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NKT.CO - Q3 2025 Nkt A/S Earnings Call

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## PRESENTATION

### Operator

Welcome to NKT interim report for Q3 2025 presentation. Today's call is being recorded. (Operator Instructions)

I would now like to introduce President and CEO, Claes Westerlind and CFO, Line Andrea Fandrup. Please begin.

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

Good morning, everybody, and welcome to this conference call following the release of our interim report for the first three quarters of this year. My name is Claes Westerlind, I'm the CEO, and with me today is our CFO, Line Fandrup. In today's call, in addition to the regular quarterly presentation, we will also introduce our new charging forward strategy, including our financial ambitions for 2030.

I'll cover the strategic direction and business development, while Line will take you through the financials. Let's turn to slide number 3. Before we dive into the presentation, I'd like to draw your attention to the disclaimer. Please note this presentation and comments may contain forward-looking statements.

Now let's move on to our key messages for the quarter. Please turn to slide number 4. The financial performance in the third quarter of '25 was solid. Activity levels remained high across all three business lines, and we maintained double-digit organic growth, driven primarily by applications and Service & Accessories, but also solutions. Operational EBITDA improved across the businesses and reached EUR119 million for the quarter, marking another record high level for NKT and underscoring the solid development shown to date.

Commercially, the quarter was also a success with two important announcements. First, we secured a firm order for the interconnector between the Bornholm Energy Island and Zealand and Denmark. Secondly, we were selected as preferred bidder for the Eastern Green Link 3 interconnector in the UK. We will take a closer look at both projects later on in the presentation.

Our investment products to expand capacity in both solutions and applications continued to progress according to plan and across all sites. We saw solid advancement with the projects taking -- tracking well against both budget and time line. Last but certainly not least, we are launching our new company strategy Charging Forward to guide our direction and continue the growth and value creation towards 2030. We have been through an impressive transformation and made significant progression. The focus shift to execution and value extraction reinforcing NKT's position as a leading pure-play power cable solutions provider.

Alongside the strategy, we are also introducing new financial ambitions for 2030, targeting continued growth and further improvements in operational EBITDA and also ROCE. Before we dive into the short-term development for the quarter, let's take a moment to explore the new strategy.

Please turn to slide number 6. Throughout 2025, we've been running a strategic review process as our current strategy Renew Boost concludes at the end of the year. I'm therefore excited to announce our new strategy Charging Forward, we will guide our journey towards 2030. NKT has undergone an impressive transformation under both renew and renewable strategies. We have delivered strong financial results, launched major capacity expansion projects, significantly increased our high-voltage order backlog and complemented a strategic transformation -- completed the strategic transformation of the company.

Our new strategy Charging Forward is designed to further strengthen our position as the leading pure-play power cable solutions provider. We will focus on executing our substantial order backlog, ensuring we capture further high-value business while delivering on the capacity expansion is already underway. At the same time, we will enhance our sustainable competitiveness to further differentiate NKT as a reliable partner and technology leader.

The name Charging Forward reflects both identity and also our ambition, charging speaks energy flowing through our cables, powering societies and driving the energy transition. It also captures the passion and determination of our people to deliver on our commitments.

Forward, signals progress, building on a decade of transformation to take the next decisive step toward a future defined by reliability, sustainability and innovation. Together, Charging Forward symbolizes momentum, ambition and purpose as we pioneered the energy transition and connect a greener world.

Please turn to slide number 7. Our strategy is built around three pillars: execute, excel and evolve. These pillars form the foundation for our development and value creation as we move toward 2030. The first pillar execute, it's about delivering on our substantial backlog and capacity expansions by effectively managing projects and resources.

Execution will be a key focus area, ensuring we successfully delivered the investment projects that will add additional high and medium voltage capacity and execute on our high-voltage backlog. The emphasis will shift from investing in new capacity to executing on what's already in motion, ensuring we extract the highest value from these investments.

The second pillar, excel is about being a reliable partner for our customers, employees and society and generating greater value from our existing strengths and assets. We will focus on enhancing our competitiveness and unlocking the full potential of our current capabilities, both internally but also in external pursuits.

The third pillar evolve. It's about buying continuous innovation and developing the next generation of technology. It also includes pursuing selective growth opportunities that align with our long-term ambitions. This could potentially also include inorganic options.

Please turn to the next slide where I'll walk you through our financial ambitions. With the launch of our new strategy, we are also introducing updated financial ambitions for 2030. The energy transition and broader electrification of European societies and beyond are expected to continue driving strong demand for power cable solutions. In the latter part of this decade, we will be well positioned for this development through the additional capacity we are bringing to the market from 2027.

As communicated in December last year when we updated our '28 ambitions, the full contribution from our high-voltage investments was not expected to be realized by '28. The new 2030 ambition reflects that full contribution. Our financial ambition for 2028 remain unchanged. And based on the progress we have seen in 2025, operationally, commercially and financially, we are well on track to deliver on those targets.

While the 2028 ambitions are still valid, our forward-looking communication will now focus on 2030 to better illustrate NKT's long-term financial potential and value creation, these new ambitions reflect the full impact of our investments and the expected continued demand for power cable solutions. The financial KPIs remain unchanged, but we are adjusting the base year for organic revenue CAGR to 2024, as it's our latest reported financial year.

