

# Annual General Meeting 2019

March 28, 2019

Panu Routila, President & CEO



## Agenda

- 1. Full year 2018 highlights
- 2. MHPS integration update
- 3. Business Area focus beyond integration

Konecranes applied the full retrospective approach in IFRS 15 transition, and the numbers for the periods in 2017 have been restated. Please refer to note 4 for more details on the implementation of IFRS 15 and other significant accounting policies.



## Full year 2018 highlights

#### Clear improvement in Group adjusted EBITA margin

- Group adjusted EBITA margin in FY 2018 at 8.1% (6.9%), in Q4 the adjusted EBITA margin improved to 9.4% (8.8%)
- Full-year sales growth of 3.0% with comparable currencies

#### **Solid order growth in all Business Areas**

- Continued good execution with Service growth strategy: In FY 2018, comparable currency orders and agreement base value up 5.3% and 5.1%, respectively
- In **Industrial Equipment**, full year external order growth of 5.5% with comparable currencies
- In **Port Solutions**, order intake grew 5.3% in the full year with comparable currencies, boosted by an order for 54 Automated Rail Mounted Gantry cranes to Khalifa Port in Abu Dhabi in Q4, the 2<sup>nd</sup> largest order ever received by Konecranes

#### **Integration of MHPS progressing on track**

Run-rate synergy savings at EUR 113m, slightly above 2018 target

The Board of Directors proposes a dividend of EUR 1.20 dividend per share for 2018



## Key figures

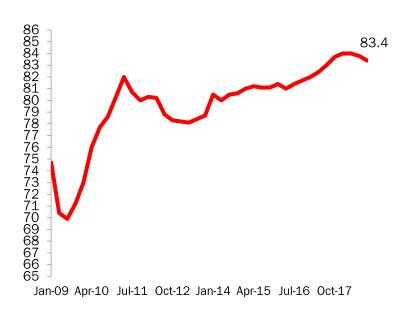
Key figures	1-12/18	1-12/17*	Change %	Change % at comparable currencies
Orders received, MEUR	3,090.3	3,007.4	2.8	5.2
Order book at end of period, MEUR	1,715.4	1,535.8	11.7	11.8
Sales, MEUR	3,156.1	3,137.2	0.6	3.0
Adj. EBITDA, MEUR	325.7	289.2	12.6	
Adj. EBITDA, %	10.3%	9.2%		
Adj. EBITA, MEUR	257.1	216.6	18.7	
Adj. EBITA, %	8.1%	6.9%		
Operating profit (EBIT), MEUR	166.2	318.7	-46.5	
Operating margin (EBIT), %	5.3%	10.2%		
EPS, basic, EUR	1.29	2.89	-55.3	
Free cash flow, MEUR	73.1	224.4		
Net debt, MEUR	545.3	525.3		

<sup>\*1-12/17</sup> included a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems



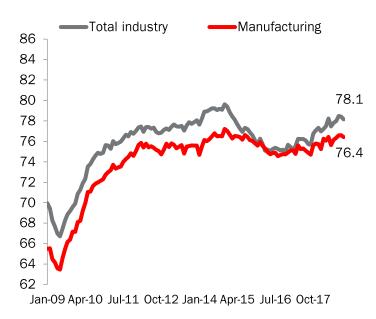
## Market environment – Service and Industrial Equipment

#### Capacity utilization rate – EU



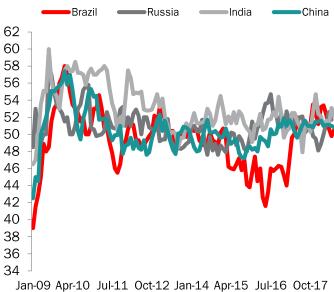
- Slowing growth rate in the Eurozone: manufacturing PMI growth in December was the weakest since Feb-16
- Capacity utilization rate in EU decreased slightly in Q4

## Capacity utilization rate – USA



- In the US, manufacturing PMI declined in Q4, however the growth rate was still clearly higher compared to the Eurozone
- Correspondingly, manufacturing capacity utilization declined in Q4

