

# KONE Q3 2021

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## Q3 2021 Highlights

- Strong growth in orders received, sales broadly stable
- Supply chain environment remains challenging, customer deliveries prioritized
- Improved momentum for 24/7 Connected Services



# Q3 2021 Key figures



STRONG GROWTH IN ORDERS RECEIVED, EBIT IMPACTED BY RISING COSTS IN SUPPLY CHAIN

		Q3/2021	Q3/2020	Change	Comparable change
Orders received	MEUR	2,211.1	1,931.7	14.5%	10.9%
Order book	MEUR	8,436.9	7,914.4	6.6%	3.1%
Sales	MEUR	2,610.0	2,587.0	0.9%	-1.3%
Operating income (EBIT)	MEUR	326.5	333.1	-2.0%	
Operating income margin (EBIT %)	%	12.5	12.9		
Adjusted EBIT	MEUR	326.5	339.8	-3.9%	
Adjusted EBIT margin	%	12.5	13.1		
Cash flow from operations (before financing items and taxes)	MEUR	365.1	600.2		
Basic earnings per share	EUR	0.50	0.50	-0.6%	

# 1–9/2021 Key figures



ROBUST PERFORMANCE ACROSS THE BOARD

		1–9/2021	1–9/2020	Change	Comparable change
Orders received	MEUR	6,697.7	6,116.4	9.5%	9.8%
Order book	MEUR	8,436.9	7,914.4	6.6%	3.1%
Sales	MEUR	7,747.3	7,317.3	5.9%	6.6%
Operating income (EBIT)	MEUR	943.4	845.8	11.5%	
Operating income margin (EBIT %)	%	12.2	11.6		
Adjusted EBIT	MEUR	950.4	869.9	9.3%	
Adjusted EBIT margin	%	12.3	11.9		
Cash flow from operations (before financing items and taxes)	MEUR	1,303.7	1,539.4		
Basic earnings per share	EUR	1.43	1.27	12.5%	

# Responding to cost and availability headwinds in the supply chain



Elevated  
material prices



Increased costs for  
securing electronic  
component availability



Increased  
logistics costs

## KONE actions

Reducing product costs and improving productivity

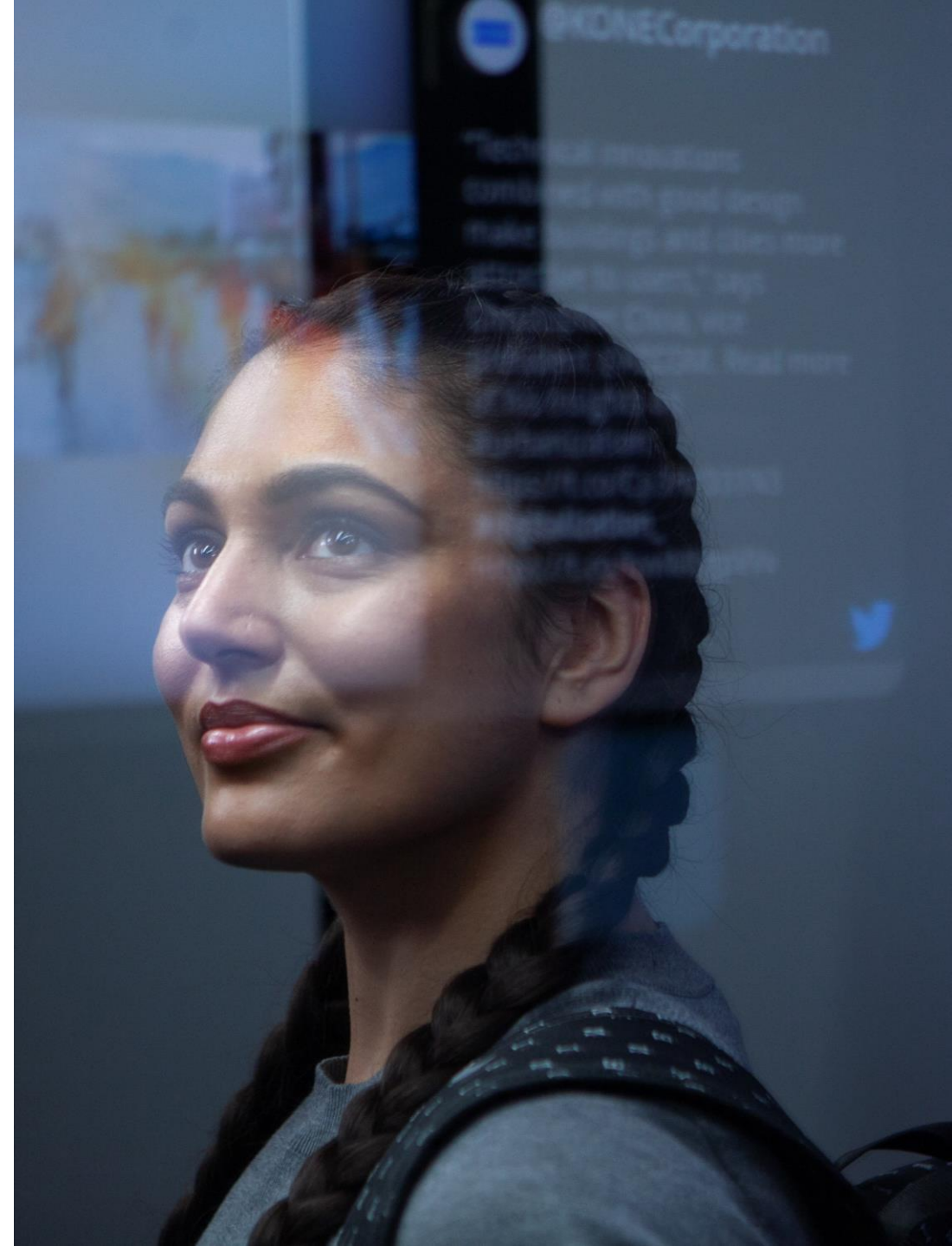
Pricing actions across all businesses

Focusing on differentiated offering



# Improved momentum for 24/7 Connected Services

- Penetration in maintenance base increased to 10%
- Value proposition resonating well with customers
  - Increased transparency
  - Reduced breakdowns and improved accessibility through
    - >40% fewer callouts
    - 70% of all potential faults identified proactively
    - 50% reduction in entrapments
- Improved sustainability
  - Less unplanned visits
  - Prolonged equipment lifetime





