

# NKT

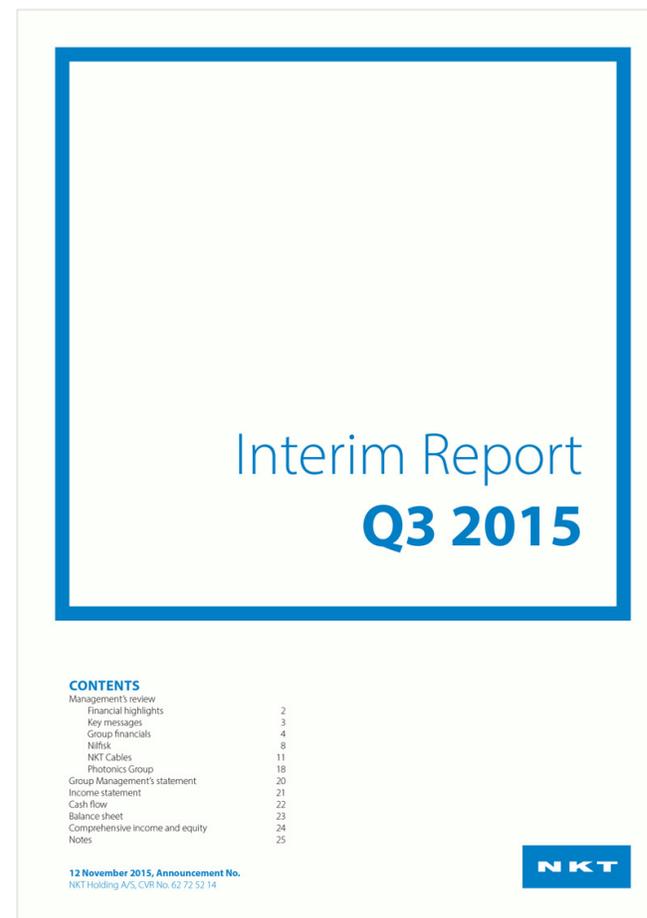
## Interim Report Q3 2015

Webcast, 12 November 2015, 10:00 CET

# Forward looking statements

This presentation and related comments contain forward-looking statements

Such statements are subject to many uncertainties and risks, as various factors of which several are beyond NKT Group's control, may cause that the actual development and results differ materially from the expectations



# Today's presenters



**Michael Hedegaard Lyng**

**NKT Holding**     **NKT Cables**

Group Executive     President  
Director             & CEO



**Jonas Persson**

**Nilfisk**

President  
& CEO



**Basil Garabet**

**Photonics Group**

President  
& CEO

# Agenda

## Highlights Q3 2015

### Business units

- Nilfisk
- NKT Cables
- Photonics Group

### Outlook 2015

### Questions & Answers

# Highlights Q3 2015



## NKT Q3 overall performance as expected

Slightly increased **operational EBITDA margin** despite organic growth declining

**2015 outlook updated:** organic growth continues to be expected around 3%  
Operational EBITDA now expected around DKK 1,300m (around 9.2% margin)

**Successful Capital Markets Day** held on 23 Sep 2015

**RoCE increased** (up 3%-points, LTM)



## Organic growth as expected but lower profitability

- Acceptable growth driven by EMEA and single order in APAC
- Operational EBITDA margin below expectations
- Continued roll-out of Accelerate with new initiatives launched
- Acquisition of Hydro Tek in US, effective 1 Nov 2015



## Growth impacted by lower activity in Projects

- As expected, production timing in Projects impacted organic growth and margins
- Strong growth in Products (10%) driven by Central Europe
- DRIVE close to reach full saving potential
- Galloper offshore order awarded in Oct secures satisfactory 2016 order book
- EXCELLENCE 2020 strategy launched



## Financial performance significantly improved

- Strong organic growth driven by both Imaging and Sensing
- Operational EBITDA increased accordingly
- Fiber Processing divested as of Sep 2015
- Basil Garabet new CEO as of 1 Jul



# Financial highlights Q3 2015

**Revenue** DKK 3,900m (Q3 2014: DKK 3,946m)

Organic growth	Q3 2015	YTD 2015
<b>NKT</b>	<b>-4%</b>	<b>2%</b>
Nilfisk	3%	0%
NKT Cables	-12%	5%
Photonics Group	31%	4%

