

Transcript for "Kalmar's Interim report January–September 2026"

00:00:21 - 00:01:25

Good morning, and welcome to Kalmar's third quarter 2026 earnings call. My name is Carina Geber-Teir, and I'm heading Kalmar's Investor Relations. It's late October here in Helsinki, which means daylight is already becoming a luxury. While the northern winter is closing in outside, our focus inside remains sharp. As you see from our Q3 numbers, we've been building plenty of momentum to keep things warm.

Let's jump straight into the results.

Today's results will be presented by our CEO, Sami Niiranen, and I'm also excited to welcome our new CFO, Katri Hokkanen. As usual, Sami will start by covering the highlights of the quarter, the market environment, and our performance. Katri will then cover some more details on our segments and financials.

At the end of the call, you will have the opportunity to ask questions.

Just as a short reminder at this point, our Capital Markets Day is coming up next Monday. We kindly ask you that you hold off all questions related to our renewed strategy and long-term targets until then, as today's call will focus on our third quarter performance.

I would like to remind you that this webcast is recorded, and it will be available on Kalmar's Investor Relations website later on.

As always, we would like you to pay attention to this disclaimer, as we will be making forward-looking statements. We are now ready to start the presentation, so I will hand over to you, Sami, please.

00:02:04 - 00:03:10 Thank you, Carina, and good morning, everyone, from Helsinki.

It's my pleasure to present Kalmar's third quarter 2026 results.

I'm starting with an overview of the quarter.

Overall, we delivered a resilient performance with good order momentum and robust cash generation.

Market demand remained steady in spite of continued trade tensions and geopolitical uncertainty.

Orders received reached €458 million, matching recent quarters and reflecting a strong 22% increase year on year.

Our quarterly sales held steady at €433 million.

Our Eco portfolio sales decreased year on year. However, order intake for the Eco portfolio increased, as did fully electric order intake. I will revert to this in a bit.

Comparable operating profit decreased year on year against a strong prior-year comparison, while the comparable operating profit margin expanded sequentially to 13.0%. It's also good to note that the Services segment's comparable operating margin continued to improve sequentially.

Our Driving Excellence initiative has continued to deliver results, and Katri will tell you more about that later.

Cash generation continued strong, and our balance sheet remained strong.

Looking at 2026, we keep our guidance unchanged, and we expect Kalmar's comparable operating profit to be above 12.5% in 2026.

Let's now have a closer look at the orders received in the third quarter.

As I mentioned, overall demand for our equipment and services has remained stable across different end customer segments. Orders received grew by 22% from the third quarter of 2025.

In the Equipment segment, there was strong growth driven by sizable orders and by good development in North America. In Services, order intake remained stable.

We'll have a look at the geographical breakdown of orders received on the next slide. At the end of September, our order book remained sequentially stable.

00:04:09 - 00:05:14 Here you see the geographical breakdown of our orders received.

In the third quarter, EMEA's share of order intake was 45%. Order intake in the area increased 11% year on year, thanks to a few sizable orders.

In the Americas, orders received increased 50% year on year, and share of order intake grew to 39%. The growth was driven by the Equipment segment in North America. Services demand in North America remained sluggish, and in APAC, there was a small growth in orders received.

Overall, as I said, market demand has stayed stable, and the interest in our sustainable solutions has continued to be high.

Quarterly sales held steady at €433 million, as growth in the Services segment compensated for a modest decline in Equipment sales. The decline in the Equipment segment's sales is explained by some delays in deliveries in the APAC region. Continued macroeconomic disruption to freight, transit routes, and component supply could extend these delays.

Overall, services share of total sales was 35% in the third quarter.

When we look at the geographical distribution of sales in the third quarter, we see that there was growth in the Americas. What is notable is that growth continued in North America, where it increased 50% year on year.

In EMEA and APAC, in the third quarter, sales decreased slightly year on year.

If you look at our Eco portfolio, there was strong year-on-year growth in orders received. In fact, the Eco portfolio's share of order intake grew to almost half of all orders received.

Fully electric equipment's share of total equipment orders in the last 12 months has remained stable at 11%.

Eco portfolio sales, on the other hand, decreased 7% from the third quarter of 2025, and the share of sales was 43% of consolidated sales.

Our comparable operating margin in the third quarter was 13%. If you look at the third quarter of 2025, you can see that the comparable operating margin was strong. This was partly because of the performance of the Services segment.

00:06:25 - 00:07:43 You can also see that the comparable operating margin has been gradually improving in the past two quarters.

