



NKT



Q3 2023 Interim Report

November 2023

Webcast presentation

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 A/S' control, may cause that the actual development and results differ materially from the expectations.



Today's presenting team



Claes Westerlind
President & CEO



Line Andrea Fandrup
CFO

Update of divestment of NKT Photonics

- In June 2022, NKT entered into an agreement to divest NKT Photonics to Photonics Management Europe S.R.L, a 100% owned subsidiary of Hamamatsu Photonics K.K.
- Required regulatory approvals had been obtained from authorities in Germany, the United Kingdom, and the United States
- However, on 2 May 2023, NKT received notification that the Purchaser has been denied the authorization under the Danish Investment Screening Act needed for the Purchaser to proceed to complete the transaction and acquire NKT Photonics
- In July 2023, the Purchaser refiled the application with the Danish Business Authority. Currently, this is being assessed by the authorities
- NKT Photonics continues to be presented as discontinued operations and assets held for sale



Key messages Q3 2023

- NKT achieved 44% **organic growth** in Q3 2023, driven by Solutions and Applications. **Operational EBITDA reached a new record-high quarterly level of EUR 76.5m**
- **High-voltage order backlog increased to a new record level** of EUR 11.0bn. This was driven by the award of five projects under a framework agreement with German Transmission System Operator, 50Hertz. More than 75% of NKT's backlog is with large Transmission System Operators*
- **Continued positive quarterly free cash flow generation** of EUR 91m, driven mainly by a positive earnings contribution and milestone payments received in Solutions. Balance sheet further strengthened by net proceeds of EUR 357m from fully-subscribed rights issue
- **Financial outlook for 2023 updated** as a result of continued strong financial performance