Our new financial ambitions for 2030 are organic revenue CAGR from '24 to 2030 of more than 7%, operational EBITDA of more than EUR900 million, return on capital employed, ROCE of more than 22%. The improvement from '28 is expected primarily to be driven by solutions as the full potential of our capacity investment is realized. However, all business lines are expected to contribute to this development.

We are not updating our CapEx expectations beyond '28. But unlike this period, there are no -- currently, no major investments planned beyond 2028. Please turn to slide 9 for a look at the expected CapEx development. When we updated our medium-term financial ambitions for '28 last December, we also outlined our expected CapEx plans for the period leading up to '28. These are the years in which we will execute our major investment to expand capacity, not only in solutions, but also in applications.

For the period of 2025 to 2028, we expect total accumulated CapEx of approximately EUR2 billion. We have executed according to plan during '25 and the phasing of CapEx remains unchanged. This year is expected to be the peak in terms of spend with '26 also at an elevated level. From '27 onwards, CapEx is expected to gradually decline. However, there may be fluctuations between quarters and years depending on the timing of actual payments.

Looking beyond '28, our major CapEx expansion programs will be finalized. At this point, we do not have any major investments planned for '29 and 2030. In the absence of these investments, repair and maintenance is expected to amount around 4% of group revenue measured in standard prices. That said, we will continue to support the business with necessary investments to strengthen and develop our operations further.

Please turn to the next slide. In order to secure the best possible execution of the strategy and unlock the growth opportunities in the market, we are changing our organizational structure. This will strengthen our market position and differentiated power cables offering. We will sharpen our focus and secure to have strong capabilities within large turnkey projects across our high-voltage factories. Customers will remain at the center as we build on close relationships and through local product teams in our core markets, we secure proximity to our customers and responsiveness to ensure dedicated go-to-market focus.

We will target growth opportunities where it will have an impact. We will deliver on our high-voltage order backlog and finalize the current capacity expansion projects, both in our high- and medium-voltage factories. We will increase our local product capabilities to enhance the focus on grid renewal and expansion projects.

Over the last years, we have expanded capacity across several sites. And in the coming strategy period, we will enhance focus on increasing our efficiency and competitiveness. Through a dedicated center of excellence approach and a strong link between local product teams and centralized engineering production, we will drive this approach.

At the same time, a central aspect of our strategy is sustainable competitiveness. And with the changes to the organization, we will maintain a high focus on quality and speed to remain competitive in the market. To reflect the company's strategic priorities, we are updating the business lines, focuses and also names. Going forward, these will be transmission, grid solutions and accessories and distribution.

Please go to the next slide where we will take a closer look at the changes. With this illustration, we show the changes to our business line structure. Solutions becomes transmission, with the products we have won in recent years and orders, we thereby are going to execute in the coming years, the Solutions business line has shifted towards a strong mix of extra high-voltage projects. These projects are best defined as transmission. Compared to the current solutions business line, the only difference is that high-voltage AC projects moves to grid solutions and accessories.

We are establishing a new business line where we combine the HVAC projects, both from solutions and applications with the current Service & Accessories business line. In this strategy, onshore extra high voltage and high voltage AC has been identified as key growth segments, where we see potential within our markets. This is driven by strong electrification, renewable, grid adaptation and renewal trends. Therefore, we established grid solutions and accessories that can differentiate itself as an efficient and reliable turnkey cable provider across the European markets.

The combination of high-voltage AC service and installation and accessories competencies will form a business line with turnkey capabilities and clear focus on realizing the growth opportunities in this important market segment. Following a strategic alignment of our industrial footprint to

establish focused center of excellence, the applications business line becomes distribution. This underlines the business lines focus on medium voltage cables and the power distribution grid segment while continuing the activities within low voltage cables and building wires.

Distribution has focused expertise in power cables for electrical grids, renewable power generation data centers and industrial networks. The change to the business lines will be implemented from 1st of January 2026, and the reporting in the new structure will commence by the Q1 2026 interim report in May. In September '26, we are excited to be able to invite you to an Investor Day in Karlskrona.

Here, we will present the details of the Charging Forward strategy and provide status for each of the updated business lines. On the day, you will also have the opportunity to see the new high-voltage factory with your own eyes. We are looking forward to hopefully seeing many of you in Karlskrona to show the world's largest sea cable factory.

Let us now turn our focus to the third quarter developments. And with that, please turn to slide 13. In Q3, activity levels and solutions remained high, and we continue to execute on our high-voltage order backlog. Several projects were active during the quarter and operational execution was overall satisfactory. Operational EBITDA improved compared to the same period last year.

Applications also experienced high activity driven by continued robust demand in the Power Distribution Grid segment combined with the additional medium voltage capacity that came online earlier this year applications delivered double-digit organic growth and improvement in operational EBITDA.

Service & Accessories continued the strong momentum we have seen throughout '25, delivering an impressive 61% organic growth and a significant increase in operational EBITDA. This was primarily driven by a large offshore repair job executing the quarter, supported by high activity levels across both segments and solid execution.

