# Nordex SE
# Half-year figures 2018

Conference Call, 14 August 2018

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# Agenda

| | | |
|---|---|---|
| 1 | Introduction | *José Luis Blanco* |
| 2 | Markets, orders & installations | *Patxi Landa* |
| 3 | Financials | *Christoph Burkhard* |
| 4 | Strategy | *José Luis Blanco* |
| 5 | Guidance 2018 | *José Luis Blanco* |
| 6 | Q&As | *All* |
| 7 | Key takeaways | *José Luis Blanco* |

# Executive Summary

## H1 2018 results

| | |
|---|---|
| Sales: | EUR 957m (EUR 1,501m in H1 2017) |
| EBITDA margin: | 4.0% (7.8% in H1 2017) |
| Working capital ratio: | 5.8% (9.8% in H1 2017) |
| Order Intake: | 2.1 GW (0.9 GW in H1 2017) |
| | 1.1 GW in Q2 2018 (0.6 GW in Q2 2017) |

- Book-to-bill ratio of 2.02 (0.67 in H1 2017)*
- First order of new turbine Delta4000 received
- Largest order in company history of Nordex of nearly 600 MW in Brazil awarded
- Guidance for FY 2018 confirmed

*Calculation excluding service

# Market developments

## Europe

- With Ireland announcing their plans and Greece holding its first auction, all of the relevant European markets have transitioned into auction based mechanisms
- Still activity in Spain as a result of the awarded 4 GW of wind in 2017 auctions
- Swedish and Finnish market is unlocking supported by corporate PPAs
- Germany passed the building permit requirement and is expected to get back to normalized levels

## America

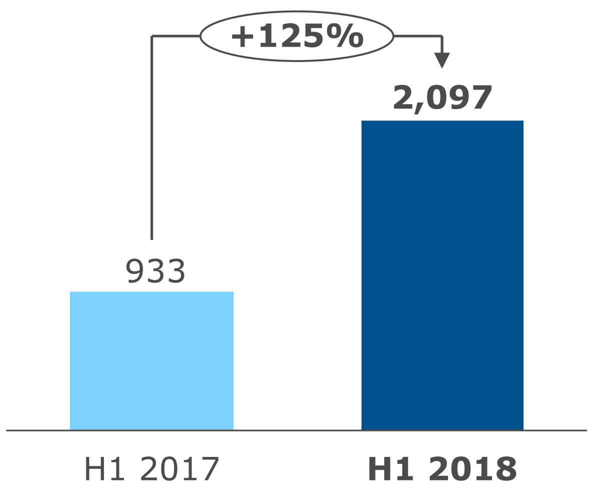
- PTC cycle still in full swing in the US, with increased activity expected in 2021
- Brazil will hold another auction end of this month which will increase market activity levels 2022 onwards
- Argentina is expected to hold sizeable auctions end of this year underpinning their mid term potential

## Rest of World

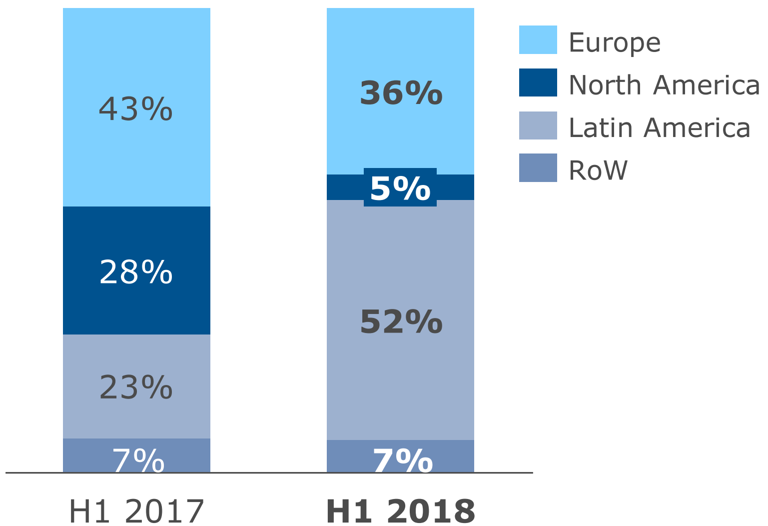
- Big volumes expected to be awarded in auctions during the next two years in India
- Awarded South African round 4 projects signed their PPAs with the local utility and are expected to reach financial close within 2018

