



NKT

August 2023

# Q2 2023 Interim Report

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
- The Purchaser has been taking further actions in response to the decision including a refiling of its application to the Danish authorities and, separately, NKT continues to evaluate its options considering the decision
- NKT Photonics continues to be presented as discontinued operations and assets held for sale



# Key messages Q2 2023



- NKT achieved 26% organic growth in Q2 2023, driven by contributions from all three business lines. **Operational EBITDA reached a new record-high quarterly level**
- **The high-voltage order backlog increased to a record level** of EUR 7.6bn. The most significant awards were for offshore wind farm projects in the UK and Poland, as well as an interconnector between France and Spain
- **Strong quarterly free cash flow generation**, driven mainly by earnings contribution and significant milestone payments received in Solutions
- **NKT has launched a EUR 1bn investment program** to meet high-voltage demand and support future profitable growth. Investments will be made between 2023 and 2026, and will be partially funded using proceeds from the recently completed rights issue\*

\* Fully subscribed and completed in July 2023, gross proceeds of EUR 368m.

# Agenda



- 06 Business highlights
- 13 Financial highlights
- 19 Questions & Answers

# NKT performance in Q2 2023

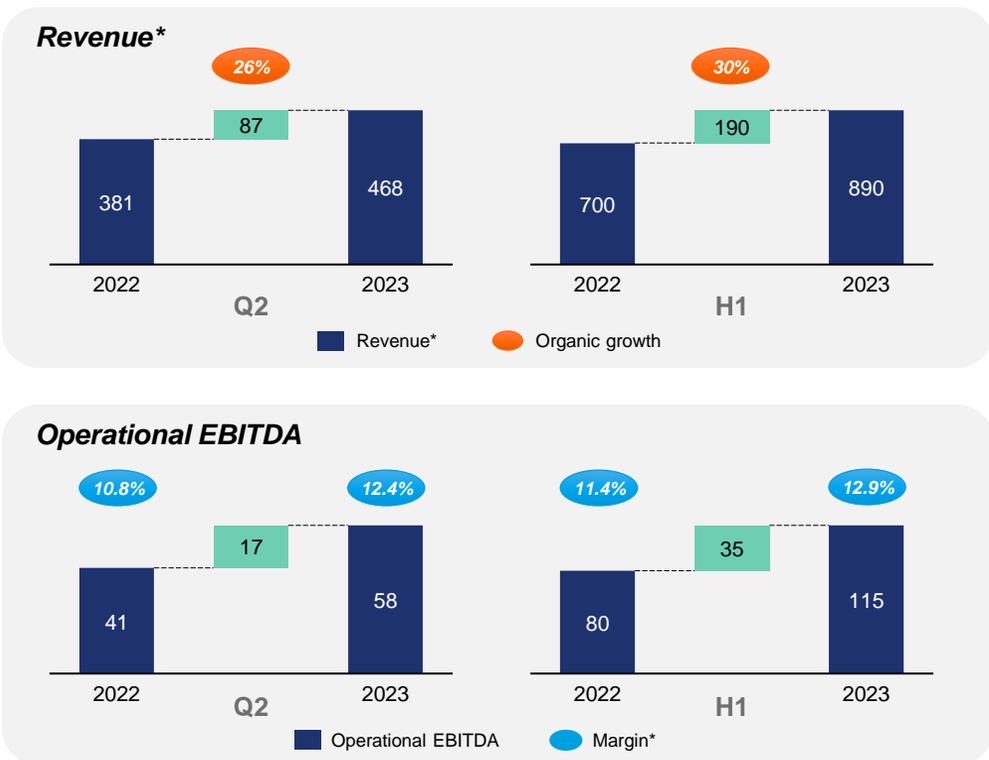


Broad-based improvement in financial performance

## Key developments in Q2 2023

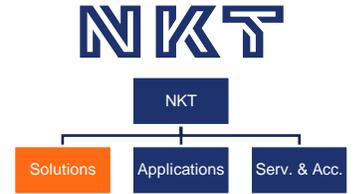
- Satisfactory project execution in **Solutions** with several projects being produced or installed. Revenue growth driven by investments in additional capacity and capabilities over the recent years
- **Applications** continued to benefit from positive performance in the power distribution grid segment with the ongoing increased electrification of societies and the transition to renewable energy
- Improvements in **Service & Accessories** as the accessories business performed well, medium- and high-voltage markets continue to benefit from structural growth trends

## Key financial highlights (EURm)



\* Std. metal prices

# Solutions – Q2 2023



## Strong organic growth

### Customer offerings



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

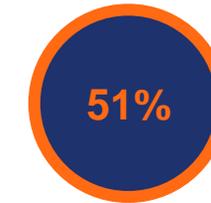
### Development during Q2 2023

- Revenue increase driven by execution of orders awarded in recent years covering several power cable solutions, positively impacted by previous investments enabling gradual capacity expansion
- Continued progress of multiple 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

