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PRESENTATION

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

Good morning, everyone. Welcome to our Q3 2024 conference call. I'm Claes Westerlind, the CEO and I'm also joined by our CFO Line Andrea Fandrup. As usual, I will cover the overall development and the business lines and then Lena will walk through the financial performance for the quarter and also for the first nine months of the year before we begin.

Please note that this presentation may contain forward-looking statements and I therefore ask you to pay close attention to this disclaimer. Now let's move on to our key messages for the quarter.

The third quarter, 2024 was another good quarter for NKT. We continued executing on the renewable strategy, achieving solid operational and financial results. In this quarter, we again delivered double digit growth in both revenue and operational EBITA.

A development we have now seen for eight consecutive quarters, organic growth was 25% compared to the same quarter. Last year, mainly driven by solutions benefiting from increased capacity. Operational EBITA reached EUR93 million the highest quarterly result in the history of NKT. Despite the fact that we had non-reoccurring costs related to the integration of solid.

It underlined the positive development we have seen during the past few years and compared to the same quarter, last year, the improvement was primarily driven by solutions.

This quarter also marked the first full contribution from the acquisition of solid. During the quarter. We initiated the integration process and it progressed as expected, our expectations and findings from the due diligence process have so far been confirmed with no negative surprises.

Sonal's competitive and competent organization is a great addition for us in the medium and high voltage segment up to 225 kilovolts and as previously mentioned, gives us stronger presence in southern Europe.

We have formal formed a dedicated integration organization headed by our COO Will Hendrix and also head of applications, Carlos Fernandez to ensure continued progress and also a good overview of the process.

We remain confident that through a successful integration, we can realize the expected ebita synergies of EUR7 million by the end of 2026 it's a custom at NKT that all production sites are named after the cities where they're located and therefore going forward, we will refer to solid as NKT and ESPO.

But when referring to the acquisition itself, it will still be solid in the applications, business lines, we continue to see good commercial momentum stemming mainly from demand for medium voltage cables to upgrade distribution grids. During the quarter, we signed two frame agreements with local DSO S in the Netherlands and Denmark.

These two frames have durations of eight and five years respectively, which are longer than traditional ones. And on top of this, in November, we extended two frame agreements with RTE and France to deliver high voltage cables to upgrade the French electricity grid.

The delivery will be supported by our site in Portugal, highlighting our improved position in southern Europe and also the planned investments at the Espo center site.

Now let's turn to the financial performance in the third quarter and the first nine months of this year.

As mentioned, we delivered double digit growth both in revenue and operational EBITA. This was mainly driven by the expanded capacity in solutions revenue increased to EUR657 million in the third quarter and EUR1.8 billion for the first nine months.

This corresponds to 25% and 27% organic growth respectively and thereby we continue the trajectory from the previous quarters in solutions activity remained at a high level as we continue to execute on our high voltage order backlog and note that product execution was overall satisfactory.

Translated into financial figures, we delivered solid growth in both revenue and operational ebita and maintained the positive development from previous quarters.

Higher revenue in applications was driven by integration of solid organic growth was marginally negative compared to last year and operational EBITA increased by EUR1 million applications continue to benefit from positive developments in the power distribution grid segment and various efficiency initiatives implemented across our production sites in recent years, revenue and profitability and service and accessories increased mainly due to higher activity level in the service business.

The operational ebita margin increased to 12.8% in the quarter. A solid improvement from Q2 this year which was negatively impacted by work related to one Legacy service agreement. As we have also talked about in this forum before this work was completed during the second quarter of this year. And with satisfactory execution, the margin therefore resumed the historical double digit levels.

Next, I will dive deeper into each business line. Starting with solutions in the third quarter of this year, revenue and solutions increased to EUR 429 million. EUR up from EUR301 million in the third quarter of 2023 reflecting increased capacity and capabilities as well as overall satisfactory product execution.

Throughout the quarter, we made progress on several projects that were in varying stages of execution including Baltic Power, Champlain Hudson, Power Express, Doge Bank ch three East Anglia three, Zlin and Zo link, as well as ramping up execution on Brazil and Bay of Biscay.

The loading and solutions remains high and with higher level of execution demands on our organization are elevated in a similar manner as they have been also during the second quarter, we are constantly investing in enhancing capability across the business which is also as earlier conveyed, impacting our OpEx cost in solutions and hence also margins.

But I also want to add there that this is crucial for the growth that we are undertaking and also is expected to undertake in the coming quarters and years.

Organic revenue growth for solutions was 42% with operational EBITA increasing to EUR66 million this will equal to a margin of 15.5% slightly lower compared to the level in Q3 of last year.

And in project businesses like ours margins fluctuate from quarter to quarter depending on the underlying product, product mix, but also the maturity of the risk in our various projects.

In addition, the margin in the third quarter of this year was slightly negatively impacted by an increased risk provision related to a limited number of onshore projects that I will come back to later in Kona. The approximately EUR1 billion investment program progressed as scheduled during the third quarter.

This includes the ongoing construction of our second cable, a vessel NKT Eleonora. We also initiated the construction of the third Extortion tower at the end of July.

