

Konecranes Q1 2025

00:00:00

Kiira Fröberg: Good afternoon, everyone, and welcome to Konecranes Q1 Earnings Conference. My name is Kiira Fröberg, and I'm the head of Investor Relations at Konecranes. Here with me today I have our president and CEO, Anders Svensson, and our CFO, Teo Ottola. Before we start the actual presentation, I have a bit of commercials here, so I would like to remind you about our Capital Markets Day, which will be arranged in London on May 20th. The registration has been opened for the event, and we welcome all analysts and investors to join us in person in London. The registration for the in-person attendance is still open until next Wednesday. Please go and register as soon as possible. We look forward to the event and welcome everyone there. Before going into the numbers and details. The usual disclaimer. Just so you remember, the presentation contains forward-looking statements. The agenda is our usual one. Anders will start with the Group figures, after which Teo will talk more about the Business Area numbers. Then we will have the Q&A in the end as always. Now, Anders, please, it's your turn.

00:01:27

Anders Svensson: Thank you, Kiira. A warm welcome also from my side. To this first quarter webcast '25. We had a good start to the year, and our demand environment held up well throughout the quarter. Our orders were up 17 percent year-over-year, and we saw an order intake improvement in all three Business Areas. Sales execution was also strong, almost €1 billion, and that was up eight percent compared to the previous year. The Q1 profitability and the EBITA margin was 11.1. That's the same level as we had a year ago, which was then a record high. Year-on-year pricing is slightly positive, but execution and sales mix were slightly weaker than the previous year. Profitability improved in Industrial Service and in Port Solutions, but decreased in Industrial Equipment. We're now looking into the market environment, and we start with our industrial segments.

00:02:40

Anders Svensson: Despite the weak macroeconomics and also the geopolitical situations with tariffs and threats, our demand environment held up really well. We can see that in a strong order intake within the industrial side. In Port Solutions continued good activity. We can see that the container throughput index, the main indicator here, is up six percent year-over-year, signaling quite strong markets. We can also see that in our order intake, our sales funnel, and discussions with customers continued on a very good level within Port Solutions. If we then look into our order intake a bit further, we can see that we delivered one €1,062 million, up 17 percent versus the previous year. Here we had an increase in all three Business Areas. In the geographical markets, we saw an improvement within EMEA and also within the Americas, while we saw a decrease in APAC.

00:03:54

Anders Svensson: Looking at sales. Strong sales execution continued, and 984 million were delivered. That's equivalent to 7.7 percent improvement over the previous year. Here, we saw improvements in all three Business Areas and all three regions. Our order book grew for the second quarter in a row, and ended the quarter at €2,942 million. Even if that's a slight decrease versus the previous year, we believe that it's a very strong order book seen in a longer historical perspective. If you remember, going into 2025, we had roughly €60 million less to deliver in the year than we had going into 2024. With the strong short cyclic orders and service orders, we believe that our financial guidance in this perspective is still very much in line, and we are performing well towards that. I then move into the Group comparable EBITA.

00:05:13

Anders Svensson: Here, we delivered €109 million, and that's equivalent to an 11.1 percent margin, which is very close to what we had in the previous year. As I said, that was a record year. The margin increased in Industrial Service and Port Solutions and decreased in Industrial Equipment, mainly related to productivity, and also a negative mix. Slight positive

Konecranes Q1 2025

additions from pricing in the quarter, but also for the Group, the execution, and the sales mix were weaker. Also, from a BA perspective, the mix was weaker. Gross margin decreased on a year-on-year comparison. I then move into our progress towards our financial targets. We did have a good start to the year. As you can see, all our businesses, including the Group, are clearly within the profitability range that we have communicated as the target.

00:06:19

Anders Svensson: If I start with the Group, we had a 7.7 percent growth over the previous year. That's clearly faster than nominal world GDP growth, so we are in line with our sales growth targets. As you can see, we had a slight decrease on a 12-month rolling basis to 13 percent, but still clearly within our target range. We are confident that we have the activities and the strategy execution in place to continue our journey, which we are on, to improve our profitability. Moving them into Industrial Service. Here, we had a growth which was maybe less than we expected, three or four percent. However, we had a very strong order intake. That's good for future sales. As you can see, we've improved our profitability on a rolling 12-month basis as well. Industrial Service is progressing according to plan. Industrial Equipment is growing in line with the market, as we also target to do. We had a bit weaker profitability in the first quarter than we had in the comparison period. That was, as mentioned, related to performance and also related to the product mix.

