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Carina Geber-Teir: Ladies and gentlemen, welcome to our news conference regarding the Q3 quarterly report. And today we actually are going to talk about the profit increasing and the sales improving. Mikko Puolakka, our CFO, will talk about the business development in the areas and then at first Mika Vehviläinen will start talking about the group results. My name is Carina Geber-Teir and I'm actually standing in for Hanna-Maria Heikkinen, who is not available today. At first we start with the presentations and after that we have time for a lot of questions. But Mika please.

Mika Vehviläinen: Thank you Carina, and good afternoon from my behalf as well and thank you for joining the Cargotec Q3 2019 conference call. In Q3 2019 the good operating profit development trend continued in Cargotec. I'm especially pleased with the progress we are making both in Kalmar as well as in Hiab. In MacGregor further actions are being taken to improve the financial performance of the business. As usual, I will cover some of the group level development issues first and then our CFO Mikko Puolakka will cover the business areas more in detail as well as the detailed financials and the outlook, our guidance, for the year.

Regarding the highlights for the Q3. Obviously we saw the strong improvement in operating profit continuing in there, and I'm very pleased with both Kalmar, where the operating profit increased by 24% and in Hiab comparable operating profit increased by 41% compared to the Q3 2018. Obviously, the MacGregor financial performance is a disappointment for us at the moment and we are addressing the issue as we speak. The Q3 2019 is also the first quarter that

we are actually now consolidating the TTS numbers into our financial figures and Mikko will cover that a little bit more in detail in the business area specific information. Happy to see that finally, the TTS acquisition that took a long time to get the required to authority approval, especially from China, is now completed. The strategic rationale remained strong on that one. With the combined services operations, we are able to address a very large installed base with nearly 20,000 vessels in our combined installed base with the TTS and MacGregor service operations.

The TTS joint venture setups in China give a clearly improved strategic position for MacGregor in extremely important Chinese shipbuilding market. And obviously with the combined operations we are able to drive cost synergy savings that are estimated to be in the neighbourhood of 25 to 30 million euros on annual level. In the acquired business, we have about 600 colleagues joining us from TTS August onwards, in TTS term estimated revenue for the remaining of the 2019 are about 50 million euros and comparable operating profit roughly at the break-even level with 26% of the revenues coming from services. We expect to close the closing balance sheet during the Q4 2019, have you also estimated that with the drive of the synergies and efficiency requirements in MacGregor, the restructuring costs from the combined operations will be about 40 million euros in 2019. With that one, let me move into the market environment.

Overall in container traffic, we saw the growth continuing about 2.6% so far this year and the forecast from the analysts is expecting further growth throughout 2019 and somewhat higher growth in 2020. I also would like to take this actually opportunity to discuss the situation in port automation projects, as I believe that there has been a considerable shift in the industry regarding the automation projects and prospects moving forward. In the last 12 to 24 months, the industry has gained a lot of experience in automation implementation and we have seen the performance and competitiveness of the automated terminals continue to improve. In my discussions with customers, and I have met quite a number of large terminal operators in the last few weeks, the discussions are not anymore if one should automate, the discussions are entirely about how one should go about the automation.

I would say that the train has now left the automation station already and this progress will be inevitable. This does not mean, however that is will see an explosive growth in orders. We see very little so-called greenfield development where we would have an entirely new automated terminals to be invested, but primarily the automation will happen within the existing ports, so-called brownfield implementations and phased investments. Right now in Kalmar, we have 10

automation projects in implementation phase and those implementations are very important for us to standardise the technology and add new capabilities that our customers require in further automation projects. I would say that the automation progress is now inevitable and also would like to point out at I see that progress happening even in adverse economical conditions and that view has been confirmed now by our customers. To retain the financial competitiveness and cost efficiency in terminals, the automation is clearly required by our customers and to confidence about automation capabilities has clearly increased in the industry remarkably in the last six to 12 months.

Regarding the Hiab market environment, we still see the construction output developing favourably. A 3% growth in Europe, in the US the growth for lower clearly this is primarily a supply constraint related to the availability of manpower and materials. In housing starts we saw third the growth happening in the last three months in US again. In MacGregor the market remains weak. The bright spots would be that RoRo actually continuing demand developing favourably, and also on the bright side on offshore side, has been the fact that about 300 offshore support vessels have be recommissioned during this year that hopefully will then lead into the actual new vessel development in the coming years. Also we have seen the service demand growing in MacGregor that is also visible in MacGregor service growth numbers as well.

Orders declined compared to comparison. The good order development has continued in Hiab, where we see further growth happening again in Hiab sector. In Kalmar the orders declined and we did not sign any large project orders during the Q3. This business by nature is lumpy, we also saw a slowdown in some of the mobile equipment in certain product divisions in certain markets as well. But overall, I would see that the pipeline in Kalmar is still strong. We have not seen any cancellations on any of the larger projects we are currently engaged in and we still view the market overall quite favourably. In MacGregor we saw orders increasing. However, as a sign of the week market conditions, the MacGregor organic orders actually declined by approximately five percentage points.

However, our order book is at extremely good level at the moment, about 2.2 billion and it's of good quality and this obviously gives us a confidence for the rest of the year as well as moving then into the 2020. Sales increased by nearly a 100 million euros and operating profit was up by 18%. Obviously, this improvement coming from good development in Kalmar and in Hiab.

