# Svitzer Interim Report H1 2024

Wednesday, 14th August 2024

# Overview & Business Performance

Kasper Friis Nilaus

*CEO, Svitzer*

**Welcome**

Thank you very much, and welcome everyone to Svitzer first earnings call as a separately listed company. We look very much forward to presenting our performance for the first half of 2024.

**Disclaimer**

Just pay attention to the forward-looking statements on this slide.

**Today's presenters**

And then we have two presenters today. So it is myself, Kasper Nilaus. I am the Chief Executive Officer of Svitzer. I have been in Svitzer since 2007, worked on different roles until 2020, where I took on the CEO position. So I have been in this position for a little more than four years. And I am joined today by Knud Winkler, our CFO in Svitzer. He has been CFO in Svitzer since 2013.

**Agenda**

If we look at the agenda, then we will start with a company overview. I will present that. Then I will go into the overall business performance, before handing over to Knud, who will go into details on the financial review. Finally, we will have a Q&A session and look forward to answering questions on our business.

**Company overview**

All right. So if we start with the company overview. We thought since this is our first earning presentation as a listed company, it would be good to just spend a little bit of time presenting Svitzer. For some of you who have been following our Capital Markets Day and our material, it may be a little bit of repetition, but we thought it was a good place to start as a relatively new company or very new company on the market.

*Svitzer is a global player in the highly attractive towage market*

So Svitzer is the global player in the towage market. We have exposure to both harbour and terminal towage, as I will go into on the next page.

In these numbers you can see here are our 2023 numbers. We have revenue of a short of DKK6 billion. We operate in 37 countries, the highlighted countries on the map, in 141 ports and 40 terminals. And we have 456 vessels and around 4,000 employees. So really the leading towage company.

*Two business areas with overlapping and differentiated dynamics*

We operate in two business areas. They overlap. It is a harbour towage. Harbour Towage is just short of 70% of our revenue. It is a business. We operate 141 ports. We have strong position in those ports. We service the volumes that are coming in. In half the ports, we are the only operator. In the other half, we have competition.

Our customers are typically shipping lines or cargo owners. Our customer contracts are reasonably short, between one and three to four years. And in many cases, we have a licence arrangement with ports that we can operate in the port. It is so around 69%, 68% of revenue and around 60% of EBITDA.

On the other hand, we have terminal towage, which is very different in the sense it is the same assets. It is the same skill, but the contractual setup is different. We have, for example, when we operate in the Angola LNG Terminal, West Coast of Africa, we have one contract for 20 years with Angola LNG. You win it through a tender process. And then you then have a contract, as I said, for 20 years, where you are paid a fixed day rate every day for doing the services required in terminal. Prices are escalated typically every year with inflation.

So more or less the same assets, the same backbone that we use to run the operations, but the contractual setup is different. And it is a little bit also the margins are different in terminal towage, also because it is newer assets with have higher margins, which also means it is around 30-31% of revenue, but up to around 40% of EBITDA.

*Key investment highlights*

If we just go briefly through the key investment highlights for Svitzer, then the first one is that we provide mission-critical port infrastructure services. The ocean-going ships that transport goods across the open sea, in most cases, they would not be able to go in or out of ports without TOCs present. So completely critical service to keeping ports open and running and global trade zone.

We are the global and leading towage platform. We are in a growing resilient towage market. We are the biggest. We are the one that is truly global. And the towage market is fundamentally growing around 4-5% every year. And it is a Brazilian market that can also be seen when we look back in our numbers.

We have a diversified exposure, which is something that is very fundamental to our business, that we are diversified across geographies. So we are in many different geographies. We are diversified across customers which also means our biggest customer, which is the Maersk Group, is only 11% of revenue, and end markets being in both harbour towage and terminal towage. And these three different ways being diversified has the effect that it reinforces acyclicality. So you can have the port can go up and down every year in performance, but when you are present in 181 operations globally, different markets, different customers, different geographies, then you have a portfolio effect where it often balances out and we get this growing trend that we have seen over the last 30 years.

