Half-Year Results

Friday, 30th August 2024

Transcript produced by Global Lingo
London – 020 7870 7100
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Half-Year Results

Fred van Beers: All right. Good morning, everybody, welcome to this presentation of the first half-year numbers of Sif Holding. Good morning. My name is Fred van Beers and next to me is Ben Meijer, our CFO. And the two of us will take you through the results and a bit of the forecast for this year and the years to come on our performance.

Quite exciting half-year, we have had, as also shown on this introduction page here. Basically, this page tells the whole story. We are extremely happy that our safety performance has improved.

And talking about safety, also in this room, we need to pay a bit of attention to that. No drills are planned for. So, when the buzzer goes, please follow us out to the door. And either through the left there is an emergency exit, to the right you exit, or you take the main stairs downstairs. So, plenty of opportunities to leave the room should it be necessary.

But our safety performance has improved, which is a great thing. We will come back to that later and it seems to be sustainable, which is even more important.

A very important element where we will talk a bit more about is the expansion project. It is on schedule, and we have had a very exciting August month, during which we managed to start up the production according to plan and have produced the first can and more cans in the line already for the Empire Wind I monopiles, which is a very important milestone in our view on this whole execution plan. And then, as said already, we will take you through the outlook of the remainder of '24 and 2025-26, what is playing there.

So, I hand over now to my colleague, Ben, who will take you to the results of '24. After that, I will come back on market and the expansion plan itself.

Ben Meijer: Thank you, Fred, and good morning, everybody.

I would like to start with some more details about health and safety.

As all of you can remember, last year the safety performance at Sif was not good. We have taken various measures, including regular safety standstills, and what you can see over here at the safety statistics is that performance has improved on almost all key safety KPIs. If we look at the number of lost time injuries last year, first half-year, we were at seven, and immediately we took additional measures, as just mentioned. This year for the first half-year, we are at a loss time incident of one. Still one too much, but a significant decrease compared to last year.

Well, if you relate the number of lost time injuries to the number of hours worked, so you look at the LTIF, the lost time injury frequency, you see a significant decrease from 7.9 to 3.3.

Restricted work cases, a small increase compared to last year. But then again, if you look at the number of medical treatments, and if you look at the number of first aid cases, you see a significant drop compared to the first half of 2023, which is an improvement in this case. So overall, what we see when walking around in the factories, housekeeping has improved, safety awareness has improved and this is also resulting in better KPIs from a safety point of view.

Some key highlights for the first half of 2024, and I would like to start with the number of FTEs, number of headcount.

What we see over there, we see an overall increase from 687 in the first half of 2023 to 700 in the first half of 2024. It is a relatively moderate increase, but you see a significant shift. In Roermond, we see the number of people decreasing. So, some scaling down over there because of less production. And in Maasvlakte, we see the number of people increasing, which is exactly what we want now in relation to the startup of the new factory. And what is good news over there is this is in line with plan.

So, a couple of months ago, half a year ago, it was more worrying. But now, the last couple of months, we see the trend is good, and we see good people are coming in. And this is, of course, very important. We will come back to the financials later. But also, regarding the new factory, to bring in the right quality staff is a key element.

Looking at the cash position, €87 million at end of June 2024. And in addition to that, so this is cash on the bank, we have an undrawn term loan. In total, the term loan was €81 million. A little bit more than €60 million has been drawn at the end of June. So, another €20 million is undrawn. And also, the lease facility of €40 million in relation to the expansion project is also fully undrawn. And then besides that, we have a revolving credit facility of €50 million to absorb unexpected working capital swings, in case that is the case. It is also fully undrawn at the moment.

Basically, overall, the conclusion is that there is sufficient cash in the company also to complete the expansion project.

We have a temporary lease contract for 20 ha with the Port of Rotterdam, which is allowing us, additional storage capacity, and is also giving an option for future marshalling or logistics services in the near future.

And last but not least, also repeating the words of factory, and that's the biggest statement also of today, that regarding the expansion project, we are on schedule and within budget. And this is very exciting also at this stage. The month of August, we have started can production for the Empire project. And we see basically that everything is working in a new factory, from a technical point of view. Right now, it is scaling up, it is further optimising, but it's working, it's on plan, and it is within budget.

Brief overview about new contracts for the first half of 2024, the first one is a contract for Baltyk, and was moved into a firm contract from a capacity reservation agreement into a firm contract in the first half. And the total we are talking about 100 monopiles, representing roughly 120 kilotons, mainly produced in 2025. Regarding the TPs for Baltyk, we have a capacity reservation agreement, 30 kilotons in total. And we are talking about 100 TPs.

Then, plot VII, Holland Kust West – plot VII, Holland Kust West for RWE and Total Energies has been moved into a firm contract. It is the first firm contract for 2026. And at the moment, we are working on various other opportunities for 2026. And we will come back with that. Is still the expectation also before year-end, as discussed before.

And tender pipeline is still huge at the moment, with still a supply demand imbalance, also for the years thereafter.

Last contract I would like to mention is the cooperation agreement with Dillinger Hutte regarding green steel and circular production for steel of monopiles.

Financial highlights.

First half of 2024 contribution margin went up with 10%. And what you see over there is that we have lower volumes compared to last year. But the overall contribution margin, just in euros, is higher. So lower volumes are offset, first, by improved margins. Secondly, the settlement on the cancellation agreement with Empire II, and additional income also from GS Entec, the licence agreement.

EBITDA went up with 22% from €21 million to roughly €26 million, and this is driven by the increased contribution margin and higher gross profit levels. And what you see over there is partially being offset by higher indirect expenses. And in the various departments because you are scaling up the operation, we are also investing in operational and other support departments to be able to absorb the future growth.

In terms of volumes, we produced 53 monopiles, 64 transition pieces, reflecting in total 86 kilotons. Compared to the first half of 2023, 94 kilotons.

Order book, '24 fully booked, '25 fully booked, '26 one firm contract. And as mentioned before, a very high tender pipeline and working on various opportunities.

