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PRESENTATION

Natalia Valtasaari - *Kone Corp - Vice President, Investor Relations*

Good morning, everyone. My name is Natalia Valtasaari. I'm Head of Investor Relations here at KONE. And I want to start by apologizing for the delay to start of this webcast. We had some network issues here on our end. I would suggest that everyone who is only following on the webcast also dial in, the number should be visible to you, just in case this is not smooth sailing going forward, which I very much hope it will be.

So that said, let's get started. Very pleased to be joined today by our CEO, Philippe Delorme, and our CFO, Ilkka Hara. As you know, we published our Q1 results today, but clearly, today's big news is our announcement that we plan to combine with TKE, very exciting, and this will, of course, be the main focus of the webcast. Once you have heard from our key speakers, we'll be opening the lines for Q&A. I expect an active session. (Event Instructions)

So with that, Philippe, please.

Philippe Delorme - *Kone Corp - President, Chief Executive Officer*

Thank you, Natalia, and welcome, everyone. This is indeed an exciting day for KONE and I'll come back shortly to why the combination with TKE is so compelling. But let me first set the scene with a brief look at our first quarter performance. So we had a solid start of the year with in-line results and good progress in strategy execution.

Two things stand out. First, sales grew by nearly 7%. Second, Service and Modernization increased to 67% of sales. This mix supported margin expansion, but more importantly, underscores the resilience of our business, a key strength in the current geopolitical environment. Importantly, we continued to execute steadily on our strategy. And one clear example is continued increase in connectivity of our maintenance base, which has now reached over 42%.

Now let me hand over to Ilkka to give you some background on the financials.

Ilkka Hara - *Kone Corp - Chief Financial Officer, Member of the Executive Board*

Thank you, Philippe, and welcome also from my side as well. Let's start with orders where growth of 3.9% at comparable currencies is a solid outcome. Modernization increased modestly from a strong comparison base while New Building Solutions delivered a good quarter, particularly in Europe and Middle East and Africa.

Sales growth was broad based, 6.9% in the quarter, with contributions from all businesses and all regions. As Philippe mentioned, a favorable mix supported adjusted EBIT margin expansion to 10.8%, further helped by the fixed cost leverage.

Foreign exchange, on the other hand, was a headwind, with an impact of approximately 15 basis points on the margin. We expect this to ease in the coming quarters. Cash flow improved to EUR500 million in the quarter and cash conversion was healthy. Then turning to our market outlook, which we have kept unchanged. We continue to see growth opportunities in all regions, especially in Services and Modernization, despite increased uncertainties related to war in the Middle East.

Let me pause here for a moment to discuss what we are seeing in the region. Our first priority is to ensure the safety of our people and our customers. The resilience they have shown is admirable, and the business disruptions have so far been limited and mainly related to logistics of getting material to the sites.

So far, we have seen very little financial impact. But if the conflict prolongs, we will face more cost pressure, which we would look to mitigate as far as possible. Then to our business outlook. Following the strong Q1 performance, we have specified our sales growth guidance to 3% to 6%, while our EBIT guidance remains unchanged at 12.3% to 13%.

Headwinds and tailwinds remain broadly unchanged, with the exception of increased geopolitical risks, which have already resulted in increased transport and fuel costs. That said, we are confident in our ability to deliver margins within the guidance.

That's the short summary of our results. So back to you, Philippe.

Philippe Delorme - *Kone Corp - President, Chief Executive Officer*

Thank you, Ilkka. So turning now to today's announcements, our plan to combine with TKE to create a world-class player in our industry. This is a rare opportunity to bring together two exceptional and highly complementary businesses, redefining the industry and creating meaningful value for our customers, our people, and our shareholders.

Both companies have proud histories, stretching back to the turn of the century. We share a deep passion for customers, engineering excellence, and an entrepreneurial spirit. At the same time, we each bring distinct strengths. By combining them, we can drive greater growth, resilience, and performance.

