



NKT

17 November 2021

# Q3 2021 Interim Report

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 **Q3 2021**

- **NKT, the power cable business, grew revenue 10% organically** with positive development in all three business lines. This contributed to continued growth in operational EBITDA
- NKT's **high-voltage order backlog was EUR 2.97bn** at end-Q3 2021. A number of new projects were added during the quarter
- **Record-high Q3 revenues for NKT Photonics** drove increase in EBITDA
- The **review of strategic alternatives for NKT Photonics is ongoing** and J.P. Morgan Securities plc has been retained as lead financial advisor

# Agenda

- 05 **NKT**
- 13 NKT Photonics
- 17 Financial highlights
- 24 Questions & Answers

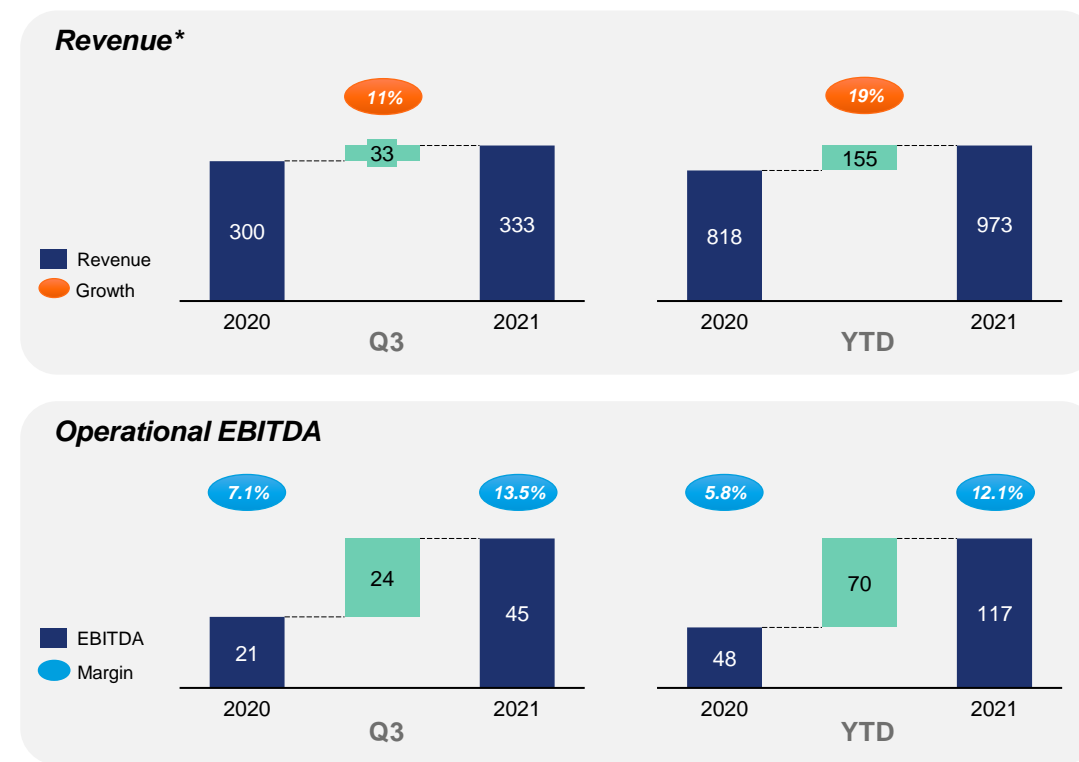
# NKT performance in Q3 2021

Positive performance driven by all three business lines

## Key developments in Q3 2021

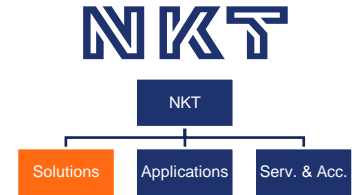
- All three business lines contributed to improved revenues compared to Q3 2020. Organic growth amounted to 10%
- **Solutions** increased revenues and operational EBITDA. This included an insurance income of EUR 20.7m. The operational EBITDA margin\* excluding this income was still above Q3 2020
- Driven by broad-based revenue growth, **Applications** continued to improve profitability
- **Service & Accessories** reported increased revenues and grew operational EBITDA modestly. The increase was due to the service business that included finalization of offshore service repairs

