

Q3 2020 Report

October 28, 2020

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Lifting Businesses™



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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

Note: 2019 financials represent Konecranes stand-alone audited figures. MHE-Demag included in the Group financials from January 2020 onwards.

Q3/20 Highlights

Record-high adjusted EBITA-% powered by excellent commitment and execution

- Group adjusted EBITA margin at 10.4% (8.6%)
- All Business Areas increased their adj. EBITA-% sequentially; Service achieved a record-breaking 18.7% and Industrial Equipment rose to 5.0%
- Improvement driven by continued successful demand-supply balancing, cost flexing, permanent cost adjustments and further progress on strategic initiatives

COVID-19 far from over and market uncertainty continued

- Despite the improving macroeconomic indicators, global demand has not returned to pre-pandemic levels
- Group order intake declined 18.8% with comparable FX, decline in all Business Areas
- Sales improved 11% sequentially in comparable currencies and were down 6.6% versus a year ago
- High-performance focus and alignment of cost base continued in the uncertain & reduced demand environment

Demand outlook updated

Full-year 2020 guidance reiterated

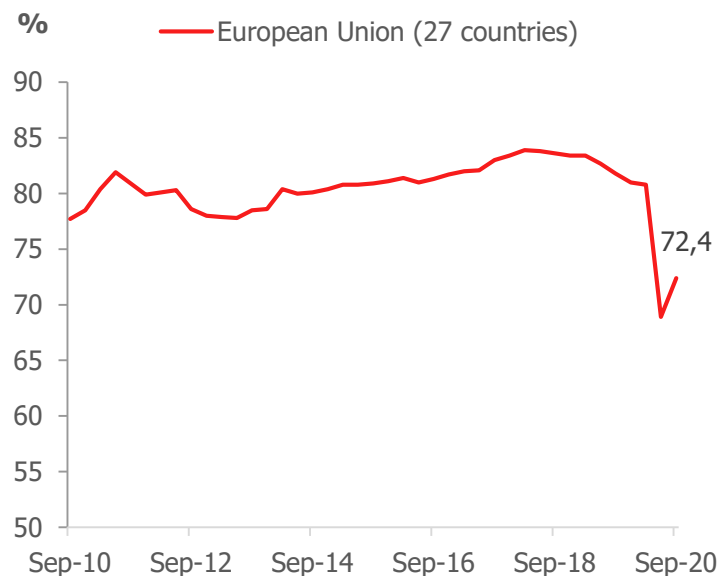


Key figures

Key figures	7-9/ 2020	7-9/ 2019	Change %	Change % At comparable currencies	1-9/ 2020	1-9/ 2019	Change %	Change % At comparable currencies	1-12/ 2019
Orders received, MEUR	565.5	715.3	-20.9	-18.8	1,884.0	2,386.0	-21.0	-20.3	3,167.3
Order book at end of period, MEUR					1,742.8	1,923.2	-9.4	-6.7	1,824.3
Sales, MEUR	767.9	841.3	-8.7	-6.6	2,242.1	2,393.6	-6.3	-5.4	3,326.9
Adj. EBITDA, MEUR	103.2	96.7	6.7		232.2	261.4	-11.2		373.2
Adj. EBITDA, %	13.4%	11.5%			10.4%	10.9%			11.2%
Adj. EBITA, MEUR	80.1	72.4	10.7		158.7	187.8	-15.5		275.1
Adj. EBITA, %	10.4%	8.6%			7.1%	7.8%			8.3%
Operating profit (EBIT), MEUR	40.3	17.9	124.7		90.8	83.2	9.1		148.7
Operating margin (EBIT), %	5.2%	2.1%			4.0%	3.5%			4.5%
EPS, basic, EUR	0.33	0.04	749.0		0.85	0.46	87.5		1.03
Free cash flow, MEUR	81.4	81.3			188.9	115.7			148.5
Net debt, MEUR	742.7	674.2			742.7	674.2			655.3

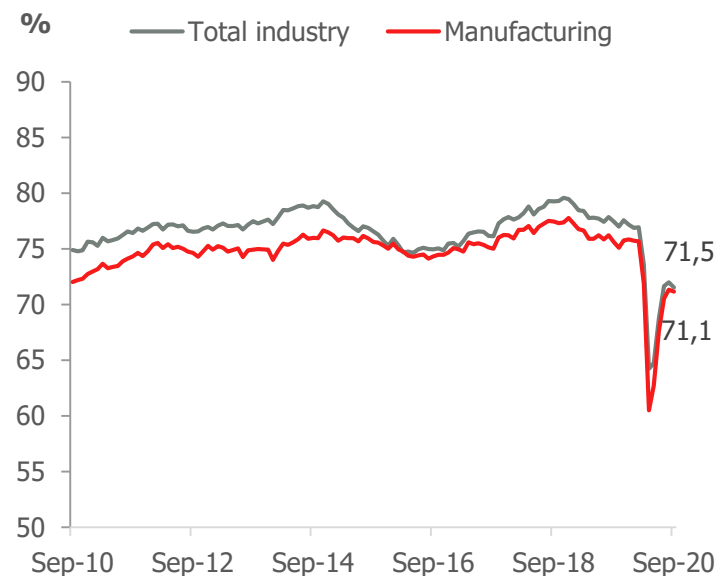
Market environment – Service and Industrial Equipment

Capacity utilization rate – EU



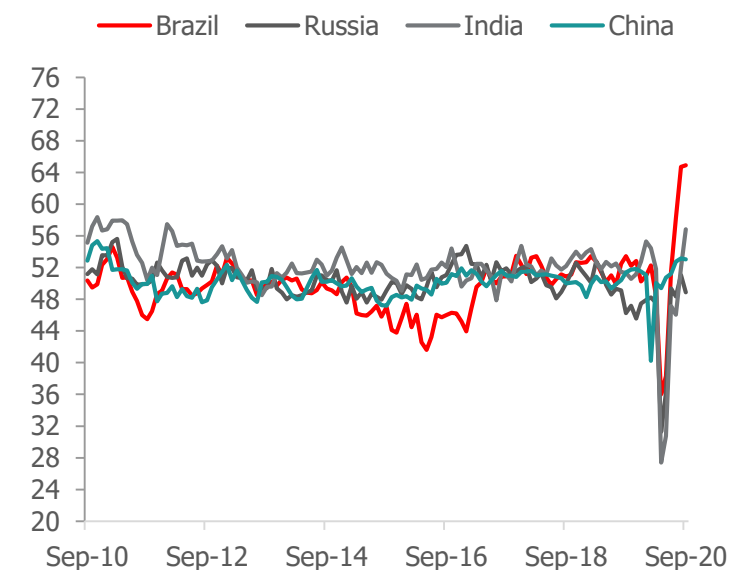
- Operating conditions resumed their improvement in Europe, manufacturing PMI ended Q3 in expansion at the highest level since 2018
- Manufacturing industry capacity utilization rate improved in Q3, but it is still far off from pre-COVID levels

Capacity utilization rate – USA



- In the US, manufacturing PMI rebounded to expansion territory in Q3 and stayed on a growth path during the entire quarter
- Manufacturing capacity utilization rose in the beginning of Q3, but halted in September and is yet to achieve its previous heights

PMIs – BRIC countries

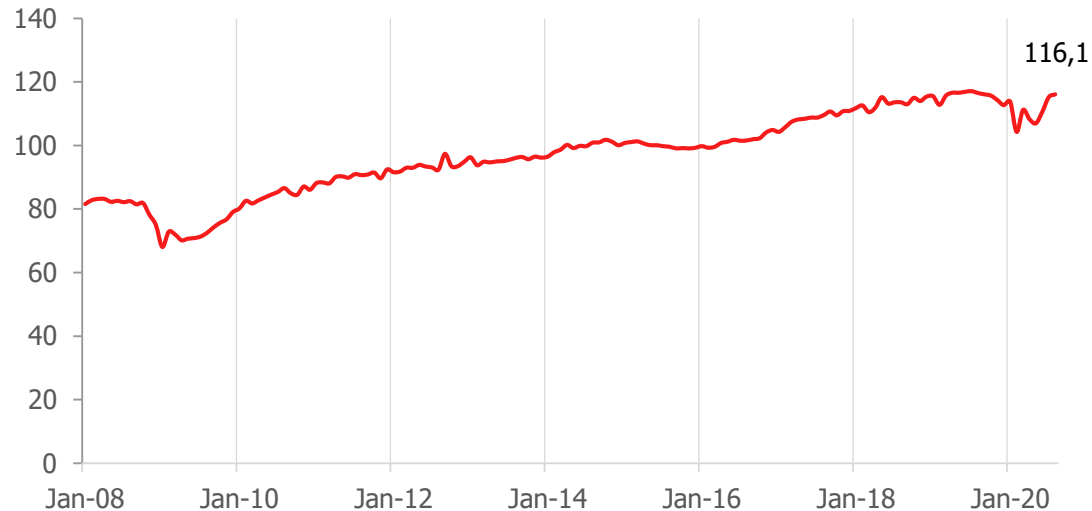


- China's manufacturing PMI carried on in expansion throughout Q3
- In both Brazil and India, the manufacturing PMIs posted growth and the indices ended in expansion but in Russia, Q3 ended in contraction

Market environment – Port Solutions

RWI/ISL Container Throughput Index

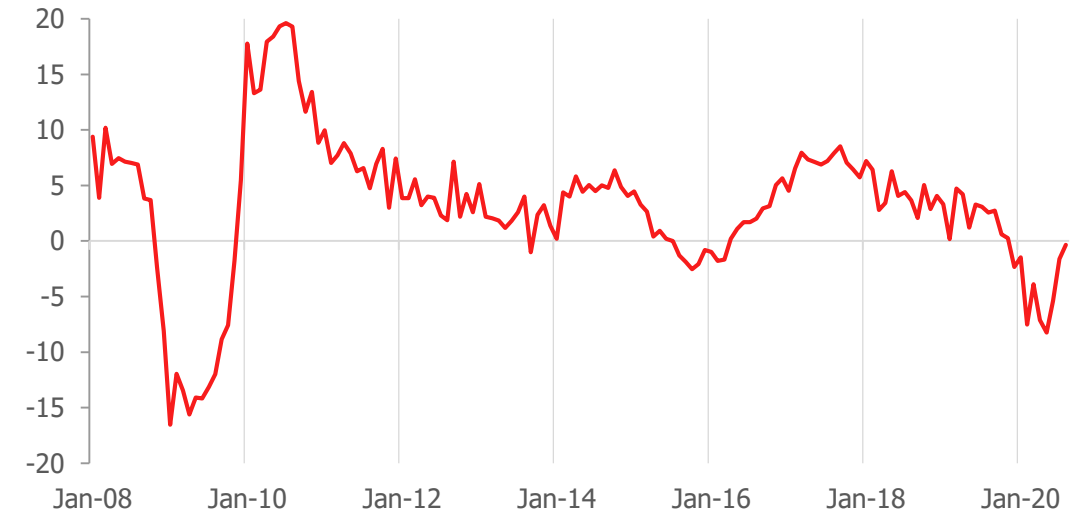
Index (2015 = 100)



- The global container throughput continued to rise in the third quarter following the COVID-19 induced plunge earlier in the year
- Container throughput in ports elsewhere outside China also began to revive and show improving figures again in Q3