We already talked about the number of monopiles and transition pieces. In total, this reflects 773 megawatt (MW) offshore wind energy. That is roughly for 800,000 households. The LTIF we discussed, we see the significant improvement compared to 2022, '23 and '24. You see just a decreasing trend in terms of safety incidents. And if we look at the CO2 emissions, we see an increase compared to last year. And this is mainly the result of Scope 2, more energy usage, which is not being fully offset by the Haliade-X, which also had some downtime.

Now, I would like to hand over again to Fred.

Fred van Beers: All right, thanks, Ben.

And now let us deep dive a little bit in the new factory setup and startup.

And we decided to show you some pictures of what is actually working. And many of you here in the room, if not all, actually have been at the premises, what was it, two months ago or so, visiting us, and so may recognise a few things that we show here on this picture. But just to illustrate what we mean when we say the whole line has been starting up, that also includes the whole logistics. So, the unmanned vehicles that are being in operation now, which you see on picture one, and they are moving the tables with which we transport the steel plates.

And in picture two, you can see that also the steel plates. This is how it will happen, standard in the future. The steel plates for Empire Wind I are machined, prepared for welding, and are put in front of the assembly line of the plates, which you can see on picture three.

There, you can see that the plate line number one is fully in operation now. It is relatively clean, it is working. But also, if you look to the right of that right-hand picture, line number two is coming close to completion as well in the assembly. So, we clearly see what we also plan for, that once line number one is up and running and the software is working, two and three will follow quite quickly, with a significant lower risk, of course, because they are all identical.

And then on the far right, you may or may not see. But also, line three is already in the execution of assembly, meaning this is moving on quite nicely, as we had hoped for and planned for.

Then coming to what a lot of people think is the exciting part, the rolling of the steel plates. Well, here on the left-hand side, you see the rolling of the real first plate of Empire Wind I. As you can see, the welding seam just coming out of the roller support on the left side is also working nicely. So, the welding system, as we have considered it and thought through, is delivering, and performing. And also, during the rolling process, this is all in line with the quality requirements that we've put ourselves, and more important, the tolerances we've put ourselves into and that's coming out of the system.

Well, after that, the cans are welded, and then they go into the existing assembly process. So that is not new, that's proven technology within Sif. But we are expanding that part as well in our existing production hall. And on the right-hand side you can see that also the new outer circumferential weld machine from HAANE is installed and will be put in operation soon now. And this is the first one that actually can handle the bigger diameter cans. And, I think nice to illustrate, is that this machine has been built to exactly fit underneath the crane supports. If we would go higher, we would have a collision with crane. So, this one is already prepared for the biggest diameters that we foresee to be produced in our factory, 11.5 metres for sure.

So that I think illustrates that it is not only stories, but it is really there, and it's actually performing. And that, in our view, is a huge risk mitigation on this whole project that is now behind us.

Then moving a little bit on to the market because the market has been quite exciting, to say the least, over the last year, year and a half. And basically, what we see as a main difference compared to half-year ago is that we now know the outcome of a few important elections that we saw happening last half-year. First, the EU elections and the outcome there is that with respect to offshore wind, the existing strategy and rollout is being continued now with the new setup. So, with a lot of focus on materialising a system that eases the whole tender process within the European community, but also continue working on protecting the EU market to assure a level playing field.

We, at Sif, we have said, and we are continuing saying that we are not afraid of competition. I mean, competition is healthy, competition is what is needed. And whether that competition comes from inside the EU or outside the EU is not so important for us, as long as it is based on a level playing field, so to say. And there we are very happy that the EU is continuing with their process of taking measures, trying to implement rules, looking at a very healthy balance between financial and non-financial criteria, for example, in the tender processes, which in our view will stabilise longer term, also, this market.

The second important one for us is the outcome of the UK elections. Labour has won. And Labour, I think one of the first announcements they made is that they are doubling their ambitions for renewable energy in the UK, and immediately have increased the budget for the CfD 6 round that is now being judged as we speak. So, the results are expected to come out first half of September, they increased the pot from £800 million to £1.6 billion. And that, well, without saying too much, is a very important measure and indication for us when we start looking at '26, just to give you a little bit of a hint. But for us, the CfD 6 is an important round to follow.

Then the third one, I think everybody has noticed that one, and the change in the vibes in the US with Biden stepping out and Ms Harris stepping in. Let us see what that results into, but that is, at least in our view, a hope giving signal that the USA may continue or when they win. And their chances of them winning have increased, I think, at least compared to the Biden candidacy, which would be good also for the offshore wind. And we noticed this also with our customers, the customers active in the US. You may have seen, for example, that Equinor has won another plot, $75 million mid-Atlantic project, which is a very decent price and a good starting point for developing another wind farm. And it is customers like Equinor that are showing determination to continue to focus on the areas they are active in and which we also think is a good sign, stepping out of areas that may become interesting in the future, but are still too far away from realistic developments. So, a focus also with our customers, I think, is a good sign, and especially when those customers have a partnership agreement with a company called Sif.

And then last but not least, although it's part of the EU, still the Dutch market is an important market. And let us see what comes out of the talks that are happening as we speak today, and what comes out of the budget announcement. The first indications show that they are not preparing to change big time the strategy with respect to offshore wind rollout, which makes a lot of sense for various reasons, we think, but is also, I think, an encouraging message, since the ambitions in Holland are one of the biggest in the EU or North Sea field.

So, all in all, we are happy. And with the recent developments from a political climate, we also see that reflected now in the tender activity and the sentiments, let us put it that way, with our customers.

So, on our strategy, no changes. Basically, we continue to focus on helping to accelerate the energy transition. We do still see that this is needed and much wanted for. Some of you may have read the WindEurope announcement as well, and we are in very close contact with WindEurope to also from that side and help setting the scene right. We continue and are on schedule to realise a volume of 200 foundations a year, and we continue to develop our strategy on offering total solutions. For example, the 20 hectare that we now rented, which we hopefully also can turn around from a temporary into a long-term agreement, is in that sense, a good sign of fulfilling our strategy.