Together, we are laying the foundation for an even more innovative company. We also accelerate the shift to Service and Modernization, which is fundamental to our strategic ambition. The transaction will be funded in cash and shares. Importantly, there will be continuity in ownership as Antti Herlin retains over 50% of the voting rights. At the same time, TKE shareholders becoming shareholder in the combined company reflect their confidence in the value we can create together.

The cash and share transaction structure preserves our financial flexibility, allowing us to continue investing in accelerating our Rise to lead strategy. So now a few words on Rise. As many of you know, our strategy focused on strengthening resilience and performance by capturing opportunities in Service and Modernization. It builds on clear market trends with digital services, modularity, and sustainability as the cornerstones of customer value creation and growth.

We've made excellent progress since its launch and are well positioned to continue executing successfully on our own. That said, we have always been clear that M&A could act as a catalyst. And today, we have a truly unique opportunity to accelerate momentum.

Together with TKE, I'm confident that we'll rise faster. This means that we can achieve our ambition of being number 1 for our customers and our people and becoming an industry leader in growth and profitability significantly sooner.

So let me say a few words about TKE, a peer I hold in very high regard. Since its carve out from thyssenkrupp, TKE has gone through a very strong transformation. The TKE team has successfully pivoted the company towards a more service-focused, agile, and customer-centric model at the same time establishing a clear performance culture. This transformation is clearly visible in their financial results, the strong growth in Service and Modernization and impressive EBIT margin progression. I have great respect for what they have accomplished, and I'm confident that together, we can create something truly exceptional.

So why does this combination make such strong sense? The industrial logic is very straightforward. Geographically, our complementarity means we are very well matched. KONE has a strong presence in Asia with attractive exposure to structural growth markets such as India. TKE in turn has a sizable footprint in the US and meaningful presence in regions where we do not operate today, including South America and Korea. Both companies have a strong track record of bringing breakthrough technologies to market. By combining our capabilities, we create a powerful platform to accelerate technology development and scale digital innovation to the benefit of our customers.

Fundamental to the strategic rationale is a combination of our service networks. With roughly twice as many elevators under maintenance, we gain exceptional service coverage. For customers, this density means faster response time and higher reliability. At the same time, the digital value proposition becomes stronger. The more units we maintain, the smarter our service becomes while data-enabled service delivery drives productivity gains. At the same time, we unlock significant growth opportunities in Modernization. A larger installed base means more unit entering prime Modernization age. Together, we are uniquely positioned to serve them with a high-quality and highly complementary offering.

Ilkka?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

My turn. This strong strategic rationale turns into a substantial value creation as well. We estimate EUR700 million of synergies, broadly evenly split across three areas.

First is the service density effect, which drives higher field productivity and scalable growth. Second are product-related synergies, including platform simplification benefits from pooled R&D resources and procurement efficiencies. And the third relates to SG&A, particularly improved fixed cost absorption, optimized IT spend and other non-personnel cost efficiencies. Overall, synergies represent approximately 3% to 4% of our illustrative combined sales, with a full P&L impact expected by the end of year 3 post closing. The related one-off costs are estimated to be approximately 1 to 1.2 times expected synergies incurred over two years.

Let's look at what we look like as a combined entity. On an illustrative basis, using the reported numbers for '25, the combined group would generate over EUR20 billion in sales, and more than EUR2.7 billion in adjusted EBIT, implying an adjusted EBIT margin of approximately 13.4%. This demonstrates the robust financial profile of the combined business, even without taking into account the value of the integration and synergies. Together, we would have more than 100,000 experts across over 100 countries. I'm truly excited by these capabilities, reach and depth we will have to serve our customers consistently across the regions and segments and to compete at the very highest level in our industry.

In terms of business mix and geographic reach, we would have approximately 45% of the sales come from the Recurring Services business with further nearly 20% for Modernization. Both are attractive, structurally growing markets, and as noted when running through our Q1 results. Geographically, the combined group would be more balanced across regions with increased exposure to attractive US market. This creates more resilient profit pools supporting our long-term growth and profitability ambitions.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

So turning to stakeholder benefits and starting with customers, where the value is very clear. By combining the innovation strength of both companies, we can deliver an even stronger offering better tailored to customer needs. Let me share a few practical examples.

