

# Nordex SE Conference Call 9M 2017

Hamburg, 14 November 2017



## Disclaimer

- All financial figures within this presentation are unaudited.
- This presentation was produced in November 2017 by Nordex SE solely for use as a source of general information regarding the economic circumstances and status of Nordex SE. It does not constitute an offer for the sale of securities or an invitation to buy or otherwise acquire securities in the Federal Republic of Germany or any other jurisdiction. In particular it is not intended to be an offer, an investment recommendation or a solicitation of an offer to anyone in the U.S., Canada, Japan and Australia or any other jurisdiction. This presentation is confidential. Any reproduction or distribution of this presentation, in whole or in part, without Nordex SE's prior written consent is expressly prohibited.
- This presentation contains certain forward-looking statements relating to the business, financial performance and results of Nordex SE and/or the industry in which Nordex SE operates, these statements are generally identified by using phrases such "aim", "anticipate", "believe", "estimate", "expect", "forecast", "guidance", "intend", "objective", "plan", "predict", "project", and "will be" and similar expressions. Although we believe the expectations reflected in such forward-looking statements are based upon reliable assumptions, they are prepared as up-to-date and are subject to revision in the future. We undertake no responsibility to update any forward-looking statement. There is no assurance that our expectations will be attained or that any deviations may not be material. No representation or warranty can be given that the estimates, opinions or assumptions made in, or referenced by, this presentation will prove to be accurate.

# Agenda

- 1 Introduction *José Luis Blanco*
- 2 Markets, orders & installations *Patxi Landa*
- 3 Financials *Christoph Burkhard*
- 4 "45-by-18" *Christoph Burkhard*
- 5 Product development *José Luis Blanco*
- 6 Guidance 2017 *José Luis Blanco*
- 7 Strategic outlook *José Luis Blanco*
- 8 Q&A *All*

## Executive Summary

### › **9M 2017 results**

- › Sales EUR 2,319m (-1% y-o-y)
- › EBITDA EUR 182m (-11% y-o-y)
- › Order intake turbines EUR 1,108m (-49% y-o-y)

› Strong order intake in Q4 expected

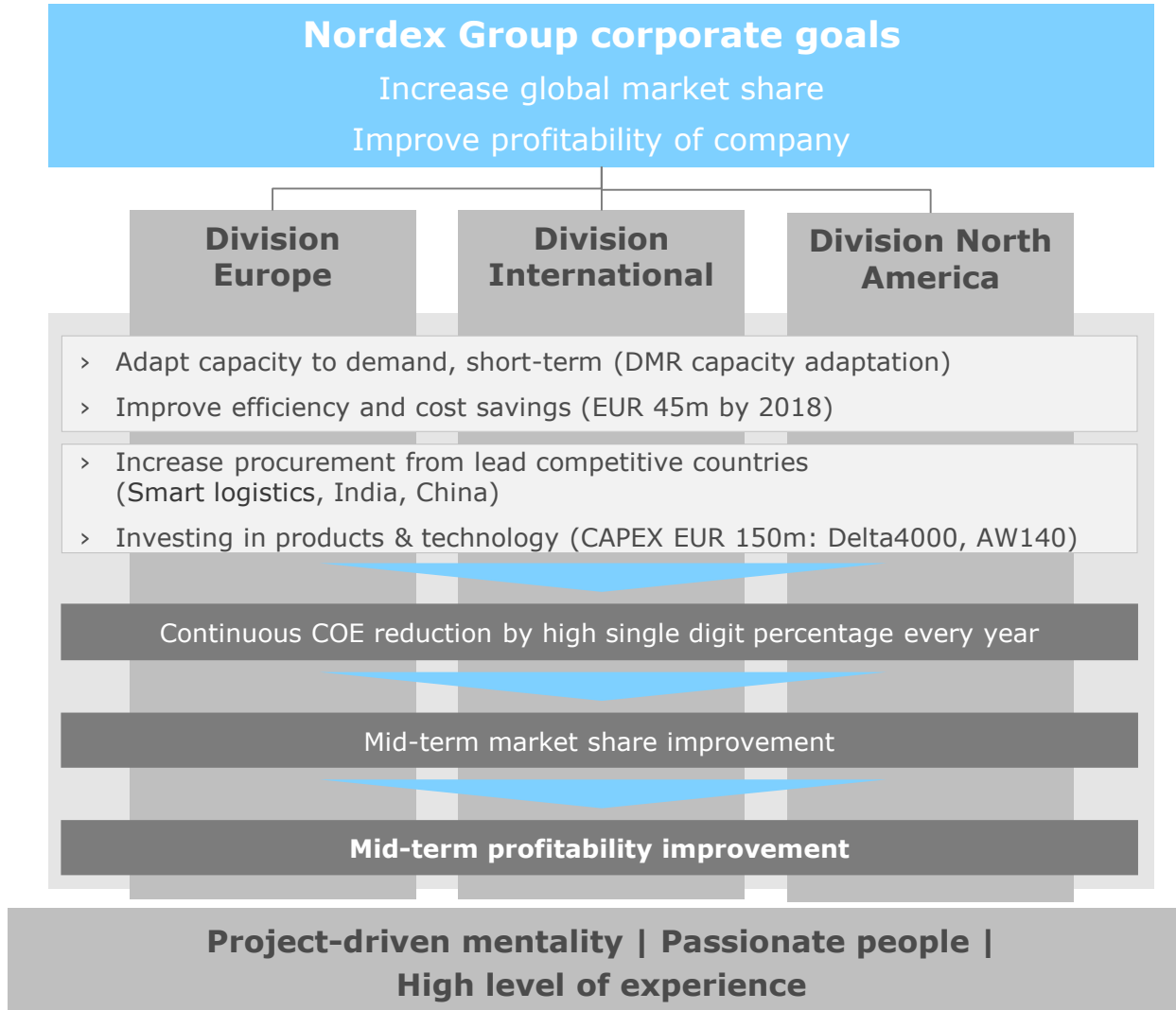
› Cost reduction target increased from “30-by-18” to “45-by-18”