# Market development





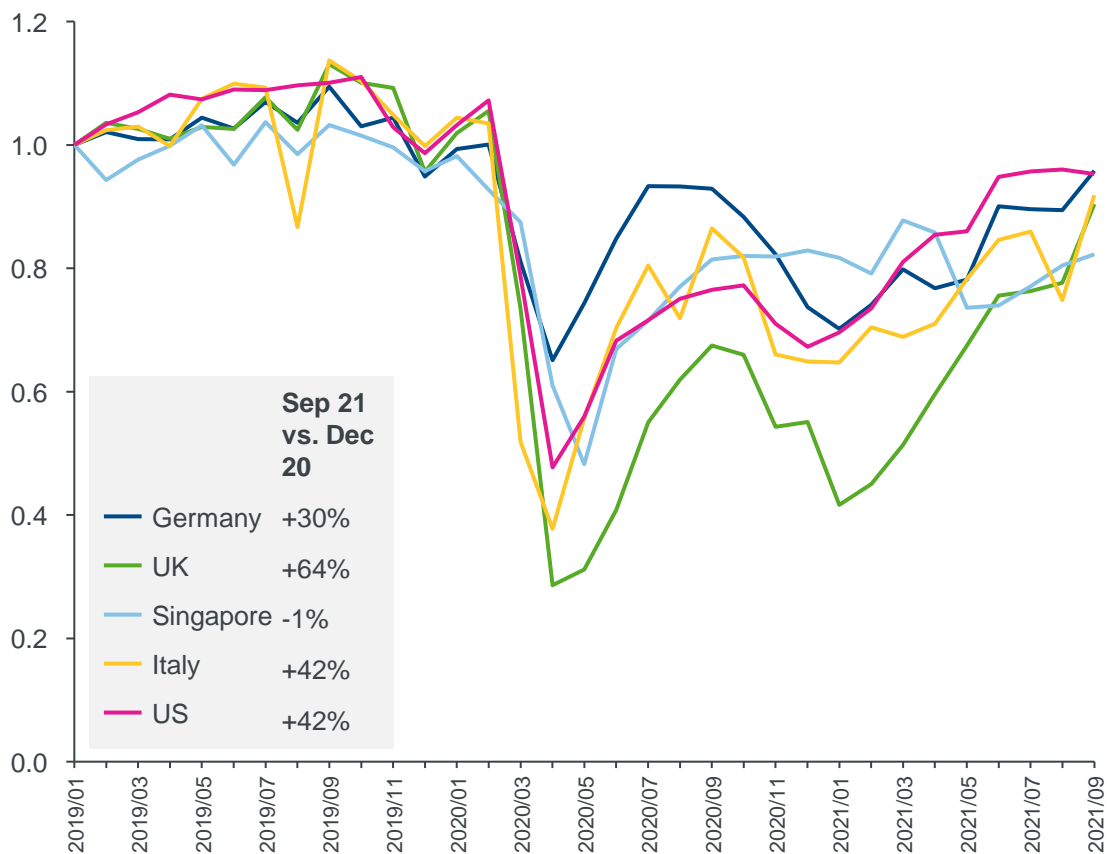
# Elevator usage continued to recover in most markets



