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Kone Oyj (KNEBV.FI)

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MANAGEMENT DISCUSSION SECTION

Natalia Valtasaari

Head-Investor Relations, Kone Oyj

Good afternoon and welcome to Kone's Third 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 by our CFO, Ilkka Hara.

As usual, Henrik will start the presentation by going through the main highlights of the quarter, as well as what we're seeing in our market. Before handing over to Ilkka, he will also talk about the leadership transition that we announced earlier today, which of course, is super exciting news. Ilkka will then go through the financials in a bit more detail and Henrik will round off by speaking about our business and market outlook for the year as well as sharing some initial thoughts on 2024. Then, it's time for your questions-and-answers. And I'm expecting an active discussion, as always. So, please do limit yourselves to one question, one follow-up. That way, as many people as possible have the opportunity to ask questions.

And then, finally, before I hand over to Henrik, one reflection from me. So, I think, you've probably noticed by now, at least, you have gone through the material, when we announced our new operating model, we, at the same time, changed our business mix to better reflect their nature. So, we now have our three businesses: New Building Solutions, Service and Modernization. And those names have been reflected in Q reporting as of Q3. So, that was a bit of a technical note.

But with that, Henrik, please.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

Thank you, Natalia; and a warm welcome to this webcast. And as Natalia already said, we have today some good news and some exciting news to share. But if I go straight to the highlights of the quarter. What I'm very happy about is that we had another excellent quarter in our performance in both Service and Modernization. Strong top line growth in both, and that is incredibly important. It's just what makes us more and more resilient all the time.

We also had a fantastic quarter in China. We really had strong momentum in orders in a market that we know is challenging, but also we're able to capture good opportunities in India, Middle East, which are two of the most important growth markets right now and both markets where Kone has a strong leadership position. So, all of this resulted in a stable development in orders received, which I think is a really good achievement, given the backdrop considering markets and construction markets globally right now. So, overall, I'm pleased with our Q3.

As usual, let's start with our key figures for the third quarter. As I mentioned, highlights, really, stable orders received and strong growth in Service and Modernization sales. So, orders received, just shy of €2 billion, a increase of 0.3% in comparable currencies, so happy that we're able to get that to a positive number. We continued to have a very solid order book of €8.8 billion. That is down 3.7% in comparable currencies. As we can see everywhere, the foreign exchange translation has quite a big impact on the numbers this quarter.

Sales at just over €2.7 billion, now down 1.4%. Good growth in Service and Modernization, but clearly New Building Solutions down. Also, profitability improved. Now, really no difference between operating income and

adjusted EBIT, but adjusted EBIT improved from €306 million to €316 million and our margin from 10.2% to 11.5%. So, the consistent profitability improvement that we are [indiscernible] (00:03:43) continued. Also, solid cash flow of €342 million for the quarter.

Now, as we always say, one quarter's a short period of time. Now, we also have nine months behind us, so three quarters of the year. And if we look at performance here, it's really about sales growth and profitability improvement. Orders received for the first nine months of €6.5 billion down 4.6%. So, you'd probably remember, we had a slight decline in Q1, then a little bit more in Q2, and now, better performance in Q3.

Sales, €8.1 billion, up 6.5%, and operating income – adjusted EBIT up 25% from €712 million to €890 million and 2 percentage point improvement in margin from 8.9% to 10.9%. So again, consistent profitability improvement, which is, of course, something we're driving and we are well on track of. Cash flow from operations, a good €1.1 billion for the first nine months, a clear improvement from last year, and that, I'm happy about. And also EPS up 30% to €1.26.

I must say that I'm really pleased with these numbers for the quarter. We have to remember that as of 1st of July, we implemented our new operating model, where, of course, we changed the structure of our organization and a lot of people had new roles. In that environment, we have continued a strong performance that again talks volumes about the commitment, about the mindset and motivation of Kone's team. And that's, of course, very grateful for.

Now, in the quarter, we had some announcements, and I start with the announcement within Kone, which is that Axel Berkling, who has been on the Executive Board since 2016 in various different roles, leading our Asia business outside of China, leading our European business, and last, as head of our Strategy & Transformation organization, now became Executive Vice President of Commercial and Operations. Very happy to have Axel in that role with his long and very solid track record at Kone.

Also today, our Board of Directors made a decision and announced that Philippe Delorme has been appointed CEO of Kone as of 1st of January 2024. As many of you probably noticed, on the 2nd of October, we announced that – I had informed the board that I will leave my role at Kone in the first half of next year after that point, 10 years in this role. And I felt it was the right time to start thinking about next steps in my life.

And now, the board, today, appointed Philippe, which I'm very happy about. Philippe has a very illustrious career for over 25 years at Schneider Electric in many different roles, many different geographies. I think, actually, majority of his career, he's worked in Asia. He's worked in North America, of course, in Europe. He's French and was last Head of Europe Operations at Schneider Electric and part of their Executive Committee from 2009 to 2023.

So, definitely a very digitally-focused, sustainability-focused, technology-focused leader, customer-focused leader, so happy to hand over a strong team and the Kone business to Philippe. On 1st of January, I will remain around to ensure a smooth handover. I'll remain around until end of March, and of course, travel a lot with Philippe, introduce him to the Kone business and make sure things continue in a smooth and great way. So, that was announced today as well.

With that, let's turn into markets development, how our overall market's developing and let's start for markets for New Building Solutions in the third quarter. We know that markets in North America, Europe, Middle East and Africa and China are impacted by, clearly, slower construction activity. It is clear that increased interest rates are impacting these markets and economic environments are impacting these markets quite clearly.

