KION GROUP AG

Q4/FY 2024 Update Call

Conference Call Transcript

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Christian Harm (CFO)

Rob Smith

Good afternoon, ladies and gentlemen, and welcome to our update call and webcast on the fourth quarter and full-year results in 2024. You can find our Update Call presentation on the IR website.

I'm going to start with a summary on our full-year 2024 results, and I'll give you a strategic update and a few words on our exciting teamwork and collaboration with NVIDIA and Accenture.

Then Christian's going to take you through the detailed Q4 financials as well as our outlook for 2025.

I'll be back with the key takeaways, and we'll open the line for your questions and look forward to that.

So starting on page 3 together, group order intake was €10.3 billion, representing a 5% decline compared to the prior year and reflects the subdued markets in both operating segments during 2024.

Revenue was a record at €11.5 billion.

Adjusted EBIT increased 16% to the record level of €917 million, with the adjusted EBIT margin improving 110 basis points to be 8% in the full-year 2024. The improvement was driven by improvements in both operating segments.

Free cash flow was €702 million, slightly below last year but exceeded our capital market expectations. The improvement was driven by the strong EBIT and the substantial improvements we made in net working capital.

Earnings per share were €2.75, an increase of 18%.

In line with the increased earnings per share, we will be proposing at the AGM on 27 May a €0.82 dividend, leaving the payout ratio unchanged at approximately 30%.

We have made very good progress in both our operating segments and on the KION level since the difficult year of 2022, which you'll recall was impacted by high inflation and severe supply chain disruptions.

Our operational and commercial agility measures and our strategic focus on innovation, digitalization, and artificial intelligence have proven to be successful. And 2024 was a strong year for KION.

I'd like to give you an update on the next steps of our KION strategy on pages 4 and 5.

The world is moving fast "and so are our markets, and we're at a pivotal moment in KION's history. We're creating a company that is even more agile and resilient for the benefit of all our stakeholders.

And to prepare now for our next, we've worked hard on designing our Playing to Win strategy.

It's our vision that the KION Group is the supply solutions company. Our people's passion is innovating, automating, and orchestrating solutions for our customers' supply chains. KION brands keep the world moving.

We bring this vision to life with our “Playing to Win strategy. We’re making automation easily accessible and scalable, from partial to full lights-out automation. We’re providing intelligent industrial trucks, automation solutions, software, and services for smooth material flows.

On page 5, you’ll see, in our Playing to Win strategy, there are 3 key plays.

Through our commitment to innovation and growth, we’re enhancing our business in both operating segments by offering even more customer-centric solutions and regional expansion.

Furthermore, we’re strengthening our presence in the growing automation market by decisively driving innovative technologies and solutions in that automation market.

In product development, we’re strengthening cross-brand collaboration, particularly in areas like automated forklifts and autonomous mobile robots.

Sustainable performance underlines our commitment to consistently enhancing profitability and competitiveness, paving the way for our future investments.

The organizational development plays are dedicated to the further activation of group-wide management principles ingrained in our business processes and our HR processes to support our strategic goals.

We embrace an agile mindset, working quickly and with focus to find pragmatic and creative solutions.

Playing to Win, KION is pushing the boundaries of our industry, strengthening our leadership role, and leveraging AI-driven solutions as an integral part of our strategy to optimize our customers' supply chains and increase their productivity.

On page 6, I'd like to unpack a bit more the high intensity work we're doing with NVIDIA and Accenture.

We're the first in our industry to adopt NVIDIA's physical AI, creating a vision for warehouses that are part of a smart agile system that evolve with the world around them and can handle nearly any supply chain challenge.

At the CES, the Computer Electronics Show in Las Vegas in January this year, we announced our first results. KION defines ideal setups for new warehouses and enhances existing facilities with NVIDIA's Omniverse, which is a platform for building 3D applications and services, as you can see pictured in this slide. Omniverse is NVIDIA's blueprint for large-scale digital twins.

This includes digital twins powered by physical AI - AI models that embody principles and qualities of the physical world, to improve the performance of intelligent warehouses that operate with automated forklifts, smart cameras, and the very latest automation and robotics solutions.

Look, in today's world, in global trade, in the world's supply chains, and in all the world's logistics centers, conditions are constantly changing.

And companies that leverage physical AI can design, simulate, and optimize the real options in their supply chains.