And by early November, it reaches this final height of 200 m which I have to say personally is beyond impressive and it also constitutes an important project milestone and not that it's a competition, but it's now the second highest building in the Nordics. But in my personal, a very biased opinion perhaps the most beautiful one, we are in the middle of a heavy construction phase. And during Q4, we expect to make some larger contractual commitments.

Therefore, execution remains our highest priority in this project. This includes the constant monitoring and managing of the various risks and also opportunities to have and will continue to arise in Cologne. The EUR100 million investment program to expand production capacity and capabilities has progressed as expected with planning of the initial construction phase under way.

Now, I also want to add here that the profitability as I just said was slightly impacted by an increased risk provision related to a limited amount of legacy onshore projects.

Cases like this are not unusual. And for this specific case, we are not overly concerned but it is a natural process which is developing over time with the technical assessment and the root cause analysis.

But of course also a client dialogue and while we will not disclose the size in detail, I can say that it's not material on a group level and it is relating to the same projects and that we were discussing at the Q4 results last year. So this is connected to the same process and development in those projects.

Now, with those comments, I will now turn to look at the developments in the high voltage market through the first nine months of 2024 across NKT's addressable high voltage market activity. Remained at a high level through the third quarter.

We estimate that products awarded in this market exceeded EUR15 billion in the first nine months of the year. Demand for high voltage production and installation capacity continued to be driven by DC technology and this segment was also the main driver behind the new orders in the market.

Our awards here in 2024 should be seen in the context of the high order intake in last year and also our available capacity. And when we look at the last year and this year combined, our market share is at a very decent level. Somewhere hovering between 25 and 30%.

We continue to expect an average addressable market about EUR10 billion per year until the end of the decade. And with awards of more than EUR15 billion this year, a robust short term demand is evident, but it also deserves to be mentioned that portions of these awards actually stem from capacity allocations in 2023.

And I think we have mentioned that in the past, having said that the supply demand balance is expected to remain favorable throughout this decade before, as we have said before, appearing to move into a more balanced territory during the course of the next decade, our new factory in Kona is expected to start production in 2027. And similar additions are also coming from our peers and we remain of the opinion that the market can absorb this capacity and remain healthy.

With reference to what I just said before constructing an H DC factory and you've heard me say it before is a complicated task. But on top of that, it's another thing to have it up and running and consistently producing cables at the desired quality kilometer after kilometer.

For this, we require skilled and experienced operators and building the factory. We are now building in Kona next to our existing facility allows us during both construction but also later on operation to leverage our existing resources.

At the same time, we are also investing in the additional resources obviously required to operate this factory efficiently in the future. We believe and I personally also believe we are very well positioned to manage the risks of establishing a new factory and achieving the desired quality within the planned time frame.

And despite our extensive local experience, the process will still take more than three years and we remain humble and focused. And I just want to underline even with all that I said, rest assured that we meet challenges every day on this journey.

All in all, we continue to see a robust near term demand supported by the ongoing electrification of society and transition to renewable energy. Long term, we have less visibility and to some extent the development will depend on political ambitions across key markets from where we stand today.

We see a more balanced market towards the end of the decade. But the timing and obviously several other factors remains uncertain when you are trying to look about 10 years into the future.

It's also without a doubt that the US election has attracted a lot of attention. We will have to wait and see a little bit how President Trump will pursue a new energy policy that might slow down electrification of society and offshore wind projects. Or not.

With that being said, many states pursue their own ambitious climate targets and we expect many will continue this pursuit. Besides the current execution of the Sinn Fein Hudson Power project, we have as it stands a very limited exposure to the US market, but we continue to follow the market development closely and we are also looking for potential opportunities.

Finally let us look a little bit on the composition of the high voltage order backlog. It ended the quarter at EUR11 billion which is slightly down from 11.3 at the end of Q2. This is due to that the orders executed in the quarter but also compensated by a number of smaller orders and variation orders to existing contracts compared to a few years ago.

This level represents a structural step change and it reflects the strong demand for high voltage cables. And I think also nkt's ability to also secure orders and prove our competitiveness in the segment.

On top of the firm orders, we have the tenant framework agreement with three name projects and two products with SSE which remain as booking commitments combined, they have a value of more than EUR2.5 billion and we expect these products to be called off and included into the backlog in late 25 or early 26.

Over the summer, we are happy to have confirmed our partnership on the two products with SSE and agreed to proceed with the initial product work. The composition of the backlog remains unchanged. As you can see, over 80% of it is comprised of European TS OS. As customers interconnectors constitute around 55% of the backlog. While roughly 40% is related to offshore wind projects.

The older backlog continues to provide good earnings visibility for the majority of the rest of the decade. Executing this backlog is crucial in the coming years to unlock the inherent value. But of course, also to steer clear of any portfolio risks and is why risk and execution management remains a key priority for our solutions teams for Lena and also for myself, we continue to remain highly active in ongoing tenders that would further strengthen our backlog.

However, also given the current situation with our backlog, we are able to adopt a selective and disciplined approach towards optimizing capacity utilization in both production and installation and installation supporting earnest generation but also having the adequate focus on the risk reward balance.

Now, let's take a closer look at applications. Revenues for this business line increased to EUR183 million with solid contributing EUR28 million organic growth was marginally negative at minus 1% compared to the third quarter of last year, which was a high comparison period due to the price adjustments made to offset inflationary pressure demand and volume in the power distribution segment remained at a satisfactory and robust level.