Then we are leading. We have stable business models. We have stable margins, solid cash flow, a well-invested fleet. And then we are leading the ESG in towage primarily within decarbonisation. So we are focussing on decarbonisation and we are doing it because we want to do it, but we are also doing it because we see business opportunities in many cases. And some of the terminal towage contracts we have won recently, we have had an element of decarbonisation in it that has been part of the winning criteria.

We have a clear strategy in place. We target growth, stable margins. We also want to pay dividends. We know what we want to do to constantly optimise the business win. And we also know what we want to do to constantly grow our business.

And then we have a highly experienced management team. We have a senior executive leadership team of 11 people. All of us have been in the business for some time. Many of us have been in the business for a long time and worked in different geographies, in different positions. So we know we are in the Svitzer world.

*Successfully completed demerger process*

And just recapping what we have gone through this year, we have gone from being fully owned by A.P. Moller-Maersk, the listed company, to being separated, stand-alone, and listed on the Danish Stock Exchange in our own right.

So Maersk announced on 8th February the intention to demerge in this Svitzer. We came out with an Annual Report in the February. We had a Capital Markets Day on 5th March. And I would just say that all this material is still available on our investor webpage at svitzer.com. And there is a lot of fundamentals around the market and Svitzer, our history, how we make money, what our strategy is. But I would encourage people to read if they are interested.

Then we had 26th April, there was the Extraordinary General Meeting in Maersk where it was decided and effectuated that Svitzer actually demerged from Maersk and became its own entity. And we had the first day of trading on the Copenhagen Stock Exchange on 30th April.

And now, 14th August, we have come out with our first half-year report.

**Business performance**

*Key highlights H1 2024*

If we then dive into our half-year report and we start talking about the business performance, then we had a good or we are very happy with our first-half report. We had a very good progress, so 11% revenue increase compared to same period last year in constant exchange rates, and 15% EBITDA increase for the half-year, which we are very happy about.

We are still doing the efforts, as I mentioned, ESG decarbonisation. So we are converting tugs to biofuel Netherlands and Oman. On the other hand, we have also taken some tugs out of biofuel UK and we are constantly seeking the opportunities to decarbonising at the right price and with the customers.

We started off in Australia, a new operation on the Australian West Coast in Port Hedland, the world's biggest iron ore export port. We have four out of five tugs already on contract for BHP. And then we have extended a critical contract in Australia with Smit Lamnalco for Harbour Towage in four ports. And we have also been awarded a five-year contract in Panama Canal with two tugs that will start up in 2025. So good progress also on our commercial efforts.

*Significant contract wins H1 2024*

If we look at our contract win, I mentioned the Panama Canal opportunity, a five-year contract; the four-year contract with Smit Lamnalco. In addition to that, we have renewed all the terminal towage contracts that were off renewal in the first half of this year, which is, of course, critical and something we focus immensely on renewing our existing contracts. And we have also won, and of course, in harbour towage, there is a constant churn of renewals and new contracts and so on. But notable is that we have grown also in Brazil and we have also won a few harbour towage contracts, but for it is a new terminal gas, natural gas re-gasification terminals in Brazil. So also still good progress in Brazil.

And maybe just spending just two words on how we do this, why we are successful in the commercial space. Well, as was also explained on the Capital Markets Day, we have very much a focus on what we call passing to customers, so putting customers in the centre. What does that mean? It means that we work closely with customer and port authorities to identify their needs and the right solution for us to meet those needs at the right price. And we have seen really good traction on that. And it is something that is, I would say, fundamental to how we do business, so that we keep the customer in the centre.

*Regional key highlights H1 2024*

If we then move on to the key regional highlights, then we have seen progress in all regions. In Australia, our revenue increased by 11%, mainly due to tariff increases, also some of these terminal towage contracts I mentioned. We have increased CAPEX by 42% for these four out of these five tugs we have so far delivered to our operations, the new one in BHP.

And maybe just reiterating on Australia, we call it a region, it is also a country, but it is truly still, even if it is one country, it is still very diversified exposure. We have significant presence in harbour towage, but we also have significant presence in terminal towage. We operate with different customers in many of the ports under different regimes. So in a very few ports, we have exclusive licences, otherwise we operate on non-exclusive licences.

