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PRESENTATION

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

Good morning to everybody. It's good to have you here with us today. Going to the first slide and before we get into the presentation today, I just want to draw your attention to this explaining that both the presentation from myself and Line, together with this presentation will contain forward-looking statements. And my name is Claes Westerlind, I will have the privilege to present to you today and next to myself. I also have my esteemed CFO, Line Fandrup, will also be giving an overview of the numbers.

Coming into the summarizing the first quarter of this year, we recognized that we had a good quarter behind us. We had a strong organic revenue growth of 27% compared to the same comparison quarter last year. This was driven primarily by solutions and also in general by satisfactory execution. The high-voltage order backlog, we also had the pleasure to recognize new all-time high EUR11.5 billion and this was after a major award from the German customer and beyond of EUR1.2 billion for onshore, both DC and also AC cables.

We generated an operational EBITDA of EUR75 million, which was a margin improvement from EUR13.5 last year to EUR14.1 in the first quarter. And on the back of this and also the market outlook, we have decided also to invest further across the business, more specifically in solutions and applications and this is to grow and to be able to support the green transition even to a bigger extent than what we do today. And I will come back to explain a little bit more around these investments later on in the presentation.

Before we go deeper into the cables part and a common question that we get these days, do you have an update on NKT Photonics? So it's really fantastic to be able to say now we really have a big update. But first, reflecting a little bit about the history here, it was decided in 2022 to divest the Photonics business and then also an agreement was entered into between NKT Photonics and also Hamamatsu to process this divestment.

The required regulatory approvals were obtained across a number of countries, including Germany, United Kingdom, and the United States. As you may all recollect, in May last year, we received denial from the Danish Business Authority, which under the Danish investment screening Act, decided to rule against the intention of concluding this divestment.

In July last year, the purchaser of Hamamatsu refiled this application and within the month of May this year, the DBA route for this and gave and granted the authorization to conclude this transaction. So right now, we are in the closing process of this transaction and it's expected to close in full during the second quarter of this year.

And we don't have a lot of more information around Photonics that we are able to share in relation to this process now. But we will for sure come back once the closing has been completed, including also information on the financials of the same.

So on that note, if we go into some business highlights from my side and I talked about the growth double-digit growth, both on revenue and EBITDA, which was driven primarily by solutions and in the solutions business, the growth and I will come back to this was 50%, a very strong

growth, confirming the trajectory that we are on and have been on for the last couple of quarters. It's also so that the execution of our commercial products were satisfactory, contributing to a very decent quarter in the beginning of this year.

The applications business lined continued to benefit from a positive environment in the green segment, especially impacting the medium voltage part of the applications business, but also partly the low-voltage part, making us ending up with an operational EBITDA at a satisfactory level of 10.5%.

And last but not least, service and accessories increased revenues and also absolute EBITDA, which is attributable to major part of it to offshore repair activity that was executed during the first quarter. From a relative perspective, though this repair was executed at an unusually low margin, which is also disability in the overall numbers.

Going into a little bit more assuming on each business line, starting with Solutions, revenue and operational EBITDA, as we said, continue to grow with the also bringing online more capacity, which was done in Q4 last year and becoming slowly fully operational.

We made progress on several of our projects, which are in various stages, and these include Baltic Power BorWin 5, the Champlain project, Dogger Bank, Draugen, Hornsea 3 and also the quarter project SuedLink, and SuedOstLink in Germany. And overall, the investment program which was launched last year in Karlskrona progressed in accordance with plan, and that will come back to the new investment that we have now launched in Cologne further on.

The leading total revenue numbers for the business lines at EUR321 million, 50% organic growth as stated and with the very decent EBITDA of EUR52 million. Continuing on the Solutions part, reflecting on the market activities during the first quarter, when we look at and this is usually what we call in our addressable market, meaning that what we are targeting, we assess that the market activity equates to around EUR9 billion or even a little bit above EUR9 billion for the first quarter. The majority of this has been DC technology and also the majority of the EUR9 billion constitutes the old projects, which were where the slots were reserved last year, but which have now been confirmed were converted into firm orders.

