

Cargotec Capital Markets Day

2013

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2 December
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Converting Hiab's high business potential into profitability

Mika Vehviläinen
Interim President of Hiab

Hiab challenges

- Financial performance not according to expectations
- Need to improve gross margin
- High cost structure
- Underperforming route-to-market built on legacy



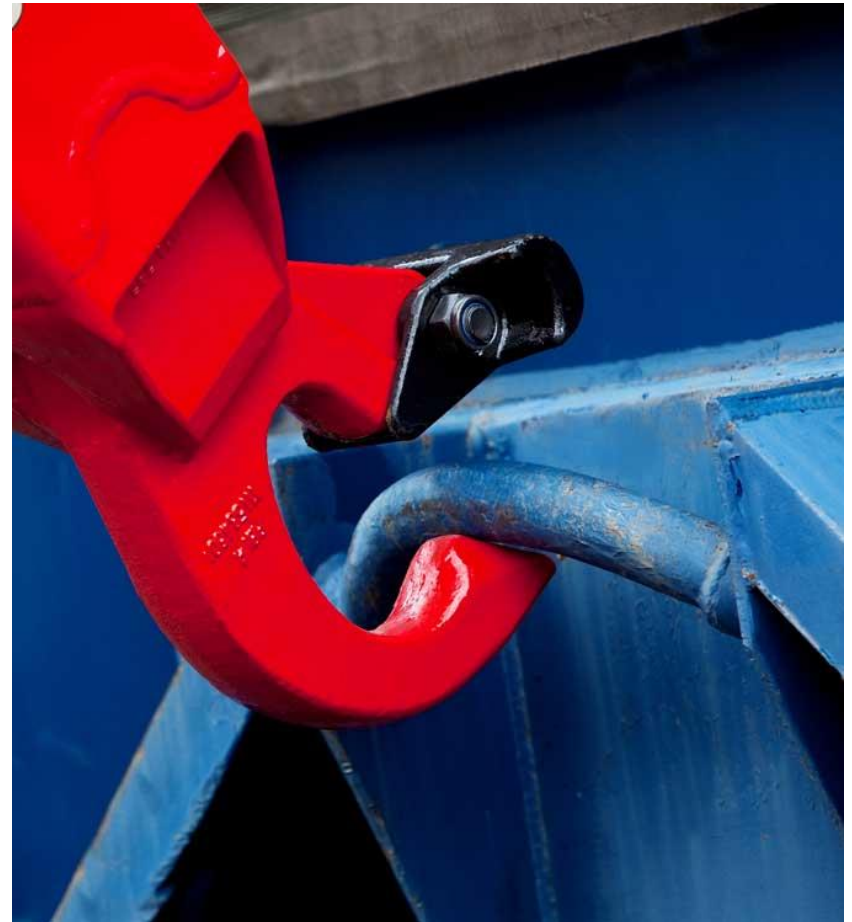
Hiab strengths

- Strong market positions for all eight products brands
- High customer satisfaction
- Best-in-class product quality
- Innovative and technical leadership



Hiab strategic priorities 2014

- Deliver profitability improvement and cost reduction in all areas of Hiab
- Drive professional sales and price management and distribution footprint
- Drive design to cost and new product introductions
- Build cost control and performance culture

