

# Q4 2018 Interim report

February 7, 2019

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# Agenda

1. Group highlights
2. Business Area Service
3. Business Area Industrial Equipment
4. Business Area Port Solutions
5. Cash flow and balance sheet
6. Appendix

Konecranes applied the full retrospective approach in IFRS 15 transition, and the numbers for the periods in 2017 have been restated. Please refer to note 4 for more details on the implementation of IFRS 15 and other significant accounting policies.

# Q4/18 Highlights

## Clear improvement in adjusted EBITA margin

- Group adjusted EBITA margin improved to 9.4% (8.8%) in Q4, full-year EBITA margin at 8.1% (6.9%)
- Group sales up 0.5% with comparable currencies, driven by Business Area Service, full-year sales growth 3.0% with comparable currencies
- Run-rate synergy savings at EUR 113m, slightly above 2018 target, estimate for integration related costs and capex updated

## Solid order growth in all Business Areas

- Continued good execution with Service growth strategy, comparable currency orders and agreement base value up 4.7% and 5.1%, respectively
- In Industrial Equipment, external order growth of 17.7% with comparable currencies, driven by process cranes and standard cranes and benefiting from an exceptionally large process crane order
- In Port Solutions, order intake grew 57.4% with comparable currencies, boosted by the order for 54 Automated Rail Mounted Gantry cranes to Khalifa Port in Abu Dhabi

## Demand outlook updated and financial guidance provided for 2019

- Sales in full year 2019 to increase 5-7% year on year
- Adjusted EBITA margin in full year 2019 to improve compared to full year 2018

EUR 1.20 dividend per share proposed for 2018



# Key figures

Key figures	10-12/18	10-12/17	Change %	Change % at comparable currencies	1-12/18	1-12/17*	Change %	Change % at comparable currencies
Orders received, MEUR	929.8	732.6	26.9	27.3	3,090.3	3,007.4	2.8	5.2
Order book at end of period, MEUR	1,715.4	1,535.8	11.7	11.8	1,715.4	1,535.8	11.7	11.8
Sales, MEUR	910.8	909.9	0.1	0.5	3,156.1	3,137.2	0.6	3.0
Adj. EBITDA, MEUR	101.9	97.2	4.8		325.7	289.2	12.6	
Adj. EBITDA, %	11.2%	10.7%			10.3%	9.2%		
Adj. EBITA, MEUR	85.6	79.9	7.0		257.1	216.6	18.7	
Adj. EBITA, %	9.4%	8.8%			8.1%	6.9%		
Operating profit (EBIT), MEUR	51.9	55.4	1.5		166.2	318.7	-46.5	
Operating margin (EBIT), %	5.7%	6.1%			5.3%	10.2%		
EPS, basic, EUR	0.50	0.26	89.9		1.29	2.89	-55.3	
Free cash flow, MEUR	76.4	58.0			73.1	224.4		
Net debt, MEUR	545.3	525.3			545.3	525.3		

\*1-12/17 included a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems

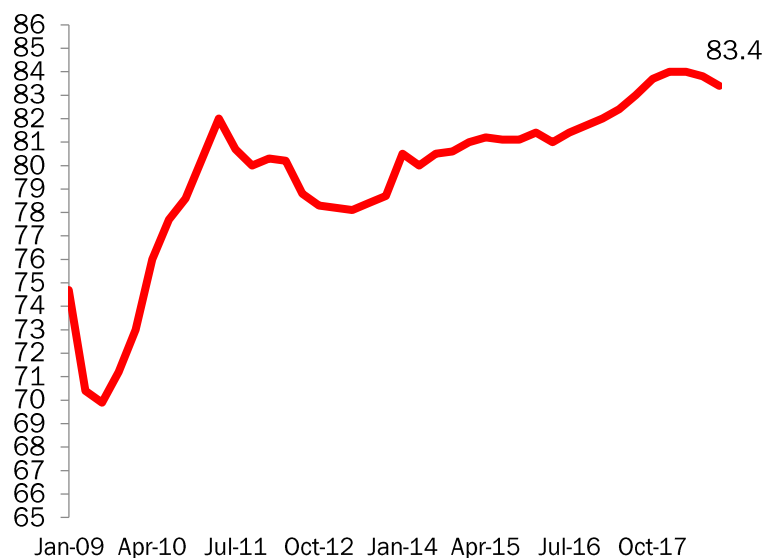
## Key figures by business area

Key figures	10-12/18	10-12/17	Change %	Change % at comparable currencies	1-12/18	1-12/17	Change %	Change % at comparable currencies
Service								
Orders received, MEUR	249.3	236.8	5.3	4.7	986.5	966.3	2.1	5.3
Sales, MEUR	336.4	321.4	4.7	4.4	1,192.5	1,179.5	1.1	4.2
Adj. EBITA, MEUR	55.8	48.7	14.5		180.0	161.3	11.6	
Adj. EBITA, %	16.6%	15.2%			15.1%	13.7%		
Industrial Equipment								
Orders received, MEUR	343.9	285.3	20.6	21.4	1,248.9	1,127.3	10.8	13.6
<i>of which external</i>	<i>298.3</i>	<i>255.4</i>	<i>16.8</i>	<i>17.7</i>	<i>1,065.5</i>	<i>1,036.3</i>	<i>2.8</i>	<i>5.5</i>
Sales, MEUR	325.6	312.9	4.0	4.5	1,150.9	1,118.2	2.9	5.3
<i>of which external</i>	<i>284.7</i>	<i>290.8</i>	<i>-2.1</i>	<i>-1.6</i>	<i>1,009.2</i>	<i>1,035.0</i>	<i>-2.5</i>	<i>-0.1</i>
Adj. EBITA, MEUR	14.8	17.2	-13.9		42.6	34.6	22.9	
Adj. EBITA, %	4.5%	5.5%			3.7%	2.1%		
Port Solutions								
Orders received, MEUR	399.1	255.3	56.3	57.4	1,096.0	1,056.2	3.8	5.3
Sales, MEUR	306.4	312.9	-2.1	-1.1	1,012.9	975.7	3.8	5.4
Adj. EBITA, MEUR	25.3	16.7	51.9		71.3	44.8	59.4	
Adj. EBITA, %	8.3	5.3			4.0	1.2		



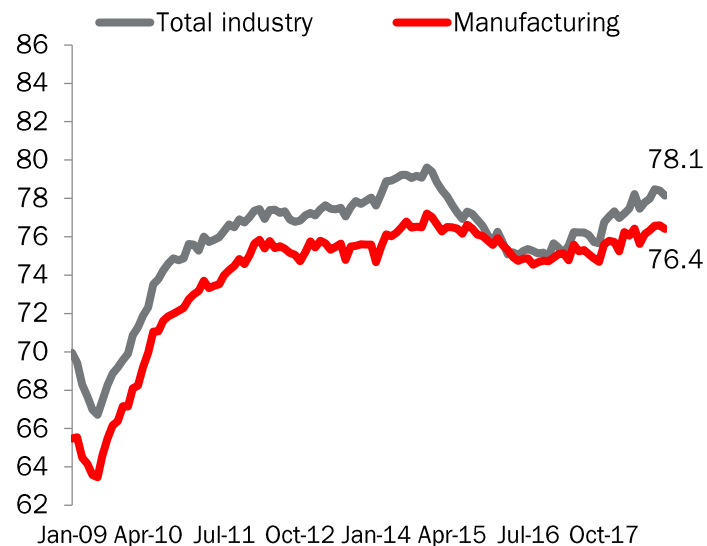
# Market environment – Service and Industrial Equipment

## Capacity utilization rate – EU



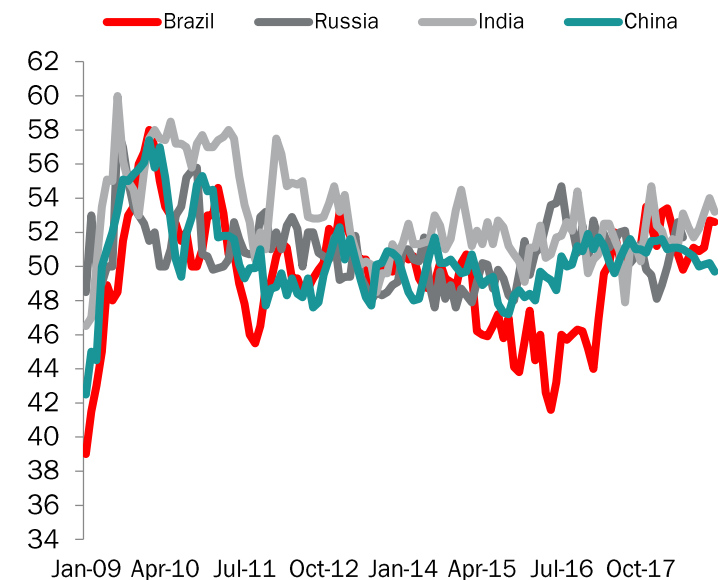
- Slowing growth rate in the Eurozone: manufacturing PMI growth in December was the weakest since Feb-16
- Capacity utilization rate in EU decreased slightly in Q4

## Capacity utilization rate – USA



- In the US, manufacturing PMI declined in Q4, however the growth rate was still clearly higher compared to the Eurozone
- Correspondingly, manufacturing capacity utilization declined in Q4

