



NKT

17 August 2022

# Q2 2022 Interim Report

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



**Line Andrea Fandrup**  
CFO

## Key messages Q2 2022

- **Organic growth** of 11% in NKT with Solutions and Applications contributing positively, while Service & Accessories delivered lower revenue as expected
- **NKT's high-voltage order backlog at record level** driven by the project awards of Champlain Hudson Power Express and SuedOstLink 2nd system
- Based on the increased order backlog and to strengthen its manufacturing capabilities, **NKT will expand its high-voltage production capacity further in Karlskrona**
- NKT has **entered into an agreement to divest NKT Photonics**, which marked the final step in the process to fully focus NKT on its core business within power cable solutions

## Agreement to divest NKT Photonics

- On 24 June 2022, NKT entered into an agreement to divest NKT Photonics to Photonics Management Europe S.R.L, a 100% owned subsidiary of Hamamatsu Photonics K.K.
- The closing of the transaction is subject to regulatory approvals being obtained and is expected to take place latest by end-Q1 2023
- In Q2 2022, NKT Photonics grew revenues organically by 18%. The EBITDA of EUR -5.8m was negatively impacted by transaction costs of EUR 6.1m related to the divestment. This led to a net result for discontinued operations of EUR -9.1m in Q2 2022
- NKT Photonics is presented as discontinued operations and assets held for sale from Q2 2022



# Agenda

- 07 **Business highlights**
- 14 Financial highlights
- 20 Questions & Answers

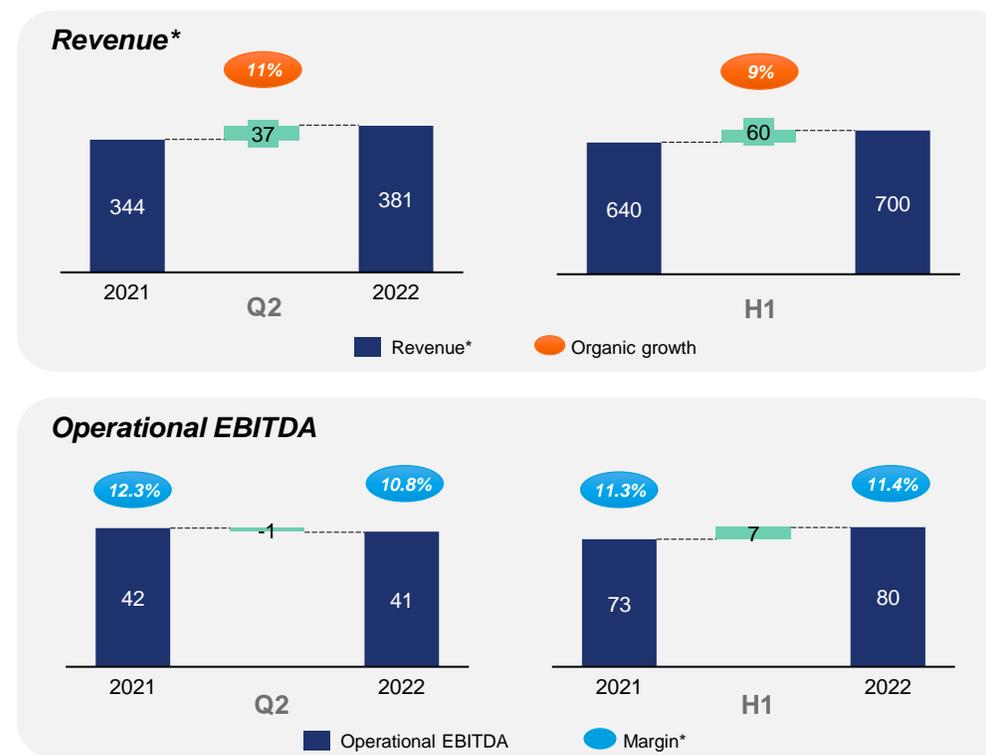
# Performance in Q2 2022

Positive revenue development driven by Solutions and Applications

## Key developments in Q2 2022

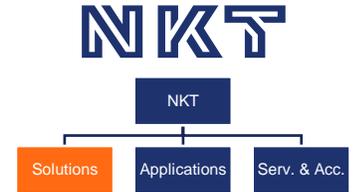
- **Solutions'** positive financial development was due to execution of orders awarded over recent years covering most power cable types
- **Applications** continued its broad-based revenue growth, while operational EBITDA was impacted by increasing costs
- In **Service & Accessories**, revenues and operational EBITDA were lower against a high comparison point and a temporarily high cost base in Q2 2022