## Key financial highlights (EURm)



\* Std. metal prices

# Solutions – Q3 2021



## Improvement driven by execution of order backlog

### Customer offerings

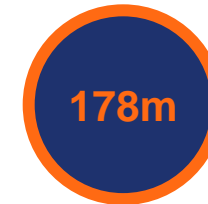


- High-voltage AC/DC on-/off-shore power cables

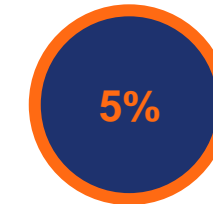
### Development during Q3 2021

- Increased revenue and operational EBITDA due to execution of orders awarded over recent years including Attica Crete, Moray East, Nordlink, Ostwind 2, Shetland, Troll West, and Viking Link
- NKT commissioned the power cable project comprising three 220 kV HVAC power cable systems for the Moray East Offshore Wind Farm in the UK
- Launch of initiatives to improve profitability. NKT will increase focus on extra high-voltage power cables at the production site in Cologne, Germany, and invest in production equipment in both Cologne and Velké Meziříčí, Czech Republic.

## Q3 2021 financial highlights



Revenue\* EUR  
(Q3 2020: EUR 165m)



Organic growth  
(Q3 2020: 47%)



Oper. EBITDA EUR  
(Q3 2020: EUR 12.3m)

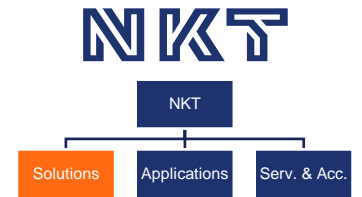


\* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

# High-voltage market development

High activity level leading to order awards



## Key developments

- NKT was awarded a number of projects in Q3 2021
- In addition, NKT has entered an exclusive Preferred Supplier Agreement for delivery of the power cable system to the prospective high-voltage DC Champlain Hudson Power Express transmission line in the USA. As NKT has not received a firm order, the project is not included in the high-voltage order backlog
- NKT estimates that the value of projects awarded in the market in the first nine months of 2021 was more than EUR 2.5bn (NKT's assessment of its addressable high-voltage power cable projects)
- These projects covered all power cable types and geographies
- The majority of projects awarded in the market in 2020 and 2021 have primarily been based on DC rather than AC technology

## Recent notable order wins for NKT

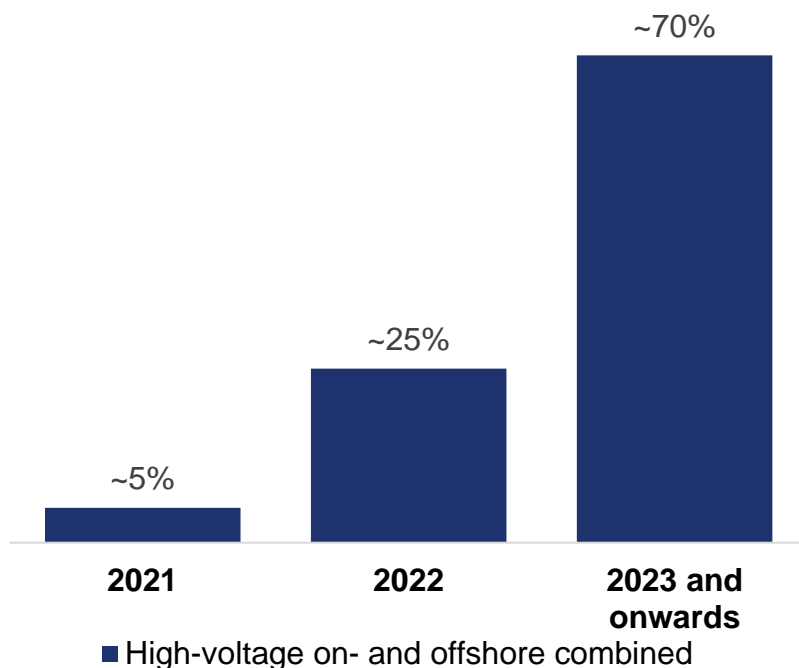
Name	Announced	Size (EURm)	Type
Dogger Bank C 	Jun 2021	~280	Offshore wind
Troll West 	Apr 2021	~95	Power from shore
BorWin5 	Aug 2020	<250	Offshore wind
Shetland 	Jul 2020	~235	Interconnector
SuedLink 	Jun 2020	>1,000	Interconnector