This slide summarizes our well-diversified business.

In the third quarter, the services segment share of sales was 35%, which provides resilience to our overall revenue.

I will return to the addressable market and our end customer segments on Monday at our Capital Markets Day. This will be the last time you see us referring only to the split by the addressable market.

Our geographical sales split in the third quarter was almost evenly distributed between EMEA and the Americas, each over 40%, and APAC with 14% of total sales.

Eco portfolio share of sales was 46%, which is proof of the strong interest in our sustainable solutions.

The current macroeconomic uncertainty driven by geopolitical tensions leads to increased volatility in economic data and makes it difficult to provide long-term forecasts, but here is a summary of the latest ones.

IMF has slightly upgraded the 2026 forecast and estimates now that global GDP will increase by 3.1% in 2026.

00:07:44 - 00:08:57 Looking at the global container throughput forecast on the right, Drewry has upgraded its 2026 forecast to 3.1% and its 2027 forecast to 6.2%.

At the bottom, you can see Oxford Economics' updated manufacturing and retail forecasts.

Global manufacturing growth forecast on the left has been slightly revised upward to 3.3% in 2026. Metals output is expected to increase by 0.5% in 2026, and wood and wood products to decrease by minus 2%.

Global retail output forecast for 2026 has been downgraded to 2.0%, which was previously 2.4% in June.

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 remains approximately at a similar level as in the previous quarters, with the caveat that trade tensions and geopolitical instability could have an impact on our markets and the demand from our four end-customer segments.

Next, an update on the status of Kalmar's connected fleet activity.

Overall, activity stayed approximately on the same level as in the third quarter of 2025 and in the second quarter this year, but there were regional variations in connected fleet activity in the third quarter.

You can see the impact of the crisis in the Middle East showing in the activity of the Middle East and Africa.

Our installed base has grown steadily to over 70,000 machines from 68,000. At the end of 2025, we had over 16,800 connected equipment units globally, compared to 14,500 equipment units at the end of 2024.

Then moving forward, in the third quarter, we received and announced a wide variety of orders.

Firstly, we secured an order for 10 Kalmar electric straddle carriers from the Port of Virginia, a deepwater port on the US East Coast, and an order for 12 Kalmar hybrid straddle carriers for International Container Terminal Services Inc., ICTSI, in the Philippines.

We also received an order from Tropical Shipping in the US for one Kalmar hybrid straddle carrier equipped with MyKalmar INSIGHT, as well as one Kalmar reachstacker.

00:10:11 - 00:11:19 From the services side, we announced a comprehensive three-year Kalmar Complete Care service contract with Port of Halmstad in Sweden, and signed a preventive and corrective maintenance service agreement with Total Terminal International Algeciras, S.A. in Spain.

Lastly, we received an order from the Port of Helsingborg for two electric reachstackers and MyKalmar INSIGHT with the Inspector Machine Inspection solution. This marks the first equipment order from the Port of Helsingborg under the six-year frame agreement signed in Q2 2026, covering the potential procurement of up to 9 zero-emission machines.

A key highlight of the third quarter was the opening of our fully automated test center in Ljungby, Sweden. This industry-first facility is specifically designed for material handling equipment, and it enables us to test the entire life cycle of both our electric vehicle and diesel product lines under extreme conditions to strengthen product reliability and shorten time to market.

00:11:19 - 00:12:34 The test center will significantly accelerate Kalmar's time to market for future product generations while guaranteeing outstanding operational performance under all conditions. Going forward, this will strengthen our short- and long-term competitiveness.

It's worth noting that a separate site visit to the new test center and the whole innovation center will be arranged for investors in spring 2027. We will provide further information closer to that date.

We were also awarded, for the first time, the highest EcoVadis medal tier for 2026, the platinum medal, which means that we are in the top 1% of evaluated businesses globally.

Now, a short recap of Kalmar's financial highlights in the third quarter.

All in all, we delivered a resilient performance in both segments in quite demanding business environment. We saw steady market demand despite persistent trade tensions and broad geopolitical uncertainty.

Our orders received grew 22% year on year, and the growth was primarily driven by the Equipment segment across North America.

00:12:35 - 00:13:42 Our order book at the end of the third quarter was steady at approximately €1 billion.

Sales in the third quarter were €433 million, which is approximately on the same level as in the third quarter of 2025.

Comparable operating profit was 13.0%, improving sequentially in both segments.

Katri will provide a more detailed view on the development for both segments shortly.