Also very happy to see the continuing progress in our strategic focus area around a software and services. In Q3 the Kalmar services grew 4%. This is the lowest growth percentage we have seen for quite a few quarters and the primary reason for that one is that as our drive to also improve further our service operations profitability, we actually stepped out from a number of fairly large maintenance agreements in Kalmar during the last them a few months. And that has then slowed down the growth percentages but improved our profitability in the business as well. Good progress continued in Hiab with 14% growth in services. In MacGregor the service growth percent was 27% obviously helped by the combination of the TTS numbers. The organic growth was about 9% at this point, which are still very satisfactory number. And in software sales, we saw 11% growth, primarily driven by the increase in the automation software sales. The service and software sales are now 34% of our, and on the rolling four quarter or 12 months basis, the service and software revenues are now 1.2 billion and we are well on our way to the 1.5 billion that we have set as our financial target in that area. With that one, I'd like to hand over to Mikko Puolakka who will cover the business areas in more detail.

Mikko Puolakka: Thank you Mika, and also good afternoon from my side. Let's start with Kalmar where we had a strong improvement in profitability in quarter three. Kalmar orders were almost 400 million euros, declined 19% like Mika indicated. The decline is very much coming from two elements, automation and project orders, which can be lumpy and which can vary several tens of millions of euros per quarter depending on what type of and what size of orders we get. The other element is coming from mobile equipment orders where we saw, in certain product categories like a reachstackers in China, order decline in a quarter three. On this same note, it's also important to notice that Kalmar book is almost 1.1 billion euros, so on a very, very good level. Kalmar sales grow 2%. The growth came primarily from services as well as from certain mobile equipment product segments. Service sales growth was 3% and we saw a nice development both in spare parts as well as in other type of services like maintenance services. Like Mika indicated, we reorganised and terminated some of our service contracts in the ambition to drive the profitability in the service area going forward. The comparable operating profit for Kalmar was almost 48 million euros. This is 24% improvement year on year. And the profitability improvement came from higher sales as well as favourable product and business mix, services and certain mobile equipment product categories, as well as software profitability in quarter three.

Then let's move to Hiab where we saw actually a very nice development in all financial metrics. Orders grew by 4% and were above 300 million euros. Also it's important to note that our quarterly orders fluctuate a certain extent in Hiab. The quarter three is quite often lower than

quarter two because of the seasonality our customers being on holiday season, especially in the Northern hemisphere. We saw strong order development in Americas plus 27% driven by truck mounted forklift as well as loader cranes. And then in Europe, we had a decline in orders as we had a fairly high demountables orders in the comparison period in 2018. Hiab sales were up by 18%. Growth was 12% if we exclude the Effer acquisition, which we complete the end of last year. Also our actions to improve the supply chain have been continuously yielding better and better results during 2019. And that has been also supporting our sales development in quarter three. Services also continued to grow. Service sales were up by 14%, and this is also in Hiab driven by both spare parts as well as a different kind of other service contracts. Impressive profitability improvement in Hiab. Profitability was, comparable operating profit, was 34 million euros, 41% improvement and this is very much driven by the sales growth.

Then let's move to MacGregor. And as Mika indicated, the TTS numbers have been now consolidated into MacGregor numbers since 1st of August, 2019. The markets remain challenging, both in merchant and offshore sector. Orders grew by 10% but if we exclude the TTS acquisition, our orders in MacGregor actually declined by 5%. The TTS related orders were 21 million euros in quarter three. The equipment orders related to container and bulk vessels declined. But we saw a good development for example in the RoRo vessels. And services orders were up by 30%. Around 80% of our quarter three orders are now related to the merchant sector, and then 20% to offshore. MacGregor order book increased significantly. This is very much driven by the TTS acquisition and the TTS business related orderbook amounted 218 million euros at the end of September. MacGregor sales increased by 31%. And then if we exclude the TTS acquisition, the sales growth was 17%. Despite the difficult markets we were able to grow very nicely our service business, 27% including M&A and then 9% excluding the TTS. So also in MacGregor, well in line with our long-term growth targets. MacGregor quarter three profitability was a disappointment, like said also by Mika. We made almost 6 million euros comparable operating loss and there are basically three reasons for this low performance. We had a low capacity utilisation across several product lines in MacGregor during quarter three. We have had some single-million project cost overruns still in quarter three in certain offshore projects. And then the overall price pressure in the market is quite significant as markets are highly competitive. We have our offshore restructuring program ongoing as we speak now. We are reducing the capacity in that sector and also the TTS integration activities are proceeding according to our plans.

Then, if we look our year to date the first nine months performance, good to notice that even though the quarter three orders were down, more or less by Kalmar. It's good to note that the

year to date orders are actually on last year's level. Sales are up by 11%. All business areas grow sales year on year. And even excluding and TTS and Effer acquisitions, we have been able to grow our year to date sales by 9%. Also good to note that we have been growing our service and software sales by 9% during the first nine months. The comparable operating profit was 190 million euros. This is up by 10% and then the IFRS operating profit is up by 26% amounting to 162 million euros. Earnings per share was almost 1.4 euros to be exact 1.39 euros per share and this is also up by 23%.

Our cash flow continued improving. We are now at 153 million euros in our cash from operations after nine months. This is a some 110 million euros better than last year. The cashflow improvement is coming from two sources, one being the profitability improvement and then the second area being our conscious actions to improve the supply chain situation, both in Kalmar and in Hiab, and this is a resulting to lower networking capital levels. And cashflow continues to be our focus area also going forward.

Our financial position is strong, we issued two bonds during quarter three. One for 100 million euros and five years. The second one for 150 million euros and seven years. Thanks to the renewal of the long-term debt portfolio, we have been also able to reduce our average interest rate to 1.8% versus last year's 2.4%. Our net debt has increased by 300 million euros since the beginning of the year. And 200 million, almost 200 million euros, of this increase is coming from the IFRS16 lease change and then approximately 100 million is coming from the TTS acquisition, including also the debt that we have taken over. Our gearing is 65% including the IFRS16, and then excluding IFRS16 impact, 52%. The return on capital employed improved from end of last year 8.6% now end of September, and last year it was 8%. The improvement came from the profitability improvement. That's the main driver for the rosy development. And last but not least, our outlook for 2019 we reiterate our profit guidance and expect our comparable operating profit for 2019 to improve from 2018. And with those words, I would then hand over back door Carina.

