



NKT

February 2024

# Annual Report 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

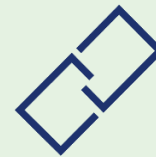
Financial performance step-up in 2023, with positive developments for NKT across multiple fronts



**Organic revenue\* growth of 36%** driven by further growth in Solutions and Applications



**Exited 2023 with a high-voltage order backlog of EUR 10.8bn** after record annual order intake of EUR ~7bn



**Operational EBITDA of EUR 255m in 2023**, highest annual level in company history, EUR 100m improvement compared to 2022



**Continued positive free cash flow generation of EUR 305m\*\*** driven by higher earnings contribution and positive working capital developments from structurally larger high-voltage order backlog

\* Std. metal prices. \*\* Excluding acquisitions and divestments.

# Agenda



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

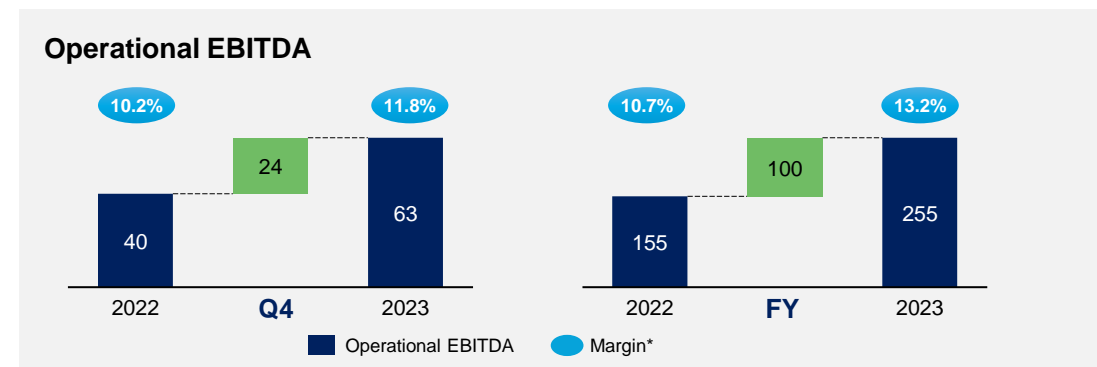
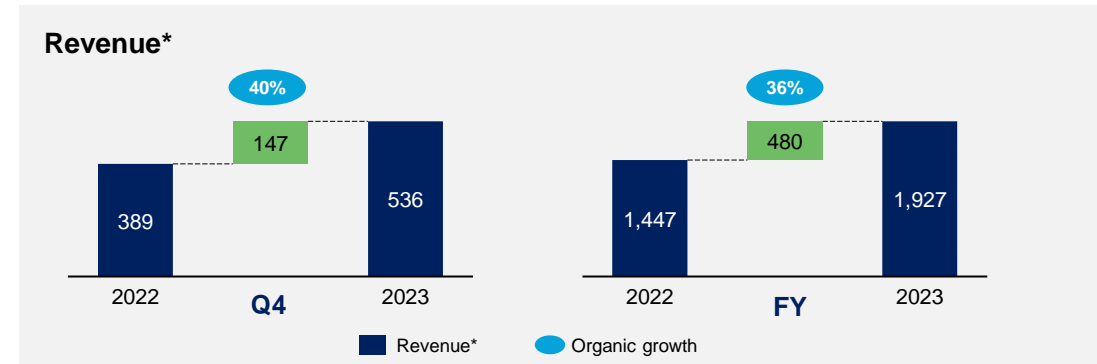
# Financial performance in Q4 2023

Organic growth driven by all three business lines

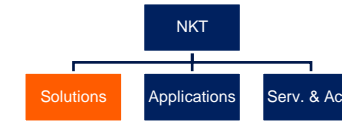
## Key developments in Q4 2023

- Strong growth in revenues and operational EBITDA in **Solutions**, driven by satisfactory execution, higher activity, and increased capacity from investments conducted in recent years
- **Applications** continued to benefit from positive developments in the power distribution grid segment, with the ongoing transition to renewable energy and increased electrification of societies
- **Service & Accessories** increased revenues despite limited offshore repair work in the service business, while operational EBITDA decreased due to a high comparison period in Q4 2022 that was driven by release of warranty provisions