Let's turn to the next slide for a deeper look at each of the business lines, starting with solutions. In the third quarter of '25, revenue and solutions amounted to EUR459 million, up from EUR429 million in the same quarter last year, corresponding to organic growth of 8%. This growth was driven by continued high activity levels as we progressed through our high-voltage order backlog with overall satisfactory protection. Once again, installation activities were at a high level, and our cable lay vessel NKT Victoria was well utilized.

Operational EBITDA reached EUR74 million in the quarter, an improvement compared to Q3 and '24. The margin landed at 16%, up from 15.5% in the same quarter last year and also improved sequentially compared to Q2 this year. This was driven by sustained high activity levels and a slightly improved product mix among the orders in execution. As a reminder, in the product business, like NKT, quoting margins may fluctuate depending on the sale of the projects. However, the overall trajectory towards our 2028 ambitions and now 2030 is confirmed by this performance.

During the quarter, we saw progress across several different projects, including Champlain, Hudson Power Express, Hornsea 3, East Anglia 3, Bayer Biscay, SuedLink and SuedOstLink. At our sites in Karlskrona and Cologne, the investment programs to expand high-voltage capacity progressed as planned. The same lies to our second cable lay vessel, NKT Eleonora. I will return to the states of these individual projects later on in the presentation, but the key message is that all remain on track to become operational from '27.

Please turn to Slide 15 for an update on the high-voltage market and our backlog. Firm orders awarded across our addressable market amounted to an estimated EUR4 billion in the first 3 quarters of '25. And as in previous years, this was primarily driven by DC technology. In addition to these firm orders, preferred supplier agreements, such as we entered in for EGL 3, add further commercial momentum, while the total awarded volume is lower than what we saw last year, it remains high in a historical context and underscores the structural demand in the market.

Projects are increasing in size, which impact both investment and governance processes. These projects often depend on permits and political decisions, meaning that awards can shift between quarters or even years. Our high-voltage order backlog increased to EUR10.4 billion, up from EUR10.1 billion at the end of the first half.

This was mainly driven by the firm award of the interconnector to Bornholm Energy Island in Denmark, supplemented by small orders for AC technology. In addition to the firm backlog, we have booking commitments from customers expected to convert interfere orders over the coming

years. These commitments amount to more than EUR3.5 billion. Importantly, the preferred supplier agreement for Eastern Green Link 3 is not included in any of these figures. It will be added to the backlog once the firm contract is signed.

The composition of the backlog remains unchanged. Over 90% of our orders are in TSOs. In terms of application, around 55% related to interconnector projects and approximately 40% to offshore wind. Together with booking commitments and the EGL 3 agreement, our backlog provides strong visibility into the coming years and supports our medium-term financial ambitions for both '28 and '30.

NKT is well positioned to focus on long-term development, and we remain highly active in commercial pursuits, maintaining a disciplined approach to optimize utilization, risk and profitability across our production and installation assets. Our view on market development remains unchanged. For the period '24 to 2030, we expect awards in our addressable markets to average more than EUR10 billion annually, while short-term fluctuations are actual due to product timing and size, we remain confident in a healthy supply-demand balance throughout the decade. Our expectation is that the market will move into a more balanced territory in the 2030s also remain unchanged.

Please turn to the next slide for a look at our commercial announcements in the third quarter. During the third quarter, we made two important commercial announcements. First, in early September, we were awarded a high-voltage direct current interconnector between Bornholm Energy Island and Zealand in Denmark, the project with a total route length of 217 kilometers represents a key step forward for key infrastructure in Denmark, Germany and also Europe.

We will design, manufacture and install the power cable system, which is expected to be commissioned in 2032. The contract value is approximately EUR650 million. And this award follows the 2023 award of the connection from Bornholm to Germany, which was a part of a broader work agreement with the German TSO 50 hertz.

A few weeks later, we announced that we have been selected as the preferred bidder for Eastern Green Link 3 in the UK. This product is a joint venture between Scottish and English TSOs, SSE and National Grid. It's a key component of the UK's major investment program to upgrade the electricity transmission network and deliver clean, reliable energy through a resilient and efficient grid. For EGL 3, NKT will also design manufacture and install the cable system, which will span a total route length of 680 kilometers, linking the power grids in Scotland and England. Negotiations towards a firm contract are progressing as expected.

Please turn to slide 17 for a look at applications. Revenue in the Applications business line amounted to EUR208 million in the third quarter of '25, corresponding to 12% organic growth, maintained the positive momentum from the first half of the year. Growth was driven by continued robust demand in the power distribution grid segment, supported by the additional capacity coming online in the Czech Republic and Sweden earlier this year.

Development in the construction exposed segment remains subdued overall though performance varied across markets and subsegments. Revenue in this area was lower than in the same quarter last year, but stable compared to Q2 this year. Operational EBITDA increased to EUR22 million, up from EUR14 million in Q3 '24, driven by high demand and revenue in the Power Distribution grid segment. The margin improved to 10.7% compared to 7.6% last year, which was negatively impacted by reoccurring costs related to inventory revaluation in SolidAI.