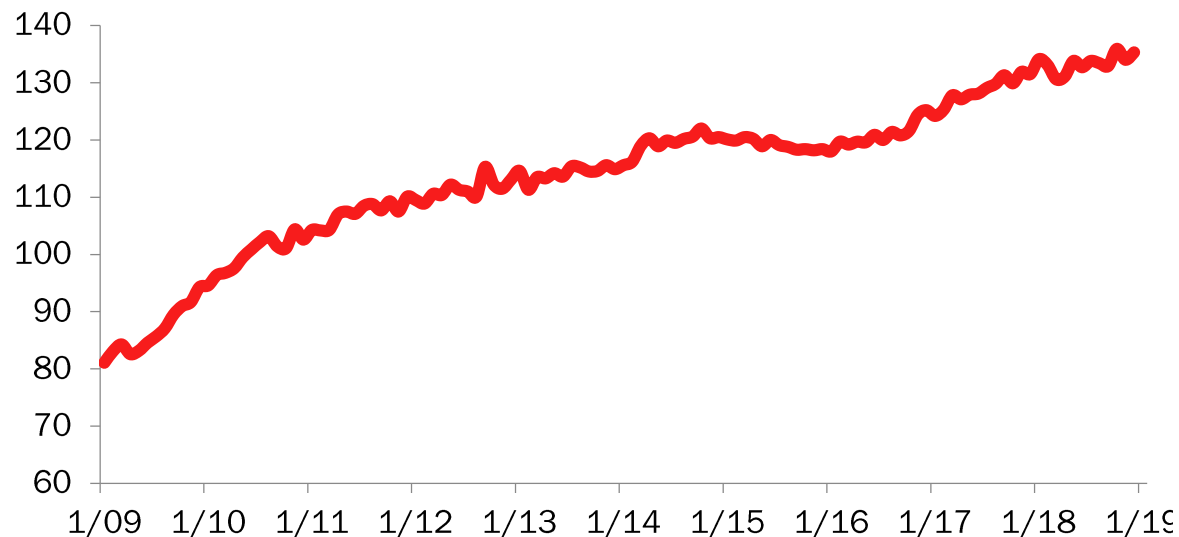
## PMIs – BRIC countries



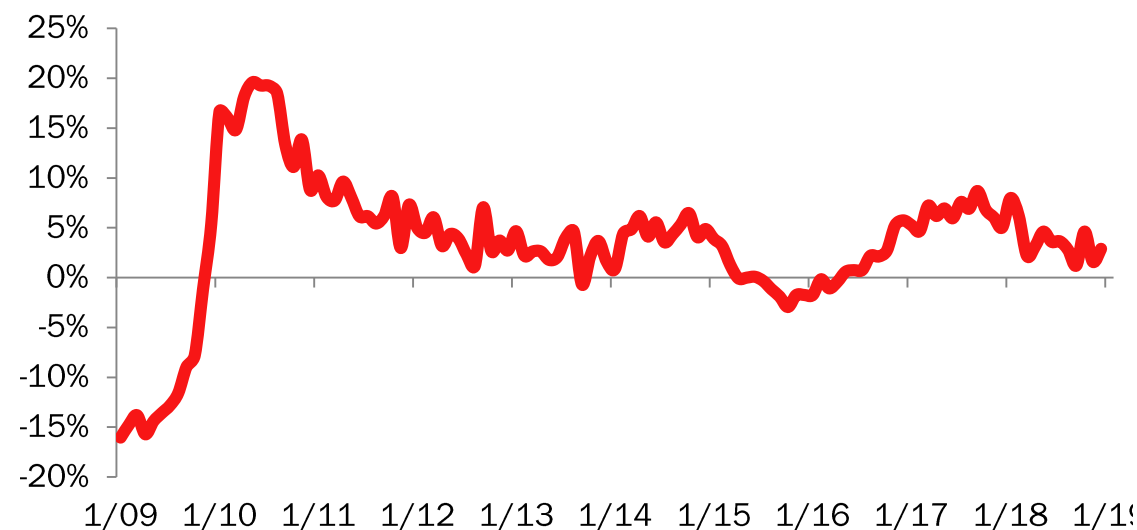
- Improving manufacturing conditions in India, Brazil and Russia
- Stagnant manufacturing conditions in China

# Market environment – Port Solutions

RWI/ISL Container Throughput Index



Monthly index change Y/Y



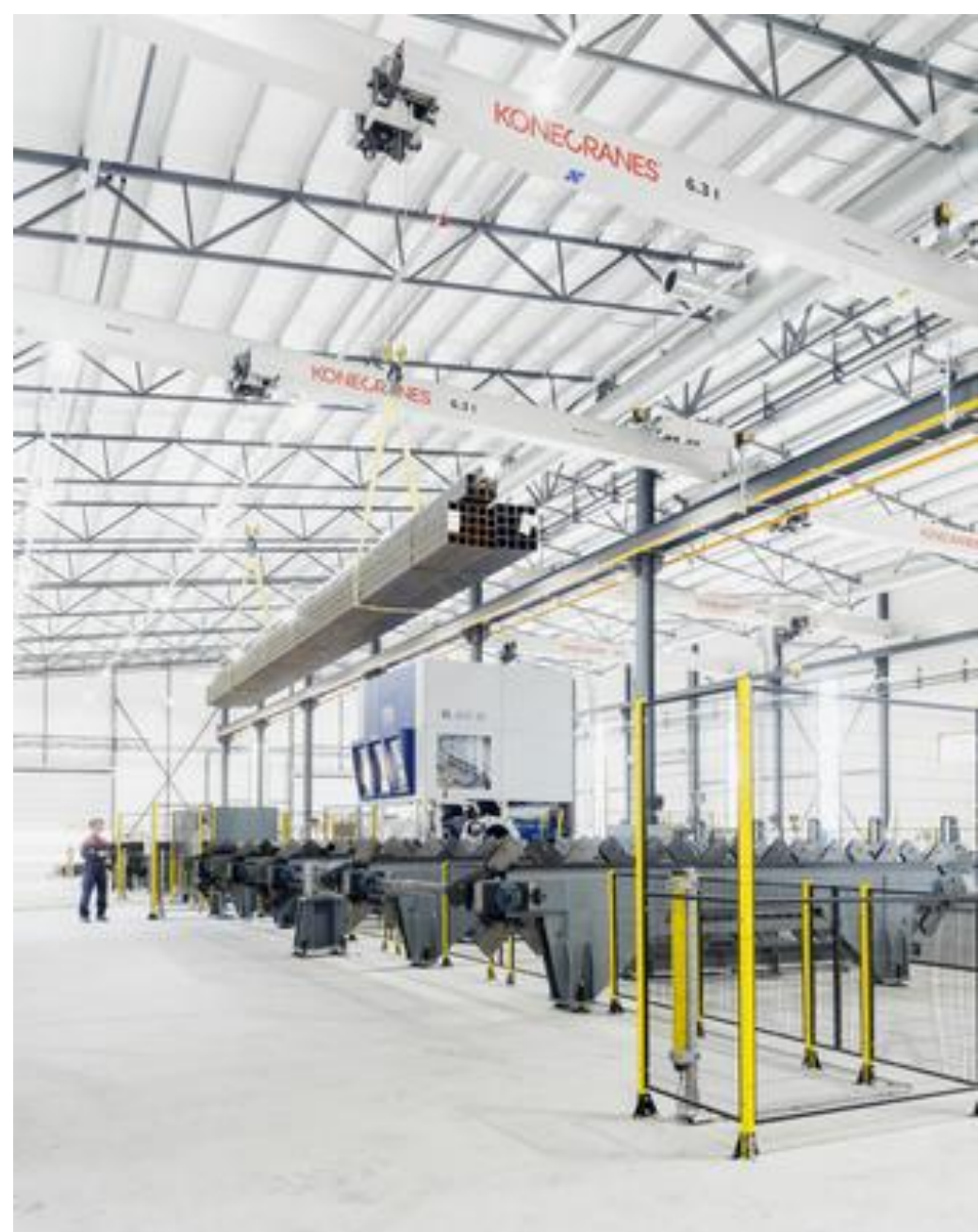
- The container throughput index reached a new record high in Oct-18 and was approximately at this level in the year-end
- In 2018, global container throughput increased by approx. 4% YoY

- The index continues to signal container throughput growth, although the growth rate has slowed down since the previous year

Source: RWI/ISL Container Throughput Index (latest data point December 2018)

# Demand outlook

- The demand environment within the industrial customer segments in EMEA and the Americas is stable and continues at a good level.
- In APAC the demand environment remains stable.
- Global container throughput is on a healthy level, although the growth has decelerated.





# Financial guidance

## Financial guidance for 2019

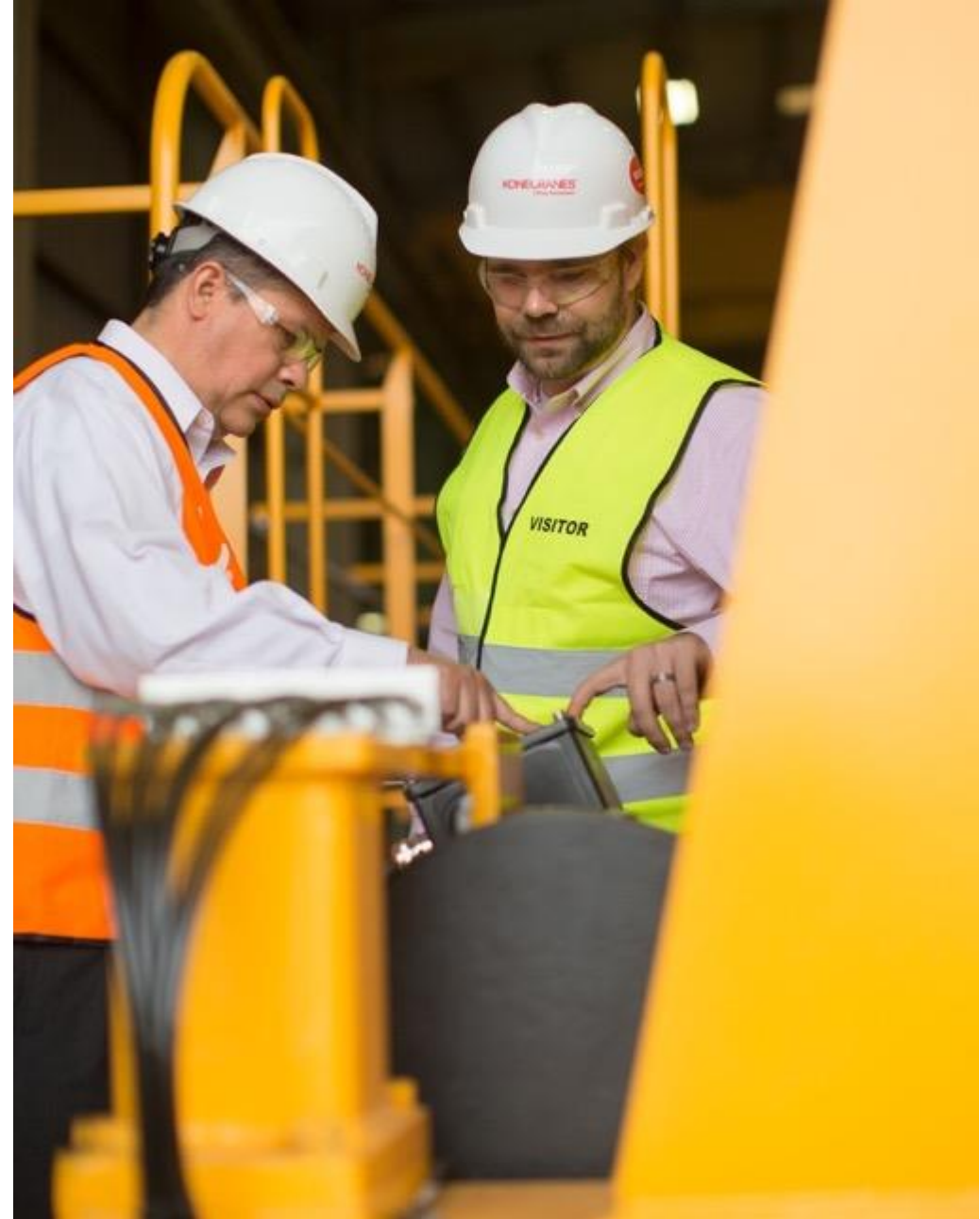
- Konecranes expects sales in full year 2019 to increase 5-7% year on year.
- Konecranes expects the adjusted EBITA margin in full year 2019 to improve compared to full year 2018.

