Transcript for "Interim report January–September 2025"

00:00:18 - 00:00:44
Speaker 1: [silence 00:00:01-00:0018] Good morning, and welcome to Kalmar Q3 results webcast. My name is Camilla Maikola, and I'm from Kalmar investor relations. Today's results will be presented by our president and CEO, Sami Niiranen, and CFO Sakari Ahdekivi. The presentation will be followed by a Q&A. Please pay attention to the disclaimer, as we will be making forward-looking statements. Now over to you, Sami.

00:00:52 - 00:01:57
Speaker 2: Thank you, Camilla, and good morning, everyone. I'm pleased to be here today to share with you Kalmar's third-quarter performance, which was a solid quarter in many ways. I'll start with highlighting the fact that we delivered a record high comparable operating profit margin of 13.8 percent, which was driven by services and improved efficiencies. Despite persistent global market uncertainty, indecisiveness, and delayed decision-making among some customers, we ensured a solid performance. The market activity in the quarter was in line with our previous expectations of a slightly softer environment in the second half, especially in the Americas. Orders received declined by 10 percent to €375 million. Service orders increased by 12 percent, while equipment orders decreased by 20 percent, which I will cover in more detail in the next slides. With one quarter left in the year, we keep our guidance unchanged, and we expect our comparable operating profit margin to be above 12 percent in 2025.

00:01:59 - 00:03:03
Speaker 2: Moving into orders received. Firstly, zooming out a bit from the quarter and the drop in total orders by 10 percent compared to last year's Q3. I would like to point out that year to date, we are at €1.3 billion versus €1.2 billion last year in orders received, and that is up by nine percent. As mentioned, we have a positive momentum in services. Service orders were strong across the portfolio with an increase of 12 percent, while equipment orders decreased by 20 percent from last year. The decrease in equipment orders was mainly affected by the timing of larger orders and delayed decision-making. The underlying demand remained mostly stable, however, it was subdued in the Americas. Tariffs are causing further uncertainty and, as mentioned, are dampening decision-making, meaning that our customers, especially in the US and Latin America, have remained cautious. The order book remained at a good level. Let's now focus on the regional development.

00:03:03 - 00:04:14
Speaker 2: The order development was mixed across different geographical regions and segments. In Europe, the order intake has been strong year to date, up 11 percent. The decline in Q3 was explained by the timing of larger orders. In Americas, we saw some growth year-on-year despite trade policy-related uncertainty. The growth was primarily driven by the distribution end customer segment and can be explained by a weak comparison period in 2024. AMEA's order intake year to date has been stable. In regards of our two segments, the services segment's orders have been strong across all the regions, which is key for us, of course. Then moving on to our sales performance. Our sales in the third quarter were €436 million. The sales continued to grow by three percent and in constant currencies, five percent, which is the result of strong operational execution. Sales in equipment were flat, and increased in services by eight percent from last year. Services serve sales continue to grow and were 34 percent in the third quarter.

00:04:17 - 00:05:17
Speaker 2: Then let me guide you through how our sales have developed in different regions. Geographically, in this quarter, there are differences depending on the region and in customer segments as well. The sales overall in Europe were stable with variations by end customer segment and country. The decrease in sales in the Americas continued and is explained by a lower order book in the distribution and customer segment. In AMEA, the sales performance has been strong, especially in the ports and terminals, and the customer segment. As you well know, we have a well-diversified business with our four strong customer segments. As already covered, the services segment's share of sales was 34 percent in Q3, which is providing resilience to our overall revenue. Echo portfolio share of sales is continuing to develop positively and has increased to 46 percent, which is showing a strong interest in our sustainable solutions.

00:05:17 - 00:06:29
Speaker 2: On the people side, let me highlight our 5,298 employees and teams worldwide. Together, we are dedicated to managing this dynamic environment while diligently executing our strategy. Let's now look at the whole year 2025 from a macroeconomic standpoint, which is one of the hot topics at the moment. The current macroeconomic uncertainty driven by geopolitical tensions leads to increased volatility in the economic data, making it difficult to provide long-term forecasts. However, as this data shows, based on external indicators, the

market in 2025 has been more resilient than previously anticipated. IMF increased its global GDP forecast again in October compared to July 2025. Drewry has again upgraded its container throughput forecast for 2025 to almost five percent, and for 2026 to 1.3 percent. Oxford Economics has also upgraded the global manufacturing forecast upwards for 2025 and 2026 in June.