› New products announced: Delta4000, AW140/3000

### › **Guidance 2017**

- › EBITDA margin, working capital and CAPEX confirmed
- › Sales slightly below EUR 3.1bn expected

# Nordex transformation in execution as planned



## Volatility in markets due to US, India, Germany

### Europe

- General trend in European markets transitioning towards auction based systems
- Spain with over 4 GW of wind awarded in 2017 auctions
- Turkey: upcoming auction offers chances beyond YEKA tender
- Germany to recover as big volume market from 2020 onwards

### America

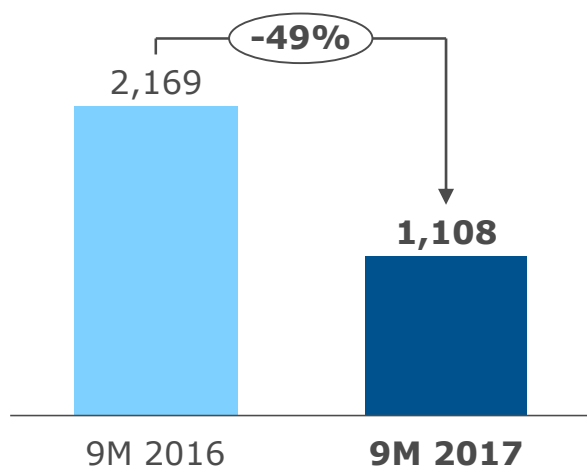
- PTC cycle in full swing in the US. Proposed tax bill reform may create market uncertainty
- Recent onshore wind auction results fuel market expansion with auctions taking place in Mexico, Brazil, Argentina and Chile

### Rest of World

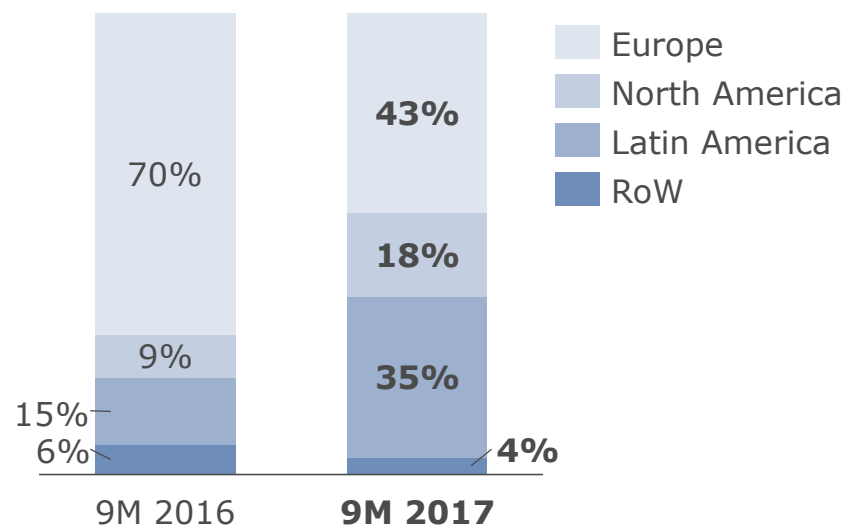
- Transition to auction based systems creates uncertainty in India – PPAs have not been ratified yet
- RSA: Expectation for the first projects awarded in round 4 to reach financial close before year end

# 9M order intake of EUR 1.1bn

Order intake\* (in EUR m)



Order intake\* by regions (in %)



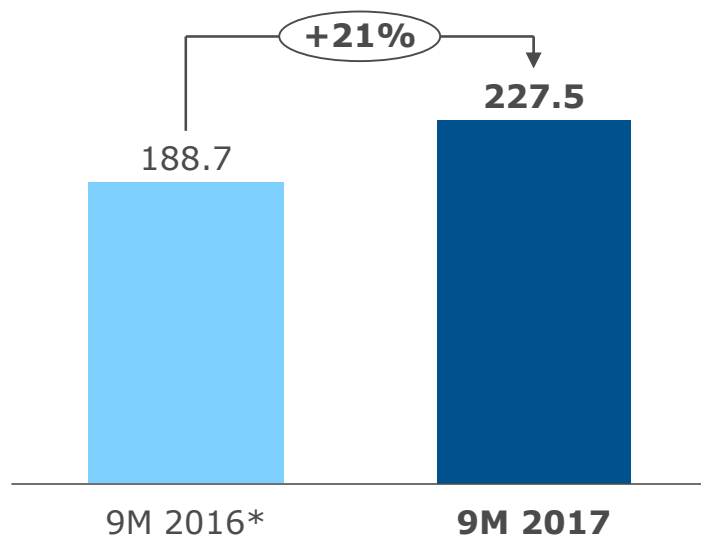
- Decrease mainly driven by German market and back-end profile of large scale orders
- Strong order intake expected for Q4

- Distribution shows increased global footprint with significant shift to overseas markets

