

Q4 2019 Report

February 6, 2020

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KONECRANES[®]
Lifting Businesses[™]



Agenda

1. Group highlights
2. Business Area Service
3. Business Area Industrial Equipment
4. Business Area Port Solutions
5. Cash flow and balance sheet
6. Appendix

Konecranes has applied IFRS 16 Leases standard since January 1, 2019. The figures for comparison period 2018 have not been restated. Please refer to note 4 for more details on the implementation of IFRS 16 standard and other significant accounting policies.

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KONECRANES®

Konecranes CMD 2020

June 11, 2020

Finlandia Hall, Helsinki

Q4/19 Highlights

Performance in line with financial guidance

- In Q4, Group adjusted EBITA-% remained flat at 9.4% (9.4%) as solid performance in Service and Port Solutions was offset by weak Industrial Equipment, full-year Group adjusted EBITA-% improved to 8.3% (8.1%)
- In Q4, Group sales up 1.5% with comparable currencies, driven by Business Area Port Solutions, full-year sales growth 5.4% (4.1% with comparable currencies)

Strong growth in service agreement base value, order intake flat to down in all Business Areas

- Continued solid execution with Service growth strategy; agreement base value and order intake up 9.7% and 0.3% respectively (8.2% and -1.2% with comparable currencies), orders received being weighed by weak project related order intake
- In Industrial Equipment, external order decline of -5.1% (-7.1% with comparable currencies), driven by standard cranes and components
- In Port Solutions, order intake declined -33.8% (-33.7 with comparable currencies); strategically important order for 18 Automated Rubber Tired Gantry Cranes in Europe, but tough comparison period due to large Khalifa Port order in Q4/18

Demand outlook updated and financial guidance provided for 2020

- Sales in full year 2020 to increase 7-10% year on year, including MHE-Demag
- Adjusted EBITA margin in full year 2020 to improve compared to FY2019

EUR 1.20 dividend per share proposed for 2019, to be paid in two instalments.

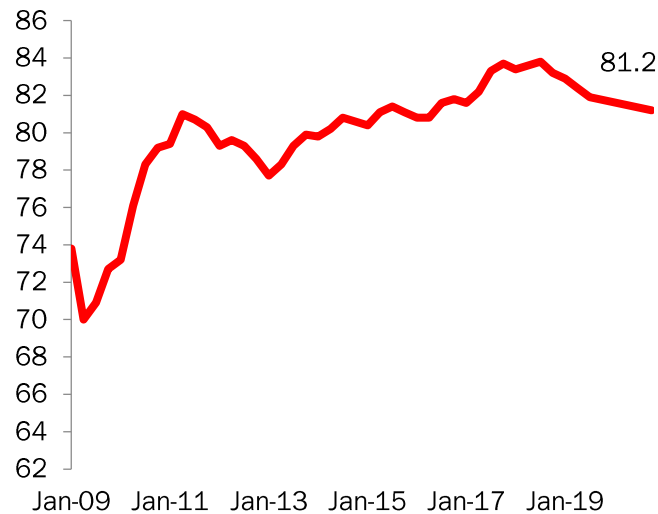


Key figures

Key figures	10-12/2019	10-12/2018	Change %	Change % at comparable currencies	1-12 /2019	1-12/ 2018	Change %	Change % at comparable currencies
Orders received, MEUR	781.3	929.8	-16.0	-16.9	3,167.3	3,090.3	2.5	1.3
Order book at end of period, MEUR	1,824.3	1,715.4	6.3	5.6	1,824.3	1,715.4	6.3	5.6
Sales, MEUR	933.3	910.8	2.5	1.5	3,326.9	3,156.1	5.4	4.1
Adj. EBITDA, MEUR	111.8	101.9	9.7		373.2	325.7	14.6	
Adj. EBITDA, %	12.0 %	11.2 %			11.2 %	10.3 %		
Adj. EBITA, MEUR	87.3	85.6	2.0		275.1	257.1	7.0	
Adj. EBITA, %	9.4 %	9.4 %			8.3 %	8.1 %		
Operating profit (EBIT), MEUR	65.5	51.9	26.3		148.7	166.2	-10.5	
Operating margin (EBIT), %	7.0 %	5.7 %			4.5 %	5.3 %		
EPS, basic, EUR	0.57	0.50	15.0		1.03	1.29	-20.5	
Free cash flow, MEUR	32.8	76.4			148.5	73.1		
Net debt, MEUR	655.3	545.3	20.2		655.3	545.3	20.2	

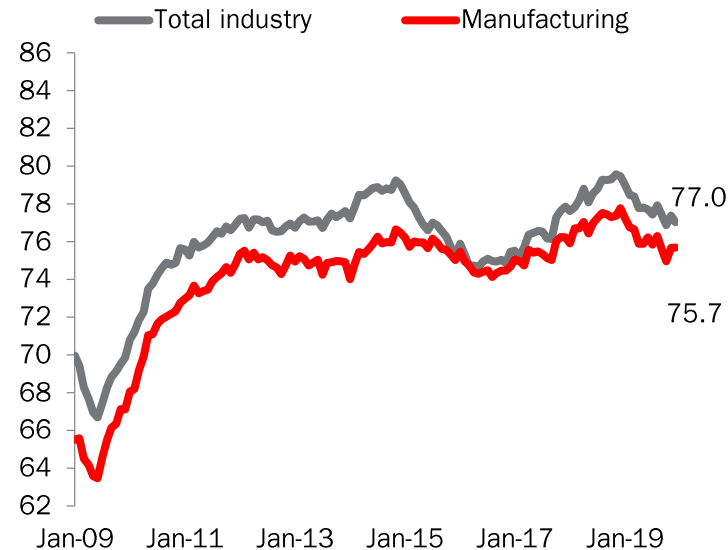
Market environment – service and industrial equipment

Capacity utilization rate – EU



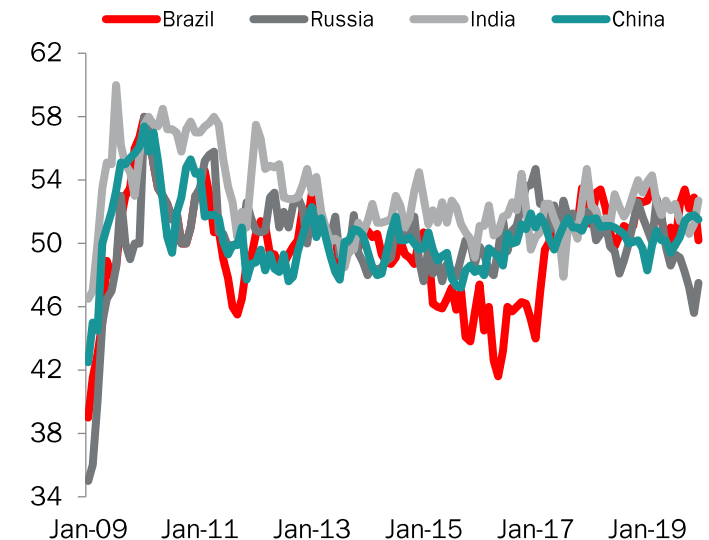
- Deteriorating operating conditions in Europe: manufacturing PMI has remained below 50.0 since February
- Capacity utilization rate decreased throughout 2019

Capacity utilization rate – USA



- Weakening operating conditions in the US, while still in the growth territory
- Capacity utilization rate improved slightly at the end of 2019

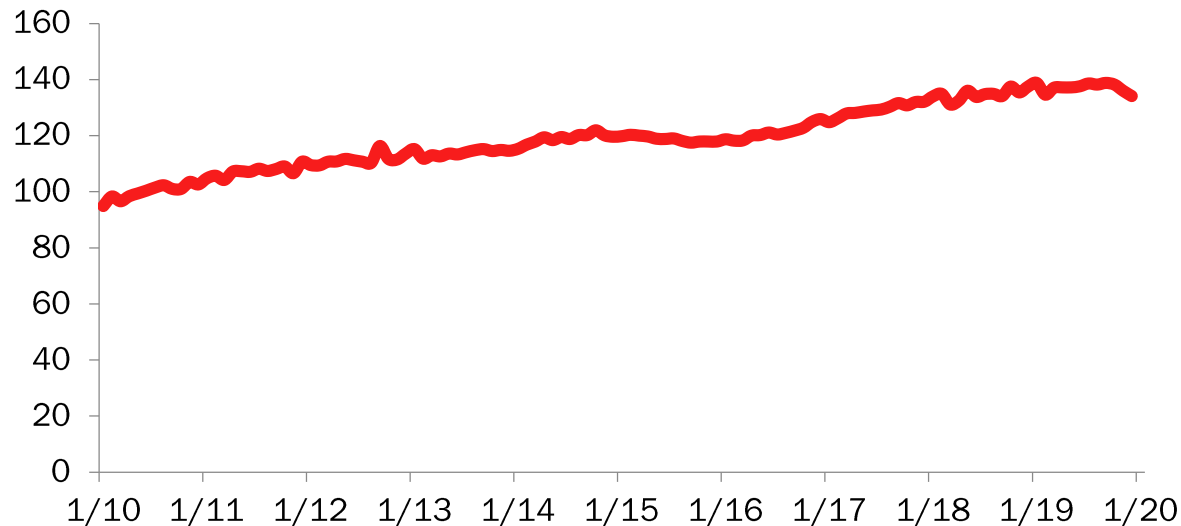
PMIs – BRIC countries



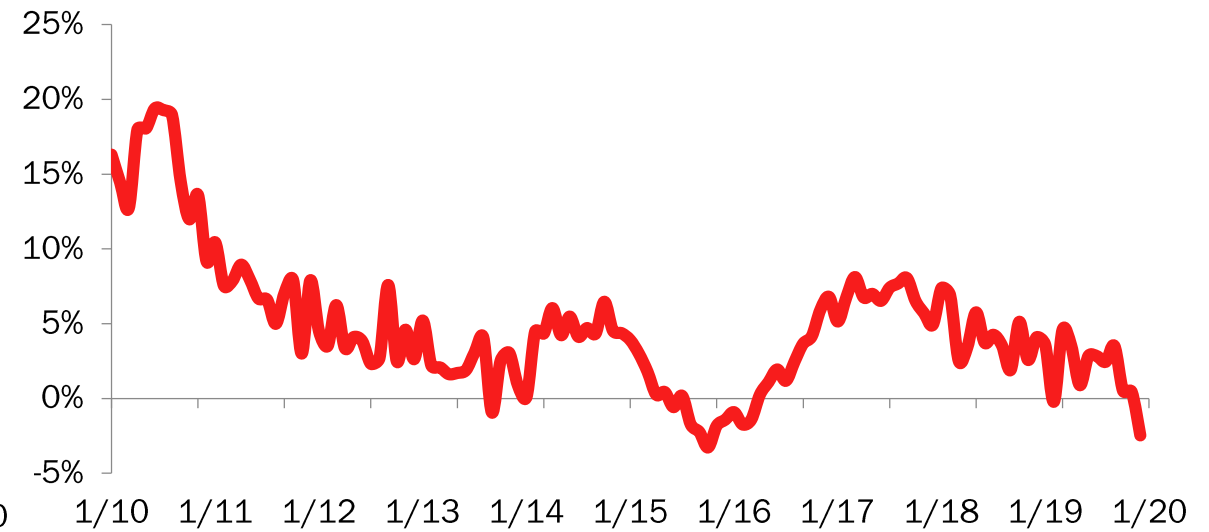
- Improving manufacturing conditions in Brazil, China and India
- Russia ended 2019 clearly in the contraction territory