As a reminder, our Leadership Team has changed at the beginning of October, and I want to express my sincere gratitude to departing leaders Sakari Ahdekivi and Thomas Malmberg for their valuable contributions.

At the same time, I warmly welcome Tamara de Gruyter as President of Services and Katri Hokkanen as Chief Financial Officer to the Kalmar Leadership Team.

As you might remember, on the 3rd of September 2026, we announced that we plan to simplify our operating model and that we estimate to reach annual savings for full operating model renewal of €10 million by the end of 2027.

00:13:42 - 00:14:12 One crucial step is that we plan to combine the Terminal Tractors and Horizontal Transportation divisions into a single unified division. Arto Keskinen, the current President of Horizontal Transportation, is leading the design phase.

External reporting will be kept as it is. We will continue reporting the Equipment and Services segments. This will not have an effect on our guidance for 2026.

I will now hand over to Katri. Thank you for listening.

00:14:19 - 00:15:48 Thank you, Sami, and good morning, everyone on the lines.

It's great to be here for my first earnings call with Kalmar. After a long career at Valmet, coming to Kalmar is a natural and great match for me.

The playbook is very familiar. We talk about leading technology, a wide install base, and clear opportunities to drive operational excellence and grow services.

I have received a very warm welcome, and I want to send my thank you to everyone who has contributed to the successful closing of the quarter. I know what it takes, so thank you all.

Let's dive straight into the numbers next.

Starting with our last 12 months' overview, our financial profile remains strong, giving us a solid foundation for future growth.

Over the last 12 months, orders received reached €1.87 billion, keeping our order book healthy at right around €1 billion.

Sales totalled €1.82 billion, with gross margin at 25.3%.

Our comparable operating profit margin was 12.5%, and return on capital employed stands at a healthy 22.4%.

00:15:50 - 00:17:24 Cash conversion was exceptionally strong at 121%, and our balance sheet remains in a solid debt-free position, giving us good operational flexibility and room to grow.

We're turning to the segments and starting with Equipment.

We saw strong order momentum in the quarter. Orders grew 36% year on year to €310 million, driven by a few sizable wins and also good development in North America across the different end customer segments. This equipment growth is important, as it expands the installed base that feeds our services business for years to come.

Equipment sales held steady at €281 million. We faced some delivery delays in the APAC region towards the end of the quarter. However, the quarter was essentially flat compared to €286 million last year.

Moving to Equipment's profitability next.

Profitability held steady with a comparable operating profit margin of 12.6%, up slightly from Q2. We have proactive measures in place to counter general cost inflation and elevated logistics costs, and we successfully mitigated tariff impact during the quarter.

00:17:25 - 00:18:41 Regarding our Ottawa T2 terminal tractors, as announced, we initiated a proactive safety recall, as customer safety is always our priority.

Financially, this had no impact on our comparable operating profit in Q3, as the costs are handled under items affecting comparability.

Let's turn to the Services segment next.

Orders received were steady at €148 million, matching last year's level despite continued sluggishness in North America.

Services' sales grew 2% year on year to €153 million, representing 35% of Kalmar's total revenue and continuing to provide solid stability to our top line.

Looking at the Service's profitability, while profitability was lower than the strong comparison period, the sequential trend is positive. Our comparable operating margin reached 17.6%, improving sequentially the second quarter in a row.

00:18:43 - 00:20:15 Sourcing and logistics costs created some headwind, but as with Equipment, our pricing actions successfully absorbed the tariff impact. Meanwhile, we continue to push ahead with sales activities, sourcing optimisation, and strict cost control.

To round out the picture on tariffs, we continue to monitor developments closely.

During Q3, we continued to receive refunds on IEEPA tariffs, which had a slight positive impact on the quarter. Our mitigation actions remain fully effective, offsetting gross impacts through price increases, supply chain actions, and operational excellence initiatives.

Moving to our Driving Excellence initiative.

Good progress here has continued. Our target was to achieve €50 million in annualised gross efficiency improvements by the end of 2026. By the end of September, we reached an annualised run rate of approximately €54 million, with sourcing contributing the largest share.

In this inflationary environment, these savings protect our margins against cost pressures, but they also give us the headroom to invest back into our business.

00:20:16 - 00:22:17 While we have successfully achieved our Driving Excellence target, our commitment to continuous improvement remains ongoing.

Turning to our return on capital employed, on a rolling 12-month basis, ROCE was strong at 22.4% compared to 20.8% a year ago.

