



NKT

23 February 2022

Annual Report 2021

Webcast Presentation



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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



Alexander Kara
President & CEO

NKT A/S



Line Andrea Fandrup
CFO

NKT A/S



Basil Garabet
President & CEO

NKT Photonics

Key messages Q4 2021

- **NKT grew revenue 7% organically.** The positive development was due to improved performance in Applications and Service & Accessories
- **NKT's high-voltage order backlog was maintained at high level of EUR 2.87bn*** at end-2021
- **Acquisition of Ventcroft** in the UK in January 2022, to strengthen product offering within fire-resistant cables
- **Record-high Q4 revenues for NKT Photonics** with 6% organic growth drove increase in EBITDA

Agenda

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- 12 NKT Photonics
- 15 Financial highlights
- 22 Questions & Answers

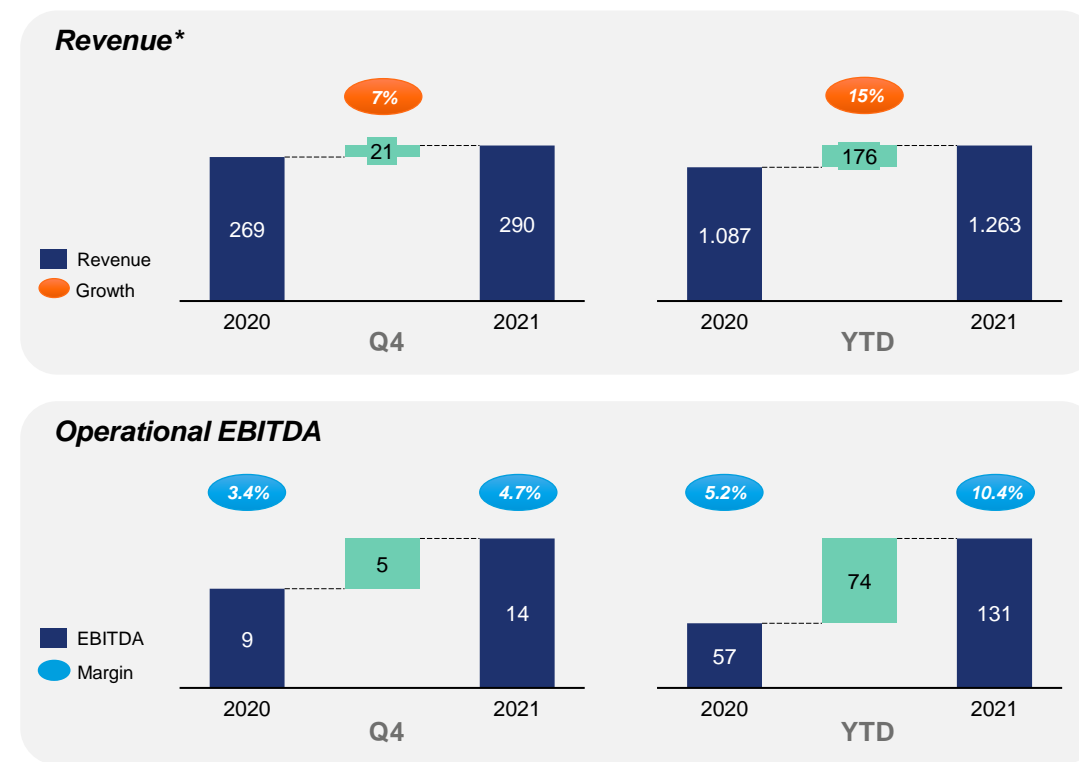
NKT performance in Q4 2021

Positive performance driven by Applications and Service & Accessories

Key developments in Q4 2021

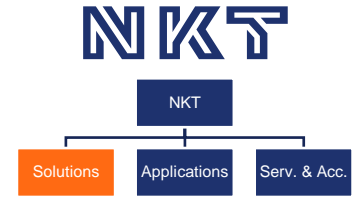
- Organic growth of 7%, which was the ninth consecutive quarter with positive organic growth
- Revenue in **Solutions** decreased as project work related to AC power cable projects was at a lower level compared to Q4 2020
- Broad-based positive development in **Applications** drove significant improvements in revenue and operational EBITDA compared to Q4 2020
- **Service & Accessories** grew revenue and operational EBITDA, which was based on improved sales across the service and accessories businesses
- In January 2022, unannounced inspections were carried out by the German Federal Cartel Office at NKT's two main German sites. NKT is cooperating with the German authorities

