

**NKT**

19 November 2020

# **NKT A/S initiates rights issue**

Webcast presentation

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# Today's presenting team



**Alexander Kara**  
President & CEO

*NKT A/S*



**Line Andrea Fandrup**  
CFO

*NKT A/S*

# Agenda

- 01 **Roadmap to capital increase**
- 02 Group highlights
- 03 Financial highlights
- 04 Details of transaction
- 05 Questions & answers

# Roadmap of NKT A/S' recent development

NKT A/S is transitioning from an industrial conglomerate to a more focused sub-supplier to the European green transformation with leading technological capabilities



\* Direct current  
\*\* Fianium and Onefive  
\*\*\* Gross proceeds

# Background for strengthening the capital base

As announced previously, the background for the offering is threefold and partially driven by an attractive high-voltage market outlook

## Attractive opportunities



Strengthen the financial foundation to execute on high-voltage order backlog and positive market outlook with growing project complexity and magnitude



*In the coming years, the high-voltage power cable market is expected to see an increase in the complexity and magnitude of high-voltage power cable projects.*

*The Board of Directors believes that a more robust capital structure will be prudent in order for NKT A/S to meet the consequent relative expected growth of NKT A/S' high-voltage power cable segment.*

## Investments in high-voltage facilities



Support investments in high-voltage manufacturing facilities initiated to meet future demand



*Following NKT A/S' record-high high-voltage order intake, NKT A/S announced its plans to invest approximately EUR 150 million to strengthen its high-voltage manufacturing facilities during 2020–2022.*

*The investment program involves expanding current capacities at the two high-voltage factories in Cologne and Karlskrona.*

## COVID-19 impact



Ensure a sustainable capital structure to be prepared for market uncertainty related to the COVID-19 pandemic



*To date, the COVID-19 pandemic has had limited impact on the financial performance of the Company's power cable business, however, NKT Photonics has been negatively impacted to date by the COVID-19 pandemic.*

*The Board of Directors finds it prudent to strengthen the Company's capital base as this will allow the Company to be better prepared for future potential uncertainty.*

# Agenda

- 01 Roadmap to capital increase
- 02 **Group highlights**
- 03 Financial highlights
- 04 Details of transaction
- 05 Questions & answers

# Summary overview

The power cables business constitutes the main part of the Group in terms of revenue and earnings

## NKT A/S (the "Group")



### Summary business description

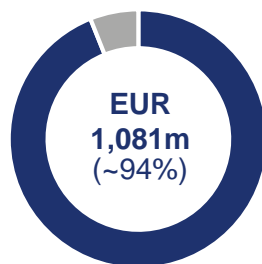
- NKT is among the leading AC\* and DC high-voltage (HV) power cables suppliers
- Strong market positions in selected European low- and medium-voltage (LV and MV) power cables markets
- Growth opportunities are particularly available in the power cables service and accessories segment



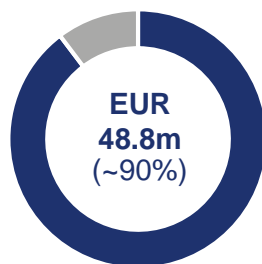
### Summary business description

- A leading supplier of high-end fibre-based photonic components
- Significant organic and acquisitive growth potential
- Proven and successful commercialisation strategy

### Last twelve months (LTM) financials and share of Group\*\*

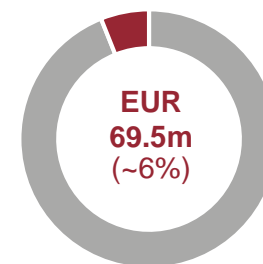


Revenue\*\*\*

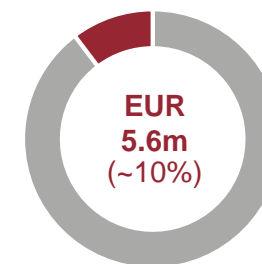


Operational EBITDA

### Last twelve months (LTM) financials and share of Group\*\*



Revenue



EBITDA

\* Alternating current  
 \*\* Before Group level eliminations  
 \*\*\* Std. metal prices

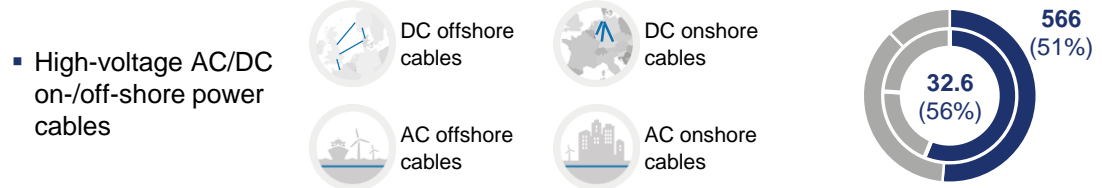


# Business summary overview

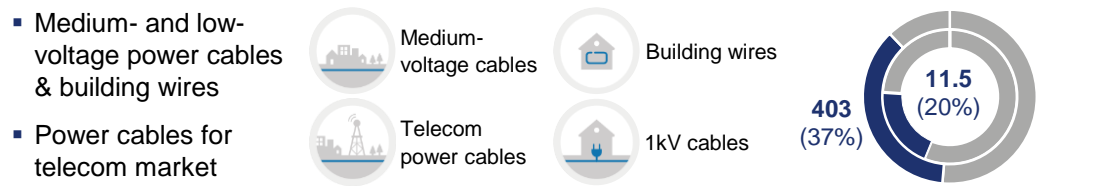
The Group is at the technological forefront in each of its relevant segments