00:06:32 - 00:07:37
Speaker 2: Then, building on the previous slide and looking at the development from a fleet activity point of view, here we have our fleet activity development of our 14,500 connected equipment around the world. We get a good picture of the activity in the different regions by following this. Overall, we see a positive development trend both year-on-year and quarter-on-quarter, which indicates increased activity at our customers' sites during the third quarter. As we see here, the activity in the US has decreased, which is in line with the softer market we have experienced. However, our global footprint is an important driver that provides us with resilience in turbulent times. Even though the market might be softer in one part of the world, as we see here, the overall development in the fleet activity is positive and provides us opportunities for future growth. Our eco portfolio continues on a positive development trend. The echo portfolio share of total sales has remained high and increased to 46 percent.

00:07:38 - 00:08:43
Speaker 2: Echo portfolio share of order intake was also high at 43 percent in Q3, which demonstrates our customers' strong interest in electric and hybrid solutions as well as sustainable service solutions. The fully electric machines served equipment orders for the last 12 months, increasing to 11 percent. We continue to see significant potential with electrification, and our focus has been on innovations enabling this transition. As an example, we have, during the third quarter, launched our next-generation lithium-ion battery technology for our counterbalanced equipment portfolio. Continuing on the positive side, we have been pleased to announce some orders booked in the third quarter, including the three-year Kalmar Care maintenance contract for the Malaga Terminal in Spain. Five hybrid straddle carriers, including my Kalmar Insight performance management tool, to Rotterdam subsea terminals in the Netherlands and 14 hybrid auto strap machines to Patrick Terminals in Australia.

00:08:46 - 00:09:51
Speaker 2: Then, to one of my favorite topics. Yet another quarter of good momentum and progress in strategic actions. During Q3, as a few examples, we kicked off the five-year move to the Korean program with the successful launch event in our innovation center in Finland. We also commenced with the construction work of our new test center in Ljungby, Sweden. Additionally, we were proud to be awarded an Eco Buddies Gold medal, which places us in the top five percent of all rated companies in terms of sustainability performance of the company and its supply chains. Additionally, as part of our commitment to sustainability, Bromma has manufactured the world's first crane spreader made from fossil-free steel to be delivered to DP World in Egypt this fall. Then shortly, a few highlights from our business performance before handing over to Sakari. The performance was solid in the third quarter despite continued market uncertainty.

00:09:51 - 00:10:36
Speaker 2: The service margin was strong at 18.5 percent. The equipment margin was at a solid level. However, affected by the product mix and tariff impacts with Sakari will come back to. The order book is at a good level in both segments. In other words, I think we are well-positioned to drive growth and deal with the volatile market environment. On my last slide here, I would like to remind you about our performance targets for 2028, which we are fully committed to. Now I will hand over to Sakari. Thank you for now. [silence 00:10:27-00:10:36]

00:10:36 - 00:11:45
Speaker 3: Thank you, Sami, and good morning to all of you, also from my side. I will start off with our traditional slide on our financial profile and where we are, and a couple of highlights from that. Our financial profile has remained strong, which gives us excellent possibilities to target growth and execute the kind of actions that Sami was mentioning that we have also been publishing during this quarter. If you look at the relationship between the orders and sales, you can see that over the last 12 months, we have booked clearly higher orders than we have had in terms of sales. Even though we had a slightly weaker quarter in terms of orders in Q3, I think this should be viewed a little bit longer term. That leads us to having an order book at a healthy level of around €1 billion. Our business performance has been successful, and our comparable operating profit margin for the last 12 months shows a slight uptick to 12.7 percent now as a result of the strong performance in Q3.

00:11:46 - 00:13:13
Speaker 3: Our leverage continues to be low, and maybe a low light from the financial profile is that our cash conversion has dropped to below 100 percent due to the weaker cash flow in Q3, and is now at 75 percent. Still pretty strong though. I will then go into the segments a little bit more in detail. As Tammy mentioned, the equipment segment's orders received decreased by 20 percent from last year in the quarter. However, when you look at the year-to-date number, it's still showing a healthy growth of 11 percent. In terms of the order book, that remains at a good level. Sales were flat in the quarter, and profitability was at a very good level at 12.7 percent. That was, of course, sales were on a good level, driven by successful project deliveries. We did have a temporary four-week delay in forklift deliveries to the US due to the new tariffs announced in August, and also the related documentation requirements, which had some impact on the quarter.

00:13:18 - 00:14:40
Speaker 3: However, the equipment segment's profitability was at a solid level in Q3, 12.7 percent, supported by our continued solid commercial performance and driving excellence program actions. Although we had some impacts from tariffs, and also the product mix also impacted the profitability in the quarter to some extent. Through proactive measures, the majority of the tariff impact was mitigated, though with a slight negative impact on the margins in the equipment segment. One of the highlights of the quarter definitely is the services performance overall, with an order growth of 12 percent in the quarter, seven percent year to date, which means we're growing faster than the market. The services strengthened order book, which provides resilience and sales up eight percent in the quarter and six percent year to date. Then also the profitability at 18.5 percent in the quarter. The 18.5 percent profitability was driven by higher sales and strong commercial performance.