We also have a different crewing setup, depending on if you are in terminal towage or harbour towage, or even some of the harbour towage. So still, even though it is only one country, it is still quite diversified.

If we look at Europe, Europe is still characterised by being the most competitive area we are in. It is primarily harbour towage we do in Europe, although we did start up end of last year, a new terminal towage operation in Greece. Europe has also grown revenue due to tariff increases. EBITDA has grown less, primarily due to still a competitive situation in the UK, with overcapacity still in the UK of tugs. So that is something we are constantly working on improving our UK operation.

*Regional key highlights H1 2024*

If we move to Americas. Americas region is really growing well. We have seen revenue increase by 20%, to a large extent driven by improvements in harbour towage, primarily Brazil, but also Argentina, we have seen going better, or actually well. We also had a few lucrative contracts here in the first half of the year that are, you can say, a little bit abnormal or not something that will continue at least. So it has given a little bit more of a boost in Americans than we would have seen if they had not materialised. But we, of course, always, in addition to our fundamental business, we are always looking for other tugs we can deploy on higher paying opportunities in the shorter term, and we have been fortunate in Americas to identify one of these options, which also explains the significant EBITDA increase we see.

If we look at our Asia, Middle East, African region, the only terminal towage we do there, which is also explaining why we see a modest revenue increase, that, and then the fact that last year we had our Russia operation in on revenue for most of the first half year, we are completely out of Russia now. So that is why the revenue increase is modest. So yes, I do not think there is a lot more to say about EMEA.

Yes, so let us go to the next slide.

And I will hand it over to Knud for the financial review.

## Financial Review

Knud Winkler

*CFO, Svitzer*

*Revenue increased mainly due to growth projects in terminal towage and tariff increases in harbour towage*

Thank you, Kasper. Thank you. Also welcome from my side to this presentation. I will take a couple of minutes here to provide a little bit more colour on what you have already read in the interim report that was published earlier this morning.

If we start out looking at the revenue, the overall revenue growth was 11%. It was composed by a couple of different items. You can say there is the underlying activity, which is the growth in harbour towage volumes, underlying growth in each of the ports, and the effect of the entry in a new port in Brazil. That together with the growth in terminal towage contracts, and including the exit from Russia, that has provided 5.8% of the overall growth. And as you can see, most of that comes from the new terminal towage contracts that we have entered into.

The other component is on the pricing side. There is the annual escalation on our terminal towage contracts. There is the tariff increases in harbour towage, and then also there is the elements that Kasper mentioned, the higher paying top jobs in harbour towage related to a few of these opportunities, primarily in Brazil. So that has pushed the pricing element up, and it is not all tariff increases. There are these special jobs that pull up a little bit more than just the tariff increases.

How does this stack up against what we originally were thinking? As some of you will recall in our Capital Markets Day presentation, we were alluding to the growth components, the growth in underlying number of vessels on the oceans, the growth in the size of the vessels, those two will contribute to the activity, and then the price increases. And we said the first two components would be around 3%. We have seen a 3% growth in our harbour towage volumes in the second quarter of this year, so that matches quite well.

Whereas the price increases, we estimated those over the six-year period between 2024 and 2030, that that would be around 1.5%. And clearly, the high inflation that we have seen has also had an impact on our ability to push through price increases.

*Adjusted EBITDA increased driven by higher revenue offsetting inflationary cost increases*

That was on the revenue side. If we move on to the adjusted EBITDA, then that has increased by 15%. And I would say despite the continued high due prices, and I would say more unplanned maintenance than what we usually have, we have managed to increase the margin from last year. So it is now for this year, 30.8% for the first six months.

If we look at, again, how is that composed, the activity growth that we are seeing, and this is predominantly, again, the terminal towage side, has contributed by 7.5% growth out of the 15%. And the pricing has been 4.1%. And there is a few other items here that impacted.

The adjusted EBITDA, as you can also read in the interim report, the adjustment is for this quarter only related to the separation and listing costs. We have DKK104 million in the profit loss that we adjust for. And those by nature, they are one-off costs. They consist of fees to banks, lawyers, auditors, and also cost of setting up systems that were otherwise systems that were provided by the A.P. Møller-Maersk before the separation.