MONTHLY AVERAGE NUMBER OF STARTS PER ELEVATOR, DATA FROM CONNECTED UNITS

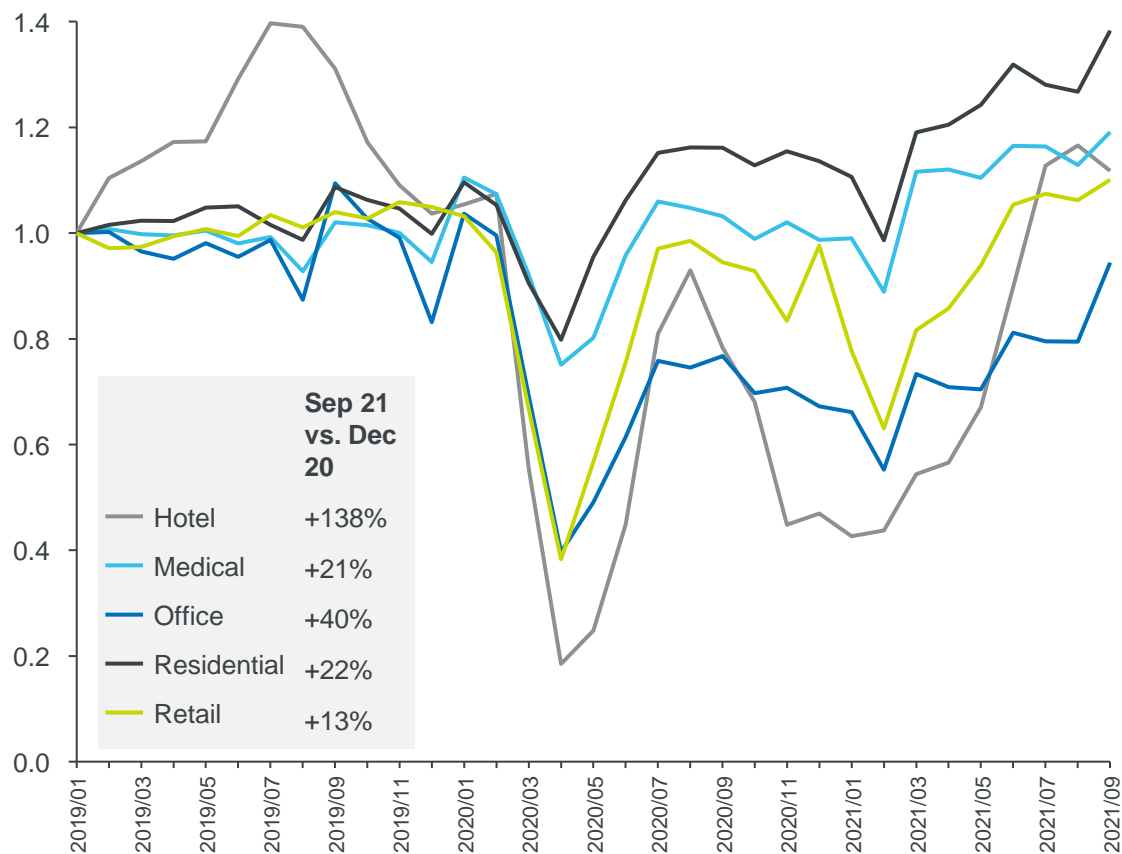
## By country

Indexed, indicative



## By segment

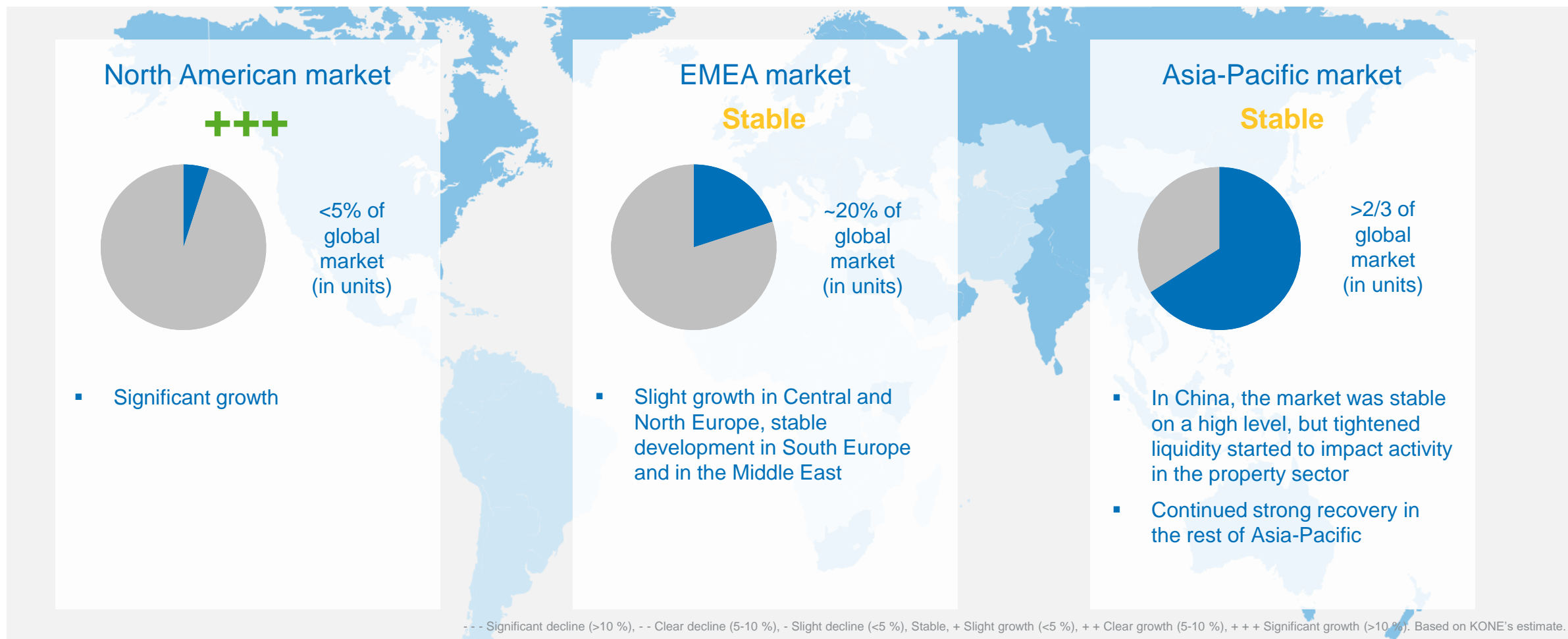
Indexed, indicative





# New equipment market development in Q3 2021

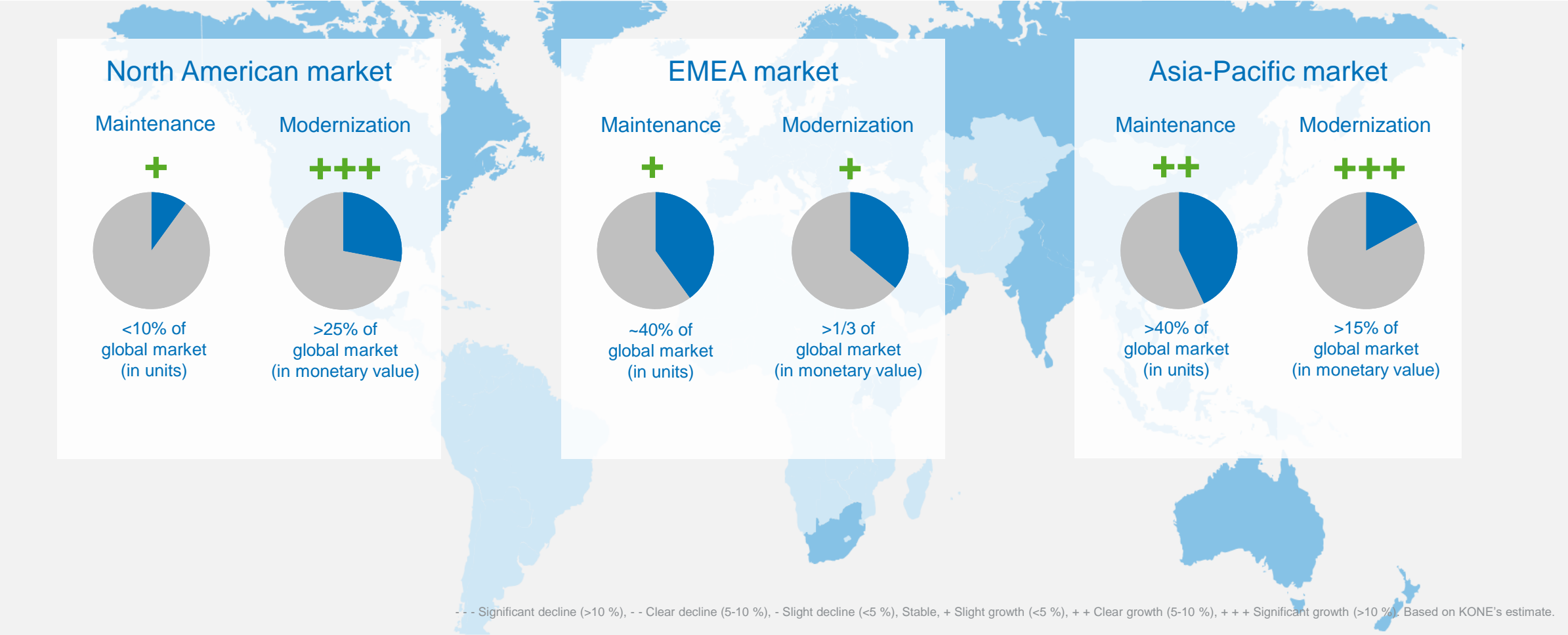
RECOVERY CONTINUED AT A VARIED PACE IN DIFFERENT REGIONS



# Service market development in Q3 2021



BROAD-BASED GROWTH IN BOTH MAINTENANCE AND MODERNIZATION





# Chinese property market in Q3 2021



- In units ordered, the new equipment market was stable y-o-y with signs of tempering activity
- The pricing environment continues to be characterized by intense competition