## Key financial highlights (EURm)



\* Std. metal prices



## High organic growth in revenue and operational EBITDA

Customer offerings



- High-voltage AC/DC off-/onshore power cable solutions

Development during Q4 2023

- Revenue and operational EBITDA increases driven by satisfactory execution, higher activity, and increased capacity
- Continued progress on several projects through varying stages of execution including Baltic Power, Borwin 5, Champlain Hudson Power Express, Dogger Bank C, Shetland, SuedLink and SuedOstLink
- Investment program in Karlskrona progressing according to plan

## Q4 2023 financial highlights



Revenue\*, EUR  
(Q4 2022: EUR 217m)



Organic growth  
(Q4 2022: 60%)



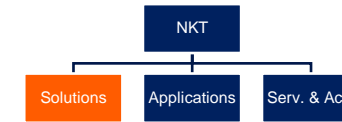
Oper. EBITDA, EUR  
(Q4 2022: EUR 27.2m)



\* Std. metal prices

Note: AC = Alternating Current and DC = Direct Current

# High-voltage market development



## Record-high market activity and order intake in 2023

### Key developments

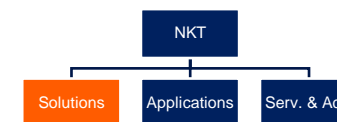
- NKT estimates that **the value of projects awarded** in its addressable high-voltage power cable market **exceeded EUR 15bn** in 2023, of which more than 90% were based on DC technology
- NKT was awarded high-voltage projects with a value of **around EUR 7bn** in 2023
- Several **long-term booking 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 15bn**, bringing total market activity above **EUR 30bn** in 2023
- Large European **Transmission System Operators were highly active** in 2023, awarding framework agreements with long-term commitments to secure supply
- NKT anticipates that its **average addressable high-voltage market will be above EUR 10bn per year between 2024 and 2030**. In 2024, the market size could be higher than the anticipated average, depending on the timing and development of sizeable projects and large, multi-year framework agreements