## Additional guidance information for 2019

- Synergy cost savings benefiting the adjusted EBITA margin in 2019
- Weaker sales mix particularly in Business Area Port Solutions
- Additional investments in future growth initiatives

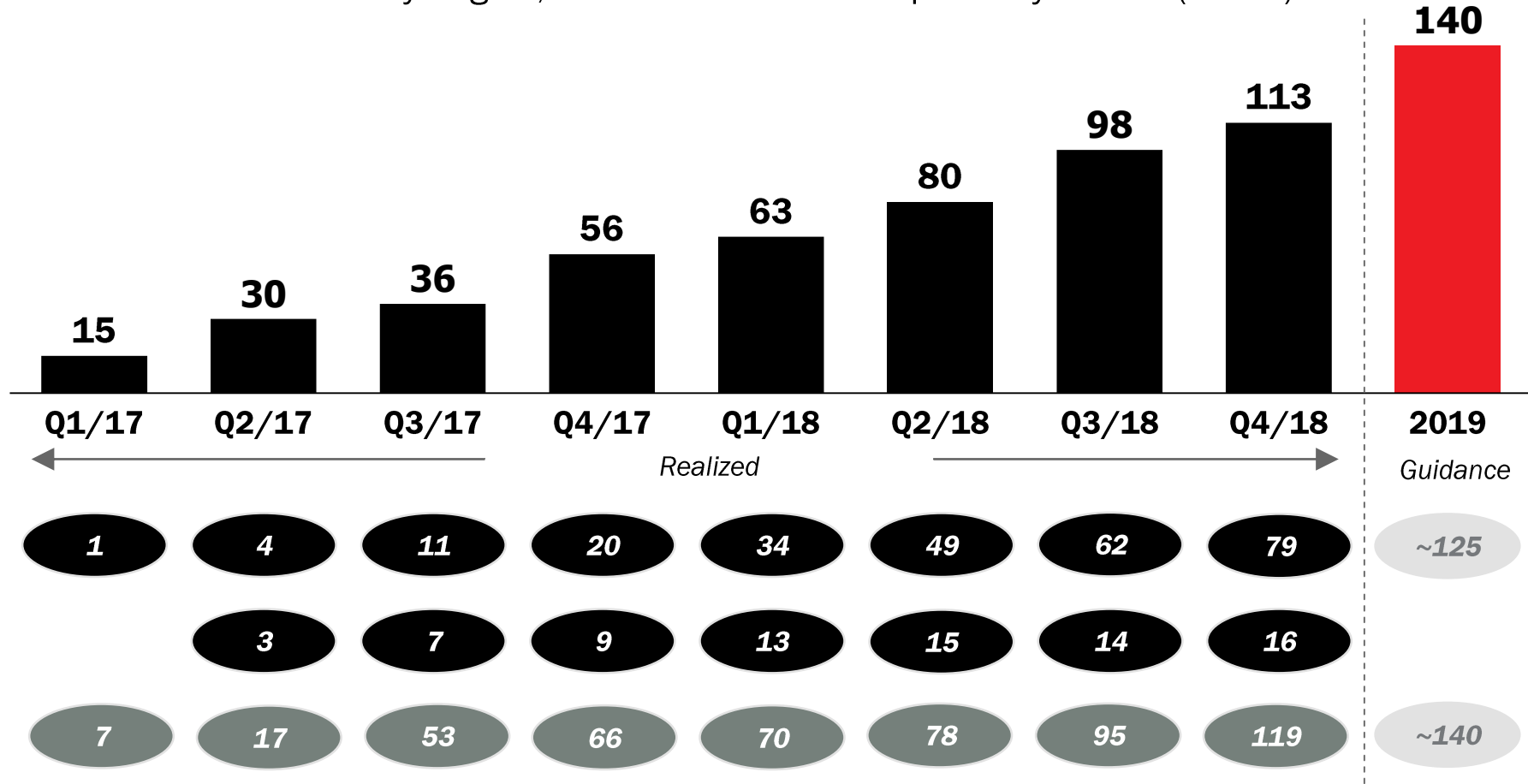
# MHPS integration proceeded according to plans in 2018

- More Industrial Equipment products with **unified technology**, which enabled the reduction of product platforms from 30 to 20
- Implementation of shared **sales management** processes and **CRM system** completed
- **Manufacturing:**
  - Ramp-down of Solon, US, Fengxian, China and Banbury, UK completed, the total number of discontinued manufacturing sites being now 11
  - Manufacturing optimization underway in Germany
- **Financial Shared Services** consolidated in Europe
- Good progress with **procurement** savings
- Legal entity consolidation: approximately  $\frac{3}{4}$  completed



# MHPS integration: cumulative run-rate savings at EUR 113 million

EBIT level cost synergies, cumulative run-rate impact at year-end (MEUR)



Corresponding P&L impact (MEUR, **cumulative**)

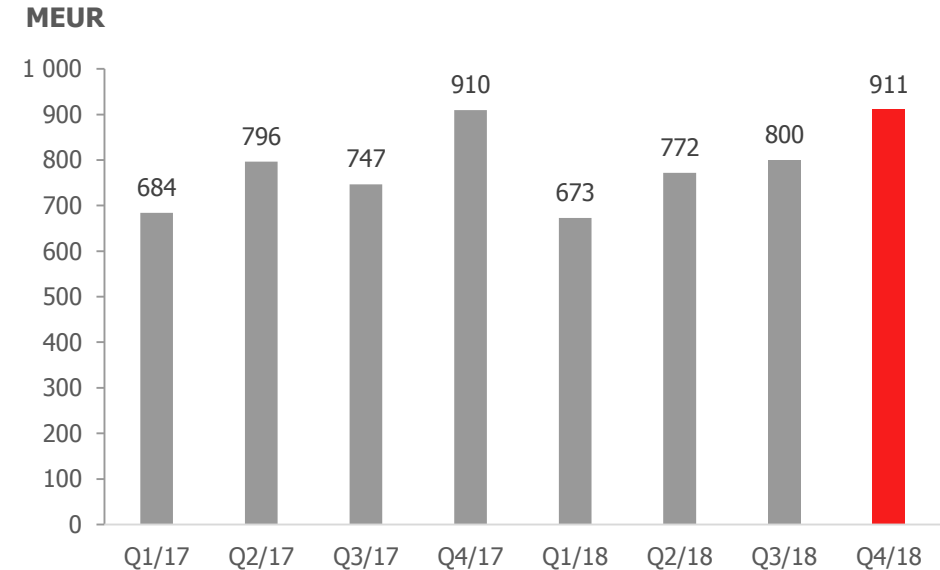
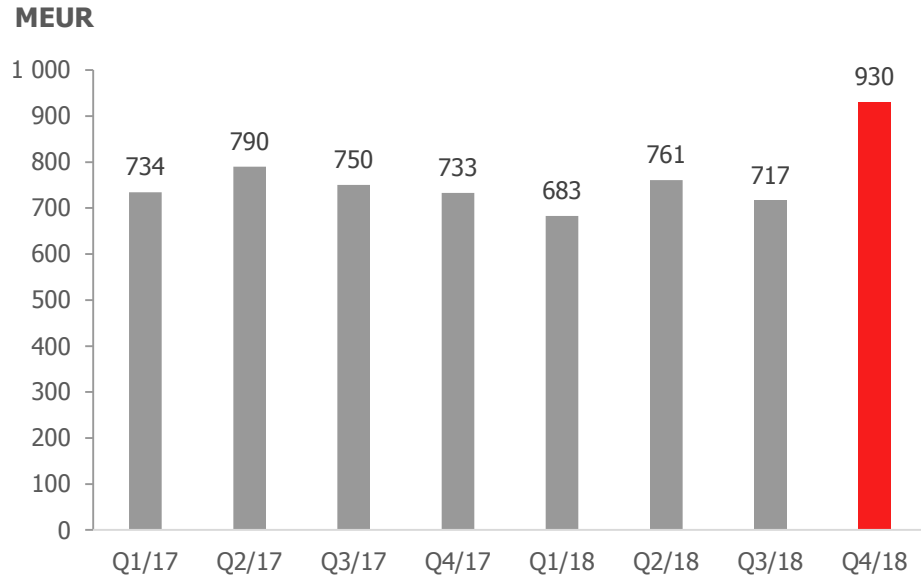
P&L impact, Quarterly (MEUR, **YoY**)

Restructuring costs (MEUR, **cumulative**)

Capex

EUR ~30 million capex expected in 2017-2019

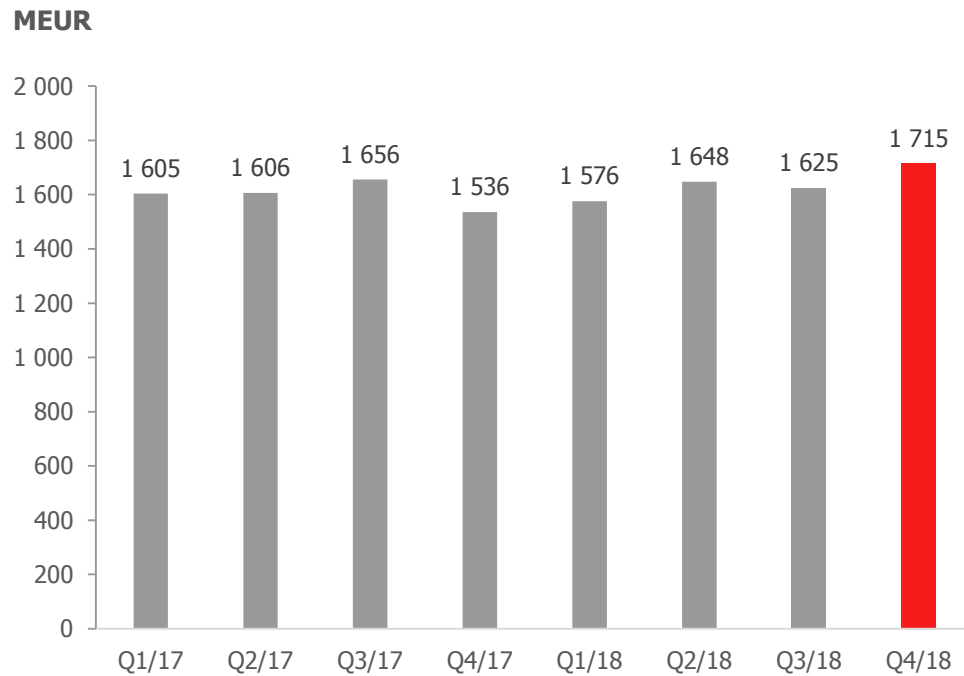
# Q4/18 Group order intake and sales



- Order intake increased 26.9% to EUR 929.8 million (732.6), (+27.3% on a comparable currency basis)
- Orders received increased in all Business Areas and in all three regions
- In Service, order intake increased 5.3% (4.7% on a comparable currency basis)
- Port Solutions order growth (+56.3%), boosted by an order for 54 Automated Rail Mounted Gantry Cranes
- Industrial Equipment orders increased 20.6%, partly driven by the increase in internal orders

- Sales increased 0.1% to EUR 910.8 million (909.9), (+0.5% on a comparable currency basis)
- Sales increased in Service (+4.7%) and Industrial Equipment (+4.0%) but decreased in Port Solutions (-2.1%)

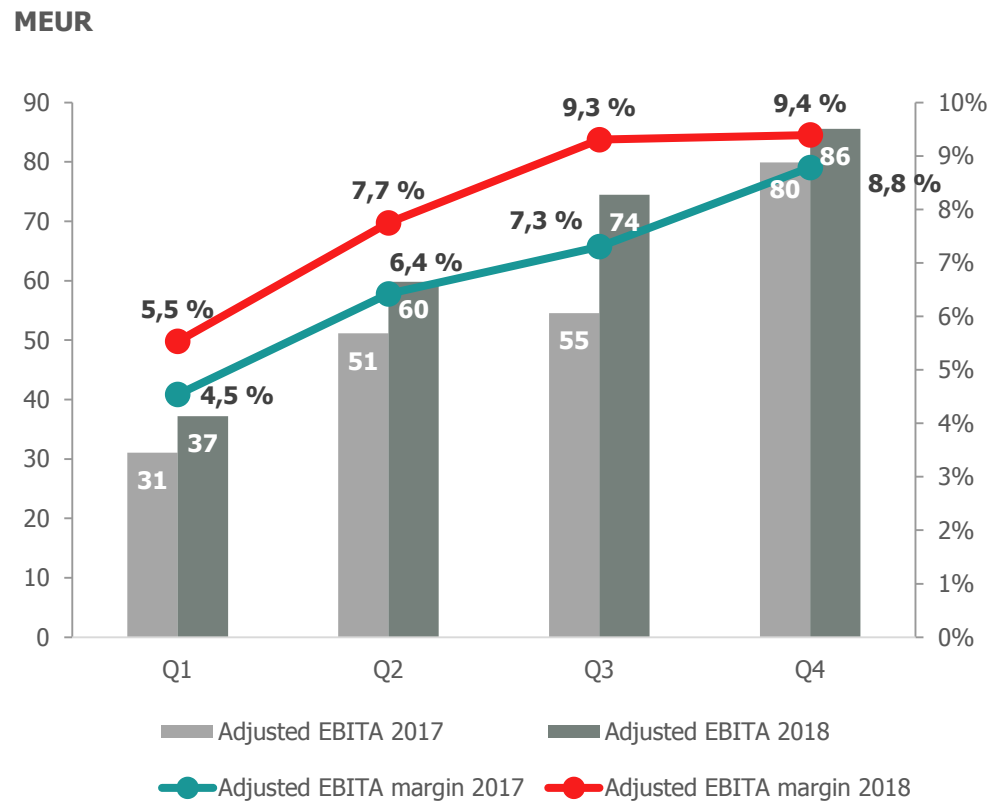
# Q4/18 Group order book



- The value of the order book increased 11.7% to EUR 1,715.4 million (1,535.8)
- On a comparable currency basis, the value of the order book increased 11.8%
- Order book increased in all three Business Areas

