

THOMSON REUTERS

# EDITED TRANSCRIPT

Q1 2019 NKT A/S Earnings Call

EVENT DATE/TIME: MAY 16, 2019 / 8:00AM GMT



## CORPORATE PARTICIPANTS

**Basil Garabet** *NKT A/S - CEO & President of NKT Photonics*  
**Roland M. Andersen** *NKT A/S - Interim CEO & CFO*

## CONFERENCE CALL PARTICIPANTS

**Akash Gupta** *JP Morgan Chase & Co, Research Division - Research Analyst*  
**Artem Tokarenko** *Crédit Suisse AG, Research Division - Research Analyst*  
**Benjamin Szekeres** *Goldman Sachs Group Inc., Research Division - Analyst*  
**Casper Blom** *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*  
**Claus Almer Nielsen** *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*  
**Kristian Tornøe Johansen** *Danske Bank Markets Equity Research - Senior Analyst*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to today's NKT Q1 Report 2019. (Operator Instructions) I must advise you that this conference is being recorded today, Thursday, 16th of May 2019. I would now like to hand the conference over to your speaker today, Mr. Roland Andersen. Please go ahead, sir.

---

### Roland M. Andersen *NKT A/S - Interim CEO & CFO*

Thank you very much, and welcome, everyone, to NKT's Q1 2019 Report. And I'll just -- yes, let's just jump to Slide 5. Today, I'm here with the CEO for Photonics, Basil Garabet; and then myself; and Michael Nielsen from Investor Relations.

Highlights for Q1 2019. Revenue was EUR 205 million, down from EUR 254 million, primarily driven by the lower activity level in Solutions in our factory in Karlskrona.

Minus 16% organic growth, despite the positive growth in Applications. The drop in activity and capacity utilization in Karlskrona outpaces the growth in the Applications business.

Operationally, EBITDA ended at minus EUR 2.4 million, down from EUR 20.4 million last year same period.

And our high-voltage order backlog stayed largely flat, EUR 1.1 billion compared to Q4 in 2018.

Other keys here. Low activity in Karlskrona. And as we mentioned, the profitability in Applications increased slightly compared to last quarter in '18, but still at a level that is unsatisfactory for us.

Service & Accessories came out of -- or initiated the year with a good pace. And then we have now appointed a new CEO, Alexander Kara, that is expected to join us from 1st of August 2019.

And on the back of this Q1, we will maintain an unchanged financial outlook for 2019 of a revenue between EUR 0.9 billion and EUR 1.0 billion and an operational EBITDA of between EUR 10 million to EUR 30 million.

So let's jump to the next slide and look a little bit on our Solutions business. I think the Solutions business executed on the backlog in line with our expectations. The result, EUR 0.4 million, was low, but maybe slightly better than we had anticipated or expecting, and is primarily driven by the fact that the orders in the market since 2017 and '18 have been postponed, primarily in the infrastructure projects. And that means that our 2019 results in the Solutions business will be low and our Karlskrona plant is not fully loaded.

NKT continue to produce on our Borssele Beta project, also Hornsea 2 and Nordlink project for continued execution. And then we handed over the Martin Linge oil field cable to the customer during this quarter as well. And NKT Victoria, our cabling ship was not fully deployed in Q1. Q1 is traditionally a seasonally low period, but all in all a quarter in Solutions that is in line with our expectations.



Now let's jump to the next slide and look at the high-voltage market. There was, as expected, no significant project awards to us in Q1. The tender activity continues, though, and progress continues in line what we communicated in February. From our point of view, the market outlook is still attractive for both the coming years, but also longer term. We estimate that the market in 2018 or the awards in the high-voltage market that are relevant to us was about EUR 3 billion, and we still expect that the 2019 level will be at par with that.

So if you jump to the next slide, fresh on our high-voltage order backlog reflect compared to previous quarter, Q4 -- end 2018. Allocation of that backlog is that 40% is expected to be produced in 2019, and 60% is expected to be produced or delivered in 2020 and onwards.