So, North America, we saw a significant decline from a high base. Europe, Middle East and Africa, same thing I said in Q2. But further north, we go in Europe, the more challenging situation, Nordic region, Germany; for the south, a little bit better. If we go to the Middle East, actually a good situation, strong growth in those markets. China market continues to decline at about 10%. On the other hand, rest of Asia Pacific, driven by India, Southeast Asia, really nice growth in both India and throughout Southeast Asia. So, that's really good growth opportunity.

At the same time, we know that our Service and Modernization markets are developing very positively. Service is growing at its trend rate in all markets, North America, EMEA, good growth in China, very good growth in rest of Asia Pacific; and also modernization markets continue to be strong, so growth in North America, Europe, Middle East and Africa and then good growth in China and rest of Asia Pacific. So, it's really interesting to see how positive the markets are and the continued opportunities we see there. So, clearly, a lot of focus for Kone to capture growth in these markets.

If I then touch a little bit more on China, it's clear that the weak consumer sentiment continues to impact the market. I would say, there are really two challenges in China. It's about consumer sentiment, confidence; and the second is continued tight financing situation for developers, which means that difficulty to buy land, difficulties to drive business forward. It is clear that the market is declining. It's a very price-intense market. At the same time, costs are coming down in China.

Perhaps what continues to be positive is that there is a continued focus on completing unfinished projects. As we all know, there continues to be a huge base of buildings that are in progress, and there continues to be focus from the authorities to complete this that will continue to be a tailwind going into next year. And Service and Modernization markets continue to be very robust. So, as we look at all the statistics, we can see that there continue to be quite a negative territory, except for completions if we look at year-to-date. So overall, the outlook for China is very much intact, what we have looked at.

However, pulling all of these together, how do we think about the Kone business today? After our introduction, our new operating model, the way we think about our business is we have four geographic areas: North America; EMEA; China; and rest of Asia Pacific. In each, we have 3 businesses: New Building Solutions; Service; Modernization. So, 4 times 3, there are 12 markets that we are following and businesses that we are following very closely.

When I look at this one market backdrop, out of these 12 markets, 9 are growing. And even while EMEA is declining, there's growth in Middle East. So, we continue to be in a really, really good industry because majority, well over half of the business that we look at, the markets behind them are growing. And we can also see that our business mix is going in this direction, that our ways of Service and Modernization continues to increase.

And this is so important. This is where we are focused to drive growth because there are plenty of growth opportunities in this industry despite some challenging construction markets in North America, Europe and China. Most markets are growing, and that is where we keep our focus and why we continue to have good growth opportunities next year and in the coming years.

So, with that, as usual, I'll hand over to Ilkka to review a little bit more our financial performance.

Ilkka Hara

Chief Financial Officer, Kone Oyj

Thank you, Henrik. And also a warm welcome on my behalf to this third quarter result webcast. And I'll review the financials as normal in a bit more detail, and starting with orders received. Orders received for the quarter were €1.990 billion, decline on a reported basis of 7.7%, as the currencies on a translation basis had a large negative impact to this quarter. On a comparable basis, as already highlighted by Henrik, we did see growth of 0.3%. Geographically, EMEA was stable; very happy to see our good performance in modernization being able to mitigate the more difficult NBS market.

And in Americas, we did see decline in our orders received. But also, there, our Modernization volume business, which really is the bread and butter of the business, did grow. And majority of the decline in orders received actually came from major projects overall. And they tend to vary quarter-by-quarter. And our last year's comparison point was quite high. In APAC, we saw our orders growing. And majority of that was driven by a good performance in China, where our orders received value grew almost double digit, so very good performance in the quarter in a very challenging market in China with our team.

From a margin perspective, we continue to see positive development in our [indiscernible] (00:14:24) margins. Year-on-year they improved, and they were stable quarter-on-quarter. Key driver for this in the rest of the world was a continued good focus on pricing. In China, the driver was more the reduction in our component and input costs, which were supporting our margin development. But overall, I consider this stable development in this environment to be a very good outcome for the quarter.

Then, to sales. For the quarter, our sales were €2.750 billion, on a reported basis decline of 8.3% and on a comparable basis, a decline of 1.4%. And as Natalia already highlighted, so now, with our three new business lines, for New Building Solutions was declining 13.6%. And of course, now in sales, we have the high comparison point, post the lockdown measures in China, impacting the outcome here.

Clearly, Services was one of the highlights for the quarter in terms of sales growth, 9.2%, very strong performance again. Clearly now, again, modernization of 18.3% was the highlight from a sales growth perspective. Very good performance both Service and Modernization. Geographically strongest growth in Americas, 14.5%; EMEA growing 6.7%; and Asia Pacific, including China, declining 15%. And I already talked about the impact of China last year.

Then, to adjusted EBIT and profitability. Our adjusted EBIT for the quarter was €316 million. We saw growth on our absolute result, but also, we continued to see our margins expanding from 10.2% to 11.5%. This time, with a decline in sales, our growth had a negative impact, but profitability improved, driven by Services and Modernization sales growing strongly, both absolute number contributing to it, but also mix, positive impact to our profitability. We continued to see improved price cost dynamics on our deliveries as we were delivering those orders that continue to have better margins. At the same time, we did have fixed cost absorption being lower, and we continue to see inflation overall impacting our operating expenses negatively.

And to conclude, from my perspective, cash flow, which for the nine months of this year was €1.1 billion. The main driver for improved cash flow has been that increase in our operating income. And our net working capital has continued to be broadly stable compared to last year's end. We continue to see positive impact from accounts receivable. In this environment, the focus on collections, managing of credit risk is very important. At the same time, this quarter, accounts payable actually contributed negatively. So, the timing of the payables now, this time, was more in this quarter than normally.

And then, I said the biggest difference between the year end and current net working capital actually is the impact of currencies with this close to €30 million. So, with that, we're very close to being stable from that perspective. From a cash flow perspective, we continue to see positive development for the business.