**Operational EBITDA** DKK 276m, 8.4% (std. metal prices)  
(Q3 2014: DKK 270m, 8.2%)

**One-off costs** DKK 36m, all from DRIVE programme  
(Q3 2014: DKK 44m)

**Profit after tax** DKK 72m (Q3 2014: DKK 60m)

**Working capital** amounted to DKK 2.6bn and LTM at 16.4%  
(Q3 2014: DKK 3.0bn and 18.7%)

**Cash flow from operating activities** DKK 266m (Q3  
2014: DKK 129m)

**Free cash flow** DKK 185m (Q3 2014: DKK 5m) impacted by  
working capital decrease and divestment of Fiber Processing

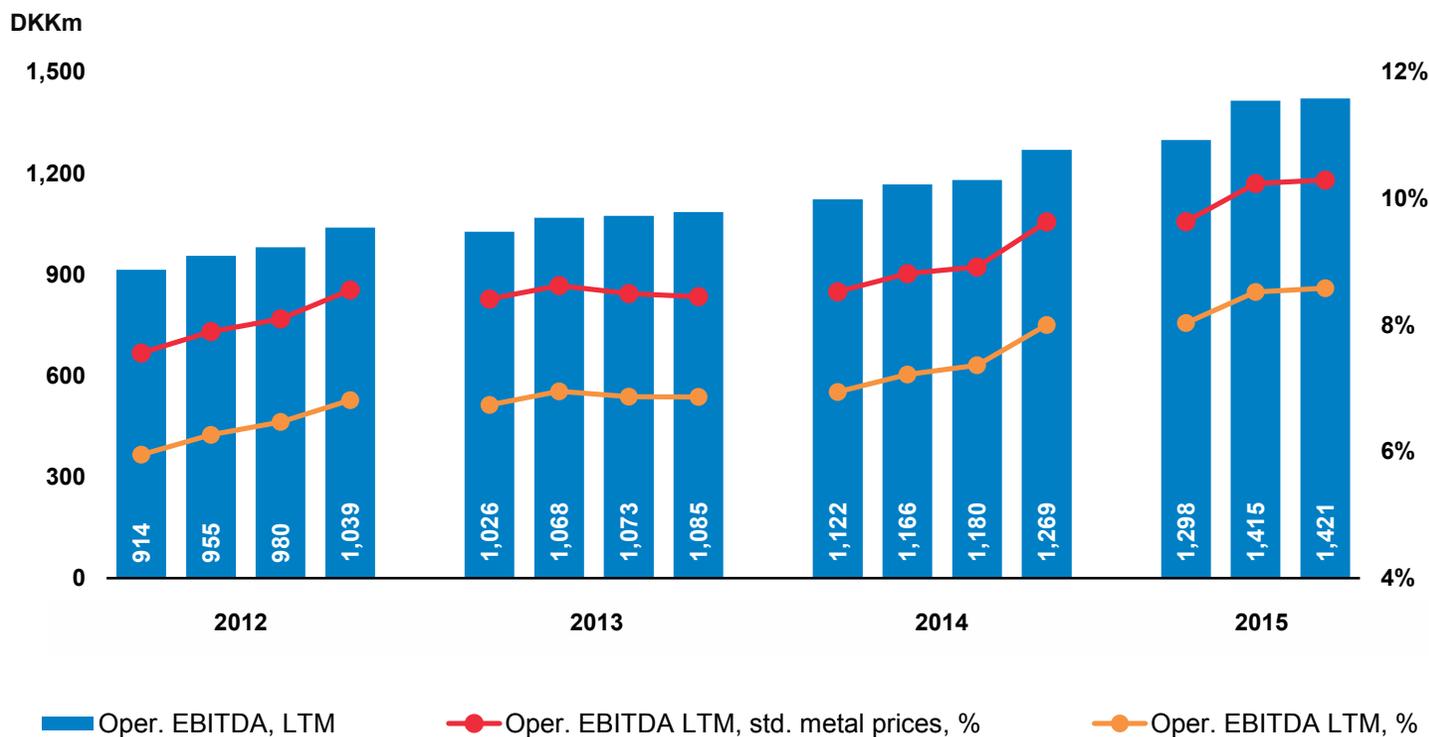
**NIBD** amounted to DKK 1,248 (end-2014 DKK 1,135m)

## 2015 outlook updated

- Organic growth continues to be expected around 3%
- Operational EBITDA now expected around DKK 1,300m  
(around 9.2% margin, std. metal prices)

# Operational EBITDA slightly improved

## Operational EBITDA, LTM



**Oper. EBITDA, LTM, increased to DKK 1,421m (end-June 2015: DKK 1,415m)**

**Oper. EBITDA margin, LTM, increased to 10.3% (end-June 2015: 10.2%)**

# Changes Q3 2015 vs. Q3 2014

DKKm	Q3 2015	Q3 2014	Change	
<b>Revenue</b>	<b>3,900</b>	<b>3,946</b>	<b>-46</b>	<b>*01</b>
<i>Revenue, std. metal prices</i>	<i>3,268</i>	<i>3,281</i>	<i>-13</i>	
<b>Operational EBITDA</b>	<b>276</b>	<b>270</b>	<b>6</b>	<b>*02</b>
One-off's	-36	-44	8	
<b>EBITDA</b>	<b>240</b>	<b>226</b>	<b>14</b>	
Depreciation/Amortisation	-146	-129	-17	
Impairment	7	-	7	
<b>EBIT</b>	<b>101</b>	<b>97</b>	<b>4</b>	
Financial items, net	-26	-21	-5	
<b>EBT</b>	<b>75</b>	<b>76</b>	<b>-1</b>	
Tax	-3	-16	13	
<b>Profit</b>	<b>72</b>	<b>60</b>	<b>12</b>	
<i>Oper. EBITDA margin, std. metal prices</i>	<i>8.4%</i>	<i>8.2%</i>		
Capex	58	73	-15	
Working capital	2,641	3,049	-408	
NIBD	1,248	2,119	-871	

## 01

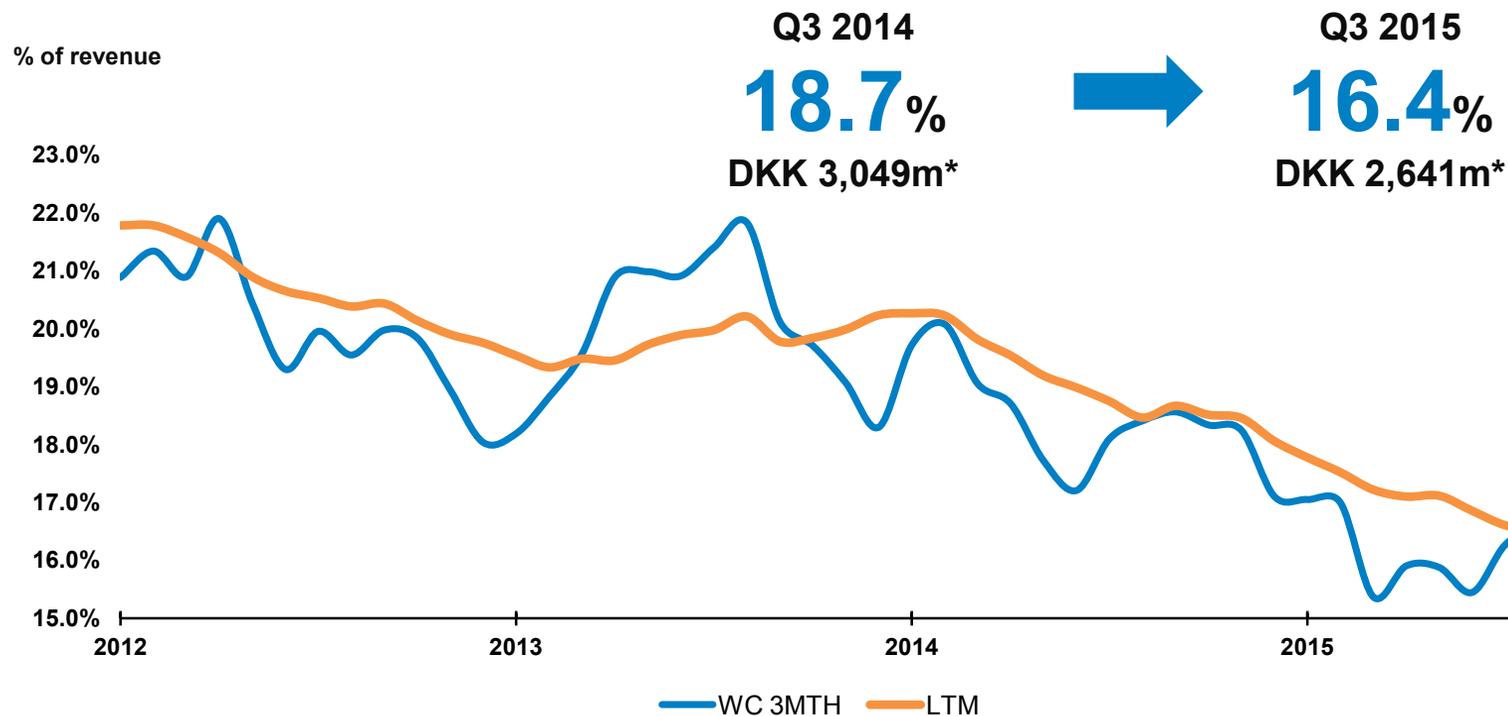
	DKKm
<b>Revenue decreased by</b>	<b>-46</b>
Metal prices	-46
FX changes	92
Acquisitions	42
-4% organic growth	-134
- NKT Cables	-12%
- Nilfisk	3%
- Photonics Group	31%