00:07:39

Anders Svensson: However, there's nothing that worries the long-term profitability of Industrial Equipment. Port Solutions. Here, we grew very quickly. We had much higher growth than in the market, around 17 percent. That is a strong delivery from the Port segment. With that stronger delivery, you also get a good margin for the first quarter over the comparison period. You can now see Ports also clearly within the profitability range at 9.6 percent. Moving into the demand outlook, let's start with the industrial customer segments. Our demand environment within the industrial customer segments has remained good and continuous at a healthy level. That said, the demand-related uncertainty and volatility due to geopolitical and trade policy tensions have increased compared to the previous quarters. The demand here continues to be good, as we saw in the first quarter. We expect it to continue on that level.

00:09:07

Anders Svensson: We have, however, seen some hesitation in decision-making, similar to previously when we had high interest rates, but now connected to tariffs and perhaps more geared towards North America than before. We have a very strong sales funnel from a historical perspective, and we also see new cases coming into the funnel at a good pace, even though maybe slightly down year-on-year, but quarter on quarter, up in the number of new cases. When it comes to our True Connect, our productive measurement of connected equipment. Here, we saw some low single-digit lower productivity than in the previous year, but very close to flat. With the port customers, we say that global container throughput continues at a high level, and long-term prospects related to global container handling remain good overall.

00:09:54

Anders Svensson: Here, we have a very strong order pipeline that we are working on. We know that fluctuating order intake by quarter is the nature of this business, since it's very much related to customer decision-making time in their projects. However, we had a good order intake in the quarter. We have several active discussions on projects of different sizes, and that looks good going forward for our ports business. Our financial guidance for 2025 is that net sales are expected to remain approximately at the same level in '25, compared to 2024. Comparable EBITA margin is expected to remain at approximately on the same level or to improve in '25 compared to '24. We had a good start to the year, despite the macroeconomy and the volatility around us. I think that shows stability from Konecranes. I think with the execution we are doing in our strategy, we are able to continue our journey

Konecranes Q1 2025

going forward. We are also happy that we have the Capital Markets Day on May 20th, in a month, where we will be able to update you more on the strategy execution in our different businesses. With that, I will invite our CFO, Teo Ottola, to dive more into the details of the finance.

00:11:35

Teo Ottola: Thank you, Anders. Let's move on to the Business Areas. As usual, before going into the Business Area numbers in more detail. Let's take a look at the comparable EBITA bridge for Q1 '25 versus a year ago. As Anders was explaining, the comparable EBITA margin of 11.1 is basically unchanged from the situation a year ago. In euro terms, in monetary terms, we made some 7 million more profit than we did a year ago. When we unpack this difference a bit, we can start by discussing pricing a little bit. The price increases in a year-on-year comparison are maybe three percent or a bit more than that. When we look at sales growth in comparable currencies, it was almost seven percent. This obviously gives us a good underlying volume improvement, of 3.5 to four percent range. This gives us operating leverage in the P&L as well. Net of inflation pricing impact, so how much positive delta the pricing gave to the margin, as Anders already explained.

00:12:56

Teo Ottola: It was a positive contribution, but less than in the previous quarters we've had. Therefore, pricing was in a way positive in the P&L, but less than it has been in the recent past. The mix impact was slightly negative, and productivity was also negative, or execution, performance, whichever term one wants to use, primarily due to the Industrial Equipment business. Fixed costs actually increased in line with inflation, so they continue to be well under control in the Q-on-Q comparison. All in all, with all these pluses and minuses, the end conclusion is that the profit improvement is basically a result of the operating leverage. Higher volume in Q1 '25 versus a year ago. Then, going into the Business Areas, Industrial Service, first. Order intake there €409 million. That is a little bit more than four percent higher than a year ago in comparable currencies. We actually had an increase in both field service and parts, of the regions we had increased in, specifically the Americas and EMEA, but a decrease in APAC. Taking a look at the agreement base, we had growth there also, 4.9 percent in a year-on-year comparison.

00:14:29

Teo Ottola: Sales were 380 million, which is 2.5 percent higher than a year ago. Again, of the regions, we had an increase in EMEA as well as in APAC, but a decrease in the Americas. Book-to-bill for the quarter was actually higher than one, but in a year-on-year comparison, the order book declined slightly by 3.5 percent. Comparable EBITA 20.2 percent. This is an improvement in a year-on-year comparison, despite the somewhat lowish volume in the quarter. The improvement in margin primarily came from pricing, but the product mix was a little bit better within service, now in Q1 '25, as a result of the higher share of spare parts in sales. Then Industrial Equipment and their order intake €358 million. That is 13.5 percent higher than a year ago. Of the business units, we had an increase in standard cranes and process cranes in a year-on-year comparison, but the components had a decrease in comparison to the first quarter of last year. Of the region's increase in EMEA, as well as in the Americas, but a decrease in APAC.