But with that, I hand over to Henrik for market and business outlook.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

Thank you, Ilkka. Market outlook, that is unchanged from our second quarter for this year. So, the market for New Building Solution, we expect that China will decline between 10% and 15% in 2023. This is exactly the same thing we said in Q2. And we know that policy actions continue to be very important to a recovery of that market. Rest of Asia Pacific continued good development, clear growth there, clear decline than in Europe, Middle East and Africa, and significant decline in North America, so very much what we've seen so far.

Positive story, as I talked about it already is the Modernization markets are growing in all parts of the world and presenting good opportunities, something that we are very focused on. And also Service markets are continuing their trend of growth. Actually, if you look at it in unit, trend growth is pretty stable. In value, actually, it is probably higher than before. So, there are also good story, and something we've been focused on and capturing good growth there.

Our business outlook for this year, we are reiterating it, so it's unchanged. We expect now sales to grow between 3% and 6% in comparable currencies for this year and continue to see an adjusted EBIT margin in the range of 11% to 12%. We're well on track for that for the full year. With the current exchange rates, impact of FX effects on EBIT will be about €40 million negative.

We continue to have a number of things that are driving good performance for us. It is the growth in the Service and Modernization business. There, continue to see a really good momentum, good outlook. We have a good order book. And order time, we are delivering better margins from the order book. That will continue into next year. And also then, particularly in China, we can see that commodity costs are coming down and cost savings are really coming through.

What is the challenge? Clearly, declining markets in China in New Building Solutions, also softer construction markets in Europe and North America. And I would say, third one, is the persistent inflation. And we are a labor-intensive industry, leveraging the business. We can see that salaries and wage increases are having an impact, will continue also into next year, and also purchased services and things like that.

But as Natalia said in the beginning, let me give a a sneak peek into 2024. Just what is the high level situation looking at – of course, the outlook in detail will give in January. But if we just look at what are the drivers for next year. Again, positive outlook in Service and Modernization. I cannot overemphasize how important this is to us, how much we focus there, and how that continues to be a great growth opportunity for us. Continued improvement into next year or margins of orders received that in order time, what we deliver is better. And of course, the cost savings related to the operating model renewal will be a benefit going into next year.

What is the challenge? It's, of course, the continued soft outlook for New Building Solutions in several regions, as I think is familiar to everyone. And also this persistent inflation, it's clear that when it comes to employment costs, they are going up, probably next year, more than this year. At the same time, we have a business where we have shown in Service, we have been successful in driving prices to offset that. But it's clear that also productivity will be really critical to continue to perform well there. So, overall, this is the picture as we see it going into next year.

But as a summary, solid quarter for us. What I'm very happy about that we have really strong position in the key growth markets in New Building Solutions right now, which is India, Southeast Asia and the Middle East. We are very strong in those markets and excellent continued performance in Service and Modernization. That is really what we're driving and what we have been achieving, and that I'm happy about.

With that, we are now ready for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Kindly limit your question to one question and one follow-up. Thank you. We will take the first question from line, James Moore from Redburn. The line is open now. Please go ahead.

James Moore

Analyst, Redburn (Europe) Ltd.

Q

Hi, everyone. Thanks for taking the question. I wonder if I could start with China new equipment and then follow-up with Service. It looks like from the charts at the back that maybe you grew 24% or so in unit volumes. And I guess, if you're high-single digit in value, the price mix must be sort of mid-double digit – mid-teens negative.

And I know that you talk about the order intake margin being stable Q-on-Q. And I guess, when we saw pricing turn so negatively a few years back, it did have a lag into the P&L and there was a sort of China NI margin drag. Could you say anything about the China NI order received margin and whether you're comfortable that, that's broadly awash with the input inflation? That's the first question. Maybe start there.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Perfect. Let's just start there. So, yes, there was a negative both mix and price, but at the same time, we said that – actually, we look at this very clearly, our margins of our new orders are stable. So, yes, prices have come down somewhat; not a lot but still come down somewhat. But at the same time, we've been able to work on our costs in a really, really successful way.

Also, in China, you can see that mix in terms of what kind of products were sold, a little bit more – actually, quite strong performance also for our second brand, GiantKONE. That of course, had a mix. So, all of these had a contribution there, but we're comfortable that in terms of margins of our orders, they were stable into quarter.

James Moore

Analyst, Redburn (Europe) Ltd.

Q

Yeah, that's great. And then, if I could follow up on Service, I mean, you mentioned again and again how important it is to the business and the opportunity. Now, obviously, for North American [indiscernible] (00:25:12) profitability. I'm not expecting that. But if you were to give us some flavor how are service margins over time – and what I would call the maintenance business, have they been very stable? Have we gone up over time? Have we fallen? Roughly, where are we in this sort of 5, 10-year maintenance profitability story?

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

If we look from a operating profit perspective, we are constantly on a slight upward scale. And as you know, that this is not a business where things change very quickly. Of course, we have the COVID years in between that were quite special and I wouldn't compare to them. But other than that, it's a constant slight progression upwards. And now, of course, in absolute terms of the profits, clearly, with the top line growth that we're achieving is that really nice story. And that's really the key is that this very strong top line growth that we've been achieving now for a few years is really what is the key driver.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

And here, maybe to add to that Services comment. Also, now, we've seen inflation being a big part of the price – driving pricing up in the last a bit more than a year or so. But I think what has changed in the last years has been that with digitalization, 24/7 connected service being really the spearhead of our offering, we've been able to see that our pricing has continued to improve in all of the markets and globally as well, despite the mix with China growing quite strongly being there. So, I think, that part of the equation has changed with a broad offering that we have.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

And also then, it helps our retention because also, when we're growing that service business – we now call it Service, because we used to call it Maintenance. But the fact, it's broader. It's more Service. We have digital services there and other value-added services, that's why we changed the name.

