# Nordex SE
# Nine-month figures 2018

Conference Call, 13 November 2018

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# Agenda

| | | |
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| 1 | Introduction | *José Luis Blanco* |
| 2 | Markets and orders | *Patxi Landa* |
| 3 | Financials | *Christoph Burkhard* |
| 4 | Operations and technology | *José Luis Blanco* |
| 5 | Guidance 2018 | *José Luis Blanco* |
| 6 | Strategic Outlook | *José Luis Blanco* |
| 7 | Q&As | *All* |

# Executive Summary

## 9M 2018 results

| | |
|---|---|
| Sales: | EUR 1,773m (EUR 2,320m in 9M 2017) |
| EBITDA margin: | 4.0% (7.8% in 9M 2017) |
| Working capital ratio: | 5.4% (8.6% in 9M 2017) |
| Order Intake: | 3.1 GW (1.1 GW in 9M 2017) |
| | 1.0 GW in Q3 2018 (0.2 GW in Q3 2017) |

- Q3 2018 fourth quarter in a row with around 1GW order intake
- Large orders for new Delta4000 turbines support future volume growth
- Continuously good order momentum expected in Q4 2018. Further orders to come for new Delta4000
- Q3 2018 in line with expectations
- FY 2018 guidance narrowed to the lower end of the range

*Calculation excluding service

# Market developments

## Europe

- In Germany, governing parties agreed on distribution of additional volumes of 4 GW for 2019-2021
- Undersubscribed auctions in Germany (October) and France (August) reflect difficult permitting situation
- Swedish and Finnish market still very active with corporate PPAs
- Spain rushing to get the awarded 4 GW of wind into the ground before end of 2019
- Turkey under pressure due to financial crisis but YEKA II already announced in November 2018
- Poland held an onshore wind auction in early November 2018
- Rush in Ukraine for FIT projects to be installed in 2019 & 2020

## America

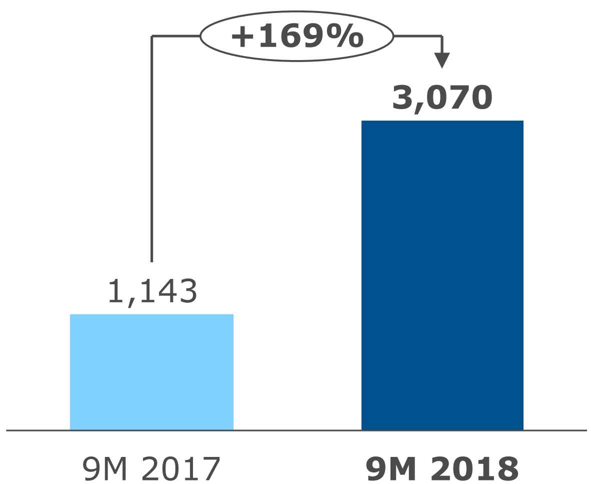
- PTC cycle still in full swing in the US, with very high activity level expected in 2020
- Mexico will hold another auction end of this year which together with more corporate PPAs will increase market activity levels
- Colombia expects to hold its first wind auction early next year

## Rest of World

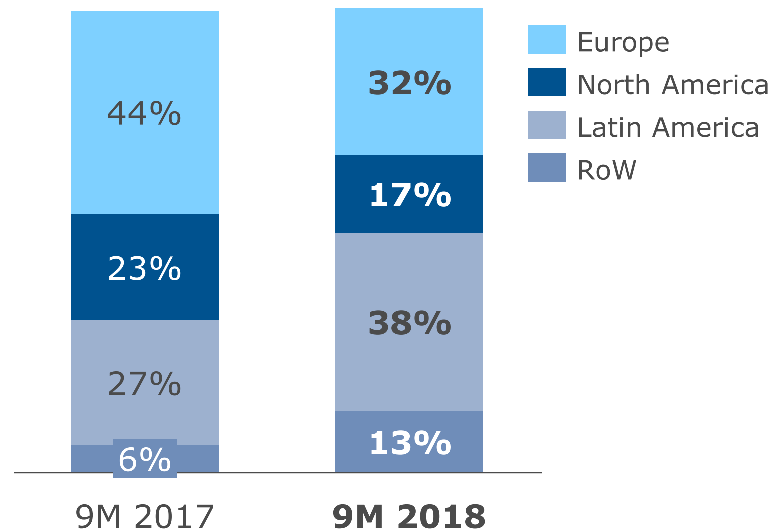
- Big volumes expected to be awarded in auctions during the next two years in India

