

# NKT

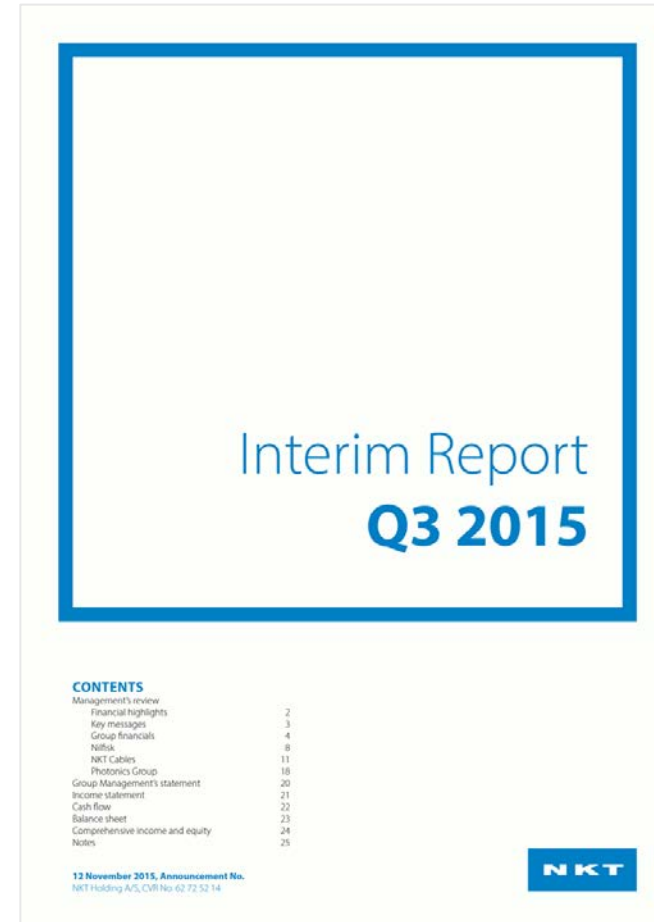
## SEB Nordic Seminar 2016

Copenhagen, 8 January 2016

# Forward looking statements

This presentation and related comments contain forward-looking statements

Such statements are subject to many uncertainties and risks, as various factors of which several are beyond NKT Group's control, may cause that the actual development and results differ materially from the expectations



# Introduction



**Michael Hedegaard Lyng**

*Group Executive Director*  
NKT Holding

*President & CEO*  
NKT Cables

# Agenda

## Introduction to NKT




### Business units

- Nilfisk
- NKT Cables
- Photonics Group

### Questions & Answers

# Industrial conglomerate with a global presence...

## NKT Holding A/S

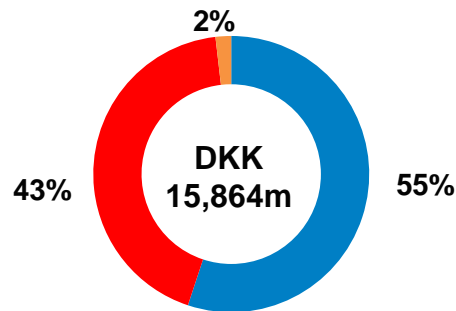
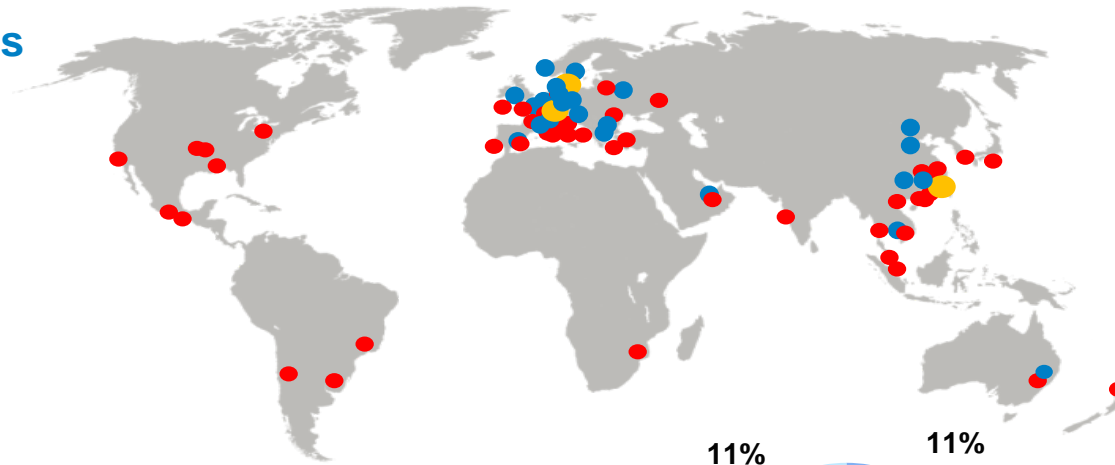
Business area	Key Products		Geographic coverage	Revenue	Employees
<b>NKT Cables</b>	<ul style="list-style-type: none"> <li>• Low &amp; medium voltage</li> <li>• High voltage cables</li> <li>• Submarine cables</li> <li>• Railway wires</li> </ul>		Nordics, Central and Eastern Europe, APAC	DKK 8,738m (55%)	3,220
<b>Nilfisk</b>	<ul style="list-style-type: none"> <li>• Floor care machines</li> <li>• Vacuum cleaners</li> <li>• High-pressure washers</li> </ul>		Global presence	DKK 6,836m (43%)	5,420
<b>Photonics Group</b>	<ul style="list-style-type: none"> <li>• Fiber Lasers</li> <li>• Optical Fibers</li> <li>• Optical process equipment</li> </ul>		Europe, North America, Asia	DKK 290m (2%)	209
<b>Total</b>				DKK 15,864m	8,860

FY 2014 data. Revenue in market prices. Employees at year end. Total employees include ~11 employees in NKT Holding (IR, Legal etc.)

# ... and strong European positions

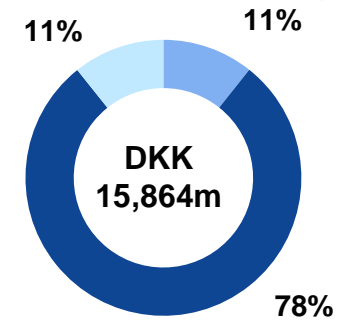
## Sales and manufacturing facilities

- NKT Cables
- Nilfisk
- Photonics Group



## Sales by business area

- NKT Cables
- Nilfisk
- Photonics Group



## Sales by geography

- EMEA
- Americas
- Asia-Pacific

# Clear value creation themes defined for each business unit



## GROWTH

- Commercial Excellence
- Front-end investments
- Consolidation via M&A

Revenue (DKK)	6,836m
EBITDA margin	11.7%



## PROFITABILITY

- EXCELLENCE 2020
- Focus on profitable markets & customers
- Functional excellence & organisation