Main thing for this year remains the setup of our factory. We are now in the phase for the coming four months to optimise the processes, get number two and three up and running and get the whole integration done. That is also what you see in our forecast 2024 from an EBITDA perspective, that has basically all to do with the planned lower production output that we wanted to be able to ramp up this factory in a decent way. So that is working well.

And we resumed this marshalling activity. So, we have started dialogues with various customers that are interested in making use of this 20-hectare plot. Half of it is booked already with a storage agreement for Dogger Bank, and the other half, we are having various talks about there, but that will not materialise in true sales, so to say, before '26. That is long-term discussions, but good that we can restart them.

And we further work on our decommissioning circular solution concept, where we expect to come with more news not earlier than mid-next year. That is the earliest that we can expect to take a next step in the rollout, yes or no, of that decommissioning concept. So, it is a longer-term perspective that we want to give there.

The final drawings under the term loan and lease facility will be in the second half '24. Ben can talk more about that when needed. But we focus – we start focusing also, okay, when we will repay what, so repaying our perpetual in the first half of '24 from fees has been dealt with for the project with no production volume. That basically the cancellation-related aspect and the further repayments on the perpetual loan are targeted in next year because that's the most expensive one that we want to get rid of quickest, to put it bluntly.

And then the order book additions for '26, I already listed a little bit the secret on where do we expect the part to be filled. But for us, the UK market in the short – the '26 term is the most important one to say it, simply. Because many of you know the market, there are not that many other projects up for grabs for '26, but there is still quite something going on. And then the other focus area for us, of course, is on projects for the Dutch market, but that is something for 2027-28. And the German projects that are coming to the market now, there is a lot of activity going on, on those projects as well for the period after '26. But we, of course, focused for obvious reasons now on materialising the concrete, very concrete projects we have on our list for '26 that underpin, and we're more and more convinced on that underpin our guidance for '26 to achieve €160 million EBITDA, at least for that year, and that still looks good.

When will we come with announcements on this? Before the year-end this year. I said that before, and that remains the message for '26.

Next year output, 180 monopiles, 130 TPs. So that is the volume we are looking at. Some of you may ask the question how many kilotons is that. The answer will be, I cannot give you that yet because that is for commercial reasons and competitive reasons, not what we want to do because then calculation of contribution margin becomes quite easy. And that's, I hope you understand, is not what we want to disclose at this stage, but it supports very much our EBITDA guidance of €135 million for next year. And with the factory actually doing what it's supposed to do, that should actually even be achievable. But some of you may still doubt that is – that it is going to happen.

That's it for now. And we would like to open the floor – maybe Tijs, you want to be the first – open the floor for questions, remarks, open items.

Questions and Answers

Tijs Hollestelle (ING): Tijs Hollestelle, ING. Good morning, gentlemen. I think your explanation is quite clear and the strategy, what happened in the facility is quite impressive that you are on time, on budget. There is always a bit of a disconnection to the stock market with the short term, how should we, let us say, model the coming fourth quarter? So, any help you can give us, then, on, let us say, specific items, accountancy impact on the numbers would be helpful because the share price will be very nervous in the coming quarters, of course, on cost base, reported revenues and EBITDA levels. So, in order that we avoid too much share price volatility unneeded, as much help as possible would be, I think, helpful.

Ben Meijer: A question well-phrased at that. Thank you for that. Now, on this one, I think for the rest of the year, second half of 2024 is a transition period. And what you can do, if you look at the calculation, we see a lower volume for the second half of 2024, because of this ramp-up period. Then also if you look at the full-year 2024, for sure, the question will come. But I will give you some of the input already.

If you look at the first half, you see an EBITDA of €26 million. Second half you are going to do, our guidance is around €10 million, €9 million, to be exactly based on our guidance. Consequence of two main elements – volumes will be a little bit lower. And, because of the scale-up and of sizing the organisation, you will have some additional cost, so, some selectively cost increases. And in the first half, the settlement with Empire, full settlement has taken place. And the cancellation fee is fully reflected in the first half-year numbers and in the numbers of last year. So, nothing to come over there for the second half of this year.

Then for 2025, what you see over there, first of all, volumes, of course, will gradually increase. The first half will already be at a higher level and the second half of 2025 will be at an even higher level. And if you look at the contribution margin per tonne, I always hated to talk about tonnage, but it is important what we discussed before, tonnage is not everything, but you see an increasing trend in terms of tonnage next year, but also the margin per tonne. Because of the higher sizes and the higher complexity of the product, you will see a significant increase in level in 2025 compared to the previous years.

Fred van Beers: And Ben, I think it is fair to say that we are planning for a significant step-up already in Q1 for '25, compared to the second half of '24. So, it will not be a slow sort of growth line. There will be a relative steep step-up already in Q1. But dividing €135 million by four.

Tijs Hollestelle: So that will not be the case?

Fred van Beers: That will not be the case. Yes. And then depreciation levels will also go up quite steep in the coming quarters. You are managing it quite well, because normally, you see with these new factories, that OPEX levels just ahead of the startup are going through the roof. So, I am still positively surprised that we maintain the €10 million EBITDA outlook for the second half of this year because cost and the FTEs of the equipment now moving, is getting into your cost base. But even with that, you can make these statements. So, it is in full control, basically, also, from an accountancy point of view on the quarters.

Tijs Hollestelle: So far?

Fred van Beers: Yes, absolutely.

Ben Meijer: And of course, in terms of forecasts, we are looking at recurring EBITDA. So, if you look at specific startup cost, this will be booked on a non-recurring cost. It will not be part of your recurring EBITDA. So that is important to mention there, Tijs.

Tijs Hollestelle: Yeah. And your estimate on those one off-costs for the next 12 months?

Ben Meijer: It will be for the second half of the year, it will be comparable with the first half of the year, maybe a little bit higher.

Tijs Hollestelle: And these costs are still there, a little bit in January, I guess, next year?

Ben Meijer: Yes. And then during 2025, this gradually will phase out.