As mentioned, demand for medium voltage cables remains robust, driven local European TSOs and DSOs, enhancing, upgrading and strengthening their power distribution grids. With the additional capacity added this year, we have been able to meet this demand and support continued organic growth.

Please turn to slide 18 for an update on Service & Accessories. Service & Accessories continued its strong development in the third quarter, revenue reached EUR98 million, EUR38 million higher than the same quarter last year, corresponding to an impressive 61% organic growth.

This growth was primarily driven by a large offshore repair job of the Beatrice wind farm in Scotland, which was successfully executed and completed during the quarter. Both the Service & Accessory segment maintained high activity levels and beyond the major repair job, service benefited from ongoing maintenance, repair and installation work, all executed satisfactory.

In accessories, demand remained strong across both medium- and high-voltage segments. Projects currently in execution within our high-voltage order backlog also contributed positively. Operational execution was solid, supporting increased profitability for the quarter.

Our test hall in Alingsås, Sweden is now operational, and the additional capacity is ramping up, expected to be fully phased in during the fourth quarter of this year. Operational EBITDA increased to EUR23 million, a significant improvement from EUR8 million in Q3 last year. The margin reached 23.4%, up from 7.1% last year. This was mainly driven by improved profitability in the accessory segment and the large offshore repair products mentioned earlier.

Please turn to the next slide where I will provide a status overview of our investment projects. We continue to make solid progress on our ongoing investment program to expand capacity, and all projects are progressing according to their individual plans. As a result, our expectation of accumulated CapEx of approximately EUR2 billion for the period of '25 to '28 remains unchanged. In Karlskrona, multiple activities are ongoing simultaneously across various locations. Machine and stations are underway in the tower and other buildings, including stranding lines and conductive care cells.

A clear visual sign of progress is the removal of external cranes and equipments on the tower, dredging of the harbor to increase water depth for NKT Eleonora also progressed as shown in the top left image, with all plans on track, the new capacity is still expected to be operational from 2027.

The construction of our second cable lay vessel, NKT Eleonora is also progressing as planned. The individual sections of the hull are coming together piece by piece. The app section construction separately at another shipyard has now reached completion and has been told to the main shipyard, where it will be joined with the frontier structure, final outfitting of the vessel will take place in Norway during '26 and in parallel with the factory expansion, NKT Eleonora is expected to be operational from 2027.

In Cologne, progress on expanding high voltage capacity also continued in line with expectations. Machinery and equipment installations are advancing and the additional capacity is likewise expected to be operational from 2027. In applications, the construction of additional medium voltage capacity in Alingsås in Denmark is entering its final stages.

The new facility is now visibly taking shape as shown in the right image. Following machinery installation, testing will be conducted before capacity comes online in 2026. Construction at the site and as posed Portugal is progressing at land, and the full additional capacity is expected to be operational in 2027.

This, ladies and gentlemen, concludes my part of the presentation, and I will now hand over to Line, who will take you through the financials. Please turn to slide 20.

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

Thank you, Claes, and good morning from me as well. I'll now walk you through the financial highlights for Q3 2025. I'll start off with the income statement on slide 21. Revenue in the third quarter amounted to EUR726 million, up from EUR657 million in the same quarter last year. Organic growth was 13%, driven by higher activity levels across all 3 business lines, each reporting solid positive growth rates.

Operational EBITDA for the quarter was EUR119 million, an increase of EUR26 million compared to Q3 2024. This marks another quarterly record high result for NKT. The EBITDA margin improved to 16.4%, up from 14.2% in the same quarter last year, with margin improvements seen across all business lines, supported by strong activity levels.

Depreciation and amortization increased by EUR5 million to EUR32 million. This is reflecting our ongoing investments. EBIT landed at EUR88 million, up from EUR71 million last year at the same time. Financial items for the quarter amounted to an income of EUR1 million mainly driven by interest income and our cash position.

Tax for the quarter was EUR21 million, up from EUR14 million in the same period last year due to the higher earnings level. The effective tax rate for Q3 2025 was 24%. This leaves us with a net result of EUR67 million for the quarter compared to EUR57 million in Q3 2024. For the first nine



months of 2025, net result amounted to EUR178 million. Our employee headcount continued to grow, reflecting our ongoing expansions and investments. On average, more than 6,200 people were employed at NKT during the third quarter of 2025.

Let's now turn to the next slide to look at the capital development. Free cash flow in the third quarter was negative EUR102 million, primarily driven by a negative impact from changes in working capital and continued investments during the quarter. Changes in working capital resulted in an outflow of EUR51 million, reflecting the pacing of specific milestone payments in the Solutions business line. This development only partly offset the positive contribution from operational EBITDA.

Investments during the quarter amounted to EUR170 million. This is consistent with the high activity level across our investment program. The level of investment is in line with previous quarters, and we expect elevated levels to continue in the coming quarters. Net cash flow for the quarter was negative EUR118 million.

Let's turn to slide 23 for a look at the balance sheet. At the end of the third quarter, our working capital position stood at negative EUR1.1 billion. This presents a slight worsening of decision of EUR39 million compared to the end of the first half, primarily due to phasing of specific milestone payments in the solutions business line as previously mentioned in the cash flow discussion.