\*Project segment, excl. service

# Service segment with promising development

## Service sales (in EUR m)



## Comments

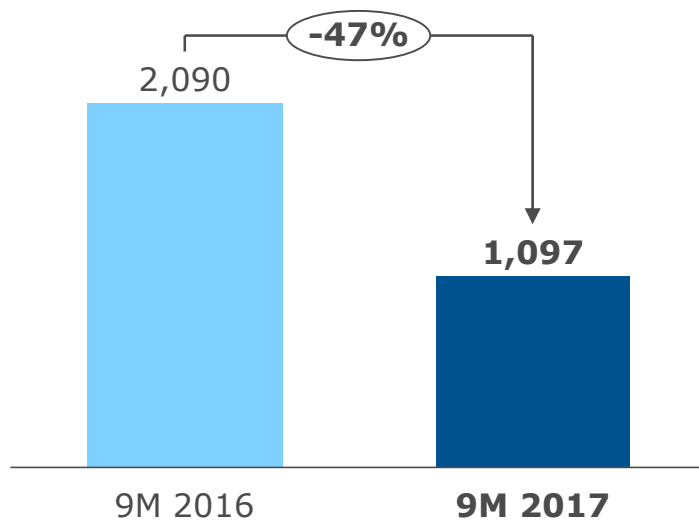
- Service share of around 10% of total sales in 9M 2017
- Service sales supported by inorganic growth (AWP included from Q2 2016 on)

\*Adjusted after change in segment reporting

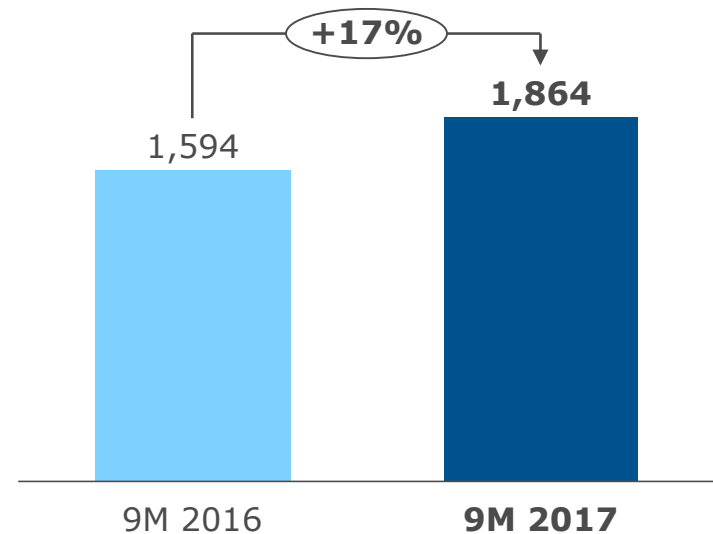


# Turbine and service order backlog stands at EUR 3.0bn

Order backlog turbines (EUR m)



Order backlog service (EUR m)

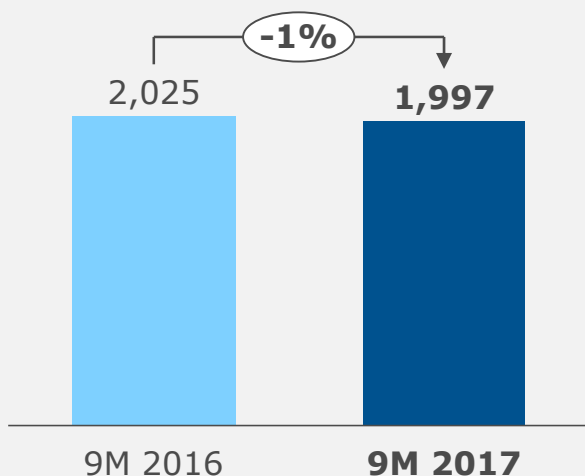


- Turbine order backlog impacted by low order intake in Q3
- Distributed on Nordex' focus markets: Europe (46%), North America (4%), Latin America (41%), RoW (9%)

- ~6.500 WTG under service, corresponding to 15.2 GW (Q3 2016: 12.0 GW)

# Operational performance

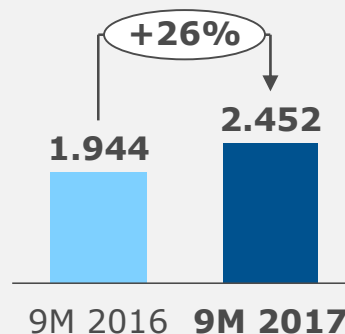
## Installations (MW)



- Installation of 704 WTGs in 14 countries: 63% Europe, 21% North America, 11% Latin America, 5% RoW

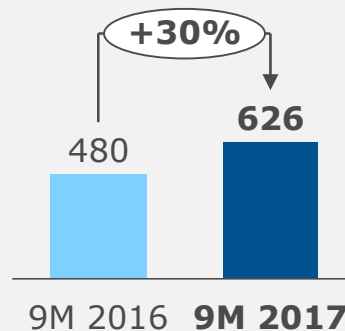
## Production

### Turbine assembly (MW)



- Output of 831 units: GER 425, ESP 381, BRA 24, IND 1 (full ramp-up in Q1 2018)

### Blade production (#)



- Inhouse output of 626 units: 331 ESP, 295 GER

# Income statement 9M 2017

in EUR m	9M 2017	9M 2016	Δ in %
<b>Sales</b>	<b>2,319.5</b>	<b>2,339.5</b>	-0.9
Total revenues	2,364.9	2,360.7	0.2
Cost of materials	-1,741.9	-1,789.0	-2.6
<b>Gross profit</b>	<b>622.9</b>	<b>571.7</b>	<b>9.0</b>
Personnel costs	-247.6	-205.2	20.7
Other operating (expenses)/income	-193.4	-162.7	18.9
<b>EBITDA</b>	<b>181.9</b>	<b>203.9</b>	<b>-10.8</b>
Depreciation/amortization	-118.6	-78.1	51.9
<b>EBIT</b>	<b>63.3</b>	<b>125.8</b>	<b>-49.7</b>
<b>Net profit</b>	<b>27.9</b>	<b>64.4</b>	<b>-56.7</b>
<b>Gross margin</b>	<b>26.3%</b>	<b>24.2%</b>	
<b>EBITDA margin</b>	<b>7.8%</b>	<b>8.7%</b>	
<b>EBIT margin w/o PPA</b>	<b>4.8%</b>	<b>6.4%</b>	

