Sif Holding Full Year 2021 Results

Friday, 18th March 2022

Transcript produced by Global Lingo
London – 020 7870 7100
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Fred van Beers: Good morning, everyone. And thank you for tuning in to the Full Year '21 Results Webcast Presentation of Sif Holding. My name is Fred van Beers, and I'm the CEO of Sif, and I'm accompanied by our CFO, Ben Meijer. And with us are analysts – welcome, gents – of the brokers that follow the shares of Sif.

This morning we published our full year '21 report, which you can find on our website. The slides for this presentation can also be found on our website, and two days from now, you can read back this session in the transcript that will also be posted on our website.

Let me first start with expressing our sincere sympathy with the people at the moment suffering from the awful war in Ukraine. And hopefully, I think you all join me – you all join me in this wish that this war ends as soon as possible.

Then we now go back to '21, and I'd like to continue with something that we all tend to forget at the moment, COVID-19, and the update on that. At Sif, we applied strict rules for social distancing and testing to minimise the risk of a COVID outbreak on our sites. As a result, we could assure close to normal continuation of our manufacturing.

We have seen small outbreaks on both occasions during the second and third quarter of '21 and a larger outbreak actually during the final quarter of last year. This has caused higher absenteeism towards the end of the year, but we were able to adjust working procedures or find replacements to deliver on our obligations to our clients.

In the end, it hardly affected our production. Actual situation today is that we still have infections, but COVID-19 is becoming, as we all know, a kind of regular flu, and quarantine rules have been loosened up as we speak.

Let's go to the next page. So what did we do in '21? And how is this reflected into our key performance indicators? We have identified three major performance indicators for people and planet, and you see them on the top left side of this slide. We asked our accountants, Ernst & Young, for limited assurance and got it actually on these three indicators and the findings are included in the annual report that was published earlier today.

In '21, we contributed to projects that resulted in 1.9 gigawatt offshore wind capacity, bringing Sif's total to close to 12 gigawatts during the last two decades, sufficient to supply more than 12 million households with clean energy. We come to this number by aggregating the capacity of the turbines that are or will be installed on the monopiles that are listed as complete.

Please be aware that this differs from the number of monopiles completed from revenue reporting since these are based on percentage of completion. Limited assurance was also given for the CO2 footprint and the LTIF, our KPI for safety. Ben will later take you through the financial KPIs and the underlying numbers.

So let's move on to slide three for the operational highlights in '21. Last year, Hollandse Kust Zuid foundations and the foundations and transition pieces for Dogger Bank A kept us busy. Marshalling activities were rendered for the Kincardine project. In the first picture, you see a foundation for Hollandse Kust Zuid on a lowbed trailer just before load out on the installation vessel. These foundations do not include transition pieces and the additions like boat landings and switchboards are applied directly on the monopile after its installation in the seabed.

The second picture shows one of the floating installations for the Kincardine project, offshore Scotland during its final assembly stages, which was done at out quay site in Rotterdam.

Let's move on to page four. In the second and third quarter of '21, our production lines were rearranged massively actually to manufacture the largest diameter and monopiles in the history of Sif. The diameter of the monopile for Dogger Bank A is 8.6 metres and starts touching the boundaries of our current production facilities. This is also the reason why our production output in kilotons during the third quarter was relatively low, as we had to adapt to this critical new stage for Sif.

Milestones in '21 were the completion of the Roll-on/Roll-off quay in Rotterdam, which can be seen on the below picture of this slide and the extension of the sea quay with 200 metres, which can also be seen on this picture on the top side of the bottom lower picture. Accessibility to the water was improved and more logic – logistic operations can be executed more efficient because of these investments.

Let's move on to page five. We often get the question on the lead time of projects. How far in advance is Sif contracted and contacted? And how long does it take for a project to get from the design table to reality? We prepared this timeline for a typical average offshore wind farm. The average timeline is three years. And as you can see in this slide, and on average, we start production 1.5 years after we have started exclusive negotiations with the client.

Having said it, today, we are more looking towards two-and-a-half years. This implies that projects that we currently manufacture were contracted at least one-and-a-half years ago.

With this, I now hand over to Ben Meijer, to have a look at the order book and to explain how everything mentioned so far is translated into our books. Ben, let's move on.

Ben Meijer: Thank you, Fred. We started 2021 with a strong order book already, and during the year we were able to add Dogger Bank C and Maasvlakte 2 to our backlog. We now have 430 kilotons for 2022, '23 and '24. Our expected production volume in 2022 is 180 kilotons for basically Dogger Bank A, Hollandse Kust North, the start-up of Dogger Bank B and Maasvlakte 2.

With our oil and gas lines largely out of production, this implies almost full utilisation on a 24/5 basis. Most of these projects were acquired in 2020 and 2021. The prices for these projects are firm with steel being a pass-through item for Sif. Most of the steel for projects in 2022 until 2024 is already ordered and supplies are not yet suffering from delays that are related to the war in Ukraine. We're keeping close contact with our supplier, Dillinger Hütte, to see how this is progressing.

Tender activity is still high, and we now see that most of the projects in the markets require larger monopiles, mostly in the range of 9 to 9.5 metres diameter or even larger.

Next slide is coming. Excellent. Production output for 2021 came in at 171 kiloton. I think it is fair to say that this is a solid performance, given that COVID-19 precautions and measures did not, so to say, enhance productivity. Output was also slightly depressed in the third quarter by the conversion of production lines from Hollandse Kust Zuid to Dogger Bank A.

Contribution improved compared to 2020 by more than 12%. This was caused by higher margin on subcontracted work, but the increase in contribution margin per tonne also indicates the better commercial environment for offshore wind foundations.

EBITDA, on an adjusted basis, increased by almost 24% compared to 2020 to €39.4 million. The adjustments to arrive at adjusted EBITDA relate to expenses, which are directly related to the research project for expansion of our production facilities and also related to the recognition of badwill on the acquisition of KCI, the engineers. This acquisition was completed on 15th March and results are consolidated from that date.

Net earnings of €11.6 million translate to earnings per share of €0.45 compared to €0.29 in 2020, an improvement by almost 60%. Given the healthy long-term outlook for the industry and Sif, we propose a pay-out of €0.19 per share to the AGM.

