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CORPORATE PARTICIPANTS

Natalia Valtasaari

Head-Investor Relations, Kone Oyj

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

OTHER PARTICIPANTS

Guillermo Peigneux-Lojo

Analyst, UBS AG (London Branch)

Andre Kukhnin

Analyst, Credit Suisse Securities (Europe) Ltd.

Daniela Costa

Analyst, Goldman Sachs International

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Aurelio Calderon Tejedor

Analyst, Morgan Stanley & Co. International Plc

Rizk Maidi

Analyst, Jefferies International Ltd.

Miguel Borrega

Analyst, Exane BNP Paribas

Lars Brorson

Analyst, Barclays Capital Securities Ltd.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

John Kim

Analyst, Deutsche Bank AG

MANAGEMENT DISCUSSION SECTION

Natalia Valtasaari

Head-Investor Relations, Kone Oyj

Good afternoon and welcome to KONE's First Quarter Earnings Call. My name is Natalia Valtasaari, I'm Head of Investor Relations here at KONE. And I'm very pleased to be joined by our President and CEO, Henrik Ehrnrooth; and our CFO, Ilkka Hara.

As usual, Henrik will start by going through the key developments in the quarter, Ilkka will then continue with a bit of a more kind of in-depth dive into the financials, and then, Henrik will finalize the presentation with our market and business outlook. Then, we'll move to your questions. And I'd like to remind you all that during the Q&A session, please limit yourselves to one question and one follow-up. With that, we can assure that as many people as possible have the opportunity to ask their question.

But with that, I will hand over to Henrik.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

Thank you, Natalia, and welcome. And very happy to have you with us today, in particular, as we're happy to share good development that we had in the first quarter and good progress in priorities we have as a company.

So, in the quarter, given the market backdrop, we had a good momentum in our orders received, both when we look at total orders received and, in particular, how pricing developed around the world, that was positive. Sales actually grew now nicely, really fueled by our services business. And I'd like to say that the development in our service business in the first quarter was actually excellent, if we look at the growth in both maintenance and in modernization.

Now, the Chinese market continues to be weak. At the same time, we can see that the policy measures that have been implemented since November last year are starting to have an impact that we can see. And, therefore, we are slightly more positive about the Chinese market development now than we were beginning of the year. And we can also see that the actions we have taken to improve our profitability is clearly bearing fruit. So, we are on the right track from that perspective.

So, I'll start with some of the highlights, some focus areas for KONE and our markets, and then Ilkka will dive more deeper into numbers and I'll then finish with our outlook. First quarter was a good start for us. Orders received at €2,263 million. That was a decline in comparable currencies at 5.1%. Given the market backdrop, that was a good momentum. We grew in all of our geographic areas except for in China. A particular highlight was the strong growth we had in our modernization business. Perhaps what I'm most pleased with is that our prices during the quarter improved in all businesses, in all regions. So, really good broad-based development there.

We continue to have a strong order book at over €9 billion, giving us a good situation to go forward. As I mentioned, sales up 5.9% to €2.55 billion, really fueled by our services business that grew in total at 13%, so a really nice growth there. Operating income at €238 million, improved significantly from last year. And then adjusted EBIT increased by 23% from €196 million to €242 million, and the adjusted EBIT margin from 8% to

9.5%. And of course, you all have to remember that for KONE Q1 is always seasonally a clearly slower quarter and a lower margin quarter than the rest of the quarters.

Another clear highlight was the strong cash flow we had in the quarter, really good cash conversion. So, cash from operations at €456 million and also 42% increase in EPS to €0.36. So, good broad-based development. So, we can see that while market environment continues to be challenging, our teams at KONE have done an excellent job in driving a good performance really everywhere. So, great job by the entire KONE team, I would say.

Today, we are also publishing our Sustainability Report for last year. This is something that we are clearly seeing as a competitive advantage for KONE, somewhere we'll continue to have high ambitions. We set our science-based targets back in 2020 as the first one in our industry and what I think is positive is that now, more and more companies also in our industry are implementing these.

We can see our Scope 1 and 2 emissions, we are down 17% from the base year of 2018. So, we are clearly making good progress here to reach our 50% by 2030. The next big step is clearly has to be the electrification of our vehicle fleet and that will happen in the coming years. Scope 3 emissions, which are emissions related to our product, materials and lifecycle energy consumption of the products we have installed, here we saw now a decline from base year of 4.3%. This is an area that clearly requires more fundamental R&D and product development in order to reduce it.

What I can see in our activity we have in our research and development and [ph] operating (00:05:52) development, clearly, we have a good development here and I'm confident that we can get to 40% with coming generations of elevators and escalators. It is clearly the biggest part something that takes a little longer, but I can also see that the momentum there is clearly good.

For us, sustainability is also more than environment. It is also about diversity, equity, and inclusion. One of the targets we have there is how many the share of women at what we call director level position. We started in 2020 at 18%. We are now at 23.5% and our target by 2030 is to get to 35%. So, we are on track towards that. And clearly, we need to still improve here.

Also, safety, a really fundamentally important aspect in our industry where we have also seen a continued improvement in our safety statistics. Last year, our industrial injury frequency rate was 1.4, and we have a target to get to 0.6 by 2030 here. And 1.4 is a clear improvement again that we have had year-over-year. So, we can see that a healthy and good safety culture at KONE. So, that you can read more about in our Sustainability Report that will be out today.

Then about the markets, I think as, which is familiar now to I think all of you is in Q1, we always do a deep dive into the markets for last year. There's no direct industry data for our industry and therefore, we do our own bottom-up analysis always in the first quarter. We now have the results to share from that.