# Order intake 9M 2018

## Order intake turbine* (in MW)




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



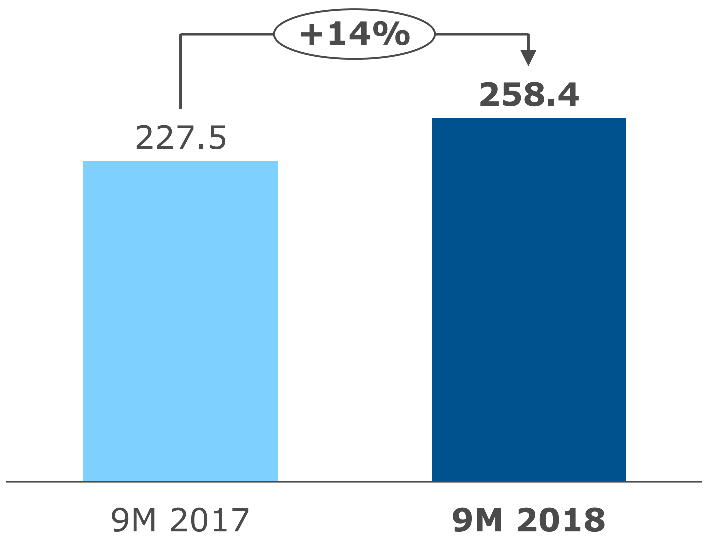

- Order intake in 9M 2018: EUR 2.3bn (9M 2017: EUR 1.1bn), thereof in Q3 2018: EUR 733m (Q3 2017: EUR 203m)
- ASP of 0.76 mEUR/MW for 9M 2018 influenced by regional mix, turbine type and project scope
- Order intake in 9M 2018 received from 17 different countries showing a well-balanced regional mix

- Strong increase in Latin America (mainly driven by Brazil, Mexico and Chile) and South Africa compared to previous year
- Order intake in Europe nearly doubled compared to 9M 2017

*Excluding service

# Service segment in 9M 2018

## Service sales (in EUR m)



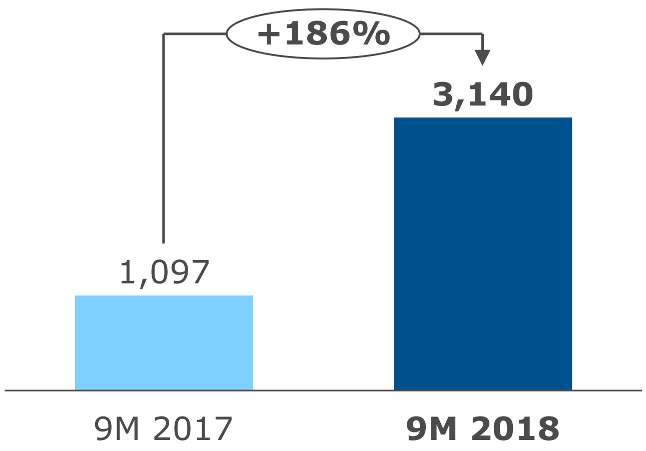

## Comments

- Service sales share amounted to 14.6% of group sales in 9M 2018
- Service EBIT margin* of 18.1% in 9M 2018 based on aligned segment reporting
- 97.6% average availability of WTG under service
- Nordex customer Falck Renewables extended service contracts for 159 turbines in Europe