## Key financial highlights (EURm)



\* Std. metal prices

# Solutions – Q2 2022



## Improvement driven by execution of order backlog

### Customer offerings



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

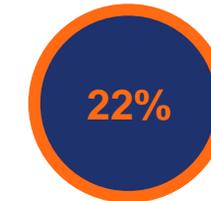
### Development during Q2 2022

- Increased activity resulted in improved profitability, with progress on several projects through varying stages of execution including Attica-Crete, Borwin 5, Dogger Bank A and B, Ostwind 2, Shetland, SuedLink and Troll West
- In April 2022, NKT commissioned the power cable system for the Hornsea 2 offshore wind farm in the UK, which will power more than 1.3 million households when fully operational
- NKT Victoria, the company's cable-laying vessel, was fully utilized for various installation assignments
- Based on the all-time high order backlog and to strengthen its manufacturing capabilities, NKT will expand its production capacity in Karlskrona

## Q2 2022 financial highlights



Revenue\* EUR  
(Q2 2021: EUR 163m)



Organic growth  
(Q2 2021: 19%)



Oper. EBITDA EUR  
(Q2 2021: EUR 23.0m)

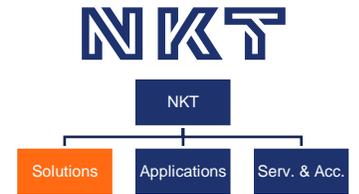


\* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

# High-voltage market development

High activity level leading to order awards



## Key developments

- NKT was awarded two significant projects in Q2 2022:
  - NKT secured an order for the **SuedOstLink 2nd system** by the German transmission system operator 50Hertz. The order is an extension of the SuedOstLink project adding a second, parallel transmission line from the Northern part of Germany to the South
  - NKT signed the turnkey contract for the **Champlain Hudson Power Express** in the USA. For NKT, the contract is an important step in strengthening its market position in the USA
- NKT estimates that the value of projects awarded in the market in 1st half 2022 was around EUR 5bn (NKT's assessment of its addressable high-voltage power cable projects)
- After the end of Q2 2022, NKT announced that it is turnkey supplier for the prospective **East Anglia THREE offshore wind farm** in the UK. A confirmed order is conditional upon the project owners providing NKT a notice to proceed and that they make a final investment decision, which is anticipated no later than Q1 2023