00:14:41 - 00:16:17
Speaker 3: The US spare parts distribution center relocation, which had some impact on our queue to profitability and services, is very much on track now and is supporting our services growth now and going forward. Our tariff-related mitigation actions taken during the quarter supported the services margin resilience in a good way. Now let's dive into the topic of tariffs. I think the key message here is that the full impact remains unclear. Of course, we are dependent on the same external information as everyone else. The trade policy landscape is still fluid. What is clear, though, is that Kalmar has taken actions in regards to the tariffs, mitigating the tariff impacts with price increases, supply chain actions, and other operational excellence initiatives, as well as working on fulfilling the documentation requirements. As you know, our US factory in Ottawa, Kansas, produces terminal tractors mainly for the US market, and then also to Mexico and Canada.

00:16:17 - 00:17:41
Speaker 3: From our Poland factory in Stargard, Poland, we sell reach stackers, forklifts, and straddle carriers to the US market. It is worth mentioning that, to our knowledge, no player is manufacturing straddle carriers in the US. Our factory in Malaysia produces Bromma spreaders, which are sold globally. As you can see from this slide, our factory in Shanghai, China, sells nothing to the US, so that is not impacting. When it comes to the spare parts, components, and steel of Chinese origin, they represent a low double-digit percentage share of Kalmar's total portfolio. I think that's an important thing to note. Then, in our Driving Excellence program, the execution of our Driving Excellence initiative is ongoing very well. As you know, we are planning to reach €50 million of gross efficiency improvements by the end of 2026. During the first three quarters of '25, we have progressed with the implementation, and the run rate of approximately €24 million of annualized gross efficiency improvements have been secured.

00:17:42 - 00:19:14
Speaker 3: The majority of the improvements so far originate from commercial excellence actions, primarily around sourcing, but with impacts from operational excellence actions starting to materialise from things like process development. Then, to the balance sheet side, our return on capital employed in the third quarter was 20.8 percent, so very stable. As before, it's worth noticing that the items affecting comparability, which mostly derive from the demerger and listing process in the previous year, still have an impact on Q3 ROC, and the impact is about 1.7 percentage points. Normalized for that, we would be somewhere around 22.5 percent in ROC. Our average is at a strong level of only 0.3 times, and our gearing is around 13 percent. [silence 00:18:50-00:18:59] Then a few words about the cash flow, which was a bit of a low light in the quarter. Of course, cash flow always has some quarterly fluctuations, and this time we hit a number of €26 million.

00:19:14 - 00:20:31
Speaker 3: This was impacted by increased working capital. This increase was driven by inventories and largely explained by the tariff-related issues, as well as our deliberate action to improve spare parts availability, so

carrying somewhat higher spare parts inventory. In addition, of course, the high level of HD orders that we've been seeing in the previous quarters is to some extent also impacting work in progress. All in all, that then resulted in some buildup of working capital in the quarter, and our cash conversion for the last 12 months was at 75 percent, as stated previously. Then, as Sami already mentioned, our guidance for 2025 remains unchanged, and we expect our comparable operating profit margin to be above 12 percent. All right. That's all from the presentation side. I welcome my colleagues back to the stage. [silence 00:20:23-00:20:31]

00:20:31 - 00:20:44
Speaker 1: We are now ready for the Q&A. Moderator, can you please open up the line? [silence 00:20:38-00:20:44]

00:20:44 - 00:20:50
Speaker 4: The next question comes from Mikael Doepel from Nordea. Please go ahead.

00:20:52 - 00:21:25
Speaker 5: Thank you. Good morning, everybody, and thanks for taking my questions. I have two, please. I can take one by one. Firstly, on the service orders. Very strong growth in the quarter, as you mentioned, double digits here. Just wondering if there was anything exceptional there, any larger modernization deal or something else, maybe a week or comp, and how we should think about this trajectory going forward. Do you have any early indications for Q4, for example, on the connected unit that's up there?

00:21:28 - 00:22:00
Speaker 2: Okay. Yes. Thank you. Thank you, Mikael. That's a good start. We are happy, and I'm happy with the services, the performance, you know, overall, and we announced one service or maintenance contract during the quarter as well. That was visible there, but overall, I think it was a strong performance across all the regions in service. Of course, the product mix within the services was quite favorable as well. Good parts and logistic services we had.

00:22:03 - 00:22:11
Speaker 5: Okay. Any indications on the connected units trends? They're continuing, as you saw in Q3 or something else, into Q4.