# Order intake H1 2018

## Order intake turbine* (in MW)




## Order intake turbine* by regions (in %)



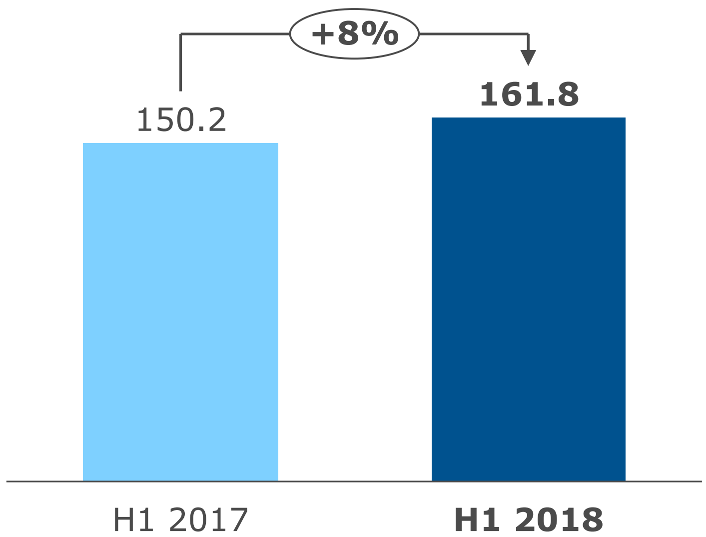

- Order intake in H1 2018: EUR 1.6bn (H1 2017: EUR 905m), thereof in Q2 2018: EUR 794m (Q2 2017: EUR 572m)
- ASP of 0.77 mEUR/MW for H1 2018 influenced by regional mix, turbine type and project scope
- Order intake received from 14 different countries in H1 2018

- Increase in Latin America mainly driven by Brazil and supported by Mexico and Chile
- Order intake in Europe nearly doubled compared to H1 2017

*Excluding service

# Service segment in H1 2018

## Service sales (in EUR m)



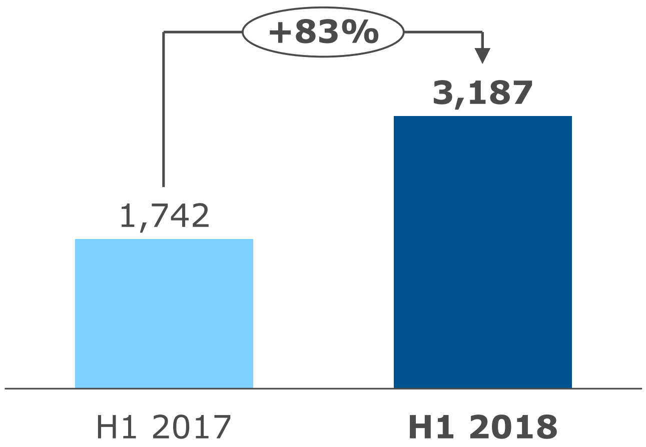

## Comments

- Service sales share amounted to 16.9% of group sales in H1 2018
- Stable Service EBIT margin of 17.5% in H1 2018 based on aligned segment reporting*
- 97.7% average availability of WTG under service

*Segment specific overhead allocation

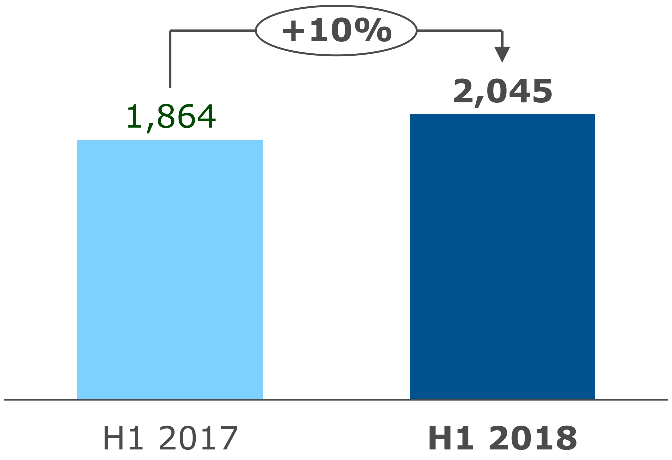
# Combined order backlog above EUR 5bn at the end of Q2 2018