Digital twins do this in real time, and they serve as the control tower and blueprint for their physical twin counterparts. We'll show you how that looks at the end of the call.

This capability saves huge amounts of time, CapEx, and operating cost and gives the company the ability to constantly adapt to the changing conditions in their supply chains.

So now let's go through the financials. I'm going to hand it to Christian. He'll take you through the Q4 full year and the outlook for 2025. Christian?

Christian Harm

Thank you, Rob. So let's go to slide 8 for the key financials for the ITS segment.

Order intake showed a strong seasonally driven sequential rebound to 70,000 units and a 4% increase compared to the same quarter in 2023.

New orders in money terms increased 22% sequentially and 1% year on year. The service business continued to grow while new truck order intake was flat year over year.

Revenue declined by 1% year over year to €2.3 billion as the 4% growth in the service business did not compensate for the 4% decline in the new truck business. Sequentially, revenue increased by 15%, making Q4 the strongest quarter of the year, thanks to high shipments.

Similarly, adjusted EBIT at €245 million also made Q4 the strongest quarter of the year, once again highlighting the significance of operating leverage in the ITS business model.

At 10.6%, the adjusted EBIT margin solidly remained in the double-digit territory.

I continue on page 9, which summarizes the key financials for SCS. Overall, order intake continues to be impacted by customers' ongoing hesitancy to sign new contracts due to the macro and political uncertainty and expectations on further interest rate cuts. Q4, with an order intake of €624 million, once again reflected this hesitation.

Business Solutions orders were down 28% compared to prior-year quarter. The service business declined by 8% compared to a reasonably strong prior quarter and prior-year quarter.

Activity from the pure play e-commerce vertical was noticeable in this quarter with a share of 57%.

The decline in the order book reflects the subdued order intake in the past quarters as well as further progress in completing the legacy projects. As we have now completed the vast majority of those legacy projects, the completion of the remaining legacy projects should have no meaningful impact on the order book going forward.

Overall, revenue remained close to the prior year and above prior-quarter levels. The service business continued to grow strongly at 12% year over year, while the project business declined by 7%, as expected, reflecting the lower order intake and the high share of orders with long lead times throughout last year.

With improved project execution, continued progress in working through the legacy projects, and further benefits from measures to improve our cost base, the adjusted EBIT improved to €42 million, with the corresponding adjusted EBIT margin rising to 5.4%.

Let’s quickly run through the key financials for the group on page 10. Order intake reflects the usual seasonal uptick to the prior-year level in ITS and continued customer hesitancy to sign new contracts in SCS.

Lead time normalization in ITS and subdued demand in past quarters in SCS led to the decrease in the order book, both sequentially as well as year over year.

Revenue benefited from the growth in the resilient service business in both segments, which almost entirely compensated for the softer ITS new truck business and lower SCS Business Solutions revenue.

Adjusted EBIT at €250 million and the adjusted EBIT margin at 8.2% enabled KION Group to finish the year with a strong quarter.

Page 11 shows the reconciliation from adjusted EBITDA to group net income.

Nonrecurring items amounted to minus €16 million and included expenses for measures to adjust our cost base in SCS and a small M&A project in ITS, where we have acquired the remaining shares in a distributor.

PPA items were at the usual quarterly level.

Net financial expenses dropped back to the levels seen in the first 2 quarters of the year. Remember that the steep increase in Q3 was almost entirely attributable to the fair value of interest derivatives which reacted to the changes in interest rates. These effects reversed in Q4.

This resulted in pretax earnings of €171 million in the quarter.

Following a tax rate of 34%, net income attributable to the shareholders amounted to €111 million in the quarter, corresponding to earnings per share of €0.85.

Now let’s continue with the free cash flow statement on page 12.

Free cash flow in the quarter reached positive €271 million due to the strong EBIT and a substantial improvement in net working capital, which was mainly driven by favorable developments in inventories and contract assets partially offset by a decrease in trade payables.

The positive free cash flow led to a €202 million decrease in net debt.

Page 13 then shows the development of net financial debt and our leverage ratios.

As mentioned on the previous slide, the positive free cash flow led to a €202 million decrease in net financial debt to less than €1 billion. Accordingly, the leverage ratio across both net debt definitions improved by 0.1x.

Our leverage ratios are now even slightly lower than the level last seen post our December 2020 capital increase, but this time, we achieved the improvement entirely through self-help measures.