Market environment – Port Solutions

RWI/ISL Container Throughput Index



Monthly index change Y/Y

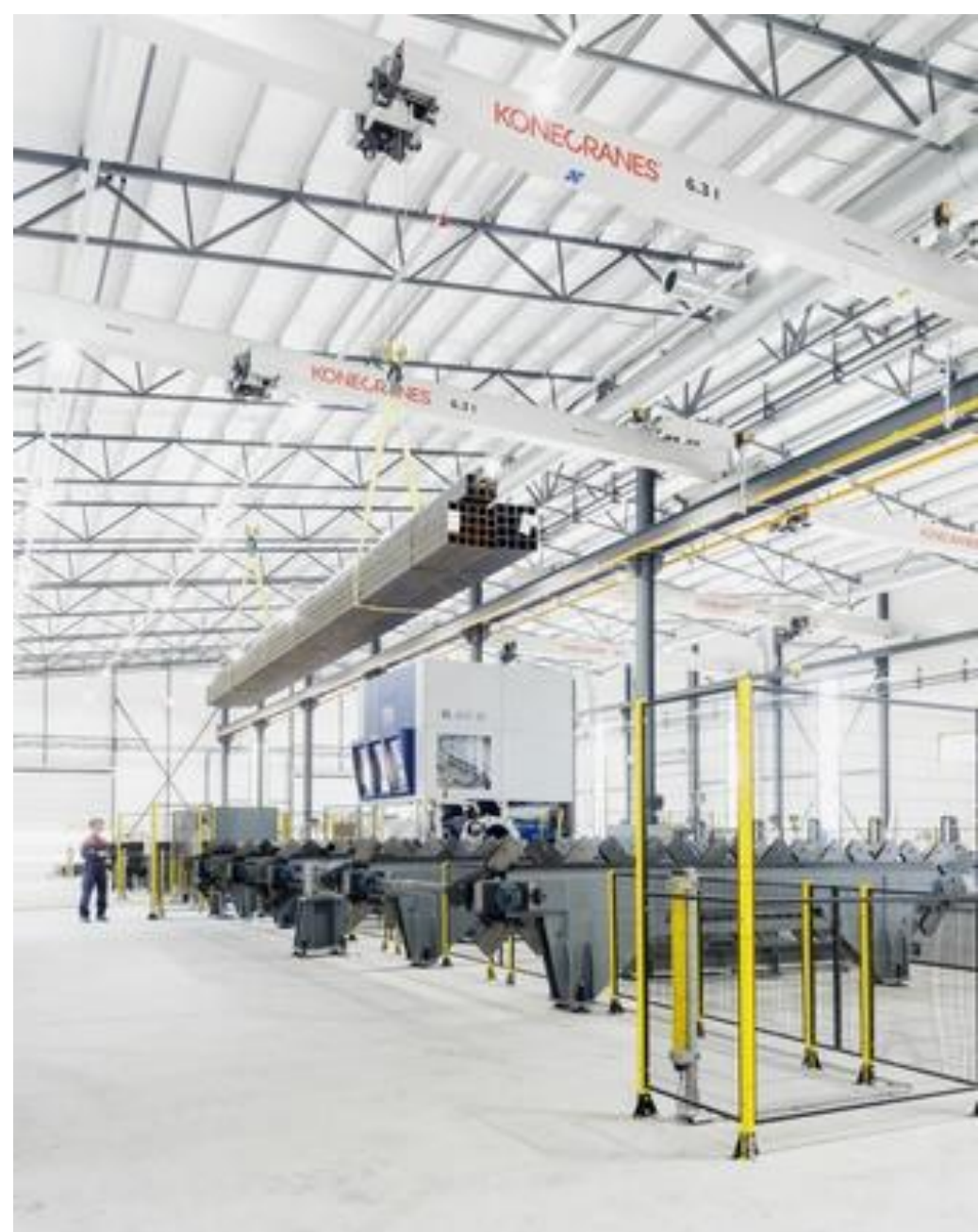


- The global container throughput index reached its all-time high in August 2019 but declined sharply at the end of the year
- At the end of December, global container throughput was approximately 2.5 percent lower than the year before

Source: RWI/ISL Container Throughput Index (latest data point December 2019)

Demand outlook - update

- Within the industrial customer segments, the demand environment in Europe continues to weaken but at a slower rate.
- The demand environment in North America is relatively stable overall and remains on a higher level compared to Europe.
- Asia Pacific is showing early signs of improving demand conditions.
- Despite its recent decline, global container throughput continues on a good level. Although there is hesitation in the decision-making among some port customers, the longer-term prospects for orders related to container handling remain good overall.



Financial guidance

Financial guidance for 2020

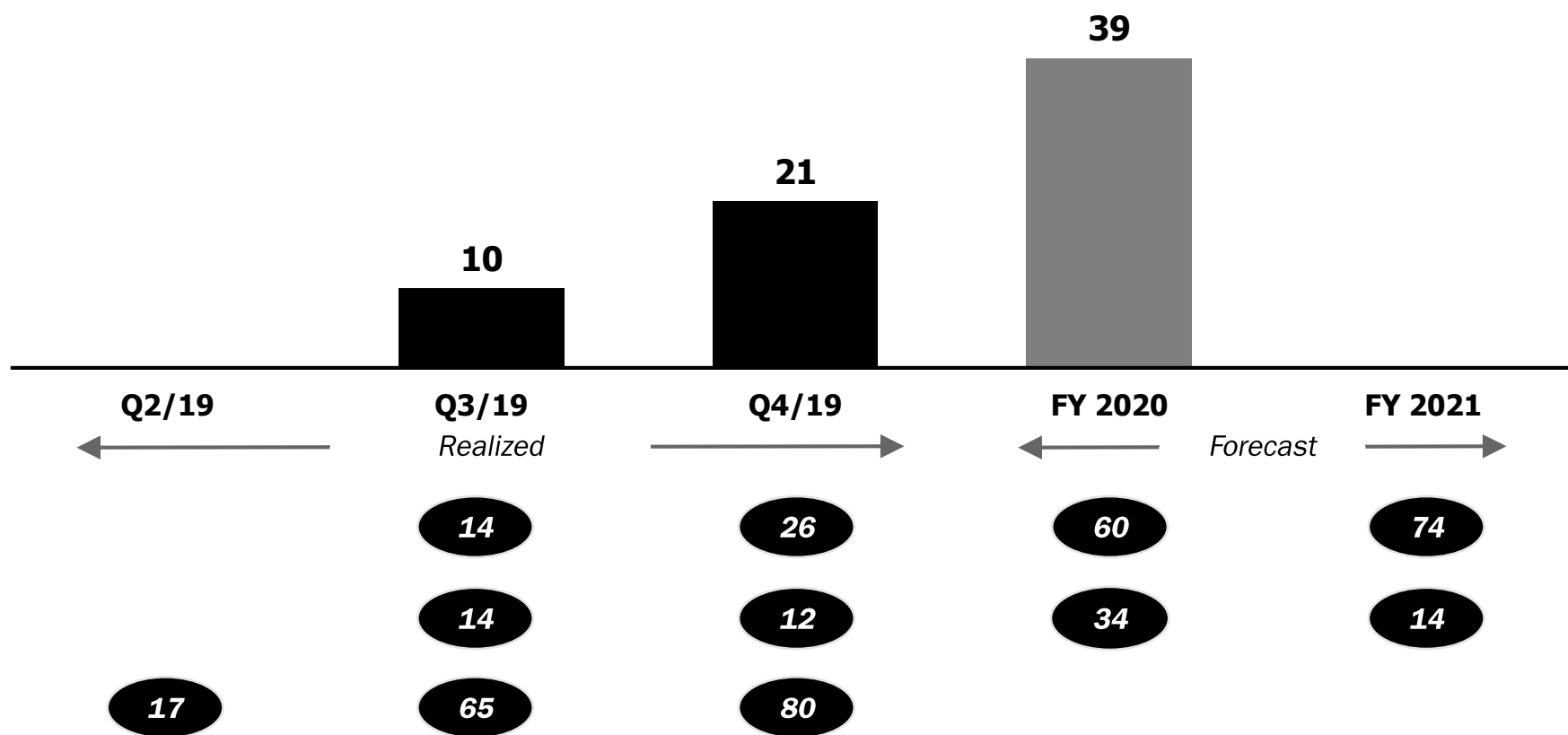
- Konecranes expects sales in full-year 2020 to increase 7-10% year on year, including MHE-Demag.
- Konecranes expects the adjusted EBITA margin to improve in full-year 2020 compared to full-year 2019.