## Comments

- Increased gross profit margin also supported by service margin
- Depreciation includes EUR 47.5m from PPA
- Tax rate stands at 35%

## Balance sheet 9M 2017

in EUR m	30.09.17	31.12.16	abs. change	Δ in %
Non-current assets	1,245.8	1,275.1	-29.3	-2.3
Current assets	1,586.2	1,719.1	-132.9	-7.7
<b>Total assets</b>	<b>2,832.0</b>	<b>2,994.2</b>	<b>-162.2</b>	<b>-5.4</b>
Equity	954.3	940.0	14.3	1.5
Non-current liabilities	789.1	812.0	-22.9	-2.8
Current liabilities	1,088.6	1,242.2	-153.6	-12.4
<b>Equity and total liabilities</b>	<b>2,832.0</b>	<b>2,994.2</b>	<b>-162.2</b>	<b>-5.4</b>
<i>Net debt*</i>	<i>214.7</i>	<i>-6.1</i>		
<i>Working capital ratio**</i>	<i>8.6%</i>	<i>4.1%</i>		
<i>Equity ratio</i>	<i>33.7%</i>	<i>31.4%</i>		

### Comments

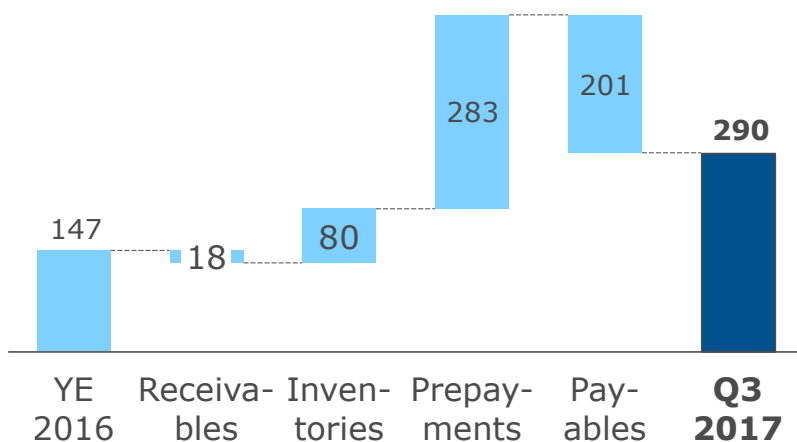
- High installation activity drives inventories level
- Decrease in current liabilities reflects lower customer prepayments

\*Cash and cash equivalents less bank borrowings

\*\*Based on last twelve months

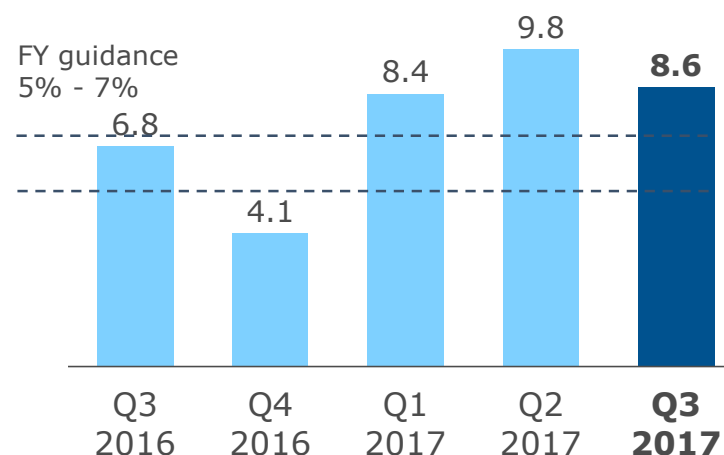
## Working capital 9M 2017

### Working capital development (in EUR m)



- Increased working capital compared to YE 2016 due to reduced prepayments and higher inventories
- Working capital programme starts to contribute

### Working capital ratio (in % of sales\*)



- Working capital ratio decreased after peak in Q2 as expected

\*Based on last twelve months

## Cash flow statement 9M 2017

in EUR m	9M 2017	9M 2016
Cash flow from operating activities before net working capital	+47.9	108,5
Cash flow from changes in WC	-143.4	-223.6
Cash flow from operating activities	-95.5	-115.1
Cash flow from investing activities	-110.1	-357.0
Free cash flow	-205.6	-472.1
Cash flow from financing activities	+21.1	+372.8
Change in cash and cash equivalents*	-184.5	-99.4

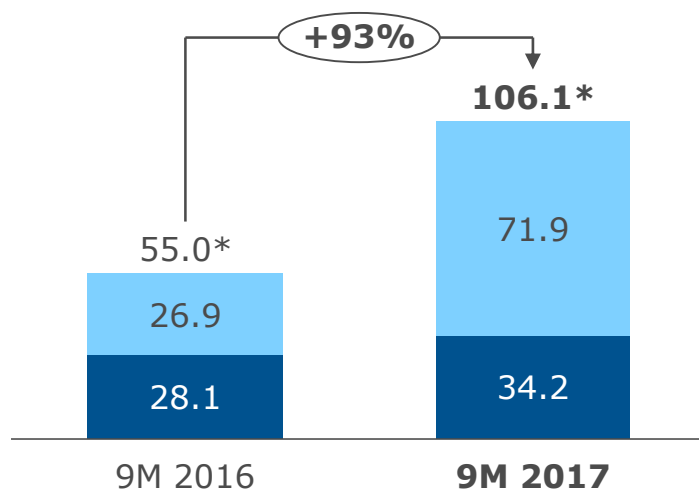
\*Including FX effects

### Comments

- Free cash flow impacted by high working capital
- Working capital programme with increasing impact