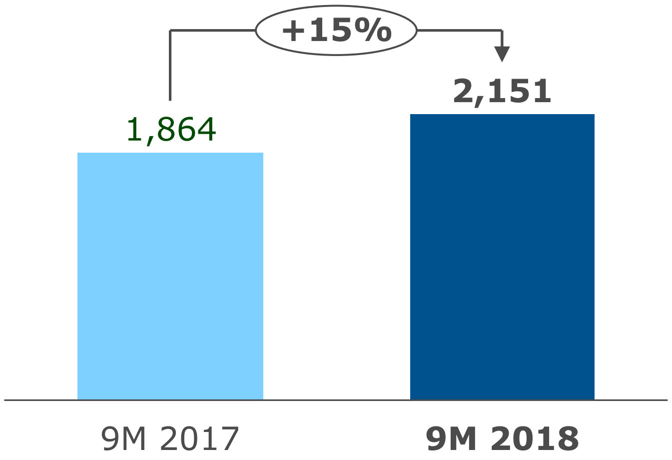
*Segment specific overhead allocation

# Combined order backlog amounted to nearly EUR 5.3bn

## Order backlog turbines (EUR m)




## Order backlog service (EUR m)




- Order backlog increased by over EUR 2.0bn compared to corresponding previous year
- Order backlog distributed on Nordex focus markets reflects global footprint: Europe (38%), Latin America (33%), North America (13%), RoW (15%)
- Almost 7.300 WTG under service, corresponding to 17.8 GW

# Income statement 9M 2018

| in EUR m | 9M 2018 | 9M 2017 | abs. change |
|---|---|---|---|
| **Sales** | **1,772.9** | **2,319.5** | -546.6 |
| Total revenues | 1,753.3 | 2,364.9 | -611.6 |
| Cost of materials | -1,281.5 | -1,741.9 | 460.4 |
| **Gross profit** | **471.8** | **622.9** | **-151.1** |
| Personnel costs | -238.1 | -247.6 | 9.50 |
| Other operating (expenses)/income | -162.3 | -193.4 | 31.1 |
| **EBITDA** | **71.4** | **181.9** | **-110.5** |
| Depreciation/amortization | -110.4 | -118.6 | -8.2 |
| **EBIT** | **-39.0** | **63.3** | **-102.3** |
| **Net profit** | **-51.8** | **27.9** | **-79.7** |
| ***Gross margin*** | *26.6%** | *26.3%* | |
| ***EBITDA margin*** | *4.0%* | *7.8%* | |
| ***EBIT margin w/o PPA*** | *0.4%* | *4.8%* | |

*Gross profit in relation to sales

## Comments

- Peak in sales as expected in Q3 2018
- Gross margin normalized in 2018
- PPA depreciation amounted to EUR 45.5m in 9M 2018 (EUR 47.5m in 9M 2017)

# Balance sheet 9M 2018

| in EUR m | **30.09.18** | 31.12.17 | abs. change | Δ in % |
|---|---|---|---|---|
| Current assets | 1,783.6 | 1,543.1 | 240.5 | 15.6 |
| Non-current assets | 1,277.7 | 1,264.5 | 13.2 | 1.0 |
| **Total assets** | **3,061.3** | **2,807.6** | **253.7** | **9.0** |
| Equity | 725.0 | 919.0 | -194.0 | -21.1 |
| Current liabilities | 1,459.2 | 1,104.1 | 355.1 | 32.2 |
| Non-current liabilities | 877.1 | 784.5 | 92.6 | 11.8 |
| **Total equity and liabilities** | **3,061.3** | **2,807.6** | **253.7** | **9.0** |
| *Net debt** | *162.0* | *60.1* | | |
| *Working capital ratio*** | *5.4%* | *5.3%* | | |
| *Equity ratio* | *23.7%* | *32.7%* | | |

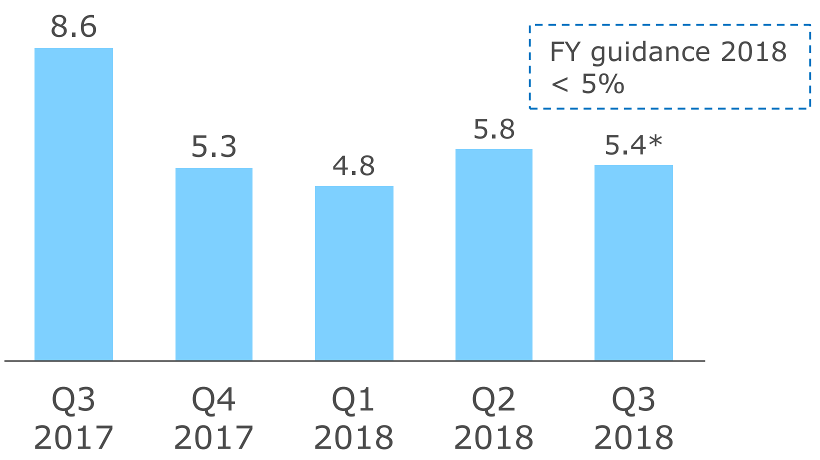
## Comments

- Remaining stable cash position of EUR 476.9m at the end of 9M 2018 compared to previous quarter (EUR 484.2m)