While demand in the construction exposed segment remained subdued and revenues were actually a little bit lower compared to the same quarter last year and also the preceding quarter, operational EBITA amounted to EUR14 million the margin.

The marginal increase from last year was mainly driven by positive effects from specialization of production sites and also various efficiency initiatives implemented in recent years.

The integration of solid led to a reevaluation of inventories in the acquired businesses having a negative impact on operational ebita of approximately EUR4 million in the third quarter.

The margin for the quarter ended at 7.6% compared to 8.4% in the same quarter. Last year.

From a market perspective, demand for medium voltage cables remained robust particularly in the northern and western Europe, primarily driven by the continued solid demand in the power distribution segment.

As a company, we are well positioned in this market. And during the third quarter, we secured two new framework agreements in Denmark and the Netherlands as a Testament to this with durations of five and eight years respectively, reflecting the positive market development.

And also last week, as I mentioned earlier, we extended the framework agreement with RTE to deliver 90 KV, 225 KV and 400 KV onshore power cables and accessories and installation from 26 to 28 to upgrade the French grid.

Last we turn to the service and accessories business line which again this quarter delivered solid organic growth of 25% mainly driven by higher activity levels and satisfactory execution in the service business, accessories in isolation delivered slightly higher revenue operational EBITA increased to EUR8 million up from EUR5 million last year due to improved profitability in the service business, the margin for the quarter was 12.8%.

And when comparing this to the 7.1% more than in Q2, please note that last quarter, we executed a large offshore repair work related to one legacy service agreement that had an unusual low profitability despite the higher revenue accessories driven by high voltage accessories.

Operational EBITA was slightly lower compared to last year as we continue to ramp up production and capabilities, meaning excessive CapEx costs with this.

I've concluded my part of the presentation and I will now hand over to Lina for a look at the financials.

Line Fandrup - Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team

Thank you Claes and good morning to everybody from me as well. I'll now walk you through in Kys financial highlights and we'll start on the income statement starting with revenue as Clare has mentioned organic growth was 25% in Q3. This was primarily driven by a 42% organic growth in solution as a result of our investment in both capacity and capabilities.

Additionally, the acquisition of Solidia contributed EUR28 million equal to 6% growth to the top line of this quarter.

The higher revenue translated into a record high quarterly operational ebita of EUR93 million mainly driven by a solution but all business line increased ebita compared to the same quarter last year, the margin of the quarter was 14.2%.

A decrease compared to Q323 which had the highest quarterly margin last year compared against Q2. The margin was unchanged, depreciation and amortization were slightly higher than last year, mainly due to solid that brings us to EBITD which amounted to EUR66 million an improvement of EUR12 million compared to the same quarter. Last year, the ep margin was 10.1% for the quarter.

Financial item was an income of EUR5 million in Q3 driven by interest income derived from our cash position. This positive effect was partly offset by losses related to exchange rate fluctuations and other financial items. Compared to last year. Financial items improved as Q3 2023 was negatively impacted by exchange rate fluctuations primarily related to unrealized hedges.

Taxes for the quota amounted to EUR14 million reflecting higher earnings level and a tax rate of 20% for the first nine months of the year. The tax rate was 14%. This leaves us, this leaves us with a net result of EUR57 million and as NKT for was divested during Q2, there was no effect from discontinued operations. The net result more than doubled compared to last year, our fulltime employee continues to increase, reflecting our growth journey and investment in capabilities. The inclusion of solid added around 430 employees to KT.

Now let's turn to the next slide and look for the cash flow.

So the free cash flow in the third quarter was negative standing at EUR134 million as Ebida was more than offset by cash outflows from changes in working capital and investments. Free cash flow for the first three quarters of the year amounted to EUR248 million. the development in work networking capital was a result of normal fluctuations in solutions related to the facing between milestone payments and project execution investments.

Reflecting the initiated investment programs mainly in solutions and applications continue to ramp up in the quarter amounting to EUR115 million. this is nearly double the EUR60 million in the same quarter last year. And also an increase compared to Q2 cash flow from financing activities was basically flat for the quarter compared to an inflow of EUR 357 million. in Q323 when we concluded the right issue overall, this led to a negative free cash flow of EUR134 million for the quarter.

But a positive EUR248 million year-to-date including proceeds from the divestment of NKT photonics. Net cash flow for the first nine months of 2024 was EUR 471 million.

This leads me on to the balance sheet. Highlights at the end of September when cap capital increased by EUR 83 million. compared to the end of 22 2024 due to the natural facing effects and solutions men mentioned on the previous slide when capital stood at negative EUR1.1 billion at the end of the quarter, Rosie improved further to 31% for the quarter, up from 15% last year and driven by increased EBITDA which more than offset the higher level of capital employed capital employed increased by EUR182 million to EUR 734 million compared to in Q2.

This was due to a combination of investments and working capital development. Looking at the development in this quarter, it is encouraging to see that the earnings improvement is filtering through to Rosie.

Well, she will continue to vary depending on the project mix and production timing of payment from customers and a higher capital base from ongoing investments.