If we start with the total development of markets last year, the global new equipment markets declined by more than 10% last year, or about 1 million units in total. Of course, biggest decline was in China, over 15% in total, the units. So, between 15% and 20% last year. So, that was, of course, the biggest impact. At the same time, market for services, so both maintenance and modernization grew. Maintenance market in units grew at close to 5% and was over 20 million units last year. And the modernization market grew at between 5% to 10%.

If we look at total businesses, our market share in new equipment last year overall was flat. In maintenance and modernization, we continued to have industry-leading growth, if we compare to our peers. We're growing faster than our peers there. So, there we have a good development.

If we then look at by market to market, in North America, we had a good development. We increased our market share and improved our market position in new equipment. We're now number three last year, so improved by a point or one spot there. And in maintenance also, we had the fastest growth in the industry. Clearly, we are a challenger in North America that we know.

In China, our market position was stable. We were number two in new equipment, have a stable market share in maintenance. We improved slightly, also number two there. Europe, Middle East and Africa, in new equipment here we lost a bit of share. We were number two still. And in maintenance, we were stable. And in Asia-Pacific, improved in both new equipment and maintenance and gets to a market leading position in rest of Asia-Pacific in the markets we operate.

So, we can see that our focus last year was clearly in new equipment. It was principally on pricing ahead of growth. And we see that that is what we achieved. Then in services, it was clearly about gaining market share and that we also achieved. So, very much in line with our focus that we had last year.

Then, let's turn to this year's markets. How have 2023 started? If you look at new equipment markets, they declined globally in the first quarter, although there were significant differences between different regions. So, from that perspective, there continued to be opportunities. North America markets declined significantly. Europe, Middle East and Africa stable, but huge differences. The further north we go, the more decline, Nordics, Germany and others. And the further south we go, the Middle East, there markets actually developed very positively. The Chinese markets declined by about 20% in the first quarter, very much in line with the thesis we had beginning of the year. And then, strong growth in rest of Asia-Pacific driven by India and a recovery in Southeast Asia. So, big differences there.

At the same time, services markets continue to be positive. Maintenance growing at its normal trends, so slight growth in developed markets and good growth in China, rest of Asia-Pacific. Modernization also good growth opportunities almost every market, strongest in rest of Asia-Pacific. China had a slight dip now. I would say that's mainly due to financing environment coming out of COVID. I'm convinced that the Chinese modernization market will grow this year. That case for the strong growth in that market hasn't gone anywhere. It's very much there. So, this is a quarterly dip that we've seen.

So, what about the China markets? I think as you probably remember, at the beginning of the year, our thesis was that during the first half of the year, we'll see decline and towards the end of the first half, we'll start to see a recovery in the markets. That thesis is very much intact. Decline of about 20% in the first quarter. We know financing environment continues to be very tough for developers and also very competitive markets, no question about that.

We are seeing that these actions that we're taking started to impact the market. So, first signs of improvement in construction industry. And if you look at the statistics, if we compare them Q1 where we were in Q4, we can see that we see an improvement everywhere. Real estate investment that was significantly down in Q4 is now down 5.8%. Perhaps the most positive signs of improvement are – is that residential sales volumes are improving. We could also see that in the biggest cities prices actually have started to increase. And perhaps, the most encouraging number are completions, which were up. And this is really in line with the priorities in China of the government is to finish [indiscernible] (00:13:00) buildings, which there's plenty of. It's probably around a year of

additional backlog that needs to be finished, so that should provide some good opportunities going forward when those buildings get finished.

So, that's about highlights, what we've been doing in markets. And now, I'll let Ilkka dive a little bit deeper into our financial performance.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

Thank you, Henrik, and also a warm welcome on my behalf to this first quarter results webcast. And as normally, I'll go through numbers in a bit more detail and I have some good news to share as Henrik already said. We had had a good start for the year.

Let's start with orders received, which for the quarter were €2,263 million, which is a 6.6% decline on a reported basis and a 5.1% decline on a comparable basis. If we look at it in more detail, so we saw a strong growth in Europe, Middle East, Africa in orders received, as well as growth in Americas, and also as Asia-Pacific grew outside of China. But in China, as Henrik already said, in the market environment, our orders received declined around about 25% in the quarter.

We've been very focused on orders received margin. And as you've seen, we've continued to see improvement both sequentially as well as year on year. And if I look at the pricing, we have increased prices sequentially in all businesses in all geographies, as Henrik already said. That's very good. And on top of that, we see positive impact from decreasing costs in China, also contributing to our orders margin continuing to improve in this quarter. So, very good performance against a market backdrop, which is clearly challenging.

Then the sales. Sales for the quarter were €2,557 million. Growth on a reported basis, 4.7%; and on a comparable basis, 5.9%. Despite the slight decline in new equipment, 2% decline, we saw very strong performance in the services business. Maintenance growing 9.2%, clearly driven by units, but also the contribution of increasing prices, as well as 24/7 continued positive impact with other value-added solutions. But in services, I would say that the highlight for the quarter was the very strong performance in modernization, 22.8% growth in the quarter. It's clearly very good number, very happy about that.

Then to adjusted EBIT, and our adjusted EBIT for the quarter was €242 million and adjusted EBIT margin was 9.5%, up 1.5 percentage points from last year, so from 8% to 9.5%. And despite the persistent inflation, we saw a positive impact from lower material cost in China contributing positively to the results, as well as the pricing. And pricing also for the orders that have been from last year with the increase in prices having a positive impact to our profitability.

Also, business mix was positive, so we saw strong growth in our services business, despite China sales being down. So therefore, the business mix was still positive as a result. And then, given a good revenue quarter, we saw better-than-expected fixed cost absorption as a result, contributing positively to the results as well, as well as the good control in our costs to start the year with.

