Sif Holding N.V.
Full Year 2022 Results

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Full Year 2022 Results

Fred van Beers: Good morning, everybody. Welcome to this annual 2022 numbers presentation here at Maasvlakte in the special centre that we organised for this. Welcome, everybody.

For those of you on the table, if you look backwards, you will see Sif, so that gives a comfortable feeling. We're still there. My name is Fred van Beers, CEO of Sif. Next to me, Ben Meijer, CFO of Sif; and on the right, Fons van Lith, who will make sure that everything goes smoothly over here.

As said, this morning, we will present the numbers 2022 and give you some background behind what we achieved and what our plans are. This afternoon, we will have a special Capital Markets Day presentation on our expansion plan. So please, you're welcome to ask questions and make comments after this meeting, when they are – the expansion plan – related to the expansion plan, I will probably say, good question, but we'll park that one for later this afternoon.

All right. So let me start first before going into the details by saying that for those here in the meeting room, there are no safety drills planned. So if the alarm goes, we are supposed to go either via the door and the staircase that we came. Or at the back of this meeting room, there is an emergency exit that we can use to leave downstairs for the meeting point, where we will get further instructions on what to do.

Having said that, I would like to move on to the next sheet, and that is on the same topic actually, I’ll give you some input on health and safety. And as you can see from the first block on this presentation, our safety performance year-on-year is actually going exactly the opposite direction as we tried to achieve. And that is, of course, a worrying development. The more we pay attention to safety and the more training we give, apparently, the more incidents we actually have.

And if we dive into that – well, of course, we have dived into that – we clearly see, I think, two things that are important to mention here. One, the fact that we are producing very big monopiles in a relatively small, or actually too small factory at the moment, in Roermond, makes that the room to manoeuvre and the risk of actually running into a coincident of – or an accident is high. And that is what we clearly see in the cases that have developed over the last years.

Second big argument and problem is that – or fact is that the people that we get into the factory today nowadays have a very, very low, sort of, basic knowledge level, both technically, but also from a safety perspective. So, we are increasing, or have increased, our safety training a lot. We're investing a lot in tests in order to make sure that at least the base knowledge before entering the factory is at a level that sort of safeguards, literally, that they will or hopefully can work safe on this.

But it's a – and I think we will come back to that later today in the afternoon when we discuss also the new factory - because this is a big element and a big basic element that we took into account in the new investments.

Then our sickness leave, last year, like many other industries, we saw that the sickness leave increased. Especially in the first half of 2022, we saw a very high increase related to COVID still and normal flu, or flu and COVID being the same nowadays. But that had quite an impact on our sickness rate. It went down. And also today, we can say that it is going better – in a better direction, but safety – sick leave was high, and that had an impact, of course, on hiring more temporary workers with a low level of safety and technological knowledge. And that sort of boosted also a bit on the safety statistics.

Then we see, on the other hand, that if you look at the output, we, I think, can be proud of the fact that the gigawatts that we provided to the market on monopiles that will be the foundation for turbines that will produce 1.9 GW, is quite nice. So last year, again, quite substantial contribution to the green energy production was realised at Sif.

So, with what did we do that? Basically, four projects worth mentioning here. First of all, we finalised the production for the Hollandse Kust Zuid project. All monopiles were out and coated in the beginning of last year. Then we did produce Hollandse Kust Noord for Van Oord and had them out – the last one going out early this year, but basically we produced everything last year, which was a nice project to do, again, and is actually also underpinning that our market share in the Netherlands for offshore winds, that is more or less 90%. If you look at all the wind farms installed in – for the Netherlands, our share is about 90%, so quite high. Also, I think underpinning the fact that the closer you are to the field and when – the better it is for a developer to build its farm with this product.

Third part, monopiles for Dogger Bank. We produce the transition pieces and the monopiles for Dogger Bank A, and we produced the majority of the transition pieces for Dogger Bank B. They're all sitting here, the monopiles of A at our premises here at Maasvlakte. If you look out – well, you can't look – see them now, but I can assure you they're there.

Installation campaign has been somewhat delayed. But given the fact that we have sufficient room here in our storage area, we could serve the customer and help the customer by keeping monopiles longer at our premises than actually planned for, including transition pieces. So we have over 100 transition pieces at the moment, ready built, sitting here at our premises, which is also, of course, from a storage perspective, nice, but from a on-time building of the project, I think showing that not – that there is throughout the supply chain, a few challenges to actually deliver on time according the initial or the original planning for these wind farms.

Fourth part, which we feel worth mentioning is the marshalling and logistics service for Hollandse Kust Zuid through our order with Siemens Gamesa. So, you can see the Osprey, it's actually not only on the picture, but it's also at the quay site, was, at least this week, whereby they have – Siemens - have rented 15 hectares of premises from Sif and are doing the final assembly of the towers at our premises. The final commissioning of the nacelles and check of the blades before they are loaded on the Osprey to be brought to the – and installed at the Hollandse Kust Zuid wind farm. We are at something – or they are at something like 115, 120 turbines installed. So there's about 20, 25 turbines still to go this year.