And with that, I think we will leave the Solutions business and jump to the Applications business. Applications posted a 3% organic growth, and we are quite content with that. However, the operational EBITDA is still unsatisfactory. EUR 0.1 million is way too low, though it's better than the same quarter last year. We have appointed a new EVP and head of this business line. The business line is now one single P&L in NKT, where all factories, all markets and the supply chain function is assembled under one P&L and one EVP. And I think that will add to our ability to execute and stay focused on only what needs to be done.

The organic growth in the quarter was fueled primarily by our Eastern European markets. And by the end of the quarter, we were still slightly down by the rollout of our new SAP platform, and this was primarily related to the Scandinavian countries. And a little bit of that is expected to continue into Q2.

Yes, I think that was about it for the Applications business. Let's jump to the next slide, Service & Accessories. Our accessories business -- or the combined business line is down by 18%, and that's primarily driven by the Service business that had no significant offshore repairs in this quarter. They're doing quite well on the onshore side, though, and are expected to do better for the remaining of the year.

Our Accessories business is also doing quite good. We have strong growth in our Accessories business from the Middle East and also from Central Europe. Also, profitability in that business is picking up. That's how we are, of course not, necessarily moving the needle on group level. Then we have concluded the divestment of the railway business, and that was effectively out as from 1st of February 2019.

And with that, I'll give the word to Basil for a review of NKT Photonics.

---

#### **Basil Garabet NKT A/S - CEO & President of NKT Photonics**

Thank you, Roland. So the key highlights for NKT Photonics in Q1 are that our revenue came in at EUR 14.5 million. Q1 is usually a relatively small quarter for NKT Photonics. So Q1 came in at 17% above Q1 same quarter last year or 17% organic growth.

The momentum that we have seen in 2018 continues for us in Q1.

EBITDA came in at negative EUR 0.4 million, which is an increase of about EUR 1.1 million compared to the same quarter in 2018. This is buoyed also by a 7% increase quarter-on-quarter versus 2018 in our order intake. We, in the quarter, continued to increase our footprint in the United States. We have established a manufacturing facility in Boston, Massachusetts. This facility will be complete in late summer, and we expect first product to be shipped out of the facility by the end of the year.

A key priority to support our growth is to strengthen and professionalize our sales force. That has continued, and we continue hiring key people in various locations. The number of our full-time employees has increased by 20% compared to same quarter in 2018.

The outlook for the year will continue with same guidance. Our organic growth is between 15% and 20%, and EBITDA margin is between 15% and 20%, too.

The business development in the first quarter of the year, Imaging & Metrology continues being our largest sector with 38% revenue, which was also one of the main growth drivers in the quarter. The supercontinuum white light sources for bio-imaging and life sciences delivered very strong growth. That's a sector that continues growing for us, and we have a very specific concentration in that area.

In Sensing & Energy, which is 30% of our revenue, that was relatively flat. And again, that's -- there are seasonal issues in that. We



expect that to grow further in Q2 onwards.

Material Processing, which is 32% of our revenue, the market increased quite satisfactorily for us. And again, the growth in Material Processing was driven mainly by industrial and scientific ultrafast fiber lasers.

And finally, when we look at the strategic direction, which we have been working on for a number of years, there is no change in 2019. We continue concentrating on moving up in the value chain. We're focusing primarily at the moment on accelerated organic growth. With our operations in Boston and other operations, we are concentrating on lean manufacturing and lean operations. And naturally, being in the high-tech industry, we continue to focus on fast introduction of new products.

And with that ends my section. I go back to Roland.

---

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

Thank you, Basil. So if we jump to Slide 16. Just a fast -- a revenue bridge where we show our metal price adjustments and also the currency impact for the quarter, EUR 5.9 million, and the impact on the divestment of the railway business and also the growth divided into negative growth in NKT and positive growth from NKT Photonics.

If we go to Slide 17, not so much new, maybe highlighting here that the implementation of the IFRS 16 impact positively operational EBITDA by EUR 1.6 million, of which EUR 1.1 million is from NKT and EUR 0.5 million is from Photonics. And then secondly, the divestment of railway led to an accounting gain on the one-off items of EUR 6.4 million, where the EUR 3.4 million; negative were related to implementation of strategic initiatives and also our ongoing employee reductions, as we flagged in last quarter.

