



NKT

18 May 2022

# Q1 2022 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 Q1 2022

- **NKT, the power cable business, grew revenue\* 7% organically** due to record-high quarterly revenue\* in Applications. This contributed to growth in the operational EBITDA margin\* that increased to 12%
- **Upgrades of Cologne and Karlskrona high-voltage factories continued according to plan.** The investments will be completed in 2022
- **Acquisition of Ventcroft Ltd** strengthening the position within fire-resistant power cable technology
- **7% organic growth in NKT Photonics** and increased focus on core business with the divestment of the LIOS sensing business

# Agenda

- 05 **NKT**
- 12 NKT Photonics
- 15 Financial highlights
- 22 Questions & Answers

# NKT performance in Q1 2022

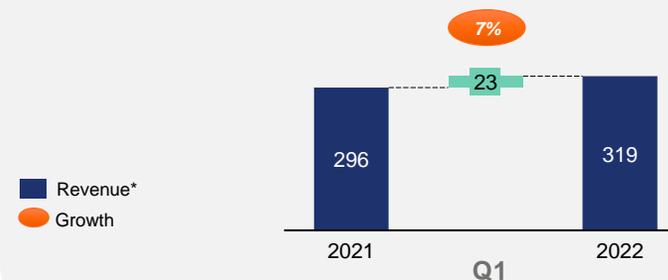
Positive performance driven by Applications

## Key developments in Q1 2022

- Revenues for **Solutions** were lower than in Q1 2021, while operational EBITDA increased mainly driven by continued efficiency initiatives in execution
- Broad-based growth across product segments in **Applications** led to improvements in revenues and profitability. Overall, trading conditions in NKT's operating markets were favourable
- Acquisition of Ventcroft Ltd to strengthen position within fire resistant power cables
- In **Service & Accessories**, revenues and operational EBITDA were at lower levels against a high comparison point

## Key financial highlights (EURm)

### Revenue\*

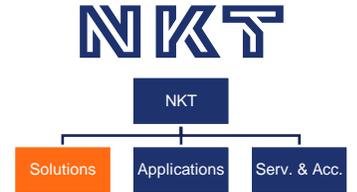


### Operational EBITDA



\* Std. metal prices

# Solutions – Q1 2022



## Improvements due to efficient execution

### Customer offerings



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

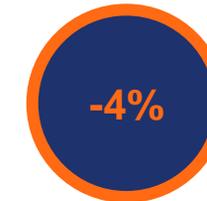
### Development during Q1 2022

- Revenues were lower than in Q1 2021 as a result of a less favourable product mix.
- NKT progressed on a number of projects through varying stages of execution including various XLPE contracts awarded in recent years, such as Borwin 5, Dogger Bank A, Dogger Bank B, Shetland, and Ostwind 2
- The ongoing initiatives to upgrade and expand the factories in Karlskrona and Cologne progressed further and will be completed in 2022
- NKT Victoria had satisfactory deployment during the quarter including a variety of assignments relating to project installations

## Q1 2022 financial highlights



Revenue\* EUR  
(Q1 2021: EUR 161m)



Organic growth  
(Q1 2021: 27%)



Oper. EBITDA EUR  
(Q1 2021: EUR 19.5m)

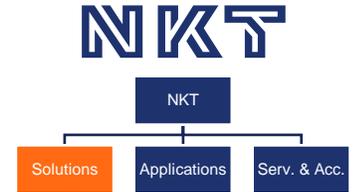


\* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

# High-voltage market development

Market activity remained high



## Key developments

- NKT supplemented its high-voltage order backlog with a number variation orders to existing projects and onshore projects in Q1 2022
- NKT estimates that the value of projects awarded in the high-voltage market in Q1 2022 was around EUR 2bn (NKT's assessment of its addressable high-voltage power cable projects)
- These mainly covered projects in Europe
- As stated in the 2021 Annual Report, the average addressable market in 2022, 2023 and 2024 is estimated by NKT to be around EUR 7-8bn per year
- The European commission has outlined a plan to make Europe independent of Russian gas, including to speed up the introduction of renewable energy. This is expected to have a positive impact on the European power cable market

