Transcript for "Kalmar Financial Statements review 2025"

00:00:21 - 00:01:11
Speaker 1: Good morning, everybody, from sunny, cold, and snowy Helsinki. Welcome to Kalmar's Financial Statements Review 2025 webcast. My name is Carina Geber-Teir, and I'm heading the investor relations at Kalmar. Today's result will be presented by our president and CEO, Sami Niiranen, and CFO Sakari Ahdekivi. We have a Q&A session at the end of this presentation where you can ask questions. I would like to remind you that the webcast is recorded and it will be found on Kalmar's Investor Relations website later today. Please also pay attention to the disclaimer, as we will be making forward-looking statements. We are now ready to start the presentation. Please, Sami, the floor is yours.

00:01:13 - 00:01:53
Speaker 2: Thank you very much, Carina, and good morning, everyone, from Helsinki. It's my pleasure to present Kalmar's fourth quarter 2025 results, and starting with the highlights. In 2025, Kalmar continued its successful performance in an environment characterized by geopolitical turmoil and trade tensions. During these unpredictable times, we demonstrated resilience and performed well in many areas. Our order growth was strong, sales development was stable, and we improved in profitability. Our focus on becoming a service-driven company remained while we continued investments into world-class, sustainable innovations.

00:01:53 - 00:03:02
Speaker 2: The fourth quarter was a strong finish to the year. I will cover the main outcomes of the financials here and cover the details in the following slides. Firstly, our orders increased by five percent to a record level of €511 million, boosted by a few sizable equipment orders in the quarter. We are proud to report that our sales grew by 11% to €487 million. We saw a stable demand environment in the last quarter of the year, which was in line with the previous quarter. The overall demand remained good despite continued market uncertainty. Profitability improved. Comparable operating profit reached €60.5 million and represented 12.4% of sales. Operating cash flow for the quarter was also strong. It was positively impacted by a decrease in inventories. Then, looking at 2026, we expect Kalmar's comparable operating profit to be above 12.5%, and Sakari will cover the guidance in more detail in the financial section of this presentation.

00:03:02 - 00:03:31
Speaker 2: Let's now take a closer look at the profitability for the fourth quarter. As you can see in the comparable operating profit bridge on the right, our profitability was positively impacted by higher volumes and successful cost management during the quarter. We maintained a solid comparable operating profit margin, which increased to 12.4% compared to the comparison period. This improvement was delivered despite the negative impact of both tariffs and the result of our associated company, Bruks Siwertell.

00:03:33 - 00:04:19
Speaker 2: Let's now move to orders development, which was on a record level across both our segments. Equipment orders increased by 5%, primarily boosted by a few sizable orders, as mentioned earlier. I will cover some of the announced orders for the fourth quarter later in this presentation. Service orders also hit a new record level, and orders were strong across the whole services portfolio, driven by recurring business, renewals, and new contract services. Services orders increased to a new record level of €166 million, which is a 6% improvement. The overall demand for Kalmar's offerings remained relatively stable compared to the previous quarter. We will look at the geographical breakdown of these orders on the next slide.

00:04:19 - 00:05:11
Speaker 2: Finally, the order book remained solid. This slide shows you the geographical split of orders across our new reporting segments, the Americas, EMEA, and APAC. The fourth quarter orders received were driven by the Americas, with a few sizable orders pushing the orders up by 18% in this region. Despite the great improvement in the Americas, the demand environment for our distribution end-customer segment in the Americas was still hampered by trade tensions, causing slowness in decision-making. Nevertheless, the Americas' orders increased by 17% in 2025. In EMEA, we saw a decline in orders received during Q4, which is explained by the timing of large orders in the comparison period. However, full-year orders for EMEA grew by 3%.

00:05:11 - 00:05:35
Speaker 2: Within APAC, the order intake was stable for the quarter and showed a 10% improvement for the full year. Then, looking at the overall demand environment, the ports and terminals end-customer segment

remained at a good level, whereas manufacturing and heavy logistics were sequentially stable during the fourth quarter, and the distribution end-customer segment continued to be impacted by market uncertainty.

00:05:37 - 00:06:38
Speaker 2: Now, let's review our sales performance, which demonstrated a favorable development throughout 2025. During the fourth quarter, sales increased by 11% to €487 million. Both segments contributed, each growing by 11%. Services' share of sales was at a stable level of 33% during the fourth quarter and 35% in 2025, up by two percentage points year on year. This is well in line with one of our strategic pillars called Growing Services. Now, let me show you how our sales performed across our three geographical regions. We saw positive sales development in all regions during the quarter, with both the EMEA and the Americas sales growing, driven by growth in both segments. However, for the full year, the Americas were impacted by prolonged market uncertainty, a factor visible in the full year sales figures.