With that, I think I've highlighted the biggest part, if not all, of what we did from an operational level last year. So I'd like to hand over now to Ben. Ben, here you go. Do you push yourself?

Ben Meijer: Yes, that's okay.

Fred van Beers: You can do that. Well, very good.

Ben Meijer: Thank you, Fred, and good morning, everybody. Starting with some of the numbers, and I think the overall conclusion is that the financial results for 2022 were in line with guidance that we have communicated before. And if you look at these graphs, I would like to start with production.

Overall, you see that production is coming in slightly below last year and also slightly below expectation. And the key reasons for that are, first of all, what Fred was mentioning, the higher sickness rate, especially in the first half of the year and also the challenging labour markets, also, especially in the first half of 2022. And as a consequence, what you see is that less trained and less experienced staff is coming in. More training hours are required and is also having an impact on efficiency and output. So production slightly lower.

If you look at the contribution margin per tonne, contribution, I think everybody around the table knows the definition. It's basically sales minus your raw material cost, subcontracted costs and minus your logistic costs. So in the contribution margin number, direct labour is not included. We see that the contribution margin per tonne, and this is an important metric for Sif, is showing an increasing trend from €609 in 2020, €637 in 2021. And in 2022, we achieved a number of €674. And this number is excluding marshalling and also excluding engineering services from KCI.

Again, I would like to stipulate if we look at the contribution margin, if you look at the costs, which are involved, most of these cost items, including steel, are purely a pass-through for Sif. And also what we've seen recently, steel prices are going up. This is not impacting our bottom line, because we passed this on to our customer base on a one-to-one basis.

Adjusted EBITDA, key metric and also the starting point for the guidance we are giving, went up from €39.4 million in 2021 to €41.8 million in 2022, reflecting an increase of 6 percentage points. This is in line with expectation. The growth in EBITDA performance is basically coming from higher contribution margins and also higher income from the marshalling segment.

And if you look at the 2022 performance and you compare it with 2021, there was partly negative offset by, first of all, increased energy prices; and secondly, also the lower efficiency I was just mentioning.

Reported EBITDA is impacted by one-offs. So what you see for 2022, there is a difference of roughly €5 million between the reported EBITDA and adjusted EBITDA, and this is mainly related to one-off costs, non-recurring expenses in relation to the P11 project.

Last graph is showing working capital, negative, which is, in our point of view, a positive message. And you see end of 2021, it was already negative for €66 million; end of 2022, negative for €82 million. And this point is also heavily impacted by quite a lot of money that was coming in, in December, that normally should have come in, in January. So the customers were paying a little bit sooner than what they should have done based on the invoice date, let's put it that way.

Next slide. Yes. Looking at the order book additions in 2022. And the overall conclusion is it has been an excellent year for Sif if you look at the order book additions. First of all, the regular business is showing an increase in the order book of 80 kt with, amongst others, TPs we're going to produce for He Dreiht and Noirmoutier and some smaller but still very interesting assignments for jacket legs for Borwin 5 and Yggdrasil and Valhall, which is reflecting roughly

20 kt. Overall, this number, it's more like the current recurring business, 80 kt. And this will largely be produced in 2023, but also some small pieces will be produced in 2024 and, to a lesser extent, 2025.

On the right hand, what you see is the order intake from the launching orders directly related to the new production plant. And this is showing a number of 348 kt of projects – of monopiles we're goin to produce for the projects Empire and Hollandse Kust West. So overall order intake for this year, if you combine the two, you're talking about 428 kt. I do not know if it is an all-time record, but for sure, it will become pretty close.

This graph is showing quite a lot of information, and I would like to take some time to take you through it. It's showing, first of all, the actual production volumes for 2020 up to and including 2022, and is also showing the order book and the tender pipeline for the years thereafter.

If you look at the order book, we have broken this down. Total order book is 662 kt targets between launching customers, that's the 348 kt, I was just mentioning, and the more traditional/remaining business of 314 kt. And the order book includes, first of all, contracted volumes, but also the parts where we are in exclusive negotiations.

So this graph is showing order book and is also showing the active tender pipeline. And that's basically all the tenders we are currently actively working on. We are also more like in, well, let's say, intensive discussions with the various customers who are involved in this. And we come to a couple of conclusions. I would like to look at it just on a year-to-year basis.

2023, fully booked with 221 kt. 2024, also fully booked, and we take into account in this year, a gradual ramp-up of the new factory, because we started with the new factory in the second half of 2024. If you look at the 203 kt, you could say, well, that's not too high, because we take into account this gradual ramp-up. 2025, it's booked and that compared with our business plan volumes for 70% and – so fully booked for 70%.