We continue to remain committed to improving leverage metrics further, to defend our 2 investment grade ratings, as we believe they are supportive to our business model.

Now on slide 15, talk about our guidance, and I'll start with ITS.

As communicated throughout 2024, we continued to make progress in reducing the order book and normalizing the lead times. Margin quality of the order book reflects the ongoing shifts in new orders towards APAC and the entry-level warehouse equipment in recent quarters, impacting both revenue and adjusted EBIT.

Based on this and our industrial truck market expectations for 2025, which I will discuss on the next slide, we believe revenue in ITS could decline 6% on the lower end and remain flat on the upper end of our expectations and reach between €8.1 billion and €8.6 billion. The service business is expected to continue to grow.

As we outlined in the call earlier this month, following our announcement of the efficiency program, there are several headwinds that are expected to impact adjusted EBIT in ITS in 2025.

These include the nonrecurrence of the tailwind from order backlog normalization and its impact on expected revenue development.

These also include the less favorable product and geography mix, as seen in the order intake of past quarters. And these include intensifying competition, all of which are expected to drive the ITS adjusted EBIT down to between €680 million and €780 million, which is a decline of 26% on the lower end and 15% on the upper end.

The dip below the 10% adjusted EBIT margin threshold is expected to be temporary, as the full impact of the cost savings from the efficiency program is expected from 2026 onwards. Accordingly, 2025 could be considered a look-through year for the ITS segment and therefore also for KION Group.

With respect to phasing, it is quite possible that the ITS adjusted EBIT margin will start the financial year 2025 on a relatively higher margin than in the following quarters.

Let’s now turn to SCS.

Based on the subdued order intake in 2024 as well as the fact that a market recovery will take time to benefit revenue meaningfully, given the longer-term nature of the project business, we expect revenue in SCS between €2.8 billion and €3.1 billion, which is a 5% decline on the lower end and a 5% increase on the upper end.

We expect further improvement in adjusted EBIT in SCS to between €140 million and €200 million, which is an increase of 24% on the lower end and 77% on the upper end. This improvement will result from a reduced share of legacy projects in the backlog, the continued growth in the service business, the improved project execution, as well as the benefits from measures to adjust our cost base.

In terms of phasing, SCS should show a similar progression in the financial year 2025 as in 2024, with the adjusted EBIT margin improving from quarter to quarter.

At KION Group level, we expect revenue between €10.9 billion and €11.7 billion, representing a 5% decline at the lower end and a 2% increase at the upper end. Group adjusted EBIT is expected between €720 million and €870 million, or between 21% and 5% lower than in 2024.

Free cash flow between €400 million and €550 million is expected to be substantially below the excellent prior-year level due to the cash out from the efficiency program most likely in the second half of this year.

Excluding the cash out from the efficiency program, free cash flow is expected to be substantially positively impacted by further net working capital improvements.

And lastly, ROCE is expected between 7% and 8.4%.

As always, you will find a slide on the housekeeping items in the appendix of this presentation.

Slide 16 now outlines some of the assumptions that have gone into the outlook for our key KPIs and the housekeeping items.

First of all, let’s talk about our 2025 view of our respective markets.

In terms of order intake in units, we expect the industrial truck market to grow slightly year on year across all regions, which translates into a slowdown of growth in EMEA, a stable growth rate in APAC compared to our 2024 expectations. Remember, WITS statistics are published with a 3-month time lag, so we are still waiting for Q4 data. In Americas, market recovery is expected.

In value terms, the global industrial truck market growth is expected below unit growth, reflecting the ongoing product mix shifts.

With regard to the development of the market for warehouse automation solutions, we have decided to switch from a revenue-based to an order intake-based approach starting in the 2025 reporting year.

The order intake provides a more precise insight into the current demand situation. Due to the long durations typical of the project business, revenue is often realized with a significant delay after the order has been awarded.

So now based on order intake, we expect slight growth in the project business in 2025. The advancing automation trend and further falling capital costs is expected to have a positive impact on investment decisions in warehouse automation solutions.

Growth is anticipated to mainly occur in the Americas and EMEA regions, with a marginal decline expected for APAC.

I'd also like to give you a quick recap on the efficiency program announced earlier this month.

We have a strong commitment to our adjusted EBIT margin target of more than 10% by the end of the current strategic planning period, which is the end of the fiscal year 2027. This target applies to both operating segments as well as to KION Group as a whole.