00:06:38 - 00:07:45
Speaker 2: Within the APAC region, the equipment segment performed well, driving sales up by 16%. Overall sales in APAC also improved in 2025, driven by the equipment and services segments. The positive momentum in our eco portfolio continued. The share of total sales for our low-carbon solutions covering electric, hybrid, and sustainable services rose to 43%, and the order intake was at 42%. This clearly demonstrates the increasing customer demand for these offerings. Furthermore, the fully electric machines' share of equipment orders for the last 12 months increased to 11%, up from 9% a year ago. Our key innovations during the fourth quarter included the launch of a new comprehensive range of Kalmar DC charging solutions and the next-generation lithium-ion battery solution for Kalmar electric straddle carriers, which was also introduced to our counterbalanced equipment portfolio in Q3 2025.

00:07:48 - 00:08:58
Speaker 2: Kalmar has a well-diversified business portfolio globally with four end customer segments that performed well in 2025. The only exception was the distribution segment. Our largest end-customer segment in the Americas was impacted by prolonged market uncertainty throughout 2025. As I've already mentioned, services’ share of sales reached 35%. The services segment continues to bring stability to our total revenues, providing resilience for Kalmar. Our eco portfolio remains an important driver towards our climate target, which is part of our performance targets until 2028. The sales of the eco portfolio remained high, landing at 44% of total sales. Our successful results in 2025 were achieved by our team of 5,300 passionate employees worldwide, who are dedicated to executing our strategy. We demonstrated a strong ability to adapt to changing circumstances in 2025, which provides us with a strong foundation for 2026, even as the market environment remains unpredictable.

00:09:00 - 00:10:14
Speaker 2: Let's now look at 2026 from a macroeconomic standpoint, which is one of the hot topics at the moment. The current macroeconomic uncertainty driven by geopolitical tensions leads to increased volatility in the economic data, making it difficult to provide long-term forecasts. However, as this data shows, based on external indicators, the market in 2025 has been more resilient than previously anticipated. IMF increased its global GDP forecast again in October compared to July 2025. Also, Drewry has again upgraded its container throughput forecast for 2025 to above 6% and for 2026 to 2.1%. Oxford Economics has also upgraded the global manufacturing forecast upwards for 2025 and 2026 since June. The only exception is the global retail output development, for which the 2026 forecast has been revised downwards to 2.2% from 2.7% in September 2025. However, this represents a slight acceleration in growth compared to 2025, which was 2.1%.

00:10:15 - 00:11:07
Speaker 2: Then, building on the external market estimates from the previous slide. Let's look at the current demand outlook for Kalmar. We anticipate that the total market demand for the next six months will remain approximately at a similar level to what we saw in the second half of 2025. It goes without saying that trade tensions and increased geopolitical instability could have an impact on our markets and the demand from our four end customer segments. Now, I would like to give you an update on the status of Kalmar's fleet activity, which remained at a good level in 2025. Compared to the third quarter of the year, we saw an uptick in North America towards the end of the fourth quarter in 2025. Our installed base has grown steadily to over 70,000 machines from 68,000.

00:11:07 - 00:12:05
Speaker 2: At the end of 2025, we had over 16,800 connected equipment globally, compared to 14,500 equipment at the end of 2024. If you look at the regions, we see a positive trend year on year, indicating

increased activity at our customer sites during the year. However, there are also some variations, as you can see in terms of the Latin America quarter-to-quarter development, which was impacted by market uncertainties mentioned earlier. As I promised, let's cover some of the highlights from our published orders during the quarter. Within the equipment segment, we agreed on 16 hybrid Transnet Port Terminals in Cape Town and Port Elizabeth in South Africa. Three Kalmar hybrid straddle carriers to Forth Ports, Grangemouth, Scotland, in the United Kingdom, and 30 hybrid straddle carriers to Maher Marine Container Terminal in New Jersey in the US.

00:12:06 - 00:12:45
Speaker 2: In services, we concluded a ten-year strategic supply agreement with Patrick Terminals for Brisbane AutoStrad Terminal in Australia, a modernization services agreement to relocate and modify two ZPMC ship-to-shore cranes with EUROGATE Container Terminal Wilhelmshaven in Germany. An agreement with OSTP Finland for the delivery of five Kalmar medium forklift trucks, with the five-year Essential Care maintenance contract for the machines and a three-year Kalmar Complete Care Service agreement with Yilport Oslo Terminal Investments AS in Norway.

