



NKT

10 November 2020

Interim Report Q3 2020

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



Alexander Kara
President & CEO

NKT A/S



Line Andrea Fandrup
CFO

NKT A/S



Basil Garabet
President & CEO

NKT Photonics

Agenda

- 04 **NKT**
- 12 NKT Photonics
- 15 Financial highlights
- 24 Update on capital structure review
- 26 Questions & Answers

NKT performance in Q3/9M 2020

Positive Q3 performance driven by momentum in all three business lines

Key developments in Q3

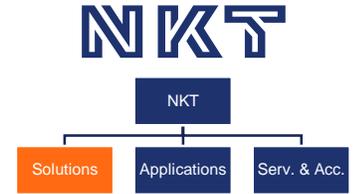
- NKT delivered improved revenue and earnings in Q3 2020 driven by all three business lines
- The main growth contributor was **Solutions** driven by the execution of recent years' high-voltage order awards
- High-voltage order backlog record high driven by new project awards of more than EUR 0.5bn, mainly the award of the Shetland and BorWin5 projects
- Continued improvement in financial performance in **Applications**, driven by Denmark, Germany and Netherlands
- Growth continued in **Service & Accessories**, positively impacted by offshore repair work
- Organic growth amounted to 28% compared to Q3 2019

Key financial highlights (EURm)



* Std. metal prices

Solutions – Q3 2020



Improvement driven by execution of order backlog

Customer offerings



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

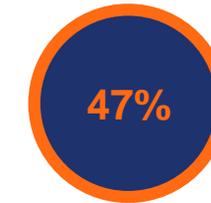
Development during Q3 2020

- In Q3 2020, Solutions progressed a number of high-voltage projects in various project stages, including:
 - Dogger Bank A and B,
 - Johan Sverdrup 2,
 - Hornsea 2,
 - Triton Knoll and
 - Viking Link
- Overall execution satisfactory – some projects advancing better than anticipated, while a few experienced delays
- Satisfactory utilization of the company’s cable-laying vessel, NKT Victoria

Q3 2020 financial highlights



Revenue* EUR
(Q3 2019: EUR 110m)



Organic growth
(Q3 2019: -32%)



Oper. EBITDA EUR
(Q3 2019: EUR 3.8m)

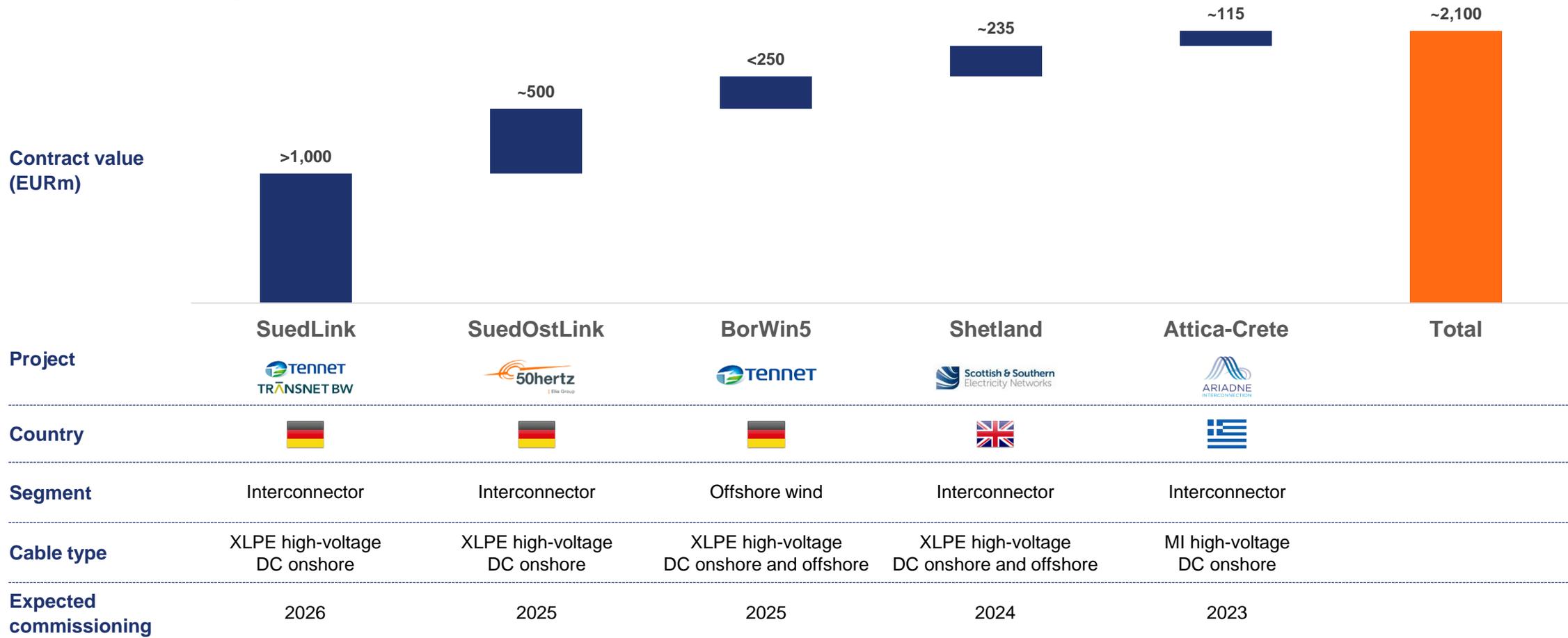
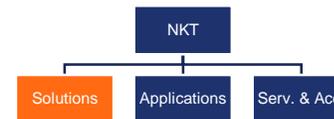


* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

Project awards in Q2 and Q3 2020

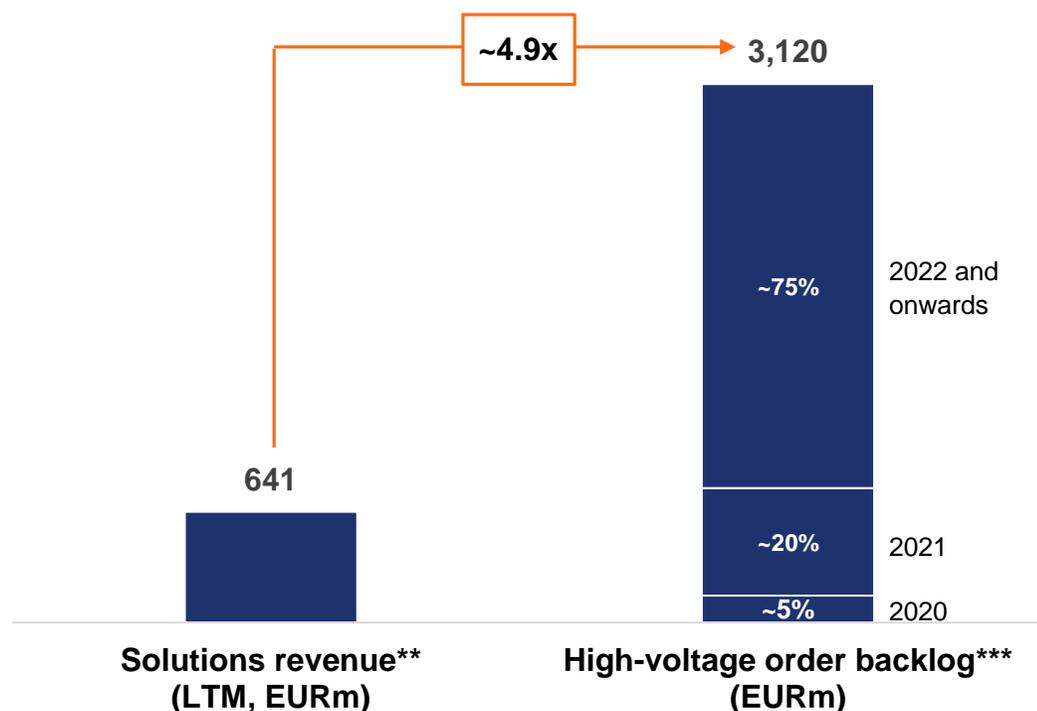
NKT secured high-voltage project awards of more than EUR 1.6bn in Q2 2020 and above EUR 0.5bn in Q3 2020



High-voltage order backlog

The high-voltage order backlog of EUR 3.12bn* at the end of Q3 2020 is at a historical record level, up from EUR 2.68bn at end-Q2 2020

Revenue cover for the next around five years...