We have made very good progress in both operating segments and KION Group since the difficult year 2022, which was impacted by high inflation and severe supply chain disruptions.

In order to strengthen this resilience and maintain the headroom for investments to ensure our future and strengthen our competitiveness, we must manage our cost base. And this requires structural measures that are sustainable.

In this context, the Executive Board of KION resolved an efficiency program with the aim to achieve sustainable cost savings of around €140 million to €160 million per year, fully effective in the 2026 financial year.

By implementing the efficiency program, KION is addressing several developments in the macroeconomic environment and in its markets. European economies are struggling to gain momentum. This affects key customer industries in the ITS segment, where Chinese competitors have been improving their market position in the aftermaths of the recent pandemics.

The implementation of the cost-saving measures is expected to lead to one-off expenses in the amount of approximately €240 million to €260 million in the first quarter of 2025. Most of that amount is also expected to be cash effective in the second half of the fiscal year 2025.

With that, I hand back to Rob for our key takeaways.

Rob Smith

Thank you, Christian. Let’s go to page 17 together for our key takeaways.

KION finished financial year 2024 with consistent operating performance and strong financial results, adjusted EBIT and adjusted EBIT margins improving in both operating segments.

The group outlook for 2025 reflects on one hand, a temporary decline in adjusted EBIT and adjusted EBIT margin for the ITS segment due to the nonrecurrence of the tailwind from order backlog normalization and its impact on expected revenue development; the less favorable product and geography mix, as seen in the order intake of past quarters; as well as signs of intensifying competition.

The dip below the 10% threshold is expected to be temporary as the full impact of the cost savings from our implemented efficiency program is expected from 2026 onwards. Accordingly, 2025 can be considered a look-through year for the ITS segment.

On the other hand, the Supply Chain Solutions segment will continue to improve its adjusted EBIT and adjusted EBIT margin in 2025, as we continue to finish the legacy backlog and reap the benefits of improved project execution, project management processes, and continue to growth in the service business as well the measures to improve our SCS cost base.

With our recently launched efficiency program and our Playing to Win strategy, KION is well on track to bring KION and both operating segments to more than 10% adjusted EBIT margin profitability by the end of our current strategic planning period.

This concludes our presentation. Thank you for your interest so far. We're looking forward to taking your questions. Moritz, I'll make you a deal. If you go now to open the Q&A line, you've got to save 5 minutes at the end of the call so we can show the video we'd like to show. If you'd do that, Moritz, we're going to open the line for Q&A right now, please.

Operator: Yes, sure. So ladies and gentlemen, we will now begin with the question-and-answer session.

Sven Weier: Yes. Good afternoon. Thanks for taking my question. It's Sven. The first one is on the truck sales outlook for 2025. And I was just wondering your assumptions behind the ranges, right, because if I take the high end of the guidance €8.6 billion and your remarks that the backlog has normalized, I would probably think that the order intake has to be at a similar level to achieve such a figure, which would be more than a 10% increase in the order intake year on year.

Is that the right assumption to make that the order intake has to be at least the same level as revenues then, or is there something I'm missing here?

Christian Harm

Actually, the revenue that we show in 2025, which is behind the outlook, that's a function of the order book that we had so far, the normalization of the order book, where revenue has to work with the -- so revenue will actually follow the order intake as it comes in throughout the year.

When we set our market expectation for '25, we are actually looking at a growth in ITS across the different regions on a unit base, and that is true for all three regions.

On the upper end of the range, we would actually see an order intake that is on the level that we had seen on the prior year, also in the combination of the different regions.

On the lower end, obviously, if that market revival would not work right, then we would rather end at the lower end of the range in the order intake.

Sven Weier

I think I'm a little bit lost because, does that mean, if you generate the same order integers in 2024, the €7.8 billion, you would still be able to achieve the high end of the revenue guidance? But that would mean the backlog goes down further, right?

Christian Harm

The sum is different to the prior years, 2024 and also 2023. Going forward, revenue and order intake would basically match more or less because that's basically what it means when we say we come back to a normalizing order book level.