And the remaining part, we are working on tenders in a very advanced stage. And overall, if you look at these two, what has been booked already in the tenders, you're looking at – well, higher numbers than what we currently have in the business plan, much higher numbers. And in addition, we are also talking with a first project under discussion in relation to the capacity reservation agreement we are having with Equinor.

2026, okay, it's booked for a relatively small part at this stage, but also over here working on a lot of tenders. And if you look at the tenders where we are currently working on, you see it really is much higher than what we have also in the business plan in terms of volumes. And what is interesting to see over here is that customers are coming to us at a much earlier stage. So at the moment, we are already in active discussions for 2026, and that already started some time ago.

And this is a relatively new trend which you see. So the customers, they need to have the capacity. The capacity is relatively limited also to produce these larger monopiles. So they are coming to us at a much more advanced stage, which is also giving us a lot more visibility also for the years to come.

What is not shown in this graph is the backup projects. So the overall tender volume in the market is much higher than what we see over here. But what you just show over here is the tenders we're actively involved in, and which also fit best to Sif. And so the backup pipeline is even much higher, because there is a lot going on in the market.

So, our overall conclusion, if we look at the next couple of years, we have a solid order book, solid tender pipeline. It's hard working for the commercial teams at the moment, a lot is going on, but we are not too concerned about the volumes coming in also at good prices for us.

I'd like to hand over to Fred.

Fred van Beers: Thank you, Ben. Maybe good to add to the sheet that in order to avoid a misinterpretation, we are not aiming here at 680 kt for 2026. That will be a bit difficult. So we have to make choices and the customer has to make choices in this. I think it's the business plan number that we –

Ben Meijer: Absolutely.

Fred van Beers: – that we want to go for, because we don't want to run into a situation that we totally overload a new factory that we haven't up and running yet, so some prudency is in this approach.

Ben Meijer: Good addition. Thank you.

Fred van Beers: All right. So, if we then look a little bit, okay, what's happening in the market? I think it's not a secret to say that the ambitions are extremely strong, extremely strong. The next slide.

And especially, I'd like to highlight Esbjerg and Europe to start with. I'll come back to that later this afternoon as well. But if you look at what has been announced and what governments at the North Sea have signed up, it is massive: 65 GW, 2030; and 150 GW, 2050, if not 260 GW in the end.

So also if you look at the Net Zero Act, whereby a draft has leaked last week and that are now is coming out of – is very clearly showing that offshore wind and also specifically foundations are mentioned as critical parts to be produced for a certain level in the Eurozone, which is also helping us a lot in – I think, as an industry, to invest like we have now decided to do, in order to make sure that we are creating and maintain a level playing field in relation to outside Europe production initiatives like Dajin, for example, from China.

So the ambitions are strong. And I think even more important, also the actions taken in Brussels to make sure that a level playing field and a transparent pipeline is guaranteed, are very encouraging at the moment.

Secondly, it's the United States. We've booked, as you've seen now and heard from Ben, Empire. Empire is a US project. It's coming through the combination BP and Equinor. And in the contract we signed, we have been able also to agree very clear delay and cancellation fees, because we've learned a lot from – some of you know the Vineyard Wind project from the past. We do know that the US market is a very serious market, but we also do know very well that it's still a very young market, whereby a lot of things are on the table to be done, but we also need to make sure that they actually happen as they are being promised.

That has been a very in-depth and long discussion with the Empire team, and we have been able to make sure that both parties are well protected in that sense for eventual delays if at all happening. And I think it's also good to know that Empire – I mean, Equinor, the Empire project is fully on their own hands. They finance on their own balance sheet. And that gives also some solid confidence for us that this project will materialise as planned for. But the ambitions are huge. We are following that very closely, and we'll come back to that a little bit later as well.

Then this trend, a picture we all know and have seen before, the trend on bigger diameters because of bigger turbines. This week, I think that was – yeah, it was this week that we saw the announcement of GE to come with an – up to 18 MW turbine. We've seen the announcements from China on that. But we've also seen the announcements, for example, from Vestas saying, 'We stick to the 15 MW platform. We are not going to develop a bigger turbine for the coming years. We first want to make sure that this 15 MW platform with its potential ramp-ups – because we're pretty sure that that turbine also will be able to produce more – is economically viable in the market, reliable in the market and is giving us the earn backs that we need on this investment.'

So, on one side, we see that all players are announcing these 15-18 MW. There are still the discussions on the 20 MW, but we see also clearly notice that there is a sort of dampening of expectations of how quickly these turbines come to the market. And that I think is a very healthy development, to be honest. If you look at the numbers of the turbine builders, they're not exactly encouraging. And as a supply chain, we clearly ventilate the message that if we would be able to slow down a little bit this whole ramp-up on – in bigger, bigger, bigger, we would actually be able to come closer to the ambitions that are being expressed by governments than by just simply going very quickly bigger, bigger, bigger.