Agenda

- 06 Business highlights
- 14 Financial highlights
- 20 Questions & Answers

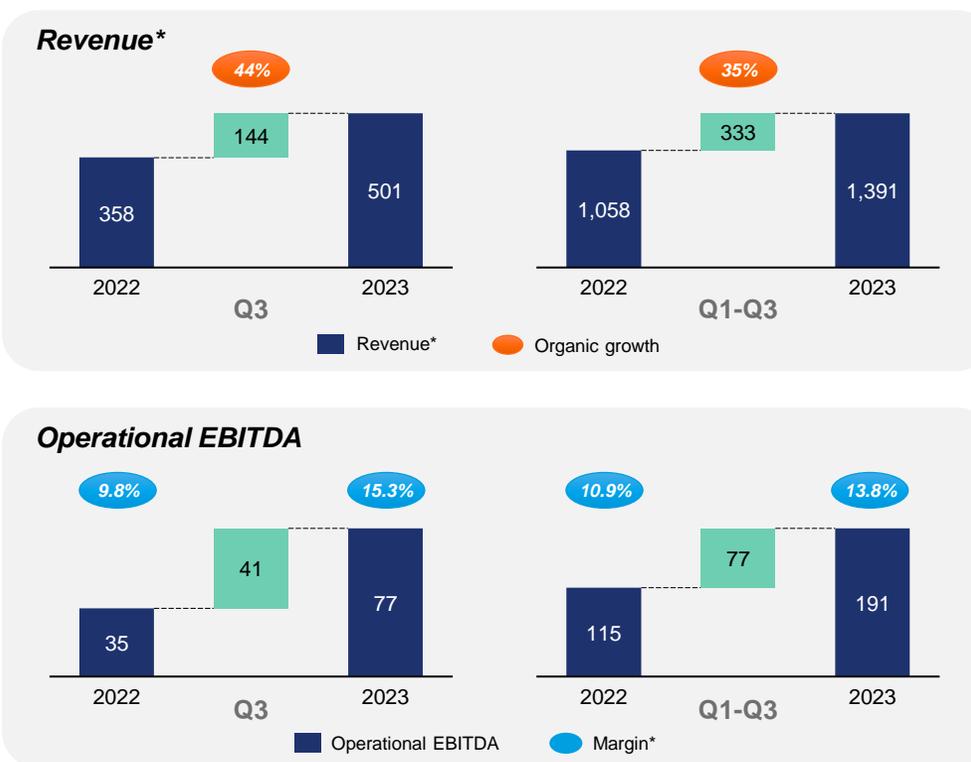
NKT performance in Q3 2023

Positive revenue development driven by Solutions and Applications

Key developments in Q3 2023

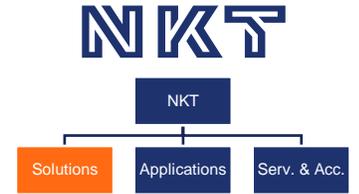
- Continued growth in revenues and operational EBITDA in **Solutions** with satisfactory execution of orders awarded in recent years covering several power cable solutions, as well as previous investments made to increase capacity and organizational capabilities
- Applications** continued to benefit from positive performance in the power distribution grid segment with the ongoing increased electrification of societies and the transition to renewable energy
- Lower revenues and earnings in **Service & Accessories** due to less service repair activity compared to Q3 2022

Key financial highlights (EURm)



* Std. metal prices

Solutions – Q3 2023



High organic growth

Customer offerings



- High-voltage AC/DC on-/off-shore power cables

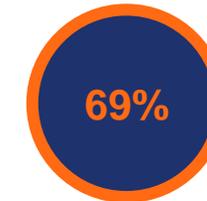
Development during Q3 2023

- Revenue increase driven by satisfactory execution of orders awarded in recent years covering several power cable solutions, as well as previous investments made to increase capacity and organizational capabilities
- Continued progress of several projects through varying stages of execution including Borwin 5, Champlain Hudson Power Express, Dogger Bank A, B and C, Hertel-NY, Shetland HVDC Link, SuedLink, and SuedOstLink
- NKT Victoria, the company’s cable-laying vessel, was utilized for various assignments during the quarter

Q3 2023 financial highlights



Revenue*, EUR
(Q3 2022: EUR 186m)



Organic growth
(Q3 2022: 10%)



Oper. EBITDA, EUR
(Q3 2022: EUR 24.0m)



* Std. metal prices

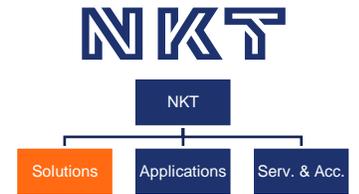
Note: AC = Alternating Current and DC = Direct current

High-voltage market development

Continued strong momentum in 2023

Key developments

- NKT estimates that **the value of projects awarded** in its addressable high-voltage power cable market in the first three quarters of 2023 was **more than EUR 14bn**
- In addition, several **long-term booking commitments were allocated** in the market, mainly in the form of framework agreements. These reservations were estimated to have a value of **more than EUR 13bn**
- Large European **Transmission System Operators have been highly active** in 2023, awarding framework agreements with long-term commitments to secure supply chains
- Projects awarded were mainly based on **DC technology**



Recent notable NKT order wins

Name	Announced	Size (EURm)	Type	
50Hertz HVDC Projects	Jun 2023	~3,500	Interconnector/offshore wind	
Baltic Power	Jun 2023	>120	Offshore wind	
East Anglia Three	Jun 2023	>250	Offshore wind	
Biscay Gulf	May 2023	>600	Interconnector	
Hornsea 3	Mar 2023	~500	Offshore wind	
IJmuiden Ver Beta, G&N 2	Mar 2023	~2,000	Offshore wind	

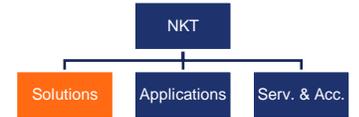
NKT awarded its largest order ever by 50Hertz

Framework agreement and record order for five power cable projects, covering 2,500km core cables, named projects valued at approx. EUR 3.5bn