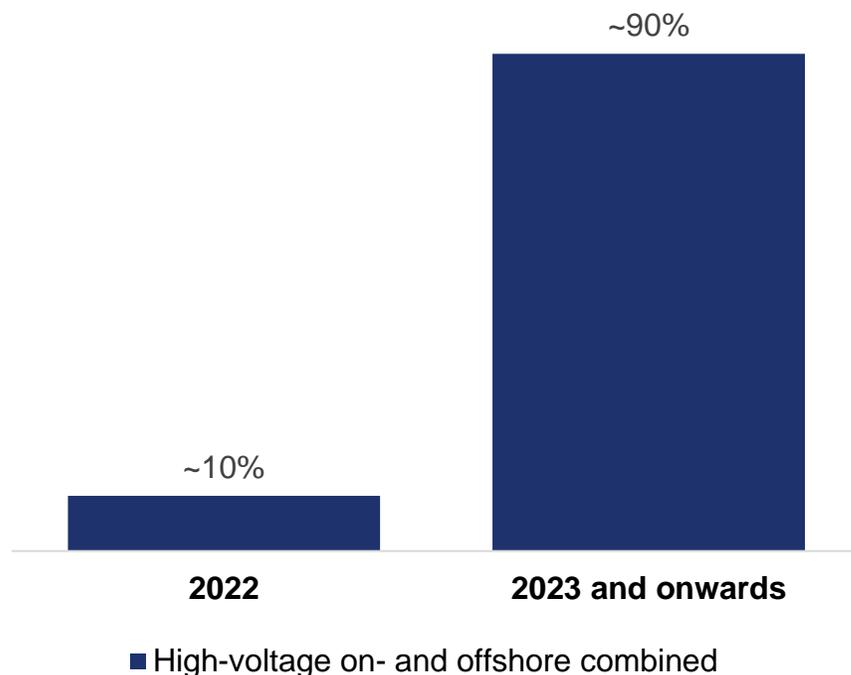
## Recent notable order wins for NKT

| Name  | Announced | Size (EURm) | Type             |
|---|-----------|-------------|------------------|
| <b>Champlain Hudson</b>        | June 2022 | >1,400      | Interconnector   |
| <b>SuedOstLink 2nd system</b>  | May 2022  | <700        | Interconnector   |
| <b>Dogger Bank C</b>           | Jun 2021  | ~280        | Offshore wind    |
| <b>Troll West</b>            | Apr 2021  | ~95         | Power from shore |
| <b>BorWin5</b>               | Aug 2020  | <250        | Offshore wind    |

# High-voltage order backlog

The high-voltage order backlog returned to a record level of EUR 4.6bn\* at end-Q2 2022, up from EUR 2.8bn at end-Q1 2022

## Order backlog providing future coverage...



## ...and diverse across application and commissioning



### OFFSHORE WIND

|                   |      |  |
|-------------------|------|--|
| Ostwind 2         | 2022 |  |
| Dogger Bank A & B | 2023 |  |
| BorWin5           | 2025 |  |
| Dogger Bank C     | 2026 |  |



### INTERCONNECTORS

|                                    |      |  |
|------------------------------------|------|--|
| Beckomberga-Bredäng                | 2023 |  |
| Viking Link                        | 2023 |  |
| Attica-Crete                       | 2023 |  |
| Shetland                           | 2024 |  |
| SuedOstLink 1 <sup>st</sup> system | 2025 |  |
| SuedLink                           | 2026 |  |
| Champlain Hudson P.E.              | 2026 |  |
| SuedOstLink 2 <sup>nd</sup> system | 2027 |  |

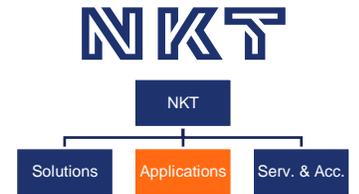


### POWER FROM SHORE

|                  |      |  |
|------------------|------|--|
| Johan Sverdrup 2 | 2022 |  |
| Troll West       | 2023 |  |

\* Market prices (EUR 4.0bn in std. metal prices)

# Applications – Q2 2022



## Continued revenue growth

### Customer offerings



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

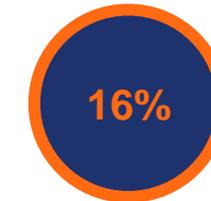
### Development during Q2 2022

- Revenue increased driven by broad-based growth across geographies and product segments. The growth was mainly due to the high inflationary pressure
- Despite the higher revenue level, NKT delivered a slight decrease in the operational EBITDA
- The lower margin level was due to increased material costs for Applications. NKT is in cooperation with its customers working to protect margins, which includes ongoing price increases
- The European market sentiment slowed down in some markets after a period of strong growing markets, but volumes remained at a high level

## Q2 2022 financial highlights



Revenue\* EUR  
(Q2 2021: EUR 124m)



Organic growth  
(Q2 2021: 6%)

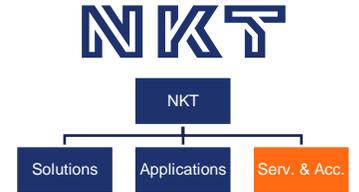


Oper. EBITDA EUR  
(Q2 2021: EUR 7.6m)



\* Std. metal prices

# Service & Accessories – Q2 2022



## Decrease in earnings against high comparison base

### Customer offerings



- High- and medium-voltage accessories
- Services

### Development during Q2 2022

- Revenue decreased due to the exceptionally high volume of repair work in the service business in Q2 2021. In Q2 2022 as expected, NKT had limited offshore repair work in the service business
- With the lower revenue level, operational EBITDA decreased in Q2 2022. Additionally, the cost level was temporarily higher in the accessories business
- The lower revenue level in the service business was solely due to the reduced offshore repair work activity. The other areas of the business grew satisfactorily
- The high-voltage accessories business continued to be impacted by the centralization of production