00:22:12 - 00:23:11
Speaker 2: You mean connected versus our performance. No, I think overall, what we see with our connectivity and the fleet activity, of course, has been mostly green. It has been quite a positive year to date. During this year, and of course, apart from the Americas Region, which has been slow. However, otherwise, of course, there is a coloration correlation, of course, to the service performance as well. When the fleet activity is on a good level, of course, that provides us with opportunities to offer and sell our service solutions. Then Q4, the quarters are not equal to each other as we normally say, in different means. That applies to services as well. However, of course, growing services are one of our strategic pillars, maybe the most important strategic pillar. Definitely, there will be a high focus on growing services that are going forward as well. That's what I can promise.

00:23:11 - 00:23:46
Speaker 5: Oh, that's okay. Then, secondly, in the US, looking at the orders in the quarter, they didn't seem to weaken much sequentially in Q3. If I look at the Americas, and I'm assuming that's mainly reflecting the US. Would you regard these levels as some sort of floor level here, or should we expect further weakening? Just wondering what you're seeing in the market right now and discussing with customers. Just to be clear, I'm talking about the absolute numbers here. I know you realize that the top comes in Q4, but any color on that would be great.

00:23:46 - 00:25:08
Speaker 2: That's a very good question as well. Of course, as we mentioned in the report as well as presentation, there are lots of uncertainties still around in Americas and not only related directly to the US, but the surrounding countries as well. However, we have had, I think, still not on a very high level, but at least a little bit better level than what we had in 2024. You know, the performance in the US market. Of course, it's a little bit of building on the fact that we have a strong presence in the US market. We have a factory there, we have fantastic services, business, and the dealer network, the supply chain, and so forth. Of course, so it's building from many of those cornerstones there. How will it evolve going forward? Again, you know, visibility is not very far in the US market. However, we trust that we have the right actions in place. We are managing the situation well with tariffs, price increases, and so forth. We are actively, of course, visiting and talking to our

customers as well as dealers to find new businesses. The US market is very large. We see opportunities there as well. Let's say the Q3 landed on a quite similar level as Q2, as you rightly said.

00:25:08 - 00:25:16
Speaker 3: Of course, the comparison quarter from last year is very weak, although we saw growth compared to that, and that's maybe not so relevant.

00:25:16 - 00:25:26
Speaker 1: Talking to the front lines as late as yesterday, so customers are still making CapEx plans for next year despite the uncertainty. I think that's one message.

00:25:28 - 00:25:31
Speaker 5: Okay. Well, that's great. Thank you very much.

00:25:31 - 00:25:31
Speaker 3: Thank you.

00:25:35 - 00:25:41
Speaker 4: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

00:25:44 - 00:26:10
Speaker 6: Hi. I have a few questions. Firstly, continuing on the market kind of topic, do you have this comment that it looks maybe quite a bit better than expected? Are you referring to treasury and all these external forecasts, or is this referring to kind of what you saw in Q3 and onwards, compared to what you said after Q2, kind of speaking about a more subdued market?

00:26:11 - 00:27:35
Speaker 2: Yes, let's say we can look at it from different angles. Yes, absolutely, based on the external reports and certain KPIs coming from Oxford and so forth. Of course, there, the indications and the KPIs have been adjusted slightly upwards compared to the previous reporting in July, Q2 reporting. That is one building block there, of course. Then we can look at the fleet activity, which I mentioned already, which is, I think, on a healthy level and is showing green, showing good development there apart from the Americas region. I think that is one way to look at it as well. Then overall, I would say the underlying demand has been mostly stable in Q3. Okay. How will that develop towards Q4? I don't know, maybe no major changes expected on the underlying demand unless some radical things happen. Then I think overall, if you look at the order intake, for instance, we can always look at one quarter at a time. However, as we quite often say that quarters are not equal to each other. It's sometimes good to zoom out a little bit and look at the year-to-date order intake. Where are we with those numbers, and then divide them by three. Basically, you get some kind of average per quarter, then.

00:27:37 - 00:28:03
Speaker 6: All right. Thanks. Then secondly, in Europe more specifically, you mentioned like timing of a larger order there. What kind of timing are we talking about? It is like you have a sales pipeline where you expect lots of orders. They didn't come in Q3, or is this kind of customer delaying decision-making in large orders once again? What should we kind of expect going forward?

00:28:03 - 00:28:36
Speaker 2: Yes, it can be both reasons that you mentioned there. However, it's large orders, then a quarter is only a three-month time period basically. Of course, some of the orders might slip to the next quarter and so forth. However, of course, in some cases, you know, the decision-making might be a little slower due to different reasons as well. I think it's a combination of these things. That was the main reason compared to a previous quarter, for instance, that we had a couple of timing effects there.

00:28:36 - 00:28:55
Speaker 3: I think it also makes reference to the previous strong quarters that we had. Of course, larger orders and more order announcements than we had in Q3. I think it also should be thought through from that kind of perspective.