Revenue (DKK)	8,738m
Oper. EBITDA margin	8.0%



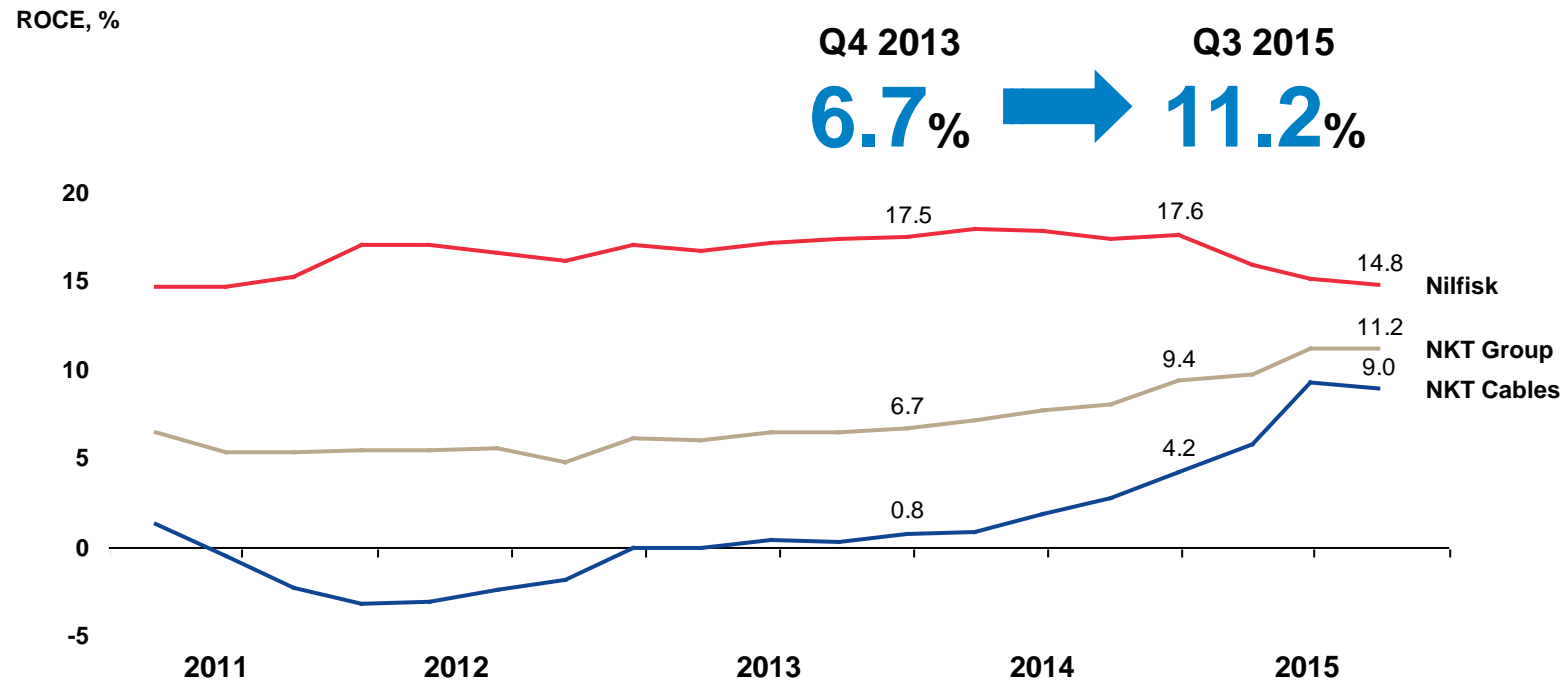
## COMMERCIAL SCALE

- Execution on core business strategy
- System offerings

Revenue (DKK)	290m
EBITDA margin	7.2%

# Overall target to reach ROCE above 15%

## Return on Capital Employed, LTM



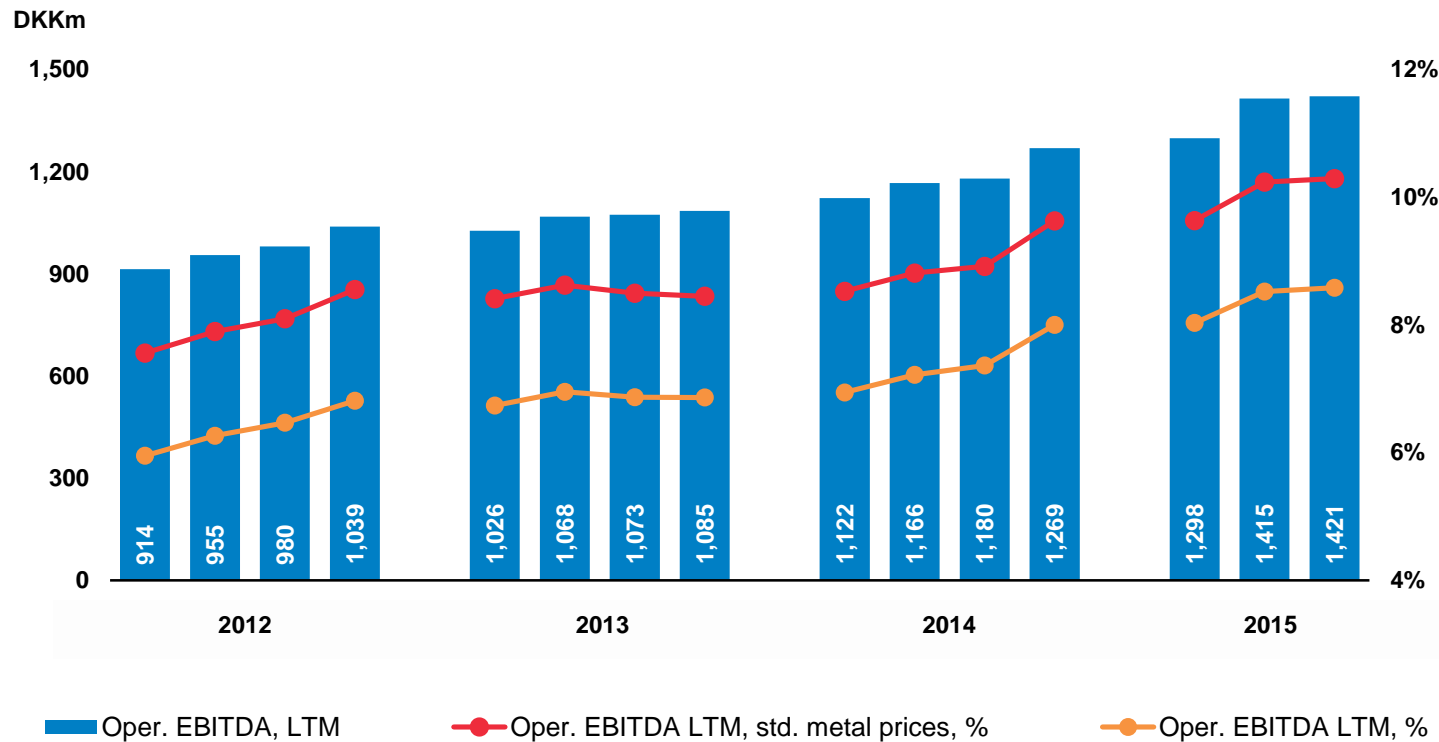
### Above 15% ROCE target

- Leverage Nilfisk for further investments in growth
- Bring NKT Cables to 15% ROCE by end 2019



