

Company announcement

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NKT acquires SolidAI, adding medium- and high-voltage capacity to address growing grid demand

NKT has acquired SolidAI, a Portugal-based power cable company, from Njord Partners, adding medium- and high-voltage capacity to meet the growing demand from grid upgrades and renewable energy projects across Europe. As part of the acquisition, NKT will invest in additional capacity at the existing site.

As the electrification of society continues to gain momentum, power generation and consumption is increasing. Upgrading Europe's aging power grid infrastructure and connecting a growing number of renewable power projects is driving demand for medium- and high-voltage power cables. According to the International Energy Agency (IEA), reaching national climate goals requires adding or refurbishing a total of more than 80 million kilometres of power grids by 2040, the equivalent of the entire existing global grid and the European Union estimates that Europe will need to invest EUR 584bn to upgrade its power grids this decade.

To satisfy this growing demand from power grid customers, NKT has acquired SolidAI. The acquisition is supporting NKT's growth strategy and will:

- Increase medium- and high-voltage capacity up to 225kV
- Improve competitiveness of NKT's product offering and geographical reach across new and existing markets
- Provide a competitive, competent and expandable platform for future growth to serve increased demand
- Support NKT's medium-term ambitions, including RoCE above 20%

"SolidAI provides a strong strategic fit in terms of capacity and competence, strengthening NKT's position in serving customers with end-to-end grid solutions, particularly the growing demand for medium- and high-voltage power cables up to 225 kV. We look forward to welcoming SolidAI's highly skilled employees to NKT and continuing our growth journey together. With more than 50 years in the industry, SolidAI will complement the competitiveness of the product mix from NKT's existing factories in Asnaes, Velke Mezirici and Cologne focusing on delivering the full range of power cables for the grid at a larger scale," says Claes Westerlind, President and CEO of NKT.

"NKT's acquisition of SolidAI is a testament to our team's dedication and hard work. NKT is a widely recognized worldwide leader in the manufacturing of power cables and accessories, and I could not think of a better owner to support SolidAI in expanding its commercial reach and technical capabilities," says François Moufflet, CEO, SolidAI.

Adding an established production footprint in Southern Europe will enhance NKT's geographical footprint and reach in selected key markets. SolidAI's strong presence in France, UK, Ireland, Spain, and Portugal expands NKT into new markets and strengthens its existing foothold in others.

In 2023, SolidAI had revenue (in market prices) of approximately EUR 150m and generated an EBITDA of approximately EUR 20m. NKT has acquired SolidAI for a total enterprise value of EUR 192m, corresponding to an EV/EBITDA multiple of 9.4x. NKT has identified recurring synergies which will gradually contribute to an improved financial performance starting in 2025 and are expected to be fully realized by end 2026. Including synergies, the acquisition of SolidAI corresponds to an EV/EBITDA multiple of 7.0x.

As part of the acquisition, NKT will invest an additional EUR 50m to expand the medium- and high-voltage capacity at the existing site. The new production capacity is anticipated to be operational in 2027. The acquisition, including the investment, is expected to support NKT's medium-term financial ambitions including delivering RoCE above 20%.

The transaction is unconditional, and closing is effective as of today. The acquisition was funded within the existing capital structure. NKT remains committed to a conservative capital structure with leverage ratio <0.0x catering for the investment programs ongoing and enabling the high-voltage projects.

SolidAI is expected to contribute to NKT's financial performance from the date of closing. The contribution is expected to be in line with 2023 and will come in addition to NKT's 2024 financial outlook announced in company announcement no. 3 of 21 February 2024, which remains unchanged.

Transaction overview

- Enterprise value (EV) at closing of EUR 192m
- Additional investments of EUR 50m to increase medium- and high-voltage capacity
- SolidAI EBITDA:
 - 2023: Approximately EUR 20m
- Implied EV/EBITDA transaction multiples:
 - 9.4x 2023 EBITDA
 - 7.0x 2023 EBITDA (incl. synergies)
- Transaction Enterprise Value: EUR 192m (~9.4x 2023 EBITDA / ~7.0x 2023 EBITDA including synergies)

Key facts about SolidAI

- 430 employees
- 1 kV-225 kV production capacity
- 70,000 m² factory footprint
- Located 50 km north of Porto, Portugal
- Founded in 1970
- Owned by Private Equity firm, Njord Partners since 2018.

Teleconference

NKT A/S hosts a teleconference for investors and financial analysts at 12:00 pm CEST on 21 June 2024. The presentation to be used during the call will be available before the start of the teleconference. To attend, please register and access on investors.nkt.com

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