Sven Weier	Because I would have thought that the high end of the revenue assumption then also assumes a stronger market recovery than just a little bit up.
Christian Harm	Yes, that's the nature of the higher end of the guidance.
Sven Weier	Okay. Good. Let's go to the second question then. I was just wondering, on the warehouse automation project pipeline, I guess you've been talking a lot in the past. The pipeline is good, but customers are hesitant to convert the pipeline because of high interest rates, political uncertainty. To what extent do you reckon this is also still a function of, especially on the e-commerce side, customers still having spare capacity? Is that also an element why it might take a little bit longer until the pipeline converts?
Rob Smith	Sven, I appreciate the question, and that's a topic we've covered together multiple times. You'll recall the discussion about -- we built so much capacity so well, so fast in COVID that it's taken some time for the big e-commerce players to grow into that capacity. That's where we've been discussing so far. Our view is, indeed, they have grown into that capacity. You'll recall us talking pre-COVID. We had a regular outlook in terms of midterm capacity planning with large e-commerce customers and then, of course, the big spike in COVID and then the almost missing e-commerce playing in the order intake as they grew into that capacity.

They're coming back. You see that in our numbers, and I confirm this practice of going back to do midterm capacity planning is going back into place.

So actually, I see that as maybe an indication, that is, the e-commerce guys are moving back into -- have grown into their capacity and are coming back to the market and placing orders.

I think that's a good sign. And we indeed expect some growth in the Supply Chain Solutions market in order intake, as Christian explained. And obviously, we fully expect to participate in that growth in order intake during the course of this year.

And the e-commerce guys coming back and being a bellwether, I think, is a good indication of underpinning that expectation for market growth this year.

Sven Weier — Thank you, both.

Akash Gupta — Yes, hi, good afternoon, Rob and Christian, and thanks for your time. I have two as well. And the first one is on SCS revenue outlook. So when I look at the range, the bottom end of the range is quite above the order intake you had in 2024. And when I look at the top end of the range, it's even higher than orders that you had in past couple of years.

So maybe if you can explain what is really driving that, given the orders that we had in couple of years, is this because of exchange rates, given you get some tailwinds there from US dollars, or is it growth in service, which has been again quite impressive in Q4, or is it anticipation of some orders that might be coming soon or maybe some orders in backlog that could be turned around quickly? So first one on the revenue outlook for SCS on the back of orders that we have seen in past couple of years.

Rob Smith

Sure, Akash. Good question, and glad you spotted that. And that's a little bit linked to the answer with Sven. Clearly, there will be continued very good service growth in the SCS revenue line this year.

I think that there's a potential -- there's a misunderestimation of the speed at which we're going to be able to convert some of the projects that were getting in, in the first part of this year.

And as opposed to very long-lead projects, our anticipation is that some of the projects we'll be getting in, for example, from large e-commerce players, the installations go faster, and we may -- our expectation is to be able to convert those faster, some of which will be during this year, as opposed to first of next year.

So even with a bit lower backlog, a starting point from the order book with the orders coming in that are like that in the first half, we expect to be able to convert those this year, and therefore, that underpins the upper end of the guidance segment. I trust that helps you with your understanding?

Akash Gupta

Thank you. I think that makes sense.

And then my second question is on ITS margin. So you end the year with 10.6%. You had full year 10.7%. And when we look at the midpoint, you're guiding 8.7%. And probably, I would assume that it may be fair to assume that the margins in Q4 of '25 could be better than midpoint, given you get some help from savings.

My second question is on quarterly trajectory of the ITS margin that, how shall we see margins in the course of the year, and which are the quarters when we will see more pressure on margins before we see potential savings helping your margin going forward? Thank you.

Christian Harm

Yes, so Akash, I take that question. Thanks for the question. So I sort of tried to allude to that a bit sort of in my commentary on the outlook. I think you will most likely see a first quarter, and then you will see periods thereafter. And the first quarter is most likely relatively stronger in the margin for the ITS segment still than the quarters thereafter.

Remember, we said the full impact of the cost-efficiency measures is in 2026. It is a matter of the speed of the recently started process that we had with our social partners here that will determine the implementation of the measures.

But to your point, Q1 might be relatively stronger than the following quarters.

Akash Gupta

Thank you.

Martin Wilkie

Yes, thank you. Good afternoon. It’s Martin from Citi. The first question I had was on the opportunity with e-commerce customers. You’ve talked about some potential growth there, but we can also read about some of the in-house technology that some of those companies are developing at Amazon and others.

Given that those customers for you have been a little bit quiet for a few years, when you think about your opportunity set and what you can sell into the large e-commerce players, has that changed, or is the opportunity just as good for you now as it was in the prior cycle?