## 02

	DKKm
<b>Operational EBITDA increased by</b>	<b>6</b>
Nilfisk	19
- Margin 9.3% (Q3 2014: 9.0%)	
NKT Cables	-25
- Margin 7.4% (Q3 2014: 8.2%)	
Photonics Group and other	12

# Working capital improvement continues and at lowest level since 2010

## Working capital



In NKT Cables, working capital ratio, LTM, continued to **decline to 13.0% from 14.0%** at end-June 2015

In Nilfisk, working capital ratio, LTM, was unchanged **20.2%** from end-June 2015

**Working capital decreased in Q3** by DKK -147m

- Nilfisk DKK 7m
- NKT Cables DKK -153m
- Photonics Group DKK -1m

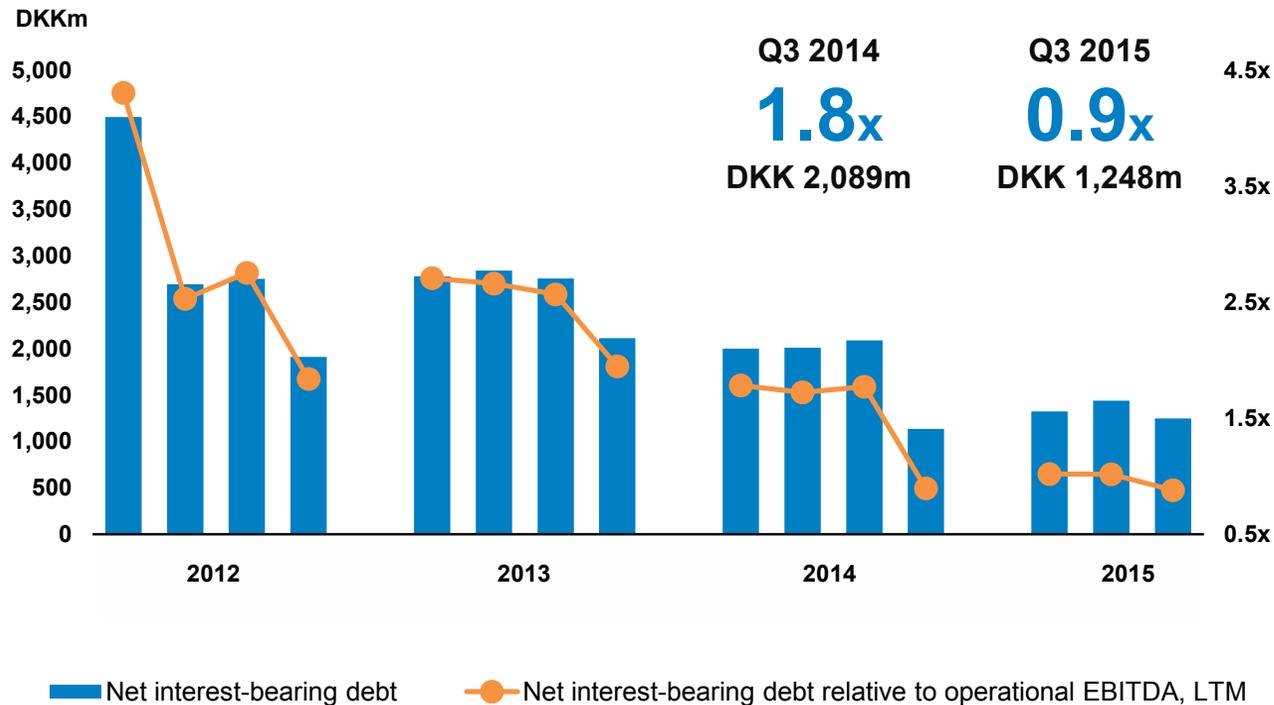
## Free cash flow increased due to lower working capital and divestment