Capital employed increased by EUR192 million during the quarter, reaching nearly EUR1.4 billion. This was mainly driven by our ongoing investments as well as the slightly negative working capital position compared to the same period last year, capital employed has nearly doubled, despite the increase in EBIT rose a decline to 27%, down from 30% at the end of Q3.

Looking ahead to be mindful of, ROCE will continue to fluctuate between the quarters. This is influenced by operational earnings, customer payment time and the growing asset base from our investment programs, which will ramp up over the coming years.

Our net cash position declined slightly and stood at approximately EUR650 million at the end of the quarter, and we are thereby maintaining a robust financial position. This position is essential for fund our investments and supporting and continued growth journey in the years ahead.

Please turn to the next slide for a look at the outlook of the year. Based on our financial performance in the first three quarters of 2025 and our expectation for the remainder of the year, we are maintaining our financial outlook for 2025. However, we now expect to conclude the year at the upper end of the previously communicated ranges. Revenue is expected to be in the range of EUR2.65 billion to EUR2.75 billion. Operational EBITDA is expected to be in the range of EUR360 million to EUR390 million.

The financial development in Q2 was in line with expectations, and the underlying assumptions communicated in August remain unchanged. This also includes the higher cost base in solutions to support the ongoing investments and production ramp-up.

The dilution on group margin in 2025 from these costs is still expected to be slightly higher than they are around 1 percentage point in 2024. This solution will remain or even slightly increase into 2026 as we're actually nearing the ramp-up.

Looking explicitly at Q4, we don't expect to be able to maintain the EBITDA level seen in the last quarter. There are a couple of things you need to take into consideration. The implant project is nearing completion, and the activity level and solution will thereby be lower. In Service & Accessories, we do not expect we can repeat a very good quarter, and we do not expect to have a repair job like the one we had in Q3.

And lastly, execution always plays an important role and has -- and doesn't have an insignificant influence on profitability in an individual quarter. As always, it is important to consider the assumptions behind the outlook. These include a satisfactory execution of high-voltage investment and projects across all business lines, stable market conditions for applications and services and accessories, a stable supply chain with limited disruptions, continued access to required labor, materials and services.

As a product-based company, NKT is increasingly exposed to production and installation risks, particularly within the Solutions business. We continuously monitor these risks, which could impact financial performance also right to the end of the year.



Please turn to the next slide. Before we conclude the presentation and hand over to the operator for the Q&A session, let me briefly recap the key messages. The financial performance in Q3 2025 was solid. We delivered 13% organic growth and reported a new quarterly record high operational EBITDA of EUR119 million. We made two important commercial announcements. In Denmark, we were awarded the interconnector between the Bornholm Energy Island and Zealand. And in the UK, we were selected as preferred supplier for the Eastern Green Link 3 interconnector.

We continue to make solid progress on our investment projects to expand capacity in both solution and applications. The new high voltage capacity in Karlskrona and Cologne remains on track to be operational from 2027 and the additional capacity and application is expected to come online during 2026 and 2027.

Last, but certainly not least, we launched our new strategy Charging Forward, which will guide NKT towards 2030. Alongside this, we introduced new medium-term financial ambitions for 2030, including organic revenue growth CAGR of more than 7% from 2024 to 2030. Operational EBITDA of more than EUR900 million and ROCE above 22%.

With that, we conclude the presentation. And I will now hand over to the operator to guide us through the Q&A session.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Claus Almer, Nordea.

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### Claus Almer - Nordea Markets - Senior Analyst

Thank you. First of all, congratulations on a very strong (inaudible) I hope you can hear my voice. There's been a lot of issues with the connection at East. So first of all, can you hear me?

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

We can hear you. Not perfect, but we hear you.

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### Claus Almer - Nordea Markets - Senior Analyst

Okay. So the first question goes to the whole pipeline, these conditional orders, when should we expect those -- some being converted to a firm order guess earlier this year, you're more optimistic about happening this. Is that still the case, that would be very spot.

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

Thank you, Claus, if you allow me to answer that. And with the pipeline, I interpret that you refer to the slot commitments, the EUR3.5 billion -- more than EUR3.5 billion and also the perhaps the supplier agreement or the selection in EGL 3.

Initially, when we went into this year, I think the original plan was that part of the EUR3.5 billion would be converted during this year. We did earlier this year also communicate that, that may not be the case and that was referencing to natural days, including lack of soil information actually to make that clear conversion.

So for now, we expect part of that to be converted during next year. EGL 3, as we have said also in the announcement, and I think I also presented earlier now, their negotiations go as planned, but whether those will culminate in the end of this year or beginning of next year, it's difficult to say.

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**Claus Almer** - Nordea Markets - Senior Analyst

Giving the backlog (inaudible) anyway. Thanks for the clarification. My second question goes to the 2030 ambitions. If you look at the ROCE target of minimum 22%, now you did 27% above 30% year-to-date, and I know there will be more tax coming on. But minimum 22% doesn't that sound a bit conservative.

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

Thank you for the question, Claus. I think fair to say that 22 -- rose above 22%, we actually consider a very strong level in terms of returns on capital employed for this kind of business also, I think that's a good benchmark. What we will look into for 2030 and the year is of course, that we will secure that we do risk instruments that they are value accretive to RoCE.