Rob Smith

Thanks for the question, Martin. If you got any doubts about that, let's get rid of those. We don't see any degradation of our capabilities or our spectrum. As a matter of fact, hang in here because we're going to show you a cool video, where we've been very working hard on innovatively enhancing our spectrum over the last couple years and brought some very exciting things to the market's attention at the CES in January.

We have an enhanced spectrum. We're not concerned about the in-house capabilities, big market, and we've got a very good offering and very, very good pipeline conversations going on with customers throughout the spectrum, including those large e-commerce customers, so not worried about that.

Martin Wilkie

Good. That's encouraging to hear. And I did have one follow-up, and perhaps this will get answered in the video anyway, but just in terms of the integration of the NVIDIA AI technology into your business, obviously, you do have your own software inside Dematic IQ and some other packages.

How do we think about that technology getting integrated into your business? Do you have to expand your software capabilities, or is it in partnership more with third parties, or how do you sort of integrate the AI into your offering?

Rob Smith

That's a cool question, and you will see some more about that in the video. Basically, by creating the digital twin, we're able to put all the mechatronics and the software into the digital twin.

And customers are able to play through multiple scenarios in real time and help steer the physical twin to be making the exact right actions and reactions to changes in the supply chain, changes in the distribution center, changes in the warehouse in real time.

We can scenario-plan those, and we can use it to steer the right real-time decision making and optimize what's going on in the changing environment in the operation there.

So it's quite cool. Yes, our software capability is a growing part, and it's a growing part of our business, and we're investing in that in our R&D, and we're bringing more and more of that to the market. And this cooperation, this teamwork, this partnership with NVIDIA is an exciting part of that.

Martin Wilkie — Great. Thank you very much.

Tore Fangmann — Good afternoon. Hi, Christian. Hi, Rob. Thank you for taking my question. My first question would be a bit of a clarification question. Christian, you got me a little bit confused when we're speaking about the IT&S outlook into '25.

Could you please, once more, let us know, what are the assumptions? What would need to happen to reach the upper end? What would need to happen to reach the lower end? And what would need to happen to land below the lower end? Thank you.

Christian Harm — Well, I would actually not want to talk about what would need to happen that we end on the lower end because, otherwise, we would not have provided the guidance that we have provided today.

So our outlook for ITS, as we said, is based on that we have a normalized order book, which basically means that our revenue line is more or less in line with the development of our order intake.

So what will drive the upper end and the lower end of the net sales guidance that we have provided is what actually drives our order intake and development on the upper and then the lower.

And that's the market development for sure in the different markets. And I was talking about -- we have an assumption that, in each of the 3 big regional markets, we actually look at unit-based order intake growth, higher in APAC and lower in EMEA. And we see a recovery in Americas after prior years.

And we see a value-based market -- sorry, order intake development that is lower than the unit-based order intake for all the product mix developments we are giving.

The upper ends and the lower ends will then be a function of the combination of, how are those markets developing, and how are we performing in those markets against the development in the market. And that's the whole element behind the guidance ranges on the revenue for ITS.

Tore Fangmann: Okay. Just one follow-up basically on this one is, if I just look into our IT&S orders from '24, so around about €7.8 billion, so the lower end of the guidance is nearly 5% ahead of this. So, if we were to have below 5% over order growth, could we still reach this lower end because we have a bit of more backlog, or will the rest of the revenue that might be missing just be supported by growth in services? Thank you.

Christian Harm

Frankly speaking, I'm not sure that I follow your math in that right now to give you a precise number. So maybe you share that with IR, and then we take it up.

Tore Fangmann

Okay. Thank you. My second question was on SCS. Just generally speaking, we had quite good numbers from Rockwell in Q4, good numbers from Honeywell with strong growth. You did not grow as much in Q4. Could you just share a bit more details on what is going on in the end market, especially in the US? Is competition also in this warehouse automation and integration environment getting stronger? Thank you.

Rob Smith

Hey, Tore, Q4 revenue last year was based on order intake in '23 and '22 and '21. So our team is executing very competitively in North America, and the business is on a good track. The market's been subdued in the context of -- although we've got a good pipeline and have had a lot of good project development plans and conversations and solutioning in place with customers, they've been slow to start new orders. And that's the trend we were discussing a couple minutes ago, Sven and I.