DKKm	Q3 2015	Q3 2014	YTD 2015	YTD 2014	FY2014
Earnings, EBITDA	240	226	892	744	1,061
Interest, net	-26	-21	-31	-73	-99
Change in working capital	61	-16	-33	-127	760
Other	-9	-60	-427	-107	-139
<b>Cash flows from operating activities</b>	<b>266</b>	<b>129</b>	<b>401</b>	<b>437</b>	<b>1,583</b>
Acquisition of business activities	-13	-	-130	-22	-44
Divestment of business activities	33	-	33	108	126
Acq. of property, plant and equipment, net	-51	-70	-158	-175	-231
Other investments, net	-50	-54	-139	-153	-221
<b>Cash flows from investing activities</b>	<b>-81</b>	<b>-124</b>	<b>-394</b>	<b>-242</b>	<b>-370</b>
<b>Free cash flow</b>	<b>185</b>	<b>5</b>	<b>7</b>	<b>195</b>	<b>1,213</b>
Change in long- and short term loans	-369	-18	169	11	-1,160
Dividend paid	-	-	-279	-216	-84
Cash from exercise of share-based options etc	-	-	-12	-83	-
<b>Cash flows from financing activities</b>	<b>-369</b>	<b>-18</b>	<b>-122</b>	<b>-288</b>	<b>-1,244</b>
<b>Net cash flow</b>	<b>-184</b>	<b>-13</b>	<b>-115</b>	<b>-93</b>	<b>-31</b>

- **Operating cash flow of DKK 266m** driven by decreased working capital in NKT Cables
- **Free cash flow of DKK 185m** additionally impacted by divestment of Fiber Processing and smaller acquisitions in Nilfisk

# Solid capital structure assures flexibility

## Net interest-bearing debt



- **Capital structure targets unchanged**
  - **Debt ratio** 2,5x operational EBITDA (Q3 2015: 0.9x)
  - **Gearing ratio** max. 100% (Q3 2015: 21%)
  - **Solvency ratio** above 30% (Q3 2015: 46%)
- **Strong balance sheet and significant cash flow** allow us to pursue long-term value creation
- **Dividend policy unchanged** at 33% payout ratio

# Change of presentation currency

## Change from DKK to EUR

- NKT's Board of Directors has decided to change NKT's presentation currency from DKK to EUR
- Decision due to main business activities being denominated in EUR and all internal reporting already presented in EUR
- Change effective as of Annual Report 2015, scheduled for 26 February 2016