We were happy to be awarded two high-voltage onshore power cable projects from Amprion, the German TSO covering both AC technology and also DC. And we have said before that we assess that the market reaching from 2024 to 2030 will in average be in excess of EUR10 billion per year. We have also said that this can fluctuate both up and down depending on the award of individual frames or projects and I think it is fair to say that there is a reasonable chance for the market this year to exceed EUR10 billion consider that we have already exceeded [EUR9 billion] in the first quarter.

Looking then how the order intake during Q1 has impacted our backlog composition, we cannot help by showing you the leftmost graph, which again confirms the development from 2020 up until now '24 with a very satisfactory growth of the backlog, leaving it at the end of the first quarter at [EUR11.5 billion] of firmly booked orders. But over and beyond that also the tenant frame named projects and SSE named project stands at as booking commitments and combined they have a value of more than EUR2.5 billion.

The high-voltage order backlog by customers also been further tilted towards European TSOs, which now constitutes more than 80% of the backlog with other types of customers being less than 20%. And also the tilt from an application perspective has been even a little bit further towards interconnectors versus how it was in the closing of the last quarter.

If we move into the applications business line, we had a strong first quarter in applications. Revenue, though decreased in comparison to Q1 and 2023 and but still in accordance with our expectations satisfactory, this is driven especially by stable volumes and positive developments in the power distribution grid segment. And the revenue and also operational EBITDA, though wasn't relatively impacted by the construction exposed segment, not primarily on volumes, but more on prices, which were continued to be depressed and even more challenged than same quarter last year.

Even with that said, though, the continuous drive that we have around efficiencies and also the power distribution segment, as just said, led to an operational EBITDA margin in the double digit territory at 10.5% to be more specific, which should be compared to last same quarter last year of

11%. The business line exited the quarter with EUR153 million of revenue, organic negative growth, as said, and an operational EBITDA of EUR16 million.

Coming into the Service & Accessories business line, the revenue grew quite substantial, and this was due to increased offshore repair activity within the service business of this business line. It was partly offset by slightly lower revenues in the accessories business and overall, it led to an improvement in our operational EBITDA in absolute terms of EUR2 million compared to the same quarter last year.

But as I said before, also the offshore repair activity is relating to a legacy service agreement, which has been and is being executed with an unusually low profit margin. And furthermore, also the profitability was slightly impacted by an increased cost base, which is also a reflection of the fact that we are growing. So in the same pace, as an example, as Solutions is growing, we need to bring people on board. So it's also for example, service with the amount of jointers that we need.

The business line completed the quarter with revenue of EUR74 million, a heavy organic growth, again attributable to the repair activities with an operational EBITDA of EUR6 million.

And last but not least, before I hand the word over to Line, I just want to reflect the history of the investment decisions that we have taken and so to say, recent time starting in May last year where we on the back of significant order intake and also anticipation of a good power transmission market going forward launched a major investment of EUR1 billion, focusing on a greenfield factory in a brownfield environment in Karlskrona and also the construction of a new cable, a vessel.

And these assets, as we said then, and it still applies, are expected to become gradually operational from '27. The investment itself also were triggered us to update our medium-term ambitions, which were done at the time aiming for the years of '25 and '28 respectively, taking firm stances on organic growth, operational EBITDA and also RoCE. And we want to confirm today that the fundamentals for these ambitions in relation to the investment and also the market in general, they remain intact and we do expect that Solutions will continue to be a main driver for growth in the coming years.

In March 2024, we saw just two months ago now we invested or we announced another investment in the high-voltage segment. This time not in Karlskrona, but in Cologne and this is to put in place additional capacity at the existing factory. By coincidence, this is also expected to become gradually operational from 2027 and we want to also confirm, as we have done in the written communication that this is supportive of our medium term financial ambitions, including the RoCE being above 20%. The investment will be funded with existing – within the existing capital structure.