### Notable order wins for NKT in 2023

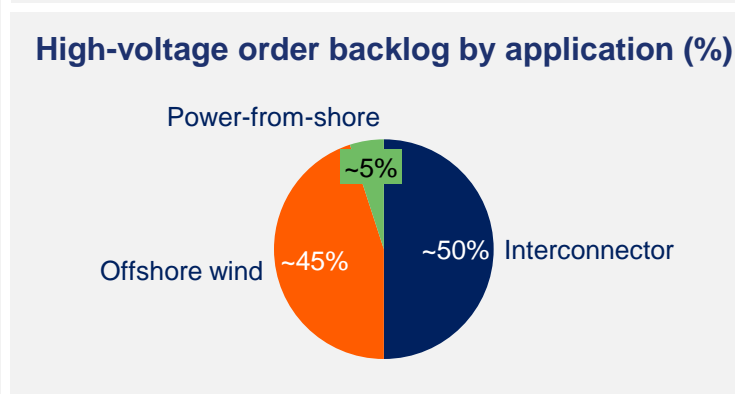
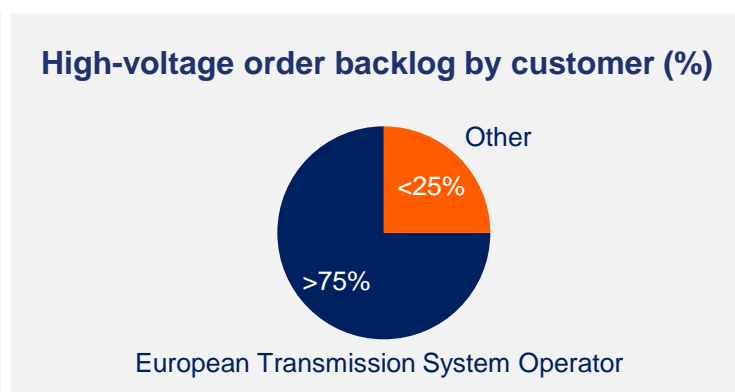
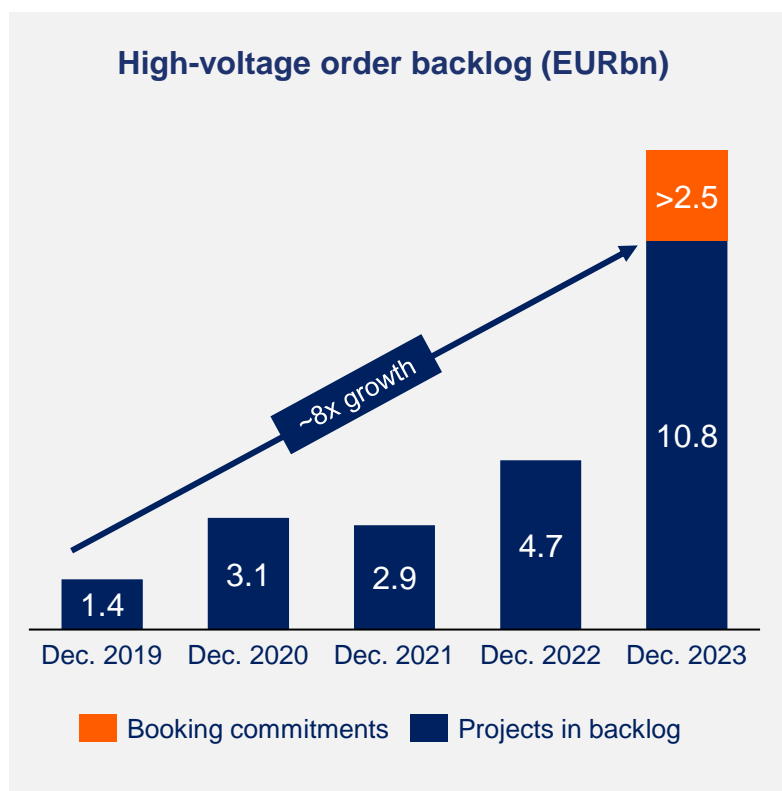
Name	Announced	Size (EURm)	Type
50Hertz HVDC Projects 	Sep 2023	~3,500	Interconnector/offshore wind
Baltic Power 	Jun 2023	>120	Offshore wind
East Anglia Three 	Jun 2023	>250	Offshore wind
Biscay Gulf 	May 2023	>600	Interconnector
Hornsea 3 	Mar 2023	~500	Offshore wind
IJmuiden Ver Beta, G&N 2 	Mar 2023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



# High-voltage order backlog composition

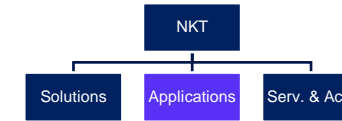


Unprecedented order backlog growth and robust customer portfolio provide adequate diversification and future earnings visibility



### Key developments:

- Order backlog of **EUR 10.8bn** provides **earnings visibility**, with ~26-29% set for execution in 2024-25, 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
- At end-2023, NKT had more than EUR 2.5bn in capacity reservations that were not included in order backlog
  - Three contracts under the framework agreement with TenneT for EUR ~1.5bn
  - Two projects with SSEN Transmission for EUR >1.0bn



## Growth in revenue and operational EBITDA

### Customer offerings



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

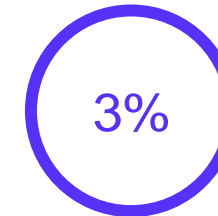
### Development during Q4 2023

- Higher revenue level driven by broad-based positive development, continued growth in power distribution grid segment
- Revenue growth combined with efficiency initiatives led to operational EBITDA margin\* of 7.1%, up 1.2% points from Q4 2022. Operational EBITDA margin of 9.2% in 2023
- Due to deterioration of construction activity, NKT's revenues within this segment were at a continued low level, however volumes have stabilized and increased compared to Q4 2022