## Total investments 9M 2017 developed as planned

### CAPEX (in EUR m)



■ Property, plant, equipment  
■ Intangible assets

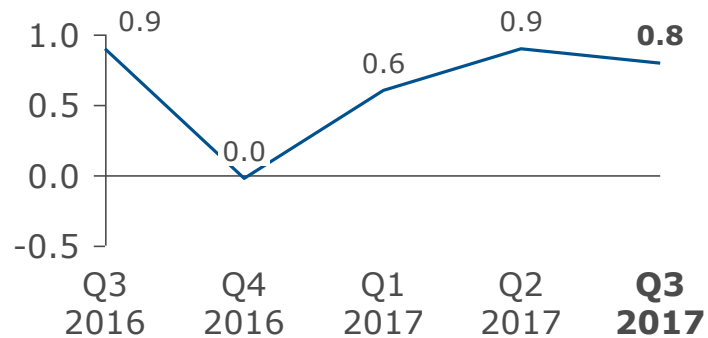
### Comments

- Investments in property, plant, equipment mainly driven by:
  - Investments in new products (e.g. Delta4000) and supply chain for new product generation with substantial COE reduction
  - Activity increase on AW platform
  - Indian blade production to support global volume
- Increased intangible assets related to development of new product generation for land and grid constrained markets

\*Excluding first time consolidation of acquisition of Nordex Blade Technology Centre 2017 respectively of AWP 2016

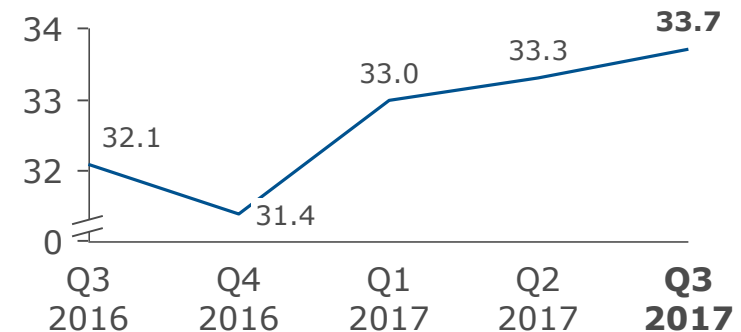
## Capital structure Q3 2017

### Net debt\* to EBITDA\*\* (xEBITDA)



- Fairly stable leverage ratio over the past 12 months

### Equity ratio (in %)



- Solid equity ratio of ~34 % at the end of Q3 2017

\*Cash and cash equivalents less bank borrowings

\*\* Last twelve months



## Cost reduction programme increased from “30-by-18” to “45-by-18” to support long-term profitability

### Programme is progressing well

#### Scope



- **Increased Target: EUR 45m** reduction in structural costs
- **Focus area: Activities in Europe** with emphasis on Germany
- **Service organization excluded** due to growing installed base