In April, so last month, we were also happy to announce a growth investment in the applications business line. We have reflected for a period about the positive sentiment in the power distribution grid segment and how NKT can benefit further from this segment and also support our customers more intensively and this culminated in the investment decision of EUR100 million in additional production capacity across three factories our bulker plant in Czech Republic, our fallen plant in Sweden and last but not least, also feels extra good being a Danish company in Asnaes in Denmark.

These assets will increase our capabilities and capacities within the applications medium-voltage segment, and they are expected to be gradually operational from '25 and '26. Also this investment is we want to confirm is supportive of our medium term financial ambitions, again, including the RoCE of about 20% and just like the Solutions investment that I just described will also be funded within an existing capital structure.

And also to pre-empt the question around our medium term financial ambitions, this is not something which we are updating following each investment decision. But what we wanted to do today is to confirm that these investments are supportive of these ambitions and of course, that ambitious themselves is something we will reflect upon going forward now in the next couple of quarters as well.

So with those words, ladies, and gentlemen, I would like to hand the word over to Line.

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

Thank you Claes. So turning the page to the income statement here, let me say this too, I think it's for the main highlights Claes has already mentioned that we had a solid 27% organic growth from this -- from primary Solutions, but also high growth in service and assistance. So this follows more years of strong growth over the last couple of years. We also increased our operational EBITDA with 0.6-percentage-points up from Q1 2023. And then annual return to below EBITDA, a more or less depreciation and amortization were at the same level as last year.

In the financial items, you will spot the EUR8 million positive, which is comprised of -- and interest is financially income from our interest and our cash position as well as again related to currencies.

Turning to taxes, there's been a new tax legislation in Germany. That means that we can capitalize a higher amount of our tax loss carry forward. And this means in percentage-wise that our effective tax rate is at a relatively low level, around 21% in Q1 '24.

So all in all, net result from continuing operations of EUR18 million compared to last year. And if you look at our FTE services, we see a also pointing back to places comment on a related of manning to make sure that we can may actually produce and the expansions to come and be ready that we are increasing the FTE base.

If we then turn the page to the cash flow, we have a negative free cash flow in the quarter, driven by the ongoing investments and the public we run through the lines here, we see a positive cash flow contribution from operating activities, primarily driven by our earnings contribution in and then changes in the working capital did offset part of earnings contribution.

So the negative development in working capital was due to milestone payments and solutions and then we also coming out of the, let's say, low season and applications over the winter where we have lower accounts receivable and now we've seen that in, let's say, the normal pickup on that business line also getting us to a different level and working capital.

Investments in Solutions continue to step up so you see a EUR64 million here in CapEx, that's more than a doubling of assuming a similar level in '23. And on the back of this, the totality is minus EUR16 million on free cash flow development in Q1 2024.

Then going into the balance sheet highlights here, a slight increase in working capital and leverage ratio which is of course connected. So a RoCE improved further in Q1 '24. We now at a 22% up from last year when we close '23 at 20% and the main contributor to this is the input, this more than offset the increase in capital employed.

After the cash flow development in Q1 '24, our net interest bearing debt increased a bit from the end of '23, but we still have a very robust financial foundation, which is also very needed for the investments we will be carrying out over the next couple of years. The value of the issue, the guarantees as Q1 was [1.9] more or less on power with day in '23 (inaudible) expected stable solvency levels.

So then turning to the outlook for the year, we had a satisfactory start to '24, and we firmly maintain our financial outlook for some rigs up from '24. It is revenues of EUR2.21 billion to EUR2.36 billion and an operational EBITDA of EUR285 million to EUR335 million. And please do pay attention to the assumptions behind this that we should have satisfactory execution and development of high-voltage investment and projects without major disruptions that we continue to see stable market conditions and applications and stable development in general in the global families and that we will have limited disruptions on the supply chain and access to required labor materials and services and that we will have a stable development of foreign currency and metal prices.

So just turning out before Q&A here to the key messages of Q1 repeating cases to ensure organic growth of '27 is certainly something we are satisfied with, and we are executing well on our order backlog in Solutions. We took in another actually two projects from [Antenna] in Q1 leaving us at a new record level of our order backlog of EUR11.5 billion.