00:12:49 - 00:14:01
Speaker 2: Let's continue to sustainable innovations, which remained high on our agenda in 2025. The year was filled with notable innovations, which were manifested in multiple milestones during the year. Here I will present a few of those. During the year, we expanded our electric offering. An example of this is the official start of sales of Kalmar's third-generation electric terminal tractor in North America. Within electrification, we launched next-generation lithium-ion battery technology for our electric counterbalanced equipment portfolio and electric straddle carriers. Furthermore, we kicked off a five-year move to a green R&D program and were granted €20 million in funding from Business Finland's Leading Company Competition. Moreover, the construction work of our new innovation test center in Ljungby, Sweden, started during the year. In automation, we expanded our offering. An example of this is automation as a service, which is a subscription-based model designed to ensure successful and efficient deployment of automation in marine container terminals and intermodal sites.

00:14:02 - 00:15:07
Speaker 2: Another example of automation is a flexible, scalable Kalmar One automation system, introduced as a standalone solution in 2025. With this, we are responding to the increasing demand from customers for a modular OEM and equipment-type-agnostic fleet management solution. Moving into a short summary of financial highlights before handing over to Sakari. The fourth quarter was a strong finish to the year, with record order intake and solid sales growth. Both equipment and services orders increased, boosted by a few sizable orders within the equipment segment. Service orders were strong throughout the entire service portfolio, and sales improved in both segments. The shortfall for the quarter was the service's margin development, ending up at 16.2%, impacted by tariffs. Tariff-related impacts were proactively mitigated in the equipment segment, and Sakari will provide a more detailed view on the margin development for both segments shortly.

00:15:07 - 00:15:47
Speaker 2: At the end of 2025, Kalmar was in a good financial position to capture the growth in 2026, despite the continued uncertain market environment. Finally, I would like to wrap up my part by highlighting that we remain committed to our strategic priorities and driving sustainable growth by leading the industry with innovations towards automation and electrification, expanding our services, business, and presence, and pursuing operational excellence to ensure long-term value creation in line with our 2028 targets. I will now hand over to Sakari. Thank you for listening.

00:15:58 - 00:17:16
Speaker 3: Thank you, Sami. Good morning to everyone, also from my side. Let's start with our traditional slide on the financial profile of Kalmar. I'll do some comparisons to the targets that Sami was showing. For the orders received in 2025, we achieved an 8% growth. Also, when we compare the orders and sales, we can see that we have strengthened the order book. The order book is close to €1 billion at a healthy level. Due to the good operational execution and successful management of our costs, our comparable operating profit margin was 12.8%. That's up 0.2% compared to the previous year, and moves us closer to the 15% target that we have set out for 2028. Our balance sheet has been further strengthened. Our leverage ratio was actually at 0.0 times EBITDA. That's, of course, clearly lower than our target of less than two times.

00:17:17 - 00:18:24
Speaker 3: Finally, with the strong cash flow in the fourth quarter, our cash conversion for the last 12 months or the full year '25 was 89%. Then moving into the segments for a little more detail. The equipment segment saw a

strong quarter. The orders received increased by 5%. That may not sound like a really high number, but I think it's important to remember that we had a very strong quarter also in Q4 of the previous year, so the comparison was already a tough one. The orders were, as Sami said, driven by a few sizable orders, but overall, the order intake across the business was good. Sales were also strong compared to the strong comparison period in 2024. During the fourth quarter, orders increased in the Americas, while we saw a decline in orders in EMEA, and APAC remained stable.

00:18:26 - 00:19:57
Speaker 3: Equipment sales increased by 11%. The equipment segment's profitability improved in absolute terms by 24% in the quarter compared to 2024 Q4. As you can see from the bridge on the right-hand side, this was as a result of higher volumes and also lower fixed costs in the quarter. The comparable operating profit margin was at 13.6%. We proactively mitigated the majority of the tariff-related impacts, although they still had some negative impact on some of the margins in our product lines. Moving on to services. Service orders received increased by 6% in the quarter and totaled €166 million. The order intake was strong across the entire service portfolio, driven by recurring business renewals and one contract in the previous quarter. On the sales side, the fourth quarter sales increased by 11% despite market turbulence and totaled €163 million, which was mainly driven by volumes as opposed to price.