00:28:57 - 00:29:05
Speaker 6: Okay. Any indicators? What is the kind of pipeline for larger orders in Q4 if things go as you kind of hope?

00:29:06 - 00:29:35
Speaker 3: However, let's say we have good activities with our customers overall and on the larger orders as well. We can look at the external report and those parameters, how container throughput, for instance, that's where we quite often have those a little bit larger orders as well. How is that developing now in 2025? We talk about five percent growth again. Last year was really good as well. I think we have a healthy pipeline even going forward.

00:29:37 - 00:29:51
Speaker 6: Thanks. My final question is on tariffs. Just to kind of make it simple, do you expect Q4 impact from tariffs to be more negative than you had in Q3, or is it similar, or is it smaller if we are talking about kind of earnings and margins?

00:29:52 - 00:30:08
Speaker 2: Very difficult to say. There are so many moving pieces there, as we can read from the news as well, and it's changing on a daily basis, basically. Too early to predict what will happen in Q4. What we know is, of course, Q3, which you partly explained as well.

00:30:08 - 00:30:24
Speaker 3: Of course, it depends on whether things stabilize or whether there's further turbulence, because then, when there are changes in turbulence, it always takes some time to adjust, but in a stable environment, of course, over time, that helps.

00:30:25 - 00:30:40
Speaker 7: As you see from Q3 three, also, that in services it's been more straightforward. Then, in equipment, there are more kinds of moving parts when it comes to understanding the tariff requirements.

00:30:43 - 00:31:05
Speaker 6: Thanks. I kind of meant that if the environment is stable, are you having any kind of lagging negative cost impacts or anything like that, because we have seen a lot of different kinds of dynamics from companies during this earnings season, with some getting a bit of a tailwind and some getting a kind of headwind? Just wondering what you expected for Q4?

00:31:05 - 00:31:35
Speaker 3: Yes, it's reflecting a little bit back to what Carina just said on the parts and service side in general. The situation is a little bit more dynamic. We can manage the situation in a better way. When it comes to equipment, there might be some differences there. Even there, we have been managing the situation very well. However, we can see some kind of impact there. If it's exactly similar type of level of tariffs Q4 versus Q3. Maybe we can expect a similar type of behavior.

00:31:37 - 00:31:39
Speaker 6: Okay. Thank you. That's all for me.

00:31:39 - 00:31:40
Speaker 2: Thank you.

00:31:43 - 00:31:50
Speaker 4: The next question comes from Andreas Koski from BNP Paribas. Please go ahead.

00:31:53 - 00:32:26
Speaker 8: Thank you and good morning. Firstly, can I drill a bit further into the large order situation? What did your large orders approximately amount to in Q3, and how does that compare to, say, what you consider a normal level or the historical average level? I just tried to understand if this quarter is on a normal level and that previous quarters have been inflated, or if it is the other way around.

00:32:27 - 00:32:54
Speaker 2: What we can say about the large orders, let's say this quarter, Q3, was on a low level, I would say, and you can see in our publishments or announcements as well. We had one large order that we published now in Q3, and in the previous quarters. Even last year were some quarters we had much more of those. This was on the low side, I would say, in Q3.

00:32:55 - 00:33:35
Speaker 8: Do you want to share any thoughts about 2026 already now, because you referred to, I think Drewry, who expects container throughput to increase by more than five percent this year. Then I think you mentioned around 1.5 percent next year. How to translate that into demand for your products? Does that mean that we should expect a substantial slowdown also in the demand for your product in 2026, as the container throughput will decelerate? Thank you.

00:33:35 - 00:34:41
Speaker 2: Yes. Let's say that, of course, those KPIs give an indication, and we need to look at them with a bit of a grain of salt as well. Through the fingers, which gives some kind of understanding of the underlying demand. The positive thing here is that all of those indicators are on the positive side. None of these is negative. They have even been adjusted a little bit upwards since three months ago, basically. That's how we look at it. Then we combine it with the fleet activity. How much equipment do we have, 68,000 all over the world, you know, when 14,500 are connected. They are providing very valuable data for us, and then we also, of course, add on the customer activities, our pipeline, these customers for different areas and portfolios. When we put everything together, then we get some kind of idea, of course, you know what, 2025 as well as maybe towards next year. However, I think, overall, how you should perceive the next year. I think it's good to good to look at these graphs here and which provide us with a moderately positive outlook for 2026.

00:34:41 - 00:35:03
Speaker 2: That's how we look at it, but on the other hand, these are changing quite rapidly. We were experiencing a much lower 2025 forecast in the past during this year. Now they have been adjusted upwards. They are quite volatile depending on what happens in the macroeconomic and geopolitical situation. The visibility is not very far, and that's also very much true.