## Order backlog turbines (EUR m)




- Order backlog increased by EUR 477m compared to Q1 2018
- Order backlog distributed on Nordex focus markets reflects global footprint: Europe (41%), Latin America (34%), North America (16%), RoW (9%)

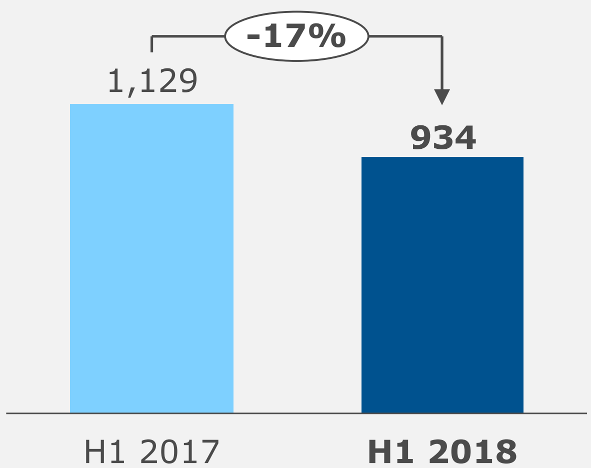
## Order backlog service (EUR m)




- Almost 6.950 WTG under service, corresponding to 16.7 GW

# Operational performance in H1 2018

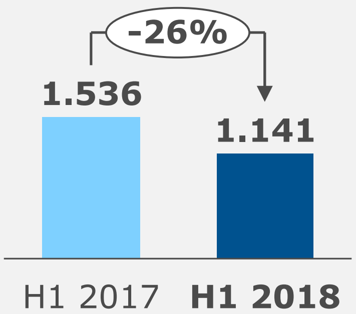
## Installations (MW)



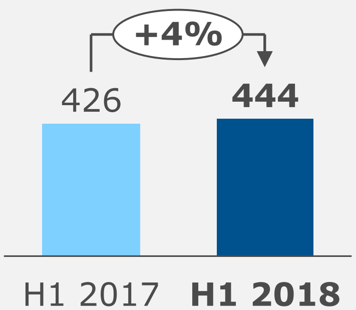

- Total installations of 303 WTGs in 13 countries at the end of H1 2018: 51% Europe, 32% Latin America, 2% North America, 15% RoW
- High focus on project execution in order to secure project revenues in FY 2018

## Production

**Turbine assembly (MW)**




**Blade production (#)**




- Output turbines of 368 units in H1 2018: 177 GER, 168 ESP, 17 BRA, 6 IND
- Inhouse output blades of 444 units in H1 2018: 96 GER, 348 ESP
- Production for next quarters is accelerating, based on firm orders and according to installation schedule

# Income statement H1 2018

| in EUR m | H1 2018 | H1 2017 | abs. change |
|---|---|---|---|
| **Sales** | **957.1** | **1,501.1** | -544.0 |
| Total revenues | 1,090.0 | 1,525.7 | -435.7 |
| Cost of materials | -782.9 | -1,111.5 | 328.6 |
| **Gross profit** | **307.2** | **414.2** | **-107.0** |
| Personnel costs | -159.9 | -165.9 | 6.0 |
| Other operating (expenses)/income | -108.9 | -130.9 | 22.0 |
| **EBITDA** | **38.4** | **117.5** | **-79.1** |
| Depreciation/amortization | -74.2 | -68.1 | -6.1 |
| **EBIT** | **-35.8** | **49.4** | **-85.2** |
| **Net profit** | **-40.3** | **22.6** | **-62.9** |
| ***Gross margin*** | *32.1** | *27.2* | |
| ***EBITDA margin*** | *4.0* | *7.8* | |
| ***EBIT margin w/o PPA*** | *-0.6* | *4.9* | |

*Gross profit in relation to sales

## Comments

- Sales and EBITDA as expected in H1 2018
- Gross margin affected by high service share in H1 2018
- PPA depreciation totalled EUR 30.0m in H1 2018 (EUR 24.4m in H1 2017)
- Tax refund rate of 25.5%