# Operational EBITDA increased ~55% since 2012

## Operational EBITDA, LTM

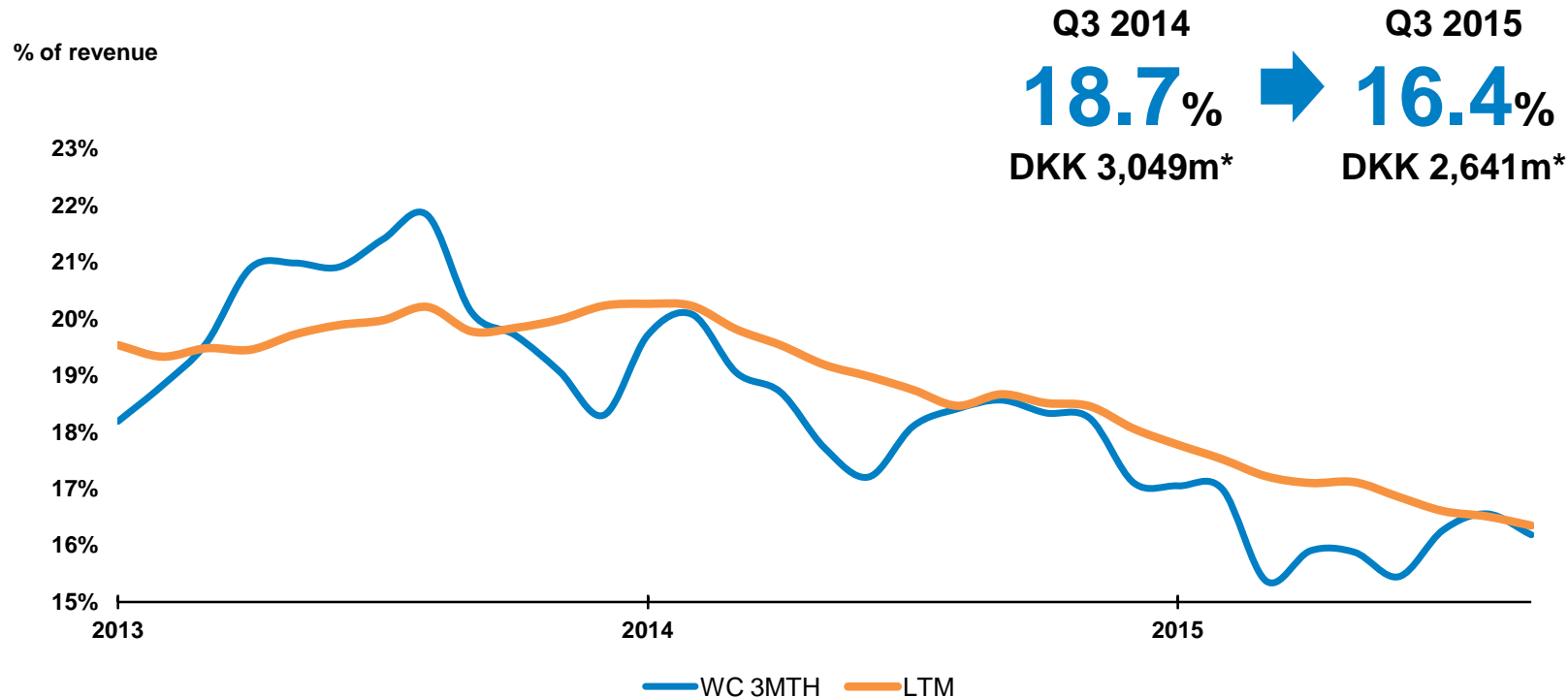


**Operational EBITDA,**  
increased to DKK 1,421m  
(2012 Q1: DKK 914m)

**Operational EBITDA margin**  
increased to 10.3%  
(2012 Q1: 7.6%)

# Working capital improvement continues and at lowest level since 2010

## Working capital



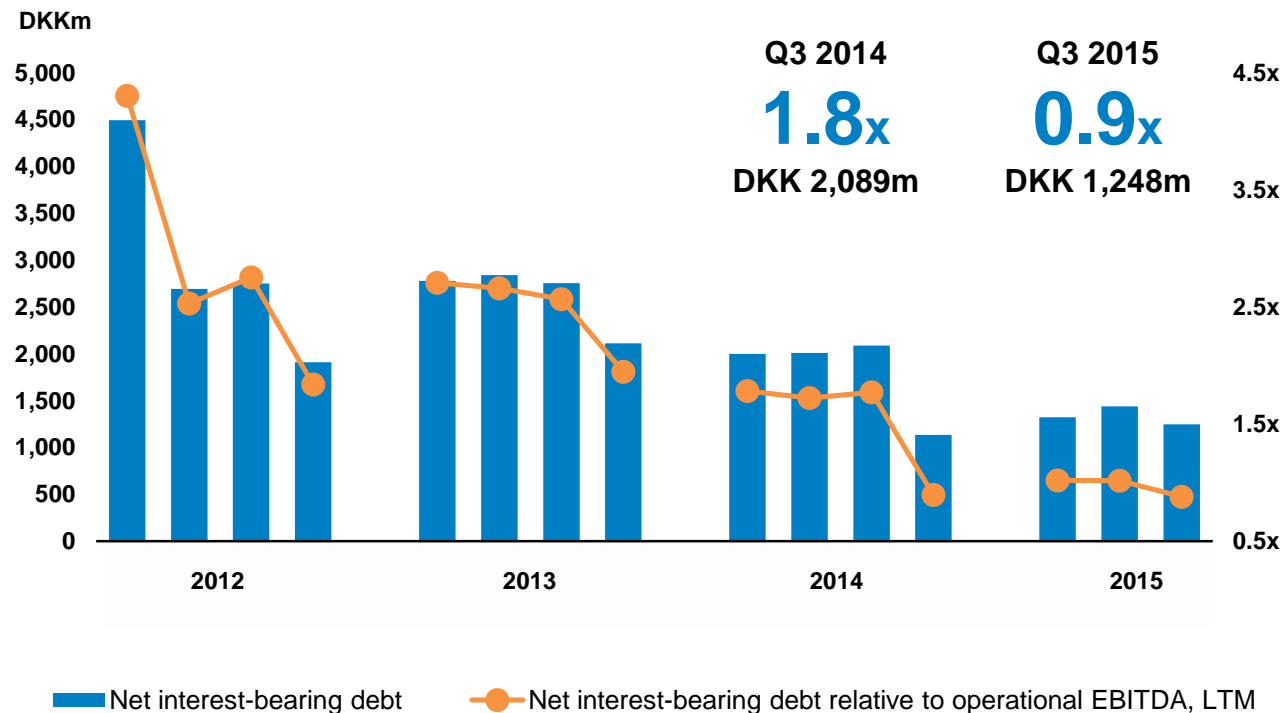
In NKT Cables, working capital ratio, LTM, continued to **decline to 13.0% from 14.0%** at end-June 2015

In Nilfisk, working capital ratio, LTM, was unchanged **20.2%** from end-June 2015

Long-term expected working capital level ~15%

# Solid capital structure assures strategic flexibility

## Net interest-bearing debt



- **Strong balance sheet and significant cash flow** allow us to pursue long-term value creation
- **Capital structure targets**
  - **Debt ratio** 2,5x operational EBITDA (Q3 2015: 0.9x)
  - **Gearing ratio** max. 100% (Q3 2015: 21%)
  - **Solvency ratio** above 30% (Q3 2015: 46%)
- **Dividend policy** 33% payout ratio