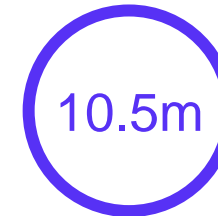
## Q4 2023 financial highlights



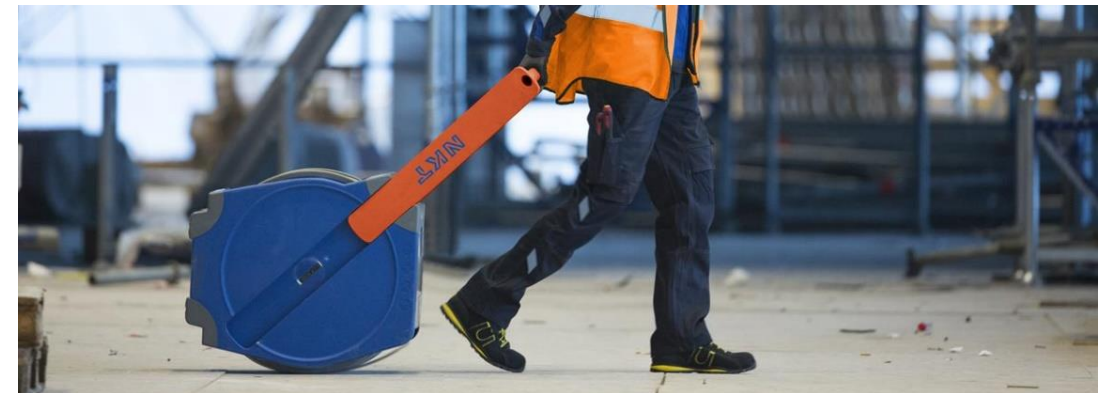
Revenue\*, EUR  
(Q4 2022: EUR 144m)



Organic growth  
(Q4 2022: 25%)

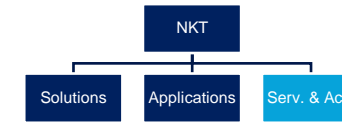


Oper. EBITDA, EUR  
(Q4 2022: EUR 8.5m)



\* Std. metal prices

# Service & Accessories – Q4 2023



## Increase in revenue despite no offshore repair work

Customer offerings

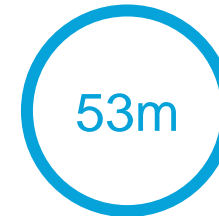


- High- and medium-voltage accessories
- Power cable Services

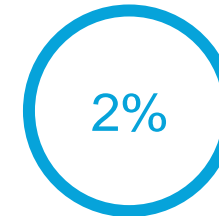
Development during Q4 2023

- Growth in revenues despite limited offshore repair work, other segments continued to perform positively. In the accessories business, revenue growth was mainly driven by a continued ramp-up of HVDC accessories
- Operational EBITDA lower due to a high comparison period in Q4 2022 that was driven by previous release of EUR 4.7m in warranty provisions
- Profitability impacted by temporarily higher costs in the accessories business

## Q4 2023 financial highlights



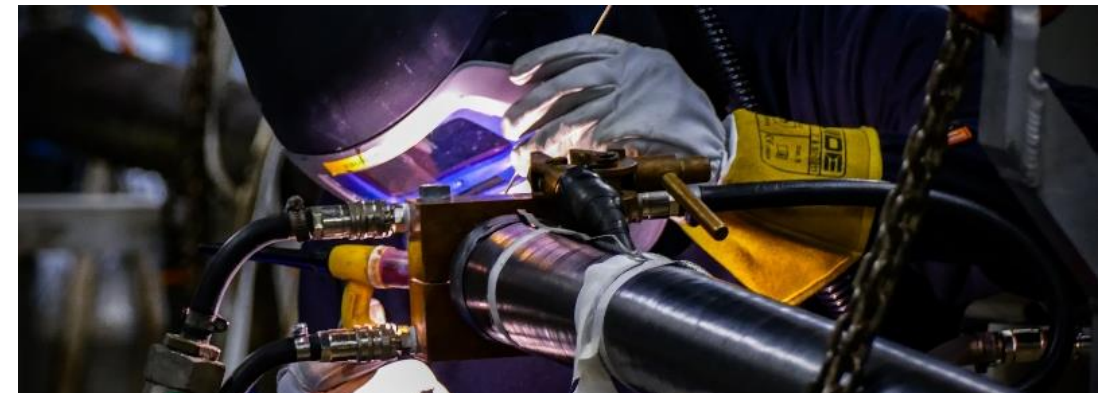
Revenue\*, EUR  
(Q4 2022: EUR 46m)