So if we jump to Slide 18, the EBITDA graph. Operational EBITDA margin down LTM 1.7 points from Q4 to Q1, and also just highlighting that profitability improvement we see from '15 through to '17 is primarily driven by the acquisition of ABB HV Cables activities in '17 and also the divestment of our Chinese operations.

If we jump to Slide 19. Working capital increased during the quarter, and the increase in NKT was primarily driven by the development in our high-voltage order backlog in Solutions, but also slightly in NKT Photonics, where timing of payments from customers slowed down a little bit.

Capital employed here is primarily driven by IFRS 16, but obviously also by change in working capital and divestment of our railway business.

Yes. So if we jump to Slide 20, this is the development in working capital. And the development in working capital was positive by EUR 41 million from end of '18 until end of Q1 '19. This is as expected, driven by Solutions' working capital, develops in line with the timing of milestone payments and also other payments in the high-voltage order backlog, and, obviously, no significant prepayments from project awards.

Applications, we're building up our working capital slightly ahead of the seasonally high quarters of Q2 and Q3. Also, that is relatively usual. And also we can say that the working capital level in total for NKT is not expected to be higher by end of the year.

So if we move to Slide 21, cash flow from operating activities was negatively primarily driven by the working capital development we just discussed. Cash flow from investing activities is slightly higher than in Q1 '18, and the divestment of railway cable activities in NKT impact cash flows positively.

Yes, and then let's move to Slide 22 where we show development in net interest-bearing debt. And our net interest-bearing debt, understood as borrowings, increased from EUR 248 million at the end of '18 to EUR 303 million, excluding IFRS 16 impact, at the end of Q1 '19, mainly driven by the working capital development.

Accounting-wise, the implementation of IFRS now means that we are adding EUR 36 million to this net interest-bearing figure in the

balance sheet.

Our net interest-bearing debt here, i.e., the true borrowings, consist of EUR 170 million of mortgage debt and EUR 133 million net drawn on our bank RCF, under which we have available EUR 300 million. Only the RCF is subject to financial covenants.

This development is exactly as we have expected it, and NKT has sufficient funding, so we are going to manage the low level of activity as it is expected in 2019.

So if we jump to Slide 23. NKT is maintaining the financial outlook, both for NKT and for NKT Photonics, and that means that NKT guidance of revenue of between EUR 0.9 billion and EUR 1 billion and an operational EBITDA of EUR 10 million to EUR 30 million. And we still expect earnings in NKT to be higher in the second half than in first half of '19.

In NKT Photonics, organic growth is expected to be unchanged at 15% to 20% with an EBITDA margin that is also unchanged at 15% to 20%. Main part of earnings in Photonics is usually expected to be generated in Q4.

And with that, I think I will give the word over to Q&A.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question's coming from the line of Artem Tokarenko from Crédit Suisse.

---

### Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst*

I have a few. The first one is around the -- your market outlook for 2019. On what level of market share do you expect to win, especially in the context of your comments around the timing of future projects awards remaining uncertain in interconnected, I think, despite broader market expectations for Viking Link to be awarded in May?

---

### Roland M. Andersen *NKT A/S - Interim CEO & CFO*

Yes, so that was the first question?

---

### Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst*

Yes.

---

### Roland M. Andersen *NKT A/S - Interim CEO & CFO*

Thank you. So as we say, we expect the market to be around EUR 3 billion plus/minus for the year, and we expect to take our best share of that. How we win and how that will happen is -- of course, they're uncertain, right? But technically speaking, an award before summer holiday can happen, but otherwise, it will happen during second half of this year. So 1 to 2 awards before summer or otherwise in second half. That's how we see it.

---

### Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst*

Okay. And maybe you can give a bit more color where the bigger opportunities are there outside of Viking this year.

---

### Roland M. Andersen *NKT A/S - Interim CEO & CFO*

I'm not going to give too much color on that, right? There's a number of projects in tender in Europe, interconnect, DC, AC and also, of course, a lot of offshore wind. There are projects in U.S. ongoing and a few also in Asia that is of interest. Not all of them that I'm talking about here will be awarded in '19. More likely, it will be awarded into '20 and onwards.