In the volume segment, particularly entry-level solution, we see clear opportunities to combine the strength of the EOX platform from TKE and MonoSpace platform to increase -- to improve cost competitiveness for our customers. In the high-rise segment, the combination of KONE's UltraRope technology with TKE proven TWIN solution, where you have two cars in the same shaft, is truly game changing.

In home lifts, a niche but fast-growing segment, driven by accessibility needs, our geographical complementarity creates additional growth potential. And in Modernization, our modular approach optimizing cost and minimizing downtime will be highly attractive for TKE's customer base. And at the same time, we get access to solutions for hydraulic elevators, which continue to play an important role, particularly in the US installed base.

And finally, service underpins everything. So with more than 3 million units under service, we can leverage our combined firepower to accelerate IoT innovation and roll out productivity-enhancing digital tools at scale. So this will translate into higher service quality and reliability and ultimately, stronger, longer lasting customer relationship.

Now let's talk about people. So while our cultures are distinct, we share a strong common foundation built on safety and integrity. TKE has excelled in empowering the field while our strength lies in a highly structured and scalable operating model.

We share a deep passion for customers and strong commitment to building a high-performance culture. We have exceptional talent across both organizations, and I'm confident that our people will benefit from the broader opportunities to combine group -- the combined group can offer.

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

More value for customers and a stronger, more diverse team ultimately means more value for our shareholders as well. This transaction clearly resets our financial ambition. We will be better positioned to capture industry growth and synergies, alone support adjusted EBIT margin, moving substantially beyond our current 16% target.

The return profile is attractive. Adjusting for PPA and one-off transaction and integration costs, the EPS accretion is expected in the first full year post-closing and will accelerate thereafter. On leverage, we target a solid investment-grade profile, supported by synergy realization and our cash-generative business model. Deleveraging will be a clear priority.

At the same time, we're proud of our dividend track record and are committed to paying out at least 50% of net income over the cycle. The dividend per share is expected to be stable in the initial years following the closing with progression thereafter.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

So turning now to leadership and governance. Both companies brings proven leaders and the leadership team led by me as CEO, will reflect the strengths of both organizations.

In terms of ownership, Antti Herlin will remain the principal shareholder. He has committed to purchasing shares to the amount of EUR1 billion from TKE shareholders at market price immediately after the transaction is completed. And irrespective of this additional share purchase, his ownership will continue to represent over 50% of the votes.

This ownership continuity is important and supports a long-term focus. Now, TKE shareholders have a customary lockup period, but more importantly, their ownership in the combined group reflect strong conviction in the combined company potential.

At Board level, Antti Herlin will continue as Chair, while TKE shareholders will have the right to appoint two Board members. A new Strategy and Integration Committee will be established to ensure appropriate Board level oversight.

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

As I said, a significant part of today's story is about value creation. To realize the value, integration execution will be critical. We will place a strong emphasis on clarity, discipline, and attention to detail. A dedicated integration team will manage planning and execution. This allows the rest of the organization to remain fully focused on running the business and serving our customers without disruption.

Let me briefly cover key transaction terms. As mentioned, this is a cash and share transaction, whereby TKE shareholders will receive EUR5 billion in cash and up to 270 million newly issued class B shares. Including TKE's EUR9.2 billion of net debt at the year-end of '25, this implies an enterprise value of EUR29.4 billion, reflecting a significant value creation potential of the combination.

We have fully committed financing from Bank of America and BNP Paribas in place. Together with the cash on our balance sheet, this will fund the cash consideration and be used to refinance TKE's existing net debt. And as mentioned earlier, our aim is to be -- our aim is for the combined group to have a solid investment-grade profile.