Then, at least from my perspective, the highlight for the quarter is the cash flow, so €456 million is a good start for the year from a cash flow perspective. And despite accounts payable, actually, being negative to our net working capital or cash flow, we saw accounts receivable contributing positively, as well as maintenance invoicing cycle that helps always at the beginning of the year, contributing our network capital further developing positively from the end of the last year. So, clearly, a good start from a cash flow perspective for the business.

But with that, I'll hand back over to Henrik to talk about market and business outlook for the rest of the year.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

Thank you, Ilkka.

So, we have slightly updated our market outlook. We now expect that the China new equipment market will decline by close to 10% during 2023. Beginning of the year, we said more than 10%. So, a slightly more positive outlook on China than we had in January. And as I mentioned, our thesis continues to be that activity is expected to start to recover towards the end of the first half of the year as a result of stimulus measures that have been taken. Good growth continuing in Asia-Pacific outside of China, and then slight decline in EMEA and North America. Modernization, continued growth in all regions and maintenance, same growth trends that we've seen before.

Our business outlook, we have slightly specified. We now expect our sales at comparable exchange rates to be somewhat above previous year. In January, we still expected to be at a similar level to 2022. So, it would start – meant that we can – we have been able to specify this a bit. And we continue to see that our adjusted EBIT margin is expected to start to recover as a result of the better margins of orders received last year and the continued good performance of our services business. So, we can see that Q1 was clearly a step in this direction.

What is driving our performance is clearly the positive outlook for services and a good performance there, also the fact that we have a good order book with improving margins from last year's orders and also that commodity headwinds have eased in Asia.

Now, what is then challenging clearly is the decline in the Chinese market. We know it's an important and good market for KONE. Also, we continue to see increase in component costs outside of China and also salary increases, so those costs are increasing. And then also that markets are softening in Europe and North America. Overall, because of the order book, because of our service business, we still have a more positive outlook, I would say right now, than beginning of the year.

So in summary, it was a very good start on a broad basis to this year. Also, we are focusing on strengthening our customer focus and competitiveness, the new organizational model that we announced in January that is proceeding well, and we are planning to have that new organization in place as of 1st of July. So, that will help us also move forward and we are well on track with the objectives we set there. And we have a very good position to capture the growth opportunities in our industry. While economy may be challenged in many parts of the world, we have a lot of good growth opportunities in this industry. Services business continues to be good throughout the world and we will see our position there, which is strong and also Middle East, Asia-Pacific outside of China with our strong positions we are well set to capture opportunities there as well. So, those are positives for the markets going forward.

With that, we are now ready and happy to turn over to your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question comes from Guillermo Peigneux from UBS. Please go ahead. Your line is open.

Guillermo Peigneux-Lojo

Analyst, UBS AG (London Branch)

Q

Good afternoon, everyone. Guillermo Peigneux from UBS. I guess, I wanted to tackle first on the market outlook for China. I guess you said before over 10% decline. Now, it's close to 10% decline. And I was wondering how do we implement that into what could be seen as your order intake sequential progress as we go forward? Obviously, Q1 is also a seasonal low in terms of activity. Are you at the moment witnessing a recovery in the sequential activity from an order intake perspective? And that will be my first question.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

As you know, we usually don't – we don't guide for our orders received. What I would, in general, comment is that when you talk to customers in China and talk to, of course, our own team there, it's clear that there is more optimism right now than just beginning of the year, and kind of start to see that these stimulus measures that the government have implemented, they're starting to have an impact. And it's really on making – getting good progress in completing semi-finished buildings, but also with stronger developers continue to drive forward with new projects. So, I would say the overall sentiment has improved somewhat during the year.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Maybe to add to that, you're also asking sequentially. So, we are expecting the recovery to be more towards the latter part of this year than in the first part. So, gradually improving towards the second half.

Guillermo Peigneux-Lojo

Analyst, UBS AG (London Branch)

Q

Yeah. Thank you. But because Q1 typically is very soft given the Chinese New Year, is it fair to assume that future [ph] will be just right (00:24:00), purely seasonal effects, better than Q1?

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Thank you. And if you look at China specifically, as we all know in Q1, there's always Chinese New Year, which is a couple week holiday, and things slow down in the market. You don't have as much of those in Q2. So, that's why Q2 is higher activity quarter in general. Yes.

Guillermo Peigneux-Lojo

Analyst, UBS AG (London Branch)

Q

All right. Thank you very much. And then, obviously, my second question is, what happened to the modernization market in China? Because you – in the previous outlook, you were slightly more positive than you are now, which seems to be rather negative. So, could you elaborate a little bit of – I know it's a small portion of what you do, but nevertheless, I think it's interesting from a standalone perspective.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah, of course. And it is clearly overall a growing market in China with a lot of potential. Now, in the quarter, I think it was very much the same. It was about financing environment. Certain segments in modernization continued, others, they were more challenging. So, I think it's really – we know that there's been overall challenges with the whole construction sector financing, all that. So, I think this was just a aspect of it. I still feel comfortable that this market will grow nicely during this year – full year, basically.

Guillermo Peigneux-Lojo

Analyst, UBS AG (London Branch)

Q

Thank you, Henrik. And then my last one, I promise. You say second half activity recovery in China. Could you elaborate a little bit as to how do you feel basically that recovery will be in terms of, especially, timing, how long can last, if I may ask?

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Well, [ph] that we'll have to see (00:25:48). I would say that the way I would I think about it is that, the first thing you will be seeing now in terms of recovery is that the semi-finished buildings get more and more completed, and that we could see completions already in Q1. That will continue and there's plenty of that to be done. And then you'd start to see – we expect to start to see more activity on new starts, of course, first land sales, new starts, all that to pick up, that would then be something that's going to continue into next year.