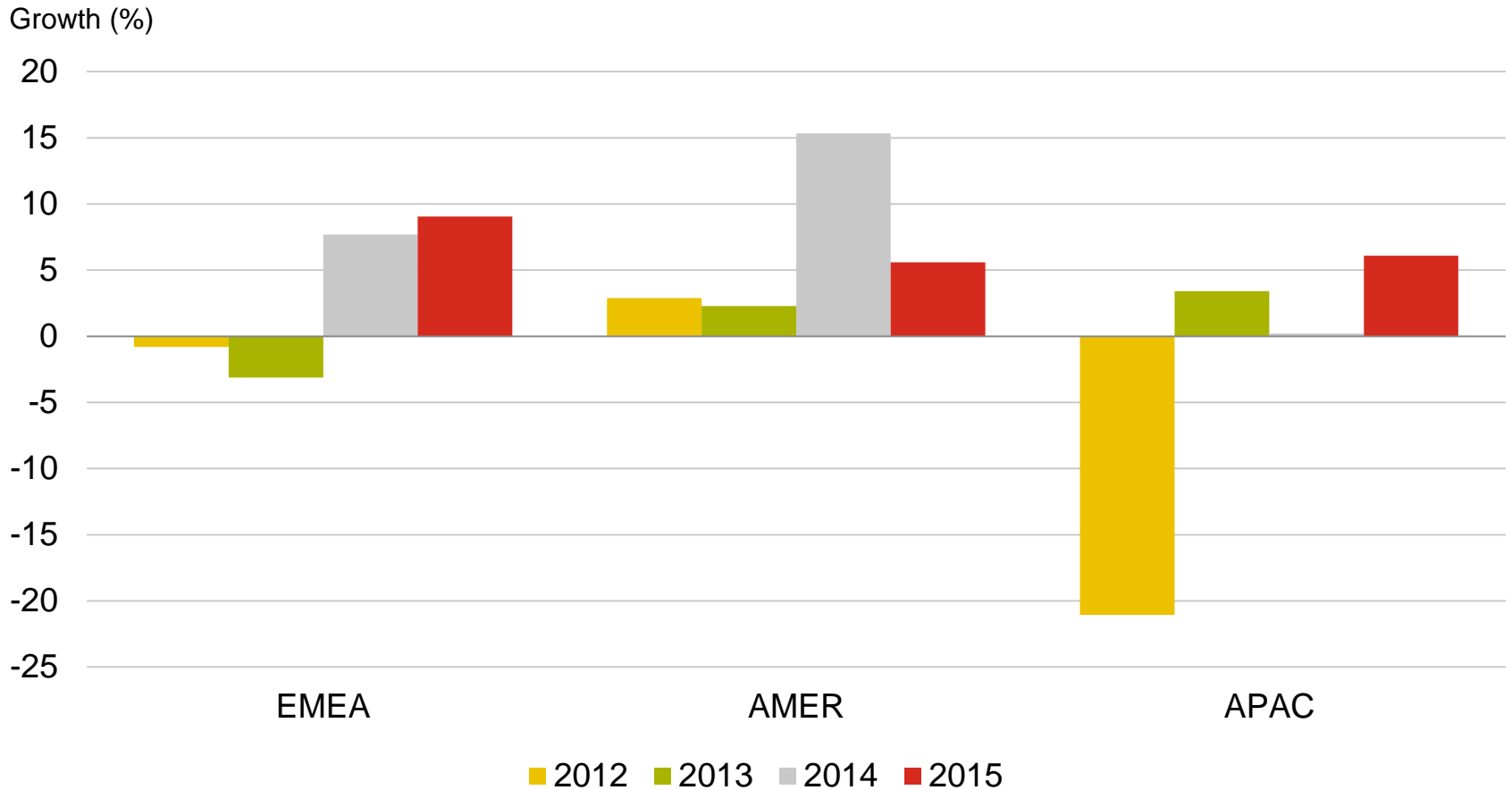




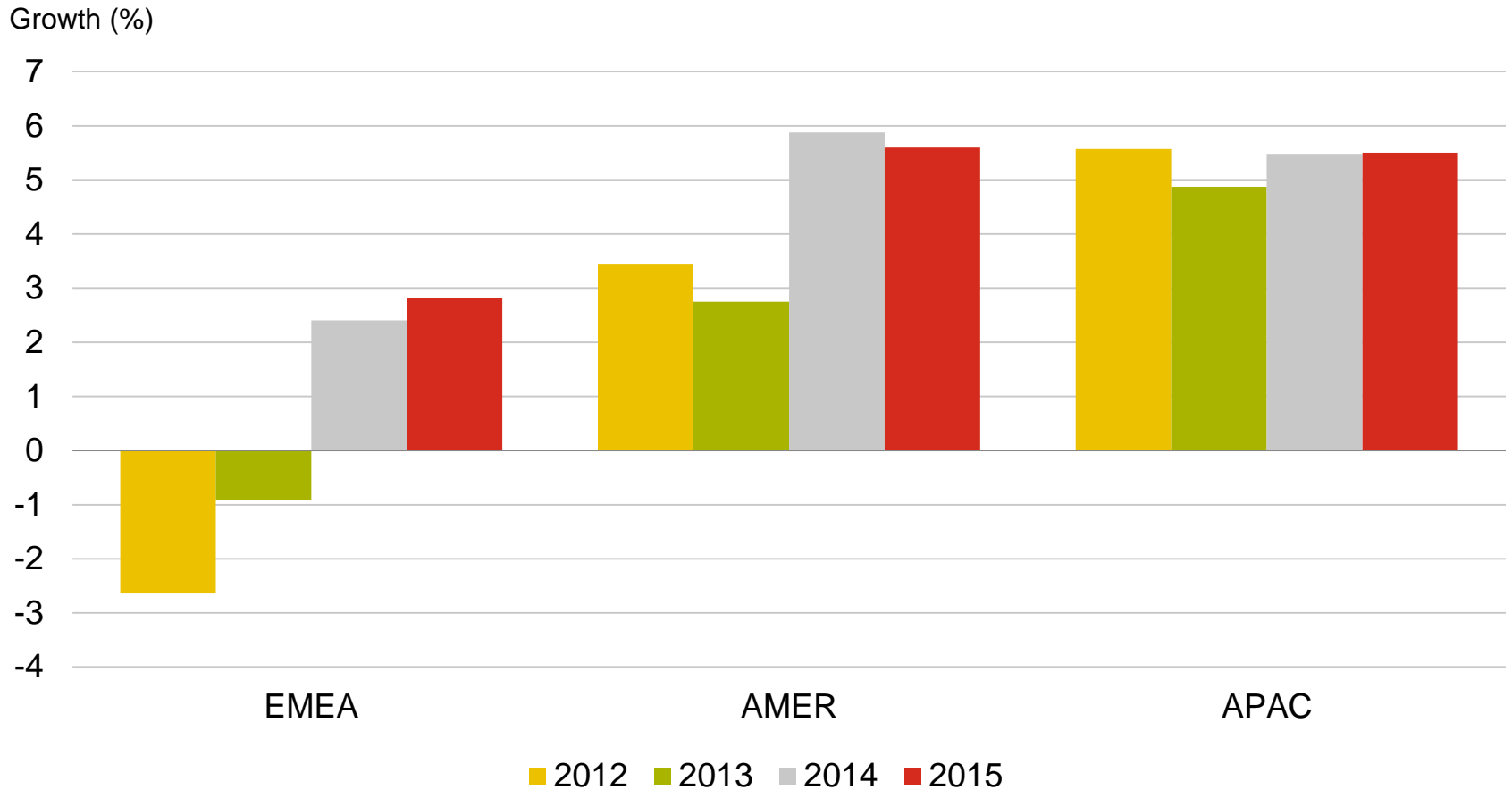
Route-to-Market

Carl Gustaf Göransson
Senior Vice President, Hiab Markets

Macro indicator trends – truck sales (GVW >15 tn)



Macro indicator trends – construction output



Source: Oxford Economics, Q3/2013

Starting point and key findings – strengths

- Strong leading industry brands
- Very high customer loyalty
- Motivated and skilled people
- Extensive service network with high potential



”The technicians we get from Hiab are extremely skilled and reliable”

– US customer



”Moffett is by far the best product in the market, I have another dealer closer, but I want the Moffett so I drive the extra mile to get it”

– German customer