Key financial highlights (EURm)



* Std. metal prices

Solutions – Q4 2021



Continued execution of order backlog

Customer offerings

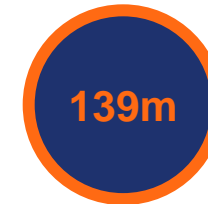


- High-voltage AC/DC on-/off-shore power cables

Development during Q4 2021

- Revenue decreased as project work related to AC power cable projects was at a lower level
- Execution of orders awarded over recent years continued. These included Attica Crete, Dogger Bank A and B, Ostwind 2, Shetland, and Troll West
- Closing of a commercial dispute related to a completed project impacted earnings negatively by EUR 4m
- NKT commissioned the power cable systems for the Moray East Offshore Wind Farm in the UK. The Wind Farm will be able to ensure the supply of green electricity for 950,000 households in Scotland

Q4 2021 financial highlights



Revenue* EUR
(Q4 2020: EUR 155m)



Organic growth
(Q4 2020: 6%)



Oper. EBITDA EUR
(Q4 2020: EUR 8.9m)

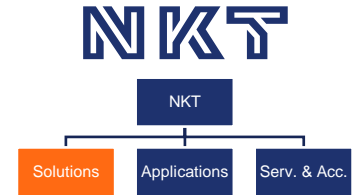


* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

High-voltage market development






Step up in market size



Key developments

- NKT estimates that the total awards in the market (NKT's assessment of addressable high-voltage power cable projects) summed up to almost EUR 5bn in 2021
- The award levels in the two most recent years marked a significant step up in annual market value compared to the previous decade
- These projects covered power cable types across DC and AC technologies mainly in European countries, but the North American market also started to develop in a positive direction
- In the period from 2022-2024, NKT expects the market size of new project awards to be around EUR 7-8bn on average per year
- Technology-wise, the majority of projects are expected to be DC solutions, but AC solutions will still be relevant in the market

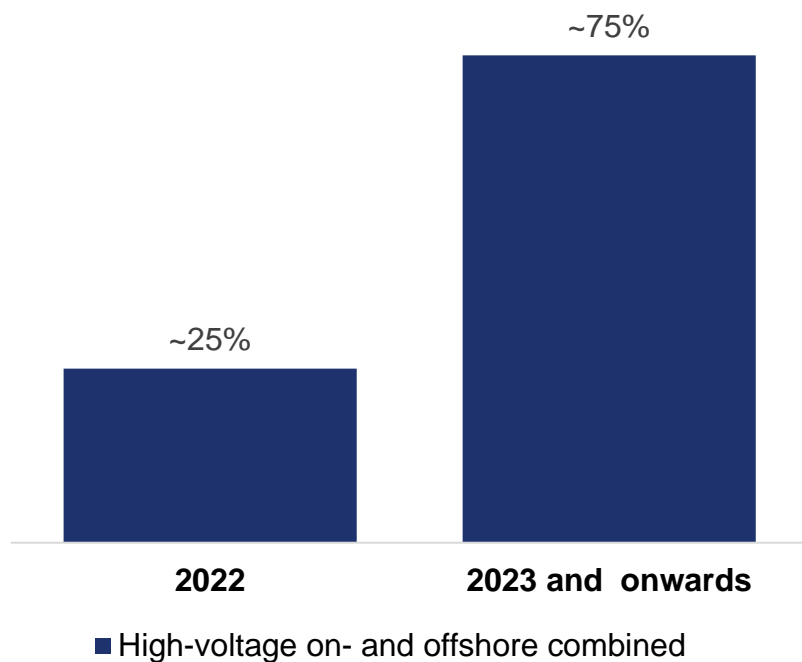
Recent notable order wins for NKT

Name	Announced	Size (EURm)	Type
Dogger Bank C 	Jun 2021	~280	Offshore wind
Troll West 	Apr 2021	~95	Power from shore
BorWin5 	Aug 2020	<250	Offshore wind
Shetland 	Jul 2020	~235	Interconnector
SuedLink 	Jun 2020	>1,000	Interconnector

High-voltage order backlog

The high-voltage order backlog was EUR 2.87bn* at end-Q4 2021, down from EUR 2.97bn at end-Q3 2021

Order backlog providing future coverage...