# Agenda

Introduction to NKT

## **Business units**

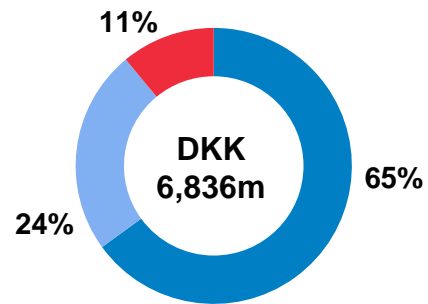
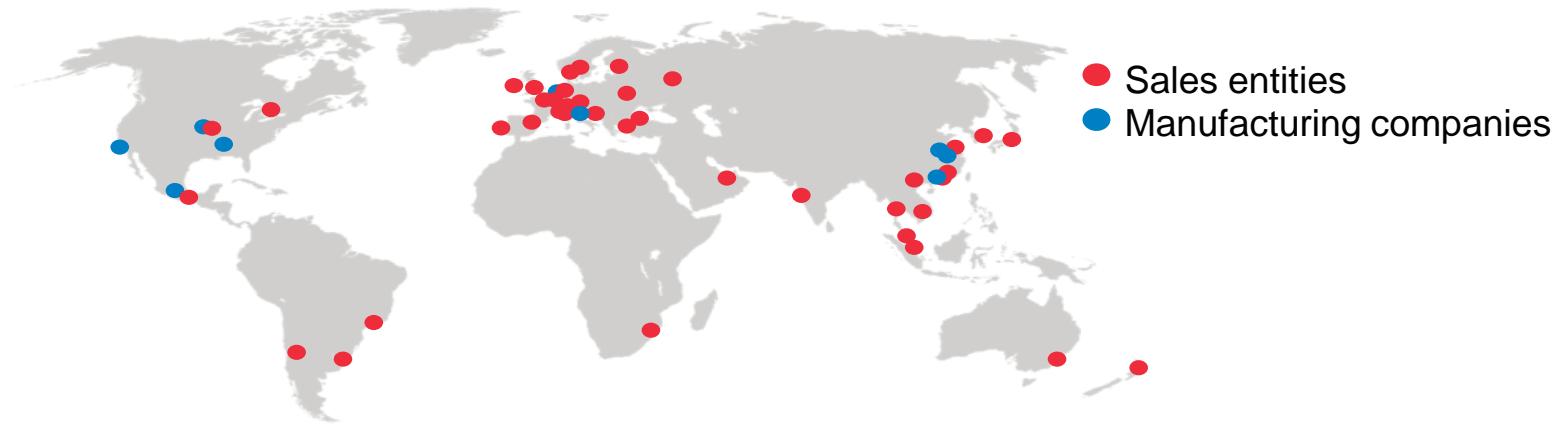
- Nilfisk
- NKT Cables
- Photonics Group

Questions & Answers



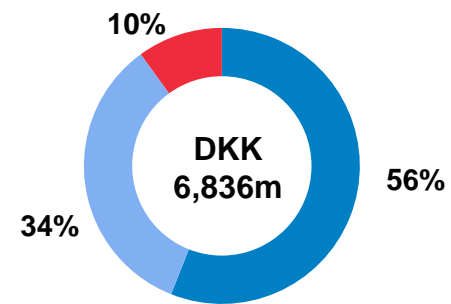
**Nilfisk**

# Nilfisk overview on products, geographies and segments



Sales by geography

- EMEA
- Americas
- APAC



Sales by customers

- Commercial market
- Industrial market
- Private consumer market

# The industry's widest product range

## Floorcare equipment

- Scrubbers and sweepers
- Outdoor



~44% of business

## Vacuum cleaners

- Commercial
- Industrial
- Consumer



~25% of business

## High-pressure washers

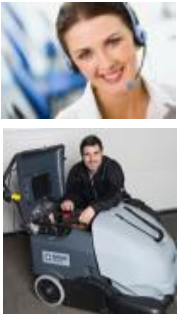
- Professional
- Consumer



~19% of business

## Service

- Service and maintenance
- Parts, accessories and consumables



~9% of business

## Other sales

- Utensils
- Detergents



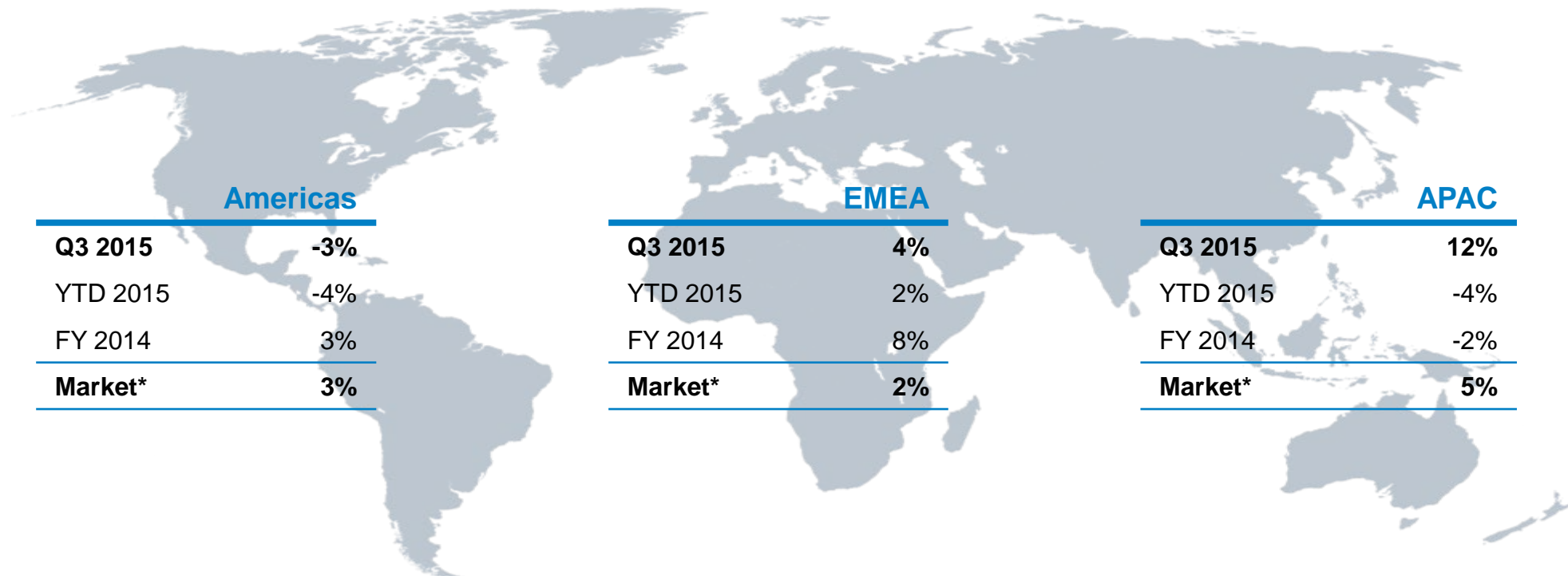
~3% of business



# 2015 has been a transition year with flat growth

## Americas not satisfactory

Nilfisk Organic growth	2012				2013				2014				2015		
- Quarterly (Y/Y)	4%	1%	-4%	1%	1%	4%	7%	1%	9%	4%	0%	9%	-2%	0%	3%
- Annually	<b>0%</b>				<b>3%</b>				<b>6%</b>				<b>0% (YTD)</b>		