00:35:03 - 00:35:13
Speaker 3: I guess it's fair to say that the only reference that can be made is to these external indicators at this stage for 26. We'll need to come back to that at a later stage.

00:35:14 - 00:35:45
Speaker 8: Then lastly, on your comparable operating profit. The other line was minus four, which can be compared to the quarterly average in the first half of around minus eight. Have you been able to lower your overhead costs to the extent that we should expect mid-single digits going forward, or what is the sort of guidance for the other line or the overhead cost going forward? Thank you.

00:35:45 - 00:36:10
Speaker 3: I think I'll give guidance, but you're right. It has supported the quarter by a couple of million. Of course, we are constantly working on our cost basis, part of our driving excellence. That's where some of the process improvements that we are doing are showing are, of course, in the admin line in general. Some of that is in the group cost.

00:36:11 - 00:36:13
Speaker 8: Where level should be sort of sustainable.

00:36:15 - 00:36:37
Speaker 3: I would say that, of course, costs don't jump up and down so much. I think it's clearly in the right direction. [silence 00:36:28-00:36:37]

00:36:37 - 00:36:43
Speaker 4: The next question comes from Antti Kansanen from SEB. Please go ahead.

00:36:48 - 00:37:07
Speaker 9: Hi guys. It's Antti from SEB. Just two questions for me. I'll start with the Americas orders in the third quarter, up a little bit from last year. Was there a notable impact on pricing, whether it be tariff-related or other price increases on a year-over-year basis?

00:37:07 - 00:37:16
Speaker 2: Yes. Thanks, Antti. There was an impact on pricing and especially on the services side in the US.

00:37:18 - 00:37:25
Speaker 9: Is there any way to quantify how much that was in case or anything else?

00:37:27 - 00:37:41
Speaker 3: Well, in general, we have given some indication of the price increases. They are more or less, of course, the target is to match the impacts of any tariff impacts.

00:37:43 - 00:37:52
Speaker 2: Earlier, we talked about five to 10 percent. Okay. Now we can expand it a little bit towards some maybe five to 15 percent on price increases.

00:37:54 - 00:38:02
Speaker 9: Is the five to 15 price increase referring to the services side of load, or also to the equipment in the US?

00:38:02 - 00:38:08
Speaker 2: Basically, everything is a combination of both the equipment and services.

00:38:09 - 00:38:51
Speaker 9: Okay. Fair enough. Then I wanted to continue. I mean, there's been a little bit of a discussion already on the bigger orders and the pipeline. Maybe a question on seasonality. In some cases, it seems that Q4 tends to be quite a busy month. Some of the clients want to sign the agreements before the year's end. If I remember correctly, Q4 last year was quite active in terms of the bigger deal. I'm just trying to figure out if this year is Q3 order level is now more reflective of what we should expect from last quarter, or if there's some type of big order pent-up pipeline that could be released before year-end? Is there any of this type of seasonality in any of your product groups?

00:38:54 - 00:39:11
Speaker 2: Not really seasonality or cyclicality there. As I said in the previous question, that okay, Q3 that was on a little bit on a low level. However, we have good customer activity, and we have a good pipeline. Then we will see, you know, when some of those orders will land. We don't know exactly, of course.

00:39:11 - 00:39:28
Speaker 7: Maybe if you look backwards a lot. Then, when we had more, bigger projects, related businesses, you could see a seasonality towards the end of the Q4 to a much larger extent than now, when we are talking about mobile equipment.

00:39:28 - 00:39:32
Speaker 3: Yes, I don't think we regard this as a seasonal business as such. No.

00:39:33 - 00:39:49
Speaker 9: Okay. Maybe that was what I was remembering then. I mean, but last year Q4 was quite an active quarter if you're referring to this Q3 now being kind of on a low level, maybe Q4 was then the mirror image of that. Am I correct?

00:39:50 - 00:40:15
Speaker 2: Yes. With a difficult say, let's say the underlying market demand has been mostly stable in Q3, similar to Q2. As I alluded to a little bit, okay, if nothing radical changes, it might be, you know, on a similar level for Q4 as well, then it's a matter of when some of the larger package orders will land.

00:40:15 - 00:40:21
Speaker 3: However, it's true to say that, of course, there were quite a few larger orders in that last quarter last year.

00:40:23 - 00:40:35
Speaker 7: Even though the releases don't give a total picture. If you flip back and look at the order releases from the different quarters, they give you some kind of an indication.

00:40:37 - 00:40:38
Speaker 3: Yes.

00:40:38 - 00:40:41
Speaker 9: Okay. Thank you very much. I have no further questions.

00:40:41 - 00:40:47
Speaker 3: Thank you. [silence 00:40:42-00:40:47]

00:40:47 - 00:41:05
Speaker 4: As a reminder, if you wish to ask a question, please dial Pound Key five on your telephone keypad. [silence 00:40:53-00:40:59] The next question comes from Tom Skogman from DNB Carnegie. Please go ahead.