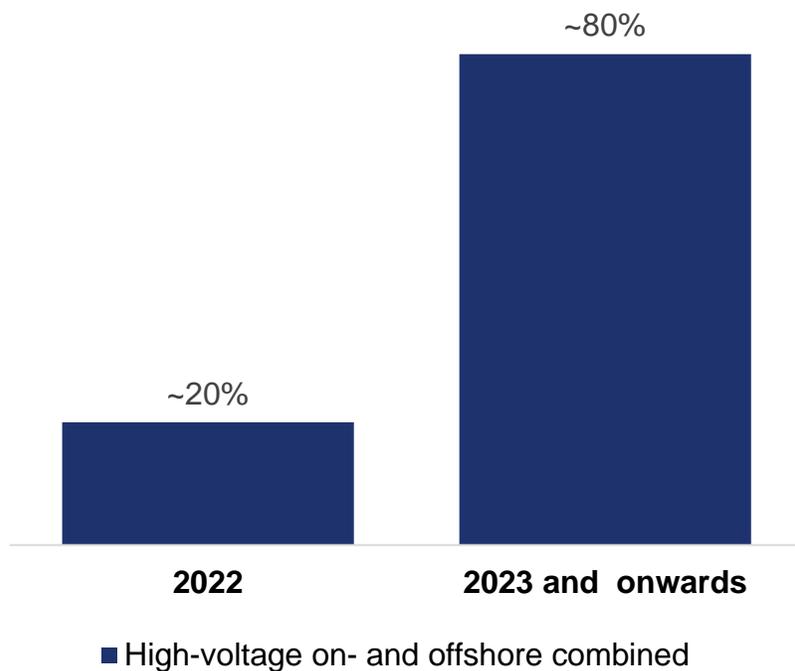
## Recent notable order wins for NKT

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 2.75bn\* at end-Q1 2022, down from EUR 2.87bn at end-Q4 2021

## 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	2025	
SuedLink	2026	

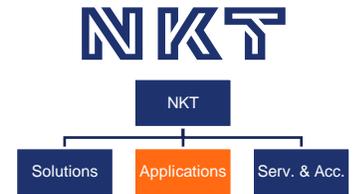


### OIL & GAS

Johan Sverdrup 2	2022	
Troll West	2023	

\* Market prices (EUR 2.35bn in std. metal prices)

# Applications – Q1 2022



## Broad-based revenue growth

### Customer offerings



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

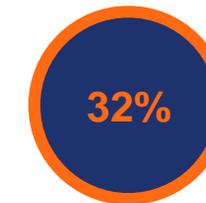
### Development during Q1 2022

- Broad-based revenue growth and NKT has managed to benefit from favourable market conditions
- The exceptionally strong organic growth was achieved against a relatively weak comparison period in Q1 2021
- With construction sentiment remaining at a high level in Europe, partly driven by the EU's refurbishment programme under the European Green Deal, the strong demand for building wires continued
- Medium-voltage sales positively influenced by the electrification of societies, the upgrade of power grids and the growth in number of electric vehicles

## Q1 2022 financial highlights



Revenue\* EUR  
(Q1 2021: EUR 96m)



Organic growth  
(Q1 2021: 2%)

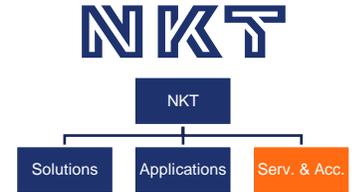


Oper. EBITDA EUR  
(Q1 2021: EUR 5.5m)



\* Std. metal prices

# Service & Accessories – Q1 2022



## Lower revenues against a high comparison point

### Customer offerings



- High- and medium-voltage accessories
- Services

### Development during Q1 2022

- Revenues decreased against Q1 2021 where the volume of service repair work was higher
- Operational EBITDA down mainly due to temporary cost increases in the accessories business relating to the centralization of high-voltage power cable accessories
- In Q1 2022, the establishment of the service hub in Gdynia, Poland, was completed. The ambition is to position NKT for future growth across European markets
- Mixed performance in the accessories business with higher sales of medium-voltage accessories, while sales of high-voltage accessories decreased

## Q1 2022 financial highlights



Revenue\* EUR  
(Q1 2021: EUR 46m)



Organic growth  
(Q1 2021: 82%)



Oper. EBITDA EUR  
(Q1 2021: EUR 7.9m)



\* Std. metal prices

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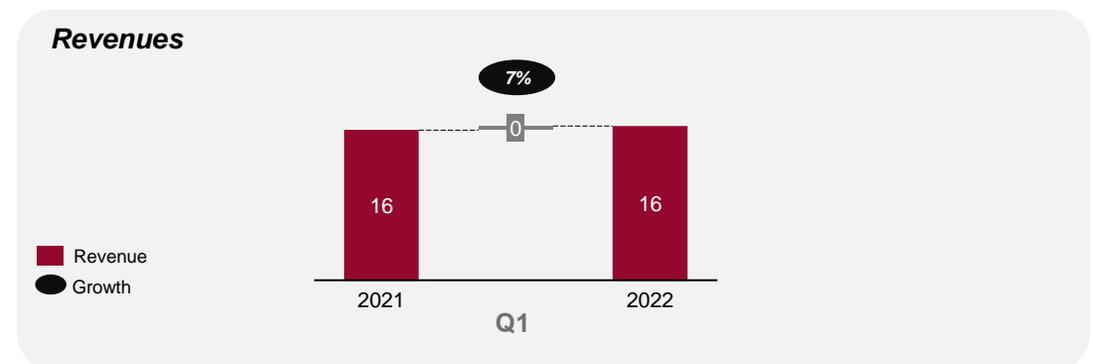
# NKT Photonics performance in Q1 2022