When we look at it, to get to this 9% growth, it is not only pricing that is improving, actually, we have higher unit growth than we have had in the past years, better pricing, Connected Services contributing and actually good repairs growth, so all of these things. And as always for a service business, you cannot have one thing that is going. You need to really have the whole – all of these things driving, and we have a good story in all of them now.

James Moore

Analyst, Redbum (Europe) Ltd.

Q

That's really helpful. Just to clarify one thing, I understand that the euro million operating profit will go up because of the top line growth. Are you also saying that the more the profitability, the percentage, has gone to a new record level?

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

It has slightly improved order time, yes.

James Moore

Analyst, Redbum (Europe) Ltd.

Q

Really helpful. Thanks.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Thanks.

Operator: Thank you. We will take the next question from line Daniela Costa from Goldman Sachs. The line is open now. Please go ahead.

Daniela Costa

Analyst, Goldman Sachs International



Hi. Good afternoon. Thanks for taking my question. I have a first question on China, and the second question is a clarification on the margin commentary. But on China, just wanted to understand, I mean, when you look at yourselves, unit orders basically growing over 20% versus the market, minus 10%, can you help us understand how much of that is just the comps or weaker for yourselves last year, versus you're gaining market share, versus were there any large orders or anything? It's quite a big deviation, sorry if you've mentioned that before and I have missed it.

And a second question regarding the order book margins. You talk about them sequentially and versus last year, but can you talk about them relative to pre-pandemic? Where are we standing? Do we still have work to do to get back to pre-pandemic levels? And sort of like if you could guide us there, that would be great. Thank you.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj



Sure. So if I start with China, clearly, we had a decline last year, but also markets have declined, so I think we just had a really strong outperformance in China in this quarter and that I'm happy about. It's clear that we were not happy with our development beginning of the year, and we saw that, of course, beginning of the year. So we changed our focus a bit. Last year, it was all about driving pricing. Now, we have set more focus on growth. And we have also done adjustments to our how we sell our products, to diversify our sales channel, to reflect the changing market. And we've set that ambition. I must say the team has done an excellent job. And really, we have a good momentum there right now.

Ilkka Hara

Chief Financial Officer, Kone Oyj



And maybe to continue on this comparison on the margin of our orders received, also repeating a bit what I've said already in the past. So, we saw overall the fastest recovery in the margins to the levels where they used to be before the cost increases started in the Modernization business. And there, we have been booking orders with a good margin for some time now.

In new equipment business, it took a bit longer given the tender and tender and negotiation period. And also that's been a more difficult market. And we are now booking outside of China orders with a margin that is similar level than we had before the cost start to increase. So, I guess, the pre-COVID levels, that you used, the language.

And then, in China, we are now stable in our margins, as Henrik was saying, but they are slightly on a lower level than they used to be. But we've seen now stability and despite the high – a good order growth given the dynamics with pricing, but especially on the product cost savings as well as the input costs. I would highlight also the fact that it's not only the market, it's actually our actions that are driving this stability in margin of orders received as well.

Daniela Costa

Analyst, Goldman Sachs International



Sorry, just to clarify, so back to pre-COVID, outside of China or on the group as a whole?

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

Back to a pre-COVID level outside of China. In China, NBS, so the New Building Solutions were slightly lower than what we used to be.

Daniela Costa

Analyst, Goldman Sachs International

Q

Got it very clear. Thank you.

Operator: Thank you. We will take the next question from line Klas Bergelind from Citi. The line is open now. Please go ahead.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

Thank you. Hi, Henrik and Ilkka. So, my first question I had was on the drop-through in the bridge. I wonder, Ilkka, if you could help us with the impact from China falling this shortly after the backlog. Obviously, even if the China new equipment margin has come down sharply from the peak, I guess, it's still higher than in the rest of the world. You get a sort of a mix under absorption impact, if you like, to the margin. Can you quantify that? It's rather backward looking, given that orders in China are improving. And also, if you could update us on the raw material and logistics impact for the year and what you saw this quarter? Thank you.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

Maybe the way I would build the bridge from my perspective is, for the quarter, it's clearly that Services and Modernization growth contributed positively, both on an absolute basis, but also a relative mix – profit mix is positive. Then, when it comes to our deliveries, the improved price/cost dynamics contributed positively.

Then, where we did see some delay in seeing all of the benefits of the price/cost dynamics on the orders was actually in Americas and Europe. The construction site progress was somewhat slower in Q3 than what we saw in the first half, where there's a bit of a catch-up effect there. And then, in the quarter, we did have very limited impact yet from the operating model change savings impacting our results here. We expect that to be more visible in Q4 and then fully visible in 2024, as Henrik talked about in his outlook for 2024.

Then, at the same time, in bridge, it's good to note that the overall cost inflation, of course, is a headwind. It's not only salaries. It's operating expenses overall, which are continuously inflated. And then, of course, there – as a result of this lower NBS deliveries due to construction site progress, then the fixed cost absorption was lower. China, overall, yes, it progressed more in line with what we expected. And the key difference between the quarters based on last year was really this lockdown measures being released. So, you should think about Q2 and Q3 as a totality rather than one quarter because there's quite a lot of fluctuation between those two.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

Okay. Okay, fine. My follow-up was on the outperformance in China, which is great to see. Henrik, seems like the equipment margin now, as you say, is more stable. Otherwise, you wouldn't have made the decision to focus on growth. But can we talk about payment terms as well? And there's a lot of discussions, to what extent the challenges at some of the developers out there can impact your cash flow. Obviously, net working capital was

actually quite stable in the quarter. But if you can talk about what you're seeing both by pricing in a cash flow point of view in China at the moment, that would be great. Thank you.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

Yeah. So we've done a good job in managing our payment, so I thought Henrik would take it. But all in all, so joking aside, so you saw our cash flow, it is quite good for the quarter and what – the continuous balancing act in China is this pricing and the commercial terms, managing the credit risk with the customers. And of course, it's very unique to be very much in detail in the market, understand both the overall customers as well as the projects that you are working on.