So what happens next? An EGM is planned for June, where we will seek shareholder approval. A notice to convene will follow with all relevant details. Regulatory filings will commence in parallel, and we are confident in securing the required approvals.

We will work constructively with regulators through the process, which we expect to take approximately 12 to 18 months. This implies closing will take place earliest in Q2 next year. During this period, we will further detail our integration plans to ensure that we are ready to hit the ground running from day 1.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

Thank you. So let's wrap up. This transaction represents a unique opportunity to redefine the future of our industry. Together with TKE, we are exceptionally well positioned to leverage our combined innovation capabilities, accelerate digitalization and sustainability, and create substantial long-term value for the benefit of our customers. By combining, we significantly accelerate our journey towards industry-leading growth, profitability, service, and innovation.

Thank you for your attention. I suggest now we now move to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Phil Buller, JPMorgan.

Philip Buller - J.P. Morgan Securities LLC - Analyst

Obviously, congratulations on the deal. This has been expected for a long time. The key questions have always been around those antitrust hurdles and, you talked, this 12- to 18-month period of approvals. Can you help us perhaps region by region or country by country where

the potential obstacles are that you see for those approvals? And what proportion of TKE do you see presenting those obstacles, just to try and scale the remedies?

And the follow-up question is in relation to the conversations that you may have already had with regulators and perhaps even your competitors. Can you share any color on when those conversations started and how they've progressed, please?

Philippe Delorme - Kone Corp - President, Chief Executive Officer

So I would say, repeat what Ilkka said, which is -- so first of all, we've done a lot of work, and we are confident the transaction will receive all the necessary regulatory approvals, while preserving the strategic rationale of the combination. We are prepared to work constructively with regulators to ensure full compliance. And I guess you will probably understand that we cannot go any further, and we cannot speculate any further.

Philip Buller - J.P. Morgan Securities LLC - Analyst

That's understood. Just in terms of the scale of where you would imagine those points of contention would be, is it -- I'm assuming the work that you've done would imply that it's a relatively small minority component of TKE at this point, just a bit of scale.

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

I think Philippe already answered to that question. So we'll work with the authorities on this one.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

Constructively.

Operator

Vivek Midha, Citi.

Vivek Midha - Citi Investment Research (US) - Analyst

My question is on the synergy view. Your target for synergies with TKE are quite substantial, EUR700 million pretax. You've identified several areas. But taking a step back, as you rightly pointed out, TK Elevator has already made substantial progress on margin realization under the current owners, perhaps suggesting that the low-hanging fruit in optimizing their business has been taken already. Could you perhaps rank the synergy buckets in terms of your degree and confidence in achieving them and give us more color there?

Philippe Delorme - Kone Corp - President, Chief Executive Officer

So first of all, what I can say is that we've been working quite a lot with clean teams and with people from both sides. So we have quite a high level of preparation. So when we quote a figure like this, it's not coming in the air. It's a result of a big amount of work assessing the synergies on the combined business. These are cost synergies.

I think we've detailed the three categories, the field where I repeat, but when you combine service team and get better density and get more efficient, there is clearly some opportunity here. And we've seen it in many previous cases. Second one is when you combine product

platform, you can actually get more scale, get better condition with your suppliers, which is something you cannot do alone. And third, there are SG&A opportunities. There are SG&A opportunities at KONE, there are still SG&A opportunities at TKE.

And when you combine things, you need -- I mean, you have one role instead of two, and it's a pretty simple principle. So we feel confident. We feel very confident in this figure. We've made a lot of work around that. And we understand it's an important figure in how to assess the transaction, but we've done our homework very much in detail.

Operator

Vlad Sergievskiy, Barclays.

Vladimir Sergievskiy - *Barclays Capital Inc. - Analyst*

My first question is related to synergies again. Is your synergy scenario assumes full combination without any asset sale at all? And also, would you be able to let us know, is there any breakup fee that KONE committed to pay in a scenario when this deal doesn't happen?