During this year, we've seen a gradual increase in Kpex. This development is expected to continue into Q4 and as the investment progress, we also expect another step up in 2025 the net cash position is slightly reduced to EUR1.1 billion and our financial position remains robust as is required to fund ongoing investments across the business continuously. T

his strong financial foundation allows NKT to continue progressing on its growth journey in the coming years, the value of NKT issued guarantees increased to EUR 2.5 billion. at the end of Q3, up from EUR2.3 billion at the end of Q2.

Let me turn to the financial outlook for 2024.

We maintain the outlook for 2024 but we now expect that NKT will end the year in the upper end of the intervals. The expected interval for revenue is EUR2.33 billion to EUR2.43 billion and the operational EBITDA interval is EUR310 million to EUR345 million.

The outlook reflects our financial performance through the first three quarters of the year and expectations for the remainder of the year. As usual, please pay close attention to the assumptions behind the outlook.

These assumptions include satisfactory execution of high voltage projects, stable market conditions and the application segment and stable supply chains with limited disruptions along with access to required labor materials and services.

NKT is a project company and we are increasingly exposed to production and installation risk in our solution business.

In the projects, we are constantly monitoring the risk that could have an adverse effect on our financials. This of course remains key also the last months of the year.

So before we open up for Q&A, I'd like to reiterate the key messages for Q3 that play is highlighted at the beginning of the call Q3 was another good quota for NKT. We delivered impressive organic growth of 25% and for the eighth consecutive quota, both revenue and operational EBITDA grew by double digits.

This growth resulted in an operational EBITDA of EUR93 million the highest quarterly result in NKT's history underlying the positive development we've seen in recent years, we've initiated the integration process of solidia which progressed as expected during the third quarter.

Our expectations and findings from due diligence process have been confirmed and solidia is a great addition to NKT that will enable us to meet the demand in the medium and high voltage segment up to 225 kV voltage.

Finally, we can see continue to see good commercial momentum and applications. During the third quarter, we secured two longer duration frame agreements with local DSOS in the Netherlands and Denmark. And here in November, we extended frame agreements with RTE in France.

This brings me to the end of the presentation. We're now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Casper Blom ; Daske Bank line is open.

Casper Blom - Daske Bank - Analyst

Thank you very much. And I have a couple of questions and I'll try to take them one by one. So you don't have to write down too much.

And first of all, on the subject of the provision in the solutions here in the quarter, I understand that there is client confidentiality and so forth and, but I think it would be very helpful if you can say anything that can sort of support the fees is that we will not see additional provisions.

And also that this is an isolated issue that is not sort of you know, related to any structural challenges within the division. That's the first one, please.

Claes Westerlind - Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team

Thank You.

casper Yeah, it's a, good question and I understand that you ask it if we just take a step back first, you know, more in the cases in general and how they are dealt with just to leave you with that question and form an understanding together with us, either we or a customer find something that doesn't operate as planned. Therefore, there, after of course, we would do then a detailed technical root cost analysis that will be followed by commercial and also execution considerations, you know what to do about it and what the remedies, what, what the remedies and actions are.

And ultimately, of course, there is a customer side to it as well where a bilateral agreement needs to be struck, depending on what the conclusions are and what the insights are from the two parties. So, so that's the because we have a feeling for the process as such. Now, the provision taken, I mentioned it's not material from a from a group perspective.

It also represents for the moment, the more likely than not outcome, the financial outcome for NKT it is related to the same amount of provisions that were taken during Q4 last year. So the same part of these ac onshore legacy products as we as we call them at the time, I believe, which was connected to a specific technology.

So ac technology onshore cables and also specific production time back a couple of years in time, I think hopefully that will help to give you some comfort.

Now, as far as can nothing else come, we are not in the process that I just mentioned, we are not at the end of that process, but what I can say since it is related to a a confined area of the history and and the specific amount of projects and also technology and we are not overly concerned about this topic.

Casper Blom - Daske Bank - Analyst

Alrighty, fingers crossed and then a second question going to to applications and you mentioned that there is this roughly EUR4 million impact from the revaluation of inventory from solid.

If I adjust for that, you end up with a an underlying EBITDA a margin of just around 10% for applications. Is that a sort of good expression of the going rate in applications today with the mix that you currently see between high and low voltage and and with the inclusion of solid out.

Claes Westerlind - Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team

Thanks. That's, yeah, I think it is. I think when we reflect on the performance of applications, I think we mentioned it before as well, the power distribution segment. So which is the majority of the business line, roughly around 60% enjoys a good momentum for the moment.

So there is a robust demand and also the price levels are sustainable from a construction perspective, which is connected to one KB copper and also building wire there, we see a continued subdued and and actually slightly even more depressed situation than what we experienced the same quarter last year and also in in Q2 this year.

So I think that that's the underlying status of the business line now. As far as projecting the business lines into the future, you asked the question in a different way now. But but also taking seasonality into account, what we have said historically is 7 to 9%. We have seen this business line over performing lately in relation to those historic expectations.

But both me and Lena have also been careful in establishing a new level of, of operation and expectations on the EBITDA margin saying that we want to see the business line proving itself and us proving ourselves for, for a couple of quarters before we are to determine whether there is a new corridor.

But going back to your question, I think your adjustment of the profitability for the quarter alone, I think is not incorrect if I put it like that.