- Macro momentum slowing
- Financing environment for developers remains tight
- Liquidity restrictions impacting property sector



	Q3 2021, y-o-y	Q3 2021, CAGR from Q3 2019	YTD Sep 2021, y-o-y
Real estate investment	-0.8%	5.3%	8.8%
Residential sales volume	-14.5%	-14.1%	11.4%
New starts	-17.4%	-7.4%	-4.5%
New home prices in 70 largest cities (Aug)	3.7%		

# Q3 Financials

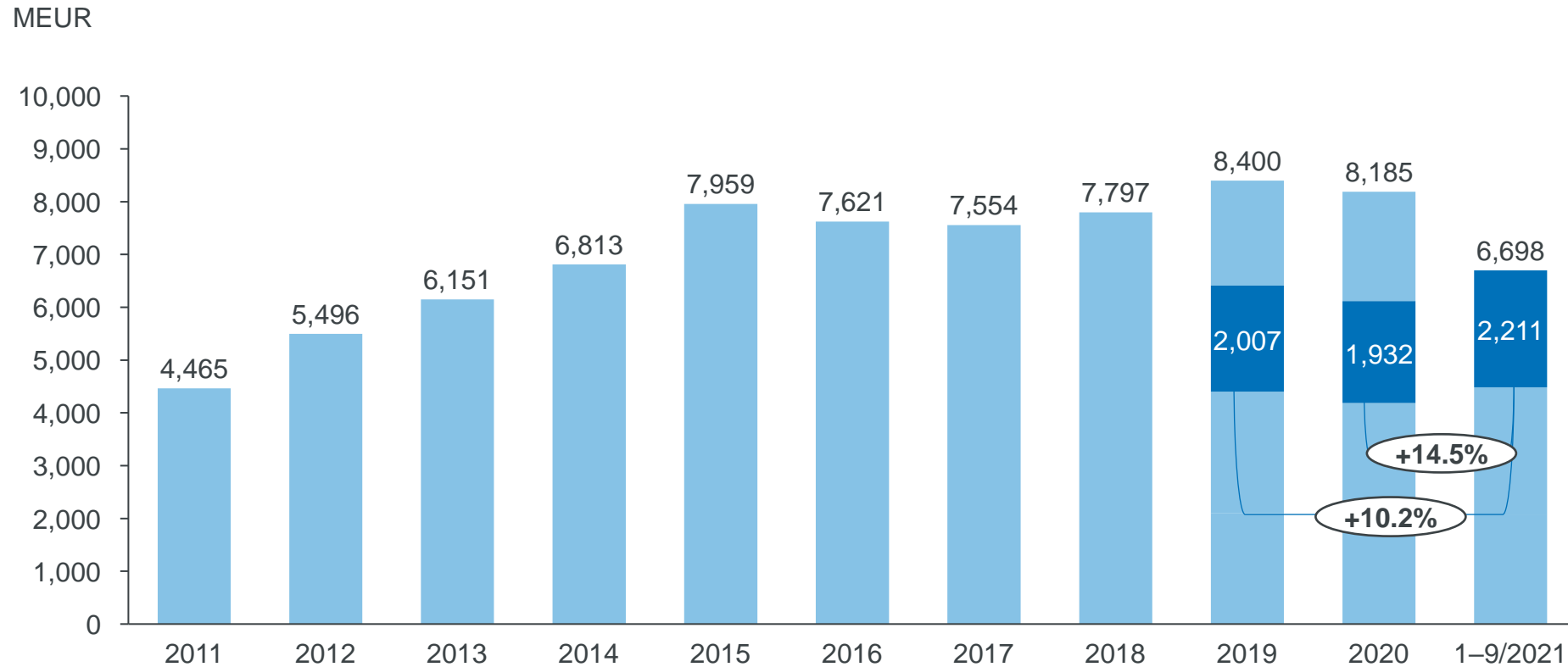