Carina Geber-Teir: Thank you Mikko. And thank you Mika. Now it's time to open up for dialogue. And let's start with questions from Helsinki. Any questions?

Erkki Vesola: Thank you. Good afternoon. It's Erkki Vesola from Inderes. Talking about your gross margin. It seems to have been on a fairly constant during several quarters already and you have been compensating this by squeezing the SG&A. How long will this trend, these trends continue?

Mika Vehviläinen: I can fill in with the details. It's true actually, if I look at from 17 to 18, we had a declining gross margin, and from 18 to 19 we have also experienced gross margin. However, the difference is that the decline from 18 to 19 on gross margin is solely coming from MacGregor gross margin. So actually, in Hiab and Kalmar, we have stabilised the gross margin development already for this year. I'm actually quite kind of confident about the capabilities to actually return some of that gross margin in Hiab and Kalmar. The supplier environment has softened, we clearly looking at our sourcing are able to see several pockets of opportunities in sourcing to drive the cost down which is adverse or the opposite situation that we had in 2018, where it was more sellers' market. And also the pricing actions we've been taking on the product side, both in Kalmar and Hiab should be yielding further results as well. So I would say that on that one, we have stabilised and I would expect to be quite positive on that front. Whereas in MacGregor clearly the difficult market situation has led to the situation where the pricing pressures are there. And then when the older projects have sort of ended now, from sort of 16 and 17 into 18, that has led into a quite a clear decline in the MacGregor gross margin, which is part of the profitability issue we have.

Mikko Puolakka: And then perhaps to add there, is that we have done also price increases in the previous quarters and these have certain, the lead time as we have still fairly long lead times are especially in the higher band, higher product. So a certain price increases have been made and those will be then later visible.

Erkki Vesola: Ok. If I may continue on your SG&A, is the current level been done on a rolling 12 month basis? Is it sustainable either in terms of euros or percentages?

Mikko Puolakka: We are looking also on the SG&A. So overall, we have a productivity improvement measures not only on the corporate level where we have this company-wide shared service program ongoing, but also we are looking at other areas in the SG&A like the sales efficiency, this kind of activities. And you can see also from our business area results that we have incurred certain restructuring costs both in Hiab and in Kalmar as well. In addition to MacGregor these are related to the productivity initiatives, what we are doing in the other SBUs.

Erkki Vesola: Ok. Thank you.

Carina Geber-Teir: Any more questions from Helsinki? If not, then we can continue with the international questions.

Operator: Ladies and gentlemen, if you would like to ask a question over the phone, please press star one. A voice prompt on the phone line will indicate when your line is open. We take our first question, please go ahead caller.

Magnus Kruber: Hi Magnus Kruber from UBS. A couple of questions from my end. So first, could you expand a little bit on how your year over year demand trend developed over the course of the three months in Q3 and also if you can give us some indications on how Q4 has started. That would be the first one.

Mika Vehviläinen: If I started it with the Hiab. We have seen the positive demand trend continuing in the business. And Mikko was pointing out as well, one needs to be careful not to look at sequentially because also last year Q1 was the highest order, then it declined on Q2 and then declined further on Q3. That's the seasonality we see. But on year on year, we have seen a continuous improvement happening across all the quarters in there. And if I look at the Q3 demand, we had as Mikko already mentioned, that one large government or military order last year in demountables that was not repeating. So if you exclude that one, the European development was also positive. In Europe, in Hiab's case it's quite a mixed bag. We've seen softening markets in UK, I guess the Brexit fears around that one, also Sweden and Denmark, as well as Benelux have been somewhat softer, but then the rest of the Europe actually has shown a good, good demand development continuing there as well. In Kalmar side the project come and go, so I think it's a more question of lumpiness and the timing of those projects. The pipeline still looks good on that one. And clearly, at least from my point of view, I see the strengthening of the belief and the need to automate to increase in the industry all the time. Although that obviously takes a while to sort of land on the order books and deliveries there as well. On the mobile equipment in certain areas, like in China, we saw sort of softening of the market on their as well. That of course against the fairly strong Q3 demand that we saw in cross the different product lines in last year as well. MacGregor markets remains to be weak. I mean both in merchant as in offshore overall the order intake was down, organically about five percentage points. On Q4, I don't think I've seen any major changes on the demand as such.

Magnus Kruber: Perfect. That's very clear. And on the TTS acquisition. Could you talk a little bit about the savings and the phasings of those savings as, as we go forward in the next one to perhaps three years? And could there be more restructuring coming through on the TTS part in 2020 then you have just announced?

Mika Vehviläinen: Quite a lot of the restructuring will happen or land as we have now kind of warned or indicated the in the Q4. We expect the savings to be in the ballpark of 10 million euros from the TTS rated integration. Obviously, we are looking for MacGregor related direct savings, especially in offshore area. And the remaining then happening in 2021-22, some of the savings due to the Chinese competitive restriction and this whole separate are pushed back by that whole separate period and only landing 2021 there as well. But we expect that within 2021 end of 2021, we will have reached that 25 to 30 million savings.

Magnus Kruber: Perfect. Then finally, and I'm sorry if I missed this a little bit, but could you, could you develop on the components within the positive mix impact in Kalmar again, please? I missed that.

Mika Vehviläinen: I think the certain mobile equipment deliveries generally have higher margins than some of the project deliveries and then also we had a very good delivery in software included the Navis portion of the software in Q4. So overall you would say that the mix was favourable pretty much crossed of all the product portfolios.

Magnus Kruber: Ok. So there was also favourably mixed within software, is that right?

Mika Vehviläinen: Right.

Magnus Kruber: Because it looked, I think the balance between equipment service and software was relatively similar between Q2 and Q3.