## Solutions



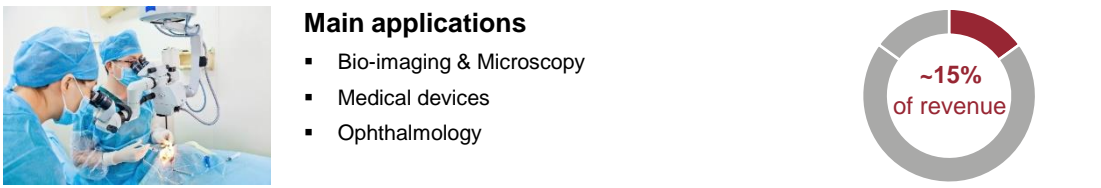
## Applications



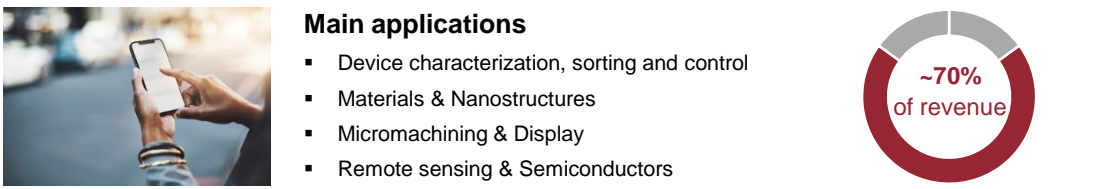
## Service & Accessories



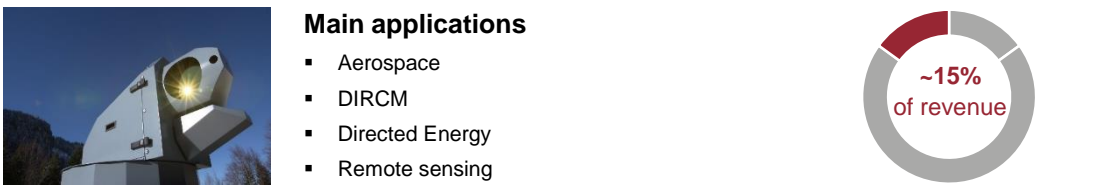
## Medical & Life Science



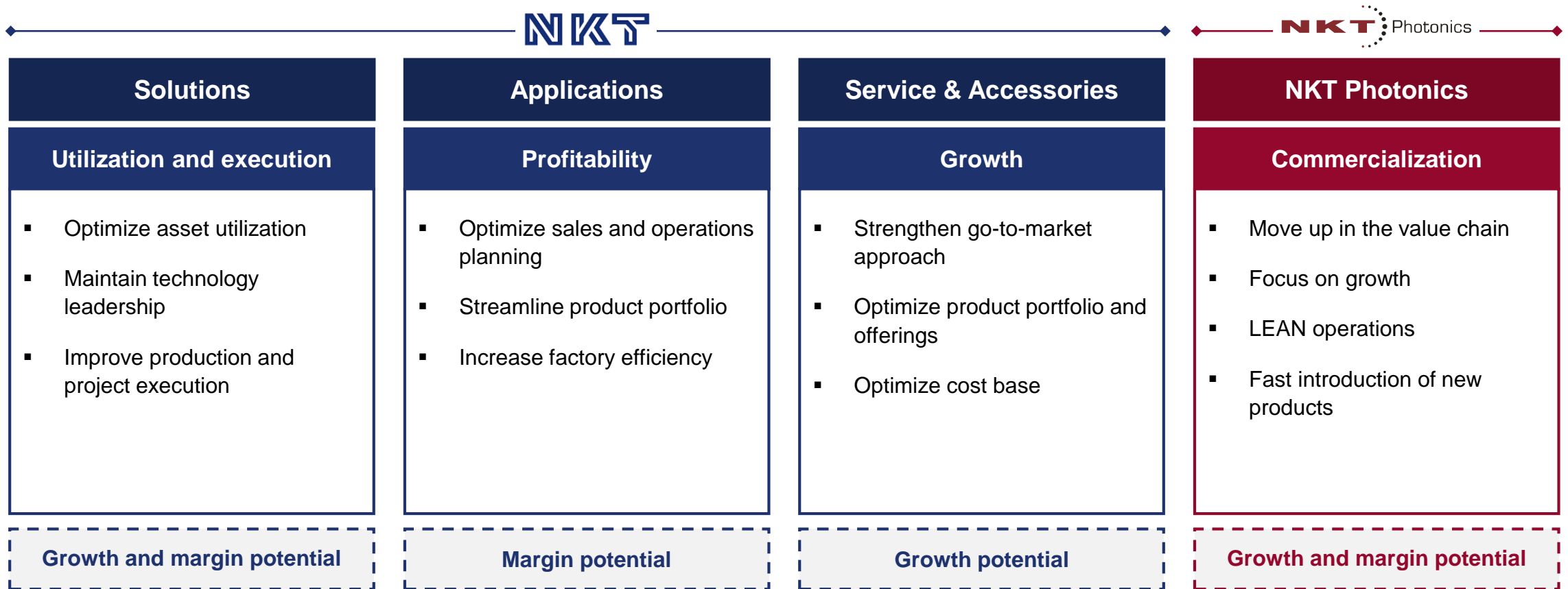
## Industrial



## Aerospace & Defence



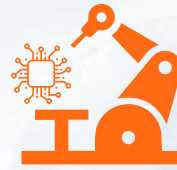
# Strategic initiatives summary



# NKT A/S is a **proxy for sustainability**



**1** Strong pipeline of upcoming projects to build on record order backlog in HV segment



**2** Technology leading in HV segment with an asset base configured to benefit from ongoing market trends



**3** Applications to benefit from structural demand drivers and turnaround upside



**4** Power cable complexity and growing installed base to drive demand for Service and Accessories



**5** Exposure to fast-growing, high-margin fiber-laser business



**6** New and reenergized management team ready to execute on the strategy and drive improvement in ESG

# Investment into sustainable energy solutions is at the heart of EU's EUR ~1,800bn spending plan



**EUR ~750bn**

NextGenerationEU  
2021-2024



Funding allocated to green initiatives\*



**EUR ~1,100bn**  
Multiannual financial framework  
2021-2027

**Up to 30% to be invested into green initiatives**



**Reduce green house emissions by around 55% by 2030\*\* and 100% by 2050**

- Frontload 2030 shift towards renewable technologies
- Accelerate use of offshore wind as Europe's main energy contributor
- Integrate renewable energy infrastructure across Europe with interconnectors

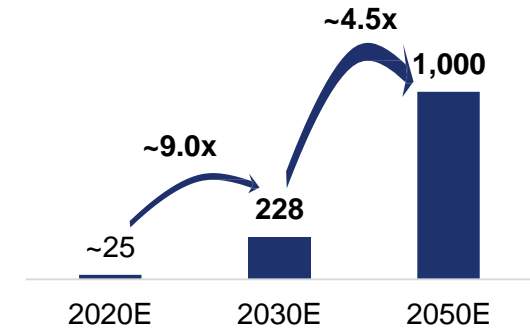


**Double the rate of renovation of existing building stock**

- Renovate and improve energy efficiency of existing building stock
- Exponent growth in installation of electric vehicle (EV) charging infrastructure

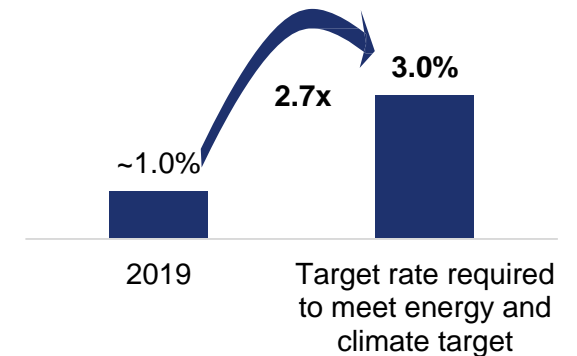
## Global offshore wind installation

Cumulative installed capacity (GW)