Ilkka Hara - *Kone Corp - Chief Financial Officer, Member of the Executive Board*

On the first question on the synergies, that's what we estimate to be achievable for the combined entity. So that's our best estimate for that. And on break fee, yes, there is a customary break fee in place, which is not disclosed as is agreement between two parties, but I would characterize that as a customary to this type of transaction.

Vladimir Sergievskiy - *Barclays Capital Inc. - Analyst*

Understood. And maybe my follow-up will be on pro forma net debt. Would you be able to give some color on what you expect it to be post-closing and all payments in the context of your target seems to be disclosing about EUR13 billion of net debt in their recent results.

Ilkka Hara - *Kone Corp - Chief Financial Officer, Member of the Executive Board*

Like I said, so first, EUR9.2 billion of net debt on the pro forma figures is the number I used. And we are targeting to be an investment-grade company, post-closing on an ongoing basis. And our target is also to be able to deleverage the company, and that's priority with our cash-generative business model and the synergies enabling that.

Philippe Delorme - *Kone Corp - President, Chief Executive Officer*

And I guess we've shown a pretty strong discipline on cash generation, right, Ilkka?

Ilkka Hara - *Kone Corp - Chief Financial Officer, Member of the Executive Board*

Okay.

Operator

Andre Kukhnin, UBS.

Andre Kukhnin - UBS AG - Analyst

Clearly, a monumental day for the whole industry. I wanted to just talk about synergies a bit more. And could you give us some color on phasing? Is it right to think about SG&A coming through first, then product and service?

And within that kind of -- within the service synergies, in particular, I would expect that to be a bit bigger proportion than just 1/3 of the total. But what would be the cadence of like combining the service and maintenance basis versus kind of standardizing the connectivity because you are on obviously different individual tools. How will you manage that, please?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Maybe I'll start and you can continue. So if you look at the synergies, first, when we talk about service density, there's a first is about route optimization. It's pretty simple. You have less driving time between your two sites. And that's something that we do on an ongoing basis with all of the teams optimize the routes.

Now we have on each of the team we need to do it in a broader scale. And yes, digital will have an opportunity and so on, on the services. But I think at the end, we have a fairly simple synergies around the services, which are similar to us making small acquisitions for the local team. It just happens in a broader scale. And yes, there are synergies that are more driven by decisions.

So for example, SG&A and organizational combinations. And yes, there is also then product synergies that we're looking for, which likely will take more time. There is a commitment on both sides of the company to deliver certain projects.

So that's the rough description, but we will certainly come back with more details. This is now a start of the project to start planning the integration. And as part of that, then fine-tuning the plans, we know what to look for now, how do we go after is the next step.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

And the few things I would add is because the regulatory process is going to take some time, actually, this offers a window of opportunity, especially on the product convergence to have even more detailed conversation than what we've had so far, so that day 1, we are ready to act. And we really want to go in a mindset where day 1 after closing is going very, very fast in terms of executing what we want to do. That's one thing, and that's very true for category 2 and 3, let's say, product convergence and SG&A.

Now on the first one, there is one thing we've seen with digital, which is another engine of driving productivity. Let's say, when we are growing our service, let's say, around 8%, that means that -- if we were growing with no efficiency, we'll have to hire 8% more people, which, of course, is not what we want to do because we want to be more efficient.

What we've seen is that actually when we built in better productivity because we have better coverage or digital or both, actually it helps people to grow faster because they are not busy hiring people. They're just busy growing the business with a base which is more efficient. And as the base is more efficient, you're more competitive with your customer, and that helps you to grow faster.

So some people might ask us later, but you're going to fire a lot of people in the field, actually, if we do nothing, growing as we grow, the biggest constraint is actually hiring people. So when we get more efficient, we get on one side more competitive with customer, and on the other side, we get -- it's helping us to be more nimble with the growth we need. So I'm not saying all of this is easy. It's going to require hard work. We are prepared for that. But we've seen that case before. And therefore, we are confident we can execute.