## Q2 2023 financial highlights



Revenue\*, EUR  
(Q2 2022: EUR 196m)



Organic growth  
(Q2 2022: 22%)



Oper. EBITDA, EUR  
(Q2 2022: EUR 30m)



\* Std. metal prices

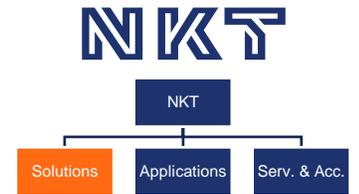
Note: AC = Alternating Current and DC = Direct current

# 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 were approx. **EUR 7bn\*** in 1st half 2023, with most projects awarded in Europe
- Strong demand in the high-voltage market is changing market dynamics. Larger TSOs are moving towards awarding **framework agreements** with longer term commitments and willingness to support the supply chain for investments. TenneT awarded a multi-billion EUR framework agreement in May 2023
- The addressable market in 2023 and 2024 is estimated by NKT to be **significantly above EUR 8bn** on average per year. Market developments will depend on the timing of several sizable projects, including multi-year framework agreement volumes
- Solutions based on **DC technology and higher voltage levels** such as 525kV are expected to continue to constitute the majority of contract awards going forward

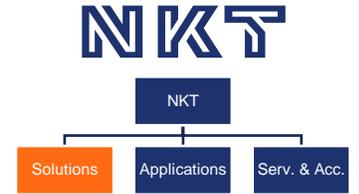


## Recent notable NKT order wins

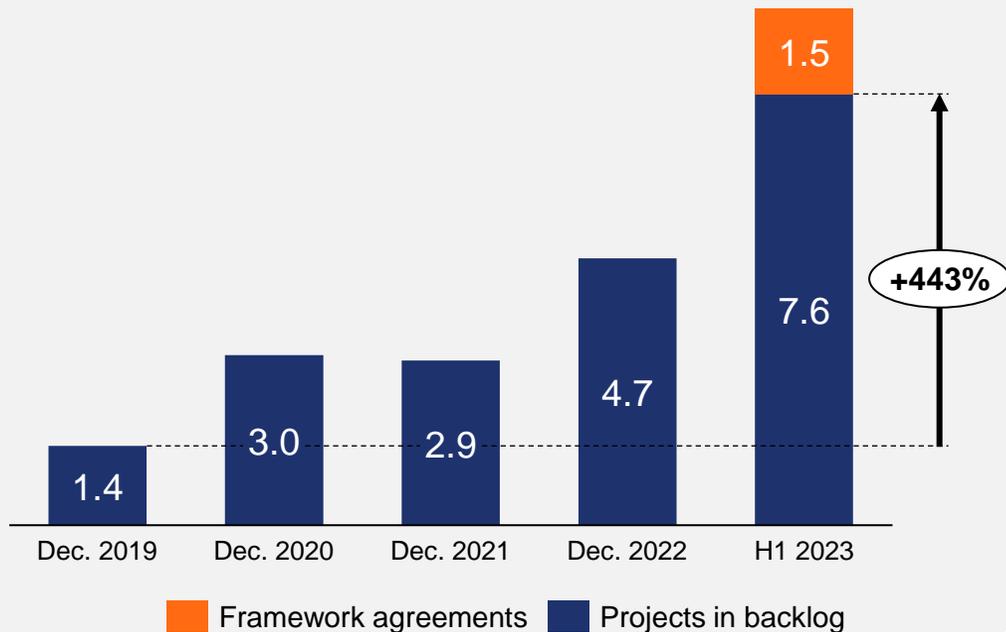
Name	Announced	Size (EURm)	Type
<b>Baltic Power</b> 	Jun 2023	>120	Offshore wind
<b>East Anglia Three</b> 	Jun 2023	>250	Offshore wind
<b>Biscay Gulf</b> 	May 2023	>600	Interconnector
<b>Hornsea 3</b> 	Mar 2023	~500	Offshore wind
<b>IJmuiden Ver Beta, G&amp;N 2</b> 	Mar 2023	~2,000	Offshore wind

# High-voltage order backlog development

Unprecedented growth and close customer collaborations demonstrate NKT's leading market position



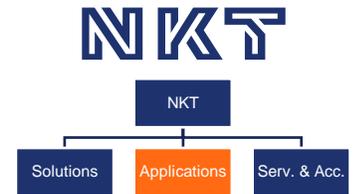
High-voltage order backlog (EURbn)