# Agenda

Highlights Q3 2015

## **Business units**

- Nilfisk
- NKT Cables
- Photonics Group

Outlook 2015

Questions & Answers

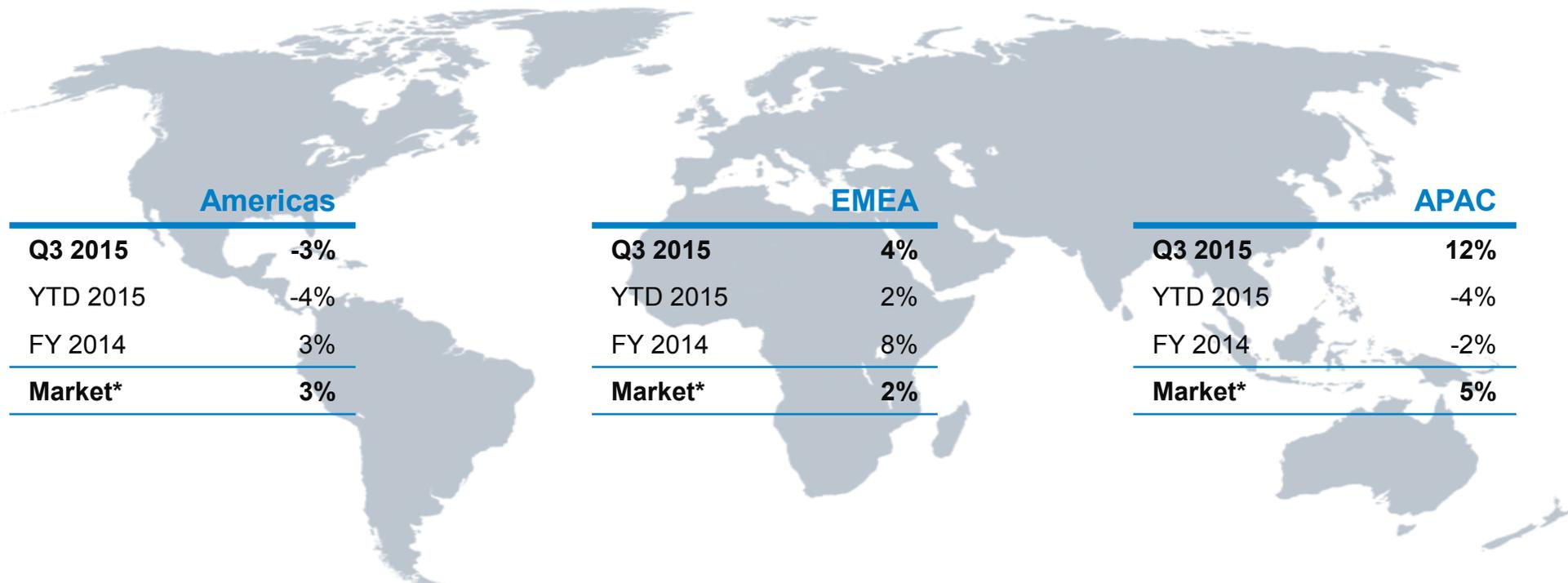


**Nilfisk**

# Nilfisk realised 3% growth in Q3 driven by EMEA and APAC

## Americas still not satisfactory

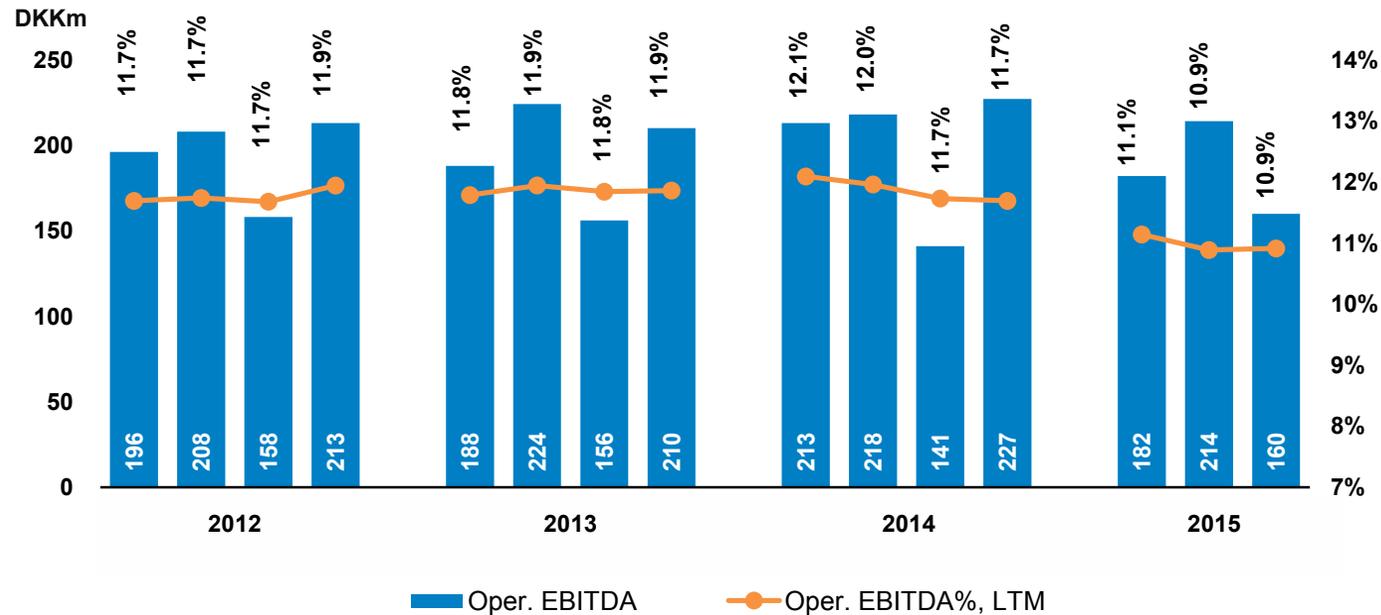
Nilfisk Organic growth	2012				2013				2014				2015		
- Quarterly (Y/Y)	4%	1%	-4%	1%	1%	4%	7%	1%	9%	4%	0%	9%	-2%	0%	3%
- Annually	0%				3%				6%				0% (YTD)		



\* Market figures are internal estimates on annual market growth rates 2013-2016

# Operational EBITDA margin remain below expectations

## Nilfisk - Operational EBITDA



**Oper. EBITDA margin, Q3,**  
of **9.3%** (end-June 2015: 11.4%)

**Oper. EBITDA margin, LTM,**  
of **10.9%** (end-June 2015:  
10.9%)

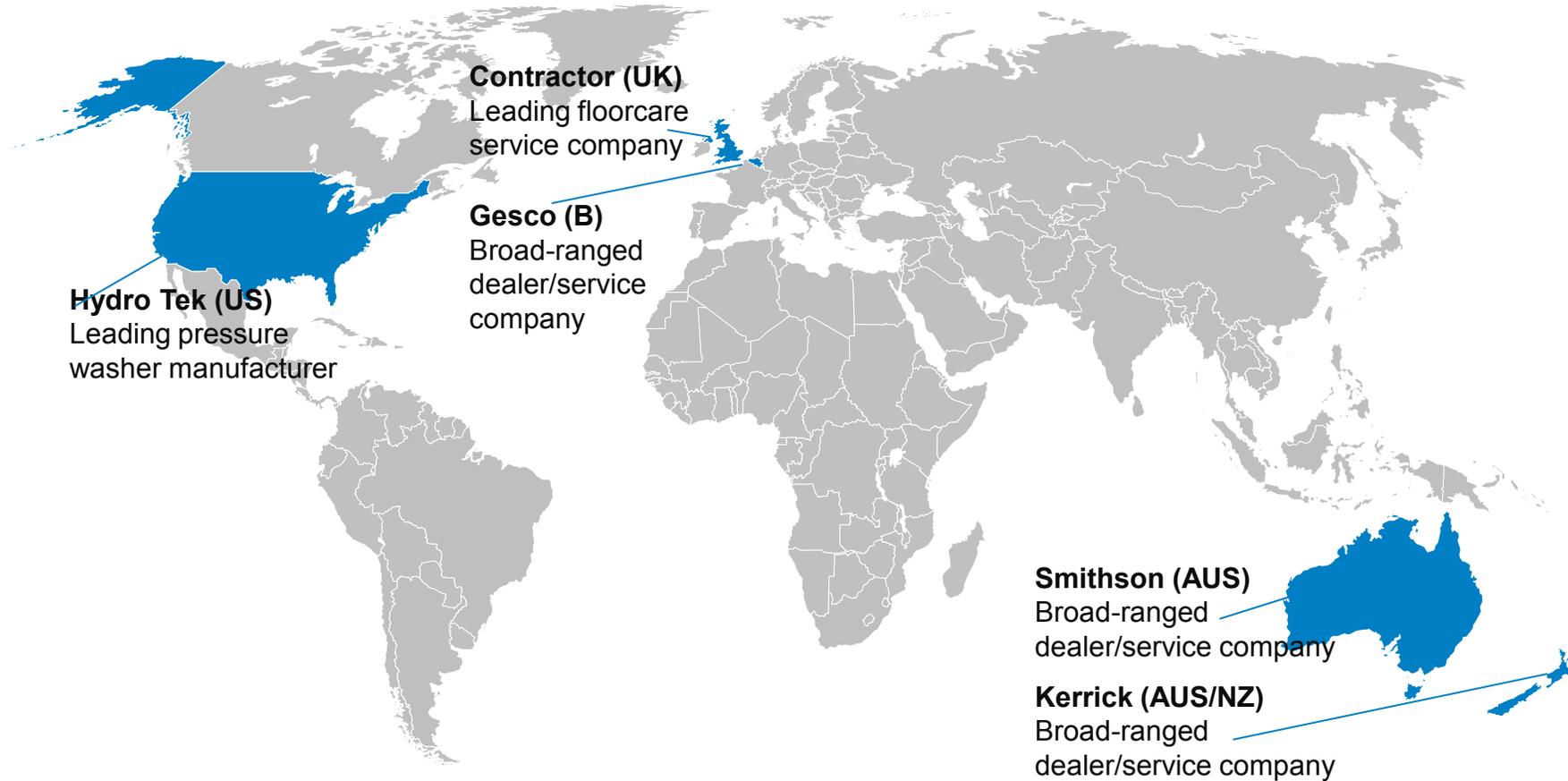
**Oper. EBITDA margin increase**  
in Q3 by **DKK 19m** (Q3 2014:  
DKK 141m) due to revenue  
growth of 10%