We stepped up our operational EBITDA margin further to 14.1 percentage compared to last year and closing out in absolute terms of EUR75 million. And we continue to invest in NKT and announced into one is further investments in Cologne, but also for the medium voltage and take risks in general within our Swedish and checked factories.

So with that, we will turn over to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Kristian Tornøe, SEB.

Kristian Tornoe - SEB - Analyst

Yes, thank you. I have three questions, and I'll do them one by one. So firstly, on the margin in applications, if we compare to Q4, the margin went from 7.1 to 10.5 on almost the same revenue. So can you maybe just elaborate a bit further to why you are seeing this fairly substantial uplift in March and not least whether it's the 7 or the 10.5 we should expect going forward.

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

Hello Kristian, thank you for the question. I can start and then we make and also we're feeling a little bit further. And I think we have to also recognize, of course, a little bit the difference between the quarters. But to your point on that, the revenues are similar, allowing to reflect on the margins.

As we said, a big part of the positive sentiment is attributable to the grid-related segment, both on volumes but also on pricing and the negative sentiment comes not so much from volumes in terms of tonnes for the construction related part, but especially from the pricing driving down volumes on revenues, but also profitability on that. So it is a combination of both, which is leading to the 10.6% margin.

And what can we expect going forward? Historically, we have said that the high single digit profitability area of in terms of EBITDA for applications would be worthy. And I think we would need to have a couple of more good quarters under our belt to rebase that statement. So I from my perspective, I remain with the high single digit margins and applications is satisfactory. And I will be in the queue.

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

I think the seasonality person is important here also.

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

But that answer your question ?

Kristian Tornoe - SEB - Analyst

Yes sir. Maybe just want to understand, I mean, is there any anything to seasonality which would indicate that the margin should come down in the coming quarters ?

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

It's always when we stand at the start of the year and now we put the first winter quarter behind us, let's see a Q4. I think depending on the construction sentiment and our building wire segment in Q4, this could turn out very different. So I think not to speculate about how adept at that given point. But I think if you look at historic numbers, you would at least see a Q2 and Q3 being stronger quarters for the applications business.

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

And I think my comment around seasonality also, Kristian was more true that. It's not always easy to compare quarter over quarter in the applications business because of seasonality. If you take an example of installation conditions for medium voltage cables, they are typically not fantastic knowing how easy it is to dig in your own yard in December, whereas building wire installations is not necessarily obstructed by a winter period, just to take one example. So that was -- it was more the comment I came from.

Kristian Tornoe - *SEB - Analyst*

Okay, that make sense. Then my second question is to this repair job you booked in Q1 and your comment and usually low margin on legacy contracts. So won this contract, how long does it run and how many other fact legacy contracts we have ?

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

I dint fully understand your question. I can only give limited insight. I'm afraid. Typically we don't comment on specific contracts and the terms of them for contract have there is there a positive side or negative side. Obviously, we tried to make every contract as optimal as possible at that high (inaudible - microphone inaccessible) we don't say that we have, we don't have many of these contracts. This is an old bird in the portfolio. We do have some deferred revenue on the timeline of the contract to help us run. But the repair as such, our expectation is that this will be finalized in Q2. So the individual repair.

Kristian Tornoe - *SEB - Analyst*

Okay, understood. And then my last question here. So in the beginning, you said you probably can't say much more about Protonics details and analysis. I noticed that so more a general comment around your capital structure because all things equal, you should get around EUR200 million in cash once that deal closes.

So you've also highlighted now three investments, which essentially means that all your high-voltage and medium-voltage factories you are currently upgrading. So how should we think about your capital structure here? Have you already used part of the proceeds to these investments or would it make sense to be overcapitalized for a while or would even make sense to start paying back some money to shareholders?

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

Yes, it's a good question, a question understood. So how we look at the capital structure the next three years is a period where we can execute on a significant investment program from the company. So around EUR1 billion on the Karlskrona and then the EUR100 million in application and EUR100 million in Cologne and what we see is that we want to be -- I wouldn't call it overcapitalized necessarily because we actually do know where the liquidity that we have available used for very, very detailed here.