Guillermo Peigneux-Lojo

Analyst, UBS AG (London Branch)

Q

Thank you so much.

Operator: Thank you. We will now move to our next question from Andre Kukhnin from Credit Suisse. Please go ahead.

Andre Kukhnin

Analyst, Credit Suisse Securities (Europe) Ltd.

Q

Good afternoon. Thank you very much for taking my questions. I wanted to start with the margin. You've obviously delivered 150 basis points improvement year-on-year in Q1 and we've seen the bridge. When I look at Q2, I don't really see many of these bridge components changing apart from maybe that China revenue headwind starting to mount following the orders. But then looking back at Q2 2022, that was the very tough period for the whole industry or anyone Shanghai-based when you were locked down for nearly two months and I think you quantified that at the time at about €100 million impact, which is I think around 350 basis points in its own right. So, I know you won't guide for Q2 margin, but I just wanted to check, will I be crazy to just stack these two things up and make an adjustment for the top line for China decline in terms of kind of constructing the margin bridge for Q2? Or is there any – something else in there that I should be aware of not to get overexcited?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Well, I think a few things to note and not necessarily on a quarter-by-quarter basis, but directionally. So, first, yes, we did say last year that there's about €100 million headwind from the closures. Not all of that was part of the

ongoing business. Some of that was also one-offs related to closing down and related to the overall closure costs. So, that's number one. So, you can't add back that €100 million fully.

And then I would say that in the first quarter, we did get quite a good benefit from fixed cost absorption and good control of fixed costs. And, of course, we're going to continue to control them. But I do expect that labor cost inflation continuing to be on a high level, so that there's more of that impact in coming quarters than on the negative side. So, maybe those two would be the two items outside of what you've called out. And then, of course, throughout the quarters, we will continue to see more positive impact coming from the better margin orders from last year. So, that's in the other side of the coin.

Andre Kukhnin

Analyst, Credit Suisse Securities (Europe) Ltd.

Q

Thank you, Ilkka. And my follow-up, may I just ask on your China business? Now, if we look back to 2022, could you just help us calibrate the models in terms of the business mix, where is it now in terms of new installations versus maintenance versus modernization? I recall you gave 80/15/5, but I think this piece has moved in, well, opposite directions actually in 2022. So, that would be great. And just on the 15% or whatever it's become, service components and linking back to what you said in terms of increasing prices in every business in every geography, have you managed to raise prices for China service contracts as well?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

So, first question, the business mix, that probably is more correct to have, 75% and 25%, and then closer to 20% from maintenance and 5% then on modernization. So, slightly more services than that what you quoted and had been previously.

And then in China, so your question, have you been able to increase maintenance prices in China? No, we have not. So, that's correct clarification. But in overall prices in China new equipment, we're up in the quarter sequentially. So as a result, the prices overall are up.

Andre Kukhnin

Analyst, Credit Suisse Securities (Europe) Ltd.

Q

Great. Very helpful. Thank you very much.

Operator: Now, our next question comes from Daniela Costa from Goldman Sachs. Please go ahead.

Daniela Costa

Analyst, Goldman Sachs International

Q

Hi. Good morning. Yes, two questions from my end as well, if possible. The first one, just wanted to come back, I think, to uncompleted buildings in China. I think at some point last quarter you mentioned that maybe half of them didn't have elevators. Can you update us on how much that uncompleted yet to be ordered portfolio in the market might be still in terms of like having visibility on further China ordered beyond starts?

And then, the second question is more of a clarification question, but I think you have your slide where you have the market share developments. Sounds like you list yourself as number two in China and I think at the CMD last year you had yourself as number one in both new equipment and OE. Maybe you can explain sort of if it's just a methodology or if it wasn't intended being careful in terms of like in a tough market, weak pricing or exactly why

the from 1 to 2. And maybe you can talk to the EMEA market share arrow down as well. I think you've alluded briefly to it, but any extra color on sort of what drove the trend? Thank you.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

So, the China, very simple. One of our large competitors did an acquisition that they integrated, and we're now looking at them as a consolidated group. That's the big difference there. Then EMEA, our focus last year was very much on improving our margins and in that we then lost a bit of market share during last year. Our focus was really more on prices and value that we could get. We see that that went well. Clearly, we can do better in the market share area.

So, the second question was about or the first question...

Daniela Costa

Analyst, Goldman Sachs International

Q

The...

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Oh, incomplete buildings in China. Sorry. Yes. So, there – and this is – there's not an exact number, so take this as a very rough number what I say now, that the extra backlog of uncompleted buildings, say, it's roughly a year of volume and it's going to take some time for that to play out. It's not going to happen quickly. It's going to take time to for that to play out. And perhaps about half of those have elevators order, half don't have them ordered yet.

Daniela Costa

Analyst, Goldman Sachs International

Q

Got it. Thank you very much.

Operator: Now, our next question comes from Klas Bergelind from Citi. Please go ahead.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

Thank you. Hi, Henrik and Ilkka. Klas at Citi. So, my first question I had was on the maintenance growth, over 9%. I think 5% to 6% is from the installed base and the rest is from price mix. If that's the case, it looks like the impact from 24/7 and fuel pricing is now accelerating. And Henrik, you alluded to this before potentially being the case for 2023 versus 2022, but can we talk about the pure price element here in maintenance? How much more pricing are you getting year-over-year? Is it 1%, perhaps 2%, and the rest is 24/7? I'll start there.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

So, first, in total, you have to remember that the fastest-growing service base is in China, rest of Asia, particularly India. Their average contract value is, of course, much lower than they are on a global basis. So that, of course, dilutes all the time. Then, we're growing the base and we're improving our pricing. So, prices are up actually quite nicely, particularly in Europe and rest of Asia.