And there, we continue to do a good job. We see overall that risk being managed well. Of course, it's not easy, and from a receivable point of view, it also requires very much actions being taken on the collection. But on the commercial terms, we've been very focused that, hey, that's the one thing we don't want to give up on. So we want to win orders with our customers without taking the wrong risk from a credit perspective or relaxing the payment terms as a result.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

Thank you.

Operator: Thank you. We will take the next question from line Miguel Borrega from BNP Paribas. The line is open now. Please go ahead.

Miguel Borrega

Analyst, Exane BNP Paribas

Q

Hi. Hello, everyone. Thanks for taking my questions. The first one is just on North America. Sales have been mid-teens for the last four quarters. Can you give us some color on what is driving such strong growth? I suspect it's Modernization, but perhaps you can detail a little bit more.

And then, if I look at new equipment order intake, specifically, North America, this is the sixth consecutive quarter of year-on-year declines. As we are almost in 2024, how do you see growth in new equipment into next year? I know it's still early, but you probably have good visibility. Does your backlog allow to still grow new equipment in the next year? I'll stop there.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

You want to start with the market?

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

I can start. So, all of our businesses are growing and we have a very strong order book in North America. Last year, we had some quarters with phenomenal growth, some was a bit lower, but all of those are actually quite long-duration orders received. So, we have a very good order book going into next year. But if you look at our North America business, we're actually growing strongly in all three businesses in Service, in Modernization and New Building Solutions. And yeah, that order book stands well far into next year and beyond.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

Yeah. And I think that's good to understand is that our longest order book from a rotation perspective is in North America. And it is on a good level, leading into next year.

Miguel Borrega

Analyst, Exane BNP Paribas

Q

Thank you. And then on the orders that you have raised, prices specifically also in North America, are they being executed today, or as you said, these are probably long duration, so likely in 2024 and 2025? I just wanted to understand where the higher margin is coming from, given the growth in North America. Is that mostly driven by Service or Modernization? Thank you very much.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

I think, maybe just to make sure that we're talking about the same thing. So I was talking a lot about the orders margin for the orders we booked. Then, when it comes to results, so we have the fastest rotating order book is in the Modernization and it also had the fastest recovery on the margins. So that's clearly contributing positively in in Americas as well.

Then, in New Building Solutions, we are continuously seeing improving margins as more and more – the orders that we're delivering have continuously increased in margins. And more of that is visible in Europe, where the order book is rotating faster. In Americas, it continues to be a tailwind going into 2024, given the order book rotation. And we continue also in Asia outside of China, which we don't talk much about, continue to have a good development from that perspective.

Operator: Thank you. We will take the next question from line Aurelio Calderon from Morgan Stanley. The line is open now. Please go ahead.

Aurelio Calderon Tejedor

Analyst, Morgan Stanley & Co. International Plc

Q

Hi. Good afternoon. Thanks for taking my questions. I'll take one and a follow-up, please. And the first question is around the €100 million in savings that you're talking about in kind of adjusting the cost base. The question is, do you think that's enough? That should bring you to the right place and the cost base adjusting for the next, let's say, four or five years; or do you think that you may need more or do you think that this €100 million is enough?

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Well, I think first, very few things we see that long in the future. And as in any good business you need just continuously as you move through the business cycles and business environment. And of course, on a local level, that is even more true, and that we will continue going forward doing as well. The operating model change was about savings, but it was also much more about also reflecting, being close to customers having faster decision making, which is driven by the market environment and recognizing the world that has changed around us. So, I think, it's equally about that.

Aurelio Calderon Tejedor

Analyst, Morgan Stanley & Co. International Plc

Q

That's great. Thank you. And second question is a follow-up to one of the comments made earlier around the growth in units. I think the comment was that growth has accelerated compared to the past few years. So, what's driving that? Is it the penetration of 24/7? Is that you are improving your offering versus, I don't know, other OEMs, or versus ISPs what's driving that growth in units, which I guess looks quite, quite good compared to history?

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

I would say, as I mentioned, in Service, you kind of need to do all of those. One of the really key drivers has been an improved retention that is always critical in this business. So, the more you can retain the higher percentage you have there, the better, so that has been one key driver. But then, I think all of the above.

I think we have a very – I don't think, I know, we have a very competitive offering in Service. It's a differentiated offering. Also, we know that our Connected Services are providing real value and therefore customers are paying a good price for them as well. So, all of these are contributing to it. You can't say it's one thing and that's really a service business, how it works that you need to get a lot of small things right to be able to grow that. And when you get that right, you can probably sustain it because that's really ingrained in your organization.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

And of course, needless to say, that underlying work to do the maintenance for the elevators as well, to have a good outcomes for the customers' needs to be right. So, these are just the initiatives that we're talking about.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

The service business, many people think it's easy. This is actually a very detailed, very hard work business. But when you get it right, it has big rewards. And I think we're getting it quite right, right now, or for many years already, frankly.

Aurelio Calderon Tejedor

Analyst, Morgan Stanley & Co. International Plc

Q

Yeah, that's great. Thank you very much.

Operator: Thank you. We will take the next question from line Martin Flueckiger from Kepler. The line is open now. Please go ahead.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Yeah. Good afternoon, everyone.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Good afternoon.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Thanks for taking my questions. Yeah, it's basically two questions for Ilkka, I guess. I was just wondering whether you guys have an update for us on the expected tailwinds from raw material or component prices as well as logistics costs for 2023? If I remember correctly, you used to guide for roughly – or a tailwind of roughly €100 million. I was wondering whether that's still the case.