---

### Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst*

Okay. My second question is around the net debt. I guess a broader question is, where do you expect net debt to end at year-end? But also I just wanted to ask about the working capital. Out of the EUR 40 million working capital outflow in Q1, how much of that relates to Solutions? And how much is just a seasonal step-up in Applications business?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

Yes. So the working outflow in Q1 is mainly from the Solutions business, but also Applications is building up with EUR 25 million or so, if memory serves me right. I think what's important here to note is that we're stating we don't expect that the group's working capital by the end of the year will be worse than it is by end of Q1. And that will give you a little bit of a hint on where to or how to have a look on NIBD.

**Artem Tokarenko Crédit Suisse AG, Research Division - Research Analyst**

Okay. I also wanted to ask about the European Union litigation, where you booked a EUR 4 million charge. My understanding is that there is a risk of further claims from customers. Could you maybe give us a little bit of color, how big that provision could be and whether you would expect to provision for it in advance or you will be waiting for customers to come back to you first?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

No. On that case, we have no comments to that. We think we have provided sufficient to what can come on legal costs, and that's about it.

**Artem Tokarenko Crédit Suisse AG, Research Division - Research Analyst**

Okay. And maybe my last quick question on profitability in Solutions. Clearly, Q1 played out a bit better than you expected. What were the main drivers of Solutions being breakeven rather than lossmaking in Q1? And also as part of that question, were there any provision releases step-up in R&D consolidation versus Q4?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

I think that in Solutions, we actually hold in a few smaller orders that are not normally being notified through the stock exchange, so the orders below EUR 50 million. And some of these were for immediate execution and some of this is for later this year, right? So in that sense, that was supporting Q1 performance. And there was no extraordinary releases or anything in -- during the quarter.

**Operator**

Your next question's coming from the line of Akash Gupta from JPMorgan.

**Akash Gupta JP Morgan Chase & Co, Research Division - Research Analyst**

Roland, I have a couple of questions as well. My first question is on small- and medium-sized projects. Maybe if you can talk about pipeline of these orders. And to be more specific, I'm referring to projects that are either in single-digit or double-digit million euros. How is the pipeline looking? And could you be able to maintain Solutions backlog by end of the year by just winning good share in these projects? Or would you need to win any big projects in order to maintain your backlog that you have at the end of Q1? So that's question number one.

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

Yes. So I think that in order for maintaining or even building our backlog, we need a few bigger project wins, and we also expect to have that. I think the name of the game in this business is also to work with your existing projects like variation orders, small add-on projects and so on. We'll develop the business as we move forward. So there will be some of that, and there's probably a little more in Q1 than there normally will be.

**Akash Gupta JP Morgan Chase & Co, Research Division - Research Analyst**

And my second question is on balance sheet. Maybe if you can talk about, in your conversation with customers, and particularly for these big projects, has there been any change in terms of customers focusing on your balance sheet and that may give you -- that may put in a relative disadvantage against some large competitors?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

No, not at all. We have not had that issue. And also, our balance sheet situation has been stable now for 3, 4 quarters, right? And we had a lot of orders in the second half of last year and so on. So I think the customers are satisfied with that.



**Akash Gupta** *JP Morgan Chase & Co, Research Division - Research Analyst*

And my final one is on Karlskrona factory. Can you see some of these small, mid-sized projects? And again these are either single-digit or double-digit million euro projects, to fill the factory or do you need only large projects -- large orders to improve utilization there?

**Roland M. Andersen** *NKT A/S - Interim CEO & CFO*

Most of the smaller orders we've had in Q1 will go to Karlskrona because our Cologne factory is largely full. So all of those that has offshore sites, they will go to Karlskrona. On our onshore sites, it's more a Cologne thing. So, yes, it's adding to our throughput in Karlskrona.

**Operator**

Your next question's coming from Claus Almer from Nordea.

**Claus Almer Nielsen** *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Yes, also a few question from my side. The first question goes to the Applications business. When do you think that all the issues have been solved and you should return to a more normalized level of profitability? That will be the first question.

**Roland M. Andersen** *NKT A/S - Interim CEO & CFO*

Yes. So there's a few sorts of issues that we need to handle. So I think it'll be some quarters yet to come before we can see a more stable new normal.