# Balance sheet H1 2018

| in EUR m | 30.06.18 | 31.12.17 | abs. change | Δ in % |
|---|---|---|---|---|
| Current assets | 1,902.3 | 1,543.1 | 359.2 | 23.3 |
| Non-current assets* | 1,320.8 | 1,264.5 | 56.3 | 4.5 |
| **Total assets** | **3,223.1** | **2,807.6** | **415.5** | **14.8** |
| Equity | 746.0 | 919.0 | -173.0 | -18.8 |
| Current liabilities | 1,580.2 | 1,104.1 | 476.1 | 43.1 |
| Non-current liabilities* | 896.9 | 784.5 | 112.4 | 14.3 |
| **Total equity and liabilities** | **3,223.1** | **2,807.6** | **415.5** | **14.8** |
| *Net debt*** | *174.0* | *60.1* | | |
| *Working capital ratio**** | *5.8%* | *5.3%* | | |
| *Equity ratio* | *23.1%* | *32.7%* | | |

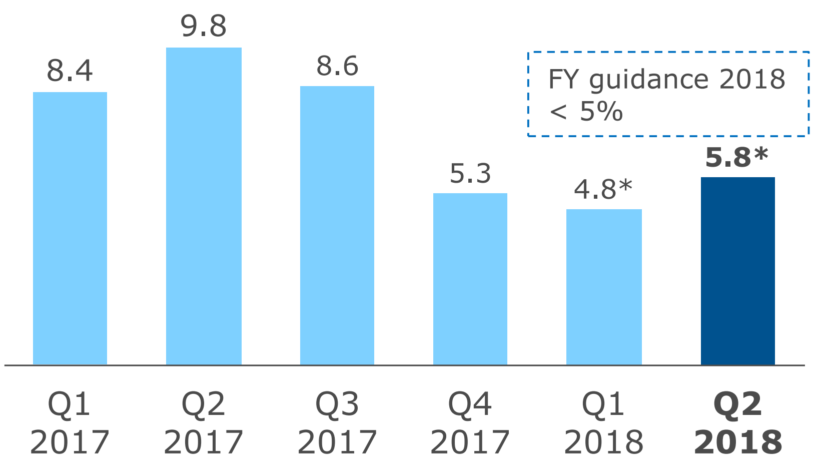
* Including held for sale assets and liabilities
** Cash and cash equivalents less bank borrowings and bond
*** Based on lower end of FY sales guidance 2018

## Comments

- Cash position of EUR 484.2m (Q1 2018: 676.2m) and non current liabilities reduced by second repayment of remaining SSD tranche of EUR 166m in April 2018

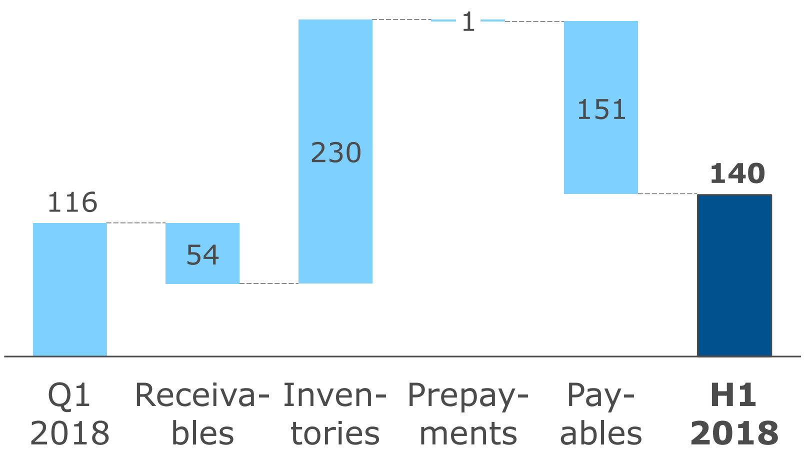
# Working capital development H1 2018

## Working capital ratio (in % of sales)




- Working capital development in Q2 2018 is driven by higher business activities in preparation of H2 2018 installations

## Working capital development (in EUR m)




- Increase in Working capital in Q2 2018 is mainly driven by increased inventories compensated by increased payables