00:15:56

Teo Ottola: In sequential comparison, which is interesting and important as well. We had an increase in standard cranes as well as in components, but a decrease in process cranes when we take a look at the comparison to the fourth quarter of last year. Sales €294 million. This is up 2.9 percent in a year-on-year comparison. The order book is almost exactly on the same level as it was one year ago. Comparable EBITA €13 million or 4.6 percent. There is a clear decline in a year-on-year comparison. This is attributable to lower productivity and a weaker mix within Industrial Equipment. With productivity, what we mean is that we had quite

Konecranes Q1 2025

good deliveries towards the end of last year. As a result, we had a few capacity utilization issues in the first quarter in some of our locations, and some projects did not go as well as they did a year ago. It's an overall performance topic, that wasn't on the same level as it was a year ago in Q1. Port solutions' order intake is €343 million, as much as 37.5 percent higher than a year ago.

00:17:29

Teo Ottola: We had good order intake in various product categories, including Mobile Harbor Cranes, RTGs, automated guided vehicles, and port service. When we take a look at the shorter cycle products, Lift Trucks were down in an year-on-year comparison. More or less flat in a sequential comparison, and they continue to be from a historical perspective on a relatively low level. Port service, on the other hand, increased in a year-on-year comparison and also in a sequential comparison almost flat to slightly up. Sales €351 million, good deliveries. Sales growth as high as 16.5 percent, and the order book is down in year-on-year comparison, but continues to be on a good level of more than €1.5 billion. There is an 8.3 percent improvement in EBITA, primarily due to the underlying volume improvement. Deliveries were very good, sales were good, and also to some extent, as a result of net of inflation pricing. Then some comments on networking capital and cash flow as well as balance sheet as usually networking capital €372 million. This is very much on the same level as it was a year ago, 8.7 percent of rolling 12-month sales. Slightly better than a year ago.

00:19:08

Teo Ottola: Actually, inventories are now on a lower level than they were a year ago, and advance payments are as well, so that these are balancing each other quite well. Free cash flow was close to 60 million. This is higher than it was a year ago, but not at the level we were towards the latter half of last year. However, when we take a look at the rolling 12-month free cash flow, it continues to be on a very good level, and the cash conversion on a rolling 12-month basis is still clearly above 100 percent. Gearing on a low level of eight percent, with a net debt of about €141 million. This one is missing the dividend payment, as it took place in the second quarter, but even including that, the leverage is still on a modest level. The return on capital employed continued to go up, maybe in the first quarter a little bit more as a result of the lower capital employed than a year-on-year improvement in the profitability. However, it is now higher than 22 percent on a comparable basis at the end of Q1.

00:20:30

Teo Ottola: We usually go into the Q&A at this point, but now we have one more slide before the Q&A, which describes our exposure to U.S. tariffs a bit. With this slide, we show the internal trade flows from China and Europe, to the US. If we focus on the industrial businesses first, a little bit, Industrial Service and Industrial Equipment. Basically, the annual volume from China to the US is very low, only about 5 million annually. The volumes from Europe to the US are significantly higher. Here, in Industrial Service, we are saying that less than 50 million, Industrial Equipment is around 100 million, clearly above 100 million as a whole. We have there spare parts. We are having hoists and hoist components. This is, in a way, the big volume. Then, when we look at the Ports business, we also have port services from Europe to the US, roughly 30 million. This would mostly be for spare parts, then, when we look at the Port Solutions, bigger equipment. We are mainly shipping fully assembled port cranes as well as Lift Trucks.

00:21:46

Teo Ottola: There, the idea is that primarily and mainly, the tariff responsibility would be with the customers. That's why we excluded those from this picture. Now, what we have done regarding this one is that we have basically increased prices in all of the impacted product categories. In the US, for instance, we have included tariff clauses in offers as well as in contracts. We are monitoring very closely the customer acceptance of the price increases that we have made. Then obviously we also need to monitor how the legislation, rules, and

Konecranes Q1 2025

regulations are changing because they are changing as well. Now, overall, when you take a look at these flows and given the high volume from Europe or the EU to the US. Tariffs between Europe and the US are not a good thing. At the same time, if we compare ourselves to the competition, we don't think we would generally be in a weaker situation than our competitors.

00:22:56

Teo Ottola: The reason is obviously that other companies do not have a fully US supply base either. Therefore, everybody basically needs to import goods. There may be product categories where we are better off than the competition. There may be product categories where we are slightly worse off than the competition. Overall, we don't feel that we would be in a worse situation. With these comments, we are ready for the Q&A.