Andre Kukhnin - UBS AG - Analyst

Got it, got it. Effectively acquiring capacity for future growth. And if I may, just a follow-up on the deal structure and the issuance of 270 million shares, which is worth EUR15 billion currently. How should we think about this? Is this a commitment to issue shares that would be worth EUR15 billion to the TKE Topco?

Or is it 270 million shares at whatever price it will be at the time? How do we balance these 2?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

It is up to 270 million shares. So it's a number of shares commitment.

Andre Kukhnin - UBS AG - Analyst

And it would not change even if your share price is substantially higher than it is right now, and hence, that number becomes substantially higher than EUR15 billion?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

That potentially could happen.

Operator

Rizk Maidi, Jefferies.

Rizk Maidi - Jefferies LLC - Analyst

I'll stick to two as well. Congrats on the transaction. Just maybe perhaps on the leverage. I get to 4 times sort of leverage at closing. It's very difficult to reconcile that with investment grade. Is there a plan to issue more equity at closing? And how are you planning to get this leverage sort of lower even by 2030 struggle to get it to 2x?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

So first, as I said, we are committed to having a solid investment-grade rating. And we are now refinancing the debt, which TKE has, as well as financing the cash payment. And at the end, we believe that we will have an investment-grade rating. I am at this stage not prepared to go through in terms of more details as we only can represent on the pro forma financials as they reported.

Rizk Maidi - Jefferies LLC - Analyst

Okay, understood. And then perhaps just going back to the synergies, thank you for splitting them up in terms of source. Would it be possible to have just a flavor of the weighting between sort of Americas, Asia, and Europe, just for us to get a rough sense?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

I think the best way to think about it is that it's roughly split according to the business in terms of the synergies. And of course, as I said, we'll come back with more details planned, but service size of the business is determinant than the size of the synergies in business in each respective area and so on.

Operator

Alexander Virgo, Evercore ISI.

Alexander Virgo - Evercore ISI Institutional Equities - Analyst

I wondered if you could just talk a little bit to the confidence that you've now got in the transaction. And what I mean by that, if I could, I'll split it into two parts. So last time around, you went in with a partner. This time, you don't. So just wondering if we can read anything into that and what that might or might not mean?

And the second question or second part of the question is how do you manage the uncertainty in the business, both from an employee standpoint and a customer standpoint, while the transaction is being reviewed. Because I think if it's 12 to 18 months, then that would be a very successful timeline. The risk is, of course, it's longer than that. And that likely is to end up having a detrimental impact on the underlying business, particularly at TKE. So just wondering if you could comment a little bit on that.

And then if I could just follow up with a final sort of housekeeping question. What sort of transaction costs are you assuming, which you're then excluding from the EPS comments?

Philippe Delorme - Kone Corp - President, Chief Executive Officer

The first one on, let's say, if I would look at the major difference between the trial last time and this time, I would say, this time, we've been able to work very constructively with the other party, of course, with clean team and respecting all the competition laws and stuff like this. But one, I think we have a much better understanding of the company. And we've done this, I wouldn't say amicably, but in a very good way, and we understand much better.

So when we sit in -- when we are in front of you talking about all of these and these plans and all the execution that is in front of us, we feel confident because we know precisely what needs to be done. And we are aligned with the leaders on the other side with respect and with a good spirit to make things work together. It might look like at detail, but it's very, very important. So that's the first point. Second question was?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Second was how to run during the uncertainty.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

Uncertainty -- it's very simple. We are actually -- and we started this morning and Uday is going to do the same. In this time period, we're going to compete with each other, and we are telling both teams, you need to do your job and you serve your customer point.

The rest, let some teams that will prepare the convergence, that's not your topic. And then we are taking care of retention topics and stuff like this that -- and we feel pretty strong on both sides that people will have the work ethic and a clear understanding and trust support system to make things work in that fashion.

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

And the last question was on transactions. So I'd say transaction, including integration costs, we estimate those to be 1 to 1.2 times the synergies and incur mainly in the first two years.