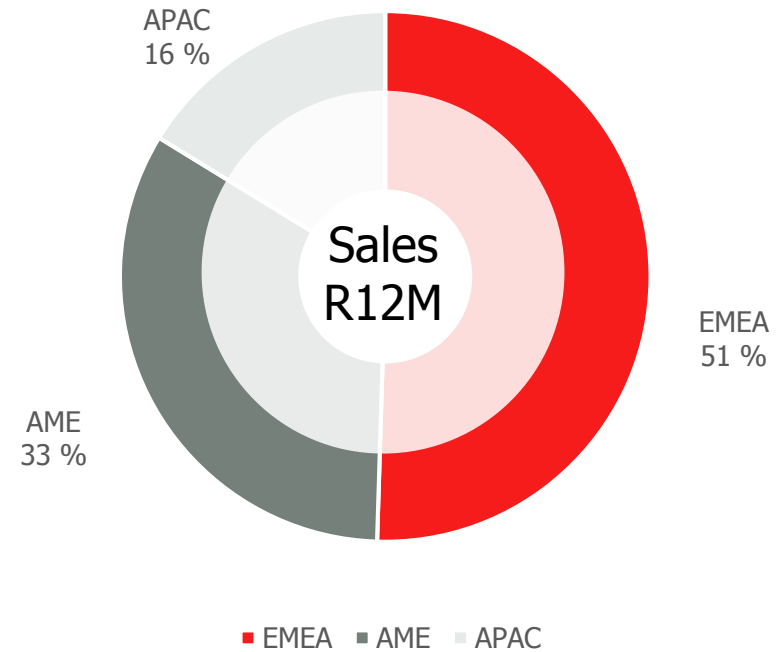
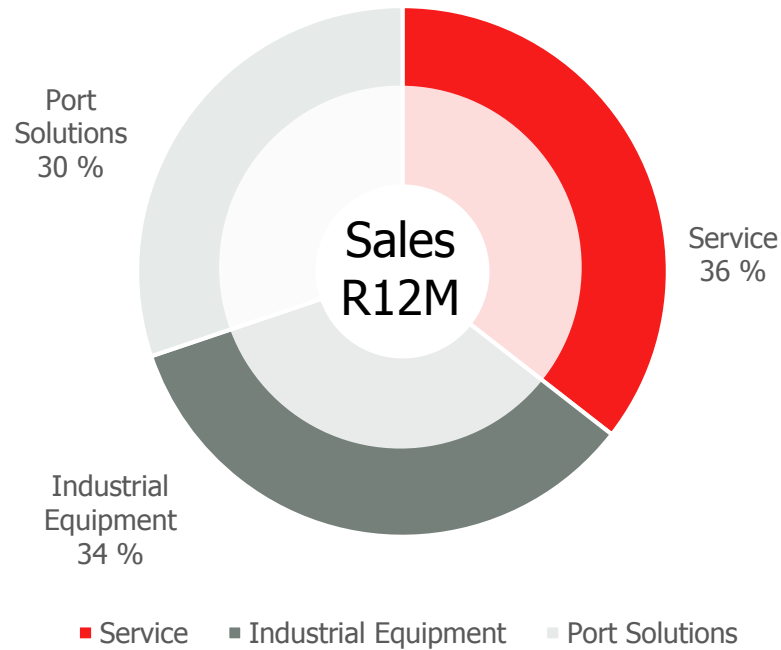


# Q4/18 Group adjusted EBITA



- Group adjusted EBITA increased to EUR 85.6 million (79.9), 9.4% of sales (8.8)
- The improvement was mainly attributable to synergy cost-savings and an improved sales mix
- Group level gross margin improved on a year-on-year basis

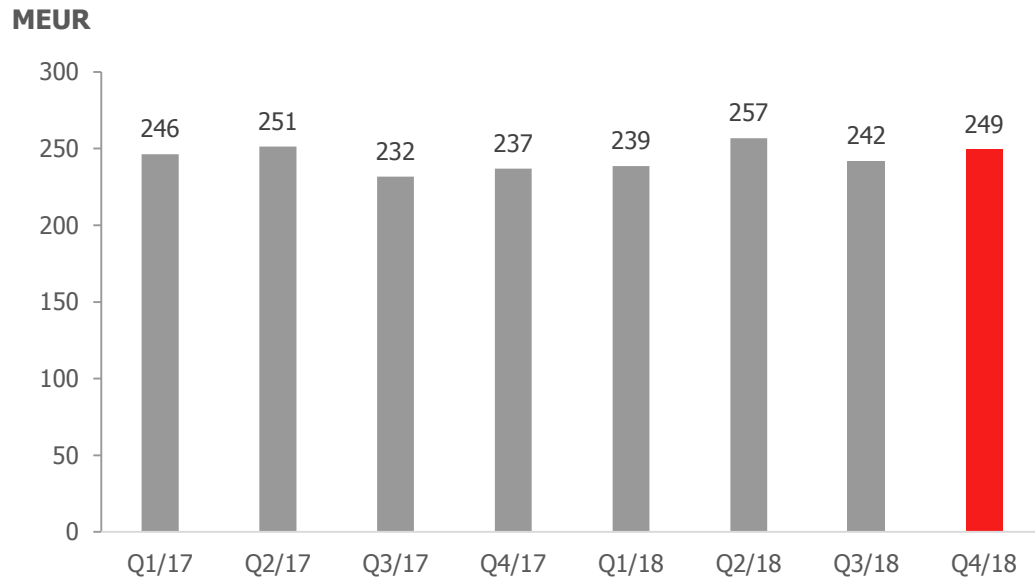
# Group sales by business area and region



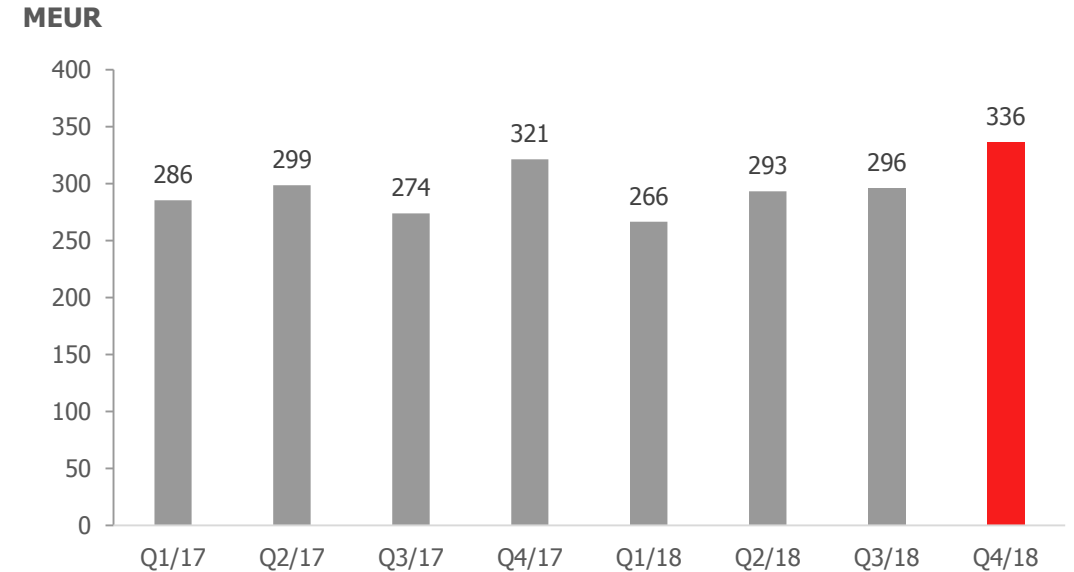


# Service

# Q4/18 Service order intake and sales

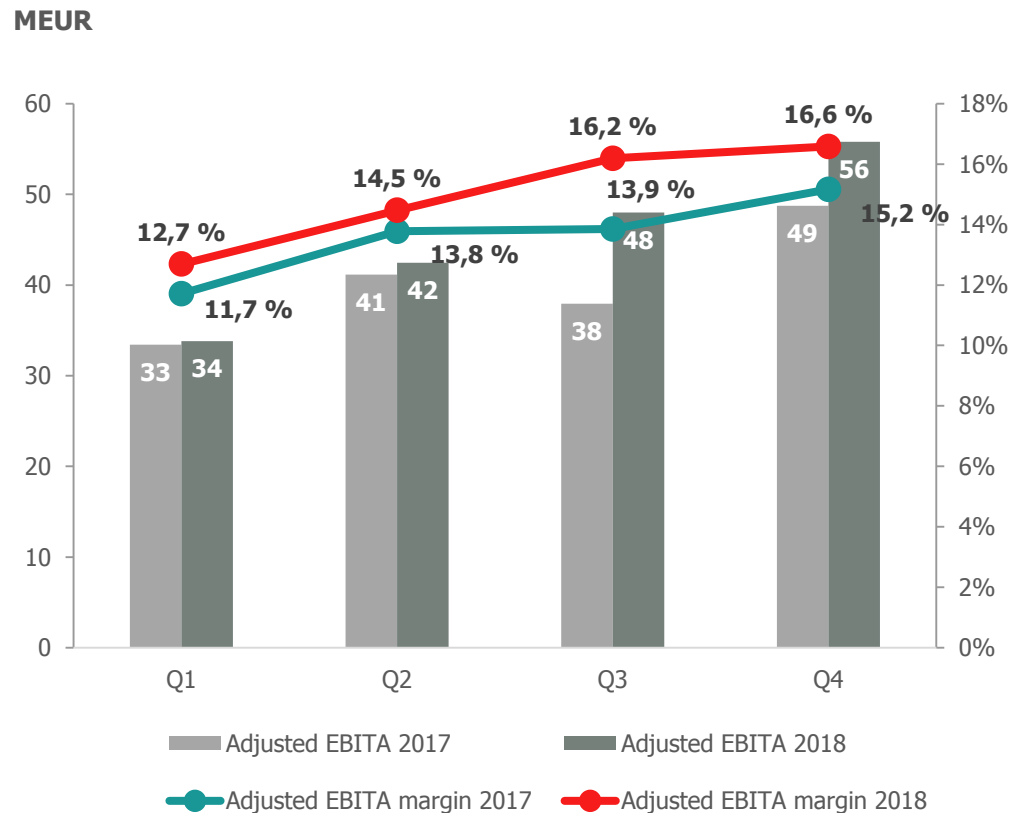


- Orders received increased 5.3% to EUR 249.3 million (236.8), 4.7% on a comparable currency basis
- Order intake increased for both field service and parts
- Order intake increased in the Americas and in APAC but decreased in EMEA: On a comparable currency basis, order intake in EMEA was approximately flat.