## Record-high Q1 revenues for NKT Photonics

### Key developments in Q1 2022

- Driven by broad-based growth in three out of four market segments, revenues in Q1 2022 increased 7% organically. The continuing laser business (excluding the LIOS sensing business) had an organic growth of 10%
- The positive development was delivered on top of the strong organic growth of 26% in Q1 2021
- Operational EBITDA was slightly down mainly caused by write-downs related to obsolete and slow-moving raw material inventory
- The positive development in order intake in 2021 continued into 2022. The order intake for the underlying laser business (excluding the divested LIOS sensing business) increased by 16% from Q1 2021 to Q1 2022
- Divestment of the LIOS sensing business to fully focus on core business within lasers and fibre optic solutions

### Key financial highlights (EURm)



# Business development in Q1 2022

## Medical & Life Science



### Main applications:

Bio-imaging & Microscopy

Medical devices

Ophthalmology

- The segment delivered strong revenue growth in Q1 2022 driven particularly by the Imaging & Microscopy segment
- Ophthalmology also developed favourably and is expected to contribute significantly to growth in 2022

## Quantum & Nano Technology



### Main applications:

Quantum computing

Quantum sensing & metrology

Nano structures & advanced materials

- Slight decrease in revenue in Q1 2022 due to project timing and phasing of orders
- The outlook for the segment remains strong with robust growth in especially quantum computing
- Several new products within this segment were introduced to the market at the beginning of Q2 2022

## Industrial



### Main applications:

Device characterization, sorting and control

Micromachining & Display

Remote sensing & Semiconductors

- The growth delivered in 2021 continued in Q1 2022 with the Semiconductor industry as the main contributing area
- That trend is expected to continue through 2022

## Aerospace & Defence



### Main applications:

Aerospace

DIRCM

Directed Energy

Remote sensing

- The exceptionally high growth in the segment for Q1 2022 was partly due to a relatively low Q1 2021 as well as favourable project timing
- The market continues to grow, and new projects are expected throughout 2022

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# NKT Group: Improved revenue and operational EBITDA



## Income statement highlights

EURm	Q1		FY
	2022	2021	2021
Revenue	506	430	1,907
<b>Revenue (Std. metal prices)</b>	<b>335</b>	<b>312</b>	<b>1,342</b>
<b>Organic growth</b>			
NKT	7%	21%	15%
NKT Photonics	7%	26%	15%
<b>Operational EBITDA</b>	<b>37</b>	<b>29</b>	<b>139</b>
NKT	38	30	131
NKT Photonics	-2	-1	8
<b>Operational EBITDA margin*</b>	<b>10.9%</b>	<b>9.3%</b>	<b>10.3%</b>
NKT*	12.0%	10.2%	10.4%
NKT Photonics	-10.6%	-7.7%	9.4%
One-off items	9	2	-13
<b>EBITDA</b>	<b>45</b>	<b>31</b>	<b>126</b>
Depreciation, amortization and impairment	-23	-25	-109
Financial items, net	-7	-4	-12
Tax	0	-1	0
<b>Net result</b>	<b>15</b>	<b>2</b>	<b>4</b>
<b>Full-time employees, average</b>			
NKT	4,008	3,571	3,775
NKT Photonics	412	401	401

## Key developments in Q1 2022

- 7% **organic growth** in both NKT and NKT Photonics
- A positive development in **operational EBITDA** for NKT Group
  - NKT: In Applications, operational EBITDA almost doubled due to the increased activity, and Solutions also contributed with improved profitability from efficient execution
  - NKT Photonics: The slight decrease was due to higher costs
- One-off items were positively impacted by the acquisition of Ventcroft Ltd (EUR 1.6m) and the divestment of the LIOS sensing business (EUR 8.0m)
- Positive development in **Net result** – driven by the same parameters as EBITDA
- Increase in **FTE level** as preparation for future growth opportunities in NKT