# High-voltage order backlog

The high-voltage order backlog was EUR 2.97bn\* at end-Q3 2021, down from EUR 3.16bn at end-Q2 2021

## Order backlog providing future coverage...

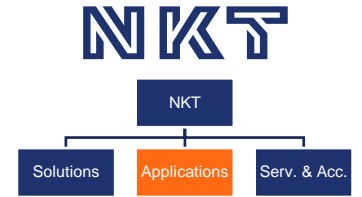


## ...and diverse across application and commissioning

Application	Year	Country	
<b>OFFSHORE WIND</b>	Hornsea 2	2021	UK
	Ostwind 2	2022	Germany
	Dogger Bank A & B	2023	UK
	BorWin5	2025	Germany
	Dogger Bank C	2026	UK
<b>INTERCONNECTORS</b>	Beckomberga-Bredäng	2023	Sweden
	Viking Link	2023	Denmark
	Attica-Crete	2023	Greece
	Shetland	2024	UK
	SuedOstLink	2025	Germany
	SuedLink	2026	Germany
<b>OIL &amp; GAS</b>	Johan Sverdrup 2	2022	Norway
	Troll West	2023	Norway

\* Market prices (EUR 2.52bn in std. metal prices)

# Applications – Q3 2021



## Broad-based revenue growth

### Customer offerings

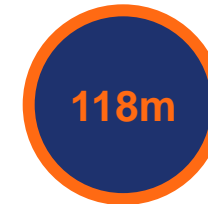


- Medium- and low-voltage power cables & building wires
- Power cables for telecom market

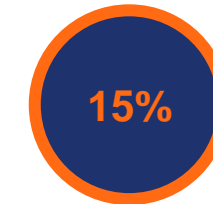
### Development during Q3 2021

- Broad-based revenue growth and NKT has managed to benefit from favourable market conditions
- Driven by the higher revenues and efficiency initiatives, the operational EBITDA margin\* increased by 2.6%
- With construction sentiment at a high level across Europe, the solid demand for building wires continued
- Electrification of societies, including the increase in the number of electric vehicles, and the ongoing transition to renewable energy in the power generation mix, are positively impacting medium-voltage sales

## Q3 2021 financial highlights



Revenue\* EUR  
(Q3 2020: EUR 103m)



Organic growth  
(Q3 2020: 5%)

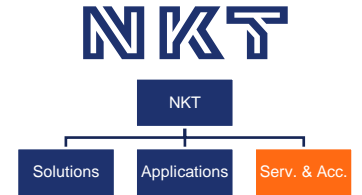


Oper. EBITDA EUR  
(Q3 2020: EUR 5.1m)



\* Std. metal prices

# Service & Accessories – Q3 2021



## Improved financial performance due to service business

### Customer offerings

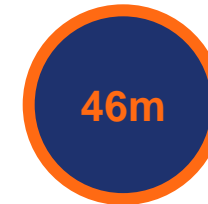


- High- and medium-voltage accessories
- Services

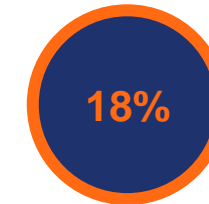
### Development during Q3 2021

- Driven by increased sales in the service business, revenues and operational EBITDA increased
- The improvement in the service business was driven by the finalization of offshore service repairs mainly conducted in 1st half 2021
- Service business operations to be established in Gdynia, Poland, to position NKT for future growth in the Nordic region and prepare for Polish offshore wind expansion
- Mixed performance in accessories business with rise in sales of medium-voltage accessories, while sales of high-voltage accessories decreased