Casper Blom - *Daske Bank - Analyst*

Alright then, then the last one from my side and maybe one for Line here. But on the CapEx projects that you're currently running the, the big one.

So the CAA factory, the new in the new vessel, the expansion of colonia and the medium voltage expansions that you're doing in 3 places. Could you sort of update us on how much of that CapEx is left when we end 25-24?

So you know, out of the billion and out of the two times 100 million, how much is then sort of left and how much have you taken out of that.

Line Fandrup - *Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team*

Yeah, thank you, Casper. I think not being specific, let's say about percentages. It's fair to say that we have a majority of the investments ahead of us still. So you see a pickup in the quarter and we promise you that this will continue the rest of the year, but you will see a further elevated level for sure in 2025 and 2026 related to these programs.

Casper Blom - *Daske Bank - Analyst*

So in overall term one should expect that the CapEx number in 25 is higher than in 24 and then also higher in 26 than in 25.

Line Fandrup - *Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team*

I would say that 25 looks at current to be the highest. But we also need to still let's say close out some of our contractual agreements around when exactly the cash be passed down to the supplier for the equipment and all that. So we see some tips on this. So not being too specific. 25 looks to be the highest year currency, but it could change.

Casper Blom - *Daske Bank - Analyst*

All that's very helpful. Thank you.

Operator

Lars Topholm ; Carnegie.

Lars Topholm - *Carnegie Investment Bank - Analyst*

Yes, a couple of questions from me. Also. One goes to what we call the legacy business of application. So ex Solid Q3 obviously seasonally a low quarter.

Can you put some comments on what the incremental margin is? For example, if you relate it to the gross margin just to get an understanding for how that margin is affected by the quarter being seasonally low.

And maybe can you put some words also on the EUR28 million revenue in in Soliel? What kind of growth is that? And given Soliel has a 14% margin, is there sort of learnings from solid you can transfer to the rest of applications to bump margins there.

And then a second question which it probably doesn't surprise you but, but your long term ambitions are I think long overdue for a revision since assumption have been significantly changed. What is the proper timing for you to come out with new or revised long term ambitions?

And what internal exercises do you need to make before we, we get to that point? Is it a few thing? For example? Thanks.

Line Fandrup - *Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team*

I know how to leave here. Thanks for the question. I think Clare and I will, we share them a bit. And so if I just, I just want to jump on your first question and make sure I heard you right. You were asking about the seasonality of the application business and how to reflect about the earnings level of the quarter compared to to that.

Is that yes, I would say so. If you clean for what we share around the revaluation of the inventory. And then Q2 is always, let's say a very strong quota coming with the July is a low month, then you have Q2 and then you have Q3, Q4 can be a low quota also due to the simple sales. But it very much depends when our portfolio is changing.

Also with the the medium voltage in there which has a different kind of offtake compared to the construction sector. I think we are seeing different dynamics.

So I'm not specific on margin here. And I, and I know that because I don't want you to lean against any mathematical form and we're actually trying to predict this. But if you look historically, you can see some personality but looking ahead, I would also see say it really depends.

That was not the let's say on the data point here, but more in general.

Lars Topholm - *Carnegie Investment Bank - Analyst*

Yes.

I think, can you?

No, sorry, please go ahead.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

Ahead. Yeah, sorry. No, I just wanted to add them your reflection there on learnings from solid going to their margins, etc. And I, you know, of course, we expect synergies and synergies, we derive partly from the fact that we will be able to inject capabilities of NKT into solid but also the other way around.

And then, but I think of course, reflecting also on their margins compared to our own perimeters one has to keep in mind that it is a different cost base in Portugal, but they're also serving a different product mix than what we are doing from the existing perimeter and not only a different product mix but also into a different market segment.

So they are difficult to compare like for like, but I I agree with you. And then I think this is also of course, in our plans that we are both trying to interject NK TS abilities into solid all. But indeed also the opposite.

I think on the long term ambitions I don't know if you want to say anything there. But, but if I start, at least, I think you've heard us say it before in these forums that we in essence agree that this is something which is to, that we want to reflect upon together with yourselves.

And the timeline for that, I think we have also said that sooner is better than later, but we also want to make a good process internally, which means not, it's not the a matter of estimating or guessing from me and Lina, this is a bottom up process in NKT where we want to have a look at this from ground up and when we are through that process and when we are ready to announce it, then we will do so. And I, I'm not prepared to exclude that this may happen in Q4.

Lars Topholm - *Carnegie Investment Bank - Analyst*

So Q4 forward sooner. That's what you're indicating.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

No, I said I did. I don't exclude that it can happen in Q4, but.

Lars Topholm - *Carnegie Investment Bank - Analyst*

That's fair enough. Thanks guys.

Operator

Claus Almer ;Nordea Markets

Claus Almer - *Nordea Markets - Analyst*

Thank you. Yeah, also a few questions from my side and we will do them one by one. So the first is for you guys about the pipeline.

How do you see the the pipeline progressing and maybe also a wording about 2025. You know, it seems to be another strong year when it comes to awards. That will be the first one.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

Yes, thank you, Claus. Good morning.

I like General. I would say that we have had good activities for the last couple of quarters if you look into the tender organization. But I think if anything, I think it has intensified a little bit lately in terms of tender and and work also including negotiations.