## Rate of building renovation

Percentage of buildings renovated per year



Source: European Commission, IRENA's renewable capacity statistics (IRENA, 2019d), future projections based on IRENA's analysis (IRENA, 2019a)

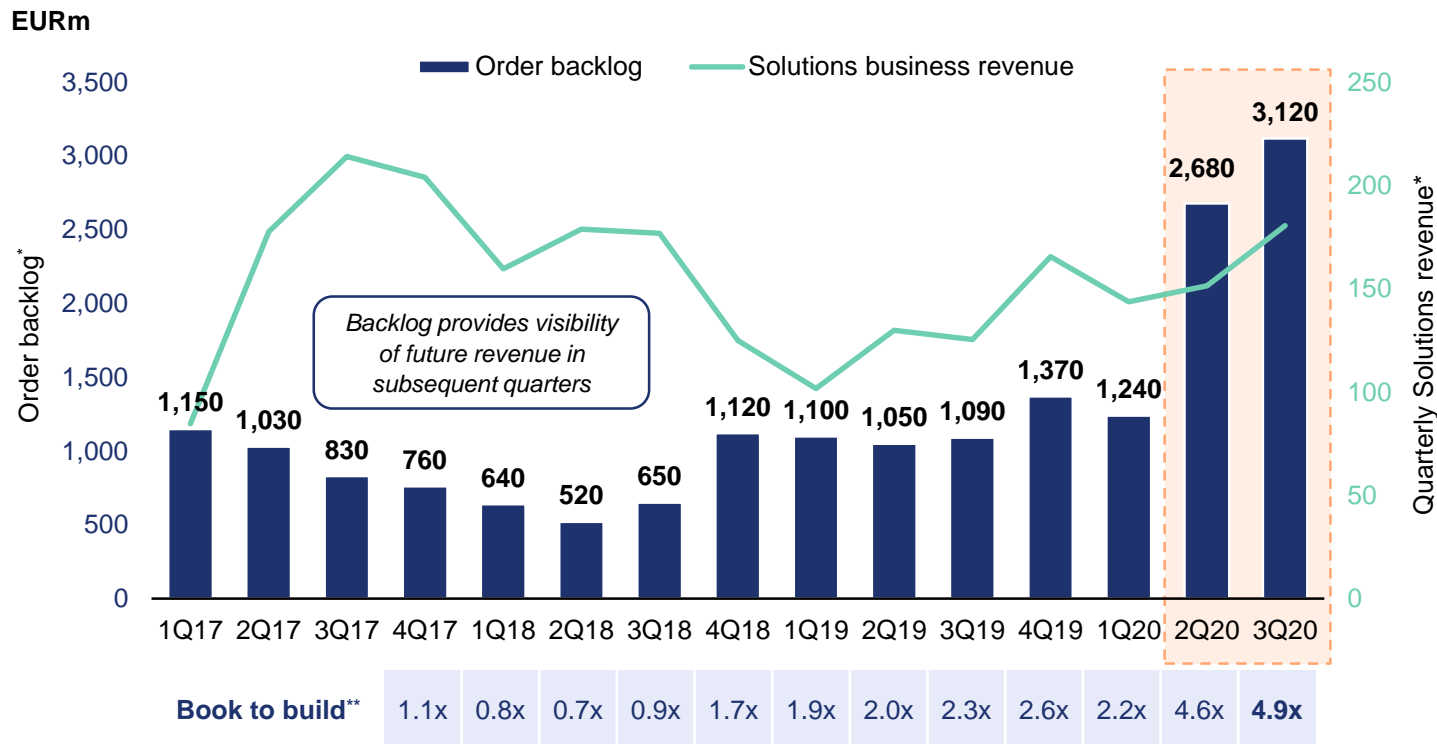
\* EUR 672.5 billion of the EUR 750 billion funding allocated to NextGenerationEU is used to promote green and digital transitions

\*\* Compared to 1990, European Commission proposed to raise to at least 55% in September 2020

# High-voltage order backlog above EUR 3.1b at end-Q3 2020 equivalent to ~5x revenue in Solutions LTM



## NKT's current backlog is more than double of historical levels



## Notable recent order wins

Recent larger orders has led to increasing lead times

Name	Size (EURm)	Start Year***	Comm. Year****
Attica-Crete	~115	2021	2023
Shetland	~235	2021	2024
BorWin5	<250	2021	2025
Sued-OstLink	~500	2021	2025
Suedink	>1,000	2022	2026

**The nature and size of the recent orders provide long-term visibility on earnings: 75% of the current order backlog expected to convert to revenue from 2022 onwards**

\* Market prices

\*\* Current backlog over the last twelve months of NKT Solutions revenue in market prices

\*\*\* Planned year production commence

\*\*\*\* Planned commissioning year

# A number of structural drivers will drive growth in demand for LV and MV power cables

Low voltage	EU COVID-19 stimulus	<ul style="list-style-type: none"> <li>• <b>EUR 750bn in Next Generation EU plan</b> (EUR 672.5bn in Recovery and Resilience Facility to facilitate investments in green initiatives)</li> <li>• <b>EUR 91bn</b> in grant, loan and guarantees for <b>building renovation projects to decarbonise</b> to meet Europe's 2030 emission reduction target of around 55%</li> <li>• At least <b>double the building renovation rate</b> in Europe from ~1% to improve energy efficiency</li> </ul>
	Urbanization	<ul style="list-style-type: none"> <li>• According to the UN, the total number of people living in urban areas is expected <b>to grow from around 4.4bn in 2020 to around 6.7bn by 2050</b></li> <li>• Around 2bn population add to urban cities globally, expediting the growth of cities requiring growth of essential infrastructure</li> </ul>
Medium voltage	Utility upgrade	<ul style="list-style-type: none"> <li>• <b>Integration of EU electricity grid</b> to drive renewables integration across the region</li> <li>• <b>Replacement of aging power grid infrastructure</b> installed in 1970s to facilitate energy integration – estimated usable life of grid of around 45 years</li> </ul>
	Electric vehicles	<ul style="list-style-type: none"> <li>• <b>Substitution of ICE* (eg. gasoline or diesel) vehicles for electric vehicles</b> necessitates requirement for additional charging points</li> <li>• <b>EU targeting for 1 million charging points</b> by 2025 – individual countries offering <b>substantial subsidies</b></li> <li>• Rapid roll-out of <b>charging installation points will require power grid upgrade</b> to accommodate demand</li> </ul>