...and diverse across application and commissioning



OFFSHORE WIND

Borssele Beta	2020	
Triton Knoll	2020	
Hornsea 2	2021	
Moray East	2021	
Ostwind 2	2022	
Dogger Bank A & B	2023	
BorWin5	2025	



INTERCONNECTORS

Nordlink	2020	
Beckomberga-Bredäng	2023	
Viking Link	2023	
Attica-Crete	2023	
Shetland	2024	
SuedOstLink	2025	
SuedLink	2026	



OIL & GAS

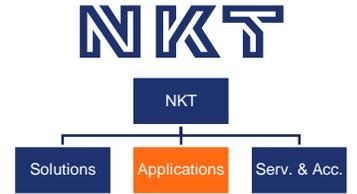
Johan Sverdrup 2	2022	
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* Market prices (EUR 2.70bn in std. metal prices)

** Market prices

*** Market prices. Percentages represent approximate revenue from backlog in given period

Applications – Q3 2020



Financial performance improved due to several factors

Customer offerings



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

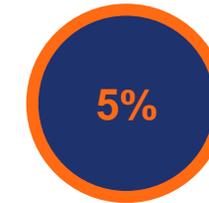
Development during Q3 2020

- Financial performance continued to improve due to:
 - Growth in revenue
 - Favorable change in product mix towards more profitable medium-voltage power cables
 - Continued focus on cost and product efficiencies
- Denmark, Germany and Netherlands especially drove the positive development – other markets more negatively impacted by COVID-19 pandemic
- Significant increase in operational EBITDA compared to Q3 2019

Q3 2020 financial highlights



Revenue* EUR
(Q3 2019: EUR 99m)



Organic growth
(Q3 2019: 3%)

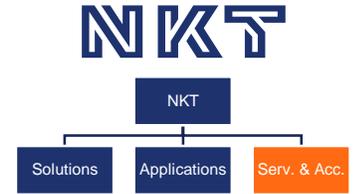


Oper. EBITDA EUR
(Q3 2019: EUR 0.8m)



* Std. metal prices

Service & Accessories – Q3 2020



Improvements within both Service and Accessories

Customer offerings

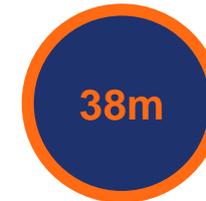


- High- and medium-voltage accessories
- Services

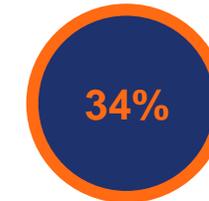
Development during Q3 2020

- Satisfactory financial performance
- Increased Service activity driven by offshore cable repair work
 - First part of Skagerrak 1 and Skagerrak 2 HVDC power links turnkey offshore repair completed
 - New facility established in Troisdorf, Germany
- Continued growth in the Accessories business due to medium-voltage sales
 - Particularly Middle East and Western Europe contributed positively

Q3 2020 financial highlights



Revenue* EUR
(Q3 2019: EUR 29m)



Organic growth
(Q3 2019: 19%)



Oper. EBITDA EUR
(Q3 2019: EUR 4.1m)