Additional guidance information for 2020

- In FY2019, MHE-Demag's order-intake was approximately EUR 200 million and sales approximately EUR 196 million. During 2019, Konecranes' sales to MHE-Demag were approximately EUR 27 million.
- Cost savings expected to benefit the adjusted EBITA margin in 2020

Further cost savings expected from on-going activities: EUR 15m of restructuring costs booked in Q4, savings target increased to EUR 39m

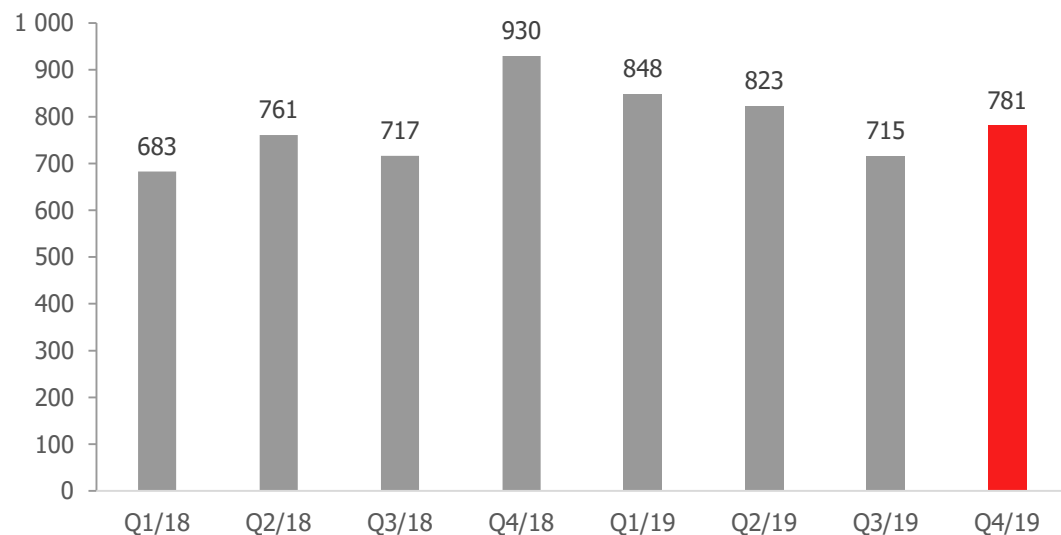
Cost synergy at EBIT level, cumulative run-rate impact estimate at period-end (MEUR)



* Includes EUR 35 million run-rate savings related to the previously communicated EUR 140 million synergy savings program

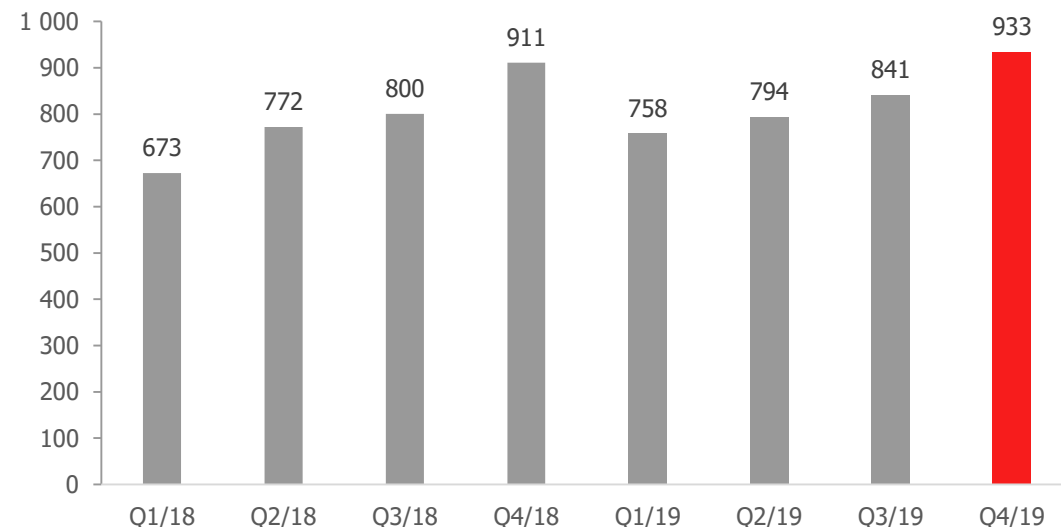
Q4/19 Group order intake and sales

MEUR



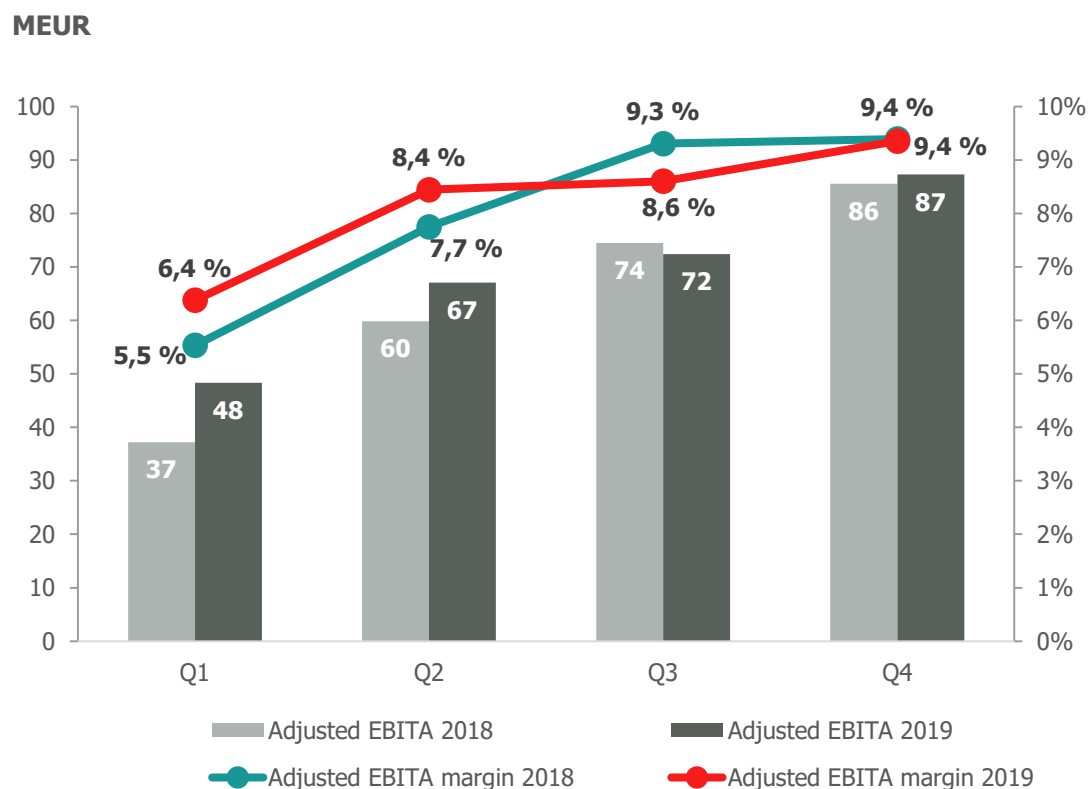
- Order intake decreased 16.0% to EUR 781.3 million (929.8), -16.9% on a comparable currency basis
- Orders received declined in all three regions
- Orders received increased in Service (+0.3%), but decreased in Industrial Equipment (-8.1%) and Port Solutions (-33.8%)

MEUR



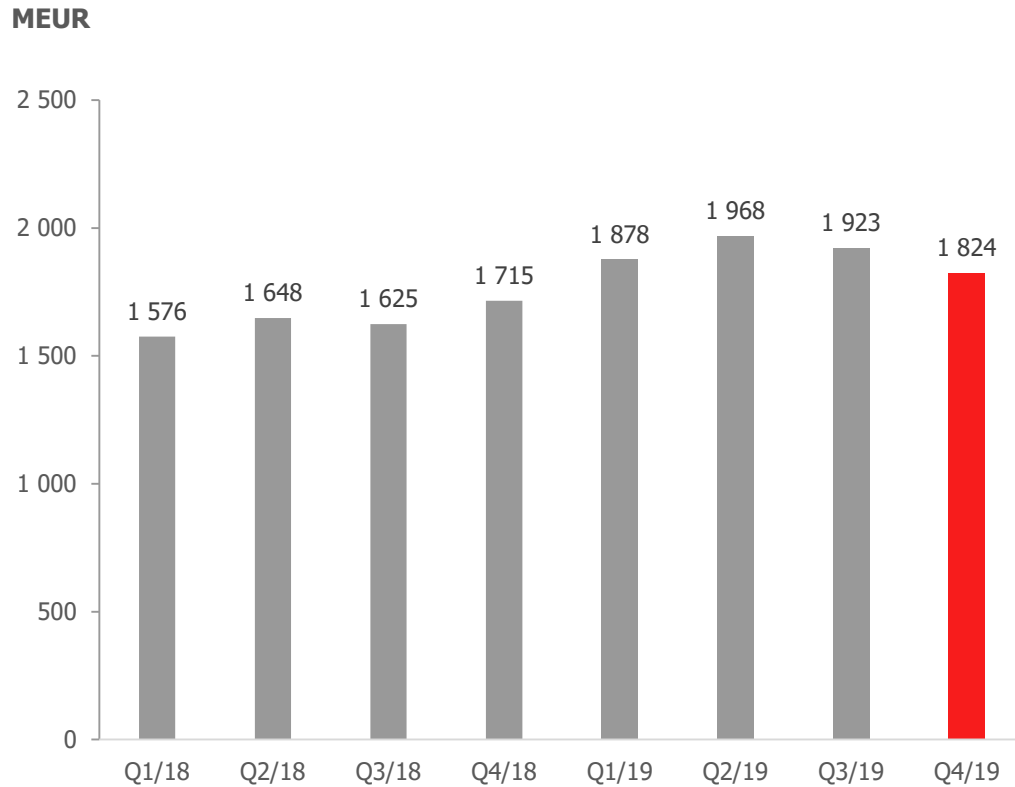
- Sales increased 2.5% to EUR 933.3 million (910.8), +1.5% on a comparable currency basis
- Sales increased in all three business areas: Service +1.5%, Industrial Equipment +3.2% and Port Solutions +4.6%