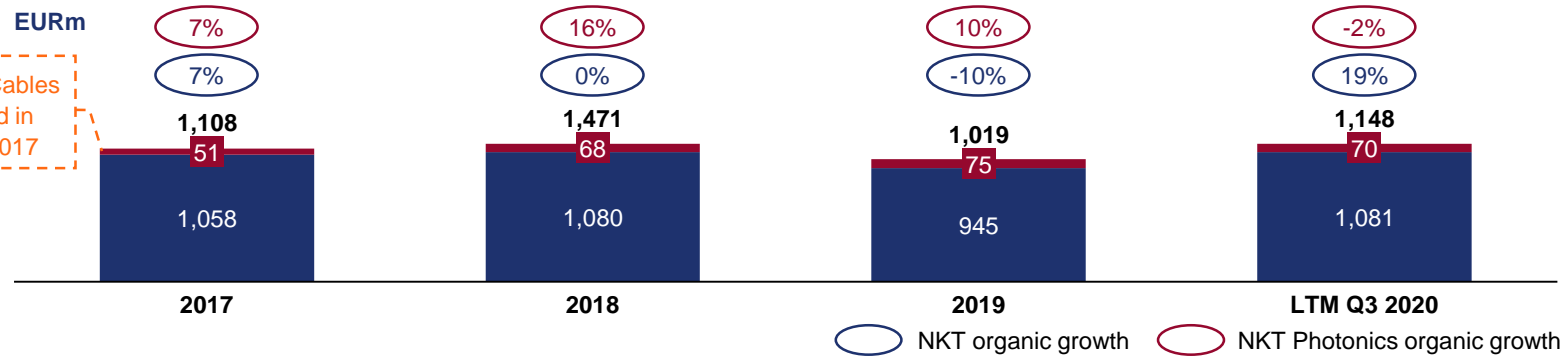
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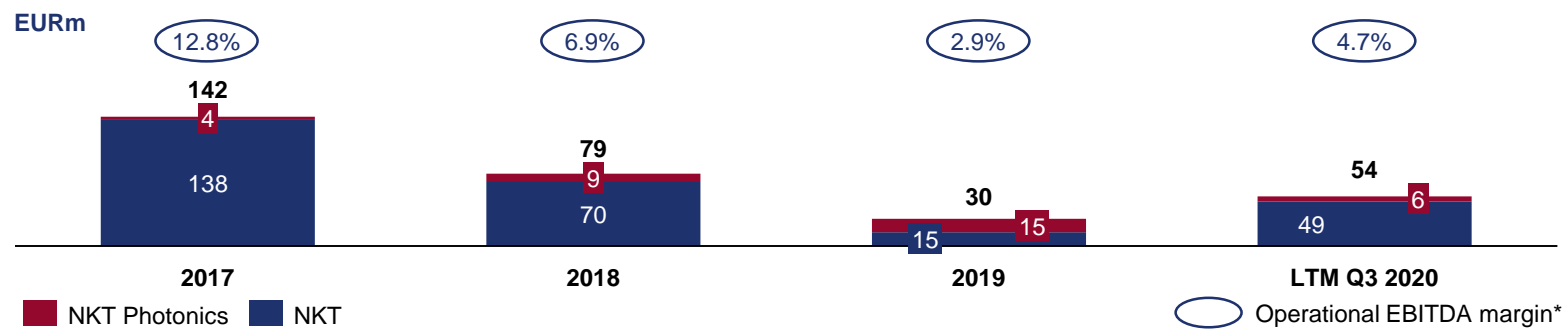
# NKT A/S financial performance

Growth and margin improvement supported by increasing high-voltage order backlog

## Revenue development\*



## Operational EBITDA development



- Uptake in revenue and profitability driven by execution of recent years' high-voltage order awards
- Revenue in 2019 mainly negatively impacted by low high-voltage order intake in 2017 and 2018
- Decrease in margins in 2018 and 2019 was a result of NKT being negatively impacted by fewer projects in execution and low utilization
- NKT Photonics has seen significant revenue and profitability growth historically but was negatively impacted by the COVID-19 pandemic in 2020

Note: Group financials include eliminations and non-allocated items. ABB HV Cables included from March 2017