Starting point and key findings – weaknesses

- Clearly unsatisfactory performance with regards to growth and profitability
- Large variance in performance
- Complex route-to-market models driven by legacy
- Lack of price management and price realisation
- Complex organisation
- Not enough focus on cost control
- Lack of central support and help



Actions started in 2013

1. Route-to-market

- 40% of our distribution set-up will change
- Improvements in service network profitability

2. Organisation

- Reduction of complexity
- Centralisation of key support functions

3. Pricing

- Better price management and clear escalation model
- Improvement in spare parts pricing

4. Cost control

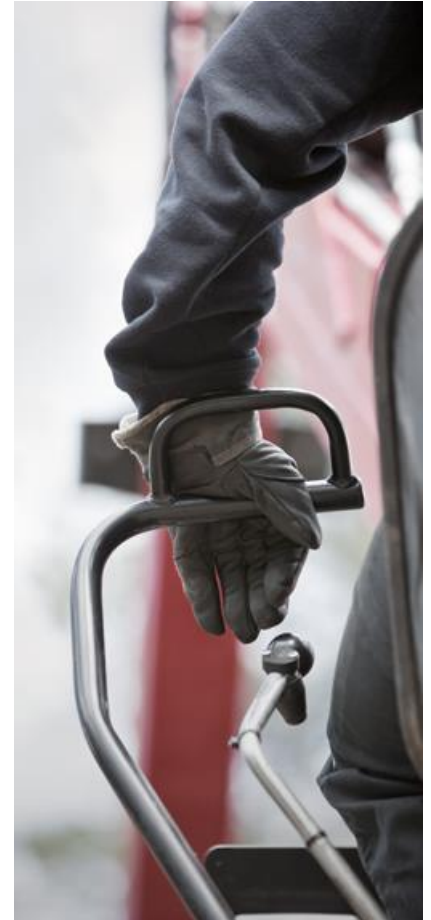
- Reduction of indirect and over head costs