So pricing from therefore, if you look at just a 5 percentage point, or a little bit more of unit growth, and then, the rest is pricing and 24/7, pricing would be more than, for example, in Europe and North America than that percentage would indicate. It's actually price increases beginning of the year have gone very well. And that is a clearly important driver for the top line growth, going up to 9.2%, which I think is a very strong number for that business.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

So, the acceleration of the growth is driven by pricing. 24/7 contributes more linearly, similar to last year on value basis.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

That's great to hear. My second one is on the bridge. Last quarter, Ilkka, you talked about the neutral effects from lower raw mats, but higher component costs. Wonder if that has changed at all for the year, but also you have logistics cost has started to help you. And then you have the benefit of the cost savings gradually in the second half, though obviously it's not only raw mats and component cost, if you could help us with the bridge items.

Also you talk about pricing on deliveries, ex-China is now improving. If you could help us with the magnitude, are we talking about mid-single-digit price increases out of the backlog in EMEA, Americas gradually through the second half? Sorry, that was two in one. Sorry.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Well, I'll take the bridge first. And first, we talked about last time our manufacturing costs, I guess, is the best way to say it. And, yes, there have been some changes in the first – during the first quarter. So, if I look at raw materials in China, they are slightly more a tailwind to us than they were at the beginning of the year. So, that's contributing positively.

And then in Europe and in the rest of the world, raw materials still are a slight – more of a headwind than anything else. And also, semiconductor supply continues to be quite tight. We actually managed quite well in first quarter, but we do expect that there is a headwind from semiconductor components cost during the year, as well as then inflation overall putting pressure. But they're – as you said, for example, logistics are a tailwind. But then putting everything together, net, net from that perspective, we expect some tens of millions of tailwind. So, a bit better than what we expected in the beginning of the year.

Then other bridge items I would highlight, so, yes, we will get some benefit from the restructuring when it comes to reducing our costs more towards the latter part of the year. At the same time, then, of course, inflation, labor cost – for example, labor cost inflation continues to be on a high level, but we will be able to mitigate some of that with the restructuring measures that we're taking, as the full impact of those measures is only visible in 2024, we'll look at only partially the impact in 2023.

And then lastly, business mix-wise, we will get some positive, if we're able to continue to grow our services business as we got a good start in the year and see good opportunities for the rest of the year. And then, of course, from new equipment perspective, especially, we will see it increasingly in the improved margin orders then rotating throughout the year and also partially through next year as the order books rotate, especially in, for example, North America, slower than one year.

So, that is the mix. I don't see that much of a difference, for example, in modernization where we saw a recovery of the margins already earlier, that would be a difference between the years in bridge. It's just if we continue to grow that, then it has a positive impact to the operating profit.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

That's great. And just on the pricing there in new equipment moving through EMEA first and then Americas have a longer backlog, just curious on rough magnitude.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Well, I think in general, I would say that we've continued to see maintenance, we already discussed. In modernization, prices recovered already last year have continued to be on a good level. And in new equipment, we continue to see good development in prices in Europe and in North America, as well as in Asia-Pacific. And within the quarter also in China, prices sequentially improved slightly.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

Thank you.

Operator: Now, our next question comes from Andrew Wilson from JPMorgan. Please go ahead.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Q

Hi. Good afternoon. Thanks for taking my questions. Firstly, just on the maintenance growth, which you've healthily broken down there, I guess, my question and it's quite broad, so I guess you can approach it as you like. But why wouldn't I think that that kind of 9% growth number would be sustainable as we go through the year on the maintenance side? Because kind of to the breakdown you've given, 24/7 is a tailwind, the unit growth I guess is the question mark you need to continue. And I guess, pricing, I know a lot of these contracts can be annual and therefore they're locked in. So, I guess is there any reason why it shouldn't be as positive and if it's not 9% then, say, high single digits as an example, when I think about the maintenance business in 2023?

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

So, there are, of course, many things that are – the fact that pricing is better will, of course, provide more growth during this year. So, that's right. And 24/7 is also a continuation. Then, you have, depend on market, let's say, a quarter to a third of the revenue is in maintenance are repairs. There also pricing has been an important driver. So then, on the margin where you get on your growth depends on how much activity you have in repairs for – in the maintenance business. So that's, of course, an important driver and how successful we are in that. So, that is the part that can fluctuate. Of course, underlying, just the contract base that we look at, there's [ph] we've seen (00:41:18) little bit more growth than in past years because of good pricing in the service contracts. Then of course, we need to continue to grow our base. So, we need to continue to have good retention rates, which we have and improved on those and conversion rate. So, of course, all of those have an impact on the growth. But definitely a good start to drive good growth in the business this year.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Q

Yeah. That's very helpful. And just as my follow-up, and it's really just to check a comment on the last question, actually. Just on the labor cost, Ilkka, I think from memory, you said something around €100 million or so, or just over €100 million headwind for 2023 in the bridge on labor. Is that still a sensible number or did I get that in the right to start with, I guess?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

You have a very good memory. That is a good number to be used.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Q

Thank you on both.

Operator: Thank you. We'll now move to our next question from Aurelio Calderon from Morgan Stanley.

Aurelio Calderon Tejedor

Analyst, Morgan Stanley & Co. International Plc

Q

Hi. Good afternoon, Henrik, Ilkka. Thanks for taking my questions. The first one is really around the margins that you're seeing in order intake and I guess you're talking again about sequential improvement and also year-on-year improvement. Is it possible to give us a hint of where you think margins are? I think you've talked about being close to 40% in the past, 40%, 20% in the past. Just trying to frame where those margins are relative to historically would be helpful. That'd be the first question.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

I guess we haven't been very explicit on the absolute number where they are. But what I would say that from orders' margin perspective, we've been able to recover closer to a level where we were in end of 2020. So, to give you some perspective, so before the cost increases started.