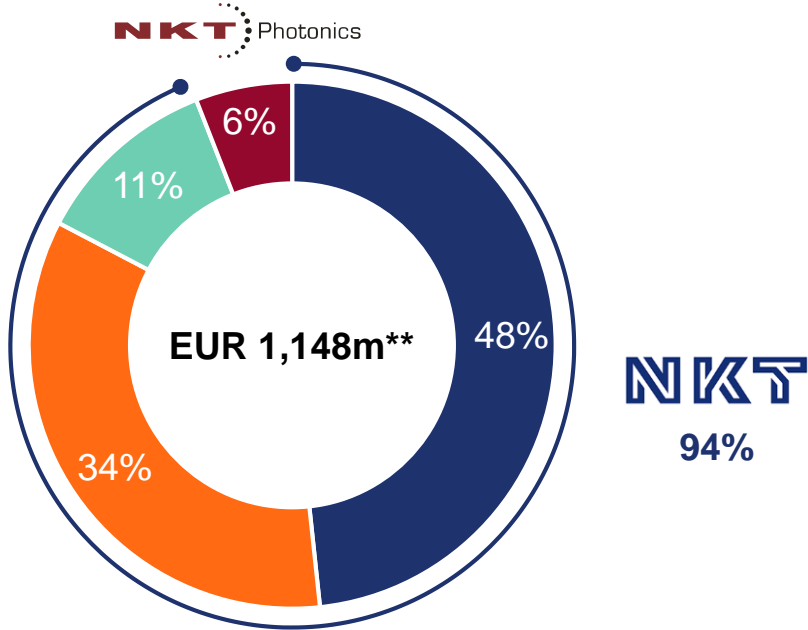
\* Std. metal prices



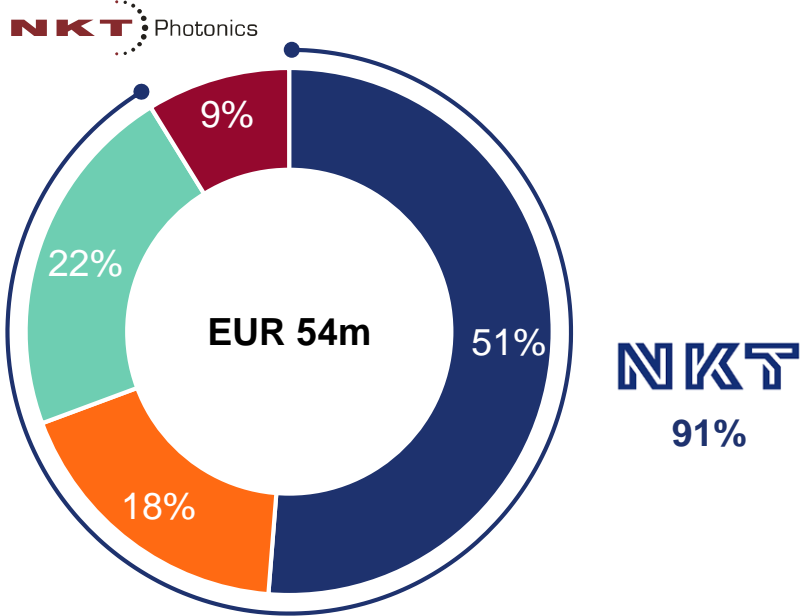
# Segment split

NKT accounts for more than 90% of revenue and operational EBITDA of which Solutions is the largest contributor

LTM Q3 2020 revenue by segment\*



LTM Q3 2020 operational EBITDA by segment\*



■ Solutions ■ Applications ■ Service & Accessories ■ NKT Photonics

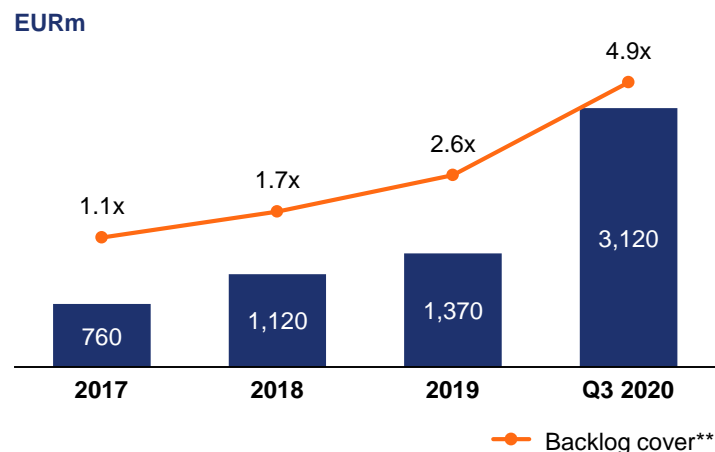
■ Solutions ■ Applications ■ Service & Accessories ■ NKT Photonics

\* The distributions are based on revenue before eliminations  
 \*\* Std. metal prices

# Solutions: Key financials

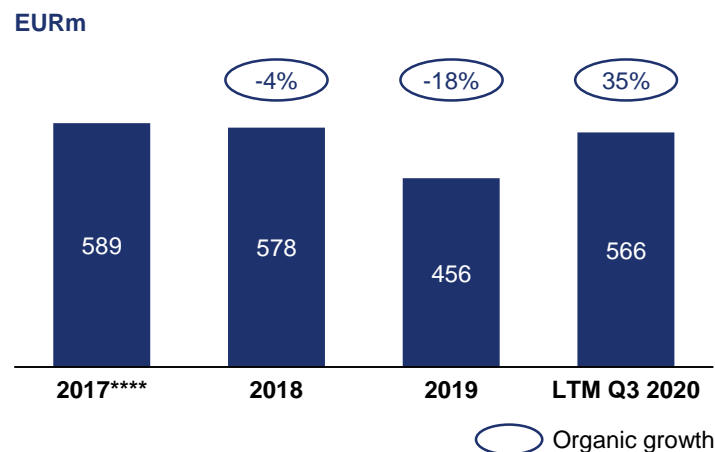
Following years of low order activity leading to low capacity utilization and organic growth, the high-voltage order backlog reached a record-high EUR 3.12bn\* in Q3 2020

## High-voltage order backlog\*



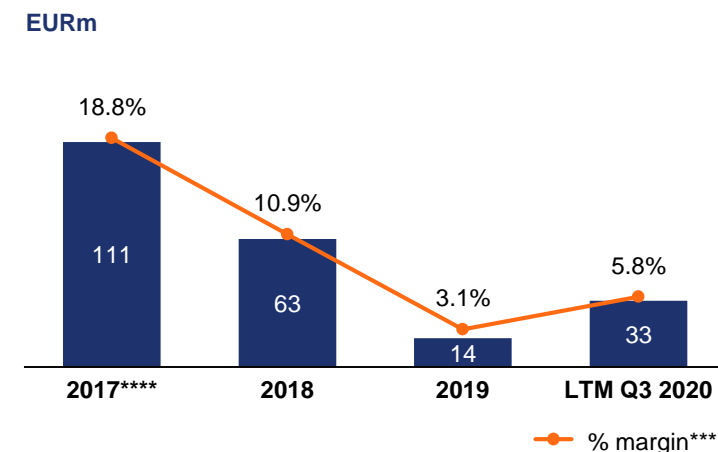
- Record-high backlog in Q3 2020 driven by new project awards, including the SuedLink project awarded in Q2 2020 and the Shetland and BorWin5 projects awarded in Q3 2020
- The improvement in 2019 was driven by several project awards in 2019 with an aggregated value of more than EUR 750m\*
- 2018 positively impacted several large project awards

## Revenue\*\*\*



- LTM Q3 2020 organic growth primarily driven by higher factory output and execution of recent years' order awards
- 2019 negatively impacted by reduced activity at the Karlskrona factory
- Decline in 2018 primarily due to unexpected external events causing project delays

## Operational EBITDA



- Improved margins in LTM Q3 2020 driven by the increased activity level as NKT progressed a number of high-voltage projects in various stages
- Decrease in 2019 mainly due to the decrease in revenue generation
- 2018 negatively impacted by lower average project margins, fewer projects in execution and lower capacity utilization at the Karlskrona factory

\* Market prices (Q3 2020 order backlog EUR 2.70bn in std. metal prices)