So I think that bodes well and of course, it's also evidenced by the EUR15 billion awards so far done this year. To be compared with the the modesty of our earlier statements, more than EUR10 billion of average market between 24 and 30.

So clearly, I think the market has manifested itself this year but also connected to the comments I made during the the presentation earlier that some of this also stems from capacity award bookings from last year. Now, looking forward, we will remain when we look at the quantified statements with our statement about average market sizes to be awarded.

Also looking into 2025. But I would say with the activities that we see for the moment, we have no reason to be concerned about 2025.

Does that look to be an above average year as it looks today?

I would refrain from saying either yes or no. I think we will do some reflections potentially about this as we come into the announcement for the year Klaus. And I also, I think it's even more difficult to project now year by year lately, I have to say because of the fact that the products are getting bigger and bigger as well.

So by a single project shifting a year can really change or a framework agreement can really change the magnitude of the year.

And that's why we try to shy away from annualizing the market sizes and we're looking to average over a certain period, we believe that's a more adequate reflection.

Otherwise we risk to trick ourselves and also perhaps even to mislead you yourselves. If we try to be too articulate on annualized market sizes.

Claus Almer - Nordea Markets - Analyst

That's fair enough. Okay, my second question goes to the guidance and not least the change wording around your guidance. So now you expect to end in the upper end of the ranges when I try to say full year minus nine months. Q4 looks to be another very strong quarter. Would this be supported by all three divisions or is there?

I know it was difficult to, to have this performance without solutions having a good Q4. But maybe you could put some more color giving the Q3 performance as to what we should expect for these three divisions.

Line Fandrup - Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team

Yeah, I understand the question. And then I'm just reflecting about which kind of color can we give without being very specific on three months of business line so that we don't guide online.

I think you installation activities you can always reflect about in solutions that is a lower level usually throughout the winter time. And as just mentioned, also usually lower activity in at least December for the application construction sector.

Then we have a mixed portfolio in solution and then we also talked about last quarter, but I guess in general, we mentioned it that it very much depends on the mix of what we're executing on the solution. That eventually turns out to be the profitability.

And then for, for salu for services, I would say we see we see good traction on the medium voltage and we of course, we expect and hope to see this also continuing to the last quarter. Of the year.

This is probably.

Claus Almer - Nordea Markets - Analyst

Okay. Not that I'm more understanding how, how Q4 may be. So maybe to ask the question in a different way. Is there any of the three divisions where we should be, you know, including a, you know, seasonal slowdown versus Q4 last year?

It's a different pattern versus in the fourth quarter last year. That's probably the way to put it.

Claes Westerlind - Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team

No, I don't think we can expect just, just from a seasonality expectation, I think unless the winter is more or less cold, etc. I think what we can say is what I maybe initially also said about applications is that the construction market is in relative terms a little bit weaker now than what it has been historically as well.

So I think that's maybe something that serves to be mentioned. I can also in the same sentence as I say that also point out that it's also a very modest part of the NKT business in total. But I think it deserves to be mentioned.

But other than that, it is of course important to underline what Lena said about the product mix. So depending on what we install or what we don't install, that can of course make a difference compared to Q4 last year.

But other than that, I don't think there is no material differences that the service be pointed out.

Claus Almer - Nordea Markets - Analyst

Perfect. That was all from my side. Thank you so much.

Claes Westerlind - Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team

Thanks Claus.

Operator

Akash Gupta ; JP Morgan.

Akash Gupta - JP Morgan. - Analyst

Yes. Hi. Good morning class and line and thanks for your time. I have a few questions as well.

And the first one I have is on these legacy onshore high high voltage projects. So as you said, I mean, by the way, how you describe it appears to me that these projects has been finished, but maybe they are not working as the same as the way they should work, which is why you still need to go and fix some and some of these is that the correct interpretation?

Claes Westerlind - Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team

Yeah, I think we try not to be too specific Akash, but I cannot say that you're wrong in that description. So these, these are produced back in time. They are not in production for the moment.

So yeah, so I wouldn't correct your statement.

Akash Gupta - JP Morgan. - Analyst

So that's very clear. Thank you. And then, and I have a question and I mean, in Q4 conference call earlier this year, you made a remark saying that this year you have some solution revenues coming from third party production in the US.

And that is something that is going to drop off in 2025. I mean, we are right now in almost middle of November.

So I assume you may have a more visibility on how this change is going to be between 24-25. So I'm wondering if you can provide any comment on how should we think about this impact and and, and how, how would we expect underlying growth going into next year?

Claes Westerlind - Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team

Yeah, I think we will be careful about providing an outlook for next year. At this time, there will become a point in time where we will give you a more high resolution picture on what we expect for 25.

But I can only reiterate and I think you summarized it quite well yourself that the Champlain product enjoys external revenues to a bigger extent than perhaps what is normal. And also that impacts the solutions business line in total driven by two factors.

One is external cable production and the second one is external installation scope to a larger extent than normally in our products.

For example, Victoria is not being used in that project but also driven by the fact that installing cables in the US is more expensive than installing cables in Europe. We have also said that this will be excessive.