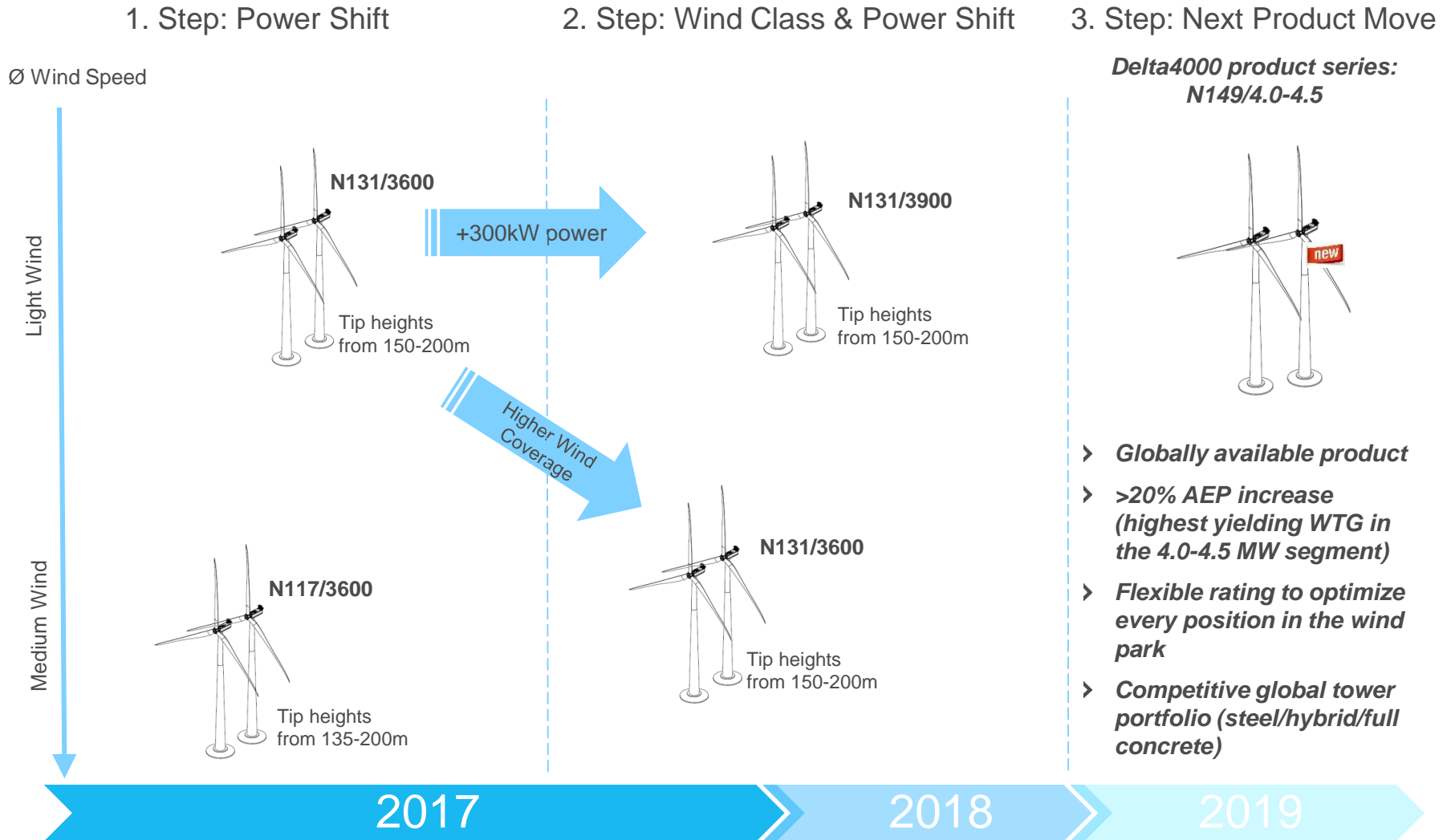
#### Progress



- **100% of measures are firmed up** and in implementation
- **Successful negotiations with works council:** agreement reached and execution still in 2017
- **One-off restructuring costs in 2017** will be below EUR 45m saving target

**No overlap or double-counting** with ongoing COE activities and factory utilization adjustments

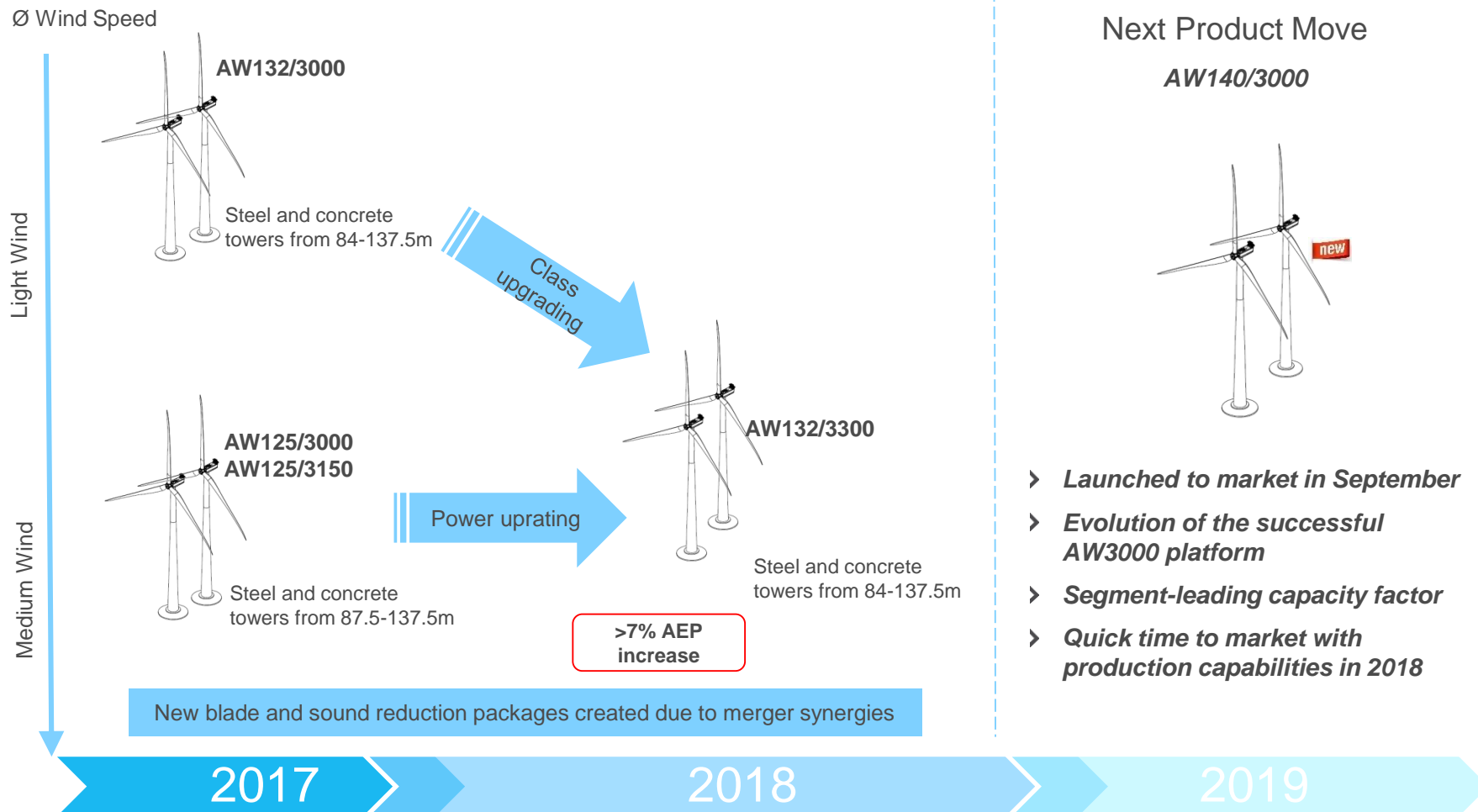
# Product development in land-constrained markets (Delta platform)



- > **Globally available product**
- > **>20% AEP increase (highest yielding WTG in the 4.0-4.5 MW segment)**
- > **Flexible rating to optimize every position in the wind park**
- > **Competitive global tower portfolio (steel/hybrid/full concrete)**