00:41:09 - 00:41:24
Speaker 10: Good morning. This is Tom from DNB Carnegie. We have discussed a lot about orders geographically, but perhaps you could also open up a bit in different end markets and customer industries. Do you see any big differences?

00:41:25 - 00:42:18
Speaker 2: Yes, that's a good question, Tom. I would say, as we can see, even in the external reports on the container throughput, I think the ports and terminals and the customer segment have been performing well throughout the year and in Q3 in general as well. I know that it has been on a good level. Then, when it comes to heavy logistics, heavy industries, as well as manufacturing, I think they have been on a rather stable level as well. Where we have had, let's say, the slowest performance or the market activity, that has been in the distribution and customer segment. Then, I mean, you know, very much the logistics centers and warehouses that are located in the US, for instance. Out of those four, that has been the slowest so far.

00:42:21 - 00:42:39
Speaker 10: All right then, I would like to understand how big share of the market Chinese companies have in your type of products in the US. To me, it's very unclear what kind of market position, for instance, any other companies have in the US.

00:42:40 - 00:43:05
Speaker 2: Yes, very difficult to answer. Normally, we do not comment on the competitor activities either. You know, so what we can talk about is, of course, our actions and our strategies in the US. Then we have a full focus there, definitely. We want to gain even more market share going forward. Unfortunately, you have to ask somebody else, Tom.

00:43:06 - 00:43:18
Speaker 10: I'm just looking at a potential for you to gain market shares, you know. Then you have these high tariffs on Chinese companies. I think it's very relevant just to understand how big a share they have, more or less.

00:43:19 - 00:43:32
Speaker 2: Yes. I don't know if there are any external reports published openly on the, you know, indications on the machine volumes and that sort of thing. That might be the source of information, of course, for that question.

00:43:35 - 00:44:03
Speaker 10: Okay, then, about the electric machine. At the capital market day, I think you said that 50 percent of the market will be electric by 2030. Do you still kind of expect this? Do you expect that you will also have 50 percent of machines being electric in 2030?

00:44:04 - 00:45:11
Speaker 2: Yes. Let's say overall, of course, electrification is one of the megatrends or market drivers. It's growing fast. That's what we see. You can see it in our numbers as well. When we report the eco portfolio where there are a couple of, you know, electric hybrid machines as well. Then, if you look at the electric machine share, it's 11 percent. We are climbing from nine to 10 percent, you know, a while ago, one out of 11 percent. It is growing and in different parts of the world, in different portfolios, and so forth. That's what we believe in. We

talked about 28 percent annual growth, which would result in 40 percent by 2028, and interpolating a little bit longer. Of course, we talked about maybe 50 percent by 2030. We believe in electrification, and we have a full focus on that one in different parts of the organization. Absolutely. Then the customer interviews and even research indicate that a vast majority of our customers are planning to invest in low-emission equipment and solutions in the years to come.

00:45:11 - 00:45:28
Speaker 7: We have fresh reports, NPS studies, and so forth from customers when we ask about the indication. It's really strong when the customers are looking forward to what they will do. Two-thirds of them will invest in low-emission equipment going forward.

00:45:30 - 00:45:44
Speaker 10: Can you give out some specs about your new electric machines? You know how much cheaper they are than the previous generation? What is the price of them more or less compared to fossil alternatives, for instance?

00:45:45 - 00:46:50
Speaker 2: Earlier, I think at the capital market today we talked about the pricing, you know, up to two times revenue versus the diesel. Okay. I think we have come down from those levels. It's a little bit closer to the diesel abattoir. However, let's say we talk about a substantial premium, still, you know, on the electric machines. However, I think it's important to understand how and what we are selling and offering to our customers is the solutions, basically not only the piece of equipment, you know, whether there is a price tag on, but we are offering the combination of the electric superior electric performance together with the machine itself, including the services, including maybe some other technologies and so forth. That's what we are offering. Therefore, you know, rather than talking about the machine price itself. Exactly. You know, we talk about the TCO and total cost of ownership, where we can see a clear benefit for our customers in the next five years, after five years of operations or seven years of operations already with the lower TCO, for instance.

00:46:50 - 00:47:14
Speaker 2: However, I think it's frank to say that the price tag of the new batteries and technology has come down a little bit. That's what we are harvesting as well. Now in Q3, mentioning this next-generation lithium-ion battery solution on our counterbalance time in forklift, read stacker empty container handler products as well. That is a very important part of that development.

00:47:16 - 00:47:22
Speaker 10: What is the big difference in your third generation of machines compared to the second? What is that?