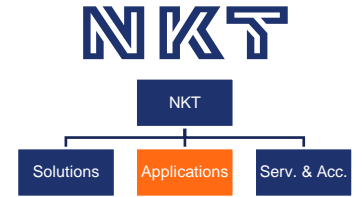


...and diverse across application and commissioning

Application	Year	Country	
OFFSHORE WIND	Hornsea 2	2022	UK
	Ostwind 2	2022	Germany
	Dogger Bank A & B	2023	UK
	BorWin5	2025	Germany
	Dogger Bank C	2026	UK
INTERCONNECTORS	Beckomberga-Bredäng	2023	Sweden
	Viking Link	2023	Denmark
	Attica-Crete	2023	Greece
	Shetland	2024	UK
	SuedOstLink	2025	Germany
	SuedLink	2026	Germany
OIL & GAS	Johan Sverdrup 2	2022	Norway
	Troll West	2023	Norway

* Market prices (EUR 2.43bn in std. metal prices)

Applications – Q4 2021



Broad-based revenue growth

Customer offerings

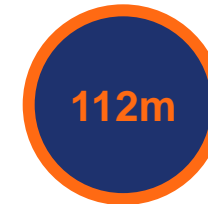


- Medium- and low-voltage power cables & building wires
- Power cables for telecom market

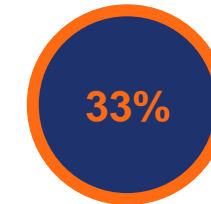
Development during Q4 2021

- Broad-based revenue growth and NKT has managed to benefit from favourable market conditions
- The significant lift in revenue drove operational EBITDA to a higher level in the traditionally seasonally low Q4
- Rising input costs managed satisfactorily. NKT was able to protect profit margins in cooperation with customers and with a focused procurement approach
- Acquisition of UK based company Ventcroft Ltd in January 2022, specializing in fire-resistant building wires and low-voltage power cables

Q4 2021 financial highlights



Revenue* EUR
(Q4 2020: EUR 84m)



Organic growth
(Q4 2020: -8%)

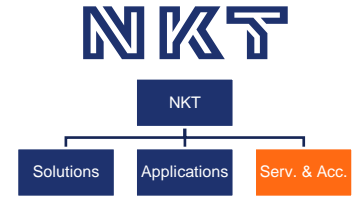


Oper. EBITDA EUR
(Q4 2020: EUR 0.4m)



* Std. metal prices

Service & Accessories – Q4 2021



Satisfactorily end of a year with strong growth

Customer offerings

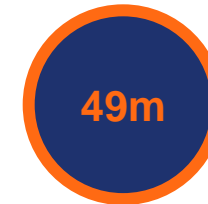


- High- and medium-voltage accessories
- Services

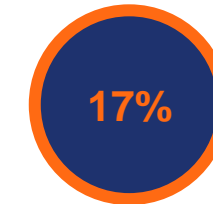
Development during Q4 2021

- Improved sales across the service and accessories businesses
- In the service business, a continued high activity level was recorded on various projects
- Service business operations established in Gdynia, Poland, to position NKT for future growth in the Nordic region and prepare for Polish offshore wind expansion
- In the accessories business, growth was driven by sales of medium-voltage accessories

Q4 2021 financial highlights



Revenue* EUR
(Q4 2020: EUR 39m)



Organic growth
(Q4 2020: 11%)



Oper. EBITDA EUR
(Q4 2020: EUR 3.8m)