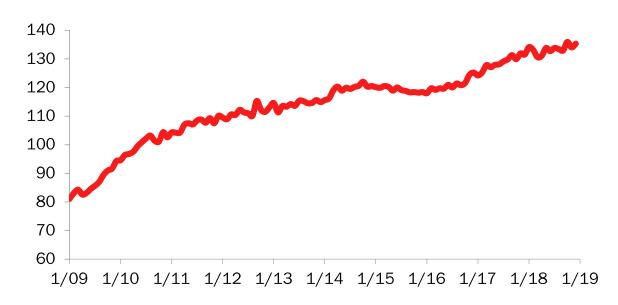
#### PMIs – BRIC countries



- Improving manufacturing conditions in India, Brazil and Russia
- Stagnant manufacturing conditions in China

## Market environment – Port Solutions

#### RWI/ISL Container Throughput Index



- The container throughput index reached a new record high in Oct-18 and was approximately at this level in the year-end
- In 2018, global container throughput increased by approx. 4% YoY

#### Monthly index change Y/Y

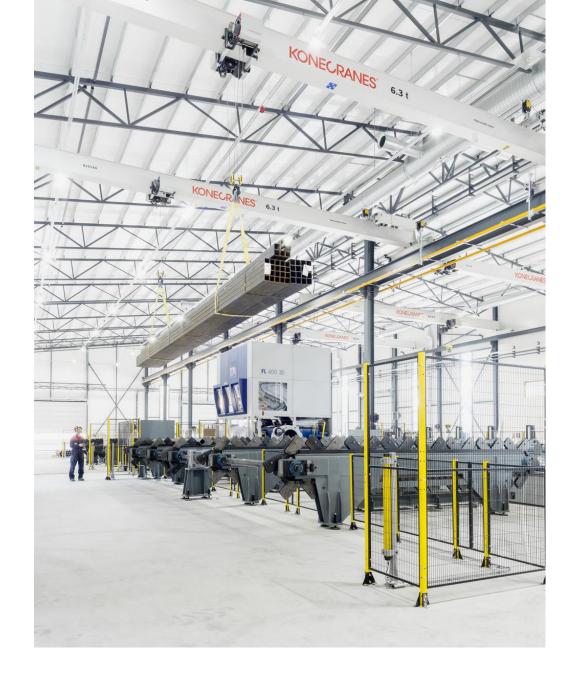


• The index continues to signal container throughput growth, although the growth rate has slowed down since the previous year

Source: RWI/ISL Container Throughput Index (latest data point December 2018)

## Demand outlook

- The demand environment within the industrial customer segments in EMEA and the Americas is stable and continues at a good level.
- In APAC the demand environment remains stable.
- Global container throughput is on a healthy level, although the growth has decelerated. Nevertheless, the prospects for orders related to container handling remain stable.



## Financial guidance

### Financial guidance for 2019

- Konecranes expects sales in full year 2019 to increase 5-7% year on year.
- Konecranes expects the adjusted EBITA margin in full year 2019 to improve compared to full year 2018.

## Additional guidance information for 2019

- Synergy cost savings benefiting the adjusted EBITA margin in 2019
- Weaker sales mix particularly in Business Area Port Solutions
- Additional investments in future growth initiatives