The running cost of such new systems that is not included in this, that is going into the underlying normal EBITDA.

*Stable free cash flow generation*

If we then move on to the cash flow, the increase in EBITDA, of course, would have an impact on the cash flow from operations. The increase that we see is only DKK15 million compared to last year. And that is because we have paid taxes more than the taxes that are included in the P&L, you can say. So there is a settlement of a tax base from previous years that has been done in the first half.

The gross CAPEX is slightly higher this year compared to last year. It is very much related to the growth vessels that are being put into Brazil and Australia, but of course, there is also the continuous investments in dry dockings.

We have sold some vessels during the half year. The biggest part of this is the proceeds from the sale of the four vessels in Russia. So for this half year, the proceeds from sale of assets is higher than what it would normally be.

So the net free cash flow, according to our definition, has gone from DKK288 million to DKK303 million in this quarter.

*Dividend policy and leverage target*

Then looking at our dividend policy and leverage targets. So we have a target to retain or remain at a 2 times adjusted EBITDA leverage ratio. And in this report, you will see that we are currently at 1.9 times, so slightly below.

The net interest-bearing debt came down to DKK3,541 million. We started out the year at DKK3,745 million, so a reduction of a little more than DKK200 million in the net debt. The gross debt today consists of the long-term facilities that we have entered into, the €320 million term loan, the AUD$200 million term loan, and then our revolving credit facility of €180 million. All of them have a tenure of five years.

At the end of the quarter, we had drawn €100 million on the revolving credit. And you will see that our liquid funds in the balance sheet is at DKK800 million. And that, of course, is something that we continuously work to optimise to reduce the gross debt so we pay less interest.

We maintain the target of 2 times adjusted EBITDA to make sure that we have sufficient financial flexibility to seize opportunities that may present themselves, whether that is investments in growth opportunities of organic growth or it is investments in inorganic growth opportunities.

**Financial outlook for 2024**

*Adjusted in June 2024*

Then if we go to the outlook, and as Kasper mentioned, I think we changed our outlook on 20th June, and we upgraded it from the original outlook that was published with our Annual Report. So now it is revenue growth, 6.5% to 7.5% in constant exchange rates, and we have slightly modified the wording around it. So we now expect to end up in the upper end of that range, so close to the 7.5%.

Similarly, on the adjusted EBITDA, we upgraded to DKK1.775 billion to DKK1.875 billion. And we also here expect to end up in the upper end of that range, which is consistent with an EBITDA margin around the 30%, which is slightly higher than what it was last year. And this, again, is excluding the separation of listing costs, as mentioned just a minute ago.

When we look at the adjusted EBITDA expectations for the year, we now expect the currency, the exchange rates to be flat compared to what we have seen in the first half year. So you might remember from early on that our original expectations for the year were a strengthening Danish kroner, we are now changing that outlook to be a flat development.

When we look at the gross CAPEX, that is maintained with an outlook of DKK900 million to DKK1.1 billion. And in the first half of the year, we spent DKK483 million, so roughly 50% of that, and we do expect that level to be the same in the second half of the year.

*Key highlights H1 2024*

Then just reiterating the key highlights. Revenue growth 11%; EBITDA growth 15%, so that means an improvement in our underlying margin, largely driven by the tariff increases, but also the slight change of mix where we have a bigger part of our business now in the terminal towage.

On the operational side, we continue on the decarbonisation journey, finding more ports, more places to utilise the biofuel option, and we are also growing the business with the BHP operations in Port Hedland in Australia.

Finally, we renew contracts, we win contracts, so we continue to grow the business and maintain the underlying customer relationships that we have.

I think those were the words. And I think we are now ready to enter the Q&A session.

## Q&A

**Operator:** Thank you. As a reminder, to ask a question, you will need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. Please stand by while we compile the Q&A queue. Our first question comes from the line of Ulrich Bach[?] from SEB. Please go ahead. Your line is open.

**Speaker:** Yes, thank you for taking my questions. First one is on the contracts that you have won in the Americas. You mentioned that they were good contracts and that they might be a bit abnormal to what you usually win, so perhaps just elaborate about what kind of contract it was, and as you grow, would it be a fair assumption that the margin should be diluted?