Q4/19 Group adjusted EBITA



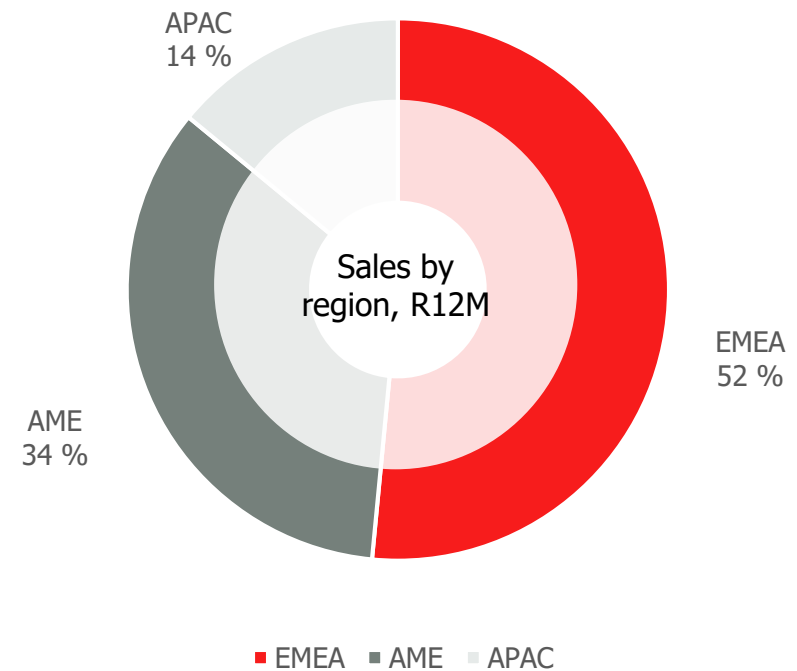
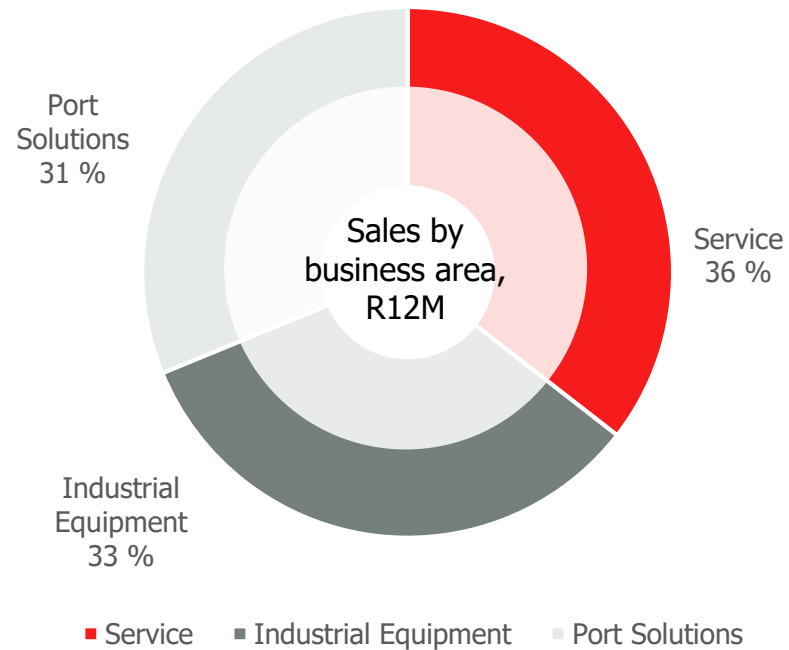
- Group adjusted EBITA increased to EUR 87.3 million (85.6), 9.4% of sales (9.4)
- The increase resulted mainly from synergy cost savings and higher net sales
- Gross margin declined on a year-on-year basis due to Business Area Industrial Equipment

Q4/19 Group order book



- The value of the order book increased 6.3% to EUR 1,824.3 million (1,715.4)
- On a comparable currency basis, the value of the order book increased 5.6%
- Order book increased in all three Business Areas

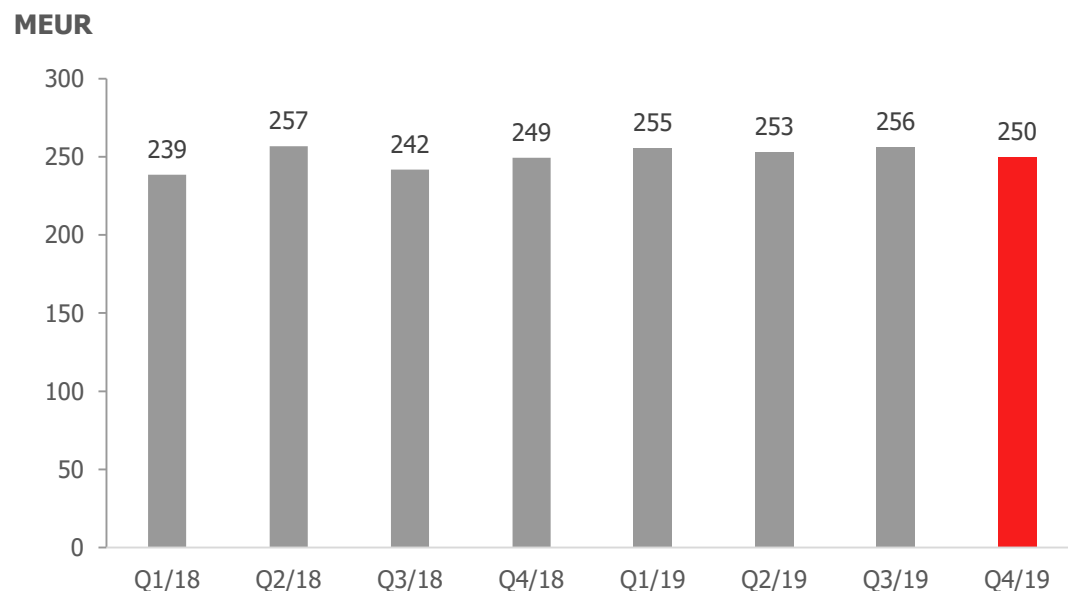
Group sales by business area and region



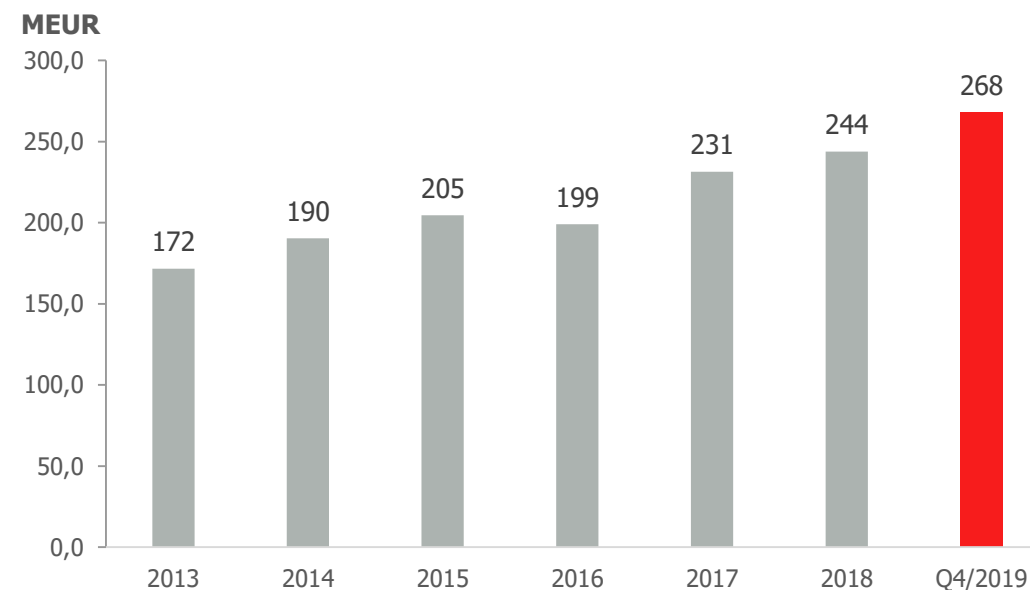
A worker wearing a white hard hat, safety glasses, and a red safety harness is working on a large, dark, cylindrical industrial component. The worker is positioned on a yellow metal platform or scaffolding. The background shows a large warehouse filled with numerous stacks of light-colored, cylindrical objects, possibly pipes or structural components, arranged in rows. The lighting is bright, coming from windows or skylights in the ceiling.

Service

Q4/19 Service order intake and agreement base value



- Service orders received increased 0.3% to EUR 250.0 million (249.3). On a comparable currency basis, orders received decreased 1.2%
- Parts orders increased while field service orders declined
- Order intake increased in EMEA but decreased in the Americas and APAC

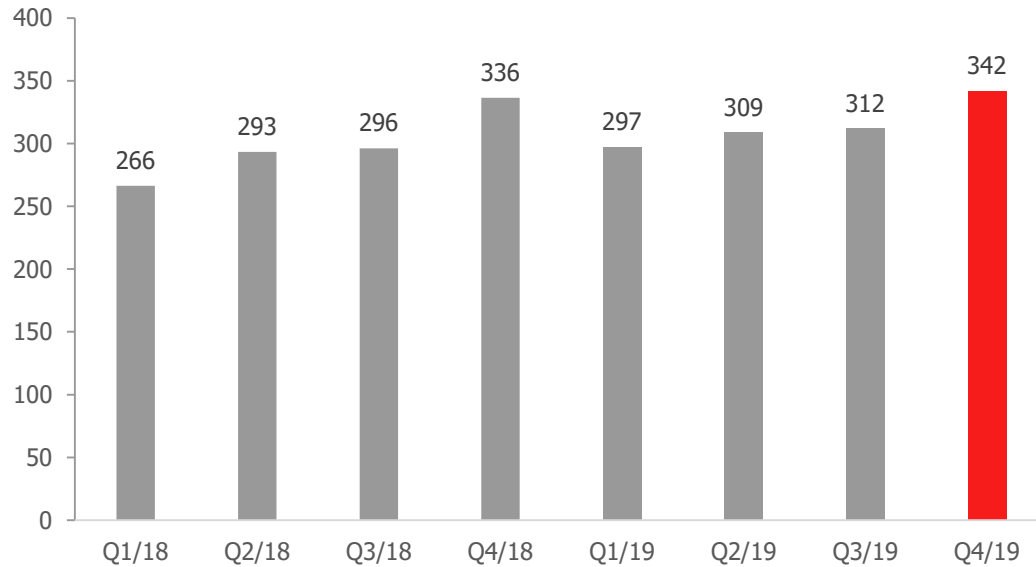


¹2014-16 agreement base on Konecranes stand-alone basis

- Year-on-year, the annual value of the agreement base increased 9.7% to EUR 267.7 million (243.9). On a comparable currency basis, the increase was 8.2%
- Sequentially, the annual value of the agreement base increased 1.6% on a reported basis and 2.5% on a comparable currency basis