## Key developments:

- In 1st half 2023, NKT has secured approx. **EUR 3.5bn** in project awards, mainly from five different European customers
- Record-high order backlog of **EUR 7.6bn** provides **earnings visibility**, with ~92% set for execution in 2024 and beyond
- One framework agreement signed with TenneT, discussions ongoing for further including Scottish SSEN transmission. **Framework agreements** provide **long-term earnings visibility**, lead to closer customer collaboration, and demonstrate NKT's leading market position
- NKT has been **awarded both individual projects and framework agreements**, and expects to participate in the market for both project types going forward

# Applications – Q2 2023



## Revenue growth driven by medium-voltage

### Customer offerings



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

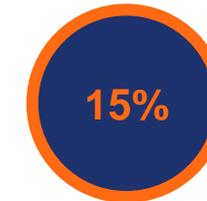
### Development during Q2 2023

- Higher revenue level was to a large degree due to increased prices to compensate for the inflationary pressure
- NKT benefitted from its strong offering of medium-voltage power cables serving the power distribution market. Within this segment, NKT grew revenues and increased output from the production sites
- As in the previous quarters, developments in the building wire segment were negative, leading to a lower revenue level
- Revenue growth combined with efficiency initiatives led to operational EBITDA margin\* at 10.0%

## Q2 2023 financial highlights



Revenue\*, EUR  
(Q2 2022: EUR 148m)



Organic growth  
(Q2 2022: 16%)

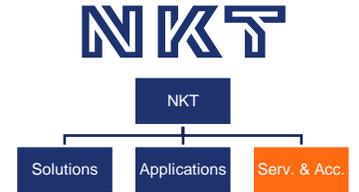


Oper. EBITDA, EUR  
(Q2 2022: EUR 7.2m)



\* Std. metal prices

# Service & Accessories – Q2 2023



## Increased revenue and operational EBITDA

### Customer offerings



- High- and medium-voltage accessories
- Services

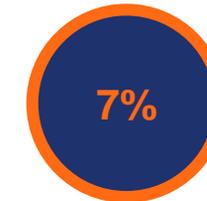
### Development during Q2 2023

- Increase in revenues and earnings compared to Q2 2022, driven by accessories business. Activity level in the service business was lower year-over-year
- Satisfactory activity in recurring onshore service business. However, NKT had limited work within the offshore repair segment
- Geographical expansion is a strategic growth priority within the service business
- Revenue growth in the accessories business was broad-based across the medium-voltage and high-voltage segments, reflecting the favourable market development

## Q2 2023 financial highlights



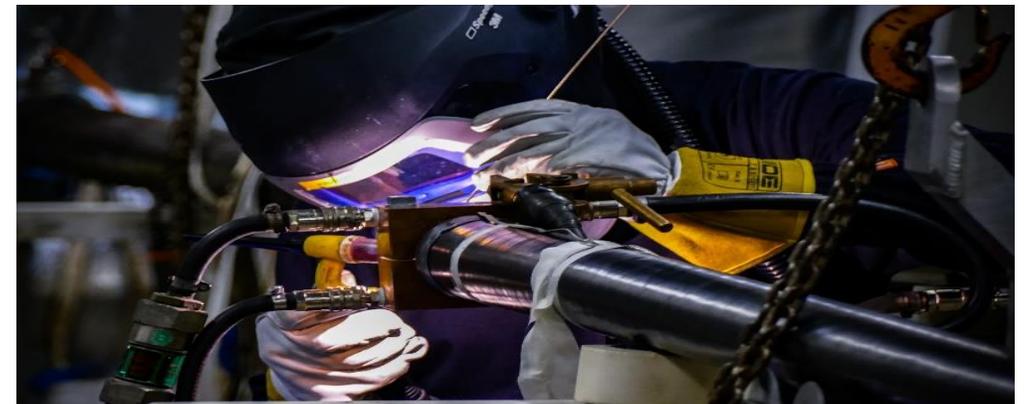
Revenue\*, EUR  
(Q2 2022: EUR 47.2m)



Organic growth  
(Q2 2022: -33%)



Oper. EBITDA, EUR  
(Q2 2022: EUR 1.8m)



\* Std. metal prices

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# Income statement: Improved revenue driven by all three business lines