## Q2 2022 financial highlights



Revenue\* EUR  
(Q2 2021: EUR 65m)



Organic growth  
(Q2 2021: 90%)



Oper. EBITDA EUR  
(Q2 2021: EUR 14.5m)



\* Std. metal prices

# Agenda

- 07 Business highlights
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# Income statement: Improved revenue driven by Solutions and Applications



## Income statement highlights

| EURm   | Q2         |            | 1st half   |            | FY           |
|--|------------|------------|------------|------------|--------------|
|  | 2022       | 2021       | 2022       | 2021       | 2021         |
| Revenue                                      | 578        | 498        | 1,068      | 912        | 1,828        |
| <b>Revenue (Std. metal prices)</b>           | <b>381</b> | <b>344</b> | <b>700</b> | <b>640</b> | <b>1,263</b> |
| <b>Organic growth</b>                        |            |            |            |            |              |
| NKT  | 11%        | 21%        | 9%         | 21%        | 15%          |
| <b>Operational EBITDA</b>                    | <b>41</b>  | <b>42</b>  | <b>80</b>  | <b>73</b>  | <b>131</b>   |
| Operational EBITDA margin*                   | 10.8%      | 12.3%      | 11.4%      | 11.3%      | 10.4%        |
| One-off items                                | 0          | 0          | 0          | 2          | -13          |
| <b>EBITDA</b>                                | <b>41</b>  | <b>42</b>  | <b>80</b>  | <b>74</b>  | <b>118</b>   |
| Depreciation, amortization and impairment    | -20        | -21        | -40        | -43        | -95          |
| Financial items, net                         | -4         | -2         | -10        | -5         | -8           |
| Tax  | -2         | -4         | -4         | -6         | -4           |
| <b>Net result from continuing operations</b> | <b>14</b>  | <b>15</b>  | <b>26</b>  | <b>21</b>  | <b>12</b>    |
| Net result from discontinued operations      | -9         | -4         | -6         | -8         | -8           |
| <b>Full-time employees, average</b>          |            |            |            |            |              |
| NKT  | 4,011      | 3,729      | 4,009      | 3,650      | 3,775        |

## Key developments in Q2 2022

- **11% organic growth** driven by Solution and Applications
- **Slightly lower operational EBITDA than in Q2 2021**, where NKT had a high comparison base in Service & Accessories
- One-off items related to the accounting gain on bargain purchase from the acquisition of Ventcroft Ltd. in January 2022
- **FTE level** increased due to the expected growth

\* Std. metal prices

# Balance sheet: Significant improvement in working capital



## Balance sheet highlights

| EURm                                    | 30 Jun       |              | 31 Mar       |              | 31 Dec       |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 2022         | 2021         | 2022         | 2021         | 2021         |
| <b>Working capital</b>                  |              |              |              |              |              |
| NKT                                     | -212         | 113          | 35           | -65          | -93          |
| <b>Capital employed</b>                 |              |              |              |              |              |
| NKT                                     | 1,120        | 1,348        | 1,212        | 1,030        | 1,053        |
| <b>RoCE</b>                             |              |              |              |              |              |
| NKT                                     | 4.1%         | 1.5%         | 4.1%         | -0.9%        | 3.4%         |
| <b>Net interest-bearing debt (NIBD)</b> | <b>24</b>    | <b>186</b>   | <b>109</b>   | <b>31</b>    | <b>13</b>    |
| NIBD / Operating EBITDA, LTM            | 0.2x         | 1.7x         | 0.7x         | 0.4x         | 0.1x         |
| <b>Total assets</b>                     | <b>2,628</b> | <b>2,405</b> | <b>2,677</b> | <b>2,246</b> | <b>2,553</b> |
| <b>Total equity</b>                     | <b>1,101</b> | <b>1,162</b> | <b>1,216</b> | <b>1,109</b> | <b>1,160</b> |

## Key developments in Q2 2022

- Significant **improvement in working capital** with Solutions as the main contributor due phasing of milestone payments relating to projects in the order backlog
- **RoCE was on par with the level at end-Q1 2022**, but an increase of 2.6%-points compared to end-Q2 2021 driven by the improved earnings
- The cash generation in Q2 2022 led to a **reduction in the net interest-bearing debt** and the leverage ratio
- After the balance sheet date, NKT announced that it **will redeem the outstanding EUR 150m hybrid** securities issued in 2018 on 12 September 2022