I don't know if excessive excessive revenue generation is the right word. But it will be generating revenues to a bigger extent this year and next year. But it's fading off as well and I think we will remain with those statements until we can give a better resolution on next year for you.

Akash Gupta - JP Morgan. - Analyst

Thank you. And maybe putting it in a way you don't see any need to change consensus numbers because I guess you can buy consensus.

So, you know, what market is expecting and given the fact you didn't mention this in Q3 conference call, we should assume that consensus is not wrong in, in their growth into numbers.

Claes Westerlind - Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team

I think it's a super good question. Akash, I think I would, I would step on thin ice if I start to, to reflect about whether consensus is right or wrong. What I can say is that there was, there was a good reason and there is a good reason for us spending quite a bit of our time when we went into this year to reflect about this impact that these external revenues will have on our revenues, especially in 25 and 26. So I think that the merits of that still stands.

So I think I will leave it at that rather than to point to to where consensus is right or wrong.

Akash Gupta - JP Morgan. - Analyst

And then my next question was on your installation and capabilities because currently you have one vessel and then in future, you will have to if you look at your current level of installation activity and can you give us a rough indication like how much of installation you are able to do on your own and how much you're utilizing for third party?

Because I would assume if you have more of your own installation than margins in that quarter may be better than, let's say if you have to use third party vessels to install cables. So any high level view that you can give us? That would be great.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

Yes, super relevant and super good question. I would have to think through a little bit how I answer it. But what I can say in general, how we think about our capacity if you take the the biggest perspective that you can on it, cable production and installation capacity and with the installation capacity now, I mean cable laying capacity, we do not want to be or to have a situation where the limiting factor is the installation capacity. So we will set the limitation according to the cable production capacity.

So in essence, we plan with the two vessels that we have that we will be able to lay the cables that we produce. Now having said that this is then the most general statement. And of course, as you are well aware, there will always be cases in nearshore operations, there can even be produce like Champlain where you simply cannot do it for one or the other reason.

And so I think the the base intention from our side is to lay the cables by means of our own resources. And only when we can optimize the, the final cost for the customer. And, and this is the right thing to do for NKT. Will we reside or resort to external installation cable, a resources

Akash Gupta - *JP Morgan. - Analyst*

Thank you. And my last question is for Lee on working capital. And if you look at your Q3 working capital, and if you have to think about year end working capital, is there anything that we should be aware of in terms of any milestones, whether it's a down payments or advances or maybe any ramp up that you that might bring some headwinds on working capital side. Thank you.

Line Fandrup - *Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team*

Thanks Akash questions and also something we talked about last quarter. So understood.

If you look at our solution business, I know I'm repeating myself a bit, but it's equally important still also reflecting about potential awards or no awards rest of the quarter or rest of the year that will of course eventually impact our working capital position.

So you should reflect that there can be, I would say rather large swings in the networking capital, very much related to solutions and 100 to 150 million would not be out of proportions of something we see. And then combined with the fact that Q4 usually is a quarter where the networking capital position for some of the other business line is improving.

I would say if you look at now and look at the year and you will, you could see fluctuations in the range I just mentioned. But still a very solid negative level of networking capital you should expect for year end.

Akash Gupta - *JP Morgan. - Analyst*

Thank you.

Operator

Lucas Ferhani ; jefferies.

Lucas Ferhani - *Jefferies - Analyst*

Good morning and thanks for taking the time. So I'll have a few, I'll take them one by one as well. Firstly, just on solution. If you look at sequentially, the revenues are quite higher versus Q2, obviously, the the margin has dipped.

What's your kind of view on maybe the number one impact on sequentially? What has driven the margin? Is it mainly mix from kind of installation?

Is there a change in maybe the subcontracting scope or may maybe it's simply the the the provisions. So how do you look at the sequential change and also in solution if we can get an update on the ramp up cost, I think you mentioned that was a headwind in Q2 have you still seen the headwind in in Q3?

Is it similar to what you saw before? I think you talked about 100 BPS last quarter. Thank you.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

Yeah, thank you. Thank you Lucas. Also relevant question, obviously, first and foremost, solutions profitability was impacted by the provision that we also discussed earlier on this call. So I, so I just want to to underline that again, it was not material on on the group level, but of course, it did impact the solutions profitability percentage.

Now, apart from that, there are different things that impacts the profitability of solutions and and one of them is the portfolio or project mix as Lena was referring to and this can change quarter over quarter and and being a simple engineer, I've also previously on these calls reflected on that. It is difficult to just judge the solutions profitability on a quarter by quarter.

Things can be the same this quarter as last quarter. Only that the mix of products that are in execution is slightly different and therefore the ultimate profitability can be quite different even though all things equal. Another aspect that also can have a considerable bearing on the profitability is the the risk and contingency maturity dates.

So in our projects, we are working of course, with managing a lot of risks to these risks, there are buckets of risk money connected when we are not managing to mitigate the risk so that we don't use the money, then we so so that we have to use the money, then of course, this is absorbed as cost.

But when we manage to successfully mitigate the risk, then the risk money can be released to profit, which can also have a, have an impact on the profitability in the given quarter.

So I I would say with that, and maybe the other side being the growth that you can see comes and stems mainly from the addition of capacity when you compare to the third quarter last year, because that was in the end of that quarter where we started in a serious manner to utilize one of the extrusion lines that was added within the previous investment project that drove up the volumes.