# Accelerate strategy continued with launch of new initiatives



# Strengthen front-end M&A agenda: Actively consolidating the industry

## Recent Nilfisk acquisitions, last 12 months



### Three focus areas

1. Market access and service capabilities through dealers and service companies
2. Market shares through local/regional manufacturers
3. Complementary product range through focused manufacturers

# Strengthen front-end

## M&A case: US acquisition opens up new market opportunities

### Hydro Tek

- Founded 1985, California, US
- Manufacturing and sales of commercial high pressure washers
- Cold and hot water functionality. Hot water powered by petrol
- Additional offerings of water recycle systems and trailers



### Acquisition of Hydro Tek

- Leading manufacturer of hot water high-pressure washers
- Strong distributor/dealer network and product offering across USA
- New attractive market for Nilfisk in high pressure cleaning in North America
- Incremental benefits in other markets
- Revenue USD 12m (2014)
- Effective 1 November 2015

# Power supply chain performance

## Supply chain delivery back on track, but distribution cost remain high

### Status on temporary delivery issues

- Strong supply chain performance in Q3
- On-time delivery at all-time-high levels
- Global Supply Chain Transformation program gaining traction
  - Improvements of spare parts supply chain offering
- Relocation of DIY warehouse to new facility in Broendby, DK
  - Critical element in improving service to DIY customers in 2016

### Distribution cost temporarily remaining at high level

- Distribution cost continued at a high level during Q3
- Activities implemented to improve short and long-term supply chain and warehouse efficiency and lower costs



# Drive competitive offerings

## Four strong product launches in Q3 and award won



### Highlight - Two new upright scrubber dryers

- “Nilfisk SC100” and “Nilfisk-ALTO SCRUBTEC 130”
  - Push growth in new segments/channels
  - Strong demand in market place
  - Ideal for smaller sites; coffee shops, gas stations etc.



### Award won - VP600 commercial vacuum cleaner

- Nilfisk VP600 won Purus design award for prestigious design at CMS 2015, an industry trade show in Berlin
- 2nd consecutive CMS exhibition to honour Nilfisk commercial vacuum cleaners

# Nilfisk realised organic growth of 3% in Q3, driven by EMEA and APAC regions

## Operational EBITDA margin below expectations

### Financials

DKKm	Q3		YTD	
	2015	2014	2015	2014
<b>Revenue</b>	<b>1,718</b>	<b>1,559</b>	<b>5,400</b>	<b>5,059</b>
- Org. growth (Y/Y)	3%	0%	0%	5%
Gross margin	40.4%	40.9%	41.0%	41.2%
Overhead cost ratio	34.3%	34.6%	33.5%	32.7%
<b>Oper. EBITDA</b>	<b>160</b>	<b>141</b>	<b>556</b>	<b>572</b>
Oper. EBITDA margin	9.3%	9.0%	10.3%	11.3%
RoCE, LTM	14.8%	17.4%	14.8%	17.4%
Invested capital	3,827	3,439	3,827	3,439
# FTEs, end of period	5,419	5,404	5,419	5,404

### Highlights and summary

- **Sales:** Q3 growth (3%) driven by EMEA (4%). Positive APAC impact (12%) mainly due to a large order
- **Gross margin:** Lower than expected due to changes in sales mix despite savings from sourcing
- **Overhead ratio:** YTD 0.8% points higher than 2014 due to lower sales growth while continuing front-end investments. Distribution costs remain higher than expected
- **Operational EBITDA:** Increased by 13%, mainly driven by nominal growth of 10%. Margin remains lower than expected



# NKT Cables

# NKT Cables Group Management Team strengthened



**Michael H. Lyng**  
President & CEO

*Joined NKT Holding 2007  
Appointed CEO, NKT Cables,  
2014*



**Roland Andersen**  
EVP & CFO

*Joined October 2015*



**Detlev Waimann**  
EVP  
High voltage & Projects

*Joined 1994*



**Lika Thiesen**  
EVP  
Human Resources

*Joined October 2015*



**Oliver Schlodder**  
EVP  
Strategy & Specialties

*Joined 2013*

# Growth impacted by production timing in Projects

## APAC impacted by lower railway sales

NKT Cables Organic growth	2012				2013				2014				2015		
	- Quarterly (Y/Y)	-13%	-4%	0%	0%	4%	10%	-2%	4%	6%	-11%	1%	-12%	16%	13%
- Annually	-4%				4%				-5%				5% (YTD)		