The slight sequential decline reflects normal capital dynamics.

Looking at the balance sheet next, we closed the quarter in a net cash position with net debt at minus €34 million and gearing at minus 4.5%.

Our debt maturity profile is well-balanced, and overall our balance sheet remains strong, and we manage our operations and capital allocation with strict discipline.

Turning to cash flow, our cash generation remained strong in the third quarter. Cash flow from operations before financing items and taxes was €82 million, compared to €26 million last year. The increase was driven by favourable working capital timing in the quarter, mainly driven by receivables and payables.

As working capital naturally fluctuates across quarters, we look at the trend over the cycle. Our rolling 12-month cash conversion stands at 121%.

To conclude with our outlook, our guidance for the full year 2026 remains unchanged. Kalmar expects its comparable operating profit margin to be above 12.5% in 2026.

Thank you. With that, I'll hand over to Sami for the summary.

00:22:20 - 00:23:24 Thank you, Katri.

To summarize the third quarter, market demand remained stable despite continued trade tensions and geopolitical uncertainty. Our orders received were strong, increasing by 22% year on year. This was mainly driven by the equipment segment in North America.

Comparable operating profit reached 13.0%, and we generated strong cash flow in the quarter. In the Driving Excellence initiative, we have reached approximately €54 million of annualised cost efficiency improvements. We expect total market demand for the next six months to remain approximately at a similar level as in the previous quarters, and we keep our guidance unchanged. Thank you to all our customers and employees for yet another quarter. I will now finish my presentation, and thank you for your attention. Let's now move on to the Q&A. Over to you, Carina.

00:23:35 - 00:24:02 Thank you, Sami and Katri. Before we head into the Q&A, I would like to remind you of our Capital Markets Day invitation. The CMD will be held in Helsinki, next week's Monday on the 2nd of November, but the event will also be available on webcast, and the online registration is still open, so warmly welcome to join online. Now we are ready for questions.

00:24:04 - 00:24:26 If you wish to ask a question, please dial star five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial star five again on your telephone keypad. The next question comes from Antti Kansanen from SEB. Please go ahead.

00:24:30 - 00:24:55 Speaker 5: Hi, guys. It's Antti from SEB. I have two questions, and I'll start with the Equipment orders. Could you maybe talk a little bit about the orders in terms of activity on the big orders? You are flagging that as one contributor. Was this a particularly active order in terms of timing of those large orders? Were those predominantly in Europe or in the Americas?

00:24:56 - 00:25:14 Speaker 2: Yes. Thank you, Antti. When it comes to larger orders, I would say we had good activity on those, and it was on a better level than in the previous quarters as well. I would say overall, as we mentioned, the North American market was active on the equipment.

00:25:17 - 00:25:28 Speaker 5: Yes, I'm just trying to get the comparison period: if we are comparing a normal quarter to a soft quarter or a very strong quarter versus more normalised quarters.

00:25:28 - 00:25:41 Speaker 2: Yes, that's what I tried to emphasise as well, comparing to the previous quarters, when we said: "Okay, we didn't have so many large orders. Now we had more." This was a good quarter in that respect.

00:25:42 - 00:25:54 Speaker 5: On the North American side, very strong growth. On the underlying demand, how much was it about recovery on the distributors client segment, or was it more broad-based?

00:25:55 - 00:26:28 Speaker 2: It was a little bit more broad-based. I would say distribution end customer segment, very much related to our terminal tractor business, remained at a good level, on a similar level to the previous quarters. We have talked about the gradual improvement happening this year compared to 2025. We were at a good level there, but then it was a little bit broader as well. We saw a good demand for our counterbalanced, I mean, reachstacker, forklift equipment as well in North America.

00:26:28 - 00:26:51 Speaker 5: Okay. The final question is on the recall of the terminal tractors. I guess there was a bit of a one-off cost initially in Q3. What should we expect going forward in terms of implications, both on one-off costs, and are there any kind of broader implications on equipment design or anything regarding that one?

00:26:51 - 00:27:19 Speaker 2: No, I think we communicated this in the release as well. We proactively took this action here to improve that particular feature on the machines. Overall, we are continuously developing our machines, and that's the same with the terminal tractor business or portfolio as well. It's a continuous improvement on the machine design in Kalmar, but this particular one was limited to this feature.

00:27:20 - 00:27:32 Speaker 3: Maybe if I build on that, we booked it as an IAC, so it is our best understanding of the outcome. There are the recall-related costs and then the insurance coverage. The delta is what we booked.