Organic growth  
(Q4 2022: 1%)



Oper. EBITDA, EUR  
(Q4 2022: EUR 11.5m)



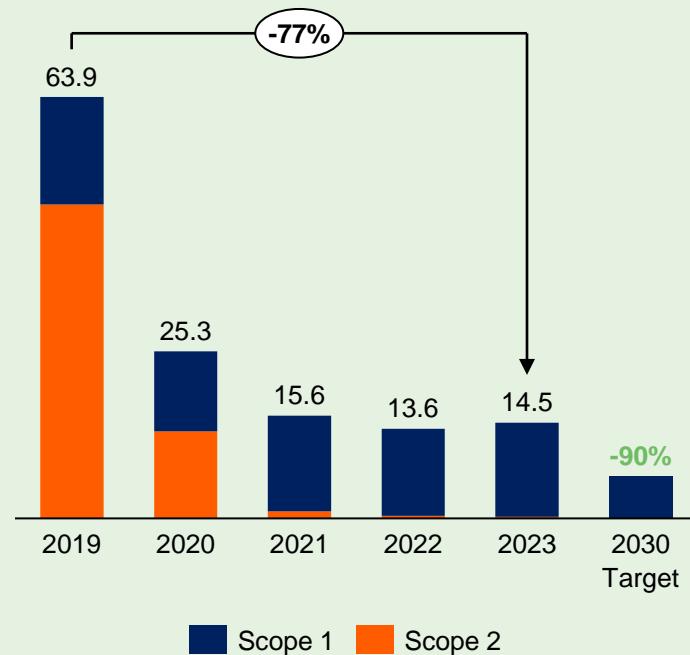
\* Std. metal prices

# Sustainability highlights 2023



Progress on sustainability journey, decarbonisation targets within reach despite organisational growth

**Total scope 1 & scope 2 emissions\***  
Metric tonnes CO2e



**Scope 3 emissions\*\***  
Kilotonnes CO2e



Recordable Injury Rate \*\*\*

**1.52**

From 1.13 in 2022

**2028 Target**

**<0.6**

Diversity and Inclusion Score

**76**

From 73 in 2022

**2025 Target**

**>74**

Recycling rate

**~83%**

From 78% in 2022

**2028 Target**

**>90%**

\* In thousands. \*\* Categories 1 and 11 in thousands. Increase compared to baseline year reflective of NKT's general business growth. \*\*\* Per 200,000 hours worked.

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# Income statement: High organic growth with positive contributions from all three business lines



## Income statement highlights

EURm	Q4		FY	
	2023	2022	2023	2022
Revenue	685	520	2,567	2,079
<b>Revenue (Std. metal prices)</b>	<b>536</b>	<b>389</b>	<b>1,927</b>	<b>1,447</b>
<b>Organic growth</b>				
NKT	40%	35%	36%	15%
<b>Operational EBITDA</b>	<b>63</b>	<b>40</b>	<b>255</b>	<b>155</b>
Operational EBITDA margin*	11.8%	10.2%	13.2%	10.7%
One-off items	0	0	0	0
<b>EBITDA</b>	<b>63</b>	<b>40</b>	<b>255</b>	<b>155</b>
Depreciation, amortization and impairment	-23	-26	-90	-85
Financial items, net	-8	14	-16	9
Tax	-1	-17	-30	-23
<b>Net result from continuing operations</b>	<b>31</b>	<b>11</b>	<b>119</b>	<b>55</b>
Net result from discontinued operations	3	12	6	7
<b>Full-time employees, average</b>				
NKT	4,703	4,159	4,473	4,062

## Key developments in Q4 2023

- **40% organic growth** driven by all three business lines
- **Growth in operational EBITDA**, both in absolute figures and in margins. Driven primarily by Solutions and Applications
- Interest had a positive impact on **financial items**, which was more than offset by a negative impact from exchange-rate fluctuations
- **Net result improvement of EUR 20m compared to Q4 2022**, driven by the parameters above
- **FTE level increase** driven by higher activity levels, in line with anticipated future organisational growth

