby refers to attributes such as cultures, nationalities, ethnic and social backgrounds, age, sexual orientation and also genders. The Group has set itself the goal of significantly increasing the share of women in executive positions to 45 percent by 2025.

**Preserving natural resources and combating climate change**

TAKKT is convinced that sustainability represents competitive advantages across all stages of the value chain and enhances company value for the long term. As a result, the Group aims to differentiate itself even more from other market players in this area. Besides taking sustainability aspects into even greater account with regard to the company’s own processes and supply chain, the main focus is on the products. In addition, TAKKT intends to review the feasibility of business models that do justice to the idea of the circular economy.

The increasing demand for sustainable product ranges makes them an important growth driver. At the beginning of 2022, TAKKT introduced its own product classification system to help measure the sustainability of its products and make this information visible, namely a rating system using criteria that determines whether products add value for the generations to come. In the past year, the share of these “enkelfähig” products was at 20 percent. By 2025, TAKKT wants to contribute to resource-efficient management and increase the share of products that will add value for future generations to 40 percent.

Moreover, TAKKT is committed to combating climate change. By 2025, direct and indirect CO<sub>2</sub> equivalent (CO<sub>2</sub>e) emissions that result, for example, from the use of electricity, heat and steam (Scope 1 and Scope 2 according to the GHG Protocol) will be reduced by 20 percent compared to the base year 2021. In the following step, TAKKT wants to reduce emissions by 50 percent by 2030. As the company is not highly energy intensive, TAKKT's activities offer limited opportunities for direct savings. Most of the reduction is expected to come from insetting, which would entail the Group building and operating photovoltaic systems and then using the electricity generated or feeding it back into the grid.

The original goal of fully offsetting the remaining Scope 1 and 2 emissions is no longer being pursued. This decision is based on the increasingly critical assessment of compensation mechanisms and the belief that reducing emissions is the key for effective climate protection.

Further details on sustainability goals and measures are presented in the new sustainability report.

## MANAGEMENT SYSTEM

The strategic alignment with the three pillars of Growth, OneTAKKT and Caring is also reflected in TAKKT’s management system. It comprises financial and other operational management indicators. The indicators are divided into different perspectives (growth, costs and earnings, cash, customer and employee perspectives, and sustainability). The Group’s three divisions are managed based on the same key figures.

### 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 new structure and its strategic initiatives, the Group wants to achieve average annual organic growth of ten percent over the long term. More information regarding the growth ambitions can be found in the “Corporate goals and strategy” section starting on page 36.
- › 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 order intake via e-procurement systems, web shops, online marketplaces and orders placed through traditional channels that were initiated over the internet. TAKKT continues to see very high growth potential here and is aiming for disproportionately high organic e-commerce growth.

#### Definition and target values

Key figure	Definition	Target values
Organic development of sales	Benchmark for company growth without acquisition	10 percent p.a. on average in the long term
Organic e-commerce development	Benchmark for e-commerce growth without acquisitions	Disproportionately high

### 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. TAKKT will continue to pass higher prices for products and shipping due to increased inflation on to its customers in full.
- › EBITDA is an 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 intends to increase EBITDA sustainably to EUR 240 million by 2025. In doing so, the Group also aims to improve profitability through scaling effects and increase the EBITDA margin to around twelve percent in the medium to long term. Detailed information regarding the earnings targets can be found in the “Corporate goals and strategy” section starting on page 36.

#### Definition and target values

Key figure	Definition	Target values
Gross profit margin	Measure for added value (e.g., for customers and suppliers)	Stable at over 40 percent of sales
EBITDA	Measure for operating profitability	Sustainable increase to EUR 240 million by 2025

**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. In 2025, its value is expected to be EUR 190 million.
- › 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. The target for 2025 is EUR 150 million. One-time effects from the sale of real estate, consolidated companies or investments 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. At the same time, IT infrastructure is becoming more important, fueling a corresponding need for investment, for example in web shop technology and ERP. The capital expenditure ratio is expected to average two percent of sales over many years. In individual fiscal years in which, for example, a business unit’s warehouse capacities are expanded significantly or substantial IT investments are made, the ratio can exceed two percent.

**Definition and target values**

Key figure	Definition	Target values
TAKKT cash flow	Measure for internal financing capability	Sustainable increase to EUR 190 million by 2025
Free TAKKT cash flow	Cash surplus available for acquisitions, repayments and dividend payments	Sustainable increase to EUR 150 million by 2025
Capital expenditure ratio	Capital requirements for maintenance, expansion and modernization of operations	Two 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 and dividing by the number of customer surveys. 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 willingness to recommend, the employee NPS (eNPS) provides information about the willingness 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 willingness 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. Due to the considerable strategic importance of a high recommendation rate, TAKKT’s goal is to achieve an eNPS over 50 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 willingness to recommend among its employees and customers.

- › 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 45 percent of the executive positions filled by women by 2025.

**Definition and target values**

Key figure	Definition	Target values
cNPS	Measure of likelihood to recommend among customers	Values above 60 by 2025
eNPS	Measure of likelihood to recommend among employees	Sustainable increase to 50 by 2025
Share of women in executive positions	Measure of equal opportunity and diversity	Sustainable increase to 45 percent by 2025

**Sustainability**

- › A sustainable product range is a growth driver for TAKKT and a key factor allowing it to set itself apart from its peers. The Group applies an adequate product classification system with this in mind. It takes into account the criteria of profitability, circularity, climate

change, biodiversity, innovation and technological progress. Particularly sustainable products are awarded the “enkelfähig” label – testimony to their ability to add value for the generations to come – once a defined score threshold has been reached. The goal is to increase the share of order intake of these products to 40 percent by 2025.

- › TAKKT has committed to taking urgent action to combat climate change. Within the Group, this relates in particular to reducing CO<sub>2</sub>e emissions wherever this is possible and makes sense. By 2025, direct and indirect CO<sub>2</sub>e emissions (Scope 1 and Scope 2 according to the GhG Protocol) resulting, for example, from the consumption of electricity, heat and steam are to be reduced by 20 percent compared with the base year 2021. In a second step, TAKKT aims to reduce emissions by 50 percent by 2030. Further details on the sustainability goals are presented in the sustainability report.

**Definition and target values**

Key figure	Definition	Target values
Share of "enkelfähig" products in order intake	Measure for the sustainability of the product portfolio	Sustainable increase to 40 percent by 2025
CO <sub>2</sub> e emissions (Scope 1 and Scope 2)	Contribution to fight climate change through reduction of emissions (Scope 1 and Scope 2)	Reduction of 20 percent by 2025 and 50 percent by 2030 compared to base year 2021

**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. 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 management of the Group. The target figures for the financial and operational management indicators for 2023 are presented in the forecast report starting on page 80.