And then, secondly, I was a little bit surprised to see your exceptional items being neutral to slightly positive. Can you elaborate a little bit what were the individual components of that relatively neutral item, and whether we're still looking at the overall costs related to the new operating model of around €70 million for this year? Thanks.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

Yes. So first on a tailwind from input costs or raw materials, you're very much right, so it hasn't changed. So, for 2023, it's approximately €100 million this tailwind altogether, so change there. And on the exceptional items, I noticed actually seeing the consensus coming in that maybe we should have been even more clear on the communication that we booked much of the costs already in Q2 and overall expect the €70 million.

So, I think, in Q3, that was something that not everybody had realized or heard correctly. But no change there in our guidance. And you might have seen we have concluded our divestment process for our Russian assets. So, that positive number is actually the fluctuation in the currency. So, that's why it looks a bit off in Q3.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Okay. But just to clarify, so that €70 million is off the table because it's now more like €56 million or so for the year?

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

No, it's €70 million for the year. So, there's some to come still.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Okay. Okay. Thanks.

Operator: We will take the next question from line Panu Laitinmäki from Danske Bank. The line is open now. Please go ahead.

Panu Laitinmäki

Analyst, Danske Bank A/S (Finland)

Q

Thank you. I just wanted to ask about your view on the Chinese market. I mean, you have given the outlook for 2023, but it's two months until we are in 2024. So, any thoughts, like what's your best assumption for the new equipment business? Is it flat, or down, or any comments on that?

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah. So we are not yet saying let's do that in January because we know that the market development will be very dependent on policy action, and that we're seeing smaller and bigger policy action already happening. Not the big impacts on the market yet. We're probably going to see a challenging market next year as well. What is development going to be in percent? I think let's wait for that until next year.

The way we're developing our business is that we're focusing a lot in driving growth in the growing segments of Service and Modernization. And then New Building Solutions market probably more challenging still next year. What I would expect going into next year, we continue to have a tailwind from these completions. And now, of course, with the growth we had in orders received, we're of course improving our own situation for next year.

Panu Laitinmäki

Analyst, Danske Bank A/S (Finland)

Q

Thanks. If I can, just one follow-up. You have previously commented on the margins like directionally, with China being above or at group level and so on. So, can you kind of give us an update like where is China now compared to the group? And where is China new equipment compared to the Services in China?

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

Yeah. So, on a broad level, China is – on a group level, margins as a whole. I don't think I've commented in more detail by business, but that's what I've said. And it is the case right now.

Panu Laitinmäki

Analyst, Danske Bank A/S (Finland)

Q

Okay. Thank you.

Operator: We will take the next question from line John Kim from Deutsche Bank. The line is open now. Please go ahead.

John Kim

Analyst, Deutsche Bank AG

Q

Hi. Two clarification questions if you don't mind. Can we get a little bit of color on the backlog? It'd be helpful to know how much as of Q3 is still focused on new equipment versus what you booked for Service and Modernization? And then, secondly, unrelated, if you think about other markets, you've had peers talk about growth outside of China for newbuilds, particularly, India. I'm wondering how you think about India in terms of the market opportunity over the next three to five years. Thank you.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

I guess, you can take India.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

I can take India. The ones of you who have been following us and know me for a long time, know that I've been bullish about India for many years. It took a while before it took off. And why am I so bullish on going forward in India, is that over the past 10 years, there's been several fundamental reforms in India that's impacted the economy, but also, has impacting our business.

And every time those reforms happened, it was a short-term negative for the business. But everyone was always convinced when that happened, that, hey, these are good long term. And that's really what we're reaping the benefits of now. And we can see that the fundamental drivers are there. Economies, growing young population, and we can see, it continues to urbanize all of the drivers, digital economy in India is just amazing right now.

All of these things are really driving positive growth there. So I expect India to be one of the secular growth markets for many years. Yes, of course, it can fluctuate a little bit year-to-year, but I have a very positive outlook. We have a very strong position in India. We're the market leader there, and therefore, focusing a lot on continuing to grow there. So I must say really, yes, I'm very bullish on the market if we look long term. I think – is that clear enough?

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

Yes. And I very much agree on your view on India. It is one of the growth pockets that we have in the markets right now. On the order book, we haven't broken down that in very much detail. But the way to think about it is that our shortest rotating order book is the Modernization order book. And that's in all markets. I would say eight to nine months rotation on average max.

And then, on the new equipment order book, it is elsewhere rotating. So, let's say, Europe is about 1 year plus, China is 9 months or less and US is maybe 1.5 plus years. And then, on top of that, you have major projects that can be 1.5 to 2.5 years rotating. So, majority of the order book is still due to the rotation, this New Building Solution orders. The rest is rotating fast.

John Kim

Analyst, Deutsche Bank AG

Q

And just a clarification question on India. Are we at about 100,000 units under that per annual sales, the market on this full year sales?

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Market's probably a bit shy of 100,000. Yes, at the moment.

John Kim

Analyst, Deutsche Bank AG

Q

Okay. Thank you.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Thank you.

Operator: Thank you. We will take the next question from line Ben Heelan from Bank of America. The line is open now. Please go ahead.

Benjamin Heelan

Analyst, Bank of America

Q

Yeah, thank you for taking my question. You mentioned in response to one of the questions that you do see a challenging environment in China next year. I was just wondering if you could talk a little bit about your ability to manage the cost base in that environment, and given it does look as though the market is going to be down. And then in the past, you've given color about the performance between Northern Europe and Southern Europe in terms of market and the trends you're seeing there. Could you give us a bit of an update in terms of how that's trended in Q3? Thank you.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

I'll take the China part.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah, yeah.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

And you can talk about the market.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah, yeah.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

So I think also good to remember, we talk a lot about China and NBS, New Building Solutions markets, but we have good opportunities to grow as Henrik was highlighting with this 9/12 markets we have in both Services and Modernization in China. So, those are structurally working against each other. Then, when it comes to costs, a large part of our costs in in this operating model that we have are actually quite flexible when it comes to manufacturing, how we install elevators. And of course, that fluctuates based on the volumes that we see in the market and we plan for the volumes as we see them. And then, of course, we do have also more fixed costs when it comes to go-to-market that we'll always have to evaluate between the business opportunities, and the market and what is the right level.