### Projects

Q3 2015	-32%
YTD 2015	21%
FY2014	-12%

### Market

Offshore	
Onshore	

### Products

Q3 2015	10%
YTD 2015	4%
FY2014	5%

### Market

Nordics	
Central Europe	
Specialties	

### APAC

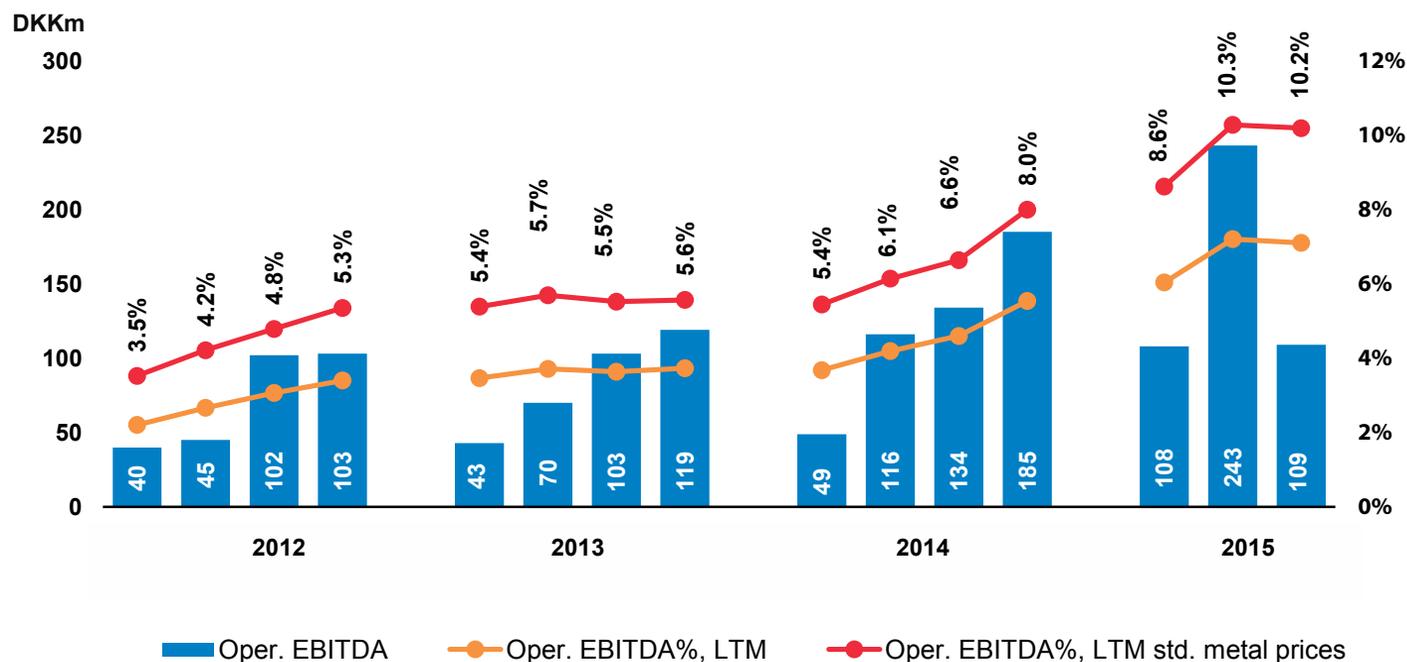
Q3 2015	-53%
YTD 2015	-38%
FY2014	-24%

### Market

Railway	
Medium-/high-voltage	

# Operational EBITDA of DKK 109m impacted by lower revenue

## NKT Cables - Operational EBITDA



**Oper. EBITDA of DKK 109m**, a decrease of DKK 25m (Q3 2014: DKK 134m) driven by Projects and APAC businesses

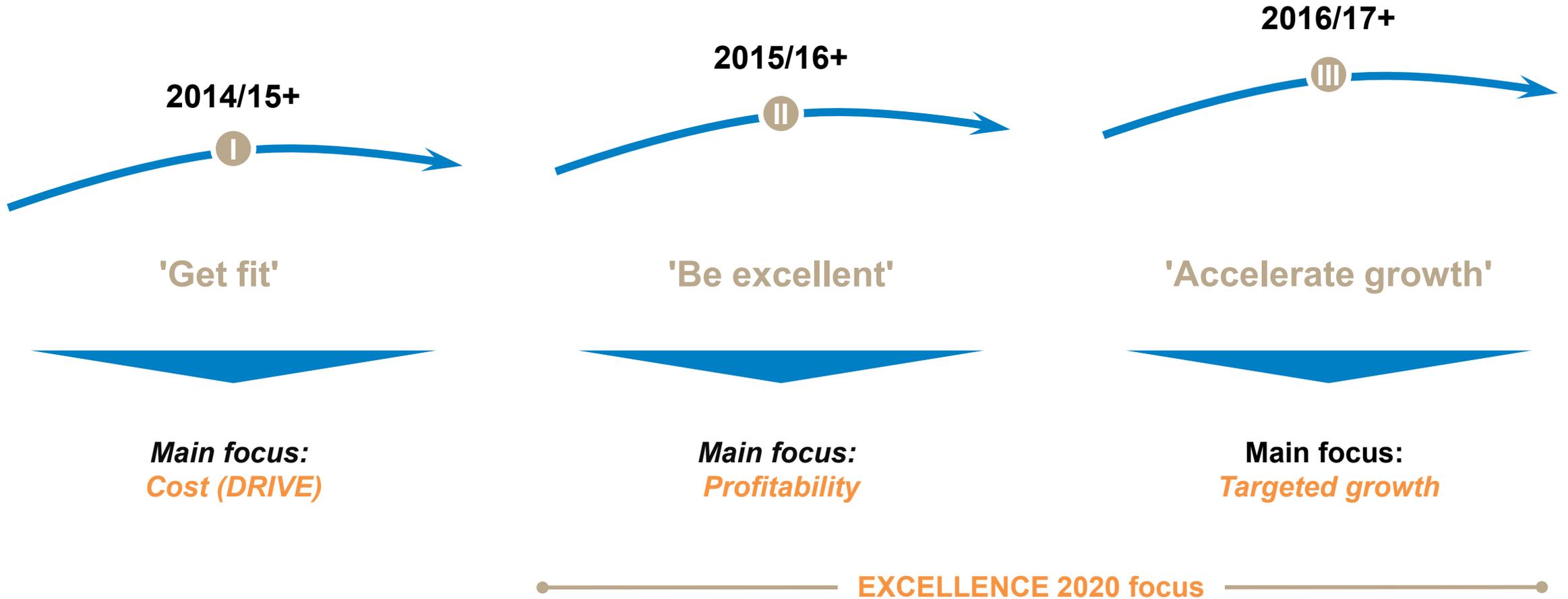
**Oper. EBITDA margin, LTM, of 10.2%**, a slight decrease of 0.1% (end-June 2015: 10.3%)

## DRIVE has achieved DKK 308m in cost improvements year to date

	Cost improvements	FTE reduction	One-off costs	Capex
Q3 2015 realised	DKK 111m	26 FTE	DKK 36m	DKK 0m
Year to date	DKK 308m	74 FTE	DKK 100m	DKK 6m
Project to date	DKK 425m (run-rate)	345 FTE	DKK 300m	DKK 13m
Full potential (from 2017)	DKK ~450m	400-450 FTE	DKK ~360m	DKK ~50m

# Transformation started in 2013

## EXCELLENCE 2020 covers next two phases



# EXCELLENCE 2020

## Strategic targets to measure improvement

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Be the best...