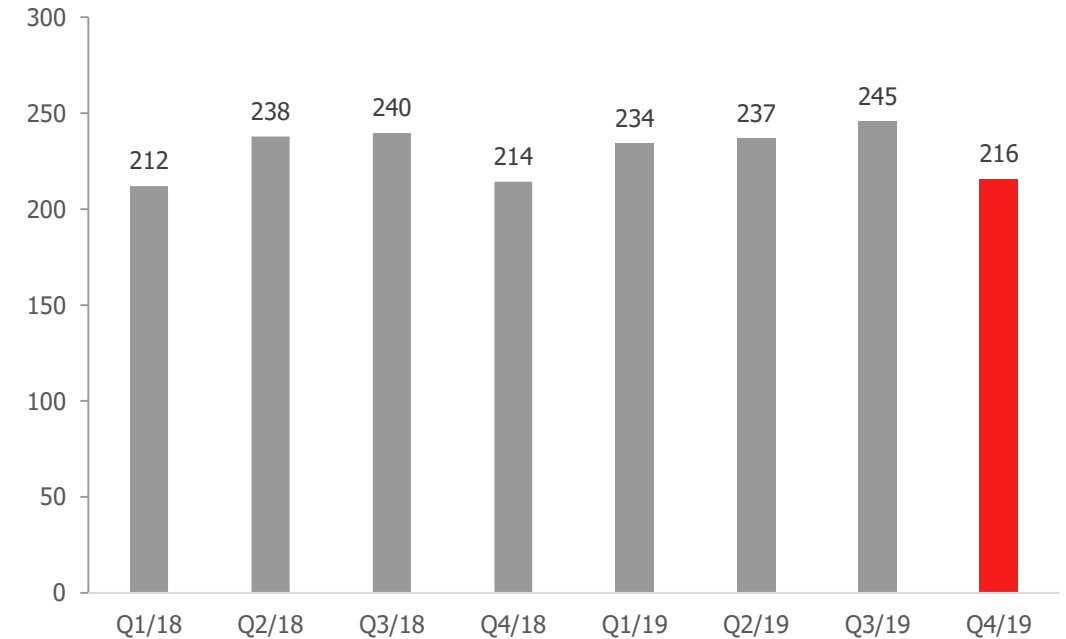
Q4/19 Service sales and order book

MEUR



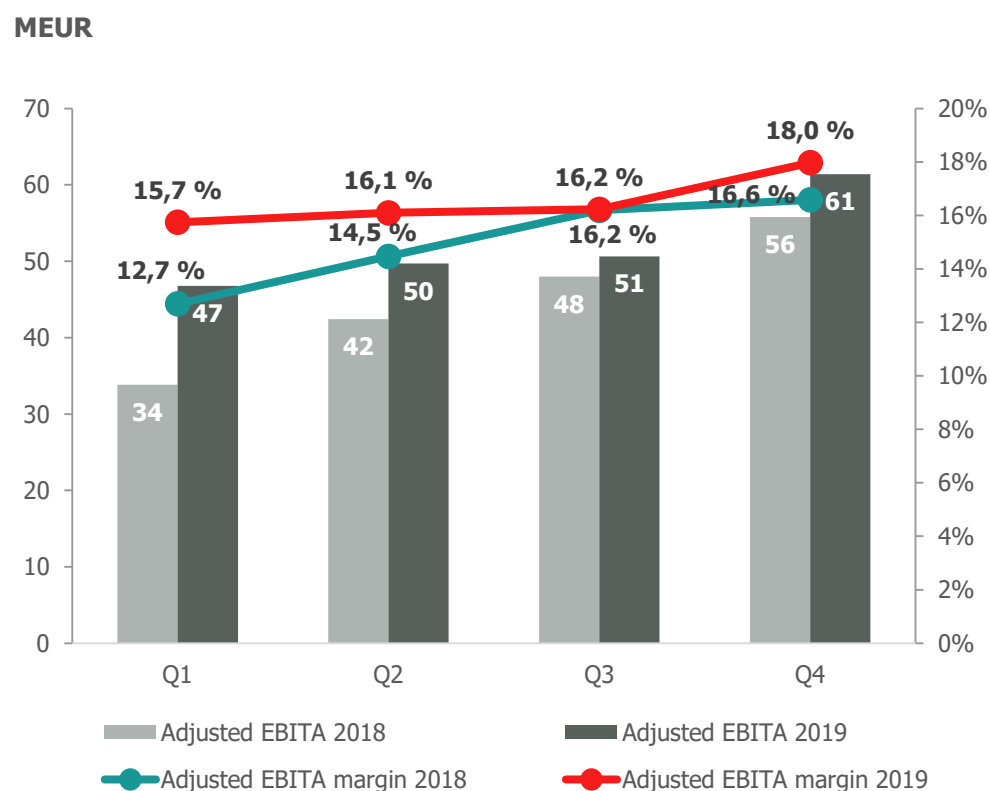
- Sales increased 1.5% to EUR 341.6 million (336.4)
- On a comparable currency basis, sales decreased 0.2%
- Sales increased in EMEA and APAC but decreased in the Americas
- Parts sales growth outperformed field service sales growth

MEUR



- The order book increased 0.7% year-on-year to EUR 215.7 million (214.3)
- On a comparable currency basis, the order book decreased 1.0%

Q4/19 Service adjusted EBITA



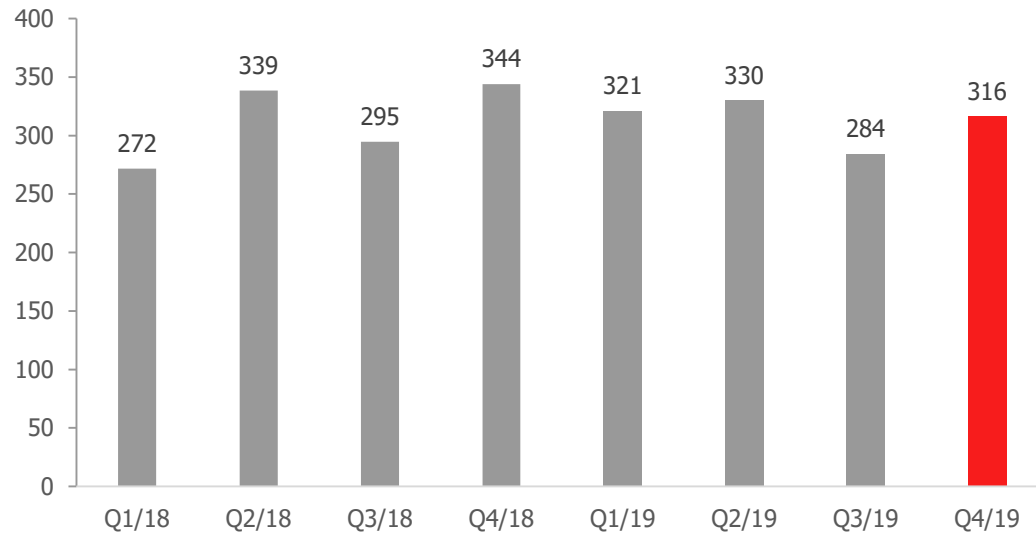
- The adjusted EBITA was EUR 61.4 million (55.8) and the adjusted EBITA margin 18.0% (16.6).
- Gross margin improved on a year-on-year basis

Industrial Equipment



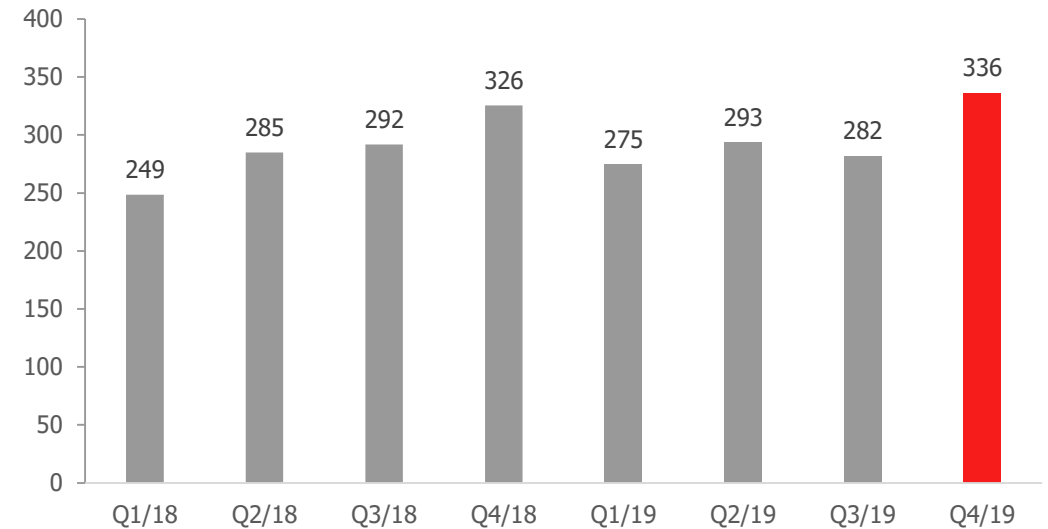
Q4/19 Industrial Equipment order intake and sales

MEUR



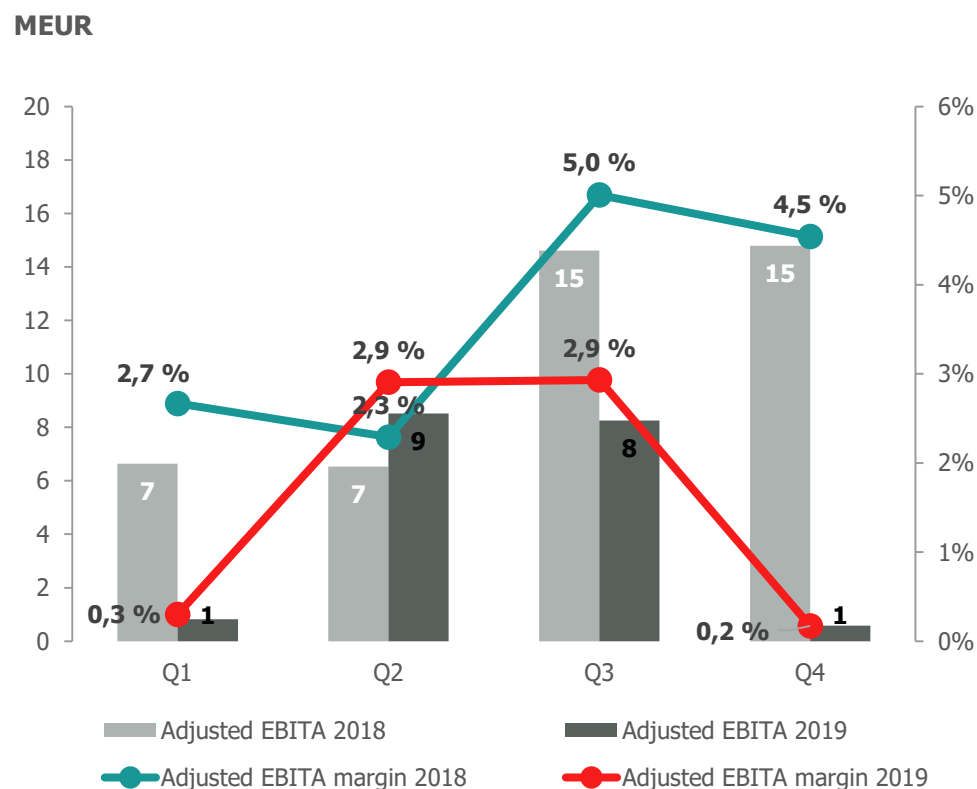
- Orders received totaled EUR 316.3 million (343.9), corresponding to a decrease of 8.1%
- External orders decreased 5.1% on a reported basis and 7.1% on a comparable currency basis
- The decline in order intake in both standard cranes and process cranes was driven by EMEA, whereas the decline in order intake in components was driven by the Americas and EMEA