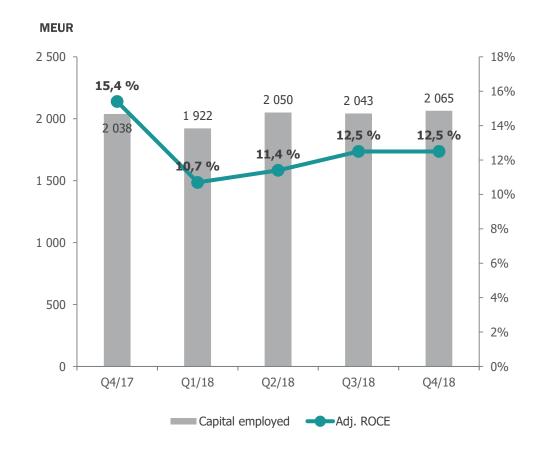


## Gearing and return on capital employed

### Equity, net debt and gearing



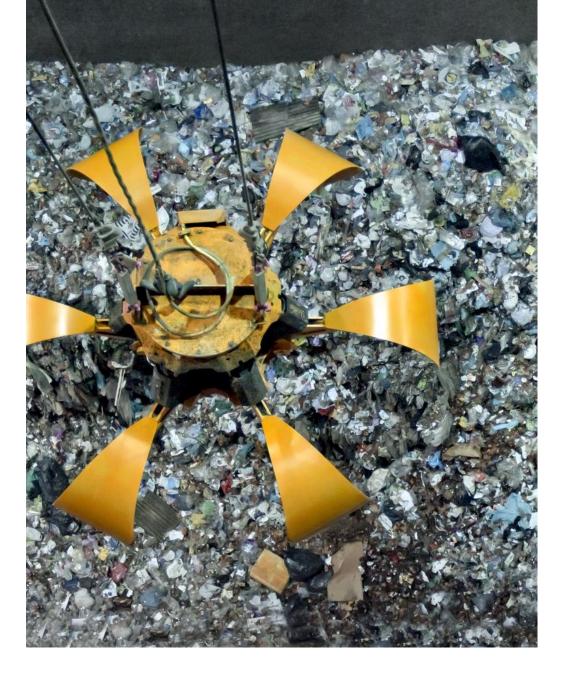
### Capital employed and return on capital employed





## Integration proceeded according to plans in 2018

- More Industrial Equipment products with unified technology, which enabled the reduction of product platforms from ~30 to 20
- Implementation of shared sales management processes and CRM system completed
- Manufacturing:
  - Ramp-down of three industrial crane factories, Solon, US, Fengxian, China and Banbury, UK completed
  - Manufacturing optimization underway in Germany and France
    - Agreement reached in Wetter
    - Process ongoing in Vernouillet
- Financial Shared Services consolidated in Europe
- Good progress with procurement savings
- Legal entity consolidation: approximately ¾ completed
- Net headcount reduced by ~1,100 from the beginning of integration, whilst reinvesting in Service growth



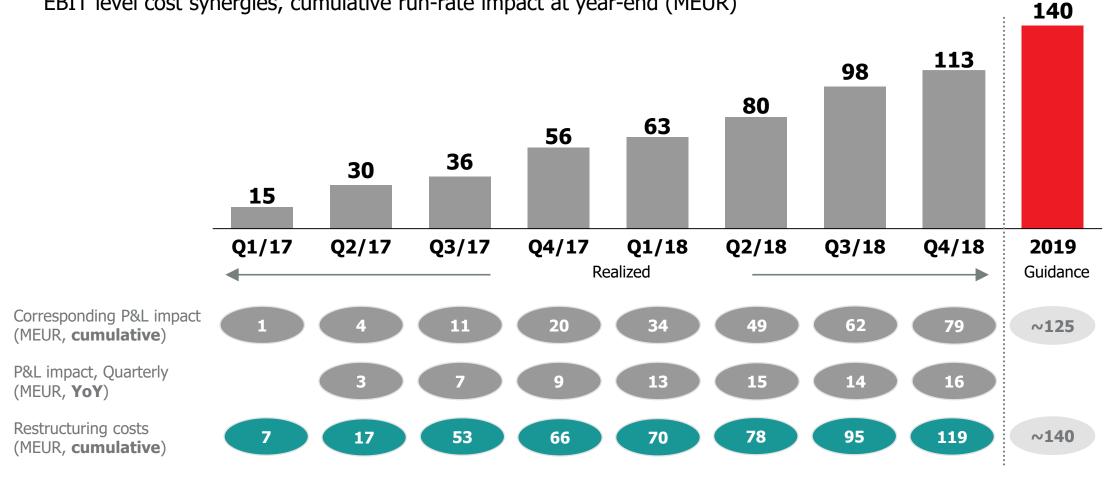
# Update on the Vernouillet site, France

- Today, Vernouillet operates as an assembly factory for the current generation of Konecranes Electric Chain Hoist
- In 2018, Konecranes made a decision to centralize the final assembly of New Electric Chain Hoist in Europe to Wetter and the related gear manufacturing to Hämeenlinna
- After assessing various insourcing options, no solution was identified that could fully or partially replace the chain hoist volumes in Vernouillet
- The production of existing chain hoist models will be gradually ramped-down over the course of H2/2019
- Active search for a buyer to prevent the closure of the site
- Simultaneous discussions with employee and union representatives on a scenario where the site would need to be closed
- Focus on viable options for future employment with adequate social measures
- Commitment to guarantee work in Vernouillet until the end of 2019