Tijs Hollestelle: Yeah. While I have the microphone, so that is very helpful. And the same, they are the same basically, on the situation on the balance sheet because you could, I think the stock market can now see that indeed, the cash levels are down because you are spending the CAPEX. There's trade working capital volatility. How much, let us say, EBITDA, at least you need next year to, let us say, facilitate the redemption schedule as you have it budgeted right now. It is a bit of a long question, but you see, what is the kind of the floor in this refinancing?

Ben Meijer: Yeah. But also, in terms of redemption for next year, for the term loan repayments will start in 2026. Will not be in 2025 yet. And indeed, to repay, for example, the perpetual, which is the most expensive instrument because this will start paying interest as of January 2026 with an Euribor plus 5%. So, on this one, we have the strong intention to repay that end of 2025. If you look with an EBITDA level of €135 million, that should be more than sufficient.

Tijs Hollestelle: €135 million?

Ben Meijer: €135 million.

Tijs Hollestelle: That is basically the guidance?

Ben Meijer: Yeah.

Tijs Hollestelle: There is a sufficient buffer in there?

Ben Meijer: There is buffer in there, yeah.

Tijs Hollestelle: Yeah. Okay. So. Yeah. Okay.

Fred van Beers: So, we did not answer your question?

Tijs Hollestelle: The guidance, yeah. But it is not a worry on covenants and so on?

Fred van Beers: No, and on the lease. Let us say the lease related to the financing will become active in the second half of this year.

Ben Meijer: Yes. So right now, as of the end of June, it was fully undrawn, and the €40 million will be fully drawn during the second half of 2024.

Tijs Hollestelle: Yeah. Okay. Give me at least a few. And then on the trade working capital, it is just normal seasonality with pre-financing on the project?

Ben Meijer: Of course, one thing you will have right now, you see an extremely negative working capital for next year. What you will see is that the advanced factory payments, which are reflected in the working capital, they will phase out during 2025.

Tijs Hollestelle: For the complete amount?

Ben Meijer: That will be for – that will be for almost a complete amount.

Tijs Hollestelle: Okay. Yeah, that is also very helpful. Thank you.

Usama Tariq (ABN AMRO): Hi, Usama from ABN AMRO. Just a small question with regards to the new temporary storage facility that you guys leased. Could you give a little bit of colour, when does it get reflected in the financials? How would you help us in the modelling of that going forward? And '25 onwards, '26 onwards, if you could give some colour on it?

Ben Meijer: Right now, this will result – the 20 hectares, because of that, we have a storage contract for one of the projects and this will result in additional operating EBITDA and operating cash flow already in 2024 of roughly €2-3 million and the same amount also in 2025. That is roughly the impact it will have.

Usama Tariq: And can it be considered perpetual going forward, or is it just for two, three years?

Ben Meijer: No, right now, it is a temporary contract we have and after that, because it is temporary, we have the expectation it might be for a longer term, but we cannot give 100% guarantees on that.

Usama Tariq: Thank you.

Fred van Beers: So, we are, just to add on that a little bit. This is a first step in an ongoing discussion with the Port of Rotterdam to see how we can make this a sustainable long-term agreement. More news to come later.

Tijs Hollestelle (ING): Then I continue questioning. The price levels of the contracts in Sif order book are negotiated and give you the confidence to provide these outlook statements. Going forward, on the newly to be acquired contracts, there will be some volatility, I expect, or some competition issues, different clients. So, it is back, probably not back to normal, but if you have, let us say, the standard of your order book '25 is €100 million, assume, what is your internal sensitivity to the gross margin or the EBITDA, whatever you want to call it. Is it €110 million, €90 million, or is it potential bigger?

Fred van Beers: I would say it is potentially bigger that we have the robustness, I would say on the price level. I mean, first thing is, if you look at the pricing for the tenders for – up to four projects up to 2030, we do not see any big deviation from the levels that we are closing now. So, it is more about a reliable availability of capacity and being close to the field. Because in the end that is what is important for a developer, reliability and distance.

Then what is for us an important thing is that should times change, that the efficiency of our new factory is such that we can always compete on a cost leadership basis. So that means that – and that is why I am saying it is probably more because the aim here and the planning is that we should be able to really take significant fluctuations in the price levels because of volatility, without coming into dangerous zones for the margin.

Tijs Hollestelle: Results, okay.

Fred van Beers: Results. How much is that? It is simply too early because we need to now learn and see how much of a buffer that we think is in there is materialising into efficiency gains, but it is an important one in our target setting internally.

Tijs Hollestelle: Yeah. Okay.

Fred van Beers: Is that helpful?

Tijs Hollestelle: Yeah, that is helpful. Yeah.

Maarten Verbeek (The Idea): Maarten Verbeek, The Idea. I am a bit puzzled about 2026, and particularly by an addition to your long-term growth projects, whereby you say, talking about 2026, the adjusted EBITDA level of at least €106 million, once there is manufacturing at full capacity of expanded facilities, that suggest that you believe you will not have sufficient volume to deliver upon that. During the presentation, you also stated, okay, we are going to expect to write more contracts or more deals, also for '26, but you also mentioned particularly strong pipeline for 2027-28. And that does not mention '26. So, should we expect some kind of dip in '26?

Fred van Beers: No because then I think you would also see a different guidance on the EBITDA, I guess.

Maarten Verbeek: Yeah. But you made some kind of condition you wrote in your press release.

Fred van Beers: No, what we said is, and we said that also, I think during the presentation, already during the Capital Markets Day, that the ramp-up of the new factory is not done in a very steep line. It is a gradual improvement. Meaning that also '25, we guide, and we say our order book is full. That does not necessarily mean that it is full to the theoretical capacity of the complete capacity, but it is full compared to what, we believe, is the right load of a factory that is new and still in a ramp-up phase. And what we refer to is exactly that, is that we are saying, okay, by '26, then the whole thing is ramped up, and has a certain expected output that we – and that is then matching with the order book that we then expect to have.

So, we ramp up, and the order book will match that exact ramp up. That is what we are saying. And then the question coming back to Tijs's point, how much more could we then effectively or eventually take, remains to be seen; but that is something that we also work on. So, it is a minimum, what we are saying is this €160 million is achievable given exactly this planning, but if we can do more, we will do more.