00:27:34 - 00:27:39 Speaker 5: Okay. I was just looking at the wording that it's an initial impact of the recall.

00:27:39 - 00:27:39 Speaker 3: Yes.

00:27:40 - 00:27:50 Speaker 5: The initial wording suggests that there's perhaps something more to come, but maybe that was a misinterpretation. Okay. Thank you, guys.

00:27:50 - 00:27:51 Speaker 3: Thank you.

00:27:55 - 00:28:00 Speaker 4: The next question comes from Mikael Doepel from Nordea. Please go ahead.

00:28:02 - 00:28:20 Speaker 6: Thank you. Good morning, everybody. Just a couple of questions still on the demand side of the equation. Starting with North America, yes, you had very big orders in the quarter. I'm just wondering: how would you describe the sales funnel and the pipeline ahead? Would you still see good activity, good opportunities there?

00:28:21 - 00:28:37 Speaker 2: Yes. Thanks for the question. I think it's in line with our general anticipation of the market demand for the next two quarters, basically. We expect even the North American market to stay stable on these levels.

00:28:38 - 00:28:43 Speaker 6: Right. This is a good reference point, the quarterly order intake in this quarter going ahead as well.

00:28:45 - 00:28:49 Speaker 1: We don't guide separate quarters, but this is stable.

00:28:49 - 00:29:03 Speaker 2: Overall, stable demand. The North American market has been improving. We also mentioned that the service business there, part sales business there, is still sluggish.

00:29:05 - 00:29:21 Speaker 6: Yes. On that point, that has actually been sluggish for quite some time now. I think you have been indicating that it might start to improve soon. Do you see any changes there, any dynamics that would suggest that this could start to improve anytime soon?

00:29:22 - 00:29:45 Speaker 2: Not during Q3 or in the previous quarters. We don't see it. If I remember what we have discussed before, there is normally a lag between the equipment orders, which we have seen gradually improving now, and the service business, which comes a little bit later. We're hoping to see some kind of positive signals later on, but so far we haven't seen anything yet.

00:29:46 - 00:29:58 Speaker 1: We have to remember that we come from really low numbers, if we look at the comparison periods last year, for example, and the year prior also. It takes some time before we get the kind of volumes.

00:30:01 - 00:30:03 Speaker 6: You mean on the equipment side, I assume.

00:30:04 - 00:30:08 Speaker 1: Yes. That then goes over to kind of spill over to services.

00:30:10 - 00:30:25 Speaker 6: Yes, right. Then just finally on EMEA, also related to demand. We also saw growth in orders there. Could you talk a bit about that and also how the Middle East is performing on any impact in the operations there?

00:30:25 - 00:31:17 Speaker 2: Yes, I think overall, EMEA has been stable throughout the years. I would say it's one of our strongholds, definitely in Kalmar. When it comes to the Middle East, particularly, I think there was no major impact from that region for this quarter, Q3. The situation there is creating uncertainties, and they just continue. That is visible. Overall, the Middle East business for Kalmar is not very material. It's quite a small business, so no impact in Q3. You could see it in the fleet activity. I think that was quite visible there. The running hours, even though they are not based on very many machines, still give an indication that, even there, it's visible that the usage of the machines is coming down.

00:31:19 - 00:31:23 Speaker 6: Right. Can you just remind us of your exposure to the Middle East in terms of orders or sales?

00:31:23 - 00:31:27 Speaker 2: Yes. Let's say low single-digit numbers.

00:31:30 - 00:31:31 Speaker 6: All right. Very good. Thank you very much.

00:31:38 - 00:31:44 Speaker 4: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

00:31:46 - 00:32:02 Speaker 7: Hi. Thanks for taking my questions. I'd continue with the service topic. In the Connected Fleet Activities slide, there are more red numbers than in the Q2 presentation. Does it mean that it is a sequentially worse demand environment in services?

00:32:02 - 00:32:24 Speaker 2: No. I would say we should probably exclude the Middle East part there. Otherwise, we see a little bit of a positive even in North America, year-on-year numbers. I wouldn't draw that conclusion there, but I think there are more regional variations during this quarter. That's what we can say.

00:32:26 - 00:32:43 Speaker 7: Okay. Thanks. In the Americas, you had strong revenue growth in the US, but then the other Americas was down 66% and 47% year-to-date. Is this reflecting market changes in that region?