- Sales increased 4.7% to EUR 336.4 million (321.4)
- On a comparable currency basis, sales increased 4.4%
- Both field service and parts sales increased, parts sales outperformed field services
- Sales increased in all three regions

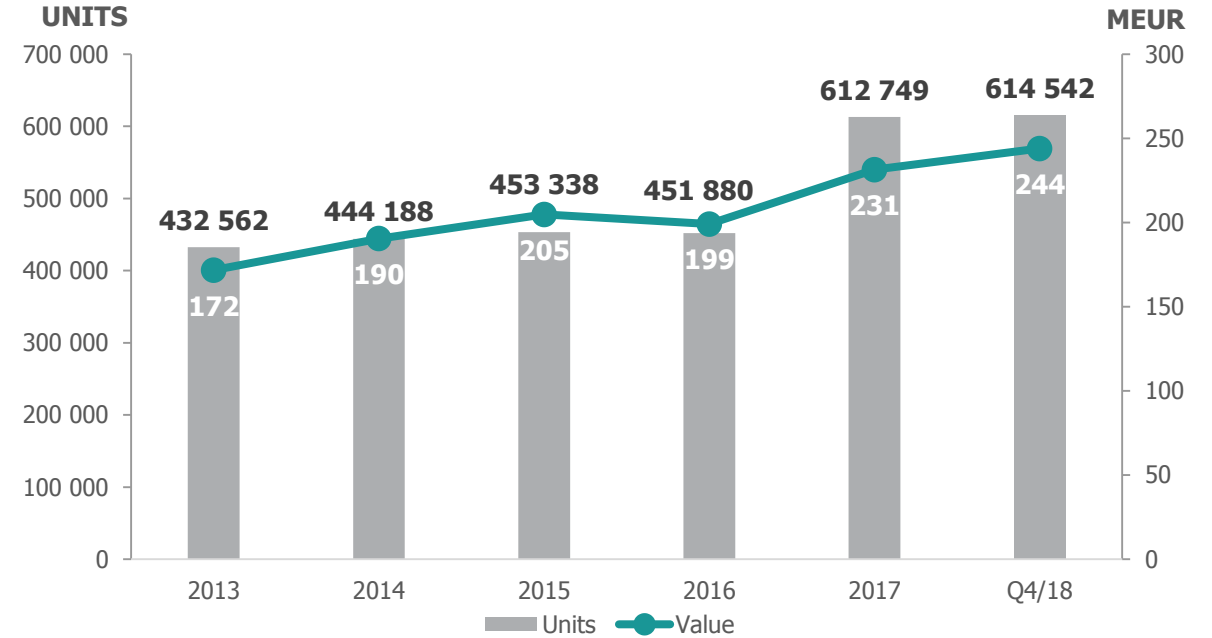
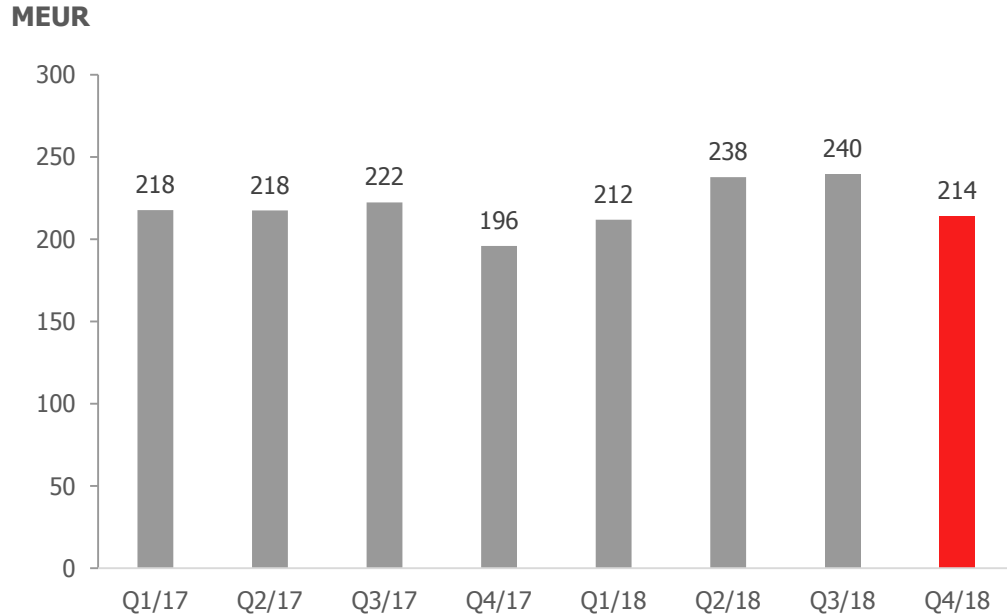
# Q4/18 Service adjusted EBITA



- The adjusted EBITA was EUR 55.8 million (48.7) and the adjusted EBITA margin 16.6% (15.2)
- Gross margin improved on a year-on-year basis
- The improvement was mainly attributable to volume growth, synergy cost savings and, to a lesser extent, an improved sales mix



# Q4/18 Service order book and agreement base



<sup>1</sup>2013-16 agreement base on Konecranes stand-alone basis

- The order book increased 9.3% year-on-year to EUR 214.3 million (196.0)
- On a comparable currency basis, the order book increased 8.0%

- Year-on-year, the annual value of the agreement base increased 5.4% in Q4, on a comparable currency basis the increase was 5.1%
- Sequentially, the annual value of the agreement base increased 1.0%, on a comparable currency basis the increase was 0.8%

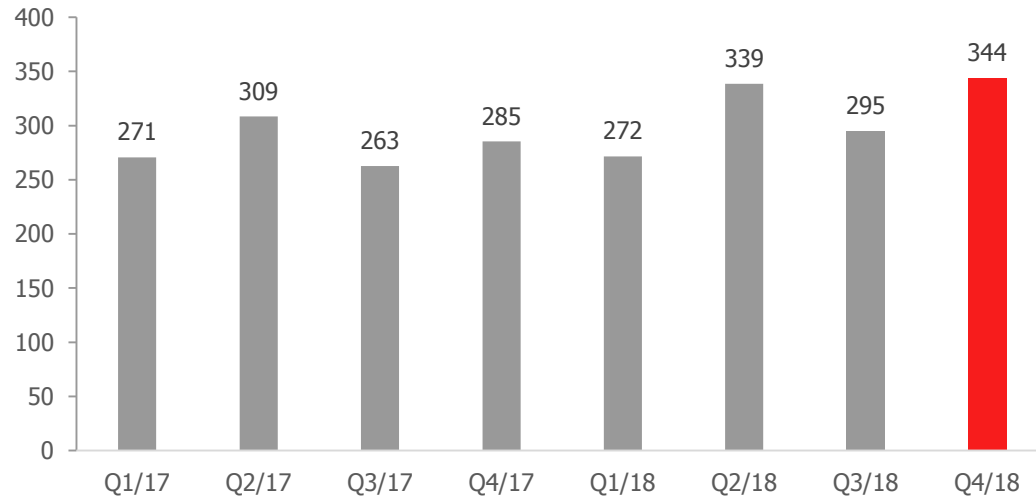


# Industrial Equipment

# Q4/18 Industrial Equipment order intake and sales

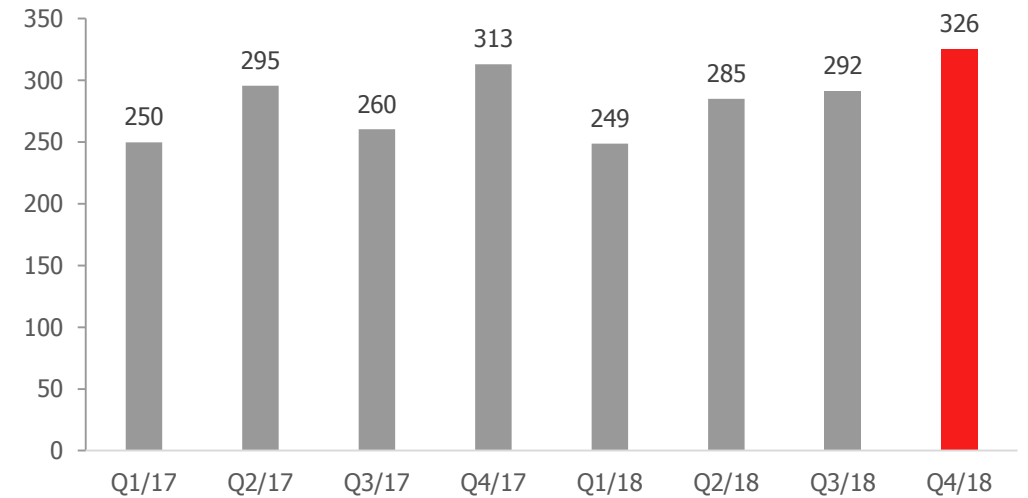
Harmonization of reporting practices had a positive Y/Y impact of EUR 9.2 million on order intake and EUR 9.6 million on internal sales.

MEUR



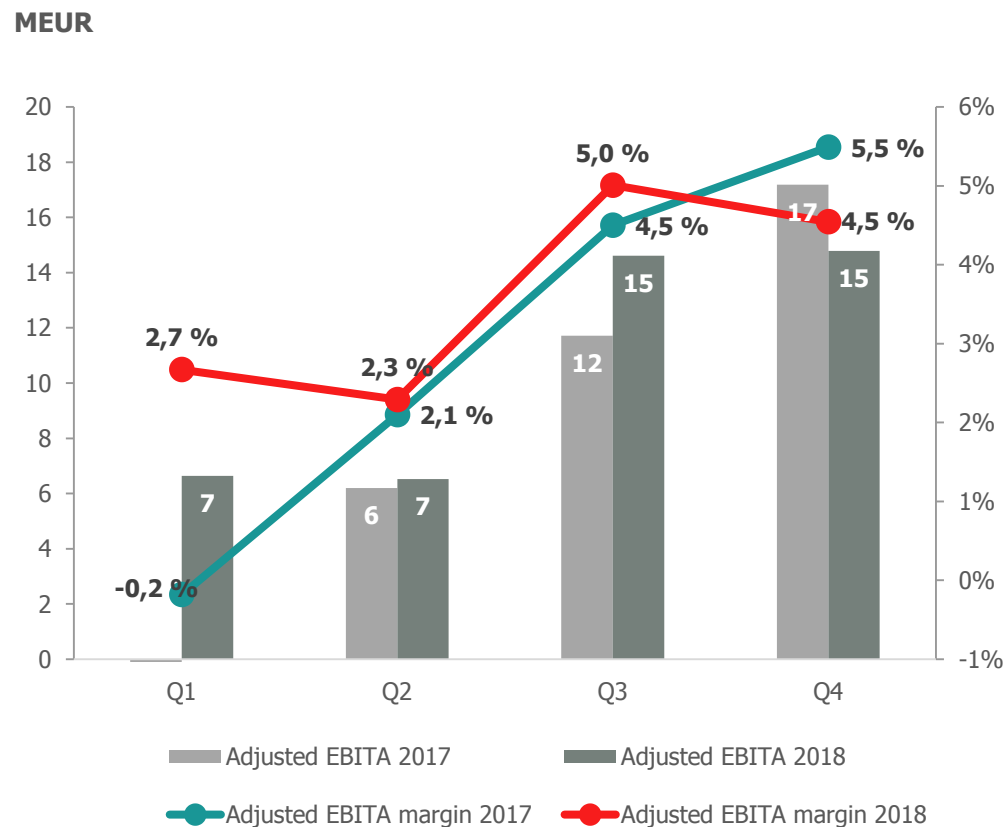
- Orders received totaled EUR 343.9 million (285.3), corresponding to an increase of 20.6%
- External orders grew 17.7% on a comparable currency basis and totaled EUR 298.3m (255.4)
- The increase in order intake was driven by process cranes and standard crane, while component orders stayed approximately flat
- Order intake for process cranes benefited from an exceptionally large order