00:19:57 - 00:20:39
Speaker 3: The Services segment's comparable operating profit was one of the lowlights of the quarter and remained flat in absolute terms, and the operating profit margin was at 16.2%, which actually represented a decrease of 1.3 percentage points. This decrease was mainly driven by tariffs, and of course, it goes without saying that our focus remains on mitigating actions related to tariffs and also otherwise driving the profitability of our service segment going forward.

00:20:45 - 00:22:18
Speaker 3: Speaking of tariffs. The tariff landscape is largely unchanged from the previous quarter. However, we continue to monitor that closely, and we cannot be sure what will happen in the future in these terms. As in the previous quarters, our responses to tariffs have included mitigating actions with price increases, supply chain actions, driving excellence, and other operational excellence initiatives in our operations. This takes me nicely to our Driving Excellence programme. This is one of my favorite themes. We have achieved good results here. The Execution of Driving Excellence, which was launched back in 2024, is proceeding as planned, and our target is to reach €50 million of gross efficiency improvements by the end of 2026. In 2025, we made good progress with the implementation of Driving Excellence, and by the end of the fourth quarter, we achieved a run rate of approximately €34 million of annualized gross efficiency improvements. As before, the majority of these improvements were secured from sourcing activities.

00:22:23 - 00:23:37
Speaker 3: Moving on to the balance sheet side. Return on capital employed was now at 23%, and as you can see, this has been climbing. The ROCE number is now clean of the demerger-related items affecting comparability, which have been present in the previous quarters. This represents a comparable or clean level of ROCE at 23%. As you remember, our long-term target is over 25. As I mentioned at the beginning of my section, our balance sheet was further strengthened during the quarter with a leverage ratio of zero and a gearing of 0.7. The decline in interest-bearing net debt, which improved our leverage ratio, was primarily a result of strong cash generation from operations in the quarter, and this also allowed us to partially repay some of our loans from financial institutions during Q4.

00:23:39 - 00:25:09
Speaker 3: Looking at the maturity profile, I would like to highlight that we refinanced 100 million and prepaid €50 million of our loans from financial institutions. In addition, we exercised the first one-year extension option of our 200 million long-term revolving credit facility, extending the maturity now to 2030. Cash flow was strong in the fourth quarter. In Euro terms, €113 million, which was clearly up from both the previous year and the previous quarter. The improvement was driven firstly by profitability, but also by a clear decrease in inventories during the quarter, and cash conversion for the last 12 months was 89%. We concluded the year with solid financials, as you can see. As a result, the board of directors proposes to the annual general meeting that the distributable profit dividend of €1.10 for each class B share, and €1.09 for each class A share, be paid for the financial year 2025. This equals to €71 million in total.

00:25:10 - 00:26:14
Speaker 3: Our earnings per share for the year were €2.55, which was up from the previous year of €1.99. The

effective dividend yield is 2.7%. The record date of the dividend is proposed to be the 2nd of April '26, and the payment date is the 13th of April, 2026. Just to iterate that the dividend proposal for the financial year is in line with our dividend policy of between 30% and 50% to payout ratio. As Sami already said, our guidance for the full year 2026 is that Kalmar expects its comparable operating profit margin to be above 12.5% of sales. That concludes my part of the presentation. We'll move to Q&A. Thank you.

00:26:27 - 00:26:36
Speaker 1: Okay. Thank you, Sami and Sakari. Now I think we are ready and handing over to the operator for questions.

00:26:39 - 00:27:02
Speaker 4: If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad. The next question comes from Antti Kansanen from SEB. Please go ahead.

00:27:05 - 00:27:38
Speaker 5: Good morning, guys. Thanks for taking my questions. I have three. I'll start with the demand outlook for the first half, and I understand that this is not guidance for your order intake. However, if I look at the kind of the second half situation, am I right in understanding that in Q3 it was a bit of a weak quarter in terms of timing of large orders, while in Q4 it was strong. On average, that is a good representation of order intake in a flattish demand environment.

00:27:39 - 00:28:04
Speaker 2: Thank you, Antti. Yes, that's how it is, and it's quite typical in our business that we have volatility between the quarters, and you could see it quite clearly in Q3 and Q4. Overall, when it comes to the demand outlook for the next six months that we indicated there, the underlying market demand, that's how we see it, pretty much unchanged at the moment. Keeping in mind the uncertainties that are around.