So that's a trend that seems to materialise in the market. And for us, at least, a very clear signal that something is changing slowly to the benefit, to the better for this industry.

All right. So we couldn't, of course, help to still make a – put a picture on the new factory. As said, the market, although it's slowing down a little bit with going bigger, bigger, bigger, the volumes are absolutely high that are required for monopile foundations and for 3XL monopiles. And that is clearly a different product. So we do – we did take a FID on this on 13th February this year, and there's a lot to be said about this one. We can take the whole weekend if we want to discuss this through. That's – but we will make a good start and summary on that later on today after 13.00 at the Capital Markets Day.

And that's basically the last slide – no, it's not, sorry, I am wrong. Yeah, I'm looking at the wrong picture. Excuse me. That's happening. So why – how did we take this FID? We did take it based on a very diligent process. It's over three years of preparation. We've shown this slide in the previous presentation as well and the one before as well, and basically can say that all the important boxes are now green, meaning that, yes, the technical study has been completed and is completely – is totally being redefined and detailed out in a very clear final design.

The market study consistently shows that the ramp-up is there and that the volume will be there long-term for this factory. And actually, as said before, maybe even giving a bit better sort of outlook now since there is a somewhat dampening ambition on fast increase of turbines.

Our business plan is solid. I think Ben already showed something here on the order intake side, whereby we clearly see that the demand is substantially bigger than what we can actually produce also with this new factory, which is healthy for a supply base and supply industry. And customers are really committing long-term and are committing also to price levels that are right and rightsized to actually justify a relative short payback period given – which is absolutely critical in those days where changes are still happening quite rapidly.

The financing is solid, more to talk about later on, but it's solid. And we feel actually a little bit proud of the fact that we have been able to really take customers on board as well as banks, as well as shareholding money. There’s a nice balance, we feel, and a robust financing at a relatively good price that is giving us a lot of confidence on this plan.

Supply chain has signed up to long-term agreements. So our steel supplier has signed up an agreement with us on this, but also on the flanges. We have been able to sign a deal with our core supplier that they guarantee a number of flanges for the coming years since that is a critical part, as much as the steel is.

And then the resources. Human resources is probably one of our biggest challenges, to find the right people at the right moment, with the right qualifications or training in order to make this new factory work. Again, this afternoon more details on that, but the plan is a robust plan. It's not just a recruiting plan. It's also a plan that deals with market communication, that deals with training, whereby we're taking aspects like housing, transport, public transport, etc., into account to make sure that we get the right people here at the right moment of time.

And that all, in the end, resulted in this FID that we took on 13th February. 14th would have been better, 13 is not a good number but anyhow.

So this is where I got confused. This new factory has led to a situation that we're now going to spend €328 million, and that's quite a lot of money. Of course, it has a decent amount of contingency in it, but we expect to be able to achieve really a minimum of €160 million EBITDA. That's what our expectation is by 2026, which does justify this earn-back of three, maximum four years for this new plant. And based on those numbers, those key cornerstone numbers, we said, let's go for it.

This is the last slide. So I'd like to thank you for your attention so far. And I'm pretty sure you have some questions or remarks. And I'd like to open the floor for that. Fons, you will look at the line. And there are microphones here at the table for those here in the room. Please use it so that everybody can hear what you want to know.

Questions and Answers

Henk Veerman (Van Lanschot Kempen): Okay. Yeah. Thank you. Henk Veerman from Van Lanschot Kempen. A couple of questions. First one on your backlog for 2023, which stands at 220,000 tonnes. This is close to your max capacity for the offshore wind capacity. To what extent is there room to manoeuvre, given you do a lot of construction on site in the meantime? And can you, if needed, push some production into 2024 without facing penalties?

Fred van Beers: Basically, yes, last one, we could do something, but we have something to do in 2024 as well. No, there will be no, how to say, interference with the newbuild programme. This 220,000 tonnes, they are all being produced in the existing facilities, and they will be untouched in 2023. So the integration part will happen in 2024. We will see maybe a bit in December this year, but that's peanuts. So no, it's more – I think the big challenge for this year's order book is that we managed to build this in a safe manner and are not being restricted there. So it's – we're working in a too small factory in Roermond, where all the rolling has to be done now for both the Maasvlakte as before, it is – and that is, I think, the challenge with this high tonnage.

Henk Veerman: Okay. That's clear. Secondly, can you give us an update on your discussions in the US with regards to finding a strategic partner?

Fred van Beers: They are ongoing. It's an update. So – but we haven't decided on anything yet. Why? Because we first need and wanted to make sure that this FID is taken in the right way. We have limited capacity and we don't want to frustrate a very important project in Europe by jumping too fast on an American train.

The other thing I'd like to mention here is that in the US, there is still quite some uncertainty on certain – on political decisions; what's the impact of what Mr Biden has announced; how are the local content rules working out between the states? And we – like with this plan, we have decided that we take our time, the time we need, to make a solid plan, and we are not going to be pushed by anybody on this, so to say.