MEUR



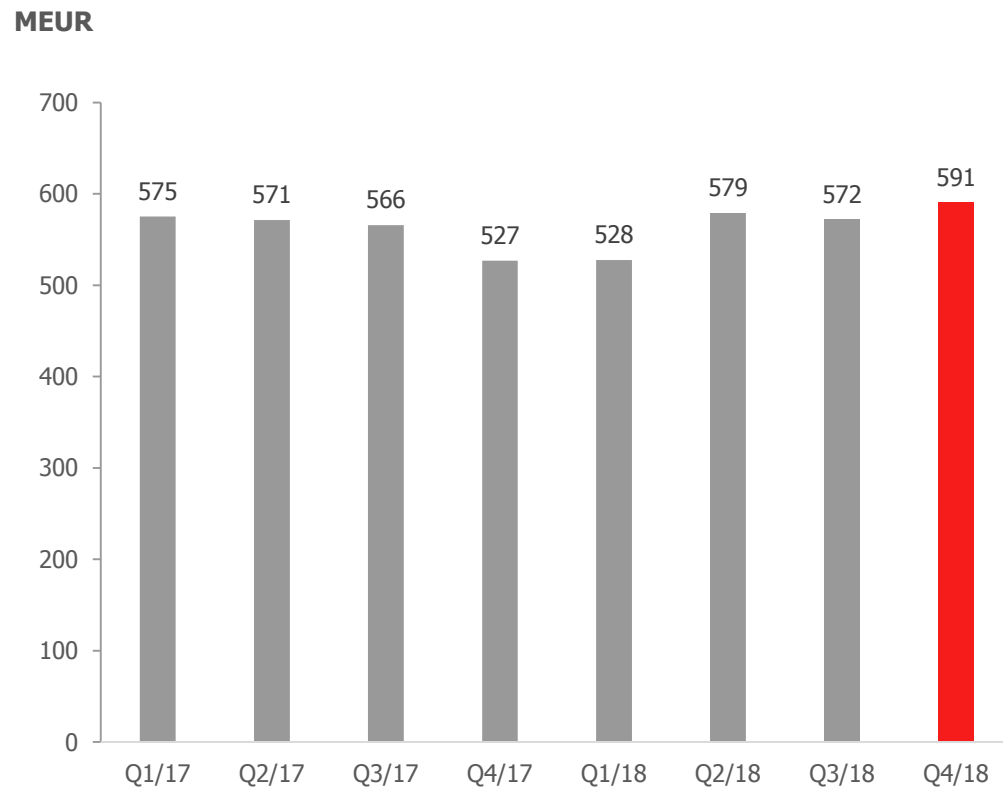
- Sales increased 4.0% to EUR 325.6 million (312.9)
- External sales decreased 1.6% on a comparable currency basis and totaled EUR 284.7m (290.8)

# Q4/18 Industrial Equipment adjusted EBITA



- The adjusted EBITA was EUR 14.8 million (17.2) and the adjusted EBITA margin 4.5% (5.5)
- The decline in the adjusted EBITA margin was mainly driven by lower external sales volume
- Gross margin decreased slightly on a year-on-year basis

# Q4/18 Industrial Equipment order book



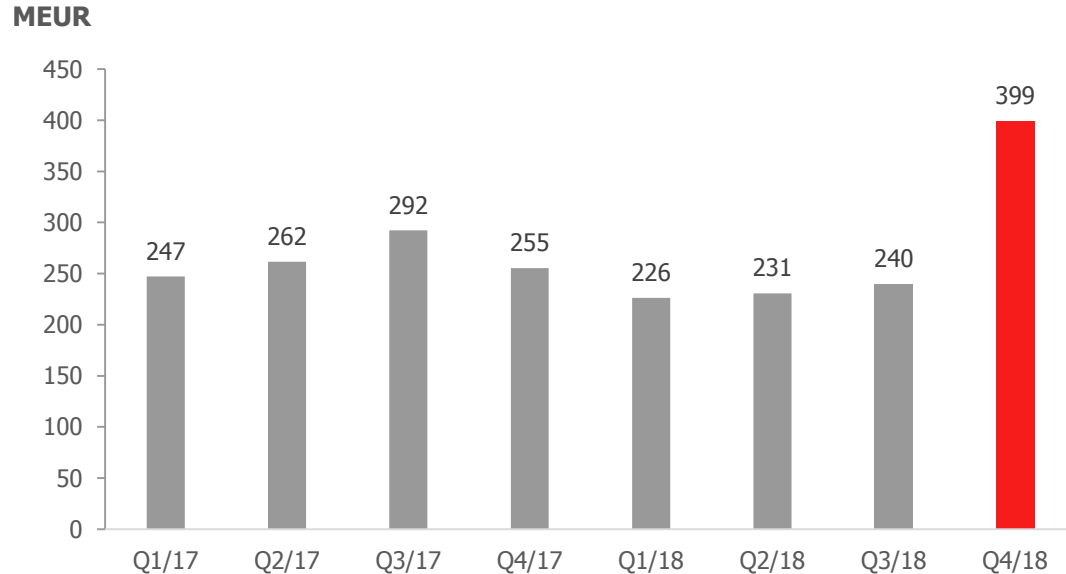
- The order book increased 12.1% year-on-year to EUR 590.6 million (526.9)
- On a comparable currency basis, the order book increased 12.2%



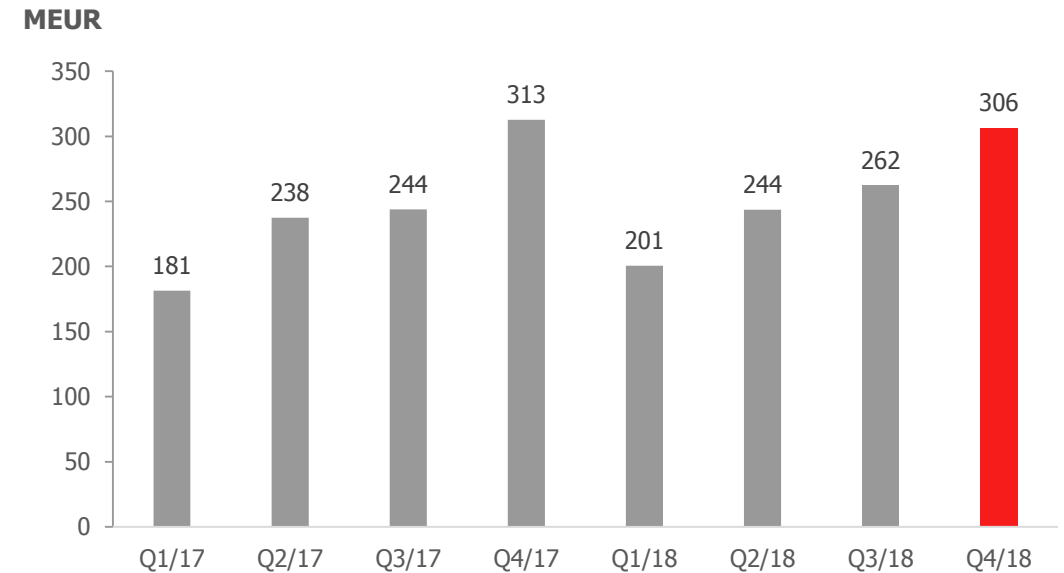


# Port Solutions

# Q4/18 Port Solutions order intake and sales

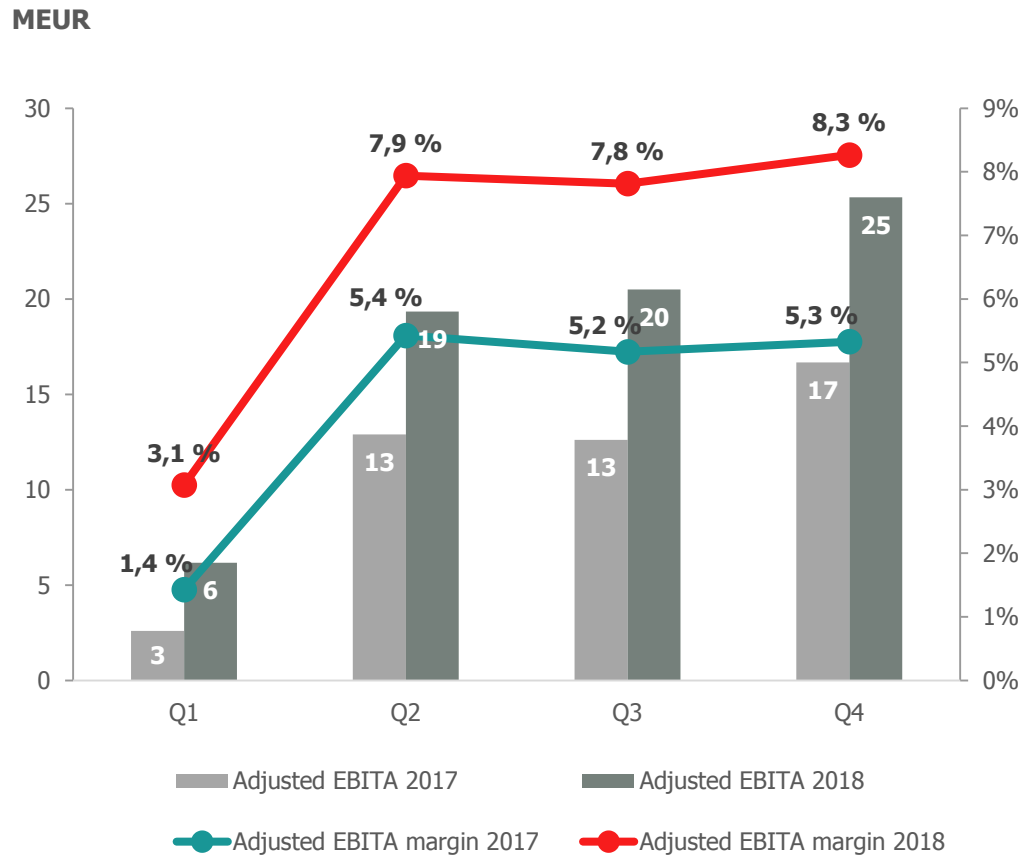


- Orders received totaled EUR 399.1 million (255.3), corresponding to an increase of 56.3%. On a comparable currency basis, orders received increased 57.4%.
- Order intake increased in all Port Solutions business units
- The growth was primarily driven by Port Cranes, particularly an order for 54 Automated Rail Mounted Gantry Cranes
- On a year-on-year basis, orders grew in EMEA but fell in the Americas and APAC