00:28:05 - 00:28:13
Speaker 3: It's not a direct parallel of what we expect in order. It's a demand outlook, not an order guidance.

00:28:14 - 00:28:26
Speaker 5: Yes, I do understand that, but in Q4, you had a strong quarter on the larger orders compared to Q3, but on average, it's something that you would expect typically.

00:28:27 - 00:28:45
Speaker 2: Yes, we need to look at the longer period, I would say. We cannot pinpoint to different quarters, not even the six-month period. However, I think if you look at the year-on-year, for instance, 2024, 2025, and then the fluctuation between the quarters, you can see some kind of pattern there.

00:28:47 - 00:29:10
Speaker 5: All right. That's clear. The second question is on the two negative profitability impacts that you flagged here: the tariff impact on the services' margins, and then the negative impact from the Bruks Siwertell. Do you want to give any color on the quantity of these impacts on the quarter, and how should we think about both of those going forward?

00:29:11 - 00:29:53
Speaker 2: If I touch upon the tariffs and especially affecting services, the profitability, I would say that we had an internal calculation error in Q3. Therefore, you can see the difference between Q3 and Q4 results. That reversal resulted in Q4. Overall, we are living in this tariff landscape, which is affecting our business both on equipment and services, and continues to do so. Overall, of course, what we have said is that we don't think that the tariffs will go away. Short term, at least. We need to live with those, but I think we have been managing our business in a very good way, and now it's visible in our Q4 services.

00:29:53 - 00:31:02
Speaker 3: Maybe building a little bit on what Sami was saying, I think when you look at the services' profitability, you should probably look at Q3 and Q4 together, and that would represent probably the correct level. However, there is a bit of a movement there between the quarters. On Bruks Siwertell, yes, Bruks Siwertell was a loss-making unit in Q4. If we look at the annual impact, it's also a loss provider for us in the full year and to quantify because this is also then in the financial statements, it was a negative 3 million for the full

year 2025, whereas in 24 it was a positive 5 million. That's quite a big difference. There was a loss in Q4, whereas in Q3 there was actually a profit. Also, when we look at the other segment where this profit contribution resides, it does swing that to some extent as well.

00:31:05 - 00:31:25
Speaker 5: What I mean is, on both of those, if it were a bit of an internal error on the services side, it is something that you can react quite quickly, and that would start to go away already in Q1, and also on the Bruks Siwertell side. What's the reason for such a swing in profitability? Is it something that you can address quickly, or is it something that will maybe linger a bit longer?

00:31:26 - 00:31:58
Speaker 2: On the services and this internal calculation that was in our Q3 and Q4. That has been mitigated already, but of course, the tariffs are not going away or have not gone away, so we need to live with those. There will be a bit of possible dilution even going forward. Then maybe commenting on the service margin overall, 17.6% for the entire year. Of course, we cannot be satisfied with that one coming from 17.5 the year before, despite the tariffs, which would have been a little bit better.

00:32:00 - 00:32:05
Speaker 3: On the associated company side, we expect that to turn it back to profit.

00:32:06 - 00:32:46
Speaker 5: Okay. Then the final one is on capital allocation. Very strong cash flow for the quarter and the year. You have a very strong balance sheet. I'm just thinking, do you need such a strong balance sheet for the business that you currently hold, given there are no high M&A ambitions and very limited CapEx needs? How should we think about capital allocation and shareholder distribution going forward? Just stick with the current dividend payout scheme, or have there been any other discussions?

00:32:46 - 00:33:28
Speaker 2: Yes, I think this is our second time now, and of course, what we have said is that we want to be a good dividend payer, and the range is 30 to 50%. We are still quite a new company in that respect. That is one key area for our capital allocation in our current strategy, which is an organic strategy. The other key focus areas are our strategic pillars. Meaning R&D investments, which was 3.1% in 2025. Then of course, reinvesting back into services as well and keeping our facilities premises in good shape throughout the globe. That is our current organic strategy.

00:33:29 - 00:33:47
Speaker 5: I appreciate that, but surely, kind of your cash generation on a quarterly basis is strong enough to take care of those maintenance, CapEx investments, and things like that. I'm just thinking, as you move operationally with the improvements, will there be a time when you would look at M&A a little bit more constructively?

00:33:47 - 00:34:13
Speaker 2: Yes. As I said, we are executing our current strategy as well as we can. We are happy with the progress so far after one and a half years. Then, of course, if there are changes to our strategy in the months or years to come, of course, we will communicate them. I think having a strong cash position at the moment and generating cash I think it's beneficial as well.