00:23:22

Kiira Fröberg: Thank you, Teo. Thank you, Anders, as well. We could now start the Q&A, and we have received some feedback that not everyone has the opportunity to ask a question. I would now kindly ask you to limit the number of questions to two so that as many analysts as possible have the opportunity to ask the questions via the line. You can always go back to the line. If we have time, we will take the additional questions. We have also received some questions through the chat function, so please keep them coming. I'll ask them a little bit later. Now, operator, let's please open the line.

00:24:02

Operator: If you wish to ask a question, please dial Pound Key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad. The next question comes from Daniela Costa from Goldman Sachs. Please go ahead.

00:24:26

Daniela Costa: Hi. Good afternoon. I hope you can hear me. I have two questions. I'll ask them one at a time. Thank you very much for slide 20. I wanted to start there and clarify what you said regarding Port Solutions, particularly to understand that the customers are responsible for the tariffs. How much is actually the volume that goes there from China, or is this volume mainly from Finland that goes there? Just wanted to understand that. Related to that, have you seen, given so many of your competitors are Chinese, any shifts in terms of the competitive landscape and willingness of customers on where they're buying and placing orders now?

00:25:11

Anders Svensson: I can start.

00:25:12

Teo Ottola: Okay.

00:25:14

Anders Svensson: We have quite a flexible supply chain when it comes to our port equipment. We can mainly supply mainly from China, but also from India and other Asian countries. We can also supply from Eastern Europe. We believe with that setup, we are at an advantage versus the competition, which you rightly say is mainly Chinese. That would put us generally in a better position than the competition on the port side. As we have communicated previously, we are also building a supply network within the US to be able to supply most of the cranes within the US itself, should that be the requirement going forward. We believe that we are in a good position when it comes to the port's equipment. What Teo is referring to is that we are not having the internal shipments of components to build something in ports. We have completely finished the equipment that we put on the ship and then ship to the customers, where, as Teo rightly said, the shipping and tariffs are on the customer's side.

Konecranes Q1 2025

00:26:37

Daniela Costa: The customers are not exiting due to that.

00:26:42

Kiira Fröberg: Sorry, we couldn't really hear you now. Could you please repeat?

00:26:45

Daniela Costa: One part of my question was, has anything changed in terms of the customers because they have to pay a huge tariff, even on your equipment, I guess?

00:26:54

Anders Svensson: If we supply from China, they need to pay the same tariff as if it were a Chinese manufacturer. We can also supply it from other regions, as I said, which then have much lower tariffs than China. However, we need to remember that these tariffs were implemented three weeks ago. It hasn't really stabilized, and we don't know where this will end up either.

00:27:19

Daniela Costa: Got it. My second question is linked to tariffs, but it's really pricing. We had steel tariffs that are in place right now in the US, but in general, you commented that you had in the quarter around three percent price. As you look ahead and think about your pricing, what should we expect?

00:27:39

Anders Svensson: We are completely compensated for the tariff effects for us as a company in all our new quotes and all our new business that we make with customers. We have completely compensated for that.

00:27:54

Daniela Costa: Which means--

00:27:55

Anders Svensson: The pricing component will be much larger going forward, should the situation remain the same as it is currently or even escalate.

00:28:04

Daniela Costa: No lag.

00:28:07

Anders Svensson: Sorry.

00:28:09

Daniela Costa: No lag. The steel is getting the tariff now, but you have stuff in your orders with other prices, and there is going to be no lag or gap.

00:28:18

Anders Svensson: You always have some gap somewhere, right? In general, I would say that we are compensated very quickly. We were on the ball far before this actually happened, so we were very quick on compensating. However, you are never 100 percent compensated.

00:28:34

Daniela Costa: Thank you.

00:28:36

Teo Ottola: Maybe, building on a little bit on the first part of the question, what Anders already said regarding the product category. We have been discussing that, in our case, ship-to-shore cranes are also traditionally shipped from China. This is maybe the slowest product to move to be supplied from other places. We have been talking about the US supply chain, as was already mentioned as well. Regarding the other product categories, we have supply networks elsewhere. For example, in Eastern Europe, that could support in this one. Regarding the big

Konecranes Q1 2025

cranes, it is probably obvious that we have less China content than our biggest competitors. When it comes to Lift Trucks, the situation may be a little bit different. There, we do not have a direct assembly capacity in the US. We are exporting either from Europe or China, in practice, from Europe.

00:29:36

Daniela Costa: Thank you. Very helpful.

00:29:39

Kiira Fröberg: Let's now take the next question, please.