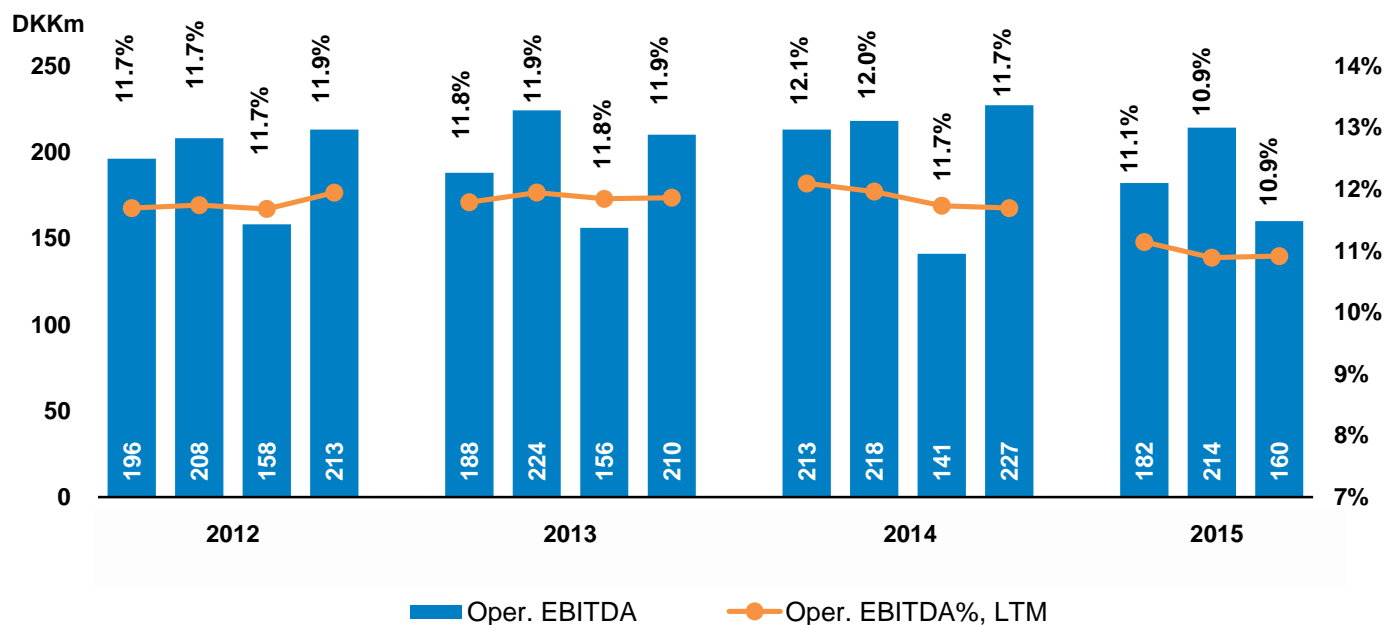


\* Market figures are internal estimates on annual market growth rates 2013-2016



# Margin diluted from investments in front-end

## Nilfisk - Operational EBITDA



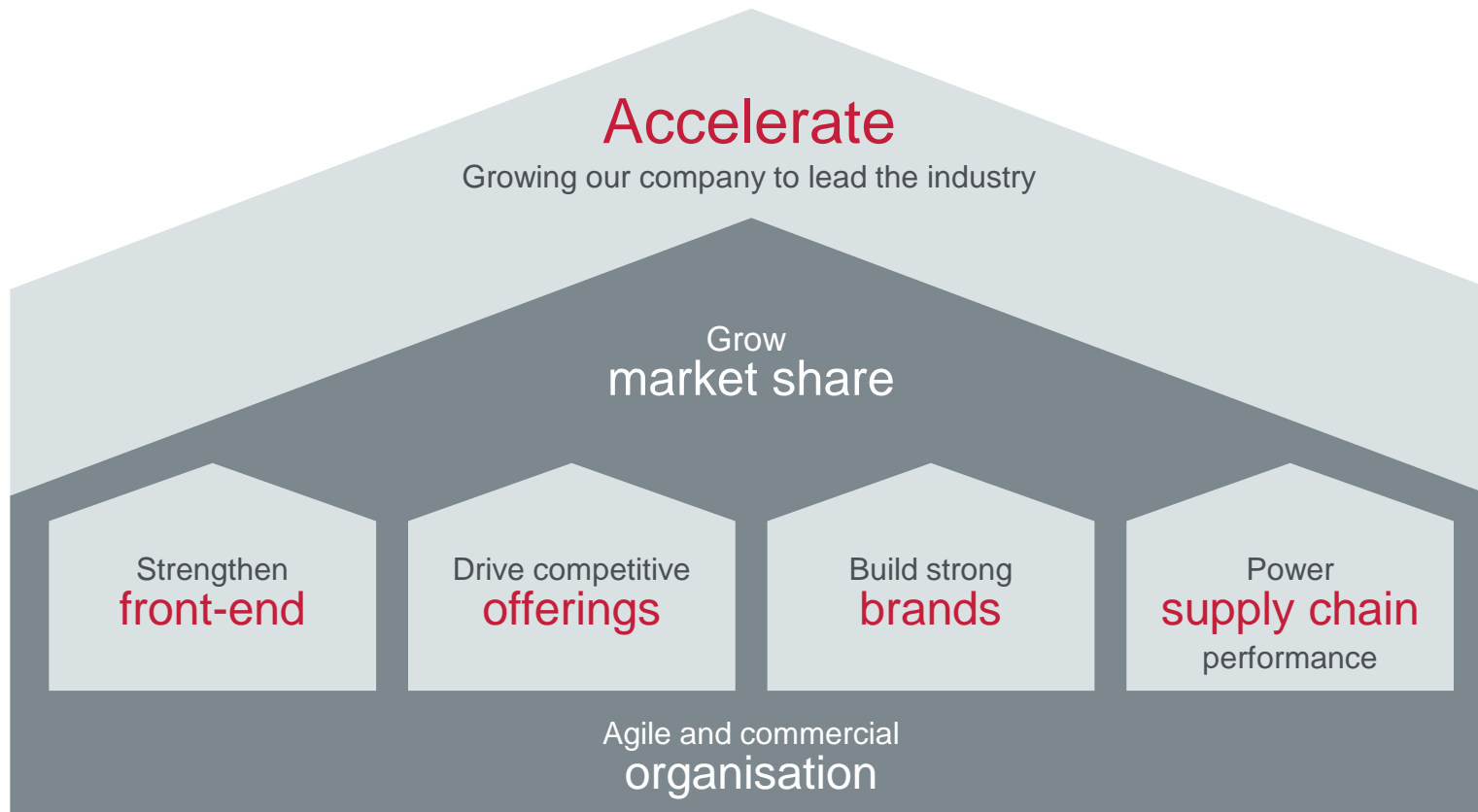
**Operational EBITDA of DKK 556m in 2015 YTD (2014 Q1-Q3: DKK 572m)**

**Operational EBITDA margin, LTM, of 10.9% (2014: 11.7%)**

Lower operational EBITDA due to:

- **Increased investments** in sales
- Temporary increase in distribution costs

# Accelerate strategy continued with launch of new initiatives



# Strengthen front-end

## Improved sales models and introduction of new tools

### SALES MODELS

#### DIRECT SALES

Focus on high-potential opportunities and full-share of wallet

#### INDIRECT SALES

Attractive dealer collaboration models

### TOOLS

#### INCENTIVES

Aligned sales incentives for cross- and up-selling

#### SYSTEMS & CRM

Sales and service systems  
Leverage customer information

#### SERVICE

Focus on after-market

#### SPARE PARTS

Competitive spare parts

#### TRAINING




Sales academy

### IMPLEMENTATION

Country roll-out in key markets and internal capability building

# Strengthen front-end

## Increased focus on mid-market segment will support growth

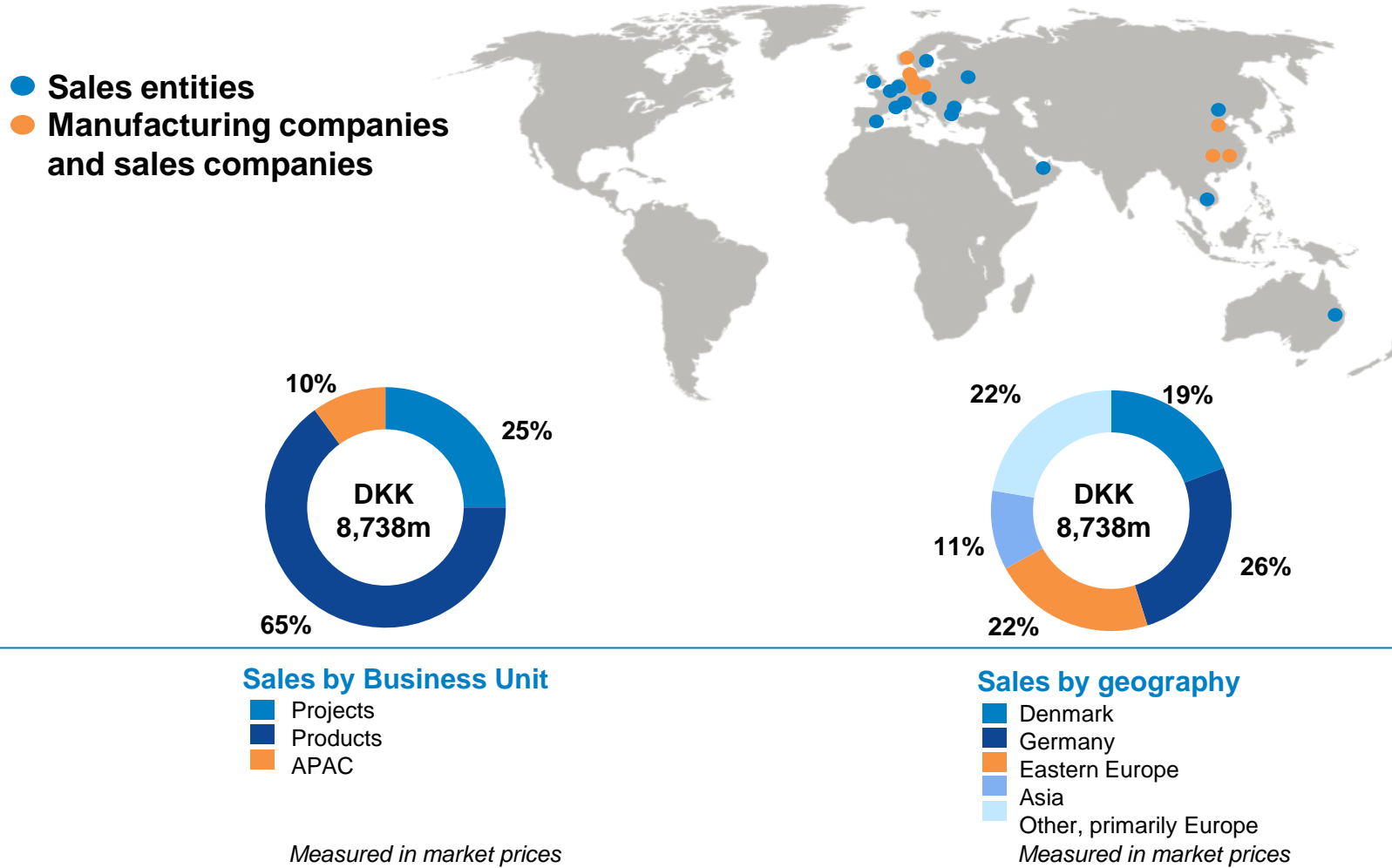
		Market value DKKbn <sup>1</sup>	Customer demands	Nilfisk's historical position	'Accelerate' strategy
High-end		<b>22-27</b> (~45%)	<ul style="list-style-type: none"> <li>• High reliability and long durability</li> <li>• Full features and service</li> </ul>	<ul style="list-style-type: none"> <li>• Strong</li> <li>• Key focus</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen position</li> </ul>
Mid-market		<b>18-21</b> (~40%)	<ul style="list-style-type: none"> <li>• Basic products at fair prices</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for growth</li> <li>• Not key focus</li> </ul>	<ul style="list-style-type: none"> <li>• Invest and grow</li> </ul>
Low-end		<b>7-10</b> (~15%)	<ul style="list-style-type: none"> <li>• Not in strategic scope</li> <li>• Many local, low-cost producers</li> </ul>		

1. Market value only includes professional cleaning equipment and not manual cleaning equipment in low-end outside Nilfisk's scope



# NKT Cables

# NKT Cables overview on divisions and geographies



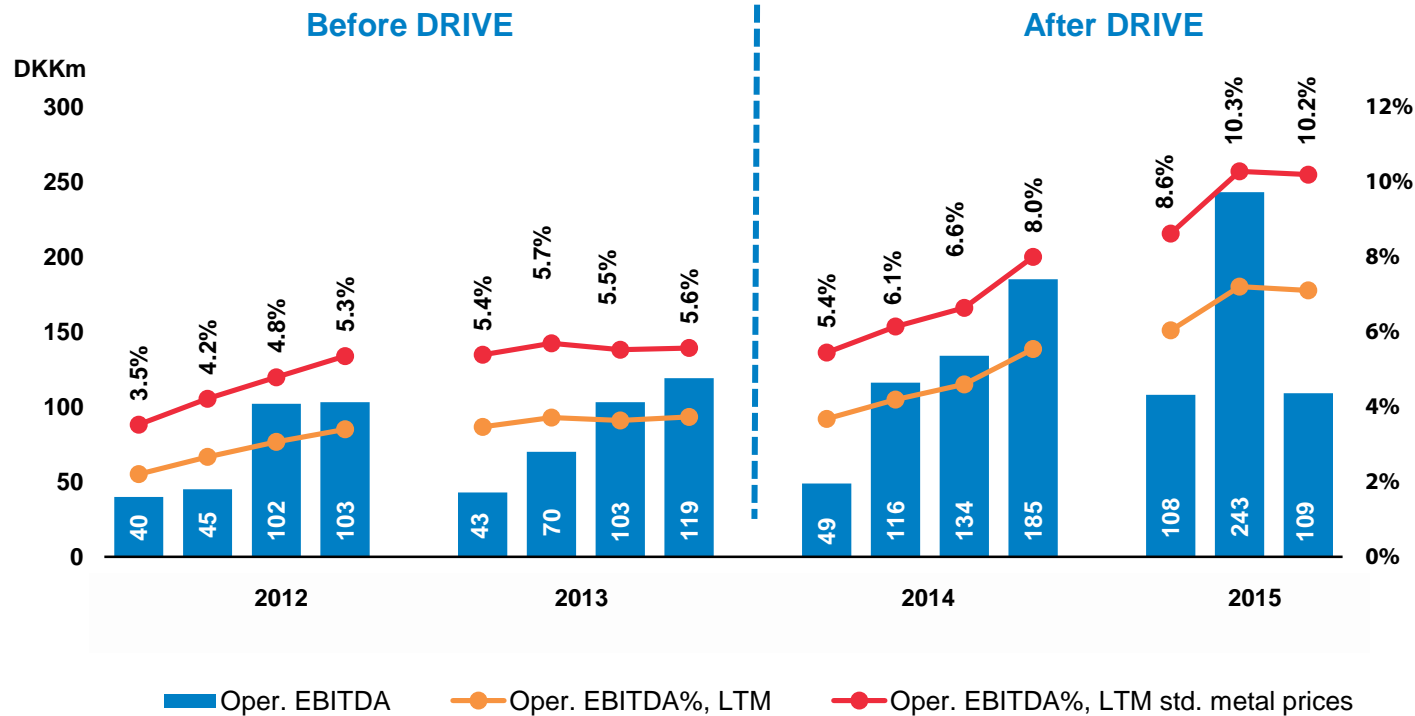
# Transformation started in 2013

## EXCELLENCE 2020 covers next two phases



# Operational EBITDA improved due to DRIVE programme

## NKT Cables - Operational EBITDA



**Improved operational EBITDA**  
since launch in 2014

**Oper. EBITDA of DKK 460m**  
**2015 YTD**  
(Q1-Q3 2014: DKK 299m)

**Oper. EBITDA margin, LTM, of**  
**10.2%**, an improvement of 2.2%  
(end 2014: 8.0%)



# DRIVE has achieved DKK 308m in cost improvements year to date

	Cost improvements	FTE reduction	One-off costs	Capex
Q3 2015 realised	DKK 111m	26 FTE	DKK 36m	DKK 0m
Year to date	DKK 308m	74 FTE	DKK 100m	DKK 6m
Project to date	DKK 425m (run-rate)	345 FTE	DKK 300m	DKK 13m
Full potential (from 2017)	DKK ~450m	400-450 FTE	DKK ~360m	DKK ~50m