MEUR



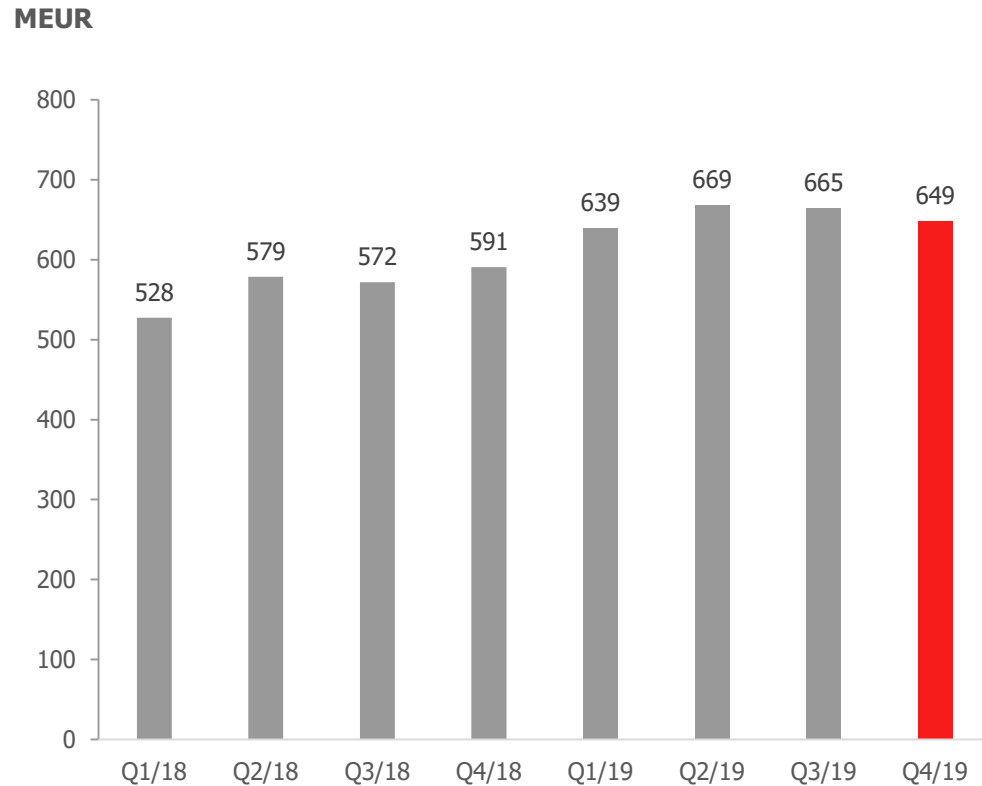
- Sales increased 3.2% to EUR 336.0 million (325.6)
- External sales increased 1.6% on a reported basis and 0.2% on a comparable currency basis

Q4/19 Industrial Equipment adjusted EBITA



- The adjusted EBITA was EUR 0.6 million (14.8) and the adjusted EBITA margin 0.2% (4.5)
- Gross margin declined year-on-year
- The decrease in the adjusted EBITA was mainly attributable to certain process crane projects, temporary operational costs in supply operations due to the ongoing manufacturing footprint optimization in France and Germany, weaker sales mix, as well as costs arising from the national strikes in Finland in December

Q4/19 Industrial Equipment order book



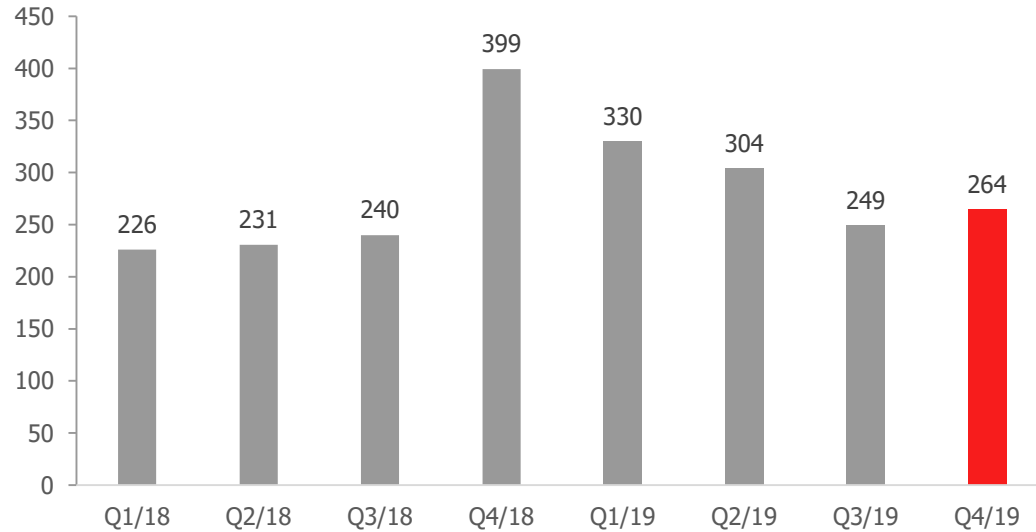
- The order book increased 9.9% year-on-year to EUR 648.9 million (590.6)
- On a comparable currency basis, the order book increased 8.3%

A large blue and red Konecranes NYCT gantry crane is shown in operation at a port. The crane is lifting a blue shipping container from a train car. The train car is loaded with several other blue containers. The scene is set against a bright blue sky with scattered white clouds. A red semi-truck is visible in the background, and a yellow line is painted on the asphalt in the foreground. The crane's structure is prominently displayed, with the 'KONECRANES' and 'NYCT' logos clearly visible on its red beams.

Port Solutions

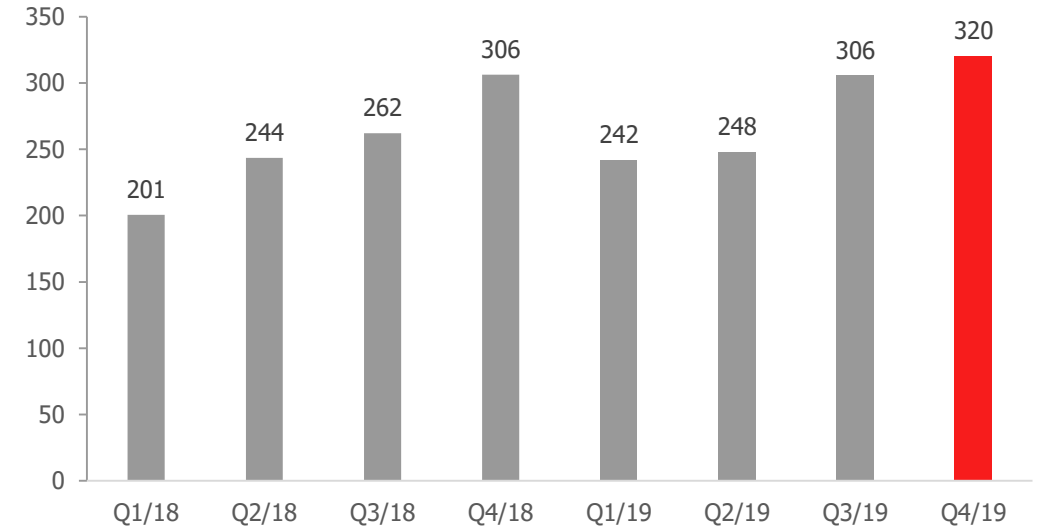
Q4/19 Port Solutions order intake and sales

MEUR



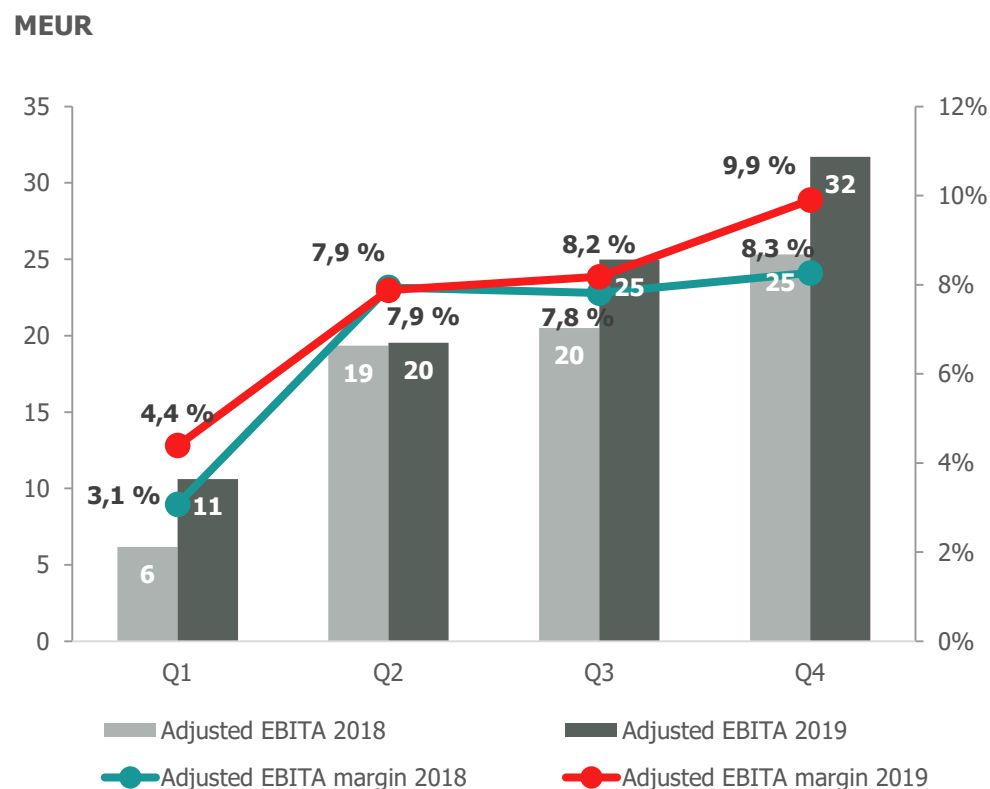
- Orders received totaled EUR 264.4 million (399.1), representing a decrease of 33.8%. On a comparable currency basis, orders received increased 33.7%
- The comparison period included the second largest single order ever received by Konecranes
- Orders declined in all three regions