## Cumulative run-rate savings at EUR 113 million

EBIT level cost synergies, cumulative run-rate impact at year-end (MEUR)



EUR ~30 million capex expected in 2017-2019

## Reduction of product platforms













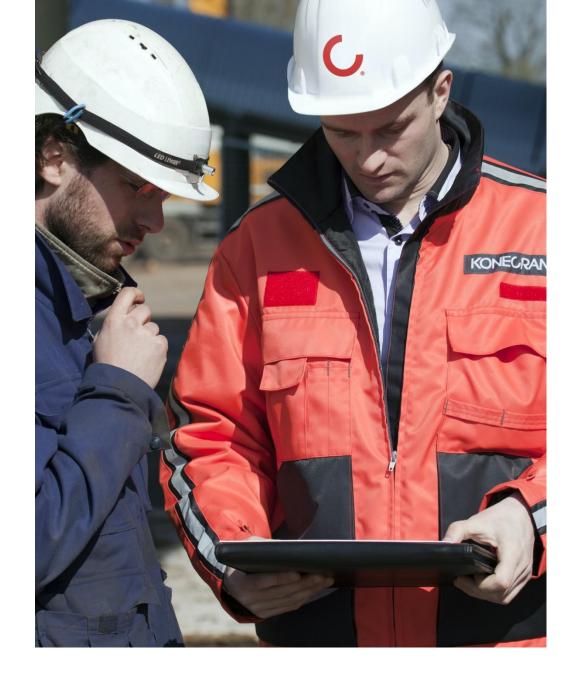
	2017	Year-end 2018	Long-term Target
Wire rope hoists	30 platforms	5	
Electric chain hoists		3	
Winches		8	11-14
Jib cranes		2	platforms
Light cranes		1	
Industrial cranes		1	
Total		20 platforms	

## 25 active own production sites at the moment 12 factories closed since the beginning of MHPS integration



## Key learnings from integration

- Integration supported by clear deal logic and complementary fit of Konecranes and MHPS
- Diligent planning and decision making based on facts is important
- Early focus on organization, internal communication and fitting corporate cultures minimized distraction to daily operations
- Well defined integration plan, synergy savings program and governance, along with rigorous follow-up
- Preparedness to change plans when needed
  - Nurturing positive findings
  - Dealing with negative surprises



## **Diversity and Inclusion**

Our ambition is to take a leadership role in diversity in our industry over the coming years. We want to be known as a company where valuing diversity, inclusion and belonging is at the center of our workplace culture.

Target 2018	Performance
At least 25% of group management members female	27% female 73% male
No single nationality should represent more than 50% of group management by the end of 2020	63% Finnish 37% Other



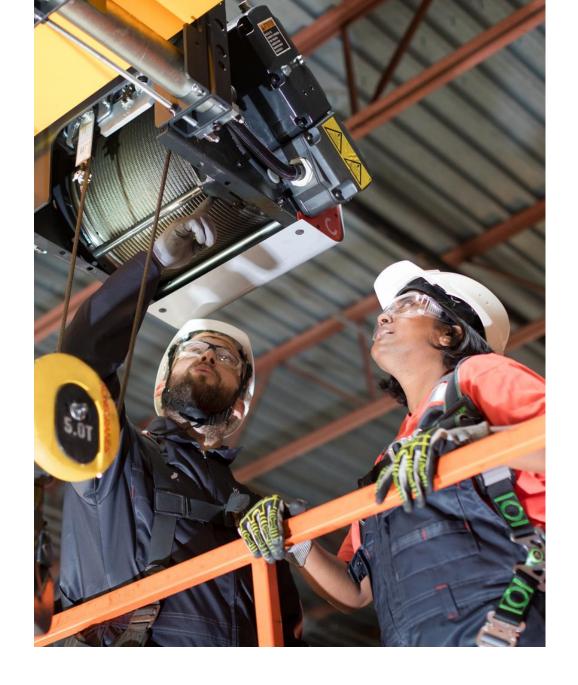
## Sustainability

Our ambition is to create added value for our shareholders and other stakeholders by acting in a responsible way towards our people, societies and the environment.