Monthly index change Y/Y

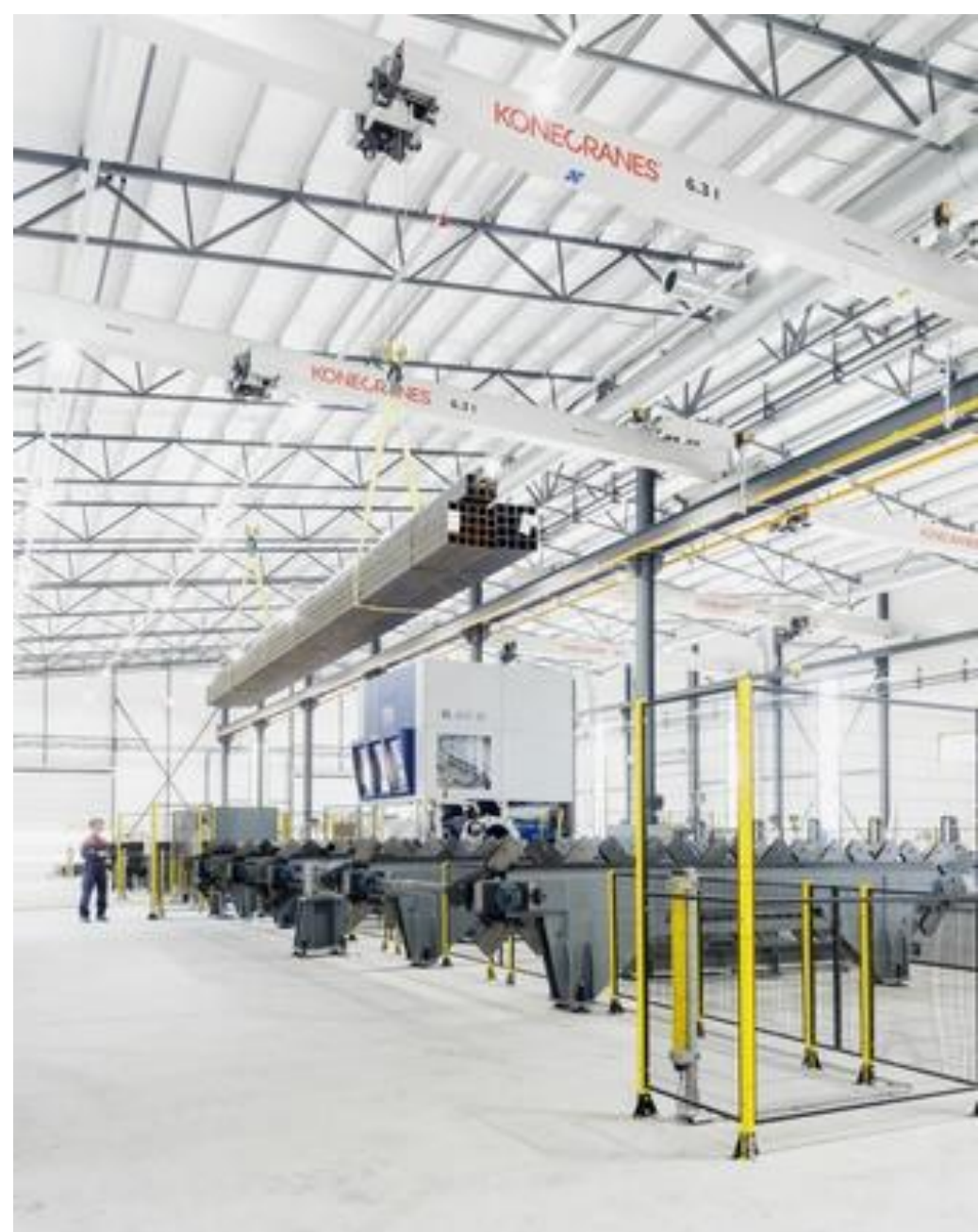
%



- At the end of August, global container throughput was approximately at the same level as the year before

Demand outlook - update

- The worldwide demand picture remains subject to significant volatility due to the COVID-19 pandemic.
- In Europe and North America, the current demand environment within the industrial customer segments has started to show signs of improvement but continues to be volatile and remains below the year-end 2019 level.
- While China's demand conditions have improved from early 2020, demand environment in the rest of Asia-Pacific is weak.
- While global container throughput has started to recover, many port operators continue to postpone decision-making in the current environment. However, long-term prospects related to container handling remain good overall.



Financial guidance

Financial guidance for 2020

Based on the current order book and demand environment:

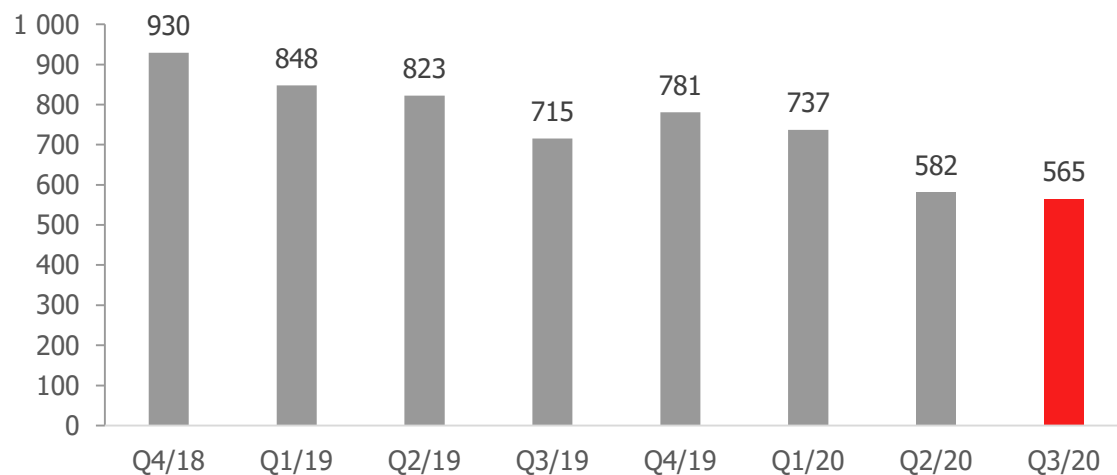
- Konecranes expects the full-year 2020 net sales to decrease from the previous year
- Konecranes expects the full-year 2020 adjusted EBITA margin to decrease compared to the previous year

Additional information for 2020

- Q4 sales expected to grow from Q3
- Sustained or improved adjusted EBITA margin expected in Q4 compared to Q3

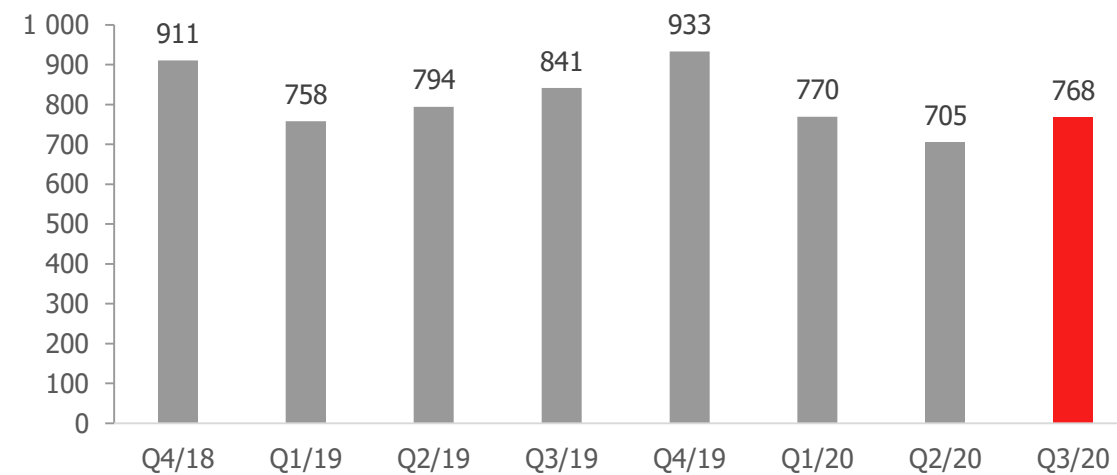
Q3/20 Group order intake and sales

Group order intake, MEUR



- Order intake decreased 20.9% to EUR 565.5 million (715.3), -18.8% on a comparable currency basis
- Orders received decreased in the Americas and EMEA but increased in APAC
- Orders received decreased in Service (-14.6%), Industrial Equipment (-20.2%) and Port Solutions (-34.4%)