**RoCE**

**>15%**

in the eyes of our customers

**Customers'  
preferred  
choice**

...and our people

**Employee trust index**

**>80%**

# EXCELLENCE 2020

## Four group-wide must-win battles

### Safety, people & organisation



- Safe workplace and environment
- Lean and agile organisation
- Excellent leadership skills

### Operational & commercial excellence



- Lean operations, admin and support functions
- Best-in-class sales capabilities

### Material & product development



- Revitalise product development setup
- Close gap to existing and future customer needs
- Strengthen material development capabilities

### Digitalisation



- Digitalise our way of work, internally and externally

# EXCELLENCE 2020

## Clear strategic initiatives for each segment

### Develop and grow

Attractive markets with growth potential:

- Focus on innovation and differentiation
- Improve Offshore services and expertise



**High-voltage offshore**



**Railway**

### Focus on profitability

Fragmented commodity markets under price and margin pressures:

- Focus on costs
- Concentrate on profitable customers and markets
- Service level improvements



**Building wire &  
Low-voltage**



**Medium-voltage &  
Automotive**

### Turnaround

Markets we believe in, but with a need to restructure:

- Fix operating model & reduce costs
- Close product gaps in High voltage onshore
- Review Cabinets business



**High-voltage onshore**



**Accessories**



**APAC Cables**

# Growth and margin impacted by production timing in Projects

## Financials

DKKm	Q3		YTD	
	2015	2014	2015	2014
Revenue	2,102	2,322	6,928	6,583
<b>Revenue, std. metal prices</b>	<b>1,470</b>	<b>1,657</b>	<b>4,820</b>	<b>4,541</b>
- Org. growth (Y/Y)	-12%	1%	5%	-2%
<b>Oper. EBITDA</b>	<b>109</b>	<b>134</b>	<b>460</b>	<b>299</b>
Oper. EBITDA margin, std. metal prices	7.4%	8.2%	9.5%	6.6%
RoCE, LTM	9.0%	2.8%	9.0%	2.8%
Invested capital	3,260	4,447	3,260	4,447
# FTEs, end of period	3,243	3,334	3,243	3,334

## Highlights and summary

- **New EXCELLENCE 2020 business strategy:** Defines roadmap towards RoCE >15%
- **New reporting:** Last DRIVE reporting will be in Annual Report 2015, as saving effect is close to full potential; reporting will be included within EXCELLENCE 2020
- **Good visibility in Projects:** Galloper order (DKK 400m) provides visibility into 2016 and start of 2017
- **RoCE, LTM:** Increased to 9.0% (Q3 2014: 2.8%) driven by both increased profitability and reduced invested capital



# Photonics Group

## Both Imaging and Sensing business areas experienced significant growth



### Imaging

- Solid growth in Q3
- OEM sponsored manufacturing development projects on schedule
  - Medical instrumentation industry
  - Semiconductor industry



### Sensing

- Good order intake despite oil & gas market setback
- Pipeline security market performance above expectations this quarter

# Significant organic growth in Q3 driving improvement in operational EBITDA

## Financials

DKKm	Q3		YTD	
	2015	2014	2015	2014
<b>Revenue</b>	<b>81</b>	<b>65</b>	<b>208</b>	<b>197</b>
- Org. growth (Y/Y)	31%	4%	4%	11%
<b>Operational EBITDA</b>	<b>14</b>	<b>1</b>	<b>5</b>	<b>-1</b>
Invested capital	156	208	156	208
# FTEs, end of period	174	205	174	205

## Highlights

- **High growth:** Imaging and Sensing both experience high organic growth in Q3
- **High order intake:** Also good backlog
- **Operational EBITDA:** Increased to DKK 14m
- **Divestment:** Fiber Processing operation divested in Q3

## Organic growth

	Q3 2015	YTD 2015
Imaging	31%	18%
Sensing	40%	-7%
Fiber Processing*	7%	-5%
<b>Total</b>	<b>31%</b>	<b>4%</b>

\* Divested 1 September 2015

# Agenda

Highlights Q3 2015

Business units

- Nilfisk
- NKT Cables
- Photonics Group

**Outlook 2015**

Questions & Answers

# Outlook for 2015 updated

For full year 2015, NKT expects

- **Organic growth around 3%** (unchanged)
- **Operational EBITDA around DKK 1,300m**, around 9.2% margin, std. metal prices (updated)

Outlook 2015	Original	Update in Q2	Update in Q3
<b>NKT</b>			
- Organic growth	Up to 3%	~3%	Unchanged
- Operational EBITDA (DKKm / % std. metal prices)	Increase of up to 1%-point (from 9.6%)	Increase of ~0.5%-point (from 9.6%)	<b>DKK ~1,300m (~9.2%)</b>
<b>Nilfisk</b>			
- Organic growth	~5%	~0%	Unchanged
- Operational EBITDA, %	~11.7%	Reduction of ~1%-point (from 11.7%)	<b>~10%</b>
<b>NKT Cables</b>			
- Organic growth	~0%	~5%	Unchanged
- Operational EBITDA, % std. metal prices	8.5 – 9.0%	~9.0%	Unchanged
<b>Photonics Group</b>			
- Organic growth	10 – 20%	~10%	Unchanged
- Operational EBITDA, %	8 – 10%	8 – 10%	Unchanged

# Agenda

Highlights Q3 2015

Business units

- Nilfisk
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- Photonics Group

Outlook 2015

**Questions & Answers**

# Financial calendar

## 2016

26 February	2015 Annual Report
3 March	Deadline for receipt of resolutions for the AGM
31 March	Annual General Meeting
12 May	Interim Report, Q1
18 August	Interim Report, Q2
11 November	Interim Report, Q3

## 2017

1 March	2016 Annual Report
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 For the list of Investor Relations events, go to [www.nkt.dk](http://www.nkt.dk)