We think it's turning a bit, especially with the bellwether of the e-commerce customers coming back to the table and placing orders and some other customers are starting to place those orders too.

So I think that our expectations of market and Supply Chain Solutions for the Supply Chain Solutions market for this year is growth in order intake terms.

I also described to Sven or maybe Akash actually that part of that was with faster-turning projects we're thinking are coming in the first half, and that will support the revenue projections at the upper end in our segment this year.

I don't make any -- your thought on Q4, long time ago, when those orders came in, is what was driving the Q4 revenue.

Tore Fangmann: Okay. Thank you.

Sebastian Growe: Hey, good afternoon. Thanks for taking my questions. Hi, Rob. Hi, Christian. First one would be quickly on IT&S. And as you've been pointing to intensifying competition, I noticed that this is in pretty stark contrast to your statements on the quarter 3 call. We also asked around the competitive environment.

So simply put, what has changed since then? Maybe can start there, and then I have one more for SCS.

Rob Smith: Yes, Sebastian. Good question. No, there's always a strong competition in the market. I'm not making a distinction between Q3 and Q4.

I think that the trend that we're seeing is that there is competition in the market, and we're seeing more and more -- especially in Eastern Europe, we're seeing more and more Chinese competition coming into the market at different pricing points.

We play in the market in the segments, and they're coming in, especially in Eastern Europe, and we see some enhanced competition there. But I wouldn't say it's a trend shift between Q3 and Q4. There's always strong competition in the market.

Sebastian Growe — And how might this ultimately then impact what you're currently trying to save in terms of costs, or how much of net savings might then be related to layoff be ITS?

Christian Harm — So Sebastian, we say we have a target for the segments, ITS, SCS, and the group, to go to the 10% and have the 10% margin in this strategic planning period. We also say that, with the outlook that we are providing right now, with all sort of the drivers that you're also alluding to, 2025 is a look-through year on that journey.

We have been there in 2023 for the ITS segment. We have been there in 2024. We regard 2025 as a look-through a year. And we want to be there in 2027 latest again.

So therefore, when we look at our efficiency program, at the savings, and the size we're looking there, we're confident that that brings us there where we need to be and where we have committed to be for the ITS segment.

Sebastian Growe — Okay. Let's move on to SCS. Apparently, the mix has improved there when I look at the gross profit margin, and quite material, that is true in '24. So my question there is, how should one think of any potential step up in operating fixed costs if and when the business was up from acceleration, as you alluded to that this might happen during the first half of the year?

And simply put, what's the capacity headroom that you have in the current setup without kind of adding incremental fixed costs?

Christian Harm

Yes, so Sebastian, we have been talking about the factors that are actually relevant for improving the SCS margin. And that's sort of -- you know them, the rundown, the legacy projects, the improvement in the service business, improving our project execution.

We have also said, for the 10% margin, we would also need sort of leverage in terms of top line and order intake and growth. So our organization on the SCS side, we could flex them down, as the business was lower. We can also flex them up when the order intake is coming. So there is no limitation that we would face for the growth to expand the business as it would come.

But if those elements then all come together, we feel confident that we get to the 10%, as said, in the period up to 2027.

Sebastian Growe

Okay. Helpful. And very quickly, if I may, on the charges of €140 million, €160 million savings and then the €240 million, €260 million among the related expenses, could you put a number with regard to the potential cash outflow that is related to it?

Christian Harm

Yes, so we have a €240 million to €260 million expense, and we expect that sort of the majority of that would also be cash effective in the fiscally year 2025, in the second half of the year though. And that's the expense that we put against the expected savings of €140 million to €160 million.

Sebastian Growe

Okay. So the cash out should be close to the €240 million, €260 million. That's what I take from your words.

Christian Harm	Well, it will be €240 million to €260 million, and we will work out the details once we are working ourselves through the process with our social partners.
Sebastian Growe	All right. Thank you.
Peter Rothenaicher	Yes, hello, gentlemen. A question on SCS, so you have a major plant in Mexico, in Monterrey. What would it mean if the Trump administration will put on the tariffs for production in Mexico? Would you be able to pass on higher purchase costs to your customers and projects and also for the existing projects?
Christian Harm	So referring to the Monterey operation on the SCS side, our reading of the current or current understanding of what's actually up right now would mean that, given the terms under which we're operating, we would not be affected from the tariffs. Should we be, we have changed our terms and conditions in the past to actually reflect changes like this. And then we will enter in the commercial discussions with our customers accordingly.
Peter Rothenaicher	But there would be some risks here.
Christian Harm	Well, in the end, we have deliberately put the terms and conditions there, and we will work on implementing them accordingly. But in the end, it will be commercial discussions.
Peter Rothenaicher	Another question on ITS and, here, the Chinese competition, you mentioned it's mainly targeting business in Eastern Europe. So is it also then mainly targeting the value segment and not least also the Class 3.1 trucks?