Working capital was volatile over the quarters and was negative with €66 million, which is positive in this setting. With the exception of IFRS 16-related lease liabilities, we have no external debt. Cash position per year end was reported at €73 million. And as mentioned before, this is a snapshot situation and may vary over time depending, amongst others, on status of projects, invoicing and payment behaviour. The banking arrangements have been extended by two years with unchanged conditions. Agnes, if you can turn to the next slide. Thank you.

As already explained at earlier occasions, contribution per tonne is a better indicator for the commercial environment and pricing levels. And this chart shows the historic movement in contribution per tonne. For 2021 and 2020, the numbers have been corrected for marshalling and engineering activities to get a better like-for-like picture. And also in this graph, you see the slight upward trend that is happening as of 2018.

Fossil continues to be the dominant energy source. The trend to more sustainable sources is, however, clearly observable. The war in Ukraine, increasing oil and gas prices and a dependence on a limited number of countries for the supplies thereof may accelerate longer foreseen and desired changes. Of the renewable energy sources, offshore wind enjoys an increasing interest.

In addition to the decreasing trend of levelised cost of energy for offshore wind compared to other sources, the independence from unreliable world leaders make it more attractive. Next slide, yes. Thank you.

The Paris Climate Agreement already dates back to 2016. Unfortunately, it has not resulted in firm action in most of the countries that signed the agreement. The total installed base for offshore wind energy in 2021 was a little over 55 gigawatt. More recently, the European Union and the US administration announced plans for radical reform. Together with the 2021 IPCC Report, this triggered a certain awareness and country after country raised its ambitions as the table in the presentation indicates.

On a global scale, the 2030 targets further increased in 2021 to almost 250 gigawatt, reflecting a fourfold growth compared to the currently installed base. Where 70% of the earth is covered by water, less than 10% of wind farms is installed offshore. This indicates the potential for offshore wind. The fear of wind farm density decreases, also from the ever-increasing turbine sizes that require less and less but much bigger foundations at sea.

And with this positive observation, I hand back to Fred to discuss the longer-term plans and outlook for Sif.

Fred van Beers: Thanks, Ben. For an accountant, you're very positive. Thank you very much. The history of offshore wind is relatively young. So only a little over 20 years ago, the first wind farms were installed. And the very early one is already decommissioned.

These early projects were mostly installed in shallow water at nearshore locations and carry turbines with capacity of approximately two megawatts. Over the decades, capacity increased to 14-megawatt nowadays and is expected to even grow further. With the sizes of the turbines, also the sizes of foundations increased. Nowadays, diameters of the larger ones are around nine to 10 meters. The Dogger Bank A foundations with 8.6 are a good example thereof.

Our tender – from 2025, our tender base shows that 80% of the projects require monopile foundations above nine-meter diameter up to 11.5 metres. That is the reason that we announced our feasibility study for facilities that enable us to manufacture larger diameter monopiles in the same tact of 200 a year as in the existing setup is the case.

The increase in diameter from nine to 11.5 metres imply, on average, a weight increase from 1,500 to 2,500 tonnes per monopile. Next slide, please.

This slide reflects the current and possibly upcoming competition. Of this group, Haizea Wind, Steelwind, Sif, EEW and Bladt do currently operate manufacturing facilities for monopiles, and some have initiatives to extend their capacity. Haizea Wind is an established power producer has just completed, or last year completed, its first order for ten smaller MPs and have booked a possible order for Orsted.

The other companies have announced to open new facilities. SeAH, Koreans, should be operational in the UK from '24 onwards and maximum ramp up '26. EEW in the US is able to produce '23, '24. And Windar-Navantia is aiming for the same time frame, whereby Titan at this moment is still unknown.

The combined capacity of this total group is assessed at approximately 1,200 kilotons per year. Although, more important than tonnage, is the number of foundations that the respective factories can actually produce. For now, we still anticipate that assuming all these initiatives materialise successfully, the market will be in a situation, where supply and demand are more or less balanced long term. That raises the question where we are on our announced capacity expansion plan. So let's move on to the next slide.

In previous presentations, we talked about the studies we executed and technical market studies were completed and look promising. As you can see on the slide, they are green. We look at the payback period on the investment of three to four years. In November '21, we announced the start of a feasibility study to finance the plans. We indicated FID date of early July '22.

To arrive at this FID, we need, first of all, the clarity on the investment amount. And given the pricing developments and the extreme geopolitical uncertainty available – and the effect of that on raw materials, we may require a bit more time for this. Clarity on participation in the financing by launching customers was an important point. And this is progressing very well, we can say, with conditional commitments from two clients for launching production capacity of 400 kilotons for the new plant.

Clarity on the financials of the CapEx and payback time of three to four years is important. And clarity on the permitting of the new facilities on nitrogen and other permits. And a simplification

of rules and regulations that we think are needed to really materialise the energy transition quicker due to the present geopolitical situation.

Next slide, please.

So how are we positioned today? This is the picture of our present setup in Rotterdam. We built it in 2017 on a reclaimed land, ideally positioned for transportation to the North Sea with world-class load out quays and Roll-on/Roll-off quay facilities. This is where we envision the new facilities, adjacent to the existing building you see here.

While we continue manufacturing of our order book for '22-'24, which we feel is very important to not have a hiccup there. The current planning of the expansion allows for this and minimal interference and no execution risks for the order book projects are foreseen and planned for.

This reclaimed land at Maasvlakte has sufficient space to create an offshore hub to accelerate the energy transition we all need and which we need even more in today's situation, given the high energy prices, political situation. So let's move on to next one, where we have an artist impression of the expansion that we envisage.

As you can see, we plan to build a new factory both to the south and north of the existing factory and do not interrupt the existing one. This will include offices and a state-of-the-art logistics centre for the receipt of steel plates on the right side of this picture. Let's move to the last picture.

At the new plant – this is the new plant from another angle. And you can clearly see that we still have and can maintain sufficient storage space for approximately 100 bigger sized monopiles than we have today and transition pieces, allowing us to give comfort to project developers for unforeseen issues during installation, which we also see today and probably will see also in the future.