* Cash and cash equivalents less bank borrowings and bond
** Based on lower end of FY sales guidance 2018

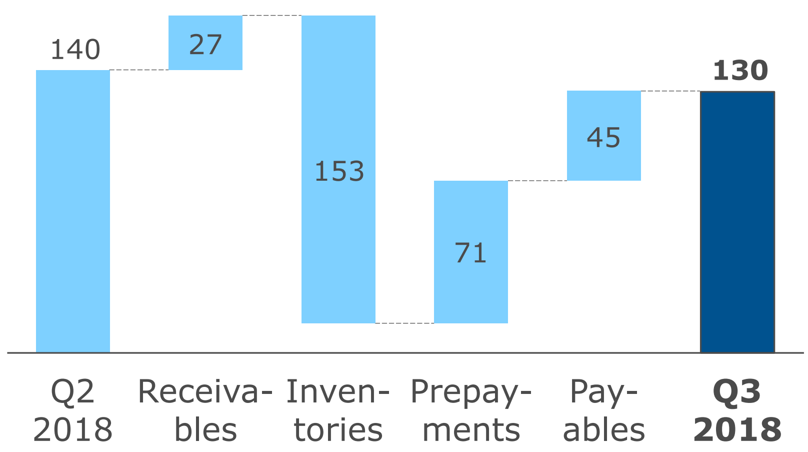
# Working capital development 9M 2018

## Working capital ratio (in % of sales)




- After peak in Q2 2018 working capital declined as expected to 5.4% in Q3 2018
- Further decrease of working capital depending on order intake in Q4 2018

## Working capital development (in EUR m)




- Decrease in working capital is mainly driven by lower inventories following higher installations in Q3 2018

* Based on lower end of FY sales guidance 2018

# Cash flow statement 9M 2018

| in EUR m | **9M 2018** | 9M 2017 |
|---|---|---|
| Cash flow from operating activities before net working capital | 9.9 | 47.9 |
| Cash flow from changes in WC | -67.6 | -143.4 |
| Cash flow from operating activities | -57.7 | -95.5 |
| Cash flow from investing activities | -26.6 | -110.1 |
| Free cash flow | -84.3 | -205.6 |
| Cash flow from financing activities | -43.9 | 21.1 |
| Change in cash and cash equivalents* | -128.2 | -184.5 |

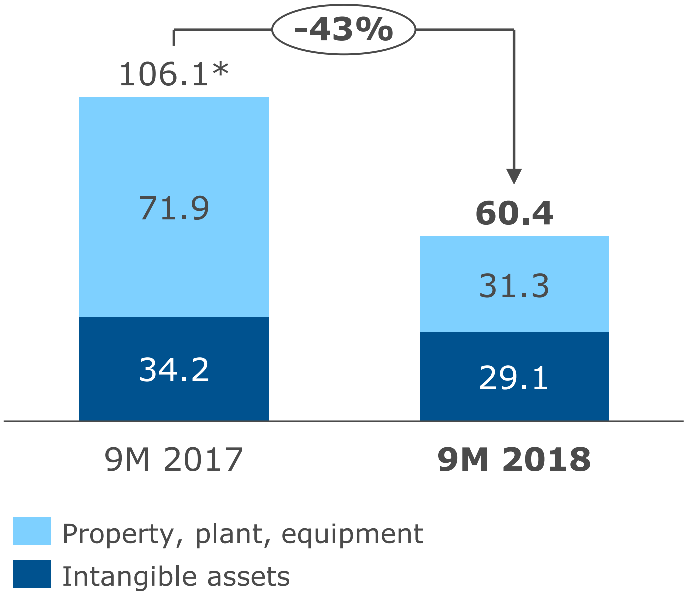
## Comments

- Cash flow from changes in WC (EUR -67.6m) driven by higher business activities
- Free cash flow improved by EUR 121.3m compared to 9M 2017
- Cash flow from financing activities (EUR -43.9m) resulting from repayment of bank loans and the net effect from refinancing the SSD through a bond; repayment of SSD tranches in February and April 2018 (EUR 266m)
- Cash at the end of 9M 2018 slightly increased to EUR 477m compared to EUR 453m at the end of 9M 2017