Aurelio Calderon Tejedor

Analyst, Morgan Stanley & Co. International Plc

Q

And that's in terms of the annual margins or margin in order intake back in 4Q 2020?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Yes. Comparing apples to apples, so orders that we were booking then versus the orders we're booking now to give you a rough perspective on it.

Aurelio Calderon Tejedor

Analyst, Morgan Stanley & Co. International Plc

Q

Okay. Perfect. That's helpful. And my second question is on the cash development, the working capital development. And obviously, you had a very good one key development printing more than half of the cash printed last year. So, how should we think about that going forward? Is there any reason to believe that that's

going to completely reverse? I'm asking this because obviously the order intake – or I'm assuming you've now been helped by down-payments in your order intake in that good cash number. So, how should we think about that going forward?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

It is a very good start for the year from a cash flow perspective. And from a net working capital perspective, what were the key contributors to this positive cash generation collection? So, receivables came down and they're one of the main areas where actually China that contributed positively. So, positive development there, but more normal development in other places. Also, North America developed well from that perspective.

Then advances, yes, they are not helping given the orders' development, so more neutralized them at the end. And at the same time, it's good to note that we didn't get any help from payables. So that continued to be a quite low level on our balance sheet. So, of course, we continue to drive positive cash generation in the coming quarters as well. Let's see how well we develop there, but clearly a good start.

Aurelio Calderon Tejedor

Analyst, Morgan Stanley & Co. International Plc

Q

That's helpful. Thank you.

Operator: And our next question comes from Rizk Maida from Jefferies. Please go ahead.

Rizk Maida

Analyst, Jefferies International Ltd.

Q

Yes. Hi. Thank you for taking my questions. So, essentially focused on the bridge again. Ilkka, you talked about a better or higher impact from wage inflation in Q2 versus Q1. How should we think about that €100 million for the full year and the phasing of it sort of throughout the quarter? The different quarters, please?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Let's say it this way that overall, we had a very good control of the costs in the first quarter and a bit better absorption because the revenue was actually quite good in the – to start the year with. Normally, when you go throughout the year, you'd start to see more and more the salary increases towards the second quarter and there onwards as the negotiations are concluded. So, I expect that gradually then to increase towards that €100 million level that I have quoted already earlier. So, that's one side.

And then, I guess, implicitly also it's good to note that it's not only the labor costs, we also use subcontractors. So, of course, the inflation is happening with them as well. But this labor cost is something that we have a pretty good idea what will happen this year already.

Rizk Maida

Analyst, Jefferies International Ltd.

Q

Okay. Understood. And just I know you don't guide for margins on a quarterly basis, but it seems like you guided now for a price to input cost of tens of millions, I mean, €10 million tailwind. You're seeing better margins coming through the backlog. Is there any reason why we should not expect a faster margin progression on a year-over-year basis as the year progresses?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Well, as I said, and I think good work in the guidance is the start to recover. And we had clearly a good start in – and better than expected start in the first quarter. There are positives. So, the pricing of the orders that are coming from the backlogs, but then negatives, like I said, the labor cost inflation, which will be increasingly a headwind in the coming quarters. And of course, from a sales perspective, if you look at the, say, orders development in China in the past quarters, it has been negative. So, that's influenced in the sales growth, and therefore, slightly hampering also the business mix from a profit perspective.

Rizk Maidi

Analyst, Jefferies International Ltd.

Q

Interesting. And then, lastly, just historically, I mean, given your experience into this business, how quickly do you feel the changes in orders in China when the completions turn? I know there's not a direct correlation there, but just roughly.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

I think the reality of the market today is quite different from where it was some years ago. Some years ago, usually when the government opened their stimulus, that market usually shut off almost, very strongly and very quickly. Given the challenge in the market, that's why it's taking more time. And I think we're going to see more a gradual recovery. And I think one of the big impact is just the balance sheet structure of many of the private developers that still need to be restored. That process has started. It's going to take some time. So, that's why it's difficult to compare it to situations we've seen in the past years.

Rizk Maidi

Analyst, Jefferies International Ltd.

Q

Interesting. Thank you very much.

Operator: Our next question comes from Miguel Borrega from BNP Paribas. Please go ahead.

Miguel Borrega

Analyst, Exane BNP Paribas

Q

Hello. Good afternoon, everyone. Thanks for taking the questions. The first one just coming back to slide 6 where you showed your market position in China, going to number 2. So, how far are you from the number 1 and what is your approach now? Are you willing to go back to number 1 and does that mean that you have to become more competitive? That's my first question.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah. China, our competitiveness is strong there. Our objective is overall to grow faster than the market. That is our objective in general. At the same time, we want to ensure that we do that with good margins. So, we have a lot of focus on margin and therefore grow in a smart way. We are not far away. When it comes to service base, we are really neck-on-neck and we are growing at a good rate there.

So, I think I feel comfortable with our China position. We have a strong team there. We have a very good distribution across the market. We know that markets have been challenging and we focus a lot on our margin there. That's what I would say. But overall, our objective in general is to grow faster than the markets overall.

Miguel Borrega*Analyst, Exane BNP Paribas*

Q

Great. Thank you. And then on modernization, clearly, this has been a major driver of growth in the last two quarters. Can you expand a little bit here? What is the backlog like? What is supporting the double-digit growth in orders?

And then lastly, if you can touch on the margin profile of modernization, how different is it from the group level? Thank you.