So for the short term here, let's get to the next two, three, four years get to a different kind of company within NKT and a different earning level and then a return until potential dividend. So for now, we need to execute on this and grab the market opportunity.

Kristian Torno - *SEB - Analyst*

Understood. That was very clear. Thank you. That was the end.

Operator

Thank you. (Operator Instructions)

Lars Topholm , Carnegie Investment Bank.

Lars Topholm - *Carnegie Investment Bank AB - Analyst*

Yes, also a couple of questions from me. First one goes to the level of third party revenue, industrial solutions in Q1 and maybe also what magnitude of a third party revenue you include in your full year revenue guidance?

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

It's a good question Lars , and I think you're asking it also on the back of when we discussed our guidance and the full year result, a couple of months ago. I'm afraid that we cannot go into too much specifics with respect to how much external revenue we have or we will have in the coming quarters. But I can only reiterate what we discussed a couple of months ago, which is the fact that we do have projects for the moment and Champlain is one example with an unusually high amount of external revenue driven both by installation works that will be carried out during this year and partly next year.

But also external cable subcontracting from Southwire. And this is and also will continue to give us an unusually high amount of external revenue will also fade out during '25 and '26. But with respect to percentages and portion on the freight launched, but I cannot give more clarity than that. Looking at Line.

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

No I think that is the end.

Lars Topholm - *Carnegie Investment Bank AB - Analyst*

That's completely fair. Then going back to question asked about the service and accessories, legacy contractual. You announced three contracts have been one. You announced that back in November 2020 and I understand it's one of these that are causing this issue. Can you confirm that these are five year contracts, so this legacy contract would expire in 2026. And can you also confirm without saying which of the three customers it is that the other two contracts you announced at that time have better terms than this one that's causing you problems.

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

I can confirm that this is a one of its kind when it comes to two terms that I can confirm. I can also confirm that generically service level agreements typically are between three to five years, but I will refrain from going into specific contracts launch. But I think, I gave you the clarity, which I think you were looking for and then also which I can give.

Lars Topholm - *Carnegie Investment Bank AB - Analyst*

Then continuing on that track, can you say what's the EBITDA impact from that bad contract was so. In other words, what would the margin for the division have been if you strip out the revenue and the EBITDA contribution from that contrary ?

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

I would also like a lower limit to reflect a little bit. But I can say it's not a loss-making contract, but it's not worth the from repair contract perspective.

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

Yes. And I think it's the best proxy section to go. (inaudible) is asked to look at what would in the quarters where we have had repair jobs out of profitability trends out for the business line and that should give you the best indication I would say.

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

May be kind of a good and bad contracts there is also different compositions of the repair, depending on what the nature of the repair is. Typically and we have discussed in these forums in the past, then when you have high value add, meaning utilize your own resources quite a bit and typically that is connected to a better profitability in general now.

And obviously, there can be circumstances around the repair, which makes it necessary to a bigger extent than what is expected from the typical repair to use external sources of suppliers could be vessels and could be other types of operations, which also could drive the profitability down. So, it's not only a good or bad contract, it can also be the composition of the repair itself. And I think here we have the combination of two unfortunate circumstances. It's not the perfect contract by any means and it's also a little bit of a hold, especially in repair from a subcontracting perspective.

Lars Topholm - *Carnegie Investment Bank AB - Analyst*

Okay. And then one, if I could, then a final question from me is more. Line on your comments regarding the tax law change in Germany. What is guidance for the full year tax rate and what is guidance for the tax rate looking into next year based on this a adjustment of the possibility to check carry forward tax losses.

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

I think in general and there was also the closing of '23 around an effective tax rate on 22%. I think you should do -- you should calculate with. I think even now you see more evident because it's a Q1, but we also had some adjustments in Q3 related to some of these carried forward tax losses. So I would stick with 22% sector.

Lars Topholm - *Carnegie Investment Bank AB - Analyst*

That's excellent. Thank you very much guys for taking my questions.