But it's also clear that when we come to a certain level, and we continue to invest in both safety and sustainability for the company as well as others, that there will be choices which may not support even higher RoCE than the one we now have an ambition around. So I think the balancing act on that. But we do expect a very solid return, and I do think we can be proud to say that we will be above 22%.

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**Claus Almer** - Nordea Markets - Senior Analyst

Okay. Then my final question. Going to Service division. Yeah, very strong Q3 and Q2 as well was strong. If we start to put into our stats that maybe once a year, you have these high activity level for jobs? Or how do you see the outlook for this integration?

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

Thank you for the question, Claus. It is -- I think we have also communicated previously, and you're also personally well aware that of course, the service business line is driven from a revenue and EBITDA perspective out of two different dimensions. And now I put the accessories business line for the side, once the sustainable business coming from topics like service level agreements, inventories spare parts topics, and similar aspects, including also providing support to the solutions business line when it comes to jointing services.

This is something which -- where you can have plans, ambitions and realize them in a structured manner over time. What is more delicate and less easy to plan is, of course, then the especially emergency repairs that come and go. We have had years with 0 offshore repairs, and we have had years with an unusual high amount or an unusual potentially complex repairs also then boosting both revenue and EBITDA.

I think with the fact that a lot of more cables are being installed in Europe and around the world, the number of accidental repairs I guess can also be expected to go up. But this is not something that we are planning with firmly. This is yet to be seen. So we had -- we have a normal expectancy of a repair rate as we move into the year, and it's fair to say that '25 has surpassed those expectations.

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**Claus Almer** - Nordea Markets - Senior Analyst

But given the -- which was not your own, does it mean that you actually are maybe not superior, but top of the pop when it comes to repairs or is it about available capacity?

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

You're asking me, and I'm highly biased, Claus, of course. So I would indeed say that we have a strong offering and also strong ability when it comes to executing repairs that goes for our own cables, but also from cables provided by others. But of course, it's a combination. It's a combination between having the ability and also having the availability to conduct repairs. But typically, this is something where at least we believe that we are strong, yes.

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**Claus Almer** - Nordea Markets - Senior Analyst

Thank you so much.

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**Operator**

Lars Topholm, DNB Carnegie.

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**Lars Topholm** - Dnb Markets - Analyst

Yes, a couple of questions from me. I apologize if you have already answered them, but the sound quality isn't that good. Looking at your '28 outlook and just doing very simple math both the 7% minimum growth and the EUR900 million minimum EBITDA that gives me a 2030 margin of 24%. And of course, I know this is not a margin guidance, but can you at least confirm you're looking in margin well above 20%. And fair to assume that solutions will be accretive of that group margin? That's my first question.

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

Thank you for the question, Lars. And I think you're doing the math, I think you would arrive at something like that. So -- so we are looking into a strong backlog and awards of the recent years that would take us into a very solid space. And that also means that it's a yes to the question you have on the solution margins because that it is a strong contribution to that level for sure.

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**Lars Topholm** - Dnb Markets - Analyst

So we are talking at solutions margin of 20% or higher. Is that a reasonable --

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

So we are not guiding on the business line. It's particularly right. And what we have said earlier, which still stands is that all business lines will be double-digit EBITDA margin is our expectation, but we really want to, let's say, draw their attention to the absolute contributions on EBITDA and that also goes for solutions that would be in a high level. So not confirm your number, but I will also not correct you on it.

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**Lars Topholm** - Dnb Markets - Analyst

Okay. That's fair, Line. Then a bit in line with this. So if I look at your '28 targets, which still stands minimum EUR700 million on EBITDA. So from EUR700 million to EUR900 million to take that as a EUR200 million increase from 2028 to 2030? Or should I take it that with EUR900 million for 2030, I'm not based on where you expect to be in 2028. Question made sense. But I should assume EUR200 million in incremental EBITDA in '27 -- sorry 2028 and '30.

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

I think, Lars, we are not fully sure if we understand the question, but I think as the targets are stipulated, I think that's the right conclusion, more than EUR700 million, more than EUR900 million, obviously reducing the difference of EUR200 million. But I think maybe you were alluding to where do we think we really are how much above the EUR700 million are we in our own expectations? So if that's what you're alluding to and to compare with more than EUR900 million. And there, I think as you -- I'm sure you understand, we would defer commenting on that, just ratifying the math that you did just now.

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**Lars Topholm** - Dnb Markets - Analyst

That's perfectly fair. Then I did reverse on your full year outlook for this year. So assuming you reach the high end of both revenue and EBITDA typically EUR671 million in revenue and EBITDA margin of 12.7%. Both would be the lowest level of many orders is something I'm missing that I should be aware of Line, to performance on these seven quarters? Or is it simply illustration as you guys prefer to be a bit conservative?

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

Thank you for the question, Lars. And I think there's something very obvious, there's a difference between Q4 last year and this year, and that is the subcontracted scope and Champlain. And I think this was one of the key elements going into '25 guidance, and it still is for Q4 also a part that you cannot neglect in trying to understand how is solutions going to end up in Q4 '25. So I don't think it's attributable to our style of communication, but truly to underlying business opportunities.