* Std. metal prices

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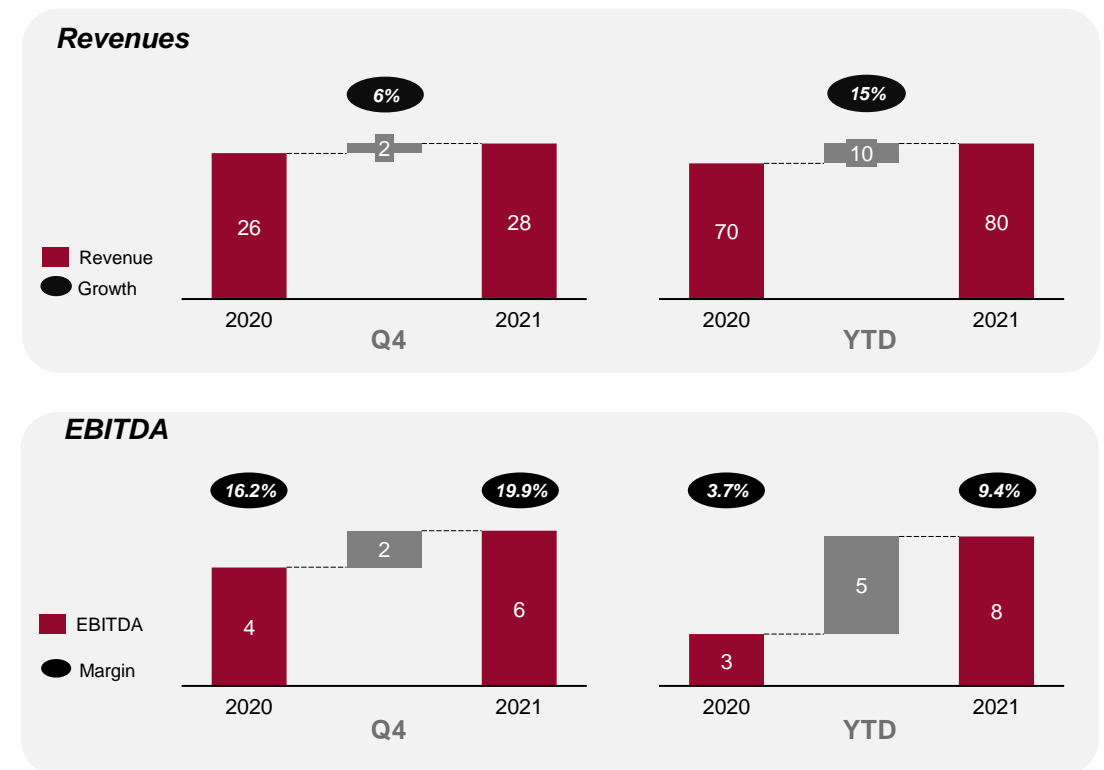
NKT Photonics performance in Q4 2021

Record-high quarterly revenue

Key developments in Q4 2021

- NKT Photonics **improved revenue and EBITDA** although the growth rate was lower than in recent quarters since Q4 2020 was less impacted by the COVID-19 situation
- NKT Photonics managed the high activity level with limited disturbances from the global supply chain challenges and the continued presence of the COVID-19 pandemic
- **Organic growth of 6%** was, as in the previous quarters of 2021, primarily driven by strong performance in the Industrial and Quantum & Nano Technology segments
- **EBITDA increased to EUR 5.5m** driven by higher revenue together with higher gross margin from a more favourable product mix
- NKT Photonics had its **highest ever Q4 order intake**, up by 5% compared to Q4 2020

Key financial highlights (EURm)



Business development in Q4 2021

Medical & Life Science



Main applications:

Bio-imaging & Microscopy
 Medical devices
 Ophthalmology

- Continued the trend from recent quarters when microscopy and ophthalmology were the primary growth drivers
- Largely flat revenue development due to timing of projects and OEM contracts

Industrial



Main applications:

Device characterization, sorting and control
 Micromachining & Display
 Remote sensing & Semiconductors

- Remained NKT Photonics' primary growth driver
- Most significant contributions came from the semiconductor industry, remote sensing for power cable monitoring, and distributed acoustic sensing

Quantum & Nano Technology



Main applications:

Quantum computing
 Quantum sensing & metrology
 Nano structures & advanced materials

- Growth area with significant potential
- Contributed to growth, especially within the areas of quantum research and quantum computing

Aerospace & Defence



Main applications:

Aerospace
 DIRCM
 Directed Energy
 Remote sensing

- Growth was relatively flat affected by timing factors
- Existing projects continued as planned although with some COVID-19 induced delays

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NKT Group: Improved revenue and operational EBITDA driven by both NKT and NKT Photonics



Income statement highlights

EURm	Q4		FY	
	2021	2020	2021	2020
Revenue	463	374	1,907	1,470
Revenue (Std. metal prices)	317	294	1,342	1,155
Organic growth				
NKT	7%	1%	15%	15%
NKT Photonics	6%	3%	15%	-6%
Operational EBITDA	19	13	139	59
NKT	14	9	131	57
NKT Photonics	6	4	8	3
Operational EBITDA margin*	6.1%	4.5%	10.3%	5.1%
NKT*	4.7%	3.4%	10.4%	5.2%
NKT Photonics	19.9%	16.2%	9.4%	3.7%
One-off items	0	0	-13	-10
EBITDA	19	14	126	49
Depreciation, amortization and impairment	-32	-28	-109	-97
Financial items, net	-1	-3	-12	-17
Tax	5	-13	0	-10
Net result	-9	-31	4	-75
Full-time employees, average				
NKT	3,926	3,467	3,775	3,390
NKT Photonics	419	418	401	410

Key developments in Q4 2021

- 7% and 6% **organic growth** in NKT and NKT Photonics, respectively
- A positive development in **operational EBITDA** for NKT Group
 - NKT: The revenue growth drove an increase in operational EBITDA. The main contributor was Applications
 - NKT Photonics: Higher revenue impacted the earnings development positively and Q4 2021 also had a more favourable product mix
- Net result** in FY 2021 turned positive – though it was negative in Q4 2021
- Increase in **FTE level** driven by the higher activity level across the three business lines in NKT

* Std. metal prices

NKT Group: Lower debt level driven by working capital development



Balance sheet highlights

EURm	31 Dec		30 Sep	
	2021	2020	2021	2020
Working capital	-60	-137	38	-100
NKT	-93	-165	7	-130
NKT Photonics	34	27	32	31
Capital employed	1,173	1,051	1,226	1,048
NKT	1,053	940	1,109	937
NKT Photonics	121	111	117	110
RoCE	2.5%	-3.5%	2.4%	-4.2%
NKT	3.4%	-2.9%	3.4%	-4.1%
NKT Photonics	-6.2%	-8.8%	-6.9%	-5.9%
Net interest-bearing debt (NIBD)	13	-26	97	194
NIBD / Operating EBITDA, LTM	0.1x	-0.4x	0.7x	3.6x
Total assets	2,553	2,151	2,397	2,019
Total equity	1,160	1,076	1,129	853

Key developments in Q4 2021

- Working capital decreased from end-Q3 2021 due to the development in NKT
 - NKT: The positive development was driven by Solutions that had a large inflow of project payments
 - NKT Photonics: Working capital increased due to build up of inventories
- RoCE improved further in Q4 2021
- The debt level and leverage ratio decreased in Q4 2021 due to the positive development in working capital
- In November 2021, NKT refinanced its committed revolving credit facility. The new EUR 200m facility with a 3-year maturity is provided by a group consisting of five banks

NKT Group: Positive earnings contribution and working capital development outweighed investments



Cash flow statement highlights

EURm	Q4		FY	
	2021	2020	2021	2020
Cash flow from operating activities	184	111	208	136
EBITDA	19	14	126	49
Financial items, net	-1	-3	-12	-17
Changes in working capital	161	106	47	115
Others	5	-6	48	-11
Cash flow from investing activities	-93	-54	-226	-107
Capex	-93	-54	-228	-107
Acquisition and divestment of businesses	0	0	2	0
Free cash flow	91	57	-18	29
Cash flow from financing activities	0	175	-21	204
Net cash flow	91	232	-39	233

Key developments in Q4 2021

- Cash flow from operating activities was at a high level in Q4 2021
 - This was due to a favorable development in working capital and a slight increase in earnings contribution. The positive development in working capital was mainly coming from phasing of payments in Solutions.
- Cash flow from investing activities was impacted by the increased investment level in NKT in Q4 2021
 - In Solutions, the planned investment program to upgrade the high-voltage production sites progressed further.
- In Q4 2020, the cash flow from financing activities positively impacted by issuance of new shares.