And with that, I've come to the end or we have come to the end of the presentation. And we're more than happy now to take your questions based on this and the press release earlier this morning. Who wants to start?

Questions and Answers

Tijs Hollestelle (ING): Good morning. Tijs Hollestelle, ING. On the capacity expansion programme. It's still a bit the elephant in the room, because I understand that you need a very thorough preparation for that. But if I understand it correctly, your current Roermond facility is also, let's say, too small. So it's not able to provide, let's say, the even bigger cones for the next generation? Or will that facility remain in place?

Fred van Beers: Good question. That facility we definitely need. And when we talk about bigger diameters, we talk about the bottom diameter of the monopile. The top part of the monopile will, also with the new generation turbines, stay in the eight to nine-meter range. So the plan is that – and that also accounts for transition pieces. So both the top side of the monopile and the transition pieces, we will continue to produce at our Roermond facility.

Tijs Hollestelle: Okay. That's a relief, I would say. And then, if I understand correctly, you have to, let's say, build a completely new plant and there you have, let's say, a certain amount

of capacity. But in '25 or in '26, your old facility or your current facility in Rotterdam also then has to convert to – or you had to at least put in equipment, which is able to also produce the external monopiles. And is that already included in the total capacity or will that then be on top of it?

Fred van Beers: No, that will be included in the total capacity. And bear in mind that when Maasvlakte was built in 2016 already – they already anticipated 11 to 11.5 metre diameters with respect to the infrastructure, so the buildings. So also the equipment is positioned in such a way that you can relatively easily ramp up that equipment for these bigger diameters already. So what we will add in Rotterdam is basically plate handling that you see on the right side, receiving plates, welding of plates and rolling plates, making cans, which we now do in Roermond, will then also be happening in parallel for the bigger diameters and the cones in Rotterdam.

Tijs Hollestelle: Okay. That's it from me. That helps me understand better what exactly is –

Fred van Beers: So, basically you build a complete factory.

Tijs Hollestelle: And then you have in, let's say, two years in which both different diameters are produced next to each other and then after a while, it's going to be –

Fred van Beers: And that is why it was strategically extremely important to fill the order book up till '24 with projects that we can build in the existing factory so that, in parallel, we can do this expansion and do not interrupt or have orders in the book that need this new facility. So that's the thinking behind our approach.

Tijs Hollestelle: And some investors are also speculating that your clients are financing also the expansion, and they said in terms of prepayments, which you receive in a very early stage, so you have a lot of liquidity during the, let's say, the CapEx period. I've never seen an example of that.

Ben Meijer: This is basically indeed those customers are going to pay regarding the capacity reservations. And the exact details have to be worked out, but they make indeed payments in relation to capacity reservations for the new factory.

Tijs Hollestelle: Okay. So that's a big help that in your total financing package behind the programme.

Fred van Beers: It's that, and it's a commitment that customers see how realistic it is to work with this factory, and they see the advantage of getting four monopiles a week out. So, this 200 a year is extremely important to compress the building period, which, compared to our competitors, is unique we know, where they can only deliver one to two a week.

So the lead time of this production are very compressed. That's a very important operational support also that we get from them.

Tijs Hollestelle: Okay. And there might also be subsidies from the Dutch government in the investment?

Fred van Beers: If we have to wait for subsidies, we may be too late on this, to be honest on this. On the other hand, given that today's situation, and that's also the reason why we do not announce numbers yet on the CapEx, we have basically two options. One is to mitigate on the extreme risk of the exploding building prices and steel prices to sort of minimise the investment

to minimise the risk on that part, or and that's the other extreme or extreme realistic approach. Now sit together with government and policymakers on what is actually happening today, how can we boost the energy transition even further, and how can we, in the layout of our new factory, support that boost of renewables. Because now this is the moment. Here, we are now at the doorstep of making choices. But in order to do that, we also may need some more financial support.

Tijs Hollestelle: That's also a possibility.

Fred van Beers: And that's a possibility that we are discussing in Brussels and The Hague at the moment.

Tijs Hollestelle: Okay. That's all from me. Thank you.

Maarten Verbeek (The Idea): Maarten Verbeek, The Idea. Also on the planned investments. You also say it may be delayed. Is that related to the increase in investment because of raw material prices?

Fred van Beers: Yeah, an uncertainty on that, because if we take FID, we want to have a certain level of security on what we are going to spend on buildings. And as you can see, these buildings – these are not brick buildings. They are 95% steel. And the steel prices……

Maarten Verbeek: At the same time, you stated that you want to earn back these investments within three to four years. So do you also have to go back to your clients who more or less have given commitment for those 400 Kton that they may have to pay a bit more for you to earn back that investment in three to four years? But you have to ask more because the investment has gone up?

Ben Meijer: In the end, indeed, also what Fred has mentioned, indeed, we are more like finalising the CapEx estimate and also finalising more like the business case. And in the end, for us what is fairly clear is that the payback period has to be between three to four years. So in the end, the numbers have to work out. And at the moment, based on the current assumptions, we say, okay, this is very realistic.

But if indeed, it may be the case that, for example, CapEx numbers turn out to be much higher, then it might be the case that you have to look back at the other underlying assumption of the business plan. But at the moment, we think that is not the case.

Maarten Verbeek: Just a few, because you don't want to disclose the absolute number what you think about. But could you more or less indicate how much difference it is compared to a couple of months ago, this increase in raw material prices on the final investment?

Fred van Beers: That's the problem actually. Any number is wrong because who knows? Can you tell me what the price – I mean, today, the steel price is this. One hour later, it's so much more. So you're not talking 2% or 3% points here. It's substantial percentage points that we are looking at, because it's not only steel for building. It's also steel for the equipment. There's a lot of steel in it. And that starts turning out to be a bit of gold.

I mean, we also have that discussion, of course, on maybe that question will come on our present order book and the steel supply for the order book. That's secured, as we said already. We've – I think also thanks to the relation we have with Dillinger and they – and being the biggest customer. We are in a very good and open dialogue with them, but they had to pay a

massive penalty to actually secure the steel. Our contracts are not, in that sense, touched by that. And we have the security of supplies, which is already a lot today.