Mika Vehviläinen: That's right. Because the services side, we had actually in services a relatively low growth in Q3 primarily because we stepped out of a number of the larger maintenance agreements that did deliver on top line but didn't deliver adequately on the bottom line at. That also obviously helped on to mix as well.

Magnus Kruber: Ok. Got it. That makes sense. Perfect. Thank you so much.

Operator: We take our next question. Please go ahead, caller.

Leo Carrington: Thank you. It's Leo Carrington from Credit Suisse. Just to follow on profitability. In Kalmar, how do you see the mix changing in upcoming quarters? It sounds like everything was fairly favourable in Q3. How sustainable do you think that mix is going forward? And then in Hiab, would you say the margins are now back to more normalised levels or are that still

more efforts that can be taken in Poland to improve margins further and get productivity at that factory at optimal levels?

Mika Vehviläinen: I would say that the Kalmar mix would remain probably fairly constant moving forward. If you look at order backlog mix, that's fairly similar what we see in terms of deliveries as well. So I don't expect that. I don't think the Q3 of us exceptionally positive in terms of mix either. I think you'll see the similar improvement moving forwards as well in there. And as we discussed on the gross margin side as well. And on a previous question, as I said that gross margin side has stabilised now in Kalmar and we expect that to improve moving further. In in Hiab the Q3 tends to be a difficult quarter for us. So obviously from relative operating profit we actually came down from Q2 as expected and then again we expect to bounce back and on Q4. So again, we expect the sort of a further improvement year on year on Q4 as well. We certainly had sort of primarily supply issues in two main factors, one related to truck mounted forklifts, and the other one related to loader trains and Poland. And we've seen improvement happening in both of those locations. And there are further opportunities. It's a gradual improvement. We have not suffered from any many major component shortages anymore. So the improvements are primarily coming from our own operational development and that's obviously a continuous improvement. I would expect further improvements happening in Q4 in those areas.

Leo Carrington: Ok. That's very helpful. Thank you.

Operator: We take our next question. Please go ahead, caller.

Antti Kansanen: Hi, it's Antti from SEB. Thanks for taking the questions. First one on Hiab's order intake and the organic growth numbers. If we kind of exclude the Effer impacts on, on the growth in Europe especially, what kind of growth rates organically did you see in Q3?

Mikko Puolakka: So Hiab orders grew 4% in quarter three including Effer, and then excluding Effer the order growth was actually negative. So orders declined by 2%.

Antti Kansanen: Ok. You mentioned that in Europe you had some, in the comparison figures you have some big orders. If you compare that impact to the Effer one, which, which one was larger?

Mikko Puolakka: If we would look at the organic, like Mika said, if we would look at, take the organic development in Hiab in quarter three, and excluding this military order in demountables then we would have grown in a quarter three this year.

Antti Kansanen: Ok. And then on the other hand, America showed quite strong auto growth. Would that have been positive without the contribution of one, one large order that you flagged in the report?

Mikko Puolakka: Yes, correct. That would have been.

Antti Kansanen: Ok. And then maybe still coming back to the segments profitability. If we compare it year over a year, which I guess are representative in terms of seasonality, was there, can you quantify at all if there was any impact from, from positive or negative mix? And then from the supplier and component shortage issues or is that kind of earnings leverage that we can get from the headline figures? A fair representation of what is your operating leverage in that division currently?

Mika Vehviläinen: I would say that when you look at the Kalmar and Hiab, the primary driver for the profitability improvement was the volume. We did not decline any further as said. The gross margin was stabilised but did not give a positive impact on that one. And the operational leverage was not yet that visible. So by far the biggest factor there clearly was on a year on year basis, was just higher delivery and sales volumes.

Antti Kansanen: Ok, fair enough. And then maybe a bit more technical question regarding the one-offs with were a little bit higher than expected. Is there, what kind of a level of quarterly one-off costs should we expect going forward on Q4 and then then going into 2020?

Mikko Puolakka: We expect some 50 million euros one-off costs related to quarter four. Out of this 40 million are related to MacGregor, like we indicated also on the TTS slide. So the total year one-off costs are expected to be somewhere in the ballpark of 70-75 million euros out of which majority would land in quarter four. 2020, I would say that it's a bit too early to say at the moment because it depends also on the progress of the TTS integration.

Mika Vehviläinen: What you see there in Q3 in addition to corporate side savings obviously is also the productivity initiatives happening in the business areas. And Kalmar and Hiab as well where we are now trying to leverage the investments we've done in our capabilities and drive the further productivity there as well. It's more a continuous improvement basis, but some work that we land into restructuring as we move forward.

Antti Kansanen: Ok. That's all for me. Thanks.

Operator: We take our next question. Please go ahead, caller.

Antti Suttelin: Thank you. This is Antti from Danske Bank. I would like to ask about the service contracts that you terminated in Kalmar. Can you, can you quantify what the magnitude of sales they generated the last year and also what their EBIT contribution was last year.

Mika Vehviläinen: I can't even remember that number myself Antti, but I would say that we talk about tens of millions of euros of sort of service contract revenues in an annual basis with the very low or in certain cases even negative EBIT margin. And obviously not very much point on being there. We have tried to renegotiate some of them and being not able to do that one, whereas in some certain other contract areas we've been able to come to a more successful conclusion. So, we effectively have stepped out of those ones. I would say without those ones, you would have seen the growth rate in Kalmar to be closer to what you saw in the previous quarter.

Antti Suttelin: Ok. And then secondly, you appeared quite upbeat with regards to automation projects at ports. What do you, would you mind talking a little bit more about this? Is this something that you see materialising into in orders potentially in Q4 or early 2020 as you see it now?