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

Thank you, Lars.

Operator

Thank you. (Operator Instructions)

Lucas Ferhani, Jefferies.

Lucas Ferhani - Jefferies LLC - Analyst

Hello. Thank you. I have three questions as well. Maybe we take them one by one. So the first one is on application and especially when it comes to low-voltage construction. When you compare kind of Q4 to Q1, are you still seeing kind of pricing pressure on it on a sequential basis? And also volume pressure on a sequential basis or it's only a year-on-year trend? Thank you.

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

Thank you for the questions, Lucas. And in general, the pressure is more on price system on volume. So it's a quite simple answer to the question.

Lucas Ferhani - Jefferies LLC - Analyst

And even if you compare to Q4, there's still kind of pricing pressure even versus the last quarter are not just year on year.

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

Yes.

Lucas Ferhani - Jefferies LLC - Analyst

Okay. Thank you. And the second one is just on the on medium voltage. I guess you're running around full capacity at the moment or close to that and you're doing kind of EUR600 million plus in standard revenues. And do you have roughly an idea of the impact of that capacity investment once it's fully done and maybe how much in 2025, how much in 2026 you could see in terms of volume growth that is added from this investments?

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

It's an understandable question, Lucas, and I tried to allude to it a little bit during my -- during the slide there on the investments. We are not able to give you a more precise numbers of exactly what neither the revenue will be from it nor the EBITDA impact nor the phasing of it more than what I said, it will be supportive of our medium-term ambitions and you will see a gradual impact from '25 to '26.

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

And I think, Lucas, just to add to what Claes is saying, it's not that we don't have numbers, of course in Q2 and these things. It's a matter of also protecting, let's say, in terms of competition somewhat the knowledge around factories and then pricing and volumes.

Lucas Ferhani - Jefferies LLC - Analyst

No, perfectly, I absolutely I understand. And the last one was on CapEx. We're already seeing the CapEx start to inflect. Do you have a better view where you end up on CapEx for the full year 2024 and do you have an idea already of how we will shape up in 2025, 2026, which one should be kind of the peak year before we start to see maybe a decline more towards relative to maintenance levels?

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

Yes, I think we spoke about a EUR1 billion investment program being built shape from when we launched it back in '23 and this is still the case. You should expect that '24, '25 and '26, a really significant investments is and I think if we do it a little bit simplistic, if you take the EUR1 billion investment program, we take the two announced investments here from Q1 and then we take a baseload of maintenance and technology investments of around EUR100 million.

And then you add it up, you look over the three consecutive years that's including '24 here. And then I would say that we are of course, for the -- this for the good business opportunity of closing out faster, fast forwarding as much as we can here. It is years. So I think that should give you an indication of how to model it.

Lucas Ferhani - *Jefferies LLC - Analyst*

And but it be a roughly kind of similarly spread between those three is the way to look at it?

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

I think there's a lot of things that's happening. If you're talking about expansion in Karlskrona, it's about permits. It's about a lot of things, right? So when I say we want to fast forward, it's really how fast can we execute. It was to let's say it was wishful thinking and how we plan to execute is more heavy on the first years to get faster to the conclusion of these investment programs. That's how I would model it.

Lucas Ferhani - *Jefferies LLC - Analyst*

Okay, got it. Thank you.

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

Welcome.

Operator

Thank you. (Operator Instructions)

Casper Blom, Danske Bank.

Casper Blom - *Danske Bank A/S - Analyst*

Thanks a lot. A couple of questions from my side also. First one actually goes to your 2028 ambitions. You are targeting or have previously targeted an EBITDA of at least EUR550 million. And now you've done two additional announcements of investment, EUR100 million each and you also say that you expect to do these 20% return on those. So when should we expect that you will then adjust your '28 ambitions?

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

That's a super question, and we truly understand this. I don't have an answer that it's just around the covenants is the -- but I let's say this is something, of course, we are working on the small pieces going into the puzzle, but we don't want to do new medium-term ambitions also not EBITDA, right? So in -- So we I think we will come back as soon as we have clarity on that.