00:29:42

Operator: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

00:29:52

Panu Laitinmäki: [silence 00:29:48-00:29:52] Thank you. I have two questions. The first one is on the Ports outlook, especially in the US. You sound quite positive in the market comment. If you discussed with the US customers, now the government has an agenda to reduce the volume of things being shipped into the country. Do you feel that the investment plans for the longer-term U.S. ports could be lower than expected?

00:30:25

Anders Svensson: I wouldn't say that it's affecting the US ports to make lower investments. The US will continue to be a strong economy unless the whole world goes into recession, which is unlikely. I think we are in a good position to supply from friendly countries to the US, meaning Europe. We can also supply from India. Mainly, all the equipment we can supply from outside China with a well-built supply base, excluding, as Teo mentioned, ship-to-shore cranes. These steel structures are primarily being built in China. However, we build, as Teo mentioned, all the other key components of these big ship-to-shore cranes, which is a large part of the value of the crane, in Finland, for example, in Eastern Europe. We are not exposed in the same way as the competition from that perspective, which makes our competitive position stronger than the Chinese competition. You should remember that in some of this equipment, the Chinese competition has a 75 percent market share. If they are out, then the other suppliers like us have a good position going forward.

00:32:03

Anders Svensson: Even though, as you said, Teo, shifts in this business take quite some time because an order takes three years to deliver from the order. Suppose you order a ship-to-shore crane, roughly, and a building capacity for that takes time. The US market is maybe 10 to 20 ships-to-shore cranes per year. It takes time to change that. These large ports have investment plans that are taken on a much longer horizon than a four-year term of a president or so. They are investing, like Georgia Port Authority, which we have been working on for a very long time, is investing in a very long-term horizon. It's not based on the current situation or so. This situation might imply that smaller ports need to invest in increased capacity in the US, which is another opportunity for Mobile Harbor Cranes or other types of equipment. We don't see that the US market within the port side will disappear or shrink dramatically.

00:33:02

Panu Laitinmäki: [silence 00:33:02-00:33:05] Thank you. My follow-up was actually that, have you already seen improved market share in the US, and was this reflected in the Q1 orders?

00:33:20

Anders Svensson: I would say that we have seen improved market share over the last couple of years within the port side. If you look at what happens within one quarter or even less than that, you will see the situation has changed. Making these large investments by a port is not done within a month or two. It takes a long time for these projects to run through the whole

Konecranes Q1 2025

decision-making funnel. Since Kalmar exited the yard crane market, we have taken market share from there. We are growing in terms of market share within the port equipment in the US. A tariff situation would put us at an advantage over Chinese competition, which is the largest competitor, and would continue to put us in an even more advantageous position.

00:34:15

Panu Laitinmäki: Okay. Thank you.

00:34:16

Kiira Fröberg: Thank you, Panu. Let's now take the next question, please.

00:34:22

Operator: The next question comes from Antti Kansanen from SEB. Please go ahead.

00:34:33

Antti Kansanen: [silence 00:34:28-00:34:33] Hi, guys. I'm Antti from SEB. Two questions for me as well. Let's start with the tariff theme, this time on the Industrial Equipment side. Could you maybe comment a little bit on how did you see business evolving, let's say, during March and April? Was there any major impact on the volume demand, whether it be pre-buying or a very quiet period during early April, or anything that would really stand out from your client activity perspective?

00:35:07

Anders Svensson: I wouldn't say that we have seen a lot of pre-buying. We can't say that there hasn't been any pre-buying, but we wouldn't have seen a lot of pre-buying. What we have seen in terms of the demand situation in the US is that it has become more hesitant after the decision. The decision-making time has become longer. It's not like the market has disappeared, or so, it's pretty much in line with the demand outlook we just talked about previously. We can see a bit more hesitation in decision-making in the US specifically. On the other hand, we see some improvement in EMEA in Europe on the market side. It is more positive than it was a quarter ago or so. In the APAC, it's quite flat versus where it's been. On a relatively low level, we must say that for us, we haven't seen dramatic differences so far.

00:36:12

Teo Ottola: Maybe, adding to this one. If we look at the big picture, I think it came out in the presentation already when we take a look at the overall sales funnel. The funnel of opportunities continues to be in good shape, so there is no significant difference there. The number of new cases, as Anders pointed out, may have been a little bit on the downward trend. But when we take a look at the number of cases that are coming in, from a historical perspective, the number is good. Then there is this slowness in decision-making that was also mentioned.

00:36:50

Antti Kansanen: In your comments on the US specifically, the number of new cases is a bit down, and slowness in decision-making.

00:36:57

Anders Svensson: Yes, that's mainly related to the US, not to the rest of the world.