**Kasper Friis Nilaus:** Yes, okay. So we have won the right to service two FCUs[?]. I think we won one [inaudible] and one earlier this year. It is a use of these floating regasification and storage units for natural gas. And those contracts are running in a harbour towage setup, so it is not a terminal towage setup, but it is a business work for a harbour business, but it is good work we can do with our existing business.

Those contracts will continue for a number of years. Yes, this special one is a short-term standby charter. What we see in Brazil is we have, due to those regulations that require TOCs generally to be built in Brazil, there is a demand-supply balance in Brazil, particularly where

TOCs are a little bit difficult to combine. So you have these opportunities once in a while for short-term work at what we would call a very nice rate. And that is what we have seen, but it is truly short-term, and that contract where we had those better rates has already expired in the current format.

So it is a little bit icing on the cake. It is not the explanation at all for Americas' good performance. America has a very good, solid, underlying performance, but it is this icing on the cake that we sometimes see in Australia for the first time.

**Speaker:** Understood. My question on your return on invested capital. I see that you increased it to 8.6% over the past 12 months, which is up 7.6% versus year-end 2023. Can you perhaps just provide the overall building blocks for this improvement and your assessment as to whether this is a sustainable level, whether there is upside or perhaps even downside, given your current contract portfolio and planned investment?

**Knud Winkler:** So the changes that make up the improvement compared to last year, that is the higher EBITDA margin, right? So these are improvements in profitability. We are seeing, I think, slightly less on the assets under construction. We have less vessels under construction during the year. We had most of our vessels delivered last year, so all of those vessels that were delivered in the second half of last year, they are now into operation and generate a return.

Is this the long-term level? We would like to think that 8-10% is the range that we would operate within, and hopefully in the middle of that range. But for now, 7.6% is a good step towards that level.

**Kasper Friis Nilaus:** 8.6%.

**Knud Winkler:** Yes, sorry, 8.6%.

**Speaker:** Okay, that is very clear. Then a question on these pricing escalation dynamics in your contract. Because given also your margin development, it seems like you have been able to increase tariffs more and perhaps even earlier than the impact of past inflation. So just trying to understand the timing of these price escalations and compared to when you realise these increased costs.

**Kasper Friis Nilaus:** Yes, so in general, you can say, our biggest cost is crew cost, and they would normally increase once a year, like most salary employees get a salary increase once a year. It can vary a little bit with the country you are in. And we would normally also increase our tariffs once a year. And those two days are normally quite a lot.

But crew cost is not the only cost element we have. We also have, of course, the maintenance, we have bunker[?] and so on. So I think the timing, what we have tried to do since the world started moving into this high inflation scenario, is to be a little bit ahead of the curve. So trying to pre-empt some of the inflation we are seeing by being a little bit early on our pricing increases.

For this year, the performance we can see here, I do not think it is not so much the timing, it is more the fact that we have been, you can say, good at explaining our customers and the ports we are operating in, what price increases we are seeing in our environment, we need to go out and do these tariff increases. So the tariff increase is one thing. Another thing is that some customers are also on contracts where they are separated from the specific tariffs, and there you also need to go out and get the price increase through, which we have been quite good at as well.

So the reason we can do this and make it stick to this extent is due to a lot of hard work. First of all, we need to deliver the service, of course, so the customers need to be happy, but it is also a lot of work from our commercial people, our customer-facing people, in explaining why is it that we need to increase the prices at the level we do, and then following up and ensuring that we kind of get all the contracts to that level.

**Speaker:** Okay, that is very clear. Then a question on your CAPEX guidance. You reported H1 CAPEX, gross CAPEX of DKK483 million, meaning that there is around about DKK400 million to DKK600 million left for the second half. Do you have a number already committed for CAPEX at this point in time that you want to share?

**Knud Winkler:** Yes, we do, and I think it is already in the report in one of the notes. We have a number of vessels that have been ordered during the first half of this year, and there is a commitment to pay. I cannot just find a note right here, but I recall [inaudible] kroner that is committed for the rest of this year, and then there is another 300-something for next year and another smaller amount in 2026. So there is already some of that that is committed.