Mika Vehviläinen: I don't necessarily see that landing soon, but I think that's why I wanted to flag that, because I think the discussion around automation has now moved from, 'Should I automate or not? Does it make sense or not?', to you don't have that question anymore. Everybody I meet in the industry is talking about how should I now automate, and the biggest driver is that when you look at the existing automation projects. Their performance clearly has gradually improved and when you look at the cost competitiveness of those terminals, now whether it's in US West coast, whether they are in Australia or elsewhere, they are clearly able to actually show very high competitiveness against the manual terminals. And I think that's what has shifted now to customer thinking around that one. So again, as I said, I don't think you see a lot of major Greenfield projects that would then sort of have a big impact in terms of order intake. But we will start to see more and more the consideration about how do I go about doing the brownfield, what should I do in terms of my current terminal to actually start to increase the automation stage? And, and people are, I've seen number of terminal operator showing me their cost curves when comes to the labour cost development. And at the same time with the consolidation of the shipping line area, the pricing pressures they are under so that the balance of power clearly have shifted between the terminals and the shipping lines, and the terminals are getting under further development and the kind of, you will see the, you know, the cost curve is going up and the pricing curves going down. And that's what's really

pushing now the sort of the automation forward. And as somebody told me that I'll have to automate or I'm not going to be in the business very soon. And again, one needs to be careful. I don't think they see any quick explosion of orders here. I think this will happen. But I think, you know as I said, I think my own thinking here is that the train now has left the station. It's moving ahead but it's still picking up speed slowly.

Antti Suttelin: Ok. And finally, finally, if I may. How would you assess Kalmar's competitiveness in supplying an automation solution? Are you competitive enough against other suppliers including the Chinese?

Mika Vehviläinen: Absolutely. I think, Chinese suppliers might talk about involvement in many of the automation projects, but I don't think they've done much in terms of the actual automation capabilities and software outside China. Most of automation related Chinese equipment is been done by the automation providers such as ABB and Siemens. In terms of the equipment-related automation, if you look at the 10 projects we are currently in implementation of, that's quite clearly the leading portfolio with a very demanding technical features that the customers are requiring. They are both in intermodal markets as well, this sort of integrate into port and logistics facilities together. And I think from the technology capability point of view, we are in an extremely competitive position now.

Antti Suttelin: Ok. Thank you. That's all. Thank you.

Manu Rimpelä: Hi. Good afternoon. It's a Manu here from Nordea. My first question would be on HIAB if I could just ask once more about the kind of organic order intake trending. In Q3 I think you reported 307 million of Q3 orders and then that included 31 million, like larger one of order. And if I stripped that out then I think you said even with that stripped out, your growth would have been positive. Did I understand that correctly?

Mikko Puolakka: That is correct. Excluding Effer orders would have been a 289 million euros for quarter three this year.

Manu Rimpelä: I exclude this 31 million larger order to get the kind of base order trend. Then that would have been down.

Mikko Puolakka: Last year we had 294 million euros, including this fairly sizeable demountables military order. And this year our orders were 289 million euros excluding Effer.

Manu Rimpelä: Ok, fair enough. Then I get it. Then the second question is on Hiab, I mean, could you still comment about the, the order intake trends during Q3 did you kind of see any change in this July or June compared to the end of September? Start of October?

Mika Vehviläinen: No, I don't think there were actually kind of 100 million a month then. Fairly steady, steady orders, obvious some seasonal variation depending on the market. So Nordics usually July is somewhat softer and then in middle Europe we move to August as well, but we haven't seen any particular trend forming, there we seek a fairly steady demand continuing in all, all the market areas. But as I said, the Europe is a fairly mixed back, so we clearly have seen some of the markets, especially UK, got a slowing down and we are moving towards this potential Brexit there as well.

Manu Rimpelä: Ok. Then on the TTS, I think you showed here on the slide that you have 50 million of sales that you expect to generate in 2019 so just to confirm that is the for the whole of TTS for fully of 2019 and not the number you are going to consolidate.

Mika Vehviläinen: Yes, that's correct. I mean the big difference of course when you go back and look at the TTS reported numbers is that they reported the consolidated numbers including joint ventures. They will report the Chinese joint ventures on equity basis and that that of course has been about 30% if I remember correct, about the TTS revenue so that that leaves that gap there.

Manu Rimpelä: Ok. And then in terms of MacGregor, I mean can you comment about your thinking around that? Obviously there's a very big cost restructuring and cost cutting exercise that is going to be done in the fourth quarter. So when do you think that you would be able to reach a blank figures again?

Mika Vehviläinen: I think our ambition level must be that the next year we'll be a break even or slightly positive year for us. That's where we are targeting.

Manu Rimpelä: Ok. And then on the Kalmar market outlooks, I mean you were very clear about the way you think around the prospect of automation orders, but if you kind of just think about the current development, so you're seeing some slow-down in China and then, I mean the, some bigger orders are lumpy and although they will continue to be on the table, but are you seeing that customers can be more hesitant in terms of their decision making that they still fully agree with, it would've been neat to have them made. But I do feel that they have the urge to

do it or are they kind of more in a wait and see mode and given the uncertainty overall in the global economy

Mika Vehviläinen: I didn't think there is probably an element of sentiment, on decision making overall in there, but I would say that the automation decisions are more driven by the pressures related to the pricing environment and the cost development and efficiency measures. So I think in that sense the potential downturn in the economy is not necessarily impacting that. We have seen some or some other industries actually that has even some cases forced the automation development because the efficiency gains are becoming more important on that one. So I think it's somewhat independent from the overall economic development, but obviously overall the kind of decision making around investments in this kind of uncertain environment is potentially slowing things down. We have not seen any cancellations or major, but they're obviously a, you can see from the orders decision making in certain areas might have slowed down.

Manu Rimpelä: If you look at the order intake you had in these larger automation orders. So can you just remind us about the kind of level you had in 2018 and what you booked so far in the, in this year. I mean do you expect to be still able to book something in the fourth quarter or will these orders be then forced into 2020 eventually?