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**Lars Topholm** - Dnb Markets - Analyst

And then a final question, sir. So you mentioned the ramping up costs in Karlskrona and that hurt margins 100 bps right now on group level, which just means 150 bps should you also mention that increase all -- so how should I think of this effect looking into 2026?

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

It's a super good question and happy to answer on that. As you pick it up as we also communicated it. And I think without being numerically specific for '26, it's very important for us to highlight that, of course, depending on the exact time that the factories eventually come on line and we have more expansions in -- both in Denmark and in Portugal and Karlskrona ongoing right.

We will make sure that we have the operational employees in place and train beforehand. And that is not -- is expected to temporarily dilute the margin in 2026 with a bearing on the EBITDA, and I think it's really important to take note of this element.

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

If I could just allow to complement that comment also with the fact that we talk about 1% round about in the report for this year, but we can expect that to increase going into 2026. So I think it is an important aspect that you put the finger on, Lars there that we want to get up into the ether.

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**Lars Topholm** - Dnb Markets - Analyst

Okay. Thanks for answering my questions and congratulations to the amazing quarter.

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**Operator**

Akash Gupta, JPMorgan.

**Akash Gupta** - JPMorgan Chase & Co - Analyst

Yes, hi. Good morning. Thanks for your time. Sorry, my audio quality is also not that crystal, Claes, if you have answered my question earlier. And the two questions from me. And the first one is on visibility like recent the revenue and EBITDA (inaudible) [clause] in your risk plan, can you talk about -- because you had the fixed number of the capacity and where we sort be like remember on this back and some of the framework agreements like the deferred bill. Can you give us some indication on what sort of visibility do you have for 2030? And then for Line, what's the base case for DNA in '30? And we can then calculate to be underlined of 2030?

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

Thank you, Akash. Indeed, as you said, the sound quality is not great. But what I understood from your question and you correct me, Akash, if I misunderstood it, it's about visibility for 2030 drawing up on our backlog, our order commitments and EGL 3 and the response on that from my side would be that -- and I will not give you a percentage number here, but what I can say is when I look at the period up to and including 2030 and in that, I include the backlog, the 10.4.

We had a EUR3.5 billion or in excess of ball commitments. And on top of that, EGL 3, I would allow myself to you that we have good visibility in terms of both loading and earnings up until 2030. We are not fully loaded with products. We still have to win further products, but we have a good visibility.

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

And I can continue on the DNA. And I think what we have said earlier, Akash, is that at least we have confirmed that a number coming closer to 200 million DNA in 2028 was around the level you could expect. And then what you know also is that we are running a large CapEx program towards '28 and with some tools also coming in. So towards 2030, it will gradually increase somewhat also. So I think you need to model a little bit here from that angle.

**Akash Gupta** - JPMorgan Chase & Co - Analyst

Follow-up on 2028 guide. So I think there was expectations and that you migrate your 2028 target given one of your competitor in transmission business last time you gave your 2028 outlook guidance seem to 18% margin and now guide for 20% margin. So the question is now in 2028, how do you see potential to 2028, do you think this already important solid execution or would there be upset on how you deliver underpin capacity expansion will come online in the next eight months? Thank you.

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

It's again, I think the sound is an issue for us, Akash. But I think with respect to the '28 targets, we will commit to what we have in arriving and what has been arriving in the past. On your questions, could there be upsides? I think it is also we have talked about the solutions perimeter varying from quarter-to-quarter also, of course, being impacted by execution that can have a positive impact and can also have the opposite impact.

So I think there can indeed be an impact. Another impact could be as we have also flagged before, if we were to be able to prepone the commissioning of some of the assets currently under investment, this could also provide an upside. So I think there can be upsides, but our commitment here today remains as it was yesterday with the written targets that are out there.

**Akash Gupta** - JPMorgan Chase & Co - Analyst

Thank you.

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**Operator**

Kristian Tornøe, SEB.

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**Kristian Johansen** - *Seb Enskilda (London) - Equity Analyst*

Thank you. Two questions from my side. So Claes, in your remarks to start with, I think you said that even behind your 2030 is that it assumes full contributing from your capacity investments. So maybe just exactly if you could clarify that. And also -- does that mean when we think about years beyond 2030 that in order for you continue sort of meaningful earnings growth, unique investments.

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

Thank you, Kristian, for the question. And the answer is yes, in 2030, we assume full utilization of the assets which are currently under investment beyond 2028, the added utilization of revenue growth will be primarily coming from the solutions perimeter. Now having said that, of course, as we said, there are no major investment projects planned beyond 2028, but that's also not the commitment that it won't happen neither organically or inorganic, but that is something that we would have to come back to.

But I would also underline that there are, of course, also still ways of increasing our value extraction or value creation that by means and measures of, for example, efficiencies, which is something that we are pursuing today and we will also keep pursuing into the future. There is the aspect of the more supply-demand situation with the market, if it's more favorable, less favorable, that could also have, of course, also an impact on the earnings beyond 2030.