Start of Serial Production

# Product development in grid-constrained markets (AW platform)



Start of Serial Production

# Guidance 2017

## Update guidance Q3

**Sales**

**EUR 3.1-3.3bn**

slightly below  
EUR 3.1bn

**EBITDA margin**

**7.8-8.2%\***



**W/C ratio**

**5.0-7.0%**



**CAPEX**

**approx. EUR 150m**



\*Excluding restructuring costs

**Guidance 2018**

**published in Q1 2018**

# ➤ Strategic outlook



# Positive long-term trend for wind energy supported by several macro factors and strengthened by record-low cost of energy

## Drivers for wind energy

➤ **Global demand for electricity will grow by almost 60% until 2040:**

➤ **In non-OECD countries growing demand** will be driven mainly by intensive industrialization and electrification

➤ **In OECD countries demand will remain flat** but there will be a growing need for replacement of retiring fossil fuel and nuclear plants

### Increasingly competitive COE of wind energy



- **COE reduced** by >50% over last 10 years, >30% reduction expected by 2025
- Onshore at or close to **grid parity** in several markets

### Need for replacement of conventional power plants



- Capacities eligible for **replacement in 2030:**
- Ca. **40% of coal** and **80% of nuclear power**
- **>50% of oil** and **25% of natural gas** power

### Growing demand for wind energy in emerging markets



- **Power consumption** in non-OECD countries to grow ~50% by 2030
- Emerging markets with 12,5% CAGR for **onshore wind installations** by 2025

### Decarbonization/ Need to reduce CO2 emissions



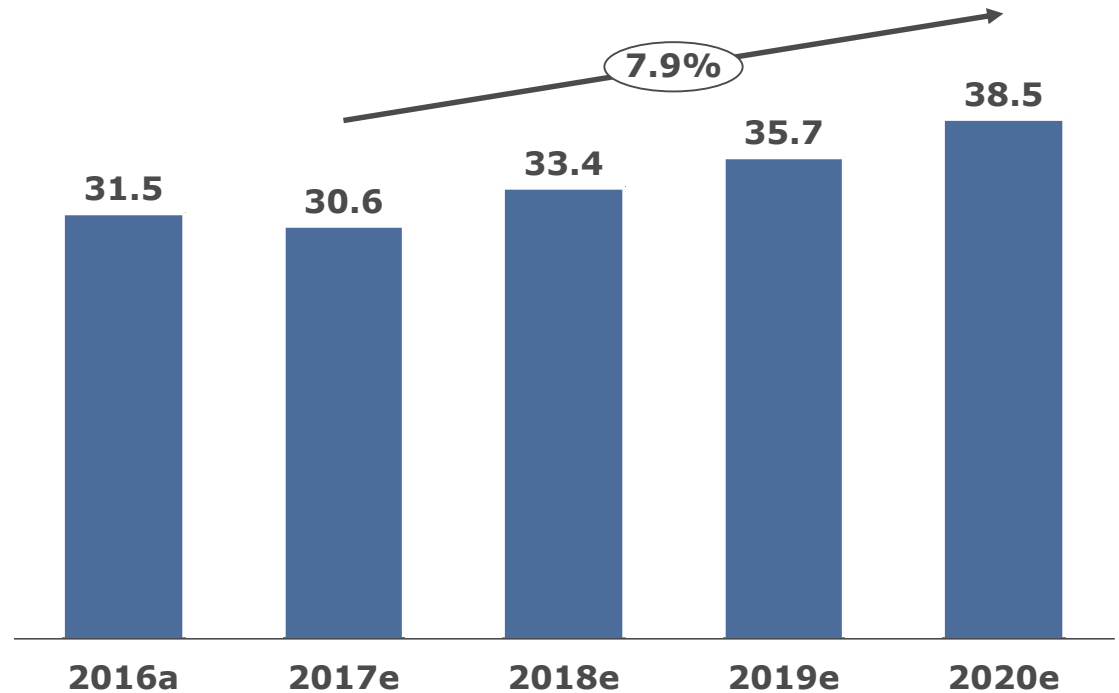
- **COP 21** target to restrict global warming to 1.5°C
- **EU** target to cut greenhouse gas emissions by 40% by 2030



# Global onshore market (ex. China) is expected to grow at 7.9% CAGR between 2017 and 2020

Global (ex. China) onshore wind capacity addition (GW)