00:34:16 - 00:34:17
Speaker 5: Thank you very much. That's all from me.

00:34:18 - 00:34:23
Speaker 3: I was going to say the same goes for the payout ratio. No change is expected at this point.

00:34:28 - 00:34:33
Speaker 4: The next question comes from Mikael Doepel from Nordea. Please go ahead.

00:34:37 - 00:35:17
Speaker 6: Yes. Hi. Good morning, everybody, and thanks for taking my questions. First of all, on the demand situation. I appreciate your guidance here, which is obviously good, and it describes the underlying demand. However, as you said, it's not necessarily an indication of your particular orders. I'm just wondering if you could

talk a bit about what kind of sales funnel you see currently on the equipment side? What is the activity there? What are the sizes, the potential sales, which regions and segments are most active, and so on? Maybe a bit of color on what you see in your project pipeline or sales funnel.

00:35:18 - 00:36:01
Speaker 2: Yes, that's a good question. Thank you. I think, overall, the pipeline is healthy as it has been in the past third quarters as well. However, it of course varies between different regions as well as different customer segments. For instance, ports and terminals have been, I would say, quite positive during 2025 and Q4 as well. Whereas on the other side, the distribution end-customer segment, mainly in the Americas, has been slow in affecting our sales or orders in the Americas. Then, heavy logistics as well as manufacturing have been quite stable. That kind of sentiment, we expect to continue.

00:36:02 - 00:36:56
Speaker 2: We can look at the external indicators that we just reported as well. When it comes to container throughput, that is supposed to come a little bit down, but it's still on the positive side after two really good years. The distribution slowness is still visible in those numbers as well. That's what we see. The destocking that we talked about, maybe one year ago, with the dealer stock and affecting our terminal and tractor business. That is gone. The inventory levels are good, but the uncertainty is causing the slowness in our terminal tractor sales in America. Then, I think Europe has been strong so far. We expect Europe to continue strong, and of course, services are a big part of our success there. Then I would say America is now compared to the rather weak comparison period, it increased, which is delightful.

00:36:56 - 00:37:24
Speaker 2: Today, we announced a good horizontal transportation carrier order, a big one, over there. That is a little bit of picking up there, but it's too early to say whether the Americas, including South America, will continue growing. We will watch and monitor the situation. However, what we can say today is that for the next six months, we see the underlying demand pretty stable compared to H2 2025.

00:37:25 - 00:37:42
Speaker 1: Still about the Americas and talking to the front lines there. What they say is that the customers are cautiously resilient, which means that there are some investments, but there is also uncertainty. Everything that goes on in geopolitics has an impact on decision-making.

00:37:42 - 00:37:52
Speaker 3: Yes, and I guess, as we clearly see from our Q3 and Q4 orders, that it can be pretty lumpy, even if the underlying demand doesn't really change that much.

00:37:52 - 00:37:53
Speaker 2: Yes.

00:37:55 - 00:38:34
Speaker 6: Okay. That's helpful. Thank you. Then, on the service side of the business. Very good growth reported there in the orders, mid-single-digit growth despite these uncertainties here and there, and also fairly good fleet activity based on the chart you provided. Looking ahead, is there anything you can say about the fleet activity in the early parts of 2026? What have you seen there? Are there any changes to the trends, and are they still fairly positive? Also, what is your confidence level in continuing to grow the service business? Mid-single-digit growth in 2026 as well.

00:38:34 - 00:39:01
Speaker 1: Especially talking about the fleet activity in the Americas. Unfortunately, it's too early to say whether the uptick at the end of the year, in January, has not been as strong as at the end of the year. You see, lumpiness is also very much based on some of the commentary on the geopolitics and so forth. It's too early to call an uptick that would be stable for a longer time.

00:39:01 - 00:39:34
Speaker 2: Yes, and if I continue on services and growing services, it is and will remain whatever strategy we have as one of the strategic pillars. We want to grow further. I'm happy with the top-line growth in services. I think that developed well. However, on the margin side, we had a bit of pressure there. The top-line orders, as well as the profitability, will be a key focus area going forward, and we see a lot of opportunities there. Of course, the market is large for services to capture.

00:39:36 - 00:39:46
Speaker 6: Yes, of course. Just to be clear, the comments on the activity levels. Was that on America's, specifically, that you commented on?

00:39:46 - 00:39:51
Speaker 1: Yes, North America.