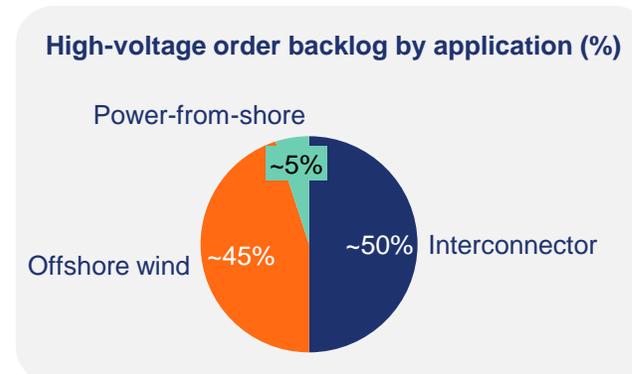
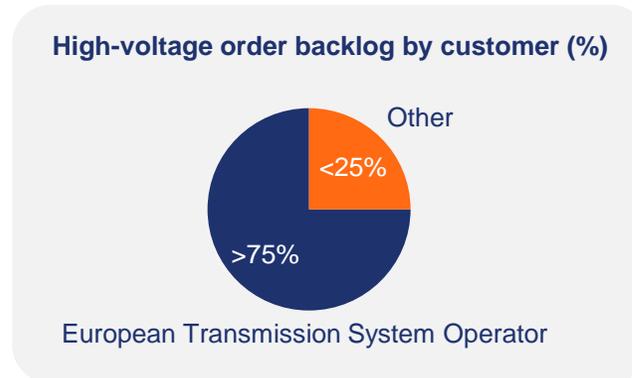
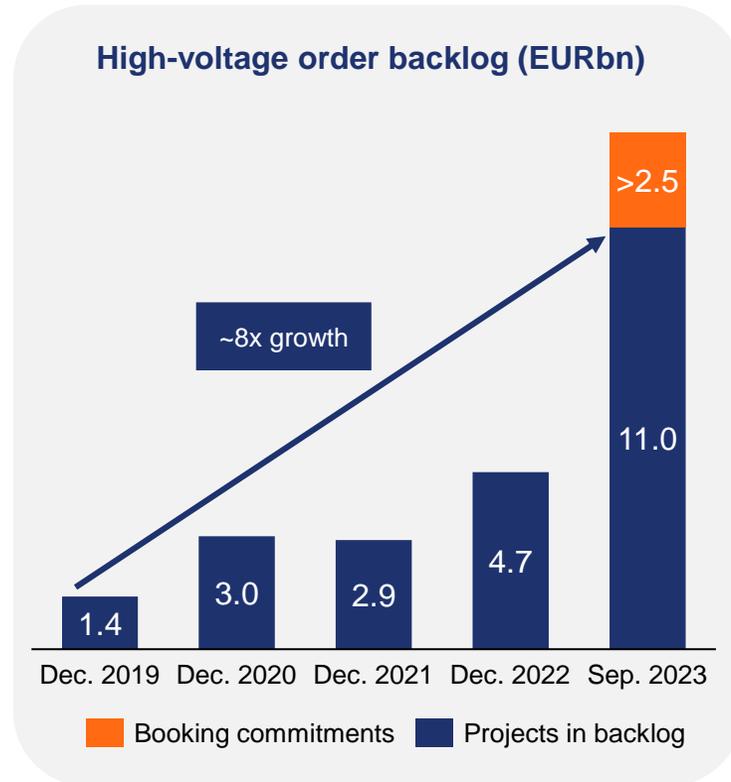
- **2 GW turnkey projects using 525kV DC XLPE cable system**
 - Production in both Karlskrona, Sweden, and Cologne, Germany
- **Offshore wind projects**
 - LanWin 6: offshore 255 km + onshore 10 km route length
 - Ostwind 4: offshore 104 km + onshore 6 km route length
- **Hybrid interconnector project**
 - Bornholm Energy Island: offshore 180 km + onshore 15 km route length
- **Onshore transmission projects**
 - DC32 (NordOstLink+): onshore 125 km route length
 - SuedOstLink+: onshore 220 km route length