#### Some 2018 highlights:

- New global tool launched for Health, Safety and Environment observations and incident investigations
- Ethics and Compliance Committee established, new Whistleblowing channel launched
- New Supplier Code of Conduct introduced
- Ecolifting concept launched for lift trucks to drive lower fuel consumption
- Circular economy research project

Topic	New 2025 energy and emission targets for Konecranes
Reducing energy intensity	25% reduction in MWh/sales 2017-2025
Reducing emission intensity	25% reduction in tCO <sub>2</sub> /sales 2017-2025
Renewables	100% renewable electricity in all factories by 2025



# Focus in Business Areas shifting gradually to post-integration initiatives

Service



**Industrial Equipment** 



Port Solutions



Continuing to tap multi-year growth potential

Evolution towards prescriptive maintenance

Developing offering towards material flow solutions

New Solutions business for enhanced automation systems



## Service **Evolution of Maintenance Services**

#### **REACTIVE**

#### Paper reports in days

- · On-call service and repairs
- Compliance inspections
- Spare parts

#### **PREVENTIVE**

#### Online reports in **hours**

- Preventive maintenance inspections
- Routine maintenance
- Oil Analysis
- **Consultation Services**
- · Operating and maintenance data

#### **PREDICTIVE**

#### Data in **minutes**

- + Condition monitoring
- + Condition based recommendations
- + Wearing parts replacement
- + Historical analytics
- + Operational analytics



#### Planned actions before you need them

Evolves from predictive as more service products are added and more data is collected and analyzed. People expertise enhanced by machine learning.





## **Growth DRIVERS**

## Leverage Demag installed base and agreement base

- · Expand agreement base coverage
- Increase agreement value per asset and service sales per asset (e.g. TRUCONNECT retrofits)
- Harmonize offering and pricing

## **Deliver business / digital transformation benefits**

- Increase Service Agreement retention
- Increase bundling of service products in Service Agreements
- Increase share of wallet; capture existing maintenance spend
- Expand customer maintenance investment/spend > deliver safety and productivity improvements i.e. demonstrate return on investment
- Increase market share, large scale outsourcing at regional / global accounts

#### Leverage and assimilate Demag service products

- Light Lifting product sales through service network
- General Overhaul Packages, Parts and Components
- Below-the-hook inspections and sales

## Online sales of parts, light lifting equipment and accessories

- STOREs launched in US, Finland, Canada, Australia, Germany, UK, China, Singapore, France
- In addition to external sale and promotion, STORES are used internally for parts identification and document search

Corrective Maintenance Retrofits Consultation Services on **MAXIMIZING** THE PRODUCTIVITY **OF UPTIME** Maintenance Predictive Modernization Lifecycle Care Services **HIGHEST LIFECYCLE VALUE Improving safety and** productivity in Real Time Inspections and a solution of the solution of eduipment streets parts **MINIMIZING** THE COST OF **DOWNTIME** 

## Delivering Lifecycle Care in Real Time







**GET INSIGHTS** 

**OPTIMIZE** 

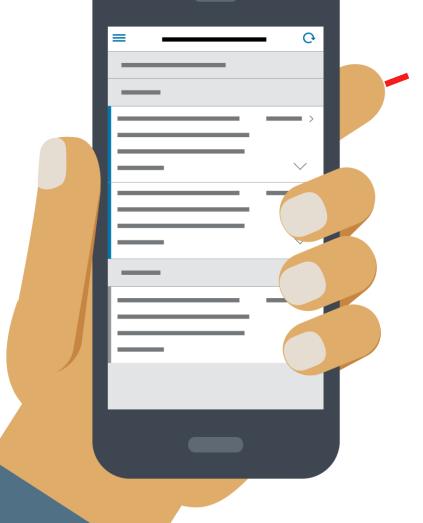
Mobile-enabled inspectors and technicians