Mikko Puolakka: Yes, if I, if I would say so that in the automation, the quarterly orders there have been varying, I would say from 50 million, 50-60 million euros to 120 million per quarter, so that's why we have said that it's quite lumpy. If we are looking the past orders.

Mika Vehviläinen: This Q3 this year was actually, funnily enough, even though I just talked very positively about automation, this was the first quarter we actually didn't land any significant new automation deals and bit of some maybe some very small projects in there and that clearly had an impact there as well. But again, my discussions with customers and we see the pipeline being there the question is only the kind of the speed of decision making and obviously how the deals land and between the different suppliers.

Manu Rimpelä: If I Mikko may ask you to still about the, do you have the 2018 number for instance for the full year, which would be a bit more comparable than the quantity of fluctuations?

Mikko Puolakka: I mean if the automation and project businesses approximately 400 million euros in revenue. So that's giving the kind of a rough approximation also for the orders.

Manu Rimpelä: and then the year today it has been running at the same level this year?

Mikko Puolakka: More or less.

Mika Vehviläinen: Yes. It's good to remember when you look at it, year to date numbers. We are not actually that far off from the last year in there. Also the other thing is that especially in this automation side, these order lead times are particularly wrong. A lot of the orders we landed actually in 2018 are actually primarily driven in revenues in 2020 as well. So, I'm quite comfortable of taking few weak quarters in between as well. It doesn't really impact our revenue profile that much.

Mikko Puolakka: Of course. Not all orders which are landing on automation and project division, are automation orders, there are also manual equipment. The manual cranes.

Operator: We take our next question please go ahead, caller.

Johan Eliason: Hi this is Johan from Kepler Chevreux. Coming back to the TTS acquisition, I think you explained one of the reasons for the weak profitability in MacGregor on TTS. But when I read the note, it looks like TTS actually had the positive contribution on the line by 1.9 million euro. So, so could you explain this?

Mikko Puolakka: Yes, The TTS had a positive impact in that ball park, and like Mika said in the beginning of the presentation, we anticipate that roughly break even result plus minus zero result for the full year i.e. for this period when we have been consolidating the business. So MacGregor's slow profitability is coming very much from the kind of MacGregor original business. The project cost overruns, offshore business low capacity utilisation. And then the overall very competitive market where the sales margins are very badly competed.

Johan Eliason: Ok. And then the associated income you reported was a negative million euros this quarter. It's anything of that coming from the joint ventures in TTS now, or has those being accounted for if? If you don't account them on revenue line?

Mikko Puolakka: We have not yet that they can as the JV numbers have not yet been verified, we have not included any numbers from the TTS joint ventures yet in the results. Target is to get those into the quarter four results.

Johan Eliason: Ok. So that is then mainly relating to the Kalmar division. If I look at the margin in Kalmar, I must say it's really impressive, having looked at the, this business for, the last 15

years, I think there's 11.5% margin I get to if I exclude that joint venture income here is clearly the highest you've ever reported and you say this is not a one off in the quarter. Should we continue to expect good profitability at this level or is there any sort of seasonality now? Because historically to my knowledge at least is the fourth quarter that tends to have the best margins in Kalmar and not the third quarter.

Mika Vehviläinen: Yes, I would say overall that if you take a longer timeline and you have looked at this a long time, there clearly has been a steady improvement in Kalmar profitability except last year when we managed to screw it up our sales with the supply chain issues so that was an anomaly in that one. The underlying improvements were there, but they were obviously not visible as we were not able to get that equipment out as such. And now that the supplies chain situation has stabilised the improvements, what we have seen in the mobile equipment business in terms of operating profit improvement, the improvement from continuous growth of the services and then the improvement in the project execution in our businesses is in the automation side and project side have actually led to a situation and that's when we indicated this 10% operating profit target. We clearly saw any improvement opportunities within the Kalmar we are now delivering against those one when we got away from that unfortunate 2018 numbers.

Johan Eliason: And is it still so that you're rounding this sort of the software and the automation projects business on the breakeven level? So, the main profit driver remains the mobile business with his services attached to it.

Mika Vehviläinen: Absolutely. And again, if you look at, if you go a little bit further back into history, we had a years where the project business was a loss making as well with the, I think overall project execution capabilities. The have clearly improved over in the last three, four years in there. And that's of course, partly we got going away from this kind of oopsies as somebody called them technically.

Johan Eliason: Now we saw your peer Konecranes this summer walk away from their margin targets. You still have your 11% margin target, but obviously not to firm year, but think you said set them on 17% and then said they would be reached within three to five years. So that's 2020 to 2022 or so. Are you're still comfortable with that? Or are you seeing that different side comes in the different divisions that you have now? Have you speak with the weaker expectations on MacGregor, for example, making the 10% targets a realistic or unrealistic? How do you feel about that?

Mika Vehviläinen: When I look at the track that target in all of our businesses, we track against our annual path. We also track against the strategic target and ICC. I would say that we are mostly on track. The big deviation that is of course, very visible. Now this year as well as the deviation in Macgregor where we are actually down 20 million or so against the last year, which is very unfortunate. We obviously need to kind of sort out the situation and we are taking the actions now in there to make sure that the returned to the break even or slight positive next year and with that one. But then the big question for us and in a sort of the biggest unknown in our future of operative product improvement would be around the market recovery in Macgregor obviously there is a very big leverage when the market returns in there, but that's very hard to predict at this stage on the all the other areas. And when you look at what these sort of, when they broke down that targets at the end, very I getting that from, we are actually tracking very well against at that target.

Johan Eliason: Ok. Excellent. Then finally then on the supply chain issues you had, I think you mentioned last year that the inventory build-up etc. That you are experienced during this poor period tied up for an extra hundred or 250 million euros in cash. And now you mentioned that you have released some of that. It's a still more to come from that item or, or have you released what you saw as unnecessary capital in Hiab last year.