* Based on lower end of FY sales guidance 2018

# Cash flow statement H1 2018

| in EUR m | H1 2018 | H1 2017 |
|---|---|---|
| Cash flow from operating activities before net working capital | -18.1 | 28.6 |
| Cash flow from changes in WC | -74.6 | -188.7 |
| Cash flow from operating activities | -92.8 | -160.0 |
| Cash flow from investing activities | -9.0 | -75.7 |
| Free cash flow | -101.7 | -235.7 |
| Cash flow from financing activities | -27.2 | 30.8 |
| Change in cash and cash equivalents* | -129.0 | -204.9 |

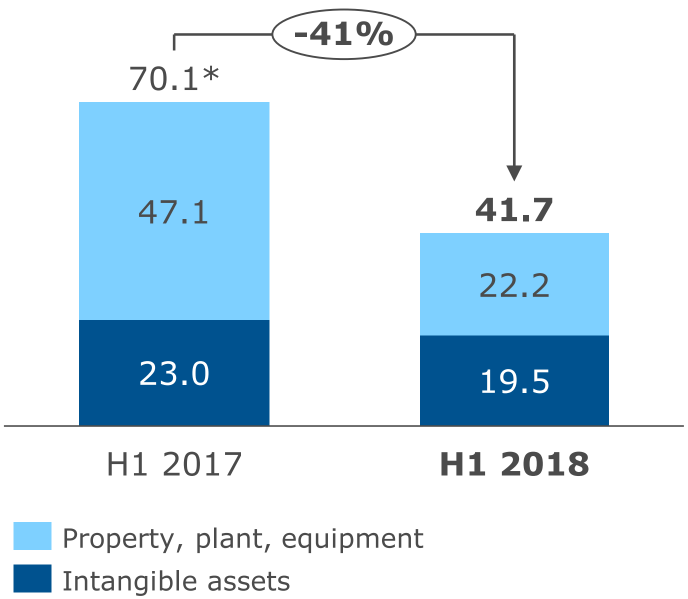
*Excluding FX effects

## Comments

- Cash flow from changes in WC (EUR -74.6m) driven by higher business activities
- Cash flow from investing activities comprises investments in production and R&D activities offset by payments received from sale-and-lease back of the Nordex office building
- Free cash flow improved by EUR 134.0m compared to H1 2017
- Cash flow from financing activities (EUR -27.2m) resulting from repayment of bank loans and the net effect from refinancing the SSD through a bond; repayment of remaining SSD tranche (EUR 166m) in April 2018
- Cash at the end of H1 2018 was at EUR 484m and thus increased by EUR 46m compared to end of H1 2017 (EUR 438m)

# Total investments H1 2018

## CAPEX* (in EUR m)



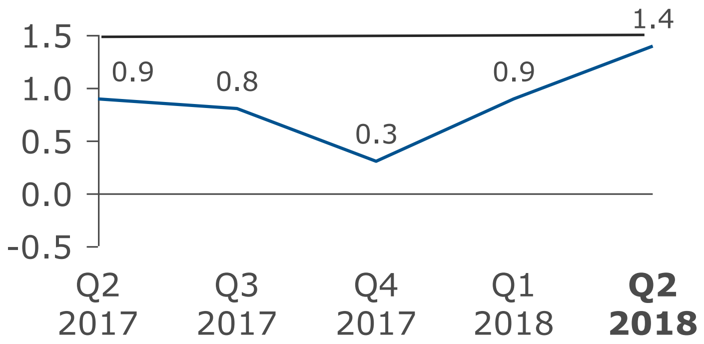

## Comments

- Investments are below previous year as planned
  - Investments in production tooling and equipment for new products in Spain and India
  - Investments in product development
- Decrease in intangible assets due to lower level of development costs compared to previous year

*Excluding first time consolidations

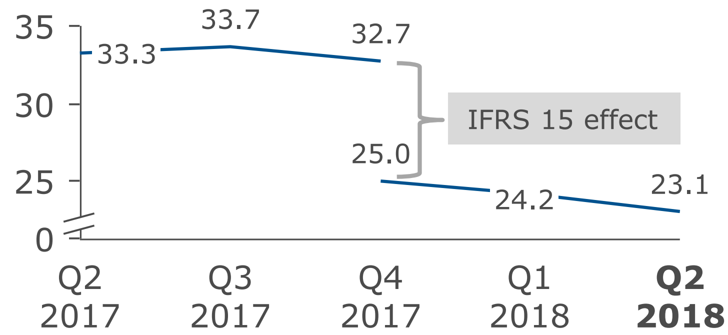
# Capital structure H1 2018

## Net debt*/EBITDA**




- Leverage ratio increased due to lower cash driven by an increase in working capital

