

## Company Announcement

**NKT A/S**  
Vibeholms Allé 20  
DK-2605 Brøndby  
Denmark

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T: +45 43 48 20 00  
[www.nkt.com](http://www.nkt.com)  
CVR 62725214

# NKT launches new strategy with updated medium-term ambition

Today, NKT launches its strategy, ReNew BOOST which is an update of the strategy ReNew introduced in 2020. NKT has delivered satisfactorily on ReNew in the past two years and has strengthened its foundation for future growth opportunities. At the same time, increased focus on the green energy transition implies that future market conditions have improved. Therefore, NKT is ready to boost ambitions further.

ReNew BOOST is based on three pillars: Let's Grow, Let's Innovate and Let's Drive Sustainability.

### **Let's Grow**

Continue the positive financial development driven by the market opportunities expected from the global transition to renewable energy and accelerated need for energy self-sufficiency. As part of the strategy to create growth, NKT is ready to consider value accretive investments.

### **Let's Innovate**

Maintain and extend the position as technology leader in the power cable industry through innovations to meet the demand of global trends. NKT is focused on developing the next generation of HVAC and HVDC power cable technology as well as technology for deeper sea installation, dynamic cables, higher performance, and lower losses. NKT will continue to be engaged in strong collaboration with key technology institutions and universities to develop new materials and state-of-the art products and solutions.

### **Let's Drive Sustainability**

Maintain leading industry position in sustainability by executing on the sustainability strategy with clear ESG targets in place to reach Net Zero and attract and retain diverse top talent to become the preferred employer in the electrification industry.

### **Update of medium-term financial ambitions**

In 2020, NKT announced medium-term financial ambitions. The ambition was to grow revenue (std. metal prices) organically from 2019 (EUR 945m) to the medium-term by a CAGR above 10% and to increase the operational EBITDA margin to approx. 10–14%.

Today, NKT has decided to update these ambitions with a defined target year of 2025.

- Organic growth with a CAGR of >12% from 2021-2025
- Operational EBITDA margin (std. metal prices) of ~12-16% by 2025
- RoCE of >12% by 2025

All business lines are expected to contribute to the improved financial performance with Solutions expected to be the main contributor driven by the announced and ongoing investments.

Delivering on the medium-term ambitions is based on several assumptions. Currently, the most critical are the following:

- Satisfactory execution of high-voltage projects to deliver on expected profitability margin
- Stable development of the global economy
- A competitive environment supporting the current favourable supply/demand balance
- Stable supply chain with limited disruptions and access to the required materials and services

## ESG

As a key supplier to the green transition, ESG performance is central to NKT. NKT is currently executing on its long-term sustainability strategy with roadmaps and clear targets covering four main pillars; 1) climate actions, 2) circularity and 3) social capital founded on 4) responsible business processes. With ReNew BOOST, NKT updates its ESG targets in various areas.

Updated climate actions targets:

- 90% CO<sub>2e</sub> reduction by 2030 compared to 2019 (scope 1 and 2)

Updated social capital targets:

- No less than 30% female new hires by 2025
- No less than 30% female members of group leadership and extended leadership by 2025
- No less than 40% female members of the Board of Directors by 2025

ESG targets, programs and data are available at [nkt.com/about-us/sustainability](https://nkt.com/about-us/sustainability)

## Solutions

Solutions is a key supplier of power cable solutions for the high-voltage markets driven by the transition to renewable energy. Key elements to ReNew BOOST in Solutions are to grow with the market by continuing the ongoing investment plans, investing in further value creating opportunities, winning high-voltage projects and executing on the all-time high order backlog. Solutions will continue to develop new technologies to maintain HVDC technology leadership.

## Applications

Applications has improved performance and increased market shares within building wires, low- and medium-voltage power cables since 2019. Applications is in a good position to leverage market opportunities created by the green transition. This will be driven by a focus to keep the market share in key markets while increasing presence in relevant non-core markets. Applications will continue to invest in its existing production sites to increase efficiency and capacity, drive commercial excellence and increase focus on its renewables product portfolio and new customers to support the green transition.

## Service & Accessories

Service and Accessories offers a variety of both on- and offshore accessories and power cable services to maximize the long term utilization and performance of power cable systems. In the accessories business, there are plans to finalise the footprint change and

then grow the consolidated focused sites while in the service business, the ambition is to continue to grow the business.

Today, NKT is hosting a Capital Markets Day presenting ReNew BOOST from 11.00-16.00 CET. The presentation will be available at [investors.nkt.com](https://investors.nkt.com).

### **Trading update for Q3 2022**

NKT confirms its 2022 financial outlook. Revenue (in std. metal prices) is expected to be approx. EUR 1.35–1.45bn and the operational EBITDA is expected to be approx. EUR 130–155m.

The development so far in Q3 2022 leads NKT to expect the operational EBITDA will be at a slightly lower level in Q3 2022 compared to the same quarter of 2021 as well as Q2 2022. The performance in Q3 2021 of EUR 45m was, however, positively impacted by a one-off income of EUR 21m related to the closure of insurance cases. Therefore, NKT expects an underlying improvement of operational EBITDA in Q3 2022 compared to Q3 2021.

During Q3 2022, NKT has continued to execute on several projects from the high-voltage order backlog, however, the operational EBITDA margin in Solutions will expectedly be lower than in the first half of 2022 due to phasing and composition of projects.

In Applications, the development of higher input prices experienced in the latter part of Q2 2022 has continued into Q3 2022, wherefore the operational EBITDA margin is expected to decrease from Q2 2022 to Q3 2022. NKT has increased prices and is aiming to increase prices further to compensate for higher input costs. Additionally, the demand for building wires continued to slow down in main NKT markets.

The development in Service & Accessories has improved in Q3 2022 compared to Q2 2022, which expectedly will lead to a higher operational EBITDA margin. During Q3 2022, NKT has experienced a higher level of repair work in the service business and profitability has recovered in the accessories business.

The Q3 2022 Interim Report will be announced on 16 November 2022 as planned.

### **Contact**

**Investor Relations:** Michael Nass Nielsen, Head of Investor Relations, tel: +45 2494 1654  
**Press:** Louise W. Naldal, Head of Group Communications, tel: +45 2982 0022