On top of the committed payments towards the new building programme, there is, of course, the ongoing dry docking that will occur, you can say, continuously throughout the year.

**Speaker:** Okay, that is very clear. And then some housekeeping questions. So your depreciation came in at DKK450 million for the first half. Given your current investment level, is that a fair run rate for the coming 12 months?

**Knud Winkler:** It is a fair run rate level. I would say we will probably see it increase a little bit, not a whole lot, but a little bit, because we do see that the dockings that we are undertaking or have been undertaking this year, as you know, we capitalised that and depreciate over five years. So these dockings are somewhat more expensive than the previous dockings five years ago. So that will add to the depreciation.

Then also the vessels that we are taking delivery of are slightly more expensive than what we have seen in the past, right, also because of inflation. So I think for the second half of the year, also with a few new vessels, additional vessels coming on, the depreciation would be a little bit higher than the DKK450 million, but I mean, not, but maybe DKK460 million or DKK475 million. However, it is a fair level to be clear.

**Speaker:** That is great. Then my final question on your net financial expenses. Could you perhaps split out what is financial income versus expenses, FX, hedging, what have you, just trying to understand what brought this high level for the first half?

**Knud Winkler:** Yes. For the first half, the net financial items of DKK202 million, I believe it is. There is a significant part of that that is related to FX impact in connection with dissolving the cash pools or exiting from the cash pools that we were in with Maersk. Going from a dollar regime to a Danish kroner regime, there is a slightly different way in the way you want to manage it. So that is one thing.

The other thing is that during from 1st January and until we settled everything that we want on Maersk by the end of April. We had a significant loan from them. We also had significant balances on the cash flow. However, the loan had a slightly higher interest rate than the deposit on the cash flow. So we ended up with a net interest cost on that one.

I would say for the second half of this year, I would expect the financial items to be to the tune of DKK100 million to DKK120 million. And that will be sort of the level going forward with the debt levels that we are seeing right now.

**Speaker:** Okay, perhaps just to follow up. So what are the FX dynamics going forward? So what should we look out for? What happens if the dollar depreciates versus appreciates? Just to get an idea.

**Knud Winkler:** So the loans that we have, as you know, the biggest part of that is in euros, the €320 million and the revolving credit is in euros. So there is limited FX exposure on that one. The other one, the Australian dollar. Obviously, if the Australian dollar is strengthened, then that would mean in Danish kroner that the debt would go up and that would impact our financial items with a negative number.

We do use the funding to fund our companies internally. So that means we have loans to subsidiaries and they are always in the currency of the receiving entity, right? So if we lend money to a dollar entity, then the loan would be in dollars, right? And that is clear that any changes on that would then impact our financial items, but it would be within the Group. And you can say the counter-posting to that would be on the translation reserve on our equity.

**Speaker:** That is very clear. Thank you so much.

**Operator:** Thank you. We will now move on to our next question. Please stand by. Our next question comes from the line of Lars Heindorff from Nordea. Please go ahead. Your line is open.

**Lars Heindorff (Nordea):** Yes, morning. Thank you for taking my questions as well. The first one is still on the pricing and the mix between price and volumes. Ulrich asked a little bit about it. So those price adjustments that you had in the contract, are they following the calendar year, or is it following the cycle of the contract whenever it has been signed?

**Kasper Friis Nilaus:** Yes, that differs. So in harbour towage, we typically increase the tariffs on 1st January. However, Australia is 1st April. So that is in harbour towage. In terminal towage, then it differs. It can be September, January, October. There is no kind of fixed date for that because it normally differs as you also alluded to, to be one year after the start of the day. That is typically where it starts. And the start of the day can, of course, be anytime during the year.

**Lars Heindorff:** Okay. Because at least in harbour towage, you have been so kind to provide the number of tug jobs. If I could calculate correctly, then the revenue per tug job is up by around about 7% in the first half. Does that sound about fair?

**Knud Winkler:** Yes, it does.

**Lars Heindorff:** Yes? Is that likely to continue for the second half at the same pace, roughly?

**Kasper Friis Nilaus:** Yes, we think it is right.

**Knud Winkler:** Yes. I think with the one caveat, though, that in the harbour towage revenue, you have these higher paying jobs in Brazil, right? So I would say the average revenue per tug job in harbour towage for the first half of the year is probably a little bit inflated if you were to look at, you could say the only the tariff increases, right?