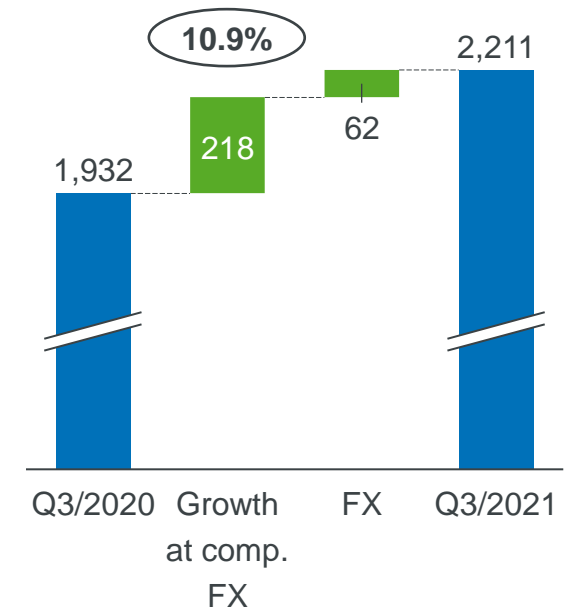
# Orders received



STRONG GROWTH IN BOTH NEW EQUIPMENT AND MODERNIZATION



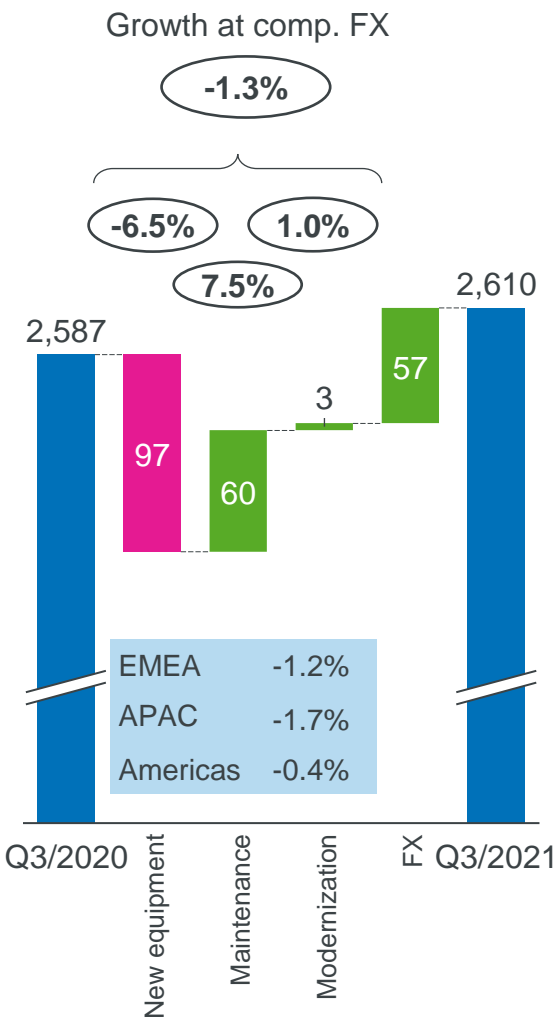
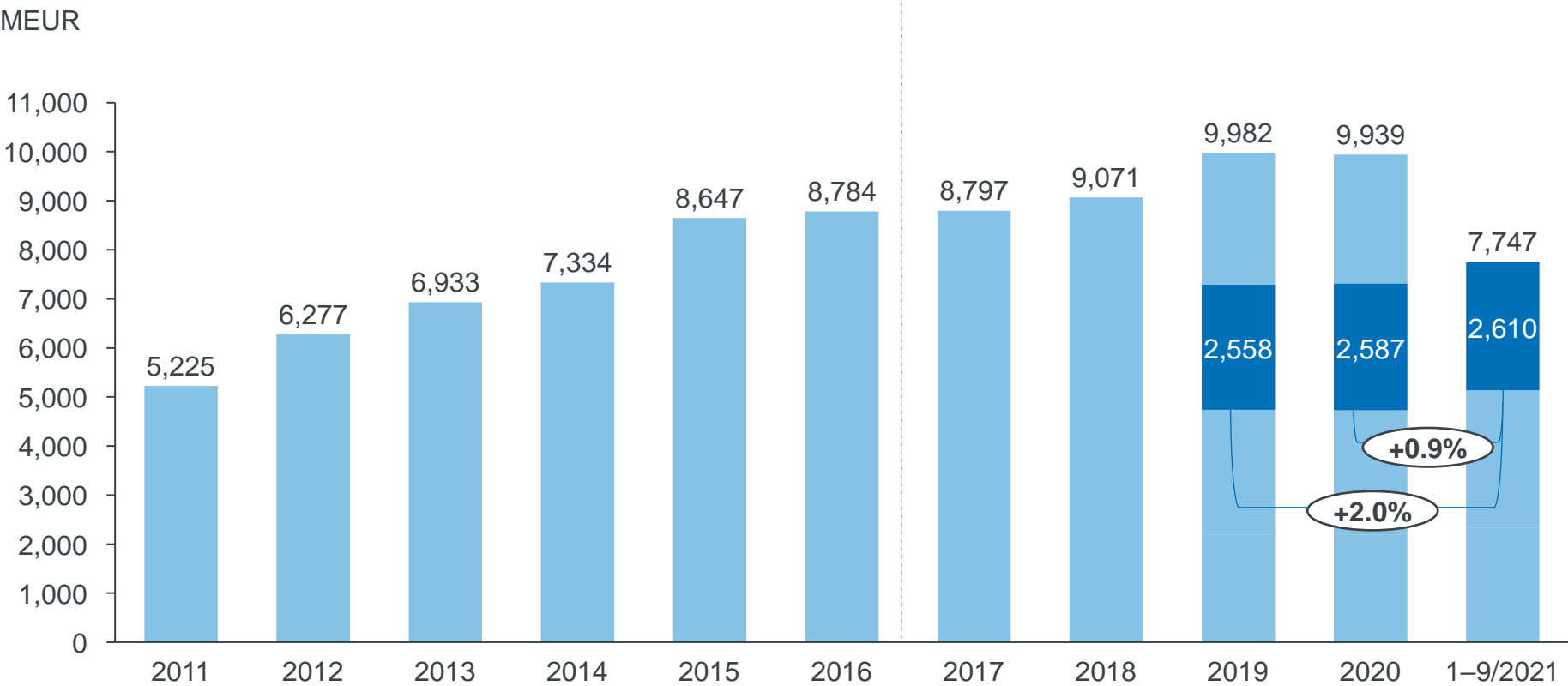
- In Q3, the margin of orders received declined



# Sales



BROADLY STABLE DEVELOPMENT, WITH STRONG MOMENTUM IN MAINTENANCE



KONE has applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2011–2016 are not restated and thus not fully comparable.