TRUCONNECT Remote Monitoring

Spections of Preventive of National Preventiv







Number of assets under agreement

600,000+

Number of assets under TRUCONNECT remote monitoring approaching

20k

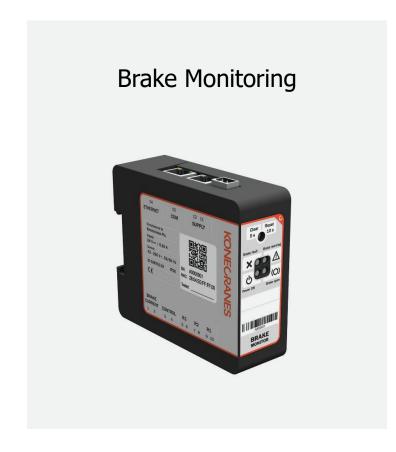
70+ %

of assets under oneKONECRANES processes and systems and growing daily

#### **GET INSIGHTS**

#### **OPTIMIZE**

## **Increasing Sensors and Connectivity**











## 30t KONECRANES®

#### **GET INSIGHTS**

#### **OPTIMIZE**

# yourKONECRANES customer portal

Usage data

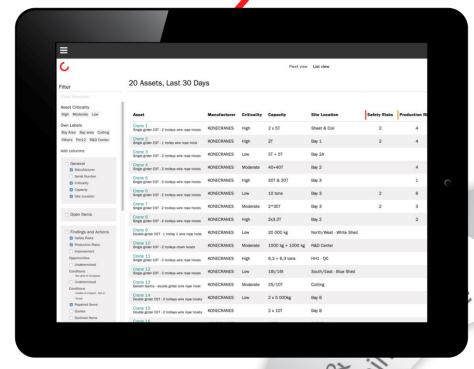
Maintenance data

Asset details

Events, activities and costs

Alerts by text or email



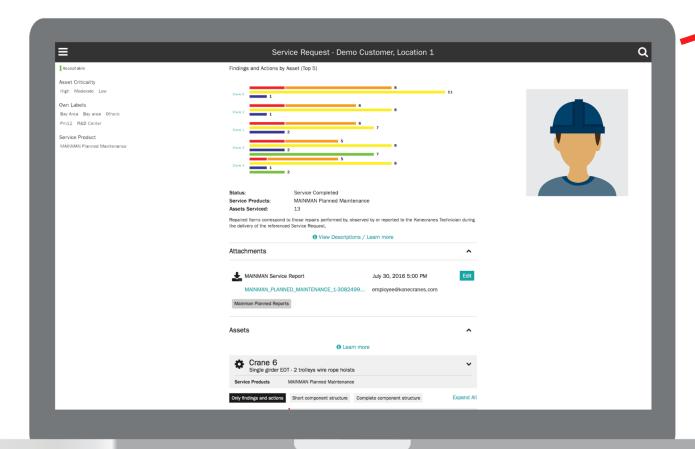






**GET INSIGHTS** 

**OPTIMIZE** 



# yourKONECRANES customer portal

View

Analyze

Share

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**CONNECT** 

**GET INSIGHTS** 

**OPTIMIZE** 

## Customer Consultation

Share findings