00:39:51 - 00:40:32
Speaker 6: Okay, great. Thank you. Finally, on the Driving Excellence program, €50 million gross savings were achieved by the end of 2026. Just wondering if you could provide a little bit more detail there. What were the net savings that you achieved in 2025? I think you're saying that it's mainly attributable to the ones you have gotten already, to the supply chain rationalization. I would assume that a lot of that actually flows through to the bottom line. I'm wondering if you have that figure, the net savings impact in '25? Also, what should we expect for incrementally going into 2026?

00:40:33 - 00:41:10
Speaker 3: I think it's really difficult to give you a net savings number because the actions that we do in driving excellence result in the gross efficiency improvements that we report as run rate, but then there are so many other things. Tariffs are one thing. This is one way of mitigating the tariffs. Then there's the pricing element. What is actually the net impact of the driving excellence alone? I don't think there is a kind of net impact from that because it gets mixed up in everything else that's going on.

00:41:14 - 00:41:15
Speaker 6: Okay, thank you.

00:41:19 - 00:41:26
Speaker 4: The next question comes from Penny Leighton Maki from Danske Bank. Please go ahead.

00:41:28 - 00:42:08
Speaker 7: Hi. Thank you. I just wanted to ask, still on the tariff impact on the services. What is the underlying issue there? Is it that you import spare parts to the US and cannot increase the price enough? Maybe on the magnitude of this issue. It seems that it was quite severe in the US, given that there was a significant impact on the whole service, and the US is not the whole of that service. Could you talk a bit more about what the problem is and how soon you can mitigate that?

00:42:09 - 00:42:55
Speaker 2: Yes, that's a good question. Exactly, that's where it's coming from that we are bringing parts and the components which have steel, aluminium, different kinds of content to the US, and they are exposed to tariffs, and that's what we need to mitigate. We talk about quite high increases, so overall, including everything you know, both equipment and services, we talk about 5 to 18% price increases that we have implemented, trying to mitigate those tariff factors. However, we haven't been able to mitigate fully even to services, to the parts. If I give you a bit of magnitude for the entire year, if you look at our profitability of 17.6% without net tariff impact, we would have been closer to 18%.

00:43:00 - 00:43:14
Speaker 7: Okay. Thank you. Going forward, do you just try to increase prices more or wait for the tariffs to be lowered, or what is the kind of solution for this, or is it permanently at this level going forward?

00:43:14 - 00:43:51
Speaker 2: Yes, that's how we see it now. No change in the tariff landscape compared to Q4. Basically, we have been increasing our prices. We try to be on top of that situation all the time. Of course, it's a very complex situation when we are bringing parts from different sources, of course, and we need to know exactly what the different material content is there. I think we have been managing this well. The only thing was this internal calculation error between Q3 and Q4, but that will continue, definitely. Now we have mitigated that one. I'm confident in delivering parts to our customers with the right pricing.

00:43:51 - 00:43:55
Speaker 3: The target is to fully mitigate the tariffs.

00:43:58 - 00:43:59
Speaker 7: Okay. Thank you.

00:43:59 - 00:44:09
Speaker 4: The next question comes from Antti Kansanen from SEB. Please go ahead.

00:44:13 - 00:44:34
Speaker 5: Thanks for taking a one follow-up, which is on the order growth in America and on the group level in '25. How much of that is tariff-related pricing gains in the Americas if the full-year orders are up? Was it 17% and on a group level 10%? How much is the price, and how much is the volume?

00:44:38 - 00:45:03
Speaker 2: Yes, let's say if we start with services, on the services, when the tariffs started in Q2, the growth in services in the Americas is almost everything coming from price increases, I would say not from volume. That's with the services, but on the equipment side in America.

00:45:03 - 00:45:12
Speaker 3: There are large orders in the Americas, which are the primary driver there. Of course, pricing to some extent as well.

00:45:15 - 00:45:25
Speaker 5: Is there any kind of figure regarding equipment sold in the US? How much have the prices that you are offering gone up during the year because of the tariff impact?

00:45:26 - 00:45:32
Speaker 2: I would say on the equipment side, in general, I think we talk about 5 to 10%.

00:45:34 - 00:45:44
Speaker 5: All right. As a conclusion, you still have volume growth both in the Americas and at the group level on the equipment side in demand in 25?

00:45:44 - 00:45:45
Speaker 3: Correct.

00:45:45 - 00:45:45
Speaker 2: Yes.