Alexander Virgo - Evercore ISI Institutional Equities - Analyst

Okay. So just to be clear, so the EUR700 million to EUR900 million rounded numbers cost included -- is included -- including the costs to go through the competition review, the cost to integrate and the synergy costs? So that's all in?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

That's our best estimate right now.

Operator

Tomi Railo, DNB Carnegie.

Tomi Railo - DNB Carnegie - Analyst

This is Tomi from DNB Carnegie. Short question, would you consider the synergies to be gross or net?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Simple answer, more net. So there are cost synergies on a net basis. That's what we assume that we will achieve for this combined entity.

Operator

Nick Hall, RBC.

Nicholas Housden - RBC Capital Markets (Canada) - Analyst

It's Nick Housden from RBC. Firstly, on the refinancing of the TKE net debt. Are you anticipating any sort of additional savings that are not captured in the EUR700 million of synergies? And can you also comment on any of the -- or the interest costs associated with the EUR5 billion cash component of the deal?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Yes. So we have financing in place for the transaction. And I'm very glad you asked about the synergies in financing. So basically, you're taking a company KONE with a very strong balance sheet, one could even say inefficient in that respect, and then a company which is clearly quite levered.

When you combine them, yes, you will get benefits in terms of the spreads being much tighter than they are. And we estimate those cost benefits to be in a range of EUR200 million for the combined entity at that stage. And on the interest rates, so let's come back to that at a closer date to closing when that's relevant.

Nicholas Housden - RBC Capital Markets (Canada) - Analyst

Okay. And that's to be clear, EUR200 million of combined financing synergies above and beyond the EUR700 million. Is that correct?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Yes. That's the spread difference that we estimate to get when combining the two balance sheets.

Nicholas Housden - RBC Capital Markets (Canada) - Analyst

Okay. Great. And then just quickly, you mentioned your ambition to get the combined adjusted EBIT margin significantly above 16%. Any comments, A, on the drivers of that? And B, any kind of rough indication of the timeline? Is that sort of a 2030s ambition? Or could we see it sooner than that?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

So naturally, we will come back in more detail when we are actually working together as two companies to set targets and with more clear plans how we work going forward. But along the synergies will mean that we substantially will need to reset our ambition in terms of profitability. So that's what's behind the comment. Both businesses have actually improved their profitability on an underlying basis as well. So all of those three components actually contribute to that comment.

Operator

Martin Flueckiger, Kepler Cheuvreux.

Martin Flueckiger - Kepler Cheuvreux SA - Analyst

Just two questions. Firstly, we've been talking about cost synergies and financing synergies so far. But we haven't heard anything about your expectations with regards to revenue synergies and potential dis-synergies. So if you could elaborate on those two items, that would be very helpful.

And my follow-up question is on the integration costs, which you, Ilkka, have stated to be around 1 to 2 times of the total synergies. Could you -- over the next two years, can you just provide a little bit more detail with regards to the phasing year 1 and year 2 for those?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

We'll come back with the details. First, we'll need to work with authorities to get first EGM, then the closing and fine-tune in between our integration plans, which are then driving the cost assumption and the timing of that. But what I did say is that they are mostly incurring in the first two years of -- post the closing.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

And on revenue synergies, we've taken a more cautious stance not to include them. I mean, for anyone that has gone through significant deal and I've done a few of them, I think it's good to have a prudent approach. There might be some -- I mean, we'll work on this one, but we don't want to put that -- to factor that in that business case.

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

But clearly, our ambition is to grow faster than the industry. So that means that we need to be able to continue to gain share.

Martin Flueckiger - Kepler Cheuvreux SA - Analyst

Okay. And in terms of dis-synergies, there's nothing to point out?

Philippe Delorme - Kone Corp - President, Chief Executive Officer

Not really. No.

Operator

Panu Laitinmaki, Danske Bank.