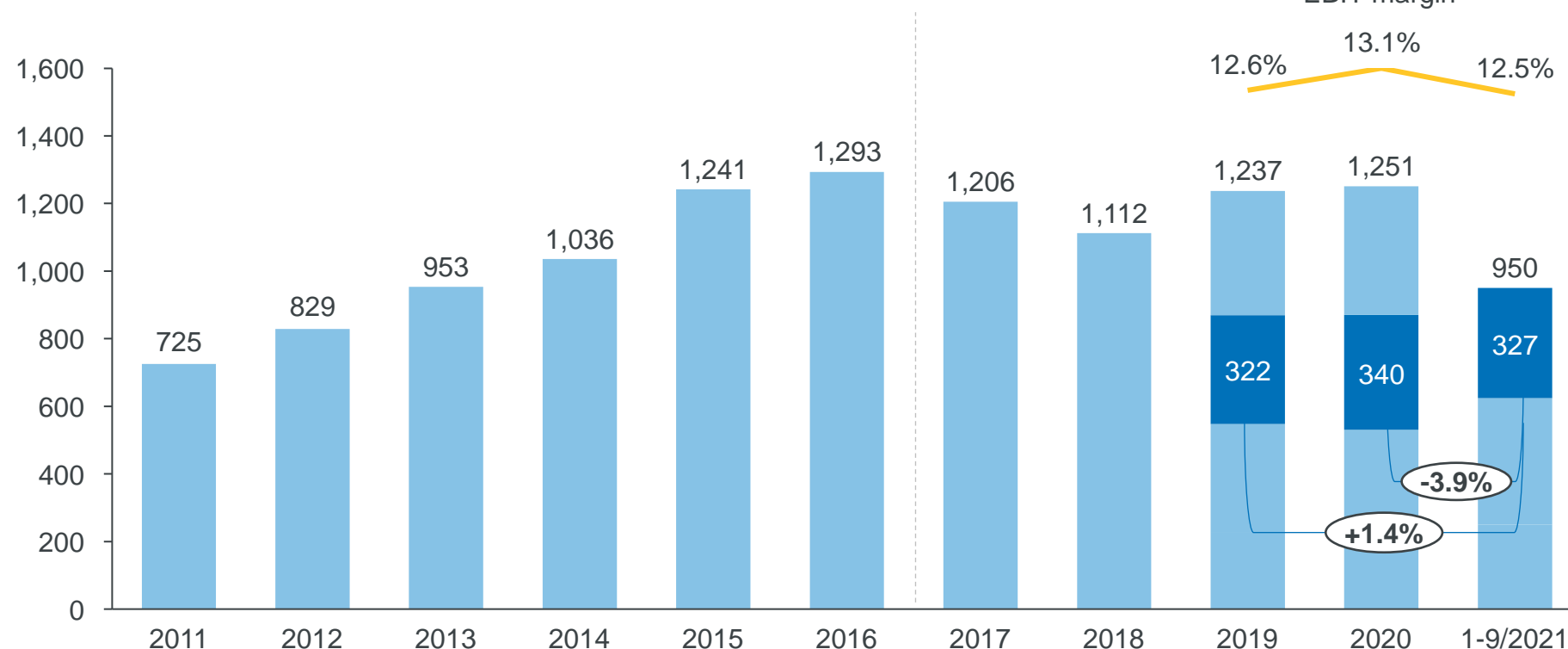
# Adjusted EBIT

MARGINS BURDENED BY INCREASED COMPONENT AND LOGISTICS COSTS

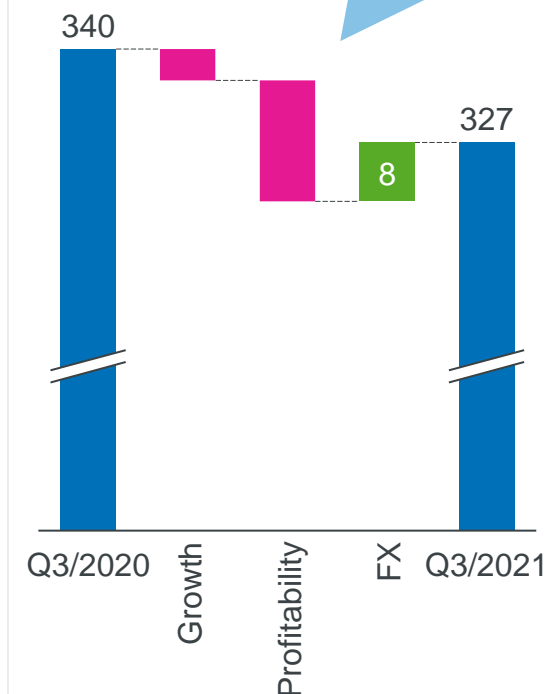


## Adjusted EBIT\* and adjusted EBIT margin

MEUR; %



- + Favorable mix
- + Good development in services
- Decline in volumes
- Approx. MEUR 75 impact from increased component and logistics costs



\*KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. In January–September 2021, the adjusted EBIT excluded costs of EUR 7.0 million related to restructuring measures in KONE's global business lines and functions. During 2017–2020, all restructuring costs excluded from adjusted EBIT related to the Accelerate program.

KONE has applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2011–2016 are not restated and thus not fully comparable.

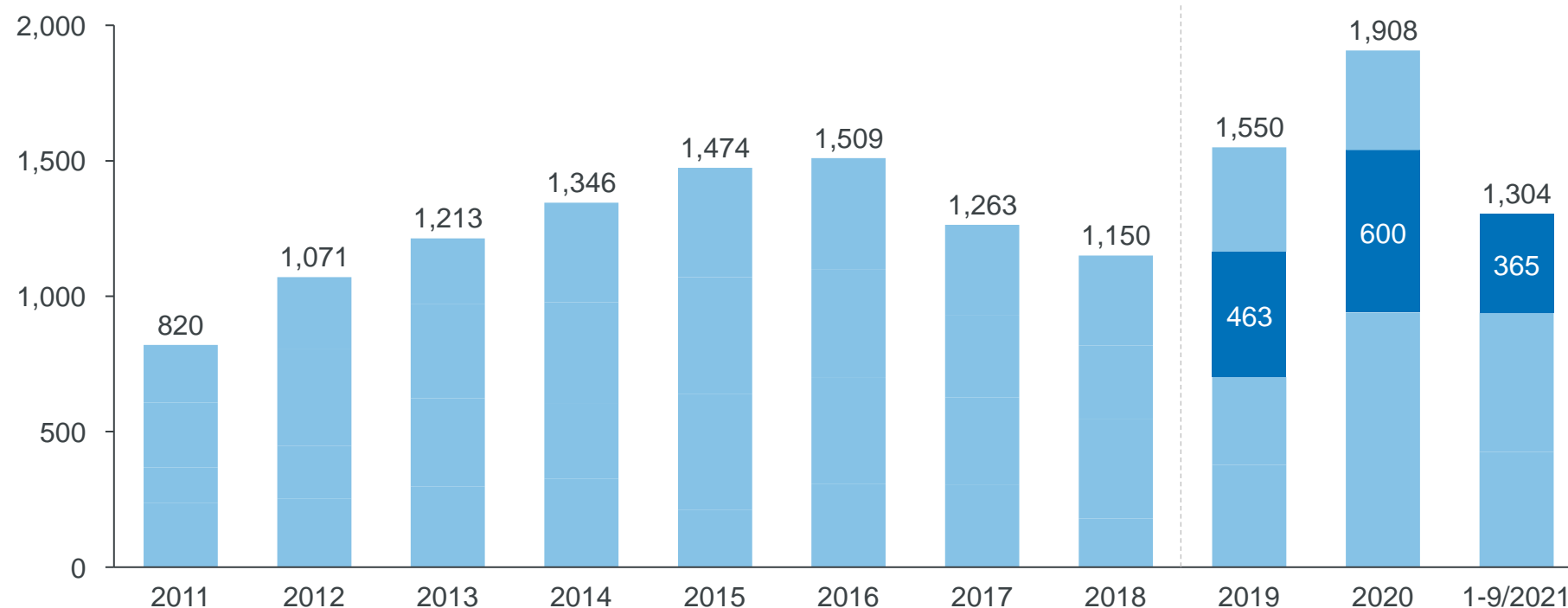
# Cash flow



## YEAR-TO-DATE CASH FLOW STRONG

### Cash flow from operations\*

MEUR



- Q3 cash flow solid, comparison period exceptionally high

\* Before financing items and taxes

KONE had adopted IFRS 16 from January 1, 2019 onwards which improved cash flow from operations as payments of lease liabilities were included into cash flow from financing activities. The cash flows for comparative periods have not been restated.