\* Std. metal prices

# NKT Group: Higher debt level due to development in working capital



## Balance sheet highlights

EURm	31 Mar		31 Dec
	2022	2021	2021
<b>Working capital</b>	<b>66</b>	<b>-39</b>	<b>-60</b>
NKT	35	-65	-93
NKT Photonics	31	26	34
<b>Capital employed</b>	<b>1,325</b>	<b>1,140</b>	<b>1,173</b>
NKT	1,212	1,030	1,053
NKT Photonics	114	110	121
<b>RoCE</b>	<b>3.1%</b>	<b>-1.7%</b>	<b>2.5%</b>
NKT	4.1%	-0.9%	3.4%
NKT Photonics	-6.6%	-9.0%	-6.2%
<b>Net interest-bearing debt (NIBD)</b>	<b>109</b>	<b>31</b>	<b>13</b>
NIBD / Operating EBITDA, LTM	0.7x	0.4x	0.1x
<b>Total assets</b>	<b>2,677</b>	<b>2,246</b>	<b>2,553</b>
<b>Total equity</b>	<b>1,216</b>	<b>1,109</b>	<b>1,160</b>

## Key developments in Q1 2022

- Working capital increased from end-2021 due to the development in NKT
  - NKT: In Solutions the increase was driven by the phasing of milestone payments. In Applications the increase was due to build-up of inventories. Trade receivables were rising from the increased level of sales
  - NKT Photonics: Working capital decreased due to the divestment of the LIOS sensing business
- Continued improvement of RoCE in Q1 2022
- The debt level and leverage ratio increased due to expected unfavourable development in working capital and the increased investment level
- The EUR 150m hybrid security issued in 2018 has the first call date on 12 September 2022. NKT currently intends to call the security no later than this date

# NKT Group: Positive earnings contribution more than offset by working capital and investments development



## Cash flow statement highlights

EURm	2022	2021	FY
	Q1	Q1	2021
<b>Cash flow from operating activities</b>	<b>-45.9</b>	<b>-22.3</b>	<b>207.8</b>
EBITDA	45.1	30.8	125.9
Financial items, net	-6.5	-3.5	-12.2
Changes in working capital	-60.0	-50.9	46.6
Others	-24.5	1.3	47.5
<b>Cash flow from investing activities</b>	<b>-39.1</b>	<b>-29.6</b>	<b>-225.5</b>
Capex	-43.5	-31.7	-227.6
Acquisition and divestment of businesses	4.4	2.1	2.1
<b>Free cash flow</b>	<b>-85.0</b>	<b>-51.9</b>	<b>-17.7</b>
<b>Cash flow from financing activities</b>	<b>3.1</b>	<b>-8.3</b>	<b>-21.0</b>
<b>Net cash flow</b>	<b>-81.9</b>	<b>-60.2</b>	<b>-38.7</b>

## Key developments in Q1 2022

- Cash flow from operating activities was at a lower level in Q1 2022 compared to Q1 2021
  - The expected increase in working capital outweighed the positive EBITDA development
- Cash flow from investing activities was impacted by the continuation of the investment programme to upgrade NKT's high-voltage production sites
- Acquisition and divestment of businesses (Ventcroft and LIOS) had a net positive cash flow impact

# Financial outlook 2022



Revenue\*



Operational EBITDA



Organic growth



Operational 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

\* Std. metal prices

\*\* The operational EBITDA margin excludes the accounting gain of EUR 8.0m related to the divestment of the LIOS sensing business, which is treated as a one-off item.

## Key messages Q1 2022

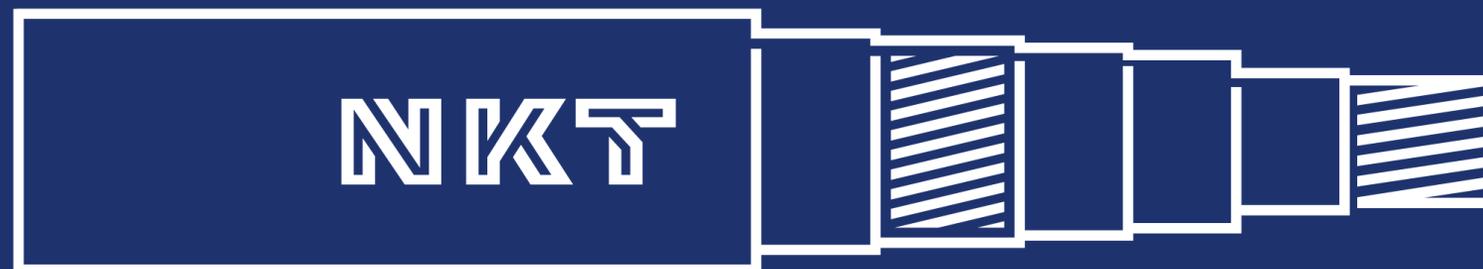
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## Save-the-date: Capital Markets Day 2022

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

More details and information will follow





## QUESTIONS & ANSWERS

# Financial calendar



**2022**

**Event**

17 August

➤ **Interim Report, Q2 2022**

22 September

➤ **Capital Markets Day**

16 November

➤ **Interim Report, Q3 2022**

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