*Excluding FX effects

# Total investments 9M 2018

## CAPEX* (in EUR m)



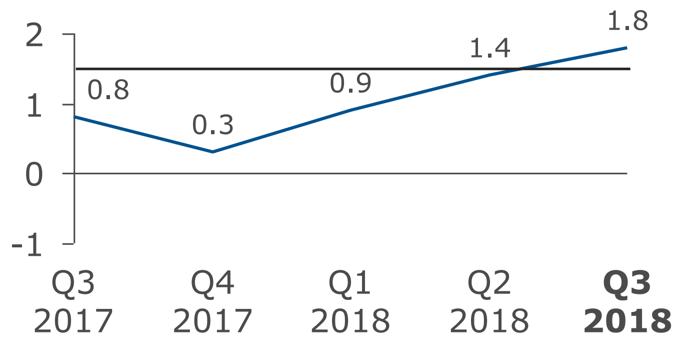

## Comments

- Investments in 9M 2018 comprise
  - Investments in tooling and equipment in Spain and ramping up new production facility in India
  - Investments in product development
- Decrease in intangible assets due to lower level of development costs compared to previous year

*Excluding first time consolidations

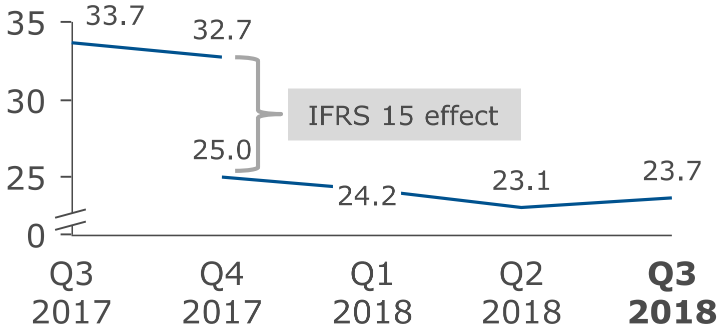
# Capital structure 9M 2018

## Net debt*/EBITDA**




- Leverage ratio further increased due to lower 12m rolling EBITDA but will decrease again in Q4 2018

## Equity ratio (in %)

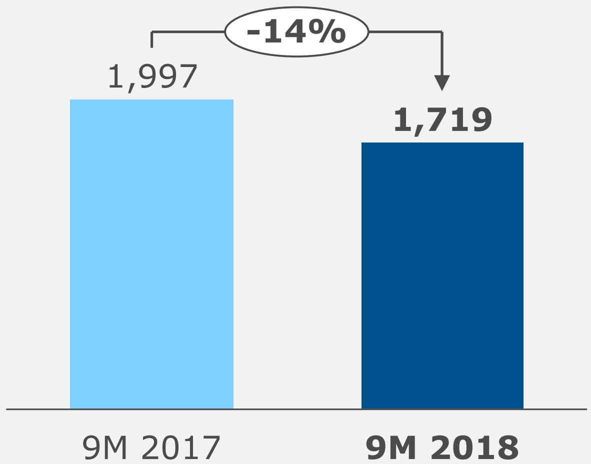



- After elimination of the IFRS 15 technical effect adjusted equity ratio amounts to 25% as of year end 2017
- Equity ratio remains on a stable level at the end of 9M 2018

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

# Operations

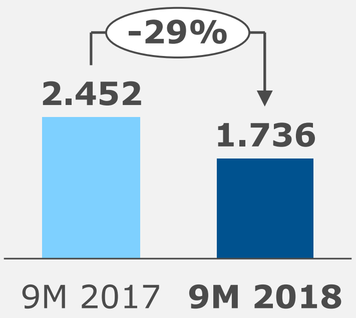
## Installations (MW)