Henk Veerman: But discussions have been ongoing?

Fred van Beers: They have. That’s right. They have been ongoing.

Henk Veerman: So, but no further progression in terms of details of this plan?

Fred van Beers: I can't say if there's a progression. So that's your conclusion, but we have ongoing discussions. And normally, when you have ongoing discussions, you're making some progression. But what the outcome of the discussion is, I can't tell you.

Henk Veerman: Okay. Clear. Then on your high absence rate and employee turnover, it seems that in the last years, this has been an ongoing topic at Sif. So what's being done –especially now that you're ramping up the factory in upcoming years, what's being done incrementally to, let's say, stabilise the workforce?

Fred van Beers: Well, first of all, I think absenteeism – illness rate – I can't pronounce that word, it's a difficult word – was better the year before 2022. So we did see that happening. And again, I think if you look at other industries, you also see that it's relatively a bit higher. That I think is one thing. I mean, when somebody has the flu or COVID, the rules are that you don't come to work. Since last week, that has changed a bit. People can come again.

But the other – and I think the other element here is that we should not underestimate the pressure on the people with respect to working in the environment that we have at the moment at Roermond. And for us, this is a big indicator that we have to do something in order to sort of smoothen the process a bit at Roermond, because the majority of the number comes from the Roermond facility. Not here. Here, it was substantially lower, the illness rate.

And so that – because it's a better environment to work in. And that we – if we have that new factory up and running, you can more or less bring Roermond back into the sweet spot of what is right for also the people in that environment. Having said that, we try to offer all the support, or do offer all the support needed in order to recover quickly, to find alternative work to make sure that people above 55 are not – they don't need to work in shifts. We don't push them for that, etc., etc., so to sort of find the right balance there.

Henk Veerman: Okay.

Henk Veerman: Last question is on the marshalling services. It's now not possible with the construction on site. So would that be possible if, let's say, in a further phase of the construction? Or should we not take into account that for the next years? And is it possible to maybe introduce marshalling services at another location?

Fred van Beers: Yes, yes, yes. So you should not take it into account for the coming years. Simply, we haven't got space. But we are in discussions with the Port of Rotterdam and others to see how we can kick start that again, because clearly, marshalling and logistic business has shown its success. And for us, it's an important building block for our total solutions approach. And as said, first thing first, but we haven't given up on that one.

Ben Meijer: And maybe to add on that one, Fred. If you look at – so for the construction phase, basically, it will be very limited. After the construction phase, you might have some room available over here, but it will be much smaller compared – because at the moment, we have, I think, 20 hectares in total. It will be much smaller, the space that is available, because also these new monopiles will be much larger, usually, so you need more storage location.

So after the construction phase, there will be some limited space available, but it's not comparable to the current situation.

Fred van Beers: So we need more space.

Henk Veerman: Yeah, clear. Thank you.

Fred van Beers: Thijs.

Thijs Berkelder (ABN AMRO-ODDO BHF): Thijs Berkelder, ABN AMRO-ODDO BHF. First question on outlook 2023. Production you're guiding something like 20% higher than this year with EBITDA in line. So I'm looking for the details there. Marshalling contribution – marshalling was, this year, €11 million. Roughly next year?

Ben Meijer: It will be significantly lower. So basically, if you look at the marshalling income also this year compared to last year, you saw an increase of €9 million. A significant part of that increase will disappear next year.

Thijs Berkelder: Yeah. But you still have some Siemens turbine towers on site.

Ben Meijer: Yeah, but –

Thijs Berkelder: And the delayed Dogger Bank piles, are you getting paid for that in marshalling services?

Ben Meijer: No, that is more in the recurring business.

Fred van Beers: That’s monopile business.

Thijs Berkelder: Monopile contribution margins then.

Ben Meijer: Yeah, yeah. But if you look at the marshalling income, Thijs, of the – I think right now, this year, we need €11 million. In 2023, you might have a couple of millions from the marshalling income, but it will reduce significantly. And that's also answering your question, because if you look at the high-level EBITDA bridge for 2023 versus 2022, you have more volumes. Of course, you will have a higher contribution margin, higher gross profit as a consequence, but the majority of that is being offset by lower marshalling income. And of course, you will also have the impacts of higher wage inflation.

Thijs Berkelder: Yeah. And engineering, are you expecting roughly flat then?

Ben Meijer: Yes, that will not be a material difference compared to 2022.

Thijs Berkelder: Yeah. And from, let's say, people perspective, you already now are hiring people for the expansion.

Fred van Beers: We will start.

Thijs Berkelder: So you're creating kind of overcapacity in terms of FTEs. Should I see it that way?

Fred van Beers: During 2023?

Thijs Berkelder: Yeah.

Fred van Beers: To a certain level.