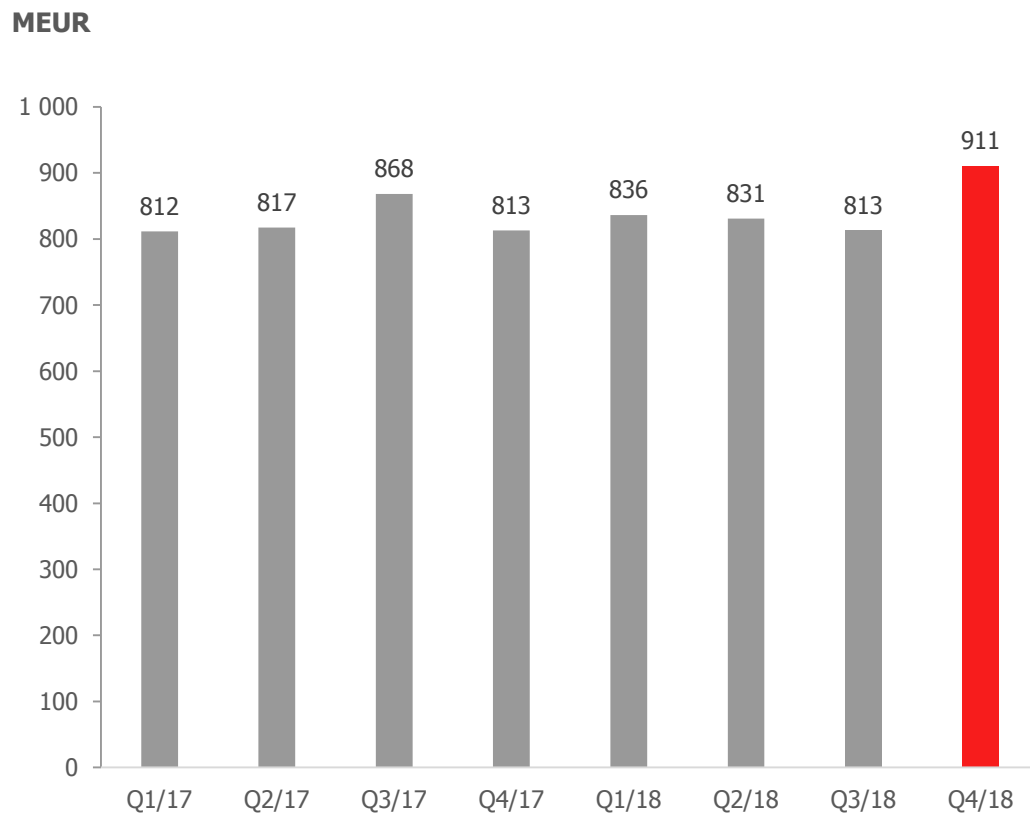
- Sales decreased 2.1% to EUR 306.4 million (312.9). On a comparable currency basis, sales decreased 1.1%.

# Q4/18 Port Solutions adjusted EBITA



- The adjusted EBITA was EUR 25.3 million (16.7) and the adjusted EBITA margin 8.3% (5.3)
- Gross margin increased on a year-on-year basis
- The increase in profitability resulted primarily from an improved project mix and synergy cost savings

# Q4/18 Port Solutions order book



- The order book increased 12.0% year-on-year to EUR 910.5 million (812.9)
- On a comparable currency basis, the order book increased 12.4%