Mikko Puolakka: Yes, I will tell you that definitely we are not yet optimally operating. We have done some, a short-term kind of perhaps one could say more brutal actions in order to get the deliveries out and improve the inventory levels. But as we have also opened in in our recent Kalmar and Hiab star guard visit there are long-term opportunities to improve the end to end supply chain basically from the order to the cash, the end to end process, but that, that will take some 18 to 24 months to extract the all benefits from, from those long-term developments.

Johan Eliason: So you mean this a 100–150 million number is rather 18 to 24 millions by year round?

Mikko Puolakka: We have for example in automation some deliveries happening in a quarter four. And for those, we have been now building working progress and when those happen then for example, that will release some cash in quarter four. So, there are certain short-term results which we expect to become visible already in quarter four. But then as said some of these more process related developments take some more time to land in the networking capita.

Johan Eliason: Ok. Thank you very much.

Operator: We take our next question, please go ahead, caller.

Karl Bokvist: Yes. Hello. This is Karl Bokvist from ABG, thank you for taking my questions here. Of course there is solid development in both Kalmar and HIAB in terms of margins, I'm just a bit curious with area we have touched upon it, but if we go into Q4 here, how should one think about margin improvements year on year? Because if you looked at sort of incremental margin and Kalmar was more than 100%. So, I mean, if we, what should one expect in Q4 them to, in terms of Hiab the incremental margin was a bit better, but shouldn't you also receive some tailwinds from just the fact that you don't have any more headwinds on the supply chain side?

Mika Vehviläinen: Yes, I mean you would say that the comparison point will be quite soft obviously then you'll look at our performance unfortunately from last year. So it's quite clear that the, we'll have year on year improvement. I do think that the we see continues improvement happening in the supply chain situation and I expect a pretty favourable sort a development year in year, especially in, in Kalmar and Hiab the situation in MacGregor will still be difficulty in Q4

Mikko Puolakka: So, overall we are looking a profit improvement in 2019 compared to 2018 and this improvement is coming from Kalmar and Hiab while Macgregor is a weaker than last year. So that's basically indicating that the absolute relative profitability in those SBUs or business areas should improve.

Karl Bokvist: Understood. Just one final follow up there. Sorry.

Mikko Puolakka: I was just finalising that the, the profitability for those two business areas Hiab and Kalmar is expected to improve on full year basis.

Karl Bokvist: All right, thank you. And did I just understanding correctly that you intend on taking about 50, five zero, million euros in charges in Q4?

Mikko Puolakka: Correct.

Karl Bokvist: Alright, perfect. Thank you. And just the, just related to that really, I mean, what is your view on restructuring charges in Kalmar and Hiab going forward? Do you feel that you're quite pleased now and there is no need do anything further?

Mikko Puolakka: Out of this 50 million a 10 million is related to other, other to business areas Kalmar and Hiab. So, so we are doing a certain actions as we speak in improving the productivity in these SBUs and, all business areas. And those will incur those restructuring costs. And as said earlier, I would say that it's a bit too early to give guidance for 2020 restructuring costs as we have not yet guided the year as well.

Mikko Vehviläinen: As we have indicated in the past the investments we have done in tools, process and capabilities enable us now to start to drive the productivity and I would expect that productivity drive the continual, so in, in 2020 and that will then ultimately lead to some kind of restructuring costs in, in 2020 as well.

Karl Bokvist: Understood. And just final question from me and that has to do with let's say that Hiab enters a scenario in 2020 when organic sales growth is, let's say five to 10% negative, what is your view on the business today in terms of your margin resilience? It's been a couple of years since we saw negative organic growth in those ranges, but that year margins really, can grow quite significantly.

Mika Vehviläinen: I think couple of things that we've talked to already, our productivity. I do think that helps us. We have opportunities in the gross margin to sort of a return on that one. So those will obviously help quite a bit and then we have worked on and I think like many other peers quite a lot with a very detailed plan B execution plans as well. Especially in Hiab. We have quite a few opportunities too, we still have a too large manufacturing footprint, too many facilities and and right now we are not in the position to be able to address that one because of the strong demand and delivery situation. But if the demand would go down, that would enable us to sort of um, address that manufacturing footprint and cost associated on, on that one as well. So I'm, I'm fairly comfortable with the margins. I have in the both in Hiab and Kalmar at this stage and the preparations we have done to sort of on to potential slow down.

Karl Bokvist: Thank you.

Operator: We take our next question please go ahead, caller.

Tom Skogman: Yes, this is Tom Skogman from Carnegie. I was wondering about this a kind of overhead costs cutting. You have moved some people to Bulgaria, etcetera. And you have earlier communicated that ENL savings in 2019 and 20 would be, 10 and 20 million euros respectively from this exercise. And now I can see that the internal number of employees is out

by almost 30% year on year. So I wonder what's really going on there and what can I not see, from these numbers?

Mikko Puolakka: Yes, we have said that there we have this 50 million Euro overall 50 million euros cost improvement program. Cargotec cost improvement program. 30 million is coming from the indirect procurement related savings and then 20 million from this consolidation of the back office activities. And we have said that this consolidation of the back office activities, the savings there are coming towards the end of the kind of execution period, i.e. 2020, and the reason for that is that when we are moving work from the countries to the center we are having double costs during the transition period. So from that point of view, we expect to see savings in 2024 for this exercise. On the indirect procurement area, we have been progressing according to the plan and the cumulative savings are close to 30 million euros in that area.