MEUR



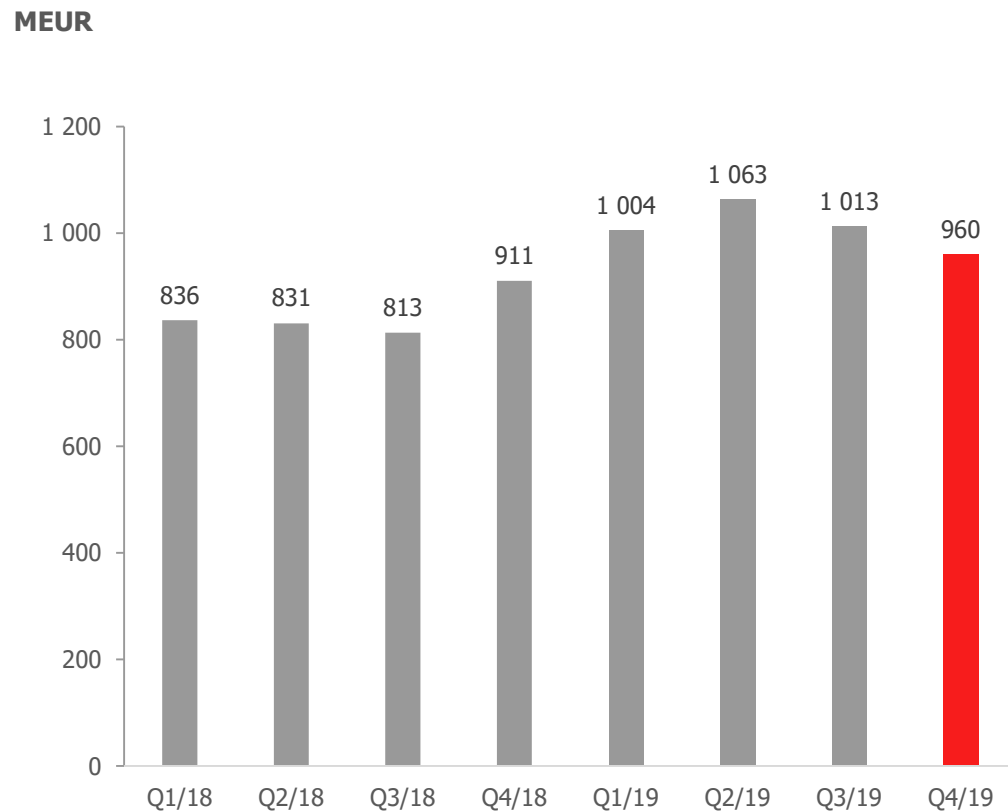
- Sales increased 4.6% to EUR 320.3 million (306.4). On a comparable currency basis, sales increased 4.8%

Q4/19 Port Solutions adjusted EBITA



- The adjusted EBITA was EUR 31.7 million (25.3) and the adjusted EBITA margin 9.9% (8.3)
- Gross margin increased on a year-on-year basis
- The increase in adjusted EBITA results mainly from the sales growth and good project execution

Q4/19 Port Solutions order book



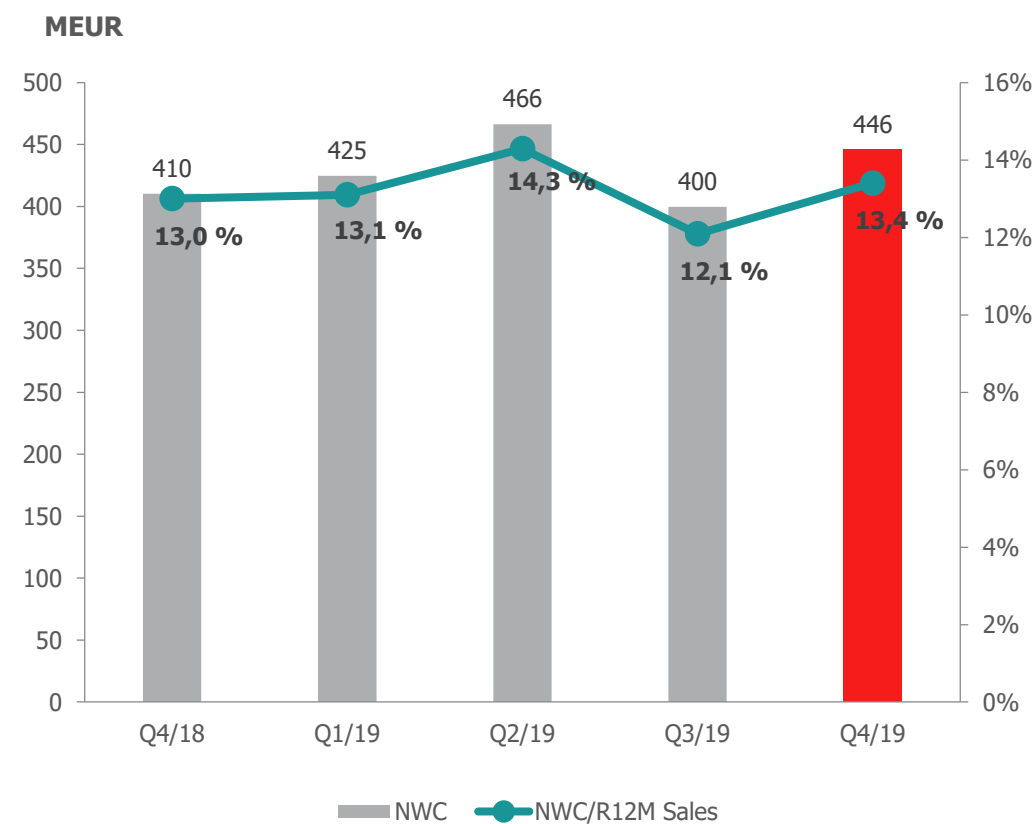
- The order book increased 5.4 percent to EUR 959.7 million (910.5)
- On a comparable currency basis, the order book increased 5.3%

A photograph of two Konecranes employees, a man and a woman, both wearing white hard hats and safety glasses. The man is wearing a blue and white striped shirt, and the woman is wearing a white Konecranes polo shirt with a red lanyard. They are both looking down at a laptop screen, which is partially visible. The woman is smiling. The background is a blurred outdoor setting.

