

Roblon's 2022/23 performance was strongly affected by a market slow-down in the fibre optic cable industry, resulting in revenue of DKKm 350.1 and an operating loss before special items (EBIT) of DKKm 16.0.

Selected financial highlights

- Order intake of DKKm 308.7 (DKKm 415.4)
- Revenue of DKKm 350.1 (DKKm 380.9)
- Gross profit of DKKm 169.3 (DKKm 181.2) and a gross margin of 48.4% (47.6%)
- Operating profit before depreciation, amortisation and impairment and before special items (EBITDA) of DKKm 10.9 (DKKm 23.4)
- Operating loss before special items (EBIT) of DKKm 16.0 (a loss of DKKm 3.8)
- EBIT margin negative at 4.6% (negative at 1.0%)
- Special items of DKKm 17.9, consisting of the accounting profit from the sale of the Frederikshavn head office (a negative DKKm 6.8 re. acquisition of Czech company)
- Loss before tax of DKKm 3.2 (a loss of DKKm 1.4)
- Return on invested capital (ROIC) before tax negative at 8.4% (negative at 2.0%)
- Earnings per B share negative at DKK 2.6 (negative at DKK 1.3)
- Net cash inflow from operations for the period of DKKm 17.8 (an outflow of DKKm 27.0)
- Net cash outflow from investment in property, plant and equipment and intangible assets of DKKm 21.9 (an outflow of DKKm 21.6). This related to investments in production equipment upgrades in the two subsidiaries to improve production capacity and profitability and a new production line in the parent company for products to be used in energy transmission. The outflow also related to refurbishment of the Group's Gærum facilities following the sale of Roblon's former head office in Frederikshavn
- Net cash inflow for the year of DKKm 21.4 (DKKm 8.3), positively affected by an amount of DKKm 27.0 from the head office sale
- Equity of DKKm 209.6 (DKKm 218.8)

Highlights

Following a number of years of growth, the FOC market has been slowing down since the end of 2022, and the downward trend has escalated since the spring of 2023. The geographical regions hardest hit by this global market downturn are the two largest, China and the USA, although Europe has been affected, too. This unexpected turn in the FOC market severely impacted the Group's realised revenue and earnings for 2022/23.

In 2022/23, Roblon sold its head office building in Frederikshavn at a cash-based price of DKKm 27.0, and the Company's Danish employees are now all located at the facilities in Gærum, Frederikshavn.

- Roblon's revenue was down by 8.1% to DKKm 350.1 for the year (DKKm 380.9). The DKKm 30.8 net decline covered a DKKm 79.7 decline in the FOC product group and a DKKm 48.9 improvement in the Composite product group.
- The FOC product group generated revenue of DKKm 192.5 (DKKm 272.2). The decline was caused by the above-mentioned global market downturn.
- The Composite product group generated revenue of DKKm 157.6 (DKKm 108.7), and the DKKm 48.9 improvement was attributable to a strong increase in the Group's deliveries to the offshore oil and gas industry compared with the level realised in 2021/22. The improvement was in line with Management's expectations expressed at the beginning of the financial year.
- For a part of the 2022/23 financial year, the gross profit and gross margin were adversely affected by elevated costs of raw materials, components, freight and energy, which Roblon was not able to fully pass on to customers by adjusting selling prices. Furthermore, production was hampered by complications related to the ramp-up of new production lines, which affected productivity and cost of sales. Conversely, the gross margin benefitted from a favourable product mix.
- Working capital at 31 October 2023 was DKKm 141.1 (DKKm 155.9), equalling 40.3% (40.9%) of revenue for the year. The DKKm 14.8 reduction of working capital was mainly due to a reduction of the Group's inventories.

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Based on the reported loss for the year 2022/23, the Board of Directors proposes to the shareholders in general meeting that no dividend be distributed.

Guidance for 2023/24

In the **Composite product group**, Management forecasts an improvement of revenue compared with the level realised in 2022/23:

- For the Energy business (offshore oil and gas extraction), Management forecasts revenue in line with the level realised in 2022/23. According to customers as well as business intelligence provided by Rystad Energy¹, the level of activity in this area is expected to remain high and to increase over the coming three to six years.
- In Energy Transmission (wind power and electrification and green transition via submarine cables), Roblon has ramped up its product development in recent years. In 2019/20, Roblon supplied strength members for the first major submarine energy cable project. Since then, other new products for similar applications have been developed in close collaboration with customers, and the market potential is considered to be strong and is expected to grow significantly in the coming years. Towards the end of the 2022/23 financial year, Roblon received new orders for strength members for submarine cables to be supplied in the period until the spring of 2024, and efforts are underway to secure new orders for additional known projects in 2024 and beyond. This is expected to contribute to a continued improved performance in the Composite product group.

In the **FOC product group**, Roblon supplies products to the fibre optic cable industry, in which the demand for fibre optic cables is in part driven by the ever growing demand from users for faster data transfer, mobility and data network access. Future growth in this area is thus expected to be driven by the roll-out of infrastructure supporting expanding telecommunications, including 5G.

As part of a major infrastructure plan, the US government has provided USDbn 42.5 in funding for accelerated roll-out of telecommunications (broadband) in the USA (BEAD²). CRU³ expects to see the launch of more BEAD projects in the first half of 2024, and these government stimulus projects will be subject to the Build America, Buy America (BABA) Act⁴. Roblon is one of three major US manufacturers of fibre optic cable components. BEAD and BABA are expected to boost the Group's growth potential in the coming years.

CRU expects the US market to normalise at the 2022 level in 2024, followed by a compound annual growth ratio (CAGR) of 10-11% in the period to 2028. However, Management has decided to wait for the growth in demand to materialise, and for now has decided to base the guidance for 2023/24 on an unchanged, low revenue level and consequently a lower earnings level.

Revenue and earnings guidance for 2023/24:

- Revenue of around DKKm 370 (DKKm 350.1)
- Operating profit before depreciation, amortisation and impairment and before special items (EBITDA) of around DKKm 25 (DKKm 10.9)
- Operating profit before special items (EBIT) of around DKKm 0 (a loss of DKKm 16)

The guidance for the year is subject to significant uncertainty, mainly related to market conditions in the fibre optic cable industry.

Frederikshavn, 20. December 2023

Roblon A/S

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Chairman of the Board Managing Director and CEO

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¹ Rystad Energy is an independent research and business intelligence company providing analyses of various industries. For more information, go to <https://www.rystadenergy.com/>.

² <https://broadbandusa.ntia.doc.gov/funding-programs/broadband-equity-access-and-deployment-bead-program>.

³ CRU analyses various industries, including the FOC industry, and provides business intelligence. For more information, go to <https://www.crugroup.com/>.

⁴ <https://www.epa.gov/cwsrf/build-america-buy-america-baba>. Ensures a preference for buying from US manufacturers for federal financial assistance infrastructure projects.