00:32:43 - 00:33:03 Speaker 2: No, I wouldn't say so. Overall, I think Latin America, or the southern part of the Americas, has been quite slow, and it was quite slow in Q3. Even in Q2, we had some orders that we announced were actually coming from Brazil, for instance. It changes from quarter to quarter as well.

00:33:06 - 00:33:28 Speaker 7: Okay. Thanks. Then, on the cost inflation and price hikes. What kind of price hikes have you implemented in the new equipment, and how do you see the cost inflation developing? Is it kind of intensifying going into Q4, or is it flattening out? I'm just trying to think about the margin progression going into Q4 and onwards.

00:33:28 - 00:34:37 Speaker 2: Yes, that's a good question. On the price increases throughout the year 2026, we have been implementing price increases in different quarters and also matching the tariff landscape that we have very much present in the US. Overall, those price increases we talk about, apart from the tariff impact, are low single-digit numbers there as well. We have said earlier, two percent to three percent roughly, okay. What will be the effective rate? It might be a little bit lower. That kind of price increase we have been implementing. Then we try to be as agile as possible when it comes to the tariff situation. Then, on the cost side, there are uncertainties around cost inflation, and we have mentioned the higher freight costs from Asia from our Shanghai factory to elsewhere in the emerging markets where we are delivering that equipment. That is visible there. The

steel, electrical components, the cost of fuel, oil, that is very visible as well. There are uncertainties around the costs at the moment and going forward as well.

00:34:39 - 00:34:47 Speaker 1: Yes. Adding to that, also the availability of shipments. It's also whether we have ships available to deliver the equipment.

00:34:48 - 00:35:04 Speaker 2: Yes. Those were the headwinds that we mentioned in the report as well in APAC: availability of shipments and the freight cost and so forth. Those were a couple of issues that we faced in Q3.

00:35:06 - 00:35:13 Speaker 7: Okay. Thank you. Then finally, how much was the tariff refund in the P&L in Q3?

00:35:13 - 00:35:16 Speaker 2: Yes. It was also a low single-digit number.

00:35:19 - 00:35:20 Speaker 7: Millions of euros?

00:35:20 - 00:35:21 Speaker 2: Yes, correct.

00:35:22 - 00:35:24 Speaker 7: Okay. Thank you.

00:35:26 - 00:35:27 Speaker 2: Thank you.

00:35:28 - 00:35:34 Speaker 4: The next question comes from Tom Skogman from DNB Carnegie. Please go ahead.

00:35:37 - 00:35:53 Speaker 8: Yes. Good morning. I would like to get a better understanding of your market here in electric equipment compared to the total market share, including fossil machines, and if you could just say compared to Western competitors.

00:35:54 - 00:36:03 Speaker 1: We can comment shortly on Q3, but then if you could park that question to Monday, our Capital Markets Day, we will come back with more details on that.

00:36:04 - 00:36:32 Speaker 2: Yes, related to Q3, good activities continued. For the quarter, the fully electric equipment share was 14%. In the previous quarter, we also announced good orders for the fully electric machines. I think in our stronghold markets that we will talk more about on Monday, we are strong with both fully electric machines as well as diesel machines.

00:36:35 - 00:36:59 Speaker 8: Okay. I'd like to understand a bit better what the reason is for the weak service demand in America. You show that machine activity is quite strong there. Do you think the reason is this kind of shift in inventory you have done, or is there some changed behaviour of some competitor or supplier of diesel engines or something that is explaining this?

00:36:59 - 00:38:00 Speaker 2: Yes, I think, in the big picture, and that's what we have seen already, last quarters, one to two years even, which is related to this Cass Freight Index that we quite often refer to, which measures the material movement and transport in the whole country. Those activities have been low, and they are also related to the distribution centers where we have plenty of our terminal tractors operating. That's where it is building from. We are not out of that slowdown or low cycle on the services side there. During the year, we have seen an improvement with the equipment sales and orders in the US, basically. As I mentioned earlier, today, there is normally a bit of a lag between the equipment sales and the services sales. Hopefully, in the quarters to come, we can see some more activity on the parts side as well.

00:38:01 - 00:38:15 Speaker 1: Yes. Adding a detail to that, please remember that the US market is predominantly a dealer market. When we talk about services, it's a lot about the spare parts sales. It's less about the maintenance because the maintenance is done by our dealers.

00:38:18 - 00:38:32 Speaker 8: Could you perhaps just comment a bit on what you know from history about demand sensitivity to higher interest rates and higher diesel prices, which is kind of a new thing as well.