## Income statement highlights

EURm	Q2		H1	
	2023	2022	2023	2022
Revenue	631	578	1,221	1,068
<b>Revenue (Std. metal prices)</b>	<b>468</b>	<b>381</b>	<b>890</b>	<b>700</b>
<b>Organic growth</b>				
NKT	26%	11%	30%	9%
<b>Operational EBITDA</b>	<b>58</b>	<b>41</b>	<b>115</b>	<b>80</b>
Operational EBITDA margin*	12.4%	10.8%	12.9%	11.4%
One-off items	0	0	0	0
<b>EBITDA</b>	<b>58</b>	<b>41</b>	<b>115</b>	<b>80</b>
Depreciation, amortization and impairment	-22	-20	-44	-40
Financial items, net	11	-4	16	-10
Tax	-13	-2	-22	-4
<b>Net result from continuing operations</b>	<b>35</b>	<b>14</b>	<b>65</b>	<b>26</b>
Net result from discontinued operations	3	-9	1	-6
<b>Full-time employees, average</b>				
NKT	4,390	4,011	4,340	4,009

## Key developments in Q2 2023

- **26% organic growth** driven by all three business lines
- **Positive development in operational EBITDA.** Both in absolute figures and in margins, driven primarily by Solutions and Applications
- **One-off items were zero** in Q2 2023
- Interests had a slightly negative impact on **financial items**, while gains from exchange-rate fluctuations had a large positive impact
- The **effective tax rate was 26%**
- **Positive development in net result** due to improved operational performance
- **FTE level** continues to increase, driven by higher activity levels. In line with anticipated future organisational growth

\* Std. metal prices

# Balance sheet: Significant improvement in working capital

## Balance sheet highlights

EURm	30 Jun		31 Mar		31 Dec
	2023	2022	2023	2022	2022
<b>Working capital</b>					
NKT	-537	-212	-159	35	-303
<b>Capital employed</b>					
NKT	733	1,008	1,084	1,212	951
<b>RoCE</b>					
NKT	10.5%	4.1%	8.0%	4.1%	6.6%
<b>Net interest-bearing debt (NIBD)</b>	<b>-222</b>	<b>24</b>	<b>50</b>	<b>109</b>	<b>-55</b>
NIBD / Operating EBITDA, LTM	-1.2x	0.2x	0.3x	0.7x	-0.4x
<b>Total assets</b>	<b>3,044</b>	<b>2,628</b>	<b>2,767</b>	<b>2,677</b>	<b>2,767</b>
<b>Total equity</b>	<b>1,100</b>	<b>1,102</b>	<b>1,170</b>	<b>1,216</b>	<b>1,144</b>

## Key developments in Q2 2023

- Significant **improvement in working capital**, mainly driven by phasing of milestone payments in Solutions that was partly reflecting customers willingness to support the supply chain for investments
- **RoCE** positively impacted by free cash flow generation and increased earnings. RoCE is expected to improve further as earnings contributions from recent years' investments continue to materialize
- Record free cash flow generation in Q2 2023 led to a significant decrease in **net interest-bearing debt**
- Correspondingly, **available liquidity reserves** increased to **EUR 616m**, comprising cash of EUR 416m and undrawn credit facilities of EUR 200m
- At end-Q2 2023 the value of issued guarantees was EUR 1.8bn, up from EUR 1.3bn in Q1 2023

# Cash flow: Record cash flow generation



## Cash flow statement highlights\*

EURm	Q2		H1	
	2023	2022	2023	2022
<b>Cash flow from operating activities</b>	<b>321</b>	<b>137</b>	<b>254</b>	<b>96</b>
EBITDA	58	41	115	80
Financial items, net	11	-5	16	-10
Changes in working capital	251	106	129	47
Others	1	-5	-6	-21
<b>Cash flow from investing activities</b>	<b>-40</b>	<b>-49</b>	<b>-71</b>	<b>-103</b>
Capex	-30	-49	-62	-87
Acquisition and divestment of businesses	-9	0	-9	0
<b>Free cash flow</b>	<b>281</b>	<b>88</b>	<b>184</b>	<b>-7</b>
<b>Cash flow from financing activities</b>	<b>-13</b>	<b>-7</b>	<b>-30</b>	<b>5</b>
<b>Net cash flow</b>	<b>269</b>	<b>81</b>	<b>153</b>	<b>-1</b>

## Key developments in Q2 2023

- **Cash flow from operating activities** was at a record-high level in Q2 2023, driven by positive developments in earnings and working capital
- Working capital improvement was primarily due to significant milestone payments received in Solutions. Applications also contributed positively, driven by favourable developments in trade receivables and trade payables
- **Cash flow from investing activities** was lower than Q2 2022. Investments in Solutions progressing as planned
- **Free cash flow** was significantly positive, driven by successful execution and corresponding milestone payments received in Solutions

\* From continuing operations

# Financial outlook for the remainder of 2023

Updated on 15 August 2023 following strong financial performance so far in 2023

## Financial outlook 2023



The financial outlook is based on several assumptions including:

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

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## QUESTIONS & ANSWERS

# Financial calendar



**2023**

**Event**

8 November

➤ **Interim Report, Q3 2023**

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