But we do have discussions internally also with our end customers to see how we can find a way of sharing the pain. I mean, we do have some hits in our energy balance, of course, like anybody else. It's energy intensive. So the steel all over the place in our existing order book and also related to our future expansion that tell me – if you tell me, I will pick it up.

Maarten Verbeek: Thanks. And just for clarity, the FID you're going to make, is that for the investment up to 11.5 already up to 15? The whole package.

Fred van Beers: That depends on the two scenarios I'm just explaining. It will anyhow be 11.5. But we hope and want to build it, as we explained before, with the ability to relatively easily ramp up to bigger than 11.5. So the size of buildings and the length of buildings are important elements there.

Maarten Verbeek: And then lastly, for the moment. This morning, our Dutch government stated that they want to have in place between 750 and 800 monopiles before 2030, installing 10-gigahertz

Fred van Beers: Extra.

Maarten Verbeek: Extra additional, yes. How unrealistic is the statement of Mr Jetten?

Fred van Beers: On a scale of zero to 100?

Maarten Verbeek: Something like that. You can even top that.

Fred van Beers: It will be hard.

Maarten Verbeek: So fairly unrealistic again.

Fred van Beers: It's – I think it's indeed unrealistic. It's maybe too hard to say. But I think what's important here is the message that's included here that we have to ramp up with maximum effort. And I mean, already on the 10 gigawatts that – or 10.7, that was announced at the original plan, it will be difficult to reach that, to be honest.

But I just said what I said on the choices we have to make on our facility. We can make choices to actually help that ramp up. Get a higher takt out of the factory for the Dutch.

Turner Holm (Clarksons): Turner Holm from Clarksons. So to circle back to, I guess, the near-term operations, the EBITDA in the Q4, the fourth quarter was quite decent. I think it was around €11 million. Is that something that you expect that you can maintain during 2022? I guess you're mostly producing for Dogger Bank and it seems like you've also set up. I mean, can you just walk us through 2022 and how that looks operationally?

Fred van Beers: Yeah. I think also what we stated current expectation is indeed that 2022 will end up a little bit better than compared to 2021 results. And what is important to mention that is indeed also taken into account that you will have no further deterioration of political uncertainty. Also, the Ukraine-Russia war, the impact on steel prices, on energy prices, it's difficult to forecast.

So based indeed on the information we have at the moment, we say it should be possible to have a slightly better result compared to 2021. And basically, what we take into account then is, first of all, you're going to have some additional volumes. So we say also for next year, the

forecast is 180 kilotons. This, of course, will bring in additional profitability. On the other hand, there will be a negative impact from higher energy prices, as this will have an offsetting impact.

Turner Holm: Sure. The project that you signed after the end of the year, it was a smaller project. I think it was 36 kilotons. Is that an oil and gas project or is that offshore wind?

Fred van Beers: That is still offshore wind.

Turner Holm: Is there any prospect for oil and gas projects? Because I guess your production capacity is a little bit higher if you can bring in oil and gas projects right?

Fred van Beers: There is indeed more activity on the market. Whether that will materialise in an order for us in '22, that remains to be seen. We do not count on that in our assumptions yet. We do have small pin piles in production for wind for substations, but there is indeed activity coming actually from Norway.

Turner Holm: Okay. How much could that be 20, 30, 40 kilotons? And when – what would be the timing? Let's say, that if you were awarded something before the summer, when – what kind of timelines would you envision? Is it 2023 where you could maybe see an impact?

Fred van Beers: Yeah, '23.

Turner Holm: '23.

Fred van Beers: '23.

Turner Holm: Yeah. Okay.

Fred van Beers: And that's what we know now, Turner. But there is also more – we see also activity through our engineering company, KCI. We also get the first feedback that there may be initiatives on gas, putting – opening up some brownfield spots in the North Sea again to also speed up this gas transition. And let's see what comes out of that. It's too early to judge, but there is definitely potential. And we definitely are interested in that to fill those lines.

Turner Holm: Just turning to pricing, it sounds like based on what you have in the order book now, it's fairly similar to what you are executing towards the end of the year on a pricing level, on a contribution per tonne level for 2022, maybe slightly higher production but pricing is roughly similar to '22, yeah. Looking out at what you're bidding for, how are those dynamics developing? I mean, you mentioned that you have several new competitors that are looking to come in. Maybe as early from '23, '24. I guess some of the projects you're bidding on now are also against some of these new competitors. But at the same time, you also mentioned that even if they all come to fruition that they all materialise, you're still maybe short of capacity versus what the ultimate customer demand is. So how are those dynamics playing out in terms of pricing?

Fred van Beers: Yeah, they are – as we always said, we need more for that. And I think I mentioned before that the 650 million to 700 million contribution range is a realistic range to work in. We have no reason to adjust that. What we always have to bear in mind is that to what – despite the fact that there is a shortage on production capacity, there's always also the alternative of jackets that you have to bear in mind in EU price, I think.

But so far, I think – or we see that it looks good. The reason why we were – why we are pretty confident to mention this three to four years is also based on good margins that we see in the exclusive negotiations with the customers at the moment for the new factory.

Turner Holm: Yeah. So for the new factory, you mentioned the 400,000 tonnes in negotiations now. Is that pricing – so that's similar to what basically the range that you're dealing with now for 20 – late 2021 and 2022? Or is it –

Fred van Beers: No. That's a higher end range.

Turner Holm: It's a higher end of the range.

Fred van Beers: Actually, I mean the monopiles are bigger. So we need more money. Customers are also understanding that.

Turner Holm: Right. So as we think about what kind of contribution or EBITDA that factory could produce.

Ben Meijer: Maybe more like just like a general answer indeed there.

Turner Holm: Sure, yeah.

Ben Meijer: Because I think on that one is indeed, what we were mentioning, a payback period of three to four years also in this business, that is developing fastly. You need to have a payback, what we say between three and four years. That also then means if you have to do a substantial investment, that also means in the end, if you look at the contribution margin per tonne, that is a key parameter to earn back this investment in three to four years.