* Std. metal prices

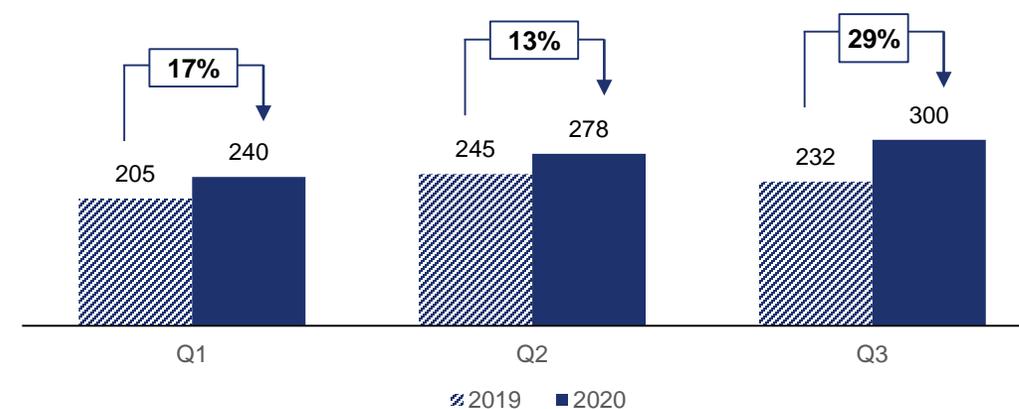
Update on the impact of the COVID-19 pandemic

NKT has experienced limited impact due to the COVID-19 outbreak with several high-voltage projects being awarded in Q2 and Q3 2020



- The COVID-19 pandemic had limited impact on the financial performance in the first nine months of 2020. All production sites remain in operation, which is of highest importance
- Several high-voltage projects have been awarded during 2020
- The low- and medium-voltage markets have gradually slowed down in the past months
- During Q4 2020, the pandemic has intensified again in Europe. NKT has had COVID-19 cases in production sites, but operational impact remained limited

Quarterly development in revenue* (EURm)



* Std. metal prices

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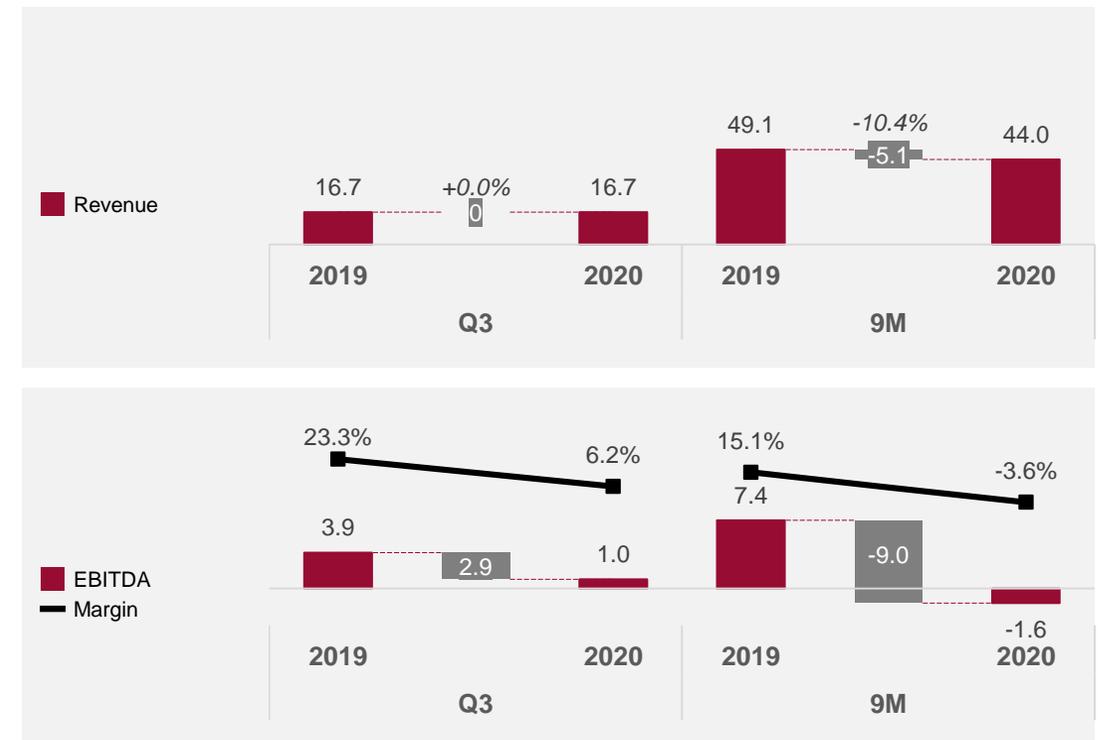
NKT Photonics performance in Q3/9M 2020