# Market and business outlook





# Market outlook for 2021 (updated)

## New equipment markets

- In China, the new equipment market is expected to grow clearly from a high level thanks to strong activity in the first half of the year
- In the rest of the world, the new equipment markets are expected to recover from a low comparison period

## Maintenance markets

- With normalizing maintenance activity around the world, the maintenance markets are expected to grow clearly in Asia-Pacific and grow slightly in other regions

## Modernization markets

- Modernization markets are expected to grow across all regions



# Business outlook for 2021 (specified)



## Sales

- KONE estimates that in 2021, its sales growth will be in the range of 4% to 6% at comparable exchange rates as compared to 2020

## Adjusted EBIT

- The adjusted EBIT margin is expected to be in the range of 12.4% to 12.8% (12.4% to 13.0%). Assuming that foreign exchange rates remain at the October 2021 level, the impact of foreign exchange rates would be limited

### Supporting our performance

- ⑦ Solid order book and maintenance base
- ⑦ Continuous improvements in quality and productivity

### Burdening our result

- ④ Approx. MEUR 200 headwind in 2021 from increased component and logistics costs
- ④ Investments in our capability to sell and deliver digital services and solutions

# Headwinds and tailwinds going into 2022



## BOOSTING OUR PERFORMANCE

- ① Solid order book
- ① Service growth momentum
- ① Effects of product cost & pricing actions towards the latter part of the year



## BURDENING OUR RESULT

- ② Elevated raw material prices
- ② Increased costs for logistics and for securing component availability
- ② Lower visibility in China



## Summary

- Market recovery continues despite challenges in global supply chains
- Addressing rising costs from a position of strength
- Driving differentiation with our value-added solutions and services



Dedicated to People Flow™



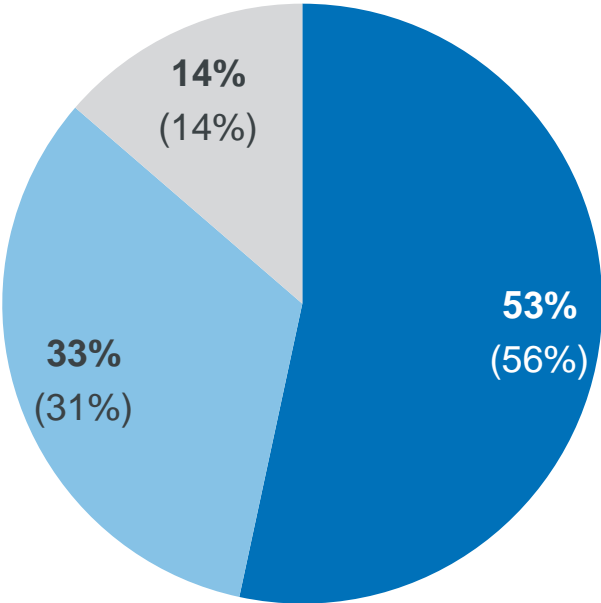
# Appendix



# Q3/2021 Sales split

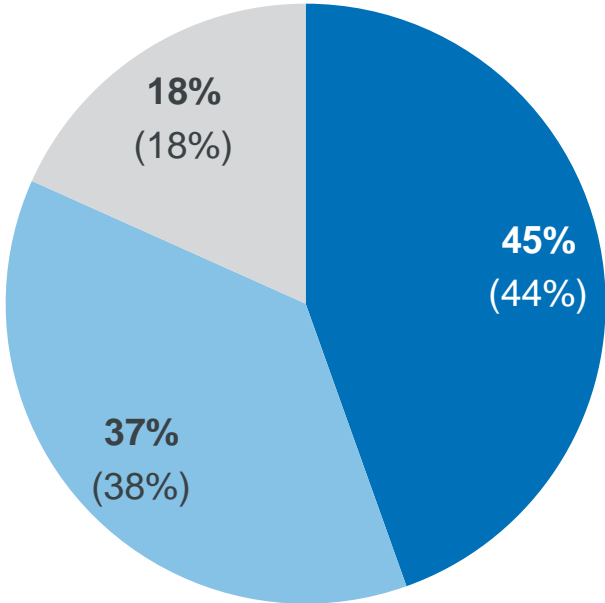


By business



- New equipment
- Maintenance
- Modernization

By region

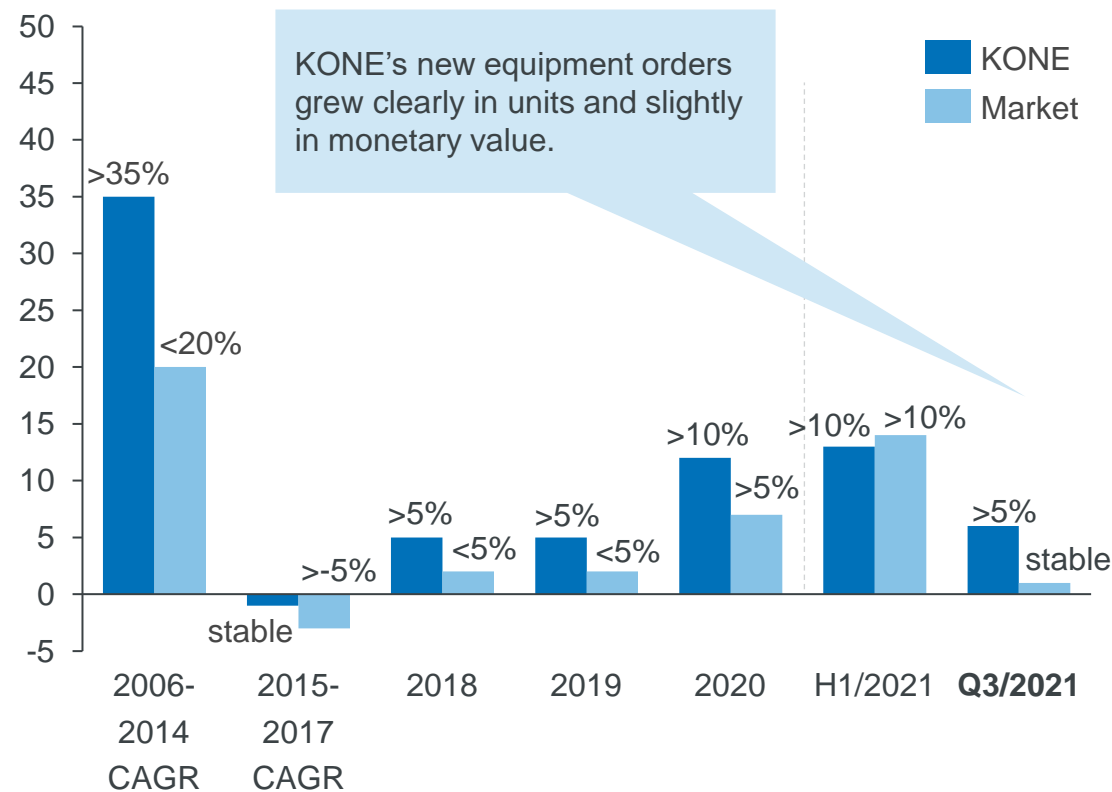


- Asia-Pacific
- EMEA (Europe, Middle East and Africa)
- Americas

7-9/2020 figures in brackets. Figures in charts are rounded and at historical exchange rates.