Panu Laitinmaki - Danske Markets Equities - Analyst

So I wanted to ask about the synergies and the remedies. So you commented that EUR700 million is your view on synergies for the whole company, but is there a risk that the number could change if you would need to make substantial remedies? Or have you kind of calculated this conservatively that even if you would need to sell something, this is -- that you would achieve?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Well, as I said, synergies are based on our best estimate of what's achievable for the combined company. So that's what we're committing to when looking forward.

Panu Laitinmaki - Danske Markets Equities - Analyst

I actually had a follow-up related to your Q1 results today. So interestingly, China revenue was up modestly, but it was up for the first time in four or five years. So just curious, do you think this was the inflection point where the Service and Modernization growth is now offsetting the decline in new equipment? Or was this just one quarter of more positive development?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Well, first of all, thank you for also paying attention to our Q1 results. We're very proud of that.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

Someone has been paying attention. That's --

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

And like you said, so we are seeing the market to be over 50% of the value is in Services and Modernization. And our business is not quite there yet, and we want to get there as fast as possible. That's the priority. And now in the first quarter, we indeed were able to grow slightly the business as our both services contributing to it, but most importantly, we saw very good growth in the Modernization business.

Operator

Andre Kukhnin, UBS.

Andre Kukhnin - UBS AG - Analyst

I've got a couple. Firstly, in terms of how will you treat the cash generated by TKE in the meanwhile, while you closing the deal? And related to that, do you still intend to pay dividend for 2026? Obviously, assuming the deal, as you said earlier, close Q2 next year. So do you -- would you still pay the dividend or would you contribute that cash towards the deal and deleverage?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

On the first part, so there's a locked box mechanism that is in place. So part of the combined entity, that's how the agreement has been agreed. On second, yes, I think I also said in my notes that we aim to have a stable dividend in the coming years.

And of course, then later on see due to the synergies and the development and growth of the business that we can then be progressive about increasing the dividend going forward. So yes, definitely, we're aiming to pay dividend in early part of '27 for the year '26.

Andre Kukhnin - UBS AG - Analyst

Okay. Great. Sorry to labor, but I'm just getting quite a lot of incoming on the kind of questioning how would you remain investment-grade with EUR13 billion of net debt and the sort of sub EUR4 billion combined EBITDA on the closing. Is there anything we're missing here, Ilkka, that you could help us with?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Like I said, we'll come back to that in more detail towards the closing, but we feel confident that we will have a solid credit -- solid investment grade credit rating for the company, and with both our cash-generative business model as well as for us to then execute on the synergies on an ongoing basis to have that solid credit rating.

Andre Kukhnin - UBS AG - Analyst

Okay, okay. And if I may, on antitrust, when you had experience of doing deals and in your conversations with authorities, will they look at combined new equipment or new installations business and service for the HHI's calculations? Or will they look at them separately and will each one of them become kind of a gate for that country to go ahead or not, i.e., do you need to clear it on a combined basis? Or would not clearing it on either of the two of either service or new build concentration would be an issue?

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

I don't think I can speak for the authorities. So we work --

Philippe Delorme - Kone Corp - President, Chief Executive Officer

Constructively.

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Constructively with authorities and then we expect that process to take 12 to 18 months.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

And we've done the homework.

Andre Kukhnin - UBS AG - Analyst

And from past experience --

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Well, I guess --

Philippe Delorme - Kone Corp - President, Chief Executive Officer

We're not going to go any further, Andre. Good try, good try.

Operator

Thank you. That is all the time we have for Q&A. I will now hand it back to the host for closing remarks.

Natalia Valtasaari - Kone Corp - Vice President, Investor Relations

So thank you, everyone online, and thank you also for your patience through our issues in the beginning. I hope that you got the answers -- your questions answered well. We're here with the team to answer anything further. So please do reach out to me. Yes, exciting day, as I said. So looking forward to continued discussions as we go through the quarter.

Philippe Delorme - Kone Corp - President, Chief Executive Officer

Thank you.

Ilkka Hara - Kone Corp - Chief Financial Officer, Member of the Executive Board

Thank you.

Operator

Thank you. This concludes today's call.

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