00:37:03

Antti Kansanen: Okay. Then the second question. I guess more of a technical nature regarding Port Solutions and sales. Earlier, you talked a little bit about how the start of the year is usually seasonally a little bit slower in terms of deliveries, and your backlog is down year over year, especially on the port side. If we look at the Q1 sales now, it's a big growth year over year, so I just wanted to understand better. Looking at the full year sales, how should we think about cadence from the backlog and deliveries in the coming quarters versus what you did in the first quarter?

Konecranes Q1 2025

00:37:41

Anders Svensson: Yes. What we have said, and I also said it when I talked about the order backlog slide, is that we were roughly 60 million behind last year, coming in for orders to be delivered within the year. Then we had going into 2024. But, we have seen, like you said, a good order intake on the short cyclic products which can be delivered within this year on the service side, both on industrial and port service. That should give us a good opportunity to deliver, at least in line with last year's sales.

00:38:22

Teo Ottola: Maybe, taking a look at the sales numbers, a little bit. If you take a look at Industrial Service, the growth of 2.5 percent is actually less than the price increases. Therefore, it was a relatively slow start for Service from the delivery point of view. Profitability improved regardless, which is a good thing. In Industrial Equipment, 2.9 percent, this is roughly in line with the inflation, maybe slightly more than that. It was a relatively slow start there as well as we already are referring to when we are explaining why the EBITA margin dropped from the situation a year ago. Ports had a very good delivery quarter, with very high sales. That drives the Group sales number up as well. It is good that we have been able to do that. It is from the same order book that we had at the end of the year as well. Now, the good thing is that orders in Q1 were also good, and the pipeline for the future is there as well. No issue from that point of view. However, these different Business Areas have been in a way, from the delivery point of view, in a fairly different situation in Q1 in comparison to each other.

00:39:46

Antti Kansanen: I was only a bit surprised at the ports' sales levels. I imagine that the Lift Truck business orders are not great, so I guess that's the one that you would deliver this year. I guess the Q1 order strength would be more like a 26 delivery. I was just wondering, are we going to see a port sales starting to sequentially decline because you're not really guiding for sales growth this year?

00:40:07

Anders Svensson: You should--

00:40:08

Antti Kansanen: Maybe that's a bit too technical.

00:40:09

Anders Svensson: You should also remember that we have a Port Service that is above 20 percent of port sales. If you combine that with Lift Trucks, that's a significant part of the port's revenue that we can affect within the year. Some Mobile Harbor Cranes we can deliver within one year as well. It's not only Lift Trucks that are within one year.

00:40:38

Antti Kansanen: [silence 00:40:34-00:40:37] All right. Fair enough. Thank you very much.

00:40:40

Kiira Fröberg: Thank you, Antti. Now, let's take the next question again, please.

00:40:46

Operator: The next question comes from Johan Eliason from Kepler Cheuvreux. Please go ahead.

00:40:54

Johan Eliason: Hi [inaudible 00:40:55-00:40:57]. Just a question about what's happened since independence day in April or March, you talked about the hesitation and on finding ports, et cetera. Do you see anything in your connected equipment? The numbers for April so far versus the March level.

Konecranes Q1 2025

00:41:20

Anders Svensson: We haven't seen any direct effect on the connected equipment changes in utilization or so. The operations are ongoing, but customers are hesitating to make new investment decisions, so far. We will see in the next couple of weeks and months how that will develop.

00:41:42

Johan Eliason: Then, just on the ship to shore, I think if I recall it, you have maybe delivered five ships to shore cranes a year. Now you talk about the US being at a 10 to 20 type of volume market per year. How long would it take you to be able to supply half of this US demand in the ship-to-shore, what do you think?

00:42:08

Anders Svensson: Since we have a very outsourced strategy, we don't make these in-house. We make the key component in-house. However, the outsourcing strategy makes us very flexible in terms of where we have our supply network. We can have it in China, other Asian countries, Eastern Europe, or even North America. That makes us very flexible. However, these projects have a delivery time of roughly three years from order. This is how the customers are planning for these deliveries as well. The effect you would see maybe in three years from now, should we get the order in the second quarter. It's not an immediate effect on our top line or our bottom line, with the ship-to-shore crane activity changes. Given that we have a flexible supply network, we could ramp up that within the three-year delivery time. It's quite easy for us to ramp up capacity, but the delivery time is still three years away.

00:43:13

Johan Eliason: Okay. Excellent. Thank you very much.

00:43:15

Anders Svensson: Thank you.

00:43:15

Kiira Fröberg: Thank you. Johan. Let's take the next question from the line, please.

00:43:22

Operator: The next question comes from Mikael Doepel from Nordea. Please go ahead.