# Cash flow: Positive free cash flow driven by earnings and working capital development



## Cash flow statement highlights\*

| EURm                                       | Q2         |             | 1st half    |             | FY          |
|--|------------|-------------|-------------|-------------|-------------|
|  | 2022       | 2021        | 2022        | 2021        | 2021        |
| <b>Cash flow from operating activities</b> | <b>137</b> | <b>-100</b> | <b>96</b>   | <b>-122</b> | <b>209</b>  |
| EBITDA                                     | 41         | 42          | 80          | 74          | 118         |
| Financial items, net                       | -5         | -2          | -10         | -5          | -8          |
| Changes in working capital                 | 106        | -144        | 47          | -197        | 51          |
| Others                                     | -5         | 4           | -21         | 5           | 48          |
| <b>Cash flow from investing activities</b> | <b>-49</b> | <b>-52</b>  | <b>-103</b> | <b>-79</b>  | <b>-211</b> |
| Capex                                      | -49        | -52         | -87         | -81         | -213        |
| Acquisition and divestment of businesses   | 0          | 0           | -16         | 2           | 2           |
| <b>Free cash flow</b>                      | <b>88</b>  | <b>-152</b> | <b>-7</b>   | <b>-201</b> | <b>-2</b>   |
| <b>Cash flow from financing activities</b> | <b>-7</b>  | <b>-2</b>   | <b>5</b>    | <b>-13</b>  | <b>-37</b>  |
| <b>Net cash flow</b>                       | <b>81</b>  | <b>-154</b> | <b>-1</b>   | <b>-214</b> | <b>-39</b>  |

## Key developments in Q2 2022

- **Cash flow from operating activities** was positive in Q2 2022
  - Positive EBITDA and favourable development in working capital driven by Solutions
- **Cash flow from investing activities** impacted by the ongoing investments, mainly within Solutions as the planned investment programme to upgrade the high-voltage production sites was further progressed

\* From continuing operations

# Financial outlook 2022



Revenue\*



Operational EBITDA

- The financial outlook assumes limited financial impact due to the global supply chain challenges

## Key messages Q2 2022

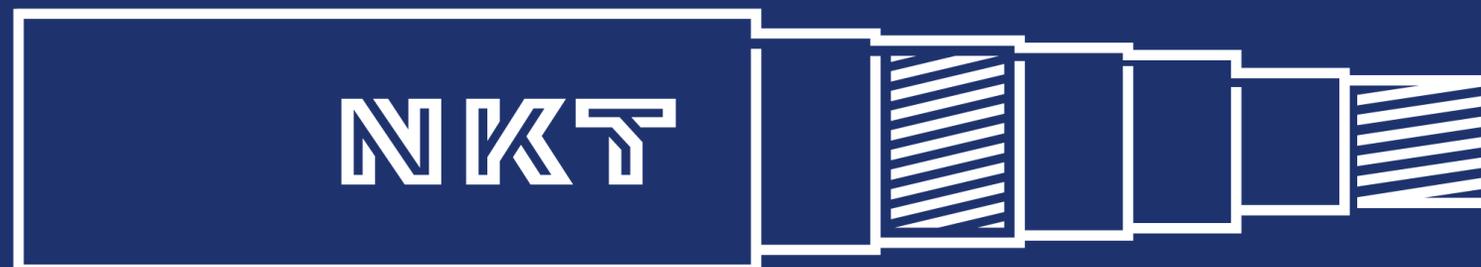
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# Capital Markets Day 2022

NKT is delighted to invite institutional investors and financial analysts to Copenhagen on [22 September 2022](#)

The event will include presentations by the management of NKT

Read more and sign up on [investors.nkt.com](https://investors.nkt.com)





## QUESTIONS & ANSWERS

# Financial calendar



**2022**

**Event**

22 September

> **Capital Markets Day**

16 November

> **Interim Report, Q3 2022**

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For a full list of Investor Relations events, please visit [investors.nkt.com](https://investors.nkt.com)