## Equity ratio (in %)




- After elimination of the IFRS 15 technical effect adjusted equity ratio amounts to 25% as of year end 2017
- Equity ratio decreased at the end of Q2 2018 due to net profit development

*Cash and cash equivalents less bank borrowings and bond
** Last twelve months

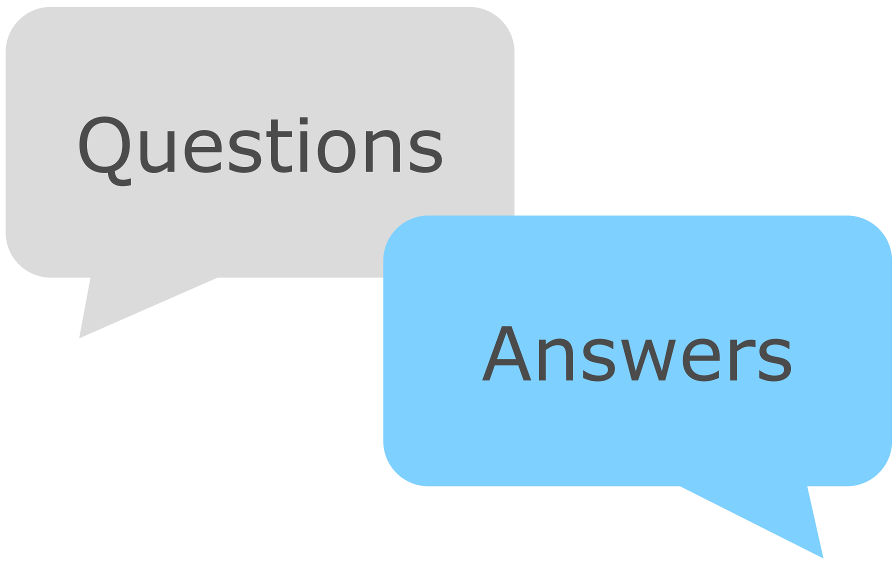
# Strategy

| | | | |
|---|---|---|---|
| 1 | **Leverage global market presence** | …to further strengthen our business with key global accounts and increase sales in growth markets<br><br>→ *Global market presence already given, e.g. order intake in H1 mainly came from Brazil, South Africa, Mexico, Chile, USA, Turkey, France and Sweden* | ✓ |
| 2 | **Develop a comprehensive and COE optimized product portfolio** | …to further lower the cost of wind turbine systems<br><br>→ *First turbines of new generation Delta4000 already sold. Additional order intake expected in FY 2018* | ✓ |
| 3 | **Transform supply chain** | …through shift of production and procurement to best cost countries<br><br>→ *In progress as planned* | ✓ |
| 4 | **Continue to focus on operational cost efficiencies** | …through implementing the "45-by-18" program and improving the working capital management systems<br><br>→ *Well underway in line with tough cost management* | ✓ |
| 5 | **Further growth Service revenues** | ...by rolling out new attractive Services offering globally<br><br>→ *In progress as planned* | ✓ |

# Guidance for FY 2018 remains unchanged

| | |
|---|---|
| **Sales** | **EUR 2.4-2.6bn** |
| **EBITDA margin** | **4-5%** |
| **Working capital ratio** | **<5%** |
| **CAPEX** | **approx. EUR 110m** |

# Time for your questions



# Key takeaways

- First half 2018 developed as expected, second half will show higher activity level with increasing revenues and installations

- Technological development with new Delta4000 and AW140/3000 well on track, first turbines already sold

- Diversification across volume and growth markets is paying out. Volume in the marktes is coming back as expected

- Supply chain transformation to best competitive countries is ongoing, e.g. ramping up India

- Market recovery expected in the mid-term, especially in Germany

# Financial calendar 2018

| 2018 | Event |
|---|---|
| 27 March | Publication of Annual Report 2017 |
| 15 May | Interim statement Q1 2018 |
| 5 June | Annual General Meeting (Rostock) |
| 14 August | Interim report H1 2018 |
| 13 November | Interim statement Q3 2018 |

# Contact details

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