\* Std. metal prices

# Cash flow: Continued positive free cash flow generation driven by higher earnings and improved working capital position



## Cash flow statement highlights\*

EURm	Q4		FY	
	2023	2022	2023	2022
<b>Cash flow from operating activities</b>	<b>140</b>	<b>203</b>	<b>542</b>	<b>298</b>
EBITDA	63	40	255	155
Financial items, net	-18	15	-16	9
Changes in working capital	102	170	304	185
Others	-7	-22	0	-50
<b>Cash flow from investing activities</b>	<b>-117</b>	<b>-61</b>	<b>-247</b>	<b>-205</b>
Capex	-117	-61	-238	-189
Acquisition and divestment of businesses	0	0	-9	-16
<b>Free cash flow</b>	<b>23</b>	<b>142</b>	<b>295</b>	<b>93</b>
<b>Cash flow from financing activities</b>	<b>7</b>	<b>-4</b>	<b>334</b>	<b>-36</b>
<b>Net cash flow</b>	<b>28</b>	<b>138</b>	<b>629</b>	<b>57</b>

## Key developments in Q4 2023

- **Cash flow from operating activities** remained at a high level, driven by positive developments in earnings and a decrease in working capital
- Working capital decrease driven by milestone payments in Solutions
- **Cash flow from investing activities** was higher than in Q4 2022 as investments in Solutions accelerated and progressed according to plan
- **Free cash flow of EUR 23m in Q4 2023**, despite the high investment level in Solutions
- **Cash flow from financing activities** was a slight positive as changes in loans offset the purchase of own shares related to the share-based incentive programmes for employees

\* From continuing operations

# Balance sheet: Continued improvements in working capital and leverage ratio



## Balance sheet highlights

EURm	31 Dec		30 Sep	
	2023	2022	2023	2022
<b>Working capital</b>				
NKT	-709	-303	-601	-202
<b>Capital employed</b>				
NKT	904	1,089	847	1,162
<b>RoCE</b>				
NKT	19.5%	6.6%	15.4%	3.8%
<b>Net interest-bearing debt (NIBD)</b>	<b>-671</b>	<b>-55</b>	<b>-674</b>	<b>80</b>
NIBD / Operating EBITDA, LTM	-2.6x	-0.4x	-2.9x	0.6x
<b>Total assets</b>	<b>3,604</b>	<b>2,767</b>	<b>3,562</b>	<b>2,597</b>
<b>Total equity</b>	<b>1,575</b>	<b>1,144</b>	<b>1,521</b>	<b>1,082</b>

## Key developments in Q4 2023

- **Continued improvement in working capital**, driven by phasing of milestone payments in Solutions and a structurally higher order backlog
- **RoCE** increased primarily due to significant growth in operational EBIT. Positive free cash flow generation also led to a lower capital employed
- **Net interest-bearing debt** remained largely unchanged compared to Q3 2023
- **Available liquidity reserves of EUR 1,090m**, comprising cash of EUR 890m and undrawn credit facilities of EUR 200m
- At end-2023, the **value of issued guarantees was EUR 1.9bn**



# Financial outlook 2024 reflects **continued growth expectations**

## Financial outlook for 2024



### The financial outlook is based on several assumptions including:

- Satisfactory execution and development of high-voltage investments and projects without major disruptions
- Stable market conditions in Applications
- Normalized offshore power cable repair work activity
- Stable development of the global economy
- Stable supply chain with limited disruptions and access to required labour, materials, and services
- Stable development in foreign currency and metal prices

\* Std. metal prices

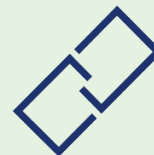
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\* Std. metal prices. \*\* Excluding acquisitions and divestments.



# Questions & Answers

# Financial calendar 2024



**2024**

**Event**

20 March

Annual General Meeting

8 May

Interim Report, Q1 2024

16 August

Interim Report, Q2 2024

14 November

Interim Report, Q3 2024

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