5. Sales enablers

- Performance management
- Central dealer management

Future Hiab

- Route-to-market footprint
 - Financially strong and committed to invest in the business
 - Professionals with right competences and attitude
 - Representing Hiab brands and core values
- Performance culture
 - Common goals and targets
 - High focus on price management and profitability
- Sales and markets organisation
 - Highly efficient and competent
 - Customer-driven
 - Focus on dealer management



Main takeaways

1. Platform is burning –
we need to change

2. Drive performance –
we need to deliver

3. There is a plan –
we have already started

A photograph of a man in a bright yellow safety jacket operating a red Hiab forklift in a warehouse. The forklift has "HIAB" and "MOFFETT E2" branding. The license plate area displays "BR-VL-55". The background shows a large industrial space with high ceilings and various equipment.

Improving margins by reducing costs

Gert Larsson
Executive Vice President, Hiab Products

Content

- Developing the global footprint
 - Outsourcing
 - Production
 - R&D and Sourcing
- Benchmark to identify product positioning
- Design-to-cost
- New products to the market



Sourcing, production and R&D under consolidation

- No in-house component production
 - Outsourcing completed in Hudiksvall, Sweden and Dundalk, Ireland
- Stargard in Poland to be the main production site in EMEA
- Production of truck-mounted forklifts consolidated to Dundalk, Ireland
- Global sourcing footprint moving from high cost to low cost countries
- Open innovation platforms with suppliers



Benchmark workshops



Design-to-cost to drive better margin

- Continuous process throughout product lifetime
- Key component categories
 - Cylinders
 - Steel structures
 - Hydraulic
 - Electronics
- Design-to-cost process started in all product lines in 2013
 - Supplier consolidation
 - Changes in design
- Average material cost reduction of 5–10 percent

Numerous new products

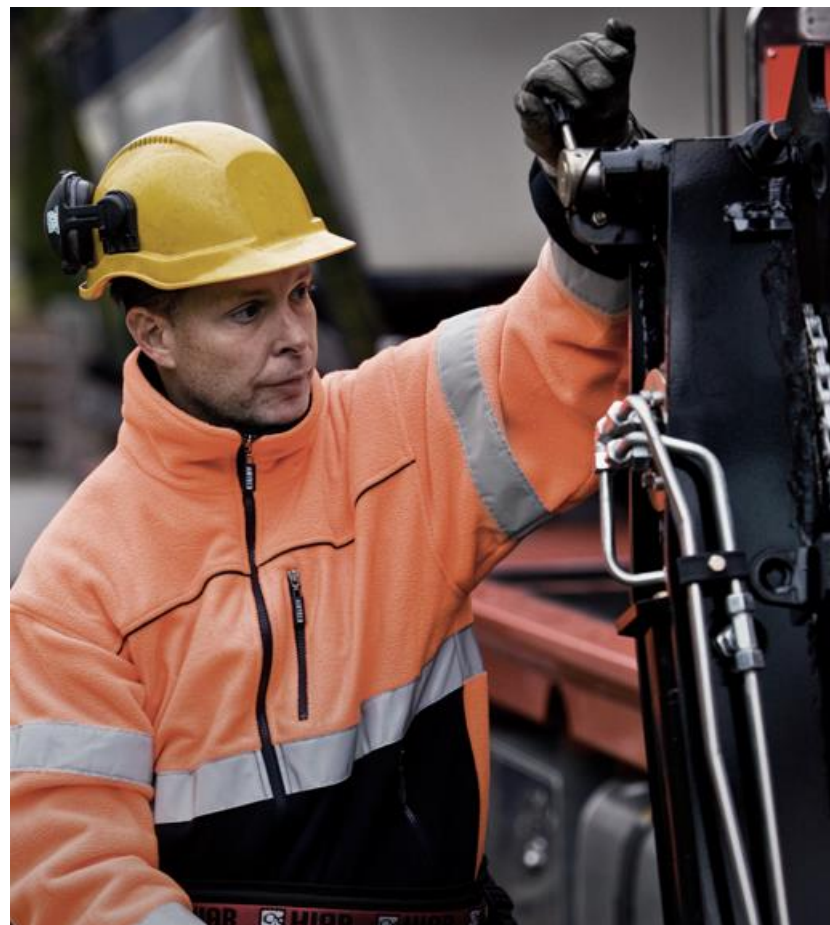
- Customer purchasing criteria
 - Durability
 - High performance
 - Easy to use
- New and improved processes
 - Product planning
 - Time-to-market
 - Product life-time care
- Reduced product offering complexity
- Improved product appearance
- More new products in pipeline
 - Products to open up new markets