## Q3 2021 financial highlights



Revenue\* EUR  
(Q3 2020: EUR 38m)



Organic growth  
(Q3 2020: 34%)



Oper. EBITDA EUR  
(Q3 2020: EUR 4.4m)



\* Std. metal prices

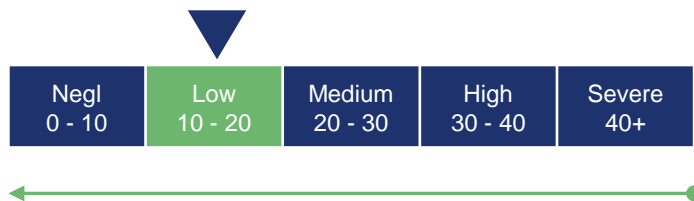
# NKT improved its ESG ratings in Q3 2021



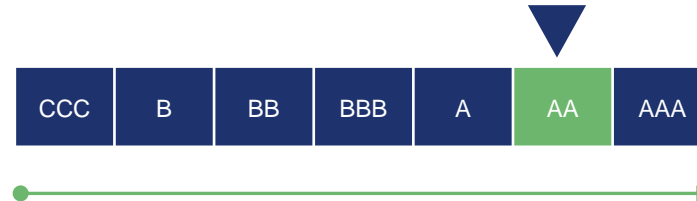
The improved ratings reflect NKT's ongoing commitment to sustainability and underline NKT's position as a sustainability leader in the power industry



- Rated 16.8 (Low risk) in September 2021 and was assessed to be at low risk of experiencing material financial impacts from ESG factors
- It places NKT in the 4<sup>th</sup> percentile in the Electrical Equipment industry assessed by Sustainalytics



- In 2021, NKT received a rating of AA in the MSCI ESG Ratings assessment
- It places NKT in the group among Leaders.



- Rated 75 of 100 in year 2021, awarding us with a Platinum Rating within the industry “manufacture of wiring and wiring devices”
- It places NKT among the 1% best companies in total.



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# Agenda

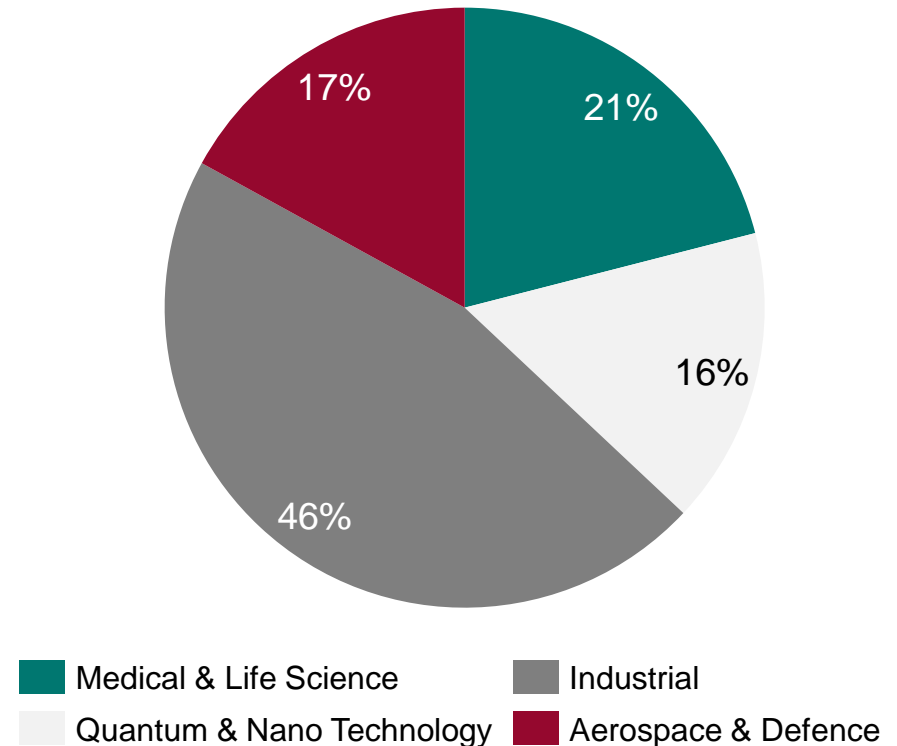
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# Quantum & Nano Technology separated into a new segment