Casper Blom - *Danske Bank A/S - Analyst*

Okay. But I suppose it's fair enough to assume that there must be an upside to the EUR550 million given the 20% returns on those two investments

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

I guess above EUR550 million is an upside in itself.

Casper Blom - *Danske Bank A/S - Analyst*

Good, good reminder to always do an open-ended guidance. Then the second question. You've talked a little bit about this before, but within the applications business and the more than 10% margin that you report here in this quarter. My understanding is that it's a bit of a mix between a favorable medium voltage market and also internal measures and restrictions down over the last couple of years. Would you say that the medium voltage business as it is right now is set up correctly?

Of course, you would want to have your investment going into it as well, but have you otherwise sort of done the setup as you would like to do? Or are there more structural changes to be done within that the segment?

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

It's a super question, Casper, and I think we have come a long way. So the last couple of years, as you are well aware has comprised both efficiency, a lot of efficiency work, also footprint changes. So I think the large pieces of the puzzle or in the right place now. But I also not ignorant enough to say that we are done. I don't think we can never consider ourselves to be done.

We always seek for opportunities and ways to optimize even further and whether that will involve any larger footprint changes. I'll have to leave on certain, but I think at least the larger parts, we feel that we have done well, which has also put us in the position now together with the fact that the market looks good where we now want to invest further in machine lives to boost the capacity further.

Casper Blom - *Danske Bank A/S - Analyst*

Okay. Fair enough. And then my last question goes to the service business, quite a big step-up in revenue. And I also noted that you commented that there's been made some investments into that division. And to how could you say live up to future growth of [tablet] manpower?

These EUR75 million of revenue in the quarter, is that a new level that we should start expecting every quarter of obviously understanding that it can be volatile depending on service repair jobs but or [74] it was, but is this sort of a new fund level for the year for the service business?

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

I would say if you look at the number 73, then no, because it's sharply driven by the repair itself. For the underlying business now not disclosing the exact size of the repair, it is a level which is sustainable. But it's also something that we expect to actually we need to grow further and we are

investment phase in especially the accessories business line to be able to increase the capacity of the amount of joints that we are delivering as one example in support of the general market, but especially the Solutions project business.

And I think these are investments we have communicated in the past, I think, to a level of EUR14 million in Ireland source in Sweden, covering machines, testing facilities, office facilities, all in support of the growth that is being done there, but I wouldn't use Q1 total revenues as a proxy because that's not a good proxy considering the revenue we just discussed.

Casper Blom - *Danske Bank A/S - Analyst*

Okay. If I just may follow up if one looks a few years ahead when we expect a major pickup in the Solutions revenue on the back of the investments in Karlskrona, would you then also expect a similar pickup in the accessories business?

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

I don't think we are not guiding a per business lines looking some years ahead. So I would be careful to draw that conclusion, and I'm not in a position to really guide you on it. What I can say is also that the accessories business largely also depend on the composition of the Solutions business, meaning how much sea cables do we have and how much LAN cables do we have also in the Solutions business.

So if you consider the heavy investment that we are carrying out in Karlskrona, the EUR1 billion investment, this will drive negligible growth in the accessories business, considering long lengths production of tens and tens of kilometres of cables while for LAN cable investments, you would have to have a joint every kilometre every two kilometer. So there you drive volume, whereas with sea cables, you don't.

Casper Blom - *Danske Bank A/S - Analyst*

Okay. That's a good explanation. Thanks a lot guys.

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

Thanks.

Operator

Thank you. (Operator Instructions) As there are no further questions, I would like to hand back to Claes Westerlind, CEO for closing remarks.

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

Thank you and thanks to everybody who called in and thanks for good questions and we look forward to hopefully meeting if not all of you, then at least most of you in the coming days and it was a good quarter that we have behind us.

We are proud to start the year in a good way with growth, with decent profitability, with a strong market and also further investments in support of the NKT case.

So with that, me and Line, we thank you for your attention and look forward to meeting you soon.

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