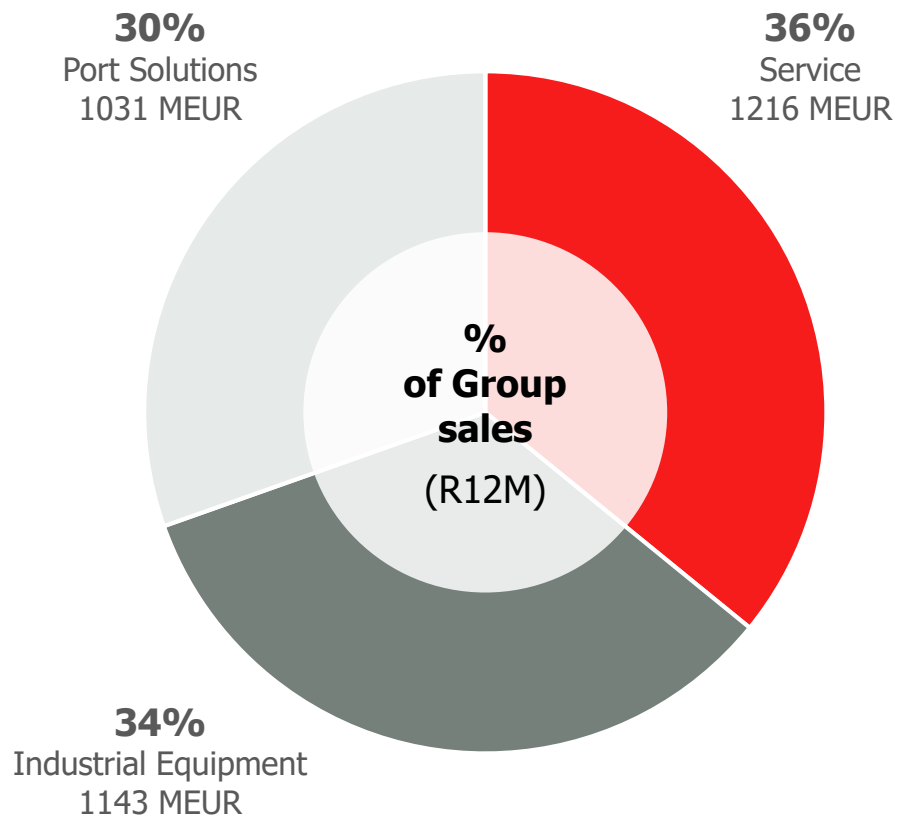
Group net sales, MEUR



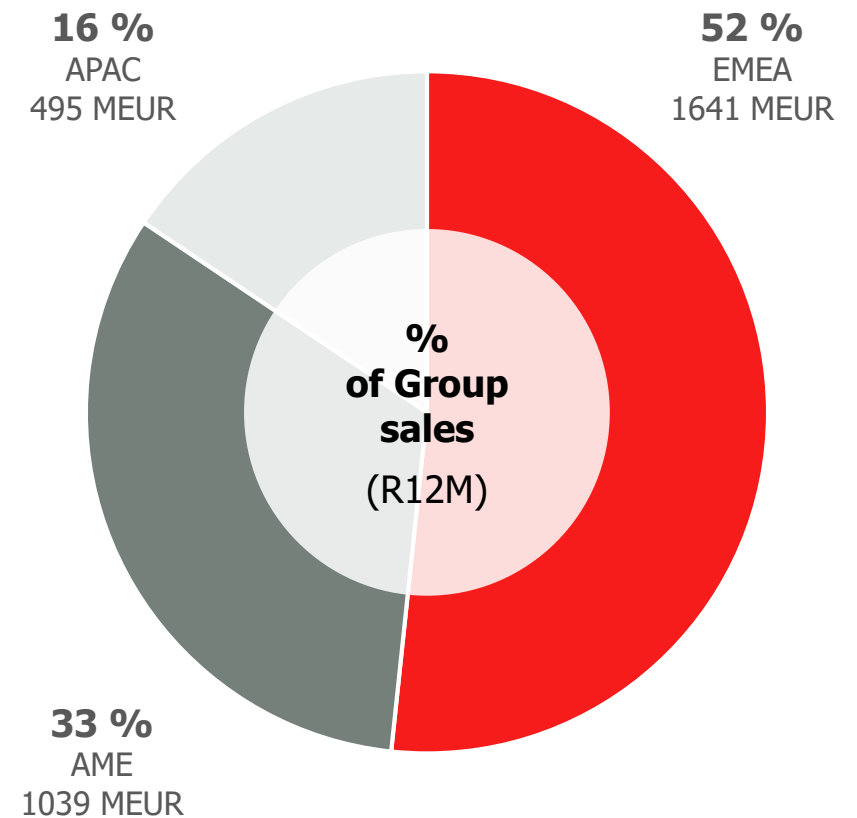
- Sales decreased 8.7% to EUR 767.9 million (841.3), -6.6% on a comparable currency basis
- Sales decreased in Service (-5.6%), Industrial Equipment (-4.1%) and Port Solutions (-18.1%)

Group sales by business area and region

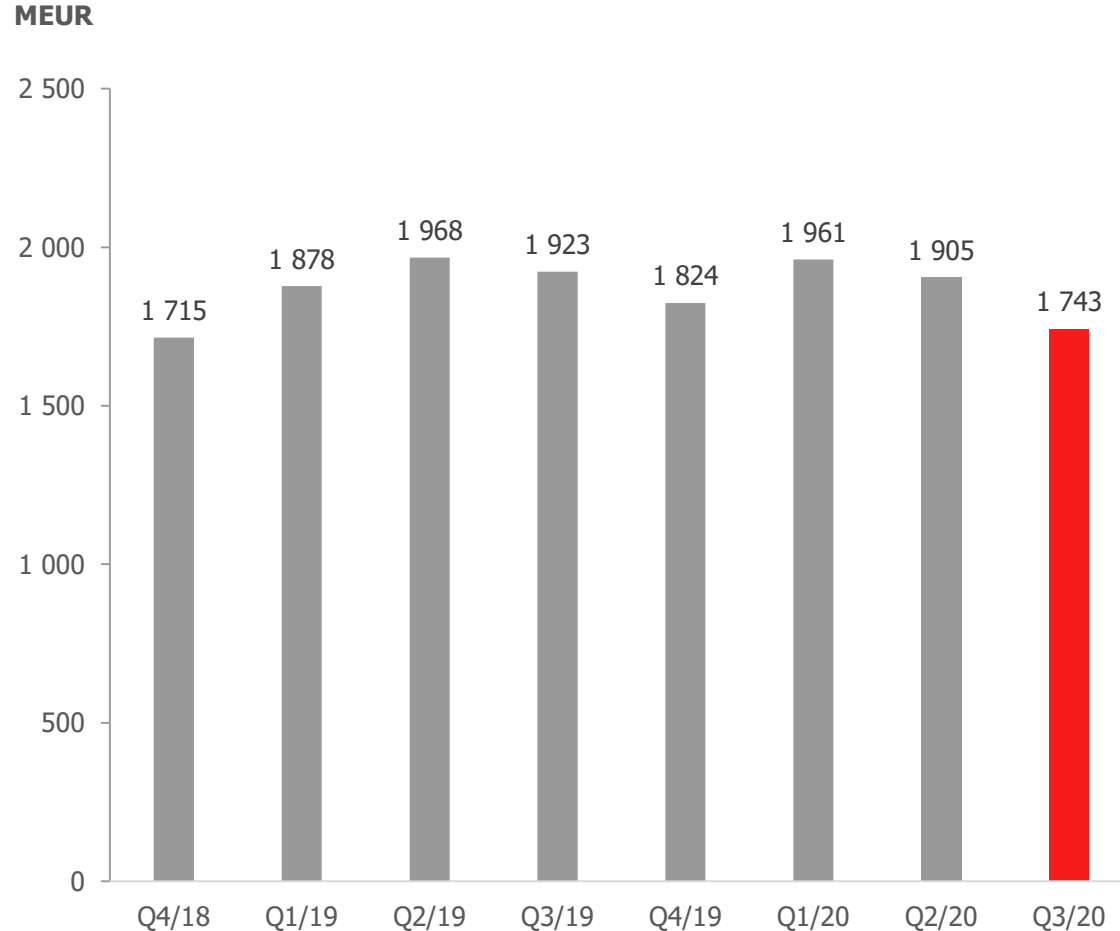
Group sales by business area



Group sales by region

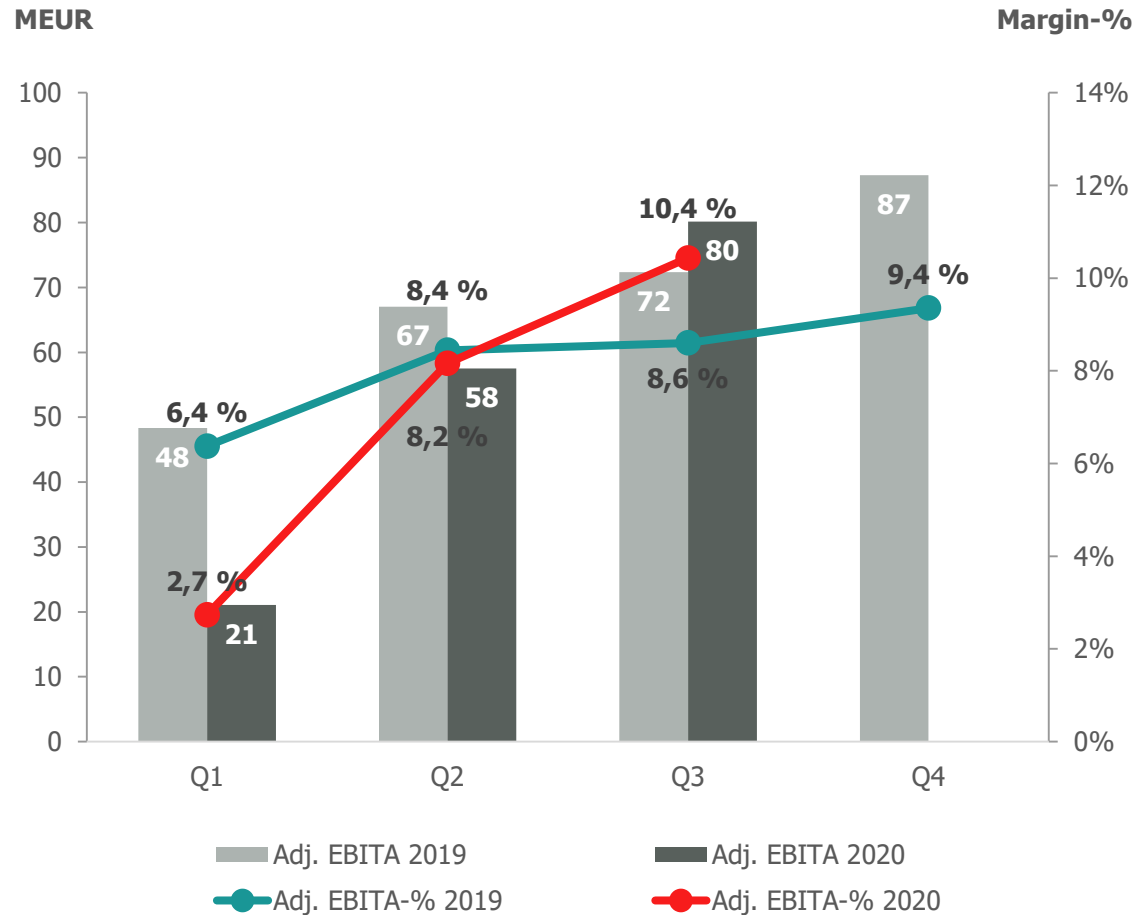


Q3/20 Group order book



- The value of the order book decreased 9.4% to EUR 1,742.8 million (1,923.2)
- On a comparable currency basis, the value of the order book decreased 6.7%
- Order book decreased in Service (-6,2%), increased in Industrial Equipment (+0.6%) and decreased in Port Solutions (-16.7%)
- Excluding MHE-Demag, order book decreased 16.0% to EUR 1,615.9 million

Q3/20 Group adjusted EBITA



- Group adjusted EBITA increased to EUR 80.1 million (72.4), 10.4% of sales (8.6)
- The increase in the Group adjusted EBITA margin was primarily due to continued successful demand-supply balancing, cost flexing, permanent cost adjustments and further progress on strategic initiatives
- Gross margin increased slightly on a year-on-year basis

Strategic initiatives strengthening our core competencies



**Service Revenue and
Profitability Growth**



**Industrial Equipment
Profitability Improvement**



**Project
Management**



**Lean
Operations**



**Procurement
Excellence**

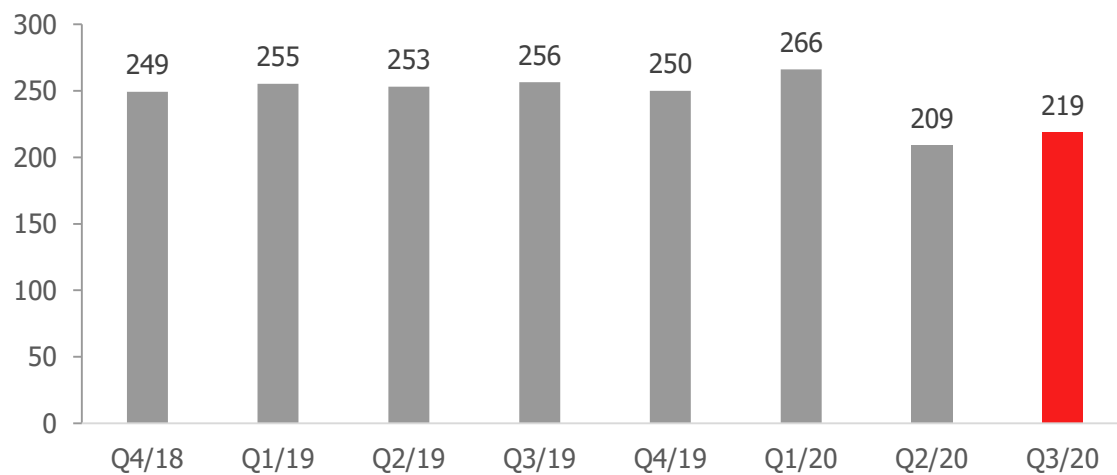


**Business Process
Efficiency Improvement**

Service

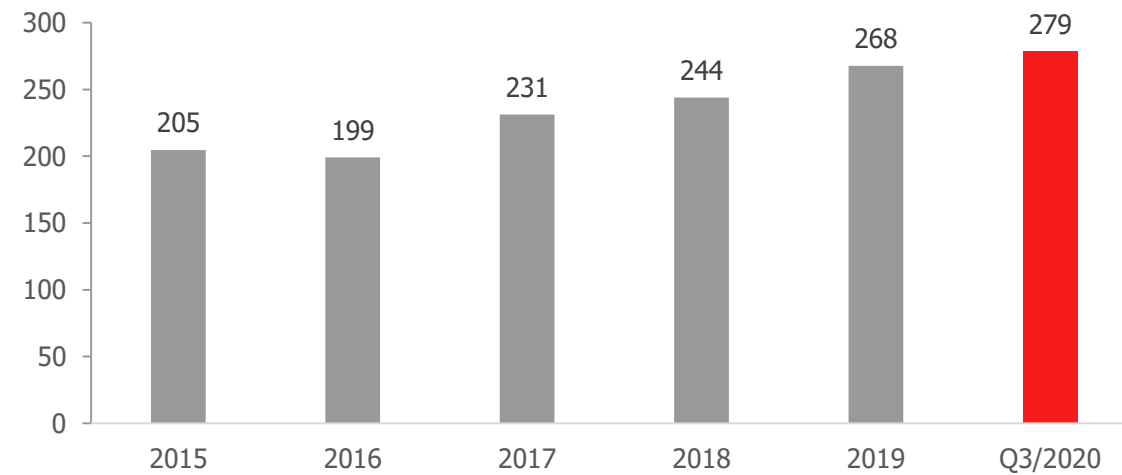
Q3/20 Service order intake and agreement base value