Quantum & Nano Technology, previously part of Industrial, is a **growth segment with significant potential**. NKT Photonics has been active in this area for two decades, but the ongoing growth in the segment, especially driven by quantum technology, has led NKT Photonics to separate this into its own market segment.

Quantum technology covers a range of fast-growing segments within quantum computing, sensing metrology and communication. Nano technology covers applications within development of advanced materials. The segment also includes a number of scientific instrumentation applications.

Revenue distribution (Q3 2021, LTM)



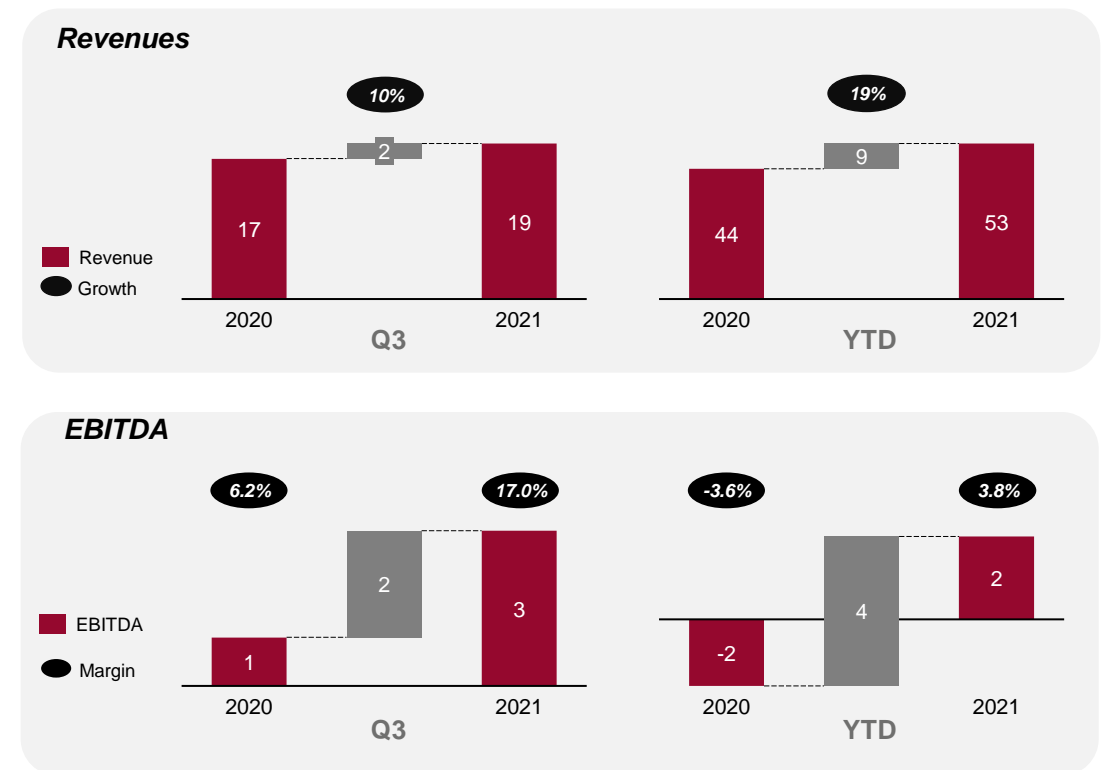
# NKT Photonics performance in Q3 2021

Record-high Q3 revenues for NKT Photonics

## Key developments in Q3 2021

- NKT Photonics **improved revenue and EBITDA** after the corresponding period last year was adversely impacted by the COVID-19 pandemic
- **Organic growth was 10%** driven by growth in the Industrial and Quantum & Nano Technology segments, while Medical & Life Science and Aerospace & Defence reported largely flat developments
- **EBITDA increased to EUR 3.2m** driven by higher revenue together with higher gross margin from a more favourable product mix
- NKT Photonics recorded its **highest ever Q3 order intake**, with the order intake up by 25%. As for revenues, the Industrial and Quantum & Nano Technology segments were the main contributors