**Claus Almer Nielsen** *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

What do you mean stable? Is at a higher profitability level?

**Roland M. Andersen** *NKT A/S - Interim CEO & CFO*

Exactly, yes. That's what I mean by that, yes.

**Claus Almer Nielsen** *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Okay. Just -- so by end of '19, you will be on the right level of profits, that's the taste?

**Roland M. Andersen** *NKT A/S - Interim CEO & CFO*

I can't say that precisely, right? We need to do a few sorts of changes. And they need to work, and they need to give impact on our financial performance, right? And whether that is 2, 3, 4, 5 quarters is hard for me to say. I think it's important from now on we expect to see some traction in the right direction. And then it's a process to get there.

**Claus Almer Nielsen** *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Okay. Maybe, Roland, if you could also update on the medium-voltage business, both tenders won, the level of profitability and the likes.

**Roland M. Andersen** *NKT A/S - Interim CEO & CFO*

Yes. So on the mid-voltage, we're doing better in -- as you recall, we had a poor 2018, and that's doing considerably better now in our Scandinavian countries. That looks well. We will do a keep-up also in U.K. Then I think it looks like that the grid expansion in Germany may not be happening as fast as we have hoped for. I think we see in the first midst of construction in Germany. It may not have impacted the grid expansion, but, so far, it has not been growing at the same pace as other countries, right? And some of this is also very country-specific. So I think it looks slightly better than we had anticipated.

**Claus Almer Nielsen** *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

And this expansion in Germany being delayed, has that any link to the SHIPLINK projects and awards at least?

**Roland M. Andersen** *NKT A/S - Interim CEO & CFO*

No, we have nothing to do with that.



**Claus Almer Nielsen *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Okay, good. And then just a final question. Looking at 2020 visibility, some time in the past, at least, you have included both unconditional and conditional orders -- likely conditional orders. If we look at 2020, how does 2020 look compared to 2019 for this information?

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

Yes. So what we said 3 months ago was that we expect 2020 to be better than 2019, and that still applies. Now to what extent it will be better than '19 is very dependent on the pace and also the type of potential order wins that we hopefully will announce over the next quarters. So it needs to be orders that are relevant to our capacity, but it also needs orders that are relevant for 2020 production.

**Claus Almer Nielsen *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Okay. So I, of course, read through your order backlog, I was also thinking about those who have not yet turned final and firm for you. If you have any of those projects, how does 2020 look like?

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

That I'm not going to be too specific on, Claus. But obviously, if we very soon close 1 or 2 orders with 2020 production, we will see, a, some form of pickup in 2020. If we don't see that form of order wins, the pickup in 2020 will be considerably less.

**Claus Almer Nielsen *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT***

Okay, okay. And you don't -- do you expect to be able to sign any projects soon to have a meaningful 2020 impact?

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

Yes, we expect to win orders during the remainder of '19 with '20 impact.

**Operator**

Your next question's coming from the line of Casper Blom from ABG.

**Casper Blom *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

Just 2 small things here. First of all, Roland, you mentioned that the NKT Victoria has not been that busy here in Q1. How is her schedule looking for the remainder of '19? Both maybe if you could comment on what you have heard doing for yourself and third-party work.

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

Yes. So we have some work to do for her internally, Moray East, and then we have a few other tenders out where I expect her to be deployed. So I expect deployment of Victoria to be quite good for the year.

**Casper Blom *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

Okay. And then secondly, just on the guidance for the cable business here for 2019, the EUR 10 million to EUR 30 million. I think when you originally provided that guidance back in, was it, November 2017, you said that to get to the high end, you would need to see some additional orders. When is sort of the cutoff date on when orders received in '19 can actually also have an impact on the '19 earnings?

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

Yes, but that depends on what orders it is and when it comes in, right? And you can see that the orders that we have received in Q1 is, technically speaking, adding to this. So that is a positive sign, but we need 1 or 2 more orders in order to get to the high end.

**Casper Blom *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

But you can still sort of get something that can give you a meaningful helping hand in '19?

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

Yes, we think so, yes.