Maarten Verbeek: And how –

Fred van Beers: And then – and then, sorry, and then coming back to 2027-28, that's what I tried to explain earlier a little bit as well, is that we, due to all the turmoil over the last few years, and we've shown that also in our prognosis in the market, you see this multiplier of increasing output needed has gone down, and that is translated in less input or volume for 2025-26 in the market in general. Still a lot, but less than two years ago expected. And that wave has been postponed for two years and is now really, you see that for 2027-28, with concrete projects like I might have there the North Sea Cluster. Now, the CfD 6 and 7, that will come soon as well, etc., etc.

Maarten Verbeek: That was my additional question. It seems that for 2026 you are dependent on the outcome of the CfD 6 in the UK.

Fred van Beers: That is an important one, for sure. It is not the only one, but it is an important one.

Maarten Verbeek: Okay. Then, secondly, you mentioned that your Korean partner, GS Entec, has made the final investment decision. It is $217 million. That is substantially lower than what you have done. So, I also presume that the output they will have will also be lower than what you have. But you also mentioned that you assist them in the factory design. Do you receive an additional fee for that, or that is all included in the first fee you already have?

Fred van Beers: That is included in the fee we had. We have to do something for that fee, and that is actually helping them in the design. It is their responsibility, but we support and assist with our knowledge.

And coming back to your point, of the $217 million, indeed, the output will be substantially lower. And it is a mix of using existing facility and a mix of using old technology with new technology that we also have implemented now in at Maasvlakte.

Maarten Verbeek: And how much output capacity will they have?

Fred van Beers: Yeah, I think that is for them to disclose. If you would calculate with something like half, you would not be far off.

Maarten Verbeek: Thanks.

Jeremy Kincaid (Van Lanschot Kempen): Jeremy Kincaid from Van Lanschot Kempen. Could we just talk about the cancellation fees that came in this year, obviously, from Empire Wind II? Does that – is that all of the cancellation fees from that project, or can we expect more in the future?

Ben Meijer: No, right now, the cancellation has been fully settled, also the agreement regarding Empire II, and everything is reflected in the results by end of June. So, nothing more to come.

Jeremy Kincaid: So, there are no other projects that we could expect cancellation fees from in '25 or '26?

Fred van Beers: Hopefully not.

Ben Meijer: Hopefully none.

Fred van Beers: No. If then they would be, they would be there because all the contracts have these cancellation clauses in them. And I think one important point to remember here is that part of the whole settlement is the significantly pulling forward of the Baltyk 2+3 project. So that order pipeline nicely is, in sequence, filled up. And that is also reflected in the height of the fee.

Jeremy Kincaid: Okay. And then also on the licence agreement with the South Koreans, is there a possibility to expand the licencing to other partners across the globe, or is it just this one partner?

Fred van Beers: It is. We are not having any concrete negotiation going on in that respect, and the globe isn't that big that you can go on for eternity in this. But yes, if we see opportunity, and it fits our model and the logic, then we will consider it. Yeah.

Andre, while they are looking for documents?

Andre Mulder (Kepler): Andre Mulder, Kepler. A first question, you released some details on production and kilotons you did for '24. Are the metrics about in line with what you produced in H1? So you produced 86 kilotons, so 79 kilotons for the second half. Split is in line with what you did in terms of MPs and TPs for the second half?

Fred van Beers: I think it, yes.

Ben Meijer: It will be about the same. Yeah, yeah.

Andre Mulder: I think in the past you did mention kilotons for '25 and '26, as I can recall.

Ben Meijer: In the Capital Markets Day presentation, yes. What I can say, we cannot give the exact number, but in terms of trend, what I can mention already for 2025, that in terms of tonnage it will be lower compared to the number that we mentioned in the Capital Markets Day. That is the current expectation. And this will be offset by more like higher margin per kilogram. And we would like to move away also from the tonnage because in the end it is more about throughput in the new factory, also what we discussed in the last meeting. So basically, we are looking certain projects, what is the throughput time in the new factory. And also, based on that, you do your pricing also to the customer. And it can be the case that you have certain monopiles which do not have a lot of weight, not have a lot of volume, but in terms of throughput time, is quite complicated to manufacture. Then it needs to be absorbed by a higher margin per tonnage.

Andre Mulder: Any numbers you can mention for '26?

Fred van Beers: Numbers on what?

Andre Mulder: On MPs and TPs?

Fred van Beers: No. What we guided for is about 200 a year. And I think give or take, that will be something what we do. It is too early to say because we are still discussing. If I quickly add up by heart, I would not be far off with saying something close to 200.

Ben Meijer: Yeah.

Andre Mulder: The Equinor product in the US, what was the name?

Fred van Beers: Empire Wind I?

Andre Mulder: No, you said another one.

Fred van Beers: By heart, I may be slightly wrong, but mid-Atlantic something, I guess.

Andre Mulder: Is this sort of automatic going to you?

Fred van Beers: No, nothing is coming automatic to us.

Andre Mulder: Okay. They decide when, what?

Fred van Beers: Well, they have won the concession for that plot. Now they need to develop a business case for a wind farm. So, it is first having the concession, but then they still need to get the permits and the application rights for building a wind farm there. But it's always good when the concession price is relatively okay.

Andre Mulder: But when it is going to be MPs, it will go automatically?

Fred van Beers: It will not go automatically, but we will be the first partner to talk to. That is part of the deal.

Andre Mulder: Right of first refusal or something.

Fred van Beers: Yeah.

Andre Mulder: You mentioned about pricing. You said that it is going to be about stable in the next few years. Is this that the right conclusion? I would expect that –

Fred van Beers: It is not stable, but we do not see big issues in the price discussion. So as Ben said, we are – and customers know this, we calculate based on contribution per week basically, per production week. That is what we say, this is what we need. And then of course there is the commercial trade-off, okay, how do we compare to our competition, how are we positioned in the competition discussion and game.

Andre Mulder: Because you would expect –

Fred van Beers: And try to squeeze out as much as possible, if possible, of course.