Ben Meijer: That is going in a very gradual manner. So, for the challenging positions, which are key, we already started to recruit, I think, starting already in the second quarter of 2022, but you're talking about a limited number of people. And then later on, gradually, you will phase it up just to make sure that you have the right amount of people in place when you are – when you need to have full production in a new plant.

Thijs Berkelder: Yeah. And do you have an outlook on – you give an outlook in terms of kilotons. Can you give an outlook in terms of number of monopiles and transition piece?

Fred van Beers: I think we can, but we have to – I haven't got in the top of my mind now, because there's… You can calculate the monopiles for B, the whole hydrate, that's 55 monopiles, B is 95 plus. We start with the TPs for C. Dogger Bank C, so that's another 60 or 70, I think I guess. And then later on – and then the monopiles for C will start as well. But how many exactly that will be, but it will be roughly top of my mind, 130.

Thijs Berkelder: Yeah. Okay. Then Korea. Did you already receive payments out of Korea and are payments included in 2023 in your outlook?

Ben Meijer: Payments will be included in 2023.

Thijs Berkelder: And is that profitable part of – is that a profitable contribution?

Ben Meijer: It is a profitable contribution, yes.

Thijs Berkelder: But not very significant if I look at your outlook statements, but what kind of dynamics should we be looking for?

Ben Meijer: Yes, we've never given these numbers indeed. Also, we're not going to do that. But you're talking about interest in business, it's more like based on the current know-how we are having, we are exploiting that business. It's consuming a little bit of manhours, but not too much. So basically, the license fee you get out of the deal with GS Entec is more going one to one also into your bottom line.

Fred van Beers: Yeah. But don't forget that this is also a ramp-up that will take a few years. I mean, before they start producing monopiles, we're not in – probably not in 2023. So it's a technology license agreement. They need to purchase their equipment. They need to ramp up their factory. We are building this in 1.5 years. They probably need similar or if not more time to do this.

Thijs Berkelder: Yeah. Then maybe for now a final one. I have hundreds of questions. But most important, your outlook for 2026, €160 million EBITDA. Where you guide also for three to four years payback, if I divide €328 million by four, then it gets to €80 million or so, plus the €40 million is only €120 million EBITDA. So why €160 million? Where's then – yeah, okay, you hope to get payback in three years, but you said three to four years payback. So why €160 million, and not at least €120 million? That's – that bridge, I don't understand.

Ben Meijer: We will come back to that also this afternoon because then we're going to show also a little bit more details also where the growth is coming from. What is driving this EBITDA growth? And if you do purely mathematically, I understand what you're saying, but also regarding payback, you give a little bit of a range.

Thijs Berkelder: Yeah. And maybe a final one. On the – because I really think it's worrying your sickness rates and you express it like primarily being Roermond. So there probably, it was clearly above 10%. And here in Rotterdam, it's –

Fred van Beers: Lower.

Thijs Berkelder: Normal 4%, 5% or so?

Fred van Beers: A little bit high, 6%, I think that.

Thijs Berkelder: Yeah.

Fred van Beers: Still higher but – yeah, it's still too high. I mean, we don't – we're not happy with that, of course, no.

Thijs Berkelder: From your recruitment campaign, you need to have people, especially here in Rotterdam.

Fred van Beers: Yes.

Thijs Berkelder: How can you – where do these people –?

Ben Meijer: This afternoon, yeah.

Fred van Beers: Good try.

Roald Hartvigsen (Clarksons): Roald Hartvigsen from Clarksons here. I also want to touch a bit more up on the worker shortage problem. So could you please go a bit more into details about how you're addressing this issue? Like what measures are you taking to find qualified workers? Are you working with recruitment agency or are you posting job ads, salaries, etc.?

Fred van Beers: I can for this year and last year. I mean, as Ben expressed, especially in the first half of last year, we had the shortage of people. It was very, very hard to find people. We saw that softening a bit after the summer break. So, at the moment, we are, for that reason, also on plan with our staffing. And we clearly saw that after the summer break, there was more room to manoeuvre.

How did we do that? We have indeed signed up with a few, less agencies to have a more long-term agreement on, okay, how are we going to now prepare for the right amount of people. So last year, we took onboard close to 200 people, but 80 of them left again for whatever reason. And that – but that for us was important. Why? Because we also – although the market is very tight, did also say, okay, but we need to still be strict on who we allow in. Because if they don't pass the training on the welding or the rolling, because they simply haven't got the capabilities to do this, then we should not continue with these people, because it will lead to either safety or quality issues.

So it – but what the number also shows is that we are able, in the meantime again, to find these people. What we are not happy with is that we – that the number of people that actually come on our payroll is still too low. It's the predominantly temporary workers that are – that we take on board.

Good news is we can deliver our order book. And also, as Ben said, 20 kt of small diameter offshore steel structures booked now that meant ramping up those production lines again with staff coming from – mainly from outside, based on a few key players from our payroll staff. And we succeeded doing that. So it's a combination of, indeed, putting resources on, having a limited number, but very reliable and long-term agreed – agency agreements, being strict on our training, in all honesty. And that made it – and a somewhat more softening labour market.