# Growth impacted by production timing in Projects

## APAC impacted by lower railway sales

NKT Cables Organic growth	2012				2013				2014				2015		
- Quarterly (Y/Y)	-13%	-4%	0%	0%	4%	10%	-2%	4%	6%	-11%	1%	-12%	16%	13%	-12%
- Annually	-4%				4%				-5%				5% (YTD)		

Projects	
Q3 2015	-32%
YTD 2015	21%
FY2014	-12%
Market	
Offshore	↗
Onshore	→

Products	
Q3 2015	10%
YTD 2015	4%
FY2014	5%
Market	
Nordics	→
Central Europe	↗
Specialties	↗

APAC	
Q3 2015	-53%
YTD 2015	-38%
FY2014	-24%
Market	
Railway	↘
Medium-/high-voltage	→

# Strategic targets to measure improvement of excellence<sup>2020</sup>

Be the best...

**RoCE**

**>15%**

in the eyes of our customers

**Customers'**

**preferred  
choice**

...and our people

**Employee trust index**

**>80%**

# EXCELLENCE 2020

## Four group-wide must-win battles

### Safety, people & organisation



- Safe workplace and environment
- Lean and agile organisation
- Excellent leadership skills

### Operational & commercial excellence



- Lean operations, admin and support functions
- Best-in-class sales capabilities

### Material & product development



- Revitalise product development setup
- Close gap to existing and future customer needs
- Strengthen material development capabilities

### Digitalisation



- Digitalise our way of work, internally and externally

# EXCELLENCE 2020

## Clear strategic initiatives for each segment

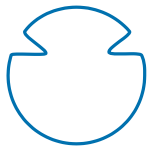
### Develop and grow

Attractive markets with growth potential:

- Focus on innovation and differentiation
- Improve Offshore services and expertise



**High-voltage offshore**



**Railway**

### Focus on profitability

Fragmented commodity markets under price and margin pressures:

- Focus on costs
- Concentrate on profitable customers and markets
- Service level improvements



**Building wire &  
Low-voltage**



**Medium-voltage &  
Automotive**

### Turnaround

Markets we believe in, but with a need to restructure:

- Fix operating model & reduce costs
- Close product gaps in High voltage onshore
- Review Cabinets business