00:47:23 - 00:47:38
Speaker 2: I think it's a combination. The whole solution, basically, their performance, of course, cost competitiveness. I mean, you know, the cost is one piece out of that as well. It has a lower product cost. Absolutely.

00:47:39 - 00:47:44
Speaker 10: Where do you source the batteries for products aimed at the US market?

00:47:44 - 00:48:13
Speaker 2: Let's say we have a couple of suppliers for our key electric components. It's not only batteries, it's several other products as well. Let's say the major ones are coming from China to the US market as well. However, what we are doing, of course, we are working on the dual capabilities constantly and looking at the best possible solutions and options for our equipment going forward.

00:48:14 - 00:48:29
Speaker 1: My final question on this. Are you confident that you are as competitive in these machines as in the voting machines? You know, everyone is scared of cheap Chinese products. We have seen what has happened in the car industry.

00:48:30 - 00:49:32
Speaker 2: Yes. We are as confident as at the Capital Markets Day, which you referred to earlier. We have a strong position. If you look at our portfolio, the width of the portfolio, including electric options, including the

eco portfolio options, I think we need to put that money in the picture as well, because we want to make the transition towards electrification as smooth as possible for our end customers. Then, when we combine it with the technology part, you know, the intelligence, the skills that we have in our organization all over the world, and then services, I mean, the aftermarket capabilities as well, which we are constantly developing further. I'm confident that we will be competitive going forward. We are competitive already as of today. Then maybe even the fourth layer or dimension is the customer feedback as well. When talking to the customers who have been operating the electric equipment in different parts of the world, not only in one country. It's basically everywhere. Very positive feedback as well.

00:49:32 - 00:49:39
Speaker 3: However, of course, it requires constant development of our offering as well as our supply chain, also going forward.

00:49:41 - 00:49:52
Speaker 7: It's an evolution, not a revolution, because it takes quite a long time for the customers to transform into fully electric operations.

00:49:56 - 00:49:57
Speaker 10: Thank you.

00:49:57 - 00:49:58
Speaker 3: Thank you.

00:50:02 - 00:50:08
Speaker 4: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

00:50:11 - 00:50:29
Speaker 6: Hi. Thanks for taking my follow-ups. I would have two. Firstly, just to clarify on the price hikes and service growth. If it were a five to 15 percent price hike, does it mean that it kind of explains two to three percent of your service growth in Q3?

00:50:29 - 00:50:42
Speaker 2: Not fully. I mean, in the US market, that's where basically, mainly growth is coming from. However, in the other regions, you know there we have organic growth as well.

00:50:44 - 00:50:50
Speaker 6: Yes. I meant that maybe the US is 20 or 30 percent of your service base revenue.

00:50:51 - 00:51:03
Speaker 2: The US is an important market for us in service, but so are the other regions as well. We have had a very good performance both in South and North Europe as well.

00:51:05 - 00:51:32
Speaker 6: Okay. Thanks. Then secondly, just on this, if it is the improvement program where you now achieve 24 billion out of 50, how should we think about the earnings impact from that if you are now at a certain run rate? Are you kind of getting some earnings uplift afterwards, or how should we think about 26 margins compared to 25, based on this program?

00:51:32 - 00:52:29
Speaker 3: Yes. I think you should think about it in a way that we talk about gross efficiency and run rate. Of course, run rate always means that it's where we are traveling at the end of Q3, and some of it translates into PNL positive impact this year. Then you have the full-year impact from that in '26. Then, of course, our target is to hit the 50 million run rate of gross efficiency improvements by the end of next year. However, we have also stressed that it's a gross efficiency improvement. Some of it is reinvested into R&D and other activities to support our strategy and our growth. It's not all that visible directly in the bottom line. Then there are a lot of other things happening at the same time. Of course, with the tariffs and prices and other things, but some of it is in the PNL in our sourcing savings already in the actuals.

00:52:32 - 00:52:43

Speaker 6: Okay. Is it possible to kind of quantify it, even in rough terms? How much is gross and how much is net? Is it like you get half to the bottom line or less, or what should we expect?

00:52:44 - 00:52:56
Speaker 3: We haven't actually stated that. However, if you take our run rate from the different quarters that we've been showing, I think you can somehow model it from that.

00:52:58 - 00:52:59
Speaker 6: Okay. Thank you.

00:53:00 - 00:53:00
Speaker 2: Thank you.

00:53:04 - 00:53:09
Speaker 4: There are no more questions at this time. I hand the conference back to the speakers.

00:53:11 - 00:53:22
Speaker 1: Thank you all for joining today. We will get back again with our Q4 results on 13th February next year. Thank you.

00:53:22 - 00:53:22
Speaker 3: Thank you.

00:53:22 - 00:53:23
Speaker 2: Thank you. [silence 00:53:23-00:53:49]