So if we do not have any of these attractive opportunities materialising in the second half of the year, then the growth might be a little bit less or it will be a little bit less than 7%.

**Lars Heindorff:** Okay. And because in total then you have the terminal charge, the increase there appears also to be – of course, you have 2% volume increase in harbour towage. So then you must have at least quite a bit of the price increase in the terminal towage as well. And with a 15% year-on-year revenue increase in the first half, and I then take the guidance range that you have, the 6-7.5%. And if I deduct, I take the high end of that, that would imply that you are interested in guiding for around about 4% revenue increase in the second half. Why is it when prices are going up as much as they are and you have been adding some new contracts that you expect that even taking the high end of the guidance range that you only expect around about 4% revenue increase down from 15% in the first half?

**Knud Winkler:** So the terminal towage revenue growth comes with the addition of vessels, right? And if we look at the vessels that have been added since 1st January, it is not a lot, right? Most of the new contracts, they were started up early in the second half of last year. So you would not see that much of an impact from the growth in vessels.

And a lot of the terminal towage contracts are in places where the escalation factor is not necessarily very high. So the terminal towage growth comes predominantly from adding vessels and not so much from the escalations. It is typically not a large number.

**Lars Heindorff:** Right. And then on income from JVs, which you include in your EBIT, DKK65 million in the first half. Is that the run rate which you expect going forward?

**Knud Winkler:** DKK65 million, you say?

**Lars Heindorff:** Sorry, that was wrong. DKK72 million in total, including a little bit of a gain.

**Knud Winkler:** So I have got my share of profits in joint ventures and associate companies is DKK53 million for the first half of 2024. And that is the run rate.

**Lars Heindorff:** Okay.

**Knud Winkler:** I am not sure your DKK70 million, where you get from?

**Lars Heindorff:** No, sorry, I was looking at the wrong number. Sorry, my bad. Yes, DKK53 million plus the DKK2 million that you have. And then can you or will you disclose how many vessels you have in your terminal towage by the end of the quarter?

**Knud Winkler:** I do not think we have that number put it anywhere, but let us see if we can find that.

**Kasper Friis Nilaus:** Yes, we had it in the Capital Markets Day last year, so yes.

**Knud Winkler:** I am sure we can find it.

**Lars Heindorff:** That was it for me.

**Kasper Friis Nilaus:** Okay.

**Operator:** Thank you. We will now move on to our next question. Our next question comes from the line of Anders Christian Preetzmann from Danske Bank. Please go ahead. Your line is open.

**Anders Christian Preetzmann (Danske Bank):** Yes, thank you very much. And hi, Kasper and Knud. And thank you for taking my questions as well. Just moving back to the margin and the performance in the different geographies here. So margins in Europe are down by almost 2 percentage points year-over-year. And you mentioned fewer tug jobs and higher time charter costs. And then you also mentioned some competitive situation in the UK. But how do you see this going forward? Do you expect any improvement to the margin in Europe for the remainder of 2024?

**Kasper Friis Nilaus:** So if you look at Europe, really, of course, as was mentioned, it is really the UK where we have to improve the numbers. Overall, you can say there is a competitive situation in the UK where you simply have too many tugs in the market. And that I think affects how many tug jobs you do per top.

On top of that, we have had, as we also pointed out, some increased M&I costs and some time charter costs to cover for vessels that are outsourced, right? So all of that contributes to, let us say, not so great result in Europe from a marketing perspective.

We are working hard to improve it. It is not something that goes away overnight when you have a competitive situation. It takes time for the market to settle. But it is something that is a focus area for us.

**Anders Christian Preetzmann:** All right. That was very clear. Thank you. Then again, maybe the same question but for the Americas. And I guess you already alluded to it quite a bit. So Americas are up 3 percentage points year-over-year on the EBITDA margin. And if we were to look at maybe the normalised margin for the Americas, if we excluded the lucrative contracts you mentioned before, can you give an idea of where that would be, maybe?