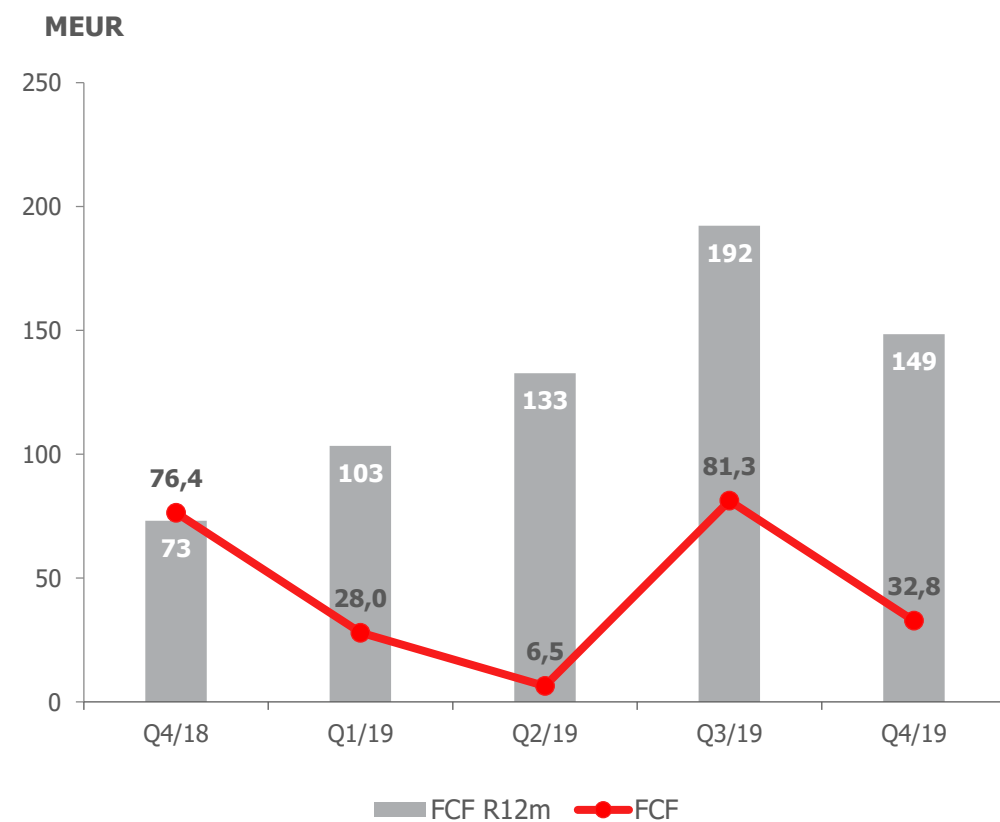
Cash Flow and Balance Sheet

Net working capital and free cash flow

Net working capital*



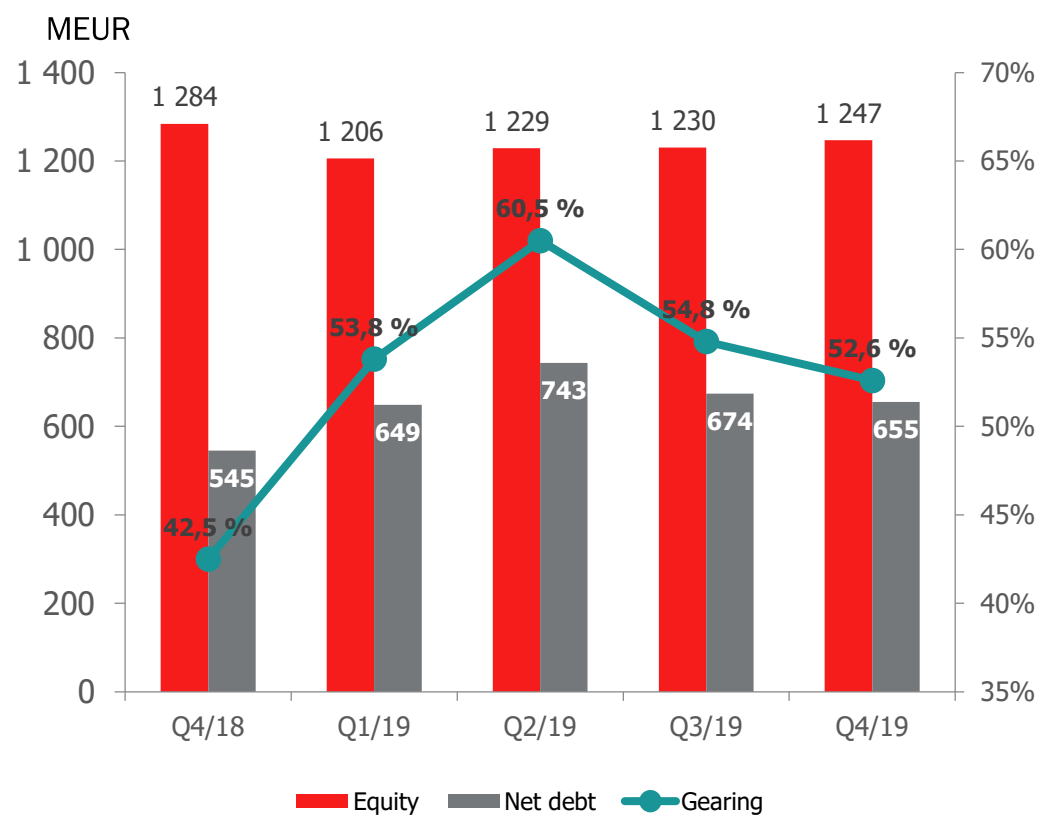
Free cash flow



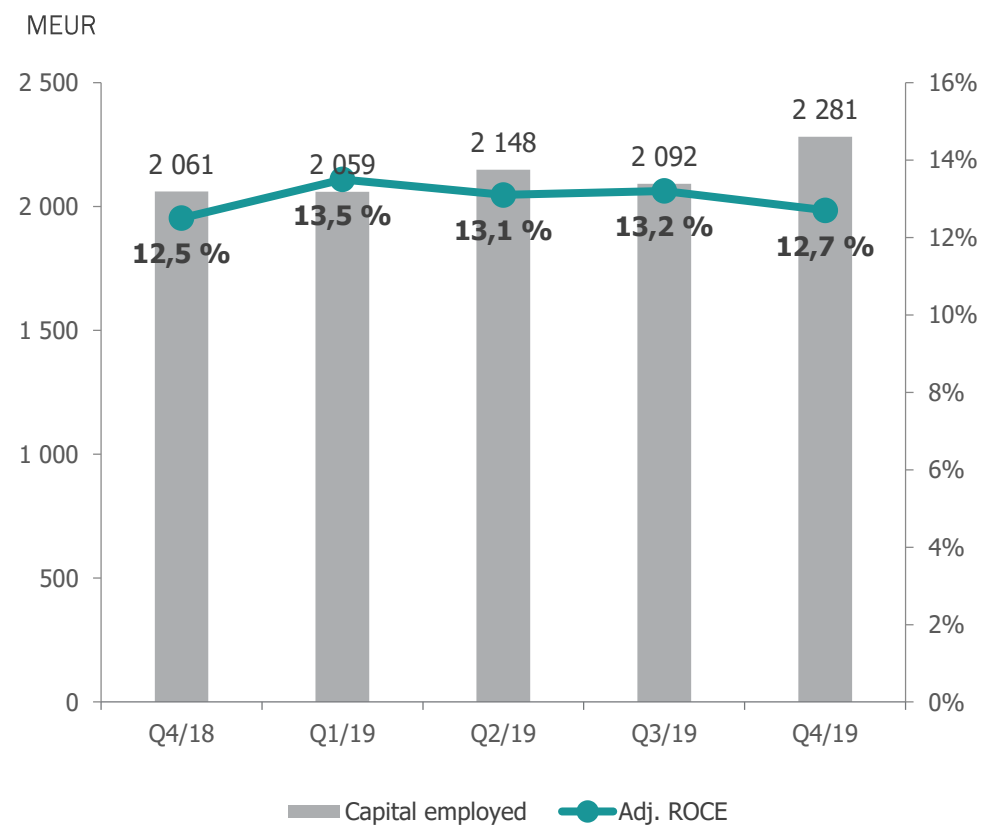
*Q1/19 excl. dividend payable of EUR 94.6 million

Gearing and return on capital employed

Equity, net debt and gearing



Capital employed and return on capital employed



Q&A



Appendix

Key figures by business area

Key figures	10-12/19	10-12/18	Change %	Change % at comparable currencies	1-12 / 2019	1-12 / 2018	Change %	Change % at comparable currencies
Service								
Orders received, MEUR	250.0	249.3	0.3	-1.2	1,015.1	986.5	2.9	0.6
Service agreement base value, MEUR	267.7	243.9	9.7	8.2	267.7	243.9	9.7	8.2
Sales, MEUR	341.6	336.4	1.5	-0.2	1,259.7	1,192.5	5.6	3.4
Adj. EBITA, MEUR	61.4	55.8	10.0		208.5	180.0	15.8	
Adj. EBITA, %	18.0	16.6			16.6	15.1		
Industrial Equipment								
Orders received, MEUR	316.3	343.9	-8.1	-9.9	1, 251.5	1,248.9	0.2	-1.4
<i>of which external</i>	<i>283.2</i>	<i>298.3</i>	<i>-5.1</i>	<i>-7.1</i>	<i>1068.5</i>	<i>1,065.5</i>	<i>0.3</i>	<i>-1.4</i>
Sales, MEUR	336.0	325.6	3.2	1.9	1,185.5	1,150.9	3.0	1.6
<i>of which external</i>	<i>289.2</i>	<i>284.7</i>	<i>1.6</i>	<i>0.2</i>	<i>1,020.4</i>	<i>1,009.2</i>	<i>1.1</i>	<i>-0.4</i>
Adj. EBITA, MEUR	0.6	14.8	-96.1		18.2	42.6	-57.3	
Adj. EBITA, %	0.2	4.5			1.5	3.7		
Port Solutions								
Orders received, MEUR	264.4	399.1	-33.8	-33.7	1,147.3	1,096.0	4.7	4.9
Sales, MEUR	320.3	306.4	4.6	4.8	1,115.7	1,012.9	10.2	10.2
Adj. EBITA, MEUR	31.7	25.3	25.2		86.9	71.3	21.8	
Adj. EBITA, %	9.9	8.3			7.8	7.0		

Statement of income

EUR million	10-12/19	10-12/18	Change %	1-12/19	1-12/18	Change %
Sales	933.3	910.8	2.5	3,326.9	3,156.1	5.4
Other operating income	7.3	1.7		19.6	6.3	
Materials, supplies and subcontracting	-465.1	-432.1		-1,505.0	-1,371.9	
Personnel cost	-304.0	-257.6		-1,080.7	-1,005.5	
Depreciation and impairments	-30.7	-39.5		-123.6	-119.9	
Other operating expenses	-75.2	-131.5		-488.5	-498.0	
Operating profit	65.5	51.9	26.3	148.7	166.2	-10.5
Share of associates' and joint ventures' result	5.0	5.5		4.5	4.0	
Financial income	0.3	1.3		2.5	2.6	
Financial expenses	-7.4	-6.7		-37.2	-34.1	
Profit before taxes	63.3	51.9	22.0	118.5	138.7	-14.6
Taxes	-17.5	-16.1		-35.7	-40.4	
PROFIT FOR THE PERIOD	45.8	35.8	28.0	82.8	98.3	-15.8

Balance sheet

EUR million	31 Dec-19	31 Dec-18
Non-current assets		
Goodwill	908.2	906.1
Intangible assets	531.6	582.0
Property, plant and equipment	332.8	236.7
Other	213.9	205.7
Current assets		
Inventories	658.7	635.8
Accounts receivable	530.4	548.0
Receivables and other current assets	300.4	222.3
Cash and cash equivalents	378.2	230.5
Assets held for sale	0.0	0.0
Total Assets	3,854.2	3,567.0

EUR million	31 Dec-19	31 Dec-18
Total Equity	1,246.7	1,284.1
Non-current liabilities		
Interest-bearing liabilities	785.8	584.6
Other long-term liabilities	290.4	269.1
Other	162.2	164.6
Current liabilities		
Interest-bearing liabilities	248.4	191.8
Advance payments received	337.3	341.4
Accounts payable	236.2	211.2
Provisions	151.7	112.6
Other current liabilities	395.5	407.6
Liabilities directly attributable to assets held for sale	0.0	0.0
Total Equity and Liabilities	3,854.2	3,567.0

Cash flow statement

EUR million	1-12/19	1-12/18
Operating income before change in net working capital	275.0	295.1
Change in net working capital	-12.5	-91.5
Cash flow from operations before financing items and taxes	262.5	203.5
Financing items and taxes	-89.7	-94.3
Net cash from operating activities	172.8	109.2
Net cash used in investing activities	-23.2	-35.0
Cash flow before financing activities	149.6	74.2
Net cash used in financing activities	-4.5	-75.2
Translation differences in cash	2.6	-1.6
Change of cash and cash equivalents	147.7	-2.6
Free cash flow	148.5	73.1

Key figures

EUR million	1-12/19	1-12/18	Change %
Earnings per share, basic (EUR)	1.03	1.29	-20.5
Earnings per share, diluted (EUR)	1.03	1.29	-20.5
Return on capital employed, %, Rolling 12 Months (R12M)	6.3	7.9	-20.3
Return on equity, %, Rolling 12 Months (R12M)	6.5	7.7	-15.6
Equity per share (EUR)	15.70	16.06	-2.2
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	1.8	1.7	5.9
Equity to asset ratio, %	35.4	39.8	-11.1
Investments total (excl. acquisitions), EUR million	39.5	35.4	11.6
Average number of personnel during the period	16,196	16,077	
Average number of shares outstanding, basic	78,835,721	78,811,265	
Average number of shares outstanding, diluted	78,835,721	78,811,265	
Number of shares outstanding	78,839,426	78,816,503	



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