Roald Hartvigsen: And I guess you then briefly touch upon the fact that you'd be starting hiring workers for certain positions, some more qualified workers, quite early. Can you give some more details on exactly what kind of positions those are?

Ben Meijer: I think this is also a good question for this afternoon, because then we will explain also in further detail the new production setup and also what type of people we are looking for. So we will come back to that also this afternoon. I think it's better to park it for now.

Roald Hartvigsen: Okay. And then one last question. We've seen the Hornsea 3 development where your competitors, SeAH and Haizea, are delivering monopiles. So that development has sort of stalled a bit, and where Ørsted make new review. So I just want to ask how do you assess the implications of a potential stop to Hornsea 3 with respect to monopile manufacturing capacity coming online. Do you think it will be possible for SeAH and Haizea to sort of move forward with their monopile expansion plans without Hornsea 3 providing offtake? Or could that make for a supply glut, if they do move on with their expansion?

Fred van Beers: It's – it actually shows, I think, what we've been expressing year-on-year, and what we've seen happening year-on-year, that also in ourselves, it's – this is not an easy business to step into. And the – I mean, we are delivering a number – 2,600 or so this year, monopile. We know – we are – with every startup of a project, we do have our – also our challenges in ramping up. It's the experience we have and the fact that we've done 2,600, that make us quite reliable, I would say, if not pretty reliable on our deliveries and what we do.

So, for a newcomer, to step into a business that has ramped up to diameters that we are now looking at and weights that we are looking at and qualifications that we are today looking at, completely different from when we started 20 years ago, that's quite a challenge. So I mean, basically, the question is a question for them, not for us. But our judgment and observation, based on our own know-how and experience, is that it will be quite a challenge for all these newcomers to actually be up and running according to their original plan.

Having said that, these are all professional companies. They know what they do. I mean, Haizea is a big player in the towers. And I can tell you that today's towers, for the 15, 14 or whatever megawatt turbines, are coming very close, if not exceed the challenges of what used to be a monopile 10, 20 years ago. So they know what they're doing. But there are some specifics on monopiles that make it a very difficult product. And that's, I think, the challenge they're facing.

That's also why you will probably see that the ambitions that are being expressed will not be met because the whole supply chain needs – is ramping up, but will sort of have its issues in that. And you will see that line going a bit flatter than what it is.

As for us, at Sif – I mean, we've said always and we will continue saying that, we take all the competitors serious. We all added up in our own analysis, and we conclude that whatever you do, the supply/demand gap will remain for many, many years to come.

Roald Hartvigsen: Okay. That was it for me. Thank you.

Maarten Verbeek (The Idea): Morning. Maarten Verbeek, The Idea. Couple of questions from my end. Firstly, this year, you have taking exceptional non-recurring costs of some €5.4 million. What kind of these kind of costs do you expect for 2023 and maybe also for 2024?

Ben Meijer: If you look at for this year, more the background of these costs is related to, first of all, the project organisation, because we have a dedicated project organisation in place to build the new plant to keep it outside of the recurring business, because you still have to fulfil the order book. These costs are involved. And of course, also last year, we're having quite some costs also from external consultants, external industry experts to get this whole plan at the speed.

Also for next year and the year thereafter, there will be significant also non-recurring costs. So also for this year, you will still have some specific – you will have the project organisation. You will have some specific advisory cost that still needs to be done also to get the full funding in place. And which you will also have – also if you look at the non-recurring part, if you basically have people who are not yet operational, who are not yet functioning in the day-to-day production, this is also more considered to be a non-recurring part.

So also if you look for 2023 and also for 2024, there will still be a significant non-recurring part. The exact number I cannot give you at the moment, Maarten, but it will be a significant part.

Maarten Verbeek: But not to be then too exact, but do we have to think in the same kind of order €5.5 million? Or will it even be high single digit, towards €10 million?

Ben Meijer: This could be a higher number also for 2023 and 2024.

Maarten Verbeek: Double digit?

Ben Meijer: Sorry?

Maarten Verbeek: Double digit?

Ben Meijer: That is – at the moment, that is not the expectation.

Maarten Verbeek: Okay. So high single digit. Thanks. Secondly, you mentioned, Fred, in the presentation, that in 2024, you will be also producing monopiles with your new assets. Still, for the moment, the production is estimated to be somewhat lower in 2024 than to 2023. I presume 2024 will be a year producing from old assets, let me just like that, maybe missing some production because you have to integrate it, and then production on your new assets. Could you give some colour to those elements?

Fred van Beers: A lot more this afternoon. But yes, all of these elements play a part, of course, in a year when you will start with a new factory. So you have some integration effects. And there is always the usual – that will continue, the dynamics per project differ. So that leads to more or less tonnage than you would expect this year, or 2023. So it’s higher because of the designs of the – they're pretty heavy within relative small diameter, so that gives a lot of tonnage. If you build a relative lighter one, the tonnage goes down.