Christian Harm

Yes, for sure. The Class 3.1 trucks, so the entry-level warehouse trucks, as we call that, that’s essentially a product category which is -- for everybody in this industry, including ourselves, is actually coming out of China, manufactured in China. So that’s for sure a central piece there.

Yes, competition of -- when we talk about Chinese competitors in this context, also, we are talking about the economy segment, and we are talking about the lower end of the value segment. And then markets that are attuned to those kind of segments are seeing more of that, and other markets which have actually more of a premium demand see less so. And that’s different in the different countries in Europe.

Your underlying assumption, I think, I would say is correct in this one.

Peter Rothenaicher

Okay. Thank you.

Christoph Dolleschal

Yes, hi, guys. A follow-up or 2 follow-ups from my end on the competition side once more, so if competition is mainly in Eastern Europe, so why such a big restructuring program or comparably big restructuring program?

And the question what you see from Japanese competition because they’ve obviously had the help of the N for the past couple of years, which could theoretically help them to reduce prices, is that an issue as well?

Christian Harm

So let me start with the last one first on the on the Japanese competition. Japanese competition is basically our bread and butter, if you will. That has been sort of our competitive scheme for a very long time. We don't experience any changes in the setup or exposure or whatsoever when it comes to Japanese competition.

On the first question, though, on the program, so for sure, we have a very strong position actually ourselves also in Eastern and Central European markets. It's a very relevant piece of our market.

And we need to prepare ourselves to make sure that, also going forward, we have the necessary means to expand the business, to invest in the business. And therefore, we consider this actually a right moment to make a decisive step like this one at this point in time to be prepared for ourselves going and be proactive, rather than sort of wait for competitors to gain a position, and then we may or may not be in the position to act as decisively as we do right now.

Christoph Dolleschal

Okay. Thank you. And then probably, on Eastern Europe, when you talk about the unit outlook for EMEA, could you break this down, your outlook, into West and Eastern Europe, simply because I think, in 2024, the growth in EMEA was mainly driven by Russian volumes and that were exclusively being delivered by Chinese competitors.

So the question is, when you strip Russia out of the equation, how does it actually look? And that is why I would like your view on Western and Eastern Europe separately.

Christian Harm	Yes, and I understand your request, but I ask for your understanding that we don't break that out in our outlook, space for our outlook.
Christoph Dolleschal	But you would agree, if we take Russia out, EMEA wouldn't look as -- basically, because you expect an increase in volumes, but ex-Russia, that's probably rather a decline, right?
Christian Harm	No, I would not agree with that necessarily.
Christoph Dolleschal	And okay, well, then last but not least, let's take the competitive question the other way around because you obviously also are active in China. So how is your Chinese business doing? Are you actually winning share against Heli and Hangcha and the likes, or is it stable, or how is business developing there?
Christian Harm	So that's a very good question actually. So as you know, we have been there for 30 years and longer, being the only company that is sort of not a genuine Chinese company that is still active in that area, and we are actually performing very well. So it's an important market, and we are actually winning share in this very important market in our industry.
Christoph Dolleschal	Okay. Thank you.
Rob Smith	Moritz, this is the time. Ladies and gentlemen, you've been looking forward to this. If you thought you were excited before, wait until you see this one. We're going to show you the videos, and this is one we were promising earlier. We'll show you the exciting teamwork and partnership we have going on with NVIDIA and Accenture on physical AI. Let's roll it.

Thank you for everybody's time and attention, and we'll look forward to seeing you in person in the weeks and months to come and when we have our next call. Moritz, please, let's roll the tape now.

Rob Smith

Thanks for rolling the tape, Moritz, and thanks everyone for your time and attention today. We'll look forward to talking to you in the weeks to come, and we'll be back at the end of April with our first quarter results. Thanks very much. Bye, bye.