But of course, what's speaking against us now is that we continue to face you. You mentioned that the headwinds, I would say maybe I would use another word, but of course, we are facing ramp up costs on the OpEx side, which has been doing together with the cast, the new investment product ahead of time, building both white collars and blue collars and training them for the growth that is to come. And that's counterbalancing potentially the scale benefit that you would expect from higher revenues.

Line Fandrup - *Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team*

So I could just add here, it's a little bit what place is already alluding to, but the 1% ebita margin, let's say erosion of the rainbow is still what we see and so into 225 a little bit, you should expect at least something like this as we continue to secure. Let's say the preparedness for the expansions.

Lucas Ferhani - *Jefferies - Analyst*

Thank you. That's super helpful. Secondly, on applications, can you discuss a little bit the the V market momentum, obviously, construction has been weak and it's kind of difficult spot for some time. Now, I think before we thought it was kind of on trough level.

So seeing weakening from here seems a bit alarming. Do you think it's kind of a short term kind of Q3 impact you're seeing?

Do you, still expect that from here? We're probably seeing an improvement maybe over a longer time frame.

How, how do you look at that and market now? And also just in applications in terms of the inventory adjustment, are there also integration costs in solid above that EUR4 million inventory adjustment?

Are there other kind of costs are non-recurring above that level? If you can give us that, that number? Thank you.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

If I start on the construction side and then maybe Lena can complement on the on the integration costs. Construction wise, I wish I knew when the tide is turning and if I were to have that in my hand, then then I would be happy.

But when I turn to at least places like Eurostat and looking at the expectations on the construction market. This is also what we have based our statements on what we reflected. I think three quarters ago, we said that we will continue to expect the construction market to be weak and in recession for the remainder of this year.

And then at least what your status is telling us is then that maybe they will turn to growth during the course of next year. But I think we remain super humble here and, and just reflecting and observing what is happening there.

So I think the changes we saw now in Q3 versus Q3 last year and also in Q3 versus Q2, I would say we're not alarming, but we are observing a little bit of a weaker volume and pricing situation versus preceding quarters.

But with reference to the future, I go back to what I just said there admitting it's not an easy one to predict.

Line Fandrup - *Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team*

And then I can ask you on the on the solid integration cost and the one mentioned on the inventory evaluation is a very specific one of the EUR4 million and this is a very normal also as a part of the integration cost and it hits Q3 very much in full because we will evaluate the inventory and then we have the turnover of the inventory, of course, in relation to we're actually selling the products and then you get the penile impact.

And here we got the more or less the full impact in Q3 of this we are on plan with solid integration wise as expected. So that's not a bigger, let's say impact the foreseen that, that on likewise, this one.

Lucas Ferhani - *Jefferies - Analyst*

Just to confirm on those integration cost, I think there was, you talked about some cost to deliver the synergies.

We were there some of those costs already in Q3 above that inventory adjustment or not necessarily. Thank you.

Line Fandrup - *Nkt A/S - Chief Financial Officer, Executive Vice President, Member of the Executive Management Team*

When you look at the application as a total and that's what we report on, right? You know, underlying in soar is of course different activities related to integration that also has a cost bearing, but this is really insignificant beyond what we mentioned here and where we also don't spill it out. Lucas. But as long as the integration is ongoing, we will have a associated cost as in any kind of company integration.

Lucas Ferhani - *Jefferies - Analyst*

No, perfect that that's helpful. And so the the last one and just for the the provisions provisions sorry for, for risking in onshore.

Just to confirm, so there's an element of it being an ongoing process and so it's not completely ruled out that there could be further, maybe one way to look at it would be when you look at the volumes of those maybe products that you sold and also the number of customers that have been concerned and that have been concerned.

Do you feel like you've maybe dealt with a lot of the potential issues from it? And also, I guess, are they all concerned with that issue or it's only a small batch within all of those kind of on products you've sold that are concerned with the issue? Thank you.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

Yeah, I understand the will from your side to get even more details around it and I sympathize with that, like I said before, it is confined to a certain period of production which is has not been recent and it is a process. I can confirm that and we are not at the end of that process, but you also heard me say that we are not overly concerned.

So, and I think I, I hope that that you can grasp something from that part as well. Of course, I cannot rule out as per the early question that we would provide for something more.

But if it would be really material from a group perspective, then then I think you would not hear me express that I'm not overly concerned but, but we also want to be try to be as forthcoming as possible and, and and be able to tell you when the process is fully finalized.

Lucas Ferhani - *Jefferies - Analyst*

No, perfect. That's there. Thanks a lot for the the help. Thank you.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

Thank You.

Operator

There are no further questions for today. I would not like to hand the conference over to your speaker class, vsterling for any closing remarks.

Claes Westerlind - *Nkt A/S - President, Chief Executive Officer, Member of the Executive Management Team*

Yes, not much to say. I think we are very pleased with that you called in. You spent the time with us and we're also proud of the NKT organization, which once again is able to show significant growth.

And I think it's, it doesn't become visible in calls like this, how much effort and work that goes into by the organization to be able to enable this kind of growth.

So we thank for the interest and we thanks for your attention.

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