Service order intake, MEUR



- Service orders received decreased 14.6% to EUR 218.9 million (256.4). On a comparable currency basis, orders received decreased 11.1%
- Both field service orders and parts orders decreased
- Order intake decreased in the Americas and EMEA but increased in APAC

Service agreement base value⁽¹⁾, MEUR

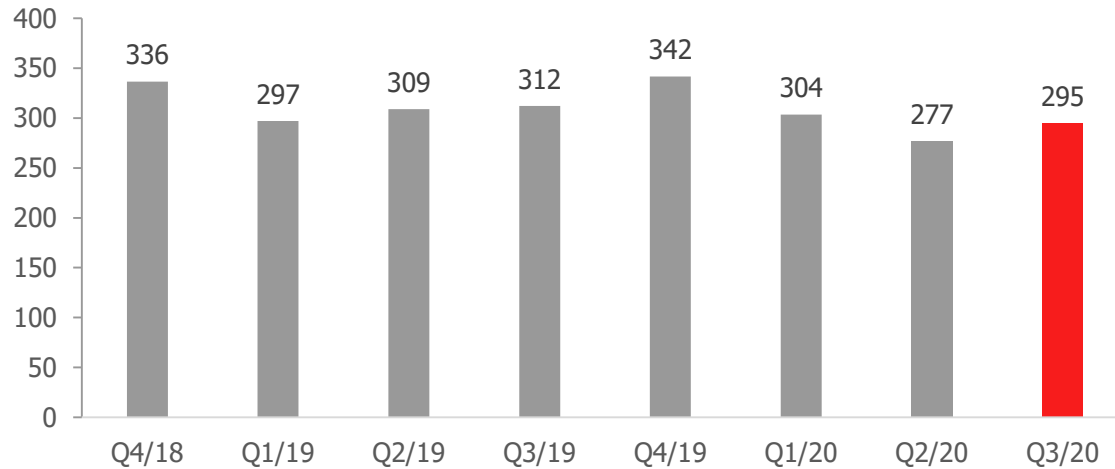


- Year-on-year, the annual value of the agreement base increased 5.9% to EUR 278.8 million (263.4). On a comparable currency basis, the increase was 10.9%
- Sequentially, the annual value of the agreement base decreased 1.4% on a reported basis and increased 0.6% on a comparable currency basis
- Excluding MHE-Demag, the annual value of the agreement base increased 1.4% to EUR 267.0 million (263.4)

Note (1): 2015-16 agreement base on Konecranes stand-alone basis

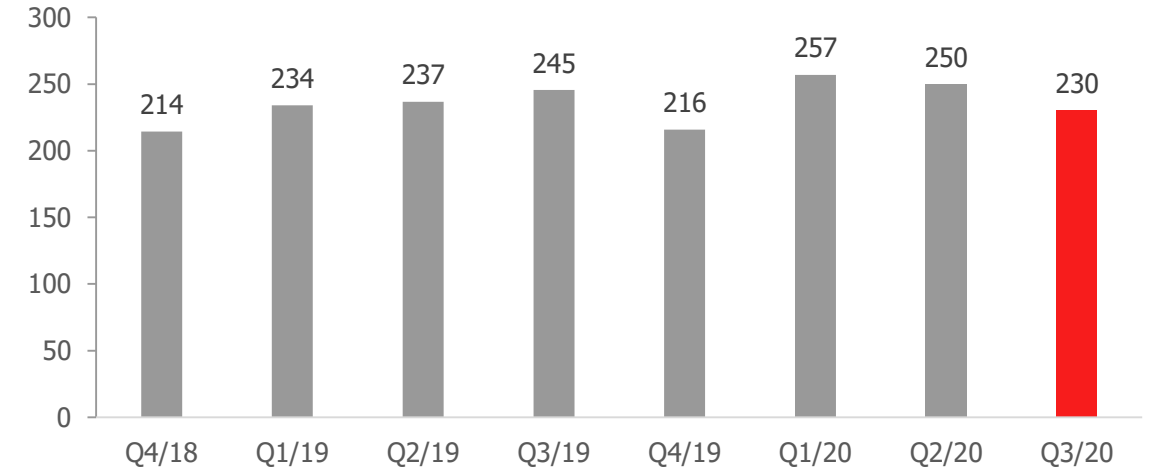
Q3/20 Service sales and order book

Service sales, MEUR



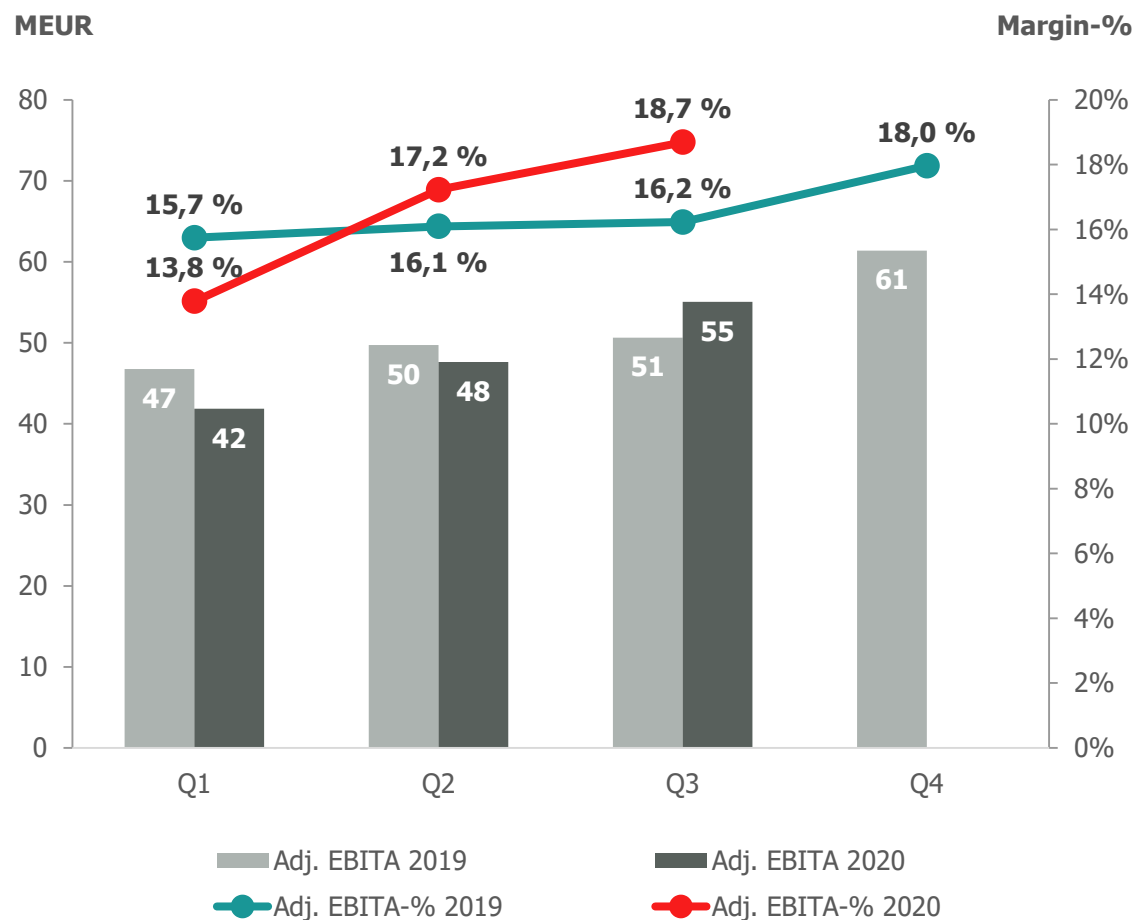
- Sales decreased 5.6% to EUR 294.6 million (312.1)
- On a comparable currency basis, sales decreased 2.0%
- Both field service sales and parts sales decreased
- Sales decreased in the Americas and EMEA but increased in APAC

Service order book, MEUR



- The order book decreased 6.2% year-on-year to EUR 230.2 million (245.5)
- On a comparable currency basis, the order book decreased 0.6%
- Excluding MHE-Demag, the order book decreased 15.0% to EUR 208.7 million (245.5)

Q3/20 Service adjusted EBITA



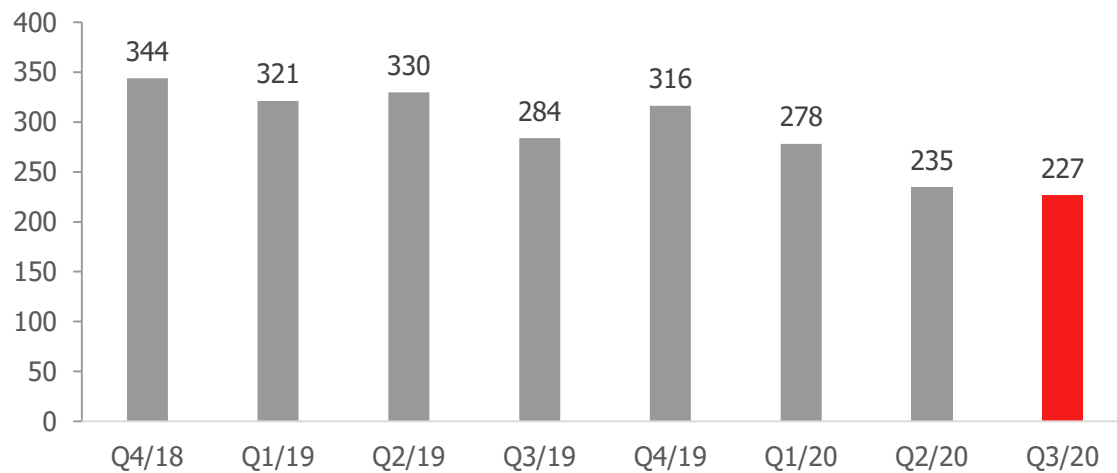
- The adjusted EBITA was EUR 55.1 million (50.6) and the adjusted EBITA margin 18.7% (16.2)
- The increase in the adjusted EBITA margin was mainly attributable to temporary and permanent cost flexing actions and productivity gains underpinned by digitalization
- Gross margin improved on a year-on-year basis