Andre Mulder: You would expect that the shortages will increase with capacity about stable and more in the market, in terms of demand, the shortages will likely increase, which could have a positive effect on pricing?

Fred van Beers: And then you – true, but then remember what we said before on this. You must always bear in mind the alternative of jackets, for example; the alternative of Chinese imports that we need to consider because Chinese products are not necessarily cheaper given the combination of transport and manufacturing. But everything has its limits.

Andre Mulder: Any signals to that, that it is increasing?

Fred van Beers: The prices?

Andre Mulder: Stuff coming from China?

Fred van Beers: No, it is basically on the same level, but they are a – I would say respected party in the meantime, and one of the alternatives to the European supplies.

Andre Mulder: What is your reaction to Sumitomo taking a stake in EEW?

Fred van Beers: I think this is a very good development. Sumitomo taking a stake in the Rostock EEW facility. I mean, we need healthy and professional competitors, and having now EEW, having a strong financial partner in-house will help them also invest and make sure that they can keep their market position in this field. And that is what we need.

Andre Mulder: And last question. You mentioned of course a number of players in the market. Have you seen any further changes since the last statement that you made in the previous analyst meeting?

Fred van Beers: Well, it seems that the steel construction setup in ESBJERG is not really moving on. We have heard some rumours as if they are now considering a setup in the UK. Let us see what happens there. We do know that SeAH has successfully started up production, but will have limited numbers as expected. We are getting still another good feel of what CS Wind in Lindø is planning to do with the former Bladt facility for monopiles over there, is strong in Aalborg. But there seems to be some troubles there. And we do see SeAH steadily working on ramping up their new build in the UK. Looks like they have a little bit more delay, but they will succeed over there.

Andre Mulder: And EEW US plant is still off?

Fred van Beers: The US plant is still off. Yeah.

Andre Mulder: No resumption?

Fred van Beers: No, no, no.

Andre Mulder: Okay, thanks.

Fred van Beers: And then the other one is Cuxhaven, as you probably know, Titan has announced that they have taken FID over there to revamp the Cuxhaven facility. But nothing more, we do not know anything more than this on that. But again, as we did before, we constantly map all these newcomers and plot the maximum capacity when they are successful. And then still we see this mismatch.

Maarten Verbeek (The Idea): Maarten Verbeek. The initial question regarding the fee you obtained for the Empire Wind II cancellation, that should have resulted when you would produce by some 174 tonnes if I'm right. You yourself mentioned that you earned some €300 per tonne. So that should, could have resulted in a contribution, EBITDA contribution of some €50 million.

Ben Meijer: Can you repeat your calculations there, Maarten?

Andre Mulder: You mentioned that you earned €300 per tonne in your press release.

Ben Meijer: Yeah.

Andre Mulder: And the –

Ben Meijer: On total.

Andre Mulder: Okay. It's an included in the opportunities.

Ben Meijer: Yeah.

Andre Mulder: Okay, then should be. But still, if I look at the contribution you obtained from Empire Wind, compared to what it could be, it is much lower. It has been cancelled roughly a year prior to production date. Is then a fair assumption that such a cancellation fee should be some 50% of what it should have resulted in when you would produce it?

Ben Meijer: I think on this one also, and what we discussed before, also regarding the hight of the cancellation fees, what we just discussed is more like the trend. So, the closer you get to production day, the higher it is going to be. The exact amounts or the percentages we cannot disclose. Also, based on the confidentiality agreement we have. And secondly, also because of competitive information, we cannot give that information out. So, it is more like it will be the high-level mark that the closer you get to production day, the higher amount to be able to fully offset you or compensate you for the loss in income.

Tijs Hollestelle (ING): The fact that if you can trade off with other projects and reschedule them, that has an impact on the actual height, of course. And that is why I think with Equinor having a portfolio of projects, that makes it for them and us easier to look at a fair.

Ben Meijer: Exactly what you are saying in the overall settlement package, also with Equinor. And I think we are happy with Equinor. And they are a good partner for Sif. And in terms of the settlement, it's not only the cancellation fee, but it's also indeed thinking about how can we reshuffle the portfolio and make sure that the factory is fully booked, also in the first year after full ramp-up 2025.

Tijs Hollestelle: Yeah, I still got a follow-up on the trade working capital next year. Is there, let us say, a hard schedule or agreement on the repayment? Is it other than bank facilities, or preference shares?

Ben Meijer: Do you mean the advance factory payments, or do you mean the perpetual?

Tijs Hollestelle: Yeah, the advance factory payments.

Ben Meijer: Now, regarding the advance factory payments, it is related to projects and what it will do is that the last instalments of a project will be settled against these AFP's. So, the advance factory payments are related to the Empire project and the Ecowende project.

Tijs Hollestelle: So, the last final instalments will be offset against the –

Ben Meijer: Exactly, yeah.

Tijs Hollestelle: So, you don't get cash in.

Ben Meijer: Correct.

Tijs Hollestelle: Yeah. And it is not a cash outflow, then. It is not that you see in your creditors €100 million cash outflow spread over the course?

Ben Meijer: No. But less money will come in compared to if you would not have the advance factory payments. Normally, this money would have come in 2025. But now, we have received the money already in 2023.

Tijs Hollestelle: So, you will only see, let us say, if you do not know the history, a thin cash flow on high EBITDA levels.

Ben Meijer: Exactly. For next year, indeed, your cash conversion compared to the EBITDA level will be at a lower level next year.

Tijs Hollestelle: Okay. And it is not an actual cash outflow because that already happened. Yes. On top of that, you have your normal trade working capital cycles, which is a bit unpredictable. So therefore, for me, it is important to fully understand the dynamic.

Ben Meijer: And in production, of course, indeed, we still have also in a project-by-project basis that the cash flow will always be positive. That means a very strict criteria that first money needs to come in before we are going to pay, for example, the steel suppliers.

Tijs Hollestelle: Yeah. This indeed is a policy of Sif, and will always be negative, but there can be swings.

Ben Meijer: Yeah.