Fred van Beers: Yeah. And I mean I'd like to refer to what we hope to organise relatively soon in this capital Investors Day, where we can disclose more on that. But for competitive reasons, I'm not willing to disclose too much now since it's only two customers that we're talking about.

Turner Holm: Okay. Thank you very much.

Andre Mulder (Kepler Cheuvreux): Andre Mulder, Kepler. First question on the plants. Did you also take thinner steel into account?

Fred van Beers: Thinner?

Andre Mulder: Thinner steel.

Fred van Beers: We – it's relative thin but still thicker. What I mean to say is bigger diameters, so the famous diameter wall thickness ratio has its limitations. So if you go to a bigger diameter, the steel can maybe be a little bit thinner, but in absolute terms, it's thicker. You see what I mean? Because the ratio has to be between 100, 130.

Andre Mulder: Okay. So that does mean that you have to completely change your production setup, otherwise –

Fred van Beers: That's what the new production line – yeah.

Andre Mulder: Otherwise, the cone will implode on its way.

Fred van Beers: Exactly. So that's why we – these are technical elements that we are taking into account in the new factory. Definitely.

Andre Mulder: The capacity of the industry that you mentioned, 1,200 kilotons. That's on the basis on, let's say, the standard monopiles, or is it already included, the large ones?

Fred van Beers: Yeah. So we simply took what we all can see from the press and did our maths on that based on the ratios we have internally, and that's how we came to the tonnage, and we took – and they're all announcing up even to 50 metres.

Andre Mulder: All of them.

Fred van Beers: Some of them. Some say, 13, 14, others say 15. Then we do our math and then calculate back on what that does that mean on the tact, so on the number of monopiles you can produce. So not only the tonnage is interesting, the number of monopiles in the end is what counts.

Andre Mulder: Can you give a split of the order book in '23, '24? What is earmarked for '23?

Fred van Beers: I would say, can I give a complete split? No, because it's somewhere 70 – 60% is '23 by heart.

Andre Mulder: I think '23 is almost indeed completely –

Fred van Beers: It's more than 60% actually.

Andre Mulder: Yeah. So 2023 will be close to 2022 production, then?

Fred van Beers: Yeah, I mean, the exclusive one in there. Yeah.

Andre Mulder: Okay. Looking at the cash items, you're still adjusting for IFRS 16, with my view IFRS 16 is here to stay. And what I see with my company is that the new covenants, people don't adjust for IFRS 16 anymore. So maybe that's a suggestion not to adjust for IFRS 16 anymore. So you mentioned the cash items of €73 million, but that's sort of a net number. The leases are still there.

Ben Meijer: So basically, what you're saying is the report numbers? And what do you mean exactly, Andre?

Andre Mulder: What I mean is that you should not report cash of €73 million. You should report cash including IFRS 16. So maybe it's 16 or so.

Ben Meijer: Yes. But first, it's more likely the €73 million is basically the cash you have on –

Fred van Beers: Bank account.

Ben Meijer: On the bank account.

Andre Mulder: Yeah, but the IFRS 16 is still on your balance sheet. There still is debt.

Ben Meijer: It is. But therefore, indeed, also in the press release, we basically report two numbers. So basically, if you look at the net debt excluding IFRS 16, indeed, you basically have the cash number, and we also reported debt number indeed if you include IFRS 16.

Andre Mulder: Okay. Looking at your market, it's still basically Europe. Are you targeting – are you tendering for other areas as well? And how is the level of tendering?

Fred van Beers: The level of tendering is crazy. I mean, it's – we really have to make balanced and tactical choices here what to offer for and whatnot. And our focus has been now on launching customers for this new factory. That for us was the key element. And that includes, I would say, a balanced 60% Europe, 40% US.

Andre Mulder: Anything in Asia now?

Fred van Beers: There is activity on Asia. We have – there's no active tendering. There is tendering going on for Asia, but they are not our prime market. The distance is very far away. The question is, of course, we do tender them because we've done Akita Noshiro. We know that there is initiatives for building with GFE to build a steel factory – or a monopile factory. Let's see how that materialises. We've seen now that Mitsubishi has won basically all the tenders for Japan. How far – how much of that will be based on local content is doable, how much has to be done from Europe still. We do not envisage actively now the Asia anymore, given the enormous boost of the European market and the US market.

Andre Mulder: Maybe last $1,000 question. Can you give anything of a range of what this CapEx plans will mean, maybe a sort of a minimum level that you see? My far off, if I'm already saying, well, it should be a triple-digit number there.

Fred van Beers: I think it's fair to say that you can – you should work with that sort of range. But I'm not giving a range because it will always be wrong. That's – otherwise we would have given it now. But it's – that's why we, I think, as also showed is, it's basically more than twice our existing facility at Maasvlakte. And as based on your questions, Tijs, including from an equipment perspective, the full rolling and plate welding and plate preparation lines.

Ben Meijer: And I think also in terms of welding, that's maybe good to add that is basically also the completely new process. For example, if you compare it to the current situation, so if you look at the new plate lines, indeed, basically, they will be welded together when they are still in a flat position, in a horizontal position on the plate line. So it's completely different than what we currently are doing in Roermond.

And then also in terms of equipment infrastructure you need, it's brand new. I think it's good to take it into account. And I think also the pictures we are showing over here and also the discussions we had a couple of times before, is saying, indeed, this is more like – it's a substantial expansion plan we are talking about.

Tijs Hollestelle: A follow up from Tijs Hollestelle. So you've got to weld the plates together, and then you're going to bend it.

Fred van Beers: Roll them. Yes, it's possible. That's done by others as well. It's not rocket science, but we believe and we will not disclose more, but we believe we have some tricks in there that make it possible to actually come to four monopiles a week because that's where the trick is. We're more than happy to explain to you and show it later on.

Tijs Hollestelle: Yeah. I was also wondering with all the focus on renewable energy and all the political attention, in my view, maybe it's a bit cynical, but it is – I also spotted, it's a little bit of a hype. And are there still, let's say, yeah, the calculations on the total spending of an offshore wind project with rising interest rates, the steel prices or there is no steel, which not only affects, let's say, Sif but also the installation vessels, the hammers, the cable laying vessels. There's inflation everywhere that the welders, there are no enough engineers. Is there some point in time in which, let's say, the market gets a little bit less enthusiastic because the numbers don't add up anymore?