Henrik Georg Fredrik Ehnrooth*President & Chief Executive Officer, Kone Oyj*

A

Right. I'll start with the first and then Ilkka can continue with the second. It's always – modernization is a business that we've been putting a lot of focus on the past years. We've talked quite openly about that we think what we've said for a few years that long term, the biggest growth opportunity in the industry continues to be in services because of China being a – not as big a market it was and just general economic trends. Therefore, we've put a lot of emphasis in developing that business from a competitiveness perspective, capabilities perspective, sales dimension perspective, from many different perspectives, not one silver bullet. And, therefore, I believe that we have a good market position today. We have a good competitiveness. And that's what's been driving it. And, yeah, so I think we are in a good spot there right now.

Ilkka Hara*Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj*

A

And it is a good business as a result. So, from a margin perspective, it's also we've been growing and also growing profitability in that business continuously. So, it is a good contributor to our bottom line.

Henrik Georg Fredrik Ehnrooth*President & Chief Executive Officer, Kone Oyj*

A

That was not necessarily the case some years ago. So, as Ilkka said that we have improved that very nicely in that business. So, I must say that, I think, our teams globally have done a really nice job in modernization and continue to do really well there.

Miguel Borrega*Analyst, Exane BNP Paribas*

Q

Thank you very much.

Operator: We'll now take our next question from Lars Brorson from Barclays. Please go ahead.

Lars Brorson*Analyst, Barclays Capital Securities Ltd.*

Q

Yeah. Hi. Thank you. Henrik, I wanted to follow up on the China question just now. First of all, thank you very much for all the data and color you gave on that market and the competitive data. And that's obviously very helpful. You're flat in your pricing and margin focus in China. I think you've always been focused on that. Even in

2015 and 2016, in that downturn, you still gained share through that period. In fact, you've had a decade of market share gains up until last year. Not so in 2022 and not so in Q1 this year. I, again, appreciate that. Again, there are some mitigating factors. Mix is not helpful for you. You've got less exposure to large projects in infrastructure that obviously is stronger. And as said, you've obviously pursued a more price disciplined focus in China.

But I guess the big question to me is, are these headwinds in China you see competitively transitory or are there some bigger structural questions to your operations in China? I appreciate it's going through quite a big transition with Bill leaving last year and Joe taking over. But I was keen for a bit of color around how you see that dynamic. Sorry for the long question, but keen to understand a bit better what you're seeing there versus your competitors.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Okay. I would say that it's clear that the Chinese market is very competitive. It's been very competitive for a long time and perhaps competition has been a little bit increased over the past years. I feel comfortable with our competitive position in China. I think we had some headwinds last year with the lockdowns that had quite a big impact on everyone who was – you can see everyone who were Shanghai-based had probably a little bit more of an impact from that and that continued little bit sort of momentum during end of the year and then focusing quite a lot on margin. So, these are commercial decisions that one does and then follow through on what they mean.

When I look at our footprint there, our distribution channels, our competitiveness and team, I think we have a very good position. So, there are always going to be changes in market positions. Now, Q4 and Q1, yes, we did not develop quite in line with the market. I think fundamentally, I still think we are in a good spot. So, we need to a little bit just do better and catch up.

Lars Brorson

Analyst, Barclays Capital Securities Ltd.

Q

Helpful. Thank you, Henrik. And as a – secondly, to modernization and the outlook in developed markets, I'm trying to understand a bit better the sustainability of the growth we are seeing in developed markets. I appreciate that your order intake in the quarter obviously rather exceptional, I'm just trying to understand the market more generally. History tells us that modernization markets are still rather cyclical. It is discretionary spent geared to bigger projects and financial health, of course, of your customers. You flagged a softer mod market in China. So, can you help us a little bit with how you assess the mod market outlook into H2 and 2024?

And also, I'm keen to understand whether in China, you see any sort of regulatory catalysts ahead of us. Recall 10, 15 years ago when [ph] Schnell (00:55:38) was implemented in Europe, we saw a very nice growth uptick on the back of that. So, just keen to hear what you see in China in terms of any sort of, [ph] future (00:55:48), catalysts for an uptick in that growth market other than just the broader health of your customers. Thank you.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

So, of course, modernization market, part of that can be discretionary. If times are tough, then particularly the residential segment can push out that to some, and that we usually see in weaker economic times. At the same time, you have to remember that the age of equipment just continues to age. So, there's more and more need for it.

Then there are many segments that continue to be strong, particularly commercial segments. You can very clearly see, again, the same trend we saw post the financial crisis was that if you are a property owner with commercial properties and if they are not fit for purpose up to scratch, you are very unlikely going to get tenants, you probably are going to lose your tenants. So, you have to upgrade them in general. And that has been a good driver for the modernization business. And also in some places, we see actually quite a lot of repurposing of building. So, there are many different things. So, then you actually see public money coming into it as well. So, those are the drivers.

And I think we have to see, so, our point is that the fundamental trends there are very strong. Yes, on the private residential side, if economy is weaker, that can weaken a bit. That's more of a Europe thing than not so much North America. Or Ilkka, what you could add, you are – Ilkka, as everyone knows, is also at interim leading our South European business, so dealing with this every day.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Yeah. At least – well, for KONE, but particularly for our South European business, it is actually a business where we see good opportunities in the coming years and clearly one where we can also help to generate the demand. Yes, there has to be liquidity available. People want to invest. But at the end of the day, it's also one where we can go with an increase in aging elevator base and generate the demand. And that's an interesting opportunity. So, for the coming years, I think it's quite an interesting opportunity for us in Europe and globally. So, good opportunities there.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah. And let's see, our economy develops, of course, big differential between North America and Europe. And in Europe – sorry, North America, the good thing is that we know employment rates are very high and that should definitely help. But of course, as I said, the economy will impact that business.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Yeah.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Then on China, there is a driver, as we discussed, there's an aging equipment base that we start to get more and more units that need to be modernized. There's no direct regulation right now that would fuel that business in a significant way. So, I think it's just the natural saying and safety regulations that are continuing to drive it.