**High-voltage onshore**



**Accessories**

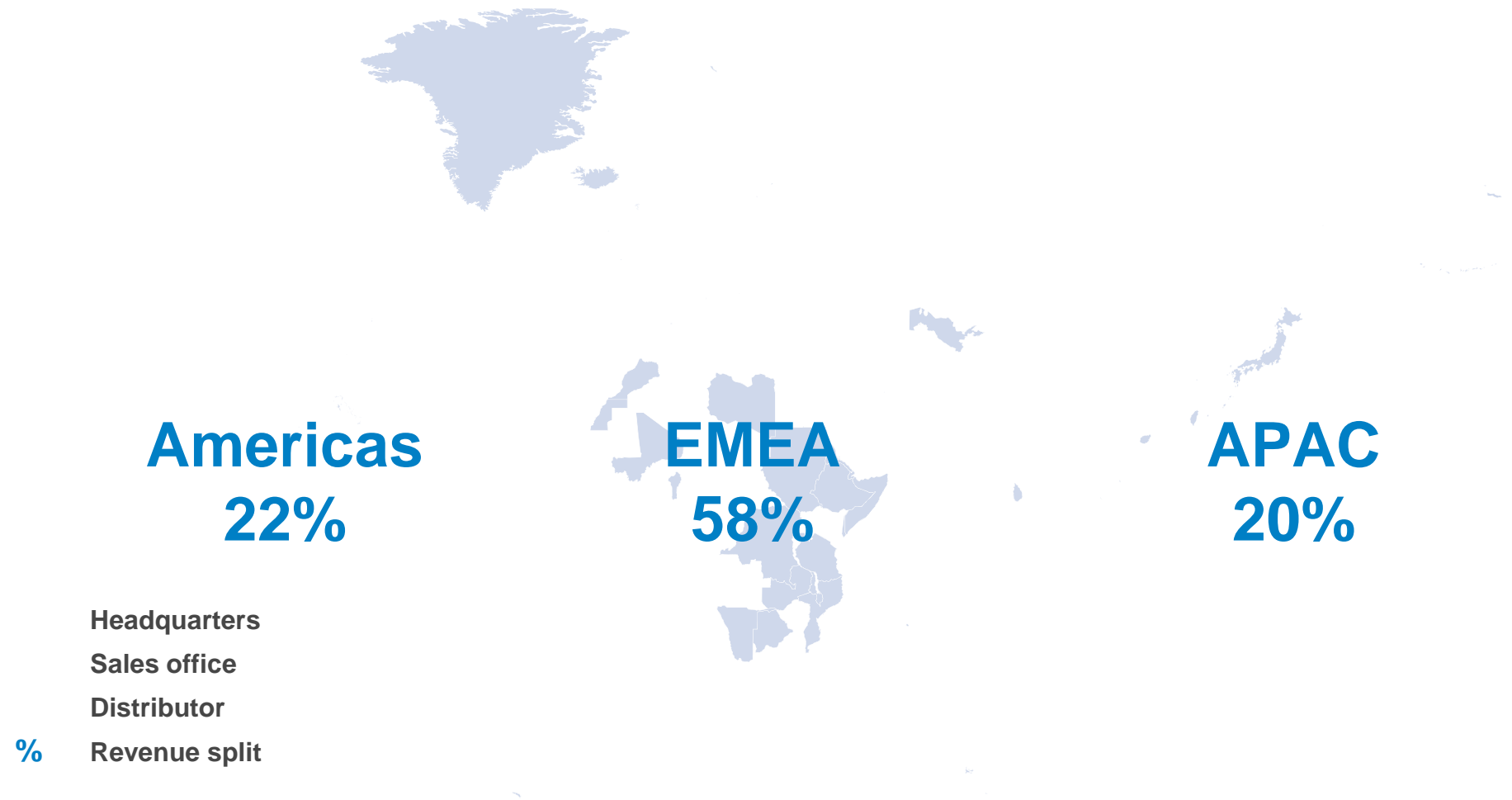


**APAC Cables**



# Photonics Group

# Photonics Group has a worldwide reach



Note: Split of Photonics Group revenue, FY2014

# Growth mainly expected in Imaging and Material Processing areas

## Imaging & Metrology



**SuperK**  
White light laser  
Light source for imaging



**SuperK OCT**  
High resolution OCT<sup>1</sup>  
Imaging system

Photonics Group's revenue

**~50%**

## Sensing & Energy



**Lios LHD**  
Linear Heat Detection System  
Structural monitoring

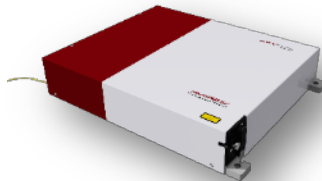


**Koheras**  
Low noise lasers  
Light source for sensing

Photonics Group's revenue

**~40%**

## Material Processing



**aeroPULSE**  
Ultrafast pulsed laser  
Material micro-processing

Photonics Group's revenue

**~10%**

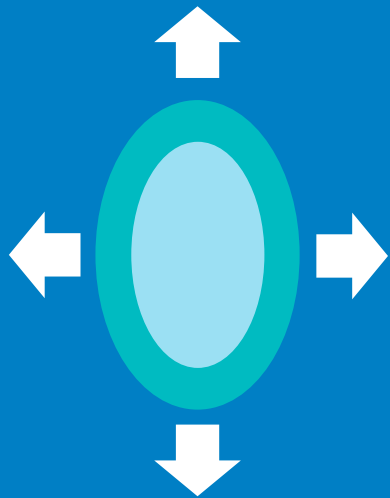
1. OCT: Optical Coherence Tomography, non-invasive medical diagnostics



# Financial aspirations 2015-2018

## Growth

>10% annual organic growth  
+ Acquisitive growth



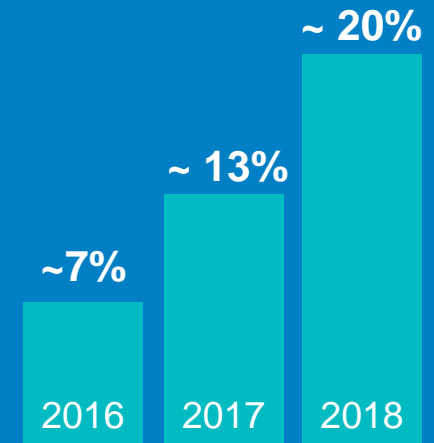
## EBIT %

~15% in 2018



## RoCE %

~6%-points per year realising  
~20% in 2018



# Agenda

Introduction to NKT

Business units

- Nilfisk
- NKT Cables
- Photonics Group

**Questions & Answers**

# Financial calendar

## 2016

26 February	2015 Annual Report
3 March	Deadline for receipt of resolutions for the AGM
31 March	Annual General Meeting
12 May	Interim Report, Q1
18 August	Interim Report, Q2
11 November	Interim Report, Q3

## 2017

1 March	2016 Annual Report
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 For the list of Investor Relations events, go to [www.nkt.dk](http://www.nkt.dk)

# Appendix



# Outlook for 2015 updated

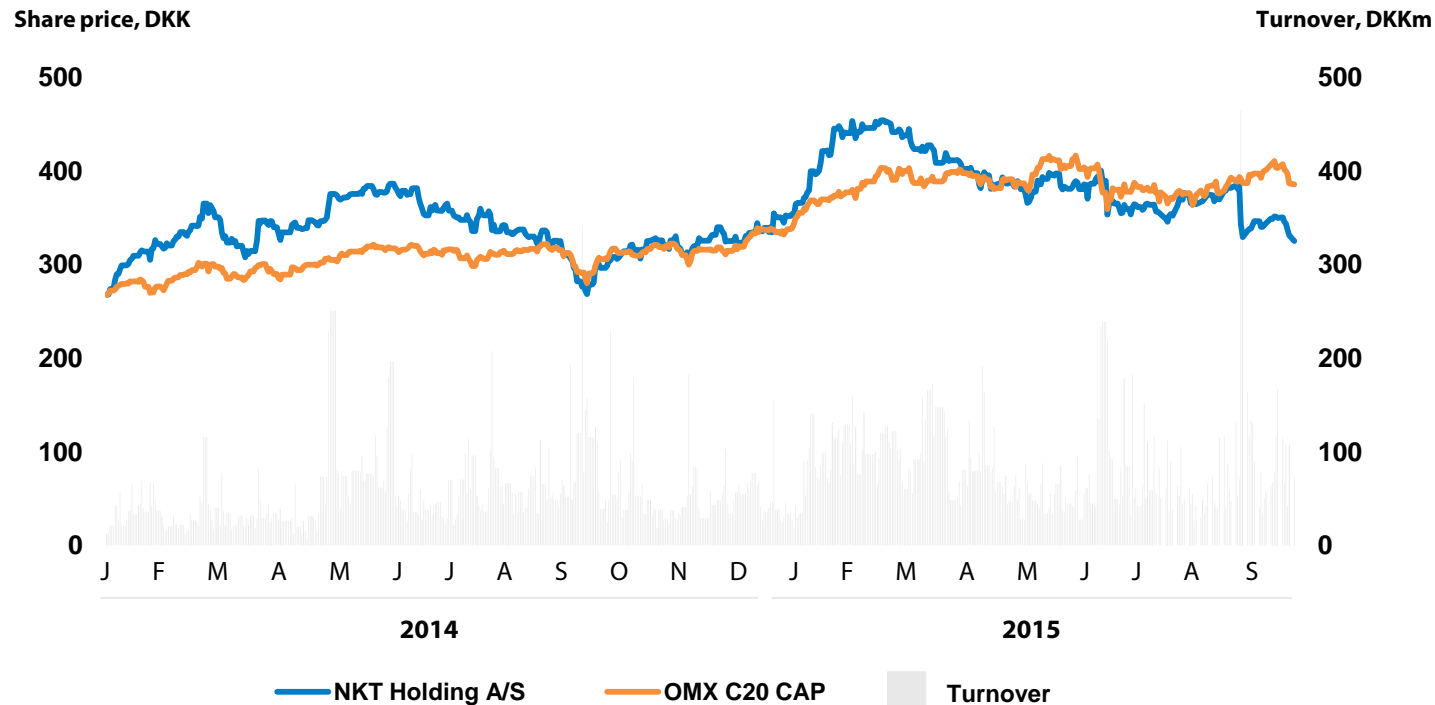
For full year 2015, NKT expects

- **Organic growth around 3%** (unchanged)
- **Operational EBITDA around DKK 1,300m**, around 9.2% margin, std. metal prices (updated)

Outlook 2015	Original	Update in Q2	Update in Q3
<b>NKT</b>			
- Organic growth	Up to 3%	~3%	Unchanged
- Operational EBITDA (DKKm / % std. metal prices)	Increase of up to 1%-point (from 9.6%)	Increase of ~0.5%-point (from 9.6%)	<b>DKK ~1,300m (~9.2%)</b>
<b>Nilfisk</b>			
- Organic growth	~5%	~0%	Unchanged
- Operational EBITDA, %	~11.7%	Reduction of ~1%-point (from 11.7%)	<b>~10%</b>
<b>NKT Cables</b>			
- Organic growth	~0%	~5%	Unchanged
- Operational EBITDA, % std. metal prices	8.5 – 9.0%	~9.0%	Unchanged
<b>Photonics Group</b>			
- Organic growth	10 – 20%	~10%	Unchanged
- Operational EBITDA, %	8 – 10%	8 – 10%	Unchanged

# NKT share price increased 18% since 2014

## Share price and turnover



- Among the 30 most traded shares on OMX
- One share class, 100% free float, no voting restrictions
- Followed by 10 Danish analysts
- ~ 50% of share capital registered outside Denmark
- ~ 14% of share capital is not registered
- Major shareholders with >5% of share capital
  - ATP (Denmark)
  - Nordea Invest (Luxembourg)
  - Nordea Funds Oy, Danish Branch

Note: Share price adjusted for dividends  
Source: Bloomberg