Fred van Beers: Well, ambitions are at least, they're very enthusiastic. We talked about it earlier already. It will not go as far as quick as it's now anticipated, but it will go a lot quicker than what we do today. And with the new factories coming, I think the steel in the end, that's

the big question of when will the steel be available again and to what extent can others ramp up. That's the question indeed. To what extent, I think we haven't touched on that yet, but to what extent is hydrogen as a storage medium and transport medium ramping up; because otherwise, it doesn't make sense either to have these wind farms built because the grid cannot handle it anymore.

So you need – there's a lot of things that have to go in parallel. And what we truly believe, and that's also through a lot of discussions with alliances in branch organisations, this whole industry has to go up in various areas. Only foundations is not enough. Should we – this morning, I had a discussion with the journalists as well. Should we, on a political scale, agree to sort of stabilise the size of turbines for a while to help accelerate, because that will help a lot.

That will help a lot with respect to installation vessels with turbine builds making some money maybe, and the whole industry efficiently gearing up for – and getting the maximum out of the production facilities. I mean, the reason why we were able to make the numbers over the last years, to a large extent, had to do with the fact that we optimise the efficiency of our production process.

And a bit of price, but the majority is efficiency, efficiency, efficiency. And this whole industry is dominated by growth, growth, growth, bigger, bigger, bigger, which has a big – which is a big time backfiring on the efficiency of your process.

Tijs Hollestelle: Yes, that's indeed what I mean. And also, I mean – and not to be foolish about it, but everybody is reporting all that we're going to provide that amount of energy for so many households. But then in reality, it goes to a data centre for a big US tech firm and at least in the Netherlands. Here in the Netherlands, the infrastructure is crumbling. I mean almost the lights go out. I spoke to the construction company and basically two out of three streets here have to be broken up in order to adjust that. So all these things, the politicians are not talking about. They are only announcing new bigger investments. So I'm getting more and more sceptical because I'd also see that the supply chain is –

Fred van Beers: We live in a free country, you can do whatever.

Tijs Hollestelle: Yeah. But it's unable to handle it. And then you have the US markets, the Asian markets. It's – yeah.

Fred van Beers: I think, Tijs, it's also part of a fast-growing industry that – I mean we can blame it on the politicians, but here we, as an industry, also have a responsibility to inform and proactively talk to the political people to say what the effects are at the moment. And I think that's happening more and more. So yes, it goes two steps forward, one step back. But still one step forward. And that I think also with the ramp-up.

And I agree with you, it's easily very sad and very nicely looking in when there's elections coming up. But now we have to do it as well. I think we truly believe. We truly believe we can contribute here. It's in our vision statement even that we can accelerate. And we do believe that, Tijs, this is possible, but we have to do it together.

Tijs Hollestelle: Yeah. That's okay. Thank you.

Turner Holm: Yeah. One more for me, a follow-up. Turner from Clarkson. So on the construction of the new project when you get to FID, how would that construction contract be

structured? Would it be a turnkey or would you take some price risk with regards to the total cost?

Fred van Beers: We are – two options there. Depending on the situation as it is at that moment. And let me start by saying something first. We have now – we started to build a project team around very experienced project director. So we hired a project director. He is now assigned to this project. He has done big infrastructure projects in Maasvlakte. He was for the Dutch responsible – around the state, well, responsible for the Fayanoyd[?] development plan, which is not moving as quick as everybody hoped for, but has a lot of experience. And this is part of what we are now working out in that team what is the best way forward. And also there, we keep the options open as long as possible, because it can go both ways.

Turner Holm: Sure. I guess from an investor perspective, you want to have as much security on whatever price as possible.

Fred van Beers: So do we.

Turner Holm: Understand. I mean, I guess with regards to Tijs' point about renewable energy, I mean, monopiles are still the cheapest solution, right?

Fred van Beers: Yeah.

Turner Holm: And now you can go out to 60 metres, something like that.

Fred van Beers: Depth, water depth.

Turner Holm: Depth, yeah. Exactly. Yeah. When you think about the alternative relative to jackets or base structures, concrete potentially, right? How are those pricing dynamics changing? I mean, is there less steel in the jacket than there is – I mean because it requires more labour, right, the jacket, but does it have less steel or more steel?

Fred van Beers: It does have less steel. Installation costs are higher.

Turner Holm: Okay.

Fred van Beers: But the steel – and the steel, if you include the pin piles because you need pin piles also, the depth – it's slightly less, but it's from a labour, indeed, a complex thing, and availability of jackets. So if you're a very good jacket builder, you can do 25 to 50 a year, then you're really good. There's not that many that can do that, but that still is only part of a wind farm, whereas we can do 200 and maybe a little bit more if we are successful in our discussions.

Turner Holm: I mean, I guess the question is about price, right? Is monopiles still cheaper than jackets, is that still the cheapest?

Fred van Beers: Yeah, but there is – that has its limit – we – in our calculation – especially when you go towards the 11.5 size and length deep-water, then it becomes close if you are – it's exceeding your contribution margins too much.

Turner Holm: Right, and then, I mean, I think in some of the newer markets, there's been talk about some of these gravity-based structures to concrete because they can't necessarily build monopiles and they want to have local content I think in France and the US also. But then we saw Equinor for their Empire Wind basically back out of that solution. How are you seeing some of these new markets develop? I mean, it seems like some of these alternative solutions, at least with regards to that entire wind project, don't seem to be playing out.

Fred van Beers: In all honesty, I think every initiative is needed to facilitate the ambitions that are there. In the end, 80%, even if it's only 70% of the market – 60% of the market is done on monopiles, it's still so much, we're more than happy to take that again. Same with floaters.

Turner Holm: What do you think the chance is that the competitors that you showed on the slide reach the timelines that you showed on the slide?

Fred van Beers: We consider some of them challenging, but we – let's put it that way. Challenging with respect to the timeline and challenging with respect to the output they claim they can generate. In our analysis, however, we take all of them 100% serious and take them fully in on the plans they have announced. But if you want to know more, Turner, you have to talk to them.