Lars Brorson

Analyst, Barclays Capital Securities Ltd.

Q

Helpful. Thank you both.

Operator: Our next question comes from Martin Flueckiger from Kepler Cheuvreux. Please go ahead.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Good afternoon, gentlemen and Natalia. Thanks for taking my question. I'd like to talk a little bit about pricing on the revenue side, not in terms of order intake in Q1, but rather the impact from price increases in orders received from last year. Can you give us some kind of indication for our bridges, EBIT bridges, of course. What kind of magnitude of pricing impact we should expect. Are we talking about low to mid-single or mid-single-digit impact in terms of organic growth, I guess? And if you could also clarify in this respect with regards to revenue growth structure, what kind of magnitude for acquisitions we should model in or we should take into our models for Q1 and the full year? That's my first question.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Okay. Many questions. So, I try to piecemeal it a bit. First, the impact of pricing. So, I think we've talked about quite a lot on the maintenance side. How we see the market as a pricing is one component on the sales growth. Then there's the repair part of it and the unit part. And clearly, the pricing has been a good driver of sales in the beginning of the year contributing to further growth.

Then on modernization, from a sales growth perspective, we've seen actually the pricing being one of the key drivers for our growth in modernization. So, yes, unit growth some, but also pricing has been one of the key drivers and that's actually been the case already last year, we talked about how pricing has been recovering from a margin perspective, but that's also contributing to sales. But it is clearly much faster order book growth part of the business. So, that has been already visible in last year's numbers.

And then to new equipment, which is then the last part of the business, and from a modeling perspective, I would try to look at it from different perspective, China, one, and then the rest of the world. And in the rest of the world, we start to see pricing contributing positively last year. And I would say that more a high single to low double digit improvements in prices.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

[indiscernible] (01:01:35) over several quarters and years, I presume. Yeah. But just for this year, what is a reasonable proxy for the pricing component in top line growth?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

It contributes positively, but I don't have a good answer to give. I think you need to look at it, order book growth base, and so the slowest order book growth based on this is in North America, and Europe is a bit more than one year and China clearly below one year. And the pricing components come through the quotes that we were giving already last year. So, increasing, have an impact. Yeah.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

It's difficult because mix is there.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Yeah.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Modernization has a big pricing impact in it. That's very clear. Maintenance also has some pricing impact. And then new equipment, its mix differences are – can be quite significant. That's how we'll think about it. So, sorry, we didn't have a very clear answer to you there.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

No worries. Thanks so much. Second one on currencies. In the past, you used to provide a guidance on the currency effect on EBIT, on the EBIT bridge, assuming that foreign exchange rates will remain stable. Could you do the same exercise this time running again, please?

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

I think the reason why we're not giving it now, because we are giving percentage margin guidance instead of an absolute guidance. So an absolute, it would have a bigger impact. But on the margin, it doesn't have a big impact on annual basis.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Okay.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

[ph] And in the quarter (01:03:14), it was very limited and...

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

Yeah, it's few million and that's actually in the presentation. I have to look at it, but it's just a few million impact.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Great. Thanks so much.

Operator: We'll now take our next question from John Kim from Deutsche Bank. Please go ahead.

John Kim

Analyst, Deutsche Bank AG

Q

Hi, everybody. Quick question on the order book or backlog progression. A competitor of yours kind of presented a view that the problematic backlog, which I believe is mostly in China, would deliver over fiscal 2023 or calendar 2023 into 2024. Is that a similar timeline as to how you think about the issue? And how is that tracking? Thanks.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

I guess we have a backlog of customer orders that we try to deliver and we don't differentiate the orders as such. But what I would say is that our prices have increased and since last third quarter, they increased year-on-year. So, of course, as the prices increase throughout the last year, increasingly, the impact of those improved margins will be visible in our sales, and – but will continue to be also visible in the improvements in 2024 for those areas where the order book rotation is clearly more than a year, such as North America. So, of course, that means that the older orders without the price increases start to go through the order book mostly in this year.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

We don't really think about it as having a good and bad order book. It's all – when we took those orders, that are older our order book, then the context of the market was different, costs were lower and the visibility to the sharp increase in cost wasn't there yet. Then, of course, cost increases took some time for us to adjust to that. That is just the nature of the game.

It's clear that we're successfully getting more and more orders with a better pricing in them. When we took many of those orders early on, we thought that the margins were okay. But, then, costs went up a lot. So that is how it goes, and how it always gone in this industry that you have a long backlog and then sometimes costs come down, then you get a tailwind, then they go up, you have a headwind. And usually that fluctuation is something that is manageable. Now, it's just been much bigger. And we work through it and we start to see that every month, we get a little bit more. Still some impact in this quarter. Not huge yet, but every quarter a little bit more.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

And of course, in the meanwhile, we talk about product and project basis, do everything we can to drive productivity, product cost reductions, improvement in product profitability. So...

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

A

...regardless of when we book the orders, we'll trying to do the same thing for all of the orders we have on a continuous basis.

John Kim

Analyst, Deutsche Bank AG

Q

Great. Thank you.

Operator: Thank you. With this, I would like to hand the call back over to Natalia for any additional or closing remarks. Over to you, madam.

Natalia Valtasaari

Head-Investor Relations, Kone Oyj

Thank you.

Thanks, everyone, for dialing in. Thanks also for a very active Q&A session. I hope that you've got all the answers you were looking for. If you didn't, you can always reach out to me and the team. We're happy to take your calls later today and during the week.

And I guess with that, I'd like to wish you all a great rest of the day.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

Thank you, all.

Ilkka Hara

Chief Financial Officer & Interim Leader - South Europe and Mediterranean Region, Kone Oyj

Thank you.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

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