Organic growth turned positive in Q3, however, Industrial headwinds continue

Key developments in Q3

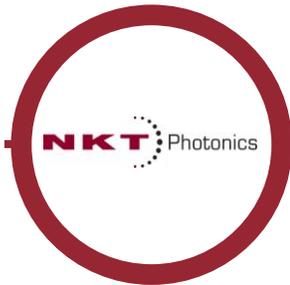
- After a challenging 1st half 2020, NKT Photonics' organic growth was positive (3%) in Q3
- Positive development mainly driven by **Medical & Life Science** in particular – this market has been relatively resilient through the COVID-19 pandemic
- The **Industrial** segment remained challenged in Q3 2020, as in the previous quarters
- **Aerospace & Defence** benefitted from fewer restrictions related COVID-19 – delivery on large contracts resumed and new contracts secured during Q3 2020
- Order intake increased by 11% in Q3 2020, with contributions from all three market segments

Key financial highlights (EURm)



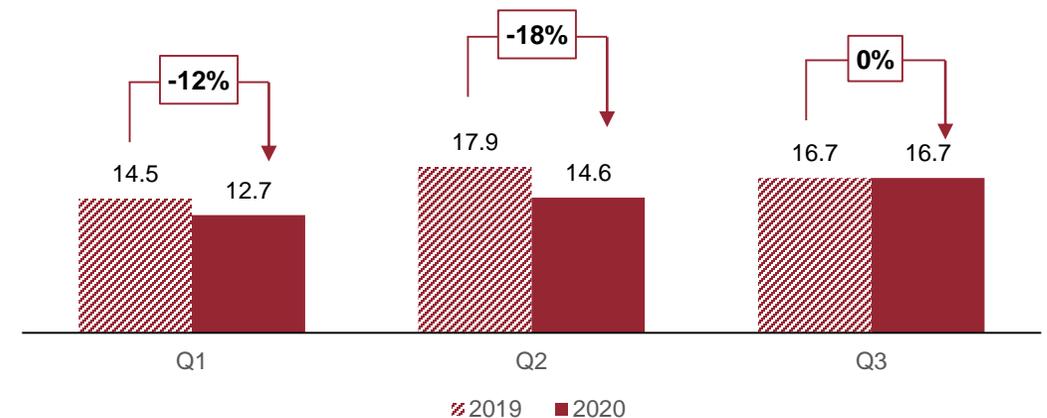
Update on the impact of the COVID-19 pandemic

NKT Photonics financial performance has been subdued in recent quarters due to the COVID-19 outbreak as especially Industrial markets have deteriorated



Quarterly development in revenue (EURm)

- The COVID-19 pandemic negatively impacted NKT Photonics in the first nine months of 2020
- Parts of the Industrial segment continued to be negatively impacted by the COVID-19 pandemic in Q3 2020, but gradual improvement was recognized during the quarter
- All production sites remain in operation
- Market uncertainty remains high



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NKT A/S: Group income statement highlights

Improved earnings in Q3 2020, driven by NKT

Financial highlights

EURm	Q3		YTD		FY
	2020	2019	2020	2019	2019
Revenue	393	325	1,097	975	1,342
Revenue (Std. metal prices)	317	249	861	732	1,019
Organic growth					
NKT	28%	-16%	21%	-17%	-10%
NKT Photonics	3%	8%	-10%	7%	10%
Operational EBITDA	22	11	46	21	30
NKT	21	7	48	14	15
NKT Photonics	1	4	-2	7	15
Operational EBITDA margin*					
NKT	7.1%	3.0%	5.8%	2.0%	1.6%
NKT Photonics	6.2%	23.3%	-3.6%	15.1%	19.6%
One-off items	-1	-5	-10	-6	-12
EBITDA	21	6	36	16	18
Depreciation and impairment of PP&E	-17	-18	-52	-52	-75
Amortization and impairment of int. assets	-6	-5	-17	-16	-26
Financial items, net	-7	-2	-14	-6	-12
Tax	-1	0	3	6	19
Net result	-10	-19	-44	-53	-76
Full-time employees, end of period					
NKT	3,429	3,271	3,429	3,271	3,303
NKT Photonics	407	380	407	380	403