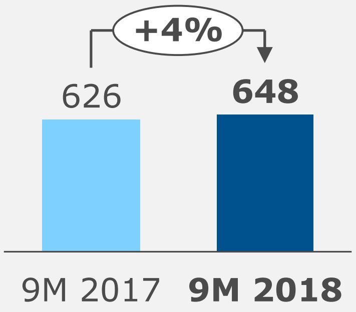

- Total installations of 564 WTGs in 17 countries at the end of 9M 2018: 44% Europe, 19% Latin America, 29% North America, 8% RoW
- High focus on project execution in order to secure project revenues in FY 2018

## Production

**Turbine assembly (MW)**




**Blade production (#)**




- Output turbines of 561 units in 9M 2018: 278 GER, 248 ESP, 29 BRA, 6 IND
- Inhouse output blades of 648 units in 9M 2018: 156 GER, 492 ESP

# Technology

## Technology

### Delta4000


### AW140


## Key facts

- Market introduction according to plan
- N149 prototype 1 successfully installed and running since Sept. 2018 (first operating WTG in 150m class)
- Stable operation with max. power of 4.5 MW
- N149 prototype 2 installed in Nov. 2018
- DECS N149 & N133 received as planned
- Start of series production end of Q1 2019

- Introduced for low-wind sites and well-suited for large markets such as India and the USA
- Based on existing AW3000 platform with minimal modifications
- Design certification obtained June 2018
- Prototype installed in July 2018 and testing completed in Nov. 2018
- Series production available immediately

# FY 2018 guidance narrowed to the lower end of the range

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

# Strategic outlook: 2018 remains challenging, 2019 to be a transitioning year, 2020 recovery expected

| | 2018e | 2019e | 2020e |
|---|---|---|---|
| **Volume effect** | Sales in Germany expected to drop by around EUR 600m due to auction delayed projects | German market volume stays low due to delayed auction projects; growth in other markets leads to revenue recovery; introduction of Delta4000 supports positive development | German market recovers; Delta4000 and new AWP in serial delivery |
| **Price effect** | COE programme improvements cannot fully mitigate price pressure leading to a negative 3-5% net effect on GP margin | Continuing price pressure will be reduced by COE programme to 1-3% net effect on GP margin | Substantial COE improvement from new products compensate margin pressure |
| **Structural costs** | Structural cost reduction of EUR 45m as planned, not compensating volume effect | Organizational efficiencies allow additional volume vs 2018 at similar structural costs | Continue efforts for organizational efficiencies and keep structural cost flat despite volume growth |

- **Service business expected to profitably grow at around 10% p.a.**
- **Solid pipeline for project development business expected to positively contribute to overall group results**
- **Continuous proactive working capital management targeting WC ratio sustainably below 5%**

# Strategic Outlook - Q3 2018 update: 2018 as expected, 2019 to be a transitioning year, 2020 recovery expected

| | 2018e | 2019e | 2020e |
|---|---|---|---|
| **Volume effect** | As of November 13th, 2018: FY 2018 as expected | High volume of global order intake is leading to significant revenue increase driven by existing technology and first Delta4000 deliveries | German market recovers; Delta4000 and new AWP in serial delivery |
| **Price effect** | | Price pressure only partially compensated by COE programme leading to net effect on GP margin of approx. 5% | Substantial COE improvements from new products compensate margin pressure |
| **Structural costs** | | Organizational efficiencies allow additional volume vs 2018 at similar structural costs | Continue efforts for organizational efficiencies and keep structural cost flat despite volume growth |

- **Nordex is back in the market with growing top line and competitive technology supporting 2020 recovery**
- **Gross profit margin in 2019 affected by higher price pressure as well as less profitable product mix**
- **US import duties (legislation as of end September 2018) trigger supply chain reconfiguration costs impacting P&L in 2019 only**

# Time for your questions

Questions

Answers

# Financial calendar 2018 and 2019

| 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 |

| 2019 | Event |
|---|---|
| 26 March | Publication of Annual Report 2018 |
| 14 May | Interim statement Q1 2019 |
| 4 June | Annual General Meeting (Rostock) |
| 14 August | Interim report H1 2019 |
| 13 November | Interim statement Q3 2019 |

# Contact details

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