\*\* Calculated as backlog divided by LTM revenue in market prices

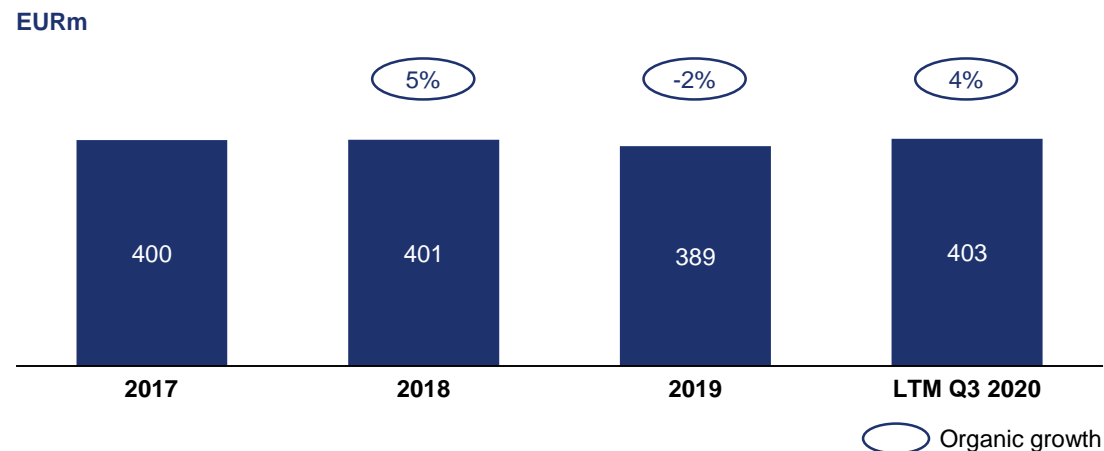
\*\*\* Std. metal prices

\*\*\*\* ABB HV Cables included from March 2017

# Applications: Key financials

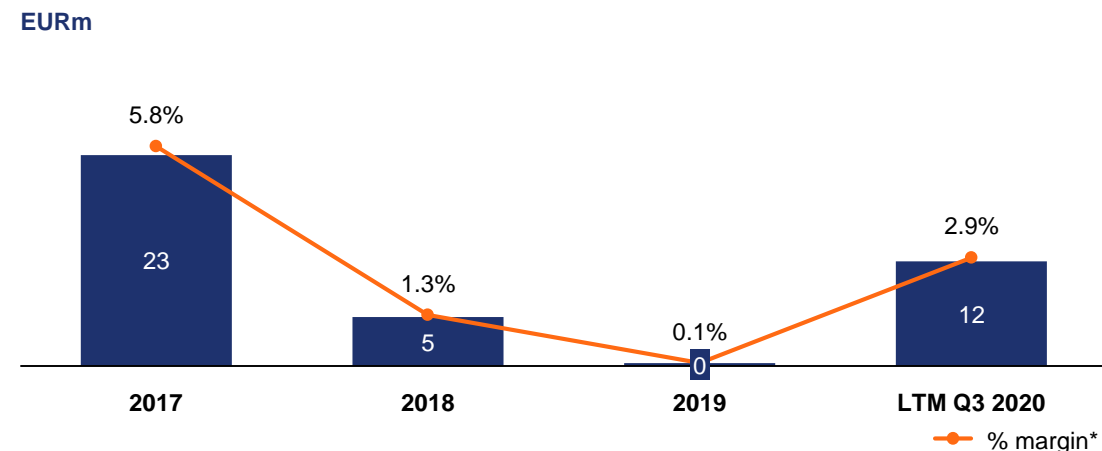
Improved growth and margins following strong performance in certain markets and continued focus on cost and production efficiency

## Revenue\*



- Revenue growth in LTM Q3 2020 mainly driven by Denmark, Germany and Netherlands
  - The performance in these markets succeeded other markets that were more impacted by the European lockdown measures caused by the COVID-19 pandemic
- 2019 positively impacted by Eastern Europe and Germany, while revenue in Scandinavia and France decreased
- 2017 included revenue of EUR 14m from the divested Automotive business

## Operational EBITDA



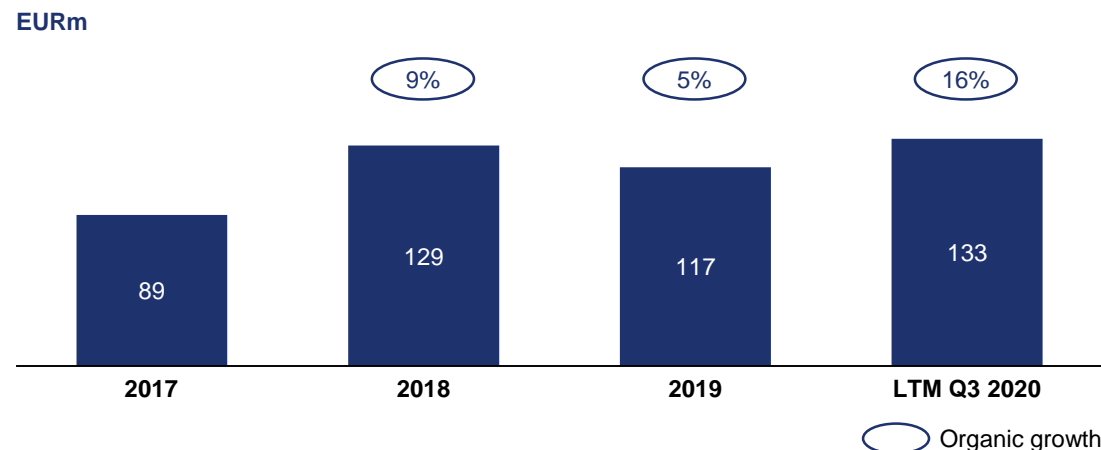
- Significant increase in LTM Q3 2020 EBITDA driven by growth in revenue, a positive change in product mix towards more profitable medium-voltage and 1kV aluminium power cables, and continued focus on cost and production efficiencies
- In late Q1 2019 NKT initiated the rollout of a uniform IT platform across its Scandinavian sites, which initially had a negative impact on profitability, but in the course of the year initial challenges were overcome gradually
- The unsatisfactory profitability in 2018 was due to specific unfavorable market developments and difficulties implementing transformational initiatives

\* Std. metal prices

# Service & Accessories: Key financials

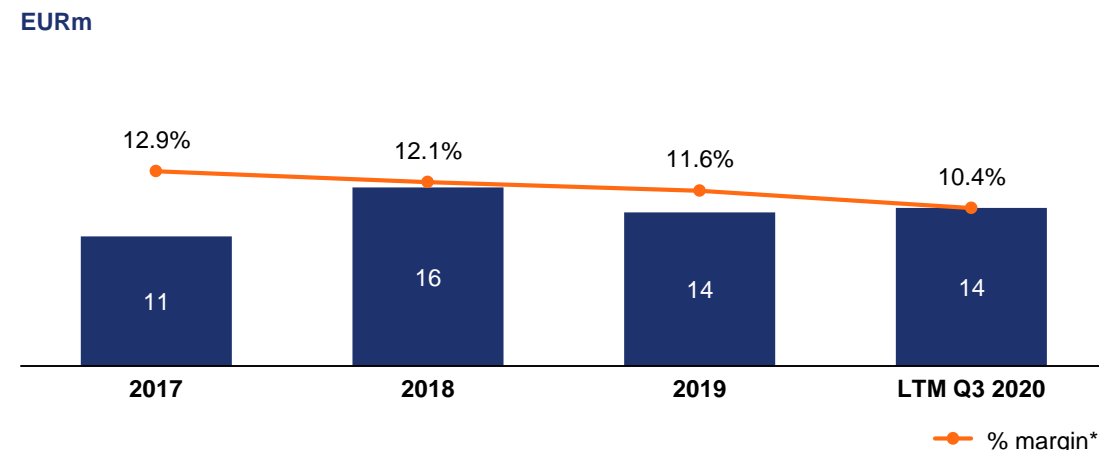
Revenue driven by offshore cable repairs and continued growth in the Accessories business