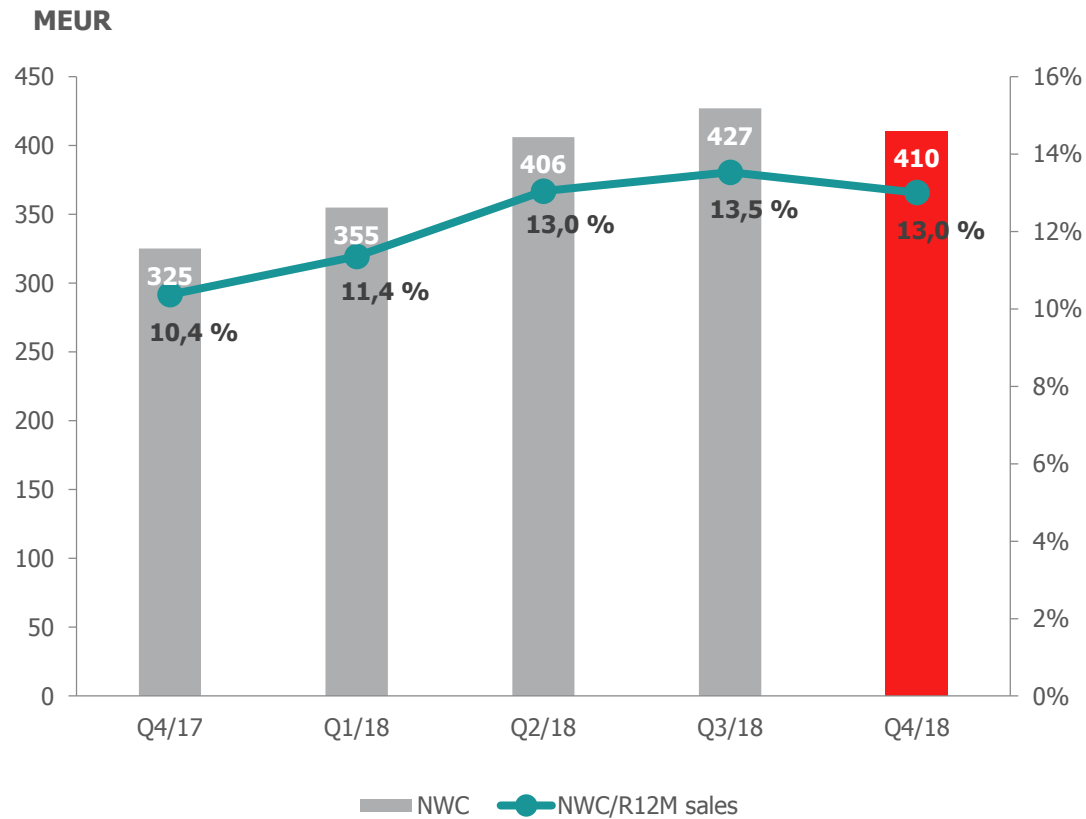


# Cash Flow and Balance Sheet

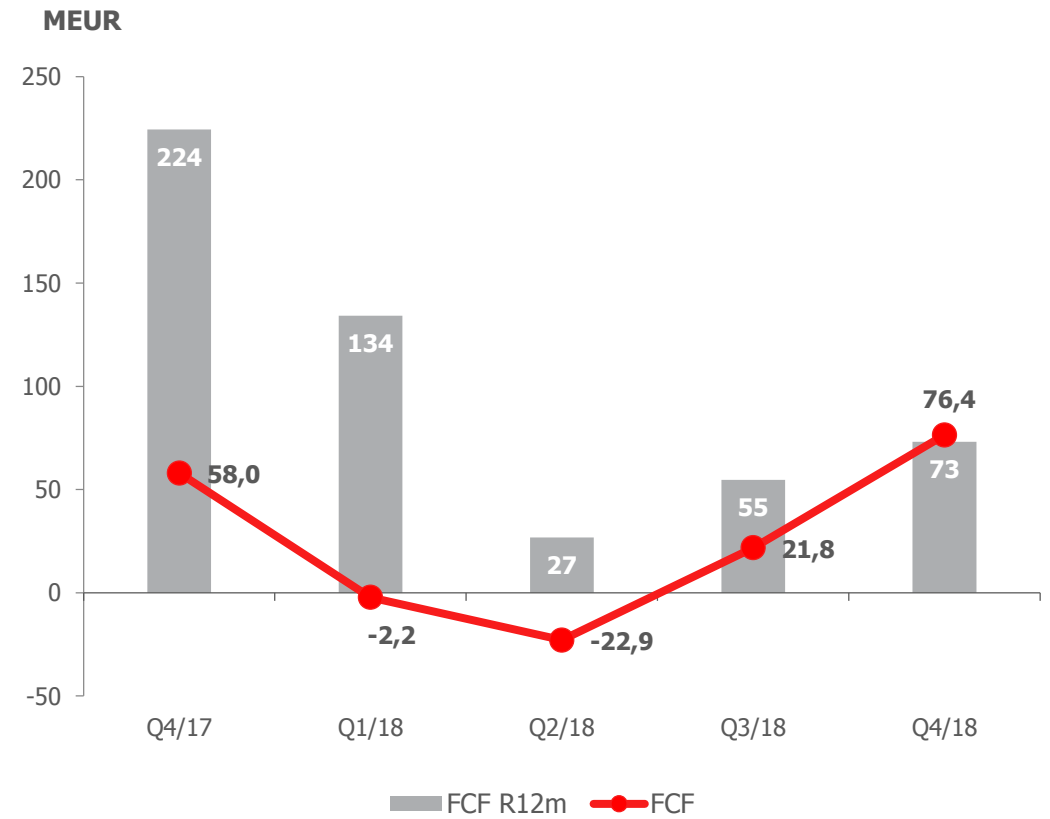


# Net working capital and free cash flow

Net working capital\*



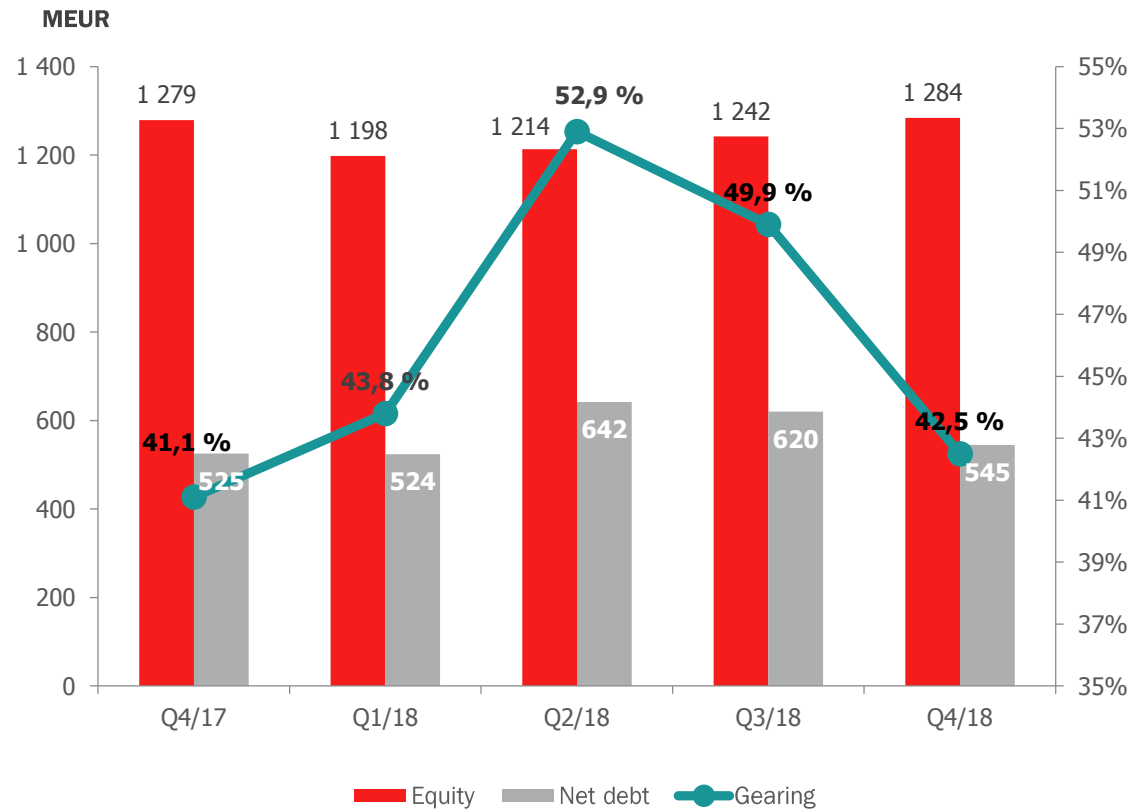
Free cash flow



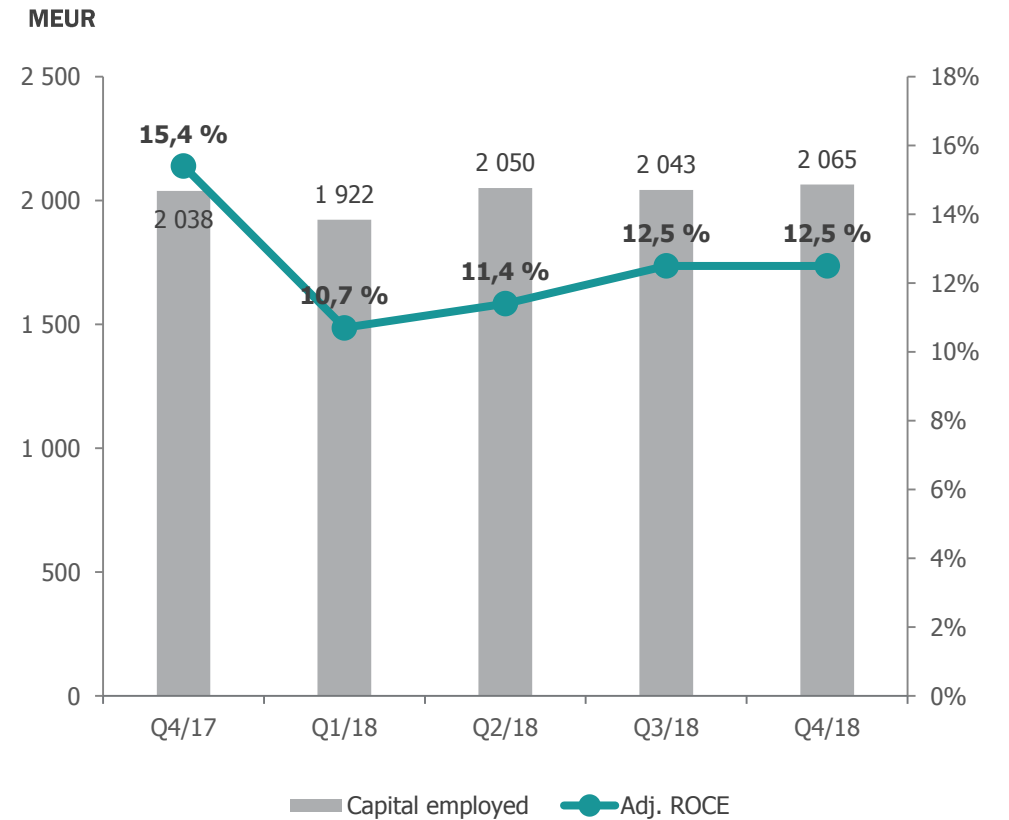
\*Q1/18 excl. dividend payable of EUR 94.6 million

# Gearing and return on capital employed

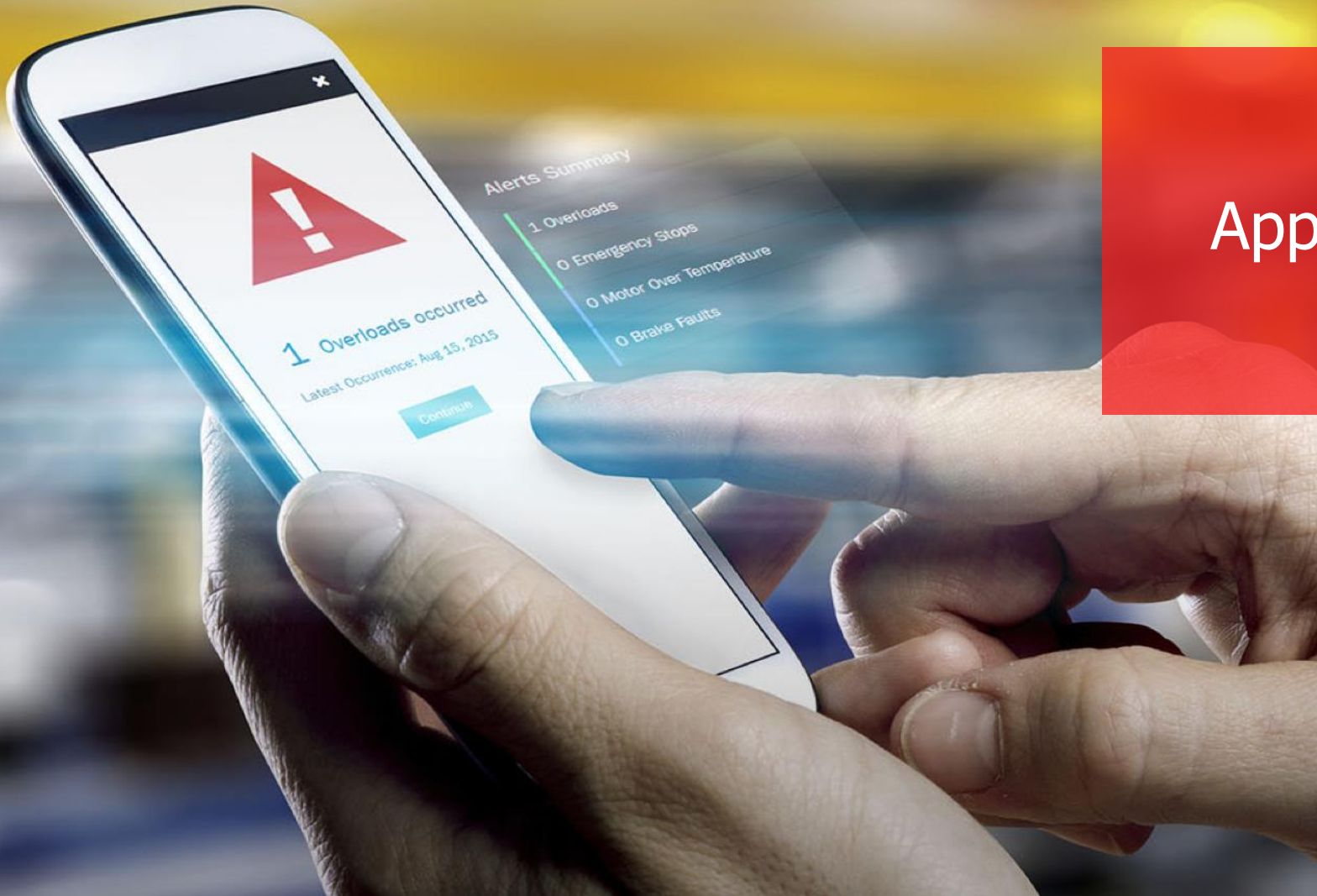
Equity, net debt and gearing



Capital employed and return on capital employed



# Q&A



# Appendix

# Statement of income

EUR million	Q4/18	Q4/17	Change %	1-12/18	1-12/17*	Change %
<b>Sales</b>	<b>910.8</b>	<b>909.9</b>	<b>0.1</b>	<b>3,156.1</b>	<b>3,137.2</b>	<b>0.6</b>
Other operating income	1.7	2.5		6.3	227.2	
Materials, supplies and subcontracting	-432.1	-443.9		-1,371.9	-1,409.5	
Personnel cost	-257.6	-243.5		-1,006.5	-1,004.2	
Depreciation and impairments	-39.5	-29.4		-119.9	-117.0	
Other operating expenses	-131.5	-140.2		-498.0	-515.0	
<b>Operating profit</b>	<b>51.9</b>	<b>55.4</b>	<b>-6.3</b>	<b>166.2</b>	<b>318.7</b>	<b>-47.9</b>
Share of associates' and joint ventures' result	5.5	3.8		4.0	3.3	
Financial income	1.3	7.2		2.6	39.8	
Financial expenses	-6.7	-21.6		-34.1	-85.8	
<b>Profit before taxes</b>	<b>51.9</b>	<b>44.7</b>	<b>16.2</b>	<b>138.7</b>	<b>276.0</b>	<b>-49.7</b>
Taxes	-16.1	-22.9		-40.4	-50.6	
<b>PROFIT FOR THE PERIOD</b>	<b>35.8</b>	<b>21.7</b>	<b>64.7</b>	<b>98.3</b>	<b>225.4</b>	<b>-56.4</b>

\* Note: 1-12/17 included the capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems.

# Balance sheet

EUR million	31 Dec-18	30 Dec-17
Non-current assets		
Goodwill	906.1	905.3
Intangible assets	582.0	633.3
Property, plant and equipment	236.7	270.4
Other	205.7	200.7
Current assets		
Inventories	635.8	545.5
Accounts receivable	548.0	537.8
Receivables and other current assets	222.3	236.8
Cash and cash equivalents	230.5	233.1
<b>Total Assets</b>	<b>3,567.0</b>	<b>3,562.9</b>

EUR million	31 Dec-18	31 Dec-17
Total Equity	1,284.1	1,278.9
Non-current liabilities		
Interest-bearing liabilities	584.6	600.8
Other long-term liabilities	269.1	278.7
Other	164.6	173.1
Current liabilities		
Interest-bearing liabilities	191.8	157.9
Advance payments received	341.4	299.8
Accounts payable	211.2	201.2
Provisions	112.6	129.3
Other current liabilities	407.6	443.2
<b>Total Equity and Liabilities</b>	<b>3,567.0</b>	<b>3,562.9</b>



# Cash flow statement

EUR million	1-12/18	1-12/17
Operating income before change in net working capital	295.1	218.9
Change in net working capital	-91.5	116.2
<b>Cash flow from operations before financing items and taxes</b>	<b>203.5</b>	<b>335.0</b>
Financing items and taxes	-94.3	-85.6
<b>Net cash from operating activities</b>	<b>109.2</b>	<b>249.4</b>
Net cash used in investing activities	-35.0	-542.0
<b>Cash flow before financing activities</b>	<b>74.2</b>	<b>-292.6</b>
Net cash used in financing activities	-75.2	340.0
<b>Change of cash and cash equivalents</b>	<b>-2.6</b>	<b>38.9</b>
<b>Free cash flow</b>	<b>73.1</b>	<b>224.4</b>

# Key figures

EUR million	1-12/18	1-12/17*	Change %
Earnings per share, basic (EUR)	1.29	2.89	-55.3
Earnings per share, diluted (EUR)	1.29	2.89	-55.3
Return on capital employed, %, Rolling 12 Months (R12M)	7.9	23.7	-66.7
Return on equity, %, Rolling 12 Months (R12M)	7.7	26.1	-70.5
Equity per share (EUR)	16.06	15.95	0.7
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	1.7	1.8	-5.6
Equity to asset ratio, %	39.8	39.2	1.5
Investments total (excl. acquisitions), EUR million	35.4	35.7	-0.8
Number of personnel at the end of the period	16,077	16,371	
Average number of shares outstanding, basic	78 811 265	78 272 680	0.9
Average number of shares outstanding, diluted	78 811 265	78 272 608	0.9
Number of shares outstanding	78 816 503	78 756 145	0.1

\*The comparison period included a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems



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