High-voltage order backlog development



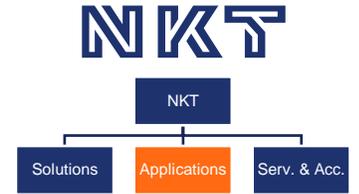
Unprecedented order backlog growth and diverse customer portfolio provide future earnings visibility and adequate diversification



Key developments:

- In the first three quarters of 2023, NKT has secured approx. **EUR 7bn** in project awards
- Record-high order backlog of **EUR 11.0bn** provides **earnings visibility**, with ~25-28% set for execution in 2024-25, and the remainder in 2026 and beyond
 - Over 75% of projects in order backlog are with large European Transmission system operators
 - Approximately 50% of order backlog are interconnector projects
- Additionally, NKT has more than EUR 2.5bn in capacity reservations that are not included in the order backlog
 - Framework agreement with TenneT for EUR ~1.5bn
 - Two projects with SSEN Transmission for EUR +1.0bn

Applications – Q3 2023



Revenue growth driven by power grid segment

Customer offerings



- Medium- and low-voltage power cables & building wires
- Power cables for telecom market

Development during Q3 2023

- Higher revenue level was driven by higher volumes, as well as price adjustments to compensate for inflationary pressure
- Revenue growth combined with efficiency initiatives led to a higher operational EBITDA margin*
- Positive developments in the power grid market continued to benefit NKT due to the company's strong presence within this segment
- Due to recent deterioration of construction activity, NKT's revenues within this segment continued at a low, albeit stable level

Q3 2023 financial highlights



Revenue*, EUR
(Q3 2022: EUR 129m)



Organic growth
(Q3 2022: 7%)

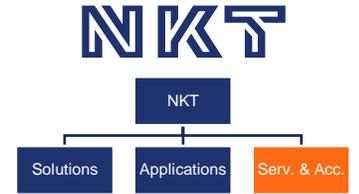


Oper. EBITDA, EUR
(Q3 2022: EUR 2.4m)



* Std. metal prices

Service & Accessories – Q3 2022



Lower revenues and operational EBITDA

Customer offerings



- High- and medium-voltage accessories
- Services

Development during Q3 2023

- Decrease in revenues and earnings, as activity level in the service repair business was lower than last year
- Service business impacted by lower offshore repair activity. However, other segments performed positively, driven by various strategic initiatives taken to create a more robust business model
- Broad-based improved performance in the accessories business including a continued ramp-up of HVDC accessories due to structural growth trends

Q3 2023 financial highlights



Revenue*, EUR
(Q3 2022: EUR 56m)



Organic growth
(Q3 2022: 18%)



Oper. EBITDA, EUR
(Q3 2022: EUR 8.7m)



* Std. metal prices

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Income statement: Improved performance driven by Solutions and Applications



Income statement highlights

EURm	Q3		Q1-Q3		FY
	2023	2022	2023	2022	2022
Revenue	661	492	1,882	1,560	2,079
Revenue (Std. metal prices)	501	358	1,391	1,058	1,447
Organic growth					
NKT	44%	8%	35%	9%	15%
Operational EBITDA	77	35	191	115	155
Operational EBITDA margin*	15.3%	9.8%	13.8%	10.9%	10.7%
One-off items	0	0	0	0	0
EBITDA	77	35	191	115	155
Depreciation, amortization and impairment	-23	-19	-67	-59	-85
Financial items, net	-24	5	-7	-5	9
Tax	-7	-3	-29	-7	-23
Net result from continuing operations	23	18	88	44	55
Net result from discontinued operations	2	2	3	-5	7
Full-time employees, average					
NKT	4,508	4,069	4,396	4,029	4,062