Turner Holm: Understand. Just one last question on that is you said that it adds up to about 1,200 kilotons, that's the total size of the market, including these new expansions?

Fred van Beers: No, that's the total capacity it can produce. The total market, including our expansion would be something like 1,700.

Turner Holm: Right. And I guess most monopiles now are just a little bit over 1,000 tonnes, but they're doubling in size in some cases or more, right?

Fred van Beers: More.

Turner Holm: So how many monopiles is that? And the question is really how many monopiles is in that 400 kilotons? Maybe I'll ask that instead, right? Like how big are the monopiles getting in terms of weight?

Fred van Beers: The 400, I think you have – I don't know even exactly. It's 200.

Ben Meijer: It depends a little bit on these.

Fred van Beers: 200, 250.

Ben Meijer: Yeah, I would say, yeah.

Fred van Beers: 200, 250. And then some –

Turner Holm: It's a little over a year.

Fred van Beers: So then the question is would it be with or without transition pieces, etc. Yeah.

Turner Holm: But is it roughly –

Fred van Beers: It's roughly a little over –

Turner Holm: A little over a year of production. So your first –

Ben Meijer: But again, Turner, I think what is important to need to mention we have more, we call it, like a reference monopile. But every project is fundamentally different indeed. So in the end, you cannot put an exact number to it. But I think more like as a first reference, I think 200 number is a good ballpark number to work with.

Turner Holm: Okay. So you're going to secure the first year of production based on – if these projects are signed.

Fred van Beers: It will not be completely in one year. So it's a little bit more. But it's a very, very solid basis for a ramp-up, which is important, don't forget that. You need tonnage for testing and ramp up of your facility. And then it's nice to do that with – in liaison with the customer instead of buying steel and do it yourself. It's a bit expensive. So – and it goes into '26. It starts '24 and it goes into '26.

Maarten Verbeek: Maarten Verbeek, The Idea once again. Just coming to a remark you made that up to 11.5 metres would still be more economically attractive compared to other systems. But at the end, you want to go to 15. So what happens then?

Fred van Beers: It still is, but then you have to constantly bear in mind that there's alternative solutions with which you compete. And we've always said in the end, we want to make money and a decent return on capital employed. And we were – it's very nice to be – to contribute to rescuing the planet, but we also have to survive. So that's the game we have to play there.

But we did explicitly decide on this 11.5 metres because our market analysis shows that 70-80% of the market, roughly we can cover with that. And we – the other thing is we don't know enough yet on how it works above that diameter. Others do apparently, but we can – based on the fact that we build 2,200 monopiles have some question marks on diameters above 11.5 metres with respect to manufacturability and associated costs.

And we're not going to promise anything before we know. So we first want to know and learn based on the nine and up to 11.5 metres. We want to learn on how the system that we have now worked out, why we make the transition from labour-intensive to machine-intensive, because we – I think this industry needs a level of industrialisation and professionalisation in the production processes, which we feel we can do.

Based on that knowledge, we will make the next step. And we have good hopes that we can be successful in that.

Maarten Verbeek: So you've also launched a tripod monopile, let me address like that. Do you already see demand for that product?

Fred van Beers: That market.

Maarten Verbeek: So, do you see demand for the product, the tripods monopile?

Fred van Beers: We have had inquiries, but they are not firm tenders yet. And we have announced it because we are studying it. So how exactly does that one now, the tripod – how does that work out and what we discussed earlier between the monopile and the jacket. And can it be an interesting substitute for certain water depth range for the jacket, whereby you use – make use of monopile technology together with Smulders, our partner, on the structural X. It's still early to say that whether that's going to be successful.

Maarten Verbeek: Thank you.

Andre Mulder: Andre Mulder, Kepler. Can you maybe spend some words on the technical differences between a fixed foundation monopile and a floating monopile?

Fred van Beers: Floating monopile?

Andre Mulder: Yeah. Of course, you also need a monopole for a floater, but how difficult is it compared to a fixed monopile? What's your competitive position?

Fred van Beers: How much time do you have for Andre? I mean the – because I think the starting point is completely different. The monopile is a structure that you put in the soil, whereas a floater, is basically ship. So ship rules and regulations still apply to a large extent. And the way floaters are built is it's double hole, the string is the pumping systems, there's a lot in – it's basically a vessel.

And that – so then there are ideas and projects going on where you can maybe where you step away from that and say, okay, let's use now monopile technology to build floaters or the middle section or the transition piece section. But then you run into the question, okay, but that's a lot of steel. And then it's, again, steel versus labour, where the discussion goes from a costing perspective.

We are following all these initiatives, but the main difference is one is a ship, the other is a bottom fixed land-based construction. But we're following them all, and we have no clue at the moment, to be honest, which one is going to be the winner on this – in this game.

Andre Mulder: So you can provide both the –

Fred van Beers: Yeah, we can both – we can provide –

Andre Mulder: Let's say the turbine tower as well as the floating structure?

Fred van Beers: Yeah, we can – if it's based on our present production technology, not on shipbuilding technology. All right. We have one more. Because we have questions online as well. But Tijs.

Tijs Hollestelle: Yeah. One follow-up, not particularly about the outlook because I understand that outlook you're going to think that the people in the room also then doubt, let's say, the quarterly volatility or EBITDA. But I can imagine that you always have, let's say, when you're starting up a new project that you have that the learning curve effects of somewhat lower MDA levels in order not to spook the market too much on the next quarters because they basically cut the guidance in four. Do you already see which quarter there might be some, let's say, normal operational things happening that might reduce the quarterly EBITDA?

Ben Meijer: Let me think, we have indeed more like the start-up of Hakke-in[?].

Fred van Beers: This was – this is end of this quarter. The beginning of next quarter. Yeah. So impact will be in the second quarter then.

Ben Meijer: Yeah, beginning of Q2, if there is an impact, indeed. And then we have more like the Hakke-in, and then we have the start-up of Dogger Bank B towards the end of the year.

Fred van Beers: I mean, that's the monopile. We basically have a continuation on the transition piece.