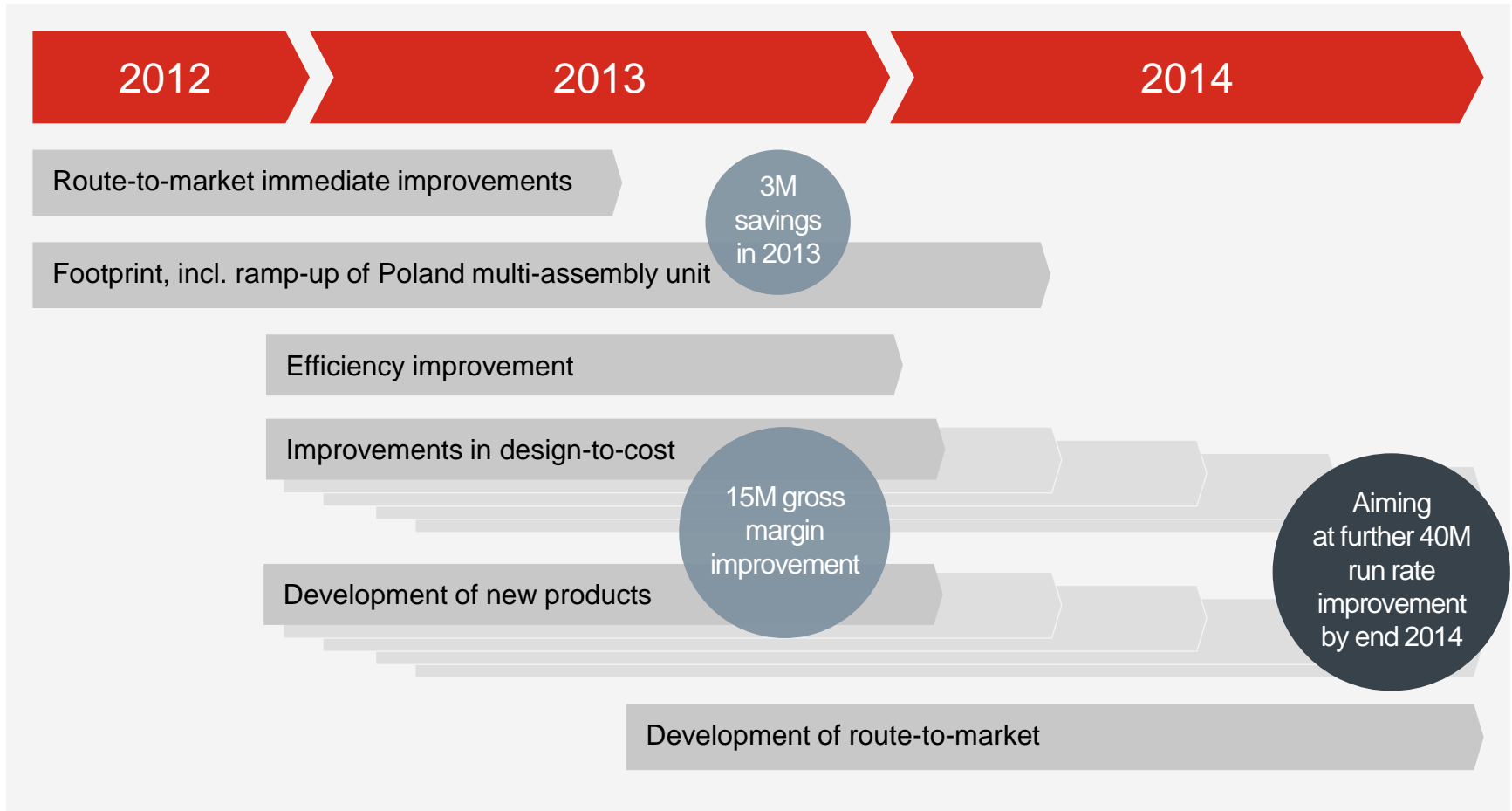


Actions to drive better margin are in place

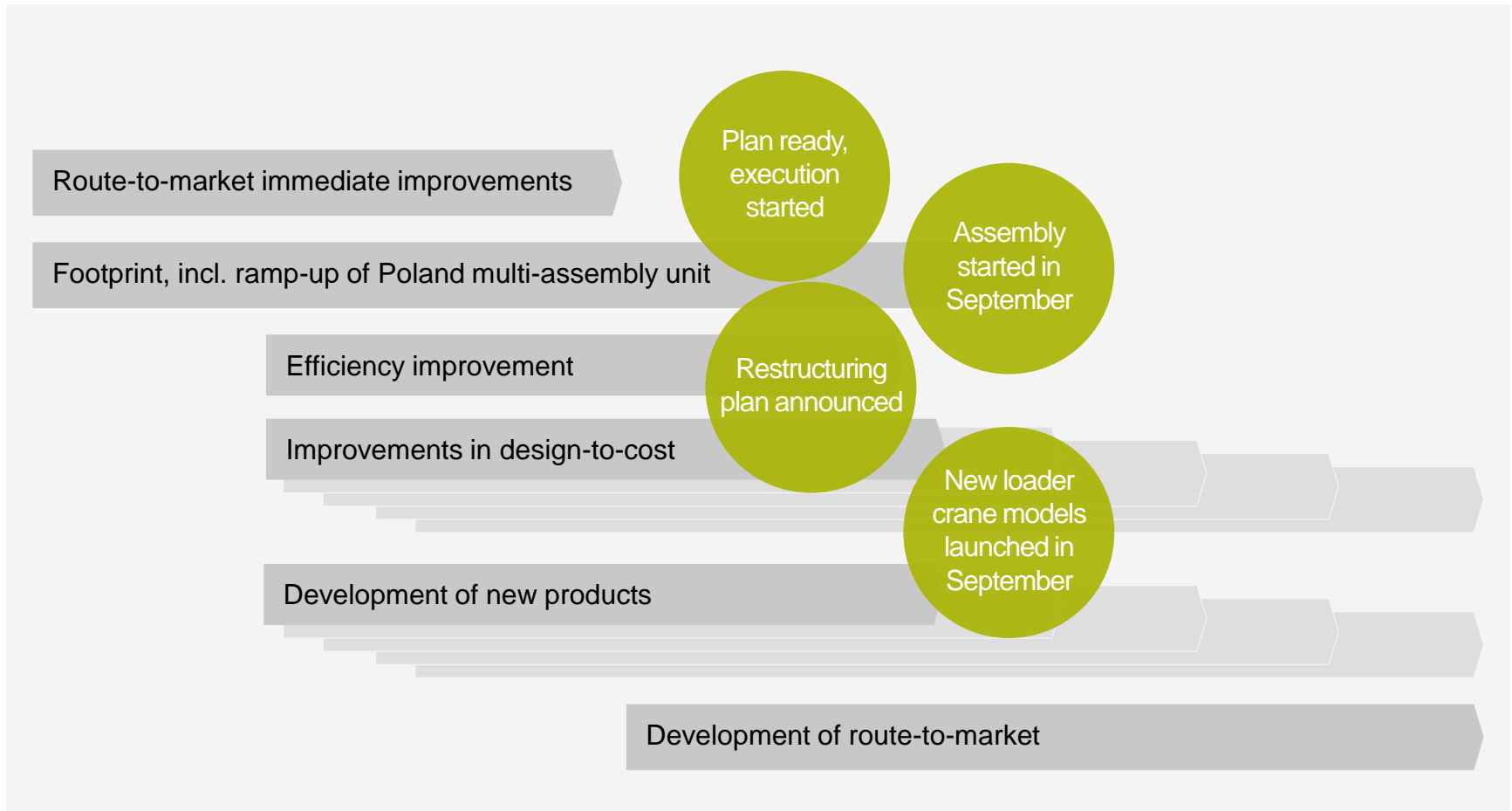
- Short-term
 - Outsourcing/shift to low cost countries
 - Design-to-cost
 - New products to the market
 - Product portfolio streamlining
 - Increased speed
 - Profitability focus before growth
- Mid-term
 - Improved age to the product portfolio
- Long-term
 - Footprint development

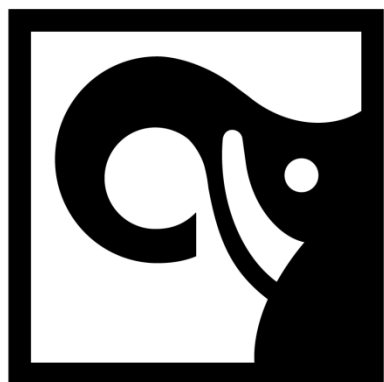


Conclusions



Conclusions





HIAB