**Knud Winkler:** I think that is difficult to do. There is a couple of different moving parts in those highly attractive opportunities. But it is clear that while these high-paying jobs have provided icing on the cake, the underlying profitability in the Americas region has grown, right? So it is somewhere between last year's margin and this year's margin. That is where the truth lies.

Whether it is in the middle? I think we cannot really give an accurate answer to that. But it is clear that the current margin is higher than what we would expect to see going forward. But there is an underlying improvement in the profitability. And it is not only Brazil. It is also Argentina, as was mentioned.

**Anders Christian Preetzmann:** Okay. Yes. That is fair. And then to my final question, back to the full-year guidance for 2024 and the implied margin indications for H2 based on your guidance. So you expect an EBITDA margin between 27% to 29.7% for H2 to reach the guidance? And now, of course, you point to the upper end of this range. But this still, of course, indicates that you expect to see a lower margin in H2 compared to H1. And can you elaborate a little on your assumptions here and why that is the case? It is because of there not being any special contracts in the Americas for H2 or where you are at there?

**Knud Winkler:** Yes. That is part of the explanation. But there is also the fact that if you look at page seven in the report, you will see that the margin in the second half of the year is just historically – we do not necessarily see a lot of seasonality in the business, but there is this slight decline in the margin in the second half of the year. So that is what we are leaning on history to repeat itself. And we also see that there are a few things that will not be going as well in the second half of the year. Not anything dramatic, but we just see that the revenue and the profit is going to be slightly less in H2.

**Anders Christian Preetzmann:** All right. That was very clear. Thank you very much. Those were my questions.

**Operator:** Thank you. Once again, to ask a question, you will need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. We will now move on to our next question. Our next question comes from the line of Chloe Fu from Citi. Please go ahead. Your line is open.

**Chloe Fu (Citi):** Hi. Thank you for taking my question. So I see that the guidance for 2024 is 6% to 7.5% revenue growth. Yet in H1, we had 11% revenue growth. So if we maintain the current run rate, could there be a potential upside?

**Knud Winkler:** No. I think as we have talked about a couple of times, the growth in the first half, of course, compared to the first half of last year, it contains a large number or relatively large number of new businesses coming up on contract in terminal towage. And that, of course, will not reoccur in the second half of the year. These contracts were initiated or commenced in the second half of last year. So by nature, pure mathematics, the growth rate will come down in the second half. So we will not see that significant growth repeat itself in terms of percentages.

**Chloe Fu:** And on the margin improvements due to the increasing terminal towage portion, is that where we wanted to head in terms of a strategy to have a higher contribution from terminal towage with winning more like terminal contracts?

**Kasper Friis Nilaus:** So we always have a range of growth opportunities we monitor. And we are pretty dividend around which one to pursue and which one we do not. We are happy to pursue harbour towage opportunities, and we are happy to pursue terminal towage opportunities. So it is not a priority that we go primarily for terminal towage, but it has been the last – basically the last year, we have won three big terminal towage opportunities. So it has expanded its presence in the different portfolio.

But we evaluate projects on their merits, opportunities on the merits, and not whether they are harbour towage and terminal towage as a decisive factor.

**Chloe Fu:** And my final question is, like following the separation from Maersk. So how has this relationship has developed? Have you signed any agreement with Maersk following the separation?

**Kasper Friis Nilaus:** Thank you very much for that question. Yes, so we have renewed contracts with Maersk since the demerger. So it goes, as we say, we hope. That is also what we said before, the demerger that Maersk is on market conformed terms. And of course, as the biggest customer, they also have very good terms in places. And we expect that our good relationship with them as a customer will continue after the demerger, which is what we are seeing.

**Chloe Fu:** Thank you.

**Operator:** Thank you. There are no further questions at this time. So I will hand the call back to Kasper Nilaus for closing remarks.

**Kasper Friis Nilaus:** Thank you very much. Thank you very much for listening in. As I said, it is our first analyst call webcast since we listed. We are very happy with the results that we have performed so far in this year. So thanks a lot for listening in, and thanks for all the excellent questions.

**Operator:** This concludes today's conference call. Thank you for participating. You may now disconnect. Speakers, please stand by.

[END OF TRANSCRIPT]