Key developments in Q3 2023

- **44% organic growth** driven by Solutions and Applications
- **Positive development in operational EBITDA.** Both in absolute figures and in margins, driven by Solutions and Applications
- **One-off items were zero** in Q3 2023
- Interest had a slightly positive impact on **financial items**, while losses from exchange-rate fluctuations had a large negative impact
- The **effective tax rate was 23%**
- **FTE level** continued to increase, driven by higher activity levels. In line with anticipated future organisational growth

* Std. metal prices

Balance sheet: Continued improvement in working capital

Balance sheet highlights

EURm	30 Sep		30 Jun		31 Dec
	2023	2022	2023	2022	2022
Working capital					
NKT	-601	-202	-537	-212	-303
Capital employed					
NKT	847	1,162	733	1,008	951
RoCE					
NKT	15.4%	3.8%	10.5%	4.1%	6.6%
Net interest-bearing debt (NIBD)	-674	80	-222	24	-55
NIBD / Operating EBITDA, LTM	-2.9x	0.6x	-1.2x	0.2x	-0.4x
Total assets	3,562	2,597	3,044	2,628	2,767
Total equity	1,521	1,082	1,100	1,102	1,144

Key developments in Q3 2023

- **Improvement in working capital**, driven by phasing of milestone payments in Solutions and a structurally higher backlog
- **RoCE** positively impacted by free cash flow generation and increased earnings. RoCE will fluctuate from quarter-to-quarter depending on the project mix in production and the timing of milestone payments from customers
- Free cash flow generation and proceeds from rights issue in Q3 2023 led to a significant decrease in **net interest-bearing debt**
- **Available liquidity reserves** increased to **EUR 1,065m**, comprising cash of EUR 865m and undrawn credit facilities of EUR 200m
- At end-Q3 2023 the value of issued guarantees was EUR 1.8bn

Cash flow: Continued positive cash flow generation

Cash flow statement highlights*

EURm	Q3		Q1-Q3		FY
	2023	2022	2023	2022	2022
Cash flow from operating activities	151	0	405	96	298
EBITDA	77	35	191	115	155
Financial items, net	-13	5	2	-5	9
Changes in working capital	89	-31	218	17	185
Others	-2	-10	-6	-31	-51
Cash flow from investing activities	-60	-41	-131	-144	-205
Capex	-60	-42	-122	-130	-191
Acquisition and divestment of businesses	0	0	-9	-16	-16
Free cash flow	91	-41	274	-48	93
Cash flow from financing activities	357	-38	332	-33	-36
Net cash flow	447	-80	604	-81	65

Key developments in Q3 2023

- **Cash flow from operating activities** remained at a high level in Q3 2023, driven by positive developments in earnings and working capital
- Working capital improvement was primarily due to significant milestone payments received in Solutions
- **Cash flow from investing activities** was higher than Q3 2022 as investments in Solutions progressed
- **Free cash flow** was positive, driven by successful execution and corresponding milestone payments received in Solutions
- **Cash flow from financing activities** was positively impacted by the net proceeds of EUR 357m received the rights issue

* From continuing operations

Financial outlook for 2023

Updated on 30 October 2023 following strong financial performance so far in 2023



The financial outlook is based on several assumptions including:

- Satisfactory execution of high-voltage investments and projects
- Limited financial impact due to the uncertain global macroeconomic environment, supply chain challenges, and the high inflationary pressure

The updated outlook do not change the medium-term financial ambitions and the indicated trajectory in 2024 and 2025

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QUESTIONS & ANSWERS



Financial calendar



2024

Event

21 February

➤ **Annual Report 2023**

20 March

➤ **Annual General Meeting 2023**

8 May

➤ **Interim Report, Q1 2024**

16 August

➤ **Interim Report, Q2 2024**

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