## Key financial highlights (EURm)



# Business development in Q3 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. Segment



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



## Income statement highlights

EURm	Q3		Q1-Q3		FY
	2021	2020	2021	2020	2020
Revenue	498	393	1,443	1,097	1,470
<b>Revenue (Std. metal prices)</b>	<b>352</b>	<b>317</b>	<b>1,025</b>	<b>861</b>	<b>1,155</b>
<b>Organic growth</b>					
NKT	10%	28%	17%	21%	15%
NKT Photonics	10%	3%	20%	-10%	-6%
<b>Operational EBITDA</b>	<b>48</b>	<b>22</b>	<b>119</b>	<b>46</b>	<b>59</b>
NKT	45	21	117	48	57
NKT Photonics	3	1	2	-2	3
<b>Operational EBITDA margin</b>	<b>13.6%</b>	<b>7.1%</b>	<b>11.6%</b>	<b>5.3%</b>	<b>5.1%</b>
NKT*	13.5%	7.1%	12.1%	5.8%	5.2%
NKT Photonics	17.0%	6.2%	3.8%	-3.6%	3.7%
One-off items	-15	-1	-13	-10	-10
<b>EBITDA</b>	<b>34</b>	<b>21</b>	<b>107</b>	<b>36</b>	<b>49</b>
Depreciation, amortization and impairment	-27	-23	-77	-69	-97
Financial items, net	-4	-7	-12	-14	-17
Tax	-2	-1	-5	3	-10
<b>Net result</b>	<b>0</b>	<b>-10</b>	<b>13</b>	<b>-44</b>	<b>-75</b>
<b>Full-time employees, average</b>					
NKT	3,876	3,397	3,725	3,365	3,390
NKT Photonics	392	405	395	407	410

\* Std. metal prices

## Key developments in Q3 2021

- 10% **organic growth** in both NKT and NKT Photonics
- Growth in **operational EBITDA** for NKT Group
  - NKT: Underlying positive operational EBITDA development in all three business lines compared to Q3 2020
  - NKT Photonics: Growth in earnings was primarily caused by higher revenue together with higher gross margin from a more favourable product mix.
- **One-off items of EUR -14.5m** related to the announced initiatives in Solutions to improve profitability
- **FTE level** increased driven by the activity level across the three business lines