Industrial Equipment



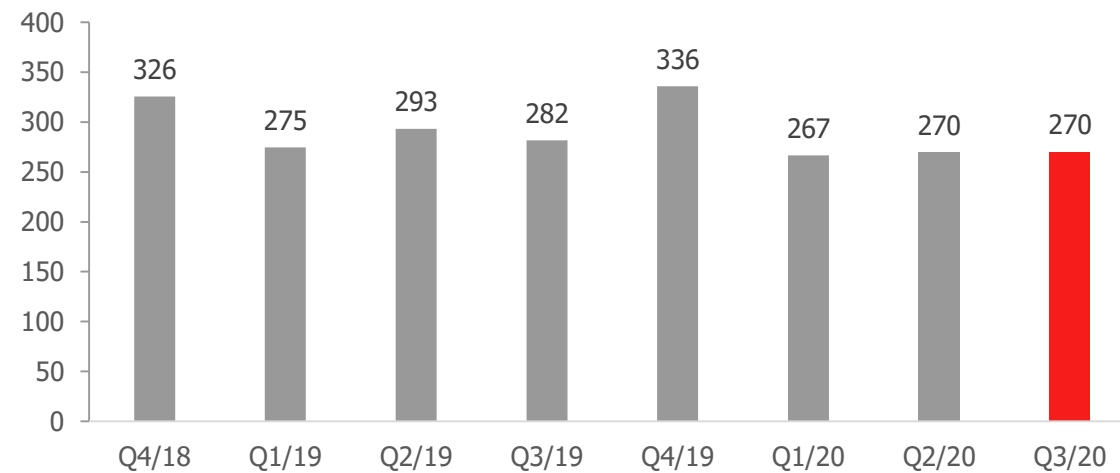
Q3/20 Industrial Equipment order intake and sales

Industrial Equipment order intake, MEUR



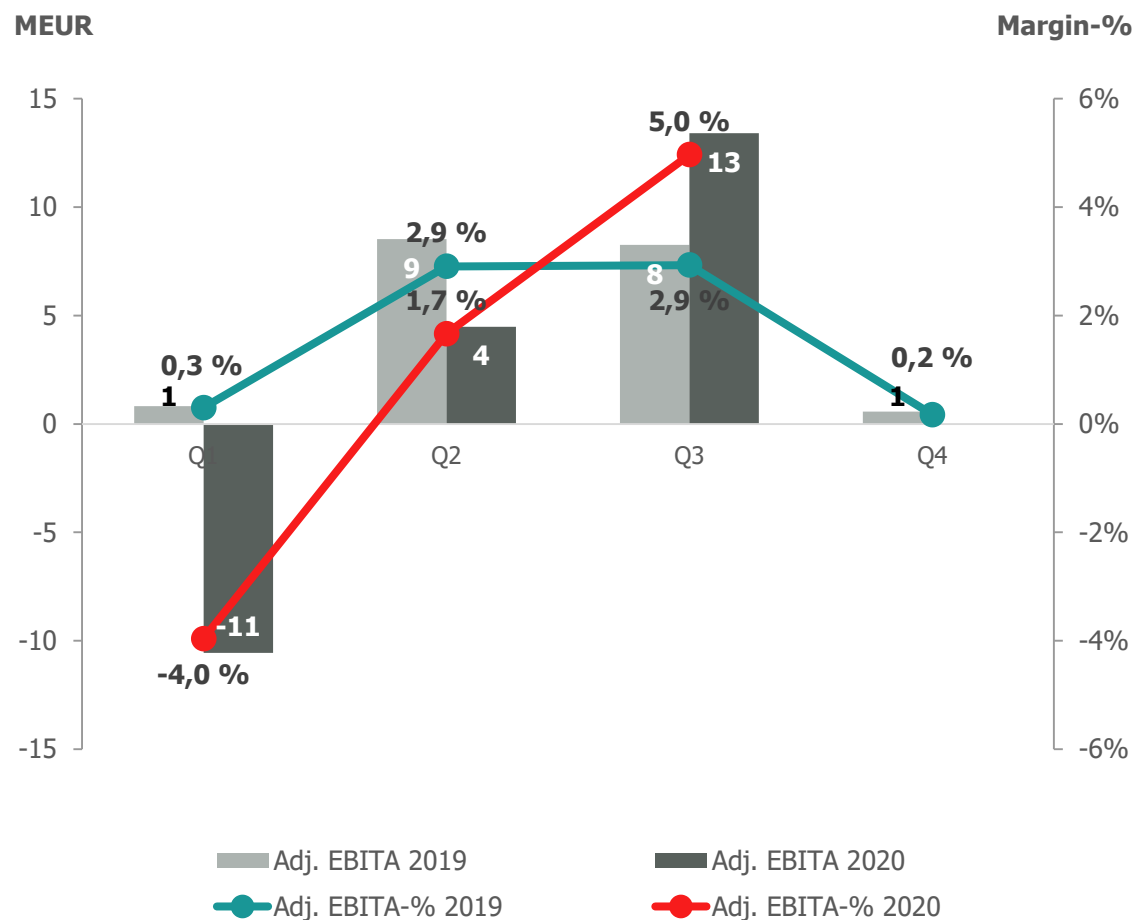
- Orders received totaled EUR 226.8 million (284.0), corresponding to a decrease of 20.2%
- External orders received decreased 15.2% on a reported basis and 12.3% on a comparable currency basis
- Order intake decreased in standard cranes, process cranes and components
- Orders received decreased in the Americas and EMEA but increased in APAC

Industrial Equipment sales, MEUR



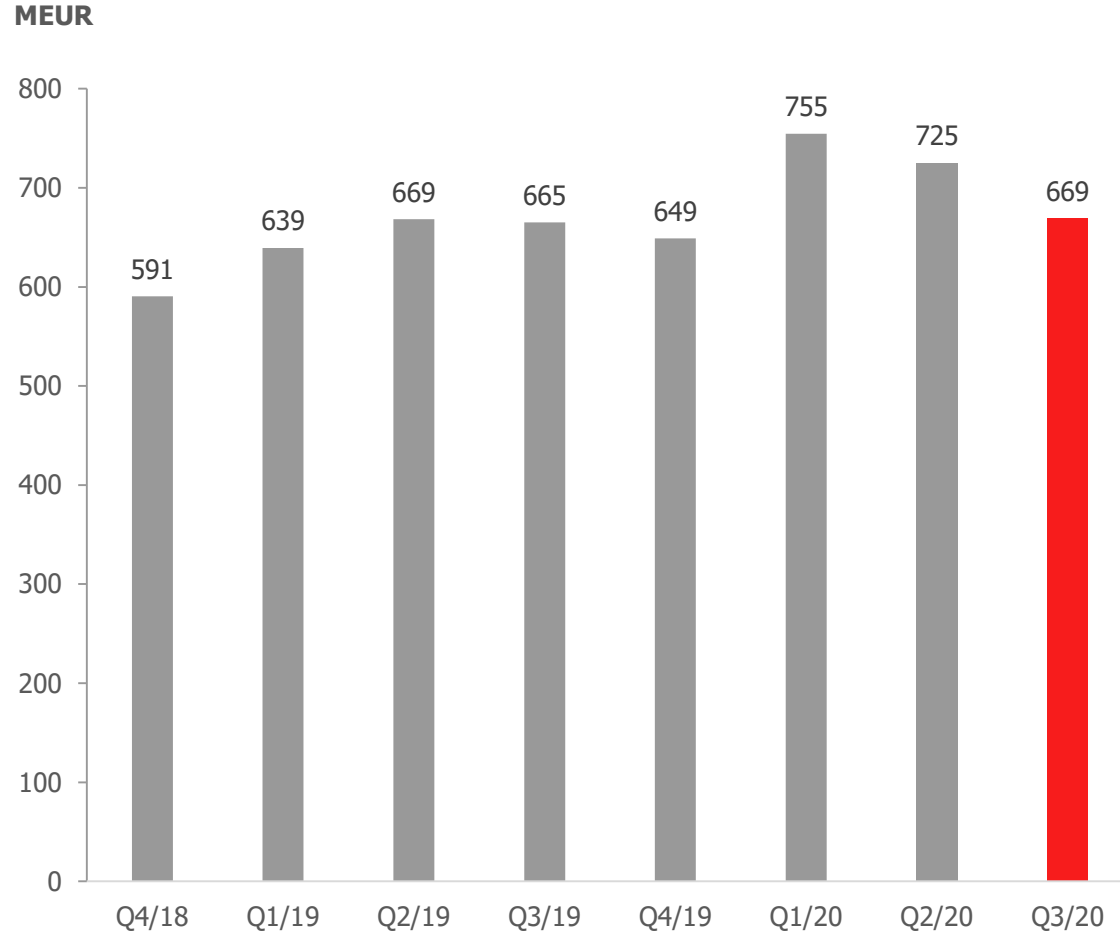
- Sales decreased 4.1% to EUR 270.1 million (281.7)
- External sales decreased 3.2% on a reported basis and 0.2% on a comparable currency basis
- Sales decreased in standard cranes and components but increased in process cranes
- Sales decreased in the Americas and EMEA but increased in APAC

Q3/20 Industrial Equipment adjusted EBITA



- The adjusted EBITA was EUR 13.4 million (8.3) and the adjusted EBITA margin 5.0% (2.9)
- The increase in the adjusted EBITA margin was mainly attributable to temporary and permanent cost flexing actions as well as progress on strategic initiatives
- Gross margin stayed approximately flat on a year-on-year basis

Q3/20 Industrial Equipment order book



- The order book increased 0.6% year-on-year to EUR 669.1 million (665.1)
- On a comparable currency basis, the order book increased 6.0%
- Excluding MHE-Demag, the order book decreased 15.3% to EUR 563.6 million (665.1)



Port Solutions

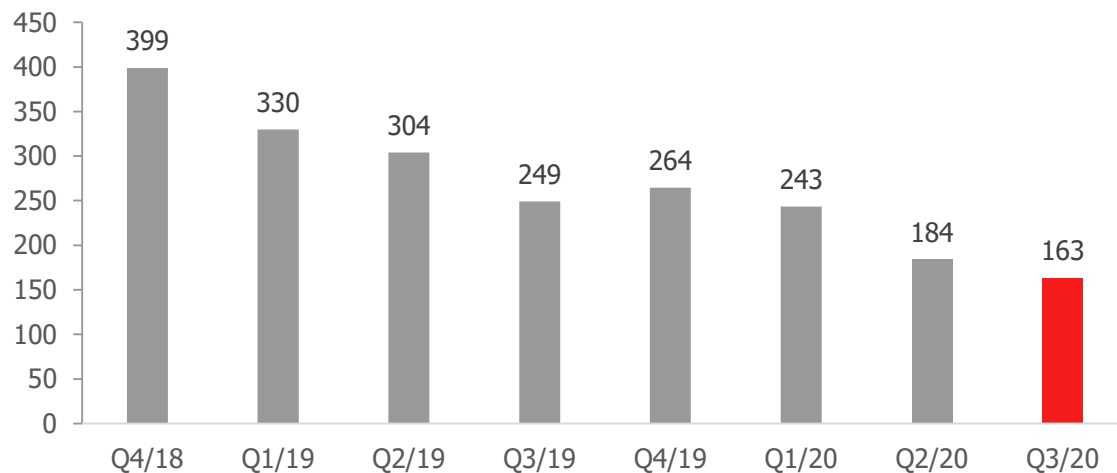
Note: The MHE-Demag acquisition in January 2020 does not have an impact on Port Solutions