00:38:33 - 00:38:55 Speaker 2: Yes. If inflation or interest rates go and become very high, of course, then we have seen in the past years, for instance, delayed decision-making, especially on the larger orders and larger packages. Now, in Q3, we didn't see that kind of pattern yet, at least, but of course there is a correlation between those.

00:38:57 - 00:39:14 Speaker 8: You supply, for instance, both to more kind of consumer-driven segments and to port. We see that port container volumes are very strong while the consumer is quite weak at the moment. Is it correlating, the order intake that you see with this behaviour?

00:39:15 - 00:40:06 Speaker 2: Yes. In Q3, in the previous quarter, it was a little bit difficult to indicate that. As I said, this delayed decision-making, if we go back to the interest rate levels that we had in the past, then we could see that, especially the larger packages. Then when it comes to smaller customers or smaller orders, there might be a similar type of pattern as well. Our business is following these mega trends and different financial KPIs quite well. On the other hand, we are not only reliant on one industry or one segment, but we have four main customer segments, which is good. Then we are trying to read the external KPIs as per the segment as well. We don't have one business cycle in Kalmar, but we are running different mini cycles.

00:40:06 - 00:40:27 Speaker 1: Yes. The distribution end customer segments there, as Sami previously mentioned here, then you have the Cass Freight Index, which is one external indicator that we follow. Then the container throughput comes more to the ports and terminals business. You need to put all those together in order to get a view on the situation in North America.

00:40:29 - 00:40:31 Speaker 8: Okay. Thank you.

00:40:35 - 00:40:51 Speaker 4: As a reminder, if you wish to ask a question, please dial star five on your telephone keypad. The next question comes from Andreas Koski from BNP Paribas. Please go ahead.

00:40:53 - 00:41:19 Speaker 9: Thank you, and good morning. Thanks for taking my questions. I have two. The first one is on tariff refunds. Could you give some better indication of how large the tariff refunds have been? Have they been in the millions of euros, low single-digit, mid-single-digit, or high-single-digit millions of euros? Do they impact both equipment and service, or just equipment or service? Thank you.

00:41:19 - 00:41:29 Speaker 2: Yes, good question. Low single digit in million euros, we can say, for the quarter and then impacting both segments as well.

00:41:30 - 00:42:33 Speaker 9: Understood. Thank you. On the Driving Excellence program, which you have now executed very well, you're at the run rate of €54 million. When I look at your Adjusted EBIT numbers or margins compared to when this program was launched, I can't see a net impact at all, even though those €54 million correspond to 3 percentage points of your sales. Can you explain what offset the positive gross impact? Is it mainly mix, or is it general cost inflation, or what has driven that? I understand that you launched a new cost savings program now of another €50 million, but that is running for the next 3.5 years compared to the previous program that lasted for 2 years. Will those €50 million gross savings that you expect until 2030 be enough to offset the cost inflation going forward? Thank you.

00:42:34 - 00:43:45 Speaker 2: I think yes. Let's continue discussions on the new program on Monday, but on the existing one, which I'm very happy with, €54 million already at this stage. We will continue until the end of the year before we launch anything or start anything new. On the impact, we have said before that this is a gross program of €54 million, and less than half will materialize on the bottom line in a way. Then we can estimate what that number would be roughly there. When we launched the program in August 2024, I think the market and our assumptions about the market were quite different from what the market actually has been, including the tariffs, turbulence, and uncertainties. When we talk about the net number, in a way, we have been investing in our growth and in the future. We have been investing back in R&D as well as services. It's worth mentioning that one as well. Tariff dilution has been quite substantial as well there. Especially in the previous quarter call, we talked about the higher cost as well compared to the previous period in 2025.

There is quite a lot of dilution actually happening there, and therefore, you may not see it exactly on the bottom line as it should. It's quite an uncertain market environment at the same time. We have been focusing a lot on sourcing in that program. The majority of the gross savings are coming from sourcing, but now there starts to be other aspects as well, like the operating model as well as process development.

00:44:16 - 00:44:32 Speaker 9: On the tariff dilution side, would you like to give an indication of what that is? Are we talking about percentage points on the margin, and do you expect to recover that through price increases in the coming quarters or years? Is that something that you're working on? Thank you.

00:44:32 - 00:45:03 Speaker 2: Yes. We need to be clear now that this quarter, in Q3, we were pretty much at par. There was no dilution because of tariffs. What I'm referring to with this whole €54 million program is last year's tariff impact, which was quite substantial. Even at the beginning of this year, Q1, it was more. In Q2, we narrowed down to closer to the tariff impact or that magnitude. Basically, in Q2 and Q3, we have been successful in mitigating those impacts.