Henrik Georg Fredrik Ehrnrooth

President & Chief Executive Officer, Kone Oyj

A

Yes. Then, on Europe, south versus northern parts of Europe. Actually, if you look at both South and North Europe, what are the positives, let's start from that. Modernization markets are growing both, Service markets growing both, clearly, a little bit faster in northern parts of Europe. But I would say, in both parts we have had good pricing.

And if you look at Europe overall, as you can see from our interim report, in the Service business in Europe, we had a double digit growth in the quarter for a stable market that is growing slightly, that is an amazing achievement. So you can see that we really captured that very nicely.

Now, then, construction markets, it's clear that at the moment the decline is faster the further north you go. So, Nordic region, Sweden, Finland, very challenging; Germany challenging. And then, a little bit better situation if you go to south and that becomes more that perhaps there's a little bit more mix-wise commercial construction there now. Also there, down, but not quite as much. But as I said, the good thing is that Service/Modernization is growing across Europe and that is a consistent story. And then, yeah, construction markets are pretty challenging.

Benjamin Heelan

Analyst, Bank of America

Q

Okay. Great. Thank you.

Operator: Thank you. We will take the next question from line Vlad Sergievskii from Barclays. The line is open now. Please go ahead.

Vlad Sergievskii

Analyst, Barclays Capital Securities Ltd.

Q

Good afternoon, and thanks very much for taking my questions. I'll start with China, if I may. Would you be able to disclose the book-to-bill ratio in China in new equipment this quarter? And do you see the potential for your order intake to stay decoupled from the market, i.e. to continue to grow in the coming quarters, while markets continues to moderate? And also, if you are able to disclose the book-to-bill in new equipment on a global basis in the quarter would be helpful. Thank you.

Henrik Georg Fredrik Ehmrooth

President & Chief Executive Officer, Kone Oyj

A

Yeah. So there's quite a lot of fluctuation on a quarterly basis. So, I normally tend to look at it more on a rolling basis. But yes, in China on a rolling basis, we're below 1, but overall, we are above 1, given the performance we have. So, in that certain level – in that sense, we're doing well.

Vlad Sergievskii

Analyst, Barclays Capital Securities Ltd.

Q

Okay. Got it. And if I can ask a question on working capital, please, obviously, you still carry a very attractive €900 million [indiscernible] (00:56:30) working capital position. Would you be able to give a rough idea of how it is split between new equipment and maintenance? And maybe if you will be able to disclose what proportion of this, the €900 million sits in China at the moment?

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

I think we can look at the details with our IR team in more detail after the call. The way I would analyze it is that we have roughly similar commercial terms in our business in New Building Solutions in China and the rest of the world. So, if you look at the split of the business, it gives you an idea on that one.

Then, it's good to note that the advances that you see in the balance sheet, it's not only New Building Solutions, but we do get also the Service agreements. And in Modernization, we also bill in advance, in most cases, our customers.

Vlad Sergievskii

Analyst, Barclays Capital Securities Ltd.

Q

All right. Thank you very much for the color.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Thank you.

Operator: Thank you. We will take the next question from line, Rizk Maida from Jefferies. The line is open now. Please go ahead.

Rizk Maida

Analyst, Jefferies International Ltd.

Q

Yes. Hi. Thanks for taking the questions. Henrik, I have two, and specifically on China. I mean, given your experience sort of running the group, a lot of the outlook, as you said, is dependent on the policy actions. But at the same time, we've had the starts and land sales weak for two years. Completions are a short-term boost to demand. And there's a view that even if you see sort of a policy action, you still have to sort of convert two years' worth of weak starts and then sales for the next two years basically. Just perhaps your thoughts on this comment.

And secondly, I'd love to know how we should think about the maintenance in China, and what point we should start to see weakness there driven by the new equipment. I know there is a two-year first service period, just perhaps how we think about that flow from new equipment to maintenance please? Thanks.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

Well, first of all, the overall markets in China, construction markets, markets for New Building Solutions. You're right that we have had now a prolonged period with negative starts, land sales and all of that. And that has been reflected in our business. You can see that our revenues in China have declined clearly over the past two years. They peaked in 2021, I think, or – yes, 2021, they peaked and be coming down. And that really reflects the market.

So, if I think about China, the total value of the market, I think, we should, from sometimes next year, we're going to start seeing a growth in the market. When we look at all three businesses. From that perspective, actually quite positive about China that there is growth potential over the coming years – clear growth potential, but it's going to come from different areas.

At the same time, the New Building Solutions market in China will continue to be the largest in the world. It will continue to be very large and a very important one for competitiveness, for success. But it's clear that it's not as big as it was in the prior years. But I think the key thing that we are focused on is that, sometimes – and let's see exactly when it happens. But I think in the next year we're going to see that the market is again on a growth path, and that's going to enable revenues to start growing again in China for the industry as a whole. And of course, then our objective is to do that.

On Service, yes, there is the first couple of years. You see the first service period. And now, there's, of course, less conversions in China, but it's still a growing market. And we're very focused in China, also capturing – there are a lot of Kone elevators in the market that we are not servicing. I mean Kone is the brand with highest level installations in the whole market. That is the market leader brand.