00:43:32

Mikael Doepel: Thank you, and good afternoon, everybody. I also have two questions. Firstly, on the guidance. Basically, as you mentioned, the EBITA margin was essentially flat year-over-year in Q1. You're guiding for flat improving margins. I was wondering what would drive the margin improvement in the coming quarters to reach the guidance? Is the question about the mix? Is it a question about the better margin on the backlog or something else?

00:44:00

Anders Svensson: There are many drivers for that. As we said, we are flat in the first quarter. The second quarter last year was a very strong quarter for us, the strongest in history at a 14.3 percent margin. We are not expecting to deliver on a 14.3 percent margin in the second quarter of this year. However, that would mean that the second half of the year would be stronger than in the previous year. Otherwise, our guidance wouldn't work right. Here we see that we have volume. We have a positive mix at the end of the year. We expect that the Service would be flattish mix, Industrial Equipment, flat, maybe slightly negative mix, and then Port Solutions positive mix due to the quick growth of Port Service. Given the growth of the service side, it would also be a positive mix for the Group. The mix would also be positive. Then we have the optimization program within Industrial Equipment that will continue. We estimate that this will give us an additional €10 million benefit this year. On top of that, we have all the other strategic initiatives that we are executing on that would also continue to give us benefits over the previous year. That's how we see it.

Konecranes Q1 2025

00:45:33

Mikael Doepel: Okay. That's fair. Just another question on the Industrial Service business. Particularly, maybe that one. I guess when we look at that, you showed yourself that industrial utilization rates have been coming down and are still quite low. You've been able to grow your orders here in this business. I'm just wondering, looking ahead, what is going to drive that growth in the coming quarters, or what levers to grow the business do you have, and what's the level of confidence?

00:46:16

Anders Svensson: We have a market share of roughly 10 percent on the service side. We can definitely grow by taking more customers. This is what we do when we do make bolt-on acquisitions. That is basically how we acquire a customer base, service technicians. We can then strip out the overhead cost of the company that we buy. We can implement them in our tools and systems to increase productivity. Those kinds of bolt-on acquisitions are an engine in themselves within the service side. Then we can also do it organically, where we have mapped a lot of installed equipment. Both our own and competitive equipment, on how important these installed bases are for the customer. Is it the same process for the customer? We can, with our salespeople and service technicians, target where we believe that we can add the most value for customers, and where the customer is also ready to pay for a high level of uptime and value our services.

00:47:24

Anders Svensson: We can do it both organically and inorganically. There is still room to grow in terms of market share. We should remember our biggest competitor is not someone else, but a global company like us. It is insourcing within the customer itself in a maintenance department. The more digital solutions, automated solutions, there are in the content that we have sold or someone else has sold, the more difficult it is to maintain with your own maintenance department. Then you're more prone to an efficient outsourcing solution. There are also other drivers for that, and that's the age structure of maintenance departments in general, with customers. When there is a generation shift in those employees, they tend to look more at outsourcing because it's the most stable solution. If someone goes home sick or something, we can send another technician to make sure that the operations are up and running for our customers all the time. There are many drivers that will help us to grow our service sales.

00:48:31

Mikael Doepel: Okay, that's very clear. Thank you.

00:48:33

Kiira Fröberg: Thank you, Mikael. I think that we can now take a couple of questions from the chat. A few of them have actually been replied to already, but there is one question related to the Capital Markets Day. Could you share any extra light on what the content of the CMD is? It's kind of an odd timing, considering the CEO is on the way out, says the question.

00:48:57

Anders Svensson: Should the outgoing CEO answer?

00:48:59

Kiira Fröberg: Yes.

00:49:01

Teo Ottola: The IR.

00:49:04

Kiira Fröberg: The IR. Maybe let the outgoing CEO take this one first. I can then complement.

00:49:09

Anders Svensson: This was a discussion when we decided to continue with the Capital

Konecranes Q1 2025

Markets Day. We believe we have new management team members, Tomas Myntti in Ports, and Marko Tulokas in Industrial Equipment. They have formed their teams, and they are forming their strategies going forward. We believe that it's important for them to be able to talk. Where are we in the strategy execution part of the journeys within the different Business Areas? Fabio will also be there to talk about the service side and what we are doing to improve productivity and efficiency. My role will be more of summarizing what we have done so far in the strategy since I joined the company, and our journey over the last three years. The focus will be mainly on Teo. He will talk a bit about the future, and then the primary focus is to give a business update from our Business Areas, and for investors and analysts to be able to meet our business leaders.