## Revenue\*



- LTM Q3 2020 increase due to contributions from both the Service and the Accessories business areas driven by offshore cable repairs and medium-voltage sales
- 2019 negatively impacted by the divestment of the railway activities, which contributed EUR 22m in 2018
- The increase in 2018 partly due to reclassification of revenue where EUR 21m was transferred from the Solutions division

## Operational EBITDA



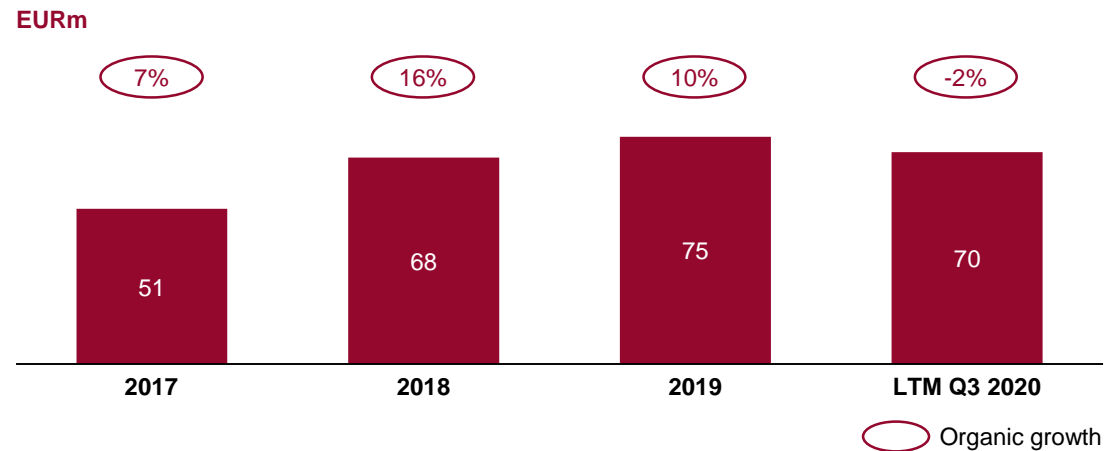
- Decrease in 2019 primarily due to reduced offshore service work
- The increase in 2018 was driven by the Service business
- Fluctuations in earnings and profitability will occur from quarter to quarter, particularly depending on the volume of large offshore cable repairs, which impacts the balance of revenue between the two business areas

\* Std. metal prices

# NKT Photonics: Key financials

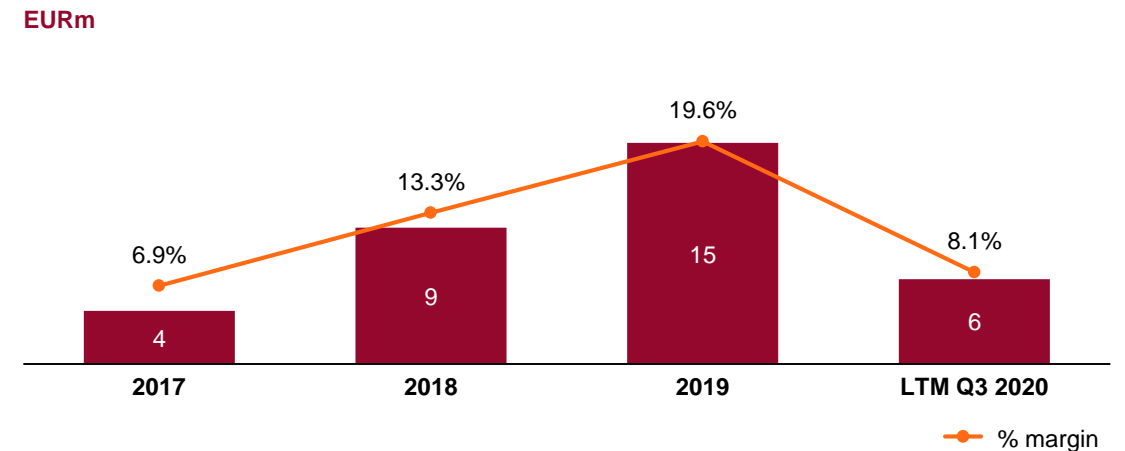
The Industrials segment continued to be negatively impacted by the COVID-19 pandemic, but gradual improvement was recognized during Q3 2020

## Revenue



- LTM Q3 2020 was negatively impacted by the COVID-19 pandemic, mainly impacting the Industrial segment and to a lesser extent the Medical & Life Science and Aerospace & Defence segments
- Increase in 2019 driven by strengthened position in the Aerospace & Defence industry
- 2018 was positively impacted by strong performance across all segments and additional revenue from the acquired Onefive activities\*

## EBITDA



- Decrease in LTM Q3 2020 was impacted by lower revenue and higher cost levels
- In light of the COVID-19 pandemic, NKT Photonics has adopted short-term measures to keep costs down. However, the company continues to prioritize support for growth opportunities
- Improved margins in 2018 and 2019 driven by higher revenue, which demonstrated the operational leverage in the business

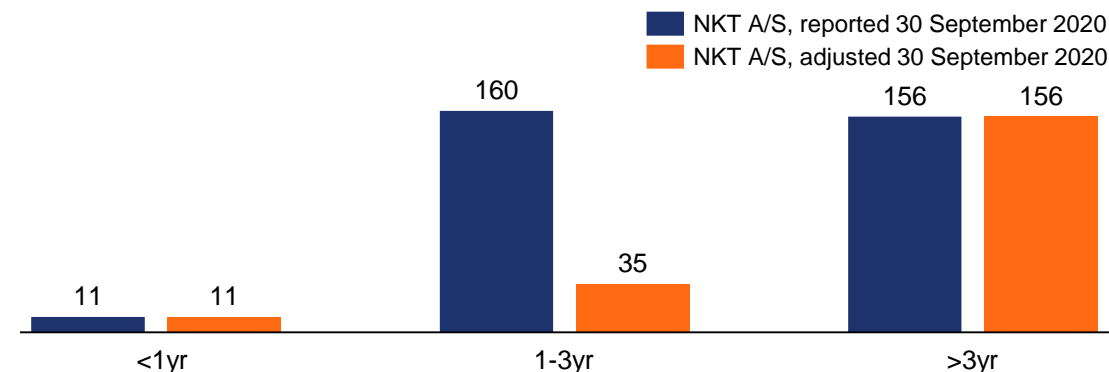
\* Onefive activities included from September 2018