Maarten Verbeek: And when you talk about 203, which you mentioned we are – you are fully booked. So that's more or less really the number we should look at for 2024? It's not that there might be some additional order small orders?

Fred van Beers: I think there could be small. Don't – they come as – if it's plus/minus 5 or 10 kt, but don't expect 100 kt more.

Maarten Verbeek: Then concerning dividend, you are not going to pay a dividend this year because that is linked to your new loan documentation. Firstly, the first time you are allowed to pay dividend, that should be over your fiscal year 2024, so in 2025?

Fred van Beers: Ben?

Ben Meijer: Yeah, I'm just thinking. I will come back to you on that one this afternoon, Maarten, when exactly it's going to be.

Maarten Verbeek: Thanks. And since you will have all your investments made and you're going to generate quite some nice cash, will you be maintaining your dividend policy, or will you make some adjustments to that as well?

Ben Meijer: Now, overall, right now, we have a dividend policy, we have it in place for the next couple of years during the construction phase, not possible. And it's – also from a company point of view, it's, first of all, the loan documentation, but also company-wise, you're going to make significant CAPEX numbers. It's not logical to pay dividends. So I'm not going to do that. After that, also if you look at the EBITDA forecast that we have been given, when you look at the net profit, at least you should be able to maintain the same dividend policy.

Maarten Verbeek: Okay. And is the percentage after preferred dividends then? Or is it – it was 30% I think, of net profit previously?

Ben Meijer: Yeah, fast forward. Yeah.

Maarten Verbeek: Is the definition then after preferred dividend and then 30%, or is it 30% – on the definition of the policy head was 30% of net profit roughly? How is then [inaudible] dividend treated in that definition?

Ben Meijer: On this one, the exact dividend policy also has to be formulated so it's not carved in stone yet. And what I was just saying, if you look at the overall dividend, at least it should be the minimum level we are also currently having. And this is then including, indeed, also the cumprefs.

Maarten Verbeek: And lastly from my side for the moment. Could you provide some more colour what's happening in the oil and gas market? Because lately, it has just been offshore wind. How is that market developed?

Fred van Beers: Thanks to the unfortunate effect of this war, of course, and the whole political drive for independency, you see some reactivation in oil, but mainly in gas. And that leads to some additional rigs to be manufactured besides the quite high volume of pin piles required for substations for offshore wind farms. So it's the combination of these two that at least give us an unexpected, but still quite nice outlook for the coming years on the small diameter size. But it's gas and wind substations, not so much oil.

Speaker: So I want to touch a bit upon the current bidding environment, and more specifically, is the 2026 guidance increase from 2025 based on higher prices in the market now versus the launch orders from Equinor or Shell?

Ben Meijer: Also on this one, same, we will come back to that also this afternoon, because it's a specific topic, indeed, to also talk about contribution margins per tonne as of 2026.

Speaker: Okay. Thank you.

Thijs Berkelder: Thijs Berkelder again, ABN AMRO-ODDO BHF. You talked about new contract structures with clear delay in cancellation fees agreed. Does it mean you get your agreed contribution margin, whatever or –?

Ben Meijer: The sweet spot is when we are just before start of production and they cancel, then we will get the nice – basically the precalculated contribution. That's how it ramps up.

Thijs Berkelder: Okay.

Ben Meijer: And there's a curve in there. I'm not going to explain you how the curve looks like. But for us, it's pretty low risk.

Thijs Berkelder: Clear. Then working capital, is this already part of the prepayments for the agreed launching customers?

Ben Meijer: No. No. This is basically the number of minus €90 million by year-end you're referring to.

Thijs Berkelder: Yeah. And so we're now in March, we're now back at around zero or so?

Ben Meijer: No, no, no. Right now, we are still significantly negative. But what I was just mentioning is that the big payment that normally comes in January, and you're talking about a number of roughly almost €40 million. So it's very significant, and it's – right now, it came in, in December, normally it should have come in, in January. So right now, what you see is working capital level is going from minus €90 million. It has gone up for quite some amount, but it is still well below zero at the moment.

Thijs Berkelder: Yeah. And your cash probably is not staying at SVB or Credit Suisse. So the cash account is stored at a decent Dutch bank, I presume.

Ben Meijer: Yes, correct.

Fred van Beers: Andre have a few questions, I guess. Anyone on the line, Fons? There is somebody online. Okay. No questions so far. All right. Any more questions around this table?

Welcome, Andre, we'll talk a bit later. If not, then I would like to thank you for your attention. Thank you for the questions. Sorry that we didn't answer all the questions yet. But there's a next round coming this afternoon, and then we'll – you have another try. Talk to you then. Thank you.

Ben Meijer: Thank you.

[END OF TRANSCRIPT]