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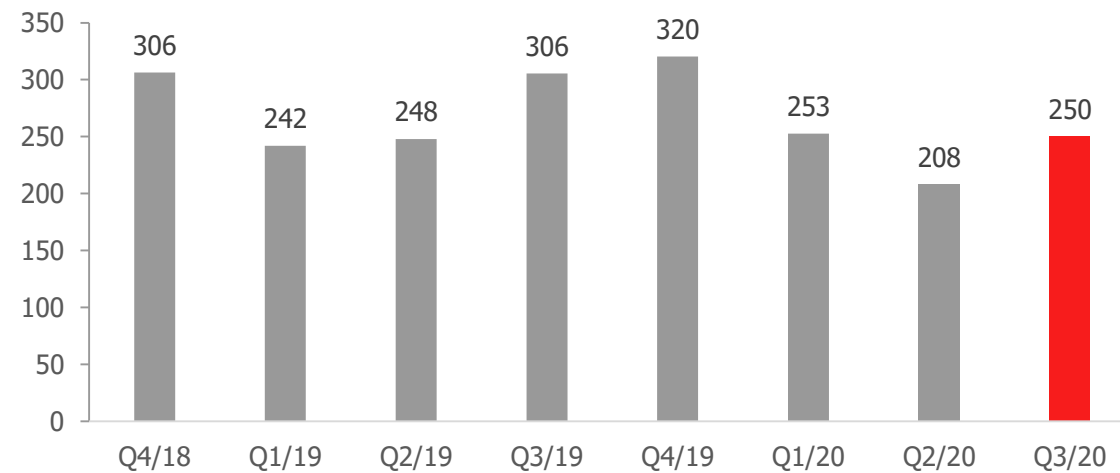
Q3/20 Port Solutions order intake and sales

Port Solutions order intake, MEUR



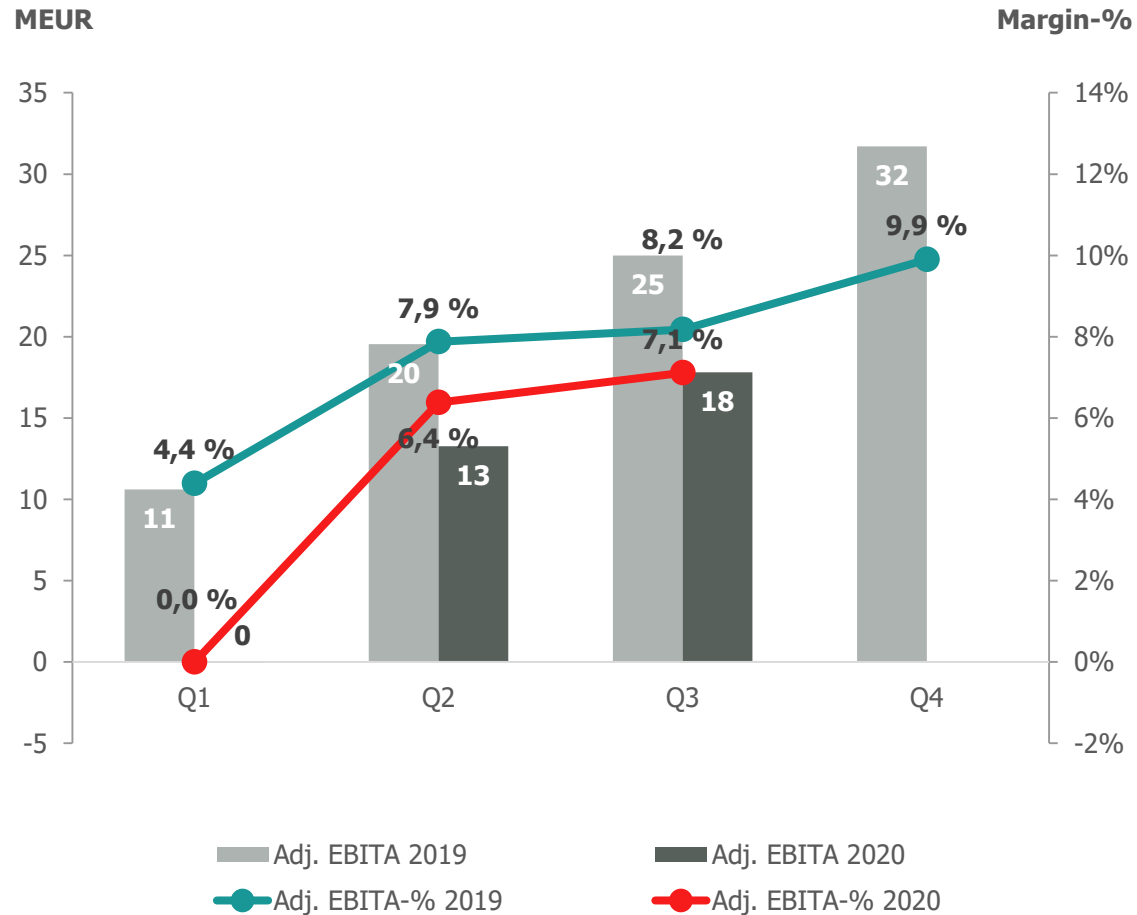
- Orders received totaled EUR 163.3 million (249.0), representing a decrease of 34.4%. On a comparable currency basis, orders received decreased 34.1%
- Orders received decreased in EMEA and APAC but increased in the Americas

Port Solutions sales, MEUR



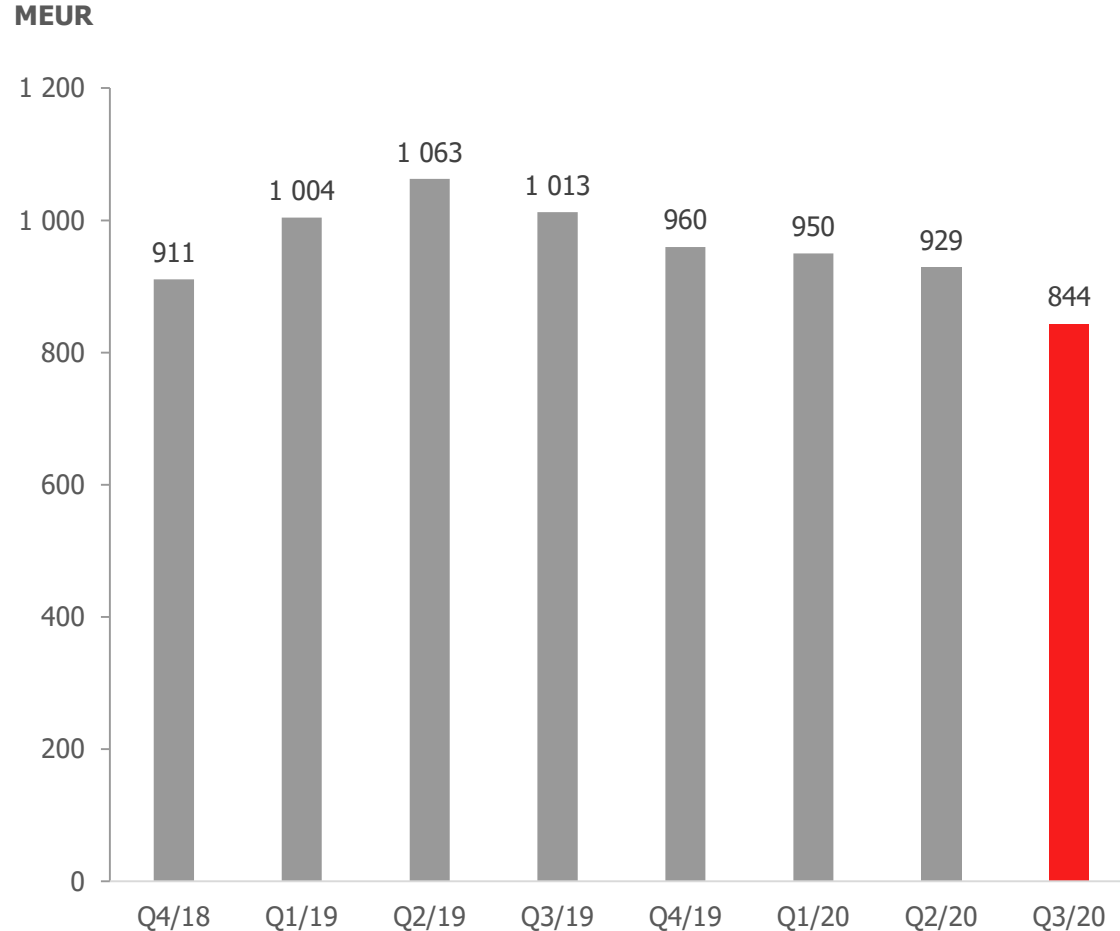
- Sales decreased 18.1% to EUR 250.2 million (305.6). On a comparable currency basis, sales decreased 18.0%

Q3/20 Port Solutions adjusted EBITA



- The adjusted EBITA was EUR 17.8 million (25.0) and the adjusted EBITA margin 7.1% (8.2)
- The decrease in the adjusted EBITA margin was mainly attributable to lower sales and to a lesser extent, weaker sales mix
- Gross margin increased slightly on a year-on-year basis

Q3/20 Port Solutions order book



- The order book decreased 16.7% to EUR 843.6 million (1,012.6)
- On a comparable currency basis, the order book decreased 16.1%