00:50:26

Kiira Fröberg: Yes, I think that's a good answer. What we have also said when meeting with investors is that we are not renewing our strategy, so that's not the idea of arranging the CMD. Probably many of you have followed us or been our shareholders for a longer time. Remember that we had a pretty long break here a few years ago, in between the CMDs. The original reason for the big break was that there was a CEO change, and we cancelled the then CMD, and then there was COVID, and we canceled another CMD. Then there was the planned merger with Cargotech, which was later canceled. There were several years when we didn't basically give any, let's say, good update for the markets on what the company was doing. We received a lot of criticism back then, so we're not willing to create a bad circle like that. Is that the correct word in English this time around?

00:51:24

Kiira Fröberg: Rather, give regular updates about our business and where we are as a company. Welcome, everyone, to London, or to follow the event through the webcast. We have another question, or actually, a few questions related to the port cranes. I think we have taken a couple of them. There's one related to the made-in-US cranes, referring to BABA-compliant cranes. I guess made in the US is maybe a better terminology nowadays. Could you update us on your plans to build BABA-compliant or made-in-US cranes in the US, especially given the recent USTR announcements on ship-to-shore cranes and cargo handling equipment?

00:52:17

Anders Svensson: I think we touched it a bit. We plan to primarily focus on not having Chinese content in the cranes going into the US. The first step is basically building the intelligent boxes that go with these large steel constructions to be built in the US. Then being able to attach those to the larger steel structures that may come from India, Eastern Europe, or wherever. The final step will be to localize the large steel structures. That is a dramatic price difference to do that in the US compared to doing it in other parts of Asia or Eastern Europe. This is a several-step plan, but we are confident that we are able to fulfill the Made in America levels required for our customers. I think BABA-compliant is no longer a term that should be used. Now, it's made in America.

00:53:31

Kiira Fröberg: Thank you. I believe we still have one person in line. Now we could take the questions from the line, please.

00:53:42

Operator: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

00:53:53

Panu Laitinmäki: [silence 00:53:48-00:53:53] Thank you for taking my follow-up question. I just wanted to ask about the Port Solutions deal. It is obvious that you will benefit in market share terms in the US, but how do you see it in the rest of the world if the Chinese

Konecranes Q1 2025

competition does not have tariffs outside the US, and they might need to sell their products somewhere? Could you also remind me what percentage of the US is of the Port Solutions sales?

00:54:25

Anders Svensson: Do you want to take this?

00:54:27

Teo Ottola: If we look at the rest of the world, there are no tariffs one way or the other. The competitive situation continues as it has been continuing now. Suppose there is an issue with the Chinese STS capacity not being able to ship to the US. The Chinese vendors have been having a very high market share on a global scale as well. The US market share and global market share are not necessarily very different from each other. It does not necessarily change that picture significantly. Sorry, I forgot. What was the other part of your question?

00:55:11

Panu Laitinmäki: How big is the U.S in total Port Solutions sales?

00:55:17

Teo Ottola: We have not been discussing these particular ports' business or any other. However, particularly in ports, because of the volatility, we have projects in one year and maybe not in the other. The US, as a market, is around 30 percent, or was around 30 percent of our business in '24.

00:55:45

Kiira Fröberg: For the whole Group.

00:55:45

Teo Ottola: For the whole Group. Not Ports, but for the whole Group.

00:55:48

Panu Laitinmäki: It may be--

00:55:49

Anders Svensson: Okay, thank you.

00:55:57

Kiira Fröberg: And Industrial Service was the biggest, Port Solutions was the second biggest, and then Industrial Equipment was the third. We are not giving specific figures for the Business Areas, but Industrial Service is the biggest.

00:56:03

Anders Svensson: Maybe one to complement. If the first question was in relation to whether we are at risk of losing our ship-to-shore cranes sales in areas other than the US? The simple answer is that we have mainly sold ship-to-shore cranes to the US and to some customers in Europe who prefer to have Konecranes solutions. We don't have a strong market share at all in the rest of the world when it comes to ship-to-shore cranes. There, we don't see that we have a position to lose. We are strong globally in the other yard cranes, but in ship-to-shore cranes, we don't see a risk of losing any market share elsewhere, basically.

00:56:56

Panu Laitinmäki: Okay. Thank you.

00:56:58

Kiira Fröberg: Thank you. Hey, I think it's time to conclude the conference again now. Time starts to be up, so to speak. Thank you, everyone, Anders, Teo, and all the analysts online, for the active participation. As a reminder, Konecranes' Q2 report or the half-year financial report will be out on July 24th. That is the next time Konecranes will be giving an earnings update. Thank you.

Konecranes Q1 2025

00:57:29

Teo Ottola: Thank you. Bye-bye.

00:57:29

Anders Svensson: Thank you. Bye-bye