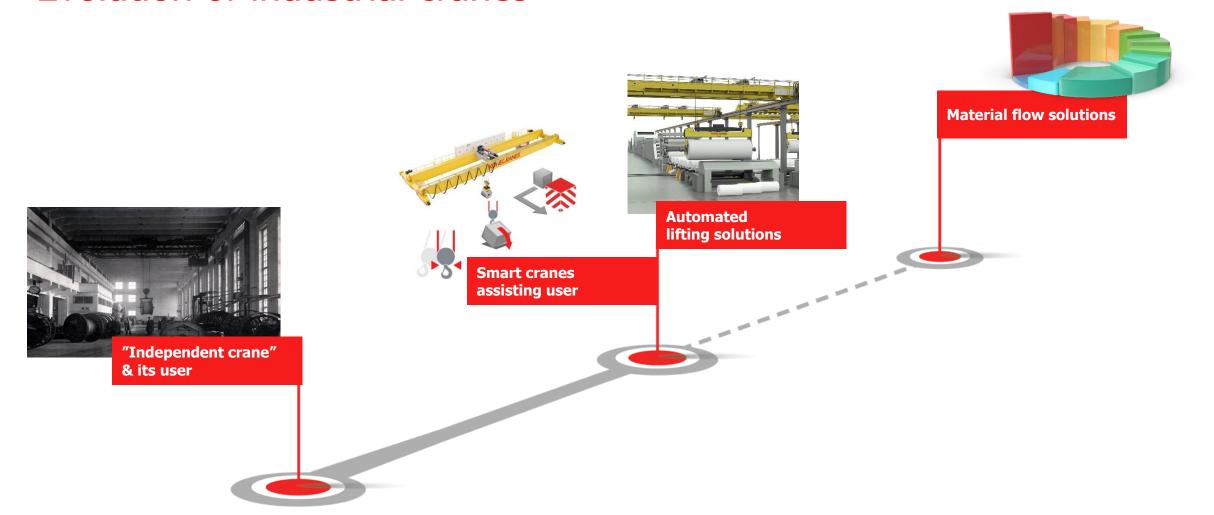
Provide recommendations

Discuss actions



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# Industrial Equipment Evolution of industrial cranes





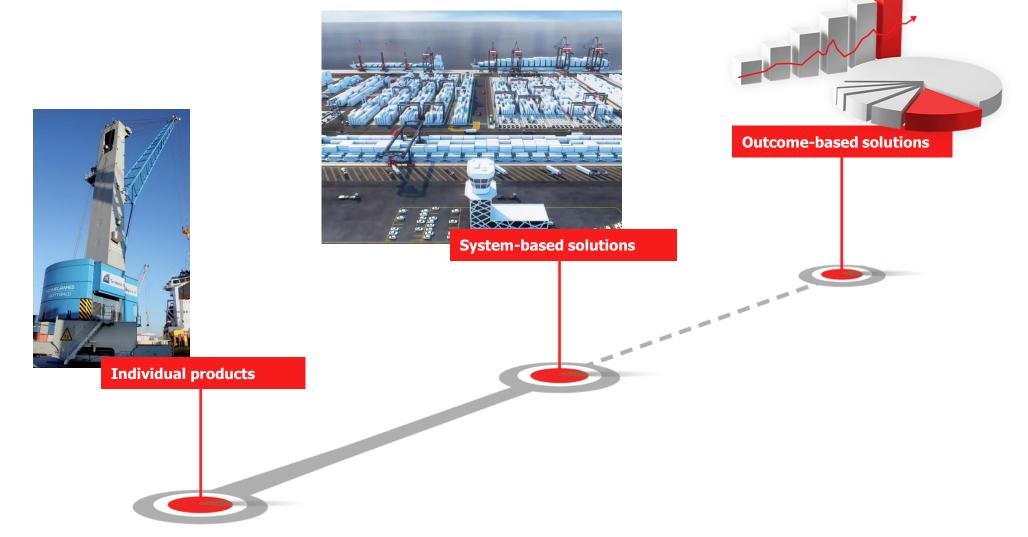




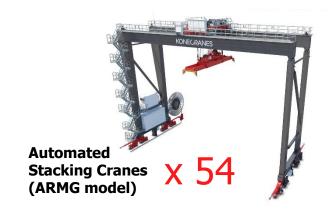


## Port Solutions

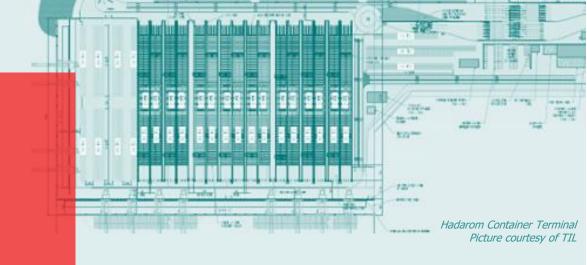
Solutions business gearing up







## Konecranes 4<sup>th</sup> largest order: Hadarom Container Terminal, Israel



The order combines Konecranes Terminal Operating System and Equipment Control System, automation technology, and automated yard container handling equipment

Order booked in Q1/2019

Complete line of automated yard container cranes and software intelligence.





**Software**Terminal Operating System
Equipment Control System



**Automated equipment**Fleet of automated
stacking cranes



TRUCONNECT®
Digital support
and services





NOT JUST LIFTING THINGS, BUT ENTIRE BUSINESSES