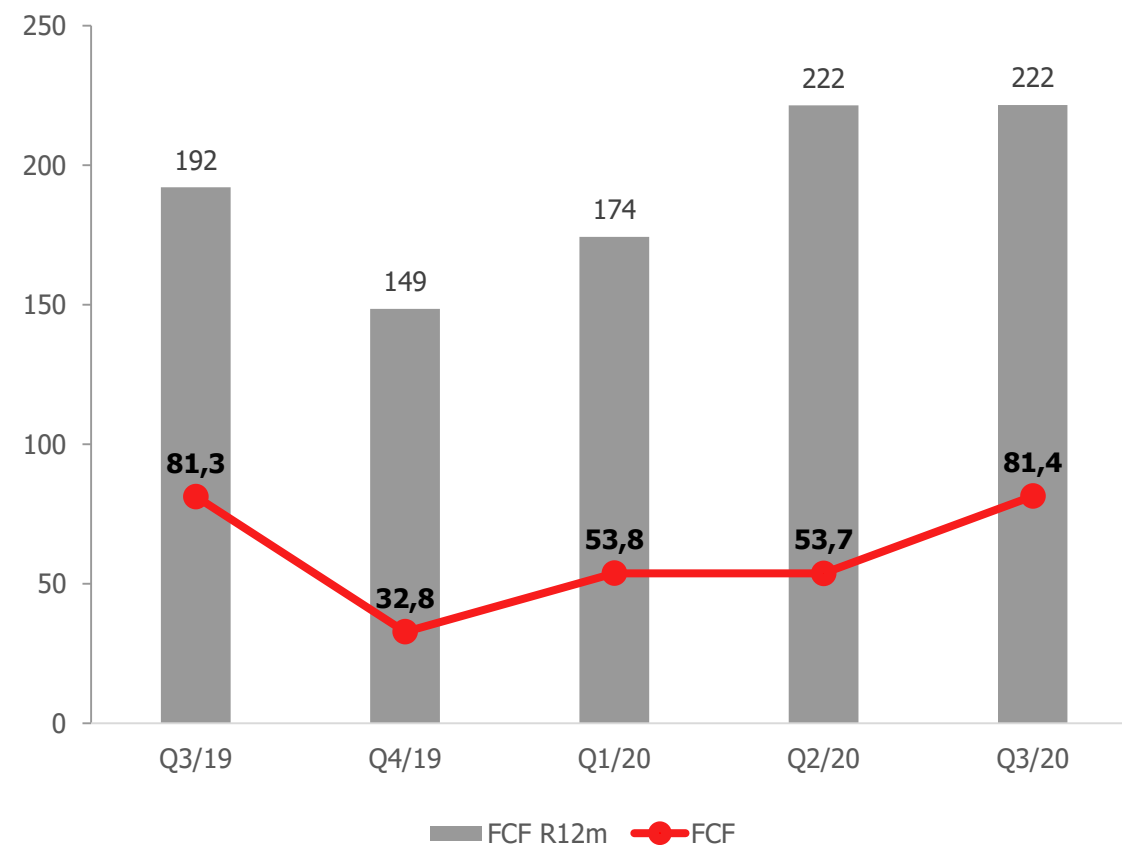
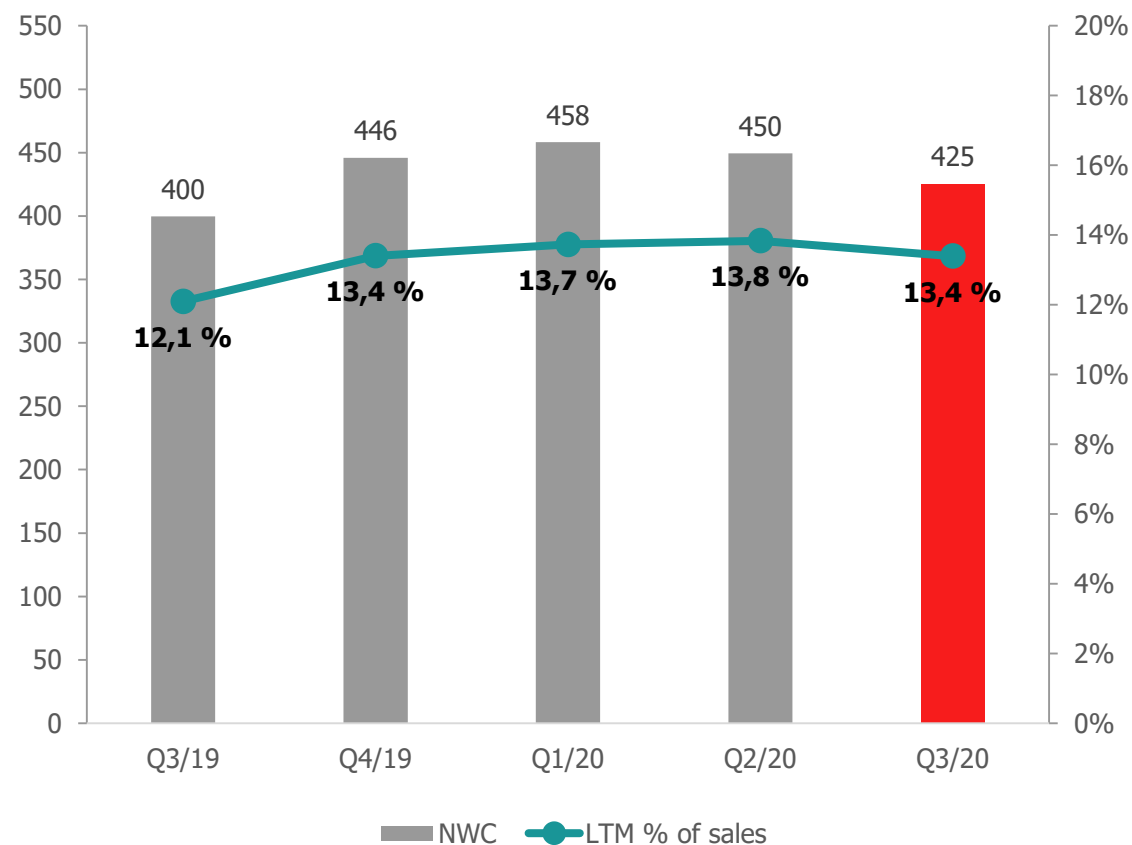
Cash Flow and Balance Sheet