Tijs Hollestelle: Thank you.

Andre Mulder (Kepler): Andre Mulder, Kepler. Two additional questions. Firstly, you said you were on schedule and within budget. I think staff was one of the more difficult points there. Where are you? Have you already reached the desired levels, or when do you want to get there?

And the second question, I'll keep it before you give the answer there.

Fred van Beers: So, again, first, answering the staff. I will do the staff. And then the other one, looks like it is for Ben.

Andre Mulder: Curious on there.

Ben Meijer: It will make it quite exciting.

Fred van Beers: A lot of people are coming online now. Now, thanks for asking, Andre, because indeed we did not mention it. But yes, we are just above levels of required staff coming in. And also the pipeline is filled up nicely for the ramp-up that we still need for the second and the third shift. We are at the moment at roughly 80, 85 people that have come in for the factory, including, so white- and blue-collar, and in training or already past training.

Andre Mulder: And how many do you need?

Fred van Beers: In the end, when we have a full ramp-up, we need 100 more.

Andre Mulder: 100 more.

Fred van Beers: Yeah. Over a year period or so.

Andre Mulder: Okay.

Fred van Beers: Now it comes.

Andre Mulder: No, it is about this statement that you have sold out production in '25 and the EBITDA €135 million. The question is, where can it go wrong? Where are the blocks of uncertainty that you can say to the market, well, this is this and this is that? So, what is the degree of risk that you could still undershoot the €135 million?

Ben Meijer: I think, on this one, if I just talk you through the P&L, conceptually, 2025, basically is just fully booked. So, until the level of contribution margin, you can do exact calculations, also based on the pre-calculations, what will be the outcome of these projects, for example. And then all of you also know if certain raw materials are fluctuating, for example, steel prices, we have a mechanism in place that we are being fully offset. So, contribution margin is accurately, you can calculate what will be the outcome.

Then, if you look at the next, the next big item in the P&L is direct personnel expenses. We know for next year, how much staff we need, what the occupation of the new plant, the production lines, how many people do we need. We also know the direct cost per FTE. We also have certainty now on the collective labour agreement, what the increase is going to be. So also this part you can do a pretty accurate calculation.

Then subsequently you have the production and general manufacturing cost, maintenance, utilities. Also, with the utilities, we know what the increase in electricity is going to be at the Maasvlakte. We know what the prices are going to be. You can make a pretty decent calculation. Maintenance, also you have rules of thumb also with the new factory, how much money you roughly need, can also make a pretty good estimate.

Then, regarding the indirect expenses, what we have factored in is selective increases in certain departments to facilitate this growth. And we have already started with that. So, it's based on assumptions more in terms of also indirect head count, how many additional heads do you need. And then doing all these calculations with the contribution margin basically locked in, direct labour cost, you can make a pretty good estimate. You can make decent assumptions also regarding indirect expenses; what are you going to do with the various support departments. Then, bottom line, you come to the calculation that we reconfirm the €135 million.

Fred van Beers: I think one element you did not mention, but what is important and is an important risk, although a lot smaller now, is that we do not reach the efficiency as we have estimated for – of the plant. So, if the output is not there, then we are in shit because then the projects are very firm. So, what you do not want is running into a liquidated damages risk. And that is the biggest risk adding on to this.

But we have knocked off a substantial part of that risk, given the fact that in this month we actually succeeded in getting the lines technically working. Now from technical working, it has to be efficiency and the repeat factor in software systems that have to work, all these things.

The biggest challenge in the setup now is software. Not challenge, but work to be done. Aligning all the software, the connections between the systems, the connections between the planning, the ERP system, what have you. That is, if you would look into our factory today, you would see a lot of laptops and people sitting behind laptops doing all these settings, which is logic because that's the next step now.

Andre Mulder: Would you dare to give a sort of percentage of likelihood you are going to reach the €135 million?

Fred van Beers: Like 3-4%?

Andre Mulder: Sorry?

Fred van Beers: No. No, joking.

Ben Meijer: I would say, right now, more likely than not. Can I use that phrase in terms of percentage? We know the order book is filled, we know the underlying details, and again, we reconfirm the €135 million, and we would not do that. If there is doubt, significant doubt on our end, that we cannot realise that.

Andre Mulder: Will be higher than €135?

Fred van Beers: It will be substantially above 75% likelyhood that we will achieve it.

Usama Tariq (ABN AMRO): Hi, Usama, again, ABN AMRO. I have a more general question with regards to what feedback we get from a lot of investors is they are of course more concerned about the Chinese presence and the extent of penetration that they do with regards to the bigger sizes that they have.

You want equal footing as compared to the Chinese players. We have seen, in the EV market, immediate tariffs coming down. And today there was news that it has an impact on the sales already. Do you see something moving in that front already?

Fred van Beers: Amongst others

Usama Tariq: Okay.

Fred van Beers: I think one of the others is, for example, if Chinese parties like, I mean, there's a lot of. In the news about Ming Yang, the turbine builder. I think two comments to that one.

First is, okay, if they would invest in Europe, how is this investment build up? Is it a subsidy? And the question marks we all have, I think is: And how do you figure out whether it is unfair or fair investment? But they did the same with EVs, and I think with solar and with towers.

The second one on that is the reliability during the operation and maintenance of these Chinese products, especially turbines, coming to the market. Because developers, and especially the utilities they need 30 years guaranteed support in the operation, during the operation. And how will and who can predict how the economical or geopolitical situation will develop over the coming 30 years with that respect? So, there is a lot of hesitation with developers to step into this.

On our products, like I said before, in the end it is always risk versus distance, which is the big dominator in all our discussions with developers. Yes, if we need to go to China, we will, but of course, we are forced to, since we cannot deliver. And especially for the North Sea projects, UK and the Western part of Europe, the competitive edge we have on our location and the reliability factor we've built up over the years is a very key, very strong asset. Very strong asset. And I think for that, I think I can only advise you talk to developers on this because that's where you get the message on how they look at this risk versus price element.

Usama Tariq: Quality is not an issue anymore?

Fred van Beers: Quality for us has never been an issue.