**Operator**

Your next question's coming from the line of Benjamin Szekeres from Goldman Sachs.

**Benjamin Szekeres Goldman Sachs Group Inc., Research Division - Analyst**

I have a question about the IFRS 16 impacts for the full year. I don't know whether you guided on this. Can you provide what you expect to be the impact for full year '19, and whether this is already incorporated in your guidance?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

Yes. I think on IFRS, for the full year, it's about EUR 4 million for the Cables business and EUR 2 million for NKT Photonics.

**Benjamin Szekeres Goldman Sachs Group Inc., Research Division - Analyst**

And your guidance of EUR 10 million to EUR 30 million, would this be inclusive of the EUR 4 million?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

Yes.

**Benjamin Szekeres Goldman Sachs Group Inc., Research Division - Analyst**

And just a follow-up on a previous comment. On Viking, did I hear correctly that you said that an award is possible before the summer holidays, but, potentially, it might be in the second half of the year?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

No, I said that we expect to get more orders this year, and 1 or 2 can happen before summer holiday. And if they don't happen before summer holiday, it will be in second half.

**Benjamin Szekeres Goldman Sachs Group Inc., Research Division - Analyst**

Makes sense. And can you comment anything on the Viking tender in process? Or is that something you are not commenting on right now?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

Yes. Today, we won't talk about the Viking project.

**Operator**

(Operator Instructions) Your next question's coming from Kristian Johansen from Danske Bank.

**Kristian Tornøe Johansen Danske Bank Markets Equity Research - Senior Analyst**

Just 2 questions for me. One, can you update us on the process of qualifying the Cologne factory for DC Cables, and, secondly, the status on the tender process for the SuedLink projects?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

Yes. So qualification of the Cologne factory is ongoing, and we will be up and running during second half this year. So full DC production in Cologne. And I think, secondly, on the SuedLink projects, I think there's not so much new we get indications that 1 or 2 of the corridors may be delayed into 2020, but this is not something we know for a fact yet.

**Kristian Tornøe Johansen Danske Bank Markets Equity Research - Senior Analyst**

So you're still optimistic we will see the first award sort of in this year, beginning next year?

**Roland M. Andersen NKT A/S - Interim CEO & CFO**

Yes, yes.

**Operator**

Your next question's coming from Artem Tokarenko, Crédit Suisse.



---

**Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst***

First, I just wanted to confirm your comments around this year's guidance. So you see there are potential orders in the markets which can leave you above this year's guidance for Cables business?

---

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

There is that speculation. What I said was that we need more orders in order to get into our high end of our guidance.

---

**Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst***

Okay. And in terms of your financial headroom and net debt in 2020, I appreciate you have enough headroom for 2019. But in a negative scenario, shall that recovery be postponed if you don't manage to secure required orders? Do you reckon you still have enough financial headroom for 2020, given where your order book sits now?

---

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

Given the plans we have today, we have sufficient headroom that we need.

---

**Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst***

Okay, great. And last 2 quick questions on Applications. I saw you rolling out, so you just started the rollout of a new IT platform. How long do you expect this to take?

---

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

I think we'll be up and running within 1 to 2 months. It's an SAP upgrade, right? And that is a challenge for most, but we're doing quite well. And I'd say we started in the Northern Europe, right, and that'll be done in a month or 2 months. And then we'll move on to roll in our entire Central Europe business.

---

**Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst***

Okay. So would you expect the level of investments in the business in H2 to go down year-over-year?

---

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

Yes. After the rollout -- or what is your question?

---

**Artem Tokarenko *Crédit Suisse AG, Research Division - Research Analyst***

Would you expect the overall level of investments to go down in Applications business in H2 compared to last year?

---

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

I think it's about the same. They'll be about the same. Slightly lower.

---

**Operator**

We seem to have no further questions at this time. Please continue.

---

**Roland M. Andersen *NKT A/S - Interim CEO & CFO***

Okay. So if there are no more questions, thank you, everyone, for participating in this Q1 presentation. Thank you.

---

**Operator**

That does conclude our conference for today. Thank you for participating. You may all disconnect.

---

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS THOMSON REUTERS'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019 Thomson Reuters. All Rights Reserved.