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**Kristian Johansen** - *Seb Enskilda (London) - Equity Analyst*

Understood. Very clear. Then my second question goes to 2026, I guess your visibility for next year is pretty good. You add just previously that we should expect higher dilution from the ramp-up costs. What -- I mean, I know I'm not going to get the 2026, but are there other build-outs mix composition of the backlog like that we should be aware of in sort of doing our '26 estimates?

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

Yeah. Line, both, I think, will comment. I think we wanted to draw your attention to the OpEx drag that we feel is highly vital to be taken into account when trying to look at the Solutions divisions from '24, now we are in '25 and then going into '26 before the investment starts to turn in '27.

Another piece of information that I would draw your attention to is the margin mix where there is also perhaps an expectancy that there will be a quicker transition from legacy product into more recently on products. And I think we have communicated this in the past, but I just want to underline that again that significant transition from legacy products into more recently won projects will be done in 2027. So I think that's what I would add to the OpEx drag point.

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

Yeah. I don't have anything.

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**Kristian Johansen** - *Seb Enskilda (London) - Equity Analyst*

So just to clarify, you're saying that when you sort of consensus numbers really assuming a bit too fast conversion of the backlog to higher-margin projects?

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

I think I wouldn't comment on the consensus, but I think to a large degree, you really have to listen into what we try to say now and make sure that the EBITDA, when you look at the total group relative to revenue next year also that you count in this OpEx strategy, I think that's really what we want to make sure.

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**Kristian Johansen** - *Seb Enskilda (London) - Equity Analyst*

Thanks.

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**Operator**

Xin Wang, Barclays.

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**Xin Wang** - *Barclays Services Corp - Equity Analyst*

Hi. Thank you for taking my question. I have one on Q3 and one on the new medium part. My question around solutions. Do you have any written agency release in the quarter EBIT margin in Q3 as some of the projects that I think are close to delivering still, for instance, having significant price in the presentation. So I assume the rate in Q3.

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

Thank you for the question, Xin. Yeah. If I just answer on that. I think you know us well enough now to know we don't comment on project specifics. I think how you should look at solutions execution is overall satisfactory execution of the whole portfolio. And with that also not saying anything about special releases, it's a good quarter in that sense.

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**Xin Wang** - *Barclays Services Corp - Equity Analyst*

Okay. Maybe also an update on the orders. So you get more variation orders in Q3 of this year. I just wanted a sense of whether the guidance in the Q4 revenue is not skewed by additional variation orders?

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

No. And we can confirm it's not. And I think also just to be a little bit more specific, I think we discussed and gave some transparency on variation orders after Q2 because there was, let's say, over normal level and thereby also creating the financial, as you saw them, we are more back to usual levels. We will not have always a very far visibility to variation orders. So of course, things can change. But right now, we don't sit with something we want to make sure you know about Q4 in this regard.

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**Xin Wang** - *Barclays Services Corp - Equity Analyst*

That's clear. Thank you. The midterm targets. I think you all kept the leverage ratio below 0. I think, obviously, this time is refreshment with awareness. But with a different backlog and free cash flow generation play, would you think net cash is still appropriate by them?



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

It's just to say a few points to the choice of the leverage below 0. It is important for NKT at current and also while we undergo this large investment program to have a current service capital structure. It's about making sure we have the cash available for the investments, but it's really also in an intense growth period, which started already back in '23, making sure we have the facilities we need to tender and execute on the project in solutions. This means adds to significant levels of guarantee lines and financial derivatives. We need to have a very solid capital structure and thereby the business we laid it forward.

We do also have net working capital swings that are not insignificant to our cash position variable quarter-over-quarter, we see it rather stable but this is also important. So for now, that's the ambition level we have. And then, of course, in the future, it's obvious with the EBITDA above EUR900 million in 2030 and not a communication as of this day of a large investment going coming, you can do the math and you can see that the cash generation out there will be at a completely different level compared to where we are now.

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**Xin Wang** - *Barclays Services Corp - Equity Analyst*

Very good. Thank you.

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**Operator**

Chris Leonard, UBS.

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**Christopher Leonard** - *UBS AG - Analyst*

Can you get into Q4, and as you probably more into '26, you speak obviously the dump up costs sort of intensified. I wonder, can that be mitigated by the reduction in variation orders that you're likely to next year, which obviously carried as you said previously, a lower margin and a mix headwind to -- so could those 2 of the ramp-ups and the variation orders cancel each other out once the outlook out to '26?

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

Thank you for the question, Chris. If I got it right, you're reflecting about whether there may be any kind of margin dilution from '25 on variation orders would then be the contrary effect year-over-year with the possible ramp-up costs. I don't think that's how you should look at it.

When you look at 2026 in your proceed, I would just be stressing again what we said a couple of times, we were mindful about the ramp-up. That's very important. How variation orders are going to pan out in '26? Let's see. I understand your tempo on a logic, but I don't think we can draw the -- we don't want -- we don't want to lead you to draw that conclusion.

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**Christopher Leonard** - *UBS AG - Analyst*

Okay, great. Thanks for your help. That's all from me.

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

Okay. I think with that, ladies and gentlemen, we are at 11:00, and we want to thank everybody for listening in and for the good questions. And we hopefully will see many of you in the coming days. Thank you for today.

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