# NKT A/S: Adjusted capital structure as of end-Sep, 2020

## Capitalization

EURm	Reported 30 Sep, 2020	Adjusted* 30 Sep, 2020
Mortgage debt	161	161
Lease liabilities	41	41
Revolving credit facility	125	0
<b>Gross debt</b>	<b>327</b>	<b>202</b>
Interest-bearing receivable	-126	0
Cash	-7	-177
<b>Net interest-bearing debt</b>	<b>194</b>	<b>25</b>
<i>Leverage ratio</i>	3.6x	0.5x
Equity	853	1,023

## Gross debt maturity profile



- NKT A/S' NIBD/Operational EBITDA adjusted\* leverage was 0.5x as of 30 September 2020
- NKT A/S provided a cash collateral of EUR 126m to guarantee providers as part of a guarantee facility agreement. After the balance date, the cash collateral was removed
- NKT A/S has unused facilities and cash of EUR 300m and EUR 177m in cash in addition to gross debt of EUR 202m

\* Adjusted for the offering and the removed cash collateral

# Financial outlook – NKT

2020



Revenue\*



Operational EBITDA

2021



Revenue\*



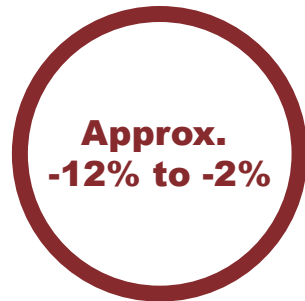
Operational EBITDA

## Medium-term ambitions

- The ambition is:
  - to grow revenue\* organically from 2019 (EUR 945m) to the medium-term by a CAGR on average above **10%**, and
  - to increase the operational EBITDA margin\* to approx. **10–14%**
- To achieve the targeted medium-term financial ambitions, NKT has to perform satisfactorily in its three business lines
- Additionally, the COVID-19 pandemic is assumed not to impact financial performance materially

# Financial outlook – NKT Photonics

## 2020



Organic growth



EBITDA margin

## Medium-term ambitions

- NKT Photonics' financial development in 2020 has been negatively impacted by the COVID-19 pandemic leading to performance below expectations
- The medium-term targets for NKT Photonics are withdrawn due to the uncertain market situation caused by the COVID-19 pandemic
- The expectations are that revenue development will return to healthy growth rates once the markets have normalized

## 2021

- The financial outlook for 2021 will not be provided until better visibility in the markets is established
- NKT Photonics has been negatively impacted by the COVID-19 pandemic causing weaker market demand. A gradual improved market environment was experienced during Q3 2020, but market uncertainty remains high



# Capital structure target

## Net debt target and capital allocation

<b>Leverage ratio target</b>	<b>Net interest-bearing debt relative to operational EBITDA of up to 1.0x</b>
<b>Solvency ratio target</b>	<b>Solvency ratio target of minimum 30%</b>
<b>Dividend policy</b>	<b>Pay-out ratio of approx. 1/3 of profit for the year</b>

- NKT Group aims to be perceived as a company with an investment grade credit profile and therefore strives to maintain a capital structure within defined medium-term targets for a leverage ratio of up to 1.0x and a solvency ratio of minimum 30%
- The company is targeting a more robust capital structure as NKT will become a relatively larger project dependent business due to the planned investments in the Solutions business line with large-scale complex projects and potentially large fluctuations in cash flows. The relatively larger size of Solutions and the associated higher order backlog will additionally require an increased need for bank guarantee capacity
- The company's dividend policy is still to target pay-out of approx. one third of profit for the year, provided the capital structure allows for it

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# Offering structure

<b>Transaction and terms</b>	<ul style="list-style-type: none"> <li>▪ Rights issue of approximately DKK 1,311m (around EUR 176m) in gross proceeds</li> <li>▪ Subscription price of DKK 122 per share with a subscription ratio of 1:3, implying that:             <ul style="list-style-type: none"> <li>▪ Existing shareholders in the Company receive 1 subscription rights for each share held as of the record date</li> <li>▪ 3 subscription right entitles the holder to subscribe for 1 share in the rights issue</li> </ul> </li> </ul>
<b>Support from investors</b>	<ul style="list-style-type: none"> <li>▪ A number of NKT's largest existing Nordic and international shareholders have expressed their support for the rights issue and given positive feedback with respect to their potential participation by exercise of pre-emptive rights</li> </ul>
<b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>▪ The Company seeks to strengthen its financial position based on             <ol style="list-style-type: none"> <li>a) Need to strengthen financial foundation to execute on high-voltage order backlog and positive market outlook with growing project complexity and magnitude</li> <li>b) To support investments in high-voltage manufacturing facilities initiated to meet future demand</li> <li>c) To ensure a sustainable capital structure to be prepared for market uncertainty related to the COVID-19 pandemic</li> </ol> </li> </ul>
<b>Selling restrictions</b>	<ul style="list-style-type: none"> <li>▪ Public Offering in Denmark. Targeting a private placement into the US for QIBs by the Company only. Reg-S elsewhere including Denmark. Please see the prospectus for further details</li> </ul>
<b>Lock-up</b>	<ul style="list-style-type: none"> <li>▪ 180 days for members of the Board of Directors, 180 days for the Executive Management and 180 days for NKT</li> </ul>
<b>Joint Global Coordinators</b>	<ul style="list-style-type: none"> <li>▪ Danske Bank, J.P. Morgan and Nordea</li> </ul>

# Rights issue key dates

## Overview of key dates

<b>19 November</b>	<b>Publication of prospectus</b>
23 November	Rights Trading Period commences
25 November	Subscription Period for New Shares commences
4 December	Rights Trading Period closes
8 December	Subscription Period for New Shares closes
<b>10 December</b>	<b>Publication of the results of the Offering</b>

## Calendar

### November 2020

M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
	30					

### December 2020

M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

# Agenda

- 01 Roadmap to capital increase
- 02 Group highlights
- 03 Financial highlights
- 04 Details of transaction
- 05 Questions & answers





## QUESTIONS & ANSWERS