00:45:45 - 00:45:57
Speaker 1: Yes, and if you look at the latest order that we published today, the Maher USA order, that's a major order, also driving growth compared to Q4 last year.

00:46:00 - 00:46:01
Speaker 5: Absolutely. Thank you.

00:46:01 - 00:46:02
Speaker 2: Thank you.

00:46:05 - 00:46:11
Speaker 4: The next question comes from Mikael Doepel from Nordea. Please go ahead.

00:46:15 - 00:46:39
Speaker 6: Yes. Thank you. Just a very brief follow-up. I was thinking about your third slide, where you talk about the assembly in Poland. How big a part of the components are sourced from China, and what are the alternatives for you to change that sourcing? Just trying to figure out what you can do to mitigate tariffs here.

00:46:40 - 00:46:44
Speaker 2: Sorry, you were referring to Chinese or?

00:46:47 - 00:47:03

Speaker 6: Yes, exactly. If you look at your assembly in Poland, I guess you're sourcing parts and components from China, which are subject to tariffs. I'm just wondering what you can do to mitigate that. What are the alternatives for sourcing here?

00:47:04 - 00:47:38
Speaker 2: We have a high focus on sourcing. We are always looking at the so-called dual sourcing opportunities, and that's what we have been doing for a long time already. I think that is the way to go. We need to have different alternatives. When it comes to, let's say, the component material coming from China to the US, we don't talk about big numbers there. It's a very low double-digit number at the moment. We are not exposed to huge risk or price increase there.

00:47:39 - 00:48:20
Speaker 1: It depends on which component we are talking about. Then there are some batteries, and so forth, that are, but almost everybody is in the same situation there. From that perspective, the majority of the parts do not originate from China that we source, but it's a very, very complex landscape. The different tariffs, you have the reciprocal ones, and then you have the steel and aluminium tariffs. There are a lot of contradictory messages out there about how these will be treated. That is why we keep on kind of building resilience, working on the databases, and being able to be very competitive in this kind of fluid landscape that we don't anticipate going away.

00:48:23 - 00:48:54
Speaker 6: Also, just to follow up on the tariff discussion here. It seems that you're more successful in mitigating that in the equipment business as opposed to service. I know we talked about what it's about, the components, and so on, but is there anything in the competitive landscape that would also lead to you not being able to fully compensate for the tariffs in the service business as opposed to the equipment business?

00:48:55 - 00:49:21
Speaker 2: I think, as we said, we try to mitigate everything on the service side with parts. There was a bit of a delay. Was it in Q2 last year? However, when we have implemented those price increases, they should mitigate those. Overall, if you look at the whole tariff landscape, I think we are affected both on the equipment and services side, so not a huge difference there.

00:49:21 - 00:49:36
Speaker 3: This shouldn't get mixed up with the Q4 impact versus the Q3. That was a bit of a different issue. However, as Sami said, I wouldn't say there's a big difference between equipment and service in mitigation.

00:49:36 - 00:49:55
Speaker 6: Okay. Finally, in Europe, I think you mentioned that you see a fairly good demand picture in Europe. Just wondering if you could talk a bit about that. Where is that strength coming from, which segments, and which countries, perhaps?

00:49:56 - 00:50:27
Speaker 2: I think overall, like we have seen in the past years as well, of course, ports and terminals have been strong in Europe. Then heavy logistics as well as manufacturing. I think those three and the customer segments continue to be attractive for us. Whereas the distribution and customer segment is not very big in Europe, of course. Then I would say services, we have a large fleet operating in Europe, and we try to be very active with our customers. We use the opportunities on the service side as well.

00:50:31 - 00:50:45
Speaker 1: Looking at our installed base of 70,000 equipment and then the replacement market on that one, of course, that is something that is driving our business overall because the majority comes from replacement business.

00:50:47 - 00:50:49
Speaker 6: Okay. Thank you very much.

00:50:49 - 00:50:50
Speaker 2: Thank you.

00:50:52 - 00:50:59

Speaker 4: There are no more questions at this time. I hand the conference back to the speakers for any closing comments.

00:51:00 - 00:51:25
Speaker 1: Thank you for all the good questions. I think we are now ready to end the session, and happy to see you online and happy to meet wherever you are. Just as a final reminder, we will be back here in Q1 2026 with the result publication on the 5th of May. Thank you for now, and wishing you a nice rest of the day. Thank you.

00:51:26 - 00:51:26
Speaker 2: Thank you.

00:51:26 - 00:51:26
Speaker 3: Thank you.