Mika Vehviläinen: I was actually looking at this headcount numbers just recently. By far the biggest driver in head count increase of course is the M&A. So we have added the Effer and TTS operations and all together added several hundreds of people into our operations. We've been also adding head count in our manufacturing facilities. We go into double shifts in some of the factories due to the delivery situation. So that's adding quite a lot of head count. The third area of addition actually has been around the services direct personnel, we have had growing services and we have obviously been hiring service personnel on that one. If I look at the kind of SG&A related to personnel development, that's actually in the negative territory. We are actually this year taken out probably some hundreds of positions in SG&A in the businesses as well. But obviously the growth in the volumes and the growth in services as well as the M&A are delivering more headcount.

Tom Skogman: Building our models, is it kind of right that the saving in 2019 from this is like 10 million euros and that split between Hiab and the Kalmar mainly? And then next years, 20 million Euro savings that is kind of mainly seen on lower corporate overhead costs, or will that be also split into Hiab and Kalmar?

Mikko Puolakka: Hiab, Kalmar and MacGregor. So for example, the centralisation of the back office activities that is touching all our three businesses. Not so much the corporate, some extent there, but mostly the benefits are in the SBUs business areas.

Mika Vehviläinen: Most of the headcount we are taking out, and we are talking about several hundred people, is actually coming from our country operations. The back office in the regions

and countries. So those are business related headcounts and they are then replaced more central services.

Tom Skogman: Ok. And then I wonder about the health of the TTS order book. Now you have, you know, had control over that asset for like three months. So I assume you if you have started to have some feeling about the health of the order book, you know, and the pricing in the, or sales margin in the order book. How does it look?

Mika Vehviläinen: Overall, I think the processes, bidding process et cetera, we are fairly satisfied with what we have seen in TTS. There are few, less than one hand, of identified projects that are a bit of more of a question mark, that we are now addressing. And that's a part of the closing balance sheet discussion there. But I would say overall, it's been fairly positive and with the couple of identified issues that we are now addressing.

Tom Skogman: Ok. And we let those be booked as EO charges or will you book those as a, you know, if you do some order book corrections, will that be booked as normal earnings?

Mikko Puolakka: It's too early to say. It depends on the items whether they are related to the original purchase price, whether they are related to the order book. So that is something what we are now currently as we speak going through and that is expected to be finalised in quarter four.

Mika Vehviläinen: And maybe to sort of open that up a little bit, when Mikko talks about this restructuring costs, he indicated on Q4 some of that of course is personnel related restructuring related to synergy savings. There will be some asset that we need to renew in light of the current market situation. And then for example, facilities is a fairly big item. We have a sort of a long-term leases coming from both sites that we plan to discontinue as a part of the kind of streamlined operations as well.

Tom Skogman: Yes. And was there some impact from Effer on EBIT in the third quarter?

Mikko Puolakka: Insignificant. They're very, very small. And for example on the top line the impact was 1% unit positive.

Tom Skogman: The dollar has strengths and a bit, you know, that starts to help a Hiab, especially in the coming quarters.

Mikko Puolakka: In the coming quarters, yes. At the moment we are still delivering the fairly long order backlog from the previous quarters.

Tom Skogman: All right, thank you.

Operator: We take our last question, please go ahead caller.

Manu Rimpelä: It's Manu here from Nordea again. I would have a follow up question on Hiab. Could you help me to understand if I look at the Hiab margin performance in 2016 and 2017, and then compare that to kind of what you're delivering now in Q2 and Q3. I mean it looks to me that your deliveries margins are still kind of clearly below what they did in 16 or 17, but you're talking about having solved most of the supply chain issues. So, with the kind of strong growth in sales, you should be able to get that operating leverage. So, what is really different today compared to where we stood in 16 and 17? And obviously the question is being there that the kind of margin level is closer to where we are today rather than where we were in 16 and 17, if you are able to solve the issues you have.

Mika Vehviläinen: I guess you talk about comparable operating profit percentage, right?

Manu Rimpelä: Yes.

Mika Vehviläinen: And the biggest single difference actually comes from the Effer acquisition. Although it's a profitable operation, the kind of the percentage operating profit and the percentage gross margin are lower than in the rest of the Hiab business. So that on its own has already a dilutive effect. I'm turn into Mikko here, if you remember the actual number.

Mikko Puolakka: Yes, it's something like a one 1% unit.

Mika Vehviläinen: 1% that unit comes from Effer alone. And then as we said, we clearly lost gross margin because of the supply chain challenges and the cost increases from 17 to 18. That's now stabilised. We need to sort of try to turn that back on with the pricing increases and better sourcing initiatives there. We also lost obviously with the supply chain challenges and related costs. We are not out of that one yet. I mean the situation is improving, but we have put heavy cost on that one. And then obviously one, our cost level over all in SGNA is higher. We have invested more into the different process development, CRM systems, service management tools systems, higher R&D and then on digitalisation efforts as well. So part of the, part of the profitability improvement, or profitability change, has come from a higher cost

level that we operate in. We are now looking at productivity improvements in Hiab at the same time as well, but we do want to invest for the future capabilities as well.

Mikko Puolakka: And then if you look, for example at quarter two this year we had roughly 50 million euros higher sales than then now in quarter three. And we did in quarter two 14.1%, operating profit. So it's also a bit this low quarter three season which now impacted the profitability

Manu Rimpelä: Ok. And if I compare it to 2017, when you had 50 million of less sales but 13,4% margin. So I can shave off like 1% from Effer then some step up in investments, and then still some double cost or extra cost from just out some of these issues related to supply chain and so forth.

Mikko Puolakka: Yes.

Manu Rimpelä: Or is there a fundamental reason beyond those why the margins should be different?

Mika Vehviläinen: I think you've captured it pretty well.

Manu Rimpelä: Ok. Thank you.

Mika Vehviläinen: Thank you.

Carina Geber-Teir: Ok. Back to Helsinki. It seems like there are no further questions online. Thank you for a very active dialogue and please remember that our full year result will be published the 6th of February. Thank you all. Have a good day.