Usama Tariq: Well, PMC was, of course, the prime example.

Fred van Beers: The Chinese, you mean?

Usama Tariq: Yeah.

Fred van Beers: It is a matter of sending a lot of inspectors. From a cost perspective, you have to send inspectors. Constantly, be there in the factory, sit on top of them and watch it. And let us see. I mean, I am not going to give any reflection on that, but we do see pictures, and we get the messages. But that is something to be figured out. I am pretty sure that nobody will deliver bad quality if you sit on top of it. I guess, repair cost may be a little bit higher, but in the end, they have a working solution.

Maarten Verbeek (The Idea): Maarten Verbeek, linked to that, RWE, I do believe, has ordered Chinese turbines of about 18.5 MW for an Asian project, but are also keen to start or use those turbines in Europe. Will European monopile manufacturers be able to produce the required monopiles for these turbines?

Fred van Beers: Yeah. If, depending on where they put. But if, I mean, our calculations show that an 11-metre monopole can support a 22 MW turbine in the North Sea. Would you go – and in the Baltyk as well. Would you go to the East coast of the US with Chinese turbines? Not that likely. I think you will see a different diameter.

I think the other element here is, yes, RWE is considering and is doing this and others are as well, but – we have not touched on that yet, but the big problem we see now in the turbine market is the problems with the Haliade and the blades, Dogger Bank A and Vineyard, which gives a big concern to the industry how reliable is the Haliade platform. And then basically coming to the conclusion that you have a choice between Vestas and Siemens Gamesa and that's it. And that does not feel good. And that is not good, of course. So, there is also a bit of a pressurising factor here on Vestas and Siemens Gamesa to be realistic in their price setting and in their terms and conditions because otherwise the Chinese will come in and on GE to really solve their problems.

Jeremy Kincaid (Van Lanschot Kempen): A final follow-up from me, Jeremy Kincaid. Just with regards to the CfD round in the UK, to be successful there, you obviously need successful bids and awards. But do you also need certain developers to win over other developers?

Fred van Beers: Correct.

Jeremy Kincaid: Okay.

Fred van Beers: And we need certain developers to actually – No. No, sorry. It is I think for us, more less risky, it is certain projects to actually be awarded by the CfD, what is it, authorities or whatever you call it, to win the project.

Jeremy Kincaid: Okay, so it is the project that's more important, not the developer?

Fred van Beers: Yeah.

Jeremy Kincaid: Okay.

Fred van Beers: And again, it is not the only thing we have on our list.

Usama Tariq (ABN AMRO): Maybe a follow-up question and a very stupid one.

Fred van Beers: Only stupid answers, not stupid questions.

Usama Tariq: The factory, that is beautiful, but could you give colour if any of your peer has a comparable factory with this level of automation, or you are the best-in-class?

Fred van Beers: For sure, we are the best-in-class.

Usama Tariq: That also includes the Chinese.

Fred van Beers: Yes, for definitely.

Usama Tariq: Okay, so that is a KPI to work towards.

Fred van Beers: Without knowing all the details, I mean, and I think with a lot of respect to our competitors because they are giving us a hard time in the commercial discussions, let's be fair on that. But the approach, the difference between the past also with Sif and what we have built here, is that we really build it from a process and logistical optimization perspective, making use of automotive sort of technology and systems that are new to this industry, but are not new to industry in general. And what we have seen so far with other of our peers is that they have really built on, and added on, to the existing technology and proven technology from the past.

We've included proven technology from other industries and concepts, and that should be the difference and a game-changer. And I think, why? And mainly, first of all, from a risk mitigation perspective on quality, we do believe that the more you can control your quality and your tolerances, the better the product is, in the end, also on the bottom line of your P&L. And secondly, to be prepared that if, when the market does turn around, that we can really still make money with because we have a cost leadership position. We're not that far yet because otherwise our customers will also ask, you're a cost leader, so you can chip off money from the top-line. But there, we have also been open to our customers; hey, we need to earn this back in three, four years because this discussion on bigger turbines is still hanging on the above the market.

Andre Mulder (Kepler): On CfD 6, do you have any insight in how many gigawatts are concerned and possibly a split between fixed and floating?

Fred van Beers: You'll hear everything. Initially, it was something like 7-8 GW, then it went down to 2-3 GW. And the latest is something like 4-5 GW on bottom fixed, on bottom fixed offshore.

Andre Mulder: On fixed. Okay.

Fred van Beers: Now bottom fixed offshore. And then there is a certain portion for floating and certain portion for onshore. But it is quite complex because there is also the re-auctioning of certain CfD 4 projects, extension of CfD 4 projects that can be built in. So it's a mix of quite a few things here. Let's see, next month we'll know a lot more.

Any more questions? Any questions from the teams? Fons?

Fons van Lith: Yeah, one. Let me see, if you can elaborate more on your maximum production capacity for the new build, especially what production you're looking at in 2025 in kilotons?

Fred van Beers: Yeah, we can elaborate a lot, but not on kilotons. And I think we have to repeat what we already communicated.

Ben Meijer: Roughly 180 monopiles, 100 transition pieces. And in terms of volume, but we also indicated they can also have a look at the Capital Markets Day presentation in terms of tonnage that we expect to come in at a lower level compared to the Capital Markets Day presentation. But this is being offset by higher margins per tonne, as just discussed.

Fred van Beers: And I think we have not touched on that yet, and not in a presentation, but we have a pretty steady order book and production over the coming years on the OSS of the offshore steel structure. So the pin piles, structural legs coming from Roermond, which I think you have to – can also build in your calculations.

No further questions? Well, then I think I must thank you again for a very good meeting, a lot of good questions, hopefully also answers that help you a little bit. And then we look forward seeing you again next year, or in between for a visit to the premises. You are more than welcome to see what steps we have taken, let's say somewhere in November, December. You're more than welcome. Now, we are quite busy with laptops, as I just said, and equipment, but please come over.

Ben Meijer: Okay. Thank you.

Fred van Beers: Thank you very much.

[END OF TRANSCRIPT]