- Positive organic growth in both NKT and NKT Photonics
- Operational EBITDA in Q3 2020 driven by improved performance in NKT's three business lines
 - NKT: The revenue growth translated into higher earnings for all three business lines. Main contributors were Solutions and Applications due to improved production output and gradual efficiency measures
 - NKT Photonics: The decrease in EBITDA was due to investment in future growth opportunities leading to an increase in the cost base
- One-off costs lower in Q3 2020
- Financial items were impacted negatively by foreign exchange rate effects and tax was impacted by less capitalization of deferred assets in Germany

* Std. metal prices

NKT A/S: Group balance sheet highlights

Working capital down from end-Q2 2020 due to development in NKT

Financial highlights

EURm	30 Sep		30 Jun		31 Dec
	2020	2019	2020	2019	2019
Working capital	-100	23	34	31	-118
NKT	-130	-5	3	4	-146
NKT Photonics	31	28	31	27	28
Capital employed	1,048	1,156	1,186	1,180	1,046
NKT	937	1,055	1,076	1,084	942
NKT Photonics	110	102	110	97	104
Return on Capital Employed (RoCE)	-4.2%	-6.0%	-5.1%	-4.4%	-6.2%
NKT	-4.1%	-7.1%	-5.4%	-5.1%	-7.2%
NKT Photonics	-5.9%	6.8%	-2.2%	5.1%	4.9%
Net interest-bearing debt (NIBD)	194	350	323	336	242
NIBD / LTM Operating EBITDA	3.6x	16.7x	7.6x	8.9x	8.2x
Assets	2,019	1,886	1,902	1,896	1,789
Equity	853	806	862	844	804

- Working capital decreased from end-Q2 to end-Q3 2020:
 - NKT: The decrease in working capital was mainly due to phasing of milestone payments in Solutions
 - NKT Photonics: Working capital was largely on par with level at end-Q2 2020 as the decrease in trade receivables was balanced out by lower payables
- RoCE increase due to improved profitability in NKT
- Improved leverage ratio driven by the positive mix of increased earnings and decreased debt level
- Increased equity due to the issuance of new shares in May 2020

NKT: Working capital

Improved working capital due to the phasing of milestone payments in Solutions

Quarterly development in working capital



- Improved working capital compared to end-Q3 2019:
 - Improvement mainly driven by phasing of milestone payments in Solutions
 - NKT received a number of prepayments related to projects awarded earlier in 2020
 - In Applications, working capital was lower due to reduced inventories
- Working capital will primarily depend on timing of payments in Solutions, which will lead to quarterly fluctuations