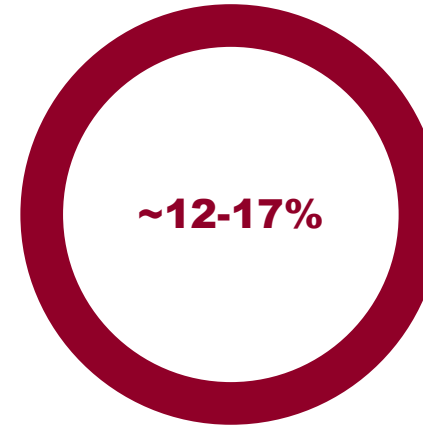
Financial outlook 2022



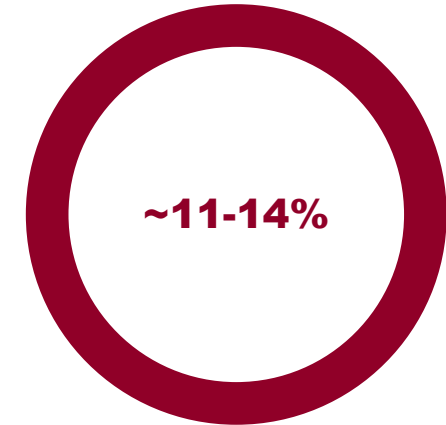
Revenue*



Operational EBITDA



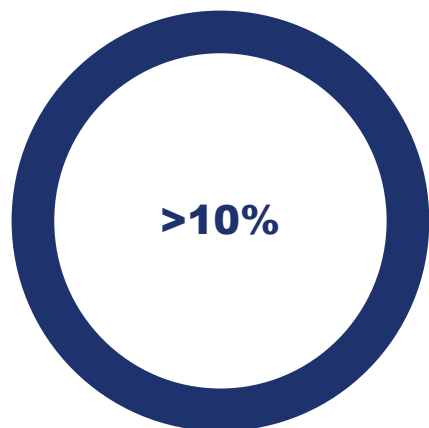
Organic growth



EBITDA margin

* Std. metal prices

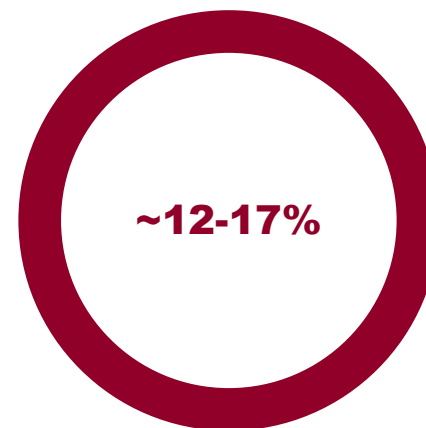
Medium-term ambitions



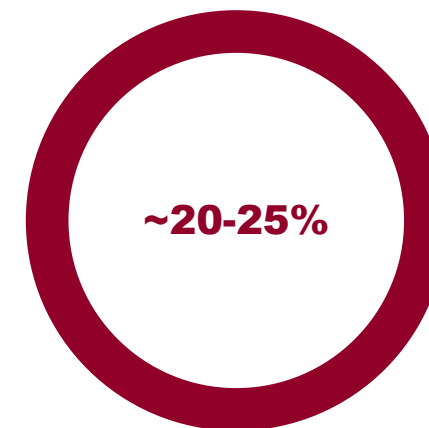
Organic growth CAGR
From 2019 as base year



Operational EBITDA margin*



Organic growth CAGR
From 2021 as base year



EBITDA margin

* Std. metal prices

Key messages Q4 2021

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QUESTIONS & ANSWERS

Financial calendar



2022

Event

24 March

➤ **Annual General Meeting**

18 May

➤ **Interim Report, Q1 2022**

17 August

➤ **Interim Report, Q2 2022**

16 November

➤ **Interim Report, Q3 2022**

For full list of Investor Relations events, please visit investors.nkt.com