Tijs Hollestelle: So you have two projects at the same time in the current –

Ben Meijer: No. If you look more like a monopiles at the moment, right now we are producing Dogger Bank A, then we are switching to Hakke-in beginning of the second quarter. And after that, it's more like starting with Dogger Bank B.

Tijs Hollestelle: So you're using both lines also that on the project.

Fred van Beers: We can – d on the size, but that becomes technical. We can use in parallel different production now.

Tijs Hollestelle: Yeah. Okay. So it depends from project to project, but we have a start-up early Q2. And we have a start-up of the monopiles. I think Q3. Q3 is always also a bit with holidays and so on.

Tijs Hollestelle: And also, you mentioned that your – the impact from COVID-19 was relatively low on your production levels, but I assume it could with additional costs or not for you guys it's important to have the production going, but there is, let's say, a kind of negatively impact on last year's MDA because of that, you had to hire all welders.

Fred van Beers: Yeah, or didn't push the more tonnage out and you maybe could have.

Ben Meijer: But the impact is relatively limited, but you will have some additional costs, for example, for the testing facilities that we have put in place. But then on the overall picture, still serious money, but it is relatively minor.

Fred van Beers: I had to switch off one shift. But that's only for a few days.

Speaker: I have Some questions coming in from Thijs Berkelder from ABN. I think he's holidays at the moment, but also thinking about Sif. First question is regarding the expansion. Return in three to four years, is this on an after-interest basis?

And I think regarding this calculation, what we do so far is basically because we are still working on the financing strategy. So if we look at paybacks, we basically look at the operational components. That's what we look at. So we did not factor in the financing structure and any potential interest implications.

Second question from Thijs is regarding energy costs. Based on current prices, what is the negative impact on EBITDA in 2022 versus 2021? If we can give an estimate on that one. And do you have an offset from wind turbine at the Maasvlakte?

Impact of electricity cost, basically, if you look at the current pricing, the negative impact on EBITDA level, I would estimate it roughly at about €5 million on an annual basis compared to 2021. So it's a serious impact on the EBITDA based on the current price levels, and it's very volatile at the moment. And there is no offset from the wind turbine at the Maasvlakte.

And then the last question is, are you preparing for floating wind construction? Ben, maybe there's a question –

Ben Meijer: No, it's are we preparing for floating wind construction, not ourselves, but we are looking at ways. As I just discussed with Andre, can we the supply sections, if we have the capacity available for that. And are there other techniques where we can use our skills in rolling relative big plates, which are purely in a R&D phase, I would say, with whoever is partner.

And I think it's part of our overall strategy that we are, on one side, focusing fully on monopiles and transition pieces, but on the other hand, keep our eyes open on new developments in the market to not be overall and have a Nokia syndrome to be faced with.

Speaker: All right. Then there are some other questions coming in via the line – are you finished Ben with –

Ben Meijer: Yeah.

Speaker: Sean McLoughlin, I'm hoping I'm pronouncing correctly, from HSBC IB. A few questions coming in. I'll read them. If raised offshore wind ambitions for 2030 are to be met,

offshore wind development needs to accelerate. We talked about it. How much more can cut development times? What are the main risks for you of faster development and production?

Fred van Beers: Good question. I think that my answer would be standardisation. I think if we are able to freeze the existing 15 to 17 megawatts, you can and base your whole layout from our perspective, but also for the turbine builders for the coming five years on that, but that's highly political driven, and then you can really accelerate because then you can optimise your processes. You can start gaining on efficiency in your production lines, and that's where you can squeeze out more, as we said before.

Speaker: Where do you see any bottlenecks to the industry scaling up?

Fred van Beers: Everywhere.

Speaker: Are there enough vessels for 15-megawatt turbine transport and installation?

Fred van Beers: Good question. What's now on the – on order, I'm looking at Turner here as well, who knows a lot about it. Looks good. But if these ships need to be modified to 20 or 25 more, then there will be an issue. And in all honesty, we have seen some examples last year of ships being delayed due to technical and commissioning issues, which has its effect, negatively.

Speaker: Then questions coming in from Henk Veerman from Kempen. First question is, the margin of your backlog is protected against fluctuations of the steel price. But what can you say about the impact of OpEx inflation, such as wages, energy costs, etc., on the profitability of orders in the backlog?

Fred van Beers: I think we touched a bit on it already on energy. Ben?

Ben Meijer: But I think regarding the backlog, Henk, it's more like also when we set the prices also for future projects, indeed, you take into account certain inflation rates. And at the moment, indeed, if you look at these current abnormal price increases on energy, we see at the moment, that is not fully factored in, in the prices we have set for these projects. So you make – you take into account an inflation assumption, but at the moment, that part is not fully covered.

Speaker: Can you give some more colour around discussions in the industry on timing of projects due to rising steel prices?

Fred van Beers: We – of course, everybody, like we are, is worried about what's really going to happen. And these questions do pop up in tendering discussions and talks, but so far have not led to a situation that tenders are being delayed or stopped, I would say.

So, at the moment, I think it's so volatile and uncertain that nobody is taking radical decisions yet on the pipeline.

Speaker: The third question is, the payback time of three to four years of your strategic expansion project based on total earnings of the company in the new setting or incremental additional earnings versus the old production setting?

Fred van Beers: Incremental. Good question, and we base it of course on incremental.

Speaker: And then the fourth question, what finance source could you utilise if CapEx outlay remains higher than initially expected due to inflation of materials and construction costs? I

think we tried to address that question already. That's why we are not disclosing anything, but taking the time to study now and wait for more clarity on this as well.

Those were the questions from Henk. Thank you very much, Henk. Agnes, is there anything else?

Speaker: No.

Fred van Beers: Any more questions? Do you have nothing popping up? No? Then if nothing more, then I would like to thank you all for the good questions and the dialogue we had, and then we stop and end this presentation on our annual numbers '21 and the outlook for the coming years. And hopefully, we see each other online or face-to-face back when we present the expansion plan. I think that will be the first one then or the half year numbers, that would a bit late. Thank you very much.

Ben Meijer: Thank you.

[END OF TRANSCRIPT]