# NKT Group: Lower debt level driven by earnings and working capital development



## Balance sheet highlights

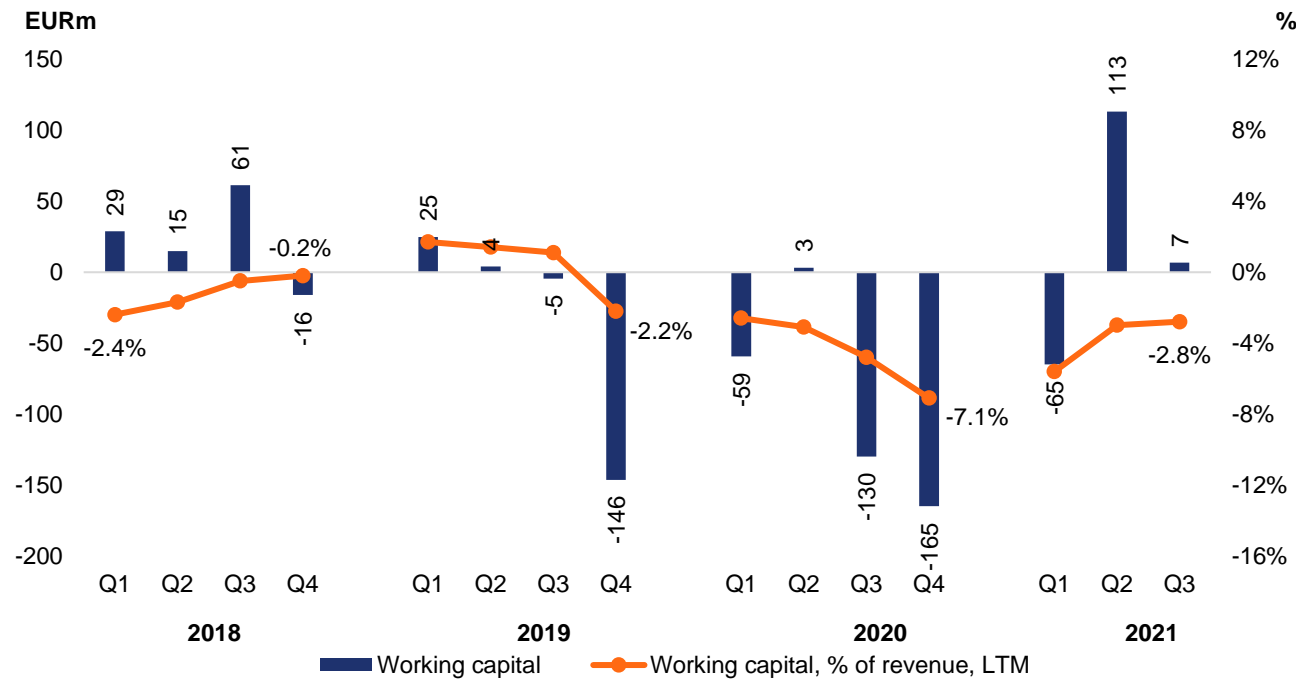
EURm	30 Sep		30 Jun		31 Dec
	2021	2020	2021	2020	2020
<b>Working capital</b>	<b>38</b>	<b>-100</b>	<b>139</b>	<b>34</b>	<b>-137</b>
NKT	7	-130	113	3	-165
NKT Photonics	32	31	26	31	27
<b>Capital employed</b>	<b>1,226</b>	<b>1,048</b>	<b>1,348</b>	<b>1,186</b>	<b>1,051</b>
NKT	1,109	937	1,238	1,076	940
NKT Photonics	117	110	110	110	111
<b>RoCE</b>	<b>2.4%</b>	<b>-4.2%</b>	<b>0.5%</b>	<b>-5.1%</b>	<b>-3.5%</b>
NKT	3.4%	-4.1%	1.5%	-5.4%	-2.9%
NKT Photonics	-6.9%	-5.9%	-8.7%	-2.2%	-8.8%
<b>Net interest-bearing debt (NIBD)</b>	<b>97</b>	<b>194</b>	<b>186</b>	<b>324</b>	<b>-26</b>
NIBD / Operating EBITDA, LTM	0.7x	3.6x	1.7x	7.6x	-0.4x
<b>Total assets</b>	<b>2,397</b>	<b>2,019</b>	<b>2,405</b>	<b>1,902</b>	<b>2,151</b>
<b>Total equity</b>	<b>1,129</b>	<b>853</b>	<b>1,162</b>	<b>862</b>	<b>1,076</b>

- Working capital decreased from end-Q2 2021 due to the development in NKT
  - NKT: The reduction in working capital was mainly driven by Solutions. More information on next slide
  - NKT Photonics: Working capital increased due to the impact of higher revenues on trade receivables and inventories
- Positive development of RoCE mainly due to improved profitability in NKT
- The debt level and leverage ratio decreased from end-Q2 2021 due to the positive development in earnings and 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: Working capital was reduced in Q3 2021, mainly in Solutions



## NKT: Quarterly development in working capital



- Working capital decreased in NKT end-Q3 2021 compared to end-Q2 2021:
  - Solutions: 1) Driven by the phasing of milestone payments relating to projects in the order backlog, and 2) Unrealized value adjustments of hedging instruments lowered working capital by EUR 24.9 mainly due to declining commodity prices in Q3 2021
  - Applications: Working capital was decreased due to lower trade receivables
- Working capital will primarily depend on timing of payments in Solutions, which will lead to quarterly fluctuations