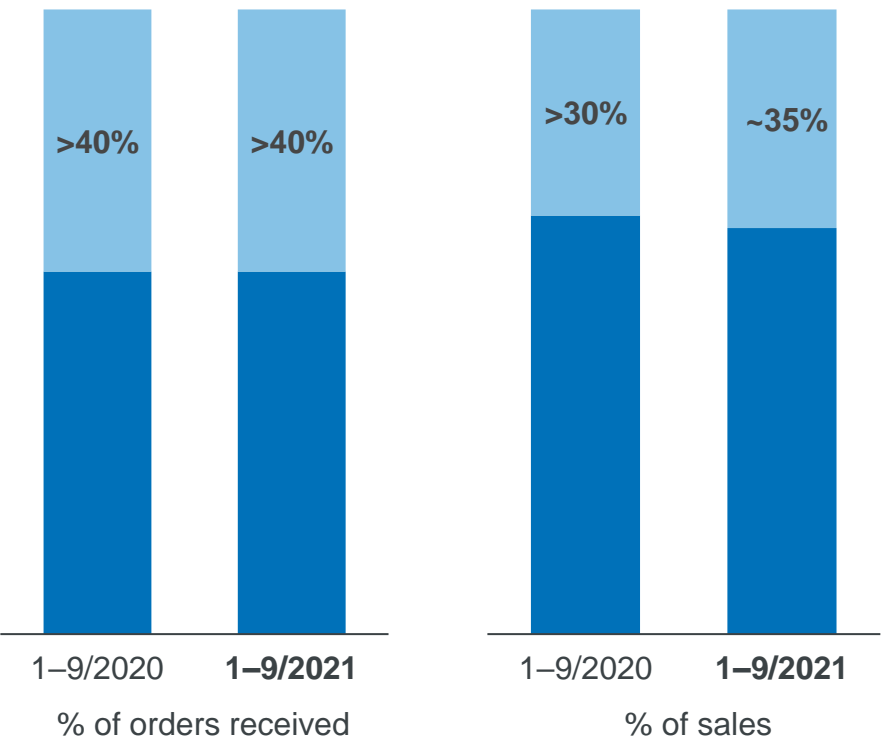
## New equipment market

New equipment orders received in units vs. market development



## China's share of KONE's orders received and sales

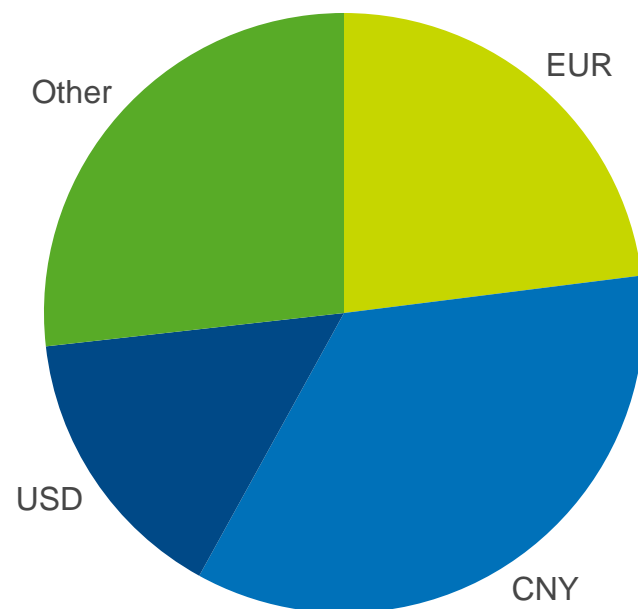
Monetary value



# Currencies



## Sales by currencies 1–9/2021



## Currency impact\*

MEUR	Q3	Full year
Sales	56.8	-23.2
EBIT	8.3	2.8
Orders received	61.7	-3.9

## Main currencies

	Q3/2021 average	2020 average	Sep 30, 2021 spot
EUR / CNY	7.7422	7.8916	7.4847
EUR / USD	1.1972	1.1452	1.1579
EUR / GBP	0.8663	0.8864	0.8605
EUR / AUD	1.5833	1.6523	1.6095

\*The impact of retranslating Q3/2020 and 1–12/2020 amounts with comparable exchange rates.



# Balance sheet – assets employed



MEUR	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
<b>Assets employed</b>			
Goodwill	1,384.3	1,343.5	1,327.0
Other intangible assets	216.7	218.4	223.2
Tangible assets	720.9	690.6	710.0
Investments	142.0	132.6	143.2
Net working capital	-1,356.9	-1,200.3	-1,160.1
<b>Assets employed total</b>	<b>1,107.0</b>	<b>1,185.0</b>	<b>1,243.4</b>
<b>Financed by</b>			
Equity	2,927.0	2,917.7	3,197.3
Net debt	-1,820.0	-1,732.7	-1,953.8
<b>Equity and net debt total</b>	<b>1,107.0</b>	<b>1,185.0</b>	<b>1,243.4</b>

# Net working capital



MEUR	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
<b>Net working capital</b>			
Inventories	673.7	640.9	597.0
Advance payments received and deferred revenue	-1,893.7	-1,817.7	-1,766.8
Accounts receivable	2,317.9	2,133.9	2,178.6
Deferred assets and income tax receivables	854.0	802.7	720.9
Accruals and income tax payables	-2,245.8	-2,092.8	-1,996.2
Provisions	-164.6	-138.7	-154.7
Accounts payable	-1,056.6	-873.0	-890.9
Net deferred tax assets / liabilities	158.2	144.4	152.0
<b>Net working capital total</b>	<b>-1,356.9</b>	<b>-1,200.3</b>	<b>-1,160.1</b>