Net working capital and free cash flow

Net working capital, MEUR

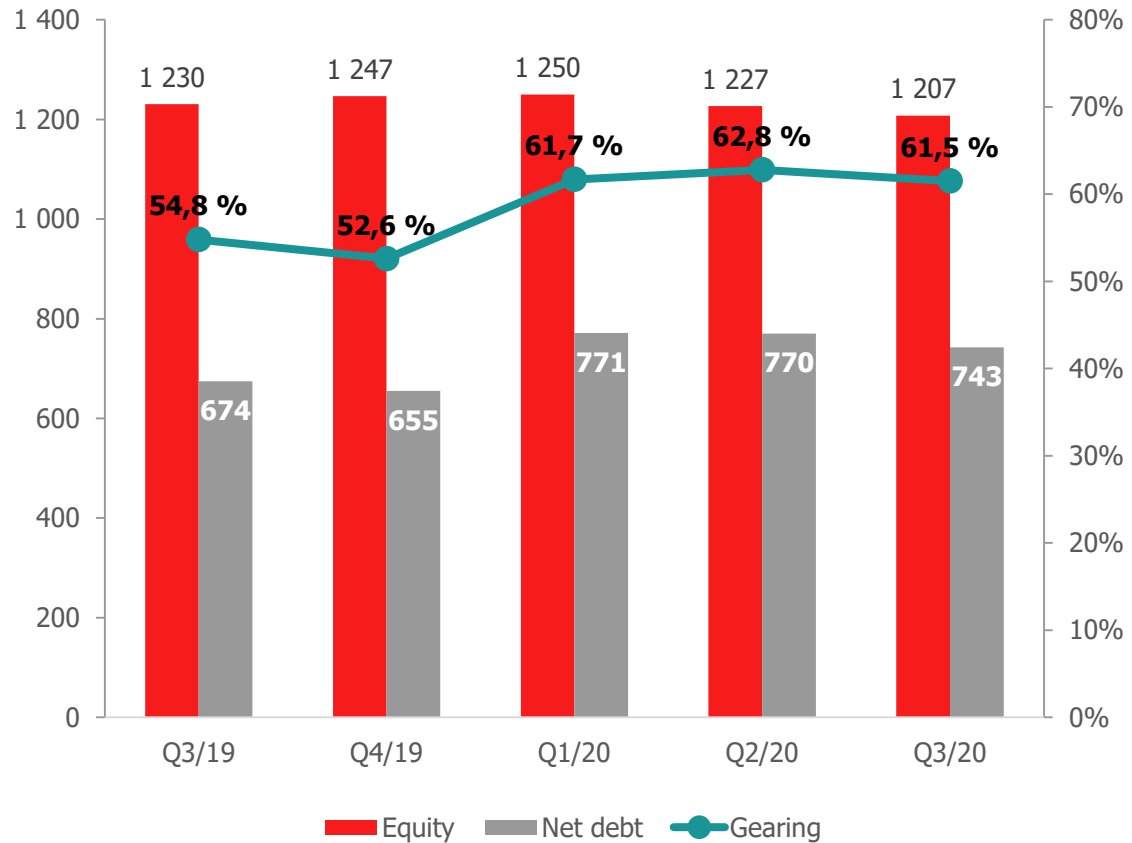
% of sales

Free cash flow, MEUR



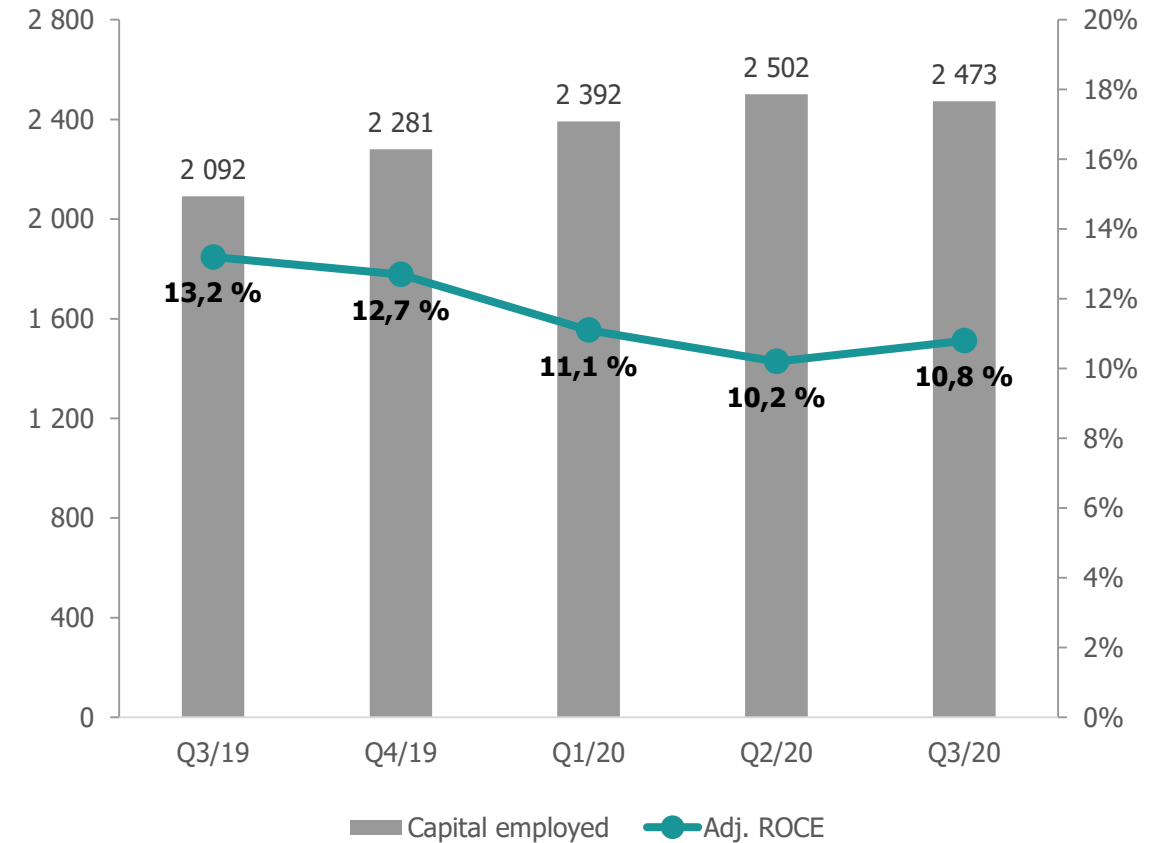
Gearing and return on capital employed

Equity and net debt, MEUR

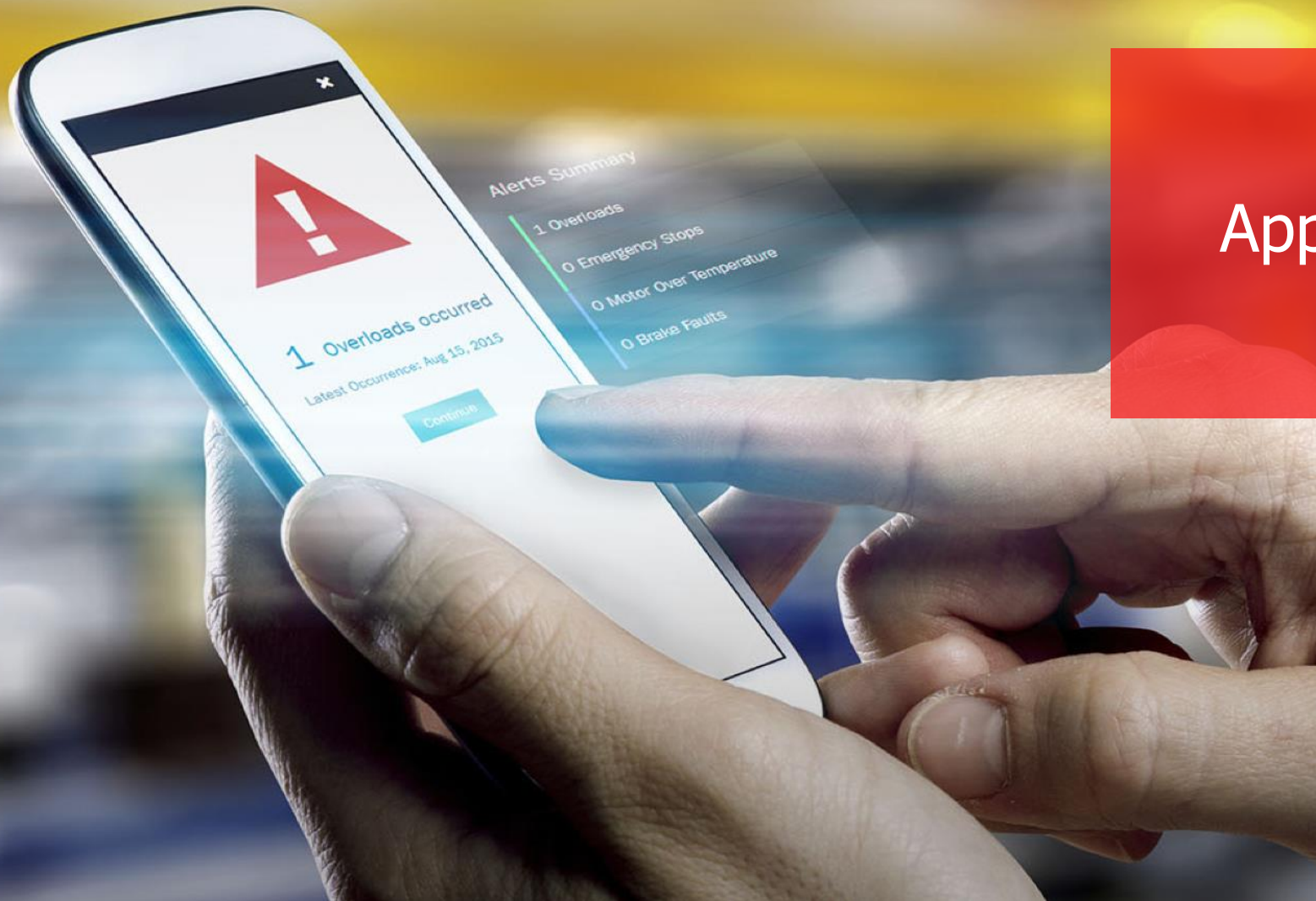


Gearing-%

Capital employed, MEUR



Q&A



Appendix

Key figures by business area

Key figures	7-9/ 2020	7-9/ 2019	Change %	Change % At comparable currencies	1-9/ 2020	1-9/ 2019	Change %	Change % At comparable currencies	1-12/ 2019
Service									
Orders received, MEUR	218.9	256.4	-14.6	-11.1	694.1	765.1	-9.3	-8.0	1,015.1
Service agreement base value, MEUR	278.8	263.4	5.9	10.9	278.8	263.4	5.9	10.9	267.7
Sales, MEUR	294.6	312.1	-5.6	-2.0	874.7	918.1	-4.7	-3.4	1,259.7
Adj. EBITA, MEUR	55.1	50.6	8.7		144.6	147.2	-1.8		208.5
Adj. EBITA, %	18.7%	16.2%			16.5%	16.0%			16.6%
Industrial Equipment									
Orders received, MEUR	226.8	284.0	-20.2	-17.7	739.9	935.2	-20.9	-20.0	1,251.5
<i>of which external</i>	<i>193.3</i>	<i>227.9</i>	<i>-15.2</i>	<i>-12.3</i>	<i>632.3</i>	<i>785.2</i>	<i>-19.5</i>	<i>-18.5</i>	<i>1,068.4</i>
Sales, MEUR	270.1	281.7	-4.1	-1.3	806.6	849.5	-5.0	-3.9	1,185.5
<i>of which external</i>	<i>235.9</i>	<i>243.7</i>	<i>-3.2</i>	<i>-0.2</i>	<i>694.7</i>	<i>731.2</i>	<i>-5.0</i>	<i>-3.7</i>	<i>1,020.4</i>
Adj. EBITA, MEUR	13.4	8.3	62.4		7.3	17.6	-58.3		18.2
Adj. EBITA, %	5.0%	2.9%			0.9%	2.1%			1.5%
Port Solutions									
Orders received, MEUR	163.3	249.0	-34.4	-34.1	590.8	882.9	-33.1	-32.9	1,147.3
Sales, MEUR	250.2	305.6	-18.1	-18.0	710.7	795.4	-10.6	-10.5	1,115.7
Adj. EBITA, MEUR	17.8	25.0	-28.8		31.1	55.1	-43.7		86.9
Adj. EBITA, %	7.1%	8.2%			4.4%	6.9%			7.8%

Key figures of Service and Industrial Equipment excluding MHE-Demag

Key figures	7-9/ 2020	7-9/ 2019	Change %	Change % At comparable currencies	1-9/ 2020	1-9/ 2019	Change %	Change % At comparable currencies	1-12/ 2019
Service									
Orders received, MEUR	207.3	256.4	-19.2	-15.8	653.2	765.1	-14.6	-13.4	1,015.1
Service agreement base value, MEUR	267.0	263.4	1.4	6.2	267.0	263.4	1.4	6.2	267.7
Sales, MEUR	276.9	312.1	-11.3	-7.9	826.0	918.1	-10.0	-8.8	1,259.7
Adj. EBITA, MEUR	51.2	50.6	1.0		136.8	147.2	-7.1		208.5
Adj. EBITA, %	18.5%	16.2%			16.6%	16.0%			16.6%
Industrial Equipment									
Orders received, MEUR	212.4	284.0	-25.2	-22.9	695.2	935.2	-25.7	-24.9	1,251.5
<i>of which external</i>	<i>176.1</i>	<i>227.9</i>	<i>-22.7</i>	<i>-20.1</i>	<i>576.7</i>	<i>785.2</i>	<i>-26.6</i>	<i>-25.6</i>	<i>1,068.4</i>
Sales, MEUR	252.2	281.7	-10.5	-7.9	770.3	849.5	-9.3	-8.2	1,185.5
<i>of which external</i>	<i>215.5</i>	<i>243.7</i>	<i>-11.6</i>	<i>-8.8</i>	<i>648.7</i>	<i>731.2</i>	<i>-11.3</i>	<i>-10.1</i>	<i>1,020.4</i>
Adj. EBITA, MEUR	13.3	8.3	61.4		11.0	17.6	-37.7		18.2
Adj. EBITA, %	5.3%	2.9%			1.4%	2.1%			1.5%

Statement of income

EUR million	7-9/ 2020	7-9/ 2019	Change %	1-9/ 2020	1-9/ 2019	Change %	1-12/ 2019
Sales	767.9	841.3	-8.7	2,242.1	2,393.6	-6.3	3,326.9
Other operating income	2.7	2.9		6.4	12.3		19.6
Materials, supplies and subcontracting	-354.2	-388.0		-992.2	-1 039.9		-1,505.0
Personnel cost	-249.9	-252.0		-762.5	-776.6		-1,080.7
Depreciation and impairments	-32.5	-31.3		-100.0	-92.9		-123.6
Other operating expenses	-93.7	-155.0		-303.1	-413.2		-488.5
Operating profit	40.3	17.9	124.7	90.8	83.2	9.1	148.7
Share of associates' and joint ventures' result	0.0	0.6		20.9	-0.5		4.5
Financial income	18.0	0.9		28.5	5.7		2.5
Financial expenses	-22.7	-10.4		-46.2	-33.2		-37.2
Profit before taxes	35.6	9.0	297.0	94.1	55.2	70.5	118.5
Taxes	-9.7	-5.3		-26.3	-18.2		-35.7
Profit for the period	25.9	3.7	601.7	67.7	37.0	83.2	82.8

Balance sheet

EUR million	30 Sep 2020	30 Sep 2019
Non-current assets	2,052.5	1,992.9
Goodwill	1,018.8	910.2
Intangible assets	544.3	542.9
Property, plant and equipment	338.0	334.3
Other	151.4	205.5
Current assets	2,051.7	1,718.4
Inventories	778.2	742.6
Accounts receivable	459.4	509.0
Receivables and other current assets	291.7	284.1
Cash and cash equivalents	522.4	182.8
Assets held for sale	0.0	27.4
Total Assets	4,104.2	3,738.7

EUR million	30 Sep 2020	30 Sep 2019
Total Equity	1,207.5	1,230.4
Non-current liabilities	1,389.7	1,078.0
Interest-bearing liabilities	937.0	652.0
Other long-term liabilities	286.0	266.7
Other	166.7	159.3
Current liabilities	1,507.0	1,427.6
Interest-bearing liabilities	328.7	209.5
Advance payments received	417.7	411.6
Accounts payable	211.1	206.0
Provisions	153.0	161.4
Other current liabilities	396.4	439.2
Liabilities directly attributable to assets held for sale	0.0	2.6
Total Equity and Liabilities	4,104.2	3,738.7

Cash flow statement

EUR million	1-9/ 2020	1-9/ 2019	1-12/ 2019
Operating income before change in net working capital	188.9	180.7	275.0
Change in net working capital	60.3	11.4	-12.5
Cash flow from operations before financing items and taxes	249.2	192.1	262.5
Financing items and taxes	-30.2	-59.4	-89.7
Net cash from operating activities	219.0	132.7	172.8
Net cash used in investing activities	-154.1	-19.8	-23.2
Cash flow before financing activities	64.8	112.9	149.6
Net cash used in financing activities	93.4	-160.8	-4.5
Translation differences in cash	-14.0	4.0	2.6
Change of cash and cash equivalents	144.2	-43.9	147.7
Free cash flow	188.9	115.7	148.5

Key figures

EUR million	1-9/ 2020	1-9/ 2019	Change %	1-12 2019
Earnings per share, basic (EUR)	0.85	0.46	87.5	1.03
Earnings per share, diluted (EUR)	0.85	0.46	87.5	1.03
Return on capital employed, %, Rolling 12 Months (R12M)	7.9	6.1	29.5	6.3
Return on equity, %, Rolling 12 Months (R12M)	7.9	5.9	33.9	6.5
Equity per share (EUR)	15.15	15.37	-1.4	15.70
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	2.2	1.9	15.8	1.8
Equity to asset ratio, %	32.8	37.0	-11.4	35.4
Investments total (excl. acquisitions), EUR million	25.9	32.2	-19.7	39.5
Average number of personnel during the period	17,068	16,081	6.1	16,104
Average number of shares outstanding, basic	79,058,519	78,834,472	0.3	78,835,721
Average number of shares outstanding, diluted	79,058,519	78,834,472	0.3	78,835,721
Number of shares outstanding	79,134,459	78,839,426	0.4	78,839,426



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