And therefore, by capturing back more of this, we're going to be able to continue to grow. So, that's what we need to focus more than on conversions going forward. So again, the opportunity is there, but as market shift, it's going to be different. And I see that our teams are doing a really nice job in improving this all the time.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

Maybe few words about Modernization as well.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

[indiscernible] (01:01:05) That's, yeah, surprise I didn't say, because every time I look at it, get very excited because that's the market that we're going to see 20% plus growth over the next 7 to 10 years, so that is a very exciting market. Yes, it's coming from a low level, but everyone can calculate that it is compounding at those kind of levels. It will become big markets, and we've been compounding even clearly higher than that. So that is where future growth is going to come from. But clearly we need to shift the business, but that's okay. If there's opportunities, then it's up to us to capture them.

Rizk Maidi

Analyst, Jefferies International Ltd.

Q

Very helpful. Thank you.

Operator: Thank you. We will take the next question from line Debashis Chand from Societe Generale. The line is open now. Please go ahead.

Debashis Chand

Analyst, Societe Generale Global Solution Centre Pvt. Ltd.

Q

Hi. Thanks very much for taking my questions. I have just one follow-up on the previous questions on China. The completions of unfinished products, which you mentioned as a tailwind for the next year. Could you give some more color on how much further runway do you think there is from these completions for next year?

And also, do you think with the change in focus towards growth, which we have seen in this quarter, you have kind of done Kone in terms of your own performance in New Building Solutions in China? And you can now outperform the market even if the new solution market is down, say, again next year? So, yeah, thank you much.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

A

So, I would first say that I'm very happy about the quarter in China. We have really good momentum there. It's one quarter. And there is definitely strong competition in that market. Everyone will want to capture the opportunities there. So, it's – we need to be competitive every day. And I'm confident of our competitiveness. But let's see, I'm not going to start predicting our orders, or market share, or anything into next year.

Completions. There are – it's little bit difficult to get an exact picture of it, but if you look at starts over many years and completions, there's a huge gap. So, there can be after a year of extra kind of work-in-progress that should work out for a market. How quickly will it come is unclear, but it's clear that the focus is there, and we continue to see that, that is supporting markets. But to give an exact number there is perhaps a bit difficult or.

Ilkka Hara

Chief Financial Officer, Kone Oyj

Yeah. I would say the same thing.

A

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

Yeah.

A

Debashis Chand

Analyst, Societe Generale Global Solution Centre Pvt. Ltd.

Thanks very much.

Q

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

Thank you.

A

Operator: Thank you. We will take the last question from line Andrew Wilson from JPMorgan. The line is open now. Please go ahead.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Hi. Good afternoon. Thank you very much for squeezing me in. It's hopefully a couple of quick broad question. Just on the connected 24/7 offering. I'm interested, it feels like that's making a difference. And you've kind of talked about making a difference in terms of the ticket price on a maintenance contract, but also in terms of share gains. I guess, I'm interested whether you're seeing a kind of a shift to the OEMs from the ISPs with regard to the connected offering. So, I guess, that's a broader market question.

Q

And then specifically when you think about whether it be the retentions or whether it be winning the contracts from competitors, how do you feel you're performing when you compare yourself to the other OEMs, appreciating that the business models are a little bit different? I'm kind of asking in the context of it's quite hard for us on the outside because I think all the companies are talking slightly differently and also the business model is slightly different. So, I guess, just trying to get some kind of even if it's qualitative perspective on that would be really helpful.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

Let me address it in the in the following way. I think when you look at the latest generations of products, at least of Kone, but maybe also some of our competitors, I think, there, the ability to keep them in your service after conversion will be better going forward. So, retentions of these new higher-technology driven products with connectivity built in, that's why it's important to have high market share New Building Solutions.

A

I think, there, we will see a better retention than we've seen in the past. Then, older products, as they get connected, yes, there's difference, but perhaps there, is not going to be as big of a difference. But newer products, the more they come, I think you will have a higher retention, a higher stickiness for them.

I'm not going to start comparing it to various Connected Services or business models. We have different ones. That's okay. That's a competitive market. Everyone is trying to differentiate in their own way, and that is what the competitive market should be all about. I am very comfortable with what we're doing because it's one of these things that when you ask your organization to sell it at a good premium and your customers need to pay it, you need to really show that the customer outcome is the one you're focused on. And we're very focused on the customer outcomes, customer success with this these.

If you only have something – you're focused on your productivity, then customer success may not be there. That can also be an approach. This is the path we have chosen. And I'm very comfortable with that because it's generating nice revenues for us. And we can also see, it provides better customer outcomes, it provides stickiness. And we can see when penetration increases we can also start capturing good productivity increases. So, I think, there are so many benefits of it, but I think like in every service or product you got to be super focused on the customer value because that is what long term will drive the success of it.

Ilkka Hara

Chief Financial Officer, Kone Oyj

A

And hey, just to highlight, Henrik talked about the long term and what will happen, but we can see it in our numbers. We can see the price increase in contracts when we have a connected unit, we can see productivity being higher for connected units. We get a better availability of the elevators. We can fix them first time, but right. And also, then, as a result, we get better retention on those units. So, it's not theoretical, something in the future, but it's already visible with the Connected customers we have in our numbers.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Q

That's very helpful. Thank you very much, guys.

Operator: Thank you. There's no further question at this time. I'll hand it back over to Natalia for closing remarks.

Natalia Valtasaari

Head-Investor Relations, Kone Oyj

Thanks, everybody, online for taking the time to dial in as well as for a very active Q&A session, a very varied one. Always nice and refreshing. If you do have any follow-ups or any questions that have been left unanswered, please feel free to reach out to me or the team. And I guess, we look forward to continuing the dialogue in upcoming IR meetings. So, have a great week, everyone.

Henrik Georg Fredrik Ehnrooth

President & Chief Executive Officer, Kone Oyj

Thank you, everyone.

Ilkka Hara

Chief Financial Officer, Kone Oyj

Thank you.

Operator: [audio gap] (01:08:15) joining today's call. You may now disconnect.

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