Global macro trends are supporting a steady capacity build-up until 2020

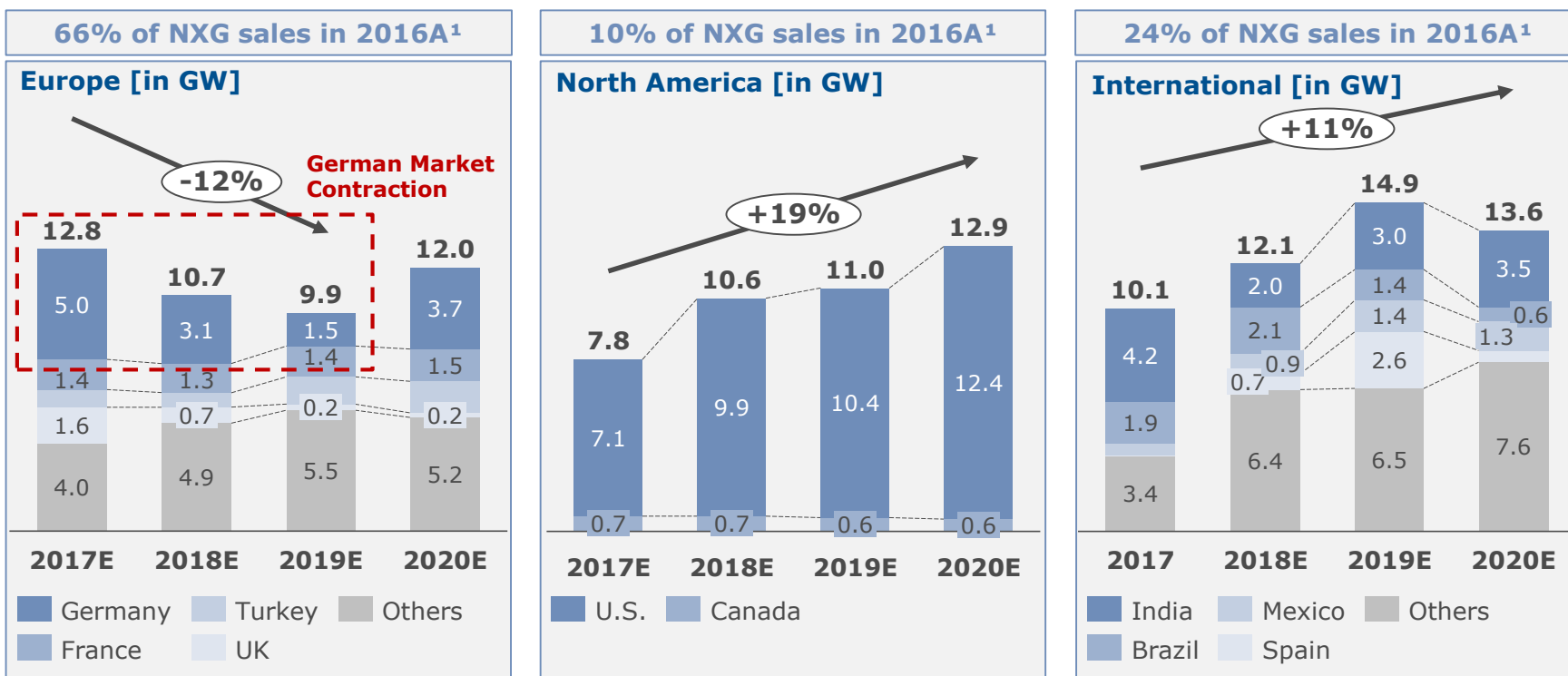


Source: MAKE Wind Market Outlook Q3 2017

# 2018E will be impacted by German market contraction

## Expected market development of Nordex (NXG) divisions

CAGR →












- Unfavorable market development in Europe
- Main cause of impact is the German auction system
- Market impact from contraction in Germany compensated by growth in North America and International

Source: MAKE Wind Market Outlook Q3 2017; <sup>1</sup> Pro forma as of December 31, 2016



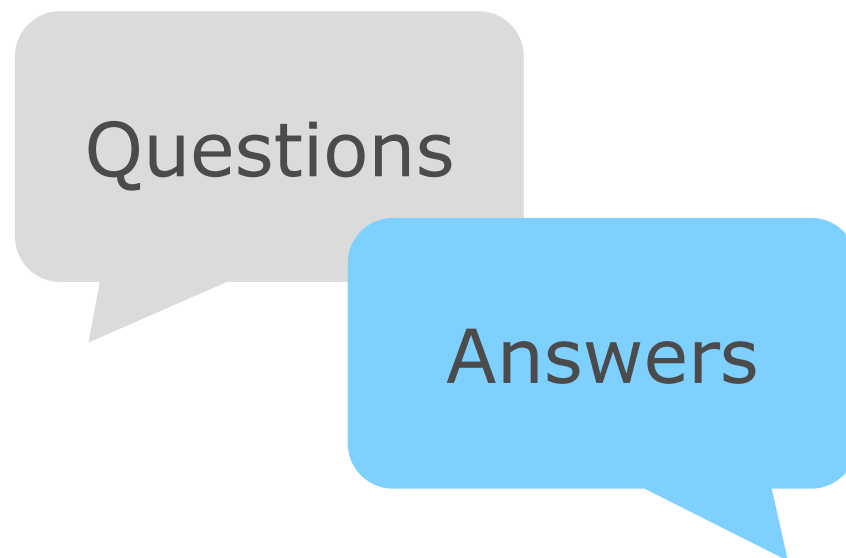
# Nordex expects positive development from 2019 onwards; despite decline in sales and profitability in 2018; all measures are set

## Nordex Group strategic business outlook - trend compared to previous year

	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%

# Time for your questions



## > The management team



**José Luis Blanco**  
**CEO**

- › CEO Acciona Windpower
- › Various senior management & Chief Officer positions at Gamesa



**Christoph Burkhard**  
**CFO**

- › CFO Siemens Wind Power Offshore
- › Various other positions at Siemens
- › BHF Bank, EBRD



**Patxi Landa**  
**CSO**

- › Business development director and Executive Committee member at Acciona Windpower
- › Various Chief Officer Positions at Acciona

# Financial calendar

<b>2017</b>	<b>Event</b>
1 March	Publication of Preliminary Results 2016 and Outlook 2017 (Frankfurt)
30 March	Publication of Annual Report 2016
11 May	Interim statement Q1 2017
30 May	Annual General Meeting (Rostock)
3 August	Interim report H1 2017
14 November	Interim statement Q3 2017

<b>2018</b>	<b>Event</b>
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
6 November	Interim statement Q3 2018

# > Together on the same course

## **Contact Investor Relations:**

Felix Zander  
Tobias Vossberg  
Rolf Becker

## **Nordex SE**

Langenhorner Chaussee 600  
22419 Hamburg  
Germany

Tel: +49-40-30030-1000  
Fax: +49-40-30030-1333  
Email: [info@nordex-online.com](mailto:info@nordex-online.com)  
Web: [www.nordex-online.com](http://www.nordex-online.com)