* Std. metal prices

** Calculated as average working capital as a percentage of revenues LTM

NKT A/S: Group cash flow statement highlights

Positive cash flow due to improvements in working capital

Financial highlights

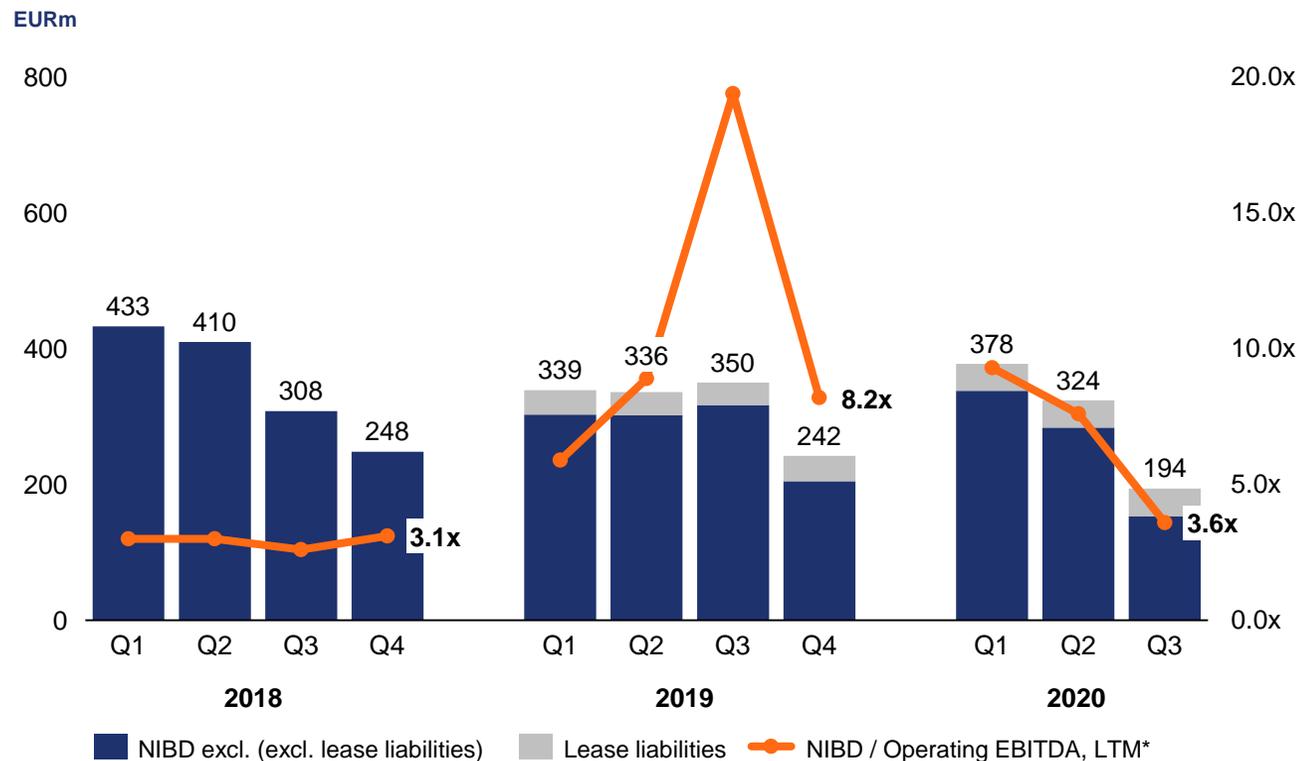
EURm	Q3		YTD		FY
	2020	2019	2020	2019	2019
Cash flow from operating activities	159	11	25	-21	125
EBITDA	21	6	36	16	18
Financial items, net	-7	-2	-14	-6	-12
Changes in working capital	151	13	9	-20	130
Others	-7	-5	-5	-10	-11
Cash flow from investing activities	-18	-17	-54	-40	-67
Capex	-18	-17	-54	-48	-69
Acquisition and divestment of businesses	0	0	0	8	2
Free cash flow	141	-6	-28	-61	58
Cash flow from financing activities	-139	4	29	38	-80
Net cash flow	2	-3	0	-22	-21

- Cash flow from operating activities was positive in Q3 2020:
 - The improved performance was driven by the higher earnings level and the favorable development in working capital
- Cash flow from investing activities broadly as in Q3 2019:
 - Investment levels in both NKT and NKT Photonics were around the same level as last year. The investments were primarily in Solutions
 - A higher investment level is expected in NKT in the coming quarters driven by execution of the previously announced investment programme of around EUR 150m during 2020-2022

NKT A/S: Group financial leverage ratio

Lower level of NIBD due to positive cash flow generation

Quarterly development in net interest-bearing debt (NIBD)



- NIBD at end-Q3 2020 was lower than at end-Q2 2020 driven by the favorable development in working capital in NKT
- The net interest-bearing debt consists of:
 - EUR 161m of mortgage debt
 - EUR -8m drawn on RCF net of cash and interest-bearing receivables (availability EUR 300m)
- Only the RCF is subject to financial covenants. These include agreed remedies in the form of security over NKT Photonics and NKT Victoria
- NKT A/S has sufficient financial headroom to manage the level of activity expected in 2020
- Intention is to issue shares with pre-emptive rights for the current shareholders before end-2020