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



## Cash flow statement highlights

EURm	Q3		Q1-Q3		FY
	2021	2020	2021	2020	2020
<b>Cash flow from operating activities</b>	<b>146</b>	<b>159</b>	<b>24</b>	<b>25</b>	<b>136</b>
EBITDA	34	21	107	36	49
Financial items, net	-4	-7	-11	-14	-17
Changes in working capital	79	151	-114	9	115
Others	38	-7	43	-5	-11
<b>Cash flow from investing activities</b>	<b>-47</b>	<b>-18</b>	<b>-133</b>	<b>-54</b>	<b>-107</b>
Capex	-47	-18	-135	-54	-107
Acquisition and divestment of businesses	0	0	2	0	0
<b>Free cash flow</b>	<b>99</b>	<b>141</b>	<b>-109</b>	<b>-28</b>	<b>29</b>
<b>Cash flow from financing activities</b>	<b>-14</b>	<b>-139</b>	<b>-21</b>	<b>29</b>	<b>204</b>
<b>Net cash flow</b>	<b>85</b>	<b>2</b>	<b>-129</b>	<b>0</b>	<b>233</b>

- Cash flow from operating activities was at a high level in Q3 2021
  - This was due to the increased earnings contribution and favourable development in working capital
- Cash flow from investing activities impacted by an increased investment level in NKT in Q3 2021
  - In Solutions, the planned investment program to upgrade the high-voltage production sites was further progressed
- Change in Cash flow from financing activities in Q3 2021 was impacted by coupon payment of hybrid capital

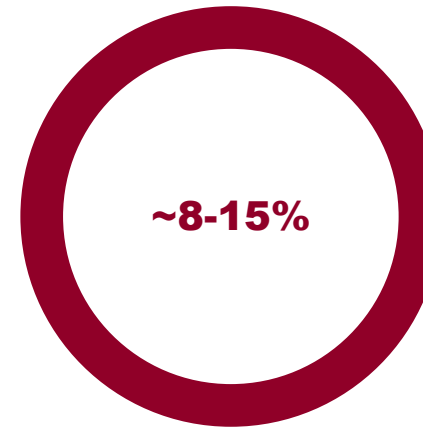
# Financial outlook 2021



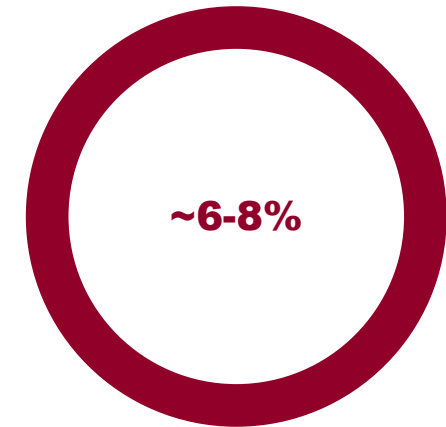
**Revenue\***



**Operational EBITDA**



**Organic growth**



**EBITDA margin**

- For NKT and NKT Photonics, the financial outlooks are subject to uncertainty due to the general market situation of constrained access to both raw materials and material for the production as well as the continued unknown development of the COVID-19 pandemic

\* Std. metal prices

## Key messages Q3 2021

- **NKT, the power cable business, grew revenue 10% organically** with positive development in all three business lines. This contributed to continued growth in operational EBITDA
- NKT's **high-voltage order backlog was EUR 2.97bn** at end-Q3 2021. A number of new projects were added during the quarter
- **Record-high Q3 revenues for NKT Photonics** drove increase in EBITDA
- The **review of strategic alternatives for NKT Photonics is ongoing** and J.P. Morgan Securities plc has been retained as lead financial advisor



# QUESTIONS & ANSWERS



# Financial calendar



**2022**

**Event**

23 February

➤ **2021 Annual Report**

24 March

➤ **Annual General Meeting**

18 May

➤ **Interim Report, Q1 2022**

17 August

➤ **Interim Report, Q2 2022**

16 November

➤ **Interim Report, Q3 2022**

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