00:45:04 - 00:45:07 Speaker 9: Okay, also excluding the refunds?

00:45:09 - 00:45:09 Speaker 2: Yes, exactly.

00:45:09 - 00:45:11 Speaker 9: Yes. Understood. Thank you.

00:45:15 - 00:45:20 Speaker 4: The next question comes from Mikael Doepel from Nordea. Please go ahead.

00:45:23 - 00:45:43 Speaker 6: Right. Just a brief follow-up, a couple of follow-ups, firstly, on the cost mitigation into Q4. Just to be clear. I mean, you don't see any adverse effects from higher inflation and higher diesel prices into Q4 when it comes to price versus cost?

00:45:44 - 00:46:38 Speaker 2: Yes. I think, as we indicated in the report and in the presentation as well, the uncertainties are there. We faced headwinds in APAC in Q3. That is hopefully easing up towards Q4, but there will be some spillover to Q4 as well. Especially in the North American market, when it comes to different components and the raw materials, there is cost pressure. There is a shortage of certain key components, which might be based on steel consumption because there are many other industries, all over the world, but especially in North America, which are quite busy with their ramp-up plans, such as data centers, for instance. It's a little bit more volatile a market from that perspective now than what it was a couple of months ago.

00:46:39 - 00:46:43 Speaker 6: Yes, but are you able to compensate with price increases?

00:46:43 - 00:47:09 Speaker 2: Yes. We are constantly working on price increases. We are working together with our suppliers, sub-suppliers, and so forth. We need to be very close to them. As I said, the movements are quite rapid there, so we try to be as agile as possible. I'm not giving any indication towards Q4. What we wanted to flag here was that these kinds of uncertainties might increase in the coming quarters.

00:47:12 - 00:47:28 Speaker 6: Right. Then on APAC, you talked about some delivery delays impacting Q3. Are you able to quantify that? Also, do you expect this to have some sort of an impact in Q4 still?

00:47:29 - 00:48:12 Speaker 2: Yes. Let's say it impacted Q3 when it comes to our sales or deliveries. It's related to Equipment, not Services there, because of the freight situation. What was the original root cause for this? The headwind was the environmental impact, these typhoons and hurricanes that lew over Shanghai, China, and the Asian market, and there was a lot of congestion at Shanghai port and other ports as well. That was basically the root cause for that one. In terms of magnitude, we could say on the equipment side that maybe we talk about the low double-digit number in million euros.

00:48:16 - 00:48:19 Speaker 6: Do you expect to recover that in Q4?

00:48:19 - 00:48:23 Speaker 2: Yes, that's the aim. We work hard on recovering as much as possible.

00:48:25 - 00:48:34 Speaker 1: Yes, and it's more a timing question, also due to the delays. If the shipments are delayed, it might vary between quarters when we get that equipment delivered.

00:48:36 - 00:48:49 Speaker 6: Okay. No, that's fair. Then, just finally on the Services margin. Now you pointed a couple of times to the fact that it has been improving sequentially. It also improved sequentially in Q3. What was the main driver for that?

00:48:50 - 00:49:48 Speaker 2: I think we talked about price increases already. Those we have been implementing, mitigating the tariffs. We have continued our focus on services. That has been going on for

several quarters already, but we are intensifying even more. We stay very customer-focused there and are proactive in our parts sales as well as maintenance activities. On the cost side, we have been adjusting as well. It's always about the mix between the parts and the maintenance sales, because they have slightly different margins as well. It has improved sequentially from Q2 to 17.6%. Is it a very good result? Probably not, because it's the same percentage as we had last year. The important thing is that we are gradually improving from Q1 or even Q4 last year.

00:49:49 - 00:49:51 Speaker 6: All right. Thank you very much.

00:49:51 - 00:49:51 Speaker 2: Thank you.

00:49:55 - 00:50:00 Speaker 4: There are no more questions at this time, so I hand the conference back to the speakers.

00:50:02 - 00:50:23 Speaker 1: Thank you for all the great questions. We are actually really excited and looking forward to our Monday Capital Markets Day. We hope to see you either there in person or online. We will have our financial statements release on 11th of February. Have a great day, and thank you for listening.

00:50:23 - 00:50:24 Speaker 2: Thank you.

00:50:24 - 00:50:25 Speaker 3: Thank you.