* Including lease liabilities from 2019

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

* Std. metal prices

Financial outlook – NKT Photonics

2020



Organic growth



EBITDA margin

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

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

Capital structure target

Net debt target and capital allocation

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

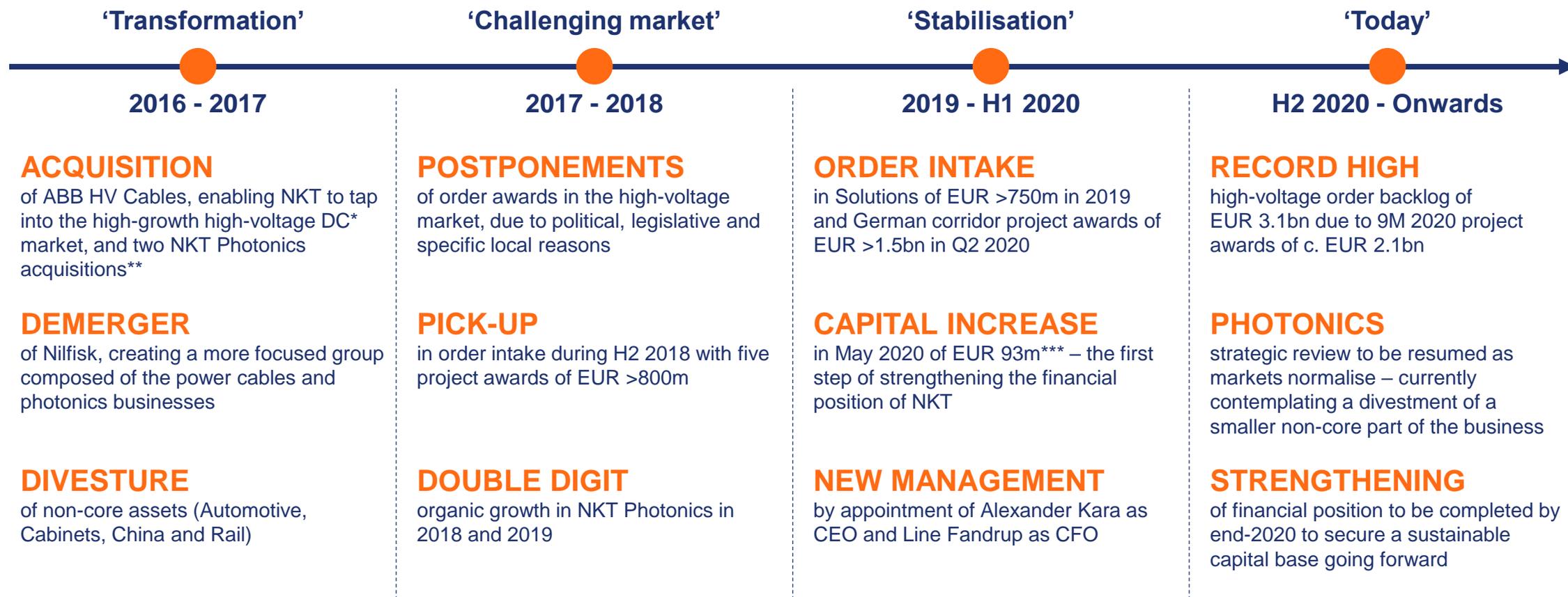
- NKT Group aims to be perceived as a company with an investment grade credit profile and therefore strives to maintain a capital structure within defined medium-term targets for a leverage ratio of up to 1.0x and a solvency ratio of minimum 30%
- The company is targeting a more robust capital structure 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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Roadmap of NKT's recent development

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



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

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QUESTIONS & ANSWERS

Financial calendar



2021

Event

24 February

➤ **2020 Annual Report**

25 March

➤ **Annual General Meeting**

19 May

➤ **Interim Report, Q1 2021**

17 August

➤ **Interim Report, Q2 2021**

17 November

➤ **Interim Report, Q3 2021**

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